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Economic Briefing To the Penang State Government

SARS and the Economy

Introduction

The news about the economy these days make dismal reading, especially after the Nobel laureate Joseph Stiglitz warned that countries counting on the U.S. post-Iraq war revival to help them out of their own slowdown is in for a disappointment. There have been many years of optimism that resulted in over investment, in other words, a relatively high potential GDP, that is today not supported by business and consumer confidence on the demand side showing up on the actual GDP figures in the U.S. He said that fast-growing China might help take up some of the slack in the global economy.

However, given the circumstance these days, we now know that with the SARS outbreak there is little hope that we can pin on China. For Malaysia this is particularly bad news given the observed strong correlation between Malaysia's economic growth and that of the U.S.'s. Fortunately, last year's figures show that Malaysia's economy can also be driven from within such that even when external demand was weak, the services sector could expand its share to make up more than half of the GDP.

There were concerns over a prolonged war in Iraq – that oil prices become turbulent (especially important when Malaysia's government no longer subsidizes domestic prices). But the war had not lasted long. Regardless, compared to many other Middle Eastern countries, Iraq had never been a major trade partner for Malaysia partly because of years of embargo.

The SARS outbreak is, however, something else. Foremost, the problem is nobody, including experts, still knows much about it. As we are well aware, information is a powerful economic driving force and when there is lack of information, all sorts of spending plans comes to a halt. Projects are postponed or put on hold as people take their places on the sidelines to wait and see. Matters become further complicated by misinformation, rumours and, worse of all, sensational reporting by the press.

The aim of this report is to consider possible impacts that the SARS outbreak might have on the economy particularly in Penang. The biggest impact, of course, is uncertainty both among business as well as among consumers. As time progresses, the situation will either become even more uncertain or, on the other hand, as international efforts consolidate on the disease conditions might become more certain and the economic situation will then improve when business and consumers alike begin, once again, to make decisions and put their spending plans into effect. For this reason, we will start by making a careful assessment of the current status of the SARS outbreak.

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Latest SARS reports

The World Health Organization gives daily updates on its web-site www.who.int/csr/sars/ and therefore it should be closely monitored. To date (Saturday 3 May) there have been 6234 cumulative cases worldwide with 435 fatalities and 2702 recoveries (thus on average, a mortality rate of 7% as opposed to a recovery rate of 43 %). What was initially disturbing was the daily increase of new suspected SARS cases: 58 on 15 April, 96 on 17 April, 158 on 24 April and 429 on 29 April that suggested the disease to be still spreading. Cases have also been reported in Australia, Mongolia and India; these countries being free of SARS before 17 April as well as in Bulgaria SARS free before 24 April and Korea free before 29 April. Fortunately the daily repeated numbers have fallen to 191 as of May 3, and Vietnam has been taken off the list of SARS infected countries because there has been no new cases reported for about a month.

Table 1 shows SARS incidence reported by WHO. Worldwide new cases continue to mount but this is attributed to reports made in China that have risen from 14 new cases two weeks ago to 405 but this has also fallen to 181 new cases per day by May 3. The fatality rate in China remains in the 4% to 5% range but recovery rates have fallen considerably to only about 35%. On the other hand in Hong Kong and Singapore, new cases have fallen steadily during the last three weeks even though fatalities have mounted due to patients infected weeks back succumbing to the disease. Meanwhile, recovery rates in Hong Kong and Singapore have also risen steadily, to 55% and 72% as infected patients given palliative treatment to help survive the virus cycle.

However, one must be cautioned in reading these numbers, because "a large number of suspect SARS cases turn out, on further investigation, to have other, common causes" (17 April WHO update). Furthermore, apart from 7 countries, the remainder of the 29 countries that have reported suspected cases of SARS did not experience any local transmission (i.e., outbreak) of the disease. As mentioned, Vietnam was among the 8 but as of April 29 taken off the list because it has not experienced any local transmission for more than 20 days. This suggests the source of the disease is fairly well contained among the 7 countries where local transmission continues to occur.

