

# Key Asian Indicators: A Book of Charts

Asian Studies Center  
The Heritage Foundation  
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## America, Asia, and the Facts

The global financial crisis has had a major impact on perceptions of American power and its relationships in Asia. Many of the perceptions are not founded on facts. Among the facts often overlooked:

- American companies invest far more abroad than does all of Asia combined.
- For every dollar the U.S. has invested in China it has invested two in Australia and two in Japan.
- Less than half of what Asia invests in government bonds comes from China.
- The American economy is larger than China's and Japan's combined.

Even as doubts have arisen concerning American influence, developments over the last two years point to the critical need for American leadership: China's assertion of exclusive rights in international waters; North Korean nuclear tests, missile launches, and naval attacks; instability, terrorism, and war in South Asia; and tyranny in places like Burma.

The political landscape giving rise to these problems is shaped by several measurable factors, including:

- China has the second-largest naval fleet of any Pacific power, and in pure numbers, the largest military.

- Afghanistan and Pakistan are two of the least stable regimes in the world.
- Burma and North Korea are among the world's most repressive regimes.
- North Korea has the most militarized population in the world.

There are also facts that illustrate the vast opportunity in Asia:

- The four freest economies in the world are in Asia.
- The two largest economies after America's are in Asia.
- The best places in the world to do business are in Asia.
- In the last 20 years, prosperity in several Asian countries has greatly expanded—often doubling GDP per capita.
- The region is booming in free trade arrangements—only two of which currently include the United States.

The United States is a Pacific power. It is also the most trusted player in the region. For 60 years, it has served as the region's security backbone. Absent American predominance, the region would be neither as peaceful nor as prosperous, and a turbulent Pacific would have direct implications for America's future.

# Defining the Region

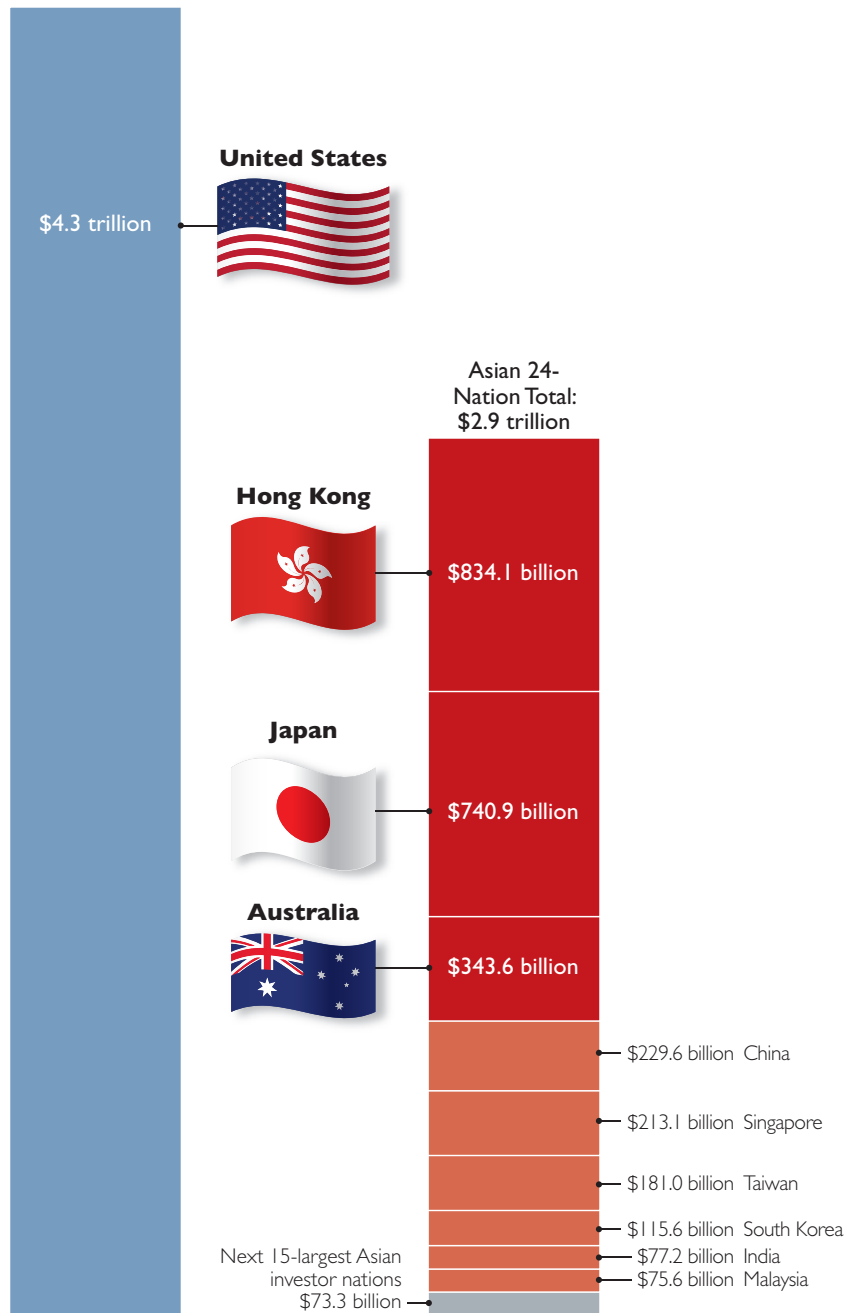
We have defined an “Asia” bordering on Iran in the West, Russia in the North, the Pacific in the East, and included Australia and New Zealand, as well as the Pacific islands. This captures several critical geo-economic and geopolitical features: East Asian dynamism; the emergence of India; and relationships between China and India, India and Pakistan, and Pakistan and Afghanistan. It also encompasses all of America’s five Asia–Pacific treaty allies to include Australia.



# Worldwide Direct Investment

The amount of capital generated by the United States exceeds Asia's combined total and dwarfs the overseas investments of any Asian country.

Stock of Foreign Direct Investment as of 2009



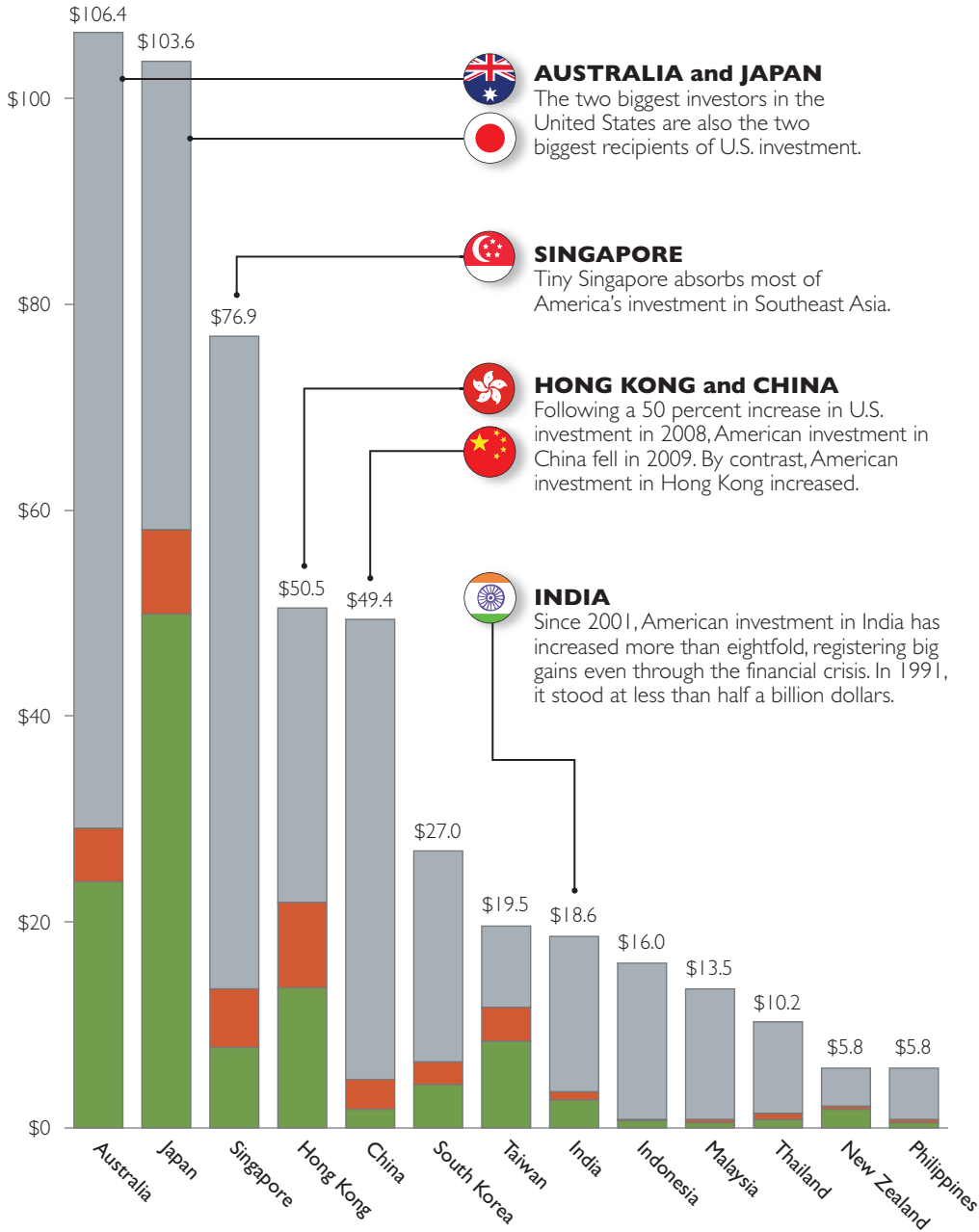
Source: United Nations Conference on Trade and Development, Foreign Direct Investment Statistics, World Investment Report 2010, at <http://stats.unctad.org>.

