Amid COVID-19 outbreaks in China, corporate fears of a worsening supply chain crisis

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17 January 2022

A rash of articles in the US and international press has given voice to fears in the financial and business elites that China's measures to suppress COVID-19 outbreaks will compound a serious and growing global supply chain crisis. As the world's largest manufacturer and the supplier of a vast array of goods, production and transport delays in China necessarily impact on economies internationally.

China's scientifically-based policy of eliminating the COVID-19 virus through mass testing and contact tracing, travel restrictions, quarantining and lockdowns, as well as mass vaccination, has been under sustained attack by the Western media. Misleading stories highlighting grossly inflated examples of bureaucratic excesses and opposition on social media cannot obscure the fact that, in contrast to the disasters created by governments elsewhere, the policy has been to date successful and has a high degree of public support.

This politically foul campaign is part and parcel of the US-led demonisation of China as Washington steps up its aggressive and reckless confrontation with Beijing, which it regards as the chief threat to American global hegemony. The concerted push for the Chinese government to drop its COVID-zero policy now takes on another dimension as global corporations grapple with supply chain breakdowns.

The *Financial Times* on Sunday declared: "China's battle to contain the Omicron coronavirus variant risks choking already stretched global supply chains, manufacturing managers and analysts have warned, threatening production of goods ranging from smartphones to furniture."

After the lockdown of Xi'an, a city of 13 million, for three weeks to control an outbreak, the identification last week of cases of community transmission of the highly-contagious Omicron strain in the port city of Tianjin, close to Beijing, raised alarm bells. Beijing itself recorded a case of Omicron last weekend and COVID cases were discovered in other cities, including Shanghai, Shenzhen and Dalian—all major ports.

In contrast to the "let it rip" policies elsewhere in the world that have led to millions of infections, hospitalisations and deaths, the restrictions implemented in China have contained the limited outbreaks. The daily cases numbers in China are miniscule by comparison.

As of midnight on Saturday, there were 119 cases reported across China, of which 65 were locally transmitted according to the National Health Commission. Of those, 33 were in Tianjin, 29 in cities in Henan province and one in Xi'an. Beijing reported one case, its first of the Omicron variant.

The number of daily cases in the Tianjin Omicron outbreak jumped to 80 on Sunday, all but one in the worst-hit district of Jinnan. On the same day, health authorities completed a third round of mass testing in the city of 14 million. A total of 294 cases had been detected, some 28,000 close contacts were in isolation and almost 9,000 people were under medical observation. A full lockdown of the city has not been implemented, but districts where cases have been recorded, in particular Jinnan, are subject to movement restrictions.

In an article on Sunday, the *New York Times* painted a picture of imminent disaster for American corporations, declaring: "Companies are bracing for another round of potentially debilitating supply chain disruptions as China, home to about a third of global

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manufacturing, imposes sweeping lockdowns in an attempt to keep the Omicron variant at bay." It said tens of millions were confined to their homes, and connecting flights through Hong Kong to China had been suspended.

In reality, the impact on industry so far has been relatively limited, given the vast scope of manufacturing in China. The production of microchips for Samsung and Micron Technology in factories in Xi'an has been interrupted. Volkswagen and Toyota suspended operations in Tianjin last week. Ship congestion at China's major ports has worsened since the beginning of the year.

The fear is that a major Omicron outbreak in key Chinese cities, particularly manufacturing centres such as Shenzhen and nearby cities, will create shortages of essential items.

The *Financial Times* cited the example of multilayer ceramic capacitors (MLCC), essential components of many electrical circuits, which are already in short supply. According to research firm Trendforce, China has close to half the world's MLCC production capacity, and "often each plant specialises in making one unique product, so when one factory is down, no other can step in as back-up."

Concern about plant shutdowns in China has been heightened by the fact that the surge in the Omicron variant internationally already has wreaked havoc in factories across the globe as a result of depleted workforces, leading to cuts in production and closures, compounded by breakdowns in transport systems. As a result, widespread public health restrictions in China would likely have a greater global impact than previously.

Didier Chenneveau, a partner in the consultancy firm McKinsey, told the *Financial Times*: "This time I am more worried because supply chains around the world are already very tense: there are already long delays in transportation and the component shortage problem is still there."

In large measure, global corporations have relied on stable production in China—the result of its suppression of the COVID-19 virus—to maintain their own operations. As a CNN article on Sunday noted, Chinese exports jumped by 21 percent year-on-year in December and its trade surplus was a record high of $676 billion. Export orders may have shifted to China from other developing countries because of the "Omicron damage to the global supply chain," Zhiwei Zhang, chief economist for Pinpoint Asset Management, told CNN.

Yet for short-term economic expediency, as well the ongoing vilification of China, Western media platforms continue to intensify their campaign of denigrating China's COVID-zero policy. They are making it the scapegoat for the worsening economic breakdown in the US and Europe caused by the criminal policies of governments there.

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