WHO and the SARS laboratory network gave a joint press briefing in Geneva on the current status on 16 April followed by a virtual press briefing, conducted via telephone, on 25 April. Based on the transcripts of these briefings, the first filling 21 pages and the second, 15 pages, and daily updates from the WHO website, it is possible for the layman to ascertain the following:

Origin of the disease: The coronavirus, that causes SARS, was only discovered in March 2003 by Dr. Carlo Urbani, when treating a 48-year-old Chinese-American at the French Hospital in Hanoi. The patient, who worked for a import-export company in Hong Kong but had traveled to Guangdong, Shanghai and Macao, died on 13 March. Dr.Urbani himself has died from the disease on 29 March. However, the virus has long existed in nature without our knowledge of its presence in some yet unknown host animal. Also yet unknown, is how this virus jumped into humans. Scientists agree from lab-experiments with monkeys that SARS is a different disease from the human metapneuemo-paramyxovirus or HMPV, discovered two years ago, that causes serious respiratory infections in children, elderly and immuno-compromised people.

Transmission of the disease: This is still not totally clear except that close personal contact appear to be the form of transmission, i.e. material (body secretions) landing on your body, touch or coughed out water droplets. For this reason through quarantine and by tracing the infection chain of personal contacts, starting with the hospital emergency room in which a subsequent fatality has occurred (the index case), and follow-ups by public health officials, spread of the disease appear to have been successfully prevented within communities. This includes countries where SARS was imported via travelers from infected countries where such measures have led to either no further secondary infections or only in very small number of cases of local transmission. However, the Amoy Gardens infections do not appear to follow this pattern suggesting that an environmental source may also transmit the disease. This is worrying to public health officials. More bewildering is how the virus got on to humans, because SARS has never occurred in humans before.

WHO SARS Incidence Reports

Worldwide						
date	cumulated	new	death	recovered	% death	%recovered
16-Apr	3293	58	159	1548	4.8	47.0
17-Apr	3389	96	165	1597	4.9	47.1
19-Apr	3547	86	182	1749	5.1	49.3
24-Apr	4439	158	263	2117	5.9	47.7
29-Apr	5462	429	353	2427	6.5	44.4
1-May	5865	212	391	2563	6.7	43.7
3-May	6234	191	435	2702	7.0	43.3
China						
date	cumulated	new	death	recovered	% death	%recovered
16-Apr	1432	14	64	1094	4.5	76.4
17-Apr	1457	25	65	1107	4.5	76.0
19-Apr	1512	30	65	1140	4.3	75.4
24-Apr	4439	158	263	2117	5.9	47.7
29-Apr	3303	405	148	1322	4.5	40.0
1-May	3638	187	170	1351	4.7	37.1
3-May	3971	181	190	1406	4.8	35.4
HongKong						
date	cumulated	new	death	recovered	% death	%recovered
16-Apr	1268	36	61	257	4.8	20.3
17-Apr	1297	29	65	272	5.0	21.0
19-Apr	1358	31	81	363	6.0	26.7
24-Apr	1488	30	109	567	7.3	38.1
29-Apr	1572	15	150	759	9.5	48.3
1-May	1600	11	162	834	10.1	52.1
3-May	1621	10	179	898	11.0	55.4
Singapore						
date	cumulated	new	death	recovered	% death	%recovered
16-Apr	167	0	13	85	7.8	50.9
17-Apr	162	5	15	91	9.3	56.2
19-Apr	177	5	16	100	9.0	56.5
24-Apr	192	3	19	118	9.9	61.5
29-Apr	201	2	24	139	11.9	69.2
1-May	201	0	25	143	12.4	71.1
3-May	203	0	25	147	12.3	72.4

WHO says that global transmission appears to have occurred among the relatively richer countries or at least travelers usually enters through capital cities. The point is that these locations have better public health controls as well as better treatment facilities such as oxygen systems that gives infected persons a better chance of surviving the viral attack. WHO is very concerned about SARS entering a poor country where the public health system is not so good – at detecting and isolating infections. Given the relatively long incubation of 10 days the disease has the potential of spreading widely, but, except for a few countries, health care systems worldwide do not see an amplification of events. This is a good sign that SARS has been fairly well contained.