# U.S. Direct Investment into Asia

This chart shows the 13 largest destinations of U.S. direct investment in Asia.

Total U.S. Direct Investment as of 2009, in Billions of Dollars

■ Finance 
 ■ Wholesale Trade 
 ■ Other



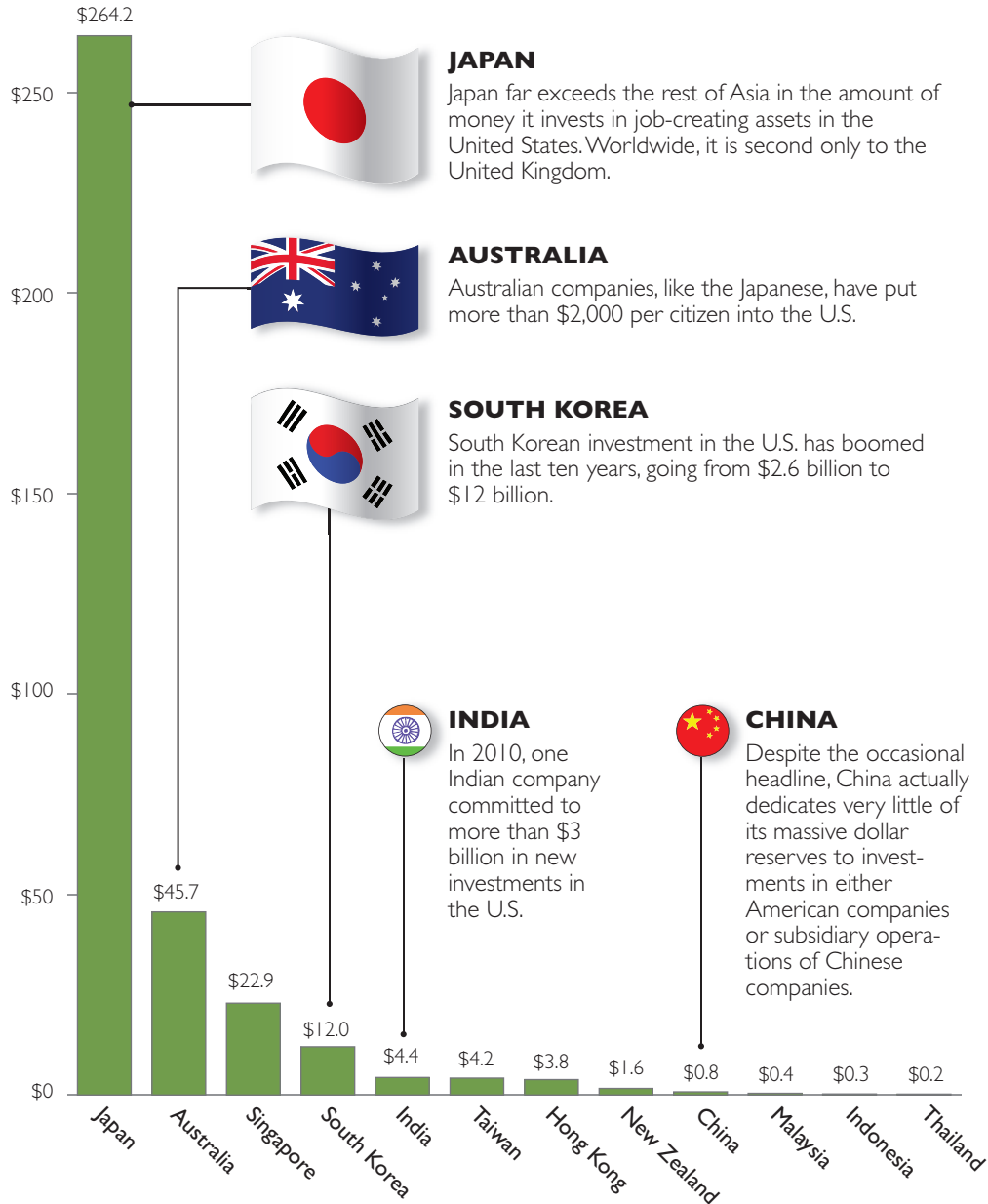
Source: U.S. Department of Commerce, Bureau of Economic Analysis, International Economic Accounts, at <http://www.bea.gov/international/di/usdbal.htm> (September 14, 2010).



# Asian Direct Investment in the U.S.

The United States benefits enormously from its open investment regime. International investment creates millions of American jobs, and some of the greatest interest in the American market comes from Asia.

Total Direct Investment in the U.S. as of 2009, in Billions of Dollars

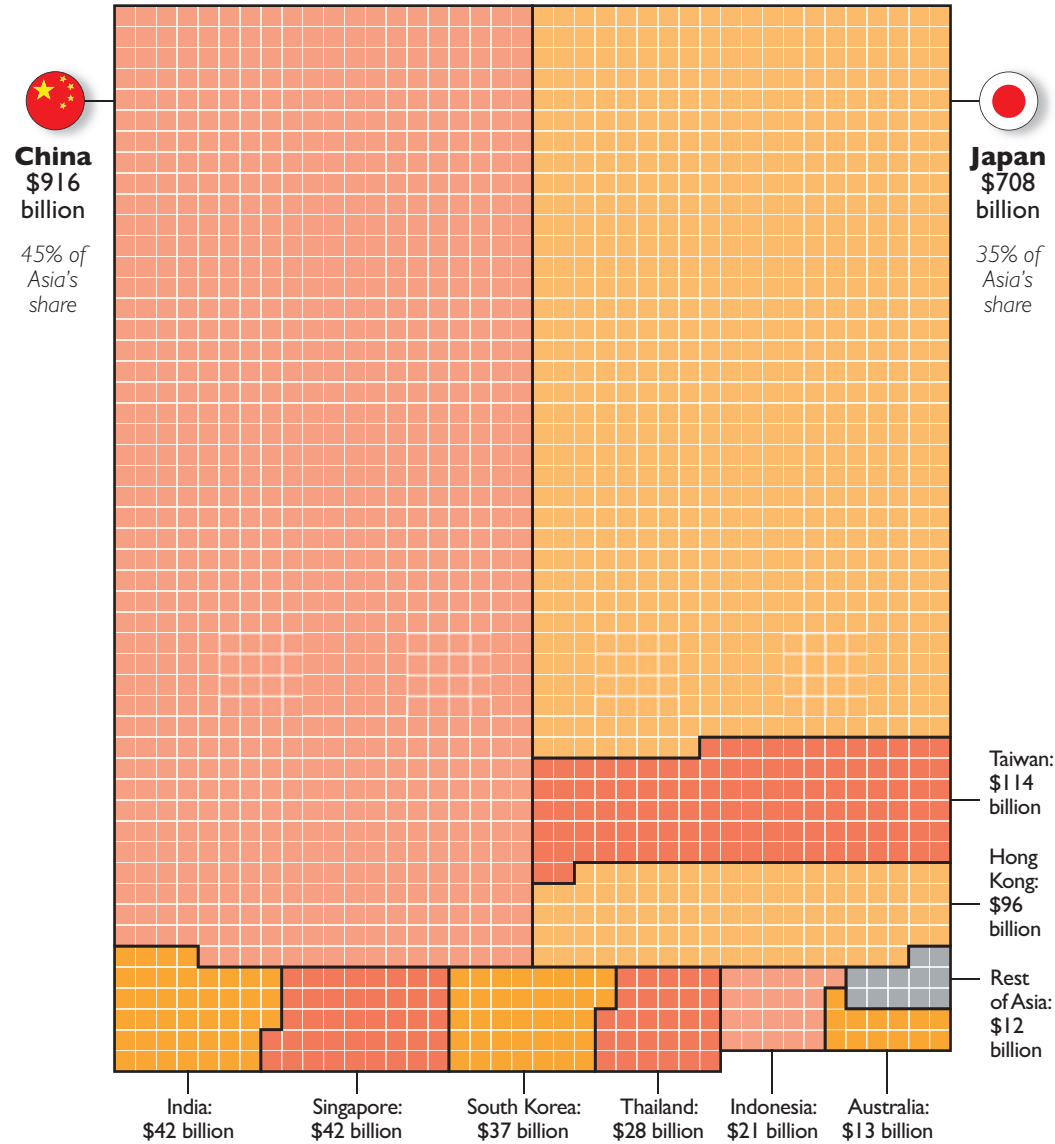


Source: U.S. Department of Commerce, Bureau of Economic Analysis, International Economic Accounts, at <http://www.bea.gov/international/di/fdibal.htm> (September 23, 2010).

