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Business took me to three countries per week - Singapore on Monday and Tuesday, for instance, Bangkok on Wednesday, Tokyo on Friday - and starting all over again on Monday.

My view: **SARS in the Asia Pacific region**

'Residents of the hardest hit areas were strongly advised to not come to meetings in person. Business ground to a halt.'

By Charles N. Regan III ('84)

Living and working overseas is a great experience, and I highly recommend it as a way to experience different countries and cultures. It was that experience that I was seeking when I studied finance and international business at JMU. Since leaving JMU, I have traveled and worked in over 60 countries. I currently run the structured finance operation for a German financial institution covering the telecom, media and technology sectors throughout Asia. And living in Hong Kong is especially gratifying because of its proximity to countries that are all different in terms of economic growth and culture.

Since moving here with my family, we have been able to see some exciting parts of Asia. Additionally, my son is learning Mandarin at school and studying about China, the most populous country in the world, an experience that will hopefully be worthwhile in his future life experiences.

On the other hand, if you manage a business in the Asia Pacific region, there are certain aspects of the job for which you must be prepared. First, you have to be prepared to spend a lot of time on planes traveling to many countries, and second, you must be able to understand the differences, compared to the developed world, of emerging markets with regard to general governmental capabilities, health care, infrastructure and wealth. Despite these difficulties, I very much enjoy the region and working in the emerging markets of such countries as China, India, Thailand and Vietnam. During my 10 years in Asia, I have not been given any shots or taken any medication for a number of potentially hazardous ailments, including hepatitis and malaria. I have learned to take reasonable precautions, but I also realize that you can't safeguard yourself 100 percent against all potential health issues.

The outbreak of Severe Acute Respiratory Syndrome in Asia earlier this year forced people to view disease with a totally different outlook, one of concern and paranoia, than I have ever witnessed in

Asia.

SARS is a viral infection - a suspected new mutation of the coronavirus. Frequently, the coronavirus goes from person to person through droplet transmission. If the infected person coughs or sneezes, the virus can be carried in saliva droplets to infect nearby people. In contrast to typical pneumonia where the lung infection blocks oxygen transfer, SARS, also called atypical pneumonia, collapses the alveoli, reducing the blood supply and obstructing oxygen transfer. Instead of showing a clearly demarcated shadow in the lungs, atypical pneumonia shows a fuzzy shadow without clear boundaries.

March 2003 was a busy month for me, including closing a cable television transaction in Taiwan and negotiations for another cable television financing valued at \$400 million, a term-out financing for a new mobile carrier in Thailand for \$800 million, a leveraged buyout in Japan for \$2 billion, an acquisition financing of a wireless carrier in India, restructuring of a \$600 million telecom financing in Singapore and arrangement of an equity private placement and debt capital for a start-up satellite multimedia venture in Asia by U.S.-based investors.

Given the rather depressed economic conditions over the past three years, the business activity was welcome. The transactions were forcing me to be in three countries per week to keep them progressing on their timelines. Right up until the end of March, I was covering the region and transactions normally, often in three different countries per week - Singapore on Monday and Tuesday, Bangkok on Wednesday, Tokyo on Friday - and starting all over again on Monday. I had heard of SARS, but in and around the emerging markets of Asia, and even in Hong Kong, you tend not to take these things very seriously, especially in a region where you find periodic outbreaks of avian flu, dengue fever and malaria. These periodic health problems in the region tend to desensitize you. It was hard to take SARS seriously, because the governments had not really made any major issue of it.

But by the end of March, the numbers of daily SARS cases were rising dramatically, almost exponentially, and had reached 40-plus per day in Hong Kong. In addition, it had also been diagnosed in China, Taiwan, Thailand, Singapore, Vietnam and Canada (a country with a large Hong Kong community). Schools were openly debating whether or not to shut down, with the concern that one infected child could pass it on to other children very quickly. About 75 percent of Hong Kong residents were wearing surgical masks when outside their homes. While some medical experts had been somewhat circumspect about the benefits of masks in preventing transmission, most people in Hong Kong had decided to wear them to do exactly that - especially since health authorities had not been able to correctly identify the primary source of transmission.

