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Asian Competitiveness
Annual Report 2019

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Preface

In 2018, the world economy remained a mild momentum in growth, with slowdown in driving forces, however. Amid the worsening trade friction at the global level, major economies started to adopt different monetary policies. Meanwhile, international capital flows intensified, the prices of financial markets, energy and other commodities became more volatile, and the international economic situation showed more unsteadiness and uncertainties.

In 2018, on the whole, emerging Asian economies maintained a high growth rate of 6.5 percent, among the highest in the world. Affected by unstable factors, however, the economic growth of most countries slowed. The environment for the development of Asian economies changed, along with changes to the international industrial chain with US as the export market.

In 2018, Asian economies stepped up international cooperation on production capacity to seek mutual benefit. Substantive progress was made in the "One Belt and One Road" and the Regional Comprehensive Economic Rartnership (RCEP). The China-Japan-ROK free trade area negotiation was re-launched. The Comprehensive Progressive Trans-Pacific Partnership (CPTPP) of high standards came into force.

It marked the ninth year for the assessment of the competitiveness of Asian economies by Boao Forum for Asia (BFA). In addition to dynamic evaluation and ranking of the comprehensive competitiveness of major Asian economies, the report also offers analysis on the specific competitiveness of each economy, their advantages and disadvantages, and dynamic evolution, in terms of commercial and administrative efficiency, infrastructure, overall economic vitality, social development, human capital and innovation capability. A look at the competitiveness ranking over the past 9 years shows that, amid the continuous progress of economic integration, Asian economies have begun to enjoy huge integration dividends; the growth of the Asian economy and the improvement of Asia's competitiveness have, on the whole, shown a good momentum for steady progress; the stability and resilience of the economic and social development of all economies have demonstrated steady improvement; and the competitiveness gap between them is narrowing, so is the gap between developed and developing economies in Asia. Hopefully, the report will contribute to increasing core competitiveness, greater efforts for common action and development among Asian economies, and the building of a community of shared future for mankind.

My heartfelt thanks must go to those who have long supported this work and contributed their effort and wisdom to this report. Friends from all walks of life are welcome to continue to pay attention to this report and put forward suggestions, so that our efforts will translate into an annual report on Asian competitiveness that is better, broader, and of greater influence. With our concerted efforts, we will make our contributions to enhancing Asia's competitiveness and building a community of shared future in Asia.

李保东

Li Baodong

Secretary-General

Boao Forum for Asia

Chapter 1

Overview of Asian Economy

The year 2018 marked a turning point for the world economic recovery, saw the shift of the international economic policy coordination mechanism to unilateralism and populism, and witnessed rapidly increasing uncertainties and risks. And this forms the backdrop for economic and social development in Asia.

As unilateralism prevailed and the world economy gained momentum then lost impetus, in 2018, Asian economy also followed an inverted U curve, with its steady economic performance troubled with downward pressure. Thanks to the improved self-consciousness and capacity for self-protection among Asian economies, the security situation in Asia has turned for the better.

1.1 Asian Economy Shows a Stable Growth in 2018 with a Mounting downward Pressure

In 2018, Asian economies continued last year's strong impetus, then slowed under the impact of trade friction and other factors, echoing the trend of global economy. Overall, Asian economy was stable, but the downward pressure increased.

1.1.1 East Asian Economy Shows a Stable Performance

As the hub of Asian economy, East Asian economies have made a sensitive response to the shrinking upstream market of the international industrial chain, and they have also shown great anti-interference resilience.

As a center for further integrating international trade in Asia, China's economy, though hit hard by the trade friction between China and the United States, and undergoing an inverted U curve and slowdown, showed strong resilience to shocks and confirmed itself as the mainstay of the Asian economy. As shown in Figure 1.1, China's Gross Domestic Product (GDP) in 2018 was about USD13.7 trillion, with GDP per capita of about USD9,000, marking an overall year-on-year growth rate of 6.6%. On a quarterly basis, China's economy harvested a year-on-year growth rate of 6.8% in the first quarter, 6.7% in the second quarter, 6.5% in the third quarter and 6.3% in the fourth quarter. Growth of 6.6% was the slowest since the 2008 global financial crisis. Affected by trade friction and other factors, China's GDP growth in the first three quarters of 2018 showed a marked downward trend, with the year-on-year growth rate rising first and then decreasing.

China's consumer prices rose 2.1% in the first three quarters, up 0.1 percentage point from the first half of the year. Excluding food and energy, core CPI rose only 2.0% in the first three quarters, unchanged from the first half of the year, and prices are expected to remain stable throughout the year. As shown in Figure 1.2, China's exports once plunged under the impact of the trade friction, but then gained a strong and sustained momentum underpinned by price advantage, even when the trade friction was in full swing. China's total exports rose 21.40% in October year on year from a year earlier, and a big growth for the full year is expected. The national urban unemployment rate was 4.9% in September, dropping

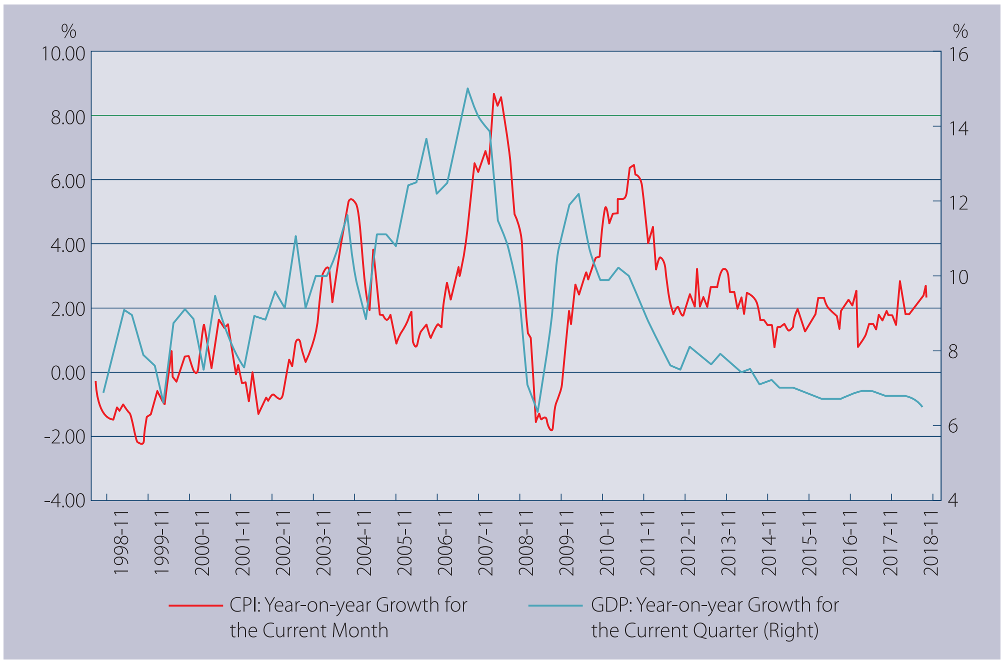

Figure 1.1 Changes of China's GDP and CPI

Source: Wind Info

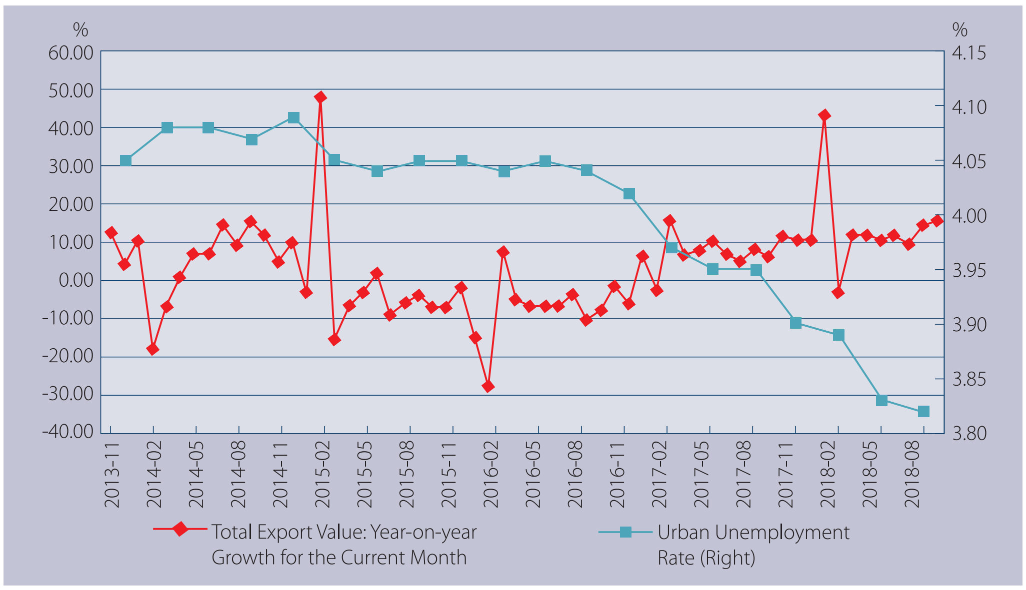

Figure 1.2 Changes in China's Exported Commodities and Urban Unemployment Rate

Source: Wind Info

by 0.1% from the previous month and over a year earlier. Over 11 million new urban jobs were created in the first three quarters of this year, and the unemployment rate was entirely under control. The third quarter saw China's urban unemployment rate stay at 3.82%, dropping by 0.01% from the previous quarter. Taken together, the indicators of economic growth, employment, prices and income show that

China's economy was operating within a reasonable range, with an optimized economic structure, improved quality and efficiency of development, and steady progress. Despite the growing downward pressure, the overall economic performance remained stable.

The trade friction, however, did have a major impact on China's commercial activities. As shown in Figure 1.3, after the full escalation of Sino-US trade friction in July, Chinese entrepreneurs' confidence index began to turn downward. In the third quarter, the entrepreneurs' confidence index (issued by the People's Bank of China) was 71.10 (with a threshold of 50), dropping by 4.70 points from the second quarter. The business confidence index published by National Bureau of Statistics (NBS) was 123.60, dropping by 2.20 points from August. This means the bite of the trade friction on China's economy was felt, but not to a large extent. In 2018, China's macro economy continued a slowdown while maintaining stability, and the real GDP growth for the whole year was 6.6%. In 2018, China's GDP reached 90 trillion yuan, with an increase of 8 trillion yuan over last year. The increase is equivalent to nearly a third of global economic growth. China will continue to implement counter-cyclical policies, such as proactive fiscal policy and prudent monetary policy. While ensuring steady performance in employment, finance, foreign trade, foreign capital, investment and expectations, it will work harder to offset the risks of the trade friction and achieve a stable and healthy economic growth. Additionally, China will intensify efforts to improve the external development environment, promote the transformation of old drivers of growth into new ones by deepening supply-side structural reform, increase new drivers of growth, and upgrade the industrial structure. China's economy is expected to focus on stability and quality improvement in 2019. Based on a firm foundation, China's economy is expected to grow at a rate of 6%-6.5%, showing a steady and good performance.

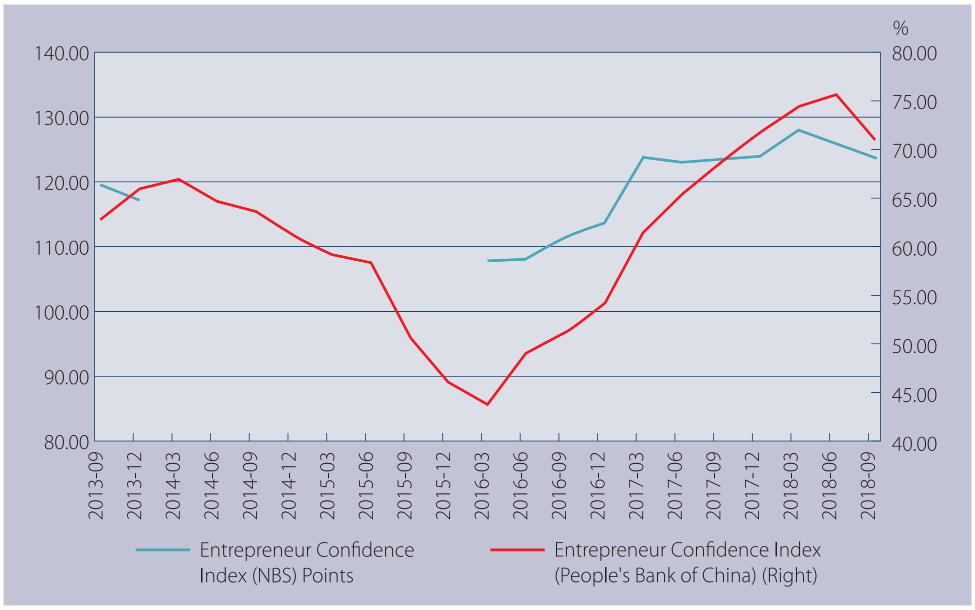

Figure 1.3 Changes of Chinese Entrepreneurs' Confidence Index (Quarterly)

Source: Wind Info

As China's growth slowed, the economic performance among the rest of East Asian economies was also an inverted U shape.

And the same is true with Japan. According to the express statistical data from Japan's Cabinet Office, Japan's economy expanded for eight consecutive quarters by the end of 2017. In the first quarter of 2018, Japan's GDP grew 1.1% year on year from a year earlier. In the second quarter, the economy grew 1.3% year on year from a year earlier. But the growth rate dropped sharply in the third quarter to 0.3%. In the first three quarters, Japan's economy grew 0.9% year on year. On October 31, Bank of Japan (BOJ) projected a real GDP growth at 1.4% for the fiscal year of 2018.

The same story happened to the economy of Korea. In the first quarter of 2018, Korea registered a real GDP growth of 2.8% year on year, a revised value of 2.8% in the second quarter, and a real GDP growth of about 2% year on year in the third quarter, which was mainly due to a sharp 5.3% decline in construction output, the lowest since the second quarter of 1998. Given the strong performance of consumption and net exports, both pillars of Korea's growth, the slowdown in the third quarter might be viewed as accidental. Therefore, in October, International Monetary Fund (IMF) did not significantly downgrade its projection of Korea's economic growth at 2.8% for 2018. The Korean government expects its full-year growth for 2018 at 2.8%-2.9%, without much adjustments.

Mongolia's economy continued to pick up. In the first three quarters of 2018, Mongolia's real GDP growth reached 6.3% at constant prices in 2010, according to official and public data. In the first quarter, it registered a year-on-year real growth of 6.1%, 6.4% in the first and second quarter, and 6.7% in the third quarter, climbing 0.3 percentage point from the previous quarter and dropping by 0.3 percentage point from the same period of last year. The economy as a whole was trending upwards. Mongolia's economy continued to grow at a steady to fast pace. However, Mongolia's economy was also slightly affected by world economic fluctuations, showing a year-on-year decline.

With initial results made in the Democratic People's Republic of Korea (DPRK) nuclear issue, the country shifted its focus on its economy. With self-reliance at the core, and "concentrating all efforts on building a socialist economy", the DPRK worked hard to improve and develop the production system, in a bid to solve basic problems affecting people's well-being, minimize the impact of sanctions on people's livelihood, and better people's lives. The Democratic People's Republic of Korea's real GDP growth in 2016 was 3.9%, according to the United Nations (UN) data. It follows that the DPRK has become an increasingly active player in the effort for regional economic development.

In conclusion, under the comprehensive influence of trade friction, geopolitics, and the shrinking upstream market of the international industry chain, the overall economic performance of East Asian economies in 2018 shows an inverted U curve. On the other hand, it also shows an overall stability, a solid foundation and a strong ability to withstand shocks.

1.1.2 Rise Followed by Fall of Southeast Asian Economies

As a cluster comprising stronger economies, Southeast Asian economies have fared well in the face of uncertainties and shocks of 2018. Their inverted U shape dovetails with the picture of global economy, but they also showed a strong growth momentum.

Indonesian economy rose first and then slowed, but as a whole it maintained its impetus. According to Indonesia's National Bureau of Statistics, the first three quarters of 2018 saw an initial GDP growth of 5.17% year on year, 5.06% in the first quarter, 5.27% in the second quarter, and 5.17% in the third quarter, which was based on 2010 constant prices, marking a 0.1% drop from the previous quarter and 0.11% increase from the same period of last year. Despite the slowdown of growth, the overall economic performance showed a steadily upward trend.

Malaysia's economy got off to a good start and then slowed, but showed a steady performance. According to Malaysia National Bureau of Statistics, the first three quarters of 2018 saw an initial GDP growth of 4.7% year on year, 5.4% in the first quarter, 4.5% in the second quarter, and 4.4% in the third quarter, which was based on 2010 constant prices, marking a 0.1% drop from the previous quarter and 1.9% decrease from the same period last year. The room for Malaysia's slowdown was narrowed. Due to the slowdown, however, Asian Development Bank (ADB) cut its 2018 GDP growth forecast for Malaysia to 4.7% from the previous 5%, and its 2019 growth forecast to 4.7% from 4.8%.

A good start of Thailand economy was followed by slowdown, putting it under downward pressure. According to National Economic and Social Development Commission of Thailand, the first three quarters of 2018 saw an initial GDP growth of 4.3% year on year, 4.9% in the first quarter; 4.6% in the second quarter, subject to a slowdown in tourism; and 3.3% in the third quarter, which was based on constant prices in 2002, marking a 1.3% drop from the previous quarter and 1.0% from the same period last year. The fourth quarter is expected to see a 4.2% growth. Dragged by the poor performance in the first three quarters, Thailand's GDP growth rate for the whole year is unlikely to reach 4.5%, and the overall economic performance in 2018 was downward.

Vietnam's economy as a whole was on the upswing. According to data released by Vietnam's National Bureau of Statistics, GDP was expected to grow by 7.08% year on year in real terms in 2018, with 7.45% in the first quarter, 6.79% in the second quarter, 6.99% in the third quarter, and 7.3% in the fourth quarter. Vietnam's economy as a whole was on the upswing.

Laos' economy as a whole was on the upward trend. The Lao government expected its GDP to reach USD179.6 million in 2018, climbing 6.5% year on year, with GDP per capita of USD2,599, and per capita national income of USD2,209. It showed that the national economy of Laos was on a track of rapid growth.

Cambodia's economy showed a strong momentum. In early November 2018, IMF expert group concluded its discussion on article IV of the 2018 Cambodia Consultation. IMF held that Cambodia's economy would remain strong momentum in 2018. Strong external demands and fiscal stimuli would bring about a 7.25% GDP growth, with a less than 2.5% inflation and a short-term rapid growth. ADB said in early November updated *Asia Development Outlook 2018* that export growth, growing tourism and rising domestic demand would lead to a 7.0% growth of GDP for Cambodia. Overall, Cambodia's economy featured strong growth in 2018.

The same story happened to the economy of Singapore. Singapore's real GDP growth in 2018 was 3.3% year on year, with growth of 4.6% in the first quarter and 4.1% in the second quarter. A sharp slowdown occurred in the third quarter. Final figures released by the Ministry of Trade and Industry on November 22 showed that its GDP grew at a seasonally adjusted annualized rate of 3% in the third quarter from the previous month, a sharp downward from the earlier estimate of 4.7%. And the GDP had a year-on-year growth of 2.2%, also less than the initial value of 2.6%. The main causes were the increase in global trade frictions, the downward trend of global economic growth, and the decline in business and consumer confidence. Singapore economy grew 2.2% in the fourth quarter from a year earlier, slowing further in the fourth quarter.

The Philippines' economy, picking up and then slowing down, showed an upward trend. In the first three quarters of 2018, the Philippines' economy totalled about USD237.6 billion at a real growth of about 6.3%. The economy had a growth of 6.4% in the first quarter, 6.4% in the second quarter, and 6.1% in the third quarter. As of the third quarter, the Philippines' economy had grown at a rate of at least 6% for 14 consecutive quarters. Much of the slowdown in the third quarter was attributed to weak consumer spending, sluggish agricultural growth, stubbornly high inflation and tight monetary policy. IMF held that, amid the deteriorating trade environment and the growing global economic instability, the economies deeply involved in the global and regional value chains were vulnerable to shocks. And it therefore forecast the Philippines' economy to grow by 6.5% in real terms in 2018. On the whole, the Philippines' economy also took on an inverted U curve.

Brunei's economy, while showing a steady performance, also stepped up and then slowed. According to the *GDP Report for the First Quarter of 2018* released by the Economic Planning and Development Bureau of Brunei's Prime Minister's Office on July 30, at current prices, the quarter's GDP was 4.389 billion Brunei dollars (USD3.227 billion). In constant prices, GDP was 4.74 billion Brunei dollars (USD3.485 billion), climbing 2.5% from a year earlier. It marked the economic growth for the fourth consecutive quarter in Brunei. Brunei's economy was expected to grow 2.3% in 2018, according to the *World Economic Outlook* released by IMF in October. It follows that Brunei's economy was in line with its Asian peers.

The Southeast Asian economy as a whole was on the uptrend, though following an inverted U curve. Real growth of Southeast Asia would exceed 5% in 2018, according to the *World Economic Outlook* released by IMF in October. Under the influence of the development of the world economy, Southeast Asian economies' economy was basically in alignment with the "upward and then downward" trend.

1.1.3 South Asian Economy Gains a Stable Growth Momentum

Affected by the security situation in the region and the superpower games, South Asian economies were relatively fragile, and reacted violently to the US dollar interest rate increase. However, the overall economic performance could be described as an inverted U curve.

India's economy grew at a high rate, but also reflected the same trend as its neighbors. In the first three quarters of 2018, India's GDP reached 135.21 trillion rupees (about USD2 trillion) at a growth rate of 7.7%, and the real growth rate of 7.1% was the highest in the world. It registered growth of 7.7% in the first quarter, 8.2% in the second quarter, and real growth of 7.1% in the third quarter. Despite the slowdown in the third quarter, the real growth of 7.1% still represented the highest in the world. Much of the slowdown was due to the tightening international financial environment, surging international crude oil prices, rise of economic and trade protectionism, the overall slowdown in foreign demand and growing political uncertainty. The real growth rate in the fourth quarter of 2018 was expected to be around 7.1%, or about 7.5% for the whole year, and the Indian economy as a whole experienced contraction after expansion.

