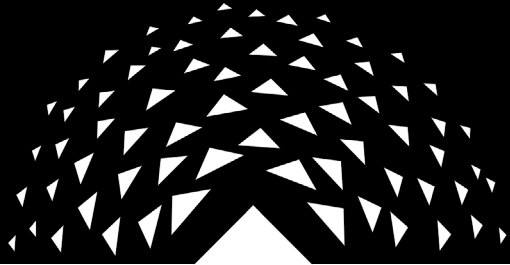


KKI

4:1



What impact will
the COVID-19 pandemic
have on the global role of China?

KKI 4:1

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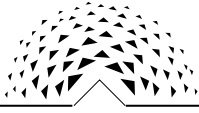
In the 4:1 series of the Institute for Foreign Affairs and Trade, four researchers give a short answer to the same question concerning international politics and economics. Our aim is to launch the scientific debates in and beyond Hungary and to promote dialogue among experts. In this issue, our topic is: "What impact will the COVID-19 pandemic have on the global role of China?"

DAVID MORRIS

Three clusters of China fear converged in early 2020. First was the prevailing geopolitical fear of China's rise, stoked in the West for the past decade. Second was the COVID-19 pandemic that began in China and was overwhelming health systems around the world. Third was the subsequent economic slump, following drastic shutdowns everywhere to contain the virus, and the related fear that China would benefit from any post-COVID-19 reshaping of globalisation. At a time of global uncertainty, it seemed likely that the world to emerge after COVID-19 would be a world changed forever. To be sure, there is a decade of risks ahead, and many of them hinge upon unanswered questions about what China will do next and how the West will respond. How governments manage that uncertainty and its inherent risks will depend on the extent to which fear becomes the driving force, and whether it is possible to proportionately assess risks and develop strategies to maximise mutually beneficial outcomes. It is, at this stage, entirely uncertain which path leaders will choose.

Frank Furedi, in his 2018 book *How Fear Works*, describes the culture of fear in the modern world as an existential anxiety that catastrophises risks and diminishes our confidence to manage risks and live with uncertainty. He argues that this has lowered the threshold for identifying risks. Instead of focusing our attention on mitigating the risks that are probable, we have become paralysed and panicked by risks that are only possible. In the case of China, this dynamic could be observed in the international discourse as early as 2017, when the US abandoned its decades-long policy of constructive engagement with China and switched to a new doctrine of [strategic competition](#). From around that time, the global narrative has shifted from an economically-focused optimism about globalisation and a US-China co-dependence that was "too big to fail", to a new, securitised and pessimistic perspective that China is an inevitable threat to the West, engaged in a zero-sum contest for supremacy.

The previous liberal internationalist confidence that the world could live with a rising China had steadily lost ground in the previous decade, as observers in the US in particular realized that they had been mistaken believing China would democratize as it marketized. Now it has become "realist" to presume that every Chinese action constitutes a threat. To be sure, there were risks in the evolving new world order. Any shift in the balance of power generates uncertainty and risks. If the West had maintained confidence in its power to problem-solve, such risks would have warranted evidence-based analysis and strategies to maximise international cooperation.



But something more than realism and something less than confidence was at play. Like in the 1930s, there was a return to geopolitics, a school of thought that relies less on evidence than vast imaginings of new geographies in contest, such as the constructed notion of “Eurasia” and the invention of the “Indo-Pacific”, both swathes of the map that share few of the characteristics that would warrant calling them regions but appeal to grand theories of world domination. Coupled with the contemporary cultural tendency to catastrophise and fear the unknown, a rising China, with its global economic reach, was imagined as aspiring to conquer the world. The disinterest of its government and people in this narrative was dismissed and disregarded. The West, with its universalist philosophy, could not appreciate diverging perspectives, alternative scenarios, or multipolarity.