Reporting based on clinical indications versus diagnostics PCR test to detect the virus: The number of outbreaks we read daily in the newspaper are only suspect cases reported by medical practitioners coming across patients who show indications of infections: fever, cough, breathing difficulty. However, in order to actually confirm a SARS infection, a laboratory procedure known as polymerase chain reaction (PCR) is conducted. This is done using small pieces of unique (no overlaps) genetic material called PCR primers that enable the polymerase gene of the corona virus likely to be responsible for SARS to be specifically detected. These primers, listed on the WHO website, have been very quickly developed by several of the WHO network laboratories (11 from 9 countries) and have names like BN-IntS, IN-2, SARIas, cor-p-R1, HKU and so on. It is important to point out that the PCR procedure is at present not very useful for clinical practitioners until after more cases are confirmed and their indications compiled. Such indications can then be announced to clinicians in order that SARS could be more clearly diagnosed without confusion from other more common causes. Alternatively, antibody tests to detect antibodies in SARS patients can be conducted. However, there has to be many days of infection before there are positive indications of antibodies. For eg., the ELISA antibody test can only become sensitive after 21 days of infection. Another antibody test called IFA, requires 10 days of infection. Cell culture of virus specimens can also be conducted but this is a demanding test under stringent protective environments. Cell culture can detect live virus that PCR cannot.

WHO is concerned about inappropriate use of laboratory test results and warns of possible false positives as well as negatives in the current testing procedures which have yet to be validated for consistency. Testing outcomes depend on the specimen (body secretions) being tested, time of testing during the course of illness and emphasizes that testing laboratories follow strictly controlled procedures and appropriate quality control guidelines. This is why, for the time being, the many suspect cases that we read or hear about are more likely to be caused by more common sources of infections such as influenza that have similar clinical indications: fever, coughs, etc. However, because SARS is very dangerous, all suspect cases are quarantined as a precaution to avoid further outbreaks.

There is a large discrepancy when we look at charts showing the onset of SARS and the charts showing reports of SARS. The SARS onset charts show an outbreak peaking in early February in China and then as the disease spread, peaking in late March in Hong Kong and peaking in mid March in Singapore. Putting these together to show worldwide onset, we can see the China peak in early February and the March peak mostly made up of Singapore and Hong Kong. The SARS report chart merely shows more and more suspect cases, worldwide, every day. So much so that at one point in Malaysia, the government is telling doctors not to give false alarms. This is also an incorrect, because doctors cannot themselves tell with absolute certainty if their patients have SARS and any clinical indications of fever, cough and breathing difficulty is a potential, though unlikely, suspect.

SARS is treated by an outbreak: Aside from PCR testing to confirm the presence of SARS genes, suspect SARS cases will instead be, from an epidemicity stand point, traced through the infection chain such as from the source of the outbreak, say having been in China for example, or the disease passed from the health care worker treating SARS patients, to his/her family member, to friends and so on. Public health officials will attempt to trace this infection chain and appropriately institute control measures such as quarantine procedures. In Malaysia, where at present no local transmission has occurred, anyone who becomes ill but does not fall into this infection chain will, based on WHO's definition, be quickly ruled out as a SARS case suspect. WHO is satisfied that SARS is an outbreak with an infection chain that can be to some extent traced compared with say a disease that is mushrooming here, there and everywhere without an indication of how the disease is cropping up.

This means that doctors in Malaysia must be made to continue reporting cases they are treating so that public health officials can do the arduous task of tracing the cause of the infection. The real danger is a failure to report

and then local transmission occurs unknowingly. Already, we are reading in the papers about patients with certain clinical indications being sent home rather than asked to report to the nearest hospital that are isolating possible SARS suspected cases.

Treatment: In Hong Kong, the Department of Health recommends the use ribavirin in combination with corticosteroids to treat the lung inflammation. These drugs do not fight SARS but help patients survive the viral infection cycle. They have side effects in babies and pregnant women. Unfortunately also, the coronavirus is very resistant. Eventually better understanding of the genetic sequence of the coronavirus from the PCR primers now becoming available, vaccines as well as drugs that are specific to fight the virus could be developed. However, the tendency for the coronavirus to mutate makes it hard for a drug to be developed against it.

Peculiarity of the Amoy Garden outbreak: The outbreak at the Amoy Garden complex is peculiar from the infection chain elsewhere in that more people (321 cases) became infected and that 66% of them came down with diarrhea, whereas elsewhere diarrhea is only found in less than 10% of the patients. Also 20% of the cases there require intensive care, which is twice the rate compared to cases that are not from Amoy Gardens. The higher diarrhea indications at Amoy Gardens prompted public health officials to suspect that transmission had occurred through an environmental source (rather than face to face contact as in other cases). One theory is the virus may have been injested as SARS virus is found in urine and faeces and that rats or cockroaches moving through sewer pipes might have a role in the spread of SARS. Patients from Amoy Gardens, unlike in other SARS outbreaks, do not respond as well to the ribavirin treatment since this treatment protocol addresses the pulmonary system rather than the digestive system that Amoy Gardens patients suffer from.

