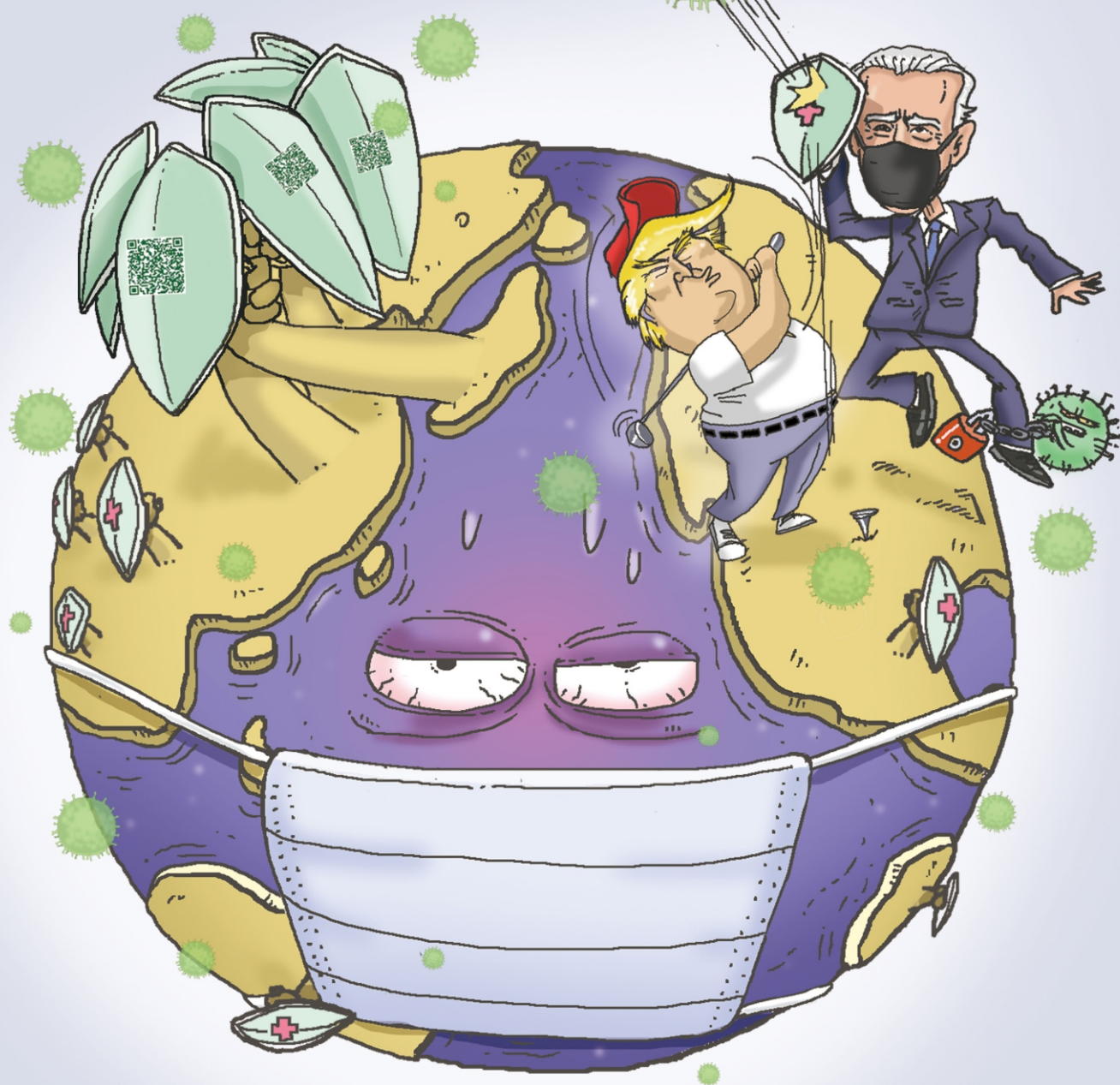


# Practical Experiences from China and Other East Asian Countries *on COVID-19 Containment*



**The Whole World is  
Monitoring Biden's  
100-Day New Deal**  
*Qian Feng*

**Looking Forward to  
Enhanced China-EU  
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**The Fault Lines:  
China's 2020 Economic  
Review and 2021  
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**How the Sentiments  
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# The Whole World Is Monitoring Biden's 100-Day New Deal



(source: sputniknews)

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The signing of the executive orders for fighting COVID-19, repealing of the Muslim travel ban and rejoining the Paris climate agreement on his inauguration day, January 20, was clearly an action by President Joseph R. Biden of keeping the promises he made during the heated U.S. Presidential election campaign last November against Republican incumbent Donald J. Trump.

Mr. Biden is committed to proving to all Americans that his administration will prioritize the “healing” of the nation, not only by taking a serious scientific approach to containing the COVID-19 pandemic now hovering at more than 3,000 deaths each day, but also embarking on a different path from his predecessor in terms of ensuring racial equality, easing racial tensions and repairing the deteriorating political chasm that has grown in recent years so as to revitalize the role of minorities in the “American melting pot”.

During its first 100 days, the Biden administration is expected to announce sweeping new policies on pandemic control, economic recovery and social governance.

To the international community, the Biden administration has sent an unmistakable signal that Democratic governance will revise the Trump administration’s “America

First” with a new “Made in America” policy: revive multilateralism; mend America’s international image and resume its “international leadership” role now heralded by the Democratic Party.

During the next four years, there may be a stark transformation in the pattern of U.S. foreign policy. The Biden administration’s foreign policy is expected to be characterized by a relatively rational, steady and predictable approach with emphasis on cooperation in competition, and a willingness to mobilize allies and highlight “human rights” and ideology.

Under Mr. Biden’s Presidential tenure, the United States is expected to return to previously nullified multilateral agreements and international organizations, especially the WHO, WTO and the Paris Agreement as Mr. Biden works to reverse years of passivity. Combined, these and other actions are expected to help increase international cooperation and reverse the Trump administration’s previous aggressive foreign policy positions.

Although for the United States, a world power with a tradition of hegemony, making such adjustments may only be a temporary glimpse of self-recuperating, this will certainly have an important impact on the overall tone of the international community and the reconstruction of globalization.

The political legacy of the “Trump Doctrine” will continue to reverberate throughout the international community and have a major impact on U.S. foreign policy at a time when there is already a clear swath of division rippling across American society. Even if Mr. Biden has the political will, the United States may not be able to return to its previous relationships on the world stage, dictated by the current dynamics of the world power landscape.



(source: sputniknews)

Since the end of the Cold War, historic changes in the global landscape have led to America’s relative economic decline and numerous domestic challenges as international engagement patterns may never be fully restored to its former state.



A series of political events in the United States in recent months, including but not limited to the ballot fiasco in the U.S. Presidential election and the riots by Trump supporters within the halls of the U.S. Congress on January 6, have collectively placed U.S. leadership, credibility and even its political system into question.

The United States has long expounded on upholding the rule of law, the peaceful transfer of electoral power and detaining military interference in the occasion of unexpected election results. However, today, it is the international community that is urging Americans to abide by the rule of law, respect the results of fair elections and the peaceful transfer of power. In the future, the Biden administration is expected to find it challenging for the United States to play the role of “convener of democratic society”.



(source: CGTN)

Many political commentators believe that the international community will suspect the authenticity of the United States when it seeks to promote “democratic values” around the world. In the long run, this will deal a huge blow, not only to the image and prestige of the United States, but also to the political institutions the West has long been so proud of.

Although China-U.S. relations is a main focus of the Biden administration’s foreign policy, its primary concern is expected to be domestic challenges rather than foreign affairs. China-U.S. relations are not necessarily the most important bilateral relations that needs immediate repair and it is still questionable to what extent Mr. Biden would be willing to invest the political capital necessary to address the many undercurrent issues confronting China-U.S. relations.

It should be noted that, as America's senior political elder, Mr. Biden, 78, has a long history in American politics, serving first as a Senator in 1973; a longtime member of the U.S. Senate Committee on Foreign Relations; Vice President for eight years during the Obama administration and now serving as President with substantial philosophical understandings of China issues. In addition, Mr. Biden's consulting team is more familiar with diplomacy and security issues between China and the U.S., compared with Mr. Trump and his entourage.

It is imaginable that at the conclusion of the Biden administration, China-U.S. relations may be moderated to a certain extent, and cooperation in varied areas between the two sides is expected to be gradually restored. This will certainly be a step-by-step process. Concurrently, the U.S. strategic keynote of containment and restraint against China is not expected to fundamentally change.



(source: [cnas.org](https://cnas.org))

In January 2020, Mr. Biden's team published a study entitled "Rising to the China Challenge", alleging "the United States and China are locked in strategic competition over the future of the Indo-Pacific". Mr. Biden himself refers to China as a "competitor" rather than an "enemy" and claims that whether the two countries move towards "hostility" depends on their interactions.

This is a clear repudiation of the former U.S. President Trump's far-right pattern of decoupling the two sides and potentially igniting a new "Cold War".

With "strategic competitors" being said, the Biden administration will not allow China to over-perform the U.S. or loosen its strength in cracking down on China. The American policy of deterring China is expected to be unchanged.



As the new year of 2021 was ushered in with a Comprehensive Agreement on Investment (CAI) between China and the European Union, senior fellows at the Taihe Institute are expecting China and Europe to continue working together to expand the positive aspects of their bilateral relations, overcome adversarial aspects and promote the healthy and stable development of China-EU relations in the midst of rapid changes in the international landscape in the year ahead.

They regard 2020 as a year of landmark significance in the bilateral relations, as it witnessed the 45th Anniversary of the establishment of diplomatic relations between China and the European Union, the first meeting between the Chinese leadership and its new EU counterparts, the conclusion of negotiations on the CAI as scheduled and many others accomplishments in China-EU relations.

Also in 2020, against the backdrop of the sudden worldwide outbreak of the COVID-19 pandemic and the escalating strategic competition between the United States and China, long-standing issues and disputes between the two parties within a complex environment had made the expanded development of China-EU relations far more challenging than ever before.

Despite all this, China and Europe have made consistent efforts to overcome challenges, strengthen communication and exchanges and engage actively in anti-COVID-19 pandemic cooperation, while moving forward to build a China-EU green and digital partnership.

Within this matrix, China and the EU managed to maintain an overall stability in their bilateral ties in 2020.

Concurrently, negative factors limiting the development of China-EU relations still persist, such as a lack of mutual trust and a further downturn of China's public image in some major European countries over issues like the origins of the coronavirus, the application of 5G technology and differences over human rights values.

