



USSBC Economic Brief

B20 Initiative to Address COVID-19 Impact

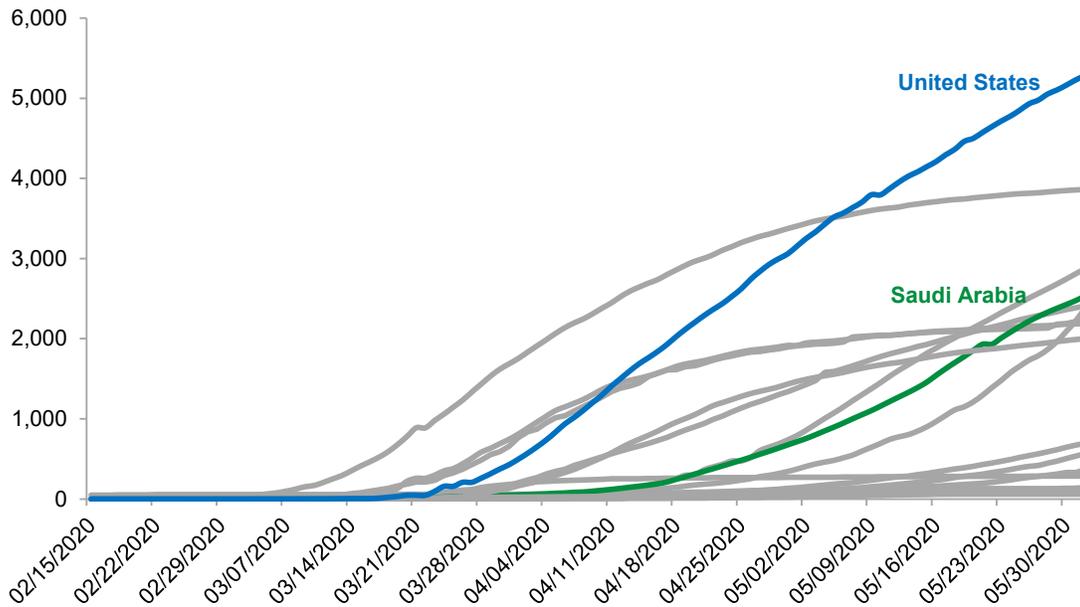
Overview

The global pandemic of COVID-19 represents an unprecedented challenge for governments and businesses. The virus now accounts for 5.2 million cases worldwide and more than 335,000 deaths. The IMF projects that global GDP will contract by 3 percent in 2020 after governments implemented lockdown policies that stalled business operations and supply chains in the interest of public health. The first case of COVID-19 in Saudi Arabia was confirmed on March 2 with cases now surpassing 67,000 according to the Ministry of Health. At the time of publication, over 39,000 individuals have recovered from COVID-19 while 351 individuals have died. In Saudi Arabia, the virus first appeared in the eastern city of Qatif and spread throughout the Kingdom with Makkah now accounting for the highest number of cases followed by Riyadh and Jeddah. The U.S. meanwhile has reported more than 1.8 million cases and more than 106,000 deaths. In terms of cases and deaths per capita, G20 countries have been particularly hard-hit by the pandemic thus far. As President of the G20, Saudi Arabia has played a major role in coordinating global cooperation in response to the pandemic and will continue to lead the effort towards recovery and reopening.

B20 Saudi Arabia, the voice of the business community to G20 Saudi Arabia, announced its COVID-19 Initiative on March 19 and joined the International Chamber of Commerce and World Health Organization in urging G20 heads of state to adopt and pursue globally coordinated policy measures. These measures include the utilization of the private sector to meet testing and reporting needs, ensuring equitable access and affordability of essential medical supplies, and providing scalable financial assistance to meet the full spectrum of business needs. On April 29, the U.S.-Saudi Business Council (USSBC) and B20 held a virtual town hall meeting to raise awareness about B20's COVID-19 initiative and to gather feedback and recommendations from members of the Business Council as well as members of the business community at large. USSBC conducted a survey ahead of the town hall to gauge the impact on businesses and to solicit policy responses and recommendations in light of the ongoing global pandemic. This brief will present the results of that survey, which received responses from more than 300 companies of various sizes and sectors.



COVID-19 Cases Per Million Among G20 Nations



Source: World Health Organization

What is B20?

