

THE IMPACT OF CORONAVIRUS ON AMERICA'S SMALL BUSINESSES

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTEENTH CONGRESS SECOND SESSION

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CONTENTS

OPENING STATEMENTS

Hon. Nydia Velázquez	Page 1
Hon. Steve Chabot	2

WITNESSES

Dr. Jennifer Huang Bouey, Senior Policy Researcher, Tang Chair in China Policy Studies, RAND Corporation, Arlington, VA	4
Mr. Jay M. Ellenby, President, Safe Harbors Business Travel, Bel Air, MD, testifying on behalf of the American Society of Travel Advisors (ASTA)	6
Mr. Andrew Chau, Co-Founder & CEO, Boba Guys, Brisbane, CA	7
Dr. Yanzhong Huang, Senior Fellow for Global Health, Council on Foreign Relations, Professor, Seton Hall University's School of Diplomacy and Inter- national Relations, Washington, DC	9

APPENDIX

Prepared Statements:

Dr. Jennifer Huang Bouey, Senior Policy Researcher, Tang Chair in China Policy Studies, RAND Corporation, Arlington, VA	29
Mr. Jay M. Ellenby, President, Safe Harbors Business Travel, Bel Air, MD, testifying on behalf of the American Society of Travel Advisors (ASTA)	44
Mr. Andrew Chau, Co-Founder & CEO, Boba Guys, Brisbane, CA	62
Dr. Yanzhong Huang, Senior Fellow for Global Health, Council on For- eign Relations, Professor, Seton Hall University's School of Diplomacy and International Relations, Washington, DC	64
Questions and Responses for the Record:	
Questions from Hon. Troy Balderson to Mr. Jay M. Ellenby and Re- sponses from Mr. Jay M. Ellenby	70
Questions from Hon. Troy Balderson to Mr. Andrew Chau and Responses from Mr. Andrew Chau	75
Questions from Hon. Troy Balderson to Dr. Yanzhong Huang and Re- sponses from Dr. Yanzhong Huang	78
Additional Material for the Record:	
American Bus Association (ABA)	80
Chamber of Commerce of the United States of America	84
Statement of J.D. O'Hara	86
China Stopped Its Economy to Tackle Coronavirus, Now the World Suf- fer.-The New York times	91

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TUESDAY, MARCH 10, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:33 a.m., in Room 2360, Rayburn House Office Building. Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Finkenauer, Golden, Kim, Crow, Davids, Chu, Evans, Schneider, Espaillat, Delgado, Houlahan, Craig, Chabot, Balderson, Hern, Hagedorn, Burchett, Spano, Joyce, and Bishop.

Chairwoman VELAZQUEZ. Good morning. The Committee will come to order.

I want to thank everyone for joining us this morning, especially our witnesses for taking time to travel here to testify before the Committee. Not only has Coronavirus cost thousands of tragic deaths around the globe, this public health crisis also threatens the fabric of our economy, which is woven together by small businesses. Already, economists have lowered global forecasts with the dimmest outlooks predicting a fall from nearly 3 percent to just 1 percent growth due to the uncertainty and disruptions inflicted by the virus.

Here in the U.S., because small businesses make up over 99 percent of all employers, we can expect that many will face hardship from this public health crisis. From the local barber shop to the neighborhood café, to the innovative small tech firm, a pandemic can mean fewer customers, supply chain disruption, and workforce reductions.

For the travel and tourism industries, both of which are significant small business job creators, the outbreak of coronavirus has been estimated as the worst crisis since 9/11.

In addition to hurting big retailers, like airlines, small retail shops, independently owned restaurants, and recreational services are also seeing severe drops in customers. For companies that rely on imports from companies in China, the epicenter of the outbreak, the virus has broken up supply chains, forcing small businesses to reconsider their options for filling orders and meeting sales.

Additionally, while businesses around the country take stock of their operational plan during a public health emergency, small businesses may be unable to absorb cuts in the workforce, causing them to scale back operations, ultimately reducing revenue.

As the coronavirus spreads, so, too, does misinformation and alarm. For many businesses, particularly Asian-owned firms, this can be equally damaging. Because of fear, misinformation, and xenophobia, many Chinatown restaurants and stores in my city of New York were already feeling economic pain before even one person in New York tested positive for the virus.

Merchants in Chinatown have reported sales drops as high as 80 percent. Many restaurants and retailers in Manhattan's Chinatown, Brooklyn's Sunset Park and Queens are already having to furlough staff and may have to let employees go.

That is why I am proud that the Emergency Funding Bill, which included money for vaccines and testing, will also help small businesses access federal loans if they suffer losses related to the outbreak. This means that firms harmed by the virus could apply for emergency loans with extremely low interest rates to help them meet financial obligations.

Just as the SBA helps local economies get back on their feet after a hurricane, wildfire, or earthquake, the agency can be critical to helping our small businesses recover from this public health crisis.

In dealing with this public health issue, our number one goal is to contain the spread and ensure that those infected are treated and fully recover. One way to do that is to support paid sick leave. Having people go to work sick only increases the likelihood of transmission and further prolonging the decrease in demand for goods and services that small businesses provide.

I look forward to hearing from our public health experts on the health challenges presented by the outbreak. However, we also understand that there will be an economic impact and that small firms will be among the hardest hit. I look forward to hearing your experiences and concerns. In my view, we should all be focused on preparedness, working together in a coordinated way, and providing accurate, reliable information to our small businesses and the American people. In the end, the stakes are too high, and the federal government cannot afford to get this wrong.

I would now like to yield to the Ranking Member, Mr. Chabot, for his opening statement.

Mr. CHABOT. Thank you, Madam Chair. And I appreciate you calling this hearing in for your early leadership on this issue.

On January 30th, the World Health Organization declared COVID-19 a public health emergency of international concern. On January 31st, Health and Human Services Secretary Azar declared a public health emergency.

Undoubtedly, this virus is having an immediate and tangible impact on our Nation. In recent weeks, it has become obvious that our economy is not immune to the effects of the virus. We must summon every available resource of the U.S. Government to overcome the impact of the coronavirus epidemic on the U.S. economy.

Diseases do not know borders, and COVID-19 is no exception. Over the past few months, global leaders have been ramping up efforts to improve international information sharing and cooperation.

Last week, the House Foreign Affairs Committee passed the Global Health Security Act, a bipartisan bill that I introduced along with Democratic congressman, Gerry Connolly of Virginia. This bill strengthens our commitment to leadership on global

health security and puts in place necessary personnel and systems to respond to pandemics like the coronavirus.

As the COVID-19 spreads in the United States, the entire public health service must be operating at maximum capacity to combat this threat.

Since 2015, Congress has made strategic investments in public health resources. We increased the NIH, National Institutes of Health funding by 39 percent, and the Centers for Disease Control (CDC) funding by 24 percent.

To minimize the impact of COVID-19, it is important to adhere to guidance provided by public health experts, whether it is from the CDC or our neighborhood healthcare professionals.

Five days ago, Congress passed an emergency funding bill to support the administration's efforts in addressing COVID-19. That legislation included \$20 million for economic injury, disaster loans (EIDLs) serviced by the SBA's Office of Disaster Assistance, which leads the Federal government's long-term economic recovery efforts.

The SBA's Disaster Loan Program provides numerous direct loan options for disaster victims, including EIDLs, which provide working capital to small businesses affected by disasters to keep them afloat until they can resume normal operations.

In this Committee, we will continue to consider any proposed assistance strategies to counter the negative economic impact of COVID-19 on America's small businesses.

I want to thank all the witnesses for being here this morning. Thank you, Madam Chair, for holding this hearing.

And I yield back my time.

Chairwoman VELAZQUEZ. Thank you, Mr. Chabot. The gentleman yields back.

If Committee members have an opening statement prepared, we would ask that they be submitted for the record.

I would like to take a minute to explain the timing rules. Each witness gets 5 minutes to testify and each member get 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light will come on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within that timeframe to the best of your ability.

I would now like to introduce our witnesses who have taken time away from their families and businesses to be here today for this important hearing.

Our first witness is Dr. Jennifer Huang Bouey. Dr. Bouey is a senior policy researcher and Tang Chair in China Policy Studies at the RAND Corporation. As an epidemiologist with training in clinical medicine and quantitative methods, Dr. Bouey's research centers on Global Health Strategies and Social Detriments of Health. She received her M.P.H. and Ph.D. in Epidemiology from George Washington University and her MD from Peking University School of Medicine.

Thank you for being here, Dr. Bouey.

Our second witness is Mr. Jay M. Ellenby, the president of Safe Harbors Business Travel in Bel Air, Maryland. His passion for travel began when he explored the U.S. of America as a meteorolo-

gist. He has previously served as the Chairman of the American Society of Travel Advisors, Chairman of the Hartford County Chamber of Commerce, and Chairman of the Maryland Chamber of Commerce.

Thank you for being here.

Our third witness is Mr. Andrew Chau, co-founder and CEO of Boba Guys and Tea People USA. He has been featured as a top emerging business leader on CNN, New York Times, Wall Street Journal, Vogue, and NPR. Prior to a career in consumer products goods and corporate marketing, Mr. Chau started his first startup in 2011. He has undergraduate and graduate degrees from UC Berkeley.

We appreciate you being here today.

I would now like to yield to our Ranking Member, Mr. Chabot, to introduce our final witness.

Mr. CHABOT. Thank you very much, Madam Chair. And our final witness here this morning will be Yanzhong Huang. Dr. Huang is a senior fellow for Global Health at the Council on Foreign Relations. He is also a professor and director of Global Health Studies at the Seton Hall University's School of Diplomacy and International Relations. He is the founding editor of Global Health Governance, the scholarly journal for the New Health Security Paradigm. He has published numerous reports, journal articles, op eds, and book chapters on global health governance, health diplomacy, and health security. He has also authored the book, Governing Health in Contemporary China, which was published back in 2014. Dr. Huang obtained his BA and MA degrees from Fudan University and his PH degree from the University of Chicago. He has been quite busy with speaking requests lately, as you can imagine, so we are grateful that he is able to be with us today.

And I yield back.

Chairwoman VELÁZQUEZ. Thank you.

I will now recognize Dr. Bouey for your opening statement.

STATEMENTS OF JENNIFER HUANG BOUEY, SENIOR POLICY RESEARCHER, TANG CHAIR IN CHINA POLICY STUDIES, RAND CORPORATION; JAY M. ELLENBY, PRESIDENT, SAFE HARBORS BUSINESS TRAVEL; ANDREW CHAU, CO-FOUNDER AND CEO, BOBA GUYS; YANZHONG HUANG, SENIOR FELLOW FOR GLOBAL HEALTH, COUNCIL ON FOREIGN RELATIONS, PROFESSOR, SETON HALL UNIVERSITY'S SCHOOL OF DIPLOMACY AND INTERNATIONAL RELATIONS

STATEMENT OF JENNIFER HUANG BOUEY

Dr. BOUEY. Madam Chair Velázquez, Ranking Member Chabot, and members of the Committee, thank you for inviting me to testify today.

We all know now that COVID-19 is a highly contagious disease that can cause 15 percent of the infected, severe clinical diseases and 1 to 2 percent of fatality. The first COVID-19 pneumonia cluster was reported from Wuhan, China in December, but in less than 3 months of time, the outbreaks are reported from over 100 countries on six continents. Without a vaccine and a proven treatment, the only public health interventions is social distancing. That is to

keep the infected and the healthy separated and provide supportive medical care for the sick.

China used unprecedented quarantine policies. Locked down cities, reduced the air, rail, and highway transportation. By January 29th, all 31 provinces in China have declared public health emergencies during the Chinese New Year.

To this day, mandatory 14-day quarantines for travelers are in effect in many cities in China. Outside China, more than 90 countries announced various types of travel bans.

How will this impact small and medium businesses? In China, foodservice, tourism, hospitality, entertainment and retail industries suffered most during the holiday season. Revenues lost in service sectors during the Chinese New Year week are reported to be 142 billion USD, about 1 percent of the GDP. It also caused immense shock that is still lingering till today.

The small and medium business in China accounts for 80 percent of the employment in the country. As in most countries around the world, small and medium businesses are the engine of the economy. According to several Chinese surveys in February, about 2/3 of small businesses reported that they can only stay open for 1 to 2 months with their current cash flow.

Most of the financial pressures are from paying the employees, paying the rent, and the loan repayment.

The Central Government of China has launched several policies to help. The Central Bank has released 174 billion USD in February to ease the borrowing cost and the funds' availability. The interest rate was cut by a quarter percentage point to 2.5 percent. The State Council encouraged the private commercial banks to postpone interest payment on loans until the end of June and to defer the repayment of principal for the time-being.

It also ordered the large state-owned banks to increase lending to small businesses at preferential rates.

The local policy also helps. For example, Beijing Government announced exemptions on some rent payment for up to 2 months, reducing tax and fees for small and medium businesses.

However, until last week, only 30 percent of the small businesses in China reported reopened. The difficulties they face, including the public health requirement for requirement, the 14-day self-quarantine requirement for travelers and migrants, and a weak market demand fractured supply chain and cash flow problems.

So what does it mean to U.S. business? The global supply chain can suffer from COVID-19. China has the world's major production of chemicals, metals, textiles, and electronics. And seven of the top busiest ports in the world are in China. We are expecting some degrees of supply chain, as well as the logistic chain interruptions. The recovery time depends on how fast China can reopen the factories and the COVID-19 pandemic affects the world economy.

Although the U.S. economy is very different from that of China, I still think there are some lessons the U.S. can learn. I gave about a dozen recommendations in my written testimony on epidemic controls and assistance to SMEs. Here, I will only highlight three.

The first one, the SMEs are a critical part of the economy, and financially, they are more fragile when the market demand is down. Government should focus on helping SMEs during the public

health crisis by lowering interest rates, defer or waive tax and fees, and easing the lending policies.

Second, the health equity issues should be factored into the COVID-19 policies. Having support in childcare, paid sick leave, and health insurance will help promote the safe behaviors during the epidemic. That is someone who has the mild symptoms or taking care of sick family members can stay at home and obtain proper medical care. This will help separate the infected from the healthy and reduce the disease transmission opportunities. The lack of social support can prolong the disease transmission, and in the long-term can harm the market demands.

And finally, the U.S. government can consider setting aside additional funding for unemployment insurance payments to help SMEs avoid bankruptcy or help the creditors of the bankrupt SMEs.

And with that, I will conclude my summary. Thank you for your time.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Ellenby, now you are recognized.

STATEMENT OF JAY M. ELLENBY

Mr. ELLENBY. Good morning, Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee.

My name is Jay Ellenby, and I am president of Safe Harbors Business Travel. I am also a veteran of the United States Navy.

Since 1985, Safe Harbors has served a diverse range of client companies, organizations, and individuals throughout the world. I am also here on behalf of the America Society of Travel Advisors (ASTA), the national trade association for the travel agency industry.

Travel agencies are responsible for the sale of the majority of airline tickets in the United States and are the primary distributor of cruises and tour packages. A full 98 percent of travel agencies in the U.S. meet the Small Business Administration definition of a small business and are 2/3 owned by women.

At Safe Harbors, the past few weeks have been among the most difficult our agency has had since 9/11. Our clients' response to the current crisis ranges from business as usual (not many), to limiting travel to the United States, Canada, or to stopping business travel completely.

Sales are down across the board. As of last week, our 2020 sales were down 20 percent year over year. We have seen a 37 percent decline in international travel and that is worsening by the day. We expect March to be devastating and are preparing for a 50 percent year over year decline. For April we can only hope. Yesterday, we laid off a significant part of our workforce, and still with tremendous uncertainties ahead.

In preparation for this hearing ASTA surveyed its members about the impact the coronavirus is having with their business. Ninety percent of clients are concerned about international travel, while 72 percent are concerned about domestic travel. Ninety-eight percent of respondents expect the crisis to have a heavy, negative impact on the business this year. Ninety-eight percent also expect

a negative impact on business revenues, with 27 percent expecting a reduction of 50 percent or more.

If I can leave anything with you today, this is the most significant piece of this survey, 22 percent of respondents report a risk of going out of business in 3 months and 25 percent within 6 months

Up until last week, layoffs were in the planning stages. Layoffs are happening in large companies. We are large numbers by my company and others similar to mine. I understand some agencies have already shuttered their doors.

In closing, I want to take this opportunity to provide some suggestions for what Congress and the Administration can do to help our industry during this crisis.

Access to SBA loans. We were pleased to see that the recent Supplemental Appropriations Bill included funding for the SBA to provide about \$7 billion in loans to businesses impacted by the outbreak. We ask they consider additional funding if the situation worsens and that you work with the SBA to relax some of the collateral requirements for these loans.

Travel agencies are a service business and they do not have as many physical assets as say manufacturers. In the past, travel advisors were forced to put their homes up for collateral in order to qualify for similar loans that were given out after 9/11, so it is essential for these loans to be accessible for small businesses that desperately need them.

Two, economic stimulus package. Please remember and include small businesses in any proposal for an economic stimulus package. Regardless of how long this crisis lasts, we feel strongly that the Federal government should take quick action on this front. Financial aid packages have been given to other struggling industries, and the hysteria and misinformation from many areas surrounded by COVID-19 that continues to plague our businesses show no sign of stopping.

If the trend continues, as the members reporting continue, we project a loss of revenue for our industry could exceed \$7.7 billion this year alone.

On Friday, White House economic advisor Larry Kudlow confirmed that the administration is considering timely and targeted Federal interventions to help workers, businesses, and industries most vulnerable economically to the outbreak. While it is important to include relief for our airline and cruise line partners in such a package, we respectfully ask that you consult with, and receive, travel agencies' input on any such package to ensure that it will help them weather the storm and be in a position to serve their clients once the economy rebounds.

Thank you again for the opportunity to testify today, and I would be happy to answer any questions you may have.

Chairwoman VELAZQUEZ. Thank you, Mr. Ellenby.

Mr. Chau, now you are recognized.

STATEMENT OF ANDREW CHAU

Mr. CHAU. Good morning, Chairwoman Representative Velázquez, Ranking Member Chabot, Congresswoman Chu, and Congressman Kim, and distinguished members of the Committee

on Small Business. Thank you for the honor of providing testimony before the House Committee on Small Business, although I wish it were under different circumstances.

My name is Andrew Chau, and I am here on behalf of the small business community, and over 20 million Asian American Pacific Islanders (AAPI), who call this country home. And I am the son of immigrants. My dad, a refugee from Guangdong, China, and my mother, the daughter of a Taiwanese Air Force pilot.

I grew up 3 hours north of here in Woodbridge, New Jersey, where we ran the only Chinese restaurant in town. My family eventually moved to San Francisco, where we started another restaurant in Fisherman's Wharf. I am what you call a "restaurant brat," growing up around stoves, duck sauce, and sesame oil.

After over a decade in Corporate America, I myself came back into the food business opening a chain of cafes and restaurants, specializing in boba milk tea and Asian-inspired snacks.

My story as a small business owner is fairly common. Two million of the 30 million small businesses are AAPI owned. Small business is interwoven into our culture. Growing up as perennial outsiders, we sought refuge and built businesses across Chinatowns, Japantowns, and other ethnic enclaves scattered throughout the country. And even if you did not grow up in these enclaves, I am sure many people, including those in this room, have stumbled into a Chinatown noodle shop or Korean BBQ shop at 1 am. That was me last week.

You can count on these establishments to be open late and bustling, often run by first and second-generation immigrants, hustling to make ends meet, chasing what was once the goal of every immigrant in this country, the American Dream. This dream and the small business culture embedded into the fabric of today's society is at risk today. Our community usually prides itself on resourcefulness, self-reliance, and grit, so it is telling that we are asking for assistance during this crisis.

I am sure you have all read the news. Chinatowns and other AAPI enclaves across America are experiencing a drastic decline in patronage. A recent New York Times article said that business is down as much as 70 percent due to the coronavirus COVID-19.

Sadly, most of this is due to misinformation and overblown media coverage depicting the virus as an Asian disease. This virus has no color. It has no ethnicity. It has no borders. COVID-19 is a respiratory virus, but it is fast-mutating into a social virus: xenophobia, Sinophobia, and marginalization of American citizens.

I know this is the Committee on Small Business, but the negative stigma of this virus will impact our community long after COVID-19 is gone. We learn every day about attacks on AAPIs simply because of our physical appearance. But that is a topic for another day.

The mission of this Committee is to protect and serve the interests of American small businesses. As a board member for National ACE, a national non-profit serving AAPI-owned businesses, we estimate that small businesses usually carry about 2 to 3 months of working capital. So, as we enter the third month since the news broke, many businesses, particularly those in these enclaves, are holding on for dear life. They do not have sufficient cash reserves

to weather this storm. The economic hardship on each business owner then trickles down to the labor force as many are letting go of their employees to cut costs. The destabilization of labor and discretionary income will have ripple effects throughout our economy.

In addition to influencing consumer sentiment, COVID-19 has also affected the global supply chain. My business uses ingredients from all over the world, from Japan to Taiwan to Thailand. Anything that is imported from overseas is delayed over a month or indefinitely in cases where the factories have shut down.

I have heard from many people throughout the country that their businesses are facing similar issues. Banquets are canceled. Ingredients are delayed. And sole proprietorships like photographers, musicians, and anything tied to hospitality, events and entertainment are affected, too.

We say small business is the backbone of the American economy, but what happens when the backbone is fractured?

I say this on public record as a testimony not just for COVID-19, but for all future communicable disease that stall economic productivity.

Today, the small business community, and AAPIs, we need help. And one day, it will be another community.

What makes our country so unique is that we got this far despite our differences, and we learned how to bridge our various cultures and take care of each other.

As a millennial, I hear we do not really talk about The American Dream anymore. As I understand it (and I had to Google this), the American Dream is to live a “richer and fuller life, enabling opportunity according to ability and achievement.”

I believe your recent disaster loan relief bill breathes new life to that dream. The American Dream is alive and well. I believe that. But we just have to remember that enabling opportunity is not always about opening doors; it is also removing barriers.

We need more help like the loan assistance program so that our small businesses in our communities can thrive again. The loans give us enough runway to adjust to the changes in the marketplace, even if it is caused initially by misinformation and unwarranted stigma.

We as a community are confident that your committee will pass other pieces of legislation to show the world that American small businesses embody the values that built this country: grit, resilience, and helping our neighbors.

Thank you for your time.

Chairwoman VELÁZQUEZ. Thank you, Mr. Chau.

Dr. Huang, now you are recognized for 5 minutes.

STATEMENT OF YANZHONG HUANG

Mr. HUANG. Thank you, Madam Chair, and thank you our Ranking Member, Mr. Chabot.

Well, we know that the COVID-19 that originated in China, is continuing to spread rapidly worldwide. And if we adopted a WHO definition on the pandemic, it is very clear that all the conditions have been met to declare the outbreak a global pandemic. But that does not necessarily mean the virus is becoming more dangerous. In fact, according to the WHO, the case fatality rate is 3.4 percent.

That very likely has been heavily influenced by developments in China that has more than 83 percent of the COVID-19 deaths. If we adopted the South Korean data which allows us to give a more accurate and optimistic picture of how they saw the virus actually is, the mortality rate is actually just over 0.6 percent. That is close to the mortality rate in other parts of China. That is the parts of China excluding Hubei province.

