

Business Environments of E-Trade

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I. Introduction

ā Definition of e-Trade

- The trade activity that performs international trade of goods and services by electronic and information-intensive method with IT including the Internet
- E-Trade is a process combining IT infrastructure, related industries, supporting laws and institutions, enterprises, trade-related organizations, etc.



▫ Importance of e-Trade

- A core Strategy for enhancing national competitiveness through structural innovation of trade which is the backbone of the Korean economy

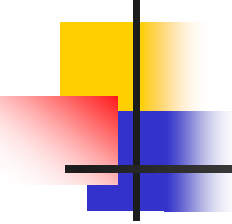
▫ Vision of the e-Trade

- Achieving a leading e-trade nation in 21c through “e-Trade” by offering the environment and services for all enterprises to trade by efficient and effective methods using the Internet any time any where



Expected Results

- o Become one of world e-trade leaders within a few years
 - Establish the national brand value of a good trade partner through active promotion of e-trade
- o Industrial innovation and improvement of trade environment and competitiveness
 - Improve enterprises, organizations and the economy for productive and efficient structure and process

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- Enhance the productivity of trade-related industries and their performance
 - Strengthen international competitiveness of enterprises

o Targets

- Establish an Internal trade system for “24 hour-365 days”
- Complete a global e-Trade network
- Increase SMEs’ e-Trade participation up to 50%
- Increase e-Trade up to 40% of the total of Korean trade



II. Strategy for e-Trade Development

d Benefits of e-Trade

- Improvement of high-cost trade structure by substantially reducing transaction costs through innovation of trade process

d Enhancing Export Competitiveness

- Through creation of new markets and new products, e-Trade enhances export competitiveness and expands export bases.

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- Especially it plays the core role in expansion of digital goods and knowledge services.

d Enhancing National Competitiveness

- Combining e-business efforts of enterprises and the government, e-Trade increases exports, and achieves high value-added trade structure.



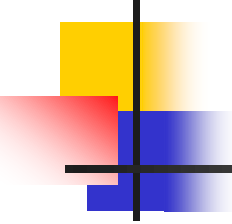
↳ **Strategy 1: Construction of e-Trade Infrastructure on the Basis of the Internet**

- Any time, any where, trading enterprises can use the Internet system for the whole trade process
- Establish a system for “single window”, an integrated e-Trade Platform
- All the government administrative services for trade business will be done on line
- Establish e-payment and e-banking systems

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- Establish the EIPP (Electronic Invoice Presentation & Payment) system

↳ **Strategy 2: Establish the Base for SMEs' e-Trade Utilization**

- Promote e-general trading companies for assisting searching and matching trade partners, consulting, contracting, transactions, etc. on behalf of SMEs
- Strengthen SMEs' international marketing by combining on- and off- line activities

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- Develop “Silkroad 21” as the representative national trade site
 - Support SMEs’ trade digitization
 - Support the development of new export items for global markets such as digital products (game, animation, etc.), S/W, DB, knowledge-based services

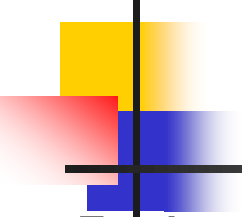


IV. Policies for e-Trade Development

̄ SMEs in Korea have many constraints for participating in e-Trade. Some of these are as follows:

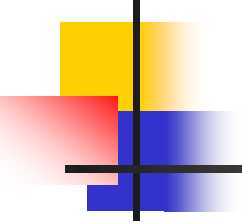
- 1) Since SMEs do not have sufficient internal digital capability in terms of manpower, they should depend upon outsourcing when they make and investment in information system.
- 2) SMEs tend to passively implement B-to-B, or e-commerce by the guide of large customer companies. This may constrain SMEs' business opportunities with other large firms.

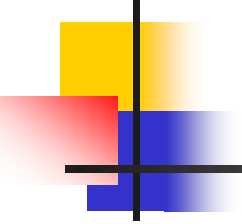
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- 3) Many managers or CEOs of SMEs do not understand digital-based management and technologies.
 - 4) SMEs are lacking in experience of electronic transactions and international trade.



d The policy aimed at informatization of businesses is being implemented in accordance with the Industry Informatization Promotion Plan.

-The Ministry is at the center of the Industry Informatization Promotion Plan, in cooperation with the Ministry of Information and Communication and the Small and Medium Business Administration.