# Asia and U.S. Debt

This is one of the most misunderstood issues in the Asia policy world. Roughly half of official U.S. debt is privately held, about half of that is held by foreigners, and about half of foreign-held debt is held by Asia. The chart below shows Asia's holdings of U.S. debt. When China's additional investments of \$454 billion in Freddie Mac and Fannie Mae are included, its debt holdings exceed \$1.3 trillion.


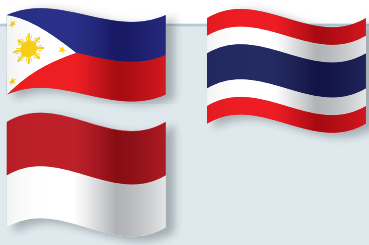

■ Each square represents \$1 billion in U.S. public debt



Source: U.S. Department of the Treasury, Bureau of the Public Debt, at <http://www.treasurydirect.gov/NP/NPGateway> (November 2, 2010).

# Political Instability

Asia has its fair share of political instability, as shown in the Failed States Index prepared by the Fund for Peace and *Foreign Policy* magazine. With five treaty allies in the region and a must-win war against terrorism underway in South Asia, the stakes for America are high.

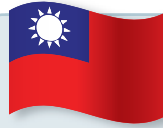
	Asia Rank		World Rank	Score		
<b>Alert</b>	1	Afghanistan	6	109.3		
	2	Pakistan	10	102.5		
	3	Burma	16	99.4	<b>Afghanistan and Pakistan</b> Afghanistan and Pakistan are among the most unstable regimes in the world. Stability there is essential to a positive outcome in the U.S.-led war on Islamist terrorism.	
	4	Timor-Leste	18	98.2		
	5	North Korea	19	97.8		
	6	Bangladesh	24	96.1		
	7	Sri Lanka	25	95.7		
	8	Nepal	26	95.4		
<b>Warning</b>	9	Laos	40	88.7		
	10	Cambodia	40	88.7		
	11	Solomon Islands	43	88.6		
	12	Bhutan	50	87.3		
	13	Philippines	51	87.1		
	14	Papua New Guinea	56	83.9		
	15	Indonesia	61	83.1		
	16	China	62	83.0		
	17	Fiji	74	80.5		
	18	India	79	79.2		
	19	Thailand	81	78.8		
<b>Moderate</b>	20	Maldives	84	78.3		
	21	Vietnam	95	76.6		
	22	Samoa	107	71.1		
	23	Micronesia	108	70.6		
	24	Malaysia	110	69.2		
	25	Brunei Darussalam	117	67.6		
	26	Mongolia	129	60.1		
	27	South Korea	153	41.3		
	28	<b>United States</b>	158	35.3		
	29	Singapore	160	34.8		
<b>Sustainable</b>	30	Japan	164	31.3	<b>Australia</b> A treaty ally of the United States, and a country that has fought side by side with the United States in every major conflict of the last 100 years, Australia is one of the most stable governments in the world.	
	31	Australia	168	27.3		
	32	New Zealand	171	23.9		

Source: Failed States Index 2010, Fund for Peace and *Foreign Policy*, at <http://www.fundforpeace.org>.

# The State of Political Freedom

Asia is a complex patchwork of political systems from the freest democracies to hereditary hermit kingdoms, with developing democracies, liberal authoritarians, communist dictatorships and monarchies in between. Generally, the more democratic a system, the closer it is likely to be to the United States. Freedom House rankings are shown here.

	Asia Rank	Nation	World Rank
<b>Free</b> America's alliance network in the Pacific is supported by shared core democratic values. Among our allies, Australia, Japan, and South Korea are all rated "Free." India, home to the world's largest democracy, is also rated as "Free."	1	Australia	1
	1	Kiribati	1
	1	Marshall Islands	1
	1	Micronesia	1
	1	Nauru	1
	1	New Zealand	1
	1	Palau	1
	1	Tuvalu	1
	1	<b>United States</b>	1
	10	Japan	49
10	South Korea	49	
10	Taiwan	49	
<b>Partly Free</b> American allies the Philippines and Thailand are rated "Partly Free."	13	Mongolia	64
	13	Samoa	64
	13	Vanuatu	64
	16	India	80
	16	Indonesia	80
	18	Bangladesh	102
	18	Hong Kong	102
	18	Maldives	102
	18	Papua New Guinea	102
	18	Philippines	102
18	Solomon Islands	102	
18	Timor-Leste	102	
25	Malaysia	118	
25	Nepal	118	
25	Sri Lanka	118	
25	Tonga	118	
29	Bhutan	132	
29	Pakistan	132	
29	Singapore	132	
29	Thailand	132	
<b>Not Free</b> The Association of Southeast Asian Nations is half "Free" or "Partly Free," and half "Not Free."	33	Fiji	145
	34	Brunei	155
	34	Cambodia	155
	36	Afghanistan	178
	36	Vietnam	178
	38	China	189
	38	Laos	189
	40	Burma	199
40	North Korea	199	



## Taiwan

Taiwan is among the freest countries in Asia—a fact that often seems overlooked, even when states in the region convene to talk about democracy.



## Bangladesh

Bangladesh, one of the most populous countries in the world, has improved its governance markedly within two years, improving its scores each year and going from the bottom of the "Partly Free" category to the top.

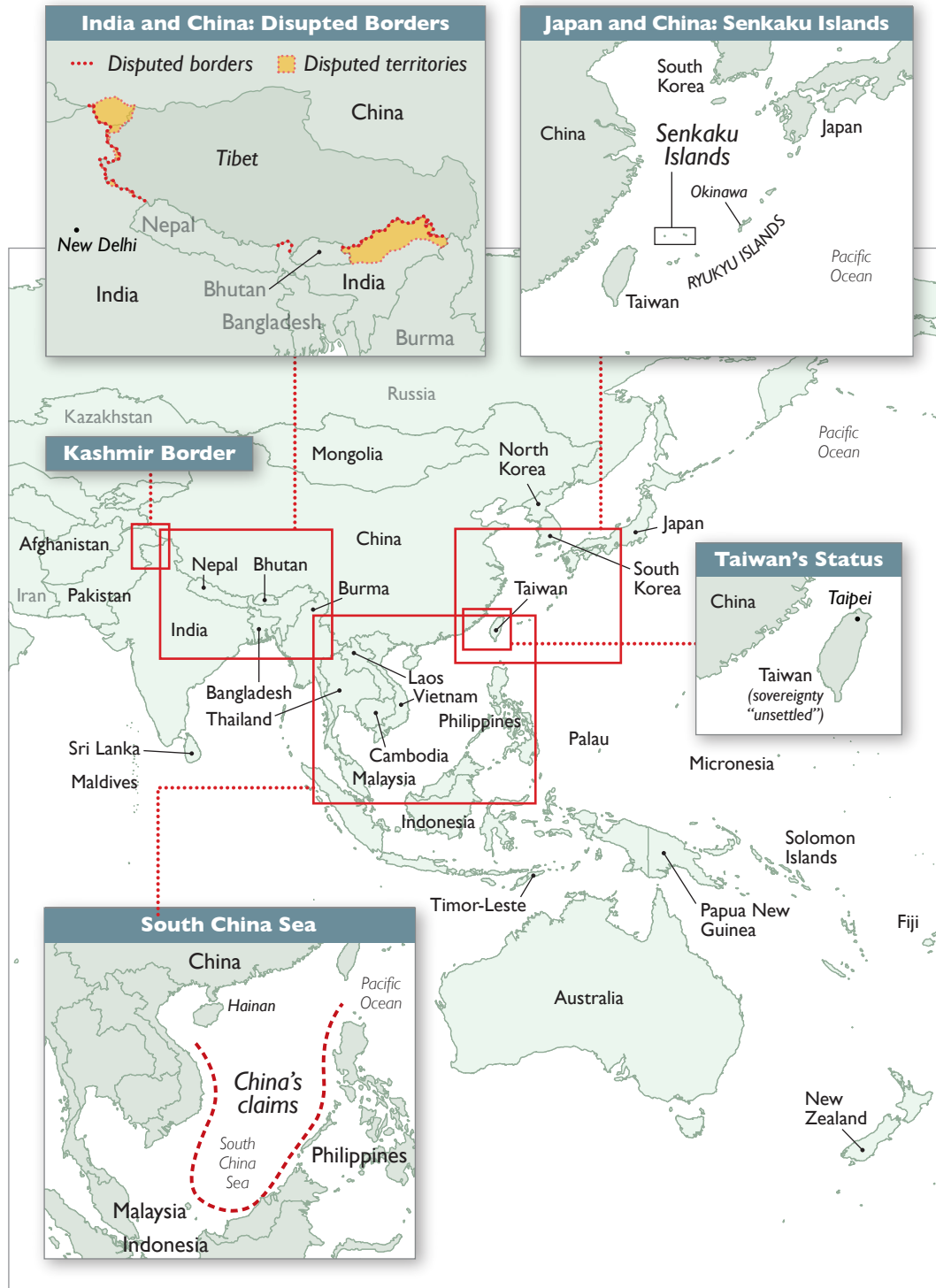


## Thailand

In 2008 and 2009, freedom advanced in Thailand by virtue of its restoration of civilian rule, and then stalled in 2010 amidst violent protests, subsequent crackdown, and government restoration of order.

