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Moving to Form Paperless Trade Network

Tie-Ups With 3 European Nations



KTNET is working to sign a memorandum of understanding with European partners to form a consortium to improve the nation's e-trade infrastructure. The project to spur the spread of e-trade by enhancing related structures would include partners KTNET (Korea), SITPRO (UK), EDI-France (France) and DAKOSY (Germany).

With the full support of the government, KTNET plans to hold a government-private sector meeting Sept. 3-4 on Jeju Island among representatives from the four countries and enterprises.

Furthermore, an ASEM Trade Facilitation Action Program (TFAP) meeting is scheduled for Nov. 24 in London to facilitate e-trade cooperation among member countries.

Along with the ASEM project, the Korea-China supply chain management infrastructure project, Pan Asia e-commerce Alliance initiatives and Korea-Japan e-Trade Hub form the mainstream of KTNET's globalization program to forge a single e-trade window.

The Korea-European consortium is an outgrowth of an ASEM project that was launched in Oct. 2001, when the first ASEM conference was held in Seoul. Also, the 2nd ASEM Conference on e-Commerce held in Helsinki, Finland, in September 2002 achieved tangible results by adopting recommendations for member countries' governments in three sectors - user-confidence, cyber-security and intellectual property rights.

Moreover, the e-commerce sector was recognized as the most successful of the seven priority areas of TFAP in the ASEM Economic Minister's Meeting held in Shanghai in July 2003.

The initial ASEM joint project between Korea and Germany, specifically between Hyundai Motor and Bosch, sought to establish paperless trade in connection with auto parts purchases. The project originally focused on the exchange of invoices, packing lists and information with the plan to expand it gradually to other documents. Based on the success of this project, it is now leading to similar activities with other countries and in other fields.

KTNET is leading the Korea-China SCM establishment project, and SCM solution provider Zionex and consulting firm Opentide Korea have joined the KTNET consortium. This consortium plans to sign a business implementation contract with the ministry in mid-July after mapping out plans reflecting local market survey results and receiving an appraisal from Korea Institute of Industrial Technology Evaluation & Planning (ITEP).

First in Electric / Electronic Parts Field Korea-China SCM Due Next June

An SCM system that enables information sharing on receipt of orders, procurement and production between head offices of Korean SMEs (small and medium enterprises) in the electric and electronic parts field and their local plants in China will be established by June next year.

The project is drawing interest in that the government's informationization project is also focusing on overseas plants and sales corporations, branching out from its previous concentration on domestic SMEs.

The SCM establishment project is also attracting attention for whether or not it will be helpful in securing competitiveness, considering management conditions like labor costs, at a time when the transfer of production facilities to China and other countries is spreading.

On July 5, the Ministry of Commerce, Industry and Energy (MOCIE) announced that it has decided to promote the first-phase Korea-China SCM establishment project by June next year as part of its Northeast Asian SCM hub creation project.

The Northeast Asian SCM hub creation project is preparing a platform that enables information sharing on receipt of orders, procurement and production between Korean head offices and their overseas plants in China. The ministry's strategy is to develop a success model in China, where many domestic enterprises are operating.

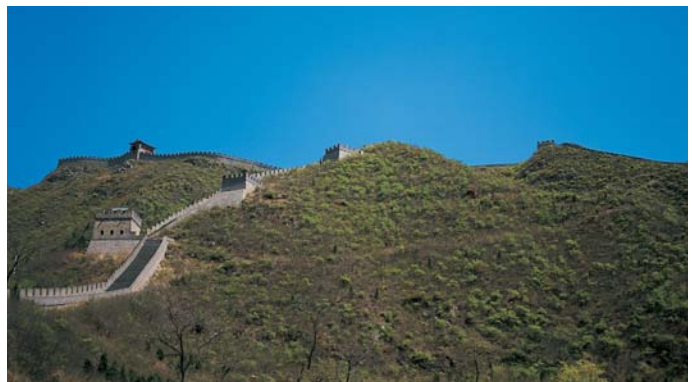
For this, a working-level team composed of ministry officials and related businessmen visited Korean firms in Weihai, Qingdao, Beijing, Tianjin, etc. and

conducted a pre-environmental survey in May and held roundtables and meetings with domestic head offices in June.

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An advisory group composed of experts from industry, academia and research institutes will be organized to provide business direction and consultancy for the start of the first-phase Korea-China SCM establishment project.

The ministry plans to promote the SCM establishment project starting with about 10 electric/electronic parts firms in the first year but expand the target regions to Shandong Province, including Weihai and Yantai, from Qingdao. Also to prepare for the second-year project, it is also considering promotion of the SCM establishment project by including one firm in the Tianjin region in the first-year project.



