

# EXHIBIT 1

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## Chinese admit to SARS mistakes

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By BY GADY A. EPSTEIN

SUN FOREIGN STAFF |

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BEIJING - In a rare admission of serious mistakes, the Chinese government fired the minister of health and the mayor of Beijing yesterday for their early mishandling of the respiratory disease known as SARS, canceled a national weeklong holiday and reported almost 10 times as many SARS cases in Beijing, with hundreds more likely to come.

After weeks of claims to the contrary, health officials acknowledged a full-fledged outbreak in the capital, with 346 confirmed cases of severe acute respiratory syndrome and 18 deaths, with 400 more suspected cases under evaluation.

Those figures rank Beijing as the city with the third-largest number of SARS cases in the world, after Hong Kong and Guangzhou in southern China.

China now acknowledges 79 deaths and 1,814 confirmed cases overall, nearly half the worldwide total, and those figures are expected to rise in the coming weeks as cities and provinces are pressured to provide accurate information.

The Health Ministry was "not well-prepared" for the outbreak and "didn't give clear instructions or effective guidance," Vice Minister of Health Gao Qiang said in unusually candid admissions at a nationally televised news conference. "The Chinese government answers to the broad masses of the people, and we will try all means to reverse and improve upon the weaknesses and faulty aspects of our work."

Shortly after Gao's remarks, the official New China News Agency announced that Health Minister Zhang Wenkang, who had declared SARS "under control" in China, and Beijing Mayor Meng Xuenong, whose government failed to give a candid accounting of SARS, had been stripped of their Communist Party posts.

The cancellation of the weeklong May Day holiday, also announced by Gao yesterday, indicated how seriously the government is now taking SARS, which has a mortality rate of about 4 percent.

Tens of millions of Chinese normally travel during the holiday, packing trains and airplanes as families go on vacation and migrant workers and students return home.

The announcements mark the apparent culmination of a slow awakening by senior officials to the threat the SARS outbreak poses for public health, the economy and the government's reputation abroad.

The government's mishandling of SARS has become its worst international embarrassment since the crackdown on pro-democracy demonstrations at Tiananmen Square in 1989. Foreign health experts have assailed China for responding too slowly to the outbreak and misleading the public about its spread.

State-run national television did not report on SARS until this month, three months after officials in southern China's Guangdong province realized that they were facing a dangerous new infectious disease.

Zhang, the health minister, then talked about symptoms and prevention techniques but understated the disease's impact in China.

Until last week, reports in the state-run news media had often focused on reassuring people that SARS was not a serious problem - an indication to many Chinese that, in fact, it must be the opposite.

Last week, the official news media prominently reported directives from President Hu Jintao and the nine-member Politburo Standing Committee on better handling and reporting of SARS cases.

"I think maybe before the last week, their first priority was to make up something to improve their public relations image," said Wu Guoguang, a professor at the Chinese University of Hong Kong who was ejected from the Communist Party for criticizing the Tiananmen crackdown. "Now they have to deal with the real crisis, not only the PR crisis."

**Critics assert that if China had battled SARS more aggressively in Guangdong province in late January and early February, the disease would not have spread so quickly to Hong Kong, the rest of China and around the globe.**

The government's reputation abroad has suffered in recent days amid published reports that two Beijing hospitals, at the direction of the city government, put SARS patients in hotel rooms and took others for rides around the city in ambulances to conceal the true numbers from visiting World Health Organization doctors.

Gao said yesterday that it is difficult to come up with an accurate count of cases in Beijing because patients are being treated at more than 70 hospitals under the supervision of various authorities.

But the public did not wait for official numbers before taking action. Tourism and business trips to Beijing are down sharply; in the university district in northwest Beijing, some students have bought train tickets for home to escape the illness while others have confined themselves to their dorm rooms.

### Economic impact

What might have troubled the central government the most is the economic impact of SARS. China's social stability depends in large part on a fast-growing economy that continues to create jobs for laid-off state employees and migrant workers. China cannot afford to lose any of the billions of dollars pumped into its economy each year by foreign businesses and investors.

**"They're trying to convince foreigners" that they're dealing with SARS effectively, "because foreigners have money," said Wu. "When you have no foreign investors, foreign businessmen and foreign capital, they will have trouble."**

Now, a Chinese government that had consistently played down the disease and sought to avoid panicking the public has declared that it will opt for almost the exact opposite approach.

"We have an old saying in Chinese: 'Preparation makes perfect, and lack of preparation will create a very serious disaster,'" Gao said yesterday. "What we would like to see is that by overstating the scale of this disaster, and responding to that, [this] will lead us to a better outcome."

### 'Resolute measures'

The most drastic example of the new approach is the cancellation of the weeklong May Day holiday. The action will be interpreted here as an official declaration that it is unsafe to travel in **China**, but Gao said the government wanted only to discourage "nationwide movement" of large numbers of people.

"People's lives and people's health have to be put above everything else," Gao said.

Health officials said they were concerned about SARS-infected people in China's cities spreading the illness to the countryside, where hospitals would be far less able to cope.

"Once the disaster spreads to these areas, then the consequences will be especially grim," Gao said.

He said the government is adopting "resolute measures" to combat the spread of the virus: screening and potential isolation of passengers on trains and planes; full and immediate reporting of new cases; giving migrant workers the same level of care as city residents; subsidies for those unable to afford medical bills; and warning hospitals not to turn away patients.

"They are not allowed under any circumstances to reject the patients," Gao said after acknowledging that he had heard that some hospitals have declined to admit SARS patients. "All such acts of rejecting patients will be punished once they are spotted."

It is far from certain, though, that such measures can be implemented on a wide scale. The Chinese bureaucracy historically has lacked the regulatory muscle to force compliance by cash-strapped local governments and hospitals, especially far from Beijing.

Gao said the central government is committed to containing SARS and that the financial cost would not be an obstacle.

"We will spend as much as it takes to cope with this disease," he said.

#### Lingering disbelief

Analysts say China is still understating the severity of the problem, a legacy of decades of covering up or playing down bad news. At least one province that has yet to report any SARS cases, coastal Shandong province southeast of Beijing, is believed to have some.

WHO doctors in Beijing are to travel today to Shanghai, a city of 16 million, where few believe the official count of two cases. The Health Ministry is also sending teams of officials to other provinces with reported cases to assess the true numbers and determine how the health system is coping.

Besides Beijing and Shanghai, nine jurisdictions have reported cases of SARS: Guangdong, with 1,304; Shanxi, 108; Inner Mongolia, 25; Guangxi, 12; Hunan, six; Sichuan, five; Fujian, three; Henan, two; Ningxia, one. But the real figures are believed to be higher.

"Any statistics from those officials' mouths is problematic," said Wu. "The strategy is, 'Cover up something and tell the partial truth.' You can say that when they tell the partial truth, that's progress."