

“中国与世界”系列报告之九



# 美国式抗疫： “资本第一”还是“生命至上”？

US-Style Fighting Against Covid-19: Capital First or Life First?



Together We Fight  
against the Virus

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## **Abstract**

Under the principle of “capital first”, the United States government missed the best opportunity to respond to the COVID-19 pandemic from the beginning, resulting in a fullblown outbreak in the US and making itself the worst-affected country in the world.

The spread of the COVID-19 virus not only caused a loss of lives and property, but also had a profound impact on the U.S. economy, presidential election, China-U.S. relations, etc. On the economic front, it dealt a direct blow to the US manufacturing and service industries, with stock market plummeting, unemployment rising, and years-long robust economic growth heading toward a downturn. On the political front, the impact of the COVID-19 on the US domestic politics, especially the 2020 presidential election, is gradually emerging, casting a shadow on the previous relatively clear election situation. On the diplomatic front, the US unilateralism caused tensions in its relationship with European countries, and its “blaming game” not only polluted the China-US relations but also put up obstacles for their cooperation in response to the pandemic.

This report is divided into six parts. In addition to the Introduction and Conclusion, the other four parts focus on analyzing the impact of COVID-19 on the U.S. economy, politics, China-U.S. relations and other aspects. The report argues that everyone is equal in front of the virus, and big talks and lies are futile in fighting the pandemic.

The report stresses that in the face of the pandemic, the only choice for a responsible country is to adhere to the principle of “life first” by putting people’s lives first in the fight against the pandemic. Only by strengthening cooperation, can the two countries make due contributions to the final defeat of the Covid-19 pandemic.

### Introduction

Since the Covid-19 outbreak in 2019, there have emerged two different ways of epidemic control in the world: One is “life first”. The country practising “life first”, with people’s lives and property safety in mind, would choose to suspend social and economic operation and resolutely take quarantine measures before there is an effective vaccine for clinical use, in an effort to contain the spread of the virus, which has achieved notable effect. The other way is “capital first”. The country practising “capital first” would choose to downplay the pandemic for the sake of commercial interests and personal politics, thus missing the window of opportunity, leading to a larger outbreak and wreaking havoc on people’s property and lives.

The US fight against Covid-19 obviously falls under the second category. Starting from the “capital first” policy, the US missed the opportunity to effectively control the spread of COVID-19 virus. On January 21, 2020, the US announced the first confirmed case. The next day, President Trump said the coronavirus was “under control.”<sup>1</sup> In February, he stressed that he was “not worried” about the coronavirus spread in the US, that the risk was “very low”, “it is like flu”. On February 10, he told state governors, “We’re in great shape though. We have 12 cases—11 cases, and many of them are in good shape now.” On February 25, President Trump said while visiting India that the virus would “miraculously disappear,” and the US had it “very well under control in our country. We have very few people with it, and the people that have it are ... getting better.” Three days later, he said that the novel coronavirus was a “new hoax” set up by the Democratic Party, and that Democrats tried to beat him on Russia, but didn’t work out, then they tried the “impeach hoax” and failed again.<sup>2</sup>

On March 6, the US confirmed cases during the past 24 hours exceeded the threshold of 100 for the first time, sparking rising panic. Three days later, the U.S. stock market triggered the circuit-breaker mechanism, and then experienced meltdown three times in ten days. The meltdown was caused by

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<sup>1</sup> “Trump-style fighting against the Covid-19 cannot save the US economy,” *21st Century Business Herald*, March 19, 2020, <https://finance.sina.com.cn/stock/usstock/c/2020-03-19/doc-iimxyqwa1678085.shtml>.

<sup>2</sup> “Trump supporters claim that the coronavirus does not exist at all, and the coronavirus is a Democratic hoax”, Sina, March 3, 2020, [http://k.sina.com.cn/article\\_7054506972\\_1a47b3bdc00100pbq9.html](http://k.sina.com.cn/article_7054506972_1a47b3bdc00100pbq9.html).

investor panic, and was also related to the vigorous rescue package of the Trump administration. The 11-year-long bull market came to an abrupt end.

On March 10, more than 600 cases were confirmed and 26 people died in the US, which led President Trump to change his tone. On March 13<sup>th</sup>, the US entered a state of national emergency and the war-time Defense Production Act was invoked to prepare for the requisition of necessary resources to fight the pandemic. At this time, the number of confirmed cases in the US rose to 1762. Trump acknowledged that the US was facing a serious outbreak, which would last until August this year and lead to a recession in the US. “I felt it was a pandemic long before it was called a pandemic,” he said.<sup>1</sup> *The New York Times* pointed out that Trump finally acknowledged that it was a pandemic. By May 12<sup>th</sup>, the US number of confirmed cases of Covid-19 exceeded 1.3 million, with a death toll surpassing 80,000.

In fighting against Covid-19 under the principle of “capital first”, the US undoubtedly regards interest groups and President Trump’s own political needs as frame of reference in policymaking. When asked why the rich and celebrities receive testing and other healthcare first, President Trump replied, “That’s been the story of life.” Politicians who pledge to protect the people put their own interests first. Members of Congress who were aware of the risk of the virus spreading sold off stocks in advance. On February 13, Sen. Richard Burr, Chairman of Federal Senate Intelligence Committee, sold off 33 stocks and raked in \$2,348,000. Sen. Burr and others said that the selloff was completely based on media reports or financial advisors’ suggestions, and had nothing to do with government decision-making.<sup>2</sup> In February, some congressmen including Burr participated in President Trump’s decisionmaking on the pandemic. They were well aware of the evolving outbreak in the US and are suspected of engaging in insider trading in selling stocks. What makes people feel hypocritical about politicians is that in public, Sen. Burr and others told shareholders that the virus was under control and everyone should not be afraid.

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<sup>1</sup> On March 11, 2020, WHO announced that the COVID-19 was a “pandemic”.

<sup>2</sup> “Before the U.S. stocks plunged, the chairman of the US Senate Intelligence Committee sold off stocks,” Sina, March 21, 2020, [http://k.sina.com.cn/article\\_6072264100\\_169ef65a400100rbnf.html](http://k.sina.com.cn/article_6072264100_169ef65a400100rbnf.html).

## I. Slow Actions and Multiple Challenges

Due to such factors as chaotic policies, slow actions, loopholes in disease control and prevention system and inadequate medical supplies, the US fight against Covid-19 is confronted with severe challenges.

### 1.1 The Covid-19 Virus Spreads Rapidly across the US

At present, US key government institutions such as the Congress, Department of Defense, Department of State, Center of Disease Control and Prevention, National Aeronautics and Space Administration have reported confirmed Covid-19 cases. A valet to President Trump and the Press secretary of Vice President Mike Pence reported to have contracted the virus, leading the White House West Wing to ask staffs to wear masks while in the building. The US military has seen Covid-19 outbreaks among overseas and domestic forces, as well as the USS Theodore Roosevelt and several naval ships, which led Defense Secretary Mark Esper to order a halt in troop movement and several military exercises.

Due to a lag in data release and inadequate testing by the federal government, it is estimated that the real number of cases in the US is worse than reported. Center for Disease Control and Prevention Director Robert Redfield acknowledged in a House hearing that some flu-related death cases in the US might have connections with the novel coronavirus.<sup>1</sup> A report released by the *New York Times* on March 17 predicted that the outbreak in the US and shortages of medical supplies would last 18 months.<sup>2</sup> Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Diseases, estimated on March 17 that the number of US confirmed cases would peak in 45 days and up to 100,000 Americans could die from Covid-19.<sup>3</sup>

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<sup>1</sup> House Committee on Oversight and Reform, "Hearing: Coronavirus Preparedness and Response," March 11, 2020, <https://oversight.house.gov/legislation/hearings/coronavirus-preparedness-and-response>.

<sup>2</sup> Peter Baker and Eileen Sullivan, "U.S. Virus Plan Anticipates 18-Month Pandemic and Widespread Shortages," *The New York Times*, March 17, 2020, <https://www.nytimes.com/2020/03/17/us/politics/trump-coronavirus-plan.html?searchResultPosition=3>.

<sup>3</sup> Bobby Allyn, "Fauci Estimates That 100,000 to 200,000 Americans Could Die From the

## **1.2 The US Steps up Efforts in the Fight against Covid-19**

As situation worsens, the US federal government and states have to upgrade effort by taking a “whole-of-government” approach to stem the further spread of the Covid-19 outbreak.

First of all, a task force was set up. The White House set up a coronavirus task force on January 29 headed by Department of Health and Human Services (HHS) Secretary Alex Azar, with members from the National Security Council, HHS, Department of State, Department of Homeland Security, Department of Transportation and other agencies. On February 26, President Trump appointed Vice President Mike Pence to lead the task force.

