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Notes for Contributors

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Materializing Busan Roadmap: New Proposals for Trade Facilitation and Capacity Building

David Hong

Introduction

With the creation of the Busan Roadmap in 2005, APEC has shown that it is seeking to invigorate itself so as to maintain the momentum for achieving the Bogor goals. In 2006, with Viet Nam as the APEC host economy, APEC is once again in a strong position to make accomplishments that would continue to ensure the importance of APEC for enhancing the economic development of the Asia-Pacific region. Therefore, it is essential that APEC seeks ways for strengthening the work of APEC. The next step would be for scholars and APEC members to analyze the suggestions. Finally, APEC must work hard to make sure that suggestions are implemented wholeheartedly.

The purpose of this paper is to provide suggestions for APEC's work in trade facilitation and capacity building as stated in the Busan Roadmap. Trade facilitation and capacity building are significant for APEC. In the case of trade facilitation, APEC has implemented many actions in this area. Many Scholars and APEC members have considered APEC's work in trade facilitation as being more advanced than WTO. It has also been mentioned that APEC could place greater emphasis in trade facilitation instead of trade liberalization. In the case of capacity building, this issue has always been significant for developing economies of APEC. The reason is that APEC capacity building projects could assist APEC developing members in achieving objectives they have promised. Sometimes, APEC developing members have the will but they lack the expertise and financial support to accomplish tasks.

Thus we can see that through the focus on trade facilitation and capacity building, we would be able to strengthen APEC. In seeking to provide suggestions for APEC, this paper will strive to make certain that suggestions stated here are practical and would benefit all members of APEC, so that the possibility for implementation is increased. The

result is that the year 2006 would be remembered as an outstanding APEC year with Viet Nam as the host economy.

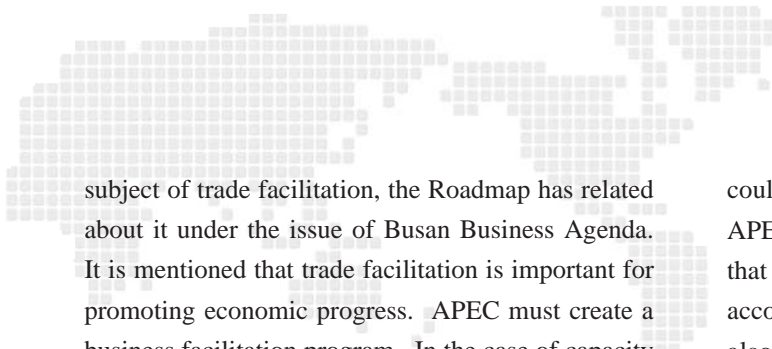
Overview of Busan Roadmap

APEC Economic Leaders announced the Bogor Goals in 1994 for the purpose of enhancing the economic development in the Asia-Pacific region. Essentially, the Bogor Goals call for the achievement of free and open trade and investment in 2010 for APEC developed economies and 2020 for developing economies. In 1995, APEC developed the Osaka Action Agenda (OAA) for the purpose of guiding APEC members toward the realization of the Bogor Goals. Subsequently, APEC members implemented the Manila Action Plan for APEC (MAPA) in 1996 which began the process of achieving the Bogor Goals through individual and collective actions.

In 2005, APEC made a review of progress towards the Bogor Goals called the Mid-Term Stocktake. The main finding of the review is that APEC members are working hard individually and collectively to ensure the attainment of the Bogor Goals. This means that APEC has strengthened economic development in the Asia-Pacific region. Therefore, the Bogor Goals remain significant for APEC today and in the future (APEC 2005).

As part of the 2005 Mid-Term Stocktake, APEC members developed the Busan Roadmap to the Bogor Goals for the purpose of providing direction for APEC' work in the immediate future. The Busan Roadmap consists of the following issues: 1) Support for the Multilateral Trading System; 2) Strengthening Collective and Individual Actions; 3) Promotion of High-Quality RTAs/FTAs; 4) Busan Business Agenda; 5) A Strategic Approach to Capacity Building; and 6) The Pathfinder Approach.

The Busan Roadmap has specifically discussed trade facilitation and capacity building. On the



subject of trade facilitation, the Roadmap has related about it under the issue of Busan Business Agenda. It is mentioned that trade facilitation is important for promoting economic progress. APEC must create a business facilitation program. In the case of capacity building, it is stated clearly in the section on A Strategic Approach to Capacity Building. APEC believes that ECOTECH is essential for achieving the Bogor Goals. Essentially, APEC recognizes the significance of capacity building effort. In order for APEC to better serve its members, it says that capacity building must link to the policy agenda of APEC (APEC 2005). Thus trade facilitation and capacity building are crucial issues for APEC.

Suggestions for APEC in Trade Facilitation and Capacity Building

In the following sections, specific ideas for enhancing trade facilitation and capacity building are suggested. The suggestions are categorized into three groups. The first part is about suggestions for trade facilitation. The second part deals with suggestions for capacity building. The final part states suggestions that are applicable for both trade facilitation and capacity building.

Trade Facilitation

First, APEC could create a new task force called Trade Facilitation Task Force (TFTF). The purpose of this task force is to coordinate APEC's work in trade facilitation. The main reason why TFTF should be created is that it would lead to greater improvement in strengthening trade facilitation. Since many APEC fora have tasks to accomplish in this area, the existence of TFTF would ensure better coordination. For example, there are many tasks that need to be completed in the immediate future, such as assessing the implementation of the previous Trade Facilitation Action Plan, the development of new trade facilitation plan, and the holding of the Public-Private Dialogue on Trade Facilitation. TFTF could coordinate all APEC tasks in trade facilitation with greater efficiency.

In addition, the TFTF could identify trade facilitation actions that APEC members and fora

could implement that would maximize benefits for APEC. The existence of TFTF would truly indicate that APEC is extremely serious about making greater accomplishments in trade facilitation. TFTF could also seek to promote the work of APEC in trade facilitation, since this is one area that has been widely recognized as the major success of APEC.

Second, APEC could assist WTO in the area of trade facilitation. It is widely acknowledged that APEC has made important accomplishments in trade facilitation. Since trade facilitation is also significant for WTO, APEC could approach WTO and find out what APEC could do for WTO in this area. For example, APEC could identify the trade facilitation issues that might be of interests to WTO. Additionally, APEC could serve as a testing ground for WTO to come up with an agreement on trade facilitation. It is worth mentioning that the Information Technology Agreement was first agreed upon in APEC and then in WTO. APEC is in a great position to play a leading role in WTO in the area of trade facilitation.

Third, APEC could ensure that recommendations from the private sector in trade facilitation are implemented. We are all cognizant that trade facilitation is important for the private sector because the implementation of trade facilitation actions could lead to the lowering of business transaction costs. This is the reason why the Busan Business Agenda of the Busan Roadmap relates the significance of trade facilitation for business. Therefore, businessmen certainly support trade facilitation. The challenge for APEC is to implement trade facilitation actions that the private sector wants the most. The holding of the Public-Private Dialogue on Trade Facilitation in Viet Nam during May 2006 is a great place to find out what trade facilitation actions would result in the greatest benefits for businessmen. The sponsors of the event have stated that they are seeking inputs from the private sector in trade facilitation (APEC 2006a). This shows that APEC is serious about hearing from the private sector. If APEC could announce that they are willing to implement many of suggestions from businessmen, then APEC would surely receive even

more support from them.

Fourth, APEC could identify and provide the capacity building needs of APEC economies in the process of implementing trade facilitation actions. When major trade facilitation actions are being implemented, it is essential for APEC to conduct surveys to find out the capacity building needs of APEC members, so as to ensure the implementation process would be smooth. The main rationale for this suggestion is to enhance the willingness of APEC economies to implement trade facilitation actions. There is the possibility that an APEC developing member would be more willing to agree to accomplish tasks if they are capable of doing so. An important APEC principle is voluntarism. APEC members could contribute more actions if there are incentives. The provision of greater capacity building needs could serve as the catalyst for more concrete actions in trade facilitation. Even though developed members of APEC might have to increase their contributions to capacity building in trade facilitation, it would lead to a win-win situation for all APEC members because the work in trade facilitation would improve significantly and more members would participate.

