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Coronavirus: Counting Global Costs and Implications for Sri Lanka

Malinda Meegoda *

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***Malinda Meegoda** is a Research Associate at the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI). The opinions expressed in this piece are the author's own and not the institutional views of LKI, and do not necessarily reflect the position of any other institution or individual with which the author is affiliated.

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Lakshman Kadirgamar Institute of International Relations and Strategic Studies
24 Horton Place, Colombo 7, Sri Lanka
Email: programmes@lki.lki. Website: www.lki.lk

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I. Introduction

Since the first reported case of the coronavirus outbreak in December 2019, the outbreak has in a matter of weeks proliferated from a handful of cases to [more than 75,000](#), reaching four continents.¹ This epidemic has caused widespread panic and a rallying cry from the World Health Organisation for a global effort to curb the spread of the virus.

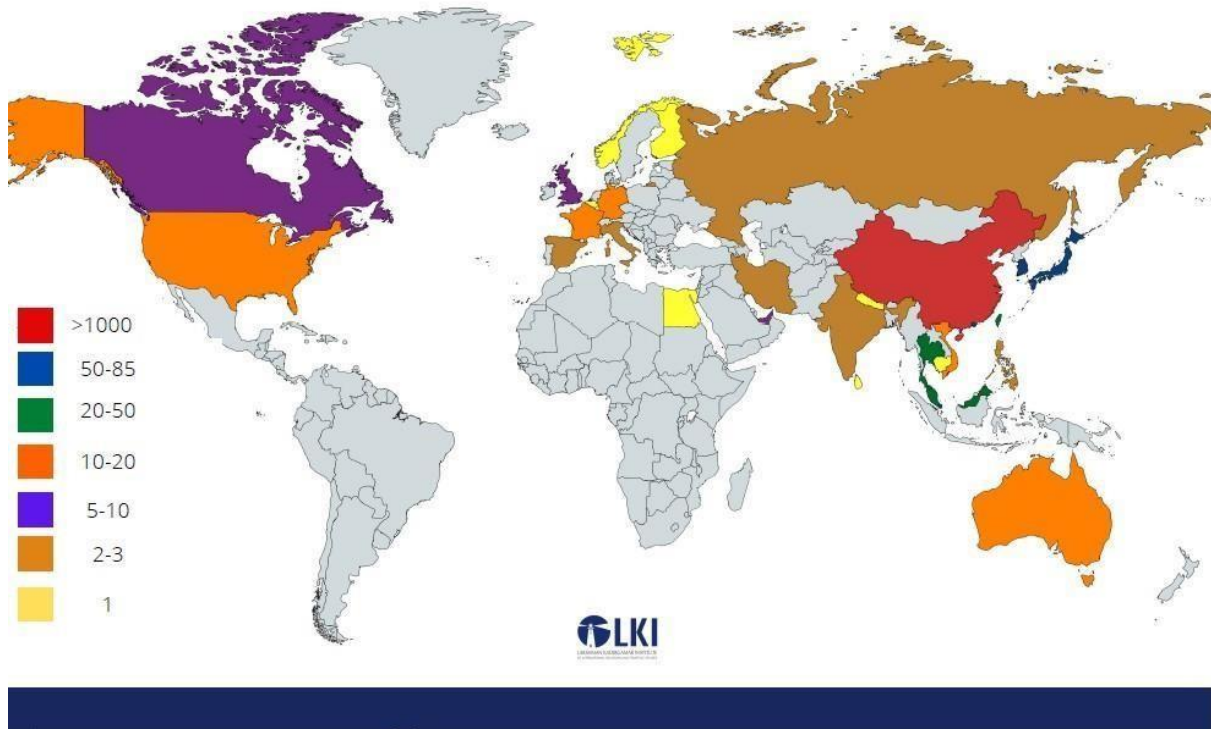
This *Policy Brief* will aim to discuss some of the impacts the virus could have on the Chinese economy, the world's foremost manufacturing and trade hub, and by extension the repercussions the outbreak may have on Sri Lanka and others. In addition, this article will also argue that countries should be cautious in their approach containment efforts without resorting to reactionary policies that either endangers other pre-existing public health concerns or engage in discriminatory policies against China and its citizens.