During the last few days, several of the Amoy Gardens patients who have been classified as recovered have relapsed and when tested traces of virus appeared in urine and stool samples. As of May 1, doctors were not sure whether indeed these patients have properly recovered when they were first discharged, because cases of relapse have not appeared elsewhere.

Age sensitivity: SARS infection is not age specific. There was initial confusion, because earlier cases tend to be narrow in its age specificity. Now experts agree that this was because the first to be infected were health care workers and they tend to band narrowly in that age group, i.e., excluding children or the very old. However as the infection widens and more reports are made the narrowness in age band among those infected is no loner so.

Mutation of the virus: Mutating virus in our midst sounds scary like some horror sc-fi movie. But to experts, the fact that it is the corona virus, which belongs to a family of viruses that are subjected and prone to mutation, this is not a big surprise. The fatality rate has risen to more than 6% from the 3%-4% range two weeks ago and this has fueled speculations that a mutated virus is killing more people. WHO's current position is there is no indication that SARS has mutated into a more virulent form, although it is keeping a close watch on this. The higher fatality rate is currently explained by the crudeness of averaging total cumulated fatalities from total cumulated cases. More people infected weeks back have died and thus add up. Also as infection move from relatively stronger segment of the population into say the elderly, the very young or people with predisposed health conditions, fatalities will rise.

Driving SARS back into the box: Although the Center for Disease Control and Prevention (CDC) in Atlanta Georgia is less optimistic, WHO remains hopeful of the possibility of putting SARS back into the box that had contained the disease for so long until today. There is a window of opportunity, because the current understanding of the transmission pattern and procedures instituted to curb it (port of entry surveillance, quarantine, inpatient and outpatient hospital procedures), appear to be working. At present, increasing number of new cases daily is only found in China, whereas elsewhere SARS has declined considerably. No new cases in Vietnam for more than 20 days now and WHO has taken the country off the list of SARS infected countries.

Unanswered questions

Because the new coronavirus that causes SARS remains poorly understood, the following key questions remain puzzling to scientists: stages in the course of infection and when virus shedding will be highest, concentration of the virus in different body fluids of those infected, how long will the virus survive in the environment on dry surface and suspended in solution, including faeces. Answers to these questions are vital in preventing spread and treating the disease.

The Lancet has accepted a paper for publication submitted by JSM Peiris et al. along with members of the Hong Kong University /University College Hospital SARS study group entitled, "Prospective study of the clinical progression and viral load of SARS associated coronavirus pneumonia in a community outbreak" that offers preliminary findings related to these questions. How SARS progresses upon onset of infection based on clinical, radiological and virological changes were reported based on 75 patients given the ribavirin and corticosteroid treatment protocol, standardized by the Hospital Authority in Hong Kong, over a three week period. The following chart shows the progress of the disease.

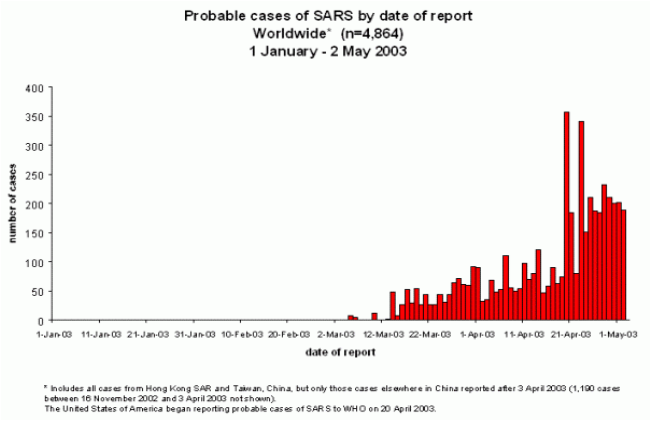
SARS patients experience high fevers (39 degrees C) within the first three days, which is quickly recovered but this is followed by 2 to 3 day cycles of rise and fall of temperatures. Within the first 10 days up to a third of the patients experienced diarrhea. Beyond this period, diarrhea occurrence are found in only 5 to 10 patients. Within the first 15 days up to 15 patients experienced desaturation and on about day 11 and again on day 20 up to 5 patients experienced acute respiratory distress syndrome (ARDS) that requires intubation (i.e. insertion of tube into body cavity as part of treatment).

