



Homeland
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(U) Economic Security Mission Center

(U//FOUO) New Analytic Technique Indicates China Likely Hid Severity of COVID-19 from the International Community While it Stockpiled Medical Supplies

(U//FOUO) **Scope.** This Article provides insight to senior policymakers about when China was aware of the severity of COVID-19 based upon trade data showing its stockpiling of key medical supplies. This product continues ESMC's analysis predicting both the scarcity of medical supplies and assessing the cause for those shortages. The information cutoff date is 20 April 2020.

(U//FOUO) Prepared by the DHS Intelligence Enterprise (DHS IE) Economic Security Mission Center (ESMC). Coordinated with the DHS IE Counterintelligence Mission Center (CIMC), DHS IE Cyber Mission Center (CYMC), DHS IE Transnational Organized Crime Mission Center (TOCMC), the Current and Emerging Threats Center, CBP, the Cybersecurity and Infrastructure Security Agency (CISA), Homeland Security Investigations (HSI), and USCG.

(U//FOUO) We assess the Chinese Government intentionally concealed the severity of COVID-19 from the international community in early January while it stockpiled medical supplies by both increasing imports and decreasing exports. We further assess the Chinese Government attempted to hide its actions by denying there were export restrictions and obfuscating and delaying provision of its trade data. We have moderate confidence in this assessment because trade data shows that China likely stockpiled medical supplies for domestic use before its official notification to the World Health Organization (WHO) that COVID-19 was contagious.

- » (U//FOUO) China likely delayed informing the WHO on 20 January 2020, that COVID-19 was a contagion, until after it purchased medical supplies from abroad.¹ Bulk orders generally require two to four weeks to be delivered, and in January, China substantially increased its imports of surgical facemasks (278 percent), surgical gowns (72 percent), and surgical gloves (32 percent), among other items, according to DHS I&A (b) (3) (7) (E) (b)(7)(E); (b)(3) 6 U.S.C. § 121(d)(9) [REDACTED]. This means the Chinese Government would have started mobilizing its purchasing agents and identifying international suppliers in early January for those purchases to be reflected in worldwide January export statistics.

(U) DHS I&A (b) (3) (B) [REDACTED]

(U//FOUO) In order to identify whether changes in Chinese imports or exports deviated from what could normally be expected, we evaluated the standard deviation from the mean for 38 categories of medical products to identify statistically significant increases and decreases. Specifically, we compared world trade data for the period of October 2019-February 2020 with the prior five years of trade data. We identified several products that exhibited at least a two-sigma standard deviation, meaning there is a **95 percent probability** that these increased imports and decreased exports of medical supplies were not within a normal range. Finally, we used worldwide trade data for these 38 types of medical supplies at the 6-digit Harmonized Tariff Schedule (HTS) numbers, as they are the most specific categories that are harmonized between countries and would yield proper comparisons.^b

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- » (U//FOUO) China likely cut its exports of medical supplies prior to its January WHO notification that COVID-19 is a contagion. Global trade data from February shows a significant decline in worldwide imports from China of surgical gloves (48 percent), surgical gowns (71 percent), surgical facemasks (48 percent), medical ventilators (45 percent), intubation kits (56 percent), thermometers (53 percent), and cotton balls and swabs (58 percent), among others.^c Because we relied upon worldwide imports of Chinese medical supplies as a proxy for Chinese exports, the February worldwide import data likely reflects a January reduction in exports from China as cargo typically takes over 30 days to ship via ocean freight.^{5,d} We assume these were primarily shipped by ocean freight and not air freight as 90 percent of world trade transits via ocean freight and high volume/low value merchandise is typically shipped via ocean freight as air is more expensive.^{6,7}
- » (U//FOUO) In its communications, China intentionally concealed its trade activity by publicly denying it has ever imposed an export ban on masks and other medical supplies, combining its publicly released January and February trade figures to likely conceal the details of its import and export of medical supplies, and delayed release of key trade data, according to DHS I&A (b) (3) (7) (E) [REDACTED]

(U) **Persistent analysis of worldwide trade data flows would allow DHS to provide early warning in the future of other threats.** While DHS has an increased level of data sharing with some trade partners, it does not provide the coverage necessary to monitor for threats. In lieu of near real-time data, monitoring global data from commercial vendors could provide key indicators and warnings.

- » (U//FOUO) For future health crises, trade data from even a single country can be highly diagnostic. For example, because China produces about 80 percent of the world's supply of surgical face masks, its stockpiling of facemasks indicates a significant health concern.⁹

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(U) Alternative Analysis

(U//FOUO) We evaluated three competing hypotheses that explain the sudden shift in China's imports and exports of medical goods in January and found none of them as compelling. These alternatives would be more probable if we learned that private companies—independent of Chinese Government influence or control—accounted for substantial portions of these changes in imports and exports in 2020.

- » (U//FOUO) ***The Chinese Government stockpiled medical supplies after notifying the WHO on 20 January about the severity of COVID-19.*** This scenario would require the spike in imports to China to have occurred within the 11 remaining days in January, which is unlikely because the medical supply industry has shifted to a “just in time” inventory structure and would probably have had insufficient inventory to fulfill China's large purchases in shorter than average lead times, according to **DHS I&A (b) (3) (7) (E)**.
- » (U//FOUO) ***Individuals or private companies responding to the COVID-19 crisis accounted for the changes in the purchase and sale of medical supplies.*** This hypothesis seems less plausible because of the magnitude and rapidity of the changes in Chinese imports and exports and because these changes coincided so closely with the COVID-19 outbreak. Further, an official proclamation by the Chinese Government directing its government leaders and Chinese companies to import medical supplies also indicated it was not done solely by private actors.¹¹
- » (U//FOUO) ***Market changes accounted for the decrease in exports of medical supplies.*** This hypothesis seems unlikely because of the magnitude of changes in early 2020. Although the US market share for Chinese imports of medical supplies has been decreasing since 2017, in part from the implementation of Section 301 trade remedy tariffs, US imports of face masks and gowns from China dropped by twice as much in early 2020 as in all of 2019; imports of hand sanitizers also decreased in early 2020 after increasing in 2019, according to **DHS I&A (b) (3) (7) (E)**.

(U) Tracked by: HSEC-6, HSEC-7

(U) Source Summary Statement

(U//FOUO) We have **moderate confidence** in our overall judgment that China likely hid the severity of COVID-19 from the international community in early January. **DHS I&A (b) (3) (B)**

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