In recent years, the economic focus has gradually shifted toward Asia-Pacific region, thus raising its status in international economy. Nevertheless, issues such as the fiscal cliff, international financial crisis, monetary policy adjustment and government shutdown from United States and developed countries continue to impact the emerging economies and lead to weakening external demand. Thus, member economies in Asian region ought to come up with a solution. This year, under the theme of "Resilient Asia-Pacific, Engine of Global Growth", the 21st APEC Economic Leaders' Meeting was held in Bali, Indonesia on 7th-8th October. The summit seeks to attain bugar goals, to achieve sustainable growth with equity and to promote connectivity, in an attempt to establish a liberalized environment more friendly for trade and investment, commercial and economic technology cooperation so as to facilitate Asia-Pacific economic cooperation.

As the competition of globalization and regional economy becomes increasingly fierce, regional industrial development and activities crucially influences the growth of international trade. In response to the trend of economic globalization, to open multi-lateral trading system, to promote global trade liberalization and economic development are the major tasks for all countries, and regional economic integrations of all forms are therefore inevitable. The promotion of Shanghai Free-Trade-Zone made Shanghai the gathering place for innovative small and medium enterprises in Mainland China. Accordingly, maintain competitiveness, strengthen entrepreneurial ability and make good use of its advantage, facilitate the technology cooperation and innovation are the directions innovative small and medium enterprises should pay attention to in the future.

This issue of APEC SME Monitor continues to introduce SME related issues, analyze industrial trends and explore start-up materials from multiple perspectives. For example, in "Fearing the Known," the expert analyzes we should be fearful of things we already know so as to break through the established model and launch start-ups. In another article, the expert shares how OH! Cool find its niche and new "APPortunities" on the mobile market by improving their personal video/ audio experience; Small and medium enterprises should align with banks to find their best partner and business opportunities; the development strategies that creative industry may consider in the face of Mainland China’s vast consumer market. As for industrial issues, we share the experience of how new start-up travel agency distinguished itself from others by providing the volunteer tour.

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Executive Director
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From Platform to Ecosystem: Three Flow Integration on the E-commerce Market

E-commerce has initiated the fourth global retail revolution. In 2012, revenue in China's e-tail sector hit over one trillion RMB, accounting for 6.2% of total social retail goods. Particularly, mobile online shopping is increasing at staggering rates, from 0.7% in the first quarter of 2011 to 7.6% in the first quarter of 2013, expanding 10 times in 2 years. China's online shopping revenue is expected to reach 3 to 5 trillion RMB in 2019, occupying 9.7% to 14.7% of total retail sales. In other words, its annual growth will remain between 20% and 26% in the following years.

China's e-commerce sales have officially broken the trillion level. Business to Customer (B2C) platforms became mainstream and is leading the growth of the market. Over the past 3 years, Tmall.com and JD.com have continuously ranked first and second in market share for 2010, 2011, and 2012. The third, yet, changed every year from Amazon.cn in 2012, Suning.com in 2011, to QQ.com in 2012.

While B2C platforms are growing larger, individual online shops are having fewer chances to survive. Apparently, the most important question for small and medium enterprises to think about when it comes to e-commerce is no longer how to enter the online market but which "party" to join, be it Tmall, JD, QQ or Suning, the unbeatable platforms that are too big to compete with.

E-commerce consists of money flow, product flow (logistics) and information flow. Integrating the three organically can form a valuable "ecosystem", in which "retailers" with B2C, C2C or O2O business models, "suppliers" who supply goods and services as well as "consumers" all have a role to play.

When vendors, logistics providers, service providers, technology providers and financial institutions come into this ecosystem, they compete to provide the best quality goods and services, create economical goods and services portfolio, and utilize the most profitable business strategies. Once they start to supply each other's needs, money, product and information can thus be exchanged and partnership can be established, achieving a balance in supply and demand.

The best example of such integration is Tmall's early-stage ecosystem (Table 1). Its business model incorporates Alibaba's B2B, Taobao's C2C and Tmall's B2C one-stop online shopping platforms. Alipay, a third party online payment platform, was launched to solve the consumer payment issues. As time progressed, it accumulated a large amount of accounts and funds that were translated into a supply chain with all kinds of "Ali" financial services, including wealth management, fund investment and credit card payment. This is the money flow.
In terms of product flow, Tmall has increased its pace of expanding Cainiao’s (meaning rookie in Chinese) smart logistics network covering the whole country instead of depending on third party logistics providers. In this way, the group can improve delivery efficiency as well as control the quality and quantity of products. Furthermore, the group is committed to building an information analytics system, collecting data on user behavior from its downstream buyers and provides the data for the upstream suppliers, which is helpful in their decision-making process. By implementing a "Huge Data" system and conducting in-depth analysis to understand consumer trends, the Alibaba Group is trying to move the market from selling standardized products to providing more profitable customized goods and services.

This is Alibaba Group’s key to success that allows them to continue to dominate the market. It also means that the battlefield of e-commerce will no longer be on the simple platforms, but in the emerging ecosystems.

When retailers enter the competition in a fully constructed ecosystem, on the one hand, they keep innovating and meet all kinds of demand in the ecosystem in order to ensure their long-term survival; on the other hand, they can play the role of market makers and facilitate trade. In this way, new business value and profit points can be created anywhere in the ecosystem.