Second, a national emergency was declared. President Trump declared National Emergency concerning the Covid-19 outbreak on March 13, kickstarted the Emergency Support Function-8, and urged states to immediately set up emergency action centers.<sup>1</sup> On March 18, he announced to invoke the 1950 National Defense Production Act to expand domestic production of protective masks and gowns.<sup>2</sup>

Third, travel restrictions were expanded. Since January 28, the US has repatriated American nationals from Wuhan and the Diamond Princess cruise ship, and instituted quarantines for the repatriated citizens, which was the first US federal quarantine order in 50 years. The US then issued travel bans to foreigners who had been in China, Iran, the Schengen area, the UK and Ireland, and closed its borders with Canada and Mexico. On March 19, the US Department of State issued the highest Level-4 warning to global travel. President Trump advised the public to “work or engage in schooling from home whenever possible”, “avoid social gatherings in groups of more than 10 people”, and “avoid eating or drinking at bars, restaurants, and food courts”.<sup>3</sup>

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Coronavirus,” March 29, 2020, *NPR*, <https://www.npr.org/sections/coronavirus-live-updates/2020/03/29/823517467/fauci-estimates-that-100-000-to-200-000-americans-could-die-from-the-coronavirus>.

<sup>1</sup> White House, “Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak,” March 13, 2020, <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

<sup>2</sup> Yelena Dzhanova, “Trump invoked the Defense Production Act. Here’s how he can use its powers,” *CNBC*, March 20, 2020, <https://www.cnbc.com/2020/03/20/trump-invoked-the-defense-production-act-heres-how-he-can-use-its-powers.html>.

<sup>3</sup> The White House, “Coronavirus Guidelines for America,” March 16, 2020,



The White House, Capital Hill, Supreme Court, the Pentagon and other government buildings are closed to the public.

Fourth, multiple rounds of relief packages were unveiled. On March 6, President Trump signed a \$8.3bin emergency funding bill for the purpose of developing vaccines, therapeutics and diagnostics, purchasing medical equipment, and issuing \$400min to states and localities. On March 13, Congress released another \$50bin government fund to assist states in controlling the outbreak. On March 18, President Trump signed the second round of relief package, including free testing for Covid-19, supporting paid leave, expanding unemployment insurance and expanding food subsidies. On March 23, the Federal Reserve announced an unlimited quantitative easing plan. On March 27, President Trump signed the third round of relief bill with a massive \$2.2 trillion stimulus package. On April 24, he signed the fourth round of economic stimulus bill, which would provide \$484bin for small businesses and hospitals.

Fifth, local governments resort to self-help. All fifty US states and the Washington D.C. have declared “disaster” status due to the Covid-19 outbreak. New York State set up the first quarantine area in the US and California announced state-wide shutdown. States issued various degrees of “stay-at-home” order, and closed schools, restaurants, entertainment and other “nonessential” public places.

Sixth, the US military is actively involved in the fight against Covid-19. Department of Defense dispatched hospital ships, built field hospitals, mobilized reserve forces and national guards to support states in the fight against the virus. DOD



Public places close in New York City, US

also allocated 5 million N95 masks, 2000 ventilators and other protective gears to support HHS.

Seventh, the private sector is also in close cooperation with government. President Trump reached agreement with major insurance company presidents to let various medical insurances cover more testing and treatment expenses. Retails and pharmacies open drive-through testing sites, while automakers, wineries and textile factories switch to produce ventilators, hand sanitizers and face masks. Google launched a tracking website on coronavirus. The White House and the Department of Energy set up a COVID-19 High Performance Computing Consortium with businesses like IBM, Amazon, Microsoft, Google and HP, and academic institutions including MIT, in an effort to mobilize supercomputers to serve in the fight against the outbreak.<sup>1</sup>

### **1.3 Federal Government’s Failure to Contain the Virus Sparks Criticisms**

The federal government’s failure to contain the virus draws widespread criticisms for its lagging responses, policy chaos and inadequate testings.

Firstly, insufficient attention was paid to the virus in the initial stage. The US was the first in issuing a travel ban on China, but it did not heed to risks of domestic spread. Due to its distrust of international institutions, the US declined to use the testing gear provided by the WHO, thus leading to a missed “golden period” in fighting Covid-19. Dr. Fauci made it squarely that the US coronavirus testing work was a “failure”.<sup>2</sup> WHO chief of the Covid-19 expert team Bruce Aylward pointed out that the slow approval system of the US medical insurance and high cost of treatment would make many Americans hesitant to seek medical treatment.

Secondly, political considerations led the federal government to downplay the severity of the outbreak. In the year of 2020 US general election, President

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<sup>1</sup> White House, “White House Announces New Partnership to Unleash U.S. Supercomputing Resources to Fight COVID-19,” March 23, 2020, <https://www.whitehouse.gov/briefings-statements/white-house-announces-new-partnership-unleash-u-s-supercomputing-resources-fight-covid-19/>.

<sup>2</sup> Noah Higgins-Dunn and William Feuer, “Top US Health Official Says Coronavirus Testing System Is ‘Failing,’ Cases Now Confirmed in 44 States,” *CNBC*, March 12, 2020, <https://www.cnbc.com/2020/03/12/top-us-health-official-says-coronavirus-testing-system-is-failing.html>.

Trump insisted that the virus was totally under control. The White House even asked government agencies to unify messaging on the outbreak and kept the coronavirus conference as “confidential”, prohibiting information from spreading to the press. Defense Secretary Esper warned commanders not to contradict the President’s messaging on coronavirus.<sup>1</sup> Such practices hurt information transparency and hampered effective response to the outbreak.

Thirdly, political strife hindered effective response. The two US political parties are caught in incessant quarelling and blaming games for the outbreak. President Trump accused Democrats of politicizing the pandemic, attacked House Speaker Nancy Pelosi for creating panic, blamed his previous administration’s rules constraining his options, and blasted Joe Biden for the worst performance in history as former Vice President in responding to the H1N1 pandemic. Democrats accused the Trump administration for failure to respond to the pandemic. Senate minority leader Chuck Schumer blamed Trump for spending a lot of time attacking the media and Democrats while downplaying the threat of the Covid-19. Republicans call to dole out economic stimulus to pharmaceutical companies in an effort to encourage vaccine and therapeutics development, while Democrats appeal to abolish intellectual property protection for pharmaceutical companies in order to cut drug prices.

Fourthly, the US fight against Covid-19 lacks policy coordination. The US federal government only issues guidelines and leaves concrete decisions and executions to local governments. President Trump urged states to acquire medical supplies on their own instead of waiting for the federal government for help, which drew criticisms from state governments. New York State Governor Andrew Cuomo made it clear that state governments need federal government for assistance and appealed for the federal government to play its due role.<sup>2</sup> The lack of leadership on the part of the federal government led to uncoordinated policies across states and even caused competition for medical resources. In

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<sup>1</sup> Eric Schmitt and Helene Cooper, “Defense Secretary Warns Commanders Not to Surprise Trump on Coronavirus,” *The New York Times*, March 2, 2020, <https://www.nytimes.com/2020/03/02/us/politics/esper-trump-military-coronavirus.html>.

<sup>2</sup> Alexa Lardieri, “Cuomo Lashes Out at Feds, Warns Coronavirus Peak is Coming Soon,” *US News*, March 24, 2020, <https://www.usnews.com/news/health-news/articles/2020-03-24/new-york-gov-andrew-cuomo-lashes-out-at-federal-government-warns-coronavirus-peak-is-coming-soon>.

addition, the US has a loose medical system. Beside public labs and hospitals, universities and private medical businesses also run labs which are not required to report to the CDC, leaving a hole in the statistics of the cases.

Fifthly, the CDC system has long been overlooked. The CDC and its public health fund have long been under doubt in Congressional budget making process, and would only gain attention after virus outbreaks such as Ebola and Zika. Upon taking office, the Trump White House cancelled the special position for pandemic response within the National Security Council.

#### **1.4 “America-First” Policy Causes Diplomatic Frictions**

Under the “capital-first” principle, the US adopted unilateralist and



John F. Kennedy international airport before the US travel ban on the EU took effect.

protectionist actions in fighting against the Covid-19 pandemic, and tried to divert blames to other countries, which gave rise to diplomatic frictions.

First of all, the US unilateral imposition of travel ban on European countries led to discontent of the EU. By

invoking the Immigration and Nationality Act, President Trump issued a 30-day travel ban on foreigners who had been to 26 Schengen countries in the past two weeks starting from March 13. The European Union immediately released a statement, opposing the US unilateral travel ban on the EU without prior consultation.<sup>1</sup> Trump responded by saying that he had no time to discuss with EU due to the urgency of the situation. Despite the G7 leaders joint statement released on March 16 which stated that the members would

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<sup>1</sup> Silvia Amaro, “EU condemns Trump’s coronavirus travel ban, imposed ‘unilaterally and without consultation’,” *CNBC*, March 12, 2020, <https://www.businessinsider.com/coronavirus-covid-19-eu-donald-trump-us-condemns-european-travel-ban-2020-3>.

coordinate measures and achieve strong economic growth while guarding against downward pressure on the economy, the Trump administration's policies sowed divisions among the G7 countries, dragging the group into a confidence crisis and putting up barriers for the joint fight against the pandemic.<sup>1</sup>

Second, the US sanctions prevented countries like Iran and Venezuela from getting critical medical supplies. The US and Iran are engaged in a war of words. US Secretary of State Mike Pompeo denounced Iran of failure in fighting the coronavirus outbreak and lacking information transparency. Iran's President Hassan Rouhani accused that US sanctions against Iran when the coronavirus pandemic posed a common threat to the international community were not only illegal and contrary to UN Security Council resolution, but also inhumane and a collective punishment against all humanity.<sup>2</sup> Venezuela President Nicolás Maduro asked the US to abolish "unfair and illegal sanctions" on the country.

