

Asia-Pacific
Economic Update, 2010

Volume 1

**Analytical Updates, Economic Outlooks, and Key Statistics
for Area of Responsibility Economies**

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Foreword

Welcome to the *2010 Asia-Pacific Economic Update (APEU)*. The focus of this edition is to present historical data, analyses, outlooks, and research that enable the identification of potentially destabilizing economic conditions in the U.S. Pacific Command's (USPACOM) area of responsibility (AOR). As you know, USPACOM has a mandate to provide security and to help ensure stability in the Asia-Pacific region. While a significant proportion of USPACOM efforts to fulfill its mandate are military in nature, a broad range of strategies are employed to help USPACOM achieve its goals. An important assumption that underpins USPACOM strategies is that economic growth and prosperity help produce a stable environment—political, social, and military. The APEU informs USPACOM leadership and staff and the broader community of interest concerning past, ongoing, and prospective future economic conditions, and infers how AOR economic conditions are likely to impact USPACOM efforts to achieve its goals.

Volume 1 provides high-level coverage of 36 nations plus special territories in the AOR. It presents detailed historical data tables for the 16 largest economies, along with analysis of recent economic developments and a summary of the economic outlook for the year ahead. For the remaining AOR economies for which detailed data are sparse, fundamental economic features are reflected through condensed statistical tables.

Volume 2 is a lexicon of economic terms with which non-economist are likely to require assistance during their pursuit of AOR economic analysis. It remains largely unchanged from the 2009 edition. However, a few new terms appear, statistical examples have been updated, and the text has been adjusted to increase accuracy and clarity.

Volume 3 provides short papers that cover four distinct topics. Each paper addresses potentially destabilizing economic issues in the AOR. Two of the papers were prepared by authors who have no direct organizational links to *APEU* preparers. Consequently, the volume provides an expanded view of economic thinking about AOR issues. The remaining papers were prepared by the USPACOM Economic Advisor; they reflect the types of topics that are entertained on a day-to-day basis at USPACOM.

We believe that the 2010 APEU will serve you well, and that you will refer to it often during the coming year. We invite questions and comments, which will assist us in improving the quality, efficacy, and functionality of future APEU editions. Please transmit your questions or comments to brooks.robinson@pacom.mil; alternatively, you may telephone +1.808.477.9195.

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Overview

Introduction.--The first portion of this *2010 Asia-Pacific Economic Update (APEU)* includes detailed economic statistical tables for the largest 16 of the 36 economies that comprise the U.S. Pacific Command's (USPACOM) area of responsibility (AOR).¹ Accompanying the statistical tables is a textual "Analytical Update" of each economy and a related "Economic Outlook." The second portion includes condensed economic statistics for the smaller remaining economies in the USPACOM AOR. Before considering the detailed data, analysis, and outlook, it should prove useful to have a well-informed context. The remainder of this "Overview" discusses: (1) World economic conditions in the late summer of 2010; (2) general economic conditions in Asia; (3) specific economic conditions that characterize selected large Asia-Pacific economies; (4) a note on how economic development is affecting military operations in key economies; (5) a summary of the economic outlook for the world and Asia-Pacific economies into 2011; and (6) a list of possible economic problem areas that are likely to occupy the attention of economic policy makers over the next couple of years.

World Economic Conditions.--The International Monetary Fund's (IMF) *World Economic Outlook (WEO)* calls for the world economy to recover during 2010 and grow 4.8% after a 0.6% decline during 2009. The 2010 estimate reflects a significant upward revision from initially estimated growth for the year of 3.1%. Underpinning these estimates are expectations of 2.7% growth for advanced economies, and 7.1% growth for emerging market and developing economies during 2010. For the Asia region, 7.9% growth is expected. When compared with recoveries after previous global recessions, this recovery presents a mixed picture. While, it is not uncommon for emerging market and developing economies to have the type of very brisk growth following a recession that is occurring, advanced economies are expected to experience more subdued growth than typically occurs following a recession—especially in Europe. On the inflation front, the *WEO* calls for 1.4% inflation for advanced economies and 6.2% inflation for emerging and developing economies during the year. Overall, inflation is not expected to be a disruptive factor during the early stages of the recovery.

General Conditions in the AOR.--Asia is expected to grow 7.9% during 2010, to experience 4.3% inflation, and to see a 3.0% increase in its current account surplus (exports less imports, plus net income receipts, and net transfers). Advanced economies in Asia (Japan, Australia, and New Zealand) are expected to grow 4.6%, to experience 0.7% inflation, to see a 3.1% increase in the current account surplus, and experience 4.7% unemployment. Newly industrialized Asian economies (NIEs—South Korea, Taiwan, Hong Kong, and Singapore), are expected to see 7.8% growth, 2.6% inflation, a 7.1% increase in the current account surplus, and 3.8% unemployment.

¹The 16 largest AOR economies have a gross domestic product in current market prices of at least USD40 billion are: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam.

Developing Asia (All Asia-Pacific economies less Asia's advanced economies and NIEs), will see about 9.4% growth, 6.1% inflation, and a 3.0% increase in the current account surplus.

Specific Conditions in Large Asia-Pacific Economies.--During 2010, China became the largest economy in Asia surpassing Japan. China's economy is expected to grow 10.5% in 2010, to experience 3.5% inflation, to see a 4.7% improvement in its current account balance, and to have an urban unemployment rate of about 4.1%.

Japan's economy is expected to grow 2.8% during 2010, to suffer 1.0% deflation, to see a 3.0% increase in its current account balance, and to experience 5.1% unemployment.

India will follow 5.7% growth and 10.9% inflation in 2009 with 9.7% growth and 13.2% inflation in 2010. India will likely see a 3.1% deterioration in its current account balance.

Australia expects to experience 3.0% growth, 3.0% inflation, a 2.4% deterioration in its current account balance, and 5.2% unemployment during 2010.

Finally, South Korea is expected to grow 6.1% in 2010, see 3.1% inflation, have a 2.6% improvement in its current account balance, and enjoy 3.3% unemployment.

Economic Developments and Military Operations.--Rapid growth leading up to the global economic crisis enabled certain Asia-Pacific economies to expand military operations substantially. Given the nature of military planning, the economic crisis had a very limited effect on the growth of military expenditures in these economies. Table 1 provides estimates of the levels of 2009 spending for the top five militaries in the Asia-Pacific and the average growth rates over the past three years. Mainly due to the wars in Iraq and Afghanistan, we see that U.S. military spending has also been quite robust over the last three years.

Table 1.—Military spending in 2008 USD for Selected Asia-Pacific Economies and the United States

Line No.	Military	2009 Spending (USD billions)	Three-year moving average real growth rate
1	China	\$ 98.8	12.8%
2	Japan	\$ 46.9	-0.3%
3	India	\$ 36.6	8.9%
4	South Korea	\$ 27.1	5.0%
5	Australia	\$ 20.1	5.5%
6	United States	\$663.3	5.6%

Outlook for 2011.--For 2011, global and Asia-Pacific economic growth are expected to decelerate. Global growth will slow to about 4.2%, while growth for Asia is expected to slow to 6.7%. The rate of inflation is also expected to moderate slightly. China's growth

will fall below 10.0% and will settle at around 9.6% for 2011. Japan's growth will slow to just 1.5% and India's growth is expected to slow to 8.4%. Australia's economic growth, however, is expected to accelerate to 3.5% in 2011 from 3.0% in 2010. Finally, South Korea's growth is expected to slow from 6.1% to 4.5% in 2011.

Potential Problems.--While many economists have characterized the 2008-9 period as a global financial and economic crisis, the fact of the matter is that it was only an economic crisis for Asia. The financial crisis was mainly a North Atlantic crisis. Leading the world out of the economic crisis, Asia has created conditions of concern for itself and the rest of the world. Its fast-paced growth has attracted sizeable volumes of capital seeking high returns that, unless mitigated (sterilized) properly, could produce excessive growth and inflation. Such a boom usually creates a new business cycle when efforts are made to slow growth and inflation.

A second problem is that many Asian economies continued where they left off before the crisis; i.e., expanding their trade sectors. No question about it, several economies, especially China, grew during 2010 through increased consumption and investment. However, Western (advanced) economies would like to see Asian economies consume more and save less in order to help stimulate growth in advanced economies. There will be no easing of pressure for a "rebalancing" of Asian economies until advanced economies achieve robust growth again.

A third concern for selected Asia-Pacific economies that rely heavily on foreign remittances from overseas workers is a slow-down in those remittance flows. Whether we consider the Philippines, Bangladesh, Sri Lanka, or India, foreign remittances serve as an important income flow for selected components of the population. If there is no resumption of growth for these flows, then economic growth in these countries will be somewhat constrained.

Finally, resource supplies constitute a concern for several Asian economies. Russia's recent drought caused a substantial reduction in its expected wheat crop, which has caused the world price of wheat to rise substantially. Add to that slowly increasing oil prices, and we could see a return to the 2008 food price crisis—albeit on a somewhat more subdued basis.

These are key concerns that Asia-Pacific economies will have to resolve in the months ahead. Notably, they beat the economic crisis odds and led the global recovery. Therefore, there is no reason to believe that they cannot overcome the aforementioned challenges.

Part 1: Key Statistics, Analytical Updates, and Economic Outlooks for 16 Large Asia-Pacific Nations and Territories

Key:

Yellow shaded cells indicate that data were unavailable.

Australia



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	20.874	21.263	21.723	21.955
2	Population growth rate (% change)	1.6%	1.9%	2.2%	1.1%
3	U.S. dollar exchange rate	0.7535	0.8391	0.8537	0.7927
4	Nominal GDP (\$ billions)	783.7	951.8	1,058.1	994.2
5	Nominal GDP per capita (\$)	37,544	44,761	48,707	45,285
6	Real GDP growth rate (% change)	2.6%	4.8%	2.2%	1.2%
7	Purchasing Power Parity GDP (International \$ billions)	737.0	795.2	830.8	848.9
8	Consumer price index (CPI) (% change)	3.5%	2.3%	4.4%	1.8%
9	Trade surplus (deficit) (\$ billions)	(16.0)	(24.2)	(13.3)	(11.6)
10	Merchandise exports (\$ billions)	123.3	141.1	187.0	153.9
11	Merchandise imports (\$ billions)	139.3	165.3	200.3	165.5
12	Foreign exchange reserves (\$ billions)	55.1	26.9	32.9	41.7
13	Central government surplus (deficit)-to-GDP ratio (percentage)	2.0	1.5	(0.5)	(4.1)
14	Central government net surplus/debt-to-GDP ratio (percentage)	-6.4	-7.4	-5.4	0.1
15	Net Foreign direct investment (\$ billions)	4.4	28.7	13.9	4.1
16	Unemployment rate	4.8	4.4	4.2	5.6
17	Percent of labor force in agricultural industries (percentage)	3.6	3.6	3.6	3.6
18	Central bank benchmark interest rate	0.1	0.1	0.1	6.0
19	Defense spending (2008 \$ billions)	17.1	18.1	18.5	20.1

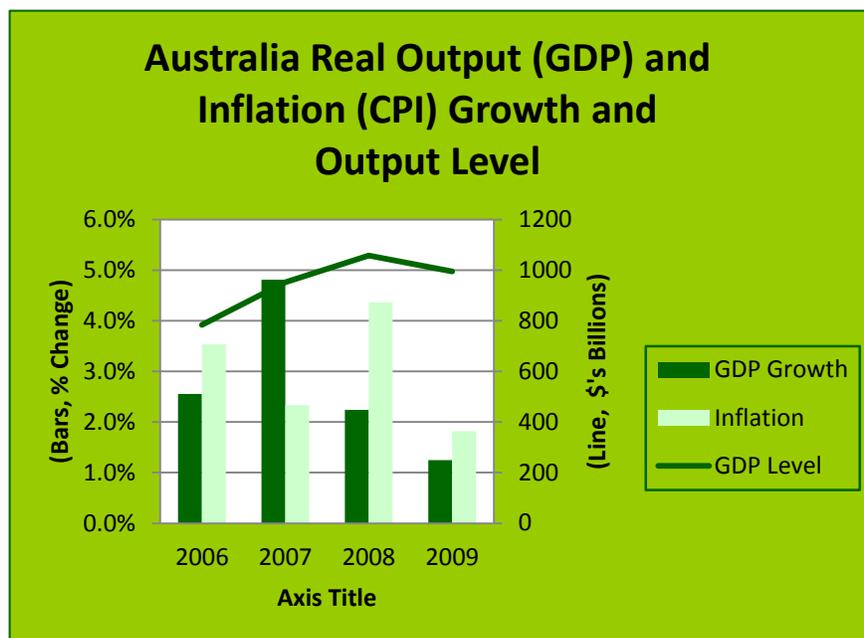
Analytical Update

Australia's first-half 2010 growth was just shy of 2.0%, and inflation remained just under 3.0%. Inflation is a "good news" story for Australia because many advanced economies have teetered on the verge of deflation. Australia did not experience a downturn during the global economic crisis, but its growth has accelerated from a very low level, in large measure, due to China's explosive growth. Australia has benefited from new energy and other resource agreements with China over the past year.