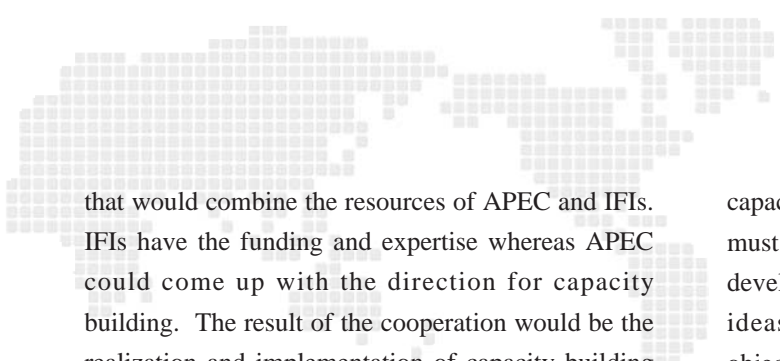
Capacity Building

First, APEC could strive to change the prevailing view that capacity building needs are principally for developing economies to one in which all APEC economies might benefit from capacity building projects. It has been said that APEC developed economies have emphasized trade liberalization whereas APEC developing economies are more interested in ECOTECH and specifically capacity building. The result is that capacity building projects in APEC are primarily implemented for the benefit of APEC developing members. However, the correct view should be that all APEC economies need capacity building. The reason is that both developed and developing members of APEC are still seeking to increase their level of economic development. Developed members of APEC may want different kinds of capacity building from that of developing members. It is suggested that APEC could explore the possibility of diverse categories of providers and

receivers of capacity building between APEC economies. The categories are: 1) developed economies to developing economy; 2) developed economies to developed economies; 3) developing economies to developing economies. The important idea is that an economy's needs in capacity building could come from both developed and developing economies. In addition, developed economies might want capacity building that could only be provided by other developed economies. If APEC promote the above notion, it would greatly enhance capacity building in APEC and lead to greater support from APEC members.

Second, APEC could enhance APEC's work in trade and investment liberalization and facilitation (TILF) and capacity building/ECOTECH with incentives in the form of providing more funding for implementing new projects. The main idea of this suggestion is that when it is shown that capacity building/ECOTECH projects have resulted in enhancing TILF then APEC could provide additional projects in capacity building that may not directly strengthen TILF but are needed by developing members. It has been said that ECOTECH should support TILF, so as to assist with the achievement of the Bogor goals. Since developing members of APEC need more capacity building projects, developed economies could provide additional projects when developing members of APEC have provided support for capacity building/ECOTECH projects that lead to the enhancement of TILF. Furthermore, when developing economies have implemented TILF actions then developed economies could initiate more capacity building projects of importance for developing economies. The point of this suggestion is to provide incentives for developed and developing economies to implement concrete projects in both TILF and capacity building/ECOTECH.

Third, APEC could seek cooperation with international financial institutions (IFIs), such as the World Bank, Asian Development Bank, and etc. on the issue of capacity building. APEC and IFIs have held two roundtables together regarding ECOTECH. There is the need for more roundtables in the future to discuss ways for cooperation. This paper suggests that capacity building projects could be implemented



that would combine the resources of APEC and IFIs. IFIs have the funding and expertise whereas APEC could come up with the direction for capacity building. The result of the cooperation would be the realization and implementation of capacity building projects that APEC developing economies truly need and also that would generate tremendous amount of positive impact.

Suggestions Applicable to Both Trade Facilitation & Capacity Building

First, APEC could focus on the implementation of actions in both trade facilitation and capacity building that maximize benefits for APEC members. This means that APEC could first identify areas that are significant. For example, in the case of trade facilitation, APEC could concentrate on the area of harmonization, standardization and recognition. This area is clearly stated in the APEC Trade Facilitation Principles as being important. Certainly, all the areas mentioned in the Principles are significant, but it is possible to rank them in terms of significance. In the case of capacity building, APEC could identify projects that truly increase the technical expertise of the participants. In order to come up with major actions, APEC could invite experts and businessmen to hear their suggestions. Since ABAC has been active in APEC, it could be asked to rank actions in terms of their ability to bring benefits. The bottom line is that APEC could generate greater impact for the Asia-Pacific region when concrete actions are implemented.

Second, APEC could utilize APEC's work in trade facilitation and capacity building to serve as guidelines for creating the criteria for new APEC membership in 2007. In 1997, APEC placed a moratorium on new membership until 2007. Therefore, other economies in the Asia-Pacific region could apply for APEC membership in 2007. At present, a few economies have indicated their interests in joining APEC, such as Ecuador, India, and Mongolia. APEC could begin to examine the criteria for new APEC membership. It is suggested here that new members of APEC must be capable of contributing to APEC's work in trade facilitation and

capacity building. In addition, new APEC members must be able to greatly benefit from them. With the development of criteria that incorporates the above ideas, APEC could choose new members in an objective manner.

Third, APEC could allow greater participation of scholars in the APEC process when dealing with issues of trade facilitation and capacity building. The reason is that trade facilitation and capacity building actions have become complex. Particularly, concrete actions that maximize benefit are certainly complicated because they involve greater detail and technicality. If APEC fora invite scholars with greater frequency to APEC meetings, scholars could provide significant amount of information and analysis on the actions that APEC are formulating. Presently, PECC holds observer status in APEC and has conducted several research projects. The role of PECC could be expanded in APEC, so as to provide greater analytic capability for APEC. Certainly, scholars from other organizations should also be invited to assist APEC. The result is that government officials attending the APEC meetings could increase their knowledge of trade facilitation and capacity building issues and thus could make more effective decisions.

Fourth, APEC could consider the implementation of greater number of trade facilitation and capacity building actions that utilize the Pathfinder Approach. An important aspect of the Busan Roadmap is the emphasis on the Pathfinder Approach. This means that a group of APEC members could implement projects without the need for all APEC members to participate. The Pathfinder Approach brings flexibility to the APEC process.

Views of Technological Impact on Disney

Eli Reiter and Darson Chiu

In today's turbulent business environment, many organizations continually grow and change to meet new market conditions. One company that has successfully met these challenges is the Walt Disney Company (Disney). The company originally founded in 1923 by Walt and Roy Disney in Hollywood, California, exemplifies an organization that, through continuous evaluation of its internal functions and inter-organizational relationships, has achieved status as the second largest media organization in the world (Walt Disney Company, 2005). In addition, the company has been able to extend its success to Asia. Tokyo Disneyland, and the Disneyland in Hong Kong are another two successful stories that are ongoing in Asia.

To understand the challenges Disney will face in the future, this paper first presents a brief overview of organizations and their conceptual framework. The next section analyzes Disney's historical performance, including both successful and suboptimal periods. Employing the contingency theory as a conceptual framework helps one to make recommendations for future successful performance. The paper will discuss the impact of technology on Disney's organizational performance, core and enabling technologies, organizational structure, behavior, and relationships that enable the organization to continue to grow and maintain a position as a Fortune 500 company and one of the largest organizations in the world.


Organizational Overview and Conceptual Framework

There is no universal theory or definition descriptive of the ideal organization. Scott (2003) defines an organization as "congeries of interdependent flows and activities linking shifting coalitions of participants embedded in a wider material and institutional environment" (p.29). Traditional theorists such as Fayol, Weber, and

Taylor, held the belief that organizations based on rational principles of coordination and specialization, with various levels of hierarchy and bureaucracy, determines the organization's mechanistic design or structure (Scott, 2003). Disney must understand the need to develop multiple structures to ensure organizational goals are met.

Diversity, technology, and ambiguity in organizations have evolved over time with organizational systems developing to meet these changing demands. One theory that allows for organizational flexibility and adaptation necessary to meet these challenges is contingency theory. According to Scott (2003), "[c]ontingency theory is guided by the general orienting hypothesis that organizations whose internal features best fit the demands of their environment will achieve the best adaptation" (p.96). In order to maximize effectiveness and productivity, Organizations must continuously assess its boundaries apportioning and allocating the work accordingly. Jones (2004) posits, "[a]ccording to contingency theory, an organization's design should permit each function to develop a structure that suits its human and technical resources" (p.235).

The basic components in contingency theory are size, environment, technology, and institutionalization. Size includes the number of an organization's employees, capacity, resources, and available markets (Scott, 2003). Environment refers to an organization's ability to adapt and is composed of domains, interrelationships and populations (Morgan, 1989). Scott (2003) states, "technology to structure relates to complexity, uncertainty, and interdependence" (p.261). Galbraith (1974) proposed that the greater the technology and uncertainty of the task, the more information has to be processed and the integrating mechanisms of goals, rules, and roles no longer suffice. Institutionalization contributes the interface of human, political, social, and cultural



environments within an organization. Factors that affect institutionalization include stakeholders, organization's governance, and moral and cultural systems.

