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China's tentative steps towards preventing another pandemic
Beijing walks a fine line between admitting fault and rectifying the suspected root causes of the pandemic
Just over one year ago, news first began to filter about a contagious disease circulating through the **Chinese** city of Wuhan. While nobody knows for sure, experts believe that COVID19 likely originated from wet markets. Chinese policymakers have been acutely aware that acting too vigorously could be construed as an admission of responsibility for triggering the pandemic. This dynamic has potentially diluted the effectiveness of the response.

On 24 February 2020, China's top legislative body – the National People's Congress – enacted a sweeping ban on eating wild animals, which was rapidly followed with similar actions from provincial and local legislatures. However, ambitious measures have been met with pushback from influential agricultural industry groups.

The politics of COVID19 has been another impediment. Paramount leader **Xi Jinping** was in **Myanmar** and neighbouring Yunnan province during some of the crucial early days of the pandemic. Acknowledging that the virus originated in China in late December 2019 would thus amount to a significant loss of face for the Chinese leadership. Critics allege that this is why the WHO waited until Xi was in full control of China's COVID19 response before declaring a global health emergency. As the virus raged overseas, an increasingly assertive China pivoted towards suggesting that COVID19 originated elsewhere. Tellingly, the WHO investigative team tasked with tracing the origins of the virus has only just been allowed to enter China.

The political climate has coloured the wildlife protection debate, with some claiming that clamping down on wet markets would be tantamount to "pleading guilty" to causing the pandemic. What Beijing ultimately does to address the way humans interact with wild animals will have a significant bearing on the world's ability to prevent future pandemics.

Recent diplomatic deals may stoke much-needed investment in the GCC
Spike in tourism and FDI may follow in the wake of regional diplomatic breakthroughs
The easing of the **Qatar** blockade and the signing of the Abraham Accords may have been partly driven by the Gulf's desperate need to attract foreign direct investment (FDI) and tourism inflows. The impact of the collapse in oil demand on the finances of petrostates like **Saudi Arabia** and the **United Arab Emirates** has been drastic. Saudi's oil revenues dropped by 33 percent whilst Abu Dhabi's contracted by 30 percent. The reopening of borders represents a potential influx of tourists to the region. That is good news for Dubai where tourism inflows typically account for 20 percent of GDP. Over 50,000 Israeli tourists have visited the UAE since relations were normalised – although this accounts for less than half a percent of the 16 million tourists that travelled to Dubai in 2019. Nonetheless, this is likely to have positive flow on effects to the services industry and real estate, which have been hit hard by the heavy restrictions imposed on international travel. The resumption of religious tourism inflows to Saudi from Qatar may also restore some lost non-oil revenue. Religious tourism typically contributes US$12 billion to the Saudi economy annually.

FDI in Saudi and the UAE has plummeted due to the economic dislocation caused by the pandemic. **Chinese** foreign direct investment (FDI) in Saudi was zero in 2020 compared with approximately US$1 billion worth of inflows in 2019. Total FDI has dropped to about 0.60 percent of GDP – well below Crown Prince Mohammed bin **Salman**'s Vision 2030 goal of 5.7 percent. FDI in Dubai contracted by 74 percent year-on-year in the first half of 2020 to US$3.3 billion. This steep drop was largely driven by the collapse in business and leisure travel, with knock-on effects for the banking sector, property prices and the services industry. COVID also resulted in the flight of expatriate workers, depressing demand further.

Competition to attract investment will be strong. The financial centres of the region – Dubai, Riyadh and Doha – are already making moves to incentivise investment. This is positive for businesses operating in the region as it may drive faster reforms. Importantly however, unresolved tensions between Qatar and the GCC may impede closer regional economic integration.

