

**China and COVID-19: From Crisis to Opportunity**

**Oded Eran and Galia Lavi**

**The Chinese response to the COVID-19 pandemic has been reflected in varying intensities in medical, economic, and public relations terms in accordance with the spread of the virus. After China managed to gain control over the domestic outbreak, the Chinese government directed significant attention to the international arena in an effort to bolster China's image as a responsible global power, and to take advantage of the infection's outbreak around the world in order to promote its ideas and influence. However, in the process of recovery from the crisis and particularly in coping with the economic ramifications, China's economic and financial capabilities were harmed and are likely to contract. In light of these constraints, a sober analysis must be made of the opportunities and risks in relations with China, on the global level and on the bilateral Israel-China level.**

The Chinese response to the COVID-19 outbreak has been reflected in varying intensities in medical, economic, and public relations terms in accordance with the spread of the virus. In early January 2020, local government officials in Wuhan apparently downplayed the severity of the situation. In this stage of the outbreak, the local government was primarily occupied with preparations for the Chinese New Year and preferred to avoid drastic measures.

As the severity of the situation became clear in Beijing during the second half of January, President Xi Jinping instructed local authorities to take "harsh and far-reaching steps," meaning a broad closure of several cities in Hubei province, shutdown of the education and transportation systems, and cancellation of Chinese New Year celebrations. At the same time, hospitals were constructed at record speed, additional medical centers were outfitted to handle patients, and thousands of medical teams were sent to the epicenter of the outbreak. In order to support a paralyzed economy, the People's Bank of China sent tens of billions of dollars to banks and financial markets so that loans could be made, and lowered the base interest rate on loans. Nevertheless, the government's initial delay, the uncertainty, and in particular the silencing of doctors who had warned of the outbreak sparked indignation and direct criticism on social networks in China of the regime's helplessness in containing the pandemic. These included attacks on senior officials, including President Xi, and calls for greater freedom of expression.

In response China used familiar means – information control, redirection of the criticism at the local government, and collective motivation through the creation of a unifying narrative. Responses criticizing the President were erased, while harsh attacks on local government were left in place, and descriptions of the President's total dedication to combatting the virus were published. A special team led by the Chinese Prime Minister travelled to Wuhan to supervise directly the steps taken to stop the virus's spread, and senior local officials were removed from their positions; in tandem, President Xi used the opportunity to improve his own position by promoting his contacts to central roles.

When it appeared that progress was underway in controlling the epidemic, the President appeared in public to call for a "people's war" against the virus. Similarly, the Foreign Ministry declared that "sacrificing one's small family for the big family and putting the country before oneself has always been a spiritual hallmark of the Chinese nation and a strong bond uniting all Chinese people." At this stage additional energy was dedicated to repair the economic damage caused by the nationwide shutdown. Economists estimate that growth of China's GDP is likely to decline sharply to only about 5 percent in 2020, a decrease of one percent from what was planned. Unemployment rose by one percent, reaching a peak of 6.2 percent in February. These statistics are a source of concern for the Chinese government, which is making significant efforts to revive economic activity, but a lack of manpower – due to the ongoing lockdown and transportation freeze – have delayed the return to work. It is likely that it will take several more months for factories to return to full production.

Gaining even partial control over the COVID-19 crisis allowed the Chinese regime to refocus its efforts on repairing its image internationally from the damage it suffered when the virus spread beyond China's borders. The crisis intensified the rivalry between the US and China and added a new front – that of public opinion. The two powers are conducting a fierce battle of words, with the US attempting to place responsibility for the outbreak of the virus on its rival because of China's initial mismanagement and failure to sound the alarm. President Donald Trump referred to COVID-19 as the "Chinese virus," and both he and Secretary of State Mike Pompeo have also called it the "Wuhan virus." The use of this term reportedly even led to the failure of the G7 summit, which was supposed to deal with the global financial crisis. Meanwhile, China is working to rewrite the history of the early stages of the crisis; Chinese spokespeople have even blamed the US military for the outbreak.

