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METRIX

230

Some 230 political parties from around the world published an open letter **initiated by the CCP** calling for closer international cooperation to fight the coronavirus epidemic. The letter also praised China for its handling of the disease.

TOPIC OF THE WEEK: THE CORONA EPIDEMIC HAS CHANGED CHINA

China torn between a yearning for normality and its fear of the second wave

Many Chinese are still wearing masks, and **universities and cinemas remain closed**. But **crowds descending on the Huangshan Mountains**, parks and shopping malls, and the **opening of schools** in some provinces suggest a slow return to normality. Even the citizens of Wuhan, the worst affected city, can breathe a sigh of relief. After more than ten weeks of lockdown, the curbs on movement were relaxed on Wednesday – and the city celebrated with an LED light show. Yet travel restrictions between cities and regions remain in place – as does the app-driven monitoring of movements and health statuses. **One district has already re-imposed the lockdown** for fear of the virus reappearing.

On last Saturday's Qingming festival, a day of remembrance for deceased ancestors, people across the country officially commemorated the "martyrs" of the fight against the coronavirus epidemic by observing three minutes of silence. But the government is far from ready for any critical look at events. In Wuhan and elsewhere, meetings of relatives who wanted to remember the dead had been banned. At the same time, the pictures of long lines in front of morgues in Wuhan raised **new doubts about the official death toll** – crowds of people were waiting to receive the urns of their cremated relatives.

Although the Chinese leadership is urging people to be vigilant in the face of ongoing precautions, there is no official mention of any worry about a second wave of infections. The message Beijing wants understood at home and abroad is that China has defeated the epidemic. Critical content continues to be censored, critics remain disappeared or disciplinary measures taken against them, as in the case of the influential **real-estate tycoon Ren Zhiqiang**. Ren had publicly criticized Xi Jinping for his handling of the epidemic.

The shutdown lasted just under three months and probably changed the country more than many people could have imagined. The consequences of the coronavirus crisis are likely to be felt for a long time, not only in the economy but also in terms of social interaction. There has already been a string of **public protests** – workers from various industries demanding financial support, taxi drivers asking for exemptions from rent and license payments. **Disputes on the border between Hubei and Jiangxi** provinces demonstrated the stigma now attached to people from particularly affected regions.

Also, not to be underestimated are the **psychological consequences** of the continuing isolation of more than 700 million people, and the constant strain on doctors, nurses and caregivers. There is already talk of a sharp rise in mental illnesses like depression, anxiety and post-traumatic disorders. The Chinese leadership has launched a number of mental health initiatives and dispatched social workers to provide psychological counseling. Given the shortage of services in this area, mental health provisioning could become an important political task. An article in the party magazine Qiushi identified mental healthcare as crucial to dealing with the epidemic fallout. Psychological problems could become a hidden threat to the "social stability" striven for by the Chinese leadership, it said.

MERICs Analysis: "After months of social distancing and domestic isolation, after the shattering of thousands of professional existences, great hopes are now being placed in life getting back to normal.

But behind them there lurks the danger of a second wave of infections. This is driving the zigzag courses of many local governments as they reopen and again close public places like schools and cinemas." **Katja Drinhausen**, Analyst at MERICS.

CHINA AND THE WORLD

Coronavirus in Europe presents opportunities for tech firms in China

Chinese tech firms could gain a foothold in the European smart health market as they **offer the region's governments data-driven help** in the fight against the coronavirus. After launching artificial intelligence (AI) and cloud-based diagnostic tools in China as the country was in the grip of the disease, companies are marketing them to hospitals and health authorities in the European Union.

Alibaba Cloud, the cloud-computing subsidiary of tech giant **Alibaba presented its machine-learning software** for fast coronavirus diagnosis to Italy, France and the Netherlands; **Huawei offered hospitals in Italy wireless network equipment** and access to a cloud and videoconferencing platform; and medical AI startups like Infervision are also stepping in to offer Europeans digital healthcare solutions.

Emerging technologies like medical AI could help in the fight against coronavirus – and help Chinese tech firms tap into Europe's digital health market. "Policymakers have to carefully weigh the risks while remaining open to life-saving collaborations," says **Rebecca Arcesati**, analyst at MERICS. "In Italy, there are concerns about Huawei's involvement in setting up cloud networks for hospitals. This could give a **potentially untrustworthy vendor access** to critical infrastructure and sensitive data."

MERICS Analysis:

China's fight against COVID-19 - Clicking for a cure. Blogpost by **Kai von Carnap**.

Virus fuels discrimination against East Asians

The fact that the new coronavirus first spread in China has led to a surge of reports around the globe of a rise in discrimination and violence against people of East Asian appearance. Fed by contentious social media posts and careless news coverage, the trend has been made worse by US President Trump, who called COVID-19 the "Chinese virus", relenting only after **protests by Asian-Americans**.

Old "yellow peril" stereotypes of Chinese people spreading disease and antisocial behavior have seeped into media coverage of the pandemic. Distrust of China's Party-State could make foreign audiences more prone to believe misinformation – such as that ethnic **Chinese overseas are hoarding supplies** for shipment to China, or **that China deliberately released the virus** to attack other nations.