In addition, the builder of the ecosystem has to capture the latest trends in both "electronics" (technology) and "commerce" (demand). Customer experience, product portfolio, brand management and supply chain management are important factors to take care of when it comes to product flow (logistics). What’s more, tools like automatic storage equipment, scanning logistics technology, Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) have to be in place. In terms of money flow, it is necessary to satisfy the supply chain needs and develop optimal solutions for payment, credit buying and financial products while Internet transaction security technology is required. As for information flow, consumer behavior analysis and demand generation are essential for suppliers’ decision making during processing and delivery of their products. However, the key to success is a reliable IT service system and real-time huge data processing technology.

The next battle of e-commerce is about to begin. Retailers, suppliers, consumers and investors are all facing a critical decision: which ecosystem to engage with and how to fit in.
Finding New "APPortunities" in User Behavior

Established in September 2011, OH!Cool is a mobile application developer and provider. The co-founders Yu-Xun Liu and Chong-Jie Huang, who had worked as online marketing and technical support interns at Microsoft, completed their startup team in 2 years when later Rui-Ting Weng, Kai-Fu Zheng, and Xianq-I Zhou with expertise respectively in information engineering, business development and operations and product design joined in.

Starting from Personal Experience: Better Mobile Audio and Video Solutions

Since 2008, the annual growth rate of global smartphone sales has increased by more than 30%, and smartphones are changing people’s lives in many ways. Co-founder Yu-Xun Liu bought his first smartphone in 2009, and he realized that it was not easy to find and enjoy high-quality audio and video content. Thus, starting from personal experience, OH!Cool launched the VideOhya services that help users "watch as many video clips as possible in the shortest period of time."

With this simple idea and the help of the "professional editorial team" and "automated data collection technology", VideOhya created many different types of apps in two years that became the most popular ones on the market, such as "Taiwan Concerts", "No Funny? No Pay" and "All-You-Can-Watch Music Videos", which allow users to easily and quickly search, select and watch videos anytime, anywhere.

Quick Successes and Future Challenges

In less than two years since its inception, OH!Cool’s VideOhya has developed over 40 Apps in Chinese Taipei, and 17 of them hit No. 1 on the iOS App Store, Android marketplace and Google Play charts, getting more than two million downloads in total. However, even with the outstanding performance, the company hardly broke even. For this reason, the team started to look into product development and user behavior in order to make a breakthrough and bring the business to the next level.

In the first half of 2013, the two largest app stores in the world, App Store and Google Play, each had over 800 thousand applications and passed the 100 billion download mark. The market is burgeoning with opportunities but also filled with fierce competition. Apart from the existing applications, 1,500 new apps created daily pose a threat to all developers and put those lacking resources at a disadvantage.

The App Wars: Brands Bring Business

OH!Cool saw a new opportunity in such a competitive market and took one step further to become an app publisher. Furthermore, the team felt the power of branding and word-of-mouth
marketing from fans in the experience of working with Mayday, an iconic rock band in the Chinese world. OH!Cool started as an App developer and has been through the product development and marketing phases. With this edge and by making good use of the current user data, OH!Cool is able to create more diverse applications besides audio and video entertainment.

In the second quarter of 2013, OH!Cool launched its second mobile service CHOCOLABS and continued to provide even more diverse and high-quality apps for users through the new brand. In addition to beautiful and consistent visual design as well as its own unique app store, CHOCOLABS’ user behavior algorithm high conversion engine and strong social network and media exposure have enabled applications with great potential to be seen on the market, or even downloaded and used.

With the successful startup experience in Chinese Taipei, CHOCOLABS is looking to present its high-quality apps to the world and become the No. 1 app brand in Asia in the next two years.
The Strategic Planning Mindset of Small and Medium Enterprises in Creative Economy Branding

Manufacturing economy creates prominent, world-famous product images and value for money product features with the emphasis on the enterprises' management deployment, large market share, effective designs derive from massive production and high cost performance ratio. In contrast to the manufacturing economy, the focus of creative economy is placed on the uniqueness and premiumness of the brand, irreplaceability, and the scale of difficulties during the process of creation, in an attempt to offer consumers emotional values like gratitude, admiration and identification, and create a touching brand story via word-of-mouth. Creative economy strives to let the consumers be proud of the products and to have faith in the unique trendy styles, bringing additional values beyond the product itself.

Creative economy has renovated the overall industrial structure, changed market expansion and marketing mode compared with the traditional manufacturing and trade economy. Besides, in light of the vast consumer base in Mainland China, and their recognitions and identification with the quality Chinese culture and creative economy of Chinese Taipei, the creative industry in Chinese Taipei should seek to develop its business mode in response to the challenges, and the following are some suggestions for the restructuring of the development strategies:

1. Integrate and optimize the advanced manufacturing technologies that manufacturing economy have accumulated from the past. Make breakthrough and develop unique core competencies.

2. Nurture innovative talents. Cultivate and train dedicated design support team, build up innovation support network in combination with the unique core competencies and cross-field collaboration to create distinctive products and additional values.