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- Industry Informatization Subcommittee coordinates the policies in e-commerce, informatization through sectoral plans, international trade and national resource management, and tries to maximize the synergy effects of the policies.

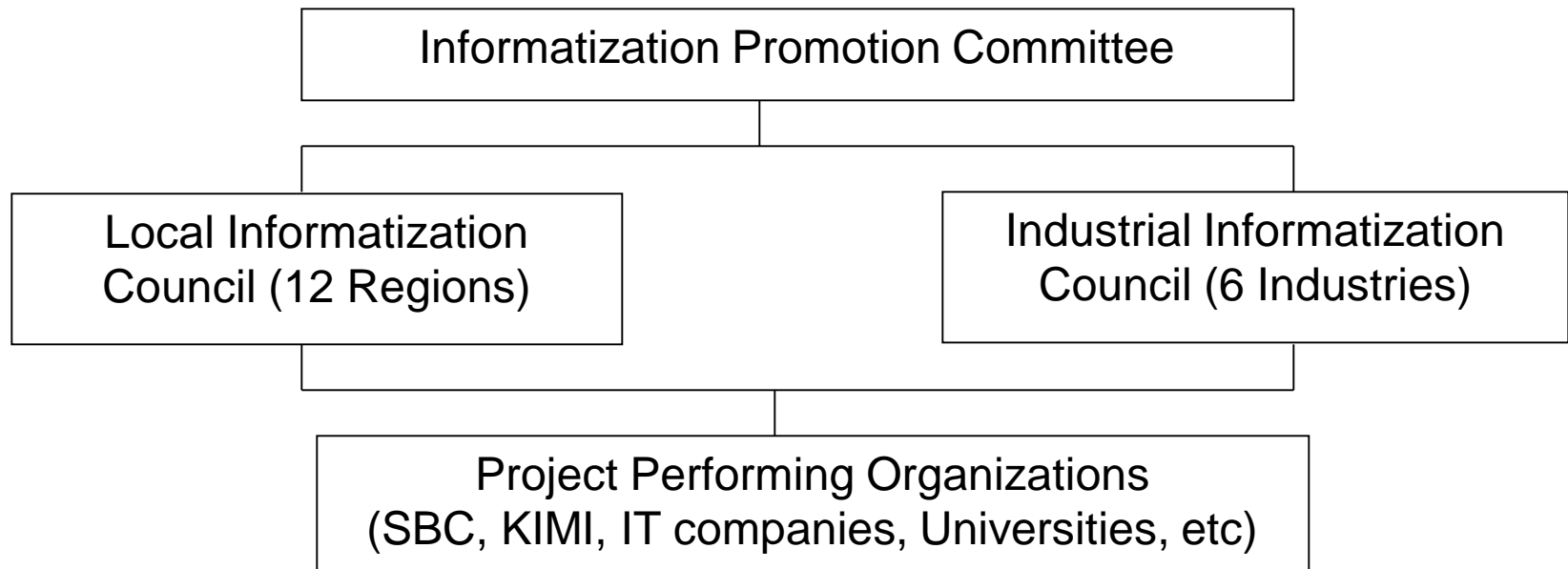
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- Among the organizations, the SMBA plays a central role in SME informatization. The SMBA is now leading several projects to spread IT to SMES.

d Organizational Structure for the Informatization of SMEs

- SMBA prepares and implements strategies for SME informatization, overseeing the SME Informatization Promotion Committee, which sets up comprehensive plans to support informatization of SMEs, coordinates roles of relevant organizations and evaluates their performances.



SME Informatization Promotion System

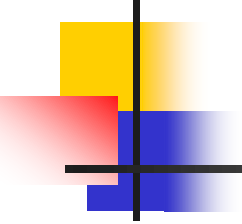




d Government Organizations for SME Informatization

- The Ministry sets up basic strategies for industry informatization and promotes e-commerce.
- The Ministry is undertaking three major projects: promoting e-commerce in industries; building e-commerce infrastructure; and globalizing e-commerce.

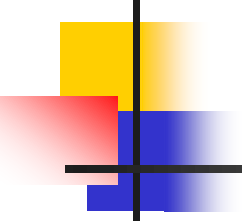
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- As for the first project, The Ministry promotes e-transformation of manufacturing businesses and supports SME informatization.
 - The second project, “Building e-Commerce Infrastructure,” aims at building and implementing national strategies for e-commerce promotion as well as reforming laws and regulations, and supporting standardization.
 - The third “Globalizing e-Commerce” project is designed to establish infrastructure for e-trade and expands multilateral and bilateral e-business cooperation.

