



China: Political, Economic and Military Effects of the Corona Crisis

Interview Ralph D. Thiele with Dr Peter Roell

May 2020

Abstract

The present interview focuses on the People's Republic of China and examines the political, economic and military implications of the Corona crisis. Following initial delay tactics, it was only once Xi Jinping became involved that security measures were implemented comparatively swiftly. The corona crisis and the global recession have led to severe downturns in China's economy.

The Chinese leadership also assumes that the relationship between the USA and the People's Republic of China has been deeply disrupted and that the USA will do everything in its power to prevent China's ascent. China's supplies of masks, protective suits and medical equipment to 140 states and international organizations; while deserving of appreciation are not entirely altruistic.

The intensive worldwide diplomatic and propagandistic activities of the People's Republic of China are striking, ranging from "embrace" to menacing gestures. Throughout the course of the Corona Crisis, the Chinese Ministry of State Security (MSS) has been of particular importance in gathering and evaluating information. While the world focusses on containing the corona crisis, Beijing continues its military activities in the South China Sea and Taiwan Strait as a demonstration of its claim to ownership.

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Analysis

Thiele: Dr. Roell, let us today take a look at the crisis management of the People's Republic of China in connection with the Corona Crisis and to consider the political, economic and military aspects thereof. Did the outbreak of an epidemic or pandemic in the People's Republic of China come as a surprise to you?

Roell: No, it came as no surprise: as part of our cooperation with the Konrad-Adenauer-Stiftung back in May 2016, I had proposed the topic "Global Epidemics, Pandemics, Terrorism: Risk Assessments and European Response" for a security conference of the KAS in cooperation with the Korea National University (KNU).

Thiele: Did the topic meet with interest among the various representatives in politics, science and the military in Seoul?

Roell: I believe so. Dr. Manfred Kern's lecture – Kern also provided a comprehensive study on this topic – was followed by a stimulating discussion. As the recent corona crisis in South Korea now demonstrates, the crisis management of the Seoul government may be considered successful.

Thiele: How would you assess the Chinese government's corona crisis management?

Roell: I take a decidedly different stance to American President Donald Trump, who at once pointed the finger at China and began referring to the Chinese virus, apparently oblivious to the three other fingers pointing at him. It remains to be seen whether Chinese cadres and decision-makers in the provincial capital of Wuhan and in Hubei province responded belatedly. Those who make mistakes stand to lose face and must fear being removed from office. In February 2020, for example, it was announced that numerous officials in Hubei Province were forced to resign office. Even the Politburo admitted mistakes. Once Xi Jinping intervened personally, necessary security measures were then implemented relatively swiftly.

Thiele: What is the Chinese government's own assessment of the impact of the Corona crisis on the Chinese economy?

Roell: According to the Beijing Department of Statistics, gross domestic product shrank by 6.8 percent in the first quarter of 2020 in contrast to the previous year; industrial production fell by 3.5 percent, retail trade by 20.5 percent and investments by 24.5 percent.

Thiele: Will China, in your estimation reach its growth target of around 5.6 percent this year?

Roell: While the Chinese economy is now slowly regaining momentum, I forecast a growth rate of approximately 4 percent for this year.

As a result of the corona pandemic, we are currently facing severe recession worldwide. The German government, for instance, expects gross domestic product to fall by 6.3 percent in 2020. For the year 2021, it forecasts growth of 5.2 percent. Only when the key sales markets for China – the USA and the European Union – recover will it be possible to gradually achieve the targeted growth targets in China.



Thiele: Which measures has the Chinese government initiated to stimulate economic growth?

Roell: Beijing has introduced fiscal and monetary policy measures, whether by supporting small and medium-sized enterprises and facilitating access to capital. To date, the Chinese central bank has acted rather cautiously by deliberately lowered interest rates. At the annual meeting of the Chinese People's Congress, now scheduled to begin on 22 May 2020 in Beijing, additional support measures may be expected, for example, by way of additional infrastructural investments.

Thiele: The USA and China accuse each other of having triggered the pandemic. How are such accusations to be interpreted?

Roell: In an interview with ABC's "This Week" on 3 May 2020, US Secretary of State Mike Pompeo drew attention to the fact that he had significant and comprehensive evidence that the virus originated from a laboratory in Wuhan. By contrast, a Chinese press spokesman stated that American military personnel had imported the virus into China.

As we find ourselves in a phase of hybrid warfare and propaganda war, Washington and Beijing are using every opportunity to capitalize on the Corona crisis. There is no doubt that the epicentre of the pandemic was in Wuhan.

What is interesting in this context is the CIA's claim that the virus was neither artificially nor genetically modified. Incidentally, since January 2020, in its ongoing reporting the CIA has regularly drawn the White House's attention to developments and the threat posed by COVID-19 in Wuhan and other parts of China.

Thiele: How does the Chinese leadership assess its relations with the USA?

Roell: A new low point in bilateral relations was reached following President Donald Trump's personal attack on President Xi Jinping, who accused the latter of seeking to prevent his reelection in November of that year. In the view of the Chinese leadership, the US will make extensive use of the Corona crisis as part of an ongoing attempt to obstruct China's rise with all possible means.

In addition, Chinese propaganda has targeted US Secretary of State Mike Pompeo, who is now also being personally attacked with all possible means.

Thiele: China has been providing medical equipment, masks and protective suits to 140 states and international organizations. Is this not a great humanitarian achievement?

Roell: The support provided by the People's Republic of China in this severe crisis is worthy of recognition. The People's Republic of China is not entirely altruistic, however: it is not merely a matter of donations, but also of political expediency.

