

**COVID-19 IN SOUTHEAST ASIA: IMPACT
ON CHINA'S PUSH FOR THE
“BELT AND ROAD” INITIATIVE**

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Executive Summary

1. The World Health Organisation (WHO) has declared the coronavirus (officially called the COVID-19 by WHO) outbreak that originated in China as a pandemic after a record jump in cases in several parts of the world. The outbreak is China's largest public health emergency crisis since the founding of the People's Republic of China.
2. The voracity of the virus has taken China by surprise. It has to set aside other priorities to combat this new pandemic at home and to contain its rapid spread by fully mobilising its available domestic resources. It had its focus on coping with the impacts of the coronavirus crisis on the socio-economic arena.
3. The danger of the coronavirus spread has the world closing its doors on China. This puts a halt to China's Belt and Road Initiative (BRI) and engagement with the international community.
4. China's push for the BRI will inevitably be slowed down and delayed. In this worst-case scenario, the coronavirus crisis could stymie China's BRI push and the progress of the BRI could be seriously impeded.
5. On 20 February 2020, a special ministerial meeting between ASEAN states and China on COVID-19 was held in Vientiane, Laos. Wang Yi, China's foreign minister, revealed that cooperation between China and Southeast Asian countries has been affected by the coronavirus outbreak, but he believed that such impacts could be overcome.
6. With China becoming the world's second largest economy and accounting for roughly one third of global economic growth in 2019, any slowdown in the Chinese economy will have rippling effects across the region and the world, with its neighbours in Southeast Asia the most hard hit.

7. The coronavirus outbreak has exposed the vulnerability and dangers of an overreliance on China.
8. Southeast Asian economies are now feeling the heat of dwindling tourist inflows from China and disruption to regional supply chains given China's position as the most important source of foreign tourist arrivals and the largest trading partner for the countries in the region.
9. Nevertheless, despite the scale and severity of the COVID-19 pandemic, the impact of the outbreak on China's push for the BRI in Southeast Asia will be temporary.

COVID-19 IN SOUTHEAST ASIA: IMPACT ON CHINA’S PUSH FOR THE “BELT AND ROAD” INITIATIVE

YU Hong*

The Coronavirus Outbreak in China: How Bad Is It?

- 1.1 The fast-spreading coronavirus outbreak is China’s biggest public health emergency crisis since its founding in 1949. The World Health Organisation (WHO) has declared the coronavirus (later named the COVID-19 by the WHO) outbreak that originated in China as a public health emergency of international concern (PHEIC).
- 1.2 The COVID-19 outbreak death toll surpassed 3,000, with confirmed coronavirus cases ballooning to not only more than 80,000 in mainland China (accurate as of 11 March 2020), but also other parts of the world.
- 1.3 As WHO is still tracing the origin of this novel coronavirus and assessing the severity of its deadliness and spread, there is still uncertainty as to how many more people will be infected.
- 1.4 China has taken both a whole-of-government and whole-of-society approach to fight the massive-scale coronavirus crisis. Draconian measures such as the unprecedented lockdown of the city of Wuhan as well as the whole province of Hubei have been adopted.
- 1.5 Wuhan is home to 11 million people, the origin of the COVID-19 outbreak, the economic centre of central China and the headquarters of some major domestic car and steel producers. The shutdown of Wuhan and the entire Hubei province, and the sudden restrictions on travel to and from Wuhan have severely affected these industries, and also hit other related upstream and downstream sectors.

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- 1.6 Wuhan is an important base for the military industries and houses several weaponry and equipment design and manufacturing institutes.¹ Wuchang Shipyard, which manufactures submarines, heavy landing ships and others, is located in Wuhan.² Wuhan is also important for China's core involvement in the global supply chain, particularly for the automobile and parts sectors.
- 1.7 China has to redirect its priorities to combat this new pandemic at home and to contain its rapid spread by fully mobilising its available domestic resources. It has turned inwards to battle this disease and in its focus on coping with the impacts of the coronavirus crisis on the socio-economic arena.
- 1.8 How severely the coronavirus outbreak will hit China and the world (neighbouring Southeast Asia in particular) depends on the duration and severity of this outbreak and the rapidity of its spread.
- 1.9 On 20 February 2020, a special ministerial meeting between ASEAN states and China on COVID-19 was held in Vientiane, Laos.³ Wang Yi, China's foreign minister, admitted that cooperation between China and Southeast Asian countries has been affected by the coronavirus outbreak, but he believed that such impacts could be overcome.
- 1.10 As a deliverable of this meeting, both China and the ASEAN officials agreed to strengthen their joint efforts in response to this pandemic through sharing updated information, cooperating on clinical medical research and mitigating the outbreak's impact on communities.