Looking forward, the senior fellows believe:

- ▶ China and Europe need to further strengthen the building of mutual trust;
- ▶ Both sides should continue to strengthen contacts at high and executive levels;
- ▶ Engagement is needed for open and frank dialogue and communication;
- ▶ Identifying additional areas where the interests of the two sides converge;
- ▶ Avoid, as far as possible, ideological differences between the two sides from getting in the way of the bilateral cooperation based on the principle of equality and mutual benefit.

They noted, while Europe is faced with repeated economic shocks and the loss of lives arising from the COVID-19 pandemic, China is uniquely poised to take advantage of its economic “first recovery” and actively engage in exchanges and cooperation in pandemic prevention and control, vaccine production and distribution and promoting further economic recovery.

China should take advantage of new opportunities brought about by the CAI, emerging anti-pandemic-related businesses and the launch of the EU’s recovery plan, further drive China-EU cooperation in the areas of digital economy, green economy and climate change while promoting the construction of the bilateral dialogue mechanisms in these dimensions.

The senior fellows also recommend that China should bring into full play the important role of the China Railway Express (Crexpress) - the China-Europe freight train lines connecting scores of Chinese and European cities - so as to further promote the smooth flow of logistics, thereby exploring the opening of convenient new channels in an effort to maintain the stability of the industrial chain as well as supply chain between China and Europe.

With the expectation that vaccinations for COVID-19 will continue to be rolled out throughout the international community and the pandemic being brought under manageable control, China and the EU should try to push for the resumption of



businesses in shipping and tourism, while, in a step-by-step fashion, extending “fast track” and “green channels” for the exchanges of people and goods to the whole of Europe with an eye on restoring economic and people-to-people contacts between the two sides as soon as possible.

Specifically, the fellows listed the following recommendations for stronger cooperation in six areas:

**1** China and Europe should cooperate closely in the global fight against the COVID-19 pandemic.

On November 24, 2020, Chinese and German leaders stressed in their telephone conversation the importance of strengthening the cooperation between China and Europe in the fight against the COVID-19 pandemic and in the research and development of vaccines.

As some regions throughout world, including Europe, face repeated resurgences of COVID-19 infections and the newly mutated forms of the virus, China and Europe should actively communicate through multilateral platforms such as the World Health Organization to coordinate and cooperate in joint efforts to address this severe pandemic situation.



Also, since both China and Europe have joined the UN’s COVID-19 Vaccines Global Access (COVAX), both should play a key role in the research, development and distribution of available vaccines, which are supposed to be public products and not be politicized.

In addition, both sides could strengthen exchanges and cooperation in areas such as new treatments and medicines for COVID-19 patients and public health management.

## 2

China and Europe should deepen cooperation in the areas of trade and economy.

1. After the conclusion of negotiations on the investment agreement, both sides should actively push for the ratification and implementation process of the CAI.

China should maintain dialogue and communication with its European counterparts, try to clarify China's position on issues of disagreement and increase dialogue as both sides work to identify the significant benefits that ratification will bring about and actively promote the effective implementation of the agreement.

2. Given the investment agreement, the feasibility study on a China-EU Free Trade Agreement (FTA) should be launched as soon as possible.

China and the EU are both major world economies and important trading partners to each other. Year 2019 marked the 16th consecutive year for the European Union to be China's largest trading partner while China has been EU's second largest trading partner after the United States.



However, in the first seven months of 2020, China overtook America as EU's largest trading partner for the first time.

Therefore, beginning the initial process of negotiations for a Free Trade Agreement between China and the EU would not only deepen bilateral trade and economic cooperation but also be of great significance in promoting the recovery of the world economy which has been battered by the COVID-19 pandemic as well as the sustainable development of the international community.

### 3. China-EU cooperation on WTO reform issues.

Both China and Europe advocate the improvement of global economic governance, promoting economic globalization toward a transparent, inclusive and non-discriminatory direction and safeguarding rules-based multilateral trading systems within the framework of the World Trade Organization.

With this as the foundation, China and Europe should look to expanded cooperation that will enhance the three basic functions of the WTO:

- ▶ Dispute settlement;
- ▶ Supervision and negotiation - thereby enhancing the effectiveness and authority of the WTO;
- ▶ Working collectively to better meet current and future challenges.

## 3

China and Europe can cooperate closely on tackling climate change.



The withdrawal of the United States from the Paris Agreement has stymied the climate change governance process.

On December 15, 2019, the United Nations Conference on Climate Change in Madrid failed to reach agreement on many negotiating objectives, especially the establishment of a carbon market, leaving climate change governance in a difficult situation. As two parties with significant influence on climate change issues, China and the European Union should work together to build a new China-EU green partnership based on a high-level dialogue on environment and climate.

The Taihe Institute also recommends China and the EU cooperate closely in areas such as energy transition, energy efficiency and emission reduction, the establishment of a carbon emissions trading system, the development of green finance and the achievement of “carbon neutrality” to promote the response and governance of climate change issues.

Concurrently, the two sides should join hands to explore new institutional mechanisms and business development models to make a greater contribution to the global response to climate change.

## 4

China and EU countries should continue to cooperate in digital and other high-tech fields.

Since the establishment of diplomatic relations between China and the European Union 45 years ago, the two sides have engaged in successful cooperation in the field of high technology. The EU has long been a major source of China's imports of advanced technology.

China and Europe enjoy close cooperation in the fields of nuclear energy, lithography and aviation. According to data from the Economic and Commercial Section of the Chinese Mission to the EU, as of February 2019, the cumulative contract value of China's technology imports from the European Union was more than 216.7 billion USD with a total of 56,482 projects.

In the future, China should actively cooperate with the EU in high-tech fields such as:

▼

Advanced communication technology

Internet of Things

Big data

Biotechnology

Space remote sensing

Fintech and blockchain

Wearable devices

Nanotechnology

Virtual reality, and

Artificial intelligence



Simultaneously, China should effectively do its part in legislating and enforcing the protection of intellectual property rights at home, which will help set a firm foundation for the introduction of advanced technology and equipment from the EU.

## 5

China and Europe should jointly uphold multilateralism, safeguard the UN-centered international system and promote relevant reforms.

For many years, China and Europe have jointly adhered to multilateralism and defended the international system with the United Nations as the cornerstone in maintaining international peace and security. Under the current situation, adherence to



multilateralism is the best pathway to promoting international cooperation as well as addressing the growing number of common risks and challenges in maintaining world peace and prosperity.

China and Europe should firmly uphold the international system and the importance of the United Nations in dealing with world affairs. China and the European Union should continue to cooperate on a full range of global governance and regional issues, including:

- ▶ UN Security Council reform
- ▶ The G20
- ▶ Joint preservation of the Iran nuclear agreement
- ▶ Combating cybercrime
- ▶ Counter-terrorism
- ▶ Combating intellectual property theft
- ▶ Coordinating the Afghanistan peace process, and
- ▶ Supporting the development of Africa and the achievement of the UN Sustainable Development Goals

## 6

China and Europe can jointly develop third-party markets.

The concept of third-party market cooperation was first introduced in the Joint statement on China–France Third-Party Market Cooperation in June 2015.

Against the backdrop of China's Belt and Road Initiative, joint development of third-party markets will become a hallmark in China-EU cooperation.

China and Europe can work together towards the joint development of third-party markets in the fields of energy, infrastructure, transport, agriculture, health, climate change, finance and insurance which are of great importance to both sides.

Through these cooperation projects, China and Europe will be able to find new impetus to their future cooperation.

# Practical Experiences from China and Other East Asian Countries on COVID-19 Containment

Cover Story from TIO

## Introduction

Although every country's approach to combating COVID-19 has had unique characteristics, it appears that, in general, East Asian countries' responses to the pandemic have been significantly more successful than the approaches favored by many Western countries.<sup>1</sup> For instance, whereas COVID-19-confirmed deaths per million is close to 1,509 and 1,299 in the UK and the U.S. respectively at the end of January 2021, it is only 26.7 per million for South Korea and 3.5 per million for China.<sup>2</sup> Several East Asian nations have focused on suppressing the spread of COVID-19 by maintaining tight control measures to prevent a resurgence of infection, while their counterparts in the Americas and Europe have largely disregarded or questioned the necessity of such strong measures.<sup>3</sup>

<sup>1</sup> In this article, we use "West" and "Western" to refer to regions comprising the majority of Europe, the Americas, and Australia.

<sup>2</sup> Johns Hopkins University. (2021, January 27). Coronavirus Resource Center: Mortality Analyses. Retrieved January 27, 2021, from <https://coronavirus.jhu.edu/data/mortality>

<sup>3</sup> Financial Times. (2020). Containing coronavirus: lessons from Asia. Retrieved January 15 2021, from <https://www.ft.com/content/e015e096-6532-11ea-a6cd-df28cc3c6a68>



Several East Asian economies have favored policy instruments that focused on society as a collective; special consideration has been shown to vulnerable groups, and priority given to ensuring equal access to health care services.<sup>4</sup> Certain restrictions were introduced in response to citizens' demands, suggesting a degree of public consensus that the health of the group is as important as individuals' well-being. Arguably, these countries' traditionally collectivist nature has meant that people have been willing to sacrifice some degree of freedom for the collective good. In contrast, many such policies, such as personal data disclosure for better contact tracing,<sup>5</sup> have been viewed as extreme by Westerners, and even disregarded entirely—in part due to the blame that some have directed toward the East regarding the pandemic's origins.<sup>6</sup> In the West, individual national interests have at times been prioritized above those of other countries, such as when U.S. President Donald Trump signed an “America First” executive order on vaccines.<sup>7</sup> Due to their experience with Severe Acute Respiratory Syndrome (SARS) and Middle East Respiratory Syndrome (MERS), Eastern countries' public health systems were more prepared for a new outbreak. The public also knew what to expect, and so have been readier to cooperate with the planned control measures, unlike in the West, where governments have faced considerable opposition to policies such as lockdowns or mandatory mask-wearing. Although East Asia's situation is still dynamically changing, and not without its critics, when it comes to control of COVID-19 the average performance remains significantly better than that of most of the rest of the world.

4 Asian Development Bank. (2020, September 17). Development Asia: Social Protection Interventions as Medium- and Long-Term Responses to the Pandemic. Retrieved January 27 2021, from <https://development.asia/policy-brief/social-protection-interventions-medium-and-long-term-responses-pandemic>

5 Nature. (2020, March 18). South Korea is reporting intimate details of COVID-19 cases: has it helped? Retrieved January 27 2021, from <https://www.nature.com/articles/d41586-020-00740-y>

6 An, B. Y., & Tang, S. Y. (2020). Lessons from COVID-19 responses in East Asia: Institutional infrastructure and enduring policy instruments. *The American Review of Public Administration*, 50(6-7), 790-800.

