



The Coronavirus And Its Impact on The Economy: Focus on Business Opportunities in Shanghai

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— AGENDA —

PART 1 Current Life in Shanghai

PART 2 Covid-19 Impact on Shanghai Economy & Business

PART 3 Business Opportunities & Trends

PART 4 Business Environment & Government Policies



PART 1 Current Life in Shanghai

Shanghai from Pause to Restart

Shanghai Back to Business

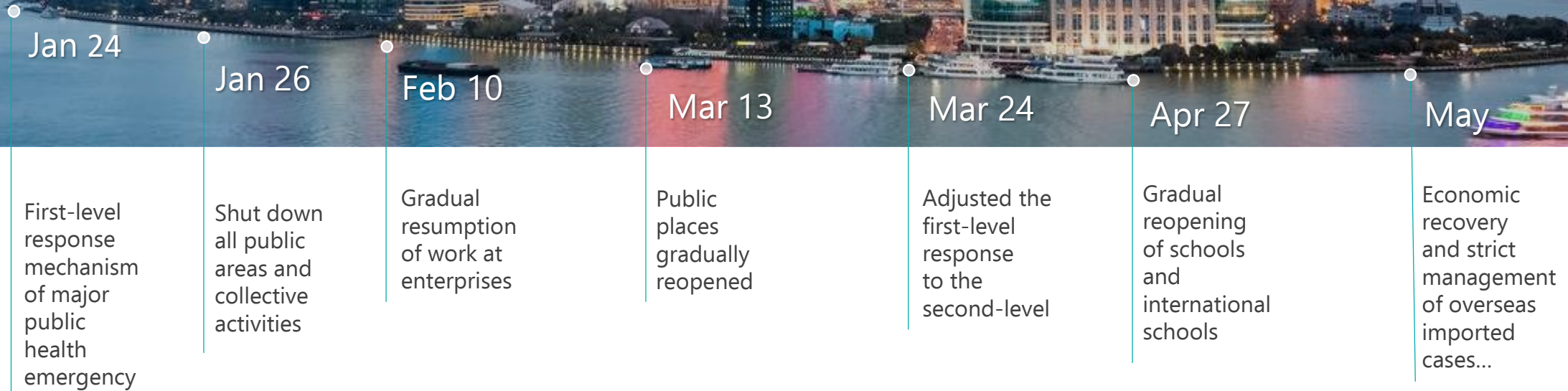
Daily life under COVID-19

Access to China

Shanghai from Pause to RESTART

Active Cases	Total Cases	Total Imported cases	Total Death
8	670	329	7

Source: DX doctor, updated on May 27



Shanghai - Back to BUSINESS



Shopping malls, supermarkets and restaurants are open



Libraries and museums are open for limited service



Public transportation is in full resumption of operations



Gradual reopening of schools and international schools



Outdoor tourist sites are open, Shanghai Disney Resort partially reopened with reduced hours



Preparation of the China International Import Expo 2020 with special focus on medical field

Life under COVID-19

Wear a MASK in public



You may also be required to:

- 👉 Cooperate with Temperature Check
- 👉 Show QR Health Code
- 👉 Nucleic Acid Detection test when travel



*People from foreign countries can get their QR codes through a mini-program on Alipay or the "Suishenban" app after completing real-name authentication on Alipay.



- 👉 Policies vary in different regions and time, make sure to have the latest info before travel

ACCESS to China



Five One Rule = One airline company can only fly to the same country once per week

CAAC, March 29

Airport: PVG and SHA open



Foreigners with Visa or residence permits have been suspended from entering China

Chinese Ministry of Foreign Affairs and National Immigration Authority, March 28

Foreign nationals coming to China for necessary economic, trade, scientific or technological activities or out of emergency humanitarian needs may apply for visas at Chinese embassies or consulates.



A background image of the Shanghai skyline at sunset, featuring the Oriental Pearl Tower and other skyscrapers reflected in the water. The sky is filled with soft, colorful clouds in shades of orange, pink, and blue.