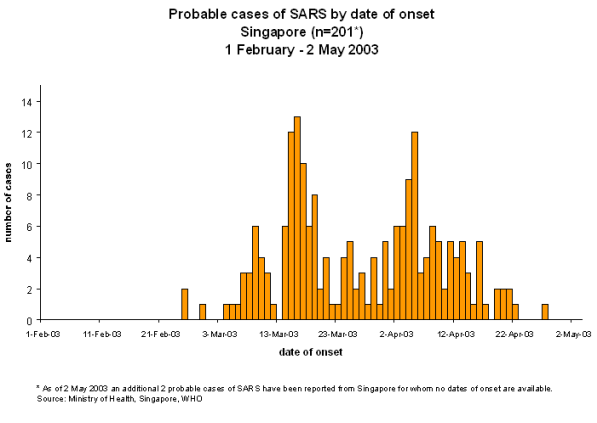
Radiological analysis show that in nearly half of the patients, the initial pulmonary lesions have markedly improved but this is associated with appearance of lesions at other sites. Patients that experience acute respiratory distress syndrome (ARDS) do so at peak levels (i.e. peak viral loads) on day 10 and decreasing to the level when they were admitted into the hospital by day 15. Coronavirus could be found in the stools and to a lesser extent, urine, of patients throughout the period. The study concludes that deterioration among patients during the second week was not due to uncontrolled viral replication, but may instead be due to immupathological damage. Thus age and prior health condition of patients would be risk factors that determine how much of such damage might occur.

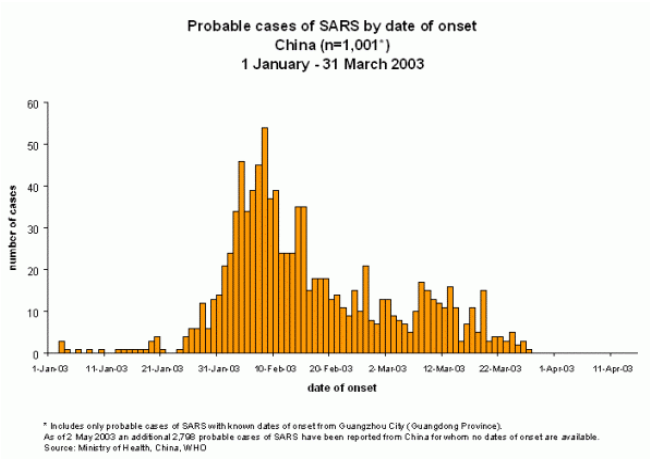
Apart from the findings in the above Hong Kong study, WHO has released the first set of data on the resistance of the coronavirus. The virus is stable in normal stool and urine at room temperature for at least 1-2 days. For diarrhea patients the virus is stable in the stools (which has a higher ph) for up to 4 days. The virus loses infectivity with different types of commonly used disinfectants. Tests from cell culture show only minimal reductions in virus concentrations even after 21 days, which is therefore more stable than known human coronavirus. The SARS coronavirus is killed with 56 degrees C heat at the rate of 10 thousand units per 15 minutes.

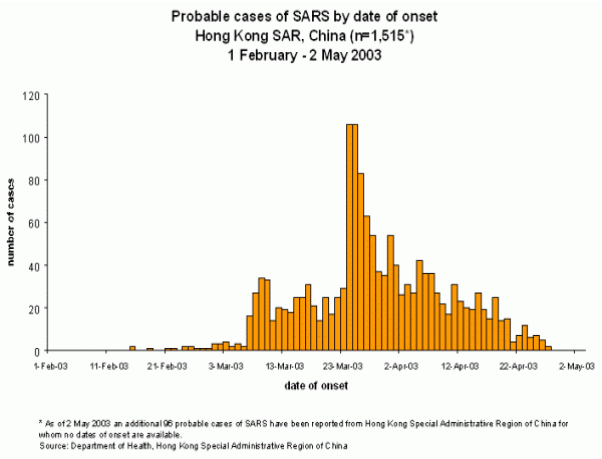
Asia Times accuses Malaysia of a cover up: a rebuttal

