CRITICAL ASSESSMENT OF THE IMPACT OF THE PANDEMIC

China's central Hubei province, the first epicenter of the new coronavirus outbreak in the country, posted a 39.2% drop in economic output in the first quarter compared with a year earlier, weighed down by a sharp decline in manufacturing. The sudden outbreak of the new coronavirus has had an unprecedented impact on economic and social development in the province, with most economic indicators down significantly in the first quarter, the Hubei statistics bureau said Tuesday. The Chinese authorities locked down Hubei for most of the first quarter to stem the spread of the highly contagious coronavirus, stalling its economy. The provincial capital of Wuhan, the origin of the outbreak, accounts for almost 10% of vehicles made in China and is home to hundreds of parts suppliers.

Hubei's manufacturing output plunged 45.8% in January-March from a year earlier, led by slumps in the auto, electrical machinery and general equipment industries, according to the statistics bureau. China's first-quarter gross domestic product fell 6.8% year-on-year, data released last week showed. It was the first contraction in the world's second-largest economy since at least 1992, when official quarterly gross domestic product (GDP) records were first published.

In the context of the global COVID-19 crisis, conspiracy theories have exploded across digital news sites and social media. While propaganda campaigns amid pandemics are nothing new, what is new in the current crisis is the global information environment in which it is playing out. The all-too-real impacts and stresses of the pandemic feed into the preexisting dynamics of the online information ecosystem, amplifying rumors, misinformation, conspiracies, and outright lies. For governments seeking to build trust and communicate clearly, it’s a nightmare. For those looking to sow chaos and doubt, it’s an opportunity.

What the COVID-19 crisis is demonstrating is that this dynamic does not just apply to individual social media users managing personal and professional relationships; it also applies to the cacophony of conspiracy theories raging across the screens and through the minds of social media users around the world.

In the past, pandemic-related conspiracy theories and rumors in London, Tehran, Kinshasa, Shenzhen, and Moscow would have been different. In an era of global social media platforms, however, the dynamics of context collapse mean that conspiracy theories promoted by users in one place are colliding with users in others. The fragmented nature of social media chops conspiracies into little pieces—a factoid here, a false claim there—creating a kind of information petri dish for conspiracy cross-propagation, allowing half-true facts, decontextualized narratives, and false beliefs to flow and fold into one another and spread rapidly across the world.

Already the coronavirus epidemic has had a greater economic effect than either of thsie predecessors. Wall Street has joined a global sell-off; the S&P 500 index of US companies fell by 11.5% the week commencing on February 24, the worst week since the 2008 crisis. China has effectively been in economic lockdown for a month since Chinese New Year, and the knock-on effect for global manufacturing has already been felt. While sensible precautions to avoid the spread make sense, it’s all too easy for business and politicians to go into panic mode.

The fragility of the global economy, which has high levels of indebtedness and asset bubbles, is a legacy of the way in which the 2008 global credit crisis was managed rather than solved. As pointed out in the World Economic Forum's Global Risks Report 2020, there are a number of tipping points in the economic system and the economic consequence of a shock to the global system is likely to be a correction.

The Chinese government is trying to “establish itself as a global hero that saved many people both in and outside China,” Lee Seong-hyon, the director of the Center for Chinese Studies at the Sejong Institute in Seoul, told Foreign Policy. “China’s coming out strong with its PR, sensing, correctly, that this global epidemic is also a great opportunity to burnish China’s soft power credentials with Europe and [others]. On the other hand, America is not investing enough resources to help its traditional allies and friends, and not investing enough in this narrative war.”

After scrambling to contain the outbreak within its own borders for months, China is now beginning to focus outside its own borders. “China is able to put its head back up and look around the world and find these opportunities to give support,” said John Delury, a professor of Chinese studies at Yonsei University in Seoul.

The narrative war started on Twitter when Zhao Lijian, a Chinese foreign ministry spokesperson, tried to blame the U.S. military for bringing the virus to Wuhan, a myth that is in stark contrast to the generally accepted story of the virus originating in one of the city’s many wet markets, which sell meat and live animals. This all came in response to U.S. Secretary of State Mike Pompeo’s use of the controversial phrase “Wuhan virus” to describe the novel coronavirus. The two sides continue to level accusations at each other. “This is a time where we need a lot more international cooperation, and it is good that China is sharing their expertise. That’s actually the travesty of this narrative war, because it can impede the kind of real cooperation that desperately needs to occur,” Delury said The U.S. response has exacerbated relations with Europe, already under strain for years under Trump, said Rachel Rizzo, an adjunct fellow at the Center for a New American Security, a Washington-based think tank.

Trump blindsided his counterparts across the Atlantic when he announced travel restrictions to Europe on March 12. Several current and former officials familiar with the matter say European ambassadors in Washington were given no advance warning of the announcement. It came as the Trump administration quietly tried to acquire a German company developing a vaccine to the virus for exclusive U.S. access, angering European officials. “Trust in the U.S. has waned even further in the last couple of weeks, especially after the announcement of the travel restrictions that took European leaders by surprise,” Rizzo said.