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The comparison of U.S. and China's news sites on the reporting of China's real estate crisis

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Abstract

In recent years, there have been some significant differences in the media's coverage of Beijing-US ties. Since the implementation of the Three red lines policy to tackle the excessive borrowing of property developers which could stop the real estate market from overheating in August 2020, China's property market has entered into a crisis.

The majority of people stay informed about current events through media, making it one of the most crucial sources for how the general public perceives critical national issues. It is crucial to comprehend what information the media outlets in the various nations are disseminating and whether it is accurate or not because the problem affects not only the home country but also it can impact many nations around the world. It is critical to comprehend how this issue is being covered by Chinese and American news outlets and understand the differences between the reporting.

Utilizing comparative analysis with qualitative content analysis, this research examines the reporting of China's real estate crisis by English-language newspapers in China versus media in the United States. A total of 101 samples of news articles from eight news sites were collected, dated 1st October 2021 to 31st November 2022. The selected newspapers are China Global Television Network (CGTN), Global Times, South China Morning Post (SCMP), People's Daily, Consumer News and Business Channel (CNBC), The New York Times, Cable News Network (CNN), and Bloomberg. The study focused on analyzing the entire article which includes but is not limited to headlines, images, and sentences.

The study results show that, U.S. media tends to focus more on the negative aspects of the topic when covering news related to China. Chinese media tends to portray the events in a more positive or neutral light, given the subject matter is related to issues happening in their own country. Both U.S. and Chinese media focus mostly on the real estate market. Some attention of Chinese news sites given to the government and small amount of U.S. media coverage to other topics. While covering the same recent events, Bloomberg provided more in-depth information on the current situation and its implications, while Global Times was explaining the situation, it also focused on the positive aspects without delving into the details.

Table of Contents

INTRODUCTION

CHAPTER 1: LITERATURE REVIEW	6
1.1. History of China's real estate development.....	6
Overview.....	6
China's real estate development phases (1949-2001).....	7
China's real estate development (2002-2009).....	10
China's real estate sector early warnings (2010-2018).....	13
1.2. China's real estate crisis.....	16
Main contributors to the crisis and three red lines policy.....	16
Challenges of Evergrande.....	20
Major events of the property crisis.....	21
1.3. The role of Media and its' effect on market crisis.....	23
1.4. Media systems of the U.S. and China.....	24
1.5. Comparative studies of U.S. and China's news agencies reporting on crisis in China....	26
CHAPTER 2: PURPOSE AND METHODOLOGY	29
2.1. Purpose of study.....	29
2.2. Hypotheses and research questions.....	30
2.3. Methodology.....	31
CHAPTER 3: RESULTS	36
CHAPTER 4: DISCUSSIONS	41
LITERATURE	43

Introduction

The real estate development in China is arguably one of the most fascinating trends in the contemporary global real estate market (Han, 1998). China's real estate market, which was once virtually nonexistent, has grown during the past 40 years (Wang and Just, 2021) to become the nation's main engine of economic growth (Li et al. 2009). Urbanization and a booming middle class, which increased housing demand, were responsible for the rapid growth of the sector. Liu and Xiong (2018) state that the real estate market plays a significant role in the Chinese economy as well as in the country's financial system.

Concerns have, however, been growing regarding the sustainability of this rise in recent years, with warnings of a possible real estate bubble and worries that the market may eventually approach a crisis. A number of issues, including excessive debt levels, government initiatives to rein in speculation and soaring real estate prices, and a sluggish economy, have made the situation even more difficult. The Chinese government implemented the "three red lines policy" to monitor and regulate lending to the real estate sector in order to stop the bubble from bursting. Overall, debt reduction, liquidity improvement, and risk management of high-debt refinancing solutions were the objectives. However, it was this particular policy that caused the problem to worsen. Major real estate developers soon after began to encounter liquidity crisis.

The media is one of the most important sources for how the general public views important national issues because the majority of people follow current events through it (Zhang and Meadows III, 2012). Because the issue impacts not only the home country but also many other countries across the world, it is vital to understand what information the media sources in the various countries are broadcasting and whether it is accurate or not. The media's depiction of Beijing-US relations has changed significantly in recent years (Carpenter, 2020). According to Zhao (2012), this is because the media systems in the two nations are radically dissimilar, particularly in terms of how the government and the media interact. Duan and Takahashi (2017) and Duan (2014) state that, there is a lengthy history of the Chinese media system being seen as a party-state political instrument. The fundamental idea of China, which permeates its media system, is heavily influenced by communism, nationalism, and developmentalism. As a result, the official media typically presents the administration in a favorable light. In contrast, the American media system acts as a government watchdog. According to liberal philosophy, it is

the journalists' duty to inform the people in order to stop the abuse of authority. Western media tends to concentrate solely on famines, conflicts, and natural disasters in underdeveloped countries. Topics like these frequently present these countries in an unfavorable light. Due to these significant discrepancies, numerous studies comparing the reporting of American and Chinese media outlets on a range of topics have been done. Only a small number of these studies examined how the media in these two countries cover situations in China.

In one study, Duan and Takahashi (2017) examined news reports regarding Beijing's air pollution from the New York Times and China Daily. Their findings demonstrated that American media outlets prioritized 'politicizing' pollution and highlighted negative concerns. While Chinese media focused on pollution, highlighted strategies, and presented the issue with more self-legitimizing themes.

Another study, Ha et al.'s (2020) analysis of major Chinese and American news media outlets' coverage of the US-China trade dispute using the war and peace journalism. They discovered that there was less coverage of the battle in the U.S. news media compared to the Chinese media and a greater predisposition to engage in war journalism.

According to the studies cited above, there is a demand for literature on how media outlets in the two countries cover other subjects. In light of this, this study compares how Chinese and American news outlets cover China's real estate crisis.

The researcher believes that this study will be a great addition to the previous research on media comparisons between the United States and China.

There are four chapters in this research study. The literature review is covered in Chapter 1 and includes information on the history of the Chinese real estate market, the current market crisis, the media's influence on the crisis and its role, Chinese and American media systems, and comparative studies of news organizations' coverage of the Chinese crisis.

The study's objectives, assumptions, research questions, and methodology are covered in Chapter 2. The findings of the analysis are presented in Chapter 3. Finally, Chapter 4 goes into great detail about the findings and this study's limitations.

Chapter 1: Literature review

1.1. History of China's real estate development

This chapter will be focusing on the background information of the thesis. There are a total of four sub-sections. The first sub-section goes over the brief overview of China's real estate market. The second sub-section focuses on the history of the country's property sector, which dives into the details of the five development phases, covering the year from 1949 until 2001. The third sub-part will cover the development years between 2002 to 2009. The final sub-section examines the early warnings in the real estate sector dating from 2010 until 2018.

Overview

One of the most exciting developments in the current global real estate industry is perhaps the real estate development in China (Han 1998). Liu and Xiong (2018) state that the real estate market plays a significant role in the Chinese economy as well as in the country's financial system. The real estate sector is very closely related to this system through a number of significant connections. The authors further mention four major channels of China's property market.

Firstly, residential holdings represent the largest portion of Chinese households' asset portfolios. It is partially due to the scarcity of other avenues for households and businesses to invest in as the country's financial markets are still evolving.

Secondly, according to Luo (2019), the Local Government Financial Platform (LGFP) is a local state-owned business (SOE) that assists local governments in obtaining capital market financing, primarily from domestic banks and bond market investors, for their expenditures. Liu and Xiong (2018) discover that, China's local governments increasingly depend on the proceeds from both current and future land sales as security for debt financing through this platform.

Thirdly, businesses use real estate holdings as collateral for loans. Since 2007, large corporations have been increasingly involved in land acquisition for investment objectives.

Finally, loans given to individuals, real estate developers, local municipalities, and corporations that are either directly or indirectly backed by property market assets expose banks to significant real estate risks.

Once almost nonexistent, China's real estate industry has expanded over the past 40 years (Wang and Just 2021) to become the country's primary driver of economic growth (Li et al. 2009). Liu and Xiong (2018) highlight the major economic shift in which China has undergone had a significant impact on how successfully its real estate market developed. Fung, Jeng, and Liu (2010) investigate the history of the China's property market development in order to understand how China could efficiently advance their real estate industry from scratch in a few decades. In their study, they divide the development timeline into five phases.

China's real estate development phases (1949-2001)

The first phase began from 1949 to 1978 (Fung, Jeng and Liu 2010). Up till 1978, China had an overpopulated and poor agrarian economy (Liu and Xiong 2018). A number of researchers (Cui and Cohen 2015; Wang and Just 2021) state that the Chinese government allegedly implemented the Hukou system in 1949 in an effort to control its rural and urban populations as well as to strengthen its capability for agricultural and industrial expansion. In the view of Cheng and Selden (1994), the system was crucial for every facet of daily life and served as the main foundation for establishing identification, citizenship, and confirmation of official status. Without registration, it is impossible to determine one's eligibility for employment, education, marriage, or military service, as well as for food, clothes, and shelter.

