

Nervousness grows over global impact of coronavirus outbreak in China

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3 February 2020

The response to the 2019-nCoV coronavirus pandemic that began in Wuhan, China is assuming ever more panicked and nationalist dimensions as the scale of the economic and social dislocation becomes clearer. A large proportion of China's massive export manufacturing industries are in virtual shutdown, countries are attempting to seal their borders, and financial markets are gyrating as the stock of exposed companies is sold off. Concerns have been expressed that the medical emergency could be the "black swan" event that triggers another global meltdown.

In the most myopic and inane reaction thus far, US Commerce Secretary Wilbur Ross gloated at the end of last week that the virus could assist the Trump administration's "America First" agenda of undermining China as an economic competitor. In an interview with Fox News, Ross said, "I don't want to talk about a victory lap over a very unfortunate, very malignant disease," and then proceeded to do just that. He asserted: "The fact is, it does give business yet another thing to consider when they go through their review of their supply chain... So, I think it will help to accelerate the return of jobs to North America."

His remark was endorsed by the Commerce Department, which commented: "As Secretary Ross made clear, the first step is to bring the virus under control and help the victims of this disease. It is also important to consider the ramifications of doing business with a country that has a long history of covering up real risks to its people and the rest of the world."

In reality, the disruption to global trade taking place puts millions of jobs at risk, not only in the US, but around the world. As US Federal Reserve Chairman Jerome Powell commented last week: "China's economy is very important in the global economy now, and when China's economy slows down, we do feel that." China's economy is second to the US, with a gross domestic

product of nearly \$14.55 trillion in 2019, making up 16.38 percent of the global economy. China's global exports were worth \$2.5 trillion in 2018, according to the World Bank.

Over the weekend, the number of persons infected with 2019-nCoV continued to climb, with an estimated 17,384 cases worldwide, overwhelmingly in China, which is reeling from the challenges posed by the outbreak. An additional 2,800 cases were reported overnight in Hubei province alone. There have been at least 362 deaths reported so far, and infections have been reported in every part of the country. Close to 10,000 people have required hospitalization, and some 478 are reported to be in a critical condition.

Every city in Hubei province, with a combined population of more than 60 million people, is now in virtual lockdown by the Chinese authorities, with strictly limited transport in and out. Economic and social activity has been severely affected, even in the regions where there are few reported cases. Cultural festivities associated with the Lunar New Year were called off. Major Chinese and international sporting competitions have been cancelled, including the World Athletics Indoor Championships and the auto racing Formula E Championship.

Last week, 9,807 flights within, to and from mainland China were cancelled, representing 10.8 percent of all scheduled flights. Apple has closed all of its 42 stores. Starbucks and McDonald's are among major US companies that have severely restricted services in China. IKEA stores in China have locked their doors. General Motors and Honda are considering postponing the resumption of production at their manufacturing plants in Wuhan after the Lunar New Year holiday season shutdown.

Overall, normal economic activity has sharply contracted in the 21 provinces and cities that produce 80

percent of China's gross domestic product and 90 percent of its exports, and, in the best-case scenario, will not begin to return to normal rates for at least another week.

Chinese stock markets plunged when they reopened today after the Lunar New Year break. The main exchanges in Shanghai and Shenzhen almost immediately fell over 9 percent, before moving up marginally. Other markets in Asia were also down, with the Nikkei in Japan and ASX in Australia falling over 1 percent in opening trade.

In a bid to try to limit the market sell-off, the Chinese authorities took a series of measures. On Sunday, the Central Bank announced it would inject 1.2 trillion yuan (US\$174 billion) through operations in the overnight or repo market to ensure that liquidity was "reasonably ample." The addition to liquidity was not as high as the headline figure suggested, however, because more than 1 trillion yuan of short-term funds were maturing, so the addition to liquidity will be only some 150 billion yuan (\$21.7 billion). Nevertheless, the intervention is the largest single-day repo operation ever conducted by the bank.

A total of 171 cases have been confirmed in 26 other countries and territories—with the figure being increased continually. The first confirmed death outside of mainland China was reported in the Philippines over the weekend. The number of cases in the US has grown to nine.

Dozens of countries have now imposed travel bans, and most international airlines have reduced or suspended flights into China—well after the virus has spread around the globe. Tourist visits by Chinese citizens are grinding to a halt, which will have a severe economic impact on many regions of the world. Just in Australia, officials are estimating at least \$9 billion losses to the local tourist industry.

Many countries are repatriating their citizens from China on charter flights. Germany flew 100 people into Frankfurt over the weekend, quarantining them at a military base in Germersheim, near Stuttgart. Russia intends to use its military to commence evacuation of Russian citizens starting on Monday from heavily affected regions. Indonesia evacuated 245 citizens and Bangladesh 316 citizens over the weekend. The Australian government has begun evacuating some 300 of its nationals, who will be confined to the remote Christmas Island in the Indian Ocean in facilities built to imprison so-called "illegal" refugees.

Chinese officials are expressing frustration that so many nations have disregarded the World Health Organization

(WHO) advice against sweeping travel restrictions. Echoing WHO officials, China's Foreign Minister Wang Yi told his Indian counterpart, "This kind of overreaction could only make things even worse. It's not the right way to deal with the pandemic."

Health experts have attempted, with little success, to introduce rationality into the discussion on how to stem the spread of the virus. Catherine Worsnop, a professor at the University of Maryland who studies international cooperation during health crises, stated: "Adopting these [travel] restrictions undermines the cooperative approach we need to respond to this kind of outbreak."

While under enormous criticism both within China and internationally for a seemingly belated response to the virus outbreak, Beijing has sent more than 7,000 medical workers to assist in efforts to render health care to the thousands of patients in Wuhan. Construction on two temporary field hospitals is expected to be completed this weekend, adding 2,300 beds. The hospitals are being delegated to solely treat coronavirus infections in order to ease the burden on the health care system.

China's Premier Li Keqiang has appealed to the European Union to assist with procuring medical supplies and aiding the efforts to develop a vaccine for the virus. Li told Ursula von der Leyen, the president of the European Commission: "We are willing to strengthen information, policy, and technical exchanges and to cooperate with international communities including the EU."

Since Chinese academics posted the genetic sequence for the 2019-nCoV coronavirus on January 10, a race has begun internationally to develop and patent a vaccine. Investors have been rushing into the biotech firms that hope to profit from the health emergency.

American-based companies Inovio Pharmaceuticals and Moderna have claimed they will begin animal testing within a month and could have a human vaccine within four months. Inovio's stock value has risen nearly 40 percent. The share price of Vir Biotechnology has soared 111 percent since it issued a press release on January 22 that claimed it was "working to rapidly determine" if it could develop a possible treatment.



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