

## Business

# In China, fears of financial iron curtain as US tensions mount

## China renews yuan's global push after five-year lull

**SHANGHAI:** A sharp escalation in tensions with the United States has stoked fears in China of a deepening financial war that could result in it being shut out of the global dollar system - a devastating prospect once considered far-fetched but now not impossible. Chinese officials and economists have in recent months been unusually public in discussing worst-case scenarios under which China is blocked from dollar settlements, or Washington freezes or confiscates a portion of China's huge US debt holdings. Those concerns have galvanized some in Beijing to revive calls to bolster the yuan's global clout as it looks to decrease reliance on the greenback.

Some economists even float the idea of settling exports of China-made COVID-19 vaccines in yuan, and are looking to bypass dollar settlement with a digital version of the currency. "Yuan internationalization was a good-to-have. It's now becoming a must-have," said Shuang Ding, head of Greater China economic research at Standard Chartered and a former economist at the People's Bank of China (PBOC). The threat of Sino-US financial "decoupling" is becoming "clear and present", Ding said.

Although a complete separation of the world's two largest economies is unlikely, the Trump administration has been pushing for a

partial decoupling in key areas related to trade, technology and financial activity. Washington has unleashed a barrage of actions penalising China, including proposals to bar US listings of Chinese companies that fail to meet US accounting standards and bans on the Chinese-owned TikTok and WeChat apps. Further tension is expected in the run-up to US elections on Nov 3.

"A broad financial war has already started ... the most lethal tactics have yet to be used," Yu Yongding, an economist at the state-backed Chinese Academy of Social Sciences (CASS) who previously advised the PBOC, told Reuters. Yu said the ultimate sanction would involve US seizures of China's US assets - Beijing holds over \$1 trillion yuan in US government debt - which would be difficult to implement and a self-inflicted wound for Washington. But calling US leaders "extremists", Yu said a decoupling is not impossible, so China should make preparations.

### High stakes

The stakes are high. Any move by Washington to cut China off from the dollar system or retaliation by Beijing to sell a big chunk of US debt could roil financial markets and hurt the global economy, analysts said. Fang Xinghai, a senior securities regulator, said China is vulnerable to US sanctions and should make "early" and "real"

preparations. "Such things have already happened to many Russian businesses and financial institutions," Fang told a June forum organized by Chinese media outlet Caixin. Guan Tao, former director of the international payments department of China's State Administration of Foreign Exchange and now chief global economist at BOC International (China), also said Beijing should ready itself for decoupling.

"We have to mentally prepare that the United States could expel China from the dollar settlement system," he told Reuters. In a report he co-authored last month, Guan called for increased use of China's yuan settlement system, Cross-Border Interbank Payment System, in global trade. Most of China's cross-border transactions are settled in dollars via the SWIFT system, which some say leaves it vulnerable.

### Renewed push

After a five-year lull, Beijing is reviving its push to globalize the yuan. The PBOC's Shanghai head office last month urged financial institutions to expand yuan trade and prioritize local currency use in direct investment. Central bank chief Yi Gang said in remarks published on Sunday that yuan internationalization is proceeding well, with cross-border settlements growing 36.7% in the first half of 2020 from a year earlier. Still,

internationalization is hampered by China's own stringent capital controls. It could also face resistance from countries that have criticized China on matters ranging from the coronavirus to its clampdown on Hong Kong.

The yuan's share of global foreign exchange reserves surpassed 2% in the first quarter, Yi said. It also beat the Swiss franc in June to be the fifth most-used currency for international payments, with a share of 1.76%, according to SWIFT. One way to accelerate cross-border settlement would be to price some exports in renminbi, such as a possible coronavirus vaccine, suggested Tommy Xie, head of Greater China research at OCBC Bank in Singapore.