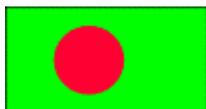
Economic Outlook

Australia's economic growth is expected to accelerate during 2011 to 3.5%. Inflation is expected to hold steady at about 3.0%. The growth acceleration is, in part, due to the expectation that the economic recovery will enable advanced and emerging and developing economies to absorb even more Australia's exports—largely natural resources and manufactured goods. A new found emphasis on “rare earth” elements due to China-Japan tiff during September of 2010 may help ensure the expected outcome.

Australia has joined the U.S. and six other nations in the Trans Pacific Partnership, which is designed to accelerate trans-Pacific trade and economic growth.



Bangladesh



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	155.463	157.753	160	162.221
2	Population growth rate (% change)	1.5%	1.5%	1.4%	1.4%
3	U.S. dollar exchange rate	69.0	68.6	68.8	69.0
4	Nominal GDP (\$ billions)	65.2	74.0	84.5	94.6
5	Nominal GDP per capita (\$)	419	469	528	583
6	Real GDP growth rate (% change)	6.5%	6.3%	6.0%	5.6%
7	Purchasing Power Parity GDP (International \$ billions)	191.0	209.0	226.3	241.3
8	Consumer price index (CPI) (% change)	6.8%	9.1%	8.9%	5.4%
9	Trade surplus (deficit) (\$ billions)	(5.9)	(7.0)	(10.7)	(8.2)
10	Merchandise exports (\$ billions)	9.1	10.2	11.8	12.4
11	Merchandise imports (\$ billions)	15.0	17.3	22.5	20.6
12	Foreign exchange reserves (\$ billions)	3.9	5.3	5.8	10.3
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(3.2)	(3.2)	(5.1)	(3.7)
14	Central government net debt-to-GDP ratio (percentage)	0.4	0.4	0.4	
15	Net Foreign direct investment (\$ billions)	0.8	0.6	1.1	0.7
16	Unemployment rate				
17	Percent of labor force in agricultural industries (percentage)	45.0	45.0	45.0	45.0
18	Central bank benchmark interest rate	15.3	16.0	16.4	14.6
19	Defense spending (2008 \$ billions)	0.9	0.9	0.9	0.9

Analytical Update

The *WEO* calls for 5.8% growth for Bangladesh's economy during 2010; the Asian Development Bank (ADB) expects 5.5% growth. Prices are expected to increase 8.5%. Growth is being fueled, to a significant extent, by textile production. Growth has not been helped by a deceleration in foreign remittances, which are equal to about 11% of the Bangladesh's gross domestic product (GDP).

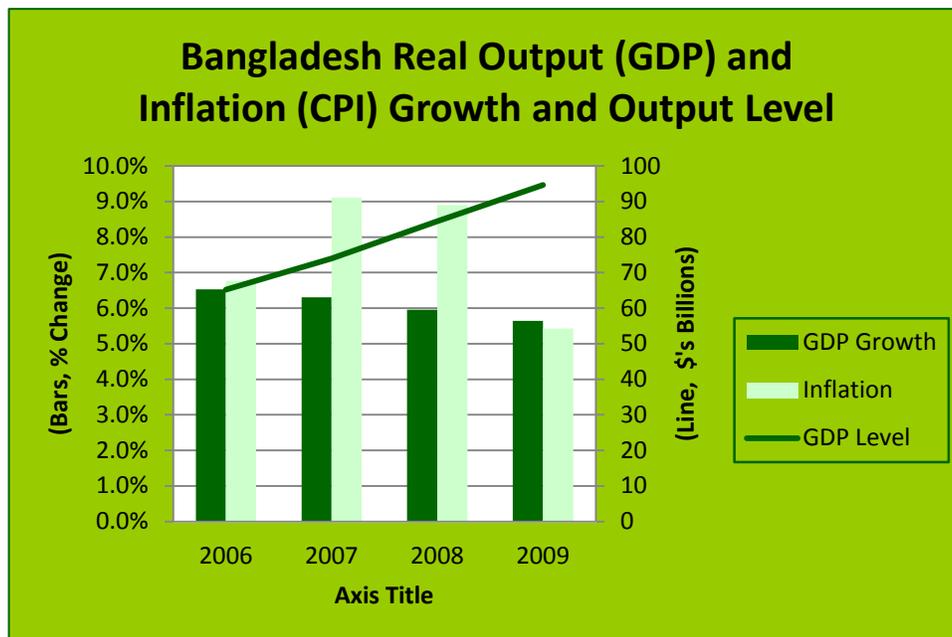
During 2010, garment workers sought to secure economic rents from textile industry owners and garner a living wage in the face of significant inflation by protesting (rioting)

for higher wages. The Government of Bangladesh (GOB) settled with the workers on a doubling of the monthly salary to about \$43.

Bangladesh's economy continues to suffer from insufficient physical infrastructure (especially electricity), from a high level of corruption, from over-dependence on garment exports, and from population pressure.

Economic Outlook

For 2011, Bangladesh's economic growth is expected to proceed at a 6.3% pace. Inflation is expected to fall to about a 7.0% rate. While the GOB continues to find internal and external resources for infrastructure projects, corruption and other factors hamper the timely expenditure of budgeted funds to complete the projects and, thereby, constrain economic growth.



China



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	1,314.48	1,321.29	1,328.02	1,334.74
2	Population growth rate (% change)	0.5%	0.5%	0.5%	0.5%
3	U.S. dollar exchange rate	7.9723	7.6058	6.9477	6.8307
4	Nominal GDP (\$ billions)	2,712.9	3,494.2	4,520.0	4,984.7
5	Nominal GDP per capita (\$)	2,064	2,645	3,404	3,735
6	Real GDP growth rate (% change)	12.7%	14.2%	9.6%	9.1%
7	Purchasing Power Parity GDP (International \$ billions)	6,242.0	7,337.6	8,217.4	9,047.0
8	Consumer price index (CPI) (% change)	1.5%	4.8%	5.9%	-0.7%
9	Trade surplus (deficit) (\$ billions)	177.8	261.5	297.0	197.6
10	Merchandise exports (\$ billions)	969.4	1217.8	1428.7	1201.8
11	Merchandise imports (\$ billions)	791.6	956.3	1131.6	1004.2
12	Foreign exchange reserves (\$ billions)	1072.6	1534.4	1953.3	2425.9
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(0.7)	0.9	(0.4)	(3.0)
14	Central government net debt-to-GDP ratio (percentage)	16.5	19.8	16.8	18.6
15	Net Foreign direct investment (\$ billions)	51.6	61.1	56.2	47.0
16	Unemployment rate	4.1	4.0	4.2	4.3
17	Percent of labor force in agricultural industries (percentage)	43.0	43.0	43.0	39.5
18	Central bank benchmark interest rate	6.1	7.5	5.3	5.3
19	Defense spending (2008 \$ billions)	68.8	77.9	86.2	98.8

Analytical Update

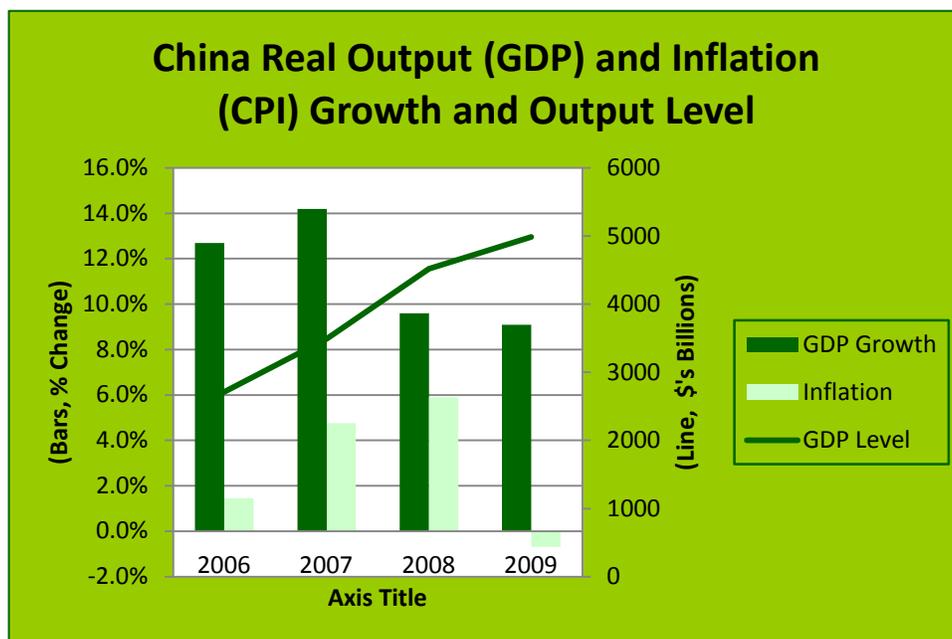
China's real GDP is expected to grow 10.5% for 2010; inflation is expected to increase 3.5%; the current account balance is expected to improve 4.7%; and a 4.1% urban unemployment rate is expected. While military issues with Japan and other AOR nations appear to take center stage as we move into the final quarter of 2010, Chinese economic officials are occupied with keeping economic growth brisk without continued economic stimulus and without permitting the Renminbi to appreciate too rapidly in the face of global pressure. Economically, two important recent issues for policy makers

have been the continued inflow of foreign capital seeking China's high returns, and residential real estate inflation. China is managing both issues adequately at this time.

Economic Outlook

For 2011, China's economic growth is expected to decelerate to 9.6%; inflation is expected to increase 2.7%; the current account surplus is expected to improve by 5.1% as the global recovery strengthens; and urban unemployment is expected to fall to 4.0%.

All of these outcomes hinge, in large measure, on China's ability to navigate successfully not only increasing military tiffs in the region, but also on its ability to convince economies in the region and beyond that a low-valued and stable Renminbi is in the best interest of the global economy. This will become increasingly more difficult as China extends its economic reach to other regions of the world through aggressive export and investment strategies.



