

# Why vaccines aren't the way out of zero-COVID

Despite perceptions from outside China, the country's mass-vaccination campaign has largely been a resounding success – even among the elderly population.

Need something?  
[hq@triviumchina.com](mailto:hq@triviumchina.com)

trivium

## Key takeaways

- Still, this success simply hasn't impacted the government's thinking around the zero-COVID policy.
- China's vaccination rate among its elderly population is extraordinarily high by international standards – standing at 85% of seniors fully vaccinated with a two-dose local jab.
- As such, blaming reluctant seniors for China's COVID-related caution – as even Chinese health officials have done – is a strawman.
- In reality, the currently available vaccines – both Chinese- and foreign-made – simply don't work well enough, at least in the eyes of Chinese officials, to enable any relaxation of the zero-COVID policy, no matter the vaccination rate.
- The scale of the pressure that would be applied to China's healthcare system and the aggregate number of fatalities that would result from an unchecked outbreak among a population of 1.4 billion people, protected only by China's domestic vaccines, is the real issue.
- What's more, there is no vaccine currently available on the international market that would meet the Party's standards. For all their benefits, Western mRNA vaccines do not prevent infection, which is what China would need to relax zero-COVID without risking an over-run of the healthcare system.
- Given that the health situation is unlikely ever to be perfect, the winding down of zero-COVID – if it ever comes – will have to be a political decision.
- Moreover, any change to the current COVID-containment policy will need to be preceded by a series of developments that all seem quite distant.
- Instead of tracking vaccination rates as a potential precursor to COVID policy relaxation, then, clients should watch for adjustments to the Party's official messaging around the virus as a first step to lay the groundwork for adjusting course.
- Once the messaging begins to shift, only then will a potential policy recalibration be on the horizon.

## China is vaccinated – but that's not good enough

Over the past year-plus, investors have carefully monitored the progress of the world's largest vaccine rollout in the hopes that significant progress would herald a relaxation of – or even a conclusion to – China's zero-COVID policy. Indeed, clients have regularly indicated over the past few months that they see a higher rate of vaccination, especially among the elderly population in China, as the fundamental precondition to a potential reopening of the country.

Unfortunately, in our view, all the attention on a high vaccination rate as the key to reopening is misplaced. That's partly because, overall, China's mass-vaccination campaign has so far been a resounding success – even among the elderly population – and yet, it hasn't led to any significant adjustment to the COVID containment program. As such, it is now clear to us that no specific level or rate of mass vaccination is likely to move the needle on zero-COVID – especially given the efficacy rate of existing vaccines, both in China and globally.

Investors should stop focusing on inoculation rates in China, including among the elderly, as a key metric for anticipating a change in China's pandemic policy. Additionally, investors should stop wondering if a vaccine mandate will eventually come to fruition. Officials won't pursue such a mandate, largely because they don't view the currently available vaccines (whether Chinese or foreign) as particularly effective. As such, a vaccine mandate would not obviate the need for the zero-Covid policy – which largely defeats the purpose of having a mandate to begin with. The upshot is that China's stringent zero-COVID policy is here to stay further into the future than most are anticipating – indeed, well into 2023, at least – regardless of the domestic vaccination rate, both generally and among the elderly.

## China's seniors already have a high vax rate

It is understandable that many analysts and observers are focused on a perceived low vaccination rate among China's senior citizens as the missing piece of the puzzle for a more sensible COVID policy. Indeed, Chinese policymakers, including the head epidemiologist at the CDC, have explicitly cited low elderly vaccination rates as one of the reasons for maintaining zero-COVID.

In reality, though, China's elderly population is not a real stumbling block for relaxing the country's tight COVID controls – and it hasn't been for some time. First, the vaccination rate among China's elderly population is extraordinarily high by international standards, so the excuse of blaming reluctant seniors for not getting the jab was largely a strawman to begin with. Here are some of the latest figures:

- At the end of July, 89.6% of people in China above 60 had been vaccinated with at least one dose of a COVID-19 vaccine.
- 84.7% had been fully vaccinated with two jabs.
- 67.3% had received at least one booster.
- Meanwhile, the overall vaccination rate in China is roughly 90%.