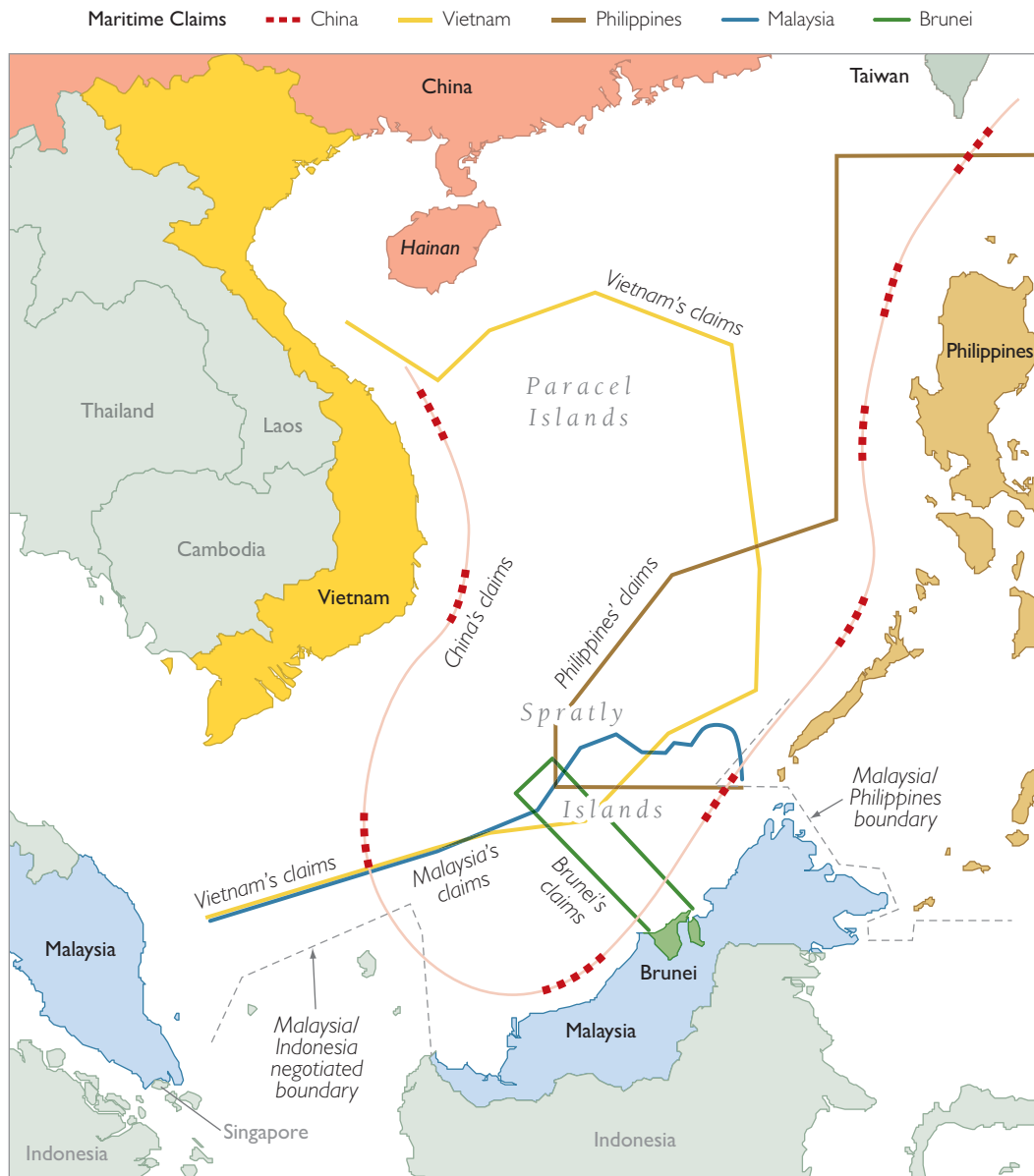
Source: Freedom House, *Freedom in the World 2010: Global Data*, at <http://www.freedomhouse.org>.

# Key Areas of Dispute



# Disputed Claims in the South China Sea

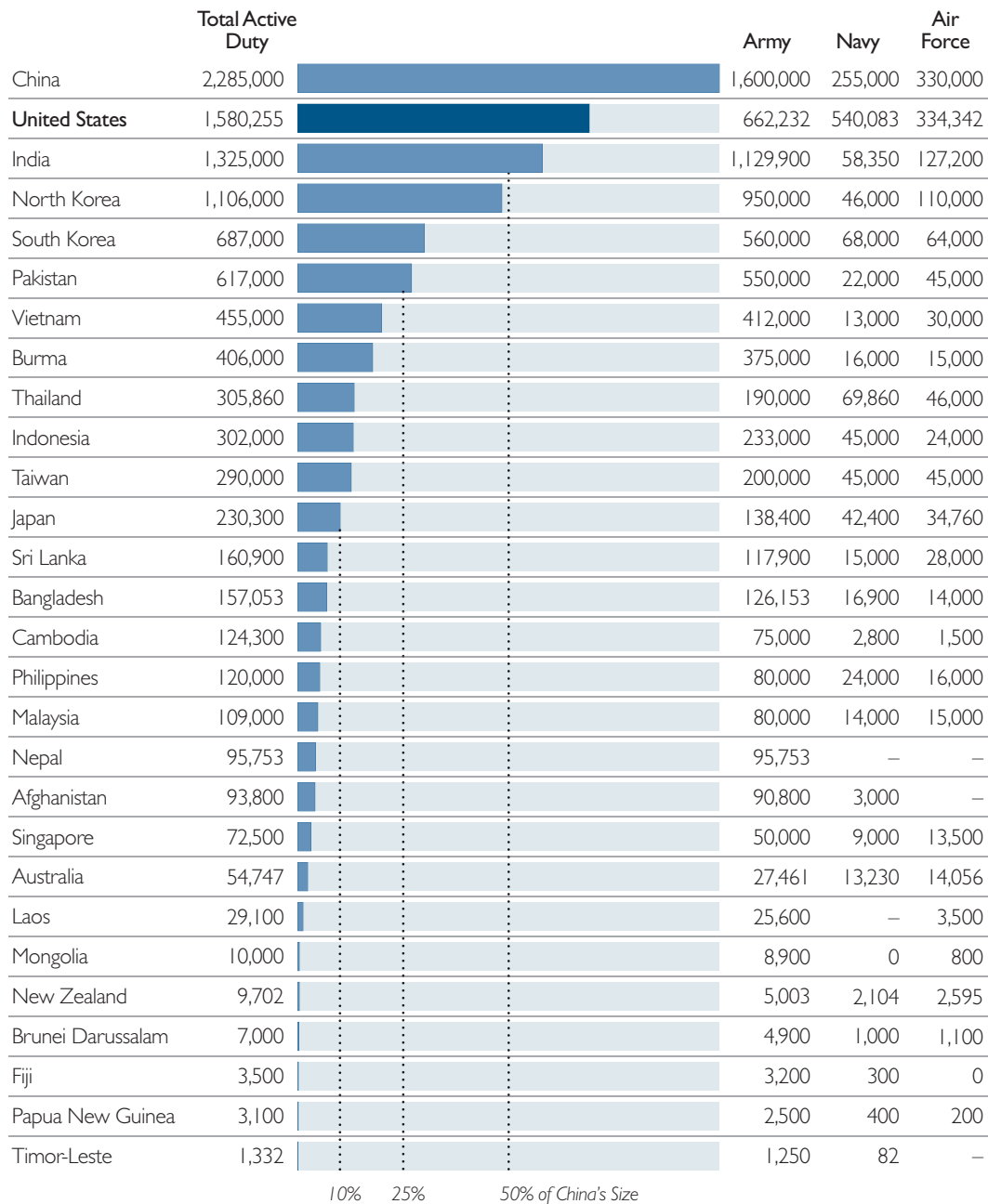
The South China Sea has emerged as an area of hot dispute among the six claimant countries. China claims virtually the entire sea and all the islands in it. Adding to the complications of the region are the Paracel and Spratly Islands, which are both claimed in their entirety by China, Taiwan, and Vietnam. Brunei, Malaysia, and the Philippines also claim parts of the Spratly Islands.



Sources: U.S. Department of Defense, "Military and Security Developments Involving the People's Republic of China 2010," at [http://www.defense.gov/pubs/pdfs/2010\\_CMPR\\_Final.pdf](http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf) (October 22, 2010); Martin Stuart-Fox, *A Short History of China and Southeast Asia* (Sydney: Allen & Unwin, 2003), map by R.B. Cribb, "Territorial claims in the South China Sea," p. 217 (November 12, 2010).