Third, the US uses the pandemic as an effort to "stigmatize" China. Some American politicians tossed out narratives like "China lacks transparency", "China should apologize", "China delays" and "China influences WHO", as well as conspiracy theories like "bioweapon scheme" and "lab leak". President Trump talked about "Chinese virus" several times in disregard of WHO requirement, which incited US domestic anti-China sentiment. Secretary of State Pompeo also used the pandemic to smear China and tried to drive a wedge between China and other countries.

Fourth, the US uses the pandemic to speed up "decoupling" with China. The US draws attention to the pandemic's impact on China's economy and industries, reiterates the coming "economic collapse" of China and stirs up the so-called security threat of China's supply chain, thus appealing to American businesses to stay cautious on investment in China and urging them to move out of China. US Commerce Secretary Wilbur Ross' remarks that China's viral

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<sup>1</sup> White House, "G7 Leaders' Statement," March 16, 2020, <https://www.whitehouse.gov/briefings-statements/g7-leaders-statement/>.

<sup>2</sup> IFP Editorial Staff, "Fighting COVID-19 Needs Global Action, Iran's Rouhani Tells World Leaders," *IFP News*, March 14, 2020, <https://ifpnews.com/fighting-covid-19-needs-global-action-irans-rouhani-tells-world-leaders>.

outbreak would bring jobs back to the US reflected such mentality.<sup>1</sup> The White House is already preparing to bring the medical supply chain back to the US from China and other countries in an effort to reduce reliance over foreign medicines.

Last but not least, the US uses the pandemic to promote Taiwan independence as a way to contain China. The US plays hard on the “Taiwan card”. On January 31, 16 House representatives in the GOP Doctors Caucus penned a joint letter to the WHO, expressing their “deep concern” about excluding Taiwan from the WHO and requesting Taiwan to participate in the World Health Assembly to be held in Geneva in May. On March 18, the US and Taiwan authorities issued a US-Taiwan Joint Statement on a Partnership against Coronavirus, announcing the two sides would cooperate on a range of activities that includes research and development of rapid tests, vaccines and medicines, as well as exchanges of experts and medical supplies and equipment. On March 26, President Trump signed into law the so-called “TAIPEI Act”, requesting the US government to support Taiwan in strengthening “diplomatic relations” and help Taiwan to participate in international organizations as a member or observer. The US Congress is promoting a series of Taiwan-related bills at the pretext of helping Taiwan to fight the Covid-19. For example, both House and Senate pushed for versions of “Taiwan Symbols of Sovereignty Act”, asking the US government to allow Taiwan officials to don symbols of “national flag” or wear military uniform when engaging in activities in the US.

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<sup>1</sup> Paul Wiseman, “Commerce Secretary: China Virus Could Bring Jobs Back to US,” *ABC News*, January 31, 2020, <https://abcnews.go.com/US/wireStory/commerce-secretary-china-virus-bring-jobs-back-us-68647537>.

## II. US Economy Going Down amid COVID-19

Putting interests of capital first in fighting against COVID-19 is to safeguard American commercial interests and interests of political leaders. The US administration is making every effort to minimize the impact of COVID-19 on US economy amid many difficulties.

The US economy grew moderately in 2019, with a year-over-year growth rate of 2.3%. It remained generally optimistic about the performance of US economy in this election year. The sudden outbreak of COVID-19 in 2020 reversed the expectations throughout the year. In 2020, the probability of the US economy falling into recession is high. Contradictions such as manufacturing hollowing, structural problems in employment, high debt, and overvalued financial assets are further exposed. The so-called Trump Boom will end in the 2020 election year.

### 2.1 Overall Impact of the COVID-19 on US Economy

First, the probability of economic recession increases. According to latest economic outlook by International Monetary Fund in April, the annual growth rate of the world economy in 2020 will decline from 3.3% in its previous forecast in January to shrinking by 3%, and that of US economy will shrink by 5.9%<sup>1</sup>. In March, OECD lowered annual growth rate of world economy in 2020 from 2.9% predicted in November 2019 to 2.4%, and annual growth rate of US economy from 2.0%



US thinktanks forecast a 8% slowdown in US economy this year

<sup>1</sup> International Monetary Fund, *World Economic Outlook Reports*, April 6, 2020, <https://www.imf.org/en/Publications/WEO>.

predicted in November 2019 to 1.9%<sup>1</sup>. According to President Trump, COVID-19 will probably last until July and August, and US economy will decline. According to US Department of Commerce, US economy witnessed contraction by 4.8% in the first quarter as the worst performance in a decade. The US Congressional Budget Office predicts that economic growth rate for the second quarter and the whole year will be -38.9% and -5.6%, respectively.

With intensified COVID-19 and growing financial market volatility, 10-year and 30-year US Treasury yields fell below 0.9% and 1.5% respectively in early March, hitting a record low point, which indicated that market expectations of economic recession are rising.

Second, it triggered increase in unemployment rate. US unemployment rate in February hit 3.5%, the lowest level in more than 50 years. As COVID-19 intensifies, an estimate of 8 percent unemployment is expected in three months as the economic fallout plays out<sup>2</sup>. On Mar.17th, US Treasury Secretary Mnuchin warns Senators of 20% US unemployment without coronavirus rescue<sup>3</sup>. Recently, the number of people applying for unemployment insurance has risen in several states, and relevant websites have collapsed due to too many applications. The number of people who filed unemployment insurance for the first time in the week of March 9th-15th was 281,000, a record high since September 2017.<sup>4</sup> Out of concern about the soaring unemployment rate and its impact on the coming presidential election, Trump asked state officials to postpone publishing employment and unemployment data on Mar.19th. In April, US unemployment rate soared to 14.7%, the highest since the Great Depression.

Third, it impacted US manufacturing and supply chains. Work stoppages brought by COVID-19 have already intensified. According to the Institute for

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<sup>1</sup> OECD Interim Economic Assessment, “Coronavirus: the world economy at risk,” March 2, 2020, <http://www.oecd.org/economic-outlook/>.

<sup>2</sup> “As jobless claims surge, unemployment rate could reach 8 percent,” *Newsweek*, March 19, 2020, <https://www.newsweek.com/jobless-claims-surge-unemployment-rate-could-reach-8-percent-1493212>.

<sup>3</sup> “Mnuchin warns senators of 20% US unemployment without coronavirus rescue, source says,” *CNBC*, March 18, 2020, <https://www.cnbc.com/2020/03/18/mnuchin-warns-senators-of-20percent-us-unemployment-without-coronavirus-rescue-source-says.html>.

<sup>4</sup> “US Unemployment Claims Far Exceed Record,” *Xinhua Net*, March 21, 2020, [http://www.xinhuanet.com/world/2020-03/21/c\\_1210523495.htm](http://www.xinhuanet.com/world/2020-03/21/c_1210523495.htm).



Supply Management (ISM), its index of national factory activity fell to 50.1 in February from 50.9 in January<sup>1</sup>. In March, NY Fed Reserve Manufacturing Index was significantly weaker than expected and fell to -21.5, the lowest since Mar. 2009. In March, Philadelphia Fed Manufacturing Index plummeted to -12.7, setting the largest decline. In April, Markit Manufacturing PMI fell to 36.1, a new low since March 2009, and shrank for the second consecutive month.

COVID-19 hit China and East Asia's production and export capabilities. China, Japan and South Korea accounted for more than a quarter of US imports, and more than half of US computer and electronic product imports. It has an impact on the supply chain of US enterprises in many industries such as technology, electronic products, machinery manufacturing, clothing, etc. The ISM's forward-looking new orders sub-index fell from 52.0 in January to 49.8 in February, and index for import orders has fallen to the lowest level since May 2009. At the same time, the shortage of raw materials was underscored by a sharp rise in the length of time suppliers are taking to deliver inputs<sup>2</sup>. According to a Morgan Stanley survey of 857 US companies in February<sup>3</sup>, 76% of respondents indicated that their company's demand chain or supply chain is in China or are both in China. 43% of respondents surveyed said that their companies face difficulties in sourcing from China. If production interruption in China lasts for 4-6 weeks, it will rise to 86%. A survey of 628 US companies by ISM from late February to early March showed that<sup>4</sup>, more than 44 percent of respondents do not have a plan in place to address supply disruption from China, and 62% respondents are experiencing delays in receiving orders from China. In Oct. 2019 and Mar. 2020, AmCham Shanghai conducted two surveys on supply chains with

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<sup>1</sup> Data from Wind.

<sup>2</sup> "U.S. manufacturing sector stalls as coronavirus hits supply chains," *Reuters*, March 2, 2020, <https://www.reuters.com/article/us-usa-economy-manufacturing/u-s-manufacturing-sector-stalls-as-coronavirus-hits-supply-chains-idUSKBN20P29T>.

<sup>3</sup> "Covid-19 Impact: What is the spillover impact on the US corporate sector?," Morgan Stanley, February 20, 2020.

<sup>4</sup> "COVID-19 Survey: Impacts On Global Supply Chains," Institute for Supply Management, March 11, 2020, <https://www.instituteforsupplymanagement.org/news/NewsRoomDetail.cfm?ItemNumber=31171&SSO=1>.