Size

The Walt Disney Company is an international company in the business of entertainment. Disney's operations encompass film entertainment, amusement parks and resorts, retail stores, radio and TV stations, and consumer products to name a few. The Disney product lines include theme parks and resorts, media industries, broadcast entertainment, and consumer products. (The Walt Disney Company, 2004; Walt Disney Company, 2005).

From 1984 to 2000, Disney's size, capacity, resources, and available markets changed radically. The number of employees at Disney grew from 28,000 to 110,000 (Rukstad and Collins, 2001, p.14) due to the organization's acquisitions. "As of the year 2000, Disney's business lines consisted of Media Networks, Studio Entertainment, Theme Parks and Resorts, Consumer Products, and Internet and Direct Marketing business line" (Walt Disney Company, 2005). Studio Entertainment product line activity covers animation and action movies, television, pay per view and cable productions, syndication, and music productions. The Theme Park and Resorts product line activity encompass theme parks and resorts, franchises, and licensing of the Disney name and characters. Disney Consumer Products line includes the Disney videos and books. Consumer Product lines include retail stores, publishing, computer software, film, video and the educational market. Disney's online activities and catalog fall under the Internet and Direct Marketing product area (Rukstad & Collis, 2001; Walt Disney Company, 2005).

Environment

Disney growth in the global market faces many challenges to continue creating innovative new ideas as other competitors. Disney's success depends on the theater of the mind. Disney creates products that people cannot touch. Disney's core product is seen

and felt, rather than touched.

Disney has been successful in its drive to ensure that the marketplace knows its name, products and services. Disney's success is due to the development of "a meaningful vision, essential mission and comprehensive set of values that everyone is aware of" (Rastakhitz, 2004, p.19; Walt Disney Company, 2005). The Walt Disney Company management in the global market developed a strategy to partner through a joint venture with governments such as the Japanese government in the Tokyo Disneyland, and the Chinese government with a Disneyland in Hong Kong (Walt Disney Company, 2005).

According to the Disney Chief Executive Officer Eisner (The Walt Disney Company, 2004), creativity, and content are the keys to success. Disney develops content, markets, distributes then recreates this in other markets. Basic strategies in business consist of the organizations objectives, sales revenues and capital but competitive advantage depends on creativity. Disney management focuses on ensuring the creative talent is always available. Disney places its brightest people in new positions with new responsibilities moving of talent, regrouping, or succession planning putting new eyes on existing situations, which fosters innovation, creativity, and increased performance. Disney's success is due to a work environment, which encourages and rewards creativity. Wetlaufer (2000) calls this practice "regrouping through creativity" (p.2). Eisner (1996) states, "[f]or this to work, you must have an environment where people feel safe about giving ideas" (p.5). Disney has established an Imagineering Team whose function is to come up with ideas and concepts (Baghai, Coley, White, Conn, & McLean, 1996). These ideas and concepts build on the Disney core value of uninhibited discussion, thus enabling creativity.

Institutionalization - Organizational Structure

Disney's many operating business units work together within an open systems environment. The open system approach, emerging after World War II, has created many new concepts for thinking about

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organizations. The open system perspective is not concerned with formal or informal structures but viewed as one whose activities are interdependent and emphasizes cultural-cognitive concepts in the organization. The environmental forces shape the structure and function of the organization with the organization subunits monitoring the environment for opportunities and threats and react accordingly in adjusting the organizations structure (Shaw, 2003). The open system perspective takes in resources from its environment, processes them, and produces an output. The system depends on its environment, and on interactions between its component parts and subsystems.

It is important to consider the relationships of interaction between the organizations subsystems and their environments within the organization. Klimowicz (2004) stated a better method for managing an organization depends on contingencies and complex environments, which exhibit greater differentiation, loose coupling, resulting in lower interdependence. Stockholder malcontent over the years nullified somewhat with Disney's declaring a \$334 million dollar dividend and plans to continue this sharing of profits at a higher level as profits increase. Stable environments have greater integration, tight coupling, resulting in higher interdependence. Disney exhibiting a complex environment having greater differentiation, and loose coupling is therefore an open system. The open system employed places more responsibility in people further down the organization, which reduces administrative costs in addition to other costs that would have occurred with an unfriendly workforce.

Disney management understands that success depends on motivated employees committed to organizational objectives. The behavioral approach fit the needs of the Disney work environment. Work rules, standards, and technology do not guarantee good work performance and Disney managers have learned to understand and work with the people having different backgrounds, needs, and aspirations. The Disney approach enhanced using project teams supported by the latest information and communication technology helped the company succeed in its turnaround effort.

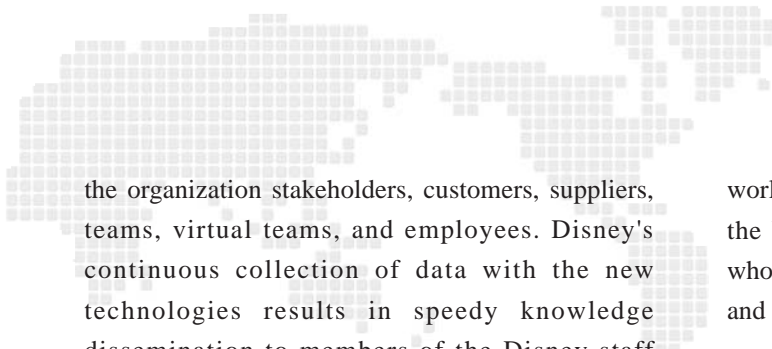
Technology

Technology is one of Disney's core integrating tools, enabling teamwork and increased effectiveness in daily decision-making. With respect to technology, Bolman and Deal (2003) see teamwork and interdependence having flexible roles and coordination through lateral relationships as keys to successful organizational performance. Disney uses technology to evaluate programs and processes. They use teams to gather data input into corresponding databases (Zimring & Rosenheck, 2002). The teams track performance of equipment and materials, interview guests about facilities and service and conduct research about the number of people on Main Street waiting to enter gates or use the restroom. The goal is to keep the pulse on the infrastructure and to interpret data that will identify opportunities for improvement.

Impact of Technology on Organizational Performance

Technology has become an increasing presence in the workplace. According to Kiernan (1995), "the largest single influence on organizational architecture and design has been the evolution of information technology". Information technology attractiveness of the past decade made people in organizations more knowledgeable, and efficient, the organizations more competitive and profitable. In our society knowledge plays an important role therefore organizations to be successful must become proficient at information processing and knowledge creation (Delbaere, Bruning & Sivaramakrishnan, 2002).

Information and communication technologies cannot provide effective knowledge management but can enhance an organization's capability to communicate between departments managing the flow of information and knowledge. The impact of technology has been very beneficial to organizations by making information available to all departments and members no matter what time and where they are located. In addition, technology has enhanced communication channels between buyers and suppliers establishing faster and better services. Technology has dramatically increased the organization's communication and its availability to



the organization stakeholders, customers, suppliers, teams, virtual teams, and employees. Disney's continuous collection of data with the new technologies results in speedy knowledge dissemination to members of the Disney staff making this process one of the enabling technologies for the Disney knowledge base.

New technologies have emerged having great changes in telecommunications and computer technology. The emergence of these new technologies enhances the use of virtual teams. Townsend (1998) states, "Virtual teams are groups of geographically and/or organizationally dispersed coworkers that are assembled using a combination of telecommunications and information technologies to accomplish an organizational task" (p.18). Disney's use of teams fits the Disney open system philosophy and used extensively on all types of projects enhancing employee performance.

Core and Enabling Technologies

Organizations compete for customers and market share meeting customer needs with products and services. Core technologies are the organizations innovative combinations of knowledge, special skills, proprietary technologies, information and unique operating methods providing a strategic force for the organization (Greaver, 1999). Core technologies are what elevate the organization's products and services above competitor's offerings.

