

# Asia's second homecoming

As Asia continues to experience a "long boom", a huge number of people are expected to benefit, and as Asian personal consumption grows, so will the global economy

FROM THE  
DESK OF

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**T**HE Occidentals have always seen Asia as an exotic and mysterious continent. For the Asians, they instead see it as their homes that have been greatly damaged by uninvited outsiders for a long, long time. There is nothing exotic about hundreds of millions of people and more still living in dire conditions. Nothing mysterious about a continent that is still divided and ruled by its many former colonial powers. For the Asians, Asia is more than just yoga, shao lin, kimchi, shangri la, etc. It is reality.

Asia has been a great continent. Led by the great Chinese and Indian civilisations, Asia used to be at the forefront of the world. Then, complacency and decay set in. After centuries of decline and humiliation, Asia is slowly but surely regaining her composure. Take away the foreign intervention in Iraq and Afghanistan and the temporary domestic political turmoil in Thailand and Iran, Asia is now a vast continent of peace and tranquillity. Peace has broken out throughout Asia, and an era of sustained economic development will follow.

During the Industrial Revolution era, many observers did not realise that the economic boom benefited only the European imperial powers and thus a small segment of the global population. Now, as Asia continues to experience what I call the i Capital Long Boom (a secular global economic development that started about thirty years ago), a huge number of people throughout the world will eventually benefit.

For once, there will be a genuine global economic boom where thousands of millions of poor people would see their standards of living improve, instead of progress for just a few wealthy countries. The most defining feature of this i Capital Long Boom will be the immense number of people throughout the world that will benefit from it, certainly an unprecedented event.

The population of China in 2008 stood at 1.3 billion; India at 1.2 billion; Indonesia,

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227.8 million and Vietnam, 86.4 million. These four countries have 2.83 billion people or about four times the people in America and Western Europe.

And yet, income and wealth is at a very low level. China's Gross Domestic Product per capita (current international dollar, PPP) in 2008 was \$5,962.70; India's, \$2,762.27; Indonesia's, \$3,986.52; Vietnam's, \$2,783.75. Imagine if their GDP per capita were four, five, or six times the current level.

Economists, policymakers, analysts, etc have all said that the world economy cannot grow again unless the overborrowed, overspent US consumers, who own shares and houses where values and prices have plunged, start spending again.

With the exception of Indonesia during the Great Asian Crisis, the Asian economic giants have enjoyed sustained robust economic growth in the last 20 years or so. As they have reached crucial stages of economic development, they are expected to experience further robust economic growth. Many economists, policymakers, analysts, investors, etc have said that many of the Asian economies are export addicts. So, if the overgeared US consumers cannot consume, how can the Asian export junkies grow in a sustained manner?

#### Consumed with spending

Let's look at consumer spending in China, India, Indonesia, and Vietnam. In the last 20 odd years, every single one of these economies has experienced growth in personal con-

sumption expenditure that is two, three, or four times faster than that of the US. As these four giants continue to expand, they will be the largest consumers in the global economy.

Many economists have scoffed at the idea that Asia can be a source of global economic growth. They say the US consumers consume around US\$9 trillion per year. While the absolute number is huge, what also matters is the second dimension, that is, the rate of change or growth. In fact, the rate of private consumption growth in the four Asian economies has been many times that of the US. In 1980, the whole of China had only a few thousand cars. Now, China is the largest car market in the world.

The 21st century will be Asia's century. It will be a second homecoming. The latest election results in India are overwhelmingly positive for India in particular and Asia in general. The cessation of military conflicts in Sri Lanka is long overdue. The wise political and economic leadership in China portends better days for China in particular and the world in general.

Many well-known investors and economists have described the current US-led financial crisis as a "once-in-80-years" financial crisis. In contrast, i Capital is extremely excited with the once-in-a-millennium transformation being played out in Asia. As Asia, led by China, booms, the global economy will boom. Watch out for the billions of Asian consumers. The effective way to benefit from this boom is to invest globally.