PART 2 Covid-19 Impact on Shanghai Economy & Business

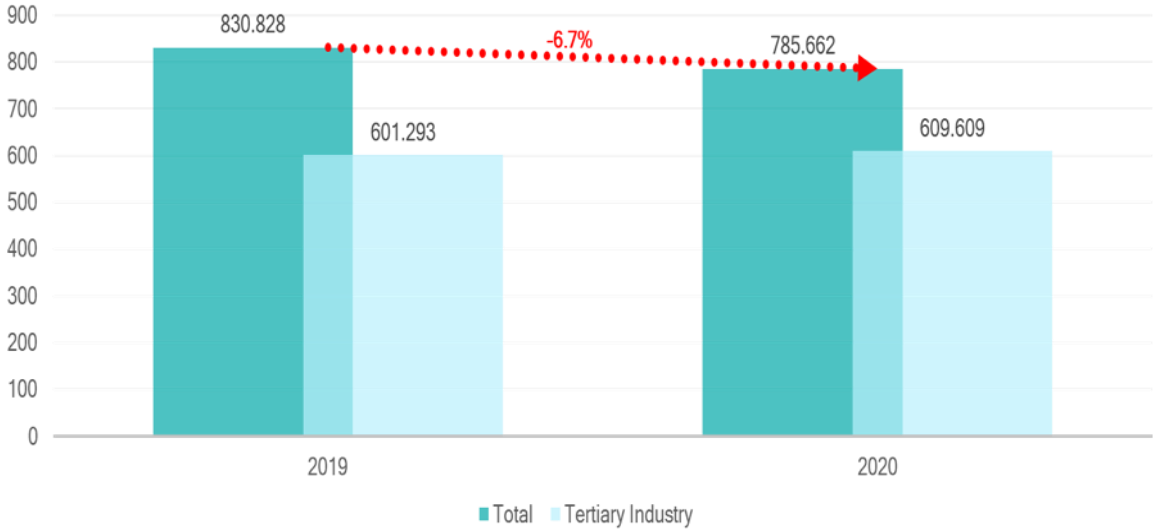
Economy and Trade figures

How do foreign companies assess the impact of the COVID 19 Crisis?

Shanghai policies to support affected sectors

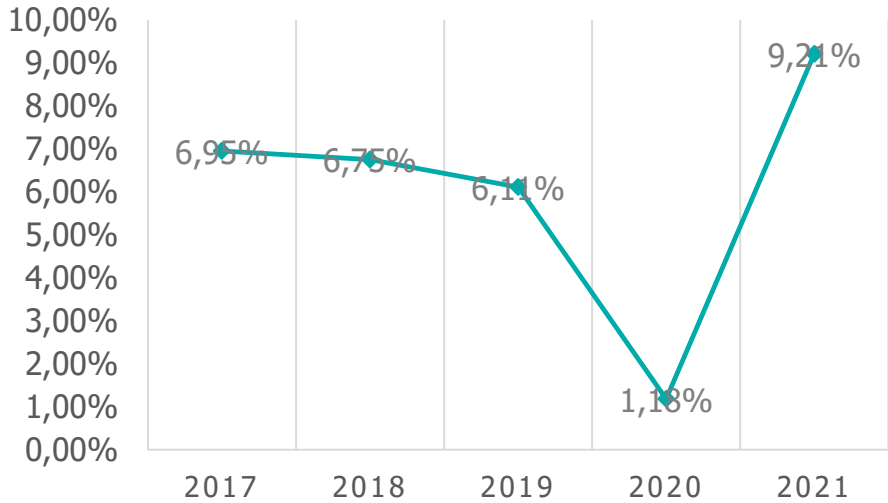
Impact Covid-19 on GDP

GDP Shanghai 2020 Q1



Source: Shanghai Municipal Bureau of Statistics

China GDP Forecast (compared to n-1)