3. Integrate the high product quality that traditional manufacturing industry has inside and attractive design that creative industry has outside. The designer brand and iconic image is thus established along with the combination of complementarities and trendy innovative designs.

4. Strategically introduce brand story, brand spirit, core technology embedded in company history to customers through company products, culture, history and development, quality, management belief, ideal as well as transitions from the initial intent held by the previous generation to the management transformation that successors in new generations have undergone.

5. Build a dedicated team, and develop a professional management team, design team and design culture. Also, the persistence and faith held by the company, creative thoughts, ideas
held by the new generation and the implementation of service design are very important. The success of the products has much to do with its design team and design code. Even so, good products will still be caught up by or replaced by new products. An outstanding designing team, however, will consistently launch astounding products based on its distinctive and successful experiences in the past. This is the expectation consumers hold for the stylish designer brand in creative economy.

6. Pursue non-stop creations and breakthroughs, and lead a one-stop innovative trend so as to establish a fashion, classical and premium brand identification.

The creative economy of Chinese Taipei is shifting into tourism economy, a new industry chain different from the premium brand development in western countries that is able to avoid fierce competition. Therefore, the new oriental/Chinese style and its direction of branding development are worth investing and cultivating.
Innovation in Travel Agency: Mind-Broadening Volunteer Tours

The most arduous task for an early-stage travel startup is to attract customers. Most of the time, failing to understand the real needs of travelers is the major reason. A satisfactory itinerary can only be determined by travelers themselves rather than the travel agency. Without being tried and tested by travelers, a seemingly perfect itinerary created by a travel agency is nothing but a list of sites without much value.

Before reaching out to travelers, we conducted comprehensive research on the itineraries on the market, and found out that most travel agencies gain profit from vendor commissions. However, we hope to help foreign travelers interact with locals and learn more about Chinese Taipei instead of spending too much time on shopping. We also found that the domestic travel products lack diversity, and the itineraries are basically "sleeping on the bus, photographing off the bus, having meals and going back to the hotel to sleep again" with most of the time spent on the tour bus. In comparison with volunteer tours, mountain climbing and hiking tours, medical tours and retirement tours commonly seen in other countries, the ones in Chinese Taipei offer much fewer options.

We firstly created a volunteer tour for foreign travelers to spend a longer period of time with locals and at the same time know better of Chinese Taipei. Yet, we were met with many obstacles while choosing whom to serve. At the beginning we chose to serve middle school dropouts who needed substantial social care and love, but foreign travelers usually do not stay in Chinese Taipei for a long time. They are unable to provide long-term care and this may do more harm to already troubled teenagers. Thus, we turned to nursing homes in the hope that the elderly would enjoy the interaction with foreigners. However, it was no less challenging because many senior citizens have trouble communicating well with foreigners. Next, we tried to work with "Children Are Us Foundation" dedicated to the well-being of people with intellectual...
disabilities. These people who have less long-term memory are very optimistic and easy to get along with, so we thought they were ideal for foreigners to interact with. But after a trip to the foundation, we realized that the intellectually disabled have lower immunity than the general population due to genetic defects and can be easily infected by communicable diseases, so it is not appropriate for them to come into contact with too many people.

We faced such challenges and obstacles when designing the itinerary for our volunteer tour, even before we started getting customers. What’s more, high operating costs had made things worse. While considering if the idea of a volunteer tour was viable, we met a group of single mothers selling sweet potatoes near the Shandao Temple. They worked under the guidance of the Genesis Social Welfare Foundation, which provided them with the equipment to wash and bake sweet potatoes. We spent the afternoon observing how they worked and found that these mothers are healthy and optimistic. They chose this job in order to spend more time with their children. We were inspired by them and created an interesting activity: having foreign travelers help these single mothers sell sweet potatoes. The travelers would first get to know the Genesis Social Welfare Foundation, learn how to clean and bake sweet potatoes as well as what to say when selling them. Then they go out and sell sweet potatoes with the single mothers. The activity lasts 3 to 4 hours and takes place in the Taipei city center. Foreign travelers can take the opportunity to chat with the single mothers as well as interact with friendly locals while selling sweet potatoes. With travelers’ being around and help, the single mothers can always finish their job earlier and return home for their children.

The tour that creates a win-win situation and allows visitors to interact deeply with local people drew CNN’s attention. The favorable news report has attracted many similar travelers to participate in the activity, who are more than willing to share and recommend this itinerary after they go back home. The volunteer vacation became well-known for its unique itinerary and we get to know more and more travelers with inspiring ideas. As a result, we keep getting more customers.

Our company has also tried promoting special tours that are widely available in the global tourism market but not yet seen in Chinese Taipei. We hope to create more "Live as a Local" tours that will allow foreign travelers to see the real beauty of Chinese Taipei.
Role of SMEs in Disaster Resilience

When disasters cause business activity to stagnate, the impacts are felt not only by individual companies, but also in the employment levels and the overall economy of the stricken region. When trade and commerce are conducted with businesses in other areas, the economic damage can also affect faraway regions through supply chains. A business continuity plan (BCP) is a holistic plan that identifies the potential impacts and critical operations of an organization prior to the occurrence of a disaster. Also, it outlines the effective response and prompts recovery measures a business can take to continue its operations at acceptable levels, meanwhile avoiding various disruptions for a specified period of time. The process of developing and installing a BCP strategically within an organization is referred to as business continuity management (BCM).