AmCham China, and PwC China to study the impact of COVID-19 on American companies operating in China<sup>1</sup>, showing that in the short term over 70% of respondents have no plans to relocate production and supply chain operations or sourcing outside of China due to COVID-19, and around 40% of respondents say that their long-term supply chain strategy for China will remain the same regardless of the impact of COVID-19

The impact of COVID-19 on supply chain of US manufacturing industry brought about the discussion on relocating supply chain among industries and think tanks. According to the Morgan Stanley survey, 57% respondents said they would be able to obtain products or parts from other countries except for China and many industries facing difficulties in sourcing from China have transferred orders to other countries.

Fourth, consumer confidence has fallen, and service industry has suffered significantly. The COVID-19 has stagnated daily consumption activities in most areas. Tourism, catering, retail and related areas have been hit. The University of Michigan Consumer Sentiment Index for March was 95.9, which was significantly lower than that in February (100.9) and fell to its lowest level since Nov. 2019. US retail sales fell by 0.5% month-on-month in February, the lowest since January 2019. In March, retail sales in the United States fell 8.7% month-on-month, as the largest decline since 1992<sup>2</sup>. US aviation industry has been severely hit. The International Air Transport Association (IATA) estimates 2020 global revenue losses for the passenger business of between \$63 billion and \$113 billion<sup>3</sup>. Nearly 10 US passenger and cargo airlines are seeking government assistance of approximately USD 50 billion. Boeing’s share price has plummeted more than 70% this year. Retail giants such as

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<sup>1</sup> AmCham China, “Supply Chain Challenges for US Companies in China,” April 17, 2020, <https://www.amchamchina.org/about/press-center/amcham-statement/supply-chain-challenges-for-us-companies-in-china>, “A Joint Survey: Supply Chain Strategies Under the Impact of COVID-19 of Large American Companies Operating in China,” April 20, 2020, <https://www.amcham-shanghai.org/en/article/joint-survey-supply-chain-strategies-under-impact-covid-19-large-american-companies>.

<sup>2</sup> Data from Wind.

<sup>3</sup> IATA Updates COVID-19 Financial Impacts -Relief Measures Needed, International Air Transport Association, March 15, 2020, <https://www.iata.org/en/pressroom/pr/2020-03-05-01/>.

Macy's and Apple have announced closure of stores in the United States.

### **2.2 Triggering Turbulence in Global Financial Market**

One of the most negative impacts of COVID-19 on US economy is turbulence in financial markets since March. In addition, US bond yields and gold prices went even lower. Whether this round of US and global financial market turmoil has formed a new global financial crisis is the focus of discussion. The turmoil is reflected in the massive sell-off of financial assets and liquidity crisis. Whether it will develop into a system-wide crisis in the global financial markets, characterized by collapse of large financial institutions, debt crisis of individual household, business sectors and even sovereign countries, remains to be seen.

First, US stocks witnessed historic plunge. The panic on COVID-19, combined with concerns on overvalued US stocks, heavy corporate debt and low corporate bond yields, etc, contributed to the historic plunge. The three major US stock indexes fuse for four times on Mar. 9th, 12th, 16th, and 18th, and the Dow Jones Index fell by 7.8%, 10.0%, 12.9% and 6.3% respectively. This ended the 10-year bull market after the global financial crisis in 2008 and smoothed out all gains since Trump's presidency. Within a month, US stocks fell by one third and triggered four fuses within 10 days. Panic in the market soared, and the VIX Index exceeded its peak of in 2008.

Second, the global financial market suffered greatly. In addition to US stocks, stock markets in major countries such as Europe, Asia-Pacific, Oceania, and the Middle East plunged over the same period. The dollar index and US Treasury yields went in the V-shape for the month, reflecting market concerns on COVID-19 and possible economic recession, as well as the role of the dollar as a safe-haven asset and market response to stimulus policies. Affected by economic recession and the plunge of international oil prices, as of March 18th, the price of NYMEX crude oil fell to USD 23, a new low since 2002. In addition, the prices of commodities such as gold, silver and non-ferrous metals have been falling. Gold, as a traditional safe-haven asset, has been reduced, reflecting serious concerns on tight market liquidity.

### **2.3 Evaluation on Economic Stimulus Policies of US Administration**

Faced with serious economic impact, US administration launched a series of fiscal stimulus and monetary easing policies. Looking at the short-term performance of the financial market alone, the effectiveness of these measures is limited, and the liquidity of US stocks remains tight.

Firstly, launching a fiscal stimulus plan. On Mar. 6th, President Trump signed a USD 8.3 billion emergency spending bill for medical equipment distribution and vaccine research and development. On Mar. 13th, President Trump declared a national emergency and released an additional USD 50 billion. Subsequently, the US administration proposed a USD 850 billion stimulus package, including more than USD 50 billion to support the aviation industry, USD 250 billion to support small businesses, USD 500 billion US for direct payment. At the same time, the Democrats were also developing a package plan, including providing more assistance to hospitals, expanding unemployment insurance, empowering small businesses, increasing child care assistance and food assistance to the elderly. Both parties support industry relief, but there were disputes over which industries to be relieved and paid leaves. On Mar. 18th, the second bill was passed by the House of Representatives and signed by President Trump, including free virus testing, support for paid leave during the outbreak, expansion of unemployment insurance and food subsidies, etc. On Mar. 25th, the two parties agreed on the USD 2 trillion stimulus plan and the Senate passed the plan. On Apr. 23rd, President Trump signed a USD 484 billion bill, focusing on assisting small businesses, the medical system and expanding virus testing.

Secondly, the Fed cut interest rates and launched quantitative easing plans. The Federal Reserve cut interest rates for three times in 2019, and the market generally predicted that it would not continue to cut interest rates in early 2020. The January FOMC meeting indicated that it will keep the current interest rate unchanged. Due to the rapid development of COVID-19, the Fed believed that there would be major changes in economic outlook. The Fed cut interest rates by 50 basis points on Mar.3rd and by another 100 basis points on Mar.15th, and launched a USD 700 billion quantitative easing plan. The Fed announced that deposit reserve ratio will be reduced to zero on Mar. 26th.

Both interest rate cuts were not announced at the FOMC meeting. The cuts were more than expected, and the Federal Fund Rate has fallen to the lowest level in history of 0-0.25%, approaching zero interest rate.



In addition to cutting interest rates, the Fed also injects liquidity into the market. On Mar. 3rd, US Treasury Secretary Mnuchin and Fed Chairman Powell held G7 Finance Ministers and Central Bank Governors Virtual Meeting, and all parties agreed to strengthen fiscal and monetary policy cooperation. On Mar. 13th, the Treasury and the Federal Reserve announced that they would strive to provide unrestricted liquidity. On Mar. 15th, The Fed announced that it will establish USD swap arrangements with central banks of Canada, the United Kingdom, Japan, Switzerland and the European Central Bank. On Mar. 19th, it announced USD swap arrangements with central banks of Australia, Brazil, Mexico, Denmark, South Korea, Norway, New Zealand, Singapore, and Sweden, with the aim to ease global liquidity pressures. On Mar. 17th, the Fed launched the Commercial Paper Funding Facility. Last time the facility was used was during the 2008 financial crisis. The US Treasury announced that it will provide USD 10 billion in credibility through Exchange Stability Fund, in order to ease liquidity in Commercial Paper markets. The Fed also announced the launch of Primary Dealer Credit Facility and liquidity facility for mutual funds in money market to provide liquidity to relevant institutions.

On March 26, US Senate passed a \$2 trillion fiscal stimulus plan

On Mar. 23, the Fed held an emergency meeting to launch extensive new measures to support the economy, including purchase at least \$500 billion of Treasury securities and at least \$200 billion of mortgage-backed securities, providing up to \$300billion in new financing, establishing two facilities to

support credit to large employers, establishing a third facility to support the flow of credit to consumers and businesses, facilitating the flow of credit to municipalities by expanding Money Market Mutual Fund Liquidity Facility and Commercial Paper Funding Facility, etc.

The US is also considering greater market remedies. On Mar.19th, President Trump indicated support for administration’s acquisition of equity in companies seeking assistance, such as the aviation, cruise and hotel industry. This is an unconventional policy, and US companies generally do not welcome administration acquisition. During the 2008 financial crisis, the US administration bailed out General Motors.

Secondly, market response to monetary easing and fiscal stimulus policies was lower than expected. The Fed’s two interest rate cuts failed to alleviate panic in the financial market, and US stocks fell sharply after the rate cut. The market generally believed that interest rate has reached a record low, indicating that the Fed has limited options in future. Interest rate cut aims to expand demand, but cannot stimulate demand when the COVID-19 spreads. Monetary policies can alleviate liquidity tensions, but it is difficult to address economic recession. The Fed has introduced various financing mechanisms at this stage, which can alleviate the liquidity shortage for non-financial enterprises, traders, mutual funds and other institutions in the short term, but it is difficult to fundamentally solve the liquidity problems in stock market and debt market. The same is true in fiscal stimulus policy. Stimulating demand cannot solve the problem, and only effective control of COVID-19 can resume confidence and expectations of consumers and businesses. On Mar. 23rd, the Federal Reserve launched an unlimited quantitative easing policy. The US stock market performed sluggish on that day. The market was doubtful about the effectiveness of this unprecedented measure, and its effects remain to be tested.

