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The strict COVID management policy initiated by Xi Jinping in 2020 has become one of the world's most impressive success stories: Not only has China successfully contained the outbreak in Wuhan, it has also managed to achieve positive annual economic growth. In the face of global chaos, Beijing has effectively exploited all of this success for propaganda purposes, shaping the positive attitude of domestic and foreign audiences towards China's containment strategy. However, the spread of a highly contagious but less dangerous strain this year poses a serious challenge to Beijing's efforts to maintain the strict COVID policy unchanged since 2020. The coronavirus outbreak in China, with Shanghai as its epicentre, is a very serious test for Beijing, with economic, social, and political consequences.



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Current Situation

Since the beginning of this year, the number of coronavirus cases in China has started to grow steadily. In March, the main focus was placed on China's financial and trade centre, Shanghai, where the number of cases had risen particularly fast. Although early statistics signalled the start of an outbreak in the city, the city authorities made every effort to avoid closures. Two days before the partial lockdown of the city, the Shanghai city authorities assured that there were no plans to close the city because the consequences would be felt not only by the city's residents but by the country and the world as a whole¹. However, partial closure of the city was introduced in Shanghai on 28 March, and mass testing of the population began. On 03 April, about 2,000 Chinese Liberation Army soldiers from other regions were sent to Shanghai to enhance testing capabilities and address logistical issues. On 05 April, Shanghai went into a complete lockdown, movement within the city became severely restricted, economic and other activities almost completely stopped.

Even after a few weeks, the situation in the city remains tense. On the day of partial closure on 28 March, only 5,982 cases were confirmed in the city, while on 12 April, 27,719 new cases

were recorded. From 01 to 18 April, the average was 20,071 cases per day. Interestingly, official Chinese statistics present the results uniquely by dividing the cases into two categories: symptomatic and asymptomatic. The currently prevalent strain of coronavirus in China is easily spread but less dangerous. For example, as of 18 June, out of 20,416 new cases in Shanghai, only 3,084 were symptomatic. Statistical categorisation of cases is likely to aim to reassure Chinese society and reduce the likelihood of social unrest while, at the same time, trying to avoid the atmosphere of chaos and fear that prevailed two years ago.

However, the extremely strict COVID policy and the insufficient preparation of the Shanghai city government for a possible outbreak have caused significant tensions in the city: residents with even the slightest contact with a sick person are forcibly isolated in special centres, parents are separated from young children, isolated apartments often lack essential products and food; animals are left alone at home for days without care. These problems have caused great dissatisfaction among the population; many people have poured into social networks to share views and critical videos. Sharp images and arrows of criticism directed towards authorities have be-

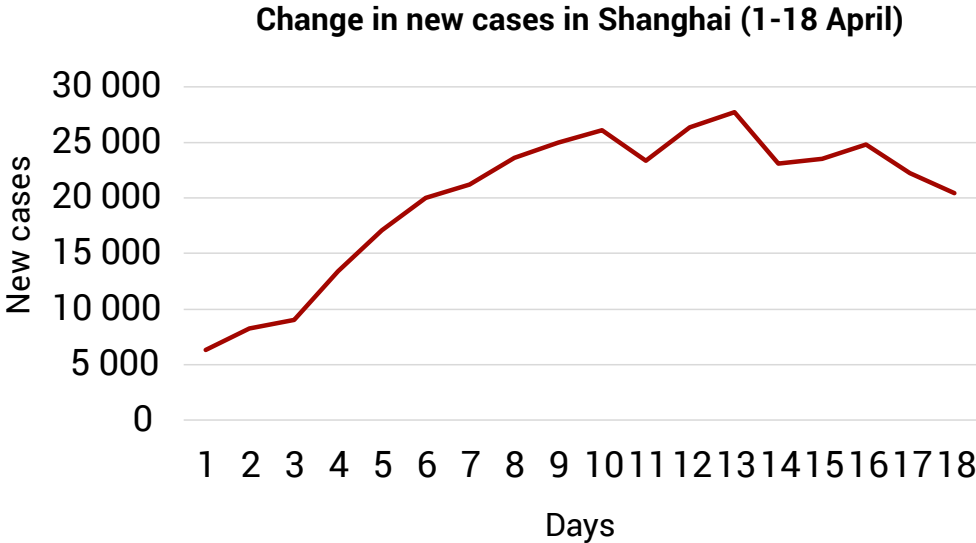


Fig. 1. New cases in Shanghai during 1-18 April. Source: China National Health Commission

come widespread on the Internet. Due to the extremely high volume and dispersion, censorship mechanisms have not effectively prevented this. The city authorities have been forced to react to criticisms (for example, the policy of separating children from their parents has been eased)². However, Beijing's constant pressure on the Shanghai leadership and growing public discontent have put too much strain on the director of the Shanghai Hongkou District Public Health Commission's Information Centre. On 12 April, Qian Wenxiong committed suicide. The entire population of China has reacted sensitively to this news.