The B20 is one of several G20 engagement groups that is tasked with developing action-oriented and impactful policy recommendations through collaborative dialogue with local and global business communities. B20 Saudi Arabia has established six taskforces and one action council to develop these policy recommendations. Each taskforce consists of roughly 100 business representatives from SMEs, trade associations, and large, multinational corporations. The current B20 cycle has 674 delegates currently and more than 40 percent of these delegates represent U.S. and Saudi businesses. Four of the nine U.S. companies whose representatives serve as Co-Chairs of the taskforces and the action council are USSBC members.

Taskforces

- Digitalization
- Energy, Sustainability, & Climate
- Finance & Infrastructure
- Future of Work & Education
- Trade & Investment
- Integrity & Compliance

Action Council

- Women in Business

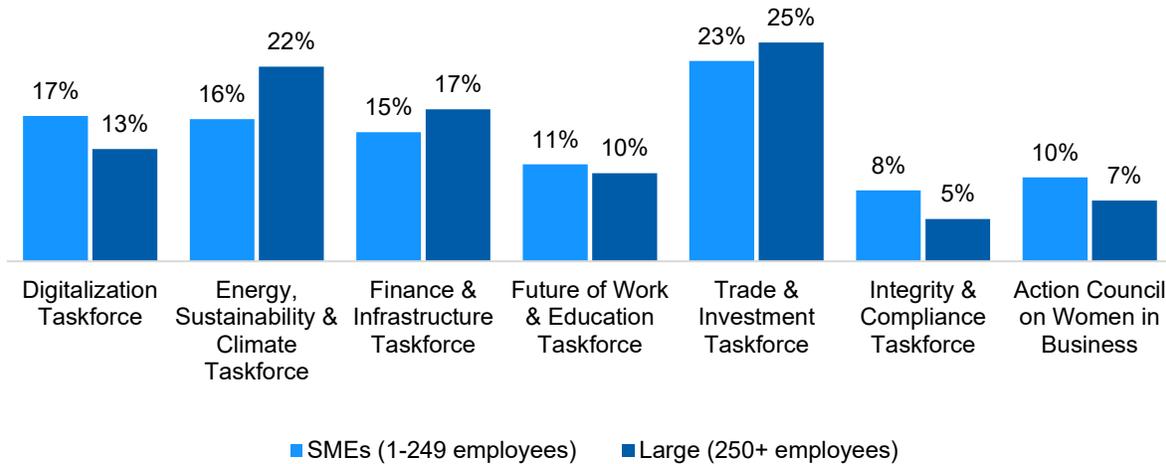
USSBC Survey

The virtual town hall registrants were asked seven questions about their business and how it was impacted by the COVID-19 pandemic. The survey was conducted ahead of the virtual town hall and 345 individuals responded, representing 318 different U.S. and Saudi companies. The 'Trade & Investment' taskforce, of which USSBC is a member, was the most relevant B20 taskforce according to respondents followed by 'Energy, Sustainability, & Climate' and 'Finance & Infrastructure.' Given the option to select more than one answer in the first question, around 38 percent of companies thought B20's 'Trade & Investment' taskforce was relevant to them compared to the least relevant taskforce, 'Integrity &



Compliance’, which 10 percent of companies found relevant. The Action Council on Women in Business was relevant to the main activities of 13 percent of companies.

Question 1 - Based on your main sector of activity, what taskforce(s) is relevant to your company?

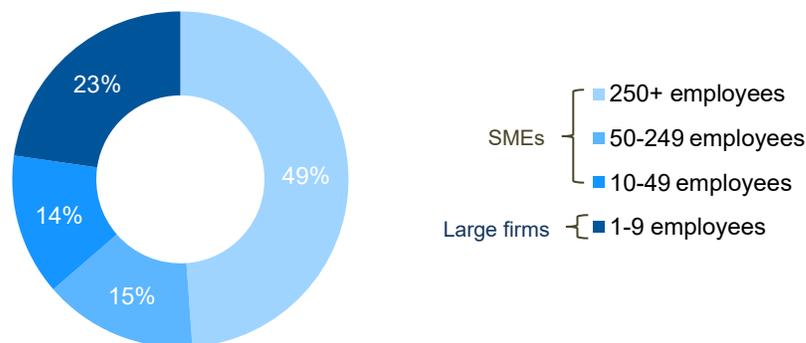


Source: USSBC

The responses of SMEs and large firms followed a similar pattern although only 25 percent of SMEs believed the ‘Energy, Sustainability, & Climate’ taskforce was relevant to their company’s primary sector of activity compared to 38 percent of large companies who indicated that it was relevant, representing the largest variance in responses. Large firms also found the ‘Finance & Infrastructure’ (+6 percent) and ‘Trade and Investment’ (+7 percent) taskforces more relevant than SMEs. However, SMEs were more likely to choose the ‘Digitalization’ taskforce (+4 percent), ‘Integrity & Compliance’ (+4 percent), and the Action Council on Women in Business (+3 percent).