II. Globalisation and Pandemics

The Wuhan Coronavirus outbreak is the latest epidemic that has led various public officials and experts across borders scrambling to contain a lethal threat to global community health. As of the latest figures reported, the total number of casualties attributed to the Novel Coronavirus has eclipsed the [SARS epidemic \(774 deaths\)](#), which broke out from 2002 to 2005 with the latest mortality figures reported up to 1,383 cases.² While it is paramount that governments across the world as directed by the World Health Organization step up its cooperation efforts to combat and contain the virus, it is also crucial that once the crisis is contained governments should look to address some of the structural issues that have proven to be enabling factors in the spread of similar Public Health Emergencies of International Concern.

During colonisation efforts of the New World in the sixteenth-century, diseases such as smallpox, measles, and other similar pathogens took weeks, if not months to reach their destination. Fast forward to the current milieu, international jet travel has ensured that viruses can reach any country or continent within seventy-two hours.³ Furthermore, it has been demonstrated that with previous epidemics such as SARS that societies and governments have not paid enough attention to some of the problems that arise from dense urbanisation, livestock management, and other regulatory matters. Rapid industrialisation and urbanisation that societies often prioritise over ecological, health, and safety concerns often can lead to incurring larger economic costs in the long run when critical public health emergencies such as the Coronavirus breakout.

Total Global Confirmed Cases of Novel Corona Virus



Source: John Hopkins Center for Systems Science and Engineering (CSSE)

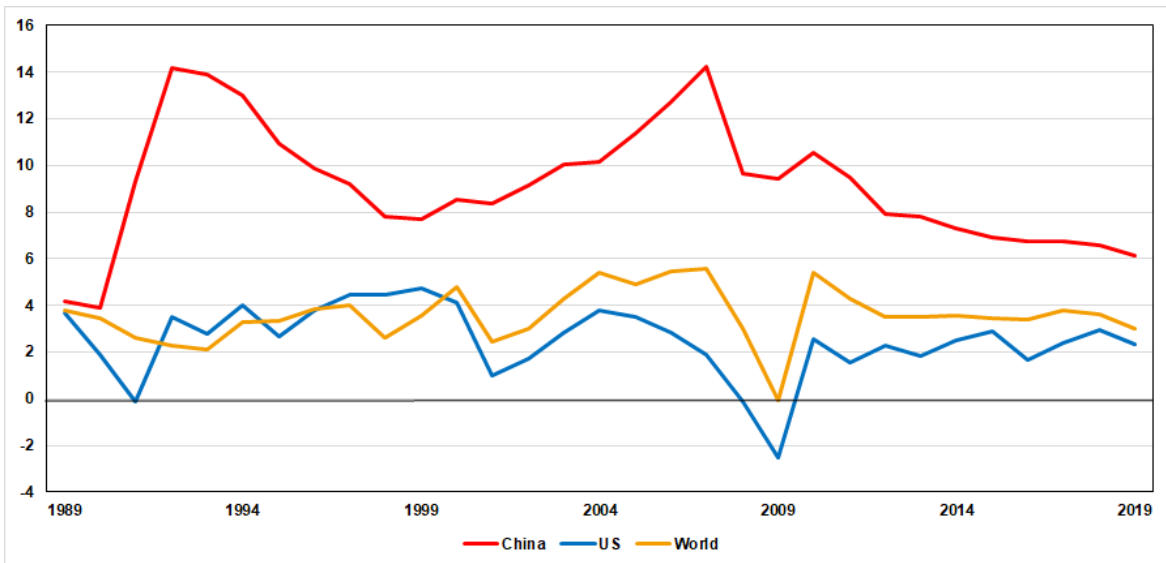
Note: As of 20 February 2020- Mainland China, 75,727 cases; Hong Kong, 65 cases; Singapore, 84 cases; Thailand, 35 cases; South Korea, 82 cases; Japan, 84 cases; Malaysia, 22 cases; Taiwan, 24 cases; Germany, 16 cases; Australia, 15 cases; Vietnam, 16 cases; US, 15 cases; France, 12 cases; Macau, 10 cases; UAE, 9 cases; UK, 9 cases; Canada, 8 cases; Italy, 3 cases; Philippines, 3 cases; India, 3 cases; Russia, 2 cases; Spain, 2 cases; Nepal, 1 case; Cambodia, 1 case; Belgium, 1 case; Finland, 1 case; Sweden, 1 case; Egypt, 1 case; Sri Lanka, 1 case.

III. Impact on China

During the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003, China was perhaps only at its midpoint within its economic revolution in becoming the preeminent hub for global manufacturing. At the time of the Coronavirus outbreak in December 2019, nearly a decade had passed since China cemented its position as the [second-largest economy](#) in the world eclipsing Japan in 2010.⁴ Recent figures estimate the Chinese GDP for [2019 at \\$13.6tn](#) (£10.4tn) (compared with \$20.5tn for the US).⁵ China's growth strategy was centralised on its successes in achieving primacy in global trade.

