

**CHINA'S DYNAMIC ZERO-COVID  
POLICY: HOW "DYNAMIC" IS IT?**

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## **Executive Summary**

1. China adopted a “dynamic zero-COVID” strategy to replace its absolute zero-tolerance policy almost at the same time as the new Omicron variant was reported to the World Health Organisation (WHO) in November 2021.
2. A lockdown of a whole city is no longer necessary for a couple of reported infections. Lockdown measures are now targeted at specific communities rather than entire cities or provinces when more than two new cases are spotted in a community within 14 days.
3. Since the beginning of 2022, China could only curb daily new local cases from surging but failed to reduce the number to zero as it had done in many months in 2020-2021.
4. Under this “dynamic” policy, more emphasis has been placed on striking a balance between disease control and enabling people to live normal lives.
5. While China is unlikely to shift to living with the pandemic in the short term, the emphasis upon “dynamic” may signal that the government is ready to be more flexible and loosen restrictions gradually, probably after the Beijing Winter Olympics and the annual parliamentary sessions in March 2022.
6. Due to the huge inconveniences and difficulties imposed upon people’s livelihood, the public want policy adjustment from the zero-COVID strategy.
7. The “closed loop” management model for Beijing Winter Olympics provides the authorities with an option of further border opening in metropolises, port cities or border towns that need frequent international exchanges or are hosting high-profile international events.

8. China needs to maintain gross domestic product growth rate at around five per cent to achieve social stability and economic recovery. It will be difficult to do so if the draconian zero-COVID measures remain in place.
9. Due to differences in governance structure, Hong Kong may not be able to implement “dynamic zero-COVID” policy as effectively as mainland China does.
10. Given the increasing policy synergy between the two places, Hong Kong will continue to follow China’s “dynamic zero-COVID” position until the Mainlanders start to ease restrictions first.

# CHINA'S DYNAMIC ZERO-COVID POLICY: HOW "DYNAMIC" IS IT?

CHEN Gang\*

## "Dynamic" Refers to a Shift in Policy

- 1.1 At about the same time as the new Omicron variant was first reported to the World Health Organisation (WHO) in November 2021, China started to adopt the "dynamic zero-COVID" (动态清零) policy in replacement of its absolute zero-tolerance policy that had lasted for more than a year. As compared to the early policy against any infections, the more flexible prevention measures focus on early detection, frequent contact-tracing, long quarantines and strict border control.
- 1.2 A couple of reported infections will no longer trigger a lockdown of a whole city. Instead, lockdown measures targeted at specific communities rather than entire cities or provinces are applied promptly when more than two new cases are spotted in a community within 14 days.
- 1.3 Under this "dynamic" policy, more emphasis has been placed on striking a balance between disease control and enabling people to live normal lives. For example, susceptible villages can adopt stricter measures around their borders, including setting up checkpoints and imposing restrictions on people's movements, while there is no necessity for such restrictions within the village.
- 1.4 Yet this shift went unnoticed by most countries in the world. As lockdowns of Chinese provinces and cities have persisted in recent weeks, China's approach continues to come under international criticism. China's zero-COVID policy is increasingly looking like a "burden", which is impinging economic recovery both

