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New Legal Support Due

Accelerate e-Trade Environment



The government plans to revise the current 'Trade Automation Act' into the 'e-Trade Promotion Act' in the second half of next year with a view to accelerating establishment of e-trade infrastructure and innovating the trade process.

To support the e-trade innovation plan

confirmed recently by the National e-Trade Council, the Ministry of Commerce, Industry and Energy (MOCIE) prepared a revision bill of the Trade Automation Act and held a public hearing on September 22 to collect opinions.

The e-trade platform is a national infrastructure enabling execution of efficient trade activities by enterprises through utilization of IT technologies and the Internet. When it is established, all the work processes of trade-related organizations will be integrated into a national e-trade network, ranging from marketing to logistics, customs clearance and payment settlement.

MOCIE's revision bill is designed to expand the e-trade application scope to encompass customs clearance, logistics and payment settlement from the existing commerce and foreign exchange-centered trade concept, while designating e-trade infrastructure firms engaged in relay, storage and verification of e-trade documents as specialized businesses. The bill also facilitates third-party distribution of e-trade documents through standardization and assures stable storage and verification of the e-documents by granting the same legal effect as paper documents.

Discussed intensively at the hearing were ways to improve the e-document distribution system for storage by e-trade infrastructure firms and to standardize document-related parties, content, and transmission/reception methods through revision of the law and establishment of the e-trade infrastructure.

Director General Suh Young-Joo of the ministry's trade/distribution bureau said, "If the e-Trade Promotion Act is implemented and the e-trade platform is established by 2007, it will contribute significantly to the advance of Korea among the world's top eight trading nations by 2010, in addition to having an annual economic effect of about 1.8 trillion won for the nation."

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Test Operation of e-D/O Service

The paper D/O (Delivery Order) era is near an end with the establishment of an e-D/O system, which processes D/O transactions concerning import logistics electronically. The Korea International Trade Association (KITA) built this system, long awaited by the related business community, and decided to launch a test service starting October 20.

Up to this point, cargo owners or their agents had to visit shipping companies, request issue of D/Os and submit them to bonded warehouses. Under the new system, they can receive D/Os without visiting shipping firms, reducing various expenses such as transportation fees, labor costs, storage charges at bonded warehouses, etc. dramatically.

Due to the automatic notification of D/O issue content to cargo owners, forwarders and warehouses on a real-time basis, the new system now can prevent forgery or modification of D/Os fundamentally, which has been a cause of disputes between shipping companies and warehouse firms. The system also can prevent unauthorized exit of import cargoes through provision of real-time D/O information to warehouse firms and boost digitalization of logistics, leading to more efficient warehouse operation.

For the test operation of the e-D/O system, KITA concluded agreements with participating firms, KTNET, Hanjin Shipping, Shinsung Shipping and Global Enterprise on September 16 at the InterContinental Hotel in Seoul.

e-Trade Discussions Gaining Steam

Discussions on the progress of e-trade are being accelerated in the wake of the National e-Trade Council's confirmation of its e-trade innovation plan.

An international seminar on Northeast Asian e-trade and an industry-academia-research e-trade forum were held on October 7 and 8, respectively, at the Trade Tower in Seoul, continuing momentum from the public hearing on the 'e-Trade Promotion Act.'

Jointly organized by the Ministry of Commerce, Industry and Energy (MOCIE), Korea International Trade Association (KITA) and Korea Association for Global Commerce and Cyber Trade, the international e-trade seminar marked its second anniversary after being held in China last year.

At the seminar, various e-commerce and e-trade practices in China, Japan, Taiwan and Singapore as well as Korea were explained. KITA expects that the get-together will provide momentum to promote domestic e-trade further as well as to publicize the Korean e-trade system.

Meanwhile, the second e-trade forum featured in-depth discussions about overall e-trade matters under the main theme 'Realization of a Strong Trade Nation.' Other themes announced at the comprehensive forum were 'Private e-Trade Promotion Council' Achievements and e-Trade Promotion Center's Management Direction,' 'Digitalization of Customs Clearance Administration Thru e-Trade,' 'Roles of Shipping Companies in e-Trade Era,' and 'Banking Process Innovation to Realize e-Trade.'

