

Private – Public Partnership Initiatives of KTNET for Cross-Border Paperless Trade

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KTNET (Korea Trade Network)

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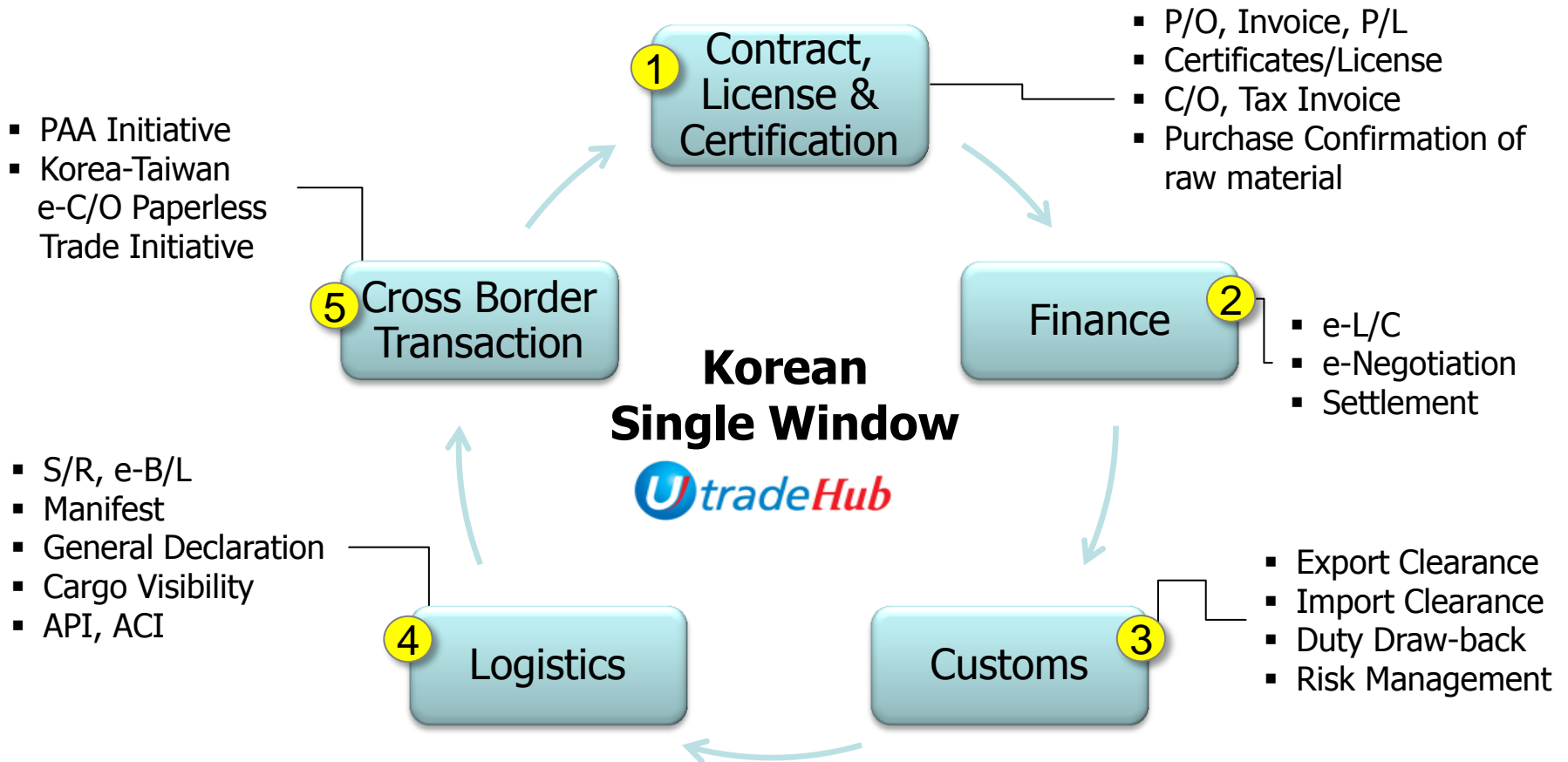
3. Success Points and Recommendations

1-1. Who we are?