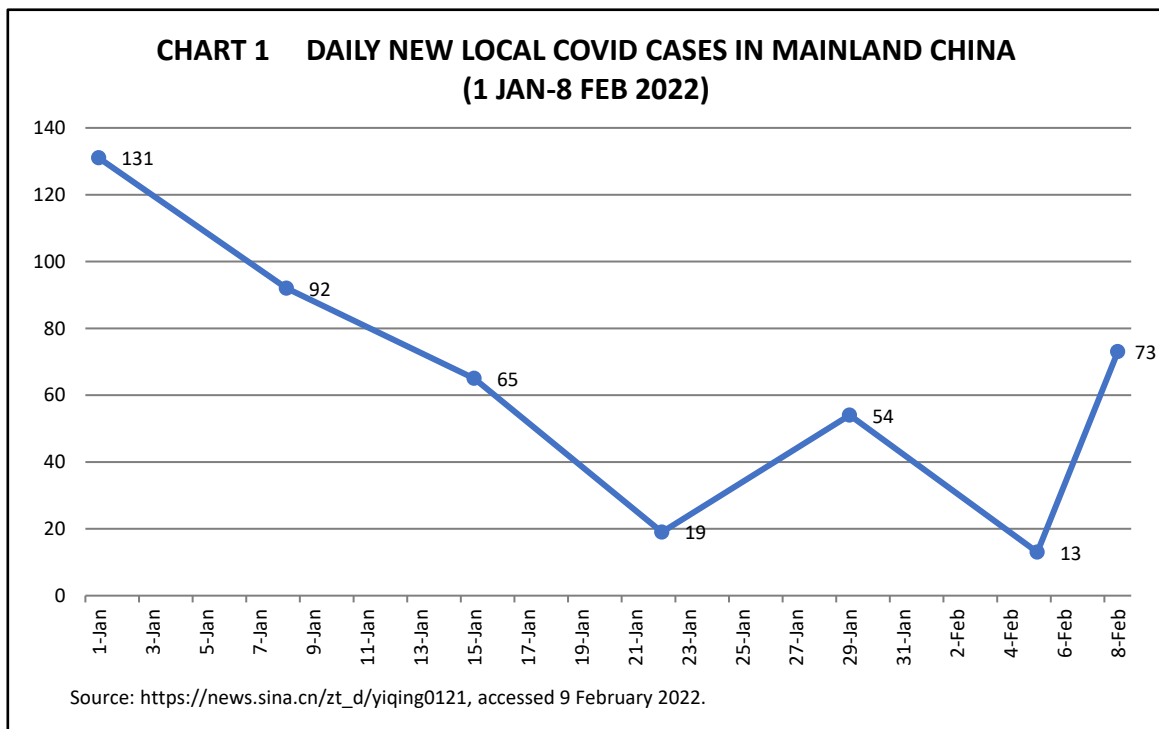
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domestically and for the world at large said the International Monetary Fund’s managing director Kristalina Georgieva in January 2022.<sup>1</sup>

1.5 Others, however, argued that restoring normal population mobility to “COVID-zero regions” in China will cause some two million deaths in a year,<sup>2</sup> which could bring global supply chains to a halt and send inflation higher.<sup>3</sup>

1.6 Mainland China reported 110 new COVID-19 cases on 8 February 2022, comprising 73 local and 37 imported infections.<sup>4</sup> Since the beginning of the new year, China managed to curb the daily new local cases from surging, but failed to reduce the number to zero (Chart 1) as it had done in many months in 2020-2021.



<sup>1</sup> <https://www.cnbc.com/2022/01/21/imf-chinas-zero-covid-policy-a-burden-to-domestic-and-global-economy.html>, accessed 9 February 2022.

<sup>2</sup> <https://www.reuters.com/business/healthcare-pharmaceuticals/easing-curbs-covid-zero-regions-could-cause-2-mln-deaths-year-china-study-2022-02-07/>, accessed 9 February 2022.

<sup>3</sup> <https://www.bloomberg.com/news/articles/2022-02-08/what-china-s-covid-zero-policy-means-for-world-supply-chains-and-inflation>, accessed 9 February 2022.

<sup>4</sup> <https://news.sina.com.cn/c/2022-02-09/doc-ikyarmz9770063.shtml>, accessed 9 February 2022.

