



Briefing

CCCEU acts as a responsible bridge-builder in Europe

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The COVID-19 Outbreak & Sino-EU Partnership Assessment, Implications and Recommendations

This year is expected to be a milestone not only for China's long-term development agenda but also for Sino-EU relations. Domestically, it marks the last-sprint effort to build a moderately prosperous society in all respects – a development goal which revolves around the eradication of absolute poverty and the doubling of both the national gross domestic product and per capita incomes in the decade to 2020. In the late 70s, this goal was formulated by the country's reform architect Deng Xiaoping and it took a concrete shape in 2012, when President Xi Jinping announced the plan to double real GDP per capita and disposable income of urban and rural residents by 2020. China has also identified 2035 and 2050 as the milestone years to achieve the country's goal of modernization.

Thus, this year represents the very last lap in a long race of seeking prosperity which China has undertaken more than 40 years ago. In addition, 2020 is also the final year for the implementation of the 13th Five-Year Plan (2016-20) of Social and Economic Development, during which China's per capita GDP surpassed the US\$10,000 threshold in 2019, a leapfrog from less than US\$1,000 per capita at the beginning of this century. The year 2020 was also meant to be a historic year for the China-EU partnership, with both sides preparing for a China-EU27 Summit in Germany in September amid the growingly complicated international landscape. In arriving at this much anticipated political agenda, both sides plan to conclude a Comprehensive Investment Agreement, to launch a feasibility study for a free trade agreement, and to forge a green and digital cooperation partnerships. All the above goals and agenda of China and the EU are of great significance to the CCCEU, its Members and partners.

Yet, the novel coronavirus epidemic, now called COVID-19, emerged out of the blue last December in Wuhan, Hubei province, and has evolved into a global public health emergency, which has already had a blanket impact on China economically and socially.

However, China has responded with an unprecedented wartime mobilization. China and its whole population have been mobilized to fight what is called "the people's war". The main goal is to save people's lives while diminishing the impact on economic and social development, and trying every means possible to maintain China's interdependence with the rest of the world, instead of being isolated due to panic and overreaction.

CCCEU Members and partners have been toiling hard to face this humanitarian challenge since the very beginning of this outbreak. We appreciate every single effort and we also know how hard it is to

deliver such help at a time when sudden disruptions occur. In this difficult time, the CCCEU launched a research project *The COVID-19 Outbreak & Sino-EU Partnership: Assessment, Implications and Recommendations*. In conducting this research, we listened to the opinions of our Members and invited internal and external experts to write background papers for us. The CCCEU Research Team owes special thanks to Prof David Gosset, founder of Europe-China Forum; Dr. Hans Boller, director of the Boller-Wu Foundation in Switzerland; Bernardo Mariano, director of Digital Health & Innovation and chief information officer of the World Health Organization (WHO), Geneva; Wu Sheng, WHO technical officer; Kong Yu, vice-president of EU Public Affairs of Huawei Technologies; Prof Zhang Haiyan, director of the Neoma Confucius Institute for Business-Rouen in France; Volker Heun, former senior executive at Deutsche Bank and now a German entrepreneur; Zhao Jia, documentary producer and founder of Muye Film and Silk Road Film Salon; and Lu Yang, general manager of Unisound's Southeast China headquarters for writing background papers or contributing insights and opinions. CCCEU's gratitude also goes to Westlake Europe BVBA, China Chamber of Commerce and Industry in France, BYD Europe B.V. and China Southern Airlines for their contribution in the research.

We present the outcome Briefing in two parts, an Observation and Assessment package and our Policy Recommendation toolkit. The major observation and assessment findings go below:

Scientific update

The current coronavirus disease (COVID-19), first reported in Wuhan on 31 December 2019, belongs to the large family of coronaviruses (CoV), which can cause illnesses ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV).

In the early stages of the outbreak, it was already clear that the virus was capable of human-to-human transmission. After efforts by the Chinese authorities, the World Health Organization and researchers in third countries, we now know that the virus, named SARS-CoV-2, has an incubation period of one to 12 days (with median estimates of 5-6 days), during which it may be contagious. As stated by the WHO, "infection with 2019-nCoV can cause mild symptoms including a runny nose, sore throat, cough and fever. It can be more severe for some persons and can lead to pneumonia or breathing difficulties. More rarely, the disease can be fatal. Older people, and people with pre-existing medical conditions (such as, diabetes and heart disease) appear to be more vulnerable to becoming severely ill with the virus".