Disney's core technologies have evolved over time beginning with the pioneering of Walt Disney, one of the founders of The Walt Disney Company. Dilts (1996) stated, "Walt Disney's ability to connect his innovative creativity with successful business strategy and popular appeal certainly qualifies him as a genius in the field of entertainment". Disney chose the animated film as his medium of expression, which he was able to accomplish by taking images from his imagination and develop it into a physical concept that was able to influence others in a positive manner. The Disney's characters, animated films, and amusement parks offered a unique concept having an ability to synthesize and simplify basic yet complex principles having

worldwide appeal. Disney cultivates imagination in the Walt Disney Imagineers (WDI), a think tank whose function is to come up with ideas to build on, and use those ideas to continue to build on.

The Imagineering team consists of about 1000 people from diverse backgrounds. The artists, engineers, architects, and songwriters each contribute to make Disney's imaginary world. The Disney theme park attractions, rides, and restaurants are some of the charges of this group. The Imagineering concept goes further as projects are reviewed by Disney's corporate office who explores the feasibility and commercial aspect of the project bringing financial discipline to the process. This cross-functional process exploits the special abilities of the different types of people as they implement discipline and imagination in the process (Day, Schoemaker & Gunther, 2000). The enabling technology is Disney's ability to communicate and market the theme parks internationally offering recognition, management and conceptual designs (2000). Enhancing this Disney is able to bundle other core technologies of its recognizable characters, newly acquired Muppets, February 2004, and the Disney brand name in the theme park concept.

Intellectual Property

Disney's intellectual properties are one of its most valuable assets. Protection of their intellectual property rights forms a barrier to entry against competition. Disney's properties include written and artistic property, literature, videos, patents, software designs, and electronic circuits in theme parks, Internet innovations, and business processes. In addition, trademarks protect Disney's brand names, character names, logos, slogans, and other distinguishing symbols (Verizon Foundation, n.d.).

Another enabling technology employed by Disney is its privileged assets and bundling of skills. As stated, some of Disney's assets include brands, networks, infrastructure, skills, and processes; by far Mickey Mouse and the Lion King are its most intellectual assets (Baghai et al, 1996). Combining skills and placing value on its assets, Disney has

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virtually eliminated competitors from copying their products. However, due to the severance with Pixar in 2004, Disney is now more vulnerable to competition should Pixar ally with Warner Brothers (Denning, 2004).

Knowledge Management

In the business world knowledge plays a very important role in today's organizations. Organizations, internally and externally, are impacted by the continued growing importance of knowledge. Delbaere, Bruning and Sivaramakrishnan (2002) stated that organizations having resources that are non-imitable and rare can achieve sustainable competitive advantages. Disney's dramatic turnaround in the 1980s is attributed to the success at implementing information technology. Kiernan (1995) noted, "[i]nformation technology was ... a core element of the turnaround of Disney". In addition, cross-functional teams replaced the Disney exploration and production division. The new information systems and computing resources provide the communication between teams and sharing of a common database. The unique system gave all involved tools needed to perform any needed functions themselves (Kiernan, 1995). The information and communication technology helped make knowledge management one of Disney's premier core technologies. Disney employs unique data collection systems, which enable Disney's staff to change market strategy and control the flow of crowds in theme parks, and adjust strategies within short timeframes. Disney's enabling technology for their knowledge management system is their information and communication technologies and computer network system.

Many information systems departments themselves are also discovering that they can stimulate improvement in overall company performance by integrating information systems to internal structural change. To do so, it involves establishing self-directed work teams having more responsibility and freedom (Kiernan, 1995).

Relationship Marketing

Disney focuses on the activities of its customers in many of its locations. Disney, a customer-driven

organization in Disney amusement parks, prides themselves in determining the number of service encounters that will influence the customer's assessment of the purchase. The encounters are what Disney considers opportunities to develop social bonds with customers providing benefits for customized service (Berkowitz, 2003).

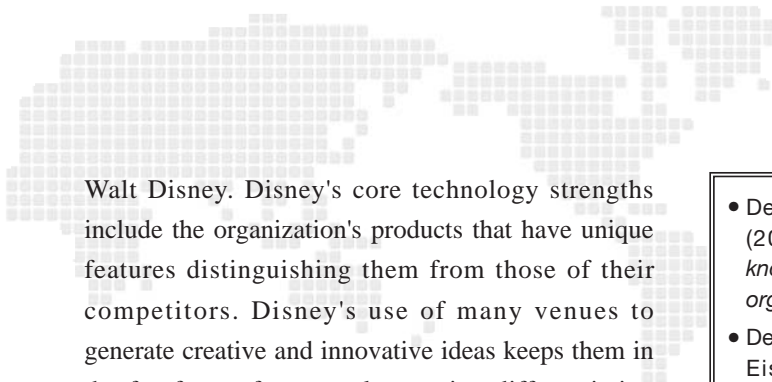
Joint Venture and Partnerships

Disney has entered into many partnerships and joint ventures preparing themselves now for the markets of tomorrow. Licensing agreements include Oriental Land Company, owner of Tokyo Disney Land, Canadian Mounted Police, Pixar Animation Studios, McDonald's, MGM, Amazon.com, Bank One Corporation, Hewlett Packard, The Children's Place, and the Chinese Government agreement for a Hong Kong Disney World. These ventures, partnerships and licensing agreements are unique core technology opportunities, which become barriers to competition. The opportunities are enabled by the Disney stature, brands, concepts, and designs of their Imagineering group.

Conclusion

Disney has faced many business challenges in the past few years. The management of Disney's diverse business lines has become a nightmare. The Disney theme park business line and movie operations have been successful over the years; however, the new complex Disney continues to struggle for growth and profitability. In the latter part of the 1980's Disney, being smaller and focused, recorded increasing sales and profits with an average sales growth of 23 percent annually and income growth of 50 percent annually. According to Kotler and Armstrong (2004), "[d]uring the most recent five years the more diversified Disney's sales have grown at an average rate of only 3 percent annually; net income has fallen 23 percent a year" (p.40). The affects of Disney moving too far from its core technologies, growing too large and diverse has influenced the organization's sales, profits, management, and key alliances.

Disney can survive these and other challenges facing it because of its strong commitment to the vision, mission, and values started by the founder,



Walt Disney. Disney's core technology strengths include the organization's products that have unique features distinguishing them from those of their competitors. Disney's use of many venues to generate creative and innovative ideas keeps them in the forefront of constantly creating differentiation strategies. The Disney brand name strength is due to its global presence in films, theme parks and its global strategy of establishing partnerships with governments in key population centers of the world is another unique business advantage employing Disney core technologies. The company's ability to extend the life of their years of creativity of characters, stories, and other entertainment experiences is a very unique competitive advantage. The Disney characters and the recently acquired Muppet characters are another Disney advantage due to worldwide character recognition, and primetime cable television exposure, which help Disney reach its audience throughout the world.

It is recommended that Disney remain focused using its core and enabling technologies, develop and or acquire new core unique characters, remain on the leading edge of technology to enhance its knowledge base, continue to use project teams, and not diversify beyond its present business structure.

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Some Thoughts on the Economic Impact of Aging Population in Taiwan

Chia-Yen Yang and Ching-Wen Cheng

Introduction

Given the seemingly inevitable trend of population ageing, the possible impacts on the development of an economy have been of great concerns to many countries. While conventional attention has been paid mainly to its negative effect, it is undeniable certain new business opportunities coexist. In this paper, the authors reviewed briefly the definition of population ageing, and discussed the possible channels both for the challenges and opportunities, followed by the overview in the global trend of population ageing. Then the special focus was placed in Taiwan on the new business opportunities. Finally, certain policy implications were presented in some details.

Delineating the Ageing Population

Population ageing means the average age of population has been increasing. Conventionally, population ageing is defined as the transition process from that with high dependency rate to low, where the dependency rate may be defined as, for instance, the ratio of population with the age of over 65 to that with age between 15 to 64. Obviously, given the continually prolonged human life expectancy nowadays, certain adjustment has been required for the classification of elderly population. Generally, elderly population means the part of total population exceeding certain age threshold, which may differ due to the factors of time and geography. At present, according to the World Health Organization (WHO), the age threshold for the elderly population is set at 65, and a society would be called as an aged society if the ratio of population with the age of 65 or above exceeds 7%, or if the ratio surpasses 10% of population with the age of 60.