Pakistan's economy showed a stabilizing and improving trend. Though hit by US dollar interest rate hikes, Pakistan's economy was stabilizing and improving. Pakistan's current account deficit in the first four months of the fiscal year of 2018 (July-October 2018) was USD4.84 billion, dropping by 4.57% from the same period in the previous fiscal year, according to Pakistan's Central Bank. Pakistan's trade deficit in goods dropped 1.97% to USD11.786 billion. According to the latest data released by the Securities and Exchange Commission of Pakistan, 1,395 new companies were registered in Pakistan in October 2018, an increase of 63% over the same period in 2017. IMF expected its real growth might reach 5.8% in 2018. It follows that Pakistan's economy has withstood the test of the international economic and financial changes and begun to stabilize and pick up.

Sri Lanka saw a stabilizing and improving economy. In the first three quarters of 2018, Sri Lanka's initial real GDP grew by 3.3% year on year, dropping by 0.2% from the first half of the year. On a quarterly basis, it grew 3.4% in the first quarter, 3.6% in the second, and 2.9% in the third. Sri Lanka's economy grew by 3.6% in the first half of the year, Central Bank governor Indrawati said on October. 2, 2018. But the Sri Lankan government was working towards a no less than 4% target. Civil strife was the main hindrance holding Sri Lanka back.

Bangladesh's economy continued with a stable performance. According to the Bangladesh Bureau of Statistics, Bangladesh's GDP grew by 7.86% year-on-year in the 2017-2018 fiscal year, hitting a record high. Agriculture, industry and services contributed 13.82%, 30.17% and 56% of GDP, respectively. Systemic risks in the banking sector and political turmoil caused by the election were the major challenges for Bangladesh to maintain a sustained economic growth. But Bangladesh had clearly stood the test. Bangladesh's sovereign credit rating issued by three major rating agencies shows that, Bangladesh had been rated Ba3 and BB- by Moody and Standard and Poor for nine years in a row, and BB- by Fitch for five years in a row. It shows that Bangladesh's economy continued with a stable performance.

Bhutan registered a rapid growth. Bhutan's growth was forecast at 7.1% in 2018, second only to India and Vietnam, according to the government. The tertiary sector grew the fastest, followed by manufacturing, electricity and construction.

In short, major south Asian economies all picked up first and then slowed down, showing a stabilizing and improving trend.

1.1.4 Central Asian Economies Show a Stable Performace

Benefiting from the stable development and the rise of commodity prices, Central Asian economies also expanded, while showing a slight upward trend followed by a downward trend.

Turkmenistan enjoyed steady and rapid economic growth. From January to September 2018, Turkmenistan's GDP grew by 6.2% year on year, according to macroeconomic data released by the enlarged cabinet meeting of Turkmenistan. Industry grew by 4.2%, construction by 0.6%, transport and communications by 10.8%, trade by 7.6%, agriculture by 4.9% and services by 10.6%. IMF's *World Economic Outlook*, published in October, forecast its real GDP growth of 6.2% in 2018 and 5.6% in 2019. Turkmenistan's economy as a whole was on the uptrend.

Uzbekistan enjoyed a steady growth. In the first three quarters of 2018, Uzbekistan's GDP grew by 38.5% year on year, or a growth of 5.8% in real terms. It grew by 5.1% in the first quarter from a year earlier, 4.7% in the second quarter, and 5.8% in the third quarter.

Kyrgyzstan's economy as a whole was in decline. Kyrgyzstan suffered slowdown for two straight months in July and August and its industrial production shrank. Statistics show that Kyrgyzstan's GDP fell 0.3% year on year from January to August

2018. The main reason was the weakened capacity of the Kumtor Mine. In September, the latest report from Eurasian Development Bank predicted Kyrgyzstan's growth of 3.2% in 2018, 0.2% lower than the previous forecast.

Tajikistan saw a rapid growth. Tajikistan's economy grew by 1.2% in the first three quarters, delivering a poor performance. It was a year-over-year growth of 1.3% in the first quarter, -0.9% in the second quarter, and 2.6% in the third quarter.

Kazakhstan's economy slowed after a pick-up. In the first three quarters of 2018, Kazakhstan's initial GDP grew by 4.1% year-on-year in real terms. It registered a growth of 4.1% in the first quarter, and 4.3% in the second quarter. The economy grew by 3.9% in the third quarter, dropping by 0.4 percentage point from the previous quarter, and 0.5 percentage point from the same period last year, pointing to a downturn.

In short, driven by the rise of commodity prices, the GDP of the five central Asian economies grew to varying degrees in 2018.

1.1.5 West Asian Economy Gains a Stable Growth Momentum

Despite the negative impact of the regional security situation and the tension caused by superpower games, West Asian economies delivered a stable and improving economic performance.

Iran enjoyed a stabilizing and improving economy. In December 2017, IMF expected Iran's growth of about 4.2% in 2017-2018 fiscal year. Iranian economy recovered significantly after the lifting of nuclear sanctions, with a low inflation and a stable foreign exchange market. In May 2018, despite the opposition of its allies and the international community, the United States formally signed a document to withdraw from Iran Nuclear Agreement, and imposed highest-level economic sanctions on Iran. The headwind exerted a huge impact on Iran's economic growth. However, the US sanctions were opposed by the EU and other parties to the Iran Nuclear Agreement. As a result, though Iran's economy was hit and followed by civil unrest, the harm was not as severe as expected. According to Iranian customs data, in the first eight months of the Iranian calendar (March 21-November 21), Iran's non-oil commodity exports reached USD31.491 billion, climbing 12.96% year on year. Imports of commodities totalled USD29.549 billion, dropping by 14.04% year on year. The trade surplus reached about USD2 billion.

Turkey's economy rebounded from a downturn and delivered a stabilizing performance. According to the National Bureau of Statistics, due to the impact of the currency crisis, Turkish economy grew by only 1.6% in real terms in the third quarter of 2018 over the same period last year, well below the 5.3% real growth in the second quarter and 7.2% in the first quarter, resulting in a growth of 4.5% in the first three quarters, the lowest in recent years. In August, Turkey's relations with the United States soured, leading to a large amount of capital outflow. In addition, troubled by high inflation, high current account deficit and other problems, the exchange rate of Turkish lira collapsed, putting the country under under great pressure to achieve its goals. According to data, Turkey's economic confidence index rebounded in November, inflation fell, and the lira rose more than 30% against the dollar from August. However, the Turkish economy still faced many problems, and it would take some time for it to turn around.

Saudi Arabia's economy showed sings of pick-up. Affected by structural economic reform and the recovery of oil prices, Saudi Arabia saw its fiscal revenue grow by 47% year on year in 2018, and its budget deficit shrink by 60%, but the fiscal situation improved. According to *World Economic Outlook* released by IMF in October, most developed and emerging economies would see slowdown in 2018 and 2019, while Saudi Arabia was expected to grow 2.2% in 2018 and 2.4% in 2019. Standard and Poor expected Saudi Arabia to grow at an average rate of more than 2% from 2019 to 2021.

Israel enjoyed a healthy growth. According to latest data from the Central Bureau of Statistics, in the first quarter of 2018, Israel's GDP continued to grow at an annual rate of 4.2%, followed by 3.7% in the second quarter, 3.1% in the third quarter, and an expected 3.7% growth for the full year. In view of steady economic growth and rising inflation, on November 26th, Israel's central bank unexpectedly announced to raise the interest rate to 0.25% from 0.1% since early 2015. It was the first increase in short-term interest rates in more than seven years.

Kuwait enjoyed a stabilizing and improving economy. According to the report by National Bank of Kuwait, it was expected to resume the growth of 2.5% in 2018, reversing a contraction of 2.9% in 2017.

That's because the government increased public spending to boost the economy, plus the sustained recovery of international oil prices. According to the *Global Competitiveness Report 2018*, released by World Economic Forum (WEF) in October, Kuwait ranked 54th in the 140 economies, climbing from 56th last year, with its best performance in macroeconomic environmental stability (100 points) and health (88 points, 38th).

The economy of the United Arab Emirates (UAE) slowed after a pick-up, showing signs of steady improvement. According to data from its central bank, its real GDP growth in the third quarter of 2018 was 3.1%, with oil GDP climbing 2.7% and non-oil GDP climbing 3.3%. Its central bank forecast a real GDP growth of 2.8% in 2018, including oil-GDP growth of 1.7% and non-oil growth of 3.3%.

Qatar enjoyed a stabilizing and improving economy. In July 2018, Moody changed its negative expectation of Qatar's rating to a positive one. The recovery in oil prices has laid a solid foundation for Qatar's economic growth. Qatar's financial center, an onshore commercial financial center, saw an increase of 69% in the number of new businesses registered in the first half of 2018 over the same period last year. IMF expected Qatar to harvest a growth of 2.7% in 2018.

Georgia's economy was on the upswing. In September 2018, Georgia's national bureau of statistics expected a growth of 5.6% year on year. At one point in May, its year-on-year growth hit 7.5%. An average growth of 4.9% in real terms for the first three quarters was forecast. Compared with the same period of last year, there was significant growth among manufacturing, financial intermediaries, trade, real estate, transportation, hotels and restaurants and other fields.

Armenia's economy, picking up and then slowing down, showed an upward trend. Armenia registered a growth of 2.7% in the third quarter of 2018, 9.7% in the first quarter and 7.5% in the second quarter, according to preliminary data from the country's national statistical commission. That is, Armenia's economy grew by about 6.6% in the first nine months of 2018.

Azerbaijan enjoyed a steady growth. According to Azerbaijan statistical commission, from January to October 2018, Azerbaijan's GDP grew by 0.8% year on year, while GDP in the oil sector grew by 0.3% and non-oil sector 1%.

Oman enjoyed a steady growth. Data from the national information and statistics center show that Oman's GDP grew by 6.5% year on year in the first quarter of 2018. The oil industry grew by 16.5% and crude oil 1.1% year on year. Natural gas rose 100.6% year on year. *Regional Economic Outlook Report* by IMF in November 2018 expected Oman to register a growth of 1.9% in 2018 and a growth of 5% in 2019.

Jordan harvested a moderate but steady growth. According to World Bank's *Jordan Economic Outlook 2018*, published in early December 2018, Jordan would see a moderate growth in the medium term: A growth of 2.0% in 2017 to 2.1% in 2018, 2.3% in 2019 and 2.4 % in 2020.

Bahrain and Qatar both saw a steady growth. *Regional Economic Outlook Report* by IMF in November 2018 expected the two countries to register the growth of 2.5% and 2.7% in 2018, and 2.7% and 2.8% in 2019.

Afghanistan's war-torn economy showed a stabilizing and improving trend. According to the development report on Afghanistan released by World Bank on August 8, 2018, since 2014 the Afghan economy has picked up for a slow recovery despite the impact of foreign withdrawal, declining international aid, deteriorating security situation and political instability. Afghanistan's GDP growth between 2015 and 2017 was 1.5%, 2.3% and 2.7%, respectively. The security situation was a major obstacle to Afghanistan's economic growth.

In conclusion, with the recovery of oil prices, most West Asian economies in 2018 kept on a stabilizing and improving track. Affected by superpower games over the Iranian nuclear issue, Iran's economic performance was beyond expectation.

1.1.6 Oceanian Economy Gains a Stable Growth Momentum

Australia suffered from a slowdown. According to Australian bureau of statistics, Australian economy grew by 2.9% year on year in the first three quarters, well below market expectations. Growth in the first quarter was 3.1%, followed by 3.4% in the second quarter, and 2.8% in the third quarter. Reserve Bank of Australia (RBA) expected a growth of 3.25% for 2018 full-year.

New Zealand enjoyed a stabilizing and improving growth. According to the New Zealand bureau of statistics, the country registered a year-on-year growth of 2.7% in the first quarter, 2.8% in the second quarter, and 2.6% in the third quarter.

New Zealand's economy also underwent a process of rise and fall.

To sum up, driven by global economic recovery, Oceanian economy maintained a positive growth.

In brief, against the backdrop of increasing global economic uncertainties caused by trade friction, the economies of Asia and Oceania showed a trend of rise and fall. Despite the interruption of sustained world economic recovery by trade protectionism and unilateralism, the economies of Asia and Oceania were still on an upward trajectory, and the slowdown was only temporary. With a revitalized coordination mechanism of the world economy and a curbed unilateralism, the potential of economies in Asia and Oceania will be unleashed. To ensure world economic recovery, attention must be directed to such issues as economic downside risks, geopolitical risks, governance deficit and development imbalances, risks arising from inequality, and risks stemming from trade and investment protectionism.

1.2 Prospects on Asia's Economy

Asia is of the world, but with its own features. As part of the world, Asia will grow in alignment with the world; to highlight its own features, Asia will follow its own path of growth driven by inner impetus. Analysis on the internal and external factors affecting Asia's development raises optimism among us that Asia will usher in a bright future.

1.2.1 The Causes and Consequences of the Current Threats to World Economic Recovery

At the beginning of the third quarter of 2018, the world economy slowed down, as the recovery was suppressed or even at the risk of being interrupted. The root cause was that the globalization was temporarily blocked. At present, the consequences of the unreasonable distribution of the dividends of globalization (especially the unreasonable distribution among different sectors of the economy) began to emerge. Populism and conservatism returned in many countries, impacting domestic politics with a growing emphasis on national interests. Great disorder happened to the international economic coordination mechanism, under the impact of unilateralism and populism; interruption of many original international cooperative efforts led to the reconstruction of the existing international industrial chain network, international technology chain network and international capital chain network among various sectors of the world economy; the cost of international cooperation was greatly increased, contributing to the slowdown among various economies. It is safe to conclude that on the existing technology platform, the focus of world economic recovery was the release of dividends of international cooperation. Impeded globalization and no increase in international cooperation made it hard to generate dividends of international cooperation and underpin world economic recovery and growth. 2017 saw sync recovery among global economies, and major institutions were optimistic about world economic prospect in 2018. In the *World Economic Outlook* issued in April, 2018, IMF expected world economy to register a rapid growth, raising its global growth forecast for 2018 and 2019 to 3.9%. Since then, however, protectionist rhetoric turned into action and sparked trade friction. Amid global trade tensions, the geopolitical risks surged, along with growing call for multilateral trade system reconstruction. The global economic recovery faced significant risks. In October 2018, IMF lowered its global economic growth forecast for 2018 and 2019 to 3.7% in its new *World Economic Outlook*, holding that the global economy was losing momentum. It follows that impeded globalization and intensified trade friction constituted the direct reasons for the anticipated slowdown of world economy.

In addition to world slowdown, a temporary setback to globalization would inevitably result in another consequence: The rise of regionalization. In international economic cooperation, globalization and regionalization presented a seesaw effect. It is a law that has been tested by history. With the deepening of the game in international trade and international governance, the world trade system faced great challenges. Ironically, even the World Trade Organization (WTO) arbitration panel was yet to be established, making it impossible for the handling of the appeal cases. Amid global instability, there was a raised consciousness of standing on its own for self-preservation among the economies, while seeking compensation for their losses in a controllable low-cost way. It is natural for them to seek further cooperation among neighboring economies to dilute the cost of the trade friction. With that came a clearer trend of trade regionalization and management regionalization.

Against this backdrop, regional integration in Asia would lead to closer economic and social ties and closer integration of economies in the region, so as to reduce the adverse impact of external shocks on the region. This would contribute to a better security situation in Asia.

1.2.2 Prospects on Asia's Economic Development in the Future

As the world trading system faced growing barriers, economies would increase their cooperation in the region to dilute the loss of efficiency in the world trading system. With a promising economic prospect, Asia is expected to see the world's largest regional cooperation. There are four reasons.

First, the process of US dollar interest rate hikes may slow down, or even come to an end, which will ease the capital outflow from Asian economies, and prove conducive to the economic growth of Asia and the stability and improvement of Asian economy. Recently, US stock markets have suffered a rare plunge as the Federal Reserve continued to raise interest rates, plus the devaluation of US dollars. This means that US interest rate hikes could slow or even stop under pressure arising from a slowing domestic economy. A lower rate hike in the US dollar, or a halt in the process could reduce the pressure on the US to attract capital back from Asia, and contribute to Asia's economic recovery.

Second, the core element of national competitiveness in Asia is the real economy, on which the international economic cooperation is based, therefore it was less affected by deleveraging. Among Asian economies, China is the world's largest manufacturer and exporter of manufactured goods. Japan and Korea are also countries that are good at producing and exporting manufactured goods. Russia, West Asian and Central Asian economies are major producers and exporters of energy resources. Other economies are mostly producers and exporters of agricultural products. In other words, Asian economies are dominated by real economy, with a smaller proportion of virtual economy, so they are less affected by the deleveraging at global level. In the wave of deleveraging, the real economy-based Asian economy received less shocks, thus laying a solid foundation for a better economic situation.

Third, due to the thriving exchange of currencies among Asian economies, the trade among Asian economies was less affected by financial changes outside the region. The international financial crisis in 2008 made it difficult for all economies to seek trade financing, with reduced confidence of all economies in US dollar, the international reserve currency. And the US sanctions on other economies and companies have become more financially-oriented in recent years. As a result, there was a trend of reserving diversified currencies across the world, especially in Asian economies, where bilateral currency swap was very rife. As of December 13, 2018, more than 30 countries or regions, including Russia, Australia, Korea and Singapore had signed currency swap agreements with China. As a result, trade between Asian economies was mostly settled in local currencies, thus greatly cutting the impact of the third-party currency. Therefore, the global trade friction exerted less impact on the trade among Asian economies. Also, it helped Asia to avoid the impact caused by the adjustment to the global industrial chain network and the international trade chain network. The relatively stable international trade environment in Asia laid a firm groundwork for a bright future of Asian economy.

Fourth, the normal running of the coordinating agency for Asian integration accelerated the integration, thus effectively avoiding the adverse impact on Asian trade of trade friction and anti-globalization. The past five years saw China working hard for the implementation of the "One Belt And One Road" (B&R) Initiative, a move vigorously advancing the economic integration of Asia and Europe. During this period, the clout and attraction of the Initiative increased day by day. More than 130 countries and international organizations have signed B&R cooperation documents with China; the UN Security Council resolution 2344 called on the international community to strengthen regional economic cooperation through the B&R construction; The UK set up a council of experts to be the first to announce support for the 25 billion pounds of B&R Asian program; The China-Britain Business Council (CBBC) has issued four B&R reports, and the UK's Standard Chartered Bank (SCB) will provide at least USD20 billion of financing support for projects related to B&R by the end of 2020; The Swiss government has set up a B&R consultation and coordination office in the Foreign Ministry, and the Swiss Bankers Association has set up a B&R financial liaison office; Siemens of Germany and hundreds of Chinese enterprises have jointly explored the B&R market; Since 2015, Nippon Express has cooperated with China Railway corporation to assist Japanese enterprises operating in China in their regular transport business between Central Asia and Europe through China-Europe railway…The booming momentum for B&R has led to deepening and widening cooperation among governments, enterprises and the public.[1] Trade and investment liberalization and facilitation among countries along the B&R have improved significantly. China's trade in goods with countries involved in the B&R Initiative has totalled more than USD5 trillion, with an outward direct investment of over USD60 billion, and more than 200,000 local jobs created.

Asian Infrastructure Investment Bank (AIIB), an active supporter of B&R Initiative, has approved over USD5.3 billion of investment projects in the past two and a half years, with all the projects dotted in countries and regions along B&R. B&R, while effectively promoting the integration of Asia and Europe, has helped avoid the disorder of international economic cooperation caused by trade friction, and enhanced the competitiveness of Asia. The Eurasian Economic Union led by Russia has also contributed to the economic integration in Asia-Europe region. To shun the negative impact of sanctions imposed by the United States through financial channels on economic development, the Eurasian Economic Union gradually abandoned the US dollar and replaced it with local currencies. In the first half of 2018, the proportion of Eurasian Economic Union members performing settlement in local currencies reached as high as 70%. After the first round of economic and trade cooperation talks in October 2016, China and the Eurasian Union successfully concluded substantive negotiations on October 1, 2017 through five rounds of discussions, three working group meetings and two ministerial consultations. The *Agreement on Economic and Trade Cooperation between PRC and EEU* was signed in Astana, capital of Kazakhstan, on May 17, 2018. The agreement would help reduce non-tariff trade barriers, improve trade facilitation, and promote in-depth development of economic and trade relations between China and European Economic Unit (EEU) and its member states. In addition, cooperation between EEU and other Asian and European countries was expanding. In late November, Russian President Vladimir Putin signed an agreement in support of a free trade area between Iran and EEU. The move would step up the expansion of the EEU and regional economic integration. A series of measures by Asian regional organizations to accelerate the regional economic integration would surely facilitate the effective allocation of factors of production in a wider range, increase production efficiency, promote regional economic integration, create more dividends of international cooperation, and help avoid downward economic pressure sparked by trade friction. In the future, the advancement of Asian economic integration will see the growth pressure caused by trade friction among economies outside the region offset by the dividends of international cooperation in the region, and improved stabilization and momentum of relevant economies in Asia. The accelerating integration of Asian economies leads to such a conclusion that Asia has a bright economic prospect.

1 Guo Jiping. The Great Practice of Building a Community with a Shared Future for Mankind—Written on the 5th Anniversary of President Xi Jinping's B&R Initiative. People's Daily, October 5, 2018.

Chapter 2

Asian Competitiveness Evaluation Report

2.1 Target Economies to Be Evaluated in 2018

In terms of geographic division, there are 48 countries, plus Taiwan Province of China, Hong Kong Special Administrative Region of China and Macao Special Administrative Region of China, or 51 economies in Asia. However, 16 economies, including Macao Special Administrative Region of China, Afghanistan, Democratic People's Republic of Korea, Brunei, Myanmar, Maldives, Lebanon, Palestine, Laos, Iraq, Bhutan, Yemen, Cyprus, Syria, Turkmenistan and Uzbekistan are not included in the current evaluation system as they are quite small or their historical data are hard to be collected. The target economies to be evaluated in 2018 still follow that of the previous years, including 37 economies in the Asia-Pacific Region (See Table 2.1).