China's warning to those who abide by US sanctions
New measures will put some companies between a rock and a hard place
On 9 January, **China**'s Ministry of Commerce (MOFCOM) released a series of countermeasures aimed at discouraging compliance with **US** sanctions. The measures – set to take effect immediately – will give Chinese companies legal standing to seek damages in Chinese courts caused by business partners' adherence to US sanctions. The new law also allows the Chinese government to make it illegal to comply with US sanctions and to take retaliatory measures of its own.

The primary intent of the laws initially seems to have been to deter former President Trump from imposing additional extraterritorial sanctions on China – such as those imposed on Huawei. Under these sanctions, foreign – in addition to US – companies face punitive measures if they export US technology to Huawei without a licence. The MOC's countermeasures would thus appear to place **Taiwanese**, **Japanese** and **Korean** technology companies in a particularly difficult position, with potential implications for these countries' bilateral relations with the US. They also may pose difficulties for any foreign companies complying with the US Entity List – which again prohibits the export of US technology to any blacklisted company without a licence. With **President Biden** administration unlikely to simply roll-back Trump's sanctions, multinational corporations will continue to find themselves caught between competing sanctions regimes.

Biden appoints Kurt Campbell as Indo-Pacific point-man
The early signs are positive for US attempts to rebuild its regional relationships
President **Joe Biden** has appointed Kurt Campbell – the architect of former President Obama's Pivot to Asia – to be the Indo-Pacific coordinator at the National Security Council. Even if the Pivot was seen by some in the region as falling short in some areas, Campbell is generally a well-known and respected commodity. This will be welcome after the tumult of the Trump years. So too will be Biden's decision to stick with the Indo-Pacific moniker – which has been adopted by **ASEAN** and countries in the region – after some speculation that the concept would be ditched.

If his own public commentary is any guide, Campbell is also sympathetic to many of the grievances that allies and friendly nations had with Trump's Asia policy. Among other things, Campbell has criticised Trump's obsession with re-negotiating burden sharing costs with **Japan** and **South Korea**, recognised the simple reality that China will inevitably be an important part of Asia's future and acknowledged that nobody wants to choose between Beijing or Washington. While recognising military power as a crucial part of the US' overall toolkit, Campbell has also called for renewed diplomatic engagement in the region and crucially, US support for an "open trading system".

However, being sympathetic to the concerns of allies will mean little if Campbell is unable to deliver. Biden's foremost priority will be getting the US' own house in order, leaving limited funding, time and political capital available for foreign policy. The true test of Campbell will be whether he can find a way to deliver substantive policy changes within these constraining circumstances.

China's growing dominance in Southeast Asia's e-commerce industry
Increasing integration makes countering Chinese influence more challenging
The aggressive expansion strategies of Chinese tech behemoths have embedded **China** in the Southeast Asian digital payments market. Alibaba Group Holding and Tencent Holding have a stake in e-commerce companies in **Indonesia**, **Malaysia**, **Singapore**, **Myanmar**, **Thailand**, the **Philippines** and **Vietnam**. Simultaneously, the Chinese government is strengthening its presence in the private sector with moves afoot to require companies to codify a role for internal Chinese Communist Party (CCP) organisations. That may represent a risk to corporate governance outside of China, particularly when Chinese companies are majority shareholders. Alibaba for example, holds an 83 percent stake worth US$4 billion in **Singapore**'s Lazada Group which is active in most regional markets. Lazada Group's chief executive was replaced last year with a senior executive of Alibaba.

The danger that the CCP could hypothetically influence certain business decisions and have access to data across Southeast Asia will likely raise concerns in the **US**. Chinese tech companies were consistently in the crosshairs of the Trump administration. It will likely be difficult for President **Biden**'s administration to significantly diminish China's role in the region's tech sector. Local leaders have prioritised the creation of national tech champions and Chinese foreign investment is enabling local firms to broaden their offerings and grow internationally. The expansion of companies like Alibaba and Ant Group in countries beyond Chinese borders while the CCP establishes greater control over the private sector, may also make it increasingly difficult for the US to manage China's broader regional influence.