

# **CRS Report for Congress**

## **SARS, Avian Flu, and Other Challenges for China's Political, Social, and Economic Transformation**

**February 12, 2004**

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**Prepared for Members and  
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# SARS, Avian Flu, and Other Challenges for China's Political, Social, and Economic Transformation

## Summary

In November 2002, SARS, a new and deadly human illness suspected of having an animal origin, made its first appearance in China. Chinese leaders at first minimized the effects of the new virus and covered up the extent of its spread. But the disease moved rapidly to other countries, prompting the World Health Organization in 2003 to label the virus a “global health threat.” Under intense public scrutiny, Chinese leaders in April 2003 eventually acknowledged that people were sickening and dying, apologized for their leadership failures in addressing the problem, and launched a series of initiatives to try to contain the disease, limit its economic damage, and protect public health. By July 2003, the initial SARS outbreak had ended. But global disease specialists expressed concern that the virus could recur, like influenza, or that other similarly mutating viruses could leap from the animal to the human world. On January 5, 2004, China confirmed the first new case of SARS in Guangdong Province, where the 2003 outbreak had occurred. On January 27, 2004, PRC officials acknowledged that several flocks of birds in China were infected with the same deadly strain of avian flu that in recent weeks had ravaged bird populations and killed humans in other Asian countries.

The emergence of SARS and other new viruses has posed a steep learning curve for a new generation of Chinese officials who had assumed office in November 2002, only weeks before the original SARS outbreak. In suppressing information early in the crisis, the government lost credibility and public confidence. More reliable information was available from foreign media sources, the Internet, and cell-phone text messages — as many as 40 million a day during the 2003 SARS crisis, according to one report. In the 2003 crisis, Chinese leaders were forced to adjust their strategy by publicly embracing two radical concepts: the public has a right to know about information directly concerning their daily lives, and government officials need to be accountable to the public for their performance. Officials began issuing regular briefings in 2003 about SARS cases, and several top officials were fired for covering up the crisis. Since then, the government has revamped emergency procedures, issued rules requiring greater government transparency, and worked to reduce the deficiencies and prohibitive costs of public health care. Some observers suggested that “lessons learned” from the 2003 SARS outbreak could permanently influence PRC governance.

Some change can be seen in the more open and aggressive way officials have handled SARS cases in 2004. Officials have publicly announced both confirmed and suspected cases, ordered the extermination of many civet cats — a culinary delicacy in China but a suspected source of animal-to-human transfer of the disease — and begun human trials of a new SARS vaccine developed in China. Still, PRC officials in early January 2004 detained and questioned journalists from a Chinese newspaper that first reported on the new SARS cases, suggesting that the government still seeks to control information flow. And global health officials have criticized official secretiveness in addressing the new avian flu outbreak.

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# SARS, Avian Flu, and Other Challenges for China's Political, Social, and Economic Transformation

## Introduction

The November 2002 outbreak in China of a new form of atypical pneumonia, Severe Acute Respiratory Syndrome (SARS) had widespread economic, political, and social effects on the PRC and presented a serious test for new PRC party leadership, named at the November 2002 Party Congress, and for new central government officials named at the March 2003 meeting of the National People's Congress.<sup>1</sup> Having first minimized and tried to cover up the extent of the disease, PRC officials eventually were forced by circumstances to acknowledge the problem, apologize for failure to be more forthcoming, and respond openly and aggressively to the outbreak. The government's handling of new SARS cases emerging in January 2004 differs markedly from its earlier experience. As a result, some U.S. foreign policy observers have suggested that the initial crisis of 2003 was a transformative experience for the new leadership that will have lasting implications for the PRC's future and for its role in the world.

One set of questions is economic. These include the direct costs of fighting the virus, the indirect costs to and implications for the country's economy because of lost business, and the national budget implications of continuing to address the weaknesses that SARS revealed about the PRC's health care system. Social and political questions center around what the health crisis revealed about the limits of central government power in an age when public pressure can force changes in Beijing's policies. Finally, the health crisis raised questions about the PRC's global image and role, including its responsibilities to international organizations such as the World Health Organization (WHO), the impact that Beijing's decision to obfuscate about the crisis may have had on its credibility with its neighbors, and the potential implications of the crisis for PRC relations with Hong Kong and Taiwan.

This report will address the political, social, and economic questions confronting China as it continues to cope with the after-effects of the health crisis and emerging new health crises. This report also will assess the implications of these questions for China's future and for U.S. policy. The report will be updated as events warrant.

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<sup>1</sup> The new virus that causes SARS was identified independently in mid-April 2003 by researchers in both Canada and in the United States.

## Background of SARS in the PRC

In November and December 2002, authorities in China's Guangdong Province began seeing cases involving a mysterious and contagious flu-like virus that PRC medical officials first described as an "atypical pneumonia." As later press reports eventually reconstructed it, cases first appeared in the provincial cities of Foshan, Heyuan, and Zhongshan, spreading then to Guangzhou, the province's capital city. Although Beijing sent a delegation of medical experts to Guangdong on January 20, 2003, to help provincial officials investigate the illness, government authorities made no official mention of the mysterious cases, nor did official PRC media sources. When provincial government officials finally acknowledged the mysterious pneumonia outbreak publicly in early February 2003, they continued to be secretive and duplicitous about the extent of the illness, only periodically making reluctant further disclosures about the outbreak.

The Guangdong Provincial Health Bureau made the first official PRC announcement about the mysterious illness on February 11, 2003, after the outbreak had "become obvious" in the city, according to a senior Guangdong health official.<sup>2</sup> Taking the then unusual step of holding a press conference, provincial health authorities reported that 5 in Guangdong had died and more than 300 had become sick—numbers that proved much understated by later calculations. Having revealed the problem, the following day, on February 12, 2003, the official *Xinhua News Agency* announced that the mysterious pneumonia had been "brought under control" and no new cases had been reported. This remained the official story from the PRC government through mid-March 2003, even as the World Health Organization (WHO) issued a global alert on March 12, 2003, following new outbreaks of a similarly described "atypical pneumonia" in Vietnam and Hong Kong.

PRC officials remained reluctant to issue information throughout March 2003. Even so, on March 15, 2003, the WHO issued an unprecedented "emergency travel advisory," for the first time referring to the illness as SARS and saying that its further spread to Canada, Singapore, and Europe now made it a "global health threat." According to WHO officials, it was only at this point that the Chinese government began providing them with information about the February "atypical pneumonia" outbreak in Guangdong which Beijing still maintained had been successfully dealt with. Even so, WHO reported that the PRC at this point still declined to provide biological samples, test results, or even details about the courses of treatment used during the February outbreak. Several days later, on March 18, 2003, PRC officials admitted that the SARS outbreak was continuing in Guangdong, but maintained that it had not spread to other locations in China. On March 27, 2003, PRC authorities admitted that actually more than 800 people in Guangdong had become sick and 34 had died, including 3 in Beijing—the government's first admission that the illness

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<sup>2</sup> Statement cited by *Xinhua News Agency*, February 11, 2003, attributed to Huang Jionglie, director of the municipal health bureau.

had spread beyond Guangdong Province. It was not until April 2 that PRC officials allowed WHO investigators to visit the Guangdong SARS areas.<sup>3</sup>

On April 4, 2003, the head of the PRC's Center for Disease Control issued an unprecedented public apology for the government's "poor coordination" of information about the health crisis.<sup>4</sup> On April 9, a prominent Beijing surgeon publicly disclosed that the government was continuing seriously to under-report cases of SARS in Beijing, and that the number actually was far more than the statistics of 22 existing cases in the city that the government had released that same day. By mid-April 2003, persistent rumors, international inquiries, and foreign press reports were bringing enormous pressure to bear on government officials, who were still reporting that SARS had been contained in Guangdong and that only 15 more cases had been reported in Beijing, for a total of 37. WHO investigators publicly announced on April 16, 2003 that the international community did not trust the Beijing city government's figures, and that the numbers Beijing was reporting did not include patients in military hospitals or those with suspected but unconfirmed cases. The *New York Times* quoted one WHO infectious disease expert as saying that the real number of cases in Beijing more likely was "in the 100-to-200 range now."<sup>5</sup> On April 18, 2003, China's new Premier, Wen Jiabao, threatened dire consequences for any government official who did not make full and timely disclosure about SARS cases. On April 19, 2003, the *Washington Post* reported that PRC doctors were disclosing that the previous week, on orders from the Beijing city government, authorities had physically moved more than 70 SARS patients out of hospitals to prevent visiting WHO medical teams from finding them on their inspections.

The real official turnaround in the crisis came on April 20, 2003, when PRC leaders made an evident decision to be more forthcoming about the SARS crisis. In a series of steps that many observers described as unprecedented in the history of the Chinese Communist government, PRC officials that day held a nationally televised press conference in which they admitted that SARS cases in Beijing actually were more than ten times the 37 cases officially reported up to that point, and that there were 339 confirmed cases and 402 suspected cases. Officials offered a public apology for their "leadership failure" in addressing the SARS crisis. Later that day, both the Minister of Health, Zhang Wenkang, and the Mayor of Beijing, Meng Xuenong, were removed from their positions, presumably for misleading the public about the extent of the health crisis.

By April 27, 2003 — only ten weeks after the initial announcement that a mysterious pneumonia outbreak affecting a few hundred people in Guangdong had been brought under control — SARS outbreaks had been reported in 26 of the PRC's 31 provinces, the number of confirmed cases in Beijing alone had passed 1,100, and the central government had placed more than 15,000 people in the city under

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<sup>3</sup> The WHO issued a travel advisory for Guangdong Province on April 2, 2003.

<sup>4</sup> Pomfret, John, "Officials Says China Erred on Outbreak; Rare Apology Cites 'Poor Coordination,'" in *the Washington Post*, April 5, 2003, p. A14.