More and more opinions can also be seen online questioning the COVID management policy, which has not changed significantly since 2020. For example, one comment states that people and their attitudes towards the pandemic have changed dramatically in recent years: the fear at the beginning of the pandemic was based on uncertainty due to the extremely low level of research done on the virus, but people's attitudes towards the virus have changed dramatically ever since³. This was influenced by detailed statistics that clearly show a significant reduction in mortality. In addition, serious illnesses are extremely rare and are most commonly associated with chronic illness in the elderly. The comment states that this time the officials are not at war with the virus but instead at war with the human minds.

The situation in Shanghai remains the most serious, but the number of new cases keeps growing in other provinces too. According to the official statistics of 18 April⁴, the provinces with the highest number of new cases, besides Shanghai, are: Jilin (472 cases), Jiangsu (133), Heilongjiang (95). There are no signs that Beijing is committed to reviewing the extremely strict COVID policy, so the risks of negative effects on China and the world economy due to this strategy remain high. The outbreak's epicentre is in eastern China, country's main engine of finance and trade. In the first half of April, 26 of China's 31 provinces confirmed cases of COVID. At the beginning of March, there were only 12 such provinces.

Political Costs

The implementation of a strict zero COVID policy has a very strong political connotation. China's zero COVID strategy, considered a success story in outbreak management at the beginning of the pandemic, is often equated with Xi Jinping. However, the outbreak that began this year has become a very serious test for the Chinese Communist Party and its leader. The biggest potential threat of the uncontrolled domestic spread of coronavirus is social and economic destabilisation, which could negatively affect the image of Xi and its administration before the Chinese Communist Party Congress.

If the outbreak in China is not contained, Xi and the administration's hopes of declaring a complete victory over COVID during the CCP Congress could be dashed. In addition, future career prospects for one of Xi's closest comrades, Li Qiang, have become extremely vague. Li is the secretary of the Shanghai CCP⁵ and a member of the CCP Politburo. He is often cited as a potential candidate for the CCP Politburo Standing Committee and the position of Chinese prime minister. Shanghai Mayor Gong Zheng is also predicted a bright political future in Beijing, but the current situation may fundamentally adjust those predictions. Historically, reaching the highest political positions in Shanghai have traditionally been the most direct route to the Chinese political Olympus (since the 1970s, 8 of 9 secretaries of the Shanghai CCP later became members of the Politburo Standing Committee, including Xi Jinping himself), but this tradition may be broken.

In an attempt to save his political future, Li Qiang became an extremely obedient politician who praises central government decisions. Li's reverence towards Beijing on 06 April is one of his attempts to preserve his political future: in an open letter to members of the Shanghai CCP, Li called for every effort to combat the COVID outbreak and, along with the CCP's Central Committee and Xi Jinping at its core, to overcome these significant challenges. If the crisis in Shanghai is not resolved as soon as possible, it is likely that Li Qiang will have to take political responsibility. This situation may be conducive

to political forces not very close to Xi Jinping. The possible promotion of Li Qiang could be reconsidered, which would be a severe blow to Xi and his attempt to surround himself with his closest comrades in the future. This would be a significant political loss for the Zhejiang Clique. However, after Xi's ascent to power that led to numerous changes and breaking political traditions, the current situation may also provide some surprises.

Economic Impact

The isolation of Shanghai is having a negative impact on China's economy, foreign trade and supply chains. Although some factories were allowed to operate under stringent rules, including complete isolation of workers⁶, most companies have ceased operations. The destabilisation of supply chains is increasingly felt by China and worldwide. For example, on 13 April, Apple's major iPhone maker in China announced the suspension of two factories in China due to COVID restrictions. The automotive industry has also begun to apply more pressure on Beijing: "If Shanghai fails to return to business as usual in May, the car industry will come to a complete halt."⁷

With growing concerns about the potential strain on the Chinese economy, Beijing has begun to take more decisive actions to reassure the public. On 15 April, the Chinese Ministry of Industry and Information Technology issued a statement assuring support for key sectors (semiconductors, automotive, medical) to continue production in Shanghai⁸. In a statement issued on 18 April, Chinese Deputy Prime Minister Liu He emphasised the importance of stabilising supply chains and assured that local authorities would provide all possible assistance to companies wishing to return to business⁹. With the government's help, large factories in Shanghai, including Tesla, are preparing to resume operations, but it is doubtful that production capacity will be fully restored. As before, most workers will have to live on the factory site, and problems with supply lines and restrictions in other urban hubs and seaports remain unresolved.