Granted, in a population of 1.4 billion, an 85% full-vaccination rate among the retired set still leaves a lot of unvaccinated seniors. However,

the general notion that the older population is excessively unvaccinated is incorrect.

More importantly, for Chinese officials, vaccination is a means to an end, not an end itself. The goal is to prevent mass illness, hospitalizations, and fatalities – and the issue for policymakers is that a high vaccination rate among seniors does not guarantee the accomplishment of the goal.

Indeed, one key issue is that Chinese officials do not consider existing vaccines – whether Chinese-produced or otherwise – particularly effective in stopping the spread of the virus. In fact, China's public health officials remain convinced that an unchecked national outbreak would result in millions of elderly (vaccinated or not) – not to mention tens of millions of the general population – flooding under-resourced hospitals.

The vast majority of these patients would likely experience only mild cases of the disease, not least because nearly all would be at least somewhat protected from the infection thanks to their vaccination status. However, the chaos that would ensue, and the number of fatalities that would still inevitably come to pass, represent an outcome that Beijing is unwilling to allow – especially given its insistence over the past two years that China's approach to containing the pandemic has been superior that of other countries, and is thus reflective of China's superior governance capability.

## **mRNA is not the way out, either**

Most scientists believe an 85-90% vaccination rate is enough to trigger some type of "herd immunity," and China has long since achieved that status. Unfortunately, the "immunity" availed by the existing generation of vaccines is simply not up to snuff.

China's policymakers are clearly convinced that China's homegrown inactivated vaccines do not provide sufficient protection for the population, especially seniors. Mathematically, they are probably correct – at least in terms of the scale of the pressure that would be applied to China's healthcare system and the aggregate number of fatalities that would result from an unchecked outbreak among a population of 1.4 billion people protected only by China's domestic vaccines, and with still very little community spread to provide "natural" immunity after having contracted the virus.

Unfortunately, no vaccine currently available on the international market would meet their standards of protection.

Metrics from North America and Europe have demonstrated that even the most advanced mRNA vaccines do not actually prevent COVID infections. Although those Western populations have garnered a great deal of benefit from the various mRNA inoculations, it is not the kind of comprehensive protection that Beijing is looking for. Even if 100% of the Chinese population got three doses of the Pfizer vaccine, the potential infection and death rate could still overrun Chinese hospitals and perhaps even degrade the legitimacy of the Party.

Indeed, no foreign mRNA vaccine has been approved in China, very likely because China's leaders are hesitant to promote another vaccination push – and especially if that effort would still leave the country in the thralls of the zero-COVID policy.

## Is the healthcare system really that vulnerable?

Let's do the math. According to China's health ministry (NHC), as of the end of 2021, China had 9,448,000 hospital beds, of which:

- 78.5% belong to formal hospitals
- 18.1% belong to community-based healthcare centers
- 3.2% belong to specialized healthcare facilities.

70.2% of these beds are in public (state-owned) hospitals, and 29.8% are in private hospitals.

There is no way to know how many infections would result if China scrapped zero-COVID and adopted a *laissez faire* attitude of "living with the virus" – akin to what now prevails in the US and other Western countries. But back-of-the-envelope calculations strongly suggest that Beijing is right to be worried.

According to [data](#) from the State of New York, as of September 2022, there had been over 2.2 million laboratory-confirmed breakthrough cases of COVID-19 among the fully vaccinated, which equals 16.5% of the fully-vaccinated population of the state. Of these, nearly 75,000 resulted in hospitalizations, which corresponds to 0.56% of the vaccinated population.