Table 2.1 Target Economies to Be Evaluated in 2018 (Alphabetical Order)

No.	English Name	Chinese Name	No.	English Name	Chinese Name
1	Armenia	亚美尼亚	15	Jordan	约旦
2	Australia	澳大利亚	16	Kazakhstan	哈萨克斯坦
3	Azerbaijan	阿塞拜疆	17	Korea, Republic of	韩国
4	Bahrain	巴林	18	Kuwait	科威特
5	Bangladesh	孟加拉国	19	Kyrgyzstan	吉尔吉斯斯坦
6	Cambodia	柬埔寨	20	Malaysia	马来西亚
7	China	中国	21	Mongolia	蒙古国
8	Georgia	格鲁吉亚	22	Nepal	尼泊尔
9	Hong Kong SAR, China	中国香港	23	New Zealand	新西兰
10	India	印度	24	Oman	阿曼
11	Indonesia	印度尼西亚	25	Pakistan	巴基斯坦
12	Iran	伊朗	26	The Philippines	菲律宾
13	Israel	以色列	27	Qatar	卡塔尔
14	Japan	日本	28	Saudi Arabia	沙特阿拉伯

continued

No.	English Name	Chinese Name	No.	English Name	Chinese Name
29	Singapore	新加坡	34	Timor-Leste	东帝汶
30	Sri Lanka	斯里兰卡	35	Turkey	土耳其
31	Taiwan, China	中国台湾	36	United Arab Emirates	阿联酋
32	Tajikistan	塔吉克斯坦	37	Vietnam	越南
33	Thailand	泰国			

2.2 Final and Sub-item Rankings in 2018

2.2.1 Overall Competitiveness

Despite of various risks and challenges faced by world politics and economy including trade protection and geopolitical conflicts, the global slowdown, and the weaken momentum of sync recovery as happened in the past few years, Asian economies continued reform agenda and improved the business environment for firms, and achieved a gradual integration into the global economy through international trade and foreign direct investment, thus improving their international competitiveness. Asian economies were still far behind the US and Europe in terms of per capita income, but they still ranked among the top in contribution to global economic growth, accounting for more than 60% of the world's economic growth. Affected by complex factors at home and abroad, the competitiveness rankings of Asian economies changed. However, the comprehensive advantages accumulated by various economies would not disappear suddenly. Without large-scale political turmoil, the inertia of development would drive Asian economies to steady economic and social development. Compared with 2017, there were small changes to the ranking of major Asian economies in comprehensive competitiveness in 2018. Except for several economies, the comprehensive competitiveness ranking of most economies roughly remained the same.

Korea, Taiwan Province of China, Singapore and Hong Kong Special Administrative Region of China still ranked among top 4 in overall competitiveness, with an international competitive edge leading in Asia (See Table 2.2 and Figure 2.1). Korea and Taiwan Province of China climbed 2 places from the previous year to the 1st and 2nd respectively, while Singapore and Hong Kong Special Administrative Region of China dropped by 2 places from the previous year to the 3rd and 4th respectively. Japan, Israel, Australia, New Zealand, China and the United Arab Emirates (UAE) ranked 5th to 10th respectively; Japan climbed 2 places by virtue of its mature systems and innovative capability over last year while Australia dropped by 2 places; Israel, New Zealand and China ranked 6th, 8th and 9th respectively, the same as last year; UAE climbed 2 places over last year to the 10th, leaving Bahrain behind. Malaysia, Georgia, Kazakhstan, Bahrain, Vietnam, Kuwait, Saudi Arabia, Thailand, Qatar and Oman ranked 11th to 20th respectively. Vietnam saw the biggest rise in the rankings of overall competitiveness, climbing 7 places over the last year. Malaysia and Georgia climbed 2 and 3 places respectively, and Kazakhstan and Thailand both climbed 1 place; Kuwait and Saudi Arabia ranked the same as the previous year, while Qatar, Bahrain and Oman dropped by 8, 4 and 2 places respectively. Azerbaijan, Armenia, Turkey, Kyrgyzstan, Iran, Mongolia, Jordan, Indonesia, Sri Lanka and Tajikistan ranked 21st to 30th respectively. Mongolia climbed 5 places over the previous year in overall competitiveness, presenting a big upward fluctuation, and Tajikistan climbed 4 places; Kyrgyzstan and Indonesia climbed 2 places and 1 place respectively; Jordan and Sri Lanka dropped by 3 places and 2 places respectively. The Philippines, Timor-Leste, India, Nepal, Bangladesh, Pakistan and Cambodia ranked in the bottom 7 among the 37 Asian economies in overall competitiveness. Except that Timor-Leste moved up 4 places over the previous year, the Philippines, India and Bangladesh all dropped by 3 places over the previous year; Nepal and Pakistan dropped by 1 place over the previous year; Cambodia remained its 37th place. All 37 Asian economies saw growing scores for their overall competitiveness, while the narrowing gap between the scores of the top and bottom economies indicated that the development gap between developed and developing economies was narrowing.

Table 2.2 Rankings of Asian Economies Competitiveness in Terms of Comprehensive Evaluation Index 2013-2018

Economies	2018		2017		2016		2015		2014		2013	
	Ranking	Change	Ranking	Change	Ranking	Change	Ranking	Change	Ranking	Change	Ranking	Change
Korea, Republic of	1	+2	3	0	3	0	3	0	3	-1	2	+2
Taiwan, China	2	+2	4	0	4	0	4	0	4	0	4	-1
Singapore	3	-2	1	0	1	0	1	0	1	0	1	+1
Hong Kong SAR, China	4	-2	2	0	2	0	2	0	2	+1	3	-2
Japan	5	+2	7	1	8	-1	7	0	7	0	7	+2
Israel	6	0	6	1	7	+1	8	0	8	0	8	+3
Australia	7	-2	5	0	5	0	5	0	5	+1	6	-1
New Zealand	8	0	8	-2	6	0	6	0	6	-1	5	+3
China	9	0	9	0	9	0	9	0	9	0	9	+1
United Arab Emirates	10	+2	12	+2	14	+2	16	0	16	-1	15	-9
Malaysia	11	+2	13	0	13	+2	15	-4	11	0	11	+5
Georgia	12	+3	15	+2	17	+1	18	-1	17	+1	18	+2
Kazakhstan	13	+1	14	-2	12	0	12	0	12	0	12	+3
Bahrain	14	-4	10	+1	11	-1	10	0	10	0	10	-3
Kuwait	15	+1	16	0	16	-3	13	0	13	0	13	0
Saudi Arabia	16	+1	17	-2	15	-1	14	+1	15	+1	16	-2
Thailand	17	+2	19	+2	21	-2	19	0	19	0	19	0
Qatar	18	-7	11	-1	10	+1	11	+3	14	0	14	-2
Oman	19	-1	18	0	18	-1	17	+1	18	-1	17	0
Azerbaijan	20	+3	23	-3	20	+1	21	0	21	0	21	+1
Armenia	21	0	21	+3	24	-1	23	0	23	+1	24	+1
Turkey	22	-2	20	-1	19	+1	20	0	20	0	20	-2
Vietnam	23	-1	22	1	23	-1	22	0	22	0	22	+1
Kyrgyzstan	24	+2	26	-1	25	+3	28	-3	25	+1	26	+5
Iran	25	0	25	+3	28	+2	30	0	30	-3	27	+1
Mongolia	26	+5	31	-2	29	-4	25	+2	27	+2	29	-2
Jordan	27	-3	24	-2	22	+2	24	0	24	-1	23	-2
Indonesia	28	+1	29	+2	31	0	31	-2	29	+1	30	-6
Sri Lanka	29	-2	27	-1	26	+3	29	-3	26	-1	25	+4
Tajikistan	30	+4	34	0	34	+2	36	-3	33	-1	32	+3

continued

Economies	2018		2017		2016		2015		2014		2013	
	Ranking	Change	Ranking	Change	Ranking	Change	Ranking	Change	Ranking	Change	Ranking	Change
The Philippines	31	-3	28	-1	27	0	27	+1	28	0	28	-2
Timor-Leste	32	+4	36	0	36	-2	34	+1	35	-1	34	+2
India	33	-3	30	0	30	-4	26	+6	32	+1	33	-3
Nepal	34	-1	33	0	33	0	33	+1	34	+1	35	-3
Bangladesh	35	-3	32	0	32	0	32	-1	31	0	31	+2
Pakistan	36	-1	35	0	35	0	35	+1	36	0	36	-2
Cambodia	37	0	37	0	37	0	37	0	37	0	37	0

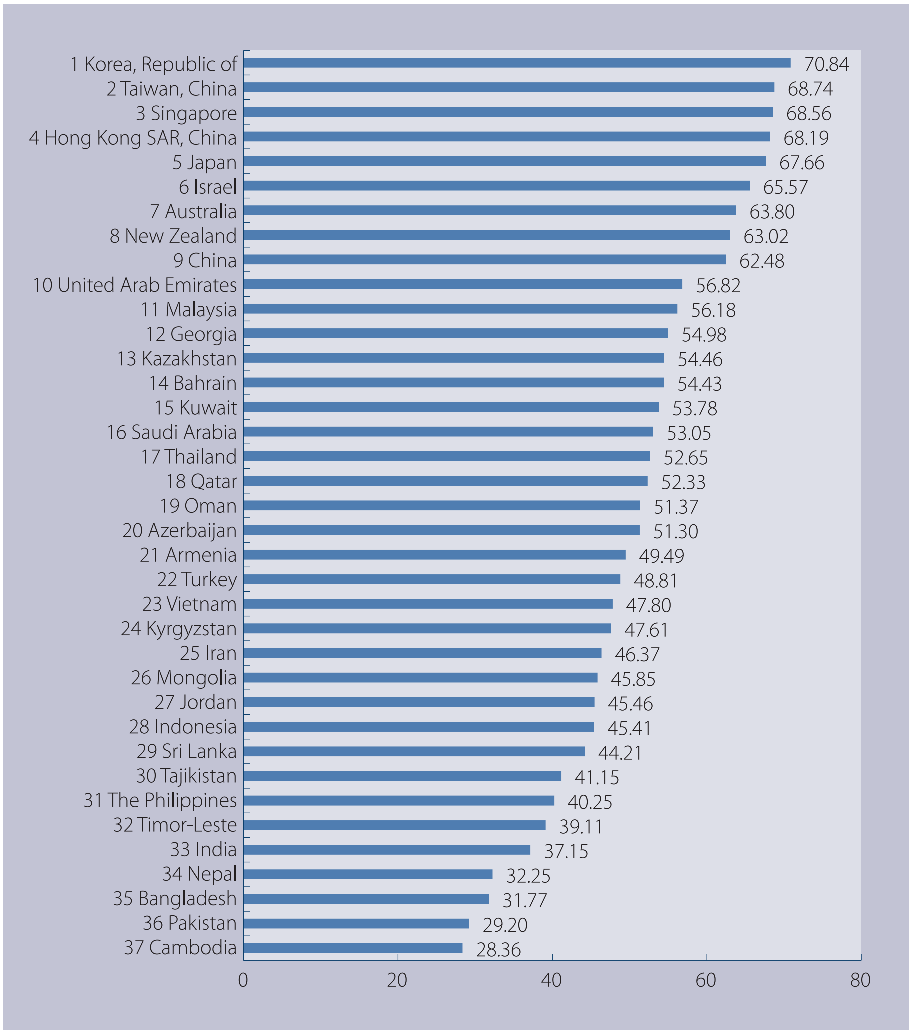

Figure 2.1 Rankings of Asian Economies in Terms of Comprehensive Competitiveness Index in 2018

2.2.2 Commercial and Administrative Efficiency

Against the backdrop of sluggish global trade and investment, Asian economies, by deepening domestic reforms, improving the business environment, and unlocking the inherent potential of economic growth, built their economic development on greater sustainability. Some economies made significant progress in improving their business environment by streamlining administrative procedures, reducing start-up costs and using e-government services, thus giving an incentive to enterprises for investment. New Zealand, Singapore, Georgia, Hong Kong Special Administrative Region of China, and Australia, by maintaining a sound business environment, ranked 1st to 5th respectively in the competitiveness (See Figure 2.2). New Zealand climbed to 1st from 3rd last year, Singapore dropped by 1 place, Georgia ranked 3rd, climbing 2 places from last year, Hong Kong Special Administrative Region of China, dropped to 4th from last year's 2nd and Australia dropped by 1 place. Azerbaijan, Taiwan Province of China, Kazakhstan and Kyrgyzstan ranked 6th-10th

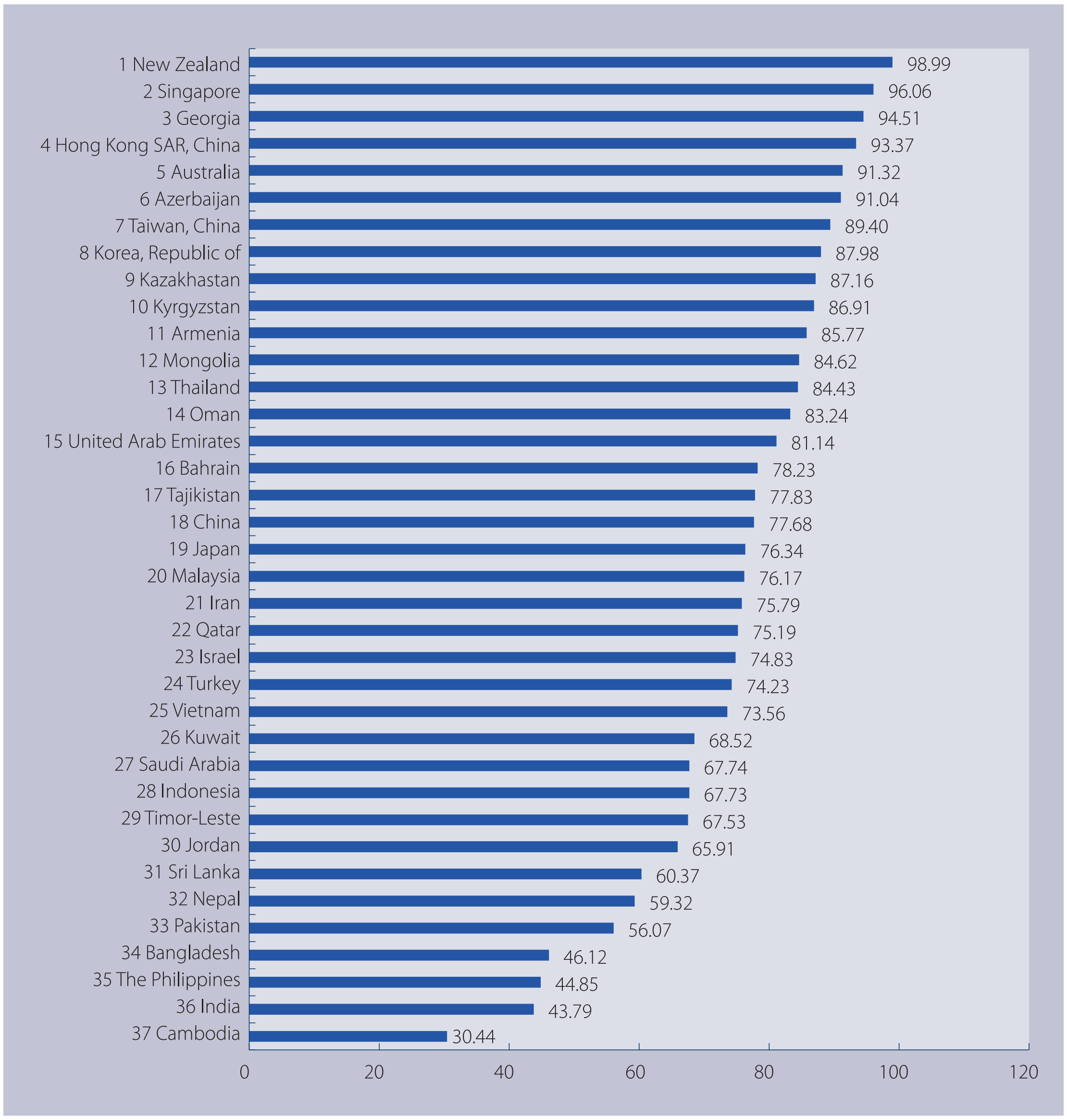

Figure 2.2 Rankings of Asian Economies in Terms of Commercial and Administrative Efficiency Index in 2018

respectively. Taiwan Province of China climbed 5 places over last year, Azerbaijan climbed 2 places, Kazakhstan and Kyrgyzstan both climbed 1 place; only Korea dropped by 1 place from last year. Armenia, Mongolia, Thailand, Oman, the United Arab Emirates (UAE), Bahrain, Tajikistan, China, Japan and Malaysia ranked 11th to 20th respectively. In the rankings, UAE, Bahrain, Oman, China, and Thailand climbed 11, 9, 6, 5 and 3 places respectively. China, with its constant efforts for administrative reform, and the policy of streamlining administration and delegating power, made it easier to start and close businesses, thus moving up in the rankings; UAE, Bahrain, Oman, Thailand made significant increase in the rankings; while the rankings of Mongolia, Japan, and Malaysia all dropped by 6 places. The ranking change was related not only to the effort of simplifying the procedures and improving administrative efficiency, but also to the effort of replacing the commercial contract execution procedure indicator with the commercial contract execution time indicator for the year. Iran, Qatar, Israel, Turkey, Vietnam, Kuwait, Saudi Arabia, Indonesia, Timor-Leste and Jordan ranked 21st to 30th respectively. Israel's ranking in this area dropped significantly, dropping by 14 places from the previous year; Turkey also suffered a big drop, dropping by 7 places from the previous year, and Vietnam and Jordan both dropped by 3 places from the previous year. By contrast, Kuwait and Timor-Leste climbed 9 and 7 places respectively, and Saudi Arabia and Indonesia both climbed 3 places. Sri Lanka, Nepal, Pakistan, Bangladesh, the Philippines, India and Cambodia ranked 31st-37th respectively. Sri Lanka dropped by 10 places from last year, presenting a big downward fluctuation, while Cambodia remained at 37th. Bangladesh and Nepal dropped by 5 and 4 places respectively, the Philippines and India dropped by 2 places, and Pakistan dropped by 1 place.

2.2.3 Infrastructure Level

Amid the rapid development of the digital economy, Asian economies have attached great importance to the investment and construction of information and communication infrastructure, and built a greater degree of openness and connectivity through Internet platforms. Compared with developing economies, the more developed economies have strong capital stock, as mainly reflected in quality infrastructure. Hong Kong Special Administrative Region of China, Japan, Singapore, UAE, Korea ranked 1st-5th in the competitiveness of infrastructure (See Figure 2.3). UAE climbed 4 places in the competitiveness rankings, Hong Kong Special Administrative Region of China, Japan and Singapore all climbed 1 place from last year, but Korea remained the 5th place. Bahrain, Australia, Taiwan Province of China, Israel and Qatar ranked 6th-10th respectively. In infrastructure competitiveness, Bahrain dropped by 5 places, presenting a big downward fluctuation, Qatar dropped by 3 places and Taiwan Province of China dropped by 2 places, while Australia and Israel both climbed 2 places. Kuwait, China, Malaysia, Kazakhstan, New Zealand, Oman, Saudi Arabia, Iran, Georgia and Turkey ranked 11th to 20th in infrastructure competitiveness respectively. Malaysia, Georgia and China, due to the considerable improvements in infrastructure, especially in high coverage of information and communication networks, climbed 4, 3 and 2 places over last year. By contrast, Saudi Arabia, New Zealand, Turkey dropped by 5 places, 2 places and 1 place respectively from last year, while Oman and Iran remained the same places as the previous year. Azerbaijan, Armenia, Thailand, Jordan, Sri Lanka, Kyrgyzstan, Vietnam, Tajikistan, Indonesia and the Philippines ranked 21st to 30th respectively. Azerbaijan and Tajikistan climbed 3 places; Armenia, Sri Lanka, and Kyrgyzstan all climbed 1 place; Jordan dropped by 4 places, Thailand, Vietnam and the Philippines dropped by 2 places, and Indonesia remained the 29th place. Mongolia, India, Timor-Leste, Nepal, Bangladesh, Pakistan and Cambodia ranked 31st-37th respectively. Mongolia and Timor-Leste climbed 4 places, Nepal remained the same place. Bangladesh and Pakistan dropped by 3 places, and India and Cambodia dropped by 2 places and 1 place respectively.