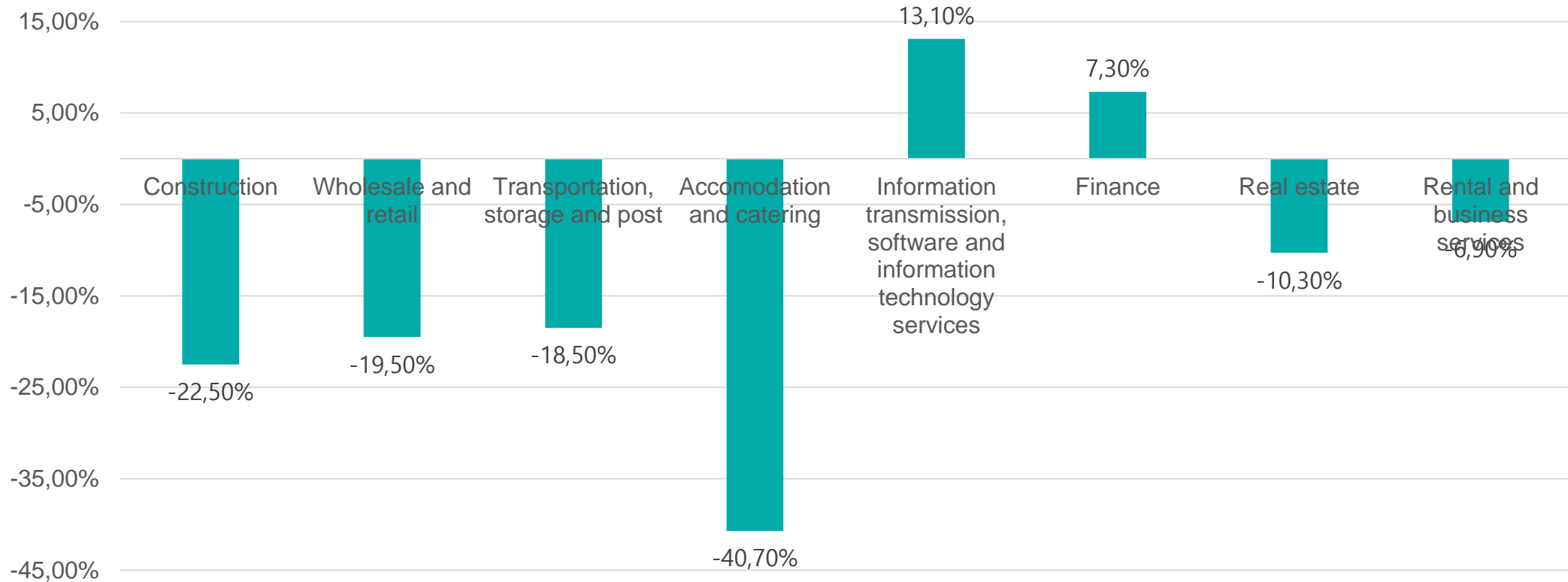


Source: International Monetary Fund



Impact Covid-19 on GDP

YoY Increase/Decrease of GDP 2020 Q1 by Industries

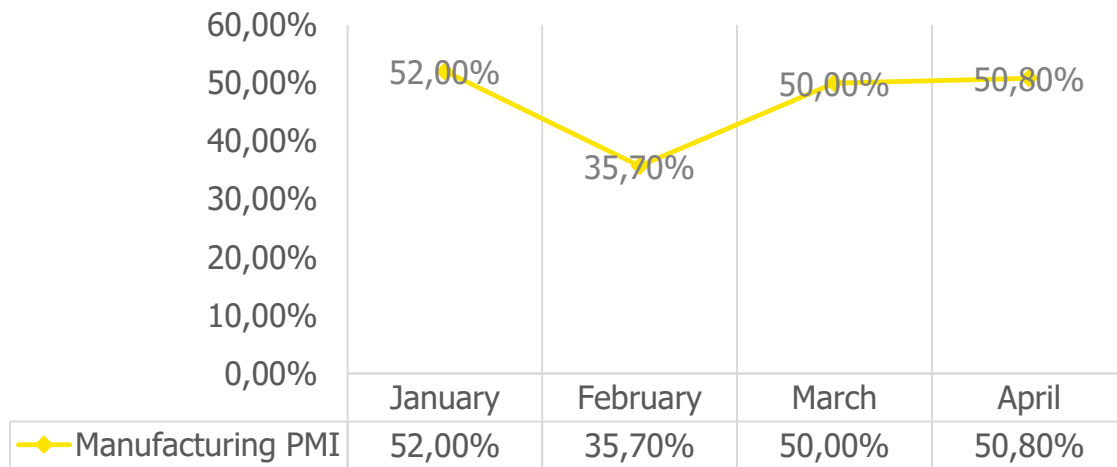


Source: Shanghai Municipal Bureau of Statistics



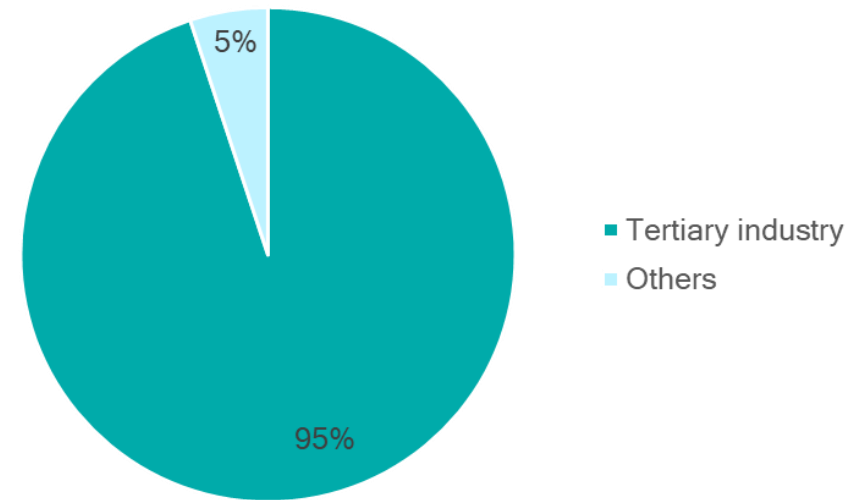
Impact Covid-19 on China's Industrial Activity and Investments