So the virus is not as lethal, virulent, as we thought. And with more cases being found, we expect the case fatality rate is going to be lower. And also, keep in mind that only 81 percent of the cases are actually mild, and COVID-19 deaths also increase with age. With virus most serious affecting older people with preexisting health problems.

So in that sense, this virus falls in the category of what we call the dread risk. That is they are high profile but post a lower aggregate risk to human death.

So what is the impact of this dread risk? Well, the dread risks could encourage an alarmist approach that can elicit a disproportionate level of fear among the population that may distort government and public response. It can lead to cause for governments to undertake more aggressive actions in confirming cases, isolating patients and closing down close contacts, even though the effectiveness of these measures is still subject to debate and the cost of implementing these measures can be immensely high. That we have seen in China wherein they declare those implementing those measures in Wuhan and Hubei providence and beyond.

Driven by panic and fear, our country is pursuing aggressive, domestic containment measures may also prompt other countries to impose stringent restrictions on travel and trade. That we have seen in Italy. Unjustified documentation had been requested from importers of Asian cheese in Greece; lettuce exported to Poland; fruit to Croatia, while Italian-grown apples refused by Ukraine.

Many of those measures actually instituted in the outbreak can also be sticky. That means they are not so easy to rescind once they are instituted. China, for example, did not lift its ban on pork products from Canada until November 2009, 4 months after the H1N1 swine flu activity declined in most countries.

And also, government and public responses informed by fear can cause huge damage toward the economy. If the COVID-19 pandemic lasts more than a year, the CCC, Coronavirus, crude oil, credit shock, leads to widespread business failures, mass unemployment, and may lead the entire world into a global recession.

So what should we do? I think it is very important that we adopt measures to be proportionate to the actual risk posed to our society. Rather than focus solely on emergency mobilization, it is equally important to emphasize prevention, precaution, and risk management by politically neutral professionals. In that sense, washing hands is actually more effective than wearing masks. Because masks, while an instrument of protection itself also is a symbol of panic and fear.

It is also important that the U.S. consider rolling out a strategy that ends to slow down this rate of the virus in the community and minimize the economic impact of the outbreak. So a mitigation-

based approach wherein the virus, specially become uncontainable, would be a preferred approach. Thank you.

Chairwoman VELAZQUEZ. Thank you, Dr. Huang. I'd like to thank all of the witnesses for their incredible and important information that they have shared with us.

Mr. Chau, I would like to address my first question to you.

I represent Chinatown, both in Brooklyn and Sunset Park. I have heard that discriminatory rhetoric and outright racist anti-Asian sentiment are a couple of the reasons business is down around Chinatown in my district.

Is this something that has negatively affected your business in New York, and San Francisco, Los Angeles?

Mr. CHAU. Thank you for the question, Representative Velázquez.

I believe our business, for the record, has fluctuated, has been down in some stores, especially those located around these ethnic enclaves. So we have a store, I think, in your district, around the Lower East Side. I think that one is flat at this point. I think the community around us, including a lot of my friends, I am sure you have seen some of the New York Times articles, including I think my friend Wilson Tang. He runs Nom Wah Tea Parlor. I think there is a lot of misinformation where they put the face of coronavirus as Chinese restaurants or Chinese patrons, and that is leading to this larger scare in your districts as you said.

I have seen that personally also to a lot of our places in L.A., in Chinatown as well. Not that we have a space, but we were just in Koreatown as I said earlier, and I have never seen Koreatown so empty. And I hear a lot from our friends who own these establishments, that they have also faced, I would say, some form of discrimination and stigma.

Chairwoman VELAZQUEZ. Thank you.

Dr. Bouey, you are quoted saying that we often see epidemics of rumors, conspiracies, and discrimination coming from outbreaks like this. How can we ensure that facts and science prevail in global health crises?

Dr. BOUEY. Thank you.

So I always say that where is the epidemic of disease, that there is always another two epidemics. That is disinformation and discrimination.

So in order for us to fight all three epidemics, I think the facts that in the social media, in the public is very important. If we have the facts in the public area, you have an efficient risk communication plan, then we can fight the disinformation.

Chairwoman VELAZQUEZ. Thank you.

Mr. Ellenby, consumer spending is at the heart of the U.S. economy. How long can those small businesses in the travel and leisure sector survive with business conferences being canceled and more people staying at home?

Mr. ELLENBY. My sector of the business is corporate travel. So we service corporations that travel to such events, conferences, and they have literally shut down everything certainly for March, certainly for April, and we do not see any kind of life at the end of the tunnel when it comes to the corporate side.

When it comes to the leisure side, vacation-type travel, when messaging goes out about the cruises, taking cruises, not to take a cruise, maybe you should take a cruise, if you are older, younger, it is very, very difficult for any agency to remain in business when such messaging goes out.

So to answer your question specifically, there are many agencies right now that are shutting their doors as we speak, and some of them will be closed within 3 to 6 months.

Chairwoman VELAZQUEZ. Thank you.

Dr. Huang, what is the potential impact on low-income households if they are forced to take long periods off work to contain the spread of the virus, and how can we protect their financial stability if they get infected?

Mr. HUANG. Thank you.

I think if they take sick leave for too long, then many of this is going to affect certainly the small businesses because they cannot afford doing that. Unlike the big business, they do not have this room to maneuver and the resources to mobilize. And if the large, this absenteeism continues, we expect also the countries, the food and fuel supply also will be affected. That is going to deal another blow to the economy.

So I think it is very important that the U.S. consider a nationwide approach to the issue of sick leave. Maybe after when it is used up their sick leave, it is time for the Federal government to foot the bill. But in doing so, we should find an approach to protect both the workers and the business owners.

Chairwoman VELAZQUEZ. Thank you. My time has expired.

Now, we recognize the Ranking Member, Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chair.

Dr. Huang, let me go with you first if I can.

We know that the official Chinese data can be unreliable. Should this impact the global response to the virus? Do you take that into consideration as you are studying this? Could you comment on that?

Mr. HUANG. Absolutely. I think when we are making public policy, it is very important that we do evidenced-based decision-making based on reliable, trustworthy data. So if the data actually shows, for example, a high mortality rate, that is what we found, for example, in Wuhan, that may have something to do with the issue of the quality of the data, but it also has something to do with the draconian measures that have been undertaken without advanced planning. So there was a huge probable number of deaths was caused by those draconian measures and the health system being overwhelmed by the huge demand for testing and hospitalization.

So the WHO mortality data has been actually heavily influenced by the data in China because the mortality, China contributed to almost 3/4ths, more than 3/4s of the mortality worldwide. So that probably gave us this false sense, this is a very, very dangerous type of virus. In fact, if we top even the WHO mortality rate of 3.4 percent based on the current population, and if we adopt this prediction that 20 percent of the population will be infected, we are going to expect 100 million deaths worldwide.

Mr. CHABOT. Thank you very much.

Dr. Bouey, I am going to go to you next, if I can.

You had mentioned social distancing as one of the main ways to perhaps deal with this. Would you kind of describe in detail what you mean by that for anybody that may want to follow up with you?

Dr. BOUEY. Sure. Social distancing in principle is basically separating those who are infected with those who are not infected. So we could see patient isolation as one of the typical of such policies. So as soon as someone is suspected or a confirmed patient, one thing they should do is be put at a distance with people who are healthy. So this relates to the hospital, how we define hospital triage, so that we know that the cases, infected people can be separated from those other people who are healthy.

Quarantine would be an extreme measure policy on that because quarantine basically asks everyone, including those who are healthy, to stay put, not move. So between these two there are many variations of using protections and different type of policies in this line. But this is the only one, only thing we have now.

Mr. CHABOT. Thank you very much.

Mr. Ellenby, you have been in the travel agency business a while now. What advice would you give to those, it is pretty stunning what you said about 22 percent of them could literally be out of business within 3 months. It is very disconcerting, shocking. Is there any advice that you would give folk to avoid that?

Mr. ELLENBY. Thank you for the question.

Yes, I have been in the business for quite a while and have seen it all, I suppose. Everything from 9/11 to downturns to other diseases. An ASTA, the American Society of Travel Advisors, does a really good job in getting the word out, the information out, and how to address such situations. And unfortunately, there are very, very painful decisions you have to make, such as I mentioned yesterday, that we had to perform layoffs. And depending on the size of the company, if they have the ability to do that. Many of the members within ASTA do not have that type of workforce. And in some cases there are under five, maybe there are maybe one, or two, maybe three. And so it is very difficult for them to address those immediate expenses. So, labor is the critical piece.

Mr. CHABOT. Thank you. I am almost out of time, so I want to get one last.

Mr. Chau, how are you communicating with your staff, with your employees about what you are facing and how you are trying to deal with it, and I assume avoid, you know, people losing their jobs as much as possible? What are you telling them? What are you doing?

Mr. CHAU. Thank you for your question.

We just had a team meeting before I flew out to address this. I think the one thing that would help mitigate some of the scare is to give more information, as much as you have. So I recommend that for any business owner.

So we actually had a team meeting where we said, well, here are the options. If the city where we are from, San Francisco, does go into a full quarantine, here is what would happen. And if not, here is what would happen if it was a partial kind of shutdown. And so we walked that through our managers, and we kind of gave them

kind of a realistic idea of what could possibly happen. And I think they took it really well. And I think that is where I think a lot of small businesses across America should start doing that because washing hands and all the other preventative measures are already out there. Now we are just getting into scenario planning.

Mr. CHABOT. Thank you very much. My time has expired.

Chairwoman VELAZQUEZ. Time has expired.

We recognize Ms. Finkenaue, Chairwoman of the Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship from Iowa.

Ms. FINKENAUER. Thank you, Madam Chair. I appreciate being here today. And thank you all for coming all this way as well. I know you guys have a lot of demands on your time right now. So it means a lot that you took this to be here.

I am from Iowa. We actually today, we now have eight Iowans that have tested positive. And it is something, you know, my biggest concern is, obviously, the health and safety of my constituents and Iowans and folks across the country. I know our office, we have been in touch with all the hospitals in the district personally as well, making sure that we are keeping that line of communication open, hearing what people need, making sure that we are providing that. And I think that is one of the things that is going to be most important across the country, making sure that those lines of communication are open and that they are getting to the right resources.

One of the other things that is then next on my list after health and safety is our economy in Iowa and across the country as well, and how our employers are doing as well as our employees who devote so much of their lives to making the world go around in Iowa and across the country.

And so I was happy last week. We were able to pass the emergency loans, \$7 billion in emergency loans that the Small Business Administration would be able to provide with businesses being affected.

But I do have more questions for the Small Business Administration. I know you guys are not able to answer those, but I figured maybe the best way to do this would be kind of tell you what I want to know from them and then also how it would be affecting you.

So one of the things that I want to know is making sure that we are getting this information out to people across the country and to our small businesses. And how are we ensuring that that is happening?

And so, I know Mr. Chau and Mr. Ellenby, you guys are on the frontlines of this working with small business owners across the country. And what have you seen so far as the outreach and what could we be doing better?

Mr. CHAU. I will make mine pretty short.

So right now, I guess in the age of the Internet. A lot of the small business groups and network is online. So, I can name a couple that we are a part of. Prior to this hearing, I solicited some of the network from Asian Hustle Network. It is called AHN. There is another set of LinkedIn networks that we have. And so there are a lot of these Facebook groups that we have been talking about, what

are you doing? So in each of these big metropolitan areas there are also localized versions. There are chamber of commerces. There are other versions of chamber of commerces online. So I would recommend the government generally tap into some of these key stakeholders, a part of each of these big networks, and disseminate information.

Being at this hearing today I think is a major step toward that.

Ms. FINKENAUER. Yeah.

What about you, Mr. Ellenby?

Mr. ELLENBY. Yes, thank you.

Absolutely. The trade associations are a perfect way to get the information out and also solicit feedback. Certainly, chambers of commerce as well. So I agree with both areas.

Ms. FINKENAUER. Great.

And then the other thing I know, again, we passed the \$7 billion, but this is the question for the Small Business Administration, is how quickly can we get that out to the folks who need it?

But my question for you then is how quickly do you need it? Yesterday, I know, but—

Mr. ELLENBY. I would love to answer yesterday.

Ms. FINKENAUER. Yes.

Mr. ELLENBY. And also, I want to preface what I mentioned in my testimony was that easing the regulations for collateral.

Ms. FINKENAUER. Yeah.

Mr. ELLENBY. So I think that is a very, very careful area.

Ms. FINKENAUER. Okay. That is helpful.

Mr. Chau?

Mr. CHAU. I just second that. I think we were talking before this that many of these small businesses are already on kind of their last leg on their working capital, so it has been months, 2 months at least for some of these businesses, so the sooner the better.

Ms. FINKENAUER. Yeah. And with that I know the big thing for me, too, is making sure this is getting out to folks so that when we have employees that need to have time off, they are able to do it and they are able to get their paychecks. And it is just incredibly important, and these are the types of things that need to be thought about, again, all across the country. So I am grateful that you guys are here having those discussions. And I hope the Small Business Administration, I will be also reaching out to them with more of these questions, but I want to know, are they reallocating employees, making sure that there is more bandwidth to be able to handle these loans and get them out in a timely manner. And what are the contingency plans for all of that? So I think there is a lot we need to be doing, following up, making sure these are getting out the way that they are because I know just hearing your testimony today how important this is.

So thank you for being here, and I know we all still have a lot more work to do. So thank you.

Chairwoman VELAZQUEZ. The gentlelady yields back.

I would like to share with you that yesterday, we reached out to the Small Business Administration. We requested for them to put on their website all of this information, but also, every state has

to work with the SBA to declare that they have an emergency in their state, and that will open up the process.

Now we recognize the gentleman from Oklahoma, Mr. Hern, Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access.

Mr. HERN. Thank you, Madam Chairwoman, Ranking Member Chabot, and the witnesses for being here today to talk about this very important issue.

While we have had just a minimal impact in Oklahoma, I believe two confirmed cases now, this is still significant what is going on in the industry. Being in the restaurant industry my entire life, I have had a lot of friends who have called and are very concerned. And according to the American Hotel Lodging Association, they are estimating right now average or annual revenue loss within the range of \$32 to \$76 billion, including up to about \$100 million per day. Occupancy rates declining to 20 percent in major markets. At best, daily room sales decline around 15 percent, which result in about 15,600 fewer shifts available per day for room attendants. So obviously, significant job impacts there.

Mr. Ellenby, given your expertise in this travel industry, can you talk about what you think about these effects now? And if you could compare the previous global—you mentioned you have seen it all. When you have been around the industry you get impacted first because people usually shut down touching, being around other people. Could you compare what is happening right now so early in this process and this coronavirus issue, compare it to H1N1, SARS, and all the other things that have gone on?

Mr. ELLENBY. Yes. Thank you for the question.

The comparison, it does not compare to H1N1. The only thing I can think it compares to is really 9/11 of all the previous incidents. And that was one where we literally had 3 months of shutdown and we started to see business pick up again in January. At a minimal rate. But it does not compare. This is a significant, significant impact. And yes, travel is often the leading edge. On corporate travel, certainly. We know oftentimes way out ahead, maybe 3 months, where the economy is going. And we are in the deep of it right now.

Mr. HERN. So obviously, you have an opinion because, you know, when you look at deaths around the world, a single death is tragic, but when you compare it to what we know in Oklahoma, and our governor just spoke to this on Friday, that we, so far in this season, we have had 54 deaths from flu and thousands, and we have heard from CDC where we have had tens of thousands of people that have been infected, hundreds of thousands, actually. I think 350,000 hospitalized since October 1. We have had tens of thousands of deaths. And in the United States, we have had 26. What do you attribute that to? Because we are talking about average people and companies that are canceling conventions. McDonald's Corporation just canceled their largest convention they have every 2 years. The first time in the history of the company, in Orlando, where it has impacted at least 50,000 people traveling in for that. Why is that happening?

Mr. ELLENBY. Yeah. The cancelations are through the roof. In fact, more of our business right now involves cancelations than it does actual revenue.

The cancelations, I believe, is through information that is coming out from multiple sources. The media gets a hold of that. They put their information on that as well. And I think the feedback that we are getting with respect to travelers are if they should go someplace, they want to get back. They want to get back home. And they do not want to be quarantined. So they want to make sure that if they go someplace, they can make it back, and they do not know what is taking place in that particular destination. So I think it is the fear of the unknown, and so therefore, that is why they are making the decision to not go, and that is why companies are afraid to have those type of events outside the area.

Mr. HERN. So again, I do not want to put words in your mouth, but having talked to many people in the industry, maybe it is just because of my background, that a lot of folks feel like there is a lot of information that is flowing around that while other epidemics, pandemics have been more deadly, much more deadly than this, there is a lot more fear being put into the communities that have maybe made people err on the side of caution much more so than in previous history.

Mr. ELLENBY. Yes, you are putting words in mouth. That is exactly it. That is exactly it. It is just, there is inconsistent messaging. And if there was consistent messaging coming out of multiple departments, if there was consistent messaging that was appropriate, that would translate into those really making decisions on travel at a much more reasonable effort.

Mr. HERN. Madam Chair, I will yield back the rest of my time. Thank you so much.

Chairwoman VELAZQUEZ. The gentleman yields back.

The gentlelady from California, Ms. Chu, Chairwoman of the Subcommittee on Investigations, Oversight, and Regulations is now recognized.

Ms. CHU. Mr. Chau, as you have seen first-hand, Asian American communities across the country have been severely impacted by the coronavirus outbreak. In fact, I was shocked to find out 2 nights ago that in Los Angeles, Chinatown, one of the two remaining major Chinese restaurants that is capable of having a sit-down banquet, Ocean Seafood, is shutting down as a result of the sharp decline in business as a result of COVID-19. And in my district of the San Gabriel Valley in Southern California, I attended a press conference in February to highlight the impacts of this outbreak on our local restaurants and businesses. That was nearly a month ago but even then, restaurants were reporting a decline of about 50 percent. Those impacts have only worsened now, and that is why it is so important that Congress and this Committee help those small businesses get the assistance that they need, and that is why I joined Congressman and Chairwoman Velázquez in co-sponsoring the H.R. 6040, the Small Business Relief from Communicable Disease Act. And fortunately, key provisions of this bill were included in the emergency supplemental appropriations package that passed Congress and was signed into law last week. Now,

small businesses impacted by COVID-19 will be eligible for SBA disaster loans.

But the outbreak has resulted in more than just economic harm. We have also witnessed horrific instances of xenophobia and abuse directed towards Asian-Americans for no reason other than their appearance. These incidents rely on harmful stigmas and stereotypes that threaten to far outlive COVID-19 and have even been repeated by members of Congress. And in the last Small Business hearing, I held up a fake flyer that had the actual logos of the WHO and the County of Los Angeles actually naming five Asian businesses that people should avoid because of a man that they alleged had coronavirus went there.

So as a business leader in the Asian-American community, could you elaborate on the types of xenophobia you have witnessed and discuss what we need to do about it?

Mr. CHAU. Thank you for those comments. It is a lot to unpack because I think a lot of it is personal. And in the community, we have been talking about this a lot. Unfortunately, both in your district and so many of the districts we have our stores in, we have seen psychological impact. People are afraid to go out. Sometimes you cannot even know what is going on.

There was a recent assault or stabbing in Brooklyn the other day where an Asian male was stabbed but they cannot tell if it was xenophobia or not because it was implied maybe but there are all these uncertainties. And then it is creating communities that are essentially playing their past issues against each other. And I think what we need to do first of all is to have better dialogue among anybody who has been marginalized, too. I think, number one, we need more allies.

I think secondly, for those who are going through it, there already are groups that take care of each other. There is a group that I am on. I think it is called Crimes against Asians on Facebook where we actually see, and every time it is reported it gets amplified. And then it goes to larger media outlets like nextshark.com or NBC News. And that is actually how we funnel through the pipeline. So there is actually a lot of grassroots efforts. We continually need to do that, and I think that, as long as the messaging keeps getting out and goes through I would say the media outlets, we do a better job of storytelling and we have a better narrative.

So unfortunately, the psychological damage is almost irreparable because at the same time you have a 14-year-old, I think, girl in L.A. recently that was also made fun of and assaulted. It is on the Internet and people recorded this. And imagine, she is 15 now. In 10 years, she is going to be 25. She is going to carry that with her. And then that might have her treat certain communities that targeted her in a different way. And it is just a vicious cycle. So I think we need to control all of that.

Ms. CHU. And could you say how we can address the anxieties within the Asian-American community without compromising public health in the business arena, like, for instance, if your business had to have a worker that quarantined itself?

Mr. ELLENBY. Yeah, I think people, we have to separate the data. We have to be much more data, and do the math on this, is that the quarantine very likely, as Dr. Huang said, that somebody

may get it in any of our communities. And so at that point, we have to separate that from whoever is getting it and not overgeneralize a certain population. So if that does happen, I am sure people will take that as a precaution, but I just think people need to rely more on the data and use that versus some sensationalist media message.

Ms. CHU. Thank you. I yield back.

Chairwoman VELAZQUEZ. The gentleman from North Carolina, Mr. Bishop, is recognized for 5 minutes.

Mr. BISHOP. Thank you, Madam Chairman.

As I listen to the testimony and the questions, I am struck that we are sort of saying it can be harmful if we underreact. It can be harmful if we overreact. It can be harmful if we react with measures that have unanticipated adverse consequences. So it is a tricky situation that we are in.

Mr. Chau, I am interested, did I understand that you have retail outlets? That is what your business is?

Mr. CHAU. Yes, that is correct, sir.

Mr. BISHOP. And I know that there is a great deal of discussion in media and among government these days of having workers telework.

I assume that for a business like yours that would not be a viable solution; correct?

Mr. CHAU. That is correct.

Mr. BISHOP. Because you have got to be open. You have got to have retail employees who are there prepared to serve the public in those facilities.

Mr. CHAU. That is correct. A lot of people, especially in big cities, big companies are having them working from home but that is very hard to do when you are retail-based.

Mr. BISHOP. And I would imagine there are a lot of small businesses to whom that situation would apply then. They need their workers at their locations; right?

Mr. CHAU. Yes, that is true.

Mr. BISHOP. There was a good bit of discussion about allowing paid leave or maybe the government funding paid leave. If that were done on an indefinite basis, for example, that also might undermine a small business like yours, would it not?

Mr. CHAU. That I am not really sure what the ramifications are. I have heard of different pros and cons of having paid leave. I, generally, I think, have been on the side of having—FMLA, for example, does not cover a lot of these instances, so like extending that may help. In my mind, my job is to make sure that our workers are safe and that they are the most productive. And so if they are constantly worrying and not being their best self because they are worried about a paycheck, I think it actually in the long run hurts them. So I think having some type of security would help alleviate that.

Mr. BISHOP. If it were available, essentially, without condition so that it just deterred your employees from coming to work, under those circumstances if you are a small business there might be some adverse consequence. Would you agree with that?

Mr. CHAU. Yeah, I would agree that there would be some qualifications that would qualify for that. I think maybe—

Mr. BISHOP. They need to be designed appropriately?

Mr. CHAU. It has to be designed. It has to have the right rules. Otherwise, if you are inferring that it might get abused, I think that is definitely possible. I think we need to have the right checks and balances for a larger solution like that.