The earthquake that struck on 11th March 2011 impeded or suspended business production in the affected regions, disrupting supply chains and affecting businesses across Japan. Since business activities in the manufacturing sector do not take place solely between manufacturers and their direct suppliers and customers, disruptions to one link of a supply chain can easily influence the global market at a large scale. This disaster caused 656 small and medium-sized enterprises (SMEs), which employed 10,757 workers, to go bankrupt within one year, yet only 79 of those SMEs (12%) were located in the Tohoku region; the others were located all over Japan. The bankruptcies of the latter group were attributed to indirect losses or damage caused by disruptions in their supply chains. Risk management efforts aimed at tackling emergency situations are therefore expected to assume greater importance in business in the future.

The Thailand Flood of 2011 also affected many enterprises outside of Thailand through supply chain disruptions. The APEC region’s supply chains are closely intertwined, such that a single disaster can affect the economic activities of the entire region. It is therefore essential that urgent efforts be made to strengthen the private sector’s capacity for disaster preparedness and recovery by promoting BCP development among APEC member economies. It is important to note that SMEs are critical players in supply chains and regional economies, though their level of business continuity preparedness has been shown to be insufficient.

Based on past experience, private sector businesses have changed their mindsets toward disaster preparedness and business continuity strategies. The construction industry plays a role in debris removal and infrastructure repair to facilitate a speedy resumption of everyday activities, supermarkets play a role in providing evacuation shelters and delivering relief supplies to communities and the logistics industry plays a role in securing multiple channels for the delivery of goods by preparing fuel and drivers. Since the roles they play in a disaster differ by industry,
businesses need to take those roles into consideration when developing their own business continuity strategies.

In logistics, on-time delivery and reliability are the key to customer satisfaction. In ordinary times, logistics functions are essential to an economy, yet when a disaster occurs, these functions become much more important in terms of their social impact, such as the ability to enable local governments to deliver relief goods like food, drinking water, and daily goods to the affected areas. Many logistics firms thus signed up disaster support agreements with local governments prior to the occurrence of a disaster so as to make arrangements in advance—and this kind of emergency plans is recognized as part of their business continuity strategies.

Manufacturing companies in such industries as ICT (Information, Communication, Technology), semiconductors, and automobiles are introducing just-in-time strategies by reducing inventory. Given recent experiences with supply chain disruptions, however, many manufacturers have begun examining their suppliers' BCP status as well. They are examining not only their primary suppliers, but also their secondary and tertiary suppliers.

As SMEs lack the financial resources to prepare multiple work sites, they are considering cooperative network arrangements with same-industry partners in remote geographical locations that can provide mutual support in the event of a major disaster.

The Small and Medium Enterprise Agency of Japan has conducted research on the proportion of enterprises that have had to suspend operations due to a disaster or a shutdown by a supplier or customer, and the subsequent impact on their supply chains. According to the respondents, about 18% indicated that they "suspended core operations" and about 10% indicated that they "suspended non-core operations" (see Fig.1).

A majority of the enterprises that suspended core operations indicated a negative impact on their supply chains, and 25% of enterprises reported suspending non-core operations had an impact on their supply chains, highlighting the importance of the role SMEs play in supply chains.
Since the great earthquake, increasingly more enterprises conduct a general assessment of their supply chains as part of their risk management strategies. About 30% of large enterprises "had a general grasp [of their supply chain status] prior to the great earthquake," and about 45% of enterprises reporting that they either "have surveyed and gained a general grasp" or "plan to survey and gain a general grasp" of their supply chain status following the great earthquake due to their rising awareness of the issue since then. Meanwhile, the proportion that had "taken no action." was less than 30% (see Fig. 2).

However, the picture is quite different among SMEs: even among primary subcontractors, less than 20% already have surveyed or planned to survey their subcontractors to better understand their situations following the great earthquake. Furthermore, almost 70% of SMEs report is taking "no action," indicating that, in comparison to large enterprises, few SMEs are taking steps to better understand their supply chains.

More and more enterprises are also rethinking their relations with suppliers. A certain proportion of small and medium-sized suppliers of products report indicate that their customers are changing their procurement policies. About 40% respond that the tendencies of their customers have "changed." The most common specific changes are a "tendency to increase procurements from abroad" and the "tendency to disperse suppliers."

Large enterprises especially are increasingly taking steps to better understand their supply chains, and the resulting changes in procurement policies will require SMEs to also consider making efforts to improve their risk management, ensuring that they are able to cope with disaster impacts and shutdowns by business partners (White Paper on SMEs in Japan, 2012).

Some SMEs have been giving greater consideration to their risk management efforts since the great earthquake. According to a study conducted by the Small and Medium Enterprise Agency, around 10% of enterprises indicate that they have a BCP that is "already developed" or "under development," and 20% indicate that they "plan to develop" a BCP. While efforts to develop BCPs have been spreading even among SMEs, since the great earthquake, considerable room for further action remains.