- Founded by KITA(Korea International Trade Association) in June 1, 1991
'Act on the Promotion of Trade Business Process Automation' legislated by MKE(Ministry of Knowledge Economy)
- Designated Infrastructure Service Provider
(Legal Support for 6 Business areas by the government)
 - Pursuing efficiency of trade process & national competitiveness
 - National Paperless Trade Infrastructure Provider (Electronic Trade Facilitation Act)
 - e-Customs Service Provider (Customs Act)
 - Electronic Bill of Lading (e-B/L) Title Registry (Commercial Act)
 - Purchase Confirmation of raw materials for Export Goods Service Agency (Foreign Trade Act)
 - Customer-Oriented Convergence Services
 - Accredited Certificate Authority (Digital Signature Act)
 - Certified e-Document Authority (Framework Act on Electronic Commerce)
 - B2B Cloud Service , Wi-Fi indoor RTLS and LBS

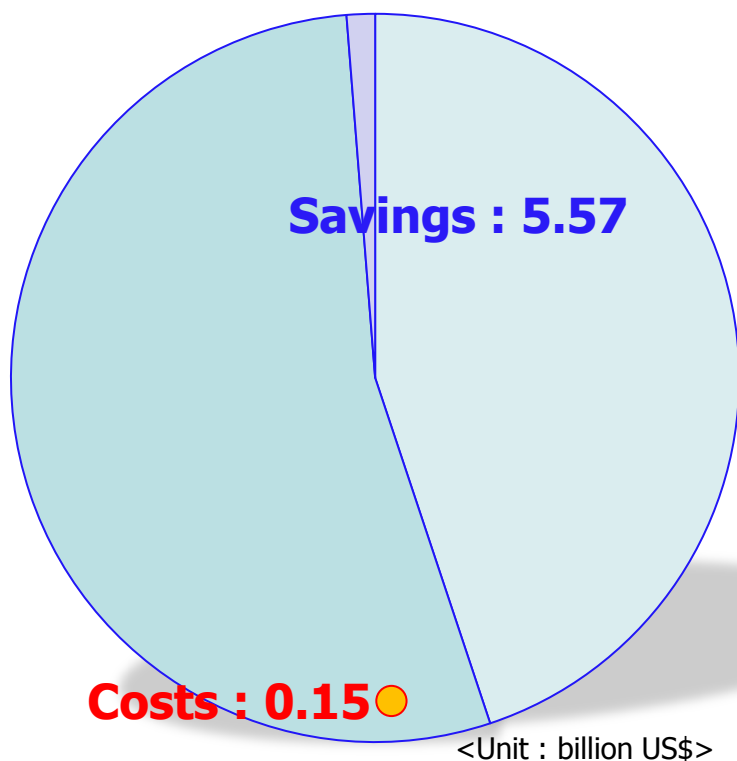
1-2. World Best Seamless Single Window

- KTNET provides internet based e-L/C, e-B/L and e-Nego services which support the **whole cycle of trade process** for the first time in the world.
- **585** different kinds of e-documents based on both domestic and Int'l standards and **289 Million** transactions in 2011.



1-3. Economic Effect

< Total Economic Effects in Korea >



■ Savings : US\$ 5.57 billion

- Direct Cost (2.5 billion) : Labor, Printing, Delivery
- Incidental Expense (3.0 billion) : Cargo, Clearance
Storage Expenses, Tariff Refund
- Other Cost (0.07 billion) : Document management

■ Costs : US\$ 0.15 billion

- Paperless Trade Service Fee (0.03 billion)
- System (0.12 billion) : Construction & Maintenance
of H/W & S/W
- Public Sector (5 million) : Initial investment