2.2.4 Overall Economic Vitality

In recent years, international trade and investment has weakened and been threatened by trade protectionism and driven by the normalization of monetary policies in major economies. The global recovery was diverging. However, the prospects of emerging markets and developing economies in Asia remained optimistic, and they were still one of the major engines underpinning the world economy. Some Asian economies, by pushing structural reforms and increasing input in human capital, made their economic growth more resilient to external

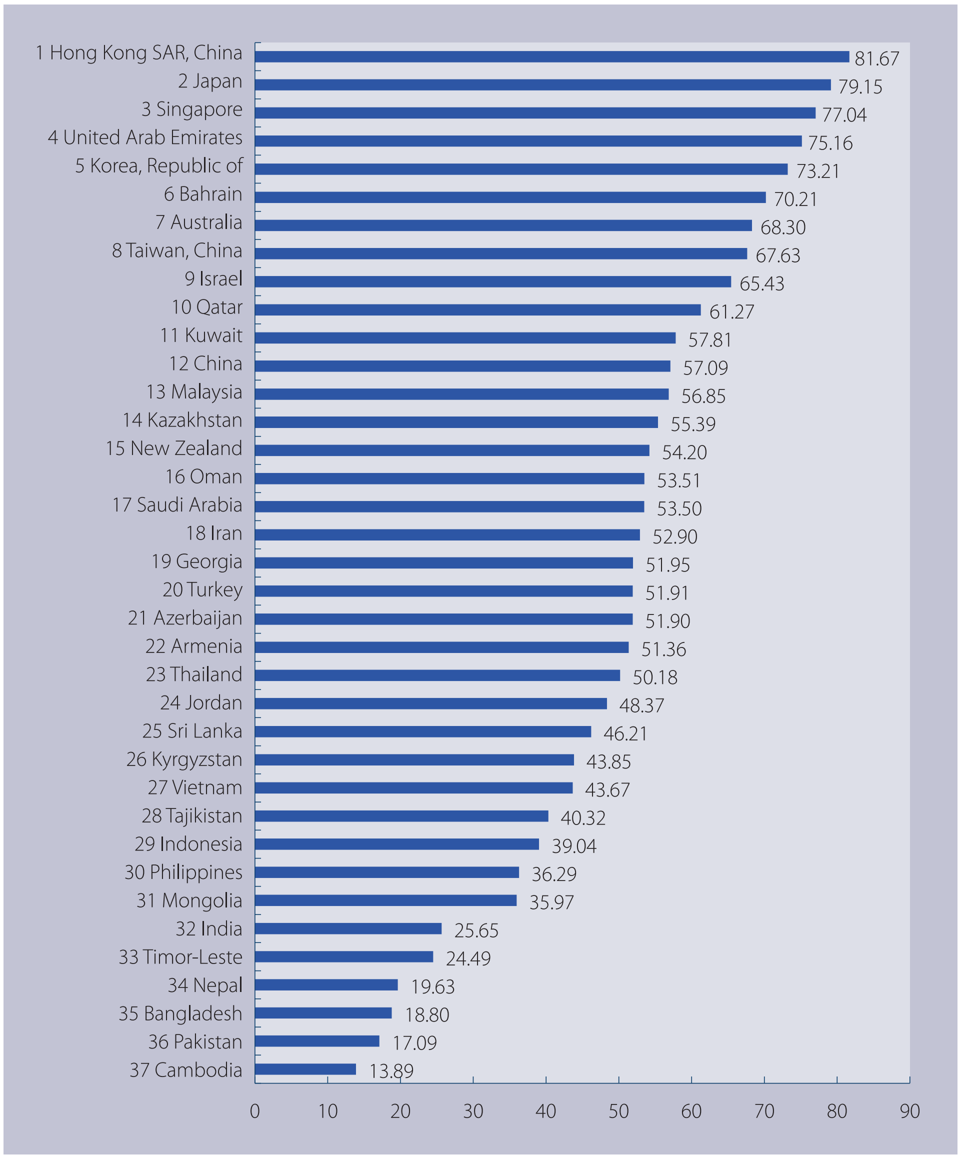

Figure 2.3 Rankings of Asian Economies in Terms of Infrastructure Level Index in 2018

risks. The vitality and operational health of economic development affected the competitiveness of sustainable economic development. From the perspective of overall competitiveness in economic development, economies with greater potential for economic growth and higher contribution to the world economy still maintained a relatively high level of competitiveness. China, Hong Kong Special Administrative Region of China, Kuwait, the UAE and Thailand ranked 1st to 5th in the competitiveness of economic development (See Figure 2.4). China, Hong Kong Special Administrative Region of China and Kuwait still ranked among the top 3. The UAE and Thailand improved their economic development and climbed 2 places in the rankings, with the former boasting a sound economic growth, while the latter unleashing its potential of economic. Singapore, Taiwan Province of China, Saudi Arabia, Korea and Malaysia ranked 6th-10th respectively. Saudi Arabia climbed 8 places in the economic development competitiveness over last year, presenting a big upward fluctuation, mainly because the rise in international oil prices improved the country's economic and financial situation; Taiwan Province of

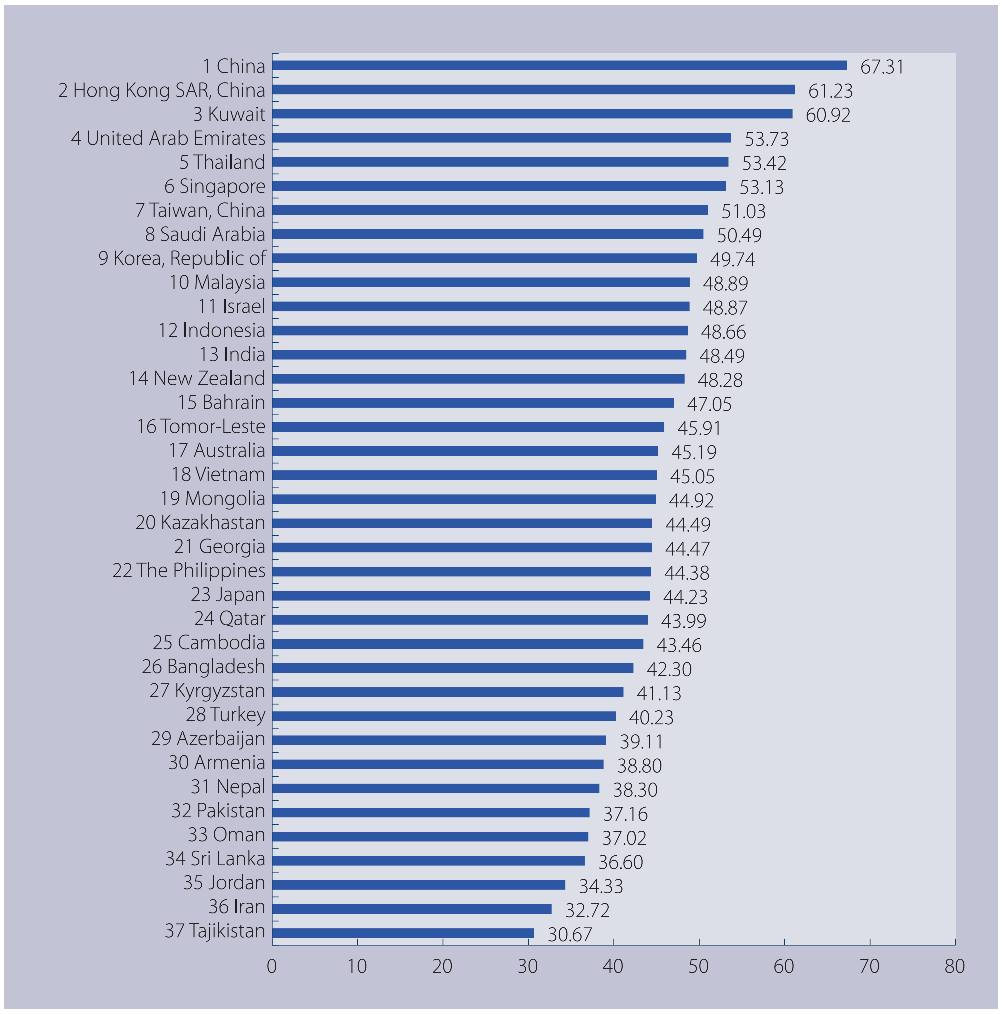

Figure 2.4 Rankings of Asian Economies in Terms of Overall Economic Strength Index in 2018

China and Malaysia both climbed 2 places, while Singapore and Korea both dropped by 1 place. Israel, Indonesia, India, New Zealand, Bahrain, Timor-Leste, Australia, Vietnam, Mongolia and Kazakhstan ranked 11th to 20th respectively. Mongolia, Kazakhstan and Bahrain climbed 7, 7 and 5 places respectively over the previous year; Israel, Indonesia and Vietnam climbed 2 places, and Australia climbed 1 place; while New Zealand, India and Timor-Leste dropped by 4 places, 2 places and 1 place from last year respectively. Georgia, the Philippines, Japan, Qatar, Cambodia, Bangladesh, Kyrgyzstan, Turkey, Azerbaijan, and Armenia ranked 21st-30th respectively. Qatar dropped by 20 places, reflecting a greatly weakened competitiveness of economic development due to sharp slowdown in economic growth, poor budget, rising unemployment, falling industrial output, and the worsening volatility affected by geopolitical shocks; the Philippines, Cambodia, Bangladesh and Georgia dropped by 5, 3, 3 and 2 places respectively, and Armenia dropped by 1 place from last year. Azerbaijan and Kyrgyzstan climbed 7 and 5 places respectively, and Turkey and Japan both climbed 2 places. Nepal, Pakistan, Oman, Sri Lanka, Jordan, Iran and Tajikistan ranked 31st-37th respectively. Oman and Jordan dropped significantly by 9 and 7 places respectively from the previous year, mainly because Oman suffered a negative growth and Jordan suffered a high unemployment rate; Sri Lanka and Iran also dropped by 3 places and 1 place respectively, while Nepal and Pakistan climbed 2 places. Tajikistan still ranked 37th.

2.2.5 Social Development

Economic development and social progress go hand in hand. A developed economy and a perfect system are indispensable for a highly developed society. In Asia, the economies that have developed first tend to boast more mature and sophisticated social development, especially in public services such as health care, education, housing and public security. Japan, Korea, Israel, Australia, New Zealand, Singapore, Hong Kong Special Administrative Region of China, Georgia, Taiwan Province of China and China ranked 1st-10th in social development (See Figure 2.5). China, Korea and Georgia climbed 6, 5 and 3 places respectively from the previous year, presenting a big upward fluctuation. It was attributed to improvements on disease control, medical care and education, as well as substitute of "homicide rate" indicator for "traffic safety accident rate" indicator. Hong Kong Special Administrative Region of China, Australia and Taiwan Province of China dropped by 3 places, 2 places and 1 place respectively from the previous year. Azerbaijan, Qatar, Armenia, Bahrain, Kazakhstan, Oman, Saudi Arabia, Kuwait, Mongolia and Tajikistan ranked 11th-20th respectively. Saudi Arabia and Oman climbed 13 and 10 places respectively from the previous year, presenting a big upward fluctuation; Armenia and Mongolia both climbed 2 places; Qatar, Bahrain,

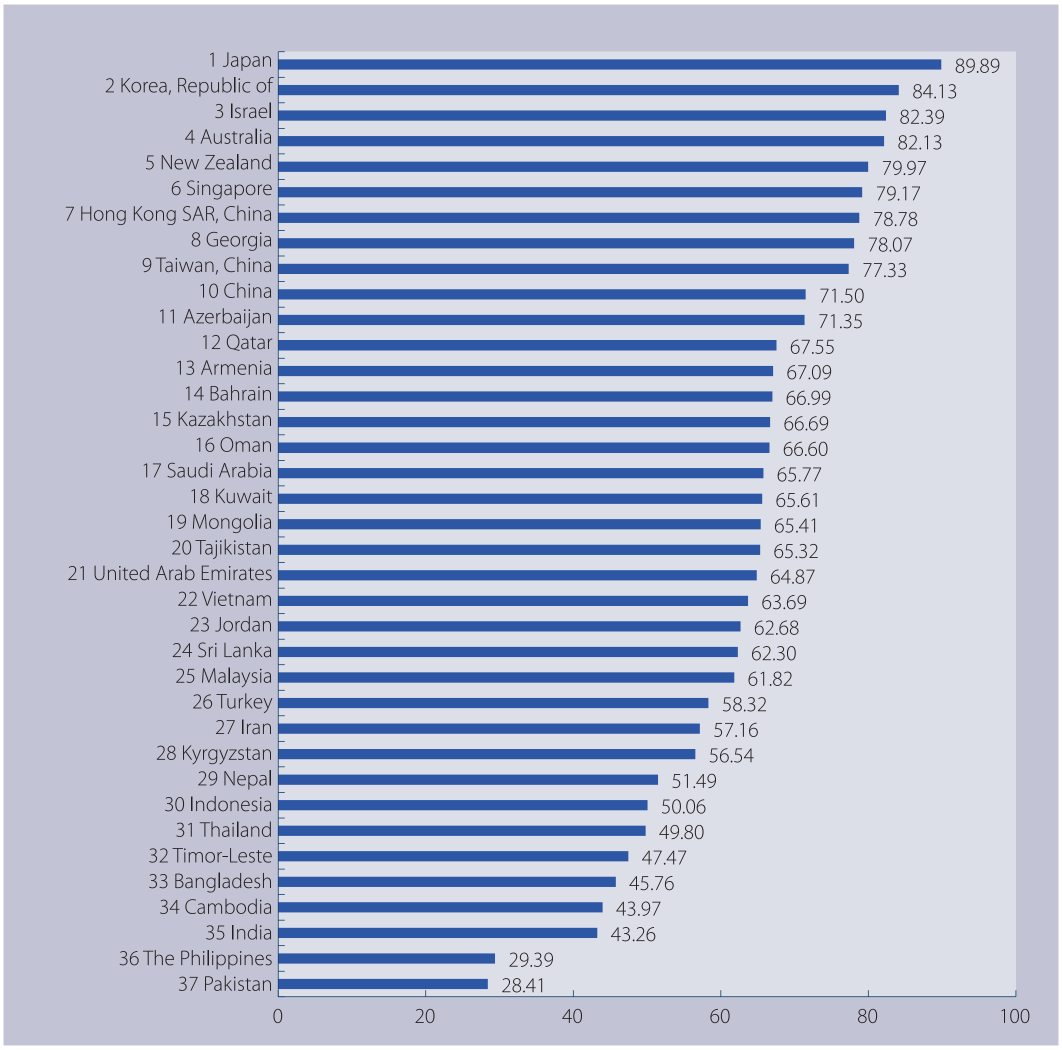

Figure 2.5 Rankings of Asian Economies in Terms of Social Development Index in 2018

Kazakhstan and Azerbaijan dropped by 3 places, 2 places and 1 place respectively; Kuwait and Tajikistan maintained their original places. The UAE, Vietnam, Jordan, Sri Lanka, Malaysia, Turkey, Iran, Kyrgyzstan, Nepal and Indonesia ranked 21st-30th respectively. Turkey, Kyrgyzstan, Sri Lanka and Nepal suffered a sharp decrease by 12, 6, 5 and 5 places respectively; The UAE dropped by 4 places; Jordan, Iran, Vietnam, Malaysia and Indonesia climbed 6, 5, 3, 2 places and 1 place respectively. Thailand, Timor-Leste, Bangladesh, Cambodia, India, the Philippines and Pakistan ranked 31st-37th respectively. The Philippines and Bangladesh dropped by 13 and 5 places respectively from the previous year, presenting a big downward fluctuation. Thailand, Timor-Leste and India climbed 4 places, 1 place and 1 place respectively from the previous year, while Cambodia and Pakistan still ranked 34th and 37th respectively.

2.2.6 Human Capital and Innovation Capability

In recent years, the world has been experiencing a new round of technological and industrial revolution. The world's major economies were actively making use of new technologies to add to the sustainability of their economic development. Asian economies were also actively increasing human capital input, following the path of innovation-driven development, and strengthening the basic environment for scientific and technological innovation through innovation environment optimization and institutional reform. Korea, Taiwan Province of China, Israel, Japan and Singapore ranked 1st-5th in human capital and innovation competitiveness (See Figure 2.6). Korea climbed 1 place and took the place of Taiwan Province of China, while Israel and Japan climbed 1 place and 2 places respectively and overtook Singapore. Taiwan Province of China and Singapore,

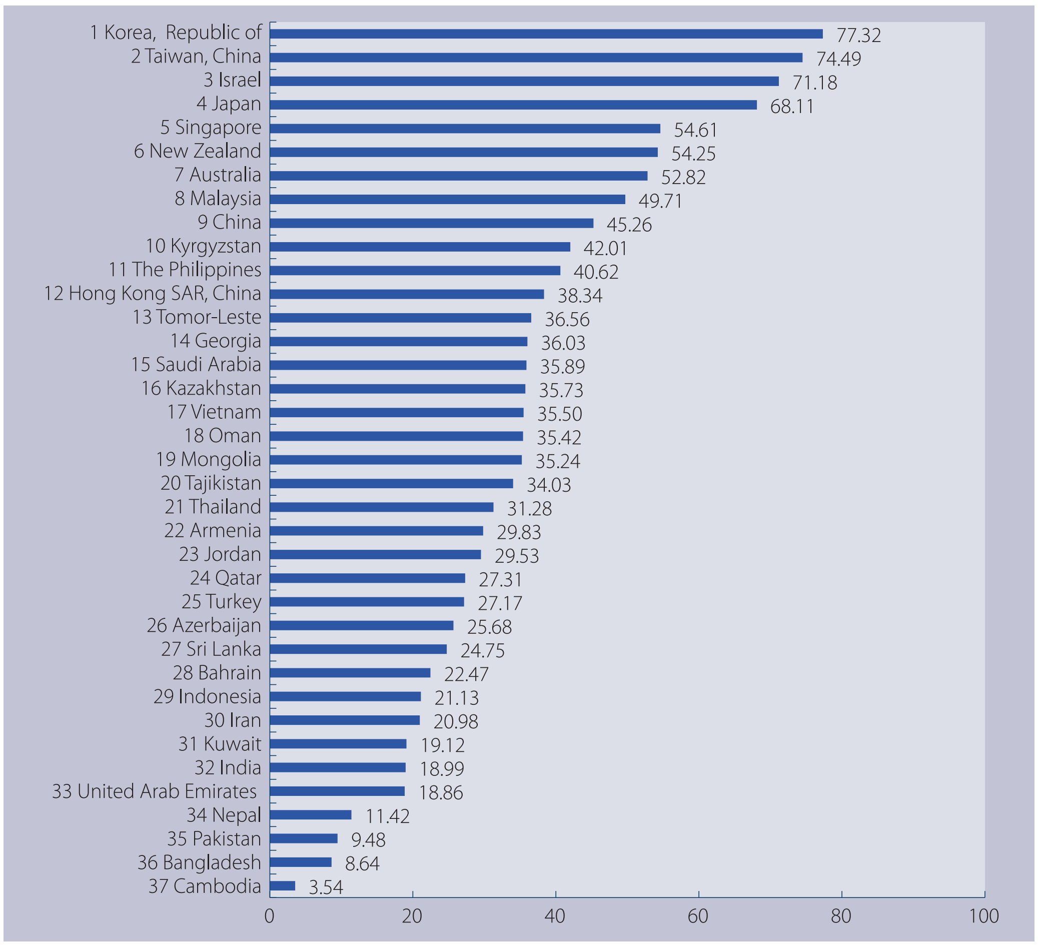

Figure 2.6 Rankings of Asian Economies in Terms of Human Capital and Innovation Capacity Index in 2018

therefore, dropped by 1 place and 2 places from last year respectively. New Zealand, Australia, Malaysia, China and Kyrgyzstan ranked 6th-10th respectively. Malaysia climbed 4 places, presenting a big upward fluctuation, while New Zealand and China both dropped by 1 place. Australia and Kyrgyzstan remained in the same place as last year. The Philippines, Hong Kong Special Administrative Region of China, Timor-Leste, Georgia, Saudi Arabia, Kazakhstan, Vietnam, Oman, Mongolia, Tajikistan ranked 11th-20th respectively in human capital input and innovation capability. Georgia and Timor-Leste climbed significantly by 15 and 6 places respectively from last year; Georgia performed well in two indicators of human capital investment, while Timor-Leste saw a remarkable increase in the proportion of public education expenditure to GDP, gaining it a higher ranking in human capital input. The change was also related to the adjustment to the index, namely the "research and development strength" in place of the "proportion of creative product exports", and the "average years of education" in stead of the "enrollment rate of higher education". The Philippines and Tajikistan both climbed 3 places, Kazakhstan and Oman both climbed 2 places, and Saudi Arabia climbed 1 place; while Vietnam, Mongolia and Hong Kong Special Administrative Region of China dropped by 6, 4 and 3 places respectively. Thailand, Armenia, Jordan, Qatar, Turkey, Azerbaijan, Sri Lanka, Bahrain, Indonesia and Iran ranked 21st-30th respectively. Turkey, Iran and Thailand dropped sharply by 12, 9 and 4 places respectively; Bahrain, Indonesia and Jordan dropped by 2 places, 2 places and 1 place respectively; Qatar, Azerbaijan and Sri Lanka all climbed 6 places from last year, while Armenia climbed 1 place. Kuwait, India, the UAE, Nepal, Pakistan, Bangladesh and Cambodia ranked 31st-37th respectively. India's ranking dropped remarkably by 8 places from last year, mainly due to the shorter average schooling years and research and development strength after the introduction of new index; Kuwait and Nepal dropped by 3 places from last year, and Cambodia dropped by 1 place; accordingly, the UAE and Bangladesh both climbed 1 place from last year, with only Pakistan remaining in the same place.

Chapter 3

Analysis on the Annual Evaluation Result of Asian Economies' Competitiveness

3.1 Emerging Industrialized Economies ("Four Tigers of Asia")

In 2018, Asia's emerging industrialized economies ("Four Tigers of Asia") still ranked among the top in terms of comprehensive competitiveness. Korea ranked 1st with a core of 70.84, Taiwan Province of China 2nd with a score of 68.74, Singapore and Hong Kong Special Administrative Region of China 3rd and 4th with scores of 68.56 and 68.19, respectively. On the whole, "Four Tigers of Asia" remained to be competitive in various driving factors that affected their integrated score.

Korea ranked 1st in 2018 in terms of comprehensive competitiveness, which was closely related to its stable and balanced performance in diverse evaluation dimensions. With manufacturing and service industries as the dominant sectors, the country's shipbuilding, automobile, electronics, steel, and textile all ranked among the top 10 in the world in terms of output. Conglomerates play a very important role in the Korean economy. At present, major conglomerates include Samsung, Hyundai Motor, SK, LG and KT (Korea Telecom). In 2017, Korea registered a GDP of USD1.54 trillion, with a GDP growth rate of 3.06% and per capita GDP of USD29,900, up 8.6% year on year. Its inflation rate rose to 1.94% from 1.00% a year earlier and the unemployment rate was 3.68%. IMF predicted Korea's GDP growth to be about 2.8% in 2018. In terms of overall economic vitality, Korea ranked 9th among the 37 economies, dropping by 1 place from the previous year, making it the bottom one among the "Four Dragons". In social development, Korea has made great progress, ranking 2nd in 2018, climbing 5 places over the previous year. Boasting of first-class infrastructure in transportation, communications, Internet, electric power and other fields, Korea ranked 5th only next to Hong Kong Special Administrative Region of China , Japan, Singapore and the United Arab Emirates. Based on the continuously strong investment in education and scientific research, Korea stayed among the top nations in public education and scientific research, next only to New Zealand, Israel and Japan in terms of average years of education. Korea saw a dramatic increase in international patent applications, an indicator of innovation ability, ranking among the top in the world. As for human capital and innovation capability, Korea ranked 1st in overall performance, climbing 1 place from the previous year and surpassing Taiwan Province of China. Its relatively weak performance in business service led to its ranking of business administrative efficiency dropped by 1 place from the previous year to 8th. Korea's sub-indexes of competitiveness are shown in Figure 3.1.