Considering the fact that social functions and stakeholders in modern developed societies are highly interconnected and interdependent, any disruptive incident can cause region-wide impacts. A single incident can have an extensive impact both domestically and internationally when supply chains and value chains are undermined. The private sector plays a major role in creating
employment and supporting the local economy, thereby ensuring regional sustainability. In the event of a disaster, the role of the private sector becomes even more important in this respect. Effective cooperation among disaster-resilient private sector players helps ensure a resilient and sustainable civil society.

Past catastrophic events such as the Kobe Earthquake, Hurricane Katrina, the Great East Japan Earthquake, and the Thailand Flood taught us a lesson that we should bear in mind: private sector enterprises including SMEs play a vital role in reducing national and regional economic damage when they are well-prepared.
Fear the Known

Last year (2012), the "Asian Entrepreneurship Award" was held in Japan for the first time. There was a seminar given by Professor Edward Rubesch from Thammasat University. Three impressive words, "Fear the Known" was shown on a slide during Professor Edward Rubesch' s presentation. These words made me fall into deep contemplation. It is often said, that in the innovation and entrepreneurship areas, startups should not fear the uncertainties of the future. While facing the unknown or ambiguity, even with limited information, one should make quick decisions and "wade across the stream by feeling the way". It is normally agreed that in order to act in a rapidly changing world, one should be willing to take risks, meanwhile learning from the failures and adjust their strategies. Whereas, Professor Rubesch' s speech reminds all the audience to be fearful of "the things we think we already know". In light of the global economic downturn, it seems that the idea of "sufficient self-awareness", "conceit" and "everything is under my control" will be the biggest barriers of reform and innovation.

During the past, we were encouraged to learn, to study, and to obtain all kinds of knowledge. In our workplace, we are asked to obey and comply with different rules and regulations, to administrate by the law and to value teamwork. Different types of classical knowledge and law systems are the essence refined after time, and of course they are logically and empirically useful. However, in today's fast changing world, political planning and economic planning won't be able to catch up with the dynamic changes of technology, the environment and even the overall society. Lots of benchmark enterprises have gone bankrupt. All types of "models" are being challenged; the former experiences are no longer our guidelines.

Three years ago, Curtis Carlson, the CEO of the world famous independent nonprofit research institute Stanford Research Institute International (SRI International), as well as the technical consultant of the Executive Yuan of Chinese Taipei, shared that SRI engage people with a Doctoral Degree and with other various backgrounds and knowledge area every year. Afterwards, let them spend around six to seven years in the company to "unlearn" all the knowledge and the mindset that they obtained from the doctoral degree programs, in order to accept and digest fresh ideas. Then, they can finally create real customer values. In fact, besides high-educated personnel like people with a Doctoral Degree, the disjunction between knowledge and the application of knowledge happens in all levels of educational systems.

The joint efforts of government, entrepreneurs, and a large number of laborers and farmers in the last two generations contribute to the economic miracles and success of Chinese Taipei's
Technology Parks and Electronic Industries. Nevertheless, we cannot always indulge in our past success and the glory times of being the members of the "Four Asian Tigers". After surviving from the Asian economic crises in 1997, Korea became stronger after the impact, and joined the "20-50 Club". The GDP per person in Hong Kong or Singapore has already exceeded USD 30,000 while we are still fluctuating around USD 20,000. Our economic targets will need to be readjusted only if there are tiny impacts from the China market or the American and European markets. The overall picture of the industrial structure is vague; as a result, the existing business industries, the administrative bodies, the academic communities and research institutions have no idea what should be Chinese Taipei’s next key industry.

The success of Chinese Taipei’s electronic industry in the past caused the excessive concentration of our resources and talents in these specific industries, and even our mindset and experiences are restricted. When developing new substitute industries, we’ll find ourselves quite unfamiliar with the logic or ecology of those industries. There’s a severe insufficiency in talent diversity, and this insufficiency does not only occur in the industrial area. The government officials who once helped develop the industrial structure are mostly members of the Ministry of Economic Affairs, whose specialties are still the industries of electronics, information technology and semiconductor. There’s an insufficient flow of attitude and policy tools, for promoting biotechnology, services or cultural and creative industries. However, the related authorities are still content with the existing situations, and do not dare to think out of the box. The academic field also cannot have a full understanding of the current status; they eagerly follow the Western model and publish SCI/SSCI articles that might not help with the status quo. Without "radical" innovation, we are not able to come out of this industrial dilemma.

The theory of "Path Dependence" appears to be an element of truth. Former habits, may constrain the evolution of our brains and behaviors, especially, while successful experiences in the past will bring us to ignore other possibilities, and alternate ways of doing things. Also, the past success often has much to do with the complementary measures or supporting conditions at that time. For example, Chinese Taipei’s PC industry has claimed a place in the international division system, in order to obtain the orders, unnoticeable hidden costs were absorbed by us, including socialized costs and environmental costs. We are in the mist of massive changes, while we are still "familiar" with what we’ve known, that’s how our core capabilities can turn into "core rigidities". If we indulge in what we’ve achieved and continue to work and make decisions in our habitual ways, these will inhibit us from stepping forward. That’s why Professor Rubesch reminds us that in the face of the ever changing era, fear what you know can help you achieve breakthroughs. The noticeable economic slowdown in Japan during the past two decades is the reflection of this theory, and the present Chinese Taipei might tread in Japan’s footsteps.

