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APEC Paperless Trading

‘Promise for Progress & Prosperity’



The following are highlights of a presentation delivered by Han Hak-Hee, Chairman of PAA (Pan Asian e-commerce Alliance) working group, under the title “Paperless Trading in APEC Focused on Activities of PAA” in a region-specific meeting in Beijing in June..- Ed.


The Asia-Pacific Economic Cooperation (APEC)’s 21 member economies today account for more than 60% of world GDP and more than 49% of global trade. To bring these economies into the e-commerce era, which will expand their share of world GDP and trade, APEC has a blueprint for action to achieve paperless trade.

In 1998, APEC ministers agreed that “member economies should endeavor to reduce or eliminate the requirement for paper documents needed for customs and other cross-border trade administration and other documents and messages relevant to international sea, air and land transportation, i.e. “Paperless Trading” (for trade in goods), where possible, by 2005 for developed and 2010 for developing countries, or as soon as possible thereafter.” Furthermore, APEC subsequently agreed to establish a comprehensive paperless trading environment in the region by 2020.

In putting the blueprint into action, a guideline was adopted calling on member countries to draw up paperless trading individual action plans (IAPs) to reduce or eliminate paper documents related to international trade. Based on these IAPs, actions and measures for trade facilitation were expanded from general policy and trade administration to financial settlement and global collaboration.

Developing the actual infrastructure to support paperless trade, the Pan Asian e-

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|  Asia-Pacific Economic Cooperation | Roles and Cooperation of Public and Private Sector in APEC | |
|---|---|---|
| | Private | Public |
| Key Players | KTNET, Trade-Van, Tradelink, etc.. | Each Economies' Government |
| Function | Development of Infrastructure | Change of Laws and Regulations |
| Role | Provide Paperless Trade Services | Support for the Facilitation of Paperless Trade |
| Cooperation | Collaboration of Service Providers e.g. PAA | Cooperation of Economies e.g. Korea-Japan Paperless Trade Public and Private Sector Joint Meeting |

'Promise for Progress & Prosperity'...

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commerce Alliance (PAA) was established in 2000 with the goal to promote and provide secure, trusted, reliable and value-adding IT infrastructure and facilities for efficient global trade and logistics.

To date, there are eight member economies in PAA- Korea, China, Honk Kong, Macau, Chinese Taipei, Japan, Singapore and Malaysia. Each of the member economies is represented by a primary organization responsible for paperless trade promotion in that country; for example, KTNET in Korea, Tradelink in Hong Kong, Trade-Van in Chinese Taipei, CrimsonLogic in Singapore and TEDINET in Japan. Interfacing with each other on the regional level, in their own markets these organizations have a wide range of customers and service to facilitate electronic data interchange and e-trade.



So far, PAA has implemented a PAA Club Agreement that provides background on legal issues in the respective countries and laid the foundation for a Multilateral Agreement; established technical standards for interconnection (interoperability), e-documents and security (PKI); and secured cross border transaction services including shipping documents and pre-declarations. In the latter area, services will soon be expanded to e-C/O, e-B/L, visibility service, etc.

There are several key issues that have been driven by PAA activities to date. The first and most critical of these is to raise widespread public awareness of the economic benefits of paperless trade through promotion of paperless trade at the national level. The second is to achieve harmonization of related laws and standards within APEC. To do this, PAA is encouraging economies to adopt compatible laws for e-documents and to participate in the establishment and utilization of global standards.

The third issue is to increase the efficiency of national gateways for paperless trade. In this regard, member economies are having to deal with a digital divide, different levels of technology and systemic readiness to adopt paperless trade. One solution proposed is to establish a single window system for lodgment processing of trade documents.

As the most dynamic promoter of paperless trade in the APEC region, PAA is the best model for broader application to seamless paperless trade in APEC. It currently deals in B2B and B2G cross-border e-document exchange and is on the way to including financial fulfillment to encompass the full range of the trade process from beginning to end.

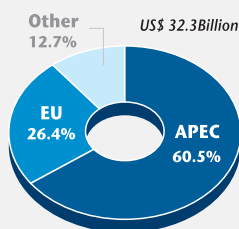
The trade process is one of the most complicated communication processes. According to the UN Conference on Trade and Development, traders, carriers, banks, insurers, customs and other trade-related agencies, on average amounting to 27-30 different parties, prepare more than 40 documents with 200 data elements for each international trade transaction. This highlights the need to enhance coordination of the related parties to establish efficient paperless trade infrastructure.