Hong Kong



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	6.91	6.953	7.009	7.065
2	Population growth rate (% change)	1.1%	0.6%	0.8%	0.8%
3	U.S. dollar exchange rate	7.768	7.801	7.787	7.752
4	Nominal GDP (\$ billions)	189.9	207.1	215.1	210.6
5	Nominal GDP per capita (\$)	27,698	29,899	30,863	30,064
6	Real GDP growth rate (% change)	7.0%	6.4%	2.2%	-2.8%
7	Purchasing Power Parity GDP (International \$ billions)	268.6	294.2	307.1	301.4
8	Consumer price index (CPI) (% change)	2.0%	2.0%	4.3%	0.5%
9	Trade surplus (deficit) (\$ billions)	(17.9)	(23.1)	(25.8)	(28.8)
10	Merchandise exports (\$ billions)	316.8	344.5	362.7	318.5
11	Merchandise imports (\$ billions)	334.7	367.6	388.5	347.3
12	Foreign exchange reserves (\$ billions)	133.2	152.7	182.5	255.8
13	Central government surplus (deficit)-to-GDP ratio (percentage)	4.3	8.1	0.1	1.6
14	Central government net debt-to-GDP ratio (percentage)	1.7	1.4	1.2	1.0
15	Net Foreign direct investment (\$ billions)	0.1	-6.7	9.0	-3.8
16	Unemployment rate	4.8	4.0	3.5	5.1
17	Percent of labor force in agricultural industries (percentage)				
18	Central bank benchmark interest rate	0.1	0.1	0.1	5.0
19	Defense spending (2008 \$ billions)				

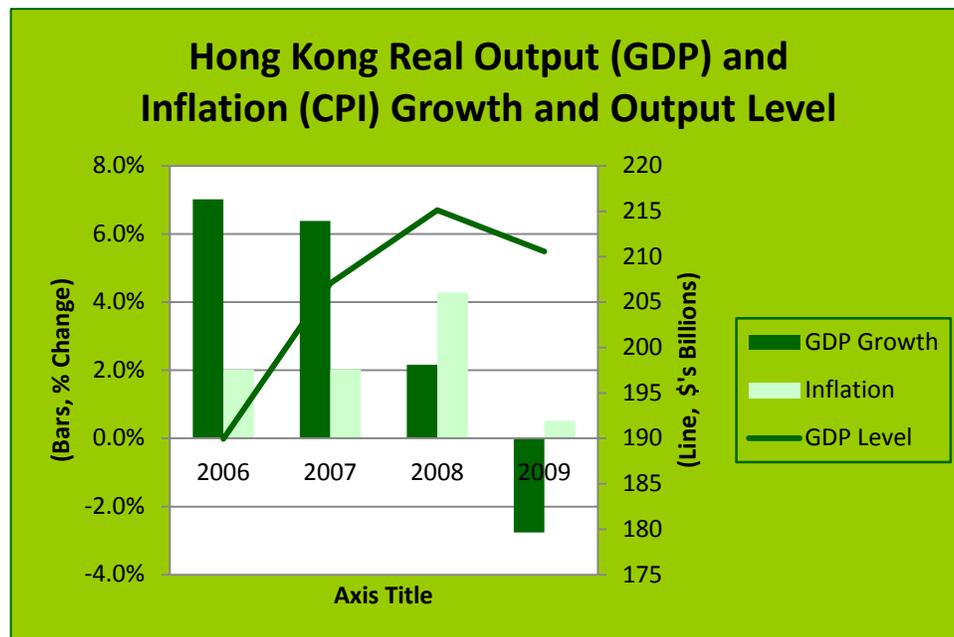
Analytical Update

For 2010, Hong Kong's real GDP is expected to experience 6.0% growth, which is a dramatic improvement over its -2.8% performance during 2009. Inflation is forecasted to be tame at 2.7%. Hong Kong's current account surplus is expected to improve just over 8.0%, and the Special Territory's unemployment rate is expected to fall to 4.4% from 5.1% during 2009.

Economic Outlook

Like most other economies in the region, Hong Kong's growth is expected to decelerate in 2011 to 4.7% growth. Inflation is expected to rise slightly to 3.0%. The current account surplus is expected to improve at the same rate as in 2010 (8.3%), and the unemployment rate is expected to fall further to 4.1%.

Hong Kong's economic outcomes are closely tied to China's, and increasingly so. As China seeks to internationalize its currency and open up its economy, there are increasing opportunities for Hong Kong to play a role as a financial center. Renminbi-denominated financial assets are being issued in Hong Kong at an impressive rate, and Chinese investors are accelerating their acquisition of Hong Kong real estate assets. The Monetary Authority of Hong Kong must continue to be flexible as it manages these economic innovations. Overall, Hong Kong's economic future looks favorable.



India



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	1,147.75	1,164.95	1,182.06	1,199.06
2	Population growth rate (% change)	1.5%	1.5%	1.5%	1.4%
3	U.S. dollar exchange rate	45.13	41.18	43.39	48.33
4	Nominal GDP (\$ billions)	908.0	1,151.7	1,260.6	1,236.9
5	Nominal GDP per capita (\$)	791	989	1,066	1,032
6	Real GDP growth rate (% change)	9.7%	9.9%	6.4%	5.7%
7	Purchasing Power Parity GDP (International \$ billions)	2,756.4	3,118.1	3,390.0	3,615.3
8	Consumer price index (CPI) (% change)	6.2%	6.4%	8.3%	10.9%
9	Trade surplus (deficit) (\$ billions)	(56.7)	(78.7)	(126.3)	(91.3)
10	Merchandise exports (\$ billions)	121.8	150.0	194.5	164.9
11	Merchandise imports (\$ billions)	178.5	228.7	320.8	256.2
12	Foreign exchange reserves (\$ billions)	176.1	273.9	254.0	274.7
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(5.3)	(4.0)	(7.4)	(9.6)
14	Central government net debt-to-GDP ratio (percentage)	76.0	72.9	72.6	74.2
15	Net Foreign direct investment (\$ billions)	5.6	7.8	21.9	19.7
16	Unemployment rate				
17	Percent of labor force in agricultural industries (percentage)	60.0	60.0	60.0	52.0
18	Central bank benchmark interest rate	0.1	0.1	0.1	12.2
19	Defense spending (2008 \$ billions)	28.5	28.9	32.3	36.6

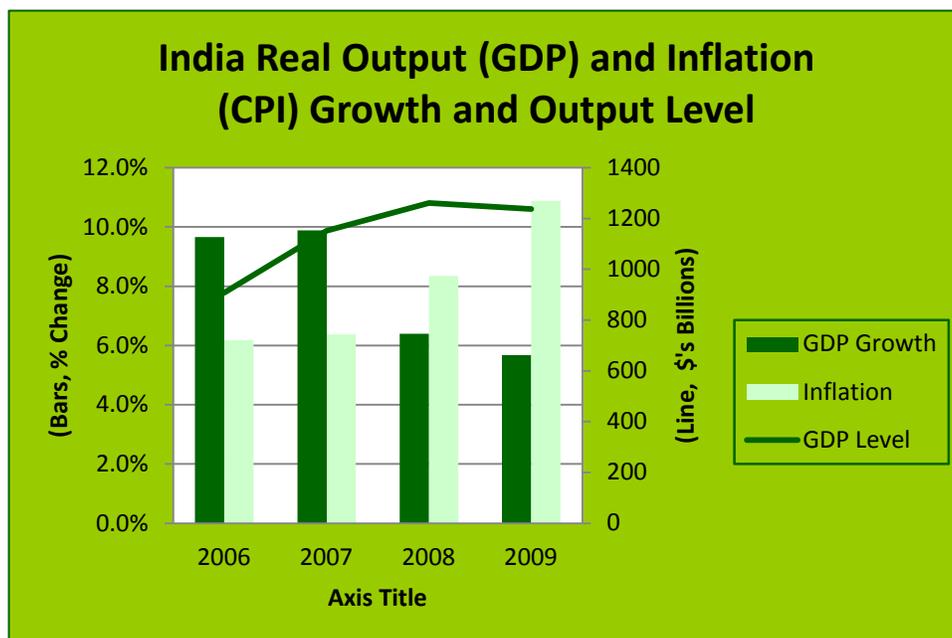
Analytical Update

India's economy continues to exceed initial expectations for growth. In October 2009, the *WEO* forecasted that India's economy would grow just 6.4% during 2010. That growth rate was revised up a full 3.3% for the October 2010 *WEO* to 9.7%. Inflation, which has been a persistent problem throughout the current acceleration, is expected to increase 13.2% during 2010. The Bank of India has fought inflation by raising interest rates, but prices—particularly for food—have continued to increase. Despite solid growth, India will continue to experience a current account deficit, which will deteriorate 3.1% during 2010.

Economic Outlook

India's economic growth is also expected to decelerate to 8.4% growth during 2011. Surprisingly, the *WEO* calls for a dramatic deceleration in inflation to 6.7% during 2011. The current account will remain in deficit, which will deteriorate at the 2010 rate (3.1%).

As already mentioned, the post-global-economic-crisis acceleration in India's economy has been driven by the domestic sectors: private and public consumption and investment. Consequently, India's economy is not a target for rebalancing. India has an important need, however, and that is a need for foreign direct investment (FDI) to help underwrite the cost of major infrastructure projects (highways and rail) that are on the anvil. Unfortunately, the Government of India must use more than desired resources to grow its military in response to domestic insurgents (e.g., the Naxalites and activists in Kashmir) and to terrorists. Nevertheless, the expectation is that India's economy will continue to experience growth in the 7.0%-to-10% range for the foreseeable future.



Indonesia



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	222.747	225.642	228.575	231.547
2	Population growth rate (% change)	1.3%	1.3%	1.3%	1.3%
3	U.S. dollar exchange rate	9,159	9,143	9,699	10,399
4	Nominal GDP (\$ billions)	364.4	432.2	511.5	539.4
5	Nominal GDP per capita (\$)	1,636	1,916	2,238	2,329
6	Real GDP growth rate (% change)	5.5%	6.3%	6.0%	4.5%
7	Purchasing Power Parity GDP (International \$ billions)	768.2	841.0	911.0	961.1
8	Consumer price index (CPI) (% change)	13.1%	6.0%	9.8%	4.8%
9	Trade surplus (deficit) (\$ billions)	22.8	24.9	12.2	26.8
10	Merchandise exports (\$ billions)	103.5	118.0	139.6	119.5
11	Merchandise imports (\$ billions)	80.7	93.1	127.5	92.7
12	Foreign exchange reserves (\$ billions)	42.6	56.9	51.6	66.1
13	Central government surplus (deficit)-to-GDP ratio (percentage)	0.2	(1.2)	0.0	(1.6)
14	Central government net debt-to-GDP ratio (percentage)	40.4	36.9	33.2	28.6
15	Net Foreign direct investment (\$ billions)	2.2	2.3	3.4	1.9
16	Unemployment rate	10.3	9.1	8.4	8.0
17	Percent of labor force in agricultural industries (percentage)	43.0	43.0	43.0	42.1
18	Central bank benchmark interest rate	0.2	0.1	0.1	14.5
19	Defense spending (2008 \$ billions)	5.0	5.5	5.0	4.9

Analytical Update

Indonesia's top economists concluded that the global economic crisis shaved about 2.0% off of the nation's 6.0%-to-7.0% trend growth rate during 2009. Consequently, it is not surprising that Indonesia should return to about 6.0% (trend) growth for 2010 after recovering from the crisis. Inflation is expected to increase 5.1%. The current account surplus will improve at a 0.9% rate. The unemployment rate will drop to 7.5% in 2010 from an 8.0% rate in 2009. Indonesia's 2009 growth acceleration has come, in large measure, as a result of the re-election of Susilo Bambang Yudhoyono to a second term