"Threat images of China can promote hostility towards people who look East Asian," says MERICS analyst John Lee. "Reports of such discrimination can be exploited politically by the Chinese state."

China uses the corona crisis to emphasize its ability to help developing countries – Interview with Matt Ferchen

With the coronavirus in China apparently under control, Beijing is turning its gaze outward again and pledging assistance to other nations. U.S. Secretary of State Mike Pompeo recently said, “countries should be wary of authoritarian regimes with empty promises”. In our latest podcast, **Matt Ferchen**, MERICS Head of Global China Research, talks about China’s role in international development.

How has the outbreak of the coronavirus changed China’s role as a development actor?

The US and Europe have debated China’s culpability in failing to contain the virus inside China, but also the ways in which Chinese manufacturers of personal protective equipment (PPE) have been an important source of help in fighting the virus globally. Beijing is promoting what it sees as China’s effective internal response to the virus and its subsequent willingness to “assist” others. There is much talk about China’s “politics of generosity” – but also criticism that such generosity might really be self-serving propaganda in the name of Chinese commerce. Some Chinese officials see the pandemic as an opportunity to show that China can “come to the rescue” of rich and poor countries alike. Given China’s response to the crisis, and in particular its efforts to revive a “Health Silk Road” to accompany its more infrastructure-based Belt and Road Initiative (BRI), China will emphasize its ability to help developing countries overcome the crisis. But China risks raising expectations it cannot fulfill. It cannot on its own provide the kind of health and economic responses the pandemic demands. These themes will likely play out in different contexts and with different impacts in many developing countries.

Why was China’s international development role controversial even before the pandemic?

Firstly, because China portrays what it is doing as a development actor very differently to how it is perceived elsewhere, especially in the West. China says that development is a solution to almost all problems, both domestic and foreign. This is where the language of “win-win”, “mutually beneficial relations” comes from in China’s promotion of commerce, investment and finance. But Mike Pompeo, for instance, claims that China is a bad actor in regions like Africa and Latin America because it may not deliver “win-win” outcomes. Such criticism also implies China may be using some economic policies to gain leverage over others. Secondly, there are issues about the effects of Chinese-sponsored infrastructure projects – questions about debt, the impact on the environment and on local communities. Again, the Chinese say they bring their partners positive development outcomes. And lots of voices – from the US, but also from partner countries – say, well, maybe it isn’t as smooth as that.

What do these different visions of international development mean for the European Union?

Most Western countries view development as being about aid and assistance for poor countries. For China, it’s about trade, investment, finance – it’s about everyday commerce. And this goes a long way in places like Africa, in Southeast Asia to some extent, and in Latin America. The key issue for the EU is where it goes with its Connectivity Strategy, or connectivity framework. This is an important area in which the EU as a body can react to China as a development actor. The EU can now pinpoint areas in which it can provide policies, assistance and new ideas to foster financially, environmentally, and socially sustainable connectivity. The question is how the EU can put into practice these important sustainability-

related concepts. How will the EU position itself as the US and China ramp up their competition in international development and connectivity? Where do European alternatives – based on its interests, priorities and values – fit in? We're working on answers here at MERICS.

Learn more about China's role as a development actor by listening to the [full podcast](#).

News in brief

- Chip sanctions – [China could take countermeasures if US tightens export ban](#)
- Taiwan – [WHO adviser appears to dodge question on country's virus response](#)
- Warship in Taiwan Strait – [China accuses US of playing a dangerous game](#)

POLITICS, SOCIETY AND MEDIA

“Imported” corona cases: Xenophobia on the rise in China

As China gradually gets back to work after the corona crisis, foreigners living in the country are finding little joy in the loosening of the far-reaching lockdown. With Chinese health officials reporting new “imported” coronavirus cases on an almost daily basis, increasing numbers of [foreigners have been refused entry](#) to restaurants, shops and offices, yelled at on the street, or avoided like the plague. Some permanent foreign residents were barred from re-entering China by the government.

In the past week, China has reported only 22 locally transmitted cases of coronavirus, excluding asymptomatic cases. [According to official figures](#), 216 cases have been imported in the same timeframe. Reuters reported in late March that [90 percent of imported cases](#) were Chinese citizens returning home. However, the government has been slow to correct the popular impression that imported cases only involved non-ethnic Chinese.

Beijing seems happy to let populist anger focus on foreigners rather than its own failures and appears to be readying a scapegoat to blame for a potential second outbreak. Angry discussions have unfolded on social media platforms – one post on WeChat cautions against [“foreign garbage”](#) that might start a new wave of infections.

News in brief

- Hong Kong – [Policemen found guilty of beating pro-democracy activist](#)
- Human rights lawyer – [Wang Quanzhang released from jail and escorted into quarantine](#)
- UN human rights panel – [China joins to pick experts on free speech and arbitrary detention](#)

ECONOMY, FINANCE AND TECHNOLOGY

Half a million company closures lead to record unemployment

Signs are mounting that China's economy will feel the effects of the coronavirus pandemic for a long time. China's draconian response to the outbreak forced 460,000 companies to close their operations for good in the first quarter of 2020 and saw new-business registrations fall 29 percent in year-on-year comparison to around 3.2 million. The surveyed urban unemployment reached a record 6.2 percent in February, with one estimate suggesting that some 8 million people were thrown out of work.