<sup>5</sup> Eckholm, Eric, "Virus Badly Under-reported in Beijing, W.H.O. Team Finds," in *New York Times*, April 17, 2003, p. A13.

quarantine. Further, the government cancelled the week-long celebrations for the May 1<sup>st</sup> holiday of 2003 to discourage widespread travel in China, and ordered the emergency closure of movie theaters, discos, churches, and other public places in Beijing.<sup>6</sup> Outside the capital, villages and towns with no recorded SARS cases began to put up roadblocks to isolate themselves from potentially infected travelers. Although new daily PRC announcements showed that confirmed SARS cases were now increasing on a daily basis, WHO officials on April 29, 2003 again criticized the government for failure to provide more detailed information. Many citizens of Beijing refused to venture outside their homes, often wearing protective face masks when they did so. According to press reports, streets and public squares in the city were virtually deserted, and those businesses and stores that remained open had virtually no customers.

By July 2003, the global transmission of SARS had virtually disappeared. On July 15, 2003, the U.S. CDC discontinued the distribution of its Health Alert Notices and lifted the last of its travel advisories, reflecting that no new cases of SARS had appeared in more than 30 days.<sup>7</sup> Nevertheless, the international medical community warned that SARS may duplicate the pattern of other respiratory diseases and recur seasonally, like the flu. Many pointed out that the SARS outbreak of late 2002-early 2003 highlighted a number of serious weaknesses in the PRC's political and economic systems that PRC leaders were forced to address, particularly given the potential for other national health crises. Some felt that the act of addressing these weaknesses could have a lasting impact on governance in the PRC.

## Political and Governance Issues

Since 1978, the pressures and demands of modernization have forced the authoritarian Chinese communist political system to change in important ways. These changes have been incremental and selective, so that the political arena in the PRC today has an oddly chimerical quality about it. For example, while much in PRC society is increasingly open, the process by which government and party decisions are made is still a murky matter. A small number of senior leaders continues to make most major policy decisions in closed sessions. They give little rationale to the public about why they make a given decision, and no information about whether some leaders have dissenting views. Open and direct criticism, even when justifiable or well-intentioned, is often treated harshly as a threat to some greater good, such as social stability or public safety.<sup>8</sup> What one observer has

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<sup>6</sup> Quarantine figures cited in Pomfret, John, "Beijing to Allow WHO to Send Team to Taiwan," *Washington Post*, May 4, 2003, p. A25. Beijing did not reopen movie theaters in the city until June 10, 2003.

<sup>7</sup> In July 2003, the CDC lifted a series of travel advisories: on July 3, to mainland China other than Beijing; on July 8, to Toronto; July 9, to Hong Kong; on July 11, to Beijing; and on July 15, to Taiwan.

<sup>8</sup> As sclerotic as this political system still appears to outside observers, PRC participants in the process will argue strongly that the internal decision-making process now is more  
(continued...)

referred to as “the culture of secrecy” surrounding the process at the top in the PRC extends also into the broader socio-political arena.<sup>9</sup>

On the other hand, while the party still reserves ultimate power to itself, the levers for exercising that power have weakened. Combined with the forces of globalization, the party’s institution of economic market mechanisms since 1978 has required more political flexibility and the acceptance of greater local autonomy. More decision-making authority has devolved to various government bureaucracies and to provincial and local authorities, but this shift in power has not been accompanied by the creation of a supporting institutional infrastructure sufficient to regulate commerce, control corruption, and coordinate laws and responsibilities at all levels of governance. Consequently, the universe of what effectively can be controlled by the core central elite today is seen to be shrinking, while the capacity of non-central actors to manage, influence, and interfere in day-to-day activities is seen to be expanding. The struggle of dealing with SARS highlighted these strains and contradictions in the PRC political system.

## Transparency and Accountability

One of the most evident consequences of the 2003 SARS crisis for PRC leaders was the harsh light it threw on the lack of transparency and accountability in government. SARS demonstrated that much of the PRC government’s standard operating procedure is ill-equipped to respond to a widespread public health crisis. Under PRC law, for example, the government has extensive power to determine what information is a “state secret,” and can impose severe punishments against those who reveal “state secrets.” The definition of what are “state secrets” and who is entitled to know them is vague and arbitrary, as evidenced by the general description contained in Article 2 of the state secrets law: “State secrets shall be matters that have a vital bearing on state security and national interests and, as specified by legal procedure, are entrusted to a limited number of people for a given period of time.”<sup>10</sup> Further, according to some reports, a 1996 law, the text of which does not appear to be available, specifically states that serious infectious diseases shall be considered state secrets unless and until the government makes an official public announcement about the disease.<sup>11</sup>

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<sup>8</sup> (...continued)

democratic than that found in earlier communist history under Mao Tse-tung. Within this narrow elite political framework, they argue, there is research, discussion, debate, compromise, and accommodation. Based on interviews conducted by the author with PRC government and Party officials, August-September, 2002.

<sup>9</sup> Remarks of Robert A. Kapp, at a panel discussion on July 2, 2003, entitled “China and SARS: The Crisis and Its Effects on Politics and the Economy,” held at The Brookings Institution and co-hosted by The Atlantic Council, The Carnegie Endowment for International Peace, and U.S.-China Business Council.

<sup>10</sup> For text of the “Law of the People’s Republic of China on Guarding State Secrets,” see [<http://product.chinawe.com/cgi-bin/lawdetail.pl?LawID=357>].

<sup>11</sup> Internal report prepared by the Library of Congress Asian Law Division, 2003.



Adherence to laws and regulations designed to keep unfavorable information secret, ostensibly for the purpose of protecting public safety, proved a damaging and counterproductive strategy in the case of the SARS health crisis. It was, in fact, the government's failure to provide information about the initial outbreak that ultimately endangered public safety. In addition, as the disease began to spread and more information about it became available, government efforts to "spin" the SARS story began to appear clumsy and incompetent.

The Party made many early mis-steps in 2003 that damaged its credibility. One early PRC state-run media account reported that the initial reports of a pneumonia outbreak were false, spread by a pharmaceutical company trying to create a market for one of its anti-flu drugs.<sup>12</sup> Officials publicly insisted that a mild pneumonia-like epidemic had occurred but had been "brought under control." Authorities arrested and charged some people for "spreading rumors" that a mysterious pneumonia had broken out in southern China. But confronted daily with demonstrable evidence of the disease's spread, the government's official line ultimately became untenable. Government leaders were confronted with the fact that more PRC citizens believed foreign pronouncements about the spread of SARS in China than they did their own government's. In part to resuscitate the party's and the government's ailing credibility, PRC officials opted for fuller disclosure. According to some news reports, in addition to the Minister of Health and the Mayor of Beijing, dozens of other officials were fired, suspended, demoted, or otherwise disciplined for non-performance for what one account referred to as "their slack reactions" against SARS.<sup>13</sup>

## Role of Public Pressure

Public pressure played a crucial role in finally forcing the government's hand. The very nature of the crisis helped serve this public pressure, since a threat posed by a disease is less responsive to political interpretation by the government than are other problems; one is either sick with a mysterious pneumonia-like illness or one is not. Still, it took pervasive pressure from multiple sources to change the way the government responded to SARS, and at each step, observers noted ongoing contradictions in the PRC political system.

**International Community.** As a contagious disease, SARS was not a problem that could be confined to a limited physical area so that the PRC government could shield it from public view. In the age of global travel, SARS transcended geographic borders, making it harder to hide from the international community. For example, in February and March 2003, while PRC officials continued publicly to deny that China was having a health crisis, travelers to Singapore, Canada, Hong Kong, and other countries were getting sick with the mysterious illness. Epidemiologists from the WHO and from affected nations were able to trace these

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<sup>12</sup> The company, the Shanghai Roche Pharmaceuticals Ltd., was reported in the *Southern Metropolis Daily (SMD)* as having spread false information about SARS to boost the sale of its drug Tamiflu. The *SMD* report was cited in the *Shanghai Star* (February 20, 2003)

<sup>13</sup> Dorgan, Michael, "Crackdown in China: more than 120 officials punished for letting disease run rampant," in *Mercury News*, Beijing Bureau, May 9, 2003.

cases back to contact with a particular location in or individual from the PRC. As the weeks went by, even though PRC officials publicly continued to insist that China was SARS-free, foreign organizations, governments, and business representatives began to act independently to protect their people from exposure to SARS in China.

**Medical Community.** In addition to international organizations and governments, pressure arose from what might be called an international “community of experts” — meaning in this case medical personnel in the PRC who were in consultation with each other and with their professional counterparts around the world. In their efforts to diagnose and treat cases of the mysterious new disease, doctors from the PRC and other affected countries exchanged information with WHO investigative teams, various national Centers for Disease Control, and others, reporting on what they were seeing in their own hospital wards. These avenues of non-governmental communication allowed medical investigators to make further independent assessments about the veracity of pronouncements from PRC government officials.

The most influential example of this reporting by medical experts involved the case of Dr. Jiang Yanyong, a prominent surgeon in Beijing, who disclosed on April 9, 2003, that based on what he and his colleagues were seeing, the government was seriously under-reporting cases of SARS in Beijing.<sup>14</sup> It was this and other information that allowed WHO and other international medical experts to question the Beijing government’s official reporting on SARS. Medical expertise became more believable than the “correct” political line being circulated by the government.