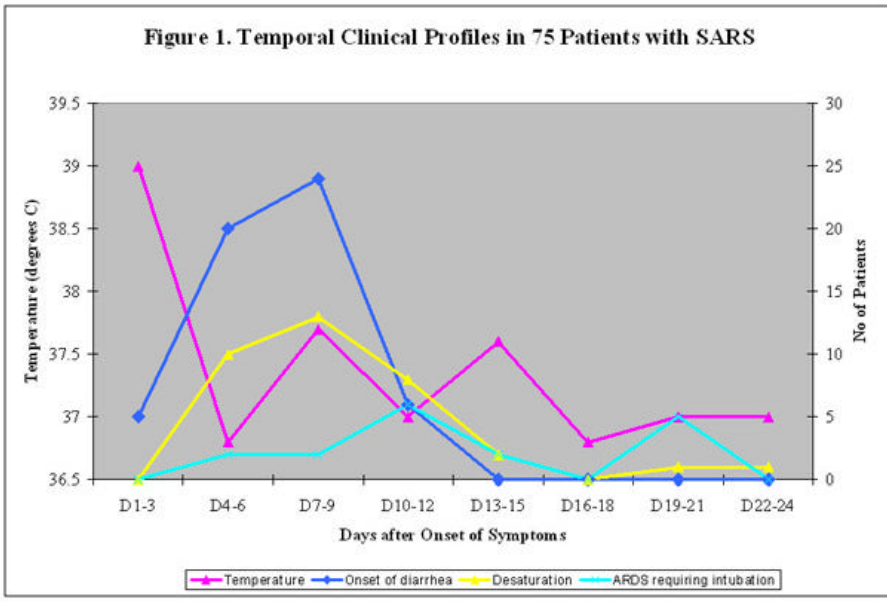
Sensational news sells and this is a clear example of the ill-informed pressman concludes while experts are still learning. In an article entitled "SARS: Nobody's buying Malaysia's silence" Asia Times reporter Jiang Yu-hang attacked Malaysian health authorities about covering up cases of fatalities at local hospitals. But by carefully distinguishing here say from scientific facts from experts, that has been pieced together above, we can safely conclude on the contrary that Malaysia's public health authorities, following WHO guidelines, have taken all the precautionary steps to avoid SARS transmission within the country. Precautionary quarantine has been carried out at the inconvenience of those marginally linked to an infection chain, even though health authorities know that it is very slim that those quarantined have SARS. This is why such precautionary quarantines are not very strictly enforced in Malaysia unlike in Singapore where breaking quarantine becomes a serious offence.











The Asia Times article is especially critical of Malaysia authorities, using words like cover ups. Where does the facts come from? SARS cannot be diagnosed without a difficult lab-procedure and for that reason there is no single confirmed case of SARS in Malaysia. Pathological evidence only upgrades a case from suspect to probable. As an outbreak, cases can only be considered a suspect SARS case if an infection chain has been traced. Thus official SARS suspects in Malaysia are those who returned from SARS infection sites abroad. Those that have died from pulmonary causes without a trace to an infection chain are, like most other suspected cases worldwide, to have been victims of other more common causes. Thus to date there are only two suspected fatality, which would likely get upgraded to probable SARS upon post mortem pathological evidence.

What the article fail to inform readers, is that by WHO definitions:

A suspect case is a person after November 1 2002 with a history of high fever (more than 38 degrees C), cough or breathing difficulty, and during the 10 days prior to onset of symptoms, had close contact with another suspect or probable SARS case on one or more occasions or had travel to or resided in an affected area. Death following an unexplained acute respiratory illness and had close contacts or travel to or resided to affected areas are also included as a suspect SARS case. Close contact means "having cared for, lived with, or had direct contact with respiratory secretions or body fluids of a suspect or probable case of SARS".

A probable SARS case must first satisfy the criteria of a suspect case but reclassified as probable due to radiographic evidence consistent with pneumonia or respiratory distress syndrome (RDS) on chest X-ray or a suspect case with autopsy findings of RDS pathology without an identifiable cause. The case will be excluded if an alternative diagnosis can fully explain the illness.

As of May 1 2003, WHO has revised the case definitions to incorporate either positive or negative results from laboratory tests that have become more widely available. However, at present the various test have strengths and weaknesses and there are many inconsistencies in the results obtained.