The government supplied jobs, accommodation, food, water, waste disposal, transportation, healthcare centers, police protection, schooling, and other necessities for citizens residing in urban areas. Rural residents, on the other hand, were not entitled to any services or welfare benefits that urban people received. Even when any of these services were available in the rural areas, they were dependent on the highly differentiated resources provided by independent rural communities.

According to Wang and Just (2021), the implementation of this system was a colossal disaster. Because it distorted the labor market in addition to hindering the growth of China's property market. Officials started debating adjustments to the failing welfare housing system around this

time. Immediately following these meetings, Deng Xiaoping launched the Opening-up Reform (Liu and Xiong 2018). This reform's "welfare housing" policy allowed all employees of all state-owned and cooperatively held firms access to low-cost housing. Since then, China's real estate market has experienced major transformations (Han 1998; Li et al. 2009).

Fung et al. (2006) point out that the second phase dated from 1978 until early 1987. During this period, regulators first became aware of the issues with the conventional housing and land use system. In this "outdated" system, only the government was responsible for managing housing. There was hardly any private ownership or real estate market. Issues with the previous housing allocation system were progressively acknowledged by a more market-oriented authority after China's doors were opened to the outside world in 1978.

In their research, they list four main issues, which were:

- Low rental rates were insufficient to cover repairs and building costs.
- Lack of funding prevented welfare housing from being built at a rate that kept up with demand.
- Vast amounts of land were wasted as a result of the governments' poor decision-making.
- Numerous unlawful housing distribution methods, which resulted in the system being a potential source for corruption and the misuse of authority because influential people, notably government officials, obtained more and far better housing.

In order to solve these issues, the government made the decision to implement various reform initiatives. Thus, several researchers (Fung et al. 2006; Fung, Jeng and Liu 2010) highlight that, one of the measures taken to handle the problems was the "One-Third Housing Sale Model" which was initiated in 1982. For this model, some cities were selected for experimentation in which the government, state-owned enterprises (SOEs), and individuals each bore one-third of the construction and maintenance costs for new units. Although this reform effort provided essential experience and insights for later real estate reforms, it did not become widely adopted because of the country's relatively low individual income level at the time and other circumstances (Fung et al. 2006).

According to Fung, Jeng and Liu (2010), in the third phase, which lasted from late 1987 to 1991, the process of real estate marketization was formally launched. The second half of 1987 saw the

beginning of land-use rights trade between certain cities and provinces. Until 1988, all real estate in China was owned, controlled, and administered by the government under a socialist central-planning regime. But that changed when in April of that year, a constitutional change that permitted the transfer of land-use rights (although the government kept rights of ownership) became effective. It is now more usual for private individuals to own the rights to its usage and modifications. The property sector has grown significantly due to this privatization initiative, which has also enabled China to adopt many contemporary corporate methods.

Additionally, the housing Public Accumulation Fund (PAF), funded by employee contributions with the intention of relieving the financial responsibilities placed on employers, was introduced in Shanghai and then expanded to other regions of China.

The fourth phase, which lasted from 1992 to 1997, saw an acceleration in the growth of the real estate sector (Liu and Xiong 2018; Fung, Jeng and Liu 2010). Several cities were established as economic development zones with lax rules on the transfer of land-use rights since Deng Xiaoping's 1992 trip to South China. There have been many real estate service businesses formed, including real estate brokerages and property management companies. The Urban Real Estate Law, which is the most important piece of real estate legislation, was approved in July 1994 and serves as the basic legal foundation for property markets at the national scale (Fung, Jeng and Liu 2010). Liu and Xiong (2018) add that, the government permitted public sector workers to obtain full or partial property rights to their current apartment units at discounted rate within the same year.

The fifth phase began in 1998 and is still going on today¹. At this time, the rise of China's economy as a whole has been significantly fueled by the real estate sector (Fung, Jeng and Liu 2010). In addition, rapid growth of the property sector and the elimination of the last traces of the traditional housing system occurred. "Welfare Housing" was prohibited by a State Council decree that was published in July 1998. Number of researchers (Liu and Xiong 2018; Fung, Jeng and Liu 2010; Cai, Liu and Cao 2020) view that, this decision resulted, Chinese nationals employed by the government or institutions connected to the government were no longer able to acquire housing at a discount, which caused a surge in demand for private housing.

¹ The student decided to cut the sub-section two until 2001 despite the fifth development phase continues until current times. This is due to the sub-part becoming too long. The next part starts from 2002.

Thus, the housing distribution system was transformed into financial housing support which means that urban people can rely on several financial resources such as, personal incomes, the housing Public Accumulation Fund (PAF), individual mortgage loans, and financial housing subsidies offered by employers to buy homes.

In addition to the increase of property demands, privately run companies had prospects as a consequence of these shifts, however the market has grown increasingly competitive than before (Hinton and Tao, 2006).

According to several researchers (Liu and Xiong 2018; Fung, Jeng and Liu 2010), the privatization of housing led to a huge boom for expansion in the real estate sector. Wang (2011) highlights that, this change created a strong foundation for subsequent increases in home prices since 2001 by enabling families to raise their housing consumption (Liu and Xiong 2018; Li et al. 2009).

Liu and Xiong (2018) state, to increase demand and transform the housing market into a new source of China's economic growth, urbanization was made a national strategy in the country's 10th Five-Year Plan, which was adopted in 2001. The State Council released a legal document that authorized unfettered rural-to-urban migration for counties and small towns in conformity with this national goal. In their study, they used a multi-sector dynamic general equilibrium model to analyze the structural shift in China's housing market from rural to urban. According to their quantitative analysis, urbanization accounted for approximately 80% of China's residential price growth.

China's real estate development (2002-2009)

In order to make the property market a new source of economic growth for its country, the local governments were given the authority to sell or lease land to the public with the implementation of a reform to the land supply system in 2002. The main objective was to raise money for initiatives like urbanization; the latter is known as the "land finance model" (Cai, Liu and Cao 2020).

Qiao (2010) states that there was a boom in Chinese real estate investment between 2002 and 2006. The value of Chinese real estate skyrocketed during this period. There has been a huge gap between disposable annual income growth in large cities and the growth of real estate prices. The

Chinese government has implemented a series of policies to restrict its real estate market since 2003 in light of the unique situation. The purpose of these measures is to stabilize the real estate market by increasing supply at the lower end of the market and decreasing demand at the higher end, the Chinese government hoped to stabilize real estate market prices.

In order to support the construction of public rental housing, the Chinese government encourages commercial banks to lend to low-income households. By increasing low-income housing construction, China's real estate market will be deterred from speculation and rising prices will be cooled. Multiple property ownership is restricted in China as a measure to control the massive demand for housing. There is no problem with a healthy housing market, but there is a lot of speculation about the total demand. Real estate speculative activities have been reduced in the Chinese market since 2004 by government policies. In most cases, banks' lending policies establish these restrictions. The author included the following policies:

1. Raise the necessary reserve deposit ratio at the People's Bank of China to deter excessive bank lending for housing
2. Raised equity down payment shares for first residences larger than 90 square meters from 20% to 30%
3. Raised the equity down payment percentage for second residences from 40% to 50%.
4. The use of leverage on third homes or by outside buyers who don't reside in the market for the intended usage is discouraged.
5. New regulations prohibit housing unit hoarding by developers.
6. Planning for the adoption of a local properties tax, with a pilot program perhaps starting in Chongqing, a sizable city directly under the supervision of the central government, within a year or two.

The implementation of all of these reforms, such as the outlawing of the "Welfare Housing" system and the sharp rise in demand for private housing, led to an overheating of the real estate market. The central government has taken notice of this issue, and since mid-2004, a number of macroeconomic regulatory policies have been put into place to modify the housing supply structure, address the housing needs of lower-income residents, and reduce property sale prices (Zhang and Fung, 2006; Li et al. 2009).

Zhang and Fung (2006) mention that, with a tax on homes sold within two years, a hike in interest rates, and restrictions on financing for property investment, the government further cooled the real estate market in 2005 and became Asia's top market for home mortgages surpassing Japan (Liu and Xiong 2018). However, due to the highly organized market, the decrease in real estate investment opportunities and constrained profit margins, Chinese real estate developers have been under significant pressure in their daily operations. A number of modest reforms of the legal and regulatory systems have also been accelerated by Beijing's successful bid to host the 2008 Olympic Games and its membership into the World Trade Organization (WTO) in 2001, which has improved the climate for real estate investment. Both the housing market and privately held real estate firms have benefited from these developments in terms of growth. Additionally, they present significant investment opportunities for local and international real estate developers and investors. Such a change has simultaneously fueled fiercer competition and reduced industry profitability. Real estate prices have persistently outpaced inflation due to the recent market boom (Li et al. 2009).

In 2005, influenced by the government policies, the growing pace of the real estate market became slow. Additionally, the median sale price of commercial properties was roughly 3168 RMD per square meter last year, up by 14%. While the total sale of commercialized buildings sold in 2005 increased significantly to 17576.13 million RMD and its growth rate was 69.4%. Because the international economic crisis occurred in 2008, there is negative growth for both the average selling price of commercialized buildings and the total sale of commercialized buildings sold in the real estate market. In specifics, the typical cost per square meter for commercialized structures in 2008 was about 3800 RMD and this was reduced by 1.65% compared to 2007. The overall purchase of commercialized buildings fell to 25068.18 million RMD, a loss of 16.13% from 2007.