¹ *The Economic Times*, "Virus outbreak impacts China's aircraft carrier plans, defence programs", 4 February 2020, available at <https://economictimes.indiatimes.com/news/defence/virus-outbreak-impacts-chinas-aircraft-carrier-plans-defence-programs/articleshow/73942231.cms> (accessed 3 March 2020).

² Source: <https://www.globalsecurity.org/military/world/china/wuhan-sy.htm> (accessed 3 March 2020).

³ "Upbeat Chinese foreign minister says COVID-19 control efforts 'are working'", CNA, 20 February 2020, available at <https://www.channelnewsasia.com/news/asia/china-coronavirus-covid-19-control-efforts-working-minister-12453746> (accessed 27 February 2020).

- 1.11 The outbreak, if not effectively controlled within the first or even the second quarter of this year, could have a devastating effect on the Chinese economy, particularly the food and beverage, tourism and retail sectors.
- 1.12 Compared to the SARS (severe acute respiratory syndrome) outbreak in 2003, the Chinese economy is now much larger and mostly driven by the service industries. Many multilateral financial institutions have downgraded Chinese growth rate by one per cent, to barely five per cent or even lower, another new low in terms of growth rate for the People's Republic.
- 1.13 According to a research team led by Bert Hofman of the East Asian Institute, the impacts of the COVID-19 epidemic on the Chinese economy are likely to be severe. Their worst-case scenario on Chinese economic growth in 2020 is 2%,⁴ which is lower than the figure reported by most other analysts so far.

ASEAN States' Involvement in the Battle against this Pandemic

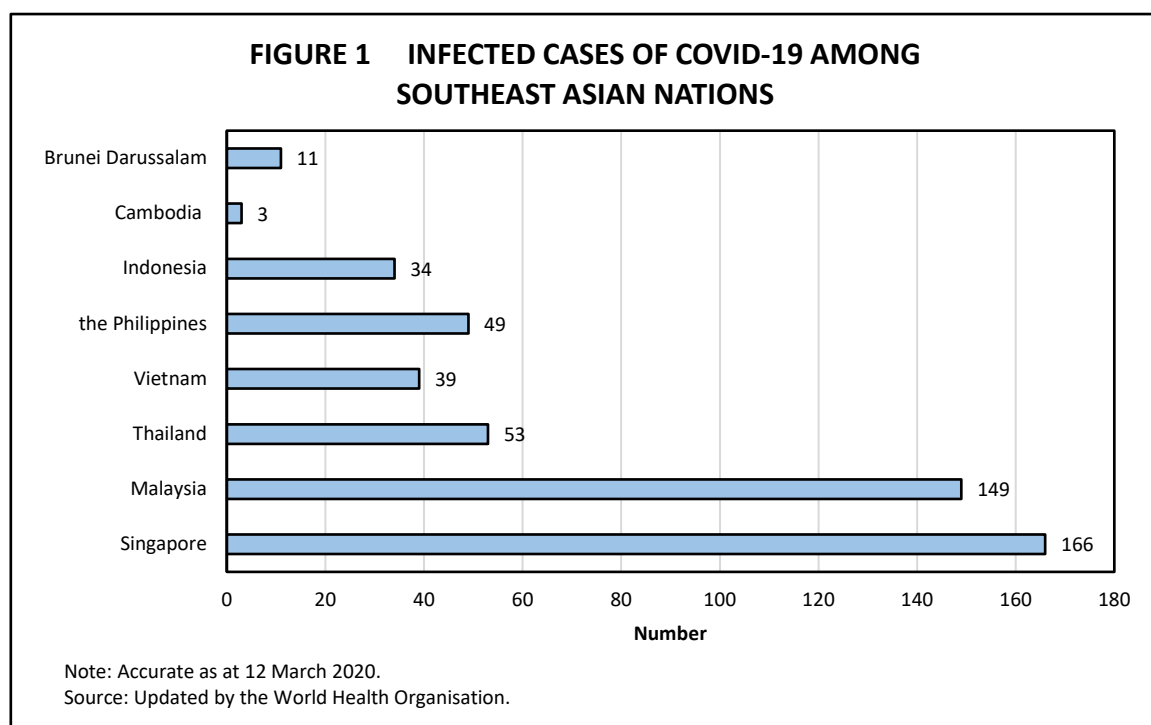
- 2.1 With China becoming the world's second largest economy, accounting for nearly 16% of world GDP in 2018 and roughly one-third of global economic growth in 2019, the impact of any slowdown in the Chinese economy will be felt across the region and the world, and by its neighbours in Southeast Asia in particular.
- 2.2 In the chairman's statement on 15 February 2020,⁵ the heads of state/government of ASEAN (Association of Southeast Asian Nations) expressed their serious concerns over the COVID-19 outbreak, and the severe challenges posed by the pandemic to the well-being of the people and development of its member countries.
- 2.3 The special ministerial meeting in Vientiane, held on 20 February 2020, aimed to establish a coordination mechanism between China and ASEAN states in responding to the coronavirus outbreak. The outcomes of the meeting were