## China's Military Size Dominates Asia

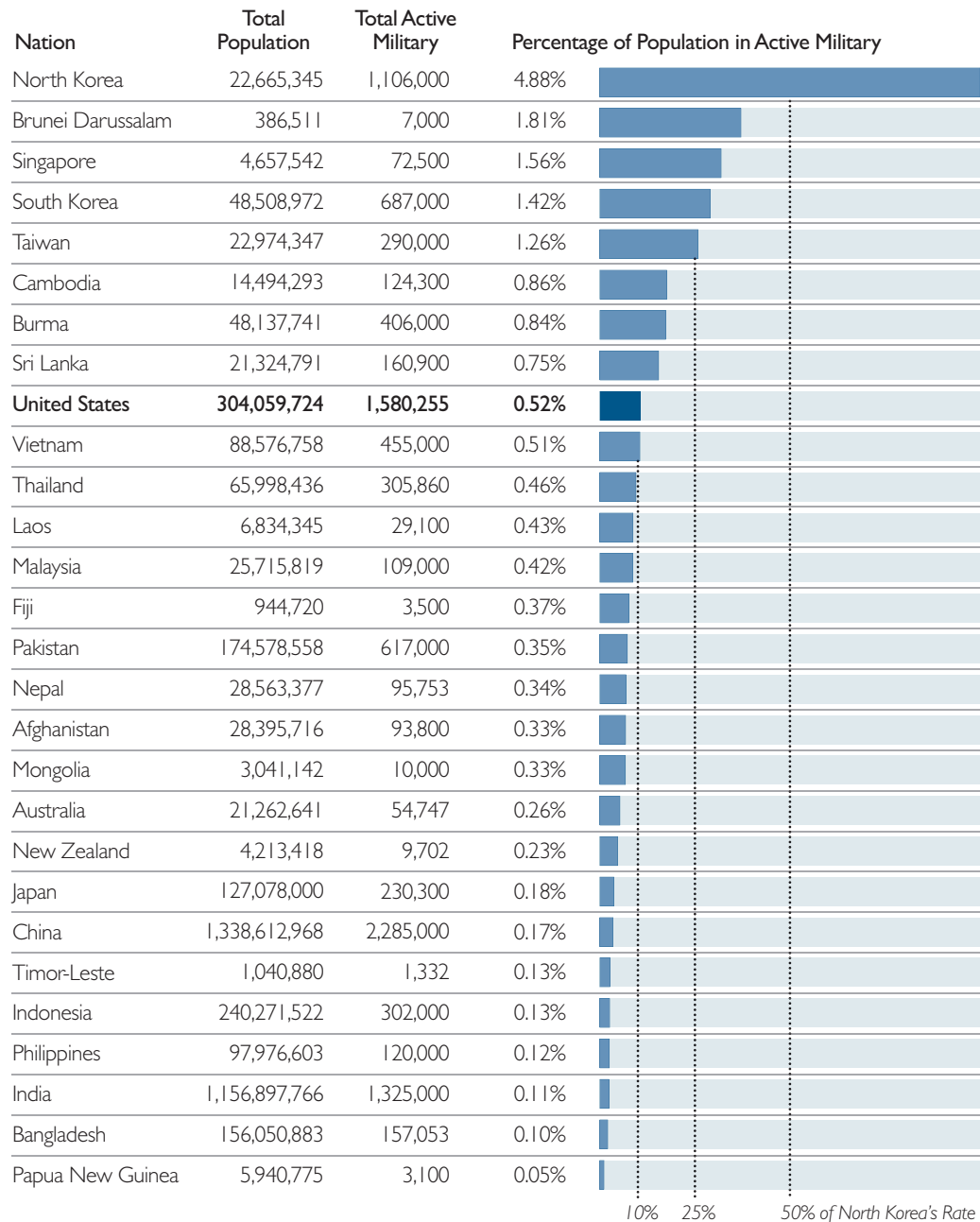
The number of active-duty Chinese military personnel is declining as China devotes resources to military modernization. Yet its army alone remains larger than any other nation's entire military, including that of the United States.



Source: James Hackett, ed., *The Military Balance 2010* (The International Institute for Strategic Studies, Oxfordshire: Routledge Journals, 2010).

# North Korea Is Asia's Most Militarized

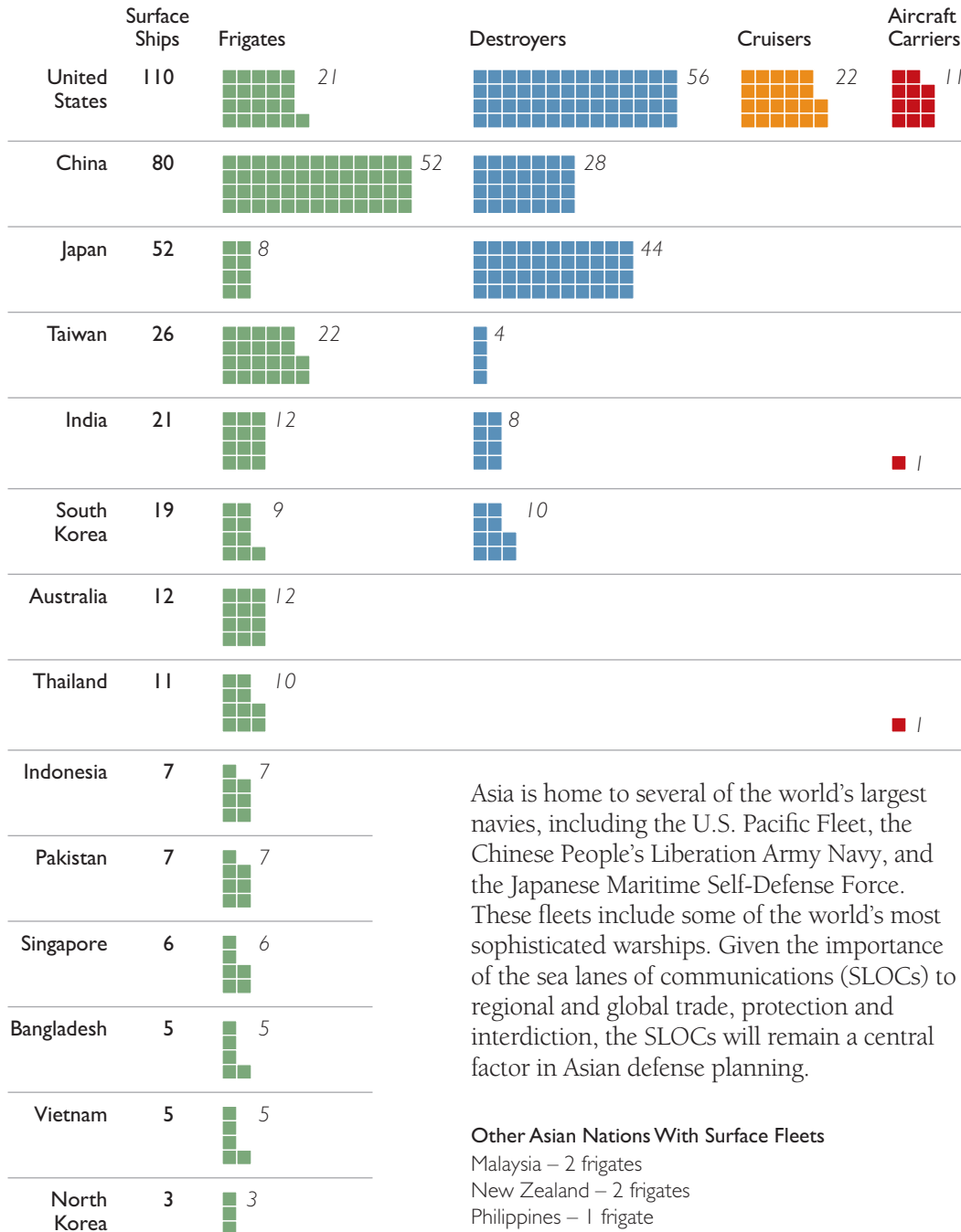
Nearly 5 percent of North Korea's entire population is active-duty military personnel, a rate more than double that of other Asian nations.



Source: James Hackett, ed., *The Military Balance 2010* (The International Institute for Strategic Studies, Oxfordshire: Routledge Journals, 2010).



