

MORGAN CREEK

CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

New Asia Perspectives



Welcome to Morgan Creek's New Asia Perspectives, an open forum where we share our proprietary research together with curated articles of interest. We seek to offer a variant interpretation of important political and economic events through an Asian lens by leveraging our team's "on the ground" insights and decades-long experience in covering the region. We disseminate our research through newsletters, webinars and periodic whitepapers. Feel free to forward our research to colleagues you think might be interested and please share any interesting research you come across as well. To offer comments, share research, or learn more about our team and investment offerings, please email chinateam@morgancreekc.com.

Best Regards,

A handwritten signature in black ink that reads "Mark W. Yusko". The signature is written in a cursive, slightly slanted style.

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND¹

For a variety of reasons including geopolitics and the disruption of supply chains caused by the pandemic, many multi-national companies are pursuing a diversification strategy away from China. Besides Southeast Asia, which has long been an export hub, India has also recently begun to attract interest after the various schemes its government launched to try to accelerate domestic manufacturing.

The "Make in India" campaign is not a recent construct. This was a centerpiece of the platform which launched Prime Minister Modi into power in 2014. However, there has been little progress on this front over the decade.

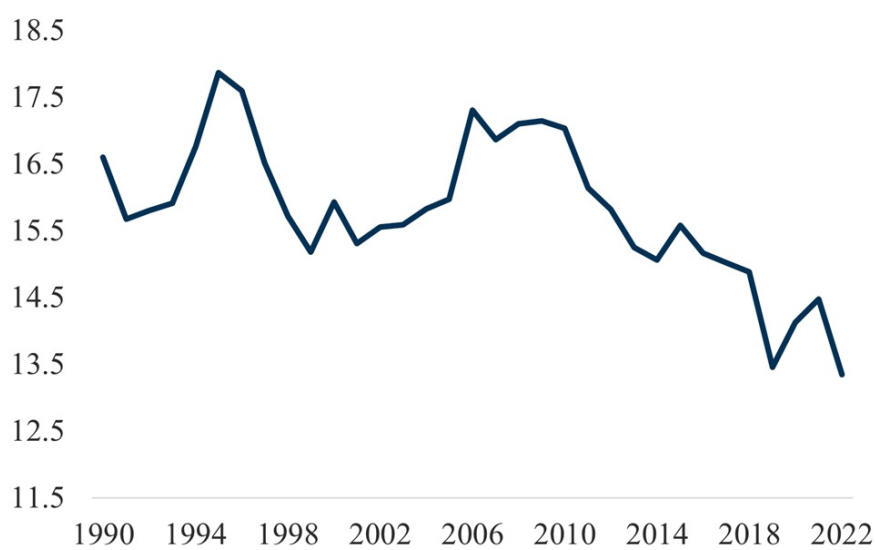


Figure 3: India Manufacturing % GDP²

On the surface, India is an attractive candidate for western corporations due to its familiar system of governance – that is, its parliamentary democracy. However, this can be a double-edged sword. India’s ability to consistently make effective and long-term decisions is hampered by the many stakeholders (i.e. lobbyist groups) it needs to satisfy. This can be summed up in the World Bank’s Doing Business report, in which India was ranked 63 for ease of doing business, compared to China’s rank of 31.

Interestingly, none of its advanced East Asian peers – Japan, South Korea, Taiwan or Hong Kong achieved industrialization under a democratic government.

- Japan began its industrialization during its Meiji Restoration (1868 - 1912), where control of the country was consolidated from various warlords back to the emperor, who used his authority to enact much needed reforms. Just seven years after the Restoration, Japan was recognized as one of the “Big Five”³ powers alongside Britain, US, France and Italy and shared in the dictation of terms that concluded World War I at the Versailles Peace Conference.
- South Korea began its advancement under military dictator Park Chung Hee, who ruled the country from 1963 until his assassination in 1979. After a brief interlude, another ex-General Chun Doo-Hwan staged a coup and took over the Presidency where he remained until 1988. From 1963 to 1988, South Korea’s GDP per capita increased from \$146 to \$474.⁴
- Taiwan’s economic miracle occurred in the late 1950s, similarly under a dictatorship of Republic of China (ROC), who controlled Taiwan’s economy both directly and indirectly. The ROC government set the direction for transforming the agriculture-based economy into textile and electronics manufacturing. In the late 1980s, Taiwan established the world-famous TSMC and was the world’s second-largest man-made fiber exporter just behind the US.
- Hong Kong’s economy, one of the first of the Asian Tigers to undergo industrialization in the 1950s, did so under a British colonial administration, where it was ruled by a Governor appointed by the British monarch.⁵

In the next newsletter, we will explore why a strong, centralized government appears to be a necessary initial condition in the industrialization of many countries.

