

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## Decoupling of Investment in China

By [www.ProfitableInvestingTips.com](http://www.ProfitableInvestingTips.com)

As the Covid-19 pandemic began, the USA had to go begging China to send protective masks made in China (by 3M). American had become dependent on a global supply chain to the extent that it had become a risk to national security. This situation had been decades in the making and the USA and other nations are taking actions. Decoupling of investment in China is a major part of this movement.

## Decoupling of Investment in China

Although the decoupling of investment in China hit the general news as the pandemic was playing out, it has been on the minds of many for quite some time. In January of 2020 *The Harvard Business Review* wrote about how the [USA and China will decouple](#).

*While Covid-19 has dominated news for much of the year - and understandably so, as people and businesses fight for their survival - a larger, longer-lasting problem has been unfolding in the background, which many businesses will soon need to contend with: As de-globalization accelerates, two hostile economic blocs are emerging, one centered around China and the other around the United States.*

*Arguably, we've been headed towards this moment for a long while. De-globalization has been under way for more than a decade: At best, international trade was stagnating before the pandemic hit, and foreign direct investment had fallen by 70 percent in 2018 from its peak in 2007. Never easy, Sino-U.S. relations have taken a more confrontational turn under Xi Jinping. By 2018 we were already witnessing the opening skirmishes of a new Cold War.*

We wrote about the [Kennedy Act and investing in China](#) a few months ago. In that article we noted how China has been using US investment capital to build up its high tech sector and how that sector often works hand in hand with Chinese intelligence operations and its military. The USA and other nations have been helping fund the rise of a nation bent on dominating Asia and then the world. We cannot stop them from having such ambitions but the USA, Europe, and others do not have to fund those efforts.

## How Will Decoupling from China Affect Your Investments?

In the *Harvard Business Review* article they suggest several measures for international companies to take.

- Reduce Business Presence in Hong Kong
- Relocate Supply Chains to Politically Safer Countries
- Reassess relationships with Chinese businesses and universities
- Consider the geopolitical risks and reposition accordingly

As a US investor, you may be barred from certain investments in China and the number of prohibited investments may increase over time. Your decoupling of investment in China should be led by the degree of involvement of that investment with Chinese military or intelligence operations.

### **Direct US Actions to Decouple from China**

*The New York Times* reports that investment in [companies with military ties](#) has now been barred by presidential action in the waning days of the Trump administration. Specifically, this means investments in Huawei, China Mobile and China Telecom. The list includes 31 companies including China Mobile Communications Group, China Telecommunications Corporation, Huawei, Sinochem Group, Hangzhou Hikvision Digital Technology, China Railway Construction Corporation, Inspur Group and Aviation Industry Corporation of China.

The order takes effect on January 11, 2021 and if you have investments in any of these companies or funds that invest in them, you have until November 11, 2021 to divest yourself of those assets. It is of note that China Telecom fell \$4 a share from \$336 to \$332 on the news. However, the stock is now selling for what it has been worth for most of the year during the Covid-19 pandemic and resulting economic slump. This was a long time coming and is not likely to be reversed by the Biden administration. As such, investors need to get out of the specific investments on the list and consider what else might be pulled into the decoupling of the USA and China as a new cold war begins.

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