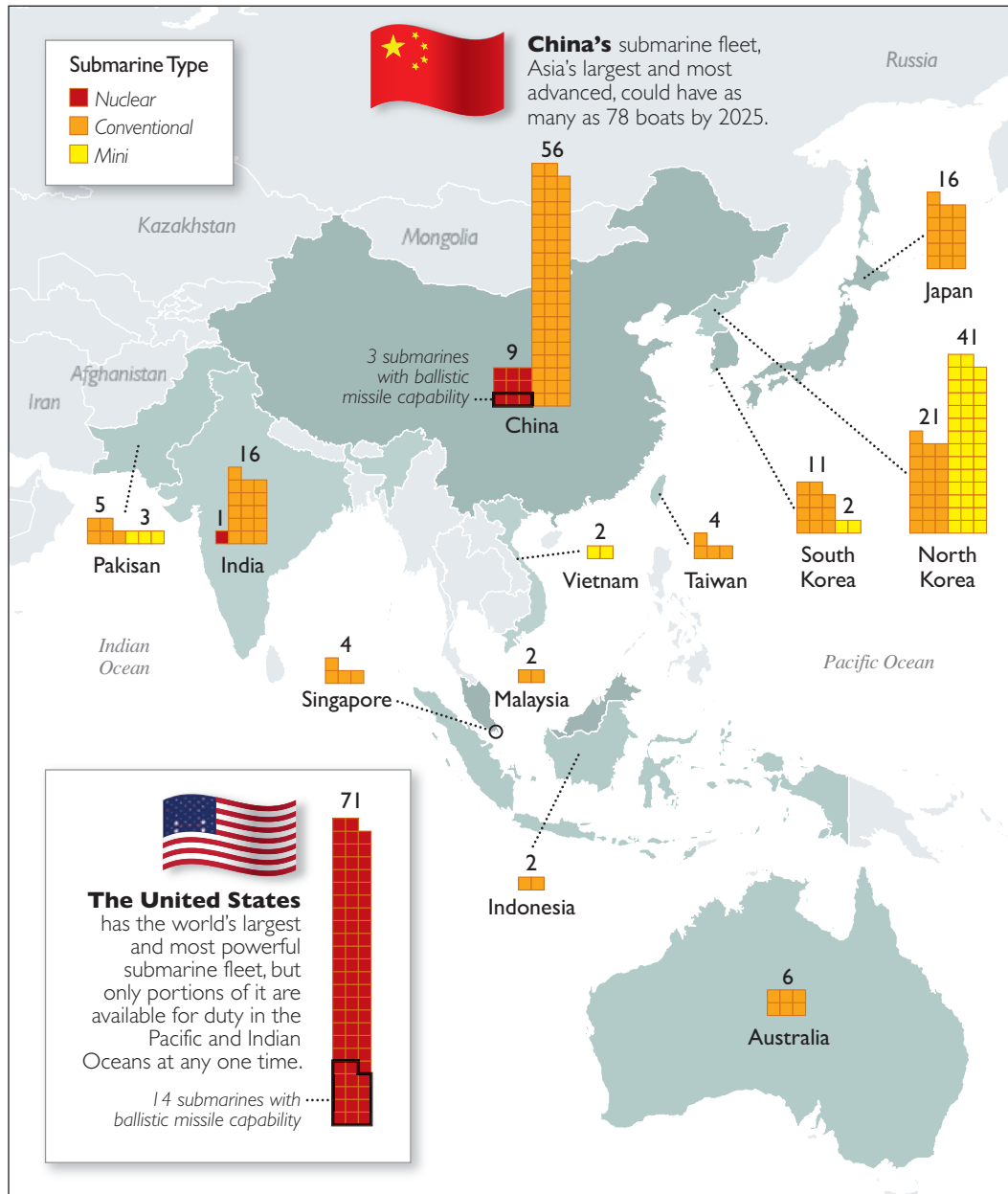
# U.S. and China Have Largest Naval Fleets



Source: James Hackett, ed., *The Military Balance 2010* (The International Institute for Strategic Studies, Oxfordshire: Routledge Journals, 2010).

# Asian Submarine Fleets

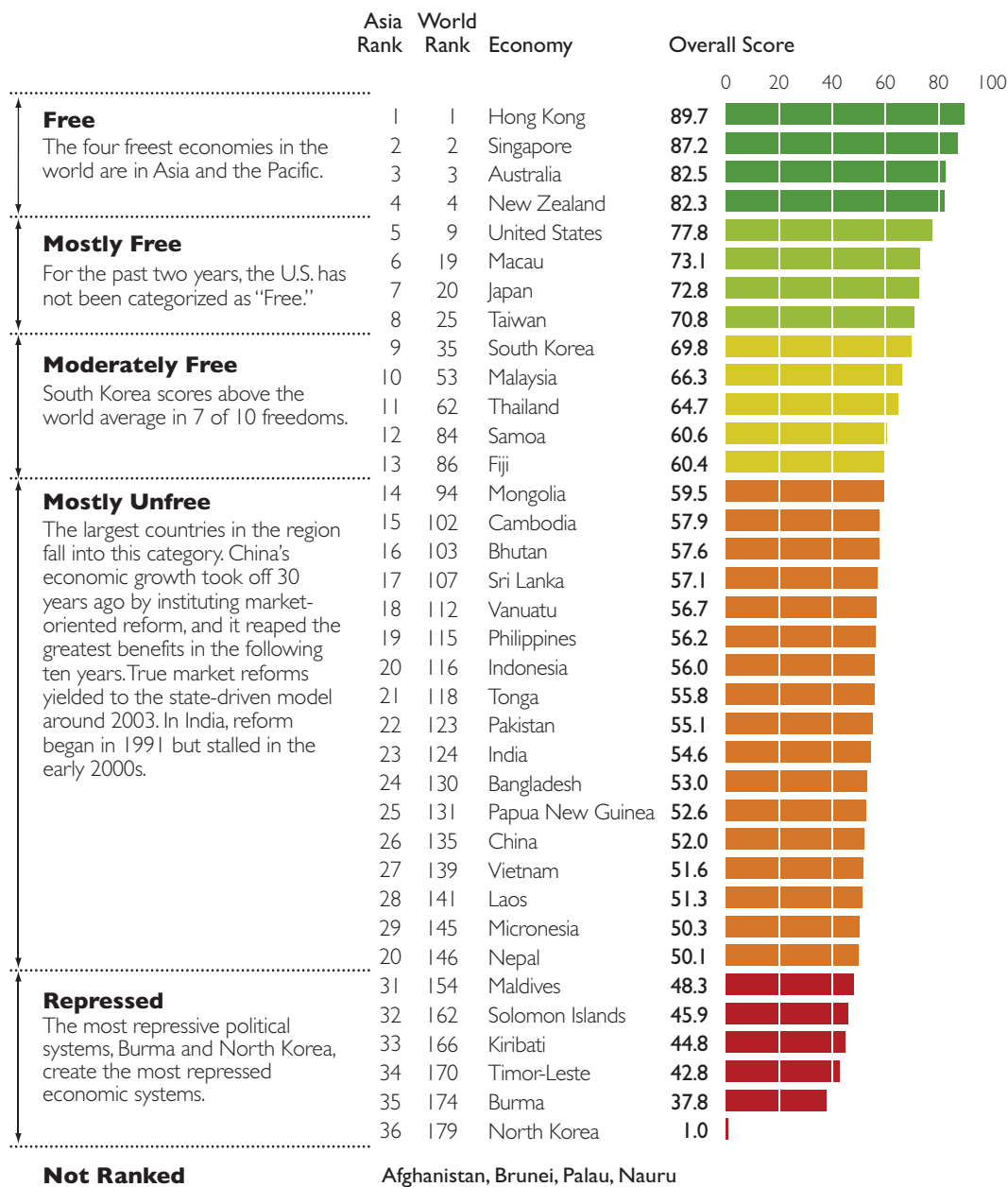
Submarines are, along with aircraft carriers, the world's most important naval vessels. Today's attack submarines can strike at land as well as sea targets with cruise missiles and can operate undetected for days or even weeks. The "silent services" of Asian and Pacific navies contain a range of both indigenous and imported boats, and include nuclear-powered, diesel-electric, and air-independent propulsion vessels.



Source: James Hackett, ed., *The Military Balance 2010* (The International Institute for Strategic Studies, Oxfordshire: Routledge Journals, 2010).

# The State of Economic Freedom

The Heritage Foundation and *Wall Street Journal* rate and rank the world's economies according to 10 factors: business freedom, trade freedom, fiscal freedom, government size, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom.

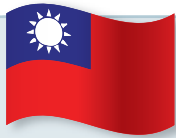


Source: Terry Miller and Kim R. Holmes, 2011 *Index of Economic Freedom* (Washington, D.C.:The Heritage Foundation and Dow Jones & Company, Inc., 2011), at <http://www.heritage.org/index>.

# Economic Stakes

At \$14.1 trillion, the U.S. economy is nearly three times the size of China's, Asia's largest, and comparable to all the Asian economies in this list combined (\$15.7 trillion).