In the campaign over global public opinion, China is emphasizing the aid it has offered other countries hit by the pandemic, making use of its economic power in both the public and private sectors. Many countries dealing with the pandemic and its consequences have

received aid from the Chinese government and from wealthy persons in the Chinese private sector — including Huawei and Alibaba founder Jack Ma — who sent experts and medical equipment. The technical and medical aid China sent to Italy demonstrates how the Chinese government is promoting the Chinese president's Silk Road Initiative (also known as the Belt Road Initiative). After sending tons of aid supplies, President Xi spoke with the Italian Prime Minister and called for collaboration between the two countries in promoting a "Health Silk Road." In light of Italy's plight and the feeling there that the country had been neglected by Europe even prior to the coronavirus outbreak, there is growing cause for concern that China is seeking to exploit the situation to expand its influence across the continent.

Before the crisis, the European Union adopted a policy of thoroughly reviewing both interstate and intrastate investments and projects by Chinese companies on the continent. However, a more realistic assessment must now be made about the opportunity and risk of Chinese involvement in the process of recovery from the current crisis, particularly in regard to the economy. China's financial and economic abilities were also harmed and are likely to shrink more than was predicted prior to the outbreak of the crisis. In addition to the decline in domestic consumption as an economic engine of the Chinese economy, a drastic reduction in exports, which make up 18 percent of the Chinese economy, must be considered. Demand will decrease in China's principal export markets — more than one-third of Chinese exports are bound to the US and Europe — as well as in the Chinese domestic market. If China takes steps that violate World Trade Organization rules in order to promote its exports (such as subsidies or market flooding), it will be met with harsh responses.

In his remarks at the virtual G20 meeting, President Xi noted the need to act through international frameworks and emphasized China's willingness to expand imports. In this way, perhaps, he sought to allay concerns about trade. In the same speech, the President also noted his nation's intention to expand its international investments, thus touching on a sensitive issue. Publicly funded infrastructure projects during economic crises speed up the end of a crisis, which means that Chinese infrastructure companies that are able to take advantage of Chinese government funding may be at an advantage. Given that China will need to take economic rescue measures for its own domestic market, questions will arise about the impact of internal measures on its international capabilities. If China manages to handle its internal and external challenges simultaneously, many countries and particularly European countries will face the "Greek dilemma": should they place vital infrastructure in Chinese hands and increase Chinese diplomatic influence in exchange for a much-desired opportunity to speed up economic reconstruction? Right now it is difficult to rely on national and "conventional" resources, such as regional and international banking institutions. For example, the field of telecommunications is likely to expand dramatically

in the post-COVID-19 era, due to the increased recognition of its importance in identifying destructive phenomena, information sharing, and recovery from crises, and the reduction of most human communication to digital and electronic media during the pandemic. China and Chinese companies already have a tremendous advantage in this field over other players, and it can be assumed that they will strive to maintain and increase this advantage.

The multi-faceted complexity of China's role in the global economy and in Israel-China bilateral relations should be reexamined and updated. For example, Chinese exports and the scope of Chinese tourism in Israel are likely to decline for an extended period, and there will be fewer flights between the two countries. As unemployment in Israel and in the Palestinian Authority rises, the need for Chinese workers in Israel will also be questioned. On the other hand, the desire to expedite recovery from the economic crisis creates an opportunity for the private and public sectors in Israel, including local government, to make use of Chinese technological, infrastructural, and financial capabilities. Last year Israel created a mechanism for examining the consequences of investments and involvement by foreign parties in strategic systems in Israel. This mechanism should determine the proper balance between addressing economic needs and defending strategic national-security interests. This mechanism is likely to face combined and increasing challenges at every level: economic needs of a crisis-stricken Israel; pressure by economic and business actors to allow foreign investment and activity; the risk of expanded Chinese influence through its economic tools; and the difficulty of security organs, whose activity has been slowed down due to health considerations, to stand firm. In these new conditions it is particularly important to consolidate the role of security mechanisms in assisting with correct, balanced, and informed decision making, at a time of increased reliance on the economic power of foreign parties.