**Technology and Communications.** Domestic pressure on officials in Beijing was significantly enhanced by the rapid spread in recent years of communications technology in the PRC. According to industry sources, 54.5 million PRC citizens had access to the Internet by late 2002, while one-fifth of the PRC population of 1.28 billion — or approximately 250 million people — had access to cellular phone service by early 2003.<sup>15</sup> During the months of the 2002-2003 SARS outbreak, then, more PRC citizens than ever before had independent access to sources of information outside government control. According to news accounts, much of the information about the SARS outbreak was passed on almost instantaneously through cellular phone text messages — at times 40 million a day, according to one press report — a volume that was well beyond the government’s

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<sup>14</sup> The allegations of Dr. Jiang, former chief of surgery for the Beijing No. 301 Military Hospital, were published by the *Wall Street Journal*. Pottinger, Matt and Hutzler, Charles, “A Doctor Finds Fault with SARS Numbers — He Notes Differences At Hospitals in China: A Matter of Definition,” in *Asian Wall Street Journal*, April 9, 2003, p. A1.

<sup>15</sup> According to a press release from Computer Industry Almanac Inc., December 16, 2002, the PRC ranked third in internet usage in late 2002, behind only the United States and Japan. The report further states that the PRC is expected to surpass Japan late in 2003. See [<http://www.c-i-a.com/pr1202.htm>]. Cellular phone service estimates attributed to Nokia by Ben Charny, “Nokia, Agere Chase China Dreams,” CNET News.com, March 31, 2003. See [<http://news.com.com/2100-1037-994826.html>].

ability to monitor or control.<sup>16</sup> Such messages served as primary sources of information as the crisis progressed for a public that was placing increasingly less faith in the reliability of government pronouncements.

## Limits on Central Government Power

The SARS case also demonstrated that despite the authoritarian nature of the PRC government and the extensive “reach” it had in its early years, power and authority, both within the Communist Party and within the government bureaucracy, face new limits today. Having been forced into greater transparency by acknowledging the extent of the 2002-2003 SARS crisis, Beijing seemed unable to respond with the pervasive power and control that once had been possible. Government officials appeared unable to prevent mass migrations from SARS-affected areas, unable to reconstruct the route the virus was taking across provincial borders, and unable to control effectively the way the medical community in China was treating SARS patients. When it became apparent that some hospitals were turning away potential SARS victims who were too poor to afford treatment, the Beijing health department reportedly promised to pay all treatment costs for those unable to pay.<sup>17</sup> Subsequent newspaper interviews with some citizens suggested that this promise was greeted with skepticism,<sup>18</sup> and news accounts continued to carry stories of patients turned out of health care facilities. The self-inflicted damage Beijing did to its own credibility did nothing to improve its crisis management effectiveness.

Some observers suggested that the degree of vulnerability the government felt in 2003 was demonstrated by Beijing’s threat to execute people who violated quarantines or who spread the SARS virus.<sup>19</sup> Villages and townships took independent action not authorized or coordinated by Beijing, putting up barricades

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<sup>16</sup> The number of text messages was attributed to a report by a PRC publication, *Southern Weekend*, that on February 8, 2003, the text message, “Fatal flu occurring in Guangdong” was sent 40 million times, and was repeated 86 million times more over the next two days. McDonald, Joe, “China Cracks Down on High-Tech SARS Rumors,” in *Associated Press*, AP Online, May 14, 2003.

<sup>17</sup> The Beijing health department reportedly ordered this on April 10, 2003. Pomfret, John, “China’s Hospitals in Turmoil; Some SARS patients Being Turned Away for Inability to Pay,” in *The Washington Post*, April 13, 2003, p. A19.

<sup>18</sup> One interviewee was quoted in response to the government’s promise of free medical care as saying, “Free medical care for me? No one has ever given me anything for free. If I’m going to die, I want to die in my home. I don’t trust the hospitals.” Quote from Huang Dongshan, in *The Washington Post*, April 29, 2003, p. A01. In further evidence of distrust, more than 100 scholars from around the PRC signed an open letter urging the government to follow through on its pledge to pay for SARS treatment for the poor. The letter reportedly was circulated on the Internet. See Wonacott, Peter, and Hutzler, Charles, “SARS Threatens to Impact Chinese Politics, Economy — Foreign Investors Step Back as Crisis Hampers Growth; Outrage Focuses on Beijing,” in *The Asian Wall Street Journal*, April 30, 2003, p. A1.

<sup>19</sup> The Supreme People’s Court and Supreme People’s Procuratorate announced the new measures on May 14, 2003.

to keep travelers out in an attempt to isolate themselves from the spread of SARS. There were reports of riots in at least one location where a crowd suspected that local school officials were turning an abandoned school into a SARS holding area.

Even within the ranks of the government and party, Beijing appeared to have a hard time getting people to follow its program. At an emergency Politburo meeting on April 18, 2003, President and Party Secretary Hu Jintao reportedly “warned against the covering up of SARS cases and demanded the accurate, timely and honest reporting of the SARS situation.”<sup>20</sup> In late April 2003, the Central Discipline Inspection Committee was forced to warn party members, especially doctors and nurses, that they would be ousted if they left their posts. When threats proved insufficient to retain some health care workers, government officials announced that those dealing with SARS would get extra daily pay as an incentive.

**Role of the Media.** While the PRC media enjoys greater freedom and vitality today than it has in the past, the SARS crisis demonstrated that the Party and government still were capable of re-asserting control when the occasion demanded. Before mid-April 2003, the media in Guangdong and elsewhere in the PRC were forbidden to report on the crisis, leaving the unofficial means of communication cited above the primary sources of public information. According to one Hong Kong press report, the media in Guangdong were notified repeatedly that they were not to report on cases of atypical pneumonia without specific official authorization.<sup>21</sup> At one point, the ban on reporting appeared to be lifted, resulting in a flood of reporting in the official media, only to be reinstated later.

The SARS crisis demonstrated the degree to which the media still does not perform the function of a disinterested observer to keep government honest. The style of investigative journalism common in the West, while not unknown in the PRC, is in its infant stages. But the SARS crisis also high-lighted the fact that this may be changing. The PRC media increasingly are confronted with contradictory priorities. They must compete against more widely available global media sources governed by different requirements of journalism than they themselves can freely follow. They face increasing competition, both domestically and abroad, for news coverage, readership, and funds — an increasing percentage of which are from advertising revenue rather than from the government. As a new member of the World Trade Organization (WTO), the PRC also has committed to opening its press and publication market to foreign companies. Consequently, PRC officials are undertaking press reforms that are expected to privatize much of the national media and result in the demise of many non-competitive media organizations.<sup>22</sup>

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<sup>20</sup> The New China News Agency, quoted in Pomfret, John, “China orders end to SARS coverup; officials begin belated campaign against disease,” *The Washington Post*, April 19, 2003, p. A08.

<sup>21</sup> Wang Chien-min and Chi Shuo-min, “Spread of SARS Blamed on Media Control by Guangzhou Secretary Zhang Dejiang,” in *Hong Kong Yazhou Zhoukan* in Chinese, April 28, 2003, pp. 24-29, translated in FBIS, CPP20030430000119.

<sup>22</sup> You-Sung Hwang, “China, State Owned Media to Be Privatized in Large Scale,” in *Dong-A Ilbo Daily*, in English online, August 1, 2003.

## Emergency Health Response Deficiencies

While problems in China's overall health care system and finances are addressed elsewhere in this paper, the 2003 SARS crisis demonstrated that PRC infrastructure and training mechanisms were ill-equipped to deal with a wide-spread public health emergency. The near non-existence of the epidemiological profession seriously hampered the PRC's ability to trace the progression of the disease and isolate those who came into contact with infected patients. No effective system was in place for emergency communication either within the medical community or to government health officials who needed to know about the emerging disease outbreak. When the first SARS case appeared, the PRC's own Centers for Disease Control and Prevention (CDC) had been in operation for less than a year, since January 2002.<sup>23</sup> According to one observer, the PRC Ministry of Health had allocated only 80,000 renminbi (equivalent to about \$9,700) to the new Chinese CDC for the purpose of monitoring epidemics.<sup>24</sup> Hospitals run by the People's Liberation Army (PLA), where many of the disease victims were treated, were described by WHO and other medical officials as non-responsive to requests for cooperation and information.

## Economic Aspects of the SARS Epidemic in China

The rapid spread of the SARS virus raised concern among Chinese officials over the potential negative effects it could have on China's economic development. Maintaining healthy economic growth is viewed by the government as critical to maintaining social stability, especially as it attempts to restructure and reform inefficient sectors of the economy. The SARS epidemic threatened to interrupt the high level of economic growth China has enjoyed over the past several years. The SARS crisis also generated new concerns (both domestically and internationally) over the lack of health care services for a large share of the Chinese population living in rural areas and the ability of China's public health care system to respond effectively to major nationwide epidemics. Chinese officials acknowledge that China's poor health care infrastructure poses a major risk to its future economic development. The Chinese government pledged to boost spending in order to stimulate domestic demand, help economic sectors most affected by SARS, pay for the care of SARS patients who could not afford it, and to expand health care coverage throughout rural communities.

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<sup>23</sup> In an interview conducted with Li Liming, head of the Chinese CDC, by Zhu Yu and Zhang Jingyong: "Head of China's Center for Disease Prevention and Control Li Liming: Struggle Between Humanity and Disease Will Not Cease." In *Beijing Xinhua Domestic Service*, in Chinese, April 19, 2003.

<sup>24</sup> The statistic of 80,000 renminbi was provided by Dr. Michael Swaine in a conference at the Brookings Institution, "China and SARS: The Crisis and Its Effects on Politics and the Economy," July 2, 2003.

## Economic Effects of SARS

The economic effects of the spread of the SARS epidemic appear to have begun in March 2003 and intensified after the World Health Organization (WHO) issued warnings on April 7, 2003 against nonessential travel to Guangdong Province and on April 16, 2003 against nonessential travel to Beijing and Shanxi Province.<sup>25</sup> Another blow came after the Chinese government's April 20, 2003 admission that the spread of the SARS virus was far more extensive than it had previously admitted. The immediate effect of these events was a sharp drop in air travel to and from China followed by widespread cancellations by foreigners of tours and hotel reservations.<sup>26</sup> Many foreign business representatives postponed trips to China. A number of international meetings, exhibitions, conferences and sporting events were cancelled. Fears over the disease began affecting consumer spending in many cities, as individuals sought to avoid crowded areas, such as shops and restaurants. In Beijing, recreational facilities, such as movie houses and health clubs in several cities were ordered shut down by the government in order to contain the virus.

