

26 February 2020

China: Fallout (See RiskAlert!: CH-30SP15, CH-31OC14, CH-15AR05, CH-24NV04, CH-22JA04. RiskBrief!: RB-30JA20, -12JE19, -27MR19, -30JA18, -29SP17, -30JE17, -26MY17, -23JA16, -31DC13, -27AR12, -30AR11, -14JL09, -06OC08, -10JL08, -31MY08, -21MY08, -24MR08, -30NV07, -26JA07, -05JA06. Available on request).

- *Absent mutation*, sickness and deaths due to a China-based corona virus – ill-adapted to humans – will slowly decline
- Even after the 2019-COVID (corona virus) epidemic fades, its global economic and political fallout will grow
- The core issue: China’s governance system, forged in an era of isolation, is outdated and so globally disruptive
- President Xi Jinping will stand pat: he melds his own and official agendas, as does Russian President Vladimir V. Putin

- China’s one-party, one-man rule delayed responses to 2019-COVID and to African Swine Fever (ASF) a lethal pig disease
- Such failures dent Chinese leaders’ standing at home and abroad: many re-think China as supplier and customer
- US pig farmers – eager to sell to a pork-short China – will end use of a growth-enhancer banned in China (ractopamine)
- Global supply chains will be re-shaped to offset “China-specific” risks rooted in politics, policies, and predilections
- Absent political reforms, China will cause global disruptions as or more severe than those from 2019-COVID and ASF

- Chinese leaders’ focus on personal control crows subordinates, blocking flows of critical information and insights
- President Xi has damaged China’s political backbone, the 90 million-member Chinese Communist Party (CPC)
- Unless Xi relaxes his grip, China risk – e.g., new diseases – will persist thanks to entrenched, unsafe customs
- Changing consumers’ preference for fresh-killed and/or exotic meats requires education and strong food safety regulators
- Even US safety regulators can be thwarted by industry moguls, despite judges’, legislators’ and journalists’ oversight

- China’s fear- and secrecy-based political culture moved officials to deny, and then to down-play, a new disease’s emergence
- Local authorities in Wuhan, the 2019-COVID epicenter, rebuked a doctor, who realized a new, lethal disease was loose
- Wuhan Police browbeat Dr. Li Wenliang, who told colleagues in a “chat group” to wear protective gear (30 December)
- Police officers summoned Dr. Li and sternly adjured him to stop rumor-mongering (4 January 2020)
- 2019-COVID killed Dr. Li (7 February); many, grief-stricken, reviled public officials on-line; censors soon erased such posts

- Even once the peril was clear, foreigners – wary of offending Beijing – only slowly took counter-measures, e.g., quarantines
- A World Health Organization (WHO) committee declared: “Countries are cautioned against actions that promote stigma or discrimination, in line with the principles of Article 3 of the IHR [International Health Regulations].” (30 January 2020)

- Slow and disjointed responses – in China and globally – augur ill for control of a sneeze-transmissible, highly lethal disease
- Key error: the failure at once to shut-down air travel, to contain a disease spread by humans, often not obviously sick
- On a ship holed below the waterline, sailors run to close water-tight doors, to contain flooding and so to save the ship

- China’s key task: revising a governance model rooted in an isolated China, so it suits a China with global ties and impacts
- During founding father Mao Zedong’s tenure (1949-76), China’s internal policies only rarely had wider impacts
- China’s post-Mao leaders sought global respect based on economic clout; Soviet Russia used military might to inspire fear
- Long-sought global clout now requires China’s leaders to consider the wider impacts of their policy choices and methods
- Economic clout rests on partnerships; President Xi – supreme leader in a command-driven polity – wants no partners

- Once in office (2012) Xi used corruption charges – or the threat thereof – to topple actual or potential rivals
- Xi demands all “ordinary folks” kow-tow to the CPC, and that all in the CPC kow-tow to him; he, who disobeys Xi, will pay
- All public officials directly or indirectly answer to Xi: even municipal officials try not to attract their seniors’ attention
- Fear promoted the unchecked spread of ASF, which has killed over half of China’s pig herd, the world’s largest
- A pork shortage boosts consumer prices in China and abroad: others can’t raise enough pigs to fill the gap

- Xi, used to doing as he pleases, resists allowing external factors to shape domestic policy choices and methods
- Beijing is outraged by a US re-framing of Sino-American economic relations based on the idea that China is “hostile”
- Sure that all major Chinese entities, public and private, obey Xi’s orders, the US curbs China’s access to research
- These economic policy disputes likely inhibited the cooperation needed to contain 2019-COVID

- Xi’s centralization – in a complex, globally-linked economy – is as dysfunctional as was Soviet “central economic planning”
- Moscow specified all farms’ and factories’ outputs; a weak rail system and severe winters often made a hash of plans
- Soviet policies mainly shaped others’ defense budgets; when crops failed, Soviet grain purchases raised global prices
- Pervasive, gross inefficiencies bankrupted Soviet Russia despite huge wealth: oil/gas, coal, timber, metals, gems, etc.