INTRODUCTION

With COVID-19 spreading all over the globe, the strong connection of the business in China with world economics becomes apparent. The situation in China in terms of production, logistics and staffing stabilizes and the challenges shift to global supply chain disruptions, decrease in domestic and worldwide demand, and travel restrictions. For a better understanding and forecast of the business developments in China, it is essential to gain some insights of the business situation in other regions and countries due to COVID-19:

- How does the coronavirus outbreak affect German businesses in other regions?
- How do companies respond to the pandemic?
- Which measures do different governments choose to take?

As part of the German Chambers of Commerce Worldwide Network (AHK) - which includes 140 offices in 92 countries - we leveraged our unique network to collect insights on the current situation from our headquarters in Germany as well as our AHK offices in Iran, Italy, Singapore, South Korea, Taiwan, and USA (Status: 2 April 2020).
GERMANY

The COVID-19 crisis triggers a slump in the German economy. More than 90 percent of German Companies experience a negative impact on their business as a result of the outbreak. Safety measures bring business activities partly to a complete standstill, while supply chains suffer from disruptions and the demand for goods and services continues to decrease.

According to a survey by the Association of German Chambers of Commerce and Industry (DIHK), conducted between 24-26 March 2020 and featuring 15,000 respondents, the biggest risk companies is dwindling liquidity: more than 80 of the companies expect revenue to decline. Every fourth company expects their sales to decrease by half and almost every fifth company fears bankruptcy.

The coronavirus crisis also affects employment: nearly 40 percent of the enterprises feel obliged to lay off staff. Companies in the tourism and the hospitality industries reported having to cut two out of three jobs.

These numbers show that support measures are urgently needed. Support by the German Federal Government primarily offers immediate grants for small businesses and, in emergencies, direct capital injections for large companies. However, there is still a dangerous gap, especially for medium-sized companies. 68 percent of the companies (84 percent in the industry sector) state short-term benefits are of greatest relevance of the announced aid measures. It is important that support measures reach the companies fast and with minimum bureaucracy.

IRAN

According to several surveys and expert opinions, more than 70 percent of Iranian companies are affected by COVID-19. Most companies are closed weeks before the Iranian New Year holidays, and the government plans to keep them closed until further announcement. Some businesses that focus on events and sports, as well as shopping malls, cultural institutions, and retailers with non-essential products are completely closed, some restaurants are allowed to operate only take-away, and shops offering essential goods are in operation. Administrations that provide essential services, such as banks and the public sector, operate at one-third of their capacity.

Private companies are switching to online and home office work to cover some of their losses.

The government encourages people and businesses to stay at home and limits intercity traffic to certain conditions. The Central Bank of Iran presents a plan to help affected companies. It is proposed that the government will consider lending them IRR 750,000 billion (around USD 5 billion) at a 12 percent interest rate, which will be negative compared to inflation in two years refund. The plan has not yet been finalized.

International trade with Iran has already been affected because of the US sanctions against Iran, but now it will suffer even more if international companies do not consider the Iranian market.
ITALY

How are businesses in your region affected by COVID-19?
The latest ministerial decree, in force since Monday, 23 March 2020, implemented the suspension of all activities except for essential ones (food, pharmaceutical, logistics, financial sectors) and those of public utility (healthcare, transport, public administration sectors). The activities suspended as a result of the decree may, however, operate remotely (“smart working”) where possible.

How do companies respond to the outbreak?
The companies that continue operating have adopted strict hygiene and personal protection measures and activated, where possible, "smart working". In addition, in response to the COVID-19 emergency in Italy, many small, medium and large companies have contributed with donations and/or converted production in support of the National Healthcare System and the Civil Protection.

How does the government respond to the outbreak?
The Italian government has responded to the coronavirus emergency with the legislative decree "Cura Italia" (Cure Italy) of 17 March, which provides measures to strengthen the National Healthcare System and the Civil Protection and ensures economic support for businesses, self-employed workers and families.

Do you have any recommendations to companies globally?
The "AHK Italien" advises all companies to contact their Italian suppliers and customers in order to get specific replies and to verify their business continuity.
SOUTH KOREA

Businesses in South Korea, the 12th biggest economy in the world, are very much affected by the COVID-19 pandemic. This is not only because of the corona situation in South Korea but in particular due to Korea’s high dependence on international trade. Korea has therefore tried a path which balanced out the absolute necessity to contain the spreading of COVID-19 in Korea and the need to continue business and production to the extent possible.

The Korean government has focused very intensively on testing and tracking to identify infected people and all of their contacts in a very early stage. The government built up many testing sites with drive-throughs, at the airport walk-throughs are installed, people in quarantine are monitored by apps and the like. Moreover, Korea has and is still practicing social distancing, by working remotely or with small teams in the office. New infections are down to about one percent per day, and while borders have remained open, in particular towards China, Korea has recently increased entry and quarantine procedures for new international arrivals.

Now Korea and its biggest trading partner China are on their way to vamp up economic activities again and all hopes are on Europe and the United States to overcome their health and economic crises soon.

SINGAPORE

On 31 March 2020, the Singaporean-German Chamber of Industry and Commerce (SGC) released the results of their third flash survey with 98 participants regarding COVID-19 and its impact on German and Singaporean businesses.