- 1.7 It is unrealistic to expect China to shift to living with the COVID in the short term, but the emphasis upon “dynamic” may signal that the government is ready to be more flexible and loosen restrictions gradually, probably after the Beijing Winter Olympics and the annual parliamentary sessions in March 2022.
- 1.8 Since the outbreak of COVID-19, China has been taking the hardline approach unlike that in many other countries, especially those in the West where living with the virus has become prevalent. Yet this does not mean that the government will always stick to the zero-COVID strategy.
- 1.9 China’s “zero infection” (零感染) approach was adopted when COVID cases were first reported in Wuhan in January 2020; with the Omicron becoming a new dominant variant that has higher transmissibility but less severe symptoms, it would be much more costly, and in many cases, almost impossible for the government to achieve zero infection.
- 1.10 China’s zero-tolerance policy helped the country to successfully contain COVID cases at low levels for two years, but at certain economic and social costs like disruption of supply chains, slowdown of service industry and decrease of cross-border travels. As no one could predict that the pandemic would continue unabated into the third year, the costs were assumed to be temporary and necessary.
- 1.11 In the new scenario of the Omicron variant, the elimination strategy no longer proves to be cost-effective, and needs to be reviewed and revised. The use of the word “dynamic” to modify its containment policy implies that the country is flexible about improving its prevention policies to align with changes in the pandemic situation.
- 1.12 In November 2021, Liang Wannian, head of China’s COVID-19 task force and a renowned epidemiologist, told the media for the first time that aiming to clear all infections does not mean having a zero-tolerance policy against any infections, but

instead works to prevent community infections through early detection, diagnosis, quarantine and effective treatment of COVID-19 patients.<sup>5</sup>

- 1.13 Liang acknowledged “fatigue” and “discontent” among the Chinese about the draconian measures, admitting that the Chinese people’s ‘altruism’ is the number one reason for the containment of the pandemic so far.
- 1.14 His words may justify certain policy flexibility to cater for public intolerance. He told the official media that the new “dynamic zero-COVID” mechanism does not equal a zero-tolerance policy against any infections (坚持“动态清零”而非“零感染”).
- 1.15 On 11 December 2021, the Chinese State Council held a special press conference on COVID-19 control, reinforcing the same stance.<sup>6</sup> Both Liang and Mi Feng, spokesperson for China’s National Health Commission, attended the conference. Mi said the top priority for China’s disease containment work focuses on ports, hinting that lockdown measures are only targeted at specific susceptible areas rather than entire provinces or the whole country.

### **Changing Public Sentiments**

- 2.1 As with many other countries, public sentiments regarding strict control measures may have reached a boiling point in China. An amber health code in the app implies no-entry to places or a bar to travelling. This became especially challenging to many who were spending a second year away from their families during the Spring Festival holiday.
- 2.2 Detection of infections usually triggers mass nucleic acid testing, which could be repeated and even lead to citywide lockdowns. Since the beginning of 2022, several

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<sup>5</sup> <https://jdzx.net.cn/article/2c90818a4deae652014debca86270004/2021/11/2c909eaa7d121bc8017d21513c700056.html>, accessed 9 February 2022.

<sup>6</sup> [http://www.gov.cn/xinwen/2021-12/12/content\\_5660202.htm](http://www.gov.cn/xinwen/2021-12/12/content_5660202.htm), accessed 10 January 2022.

Chinese cities including Xi'an, Yuzhou, Anyang and Baise imposed a lockdown because of local COVID-19 outbreaks.

- 2.3 The COVID lockdown of Baise city in Guangxi autonomous region sent global prices of aluminium to a 14-year high because of disruptions to its aluminium mining and production.<sup>7</sup> Some refineries of the component alumina in Guangxi stopped production because of the outbreak, while the transportation of ingots and raw materials was seriously impacted by travel restrictions.
- 2.4 Most Chinese have accepted the government's argument that living with COVID-19 is not viable in China because cases of severe illnesses and deaths would be exponential and posing a major political problem in a year when Beijing is holding both the Winter Olympics and the 20th Party Congress. Nevertheless, due to the great inconveniences and difficulties imposed upon people's livelihood, the public has asked for some policy adjustment to the zero-COVID strategy.
- 2.5 The Chinese authorities are well aware of the risks if people's demands are not addressed. In countries like Belgium, the United States and the Netherlands, tens of thousands took part in demonstrations against COVID-19 restrictions.
- 2.6 Such large-scale protests have not been seen in China, but according to the Edelman Trust Barometer, people's trust in the Chinese government had dropped about eight percentage points between 2020 and 2021,<sup>8</sup> though it regained nine percentage points early this year.<sup>9</sup>
- 2.7 Last year's survey result suggested that holding onto a rigid zero-tolerance policy may backfire and further erode political trust in the country. That will be unacceptable for the ruling Communist Party in a year of top-level power transition.

