

# Foreign firms struggle to resume operations in virus-hit China

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A worker disinfects machines before production resumes at a factory in Lianyungang in China's eastern Jiangsu province

Foreign firms are struggling to resume work in virus-hit China as they face disrupted supply chains, rising inventory and quarantine rules meant

to contain the deadly epidemic, the EU chamber of commerce said Tuesday.

With many pharmaceutical companies globally sourcing from China, pharmacies may also face a shortage of antibiotics and other drugs if the epidemic is not resolved soon, said Joerg Wuttke, president of the European Union Chamber of Commerce in China.

Firms in China have seen a slow restart to work after the Spring Festival break in late January, with residents encouraged to stay home to reduce the spread of a virus that has killed nearly 1,900 people.

"The whole process is stuttering to get back as the magnitude of the challenges is just huge," Wuttke added.

"How long this is going to last is anybody's guess."

Many cities have imposed travel restrictions too, with about 56 million people in the hard-hit Hubei province virtually sealed off from the rest of the country.

Wuhan, a city in Hubei and the epicentre of the outbreak, is a hub for US, European and Japanese carmakers and electronics suppliers.

More recently, Beijing now requires people arriving in the capital to go into a 14-day self-quarantine.

This makes it tough for foreign experts to come in if production plants are down, delaying their recovery, said Wuttke.

In a call between Chinese President Xi Jinping and French President Emmanuel Macron on Tuesday, Xi stressed that the epidemic's "impact on the Chinese economy is temporary", according to state media.

"We believe that through hard work... we will still be able to achieve the economic and social development goals and tasks that we have set out," Xi added.

He emphasised a similar point in a call with British Prime Minister Boris Johnson.

But companies continue to face problems, including the range of permits needed to transport goods, which vary by city, region and district.

This has become a "logistical nightmare" and problems moving goods lead to rising inventory, said Wuttke.

Supply chains remain disrupted, with many firms relying on other enterprises for parts, said Paul Sives, who chairs the EU chamber's southwest China chapter.

Not all suppliers have permission to resume production.

It does not help that companies require massive amounts of masks—that they cannot easily procure—for employees before they can restart operations, he said.

Manpower problems add to this situation, with some workers unable to leave their residential compounds freely.

"Drivers for many companies are still on vacation and some of them, when they come back, have to be subject to 14 days of quarantine," said Wuttke.

A survey of 109 manufacturing firms by the American Chamber of Commerce in Shanghai released on Monday found that almost 80 percent of respondents did not have enough staff to run a full production

line.

Over 40 percent of surveyed firms said a lack of staff was their biggest challenge in the next few weeks, and almost 60 percent expect demand for their goods to be lower in coming months.

Over a third of surveyed firms said a clearer explanation of requirements was the most important thing government officials could do to speed up factory opening approvals.

On Monday, Apple announced it would miss its March quarter revenue forecast, and that global iPhone supplies would drop due to the virus epidemic in China.

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