Purchasing Manager's Index of China



Source: National Bureau of Statistics

FDI of Shanghai 2020Q1: 4.669 billion US dollars

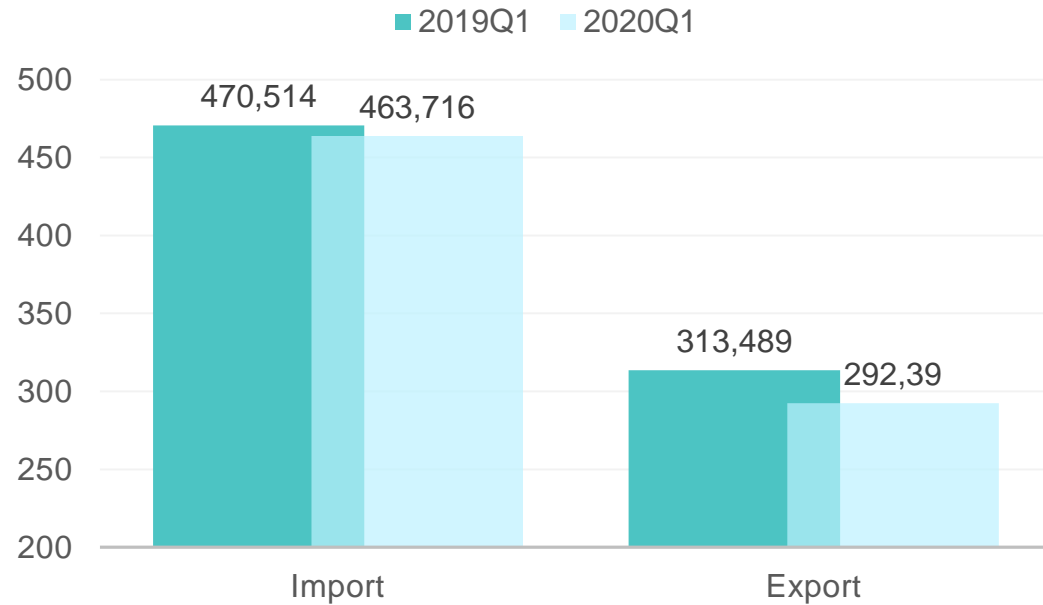


Source: Shanghai Municipal Bureau of Statistics



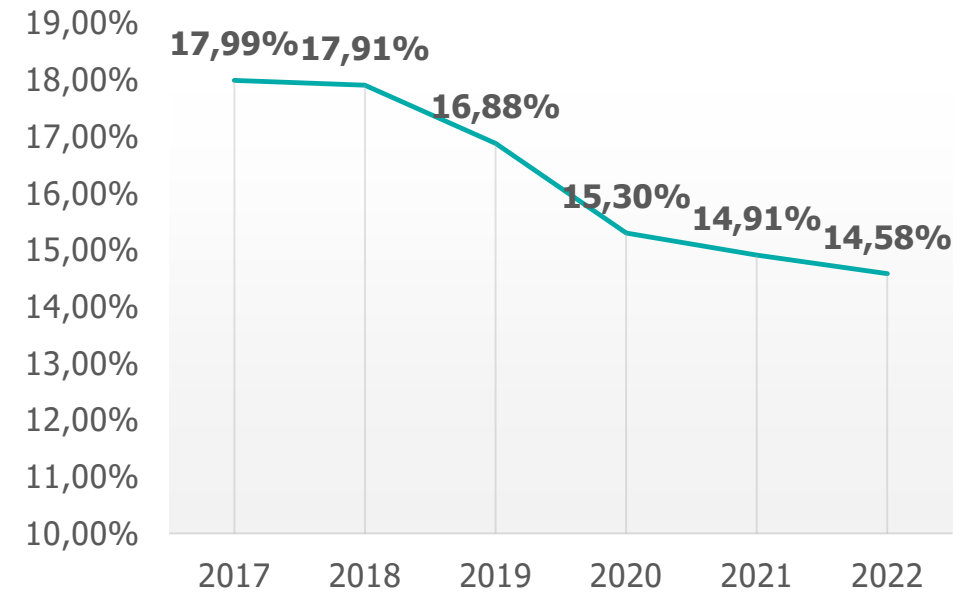
Impact Covid-19 on Trade

Import & Export Volume of Shanghai (billion yuan)