7 In Donald Trump's words: “I will sign an executive order to ensure the United States government prioritizes the getting out of vaccines to US citizens before sending it out to other nations.”

## The Reasons behind the Success of East Asia's Pandemic Responses

The UK has a population one twentieth that of China but has had 10 times as many deaths, according to the *Lancet*.<sup>8</sup> What were the main factors that put East Asia, especially China, in a better position to respond to COVID-19? This section summarizes these factors. Specifically, it identifies Asia collectivism, previous experiences dealing with epidemics, the use of technology and big data, and the promotion of multilateralism.

### i. Collectivism and citizens' trust in government

Compared with the United States or the United Kingdom, East Asian society's collective nature has proved a boon for public health. One characteristic that East Asian countries had in common was that populations, notwithstanding minor concerns, trusted government measures even during the most difficult times, when area-specific quarantines and other strict measures were imposed. Moreover, compared with their counterparts in the West, Beijing, Seoul, and Tokyo seem to have been able to act swiftly and centrally, with a high degree of coordination among national and regional officials. Multiple government U-turns and delays have damaged the people's confidence in the West;<sup>9</sup> in the UK, for example, confusion about coming out of lockdown and children going back to school,<sup>10</sup> coupled with a "too little, too late" approach and early ideas of "herd immunity"<sup>11</sup>, has been a constant thorn in the side for Prime Minister Boris Johnson's ruling Conservative Party. East Asia's planning in the face of COVID-19 has been significantly more consistent: guidelines and other communication from government and public health officials tended to be clear and unwavering, establishing a social consensus in favor of trust and cooperation.

China, Korea, and Japan do have very different political systems. Although influenced by collectivism, the 1947 Japanese Constitution stresses substantial individualist rights. This made it hard for the Diet (Parliament) instead to impose a national lockdown, but Japan's strict social code guaranteed the lockdown without the state's

<sup>8</sup> Talha Burki, 'China's successful Control of Covid 19' (The Lancet, October 8, 2020), [https://doi.org/10.1016/S1473-3099\(20\)30800-8](https://doi.org/10.1016/S1473-3099(20)30800-8), Accessed January 27 2021.

<sup>9</sup> <https://yougov.co.uk/topics/international/articles-reports/2020/05/26/perceived-national-and-global-covid-19-outlook>

<sup>10</sup> Delphine Strauss, 'Schools in England caught out by government's U-turn on closures' (Financial Times, January 4th 2021), <https://www.ft.com/content/2dbfc2e1-c564-4694-aedd-8a402b32831f>, Accessed January 27 2021.

<sup>11</sup> British Medical Journal, The UK's public health response to covid-19, (British Medical Journal, 15 May 2020), doi: <https://doi.org/10.1136/bmj.m1932>





*One of the first domestically produced masks in Japan.  
 Source: The Japan Times*

hand. Furthermore, the Japanese social norm of mask-wearing and tolerance of social distancing have worked in Japan's favor. The modern origin of wearing masks started from Meiji Era (1868–1912) in Japan, with one of the first domestically produced masks advertised

in newspapers in 1879.<sup>12</sup> Moreover, the Japanese value of courtesy (caring for others), obligation (being responsible in a group), and shame (avoiding prejudice for non-compliance with social norms)<sup>13</sup> augmented the government's COVID-19 controls. On the other hand, Japan also has unique social problems; its already high suicide rate increased during lockdown, for example. Furthermore, as is happening elsewhere during winter, Japan's COVID-19 cases are still climbing.<sup>14</sup>

Similarly, in South Korea, the spirit of “Inhwa”, or harmony, stemming from Confucianism, places high importance on loyalty. In South Korea, mask-wearing is seen as demonstrating genuine respect for the security and welfare of others rather than as a way to protect oneself.<sup>15</sup> The small Southeast Asian country of Cambodia, meanwhile, received considerable praise for its effective COVID-19 control; there, people's obedience to government instructions has roots in strong fear of conflict generated during the country's troubled past, especially the Khmer Rouge era (1975–79)—“peace” is a frequently-cited motto of the present government. In early December 2020, the government received a donation of over 30 million USD from local donors just a day after the prime minister announced a scheme to purchase vaccines in order to offer free vaccinations. A sense of solidarity inspires each individual to contribute in all state-building processes and provides a mode of national conciliation for a country ravaged by internal divides until the 1990s.

The Confucian-inspired collectivism of East Asian governments has been extremely helpful in stopping the rapid spread of COVID-19. In some cases this involved top-

<sup>12</sup> Martin Alex, 'The history behind Japan's love of face masks' (Japan Times, July 4 2020) <<https://www.japantimes.co.jp/news/2020/07/04/national/science-health/japans-history-wearing-masks-coronavirus/>> accessed January 17 2021.

<sup>13</sup> Paul De Vries, 'COVID-19 versus Japan's culture of collectivism' (Japan Times, May 22 2020) <<https://www.japantimes.co.jp/opinion/2020/05/22/commentary/japan-commentary/covid-19-versus-japans-culture-collectivism/>> accessed January 14 2021.

<sup>14</sup> <https://www.theguardian.com/world/2021/jan/16/japans-suicide-rate-rises-16-in-second-wave-of-covid-study-finds>

<sup>15</sup> Mimsie Ladner, 'In South Korea, Collectivist Culture Is Helping to Contain Covid-19' (The Culture Trip, March 27 2020) <<https://theculturetrip.com/asia/south-korea/articles/in-south-korea-collectivist-culture-is-helping-to-contain-covid-19/>> accessed January 13 2021.

down measures, as in China, which vastly restricted people's freedom of movement but quickly contained the virus before it rampaged out of control; in other cases, as in Japan, the government took a more hands-off approach. Overall, the West can learn from Confucianism that to control a pandemic, the government must take quick, decisive, and well thought-out action, explain its benefits clearly to people, and stick to it. This enables a population to develop a communal spirit and combat disease effectively, rather than letting misinformation and resentment spread.

## ii. Previous East Asian experiences with pandemics



(source: the guardian)

Many comparisons have been made between COVID-19 and the so-called Spanish flu of 1918. Indeed, one century ago the world faced a pandemic of equally large proportions. Since then, scientific advances have led to relatively fewer outbreaks.<sup>16</sup> Yet many developing countries have continued to face considerable public health challenges. The 2003 SARS crisis,

which began in China and then spread to 26 countries in East and South-East Asia, was a wake-up call regarding the lack of preparedness to deal with large-scale epidemics. In China, the government overhauled its center for disease control, set up new protocols for identifying outbreaks, and expanded its global public health linkages. It also invested 6.8 billion RMB (850 million USD) in constructing a new three-tiered disease control and prevention system network.<sup>17</sup>

Other viruses such as Nipah and the H5N1 avian flu (commonly called bird flu) have informed how countries across Asia dealt with disease outbreaks. These led to changes in governance structures to deal with public health emergencies. With the passing of the World Health Organization's International Health Regulations (IHR) in 2005, countries in South East Asia recognized the value of a collective response towards public health.<sup>18</sup> Many contributed to formulating the Asia-Pacific Strategy for Emerging Diseases (APSED), a coordinated effort to identify and share information

<sup>16</sup> Kate Whiting. "A science journalist explains how the Spanish flu changed the world," World Economic Forum (April 30, 2020) <https://www.weforum.org/agenda/2020/04/covid-19-how-spanish-flu-changed-world/>

<sup>17</sup> Jennifer Bouey, "Strengthening China's Public Health Response System: From SARS to COVID-19", American Journal of Public Health 110, no. 7 (July 1, 2020): pp. 939-940. <https://doi.org/10.2105/AJPH.2020.305654>

<sup>18</sup> Davies, S. E. (2019). Containing Contagion: The Politics of Disease Outbreaks in Southeast Asia. Johns Hopkins University Press.

and control health risks. Similarly, the experiences of the Ebola virus in Western Africa and the Zika fever in Latin America and the Pacific shaped the responses of these regions to disease outbreaks. While government responses in most of these cases were not Pareto-optimal, they often led to policy changes intended to reassure the domestic public that such episodes would not be repeated. In North America and Western Europe these outbreaks tended to be seen as abstract, tropical, and far away. Further, with many of these diseases, a politics of fear reigned; while Western countries would impose travel restrictions and criticize other governments, they are said to have paid little attention to on-the-ground realities.<sup>19</sup>



(source: cmaj)

By the time the COVID-19 pandemic began, collective historical experience, particularly the SARS outbreak, meant that structures were already set up in East Asia to deal with public health emergencies, while this was not the case in many countries in Europe and North America. The relatively mild H1N1 epidemic in 2009 showed how most East and South-East Asia countries had effective control mechanisms. In

Japan, for example, within three months of the occurrence of the first case, an office with full time staff was set up to deal with the outbreak.<sup>20</sup> The use of face masks was widespread across East Asia after SARS; it “became the quickly improvised, if obligatory, social ritual; failing to don one was met with righteous indignation, a clear sign of ritual violation.”<sup>21</sup> As discussed above, in East Asia a culture of face-coverings to avoid breathing noxious air also has an older history, possibly dating back to the advent of Traditional Chinese Medicine (TCM) and being used in response to widespread pollution in Japan post-World War II.<sup>22</sup> In various ways, then, societies in Asia shared recent experiences of dealing with public health emergencies and were ready to cooperate with governments in taking the necessary measures. In the initial days of the pandemic, when East Asian people living in North America wore masks despite being healthy, they were often discriminated against.<sup>23</sup> This paradox began to symbolize the cultural differences in people's attitudes towards a public health crisis.

19 Salado Qasim, “Coronavirus pandemic has made the world more racist than before,” (14 June, 2020) The Print, <https://theprint.in/world/coronavirus-pandemic-has-made-the-world-more-racist-than-before/441386/>

20 Mika Shimizu, “Managing Global Health Disaster Risks in Asia: Lessons from the H1N1 Case in Japan” Global Asia, v.5, n.3 see: [https://www.globalasia.org/v5no3/feature/managing-global-health-disaster-risks-in-asia-lessons-from-the-h1n1-case-in-japan\\_mika-shimizu](https://www.globalasia.org/v5no3/feature/managing-global-health-disaster-risks-in-asia-lessons-from-the-h1n1-case-in-japan_mika-shimizu)

21 Baehr, P. (2011). Networked Disease: Emerging Infections in the global city (pp. 150-151) (1154953220 867921513 S. H. Ali & 1154953221 867921513 R. Keil, Authors). Place of publication not identified: Wiley-Blackwell.