For Question 2, respondents were asked to indicate the size of their company based on the number of employees and could select one of four options representing micro, small, medium, and large firms. Using OECD guidelines, companies that reported 1-249 employees are grouped together as SMEs. There were 170 large companies and 175 SMEs represented in the survey results. Among the SMEs, 80 companies were micro-sized (1-9 employees), 48 were small-sized (10-49), and 52 were medium-sized (50-249).

Question 2 - What is the size of your company?



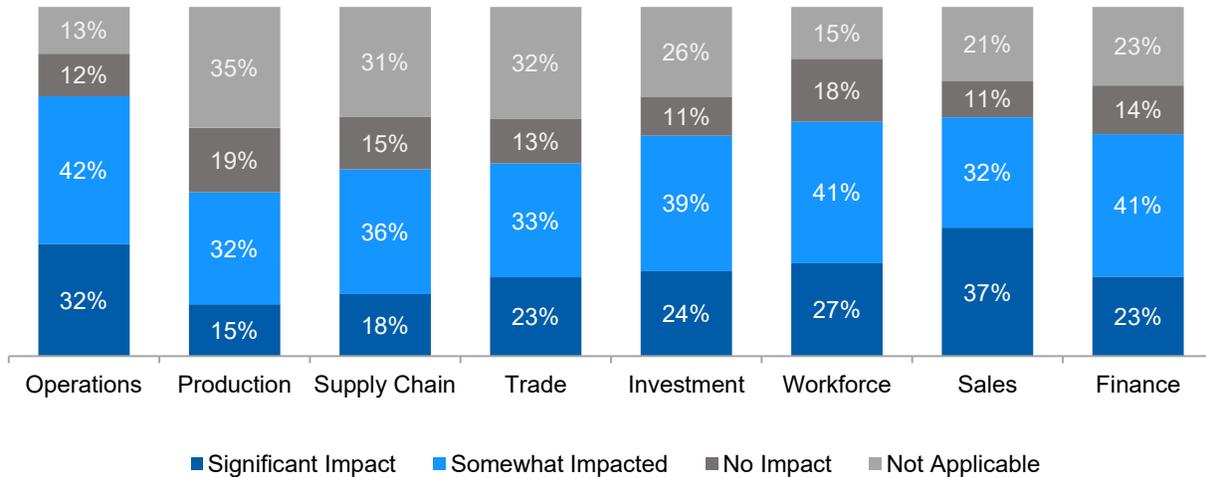
Source: USSBC



COVID-19 Impact

The COVID-19 pandemic has impacted nearly every sector of the global economy, including energy, transportation, tourism, and the service sector. Question 3 asked respondents what major areas of their business have been impacted by the pandemic and to what extent.

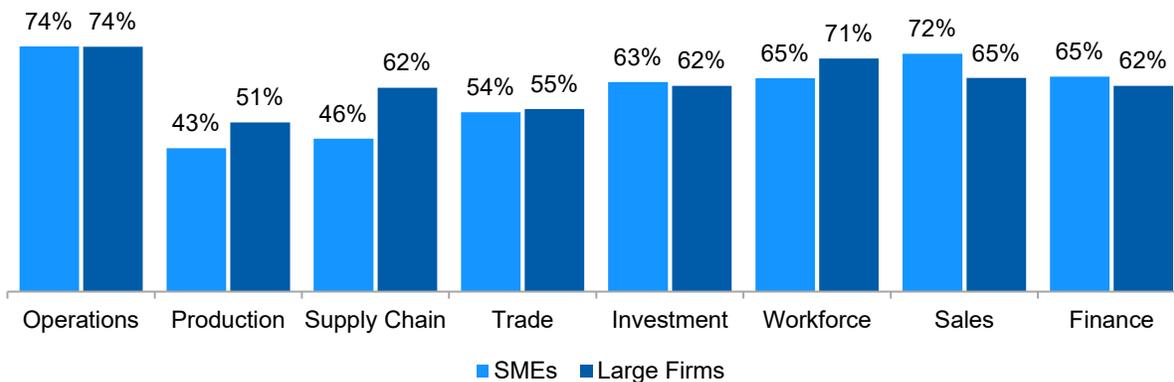
Question 3 - If the global coronavirus pandemic affected your business, what major areas have been disrupted and to what extent?