Mr. BISHOP. I wonder if it is obvious to everybody the panel that it would be wrong and counterproductive for anybody to exploit the situation for political advantage by either provoking panic or unreasonably undermining confidence in public authorities' responses, or even attributing false motivations to public or private responses.

What about you, Mr. Chau, would you agree with that?

Mr. CHAU. That I do not have an opinion on. I think that might be a little too complicated. I am just a businessman. But I would like to think that people are not politically motivated on something that is like a public health issue.

Mr. BISHOP. I would hope so, too. I think that is good enough for me.

Thank you, Madam Chairman. I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from Kansas, Ms. Davids, for 5 minutes.

Ms. DAVIDS. Thank you, Chairwoman Velázquez, and Ranking Member Chabot for calling this hearing today.

The first confirmed case of COVID-19 was found in the Kansas 3rd Congressional District which I represent, this past weekend. And thankfully, the person who got sick did everything right to help contain the spread of the disease. But even still, there are preventative measures that are being implemented in Kansas and all over the country as we have heard, to help mitigate and contain this novel coronavirus. These precautions are incredibly important for public health and safety and have to remain our priority.

But we cannot overlook the impact of this epidemic on our economy, and especially the small businesses such as those who are here today and those in the district that I represent, which are the backbone of our communities really.

I have already heard from small business owners in my district who are worried. One shared a fear that this would not only jeopardize her business's future but would jeopardize her ability to pay her bills, cover her rent, get her groceries. And crises like these can be especially tough on small businesses. Small retailers in restaurants do not have the teleworking options for their employees and disproportionately suffer when sales slow down as folks start to stay home.

So my first question is, because this coronavirus has just reached Kansas's 3rd District this weekend and we expect that there will be more cases, no one can be sure what the full impact is going to look like, I want to know what you think I should be doing to help the small businesses prepare for the effects of lower sales of sick employees?

Mr. Chau, I would like to start with you.

Mr. CHAU. Thank you for your question.

I think it goes back to what we have been saying. A lot of it has to do with communication. The bill that has passed, that loan as-

sistance would definitely help in getting the right information to them and getting them involved if that applies to their business is number one.

Number two, I think there is a lot of, I would say, community support. I think you are seeing right now a lot of communities banning together and saying I think there is a hashtag called Support Chinatown. So I think if that could happen in your district, people I think realize that, especially if there is not as many cases in your specific area and it is a little bit more of an over stigmatization and generalization, supporting local businesses has really been helping certain areas. So I think probably a campaign related to that helps.

And I think third is just anything that helps, whether it is certain other programs that helps with financing or capital or just other things having rent or expenses be deferred, I think that is a big one. I think I have been reading some of the certain businesses, I think a bunch of us wanted to band together where we make a statement where we say to the landlords, please provide some relief. And just going to landlords directly. And I think having that come from legislators or parts of the government might also help because it still shows solidarity.

Ms. DAVIDS. And then I would love to hear from other folks on the panel, when you talk about the information that I can be putting out, we definitely have on our website information from the CDC. We also have information from our local county governments and the state government.

Is there any particular way that you think that our office should be either doing outreach or taking in information just from the people who are on the ground who are dealing with this day to day?

Dr. BOUEY. My recommendation is that we need to understand when people are in doubt or having fear, the first thing that will harm their information is that if they have suspicious of the government or they do not trust the government can handle it. So I think the transparency is very important that whenever there is a case that there should be reported in time. So transparency is important. And the other thing is the competency. Right?

So if we know that there are testing sites, there are treatments ready, that information needs to be ready for the public.

Ms. DAVIDS. Thank you. And it sounds to me from those of you who have been studying this and directly feeling the impacts of this is that we need to make sure in our congressional offices that we are sharing information with folks, being as transparent as possible, and then those of us on the Committee need to make sure that we are helping to support our small businesses, whether it is through programs and adjusting some of our loan programs and the collateral requirements.

I thank you for your testimony today, and I yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from Florida, Mr. Spano.

Mr. SPANO. Thank you, Madam Chair. And thank you to each of you for being here today. We appreciate you taking the time to come up and speak with us. I am sure we probably all have our individual examples.

I was just at an event on Saturday, Friday maybe it was, where a good friend of mine I have known for a very long time, they own

a travel business, and she was just almost, you know, crying about where they were at. They had a trip scheduled to Italy that had been canceled the day before. A trip to D.C. this week that thankfully had not been canceled, but the implications for her and her family were pretty significant. And this is a business where they, you know, the business is them, her and her husband. Right? So it really has turned people's lives upside down, which is incredibly unfortunate. But one of the questions that she had for me was that she was concerned about the folks who had booked trips through her company. They had been canceled but there was no recourse for them even potentially the insurance policies that they had purchased were not paying out because I guess, the language in the policy itself.

So I would like to ask Mr. Ellenby if he could speak to that for just a moment. Are typical travel insurance policies covering this scenario?

Mr. ELLENBY. Thank you for the question. And I am sorry to hear about that particular situation.

Not all insurance policies are the same. Some do not cover it; some do. I do not have specifics on those particular programs. We can certainly provide that.

What I can tell you is there are many suppliers who have become very liberal in their policies. And so working with the suppliers they have done a very good job in responding to any kind of cancellations, refunds, and working with a travel to support the client.

Mr. SPANO. So what would you recommend someone do if they are in that specific circumstance? How do they petition, I guess the venue or whoever might be giving them a reimbursement?

Mr. ELLENBY. In that particular case I would recommend that the agent friend speak with their supplier and continue to speak with that supplier if they do not get the correct answer. And I am sure the American Society of Travel Advisors could help out in that case as well.

Mr. SPANO. Great. Thank you.

And you had mentioned in response to a question a moment ago that the only thing you could only liken this scenario to is the 9/11 tragedy, and it took 3 or 4 months before things even began to move again. So I know it is hard to say because we really do not ultimately know how significant this is all going to play out, but what is your best guestimate? You know, typically, in this type of scenario, let us just say for example, I will give you this, let us say things begin to improve beginning in May or June, people begin to feel comfortable booking trips again. Will the travel agencies make up for what they have lost in part? Will people travel more over the summer because they have not traveled in March and April? Or is it just lost opportunity?

Mr. ELLENBY. That is a great question. Thank you for asking that.

You would like to think there is pent up demand. You can only hope there is pent up demand. But I think, I would say for the most part there is probably lost opportunity. There is lost opportunity. I doubt it is going to be made up through the rest of the year. Very doubtful.

Mr. SPANO. Yeah, thank you.

Madam Chair, I yield back the remainder of my time.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from New York, Mr. Delgado.

Mr. DELGADO. Thank you, Chairwoman.

I appreciate all of you being here, providing all of your insights.

I wanted to sort of piggyback a little bit, Dr. Bouey, on some of your considerations for policymakers when it comes to supporting SMEs. I thought one of your takes was pretty interesting here. You say that SMEs could benefit from diversifying business platforms, online base platforms and virtual service provisions can help SMEs sustain business during quarantines or travel bans. It would be helpful if policymakers could bring tax breaks and technical guidance to help SMEs restructure their business operations.

Can you speak a little bit more about that?

Dr. BOUEY. Sure. So the data we got from China, some of these are surveys given to SMEs. Some of those are ecommerce data that it collected. And it shows that definitely overall retail are hurt but it is not all even. So the business that has a virtual store, during the quarantine and travel ban, those are hurt most. But at the same time, people are buying groceries or even meals and certainly other supplies through online vendors.

And then in China, we also see that the shops that have no servers shop or even a vending machine which has been here for a long time but in China it is actually a new phenomenon. But we see that all of these machines and human-free shops are getting more traffic, becoming more popular.

So online education, online entertainment, and online gyms, those are also seeing an increase in traffic.

So one idea is that would it be helpful for a business to have both a physical shop as well as an online shop, a virtual center that at least can help the business to keep contact with their potential customers or maintain some loyalty of the customers.

I know some businessmen in China, during the downtime, they even send free videos to their customers and help entertain their kids because the kids are home and have nowhere to go. But these are the very innovative ways to help the business.

Mr. DELGADO. And I am assuming, and please correct me if I am wrong, that you have not encountered any examples of those types of approaches being incentivized within the SBA; right? There is nothing you have come across that would speak to this specific issue?

Dr. BOUEY. No.

Mr. DELGADO. Right. Okay. So that is definitely something I think we might want to look into. I would imagine that some of the low interest loans, too, if they were tied to sort of incentivizing—

Dr. BOUEY. Innovation.

Mr. DELGADO.—to diversity in this way could be quite helpful.

Dr. Huang, I just want to also bring you into this conversation because I think at the end of the tail end of your testimony you said that, you noted that the targets alone are helpful but you also said the U.S. government may consider following the example of Italy to provide tax cuts and credits for small businesses.

Could you speak specifically to what you might have in mind when it comes to credits?

Mr. HUANG. Thank you. That is a very specific question.

I think in terms of the credits, I think they could be taking just different forms. It could be a tax credit to those who have been suffering during the outbreak. It could also be like the forms like difference of the payment that we have seen also in the case of China. But——

Mr. DELGADO. Let me help you out. I think I have an idea. I think maybe we can do a tax credit for those companies that look into diversifying their platforms. I think that could be one way in which we are able to help facilitate this. I think that obviously trying to go about this with a clear eye and a deep politicized fashion is going to be of utmost importance.

I just want to again thank each and every one of you for your insights. It is very much appreciated.

And with that I yield back. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize Mr. Schneider, from Illinois.

Mr. SCHNEIDER. Thank you, Madam Chair. I want to thank you and the Ranking Member for having this meeting. I want to thank the witnesses for joining us today and sharing your perspectives, your experiences.

We are dealing with a crisis. There is no question about that. It is being dealt with at all levels—in our local communities, at the state level, here in the Federal government.

Mr. Chau and Mr. Ellenby, you were literally at the frontlines dealing with this in your businesses. And I think one of the greatest challenges we face, especially as policymakers here in Congress, is trying to find the path to help you short term how to deal with the immediate impacts it is having on your business.

Mr. Ellenby, you said you laid off a third of your workforce?

Mr. ELLENBY. Not a third but we laid off a significant amount.

Mr. SCHNEIDER. But there are going to intermediate and long-term impacts on this, and I think, Dr. Bouey, others have talked about this, the transition from trying to contain to now mitigating the consequences of this. And that is why I am pleased that in the House last week we initiated, and we passed \$8.3 billion. It passed the Senate. It was signed by the President. That was a big step to move forward to help the people at the frontlines. We need to continue with that.

In my state, in Illinois, our Governor Pritzker issued a disaster declaration yesterday for the state. This allows the state to access those emergency funds, and I suspect we will see more of that.

I also think in speaking to my colleagues, it is important for us to be the public face, to make sure that we are communicating with our constituents, keeping them informed at all levels.

Someone else mentioned the challenge we face because every action we take will have counteractions. And so we want to make sure what we do is in the right direction and that we are flexible to respond and make decisions today that will have consequences to underly and support our decisions tomorrow.

But there are also things I think we can do that model behavior. The no-touch screening, whether it is the Mr. Spock, may we all

live long and prosper, or it is elbow bumps, there are things we can do. Washing our hands, singing Happy Birthday twice as we wash our hands. Changing just general hygiene. It sounds simple but that is a big step to try to mitigate the impact of all of this, including disinfecting services, desktops, phones, et cetera.

And let me just advise everyone. If you do not feel well, please stay home for all of us. It is critical.

But as people stay home, it is hard, and I think this is one of the things that we talked about. Whether it is unfortunate layoffs or just go home for a couple of weeks, we need to make sure that we are providing two levels I think of support.

One is the level of income continuity, whether that is paid leave, making sure that those who, whether they are working in a restaurant, a retail store, travel industry, manufacturing, that if they are not able to go to work, if they are not able to get their paycheck, we are ensuring that they have the resources to feed their families, to pay their bills, to not lose their housing. That is crucial.

The second piece that I think we need to be thinking about, and we have talked some about this with the small business loans, is make sure businesses like yours have the capital to ensure continuity.

Mr. Ellenby, I do not know if this is going to be a few weeks, a few months, or take us, someone said this may extend into 2021. That is going to be real challenges. And for you it is not just managing your business but managing what hopefully as you said, the pent up demand, as customers come back, we want to make sure that our businesses are there for those customers and that they are healthy and that employees can come here.

We passed the bill last week. Legislation designated the coronavirus as a disaster which opened up the Small Business Administration's Disaster Loan Program. This is critical. But we need to continue to stay focused and be thinking about what is our next step? This is a long-term play. We need to be thinking not just next week but next month and the month after and policy. So I thank you.

I have now left only a minute for questions. But I will open the question. Mr. Chau and Mr. Ellenby, what other ideas as you have sat here, as you have thought about it, are there other things we can be doing to help small businesses like yours?

Mr. ELLENBY. I will be very quick.

One of the things, our membership of ASTA, my company itself, we do provide paid sick time and we do provide health insurance. But there are many smaller companies who do not. They do not have paid sick time. And that is going to be a very big issue so that really needs to be considered in any kind of loans and stimulus.

Mr. SCHNEIDER. Mr. Chau, 14 seconds.

Mr. CHAU. I am going to echo that. Actually, I will just echo that. I think that has been a big topic. Just, especially with a lot of part-time workforce, the income continuity is going to be the big thing. And as an augmented workforce becomes normal, we have to figure that out just as a society.

Mr. SCHNEIDER. Great. Thank you.

And with the 2 seconds I will steal over my time. The idea of how do we move forward in this crisis is critical but learning the lessons

so we are better prepared for the next crisis is just as critical. I commend you for offering that paid time off and sick time and health insurance. Everyone in this country should have that.

And with that I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from New York, Mr. Espallat.

Mr. ESPAILLAT. Thank you, Madam Chair. Mr. Ranker.

I am really concerned about the way small businesses are being treated in this crisis, because testing as of yet has been very limited. So as we increase significantly testing across the country, maybe to a degree that you can even go to a local pharmacy and get a test kit, the numbers are just going to go right through the roof. And this will create a long-term crisis for small businesses.

We saved the banks. We saved Detroit. Now the White House is proposing to save the cruise industry and the travel industry. And yet we want to saddle small businesses with loans. And I support that with zero percent loans, but nevertheless, we want to saddle them with debt. And they will be shaken up by this crisis and then they will have a looming debt at the end of this process, Madam Chairwoman.

New York City is offering not only loans but grants up to \$6,000 to those businesses that witness a 25 percent drop in business.

The empowerment zones offered a tax credit to businesses of \$3,000 per employer that hire local. I am proposing that we offer a tax credit for businesses that have witnessed a 25 percent drop in business and that retain those workers.

In addition to that, I think that we could give grants for, for example, the installation of smart energy equipment in small businesses that will result in a dramatic drop of 30 to 50 percent of energy costs. That is money in your pocket. That is help.

The rest is saddling you up with debt. I do not see how that is helpful. It may be helpful now, but it will cripple you tomorrow. So I think that we have not helped small businesses the way we should, the way we have helped other parts of the economy while small businesses are the biggest employers in the country. So we worry more about the banks when we had the meltdown on Wall Street. We worry more about Detroit when we had the near destruction of the auto industry. And now we are worrying about cruisers and the travel industry, and we are leaving you guys behind because all we have given you is debt. And debt may be zero percent, but debt is debt and debt is bad, especially if you are weak economically and you cannot make ends meet.

So my proposal, I want to hear from all of you as to what I am proposing. There is a model out there already. Do you support a tax credit for those businesses that have witnessed a drop of 25 percent in business and have retained their local workers? Because this is also about communities. And do you support grants to do the renovation of smart energy equipment that will not only lead to a better environment than cleaner energy but also to a 30 to 50 percent drop in your energy bills? Anybody?

Mr. ELLENBY. Yes, yes, and yes.

So yes, we could agree to every one of those items. And I would like to offer, I will be very quick so everyone else can speak, we

may have some additional ideas from our trade association that could help you as well.

Mr. ESPAILLAT. We would love to hear from you those ideas. You are on the ground. You can tell us what can make it work for you. But at the end of the day it has to be in your pocket.

Mr. ELLENBY. Yes.

Mr. ESPAILLAT. Do not bring me to another breakfast for a loan that I am not going to qualify for, because if you need a loan, you probably have shabby credit. You know, you are not able to meet payroll, or you do not have capital to expand. If you have good credit and you meet payroll and you have money on the side, the bank comes to you. You do not need to go to the bank. So if you have additional ideas, I would love to hear them.

Mr. ELLENBY. Thank you.

Mr. ESPAILLAT. Anybody else? Doctor?

Mr. HUANG. Yeah, certainly, I would support that idea. I think policymakers will not make a choice between maximum protection and minimum disruption. Actually, it is always about balancing the draconian containment measures including aggressive testing against the impacts on the economy and society. We have seen the countries like South Korea, Italy also, why are they taking aggressive testing measures of seeing the actual number, significant increase of the number of the confirmed cases, but in time they are also very keenly aware of how they should minimize the damage this could cause to the economy.

Mr. ESPAILLAT. Thank you.

Mr. HUANG. Thank you.

Mr. ESPAILLAT. Thank you, Madam Chair.

Chairwoman VELAZQUEZ. The gentleman yields back.

Mr. Ellenby, you mentioned that you were working in the travel industry during 9/11; right? I would like for you to go back and check, besides the Disaster Loan Program that we had in place back then and that we included in this bill, and see if there were any other provisions that were part of that 9/11 package that you believe were effective in helping the businesses that you represent, and get back to us.

Mr. ELLENBY. I would be happy to do so. Thank you.

Chairwoman VELAZQUEZ. Thank you.

We want to thank all of the witnesses for taking time out of their schedules to be with us today. I would like to thank all of the witnesses for educating us on the potential economic and public health impacts of the coronavirus. Moving forward, it is our priority to do whatever we can to help those small businesses that will disproportionately suffer economic harm. We must also realize this is a public issue as well, and I encourage everyone to plan, prepare, and to not panic. Common sense measures, like washing your hands and seeking medical care if you are experiencing flu-like symptoms will go a long way, and our federal government will play an important role as well.

Dr. Bouey, I heard you when you said it is important that people have faith in the information that they get from our government; otherwise, we are going to defeat any purpose.

I urge colleagues on both sides of the aisle and the administration to work together on a coordinated government-wide plan to respond to the coronavirus.

With that, I will ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the Committee, we are adjourned. Thank you.

[Whereupon, at 1:03 p.m., the Committee was adjourned.]

[Dr. Jennifer Huang Bouey wished not to respond to questions from Hon. Troy Balderson]

APPENDIX

Testimony

Assessment of COVID-19's Impact on Small and Medium-Sized Enterprises

Implications from China

Jennifer Bouey

CT-524

Testimony presented before the House Small Business Committee on March 10, 2020.



For more information on this publication, visit www.rand.org/pubs/testimonies/CT524.html

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Assessment of COVID-19's Impact on Small and Medium-Sized Enterprises: Implications from China

Testimony of Jennifer Bouey¹
The RAND Corporation²

Before the Committee on Small Business
United States House of Representatives

March 10, 2020

Chairwoman Velázquez, Ranking Member Chabot, and members of the committee, thank you for inviting me to testify on the impact of the coronavirus outbreak on the economy in China and small and medium-sized enterprises (SMEs) there. As the first country hit by the new coronavirus, China's epidemic patterns and actions and the combined impact on China's SMEs may provide some useful insights for the U.S. government and businesses. I will first briefly introduce the characteristics of the coronavirus disease 2019 (COVID-19) and the epidemic it is causing. Next, I will describe the epidemic patterns in China, China's actions, and the combined impact on China's economy in three stages. Last, I will summarize the epidemic's impact on the global supply chain and a few recommendations on the control of the epidemic and assistance for U.S. SMEs facing the epidemic.

COVID-19 Epidemic: Virus, Host, Environment, and Transmission

SARS-CoV-2 (the virus that causes COVID-19) is the latest member of the coronavirus family affecting humans. This type of virus is commonly found in humans and other mammals. In humans, coronavirus has four strains that cause mild clinical symptoms, usually referred as the common cold. Two other strains are more lethal: SARS-CoV and MERS-CoV. These two strains cause case-fatality rates (CFRs) of 9.6 percent and 34.4 percent, respectively.³ The new zoonotic

¹ The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of the RAND Corporation or any of its research sponsors.

² The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier, and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest.

³ World Health Organization, "Middle East Respiratory Syndrome Coronavirus (MERS-CoV): WHO MERS Global Summary and Assessment of Risk," July 2019 (<https://apps.who.int/iris/bitstream/handle/10665/326126/WHO-MERS-RA-19.1-eng.pdf?ua=1>).

virus (i.e., can spread between humans and other animal species) shares a high degree of genomic similarity to coronavirus in bats and to SARS-CoV in humans.⁴ Because this is a new viral challenge to humans, there is no preexisting immunity in humans and everyone is assumed to be a susceptible host to COVID-19.⁵

The most recent data show that COVID-19 is likely to be more contagious but less likely to cause severe clinical symptoms and deaths than SARS and MERS. A Chinese clinical study recorded 72,314 COVID-19 cases diagnosed by February 11, showing an overall CFR of 2.3 percent, with 81 percent of cases being mild. The CFR jumped to 8 percent among patients 70–79 years old and to 14.8 percent among patients 80 years old and older.⁶ Most COVID-19 patients have mild symptoms, similar to a flu. People with mild symptoms might not go to the hospital or even necessarily know that they have the disease but could still carry the infection; accordingly, person-to-person transmission is not limited to hospital settings, which is what happened in the SARS and MERS cases. COVID-19 is transmitted via droplets and fomites (contact with contaminated surfaces). Data synthesis from several preliminary reports on COVID-19 indicates a coronavirus patient, on average, can transmit the disease to three people without intervention (compared with one for the common influenza, two for Ebola, and 18 for the measles).⁷ The World Health Organization (WHO) reported that such transmission in China occurred most often at the household level, as 78 percent to 85 percent of disease clusters were family clusters.⁸ The moderately high infectivity, mild clinical symptoms, uncertain incubation period, no human immunity, and possibility of asymptomatic healthy carriers may mean that the novel virus is likely to cause worldwide transmissions. At the time of this testimony, there have been COVID-19 case reports on every continent except Antarctica, while China still has the majority of the reported cases and deaths. Sustainable community transmissions—multiple chains of person-to-person transmissions in a community without direct link to travel—have emerged in many countries, including the United States.

The timing and the global environment in which this novel coronavirus emerged also helped it spread globally. Just before the outbreak, there were 739 international air travel routes originating from China, and, on average, 51 million people traveled between China and another

⁴ Peng Zhou, Xing-Lou Yang, Xian-Guang Wang, Ben Hu, Lei Zhang, Wei Zhang, Hao-Rui Si, Yan Zhu, Bei Li, Chao-Lin Huang, Hui-Dong Chen, Jing Chen, Yun Luo, Hua Guo, Ren-Di Jiang, Mei-Qin Liu, Ying Chen, Zu-Rui Shen, Xi Wang, Xiao-Shuang Zheng, Kai Zhao, Quan-Jiao Chen, Fei Deng, Lin-Lin Liu, Bing Yan, Fa-Xian Zhan, Yan-Yi Wang, Gengfu Xiao, and Zheng-Li Shi, “Discovery of a Novel Coronavirus Associated with the Recent Pneumonia Outbreak in Humans and Its Potential Bat Origin,” *bioRxiv*, January 23, 2020.