Other countries were beginning to make travel out of Hong Kong difficult. Health inspections were being required to enter China, Malaysia and Thailand, where you could expect to wait a minimum of 30 minutes to clear the health inspection - in addition to the normal delays in clearing immigration. If you exhibited any symptoms of SARS such as a slight fever, you were certain to be transported to that country's SARS "hospital" quarantine. A rumor had circulated within the financial community that a fellow banker had been detained at the Bangkok International Airport for 10 hours. There are some countries where I would rather not be in quarantine, especially if I did not already have SARS.

In April, there was an incident where a family traveled to Taiwan from Hong Kong, and upon arrival, an 8-year-old girl in the family was found to have a high temperature. So instead of handing the girl over to the Taiwanese authorities, the family offered to fly everyone back to Hong Kong. Unfortunately, Taiwan refused and took the 8-year-old girl that was suspected to have SARS into quarantine. For eight days, the family was not allowed to visit their daughter. Only after Hong Kong's Chief Executive, Tung Chee-hwa, intervened did the Taiwanese authorities release the girl to her family so they could fly back to Hong Kong. The girl did not have SARS, but it was nonetheless a traumatic experience.

Fear had taken grip of Hong Kong, and to some degree, the entire region. Adding to the fear was that the source of SARS still had not been detected and no cure was available. Besides masks, shaking hands had become taboo. Anyone who sneezed or coughed was given wide berth. As some physicians had alluded, SARS was putting Darwinian theory into practice - the strong lived, the weak died - and it was largely left to chance whether you were infected or not and whether you survived or not.

SARS takes control

Hong Kong's government took no action except to reassure residents that everything was under control, though most people knew that it wasn't. New ideas to stop the transmission were being discussed on nightly television programs and the daily newspaper, a sure sign that the government had no idea what to do about the heightening problem. Many businesses in Hong Kong, including our own, began to take precautions for the long-haul operation of the bank in what appeared to be a quickly exploding SARS problem, with some hope that the problem could be brought under control as soon as possible. For the first time since they were developed, we instituted our emergency procedures, which had been designed to address other known potential catastrophes, and added some additional precautions to specifically address SARS.

- Only essential operational personnel would be required to be at the office.

- Each essential operation was split into 2 groups, working in 2-week shifts.
- Each employee was to take their temperature each day.
- No employees were allowed into another department other than their own.
- Visitors were discouraged and no visitors were allowed on the main operating floor of the bank - an isolated conference room was set up.
- If any employees traveled to another SARS-infected country, they had to stay at home for 10 days before returning to the office.
- Masks were to be worn in the office.
- If an employee felt ill, they were not to come in the office.
- All were advised to wash hands often.

These rules were meant to minimize the number of people in the office and the contact between them. The new rules were not absolutely certain to prevent a SARS breakout in the office, but provided reasonably good protection and put the employees at ease. It also had the reverse effect of creating an environment of paranoia. We had two employees that developed a fever and lived in one of the more notorious residential developments for the SARS outbreak - the Amoy Gardens in Kowloon - where two-thirds of the residents in one housing block became infected with SARS. They were immediately sent home along with everyone with whom they had been in contact. After several doctor visits over the next several days, it was determined that they had come down with a simple case of flu. They were sick for a few days but happy to not have contracted SARS.

Travel restrictions were also instituted and took effect throughout Hong Kong seemingly overnight. Traveling to any country with any known cases of SARS was dissuaded, even though the odds of contracting SARS were greater while living in Hong Kong. Furthermore, any travel out of Hong Kong to a country with a known case of SARS would require a 10-day self-quarantine before you could return to the office. Residents from China, Hong Kong, Singapore and Taiwan - the hardest hit areas - were strongly advised to not come to meetings in person so as to avoid possible contamination of their office buildings. As my transactions generally require face-to-face meetings, business ground to a halt. One of my colleagues in Tokyo had to go to a one-day meeting in Shanghai, but because his son's school would not allow the child to attend the school if he stayed in the same house as his father, my colleague had to stay in a Tokyo hotel 10 days after his return from China. Had the hotel known he had just come from China, he would not have been allowed to stay.