China has become the key destination for various global supply chains that transport various components, and raw material to the numerous industrial landscapes manufacturing a range of commodities that are then in turn shipped to all parts of the world.

Figure 1: Annual Economic Growth Rate (GDP) for China, US and World (1989-2019)



Source: IMF World Economic Outlook Database [Accessed 13 February 2020]

The location of the outbreak is particularly notable as Wuhan, a city of about 11 million residents is a large industrial base with deep ties to the automotive industry in particular and has long been a top destination for foreign firms. In addition, the city boasts [world-class universities, scientific and research facilities](#).⁶ Taking into account all these factors, it is more than reasonable to assume that the outbreak will have a considerable economic impact not only on the city of Wuhan but to many of the firms, and investors residing outside of China that have deep linkages to this city. Furthermore, even prior to this crisis there were major concerns regarding the slowdown of the Chinese economy in general. China’s growth rate for 2019 hovered around 6% which remains the lowest recorded percentage in almost thirty years.⁷ The expectation from numerous analysts is that barring any major developments, China’s growth rate is bound to slow down further in 2020. A post virus mega stimulus package by the Chinese government may be able to weather this economic uncertainty, but a number of structural issues present in the Chinese economy such as bad debts in the form of non-performing loans which grew [10% during the first half of 2019 to 2.24 trillion yuan \(\\$313 billion\)](#), and stagnating state-run industries may prevent a full recovery in the short run.⁸

China’s response to the crisis has been largely predictable in the manner the central government responds to such situations. The government has [effectively mobilised its vast resources](#) by building large hospitals from the ground up and utilised its army of health workers and other public officials to work overtime to contain the crisis.⁹

However, local officials in the Chinese government were initially slow to respond at the beginning of the crisis ignoring warning signs of an impending medical emergency. As a response to some of these early missteps by Chinese officials, dissatisfaction has begun to permeate across various communication networks most prominently in local social media networks such as Weibo. This effectively represents a crisis of confidence amongst some Chinese citizens in the organizational mechanisms in place by the Chinese government to deal with such dangerous situations. It appears that the prioritisation of maintaining social stability above all else - a phenomenon often termed in China as ['wéi wěn'](#) ([维稳](#))¹⁰ can have critical consequences when communications and warnings about impending crises are ignored, downgraded, and discouraged.

I. Possible Impact on Asia

Anticipating that the timeframe to resolve the crisis in China will outlast the SARS epidemic, a number of foreign firms, most notably [Japanese companies](#) are looking at moving some of their production facilities to ASEAN countries such as Thailand.¹¹ However, any gains of moving production facilities would likely be outweighed by the costs as most of the ASEAN economies have strong ties to the Chinese economy. Even for Japan, the third -largest economy in the world relies heavily on China purchasing large quantities of [industrial machines, automotive, and other high-end electronic consumer goods](#).¹²

In addition to possible disruptions in the regional supply chains, the sector that is most vulnerable would be the travel and tourism sectors. A number of major international carriers have either stopped or curtailed their services to major Chinese cities. Approximately [173 million Chinese tourists](#) travelled abroad in 2019 (period covers until Q3 in September 2019).¹³ Travel restrictions have already been imposed by countries including [Sri Lanka](#) which dropped its gratis visa on arrival scheme for Chinese travellers.¹⁴ This will prove to be yet another setback for Sri Lanka's tourism industry, which was only beginning to recover from the Easter Sunday attacks. Chinese tourists in terms of numbers were the second largest of inbound arrivals by nationality in 2018 and 2019. Since the coronavirus outbreak, [Sri Lanka has recorded a 40% reduction](#) in the number of Chinese tourist arrivals.¹⁵ Governments across the world should be cautious about ad-hoc policies that restrict borders to China. This sentiment was even echoed by the [Director-General of the World Health Organisation \(WHO\)](#), who said that "travel restrictions can cause more harm than good".¹⁶ This is especially important as the Coronavirus is [fueling attitudes of Sinophobia](#) across the world.¹⁷

