

# **On the impact of the pandemic caused by the new coronavirus infection COVID-19 on China's economic priorities**

**Chaplygina Svetlana Borisovna**

*Student*

*Saint Petersburg State University*

**Rondyrev-Ilinsky Vladimir Borisovich**

*Candidate of Pedagogical Sciences*

*Nizhnevartovsk State University*

**Abstract.** Thanks to the accelerated economic recovery, the Chinese leadership has moved to strengthen the country's economic priorities. The paper examines the consequences of the new coronavirus infection COVID-19, which affected the economic situation of the People's Republic of China. Special attention is paid to the new emphasis on food and energy security, both in the short and long term. The issues of China's technological transformation and modernization, China's position in the global supply chain, and the need to deepen the development of medicine are also discussed.

**Keywords:** economic priorities, COVID-19 pandemic, food security, energy security, healthcare globalization, digital economy.

Despite the fairly successful overcoming of the consequences of the pandemic, the costs of fighting the epidemic, medical equipment, unemployment insurance, tax incentives and investments have led to an increase in China's budget deficit (Figure 1). It is planned that in 2021 the state budget deficit will amount to 3.2% of the country's GDP, since the rehabilitation of the economy so far requires budget funds, mainly aimed at supporting small and medium-sized businesses [7].

Nevertheless, despite the pandemic, China has maintained its strategic plans. However, the importance of food, technological, energy and medical security has increased.

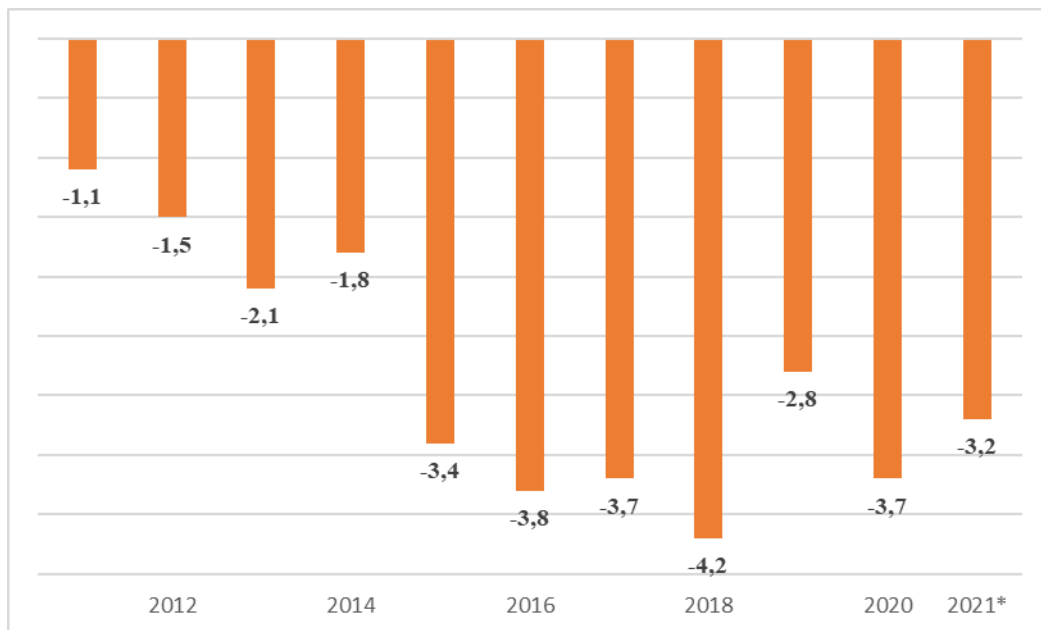


Figure 1. China Government Budget (% of GDP) from 2011 to 2020 with a forecast for 2021 [12].

China's stability depends on food security. During the pandemic, supply chains were disrupted, so the government decided to increase stocks of agricultural products. In addition, China does not rule out a repeat of the isolation, but already in connection with the aggravation of the geopolitical situation [3]. In order to be self-sufficient with grain, its production in 2021 should be at least 650 million tons. To implement the plan, it will be necessary to diversify the imported agricultural products more competently, increase the yield by introducing breeding biotechnologies, without reducing the acreage. For a more rational use of food in the long term, the law on the control of food waste [1] has been adopted, as a result of which a significant amount of food will be saved. This is also necessary because of the growing population of the People's Republic of China. In the mind of every person, a negative attitude towards those who neglect food should be developed. The main trends that determine the development of food security in the near future, according to experts, will be digitalization and improving the quality of products [2]. Thus, the PRC is building up its domestic capacity to implement the plan to ensure food security.