To support this effort, closer communication on G2G, B2B and B2G levels is needed. The first APEC Public and Private Partnership (PPP) Dialog Meeting for Promoting Paperless Trading, which is to be held in Korea in 2005, is seen as a

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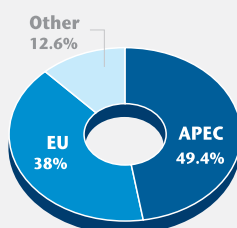
World GDP

US\$ 32.3 Billion



World Trade

US\$ 12.5 Billion



The government has decided to base its third generation e-trade platform on an upgrade of the existing VAN/EDI system rather than developing an entirely new system. Consequently, KTNET has been selected as the architect of Korea's e-trade improvement drive.

KTNET Remains e-Trade Architect

The government has decided to base its third generation e-trade platform on an upgrade of the existing VAN/EDI system rather than developing an entirely new system. Consequently, KTNET has been selected as the architect of Korea's e-trade improvement drive.

In line with the BPR/ISP project of the e-Trade Promotion Committee under the chairmanship of the Prime Minister, the Ministry of Commerce, Industry and Energy (MOCIE) came to such conclusion. The MOCIE official in charge said that the roadmap would be finalized by the end of June, adding that KTNET would lead the upgrade of its customs EDI system to a net-based e-trade system.

The official continued, saying, "The decision to maintain the existing infrastructure instead of building a new one is based on cost and efficiency considerations. However, the roadmap will expand the e-trade business as much as possible."

Companies other than KTNET will be allowed to participate in general e-document development. But, the MOCIE spokesman said, considering the importance of e-trade to the national economy, participants should expect lower profitability.



Electronic Tax Invoices

As government organizations are expediting introduction of a standard electronic tax invoice, the use of electronic tax invoices is likely to grow toward the end of this year at the earliest.

Government agencies such as the Defense Procurement Agency, the Public Procurement Agency, and the Korea Credit Guarantee Fund plan to adopt standard electronic tax invoices by the end of this year, foreshadowing the expansion of related markets including B2B electronic commerce.

The Defense Procurement Agency plans to upgrade the use of its electronic tax invoice in electronic commerce with business firms by converting the existing electronic tax invoice into one based on XML. The agency will focus on improving compatibility of its systems with other electronic tax invoices.

In line with the rapid increase in the use of electronic tax invoices, the Public Procurement Service is mulling over standardizing and upgrading its electronic tax invoice. The procurement service issued a total of 126,500 electronic tax invoices last year, and 89,930 invoices during the first five months this year.

Having developed an electronic tax invoice solution, the Korea Credit Guarantee Fund launched service in February. The fund will issue electronic tax invoices to its member firms based the results of a demand survey.

A Milestone for New Economic Take-off

Gov't Adopts u-Korea Promotion

Under a policy to establish a ubiquitous society, or u-Korea, the government held a conference to report on the u-Korea promotion strategy in June at the Ministry of Information and Communication. At the meeting, which was attended by 350 high-ranking government officials including President Roh Moo-Hyun and representatives from the information technology industry, the government adopted the plan of building a ubiquitous society, or intelligent technology-based society, by 2007. "u-Korea will not only lay the cornerstone for the new economic take-off of the nation but also gain momentum for a 'cultural revolution' that can drastically change the life of the people," said President Roh. "The government will build a social environment in which every individual can have a job and become a shareholder of IT businesses."

As the preceding government realized a knowledge-based society by constructing an information superhighway, the present government aims to usher in an intelligent technology-based society by implementing the 'IT839' strategy. IT839 strategy is the government's IT industry promotion scheme, representing 8 new information and communication services, 3 next-generation IT infrastructures, and 9 new growth engine industries.

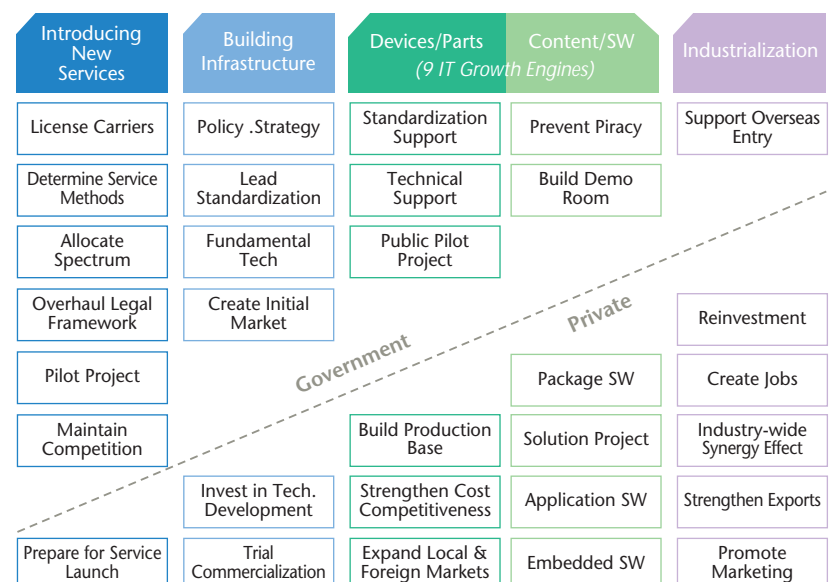
At the conference, Minister of Information and Communication Chin Dae-Je reported that the government would increase, through the 'IT839' strategy, production in the IT sector from 208 trillion won (approximately US\$179.3 billion) last year to 380 trillion won in 2007, raising exports from US\$57.6 billion last year to US\$110 billion in 2007. The strategy will also increase the number of jobs in the IT industry from 1.23 million in 2003 to 1.5 million in 2007, while raising the IT sector's contribution to per capita income from US\$1,500 now to US\$3,000 by 2007.