The Possible Impact of Population Ageing on the Economic Development

Common opinion holds that the direct economic

impact of population ageing would be decreased productivity for an economy, and increased burden on the public finance, which leads to the negative impact on such macroeconomic factors as private consumption, housing spending, public consumption, national saving, labor participation, and the like. Given the fast pace of population ageing in Taiwan, long-term labor supply may soon become an important issue. At the end of year 2004, the population aged at 65 or above amounted to 2.14 million, accounting for 9.4% of the total population. According to the estimation by the Council for Economic Planning and Development (CEPD) of the Executive Yuan in Taiwan, the share of the population aged at 65 or above in 2006 might reach 4.9 million or 20% of total population. The dependency rate might drop from 7.6% in 2004 to 3.3% in 2026, which meant doubled burden of the working force. Under such circumstances, several issues become more and more important as follows:

- (1) Resources required for the elderly population in medical care might become tremendous burden to both the public and the household.
- (2) The devotion of national income to the various supports of the elderly population might lessen that to the productive investment, leading the gradual slowdown of total production and national income per capita.
- (3) The decrease of domestic productivity and slowdown of economic growth might come along with the heightened burden of social welfare, leading to the possible crisis of public finance.
- (4) Population ageing might reduce the overall capability and pace of absorbing new knowledge, weakening the innovation activities and the prospect of the long-term development for a society.

While less potential of income growth might be regarded as the characterizing feature of an ageing society, certain new business opportunities might as

well direct the adjustment of resource allocation. Since population ageing often comes after economic development and national income level of certain extent, various markets for fulfilling the demands of the elderly population would gain the high potential of development. Besides medical needs of the elderly population, lengthened working career on average might as well create the demand of life-long learning, training, and education. Examples also exist in the products and/or services areas of food, clothing, housing, transportation, recreation, education, medication, and others.

International Overview: the Current Status and Trend of Population Ageing

According to the statistics of United Nations, in 2002 the global population aged at 60 or above amounted to 628 million, accounted for 10% of global total population. One estimate was that in 2050, the global population aged at 60 or above could reach 1.96 billion or 21% of global total population, as shown in the following table. That is, there could be one aged at 60 or above every 5 persons at that time. Also, among 187 countries in 2002, there were 23 countries with the ratio of the population aged at 60 or above to the total hitting 20% or above, while some 27 countries fell in the range of 14% to 20%, some 18 countries in the range of 10% to 14%, some 37 countries in the range of 7% to 10%, and the rest 82 countries all no more than 7%. The top 10 most aged countries were, in the ranking order, Italy (25%), Japan, German, Greece (all around 24%), Sweden (23%), Belgium, Spain, Swiss, Bulgaria (all around 22%), and Austria (21%). Taiwan, in 2002, saw the population aged at 60 or above amounted to 2.83 million, accounting

for 12.6% of its total population, ranking as the 59th among the above 187 countries.

The estimate as mentioned above also showed that, in 2002, there were about 338 million people aged at 60 or above in Asia, accounting for 52.97% of global total. Moreover, with the fast growing pace, in 2050, the above percentage in Asia would reach 62.51%. In Asia, Japan has been the most ageing society; in 1950, the population share with the age of 65 or above was only 4.9%, but as the economy developed, the share grew to 7.1% in 1970, reaching the threshold of "an aged society" within only 20 years. At present, the population aged at 65 or above constitutes about 20% of the total population in Japan, i.e., one senior citizen out of five. Some estimation maintained that in 2020, there would be one senior citizen out of four.

As for Taiwan, the ratio of the population aged at 65 or above to the total has exceeded 7% since 1993, reaching the threshold of the aged society defined by the United Nations. In 2004, the above share in Taiwan reached 9.4%, meaning also 2.14 million in number. Compared with the western developed countries, the pace of population ageing in Taiwan has been significant. According to the estimation of CEPD in Taiwan, the dependency rate might worsen from every 7.6 laborer supporting one senior citizen at present to every 2.7 laborer supporting one senior citizen 20 years later, and further to every 1.6 laborer supporting one senior citizen in 50 years. As the population ageing continues, its related impact and influence have to be of major concerns.

New Business Opportunities in Taiwan

With the increase of senile people and the

Global Population Ageing Trend Estimation

Region	Aged at 60 or above (mil.)		Aged at 60 or above (%)	
	2002	2050	2002	2050
World	628	1,963	10	21
Asia	338	1,227	9	23
Taiwan	3	8	13	36
Europe	148	221	20	37
N. America	52	119	16	27
M. & S. America	44	181	8	22
Africa	42	204	5	10
Oceania	4	11	14	23

Note: 2050 estimates were based on the assumption of medium-growth scenario.

Source: R.O.C. Social Indicators and Statistics 2005, published by Directorate-General of Budget, Accounting, and Statistics (DGBAS), the Executive Yuan, Taiwan.

improvement of average national income, the market for senior citizens is rapidly extends. The industry of senior citizen is the key point for advanced countries to improve the senile people's living quality, jobs creation and economic vitality. In order to develop the industry of senior citizen, the government draws up plenty relative administrative policies and eases related legislations. For instance, promoting measures of medical treatments and attending services, encouraging civic groups to participate elders' residences progress. There are new business opportunities as listed below:

1. Residence and Elder Caring

Generally, the grandparent-grandchild family is the most suitable resident arrangement for elders. Beside the caring and emotional supports from their children, a safe environment and the facilities for elders should be taken more into consideration. Therefore, residences with integration of housing services like the senior-apartment and senior-community have become popular.

According to the announcement, "The Taiwan senior citizens' survey about changing states of residences, tasks and health in 10 years," published by the Bureau of Health Promotion (BHP). Since 1989 to 1999, the proportion of elders living with their children declines by 22%, from 71% to 49%, the elder solitary ratio makes no obvious change, and the ratio of married cohabitation rises. These ratios show that Taiwan senior citizens tend to live within their own circle. Similarly with U.S., the American proportion of elders living with their children is only 1%, most senior citizens choose to live in the rest home or other elder caring institutes, and don't live with their children. From these proportions, the suites, communities and apartments designed for elders could be the future stars in the real estate market.

About the elders caring institutes, there are over 700 caring institutes in Taiwan, but lower than 20% are legally registered with the government. Most of the elders caring institutes which elders lived didn't follow the legal regulations or register. Only 6% of Taiwan elders live in the elder caring institutes. Comparing with the 22% in U.S., the market of elder caring still has a huge space to improve.

2. Health and Medical treatment

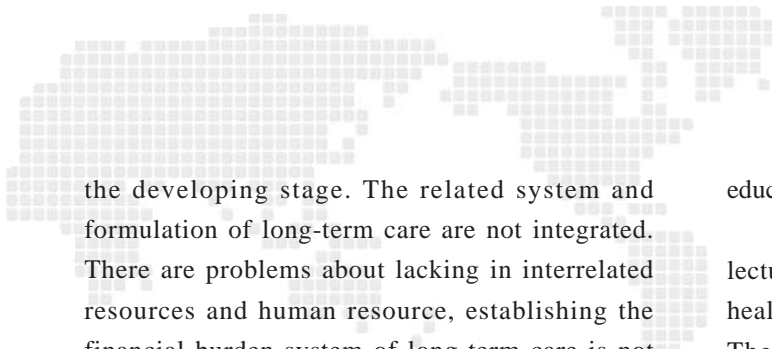
With increasing age, the obvious change is on physiology. A longer life isn't the main problem any more. Now, how to live healthy is the forward focus. Besides, with the high speed growth of the elder population, the incidence of chronic disease and physical impairment arise. So we need more comprehensive long-term care, including medical treatment, nursing and social serving.

With the elder population, the gerontological medicine becomes more important. By estimation, the people aged above 65 will consist of one fifth of total population, the people aged above 65 are half the hospitalized patients and one third the outpatients. Recently, paying more attention on the gerontological medicine in Taiwan, Taipei Veterans General Hospital established the Jiang Ch'ing-ling Gerontological Development Center in order to research on elder disease. The Gerontological Society of Taiwan even held the first examination of specialist's license in 2003.

In the area of gerontological medicine, extending life is meaningless. The development of anti-aging medicine is the second medicine revolution after the preventive medicine. In foreign countries, the anti-aging medicine centers have been established widely. Even China has founded the anti-ageing policlinic, and leads in the technology of anti-ageing medical treatment from occident. The turnover of anti-ageing clinics is over a hundred million, the turnover of total anti-ageing market is 20 billion per year. Even the cost of anti-aging medical treatment isn't cheap, there are still many business people scrambling for it. There are more than ten clinics which featured the anti-ageing treatment have opened in Taiwan. In these clinics, the anti-ageing medical treatment costs about two hundred thousand to one million NT. By the consultation from anti-aging doctors, deferring the aging speed certainly has the attraction to the resourced senior managers.