The looming global recession is likely to increase the pressure on China's economy. Consumers and companies in key markets like the EU and the USA, also hard hit by the coronavirus crisis, are likely to contribute to falling foreign demand for Chinese goods. China's export-oriented companies, including a large number of SMEs, will suffer as a result. Both corporate and household defaults are becoming more likely. For the first time since 1976, China's economy is likely to contract in the first quarter.

China prolongs subsidies for electric vehicles

Beijing has thrown a lifeline to the country's prized electric-vehicle industry by prolonging subsidies – even though it may not be able to stimulate purchases enough to prevent a wave of start-up bankruptcies. The Chinese government extended tax breaks for buyers of new energy vehicles (NEV) by two years to the end of 2022 in an effort to soften the economic fallout of the COVID-19 crisis.

The State Council's move had been flagged by an Industry Ministry official in January, but was likely only formalized after the coronavirus decimated car demand. The central government seemed to realize that recent local-government measures to stimulate auto purchases would not be sufficient to stem the drop in NEV sales. But various government bodies are reportedly still contemplating a 10% subsidy cut later this year and narrowing the NEV models that qualify for tax rebates. Beijing could use the changes to quietly favor lower-cost Chinese NEVs over higher-cost foreign models.

MERICS Analysis:

In the report "Chinese FDI in Europe: 2019 Update" – jointly released yesterday by Rhodium Group and MERICS – the authors Agatha Kratz, Thilo Hahnemann (both RHG), Mikko Huotari and Rebecca Arcesati (both MERICS) argue that the global Covid-19 pandemic will deeply impact global capital flows, including China's outbound investment. The shutdown of large parts of China's economy in February and March has already had a negative effect on Chinese deal-making in the first three months of 2020. Early data points indicate that the first quarter of 2020 will show the lowest outbound deal volume from China in almost ten years.

Yet the crisis is also creating buying opportunities in Europe and elsewhere. Past crises saw Chinese firms acquire discounted assets around the globe. However, an opportunistic Chinese buying spree in the wake of the Covid-19 crisis is less likely today, given increased public scrutiny and tools to screen investment in recipient countries. The authors expect Chinese outbound investment to increase during

the remainder of the year from a very low base, but a return to boom levels of 2015-2016 levels is unlikely. You can read more on Chinese FDI in Europe in the [full report](#).

News in brief

- Coronavirus aid – [Commerce ministry pledges to support to help foreign firms](#)
- 5G base stations – [Huawei and ZTE to build 200,000 of them across China](#)
- Economic growth – [Central bank adviser says 2020 GDP target should be dropped](#)
- Finance – [China scraps limit on foreign ownership of securities firms](#)
- IPOs – [More volume in Shanghai than any other stock exchange in Q1](#)

PROFILE

Lawyer and citizen-journalist Chen Qiushi reported from Wuhan and disappeared

Chen Qiushi (陈秋实) has been [missing since 6 February](#). The lawyer had spent roughly two weeks in Wuhan as a citizen journalist and reported on the tragic plight of the city during the coronavirus epidemic, mainly via [Twitter](#) and [YouTube](#). He visited inundated hospitals and interviewed locals who felt abandoned. In doing so, Chen revealed the true extent of the disaster in the city and documented the inadequate response of the Chinese authorities.

Chen's online following grew rapidly both in China and abroad. The [video he posted on 30 January](#) became famous: "I am afraid. In front of me is the disease, behind me the Chinese state. But as long as I'm alive here in the city, I will continue to report about it. I only say what I see and hear. [...] I am not afraid to die – why should I be afraid of you, Communist Party?"

Chen Qiushi was born in 1985, studied law at Heilongjiang University, and worked for a law firm in Beijing after graduating. His trip to Wuhan was not the first time he had worked as a citizen journalist. He reported from Hong Kong on social media during the protests that broke out last June, quickly [coming under pressure from mainland China's government](#).

His [self-declared goal](#) was not to address foreigners, but to spread the truth among his compatriots. With his disappearance, Chen joined a number of other self-proclaimed citizen journalists in officially decreed obscurity – the most [prominent being Li Zehua and Fang Bin](#). [According to his mother and a friend](#), Chen was forced into quarantine. Nothing is known about his whereabouts or his state of health, even though the average quarantine period of two weeks would have finished weeks ago. Foreign media and governments – including [US Congressman Jim Banks](#) – have demanded the three disappearances be investigated.

Citizen journalists like Chen ignored the boundaries set for professional journalists. As a result, they were able to reveal shortcomings and grievances that would otherwise have remained hidden. But

Chen's disappearance and the refusal of authorities to release information about him show what remorseless official reaction such as activism can provoke. Chen's Twitter account is still active, and his videos and documentaries are still available. But the Chinese internet is almost completely silent about Chen Qiushi and his fellow campaigners.

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