⁴ Bert Hofman, et al., "Implications of the COVID-19 Outbreak for China's Economy", EAI Commentary No. 12, 28 February 2020.

⁵ ASEAN Secretariat, "Chairman's Statement on ASEAN Collective Response to the Outbreak of Coronavirus Disease 2019", 15 February 2020, available at <https://asean.org/storage/2020/02/ASEAN-Chairmans-Statement-on-COVID-19-FINAL.pdf> (accessed 17 February 2020).

perceived to be encouraging. On behalf of the Chinese government, Wang Yi made several proposals, including setting up public health cooperation mechanisms, inter-agency response enhancement and joint coordination of medical professionals from China and ASEAN.⁶ Wang's proposals were received positively by ASEAN.

2.4 Confirmed cases of the coronavirus have been reported in Thailand, Vietnam, Singapore, Malaysia, the Philippines, Indonesia, Brunei and Cambodia (see Figure 1), and worldwide in Europe, the United States and many parts of the world. The coronavirus is no longer a China problem, but a problem for the world.



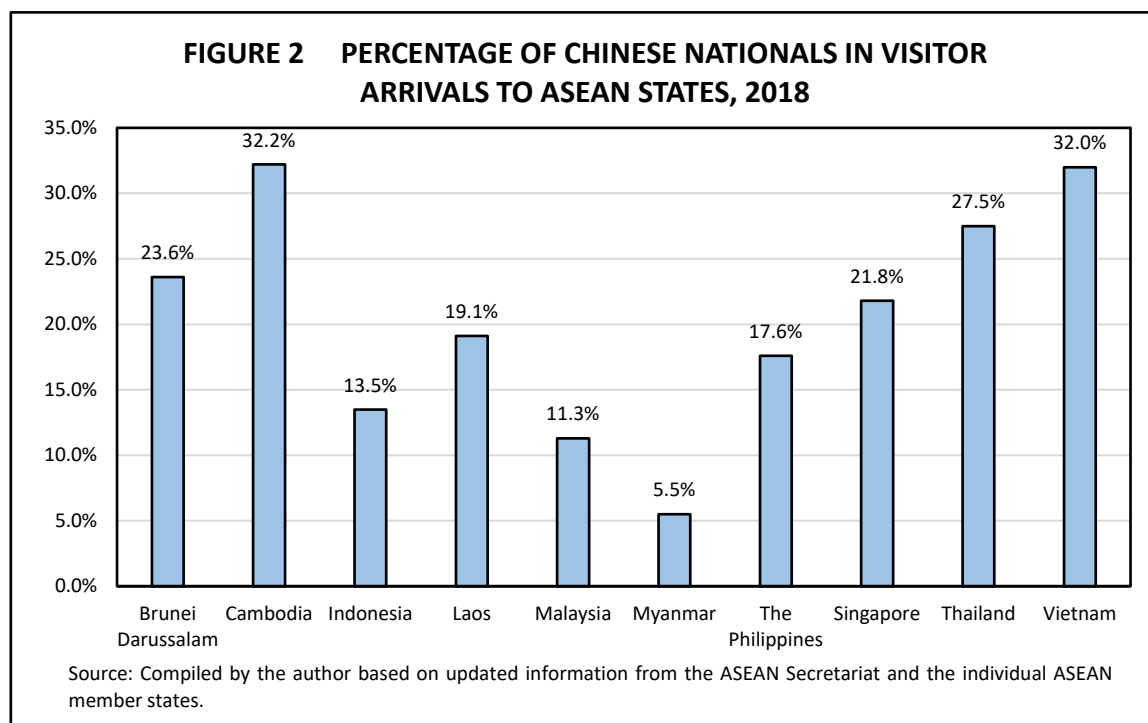
2.5 A badly hit Chinese economy is bad news for Southeast Asia. The coronavirus outbreak has substantially slashed private consumption growth as people's outdoor movement and thus their spending have been curtailed; similarly for investment spending and China's export growth due to closure of many manufacturing plants

⁶ Ministry of Foreign Affairs of the People's Republic of China, "Wang Yi: China's ASEAN foreign ministers unanimously agree to work, together to support each other, strengthen confidence and overcome difficulties", 20 February 2020, available at <https://www.fmprc.gov.cn/web/wjzbzhd/t1747496.shtml> (accessed 5 March 2020).

and shops. According to the baseline forecast by the Economist Intelligence Unit,⁷ China's economic growth will decrease to 5.4% in 2020.

