



## China Reform Monitor No. 1465

May 27, 2021 Joshua Eisenman

### BEIJING REBUFFS PENTAGON REQUESTS FOR AUSTIN-XU TALKS

Despite rising tensions in the South China Sea and near Taiwan, Defense Secretary Lloyd Austin's three requests to speak to General Xu Qiliang, the vice-chair of the Central Military Commission and a Politburo member, have been denied. Austin was to travel to Singapore for the Shangri-La Defense Forum, which China's defense minister, Wei Fenghe, was also to attend, but the event was canceled over COVID concerns. Austin is pushing for a call with Xu, who outranks Wei, because according to an unnamed U.S. official: "We believe the appropriate counterpart is the vice-chair of the Central Military Commission." Although China usually deploys its defense minister, who is not a politburo member, in 2018 then-Secretary of Defense Jim Mattis did meet Xu in Beijing. Joint Chiefs Chairman General Mark Milley has likewise not talked to his counterpart since Biden was sworn in. (*Financial Times*, May 21, 2021)

### \$3 BILLION MORE FOR GLOBAL COVID-19 RESPONSE: XI

Xi Jinping has promised developing countries an additional \$3 billion in aid over the next three years for response and recovery to the coronavirus pandemic. China's "core" leader made the pledge to the Global Health Summit organized by Italy and the European Commission via video link from Beijing. Xi said China has supplied 300 million doses of COVID-19 vaccines to date, has delayed more than \$1.3 billion in debt repayments, and has provided \$2 billion in assistance for COVID-19 response to more than 150 countries and 13 international organizations, including 280 billion masks, 3.4 billion protective suits and 4 billion testing kits. Xi said China supports transferring vaccine technologies to developing countries and carrying out joint production with them. "Transferring technologies by vaccine companies to other developing countries or technology cooperation advocated by China is much more crucial than the US' empty talk of waiving intellectual property rights," Lü Xiang of the Chinese Academy of Social Sciences has said. (*Global Times*, May 21, 2021)

### CHINA'S HOT MARKET

More than 15 months after China cut interest rates and injected trillions of yuan into the financial system, policymakers are dealing with the consequences. China's markets are hot – home prices are soaring along with raw material and factory prices, which surged 6.8% in April, the fastest pace since 2017. Beijing is taking the problem seriously; the State Council has called for policies to tackle rising commodity prices and a People's Bank of China (PBOC) official said that to offset rising prices, the yuan should appreciate. Local officials are pledging to increase domestic supply, toughening market oversight, and cracking down on speculation and hoarding. The aim is to mitigate the boom in property and commodities prices without hiking interest rates. "It's a real challenge," said Zhou Hao of Commerzbank AG in Singapore. (Bloomberg, May 22, 2021)

[EDITOR'S NOTE: Since March, as the global economic recovery has accelerated, several major economies, including those of Brazil, Turkey, Russia and Iceland, have had to increase interest rates to counteract inflationary pressures.]

### BANKS RAISE MORTGAGE RATES TO REIN IN HOUSING PRICES

Last month, China's home prices across 70 cities rose 0.5 percent, driven by what said Zhang Dawei of Centaline Property Agency has described as "a sudden increase in transaction volume and a rising demand for housing loans." In response to the speculative borrowing that is fueling buying, China's commercial banks are raising mortgage rates. Between January and May, the national average mortgage rate for first-home buyers rose 11 basis points, to 5.33 percent, with second-property buyers paying between 5.8 percent and 6.37 percent. Shenzhen, Guangdong and Hangzhou, Zhejiang have seen rates rise particularly fast, while in Nanchang, Jiangxi, the rate for first-home loans has jumped 47.5 basis points, to 6.125 percent. (*South China Morning Post*, May 22, 2021)

### LACK OF ACADEMIC FREEDOM WEAKENS AMERICA STUDIES IN CHINA

The field of America studies in China is weak compared to China studies in the U.S., Wang Jisi of Peking University said at the launch of the new American Studies Centre at Zhejiang International Studies University in Hangzhou. "I feel a bit ashamed and uncomfortable that our American studies are too weak. We Chinese always say our American studies are deeper and broader than China studies in the US – I think that's inaccurate and incorrect." Zhu Feng of Nanjing University agreed with Wang, and described the knowledge gap between Chinese and American scholars as "asymmetric." Zhu said: "The ability to explain history and the future in a strategic and academic way... takes creativity and academic space, but in China, diplomatic issues are firstly political issues...compared to the U.S., where candid and completely free academic discussions take place." (*South China Morning Post*, May 23, 2021)