

# 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@morgancreekcap.com](mailto:chinateam@morgancreekcap.com).*

*Best Regards,*

*Mark W. Yusko*

*Mark W. Yusko  
CEO & CIO*

### **NOTES FROM THE BUND<sup>1</sup>**

This is our second newsletter discussing the conflict over the South China Sea. In the prior newsletter, we explored the reasons why the region is so highly contested and why China is vociferous over its claim. In this newsletter, we will touch on why the West may be misled in its understanding of China's intentions over the region, presenting an alternate, Asian-centric view.

The standard mainstream narrative presents the Chinese position on the South China Sea as "belligerent" and "aggressive", with news reports of China's militarization of islands like the Spratly Islands and establishment of a military port recently in Sri Lanka as examples.

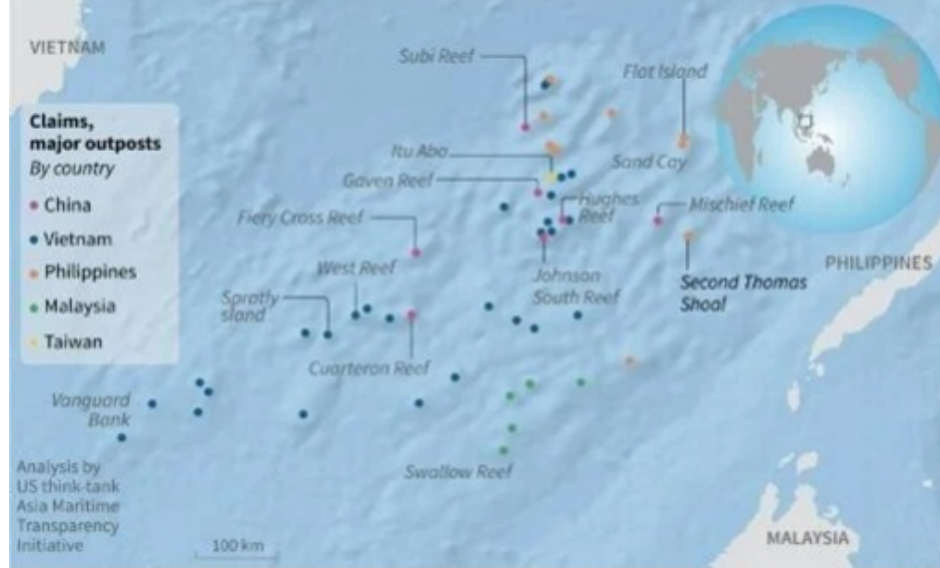


Figure 1: Map of disputed Spratly Islands with major outposts by countries<sup>2</sup>

What many of these reports neglect to highlight is that China was far from the first to begin reclamation works. Vietnam began the contest by building an airstrip on the Spratly Islands in 1976; Philippines did so on Thitu Island in 1975, and Malaysia followed suit on Swallow Reef in 1983.<sup>3</sup> China entered the fray only in 2013 as a relative late comer. Today, Vietnam occupies 26 islands, Philippines, and Malaysia 9 and 5 respectively. China controls 8.<sup>4</sup>

Similarly with China’s military presence – compared to other major powers, it appears to be relatively restrained to date.



Figure 2: A comparison of US & China’s military presence in the South China Sea

Robert D. Kaplan, an American political writer named among the world’s Top 100 Global Thinkers by *Foreign Policy* magazine illustrates why it is difficult for Western powers to conceive of China’s intentions in the South China Sea being anything but hegemonic and militaristic, writing<sup>5</sup>:

*China’s position vis-à-vis the South China Sea is akin to America’s position vis-à-vis the Caribbean Sea in the nineteenth and early twentieth centuries. The United States recognized the presence and claims of European powers in the Caribbean, but sought to dominate the region, nonetheless.*

Professor John Mearsheimer, an influential American political scientist, was even more blunt in his assessment<sup>6</sup>:

*An increasingly powerful China is likely to try to push the U.S. out of Asia, much the way the U.S. pushed the European powers out of the Western Hemisphere. Why should we expect China to act any differently than the United States did? Are they more principled than we are? More ethical? Less nationalistic?*

In the next newsletter, we discuss why we believe China's inclination may be different from its developed Western predecessors and that its aims instead are: 1) not to resort to force to dominate the region, 2) to attempt to craft a win-win solution for claimants and in the meantime, 3) to continue to operate within the status quo of strategic ambiguity, thereby maintaining stability in the region.