22 Yang, J. (2014, November 19). A quick history of why Asians wear surgical masks in public. Quartz. Retrieved from <https://qz.com/299003/a-quick-history-of-why-asians-wear-surgical-masks-in-public/>

23 Leung, H. (2020, March 12). Why Wearing a Face Mask Is Encouraged in Asia, but Shunned in the U.S. Time. Retrieved January 17, 2021, from <https://time.com/5799964/coronavirus-face-mask-asia-us/>



### iii. Using technology and big data

During the 1918 pandemic, policies encouraging social distancing, face masks, and limitations on mass gatherings were initiated in many parts of the world. Islands also enacted mandatory quarantines for incomers from abroad. In the twenty-first century, citizens are arguably more connected and trackable than ever before, thanks to digital innovations. In certain key areas, some nations went beyond traditional public health management during COVID-19 and transitioned towards more effective modern epidemiology policies.



(Chinese health app "health kit")

In East Asia, technology played a vital role in enacting broader governmental approaches to the virus. Nations such as China, Singapore, and South Korea were quick to implement digital contact-tracing systems to identify people who had been in close contact with an identified infected person.<sup>24</sup> In China, health apps were integrated into widely used existing applications such as WeChat and AliPay, and other high-tech mobile infrastructure. Telecom companies were encouraged to pass on infected users' locations to the health authorities. A "health status" was included in apps, and became a requirement to enter many venues such as government buildings, mass events, and nightclubs. Less widespread uses of technology included robots delivering meals to isolating people and disinfecting COVID-19-infected hospitals. In some cases, drones were used to scold those not following the rules, such as mask-wearing in public places.

Singapore was the first country to produce a standalone contact tracing app and developed pathways to track citizens without cellphones. Over half a million physical tokens have been given to those who do not have or want a phone application. These battery-powered tokens are Bluetooth-connected and have a QR code that can be scanned when entering public places. Participation in contact-tracing became mandatory in December 2020, and Singapore continues to open up and return to normalcy.<sup>25</sup> Such systems have not been without hiccups. An update to the privacy

<sup>24</sup> The Lancet Digital Health, 2020. Contact tracing: digital health on the frontline. The Lancet Digital Health, 2(11), p.e561. [https://www.thelancet.com/journals/landig/article/PIIS2589-7500\(20\)30251-X/fulltext](https://www.thelancet.com/journals/landig/article/PIIS2589-7500(20)30251-X/fulltext)

<sup>25</sup> Sato, M., 2021. Singapore's Police Now Have Access To Contact Tracing Data. [online] MIT Technology Review. <https://www.technologyreview.com/2021/01/05/1015734/singapore-contact-tracing-police-data-covid/>



policy of Singapore's contact tracing app allowed police to use data from the app to aid criminal investigations, leading to criticism from data privacy campaigners.<sup>26</sup> In South Korea, media reports revealed that mass text messages sent to residents to alert them of recent locations of anonymous local cases included some embarrassing details, such as a man testing positive after visiting a confidential correctional class for sexual harassers.



In Europe and the U.S., privacy concerns slowed down development of East Asian-style contact tracing applications. Strict data protection laws from European governments and application providers such as Google Play and Apple did not support a smooth rollout process. In the European Union, many nations developed apps with differing parameters. At the time of writing, only 11 out of the 27 member states have interoperable apps, even though some governments encouraged citizens to go on holidays in the summer.<sup>27</sup> In September 2020, less than 3.5% of the French population had downloaded the “TousAntiCovid” app.<sup>28</sup> This lack of enthusiasm was symbolically reflected in Prime Minister Jean Castex’s statement that he had not downloaded the app because “he did not take the metro”.<sup>29</sup> Despite public support for contact tracing in the United Kingdom, a UK-wide app was only launched in late September 2020, after 40,000 deaths had been recorded.<sup>30</sup> In the U.S. there is no national system for contact tracing, or a national tally of contact tracers.

According to the U.S. volunteer-led organization Test and Trace, Hawaii scores highest of U.S. states with 5 points out of 6 on their testing scale.<sup>31</sup>

<sup>26</sup> Ibid.

<sup>27</sup> European Commission, 2021. Mobile Contact Tracing Apps In E.U. Member States. [online] European Commission. Available at: [https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/travel-during-coronavirus-pandemic/mobile-contact-tracing-apps-eu-member-states\\_en](https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/travel-during-coronavirus-pandemic/mobile-contact-tracing-apps-eu-member-states_en)

<sup>28</sup> AFP, 2020. Varying Degrees Of Success For Coronavirus Apps In Europe. [online] France 24. Available at: <https://www.france24.com/en/20200909-varying-degrees-of-success-for-coronavirus-apps-in-europe>

<sup>29</sup> Reuters 2020. French PM: No COVID-19 App as I don't take the Metro. [online] Reuters <https://www.reuters.com/article/us-health-coronavirus-france-castex-app/french-pm-no-covid-19-app-as-i-dont-take-the-metro-idUSKCN26F3K1>

<sup>30</sup> U.K. Government, 2020. NHS COVID-19 App Has Been Downloaded Over 10 Million Times. [online] GOV.UK. <https://www.gov.uk/government/news/nhs-covid-19-app-has-been-downloaded-over-10-million-times>

<sup>31</sup> Test and Trace, 2021. What U.S. States Are Ready To Test & Trace?. [online] #TestAndTrace. <https://testandtrace.com/state-data/>

#### iv. Promoting multilateralism

Another important aspect of Asian nations' response in early 2020 was sharing: giving away of information and supplies of emergency devices, and promoting a sense of a common struggle. For instance, during the virtual Special ASEAN Plus Three Summit on COVID-19 in April 2020, the thirteen attendant leaders pledged a collective response, with China promising to push forward with establishing the ASEAN Plus Three Reserve of Medical Supplies for Public Health Emergencies.<sup>32</sup> This joint effort came in addition to the earlier launch of the ASEAN Regional Reserve of Medical Supplies at the 37th ASEAN Summit.<sup>33</sup> Similar moves were not immediately forthcoming in the West: from the EU's restrictions on PPE exports<sup>34</sup> and Trump's threat to withdraw the U.S. from the WHO<sup>35</sup> to the EU-drafted resolution calling for probe into COVID-19 origins,<sup>36</sup> enthusiasm for multilateralism seemed meager.

A report by the World Trade Organization (WTO) revealed that by the end of July 2020, over 90 countries globally had imposed export restrictions on critical products, including respirators, surgical masks, and medical gloves, in response to COVID-19.<sup>37</sup> While some international restrictions might be expected at such a confusing time, intra-restrictions among EU members made multilateralism impossible even at the regional level. Though countries justified this unjustifiable and arbitrary practice by citing the flexibility provided by GATT provisions, especially Article XX on General Exception, it violated WTO laws if it "constituted a means of arbitrary or unjustifiable discrimination" or "a disguised restriction on international trade".<sup>38</sup> This placed developing and least-developed countries at a very disadvantaged position for virus control, given their unpreparedness, limited capacity for production, and traditional over-dependence on imports from advanced countries, especially those in the EU.

The East Asian countries' approach to multilateralism might be instructive here. In March 2020, the foreign ministers of China, Japan, and South Korea started meeting

32 Xinhua, 'Economic Watch: Vibrant East Asia cooperation set to accelerate regional economic recovery' (Xinhuanet, 15 November 2020) <[http://www.xinhuanet.com/english/2020-11/15/c\\_139517740.htm](http://www.xinhuanet.com/english/2020-11/15/c_139517740.htm)> accessed 28 January 2021.

33 ASEAN, Terms of Reference ASEAN Regional Reserve of Medical Supplies for Public Health Emergencies, ASEAN (2020).

34 Tatjana Schork, 'EU export restrictions for Coronavirus personal protective equipment (PPE)' (AEB, 23 March 2020) <<https://www.aeb.com/intl-en/magazine/articles/coronavirus-eu-export-restrictions-personal-protective-equipment.php>> accessed 27 January 2021.

35 BBC, 'Coronavirus: Trump moves to pull US out of World Health Organization' (BBC, 07 July 2020) <<https://www.bbc.com/news/world-us-canada-53327906>> accessed 28 January 2021.

36 Stuart Lau, 'European Union backs international inquiry into origins of coronavirus outbreak' (South China Morning Post, 05 May 2020) <<https://www.scmp.com/news/china/diplomacy/article/3082989/european-union-backs-international-inquiry-origins-coronavirus>> accessed 27 January 2021.

37 Christopher A. Casey and Cathleen D. Cimino-Isaacs, Export Restrictions in Response to the COVID-19 Pandemic, Congressional Research Service, 25 August 2020.

38 See Chapeau of Article XX of GATT 1994.

virtually to design a trilateral approach to fighting the virus. Putting political and historical frictions apart, the three countries worked together closely on preventive border control, database sharing, and an exit strategy for post-COVID-19 economic recovery.<sup>39</sup> While this was happening, EU leaders also met via video-conference but appeared to remain preoccupied with their conflict over the bloc's COVID-19 rescue package plan: Germany and the Netherlands—the EU's richer members—refused to take part in pooling debt with other Mediterranean member states.<sup>40</sup> China closely worked with the WHO on guidelines for dealing with the outbreak. In May 2020, Chinese Foreign Minister Wang Yi called for the virus's non-politicization among global leaders.<sup>41</sup> While export restrictions on emergency products increased elsewhere, China exported such items to Poland, Italy, and other countries in Europe.<sup>42</sup> In March 2020 Japan provided Cambodia with 6.3 million USD for its COVID-19 response.<sup>43</sup> In October 2020, South Korea provided COVID-19 support funds of over 200 million USD for Bangladesh, Philippines, and Cambodia.<sup>44</sup>



The Philippine Secretary of Foreign Affairs Teodoro L. Locsin Jr. (left) receives donations from Ambassador Han Dong-man of South Korea in Manila on July 27, 2020.  
(source: businessmirror)

The cooperative approach undertaken by East Asian countries was hailed by the WHO<sup>45</sup> for its spirit of open multilateralism and as an exemplary act of humanitarianism in challenging times.

