

# Field-by-Field Changes in China since Covid-19 and Implications for Korea

Jai Chul Heo Associate Research Fellow, China Region and Strategy Team, Chinese Economy Department (jcheo@kiep.go.kr)

## I. Introduction

China has been able to escape from the Covid-19 outbreak relatively quickly compared to other countries. Nevertheless, it still remains greatly influenced by the Covid-19 pandemic across its politics, economy, society, culture, and other areas, which has led to various changes throughout China.

Therefore, this study comprehensively examined the impact of the Covid-19 outbreak on various aspects of Chinese politics, economy, society, and culture. And in response to these changes in Chinese society, the study explores new strategies toward China in the post-Covid-19 era.

## II. Changes by Field in China

### 1. Domestic politics

In the early days of the Covid-19 outbreak, there was controversy over whether China's party-state system was shaken and there was a problem in leadership, but the analysis found

no evidence to support this. On the contrary, the current party-state system showed adaptability to the changed circumstance, and a “gathering effect” also appeared. However, it is necessary to observe further developments about whether this phenomenon can be sustained in the medium and long term.

### 2. Foreign relations

The U.S. and China have been engaged in a fierce battle of no concessions over responsibility for the Covid-19 pandemic, and while the conflict and competition are expanding further, the space for negotiations is shrinking. The Covid-19 pandemic has confirmed that the global leadership of powerful countries has weakened significantly and the international community is entering its own path of survival. In response to non-traditional security threats such as Covid-19, China is pushing for global public health governance with emphasis on multilateralism, and taking advantage of the void in global leadership left by the U.S. to become a global leader in the Covid-19 response.

### 3. Economy and trade

As the Chinese economy entered the New Normal (新常态) era, which means an era of medium-speed growth beginning around 2012, the Chinese government has been pushing for structural reforms on the supply side to resolve various structural contradictions. However, with the trade friction between the United States and China intensifying in 2018 and the Covid-19 pandemic in 2020, such restructuring is showing signs of delay. As a countermeasure against Covid-19 and the deepening U.S.-China conflict, the Chinese government is preparing a medium- and long-term development strategy for the Post-Covid, concentrated on a “dual-circulation” development strategy, which is at the core of the 14th Five Year Plan (2021-25).

Along with these changes and impacts on the domestic economy, the Covid-19 pandemic has also had a profound impact on China's foreign trade circumstances. In particular, as the global pandemic raised the need for reorganization of the GVC, which had previously been formed around China, Chinese companies are also seeking ways to respond by establishing a production base in ASEAN.

Meanwhile, the effects and reactions of Covid-19 on China's economy varied by region. In order to respond to the Covid-19 pandemic, it is actively transitioning toward the domestic market in regions that are highly dependent on exports, and is pushing to expand regional industries and supply chains to cope with the reorganization of GVC.

### 4. Society and culture

The Chinese government's centralized quarantine and economic recovery response was successful in stabilizing the Covid-19 infection crisis relatively quickly compared to other countries, but at the same time weakened the social safety net and expanded labor instability. In addition, social discussions on the balance between personal privacy and quarantine measures are expected in the future due to the frequent restrictions placed on the privacy and rights of the Chinese people in the process of conducting massive epidemiological investigations. On the other hand, the prospect was raised at home and abroad that the media environment in China will change due to the Covid-19 outbreak. But as a result, media control was strengthened and justified in the quarantine process instead of an increase in freedom of speech.

At the same time, changes in China's dietary culture as a whole have been seen since the Covid-19 outbreak, with the culture of using individual serving portions (分餐制) and serving chopsticks (公筷) spreading in China, and social movements to reduce food waste. Covid-19 is also attracting the older generations to Internet culture, and has brought changes in the social interaction and communication methods of Chinese people, representative examples being the so-called “bullet comments” (弹幕) and “cloud” culture (云互动).

### III. Implications

In line with these changes, we need to prepare for four aspects of uncertainty.

The first is preparation for the uncertainty arising from the reorganization of the international order after Covid-19. Second is preparation for the uncertainty that will result from the deepening and expanding of U.S.-China competition. The third is preparation for new threats that will emerge during the reorganization of the GVC after Covid-19. And fourth, we must prepare for the internal medium- and long-term risks that China revealed in the Covid-19 recovery process.

Meanwhile, as China is expected to seek changes in its national development strategy to cope with the various impacts of the Covid-19 outbreak, we need to analyze and utilize China's strategic changes. To this end, first, it is necessary to prepare in advance to utilize China's strategic changes, which will be included in the 14th Five Year Plan (2021-25) of China. Second, it is necessary to expand cooperation with China in the digital economy sector, which will lead the growth of the Chinese economy after Covid-19. Third, it is necessary to actively utilize changes in demand according to China's new culture and consumption patterns when establishing business strategies toward China.