*China's economy overtook Japan's in the third quarter of 2010.*



## Taiwan

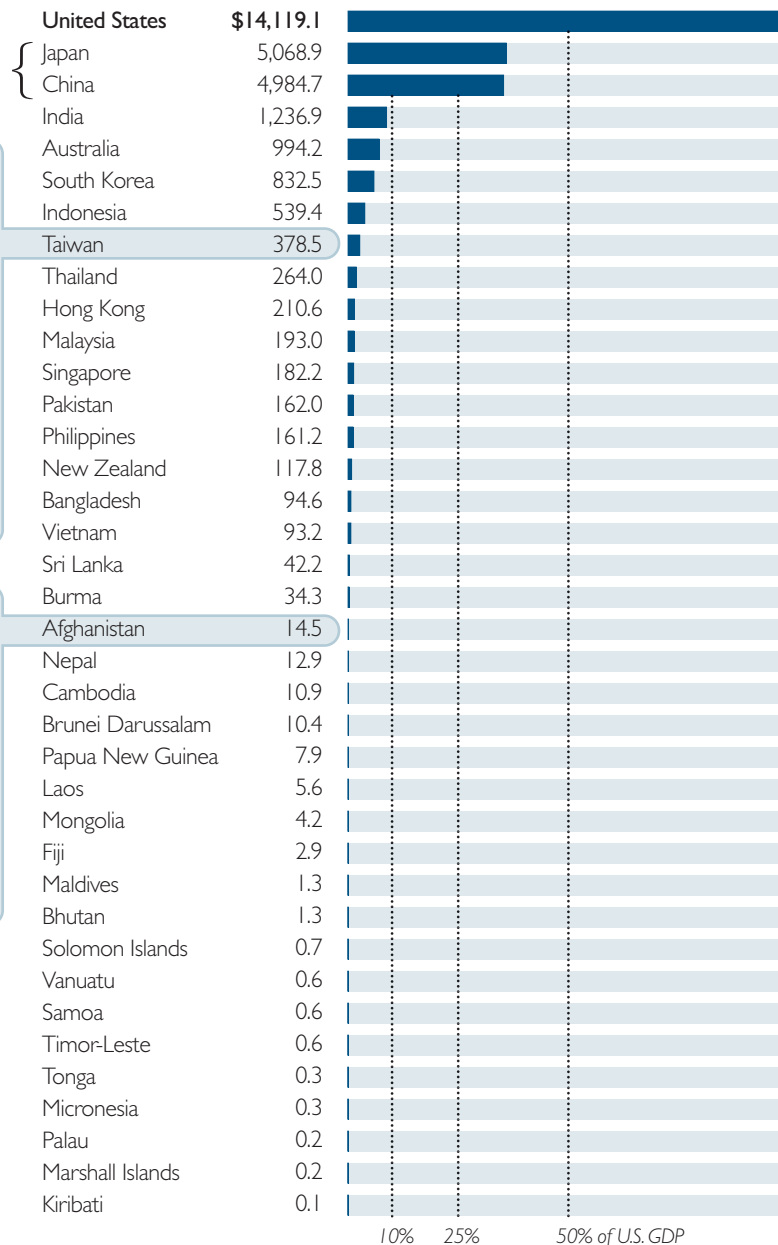
Taiwan is one of the largest economies in Asia — very modern, and along with South Korea, Singapore, and Hong Kong, one of the original "Asian Tigers."



## Afghanistan

Ultimately, long-term stability in Afghanistan will require a bigger, stronger, and freer economy.

Gross Domestic Product in 2009, in Billions

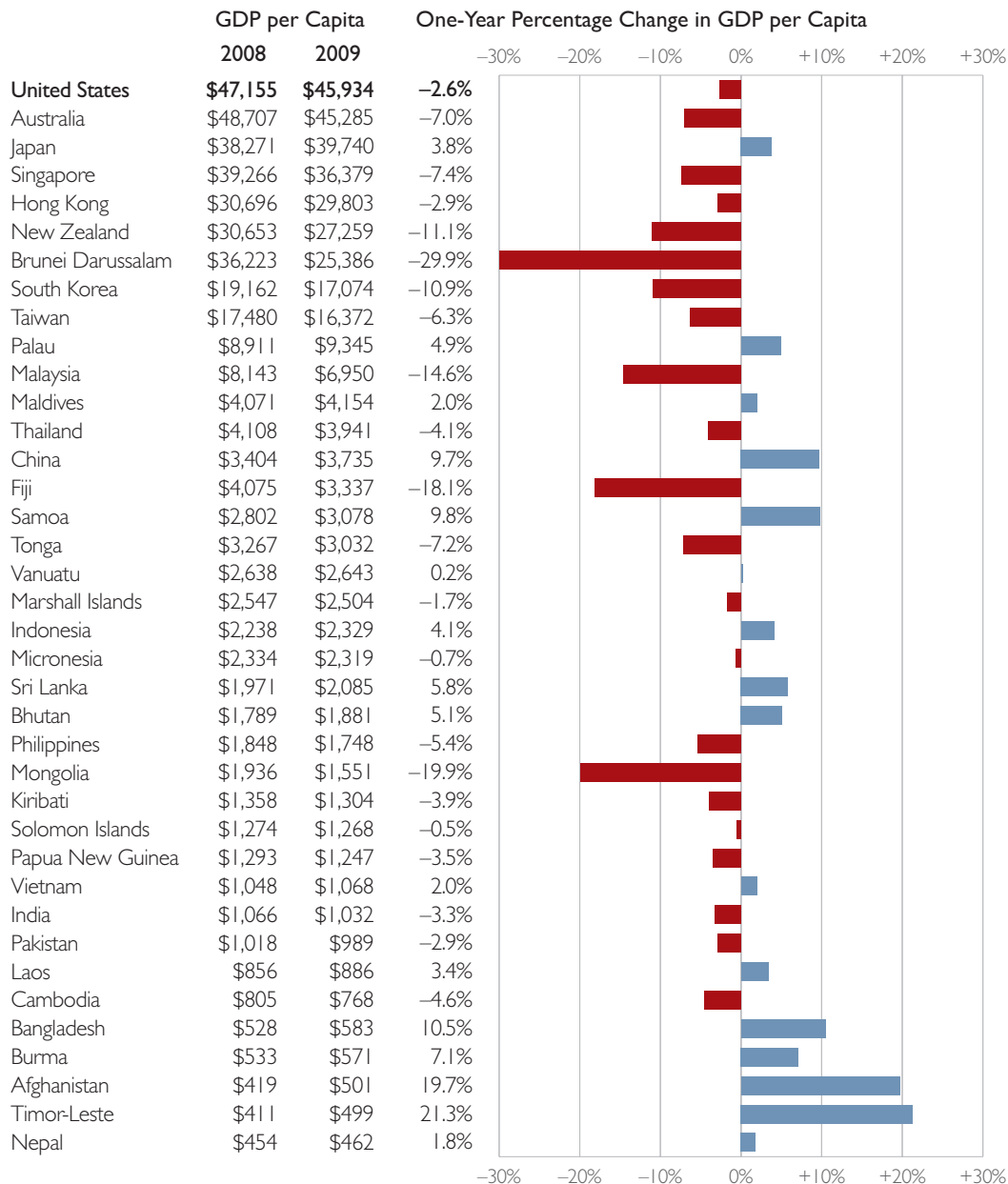


Note: 2009 figure for Macau not available.

Sources: International Monetary Fund, World Economic Outlook Database October 2010; World Bank, World Development Indicators 2010.

# Asian Prosperity Takes a Hit

The global economic downturn resulted in half of Asia seeing a decline in per-capita GDP, with Japan the only major economy to get richer (in 2009, most regional currencies declined in U.S. dollar value, accentuating a drop in GDP per capita, sometimes turning a small gain into a loss).






**Note:** Complete data for Macau not available.

**Sources:** International Monetary Fund, World Economic Outlook Database October 2010; World Bank, World Development Indicators 2010.