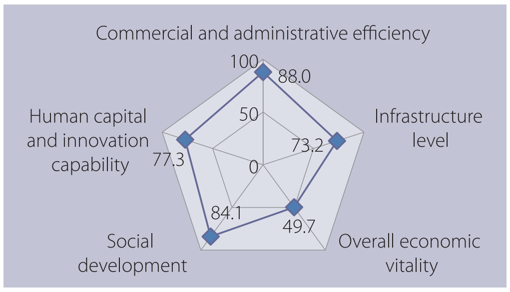

Figure 3.1 Sub-index Radar Chart of Korea's Competitiveness

In terms of comprehensive competitiveness, Taiwan Province of China climbed 2 places to rank 2nd in 2018, demonstrating its relatively strong strength. As regards overall economic performance, GDP of Taiwan Province of China in 2017 was about USD572.59 billion, climbing 2.89% year on year, with GDP per capita of about USD24,300. The inflation rate was 1.10% and the unemployment rate was 3.76%. IMF projected that Taiwan Province of China's GDP growth would be about 2.7% in 2018. Taiwan Province of China ranked the 7th in terms of overall economic vitality, climbing 2 places over the previous year. Despite its strong edge in high-tech innovation and product exports, Taiwan Province of China was overtaken by Korea, falling to the 2nd place in human capital and innovation capability, down from the 1st place a year ago. In respect of infrastructure and social development, Taiwan Province of China ranked 8th and 9th, dropping by 2 places and 1 place respectively from the previous year. Good performance in establishing a better business environment led to its ranking in commercial and administrative efficiency climbed 5 places from 2017 to 7th, contributing to the rise of Taiwan Province of China's comprehensive competitiveness. The sub-indexes of Taiwan Province of China's competitiveness are shown in Figure 3.2.

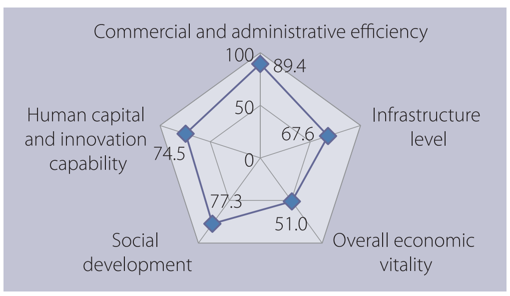

Figure 3.2 Sub-index Radar Chart of Taiwan Province of China's Competitiveness

Singapore ranked 3rd in terms of comprehensive competitiveness, dropping by 2 places from the previous year. Singapore came 2nd in commercial and administrative efficiency, handing over to New Zealand the title of the most efficient supplier of administrative service in Asia maintained in previous years. Singapore has world-class infrastructure. In 2018, its highway density reached 473 km/100 km^2, only second to Bahrain among Asian economies. In addition, it continued to enjoy a leading position in terms of such other transport facilities as port and aviation, water supply facilities, Internet access, mobile network communications and international broadband exits. In 2018, Singapore moved up from 4th to 3rd place in the rankings for infrastructure conditions. In terms of the overall economy, Singapore's GDP in 2017 was USD323.90 billion, with a GDP per capita of USD57,700 and a GDP growth rate of 3.62%. In 2017, the ratio of its government balanced budget to GDP accounted for 5.70%, the inflation rate was 0.58%, and the unemployment rate rose slightly to 2.18%. Foreign trade constituted one of its important national economic pillars, with its dependence on foreign trade of 322.43% in 2017, including 149.08% on import and 173.35% on export. Singapore mainly exported such commodities as refined petroleum products, electronic elements and components, chemicals and industrial machinery, and main imported commodities include electronic vacuum tubes, crude oil, processed petroleum products, office and data processing parts. The above excellent performance enabled Singapore to stay at a leading level and be ranked 6th in terms of overall economic vitality, dropping by 1 place from a year earlier but only next to China, Hong Kong Special Administrative Region of China, Kuwait, the UAE and Thailand. Singapore ranked 6th among 37 Asian economies in social development, as in the previous three years. Its ranking in human capital and innovation capability dropped in 2017 to 5th, behind Korea, Taiwan Province of China, Israel and Japan. Singapore continued to pay close attention to national education with its educational expenditure kept at a higher level and its average schooling years ranking among the top. Based on the continuously strong investment in human capital, it presented stronger innovation vitality with export volume of hi-tech products only next to the Philippines and export volume of innovative products and the number of patents per million people ranked top. It ranked 5th in global innovation index in 2018, the only Asian country among the world's top 10. The sub-indexes of Singapore's competitiveness are shown in Figure 3.3.

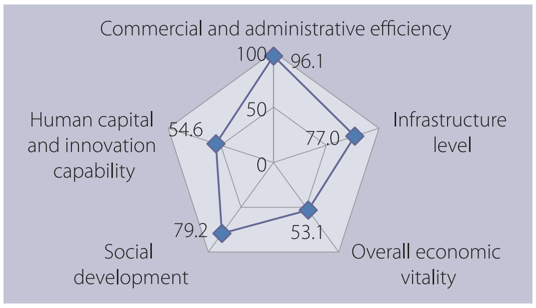

Figure 3.3 Sub-index Radar Chart of Singapore's Competitiveness

Hong Kong Special Administrative Region of China ranked 4th in comprehensive competitiveness in 2018. As one of the most open economies in the world, it had an efficient, steady and trustworthy business system and financial market, especially the facilitation measures in establishing and cancelling enterprises. It ranked the 4th in terms of commercial and administrative efficiency among 37 Asian economies. Despite a huge population density, it enjoyed a highly advanced infrastructure, with a highway density of 188km/100 $(km)^2$, and a mobile phone ownership of 249.02 units/100 people. It ranked 1st in terms of infrastructure among 37 Asian economies. In 2017, Hong Kong Special Administrative Region of China's GDP reached USD341.45 billion, with a GDP per capita of USD46,100 and a GDP growth rate of 3.79%. IMF predicted the Hong Kong Special Administrative Region of China's GDP growth rate would be about 3.8% in 2018. In 2017, its inflation rate was 1.5%, down from 2.6% in 2016, and the unemployment rate reached 3.12%. It ranked 2nd in terms of overall economic vitality in 2017 and maintained the same place as in the previous year. Its ranking in social development dropped by 3 places from last year to the 7th. In terms of human capital and innovation capability, it ranked 12th among 37 Asian economies, dropping 3 places over the previous year, dragging down its overall economy. This indicated that it had to make greater efforts to improve its higher education and innovation capability in order to establish a real innovation-driven economy. The sub-indexes of Hong Kong Special Administrative Region of China's competitiveness are shown in Figure 3.4.

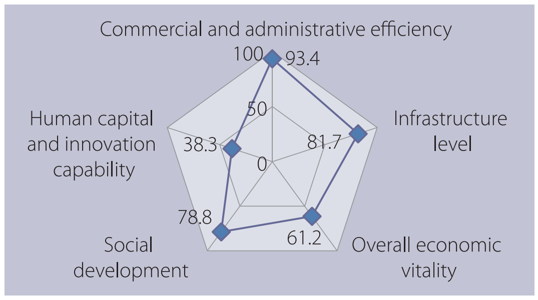

Figure 3.4 Sub-index Radar Chart of Hong Kong Special Administrative Region of China's Competitiveness

3.2 Traditional Developed Economies

The comprehensive competitiveness of the traditional developed economies, including Japan, Israel, Australia and New Zealand, was only next to the "Four Tigers of Asia". Japan, Israel, Australia and New Zealand continued to rank 5th to 8th in 2017, with all economic indexes ranking among the top, showing strong competitive advantages. However, they performed a little poorer in terms of economic vitality, lower than the average rankings of other indexes.

As the world's third largest economy, Japan in 2017 registered its GDP of about USD4.87 trillion, GDP per capita of about USD38,400, GDP growth rate of 1.74%, inflation rate of 0.47%, unemployment rate of 2.88%, and foreign trade turnover of about USD1.37 trillion[1]. IMF projected Japan's GDP growth would be about 1.1% in 2018. Japan ranked 5th in comprehensive competitiveness in 2018, dropping by 2 places from 2017. Performing best in terms of social development, it maintained 1st place at a high score of 89.9 among 37 Asian economies. Boasting globally leading infrastructure, Japan climbed 1 place in terms of infrastructure level from a year earlier and ranked 2nd. Maintaining ever-lasting advantages in human capital and innovation capability, the ratio of Japan's annual scientific research expenditure to GDP reached 3.1%, ranked 1st among the developed

1 2017 Overview on Japanese Goods Trade and China-Japan Bilateral Trade. http://data.mofcom.gov.cn/report/TR-JP201801.pdf

economies. Japan ranked the 4th in terms of human capital and innovation capability in 2018, climbing 2 places from a year earlier. It ranked the 23rd in terms of overall economic vitality, climbing 2 places from a year earlier. Its ranking in commercial and administrative efficiency suffered a drop to number 19th. Japan's sub-indexes of competitiveness are shown in Figure 3.5.

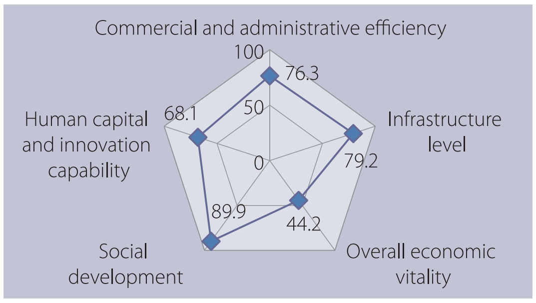

Figure 3.5 Sub-index Radar Chart of Japan's Competitiveness

Israel has a hybrid economy, which features high degree of industrialization, priority in knowledge-intensive industries and high technical level in high added-value agriculture, biochemistry, electronics and military engineering. Industry segments are distributed in high-tech and gem processing. The electronic technology, computer software, medical equipment, biotechnology, information and communication technology as well as gem processing and so on have reached the world's top level, with a high reliance on foreign trade of their economy. Israel ranked the 6th in terms of comprehensive competitiveness in 2018. Comparatively speaking, it performed better in two dimensions: social development, remaining 3rd place, and human capital and innovation capability, taking 3rd position in Asia, which mainly benefited from its high proportion of international patent applications and hi-tech products exports. Its ranking in commercial and administrative efficiency dropped by 14 places over previous year to the 23rd. In terms of infrastructure level, Israel still enjoyed some advantages and ranked 9th, climbing 2 places from a year earlier. In terms of economic performance, its strong investment in hi-tech industry, strong demand of domestic consumption and continuous expansion of products and services exports made its overall economy better in 2017, with its GDP reaching USD350.74 billion at a GDP growth rate of 3.29%, and a GDP per capita hitting about USD40,300. Israel was projected to see a drop of GDP growth to about 3% in 2018, despite the better economic recovery than other developed economies of the same size, due to the weaker domestic and foreign demands and currency appreciation[1]. In 2017, its inflation rate climbed from a lower level of -0.5% in 2016 to 0.24%, indicating its deflation pressure was eased down; its unemployment rate reached 4.23%. Israel ranked 11th in overall economic vitality, climbing 2 places over the previous year. The sub-indexes of Israel's competitiveness are shown in Figure 3.6.

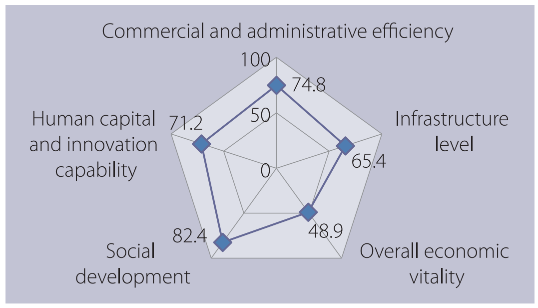

Figure 3.6 Sub-index Radar Chart of Israel's Competitiveness

As an emerging industrialized country, Australia's traditional pillar industries are composed of agriculture and livestock and mining. With manufacturing and hi-tech industries developing fast in recent years, its service sector had become a leading industry in its national economy. According to Credit Suisse's 2018 annual wealth report, on average each Australian adult has USD411,060, second only to Switzerland[2]. In 2017, Australia's GDP was USD1.38 trillion, with a GDP per capita of USD55,700. The GDP growth rate was

1 Economic and Commercial Counsellor's office of the Embassy of the People's Republic of China in the State of Israel. http://il.mofcom.gov.cn/article/ddfg/tzzhch/201805/20180502746548.shtml

2 Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in Australia. http://au.mofcom.gov.cn/article/ddgk/zwjingji/201810/20181002797922.shtml

2.22%, the inflation rate 1.97%, and the unemployment rate 5.59%. Figures released by Australia's Department of Foreign Affairs and Trade show that in 2017, the value of goods and services exported by Australia increased 15% year on year to 387 billion AUD, while the value of imports increased 7% to 377 billion AUD, with a total increase of 11%, or a total of 764 billion AUD[1]. IMF projected that Australia's GDP growth rate would be about 3.2% in 2018. Australia ranked 7th in terms of comprehensive competitiveness in 2018, and that was due to its long-lasting commercial and administrative efficiency of the government, social development level and sustainable innovation capability. It dropped by 2 places over previous year to the 4th in social development, dropped by 1 place over previous year to the 5th in commercial and administrative efficiency, and remained the 7th in human capital and innovation capability, as in the last two years. It ranked 17th in economic competitiveness performance, climbing 1 place over previous year. In terms of infrastructure, it continued to maintain a high level and made further improvement, thus ranked 7th in 2018. The sub-indexes of Australia's competitiveness are shown in Figure 3.7.

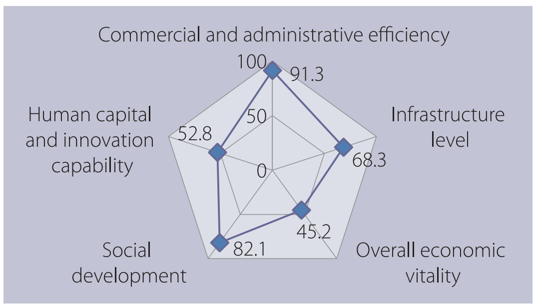

Figure 3.7 Sub-index Radar Chart of Australia's Competitiveness

New Zealand takes agriculture and livestock as its pillar industries with a developed service sector and its tourism sector gaining greater development momentum. It ranked the 8th in terms of comprehensive competitiveness in 2018, the same as in the previous year. In terms of commercial and administrative efficiency, New Zealand ranked 1st, climbing 1 place from 2017. In terms of human capital and innovation capability, it ranked 6th, dropping by 2 places from 2017, while in social development it ranked 5th, the same as in 2017. In terms of infrastructure, it dropped further to 15th in 2018 due to its slow pace of improving its communication and Internet facilities despite its sustained efforts. In terms of overall economic vitality, New Zealand fell to 14th place from 10th in 2017. In 2017, New Zealand's GDP reached about USD201.39 billion, with a GDP per capita of about USD41,600. The inflation rate was 1.85%, unemployment rate 4.7%, and the GDP growth rate 3.05%, slightly lower than that of 2016. IMF projected that New Zealand's economic growth rate would be about 3.1% in 2018. The sub-indexes of New Zealand's competitiveness are shown in Figure 3.8.

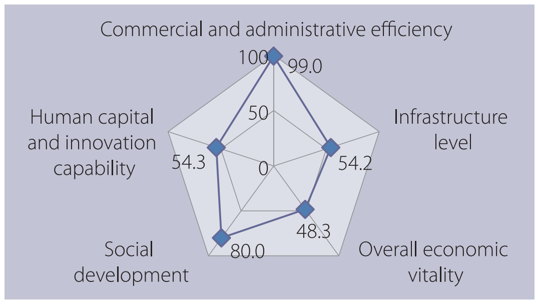

Figure 3.8 Sub-index Radar Chart of New Zealand's Competitiveness

3.3 BRICs Countries and Mongolia in Asia

As the member states of BRICs, China and India have become two leaders in driving Asia-Pacific and global economic sustainable development based on strong economic vitality. In addition, Mongolia is seeking for economic recovery and its economy highly relies on livestock and mining industry.

China remained to be 9th in terms of comprehensive competitiveness among 37 Asian economies in 2018. In terms of economic vitality, Chinese economy began to stabilize and recover, taking a leading position in Asia. 2017 saw China's GDP reach USD12.0 trillion, accounting for 18.2% of the world's GDP at a growth rate of 6.86%, with GDP a per capita of USD8,643.11, inflation rate of 1.56% and unemployment rate of 3.9%. Although its economic growth slowed down, China still maintained a medium- and high-speed growth with its contribution to global

1 https://dfat.gov.au/pages/default.aspx

GDP continuously increasing in the past two years. IMF projected that China's GDP growth rate would be 6.6% in 2018. In terms of commercial and administrative efficiency, China's business environment was continuously improved with China's new round of comprehensive reform and opening-up put into action, administrative power delegated and examination and approval system reformed. China ranked 18th in terms of commercial and administrative service competitiveness, climbing 5 places from a year earlier. With transportation network density intensified and Internet broadband sped up, China ranked the 12th in terms of infrastructure, climbing 2 places from a year earlier. With its potential in economic growth widely recognized, China has been growing to be an innovation-driven economy. China not only made strong investment in scientific research fields, but also the ratio of its fiscal expenditure of education to GDP had been maintained above 4% for 6 consecutive years ranging from 2012 to 2017, which resulted in that China ranked 1st in terms of international patent applications for 7 consecutive years and vaulted to the 2nd place in terms of international patent application of Patent Cooperation Treaty (PCT)[1]. Apart from overall economic vitality in 2018, China took a higher position in terms of human capital and innovation capability and ranked 9th, dropping by 1 place from a year earlier. This indicated that China should make stronger investment in terms of education, scientific research and innovation compared with other economies. With its urbanization further accelerated, China had to further improve its social development level and quality. China ranked the 10th in terms of social development competitiveness in 2018, climbing 6 places from a year earlier. The sub-indexes of China's competitiveness are shown in Figure 3.9.

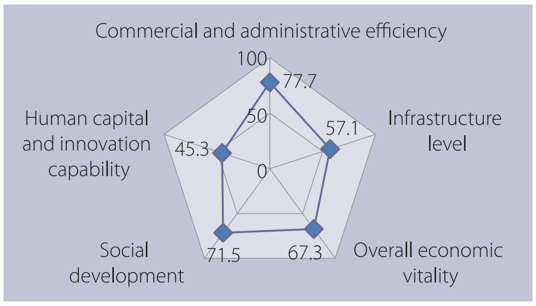

Figure 3.9 Sub-index Radar Chart of China's Competitiveness

India has rich resources, including nearly 100 types of mineral resources. It ranked 1st in terms of mica yield and 3rd in terms of coal and barite yields. Its major industry segments include textile, food processing, chemistry, pharmacy, iron and steel, cement, mining, petroleum and machinery, etc. Such emerging industries as automobile, electronic products manufacturing, aviation and aerospace developed very fast in recent years. In 2017, India's GDP was about USD2.60 trillion, up by 6.68% year on year, its GDP per capita was about USD1,976.09, its inflation rate was 3.60%, and unemployment rate was 3.52%. IMF projected that India's GDP growth rate would be around 7.3% in 2018. India dropped to the 33rd in the rankings of comprehensive competitiveness in 2018, dropping by 3 places from 2017. Apart from performing better in terms of overall economic vitality, India didn't get higher scores in other dimensions and ranked the bottom among 37 Asian economies. In the rankings of commercial and administrative efficiency competitiveness, India dropped by 2 places from 2017 to the 36th, a latter position. In addition, infrastructure and social development also restrained India's comprehensive competitiveness. It ranked 32nd in terms of infrastructure, dropping by 2 places from a year earlier; ranked 35th in terms of social development, climbing 1 place from a year earlier and taking the third worst place. In terms of human capital and innovation capability, it ranked 32nd, dropping by 8 places from a year earlier. It ranked the 13th in terms of overall economic vitality among 37 Asian economies, and injected vitality into Asian economic development with its high-speed economic growth. The sub-indexes of India's competitiveness are shown in Figure 3.10.

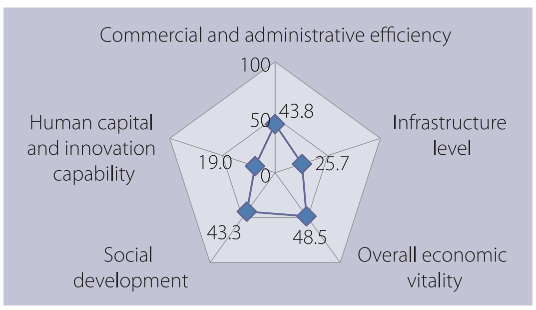

Figure 3.10 Sub-index Radar Chart of India's Competitiveness

1 Central People's Government of the People's Republic of China. http://www.gov.cn/xinwen/2018-03/23/content_5276853.htm

Mongolia takes livestock and mining as its pillar industries and had implemented the planned economy for years. Since 1991, it began to transform towards market economy. It joined the WTO in January 1997. Experiencing 20 years of "pains", its economy began to recover and gain a robust growth momentum[1]. In 2018, Mongolia ranked 26th in comprehensive competitiveness, climbing 5 places from 2017. In the rankings of commercial and administrative efficiency, Mongolia dropped by 6 places from 2017 to the 12th, but it still represented the most competitive sub-item for Mongolia. In terms of human capital and innovation ability, as well as social development, Mongolia ranked 19th, dropping by 4 places and climbing 2 from the previous year respectively. In terms of overall economic vitality, it ranked 19th, climbing 7 places from a year earlier. In 2017, Mongolia's GDP was USD11.14 billion at a growth rate of 5.07%, with GDP per capita of USD3,639.9, inflation rate of 4.62% and unemployment rate of 7.96%. Infrastructure was its weakest sub-item and it ranked 31st, climbing 4 places from 2017. The imbalanced development in such infrastructure facilities as transport system and telecom sector restrained its comprehensive competitiveness. The sub-indexes of Mongolia's competitiveness are shown in Figure 3.11.

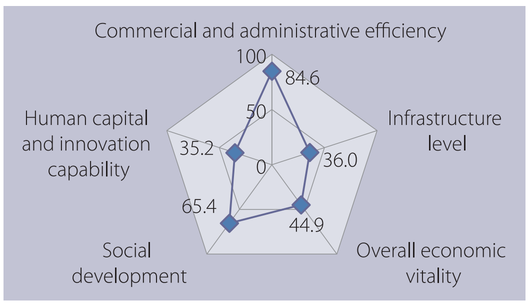

Figure 3.11 Sub-index Radar Chart of Mongolia's Competitiveness

1 Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in Mongolia. http://mn.mofcom.gov.cn/article/ddgk/zwjingji/200208/20020800035775.shtml

3.4 Emerging ASEAN Economies and Timor-Leste

All Southeast Asia countries except for Timor-Leste are ASEAN members, specifically including: Malaysia, Indonesia, Thailand, the Philippines, Singapore, Brunei, Vietnam, Laos, Myanmar and Cambodia. Among ASEAN economies, except Singapore, a developed economy in a traditional sense, the other economies have both strength and weakness in development. In the competitiveness index system, Brunei, Laos and Myanmar are not included.

