



Impact of COVID-19 on China

Speakers: Amb. Shyam Saran, former Foreign Secretary of India, Member of Governing Council Institute of Chinese Studies, Delhi

Ananth Krishnan, Correspondent, The Hindu

Moderator: Amb. Ashok K Kantha, Director, Institute of Chinese Studies

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Venue: Zoom Webinar

ICS Conversation on ‘Impact of COVID-19 on China’ had Amb. Ashok Kantha in Conversation with Amb. Shyam Saran and Ananth Krishnan. Amb. Kantha initiated the session by talking about the Chinese political system, which has faced searching questions from within China and outside on its management of the COVID-19 outbreak, its early stage, in particular.

Amb. Saran remarked that COVID-19 might not have become a pandemic if there was democracy in China, where there is a free flow of information through an independent media and accountable political leadership. In fact, the Chinese government initially tried covering up the early warning signals and punishing the ones who wanted to speak on the subject. This led to considerable delay in understanding the dimensions of the crisis, which the world is currently witnessing today. But at the same time, he acknowledged the fact that, once the intensity of the outbreak was known, the Chinese government was able to deploy every state resource to bring the pandemic under control. As a result, China is perhaps the first country to begin the process of relaxing the lockdown and reviving the economy. China has been citing these drastic measures and building narratives of its superior political system that enabled them to deal with this crisis effectively. In Amb. Saran’s view, it is an attempt by China to deflect the world’s attention from the “original sin”.

Ananth Krishnan, who happened to be in China in January, shared his understanding and experience on the dramatic developments that took place during the COVID-19 crisis in

China. He noted that initially, there were reports of a pneumonia outbreak in Wuhan, but everyone assumed that it was very localized and controlled. The Chinese government denied any evidence of human-to-human transmissions. He said the first time China acknowledged was on 20 January when President Xi Jinping and China's well-known pulmonologist Zhong Nanshan initiated talks on the pandemic and said it was a very grave and contagious virus. Mr. Krishnan also expressed his views on the role of media and its effectiveness in exposing government mistakes. He talked about restrictions Chinese media has and are only allowed to cover news within a small window approved by PRC with its state interest.

When asked about domestic opposition faced by President Xi Jinping, Amb. Saran said President Xi's leadership does not appear to be at any immediate risk. But criticisms made by dissidents Xu Zhangrun, Ren Zhiqiang's articles, and Wang Fang's diary getting public in an otherwise censored Chinese regime leads us to believe of these are deliberate attempts where such articles are allowed to be circulated for a short period before it gets censored. The recent arrest of Sun Lijun, China's Vice Minister of Public Security, indicates undercurrents in President Xi's power struggle amid the coronavirus pandemic.

Regarding China's declining GDP growth, Amb. Saran acknowledged the sharp decline in Q1 2020 (contracted by 6.8%). Although the latest news seems to indicate that there has been a remarkable recovery of the economy and it has started functioning at about 80% of the normal level, he feels the road ahead for China will not be easy. China has dominated global supply chains in a whole range of items, but what we see today is that the supply chains have been disrupted not only because of production disruption in China but also because other major partners in those supply chains have either not been able to get over the crisis so far or not able to generate enough demand. Thus, one concern would be that if the supply chains don't revive, then there will be a more significant impact on China and then perhaps on other countries.

Another aspect of concern is China's domestic consumption, which primarily drives the economy. Despite government efforts (distributing cash vouchers to people), consumption is not picking up in the manner that China would have liked since people still fear the spread of Coronavirus. The speaker noted that a further area of concern for China's economy would be the keen interest shown by many countries in the world to reduce their dependency on China in the wake of the pandemic. They are encouraging their companies for reshoring production. Japan, for instance, announced \$2.2 billion to fund firms to shift production out of China.

Commenting on the impact of lockdown on the common masses of China, Mr. Krishnan noted that the degree of lockdown was different in different parts of the country. Wuhan and Hubei being the epicenter of the pandemic, had very extreme experiences, while Zhejiang and Guangdong, with some restrictions, are on the edge of reviving their businesses; on the other hand, Beijing has the most stringent restrictions in China. Concerning migrant workers, the speaker noted that city-level measures have been taken. For instance, when the migrant workers arrive in the city, they undergo a set of tests and are required to be quarantined for 14-28 days, which the employers have to pay for. He pointed out that reports indicate 80% of China's workforce is back.

When asked about his views on China's role in the world in the aftermath of COVID-19, Amb. Saran stated China would be much more assertive in terms of its bilateral relationship with the US and a few European nations post-pandemic. He noted that we could also see a re-engagement of China in the South China Sea, its tactics with respect to Taiwan and the arrest of the democratic leaders in Hong Kong all suggest that China is looking at this crisis also as an opportunity.

With regards to China's relation with India, Amb. Saran does not anticipate any kind of aggressive stance against India at present. However, he believes that it may change because of India tweaking its Foreign Direct Investment (FDI) policy to ban investments via the automatic route from countries that share a border with India. China has already reacted to it, and if this is going to be the trend in the coming days, he indeed anticipates that there would be a much more aggressive stance adopted by China. He also clarified that the investment made by China's central bank into HDFC, which many believe acted as a trigger for the Indian government to revise its policy, is a portfolio investment and has nothing to do with the FDI. He highlighted the fact that a substantial part of Chinese investments is routed through multiple jurisdictions such as Hong Kong or Singapore.

Mr. Krishnan also seconded Amb. Saran and remarked that it might be an overreaction to the investment made by a Chinese entity into HDFC. He believes that China has created a significant place for itself in India in the past five years in the technology domain through venture investments in start-ups and online ecosystem. By coming up with a regulation targeting China will undoubtedly have a significant impact in terms of sentiments of other Chinese investments that might be beneficial to us.

The session ended with a Q&A with the participants. In response to a question on whether COVID-19 should be named “Wuhan Virus”, Amb Saran noted that since the world already knows the origin of the virus, addressing the it as “Wuhan Virus” or “China Virus” will not solve any purpose as it is done purposely to gain some kind of relevance. Answering a question on how the Chinese population is responding to global criticism, Mr. Krishnan noted that the locals are living in a parallel world created by government propaganda. They are made to believe that the world is grateful to them both in terms of the steps they took to slow down the virus, and for the aid they are providing to other countries.

*Report prepared by **Priyanka Madia**, Research Intern at Institute of Chinese Studies, Delhi.*

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