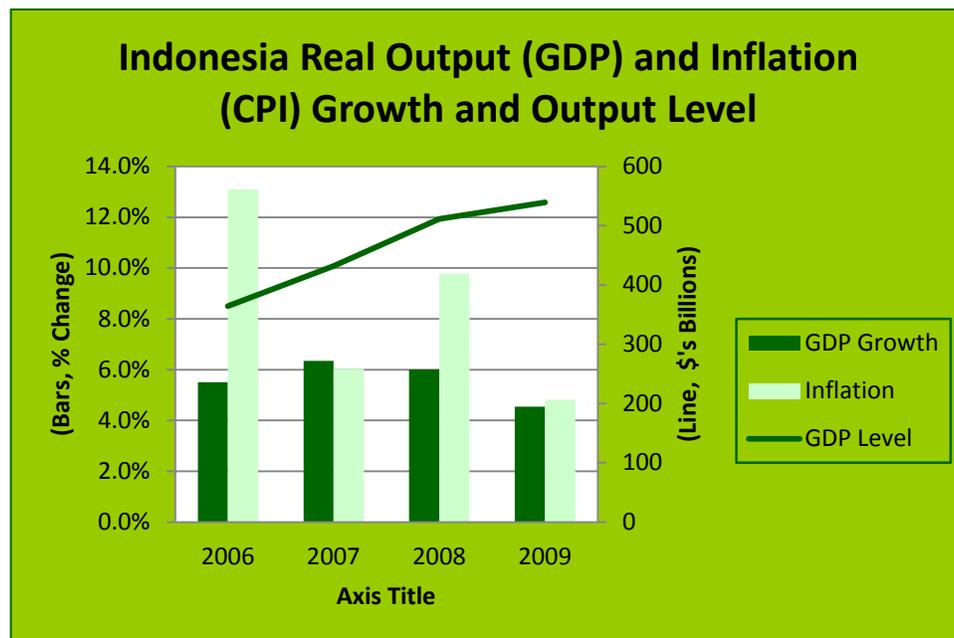
as President and the stability that it brought. The renormalization of relations between the U.S. and Indonesia has also contributed to Indonesia's growth.

Economic Outlook

Indonesia's economic growth is expected to accelerate slightly during 2011 to 6.2%; inflation is expected to accelerate to 5.5%; and improvement in the current account surplus is expected to hold steady at about the 2010 rate (0.9%).

A summer 2010 *New York Times* article touts Pres. Yudhoyono's re-election as a major reason why Indonesia has become a favorite destination for Western financial capital. For example, inward FDI increased 51% during the second quarter of 2010 (year-over-year). The nation's relatively moderate interpretation of Islam and its increasingly modern urban areas facilitate growth and create good opportunities for investors to earn relatively high returns. An ongoing Government of Indonesia effort to reduce corruption has also helped increase FDI.

Indonesia will chair the Association of Southeast Asian Nations in 2011, and should be able to leverage the increased exposure to garner favorable opportunities for continued solid growth.



Japan



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	127.746	127.757	127.692	127.551
2	Population growth rate (% change)	0.0%	0.0%	-0.1%	-0.1%
3	U.S. dollar exchange rate	116.31	117.76	103.39	93.68
4	Nominal GDP (\$ billions)	4,362.6	4,378.0	4,887.0	5,068.9
5	Nominal GDP per capita (\$)	34,150	34,268	38,271	39,740
6	Real GDP growth rate (% change)	2.0%	2.4%	-1.2%	-5.3%
7	Purchasing Power Parity GDP (International \$ billions)	4,080.6	4,299.9	4,341.1	4,152.3
8	Consumer price index (CPI) (% change)	3.0%	0.0%	1.4%	-1.4%
9	Trade surplus (deficit) (\$ billions)	70.4	94.5	19.4	30.2
10	Merchandise exports (\$ billions)	649.9	714.2	782.0	580.7
11	Merchandise Imports (\$ billions)	579.6	619.7	762.6	550.5
12	Foreign exchange reserves (\$ billions)	881.0	954.0	1011.0	1024.0
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(4.0)	(2.4)	(4.1)	(10.2)
14	Central government net debt-to-GDP ratio (percentage)	84.3	81.5	94.9	111.6
15	Net Foreign direct investment (\$ billions)	-56.8	-51.0	-103.6	-62.8
16	Unemployment rate	4.1	3.8	4.0	5.1
17	Percent of labor force in agricultural industries (percentage)	4.6	4.6	4.6	4.0
18	Central bank benchmark interest rate	0.3	0.7	0.9	0.4
19	Defense spending (2008 \$ billions)	47.3	47.1	46.3	46.9

Analytical Update

Japan's economic growth is expected to turn up 2.8% during 2010 from a 5.2% decline in 2009. However, Japan expects to continue to experience deflation, with prices declining 1.0% during the year. The current account surplus is expected to improve 3.1%, and the unemployment rate is expected to hold steady at 5.1%--the same as in 2009.

As we close out 2010, Japan faces uncertainty concerning the economic impact of its military stand-offs with China. China withdrew its threat to withhold rare earth mineral

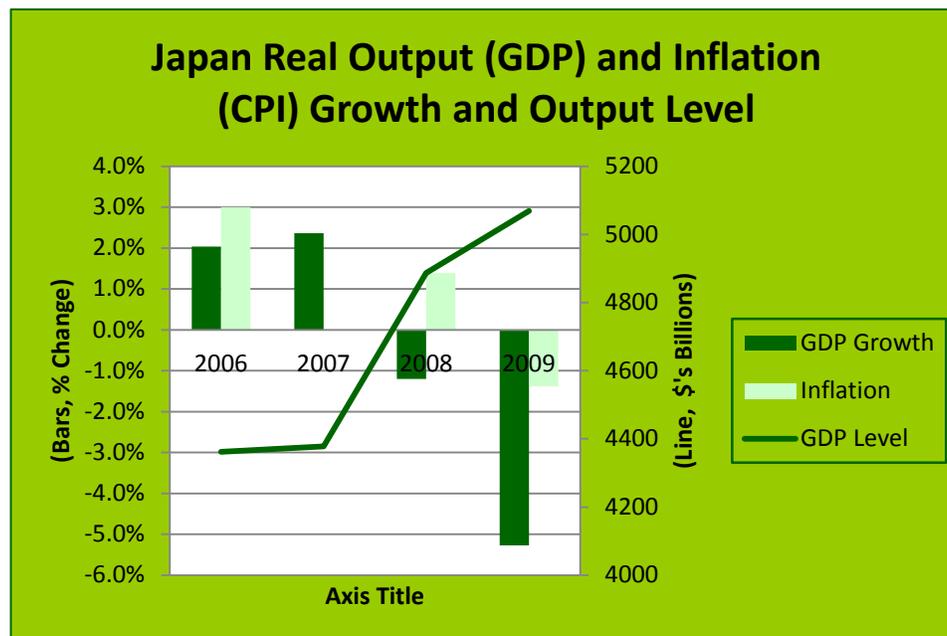
exports to Japan, after the latter released a Chinese boat captain who had been detained following a brush-up at sea. The question remains, “Will China and Japan experience more such confrontations and will these conflicts have economic ramifications?”

Another major concern for Japanese economic policy makers concerns the strength of the Yen. China’s continued efforts to suppress the value of the Renminbi and similar action by other Asia-Pacific economies leaves Japan with its very strong Yen at a disadvantage on the trade front. Interestingly, there appears to be a policy conflict within Japan as certain leaders believe they can jawbone their way to balanced currencies policies in the region, while other leaders believe that Japan should adopt an interventionist policy in reducing the value of the Yen.

Economic Outlook

For 2011, Japan’s economic growth is expected to decelerate to 1.5%; deflation will continue at moderated rate (-0.3%); the current account surplus will improve 2.3%; and the unemployment rate will fall slightly to 5.0%.

If Japan is able to normalize relations with China and continue smooth economic interactions, then it should have an opportunity to benefit from the subdued global recovery. Domestic financial reforms and joint development of offshore energy resources with China could be sources of growth. Nevertheless Japan’s declining population affects adversely the nation’s consumer and tax base—which do not bode well for robust economic growth.



Malaysia



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	26.392	26.841	27.297	27.761
2	Population growth rate (% change)	1.7%	1.7%	1.7%	1.7%
3	U.S. dollar exchange rate	3.666	3.435	3.329	3.523
4	Nominal GDP (\$ billions)	157.1	187.0	222.3	193.0
5	Nominal GDP per capita (\$)	5,951	6,967	8,143	6,950
6	Real GDP growth rate (% change)	5.8%	6.5%	4.7%	-1.7%
7	Purchasing Power Parity GDP (International \$ billions)	329.3	361.0	386.2	383.1
8	Consumer price index (CPI) (% change)	3.6%	2.0%	5.4%	6.0%
9	Trade surplus (deficit) (\$ billions)	29.5	29.3	45.3	33.8
10	Merchandise exports (\$ billions)	160.6	176.0	209.7	157.5
11	Merchandise imports (\$ billions)	131.1	146.8	164.4	123.7
12	Foreign exchange reserves (\$ billions)	82.4	101.3	91.5	96.7
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(2.1)	(2.6)	(3.2)	(5.5)
14	Central government net debt-to-GDP ratio (percentage)	43.2	42.7	42.8	55.4
15	Net Foreign direct investment (\$ billions)	-0.0	-2.7	-7.7	-6.7
16	Unemployment rate	3.3	3.2	3.3	3.7
17	Percent of labor force in agricultural industries (percentage)	13.0	13.0	13.0	13.0
18	Central bank benchmark interest rate	6.6	6.3	5.9	4.8
19	Defense spending (2008 \$ billions)	3.9	4.3	4.4	4.1

Analytical Update

Malaysia's economy is expected to rebound from a -1.7% downturn in 2009 to 6.7% growth in 2010. Inflation is expected to increase 2.2%. The nation's current account surplus is expected to jump 14.7%. The unemployment rate is expected to fall to 3.5% from 3.7% during 2009.

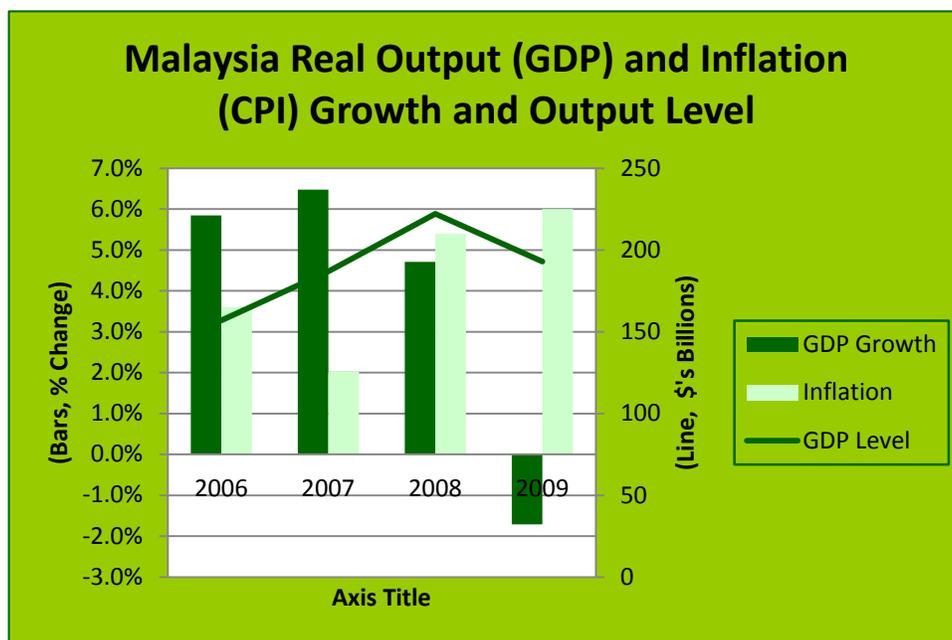
Malaysia is in the midst of transition, not only from a recession, but also from an economy that focused heavily on manufacturing to an economy that will emphasize services. Malaysia's 10th Five-Year Plan, which was released in June of 2010, calls for liberalization of several economic sectors and mandates production using knowledge,

skill, and creativity. Plans are to spend USD70 billion on infrastructure—electric power, transportation, and university campuses.