Another is to use a proposed digital yuan in cross-border transactions on the back of currency swaps between central banks, bypassing systems such as SWIFT, said Ding Jianping, finance professor at Shanghai University of Finance and Economics. China has fast-tracked plans to develop a sovereign digital currency, while the PBOC has been busy signing currency swap deals with foreign counterparts. Shuang Ding of Standard Chartered said Beijing has no choice but to prepare for Washington's "nuclear option" of kicking China out of the dollar system. "Beijing cannot afford to be thrown into disarray when sanctions indeed befall China," he said. — Reuters

## In US, 'Cancel Rent' movement gains ground

**LOS ANGELES:** Without a job and terrified of being left homeless during the coronavirus pandemic, Manuel Acero had no other option but to enlist in the US Army. His distraught wife Ady Carrillo stayed behind in the studio apartment they rented in Los Angeles, but the 48-year-old isn't just awaiting his return home - she's taking action. Carrillo has joined the "Cancel Rent" movement, which is gathering steam with protests across the United States as Americans hit hard by the coronavirus pandemic pile up debts.

Activists want landlords to suspend rent obligations for those in the most dire straits, having lost their jobs in the economic chaos sparked by the virus crisis. Like the 31-year-old Acero, who is now at boot camp, many have been forced to resort to extreme measures. "It's been three months since we were able to make rent - the only choice my husband had left was to join the army," Carrillo told AFP, bursting into tears. "I'm scared they'll send him away from me" on an overseas deployment, she said. "If he dies, I die with him."

### Housing as 'human right'

With tens of millions of Americans out of work because of the pandemic, federal, state and local authorities temporarily suspended evictions on tenants who cannot make rent. But many worry about what happens when those concessions run out. Over the past week, the Los Angeles County Sheriff's Department has resumed evictions ordered before March when the lockdowns began, local media have reported.

In the city's Chinatown neighborhood on Monday, a small group



**CALIFORNIA:** Joaquin Gutierrez poses in front of the house where he is renting a room in Van Nuys, California. The 'Cancel Rent' movement is gathering steam with protests across the US as Americans hit hard by the coronavirus pandemic pile up debts. — AFP

of protesters including Carrillo rallied and marched on City Hall, demanding answers. "Cancel rent!" "Housing is a human right!" community organizer Annie Shaw yelled into a megaphone. "We demand strong measures like canceling rents," Shaw said. "Canceling rent will protect the community." Los Angeles has the sixth-highest rents in the country, according to a ranking by the real estate site Zumper, trailing behind cities like San Francisco and New York.

"It's been so hard for me to make rent during the pandemic," said Rosa Hernandez, who also attended Monday's rally. "I am an independent cleaner, and used to make \$700 a week. Now I make only \$100 to \$200 a week. If there is food on the table, there is no extra money for rent."

### 'We are not going to pay'

Demonstrations and "rent strikes" by the "Cancel Rent" movement have been staged in various cities across the country since the start of the virus epidemic, which has so far left more than 164,000 Americans dead. "We are not going to pay," said Lydia Nicholson, an organizer of the LA Tenants Union. "I don't think it's going to be pretty at all for anyone if they make us do something that we just obviously can't do."

Los Angeles prosecutors have said large-scale rent forgiveness is out of the question, and would cost the city more than \$1 billion in compensation to landlords, according to a memo seen by the Los Angeles Times. Mayor Eric Garcetti's office did not respond to an AFP request for comment for this story. For their part, landlords say freezing rents would not only affect the upkeep of their properties but would also impact the payment of taxes, which are key to the city budget, as well as mortgages.

Suspending rent payments is "just shifting the debt up the food chain," said Jay Martin, director of a group that represents owners of rent-controlled properties in New York. He said that many landlords "are working with [tenants], they are forgiving parts of the rent." "A tenant that can pay partial rent is better than a tenant who can pay no rent," Martin said.

But the situation only appears set to get worse as federal supplementary support of \$600 a week for the unemployed has now expired. "I'll have to go sleep under a bridge," said Joaquin Gutierrez, 63 who has been out of work since February. Gutierrez had been planning on returning to his native El Salvador when the coronavirus broke out and left him stranded in the United States. Now, he does not have money to buy food, much less the \$500 needed to pay the rent on his room in LA's Van Nuys neighborhood. "The only solution is for me to leave," Gutierrez said, calling on the government of El Salvador to repatriate him. — AFP