



## Article Title

### **The China Syndrome: The Impact of the SARS Epidemic In Southeast Asia [Summary]**

## Citation

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## Abstract

The war in Iraq, the threat of terrorism and the Severe Acute Respiratory Syndrome (SARS) epidemic have made international business activities increasingly difficult and risky. The worldwide economic downturn and slow growth in domestic markets are forcing companies to depend more than ever on overseas trade. SARS emerged in China in November 2002 and has spread to 26 countries.

## Summary:

SARS is a coronavirus, like the common cold. However, its origin in southern China implies a zoonotic pathway, similar to influenza's. If SARS started as a water-borne bird virus, it might have been passed via faecal droppings to a chicken or a pig, or even directly to people. Three "superepidemics," known as pandemics, of influenza encircled the globe during the 20th century. History teaches us that the devastating 1918 influenza epidemic began with a modest level in the spring that faded away during the summer, only to explode and wreak global devastation the following fall and winter. The first was the 1918 Spanish Flu, a scourge that killed over 20 million people world-wide, including 500,000 in the U.S. The 1957 Asian Flu and the 1968 Hong Kong Flu killed 69,800 and 33,800 respectively in the U.S. Flu pandemics happen when the flu virus mutates, swaps genes with another organism inside an infected animal, or jumps from animals to humans.

Travel restrictions are now in place at airports around the world after the World Health Organization (WHO) urged airports in SARS-affected cities to question

passengers about their health before check-in and to discourage anyone who had a fever within the past 24 hours from flying. In addition to the airports serving Beijing, Shanghai, Guangzhou, Hong Kong, Singapore and Hanoi, restrictions have also been introduced in Toronto. This came after an elderly couple returning from Hong Kong brought the SARS disease to Canada, where there have been almost 300 reported cases. In addition to restrictions at airports and the WHO's travel warning, many countries have urged their citizens to reconsider traveling to Asia. This would not just adversely impact the region's tourist industry, but also other business activities (Anonymous, "Not only bad for your health," 2003).

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### **Conclusion**

The war in Iraq, the threat of terrorism and the recent Severe Acute Respiratory Syndrome (SARS) epidemic have made international business activities increasingly difficult and risky. The worldwide economic downturn and slow growth in domestic markets are forcing U.S. and European companies to depend more than ever on overseas customers.

SARS emerged in China in November 2002 and has spread to 26 countries. It was not until February 2003, three months after the first SARS cases were identified, that China admitted that there was an outbreak. Then, for a month after that, the Chinese government assured the world authorities' that the epidemic was under control. Finally, after a global outcry, China began slowly releasing information in April and gave the WHO team approval to travel in the country.

The SARS epidemic has caused the most severe economic crisis in Southeast Asia since the wave of bank failures and currency devaluations that swept the region five years ago. The longer-term economic threat to China is that executives of multinational companies will begin to view the country as a riskier place to invest. Heavy inflows of foreign direct investment are a major reason China was able to maintain growth after the financial crisis that swept through Asia five years ago. If Beijing is perceived as being unable to manage a disease, such as SARS, and concern over the epidemic affects supply lines, then investors might come to regard China's business environment as unreliable.

The SARS epidemic has prompted health officials to implement travel restrictions at airports around the world and enforced quarantine and isolation measures in major cities to try and limit the spread of SARS. The President of the United States has signed an Executive Order adding SARS to the list of communicable diseases that

can be quarantined. A major disruption in China could paralyze just-in-time supply chains and cause an economic crisis for retailers and other businesses worldwide. The SARS epidemic has caused many economists to drastically reduce their economic-- growth forecasts for Asia. However, as we have seen, the SARS epidemic has created positive economic benefits for some companies.

The "final" statistics on the SARS outbreak worldwide, as of late December 2003, are as follows:

\* Cases - 8,099

\* Deaths - 774

\* Case Fatality Ratio - 9.6% (Fuhrmans, McKay, and Leggett, 2003).

What does the future hold? In January 2004, the Chinese Health Ministry confirmed its first new case of SARS in over eight months with the diagnosis of a 32-year-old television producer in the southern province of Guangdong. Suspected cases have also surfaced in the Philippines (Anonymous, "China Confirms First SARS Case Since July," 2004). Is this an anomaly, or will this be the harbinger of a new outbreak of this disease and its devastating human and economic toll? Only time will tell, but businesses should heed the advice of McKinsey and Company in being proactive in their approach to dealing with ongoing and emergent public health concerns (Gupta and Taliento, 2003).