Economic Outlook

For 2011, Malaysia's economy is expected to grow 5.3%, inflation is expected to increase 2.1%, the current account surplus is expected to improve 13.8%; and the unemployment rate is expected to fall to just 3.2%.

Closely linked to Singapore's economy, Malaysia's vibrant trade sector reflects the expectation that the global recovery will proceed at a rate sufficient to keep Singapore's economy quite buoyant. In addition, the investment projects that will be underway as part of the aforementioned five-year plan may also stimulate growth.



New Zealand



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	4.192	4.236	4.276	4.321
2	Population growth rate (% change)	1.2%	1.0%	0.9%	1.1%
3	U.S. dollar exchange rate	0.6492	0.7365	0.7151	0.6358
4	Nominal GDP (\$ billions)	107.7	131.0	131.1	117.8
5	Nominal GDP per capita (\$)	25,685	30,927	30,653	27,259
6	Real GDP growth rate (% change)	1.0%	2.8%	-1.5%	-1.6%
7	Purchasing Power Parity GDP (International \$ billions)	107.5	113.7	116.1	115.2
8	Consumer price index (CPI) (% change)	3.4%	2.4%	4.0%	2.1%
9	Trade surplus (deficit) (\$ billions)	(4.0)	(3.9)	(3.8)	(0.6)
10	Merchandise exports (\$ billions)	22.4	27.0	30.6	24.9
11	Merchandise imports (\$ billions)	26.4	30.9	34.4	25.6
12	Foreign exchange reserves (\$ billions)	14.1	17.2	11.1	15.6
13	Central government surplus (deficit)-to-GDP ratio (percentage)	3.4	2.9	0.7	(2.8)
14	Central government net debt-to-GDP ratio (percentage)	0.2	-5.7	-4.8	-1.2
15	Net Foreign direct investment (\$ billions)	7.3	-0.3	5.2	0.8
16	Unemployment rate	3.8	3.7	4.2	6.2
17	Percent of labor force in agricultural industries (percentage)	7.0	7.0	7.0	7.0
18	Central bank benchmark interest rate	11.0	11.7	12.2	10.4
19	Defense spending (2008 \$ billions)	1.3	1.4	1.4	1.4

Analytical Update

New Zealand's economy is expected to rebound from a 1.6% downturn during 2009, to 3.0% growth in 2010. Inflation will accelerate slightly to 2.5% from 2.1% in 2009. The current account deficit will deteriorate -3.2%. The unemployment rate is expected to remain flat at 6.2% in 2010.

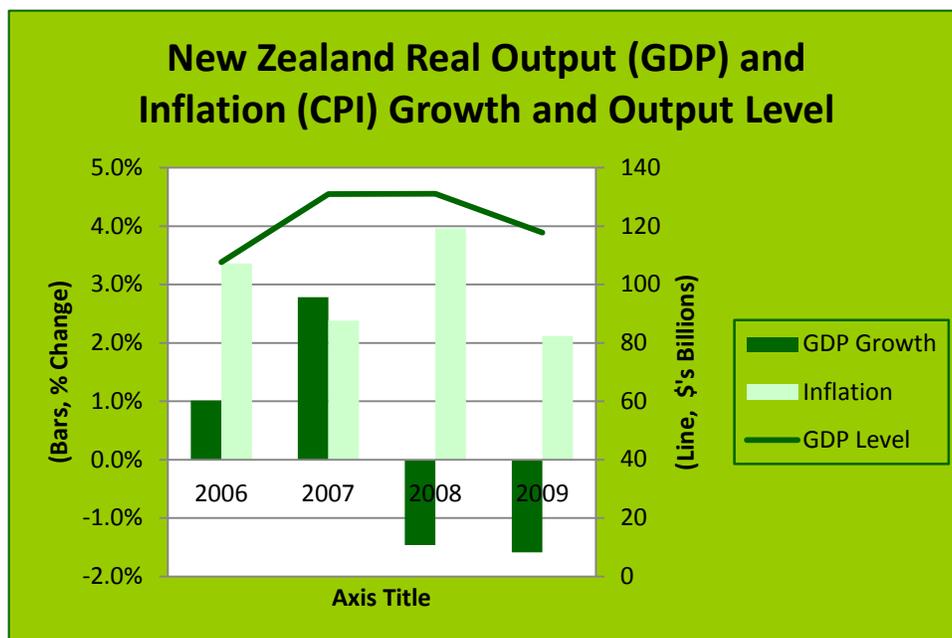
New Zealand is expected to use the current recovery to further reduce its economic dependence on Australia and to strengthen economic ties with other nations in the region and beyond. The country is one of seven nations that have already agreed to

join the U.S. in a new Trans Pacific Partnership, which is designed to accelerate trans-Pacific trade relations.

Economic Outlook

Given its link to Australia's economy, it is not surprising that New Zealand's economic growth is expected to accelerate slightly to 3.2% in 2011. Inflation might prove to be a problem as the *WEO* predicts 5.5% inflation during the year. The current account deficit will deteriorate further by -4.4%. However, the unemployment rate is expected to improve to 5.8% from 6.2% during 2010.

Like Australia, New Zealand's relatively high interest rates have attracted capital inflows, which will help stimulate growth into 2011. In addition, this growth should help close the gap between New Zealand's and Australia's GDP per capita, which may help stem emigration flows to Australia and reduce negative demographic pressure on New Zealand's economy.



Philippines



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	86.973	88.706	90.457	92.227
2	Population growth rate (% change)	2.0%	2.0%	2.0%	2.0%
3	U.S. dollar exchange rate	51.31	46.15	44.47	47.64
4	Nominal GDP (\$ billions)	117.5	144.1	167.2	161.2
5	Nominal GDP per capita (\$)	1,351	1,624	1,848	1,748
6	Real GDP growth rate (% change)	5.3%	7.1%	3.7%	1.1%
7	Purchasing Power Parity GDP, (International \$ billions)	272.2	300.1	317.9	324.3
8	Consumer price index (CPI) (% change)	6.2%	2.8%	9.3%	3.2%
9	Trade surplus (deficit) (\$ billions)	(6.7)	(7.4)	(11.3)	(7.4)
10	Merchandise exports (\$ billions)	47.4	50.3	49.2	38.3
11	Merchandise imports (\$ billions)	54.1	57.7	60.5	45.7
12	Foreign exchange reserves (\$ billions)	23.0	33.8	37.6	44.2
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(1.4)	(1.5)	(1.3)	(3.9)
14	Central government net debt-to-GDP ratio (percentage)	55.4	47.8	48.7	48.9
15	Net Foreign direct investment (\$ billions)	2.8	-0.6	1.3	1.6
16	Unemployment rate	8.0	7.3	7.4	7.5
17	Percent of labor force in agricultural industries (percentage)	36.0	36.0	35.0	34.0
18	Central bank benchmark interest rate	5.3	3.4	5.2	4.2
19	Defense spending (2008 \$ billions)	1.3	1.5	1.4	1.4

Analytical Update

For 2010, the Philippines' economic growth is expected to surge to 7.0% from just 1.1% in 2009. However, inflation is expected to rise to 4.5% from 3.2%. The nation's current account surplus is expected to decelerate to a 4.1% improvement, down from 5.3%. Finally, the unemployment rate is expected to improve to 7.2% from 7.5%.

Four key challenges that the Philippines' economy confronts are (1) insufficient tax revenues, (2) corruption, (3) poverty, and (4) insufficient FDI.

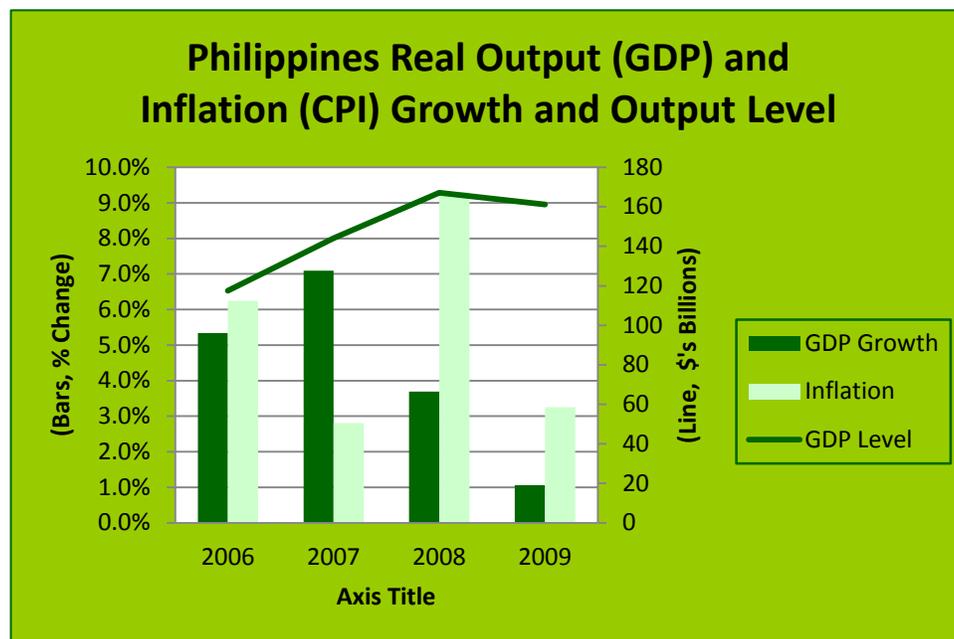
Economic Outlook

In 2011, like many other economies in the AOR, the Philippines' economic growth is expected to decelerate—to 4.5%. Inflation is expected to cool to 4.0%. The current account will improve at a slower rate (3.4%). In addition, the unemployment rate is expected to stall at 7.2%.

The 2011 WEO forecast may understate outcomes because the Philippines has a newly elected government that may be able to engineer better all-around economic conditions than those predicted.

For example, the new Aquino Administration has proposed an 81% increase in defense spending, mainly for fighting insurgency and for addressing the China threat. Defense spending is expected to rise to USD2.3 billion for 2011.

Moreover, if the global recovery is more robust than currently expected, then the Philippine economy may benefit disproportionately from foreign worker remittances, which are equal to about 10% of the Philippine's GDP.



