

Center for Strategic and International Studies

TRANSCRIPT

## The Truth of the Matter

### **“COVID-19: New Reality”**

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*Transcript by Rev.com*

Bob Schieffer: I'm Bob Schieffer.

Andrew Schwartz: And I'm Andrew Schwartz of the Center for Strategic and International Studies, and this is The Truth of the Matter.

Bob Schieffer: This is the podcast where we break down the policy issues of the day since the politicians are having their say, we will excuse them with respect and bring in the experts, many of them from CSIS, people who have been working these issues for years.

Andrew Schwartz: No spin, no bombast, no finger pointing. Just informed discussion. In today's episode of The Truth of the Matter, I'm flying solo as Bob Schieffer is out of town. To get to the truth of the matter on the COVID-19 crisis, also known as the coronavirus. We'll talk to CSISs Steve Morrison, Jude Blanchette and Stephanie Segal. Steve Morrison is senior VP and director of the Global Health Policy Center at CSIS, Jude Blanchette holds the Freeman chair in China Studies at CSIS and Stephanie Segal is a senior fellow in our Simon chair. Welcome to all of you. Steve, we're seeing now that the number of new infections outside of China with coronavirus has outpaced those inside the country for the first time according to the world health organization. So what's your take on this?

Steve Morrison: Well, we've tipped out of an entirely China centered containment mindset into this new reality where it appears that the outbreak is globalizing. We don't know exactly what that means, but you're right. We've reached a point where the number of new infections recorded outside of China exceeds the number of new infections inside China. That says the China's actually making significant progress in its own battle to reduce transmission. But it also says that we're seeing a very stark increase in, of course, the biggest cases are South Korea, Italy, Iran. We've had these big outbreaks, but the game has changed entirely here at home too and I think that's causing quite a bit of drama. Where we have moved out of a, let's seek to contain this, let's use the time that China has created through its quarantining to now rush to prepare ourselves a supplemental being brought forward, two and a half billion dollar supplemental being brought forward to Congress. We're in the midst of our own electoral cycle.

Steve Morrison: Suddenly there's a lot of partisan confrontation around all of this, a lot of allegations flying that the administration has not used its time well to prepare. So things are heating up.

Andrew Schwartz: Let me ask you this though. I think what all Americans want to know is what should we be thinking right now? Should we be rushing to the store and getting supplies to batten down the hatches? What supplies should we be getting? If that's the case, should we be worried about our schools shutting down, our work shutting down? What should we be thinking about?

Steve Morrison: Well, the administration's sending out are very mixed signals, CDC has been pretty forthright recently in saying that, look, it is coming in the United States, it's inevitable given the level of traffic and flow and given the nature of how fast this is transmitted, we're going to see it in our communities. There will be human to human sustained transmission within the United States and we need to prepare for that. That has been contradicted by others who have from an economic standpoint saying, look, it's going to be short lived. It'll be containable, it'll be turning down and that's caused a lot of consternation onto which messages do we really believe. But I think the general sentiment among epidemiologists and public health experts is that, now's the time to begin preparing people for the sorts of things that are going to need to happen. And we know that in terms of public health infrastructure, there needs to be sufficient stockpiles of protective gear and the ventilators and oxygen and other palliative measures, things that are going to be very important.

Steve Morrison: We need to overcome the obstacles we've experienced in having a reliable and scalable test for treatment. That's been bungled. We need to fix that problem very rapidly and we need to prepare people for the fact that we have no vaccine, we have no antivirals, we don't have a cure. We're not going to have any of those tools for some time, at least a year and a half, two years. And so we're going to be overwhelmingly reliant on what is called social distancing, which means that people cease temporarily congregating at their schools, at their workplace, at their churches. They elect not to travel by air or other ways that put them into higher risk mixing bowl type of experiences, hand-washing, basic common sense measures. We're going to be overwhelmingly relying on that and we're going to be overwhelmingly reliant on leadership delivering a coherent and consistent and honest message to a anxious public. And that means that public has to trust and have confidence that they're getting a message that is truly trustworthy.