In 2009, the government carried out a series of policies to support the development of the real estate market. As an outcome, the median selling price of commercially zoned buildings climbed by 23.18% to 4681 RMD per square meter, and the overall sale of commercially zoned structures increased by 77.94% to 44355.17 million RMD. From 2010 to 2013, the average selling price of 8 commercialized buildings was relatively steady and its average growth rate was about 7.42%.

In conclusion, although different groups of commercialized buildings have distinct prices, their overall trend showed a continuing increase (Li, 2015).

China's real estate sector early warnings (2010-2018)

China has seen a significant property and credit market boom over the past ten years (Zhao et al. 2017), which drew a lot of interest from investor and China viewers globally (Liu 2021). Dell'Ariccia et al. (2014) explain a credit boom occurs when debt-to-GDP ratios grow faster than their apparent trend, which follows the usual rate of credit expansion. Maliszewski et al. (2016) view this increase to be dangerous because in the post-Global Financial Crisis era, China experienced rapid credit growth, averaging 20% which was much higher than the nominal GDP growth and the past trend between 2009 and 2015. They further state that within five years, 38 out of 43 economies with an increase of more than 30% in debt-to-GDP ratio suffered severe economic disruptions, financial crises, and growth downtrends. Furthermore, a boom that lasts longer than six years increases the likelihood of adverse outcomes. This is because it begins with a deeper financial base and develops much faster and they warned that China met all these criteria.

Liu (2021) provides China-specific evidence on how to deal with a credit boom. He studied the deleveraging efforts of Chinese government to reduce debt and stabilize its economy. The credit boom was driven by government stimulus programs and a surge in lending from shadow banks (include, wealth management products, securities company asset management and trust fund products) that severely worsened the debt issue. This has led to concerns about China's debt sustainability and its ability to weather economic shocks. He notes that tackling this issue is complex. Because there are a variety of different debt levels in sectors and regions of China. In order to reduce debt and maintain economic stability, the government needs to take a delicate balance.

In the early 2010s, foreign media raised concern that a significant housing bubble had arisen in China. This viewpoint was later confirmed by Chinese top officials who stated that the property prices had become a subject of concern (Aveline-Dubach, 2020). In the years leading up to 2014, the Chinese government had implemented a range of policies to stimulate the real estate market, including relaxed lending standards and incentives for property developers. This led to a surge in

property prices and a construction boom, particularly in large cities.² But when Beijing and Shanghai saw a slight decline in property prices in 2014, the international media were immersed in this news and predicted the real estate collapse is inevitable because all the signs were in place. Aveline-Dubach (2020) mention the following four major signs:

- Surplus of residential space nationwide
- Excessively high residential price to income ratio in major metropolitan regions
- A sizeable portion of unregulated "shadow banking" used to finance real estate.
- Extensive media coverage even supported in China.

The widespread "ghost city" phenomenon that pervaded China was seen as proof of the bubble's exponential size. Then, contrary to all predictions, home prices began to rise once more in major cities like Shanghai and Shenzhen and increases extended to mid-sized and smaller cities without being followed by a sharp decline in prices (Aveline-Dubach, 2020).

In 2014, international media report that real estate crisis has begun, and they referred it as “the end of the Golden era for China’s property boom”³. During this period, the Chinese government began to implement a series of measures to cool the real estate market, including tighter lending standards and restrictions on property purchases. These policies began to have an impact on the market, with sales slowing and prices beginning to decline⁴.

Koss and Shi (2018) state that, the local municipalities of 21 significant cities started to apply a new round of limitations on the acquisition of real estate investment following the Central Government's September 30 policies in 2016. One of the restrictions was increasing down payments and mortgage rates for first-time homebuyers in large cities in 2017. These measures resulted in property prices decelerating and later maintaining balance between 2016 and 2017. They emphasize the reason for prices dropping was primarily the result of a major "freeze" in transactions, which was the sharp decline in sales volumes. Within the same year, People's Bank of China (PBC) reported that, China's mortgage loans were 17.9 trillion RMB, or 25% of the

² Reuters Staff (2012), Chinese banks offer lower rates for first-home buyers: Report, Reuters. Retrieved from: <https://www.reuters.com/article/us-china-property-idUSTRE82402B20120305> 27 March 2023

³ Shepard (2017), What's Bubble? How China stays in control of its wild housing market, Forbes. Retrieved from: <https://www.forbes.com/sites/wadeshepard/2017/05/07/what-bubble-how-china-stays-in-control-of-its-wild-housing-market/> 26 March 2023

⁴ Bloomberg News (2014), China Eases Property restrictions amid growth concern, Bloomberg. Retrieved from: <https://www.bloomberg.com/news/articles/2014-09-30/china-central-bank-eases-mortgage-policy-as-home-sales-slug> 27 March 2023

country's GDP. At the same time, the PBC enacted other rules that supported the housing sector, like broadening the scope of real estate financing and allowing developer pre-sales (Liu and Xiong 2018).

China's second largest real estate developer, Evergrande Group rose to the position of the world's most valuable real estate business in 2018. However, in that same year, the warning signs of potential real estate crisis began to show when the Central Bank of China listed Evergrande to be monitored for highly indebted conglomerates due to its high debt levels. In addition, they expressed concern over the potential systematic risks posed by large real estate companies like Evergrande to the nation's financial system.

Profiting greatly from the world's largest real estate boom, Evergrande was China's biggest developer for more than two decades. The company aggressively raised loans to support its land buying binge and sold apartments swiftly despite low margins in order to restart the cycle, which helped to fuel the company's rapid growth over the years. Evergrande, formerly China's most active real estate developer, is now the nation's most indebted business. Given the scale of Evergrande's operations, the company owes money to contractors and businesses across the world, including 128 banking institutions and 121 non-banking institutions that are exposed to the Chinese real estate giant (Koss and Shi, 2018).

Normally, this issue is regarded as not unique to Evergrande, however, the same level of borrowing spread to other property developers, and they have started to report liquidity issues. For instance, in addition to Kaisa Group Holdings failing to pay a wealth management product, China Properties Group Holdings made a default on its obligations as well. The property market covers 30% of the country's GDP thus, these results cause significant disruptions in the overall economy. Furthermore, roughly 41% of the assets of China's banking system are related to property. It is estimated that 78% of the wealth of urban Chinese nationals is invested in residential properties⁵.

⁵ (2021), The Evergrande Liquidity Crisis and the Potential Impact on Emerging Markets. First citizens Group. Retrieved from: <https://www.firstcitizensgroup.com/lc/2021/11/29/the-evergrande-liquidity-crisis-and-the-potential-impact-on-emerging-markets/> 01 April 2023

1.2. China's real estate crisis

In this chapter, the start of the property crisis and the recent situations will be covered. In the beginning, the contributing factors to the crisis include government policies, forced property demand, debt and oversupply of homes and the implementation of “three red lines” policy will be introduced. Then the part will continue to the issues of China's property developers especially, Evergrande and the important events of the crisis.

Main contributors to the crisis and three red lines policy

In recent years, the development of China's real estate market has raised fears of a real estate bubble in China⁶. Whiting (2021) explains that the Chinese government involving extensively in the country's economy, developing regulations for property builders cause them to either evolve or drop. Several researchers mention the many reasons and factors which influence the real estate sector and eventually can instigate a crisis. They specifically highlighted the following four factors to be the main contributors to the crisis:

1. Government policies

- Distorted the land market: The supply of land and its price is influenced by local government intervention in China. Currently, city and county governments have almost a monopoly on land supply in the urban land market. Governments are the only ones authorized to convert rural areas into urban areas for residential, commercial, or industrial uses. The expansion of cities tends to generate large windfalls for local governments as real estate developers pay high prices for land rights.
- Leave local governments with limited options: There is no desire among local governments to relinquish the power to sell rural land to developers. Since government projects and services are funded largely by windfalls from land sales, they have considerable discretion over these funds. In the last fiscal year, local authorities received \$1.3 trillion USD in land sales, equivalent to 46% of total

⁶ Chan (2022), China's 'three red lines' policy to safeguard the property sector isn't working yet, The China Project. Retrieved from: <https://thechinaproject.com/2022/06/13/chinas-three-red-lines-policy-to-safeguard-the-property-sector-isnt-working-yet/> 16 December 2022

government revenue. In 2017, this figure was 30%. As a result of the country's unitary fiscal system, revenues are centrally controlled in Beijing, while expenditures are handled by local authorities, creating a major fiscal gap. Land sales revenue and borrowing through local government financing vehicles are used by local governments to fill this gap.