■ Net Effects : US\$ 5.42 billion

* Reference

1. Trade Focus Vol.6, No.64, Institute for International Trade, KITA, Dec. 2010
2. Hyundai Research Institute, Feb. 2006

2-1. PAA: Private alliance for paperless trade

PAA, the first regional alliance of service providers facilitating paperless trade, customs and logistics

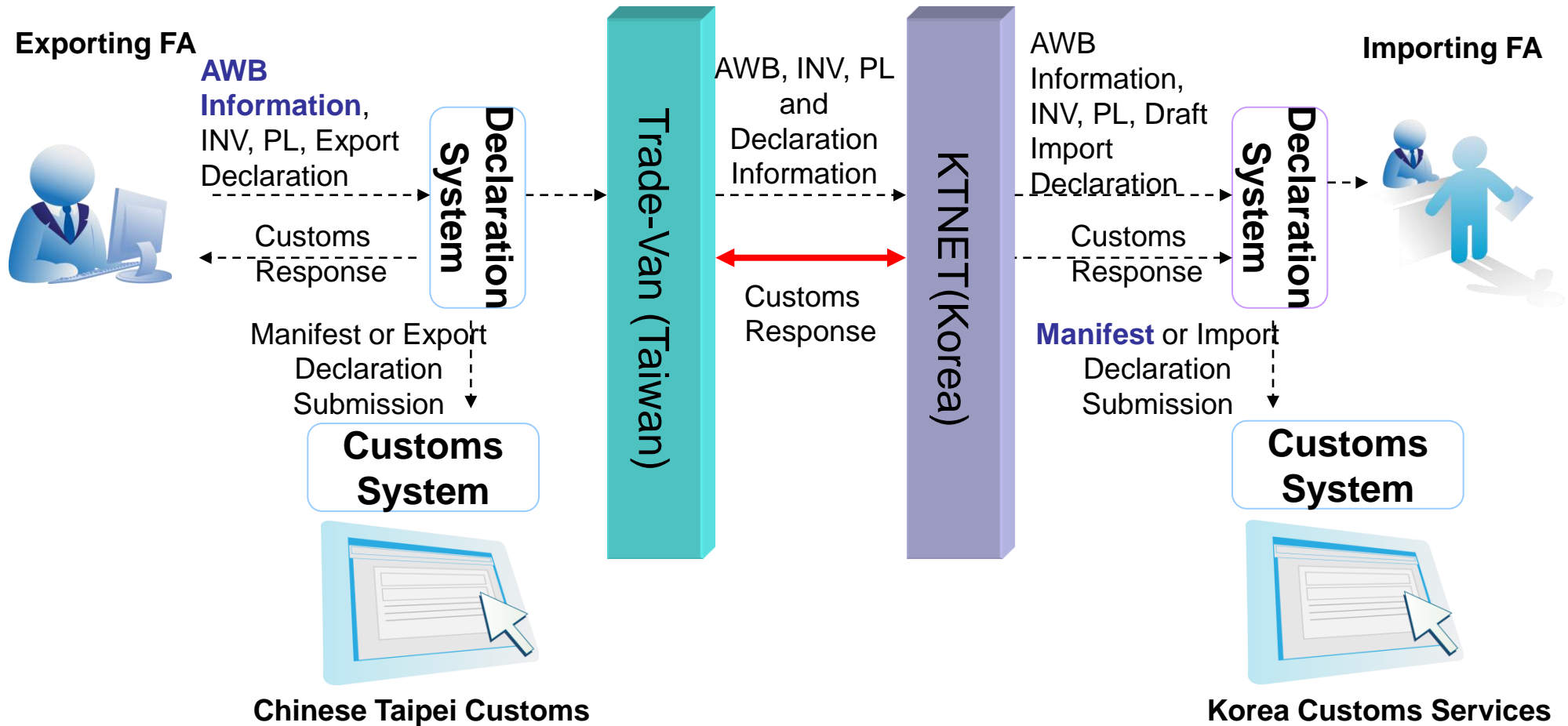
- PAA was established to promote and provide secure, trusted, reliable and value-adding IT infrastructure and facilities to enhance seamless trade globally
- PAA is serving 260,000 organizations, representing almost all active trading enterprises in the Asian market

PAA Charter:

- To enable **secure and reliable transmission** of trade and logistics documents.
- To allow **inter-connection of network** services to provide e-Commerce transaction application services for the business community.
- To create a Pan-Asian portal to enable global **B2B connection** and communication.