**The Service Sector.** Tourism appears to have been one of the hardest hit economic sectors in China.<sup>27</sup> The SARS virus led to a sharp drop in foreign travel to China in April-May, while domestic travel during the May Day holidays was significantly curtailed. This in turn impacted service industries catering to foreign tourists, foreign business travelers, and domestic travelers, such as hotels, restaurants, caterers, tour companies, and local vendors. Chinese statistics indicate that the number of stay-over tourists fell by 42% in April 2003 over April 2002 levels. In Beijing, the number of tourists dropped by nearly 94% in May 2003 over May 2002 levels;<sup>28</sup> hotel occupancy rates of 5-star hotels reportedly fell to 20% and some were at zero. A group of scholars from the Peking University predicted that the 2002-2003 SARS epidemic ultimately would cost China's tourism industry about \$16.9 billion.<sup>29</sup> China Southern Airlines reported that its passenger traffic in May fell 83% year on year.<sup>30</sup> According to the Official Airline Guide (OAG), a leading source of information on international flight schedules, the number of planned flights to and from China in June 2003, fell by 45% compared with June 2002, and the number of planned flights within China fell by 15%.<sup>31</sup> The Chinese government reported that

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<sup>25</sup> On May 8, 2003, the WHO issued travel warnings for Tianjin and Inner Mongolia.

<sup>26</sup> According to Xinhua News Agency (June 11, 2003), all tourism agencies in China's Guangdong Province suspended operations at the end of April.

<sup>27</sup> Foreign tourism accounted for 1.5% of China's GDP in 2001, while domestic travel accounted for 3.7% of GDP.

<sup>28</sup> *Xinhua News Agency*, June 11, 2003.

<sup>29</sup> Insidetrad.com, May 2003, quoting information provided by the Chinese Foreign Ministry

<sup>30</sup> World Markets Research Center Daily Markets, June 16, 2003.

<sup>31</sup> OAG Press Release. June 13, 2003, available at [<http://www.OAG.com>]. Data includes Hong Kong and Macau.

national retail sales in May rose by 4.3% year on year, the lowest growth in 5 years; in Beijing retail sales for the month fell by 9.6%.<sup>32</sup>

**Gross Domestic Product (GDP).** China has been successful over the past several years in maintaining rapid economic growth. Between 1979 and 2002, real GDP growth averaged 9.3%; it grew by 8.0% in 2002. During the first quarter of 2003, real GDP grew was up 9.9% over the first quarter 2002, the fastest quarterly growth rate since 1997. The impact of SARS was largely felt in the second quarter when year-to-year real GDP growth slowed to 6.7%. However, by the third quarter, year-to-year real GDP surged by 9.1%. The Economist Intelligence Unit estimates that China's real GDP grew by 8.5% for the entire year — higher than 2002 growth.<sup>33</sup> This appears to indicate that overall, SARS had a relatively a minor and short-lived impact on the Chinese economy as a whole in 2003.

**Foreign Trade and Investment.** Many analysts feared that SARS would have a major impact on China's trade and investment flows. For example, one of China's largest bi-annual trade fairs in the city of Guangzhou (in Guangdong Province) was closed down after four days (in April 2003) due to SARS. The dollar level of purchase contracts signed (\$3.3 billion) during that period was reportedly equal to less than one-fifth the total (\$18.5 billion) the fair generated in 2002.<sup>34</sup> Credit Suisse First Boston estimated that SARS would reduce orders for Chinese exporters by 10-15%.<sup>35</sup> Because it generally takes three to six months lag time between export orders and their production and delivery, the negative effects of SARS on China's exports is not likely to be known until third and fourth quarter 2003 trade data are taken into account.<sup>36</sup>

In 2002, China's exports and imports grew by 22.3% and 21.2%, respectively.<sup>37</sup> During the first 11 months of 2003, Chinese officials reported that exports and imports rose by 32.9% and 39.1%, respectively.<sup>38</sup> In 2002, China attracted \$52.7

<sup>32</sup> One sector that appears to have benefitted from the SARS epidemic is car sales, which rose by 62% year on year in May 2003. Many purchases appear to been motivated by concerns over having to take public transportation. SARS appears also to have boosted sales of medicines and medical equipment, cleansers, and consumer electronics (*South China Morning Post*, June 17, 2003).

<sup>33</sup> Estimated by Economist Intelligence Unit, *Country Indicators* (database).

<sup>34</sup> Guangdong, which was one of the most affected provinces from SARS, is China's largest provincial exporter, accounting for 37% of China's exports in 2002. A sharply slowdown in Guangdong's trade would have had a major impact on China's overall trade. See *China Daily*, June 13, 2003, and *The Business-times Online Edition*, April 21, 2003.

<sup>35</sup> Testimony of Dong Tao, Credit Suisse First Boston, before the U.S.-China Economic and Security Review Commission, June 5, 2003.

<sup>36</sup> *Asian Wall St. Journal*, June 12, 2003.

<sup>37</sup> Exports and imports in 2002 were \$326 billion and \$295 billion respectively.

<sup>38</sup> For the full year, they estimated that exports grew to \$430 billion and imports to \$410 billion. See *Business-AFP*, December 28, 2003.

billion in foreign direct investment (FDI), up 13% over the previous year.<sup>39</sup> China's FDI was projected to have hit about \$53.5 billion in 2003 (up by 1.5%), an indicator that SARS may have temporarily slowed the growth of FDI in China. However, contracted FDI for 2003 was up by 39% over the same period in 2002, an indicator that actual FDI will likely pick up in the near term.<sup>40</sup> The Economist Intelligence Unit projects FDI in China will rise to \$57 billion in 2004.

**Production and Employment.** Little information has surfaced as to the employment and effects of the 2002-2003 SARS outbreak. Press reports indicated that only a few foreign firms in China experienced production disruptions due to SARS.<sup>41</sup> Analysts had warned that precautions taken to avoid spread of the virus and delays in visits to China by foreign business representatives would impact work and deliveries over the longer term. In addition, several foreign companies reportedly delayed the launching of new products, opening new plants, or starting new joint ventures.<sup>42</sup> Export Development Canada contended in May 2003 that the SARS outbreak was having a significant impact on millions of small-and medium-sized enterprises and threatened to sharply increase unemployment in urban areas within a few months.<sup>43</sup> One major group that has been acknowledged by Chinese officials to have likely been significantly affected by the SARS outbreak is China's large migrant worker population, estimated to number over 80 million people. According to Chinese government estimates, 5.5 million migrant workers fled urban areas early in 2003 because of SARS.<sup>44</sup> The exodus led to labor shortages in some cities, but the main impact was expected to be on rural incomes (as many migrant workers transmit part of their incomes back home). China's Xinhua News Agency cited Chinese analysts who estimated that migrant workers would lose \$4.8 billion by the end of the year.<sup>45</sup> Another analyst predicted that the early 2003 SARS outbreak would reduce rural incomes by 1.5 to 2.0 percentage points and would cause the urban-rural income gap to widen.<sup>46</sup>

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<sup>39</sup> This is an impressive figure considering that worldwide FDI in developing countries fell by over 25%, according to the United Nations Conference on Trade and Development.

<sup>40</sup> Contracted investment is an indicator of new investment that is pledged for the future, while actual FDI indicates the amount of investment flows going to China in a given year.

<sup>41</sup> For example, Matsushita Electric, the world's largest consumer-electronics maker, closed two factories in Beijing in Mid-May for two weeks, and halted an inspection line in another plant, due to concerns that workers had been to SARS. Similar concerns caused Motorola to close its main office in Beijing for about two weeks in late April 29 after a staff member contracted SARS. Ricoh Electronic Technology, an office equipment manufacturer closed a Beijing factory temporarily in May.

<sup>42</sup> Associated Press, SARS Takes Economic toll on Chinese Firms, May 26, 2003.

<sup>43</sup> Export Development Canada, *The Economics of SARS in East Asia*, May 5, 2003.

<sup>44</sup> *Reuters*, June 9, 2003.

<sup>45</sup> *Xinhua News Agency*, June 4, 2003.

<sup>46</sup> *BBC Monitoring Asia Pacific*, June 14, 2003. (Citing Zhang Xiaoshan, director of Rural Development Research Institute of the Chinese Social Science Academy).



**Public Finance.** The 2003-2003 SARS outbreak likely had a significant effect on the PRC's public finance system. First, tax revenues suffered from the effects that SARS had on economic activities. A Chinese government tax official estimated that the 2002-2003 outbreak would cost the government \$2.4 to \$3.6 billion in lost revenues.<sup>47</sup> Second, the Chinese government pledged to provide extensive tax incentives, tax cuts and fee reductions (estimated at costing the government \$1.2 to \$2.4 billion) for sectors most affected by the 2002-2003 outbreak. Third, the government pledged to spend \$725 million to fight SARS (including providing free medical services to needy farmers and urban workers) and an additional \$423 million to improve nationwide health care coverage.<sup>48</sup> Finally, China continued to boost government spending, such as on infrastructure development, in order to offset the negative affects of SARS. These factors likely put new strains on central and provincial budgets.<sup>49</sup> According to the World Bank, China's growing public debt, which, as a share of GDP has risen from 11.4% in 1997 to 25.3% in 2002, is hampering the ability of the government to devote resources to social sectors.<sup>50</sup>

## China's Health Care System

The SARS contagion focused new attention on China's public health system for a variety of reasons. First was the concern that the lack of a comprehensive health care system would allow SARS and other diseases to spread throughout the country unchecked. This was especially of concern when millions of migrant workers returned home due to the SARS outbreak who might have spread the virus throughout China, resulting in a social and economic disaster. Second, the spread of the disease raised new concern over the growing disparity in health care insurance and services available to urban and rural workers. The lack of health care and possibility of rapidly spreading disease also raised concerns that foreign investors would find the PRC a less attractive destination for FDI. Relatedly, a number of Chinese and foreign analysts contend that the poor state of China's health care system poses a long-term threat to China's future economic development.<sup>51</sup>

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<sup>47</sup> *China Daily*, June 14, 2003.

