

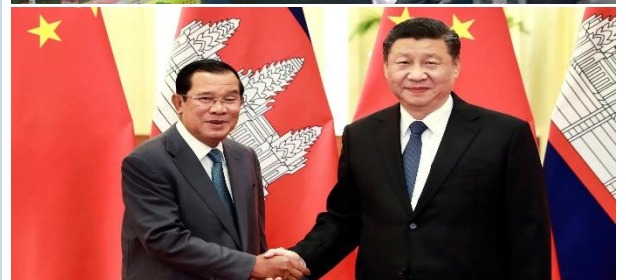


Delhi Policy Group

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Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

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ABOUT US

Founded in 1994, the Delhi Policy Group is among India's oldest independent think tanks with its primary focus on international and strategic issues of critical national interest. Over the past decades, the Delhi Policy Group has established itself in both domestic and international circles, particularly in the area of national security.

In keeping with India's increasing global profile as a leading power and the accompanying dynamism of India's foreign and security policy, the Delhi Policy Group has expanded its focus areas to include India's broader regional and global role; India's initiatives to strengthen its strategic periphery; India's political, security and connectivity challenges and policies across the Indo-Pacific; and the strategic partnerships that advance India's rise. To support these goals, the DPG undertakes research, publishes policy reports and organises conferences on strategic and geo-political, geo-economic, and defence and security issues.

DPG China Monitor

DPG China Monitor is compiled by our research team from open source Chinese media. Your comments and feedback can be addressed to Antara Ghosal Singh at antara@dpg.org.in

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President Xi Jinping inspects the novel coronavirus pneumonia prevention and control work in Beijing, on February 10, 2020. Source: Xinhua, http://www.xinhuanet.com/english/2020-02/25/c_138818186.htm

Staff members at work in a laboratory in Wuhan, after China's Ministry of Science and Technology issued new rules requiring all Chinese laboratories to boost their biosafety, February. 13, 2020, Source: Xinhua, <https://www.globaltimes.cn/content/1179747.shtml>

Cambodian Prime Minister Hun Sen visited Beijing in the midst of the virus outbreak on February 5, Source: Global Times, <https://www.globaltimes.cn/content/1178831.shtml>

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Abstract

As the progression of the COVID-19 outbreak in China seemed to be slowing down after a toll of 2,981 deaths and 80,270 cases of infection, the national focus in China once again shifted to the health of the economy. While China's state media continued to make repeated projections of the short term impact of the epidemic as mainly reflected in the first quarter of 2020, there was growing concern that the epidemic, a "Black Swan" event which has impacted around 84 per cent of China's work force, can trigger a deep recession or even cause another Asian Financial Crisis.

As a part of the damage control exercise, the Chinese government declared a two-front war - one against the epidemic and another to restore China's economic and social order by "scientific and orderly" resumption of work. A three-fold strategy to manage the crisis was charted.

The first element of this strategy was to ensure the "People's Rice Bag and Vegetable Basket" through the continuous supply, quality and stable prices of commodities of daily need, because "when people have sufficient food in their hands, they won't panic and devote themselves more actively to the war against the epidemic". China claimed to have done a commendable job in maintaining the "lifeline," such as food and water supply, electricity, thermal oil and other daily necessities of people's lives in the cities which are among the worst hit by the epidemic. There were, however, reports that China's farming sector has been reeling under the adverse effect of the epidemic, with certain counties recording as high as a 90 percent dip in sale of agricultural products. As a result, there was much emphasis within Chinese policy circles to help farmers manage the 'Spring Farming' cycle.

Secondly, China is focusing on maintaining people's livelihood and the employment pool. To kick start the economy, the central enterprises (petroleum and petrochemical companies, power grid and power generation companies, iron and steel producers etc.) along with other key players in the services sector have been instructed to resume production on an urgent basis, so that employment is maintained as also China's global supply chain dominance remains unchallenged. The government, on its part, is taking extraordinary measures to ensure the "safe" return of millions of migrant workers from all over China back to work. Special attention is also being provided to SMEs which are among the hardest hit by the epidemic.