Medical treatment and health protection are always the most important issues to senile people. The biotechnology which improves the progress of medical treatment will be the evolutionary key point in the future elder society, and contains a huge business opportunity.

In the area of long-term care, Taiwan is still in



the developing stage. The related system and formulation of long-term care are not integrated. There are problems about lacking in interrelated resources and human resource, establishing the financial burden system of long-term care is not complete. These problems have caused senile people and their families who have many pressing needs of long-term care to not have the suitable treatment, and also cause a lot of social issues and distractions. Under the imperative demand of elder care in the future, the industry of senior citizen should be taken in the bright side.

Another star in the elder market is the anti-aging market. According to the estimation, the scale of anti-aging market is 400 billion NT. Because of the terror of aging, the market doesn't only include the senile people, but also the middle-aged people who are beginning aged. The trend of anti-aged will be invincible in the future. The healthy food products put on the shelves of the health and beauty outlets like COSMED and Watson are much more popular. According to the statistic from the Food Industry Research and Development Institute (FIRDI), there are 77% of people in Taiwan have eaten the anti-aged healthy food products. Expecting that the market scale of healthy food products will be 41.2 billion NT and the market of anti-aged treatment will have 20 billion NT to improve in Taiwan 2006.

3. Education and Leisure

To the senile people, assimilating new knowledge and skills are important ways to adapt and join the society. Keeping the faith of lifelong learning, through the community collages and many kinds of courses can satisfy the mental and psychological demand of senile people. Besides, the advocacy and formulation of leisure activities which can maintain the physiological functions are essential.

In recent years, Lifelong learning is a popular slogan of the government. In fact, with the coming of aged society and rapid improvement of technology, lifelong learning won't only the slogan, but also an invincible trend. Under that trend, it contains an enormous business opportunity about

education and learning.

In Japan, there are elders' universities and lecture courses. The programs include gardening, healthy cooking, and elders' financial formation. They can match the demands of senile people. Similar with Japan, recent years in Taiwan, elders' universities, community collage and evergreen academies are in great demand, especially the courses of language and computer.

In the pass, we considered that only young people use the internet. But, according to the data from the U.S. Census Bureau, 12.8% of the senile people aged over 65 used the internet in 2001. According to the survey of FIND in Taiwan, the internet using ratio of senile people aged over 50 is 5.31% in 2002. Although the proportion of internet trading within the senile people who use internet is only 18.5%, much lower than the proportion of 52% in America. It could be explained that most of the senile people can't use computers, not even the internet trade. We repeatedly emphasize that after 5 to 10 years, the senile people are from the recent baby boom, and many of them use the computers and internet today. The situation that old men don't know how to use computers will definitely change, and the derivative business opportunity is amazed. For instance, the website MatureMart.com, which totally designed for senile people, only considered the health protecting and nursing products, the market value is estimated to be 15 billion dollars.

From the point of Taiwan elder market, the potential of elders' education and learning have boosted. Currently, the government and civil nonprofit organizations are the main institutes which manage the lifelong learning by reducing the tuition or free. With the increasing of elder population in the future and lifelong learning is invincible, it must be shortage if we only count on the government and civil nonprofit organizations to handle this free learning. Facing the bigger market in the future, supporting by the demand of lifelong learning, the business opportunity is underlying.

When the income is rich enough, people often begin to pay attention to leisure activities. Currently, the young people in Taiwan tend to attach

importance to leisure activities. In the future, the elders will keep on this trend. Comparing with any other age levels, the elders are the most qualified to have leisure activities. They don't have the pressure to advance to a higher school, don't need hard-working to support family livelihood, and don't sleep too long. Most of time, the elders can do what they want, and deal with leisure activities.

In the case of American elders' leisure business opportunity, the leisure market scale is estimated close to 200 billion dollars. In the part of long and luxurious travels, 80% of customers are elders. In the American rental bus market, almost one third of the buses are rented to the elders for trips. It's obvious that the consumption power of elders is amazing. Similarly, the elders' travels become more popular in Taiwan.

According to the survey in U.S., the elders like excitements very much, but their physical conditions can't sustain too strong excitement. The elders only can be satisfied with the mental stimulus, for example, learning new knowledge, space experience, and science experiment. Therefore, many of the American elders' travels are self-service intellectual and purpose to see the local condition around the word. The elders' travel is definitely a very important business opportunity in the future. We can tell the trend in Taiwan, and the trend is improving.

The senior citizens consumption market is bound to be the tendency in Taiwan. Formerly, the senior citizens are generally considered to live in the social edge, and ignored that when Taiwan steps into the aged society, the senior citizens will become the most powerful consumers. They have high incomes, and more time to do many kinds of activities or consumer behavior. In the future, the senior citizens consumption market can't be ignored anymore. It is ready to create a huge business opportunity. The aged population means that the proportion of elders is increasing. With the differences of consumption power and behavior between the elders and young, the enterprises need to adopt adequate marketing strategies in order to create a brand-new business opportunity.

Policy Implications for Taiwan

Population ageing could place Taiwan under the

risk of productivity reduction, and increasing burden on the younger generation of supporting the elderly population. To mitigate the negative impact of population ageing on the development of Taiwan's economy, certain countermeasures could be studied, planned, and adopted as follows:

1. Measures of lifting birth rate

(1) Enhancing the provision of tax incentives for childbearing

In Taiwan, CEPD has proposed an annual income-tax deduction of NT\$ 135,000 for families with children, and the tax exemption of NT\$111,000 for the first year of the new born. While the above tax incentives provided in Taiwan seem still limited compared with certain developed countries, tax incentive alone cannot be sufficient for promoting the childbearing. Other policies such as bettering the access to the resources of child care, education and so on have to be adopted as well.

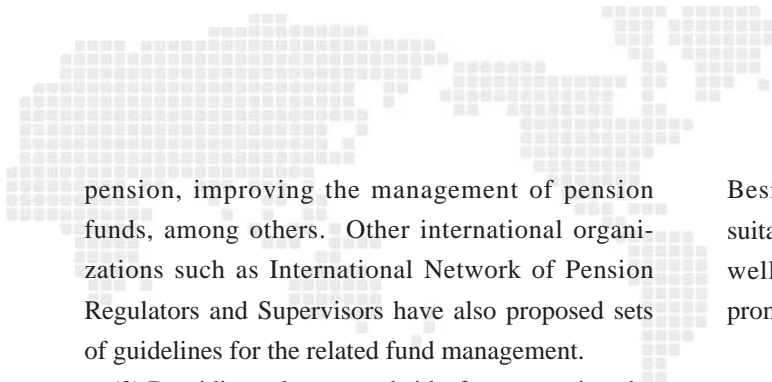
(2) Improving overall child-raising environment

To encourage more people in child bearing and raising in Taiwan, the favorable environment for child-raising have to be consistently enhanced. Resources and efforts should be devoted to such development as educational reform, child-care industry, flexible working hours, better social order and security, and the like so as to reduce the concerns and burden of child bearing and raising.

2. Measures of enhancing economic security

(1) Improving the pension system

Population ageing could increase a society's burden of pension spending. It has been observed that the reforms of social welfare programs are heading towards the shift of burden from the public sector to the private sector. Gradually individuals have been encouraged to take more responsibility for planning their life after retirement. While in Taiwan there is still considerable room for the improvement of pension system, certain reform such as new worker pension program have been underway since July 1, 2005. The measures adopted in Japan, among other developed countries, may serve as good reference, such as raising the age threshold for receiving the pension, encouraging late retirement, enlarging the private contribution base to the



pension, improving the management of pension funds, among others. Other international organizations such as International Network of Pension Regulators and Supervisors have also proposed sets of guidelines for the related fund management.

(2) Providing adequate subsidy for supporting the elderly

Certain subsidization may be considered to promote and facilitate the younger generation for taking care of their own parents. For example, expenditure for supporting own parents may be treated as tax deductible. Also, favorable loans or housing, among others, may be provided for those who support their own parents.

3. Measures of promoting life-long learning and longer-term working

The existing rule of retirement in Taiwan has become more and more out of date. For example, the legal rule of civil servant retirement allows voluntary retirement if a civil servant at the age of 60 or above has been working for more than 5 years, or if a civil servant has been working for more than 25 years. Moreover, any civil servant at the age of 65 is subject to mandatory retirement. All retired civil servants could choose to have their pension been paid by month, which has now made considerable burden of public finance. It is widely accepted that the government should encourage later retirement whenever the health of elderly personnel is not yet an issue so that the senior civil servant could still contribute while they could.

