

Internet ushers Taiwan's financial industry forward despite risks

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Once Taiwan's financial and banking companies are able to ramp up to offering full-fledged online services, they will be able to overcome the problems that have been eroding their success over the past few years, and compete successfully in a global industry that is rapidly changing. The growth of Internet-based services, however, will carry its own risks and dangers, which Taiwan businesses will have to be prepared to face.

This was the dual-pronged message at the Taiwan Financial Technology Forum 2002, held yesterday in Taipei. The forum consisted of eight speeches by representatives of such prominent industry players as AT&T, Intel, Symantec and Cisco Systems on the topic of "The Internet Revolution in the Financial and Banking Industries."

Kicking off the event, Chen Chi-chu, chairman of the General Banking Committee & e-Commerce Group Leader for the Bankers Association of the Republic of China, summed up the two sides of the Internet coin in his opening speech. He raised the issues of lagging managerial skills in Taiwan that have hobbled local SMEs compared to their American and Japanese counterparts and the "disintermediation" of Taiwan banks, which has seen them bypassed by large corporate customers who instead deal directly with money markets for their financial services. In Chen's opinion, Internet-based banking is the "stone which may kill two birds" by reducing the banking costs of SMEs (thus improving their competitiveness) and enhancing the efficiency of Taiwan's banks.

Continuing on the cautionary side, Johnny Wu of Intel Semiconductor Ltd. listed several of the foremost problems facing Taiwan businesses that attempt to compete globally via the Internet. These include government regulation, industry consolidation, wealth creation, and IT budget reduction. These problems and the need to ramp up to meeting them were echoed by AT&T's Verdi Chang, who further clarified the challenges of globalization as the need for round-the-clock multi-lingual and multi-currency services, the divergence in regulatory standards and IT capacities of the participating companies and countries, and the difficulties posed by differences in cultures and regional technologies.

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An even more dramatic problem that faces corporate Internet users in particular is the threat of computer viruses and breaches, which was the topic presented by Rosa Shih of Symantec Taiwan. Noting that the Code Red virus alone caused US\$2.6 billion worth of damage globally in 2001 and that 80 percent of companies in the United States acknowledged financial losses due to computer breaches that same year, Shih spoke of the urgent need to address computer information security. No longer an option that is "nice to have," e-security has become the number one issue for CIOs in Taiwan, who now view it as a mandatory budgetary item.

On the flipside, however, the Internet can create benefits that far outstrip the risks - if it is used competently. That was the overall positive note of the conference, illustrated through numerous examples. One such example is the creation of "finance portals" that provide one-stop shopping, where customers once had to turn to separate providers for insurance, investments, and loans. This new business model, explained by Yvonne Tsao of Unisys Taiwan, and echoed by several other speakers, allows companies to outsource non-core services to related corporations, yet still provide seamless services to customers. This is a very relevant topic to Taiwan's financial community, as 20 percent of Taiwan's GDP is generated through banking services.

TradeCard Co., whose Vice President of Business Development in the Asia-Pacific, Carl Wegner, spoke on automating the financial supply chain by placing services on the Internet, is another example of innovation in online technology that offers practical benefits that outweigh the inherent risks. The platform his system creates on the Internet facilitates international trade transactions by reducing the amount of (often redundant) paperwork required, and by allowing all parties involved the ability to logon and check the progress of their transaction.

The global message from the conference seems to be a positive one: that Taiwan businesses, once they ramp up past the "technology curve" involved in e-commercialization, can overcome the obstacles posed by globalization and compete on the world level. Taiwan's banking and financial institutions will then find themselves, to paraphrase Chen Chi-chu, "at the forefront of the Internet Revolution, which will overshadow the Industrial Revolution in its advancement of human society."