# The Best Places to Do Business

According to The World Bank Group

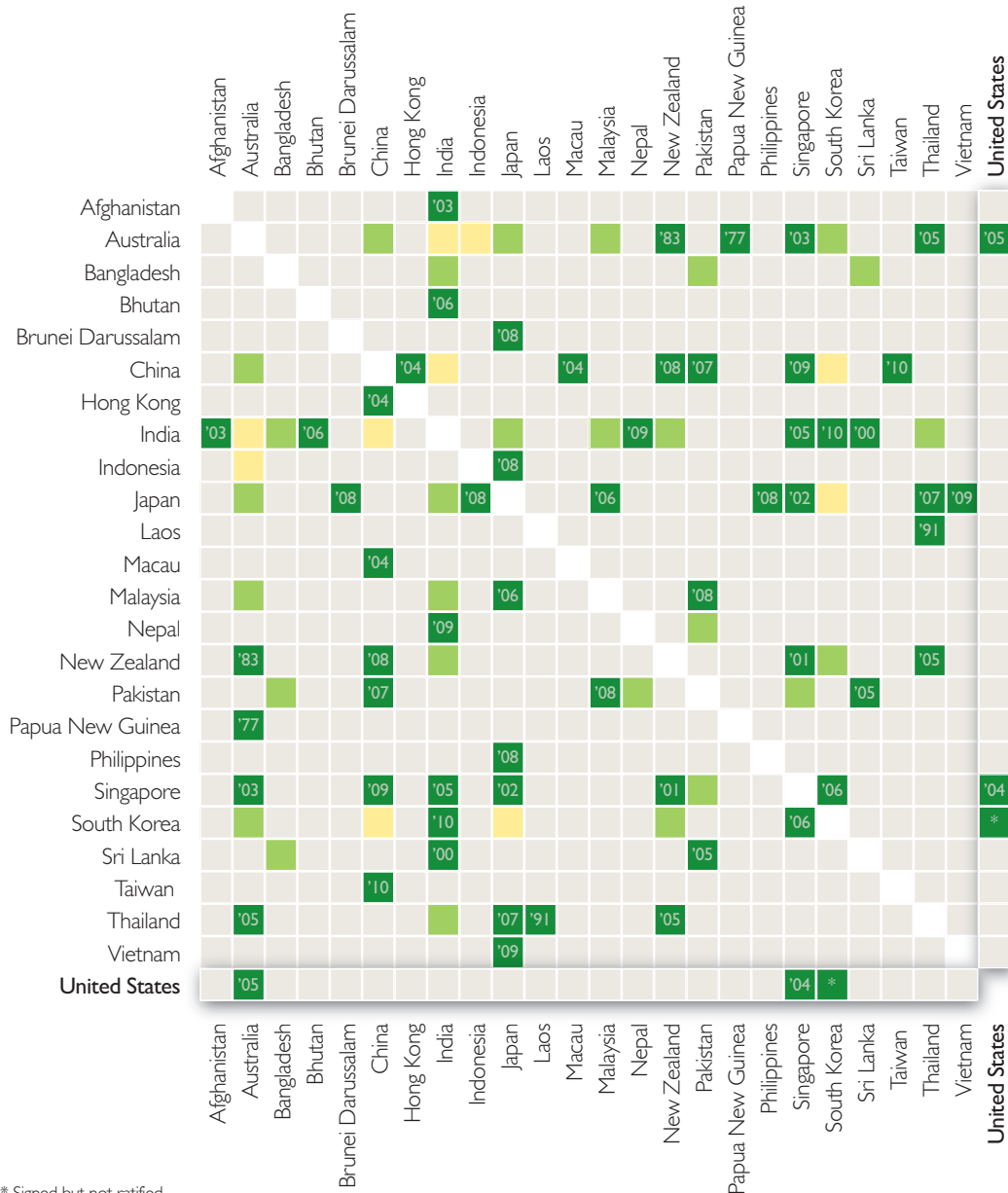
	Asia Rank	Nation	World Rank	
<p><b>Promising Economies</b></p> <p>Asia boasts three of the top five easiest places in the world to do business: Singapore, New Zealand, and Hong Kong. Australia, Thailand, Japan, and South Korea round out the top 20. All seven finish ahead of Switzerland, Germany, and France. This is according to the World Bank, which each year surveys business people around the world on ten measures of "ease," including starting a business, employing workers, protecting investors, and protecting contracts.</p>	1	Singapore	1	 <p><b>Japan</b></p> <p>Japan is the easiest place in the world to close an insolvent business. It ranks in the bottom half of the table in terms of tax burden on businesses.</p>
	2	New Zealand	2	
	3	Hong Kong	3	
	4	<b>United States</b>	4	
	5	Australia	9	
	6	Thailand	12	
	7	Japan	15	
	8	South Korea	19	 <p><b>China</b></p> <p>China is often talked about in the company of the G-7 developed countries. It is a vastly more difficult place to do business, however. China is making strides in improving several of its rankings, but it still takes nearly a year to obtain a construction permit there. It requires about ten times as much capital and takes almost three times as long to start a business as in an average OECD country.</p>
	9	Malaysia	23	
	10	Taiwan	46	
	11	Tonga	52	
	12	Fiji	54	
	13	Samoa	57	
	14	Vanuatu	59	
	15	Mongolia	60	
	16	Kiribati	79	
	17	Pakistan	85	
	18	Maldives	87	
	19	China	89	
<p><b>Difficult Environments</b></p> <p>Asia is represented on the lower end of the "ease" spectrum most significantly by India, the Philippines, and Cambodia. It is as hard to get credit in the Philippines as it is in Ethiopia and Afghanistan. In only ten countries in the world is it harder to start a business than it is in Cambodia.</p>	20	Vietnam	93	 <p><b>India</b></p> <p>It is as easy to get credit in India as it is in Canada. But there is only one place in the world (Timor-Leste) where enforcing contracts is a bigger problem.</p>
	21	Brunei	96	
	22	Palau	97	
	23	Marshall Islands	98	
	24	Papua New Guinea	102	
	25	Solomon Islands	104	
	26	Sri Lanka	105	
	27	Bangladesh	119	
	28	Indonesia	122	
	29	Nepal	123	
	30	Bhutan	126	
	31	Micronesia	127	
	32	India	133	
	33	Philippines	144	
	34	Cambodia	145	
	35	Afghanistan	160	
	36	Timor-Leste	164	
	37	Laos	167	

Source: 2010 Rankings on the Ease of Doing Business, World Bank, Doing Business 2010 report, covering the period of June 2008 through May 2009, at <http://www.doingbusiness.org/economyrankings>.

# Bilateral Trade Agreements in Asia

The region is checkered with more than 31 completed bilateral trade agreements and more are either in negotiation or under consideration. The U.S. is party to just two of these. Its most significant agreement, with South Korea, has languished in the American political process for three years.

**Trade Liberalization Agreements**        Under consideration        Currently in negotiations        '83 Completed (in year)

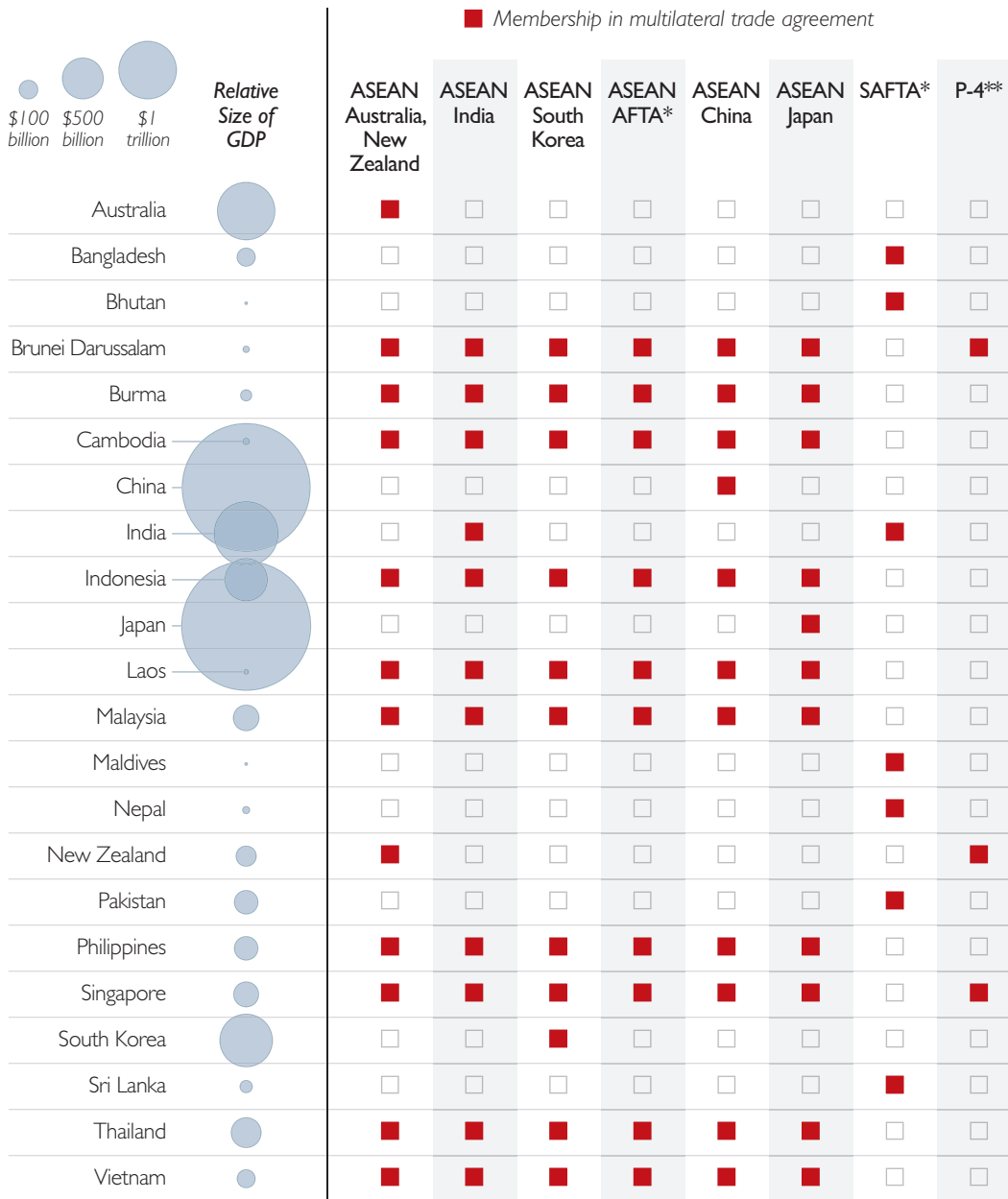


\* Signed but not ratified.

Source: World Trade Organization, at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (October 19, 2010); Heritage Foundation research.

# Key Regional Trade Agreements

ASEAN has emerged as the organizational center of Asia's official trade architecture largely because of the array of regional trade tie-ups it has made.



\* AFTA stands for ASEAN Free Trade Area; SAFTA stands for South Asian Free Trade Agreement.

\*\* Membership includes Chile. The P-4 serves as the core of the nine-nation Transpacific Partnership agreement under negotiation as of the end of 2010.

Source: World Trade Organization, Regional Trade Agreements Information System, at <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (November 1, 2010).



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