⁵ WHO-China Joint Mission on Coronavirus Disease 2019, *Report of the WHO-China Joint Mission on Coronavirus Disease 2019 (COVID-19)*, February 16–24, 2020 (<https://www.who.int/docs/default-source/coronaviruse/who-china-joint-mission-on-covid-19-final-report.pdf>).

⁶ Z. Wu and J. M. McGoogan, “Characteristics of and Important Lessons from the Coronavirus Disease 2019 (COVID-19) Outbreak in China: Summary of a Report of 72 314 Cases from the Chinese Center for Disease Control and Prevention,” *JAMA*, February 24, 2020.

⁷ Ying Liu, Albert A. Gayle, Annelies Wilder-Smith, and Joacim Rocklöv, “The Reproductive Number of COVID-19 Is Higher Compared to SARS Coronavirus,” *Journal of Travel Medicine*, February 13, 2020.

⁸ WHO-China Joint Mission on Coronavirus Disease 2019, *Report of the WHO-China Joint Mission on Coronavirus Disease 2019 (COVID-19)*, February 16–24, 2020 (<https://www.who.int/docs/default-source/coronaviruse/who-china-joint-mission-on-covid-19-final-report.pdf>).

country per year. The epicenter of the outbreak, Wuhan, is a major transportation hub in central China, sometimes known as the “Chicago of China.” On an average day, 30,000 people fly out of the city, and many more use the bullet trains from three railway stations in the city. The outbreak intensified right before the peak travel time for the Chinese Lunar New Year (January 25, 2020)—two weeks before to two weeks after the New Year day, a time during which more than 3 billion trips typically occur in a normal year.

Three Stages of the COVID-19 Epidemic in China and the Impact

In this section, I describe China’s COVID-19 epidemic, the Chinese government’s responses, and the combined impact on the economy, in three chronological stages.

Stage One: Awakening to the Epidemic (December 2019 to January 20, 2020)

The Epidemic and Chinese Government’s Actions

A cluster of pneumonia of unknown etiology appeared in Wuhan in December 2019, where several cases were associated with exposure to a seafood market. Wuhan health officials closed the market and announced the 27 cases on December 30, 2019, after a few doctors in Wuhan sent social media messages warning their acquaintances about a “SARS-like” pneumonia. Three Chinese Center for Disease Control and Prevention (Chinese CDC) expert teams were dispatched to Wuhan for investigation. The first two went to Wuhan on January 1 and January 8, respectively. They concluded that there was no person-to-person transmission, the epidemic was under control, and no new cases were reported. Meanwhile, the virus’s genomic data were shared with GenBank of the U.S. National Institutes of Health (NIH) and Global Initiative on Sharing All Influenza Data (GISAID) by the Chinese CDC and Fudan University on January 11. Soon after, these original genetic data helped Japan and Thailand link their new COVID cases to Wuhan. A third expert team from the central government went to Wuhan on January 19 and confirmed the person-to-person transmission. On January 20, the Chinese government hosted a high-level political meeting on COVID-19 management, triggered the national public health emergency, and added COVID-19 to the national Infectious Disease Information System (IDIS) that would guarantee mandatory case reporting according to the China’s Health Emergency Regulations.⁹ For more discussion about the epidemic and Chinese government’s actions at this stage, see my previous testimony.¹⁰

Impact on the Economy

Even before the lockdown, NASA satellite images showed Wuhan to have lower levels of pollutants in January 2020 than the same time a year ago, indicating a slowdown in industrial

⁹ Library of Congress, “China: Legal Responses to Health Emergencies,” webpage, last updated June 9, 2015 (<https://www.loc.gov/law/help/health-emergencies/china.php>).

¹⁰ Jennifer Bouey, “From SARS to 2019-Coronavirus (nCoV): U.S.-China Collaborations on Pandemic Response,” testimony presented before the House Foreign Affairs Subcommittee on Asia, the Pacific, and Nonproliferation on February 5, 2020, Santa Monica, Calif.: RAND Corporation, CT-523, 2020 (<https://www.rand.org/pubs/testimonies/CT523.html>).

production, either because of the new, as yet unknown disease or because of undetermined causes that linked to the overall economic environment.¹¹ The domestic consumer market and service sector now contribute more than half of China's GDP. However, multiple sectors were suffering significant demand weakness in the past year, most notably the automotive sector and smartphones.¹² The Chinese government has also been trying to reduce the high level of domestic indebtedness that has led to less borrowing power for business. In other words, China's economy was facing many challenges and was slowing before COVID-19.

Stage Two: Quarantine and Shutdown (January 21, 2020, to February 21, 2020)

Epidemic: Wuhan Is the Epicenter of the Epidemic

On January 30, 2020, the WHO declared the situation a public health emergency of international concern. Between January and February, there was spread of COVID-19 cases in all 31 provinces of mainland China. Wuhan was the epicenter of the epidemic, with 83 percent of all the cases and 95 percent of the deaths in China on February 21.¹³ Wuhan's COVID-19 cases also showed a 100-fold infection rate (per million population) and a four-times-higher CFR (4.2 percent), compared with those in other areas in China. Total Chinese reported case numbers increased from 309 on January 21, 2020, to 76,392 on February 21, 2020.¹⁴

By February 13, 2020, the WHO had recorded 170 cases of COVID-19 that had been reported outside China and had a connection to China. The majority of these cases (89 percent) did not lead to further transmission of the virus, and 19 cases were associated with at least four new infection clusters. The largest cluster involved 20 individuals in six countries.¹⁵

China's Actions

The decision to lock down Wuhan on January 23, 2020, was made three days after the government accepted the fact that the outbreak was fueled by person-to-person transmission. All public transportation, including airports and railways from the city, were shut down two days before the Chinese New Year. On January 28, 16 more cities in the same province (Hubei) were under a similar lockdown policy. By January 29, all 31 provinces in China declared emergency level 1 (the highest out of four levels), which enabled local governments to employ social policing mechanisms to enforce self-quarantine, cancel public events, and prohibit crowd

¹¹ Earth Observatory, NASA, "Airborne Nitrogen Dioxide Plummets Over China," webpage, February 2020 (<https://www.earthobservatory.nasa.gov/images/146362/airborne-nitrogen-dioxide-plummets-over-china>).

¹² McKinsey, "What Can We Expect in China in 2020?" December 2019 (<https://www.mckinsey.com/featured-insights/china/what-can-we-expect-in-china-in-2020>).

¹³ World Health Organization, *Coronavirus Disease 2019 (COVID-19): Situation Report—33*, February 22, 2020 (https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200222-sitrep-33-covid-19.pdf?sfvrsn=c9585c8f_4).

¹⁴ World Health Organization, *Coronavirus Disease 2019 (COVID-19): Situation Report—33*, February 22, 2020; World Health Organization, *Novel Coronavirus (2019-nCoV): Situation Report—2*, January 22, 2020 (https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200122-sitrep-2-2019-ncov.pdf?sfvrsn=4d5bcba_2).

¹⁵ World Health Organization, *Novel Coronavirus (2019-nCoV): Situation Report—24*, February 13, 2020 (https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200213-sitrep-24-covid-19.pdf?sfvrsn=9a7406a4_4).

gatherings across the country. Most of the highways, railroads, and flights in China were shut down, and people were asked to stay home as much as possible. All tour groups were canceled. In rural areas, most villages in China closed traffic and set entrance checks. In the cities, residential areas were divided into small districts where residents had to show ID, and a daily quota was set to go in and out of the area. All business and recreational facilities, except grocery stores, were closed during the extended Chinese New Year period. All residents were required to wear face masks outdoors. Meanwhile, given the concentration and the severity of the COVID-19 cases in Wuhan, the Chinese government mobilized resources, medical personnel, public health teams, and testing kit productions to support Wuhan.

Internationally, countries have placed various levels of restrictions on travel to and from China. As of February 19, international restrictions to China involved 99 countries in four forms: (1) border closures for partial or total closure of a land border with China, (2) entry or exit bans that generally restrict the ability of nationals to depart from their country for travel to China or the ability of foreign travelers and nationals to enter a country after traveling from or transiting through China, (3) visa restrictions that include total or partial visa suspensions or restrictions for travelers originating from or traveling through China, and (4) flight suspensions that include government bans on flights to or from China.¹⁶

Impact on the Economy

Although official data are not yet available, most analysts believe that the outbreak, mass quarantine, and international travel ban began to severely affect China's economy at the end of January. Travel/tourism, hospitality, entertainment, and the financial industry suffered the most during this period.¹⁷ Revenue lost in both retail and food services during the Chinese New Year week is reported to be RMB 1 trillion (\$142 billion), as major chains shuttered stores across the country.¹⁸ Real estate sales and car sales also slumped.¹⁹ The service sector losses during the Chinese New Year in 2020 are expected to cost China 1 percent of lost GDP growth in the first quarter.²⁰

Not all retail sectors experienced losses. A Kantar (an international consulting company) report showed that businesses relying on physical space and shops, such as supermarkets, traditional food markets, restaurants, car dealers, movie theaters, gyms, and bars, suffered losses, whereas local neighborhood markets (convenience stores) and online markets did particularly

¹⁶ Samantha Kiernan and Madeleine DeVita, *Travel Restrictions on China Due to COVID-19*, Think Global Health, March 5, 2020 (<https://www.thinkglobalhealth.org/article/travel-restrictions-china-due-covid-19>).

¹⁷ Weiwen Han, Karen Harris, and Thomas Luedi, *How much Will Coronavirus Hurt China's Economy?* Bain & Company, February 8, 2020 (<https://www.bain.com/insights/coronavirus-impact-china-gdp-snap-chart/>).

¹⁸ "Virus Outbreak Cost China 1 Trillion Yuan Loss in Chinese New Year Week," *The Star*, February 3, 2020 (<https://www.thestar.com.my/news/regional/2020/02/03/virus-outbreak-cost-china-1-trillion-yuan-loss-in-chinese-new-year-week>).

¹⁹ "China Car Sales Slump 92% in First Half of February on Virus," Bloomberg News, February 20, 2020 (<https://www.bloomberg.com/news/articles/2020-02-21/china-car-sales-tumble-92-in-first-half-of-february-on-virus>).

²⁰ Luohan Academy, "Seven Trends in China's Macro-Economy," February 13, 2020 (https://mp.weixin.qq.com/s/f_dwO4BMeyEZsv-xm8hXPg).

well. Online retail shops with apps built into social media were popular, as were such recent innovations as human-free markets and vending machines (still relatively new to China).²¹

Data on online sales from the Data Insider Consulting report (based on Alipay Business counsel) for February showed increases in personal health-related product sales (e.g., sanitizer, personal protection gear, and vitamins and supplements), while sales of meat/fruit/deli, snacks, luxury goods, and apparel suffered more than a 40 percent drop.²²

The widespread outbreak, mass quarantine, and travel ban also had an impact on the confidence of both domestic businesses and international companies, according to a survey of 761 business owners by the University of International Business and Economics in mid-February.²³ Among the 761 businesses, half were private Chinese companies, 20 percent were international joint ventures, and 27 percent were State Owned Enterprises (SOEs); 18 percent had online business. Thirty-five percent of companies had more than 1,000 employees, 29 percent had 1,000 employees, 14 percent had 50–100 employees, and 21 percent had fewer than 50 employees. Most of the business in the study fit the SME definition in China.²⁴ Thirty percent reported that company cash on hand could sustain their businesses for no more than three months, and 30 percent reported cash coverage of six to 12 months. Half of the businesses expected 10–30 percent loss of revenue this year. The most challenging issue reported was the company's cash flow.

The American Chamber of Commerce in Shanghai conducted a survey of 127 American companies operating in China between February 4 and 6.²⁵ Among the 127 companies, 20 companies had China-sourced revenues of over \$500 million, and 27 had Chinese revenues of \$100 million to \$500 million. Eighty-seven percent of the companies responding believed that coronavirus would have a direct impact on 2020 revenues, and 24 percent expected revenue to fall by 16 percent or more. Twenty-nine percent of respondents believed that their corporate headquarters did not sufficiently understand the potential economic impact of coronavirus. Sixty percent of companies preferred staff to work remotely, 84.5 percent canceled meetings of over 20 people, 14 percent planned to repatriate foreign staff and their families, and 33 percent were not sure of their plans. Eleven percent of the companies reported that they were reevaluating their China strategies, while 40 percent felt that it was too early to tell. Notably, 3.1 percent decided to move back to the United States and 5.5 percent to another country, and 56.7 percent responded that they would not move out of China.

²¹ Kantar, 疫情之下，各行各业的危与机。 , February 2020.

²² Data Insider, 疫情影响下 1000 个电商品类众生相, February 2020.

²³ He Wen Long and Wu Jian Feng, *Research Report on Companies' Survival and Development Strategy During a Novel Coronavirus Epidemic*, Beijing: UIBE Press, February 2020.

²⁴ In China, an industrial SME is defined as having up to 2,000 employees. A small business had fewer than 300 employees. Liu Xiang Feng, "SME Development in China: A Policy Perspective on SME Industrial Clustering," in H. Lim, ed., *SME in Asia and Globalization*, ERIA Research Project Report 2007-5, 2008, pp. 37–68 (https://www.eria.org/SME%20Development%20in%20China_A%20Policy%20Perspective%20on%20SME%20Industrial%20Clustering.pdf).

²⁵ American Chamber of Commerce in Shanghai, "AmCham Shanghai Coronavirus Impact Member Survey," February 7, 2020 (<https://www.amcham-shanghai.org/en/article/amcham-shanghai-coronavirus-impact-member-survey>).

SMEs in China, as in most countries around the world, are the engines of the economy. In China, they compose more than 30 million entities, constituting 99.6 percent of China's companies and 80 percent of national employment. SMEs hold more than 70 percent of the country's patents. They account for more than 60 percent of China's GDP and contribute more than 50 percent of tax collections.²⁶ They may also suffer the most during the coronavirus epidemic. A survey conducted by researchers from Tsinghua University of 995 SMEs in February showed that 30 percent of the companies have seen their income drop by more than 50 percent; another 28 percent reported a 20 percent to 50 percent drop. More than one-third of the companies in the study reported that they could stay open for only one month with their current cash flow, 33 percent could sustain two months, and less than 10 percent could stay open for more than six months. Most of the financial pressure (62.8 percent) is from paying salaries and employee insurance and social security; rent and loan payments were the second and third causes for stress.²⁷

Stage Three: "Back to Work" in China (February 21, 2020–Present)

Epidemic: COVID-19 Is Spreading Globally

On February 24, 2020, the WHO and China Joint Program concluded their COVID-19 investigation in China.²⁸ On the same day, a joint WHO and European Centre for Disease Prevention and Control mission arrived in Italy to support Italian authorities on the COVID-19 situation, indicating that the COVID-19 epidemic intervention focus has been switching from China to other countries where community transmitted cases started to emerge: South Korea, Japan, Singapore, Italy, and Iran. By the end of February, new reported cases outside China increased faster than in China (based on the data available). However, this does not mean that the epidemic in the country is over yet. The global surge of COVID-19 currently has four major global concentrations: China, other countries in East Asia (South Korea and Japan), the Middle East (Iran), and Europe (Italy, Germany, and France). Governments in all continents are bracing for possible COVID-19 epidemics in their countries. Given the virus's high infectivity and mild symptoms demonstrated in the majority of cases, the continued spread of the virus around the world seems to be inevitable.

China's Actions

Since the COVID-19 epidemic in China reached its peak in mid-February, the Chinese government has switched its policy to restart the economy, prompted by the deepening worries about the near-term outlook for the national economy and employment. At the central-

²⁶ EU SME Centre, *SMEs in China: Policy Environment Report*, July 2019

(https://www.eusmecentre.org.cn/sites/default/files/2019%20SME%20Policy%20Environment%20Report_0.pdf).

²⁷ MBACHina, 清华、北大联合调研 995 家中小企业, 如何穿越 3 个月的生死火线, February 25, 2020

(<https://www.mbachina.com/html/tsinghua/202002/214377.html>).

²⁸ WHO-China Joint Mission on Coronavirus Disease 2019, *Report of the WHO-China Joint Mission on Coronavirus Disease 2019 (COVID-19)*, February 16–24, 2020 (<https://www.who.int/docs/default-source/coronaviruse/who-china-joint-mission-on-covid-19-final-report.pdf>).

government level, China's central bank has given the economy a monetary stimulus of RMB 1.2 trillion (\$174 billion) in February to ease borrowing costs and funds availability. China Development Bank, China's principal industrial lender, has issued about \$2 billion of bonds in global bond markets, and several Chinese SOEs raised over \$4 billion of "COVID bonds" to shore up their finances in February.²⁹ To help borrowing, the official interest rate set by the central bank for commercial lenders was cut by a quarter percentage point, to 2.5 percent. The State Council encouraged private commercial banks to postpone interest payments on loans to small businesses experiencing cash flow difficulties until the end of June and defer the repayments of principal for the time being. The State Council also ordered large state-owned banks to increase lending to small businesses by at least 30 percent in the first half of 2020. China's three government-run policy banks were also told to lend RMB 350 billion (\$49.7 billion) to small businesses at preferential rates. The central government encouraged local policy makers to provide fiscal support to keep SMEs afloat. For example, Beijing announced a series of measures to help struggling small businesses, including exemptions on some rent payments for two months and reducing tax and contributions to the national social security fund.

To the local governments, China's central government set a few principles on balancing the reopening of businesses and supporting SMEs with epidemic control: First, COVID-19 prevention readiness is a criterion in reopening: Local governments will review business reopening applications, with a focus on assessing whether the business has met the COVID-19 prevention requirements, monitoring the business on its implementation of the disease prevention methods, and helping the business make a plan for emergencies. Second, business reopening is happening in waves. Instead of letting all businesses open at one time, priority is given to the businesses high on the local government's list—for example, Shanghai prioritized businesses that have an impact on city development and daily needs and businesses with large contributions to the area economy. Zhejiang Province gave first priority to its major export industries. Third, prioritize personal protective equipment (PPE) and medical production.³⁰

The responsibility for implementation of these principles falls on local governments. Some governments have focused more on outbreak control, such as where there is a need for more-stringent rules on social distancing, travel case tracing, and quarantine (e.g., Beijing), while others have focused more on jump-starting the economy, such as by supporting factories with chartered buses, trains, and planes to transport some of the 290 million migrant workers (e.g., Shanghai).

Despite these efforts, SMEs still face the following challenges in reopening: First, **local quarantine policy**: Until recently, most cities and their subdivisions (neighborhoods) still required migrants or travelers from elsewhere to self-quarantine for 14 days. During these 14 days, either the factories or the workers themselves would have to cover rent and living costs.

²⁹ Alison Tudor-Ackroyd, "Funding the Coronavirus Fight: Chinese Companies Sell US\$4.1 Billion in Bonds to Shore Up Finances as Economy Falters," *South China Morning Post*, February 13, 2020 (<https://www.scmp.com/business/banking-finance/article/3050411/funding-coronavirus-fight-chinese-companies-sell-us41>).

³⁰ Xinhua News Agency, *Analysis of Regional Policies on Businesses Reopening Support*, China Economic Information Service, Economic Analysis Report No. 1048, Epidemic Series No. 2, February 17, 2020.

Second, **business-reopening permits and health regulations**: Many SMEs struggle to meet the COVID-19 prevention requirements from the local government agencies. Some local governments also push the burden of COVID-19 prevention entirely on businesses. If one COVID-19 case cluster shows up in a business, the business will be closed for a longer period. Third, **broken supply chain and logistics**: Upstream SME closures are felt by downstream factories that are relying on the parts they produce for SMEs. Without the parts and necessary logistics to bring in materials and ship out products, many factories can barely produce or have no place to store the products. Most of the international shipping companies are slow in getting back to work because of the ongoing epidemic and various travel bans. Fourth, **worries about revenue and cash flow**: Because of the widespread low market demand, many small businesses have found that reopening only means they continue to pay rent and salaries without revenue. Many will pay staff minimal wages or lay off staff, which can further reduce demand.

Around the time of this testimony, several small-business owners in China told me that they were working but not at full capacity. Many employees work from home, with several business owners using the downtime to figure out the fragmented supply chain, look for new overseas contracts, design training sessions for staff or redesign websites, or use online platforms and social media to keep in touch with regular customers. Most considered their loss in the first quarter a natural disaster that will have to be absorbed by their business; some were concerned about borrowing more when the future revenue was uncertain. Many hope that their businesses will gradually get back on track by the end of the second quarter.

Impact on the Economy

Luohan Academy estimated that, for every ten days of delay in return to work, the cost will be 0.39 to 0.46 percent of quarterly GDP growth.³¹ The longer the delay in returning to work, the bigger the impact on investor confidence and consumer confidence. This could lead to large-scale closures of SMEs. The increased unemployment rate will in turn further suppress demand and investment. The delay of factory recovery to full-capacity production will certainly affect exports and further fracture the global supply chain. The hope is an economic recovery similar to the fast rebound after SARS.³²

SARS cost China RMB 1 billion and \$40 billion worldwide.³³ Although the overall impact of COVID-19 on China's and the world's economy is still hard to predict, many economists think that the impact of the COVID-19 outbreak is likely to exceed that of SARS. There are six main differences. (1) **Scale**: The COVID-19 epidemic has a much larger scale and affects more countries and more people in the world than SARS. (2) **Intervention**: The COVID-19 intervention in China is unprecedented and the return to work will be gradual, albeit more

³¹ Luohan Academy, "Seven Trends in China's Macro-Economy," webpage, February 13, 2020 (https://mp.weixin.qq.com/s/f_dwO4BMeyEZsv-xm8hXPg).

³² John Wong, Sarah Chan, and Liang Ruobing, "The Impact of SARS on Greater China Economics," in John Wong and Zheng Yongnian, eds., *The SARS Epidemic: Challenges to China's Crisis Management*, Singapore: World Scientific Publishing, 2004, p. 11.

³³ J. W. Lee and W. McKibbin, "Estimating the Global Economic Cost of SARS," in Stacey Knobler, Adel Mahmoud, Stanley Lemon, Alison Mack, Laura Sivitz, and Katherine Oberholtzer, eds., *Learning from SARS: Preparing for the Next Disease Outbreak: Workshop Summary*, Washington, D.C.: National Academies Press, 2004.

sustainable. A slower recovery is expected than we saw after SARS. Of course, the saving of lives because of the massive intervention will pay off in higher long-term economic growth. (3) **Timing:** COVID-19 halted China's economy right before the Chinese New Year. The most affected sectors were tourism (11 percent of GDP) and retail (36 percent of GDP). Other high-value sectors affected include personal services and entertainment.³⁴ The economy is, therefore, more sensitive to the domestic demand drop. (4) **China's role:** China now also accounts for 17 percent of world's economy, compared with 4.3 percent in 2003, when the SARS epidemic was unfolding. China drives 30 percent of the world's GDP growth and is a trade partner to more than 100 countries. Wuhan and Hubei Province, the epicenter of COVID-19, are central to multiple industries. The world economy is more likely to experience a chain reaction after a downturn in China. (5) **China's economic growth:** China's growth has slowed down in the past ten years, compared with 2003, when China's economy growth was accelerating. (6) **Internet and electronics:** On the positive side, the development of the internet and electronics in China made e-commerce, online education, and remote working easier when adapting to the requirements of the quarantine. This may relieve some of the losses in demand (e.g., many restaurant or supermarket sales converted to online orders).