2. Forced property demand

Local authorities are always under pressure from the Central government. In order to achieve their economic growth goals, they purposefully stimulate housing projects, especially in smaller, "lesser" cities outside of the largest 35 mega cities because residential development and infrastructure projects are significant drivers of growth. In addition, they artificially inflate demand for housing developments and construction by using their political authority to push rural residents to vacate their homes and relocate into brand-new high-rise apartment buildings. When rural households relocate, the amount to be paid for resettlement greatly exceeds the compensation they received for their previous homes. Resettlement's date, scope, rate, and area are all determined by the local governments.

The Central government as well as President Xi Jinping both promote the “rural revitalization” policy and officially they made it clear that citizens can get voluntarily involved. However, according to several reports, local municipalities force their residents to move out and relocate⁷.

3. Debt

Many Chinese property developers have accumulated significant debt (debt ratio reached 80%) in order to finance their projects.

Before they start their housing projects, they have to acquire the land rights from the local authorities. That is why, almost all the developers borrow from banks and shadow banking institutions. They can increase their amount of borrowing depending on the land prices. If there is an increase, then they can borrow more. The win-win situation for local

⁷ Whiting (2021). China's Evergrande is in trouble. But so is China's top-down political economy. Washington Post. Retrieved from: <https://www.washingtonpost.com/politics/2021/10/21/chinas-evergrande-is-trouble-so-is-chinas-top-down-political-economy/> 29 March 2023

authorities, banks and developers only occurs when the real estate prices are high. Otherwise, these factors establish a dangerous setting in the country's economy.

Another issue is that a lot of Chinese real estate developers, including Evergrande, depend on private banking avenues like trust corporations to fund their operations. According to the Chinese Trustee Association, the total amount of trust companies' loans to the real estate industry is close to 2 trillion RMB. Around 40% of the finance for Evergrande is comprised of loans from trust companies. The shadow banking industry has already suffered significant harm as a result of recent credit incidents affecting real estate developers⁸.

4. Oversupply of homes

According to Whiting (2021), China has experienced a construction boom in recent years, with developers building large numbers of homes in anticipation of continued demand. However, the slowdown in sales has left many developers with large inventories of unsold homes, leading to a glut in the market. This was evidenced by the 20% vacancy rates in lesser cities and the abundance of deserted high-rise buildings commonly referred to as "ghost cities".

Previously, real estate developers borrowed from banks and non-banks to finance their projects but that made financial regulators get increasingly concerned regarding their financial status. That is why they imposed a variety of limitations which made it difficult for developers to obtain financing from banks. These series of events forced property builders to explore alternative sources. They eventually discovered pre-sales of property source however, due to the involvement of the public, it was much riskier⁹.

According to Chen and Zhang (2022), pre-sales property is when developers are permitted to sell housing units before the actual construction concludes and they use the pre-sales funds to carry out their projects. Also, these funds are interest-free, which significantly lowers the amount of capital they need to initiate a development project¹⁰. As of 2020, pre-sales account for most of

⁸ China's looming property crisis threatens economic stability. (2022). PIIE. Retrieved from: <https://www.piie.com/blogs/realtime-economic-issues-watch/chinas-looming-property-crisis-threatens-economic-stability> 30 March 2023

⁹ Aguinier (2022). Financial Instability in China: A Real Estate Crisis Long in the Making. Institut Montaigne. Retrieved from: <https://www.institutmontaigne.org/en/blog/financial-instability-china-real-estate-crisis-long-making> 29 March 2023

¹⁰ Chen and Zhang (2022), Presale housing system stands at a crossroad, China daily Retrieved from: <https://www.chinadaily.com.cn/a/202208/20/WS63003a93a310fd2b29e734e4.html> 30 March 2023

the developers' financing. When Evergrande defaulted, it still had over 1 million pre-sold homes and flats to deliver (Aguignier, 2022).

A letter reportedly sent by Evergrande to the provincial government of Guangdong in 2020 exposed the company's issues. An impending liquidity crisis was warned of in the letter. As soon as Evergrande learned that the letter had been circulated, it disputed its legitimacy, and they followed up with public announcements to reassure investors and the public. Despite this, a group of investors waived their right to force a \$13billion USD repayment¹¹.

In the same year, Chinese authorities cracked down on excessive borrowing by developers to address concerns about an overheating property market in which property owners purchased apartments prior to construction¹². They introduced a policy called the “three red lines” to monitor and control lending to the real estate sector. It referred to three requirements for a property developer’s balance sheet (excluding advances):

- The ratio of assets to liabilities must be greater than 70%
- The ratio of net debt to equity must be less than 100%
- The ratio of cash to short-term borrowings must be less than 1

The policy categorizes real estate developers based on four colors, with each color corresponding to the number of “red lines” that are crossed. An interest-bearing debt growth restriction is imposed for each line crossed:

- Green indicates that a company meets all three of the “three red lines” requirements, and the debt growth rate cannot exceed 15%.
- Yellow indicates that one line has been crossed and the growth rate of liabilities may not exceed 10%.
- Orange indicates that two lines have been crossed and the liability growth rate must not exceed 5%.
- Red means that all lines have been crossed and the growth rate of liabilities must not increase at all.

¹¹ Evergrande Crisis - Highlighting the Fragility of China’s Real Estate Industry (2021), MarketLine.

¹² Wakabayashi (2022). Real Estate Crisis Is at the Heart of China’s Economic Troubles. The New York Times. Retrieved from:

<https://www.nytimes.com/2022/08/17/business/china-economy-real-estate-crisis.html#:~:text=the%20main%20story-.As%20China's%20Economy%20Stumbles%2C%20Homeowners%20Boycott%20Mortgage%20Payments,loans%20on%20their%20unfinished%20apartments>. 04 April 2023

The overall goal was to reduce debt, increase liquidity, and mitigate the financial risks associated with high debt refinancing strategies¹³. But balance sheets in the real estate sector continued to deteriorate even after the policy was implemented.

Challenges of Evergrande

As of 2021, 14 of China's 30 largest developers had violated the "three red lines" regulations at least once, and Evergrande twice¹⁴. This placed Evergrande in a difficult position as it borrowed heavily to fund the aggressive company expansion. Consequently, Evergrande suspended new building construction and delayed payments to suppliers¹⁵ and provided its properties at major discounts to ensure money was coming in to maintain the business. The Evergrande liquidity crisis emerged in 2021 as its debt payments came due¹⁶. When the crisis began it had over \$300 billion in liabilities which included about \$19 billion in offshore bonds denominated in USD. This amount was bigger than any other property development company in China. In December 2021, Evergrande warned it was having trouble meeting its payments and it was planning to engage "actively" with offshore creditors regarding debt restructuring. Shortly after creditors started to demand their payments and required the company to provide \$260 million as a start¹⁷.

An announcement regarding the restructuring of Evergrande's foreign debts was made by the company in July 2022. Company officials said they would offer their offshore creditors asset packages that could include shares in their overseas businesses, including a company specializing in electric vehicles and property management services. Despite this, some felt Evergrande's proposal was lacking in detail about how its huge liabilities were going to be restructured. Thus, the company had to work on their plan again and provide detailed

¹³ Chan (2022), China's 'three red lines' policy to safeguard the property sector isn't working yet, The China Project. Retrieved from:

<https://thechinaproject.com/2022/06/13/chinas-three-red-lines-policy-to-safeguard-the-property-sector-isnt-working-yet/> 16 December 2022

¹⁴ Lin, Hale and Lockett (2021), Half of China's top developers crossed Beijing's 'red lines', Financial Times. Retrieved from: <https://www.ft.com/content/d5803d64-5cc5-46f0-bed0-1bc207440f9c> 16 December 2022

¹⁵ (2021), Evergrande Crisis - Highlighting the Fragility of China's Real Estate Industry, MarketLine.

¹⁶ (2021), The Evergrande Liquidity Crisis and the Potential Impact on Emerging Markets. First citizens Group. Retrieved from:

<https://www.firstcitizensgroup.com/lc/2021/11/29/the-evergrande-liquidity-crisis-and-the-potential-impact-on-emerging-markets/> 01 April 2023

¹⁷ Kolakowski (2021), Evergrande Defaults on Debt. Investopedia. Retrieved from: <https://www.investopedia.com/evergrande-defaults-on-debt-5212684> 06 April 2023

information¹⁸. The restructuring plan was finally announced in 2023, after months of delays. Evergrande said to focus on easing the company's offshore debt pressures and facilitating its efforts to resume operations and resolve land-based issues. The corporation provided its foreign creditors with two basic options. They may exchange their current holdings for recently issued notes having maturities of 10 to 12 years or they can combine them with new notes that have a five to nine-year maturity and equity-linked instruments to create various new combinations of notes¹⁹.

Major events of the property crisis

Since the start of the real estate crisis, the Chinese government has made great efforts to ease the situation, but it has yet to end the issues in the country's property sector. He (2022) highlights some of the main measures that were taken place such as “allowing banks to extend maturing loans to developers, supporting home sales by lowering mortgage rates and down payments and encouraging the issuance of bonds as a source of additional funding”. In spite of their efforts, the list of top Chinese real estate developers concluded 2022 with sales of 7.6 trillion RMD (\$1.1 trillion USD), a decrease of 41.3% from the previous year as the market's supply and demand had not greatly recovered. They prioritize assisting developers in solving short-term financial difficulties rather than increasing sales. At least this provided more time for developers to manage their debts²⁰.