2-1. PAA: Case of Business Model



Monthly 3,000-4,000 live transactions!

2-1. PAA – Value proposition and limitations

■ Value proposition of PAA

- Efficient Operations – Trade data can be reused resulting in time savings in documents preparation
- Regulatory Integration - Integrated with Government services (e.g. Trade Declarations) provided by PAA member
- Error Free Operations – Automated reuse of trade data transmitted from trading partners result in reduction of errors caused by multiple data re-entry
- Security - Secure electronic transaction with overseas trading partners – no additional development works or data mapping
- Neutral Reliable Platform – Trusted 3rd Party e-platform for reliable and secure document delivery

■ Limitations of PAA

- Private B2B framework – no direct involvement or reinforcement of Government
- Private contractual arrangement - PAA Services are backed by contractual arrangement but not by laws

2-2. Bilateral PPP for paperless trade

Long term global paperless trade service development strategy of KTNET to overcome the limit of private initiative

- To facilitate cross-border private and public dialogue
 - Encourage Korean Government to facilitate bilateral or multilateral communication with major trading countries for paperless trade
- To develop Killer B2G Services
 - Initiate essential government related B2G services such as e-C/O
- To share knowledge and technology
 - Actively participate into international activities (such as forum, seminar and capacity building program) to share Korean experiences and bridge the digital divide in paperless trading
 - Provide technical consulting services and solutions to plan and develop paperless trade infrastructure

2-2. Bilateral PPP for paperless trade

To overcome the limitation of private sector, KTNET has initiated Private-Public Partnership Program with major trading countries

- Korea-Japan meeting for paperless trade (2001 ~ 2004)
 - Regular participants: MKE(Ministry of Knowledge and Economy) and KTNET from Korea, MITI(Ministry of Trade and Industry) and TEDI from Japan
- ASEAL (Asia-Europe Alliance for Paperless Trade, 2004 ~)
 - Founding Members: Government and paperless service providers of Korea, England, France and German
- Korea-China Private-Public Partnership Meeting for Paperless Trade (2005 ~)
 - Regular participants: MKE, KITA and KTNET from Korea, MOFCOM(Ministry of Commerce) and CIECC from China
- Korea-Chinese Taipei Private-Public Partnership Meeting for Paperless Trade (2005 ~)
 - Regular Participants: MKE and KTNET from Korea, BFT(Bureau of Foreign Trade), Customs and Trade-Van

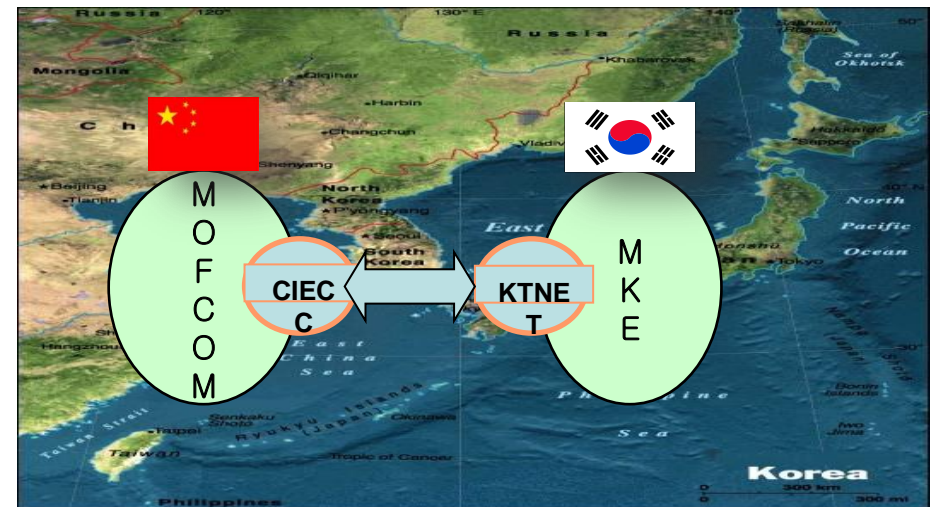
2-2. Bilateral PPP for paperless trade – Korea and China