ASIA NEWS SPOTLIGHT

China's Travel Spending During Lunar New Year Holidays Beats Pre-COVID Levels: Tourism revenues in China during the Lunar New Year holidays that ended on Saturday surged by 47.3% year-on-year and surpassed 2019 levels, thanks to a domestic travel boom amid a longer-than-usual break, official data showed on Sunday. The data may offer temporary relief to policymakers as the world's second-largest economy has been facing deflationary risks amid weak consumer demand, but the sustainability of the tourism boost is uncertain and the tourism revenue per trip remained below the pre-pandemic level. [Read More.](#)

Nikkei Closes Above 38,000 for First Time Since 1990 as Japan GDP Contraction Allays Policy Shift concerns: Asia-Pacific markets rebounded after mostly falling on Wednesday, while Japan entered a technical recession as its GDP contracted for a second straight quarter. Japan's GDP for the fourth quarter fell 0.4% on an annualized basis, a sharp miss from the 1.4% growth expected by economists polled by Reuters. This follows a 3.3% contraction in the third quarter. Two consecutive quarters of contraction are widely considered a technical recession. [Read More.](#)

Asian Private Credit Players Rush to Bridge Funding Gap at SMEs and in Sectors like Education, Technology: Asia accounts for roughly 40 per cent of global gross domestic product, 70 per cent of global economic growth and 60 per cent of the world's population, and yet receives only about 5.5 per cent of the US\$1.5 trillion allocated to private credit markets globally. It is this opportunity that is luring investment firms such as BlackRock, the world's largest asset manager, and banks like HSBC and Bank of Singapore to rush in and bridge a funding gap, after identifying small and medium-sized enterprises (SMEs), education and technology sectors, as areas of focus. [Read More.](#)

Morning Bid - Asia Techs Bask in Nvidia Afterglow: A look at the day ahead in European and global markets from Ankur Banerjee A tech-fueled rally in Asia, powered by the world's largest contract chipmaker TSMC (2330.TW), opens new tab has equities perking up, while Japan's sudden dip into recession put a question mark on the timing of the Bank of Japan's exit from ultra-loose policy. Taiwan stocks (.TWII), opens new tab rocketed to a record high on Thursday after the Lunar New Year holiday break, with chip shares catching up with their global peers. [Read More.](#)

China Stocks Primed for Bullish Reopen after Upbeat Tourism Data: Chinese stocks look poised for a strong open when onshore traders return from the Lunar New Year break, with buoyant travel and tourism data seen bringing much-needed relief to one of the world's worst-performing major markets. With trading in mainland China shut February 9 through 16, investors are likely to take cues from gains seen for the country's shares listed offshore. [Read More.](#)

Asia is Marking a Global Shift in Energy Dynamic: A German military strategist would call it a "schwerpunkt" – the center of gravity or the critical focal point. More people – some four billion – live inside a 3,300-kilometre radius circle centered on the small town of Mong Khet in Myanmar, than live outside it. This is the decisive area for the 21st century's energy and climate geography. This circle contains the first, second, fourth and fifth most populous countries in the world, namely India, China, Indonesia

and Pakistan. [Read More.](#)

System Changes in Southeast Asia’s Energy Transition: Across the world, glittering cityscapes – emblems of progress – cast shadows over underprivileged communities battling for essential electricity access. These disparities resonate across regions around the world, underscoring the need for thoughtful and effective solutions on a global scale. Recent figures from the Asian Development Bank showed that 350 million people in the Asia and the Pacific region have only limited access to electricity, while 150 million people still have no access at all. [Read More.](#)

Beijing’s Influence on Latin America’s Energy Mix is Growing—Especially in Renewables: Chinese influence in Latin American energy is large and impactful, ambiguous, and potentially risky in certain contexts. Russian influence, on the other hand, is limited, sharply receding, and seems to have few purposes beyond opposing US interests. Western policymakers should seek to prevent Beijing from cementing a long-term monopoly in regional energy supply chains; offer credible investment and partnership alternatives, especially in strategic sectors, including critical minerals; and excise Moscow’s malign influence to the greatest degree possible. Finally, US policymakers should also look to reach some oil market détente with Venezuela, despite the Maduro regime’s brutality, as Venezuelan crude exports pressure Russian energy earnings. [Read More.](#)

¹The Bund is a historic waterfront area in central Shanghai, where Morgan Creek’s office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

² Source: World Bank Database; <https://www.worldbank.org/en/home>

³ Source: Paris Peace Conference; <https://www.britannica.com>

⁴ Source: World Bank Database; <https://www.worldbank.org/en/home>

⁵ Source: Hong Kong – Manufacturing, Trade, Economy; <https://www.britannica.com/>

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