

China's Zero-COVID Policy: Economic and Social Impacts of a Superior COVID-Containment Strategy

EXECUTIVE SUMMARY

The world has been battling the unprecedented public health crisis – novel coronavirus (COVID-19) pandemic – for more than two years. Since early January 2020, **more than 532 million COVID-19 cases have been reported worldwide**, while **above 6.30 million people have died** of the coronavirus disease¹.

Besides causing illness and death, COVID-19 has **significant multi-dimensional impacts** on the entire world, **including the following economic consequences**:

- Global GDP contracted 3.1% in 2020²;
- Foreign direct investment fell by more than 40% in 2020;
- Equity markets worldwide initially suffered sharp sell-offs;
- Heightened inflation induced by the associated supply shock has continued to be a major concern among many central banks worldwide because subsequent interest rate hikes would hamper the fragile global economic recovery and even lead to a recession;
- Global trade shrank as much as 9.5% in 2020. While the World Trade Organization is predicting global merchandise trade volume to grow 10.8% in 2021, it is merely enough to just offset the losses in 2020; and
- United Nations World Economic Situation and Prospects mid-2020 report estimated that the global economy would lose nearly US\$8.5 trillion in output during 2020 and 2021.

To tackle this highly deadly pandemic, various forms of medications have been developed. Around 12.05 billion doses of COVID-19 vaccine³ invented by Pfizer (PFE) in conjunction with BioNTech (BNTX), Moderna (MRNA), Johnson & Johnson (JNJ), Sinopharm (1099.HK), Sinovac and others have been administrated globally. Moreover, Pfizer (PFE) and Merck (MRK) have invented oral antiviral drugs to help prevent hospitalization and death. Furthermore, there are antibody therapies from Eli Lilly (LLY) and AstraZeneca (AZN), while China has approved its first COVID-19 antibody drug with 80% of efficacy in cutting hospitalization and death among high-risk people⁴.

Countries around the globe are using either one of the following strategies to deal with the COVID-19 pandemic: Zero-COVID and Living with COVID. Zero-COVID refers to the deployment of maximum subduing public health measures such as border closure, mass testing, mandatory quarantine, lockdown and the use of mitigation software for contact tracing and verifying one's vaccination status to stop community transmission of COVID-19 as soon as it is detected. The measures serve the common goal of getting back to zero new infection and resuming normal economic and social activities⁵. In contrast, Living with COVID represents an approach to treat COVID-19 as a normal infectious disease, similar to flu, and not as a public health crisis so that no particular protective measures are adopted.

¹ World Health Organization as of 11 June 2022

² IMF World Economic Outlook Update January 2022

³ World Health Organization as of 11 June 2022

⁴ <https://www.tsinghua.edu.cn/en/info/1399/10869.htm#>

⁵ Wikipedia

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