It was said that, the process of creating models is the process of "Preserve, Break and Leave". The mainstream is usually shaped and consolidated by the obedience and preservation of the majority of people, yet is often challenged in the face of external changes which results in a dilemma. Then it’s time to seize the opportunities to "break" down all the rules so as to break loose from all constraints. Meanwhile, don’t be afraid of stepping out of the Comfortable Zone, thinking

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1 "20-50 Club" means the countries with a population exceeding 50 million, and a per capita income exceeding US$20,000.
out of the box is the only chance to establish new innovation models. Last month, I went to Thailand to investigate its cultural and creative industry. When communicating with the specialists in Thammasat University, Professor Rubesch once again emphasized the fact that only "fear the known" is the power that motivates innovation.

In the last 50 years, the efforts of our two generations contribute to the economic development from "nothing to something". If those who have resources at hand are not willing to leave the stage to the new generation or encourage them to create new values, this generation are very likely to undergo the experience from "something to nothing", draining all assets accumulated from the past. This is all because we thought we "had" and we considered we "known". We might turn out to be the frog in a gradually boiling pot, not being able to react to significant changes of the world, thus missing all kinds of precious opportunities for innovation and evolutions. Ever since the prosperity of China, the economic miracle of Chinese Taipei in the past may as well become the transient glory, a small ripple in the raging torrent of the Chinese history.
Traditionally, the use of banks by Small and Medium Enterprises (SME) seems to be limited to funding activities such as deposits and loans; as for trade-oriented SMEs, there may be further use of bank letters of credit, collections, foreign exchange or remittance services, as well as certain trade financing.

However, SMEs with more financial activities gradually realize that other than traditional financing business, banks can provide their clients with valuable information, as well as make use of the close-knit relationship of banks with their domestic and international counterparts, assisting their clients in screening suitable trade partners abroad, and create business opportunities.

Mr. Liu from Tainan operates auto parts export business, in the past, he mainly exports to the United States, but in his upgrading process in recent years, expanding to new markets is one of his main goals. After careful evaluation, he targets at the Central Asia and Caucasus regions. His strategy in the initial stage is to target the two countries with strong purchasing power, Kazakhstan and Azerbaijan, both oil-producing countries.

After determining the market objective, the next step is to select suitable contacts from the auto parts importers among these two countries, and plan viable sales proposals.

Chinese Taipei’s corporations are not familiar with Kazakhstan and Azerbaijan’s commercial and industrial situation, and information on local companies is quite limited. Although one can obtain business directory from the libraries of trade promoting offices, yet it is difficult to determine whether the information reflects the real situation from the directory or the companies’ website. It is even more difficult to judge whether they will be ideal business partners.

The bank Mr. Liu does business with is the Chinese Taipei branch of a local bank. The bank’s manager tells Mr. Liu, "The business directory and information on the website is the message the business wants to tell people, but do not necessarily reflect the true condition of the business. Many businesses list a bunch of operation items, but in reality may not have actually operated on any one item. Moreover, businesses with big advertisement space in the directory may not be the leader in the industry. Sometimes the most successful corporates don’t even bother to advertise."

To push forward into an unfamiliar market in order to break new soil, a suitable partner is not easy to find. The long term cooperation of import and export business is somewhat like choosing a partner in personal relationships. We need to be particular about whether they have an attractive appearance (operational ability) and stable and reliable inner beauty (finance and credibility).
Business directories and information on the website may not reflect the real appearance of a business, as for inner beauty, it is even more difficult to learn. This kind of situation also happens in trade events. Trade shows are at most like blind dates or friend matchmaking, what is provided is an opportunity to "meet" but not to "screen".

The bank manager explains, "Through our financial counterpart, we can ask them to recommend several local auto parts importers of certain scale, set up a schedule and accompany you to visit them." The bank manager further states, "The importers that the banks recommend, aside from having actual operations, are also the existing or target clients of the bank in terms of credit business, in other words, their external appearance and inner beauty have already been examined by the local banks, you can be rest assured."

Mr. Liu of course agrees that the local commercial bank is best suited for the introduction. Only a bank in Almaty is most capable to choose Kazakhstan auto parts importers, and only a bank in Baku is most capable to judge the leading auto parts importer in Azerbaijan. Moreover, if the local bank manager is willing to arrange and accompany him to the meeting, these major clients are less likely to dismiss him.

In addition, to learn about a company's inner beauty, one does not need to obtain financial reports from the banks and analyze for a long time, just only one need to see if the bank is willing to give the company a credit line. In other words, if the trade partner requests for open account, the local bank is also more likely to guarantee it.

Mr. Liu asked out of curiosity, "The local bank there is willing to help arrange and even accompany me to the visit?"

"Of course." The bank manager explains, "Overseas guests are the perfect excuse for bank managers to connect with these big clients. Whether they are current existing or target clients, these local bank managers will cling on to the guests for opportunity to meet these big clients. In one way, it means the banks highly value this client, on another aspect, after the visit of the overseas guests, the bank can continue to create opportunities to follow-up and contact them in hope for new business."

