American Investors Need to Run From Chinese Companies

July 31, 2021 - Earlier this month we warned our readers of the perils of investing in Chinese stocks traded on American stock exchanges. China had allowed a rideshare company by the name of DiDi to start trading in the United States only to bring a regulatory crackdown on it within a few days. The result was what amounts to the theft of billions of dollars by China from American investors. Then a few days ago, the Chinese government... meaning the Chinese Communist Party... took another swing at investors. This time by going after companies involved in tutoring. It's very clear that China intends to change the way that companies do business in mainland China. And that means American investors are playing with fire if they purchase Chinese stocks.

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The crackdown on companies providing tutoring services came as another surprise to investors, but it really shouldn't have been. China is after all a corrupt communist dictatorship that is engaged in the genocide of its own people, live human organ harvesting from unwilling victims - meaning, murder - and the bullying of pretty much the rest of the civilized world. What's a little theft of investor money when compared to all of that?

Word began to leak out last week that China would require all companies that provide tutoring services to become nonprofit organizations. The tutoring industry is huge in China, but once the announcement was made short sellers came out of the woodwork. One of the largest tutoring companies in China, New Oriental Education and Technology Group, lost half it's value almost immediately. The company is listed on US exchanges. And they aren't the only one.

China is now indicating that it will crack down in other investment areas too. Real estate has already been named as a target. So has healthcare. Other likely targets include banking, insurance and technology companies.

Professional investors are nervous. The announcement on tutoring resulted in a sell-off of about $1 trillion. Based on that response, individual investors should probably be running as fast as they can away from any Chinese stock. The same is true for investors considering purchases of stocks in companies that have significant Chinese exposure.

China has been an enticing market for investors, and for good reason. It is a country of 1.4 billion people with an already large and growing middle class. But it is also a communist dictatorship; not a free market. That makes it completely unpredictable. Add to that the fact the government there has absolutely no moral compass and the risk grows even larger.

It is time for American investors to walk away from China. And it is time for the United States to consider banning the importation of any technology items that are manufactured there along with banning the transfer of technology by American companies to China. These things pose a risk to national security. And having a cheap television is absolutely no justification for turning a blind eye to genocide. Americans are better than that. Or at least, we should be.
by Jim Malmberg
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