China and the Economic Impact of Its Covid-19 Response

The coronavirus pandemic has caused significant disruption to many countries around the world, including the most developed ones. However, recently, China has successfully minimised its infection levels; therefore, a question is raised: how is China successfully containing the coronavirus whilst the majority of Western countries continue to struggle with it?

The major reason which explains the difference in coronavirus cases between China and other countries is China's policies. China operates a strict 'zero-COVID' strategy where tough measurements will be imposed on an area even when there are only a handful of cases. Although these solutions may not appear ideal and would certainly be rejected in Western democratic countries (where a stronger emphasis is put on human rights and personal freedom), China's tough stance towards the virus has made the country successful in containing it.

Anyang, a city located within the Henan province, recorded 58 coronavirus cases in one day (Davidson, 2022) and, although this may seem like baby figures to Britain (where 115,280 new cases were recorded on the same day), those 58 cases put Anyang into a lockdown; this included residents being banned from driving on the roads and non-essential businesses being closed. Additionally, Shenzhen, another Chinese city, has seen targeted lockdowns of particular housing compounds where coronavirus cases have been detected. Moreover, considering that the Winter Olympics will be held next month, harsher policies may soon be implemented to allow the event to run smoothly.

The benefits of China's tough measures include public health is better protected and the healthcare system coping with the virus better. However, the harshness of the policy is starting to pose some economic problems. For example, chipmaker Samsung has had trouble getting staff to work because of local lockdowns and hence warned that its operations could be disrupted. Furthermore, another Chinese city, Ningbo, home to the world's third-largest container port, has reported infections and banned lorries from entering, exacerbating the congestion of ships (Hille., et al, 2022); as a result, the global supply chain is likely to be severely impacted. This, together with the rising price of raw materials and the shortage of workers, will presumably severely impact businesses globally.

Domestically, China's economy is feeling the effect of the lockdowns as it is 'under the triple pressure of demand contractions, supply shocks and weakening expectations' (Hale & Yu, 2022). Moreover, the absence of people on the streets has led to a reduction in consumption. Household expenditure is one of the most important components of gross domestic product

(GDP) and the fall in consumption levels can partially explain the recent slow pace of Chinese GDP growth.

In the long run, no one knows what is going to happen with the coronavirus. We can see how China's 'zero-COVID' policy is beneficial for its local population in terms of health and safety; however, closing its borders to the international world could be detrimental to its economy further down the line, and Goldman Sachs has reduced its projection for Chinese economic growth in 2022 from 4.8% to 4.3%. Furthermore, knowing that variants such as Omicron are extremely transmissible, it is almost certain that cases will slip through China's lockdown and quarantine systems; this may prompt even stricter measures that will further impact manufacturers and exporters, putting even more pressure on the global trading system.

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