#### **2.4 The COVID-19 Affects the Implementation of China-US Phase 1 Agreement**

Since the outbreak, the US has been focusing on the implementation of

Phase 1 agreement, and believed that it will be difficult for the two sides to implement as expected. The outbreak will affect the next phase of bilateral agreement.

Firstly, the COVID-19 has hit the Chinese economy and its demand has slowed. The US is concerned that China will face difficulties in implementing expansion of purchase of US products. National Security Adviser Robert O'Brien said that it could have an impact on the phase one deal, and Chinese promised purchases under the Phase One trade deal will be reduced as a result of the growing health emergency<sup>1</sup>. The administration's Chief Economic Adviser, Larry Kudlow, said the export boom from the trade deal will take longer because of the virus<sup>2</sup>.

There is a view that in the Phase 1 agreement, the goal was difficult for China to import US goods worth of USD 200 billion, especially agricultural and energy products. US Secretary of Agriculture Perdue said the U.S. should be tolerant if the coronavirus outbreak affected China's ability to make massive purchases<sup>3</sup>. According to International Energy Agency's March forecast for the global oil market<sup>4</sup>, the consequences of COVID-19 for global oil demand will be significant, and demand in the first quarter of 2020 is expected to fall by 435,000 barrels per day



Chinese and US business community expect the improvement in bilateral economic relations would bring more opportunities

<sup>1</sup> Robert O'Brien suggests Phase One trade deal with China will be impacted by coronavirus, *CBS News*, February 12, 2020, <https://www.cbsnews.com/news/coronavirus-news-robert-obrien-suggests-phase-one-trade-deal-with-china-will-be-impacted-by-coronavirus/>.

<sup>2</sup> Coronavirus likely to affect timing of phase one trade deal, February 14, 2020, <https://www.marketplace.org/2020/02/14/coronavirus-phase-1-china-us-tariffs/>.

<sup>3</sup> China announces tariff cuts as part of phase 1 deal despite coronavirus outbreak, *South China Morning Post*, February 6, 2020, <https://www.politico.com/news/2020/02/06/china-announces-tariff-cuts-as-part-of-phase-1-deal-despite-coronavirus-outbreak-111323>.

<sup>4</sup> "Oil demand set for first fall in a decade as virus takes toll: IEA," *Reuters*, February 13, 2020, <https://www.reuters.com/article/us-iea-oil/iea-says-virus-outbreak-to-shrink-first-quarter-oil-demand-idUSKBN20710B>.

compared with a year earlier. China was responsible for around three-quarters of last year’s global oil demand growth, and its oil imports will decline accordingly because of COVID-19.

Secondly, facing the COVID-19, both China and the United States are still striving to implement the phase 1 agreement<sup>1</sup>. Since January, the US announced that the tariffs imposed on the first part of China’s USD 300 billion commodity list, on the USD 120 billion commodities, have been reduced from 15% to 7.5%. US also announced several rounds of exclusion process, including gloves and other protective equipments. The Chinese side announced that the tariff rate imposed on US goods of about USD 75 billion will be adjusted from 10% to 5% and from 5% to 2.5%, and exclusion process has been implemented especially for medical goods. In addition, China has also lifted restrictions on the import of US poultry and poultry products, and implemented other agricultural provisions in the agreement.

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<sup>1</sup> According to China’s Ministry of Commerce and Office of United States Trade Representatives.



### **III. The Pandemic Casts a Shadow over the 2020 Presidential Election**

In 2020, as President Trump is fighting for re-election, Joe Biden became the presumptive Democratic nominee. Under the influence of the pandemic, the U.S. election battle will be more intense, presenting uncertain prospects. The odds that Mr. Trump had a better chance of winning will change with the pandemic.

#### **3.1 The Pandemic Intensifies Party Polarization and Political Crisis in the US**

Before the pandemic, the “Trumpification” of the Republican Party became an overwhelming trend. With ultra-high party approval ratings and a solid base, Mr. Trump has effectively shaped the political agenda and direction of the Republican Party in a highly controversial way. After the reshuffle of the 2018 midterm elections, the right-wing populist forces in the Republican Party continued to grow. At the same time, there has been a “retirement wave” in the GOP, and the anti-Trump establishments have retreated and been replaced by the so-called “Mini-Trumps”.

Republican members of Congress have shown a high degree of consistency in voting behavior, standing with Mr. Trump on almost every issue. This is a direct product of the deep bundling of party politics, electoral politics and Mr. Trump himself, such as the partisan lines that have been drawn in several discussions of the bail-out bills. According to a NPR/PBS NewsHour/Marist poll, voters have a clear partisan stance on Trump’s handling of the Covid-19, with 85% of Republican voters approving and 83% of Democratic voters disapproving. In the short term, there is a stable voter base for the Republican Party’s “Trumpification” that is unlikely to be easily halted by the outcome of Mr. Trump’s re-election. <sup>1</sup>

The Democratic Party has been hit by the movement of “democratic socialism”, and divisions within the party might be inevitable. Mr. Biden is likely to attack Mr. Trump for his poor response to the outbreak. Over the past

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<sup>1</sup> “NPR/PBS NewsHour/Marist Poll National Tables March 13th through March 14th, 2020,” March 17, 2020, [http://maristpoll.marist.edu/wp-content/uploads/2020/03/NPR\\_PBS-NewsHour\\_Marist-Poll\\_USA-NOS-and-Tables\\_2003151338.pdf#page=3](http://maristpoll.marist.edu/wp-content/uploads/2020/03/NPR_PBS-NewsHour_Marist-Poll_USA-NOS-and-Tables_2003151338.pdf#page=3).

three years, left-wing populist forces, represented by Sen. Bernie Sanders, Sen. Elizabeth Warren and Rep. Alexandria Ocasio-Cortez, have made great progress and are challenging the leadership within the Democratic Party with strong momentum. Young Democratic voters’ broad support for the “democratic socialist” policy agenda has pushed the Party further left, and left-wing ideas such as “Medicare for All”, “Free College Education” and “Green New Deal” have taken to the mainstream political stage of the Democratic Party, which to some extent desensitized “socialism” in the American political discourse. Following Sanders’ withdrawal from the race in early April, Biden has become the presumptive Democratic presidential candidate. Although former President Barack Obama, Sanders, Warren and others have all endorsed Biden, there is uncertainty about whether left-wing voters in the party will fully support Him. If the Democratic Party fails to effectively bridge the divisions in the shortest possible time, it could doom its prospects in November.

The pandemic has become the biggest uncertainty affecting the current political crisis. The pandemic and its response highlight the governance dilemma of representative democracy in the US, and the public health crisis is shaping up to be a catastrophic emergency for the Trump administration. Both parties attach great importance to the potential impact of the pandemic on the upcoming election, and have proposed solutions that are beneficial to each party. Democrats focused on supporting the working class, opposing big bailouts for corporate business. Republicans rolled out massive stimulus packages, sending cash directly to Americans, and are considering a special enrollment period to sign up for health coverage under the Affordable Care Act, embracing a tendency towards a big government that doesn’t match their conservative philosophy. Mr. Trump was accused of being a “socialist” by Democratic Governor of Colorado Jared Polis. As the pandemic continues to ferment, how much will it impact U.S. politics remains to be seen, but what is

certain is that it has become a new continuation of partisan feuds. <sup>1</sup>

### **3.2 The Pandemic Affects Trump's Presidency and Integration of His Campaign Team**

At least before the full outbreak of the epidemic, Mr. Trump's campaign arrangements had been proceeding in an orderly manner. Since the second half of 2019, the Trump administration has made two major personnel changes: the first thing is the promotion of Mark Esper as Secretary of Defense, filling a power vacuum more than six months after James Mattis left office. The move comes at a time of rapid changes in the U.S. national security environment, such as the friction with Iran, intensified strategic games with China and Russia, lingering tensions in Syria and Afghanistan, rising tensions with Turkey, and developments in Venezuela. Mr. Trump desperately needs a like-minded Esper to stabilize the situation and avoid a greater crisis caused by ineffective response.

The second is the firing of John Bolton, the national security adviser. Since Mr. Trump took office, the National Security Council's role in U.S. foreign policy decision-making has declined. Mr. Trump has relied more on a small circle of advisors, and Bolton's high-profile, radical style has become an increasingly discordant factor in the West Wing. The replacement of John Bolton with more loyal Robert O'Brien, was an intentional move by Mr. Trump to pave the way for re-election. The two appointments were to shake up Trump's cabinet, designed to select people who fit his own ideas with allegiance to serve for re-election. Since the beginning of the impeachment inquiry, Mr. Trump has continuously renewed his campaign team, kicked out officials of the White House and the State Department who are considered unfaithful to him, brought back trusted aides such as former White House communications director Hope Hicks and former personal assistant Johnny McEntee, and appointed Congressman Mark Meadows, one of his closest allies in the Congress, as the Chief of Staff of the White House.

Since the official launch of his re-election campaign in June 2019, Mr.

