

Session 3  
**Outlook of Digital Economy and SME O2O**

Dr. Chien-Fu Lin, Chair, CTPECC

Let me share with you the outlook of digital economy and Chinese Taipei's APEC SME O2O initiative. Digital economy by definition refers to the economy supported and promoted by digital computing technologies. Therefore, applications of IoT, AI, FinTech, Cloud Computing, AR, VR, Big Data, Sharing Economy, and Blockchain are all part of digital economy.

I was invited to attend a new economic think-tanks conference in Beijing earlier this year. We discussed 3 major subjects, new economy, new governance, and new technologies, and we focused on the issue of online economy and future technologies. We concluded that the digital economy would be the way out for us to cope with the era of "new mediocre", which means very slow and tepid economic growth.

The Ali Research Institute stressed that the next 30 years will be critical for a paradigm-shift. A report conducted by the institute made a few future forecasts: first) a market value of 1 trillion US dollars internet platform will replace many companies in 2020; second) the traditional 9-to-5 working system will be replaced by online employment that 50% of all employees can work at flexible hours in 2036, and third) 80% of the global trade will be traded online and dominated by SMEs and even individuals.

The traditional economic system is constrained by the law of diminishing returns. However, the digital economy will change the rule of the game to enjoy the "law of increasing returns", simply because all data can be processed and digitalized to be knowledgeable products. As a result, more readers or subscribers will generate more profits meaning the returns will be enhanced with more inputs.

I also believe that such a development and future trend of digital economy will make economic growth more inclusive as the SMEs and individuals can acquire digital opportunities in the future. In order to meet the future needs, Chinese Taipei in APEC SME Working Group has proposed a SME O2O initiative in APEC meetings. O2O stands for online to offline. This initiative will assist SMEs in our region to sell their products both in the stores and online.

This initiative is in response to the APEC Leaders' instruction in 2016 and APEC theme 2017 regarding the "Quality Growth" and "Strengthening MSMEs' Competitiveness and Innovation in the Digital Age", the promotion of competitive and resilient SMEs in digital economy is a good way to accomplish these priorities.

The Asia Pacific region has become the largest market of digital economy, accounting for 33% of total market scale, powering SMEs' growth and creating jobs. However, only a few SMEs in APEC are currently taking full advantage of new digital opportunities. How we support more SMEs to turn these opportunities into business will be a key driving force for the future growth.

In addition, 60% of SMEs experienced a cyber-breach and the average cost for each worst case was from 100 to 180 thousand US Dollars. Therefore, lacking the awareness and capability of digital security will make SMEs even more vulnerable to deal with cyber attackers. This will disrupt the global supply and value chains, reducing the value by almost 3 trillion US Dollars in 2020 as estimated in a McKinsey report in the year of 2015.

For that reason, this O2O Initiative is a cross-border platform providing training, networking and showcasing opportunities for SMEs. This initiative will assist SMEs in seizing O2O business opportunities and well preparing for digital challenges, leading to a more competitive and resilient APEC SME community toward quality growth.

This initiative directly echoes encourages institutional support for promoting SME O2O business to move toward a more sustainable and resilient APEC communities. Our aim is to first), optimize the digital innovation ecosystem; second), enhance SMEs digital competitiveness and resilience; and third), capitalize on O2O opportunities for SMEs. Considering that public private partnership and cross fora collaboration is crucial to advance this O2O initiative for APEC SMEs, the project are carried out in cooperation with other APEC Fora and sub fora such as ABAC, Emergency Preparedness Working Group, and Human Resource Development Working Group. Non-APEC stakeholders such as International Chamber of Commerce, Intel, Siemens, Google, Acer, and O2O commerce platforms will also be engaged for enhancing SMEs' competitiveness and resilience toward quality growth.

This Initiative will be conducted with activities to maximize the project impact such as establishing an APEC SME O2O Expert Network and providing policy recommendations, holding serial summit and fora, providing SMEs training, networking and showcasing opportunities, as well as publishing the APEC SME Guidebook & Monitor to further the project influences.

By looking at the future potential of digital economy as well as the expected fruitful outcome of the APEC initiative, I trust that we can better and fully optimize our digital efforts and cooperation, and we will maximize our digital profits.