

TRACKING THE TIGERS

OCTOBER 1999

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CHINA: 30 + 20 = 50 (THE PARTY ROLLS ON)

The modern Chinese nation has just turned 50 years old. It is at an age that can clearly be divided into two eras: 30 years of communism and 20 years of capitalism. China is an autocratic nation. The ruling (and only) party has positioned itself as the new imperial dynasty. Their problem was that the centrally planned economy they so vocally promoted in the first three decades of their reign was a disaster. Deng Xiaoping changed that policy. He kept the party but tossed out the little red book.

Starting in the countryside, China has been steadily building a market economy since 1978. Endless rationing and restrictions have been largely replaced with something similar to what we have in the U.S. The party will not admit it, and the media rarely shows it, but China at 50 is largely a capitalist creature.

Legacies of state-owned enterprises, army business involvement, and general bureaucratic meddling certainly remain. The often-heard refrain is; how can China change these things when unemployment is such a problem? The reality is that China has been changing everything, and the private economy is the key to the future success of the country and the survival of the party. The party is well aware of the position that it is in. It must release the reins. Allowing and encouraging economic prosperity is the only acceptable means of continuing to rule the country. Unemployment is an inevitable but temporary side effect. We would be far more concerned if there was not unemployment.

Economic freedom has been granted, while political freedom has been indefinitely deferred. The building of the institutions that support a market

economy is clearly the party's primary challenge. Banks must be reformed on a massive scale, and business practices will require years of development. This process has begun and will continue. China is 50 years old, but it is also 3,000 years old. It has seen many periods of prosperity and hardship. It has enjoyed excellent governments and endured horrible ones. We believe it is entering a period where communism will soon be a memory but the party still goes on.

