



nCoV Crisis

Can China Bounce Back?

Notwithstanding what the doomsayers tell, China will not take longer to recover from the current nCoV crisis and the impact on world GDP growth will be even smaller. This optimism stems from the fact that China’s economy is becoming more digital, that with the government’s current robust response, recovery is likely to be rapid as the virus is less deadly than SARS, and that the recently-signed trade deal with the US would act as a timely palliative. Additionally, as with previous shocks to the national economy, Beijing is well-positioned to introduce temporary palliative or stimulus measures if necessary.

For China, the adage “It never rains but it pours” seems very apt. The Wuhan coronavirus crisis is the latest addition to its list of ills. This includes a slowing economy, a socio-politically divided Hong Kong, souring Taiwan politics, and unremitting pushback by the US and other countries around the world against the perceived threat of its rapid rise.

The coronavirus appears less lethal compared with past virus outbreaks. Its fatality rate stands at about 2.2%, compared with, for example, SARS’s 9.6%, H7N9 Bird Flu’s 39.3%, and Ebola’s 40.4%. However, the disease has a very high and rapid rate of contagion in Mainland China, where the number of affected cases has been multiplying exponentially. Research has confirmed that during an incubation period of about 14 days, virus-carrying persons can display little or no symptoms. That makes detection and avoidance of contagion extremely difficult in any high-density community. As the World Health Organization (WHO) has warned, the risks to less developed countries with weaker public health safeguards cannot be over-estimated.

As of end of February, Mainland China registered over 80,151 confirmed cases, mostly in Hubei Province. The death toll reached over 2943, well surpassing the total recorded total of 774 deaths in two dozen countries during the 2002-3

In any event, China is not expected to remain under the shadow nCoV for long and the economy can bounce back soon, if not immediately. Also, it is expected to unleash game changing reforms and not to get bogged down by the recent health crisis

SARS epidemic. Nevertheless, recoveries from the coronavirus also reached a new height of 32,762 cases.

Wuhan, a central city of 11 million inhabitants, has been completely locked down. However, five million of Wuhan citizens already left on annual holidays for homes elsewhere. Now, China's 34 provinces, as far away as Tibet, have reported confirmed cases.

More and more countries are becoming alarmed by the potential pandemic. Flights and ship disembarkations originating and going to China are being stopped or restricted. China is now facing the risks of global stigmatism and isolation.

The subsequent period will be critical after the Chinese New Year holidays ended on February 10, with tens of millions of Mainland Chinese citizens returning to work.

In the beginning, Wuhan officials apparently tried to conceal new medical findings of a potential new virus which could turn into an epidemic. In the absence of conclusive expert evidence and clear signals from higher authorities, they appeared unwilling or scared to take the bull by the horns. This reveals a systemic flaw in the mentality of many middling cadres. The consequences are now for all to see.

Meanwhile, the death from the virus of Li Wenliang, China's first whistleblower who was silenced by the Wuhan authorities, has sparked off a wave of national outrage. Aspersion and doubts are beginning to spread to Beijing's top leadership.

Additionally, fake news and conspiracy theories now abound in social media, both within and outside China. The origin of the virus, the degree of social chaos, and the ability of Beijing to handle the situation are fertile grounds for wild speculations. This worrying trend is fully acknowledged by the WHO, which is beginning to work with leading social media giants like Facebook to combat these transgressions.

China, now under intense global media gaze, has responded with daily multiple news updates, including the revelation of the latest statistics, showing both affected, fatal and recovery cases. There are regular press conferences and TV interviews with frontline workers and the media. Moreover, there is ongoing cooperation with the WHO and other international expert organizations, including joint efforts in speeding up the development of a safe and effective vaccine. So the Chinese statistics are now much more reliable.

“

On the whole, when the dust eventually settles, thanks to public outcry, the Chinese bureaucratic way of governance is likely to see winds of change for greater transparency and accountability.



Andrew KP Leung
Chairman of Andrew Leung
International Consultants and an
international and independent China
Strategist

President Xi Jinping is leaving nothing to chance. The politburo has issued unambiguous instructions holding all local and provincial leaderships to account for any concealment or slack in combatting this national health crisis. High-powered investigation teams are dispatched to Wuhan, where a number of well-equipped, over-1,000-bed-each, isolation and treatment hospitals have been constructed from scratch in just 10 days, probably a world record. Thousands of military, medical, nursing and civilian personnel were air-lifted with urgently-needed provisions to the outbreak's epicenter.

All in China have learned a bitter lesson on the need for early transparency and rapid action at any potential outbreak of an epidemic. The bureau-

cracy is waking up to this new normal of citizen expectations. On the other hand, Beijing is seeing a silver lining in the cloud. Seldom before has there been such genuine outpouring of national unity and patriotism to fight for what is perceived to be the country's survival (and honor). Social and mainstream media are brimming with heart-warming and tear-jerking live footages of how doctors in villages bid farewell to their wives to rush to potentially-fatal calls of duty in the middle of Lunar New Year family reunions, how nurses volunteered

to cut their long-cherished hair very short to fit into protective helmets, and how frontline staff in various settings were overcome by exhaustion in dropping asleep on the floor in the middle of the night. The term "Go! Wuhan!" becomes viral everywhere in the nation.