Thirdly, there is a deliberate push to transform the epidemic crisis into an opportunity, particularly in terms of upgrading China's industrial structure,

deepening supply-side reforms, and promoting technologically advanced manufacturing, unmanned manufacturing and service industries, through extensive use of big data and artificial intelligence. Further, in order to nullify the impact of harsh quarantine measures, platform economy, sharing economy, and digital economy are being encouraged.

Amidst worldwide concern over the Novel Coronavirus, China has been determining its friends in need. Japan, South Korea, Pakistan and Cambodia were extolled as true friends of China. Gestures like Cambodian Prime Minister Hun Sen's special state visit to China in the middle of the virus outbreak, Pakistan's decision not to withdraw nearly one thousand citizens from Wuhan despite widespread criticism, Japan's lavish aid and solidarity as also South Korean President Moon Jae-in's repeated assurances of backing China in the anti-epidemic fight, were hugely appreciated. China's state media also praised Southeast Asian countries for their milder reaction to the epidemic and offers of moral support to China. While China grudgingly rationalized moves by other close neighbours, such as Russia, Mongolia and North Korea who sealed their borders with China as a preventive measure, it singled out the United States for its "ill-intended" criticism, "fueling racist sentiment against the Chinese people and sullyng China's system and its efforts to fight the epidemic". China was also noticeably unhappy with India's reaction to the epidemic. "Could the Indian government have responded to the outbreak in China in a calmer, more rational manner during the early stage? Could it have shown more goodwill like Japan, South Korea, Pakistan and Cambodia," was the refrain within sections of China's strategic community.

China was also irked by Taiwan and Hong Kong's reaction to the epidemic, which not only banned face-mask exports but also insisted on closing borders and preventing mainlanders to enter these regions. In retaliation, China conducted various military drills this month to bring home the point that the mainland's military capabilities were not deterred by the ongoing virus outbreak and it maintains the will to safeguard national unity and integrity despite difficult circumstances.

In the defence space, China's leadership highlighted the need for incorporating biosecurity as a part of China's national security by speeding up laws and regulations on biosecurity, together with building a permanent force dedicated to the task. This added fresh impetus to the controversy over the actual source of the deadly virus. While some sections of the international media interpreted China's focus on biosecurity as a validation of the "fringe theory" that COVID-19 had emerged from a Chinese laboratory, within China

the consensus was that biological threats to China like the present epidemic were a reality that can no longer be overlooked.

Apart from fighting the deadly Coronavirus, much of China's political energies were spent on waging a high-pitched ideological and propaganda battle. As the death toll from the epidemic rose during the month, all fingers were pointed at China's top leadership. The public outrage following the tragic death of the whistle-blower doctor from Wuhan, Dr. Li Wenliang, further exacerbated the situation. Defending the Chinese government, China's state media strove hard to make a case that the outbreak of the virus was a national emergency in the same league as that of bushfires in Australia, the 2009 Influenza outbreak in the US and the like. It was argued that the epidemic was not a failure of China's political or governance system; 'Socialism with Chinese Characteristics' is China's greatest advantage; and its strong and resolute leadership is the greatest guarantee to overcome a crisis like this in an efficient and orderly manner. Interestingly, there was also some public acknowledgement of initial lapses by Chinese officials and the resultant public discontent. However, it was projected that China is willing to learn lessons from the present crisis and improve its emergency response system for the future.

Economy

As the progression of the Covid-19 outbreak in China somewhat seemed to be slowing down after 2,981 deaths and 80,270 cases of infection, it is now the health of the Chinese economy which is under the scanner.