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### ***ASIA NEWS SPOTLIGHT***

**Asia FX Surges, Dollar Sinks on Fed's Rate Cut Signals:** Most Asian currencies rose sharply on Thursday, while the dollar tumbled from two-week highs after comments from the Federal Reserve kept expectations of interest rate cuts largely in play. The Fed kept interest rates steady on Wednesday and maintained its forecast for a 75-basis point reduction in rates this year. The move, particularly the Fed's outlook, ramped up appetite for high-yielding, risk-driven assets. [Read More.](#)

**Apple's Cook Opens New Store in Shanghai to Large Crowds as China Sales Fall:** Apple (AAPL.O), opens new tab CEO Tim Cook on Thursday opened Apple's newest store in Shanghai in front of a large crowd, some of whom had queued overnight. Cook, who arrived in Shanghai on Wednesday, opened the store's doors and flashed a victory sign with his fingers before greeting the first few customers who had started waiting outside the day before. The new store, which faces Shanghai's historic Jing'an Temple, is Apple's 57th in China and its eighth in the Chinese financial hub. [Read More.](#)

**Capitalizing on Asia's Digital Imperative: IT Strategies for Maximizing Sustainable Growth Potential:** Amidst the global economic uncertainty, Asia's digital ambitions remain resolute. Forward-thinking enterprises across Asia are adopting a digital-first approach and investing in cutting-edge capabilities in AI, IoT analytics, and 5G to achieve competitive dominance and market share expansion. However, unlocking this potential demands seamless connectivity, expert navigation of complex tech landscapes, and robust data security. [Read More.](#)

**CGN to Start Building Southeast Asia's Largest Clean Energy Facility in Laos:** The construction of a massive renewable energy base by the China General Nuclear Power Group (CGN Group) in Laos is scheduled to begin in June, marking the start of the largest single new energy project in Southeast Asia. The project will become the first overseas clean energy base to send electricity back to China. The first phase will be a 1 million-kilowatt photovoltaic project. [Read More.](#)

**China Seeks Win-win for Economic Growth, Carbon Reduction:** Sun Tao, an environmentalist from Yangzhong in east China's Jiangsu Province, has made a conscious decision to charge his electric car at a parking lot near his home that offers green charging services. The 180-square-meter car park, part of a local microgrid project, is equipped with

photovoltaic panels and energy storage facilities. The green electricity is primarily used to charge electric vehicles. [Read More.](#)

**Green Transition: Supercharging a Sustainable Future for the Asia-Pacific:** The Asia-Pacific region, a beacon of economic growth, is projected to contribute an astonishing 60% to global GDP growth by 2024. At the heart of this region’s transformation is China, whose economic, technological and military rise has significantly influenced its engagement with neighboring countries. As the region’s largest trading partner and investor as well as the technological leader for the green energy transition to address climate change, China’s role in Asia and the Pacific’s sustainable development is pivotal. [Read More.](#)

<sup>1</sup>The 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.

<sup>2</sup> Source: Philippines accuses China of “dangerous” actions in South China Sea; <https://www.kpcnews.com/>; Feb. 17, 2024

<sup>3</sup> Source: Beijing in the South China Sea – belligerent or assertive?; <https://mahbubani.net/>; Mar. 15, 2016

<sup>4</sup> Notes: China Mainland controls 7, Taiwan controls 1. Source: Philippines accuses China of ‘dangerous’ actions in South China Sea; <https://www.kpcnews.com/>; Feb. 17, 2024

<sup>5</sup> Source: *Asia’s Cauldron: The South China Sea and the end of a stable pacific*, Robert D. Kaplan; Mar. 25, 2014

<sup>6</sup> Source: *The Tragedy of Great Power Politics*, John J. Mearsheimer; Jan. 17, 2003

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### Important Disclosures

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