A hospitalization rate of 0.56% would be a catastrophe for China. Even if all 1.4 billion people had multiple jabs of an mRNA vaccine – which is what the population of New York received – that would still equate to 7.85 million hospitalizations, accounting for roughly 83% of China's existing hospital bed total. And, importantly, China's population has not received mRNA vaccines – they have received the somewhat less effective local varieties, which, if anything, would likely make the above estimates too conservative. Recall also that China's population has been instilled with a great deal of fear of COVID, thanks to sustained and persistent official messaging around the virus, and that cultural norms in China dictate a trip to the hospital for almost any minor health complaint. This all leads us – and apparently Chinese officials – to believe that even the fairly mild Omicron variant would likely result in tens of millions of hospital visits, a situation that could very quickly lead to social instability.

## No reason for a vaccine mandate

Many clients continue to wonder why China's leaders seem to embrace the pressure cooker risk of endless COVID lockdowns, but have been unwilling to roll out any kind of broad-based vaccine mandate. The answer should be obvious by now: a vaccine mandate, even if it produced 100% compliance, wouldn't accomplish very much in policymakers' view – at least in terms of stopping the spread of the virus. So why mandate a vaccine that won't really accomplish the goals China's leaders want to achieve? As we've highlighted, China is already overwhelmingly vaccinated, and a mandate carries the risk of inducing social unrest among China's hundred-million-plus unvaccinated population, without leading to any tangible benefit for society or the Party. Indeed, even with a nationwide vaccine mandate, zero-COVID would have to remain in place.

Additionally, despite the impression one may get from Western media, COVID lockdowns are relatively easy for the government to manage – at least from a social perspective. When local outbreaks occur, only a few million people need to be locked down at any given time. During these lockdowns, authorities only need to deal with resistance from that relatively small, contained cohort – while the vast majority of the citizenry carries on with their lives unaffected. Then, once the outbreak is dealt with, the government can declare victory, and everyone can return to normalcy for at least a little while.

A vaccine mandate, on the other hand, would generate resistance from tens of millions (if not more), lead to conspiracy theories and misinformation, reduce trust in government, and not actually change the status quo. As such, there is little to be gained and much to be lost, so a mandate will likely never see the light of day – unless and until a new generation of vaccines becomes available that more effectively prevent infections.

## The way out

Given that the health situation is unlikely ever to be perfect, the winding down of zero-COVID – if it ever comes – will have to be a political decision, and it will need to be preceded by a series of developments that all seem quite distant. Barring the improbable emergence of a miracle vaccine that actually prevents infection, the following outcomes are now what to watch for:

- More effective therapeutics need to be made widely available.
- Hospital capacity needs to be shored up, including the ICU bed count and the presence of qualified caregivers.
- More flexible home quarantine rules for mild symptom patients, suspected cases, and close contacts need to be rolled out – and obeyed.
- Future COVID-19 variants must remain at least as mild as the current strains.
- The pandemic's intensity must continue to recede globally.
- A public relations campaign must be launched to educate the population about the diminishing dangers of COVID.
- The government narrative needs to be slowly and carefully walked back to untie the zero-COVID policy, and the COVID infection rate, from Party legitimacy.

The final two bullet points are the most important to watch for. Until the Party's messaging around the virus starts to change, policymakers won't be able to credibly adjust the zero-COVID policy. Even if central leaders signal that the end is potentially in sight, social reeducation will require a months-long runway for the government to alter the narrative around its approach to vaccine management. Indeed, the population has been indoctrinated into fearing outbreaks among their neighbors, colleagues, and friends, and fearing for their own safety – this all must be slowly undone.

Meanwhile, the Party has wrapped itself in the glory of preventing COVID from being an everyday presence for most of the country. Unwinding all this mental training will be a heavy task, if and when the time comes.

Importantly, then, a consistent and sustained new messaging campaign will be step one in adjusting the COVID containment policy in China, and will take place months before any actual adjustment to the policy itself – which will then also occur only gradually.

So rather than tracking the level of vaccination in China as a precursor to a policy adjustment, investors should keep tabs on the metrics outlined above – while closely monitoring the Party's messaging around virus containment. Once the messaging begins to shift, only then will a potential policy recalibration be on the horizon.