<sup>48</sup> Bureau of National Affairs, *International Trade Reporter*, May 15, 2003

<sup>49</sup> Analysts further note that resources spent fighting SARS affects the economy in that it diverts resources from more productive and job-generating forms of investment.

<sup>50</sup> The World Bank. *East Asia Update: Looking Beyond Short-Term Shocks, China Brief*. April 23, 2003.

<sup>51</sup> For example, in a 2020 report, United Nations warned that China was on the verge of a "catastrophe that could result in unimaginable suffering, economic loss and social devastation," due to the rapid rise of HIV/AIDS in China and the lack of an effective public health care system to deal with the disease. It estimated that over one million people in China were infected with HIV and warned this figure could rise to 10 million by 2010 unless effective action was taken by the government. See, United Nations Theme Group on HIV/AIDS, *China's Titanic Peril*, June 2002.

When the Chinese Communist Party took control of China in 1949, it sought to establish a comprehensive health care system for the entire nation. During this period, most sectors of the economy were taken over by the government. Workers were provided basic health insurance by their employer — the government. In urban areas, medical bills were paid for by their work units, while in farming communities, collectives helped pay for medical expenses. Government control over the country's medical system through subsidies and price controls kept medical costs low for most workers. One major initiative by the government was to send an army of “barefoot doctors,” individuals with basic medical training, to rural areas in order to provide health care to peasants. As a result of these policies, nearly 90% of the population (nearly all urban residents and 85% of the rural population) received basic health care.<sup>52</sup> According to the World Bank, prior to 1949, China's population was among the *least* healthy in the world, but after significant investment in health care had been made, the PRC experienced dramatic improvements in health conditions, such as increased life expectancy (which rose from 40 years in 1950 to 69 years in 1982).<sup>53</sup>

The stage was set for the decline of the health care system in 1979, when the PRC launched several economic reforms. The central government gradually dissolved the collective farming system and initiated price and ownership incentives for farmers. Additional reforms followed in stages that sought to decentralize economic policymaking in several economic sectors. Economic control of various enterprises was given to provincial and local governments, which were generally allowed to operate and compete on free market principles, rather than under the direction and guidance of state planning. State-owned enterprises were restructured and reformed, laying off millions of workers.<sup>54</sup>

Since 1979, a major objective of PRC leaders has been to reduce the financial burden posed by China's “iron rice bowl” system of cradle-to-grave benefits, including health care. As part of this objective, the government has substantially reduced its involvement in the health care system and has essentially sought to privatize health care (or make it the responsibility of local governments to run programs on their own). Workers are now encouraged to obtain health care insurance on their own, and many hospitals, clinics, and health care workers operate on a for profit basis. This policy has led to a severe decline in the availability of affordable health care for a large portion of China's population, particularly those living in rural areas. It is estimated that in 1978, about 20% of the national health budget was spent on rural areas, but this figure had been slashed to 4% by the mid 1990s.<sup>55</sup> Today, it is estimated that less than one-tenth of China's 900 million rural population have any form of health insurance. It is often said in rural China that the fastest way to fall into poverty is to see a doctor. Many individuals needing health care either avoid it

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<sup>52</sup> The World Bank. *China 2020: Financing Health Care*, 1997, p.1.

<sup>53</sup> Ibid.

<sup>54</sup> As a result, a significant portion of the population no longer works for government-run enterprises, but instead are employed by privately-owned firms or foreign-invested companies in China.

<sup>55</sup> *China's HIV Crisis*, by Bates Gill, Jennifer Chang and Sarah Palmer, Foreign Affairs, March/April 2002.

because they can't afford it or end up having to liquidate their entire family's assets to pay their medical bills.<sup>56</sup> An investigation sponsored by the Chinese Ministry of Health found that in 1993, 59% of patients in rural areas refused to be hospitalized for proper treatment because their families could not afford to pay for the service; by 1998 that rate climbed to 65%.<sup>57</sup> The central government has sought to control rising medical costs by putting mandatory price controls on certain procedures. However, in order to make up for financial losses resulting from these controls (and to earn a profit), hospitals and clinics often order expensive medical tests and drugs for their patients.

These conditions became particularly troublesome to PRC policymakers in their efforts to contain the spread of SARS: they feared that individuals infected with SARS would avoid seeking medical care because of concerns over costs and therefore would quickly spread the disease across the country. As a result, the government pledged to provide free medical care to all those infected with SARS who could not afford it. The SARS epidemic ultimately may give an added boost to plans that reportedly have been underway by the PRC government since October 2002 to establish basic health care insurance for the rural population and to develop new schemes for attracting funding and trained personnel for medical care facilities in rural areas.<sup>58</sup>

## SARS and Avian Flu in 2004

Some policy observers suggest that a number of PRC actions and decisions in the past year illustrate that the government has made significant policy changes since the 2003 SARS outbreak. The PRC government was seen to be trying to address the more egregious weaknesses the crisis revealed about the nation's health care system. In early May 2003, the Chinese Center for Disease Control and Prevention (CCDCP) announced it would establish a National SARS Reporting System, using high-performance computer servers donated by Sun Microsystems, a U.S. company, to greatly improve Beijing's ability to monitor and analyze cases of SARS and presumably other diseases.<sup>59</sup> The new reporting system went into operation on November 5, 2003, initially connecting 13,000 provincial and county hospitals to a single SARS medical information center. According to a statement issued then by Li Liming, the CCDPC Director, up to 20,000 users will eventually have access.<sup>60</sup>

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<sup>56</sup> According to the *International Herald Tribune* (May 8, 2003), Chinese hospitals typically charge a \$250 admission fee, an amount equivalent to the annual income of most rural workers.

<sup>57</sup> *Business Daily Update*, June 10, 2003.

<sup>58</sup> The new policy on rural health care was developed by the Chinese Communist Party Central Committee and the State Council in its documents on "Strengthening Rural Health Work."

<sup>59</sup> Beijing *Zhongguo Xinwen She* in Chinese, May 9, 2003, in FBIS, May 11, 2003, CPP20030514000223.

<sup>60</sup> "SARS Reporting System Begins," in *The Asian Wall Street Journal*, November 7, 2003, (continued...)

Some maintain that PRC decisions and actions early in 2004 also suggest that a new if limited appreciation for transparency and accountability in government has begun to influence Beijing's decisions. In January 2004, the PRC Ministry of Public Security announced that, in order "to promote transparency of police affairs," local and provincial police departments must begin to hold regular press conferences and must file immediate media reports as events of public interest occur.<sup>61</sup> The PRC government duly announced the emergence and confirmation of new SARS cases in January 2004 — the first in China since spring of 2003. In Guangdong, where the first new case appeared, provincial officials immediately ordered the extermination of the province's 10,000 captive civet cats — a dinner table delicacy in southern China and suspected animal source of the SARS virus. The PRC government also approved and solicited volunteers for human trials of a new experimental SARS vaccine developed by PRC doctors.<sup>62</sup>

But other observers have been more critical of the PRC government and maintain that the lessons learned after SARS are not pervasive. They see significance in the fact that PRC officials quickly lifted a brief ban on the sale for food of exotic animals — thought to be transmitters of SARS to humans — once again sending the animals into the food chain.<sup>63</sup> They point out that less than a week after the Ministry of Public Security mandated police departments to hold press conferences and issue media reports on matters of public interest, police detained and held for questioning employees of a PRC newspaper that was the first to report on the new SARS cases.<sup>64</sup> But critics see special cause for concern in the PRC's classically secretive response to a new and deadly outbreak of avian flu in Asia in January 2004.

**Avian Flu.** In 1997, an avian flu virus in Hong Kong's domesticated poultry population for the first time jumped directly from its traditional animal species to humans, infecting eighteen people in the territory and killing six. The Hong Kong government responded aggressively, in three days exterminating its entire poultry population of 1.5 million birds. Isolated outbreaks of human infection from avian flu have recurred annually since then.

By January 2004, it became evident that another avian flu outbreak was occurring throughout Asia, but on a much wider scale. Appearing nearly simultaneously in multiple Asian countries, the outbreak of the deadly "H5N1" avian flu virus already had led to 11 human fatalities by January 29, 2004, raising fears that the virus could become a global disaster if it adapted sufficiently to spread through

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<sup>60</sup> (...continued)

p. A4, citing a report in *The China Daily*.

<sup>61</sup> The decision was announced on January 2, 2004.

<sup>62</sup> The trials were announced on January 19, 2004.

<sup>63</sup> The PRC's State Forestry Administration issued a circular on August 23, 2003, once again permitting the sale of such animals for food as long as they were farmed-raised and not caught in the wild.

<sup>64</sup> According to a report in *The New York Times*, PRC police detained employees of *Southern Metropolis Daily*, the first paper to report on the new SARS cases, on January 6, 2004 — 4 days after the January 2, 2004 the Ministry of Public Security announcement.

human contact. On January 27, 2004, a WHO official stated that a “staggering” number of birds, both migratory and domestic, were infected with the virus in at least 10 Asian countries.<sup>65</sup> By late January 2004, Thailand alone had exterminated more than 10 million chickens.<sup>66</sup> On January 27, 2004, the PRC became the tenth country to acknowledge ongoing outbreaks of avian flu within its borders. PRC officials confirmed three outbreaks: flocks of ducks in Guangxi Province; ducks in Hunan Province; and chickens in Hubei Province.