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<sup>7</sup> <https://www.channelnewsasia.com/business/why-has-chinese-citys-lockdown-sent-aluminium-prices-surg-ing-2488001>, accessed 9 February 2022.

<sup>8</sup> *2021 Edelman Trust Barometer*, <https://www.edelman.com/sites/g/files/aatuss191/files/2021-03/2021%20Edelman%20Trust%20Barometer.pdf>, accessed 9 February 2022, p.44.

<sup>9</sup> *2022 Edelman Trust Barometer*, <https://www.edelman.com/trust/2022-trust-barometer>, accessed 7 February 2022.



The use of the word ‘dynamic’ is to give the government greater leeway to adjusting its COVID policies.

### **Beijing Winter Olympics: A New Model for COVID Management?**

- 3.1 The organisers of the Beijing Winter Olympics (4-20 February 2022) designed the “closed-loop” management model (闭环管理) that consisted of three interconnected competition zone bubbles, where participants and employees worked or competed, ate and slept, without coming into contact with the general population.
- 3.2 Those entering the “closed loop” were required by the organisers to be fully vaccinated at least 14 days before their arrival to avoid the 21-day quarantine. Upon arrival, participants had to show proof of two negative COVID-19 tests before taking another one.<sup>10</sup>
- 3.3 Designed to prevent the spread of COVID, it kept residents away from visitors while enabling China to host the Olympics in “closed loop” and pursue its “dynamic zero-COVID” strategy elsewhere. Wire fences sealed off the “closed-loop” area housing the Olympic venues and media centre in Beijing from the rest of the capital; entry was only via shuttle buses or approved taxis.<sup>11</sup>
- 3.4 Thanks to the strict “closed loop” management model, the number of COVID cases remained at low levels in Beijing and other parts of China during the Winter Olympics.
- 3.5 The “closed loop” management model, which worked well in both Tokyo Olympics Games in 2021 and Beijing Winter Olympics, provides the Chinese authorities with an option to further open metropolises, port cities or border towns that need frequent international exchanges or are hosting high-profile international events. The “closed loop” management model can be replicated in these places.

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<sup>10</sup> <https://www.nbcnews.com/news/world/beijing-winter-olympics-organizers-set-closed-loop-keep-covid-rcna14944>, accessed 11 February 2022.

<sup>11</sup> <https://www.channelnewsasia.com/sport/sealed-inside-closed-loop-beijing-winter-olympics-2469021>, accessed 11 February 2022.

3.6 With the pledges of “expanding opening-up” and continuing with the Belt and Road strategy, China will need to loosen border restrictions to some extent, at least in the coastal and border areas. Facing the highly transmissible Omicron variant, the government may still feel it too risky to shift to living with COVID-19, but in the “closed loop” areas, more relaxed and flexible rules including quarantine waiver can be applied to foreign visitors to facilitate cross-border travel.

### **GDP Imperative**

4.1 Although China’s economic growth has decelerated considerably with the move to the “new normal”, gross domestic product (GDP) figures are still important for achieving mid- and long-term goals in the Five-Year Plan and the 2035 development vision. To avoid the “middle-income trap”, a development stage where a developing country stagnates when it fails to complete industrialisation and modernisation after attaining a certain level of income, China needs to double the size of its economy by 2035, which would require an average growth rate of 4.7% every year.<sup>12</sup>

4.2 The economic costs of the absolute zero-COVID policy were rising while its benefits were diminishing.<sup>13</sup> The notable economic cost on the domestic sector is weak consumption, which has been lagging since the recovery of production. China’s robust exports have been supporting manufacturing, but this benefit will disappear when the rest of the world begins to normalise output and shift consumption to services from tradeable goods.<sup>14</sup>