■ History

- KTNET and CIECC (China International e-Commerce Center) entered into MOU for collaboration on paperless trade (2004,12)
- 1st Meeting (2006. 12): MOU between MKE and MOFCOM
- 2nd Meeting (2008. 12): Pilot Cargo Visibility Project
- 3rd Meeting (2009. 12): Expansion of Cargo Visibility Project
- 4th Meeting (2010. 6): Discussion on Global payment model
- 5th Meeting (2012.10): Co-Study on e-B/L feasibility

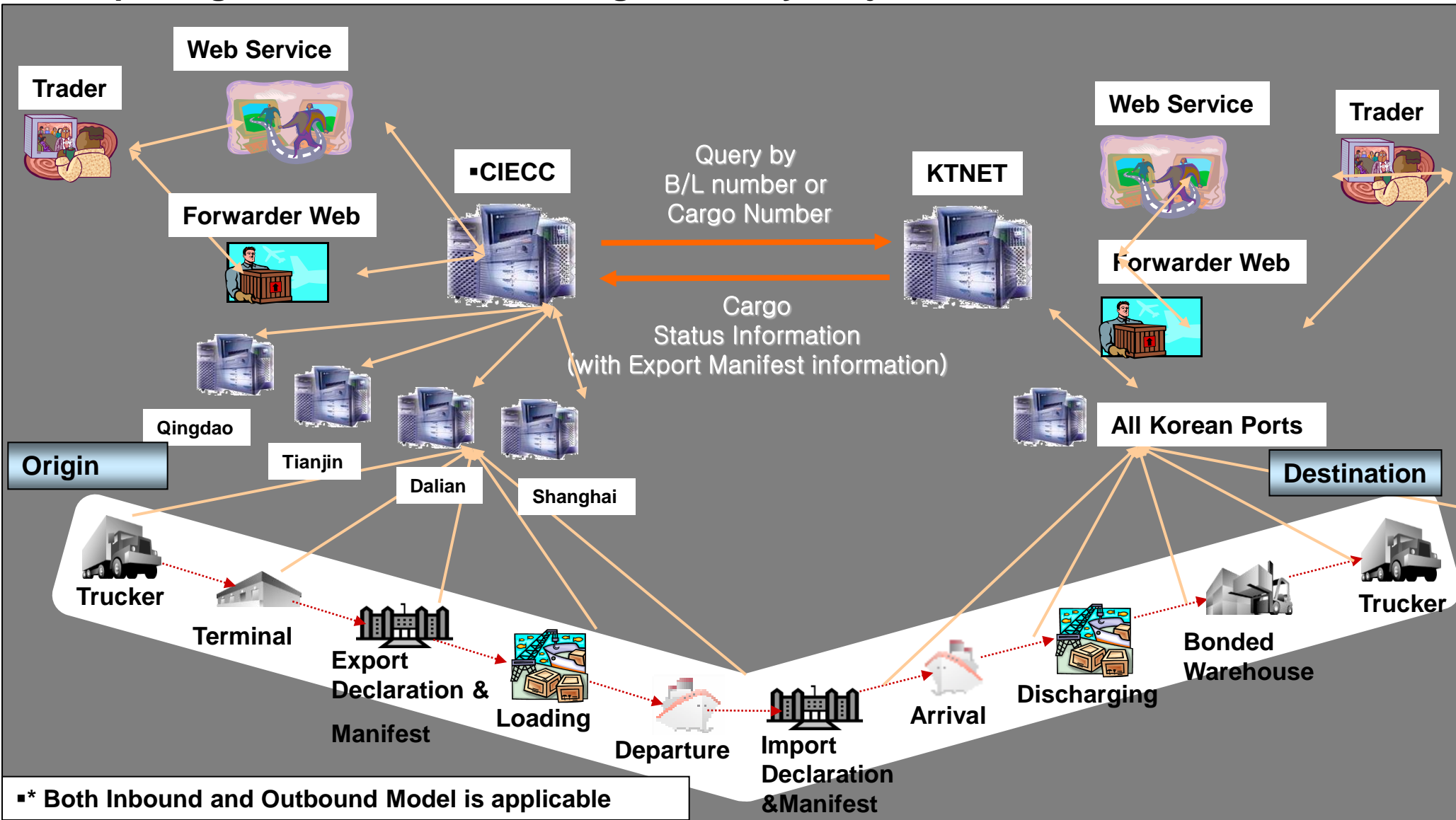
■ Outcomes

- Close collaboration in international org. (APEC, PAA)
- Korea-China Cargo Visibility Project
- Feasibility study on e-B/L exchange in APEC region



2-2. Bilateral PPP for paperless trade – Korea and China

Concept Diagram of Korea-China Cargo Visibility Project



