



Matthews Asia Perspective

Asia's Stability Makes It Poised for Growth



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Investments involve risk. Past performance is no guarantee of future results. Investing in international and emerging markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation.

A major consideration of foreign investors looking to make long-term commitments to Asia is the political stability of the region. How does it affect long-term growth? Currently, such stability may seem to be under threat from the potential trade war with the United States. However, I think that is taking too narrow a view. Rarely, to my eyes, has Asia's politics looked more stable or more conducive to long-term growth.

Much of Asia has democratized over the past decades. Citizens have a much bigger say in how their countries are run, be it through the mechanism of general elections or, even in some of the political systems that have more controlled elections, through their ability to criticize and influence local politics and leaders.

And despite the trade frictions with the U.S., I believe Asia is still committed to free trade. The champion at the heart of Asia is China. It is building the road and rail infrastructure out to the west of China and building the manufacturing infrastructure to the south and southwest. It is building ports in Sri Lanka and strengthening the sea lanes on the east coast of Africa. Freight trains travel from China to Europe—Asia is linked by air to the rest of the world. As part of a massive undertaking, air, land and sea routes all are increasingly placing China at the heart of global trade—a position that throughout the centuries has meant greater riches, more vibrant art and more liberal societies. In embracing trade and globalization, China has managed to drag hundreds of millions of people out of poverty. It promises to “open our arms to the people of other countries and welcome them aboard the express train of China's development.”

As is typical, there has recently been much criticism of China in the U.S. press—over copyright infringement and the lack of intellectual property rights; the decision to remove term limits for the presidency, etc. These issues are of genuine concern. I am confident, however, that the issues that provoked the U.S. into raising tariffs against Chinese goods can be resolved and that there will be greater protection of intellectual property and perhaps greater access into China's markets, notably its financial markets.

Why? Because China truly believes that it can benefit the lives of its own citizens by embracing international commerce, importing expertise and growing its domestic markets. It has been hugely successful at doing so over the past few decades. I expect it to continue to increase its influence on the international stage because of its commitment to the ideas that have always spurred growth and improvement in standards of living.

So, despite the headline concerns over a trade war, I think Asia's political and economic environment looks strong for long-term growth. Foreign investors should take some comfort from that—if they can see beyond the headlines.

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