The forum also reviewed policies and e-trade models, centering around export/import logistics management/manpower cultivation methods utilizing e-trade marketing and RFID, design of public certified e-document storage for e-trade, and ways of introducing an L/C operational model.

Era of US\$200bil. Exports a Year Adapt to Change in Digital Era



Lee Hee-Beom
MOCIE Minister

Thanks to the digital environment, transactions have parallel on and off-line channels, and the consumption pattern is also changing from price-sensitive to design-sensitive.

By Lee Hee-Beom

Minister of Trade, Industry and Energy (MOCIE)

Korea's exports have finally reached the US\$200 billion milestone.

Korea, just 109th in terms of land area and 25th in population in the world, triumphantly ranks 12th in terms of exports. Exports, which hit US\$100 million in 1964, have grown 2,000 times in terms of amount, 11 times in terms of items, 5.6-fold in terms of destination markets and 130 times in the number of trading firms. Of Particular note, its LCD exports now lead the global market. Also in newly emerging economies such as Russia and India, Korean-made home appliances are so popular that about 70% of the population uses Korean products.

Happy as we are with this success, however, Korea's export status can be compared to an athlete about to start the final race in a world-class match. New challenges await us. The goal of the Participatory Government is to open the era of US\$20,000 per capita income. Since 1995, when we reached the US\$10,000 level, we have not made significant progress over the intervening eight years. There is a concern that we may not make any further progress and stay right where we are. However, the breakthrough toward

the US\$20,000 era is just around the corner. Considering the situation where exports account for more than 30% of GDP, they will be the main engine for reaching US\$20,000 per capita income. To reach US\$20,000 per capita income, exports must approach the US\$400 billion level. This is precisely why we cannot afford to be content at the US\$200 billion level. Except for the sound of bullets, the global market is like being in an economic war. Enterprise activities have entered the era of infinite competition and China, having become the global production base, is closing the gap with us very quickly. The key to reaching exports of US\$400 billion in the rapidly changing trade environment is "fast adaptation to change" and "new export strategy that goes beyond conventional concepts."

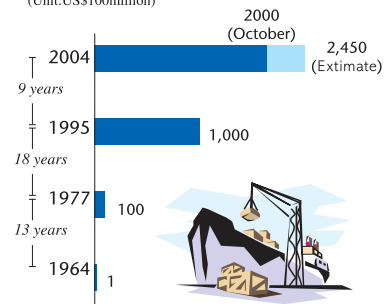
The first step of the new export strategy is the market principle of making what sells fast faster and what is new newer. It is usually said that Korea's export structure is intensively focused on five major products - semiconductors, wireless communication, automobiles, computers and ships. However, these products sell best because they adapt themselves to market changes best. By applying Pareto's Law, we should concentrate on technology development and marketing to make fast-selling goods sell faster by increasing their added value. On the other hand, we must not neglect investing in the development of new products preparing for new demand. The market for so-called future strategic industries such as IT, BT, NT, etc. will be determined by whoever is first in terms of commercialization of the related technologies as there is no predetermined owners, as such. We must continue investing in R&D for new technologies and new products lest we fall behind in the export competition with other technologically advanced countries.

The second step is to go beyond the existing scope in products and markets. In

(Continued on p-4)

Korean Export Performance

(Unit: US\$100million)



Source: MOCIE

Dr. Han Sang-Kyun of POSDATA disclosed, "If proto-type systems are developed in the first quarter of next year when three portable Internet businesses are to be selected and with field tests conducted in the third quarter, commercialization would be possible after test services in the first quarter of 2006."

Portable Internet Service Possible at Hand

Despite earlier concerns, domestic firms POSDATA, LG Electronics, etc. in addition to Samsung Electronics plan to introduce to the market on a large scale equipment related to 2.3GHz WiBro (Wireless Broadband) portable Internet service, which is scheduled to launch in the first half of 2006.

This development comes as the first-phase standardization work was completed following the government's announcement of its plan to designate service operators. The resulting technology competition among domestic enterprises will likely lead to stimulation of downstream industries in the future.

