



## CHINA REFORM MONITOR

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P.R.C. Government Actions and U.S. Policy

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January 4, 2021 Joshua Eisenman

**Related Categories:** Democracy and Governance; Economic Sanctions; International Economics and Trade; Australia; China; Taiwan

### NYSE TO DELIST CHINA'S BIG THREE TELECOMS

The New York Stock Exchange (NYSE) will delist China's three big telecommunications companies: China Mobile Ltd., China Telecom Corp Ltd., and China Unicom Hong Kong Ltd. The decision is required to comply with President Trump's executive order prohibiting U.S. companies and individuals from owning shares in 31 Chinese companies identified as enabling the PLA by January 11th. The companies, which have no meaningful presence in the U.S. outside of their listings on the NYSE, are also listed in Hong Kong and generate revenue in China. The executive order warned that the PLA is a threat to the U.S. and is "increasingly exploiting United States capital" to gain an edge in its military-industrial complex. Currently valued at \$117 billion, China Mobile enjoyed a blockbuster NYSE IPO in 1997. (*Axios*, January 1, 2021)

### BEIJING REBUFFS TSAI'S OFFER OF "MEANINGFUL" TALKS

China has rejected Taiwanese President Tsai Ing-wen's offer of cross-Strait talks. Tsai made the pitch in her New Year's speech, saying that as long as Beijing is willing to put aside confrontation and engage as equals she would support "meaningful" bilateral talks. In response, China's Taiwan Affairs Office said that the island was part of China, and the refusal of Taiwan's government to accept that was the root cause of tensions. "They again talked about so-called 'dialogue,' but where can that come from? We urge the DPP authorities to stop it with these cheap tricks," it said. China views the self-governed island as its territory, and cut off all formal talks when Tsai was first elected in 2016. Tsai, who claims Taiwan is already an independent country called the Republic of China, was re-elected last year on a pledge to defend Taiwan's democracy and security. (Reuters, January 1, 2021)

### SUZHOU DIGITAL CURRENCY TRIAL CLOSES

In December, Suzhou, Jiangsu ran a two-week digital currency pilot program in which 96,614 local participants were selected by lottery (about 96.6% of applicants). During the experiment participants consumed about 94.8% of the issued amount (about 19 million digital yuan), primarily on shopping. For the first time, about 500 participants also tried the "dual offline wallet" where internet connection is not required to pay in offline stores. So far e-yuan pilot programs have been conducted in Shenzhen, Suzhou, Xiong'an New Area, and Chengdu. The Suzhou trial builds on the Shenzhen experiment by including two more large banks, the Postal Savings Bank of China and the Bank of Communications. On December 15, Li Yan, deputy director of the Beijing Municipal Financial Supervision and Administration Bureau, said the State Council has approved more digital currency pilot programs, including at Winter Olympics venues. (*Pandaily*, December 30, 2020)

### CANBERRA CONSIDERS AXING RESEARCH AGREEMENT WITH CHINA

Amid deepening tensions between China and Australia, Canberra may cancel a research agreement between the State of Victoria and Jiangsu. The program, officially known as the Victoria-Jiangsu Program for Technology and Innovation Research and Development, was inked in 2015 and renewed in 2019. It provides grants up to \$200,000 for Victorian companies and universities in sectors such as advanced manufacturing, aerospace, biotechnology, environmental protection, medicine, and communication technology. However, the Program was on a list of agreements that Australia's Department of Foreign Affairs identified as potentially contrary to national interests.

The reasons have to do with the program's structure. After linking the relevant Australian companies and universities with their counterparts in Jiangsu, the arrangement supports travel by Australian researchers to China and innovation sharing between institutions, but outlines that intellectual property ownership over the research thereby produced would be jointly shared. An editorial in the official China Daily has criticized the program's review as "obviously intended as an act of revenge by Australian Prime Minister Scott Morrison for China's probes into imports from Australia." (*Sydney Morning Herald*, December 27, 2020; *China Daily*, December 30, 2020)

## **CONSUMER PRICES DROP FOR THE FIRST TIME SINCE 2009**

China's consumer price index, a measure of inflation that tracks the price of consumer goods and services, fell 0.5% in November, its first drop since October 2009. Led by pork prices, which declined 12.5% from November 2019 levels, food prices fell by 2%.

November's drop is less meaningful because of the sharp increase in pork prices that occurred in the last three months of 2019 due to a shortage of pork caused by an African swine fever outbreak, said Ting Lu, chief China economist at Nomura. The core CPI – which excludes food and energy – rose 0.5% in November from a year ago, medical care prices rose 1.5%, while education, cultural activities and entertainment rose 1%. "The underlying economy is strong," said Larry Hu, chief China economist at Macquarie. (CNBC, December 9, 2020)