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The Hong Kong Protests

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### The Hong Kong Protests

The Hong Kong protests started in September this year in response to the electoral reforms proposed by the Beijing government (BBC, 2014). The reforms limit the choices of voters in the future elections for the independent chief executive of the territory. The protests have spread rapidly to include more residents than pro-democracy activists and students prompted partly by police tear-gassing students (BBC, 2014). Certainly, the protest will have a long-term effect on the credit ratings of the city since an extended slowdown of the regular commercial activities could have a profound impact on the economy, particularly, global banking, shipping, insurance, and China's currency.

The prolonged effects of the protests may arise because Hong Kong is a global powerhouse for trade, insurance finance due to its strategic position as a gateway to mainland China. Last year, total value of goods traded through Hong Kong was \$977 billion – 5.2% of the global trade (Fukukawa, 2014). This island city ranks as the third most significant financial center in the world behind New York and London. In recent years, it has steadily reduced the gap between its western counterparts because of its ease of doing business, talent pool, and tax laws. Hong Kong is China's main portal for foreign direct investment, and, in 2013, mainland China attracted global investments of approximately \$124 billion. Half of this amount flowed through Hong Kong (Fukukawa, 2014).

The city has more than 3,500 regional offices for foreign companies that are responsible for business operations in China. In addition, it channels more 60% of its outbound investment through Hong Kong (Fukukawa, 2014). Its global commercial role is highlighted by the considerable size of Hong Kong's banking industry that has assets worth the eight times its GDP.

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Therefore, even though the impacts of the protest may have a greater effect in China, the rest of the world will also be affected economically.

References

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