On September 22, the related equipment firms, POSDATA, LG Electronics, Orthotron, Solid Tech, etc. participated in a forum held under the theme 'Portable Internet Technologies and Development Status' and revealed their technology development status and plans to put their equipment on the market. This forum was sponsored by Korean Institute of Communication and Sciences (KICS) and Institute of Electronics Engineers of Korea (IEEK).

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Dr. Lim Byung-Geun of LG Electronics also said, "After completing detailed designs for the portable Internet system around January next year, LG will commence functional development and conduct the first benchmark test at the end of 2005. Then, its commercial service can start in June 2006 at the latest."

Adapt to Change in Digital Era...

(Continued from p-3)

the industrial era, exports were limited primarily to the manufacturing sector. In the digital era, composite trade combining manufacturing and service sectors creates new export opportunities. Typical of these are telematics, a combination of the automobile and IT sectors - and plants, a combination of industrial facilities and financing. Also, in the area of overseas marketing, it is necessary to differentiate markets by region so as not to lose markets in advanced countries and at the same time cultivate newly emerging markets such as China, Russia, India and Brazil. It is also important to simultaneously explore niche markets such as the more than US\$2 trillion-per-year global procurement market, the use of overseas logistics networks, etc.

The third step is staying abreast of changes in transaction modes and consumption patterns. Thanks to the digital environment, transactions have parallel on and off-line channels, and the consumption pattern is also changing from price-sensitive to design-sensitive. To stay up with such trends, efforts should be concentrated on Hanryu (Korean wave) marketing, design, brand development and enhancement of national image as well as early formation of an e-trade base. Achievement of the US\$200 billion-export milestone is the result of a mixture of sweat from Korean diligence, Korean entrepreneurial spirit and government support. I extend my heart-felt gratitude to my people and entrepreneurs, the lead players in the achievement of the US\$200 billion-export plateau. I ask that we all push together again with all of our might towards the US\$400 billion-era.

e-Government Export Project Dedicated

Database management system solution vendor K-Coms (<http://www.unisql.com>) said that it held a dedication ceremony for Cambodia's administration information system on October 6.

Having formed a consortium joined by Samsung Electronics and four other firms in 2001, the company began building the Government Administration Information System, or GAIS, in Phnom Pehn.

It marked the first time that a Korea-based tech company had won a large government-backed IT deal worth some US\$20 million in an overseas market.

The new system includes an extensive database comprising information on some 1.2 million citizens living in Phnom Pehn, and also provides online service for issuing documents and processing administration files.

K-Coms Consortium won the contract in 2001 from the Cambodian government, and kicked off a test of the system run in May this year.

Korea, India Agree on Deeper Ties in IT

An agreement between Korea and India to share advancements in information-technology paves the way for further growth in the domestic software industry, the Ministry of Information and Communication said on October 6.

Under the agreement, reached at meeting of the two nations' information-technology ministers in New Delhi, the countries designated eight fields for closer cooperation. Including software development, hardware development, third-generation mobile telephony, broadband infrastructure installment and e-government projects.

"India's advancements in software development and Korea's advancements in hardware manufacturing will blend to benefit the high-tech industry of both sides," said Korean Communication Minister Chin Dae-Je. "Through cooperation, Korea could solve its lack of technology and research personnel in the embedded software sector, which is quickly becoming an important part in information-technology industry growth," the minister added.



Mobile Phone Makers Target Huge Exports

Three major mobile phone makers in Korea, Samsung Electronics, LG Electronics and Pantech affiliates, plan to raise export of their mobile phones by up to 50% next year.

Industry sources said that these three manufacturers would push aggressive export drive next year in Europe, Latin America and Asia. With a goal to supply some 200 million units combined, the companies will focus on supplying middle and high-end products adopting a variety of designs and cutting-edge technologies.

Samsung Electronics will reportedly supply some 100 million units of handsets in overseas markets next year. If its goal is achieved, Samsung Electronics will vie with Nokia for the top spot. Earlier this year, the company set a goal to supply 65 million units in 2004, but it recently raised the target to 86 million units buoyed by the high popularity of its products in the world market.

Wireless Internet Mart Snowballing

Sales of wireless Internet services are expected to hit the 3 trillion won (approximately US\$2.6 billion) mark this year, paced by strong growth of the country's three wireless operators, SK Telecom, KTF and LG Telecom.