Some critics have seen the PRC’s initial actions in the avian flu outbreak as a return to the secretive methods used in the early 2003 SARS outbreak in China. As in the 2003 SARS outbreak, they say, PRC officials denied any avian flu outbreak for months despite anecdotal reports to the contrary. On January 29, 2004, an official from a global organization monitoring animal disease outbreaks said that it had been pressing Asian governments since November 2003 for information on reports of avian flu, and that it had received no reports from the PRC.<sup>67</sup>

## Policy Implications

Much international speculation has occurred since the 2002-2003 SARS outbreak about the longer-term implications that this crisis, the avian flu outbreak, and others like it may have for the PRC and the Chinese Communist Party. One view is that the initial SARS crisis was a decisive event in the PRC that is likely to have lasting longer-term consequences for the government and the party. Less certain is what those projected consequences will be, and what lessons PRC leaders have learned. Some observers believe that the Party will be able to reinterpret the SARS or avian flu outbreaks so that any leadership failings will be edited out of the collective memory. Observers of the PRC scene will be following closely a number of key areas where the official government’s reaction to emerging health crises could offer clues to future governance and policy in the PRC.

**For the PRC.** In previous years there have been other known crises involving leadership cover-ups and government failings, the blame for which has been largely contained at the local or regional level. These cases have included mass food-poisonings (both accidental and deliberate), contaminated milk for school children, fireworks factory explosions, mining disasters, and other instances involving official malfeasance, incompetence, or poor judgement. Given the nature and extent of the SARS crisis, however, Communist Party and central government officials were forced publicly to make fuller disclosure, and in doing so to embrace several radical

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<sup>65</sup> As of January 29, 2004, infected countries reported by WHO were: South Korea, Vietnam, Japan, Taiwan, Thailand, Cambodia, Hong Kong, Laos, Pakistan, China, and Indonesia.

<sup>66</sup> Sipress, Alan, “Strategy on bird flu has human risks, officials say; lack of safeguards in poultry slaughter may help alter virus,” *The Washington Post*, January 28, 2004, p. A15.

<sup>67</sup> Mallet, Victor, “Culture of secrecy blamed for flu’s spread,” in *Financial Times*, January 29, 2004, p. 13. The information was attributed to Alex Thiermann, an official from the Paris-based World Organization for Animal Health (OIE), of which the PRC is a member.

concepts they had not addressed before: the right of the public to know about information that directly concerns their daily lives, and the need for government to hold officials accountable for their mistakes and failings. Neither concept has been an endemic feature of PRC governance.

Some observers have speculated that because of this, SARS has sewn the seeds for longer-lasting changes in the way PRC officials operate. They point out, for example, that prior to the SARS outbreak, public officials and Party members lost their jobs generally for reasons of political rivalry or if they were involved in widely-known corruption scandals. In contrast, during the SARS outbreak two relatively senior officials were sacked for what amounted to poor job performance — for covering up SARS cases or mishandling the consequences of the outbreak in some way — and some reports suggested that hundreds of other low-level officials were fired.<sup>68</sup> The implication is that public expectations for competence and accountability in government may have been raised to a new level by the SARS crisis, and that the government will be forced by those expectations to be more forthcoming in the future. They see an example of this greater accountability in the public announcement by Beijing in May 2003 that 70 sailors had died in an accident aboard a PRC submarine the previous month, at the height of the SARS outbreak. In the words of one PRC scholar commenting on the government's response to the submarine accident, "This whole [submarine] affair has been a breakthrough for openness."<sup>69</sup> The incident was the worst publicly acknowledged military accident in PRC history.

According to this viewpoint, there also is evidence that SARS may put pressure on PRC officials in the future to re-think the current restrictive definition of "state secret" that criminalizes the sharing of information about serious health epidemics. Already, some point out, the government appears to have realized that the system now in place provides key dis-incentives for sharing unpleasant information. To address this, in the wake of SARS, PRC judicial organs re-interpreted existing laws to make more explicit the requirement that public health officials should immediately disclose the existence of health threats.<sup>70</sup> According to reports, the central government also has been working on a "freedom of information act," expected to be enacted later in 2004, that will dramatically reduce government secrecy while

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<sup>68</sup> The Mayor of Beijing, Meng Xuenong, and the Minister of Health, Zhang Wenkang, were removed from their positions. The number of other officials who lost their jobs cited by *Vanguard Media Ltd.*, May 16, 2003.

<sup>69</sup> Pomfret, John, "Reports Show China Openness — Range of Details in Sub Accident Is Called 'Very Positive Thing,'" in *The Washington Post*, May 7, 2003, p. A4. The *Post* article quoted Shen Dingli, a PRC security expert at Fudan University in Shanghai.

<sup>70</sup> According to the "Interpretation on Several Issues Concerning Laws Applicable to the Trying of Criminal Cases Involving hampering the Prevention and Control of Unexpected Epidemics of Communicable Diseases." Promulgated on May 14, 2003, by the Supreme People's Court and the Supreme People's Procuratorate. Cited in *Xinhua Domestic Service* in Chinese, May 16, 2003.

empowering the public to obtain more information and requiring governments to disclose what information the government has.<sup>71</sup>

But other observers are less optimistic that the sacking of high-level officials during the SARS outbreak suggests a change in the perception of official accountability, pointing out that senior officials have been sacked before in the PRC for political reasons.<sup>72</sup> Some dismiss the publicity surrounding the submarine accident as a matter of official self-defense, judging that PRC leaders may have felt they could not afford to be “scooped” a second time by the international media. Further, some observers maintain that while the SARS experience might prompt some PRC leaders to argue for more political transparency, it may reinforce for others the utility of more heavy-handed tactics such as quarantines and arrests for “rumor-mongering.” They say that officials appear less likely to have opted for openness in addressing the current avian flu outbreak in 2004, perhaps because the outbreaks are still isolated enough as to lead officials to expect they can control information flow.

Critics also are especially troubled that in the immediate aftermath of the 2002-2003 SARS outbreak, official PRC media revealed that there were 107 cases in which Public Security Organs investigated and punished people for “spreading rumors” about SARS through the Internet and mobile phone text messages.<sup>73</sup> In addition, critics say that another judicial re-interpretation in May 2003 contains one of the more draconian measures to come out of the SARS crisis — a provision that anyone intentionally spreading a dangerous disease could be subject to life imprisonment or to the death penalty in the future.<sup>74</sup> These observers see this as evidence that the official response to crises was not changed all that much by SARS, and they fear that such punitive responses will also prevail in the avian flu case and in other potentially dire public health threats.

Finally, the SARS epidemic appears to have focused new attention on a domestic political debate in the PRC over the wisdom of a long-standing basic policy (begun by Deng Xiaoping and closely associated with the Jiang Zemin faction) that economic growth is the highest national priority and must be pursued at any cost. The weaknesses that SARS revealed about the poor health care system in the PRC appeared to reinforce those who argue that the country can no longer postpone the

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<sup>71</sup> According to an interview with one of the proposal’s drafters, “The right to know,” in *The Economist*, October 25, 2003.

<sup>72</sup> In 1989, reformist Party Secretary Zhao Ziyang was removed from his post in conjunction with the Tiananmen Square demonstrations. His predecessor, Hu Yaobang, was forced to resign in 1987 as a result of student demonstrations in support of democracy.

<sup>73</sup> Wang Leiming and Wu Huanqing, “Chinese Public Security Organs Have Ferreted Out 107 Cases of Fabricating and Spreading ‘SARS’ Rumors,” in *Xinhua Asia-Pacific Service* in Chinese, May 8, 2003, cited in FBIS, May 8, 2003, CPP20030508000227.

<sup>74</sup> According to an interpretation by Supreme People’s Court and the Supreme People’s Procuratorate on May 14, 2003: “Those who intentionally spread sudden contagious disease pathogens endangering public security...will be sentenced to more than 10 years’ imprisonment, life imprisonment, or death.” Cited in Beijing *Xinhua Domestic Service* in Chinese, May 14, 2003, Translated in FBIS on May 15, 2003, CPP20030515000124.

development of important public infrastructures, such as public health care, hygiene, and education, for the sake of pursuing continued rapid economic development. Such a debate is likely to grow in the presence of avian flu, which involves massive potential economic costs to the PRC's poultry industry.

**For Hong Kong.** One potentially far-reaching implication of the 2003 SARS crisis involves Hong Kong, the former British colony now under PRC sovereignty. Hong Kong struggled with its own deadly SARS outbreak in the first half of 2003, and it has considerable experience with the avian flu virus.<sup>75</sup> Under Sino-British agreements reached in the 1980s, Hong Kong was granted autonomy to run its own affairs without PRC interference.<sup>76</sup> While the initial political transition has gone smoothly, Hong Kong's relationship with its new sovereign remains uneasy. Cynics about the PRC's promises of autonomy claim that Beijing is subtly interfering in Hong Kong's affairs, mainly by assuring that political pluralism is artificially restricted. Such views, combined with Hong Kong's unique political situation, place special strains on Hong Kong and PRC government officials. The addition of SARS to Hong Kong's political and economy troubles in 2003, for instance, worsened the already low approval rating of C. H. Tung, Hong Kong's Beijing-approved Chief Executive, which then reflected poorly on Beijing. Some say these Hong Kong sentiments were a key factor prompting massive numbers of Hong Kong citizens to become more politically active in mid-2003 and into 2004.<sup>77</sup> Many felt that the SARS crisis emphasized the different approaches of the two governments — the PRC's secretiveness and Hong Kong's openness — and claimed that this emphasized the importance of Hong Kong autonomy.

