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Hong Kong Protests a Hint of the Future of China

Stocks are tumbling as pro-democracy protests grow in Hong Kong. According to *USA Today* **Hong Kong protests** are driving US stocks down, not to mention the Hong Kong market.

Pro-democracy protests in Hong Kong is spooking Wall Street in early trading Monday, as U.S. stocks continued their recent run of volatility, with the Dow tumbling more than 100 points in early trading, tracking the nearly 2% drop overnight in Hong Kong amid concerns over China's move to limit reforms in the Asian financial hub.

The immediate cause of the protests started by students in Hong Kong was the news that the mainland Chinese Communist government would pick the candidates for the Hong Kong 2017 election. Residents of Hong Kong see this decision as the mainland Communist leaders reneging on an agreement to grant the Hong Kong autonomous region full democratic elections of its leaders. As the police moved in to use tear gas, more protesters showed up. This is more than a one day story. The Hong Kong protests are a hint of the future of China.

Red China and Broken Promises

When Great Britain handed over one of its last Colonies, Hong Kong, the Brits and China had an agreement regarding a one country and two systems solution. China reneging on this written promise has resulted in **unprecedented protests and a police crackdown** according to *Vox*.

This began in 1997, when the United Kingdom handed over Hong Kong, one of its last imperial possessions, to the Chinese government. Hong Kong had spent over 150 years under British rule; it had become a fabulously wealthy center of commerce and had enjoyed, while not full democracy, far more freedom and democracy than the rest of China. So, as part of the handover, the Chinese government in Beijing promised to let Hong Kong keep its special rights and its autonomy – a deal known as “one country, two systems.”

A big part of that deal was China's promise that, in 2017, Hong Kong's citizens would be allowed to democratically elect their top leader for the first time ever. That leader, known as the Hong Kong chief executive, is currently appointed by a pro-Beijing committee. In 2007, the Chinese government reaffirmed its promise to give Hong Kong this right in 2017, which in Hong Kong is referred to as universal suffrage — a sign of how much value people assign to it.

In 150 years of British colonial rule there was no democracy in Hong Kong but freedoms were much more significant than on the mainland then or now. The point we want to make is that

the Kong protests are a hint of the future of China.

How about Taiwan?

The Communist Chinese government wants to bring all of the ethnic Chinese communities in the region under its control. The next in their sights is Taiwan. Talks are ongoing that would put Taiwan under the mainland governance but with autonomy similar to that of Hong Kong. If the Hong Kong protests are a hint of the future of China, Taiwan would do well to remain politically separate from the mainland. In fact it appears that **Taiwan's president backs the demonstrators** in Hong Kong. According to the Straits Times,

Taiwan's president threw his weight behind Hong Kong's democracy protesters on Monday, saying he was "very concerned" by events in the city and urging China to proceed with "peaceful and cautious measures".

China is very attractive to many investors. It has cheap labor and a growing market. The main short term problem in dealing in or with China is its lack of transparency. The long term issue with China is that it wants the benefits of free and open trading with the rest of the world but not with the requirements of being free and open itself. The rulers of China have not brought out the tanks, like they did in Tiananmen Square, yet. But the leadership of China only sees things through their own eyes. In order to control its population the leadership will need to seek harsher and harsher measures. Or it will have to let a true democracy develop. Those interested in investing in China will do well to hold cash for the time being and see how the protest works out in Hong Kong.

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