The Chinese Taipei bank manager spoke of his own experience, when he receives a call from overseas branch or foreign cooperating banks that there will be distinguished guests visiting Tainan, and to arrange a visit to the mayor or Chairman of certain large corporation, not only will he not feel annoyed, but glad for this unexpected opportunity to connect, which is a great opportunity for future business.

Mr. Liu then understands that asking this favor from banks in Baku to introduce the boss of major corporations in Azerbaijan, and even have the bank manager arrange and accompany in the visit is not asking too much, but rather creating opportunities.

Mr. Liu further asks, "So you know someone in the financial industry in Almaty and Baku?" The problem lies on who will be the person who helps bell the cat?
"I don’t personally know someone, but can help connect." The bank manager answers straightforwardly, "If I wrote an email to the bank in Almaty, they will probably consider it spam mail and delete it. However, if we contact the foreign bank in Taipei, and ask them to send an email to their branch in Kazakhstan or Azerbaijan, then they will not disregard the request. If you request the Taipei Branch of the European Bank for Reconstruction and Development (EBRD) to contact their branch in Almaty or Baku, a phone connection can also be made."

As for Taipei’s foreign banks or European Bank’s Taipei Branch, since their main business is correspondent banking, they often visit the local banks in Tainan to expand their business, and will thus be eager for having this opportunity to provide their courtesy.
Disaster Risk Management Measures for Small and Medium Enterprises

Enterprise Risk vs. Iceberg

Enterprise risk is like an iceberg. What you see above the water are tangible assets, such as equipment, property and profit, which can be secured by insurance policies; however, when a disaster occurs, enterprises themselves have to manage the risks of intangible assets like brand image, market share, competitiveness and morale, which are hidden below the surface and have no way to be transferred. Therefore, risk management is not only the key for enterprises to make sure they are meeting their business goals, but also a prerequisite of achieving sustainability and fulfilling their corporate social responsibilities.

The Meaning of Enterprise Risk

In a broader sense, risk can mean both opportunity and loss; by a narrow definition, it represents loss only. Value at risk is the loss level that will not be exceeded with a specified probability. Loss control is to reduce the frequency of potential losses and minimize loss severity. Reducing the frequency of potential losses can be done by well-designed education and training of employees, standard operation procedure, management and audit systems as well as instrument monitoring; in terms of minimizing loss severity, proper fire compartmentation, fire detection, fire suppression systems and flood and earthquake preparedness are common measures. Regarding time period to manage disaster risk, pre-disaster actions include risk assessment and disaster prevention; in post-disaster situations, contingency and recovery efforts are necessary. According to Fubon’s experiences, the cost of pre-disaster planning is always lower than that of post-disaster recovery.

Risk Management Measures for Enterprises

First of all, management decides and announces its policies. Next, the company establishes an organizational structure and authorizes assigned employees to work on promoting the structure. Then, the planning is done from top to bottom level with all the sub-plans in place. Those regarding disaster risk management, such as fire, typhoon and earthquake preparedness should be developed step by step in a proper order, from risk assessment, business impact analysis, risk control, contingency planning, post-disaster recovery strategies, business continuity planning, testing and exercising to continuous improvement. Lastly, it is pivotal to include risk management among the key performance indicators and follow up on a regular basis. One point to be noted is that risk
management is not to eliminate risk, but to reduce uncertainty to an acceptable level. Generally, the financial industry manages risk by setting risk appetite and risk tolerance level, while the manufacturing industry achieves the same effect through tolerable period of disruption and production capacity planning. It is important for enterprises to determine their risk tolerance levels according to their own characteristics and capabilities.

**Make Good Use of External Resources**

When it comes to risk assessment, many enterprises do not know where to start because conducting disaster risk assessment, be it earthquake, typhoon, fire or supply chain disruption, requires specific knowledge. If an error in the assessment or the scenario is too big or too small, the follow-up improvement measures or business continuity plans will not be effective. When implementing theirs plans, enterprises are suggested to seek advice and support from various professionals, risk management consulting firms or insurance companies. Most well-established insurance companies provide loss control services for enterprises. Take Fubon Insurance (Chinese Taipei) for example, apart from maintaining the 921 earthquake and Typhoon Morakot databases, it has collaborated with National Central University and National Taiwan University respectively to develop earthquake, typhoon and flood risk assessment systems. Moreover, Fubon Insurance has already been providing risk management and business continuity consulting services for many large-scale high-tech companies. It is necessary for enterprises to take advantage of the added value of a commercial fire insurance policy, which can be cost-effective in terms of risk management and helpful in implementing loss control measures.

**Conclusion**

The impact of global financial crisis has accelerated competition among enterprises. In order to win a place in the supply chains of leading international companies, apart from competitive price and quality, a supplier also has to be able to prove that its loss control measures can effectively reduce the risk of business disruptions. To this end, enterprises can implement various preventive and mitigation measures in line with international standards and best practices. It is suggested by Fubon that enterprises first conduct risk assessment, identify key processes, and then perform hazard and impact analysis for each of the processes. By incorporating business strategies, risk tolerance and cost-effectiveness analysis, an enterprise’s executive will be able to develop loss control strategies, implement relevant policies and maximize the benefits of risk management.
Enhancing SMEs' Global Competitiveness, Strengthening Women Participation and Entrepreneurial Development

APEC ministers and senior representatives from APEC Economies, met in Nusa Dua, Bali, Indonesia, on the 7th September 2013 for the 1st Joint Ministerial Meeting on Small and Medium Enterprise and Women, under the Chairmanship of Mr. Sjarifuddin Hasan, Minister of Cooperatives and Small and Medium Enterprises and Co-Chairmanship of Mrs. Linda Amalia Sari Gumelar, Minister of Women's Empowerment and Child Protection of the Republic of Indonesia, to discuss APEC’s roles in strengthening Women SME participation in APEC economies.