Unprecedented efforts on the ground

Despite the sudden outbreak, the efforts undertaken by China in coordination with the WHO and others to contain the dangerous virus are unprecedented. Strong leadership and response coordination from CPC Central Committee down to remote villages in China and close cooperation at the international level are the key. The highest leadership has taken quick decisions against the spread of the virus and contagion by placing Wuhan under lockdown on 23 January and cutting outflow corridors for people in Hubei province.

By following the rescue patterns used in the Wenchuan earthquake in 2008, a process of pairing and matching was also carried out, marking 19 provinces and municipalities help 19 Hubei cities. As for 20 February, 251 medical teams with more than 32,000 medical professionals from all over the nation were sent to Hubei province. Self-quarantines have been extended nationwide, with reduced connections between China and other countries. Since no vaccines have yet been discovered for the

disease, the authorities' efforts revolve around the management of symptoms and supportive measures, and prevention of further infection. Raising the hospital admission capacity and reducing the infection rate have topped the emergency agenda. The strict limits on people's movements have specifically reduced the spread of the infection. On the other hand, the rapid of two functioning hospitals in Wuhan is aimed at increasing the hospital admission capacity: Huoshenshen Hospital and Leishenshan Hospital have provided an additional capacity of 2,300 beds.

It is very important to understand the political determination behind these measures. It should be highlighted that the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, consists of China's top seven leaders including Xi Jinping and Li Keqiang, and the Political Bureau of the Communist Party of China (CPC) Central Committee, consisting of 25 members, have convened five times within three weeks. With President Xi as the chief commander, the leading group of the Communist Party of China Central Committee on coping with the outbreak was formed and Premier Li heads the group. The central government has sent a frontline special work group, headed by Vice-Premier Sun Chunlan, to supervise and guide rescue efforts. All these should be read as a sign of the seriousness, urgency and commitment which China has shown in battling against the coronavirus.

Positive changes continue

Measure for epidemic control and prevention have now reached the toughest and most critical stage, as positive changes are occurring.

As of 19 February 2020, a total of 16,155 patients infected with COVID-19 had been discharged from hospital in China; newly confirmed infection rates showed a continuous decline in the previous 16 days:

- Chinese mainland reported the biggest drop in COVID-19 infections in almost a month, with 394 new confirmed cases;
- The Hubei province reported 349 new confirmed cases of the novel coronavirus infection and 108 new fatalities. 1,209 were released from hospitals, bringing the total to 10,337;
- The city of Beijing postponed some exams, including the English listening test for college entrance exam, scheduled for March;
- Eight province-level regions, including Shanghai, in Chinese mainland reported zero new infections on 18 February. The other regions are Hainan, Qinghai, Guizhou, Tibet, Xinjiang, Liaoning and Gansu.



First patients arriving at the new Wuhan field hospital
(People's Daily)

Among other treatments, the traditional Chinese medicine has been applied for 85.2 percent of total novel coronavirus pneumonia patients nationwide and TCM scientists also are racing to search for effective TCM drugs and prepare for clinical trials.

Changes at the political level in Wuhan and the Hubei province also signal the intention of the leadership to tackle the circumstances thoroughly. The central government appointed new top Party leaders in Hubei and Wuhan, so that the previous local leadership, who were incapable to deal with the epidemic, could make way for a new team of policymakers better fit for the situation.

Seeking a two-wheel balance

Surely, a country with a population of 1.4 billion and deeply interconnected with the rest of the world cannot be at standstill for long. The government aim to speed up coordination of epidemic prevention and control and economic and social development. President Xi called this balance a “major battle” as well as a “big test,” and Party committees, governments and leading officials at all levels have been urged to shoulder their responsibilities and pass the test.

The coordination of epidemic control and socioeconomic development is key to meet the targets set for this important year. In achieving them China will roll out more targeted tax cuts and fee reductions to alleviate difficulties faced by businesses; there will be flexibility in the prudent monetary policy and timely liquidity injections to boost financial services and the markets. China is ready to announce launch some infrastructure mega-projects to boost the economy. Producers of materials used in epidemic control and prevention are likely to be offered more favorable interest rates with credit lines, and the central government will refine differentiated financial services to be offered to regions, sectors and businesses hit by the outbreak. Foreign enterprises will receive support to speed up the resumption of production, and authorities will offer more aid in trade financing and export credit insurance. The central government budget will also helping spur private investment.