Source: Shanghai Customs

China's Dependence On Export

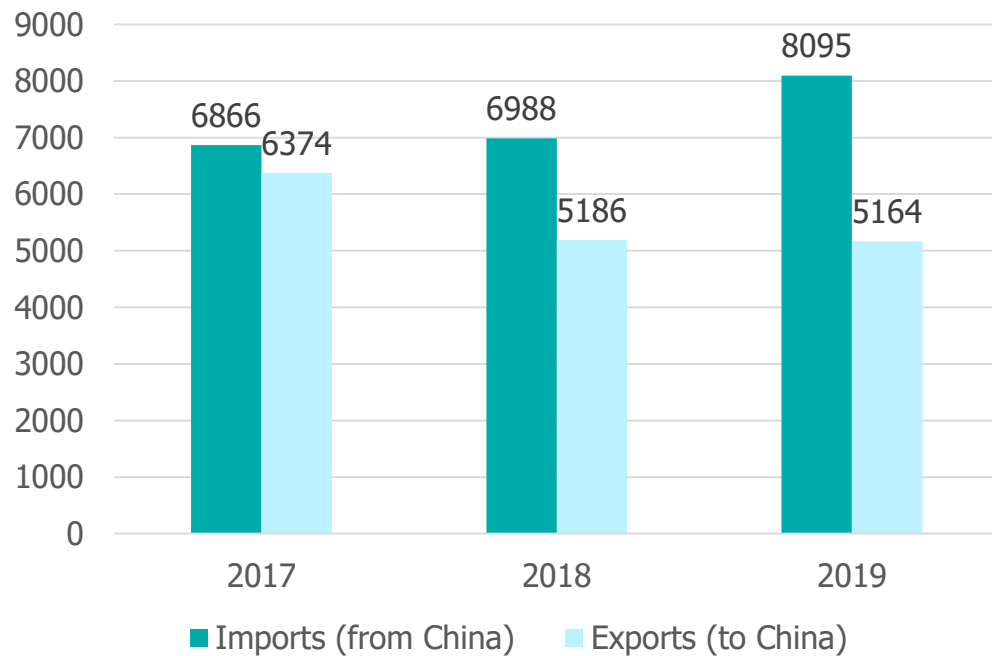


Source: Fitch Solutions

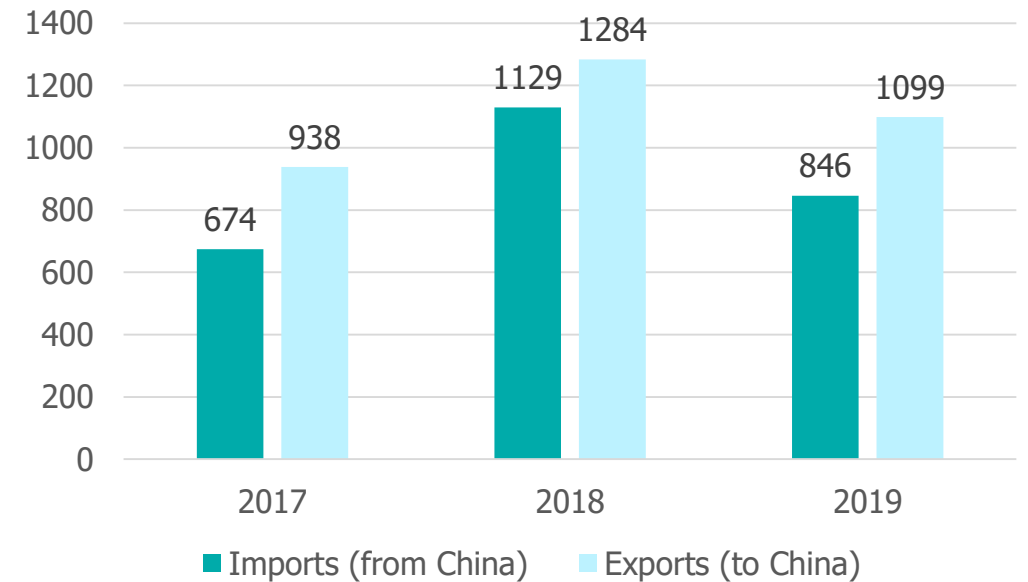


Belgium China Trade

Belgium-China Trade in Goods (in Euro Millions)



Belgium-China Trade in Services (in Euro Millions)



Export rank in 2019 : 11th (2nd in Asia behind India)
Import rank in 2019 : 9th (2nd in Asia behind Japan)

Source: National Bank of Belgium



Brussels-Capital - China Trade



Source: National Bank of Belgium



How Do Foreign Companies Assess the Impact Of The COVID-19 Crisis?