Korea-China SCM (Supply chain management) system will take shape next year, building a digital era-version of the Great Wall in terms of civilization milestone.

Northeast Asia Hub Strategy

Establishing National Logistics

The blueprint for the national logistics information system in support of the realization of a Northeast Asian logistics hub announced the decision to start establishment of the system in the second half of this year.

Related logistics informationization organizations, the Ministry of Government Administration & Home Affairs (MOGAHA), Ministry of Maritime Affairs & Fisheries (MOMAF), Korea Customs Service (KCS), etc. recently established ISPs for an integrated national logistics information service designed to realize non-stop information and business flow and aimed at a single logistics window.

The core of this project is to build a cooperative system among business players, which have been thus far promoting logistics informationization individually, and to establish a state-of-the-art logistics infrastructure for common sharing of information and utilization of IT. The individual players are the Ministry of Construction & Transportation (MCT), MOMAF, Ministry of Commerce, Industry & Energy (MOCIE), KCS, Korea National Railroad, import quarantine agencies, private firms, etc.

Domestic logistics informationization for KCS' cargo management and customs clearance procedures and MOMAF's harbor entry/exit processes reached world-class level in terms of informationization ratio and timeliness. However, due to information disconnects between agencies and complicated work procedures that are blocking further progress in logistics, this project is being promoted in order to network all logistics players.

Through this project, the government plans to set up a logistics export/import portal, the gateway to the logistics information system, for utilization by related agencies and businesses, and information sharing on approvals/permits, cargo tracing, logistics statistics, etc.

To be established for introduction of an advanced cargo tracing system are a cargo tracking information system by MOCIE; common cargo information and CVO (Commercial Vehicle Operation) systems by MCT; export/import customs clearance system (KCS); and rail-cargo transport information system by KNR.

To accelerate logistics informationization in the private sector, the government decided to push CVO service, nurture logistics ASP service and expand B2B service areas for VAN/EDI. It also decided to build information networks among logistics players, centering on piers, inland cargo depots, industrial complexes, etc., while linking logistics systems with trade, finance, insurance and transportation networks. A total of about 60 billion won will be invested in this project by 2007 starting this year.

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e-Document Management Solution Market New Challengers for Adobe

Domestic and multinational technology companies are jumping into the fast-growing electronic document management solution market, where Adobe has long held a tight grip.

Homegrown solution vendors such as Dream2Reality and Unidocs have unveiled products that are interoperable with Adobe systems, fueling competition for a significant share of the market.

E-document management solutions are seen as essential in creating a paper-free office environment, and demand for such software is increasing in the government and business sectors.

According to a recent survey by Adobe Korea, some 50% of Internet users are presently using viewer programs to read electronic documents.

Adobe Acrobat, known for PDF files, is holding a tight grip on the e-document solution market estimated to be worth some 15 billion won (approximately US\$13 million) this year. Multinational vendors Autodesk and Macro Media and two domestic tech ventures, Unidocs and Dream2Reality, are ready to challenge the No. 1 vendor.

The latecomers are resorting to low pricing and differentiation strategies to secure a foothold in the market.

Autodesk Korea unveiled 'DWF Composer,' which is used for drawings. The new product makes DWF files in a similar way that Adobe systems create PDF files, yet it is tailored for sophisticated images.

The company plans to provide 'DWF Writer' used for creating DWF files for a 50% discounted price of 120,000 won through the end of October.

B2B e-Marketplace Strategic Alliances Booming

Partnerships and strategic alliances are booming in the B2B e-marketplace industry. According to industry sources, two leading e-marketers of maintenance, repair and operation (MRO) commodities, I-Market Korea (IMK) and N2B, have recently struck a purchasing partnership, and Isang Networks and EC Global are working on similar deals with the Korea Paper Industry Association and Optics Global, respectively.



The rush into partnerships comes as e-marketplaces seek to increase the bottom line by beefing up purchasing power. Latecomers are also hoping to boost transaction volumes by teaming up with larger rivals.

The largest MRO e-marketer, IMK, has teamed up with No. 2 N2B for joint purchasing. The two companies will purchase office supplies and paper together beginning in August, and hope to expand the partnership to a wide range of products.

"Now that e-markets are 3 to 4-year-old organizations, they are beginning to find win-win business models in purchasing," said Hyun Man-Yeong, CEO of IMK. "We plan to work closely with N2B in the global sourcing area as well."

- **New Challengers for Adobe**
- **Strategic Alliances Booming**
- **SMEs Targeted for e-Business Expansion**
- **Korea-Japan Paperless Trade to Expand**

SMEs Targeted for e-Business

Asia-Pacific Economic Cooperation (APEC) member countries gathered in Seoul on July 15 for a two-day forum to promote the use of information and communication technologies by small and midsize enterprises.