On the ground, many local governments outside Hubei province have set the goal of resuming full production by the end of February, which is a challenging and tough job.

Identifying lessons and loopholes

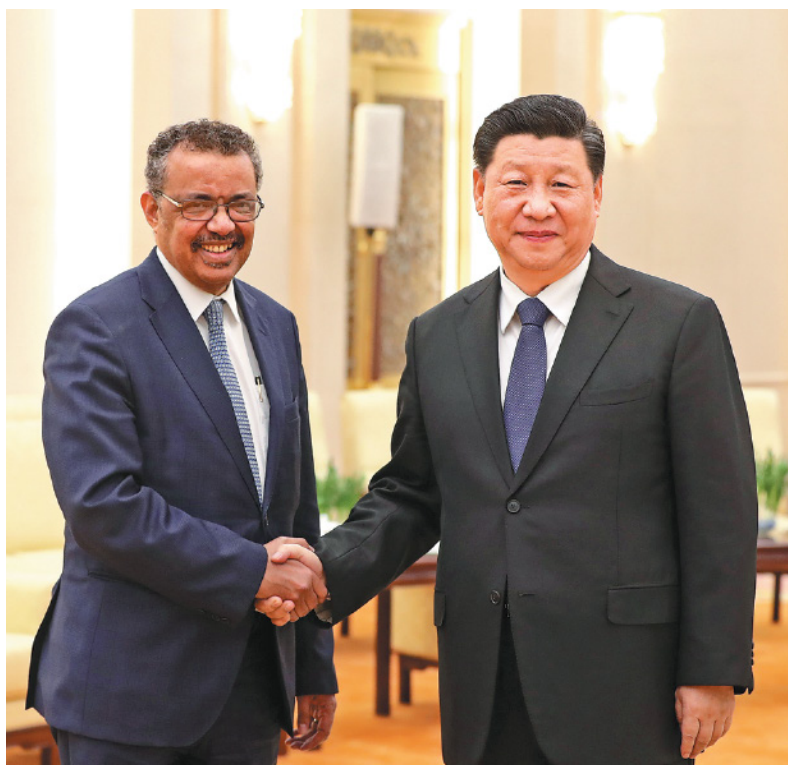
SARS in 2003 had spurred China to set up a public health emergency warning and reporting system from the village to the central government. The emergency this year has led China to rethink of the efficiency of such a system. President Xi said the fight against the contagion presented a major test of the country’s governance system and capacity, and it is important to innovate and improve control and prevention measures for major outbreaks at the institutional level and bolster the country’s capacities in coping with major public health incidents.

China is determined to establish a unified security system for emergency response with measures to ensure production capacity and to balance its regional distribution to ensure the supply of key materials at crucial periods. The shortage of medical supplies this time has clearly pointed to a deficiency.

The outbreak has been also been extremely painful for the loss of lives. Among them is the tragic story of 34-year Li Wenliang, an ophthalmologist at the Wuhan Central Hospital, who first warned about the outbreak on 30 December but later contracted the virus and died on 7 February, His death at a young age provoked an immense grief and anger across Chinese society. The National Supervisory Commission, the highest anti-corruption agency in China, has initiated an investigation on the case.

Seeking EU’s and international support

Facing a global health emergency originating from China, the country’s leadership has been in regular communication with the rest of the world through calls, meetings and even letters. Their communication with European leaders has received positive response. French President Emmanuel Macron has called President Xi twice about the outbreak and cooperation. Premier Li Keqiang and European



President Xi Jinping with Dr Tedros Adhanom Ghebreyesus, Director-General of WHO (China Daily)

Commission President Ursula von der Leyen during a recent phone call pledged closer cooperation in winning the battle against the battle. The swift coordination efforts and actions of the EU and its member states in delivering 12 tons of much-needed personal protective equipment to China is highly appreciated.

Following that, the country's diplomatic corps has swung into action. State Councilor and Foreign Minister Wang Yi and German Foreign Minister Heiko Maas held the fifth round of the China-Germany Strategic Dialogue on Diplomacy and Security in Berlin. Strong support from the European partners was also seen in the decision by the

French Consulate in Wuhan, which decided not to leave the city to show its solidarity with

the affected population.