- ❑ **90% of companies assess to have medium or high impact**

- ❑ **Top 3 concerns**

 - Staff problems: staff blocked abroad or in quarantine

 - Supply chain disruptions or slow logistics

 - Decreased demand or losing clients and orders

- ❑ **48% of the foreign companies estimate that crisis will result into decrease of the revenue with over 10%**

- ❑ **46% of the companies plan to adjust targets**

- ❑ **Almost 70% of the companies reopened offices before the end of February**

Sources: Survey made by the European Union Chamber of Commerce in cooperation with the German Chamber of Commerce; BenCham COVID19 Survey Part II: Impact on Business made by the Benelux Chamber of Commerce



Shanghai Policies to Support Companies

Reduce Costs

- Reduction or postponement of employees' contributions to social security
- Encourage commercial property owners to reduce or waive rent
- Fiscal measures

Secure Employment

- The employers affected by Covid-19 will get 95% subsidy if they organize the employees to attend online vocational training.
- In 2020, Shanghai will continue to repay 50% of the total unemployment insurance premiums to the eligible employers who do not lay off employees, or who reduce their number of employees.

Financial And Credit Support

- Encourage local banks and financial institutions to increase credit and reduce loan interest, including the hardest hit sectors
- Grants and subsidies to certain sectors
- Delay or postpone the reimbursement of loans
- Improve access to financing

Support Companies to Arrange Resumption of Operations

- Working from home
- Strengthening of Cloud and online activities: free cloud-based office services (online Canton Fair)

Support And Advantageous Policies for Certain Sectors

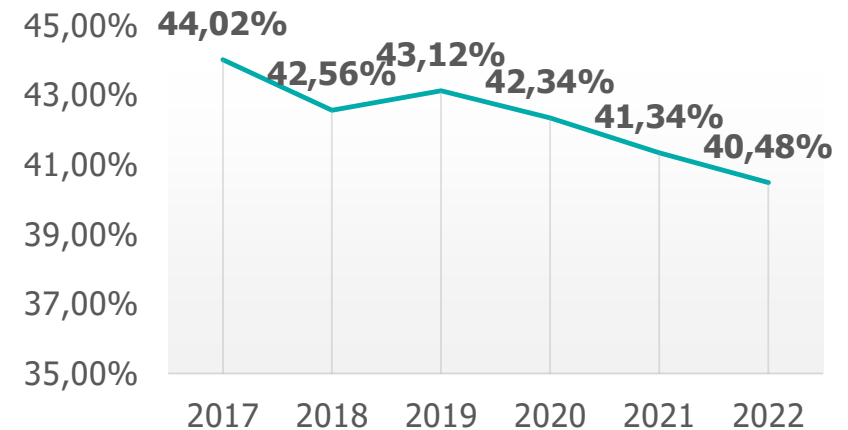
- Cross-border e-commerce
- Sustainable economic sectors: renewable energy cars
- Robotics, 5G, photonic science, AI computing, medical big data, new energy terminal and smart grid, internet of vehicles, smart logistics



Initiatives to Stimulate Consumption

- Shanghai city officials launched the "Double Five" shopping festival
- A three-month shopping festival in Jiading
- Shanghai nightlife festival will be organized for the first time
- Bright Food, food & beverage company, launched an online platform
- Bailian Group, department store operator, issued shopping vouchers
- Suning, an electronic appliance retailer, issued 300 million yuan consumption vouchers
- Alibaba (Tmall), JD.com, and other e-commerce platforms help small and medium sized brands

China's Savings Rate



Source: Fitch Solutions

An aerial view of the Shanghai skyline at sunset. The Bund is in the foreground, with the Huangpu River winding through the city. The Oriental Pearl Tower and the Shanghai Tower are prominent in the skyline. The sky is filled with soft, golden light from the setting sun, and the water reflects the city lights and the sky. The overall atmosphere is serene and modern.

PART 3 Business Opportunities & Trends

Know your Market

E-commerce

Cross-Border E-Commerce

Digital Economy

Service Industry

Biomedical

Know Your Market



Get A Regional Focus around Cities

- Tier 1 & 2 cities: Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, ...
Good logistics and retail infrastructure, high costs, fierce competition
- Tier 3 & 4 cities: Zhenjiang (Jiangsu), Handan (Hebei), Weifang (Shandong)
Weaker logistics, infrastructure, lower costs, growing spending power and taste
- Urbanisation rate: 26% in early 90's to 60+% in 2017 to 70% in 2030

Adapt Your Product to Local Needs And Market

Specifics

- Good quality – Good price (with a discount) – Good digital marketing
- Convenience and speed of delivery
- Regulatory compliance (customs, labelling, ...)

