

Special Brief on Covid-19



COVID-19 and China: Response and Impact

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Introduction

Coronavirus disease (COVID-19) has spread across the world at alarming speed, which is affecting the global economy, hitting manufacturing and service sectors with huge impacts on labor force. First country to detect emergence of the novel virus was China. Beijing alerted World Health Organization (WHO) of an unknown cause of pneumonia on December 31, 2019. At that time, policy-makers considered it a local phenomenon but as the situation evolved, decision-makers in Beijing had the toughest task of all governments. They were responding to an unknown serious and evolving situation. Initially, it was declared an epidemic, as the spread of disease was mostly in China. Beijing responded to COVID-19 as an epidemic, but when it spread across the globe, it was declared as a pandemic on March 11 by WHO. From being epicenter of COVID-19, now China represents only a quarter of confirmed cases worldwide.

As of now, international community can learn from China's experience, tailor approaches and develop strategies while responding to evolving situations in different countries.

This brief takes stock of the strategy followed by China to combat COVID-19, and also impact of COVID-19 on Chinese economy and engagement with international community.

China's Response

China's response can be divided into two broad stages. In the first phase, response was haphazard with Chinese system still figuring out the scale of spread and intensity of coronavirus. Situation changed when on January 23, a lockdown was enforced in Wuhan and 15 other cities in Hubei province and travel restrictions were announced. This coincided with annual Chinese New Year festivities when millions travel within China. As China went into holiday season, cases of positive COVID-19 emerged and community-wide lockdown and quarantine measures were enforced. In doing so, early detection and isolation were the most important factors in reducing COVID-19 cases. In the absence of these efforts, China would have had five times as many infections as it did by the end of February.

This led to second phase, where Beijing mobilized people to support the government's strict measures, which included total lockdown of cities with major outbreak, enforcing mandatory social distancing for whole population, shutdown of economy, and ensuring provision of required resources and facilities to healthcare professionals. With Wuhan and Hubei province, being the epicenter of COVID-19, healthcare workers were called in from all over China to help, and two hospitals were built in just over a week to care for the rising number of patients.

In this phase, authorities imposed strict 14-days quarantine for those travelling within the country and arriving from abroad. Technology was put to use, via popular social platforms and apps to monitor movement - using mobile-phone location data from Chinese Internet giant Baidu. Similarly, those in isolation and under quarantine were asked update their health indicators every few hours through online apps. This led to dramatic reduction in people's movements, which led to a huge drop in person-to-person contact. In this period of unprecedented lockdown, government officials, through neighborhood committees, also ensured provision of food and supplies to people under mandatory quarantine and in self-isolation. People shared their requirements via online communication, and then government officials, party workers and volunteers would ensure their delivery on the reception of residential buildings.

In tandem, China was aggressive in conducting tests of suspected cases, and ensuring isolation of even those with mild symptoms. It was this combination of top-down policies and bottom-up commitment from ordinary people to fight the spread of the virus that proved effective in containing the spread. These aggressive counter strategies against the spread of disease and enforcement of otherwise unimaginable measures led to 'flattening the curve' and bringing COVID-19 under control in China. In a report released in late March, WHO congratulated China on a "unique and unprecedented public health response [that] reversed the escalating cases".

Total number of confirmed patients in China is more than 81,000 with nearly 3200 deaths, while more than 73,000 have recovered. Over the month of April, there is a considerable decline in new COVID-19 cases in China.

Economic Impact of COVID-19

Mass outbreak of COVID-19 in China has had direct impact on its economy. China that has manufacturing base of the world remained closed throughout February. Financial markets remained at a standstill as government and people battled with COVID-19. In early March, it was reported that China's exports fell by 17 per cent during January-February 2020, when compared to data from early 2019.¹ Similarly, imports by China also saw a decline of nearly 4 per cent. When China went into lockdown, rest of the world was still relatively open, and engaged in normal activity. From mid-March, China gradually eased restrictions and resumed economic activity. That was the time when most of the countries across the globe imposed shutdowns and lockdown of varying degrees. This had impact on Chinese economy. There was a historic slump in China's business activity with all major economic indicators showing

¹ "China's Exports Plunge Amid Coronavirus Epidemic", *Wall Street Journal*, March 7, 2020, <https://www.wsj.com/articles/chinas-exports-drop-at-fastest-pace-in-nearly-a-year-11583552772>

negative trend; retail sales, investment in fixed assets, value of exports, industrial and service production, showing decline.² Domestic as well as overseas demand had dropped. Unemployment rose to its highest level i.e., 6 per cent in February 2020.³ With negative GDP growth rate forecast for the first quarter of 2020, the country's economy was shrinking. Overall, a significant drop in consumption,⁴ slow return to full-resumption of economy i.e., to the pre-COVID-19 levels, slow return of workers⁵ to factories and cities means the world's second largest economy and global engine of growth has ceased to run on full speed.