2.6 Southeast Asian economies are most severely by the dive in tourist inflows from China and disruption to regional supply chains given China's position as the most important source of foreign tourist arrivals and the largest trading partner for the respective countries. Thailand, Singapore and Vietnam could be the most severely affected countries in ASEAN.

2.7 Except for Myanmar, the tourism industries in most Southeast Asian countries, particularly in Cambodia, Vietnam and Thailand, are dependent on Chinese visitors. Chinese tourist arrivals to these three countries were 32.2%, 32.0% and 27.5% in 2018, respectively (Figure 2). Much of the tourism income in these countries stems from China. For example, nearly 11 million and 4.6 million Chinese tourists visited Thailand and Vietnam respectively in 2019.



⁷ *The Economist*, "Coronavirus outbreak triggers growth downgrades across Asia", 10 February 2020, available at <http://country.eiu.com/article.aspx?articleid=1879053571&Country=Singapore&topic=Economy&subtopic=Forecast&subsubtopic=Economic+growth> (accessed 18 February 2020).

- 2.8 Chinese tourists who once flocked to Southeast Asian countries' well-known tourist attractions, beaches, resorts, shopping malls and restaurants have now disappeared due to the Chinese authority's ban on organised overseas tour for Chinese nationals as well as the entry control measures imposed by certain countries.
- 2.9 Thailand and China have become particularly intertwined in the field of tourism. The tourism industry accounts for around 20% of Thailand's GDP. As estimated by the Thai Tourism and Sports Ministry, the number of Chinese visitors to Thailand will fall by two million to around nine million in 2020.⁸
- 2.10 Such a sharp drop in the number of Chinese visitors will be devastating for Thai tourism. According to estimated data from the Thai Tourism Practitioners Association, Thailand's tourism industry will bag US\$1.7 billion less in the first quarter of 2020 and up to US\$9.6 billion during the year of 2020 as a whole.⁹
- 2.11 Tourism operators of tourism sites, hotels, restaurants, shopping malls or tour buses have begun complaining of a lack of Chinese visitors and the devastating impacts on their businesses. If the situation does not improve, it will force many to go bankrupt or be forced out of business.
- 2.12 Singapore which is also dependent on its tourism dollars to boost the economy has taken measures to support the sector. Heng Swee Keat, Singapore's deputy prime minister, in his comments on the COVID-19 situation in Singapore on 16 February 2020, stated:

*Some sectors have been hard hit, such as tourism and transport, and we have already taken targeted measures to support them. But we can expect to see a broader impact on the economy. As confidence is affected, businesses and consumers could cut back on spending. The disruption to the global supply chain - a result of the interruptions to production in China - will also affect trade and manufacturing.*¹⁰

⁸ Austin Bodetti, "Coronavirus hits Thailand hard", *The Diplomat*, 13 February 2020, available at <https://thediplomat.com/2020/02/coronavirus-hits-thailand-hard/> (accessed 16 February 2020)

⁹ "Pneumonia outbreak: reasons Thailand chooses to open to Chinese tourists", BBC, 20 February 2020, available at <https://www.bbc.com/zhongwen/simp/world-51560540> (accessed 20 February 2020).

¹⁰ Prime Minister's Office Singapore, "DPM Heng Swee Keat on the COVID-19 situation in Singapore on 16 February 2020", available at <https://www.pmo.gov.sg/Newsroom/DPM-Heng-Swee-Keat-on-the-Covid-19-Situation-in-Singapore-Feb-2020> (accessed 17 February 2020).

- 2.13 Many Southeast Asian nations are battling with the challenges posed by the coronavirus. As its spread worldwide is still in the early stages, Southeast Asian nations will have to adopt a close watch on its development in the coming months.

