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Political Dangers of Investment in China

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When you read this title you may think that we are going to revisit how the USA plans to go about decoupling of investment in China. While that is still a reality, there are more political dangers of investment in China and they come from the Chinese government run by Mr. Xi and the Chinese Communist Party. Chinese leadership has set the country on a course that they believe will result in Chinese dominance of the world's economy, military hegemony, and absolute control of what goes on inside of China. Ever since the ascent of Mr. Xi as the leader of China's government, many business leaders in China have avoided mixing business and politics but to little avail. The fallout for you is that political actions in China will affect your investments there.

China Crackdown on Businesses

For decades businesses and their owners in China have become rich. They have had a protected economy to grow in, access to offshore markets everywhere, low-interest loans largely sponsored by the government, and tons of foreign investment. Chinese companies have been able to negotiate deals in which they receive vital technical information and trade secrets in return to access to Chinese markets. And, the government generally let these folks grow without a lot of interference. That is no longer the case.

Didi New York IPO

The New York Times business section recently reported on this issue noting that staying out of politics is no longer an option for the [business elite in China](#).

The ride-hailing giant Didi came under fire after its blockbuster initial public offering in New York. Chinese regulators ordered the company to stop signing up new users. They said Didi should also be pulled from Chinese app stores because of national security concerns and to protect the data of Chinese users.

At the same time they savaged the president of the company, Jean Liu, as well as her father, Liu Chuanzhi who founded Lenovo and is a revered figure in the Chinese business community as the first Chinese company to take over a major foreign business, IBM's PC manufacturing arm. When Xi came to power in 2013 the father famously told other business owners in China that they should stick to business and stay out of politics. Despite his best efforts, he and his daughter and their companies have been dragged into the efforts of the Chinese Communist Party under Xi to fight the influence of the West, starting with the USA.

Chinese Tech Crackdown

The travails of the Liu family are only another chapter in the Chinese tech crackdown as China tries to build walls around its internal data, markets, and businesses. An attempted IPO by Ant Group run by tech billionaire

and other Chinese business hero, Jack Ma, was shut down earlier this year. Basically, China does not want any of its businesses listed in the USA. They don't want any sharing of data unless all of the storage and analysis happens inside of China.

On Tuesday, China punctuated the change by announcing that it would enhance rules on data security and cross-border data flows for Chinese companies seeking to sell shares abroad. The changes were designed to ensure that companies listed abroad take their responsibilities in information security seriously.

Add this to US efforts to curb US investment in and support for Chinese enterprises and you start getting the picture of political dangers of investments in China.

Investing Anywhere But China

ABC, anywhere but China, has been in the works for investors for some time now. But, China has built up its infrastructure with the help of Western technology and funding to the point where many of the other Asian options like Vietnam or Indonesia do not work for major projects. The Biden administration apparently recognizes this and is addressing related issues as part of its [proposed investments in infrastructure](#). For American retail investors, this may be the best place to look to avoid the political dangers of investments in China.

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