Given the inevitable trend of population ageing, the public policy decision-makers should change their mindset so as not to see the elderly population as social burden, for that the commonly well-educated non-labor workers could still do their jobs well even beyond the age threshold of retirement set decades ago. While those unhealthy or unable to be physically independent might now constitute about 10% of total elderly population, the majority of the other 90% could still be productive for certain work or position. To facilitate the re-employment of the health elderly, certain support of re-education, re-training, and placement service may be necessary.

Besides, certain service industries may be more suitable for the elderly re-employment, and thus may well be placed into the policy focus of strategic promotion.

The Relationship among Hegemony, Exchange Rate, and Financial Stability

Shunyo Liao

Introduction

From my understanding of the relevant literature, I would like to argue that hegemonic power always appears with fixed exchange rate regime. It is not plausible to discuss the role of hegemonic power in the international monetary system without mentioning its fixed exchange rate regime. I believe that although hegemonic powers played positive roles in the short term and in specific states for robust economic performance and financial stability, there is a natural and inward weakness in international monetary system dominated by hegemonic powers and the hegemonic order actually does not benefit peripheral areas. According to the experience after Bretton Woods System, floating exchange rate regime without a hegemony might be more helpful for global economy if states are willing to cooperate.

The Definition of Monetary Hegemony

In terms of international monetary system, a hegemony has to fulfill at least three functions: firstly, a hegemony must offer reserve currency for states. Not only do states use reserve currency as the mean for international transaction payments, they also use it as the mean for storing the wealth and value. Secondly, a hegemony must offer liquidity for economic growth among states. The hegemony has to export reserve currency by importing others' goods or services. Therefore, other states may obtain the necessary liquidity for economic growth. Thirdly, due to the political, economic, and military preponderance, a hegemony may offer rules, norms, and procedures for maintaining international monetary system as a whole (Eichengreen, 1987). In the history of international monetary system, there were two states playing the role of monetary hegemony; England in classic gold standard and the U.S. in Bretton Woods system. Both of them established a hegemonic period, but the systems they

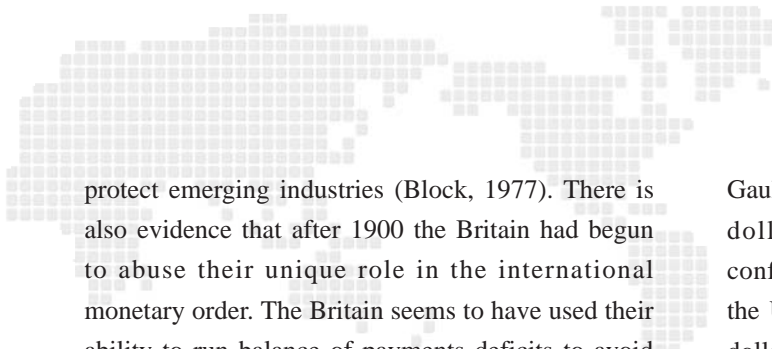
made were not as stable and reliable as some people described.

Main Arguments from Historical Evidences

In order to support my argument about a hegemony with fixed exchange rate regime is unstable, I would explain the operation of classic gold standard and Bretton Woods system and then show how both of them failed from historical evidences.

The reason why some people still believe in the hegemony playing a positive role in international monetary system is because they misunderstand the real performance of classic gold standard and Bretton Woods system. Let us use classic gold standard as the first example.

The classic gold standard can be understood only in relations to Britain's unique role in 19th century world economy. As the world's strongest industrial and mercantile power, Britain used its diplomatic and military strength to create a world economy that gave maximum freedom to trade and investment. The classic gold standard assured freedom of trade and the security of foreign investments. When Britain faced a balance of payments deficit, the bank of England simply raised the bank rate, increasing Britain domestic interest rates (Block, 1977). This drew short term capital from the rest of the world and slowed the outflow of new capital. It often also slows the pace of economic activity in Britain, resulting in increased unemployment. But this was a price the British bankers were willing to pay to keep the international system working. The classic gold standard continued to function up until the World War I, but signs of instability began to appear long before that. International progress toward freer trade was dramatic in the period from 1860 to 1880, but then it came to an end as countries began imposing tariffs to



protect emerging industries (Block, 1977). There is also evidence that after 1900 the Britain had begun to abuse their unique role in the international monetary order. The Britain seems to have used their ability to run balance of payments deficits to avoid adjustment, rather than continuing to accept the sacrifice of domestic unemployment. But it took the war itself to deal the classic gold standard a series of blows from which it would never recover.

No one accepted responsibility for the system-Britain lacked the economic power to fulfill the role she had played in the prewar period, and the U.S. was not prepared to fill the vacuum (Block, 1977). However, politicians and bankers acted as though there were no obstacles to the recreation of classic gold standard. This failure to perceive the changed circumstances proved very costly: the malfunctioning international monetary system was a major cause of the world depression of the 1930s (Block, 1977). Therefore, it is plausible to argue that from the experience of classic gold standard, a hegemon tends to abuse its monetary power and violate the rules of game itself.

The Bretton Woods system established by the U.S. is based on the commitment of U.S. government to convert U.S. dollar into gold at fixed rate. There are a lot of agreements in Bretton Woods system. Seven of them are very important. First, dollar is the only currency convertible to gold. \$35=1 oz.. Second, all countries' currencies are convertible to others. This was required for membership for preventing economic nationalism. Third, fixed exchange rates and allowed only 1% fluctuation. Four, IMF was created as an international institution to guarantee world liquidity. Five, they can borrow an amount=125% of their quota, no questions asked. Six, they have to submit disputes to arbitration. Seven, countries can control international movement. However, in order to supply liquidity for global economic growth among states, the U.S. has to issue more money than its gold stock. This will cause the confidence problem as Triffin described in 1947 (Eichengreen, 1996). Eventually, other states would doubt the commitment of the U.S. to convert U.S. dollar into gold at fixed rate. De

Gaulle's threat to liquidate the French government's dollar balances is the best example for the confidence problem (Eichengreen, 1996). Finally, the U.S. declared to stop the convertibility between dollar and gold in 1971 and that means the end of another hegemonic period in the international monetary system (Helleiner, 1994).

From the cases of classic gold standard and Bretton Woods system, I have found some denominators about the role of hegemony in the international monetary system. First, the formation of a specific hegemony has historical causes which could not be expected. The relation between England and colonialism, the U.S. and atomic bomb has to be understood as special variables in the history. Second, a monetary system dominated by a hegemon could work only in core states. Peripheral states, such as India and China, might not benefit from the hegemonic system at all. Third, any monetary hegemony tends to decline one way or another. Fourth, fixed exchange rate regime always accompanies with hegemony.

On the other hand, lacking of hegemony and floating exchange rate regime are the main themes for the interwar and post Bretton Woods system periods. However, these two periods have different financial performances. In the interwar period, there were three currency blocs (Pound bloc, gold bloc, severe capital control bloc) that caused chaos and instability. In a word, currency blocs are worse than not having one country in charge. From the collapse of Bretton Woods system to present, it has been a different scene in terms of international financial stability and economic growth. Although there are some disturbance in global financial system and economy, such as 1970s' oil shocks, 1992 European crisis, 1995 Mexico crisis, and 1997 Asian crisis, the global financial system and economy are still relatively healthy and stable. It would be hard to draw a conclusion from the experience of interwar and post Bretton Woods system periods.

Conclusion

Bretton Woods was not typical of monetary arrangements. The classic gold standard was not a

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product of negotiation, but of accident. It was dependent on historical conditions: intellectual attachment of priority to currency and exchange rate stability; politically shielded agents; open flexible markets. The international monetary system has always been "after hegemony" in the sense that more than a dominant economic power was generally required to insure the provision and maintenance of international monetary stability.

The combination of hegemony and fixed exchange rate regime does promise a sound and healthy international economy. Its positive impact is limited in time and space. However, floating exchange rate regime also does not assure robust economic growth and financial stability. From the classic gold standard to present, historical lessons show that only the states with firm commitment to cooperate collectively in financial and trade markets are the foundation of robust economic growth and financial stability.