Malaysia makes greater efforts to develop an export-oriented economy with electronics, manufacturing, building and service industries developing fast. Tourism constitutes its third largest economic pillar and represents the second largest source of foreign exchange revenues. In 2017, Malaysia's GDP was USD312.39 billion at a growth rate of 5.90%, with GDP per capita of USD9,755.2, inflation rate of 3.80% and unemployment rate of 3.43%. IMF projected that Malaysia's GDP growth would be about 4.7% in 2018. Malaysia ranked 11th in comprehensive competitiveness in 2018, climbing 2 places from 2017. Good performance in human capital and innovation capability, overall economic vitality and infrastructure earned the country the 8th, 10th and 13th places in the rankings, climbing 1 place, 2 places and 4 places over previous year respectively. However, it was relatively weak and ranked 25th and 20th in social development and commercial and administrative efficiency. The sub-indexes of Malaysia's competitiveness are shown in Figure 3.12.

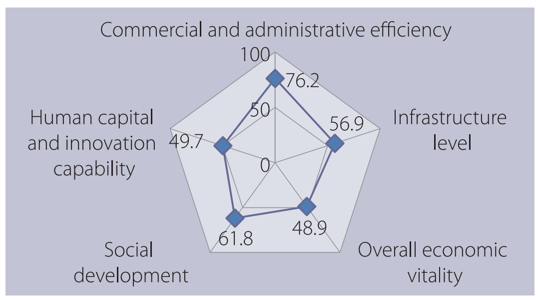

Figure 3.12 Sub-index Radar Chart of Malaysia's Competitiveness

Thailand implements free economic policy, which develops export-oriented economy. Foreign trade occupies an important position in its national economy and relies on such external markets as the US, Japan and China. Agricultural products are one of its major sources of foreign exchange revenues because it's a traditional agricultural country. Tourism has kept a stable growth momentum and also represents one of its major sources of foreign exchange revenues. Thailand is also the largest exporter of natural rubber in the world. Since the 1980s, it has witnessed a rapid growth in such manufacturing industries as electronics, significant changes in industrial structure, sustained economic growth, improved people's living standards and continuously improved education, health and social welfare conditions of its residents. In 1996, the country was listed as a middle income country. It was trapped in economic depression after Asia's financial crisis in 1997 and started to witness economic recovery in 1999. In 2017, Thailand's GDP was USD455.38 billion at a growth rate of 3.90%, with a GDP per capita of USD6,590.6, inflation rate of 0.67%, unemployment rate of 0.70% and foreign trade turnover of USD459.5 billion, up 12.3% year on year. Export turnover reached USD236.7 billion, up 9.9% year-on-year. Import turnover arrived at USD222.8 billion, up 14.7% year-on-year[1]. IMF projected that Thailand's GDP growth would be about 4.6% in 2018. Thailand ranked 17th in comprehensive competitiveness in 2018, climbing 2 place from 2017. Its major competitive advantages lay on its human capital and innovation capability, commercial and administrative efficiency and overall economic vitality, ranking 21st (dropping by 4 places from the year earlier), 13th (climbing 1 place from the year earlier) and 5th (climbing 1 place from the year earlier) respectively. Its performances in infrastructure and social development were poorer than its overall performance with the former ranked 23rd, dropping by 2 places from the year earlier, and the latter ranked 31st, climbing 4 places from the year earlier. It ranked 7th from bottom in terms of social development, which imposed a serious negative impact upon its comprehensive competitiveness. The sub-indexes of Thailand's competitiveness are shown in Figure 3.13.

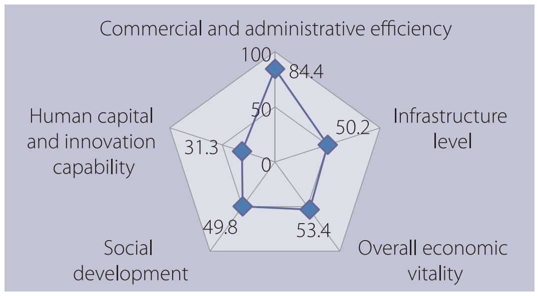

Figure 3.13 Sub-index Radar Chart of Thailand's Competitiveness

Vietnam has seen rapid growth, continuously expanded economic scale, coordinated structure of tertiary industry and continuously improved the level of opening. A pattern with state economy as dominant player and involving multiple economic components has taken into shape. On November 22, 2016, Vietnam's National Assembly adopted *Draft Amendment on Conditional Investment and Operation Industry No. 4 Catalogue as Stipulated in Investment Law* and decided to officially cancel the investment and operation restricted conditions of 20 business activities since January 1, 2017, thus making its domestic market open wider to the outside world.[2] In 2017, Vietnam's GDP was USD220.38 billion, with GDP per capita of USD2,353.36, inflation of 3.52% and unemployment of 2.20%. In 2017, Vietnam's GDP grew by 6.81% year on year, relying on the strong domestic demand, strong export-oriented manufacturing industry and a recovering agricultural sector as the main drivers of growth. In 2017, Vietnam's total imports and exports of goods and commodities were expected to total USD424.87 billion, a record high and the biggest increase in years. Exports reached USD213.77 billion, up 21.1% year on year. Imports totalled USD211.1 billion, up 20.8% year on year, and the cumulative trade surplus in goods and commodities was about USD2.7 billion. Trade in services totalled USD30.1 billion. Exports of services reached USD13.1 billion, up 7% year on year. Imports of services reached USD17 billion, up 1.6% year on year.[3] In April 2016, Vietnam adopted

1 Ministry of Foreign Affairs of the People's Republic of China. https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/yz_676205/1206_676932/1206x0_676934/

2 Country (Region) Guide for Foreign Investment and Cooperation-Vietnam (Version 2017). http://fec.mofcom.gov.cn/article/gbdqzn/upload/yuenan.pdf

3 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/j/201801/20180102697746.shtml

Resolution on Five-Year (2016-2020) Strategic Plan for Socioeconomic Development and required its GDP maintain an average annual growth of 6.5%-7% within 5 years and its GDP per capita reach USD3,200-3,500 as of 2020. The statistical data released by Vietnam's General Statistics Office in December 2018 indicated that Vietnam's GDP was expected to climb 7.08% in 2018.[1] In 2018, Vietnam ranked 15th in comprehensive competitiveness, 7 places higher than the previous year, which was mainly due to its good performance in human capital. In terms of innovation capability and overall economic vitality, it ranked 17th and 18th respectively. Compared with the previous year, Vietnam's ranking in human capital and innovation capability dropped by 6 places, and its ranking in overall economic vitality increased by 3 places. It ranked 22nd and 27th in social development and infrastructure, and 25th in commercial and administrative efficiency. The sub-indexes of Vietnam's competitiveness are shown in Figure 3.14.

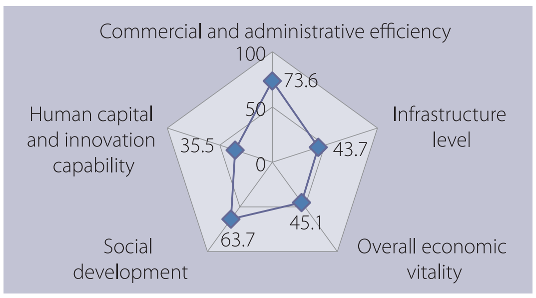

Figure 3.14 Sub-index Radar Chart of Vietnam's Competitiveness

The Philippines has an export-oriented economy with tertiary industry playing a significant role in national economy and agriculture and manufacturing taking a bigger proportion. Elected as 16th Philippine President in 2016, Duterte administration emphasized a social development path featuring rule of law and equality, put forward an economic development plan focusing on alleviating poverty and made efforts to improve infrastructure and related support. In 2017, its GDP was USD313.60 billion, with a GDP per capita of USD2,988.90, a growth rate of 6.69%, inflation rate of 2.85%, and unemployment rate of 5.73%. In 2017, the Philippines saw its imports and exports of goods total USD161.8 billion, up 14.3% year on year[2]. Imports reached USD93.1 billion, up 10.7% year on year, exports USD68.7 billion, up 19.7% year on year. IMF projected that the Philippines's GDP would climb about 6.5% in 2018. The Philippines ranked 31st in comprehensive competitiveness in 2018, down 3 places from 2017. Its major competitive advantages lay on its human capital and innovation capability and overall economic vitality with rankings in 11th and 22nd respectively, higher than that in terms of comprehensive competitiveness; and it dropped by 5 places from the year earlier in terms of overall economic vitality. It dropped by 2 places in terms of commercial and administrative efficiency and ranked 35th, taking on a bottom position. It ranked the 30th in terms of infrastructure, dropping by 2 places from the year earlier. It ranked the 36th in terms of social development, dropping by 13 places compared with the previous year. The sub-indexes of the Philippines' competitiveness are shown in Figure 3.15.

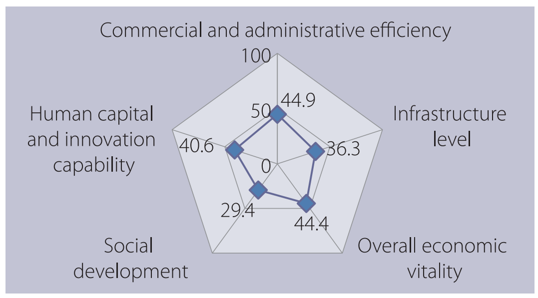

Figure 3.15 Sub-index Radar Chart of the Philippines' Competitiveness

Indonesia is the biggest economy in ASEAN, with agriculture, industry and service industry playing a significant role in its national economy. It positions its industry development as intensified export-oriented manufacturing. The mining industry occupies an important position in national economy with its output accounting for about 10% of the total

1 Economic and Commercial Counsellor's office of the Embassy of the People's Republic of China in the Socialist Republic of Vietnam. http://vn.mofcom.gov.cn/article/jmxw/201812/20181202821880.shtml

2 China Council for the Promotion of International Trade. http://www.ccpit.org/Contents/Channel_4113/2018/0301/972294/content_972294.htm

GDP. In 2017, Indonesia's GDP was USD1.02 trillion, up 5.07% year on year, with GDP per capita of USD3,875.8, inflation rate of 3.81%, unemployment rate of 5.40%, and total imports and exports of goods of USD324.57 billion, up 15.9% year on year[1]. IMF projected that Indonesia's GDP would climb about 5.1% in 2018. Indonesia ranked 28th in comprehensive competitiveness in 2018, climbing 1 place over 2017. Thanks to its sound economic fundamentals, Indonesia ranked 12th in overall economic vitality, climbing 2 places over 2017. As regards commercial and administrative efficiency, it ranked 28th, climbing 3 places over 2017. It ranked 29th in infrastructure, the same as in 2017, and 30th in social development, climbing 1 place over 2017. In terms of human capital and innovation capability, it ranked 29th, dropping by 2 places from 2017. The sub-indexes of Indonesia's competitiveness are shown in Figure 3.16.

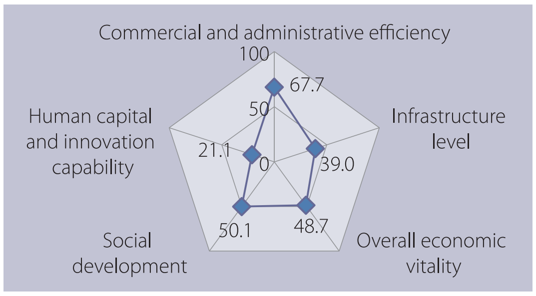

Figure 3.16 Sub-index Radar Chart of Indonesia's Competitiveness

Cambodia has a weak industrial foundation as a traditional agricultural country. Shoe and clothes making, building industry and tourism are its pillar industries. The World Bank declared since July 1, 2016, Cambodia isn't one of the least developed countries (LDC), but instead is recognized as one of the lower middle income countries.[2] In 2017, Cambodia's GDP reached about USD22.09 billion, with a year-on-year growth rate of 6.85%, GDP per capita about USD1,379.3, inflation rate of 2.91% and unemployment rate of 0.22%. IMF projected that Cambodia's GDP growth rate would be about 6.9% in 2018. Although it maintained an overall growth momentum in macro economy in recent years, it ranked 37th in terms of comprehensive competitiveness in 2017 due to its weak industrial foundation, taking on the bottom for 5 consecutive years. It still ranked 37th in terms of commercial and administrative efficiency. It still dropped by 1 place from the previous year in terms of infrastructure, human capital and innovation capability and ranked 37th. It ranked the 25th in terms of overall economic vitality, dropping by 3 places from a year earlier. It ranked the 34th in terms of social development, the same from a year earlier. The sub-indexes of Cambodia's competitiveness are shown in Figure 3.17.

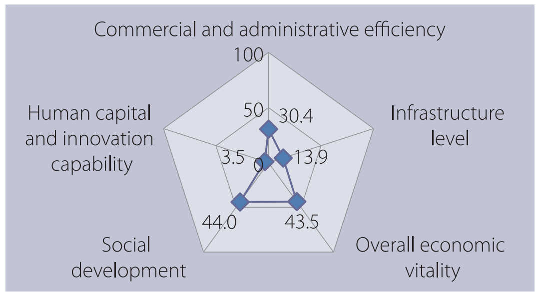

Figure 3.17 Sub-index Radar Chart of Cambodia's Competitiveness

In recent years, focusing on poverty relief and creation of more employment opportunities, Timor-Leste has gradually increased financial budget and public expenditure and encouraged foreign investments so as to drive the growth of non-oil and gas economy. In 2017, its GDP was USD2.78 billion, down 4.60% year on year, with GDP per capita around USD2,236.97. The inflation rate was -1.22% and the unemployment rate 4.02%. IMF projected that Timor-Leste's GDP growth rate would be about 0.8% in 2018. It ranked 32nd in comprehensive competitiveness in 2017, climbing 4 places from 2017. It performed best in overall economic vitality, and human capital and innovation capability, with the former ranked 16th, dropping by 1 place from a year earlier, and the latter ranked 13th, climbing 6 places from a year earlier. It performed worse in terms of commercial and administrative efficiency and infrastructure with the former ranked 29th

1 www.yidaiyilu.gov.cn https://www.yidaiyilu.gov.cn/jcsj/ggsj/dwmy/56808.htm

2 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/j/201607/20160701354780.shtml

(climbing 7 places from a year earlier) and the latter ranked 33rd (climbing 4 places from a year earlier). It ranked the 32nd in terms of social development, climbing 1 place from a year earlier. The sub-indexes of Timor-Leste's competitiveness are shown in Figure 3.18.

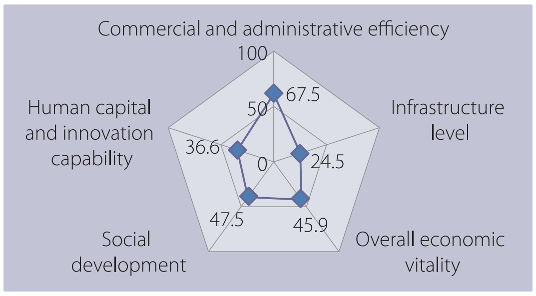

Figure 3.18 Sub-index Radar Chart of Timor-Leste's Competitiveness

3.5 Resource Exporters of Central and West Asia

In 2018, major resource exporters of Central and West Asia performed worse in terms of comprehensive competitiveness. Most of the economies in the regions suffered from the sustained impact from geopolitical and unstable political situation, and the economies relying on resource export were influenced by the shocks in international energy prices. However, in terms of comprehensive competitiveness and sub-item competitiveness, all countries in West Asia enjoyed developed infrastructure and obtained high scores. They were outstanding in overall economic vitality as they were located in the central area of oil output of the world. Anyway, these countries had low scores in terms of human capital and innovation capability.

West Asia is comprised of such 20 countries as Iran, Iraq, Azerbaijan, Georgia, Armenia, Turkey, Syria, Jordan, Israel, Afghanistan, Palestine, Saudi Arabia, Bahrain, Qatar, Yemen, Oman, the UAE, Kuwait, Lebanon and Cyprus. In the comprehensive competitiveness index system, Iraq, Syria, Afghanistan, Palestine, Yemen, Lebanon and Cyprus are not included.

Bahrain is the first to explore oil in the gulf region. In recent years, Bahrain has shifted towards diversified economy, built oil refining, petrochemical and aluminum products industries and vigorously developed finance industry, making it banking and financial center of the region. Developed finance is an obvious feature of Bahrain's economy; and it boasts the financial service center in Middle East region.[1] In 2017, Bahrain's GDP was about USD35.33 billion, with a year-on-year growth of 3.75%, GDP per capita of USD24,300, inflation rate of 1.39% and unemployment rate of 3.64%. IMF projected that Bahrain's GDP growth rate would be about 2.5% in 2018.[2] It ranked 14th in comprehensive competitiveness in 2018, dropping by 4 places from 2017. Bahrain has advanced and complete infrastructure, but its advantages in infrastructure have been overtaken by Hong Kong Special Administrative Region of China and other regions. In 2018, Bahrain ranked 6th among the 37 economies, dropping by 5 places from the previous year. It ranked 15th in overall economic vitality, climbing 5 places over last year. It ranked 28th in human capital and innovation capacity, dropping by 2 places from 2017. It moved up 8 places to the 16th in the rankings of commercial and administrative efficiency, and down 2 places to the 14th in social development. The sub-indexes of Bahrain's competitiveness are shown in Figure 3.19.

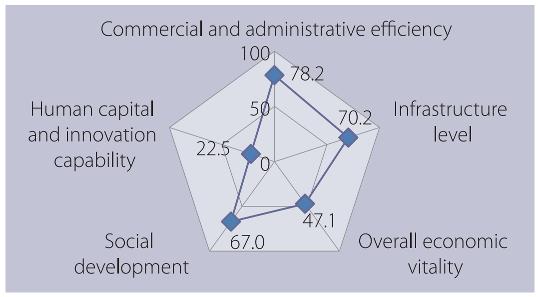

Figure 3.19 Sub-index Radar Chart of Bahrain's Competitiveness

As one of the important resource exporters in Middle East region, Kuwait is abundant with oil and natural gas. While focusing on oil and petrochemical industries in recent years, it has attached great importance to the development of diversified economy, made efforts to develop finance, trade, tourism and exhibition and proposed the

1 Ministry of Foreign Affairs of the People's Republic of China. https://www.mfa.gov.cn/chn//pds/gjhdq/gj/yz/1206_5/

2 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/k/201811/20181102807357.shtml

development vision of 2035 to build Kuwait into a regional business and financial center, played the important role of private enterprises in economic growth, guaranteed a balanced and all-round development of people's life and realized social justice. In 2017, Kuwait's GDP was about USD120.68 billion, down 3.34% year on year, with GDP per capita of USD27,400, inflation rate of 1.51% and unemployment rate of 1.13%. IMF expected Kuwait's GDP growth to be about 2.3% in 2018.[1] In 2017, Kuwait's foreign trade totalled about USD88.9 billion, with exports of about USD55.2 billion and imports of about USD33.7 billion[2]. Its major export commodities included oil and chemical products, with oil exports accounting for 95% of the total exports; its major import commodities included machinery, transportation equipment, industrial products, grains and foods. It adopted a higher welfare system, exempted personal income tax, provided free education and medical care and offered subsidies in terms of employment, prices, rentals and marriage. Boasting a developed transport system, its major ports were Shuwaikh and Shuaiba. It ranked the 16th in terms of comprehensive competitiveness in 2018, maintaining the same place as in the previous year. Its overall economy was full of vitality and it ranked 3rd, maintaining the same place as in the previous year. But it performed better in terms of commercial and administrative efficiency and ranked 26th, climbing 9 places from a year earlier. Its infrastructure and human capital and innovation capability declined in 2018 with the former ranked 11th, dropping by 1 place from a year earlier, and the latter ranked 31st, dropping by 3 places from a year earlier. In addition, it maintained the same position as in 2017 in terms of social development levels and ranked 18th. The sub-indexes of Kuwait's competitiveness are shown in Figure 3.20.

1 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/k/201811/20181102807357.shtml

2 Ministry of Foreign Affairs. https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/yz_676205/1206_676620/1206x0_676622/

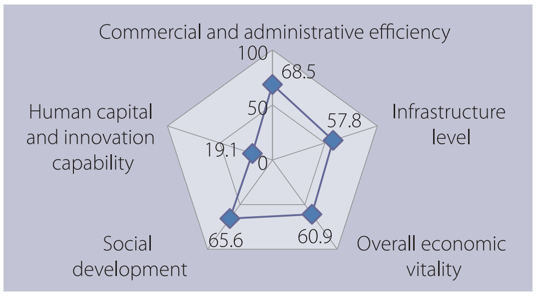

Figure 3.20 Sub-index Radar Chart of Kuwait's Competitiveness

In recent years, Qatar's government has made efforts to invest in natural gas development and regarded it as a focus of economic development. Qatar is the largest liquefied natural gas producer and exporter since 2006. In addition, non-oil and gas industries are regarded as main approaches for realizing national revenue diversification and getting rid of reliance on petroleum. It has focused on attracting foreign capital and technologies. The statistical data released by IMF indicated that in 2016, the ratio of non-oil-gas industrial output to GDP had increased to 70%. Benefiting from the project construction of World Cup 2022, the building industry had become an important driving force for non-oil-gas economic growth.[3] It encouraged the development of agriculture, provided farmers for free with seeds, fertilizers and agricultural machinery, and called for plantation and expansion of cultivated land. Free medical treatment is adopted nationwide. The government focuses on the development of educational undertaking and adopts free education. In 2017, Qatar's GDP was USD166.93 billion, up 1.58% year on year, with a per capita GDP of USD61,000, an inflation of 0.40% and unemployment of 5.88%. Qatar's imports and exports totaled about USD89.33 billion in 2017, with USD26.69 billion imports and USD62.64 billion exports.[4] IMF projected that Qatar's GDP growth would be about 2.7% in 2018.[5] It ranked

3 Guide for outbound Investment Cooperation in Countries (Regions)—Qatar (2017). http://fec.mofcom.gov.cn/article/gbdqzn/upload/kataer.pdf

4 Ministry of Foreign Affairs of the People's Republic of China. http://www.fmprc.gov.cn/chn//gxh/cgb/zcgmzysx/yz/1206_15/1207/t312293.htm

5 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/k/201811/20181102807357.shtml

19th in comprehensive competitiveness in 2018, dropping by 8 places from 2017. Qatar ranked highly in infrastructure and social development. It ranked 10th in infrastructure, dropping by 3 places over last year. Without railways, its major cities were connected through modernized highway networks. Major ports include Doha, Umm Said and Ras Laffan, in which the latter is the world's largest liquid natural gas processing port. Qatar has 5 airports, where there are more than 20 air routes connecting with Europe and Asia. It ranked 12th in social development, dropping by 3 places over 2017. In 2018, its ranking in overall economic vitality dropped by 20 places over 2017 to the 24th. Qatar ranked 24th in human capital and innovation capability, climbing 6 places from 2017. As regards commercial and administrative efficiency, it ranked 22nd, climbing 2 places from 2017. The sub-indexes of Qatar's competitiveness are shown in Figure 3.21.