The 2004 Informatization Policy Forum featured presentations by leaders from the public and private sectors to develop cooperation among APEC members to promote technologies by sharing related support policies and best practices.

"This meeting plays an important role for the community of small and midsize companies because information-technology is indispensable to the e-business environment of today and the future," said Kim Joo-Yong, director of the Policy Research Division at the Korea Information Management Institute for SMEs.

Participants saw the latest results of the APEC Informatization Survey for Small and Medium Enterprises, in which the levels of info-tech in member economies were measured by assessing infrastructure, business environment and supporting organizations.

Kim, who has more than 20 years' experience in the IT industry, proposed establishing a joint project called "e-APEC Readiness" and forming an informationization subgroup under the APEC SME Working Group to enhance cooperation on IT promotion for small and midsize companies at the APEC level.

Michael Baker, executive director of the Asia Oceania Electronic Marketplace Association, gave a presentation on the progress and outlook for e-business efforts in the APEC community.

Korea-Japan Paperless Trade to Expand

The paperless trade business between Korea and Japan (Korea-Japan e-trade hub), which has proceeded from a governmental perspective so far, will expand to a private pan-Asian project on the whole.

On July 7, the Ministry of Commerce, Industry and Energy (MOCIE) announced its decision to integrate the Korea-Japan e-trade hub, underway for three years led by KTNET, into a PAA (Pan Asian e-commerce Alliance) project starting in July. PAA is a cooperative body of private e-commerce institutions in Asia.

A related ministry official said, "The decision was made in consideration of duplication of activities with PAA, which is promoting a similar business with other Asian nations. But the ministry will continue to maintain the tone of the government's project promotion." He added that in the long term, the government also plans to consider support for PAA's e-trade projects with countries in the Asian region.

According to the decision, the ministry and KTNET plan to use the Korea-Japan e-trade hub as a model for e-trade projects that PAA is promoting with other Asian nations like Taiwan and to expand its linkage with Asian region projects in the future.

PAA working group chairman Han Hak-Hee said, "Projects currently are being promoted in various forms by country, including concrete discussions underway with Taiwan on specific business plans."

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Air Cargo Portal Service

KTNET Launches Online ACPS

Korea's national e-trade, logistics and customs infrastructure establishment business, KTNET, launched ACPS (Air Cargo Portal Service) on July 1 for the exchange of cargo information between airlines and forwarders as well as other services.

ACPS is an air cargo portal service that handles private air cargo business affairs online between airline companies and forwarders, such as Master AWBs, cargo transportation information and reservations, based on international standard Cargo-IMP e-documents.

If forwarders transmit cargo reservation and transportation information via their own FIS (Forwarder Inhouse System) or input it via the ACPS website (www.aircargportal.com) and transmit it to airline firms, they can receive confirmation of reservations and cargo processing information from airlines on a real-time basis.

Through ACPS, forwarders and airlines are expected to obtain direct benefits like saving of manpower due to avoidance of duplicate data input, reduction of various communication expenses and shortening of working hours, while fulfilling customer needs by providing comprehensive information, including real-time transportation and cargo arrival at customs offices of respective nations.

The first airline subscriber to ACPS, Asiana, prepared a systematic foundation to lead air cargo business flow by adopting this service, following the introduction of a new cargo system (CSP) last year, as part of its effort to improve customer service.

Asiana Airlines, which introduced ACPS in advance of the upcoming implementation in August of the U.S. AMS (Automated Manifest System), is now able to save manpower and reduce expenses by computerizing cargo business affairs with its agents, which were previously processed offline, and also can further solidify ties with transacting forwarders through enhancement of customer satisfaction with improvement of cargo reservation procedures and work-processing speed.

Through its linkage with e-trade networks, ACPS will likely contribute to a significant upgrade of forwarders' competitiveness by sharing diversified types of cargo information with traders and customs clearing companies as well as export-import logistics firms, including airlines. KTNET also expects that ACPS will quickly respond to new demands of air cargo business communities that are changing to secure Korea's position as a Northeast Asian logistics hub in the future.

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Mergers & Acquisitions

Mobile Content Providers Look Abroad

Mobile content providers are rushing to diversify expansion strategies targeting key overseas markets. Some are aggressively pushing for mergers and acquisitions, while others are seeking to secure a beachhead via local branches and networks.