4.3 Due to concerns about increased restrictions on business activity to contain the Omicron variant, Goldman Sachs, a US investment bank, has cut its 2022 forecast for China’s economic growth to 4.3%, down from 4.8% previously. In the new normal, the government has been making efforts to raise the share of consumption

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<sup>12</sup> For detailed discussion of this topic, please refer to Chen Gang, “China's Fifth Plenum 2020: Five-year Plan and Leadership Succession Void”, *EAI Background Brief*, No. 1566, November 2020.

<sup>13</sup> “China recalibrates its COVID policy”, <https://docfinder.bnpparibas-am.com/api/files/518930A9-21BE-497E-A07A-4E5150BC62A8>, accessed 16 February 2022.

<sup>14</sup> *Ibid.*

in the whole economy; however, it is the consumption part of the GDP that will likely be affected the most.

- 4.4 Meanwhile, China's zero-COVID curbs may prolong supply chain woes and intensify inflationary pressures. In February 2022, the lockdown of Baise city, nicknamed the "aluminium capital of southern China", sent global prices of aluminium to a 14-year high.
- 4.5 Eurasia Group, a political-risk consulting firm, listed the potential failure of China's "zero-COVID" policy as a top global risk of 2022. The Eurasia report acknowledged that China's zero-COVID policy "now has become a fight against a much more transmissible variant with broader lockdowns and vaccines with limited effectiveness... China's problems add to the disruption of supply chains, which will present ongoing risks across the world. Shipping constraints, COVID-19 outbreaks, and shortages of staff, raw material, and equipment—all more acute because of China's zero-COVID policy—will make goods less available".<sup>15</sup>
- 4.6 The Chinese leadership has indicated that the essence of economic policy for 2022 is to "prioritise stability while pursuing progress" (稳中求进), an objective that requires the country to maintain GDP growth rate at around five per cent.
- 4.7 Achieving this will not be easy if the draconian zero-COVID measures are not relaxed. Both energy crunch and supply chain disruptions last year showed that the economy, facing huge internal and external uncertainties, has not been on a stable track.

### **"Dynamic Zero-COVID" Policy in Hong Kong**

- 5.1 The Hong Kong government has been pursuing the same "dynamic zero-COVID" policy as mainland China, indicating increasing policy consistency between the two in recent years. Behind Hong Kong's draconian measures is the government's key

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<sup>15</sup> <https://www.eurasiagroup.net/live-post/top-risks-2022-1-No-zero-Covid>, accessed 11 February 2022.

goal of opening its border with mainland China, which would require matching the mainland's zero-COVID stance.

- 5.2 The authorities' zero-COVID policy helped Hong Kong contain infections at extremely low levels in 2020 and 2021, but since the beginning of 2022, with the rapid spread of the Omicron variant, the surge in local COVID cases has called the city's policy implementation into question.
- 5.3 In January 2022, Hong Kong's Secretary for Home Affairs resigned after attending the birthday party of a delegate to China's legislature, where two of some 200 guests tested positive for COVID-19. After that, the number of daily COVID cases continued to rise to more than 600 on 8 February, which forced Chief Executive Carrie Lam to declare the most invasive measure yet: a curb on gatherings in both private premises and public places.<sup>16</sup>
- 5.4 Despite Hong Kong's zero-COVID strategy that entails suppressing all outbreaks as soon as possible, the Asian financial hub still reported a new record of 1,325 new coronavirus cases on 11 February 2022.<sup>17</sup> The 10-fold rise in cases between 1 and 10 February proved to be the biggest test for Hong Kong's policy of virus suppression as capacity for hospital beds, isolation and coronavirus testing neared breaking point. China's central government expressed firm support for Hong Kong's "dynamic zero" coronavirus strategy and announced the sending of thousands of medical and lab workers and millions of testing kits to Hong Kong.<sup>18</sup>
- 5.5 Due to differences in governance structure, Hong Kong may not be able to implement "dynamic zero-COVID" policy as effectively as mainland China does.