Identify Your Target Group within the Population

- Aging population: Over a third will be over 60 by 2050 up from 17% now
- Millennials: 30% of the population, represent 53% of total spending, and 80% of CBEC
- Rising middle class: 76% by 2022 up from 4% in 2000

Be Aware of the Importance of Digital Marketing

- 95% of 830 million internet users have access through mobile phone
- Chinese social media and payment methods
- Example: National Treasure by Alibaba Tmall (import and export) --
- Live-streaming doubles or triple daily sales

Check Whether Market Is Open (Negative List)



E-Commerce

E-commerce Market in China

The largest e-commerce market worldwide since 2013

30% of the retail sales are online sales

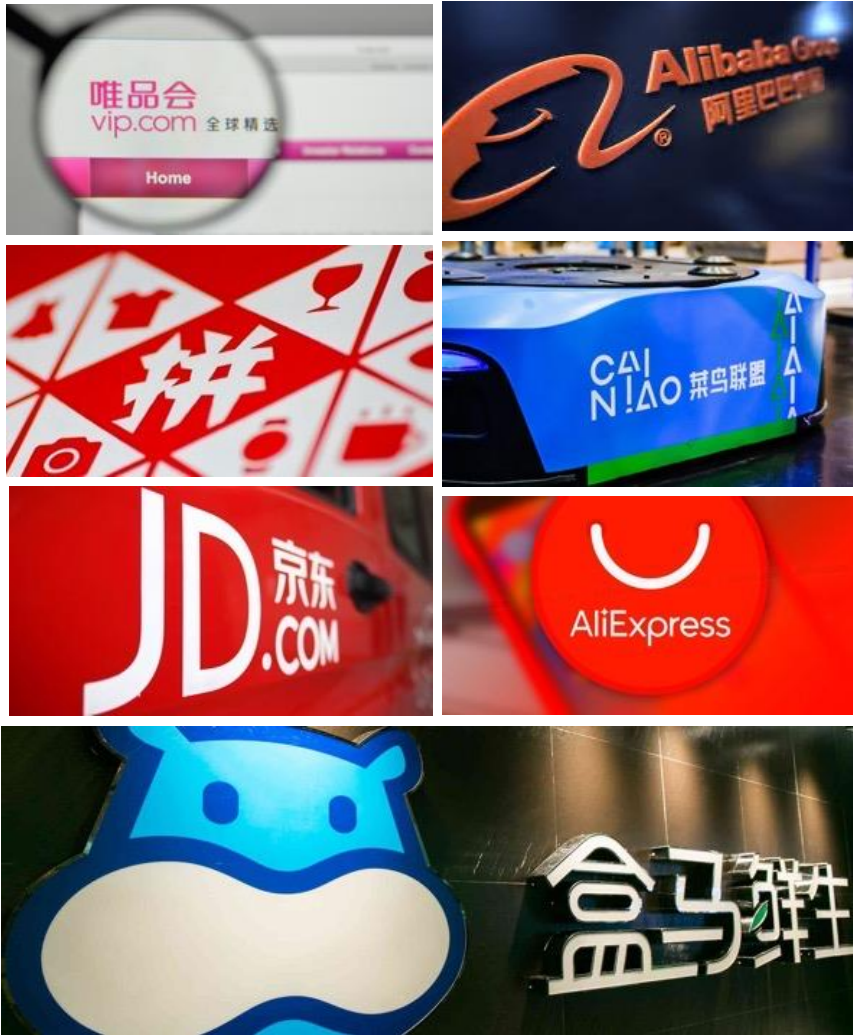
52% of the population is buying online

In Shanghai, the transaction volume in the first quarter reached 134.3 billion yuan, an increase of 19.1%

New Retail Further Developed

- Live broadcasting e-commerce
- Life service e-commerce (Hema, Dingdong Maicai...)
- Unmanned retail and contactless delivery





E-commerce platforms are investing

Alibaba Group invested 28 billion USD in its cloud infrastructure due to a boom in demand for business software as the coronavirus outbreak peaked in China

Cainiao further developed activities in Liege Airport as the European logistics hub

Hema invested 100 million USD to build a new processing and distribution centre in Shanghai of 100,000 sqm

AliExpress traffic in Spain and Italy increased by 20% and 14%

JD.com and Alibaba launched new mobile apps

Pinduoduo invested 200 million USD for partnership with Gome, an electronic appliance retail chain

VIPShop launched support measures for brands in difficulty: 300 million yuan cash sales subsidy

Cross-Border E-Commerce (CBEC)

Cross-border E-commerce in full expansion with double digit growth

- China's cross-border e-commerce retail import and export volume in 2019 = 5 times volume of 2015
- In 2018, the total value of cross-border e-commerce imports and exports was 134.7 billion yuan, up 50% year-on-year

Cross Border E-Commerce = Ideal way to test the market

- No importer needed - No legal entity in China required
- Quick process to authorize the imports of the products
- Brand gains access to consumer's data
- Limitations in terms of sales: Annual max of 26.000 RMB with max of 5.000 RMB per transaction
- Positive list and a negative list of goods
- Sectors: consumption goods including food, clothing, shoes, hats, cosmetics, diapers, toys,...