Com2s recently launched Com2s Europe by reorganizing the local liaison office that had been based in the software promotion agency's I-Park. Seeing growing popularity of its mobile sports games such as 'Com2s Bowling 2' and 'Andre Agassi Tennis' in Europe, the company now plans to open a branch office in Japan. It is also hoping to break into the U.S. market by joining I-Park facilities there.

InfoHub bought managerial control of Empion Asia of China in June in a takeover bid. The Chinese firm is not only a service provider for the two largest wireless operators in China, China Mobile and China Unicom, but also has an SMS business license nationwide. The company established by eSamsung also boasts well-integrated sales organizations and networks.

InfoHub expects sales at Empion, which was 2.5 billion won (approximately US\$2.23 million) last year, to rise to some 8 billion won this year, boosted by the merger. "There are limits in what we can do as a content delivery business," said Lee Jong-il, CEO of the company. "We expect the deal to create significant synergy given the extensive networks of Empion and our years of experience in China."

Korea CALS/EC Association

Intergrated B2B Platform Pushed

Korea is set to build an integrated B2B platform in full swing in order to support additional functions as well as the service and process linkage required for B2B e-commerce on one platform without duplication.

On July 1, Korea CALS/EC Association hosted 'Report Meeting on the Integrated B2B Platform ISP Results' at the Trade Center in Samsung-dong, Seoul, and announced its three-year plan for the establishment of an integrated platform.

In its ISP, the association suggested promotion strategies by stage: preparation of the foundation to provide integrated platform service in the first year (September 2004); development of domestic and overseas transaction models in the second year (September 2005); and construction of B2B e-hub in the third year (September 2006).

The association plans to solicit proposals in July and select businesses to commence establishment of the first system for completion of the integrated platform foundation by the end of September. The first year's primary task is development of models for respective fields so that the projected integrated platform can link credit guarantee, logistics, G2B bidding information of the Public Procurement Service (PPS) and corporate credit appraisal information service, as well as e-catalogs and transaction mediation systems among business sectors.

As for the linkage between the integrated platform and Korea Credit Guarantee Fund (KCGF), in particular, an indirect method, which integrates the security and communication modules of e-marketplaces, was suggested rather than a direct linkage, considering the characteristics of the financial structure.

■ **Mobile Content Providers Look Abroad**

■ **Intergrated B2B Platform Pushed**

■ **A Welcome Rain to Boost Economy**

US Standard Chosen for Korean Digital TV A Welcome Rain to Boost Economy

The government and domestic broadcasters ended their four-year debate over technologies for Korea's digital-television standard on July 8, approving the U.S.-based Advanced Television Systems Committee standard for digital broadcasts.



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The decision also paved the way for the European DVB-H (digital video broadcast handheld) standard to be included in the country's mobile television aspirations, with the government considering the possibility of adopting the platform

as a multistandard with the homegrown terrestrial DMB

(digital multimedia broadcasting) technology.

The agreement was announced jointly by the Ministry of Information and Communication, the Korean Broadcasting Commission, broadcast company KBS (Korea Broadcasting System) and the National Union of Media Workers.

The digital-television market will be worth 11.5 trillion won for broadcast services and 28.8 trillion won for equipment by 2010, according to government figures.

The government also plans to launch a research project on DVB-H and invest in its standardization process, raising the possibility of adopting the technology as Korea's mobile television standard alongside DMB.

Industry insiders predict that DVB-H could be in commercial use by 2006 should the standardization progress as expected.

The country's two major electronics manufacturers, Samsung Electronics Co. and LG Electronics Inc., released statements welcoming the settlement of the standardization issue.

Victory for Consumer-First Policy



Shin Yong-Seob

Director General, Radio & Broadcasting Bureau, Ministry of Information and Communication

Korea's final decision on the digital TV broadcast transmission standard has significant implications for society and the economy.

First of all, it is expected to have a comparable economic effect as the semiconductor and cell phone sectors have had in generating tremendous demand at home and abroad.

Second, the dialogue and compromise achieved in the course of reaching the decision on the standard showed the maturity of the national administration. From the beginning, working level officials engaged in rational discussions of both the U.S. and European standards and eventually came up with the best course for Korea.

Third, the decision is seen as a victory for the consumer in terms of digital TV products, technology and the capability to make improvements as the controversy over selecting the standard for Korea had depressed demand. The decision will give new momentum to the digital TV market as the Athens Olympics approaches. By the end of this year, about 80% of the households in Korea will have access to digital TV broadcasts.

Now, the main task is to prepare for the conversion to the digital TV era with further development of the sector, enhancement of services and reduction of the cost to consumers. The key to service preparations is to ensure that there is no interference between channels.

In conclusion, the compromise reached on the digital TV broadcast transmission standard demonstrated the capability of national officials to unite for technology and economic benefits for all.