Indeed, the Atlantic normative bias in favour of the current world order allowed no room for a China that was anything but a passive participant, like Japan has remained. Yet the world order settled by World War II was beginning to show its age before the crises of 2020. The West had become consumed with anxiety about its declining dominance and was turning inwards from its previous globalist orientation. Dynamism and growth had shifted to Asia, and, after four decades of reform and opening up, China was now the world’s second largest economy. Its government, flushed with success, was jostling for a larger role in global governance. It became a champion of the world trade system at the very time the US was turning against it; China committed to the Paris Agreement on Climate Change, as the US walked away. At the same time, however, the Chinese government was provoking fear in its neighbourhood with its growing maritime power, including the militarization of disputed islands in the South China Sea. Nations with strong economic ties to China suspected the intentions of its government. Could China rise within the rules and norms of the so-called liberal international order? In the new culture of fear, Ronald Reagan’s dictum “trust, but verify” was dismissed as naïve. Distrust had become the new normal.

In the new fear narrative each new action by China was considered a risk. The US urged its allies to boycott the Asian Infrastructure Investment Bank, yet it proceeded to become a respected player in international finance. China’s Belt and Road Initiative, funding infrastructure projects across the developing world, was condemned as a [strategy](#) to trap nations in debt and seize strategic assets, yet a Rhodium Group [study](#) found no evidence of deliberate “debt traps”. The US and its ally Australia urged allies to ban Huawei, a Chinese firm leading the world in 5G technology, with accusations that it might engage in espionage and [cyber attacks](#) on critical infrastructure. Fears circulated, sourced anonymously to intelligence agencies, that China was [planning](#) to build new military bases in the Pacific.

New risks can be identified. New institutions, new infrastructure financing, new technologies, and asymmetric economic power all generate risks. All warrant careful analysis and strategies to minimise harmful outcomes. In a culture of fear and distrust, however, there is no attempt to proportionately assess risks; the worst case is assumed to be likely. The possible is assumed to be probable. The West has subsequently become paralysed with fear, grasping for the certainty of the status

quo. There is a generally unspoken Western normative view that China is an illegitimate major power and that its heavy-handed state is an unreliable partner. There is little understanding in the US, a culture that believes in constrained government, that the Confucian societies of East Asia believe in a strong state to maintain social order. Indeed, the region understands that a China in upheaval may prove a greater risk.

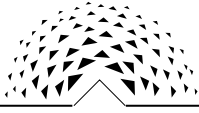
China, based on the evidence to date, exhibits no signs that it will be another Soviet Union, or even a United States. How it will wield power is yet to be seen. We are in a new, uncertain transition to multipolarity that is no longer Atlantic in orientation or philosophy. We might expect that this would motivate the international community to develop strategies to live with a rising China as it is rather than become seized by fear of what it might become. To be sure, living with China would require other powers in the region to hedge against conflict by maintaining a new strategic balance. In such a situation, if states could focus on the probable risks rather than those that are unlikely, it is not inconceivable that new rules and norms for matters such as infrastructure financing and telecommunications could be developed - to trust, but verify.

For now, the West remains gripped by China fear, including the latest risk that a post-COVID-19 China will emerge newly empowered to swoop in on discounted assets and enlarge its economic power. China, of course, has its own internal contradictions and risks to face. Washington seems intent on decoupling key sectors of the US economy from China. Regardless of the outcome of the upcoming Presidential election, it is likely that the US security contest with China will continue and perhaps escalate. Will China respond to this geopolitical contest with the US by engaging in short-term aggression, or will it confound the realists by seeking long-term stability? However events evolve, the world must either dig in for a long and painful new Cold War or find a way to live with China. Both scenarios involve risks to be managed, informed by facts rather than fear.

GERGELY SALÁT

The foremost question is how long the epidemic will last in the major economies and how extensive its immediate effects will be. At present the most likely outcome seems to be that while the virus will stay with us for a long time, the most drastic measures can be withdrawn after a few months, and things can get back to normal in most areas in about six months. Some sectors, such as tourism will not recover so fast, but as soon as the vaccine for COVID-19 is ready, travel will be as easy and popular as before. Of course, a dangerous mutation of the virus or an uncontrollable second wave can deepen and prolong the crisis.