The recovery of the economy occurred during the same period as the maximum fall in oil prices. Since China ranks first in the world in terms of oil imports, this has had a positive impact on the recovery of production, especially for refineries. As a result, China has filled the storage facilities with cheap oil. According to the Customs Administration of the People's Republic of China, oil imports increased in March 2020 by 4.5% compared to March 2019. However, its own oil industry has become unprofitable. A similar situation occurred with the gas industry. Due to

the reduction in the price, the active filling of storage capacities has begun. In the event of an external threat, the PRC can use these reserves [5]. Imported oil and gas must be transported along safe strategic routes, one of which is the "Power of Siberia". In the current circumstances, China is seeking to actively promote energy payments in national currencies.

Also, the emphasis is on the construction of nuclear power plants. By 2050, Chinese nuclear power plants should exceed the capacity of all the world's nuclear power plants [8]. However, it takes time for training and construction.

The coal industry, the main supplier of fuel to the industry, has been hit in large part by the COVID-19 coronavirus epidemic. The problem was complicated not only by the shutdown of the mines due to the self-isolation of the collectives, but also by the lack of demand from the steel and chemical industries that were stopped during the quarantine. The demand for electricity from industrial enterprises has decreased, so the consumption of coal has decreased. It was decided not to increase the price of coal, but to make exports free. In the short term, the coal industry is of great importance for China's manufacturing activities, as it is still dominant. In early 2020, the government eased restrictions on the construction of new coal-fired power plants, which were introduced in 2016, to curb the surge in construction. [10] In this regard, the policy towards the Chinese energy sector does not have a pronounced green hue. Amid concerns about economic growth and energy security among Chinese leaders, the role of coal in China's energy consumption is increasing, which could have a long-term negative impact on global carbon emissions and the prospects for developing renewable energy sources in China. Currently, it is possible that emissions will continue to increase until 2025. This will delay the important progress needed in decarbonization until the second half of the decade. Thus, the country's leadership aims to more effectively use the domestic resources of coal, oil and gas to improve national energy security.

As a result of the epidemic, the country's leadership decided to focus more on the development of pharmaceuticals and biotechnologies. It is expected that more and more pharmaceutical companies will strengthen the research, development and production of innovative medicines and medical devices. By 2025, it is planned to achieve the performance of major global companies in the field of medical technological innovations. China has moved to use the globalization of healthcare: online interaction with different regions and countries, remote consultations. Online hospitals, online diagnostics and treatment, as well as various online pharmacies have received an unprecedented boost to development [11]. The number of startups in the field of artificial intelligence in medicine has also increased. This will contribute to the further development of telemedicine and "smart" medical care, as well as solve the

problem of shortage of medical personnel. Manufacturing companies that provide related products and ideas will get new opportunities for development. The role of technology in empowering medicine and the healthcare industry is becoming more and more apparent. By 2030, digital medicine revenues should account for up to 45% of all healthcare revenues in China [4]. As a result of the coronavirus, it was revealed that primary medical care has insufficient capabilities. Following the epidemic, public investment in primary health capacity is expected to increase and strengthen the establishment of a hierarchical diagnostic and treatment system so that it can play a more active role in ensuring universal health security. The state already supports both public and private hospitals: a pilot program of medical centers, their comprehensive reform. Since March 2020, exports have increased significantly due to the supply of medical equipment and medicines to various countries, which contributed to the thematic segmentation within the framework of the "Belt and Road" initiative, namely the development of the Silk Road of Health.

China's economic priority in technology has not changed, but the pandemic has highlighted the need to ramp up the pace of digital growth. It is worth considering the fact that this industry is the least affected by the effects of the coronavirus. The pandemic has accelerated the development of markets for new technologies and the implementation of new business models, such as remote offices, online education, unmanned automated services, and e-commerce [9]. Even before the pandemic, the population had been making online purchases for several years, so it turned out to be psychologically ready to shift sales to the online sphere. Online shopping rates have increased significantly. Thus, the pandemic has further increased the number of customers with mainly long-term purchases in the online store. The effects of the pandemic are already ingrained in the consumer landscape, as Chinese consumers are moving much faster and deeper into the digital economy, and people are taking a greater interest in issues related to health and sustainable development. At the same time, "online" offices that are not limited by geographical space, especially office software that can implement individual collaboration, have become a trend of future development [6].