China's state media is making repeated projections that the impact of the epidemic will be short-term, mainly reflected in the first quarter of 2020, concentrated mostly in the tertiary industry¹. It is being argued that as the epidemic gradually eases, the economy will "quickly stabilize and recover", and the long-term positive trend of the Chinese economy will not change due to the virus outbreak. Despite such positive assurances, deep down, serious scepticism has gripped China's society.

Since the peak of the outbreak and introduction of sweeping prevention and control measures, 84 per cent of the Chinese work force has been out of work, and industries such as tourism, transportation, catering, hospitality, and entertainment have come to a virtual standstill. Consumer demand in the residential sector, investment in the corporate sector, import and export trade in the foreign sector have all been hit hard. These developments are expected to get reflected in important national economic indicators, causing rise in inflation, unemployment and a reduction in the GDP growth rate.

Internally, the epidemic is being considered as the biggest "black swan" event for the Chinese economy. Without timely containment, it is feared that the epidemic could cause a large scale withdrawal of foreign direct investment from China, delivering a fatal blow to its export trade industry, triggering a recession or yet another Asian Financial Crisis.

In this backdrop, President Xi Jinping, at a meeting of the Standing Committee of the Political Bureau of the CPC Central Committee held on February 12, highlighted the need of doing away with sweeping preventive and control measures and resorting to zoning and precision control, so as to balance the prevention and control work with restoration of the economic and social order. He further indicated that the People's War against the Epidemic must go hand in hand with the People's War against Poverty, and that the Centenary Goal of building a well-off society in an all-round way by 2020 will not be postponed due to the epidemic.

¹乔宏军：疫情不改经济长期向好趋势, Economic Daily, February 19, 2020, http://views.ce.cn/view/ent/202002/19/t20200219_34303001.shtml



President Xi Jinping inspects the novel coronavirus pneumonia prevention and control work in Beijing, on February 10, 2020. Source: Xinhua, http://www.xinhuanet.com/english/2020-02/25/c_138818186.htm

President Xi charted a three-fold strategy to sail through the present crisis facing China. 1. Ensuring the rice bag and vegetable basket, 2. Maintaining people's livelihood and the employment pool, 3. Push for Innovation and technology

1. Ensuring People's Rice Bag and Vegetable Basket

China has claimed with immense pride that so far it has been successful in maintaining the "lifeline" such as food and water supplies, electricity, thermal oil and other daily necessities of people's lives, in the cities which are worst hit by the epidemic. In the next phase Chinese policymakers are striving to effectively implement the "rice bag" governor responsibility system and "vegetable basket" mayor responsibility system, so as to ensure continuous supply, constant quality, and stable prices of the commodities of daily need. The idea is that when people "have food in their hands, they won't panic and will devote themselves more actively to the war against the epidemic".

However, reports have emerged which claim that China's farming sector is reeling under the adverse effects of strict quarantine measures. For example, in Xuwen County, Zhanjiang City, Guangdong, the sales of agricultural products have dropped by 90% compared with the same period last year. Stabilizing food production and increasing farmers' income is central to securing China's dream of building a well-off society by this year. There is much emphasis therefore, to mobilize and help farmers to scientifically and timely manage "Spring Farming", which is not only directly related to the people's "rice bag" and farmers' income, but also the foundation of China's economic and social development².

2. Maintaining people's livelihood and the employment pool

If employment and income are stable, people will have more confidence to fight and win any adverse situation. Under this principle the Chinese government has ordered an "orderly resumption of production"³ and "two-line operations"⁴.

The Central enterprises (petroleum and petrochemical companies, power grid and power generation companies, iron and steel enterprises etc.) have been instructed to play the leading and exemplary role in the process of resuming production. Other companies in catering, takeaway, express delivery, logistics, e-commerce and enterprises space have also been encouraged to resume work. The effort has been only partially successful with less than 50 per cent actually returning to work. Reports on cases of post-return contagion have further created panic among the returnees. Under such circumstances, special measures are being taken to ensure safe transportation for the migrant workers. As of February 24, a total of 27,000 special-purpose point-to-point trips⁵, by 81 trains and 292 buses and 55 charter flights were organized across the country to help 660,000 migrant workers return to work.