Steve Morrison: And that's an open question as to whether in this age of rampant falsehoods, some of them emanating from this white house, whether the public is going to trust what the messages are, that are coming out and what's happened of late is contradictory and incoherent messaging.

Andrew Schwartz: So speaking of incoherent, the global economy, Stephanie is spooked. What do we make of that? The stock market is way down in the last couple of days, showed some signs of recovering a little bit this morning, but now it's down again. What are you thinking on the economy here?

Stephanie Segal: I think what's happening is basically a risk reassessment and as Steve just pointed out for the initial weeks of dealing with this epidemic, it was viewed very much as a China centric problem. And China in response took very extreme measures in an attempt to contain this epidemic to China. And while there was an economic cost for China that would spill over into the rest of the world, the view was this can be contained and we'll experience a V shaped recovery and will basically be on track more or less. The reassessment that's taken place starting over the weekend with the cases in South Korea and Italy and Orion is

that this is no longer contained. And I think to the earlier point as well, the response initially was let's not spook everybody and make it seem particularly bad.

Stephanie Segal: So there was maybe an attempt to downplay the fact that this has really gone global and the most easily accessible example of this is we had G20 finance ministers meeting over the weekend. And they issued a communique where they had a single line that acknowledged the risks coming from this outbreak and that was all that was said. So there was maybe a missed opportunity there to reassure the world that we're recognizing the risk and we're preparing for it and here's what we're going to do. I think in the hopes of not making things even worse, but I think that has in fact backfired a bit and now the markets are responding to that risk reassessment. We had them down I think this entire week and so they're trying to figure out now what does this look like for the global economy. And complicating matters is when you have a shock like this to the global economy, you would then hope to see a response that could counteract that shock.

Stephanie Segal: This shock is one though where you're not going to be able to just generate demand because economic actors themselves are going to be constrained either because of policies or because of behaviors. So if the way to deal with this absent of vaccine or treatment is social distancing, the way that that actually manifests is people not going to restaurants, people not getting on flights and that will depress economic activity at least in the short term.

Andrew Schwartz: So the one stock that is doing well is teleconferencing, zoom, things like that because people are social distancing and we're going to have to be doing a lot of video conferencing if this continues to go on.

Stephanie Segal: And that's a good point and I guess a positive as far as our economy is much more connected now than say it was at the time of SARS even. But the technology is also advanced. So I don't think that we're going to see all economic activity screeched to a halt. We have certain alternatives and ways of still conducting business in many sectors that can offset partially some of the depressed face to face contact. So that's a mitigant I guess, but we're for sure going to see some negative impacts from this outbreak.

Andrew Schwartz: My I just say one thing and ask you a question. I've been really struck by these amazing developments of mass quarantine, I've been amazed at how fast the economic impacts the dislocations in the supply chains and in markets, how fast that was transmitted, like way beyond the speed of the virus itself.

Stephanie Segal: Well, and how fast the market has responded.

Andrew Schwartz: Yes. That was shocking to me and these estimations of 1.1 Trillion and 29 billion in air industry, the magnitude of the costs and the speed in which they are transmitted.

Stephanie Segal: I think also what's happening right now, even absent this specific shock, I think for many folks watching global economic developments and watching financial markets and equity markets in particular, have been surprised at how resilient they have been to all nature of shocks. And in particular US, China trade war shocks, none of the corrections are downsides is actually stock. So there has been a feeling in markets that investors may be needed to make a broader risk reassessment and that this might be the thing that actually forces them to do that. When you had the market performing so strongly, absent really robust economic growth, it was basically betting that there would be future positive growth and it's clear now that that pickup and growth is not going to happen in 2020, it may happen further out. But I think for those that were basically waiting for earnings to catch up with prices, that's not going to be happening in the near term. And so you've had a very rapid reassessment by market participants.

Andrew Schwartz: Jude, let me turn to you on the situation in China. You've been watching that closely. What's happening in China now as China maybe fades a little bit from the headlines while the rest of the world is starting to deal with the crisis.