What Do You Need

- CBEC partner
- Online payment solution (Wechat or Union Pay) with payment gateway
- Register your trademark and logo in China!

Support From the Government

- State Council: 46 new cross-border e-commerce test zones
- Initiatives to stimulate consumption
- Shanghai Government supports enterprises to develop international markets through cross-border e-commerce platform:
 - Optimize customs supervision services
 - Support enterprises to develop international markets through cross-border e-commerce platform
 - Optimize cross-border financial settlement services

Digital Economy

National policies to boost the digital sector

- 12 export service bases including Beijing zpark and Shanghai Pudong software park
- Promote the digitalization of enterprises
- Launch of digital RMB

China has pressed the fast forward button on 5G development

- 500,000 stations by the end of 2020
- More than 50 million users
- 96 kinds of 5G mobile terminals approved for network access

The Action Plan for Promoting Online New Economic Development in Shanghai (2020-2022)

- Benchmark unmanned factories
- Industrial Internet
- Remote office work
- Online financial services
- Online education
- Online R&D and design

Services Industry

All kinds services reducing human to human contact

- Remote working and online teaching
- Digital entertainment

Traditional services

- Corporate, legal, consultancy services
- Intellectual property
- Business and transaction facilitation

Importance of finding the right local partner



Biomedical

Trends in China:

- Growing spending power and growing healthcare awareness
- Increasing spending in healthcare sector
- Higher sensitivity among consumers for high-quality healthcare products
- Online medical service

Local governments' plans of developing biomedical sector

- Shenzhen aims to build a bio-pharmacy industrial system with projected industrial volume of 28.74 billion USD by 2025
- Songjiang district (Shanghai) released measures to support the development of medical device in healthcare industry on 7th May, seeking to increase the efficiency of administrative approval as issuing of business licenses is shortened into 0.5 days

Abolishment of certain market access barriers



PART 4 Business Environment & Policies in Shanghai

Foreign Investment Law

Tax Reform

Opening up of the market

Update on Government Policies

Tips to Exporting Companies

Improvement of Business Environment

Foreign Investment Law

Entered into force as from 1 January 2020

Further open up the market to foreign investments

Tax Reforms

Individual Income Tax

Value Added Tax

Corporate Income Tax

Advantageous for SMEs including foreign SMEs

Further opening of the market through revisions of the negative list

Update on Government Policies

Two Sessions 2020

- Focus on job security, basic living needs, operation of market entities, stable industrial and supply chains
- No GDP growth target

Belt & Road Initiative

Construction, Connectivity, Supply Chain

New Policies Introduced by Shanghai Government

- Support for following industries: integrated circuits, robot industry, biomedicine, artificial intelligence
- Strengthen its food safety supervision by using big data, cloud computing, IoT, AI, blockchain and social credit
- Execute New Infrastructure Work Plan focussing on 5G, photonic science, AI computing, medical big data, new energy terminal and smart grid, internet of vehicles, smart logistics and so on
- Establish a digital governance demonstration zone with benchmark projects in digital application in the fields of transportation, medical care, education and senior support in Huangpu District
- Support major construction projects and Shanghai-Hangzhou Railway (1-1.5-hour fast connection between Nanjing, Hangzhou, Hefei, Ningbo)



Tips to Increase Your Success

- 1 Register your IP
- 2 Stay in touch with your stakeholders
- 3 Follow up on the changes (market-wise; regulatory) in your market
- 4 Find the right partner -- importance of due diligence
- 5 Communicate with your partners about market opportunities, online events



A close-up photograph of two hands shaking in a firm grip. The hands are positioned in the center of the frame, with the fingers interlaced. The person on the left is wearing a dark blue suit jacket with a white shirt cuff and three buttons visible. The person on the right is wearing a light blue shirt cuff and a dark grey suit jacket. The background is a blurred, light blue-grey color. A semi-transparent white horizontal bar is overlaid across the middle of the image, containing the text.

Thanks for Your Attention!