Recognizing the significance of women participation, the 1st Joint Ministerial Meeting on SME and Women was held in Bali on 7th September this year. Even though this meeting is the first-time cooperation between Small and Medium Enterprises Working Group (SMEWG) and Policy Partnership on Women and the Economy (PPWE), it is also a milestone of cross-fora collaboration. In the statement endorsed during the meeting, APEC ministers recognized the importance of women SMEs to our economies and reaffirmed the efforts made by the SMEs, including start-ups and microenterprises. Ministers encouraged the SMEWG and PPWE to continue to keep each other informed of their activities and to discuss common issues to help address commonly cited challenges faced by women in SMEs through policies, programs and actions in our economies.

In addition, the 37th APEC SMEWG Meeting was also held on 4th-5th September in Bali, under the chairmanship of Ms. Wimonkan Kosumas, Deputy Director-General of OSMEP, Thailand. During the meeting, the chair reviewed progress made by member economies on the 2nd SMEWG Strategic Plan and noted programming gaps and emerging issues for member economies to focus on. And the Chair invited member economies to share best practices and report on new projects related to each priority area, including Building Management Capability, Entrepreneurship, and Innovation, Financing, and Business Environment, Market Access and Internationalization.

Increasing Access to Finance for SMEs, and Empowering SMEs to Expand to the International Market

Commencing with the theme of "Enhancing SMEs' Global Competitiveness", the Ministerial Meeting put great emphasis on Entrepreneurship development, financial ability, and international market expansion. In terms of increasing SMEs financial ability, the United States reported the outcomes of APEC SME Trade Finance Conference inviting 21 member economies, and drew the
attention on the trend of finance and related policy; Indonesia implied that improving the financial situation with poverty, microenterprises and SMEs. The Chair urged all the member economies to follow the SMEWG Strategic Plans and tackle with the SMEs financial issues, which are, reducing barriers to commercial loans, creating microfinance program, creating a supportive policy, etc..

In the aspect of international market expansion, Australia gave a presentation on the directory of initiatives APEC economies have in place to assist their SMEs' access global markets, which can be either as a direct exporter of goods and services or as part of a global value chain. On the other hand, Chinese Taipei focused on improving SMEs Natural Disaster resiliency to facilitate the global supply chain, and made a presentation to illustrate the deliverables and outcomes of multi-year project 2012-2013 in collaboration with EPWG experts, including joint research and training program. To strengthen the SME disaster resiliency and global supply chain connectivity, Chinese Taipei has hosted the Train-the-Trainer Workshop on Promoting SMEs Business Continuity Plans in Taipei this August, which was the 5-day training program, joined by 44 seed trainers and 12 mentors, utilizing and disseminating the Guidebook on Business Continuity Plan.

APEC Accelerator Network Initiate the Development of Entrepreneurship in APEC region

Start-ups and SMEs are regarded as the driving force for sustainable economic growth and prosperity, especially in terms of facilitation of job creation, innovation of product and service, and next generation trade and investment. To promote the entrepreneurial development, many member economies have launched the direct and practical actions to benefit the start-ups. During the meeting, Korea, Mexico and Chile shared the best experience about the promoting entrepreneurship, yet the Philippines, the Unites States, Japan and Indonesia introduced their projects that emphasize Women entrepreneurs.

Chinese Taipei mentioned that the APEC Start-up Accelerator Leadership Summit and Intel APEC Challenge in Taipei on 13th-14th August 2013 served as a platform to offer mentoring, funding and networking resources to start-ups in the region. The two-day event attracted the participation of more than 600 people across the 20 APEC member economies, including top global entrepreneurship experts, business executives, policymakers and venture capitalists. Next year, Chinese Taipei will propose the APEC Accelerator Network Initiative to intensify the interaction among incubations/accelerators, bring the synergy of co-incubation, and help the high potential start-ups.

Innovation and Sustainability

To widely raise awareness of innovation and sustainable growth in APEC, the host economy of APEC SMEWG 2014, China announced that the theme of SMEWG will be Innovation and Sustainability, and focus on three priority areas, Increasing Innovation Capacities of SMEs, Improving the Environment for SMEs' Innovation, and Promoting SMEs' Growth through Innovation. In coordination with the Chair and member economies, Chinese Taipei will host the 38th SMEWG in Taichung, Chinese Taipei next year, along with the APEC Accelerator Network Forum and APEC High Level Policy Dialogue on Resilient SMEs for Better Global Supply Chains at the margins of 24th-28th March. With the cardinal invitation, Chinese Taipei invited high level leaders to join the meetings, which will be opportunities to deepen the multilateral and bilateral cooperation in APEC.