Source: USSBC

Respondents were asked to choose from ‘Significant Impact’, ‘Somewhat Impacted’, ‘No Impact’, or ‘N/A’ across eight areas of business. Most companies were impacted across all eight categories as a significant impact in one area will have negative consequences for other areas. Operations, workforce, and sales were the highly impacted by the pandemic while production was the lowest. Operations received the highest proportion of respondents, 74 percent, saying it had at least some impact on their business while sales received the highest proportion, 37 percent, saying it had a significant impact on sales.

Percentage of Firms Impacted by COVID-19



Source: USSBC

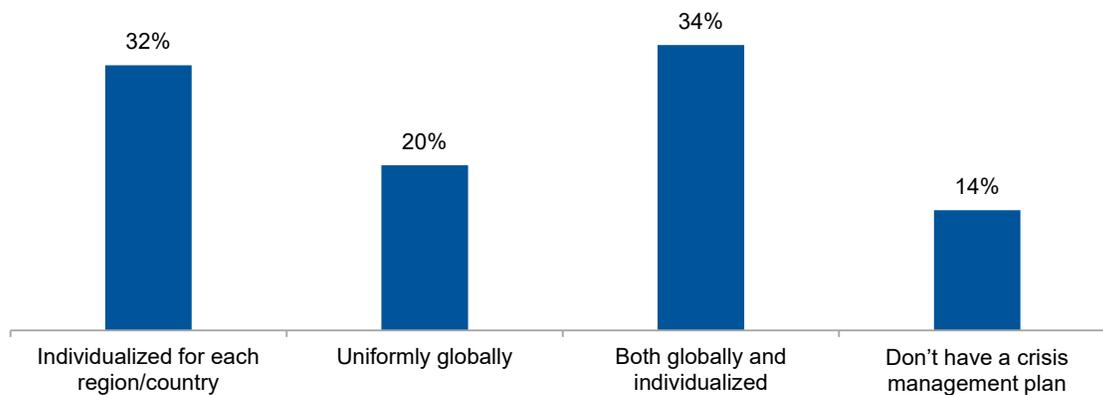
The responses of SMEs and large firms were highly correlated and tracked similar patterns of impact. Roughly the same percent of SMEs and large firms said operations, trade, and investment were impacted



by the pandemic. However, large firms were more likely to have supply chains (+16 percent), production (+8 percent), and workforce (+6 percent) impacted. SMEs were more likely to see sales (+7 percent) impacted by COVID-19. The highest area that respondents reported no impact was workforce, 18 percent, and production, 19 percent, indicating that financing programs, retooling, and work-from-home adaptations allowed businesses to maintain employment and production levels.

Question 4 asked companies about the implementation of their crisis management plans and whether they were individualized for each region and/or implemented globally. A plurality of the respondents, 34 percent, reported a crisis management plan that integrated both global and individualized elements. Several respondents noted the dynamic and evolving public health situation required regionally tailored solutions while still maintaining a company-wide cohesive strategy. Additionally, companies with offices in several countries noted that a uniform plan was untenable given the different pandemic guidelines and orders implemented by governments. More than 14 percent of respondents admitted have no crisis management plan at all while several respondents noted that, while they had a generic crisis management plan or plans for other potential incidents, they lacked any specific infectious disease protocol for their business.

Question 4 - If your company has a crisis management plan, are you implementing it uniformly globally or is it individualized for each region/country?