39 Choong Yong Ahn, 'China, Japan and South Korea can marshal a collaborative response to COVID-19' (East Asia Forum, April 13 2020) <<https://www.eastasiaforum.org/2020/04/13/china-japan-and-south-korea-can-marshal-a-collaborative-response-to-covid-19/>> accessed January 18 2021.

40 AFP, 'EU divided over virus rescue plan' (The Hindu, 23 April 2020) <<https://www.thehindu.com/news/international/eu-divided-over-virus-rescue-plan/article31417890.ece>> accessed 27 January 2021.

41 China calls for international cooperation against COVID-19 to tide over darkest hours.

42 Chad P. Bown, 'COVID-19: China's exports of medical supplies provide a ray of hope' (Peterson Institute for International Economics, March 26 2020) <<https://www.piie.com/blogs/trade-and-investment-policy-watch/covid-19-chinas-exports-medical-supplies-provide-ray-hope>> accessed January 16 2021.

43 Sao Phal Nisley, 'Japan Provides Cambodia with \$6.3 million for COVID-19 Response' (Cambodianess, June 13 2020) <<https://cambodianess.com/article/japan-provides-cambodia-with-63-million-for-covid-19-response>> accessed January 18 2021.

44 Choi Moon-hee, 'South Korea to Provide COVID-19 Aid Funds for Bangladesh, Philippines and Cambodia' (Business Korea, October 27 2020) <<http://www.businesskorea.co.kr/news/articleView.html?idxno=53854>> accessed January 15 2021.

45 Kathrin Hille and Edward White, 'Containing coronavirus: lessons from Asia' (Financial Times, 16 March 2020) <<https://www.ft.com/content/e015e096-6532-11ea-a6cd-df28cc3c6a68>> accessed 28 January 2021.



## Comparing China and the U.S.



*A Chinese citizen scanning QR Health Codes*

The U.S. and China had markedly different reactions to the pandemic and results. China was the first country to experience the ravages of COVID-19. By January 2021, it had lost 4797 people to the pandemic with 97,775 confirmed cases.<sup>46</sup> Draconian measures were employed to bend the curve and essentially

stop the virus's transmission, although new cases have emerged sporadically from inbound nationals and imported goods. China has been the first country to move towards recovery, reopening businesses and restarting its economy. As individuals scan government-mandated QR health codes with their smartphones, some sense of normalcy has been restored to daily life: restaurants serve customers and offline retail shops reopen to consumers.

In the U.S., meanwhile, almost a year after the first case of COVID-19 was confirmed in January 2020, the country as a whole is still witnessing a continued surge of infections every day. As of 17 January 2021, the pandemic had claimed 394,495 lives in the U.S., while the number of cases of infection amounted to 23.7 million.<sup>47</sup> With its impact on the national economy and attendant rise in unemployment rate notwithstanding, the COVID-19 pandemic has brought increasing attention to Washington's response. While a vast majority of discourse focuses on the lack of leadership of the Trump administration, the vastly differing state-specific restrictions and the diverse, sometimes even conflicting, public health policies across the country beg more profound questions: Why, despite its massive territory and population, was China able to outperform the U.S. in crisis management? What are the institutional explanations, if any, for the current situations?

<sup>46</sup> "World Countries—China." Johns Hopkins Coronavirus Resource Center. Accessed January 17, 2020. <https://coronavirus.jhu.edu/region/china>.

<sup>47</sup> CDC COVID Data Tracker. Centers for Disease Control and Prevention. Accessed January 17, 2020. [https://covid.cdc.gov/covid-data-tracker/#cases\\_casesper100klast7days](https://covid.cdc.gov/covid-data-tracker/#cases_casesper100klast7days).



## i. A different initial response

Two weeks after the first death was recorded on January 9, China launched a nationwide campaign to minimize COVID-19 transmission. Wuhan, the epicenter of the outbreak, was locked down. Government personnel, civil servants, and the People's Liberation Army were steered toward crisis management in a concerted effort to tackle the situation. The whole country switched to an emergency state: enormous resources were marshaled and allocated to hard-hit regions and localities. Within three months, Beijing announced that extensive domestic transmission of the virus had been stopped. On April 8, the lockdown of Wuhan was eased.

This suggests that fast and decisive national action is imperative in handling public health emergencies like COVID-19. China is a unitary state in which local governments are given substantive political autonomy in local socioeconomic affairs, but central leadership remained strong. The possibility of divergent political pursuits between Beijing and other localities therefore tends to be far smaller in China than in the U.S., for example. In its efforts to contain severe infectious disease outbreaks such as SARS, H1N1, MERS, and COVID-19, China's top leadership is empowered by this governance structure to steer the behavior of local governments in a top-down manner, overcome resistance from keen vested interests, and mitigate bureaucratic fragmentation that can obscure inter-departmental collaboration and information flow.

The U.S. federalist system dictates that the country responds in a completely different way. Traditionally, federalism recognizes that the national government can make policy in some areas while the states reserve the right to regulate in other areas. Power is divided when it comes to public health governance. This means that while there is a national Centers for Disease Control and Prevention and a Federal Emergency Management Agency, they do not exercise direct supervisory authority over state,



(source: cdc.gov)

county, or local executives. As a result, individual states and localities are vested with the primary responsibility for public health, and have thus largely been at the forefront of efforts to control the pandemic and protect local citizens' health.

In extraordinary times, like the current moment, the federal government is granted the legal authority to expand its executive powers, ranging from halting business operations to restricting individuals' freedom of movement. Although Trump did enact an executive order calling COVID-19 a national emergency, however, there has been a distinct lack of national restrictions to suppress the virus. For example, there is no requirement to wear masks, and policies such as social distancing and lockdowns are left to state-level authorities. Pandemic control measures quickly became highly politicized. Studies show that counties with a strong political affiliation to Trump were less likely to implement social distancing than counties that voted Democrat.<sup>48</sup>

The silver lining here is that states can step in and fill the vacuum in national leadership by implementing aggressive disease-mitigation measures—so far, Alaska, Arizona, and California have done this. But states need not do so. The U.S. response to COVID-19 remains a bundle of mainly localized actions. The virus is global, an experience shared by all humanity, and science-based approaches such as social distancing and targeted quarantine measures can only succeed if implemented wherever the virus is spreading. This has proven a challenge for the U.S. government acting within its Constitution's federalist framework.

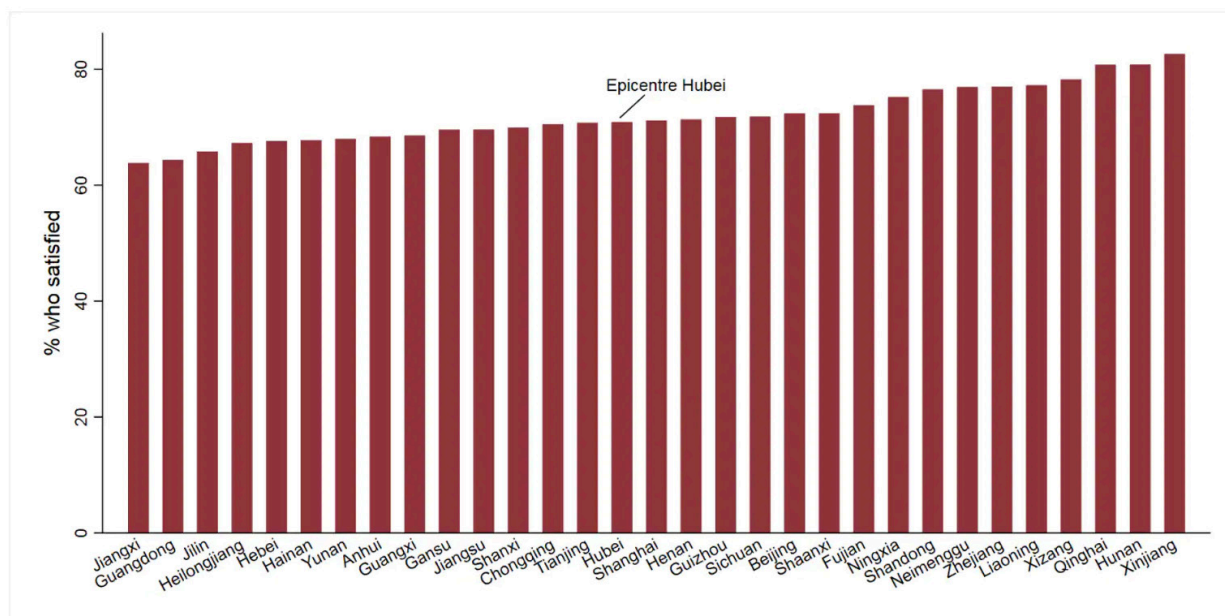
## ii. Different domestic priorities

With internal chaos and global pressures allowing little room for cost calculations, President Xi Jinping ordered a Wuhan-wide lockdown on January 23, 2020, with internal transport suspended and outbound flights and travels canceled. Potential economic jeopardy was acknowledged, but such decisive measure allowed the uncertainties to be kept under observation and therefore under control. This risk-taking ability was enabled by the structure of China's political regime. While several governments in the West, most notably the U.S. and UK, where populism seems to be climbing to unprecedented heights,<sup>49</sup> sought to secure political legitimacy amid the crisis by all means, the Chinese government approached people's welfare as an ultimate end in political leadership. The Chinese Communist Party viewed political legitimacy by action rather than by recognition; legitimacy is determined internally

48 Gollwitzer, A., Martel, C., Brady, W.J., Pärnamets, P., Freedman, I.G., Knowles, E.D. and Van Bavel, J.J., 2020. Partisan differences in physical distancing are linked to health outcomes during the COVID-19 Pandemic. *Nature human behaviour*, 4(11), pp.1186-1197.

49 YASMEEN SERHAN, 'Populism Is Morphing in Insidious Ways' (The Atlantic, 06 January 2020) <<https://www.theatlantic.com/international/archive/2020/01/future-populism-2020s/604393/>> accessed 28 January 2021.

and measured by its ability to control a potentially chaotic situation. In the early, confusing stages of the outbreak, China implemented tight controls on online debate, despite mounting external criticism, in order to focus solely on fixing the crisis confronting it. It acted on the assumption that people's discontent would ultimately be assuaged by their assured welfare. According to a survey of the Chinese population, on a scale from 10 (unsatisfied) to 50 (very satisfied), Chinese citizens indicated an overall satisfaction score of 39.2 for the government's COVID-19 responses.<sup>50</sup> This success reflected the idea that the end justifies the means, most famously put forward by political theorist Niccolo Machiavelli (1469–1527), whose theories continue to influence politicians.