Impact on the Global Supply Chain

Finally, a few words on the global supply chain. Overall, the Chinese share of global output includes 33 percent to 53 percent of global electrical equipment and motor vehicles parts; 52 percent of basic metals; 58 percent of mineral products; 58 percent of the commodity group textiles, apparel, and leather; 40 percent of wood and wood products; and 35 percent of pharmaceuticals. China also consumes (imports) about the same percentages of global products in those categories. Several of these sectors are part of intricate, cross-provincial domestic supply chains that sometimes even reach outside China—notably, the electrical equipment, electronics, automotive, and textile sectors.³⁵

Although it is too early to know the full effects of disruptions in supply chains, particularly those with key segments in the most affected areas (Hubei Province, for instance, is a hub for the automotive, electrical equipment, and ship-building sectors), some disruptions are inevitable. At the end of February, only 30 percent of small business were back at work and many had only a few months of cash to keep themselves afloat.³⁶ The good news is that Chinese State Council approved RMB 800 billion (\$114.2 billion) for small-business lending in February, and SMEs tend to be more nimble than large firms, adapting to adverse conditions and surviving against the

³⁴ Bloomberg News, "Coronavirus Is More Dangerous for the Global Economy Than SARS," January 31, 2020 (<https://www.bloomberg.com/news/articles/2020-01-31/the-coronavirus-is-more-dangerous-for-the-economy-than-sars>).

³⁵ Jonathan Woetzel et al., *China and the World: Inside the Dynamics of a Changing Relationship*, McKinsey Global Institute, July 2019 (<https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20and%20the%20world%20inside%20the%20dynamics%20of%20a%20changing%20relationship/mgi-china-and-the-world-full-report-june-2019-vf.ashx>).

³⁶ Frank Tang, "Coronavirus: China Grants Banks Extra Funding to Spur Loans to Hard Hit Small Businesses," *South China Morning Post*, February 26, 2020 (<https://www.scmp.com/economy/china-economy/article/3052474/coronavirus-china-grants-banks-extra-funding-spur-loans-hard>).

odds. China is still, as noted, largely dependent on SMEs to drive the economy's growth, and will likely benefit from this industrial structure. The Chinese government at the provincial level has historically been supportive of SMEs. If it continues this support, there are reasons to be optimistic about SMEs surviving the epidemic and regaining their role in the economy.

Even before the epidemic outbreak, the U.S.-China trade war caused many American companies to move their supply chains out of China, which can be more costly for American SMEs. Those that remain may suffer from the delayed production and shipment until the second quarter of the year. The emerging epidemic in the United States, East Asia, and Europe may exacerbate the trade war-induced interruption of the global supply chain that SMEs rely on.

Equally worrisome is COVID-19's potential impact on the logistics sectors.³⁷ China has seven out of the nine busiest ports in the world, where 80 percent of trade of world goods by volume is carried by sea. Global maritime shipping volumes have decreased heavily because of COVID-19—already the equivalent of 1 percent of total global volume has been lost, amounting to \$350 million loss in revenue per week. Global air freight has also experienced decreased capacity because of the travel ban and reduced air travel worldwide. Land transport velocity has also slowed down and led to overstocking in a number of ports. The COVID-19 impact on global logistics will take an extended period to correct. Inbound container volumes at U.S. seaports are projected to be down 12.9 percent in February and 9.5 percent in March, compared with the same time a year ago.³⁸

Impact on the SMEs in the United States

If similar a epidemic is seen in the United States, will U.S. SMEs face a similar fate as their counterparts in China? SMEs are as important to the economy in the United States as in China and most other countries. In addition to the supply chain problems, U.S. SMEs will, as in China, likely see an immediate “demand shock” when people decide to stay home when a broad outbreak starts. Even without mandated mass quarantines, a highly contagious disease outbreak will naturally reduce travel, crowd gathering, and certain services and consumptions before a vaccine or a treatment is widely available. People may want to avoid crowded office buildings, shopping malls, gyms, bars, and movie theaters and turn to remote working, home entertainment, and online stores. Businesses may want to protect their employees and cancel conferences and meetings and encourage remote working. Tourism, hospitalities, transportations, restaurants, rentals, optional personal services, and daycare facilities are likely to suffer. Health care settings may be overwhelmed by people with flu symptoms, but optional procedures and routine checks or other health spending may even see a downturn during the outbreak.

Inequality issues have already been mentioned in recent reports, but it is worth nothing that people who cannot afford sick days or lack of health care coverage may be less likely to self-quarantine or seek proper medical care, which could exacerbate transmissions. If the epidemic is

³⁷ Matt Craven, Linda Liu, Mihir Mysore, and Matt Wilson, “COVID-19: Implications for Business,” McKinsey & Company, March 2020 (<https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business>).

³⁸ National Retail Federation, “February Retail Imports to See Larger Drop Amid Coronavirus,” February 10, 2020 (<https://nrf.com/media-center/press-releases/february-retail-imports-see-larger-drop-amid-coronavirus>).

prolonged and market demands plunge, we may see SMEs lay off workers to balance the lack of revenues. This will further reduce demand.

Recommendations:

COVID-19 is, first and foremost, a humanitarian crisis. Many people and families have suffered and will suffer from the unexpected losses around the world. It will have a profound impact on the world's social and political environments and on its economy. China has the second largest economy in the world and has accounted for one-third of world economic growth in recent years. Its export of minerals, textile, chemical/pharmaceutical ingredients, and electronic/automobile parts supports 30 to 50 percent of the global supply chain. China also imports about the same percentage of goods from the global market. The coronavirus epidemic in China can therefore affect both the demand and the supply sides of the world economy. I will provide a few recommendations for the U.S. government and SMEs based on my review of China's experience.

Considerations for Policymakers and SMEs

1. Social distancing-based public health interventions, such as mass quarantines, extensive travel bans, and transportation system disruption, can shock the economy and shrink the market demand in the service sectors that are critical for many SMEs that rely on visits by regular customers. When considering using these interventions, the cost on SMEs should be considered.
2. SMEs are financially more fragile and cash-strapped when market demand is down. Emergency funding programs that target SMEs could be one important component of a response. Lower interest rates, deferred or waived taxes and fees, or easier lending policies could also help SMEs stay afloat during the period of low market demand. Congress has begun to take actions through supplemental appropriations to address some of the financial challenges of SMEs. The Federal Reserve Bank's recent lending rate cut will also support SMEs.
3. SMEs could benefit from diversifying business platforms. Online-based platforms and virtual service provisions can help SMEs sustain business during quarantines or travel bans. It would be helpful if policymakers could bring tax breaks and technical guidance to help SMEs restructure their business operations.
4. China is currently putting the disease prevention burden on SMEs. This may further stress SMEs. The U.S. public health system could have a hotline or website to provide SMEs with information on the epidemic, disease prevention methods, PPE resources, and testing sites (or provide mobile testing).
5. The U.S. government could consider setting aside additional funding for unemployment insurance payments in the event that SMEs affected by the COVID-19 are forced to lay off employees.
6. Additional emergency funding could be considered to help SMEs avoid bankruptcy or help the creditors of bankrupt SMEs.

Considerations for Epidemic Containment

1. **Learn the lesson of a wrong epidemiology case definition:** The delay in identifying the nature of the epidemic in Wuhan was partly due to an overly narrow epidemiologic case definition—a case definition that posited a direct connection to the seafood market (that was associated with the first few cases). An epidemiology case definition that does not reflect the actual transmission routes will provide a false sense of security that obscures the real epidemic. The United States' testing policy in January and February that narrowly focused on a travel history to China when other countries already had cases fell into the same category of mistake.
2. **A concerted public health effort is needed:** Social distancing policies—mass quarantines, travel bans, or case tracing policies—should be combined with large health investments, technology- and data-supported surveillance, and high-level government commitment early on to effectively stop the transmissions. Taiwan's 100 percent travel registration at the border and tracing, Taiwan's and Singapore's mandatory self-quarantine with rigorous reinforcement, and large-scale population-level testing with ample medical resources (e.g., Singapore opened 800 public health clinics for a population of 5 million) are good examples of effective policies.
3. **Risk communication and coordination are important:** Both the public and the health care sector will need well-planned, persistent, and targeted risk communication to help prevent the hysteria associated with an acute outbreak. The U.S. government should have a hotline or a centralized broadcast source for the public to ask questions and clarify disinformation. Mobile clinics, testing, and identifying resources to help patient care and isolation are necessary. PPEs and essential health care equipment should be well inventoried, and the distribution should be coordinated.
4. **Health care surge capacity needs to be estimated:** Gaps can be met using temporary space (conference centers, hotels, large gyms, military bases, etc.) that can be converted to temporary quarantine locations for cases with mild symptoms. Hospitals and clinics should consider how to separate the potential infection zones from the regular patient areas.

Testimony of Jay Ellenby
President
Safe Harbors Business Travel (Bel Air, MD)
before the
U.S. House Committee on Small Business
March 10, 2020

Good morning, Chairwoman Velázquez, Ranking Member Chabot and distinguished members of the committee. Thank you for the invitation to testify at this important hearing on the impact of coronavirus on America's small businesses.

My name is Jay Ellenby, and I'm President of Safe Harbors Business Travel in Bel Air, Maryland. Since 1985, Safe Harbors has served a diverse range of client companies, organizations and individuals throughout the world. The continued success of our 40-person team is centered around consistently providing superior customer services as well as the lowest domestic and international airfares and related travel services through our buying power, experience and knowledge of the travel industry.

I'm also here on behalf of the American Society of Travel Advisors (ASTA) and on behalf of the U.S. travel agency industry, the vast majority of whom (98 percent) meet the Small Business Administration's (SBA) definition of a small business, and over 2/3 of whom are owned and operated by women. I have been a member of ASTA since 1995 and I chaired the Society's board of directors from 2016 to 2018. Travel advisors – online, “brick and mortar” and many hybrid business models in between – play a critical role in the broader travel and tourism industry. Travel agencies are responsible for the sale of the majority of airline tickets in the U.S., selling close to 830,000 air tickets *per day* in 2019¹ and are the primary distributor of cruises (66% of the market) and tour packages (68%).² We are proud to note that ASTA's ranks include substantial numbers of member companies in the states of New York (579) and Ohio (182).

Our industry is strong and thriving, and I can assure you the myth of the travel agent/advisor as a dying breed is just that – a myth. But we are facing significant challenges right now, as are many companies in the broader travel industry and beyond. At Safe Harbors, the past few weeks have been among the most difficult our agency has faced since the terrorist attacks of September 11, 2001 (9/11) and the near-total shutdown of travel that followed. My business is primarily focused on corporate travel, and while our clients' response to the current crisis ranges from business as usual to limiting travel to the U.S. and Canada only to stopping business travel completely, sales are down across the board. The main driver of the decline, as far as I can tell, is not that people are scared of getting sick, but rather they are afraid of being unable to return home or even being quarantined if circumstances in their destination change rapidly.

As of today, our 2020 sales are down 20 percent year-over-year. We are seeing a 37 percent decline in international travel, and that is worsening by the day. We expect March to be devastating and are preparing for sales to be down by far more than 20 percent year-over-

¹ Airlines Reporting Corporation (ARC): [2020 Sales Statistics](#).

² Phocuswright: [U.S. Travel Agency Distribution Landscape: 2016-2021](#).

year. For April, we can only hope. We are having to start painful internal conversations about staff structure and size. And it's worth noting that while Safe Harbors falls under the SBA small business definition, we are considered "big" for the industry – smaller firms are likely seeing similar numbers but many may lack the cash reserves to weather this storm.

In preparation for this hearing, ASTA surveyed its membership about the impact the coronavirus crisis is having on their businesses. Judging from the results, agency owners across the country are seeing the same numbers that my business is, but at the same time many have a sense of resilience and optimism for the future. Here are the results, summarized (see Appendix for full report):

- Respondents report that, in general, 92 percent of clients are either very (56 percent) or somewhat (36 percent) concerned about international travel right now, while 72 percent are very (16 percent) or somewhat (56 percent) concerned about domestic travel;
- 97 percent of respondents expect the crisis to have a heavy negative (52 percent) or moderately negative (45 percent) impact on their businesses this year;
- 98 percent also expect a negative impact on business revenues, with 29 percent expecting a reduction of 50 percent or more, 40 percent expecting a 25-50 percent decrease and 29 percent expecting a decrease of 25 percent or lower;
- Assuming a sustained downturn in client travel and given current cash reserves, 21 percent of respondents report a risk of going out of business within three months and 30 percent within six months, but 49 percent expect to continue operating up to 12 months and beyond;
- Only four percent report laying off employees or disengaging with independent contractors (ICs) so far, and there is detailed planning (four percent) or preliminary planning (another 21 percent) being conducted in that regard, but 71 percent of respondents report no planning for layoffs or disengaging ICs;
- Travel advisors are doing everything they can to re-accommodate clients concerned about traveling, and the data says they are succeeding – 33 percent of respondents report that all itinerary changes have been resolved to the client's satisfaction, with another 29 percent saying more than 3/4 of cases have been satisfactorily resolved and 15 percent saying more than 50 percent have been successfully handled;
- Looking to the future, 23 percent think the impact of this crisis will not be long-lasting, while 45 percent expect three-to-six months before clients resume a normal travel schedule and 32 percent expect six-to-twelve months until normal travel resumes.

In this crisis and crises that have come before, every traveler and every company sending its employees on the road decides whether or not to travel based on their own individualized level of risk tolerance. The role of the travel advisor is to provide expert advice, point consumers to unbiased resources to help them weigh their decision as to whether or not to travel, and to provide maximum support to individuals and businesses regardless of what decision is ultimately made. That is what Safe Harbors is doing right now, and what travel agencies across the country are doing, all day, every day.

As we have these client conversations, I am heartened by the support of our supplier partners. Airlines, cruise lines, hotel companies and others are waiving cancellation fees, making travel

agencies whole for cancelled trips and taking other steps to accommodate our clients, which I hope continues.

Here today, I wanted to take this opportunity to provide some suggestions for what Congress and the Administration can do to help our industry during this crisis.

- **SBA Loans** – We were pleased to see that the recently-enacted Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 (H.R. 6074) included funding to enable the SBA to provide an estimated \$7 billion in loans to help small businesses impacted by financial losses as a result of the coronavirus outbreak.³ After 9/11, small business travel agencies across the country received at least \$20 million in loans of this kind, and judging from current trends there will likely be heavy demand for them this time around.⁴ This demand will only increase if the crisis drags on.

We ask that you keep a close eye on the allocation of these loans and consider providing additional funding if the situation worsens. Travel agencies will need help to weather this storm and be in a position to serve clients once the economy rebounds. We also ask that you and the SBA consider relaxing some of the collateral requirements for these loans, as travel agencies are service businesses and don't have as many physical assets as, say, manufacturers. We have heard stories of travel advisors being forced to put their homes up as collateral in order to qualify for the post-9/11 round of loans. We don't want that to happen here, and hope to work with the committee to make sure these loans flow, quickly and smoothly, to the small business agencies across the country who will need help in the coming weeks and months.

- **Economic Stimulus** – Regardless of how long this crisis lasts, the topic of what can be done to stimulate consumer demand and get the economy back on track is sure to come up. For example, we note that President Trump recently proposed a one-year payroll tax cut,⁵ and according to *The Washington Post* the Administration is looking into tax relief measures to provide tax relief to the “cruise, travel and airline industries.”⁶ We will leave the specifics to Congress, but given what we are seeing today feel strongly that the federal government should take quick action on this front. Travel spending tends to be discretionary and one of the first things cut from a family or business budget, but it is what our industry is built on. Anything that will stimulate travel will be especially important, and should keep in mind the needs of the thousands of U.S. small businesses that power the travel industry and not simply focus on the largest companies in this space.
- **REAL ID** – On October 1, 2020, the REAL ID Act of 2005 (P.L. 109–13), which requires enhanced identification to board domestic flights, will come into full implementation.

³ U.S. House Committee on Appropriations. “[H.R. 6074, Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020: Title-By-Title Summary](#).” March 4, 2020.

⁴ “[ASTA: Travel agents receive \\$21.6 million in SBA disaster loans](#).” *Travel Daily News*. July 15, 2002.

⁵ Jagoda, Naomi. “[Trump urges House Democrats to propose payroll tax cut](#).” *The Hill*. March 3, 2020.

⁶ Stein, Jeff et al. “[Airlines, travel and cruise industries hurt by coronavirus could get a tax relief from the White House](#).” *Washington Post*. March 6, 2020.

On this date, travelers must either use a REAL ID-compliant state-issued driver's license or an acceptable alternative such as a passport or a U.S. military ID at airport checkpoints or face being denied boarding. There are clear signs that the traveling public is not prepared for this deadline, with only 34 percent of Americans having REAL ID-compliant identification as of today, according to the Department of Homeland Security.⁷

I am hopeful that the coronavirus crisis will have passed come October, in which case we will be facing a different problem, one that threatens chaos at airport checkpoints just as we expect the travel industry to be rebounding. While we acknowledge that this issue is outside the committee's jurisdiction, we urge Congress to pass the Trusted Traveler REAL ID Relief Act (H.R. 5827) and otherwise provide the Transportation Security Administration the tools to manage this looming deadline.

- **Do No Harm** – Travel agencies have to deal with a multitude of federal and state regulations, from Department of Transportation rules on air ticket sellers to Department of Labor regulations related to the use of ICs to State Department warnings and alerts. As you consider legislation related to these issues in the coming weeks and months, please keep in mind the needs of small business travel agencies and the impact of federal regulations on our operations. As with most industries, the smaller the business the less likely it is to have in-house lawyers to help it comply with complex and ever-changing rules.

As the old saying goes, "This too shall pass." 9/11, SARS, the Great Recession – our industry has been through similar situations and has come out stronger on the other end. I'm certain that, working together as an industry and with the support of the members of this committee and throughout Congress and the Administration, we will this time too.

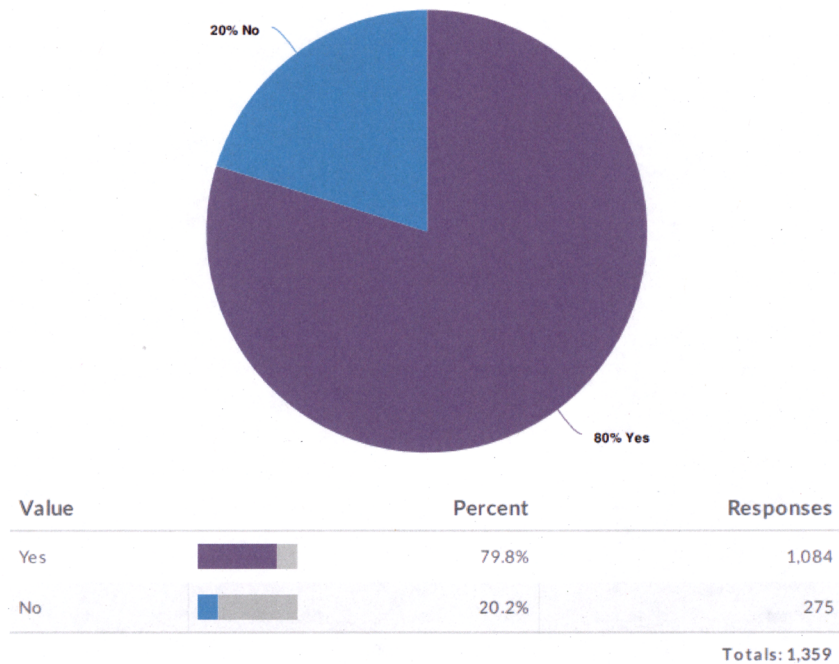
Thank you again for the opportunity to testify today. I would be happy to answer any questions you might have.

⁷ Department of Homeland Security: "[DHS Announces Streamlining Measures to Help States in Issuing REAL IDs.](#)" February 19, 2020.

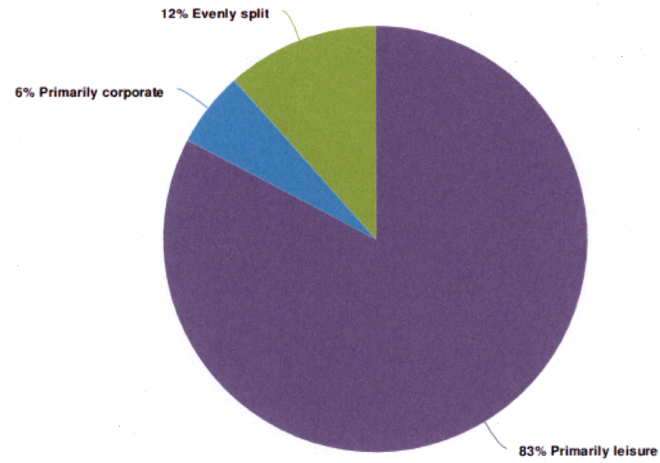
Appendix I
ASTA Member Survey on Coronavirus Impact on Business




Survey data was collected from 1,359 ASTA member company representatives, with 80 percent of respondents identifying themselves as travel agency owners or heavily involved in agency financials. The survey data was collected online via SurveyGizmo on March 5 and 6, 2020, yielding a reply level indicative of a minimum of 95% confidence with an error rate +/-5% representing the total ASTA agency membership. This is considered to be a good sample with reliable results. While ASTA does not claim that its survey data apply to the entire travel agency industry, we are aware of no considerations that would make the data non-representative.