In the same time frame, additional problems started to appear as a result of homeowners refusing to pay their mortgages on incomplete property, which shook the financial system and raised concerns about contagion. The Chinese authorities pushed banks to give developers more lending support so that they could finish the housing projects and they assured homebuyers that their pre-purchased homes would be delivered. Interest rates have also been lowered by

¹⁸ BBC News. (2022), Evergrande: Unit ordered to pay \$1.1bn over unpaid debt. Retrieved from: <https://www.bbc.com/news/business-62373763> 06 April 2023

¹⁹ He (2023), Evergrande Group announces long-awaited debt restructuring deal after 2021 collapse. CNN. Retrieved from: <https://edition.cnn.com/2023/03/23/investing/china-evergrande-debt-restructuring-deal-intl-hnk/index.html#:~:text=With%20more%20than%20%24270%20billion,implications%20for%20its%20financial%20markets.> 07 April 2023

²⁰ Mak (2023), Top 100 Chinese developers saw sales plunge 40 per cent in 2022 as property crisis deepened. South China Morning Post. <https://www.scmp.com/business/china-business/article/3205513/top-100-chinese-developers-saw-sales-plunge-40-cent-2022-property-crisis-deepened> 07 April 2023

regulators in an effort to boost consumer confidence. The sluggish economy and rigorous Covid regulations kept buyers away from the market, nevertheless, the real estate recession remained²¹.

Thousands of Chinese homeowners skipped making their mortgage payment in more than 100 cities. According to Wakabayashi (2022), the causes for this protest are a result of the Chinese economy's deterioration, which has been slowed down by Covid lockdowns, travel restrictions, and waning public confidence in the leadership. These boycotts were predicted to have a negative impact on about \$222 billion in mortgages that are now on bank balance sheets. The Chinese government blocked messages and video footage of the protests on social media to prevent them reaching the public spotlight. Despite this effort, there was a steady increase of citizens who boycotted their mortgage payments. The protesters used a popular open-source website called GitHub to spread their messages, using the title "We Need Home." In late July, there were about 320 protesters and by mid-September that number went up to 342. The citizens expressed their frustration by stating the authority's main priority is to maintain social stability and they are not focusing on the issues regarding incomplete housing. Thus, the protesters had no other choice but to start and continue their protests in order to get the attention of the government to finally solve the problem²². Since these events, there were no updates on the boycott news.

In the beginning of 2023, Thomas Helbling, deputy director of Asia Pacific Department in the International Monetary Fund (IMF) said in a briefing that the measures implemented so far to tackle the real estate crisis have been effective however, to completely end the crisis more actions will be needed. He highlighted two issues which are still not addressed. Those are the severe financial challenges faced by the real estate developers and the broader problem of unfinished projects. Finally, the property sector has the possibility to quickly recover if the authorities focus on solving these issues²³.

²¹ He (2022), China's real estate crisis could be over. Property stocks are soaring. CNN. Retrieved from: <https://edition.cnn.com/2022/11/14/investing/china-real-estate-crisis-over-rescue-plan-intl-hnk/index.html> 04 April 2023

²² Reuters (2022), Analysis: China's mortgage boycott quietly regroups as construction idles. Retrieved from: <https://www.reuters.com/world/china/chinas-mortgage-boycott-quietly-regroups-construction-idles-2022-09-19/> 08 April 2023

²³ Cheng (2023), China's real estate crisis isn't over yet, IMF says. CNBC. Retrieved from: <https://www.cnbc.com/2023/02/03/chinas-real-estate-crisis-isnt-over-yet-imf-says.html> 08 April 2023

1.3. The role of Media and its' effect on market crisis

In recent times, the ongoing advancement of media technologies, notably the widespread adoption of Internet technology, has increased the impact of new media on socioeconomic activities. Major market failures like the current economic crisis are impacted by new media. The new media has the power to “either accelerate or postpone the spread of crisis and even end the crisis sooner” (Li, 2018, p. 7). The outcomes can be either positive or negative depending on the dominating effect's nature.

Jonkman, Boukes and Vliegenthart (2020) emphasized the significance of understanding the relationship between economic news and consumer confidence because many citizens get up to date on current situations through media. That is why the tone of the content on the economy in national media can directly affect consumer confidence. For instance, panic spread among investors and the public when news of a letter submitted by Evergrande to the Guangdong provincial government in 2020 warning about the potential liquidity issue surfaced. Despite the company's efforts to reassure the people that the letter was invalid, a group of investors compelled Evergrande to make a \$13 billion USD repayment²⁴.

In addition to having a significant impact on market activity, the media has incalculable advantages in addressing market failure. For example, during the financial crisis in 2008, China Central Television (CCTV) released new shows and programs like, “Spotlight on the financial tsunami in the Wall Street” and “The market today” (Li, 2018, p. 8) to help people comprehend and approach the issue logically. Due to this approach, China faced minor losses and recovered faster than other countries. According to Li (2018), the media's importance and visibility increase during severe market swings like a market failure. Individuals frequently pay close attention to the crisis information reported by the media and change their economic habits as an outcome.

Baig, Taimur and Goldfajn (1998) discovered that even if a nation controls its press and other factors, cross-border news broadcasts about the crisis have an impact on the domestic economy. According to the investigation, which included five countries—Indonesia, Thailand, Malaysia, the Philippines, and Korea—news from Indonesia had a significant impact on the currency markets of the other four. Based on this analysis, it can be concluded that media, especially new

²⁴ Evergrande Crisis - Highlighting the Fragility of China's Real Estate Industry (2021), MarketLine.

media, has had a significant impact on market economic activity as well as the entire socioeconomic foundation which make their contributions to market failure very important (Li, 2018).

1.4. Media systems of the U.S. and China

Media systems can be defined as part of a larger whole, such as a country, that is internally complex and autonomous. According to Sonczyk (2009), there are several institutional structures and products included in the media system that recipients utilize directly and often (newspapers, journals, radio, and TV programs) as they are addressed to them. A media system cannot function properly without the involvement of entities with which people are less familiar (such as press agencies, and distributors).

Siebert, Peterson and Schramm (1956) were the first ones to develop the ‘media system’ concept in their *Four Theories of the Press* literature. They emphasized that in order to determine what media systems nations use, it is crucial to understand their respected political systems first. In their research, they categorized four media systems which were:

- The Authoritarian
- Libertarian
- Social Responsibility
- Soviet Communist

Hallin and Mancini (2004) highlighted that there have been further advancements in the field of communication and media since the publishment of *Four Theories of the Press*. They expanded the research by focusing on modern media and political systems. As a result of their findings, they determined that media systems were empirically testable and comparable and developed a conceptual framework for media systems that encompassed four dimensions-characteristics of media markets (e.g., readership, newspapers’ circulation rate), political parallelisms (e.g., political orientation), professionalization of journalism, and state involvement. Case studies of media systems outside the Western world, such as China, have been applied and extended using this framework (Hallin and Mancini, 2011).

Zhao (2012) uses this framework and explored the differences of media systems in China and the U.S. In his findings, he points out, Chinese and American media systems differ significantly, particularly in terms of the relationship between the state and the media.

Duan and Takahashi (2017) and Duan (2014) go over both countries' media systems and highlight their differences.

- Chinese media system

The Chinese media system has a long history of being perceived as a political tool of the party-state. The government owns, finances, and oversees the operations of the media. Particularly, the government has long governed the state media's newspaper division. China's underlying philosophy, which is imposed on its media system, is influenced significantly by communism, nationalism, and developmentalism. As a result, the state media generally tends to favorably portray the government. This is particularly clear in situations involving public crisis communication, like crises involving food safety. But in the late 1970s, China began a dramatic economic reformation. Since roughly 40 years ago, the media system has been able to operate with more adaptability and independence thanks to the liberalization of the economy. As a result, both the state and the economic market system have an impact on the media system today. The whole media sector has been commercialized, but not fully privatized, and media organizations continue to be party-state allies. For instance, it has been demonstrated that restrictions on Chinese media are only in place to the extent that the material does not endanger the ruling party.

Luo (2015) investigates the Chinese media system in-depth. He defines a total of six contributing forces that affect the media.

1. Party Force
2. Governmental Force
3. Capital Force
4. Professional Force
5. Individual Force
6. Cultural Force

In his conclusion, he says that while professional and cultural forces can have an indirect effect on media, party, governmental, capital, and individual forces can physically dominate the media. Moreover, a blend of communism, authoritarianism, liberalism, professionalism, democratic-participant, and Chinese culturalism forms the foundation of the Chinese media system as a whole. In the social system, each force cooperates with and competes with one another.

- American media system

In contrast, the U.S. media system serves as a watchdog for the government. In accordance with liberal ideology, the press is responsible for providing public information to prevent the misuse of power. It should be noted, however, that American media are not totally independent. Foreign affairs reporting in particular reflects capitalist values and anti-communist beliefs.