Apart from that, both the Central and Provincial governments⁶ are giving special attention to the SMEs (Small, medium and micro sized enterprises),

²战“疫”不放松，农时也得抢，February 17, 2020, Economic Daily, http://views.ce.cn/view/ent/202002/17/t20200217_34288360.shtml

³推动复工应加强产业链沟通协调，February 19, 2020, Economic Daily, http://views.ce.cn/view/ent/202002/19/t20200219_34303024.shtml

⁴鼓励企业探索“智能化+工业”，February 19, 2020, Economic Daily, http://views.ce.cn/view/ent/202002/19/t20200219_34303033.shtml

⁵返岗“点对点”为务工者带来满面春风，February 28, 2020, Economic Daily, http://views.ce.cn/view/ent/202002/28/t20200228_34360416.shtml

⁶统筹做好疫情防控和经济社会发展，February 18, 2020, Economic Daily, http://views.ce.cn/view/ent/202002/18/t20200218_34294724.shtml

particularly in the catering, tourism, transportation, retail and other service space, which have been worst hit by the epidemic. Assistance is being provided to them through various fiscal, tax, financial, social security and other incentives to help them overcome the difficulties posed by the sudden outbreak of Corona Virus and keep the employment pool intact.

3. Push for Innovation and Technology

There has been a deliberate push to transform the epidemic crisis into an opportunity, particularly in terms of upgrading China's industrial structure, deepening supply-side structural reforms, promoting integration and development of technologically advanced manufacturing/unmanned manufacturing and modern service industries, development and application of big data and artificial intelligence and promotion of platform economy, sharing economy, and digital economy. In fact, technology has played a significant role in epidemic prevention and control, and has aided in early resumption of work in certain provinces. For instance, in Zhejiang Province, there has been large scale use of big data and grid system to study and analyse the trajectory of the epidemic, distribution of hotspots, predict the development trend of the epidemic in advance, and guide the rational dispatch of medical resources. Similarly, through data analysis, relevant departments have traced out suspected patients and their close contacts as early as possible, which helped in isolating the source of infection in time. Hangzhou, capital of Zhejiang Province was among the first to adopt QR codes⁷ or health code⁸ on February 11, to be followed by more than 100 Chinese cities. The QR codes, produced with the mobile app 'Alipay', are meant to refine tracking, conduct no-contact checks and thereby reduce virus transmission risks. Various reports⁹ further highlighted the usage of drones and deployment of robots by China to deliver supplies, disinfect and monitor quarantined areas.

On the other hand, a near complete shut down of the physical economy led to a booming digital economy in China. As people followed instructions on epidemic control and prevention and stayed back home, many businesses started catering to, what they called "homebody economy". The homebody economy particularly referred to booming on-demand streaming services, online shopping, food delivery, online working, online education, online entertainment, online healthcare and non-contact retail among others. Yet