There are some romantic ideas that the world cannot return to 'normal', as this 'normal' was the cause of the crisis, but the ideas suggesting that a global paradigm shift will take place do not seem to be well-founded.



China has been the largest winner of globalization in the past decades, so the future of globalization will affect China's status, role, and influence greatly. The main question regarding China is how the process of globalization will change, and whether it will stop, make a turnback, or go on as before with the small modifications necessary. I believe that the latter will happen. The newest wave of globalization has evolved as a result of the effects of global supply and demand, and these will not change. The epidemic, no matter how tragic it may be, will not greatly affect the global supply and demand that has led to the present form of globalization, and the inertia that characterises huge systems will also come into play, so after the most immediate effects are over, the world will return to the old path. States can and will overwrite the logic of the market in a few areas, e.g. the production of some medical equipment will be brought home by many countries. Companies affected by the disruptions in the production chain will store more components as a safety reserve for future crises. It is most likely that states will create a global early warning system for epidemics to prevent a similar outbreak, just as countries surrounding the Indian ocean developed such a system for tsunamis after the 2004 Boxing Day catastrophe. These, however, will be rather superficial changes and will not alter major tendencies.

China is facing a double crisis this year. First, the local epidemic has caused the stalling of its production for almost two months, so supply collapsed; second, the global pandemic is leading to the shrinkage and closing of its most important foreign markets, causing grave problems in demand. This will surely not lead to a collapse of the Chinese economy, but the effects of the double crisis will slow down growth, create unemployment, and give the government enough headache. China seems to have a two-month advantage as compared to its so-called rivals, but the latter are its most important partners as well, so the advantage is not a real one. The upsurge in the Chinese export of face masks and respiratory equipment only affects a tiny fraction of the Chinese economy. In the short and medium term, China will not emerge as a winner of the COVID-19 pandemic. In the long run, however, if it learns the lessons well, China can profit from the present crisis. A new emphasis should be put on its health care system, so as to close the gap between the overall state of the economy and society, and its medical care system, which is lagging far behind. The development of AI technologies and robotics can gain new momentum, as well as the country's shift from an export-oriented economy to one that focuses more on the domestic market and consumption. Reforms that have stalled for years because of vested interests and the power of lobbies can now be implemented forcefully, using the epidemic as an excuse. The flow of information in the political and administrative system can be streamlined. These changes, if they do happen, will make China more powerful and less vulnerable, but only after a number of years.

It can be predicted with confidence that the race for dominating the narrative on the changing world order, and especially the rise of China will intensify. The pandemic provides ammunition for the American elites that consider the rise of China a threat. The virus can be pictured as proof that things coming from China jeopardize

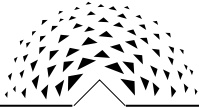
not only people's jobs and salaries but also their life, not only in the US but in the whole world as well. The Chinese side, on the other hand, can present itself as a responsible stakeholder that did its best to contain the virus, made sacrifices to give the outside world time to prepare, and helped other countries selflessly with equipment and information to cope with the situation. The battle of the narratives is likely to continue indefinitely, and it will be extended to other areas as well, causing a lot of tension. This will not, however, stop the most influential actors from restoring the supply chains and restarting the trends of globalization that have been going on for decades.

EMILIAN KAVALSKI

The outbreak of COVID-19 is quickly turning into a watershed moment in world history. It also presages a significant change for the Belt and Road Initiative (BRI). "[This is war](#)," President Trump declared on March 18, 2020, when he announced the first raft of measures the US was taking in response to the spread of COVID-19 in the country. On the very same day, German Chancellor Angela Merkel labelled the crisis as "[the greatest challenge since the end of World War II](#)." Perhaps, paradoxically, the two transatlantic leaders were echoing the sentiments of Chinese President Xi Jinping, who a month earlier had embarked on a "[people's war](#)" against the novel coronavirus outbreak. And just like in a war, countries around the world began to prioritize their own citizens and national security. As the disease spread from Wuhan in China to the four corners of the world, country after country announced the closure of its borders and began repatriating its citizens.