1. Are you an agency owner and/or heavily involved in the agency's financials?

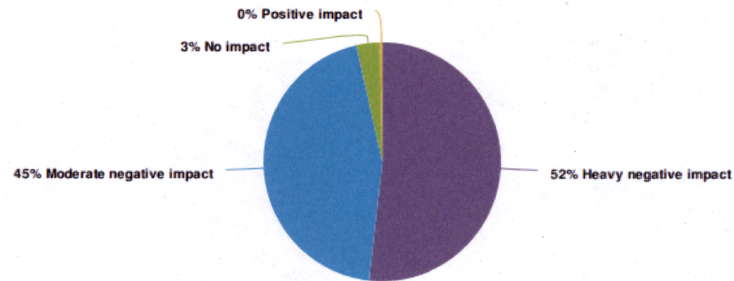






2. Is your business primarily leisure or primarily corporate?



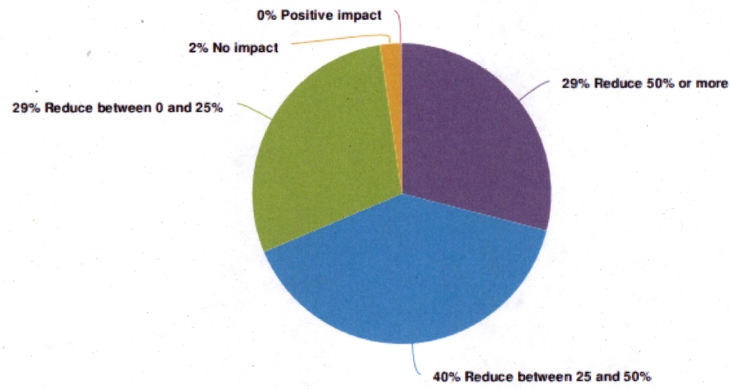
Value		Percent	Responses
Primarily leisure		82.8%	1,125
Primarily corporate		5.7%	77
Evenly split		11.6%	157
Totals: 1,359			

3. What impact will the coronavirus crisis have on your business this year?



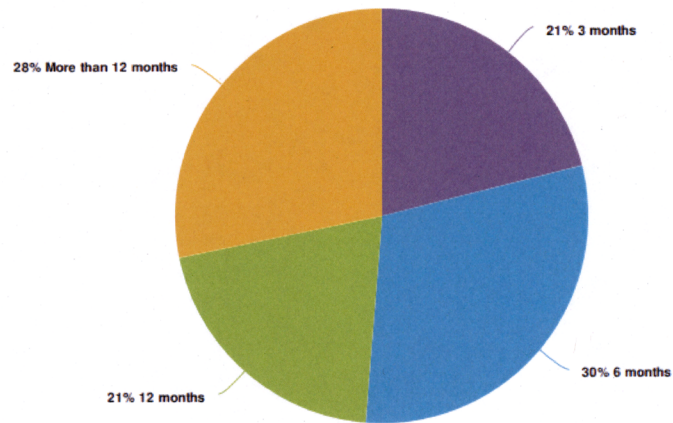
Value		Percent	Responses
Heavy negative impact		51.7%	703
Moderate negative impact		44.7%	608
No impact		3.2%	44
Positive impact		0.3%	4
Totals: 1,359			





4. What impact will the coronavirus crisis have on your business' revenues this year?



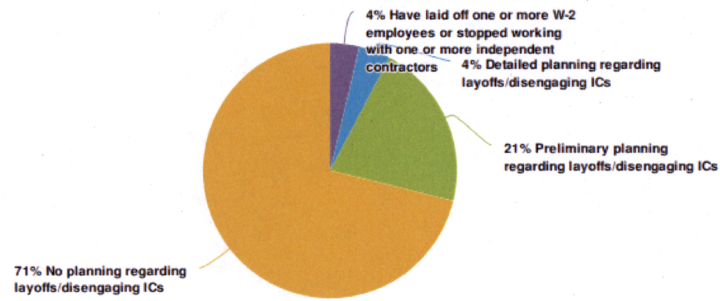
Value		Percent	Responses
Reduce 50% or more		29.0%	390
Reduce between 25 and 50%		39.7%	535
Reduce between 0 and 25%		29.0%	390
No impact		2.2%	30
Positive impact		0.1%	2
Totals: 1,347			

5. Given your current cash reserves, how long can you stay in business during a sustained downturn in client travel?



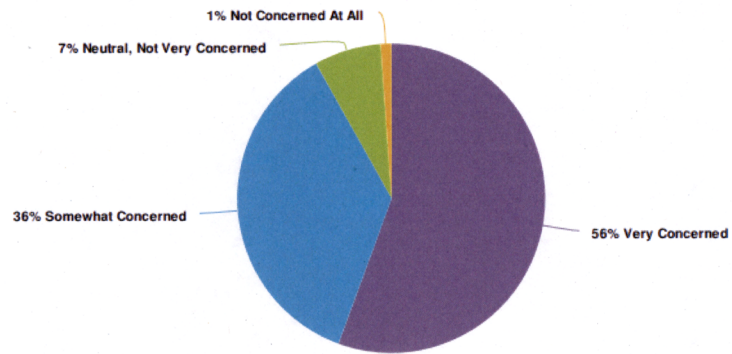
Value		Percent	Responses
3 months		21.1%	280
6 months		30.2%	400
12 months		20.5%	271
More than 12 months		28.2%	373
Totals: 1,324			

6. Given the current situation, how do you characterize your views with regard to staffing reductions and IC usage at your agency?



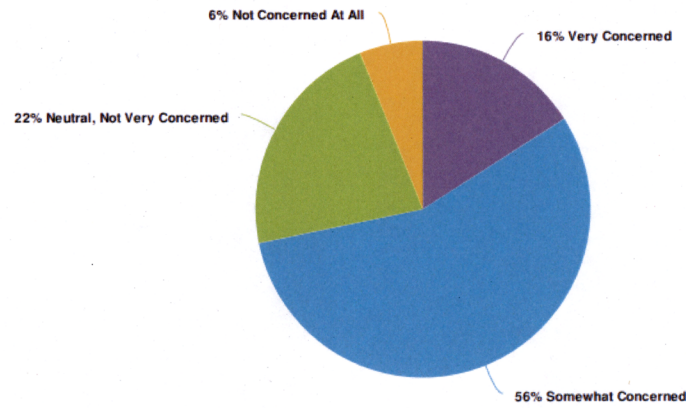
Value	Percent	Responses
Have laid off one or more W-2 employees or stopped working with one or more independent contractors	3.7%	49
Detailed planning regarding layoffs/disengaging ICs	4.0%	53
Preliminary planning regarding layoffs/disengaging ICs	21.1%	278
No planning regarding layoffs/disengaging ICs	71.1%	935
Totals: 1,315		

7. Realizing that different clients have different levels of risk tolerance, in general how concerned are your clients about traveling internationally right now?



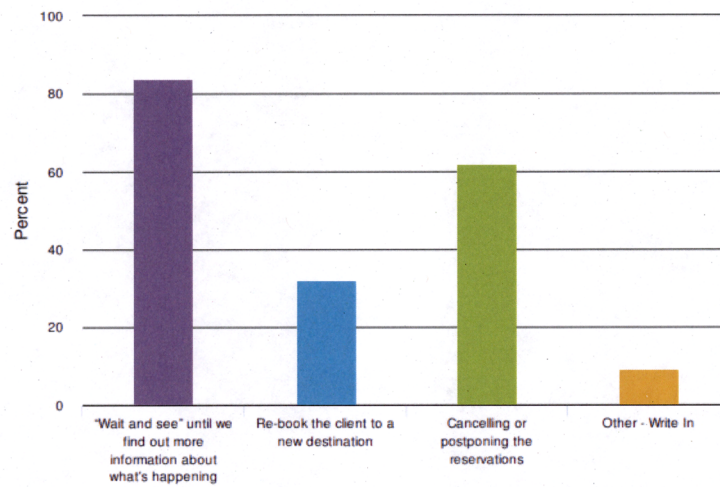
Value		Percent	Responses
Very Concerned		55.6%	751
Somewhat Concerned		36.3%	490
Neutral, Not Very Concerned		7.0%	95
Not Concerned At All		1.1%	15
			Totals: 1,351





8. Realizing that different clients have different levels of risk tolerance, in general how concerned are your clients about traveling domestically right now?



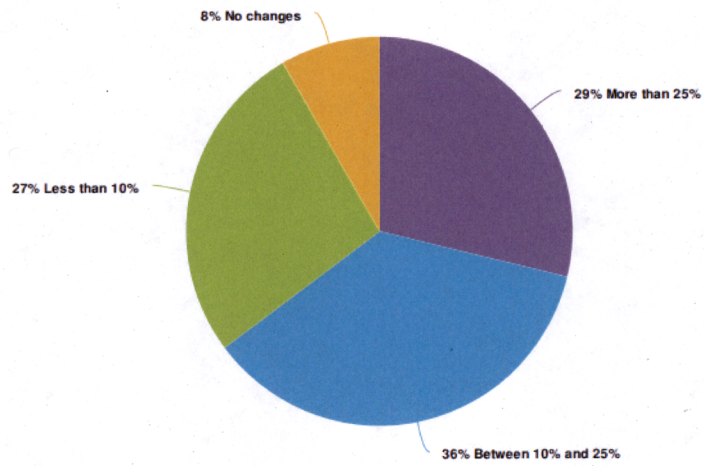
Value		Percent	Responses
Very Concerned		16.0%	216
Somewhat Concerned		55.8%	753
Neutral, Not Very Concerned		22.1%	299
Not Concerned At All		6.1%	82
			Totals: 1,350





9. What measures are you taking for those clients that might be concerned about traveling right now? Select all that apply.



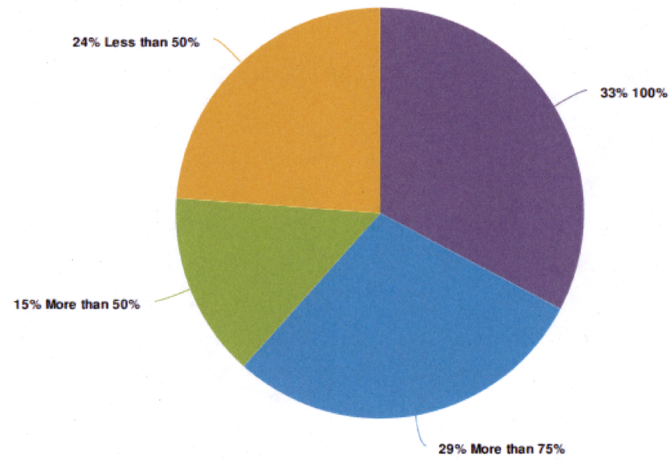
Value		Percent	Responses
"Wait and see" until we find out more information about what's happening		83.7%	1,133
Re-book the client to a new destination		31.9%	432
Cancelling or postponing the reservations		61.9%	837
Other - Write In		8.9%	121





10. What portion of your clients with trips planned are canceling/postponing their trips?



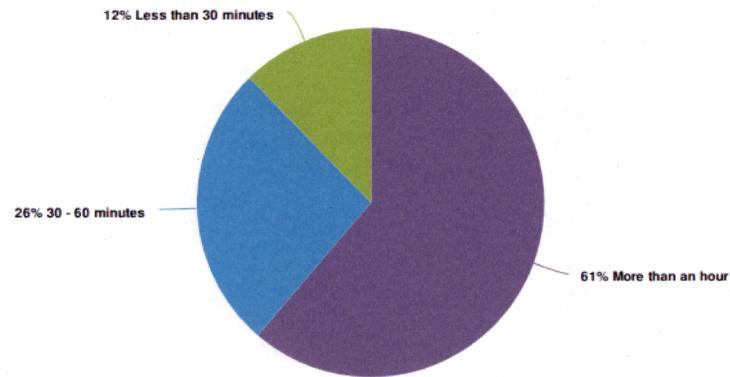
Value		Percent	Responses
More than 25%		28.8%	388
Between 10% and 25%		36.0%	485
Less than 10%		26.9%	363
No changes		8.3%	112
Totals: 1,348			




11. Of clients who have requested itinerary changes, what percentages of cases have been resolved to the client's satisfaction?



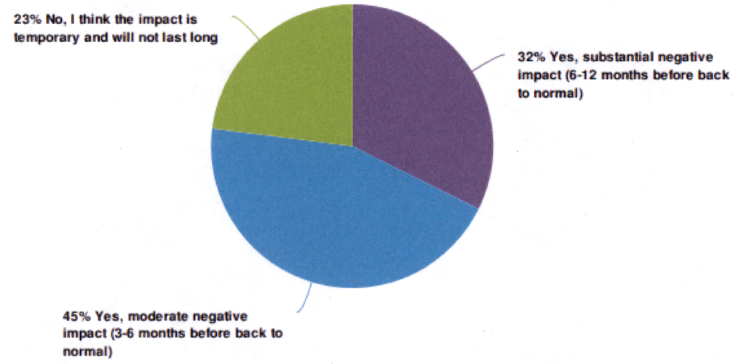
Value		Percent	Responses
100%		32.7%	405
More than 75%		28.9%	358
More than 50%		14.5%	180
Less than 50%		23.8%	295
Totals: 1,238			

12. Over the past few weeks, how much time on average have you spent on each booking that involved a client concerned about traveling right now?



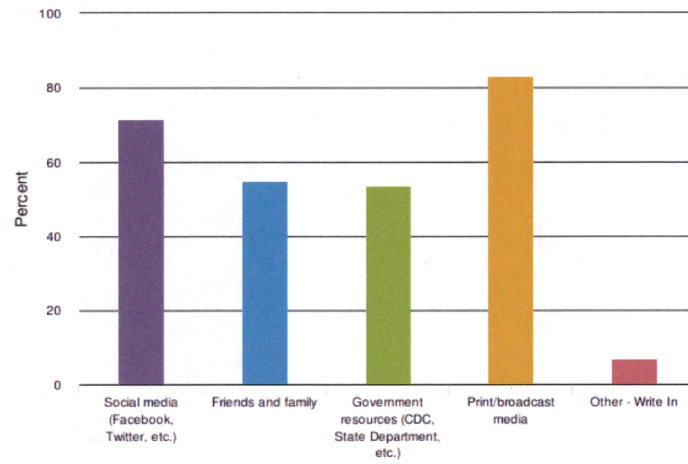
Value		Percent	Responses
More than an hour		61.3%	818
30 - 60 minutes		26.4%	353
Less than 30 minutes		12.3%	164
Totals: 1,335			

13. Do you think recent events will have any impact on your clients' long-term willingness to travel?



Value	Percent	Responses
Yes, substantial negative impact (6-12 months before back to normal)	32.3%	436
Yes, moderate negative impact (3-6 months before back to normal)	44.7%	602
No, I think the impact is temporary and will not last long	23.0%	310
Totals: 1,348		

14. As far as you can tell, where are clients reconsidering travel plans getting their information? Select all that apply.



Value		Percent	Responses
Social media (Facebook, Twitter, etc.)		71.4%	957
Friends and family		54.8%	734
Government resources (CDC, State Department, etc.)		53.4%	716
Print/broadcast media		82.9%	1,111
Other - Write In		6.7%	90

Good morning Chairwoman Rep. Velázquez, Ranking Member Chabot, Congresswoman Chu, Congressman Kim, and distinguished members of the Committee on Small Business. Thank you for the honor of providing a testimony before the House Committee on Small Business, although I wish it were under different circumstances.

I am here today on behalf of the small business community and the over 20 million Asian American Pacific Islanders who call this country home. I am a son of immigrants— my dad, a refugee from Guangdong, China and my mother, the daughter of a Taiwanese Air Force pilot. I grew up three hours north of here in Woodbridge, New Jersey, where we ran the only Chinese restaurant in town. My family eventually moved to San Francisco, where we started another restaurant in Fisherman's Wharf. I am what you call a "restaurant brat," growing up around stoves, duck sauce, and sesame oil. I can still peel string beans in my sleep. After over a decade in Corporate America, I myself came back into the food business opening a chain of cafes and restaurants, specializing in boba milk tea and Asian-inspired snacks. We have 20 company-owned locations in San Francisco, New York City, and Los Angeles.

My story as a small business owner is fairly common— two million of the thirty million small businesses are AAPI-owned. Small business is interwoven into our culture. Growing up as perennial outsiders, we sought refuge and built businesses across Chinatowns, Japantowns, and other ethnic enclaves scattered throughout the country. And even if you didn't grow up in these enclaves, I'm sure many people— including those in this room— have stumbled into a Chinatown noodle shop or Korean BBQ joint at 1 am.

You can always count on these establishments to be open late and bustling, often run by first and second generation immigrants, hustling to make ends meet, chasing what was once the goal of every immigrant in this country, the American Dream. This dream and the small business culture embedded into the fabric of our society is at risk today. Our community usually prides itself on resourcefulness, self-reliance, and grit, so it's telling that we are asking for assistance during this crisis.

I'm sure you've all read the news. Chinatowns and other AAPI enclaves across America are experiencing a drastic decline in patronage. A recent NY Times article said that business is down as much as 70% due to the coronavirus COVID-19.

Sadly, most of this is due to misinformation and overblown media coverage depicting the virus as an Asian disease. The face of this virus has no color. It has no ethnicity. It has no borders. COVID-19 is a respiratory virus, but it is fast-mutating into a social virus: xenophobia and marginalization of everyday American citizens. I know this is the Committee on Small Business, but the negative stigma of this virus will impact our community long after COVID-19 itself is gone. We learn every day about attacks on AAPIs simply because of our physical appearance. But that is a topic for another day.

The mission of this committee is to protect and serve the interests of American small businesses. As a board member for National ACE, a national non-profit serving AAPI-owned businesses, we estimate that small businesses usually carry only two to three months of working capital. As we enter the third month since the news broke, many businesses— particularly those affected in these ethnic enclaves— are holding on for dear life. They do not have sufficient cash reserves to weather this storm. There are articles every day about small businesses trying to make ends meet due to the sudden decline in patrons. The economic hardship on each business owner then trickles down to the labor force as many places are letting go of their employees to cut costs. The destabilization of labor and discretionary income will have ripple effects throughout our economy, well extending outside our community.

In addition to influencing consumer sentiment, COVID-19 has also affected the global supply chain. My business uses ingredients from all over the world: tapioca starch from Thailand, tea from Japan, bamboo straws from Taiwan, and packaging from China. Anything that is imported from overseas is delayed a month or indefinitely in cases where factories are shut down entirely. As a community leader in small business forums, I've heard from people throughout the country that their business is facing similar issues. Banquets are canceled. Ingredients are delayed. Sole proprietorships like photographers, musicians, and anything tied to the hospitality and entertainment industry are all affected, too. We say small business is the backbone of the American economy. What happens when the backbone is fractured?

I say this on public record as a testimony not just for COVID-19, but for all further communicable disease situations that stall economic productivity. Today, the small business community, especially those near AAPI enclaves, need help. One day, it'll be another community.

What makes America so great is that we got this far despite our differences-- because we learned how to bridge our various cultures and take care of each other. As a millennial, I hear we don't really talk about The American Dream anymore. As I understand it (and I had to Google this), the American Dream is to live a "richer and fuller life, enabling opportunity according to ability and achievement." I believe your recent disaster loan relief bill breathes new life to that dream. The American Dream is alive and well— we just have to remember that enabling opportunity is not always about opening doors, but also removing barriers.

We need more help like the loan assistance program so that our small business community can thrive again. The loans give us enough runway to adjust to the changes in the marketplace, even if it is caused initially by misinformation and unwarranted stigma.

We as a community are confident that your committee will pass other pieces of legislation to show the world that small businesses embody values that built this country: grit, resilience, and helping our neighbors. Thank you for your time.

COUNCIL on
FOREIGN
RELATIONS

March 10, 2020

COVID-19's Impact on America's Small Businesses: The Fear Factor

Prepared statement by

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Before the

Committee on Small Business, U.S. House of Representatives

Hearing on "The Impact of Coronavirus on America's Small Businesses"

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Introduction

COVID-19, which originated in China, continues to spread rapidly worldwide. As of March 7, there are more than 102,000 confirmed cases and nearly 3,500 deaths. While most of the cases and fatalities occurred in mainland China, the virus has already led to more than 21,000 cases and 532 deaths in other countries. The U.S. has more than 340 cases and 14 deaths. Governors of Washington State, Florida, California and New York have declared state of emergency. Although the WHO has indicated it will not declare the outbreak a pandemic, which it did during the 2009 H1N1 outbreak, the sustainable community level outbreaks in China and South Korea (WHO Western Pacific Region), Iran (WHO Eastern Mediterranean Region), and Italy (WHO European Region) clearly suggest that all the conditions have been met to declare the outbreak a global pandemic.

A Dread Risk

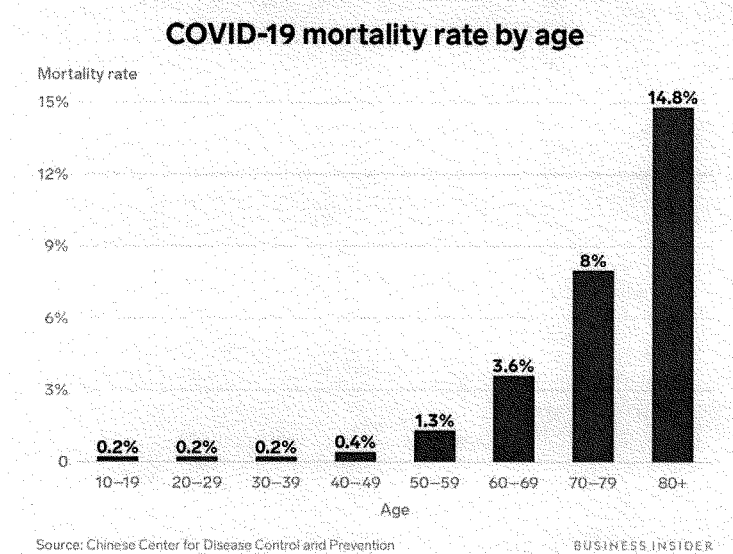
Unlike SARS, which also belongs to the coronavirus family, there have been many unknowns about COVID-19. Scientists and researchers still do not have a consensus on the origin of the outbreak. They still do not have a clear idea of the virus' transmissibility and virulence. They do not understand why the incubation period could last up to 24 days, even though most estimates range from 1 to 14 days. They also do not know how the virus is transmitted and why asymptomatic people can shed virus. They also do not understand why some patients tested positive a second time even after they seemingly recovered.

Bombarded and oversaturated every day by news on this seemingly mysterious virus, people increasingly perceive COVID-19 as a "dread risk", characterized by "involuntary exposure, unfamiliarity, invisibility, uncontrollability, and indiscriminate effects." Unlike risks that are routine (e.g., commuting to work) or voluntarily accepted (e.g., driving on the highway), issues that fall in the category of dread risks tend to be high profile yet pose a lower aggregate risk to human health. Based on the current epidemiological data, we very likely overestimate the health risk posed by COVID-19. According to the World Health Organization (WHO), global case fatality rate for COVID-19 is 3.4 percent, higher than that of the seasonal flu, which kills about 0.1 percent of those infected. According to Harvard epidemiologist Marc Kipsitch, some 40 to 70 percent of the people worldwide could be infected with the virus within the coming year. Even if we adopt the lower end of the prediction interval, three billion people could be infected. With 3.4 percent mortality rate, COVID-19 could wipe out 102 million people from this planet, twice the number of deaths from the 1918 Spanish Flu.

Existing risk assessment is heavily influenced by developments in China, which has more than 83 percent of the COVID-19 deaths and a mortality rate of 3.7 percent. But it is widely known that official data from China is subject to reliability problems – for a time, mortality rate in China stood at 2.1 percent so much so that people could accurately predict what the government would report the next day. But aggressive testing in South Korea allows us to give a more accurate and optimistic picture of how lethal the virus actually is. By March 5, with 140,000 people tested for COVID-19, the country's case fatality rate (CFR) is just over 0.6 percent. That number is much lower than WHO estimate but closer to the mortality rate reported in China excluding Hubei (0.8 percent). It is still higher than that of the seasonal influenza (0.1), but lower than that of the Spanish Flu (>2.5 percent) or SARS (9.6 percent). In that sense, the massive coronavirus outbreak in South Korea and the sheer scale of its testing for the virus likely reveals a major silver lining, that is, COVID-19 may not be as virulent as we thought.

An alarmist approach also tends to overlook the fact that 81 percent of COVID-19 cases are mild (i.e., do not need to receive hospital care). Indeed, many mild cases are not included in the data as confirmed cases because they are not going to go the doctor or hospitals seeking testing or treatment. Also, studies

have shown that COVID-19 deaths increase with age, with virus most seriously affecting older people with preexisting health problems.