Instead, the article accuses authorities of "playing with words labeling true SARS causes matching with WHO classification." We are all aware that this is a new disease and there are many unknowns. It has reach a status that no single government has the capacity to deal with the problem and therefore a collaborative international effort is needed to overcome the current viral attack. Malaysia is doing just that, assembling and disseminating information as per WHO guidelines.

The point is clear. It has been 20 days since the Asia Times article appeared. If there indeed has been a cover up in Malaysia, we would have seen an increasing number of events in the local public health system resulting from local transmission of the disease. This has not happened despite several cases of suspected cases entering the country from abroad for which the chain of transmission is quickly arrested through quarantine procedures.

News reporting on SARS is often either inaccurate or confusing. For example, a story from Associated Press in The Star on May 1 reported that nine staff members at the Siddharth Hospital in Pune in West India have tested positive for SARS, on the basis of "the first test and a second was necessary for final confirmation." However, none of them are physically sick - "not one has a cough, fever or a bit of cold" according to hospital director Vijay Sethia.

Impact on Penang's economy

Slowdown in international travel: As mentioned above, people are staying at the sidelines because we still do not know all that we need to know about SARS. There are still key questions remaining that the scientists themselves are trying to answer. As a result, many social, recreational as well as business activities are put on hold for the time being. This means travel related business: airline, airports, ground transport, hotels and even restaurants, plus tourist spots are all going to suffer. KLIA for example has said that passenger traffic has fallen by 28% over the past

six weeks. Meanwhile, the Malaysian association of Hotels estimated that business has dropped 25% to 40% in the last two weeks. Initially there were travel restrictions placed on visitors from countries affected with SARS but even though this has been lifted, except for those absolutely needing to travel most will still avoid traveling. The upside is that scientists are confident, if the progress made through an international cooperative effort over recent weeks is any indication, breakthroughs should be forthcoming soon, so that a better-informed world will put their travel and spending plans into motion again.

Long term consequence upon Asian investments: The business community cannot wait at the sidelines for too long. This week's *Economist* magazine reports from Nike saying that if SARS is not brought under control in the next six to twelve months, drastic actions are going to be taken such as shifting production out of Asia to alternative sites like South America. From Malaysia, including Penang's, perspective this is bad news because apart from South America, there are also many former Soviet bloc countries that pose as alternatives to Asia that have the additional advantage of being nearby to the huge European market.

On the other hand, there is every reason to believe that SARS would be brought under control given the pace in which progress has been made during this past month to fight it, as reported on the WHO homepage. Under this scenario it might actually be good news for Penang and Malaysia. The past decade has seen the massive move in foreign direct investments into China. Locations like Penang did not completely loose out because the past 30 years of head start and accumulated experience continue to have much to offer to the industrial big names. Something like the SARS outbreak has shown that the slow bureaucratic machinery in China can become a serious problem of massive proportions. This will certainly make foreign investors think twice and review their investing in China strategy. There have been many jumping on the bandwagon effect among investors going into China. Now some will think of jumping off and many might follow suit as well. The SARS outbreak and the dismal performance by the authorities there can potentially tip the scale in favour locations like Penang.

Therefore as a strategy, Malaysia and Penang's policy makers can attempt to reposition itself once again vis-à-vis China. Actually, before all this jumping into China began, many foreign producers considered locations like Malaysia, and Penang, as a springboard into the big China market. That was when investments inside China itself were difficult. Circumstances changed when China opened. Now the circumstance, brought about by the SARS uncertainty, has again changed making China less desirable. Again, if this weeks *Economists* is any guide, the Canton Trade Fair, once considered "the single most important event in China's economy" this past week "is effectively dead" as faxes to cancel attendance piled up.

Alternative view about China: An article by Andy Xie on whether SARS will deter FDI from China has the opposite view. The SARS experience has put many international companies in a vulnerable position because their major production operations are located in China. More diversification of the supply sources should hence be considered. But Mr.Xie argues that the SARS problem will not tip this FDI balance away from China. Contrary to what many others have argued, that the move to China has been prompted by market and not cost, Xie's position is that it is cost, particularly the deflation that has taken place in the electronic manufacturing services (EMS) sector. There have been massive downward price pressures. Thus unless production costs can also decline in tandem, as a competitive necessity, the EMS sector is bound to fail. China thus gains market share by cutting prices made possible by its low production cost and this sets the cost level for the rest of the world thereby rendering it near impossible for production capacity to be built elsewhere.