Day after day, the news worsened. More cases, more deaths and more measures taken by corporations and governments to stem the tide of SARS. Two U.S. corporations in the telecom, media and technology industry had also made extraordinary moves in the region - Motorola had shut down its office in Beijing and Dell had done likewise in Taiwan.

It was becoming increasingly difficult to keep my family in Hong Kong without knowing how long it would take to get SARS under control. In addition, as it seemed at the time that SARS would continue to spread unabated, there was a risk that Hong Kong would be quarantined from the rest of the world. My family and I would be a prisoner of Hong Kong, without the ability to leave - for anywhere.

The final straw for me was when the Hong Kong government ordered the schools shut down. By then, a lot of people had already taken their children out of school, packed up and left Hong Kong. Our apartment block, primarily inhabited by expatriates like myself, had become a ghost town. The hotels in Hong Kong were at 10 percent occupancy, the restaurants were empty for lunch and dinner settings and the airport had become deserted.

So the reality became this: I was working from home, I could not travel, my son was no longer going to school and my family and I had become prisoners in our home.

Out of the SARS zone

I had to pick a place within a proximate time zone to Asia that would allow me to operate the business real-time and allow some limited travel. Nothing in Asia made sense except Japan, but that would have required me to spend 10 days in quarantine before I could use the Tokyo office. London is headquarters for me, so that was an option - except the business day there begins just as the business day closes in Asia. Cost was also an important matter to take into consideration, as I didn't know if I was going to be outside of Hong Kong for 10 days or 10 weeks. On April 1, I received a call from the London headquarters to move out immediately - Hong Kong was about to be quarantined, no one was to go in and no one was to leave. I decided to go to Hawaii, where we have a second home, and where the sun rises six hours ahead of Asia, so Thursday in Hawaii is Friday in Asia. It would allow me to work real-time and reasonably cost-free. London HQ agreed, tickets were arranged and my family left the next day. I prepared for my move into a virtual office in Hawaii and then followed my family three days later. Two days later, Hong Kong was quarantined.

Arrival in Hawaii was mixed and quickly proved that people in the U.S. were well aware of SARS. Upon arrival at Honolulu International Airport, the U.S. health authorities boarded the plane in Honolulu to pass out information about SARS but let everyone leave the plane without a health inspection. As I waited in line to board the inter-island flight to Kauai, a couple asked where I picked up the *International Herald Tribune* I was reading (a must read for every American expat). I answered "Hong Kong," and they both

stepped backward. I witnessed that reaction many times over the next several days so, in everyone's interest, my family and I decided to quarantine ourselves for two weeks. I had this horrible feeling that if we did have SARS, we would be spreading it all over our island home, which was the last thing we wanted to do to our neighbors and friends. After that, when people asked where we from, we were able to reply that "we live in Hong Kong BUT DON'T WORRY, we have been here for over two weeks and we are not infected."

Another view we encountered about SARS was that the press had overblown, and people were surprised to hear that we felt otherwise.

Working in Asia from Hawaii

My daily affairs were fairly routine except that my family time was wedged between 10 a.m. and 2 p.m., which is actually more time than usual. At 2 p.m. HST (8 a.m. Hong Kong time), I began working on the phones and e-mails. I would work until midnight, when it was 6 p.m. in Hong Kong. I would wake up at 6 a.m. to follow up with the business that transpired after 6 p.m. in Hong Kong, which is generally heavy. The first thing I checked in the morning were the official Web sites of Hong Kong and the World Health Organization to get the latest numbers of SARS cases and deaths. Then I began downloading large documents and getting out e-mails until about 10 a.m. Then some family time, lunch and back to the phones and e-mails as the business day commenced in Hong Kong. My son's school in Hong Kong had shut down, but the lessons were virtual, so in that regard, he was still attending school and had assignments to complete on a daily basis. Since I was working most of the daylight hours and my son was in school at the same time, there was some normalcy in our schedules.