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<sup>1</sup> Alicia Cohn, "Colorado governor labels Trump 'socialist' over 'corporate bailouts' during coronavirus," March 20, 2020, <https://thehill.com/homenews/state-watch/488711-colorado-governor-labels-trump-socialist-over-corporate-bailouts-during>.

Trump has laid out plan for general election and spared no effort in personnel, funding, advertising, and so on. Despite having no serious competitors in the primary, Mr. Trump campaigned heavily and repeatedly attending campaign rallies. This is first and foremost about attracting attention, taking the opportunity to attack the Democratic Party’s main opponents, and more importantly to establish early connection with voters and increase the turnout rate. Mr. Trump’s election campaign has been positively influenced by the impeachment inquiry, and Republican voters’ enthusiasm has been high. As the pandemic worsened, however, Mr. Trump reluctantly shifted his focus to responding to the Covid-19. The re-election campaign will inevitably be affected, and it remains to be seen how future campaigns will proceed.

### **3.3 The Pandemic has become an Important Campaign Issue**

A Gallup poll in January found that health care, terrorism and national security, gun policy, education, and the economy are the top five issues that voters consider to be the most important issues. 49% of Democratic voters regard health care as the most important issue, followed by gun policy (46%) and climate change (44%), while 38% of Republican voters regard terrorism and national security as the most important issue, followed by the economy and immigration (both 30%). The development of the epidemic has made it an important campaign issue. <sup>1</sup>

First, the epidemic has greatly increased the risk of economic recession, endangering the election. Since Mr. Trump took office, the U.S. economy has continued its growth cycle, with unemployment at its lowest level in half a century, wages and incomes growing slowly, public confidence in their financial prospects has increased significantly, and satisfaction with the Trump administration’s economic performance has far exceeded other issues. A Gallup poll in February found that nearly six in 10 Americans (59%) said they are better off financially than they were a year ago, up from 50% last year, the highest in Gallup’s trend since 1976, and that Republicans were clearly

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<sup>1</sup> Zach Hrynowski, “Several Issues Tie as Most Important in 2020 Election,” January 13, 2020, <https://news.gallup.com/poll/276932/several-issues-tie-important-2020-election.aspx>.

much more optimistic than Democrats.<sup>1</sup>

But the global spread of the epidemic, especially in the United States, has dented market confidence, and the stock market has triggered circuit breakers several times, falling back to the levels where Mr. Trump took office. Mr. Trump, who sees the soaring economy and stock market as the biggest accomplishments of his first term and the main assets of his re-election campaign, has been rattled by the recent turmoil. Since the epidemic



U. S. President Donald Trump speaks at a press conference at the White House in Washington, D. C.

in the United States has not been effectively contained, the stay-at-home order and social distancing policy have not been completely abolished, a short-term stagnation of the domestic economy has emerged, and the risk of economic recession is still high. This will continue to affect the Trump re-election and may become the “black swan” of this year.

Secondly, health care has become the most important issue in this election cycle. Democratic primary polls show that voters generally see health care as the most concerned issue. Health care is becoming a key battleground in the election as public anger over the Trump administration’s ineffective response to the pandemic has grown, especially with health care not covering costs related to virus testing and treatment in the early stage, which have led many people to pay for it at their own expense. To that end, the Trump administration has pushed health insurance companies to cover the cost of covid-19 treatment and free testing for all, but the temporary response measures are difficult to address public concern. The pandemic has given a boost for the Democratic Party, with the popularity of “Medicare for All”

<sup>1</sup> RJ Reinhart, “Record-High Optimism on Personal Finances in U.S.,” February 5, 2020, <https://news.gallup.com/poll/284264/record-high-optimism-personal-finances.aspx>.

advocated by Sanders and support for Biden’s Obamacare plan. Trump will face huge challenges from the Democratic Party.

Finally, Mr. Trump’s double whammy of legal and illegal immigration is aimed at easing the cultural and economic anxieties of some white groups and boosting his re-election prospects. In response to the dissatisfaction caused by the recent epidemic response, the Trump administration continues to play up the immigration issue. On the one hand, it advocates that the border wall can effectively prevent the spread of the virus, claiming that the Democratic Party should be held responsible. On the other hand, it tries to stir up racial hatred and divert domestic attention by playing up the “China virus theory”. These actions are consistent with Mr. Trump’s campaign strategy, but the pandemic has become so severe that it is difficult to simply shift the blame. Mr. Trump’s risky moves could backfire as the race could change dramatically.

### **3.4 The Pandemic is Demonstrating Impact on the 2020 Presidential Election**

The pandemic happened at the time of the U.S. presidential election. The competition among the candidates from the two parties added political features to the epidemic and to a certain extent weakened the government’s efficiency to take actions. How the U.S. government copes with the pandemic has quickly become a topic of concern to voters, which brings challenges to Trump’s reelection and hinders the subsequent election campaigns.

**The pandemic may influence Trump’s presidential election.** Many American scholars and media believe that despite the “Russiagate” and the impeachment, the pandemic is the biggest challenge President Trump has encountered since taking office. Trump administration’s bad performance in face of the pandemic has triggered a crisis of confidence in the government among the U.S. public. At the same time, the pandemic dealt a big blow to the U.S. economy, and may cost President Trump his biggest chip for reelection.

First, the Trump administration didn’t react to the outbreak at home quickly enough and gave rise to several problems while taking actions. The federal government established the White House coronavirus task force as early as late January, and supported Moderna Therapeutics to develop vaccines

through the National Institutes of Health (NIH) of the (HHS), expressed concerns of President Trump through media and briefings, and imposed travel bans on China. During the period, several media and experts believed that the U.S. should be alert to the risks caused by the pandemic



Medical staffs are standing beside an ambulance outside a hospital in New York City.

and called on the U.S. government to be prepared as soon as possible, but it seems that the President didn't take the epidemic seriously until the end of February.

Some scholars believe that the U.S. government has missed the short “window” that China fought for the rest of the world. Stephen Morrison, senior vice president at the Center for Strategic and International Studies (CSIS), published an article recognizing the exceptional progress made by the Chinese government in building two emergency medical facilities in Wuhan. He thinks that the Chinese government's muscular national mobilization capabilities and response measures have bought time for China and other countries, including the United States.<sup>1</sup> Kurt Michael Campbell, the former U.S. Assistant Secretary of State, also mentioned that China has taken draconian measures to fight the COVID-19 and won time for the U.S., but the U.S. did not make good use of it.<sup>2</sup>

The Trump administration played down the impact of the pandemic, and has been questioned about information transparency and authenticity.

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<sup>1</sup> J. Stephen Morrison et al., “Coronavirus Update: Rapid Construction of Medical Facilities,” February 20, 2020, <https://www.csis.org/analysis/coronavirus-update-rapid-construction-medical-facilities>.

<sup>2</sup> Walter Russell Mead, “Transcript: Dialogues on American Foreign Policy and World Affairs: A Conversation with Kurt Campbell,” March 5, 2020, <https://www.hudson.org/research/15786-transcript-dialogues-on-american-foreign-policy-and-world-affairs-a-conversation-with-kurt-campbell>.

President Trump constantly released information that contradicts public health experts and scholars. Since late February, he has repeatedly expressed his views on the pandemic in public, including that the risk the U.S. faces is low, the number of COVID-19 cases in the U.S. is declining, and the government is confident in coping with the epidemic, and has confused COVID-19 with influenza, which were all disagreed by the CDC officials and public health experts. In his speech, the President denied the 3.4% death rate released by the WHO, saying it was incorrect.

In the process of fighting the pandemic, President Trump has continuously showed an unprofessional and unserious attitude. On March 2, he urged pharmaceutical executives at a report meeting to develop a vaccine for the coronavirus within months. Dr. Fauci, countered that it took at least a year to develop vaccine.<sup>1</sup> He also said at a press conference that “anybody that wants a test can get a test”<sup>2</sup> on March 7, while Alex Azar, secretary of HHS and head of the White House Coronavirus task force, responded that a test could only be given with a prescription from a doctor or public health official.<sup>3</sup> The above contradictory views have aroused media attention, and caused panic as well as a crisis of confidence in the government among the public.

A recent poll shows that Americans are increasingly feeling dissatisfied with the Trump administration’s reaction to the pandemic. 60% of the respondents said they have little or no trust in the information given by the President. The percentage of Americans saying that the government is doing enough to control the pandemic decreased from 61% at the beginning of the February to 46% at the end of February.<sup>4</sup> Another poll shows that Americans’

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<sup>1</sup> Brett Samuels, “Trump Urges Pharmaceutical Executives to Accelerate Coronavirus Vaccine Efforts,” March 2, 2020, <https://thehill.com/homenews/administration/485454-trump-urges-pharmaceutical-executives-to-accelerate-coronavirus>.

<sup>2</sup> “Remarks by President Trump after Tour of the Centers for Disease Control and Prevention,” March 7, 2020, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-tour-centers-disease-control-prevention-atlanta-ga/>.

<sup>3</sup> Noah Weiland, “Anyone Who Wants a Coronavirus Test Can Have One, Trump Says. Not Quite, Says His Administration,” March 7, 2020, <https://www.nytimes.com/2020/03/07/us/politics/trump-coronavirus-messaging.html>.