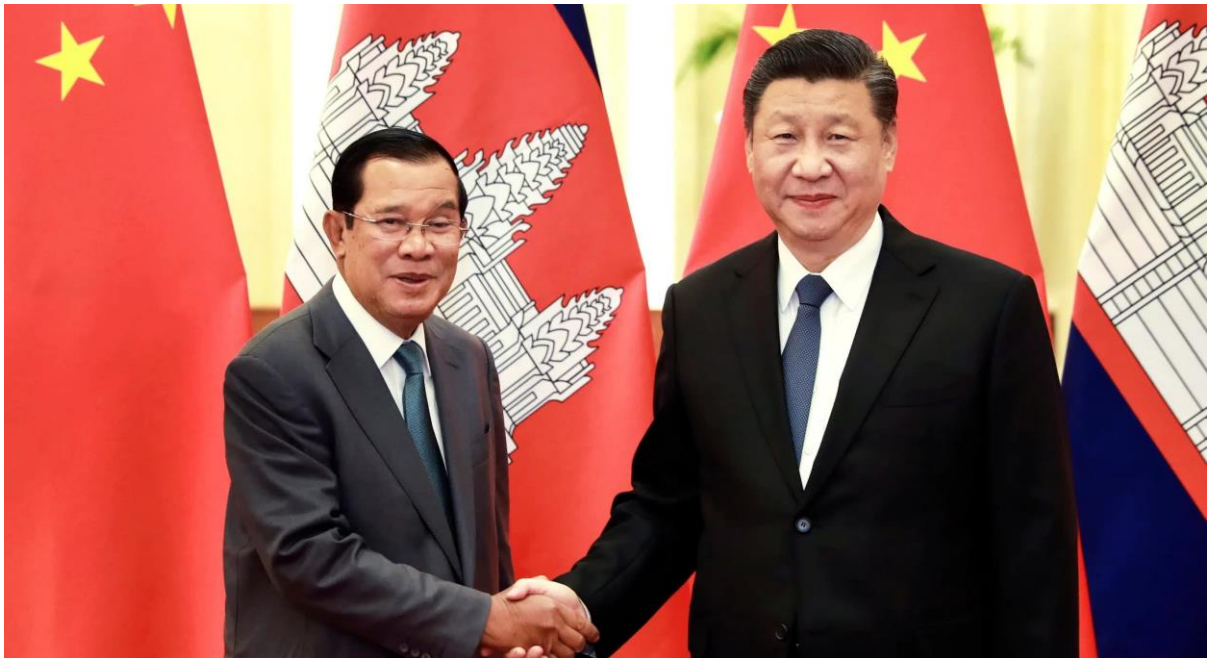
⁷ Over 100 Chinese cities adopt QR codes for coronavirus control, work resumption, Xinhua, February 20, 2020, http://www.xinhuanet.com/english/2020-02/20/c_138799637.htm

⁸ 数字技术赋能中国经济“硬核”战疫, Economic Daily, February 19, 2020, http://views.ce.cn/view/ent/202002/19/t20200219_34306700.shtml

⁹ Chinese "novel remedies" for economy evolve as virus outbreak bites, February 14, 2020, Xinhua, http://www.xinhuanet.com/english/2020-02/14/c_138783907.htm

another epidemic induced tech-trend in China is that of platform and sharing economy. “Shared employee model”¹⁰, “Cloud recruitment”¹¹ etc., are much in vogue in various quarantined cities in China. It is no exaggeration to say that the booming digital economy is among the bright spots in an epidemic ravaged China.

Foreign and Security Policy



Cambodian Prime Minister Hun Sen visited Beijing in the midst of the virus outbreak on February 5, Source: Global Times, <https://www.globaltimes.cn/content/1178831.shtml>

Amidst the chaos over Corona Virus, China is also determining its friends in its time of need. Japan, South Korea, Pakistan and Cambodia were upheld by China’s state media as the true friends of China. Gestures like Cambodian Prime Minister Hun Sen’s special state visit to China in the middle of the virus outbreak, Pakistan’s decision not to withdraw nearly one thousand citizens in the Chinese city of Wuhan despite widespread criticism, Japan’s lavish aid to China showing solidarity, South Korean President Moon Jae-in’s repeated assurances for backing China in the anti-epidemic fight, were hugely appreciated by the Chinese government. Chinese media also praised the

¹⁰ “共享员工”模式多些协商的好, Economic Daily, February 19, 2020,

http://views.ce.cn/view/ent/202002/18/t20200218_34294875.shtml

¹¹ 全球“云招聘”, 浙江为何又抢“鲜”?, Qianjiang Wanbao, February 28, 2020,

http://views.ce.cn/view/ent/202002/28/t20200228_34360529.shtml

Southeast Asian countries for showing a milder reaction to the epidemic and offering moral support to China¹².