In its targeted efforts to become the world's leading power, China seeks to win over the hearts and minds of as many people as possible, underscoring the fact that its system is better than that of other states, which were unable to provide extensive aid in this emergency situation, and at such short notice. By the way, a recent delivery of Chinese protective masks to Berlin amounted to EUR 1.6 million.



Thiele: How did Taiwan respond to the Corona crisis?

Roell: Intelligent Chinese also live in Taiwan. President Tsai Ing-wen immediately recognized the urgency of the situation, displayed leadership and initiated extensive protective measures. The infection rate could thus be contained to a minimum. Taiwan also relied on comprehensive “mask diplomacy” which, in my view, proved successful.

Taiwan’s prudent, swift and professional action was recognized not only by the World Health Organization (WHO), but also by the European Union, the USA, countries in the Asia-Pacific region, etc. Letters of thanks at senior political level were confidentially transmitted to Taiwan.

Thiele: Beijing’s diplomats have been eager to promote the interests of their country in recent months. If Beijing’s political ideas are not followed, economic sanctions must be expected. Why, in your estimation, is the Chinese leadership pursuing its policy so aggressively?

Roell: To offer a detailed explanation of all the activities of the Chinese towards Western countries, be it France, Australia, the Netherlands, Sweden, but also Germany and the EU, would go beyond the limits of the present discussion. In brief: While Beijing endeavours to generate a positive image of the People’s Republic of China worldwide, it threatens to wage a trade war if its demands are not met, for example in the event of China’s preclusion in the 5G project. Such a policy is unlikely to fall on fertile ground. The Chinese leadership has doubtless noticed that a growing number of voices have become increasingly critical of the PRC, not only in the US but also in some EU member states and, most recently, in Africa.

Thiele: What role does the Chinese Ministry of State Security (MSS) play in the Corona crisis?

Roell: In the wake of the corona pandemic, Xi Jinping has faced the greatest domestic and foreign policy challenges since his appointment as President of the People’s Republic of China on 14 March 2013.

The gathering and evaluation of all information that might endanger the communist regime’s ability to maintain power is of the utmost importance.

In April 2020, for example, the MSS (Guojia Anquanbu) – combined domestic and foreign intelligence service – is said to have provided the Chinese leadership with an analysis pointing to the increasing tensions between the USA and the PRC. These could even lead to a military conflict. Furthermore, the USA could step up its financial and military support for its allies in Asia, thereby destabilising the security situation on the continent.

Thiele: To what extent is the Chinese military exploiting the Corona crisis in the South China Sea?

Roell: While the world is focused on tackling the corona virus, the Chinese government continues its activities in the South China Sea in the shadow of the present crisis. In mid-April, two new administrative districts (Xisha and Nansha) were created in the city of Sansha. These are intended to manage the islands, reefs and the sea area around the Spratly Islands, as well as to support Beijing’s economic and military interests in the region and underline China’s claim to ownership.

Furthermore, China took advantage of the reduced presence of the US Navy in the region. The aircraft carrier USS Ronald Reagan was in Japan for maintenance work, while the USS Theodore Roosevelt was anchored in Guam.

Beijing also increased the frequency of its military exercises in the Taiwan Strait, whether by using the Liaoning aircraft carrier, which crossed the Miyako Strait on its way to exercises in the South China Sea, or by using the



air force, which flew over the center line in the Taiwan Strait and dangerously approached the Taiwanese Air Defense Identification Zone (ADIZ). The armed forces of Taiwan, Japan, the USA demonstrated rapid reaction, either by using interceptors or their own naval forces, which also demonstratively crossed the Taiwan Strait or conducted reconnaissance flights.

Thiele: And one final question. Is China likely to overcome the Corona crisis and emerge successfully from the global recession?

Roell: I am an optimist: In Chinese the word crisis comprises two characters, Wei (danger) and Ji (opportunity/chance). If I were an investment banker, I would place my bets on China.

Remarks: The opinions expressed in this contribution are those of the author.

About the Author

Dr Peter Roell has been President of the Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) in Berlin since January 2006. His former post was as Senior Advisor for Foreign and Security Policy at the Permanent Representation of the Federal Republic of Germany to the EU in Brussels. While in Germany, he served the German Government as Director of the Asia-Pacific, Latin America and Africa (Sub-Sahara) Department and at German embassies in the Near and Middle East, and in Asia.

Dr Roell studied sinology and political sciences at the universities of Bonn, Taipei and Heidelberg. He gained his Ph.D. from the Ruprecht-Karls-University, Heidelberg.

Dr Roell is an Ancien of the NATO Defence College in Rome and the Federal Academy for Security Policy (BAKS) in Berlin.



Interviewer

Ralph D. Thiele, born in 1953, is President of EuroDefense, Germany, Managing Director StratByrd Consulting, Germany, Chairman Political-Military Society, Germany and Member Advisory Board German Employers Association, Wiesbaden. He is a retired Colonel, held in his 40-year military career in the German Armed Forces key national and international positions. He

- Commanded troops up to the battalion level;
- Developed concepts and capability requirements in the Ministry of Defence;
- Drafted speeches and policy papers for Federal Presidents, Ministers of Defence, Major NATO Commanders and Service Chiefs;
- Drove educational innovation at the German Armed Forces Command and Staff College (Director Faculty) and at the NATO Defense College (Chief of Staff);
- Shaped the Bundeswehr's path towards network enabled capabilities (Commander Bundeswehr Transformation Command).

In his honorary and business functions he advises on Defence Innovation and Cyber issues in times of digital transformation. He has been frequently consulting, publishing and lecturing in Europe, America and Asia.

Ralph D. Thiele is also a member of the ISPSW Speaker Management Team. Further information at ISPSW website: <http://www.ispsw.com/en/speaker-management/>

