

5.1 Given the significant externality associated with the contagious disease and the public good character of knowledge and information about outbreaks, governments should work collectively to reduce the overall aggregate costs attached to such incidences. Policy implications are more long term, hence careful attention much be given.

Tourism being a sensitive economic sector to consumer perception and expectations was the first and hardest hit by the SARS epidemic. Regional cooperative measures taken helped reduce its impact on the tourism industry but some countries namely Hong Kong and Singapore were seriously affected. As for Malaysia, the adverse impact was primarily temporary and contagion in nature. Although tourist arrivals and receipts declined significantly, the recovery is considered impressive relative to others

The most important lesson from SARS experience is the need to be prepared for any future outbreaks. The underlying concept is of course that resilience, i.e., the ability at every level of the system to detect, prevent, control and recover from disruptive challenges. Any form of uncertainty is always a source of stress which stems from the event itself and the response to it.

The central question now is can any nation response adequately protect against a potential pandemic in an increasingly globalized world.

5.2 POLICY PRESCRIPTIONS AND RECOMMENDATIONS

Perhaps the most significant lesson is the crucial role of a government in handling an unexpected or economic shock to the economy through prudent budget management. An increased public spending coupled by a reduced government revenue due to a slow down in economic activities can lead to worsening of the government fiscal position.

As the old Chinese saying goes, it is never too late to mend the fold after a sheep is lost. Accurate orientation of an issue and a clear understanding of its seriousness can lay a solid ground for solving a problem. There are many measures a government can apply to deal with public issues. Indirect policy measures include requesting, guiding and invoking citizens and social organizations to consult physicians once symptoms are found while keeping a cool mind. Another step would be concerned with the epidemic itself by providing timely information in order to build confidence among the public and avoid panic if the outbreak blows out of proportion.

The private sector, understandably took advantage of the SARS situation to extract as much concession from the government as possible, which came in the form of tax reductions, lower interest rate and increased subsidies. It must be clearly understood that the SARS related economy woes cannot be resolved by simply throwing money at them. The aim of a stimulus package should be to ease the pain an outbreak has caused and enable affected industries to operate without having to retrench workers, which of course will result an a sudden unemployment problem.

It is also note worthy to remember that stimulus need not necessarily be in monetary terms. It can appear in the form of reduced red tapes, easier conditions and softer terms. In other words any deregulation to lower the burden or cost of doing business will be helpful. However, increased allocations for medical research, health workers protection and SARS control in particular will go a long way in allaying fears and boosting consumer confidence. The accumulation of primary surpluses may be a better long- term solution than to tap on the annual budget to stimulate the economy when disaster strikes.