While China grudgingly rationalized moves by other close neighbours, such as Russia, Mongolia and North Korea, who sealed¹³ their borders with China as a preventive measure, it strongly criticized "ill-intended" moves by the US in "fueling racist sentiment against the Chinese people and smearing China's system and the nationwide efforts to fight the epidemic".

China condemned "hurtful insults"¹⁴ and inappropriate statements emanating from Washington, aimed at smearing China, even in such dire situations. It was noted that since the outbreak of the epidemic, the US side has intensified its anti-China rhetoric, with White House advisor Peter Navarro calling China "disease incubator", US Republican Senator Tom Cotton suggesting that the virus could be a man-made bioweapon leaked from the Wuhan Institute of Virology and Washington Post columnist Walter Russell Mead addressing China as "the real sick man in Asia" among others.

Some Chinese strategists even questioned why it was even necessary for the US, a country that claims to have the strongest medical and healthcare facilities worldwide, to ignore the WHO recommendations and be the first to evacuate personnel from its consulate in Wuhan, the first to suggest partial withdrawal of its embassy staff, and the first to impose a travel ban on foreigners arriving from China, creating panic worldwide.

There were large scale apprehensions within the Chinese strategic circles that the US is taking advantage of the epidemic to intensify the decoupling process, to attack the Chinese government, to discredit Chinese efforts to contain the epidemic as "human rights violations", and challenge China's core interests by imposing new US restrictions on Huawei, continuing with its campaign against China's Xinjiang policy, releasing the new National Counterintelligence Strategy and also supporting Taiwan's membership in international organizations, including the World Health Organization and the International Civil Aviation Organization.

China was also unhappy about India's reaction to the Chinese epidemic. They questioned the efficacy of the measures taken by the Indian government to

¹² Western fear mongering hinders virus fight, Global Times, February 4, 2020, <https://www.globaltimes.cn/content/1178492.shtml>

¹³ Virus battle China's chance to show progress, Global Times, February 4, 2020, <https://www.globaltimes.cn/content/1178509.shtml>

¹⁴ US criticism toward China reveals a country unwilling to learn, Global Times, February 9, 2020, <https://www.globaltimes.cn/content/1178944.shtml>

prevent the virus from spreading into India, like deploying aircraft to evacuate Indians from China, curtailing flights to China, blocking the entry of the Chinese people, temporarily suspending the e-visa entry from China, and organizing expert teams to study and research the virus etc¹⁵.

“Could the Indian government have responded to the virus outbreak in China in a calmer, more rational manner during the early stage? Could it have extended similar goodwill like Japan, South Korea, Pakistan and Cambodia, while trying to safeguard its own security? They didn't ban shipping supplies of surgical masks and other medical accessories to China or suspending e-visa services for Chinese people” argued an article in the Chinese press. Although the ban on medical gear exports was withdrawn later on, yet India's previous moves have caused some discontent in Chinese public opinion, the article added.

Defence



Staff members at work in a laboratory in Wuhan, after China's Ministry of Science and Technology issued new rules requiring all Chinese laboratories to boost their biosafety, February. 13, 2020, Source: Xinhua, <https://www.globaltimes.cn/content/1179747.shtml>

On February 14, President Xi chaired a meeting of the Central Committee for deepening overall reform, where he stressed the need for “revising laws and

¹⁵ China expects more goodwill from India amid virus outbreak, Global Times, February 12, 2020, <https://www.globaltimes.cn/content/1179335.shtml>

regulations concerning infectious disease prevention and treatment, as well as wildlife protection. He also emphasized speeding up establishing laws on biosecurity, stressing that it should be included in the system of national security."¹⁶

Xi's speech once again raked up the controversy over the actual source of the deadly Corona virus. Some section of the international media has interpreted Xi's speech as a validation of the "fringe theory" that COVID-19 emerged from a laboratory, specifically the P4 biosafety lab at the Wuhan Institute of Virology. The consensus, however, in China, is that biological threats to China are a reality and can no longer be underestimated. A major infectious disease can have as great an impact on Chinese politics, economy and society as a regional war, as shown by the COVID-19 outbreak, so building a permanent force dedicated to dealing with these potential threats is necessary, argued an article in the Chinese Press¹⁷.