Despite the fact that the epidemic has affected China's key position in the global supply chain, the active development of high technologies has had a positive impact on exports in this industry. Revenue for high-tech products produced in China has increased significantly: equipment and components for automatic data processing, mobile phones, integrated circuits (Figure 2). In this regard, the "One Belt, One Road" initiative, which is a priority and important strategic rear for China's foreign economic development, has become even more important for the PRC. China aims to strengthen its influence and leadership in East Asia. A feature of China

is considered to be a fast and flexible restructuring of production, so during the pandemic, China was able not only to maintain the priority of technology development, but also to increase it. Faced with the impact of the epidemic, traditional industries have also accelerated their transformation and modernization to improve the quality and efficiency of their production. Thus, with the development of new technologies and industries, such as artificial intelligence, big data, 5G and blockchain, the operational efficiency of enterprises and the entire society will be significantly improved, and the pace of technological change in the country will be even faster.

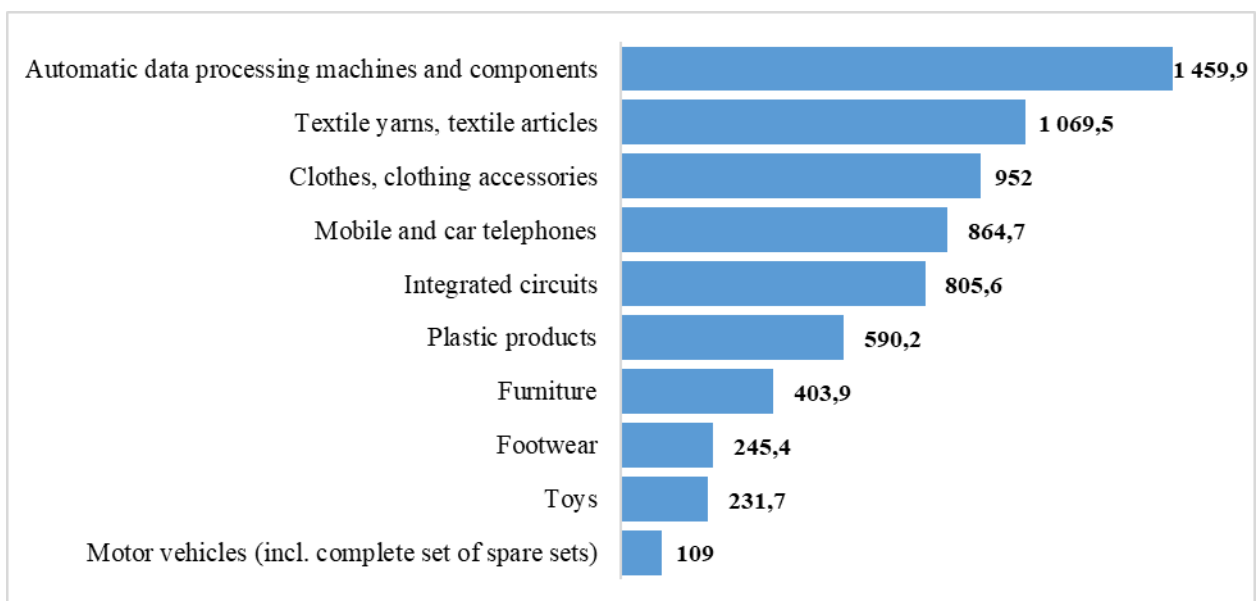


Figure 2 Main export goods from China 2020 (in billion yuan) [12].

The epidemic has also drawn public attention to insurance services. The uncertainty of future risks made life insurance claimed [6]. During the epidemic, insurance agents expanded online insurance, which partially offset the negative impact of the inability to attract customers offline. China's insurance market has huge opportunities for future development. The acceleration of health and pension insurance will also contribute to the development of the industry.

Thus, thanks to the flexible and firm policy of the state, China was able to quickly begin to recover from the COVID-19 epidemic. Against the background of the pandemic, the need to strengthen China's economic priorities has emerged, and the leadership has moved quite actively from response to planning. Projects aimed at eliminating bottlenecks in energy, food, technology, medicine, and supply chain security are being considered. Therefore, the main

investments on the part of the state are aimed at the development of the sectors of long-term economic goals and the national strategy, creating new conditions for further development. Chinese enterprises, supported by the government, are confidently coping with the tasks set. The PRC aims to maintain a balance between stabilizing economic growth and preventing risks, despite a temporary increase in debt to support the economy affected by the coronavirus.

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