II. Epidemic Containment versus Maintaining General Health

It is crucial that public health officials and other key policymakers continuously evaluate what at any given time the immediate health priorities ought to be through a rational evidence-based policy approach. In Sri Lanka for example, there has only been a single diagnosed case of the Coronavirus as of February 15, 2020 but this could rise. The one detected case was a Chinese tourist who was treated at the infectious disease unit at a government hospital. While it is important that Sri Lanka's health authorities work collaboratively with the WHO and its many other global partners to contain the outbreak, what it shouldn't do is re-allocate resources from other health programs to meet short term superficial expectations. For example, according to the Epidemiology Unit of the Ministry of Health, Sri Lanka recorded [99,120 cases of Dengue in 2019](#), nearly double the rate of 59,659 from the previous year.¹⁸ The number of patients that succumbed to Dengue also nearly doubled from [58 to 90 recorded deaths in 2019](#).¹⁹ There is also a socio-economic dimension when it comes to global responses to viral epidemics such as SARS, and the Coronavirus. While the Coronavirus has claimed the lives of 1,383 individuals thus far since December 2019, over [1,300 children died of diarrhoea related illnesses](#) every day in 2019.²⁰ This is not to downplay the lethality of a viral outbreak such as Novel Corona, but there are other underlying economic concerns such as effects on trade, tourism, and commerce that arguably disproportionately skew the attention that certain epidemics receive internationally.

III. Implications for SriLanka

A [Global Health Security Index report](#) compiled by the Nuclear Threat Initiative, the Johns Hopkins Center for Health Security and the Economist Intelligence Unit released in October 2019 concluded national health security to be “fundamentally weak” around the world and that no nation is fully prepared to handle an epidemic or pandemic.²¹ Just as it took several years after the Ebola outbreak for the global health community to come up with an effective vaccine, Sri Lanka may have to wait for a fully tested and approved vaccine to come to the market. In this time frame, it is crucial just as the Director-General of the WHO has stressed, that all countries [cooperate fully in sharing all available data](#) on the Coronavirus.²² Finally, clear communication protocols should be set by the government to ensure that reliable, credible information is disseminated to the public in a timely manner to reduce unnecessary panic, hysteria, and misinformation.

Sri Lankan authorities should not allow any complacency to creep in and should be prepared for various contingencies and prevention strategies. In the early mentioned Global Health Security Index report, Sri Lanka's preparedness was considered to be [below average](#) achieving a ranking of 120 out of 195 countries surveyed.²³ Sri Lanka has taken the necessary steps in introducing screening tests at border control points to ensure carriers of the Corona Virus cannot enter the country via Bandaranaike International Airport (BIA). Sri Lanka could in its future readiness strategies consider the development of a state-of-the-art quarantine facility, which may include a floating hospital. For such an initiative Sri Lanka may need some form of technical assistance from the WHO. Sri Lanka is in an age where global biological risks are outpacing the capability of scientific communities, and hence the country should look to prioritise national health as a key security concern through greater financing of its research wings and emergency response units. Routine tests could also be conducted annually to review overall preparedness levels and capability gaps. All of this requires clear policy directives, high degrees of transparency, and a unified policy response from the Sri Lankan government as the country can ill afford any additional national security calamities after the tragic 2019 Easter Sunday attacks.

Notes

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⁷ IMF World Economic Outlook Database.

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¹¹ Horiuchi, J. (2020). *Japanese firms moving production sites to Southeast Asia as coronavirus outbreak disrupts supply chains*. [Online] Japan Times. Available at: <https://www.japantimes.co.jp/news/2020/02/11/business/japanese-firms-moving-production-southeast-asia-coronavirus-supply-chains/#.XkaElGgzZEY> [Accessed 13 February 2020].

¹² Ibid.

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- ¹⁵ Ibid.
- ¹⁶ BBC News. (2020). *Coronavirus: US and Australia close borders to Chinese arrivals*. [Online] Available at: <https://www.bbc.com/news/world-51338899> [Accessed 13 February 2020].
- ¹⁷ Burton, N. (2020). *The coronavirus exposes the history of racism and “cleanliness”*. [Online] Vox. Available at: <https://www.vox.com/2020/2/7/21126758/coronavirus-xenophobia-racism-china-asians> [Accessed 13 February 2020].
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- ²⁰ Unicef. (2019). *Diarrhoeal disease*. [Online] Available at: <https://data.unicef.org/topic/child-health/diarrhoeal-disease/> [Accessed 13 February 2020].
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- ²³ Nuclear Threat Initiative and John Hopkins Bloomberg School of Public Health. (2019). *Global Health Security Index: Building Collective Action and Accountability*. [Online] Available at: https://www.ghsindex.org/wp-content/uploads/2019/10/GHS-Index-Report_FINAL_Oct2019.pdf#page=32 [Accessed 13 February 2020].

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