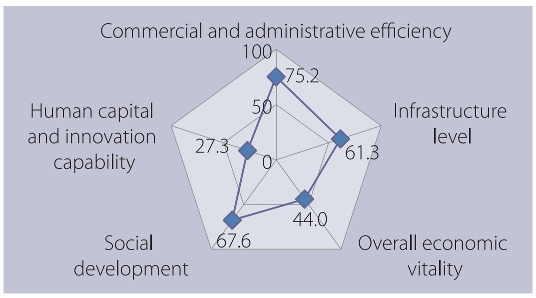

Figure 3.21 Sub-index Radar Chart of Qatar's Competitiveness

Saudi Arabia's major economic pillars are comprised of oil and petrochemical industries. In terms of foreign trade, it adopts free trade and low tariff policies. Its main export commodities include oil and oil-related products and import commodities include such consumer goods and chemical products as mechanical equipment, food and textiles. The government has made full use of rich petroleum and natural gas resources in the country, actively introduced advanced technical equipment from abroad and vigorously developed non-oil industries including iron and steel, aluminum metallurgy, cement, desalination, power, agriculture and service, etc., thus shifting the single economic structure of petroleum. Due to its enormous oil exports, it has kept trade surplus for a long time. In 2017, Saudi Arabia's imports and exports totalled about USD350.1 billion, exports about USD213.3 billion, imports about USD136.8 billion, with a surplus of USD76.5 billion. In 2017, Saudi Arabia's GDP was USD686.74 billion, up -0.86% year on year, with GDP per capita of USD21,100, inflation of -0.85%, and unemployment of 6.00%. IMF projected that Saudi Arabia's GDP growth would be about 2.2% in 2018.[1] Saudi Arabia ranked 17th in comprehensive competitiveness in 2018, the same as in previous year. It performed better in overall economic vitality, and human capital and innovation capability and ranked 8th and 15th respectively. It moved up 8 places in overall economic vitality and 1 place in human capital and innovation capability over 2017. It ranked 17th in infrastructure, dropping by 5 places over last year; ranked 27th in business administration efficiency, climbing 3 places over last year; ranked 17th in social development, climbing 13 places over last year. The sub-indexes of Saudi Arabia's competitiveness are shown in Figure 3.22.

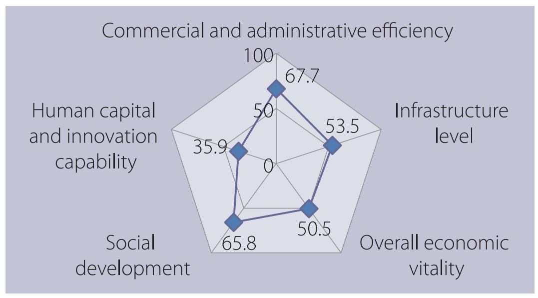

Figure 3.22 Sub-index Radar Chart of Saudi Arabia's Competitiveness

The UAE mainly concentrates on petroleum production and petrochemical industries and is abundant with oil and gas resources. While developing petrochemical industries, its government focuses on diversifying its economy, expanding trade and increasing the share of non-oil revenues to GDP, making greater efforts to develop cement, aluminium metallurgy, plastic products, building materials, clothes, food processing and other industries, paying close attention to agriculture, livestock and fishing industries, making full use of diverse resources and making arduous efforts to develop cultural and

1 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/k/201811/20181102807357.shtml

educational and healthcare undertakings.[1] In addition, it has a developed banking industry, without limit in foreign exchange. Currencies can freely flow into and out of the territory and its exchange rate is kept stable. In 2017, the UAE's GDP was USD382.58 billion, up 0.80% year-on-year, with GDP per capita of USD37,700, inflation rate of 1.97% and unemployment rate of 1.67%. IMF projected that the UAE's GDP growth rate would be about 2.9% in 2018.[2] The UAE ranked 10th in comprehensive competitiveness in 2018, climbing 2 places from 2017. The UAE performed best in overall economic vitality and infrastructure, and both ranked 4th, but it ranked 15th in commercial and administrative efficiency, and 21st in social development. However, it took a lower position in terms of human capital and innovation capability and ranked 33rd, climbing 1 place over last year, mainly due to low spending on public education and research. The sub-indexes of the UAE's competitiveness are shown in Figure 3.23.

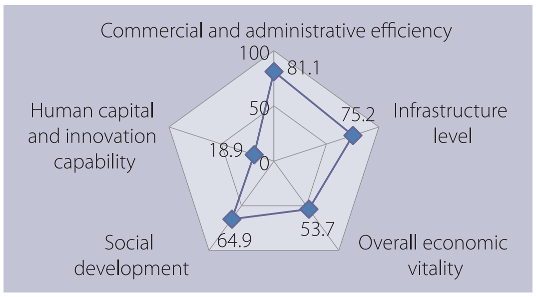

Figure 3.23 Sub-index Radar Chart of UAE's Competitiveness

Turkey has a sound industrial foundation and takes service industry as its largest industry. It has developed transportation, tourism, banking and retailing sectors, of which tourism boasts one of its important sources of foreign exchange revenues. With its national economy developing fast and the turnover and volume of foreign trade continuously increasing, its total foreign trade volume reached USD390.8 billion in 2017, including USD233.8 billion of imports and USD157 billion of exports[3]. Turkey's GDP in 2017 was USD851.52 billion, with a year-on-year growth of 7.44%, GDP per capita of USD10,500, inflation of 11.14% and unemployment of 11.26%. IMF projected that Turkey's GDP growth rate would be about 3.5% in 2018. It ranked 23rd in comprehensive competitiveness in 2018, dropping by 3 places from 2017. As regards commercial and administrative efficiency, Turkey ranked 24th, dropping by 7 places from 2017. Turkey ranked 20th in infrastructure, lagging far behind Bahrain and other west Asian economies. It had a weaker overall economic vitality and ranked 28th, still climbing 2 places from a year earlier. Turkey ranked 26th in social development, dropping by 12 places over previous year. Due to the obviously decreased performance in the number of patents per million people and the high-tech exports, Turkey ranked 25th in human capital and innovation capability, dropping by 12 places over last year. The sub-indexes of Turkey's competitiveness are shown in Figure 3.24.

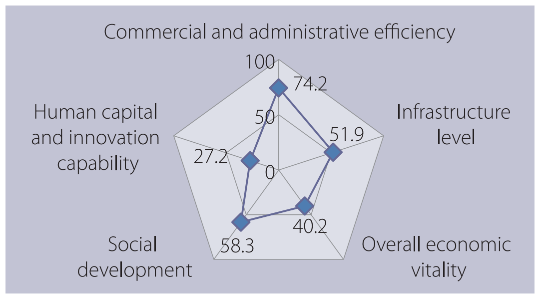

Figure 3.24 Sub-index Radar Chart of Turkey's Competitiveness

Iran is abundant with oil, natural gas and coal reserves; oil revenue accounts for more than half of its total foreign exchange revenues. Except for its major industry of oil exploitation, its industry segments also include oil refining, iron and steel, power, textile, automobile manufacturing, machinery manufacturing, food processing, building materials, carpet, household appliances, chemistry, metallurgy, paper making, cement, sugar making, etc. However, with a relatively weak industrial foundation, most raw materials and parts are imported from the rest of the world. Iran has rich agricultural resources. The arable

1 Ministry of Foreign Affairs of the People's Republic of China. http://www.mfa.gov.cn/chn//pds/gjhdq/gj/yz/1206_47/1206x0/t312292.htm

2 Ministry of Commerce of the People's Republic of China. http://www.mofcom.gov.cn/article/i/jyjl/k/201811/20181102807357.shtml

3 Ministry of Foreign Affairs of the People's Republic of China. https://www.fmprc.gov.cn/chn//gxh/cgb/zcgmzysx/yz/1206_31/1207/

land has a total area of over 52 million hectares, over 30% of the total land area of the country. With thousands of years of civilization history, Iran has rich natural, geographic and ancient civilization relics. It has various types of tourist organizations, including about 3,000 travel agencies. Tehran, Isfahan, Shiraz, Yazd, Kerman and Mashhad are major tourist areas of the country. In 2017, Iran's GDP reached USD430.71 billion, up 3.73% year on year, with GDP per capita of USD5,289.8, inflation rate of 9.64% and unemployment rate of 11.81%. IMF projected that Iran's GDP growth rate would be about -1.5% in 2018, because it was under sanctions by the US. Iran ranked 25th in comprehensive competitiveness in 2018, as it did in previous year. It ranked relatively high in commercial and administrative efficiency and infrastructure, 21st and 18th respectively. Iran ranked 30th in human capital and innovation capability, dropping by 9 places over last year; ranked 36th in overall economic vitality, dropping by 1 place over last year; ranked 27th in social development, climbing 5 places over last year. The sub-indexes of Iran's competitiveness are shown in Figure 3.25.

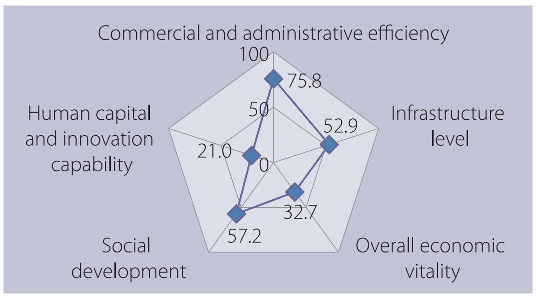

Figure 3.25 Sub-index Radar Chart of Iran's Competitiveness

Azerbaijan is abundant with oil and natural gas resources. It depends heavily upon petroleum industry with a single industrial structure and its economic situation is closely related to the fluctuation trends of oil prices. In 2017, Azerbaijan's GDP was USD40.67 billion, up 0.07% year on year, with GDP per capita of USD4,140.65, inflation rate of 13.00%, and unemployment rate of 5.04%. IMF projected that GDP growth of Azerbaijan would be about 1.3% in 2018. Azerbaijan ranked 21st in comprehensive competitiveness in 2018, climbing 2 places from 2017. It performed better in terms of commercial and administrative efficiency and social development with the former ranked 6th, climbing 2 places from a year earlier, and the latter ranked 11th, dropping by 1 place from a year earlier. But it lagged behind in terms of human capital and innovation capability and ranked 26th, climbing 6 places from a year earlier. It ranked the 21stin terms of infrastructure level, climbing 3 places from a year earlier. It ranked the 29th in terms of overall economic vitality, climbing 7 places from a year earlier. The sub-indexes of Azerbaijan's competitiveness are shown in Figure 3.26.

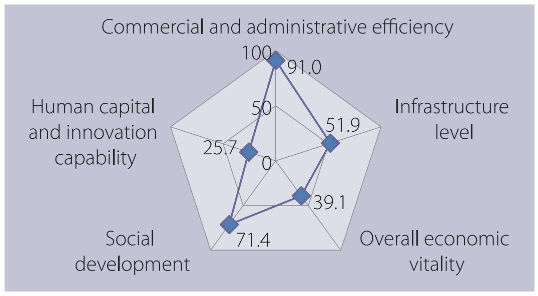

Figure 3.26 Sub-index Radar Chart of Azerbaijan's Competitiveness

Committed to establishing a free market economy in recent years, Georgia makes greater efforts to promote economic reform, reduce tax and tariff rates, restructure industrial structure, accelerate privatization and attract foreign investment. In 2017, Georgia's GDP reached USD15.16 billion, up 4.98% year on year, with GDP per capita of USD4,085.83, inflation of 6.03% and unemployment of 11.76%. IMF projected that Georgia's GDP growth rate would be about 5.5% in 2018. Georgia ranked 12th in comprehensive competitiveness in 2018, climbing 3 places from 2017. Its competitiveness strength is reflected in commercial and administrative efficiency and social development with the former ranked 3rd (climbing 2 places from a year earlier) and the latter ranked 8th (climbing 3 places from a year earlier). It performed normally in terms of infrastructure and ranked 19th, climbing 3 places from a year earlier; ranked 21th in term of overall economic vitality, dropping by 2 places from a year earlier. It obviously performed better in terms of human capital and innovation capability and ranked 14th, climbing 15 places from a year earlier. The sub-indexes of Georgia's competitiveness are shown in Figure 3.27.

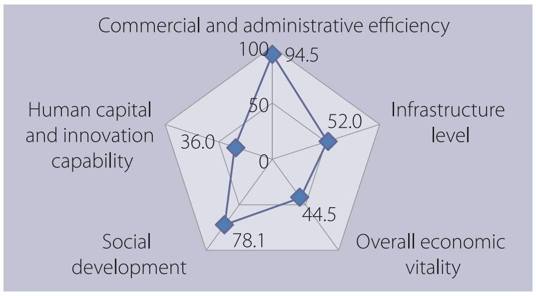

Figure 3.27 Sub-index Radar Chart of Georgia's Competitiveness

Armenia has made initial achievements in adjusting industrial structure, expanding domestic demand, accelerating infrastructure building, making efforts to support agricultural development and eliminating negative outcomes imposed by financial crisis in recent years. In 2017, its GDP was USD11.54 billion, up 7.48% year on year. The GDP per capita was USD3,857.18, the inflation rate 0.92%, and the unemployment rate 18.91%. IMF projected that Armenia's GDP growth rate would be about 6.0% in 2018. Armenia ranked 22nd in comprehensive competitiveness in 2018, dropping by 1 place from 2017. Armenia ranked 11th in commercial and administrative efficiency, an indicator reflecting its best performance, dropping by 4 places from 2017; it ranked 13th in social development, climbing 2 places over 2017. With ordinary performance in other dimensions, Armenia ranked 22nd in infrastructure, climbing 1 place over 2017, 22nd in human capital and innovation capability, climbing 3 places over 2017, and 30th in overall economic vitality, dropping by 1 place from 2017. The sub-indexes of Armenia's competitiveness are shown in Figure 3.28.

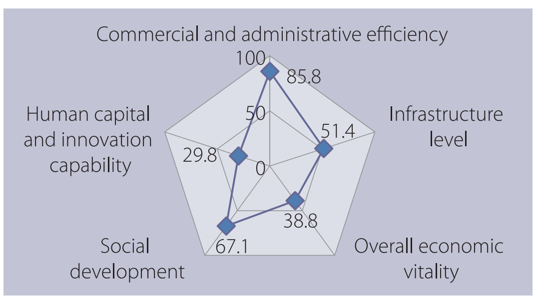

Figure 3.28 Sub-index Radar Chart of Armenia's Competitiveness

As a small Arabian country and developing country, Jordan has a weak economic foundation and scarce resources and arable land, depends heavily upon imports and takes overseas remittance, tourism and foreign aid as its major economic pillars. But compared with its neighboring countries, it enjoys more stable political, economic and cultural environment and thus boasts "a peaceful oasis in Middle East". In 2017, Jordan's GDP was USD40.13 billion, up 1.97% year on year, with GDP per capita of USD4,135.59, inflation rate of 3.32%, and unemployment rate of 18.30%. IMF projected that Jordan's GDP growth rate would be about 2.3% in 2018. Jordan ranked 27th in comprehensive competitiveness in 2018, dropping by 3 places from 2017. It ranked 30th in commercial and administrative efficiency, dropping by 3 places from 2017; it ranked 24th in infrastructure, dropping by 4 places from 2017; in human capital and innovation capability it ranked 23rd, dropping by 1 place from last year; it ranked 23rd in social development, climbing 6 places from 2017. It performed worst in terms of social development and ranked 35th, dropping by 7 places from 2017. The sub-indexes of Jordan's competitiveness are shown in Figure 3.29.

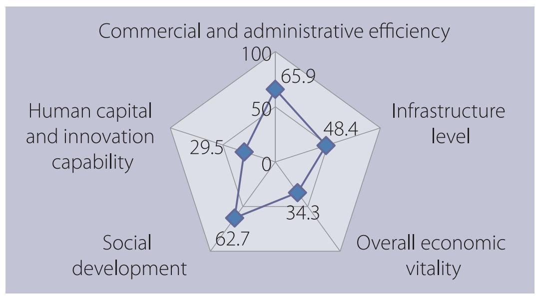

Figure 3.29 Sub-index Radar Chart of Jordan's Competitiveness

As a typical country based on resource exports, Oman takes crude oil and natural gas industries as its economic pillars with their total output accounting for 27.4% of GDP. In order to transform its single industrial structure of relying heavily upon oil and gas industry, in recent years, it carried forward economic diversification strategy in a comprehensive manner, made greater efforts to optimize its investment environment and establish such five non-oil-gas industries as manufacturing, logistics, tourism, mining and fishing, and encouraged and supported private enterprises, especially the small- and medium-sized enterprises, to play a bigger role in promoting national economic development. Since the second half of 2014, continuous slowdown of international oil prices had imposed negative impacts upon its national economy. Making full use of diverse fiscal, tax and financial measures to deal with these negative impacts, Oman's government attracted foreign investment by introducing such special economic zones and industrial parks as Duqm Industrial Park, improved its infrastructure system by focusing on such major projects as new airports and highways and increased fiscal revenues through adjusting enterprises' income tax rates, thereby maintaining a stable growth momentum.[1] In 2017, Oman's GDP was USD70.78 billion, with a year-on-year growth of -0.93%, GDP per capita of USD17,100, inflation rate of 1.60% and unemployment rate of 17.52%. IMF projected that Oman's GDP growth rate would be about 1.9% in 2018. It ranked 20th in comprehensive competitiveness in 2018, dropping by 2 places from 2017. With an ordinary performance in most of the indicators, Oman ranked 14th in commercial and administrative efficiency, climbing 6 places over 2017; 16th in infrastructure, the same as it did in 2017; 18th in human capital and innovation capability, climbing 2 places over 2017; and 16th in social development, climbing 10 places over 2017. It performed worst in terms of overall economic vitality and ranked 33rd, dropping by 9 places from 2017. The sub-indexes of Oman's competitiveness are shown in Figure 3.30.

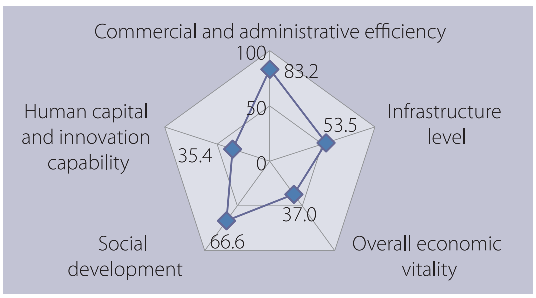

Figure 3.30 Sub-index Radar Chart of Oman's Competitiveness

1 Guide for outbound Investment Cooperation in Countries (Regions)—Oman (2017). http://fec.mofcom.gov.cn/article/gbdqzn/upload/aman.pdf

Middle Asia is located in the central part of the Eurasian Continent and is far away from the sea. This region includes such six countries as Kazakhstan, Turkmenistan, Kyrgyzstan, Uzbekistan, Tajikistan and Afghanistan. In this report system, Turkmenistan, Uzbekistan and Afghanistan are not included.

Kazakhstan takes oil, mining, coal, agriculture and animal husbandry as its pillar industries. In face of the continuous recession of global economy in recent years, it made arduous efforts to intensify strategic positions of mining, metallurgy, oil and gas industries, develop such infrastructure facilities as transportation and logistics, housing security, social public services, thus maintaining a steady and smooth development momentum. In 2017, Kazakhstan's GDP was USD159.41 billion, up by 3.98% year on year, with GDP per capita of USD8,762.19, inflation rate of 7.43%, and unemployment rate of 4.95%. IMF projected that Kazakhstan's GDP growth rate would be about 3.7% in 2018. It ranked 13th in comprehensive competitiveness in 2018, climbing 1 place over 2017. Its competitive advantages are mainly reflected in commercial and administrative efficiency and it ranked 9th in this aspect in 2018, climbing 1 place over 2017. It ranked 15th in social development, dropping by 2 places from last year; 14th in infrastructure, climbing 1 place over last year. It performed worse in terms of overall economic vitality and ranked 20th, but climbing 7 places over 2017. It ranked 16th in human capital and innovation capability. The sub-indexes of Kazakhstan's competitiveness are shown in Figure 3.31.

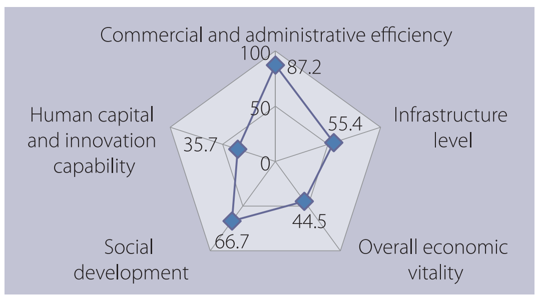

Figure 3.31 Sub-index Radar Chart of Kazakhstan's Competitiveness

Kyrgyzstan takes agriculture and animal husbandry as its pillar industries and has a weak industrial foundation. It is abundant with mineral resources such as nonferrous metals and rare metals.