KT's CEO Lee Yong-Gyeong unveiled an ambitious plan to construct three new communication infrastructures, BcN, USN, and IPv6, investing a total of 67 trillion won by 2010. Im Ju-Hwan, president of the Electronics and

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IT Industry Value Chain & Roles of Government and Companies



Amid the revolutionary changes in the global trade order, considering its dynamism, the East Asian region is assuming a much larger role in world trade. And Seoul is emerging as the eye of the tiger for this drive.

Seoul Initiative (SI)

Customs Harmonization Toward E-Asia



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SI, standing for the Seoul Initiative, is an effort to expand customs cooperation in the region as the basic foundation for greater and more efficient trade. Customs is at the center of world trade as it has the greatest influence on commodity flows.

Kim Yong-Duk, commissioner of Korea Customs Service, said that SI benchmarks the EU's ECSC, European Community of Steel and Coal, which realized the vision of integration of its sector in Europe.

On May 27-28, Kim's organization hosted the International Conference on Customs Harmonization in East Asia under the theme "Paving the Way for Customs Integration." At the meeting, ASEAN Plus 3 (Korea, China and Japan) took the first steps toward unification of customs procedures and practices in the region. Already in close cooperation with the Ministry of Finance and Economy and KIEP, the Korea Customs Service is drawing up an action program based on the outcome of the Seoul conference.

Richard Baldwin, professor of Switzerland International Graduate School, presided at the recent regional customs forum, while the Netherlands customs commissioner presented lessons learned regarding customs integration in the course of EU unification.

The vision of customs harmonization will be discussed among the participants of the Seoul conference to set integration targets.

Meanwhile, Commissioner Kim is not just focused on East Asia but also on expanding the role of customs in Korea's global cooperation efforts.

On June 4, he visited Mexico for the Korea-Mexico Customs Commissioners Meeting and signed a memorandum of understanding on customs cooperation with his Mexican counterpart. This pact included the establishment of an exclusive window to resolve customs bottlenecks at the respective customs offices of the two countries. It also provides for exchanges of information and specialists as well as technical assistance.

Kim noted that Korea is targeting the conclusion of a free trade agreement with Mexico as the world's 14th largest trading nation and a potential beachhead for East Asia in the Americas. He said that closer cooperation in Korea-Mexico trade would provide momentum for increased cooperation among NAFTA, ASEAN, the Americas and Asia.



New Chairman of KCALS/EC:

B2B e-Trade - Two Sides of Same Coin

Seo Jung-Uck, a former minister of science and technology, was recently tapped as chairman of the KCALS/EC Association, which is a main player in the development of the B2B sector on behalf of the Ministry of Commerce, Industry and Energy. Seo is concurrently chairman of the e-Trade Promotion Committee under the Korea International Trade Association.



The chairmanship of the association and the committee reinforces Seo's role in integrating B2B and e-trade systems. He notes that the two systems are really two sides of the same coin and therefore they must be closely coordinated.

Seo emphasizes that Korea's brand image in the e-business sector must be enhanced as one of the key elements for the nation to achieve its goal of obtaining a US\$20,000 per capita gross national income by 2010. He explains that in the past commodities and services were given the spotlight as the nation's primary economic drivers. However, with the emergence of China on the world stage, Korea needs a more sophisticated, advanced economic model represented by e-business.

"We need an e-business breakthrough just like we had with TDX in the 1980s and CDMA in the 1990s," Seo said.

He is pushing especially hard for small and medium enterprises (SMEs) to implement B2B and e-trade. The major business conglomerates are doing well in this area, but further improvements are needed across all players in the private sector. "The government and our organization should speed the spread of e-business to SMEs," Seo explained.

The chairman also focused on the need to attract overseas experts to help develop the nation's e-business systems. Comparing the e-business environment to soccer, Seo said, "we have world-class stadiums and skilled manpower, but we need better coaches to put us at the top of the world stage." Foreign assistance is one way to invigorate the sector quickly. "We also need to streamline related rules and regulations," Seo suggested.

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critical first step in achieving this goal.

Leading up to the meeting, participants will be reviewing the paperless trade environment to determine how it can best facilitate APEC trade and identifying potential areas of public and private collaboration on paperless trade.