Impacts of Coronavirus Outbreak on China's Push for the Belt and Road Initiative in Southeast Asia

- 3.1 China has diverted from selling its high-profile Belt and Road Initiative (BRI) to conducting coronavirus-combating diplomacy to the international community. Chinese diplomats are busy convincing the world of China's capacity in containing this massive pandemic outbreak.
- 3.2 Wang Yi, China's foreign minister, in his trip to Germany recently explained China's efforts to combat the spread of the virus to Europe. Even the regular press conferences of China's ministry of foreign affairs have in recent weeks been overwhelmingly dominated by questions raised by foreign and local journalists on the coronavirus outbreak.
- 3.3 When the local authorities in most Chinese provinces declared a Level One public health emergency, the highest level on a 4-point scale, by 29 January 2020, many state-owned enterprises, the leading players in advancing the BRI abroad, had to halt or partially halt their domestic business operations to contain the spread of COVID-19.¹¹
- 3.4 The weeks of downtime could prove costly to these firms. Understandably, the lack of cash flow would make it difficult for them to finance some of their BRI construction projects. The state has taken measures to support these firms. Chinese state-owned commercial and development banks will have been instructed to redirect their priorities towards financing domestic project construction and providing badly needed loans to the many struggling enterprises.

¹¹ Except for Hubei, most of the provinces have started to downgrade their emergency level to a certain extent, and permitted the affected firms to resume production and migrant workers to return in an orderly manner since 21 February 2020. Nevertheless, it will take time for business and production to get back on track, given the various challenging issues such as raw material supply and logistics.

- 3.5 According to Liang Tao, vice president of China Banking and Insurance Regulatory Commission, Chinese state banks and other financial institutions had already provided supportive low interest-rate loans of over RMB537 billion to affected domestic firms between 26 January 2020 and 14 February 2020, a period of less than one month.¹² Much more in terms of loans is estimated to be needed to keep the struggling firms afloat and avoid massive layoffs of workers.
- 3.6 To contain the spread of COVID-19, an increasing number of countries have imposed various travel restrictions and immigration measures on Hubei citizens, other Chinese nationals, or even other nationalities who have either entered China or travelled within China since mid-January 2020. These countries include eight ASEAN member nations, excluding Thailand and Cambodia. Many of these countries are participants of the BRI.
- 3.7 International travel has also been severely disrupted as international flights and shipping in and out of China have either been reduced or suspended. Around 30 international airlines have started to cut flights to Chinese cities or even temporarily suspended all flights to China.
- 3.8 Simply put, the world is closing its doors on China, along with their engagement in the BRI. The “17+1” cooperation mechanism involving China and the 17 central and Eastern European nations and the leaders’ meeting to discuss bilateral infrastructure projects under the BRI are expected to be postponed.
- 3.9 With the travel restrictions in place, travelling overseas to attend official meetings and work on projects under the BRI framework by Chinese officials, businesspersons, engineers and workers (e.g. from the Sinohydro and China Railway Corporation) would be hindered.

¹² The State Council Information Office of the People’s Republic of China, “China Banking and Insurance Regulatory Commission: Chinese banking and financial institutions have provided a total amount of 537 billion yuan in supportive loans in combating the COVID-19 outbreak”, 15 February 2020, available at <http://www.scio.gov.cn/m/xwfbh/xwfbh/wqfbh/42311/42520/zy42525/Document/1673324/1673324.htm> (accessed 17 February 2020).

- 3.10 Travelling restrictions aside, the 14-day quarantine period would mean that Chinese engineers and management personnel involved in BRI projects overseas would not be allowed to resume work immediately. The Chinese-built high-speed railway project in Indonesia has been affected as Chinese engineers and workers could not return to work after the Chinese New Year holidays.¹³ This will have the effect of disrupting the implementation of the BRI and halting some BRI infrastructure projects, at least temporarily.
- 3.11 The strict measures taken by the Chinese central and local authorities to limit the movement of people have led to a national paralysis. While certain state-owned factories have resumed production, they have been instructed to focus on manufacturing urgently needed medical products (e.g. masks, sanitisers, disinfectants and antiviral drugs) to fight the coronavirus outbreak.
- 3.12 Affected Chinese firms engaged in the construction of BRI railway projects (see a list of these Chinese companies in Table 1), from both upstream and downstream industries, range from engineering, smelting, manufacturing, power generation, electronics, to signal and communication systems.
- 3.13 The disruption to the railway supply chain due to the outbreak in China could have a profound impact on BRI railway construction projects in Southeast Asia, including two flagship projects, namely, the 414-kilometre-long China-Laos Railway (project commenced in December 2016) and the 142-kilometre-long Jakarta-Bandung High-speed Rail in Indonesia (project commenced in December 2017).
- 3.14 These two railway projects depend on the supply of raw materials and equipment from China. For example, the 2,600-ton hydraulic-powered shield machines used for tunnel construction in Indonesia's high-speed railway project were manufactured by China Power Construction and Jiangsu Zhongjiao Tianhe Machinery Equipment

¹³ "Pneumonia epidemic: personnel and supplies blocked, 'Belt and Road' delays", BBC, 18 February 2020, available at <https://www.bbc.com/zhongwen/simp/business-51548364> (accessed 20 February 2020).