Thus, despite decades of globalization and the attendant economic, social, cultural, technological, and political interdependence, national borders are yet again regaining their status as bulwarks against a foreign invasion. It does not matter that this time the enemy is not an army but an "[invisible](#)" virus requiring a human host (regardless of nationality) for its spread. Today, [more than half](#) of the world's population is either confined to their homes or subject to severe restrictions on their movements. Airplane travel is all but non-existent. Logistics and transport networks have been profoundly [disrupted](#). The economic outlook is moving deeper into negative territory as unemployment levels are rising. Indeed, the disruption and trauma caused by COVID-19 and its profound impact is akin to a war.

Not surprisingly, these developments are creating a seminal moment for the BRI as well. Launched in 2013 as part of China's coming out as a "[new major power](#)," the BRI aimed to open new space for growth through economic and infrastructure connectivity and cross-cultural interactions. With "mutual complementarity" as its motto, the Chinese government has sought to counter the [image](#) of a remote benefactor, so characteristic of Western powers and their modes of foreign direct investment. The past seven years have seen a warren of [activities](#) seeking to demonstrate the [vitality](#) of the BRI. While not all of these initiatives offer the best illustration for the [mantras](#) of "mutual benefit" (互利, *hùlì*),



“win-win” (共赢, gòngyíng), and “mutual construction” (共建 gòngjiàn), by and large the nascent BRI has demonstrated that China is willing to [walk the walk and not only talk the talk](#).

COVID-19 has put a major spanner in the works of the BRI. The initial outbreak in Wuhan and the cover-up by local authorities seem to have revived the spectre of an opaque totalitarian regime interested first and foremost in its own [survival](#). This has fed into the already latent suspicion (and [racism](#)) towards Chinese workers and investors. Yet, despite the initial fiasco, during February and March 2020, China seemed to manage the novel coronavirus outbreak well enough to unleash a targeted campaign to prevent losses to its reputation. China unfurled an aggressive “[mask diplomacy](#)” as part of its newly-minted “[Health Silk Road](#)” to complement the [BRI](#).

On the one hand, this public diplomacy has been assisted by Western governments’ sluggish and disoriented response to COVID-19. In fact, leading Western powers – the US, UK, Spain, France, and Italy – appear to be teetering on the brink of disaster. At the same time, erstwhile Western allies are accusing each other of “[modern-day piracy](#),” conducted in order to secure much-needed medical supplies. The struggle of the [EU](#) to reach an agreement on an assistance package further confirms the perception of “[Westlessness](#)” – the West is no longer able to provide viable and meaningful global [leadership](#).

On the other hand, as COVID-19 spreads around the world, many have begun to clamour that China should bear not only the responsibility but also the costs of the social and economic havoc that the pandemic is causing. At the same time, China is seeing a rise in [anti-foreign sentiments](#) among its own citizens, as the overwhelming majority of new COVID-19 cases have been imported from overseas. Such xenophobia comes on the back of [growing public displeasure](#) at the flashy spending of the BRI, which is only likely to grow as the magnitude of the [historical contraction](#) of the Chinese economy in the first quarter of this year starts to sink in.

Such trends do not bode well for the [BRI](#). The Chinese government will find it difficult to sell its international largesse to a domestic audience reeling from the effects of the COVID-19 outbreak. The focus on maintaining low levels of unemployment puts a premium on social stability. Beijing is unlikely to rattle this with unpopular investments overseas. At the same time, the economic recovery in China will be challenged by the global economic downturn as COVID-19 spreads around the [world](#). So far, this has led to two main effects: (i) the slowing demand for goods made in China; (ii) a ripple effect due to the realization in many countries that they have become too dependent on trade with China; as a result, they are starting to consider the diversification of their trade relations. This will further focus Beijing’s attention domestically to ensure the political stability of the regime. At the same time, the lodestone of the BRI will be increasingly less appealing to China’s international partners.