The Chinese Mission to the EU, and specifically Ambassador Zhang Ming, have been very active in liaising with the European leadership, in particular with Ms Stella Kyriakides, Commissioner for Health and Food Safety, and Janez Lenarcic, EU Commissioner for Crisis Management. The Directorate-Generals responding to the two Commissioners (DG SANTE and DG ECHO) have been in the forefront of the assistance provided to China and its citizens, as well as to European citizens infected by the virus.

Mounting actions of solidarity

China's willingness to work through this situation through cooperation with its strategic partner has also been reflected in the private sector, as many European businesses have taken action to send help to the affected population, especially medical supplies and equipment. In fact, these difficult times have not gone unnoticed by the international community, which has kept a watchful eye on China. Charitable actions, humanitarian aid and voluntary assistance have been a recurring phenomenon, much to the praise by the affected population and the Chinese government.

Likewise, Chinese companies based in Europe have done their part in sending aid to China: among these we proudly count many of our Members and ourselves, since we have been actively engaged in coordinating the aid offered and in communicating the needs to the European stakeholders.

Bank of China's branches in Luxembourg, Brussels, Paris and Stockholm have donated masks and protective medical gear by the thousands. China Construction Bank (Europe) S.A. Barcelona Branch has donated medical supplies, about 4,000 sets of protective suits, 6,000 pairs of protective shoe covers and other medical equipment. Our research showed that, in our network, the total amount and scale of assistance are enormous and, for sake of brevity, here we just name a few.

The CCCEU, representing more than 900 Chinese businesses in Europe, lauds the swift coordination efforts and actions of the EU and its member states in delivering 12 tons of much-needed personal protective equipment to China. The CCCEU has set up a volunteer task-force by inviting its partners in the UK, France, Switzerland, Italy, Greece and other countries to identify suppliers and offer much-needed information to buyers in China.



Ambassador Zhang Ming, Head of the Chinese Mission to the EU, speaks at a recent donation ceremony in Brussels

Virus narrative causing mistrust

Media reactions to the outbreak have been divided. Of course, some have positive messages in support for the affected population. In this moment of adversity, many foreign companies and governments have expressed solidarity with the Chinese people. Nonetheless, the outbreak has sadly exacerbated Sinophobia wherever has been in a latent condition, be it in Asia or in some Western countries. This was made worse by social media, where anxiety developed into rumors and conspiracy theories which are not conducive to a rational comprehension and management of critical situations. This also partly explains why the anxiety generated by the COVID-19 is incomparably higher than the apprehension caused by SARS 17 years ago. Yet, many try to politicize what is a human tragedy. Others made an analogy between Wuhan and Chernobyl, an event which led to the eventual demise of the Soviet Union, implicitly referring to the same result for China.

In this context, the words of Tedros Adhanom Ghebreyesus, the director-general of the WHO, came at the right time to reduce hysteria on social media: "This is the time for facts, not fear. This is the time for science, not rumors. This is the time for solidarity, not stigma".

The outbreak of COVID-19 also has triggered discussion about racism. The Chinese community in the Netherlands, for example, successfully initiated a petition to discuss discrimination at the parliamentary level. In Italy, Italian-Chinese youth associations organized flash mobs in public to raise awareness in the population, thus fighting xenophobia.

Limited impacts for CCCEU Members

Most CCCEU members and our experts rule out the possibility that impact of the coronavirus outbreak could lead to economic recession. They believe in a short-term heavy impact on China, which will experience tough conditions in the first half of the year. But the economy will be rebound in the third and fourth quarters. For the whole year, China's economic growth can, cautiously speaking, be maintained.

As the COVID-19 outbreak is hopefully a short-term issue, it will not impact on the long-term commitment of Chinese enterprises in Europe nor will it affect the relationships they have built in Europe. Measures have been taken both by the Chinese government and European governments to limit the propagation or contain the virus. Chinese companies operating in Europe have put in place a series of "precautions" and "internal rules" for internal travel that are even stricter than the one imposed by the governments to ensure business continuity and reinforce confidence.

Five immediate recommendations

In light of what has been outlined above, the CCCEU has formulated a recommendation toolbox to the leadership of the EU, the Chinese government and to the broader public.

A humanitarian and concerted message from the EU

Interdependence is inevitable even evident in difficult times. In recent weeks, EU institutions and leaders at the EU level and member states have been keeping a watchful eye on China, monitoring the situation and taking prompt actions to provide aid and assistance. The CCCEU advocates that helping approach should be sustained and urges EU leaders to continue making efforts to coordinate with China on the control of the epidemic, without any hindrance to the country's economic development. In these troubled times, safeguarding the interdependence between China and the EU is key for the future of their economic interaction: no epidemic emergency should have long-lasting effects on a strategic partnership forged over decades.