Singapore



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	4.589	4.839	4.924	5.009
2	Population growth rate (% change)	4.3%	5.4%	1.8%	1.7%
3	U.S. dollar exchange rate	1.588	1.507	1.414	1.454
4	Nominal GDP (\$ billions)	145.1	176.8	193.3	182.2
5	Nominal GDP per capita (\$)	31,616	36,527	39,266	36,379
6	Real GDP growth rate (% change)	8.6%	8.5%	1.8%	1.3%
7	Purchasing Power Parity GDP, (International \$ billions)	217.1	242.6	252.3	251.4
8	Consumer price index (CPI) (% change)	9.7%	2.1%	6.6%	5.9%
9	Trade surplus (deficit) (\$ billions)	33.1	36.1	18.4	24.0
10	Merchandise exports (\$ billions)	271.8	299.3	338.2	269.8
11	Merchandise imports (\$ billions)	238.7	263.2	319.8	245.8
12	Foreign exchange reserves (\$ billions)	136.3	163.0	174.2	187.8
13	Central government surplus (deficit)-to-GDP ratio (percentage)	5.3	10.0	5.2	(0.8)
14	Central government net debt-to-GDP ratio (percentage)	86.9	86.0	95.6	106.2
15	Net Foreign direct investment (\$ billions)	14.4	8.1	19.4	10.8
16	Unemployment rate	2.7	2.1	2.2	3.0
17	Percent of labor force in agricultural industries (percentage)				
18	Central bank benchmark interest rate	5.3	5.3	5.4	5.4
19	Defense spending (2008 \$ billions)	7.1	7.4	7.5	8.0

Analytical Update

In 2010, Singapore's economic growth is expected to skyrocket to 15.0% from a 1.3% downturn in 2009. Inflation is expected to remain tame at 2.8%. The nation's current account surplus is expected to improve by 20.5%. The unemployment rate is expected to improve to 2.1%—down from 3.0% during 2009.

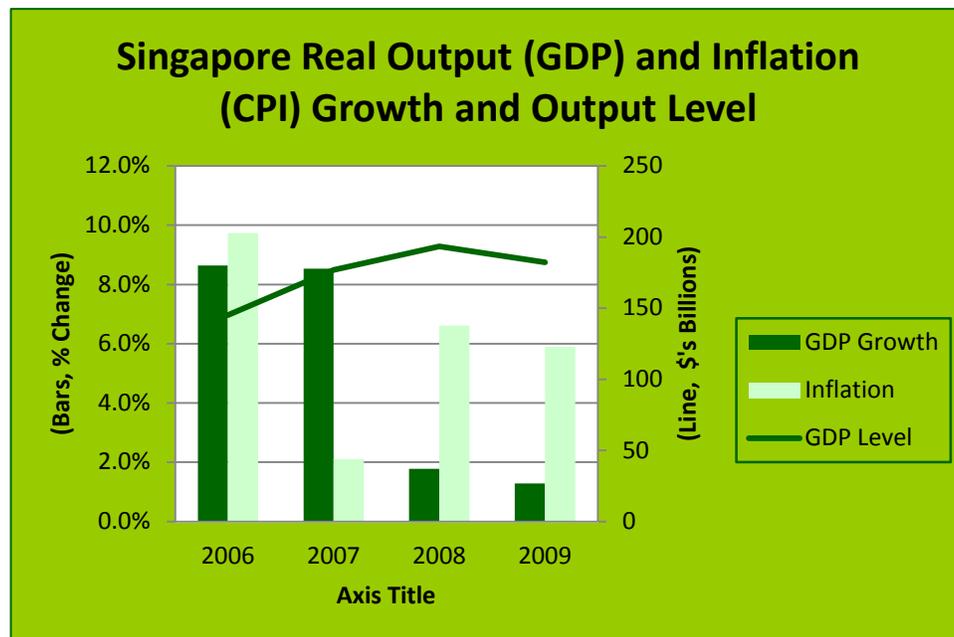
Currently, Singapore is engaged in an effort to stem the tide on declining productivity. The nation wants to reverse a trend of a 1.0% annual decrease in productivity that has

plagued Singapore for the past decade. Increases in productivity can be a key source of growth; of course, growth also occurs when inputs (capital, labor, energy materials, and services) to production processes are increased.

Economic Outlook

Singapore's economic growth is expected to decelerate to just 4.5% for 2011; inflation is expected to slow to 2.4%; the improvement in the current account surplus is expected to slow to 18.4%; and the unemployment rate is expected to hold steady at 2.2%.

Just as neighboring economies, such as Malaysia, are heavily dependent on, and benefit from, Singapore's economy, Singapore is planning to tie its economy increasingly to China. The nation has adopted a strategy of investing in China. Part of this strategy can be achieved through Singapore's large Sovereign Wealth Fund.



South Korea



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	48.297	48.456	48.607	48.758
2	Population growth rate (% change)	0.3%	0.3%	0.3%	0.3%
3	U.S. dollar exchange rate	954.32	928.97	1098.71	1274.63
4	Nominal GDP (\$ billions)	952.0	1,049.0	931.0	833.0
5	Nominal GDP per capita (\$)	19,707	21,653	19,162	17,074
6	Real GDP growth rate (% change)	5.2%	5.1%	2.3%	2.0%
7	Purchasing Power Parity GDP, (International \$ billions)	1,191.1	1,288.8	1,347.2	1,362.2
8	Consumer price index (CPI) (% change)	2.2%	2.5%	4.7%	2.8%
9	Trade surplus (deficit) (\$ billions)	16.1	14.6	(13.3)	38.8
10	Merchandise exports (\$ billions)	325.5	371.5	422.0	361.6
11	Merchandise imports (\$ billions)	309.4	356.8	435.3	322.8
12	Foreign exchange reserves (\$ billions)	239.0	262.2	201.2	270.1
13	Central government surplus (deficit)-to-GDP ratio (percentage)	2.4	4.2	1.7	0.0
14	Central government net debt-to-GDP ratio (percentage)	30.1	29.7	29.0	32.6
15	Net Foreign direct investment (\$ billions)	-3.2	-13.0	-10.5	-4.7
16	Unemployment rate	3.5	3.3	3.2	3.7
17	Percent of labor force in agricultural industries (percentage)	6.4	7.2	7.2	7.2
18	Central bank benchmark interest rate	6.0	6.6	7.2	5.7
19	Defense spending (2008 \$ billions)	23.4	24.5	26.1	27.1

Analytical Update

South Korea's economic growth is expected to accelerate to 6.1% for 2010 compared with just 0.2% growth in 2009. Inflation is expected to accelerate slightly to 3.1% from 2.8%. Improvement in the current account surplus is expected to slow to just 2.6% from 5.1%. Finally, the unemployment rate is expected to improve to 3.3% from 3.7% in 2009.

South Korea's strong growth for 2009 is somewhat surprising given its aging population, which reduces the available labor force, reduces the tax base, and reduces the number

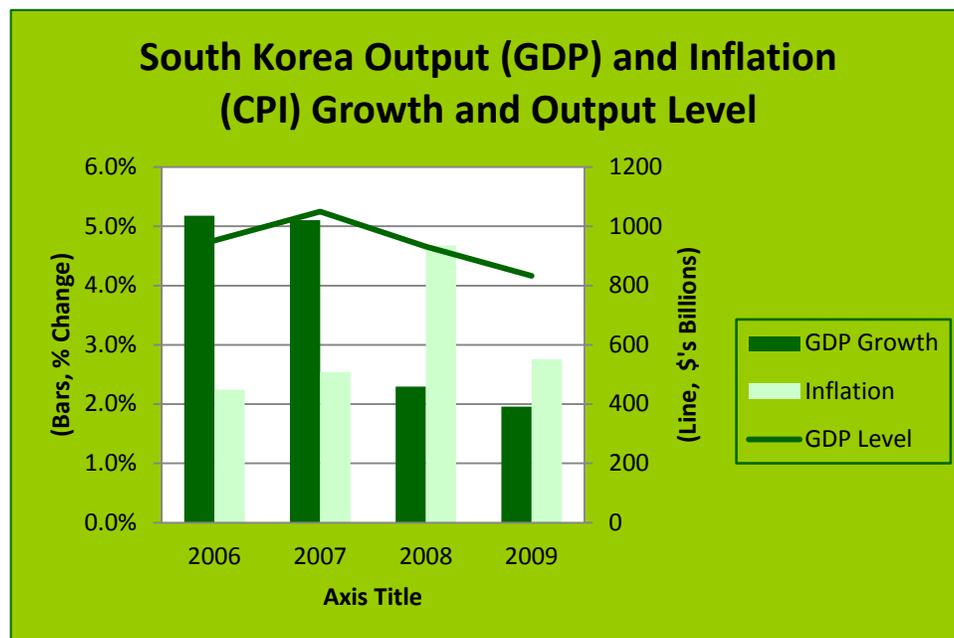
of consumers in the economy. Only 16.2% of South Korea's population is below the age of 15.

One key reason for South Korea's success is that, over the past year, state-owned enterprises increased their borrowing by \$50 billion, which served as a stimulus to the economy.

Economic Outlook

For 2011, South Korea's economic growth is expected to decelerate to 4.5%; inflation will accelerate to 3.4%; the current account surplus is expected to improve by 2.9%; and the unemployment rate is expected to hold steady at 3.3%.

South Korea is awaiting U.S. Senate ratification of the KORUS (Korea-U.S.) Free Trade Agreement (FTA), and, when ratified, expects the agreement to contribute to economic growth going forward. The delay in KORUS approval has motivated South Korea to seek to deepen economic ties elsewhere. Accordingly, South Korea has agreed to begin negotiating an FTA with China beginning in 2011. These developments, along with South Korea's push to expand its economic influence internationally (particularly in the areas of nuclear power and ship building), should help ensure South Korea's future growth.



Sri Lanka



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	19.773	19.928	20.085	20.242
2	Population growth rate (% change)	0.8%	0.8%	0.8%	0.8%
3	U.S. dollar exchange rate	103.94	110.62	108.298	114.909
4	Nominal GDP (\$ billions)	28.3	32.3	39.6	42.2
5	Nominal GDP per capita (\$)	1,430	1,623	1,971	2,085
6	Real GDP growth rate (% change)	7.7%	6.8%	6.0%	3.5%
7	Purchasing Power Parity GDP, (International \$ billions)	77.5	85.2	92.3	96.4
8	Consumer price index (CPI) (% change)	10.0%	15.8%	22.6%	3.4%
9	Trade surplus (deficit) (\$ billions)	(3.4)	(3.6)	(5.8)	(3.1)
10	Merchandise exports (\$ billions)	6.9	7.7	8.1	7.1
11	Merchandise imports (\$ billions)	10.3	11.3	14.0	10.2
12	Foreign exchange reserves (\$ billions)	2.8	3.5	2.6	5.4
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(7.0)	(6.9)	(7.2)	(9.9)
14	Central government net debt-to-GDP ratio (percentage)	0.9	0.9	0.8	
15	Net Foreign direct investment (\$ billions)	0.5	0.5	0.7	0.4
16	Unemployment rate	6.6	6.2	6.0	5.5
17	Percent of labor force in agricultural industries (percentage)	34.3	34.3	32.7	32.7
18	Central bank benchmark interest rate	12.9	17.1	18.9	11.9
19	Defense spending (2008 \$ billions)	1.1	1.3	1.5	1.5

Analytical Update

Coming off the conclusion of a nearly three-decade-long civil war, Sri Lanka's real GDP growth is expected to accelerate to 7.0% during 2010, from just 3.5% growth during 2009. However, inflation is expected to accelerate to 6.5% from 3.4% in 2009.