The Relevance of Business Continuity Institute's Work for Businesses

Chen-Sheng Ho

Business Continuity Institute

The Business Continuity Institute (BCI) was established in 1994 for the purpose of promoting business continuity management (BCM). Through the membership program of BCI, members have been able to receive assistance. Most importantly, BCI has created an internationally recognized certification program whereby members of BCI could be certified for their competency relating to BCM. The results are that BCM professionals have increased their knowledge and level of expertise. Currently, there are around 2,000 members of BCI in about 50 countries. The secretariat of BCI is located in the United Kingdom. For additional information on BCI, please go to the following website: <www.thebci.org>

Business Continuity Management (BCM)

Definition of BCM

The BCI has published a comprehensive report that provides substantial information on BCM. The publication is called: "Business Continuity Management: Good Practice Guidelines." According to the report, BCM is a management process that seeks to analyze the possible effects of various disruptions to an organization's capability to be successful. Essentially, the purpose of BCM is to enhance an organization's resilience. Once an organization has promoted BCM, it would be able to prioritize the efforts of specialists in security, facilities, IT and other areas to achieve resilience. The result is that an organization would have the ability to survive even when face with the loss of part or all of its capability to operate. Thus the main objective of BCM is to make sure that an organization is able to respond to significant disruptions (BCI 2005).

Different Stages of BCM Life Cycle

The BCI report aforementioned also includes guidelines for enhancing BCM as manifested in the form of the BCM Life Cycle. There are five stages in the BCM Life Cycle. The first stage is called Understanding Your Business and consists of three parts: Organization Strategy; Business Impact Analysis; Risk Assessment and Control. In order to create a BCM program for an organization, it is essential to understand the organization. Most importantly, it is necessary to know what activities of the organization are important to maintain continuity at a minimum. Specifically, the ability to understand an organization means knowing the Organization Strategy of the organization. In addition, a Business Impact Analysis should also be conducted for the purpose of examining the effects of various disruptions. Finally, a Risk Assessment should be executed, so as to analyze the probability of different threats to occur (BCI 2005).

The second stage is titled BCM Strategies and there are three parts: Organization (Corporate) Strategy; Process Level Strategy; Resource Recovery Strategy. This stage is about knowing the BCM Strategies for maintaining an organization's activities and processes when an interruption has taken place. The BCM Strategies consist of three different strategies. The Organization Strategy framework provides policy that is related to major business, stakeholder, legislative and regulatory requirements. The Process Level BCM Strategy is about resumption strategies for business processes and activities. The Resource Recovery BCM Strategy deals with the establishment of resources for ensuring continuity in all business processes and activities (BCI 2005)

The third stage is Developing a BCM Response and includes the following parts: Crisis Management

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Plan; Business Continuity Plans; Business Unit Resumption Plans. The purpose of this stage is to identify actions and resources that are needed, so as to enable an organization to face an interruption. The Crisis Management Plan is necessary for providing a framework that would allow an organization to handle any crisis. The Business Continuity Plans provide framework for an organization to resume all of its business processes. The Business Unit Resumption Plans show the operational response of every department of an organization (BCI 2005).

The fourth stage is Developing a BCM Culture and contains three parts: Assessing the Level of BCM Awareness; Developing a BCM Culture; Monitoring Cultural Change. The main objective of this stage is about the creation of a BCM culture in an organization. The first part, Assessing the Level of BCM Awareness, is about knowing the degree of BCM awareness in an organization and the level to be achieved after training. The second part, Developing a BCM Culture, deals with the design and delivery of the training materials. The third part, Monitoring Cultural Change, relates the importance of review, so as to improve the work of developing BCM culture.

The fifth stage is Exercising, Maintenance and Audit. This stage includes three parts: Exercising; Maintenance; Audit. The significance of this stage is about ensuring that an organization's BCM capability is reliable through the conduct of exercises. The first part, Exercising, is about the execution of exercises, so as to analyze an organization's BCM ability. The second part, Maintenance, is about ensuring that an organization is always prepared to deal with incidents. The third part, Audit, is about the implementation of impartial review.

The Rising Awareness of BCM Worldwide

Companies and BCM: The UK Case

The BCI has completed a survey of companies in the United Kingdom to determine their views regarding BCM. From this important project, several important findings have surfaced. The project interviewed 251 UK companies in 2005. First, about 70% of companies have created business continuity

plans. In the case of financial and retail companies, the percentage is 80%. Second, in companies that have developed BCM, around 60% of development and maintenance is done by the Board of Directors. Third, 27% of companies have specifically assigned workers in BCM. Fourth, BCM is now seen as a management discipline that is different from disaster recovery. Fifth, major physical disasters and terrorist attacks are viewed as the most significant threats to companies (BCI 2005a).

The Global Promotion of BCM

Many companies worldwide have created business continuity plans. The trend is that more and more companies would continue to do so. For the purpose of promoting BCM, BCI has representatives in many countries around the world to promote BCM and the work of BCI. As for Asia, representatives are located in China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, and Singapore. In the case of Taiwan, the Taiwan Institute of Economic Research (TIER) is working on making itself the representative of BCI in Taiwan. In January 20, 2005, TIER held a Risk Management Seminar in Taipei in which Mr. Mellish, Chairman of BCI, was the main speaker. As a result of the success of this event, TIER will hold another seminar in May 2006 that would provide more knowledge about BCM and ways to promote BCM in Taiwan. Furthermore, by that time, more concrete results regarding the cooperation between TIER and BCI in the area of BCM should exist.

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Taiwan's Perspective on East Asian Summit

Darson Chiu and Alex Hsu

If free trade is all about playing the game of comparative advantage, then regional integration is all about playing the power game, while wearing the mask of trade liberalization.

The first East Asian Summit (EAS) was held in Kuala Lumpur, Malaysia, in December 2005. As predicted, Taiwan -- one of the Asian Tigers -- was not invited. The EAS included ASEAN, joined by China, Japan, South Korea and other countries. The ultimate goal of the EAS is regional integration. However, the integration process is a long way from being all-inclusive. How can the summit's goal be achieved without involving key players such as Taiwan?

The idea of East Asian integration is not a new concept. It actually arose out of the increased self-awareness of East Asians some forty years ago, when the most developed country in the region, Japan, started to interact with developing countries in the region. Japan imported raw materials and exported manufactured goods, and initiated low-end technological cooperation. Afraid of being sidelined due to its World War II aggression, interested in East Asian markets and suffering from a lack of natural resources, Japan gave East Asian self-consciousness a wake-up call by economic means.

The "interactions" between Japan and East Asian developing countries generated an interdependent relationship. Through the fundamental rules of supply and demand, existing East Asian frameworks have been serving as the foundation supporting the global value chain. When it comes to the global economic system, regional phenomena can easily trigger a chain reaction. In order to prevent events like the 1997-1998 East Asian financial crisis from happening again, countries in this region have realized the significance of economic and financial cooperation.

The concept of East Asian integration should advance economic and political stability in the region. In addition, the concept should promote the competitiveness of regional enterprises through the development of efficient production networks and financial markets.

It is true that the concept is fragile without sufficient economic incentives. In response to the trends of globalization and regionalism, East Asian integration is anticipated. According to a report from the World Bank, "ASEAN plus three [including China, Japan and South Korea]" will be able to give a boost to the real GDP growth of all contracting parties. Given the fact that strong economic ties exist between Taiwan and other East Asian countries, the benefits could be further optimized if Taiwan was included in the arrangement.

From a trade and economic standpoint, there is no reason to exclude Taiwan. However, lacking common roots, the idea of East Asian integration can only emerge if East Asians come to share a common vision of the future and are happy with their roles in such a vision. But the current reality is that East Asia is still far from fulfilling that vision.

Political conflicts can be alleviated through economic incentives. No matter what style of regional integration is currently taking place, we cannot ignore its potential benefits for contracting parties and the likely impact on non-members. In the spirit of fair trade, no one should be left out of integration initiatives, especially when these initiatives serve the function of community-building to optimize the benefits of globalization. Given that its total trade with other Asian countries amounts to more than US\$203 billion, Taiwan deserves to participate.

If opportunities for participation don't exist, Taiwan should create them. By taking advantage of

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its location, Taiwan could serve as the hub between northeast Asian and Southeast Asian business networks.

This article was also published as "Taiwan Deserves a Seat at EAS Table" on the December 19th 2005 issue of Taipei Times. It also appeared in the websites of Peace Forum in Taiwan and New Asia Forum in India.