Jude Blanchette: Yeah, and of course within China this remains the dominant story and will remain the dominant story for a while. I think we're seeing this enter its third act, so to speak. If act one was the period of early December to roughly January 20th where we saw the inaction by local officials in Wuhan, which is the epicenter of the virus. Which led to a spread far beyond not only the city of Wuhan and Hubei province, but nationwide. Phase two or act two, starts around January 20th when Chinese leader Xi Jinping finally takes note of the problem and the severity of it and sets the whole system into motion. And that's where we saw the mechanics of an authoritarian system really lurched violently into this reaction to contain. And that's the story of the nationwide quarantines, the really draconian restrictions China was placing on the population to contain the spread of the virus.

Jude Blanchette: This next and equally challenging phase is China trying to do two things at the same time. One is, consolidate the victory that it's had in many ways over the spread of COVID-19 but to pick up on what Stephanie was just talking about, China now needs to return to economic normalization relatively soon. You're going to see some pretty dismal quarter one numbers come out. Estimates ranging from negative to low single digits, and this is going to mean China either has to have a pretty remarkable recovery, a very V-shaped recovery to hit its growth targets for the year, or the political system is going to have to bend and show some flexibility on its typically rigid adherence to these growth targets. We knew this was not quite under control when last week China announced that it was going to postpone its annual conclave, the national people's Congress, since it started setting fixed dates for that in 1999 it's never postponed it.

Jude Blanchette: So that shows you the extent of the problem. I think that was for reasons of prudence. They don't want to bring a couple thousand officials together in Beijing for a meeting that was one of optics. While you have tens of millions of

Chinese citizens still under effective quarantine, having officials move about freely in Beijing wouldn't look good. But right now they're going to have to walk and chew gum or at least balance these two really severe challenges of continuing to consolidate and control the virus. But the economic story in China is far from over. You're seeing companies, certainly Chinese, small to medium enterprises, SMEs really struggle right now. There was a survey of about a thousand SMEs that came out from a Chinese SME association that found that 60% of them don't have enough cash on hand or in savings to make it through the next two months. Chinese government is now trying to respond to this without reverting to its typical playbook of a huge debt laden stimulus.

Jude Blanchette: So it's asking lenders, for example, to be more tolerant of some bad loans, to be a bit more forgiving on repayment schedules. It can do this for a while, but some of these supply chain choke points, some of these cash crunches, if we don't bottom out on this and begin to see a natural recovery are going to start to manifest in really important ways. And as we know in China economics is political, political is economics and so for Beijing they're watching a whole variety of issues, but at the core of this I would think moving forward is how quickly can we return to economic normalcy because if we don't, we've got some severe political issues on our hands.

Andrew Schwartz: Has China's president, Xi Jinping and his top leadership, have they taken a personal political hit on this and if they have, do they need to recover? Can they recover from it? Has it hurt his power center?

Jude Blanchette: Yeah, that's a good question. Authoritarian political systems operate obviously differently than democracy, so we have to both define what we mean by a political hit slightly differently and we have to define what the cost would be. Obviously, Xi Jinping doesn't run for election in a normal sense of the words, although technically in 2022 he is coming up for election but a hundred percent certainty he will be reelected. But this is a Chinese leader who is in many ways staked his legacy on effective governance, that I will consolidate an extreme amount of power and in return for that, I am going to whip this political system into shape and a core part of that is to be able to respond to, in Xi Jinping's own words, black swans. I should note that on November 29th the last Politburo collective study session, which is a gathering of the 25 most powerful people in China to investigate a specific topic, they do this every month or so.

Jude Blanchette: That meeting on November 29th was on its emergency response system. A week later they needed it and it didn't work. So I think questions are already being asked in China right now. There was an open letter by Xu Zhiyong who was detained in China a week ago, the letter was just translated calling for Xi Jinping to resign. Right now, everyone is focused on recovery. Once things do return to normal and they will, I expect questions are going to start to be asked that right now it's siege mentality, it's just make it through, Batten down the hatches. But two or three months from now, you'll start to see the occasional lone person brave tweet, post open letter that begins questioning why are we

seeing this power consolidation if it's not yielding any practical results for the Chinese people?

Andrew Schwartz: Now it's been said that the disease originated from a live animal market. Is China going to do anything to change that cultural situation?