Chinese citizens' overall satisfaction with government performance during the COVID-19 pandemic across provinces.

(source: *the conversation*)

Xi purposefully declared a “people’s war”<sup>51</sup> early on in the outbreak. Echoing Mao’s doctrine<sup>52</sup> during the Anti-Japanese War from 1937 to 1945, this conjured up a sense of individual responsibility among Chinese for defending the country. It encouraged people to care for one another but also created a government-citizen relationship approach to mitigate the negative belief that the government was wholly responsible for the crisis. This concerted effort left no room for blame games in China, but built a constructive environment for the government, the people, and private sectors to work together.

50 Cary Wu, ‘How Chinese citizens view their government’s coronavirus response’ (The Conversation, June 5 2020) <<https://theconversation.com/how-chinese-citizens-view-their-governments-coronavirus-response-139176>> accessed January 16 2021).

51 Keith Bradsher, ‘As China Fights the Coronavirus, Some Say It Has Gone Too Far’ (The New York Times, February 20 2020) <<https://www.nytimes.com/2020/02/20/business/economy/china-economy-quarantine.html>> accessed January 14 2021.

52 Charlie Lyons Jones, ‘The Chinese Communist Party’s ‘people’s war’ on Covid-19’ (Australian Strategic Policy Institute, April 6 2020) <<https://www.aspistrategist.org.au/the-chinese-communist-partys-peoples-war-on-covid-19/>>



### iii. Prospects of U.S.-China cooperation

Relations between China and the U.S. are more tense than ever. In the past four years of the Trump presidency, inflammatory rhetoric has been directed towards China in relation to trade, tech, and COVID-19. While anxiety and uncertainty over how U.S.-China relations will play out in light of the current challenges loom large as the two march into a new era under the foreign policy agenda of President-elect Joe Biden, one thing that the Trump office achieved consensus on is that the U.S. is in a great-power competition with China. Biden accepts this framework, but his approach is likely to differ significantly from that of his predecessor.



(left: Jake Sullivan, right: Linda Thomas-Greenfield, source: cnn)

he assembled over his 2009–17 vice presidency and his chairmanship of the Senate Foreign Relations Committee from 2001 to 2009. Based on preliminary signs of what advice he will be given and what Biden will favor himself, U.S. relations with China over the next four years will likely be grounded in the principle of multilateralism.

One way to gauge the nature of the incoming U.S.-China policy is by looking at Biden's staffing choices. Many of his top-level foreign-policy appointees, such as National Security Advisor Jake Sullivan and U.S. Ambassador to the United Nations Linda Thomas-Greenfield, are cadres that

The upcoming Biden administration faces immediate tests of its leadership in repairing and restoring the United States' place and respect in the world. Significant damage has been done. In the course of pulling itself out of the Paris Agreement, the Intermediate-Range Nuclear Forces Treaty, the Iran Nuclear Deal, the Trans-Pacific Partnership Agreement, UNESCO, and the World Health Organization, the U.S. embarrassed many of its foreign counterparts and alienated itself from the global community. Reversing all of these decisions at once might not be a smart move, but isolationism under the veil of "America First" will surely be abandoned in favor of more pragmatic and instrumental internationalism in the country's future dealings with the wider world.





(source: cnbc)

With pressing issues such as COVID-19 and climate change, and the shifting geopolitical landscape, Biden's foreign policy agenda will likely focus on problems rather than places. It will be driven less by animosity or affection for certain countries and more by addressing global challenges in a way that promote U.S. national interests. U.S. diplomacy will no longer be transactional or zero-sum. For China, this means predictability. While Biden's team will not readily soften its stance on China, its willingness to pursue effective and sustainable relationships with the world, surely gives hope for prospective cooperation—including finding solutions to multilateral needs by working side-by-side with Asian nations as co-sponsors and co-leaders in the international order.

## Final Reflections

The political, economic, and social circumstances of all nations during this pandemic have varied considerably, but now is not the time to dwell on the differences between countries: we must all learn from the strengths of each nation's approach. Once the crisis is over, Western countries should take time to carefully examine the policies that were implemented by Eastern countries and consider adopting those that managed to contain the virus relatively successfully. As the pandemic resurfaces in countries such as Japan, the "East Asian approach" will be further tested and we will see whether it can hold up in the long run, in terms of public health, economic success, and political stability. Factors such as strong health systems, the cooperation of citizens, and advanced technologies should be recognized by the West as key factors in pandemic control.



(source: news.usc.edu)

Governments should also keep in mind that the world is interconnected: the "Far" East is not that far away from the West anymore. All nations must act in a coordinated way, favoring cooperation over proud isolation. Some Western governments have taken part in a blame game, promoting a nationalism that has been anathema to effective pandemic control.<sup>53</sup> They should instead shift to a more global outlook. COVID-19 has demonstrated that multilateral cooperation is key to overcoming any challenge facing the global community. Around the world, numerous teams have been

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<sup>53</sup> Williams, C. R., Kestenbaum, J. G., & Meier, B. M. (2020). Populist Nationalism Threatens Health and Human Rights in the COVID-19 Response. *American Journal of Public Health*, December 2020.

working together on vaccines, and there are high hopes that they will be effective in bringing the pandemic to an end. This represents a profound new example of multilateral cooperation.<sup>54</sup> Particularly in third-world countries, people are relying on such effective partnerships between powerful nations to expedite the delivery of an effective vaccine for their communities.<sup>55</sup>

## Latest World Economic Outlook Growth Projections

		PROJECTIONS		
(real GDP, annual percent change)		2019	2020	2021
<b>World Output</b>		<b>2.8</b>	<b>-4.4</b>	<b>5.2</b>
<b>Advanced Economies</b>		<b>1.7</b>	<b>-5.8</b>	<b>3.9</b>
United States		2.2	-4.3	3.1
Euro Area		1.3	-8.3	5.2
Germany		0.6	-6.0	4.2
France		1.5	-9.8	6.0
Italy		0.3	-10.6	5.2
Spain		2.0	-12.8	7.2
Japan		0.7	-5.3	2.3
United Kingdom		1.5	-9.8	5.9
Canada		1.7	-7.1	5.2
Other Advanced Economies		1.7	-3.8	3.6
<b>Emerging Markets and Developing Economies</b>		<b>3.7</b>	<b>-3.3</b>	<b>6.0</b>
<b>Emerging and Developing Asia</b>		<b>5.5</b>	<b>-1.7</b>	<b>8.0</b>
China		6.1	1.9	8.2
India		4.2	-10.3	8.8
ASEAN-5		4.9	-3.4	6.2
<b>Emerging and Developing Europe</b>		<b>2.1</b>	<b>-4.6</b>	<b>3.9</b>
Russia		1.3	-4.1	2.8
<b>Latin America and the Caribbean</b>		<b>0.0</b>	<b>-8.1</b>	<b>3.6</b>
Brazil		1.1	-5.8	2.8
Mexico		-0.3	-9.0	3.5
<b>Middle East and Central Asia</b>		<b>1.4</b>	<b>-4.1</b>	<b>3.0</b>
Saudi Arabia		0.3	-5.4	3.1
<b>Sub-Saharan Africa</b>		<b>3.2</b>	<b>-3.0</b>	<b>3.1</b>
Nigeria		2.2	-4.3	1.7
South Africa		0.2	-8.0	3.0
<b>Low-Income Developing Countries</b>		<b>5.3</b>	<b>-1.2</b>	<b>4.9</b>

Source: IMF, World Economic Outlook, October 2020

For India, data and forecasts are presented on a fiscal year basis, with FY 2020/21 starting in April 2020. India's growth is -8.6 percent in 2020 and 6.8 percent in 2021 based on the calendar year.

INTERNATIONAL MONETARY FUND IMF.org

Finally, control of the pandemic is crucial in order to protect not just individuals' health, but also social wellbeing through the protection of the economy. Once the pandemic is under control, lifespans should increase. Control of the pandemic and stable economic growth will protect those vulnerable people who have been most affected by lockdowns and quarantine measures. People will be able to go about their daily lives without any restrictions, thus helping the world economy bounce back to its pre-pandemic status.<sup>56</sup> The latest International Monetary Fund global reports indicate that China's economy grew by around 1.9% in 2020 and is expected to grow by 8.2% in 2021, while the U.S. economy contracted by 4.3% in 2020, with growth of 3.1% predicted for 2021, and a full recovery forecast for 2022. Chinese economic growth is attributed to the faster-than-expected resumption of all economic activities, starting in the second

quarter of 2020, and is also thanks to the country's strong economic support policies and a resilient export sector. This demonstrates how better pandemic control can mean fewer economic shocks, a faster return to economic growth, and less insecurity. A country's preparedness is a crucial determinant of its ability to handle shocks and come out the other side with confidence in its future prosperity and ability to contribute to our increasingly interconnected world.

*(TIO editorial committee members contributing to this article: Marco CARRASCO, Bunthorn SOK, Walker DARKE, KANG Yingyue, Hamsini HARIHARAN, J. Christian HAYWARD)*

<sup>54</sup> Shin, M. D., Shukla, S., Chung, Y. H., Bliss, V., Chan, S. K., Ortega-Rivera, O. A., ... & Steinmetz, N. F. (2020). COVID-19 vaccine development and a potential nanomaterial path forward. *Nature nanotechnology*, 15(8), 646-655.

<sup>55</sup> Chowdhury, R., Luhar, S., Khan, N., Choudhury, S. R., Martin, I., & Franco, O. H. (2020). Long-term strategies to control COVID-19 in low and middle-income countries: an options overview of community-based, non-pharmacological interventions. *European journal of epidemiology*, 35(8), 743-748.

<sup>56</sup> International Monetary Fund. (2020, October). World Economic Output: Long and Difficult Ascent. Retrieved January 15 2021, from



# Taihe Economic & Financial Outlook

## The Fault Lines: China's 2020 Economic Review and 2021 Outlook

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About  
the  
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## Introduction

The year 2020 was not normal. The outbreak of the COVID-19 pandemic, followed by the global economic recession and political uncertainties, has significantly impacted world economic development. Although the government has actively introduced various measures to deal with the negative shock, China's economic growth problems are still significant.

