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The New Corona Virus – A Multi-facetted Challenge



The severe outbreak and spread of the new corona virus (COVID-19) has manifestly shown the inherent breaking points and systemic vulnerabilities of global supply chain networks. Irrespective of how the current crisis will eventually come to an end, there will be a number of implications for the future role of China in the world. While there is no reason to doubt the recently re-acquired status as a world power, there are most certainly considerable doubts about whether China has the capacity to rise to the status of a superpower. China has lost considerable respect and prestige during the past weeks. The whole crisis has been a huge face loss, writes **Urs SCHOETTLI**, Consultant on Asian Affairs, Member of the stars International Board and Speaker at the upcoming [stars Singapore symposium 2020](#) (which due to the corona virus pandemic has been postponed to take place from 23-26 June 2020).

The pandemic of the new corona virus in the People's Republic of China is a multi-facetted challenge not only to China but to the world at large. The most important aspects of this challenge are:

- The medical, healthcare challenge
- The economic challenge
- The social challenge
- The political challenge

It is understandable that comparisons are made with the SARS crisis of 2003. However, the current pandemic is a case of its own, which poses different and in a number of ways more complex challenges. It is, therefore, wrong to presume that the culmination as well as the aftermath of the current pandemic will be similar to what happened in the case of SARS.

The medical, healthcare challenge

It is obvious that the existing system of dealing with pandemics in China is inefficient. The order of command, the internal as well as external controls have once again failed miserably. Once again China has to pay an immense price for a bureaucratic set-up and an administrative mentality that is obviously not equipped to proactively deal with major challenges. The new pandemic was entirely unnecessary and could have been prevented from the start.

Like in the case of SARS the crisis can be split up into two phases: the phase of denial and obfuscation and the phase of remedial action and control. As problematic and condemnable the first phase was, the second phase commands respect for the resolute action taken by the authorities.

While the efforts undertaken by the authorities and the health services to contain and overcome the new corona virus pandemic are truly heroic and in many ways of unprecedented dimensions, the whole disaster reveals significant vulnerabilities of the People's Republic of China. In spite of the remarkable and historic socio-economic progress that has taken place during the past four decades, China remains in many ways a developing country.

Compared to the past and compared with other developing countries, China has undoubtedly reached a remarkable status of industrial and infrastructure development. Its urbanization, too, is meeting highest international standards. Furthermore, the soft power, which the People's Republic commands, from universities and research institutions to science and culture, has enhanced China's status in the world.

China counts the biggest number of millionaires and some 250 million of its people are solid middle class that can enjoy the same comforts of life as its peers in the industrialised West. There are islands of wealth and prosperity that can compare with the best in the West.

In spite of all these achievements the vast majority of the Chinese population, though not poor by earlier standards, lives materially very simple, precarious lives. Their earning power is weak, their social security is minimal or non-existent and though basic health care, particularly in cities, has improved substantially, they have no or limited access to elaborate medical care.

The current corona virus crisis also makes clear that with its large population China is very vulnerable. All challenges it faces, whether natural calamities, social upheaval or health crises, are of exceptional dimensions due to the huge size of its population. In fact, once the present crisis with its immediate global health challenges is behind us, new questions about the true status of China in the world will have to be asked, taking into account the impacts of demography.

The economic challenge

At present it is extremely difficult to make reliable predictions about the economic impact of the new corona virus pandemic. Everything depends on how soon the Chinese economy will again work at its full capacities. If the pandemic has been firmly brought under control by the end of February or early March, we might witness a rapid recovery in the second quarter of 2020. While the first quarter may be a total loss, prospects are that the whole of 2020 might then still turn out to be a year of moderate growth.

Many experts discuss whether the economic impact of the current crisis will be comparable to SARS. Some think that the prospects are better this time, as today's Chinese economy is more sophisticated and much stronger than in 2003. Others maintain that the global economic impact of the corona virus will be much bigger this time, as the Chinese economy makes today for a much bigger share in the global economy than in 2003. Some experts remind us that even before the outbreak of the COVID-19 pandemic the Chinese economy had entered a phase of weaker growth. The impact of the pandemic comes on the back of an already weakened economy.