Manufacturing Company, while 2,000 box girders weighing 120 tons are being built by Sinohydro.¹⁴

TABLE 1 MAJOR CHINESE FIRMS IN RAILWAY CONSTRUCTION PROJECTS OVERSEAS

Company name	Supply of Specific Products for Railway Projects
China Railway Construction Corporation Limited	Project design and technical services
China Railway Group Limited China Railway Engineering Group	Chief contractor for project construction
CRRC Corporation	Train vehicles and train cabins
China Railway High-tech Industry Corporation Zhejiang Yonggui Electric	Truck components and railway locomotive connectors
Beijing Comens New	High-speed iron adhesive
Jinxi Axle Company	Vehicle axles, wheelsets, bolster side frames and vehicle bogies
China Railway Signal & Communication Traffic Control Tech Company	Train vehicle control system and driver safety monitoring system
KTK Group Company Limited	Locomotive supporting products, sliding doors and seats
Guangdong Huatie Tng High-Speed Railway Equipment Corporation	Train vehicle components and power accessories
Tianjin Keyvia Electric	Electrical equipment and traffic automation equipment
Taiyuan Heavy Machinery Industry Company Maanshan Iron and Steel	Train wheels and wheel hubs

Source: Compiled by the author.

- 3.15 Chinese banks and firms, engineers and workers have from the beginning been heavily involved in project financing, technical standard setting, project design, construction, material and equipment supply, as well as conducting of local training for workers of the ongoing railway construction projects in Indonesia and Laos.
- 3.16 Laos and Indonesia have little experience in building large railway projects on their soil, and these countries have very few skilled rail engineers and construction workers. Their domestic manufacturing industries are unable to supply most of the raw materials and equipment for project construction. Many of the Chinese-funded projects in Southeast Asia countries therefore lack participation by local companies and workers from recipient countries.

¹⁴ “1st box girder of Jakarta-Bandung high speed railway project installed in Indonesia”, *Xinhua*, 30 September 2019, available at http://www.xinhuanet.com/english/2019-09/30/c_138437352.htm (accessed 20 February 2020).

- 3.17 Many of the BRI infrastructure projects in Asia largely depend on China for the supply of raw materials and construction equipment.¹⁵ The impacts of the temporary disruption of the supply chain of infrastructure projects have begun to surface and may prove costly if there is a further delay in the supply chain.
- 3.18 On 18 February 2020, China's ministry of commerce issued an unprecedented official notice¹⁶ that requires all Chinese firms which have undertaken construction projects abroad to set up a rapid response and coordination mechanism in light of the coronavirus outbreak. This action reflects the concern of the Chinese authority over the disruption of BRI projects.
- 3.19 In the case of Southeast Asian countries, the benefits of participating in the BRI come with risks, as illustrated by the COVID-19 outbreak. What effects the coronavirus crisis and its spread in the region have on China's push for the BRI and how it will affect trade and economic linkages between China and Southeast Asia remain to be seen in the coming years.
- 3.20 Nevertheless, the impact of this epidemic outbreak on China's push for the BRI in Southeast Asia will be temporary. It is unlikely to trigger qualitative transformation of bilateral relations under the BRI framework given the inter-dependency between ASEAN and China which in all likelihood will remain or even rise further when the Regional Comprehensive Economic Partnership (RCEP) comes into effect in 2021 as anticipated.
- 3.21 According to the ISEAS-Yusof Ishak Institute's State of Southeast Asia: 2020 Survey Report, China has the biggest economic influence over Southeast Asia

¹⁵ According to China's State-Owned Assets Supervision and Administration Commission, 81 of China's centrally administrated state-owned enterprises are constructing 3,400 BRI-related projects worldwide (accurate as of January 2020). Please refer to "Zhongguo bashiyijia yangqi zai yidaiyilu yanxian chengdan chao 3,400 ge xiangmu" (China's 81 central state-owned enterprises are undertaking the construction of 3,400 projects in the BRI countries), 16 January 2020, available at http://t.m.china.com.cn/convert/c_m3JRzAyK.html (accessed 20 February 2020).