The fundamental problem for China's economic growth is the slow growth of its total factor productivity (TFP). Ever since the massive fiscal and monetary stimuluses of 2009 and 2012, upstream industries have suffered excessive capacity and low efficiency. As the investment returns are insufficient to repay related debt, firms had to borrow more to repay it. This behavior was facilitated by a long lasting easy monetary policy and other preferential policies. Leverage increased passively, but such a growth model is unsustainable. In 2015 the government introduced supply-side structural reform, resulting in massive deleveraging in the financial sector, and monetary policy in China has been largely normal ever since. Yet companies' leverage is still rising, and the efficiency of this leverage is not very high. Resources have been hoarded by the less productive firms, dragging down the overall growth rate of TFP.



This problem has existed for some time, and in 2020 the negative shock of the COVID-19 pandemic exacerbated it. Admittedly, China's government and society at large have made tremendous efforts to prevent the pandemic from getting out of control. Factories shut down, workers stopped work, and people stayed home. The GDP growth rate plummeted, and society paid the cost. Facing the risk of widespread unemployment, the government proposed its "Six Stabilities" and "Six Guarantees" policies, whereby increased spending was to prevent widespread bankruptcies. As the pandemic was gradually brought under control, economic activities in China essentially returned to normal. The fault lines still exist. However, much more effort is required to achieve sustainable and healthy long-term economic growth.

## **The fault line between the upstream and downstream industries**

An interesting characteristic of China's production sector is that firms in the upstream industries are usually large and state-owned, while firms in the downstream industries are relatively small and privately owned. Upstream industries produce raw materials and sell them to the downstream industries, who in turn manufacture the final goods. Traditionally, when expansionary monetary policies are introduced to stimulate the economy, upstream firms benefited more, not only because they are larger, but more because they are state-owned and have implicit government-backed credibility. This is where the problem lies. Downstream firms have always found it more difficult or costly to raise external finance. Whenever stimulus plans were implemented, upstream firms borrowed more and expanded their capacity; this capacity became inventory and their resources became idle when downstream firms' demand did not increase in turn. This inefficiency generates a fault line between upstream industries and downstream industries.

Unfortunately, macroeconomic policies cannot deal with such structural issues. Facing economic recession or a negative shock such as the COVID-19 pandemic, the central bank increases money supply to stimulate investment or alleviate firms' cashflow problems. However, this only increases the imbalance between upstream and downstream firms. It is easy for upstream firms to invest and build up capacity, but it is very difficult to then find the orders and sell their output to the downstream firms. The problem is not insufficient investment, but insufficient demand. Indeed, this is the typical mismatch between supply and demand.

Fig. 1: The growth rates of revenues and profits of upstream industries  
(Source: provided by the author)

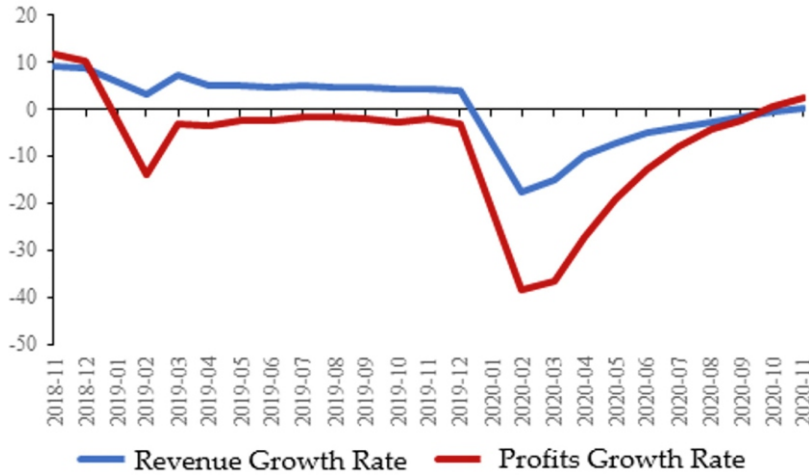


Figure 1 shows the growth rates of revenues and profits in the upstream industries. Clearly, both rates were declining before the pandemic hit the economy in early 2020, showing that the mismatch or fault line between upstream and downstream industries was not created in a day or by

one particular shock. Insufficient demand from downstream industries is the key problem behind the downward trend of the upstream industry's revenue and profit growth.

The negative shock of the pandemic in early 2020 exacerbated this mismatch. In response, monetary easing and fiscal spending rescued the upstream firms, enabling their survival and continuous investment. Downstream firms, by contrast, benefited much less from the bailout. Mass bankruptcies among downstream firms were observed. The mismatch problem meant that downstream firms were not supported, but it also hurt the upstream firms.

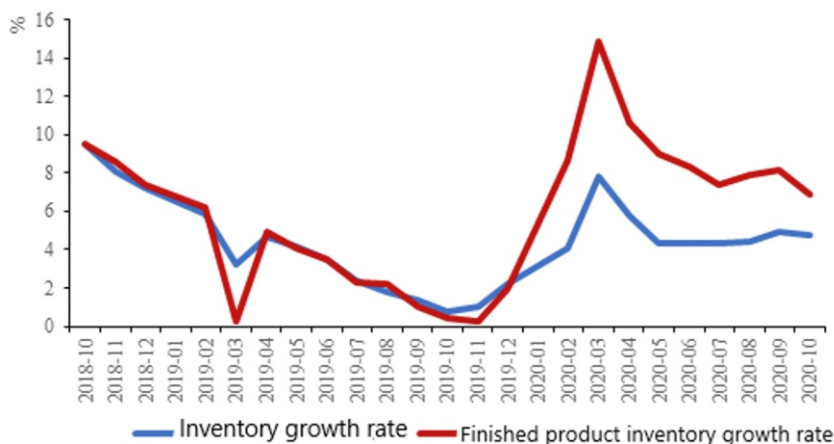


Fig. 2: The inventory growth rate of upstream firms  
(Source: provided by the author)

Figure 2 shows that after the pandemic, the inventory of upstream firms increased enormously—particularly their inventory of finished goods. This indicates that when upstream firms started to produce more after the government bailout, they were unable to sell their products to their downstream counterparties.

The outcome has inevitably had negative effects on upstream firms' investment and production decision-making. In light of their poor profit growth, as shown in figure 1, although upstream firms were among the first to receive subsidies from the policies and the first to resume operations, they lacked cash flow and their risk levels remained high. Notably, the preferential policies gradually expired in the second and third quarter. These firms' problems were not resolved, but likely grew. Indeed, many defaulted on their debt, even those that were state-owned. Faith in state-owned firms' "rigid repayment" of debt was broken. Once again, this fault line had existed for a long time. The COVID-19 pandemic just accelerated its surfacing.

## The fault line between the real and the financial sectors

Another, perhaps more important, fault line lies between the real economy and the financial sector. This is not a new problem, and it is certainly not just China's problem. With continuous monetary easing, particularly after the global financial crisis of 2008, the financial market gradually formed its own logic. The boom in the financial sector contrasted sharply with the recession in the real economy. Stock prices no longer accurately reflected firms' profitability and growth. Instead, they relied heavily on the expected and actual availability of cheap credit. In the real economy, firms' revenue has declined and the growth of households' consumption demand has shrunk.

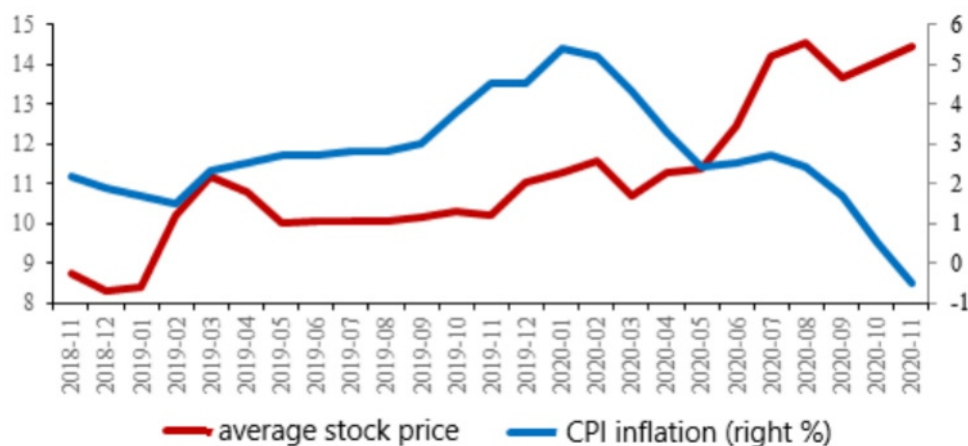


Fig. 3: Average stock price (RMB) and CPI inflation in China  
(Source: provided by the author)

Figure 3 indicates inflation through the consumer price index (CPI) and compares it with the stock market index in China. The two indices diverged after mid-2020, showing that demand in the real sector is weak while the demand in financial sector is strong. A related indicator is the GDP growth rate compared with inflation in housing prices.

Several factors generate the fault line between the financial sector and the real sector. First, under monetary easing, credits were hoarded in less efficient firms. Overall productivity did not improve due to resource misallocation, leading to a low return rate in the real economy. By contrast, the return rate in the financial market was high due to a continuously excessive money supply. Investors, even firms themselves, found it more profitable to invest in the financial market. This meant that more credit was absorbed into the financial sector, further enlarging the gap between the financial and the real economies. Second, households had been investing in the real-estate market. This is not surprising in China, as real estate is the major, if not the only, investment choice for most households. When households borrow to invest in housing, their leverage goes up. Deeper debt reduces their consumption capacity. This results in insufficient demand for real goods, which further dampens the outlook of firms' sales and profitability. Housing prices, on the other hand, have been rising. The real-estate boom attracts more investment from households, but rising house prices mean these investments require more borrowing and deeper debt. The divergence between the real sector and the financial sector thus accelerates.

