The New York Times

The ascendancy of China may have diverted the attention of investors from other markets, but shares elsewhere in Asia have been sprinting ahead.

Markets in Singapore, South Korea and India have approached or surpassed previous highs, and others, like those of Hong Kong and Indonesia, are at their best levels since the economic crisis of the late 1990s. The rallies have produced big gains for mutual funds specializing in Asian stocks. The average fund that invests in Asia, excluding Japan, was up 30.4 percent in the 12 months through September, compared to 16.5 percent gains for general domestic equity funds, according to Morningstar, an investment company.

Managers of Asia funds have no trouble explaining the strong performance, but some question its staying power and are downshifting to stocks in industries less susceptible to economic swings. Some global fund managers also express reservations about Asia, although others embrace the region and expect continued strength.

Yet everyone seems to agree on one idea: that China has had a central and largely benign role. From a distance, China might look able to muscle aside the industries of smaller Asian countries and to co-opt their markets, given its cheap labor and huge manufacturing capacity. But analysts say the countries once known as the Tigers have instead grabbed their big neighbor by the tail. They have invested huge sums in Chinese factories, so profits are spread far and wide, particularly to South Korea, Taiwan, Hong Kong and Singapore.

"As China has grown, it has brought up the rest of the region with it," said Edmund Harriss, manager of the Guinness Atkinson Asia Focus fund.

Mark Headley, president of Matthews International Capital Management, a firm specializing in Asia, said the rest of the region had also brought up China, by furnishing money and expertise.

"It's the Taiwanese that built most of China's manufacturing, and now the Koreans are there in a big way," he said. "The companies that really grasped the opportunities 10 years ago are reaping the benefits."

So are Chinese workers, whose standard of living has soared. That has benefited companies throughout Asia, which have a big, new consumer market to pursue.

"Because Chinese GDP is growing at 8 to 10 percent, it provides a huge source of incremental demand for other Asian countries selling to domestic Chinese consumers," said Ben Walker, a manager of international equity funds at Gartmore Investment Management.

The low cost of Chinese-made products also helps the region, Walker said. "Increasing supply from China is keeping inflation lower in Asian economies," he said.

The improvement in Asian living standards has added balance to the region's economies and changed the buying habits of investors. Some contend that exports still dominate Asian economies, but the arrival of the conspicuous Asian consumer has led others, like Headley, to load portfolios with stocks of businesses that cater to that new category. He said investors in Asia should have as much exposure to the domestic economies there as possible.

But as the markets move higher, Headley's "if" becomes bigger. He is concerned that share prices have been pushed up lately by so-called hot money, or opportunistic investment by hedge funds and other deep-pocketed, short-term-minded asset managers. "It's a little bit worrisome, but I gave up trying to time these markets years ago," he said.

Francis Claro, co-manager of the Evergreen Global Opportunities fund, finds Asian valuations worrisome, too, and he is underweight in the region.

"I prefer my emerging markets cheap and growing," he said, adding that while valuations in South Korea remained attractive, other markets, like Malaysia, were overpriced. "In emerging markets you should be compensated for additional risk."