¹⁶ Ministry of Commerce of People's Republic of China, "Shangwubu guanyu yingdui xinguanfeiyan yiqing zuihao wenwaimao wenwaizi cuxiaofei gongzuode tongzhi" (Circular on stabilising foreign trade and foreign investment, boosting consumption to combat against the COVID-19 pandemic), 18 February 2020, available at <http://www.mofcom.gov.cn/article/b/fwzl/202002/20200202937077.shtml> (accessed 20 February 2020).

countries due to its status as the largest trading partner and most important source of inbound tourists for most ASEAN countries.¹⁷

- 3.22 The pandemic has forced Chinese leaders to prioritise its domestic agenda and downplay its push for the BRI. How disruptive this pandemic outbreak will be to the BRI depends on how China can quickly and effectively halt its rapid spread.
- 3.23 Nevertheless, the coronavirus crisis will not stop China's determination to push for the BRI in Southeast Asia and other regions. Construction of some BRI infrastructure projects will be delayed, but will not be terminated.

The Pandemic Outbreak and the BRI: Time to Rethink Infrastructure Connectivity?

- 4.1 Infrastructure connectivity is becoming an important national strategy for big powers in their attempts to dominate regional infrastructure development to gain control of resources, markets, industrial supply chains, flows of trade, as well as to win geostrategic leverage and global influence. In his book "Connectography",¹⁸ Parag Khanna comments:

Strategic importance has traditionally been measured by territorial size and military power, but today power derives from leverage exercised through connective reach. The paramount factor in determining the importance of a state is not its location or population but its connectedness – physically, economically, digitally – to flows of resources, capital, data, talent, and other valuable assets. (pp: 41-42)

- 4.2 Asia is the epicentre of infrastructure connectivity. Many Asian nations have formulated competing connectivity proposals and initiatives, such as China's "Belt and Road" Initiative, Japan's "Quality Infrastructure Investment Partnership" Scheme, India's infrastructure push proposal and ASEAN member countries' "Master Plan on ASEAN Connectivity"; even the United States has announced its

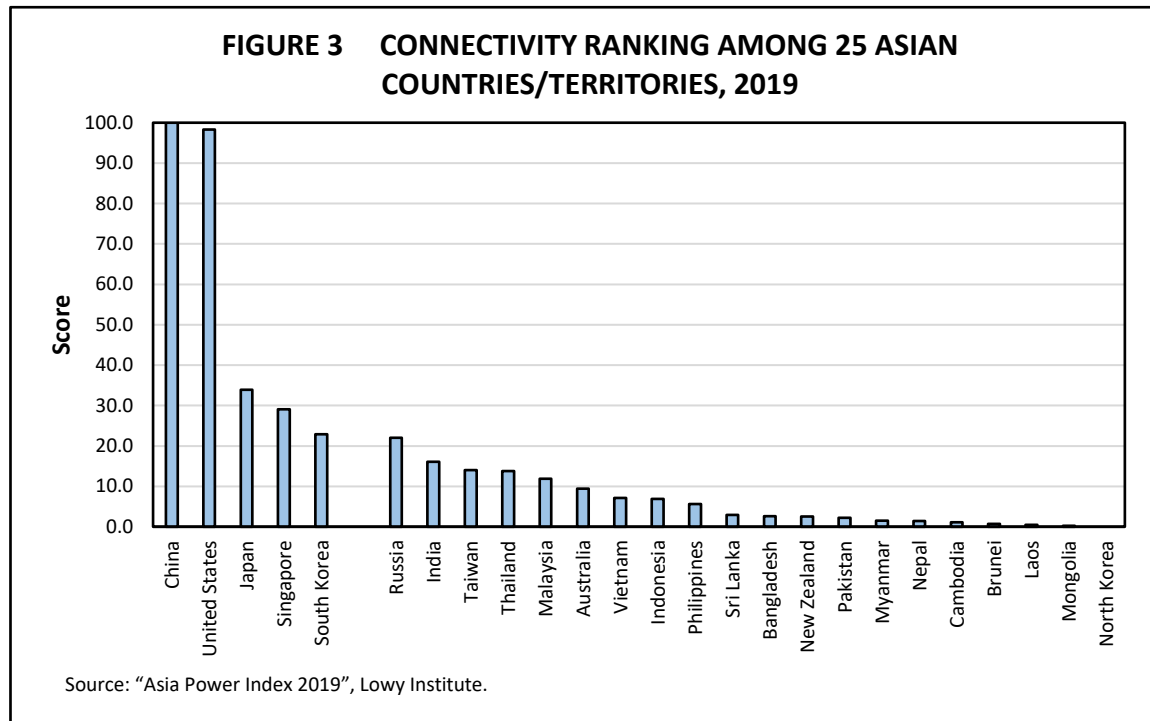
¹⁷ ISEAS-Yusof Ishak Institute, "The State of Southeast Asia: 2020 Survey Report", 16 January 2020, available at https://www.iseas.edu.sg/wp-content/uploads/pdfs/TheStateofSEASurveyReport_2020.pdf (accessed 3 March 2020).