As far as the disease itself is concerned, the multiplying numbers are still alarming. Images of normally-teeming city centers, now totally deserted, instill a surreal and eerie sense of pervasive fear. However, according to the *South China Morning Post*, the number of newly confirmed coronavirus

cases in mainland China began to fall to 2,656 on February 8 from 3,385 new cases the day before. Beyond the epicenter of Hubei province, new infections were dropping from 890 on February 3 to 509 on February 8. The number of recovery cases is steadily going up to over 3.6 times the number of confirmed cases.

While a 100% safe anti-virus cure is at least months away, with all-out medical treatment and vigorous containment measures, the number of recoveries is beginning to outnumber deaths approaching four times. According to experts, the virus is susceptible to warm weather. There is a good chance that the crisis could be over by the time the heat waves arrive.

However, a large part of Hubei Province including its capital city Wuhan

and a growing number of other tier-one cities remain under lockdown. As a result, the Chinese economy will suffer a severe battering. By some estimates, up to 2% of the nation's GDP is at risk of being sawn off during Q1 2020. Moreover, as the world's largest trader and manufacturer, China is at the center of globally-interconnected production and value chains. Many countries across the world have China as their largest trading partner. Consequential disruption of globalized value chains is bound to slow the world economy further.

On the whole, when the dust eventually settles, thanks to public outcry, the Chinese bureaucratic way of governance is likely to see winds of change for greater transparency and accountability. The unprecedented prolonged "pause button" of enforced national lockdown is also likely to prompt soul-searching in the minds of the nation's citizenry, according to a Chinese online analytical platform.

According to the analysis, the socio-political outcome is not entirely negative. First, as the final battle is won, Chinese people are likely to have a greater conviction of their collective pride, that no national emergency is impossible to overcome if everyone puts his or her best together. Second, more will become alive to the imperatives of

science, law, ethics and good governance, over government diktats and pure economic pursuits. Third, as a vast proportion of citizens have been forced to work from home, this is likely to hasten the arrival of a new paradigm of digital or virtual working habits, which has already been taking shape in the form of shared and virtual offices throughout China. Fourth, biomedicine and biotechnology are likely to take a great leap forward, in response to explosive demand for greater public health safeguards. Fifth, there is now greater practiced readiness in the national mobilization of emergency materials and resources. Sixth, there is now increased coordination between the rapid flows of people, resources and information. Seventh, there is even greater pride and confidence in maintaining the legendary "Chinese speed of execution" in the construction of infrastructural projects. According to a Project Syndicate article by Professor Shang-jin Wei of Columbia University, ex-Chief Economist of the Asian Development Bank, there are three reasons why the coronavirus will not derail China's economy. "The effect in the first quarter of 2020 will be big, perhaps lowering growth by one percentage point on an annualized basis, but this will be substantially offset by above-trend growth during the rest of

the year. The impact on world GDP growth will be even smaller." His optimism is based on the fact that China's economy is becoming more digital, that with the government's current robust response, recovery is likely to be rapid as the virus is less deadly than SARS, and that the recently-signed trade deal with the US would act as a timely palliative.

CORONAVIRUS SUPPLY CHAIN IMPACT
FOR APIS, FOOD AND FEED ADDITIVES

85% OF EXPERTS FORESEE SUPPLY CHAIN DISRUPTIONS

DURING 1ST HALF OF 2020

DUE TO PRODUCTION AND TRANSPORT SUSPENSION

- EXTENSION HOLIDAYS
- CHINA TRANSPORT, TRAVEL
- IMPORT EU/AMERICAS
- OVERSEA TRANSPORT
- MORE QUALITY CONTROLS
- OTHER

kemiex
MARKETPLACE - PROCUREMENT - INSIGHTS

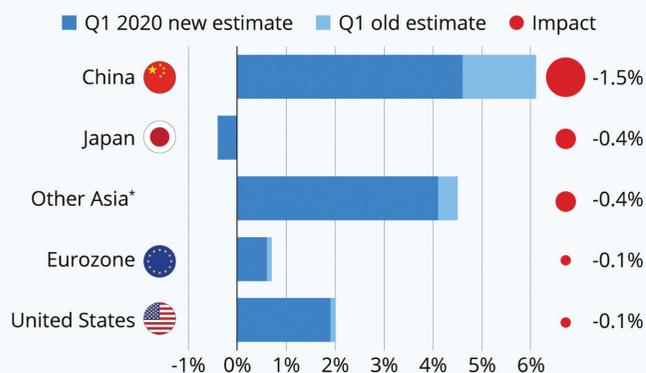
Additionally, as with previous shocks to the national economy, Beijing is well positioned to introduce temporary palliative or stimulus measures if necessary.

In any event, as outlined in my earlier feature article in this magazine's *Annual Special* issue (January 2020), "China in 2020 – Expect Game-Changing Developments", are likely to remain intact, even if somewhat delayed. These include redoubled technological upgrade, more self-reliant vertical integration, burgeoning domestic consumption, a greener economy, and even more robust global connectivity with its Belt and Road Initiative, perhaps working more closely with international stakeholders to overcome some of its shortcomings. ■

Reference # 20M-2020-03-06-01

Coronavirus Expected to Put Damper on Global GDPs

Estimated impact of Wuhan coronavirus on the growth of global GDPs (2020 projections)



* emerging market economies other than China
Source: Deutsche Bank