Fourth, efforts should be strengthened to explore China's domestic market, especially in areas where the transition of industries into domestic demand is expected to proceed quickly after Covid-19. Fifth, it is necessary to devise ways to use China's newly formed Internet culture after Covid-19 as a channel for public diplomacy and economic diplomacy with China.

At the same time, as competition between the U.S. and China in the Asian region is expected to intensify, it is necessary to prepare a plan to simultaneously promote cooperation on the Asian strategy of the two countries. China also has a strategic goal of responding to the trend of de-Sinicization through economic integration in East Asia and achieving GVC stability. Therefore, while reviewing the meaning of economic integration in the Asia-Pacific and East Asia region, we should play a leading role for the current discussion on economic integration to help expanding market opening of the participating countries and creating a fair and free trade environment. In particular, as the Democratic Party's Biden won the presidential election, there is a possibility that the United States will return to the CPTPP, so we must come up with a regional economic integration strategy in case the United States will change its economic integration strategy in East Asia. **KIEP**

**Table 1. Changes by Field in China since COVID-19 and Implications for Korea (summary)**

Field	Major Changes	Implications for Korea
Domestic politics	<ul style="list-style-type: none"> <li>• Strengthening the Party State System and the Chinese Communist Party</li> <li>• The importance of management skills in emergencies</li> <li>• Emphasis on the need for cooperative governance in the mid to long term</li> <li>• Emphasis on efficiency over autonomy in the central-local relationship</li> <li>• Strengthening “Chinese-ism” and nationalism</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare for the possibility of a decline in policy autonomy of Chinese local governments in exchanges between Korea and China local governments</li> <li>• Need to establish a network with key people rising in the process of responding to Covid-19</li> </ul>

Foreign relations	<ul style="list-style-type: none"> <li>• Weakened global leadership after Covid-19</li> <li>• Deepened decline in globalization and international multilateral cooperation</li> <li>• Weaker role of international organizations</li> <li>• Changes in China's international status: possible modification of China's expanding diplomatic strategy</li> <li>• Attempt to expand international influence through quarantine diplomacy (support for quarantine supplies, promise to provide vaccines, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility of conciliation and pressure of choice on alliances and neighboring countries</li> <li>• Necessary to put more diplomatic capacity into solidarity with middle power countries in similar situations rather than choosing between the US and China</li> <li>• Expand international status and influence by demonstrating leadership in global public health governance</li> </ul>
Economic and Trade	<ul style="list-style-type: none"> <li>• Delayed restructuring of the Chinese economy, such as supply-side reform</li> <li>• Strengthening of domestic demand-oriented growth strategies</li> <li>• The dual cycle as mid- to long-term development strategies (domestic and international circulation)</li> <li>• Accelerating the digitalization of the Chinese economy</li> <li>• Establishing China's own domestic supply chain</li> <li>• Potential weakening of China-centered GVC</li> <li>• Changes in conflict between the US and China: Economy → Non-economic (Covid-19, human rights, South China Sea, etc.)</li> <li>• Differentiated regional economic recovery policies and continued external cooperation projects</li> <li>• Actively converting exports to domestic demand, mainly in regions with high export dependence</li> <li>• Increased interest in establishing an Asian supply chain centered on Korea, China, and Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary to analyze the risks of delayed restructuring of the Chinese economy</li> <li>• Expanding opportunities for cooperation between Korea and China in the digital economy</li> <li>• Need to prepare for decrease in exports to China (especially the ICT industry) due to the acceleration of de-Sinicization in GVC</li> <li>• Necessary to plan for regional cooperation between Korea and China in accordance with the Covid-19 situation by region and economic stimulus measures</li> <li>• Need for active use of online platforms in regions active in the conversion of exports to domestic demand</li> </ul>
Society and Culture	<ul style="list-style-type: none"> <li>• Changes in food culture in China due to the spread of contact-less culture</li> <li>• Accelerated participation by middle-aged population in the online culture and economy</li> <li>• Birth of new communication methods (the bullet comments culture and cloud culture)</li> <li>• Weaker social safety net in terms of employment</li> <li>• Raising social awareness of the importance of protecting privacy rights</li> <li>• Stronger control over the press and SNS</li> </ul>	<ul style="list-style-type: none"> <li>• Need to use new cultures and changes in consumption patterns as business opportunities</li> <li>• In the event of an infectious disease crisis, it is necessary to establish a rapid and systematic joint response system, and prepare joint regulations on the privacy protection of the citizens of both countries.</li> </ul>

Source: Jai-chul Heo *et al.* (2020).

## Reference

Jai Chul Heo, Pyeong Seob Yang, Ji Hyun Jung, Sang Baek Hyun, Won Ho Yeon, Won Seok Choi, Jae Hee Choi, Gab Yong Yang, Dong Ryul Lee, Sang Hun Lim, Dong Won Yoo, Jong Seok Yoon, Jung Jin Kim. 2020. "Changes by Field in China since COVID-19 and Implications for Korea." KIEP Research Report 20-14. (in Korea)