Internal Security

The Chinese mainland was rather irked by Taiwan¹⁸ and Hong Kong's¹⁹ reaction to the epidemic. Both not only banned face-mask export to the mainland, but also insisted on closing down borders and preventing mainlanders to enter their regions.

In retaliation, the Chinese People's Liberation Army (PLA) organized²⁰ two back to back drills, one combat readiness drill, and another joint naval and air forces drill near Taiwan, in the Bashi Channel and Miyako Strait on February 9-10. The move was intended to send a stern warning to Taiwan secessionists, who according to the China, are using the pretext of the epidemic to clamor for joining the World Health Organization (WHO), maligning the mainland's stance at the international body, and preventing people from the mainland visiting the island. The PLA's move was also meant to make a global statement that the mainland's military capabilities were not hindered in any way by the

¹⁶ Xi stresses improving mechanism for major epidemic prevention, control, Xinhua, February 14, 2020, http://www.xinhuanet.com/english/2020-02/14/c_138784543.htm

¹⁷ Establishment of national defense force on biosecurity urged amid COVID-19 outbreak, Global Times, March 3, 2020, <https://www.globaltimes.cn/content/1181343.shtml>

¹⁸ Taiwan should use the epidemic to improve cross-Straits ties, not make things worse, Global Times, February 10, 2020, <https://www.globaltimes.cn/content/1179049.shtml>

¹⁹ Shameful strike by HK medical workers, Global Times, February 6, 2020, <https://www.globaltimes.cn/content/1178787.shtml>

²⁰ PLA's patrol encircling Taiwan island sends stern warning to secessionists: source, Global Times, February 9, 2020, <https://www.globaltimes.cn/content/1178974.shtml>

ongoing novel coronavirus outbreak and it maintained the will to safeguard national unity under all circumstance.

Chinese Communist Party

During the month China didn't just have to fight the deadly Corona Virus but also a high-pitched ideological and propaganda battle. As the Corona Virus death toll rose by leaps and bounds, all fingers were pointed at China's top leadership. The public outrage following the tragic death of the whistle-blower doctor from Wuhan, Dr Li Wenliang²¹, further exacerbated the situation. Defending the Chinese government, China's state media strove hard to make a case that the outbreak of the virus was yet another national emergency in the same league as that of the bushfires in Australia, the 2009 influenza outbreak in the US etc. It does not signify failure of China's political or governance system, rather socialism with Chinese characteristics is China's biggest advantage in a crisis situation like this, and its strong and resolute leadership, the biggest guarantee to overcome such crisis in an efficient and orderly manner.²²

Interestingly, there has been public acknowledgement of the initial lapses by some Chinese officials and the resultant public discontent. However, it was projected that China is willing to learn lessons from the present crisis and improvise its emergency response system in the future. "China's national system is capable of overcoming the constraints of various departments, agencies and local bureaucracies, and prevent different political forces from passing the buck," stated a report in China's state media. As the epidemic has spread beyond China's border and is wreaking havoc in faraway places like Italy, Iran, South Korea and Japan, the Chinese media is building up an image of China being a leader in the epidemic prevention and control space²³.

²¹ Doctor's death not an opportunity for the West to slam China, Global Times, February 9, 2020, <https://www.globaltimes.cn/content/1178981.shtml>

²² 有信心有能力有把握打赢疫情防控阻击战, Renmin Ribao, March 5, 2020, <http://theory.people.com.cn/n1/2020/0305/c40531-31617672.html>

²³ China's governance model well-suited to confronting virus outbreak, Global Times, March 5, 2020, <https://www.globaltimes.cn/content/1178564.shtml>



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