53% of the surveyed companies indicated that the COVID-19 outbreak has a severely disruptive impact on their business. Disruptions are mainly caused by travel restrictions (84% of respondents), decreased demand for products/services (74% of respondents), and uncertainty/inability to make business and investment decisions (47% of respondents).

As a result of COVID-19 related disruptions, 61% of our survey participants expect to suffer a loss of revenue of more than 10% in the first half of 2020. These are significant cuts in revenue and while the COVID-19 outbreak has evidently left its mark in the Singaporean and German business community, much uncertainty prevails.

As many countries have gone into lockdown and the numbers of COVID-19 cases are still overall increasing, it seems that the global health crisis will continue for some time. That is why member companies have expressed that they hope for an overall government-induced stimulus (65%), corporate tax reductions/deferments (49%) and liquidity support (33%).
How are businesses in your region affected by COVID-19?
Even though Taiwan was able to keep the domestic economy running and avoid a total shut down, negative impacts on trade fairs, hotels, restaurants and retail cannot be denied amid a strong decline of tourists, especially from South Korea, Mainland China, Europe and the USA. Taiwan’s Stock Exchange, local housing prices and building projects have been negatively affected as well. German companies reported that they are mainly negatively affected by a decreased demand for products and services. However, there are also some positive aspects. The situation of Taiwan’s labor market remains quite stable without any further significant restrictions, the production of masks has been boosted, manufacturers of both electric scooters and multifunctional gym equipment can make more profits due to a surge in demand. Online distributions channels have been affected positively as well.

How do companies respond to the outbreak?
Many companies provide hand sanitizers and disinfectants to their employees as well as customers. Measures such as temperature checking and filling out declarations of recent travel histories have also been implemented. Even though Taiwan was able to prevent an epidemic outbreak so far, many companies have already prepared to offer home office possibilities to their employees or are currently in the process of enabling their employees to work from home.

How does the government respond to the outbreak?
The Taiwanese government was the first to activate epidemic prevention measures after the authorities in Wuhan publicly reported cases of an unidentified type of pneumonia on 31 December 2019. Taiwan immediately activated stricter border control measures and continued to react fast ever since, implementing measures such as issuing an export ban on surgical masks, substantially increasing the production of surgical masks, using case identification and resource allocation, implementing quarantine measures for all travelers as well as postponing the reopening of schools and universities. Since 19 March, Taiwan barred foreign nationals from entering Taiwan due to an increased number of imported cases (there are still exemptions, but all have to undergo a 14-day home quarantine). Despite its proximity to Mainland China, Taiwan has been able to keep the cases remarkably low so far (only 322 confirmed cases on 31 March). Furthermore, the Taiwanese government has shown a high level of transparency during the whole outbreak, holding a press conference every day to report on all new cases, announcing new travel restrictions and answering the questions of journalist.
USA

How are businesses in your location affected by COVID-19?
German subsidiaries in the US have experienced limitations in their supply chain as well as in the mobility and availability of workforce. Air freight costs and availability challenges have risen dramatically due to reduced air travel. Companies are doing everything within their power to adhere to the CDC guidelines in keeping employees safe while maintaining operations. Many have enforced stricter hygiene regulations, heightened social distancing measures, and offer home office opportunities whenever possible. Many of our members are deemed essential businesses and are still operating under these conditions. While most companies report declining revenues during the crisis, many are also reporting an increase of R&D and product development inquiries as their customers use the current downtime to prepare for the future.

How do companies respond to the outbreak?
Companies have been doing an outstanding job at communicating openly and transparently with their employees, customers and the general public. In general, companies are seen as a reliable and trusted source of information. Outside of adhering to safety standards issued by the federal government to limit the spread of the virus, many cooperate with state and local governments to support the production of scarce Personal Protective Equipment (PPE) for frontline workers and hospitals. Many of our businesses have created internal task forces to proactively find solutions to current challenges. Many companies are offering an extended virtual portfolio of their services or are developing innovative new digital tools for customers.

How does the government respond to the outbreak?
The federal government in the US offers daily updates by the COVID-19 task force. While there are nationwide recommendations, most stricter measures are enforced on a local or state level. Here in Chicago, Mayor Lightfoot and Governor Pritzker have cooperated to issue a stay-at-home order, which has been running since 21 March and is expected to continue through at least 30 April.

Do you have any recommendations to companies globally?
First and foremost, we recommend complying with all health and safety regulations of local authorities to contain the spread of the coronavirus as much as possible. Based on our experience with and feedback from subsidiaries in the US, we encourage companies to be in active communication with their local AHKs so we can actively support their business. GACC Midwest has compiled a COVID-19 Resource Hub for its network, with up-to-date information and regulations from our members and the states in our region. We are also actively supporting companies through setting up “virtual offices” in the United States while their employees are unable to travel to the US to meet with customers in person. The last recommendation would be to plan for the time after the crisis. In the last financial crisis, many German companies were able to win market share in the US by ramping up quickly after the crisis and also by acquiring distressed US companies and helping rebuild them.

DISCLAIMER
The content is for your general information and use only. The relevance of practices given may vary between regions and countries. It is important that you comply with the guidelines and regulations of national and local authorities regarding the coronavirus outbreak. Please continuously check with national and local authorities for updates on related regulations and guidelines, as they are subject to regular change due to the developments of the outbreak. Although all information is generated or selected and revised with utmost care, no liability will be assumed for the completeness and the accuracy of the contents.
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