This is not to say that we should adopt a Pollyanna attitude toward the outbreak. If we agree with Benjamin Disraeli, a 19th century politician, that "the care of the public health is the first duty of a statesman," the rapid spread of the virus justifies actions outside the normal bounds of political procedure. Declaring emergency measures allows the mobilization of needed resources and capabilities to address the challenge. Keeping the public informed about the spread of the disease, the consequences of the outbreak as well as the practical steps to undertake (e.g., routine handwashing) will be very important to protect people from getting infected.

The Impact of Panicky Response

An alarmist approach, however, can elicit a disproportional level of fear among the population, which may distort government and public response. Fear of scarcity associated with the spread of the virus has already led to panic buying in many localities, which can result in real shortages because people buy more than they need. By creating a shortage (and a surge in price) for facial masks, hand sanitizers, disinfecting wipes at a time when demand is unusually high, it also reduces the ability of American people to protect themselves and their families from COVID-19.

Fear and panic also has led to calls for the government to undertake more aggressive actions in confirming cases, isolating patients and tracking down close contacts. The effectiveness of these

measures, however, is subject to debate. According to a study published by *Tropical Medicine & International Health* in November 2009, while China's anti-SARS measures (e.g., quarantine and social distancing) might have played a role in speeding up the disappearance of SARS or preventing the outbreak in yet unaffected regions, they "contributed little to the factual containment of the SARS epidemic."

The cost of implementing such measures nevertheless can be immensely high. As Nicoll and Coulombier have noted in examining Europe's response to the 2009 H1N1 pandemic, the question was whether there was enough manpower to deliver the necessary response seven days a week and what else could not be achieved when the limited resources were fully committed to case-finding, contact-tracing, testing, and treatment. These measures therefore are hardly sustainable. Worse, they may further raise the panic level, which in turn undermines the government surge capacity in addressing the outbreak. During the 2009 H1N1 pandemic, Singapore was said to have used up half of its stockpile of face masks in the first three weeks of the pandemic. As we have seen in Wuhan in the current outbreak, the government decision to lock down the city on January 23 prompted anybody with flu-like symptoms to flood hospitals seeking COVID-19 testing and hospitalization, which not only encouraged cross-infection but also quickly overwhelmed the healthcare system.

Driven by panic and fear, countries pursuing aggressive domestic containment measures may also prompt other countries to impose stringent restrictions on travel and trade. Unlike Japan, which limits tests to the most obvious and serious cases, South Korea wages "all out" response to COVID-19, which involves screening more than 260,000 members of a secretive church linked to around half of the country's cases. The ensuing increase of cases make South Korea the second largest infected country after China. In response, the U.S. Department of State raised its travel advisory on Daegu, where most of South Korea's novel coronavirus cases are centered. By the same token, while there is no evidence supporting that COVID-19 can be spread via cargo or packages from Italy, "unjustified documentation" had been requested from importers of aged cheese in Greece, lettuce exported to Poland and fruit to Kuwait, while Italian-grown apples are refused by Ukraine.

This is certainly not the first time that unnecessary trade and travel restrictions are imposed to an affected country. During the 2009 H1N1 pandemic, many countries instituted trade and travel restriction measures not based on WHO recommendations or a legitimate public health justification. Despite the WHO statement that pork products handled in a hygienic way were not a source of the H1N1 virus and would be safe to consume, China, South Korea, Thailand, the Philippines, and Indonesia all instituted a ban on fresh pork and/or pork products from North America. The discrimination against Mexican citizens and the ban on pork products from North American countries sent a signal to other countries that those complying with IHR and honestly reporting diseases in their territories would not be rewarded but punished by other countries. Worse, many measures instituted in the outbreak (e.g., cancelling flights or shutting down borders) tend to be "sticky" and not so easy to rescind. China, for example, did not lift its ban on pork product from Canada until November 2009, four months after the H1N1 swine flu activity declined in most countries.

The WHO has urged the government and public against over-reacting to COVID-19. Indeed, the International Health Regulations or IHR, which was revised in 2005 and is legally binding to all State Parties, makes it clear that countries can adopt health measures based on their national law, but such measures "shall not be more restrictive of international traffic and not more invasive or intrusive to persons than reasonably available alternatives that would achieve the appropriate level of health protection" (Article 43). Unfortunately, rather than allowing the WHO to effectively coordinate international response to the outbreak, many member states driven by fear have rushed to roll out

containment and restriction measures that violates the IHR. The uncoordinated and chaotic response at the international level takes an even heavier toll on the economy and society.

Government and public responses informed by fear can cause huge damage to world economy. The shutdown of factories in Wuhan and beyond threatens the global supply chain for the automotive, electronics, pharmaceutical and fashion industries. Due to U.S. dependence on China and India for active pharmaceutical ingredients and generic drugs, closure of Chinese factories has also raised serious concerns about potential drug shortages in the United States. Meanwhile, in order to minimize chances of getting infected, people would turn to social distancing measures—refraining from spending on current items, such as travelling or going to restaurants and theaters. The shift in consumption patterns would deal a serious blow to aviation and tourism industries. According to a World Bank estimate, 90 percent of economic losses during any disease outbreak are caused by “uncoordinated and irrational efforts of the public to avoid infection.” If a COVID-19 pandemic lasts more than a year, it may lead to widespread business failures, mass unemployment, and further decline of consumer demand, which may throw the world into a global recession.

These responses can be particularly devastating to small businesses. Like big businesses, small businesses (e.g., local restaurants and retailers) during the COVID-19 outbreak face problems on the supply side (e.g., disruption of the supply chain, absenteeism due to widespread illness or fear about getting infected) and on the demand side (drop in customer numbers due to growing fears about the virus). But unlike big businesses, which typically have more resources or other businesses to cushion the economic downturn, many of these small businesses have very little slack to absorb reduced demand or staffing shortages because they tend to “operate leanly, with tight profit margins and just enough people on staff.” While encountering slow business, they might also struggle to provide sick pay to their employees. If the pandemic continues for one year or more, the economic slowdown and possible recession may force them out of business.

Unnecessary social distancing measures would also fuel discrimination against certain population groups or businesses. The fear has triggered anti-Chinese sentiment in some countries, including the United States. As far as this is concerned, Asian-American-owned businesses is subject to an additional risk: discrimination. It was reported that in one district of Southern California, “dangerous misinformation and xenophobia” have led to a 60 percent drop in Asian-owned businesses.

Policy Recommendations

Given the downside risks associated with the fear factor, it is imperative to ensure the revulsion invoked by the outbreak does not push us to undertake measures with unacceptable adverse impacts on public health, civil liberties, trade and economy. Rather than focus solely on emergency mobilization, it is equally important to emphasize prevention, precaution, and risk management by politically neutral professionals. In doing so, we should avoid having the government response politicized. The reason is very simple: when health is placed in the realm of realpolitik, it runs the risk of “being dependent on the logic of such politics”—which is not based on science but on the Machiavellian instincts of those in power. Instead of provoking fear and panic, governments should provide the public with a more balanced picture of the nature and spread of the virus. Solid information that is not driven by fear would help the public prepare for the outbreak in a more rational and reasonable way.

Last week, President Trump signed an emergency package to combat the coronavirus, which offers low-interest Small Business Administration loans for companies that are struggling to deal with the repercussions of the outbreak. That is an important step, but not enough. After all, the need for such

targeted loans may not be so strong given current low costs of borrowing. The U.S. government may consider following the example of Italy to provide tax cuts and credits for small businesses. Government measures may also include a national approach to paid leave that can protect both workers and businesses.

Equally important, rather than focusing on aggressive containment measures like treating all infected cases and tracking down all their close contacts, the U.S. should consider rolling out a strategy that aims to slow down the spread of the virus in the community and minimize the societal and economic impact of the outbreak. This strategy involves rapidly identifying cases and treating those who are severely ill or have a higher risk of complications (e.g., the elderly people, people with certain chronic conditions). In order to minimize the damage caused by the supply chain disruption and unjustifiable travel and trade restrictions at the international level, the U.S. should consider using the existing multilateral mechanisms such as the G20 or the WHO to organize a special meeting on coordinating international response to the COVID-19 outbreak.

Hearing Questions

Congressman Troy Balderson

Questions for the panel:

- 1) Thank you all for being here today. I think we can all agree that this matter needs to be taken extremely seriously.

Columbus, Ohio hosted the 32nd annual Arnold Sports Festival - often referred to as the "Arnold Classic". Thousands of small businesses support this event each year as vendors, and even more businesses in the region receive an economic boost as a result of the thousands and thousands of visitors. Last year, over 200,000 visitors and participants came for this event!

However, due to the increased health risk coronavirus poses, I was pleased to see state and local officials working together and using the utmost caution when they limited the scale of this year's event. I believe this was the right decision.

Congress passed a coronavirus supplemental appropriations bill, totaling over \$8 billion. We in Ohio wait to understand the full impact of limiting the Arnold Classic will have for the state and small businesses in my community. And similarly, this committee is working to understand the impact coronavirus will have across the nation. From each

of your vantage points, what more can the SBA do to aid small businesses beyond their current action/role?

Safe Harbors was able to secure a Paycheck Protection Program (PPP) loan, which was helpful but has long since run out. We are planning to apply for forgiveness soon, and it would be helpful for the SBA to clarify whether the CDC's guidance against any kind of travel since March allows us to use the new "safe harbor" created by Section 3(b)(7)(B) of the Paycheck Protection Program Flexibility Act of 2020 (P.L. 116-142).

*Beyond SBA, we really need Congress to provide additional assistance to hard-hit businesses like travel agencies. Due to COVID-19, my business has increased but is still down **80 percent**, and I've laid off **71 of my 93** pre-COVID employees. According to the American Society of Travel Advisors (ASTA), 73 percent of travel agencies in the U.S. will be out of business in six months or less if current conditions hold and additional federal relief is not provided. This would leave the traveling public without access to the critical services travel advisors provide to consumers and travel suppliers' main distribution channel crippled.*

While I understand that many industries are facing critical challenges right now, the scenario described above is unacceptable. To prevent it, I ask that Congress pass the following items in the next round of COVID-19 relief:

- **Inclusion of Ticket Agents in Airline Payroll Support Program** – A broad array of airline stakeholders supports an extension of Section 4112 of the CARES Act, which authorized the Department of the Treasury to provide \$32 billion in payroll support payments to air carriers and certain contractors, past its September 30, 2020 expiration date. I support such an extension as well, but request that Section 4112 be amended to include travel agencies as well given the critical role they play in our country's commercial aviation system the broader travel industry. The most straightforward way to do this is to amend the Payroll Support Program's "Definitions" section (Section 4111 of the CARES Act) to include "ticket agents" – the statutory term for travel agencies, as defined in section 40102 of Title 49, United States Code.
- **RESTART Act (S. 3814/H.R. 7481)** – The Reviving the Economy Sustainably Towards a Recovery in Twenty-Twenty (RESTART) Act would create a new forgivable loan program to provide funding to small and mid-sized businesses to cover six months of payroll, benefits, and fixed operating expenses for businesses that have taken a substantial revenue hit during the COVID-19 pandemic. A share of the loan will be forgiven based on the revenue losses suffered by the business in 2020 with the remainder to be repaid over seven years. The bipartisan RESTART Act addresses several of ASTA's main concerns about the

CARES Act's relief programs, namely that they provide inadequate relief to companies with more than 500 employees and that they make no accommodation for industries hit the hardest by the crisis, as travel has been. If the bill cannot be incorporated whole cloth into the next COVID relief bill, I request that as many of its elements as possible be added as a complement to or part of any PPP extension.

- 2) Included in the coronavirus disaster supplemental is millions of dollars small businesses can apply for through the Disaster Loan Assistance Program. Typically, disaster loans help small businesses repair or replace damaged or destroyed property, equipment, or inventory. How can small businesses make use of money this coronavirus disaster supplemental money?

The Economic Injury Disaster Loan (EIDL) program is a valuable program that has provided support to a lot of travel agencies (38 percent of ASTA members according to an August member survey). Safe Harbors was able to take advantage of this program.

That said, forgivable loans like PPPs and the proposed RESTART program are preferable to debt as it will take several years for travel agencies to recover from this crisis.

- 3) What other relief would be helpful?

I will take this opportunity to share ASTA's full list of policy priorities for the next round of coronavirus relief legislation. I am a former chair of the ASTA Board of Directors.

Inclusion of Ticket Agents in Airline Payroll Support Program

A broad array of airline stakeholders supports an extension of Section 4112 of the CARES Act, which authorized the Department of the Treasury to provide \$32 billion in payroll support payments to air carriers and certain contractors, past its September 30, 2020 expiration date. ASTA supports such an extension as well, but requests that Section 4112 be amended to include "ticket agents" – the statutory term for travel agencies, as defined in section 40102 of Title 49, United States Code – given the critical role they play in our country's commercial aviation system the broader travel and tourism industry.

Travel advisors – online, "brick and mortar" and many hybrid business models in between – are responsible for the sale of the majority of airline tickets in the U.S., selling

close to 830,000 air tickets per day in 2019. While a portion of our membership was able to access relief under several of the CARES Act's programs, this relief is unlikely to be sufficient given that travel was the first industry impacted and will be one of the last to fully recover from this crisis. Thus, without the inclusion of ticket agents in the airline payroll support program, we risk a situation that will harm both consumers – who will be lacking the comparison shopping, professional advice and other support that advisors provide – as well as the airlines, who will find themselves bereft of a major pillar of their distribution system.

Additional Funding for Ticket Agent Loans

Under Section 4003(b)(1) of the CARES Act, the Treasury Department is authorized to make up to \$25 billion in loans and loan guarantees for passenger air carriers; eligible businesses performing inspection, repair, replace, or overhaul services; and "ticket agents." (the statutory term for travel agencies). While the majority of our membership availed themselves of other relief options in the CARES Act since its enactment – the Paycheck Protection Program (PPP) in particular – given the scale of the disruption to our part of the travel industry there is intense demand for relief under this program. According to the Government Accountability Office, as of June 1, 2020, Treasury reported receiving 48 applications from ticket agents requesting \$5.8 billion in loans under this program. While as of this writing (nearly six months after enactment) not a single ticket agent has yet received a loan, we respectfully recommend the following legislative changes to the program:

- Provide the Treasury Department with additional funding to extend loans to ticket agents under Section 4003(b)(1);
- Extend loan repayment terms to 10 years to accommodate the travel industry's long-anticipated recovery; and
- Consider incorporating some or all of the PPP's loan forgiveness elements into this program.

RESTART Act (S. 3814/H.R. 7481)

Introduced by Sens. Michael Bennet (D-CO) and Todd Young (R-IN) in the Senate and Reps. Jared Golden (D-ME) and Mike Kelly (R-PA) in the House, the Reviving the Economy Sustainably Towards a Recovery in Twenty-Twenty (RESTART) Act would create a new, post-PPP loan program to provide funding to small and mid-sized businesses to cover six months of payroll, benefits, and fixed operating expenses for businesses that have taken a substantial revenue hit during the COVID-19 pandemic. A share of the loan will be forgiven based on the revenue losses suffered by the business in 2020 with the remainder to be repaid over seven years. No interest payments are due in the first year, and no principal payments are due for the first two years. The bipartisan RESTART Act addresses several of ASTA's main concerns about the CARES Act's relief programs, namely that they provide inadequate relief to companies with more than 500 employees and that they make no accommodation for industries hit the hardest by the crisis, as travel has been. If the bill cannot be incorporated whole cloth into the next COVID relief bill, we request that as many of its elements as possible be added as a

complement to or part of any Paycheck Protection Program extension, especially its provisions providing support to businesses with more than 500 employees.

Continued Assistance to Unemployed Workers

The CARES Act authorized extra unemployment payments, increased standard benefit amounts and broadened eligibility to include self-employed individuals and ICs. However, these benefits expired on July 31, and the expanded eligibility covering self-employed people and independent contractors expires at the end of December. As mentioned, there are currently around 40,000 ICs working in the travel agency industry, and their business income has seized up along with every other part of the industry. Both they and laid-off or furloughed travel agency W-2 employees deserve support while the travel industry recovers. As such, ASTA supports extending the CARES Act unemployment provisions through March 31, 2021.

American TRIP Act (S. 4031)

Introduced by Sen. Martha McSally (R-AZ), the American Tax Rebate and Incentive Program Act (American TRIP Act) would provide tax credits to Americans who spend money on lodging, entertainment, and other expenses related to domestic travel through 2022. This credit would apply to all travel within the United States and its territories, so long as the travel, expenses and final destination is at least 50 miles from the principal residence of the filer(s). Sens. Kevin Cramer (R-ND) and Catherine Cortez Masto (D-NV) are reportedly pursuing a similar proposal as part of the next round of COVID relief. While ASTA and its members remain focused on the relief phase of the coronavirus crisis, collectively we will soon need to focus on the recovery phase. Coupled with clear and consistent federal health guidance across travel modes, stimulating demand along the lines of what's called for it in the American TRIP Act will be critical to the travel industry's recovery.

House Small Business Committee
Andrew Chau
October 20, 2020

Responses to Questions from Committee

1) Thank you all for being here today. I think we can all agree that this matter needs to be taken extremely seriously.

Congress passed a coronavirus supplemental appropriations bill, totaling over \$8 billion. We in Ohio wait to understand the full impact of limiting the Arnold Classic will have for the state and small businesses in my community. And similarly, this committee is working to understand the impact coronavirus will have across the nation. From each of your vantage points, what more can the SBA do to aid small businesses beyond their current action/role?

By far, in my experience since our hearing on March 10th, we've learned how invaluable the PPP loan and other parts of the CARES Act were to the health of our business and others around the country. We were one of the nearly million small businesses that had received the lifeline. At the time, we did not know how long the pandemic would last, so the extra capital for labor allowed us to take calculated risks on the future and employ hundreds of our old team members who returned to work.

In addition, provisions in the CARES Act and Families First Coronavirus Response Act provided us additional resources to absorb labor fluctuations due to positive COVID cases.

Moving forward, we believe another round of PPP loans and a simpler forgiveness formula would greatly help the small business ecosystem. If a company received a PPP loan in the first round, we recommend an expedited process for a second loan as there would be a track record of a proper use of funds.

Another area for improvement is to reallocate unused funds from the Main Street Lending Program which is an ineffective program for medium-sized businesses. The incentives are misaligned and few banks offer pragmatic loan packages that serve the spirit of the loan. Please suspend this program and reallocate the funds.

If the SBA has any jurisdiction on this matter, we believe there needs to be a holistic solution on commercial rents and mortgage payments. Deferral of rent, mortgage forbearance are not enough. We need the banks, the bond holders, and the government to agree to share in the pain-- which I think would actually help the overall situation. For many in the food & beverage industry and other retail-based businesses, the 2%-5% of expenses saved because of a material reduction in rent for the next couple of years could be the difference in whether a business chooses to weather the storm or fold.

If enough businesses in an ecosystem (e.g. street or neighborhood) fail, it eliminates market efficiencies from network effects and added value adjacencies in the market. For example, a dry cleaner could still work if several neighboring tenants close. But if they lose 60% of their neighbors, there isn't enough critical mass to warrant foot traffic, thereby creating new barriers to entry if and when tenants decide to come back. These inefficiencies will lengthen the recovery period.

2) Included in the coronavirus disaster supplemental is millions of dollars small businesses can apply for through the Disaster Loan Assistance Program. Typically, disaster loans help small businesses repair or replace damaged or destroyed property, equipment, or inventory. How can small businesses make use of money this coronavirus disaster supplemental money?

The EIDL is another great solution that should continue for recovery efforts. As a board member of several small business chambers, I have seen EIDL funds be used as working capital such as paying off recurring expenses. It's flexibility gives a lot of small businesses to cover the gaps not covered by the PPP loan.

3) What other relief would be helpful?

In addition to the proposed programs previously stated, we are in favor of the RESTAURANTS ACT or other forms of focused investment for the backbone of communities: the food & beverage sector. The current iteration of the legislation also helps target funds for women and minority-owned businesses, many of whom are disproportionately affected by the pandemic. The funds allocated to agencies like the MBDA are a good start, but we need more help reaching these marginalized communities-- on a practical level, these communities comprise a large part of the labor force for the hospitality industry.

As stated in my testimony in March, the pandemic is particularly hard on people of color and low-income communities as those communities disproportionately serve as essential workers with living situations that make social distancing difficult. The food & beverage industry and people of color should not be collateral damage when we are on the frontlines of the recovery efforts. Main Street America is anchored by restaurants, cafes, bars, and bakeries, so we humbly ask for the government to acknowledge our role in society.

We still need clearer guidance and support on rent relief. Resolutions that help take pressure off of commercial lenders would then allow the relief to be passed onto the tenants. We believe a special fund that splits the risk between the landlord and tenant such as a shared grant would greatly improve the recovery efforts of retail-based businesses.

Lastly, please continue to fund testing and Paid Time Off programs for those directly affected by COVID-19. By removing the barriers to work, these programs directly impact a businesses desire to create jobs. The SBA and Fed should back programs that take risk away from the business owners-- it will jumpstart the economy as the pandemic subsides.

Thank you for your time.

Hearing Questions Congressman Troy Balderson

Questions for the panel:

- 1) Thank you all for being here today. I think we can all agree that this matter needs to be taken extremely seriously.

Columbus, Ohio hosted the 32nd annual Arnold Sports Festival - often referred to as the “Arnold Classic”.

Thousands of small businesses support this event each year as vendors, and even more businesses in the region receive an economic boost as a result of the thousands and thousands of visitors. Last year, over 200,000 visitors and participants came for this event!

However, due to the increased health risk coronavirus poses, I was pleased to see state and local officials working together and using the utmost caution when they limited the scale of this year’s event. I believe this was the right decision.

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of your vantage points, what more can the SBA do to aid small businesses beyond their current action/role?

SBA could help small businesses stay open during the pandemic by providing tax cuts, credits, and deferred tax payment. It can also provide subsidies or tax credits to entities that offer rent reductions to small businesses. It can push for a national approach to paid leave that protects both workers and businesses. Tax credits can be offered to small business employees who have dependents to take care of at home. A special fund for financial stability of small businesses can be set up for that purpose.

2) Included in the coronavirus disaster supplemental is millions of dollars small businesses can apply for through the Disaster Loan Assistance Program. Typically, disaster loans help small businesses repair or replace damaged or destroyed property, equipment, or inventory. How can small businesses make use of money this coronavirus disaster supplemental money?

The use of the loans can be expanded to support small businesses improving work conditions to reduce chances of infection (e.g., rearrange office spaces and production lines, providing workers free PPE, disinfecting wipes, hand sanitizers). It can also be used to cover utilities expenses and support upgrading and innovations (e.g., digitalizing the delivery of services) during the COVID period. Priority should be given to small businesses that do not lay off their employees.

3) What other relief would be helpful?

Other relief efforts include encouraging small businesses to have a healthy work force by providing vouchers to their employees so that they can get tested for COVID for free. SBA could also be used to reimburse employees of small businesses who pay for a Prime membership at Amazon Fresh or Whole Food Market, which allows them to have free grocery delivery or pickup.