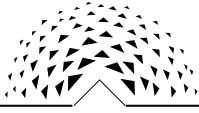
Thus, while COVID-19 will not spell the end of the BRI per se, a post-pandemic BRI will likely be a much leaner, more modest, and perhaps a smarter and sharper initiative. Gone are the days of splurging on expensive status projects. China will

try to avoid falling further into the “[creditor trap](#).” The BRI will be used for investments in strategic acquisitions (mostly infrastructure hubs, energy, and technology), as well as to reward countries that have proven to be true “all weather friends.” Bearing in mind the challenges and criticism faced by the “old” BRI, the new, post-pandemic BRI will likely be even more divisive. One thing is clear: while connectivity used to be touted as a force for good, it is now associated with vulnerability and threat. It will take China and the world time and creative leadership to conquer the challenges of the COVID-19 pandemic. Until then, however, the BRI is likely to remain on the backburner.

VIKTOR ESZTERHAI

The most important question in the aftermath of COVID-19 is whether representatives of the political and economic establishment wish to restore the earlier brand of globalization. Even though the assumption that humanity faces a brand new era has become highly popular, this does not seem too likely. The negative impact of the virus – turning inwards, the rise of governmental power and nationalism, the repatriation of certain branches of industry, the shortening of supply chains, the weakening of multilateralism – are expected to be temporary phenomena. The need for profit on the business side, as well as the need for restoring welfare for the people would not allow politics to pursue goals that would prolong those tendencies. Countries that might still choose this path would eventually lag behind others in international competition. On top of that, globalized problems, like climate change or reining in different epidemics, require global answers. Nation-state-level answers will not be enough. Thus, the most likely scenario is that after slight modifications, most nations will go along the path to restore the earlier form of globalization, an effort they will eventually succeed in. According to this scenario, China is likely to be a major winner of the situation, while those who urge detachment from globalization, like the United States, could be losers. What COVID-19 does, in one sense, is to accelerate a distinctive trend of globalization: a major shift from the West to East; in other words, the pandemic further weakens the Western domination in the role of the champion of responsible globalization, can capitalize on the situation, since the size of one’s internal consumer market is an essential factor in one’s ability to rise in the globalized system. With this advantage, China will aim to shape the process of globalization according to its own wishes and interests.

However, if the other scenario prevails, i.e. the negative consequences of COVID-19 become the norm, then we are heading for a multipolar world, shattered into discreet regions. In this scenario, regionalism will prevail, with the leading great powers of the respective regions responsible for setting the rules and norms, while the relationship among the great powers will be based on geopolitical competition. In this world, where the principle of comparative advantage is to be sacrificed, where everyone is to occupy a worse position in an economic sense, the most pow-



erful pole will be the one who manages to dominate the most significant region. China may come out of such a situation much better than the Western powers, as the economic dependence of East and Southeast Asia already endows it with a dominant role, and in this scenario it would very likely grant China a regional leadership role. This region is already the heart of the world economy, and it can become even more central in the coming years, as the strong middle-classes of the region further expand. Moreover, China's economic weight is growing in China and Central Asia, and as the world's foremost oil market, it has also become intertwined with the Middle East region. In such a world, the global role of the United States may quickly reduce to that of a regional empire with most of its power concentrated in Latin America, with some key allies such as the United Kingdom or Japan. In such a world, the European Union, which has always lacked the necessary unity, will eventually weaken, unable to create a zone of influence, and its very existence will be put in danger. Such a geopolitical competition could be, in theory, mitigated, if the great powers are sober enough to create an international order based on consensual rules. In this scenario, however, China would still be in a good position, and by virtue of its sheer size, it would be one of the major sources of those consensual rules.