

## North Asia Post-Covid: China in recovery

Summary of David Mahon's presentation (by Charlie Gao, 22 May 2020)

On 19 May 2020, David Mahon gave an update on the status of China's Covid-19 and economic recovery to an online audience of 115 who attended North Asia CAPE's inaugural Post-Covid webinar. David was joined by former New Zealand Ambassador to China Tony Browne in the role of discussant, and the event was moderated by North Asia CAPE's director, Professor Paul Clark.

David, a resident of Beijing since 1984, tracks the Chinese economy in his role leading an investment advisory firm with offices in Beijing and Ningbo. He has observed that China is genuinely recovering from its period of near-total shutdown, with manufacturing reaching roughly 90% of pre-Covid levels, consumption stabilising, and confidence returning among the general populace. This does not mean that China will have a good year economically, and indeed it is likely to struggle to attain even 2% GDP growth (down from over 6% in 2019). However, David stressed that China is less dependent on exports than many commentators believe, and that the country's economy is primarily driven by domestic consumption, which appears to be recovering.

Mistakes were made in China's local response to the initial outbreak, but David observed that at the central level, the Chinese Government has tried to manage its response with relative transparency. The government's re-estimation upward of mortality figures in Wuhan is an illustration of this. At a grassroots level, Chinese citizens have generally approved of the government's handling of the pandemic. It remains to be seen whether China is fully 'out of the woods'. Certain sectors of the economy face grim prospects, including tourism and the wider entertainment sector. Many movie cinemas remain empty due to lack of public confidence, despite having been reopened.

China's deeper challenges lie with its global relationships, and especially its deteriorating relations with the United States. There are no signs that US-China relations will improve regardless of the result of the US presidential election in November, and David saw the dynamic of mutual distrust and continued US containment of China as a 'wildcard' to China's prospects for a speedy recovery. China has been a significant engine of the world economy following the financial crisis of 2008, accounting for approximately one-third of global economic growth over the last decade. It remains to be seen if China can continue to play this role in the midst of rising nationalism in the US, Europe, and Asia.

China's economic strength is undeniable, but commentators tend to overestimate its political power, and misunderstand its soft power. China's actions on the international stage, some of which have drawn criticism, are often a manifestation of a lack of confidence or sophistication. Similarly China has lagged far behind the United States in its efforts to develop its cultural influence. In David's view, soft power flows when governments allow artists, the media, and the grassroots of society to 'spontaneously address any issue'; in other words, soft power cannot be developed effectively from the top down.

New Zealand remains in a good position to capitalise on its relationship with China, which has been built by steady hands in successive NZ governments. China will continue to show demand for New Zealand's primary industries and its technology, services, and educational-cultural offerings. Regardless of the economic opportunities, New Zealand's interests are best served by the country maintaining its independent identity and foreign policy.