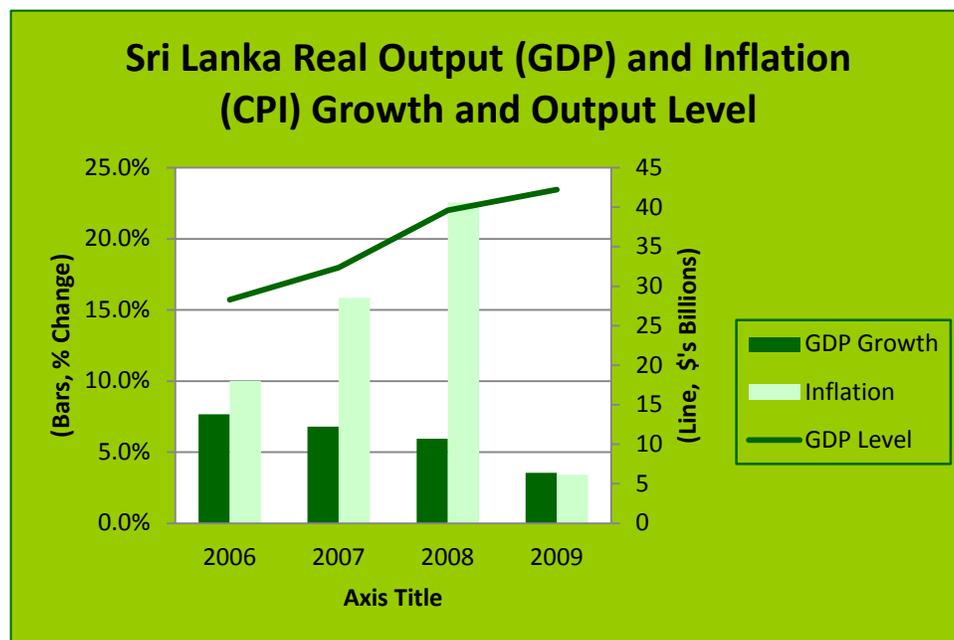
Despite the seemingly strong growth for 2010, Sri Lanka lacks sufficient investment capital to develop infrastructure and to spur economic growth, particularly in its northern province, which was the battle site for much of the civil war. Fortunately, Sri Lanka has

been able to secure an International Monetary Fund standby facility to help fill government spending gaps.

Economic Outlook

For 2011, Sri Lanka's economy is expected to grow around 7.0% and inflation is expected to accelerate slightly to 8.0%. Actually, the *WEO* forecasts that through 2015, Sri Lanka's economy is expected to grow at about a 6.5% rate, and inflation is expected to increase about 6.0%.

As noted above, Sri Lanka is in dire need of investment capital, most in the form of FDI, to stimulate growth. China has helped in this regard, having just completed a USD1.0 billion port facility during 2010. Sri Lanka expects that more FDI will be attracted the further the country moves away from the civil war, the more politically stable the country appears, and the more the country experiences sound economic growth with moderate inflation. A significant source of FDI is expected to be expatriates who now reside the world over—but mainly in Western nations.



Taiwan



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	22.877	22.958	23.037	23.12
2	Population growth rate (% change)	0.5%	0.4%	0.3%	0.4%
3	U.S. dollar exchange rate	32.506	32.855	31.521	33.020
4	Nominal GDP (\$ billions)	376.3	393.1	402.7	378.5
5	Nominal GDP per capita (\$)	16,451	17,123	17,480	16,372
6	Real GDP growth rate (% change)	5.4%	6.0%	7.3%	-1.9%
7	Purchasing Power Parity GDP, (International \$ billions)	660.8	721.0	742.1	734.7
8	Consumer price index (CPI) (% change)	6.0%	1.8%	3.5%	-0.9%
9	Trade surplus (deficit) (\$ billions)	21.3	27.4	15.2	29.3
10	Merchandise exports (\$ billions)	224.0	246.7	255.6	203.7
11	Merchandise imports (\$ billions)	202.7	219.3	240.4	174.4
12	Foreign exchange reserves (\$ billions)	270.8	275.0	296.4	353.0
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(1.6)	(1.4)	(2.4)	(5.8)
14	Central government net debt-to-GDP ratio (percentage)	34.2	33.3	35.8	40.4
15	Net Foreign direct investment (\$ billions)	0.0	-3.3	-4.9	-3.1
16	Unemployment rate	3.9	3.9	4.1	5.9
17	Percent of labor force in agricultural industries (percentage)	5.5	5.3	5.1	5.1
18	Central bank benchmark interest rate	6.3	6.4	7.1	6.6
19	Defense spending (\$ billions)	7.8	8.4	8.3	9.9

Analytical Update

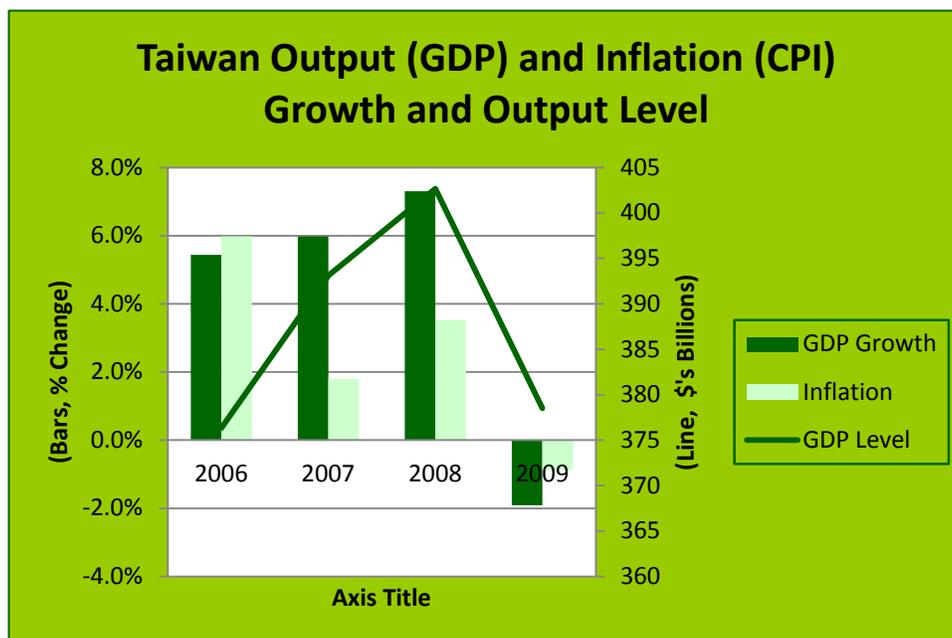
In 2010, Taiwan is recovering from a downturn in the real economy and from deflation. After a 1.9% decline in 2009, Taiwan's economy is expected to surge to 9.3% growth in 2010. After a 0.9% decline in prices in 2009, Taiwan's inflation is expected to increase moderately by 1.5%. Taiwan's current account surplus is expected to improve by 10.0% in 2010, and the unemployment rate is expected to drop 5.3% from 5.8% in 2009.

Taiwan's resurgence is due mainly to continuing improvements in economic relations with China and to accelerated growth in the Asia-Pacific and beyond. Taiwan and China concluded the long-awaited Economic Cooperation Framework Agreement (ECFA) in June of 2010, and the agreement has set the stage for increasing integration between the two economies.

Economic Outlook

For 2011, Taiwan's economic growth is expected to decelerate 4.4%; inflation is expected to increase at the same rate as in 2010 (1.5%); the current account surplus will improve 9.5%; and the unemployment rate is expected to drop 0.4 percentage point to 4.9%.

Taiwan's economic challenge is to leverage the ECFA to not only enhance the nation's economic growth, prosperity and stability through its relationship with China, but to use the ECFA and closer ties with China to secure the freedom to expand and deepen its economic relationships with other economies regionally and globally.



Thailand



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	65.28	65.74	66.32	66.983
2	Population growth rate (% change)	0.3%	0.7%	0.9%	1.0%
3	U.S. dollar exchange rate	37.876	32.203	32.962	34.31
4	Nominal GDP (\$ billions)	207.2	247.1	272.4	264.0
5	Nominal GDP per capita (\$)	3,174	3,759	4,108	3,941
6	Real GDP growth rate (% change)	5.1%	4.9%	2.5%	-2.2%
7	Purchasing Power Parity GDP, (International \$ billions)	483.4	522.1	546.7	539.3
8	Consumer price index (CPI) (% change)	4.6%	2.4%	5.5%	-0.8%
9	Trade surplus (deficit) (\$ billions)	2.1	12.3	(5.9)	17.2
10	Merchandise exports (\$ billions)	130.8	153.1	172.9	152.1
11	Merchandise imports (\$ billions)	128.7	140.8	178.8	134.8
12	Foreign exchange reserves (\$ billions)	67.0	87.5	111.0	138.4
13	Central government surplus (deficit)-to-GDP ratio (percentage)	2.2	0.2	0.1	(3.2)
14	Central government net debt-to-GDP ratio (percentage)	42.0	38.3	37.3	45.2
15	Net Foreign direct investment (\$ billions)	8.5	8.5	6.0	2.1
16	Unemployment rate	1.5	1.4	1.4	1.4
17	Percent of labor force in agricultural industries (percentage)	42.6	42.6	42.4	42.4
18	Central bank benchmark interest rate	7.4	7.1	7.0	6.0
19	Defense spending (\$ billions)	2.8	3.5	4.1	4.9

Analytical Update

Despite some form of almost continuous political unrest during 2010, Thailand's economy is expected to rebound from a 2.2% downturn in 2009 and to achieve 7.5% growth in 2010. Moderate deflation (-0.8%) during 2009, will be replaced by 3.0% inflation in 2010. Thailand's current account surplus is expected to improve 3.6% in 2010. Unemployment is expected to remain very low at just 1.4%.

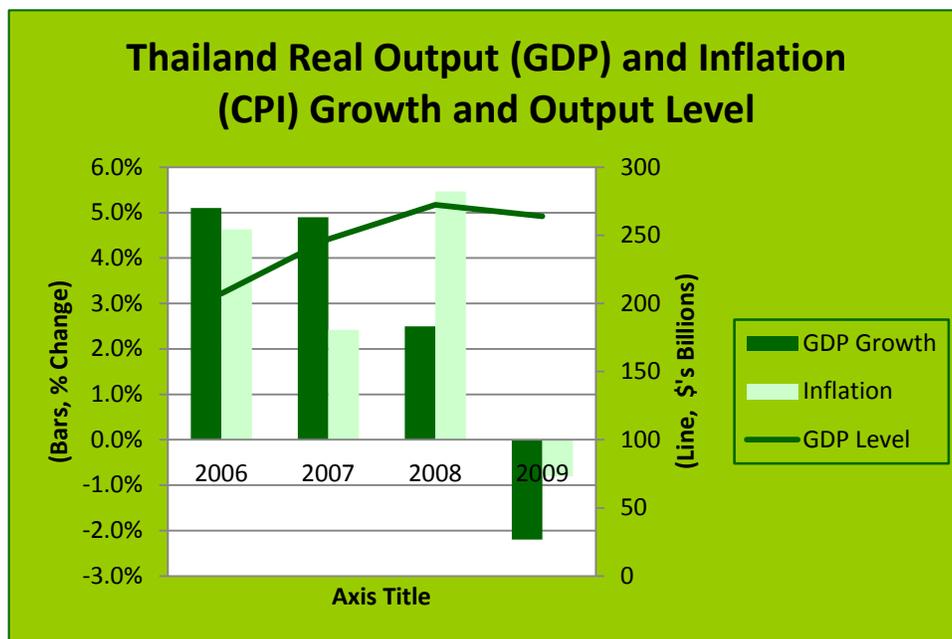
Thailand's political unrest has mainly affected tourism and FDI. Therefore, the nation's economy would have likely experienced even faster growth had the political unrest not occurred.