As Sepulveda (2012) discovered, Western media tend to focus exclusively on famines, wars, and natural disasters in developing nations. Topics like these typically portray these nations negatively. In addition, by emphasizing these sensationalized incidents in the news reporting, the viewers start to create distorted viewpoints about developing countries. For instance, in major U.S. media coverages on China, anticommunist ideology frequently informs. A human rights violator perspective is frequently used to present it.

1.5. Comparative studies of U.S. and China's news agencies reporting on crisis in China

There is quite a bit of studies conducted on comparing different media outlets of U.S. and China. This topic is of great interest since not only are both countries economic superpowers with the ability to affect the global economy²⁵, but both also have rather different news reporting habits²⁶. However, only a few research focused on analyzing how the two nations' media outlets report on crisis in China.

²⁵ Silver, C. (2022), The Top 25 Economies in the World. Investopedia. Retrieved from: <https://www.investopedia.com/insights/worlds-top-economies/> 11 April 2023

²⁶ Zhao, Y. (2012). Understanding China's media system in a world historical context. Comparing media systems beyond the Western world, 143-176.

Duan and Takahashi (2017) focus on analyzing news articles covered by New York Times and China Daily about Beijing's air pollution. The study took in total of 67 and 167 articles, respectively, that were published between 2008 to 2013. According to their research, the U.S. media covered the issue earlier and focused on 'politicizing' pollution. Their news articles emphasized negative complaints and included more U.S. sources and several Chinese sources. Pollution was reported more frequently by Chinese media, with more self-legitimizing themes, addressing pollution, and highlighting strategies and solutions; the issue was also taken lightly in self-criticism.

Ha et al. (2020) use the war and peace journalism framework to analyze how major news media outlets in the U.S. and China covered the US-China trade conflict. In terms of Chinese media, the authors selected the CCTV website, the WeChat account of People's Daily and Global Times, and the Paper news application. There were 100 news stories omitted from each media outlet's search results. In the U.S, New York Times, CNN (on Facebook), and The Wall Street Journal (on Twitter), and TV networks including Fox News, ABC, PBS, and MSNBC were selected. In their research, the U.S. news media had a greater tendency to engage in war journalism than the Chinese media and the amount coverage of the conflict were lower. In addition, newspapers were more prone to use war journalism in comparison to television.

Feng, Brewer and Ley (2012) investigate the coverage of Chinese baby formula scandal occurred in 2008 by Chinese and the U.S. news outlets. The authors selected the Xinhua News Agency and Associated Press (AP), respectively. They discover that Xinhua's coverage of the controversy presented the Chinese government favorably, in contrast to AP's coverage, which positioned the Chinese government adversely.

Similarities can be seen when comparing the reporting of the American and Chinese media in earlier comparative analysis studies. Two of the studies (Duan and Takahashi, 2017 and Feng, Brewer and Ley, 2012) have chosen to focus on one media outlet for each country. The other one selected multimedia channels to conduct their research. All three literature investigated certain issues that has happened in China. Studies on the comparison of U.S. and China's media that were focused on two media outlets (one per country) were more frequent. There was less research comparing multiple new agencies of the two nations. Additionally, the analyzed Chinese media content in many studies were in Chinese language.

In conclusion, there is currently very minimal to no studies looking into coverage of China's real estate crisis by U.S. and Chinese media. Thus, this research aims to examine how China's real estate crisis reported by English-language news sites in China in comparison to news agencies in the U.S.

CHAPTER 2: Purpose and Methodology

Three primary sub-parts are covered in this chapter. The first one discusses the purpose of the research. The following section introduces the hypotheses and research questions, and the methodology is covered in the final section.

Purpose of study

Kiousis and Wu (2008) stated that by focusing on certain characteristics of an issue and neglecting others, news media attention can affect how people perceive certain topics. I was interested to know how different countries' media outlets portray the same issue. At that time, stories that concerned the China's real estate crisis were drawing a lot of attention and there were many articles were written about it. When exploring the media contents, the depiction of the events happening in China more specifically, regarding the China's housing market crisis, number of differences were noticed between how the U.S. and China's news sites portray them.

As an example, the researcher selected two articles (each from the U.S. and China's news sites) that both talk about China's property crisis and were published on the same day (18 July 2022).

1. Global Times (China) - the headline of the article states "China's housing market is seeing fresh signs of rebounding"²⁷. Overall, this content discusses the rapid growth in sales, strengthened communication with home buyers and improvement of the real estate market.
2. Cable News Network (U.S.) – the headline reads "China scrambles to defuse alarm over mortgage boycotts and banks runs"²⁸. The article shows the reader that the property market is getting worse and home buyers have started to do payment boycott as a protest against the real estate developers and government for their handling of this crisis. In addition, how the authorities are violently oppressing them in response.

²⁷ GT staff reporters (2022), China's housing market is seeing fresh signs of rebounding. Retrieved from: <https://www.globaltimes.cn/page/202207/1270829.shtml> 19 December 2022

²⁸ He (2022), China scrambles to defuse alarm over mortgage boycotts and banks runs Retrieved from: <https://edition.cnn.com/2022/07/18/economy/china-stem-anger-mortgage-boycott-bank-protests-intl-hnk/index.html#:~:text=China%20scrambles%20to%20defuse%20alarm%20over%20mortgage%20boycotts%20and%20banks%20runs&text=China%20is%20trying%20to%20ease,boycotts%20and%20frozen%20bank%20accounts> 19 December 2022

Even though these two articles were released on the same day as well as discussing the current situation of the crisis, they talk about the situation from a completely different perspective. The Global Times article gives surface-level information regarding current situations which followed by the narrative of everything is under control. Overall, shows China's property companies, economic conditions, and government in a positive light.

On the other hand, Cable News Network (CNN) article provides in-depth coverage of the occurrences backed up with statistical information and shows the current state of the country. In general, the U.S. media article highlights China negatively.

Thus, based on these differences, the researcher decided to look further into the articles concerning China's housing crisis published by the U.S. and China's news sites.

Hypotheses and research questions

Chinese state media generally tends to favorably portray the government (Zhao, 2012) and Western media more specifically, the U.S. media tends to focus exclusively on any occurring crises, wars, and natural disasters in developing nations (Sepulveda, 2012). Based on these studies, the following hypotheses were formed:

H1a: The U.S. media will use more negative language in their headlines than Chinese media whereas, Chinese news sites will have more positive and neutral languages.

H1b: The U.S. media will use more negative language in their sentences in articles than Chinese media. By contrast, Chinese news sites will have more positive and neutral languages.

H2a: Chinese media will generally focus more on the Government and the real estate market than the U.S media.

H2b: The U.S. news outlets will focus more on property developers and the citizens who are impacted by the crisis compared to Chinese media.

The timeline of this study includes the periods of major crisis events such as, Evergrande warning of difficulty meeting payment deadlines (December 2021) and the protest by the Chinese homeowners (July 2022). The final research question investigates the effect these

occasions had on both countries' media reporting of the crisis. It looks into whether there were any changes in the number of sentence tones during specific times.

RQ1: Were there any changes in the number of sentence tones during any major events taking place between 1 October 2021 to 31 November 2022?

Methodology

This part goes over the subject as well as the method of the study. It includes timeline of the research, data collection, sampling, coding procedure, coder training and data analysis. This study used qualitative content analysis to analyze data (Krippendorff, 2018).

Research timeline

Fears of the China's real estate bubble finally bursting have been rising over the past few years. The "three red lines" regulation was then put in place by the Chinese government in 2020 in order to cool down the industry and stop the bubble from exploding. Due to this modification, major real estate developers were left with enormous debt and had to halt their ongoing housing developments. When Evergrande, the second-largest property developer, stopped making payments in 2021, the situation hit a new low. The study's timeframe spans the period from 1 October 2021 to 31 November 2022, which many of significant events of the crisis took place during this time.

Data collection and Sampling

To ensure that no articles about China's real estate crisis were missed, the three keywords "China's real estate crisis," "China's property crisis," and "Evergrande" were put into the search section to find the articles on the U.S. news websites. On the other hand, I choose eight keywords "China's mortgage challenge", "China's real estate market", "China's property market", "China's property developers", "Evergrande", "housing market", "real estate market bubble", "property price risk" to use in order to locate the articles on the news websites in China. This is due to the fact that China's news websites avoid using phrases like "crisis," "debt," and "decline" while presenting reports about their nation. The three keywords yielded adequate results for the American news websites.

The following four Chinese media outlets were selected:

- China Global Television Network (CGTN)
- Global Times
- South China Morning Post (SCMP)
- People's daily

The four news websites are among the most widely read Chinese news sites. The other websites were not chosen because they had few to no published articles on the real estate crisis. During the selection process, the above-mentioned keywords were searched in top 10 Chinese news sites and these four had the most coverage on the topic.

Total of four U.S. news sites were chosen.

- Consumer News and Business Channel (CNBC)
- The New York Times
- Cable News Network (CNN)
- Bloomberg

These chosen four are also among the top 10 American media outlets. Before making the final selection, the same selection procedure was carried out as conducted on Chinese media. Researching each website for all three keywords and found that these four had the greatest information about the Chinese real estate crisis.