Other Hong Kong observers attributed the early lack of information on SARS directly to Hong Kong's special political circumstances, saying that "contact has been deliberately kept to a minimum, mostly to protect Hong Kong's political independence."<sup>78</sup> These restrictions made it easier for PRC officials to not communicate with Hong Kong on the extent of the SARS outbreak. The remedy, they claimed, would be to facilitate communications and lower barriers to bring Beijing and Hong Kong, closer together.

**For Taiwan.** With its own cases of SARS in 2003 and avian flu in 2004, Taiwan sees emerging health crises in Asia as having broader political ramifications for its international position and for its relations with Beijing. The PRC continues to block Taiwan's bid to join the WHO. Without separate membership in WHO, Taiwan has no official access to international disease eradication efforts or sources

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<sup>75</sup> Hong Kong was returned to Chinese sovereignty on July 1, 1997.

<sup>76</sup> Under the *Sino-British Joint Declaration on the Question of Hong Kong*, initialed on September 26, 1984, ratified on May 27, 1985.

<sup>77</sup> Hong Kongers marched in June 2003 to protest new legislation proposed by Chief Executive Tung and strongly favored by Beijing. Beginning in July 2003, hundreds of thousands in Hong Kong marched in demonstrations to protest new anti-secession laws proposed by the Hong Kong government.

<sup>78</sup> Ni Ching-ching, "Hong Kong's Unhealthy Relationship With the Mainland," in *L.A. Times*, April 9, 2003, p. A23.



of information.<sup>79</sup> Even as the SARS crisis was underway, for example, PRC leaders continued to block any international effort to give Taiwan unofficial “observer” status in the WHO, claiming that Taiwan is a part of China and thus does not legally qualify for any separate or independent status in the WHO.<sup>80</sup> PRC authorities did consent to a WHO team visit to Taiwan to investigate SARS early in May 2003, and the PRC raised no objections when Taiwan scientists were invited to attend a two-day WHO SARS conference in Kuala Lumpur on June 17-18, 2003. But generally, the PRC continues to insist that any Taiwan health official wishing to take advantage of WHO’s medical expertise should do so only as part of a PRC delegation.

Some feel that the PRC’s objection to WHO help for Taiwan allowed Taiwan’s President, Chen Shui-bian, to gain political mileage for his ongoing reelection campaign by claiming that the PRC didn’t care about the health of the 23 million people on Taiwan.<sup>81</sup> In addition, Beijing’s own cover-up of SARS and its initial reluctance to ask for WHO assistance appeared to weaken the long-standing argument of Chinese leaders that the PRC can responsibly represent Taiwan’s health interests in the WHO. Finally, the fatality rates associated with the 2003 SARS outbreak, the recurrence of the disease in 2004, and the implications of the 2004 avian flu outbreak appear likely to reinforce the already strong support of U.S. Members of Congress for Taiwan’s WHO membership.

## Implications for U.S. Policy

U.S. foreign policy specialists are confronting the lingering political and economic consequences that global health crises in the PRC could have for U.S. policy and for U.S.-China relations. The 2003 SARS outbreak and the emerging 2004 avian flu outbreak demonstrate that increasing pressures are working on the authoritarian PRC system, pressures involving greater public demand for information; increasing government vulnerability to domestic and international opinion; the PRC’s growing “buy-in” into the international system; and the continually closer link between all these things and the PRC’s predominant goal of rapid economic growth.

Some American observers believe that new public demands in the PRC are likely to emphasize funding for domestic social services — public health, the quality of medical care, education, and other programs — and could lead to a lesser emphasis on military spending. Some in this group also see the crisis as having reinforced for PRC leaders the importance of communication, cooperation, and

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<sup>79</sup> For much of the SARS crisis, the U.S. CDC served as Taiwan’s liaison with the WHO and the international medical effort against the disease.

<sup>80</sup> On May 14, 2003, WHO began a ten-day meeting of its General Assembly in Geneva, at which the United States was prepared to support Taiwan’s bid — its seventh such attempt — to gain WHO observer status. Because of PRC opposition, WHO member countries elected not to place the matter of Taiwan’s participation on the meeting’s agenda.

<sup>81</sup> Vatikiotis, Michael. Kaufman, Jonathan. and Dean, Jason, “Chen Shui-Bian: Political Pugilist — The Outspoken President of Taiwan Takes Aim at the New Leaders in Beijing...” in *Far Eastern Economic Review*, July 31, 2003, p. 16.

transparency in confronting issues that transcend national borders, and they view these reinforcements to be in U.S. interests. They suggest that new opportunities have arisen for governmental and private-sector Sino-U.S. cooperation — in areas such as medical research, public health services, technological database creation — and that the U.S. government should encourage and facilitate these exchanges as a matter of policy. For these observers, the glass is half full.

For another group of observers, the glass is half empty. This group points out that the initial inclination of PRC leaders, both in the SARS crisis and the emerging avian flu outbreak, was to be secretive and heavy-handed, and that only by a combination of extraordinary circumstances and pressures did the PRC opt for greater openness. They focus on the harsh aspects of the PRC's response — the arrests for disseminating information, the imprisonments for “rumor-mongering,” the central government's swift crackdown on the media. They also find concern in the more fragile aspects of the PRC's response — the inability to inspire public confidence or limit the disease's spread by more effective control of population movements. They find fault with the PRC government's instinct for self-protection and non-disclosure, which they say increased the risk to other countries and proved that the PRC is not a “good neighbor.” The United States, they say, should remain wary of PRC motivations and cautious in dealing with PRC leaders.

## Chronology

- 01/20/03** — A team of health experts from Beijing arrived in Guangzhou to investigate reports of a mysterious flu-like illness.
- 02/09/03** — A second team of health experts from Beijing was sent to Guangzhou. Meanwhile, reports of a mystery killer flu-like disease began circulating on unofficial Chinese internet sites and through cell-phone text messages.
- 02/11/03** — The first official public mention of a respiratory illness outbreak. The Guangdong Provincial Health Bureau held an unprecedented press conference to say that an “atypical pneumonia” had swept the province in late 2002 and early 2003, killing 5 and sickening 305. Guangdong media began extensive reporting on the illness.
- 02/12/03** — The official Xinhua News Agency announced that the flu outbreak in Guangdong had been “brought under control.” This remained the official PRC story through mid-March 2003. But unofficial reports continued to circulate that people were getting ill.
- 02/18/03** — The PRC's Center for Disease Control and Prevention announced that it had identified chlamydia as the cause of the mysterious illness.
- 02/23/03** — The Guangdong party secretary again banned the media from reporting on the pneumonia outbreak.
- 03/10/03** — The Chinese government first asked WHO for help in identifying the cause of the Guangdong atypical pneumonia outbreak.
- 03/12/03** — WHO issued a global health alert following new outbreaks of an “atypical pneumonia” in Vietnam and Hong Kong.
- 03/15/03** — WHO issued a rare emergency travel advisory for the illness it now referred to as SARS. While issuing no travel restrictions, WHO said that the spread of SARS to Canada, Singapore, and Europe made it

- a “global health threat.” The PRC government began providing WHO with the first sketchy information about the earlier outbreak in Guangdong.
- 03/23/03** — A team of WHO experts arrived in Beijing hoping to investigate the SARS outbreak in Guangdong that the Chinese government said had died out by itself after sickening 305 and killing 5.
- 03/24/03** — Scientists at the Atlanta Centers for Disease Control (CDC) announced they suspected that the SARS virus was a brand new coronavirus, previously unknown in either humans or animals.
- 03/27/03** — WHO issued new SARS-related guidelines for travelers, recommending screening of air passengers departing from affected areas.
- 03/27/03** — PRC officials admitted that more people in Guangdong had contracted SARS than had been previously revealed. The new figures were more than 800 had become infected and 34 had died, including 3 in Beijing — the first official admission that the disease had spread beyond Guangdong.
- 04/01/03** — Chinese officials began to issue daily — rather than monthly — reports to WHO on the SARS outbreak.
- 04/02/03** — The PRC government first allowed WHO investigators to go to Guangdong to investigate the earlier SARS outbreak, and state-run media began to report on instances of SARS. WHO began recommending that people postpone non-essential travel to Guangdong Province and to Hong Kong.
- 04/03/03** — In his first news conference since the SARS outbreak, PRC Health Minister Zhang Wenkang disputed the WHO travel advisory to China and denied the PRC government had delayed releasing information to the public about SARS.
- 04/04/03** — U.S. Health and Human Services Secretary Tommy Thompson reported that PRC Health Minister Zhang Wenkang had pledged increased cooperation with the United States to combat SARS.
- 04/04/03** — The U.S. Government suspended U.S. Navy ship visits to Hong Kong and Singapore because of concern about SARS transmission.
- 04/04/03** — Speaking at a news conference, Li Liming, director of the PRC’s Center for Disease Control issued an unprecedented public apology for failing to inform that public about the emerging SARS crisis.
- 04/09/03** — A letter written by Dr. Jiang Yanyong, a prominent semi-retired Beijing surgeon, disclosed that the PRC government was seriously under-reporting cases of SARS in Beijing.
- 04/11/03** — Party Secretary Hu Jintao went to Guangdong to visit SARS infected areas.
- 04/13/03** — Premier Wen Jiabao, presiding over a special PRC State Council meeting devoted to the SARS crisis, acknowledged for the first time that the illness was a “grave” crisis for China and was continuing to spread.
- 04/14/03** — The U.S. Centers for Disease Control announced they had independently deciphered the SARS virus genetic blueprint, and it was virtually identical to the SARS genetic blueprint revealed the previous day by Canadian researchers.