Sales are forecast to increase 30 to 50% this year in line with wide adoption of high-end color mobile phones such as camera phones and MP3 phones, upgrade of infrastructure and rising demand for a variety of content.

The three operators are estimated to post combined sales of 2.91 trillion won, but the figure may top 3 trillion won.

Industry experts forecast that the domestic wireless Internet market will be worth around 7 trillion won in 2007, boosted by higher-margin data service sales.

SK Telecom is expected to reap 1.96 trillion won, some 20% of total estimated sales of 9.8 trillion won, in the wireless Internet area, which is up from 1.32 trillion won last year and 731 billion won in 2002. The proportion of wireless Internet sales versus wireless call revenue also rose to 20% this year compared to 15.5% last year and 9.7% in 2002.

Firms Turning to Mobile Solution Market

Communication solution firms such as Nextlink, Locus Technologies and Syswill have successfully made a softlanding in the mobile Internet solution market over the past one to two years.

In line with moves of wireless communication service providers to branch out businesses into mobile Internet service, these solution firms are toiling to build new images as mobile Internet solution firms.

Nextlink, a repeater maker which opened a sound source content service site in October last year, recently began supplying sound sources to KTF. It also installed an open audition service site (www.castU.com) and made a proposal to SK Telecom for its service. Nextlink aims to raise the proportion of sales of mobile Internet solutions from 20% of its total revenue last year to 40% by the end of this year.

In conjunction with SK Telecom, Locus Technologies, a call center operator, has commercialized a multi-message service. The company is also supplying short message service center and WAP gateway solutions, accounting for 70% and 60% of their markets, respectively.

Korea to Use RFID Tag on Beef in 2005

South Korea will start a trial period of a new smart tag technology on imported beef in May 2005, the Ministry of Agriculture and Forestry said on Oct. 15.

The smart tag technology, which uses new radio-tagged product codes, will provide consumers with information on imported beef.

Based on technology called Radio Frequency Identification, or RFID, the program enables small radio tags to store and transmit information on the products consumers are buying.

Under the project name, Ubiquitous Sensor Network, South Korea is expecting to spend 13.8 billion won (US\$12 million) by the end of this year to focus on basic technologies and standards for the tag technology.

The National Agricultural Cooperative Federation has already put South Korean beef labeled with special numbers out in the market, allowing consumers to access all sorts of information from things such as date of birth to butchery at its retail chain shops.

■ Wireless Internet Mart Snowbalting

■ Firms Turning to Mobile Solution Market

■ Korea to Use RFID Tag on Beef in 2005

Satellite DMB Firms Target Japan

As Japan is set to launch satellite digital multimedia broadcasting (DMB) service ahead of Korea on October 20, domestic tech-firms such as Inoace and Integrant Technologies are seeking to break into that market.

Inoace, which has developed a satellite DMB receiver for cars, agreed with 'K' company of Japan to join forces for developing a satellite DMB terminal for vehicles. Alpine and Kenwood of Japan have been developing such receivers, but they have yet to roll out commercial products. 'K' company plans to manufacture receivers in Japan when they are developed.

Radio frequency chip maker Integrant Technologies is now in talks with three satellite DMB receiver makers in Japan, 'M', 'T', and 'S' companies, to supply its chips. Functions of Integrant's RF chips have been recognized by domestic receiver makers such as Samsung Electronics.

Samsung Electronics and LG Electronics, which have already developed satellite DMB receiver/phones, are also seeking to supply their products to Japan.

Software Becomes New Growth Engine

Korea's software industry is enjoying rapid expansion since last year with a higher growth rate than industrially advanced countries.

According to a Korea IT Industry Promotion Agency (KIPA) survey, the domestic software market increased from 19.97 trillion won (approximately US\$17.38 billion) last year to 22.65 trillion won this year. The agency forecast that the trend will continue through 2008 when the market will post 37.76 trillion won.

Last year, domestic software market, including package software and services, reached US\$5.1 billion, ranking 15th and accounting for 0.9% of the world market.