2-2. Bilateral PPP for paperless trade – Korea and Chinese Taipei

■ History

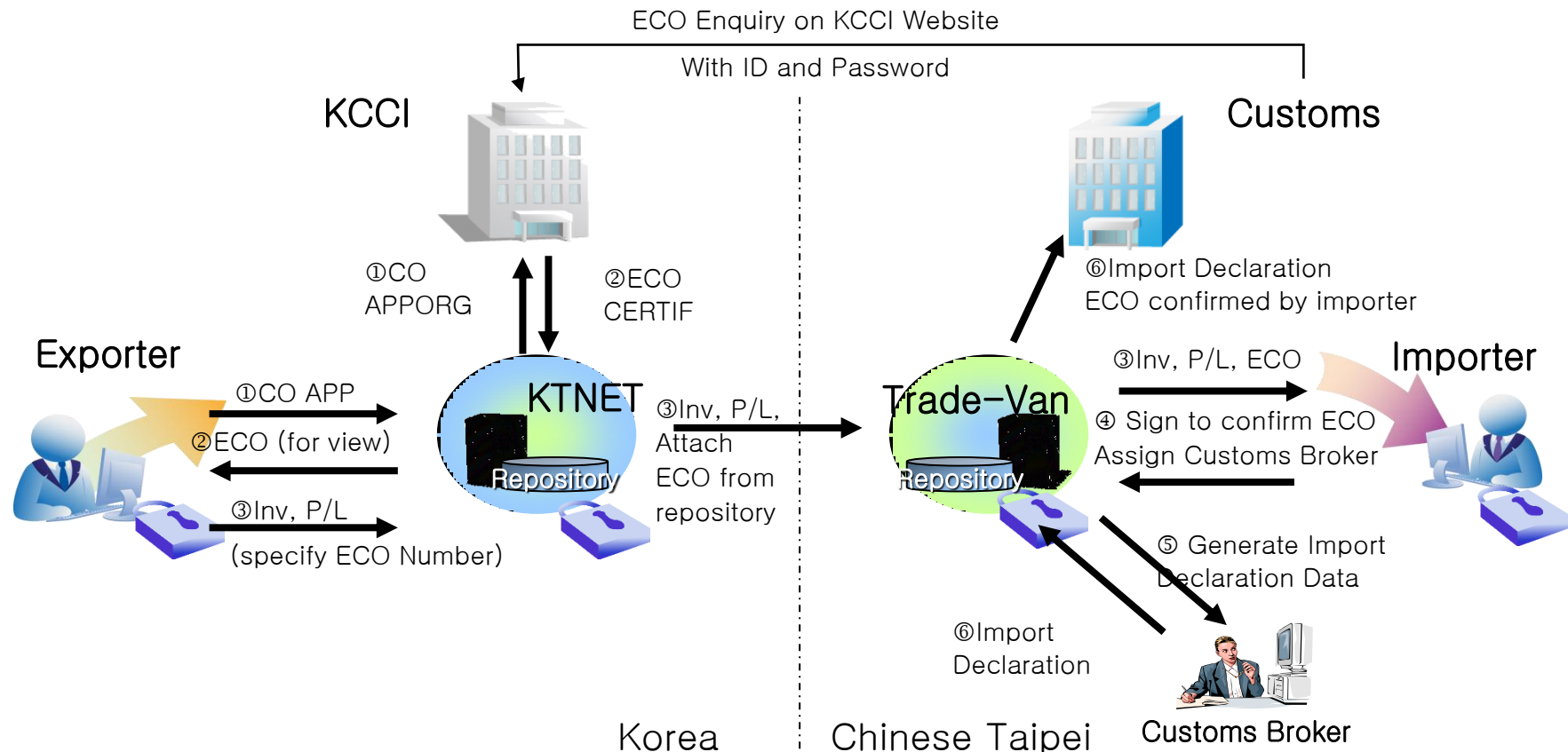
- During 10th APEC ECSG Meeting (2004.10, Chile), MKE and MOEA shared its view on necessity of Public Private Collaboration
- Preliminary Meeting(2004.12, Taiwan): BOFT invited MOCIE for Preliminary Korea-Taiwan Public – Private Meeting
- 1st Meeting (2005.4, Chinese Taipei): Agreement on Korea-Chinese Taipei
- 2nd Meeting (2006.4, Korea): MOU on e-C/O pilot project
- 3rd Meeting (2008,11, Chinese Taipei): Pilot Cargo Visibility Project
- 4th Meeting (2009.12, Korea): e-C/O technical standard/Cargo Visibility Project
- 5th Meeting (2010.5, Chinese Taipei): Launch of e-C/O Service