Source: USSBC

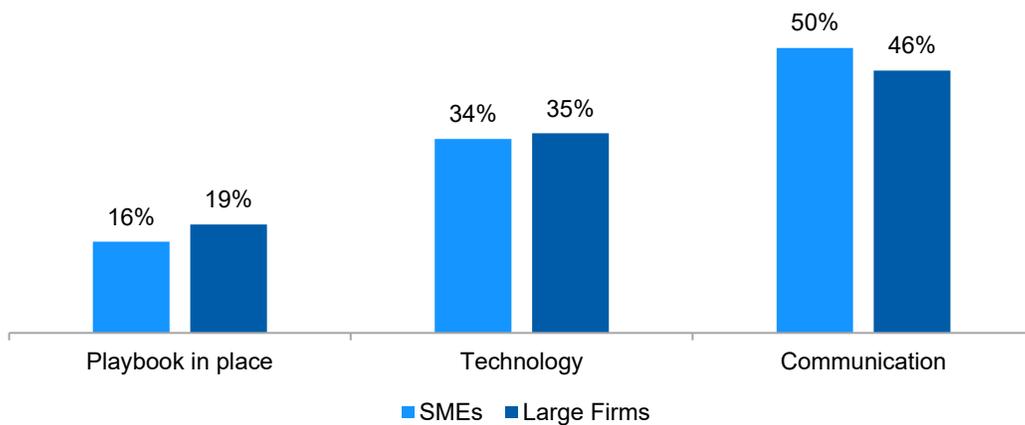
Individuals whose companies did implement a crisis management plan were also asked what the main contributors to the success of that plan were: technology, communication, or having a playbook in place. The responses of SMEs and large firms gave the same ranking among the three options presented. The lowest proportion of respondents, 16 percent of SMEs and 19 percent of large firms, said having a playbook in place was the main contributor to success. In survey comments, several individuals noted their companies did not have a playbook for a viral pandemic. This necessitated improvisational planning that relied on technology and communication.

More than a third of respondents said technology was the main contributor to the success of their crisis management plan as companies utilized information technology resources and distanced work protocols. Most survey respondents, 50 percent of SMEs and 46 percent of large companies, said communication was the main contributor to their success. Several individuals noted that continuous communication with



both clients and employees was critical during the months of March and April. Other responses to Question 5 on crisis plan success included team training, financing, operational management team leadership, use of global knowledge-sharing to inform and update playbook throughout the crisis, shifting roles to address emergent needs rather than adherence to a rigid business model (retooling), effective management of the remote workforce, awareness of and collaboration with government programs, curbing labor costs, and overall adaptability.

Question 5 - What are the main contributors to the success of your crisis management plan?



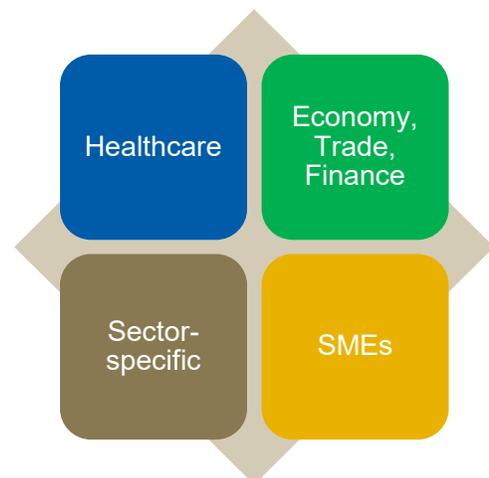
Source: USSBC

COVID-19 Policy Response & Recovery

Over the course of the Saudi G20 presidency, each B20 taskforce will develop a policy paper with specific policy recommendations for the G20. These proposals are officially submitted to G20 leaders at the annual B20 summit on October 26, 2020. The policy recommendations are developed through a collaborative and transparent process that involves members of each taskforce and action council. USSBC’s survey solicited policy ideas for governments to jumpstart the global economy after the pandemic and shared those responses with B20. The recommendations covered a range of different policy areas which can be grouped according to the categories on the right.

Question 6:

What are your three policy prescriptions for governments to jump-start the global economy in the post-pandemic





Healthcare

Several companies noted that easily accessible and rapid testing was a necessary precondition for reopening businesses and restoring demand in critically hit industries. Increased government spending on healthcare with a focus on advanced testing, vaccine development, and scientific research on infectious diseases to help eradicate the coronavirus and defend against future viruses was a common theme among many recommendations. The need for global transparency in reporting and data-sharing across the healthcare sector to strengthen the position of governments and businesses facing the next potential pandemic was highlighted. For reopening protocols, companies indicated that a national contact tracing program and/or a minimum testing capacity made sense along with clear guidance from public health officials for reopening businesses.

Economy, Trade, Labor, & Finance

Respondents showed broad support for the fiscal stimulus and government support programs provided thus far through business loans, grants, employment wage protection, and tax abatements. Many companies endorsed additional lending to the private sector with lower interest rates and deferred loan payments. Amid the current economic downturn induced by COVID-19, several individuals proposed easing or eliminating tariff and non-tariff trade barriers. Similarly, companies proposed different versions of new multilateral trade agreements to deepen global trade and cooperation in the post-COVID economic era. While many respondents stressed global cooperation and integration, a vocal minority proposed greater onshoring and localization of supply chains in the wake of the pandemic.