The average annual growth rate of Korea's software industry from 2003 through 2008, however, is projected at 10.28%, ranking third after China (24.2%) and India (20.38%). This is much higher than the growth rate of software markets in the United States (5.82%), England (5.8%) and Japan (3.88%). The growth rate in user application, middleware, and storage software, in particular, appeared to be significantly higher than other countries.

Mobile Phone Payment Systems Up

As the mobile phone payment market is anticipated to expand, mobile phone payment service firms such as Mobilians, Danal and Infohub are gearing up for development of new service models, fueling competition.

Industry watchers forecast that mobile phone payment market will grow rapidly next year, citing a hike in the commission rate for credit card service, and expansion of wireless Internet service by portals and content providers, as well as the imminent launch of blockbuster online games like 'Arch Lord' of NHN and 'Warcraft' of Blizzard Entertainment.

Mobilians is seeking to explore the market for small-sum settlement, including newspaper subscription rates, alumni association fees and public charges. Aiming to raise its market share from 46% now to more than 50% next year, the company also intends to develop new payment service models for wireless Internet users with partners such as NHN and CJ Internet.

■ Satellite DMB Firms
Target Japan

■ Software Becomes
New Growth Engine

■ Mobile Phone
Payment Systems
Up

Maximizing Efficiency, Transparency Innovation Grows in e-Government

Korea's e-government initiative is the most practical and specific project to lead the nation in joining the ranks of advanced countries and achieving a per capita gross national income of US\$20,000 by 2010.

Innovation through promotion of a science and technology-centered society is a key objective of the Participatory Government. In this respect, Korea's e-government initiative is the most practical and specific project to lead the nation in joining the ranks of advanced countries and achieving a per capita gross national income of US\$20,000 by 2010.

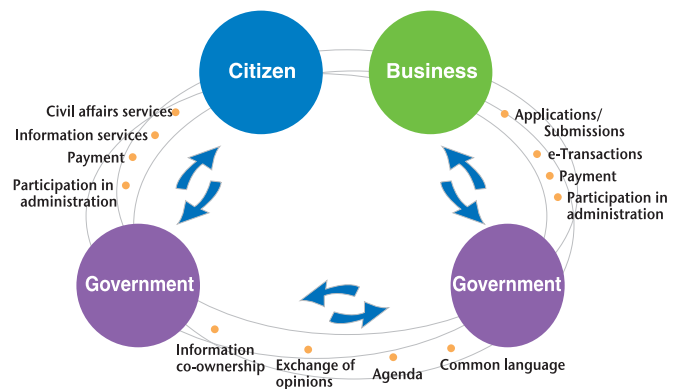
Actually, Korea has built a solid foundation for its e-government initiative with worldwide

recognition of its leadership in the IT sector and with one of the world's largest Internet penetration rates.

Presently, the nation is moving forward with eight projects in three areas - digitalization of public information, informationization of public administration services and the integration of critical public services. Basically, the e-government initiative looks to ensure maximum services for the general public.

In the long term, the e-government system will promote democracy through the use of the Internet. Already, the system in Korea has been used in local and national elections more extensively than anywhere else in the world.

In addition, the initiative is improving the government-business relationship by increasing efficiency as well as transparency. No longer do businessmen have to make time-consuming trips to government agencies for information gathering and routine applications. Meanwhile, it is harder to corrupt an anonymous Internet approval system, which is helping to raise transparency in Korea to global standards. Furthermore, the system is upgrading Korea's image as a true market economy.



Road toward e-Government - Footprints

Digitization of National Basic Information	<ul style="list-style-type: none"> - Computerization of Resident Registration - Computerization of Real Estate Management - Informatization of Vehicle Administration - Financial Information Network
Informatization of Public Administration Services	<ul style="list-style-type: none"> - Computerization of Passport Issuance - KIPOnet - Computerization of Customs Administration - Computerization of Registry Services - One-stop Service System for Export&Import Cargo (PORT-- MIS) - School LAN and Internet access
Integration of Critical Public Administration Services	<ul style="list-style-type: none"> - Government for Citizens (G4C) - Government Procurement Services (G2B) - Interconnected Information System for the Four Major Types of Social Insurance - Home-Tax-Service via Internet (HTS) - Informatization in Local Governments (Cities and Districts) - National Financial Information System - Nationwide Educational Administration Information System - Personnel Policy Support System