TESTIMONY FOR THE RECORD

AMERICAN BUS ASSOCIATION

HOUSE COMMITTEE ON SMALL BUSINESS

“THE IMPACT OF CORONAVIRUS ON AMERICA’S SMALL BUSINESSES”

TUESDAY, MARCH 10, 2020

Chairman Velázquez, Ranking Member Chabot, and distinguished members of the Committee on Small Business, on behalf of the American Bus Association (ABA) thank you for calling today's important hearing. We are submitting testimony for the record on behalf of the motorcoach, tour and travel industries.

The ABA is the oldest, largest and most respected voice of the motorcoach, tour and travel industries. Our Association represents private motorcoach operators, tour operations and all facets of small businesses supporting the travel industry. Our motorcoach members provide a vital component of the national public transportation network, through intercity scheduled bus service, commuter and shuttle operations, school bus transportation, charter operations, and in some cases contract services for public transit authorities. Collectively, the motorcoach industry provides nearly 600 million passenger trips annually, a statistic on par with the domestic commercial airline industry. As well, ABA membership's includes tour operators, destinations, and other tourism-related organizations (including local and regional government partners), along with product and service suppliers, all in support of the travel industry. Collectively, these industries provide nearly two million jobs and create over \$236 billion in economic impact nationwide.

However, faced with the dire situation caused by the Corona Virus Disease 2019 (COVID-19) outbreak, collectively, the motorcoach, tour and travel industries are facing an unprecedented downturn. As your Committee reviews the state of the economy and the impact on small businesses, and develops further actions necessary to counteract these impacts, the ABA implores you to ensure the motorcoach, tour and travel industries are not forgotten.

Not surprisingly, based on our membership, ABA is at the center of the COVID-19 “storm”. With the worldwide outbreak continuing to spread, the devastating impact on travel and transportation operators cannot be understated. The daily cancellation of trips and gatherings, compounded by the broadly publicized reports warning workers and travelers away from public modes of transportation, is taking a serious toll on our collective industry. Further, as we are an industry dominated by small entrepreneurial businesses, many of which are multigenerational family businesses, unlike larger corporate interests, many of our members are not prepared to withstand such a significant economic downturn. In many cases, the current situation is worse than the downturn following the tragic events of September 11, 2001. At that time, although fear of travel was a factor, particularly travel by air and to larger urban areas, travel did continue by other modes and to other venues. Timing also was a factor. For example, springtime is the largest travel period for student trips and recreational activities. But with the COVID-19 outbreak, spring 2020 will likely go down as the worse travel season on record.

We are hearing daily from our members who are suffering a significant decline in business due to traveler concerns, and the situation is expected to further deteriorate in the coming weeks and months. According to the U.S. Travel Association’s Travel Trends Index (TTI), international inbound travel to the U.S. will fall 6.0% over the next three months, with the COVID-19 outbreak continuing to roil the global economy. A survey of 1,200 US adults by the Kaiser Family Foundation found that one-in-eight adults have already changed their travel plans due to concerns about the virus.

Further, as the Committee notes in its hearing memo, ABA members will experience a direct hit economically, “American small businesses that depend on travel and tourism are seeing an impact. Experts predict more than \$10 billion in spending from Chinese visitors will be lost,

while small firms in hotel, lodging, retail and dining are seeing decreased sales as a result of the travel restrictions, cancelled conferences, and decreased business travel.”

In response to these statistics and stock market reports, we note the Administration and Congress have taken some action to alleviate stresses caused by the outbreak. However, among all the data and reports concerning travel, the focus seems to remain on large, corporate entities rather than considering the small businesses that form the backbone of the U.S. tour and travel industry, as well as provide vital links for rural communities, commuting employees, school children, and price-sensitive travelers. As the Committee notes, larger corporations are more likely to be positioned to carry on business as usual, but this is simply not the case for small businesses. Our businesses need assistance to remain sustainable through this downturn.

We appreciate you holding this hearing and highlighting the important role small businesses play in the national economy, especially within the travel sector and as providers of public transportation resources. As Congress continues to seek measures to combat the economic downturn resulting from the spread of COVID-19, we hope this Committee will play a significant role in developing these measures to speak on behalf of small businesses, keeping in mind the myriad of small, family-owned businesses engaged in motorcoach, tour and travel operations that help keep Americans mobile. Specifically, we need Congress to provide dedicated funding for motorcoach, tour and travel industry businesses and their employees, in order to restore, collectively, the industry and ensure the viability of these small businesses. Timing is critical, and ABA stands ready to assist the Committee in its role as a voice for small businesses.

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

CHRISTEL SLAUGHTER, PH.D., CHAIR
SMALL BUSINESS COUNCIL

TOM SULLIVAN, EXECUTIVE DIRECTOR
SMALL BUSINESS COUNCIL

March 10, 2020

The Honorable Nydia Velazquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Steve Chabot
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Re: Statement for the Record; Hearing on the Impact of Coronavirus on America's Small Businesses

Dear Chairwoman Velazquez and Ranking Member Chabot:

Thank you for holding the hearing today entitled, "The Impact of Coronavirus on America's Small Businesses."

I am Christel Slaughter, Ph.D., CEO of SSA Consultants based in Baton Rouge, Louisiana and I serve as Chair of the U.S. Chamber of Commerce's Small Business Council. The Small Business Council works to ensure the views of small business are considered as part of the Chamber's policy-making process.

On behalf of the Chamber, thank you for working in an expeditious and bipartisan manner to pass H.R. 6074, the Coronavirus Preparedness and Response Supplemental Appropriations Act last week. Because of Congress and the President's quick action, the U.S. Small Business Administration (SBA) can provide \$7 billion in low-interest loans to small businesses impacted by the coronavirus (COVID-19). We supported this legislation and view today's hearing as an important oversight function to help guide the effective distribution of resources made available under the \$8.3 billion package.¹

On Friday, March 6, the Chamber launched four task forces to prepare businesses for any potential long-term economic effects of the coronavirus. In addition to the task forces on Employee Support, Business Operational and Revenue Disruption, and Supply Chain and Trade Disruption, a task force will focus exclusively on addressing the unique needs of small and medium-sized enterprises.

¹ U.S. Chamber Letter on H.R. 6074, the "Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020," (March 4, 2020). Available at: <https://www.uschamber.com/letters-congress/us-chamber-letter-hr-6074-the-coronavirus-preparedness-and-response-supplemental>.

The Chamber is ensuring the business community is ready for any scenario, but urges that the response to the coronavirus is grounded in facts, not driven by fear. The Chamber's website² is designed to be a resource for business leaders and others, linking to the latest CDC information and state and local health officials. The Chamber believes that businesses, working with government, can help instill the confidence and calm that is necessary both to contain the coronavirus and maintain economic growth.

The coronavirus was certainly part of the conversation at our Small Business Council meeting yesterday in Miami. As business owners, we are laser focused on working to ensure the safety of our employees and, at the same time, ensure continuity of operations. I am proud that the Chamber continues to operate at 100 percent. In addition to our Small Business Council meeting in Miami, the Chamber is holding events in Austin, Minneapolis, Jacksonville, and San Diego this week.

Thank you for holding today's hearing. Tom Sullivan, who heads our Small Business Council, will follow-up with the Committee on the progress of our Small and Medium Enterprises Task Force.

Sincerely,



Christel Slaughter, PhD
CEO
SSA Consultants
Baton Rouge, Louisiana

cc: Members of the Committee on Small Business

² www.uschamber.com/coronavirus

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS
March 10, 2020

Statement of J.D. O'Hara
Chief Executive Officer, Travel Leaders Group
1633 Broadway, New York, NY 10019

Chairwoman Velázquez, Ranking Member Chabot and distinguished members of the committee:

Travel Leaders Group (TLG) appreciates the opportunity to present its views to the Committee on Small Business regarding the coronavirus crisis that is enveloping the travel industry and the country at large. As explained in the Testimony of Safe Harbors Business Travel and the American Society of Travel Advisors (of which TLG is a member), and further detailed herein, the coronavirus has created an existential threat to the survival of thousands of small businesses in the travel retail sector.

Summary of Position

The retail travel advisor sector is populated almost entirely by small businesses whose business survival is essential to the ability of travel suppliers to distribute their services to the public. Loss of these small retailers will thus have extensive impacts on much larger firms that are the background of the U.S. travel services network. The sector faces an existential crisis as the demand for travel services is collapsing while previously booked customers seek refunds of their deposits on future travel. Cash flows are under huge downward pressure and the situation appears to be worsening by the day as the news of coronavirus spread continues to emerge. Time is of the essence.

This crisis extends well beyond the cruise industry that has attracted the most media attention. Every travel sector is massively affected, reversing, in a matter of weeks, a strong early start to the year. Travel Leaders Group urges the government to swiftly adopt palliative measures that will shore up the industry's cash flows and sustain the ability to serve existing customers and facilitate the booking of future travel. Our recommended actions include:

- tax relief, including particularly a payroll tax holiday and/or tax credits to offset those cash flow impacts,
- grants,
- SBA loan enhancements (with, we urge, zero interest and reduced collateral requirements which otherwise make loans infeasible for many small business owners).

Statement

Travel Leaders Group is primarily a servicing company for a collection of retail sellers of travel working in all travel sectors, including air, cruise, land tours, hotel and related services. TLG's business is comprised of more than 6,000 company-owned, franchised and affiliated travel agency locations throughout the United States, Canada, the United Kingdom, Mexico and a variety of other international locations. The company overall represents more than 65,000 travel advisors worldwide and ranks as one of the industry's largest travel agency companies.

TLG itself employs 4,000 workers, but the primary sales force consists of about 10,000 independent contractors, who are primarily small firms in business for themselves as travel retailers. Some of these sellers were formerly brick-and-mortar agency owners who have relinquished their physical street-level locations, choosing instead to contract for critical business services from TLG while maintaining their independent entrepreneurial businesses.

Put simply, the demand for travel in all sectors is collapsing. Following a strong start for the year with robust sales in January and February, TLG's collection of more than 20 brands in retail travel has experienced a sharp reversal, with estimated loss of previously booked air trips upwards of 30 percent. Numerous companies have ended all employee travel and canceled conferences and meetings around the globe. Agencies that specialize in corporate travel are being devastated. Sales of future travel from just one sector of TLG's family of businesses saw a weekly decline in early March of more than 86 percent. Losses of this magnitude are simply not sustainable. The situation is likely to worsen as the news of the virus' spread continues on a daily/hourly basis and more public health messaging is directed at "social distancing" and what that implies for travel.

Virtually all of the independent contractors working with TLG brands fall well below the "small business threshold" established by the Small Business Administration. These small firms have weathered many financial storms, not least being the complete shutdown of travel following the 9/11 attacks. The website Investopedia reports that air travel following 9/11 did not recover for almost four years. <https://bit.ly/3cMs70b> An estimated 18,000 small businesses were lost. While many of them were in New York City near Ground Zero, the economic damage from lost travel business was felt throughout the country. The coronavirus, of course, knows nothing of boundaries. It is spreading and health experts indicate it will soon be everywhere.

There are many reasons for deep concern. Layoffs have already begun. Historically, small travel retailers have operated on very thin profit margins and have limited capital assets to support reduced or, in some cases zero, new business. Airlines are reducing schedules, with the inevitable result that travel to some places will be more difficult. While there are no doubt new travel "deals" to be had from ailing travel suppliers, the cascading effects of coronavirus and the growing fear of its consequences create the perfect economic storm that threatens to engulf thousands of small businesses. The talk of possible recession and the tumult in financial markets are simply adding to the "stop spending" mentality.

Let me illustrate the problem with an example from the hard-hit cruise industry that has been impacted by both consumer fears of the virus and government advice that many people should simply not take a cruise. The retail travel advisor industry accounts for the majority of cruise bookings. Consumers seek the expertise of professional advisors to help match them with the optimum cruise itinerary and style of ship that best suits their travel interests. A professional advisor often spends hours researching and advising/adjusting regarding cruise options. This work is typically compensated by commissions; if it were not, the cruise lines themselves would have to incur the costs of staffing to perform these functions.

During the first week in March, cruise bookings, both revenue and passenger counts, dropped an estimated 20 percent. Cancellations are still escalating while new bookings are dropping precipitously. This data from just one of TLG's member cruise agencies is compelling:

Last 7 Days Sales 2020 – (\$274,501) [Negative number reflects refunds made]
 Last 7 Days Sales 2019 - \$1,003,596
 % Change - -127%

YTD 2020 Sales - \$5,550,355
 YTD 2019 Sales - \$9,283,772
 % Change - -40.2%

The loss of even a modest part of the professional outside sales force represented by travel advisors will shift a huge burden directly onto the cruise lines that are ill-equipped to handle it. As things now stand, however, a travel advisor that spends additional time saving a cruise booking, perhaps moving it to a future date, may see no compensation until the cruise operates. And the standard commissions will not cover the incremental work involved in salvaging these critical bookings. Travel advisors are thus caught in a web that can easily overwhelm their remaining resources, especially if their firms have had to lay off advisors to survive.

Similar issues arise for travel agencies serving the airline, hotel, car rental and tour sectors. As an example, air bookings for the period February 23-March 7 were down about 30 percent from the prior year. Conversely, looking ahead to better times, all supply sectors will be adversely affected and their recovery impaired by the reductions-in-force that the current crisis will, absent government support, impose.

The experienced members of this Committee will fully appreciate the dire situation that threatens to engulf small businesses throughout the country. Immediate action is essential to restore business and consumer confidence that the government will act to support small businesses with robust financial support.

TLG strongly endorses the concepts that have thus far been mentioned:

- tax relief, including particularly a payroll tax holiday and/or tax credits to offset those cash flow impacts,
- grants,
- SBA loan enhancements (with, we urge, zero interest and reduced collateral requirements which otherwise make loans infeasible for many small business owners).

The focus should first be on remedies for the cash flow losses that small businesses will sustain, so they can not only stay in business but keep their workers gainfully employed. The greatest danger here is the self-reinforcing feedback loop of fear that leads to destruction of purchasing power for all manner of goods and services. The loss of thousands of small businesses would have profound effects on the rest of the economy.

In that regard, TLG strongly endorses programs that will not leave the industry overwhelmed by debt when recovery begins. Representative Espaillat focused on this important issue in the Committee hearing on March 10th. TLG asks the government to consider this urgently. The city of New York has announced the availability of grant programs, the details of which are still being developed, but the New York approach presents a good model to consider on a national scale. As announced, businesses with less than 100 employees, which can document a sales decline of up to 25 percent due to the virus's spread in New York, are eligible for no interest loans worth up to \$75,000. Small businesses with fewer than five employees can apply for direct cash grants of up to \$6,000.

In addition to the cash flow issue, workers in the retail travel sector do not typically enjoy robust benefits such as extensive paid sick leave and health care plans. TLG therefore strongly urges the administration to pursue to fruition its suggested program to address these factors.

We also want to emphasize that the retail travel industry is not sitting on its hands just waiting for a government bailout. Yesterday, Travel Leaders Network, the franchise network within the TLG family, held a comprehensive webinar outlining a multitude of self-help business strategies by which advisors and agencies may limit *some* of the financial damage while continuing to help the public fulfill important personal and business travel needs. Additional webinars and other strategic advice will be produced in the coming days. TLG is fully committed to do everything in its power to help its advisors and agencies survive this staggering blow. We cannot do it alone, however. The federal government, in particular, must play a prominent role in providing emergency resources to sustain our industry through these troubled times.

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12/1/2020

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The virtual shutdown of one of the world's biggest economies is hurting business around the globe, from multinational firms to truck drivers and tour guides.

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[Alexandra Stevenson](#) By Alexandra Stevenson

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12/1/2020

China Stopped Its Economy to Tackle Coronavirus. Now the World Suffers. - The New York Times

Published March 2, 2020 Updated March 6, 2020

In an industrial area west of Chicago's O'Hare International Airport, more than 6,000 miles from China, Michael Smerling is steeling himself for a devastating blow from the coronavirus outbreak.

Mr. Smerling makes knapsacks, travel pouches and outdoor gear for companies like Bed Bath & Beyond, Nordstrom Rack and Amazon. For now, the warehouse of his company, LCI Brands, is packed with merchandise.

Perhaps not for much longer. His company's Chinese suppliers have been shut down as the authorities try to stop the outbreak, essentially freezing vast swaths of the world's second-largest economy, after that of the United States. Last week, Mr. Smerling laid off eight people, about a fifth of his full-time work force.

"It was the hardest decision I've made in my career," Mr. Smerling said.

If the coronavirus [plunges the world into recession](#), China will be the biggest reason. Economists caution that its shutdown threatens the economies of [Japan](#), South Korea, [Europe](#) and [even the United States](#). Huge corporations like [Apple](#), [Microsoft](#), [AB InBev](#) and [Pfizer](#) have already seen an impact.

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Even those warnings understate China's reach. An economic disaster [just four decades ago](#), China now touches the lives of billions of people around the world. China matters to Mr. Smerling, Chilean farmers, Thai tour guides, [Indian automakers](#), Mongolian truck drivers and countless others who depend on its economic might.

When China stops, they feel it.

"An economy is an object in motion," said Rodney Jones, an economist specializing in China. "A lot of things work in connection: supply chains, shipping, transport, movement of goods. There is no one standing over it telling it which component goes where."

"The idea that we can stop an economy and restart it is crazy," he added.

China has become a voracious consumer of the world's rocks, oil, food and other raw materials. Before President Trump launched a trade war against China, [it bought more than one-quarter](#) of America's soybeans. Australia's mining industry, which employs more than [200,000](#) people, depends on China.

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In Mongolia, coal mining for China makes up nearly half of its export revenue and provides jobs for people like Battogtokh Uurtsaikh, who is wondering what to do next.

Mr. Battogtokh drives 70-ton truckloads of coal from a huge mine in the Gobi Desert to the border with China. The schedule requires him to navigate a potholed, two-lane highway clogged with other coal trucks on one or two hours' sleep.

Get an informed guide to the global outbreak with our daily **coronavirus** newsletter.



12/1/2020

China Stopped Its Economy to Tackle Coronavirus. Now the World Suffers. - The New York Times

For Mr. Battogtokh, it is the only way to provide a better future for his children. China's demand has made the job one of the best paid in the country. In a good month, he can make as much as \$1,600.

In January, Mongolia closed the border. Mr. Battogtokh's plan to pay back a truck loan this year is in jeopardy. The last of his money, he said, went to the bank as payment for two separate loans worth \$7,300.

Mr. Battogtokh, who has a 7-year-old son and a 3-year-old daughter, needs another job. "Their future depends on what I am doing now," he said.

Some of his friends, desperate for work, still drive coal to the border in hopes of finding buyers.

"But they can't get paid by their Chinese bosses," Mr. Battogtokh said. "They don't even have money to buy food."

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China's appetite goes beyond raw materials. It rivals the United States when it comes to shopping. People in China are the world's largest purchasers of automobiles, smartphones and luxury goods.

Life Together, a South Korean manufacturer, once earned 40 percent of its sales from China. A maker of lotions, facial masks and other beauty products, the company had been counting on an even bigger boost from JD.com, a big Chinese online retailer, where it was supposed to begin sales on a trial basis this year.

Song Woonseo, the founder of Life Together, and his team spent six months developing the right skin care products. Then the coronavirus hit.

"Then it felt like things were crumbling down, big time," Mr. Song said. The deal is now up in the air. "We are in limbo," he said.

With logistics snarled in China, Mr. Song said, his other China-bound products are sitting in storage.

"On top of that," he added, "we can't even produce things that we had to because we haven't been able to receive materials and parts from China to do so."

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China's consumers make up a powerful force outside the country's borders, too. They spend more than [\\$250 billion a year](#) on travel, considerably more than Americans.

Now, the vast majority are staying home. In late January, China suspended tour groups and travel package sales.

"I have zero clients," said Saichon Chuenchoo, who has worked as a tour guide in Thailand for 25 years.

Mr. Saichon, who speaks Mandarin, specializes in leading big groups around Bangkok and central Thailand. His charges, wearing matching hats and following his waving flag, have become a welcome sight at tourist spots.

Now Bangkok's Huai Kwang Market and the Train Market in Ratchada, two popular Chinese tourist spots, are virtually empty, with more sellers at stalls than tourists. On some nights, some stall owners don't bother to show up.

Mr. Saichon has to be thrifty. He has a second job, but he and his wife are teaching their two daughters how to be careful, too.

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Other tour guides aren't as fortunate, said Mr. Saichon, who is working with an industry association to secure financial support from the Thai government. Around 10,000 tour guides have lost their jobs since the virus first began to spread. Some Chinese tour operators who asked guides to pay for their own logistics in advance have absconded with the money, Mr. Saichon said, leaving them with as much as \$3,000 or \$4,000 in debt.

"It's hard enough with the coronavirus outbreak and now some are facing this," Mr. Saichon said.

China's growing wealth has made it an essential market for a range of businesses, big and small, that make specialized high-end products. That dependence on China has now become a liability.

Glasbau Hahn, a firm in Frankfurt, makes glass display cases for museums like the Metropolitan Museum of Art in New York.

Isabel Hahn, a member of the family that owns the company, said payment for a project in the Chinese city of Zhengzhou had been delayed. Glasbau Hahn's vitrines have been installed, but other work at the museum has stopped. The firm won't be paid until the project is complete.

Glasbau Hahn also won't get paid for a project in Nanchang, where it expects to deliver vitrines to a museum on schedule, but the construction site is closed indefinitely.

Ms. Hahn said the company could absorb the financial hit, but she added, "We have to keep an eye on our liquidity."

Some places are still waiting for the full impact.

Chile counts China as its biggest trading partner, with copper its largest export. But the South American country has tried to diversify, and cherries have become important exports. During the Lunar New Year holiday, Chilean farmers ship large containers of cherries to China, catching a window when the United States is out of season.

"The agri-food sector has been, up to date, the most exposed one," said Rodrigo Yañez, vice minister for trade in Chile. Copper exports have already been hit by the trade war between the United States and China and the lower commodity prices that resulted.

For all its growing purchasing power, China remains a force in manufacturing, the industry that propelled it to prosperity. Mr. Smerling, who owns the travel gear company LCI Brands, has long depended on China as a supplier, even though the trade war between the United States and China made it more expensive to buy from there. His company was hit by three rounds of tariffs last year.

Now Mr. Smerling can't even reach some of his suppliers. Information is sparse, he said, and he doesn't trust everyone is being forthcoming.

"We don't know what is truth, what is propaganda and what is bald-face lies," Mr. Smerling said. He believes at least one supplier is misleading him so that he will put down a deposit with the company. "Everyone," he said, "is desperate for money."

When he is able to gather information, the news is not good. Some workers have returned to their factories as the Chinese government tries to get the economy restarted, but they are under 14-day quarantines in their dormitories. Some factories say they will be online by March 15. For others, April looks more realistic, he said.

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"All our planning has been turned upside down," said Mr. Smerling.

Mr. Smerling said he could see worrying signs for other small businesses across the country.

The virus, he said, "is going to affect every level of American society."

Reporting was contributed by Ryn Jirenuwat, Khaliun Bayartsogt, Jack Ewing, Su-Hyun Lee and Keith Bradsher.


The Coronavirus Outbreak

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Updated March 17, 2020

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