Business really slowed down. Transactional documentation that could normally be completed over the course of a week in face-to-face meetings was dragging on for more than four weeks. Much of the reason for that is that while English is the predominant language for business in the region, it is not the native language of most people in the region, and all the more difficult to resolve complex issues over the phone and through exchange of legal documents written in English. Financial transactions require complex structuring, negotiation, documentation and distribution which normally takes six to nine months were now starting to double that time frame.

Transactional development was the proof of that. While I was able to travel out of Hawaii, most of my colleagues and associates were not able to travel out of the key Asian financial centers, Hong Kong and Singapore. No person based in either of those two financial centers was welcome outside of those cities. Of all the transactions at various stages, none made any material progress. During my time in Hawaii, I was able to attend some meetings in San Francisco and Tokyo, but was generally unable to push things forward in the other transactions due to the travel restrictions that encumbered other institutions and individuals' attendance.

Back to Asia

My original ticket had been planned for a 10-day stay in Hawaii, but, as it turned out, I returned six weeks later. On May 13, we headed back to Hong Kong. The WHO still had Hong Kong on the restricted list, but the number of new SARS cases had dwindled below 10 per day and the schools were reopening.

Hong Kong seems forever changed by the brief invasion of SARS. While the masks have come off, new things have appeared and new industries were created. Entrances to most major residential and office buildings now have disinfected walk-on mats that clean the bottom of your shoes as you shuffle over them. Office buildings installed hand-cleaning dispensers in the lobby areas where people can clean their hands as they enter and exit the building. Elevators now have plastic coverings over the floor selection panel so that they could be cleaned better and more often. Taxis advertise that their cars are disinfected and cleaned.

And even now that Hong Kong has been off the WHO list as a restricted country since June 22 of this year, life has not returned to normalcy. Or maybe normalcy will be defined differently as we go forward. I just returned this week from a trip from Hong Kong to Singapore to Taipei to Hong Kong, during which I had my body temperature thermally checked when entering and exiting each country. In addition, I had my temperature checked when I entered the hotel in Singapore and Taipei. Every country now has a new health form which has to be completed when you arrive and depart each country.

All of these new measures would appear to be an overreaction, but it begins to tell how devastating SARS has been in the region. In Hong Kong alone, approximately 1,800 people became infected with SARS, and 299 died. The impact to the commercial sector is still being analyzed but varies throughout the region. In Hong Kong, the current belief is that the impact will be worse than the Asian financial crisis of 1997.

The current situation

All of my transactions ended up about two months behind schedule even with all the available electronic technology, and our phone bill for the six weeks period was \$8,000. One of the Taiwanese cable television transactions just closed on July 21, four months later than expected; the other is just completing the term sheet stage.

Newspapers and regional magazines are still assessing the impact of SARS. Even today, every economic/business magazine in Hong Kong has an article regarding the economic impact of SARS to one sector or another. This was especially hard in Hong Kong, which had endured 52 consecutive months of deflation since the city went from British to Chinese rule. To add salt to the wound, shortly after Hong Kong was declared free of SARS, 500,000 of its six million people took to the street to protest the civil rights infringement of the People's Republic of China-sponsored Article 23.

While Hong Kong and Singapore were obviously hit hard, it is currently being reported that SARS did not significantly impact economic growth in China, which at the height of the SARS problem was running slightly below its expected GDP growth rate of eight percent.

But Asia has taken it in stride. They have reconciled the severity of the problem and taken steps to minimize transmission. The markets are experiencing growth again. Following the U.S. equity markets, the Asian markets are all up by significant levels. The restaurants are once again packed and the flights are full. And most of all, people are hopeful that SARS will not be a reoccurring event later this year when the cold weather sets in.