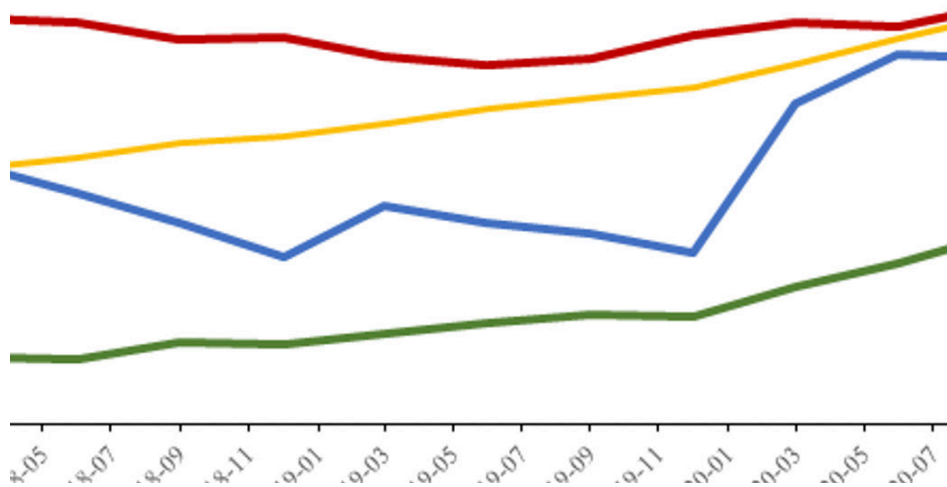


Fig. 4: Leverage ratios of different sectors in China (source: BIS)

Figure 4 shows the leverage of China's household sector, financial sector, non-financial firm sector, and government sector over the past three years. The steady rise of the household sector's leverage confirms the argument above. Indeed, data shows that out of all households' borrowing, long-term debt has occupied an increasing portion in 2020. As for consumption, even if we ignore the negative shock of the pandemic, the general growth rate of consumption in China has been on a decreasing trend for several years. The increasing leverage ratio of the household sector and the slow growth of income are the main contributions behind this phenomenon.



The fault line between the real and the financial sectors can be called the “financial crowding-out effect.” The boom in financial markets contrasts with the recession in the real economy, and the financial sector crowds out the real economy as it attracts more and more resources. The fundamental cause of this effect is excessive monetary easing and slow growth of productivities in the real economy.

## The fault line between China and the U.S.

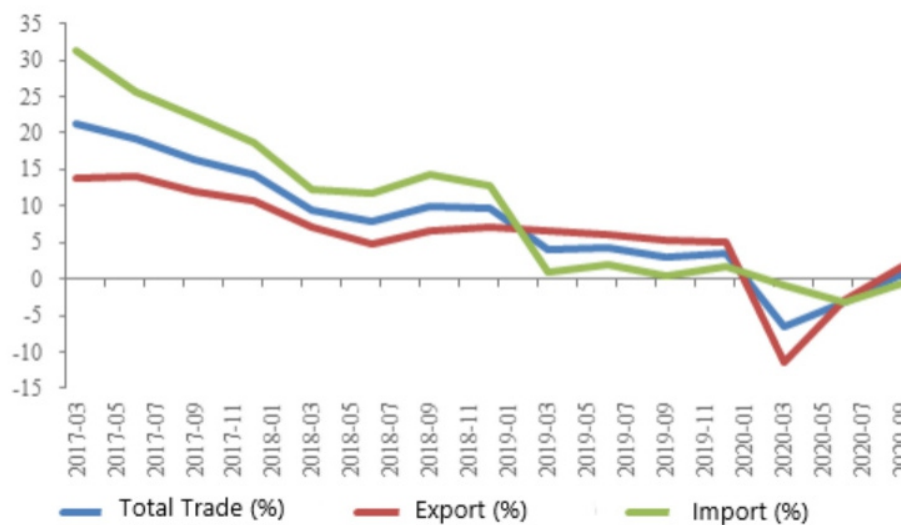


Fig. 5: The growth rate of China's international trade (seasonal)  
(Source: provided by the author)

The “trade war” between the United States and China has significantly impacted China’s exports and imports. Figure 5 shows that China’s imports and exports have both been in decline since 2017.

The pandemic has two offsetting effects. On one hand, shrinking foreign demand has a negative impact on China’s exports. On the other hand, China was one of the first countries to resume production activities thanks to its efficient control measures, and this enabled China to export to countries still unable to produce the necessary goods. These foreign countries have had to import from China as a substitution measure. Indeed, the growth rate of China’s exports rose to around 14.9% in November 2020; medical equipment and other necessary goods were the driving factors. Of course, this is not a permanent effect. As other countries gradually resume production, Chinese imports as a substitution measure will disappear. And China still faces the challenges of the trade war with the U.S. In response, China has taken up an alternative strategy: shifting away from globalization toward regionalization. Besides

the U.S., China has actively sought out more trade partners. The European Union (EU) and the Association of Southeast Asian Nations (ASEAN) have become increasingly important as trade partners.

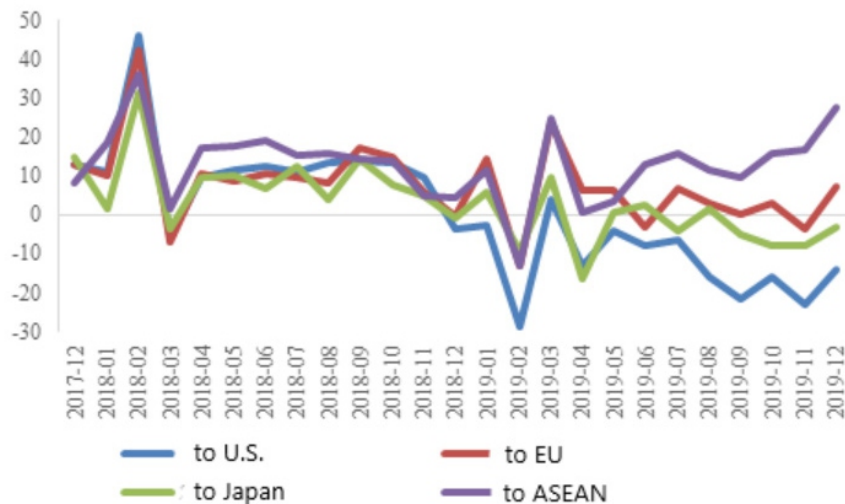


Fig. 6: China's export to different locations (growth rate %)  
(Source: provided by the author)

Figure 6 shows the growth rate of Chinese exports to various locations. While exports to the U.S. have declined due to the trade war, exports to ASEAN and EU are taking a larger share.

In November 2020, the Regional Comprehensive Economic Partnership (RCEP) was finalized. As is widely known, the anti-globalization sentiment incited by the U.S. and by Brexit has threatened the development of global collaboration on trade and supply chains. The RCEP breaks away from this dilemma by proposing regionalization and multiple centers. Regionalization will be the predominant trend in international trade for the foreseeable future. This reduces the impact of anti-globalization sentiment incited by a single superpower.

## Outlook and Conclusion

Having reviewed China's economic development, the following forecast can be made for 2021.

1. The short-term fiscal stimulus for combating the pandemic in 2020 will dry up, particularly as fiscal expansion is constrained by the government budget. Monetary policy will remain normal to maintain the availability of liquidity.
2. Supply-side reform will continue to enhance firms' efficiencies and profitability. The newly proposed demand-side reform will increase household income and promote demand. Yet rising housing prices means the growth of consumption demand will remain moderate or declining.
3. Fixed-asset investment will still be the main driving force for growth. Infrastructure investment will be limited due to government budget constraints. Real-estate investment will play a more important role.
4. International trade remains uncertain. Foreign demand might take longer to recover, and regional trade agreements such as RCEP will serve to promote China's exports.
5. The three fault lines mentioned above will persist. Economic reforms such as deleveraging and the bankruptcy of inefficient firms will continue. However, deleveraging will be slow to avoid financial risk. Yet more defaults on the part of firms can be expected.



## How the Sentiments across the U.S. Changed in 2020

The year 2020 was extraordinary and difficult. At the year's end, various research and polling agencies in the United States conducted data analysis on the trends in the people's sentiments in 2020. The results suggested three main notable changes:

- ▶ The happiness level of English-speaking Twitter users across the U.S. declined
- ▶ People were more uncertain about the future
- ▶ U.S. citizens were becoming increasingly polarized

Most U.S. citizens were optimistic, but many felt unhappy in 2020. On December 31, *the Washington Post* reported on a study by the Computational Story Lab at the University of Vermont, which used data from English-speaking Twitter users to measure collective happiness. Citing the fact that 1 in 5 adult Americans use Twitter, the Lab called their research an “important social signal”; in October 2020, of Twitter's 187 million active users, 68.7 million were in the U.S.<sup>1</sup> The Lab showed that:

- ▶ The overall level of happiness among English-speaking Twitter users has been declining since 2015
- ▶ The slowness of their recovery after upsetting current events set 2020 apart from other years

This was a sign of “collective trauma”, suggested a Lab representative. English-speaking Twitter users also felt uncertain about the upcoming year. The pandemic meant that they lost the “background of sports and music and leisure that there typically is to talk about”, which normally balances out the negative things and smooths anxieties. Meanwhile, “the 2016 U.S. election really changed how people

<sup>1</sup> In 2019, it was found that Twitter users are younger, more likely to identify as Democrats, more highly educated and have higher incomes than U.S. adults overall.  
<https://www.pewresearch.org/internet/2019/04/24/sizing-up-twitter-users/>.



interacted with Twitter because of the way the president used it”, and the non-stop news cycle of 2020 created “emotional turbulence”.

Meanwhile, polarization in U.S. society has been increasing since the 2016 U.S. election. The gap between the two main political parties has widened, and differences between the left and the right have become increasingly stark. In December, the consulting group Gallup, pointing out that the U.S. and the world were experiencing an unpredictable pandemic the likes of which had not been seen in centuries, found that the U.S. public was deeply affected by fraught race relations and political divisions in almost all aspects of life. Gallup said that in the aftermath of the killing of George Floyd in May, the national focus shifted to police reform and race relations. Having started measuring U.S. citizens' confidence in the police in 1993, Gallup found that it reached a historic low in 2020.

A report on the U.S. news site Axios on December 30 said the volume of Google searches in the U.S. for the words “**coronavirus**” and “**election**” was “overwhelming” in 2020. The pandemic was found to be the most influential event of 2020. The number of searches for “**unemployment**”, “**hunger**” and “**food banks**” was higher than ever before.

Analysts at the Taihe Institute said that these three phenomena were closely interrelated. Each resulted from the increasingly prominent political, economic, and social problems in the U.S. during an era of change, but in turn further aggravated those same problems and made them harder to solve. The analysts pinpointed the following causes:

- ▶ The U.S. administration’s failure to control the COVID-19 pandemic
- ▶ Political parties’ use of the fight against the pandemic to attract voters
- ▶ A general failure to agree on scientific guidelines for working together to face the problem
- ▶ The destruction of a deliberative democracy capable of resolving political divisions

Going forward, U.S. citizens’ sense of unhappiness and uncertainty might in turn magnify the gaps between the left and the right, between interest groups and religious groups, and may even increase antagonism among governments at all levels. It will inevitably continue to affect governance efficiency and ordinary people’s happiness and confidence in the future.

## About this volume

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*Please note: the above contents only represent the views of the authors, and do not necessarily represent the views or positions of the Taihe Institute.*

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