Currently, there is G2G collaboration where each economy is sharing information on policies, experiences and best practices of domestic projects for paperless trade promotion. In addition, there is B2B collaboration that is working to develop new services and business models through cooperation among service providers. The PPP Dialog wants to integrate these two areas within APEC to achieve B2G collaboration with the goal of establishing a seamless paperless trade environment that will be the driving engine for the acceleration of regional trade.

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B2B e-Marketplaces Look Abroad

In an effort to boost profitability, business-to-business (B2B) e-marketplace operators are seeking to explore overseas markets.

B2B e-marketplace firms including i-Market Korea, e-Sang Networks, and EC Global are actively moving to source commodities from overseas markets such as China and the Middle East while exporting domestically-made goods to other countries, according to industry sources.

With a plan to source quality products from China, i-Market Korea (<http://www.imarketkorea.com>), an e-marketplace for maintenance, repair and operation (MRO) commodities, has begun selecting products in that country in conjunction with i-Market China. i-Market Korea recently formed a new division devoted to that venture.

"Undoubtedly, China will become a factory for the world, and the company will expedite global sourcing to offer top-level supply service to industries at home," said Hyeon Man-Yeong, CEO of i-Market Korea.

Iron and steel e-marketplace e-Sang Networks (<http://www.e-sang.net>) plans to begin procuring iron and steel products including plates and rods in China in June at the earliest. For this, e-Sang Networks already has had meetings with one of the major iron manufacturers in China.

EC Global (<http://www.watchebiz.com>), an e-marketplace specializing in watches, plans to set up a branch in the United States in the second half of this year to import core components for watches and export watches to North America.

LG MRO (<http://www.lgmro.lg.co.kr>), an MRO supplies e-market, and Oilpex (<http://www.oilpex.com>), an e-marketplace for oil products, are also in talks with companies in China and the Middle East, respectively, to procure commodities.

KT Given Go-Ahead for One-Phone

KT Corp., the country's largest fixed-line and broadband carrier, has been granted a license for its "One-Phone" service, allowing customers to use both fixed-line and mobile phones with one device, the Information and Communication Ministry said on June 16.

"We have allowed KT to proceed with the One-Phone service on condition that the company charges phone rates separately for fixed-line and mobile services instead of offering discounts and that it open its networks to other mobile service providers for similar bundling packages," said Seok Je-Bum, director of the ministry's telecommunication competition bureau.

The government had been reluctant to allow One-Phone service out of concern that KT's presence could damage fair competition once the company is allowed to connect its fixed-line services with mobile telephones and the Internet.

KT controls more than 90% of the fixed-line market for local calls with 21.6 million subscribers and handles about half of the country's international calls. It also controls more than 5.7 million of Korea's 11 million broadband Internet users and owns 46.7% of the country's No. 2 mobile-phone operator KT Freetel Co.

The new service enables customers to send or receive calls through both fixed-line and mobile networks using a single terminal.

4 Groups to Get SMBA Support for ASP

As part of efforts to stimulate digital management by small and medium enterprises (SMEs), SMBA has decided to support ASP (Application Service Provider) types of e-business solution projects after selection of four small business consortiums.

The four business consortiums selected by SMBA on June 10 are Korea Agriculture & Food Trade Cooperative (KAFTC) (members: 160, associate members: 4,200); Korea Crafts Artist Association (KCAA) (members: 350, related members: over 600); Korea Association of Advertising Specialty Suppliers (KAASS) (members: 11,154); and Korea Fashion Textile Association (KFTA) (members: 184).

SMBA's support package for e-business specialized by sector includes partial financing for development of solutions, publicity for related business sectors and firms and a guide to system utilization.

The e-business solutions suggested by each business group are:

- KAFTC: Portal to support its members, production history management system, food safety management system, management-support ASP, shopping mall builder, etc.
- KCAA: Association portal, common purchases/sales, support for community and knowledge services, auction of craftworks, cyber expo, etc.
- KAASS: Association portal, e-marketplace, ASP support (inventory/business partners/sales management), online payment settlement, UMS, etc.
- KFTA: Textile information portal, business information-sharing system (management of materials, quotations and delivery time, and consultations), etc.

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Gov't Adopts u-Korea Promotion Strategy ...

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Telecommunications Research Institute (ETRI), said it would secure 20,000 international patents by 2010, aiming to achieve a surplus in technology trade. It also plans to establish a center for fostering technology transference to small and medium businesses. President of the Korea Agency for Digital Opportunity and Promotion Sohn

Yeon-gi reported at the meeting that he would push to digitalize 1 million small and medium businesses by 2008 by leasing IT solutions, and to expand high-speed Internet service for the general public while providing digital opportunities to less privileged people.

The IT839 Strategy