Economic Outlook

For 2011, Thailand's economic growth is expected to decelerate to 4.0%; inflation is expected to decelerate to 2.8%; improvement in the current account surplus is expected to decelerate to 2.5%; and unemployment is expected to remain at the 1.4% rate.

Thailand's challenges for 2011 include resolving and thwarting political unrest and restoring tourists and foreign investor confidence. In addition, Thailand is planning to achieve this outcome, in part, by devoting attention and resources to beginning to reduce income inequality.

One important bright spot for Thailand going forward is that the Fitch credit rating agency upgraded the country's sovereign debt to stable from negative. This should permit the Government of Thailand to enjoy cheaper borrowing should the need arise.



Vietnam



	Economic Time Series	Calendar 2006	Calendar 2007	Calendar 2008	Calendar 2009
1	Population (millions)	84.156	85.155	86.177	87.211
2	Population growth rate (% change)	1.3%	1.2%	1.2%	1.2%
3	U.S. dollar exchange rate	15,983	16,119	16,548	17,741
4	Nominal GDP (\$ billions)	60.9	71.1	90.3	93.2
5	Nominal GDP per capita (\$)	724	835	1,048	1,068
6	Real GDP growth rate (% change)	8.2%	8.5%	6.3%	5.3%
7	Purchasing Power Parity GDP, (International \$ billions)	199.0	222.2	241.4	256.5
8	Consumer price index (CPI) (% change)	7.5%	8.3%	23.1%	6.7%
9	Trade surplus (deficit) (\$ billions)	(4.8)	(12.4)	(18.0)	(12.9)
10	Merchandise exports (\$ billions)	39.6	48.3	62.7	57.1
11	Merchandise imports (\$ billions)	44.4	60.7	80.7	69.9
12	Foreign exchange reserves (\$ billions)	13.6	23.7	24.2	16.8
13	Central government surplus (deficit)-to- GDP ratio (percentage)	(0.4)	(1.9)	(0.9)	(8.9)
14	Central government net debt-to-GDP ratio (percentage)	36.3	37.7	36.7	45.1
15	Net Foreign direct investment (\$ billions)	2.3	6.6	8.0	4.4
16	Unemployment rate	4.8	4.6	4.7	6.0
17	Percent of labor force in agricultural industries (percentage)	56.8	56.8	56.8	51.8
18	Central bank benchmark interest rate	11.2	11.2	15.8	10.4
19	Defense spending (\$ billions)	1.7	2.2	2.1	2.1

Analytical Update

Vietnam is using 2010 to find the formula to return to a higher growth trajectory. After achieving over 8.0% growth in 2006 and 2007, the nation's growth rate slowed to 6.3% in 2008 and 5.3% in 2009. The *WEO* calls for 6.5% growth in 2010. Inflation is expected to rise to 8.4% from 6.7% in 2009. Vietnam's current account deficit will deteriorate 0.3 percentage point to -8.3% in 2010 from -8.0% in 2009. The nation's unemployment rate is expected to fall to 5.0% in 2010 from 6.0% in 2009.

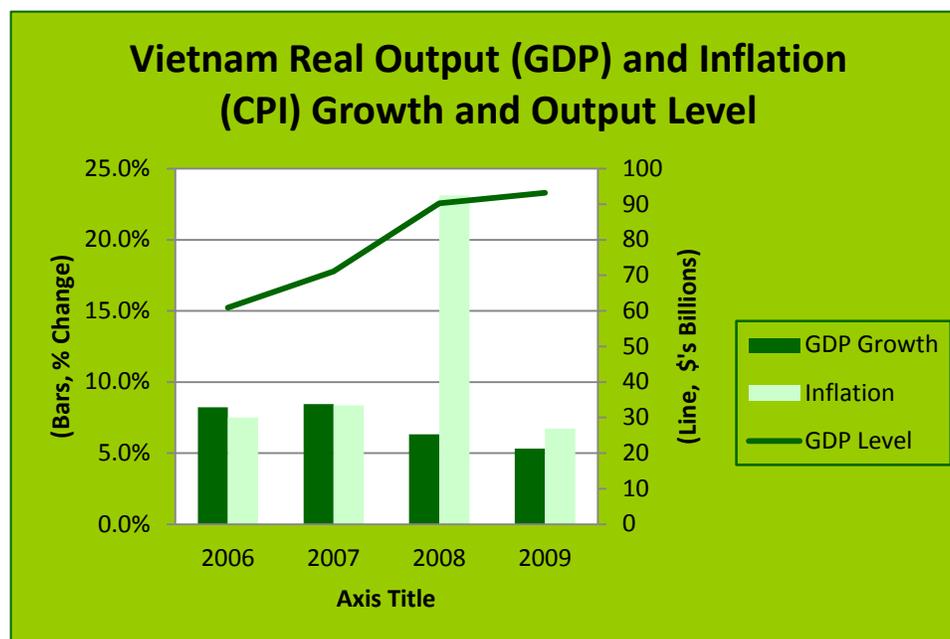
A significant proportion of Vietnam's 2010 growth is attributable to infrastructure spending, mainly on roads, rails, and nonresidential real estate.

Typically, Vietnam has experienced higher inflation than most AOR economies. To prevent inflation from building up as the economy expands, Vietnam plans to withdraw economic stimulus in the form of loan subsidies as it concludes its 2006-2010 Economic Development Plan. Policymakers also plan to tighten the money supply. These actions are likely to increase the number of nonperforming loans (NPLs), which can be a drag on future economic growth.

Economic Outlook

The *WEO* indicates that Vietnam's economic growth will accelerate slightly in 2011 to 6.8%; inflation will decelerate to 8.0%; the current account deficit will improve slightly to -8.1%; and the unemployment rate will hold steady at 5.0%.

Notably, Vietnam is in the unenviable position of having to balance the economic benefits that it derives from its relationship with China against the reality that Vietnam and China are parties to overlapping and competing valuable claims in the South China Sea, which are a source of friction. The robustness of Vietnam's future economic growth hinges, in part, on the nation's ability to manage its relationship with China successfully.



*Part 2: GDP, Population, and Inflation with Forecasts for
19 Small Asia-Pacific Nations and Territories*

Small Nations

Bhutan



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				1,269		
Population (Thousand)				675		
Real GDP growth (% Change)	6.4%	19.7%	5.0%	6.3%	6.8%	6.6%
Inflation (% Change)	5.0%	5.2%	8.4%	8.7%	8.0%	4.5%

Brunei Darussalam



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				10,405		
Population (Thousands)				410		
Real GDP growth (% Change)	4.4%	0.2%	-1.9%	-0.5%	0.5%	1.0%
Inflation (% Change)	0.2%	0.3%	2.7%	1.8%	1.8%	1.8%

Burma



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				34,262		
Population (Thousands)				59,981		
Real GDP growth (% Change)	13.1%	11.9%	3.6%	4.9%	5.3%	5.0%
Inflation (% Change)	26.3%	32.9%	22.5%	8.0%	7.9%	9.1%

Cambodia



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				10,871		
Population (Thousands)				14,148		
Real GDP growth (% Change)	10.8%	10.2%	6.7%	-2.0%	4.8%	6.8%
Inflation (% Change)	6.1%	7.7%	25.0%	-0.7%	4.0%	5.2%

Laos



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				5,598		
Population (Thousands)				6,320		
Real GDP growth (% Change)	8.6%	7.8%	7.8%	7.6%	7.7%	7.5%
Inflation (% Change)	6.8%	4.5%	7.6%	0.0%	5.4%	5.7%

Maldives



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				1,307		
Population (Thousands)				325		
Real GDP growth (% Change)	18.0%	7.2%	6.2%	-3.1%	3.4%	3.6%
Inflation (% Change)	3.5%	7.4%	12.3%	4.0%	4.5%	5.5%

Mongolia



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				4,203		
Population (Thousands)				2,710		
Real GDP growth (% Change)	8.6%	10.2%	8.9%	-1.6%	8.5%	7.0%
Inflation (% Change)	4.5%	8.2%	26.8%	6.3%	10.5%	8.9%

Nepal



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				12,894		
Population (Thousands)				27,913		
Real GDP growth (% Change)	3.4%	3.4%	6.1%	4.9%	3.0%	4.0%
Inflation (% Change)	8.0%	6.4%	7.7%	13.2%	10.5%	6.8%

Papua New Guinea



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				7,907		
Population (Thousands)				6,339		
Real GDP growth (% Change)	2.3%	7.2	6.7%	4.5%	8.0%	5.5%
Inflation (% Change)	2.4%	0.9%	10.8%	6.9%	7.1%	8.0%

Timore-Leste



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				556		
Population (Thousands)				1,115		
Real GDP growth (% Change)	-5.9%	9.1%	11.0%	11.6%	7.9%	8.2%
Inflation (% Change)	4.1%	8.9%	7.6%	0.1%	4.0%	4.0%

Oceania

Fiji



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				2,948		
Population (Thousands)				883		
Real GDP growth (% Change)	1.9%	-0.5%	-0.1%	-2.2%	1.8%	2.0%
Inflation (% Change)	2.5%	4.8%	7.7%	3.7%	6.2%	3.8%

Kiribati



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				130		
Population (Thousands)				100		
Real GDP growth (% Change)	1.9%	0.4%	-1.1%	-0.7%	1.5%	1.2%
Inflation (% Change)	-1.5%	4.2%	11.0%	8.8%	2.4%	2.5%

Marshall Islands



Economic Statistics (Fiscal Years)	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				152		
Population (Thousands)				53		
Real GDP growth (% Change)	2.4%	3.3%	-2.0%	0.0%	0.5%	1.5%
Inflation (% Change)	5.3%	2.6%	14.7%	0.5%	1.5%	2.0%

Micronesia, Federated States of



Economic Statistics (Fiscal Years)	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)		238				
Population (Millions)		108				
Real GDP growth (% Change)	-1.6%	-3.6%	-1.0%	0.5%	2.0%	1.0%
Inflation (% Change)	4.4%	3.6%	5.0%	3.0%	2.5%	5.0%

Palau



Economic Statistics (Fiscal Years)	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)			214			
Population (Thousands)			20			
Real GDP growth (% Change)	-3.7%	-0.5%	-4.9%	-2.1%	1.0%	
Inflation (% Change)	4.8%	3.0%	10.0%	6.1%	6.0%	

Samoa



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				558		
Population (Thousands)				181		
Real GDP growth (% Change)	2.2%	2.3%	5.0%	-4.9%	-1.3%	3.0%
Inflation (% Change)	3.2%	4.5%	6.2%	14.4%	-0.2%	3.0%

Solomon Islands



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				657		
Population (Thousands)				518		
Real GDP growth (% Change)	6.9%	10.7%	7.3%	-2.2%	3.4%	5.2%
Inflation (% Change)	11.1%	7.7%	17.4%	7.1%	4.8%	6.2%

Tonga



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				313		
Population (Thousands)				103		
Real GDP growth (% Change)	-0.3%	0.4%	0.8%	-0.5%	0.6%	1.7%
Inflation (% Change)	6.0%	7.5%	7.3%	3.5%	3.2%	4.2%

Vanuatu



Economic Statistics	2006	2007	2008	2009	2010	2011
GDP in current prices (Millions)				637		
Population (Thousands)				241		
Real GDP growth (% Change)	7.2%	6.7%	6.3%	3.6%	3.0%	3.7%
Inflation (% Change)	2.0%	3.9%	4.8%	4.5%	3.7%	3.0%

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