Influenced by international financial crisis in recent years, its economic growth decreased. In 2017, Kyrgyzstan's GDP reached USD7.57 billion, up 4.58% year on year, with GDP per capita of USD1,207.78, inflation rate of about 3.18%, and unemployment rate of about 7.12%. The statistical data published by Kyrgyzstan's National Commission of Statistics indicated its foreign trade turnover reached USD6.272 billion in 2017, up 12.5% year on year. Exports were USD1,790.7 billion, up 13.8% year on year (USD748.5 million to Commonwealth of Independent States (CIS) countries, up 24%; USD1,042.2 million to non-CIS countries, up 15.3%); imports were USD4,481.3 billion, up 12% year on year (USD2,069.8 billion from CIS countries, up 18.1%; and USD2,411.5 billion from non-CIS countries, up 7.3%).[1] IMF projected that Kyrgyzstan's GDP growth rate would be about 2.8% in 2018. Kyrgyzstan ranked 24th in comprehensive competitiveness in 2018, climbing 2 places over 2017. It performed better in terms of commercial and administrative efficiency and human capital and innovation capability, with the former ranked 10th, climbing 1 place from a year earlier, and the latter ranked 10th, maintaining the same place as in 2017. It ranked 26th in infrastructure, climbing 1 place over last year; 28th in social development, dropping by 6 places from 2017; and 27th in overall economic vitality, climbing 5 places over last year. The sub-indexes of Kyrgyzstan's competitiveness are shown in Figure 3.32.

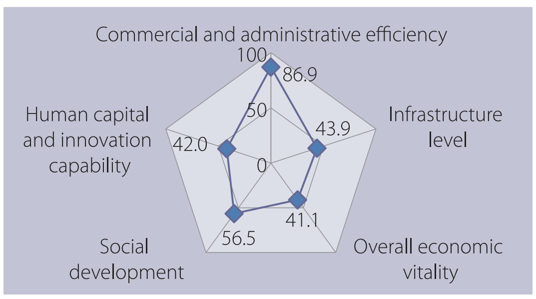

Figure 3.32 Sub-index Radar Chart of Kyrgyzstan's Competitiveness

Tajikistan has a lot of mountains which take up about 93% of its total land area, thus being famous as a "Mountainous Country". Such negative factors as more mountains and less arable land, scarce energy resources, inconvenient transportation networks, lack of human resources and capital and single industrial structure restrain economic development of the country. In recent years, it made arduous efforts to carry forward such three strategies of "ensuring food security", "rejuvenating the country through developing water conservancy and power generating sectors" and "getting rid of inconvenient transportation networks". In 2017, Tajikistan's GDP was USD7.14 billion, up 7.10% year on year, with GDP per capita of USD800.80, inflation rate of about 7.31%, and unemployment rate of around 2.50%. IMF projected that Tajikistan's GDP growth rate would be about 5.0% in 2018. Tajikistan ranked 30th in comprehensive competitiveness in 2018, climbing 4 places over 2017. It ranked 17th in commercial and administrative efficiency, climbing 1 place over 2017; 20th in social development, maintaining the same place as in last year; 20th in human capital and innovation capability, climbing 3 places over last year; 28th in infrastructure, climbing 3 places over 2017; and 37th in overall economic vitality, maintaining the last position as in 2017. The sub-indexes of Tajikistan's competitiveness are shown in Figure 3.33.

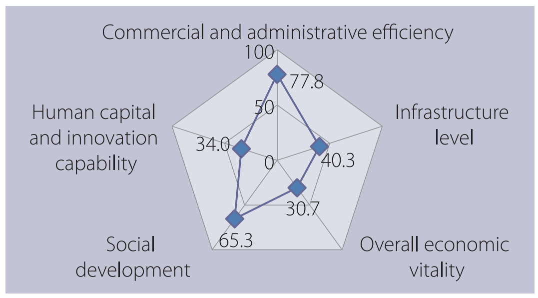

Figure 3.33 Sub-index Radar Chart of Tajikistan's Competitiveness

3.6 Other South Asian Economies

South Asian economies are comprised of India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives. This sub-continent nourishes more than 1/5 of global population, making it a region with the largest popularity and largest population density. Bhutan and Maldives are not included in this report.

Pakistan's major mineral resources reserves

1 Economic and Commercial Counsellor's office of the Embassy of the People's Republic of China in Kyrghyzstan. http://kg.mofcom.gov.cn/article/jmxw/201802/20180202715057.shtml

include natural gas, oil, coal, iron, alumina as well as chromium, marble and gem. It takes agriculture as its economic pillar with agricultural output accounting for 19.5% of GDP. But its industrial foundation is weak. Influenced by such negative factors as unstable domestic political situation, international financial crisis and price increase of international commodities, its overall economy had continued to deteriorate since 2008. After 2009, based on its industrial adjustment and strong support from international community, the positive factors in its economic operation increased with its major economic indexes improved. In 2010, Pakistan was hit by a major flood rarely seen in history, causing an economic loss of USD46 billion. In 2017, Pakistan's GDP was USD304.95 billion, up 5.37% year on year, with GDP per capita of about USD1,545.94, inflation rate of about 4.15%, and unemployment rate of about 6.02%. IMF projected that Pakistan's GDP growth rate would be about 5.8% in 2018. Pakistan ranked 36th in comprehensive competitiveness in 2018, dropping by 1 place from 2017. Pakistan ranked 33rd in commercial and administrative efficiency, dropping by 1 place from 2017; 36th in infrastructure, dropping by 3 places from 2017; 35th in overall economic vitality, climbing 2 places over 2017; 35th in human capital and innovation capability, maintaining the same place as last year; and 37th in social development, still the last place. The sub-indexes of Pakistan's competitiveness are shown in Figure 3.34.

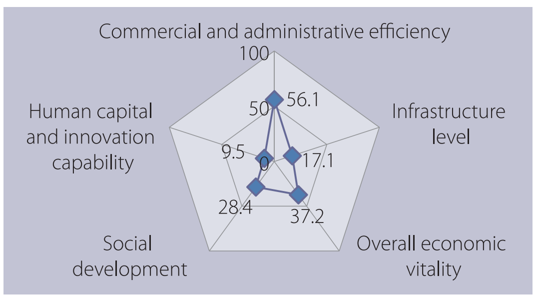

Figure 3.34 Sub-index Radar Chart of Pakistan's Competitiveness

As one of the least developed countries, Bangladesh has a low economic growth and mainly depends on agriculture among national economy. The latest two administrations of the country have insisted on adopting market economy, promoted privatization policy, improved investment environment, attracted foreign investments, built export processing zones and gave priority to develop agriculture. International assistance is an important source for its foreign exchange reserves and the major funds for its investment and development projects. In 2017, Bangladesh's GDP was USD261.52 billion, up 7.40% year on year, with GDP per capita of USD1,602.56, inflation rate of about 5.61%, and unemployment rate of about 4.37%. IMF projected that Bangladesh's GDP growth rate would be about 7.3% in 2018. Bangladesh ranked 35th in comprehensive competitiveness in 2018, dropping by 3 places from 2017. It ranked 34th in commercial and administrative efficiency, dropping by 5 places from 2017; it ranked 35th in infrastructure, dropping by 3 places from 2017; 26th in overall economic vitality, dropping by 3 places from last year; 33rd in social development, dropping by 5 places from last year; 36th in human capital and innovation capability, climbing 1 place over 2017. The sub-indexes of Bangladesh's competitiveness are shown in Figure 3.35.

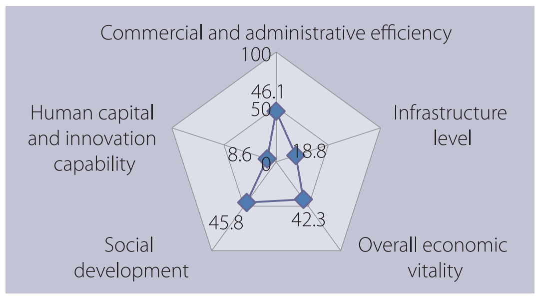

Figure 3.35 Sub-index Radar Chart of Bangladesh's Competitiveness

Famous as the "Pearl on the Indian Ocean", Sri Lanka faces India to the north across the Palk Strait, is adjacent to equator to the south and Eurasian international main course, thus occupying a convenient geographic location connecting the East and the West. Taking the plantation economy as its economic pillar, its major crops include tea, rubber and rice. It has a weak industrial foundation and focuses on processing agricultural products and clothes. It is one of the first countries in South Asia to carry forward the economic liberalization policy. In recent years, its export trade structure had been substantially transformed, changing from focusing on agricultural products to focusing on industrial products. In 2017, Sri Lanka's GDP was about USD87.35 billion, with a year-on-year growth of

3.31%, GDP per capita of about USD4,073.31, inflation rate of about 6.54% and unemployment rate of about 4.4%. IMF projected that Sri Lanka's GDP growth rate would be about 3.7% in 2018. Sri Lanka ranked 29th in comprehensive competitiveness, dropping by 2 places from 2017. It performed best and ranked 24th in terms of social development, dropping by 5 places from a year earlier. It performed worse in terms of overall economic vitality and ranked 34th, dropping by 3 places from a year earlier. It ranked 27th in human capital and innovation capability, climbing 6 places over 2017; 31st in commercial and administrative efficiency, dropping by 10 places from last year; and 25th in infrastructure, climbing 1 place over last year. The sub-indexes of Sri Lanka's competitiveness are shown in Figure 3.36.

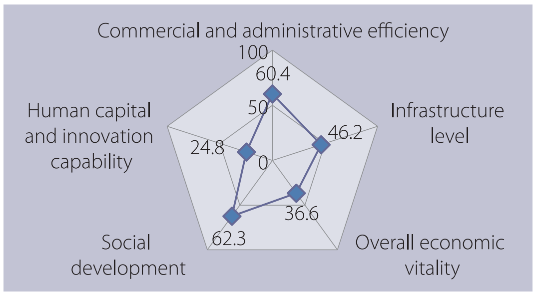

Figure 3.36 Sub-index Radar Chart of Sri Lanka's Competitiveness

Nepal is a backward agricultural country and one of the least developed countries in the world. Since the beginning of the 1990s, it had begun to carry forward a market-oriented economic liberalization policy, but it made less achievements due to unstable political situation and less developed infrastructure system. With a small-sized and weak industrial foundation featuring a lower mechanization level and slower development speed, it takes light industry and processing of semi-finished products as its economic pillars. Its mineral resources include copper, iron, aluminum, zinc, phosphorus, cobalt and quartz, with only a few explored. It enjoys rich hydropower resources with its hydropower reserves reaching 83 million kwh, accounting for 2.3% of the total in the world. In 2017, Nepal's GDP was USD24.88 billion, up 7.91% year on year, with GDP per capita of USD848.09, inflation rate of about 4.45%, and unemployment rate of about 2.74%. IMF projected that Nepal's GDP growth rate would be about 6.3% in 2018. Nepal ranked 34th in comprehensive competitiveness in 2018, dropping by 1 place from last two years. It ranked 29th in social development, dropping by 5 places from last year; 32nd in commercial and administrative efficiency, dropping by 4 places from 2017; 34th in human capital and innovation capability, dropping by 3 places from 2017; 31st in overall economic vitality, climbing 2 places over last year; and 34th in infrastructure, maintaining the same place as last year. The sub-indexes of Nepal's competitiveness are shown in Figure 3.37.

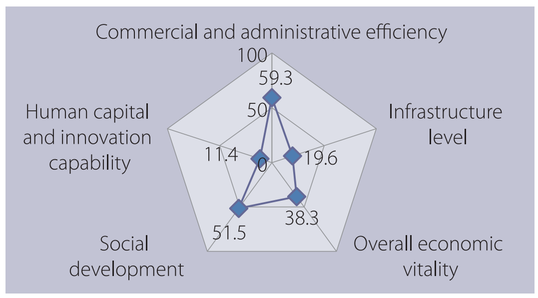

Figure 3.37 Sub-index Radar Chart of Nepal's Competitiveness

Appendix

Introduction to Competitiveness Indexes of Asian Economies

Appendix 1 Purpose and Target of Evaluation

Since the outbreak of the international financial crisis in 2008, the Asian economies have remained the major engine of the world economy. In the course of the world economy's deep correction, whether Asian economies will maintain their competitiveness and enhance their commercial and administrative efficiency, infrastructure, overall economic vitality, social development, human capital and innovation capability has drawn attention not only from Asia itself, but the whole world as well. In this regard, we began to evaluate the Asian economies competitiveness from 2011, with an effort to feel the pulse of the dynamic competitiveness changes in various economies. Our 2010 evaluation system covered 35 Asian economies (including Taiwan Province of China and Hong Kong Special Administrative Region of China). Considering the close economic ties between Asia and Oceania, we took Australia and New Zealand into account in the evaluation system in 2011, adding the evaluation targets to 37 economies. We adopted the same index system in the annual competitiveness rankings, tracking and analyzing the competitiveness changes in the 37 major Asian economies, so as to diagnose their competitive conditions, predict the future development of Asian as well as the world economy, and analyze their achievements in economic and social aspects.

Appendix 2 Introduction to Asian Competitiveness Evaluation Indexes

Appendix 2.1 Composition of the Indexes

The competitiveness indexes of Asian economies include five dimensions which are commercial and administrative efficiency, infrastructure, overall economic vitality, social development and human capital and innovation capability. The competitiveness indexes of Asian economies mainly assess the future competitiveness of 37 main economies in the Asia-Pacific region and describe their competitiveness in the region with a view to helping governments, enterprises and organizations to identify disparity with benchmark economies and point out the direction to improving economic, social and governmental areas. Specifically, the competitiveness indexes of Asian economies mainly focus on the following three aspects: making a comprehensive judgment on competitiveness rankings in Asia, judging the structural disparity among the economies in terms of economic, social and governmental, and tracing efforts and dynamic changes of an economy in social progress and economic development.

Appendix 2.2 Function

Asian competitiveness evaluation indexes are used to discover the gaps among major economies, with an aim to facilitate the all-round development of economy, society and government organizations of the economies. The database used in the evaluation model includes the macroeconomic and social development data of economies provided by IMF and the World Bank, survey data by authoritative agencies including the World Economic Forum and tangible market database. The evaluation model analyzes and concludes each competitiveness index of Asian economies from five aspects, namely commercial and administrative efficiency, infrastructure, overall economic vitality, social development and human capital and innovation capability, and then adopts a weighted-average method to obtain the evaluation indexes, from which the overall rankings of major Asian economies are judged, and valuable information in this regard is offered.

Appendix 3 Introduction to Asian Competitiveness Evaluation Indicators

Most of the indicators used in the past years were used as Asia competitiveness evaluation indicators in 2018. In the indicator system design, the hard indicators that could best reflect the competitiveness of economies were selected and questionnaire survey indicators that may easily cause deviation were avoided. Also, a background indicator set was set. The indicator set includes two original indicators, mainly including per capital GDP of each economy and share of contribution of each economy to total global economy in terms of total economic volume. The fundamental background set used in weight setting includes GDP, total population, GDP per capita and share of GDP in total global GDP.[1] Among these indicators, GDP reflects the total economic volume of an economy; total population is used to solve the amount per capita and constitutes the base of human capital; GDP per capita reflects the economic growth of an economy and represents an important indicator for differentiating economic growth; and the share of contribution of each economy in total global economy indicates the position of economic growth of the economy in global economic growth and is used to calculate the contribution of such economy to global economy.

Specifically, the indicator set may be divided into five categories and each category includes the original indicators of different quantity (See Appendix Table 1.1). Commercial and administrative efficiency indicator set includes 4 original indicators, infrastructure level indicator set 11 original indicators, overall economic capacity indicator set 14 original indicators, social development indicator set 10 original indicators, human capital and innovation capability indicator set 5 original indicators, plus the background indicator for setting weight (1 indicator is used twice), totaling 47 original indicators.

Appendix 3.1 Commercial and Administrative Efficiency

The commercial and administrative efficiency indicator set includes the number of approval procedures for establishing enterprises, establishing period, enterprise application cost and commercial contract execution time. The first three indicators reveal the procedures, time and cost of establishing a new enterprise in an economy. If the administration for establishing a new enterprise in an economy is efficient and the procedure is smooth, the economy would be of vitality and the newly established enterprises can rapidly enter the market and grasp market opportunities. Likewise, if the legal environment is transparent and efficient, the commercial contract disputes would be settled fast, which helps to create a better business environment and improve the capital turnover of enterprises.

Appendix 3.2 Infrastructure Level

The infrastructure indicator set includes miles of international flights, highway density, fixed phone ownership, mobile phone ownership, PC penetration rate, proportion of Internet users, mobile phone coverage, landline coverage, electrification rate, percentage of improved health facilities, and utilization rate of unsafe drinking water. These 11 original indicators cover all aspects of infrastructure in an economy, including aviation and highway traffic facilities, communication, information technology and Internet facilities, electrical supply facilities, sanitation and drinking water facilities. Infrastructure level can reflect efforts on economic development and improvement of people's well-being.

1 The four indexes mentioned remained to be used in the annual report titled *Global Competitiveness Ranking 2018* released by the Word Economic Forum (WEF), as key indexes for analysis by country or region and definition of development phases.

Appendix Table 1　Composition of Asia Competitiveness Evaluation Indicator System

Primary Indicators	Secondary Indicators	Original Indicators
Commercial and administrative efficiency (4)	Efficiency of commercial approval (3)	Amount of approval procedures for establishing enterprises
		Establishing time (days)
		Enterprises' approval cost (per capita income percentage) (%)
	Commercial contract execution efficiency (1)	Commercial contract execution time (days)
Infrastructure level (11)	Transportation facilities (2)	Miles of international flights (million km)
		Highway density (km/100 square kilometers)
	Communication facilities (2)	Landline ownership (per 100 households)
		Mobile phone ownership (per 100 people)
	Internet infrastructure (4)	PC penetration rate (%)
		Proportion of Internet users (%)
		Mobile broadband coverage (%)
		Fixed broadband coverage (%)
	Electrical facilities (1)	Electrification rate（%）
	Water facilities (2)	Percentage of improved health facilities (%)
		Utilization rate of unsafe drinking water (%)
Overall economic vitality (14)	Economic contribution index (2)	GDP/global GDP (%)
		GDP growth rate
	Economic health index (5)	Budget equalization/GDP (%)
		Inflation rate (%)
		Total tax burden /GDP (%)
		Unemployment rate (%)
		Government debt /GDP (%)
	Foreign economy (3)	Tariff rate (%)
		Imports /GDP (%)
		Exports /GDP (%)
	Industrial structure (2)	Added value of service industry /GDP (%)
		Industrial added value /GDP (%)
	Financial environment (2)	Spreads between deposit and loan rates (%)
		National savings rate (%)

continued

Primary Indicators	Secondary Indicators	Original Indicators
Social development (10)	Health (4)	Incidence of tuberculosis (%)
		AIDS incidence (%)
		Infant mortality rate (%)
		Life expectancy (years)
	Medical treatment (2)	Number of surgeons (per 1,000 people)
		Hospital beds (per 1,000 people)
	Education (3)	Enrollment rate of primary education (%)
		Enrollment rate of secondary education (%)
		Female employment rate (%)
	Safety (1)	Homicide rate (per 100,000 people) (%)
Human capital and innovation capability (5)	Human capital (2)	Average years of education (years)
		Proportion of public education expenditure in GDP (%)
	Innovation capability (3)	International patent applications (per 1,000,000 people)
		R&D input (proportion of R&D expenditure in GDP) (%)
		Proportion of high-tech exports in manufactured goods exports (%)

Appendix 3.3 Overall Economic Vitality

The overall economic vitality indicator set includes GDP/global GDP, real GDP growth rate, budget equalization/GDP, inflation and unemployment rate, total tax burden/GDP, government debt/GDP, tariff rate, import volume/GDP, export volume/GDP, added value of service industry/GDP, industrial added value/GDP, spreads between deposit and loan rates, and national savings rate. These 14 initial indicators basically reflect the economic development of an economy, covering both stock and incremental aspects, contribution to the global economy and the health of the economy, as well as foreign economy, industrial structure, and financial environment.

Appendix 3.4 Social Development

The social development indicator set comprises of incidence of tuberculosis, incidence of AIDS, infancy mortality rate, life expectancy, number of surgeons per 1,000 people, hospital beds per 10,000 people, enrollment rate of primary education, enrollment rate of secondary education, female employment rate and homicide rate. These 10 indicators can reflect the degree of human and social development of an economy, covering health, medical treatment, fundamental education, woman employment and public security.

Appendix 3.5 Human Capital and Innovation Capability

The human capital and innovation indicator set includes average years of education, public education expenditure, international patent applications per 1,000,000 people, R&D input, and proportion of high-tech exports in manufactured exports. These indicators analyze human capital input and technology innovation output from the perspective of input and output. It can best reflect people's education situation, as well as intellectual and capital output, including development patents, technological products and creative industries.

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The Boao Forum for Asia (BFA) Asia Competitiveness Report 2019 says hello to you as scheduled. This report is prepared under the organization of Secreariat of Boao Forum for Asia. The report remains to follow the aim of BFA, i.e. building a platform based on Asia yet with a global perspective to facilitate the economic exchange, coordination and cooperation among Asian members as well as between Asia and the rest of the world. Mr. Li Baodong, Secretary-General of BFA offers an indispensable support for the preparation of this report.

Just as the previous years, research work of this report is undertaken by the expert team of China Center for International Economic Exchanges (CCIEE). As head of the research, Dr. Wang Jun, member of the Academic Committee of CCIEE and chief economist of the Zhongyuan Bank, was responsible for organizing and coordinating the competitiveness research, conducting liaison work, organizing the expert team to carry out framework demonstration, text design, situation analysis, data acquisition, index selection and rough model calculation, as well as compiling and finalizing this report. Dr. Xu Changchun, Dr. Liu Xiangdong and Dr. Zhang Huanbo, researchers of CCIEE, directly got involved in this research and drafted the chapters. Beijing Tianyi Times Translation Co., Ltd. translated this report into English version. If, through our efforts, we could enable the rest of the world to focus on, understand and support Asia and to facilitate all participants involved in Asian development to work together for Asia's everlasting peace, stability and prosperity, our research work would be meaningful and we would feel quite gratified.

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Finally, it should be declared that the opinions held in this report do not necessarily represent those of Boao Forum for Asia and China Center for International Economic Exchanges. If there is any mistake, the editor of this report shall assume all liabilities.