There will be short-term and long-term consequences of the current crisis. Past experiences with major crises (not only SARS but also the global financial crisis of 2008/10) show that, when needed, China can muster extraordinary strengths to deal with monumental challenges. As the Chinese leaders are fully aware of the systemic dangers of a failure to tackle a crisis, they will mobilize all tools that are at their disposal. However, once the immediate aftermath of the current crisis is behind us, we will have to face long term structural challenges for the global economy. One thing is clear, the new corona virus crisis will not be the last major crisis afflicting the People's Republic of China.

The current crisis has manifestly shown the inherent breaking points and systemic vulnerabilities of global supply chain networks. More than ever it has become evident that the globalization of the economy cannot be sustained without a substantial diversification of risks and without a solid backup to existing supply chains. Everything has its price and the efficiency and profitable benefits inherent in a globalized economy do not come for free.

One of the major requirements in the age of globalization is the reduction of the risks that are inherent in supply chains that span continents and even the globe as a whole. More than ever there is the need to prepare for all eventualities, i.e. to have strategies in place that can deal with a sudden interruption of existing supply. Nothing should be taken for granted! In olden times one used to stock up substantial emergency supplies, the so-called "Notvorrat".

This new and urgent need for risk diversification will have implications for China as the world's leading manufacturing location. Recent events are undoubtedly a motivation for many manufacturers and investors to look for an alternative to the People's Republic. This may not be entirely negative for China, as the country is in the process of entering a new phase in its socio-economic development. In any case, when it comes to the production of low value goods China has in many instances become too expensive and other countries such as Vietnam and Bangladesh have become attractive.

The COVID-19 pandemic, while causing a lot of pain particularly for small and medium enterprises and strongly hurting the population at large, may be a turning point. It may help accelerate the process of modernization and make China's economy climb higher and higher in services, information technology and life sciences.

The social challenge

Every time a crisis hits China, the question comes up whether this will be the beginning of the demise of the Communist Party rule. Speculations are made about the long-suffering Chinese people finally rising up against the callous authorities that had allowed a problem to get out of control. In fact, brave individual voices of dissent and criticism might lead to

the expectation of a general upheaval against the clearly irresponsible apparatchiks who have let the country down.

We are in fact faced with the paradoxical reality that it is clearly the fault of authorities, both state and party, that problems got out of control in Wuhan and Hubei. At the same time it is also the merit of authorities that after huge and avoidable sacrifices the problems get finally solved. In such situations the resolve and organisational skill of the state apparatus are impressive.

Aware of the troubled history of China, authorities understand that in case of a major crisis the maintenance of law and order is of overriding importance. Nothing is more crucial than to avoid the country to fall into a state of anarchy or anomy!

Rightly, this fear is not without justification. It is, therefore, no surprise that in dealing with challenges such as the new corona virus pandemic, Beijing's major concern is the maintenance of public order. Everything must be done to prevent public dissent to spread in the country.

The political challenge

Irrespective of how the current crisis will eventually come to an end, there will be a number of implications for the future role of China in the world and for the standing of the PRC amongst the top nations in the world.

Most certainly questions will be asked within the Chinese establishment whether Beijing should continue with its hugely expensive projects such as One Belt One Road (OBOR) and the massive expansion of Chinese companies, workforces and investments in overseas. Questions will be asked whether it is sensible for a country, where so many people still live in modest conditions, to spend dozens of billions in overseas in projects that will not materially benefit the mass of the Chinese people.

While it is most certain that Beijing will mobilize all instruments, fiscal and monetary, to revive the domestic economy, it is also clear that strong forces within party and society will press for China to be put first and withdraw from costly undertakings in countries and continents far from its own shores. In a way one is reminded of the abrupt end to the massive naval expeditions at the beginning of the Ming Dynasty (Admiral Zheng He).

Of course, there will also be new concerns amongst the host countries about being drawn into crises originating in China. The People's Republic most certainly has lost considerable respect and prestige during the past weeks. Some of it may be recuperated but no doubt the whole crisis has been a huge face loss.

Finally, the time has come to reassess the geopolitical strengths and weaknesses of China. While there is no reason to doubt the recently re-acquired status as a world power, there are most certainly considerable doubts about whether China has the capacity to rise to the status of a superpower. The COVID-19 crisis has shown significant vulnerabilities that are all the more important as it is most likely that this was not the last pandemic to hold China in its grip!



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