■ Outcomes

- Cross-border exchange of E-C/O between Korea and Chinese Taipei
- Cargo Visibility Project

2-2. Bilateral PPP for paperless trade – Korea and Chinese Taipei

■ e-C/O (Electronic Certificate of Origin) exchange between Korea and Chinese Taipei



Next Phase : Cross border e-Phyto Certificate exchange

2-3. Benefits

■ Benefits to Government

- Be the leader in trade facilitation among other countries
- Guarantee the authenticity of the cross border documents, reduce the possibility of fraud
- Reduce effort in paper CO verification
- Speed up customs clearance process
- Better service to international trade community

■ Benefits to Traders

- Save time and costs in applying and sending over paper documents
- No need to get a stamp/seal on the paper (guarantee of authentic documents)
- Transmit cross border documents in a secure online environment
- Better service to their buyers (exporter)
- Speed up customs clearance process
- Expedite cargo pick up → saving warehouse cost

3-1. Success Points and Recommendations

- Success Points in Public Private Partnership for cross-border paperless trade
 - Political will / Executive commitment
 - Technology readiness
 - Legal and security protection
 - Data & process rationalization / simplification / standardization
 - Marketing incentives to promote adoption
 - Effective Program Management including thorough communication among stakeholders
- Recommendations
 - Assess technology readiness of the country and prepare for the stakeholder capacity building program (inc. system development) to bridge the digital divide
 - Develop domestic paperless trade infrastructure (Single Window)
 - Establish regular cross-border private-public dialogue mechanism (or utilize existing bilateral business round table, forums or (sub-)regional meetings) and share the vision among stakeholders
 - Review and reinforce legal framework for cross-border exchange of e-documents
 - Lower the barrier for a starter by providing incentives (Data & Process Rationalization / Simplification / Standardization)

**THANK YOU
FOR
YOUR ATTENTION!**