- 04/17/03 — WHO officials told PRC officials they did not trust the Beijing city government's reported SARS figure of 37 cases, noting that this figure excluded SARS patients in military-run hospitals or unconfirmed cases. The *New York Times* quoted one WHO expert as saying that the real number in Beijing more likely was "in the 100-to-200 range now."
- 04/17/03 — PRC leaders held a special Politburo meeting on the SARS crisis at which decisions reportedly were made to stop covering up the extent of the disease in China.
- 04/18/03 — PRC daily newspapers reported that President Hu Jintao had ordered all Party and government entities to launch a campaign against SARS. Premier Wen Jiabao publicly threatened dire consequences for any government official that did not quickly disclose SARS cases.
- 04/19/03 — *The Washington Post* reported Chinese doctors were disclosing that the previous week, on orders by the Beijing city government, authorities had physically moved more than 70 SARS patients out of hospitals to prevent WHO medical teams from finding them. The annual Canton Trade Fair in southern Guangdong Province was cut short having produced only \$3.31 billion in signed contracts, less than 20% of the previous year's total.
- 04/20/03 — PRC officials held a nationally televised press conference to offer a public apology, admitting that SARS cases in Beijing had been under-reported and that there were 339 confirmed cases and another 402 suspected cases in Beijing, not 37 confirmed cases as previously stated. PRC leaders also fired two senior officials for covering up the extent of the crisis — the first in a series of such firings — and announced that a national week-long May holiday would be reduced to one day to deter travel.
- 04/20/03 — PRC state news media announced that Health Minister Zhang Wenkang and Beijing Mayor Meng Xuenong had been stripped of their Party posts.
- 04/21/03 — Liu Qi, Beijing's Communist Party Secretary and a Politburo member, publicly apologized for his "leadership failure" in handling the SARS crisis. Chinese newspapers, up to now muzzled by PRC leaders, suddenly began extensive reporting on SARS.
- 04/22/03 — The Beijing school board announced that all schools in the city would be closed for two weeks beginning April 24.
- 04/23/03 — WHO expanded its April 2 travel advisory to include non-essential travel to Beijing, Shaanxi Province, and Toronto, Canada.
- 04/24/03 — According to *The Washington Post*, the State Council announced it was budgeting \$2.5 billion to help the poor pay for SARS treatment.
- 04/26/03 — According to news reports, President George Bush initiated a call to President Hu Jintao to offer U.S. support and assistance in fighting the SARS outbreak.
- 04/27/03 — Taiwan banned entry to citizens from the PRC, Hong Kong, Canada, and Singapore, and announced that Taiwan citizens returning home from those countries must be quarantined for ten days.
- 04/27/03 — Residents of Chagugang, near Tianjin, vandalized a school being turned into an observation ward for people exposed to SARS patients.

- The government cancelled the project because of the strenuous opposition.
- 04/28/03** — *The Asian Wall St. Journal* reported that Wu Yi had been named the PRC's new Minister of Health. WHO declared that the SARS outbreak had been contained in Vietnam and had peaked in Toronto, Singapore, and Hong Kong.
- 04/29/03** — WHO officials criticized the PRC government for continuing to be unforthcoming with further details about the Beijing SARS cases, including locations of patients and how they were infected. Beijing authorities reported over 1,100 confirmed SARS cases in the city, and that SARS outbreaks had now extended to 26 of the PRC's 31 provinces. The Beijing city government ordered the emergency closure of movie theaters, discos, churches, and other public places in the city.
- 04/29/03** — At the invitation of the Thai government, Premier Wen Jiabao was invited to join leaders from the ten-member Association of Southeast Asian Nations (ASEAN) in an emergency summit meeting in Bangkok on the SARS crisis, agreeing to establish a regional information-sharing network. The PRC is not an ASEAN member.
- 04/30/03** — *The Asian Wall St. Journal* reported that more than 100 PRC scholars had signed an Internet petition urging the government to honor its pledge to pay for SARS treatment for those unable to afford it. Liu Qi, a member of the Politburo, inspected Xiaotangshan, a new emergency facility Beijing was hastily building specifically to treat SARS patients.
- 05/01/03** — The PRC halted trading at the Shanghai and Shenzhen stock exchanges because of SARS.
- 05/03/03** — Under heavy international pressure, the PRC broke precedent and agreed to allow a WHO mission to Taiwan — not a WHO member — to help authorities there combat the SARS outbreak.
- 05/03/03** — The world soccer association announced that because of SARS, it was moving the Women's World Cup tournament, scheduled to be hosted by China from September 23-October 11, 2003, to the United States. As compensation, China was promised the 2007 quadrennial event.
- 05/05/03** — The Hong Kong Government announced it would establish a special regional medical surveillance center to monitor future disease outbreaks, and that it would ask for cooperation from Guangdong Province.
- 05/06/03** — U.S. Secretary of Health and Human Services Tommy Thompson spoke by phone with PRC Health Minister Wu Yi on further U.S.-China cooperation on SARS.
- 05/08/03** — WHO further expanded its April 2 and April 23 travel advisories, now recommending that people also postpone non-essential travel to Taiwan and to Tianjin and Inner Mongolia in China. Also, the U.S. Centers for Disease Control (CDC) issued a travel advisory for mainland China.
- 05/08/03** — U.S. Ambassador to China Clark Randt announced a donation of \$500,000 to the Chinese Red Cross to help purchase medical supplies to help combat SARS.

- 05/14/03 — According to the *Washington Post*, state-run PRC newspapers published a government decree threatening criminal punishments for government and health officials who delayed or falsified reporting on SARS statistics.
- 05/16/03 — The *Associated Press* reported that China's Supreme People's Court had said that those "deliberately spreading" SARS "might be executed."
- 05/17/03 — WHO announced a travel advisory for Hebei Province in China.
- 05/21/03 — The CDC issued a travel advisory for Taiwan.
- 05/23/03 — WHO lifted travel advisories for Hong Kong and Guangdong Province, China, saying "the outbreaks in Guangdong and in Hong Kong are being contained." WHO advisories for other areas in China remained in place.
- 06/01/03 — A Chinese language Hong Kong Journal (*Hong Kong Chien Shao*) carried a translation of what it said was a "top secret" PLA military circular, "Central Military Commission and PLA General Political Department Issue Urgent Circular on Fighting Atypical Pneumonia (Top Secret)." According to the journal, the circular equated the fight against SARS with "the high plane of life and death of our party...."
- 06/04/03 — The CDC downgraded its previous travel advisory to Hong Kong to a travel alert — grounds for health concerns, but not a caution against travel.
- 11/05/03 — The PRC began a National Reporting System on SARS with the goal of linking the nation's medical facilities to a single SARS information center.
- 12/01/03 — Premier Wen Jiabao was shown on PRC television comforting AIDS patients and promising government support. This was the first AIDS related public appearance of a senior PRC leader and suggested that the government's near-total reluctance to acknowledge AIDS may be ending. The Premier also promised that the government would provide AIDS drugs free of charge to anyone who needed them. Experts estimate that 1 million people in the PRC are infected with AIDS. (*New York Times*, p. 11)
- 12/23/03 — While conducting drilling operations in the municipality of Chongqing in southwest China, employees of the China National Petroleum Corporation (CNPC) triggered a gas well blowout, sending toxic vapors over a ten-square mile area and killing more than 230 people. Less than 2 weeks later, PRC investigators from the State Administration of Work Safety accused CNPC of safety violations and threatened to take legal action.
- 01/02/04 — In a move "to promote transparency of police affairs," the PRC Ministry of Public Security announced that national, provincial, and local-level police departments must begin to hold regular news conferences and file "immediate media reports" on events of public interest. According to the new policy, all police departments around the country must hold their first news conference prior to January 22, 2004, and regularly thereafter.
- 01/05/04 — The PRC's foremost SARS expert, Director of the Guangzhou Institute of Respiratory Diseases Zhong Nanshan, confirmed that a Guangdong man suspected of having contracted SARS several weeks

- ago did have the disease. In response, Guangdong officials ordered the extermination of the province's 10,000 captive civet cats, which some feel is the animal source of the disease.
- 01/07/04** — According to the *New York Times*, police had detained and held for questioning the editor and several employees of *Southern Metropolis Daily*, a PRC newspaper that first reported on the new SARS cases.
- 01/12/04** — *The New York Times* reported that PRC authorities were investigating a new possible case of SARS in Guangdong.
- 01/19/04** — The PRC government announced approval for doctors to begin human trials for a new SARS vaccine. The same day, the Communist Party announced an immediate initiative to improve workplace safety throughout the PRC.
- 01/27/04** — After months of official denials in the face of unsubstantiated reports that avian flu had hit China, the PRC became the tenth Asian country to acknowledge presence of the virus. Officials confirmed 3 outbreaks: flocks of ducks in Guangxi province; ducks in Hunan Province; and chickens in Hubei Province.
- 01/29/04** — Chinese Vice-Agricultural Minister Qi Jingfa said suspicions that China was the origin of the avian flu outbreak were "a groundless guess."
- 01/30/04** — China's official news agency reported avian flu outbreaks in 3 additional locations: Anhui Province, the city of Shanghai, and Guangdong Province. To date, China has reported no human cases of avian flu. According to the Los Angeles Times, in addition to the PRC's Ministry of Health, which benefitted from the experience of dealing with SARS in 2002-2003, the PRC's Farm Bureau, inexperienced in battling a health crisis, was also playing a role in dealing with avian flu.
- 02/04/04** — A report in the *Asian Wall St. Journal* warned that the effects of avian flu on China's domestic poultry business could result in substantial cuts in Chinese soy product imports. According to the report, 40% of the PRC's soy imports come from the United States.
- 02/03/04** — The United Nations Food and Agricultural Organization and the World Organization for Animal Health held an emergency meeting in Rome to discuss the avian flu outbreak in Asia.
- 02/08/04** — China announced newly confirmed cases of avian flu in poultry in six provinces: Hubei, Shaanxi, Gansu, Hunan, Guangdong, and Zhejiang.
- 02/09/04** — China and other Asian countries banned poultry imports from the United States following an avian flu outbreak in poultry in Delaware. U.S. officials said the Delaware flu strain (H7) is milder than the Asian strain.