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- The Government Association promotes informatization by networking suppliers and consumers of e-commerce with E-Trade Association, which promotes e-business from consumer perspective, and the E-Trade/Technical Association, which provides technologies from the supplier perspective.
 - The association manages the e-CEO Consultative Body, supports the Golden Card System, which aims to attract leading e-business workers from overseas. The association is carrying out projects for B-to-B networks and e-catalog.



^c **Export Promotion**

- Exports by SMEs account for 43% of total exports and are growing at a faster rate than that of large corporation. However, the recent slowdown in the global economy and increasing competition are posing challenges for SMEs' to expand exports. SMEs are also facing a sluggish domestic demand as a result of the slowing domestic economy.

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- The SMBA is also working toward expanding the export base for SMEs and providing active assistance in their overseas marketing. This takes the form of expanding opportunities for cooperatives and organizations to attend overseas exhibitions, and dispatching talented resources from SMEs to overseas countries to nurture them into trade professionals through on-site training in the local market.



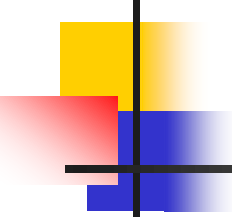
Customs and Other Trade-Related Procedures

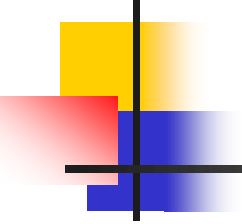
- Informatization of customs services has shortened the procession time (for exports, from more than a day to less than two minutes; for imports, from more than two days to less than two and half hours), and has reduced logistic costs a year.



Policy Plans for Advancing B-to-B e-Commerce

- Providing detailed information regarding foreign e-marketplaces: The government should do planning to provide information concerning document and catalogue standards, commodity standards of each e-marketplace.
In addition, the government will also provide specialized services that can help resolve possible disputes from international trades.

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- Providing an environment for paperless international trade through the establishment of an integrated system of international trade automation suitable for the Internet: The government distributes EDI systems to all exporters, and remove possible obstacles to international trade automation.
 - The government implements a global e-trade network project to handle all processes associated to international trades, including intermediation, contracts, payment, and logistics.

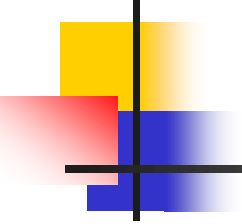
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- The trade network will be linked to the international trade automation systems of other countries.
As a result, a trade environment will be provided in which any international trader can utilize e-trade.



V. Implications

ā Implications for Countries

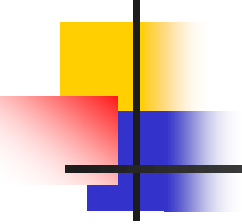
- Despite the active policies of the government, efforts of related organizations and firms, the e-Trade in some countries have not been sufficiently developed yet.
- Weak areas are found in: low utilization of the e-General Trading Companies, low profitability of e-Trade service providers, low level of digitization (of SMEs in particular), insufficient infrastructure.

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- Since e-Trade is a part of overall e-business, the mindset of the firms for e-business and overall development of e-business is a necessary condition for e-Trade development. Most of all, needs to establish more efficient e-business infrastructure.
 - In particular, SMEs need to actively utilize those supportive measures and policies. However, they do not have the capacity to do so. Thus, the role of e-General Trading Company should be strengthened.



ā Implications for Other Developing Economies

- Although leading countries may not have achieved an ideal progress in e-Trade development yet, the achievement so far may seem to be impressive to some outside observers.
- The active role of the government in e-Trade development through various policy measures confirms that the role of government is crucial, especially for the construction of needed infrastructure and legal arrangement.

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- International cooperation through such organizations as UNDP, APEC, ASEAN, etc. is also helpful for international networking.
 - Incentives for SMEs to utilize e-business in general and e-Trade in particular are also vital. Dissemination of success cases of SME e-Trade will be helpful and teaching the benefits of e-Trade are helpful.
- “ You can bring a cow to the river, but you cannot let the cow to drink the water!”