Jude Blanchette: Yeah. Just a point on that is there's a conspiracy theory that is going around that it originated somewhere else, which I won't mention because it's conspiracy theory, but there's actual also good information now that they no longer think it came from that one, it's called the Wet market. It's a vegetable meats market that does have some exotic animals. They're now rethinking that that was the origin of it. That being said, even if we assume it came from there, there is a piece of legislation on the books right now that the National People's Congress will probably vote in, looking at a bio safety, They've already put some pretty severe restrictions now on wet markets, those that are selling more exotic animals. So they're already taking steps on this. But this is in terms of sanitary conditions, just moving beyond this one simple phenomenon of the Wet market.

Jude Blanchette: China is a developing country in many ways and for those of us who've lived in the country, if you've traveled there, sanitation conditions outside of the major metropolitan areas is lacking. So I don't think this is simply a wet market problem a lot of this is just a sanitation issue.

Andrew Schwartz: But Wuhan is a major metropolitan area.

Jude Blanchette: It's 11 million people. It's the capital of Hubei province. And it's a major choke point for supply chains. I mean there's no good place for this to happen but Wuhan in particular, the fact that it was there meant that the repercussions nationally for China have been significant.

Steve Morrison: I just had on the wild animal markets, they're over 50 legally traded wild animals in China and it's a pretty elaborate industry, well organized and they fought back after 2002, 2003 SARS. There was a big pressure and where it was revealed that the civets cat was the animal reservoirs. These pathogens emerge largely out as zoonosis out of animal species crossover into human and similar things happen in the Bush market in central and West Africa, which is where you had HIV surface Marburg, lots of other hemorrhagic fevers. Same thing coming out of primate species in live markets and regulating them is really difficult. G has said some very strong statements just in the last week or so about the determination to take a really hard look this time around. They've tried several times and it's not been successful.

Jude Blanchette: Just one quick point on that. We've had a fairly unprecedented level of small T transparency coming out of Beijing since early February. Every week the standing committee, the political Bureau of the central committee meets. You never know when it meets and you never know what they talk about except

over the past two months, they've been putting out readouts from those meetings. So we now know what's on the docket during those and food safety is an issue that has come up repeatedly. Now these are very public facing documents, they're trying to send a message that they're taking this seriously. I would say to piggyback on Steve's point, you'd have to fundamentally restructure food supply chains and point of purchase in China because for most residents around the country, these informal small markets are where you get your produce and meat. If this is a concerted effort by the Chinese government, this is a longterm one.

Andrew Schwartz: Steve, let me ask you this. These cases are popping up now all over the world. Just today we're hearing about one in Brazil. We've heard about Iraq, Kuwait, Oman, Afghanistan this week. Is the world ready for a global pandemic?

Steve Morrison: Well, the short answer to that is no, in the sense that it's pretty clear that most countries are not going to contain this, there's much more virus already in their country. When these cases popped up in Iran, it was reflective of a much broader presence. We have inadequate testing for knowing this. What I would say, if there is going to be a globalization of this, it is becoming a pandemic and that can take various forms. There's not some single pattern by which that happens, but keep in mind too, we still do not know the true severity of this. We do not know what the fatality rate is yet. In China, in those recorded cases, it's about 2.3% which is a lot less than 10% fatality under SARS, but still very significant. If it becomes globalized and you get four to 5 billion people infected, you could have tens of millions of people dying and hundreds of millions that are having extreme illness, overwhelming health systems.

Steve Morrison: But we don't know what the true number is, if it's one of the fatality rate or of the extreme illness, and so we need to keep that in mind. This may turn out that for the vast majority of people, they will remain asymptomatic or have mild illness, but for a certain percentage it's very dangerous and we need to prepare for that. If this becomes a mass infection with 15% of extreme illness, that'll overwhelm us very rapidly and lead to the need to create crash new facilities and for lots of home care to take place.

Andrew Schwartz: All right, well thank you Steve, Jude and Stephanie for helping us get to the truth of the matter as far as we know it on this issue and we will be coming back to you in the days and weeks and months ahead as we monitor the situation closely.

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