<sup>4</sup> Marina Pitofsky, “Poll: 37 Percent of Americans Trust Trump on Coronavirus,” *The Hill*, March 17, 2020, <https://thehill.com/homenews/administration/487956-poll-37-of-americans-trust-trump-on-coronavirus>.



confidence in the government's ability to cope with the epidemic has dropped 16 points.<sup>1</sup>

**The politicization of the pandemic reduces the government's efficiency of controlling and taking actions.** The politicized hype surrounding the pandemic between the two parties has become a new hotspot for party disputes. The Democratic Party has continuously criticized the Trump administration's response to the epidemic. House Speaker Nancy Pelosi and Senate Minority Leader Chuck Schumer issued a joint statement condemning the Trump administration for creating unnecessary chaos and urging the government to take prompt and serious actions to put the health and safety of the American people above business interests.<sup>2</sup> Democratic candidate Biden has repeatedly stated that President Trump did not take the pandemic seriously enough, and Sanders also accused the President of despising the efforts made by the doctors and scientists to help people and disturbing the public with untrue information.

Faced with doubts, President Trump accused the Democratic Party and the media of exaggerating the impact of the pandemic, and said that it is another discrediting attempt of the Democratic Party, hoping to reduce public concerns about the pandemic. He rebuked Pelosi and Schumer at a press conference for causing panic, saying that Democrats used the COVID-19 pandemic to hurt him and his administration, calling it a new hoax. After the first reported death in the U.S., President Trump responded by asking the media, politicians, and related personnel not to cause panic.

Voters in different parties also have different views on the epidemic. According to a recent poll, 68% of the Democratic voters worry that their relatives will be infected with coronavirus, while only 40% of the Republican voters have the same concern. 56% of the Democratic voters believe that their daily lives will change dramatically, whereas only 26% of the Republican voters agree with them. In addition, 79% of the Democratic voters believe that

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<sup>1</sup> Justin Maccarthy, "U.S. Coronavirus Concerns Surge, Government Trust Slides," March 16, 2020, <https://news.gallup.com/poll/295505/coronavirus-worries-surge.aspx>.

<sup>2</sup> "Pelosi, Schumer to President Trump on Coronavirus Response: Put Health and Safety of American People Before Corporate Needs," March 8, 2020, <https://www.speaker.gov/newsroom/3820-0>.

the worst is yet to come, and only 40% of the Republican voters share the same view. The pollsters believe that it shows the relations between the two parties have affected the public perception of the pandemic.<sup>1</sup> The accusations against each other and their different opinions confused the public, which is one of the reasons why the government is facing a crisis of trust.

At present, both parties are proposing long-term solutions to the COVID-19 pandemic, but they still aim to gain voter support, which is of little significance for the control of the epidemic. President Trump has announced the reduction of payroll tax and tax relief for large companies and individuals to complete his tax reform, contrary to the statement of Treasury Secretary Steven Mnuchin. He has also used the pandemic to render the Democratic Party’s measure of open borders a direct threat to the health of Americans, and required for stricter border control. The Democratic Party takes the chance to advance its liberal agenda. Biden and Sanders both agree that the current U.S. health care system is in a mess, and they will promote health care reform to help disadvantaged groups.

**The pandemic restricts election campaigns and changes election issues.** The COVID-19 pandemic has affected election campaigns, as a result, the voter turnout rate may decline. For now, Georgia and Louisiana have announced that they will postpone their primary elections until May 19 and June 20. Cancelling campaign rallies means that candidates have fewer opportunities to connect with their voters.

The pandemic has changed election issues. How the government copes with public health emergencies has become an important issue in the 2020 presidential election. In the first TV debate between Biden and Sanders on March 15, the pandemic became the focus of discussion. Both sides expressed their views on the reform of health care system. Therefore, whether President Trump may win the election again depends largely on whether he can lead the government to handle the crisis properly. The Trump administration did not do well in the early stage, arousing public dissatisfaction. Although it has

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<sup>1</sup> Steve Benen, “A ‘Glaring Partisan Divide’ in Public Attitudes on Coronavirus,” *MSNBC*, March 16, 2020, <https://www.msnbc.com/rachel-maddow-show/glaring-partisan-divide-public-attitudes-coronavirus-n1160356>.

come up with response measures in the later period, including seeking more funding from Congress and asking insurance companies to cover the cost of the treatment of COVID-19, the measures has not yet taken effect. The Democratic Party's discussion of the healthcare system may trigger more dissatisfaction with the President, for his efforts to repeal Obamacare and encourage purchase of commercial insurance have already seen flaws in the pandemic.

At present, the most pressing problem facing President Trump is how to gain public trust, in order to fight the COVID-19 pandemic more efficiently. Catherine Sebelius, former HHS Secretary in the Obama administration, argues that if everyone believes what President Trump says, then he has the opportunity to alleviate public fear and calm the situation. She thinks this is where the most serious disconnect occurs in the pandemic.<sup>1</sup>

### **3.5 Prediction of the Presidential Election amid the Pandemic**

At the beginning of the year, the U.S. economy was in great shape and the Democratic Party was in a civil war, making President Trump's re-election more likely. With the COVID-19 pandemic in the U.S. deteriorating rapidly and the risk of economic recession rising, his re-election prospect encountered great uncertainty.

First, the outcome of the general election will depend largely on whether the situation of the pandemic and the economy improve or deteriorate. From historical experience, economy plays the most important role in presidential elections. A President seeking re-election almost always succeeds if economy doesn't go into recession.<sup>2</sup> Initially, President Trump's biggest advantage for re-election was a good economy, but now he is being hit hard by the pandemic and the likely recession associated with it. Recent poll shows that voters' approval rating of President Trump's handling of the pandemic has been declining: 44% in early March, down 17 percentage points from early

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<sup>1</sup> Annie Karni et al., "Trump Has a Problem as the Coronavirus Threatens the U.S.: His Credibility," *The New York Times*, February 26, 2020, <https://www.nytimes.com/2020/02/26/us/politics/trump-coronavirus-credibility.html>.

<sup>2</sup> Mark Andreas Kayser and Arndt Leininger, "Vintage Errors: Do Real-time Economic Data Improve Election Forecasts?," *Research & Politics*, Vol. 2, No.3 (2015), p.1.

February.<sup>1</sup>

Voters typically blame bad economy on the incumbent President. The economic indicators starting in the second quarter of the election year have the greatest impact on the election outcome. <sup>2</sup>On March 18, the stock market that President Trump cares about most fell back to the level when he took office. The first two quarters will likely see negative GDP growth. J.P.Morgan Chase & Co. forecasted a 4% decline in Q1 and a 14% decline in Q2, and a 8% expansion in Q3 and a 4% expansion in Q4. Its forecast for the full-year growth would be -1.5% and the unemployment rate would increase from 3.5% at the beginning of the year to 6.25% by mid-year and to 5.25% by the end of the year. Predictions from Morgan Stanley, Goldman Sachs, Bank of America, Federal Reserve Bank of St. Louis are similar or more severe. It is generally accepted that two consecutive months of negative growth signals a recession.<sup>3</sup> If those predictions are accurate, President Trump’s re-election will be very difficult. His average approval rating has been hovering around 43%. That’s a little bit higher than President George H. W. Bush’s approval rating for the same period and slightly lower than President Carter’s, both of whom lost re-election largely because of recession. <sup>4</sup> Although party polarization guarantees President Trump the support of his base, he can’t win the general election with his base alone. He needs to pull in moderate voters who care most about the economy.

Second, the outcome will depend on election trends of swing states. Currently, it looks like either of the Democratic Party and the Republican Party has a rather firm grip on as high as 248 electoral votes, just 22 votes away from winning the election. The key swing states in the general election

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<sup>1</sup> Yusra Murad, “Voter Approval of Trump’s Handling of COVID-19 Remains Steady,” Morning Consult, <https://morningconsult.com/2020/03/16/voter-approval-of-trumps-handling-of-covid-19-remains-steady/>.

<sup>2</sup> Jonathan Bernstein, “Two Reasons for Trump to Worry About November,” Bloomberg, March 3, 2020, <https://www.bloomberg.com/opinion/articles/2020-03-03/coronavirus-low-approval-ratings-should-worry-trump>.

<sup>3</sup> Simon Kennedy And Bloomberg, “Morgan Stanley Joins Goldman Sachs in Upping Estimates of Coronavirus Economic Pain,” *Fortune*, March 23, 2020, <https://fortune.com/2020/03/23/morgan-stanley-goldman-sachs-estimate-coronavirus-economic-pain/>.

<sup>4</sup> “How unpopular is Donald Trump?,” Five Thirty Eight, <https://projects.fivethirtyeight.com/trump-approval-ratings/?cid=rrpromo>.

are likely to be Wisconsin, Pennsylvania and Arizona, followed by Florida, North Carolina and Michigan.<sup>1</sup> Right now it looks like the Democratic Party is slightly ahead of the Republican Party in Michigan and Pennsylvania, tied with it in Wisconsin and Arizona, and slightly behind it in Florida and North Carolina. If the Democratic Party fails to win the latter two states, they must win the former three states to win the general election. If the Republican Party loses Florida, it will almost certainly lose the general election. Besides, Minnesota, Georgia, Maine's 2nd Congressional District and Nebraska's 2nd Congressional District could be up for grab by either party. Currently, the states that have been affected more by the pandemic are largely blue states that favor the Democratic Party, while the red states that favor President Trump have been less affected by the pandemic due to their dispersed population and less contact with the outside world. If the pandemic causes a serious economic deterioration, more states may lean toward the Democratic Party, especially those swing states such as Wisconsin, Arizona, Florida and North Carolina. This would seriously threaten President Trump's election prospects.