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<sup>16</sup> From 10 to 24 February, gatherings at home were capped at two families while the size of public gatherings was halved to two people from four in Hong Kong. Unvaccinated residents were banned from shopping malls, supermarkets, wet markets, religious venues and hair salons. <https://www.straitstimes.com/asia/east-asia/hong-kong-further-tightens-its-tough-covid-19-rules-as-cases-soar>, accessed 11 February 2022.

<sup>17</sup> <https://www.channelnewsasia.com/asia/china-support-hong-kong-covid19-dynamic-zero-strategy-2491761>, accessed 11 February 2022.

<sup>18</sup> <https://www.channelnewsasia.com/asia/china-support-hong-kong-covid19-dynamic-zero-strategy-2491761>, accessed 11 February 2022.

Centralised ruling on the Mainland helps governments at all levels enforce community lockdown measures more efficiently than the former British colony does.

- 5.6 Hong Kong's stringent restrictions have turned it into one of the world's most major isolated cities, with flights significantly reduced and schools, playgrounds, gyms as well as most other venues shut. Hong Kong also saw a run on vegetables in February after several cross-border truck drivers who brought in goods from the Mainland tested positive for coronavirus. The Chinese government has given instructions to the Guangdong provincial government to ensure the supply of vegetables, fresh food and other necessities to Hong Kong.
- 5.7 In a recent survey by the American Chamber of Commerce in Hong Kong, 44% of the respondents indicated they may leave Hong Kong due to its draconian border controls and social restrictions.<sup>19</sup>
- 5.8 Yet given the increasing policy synergy between the two places, such pressure would not stop Hong Kong from following China's "dynamic zero-COVID" position unless the Mainlanders start to relax restrictions themselves.

### **Conditions for Easing Restrictions**

- 6.1 Even as China is prepared to adopt a more dynamic and flexible pandemic policy, it will be unrealistic to expect the government to ease restrictions significantly in a year when the Omicron variant is still raging around the world and Beijing is going to hold the 20th Party Congress.
- 6.2 Beijing may implement the prevention and control policy in a more flexible and innovative way after the National People's Congress (NPC) meeting in March; any adjustment made before the convening of the Party Congress in Autumn would be carried out with restraint.

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<sup>19</sup> <https://www.bbc.com/news/business-60049348>, accessed 11 February 2022.

- 6.3 Another crucial condition for the possible change hinges on the development of homegrown mRNA vaccines, which could be a potential gamechanger for China's COVID strategy. Amidst growing concerns over local jabs that use traditional inactivated virus technology, some Chinese pharmaceutical companies are now testing their mRNA vaccines, which may provide higher levels of protection against the Omicron variant than existing Chinese-made shots.
- 6.4 A homegrown mRNA vaccine, jointly developed by the Academy of Military Science, Chinese biotech company Suzhou Abogen Biosciences and Walvax Biotechnology, has started clinical trials, with preliminary results that look promising. If there are breakthroughs in the area, the efficacy of Chinese vaccines will be further boosted, so will the government's confidence in tackling the pandemic.
- 6.5 More importantly, China's National Medical Products Administration on 12 February 2022 had given conditional approval for Pfizer's COVID-19 treatment Paxlovid, making it the first oral anti-coronavirus pill approved in the country for the treatment of the virus.<sup>20</sup> While several vaccines are available worldwide to help prevent coronavirus infection, there are limited treatment options available. Up to now, China has yet to approve any COVID-19 vaccines developed by foreign drugmakers; its approval of Pfizer's coronavirus pill has surprised observers and may signal the beginning of Beijing's plan to move beyond the zero-COVID strategy.

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<sup>20</sup> <https://www.channelnewsasia.com/asia/china-approves-paxlovid-covid-19-pfizer-2494071>, accessed 16 February 2022.