A total of 101 articles, 50 of which came from Chinese news sources and 51 from American media, were selected for the study. For each month, one article was chosen per news site. After entering the above-mentioned keywords on each news outlet, the website displayed a large selection of content. Then the articles were chosen randomly based on the search results. However, there were also one to two months when no articles on the subject were published thus, left empty.

Coding procedure and Coder training

In total, 17 variables were finalized for the analysis. In Table 1 shows all variables and explain how each are coded in the data sheet.

Table 1: Variables and Coding procedure

NUMBER	VARIABLES	CODING PROCEDURE
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1	Date	Date of the article publishment, use day/month/year format
2	Country	The country the news site locates, U.S. or China
3	News site	Name of the news site that published the article
4	Article headline	Based on the subjective opinion of the coders, the headline is either positive/negative/neutral narrative
5	Number of Images	Coders count the image(s) if presented and write the total number in the data sheet. If there is none then write “0”
6	Image (Primary focus)	The main focus of the image is decided by coders’ own views.
7	Image (Secondary focus)	The secondary focus of the image is decided by coders’ own views.
8	Color of Image	The general color of the image is decided by coders’ own views but limited to only bright/mix/dark.
9	Article length	Coders count the lines of each article and write the length number in the data sheet. Each line must be at least 4 words to be counted. Under 4 words will not be counted.
10	Negative sentences	Based on the coder’s own interpretation, count each sentence either positive/negative/neutral and with future tense (if present).
11	Positive sentences	
12	Neutral sentences	
13	Sentences with Future tense	
14	Number of statistical data	Any statistical data (include, percentages, thousands/millions/billions, yuan...) mentioned in the article will be counted.
15	Number of days and dates mentioned	Any mention of days (last year/month/days, X days/month/year ago, yesterday, today, tomorrow, in X days, next day/month/year), (Monday, Tuesday, Wednesday, Thursday, Friday, Saturday and Sunday) and dates (ex, 14th July 2022) will be counted. NOT counted: Each day/month/year

16	Expert commentary	ONLY expert entity or individuals' comments about the situation will be counted. Expert includes, research institutes, think tanks, government, companies, financial institutes, Ministry of Finance, universities financial analysts, economists, directors of research institutes, policymakers, academics, etc. Other than these mentioned experts no comments from anyone will be counted. 1 expert 1 count. Even if they are mentioned many times in the article, every expert will be counted ONLY once. If the entities and individuals' names are mentioned but they did not give any direct comments, then they are not counted.
17	General focus of the article	At the end of each article, the coders have to ask this question. What is the article generally about? Is it mainly about the citizens who are affected by the crisis? Or is it talking about the struggling companies (property developers)? Or the Chinese government's actions taken to handle the situation? The determination of the general focus of the article will be decided by the coders' own understanding. Once they have decided the main focus of the article then they have to type one of the following categories in the Excel sheet. Categories: Citizens, Companies (Property developers), Chinese government, China's real estate market [Comment: Just talking about the real estate market in general way, not getting too deep]. If the coders' decided general focus does not fall into any of the above categories, then "Others" will be typed into the data sheet

Coders and coding training

Three people, including the researcher, coded the data during the process. All coders had a strong technical understanding of the economic and financial terms and concepts used in the 101

articles that were chosen. In order to train the other coders, the researcher explained the protocol, which encompassed the instructions for the codebook, the definitions of variables, and the measurement of variables. A short coding session was conducted by randomly selecting ten articles (five for each) from two news sites (USA Today and Xinhua News) which were not involved in the study. As a precaution, these two newspapers were used in this coding in order to avoid affecting the original sample from eight news sources.

Data analysis

A data file was created for statistical analysis after the author loaded the gathered information onto a computer. Statistical analysis software (SPSS) was used to describe the data, test the research hypotheses, and examine data patterns to answer the research questions. The data were analyzed using descriptive statistics.

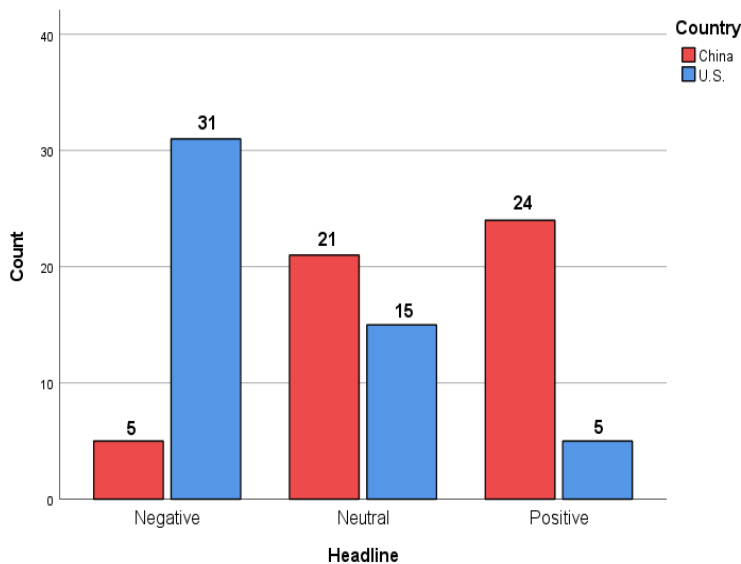
Chapter 3: Results

The first hypothesis comprised of two sub-hypotheses. H1a predicted the U.S. media will use more negative language in their headlines than Chinese media whereas, Chinese news sites will have more positive and neutral languages.

Significant differences can be seen based on the analysis of 101 (U.S-51; China-50) articles.

The most frequently used languages in the headlines for the U.S. and China were negative ($N=31$) and positive ($N=24$), respectively. The least used languages for both countries, displayed the same number ($N=5$) however, the U.S. was positive whereas, for China, it was negative. In the neutral language, China surpassed the U.S. by 6. These results are shown in Figure 1.

Figure 1: Number of negative, neutral and positive headlines by Countries



According to the second sub-hypothesis, American news outlets will use more negative language than Chinese news outlets. Chinese news websites, on the other hand, tend to favor positive and neutral language in their writing.

Based on the results showcased in Table 2, there were a total of 579 negative sentences in American media, an amount significantly above China's 143 sentences. China, on the other hand, passed the U.S. by 44 in terms of the overall number of positive statements, but the U.S. had more than twice as many neutral sentences.

Table 2: Total number of negative, positive and neutral sentences by Countries

Country	Total number of Negative sentences	Total number of Positive sentences	Total number of Neutral sentences
U.S.	579	196	834
China	143	240	399

Tables 3 and 4 contain detailed information that breaks down the overall figure in the previous section to the level of each individual news sources in both countries. As can be observed, the New York Times had the lowest percentage of positive sentences while having the highest percentage of negative sentences. CNN was the only news website out of the four that had the fewest negative and positive sentences, but it outperformed the others with 230 neutral sentences (see Table 3). This could suggest that the New York Times and CNBC are considerably more outspoken and approach the subject area more critically in their many news reports. CNN maintains a more impartial attitude on the topic of China's property crisis than the others. The same categories are included in Table 4 but with Chinese news sites. Chinese news websites utilize far fewer overall negative and positive sentences than American media outlets. People's Daily displayed the least quantity of sentences in all three categories, whereas South China Morning Post had the maximum number of positive sentences (89), despite being the bluntest and critical with 78 negative sentences.

Table 3: Total number of negative, positive and neutral sentences (U.S.) by American News sites

Name of News sites (U.S.)	Total number of Negative sentences	Total number of Positive sentences	Total number of Neutral sentences
Bloomberg	110	69	195
CNBC	194	70	200
New York Times	209	47	219
CNN	66	10	230

Table 4: Total number of negative, positive and neutral sentences (China) by Chinese News sites

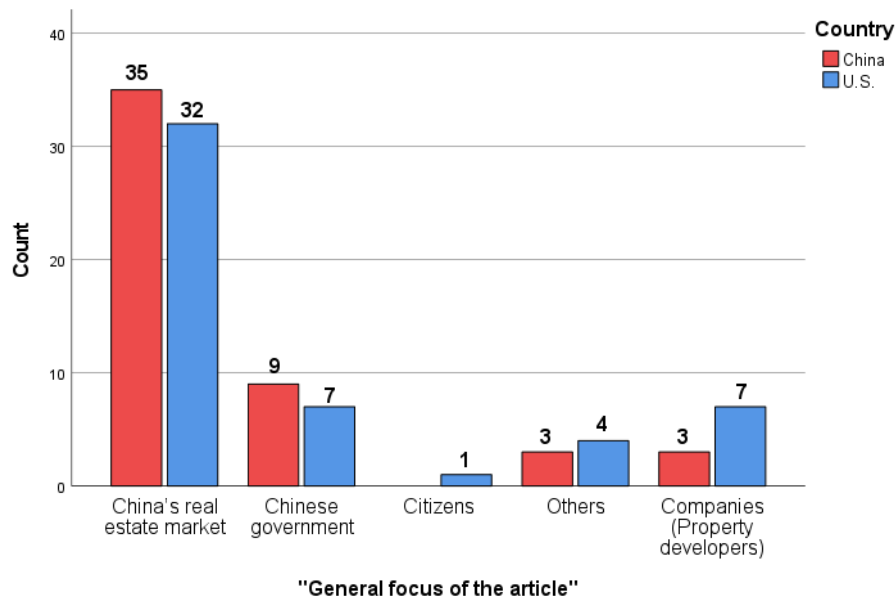
Name of News sites (China)	Total number of Negative sentences	Total number of Positive sentences	Total number of Neutral sentences
People's Daily	18	41	33
South China Morning Post	78	89	108
CGTN	12	35	114
Global Times	35	75	144

The second hypothesis is also comprised of two sub-hypotheses.