China's cost is low because it has surplus labour, which is costing less over time compared to other countries and widening the competitiveness gap. This year, Xie says that 2.2 million graduates will enter the job market, a third more than last year's graduation. What might be worrying to China's competitors is that this kind of labour costs savings in China can possibly move up the value chain, i.e., into market segments that the competitors are moving into. Second, in addition to cheap labour, capital is also relatively cheap in China and third, the sheer size allows an unprecedented level of economies of scale to be explored by industries giving further scope for lower prices.

For Penang and Malaysia, Xie's argument on China's competitiveness brings about the urgency for a repositioning. The ultimate strategy is to sell AFTA as a common market of 500 million consumers. In other words make Europeans and Americans look not at individual countries in Southeast Asia but instead at a single common ASEAN market to be a much better alternative to China as a production location. From here, the large Chinese market could be penetrated as well. And this is where the competition policy and good corporate governance that Malaysia is currently pursuing will go down well. The chambers of commerce and bodies like the Federation of Malaysian Manufacturers (FMM) are being consulted in such an effort in order that business practices as well as the regulatory structure become more transparent. ASEAN has had more than 30 years of multilateral exchange but it has not shown any remarkable ability to work as a single market entity. AFTA appear to be the breakthrough, if it proves successful. Amidst China's competitiveness, there is some urgency in showing up attributes like a disciplined well educated workforce, years of production experience and most important of all, if the SARS outbreak is any lesson, transparent regulatory regimes.

Sales outlets: The past weeks have seen a sense of emptiness in departmental stores and restaurants but that is because of the immediate public paranoia to outbreak of imported SARS via returning Malaysians and visitors who picked up the disease abroad officially reported at the national level. But most Malaysians hear the news by word of mouth as a local transmission via so and so clinic and death at so and so hospital and then elect to stay home. This is actually good, because less mixing means less likely the disease will spread. But as information clarifies, i.e. the fact that there is an absence of any case of local transmission, gets across to the public, local business will pick up once again within weeks. It is true that business has been less than brisk lately but SARS cannot be entirely blamed for it, because global economic circumstance remains unfavourable due to recent events like the Iraq war.

Aid Package: In Singapore, the government has announced a S$230 million aid package mostly in the form of tax relief and government fees to help shops, hotels and restaurants. The situation in Penang is not as serious but close monitoring is necessary to distinguish between business losses, which entrepreneurs must rightfully bear, and business failures that have wider economic implications. Like so often it has happened with big business where government bale out is necessary to avoid failures, a similar aid package should be put together just in case this needs to be put into effect if signs of business failure begin to appear. It all depends on how prolonged the SARS outbreak will be. All these will become clearer in the following weeks.

The stock market: Markets in Hong Kong, Japan, Singapore as well as Malaysia have been gradually trending downwards since the end of last year. The SARS outbreak then further pushed down sentiments during the past few weeks. Somehow, the KLSE appear to have been spared, because the market closed last weekend (18 April) at 635 points, which is the level the index has been mildly oscillating about for a whole month. Again, this sideways movement, appear to be the result of investors waiting and seeing. There are no sell pressures suggesting that the economy remains steady but the sentiment is also very weak given uncertainty from the SARS outbreak. This means the market will either move up or down, the direction depending on what SARS scientists will announce in the days and weeks to follow. The lack of more concrete information presently is what is holding back the economy.

Outlook: MIER has revised its 2003 forecast from 5.7% down to 3.7%, albeit more drastically than Morgan Stanley's downgrade of Asian growth (excluding Japan) from 5% down to 4.5%. SERI's position is given the present downgrade, Penang's GRP growth would soften to 3.14% from the previous 5.98% forecast.

Conclusion

It is still too early to tell what the economic implications will be, because it all depends on how much scientists will learn about this new disease. The short learning curve is unprecedented. Economic activities depends very much on information and when there is much uncertainty, people tend to wait and see. This is why putting out clear information will allow the facts to be distinguished from rumours. Given the rapid progress that scientists have made in just this past three to five weeks, due to international cooperation in close contact via e-mails, the next few weeks will bring remarkable results, at least in the form of information vitally needed by the business community. Then, a better assessment of the economic impacts can be made. ***§ Chan Huan Chiang***