On the labor side, respondents emphasized renewed focus on new safety and hygiene protocols to protect workers, telework opportunities, workforce training and human capital growth policies. Continued investment in large projects such as Saudi Arabia's megaproject construction was a popular recommendation to foster investment and create jobs. Other recommendations included the implementation of targeted rather than broad lockdown protocols to minimize adverse economic and business impact such as a rapid acceleration in unemployment.

SMEs

While most of the above policies apply to SMEs, respondents emphasized that such policies do not always reach SMEs equally or as much as intended. Affording greater attention to smaller firms through targeted and scalable financing, promotion and support for entrepreneurship post-COVID, and regulatory support including tax abatements and workforce continuity assistance was highlighted across several responses. In the G20's recent Trade and Investment Ministerial statement on actions to support the COVID-19 response, it adopted two B20 proposals relating to SMEs: 1) Strengthening cooperation between multinational corporations and SMEs and 2) Building transparency and availability of trade-related information and global market information to level the playing field for smaller companies.

Sector-specific

Other recommendations related to specific industries such as establishing a global coordinated protocol on the aviation sector and international travel. Several companies endorsed strengthening R&D investment in science and technology fields, particularly medical research and the energy sector. For the construction sector, respondents believed greater infrastructure and megaproject investment will help stabilize the job market. The retail sector and other hard-hit service sectors sought further direct assistance from the government. Digitization was a cross-cutting theme among policy responses in



several areas including the boosting of cybersecurity, artificial intelligence (AI), and machine learning investment to match accelerated digitization brought on by the COVID-19 lockdown.

Conclusion

The final question allowed respondents to address concerns or to give suggestions directly to B20. These comments were carefully considered and grouped into three broad categories based on their relevance and similarities: 1) government and business (G20 and B20) coordination on COVID-19 solutions, 2) the effect of COVID-19 on investment climate and private sector support, and 3) the role of government post-COVID. These comments were addressed by townhall speakers from the Finance and Infrastructure Taskforce, Trade & Investment Taskforce, and Energy, Sustainability, and Climate Task Force.

Rayan Fayez, Chair of the Finance and Infrastructure Taskforce, addressed questions relating to the cooperation of governments and businesses in facing COVID-19 and how the private sector can provide a model for cooperation while governments act in silos. Mr. Fayez highlighted the role of non-healthcare companies such as car manufacturers playing a crucial role in transitioning supply chains to produce masks and medical supplies. The adaptability to extraordinary circumstances by private business demonstrates the role the private sector can play as a national and global partner. In April, Saudi Arabia pledged \$500 million to support global efforts to combat coronavirus and urged other countries and organizations, including major private corporations, to help bridge the \$8 billion financing gap.

Ziyad Al Shiha, Deputy Chair of the Trade & Investment Taskforce, highlighted the four pillars of policy recommendations under consideration including 1) revamping the WTO to integrate the business community and reform the appellate system, 2) e-commerce and the role of IT and digitization, 3) investment facilitation (FDI) and fostering global trade, and 4) achieving the sustainable development goals. Of the four pillars, E-commerce and digitization stand out amid the ongoing pandemic as global businesses were suddenly forced to transition to online ordering, teleconferencing, and virtual services to remain afloat. COVID-19 has accelerated the digital integration of new technologies for many companies and B20 envisions a role for global collaboration and technology transfer to build new digital supply chains.

Imitiaz Mahtab, Deputy Chair of the Energy, Sustainability, and Climate Taskforce, framed COVID-19 as a test-run for the “long-term pandemic” of climate change that will require global coordination among governments and private business. Despite governmental disagreement over climate or pollution policy, renewable energy and green technologies represent broadly supported areas of opportunities for global cooperation such as U.S. and Saudi energy collaboration on carbon capture technology as well as opportunities for SMEs to fuel innovation. Individual U.S. states such as California, for example, provide Low Carbon Fuel Standard program initiatives and 45Q tax credits that have allowed strong U.S. and Saudi collaboration. The role of solidarity, as opposed to globalization, in reaching U.N. sustainable development goals was emphasized.

The USSBC and B20 Saudi Arabia aim to work together to enhance the discussions initiated via the town hall and company survey. As part of those advocacy efforts, USSBC aims to broaden outreach to the U.S. and Saudi business communities to amplify the work of B20 Saudi Arabia. Furthermore, plans also include contributing to the policy development process by encouraging our members to strengthen policy recommendations and leverage our networks to organize sessions with government ministers, policy makers, and legislators.



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