China's GDP grew by 4.8% in the first quarter of the year, exceeding analysts' expectations of 4.4%¹⁰. At the same time, however, there are many less encouraging signs: China's economy and consumption slowed significantly in March. This was influenced by both the Russian-Ukrainian war and the strict COVID management policy in Shanghai. Statistics in the coming months are expected to provide a broader picture of the economic consequences of Shanghai's lockdown. However, negative signs are already emerging: retail sales have contracted the most since April 2020, with an overall decline of 3.5%. The labour market situation also shows signs of concern, with the unemployment rate of 5.8% in March (the highest since May 2020)¹¹. Chinese imports have also been hit by the Russia-Ukraine war and the strict COVID policy¹². In order to dispel bad moods and reduce the pace of economic slowdown, the People's Bank of China¹³ announced an increase in financial support for industries and people affected by the coronavirus outbreak.

Endnotes

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- ² Stanway D., Goh B., “Shanghai eases child separation under COVID policy but extends lockdown”, Reuters. Online access: <https://www.reuters.com/world/china/shanghai-scrambles-secure-food-supplies-covid-lockdown-hits-2022-04-06/> (2022-04-19).
- ³ Liu Y. J., “Qian Wenxiong zijin bei hou, Shanghai de jiceng tai nan le!” (Times will very difficult for ordinary Shanghai bureaucrats following Qian Wenxiong’s suicide!). Online access: <https://baijiahao.baidu.com/s?id=1730091432388305739&wfr=spider&for=pc> (2022-04-19).
- ⁴ Nanjing Fabu, “Quanguo bentu xinzeng 3297+18187! Shanghai bentu quechenbing lie 3084 lie, bentu wuzhen-zhuang ganrazhe 17332 lie” (Growth of the country’s infections 3,297 + 18,187! 3,084 local cases and 17,332 local asymptomatic cases confirmed in Shanghai). Online access: https://m.thepaper.cn/newsDetail_forward_17687984 (2022-04-19).
- ⁵ Local CCP secretaries have more power and influence than mayors. In the case of Shanghai, Mayor Gong Zheng holds only the position of deputy secretary of the Shanghai CCP, so the main decisions are made by CCP secretary Li Chiang.
- ⁶ Bloomberg News, “Shanghai factories isolate staff to keep operating in lockdown”. Online access: <https://www.bloomberg.com/news/articles/2022-03-28/shanghai-factories-cloister-staff-to-keep-operating-in-lockdown> (2022-04-19).
- ⁷ Zhongguo Wang, “Yu Chengdong cheng: Wu yue zhi hou shanghai hai bu xugong qiche ye jiang tingchan” (Yu Chengdong: if Shanghai fails to resume production in May, the car industry will halt). Online access: http://henan.china.com.cn/m/2022-04/15/content_41940769.html (2022-04-19).
- ⁸ Zhongguo Xinwenwang, “Gongxin bu: zhichi zai hu zhongdian qiye wending shengchan youxu tuidong fugong fuchan” (Ministry of Industry and Information Technology: support for Shanghai’s key companies to maintain stable production, gradually promote labour and production resumption). Online access: <https://baijiahao.baidu.com/s?id=1730171969909830697&wfr=spider&for=pc> (19/04/2022).
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- ¹⁰ National Bureau of Statistics, “Yi jidu guomin jingji kaiju zongti pingwen” (The country’s economic situation was stable in the first quarter). Online access: http://www.stats.gov.cn/tjsj/zxfb/202204/t20220418_1829679.html (2022-04-19).
- ¹¹ Yao K., Qiu S., “China Q1 GDP tops forecast, but March weakness raises outlook risks”, Reuters. Online access: <https://www.reuters.com/world/china/chinas-q1-gdp-expands-48-yy-better-than-fcast-risks-outlook-abound-2022-04-18/> (2022-04-19).
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