

Is China the boogeyman ?

害怕中国？

Trust in China takes a hit

China's lack of transparency, even in the midst of a dire global crisis, will not be lost on global companies or investors. Improving transparency and the rule of law is critical to the continued evolution and growth of China. COVID-19 will not help convince anyone China is on the right track.

Even though holding China accountable for COVID-19 will be difficult in practice that is not to say China gets off scot-free. There has, of course, been serious economic consequences for China, like many other countries. Plus, trust in China will take a hit and perceived political risk will rise. This won't lead to companies abandoning China, but it is one more reason to be cautious.



China's lack of openness and transparency was on full display

China interrogated, intimidated, and silenced a group of doctors who discussed the COVID-19 virus online. WHO experts were not given the same kind of access they are afforded in other countries. There are credible allegations that China delayed in admitting the virus was transmissible among humans, which it would not be unreasonable to interpret as China lying and then coming clean. China has heavily censoring discussion or commentary relative to virus. Recently, a long-time critic of the Communist Party and Chinese President Xi was given a long prison sentence for little more than expressing his opinion, most recently relative to China's handling of COVID-19.

Frankly, this type of behavior—the lack of transparency, silencing critics, “bending” the truth to support the Party line—is not new in China. In that sense, nothing has changed. However, applying all of this behavior to such a critical issue which has global impact is troubling.

Political risk increases as transparency decreases

In principle and in practice, maintaining the power and reputation of the Chinese Communist Party is the number one priority of the Chinese government. COVID-19 suggests that this applies to absolutely everything, which is not a good sign for those worried about political risk in China or those who would like to see China move toward better alignment with other major economies.

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The trade war represents its own kind of risk. Companies are already contemplating supply chain diversification as a response. There are also already plenty of reasons to worry that political relations with China will boil over to the economic relationship--cyber issues, (Huawei, TikTok, etc.), South China Sea, media and diplomatic personnel, Hong Kong, to name a few. COVID-19 will add to these concerns as it shows that, even with the most severe global incidents, China will play by its rules. Meeting everyone else

half way might be too far of a stretch. That means future issues also have a chance of erupting into significant political disputes.

China has economic transparency problems as well

For China the transparency problem goes well beyond politics.

Transparency relative to the regulatory process, intellectual property administration, and financial markets are some of the biggest complaints of foreign companies in China and constitute the areas where China has to make the largest progress if it wants its economy to continue to evolve and grow. Theoretically, if China made good progress in areas like these but not in the political sphere, the economy would be just fine for over the medium term. But since China hasn't been making great progress in these areas, COVID-19 serves to suggest that maybe transparency in general simply isn't a priority for China overall. If that is the case, the economic consequence for China will be severe over the long term as evolution into a more advanced economy depends on strengthening the rule of law, including but not limited to transparency.

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Greater transparency is key to growth in China

Some might say that President Trump's management of COVID-19, particularly actions like pulling out of the WHO, has shaken trust in the US. There might be some truth to that. But it isn't an apples to apples comparison. Underneath it all, America is still America. Criticism and information flow relatively freely. Transparency is still high by global standards. China's underlying situation and political environment are very different. If China wants to transition from making key chains and teddy bears to automobiles, telecomm products, and global banking services, it needs to evolve to accommodate the business and legal conditions necessary to compete in those areas. Maybe it will. But COVID-19 is a sign that the Communist Party trumps everything and transparency still isn't a priority. That's not what foreign companies want to see.

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[Holding China Accountable for COVID-19](#)

President Trump told the UN he wants to hold China accountable. Easier said than done. We summarize the factors.

[The COVID-19 Blame Game](#)

Democrats blame Trump. Trump blames China. Maybe we should keep politics out of it.

[China COVID-19 Cover Up: Criticism or Secrets](#)

China is definitely silencing discussion on COVID. What is it hiding?

[Trump Hawks vs. China Hawks](#)

Some on the left believe all the worst things about Trump. China Hawks are the same way with China