The first sub-hypothesis (H2a) predicts that Chinese media will focus more on areas such as the government and the real estate market within the subject of the crisis. Figure 5 displays the overall focus areas of the articles, broken down into five categories (China's real estate market, Chinese government, citizens, property developers, and others) for two countries. Upon analyzing the data, it was found that Chinese media reported significantly more on the country's property market and government compared to the U.S. news sites, with 35 and 9 articles, respectively. Interestingly, among the 50 articles analyzed, Chinese news sites did not report on the impact of the real estate crisis on their citizens.

The second sub-hypothesis suggests that U.S. news outlets will give more attention to property developers and the impact of the crisis on citizens. While the U.S. media did cover the challenges faced by citizens, only one out of 51 articles was specifically dedicated to this aspect. The majority of U.S. news outlets covered the impact on the property sector, with equal attention given to the government and property developers.

Figure 5: General focus of the article by Countries



RQ2: Were there any changes in the number of article sentence languages for both countries during any major events taking place between 1 October 2021 to 31 November 2022?

Throughout this timeline, the number of negative, positive, and neutral sentences were mostly in the same range without much deviation. However, there were three periods (15 December 2021; 21 February 2022; 17 May 2022) when Chinese media used more neutral sentences in their articles (see Figure 6).

Figure 6: Trends in Negative/Positive/Neutral sentence of China (1 October 2021 to 31 November 2022)

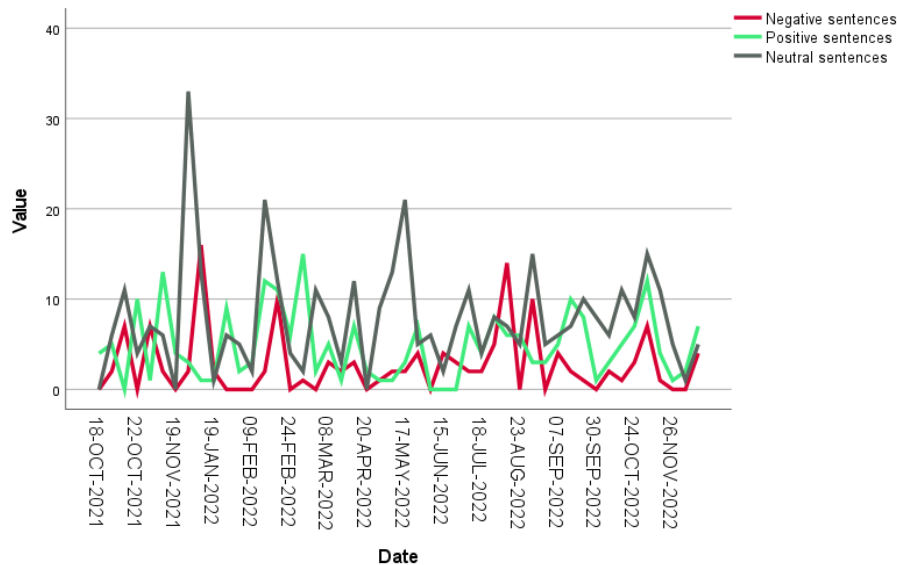
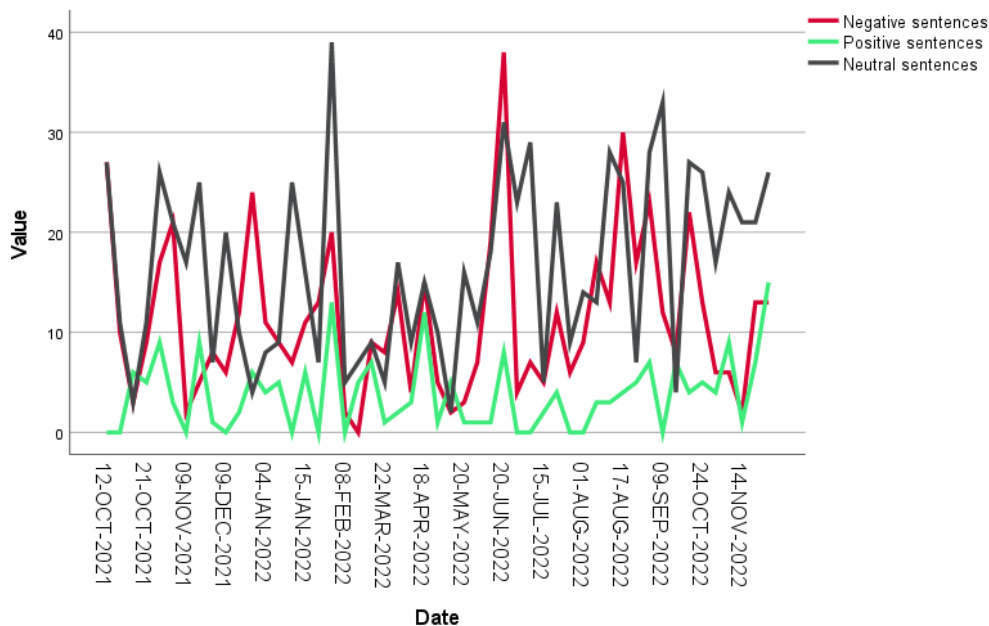


Figure 7: In the duration of over a year, there were many fluctuations in the number of negative, positive, and neutral sentences that articles had. The majority of these changes are within a certain range, however, the articles that contained the highest number of neutral as well as negative sentences, shown to be deviated in the graph. There are two periods (07 February 2022; 20 June 2022) that show big differences compared to others.

Figure 7: Trends in Negative/Positive/Neutral sentence of the U.S. (1 October 2021 to 31 November 2022)



CHAPTER 4: Discussions

The purpose of this study was to compare U.S. and Chinese news outlets reporting on China's real estate crisis. In spite of several studies comparing the two countries' media on how they cover different subjects, this study may be the first to assess the coverage of the Chinese property crisis across a total of eight news sites from U.S. and China.

Hypothesis 1a and 1b

Since both countries have distinct media systems, the way they report on certain issues is different as well. In the case of this research (connected to property crisis in China) topic, Chinese media generally portray China's government favorably (Duan and Takahashi, 2017 and Duan, 2014) and the U.S. media specifically focus on the negative issues such as, war, crisis and natural disasters and perspectives (Sepulveda, 2012).

Based on these findings, it can be observed that the U.S. media tends to focus more on the negative aspects of the topic when covering news related to China. As a result, their articles tend to have a higher frequency of negative language in headlines and sentences. Conversely, Chinese media tends to portray the events in a more positive or neutral light, given the subject matter is related to issues happening in their own country. This explains the higher frequency of positive and neutral headlines and sentences in Chinese media compared to negative ones, which even surpasses the U.S. in most categories, except for the total number of neutral sentences. It was surprising to note that the U.S. displayed more than double the number of neutral sentences compared to China in this category. Therefore, the findings fully support H1a and partially support H1b.

Hypothesis 2a and 2b

Duan and Takahashi (2017) and Duan (2014) state that the Chinese media tends to portray the government positively and shies away from covering stories that could potentially tarnish the nation or government's reputation. In contrast, American media, in line with liberal principles, is expected to inform the public and prevent the abuse of power.

The statistics suggest that the Chinese media focuses mostly on the real estate market, with some attention given to the government. It is understandable that the Chinese media would provide

little to no coverage on citizens and property developers to avoid damaging the image of the government and the country.

Interestingly, the U.S. media also provided a majority of its coverage to China's real estate topic area and a small amount of coverage to other topics. Therefore, H2a was fully supported, while H2b was not.

Research question 1

Despite fluctuations in the tone of the articles, there was a notable trend in both Figure 6 and 7. In February 2022, there was a surge in neutral sentences in articles from both China and the United States. This coincided with two significant events: the Chinese government's implementation of new regulations on properties and Evergrande's missed bond payments, which resulted in a decline in property sales and prices. While Global Times and Bloomberg reported on these events at the same time, they had different focuses. Global Times highlighted the government's efforts to boost real estate sales and how they were paying off, while Bloomberg discussed the new policies and their potential impact on the Chinese economy. In general, Bloomberg provided more in-depth information on the current situation and its implications, while Global Times was explaining the situation, it also focused on the positive aspects without delving into the details.

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