Cooperation of health and food safety, the seventh priority

During his recent German visit, Minister of Foreign Affairs Wang Yi presented the top political agenda for EU-China relations in 2020. Wang identified 6 priorities which range from concluding the bilateral Comprehensive Investment Agreement, launching a feasibility study on a free trade deal, establishing a five-year plan for EU-China cooperation, ensuring synergy between the Belt and Road Initiative and the Eurasia connectivity strategy, and establishing a China-EU green partnership to fostering cooperation in the digital sector.

In light of our analysis of the Covid-19 outbreak, the CCCEU strongly recommends that cooperation on health and food safety be added to the list and become the seventh priority. As announced by President Xi, the strengthening and update of norms on health, healthcare and food safety top the list for domestic politics. Both sides should explore further means of cooperation in this policy domain, for

instance through information exchanges and sharing of best practices, training projects, and through further exploration of business opportunities such as the elaboration on vaccines and medical treatment for Covid-19 and other diseases.

This can also include the use of new technologies, such as artificial intelligence, for combating the epidemic throughout the entire healthcare system. Through the analysis of Big Data from patients infected with Covid-19, AI technology can assist in health management, for instance with AI-assisted diagnosis, treatment and hospital management. In concrete terms, optimizing algorithms and computing power have accelerated the gene sequencing of the virus, as well as the development of a vaccine and medicines.

Acting together to achieve global cooperation

As the past weeks have shown, international cooperation against the spread of the virus is key to reduce infection. Information sharing dealing with logistical aspects of the containment of the virus will prove fundamental for the success of this battle against the Covid-19. At this point in time, it is highly likely that African countries will also report cases of Covid-19, especially since the launch of the Belt and Road Initiative (BRI), links between China and African countries have greatly intensified, with increased traffic in goods and people. The first case was reported in Egypt on 15 February 2020.

Since many African countries lack the necessary facilities and experience to handle an epidemic of this scale, the EU and China, competitors and partners alike in Africa, could encounter a situation where China and the EU could join forces to contain the spread of this dangerous virus and to prevent a pandemic on African soil.

Thus, the CCCEU and its members, most of which are also active in Africa, would welcome a major diplomatic initiative for global health, where different European and Chinese partners can jointly help African countries dealing with the Cov-19. Actions taken in this framework can range from diplomatic confidence building and political relations, to exchange of know-how and technical development, to economic and commercial cooperation. We are sure that private businesses in the health sector, both Chinese and European, would be able to make concrete contributions to these efforts.

Sharing common responsibilities of public diplomacy and building trust

With regard to the role of media and public opinion, our research highlighted how social media and traditional media have helped a wave of Sinophobia and racism against Chinese people, especially those living and conducting business in western countries.

On the one hand, we praise the initiatives by companies and associations sharing their support messages on social media, to raise awareness about the situation in Wuhan and to restore trust towards Chinese nationals. On the other hand, we have realised the dividing power of populist messages which some media and social media platforms have spread, and the consequent impact they have had on European societies in different member states. On behalf of our Members, we advocate that more positive messages to be disseminated in the media so that the reality can be presented instead of misleading opinions against China and its people. We also advocate public diplomacy efforts by the Chinese side to further rebuild trust with our European partners.

Turning 2020 into a fresh start for a decade of common prosperity

We want to repeat our key message in our previous Briefing, requesting European leaders deepen greater commitment to growth and prosperity. Together, China and the EU constitute a market of 1.9 billion consumers, with a growing middle class expected to surpass 1 billion this decade. The CCCEU and its members are keen on supporting the EU's high-quality, green, digital and inclusive growth, and to raise its average annual growth to a level between 2 and 3% during 2020-2030. To achieve these common goals, two elements are fundamental: the recognition of the contributions by Chinese enterprises investing in the EU, and mutual trust between European and Chinese partners.

About CCCEU and Briefing

This document was produced by the research team of the China Chamber of Commerce to the EU (CCCEU), with valuable contributions from external experts and our members, which we warmly thank. The CCCEU is a platform between China and the European Union, which serves the best interests of Chinese enterprises investing in the EU. Established in August 2018, the CCCEU speaks on behalf of its 60 members and represents more than a thousand Chinese enterprises in the EU.

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