In order to minimize the human and economic impacts, an estimated RMB 1.3 trillion (or 1.2 per cent of GDP) of fiscal measures have been approved and are being implemented.⁶ Moreover, the Government has injected liquidity into the banking system, including RMB 3 trillion in the first half of February; it has cut the policy rate by 50-100 bps for banks that meet inclusive financing criteria which benefit smaller firms and an additional 100 bps for eligible joint-stock banks to support private SMEs. Along with these measures, the exchange rate has been allowed to adjust flexibly. This will spur investments and spending in infrastructure sector, with the goal to revive an economy that shrunk for the first time in four decades. Beijing is all set to bring down its original 6 per cent growth target for current year. Factories in China are re-opening at the time, when coronavirus is spreading beyond China. It will lead to recovery of Chinese economy, as demand for medical equipment and supplies skyrocket across the world and only China can meet that demand.

International Community and China

After two months, China is offering rest of the international community a model, and lessons in controlling COVID-19 pandemic. During the COVID-19 crisis, China closely coordinated with international community, WHO and its partner countries. As countries began to evacuate their citizens from Wuhan and Hubei, China extended all-out assistance, and assured medical assistance and necessary

² Jenna Roass, "COVID-19 Crash: How China's Economy May Offer a Glimpse of the Future", *Visual Capitalist*, March 26, 2020, <https://www.visualcapitalist.com/covid-19-economic-impact/>

³ Frank Tang, "Coronavirus: China unemployment rate rose more than during US trade war", *South China Morning Post*, March 16, 2020, <https://www.scmp.com/economy/china-economy/article/3075411/coronavirus-china-unemployment-rate-rose-more-during-us-trade>

⁴ Iris Ouyang, "More of China's local governments, companies resort to coupons to boost flagging consumer spending", *South China Morning Post*, March 16, 2020, https://www.scmp.com/business/china-business/article/3075403/more-chinas-local-governments-companies-resort-coupons?mc_cid=0d3e889d1a&mc_eid=7239aa29b1

⁵ "COVID-19: Slow return of China's migrant workers hobbles factory restarts", *Channel News Asia*, February 28, 2020, <https://www.channelnewsasia.com/news/business/coronavirus-covid19-china-migrant-workers-factories-12483006>

⁶ "Policy Responses to COVID-19", *International Monetary Fund*, Last Updated April 3, 2020, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

care those foreign national who remained in China during these testing times. Similarly, in coordination with WHO, China kept international scientific community abreast of the new developments related to scientific understanding of the virus so that a vaccine could be made. Just days after WHO confirmed discovery of a novel coronavirus, Chinese authorities shared genome sequence of the COVID-19 with international scientists for preparing diagnostic kits and a future vaccine.⁷ This was continued for a month, when in early February, China shared genome sequences of five coronavirus strains, as detected in patients across the country.⁸

In March, after its remarkable success in containing the spread of virus, China moved to second phase of international cooperation: extending assistance and ensuring supplies to more than 120 countries across six continents.⁹ It includes both donations and countries buying from Chinese manufacturers of medical supplies including protective gears for healthcare professionals, masks, testing kits and ventilators. Chinese authorities are ensuring swift approvals across bureaucracy to ensure that no hurdles slowdown the process. According to estimates, during past four weeks, China has sold nearly 4 billion masks, 37 million pieces of protective clothing, 16,000 ventilators, and over 2.8 million testing kits, earning nearly USD 1.4 billion.¹⁰ Chinese government is all out to help countries facing the deadly COVID-19.

Conclusion

Under the call for ‘people’s war against the COVID-19’ Chinese population was mobilized at mass scale for the civic duty. This led to renewed nationalism, with huge number of people volunteering to assist in massive pandemic control and relief efforts. Owing to unique advantages of its political system and central role of state in decision-making, China was able to respond in a quick and effective manner to deal with an unknown and deadly epidemic. As the outbreak has its origin in China, it has greater responsibility of exploring reasons behind the outbreak and help world community to minimize chances of another such calamity in future.

The world is paying a heavy price for not prioritizing healthcare in policy agenda. Countries should learn from this catastrophe and collectively enhance their capacity to deal with global challenges, particularly

⁷ “Whole genome of novel coronavirus, 2019-nCoV, sequenced”, *Science Daily*, January 31, 2020, <https://www.sciencedaily.com/releases/2020/01/200131114748.htm>

⁸ “China shares genome sequences of five 2019 novel coronavirus strains”, *Xinhua*, February 7, 2020, http://www.xinhuanet.com/english/2020-02/07/c_138763999.htm

⁹ “Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on March 31, 2020”, *Ministry of Foreign Affairs*, March 31, 2020, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1764277.shtml

¹⁰ AFP, “China says it has sold nearly four billion masks abroad” *Arab News*, April 5, 2020 <https://www.arabnews.pk/node/1653576/business-economy>

global health. China has major role to play in the post COVID-19 scenario and it should take lead in initiating steps in collaboration with major powers to work for global peace and justice. It is about time that a newer world should emerge. The world that all humans on earth aspire for.