¹⁸ Parag Khanna, *Connectography: Mapping the future of global civilization* (New York: Random House, 2016).

version of an infrastructure development programme, which includes parts of its Indo-Pacific strategy, with participation from the private sector.

- 4.3 The BRI is a connectivity-centred mega project, with huge infrastructure investment potential. In terms of both scale and scope, none of the initiatives proposed by other countries can match China's aspirational BRI and its relentless pursuit of execution. The BRI is perhaps the largest and most ambitious infrastructure development initiative in world history. It is centred on facilitating cross-border infrastructure connectivity and has the potential of reshaping the interregional connectivity landscape in Asia and beyond.
- 4.4 Infrastructure-led connectivity improvement will help to boost trade and investment and unleash economic growth potential. However, the coronavirus outbreak in China demonstrates the vulnerability and even downsides of connectivity improvement.
- 4.5 Pandemic outbreaks know no boundaries as evident by the rapid spread of COVID-19. Greater physical connectivity only facilitate cross-border virus transmission and add to the complexity of an ever changing world.
- 4.6 According to Australia's Lowy Institute's "Asia Power Index 2019", many Asian countries scored high on its connectivity index. These countries which are taking a leading position in foreign trade volumes, investment flows, merchant fleet and travel hubs, are concurrently the countries that are hard hit by the COVID-19 spread. These countries include China, Singapore, Japan, South Korea, Thailand and Malaysia (see Figure 3).
- 4.7 Due to its geographical proximity to and close links with China, as well as the intense cross-border flows of people, Southeast Asia was the initial frontline in battling the coronavirus challenges outside China.
- 4.8 Wuhan, the epidemic centre of the outbreak, is an important transport hub in central China. It is referred to as "九省通衢" in Chinese, or the thoroughfare of China and

the major juncture of nine surrounding provinces. Wuhan Tianhe International Airport, with its annual traffic throughput volume of 30 million passengers, is the largest airport in central China. Wuhan is highly interconnected with all major cities in the nation, as well as with Singapore and many other cities abroad by high-speed, rail, road, air and inland riverways.



4.9 China is also a vital link in the regional as well as global value chain. According to a report by McKinsey Global Institute in 2019,¹⁹ China has held the dominant position in certain industries' global supply chains, including electronics, manufacture of equipment and machine, automobile, textile and clothes. The coronavirus outbreak has disrupted the supply chain and affected many manufacturing firms worldwide, as well as the supply of many manufacturing goods to consumers in the region and globally.

4.10 The temporary disruption to the global supply chain has spelt good news for certain Southeast Asian countries, such as Vietnam and Indonesia. Many multinational

¹⁹ McKinsey Global Institute, "China and the World: Inside the dynamics of a changing relationship", pp. 1-156, July 2019, available at [https://www.mckinsey.com/~/media/mckinsey/featured%20insights/china/china%20and%20the%20world%20inside%20the%20dynamics%20of%20a%20changing%20relation ship/mgi-china-and-the-world-full-report-june-2019-vf.ashx](https://www.mckinsey.com/~/media/mckinsey/featured%20insights/china/china%20and%20the%20world%20inside%20the%20dynamics%20of%20a%20changing%20relationship/mgi-china-and-the-world-full-report-june-2019-vf.ashx) (accessed 25 February 2020).

companies and their suppliers have moved part of their production capacity away from China as a contingency plan or business diversification strategy.²⁰

- 4.11 Nevertheless, the coronavirus outbreak reveals the vulnerability and dangers of the region's economic dependence on China, in the tourism and manufacturing sectors in particular. The China factor however presents a dilemma for Southeast Asia. The potential price of pulling away from this rising global power could prove to be too great a price to undertake.

²⁰ For example, please see Jeanne Whalen and Abha Bhattarai, "U.S. companies face crucial test over China's factory shutdown", *The Washington Post*, 26 February 2020, available at <https://www.washingtonpost.com/business/2020/02/25/us-companies-so-far-are-surviving-chinas-factory-shutdown-next-few-weeks-are-crucial/> (accessed 3 March 2020).