Third, the outcome will also depend on the issues that voters are most concerned about. President Trump's original campaign strategy focused on the three themes: economy, anti-immigration and anti-socialism. However, the economic theme has been weakened and may be even counterproductive. President Trump may turn to the themes of xenophobia and race in a big way, especially using the pandemic as an opportunity to stir up hostility toward foreigners, immigrants, and minorities, and thereby increase cohesion of his base. President Trump has also tried to use the title of "Wartime President" to inspire patriotic enthusiasm and social cohesion among the American public, as a way to increase his own visibility and approval rating and to overshadow the visibility of and to highlight the powerlessness of his rival. The original strategy of the Democratic Party was to avoid the economic issue and focus on health care, education, foreign affairs, anti-corruption, climate change, clean energy and other issues, but as the situation evolves, they are likely to

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<sup>1</sup> "2020 Presidential Election Forecasts," <https://www.270towin.com/2020-election-forecast-predictions/>.

highlight the themes of economy and health care and criticize Trump for his poor handling of the pandemic.

It remains to be seen how well President Trump and the Democratic Party will manipulate the pandemic issue. There has been significant difference in the response to the pandemic between the supporters of the two parties. The Democrats have been extremely concerned about the pandemic from the start, less than 5% of them being not at all concerned about it; the Republicans have been downplaying the pandemic, more than 40% of them being not at all concerned about it in early March. But as the pandemic worsened, only 20% of the Republicans were not at all concerned about it by late March.<sup>1</sup> This means that the more serious the pandemic gets, the harder it will be for the two parties to manipulate the pandemic issue. The approval rating of President Trump’s response to the pandemic had risen significantly by mid-to-late March, up to 55% from 43% in early March.<sup>2</sup> To a large extent, this is a normal reaction of American people when they are in the face of a crisis, and the trend of his approval rating will depend crucially on the subsequent economic situation. Mr. Biden’s election has also been negatively impacted by the pandemic, which has severely limited his visibility and fundraising efforts. He is also seeking to demonstrate his policy proposals and leadership in the response to the pandemic.

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<sup>1</sup> Elimy Badger, “American Partisanship May Find Its Limits in Coronavirus,” *The New York Times*, March 21, 2020, <https://www.nytimes.com/interactive/2020/03/21/upshot/coronavirus-public-opinion.html>.

<sup>2</sup> Quint Forgy, “Poll: Majority of Americans Now Approve of Trump’s Coronavirus Management,” *Politico*, March 20, 2020, <https://www.politico.com/news/2020/03/20/poll-majority-of-americans-now-approve-of-trumps-coronavirus-management-138570>.

#### IV. U.S. Strategic Competition with China amid the Pandemic

After the Covid-19 outbreak in China, the United States showed an indifferent and complex attitude towards China, and continued to implement comprehensive strategic competition against China on the political, economic, security, diplomatic and other fronts. The Trump administration began to pass bucks after outbreaks in the US. On March 16, Trump tossed out the “Chinese Virus” theory and said the government would give support to aviation and other industries affected by the “Chinese virus”. Different from the direct usage of the term “Wuhan Virus” by Secretary Pompeo, President Trump’s talk of “Chinese virus” refers not only to the mainland China, but also to all people of Chinese ethnicity around the world. Trump diverted the responsibility of delaying the fight against the pandemic to the Chinese around the world, and pushed Chinese Americans to the opposite of other ethnic groups, in an attempt to increase his approval rate by inciting hatred. “Chinese Virus” contains untold political intentions. Former Secretary of State Hillary Clinton called it racial discrimination.<sup>1</sup> CNN host Chris Como pointed out that there was only one virus China and the United States face, the novel coronavirus.

On the political front, the US verbally expressed sympathy and support for China’s suffering, but did not relax its attack on China. It continued to exert pressure and restrictions in the field of ideology, economic cooperation and people-to-people exchanges, and took advantage of the pandemic to lay out strategic competition with China. US politicians such as Vice President Mike Pence, House Speaker Nancy Pelosi, and Secretary of State Mike Pompeo recently maliciously attacked China’s political system and the leadership of the Communist Party of China.

While acknowledging China’s institutional advantages in national mobilization to respond to the pandemic, U.S. officials and scholars questioned the closure of Wuhan and large-scale restrictions, stressed that the

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<sup>1</sup> “Stigmatizing China with the new crown virus is against the axiom and unpopular,” *International Online*, March 24, 2020, <https://baijiahao.baidu.com/s?id=1662037567801106730&wfr=spider&for=pc>.

moves violated human rights and freedom, and asserted that the pandemic exposed a public trust crisis toward the government. Republican Senator Tom Cotton, in an interview with the media, raised questions on the accuracy of the information released by China, and used the incident of Dr. Li Wenliang to smear China’s freedom of speech.

Paul Wolfowitz, the former Deputy Defense Secretary, directly attacked China’s social system and the leadership of China’s Communist Party, arguing that the Chinese government controls information and suppresses social media, resulting in information opacity. Elizabeth Economy, Director of Asian Studies at Council of Foreign Relations, expressed extreme views on the political impact of the pandemic, saying that Covid-19 has become a humanitarian and economic crisis facing the Chinese leaders.

The US also used the pandemic to attack China on traditional issues. The US launched attacks on China on a number of issues, including the South China Sea, Tibet, Taiwan, etc. At the Munich Security Dialogue, Secretary of State Mike Pompeo and House Speaker Nancy Pelosi compared the challenges posed by China to “radical Islamic terrorism” and “global financial crisis”.

But at the same time, U.S. officials and scholars also launched initiatives to strengthen cooperation between the two countries, mainly involving: (1) The US can get inspiration from China’s fight against the pandemic to boost public trust in government information. (2) The US should take a soft line towards China and can cooperate with China on issues such as climate change and epidemic prevention. (3) China and the United States should continue to pursue global health diplomacy, which can not only defeat the virus, but also reduce public fear.

On the economic front, the US generally believes that the pandemic will have a negative impact on China-US economic and trade cooperation, because China is the engine of global economic growth and the main importer of bulk commodities, and the pandemic will bring China’s economy into recession, which would cause a global economic recession. On the implementation of the China-US first phase of the trade agreement, President Trump’s economic adviser Larry Kudlow said in an interview that the outbreak of the Covid-19 in China would inevitably delay the expected export growth of the Phase 1 trade



agreement. National Security Advisor Robert C. O'Brien acknowledged that the pandemic would affect China's purchase commitment. Keith Johnson, a contributor to Foreign Policy, said the pandemic would directly destroy the US China energy trade agreement, and would make it difficult for both sides to implement the original agreement.

On the front of pandemic control, with the outbreak of COVID-19, the Trump administration tried to placate the public at home and blame others abroad. To many people, President Trump failed in the response to the pandemic from the beginning, and missed the best time to contain the spread of the virus in the US for up to two months. To this day, the Trump administration has shown a posture of fighting the pandemic with all its strength on the one hand, while on the other hand, it has purposely regarded China as a "scapegoat" and launched groundless and discriminatory attacks against China.

At the same time, while China is focused on fighting the pandemic, the U.S. military sent warships and aircrafts to China's relevant maritime (air) areas in a show of provocation. By supporting the separatist forces in the island of Taiwan, the US put pressure on China to maintain the provocative posture. It is expected that after the pandemic situation improves in the future, the US will not soften its approach and pursue all-round cooperation with China, but will continue to carry out comprehensive strategic competition with China in political, economic, diplomatic, security, ideological and other fields. China should be fully prepared to dispel some Americans' illusion of diverting its domestic crisis to China.

## **Conclusion**

A sudden outbreak of the Covid-19 pandemic exposed the attitudes of different countries towards life. In the past few months, the worldwide fight against the pandemic has laid bare a government’s choice between the public and the interest of a select few. Whether at home or abroad, the United States should undertake the obligations of a major country rather than keep evading responsibilities.

Under the leading principle of “capital first”, life will always be placed in a secondary position. People’s life and death will not determine the direction of decision-makers’ actions, and only business interests would catch their eyes.

Under the leading guidance of “capital first”, policies and actions in the fight against the pandemic will start from the protection of commercial interests, thus slow action and problem evasion have become the first choice of American policymakers.

Under the leading purpose of “capital first”, shirking responsibility and evading the essence of problem have become the so-called “life”. The Darwinian “survival of the fittest” principle has become the basic philosophy of American fight against the pandemic.

Under the leading ideology of “capital first”, playing blame games and stirring up ethnic antagonism in the international arena have become a common practice of American policymakers who will not hesitate even to distort facts and tell lies.

However, everyone is equal in front of the virus, and it is impossible for any country no matter how strong it is to disguise the spreading virus with big talks and lies. Between life and capital, countries should choose life first, because the most precious wealth in the world is nothing else but life.

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