

Trade Single Window for SMEs

- Analysis on the basis of Korean case





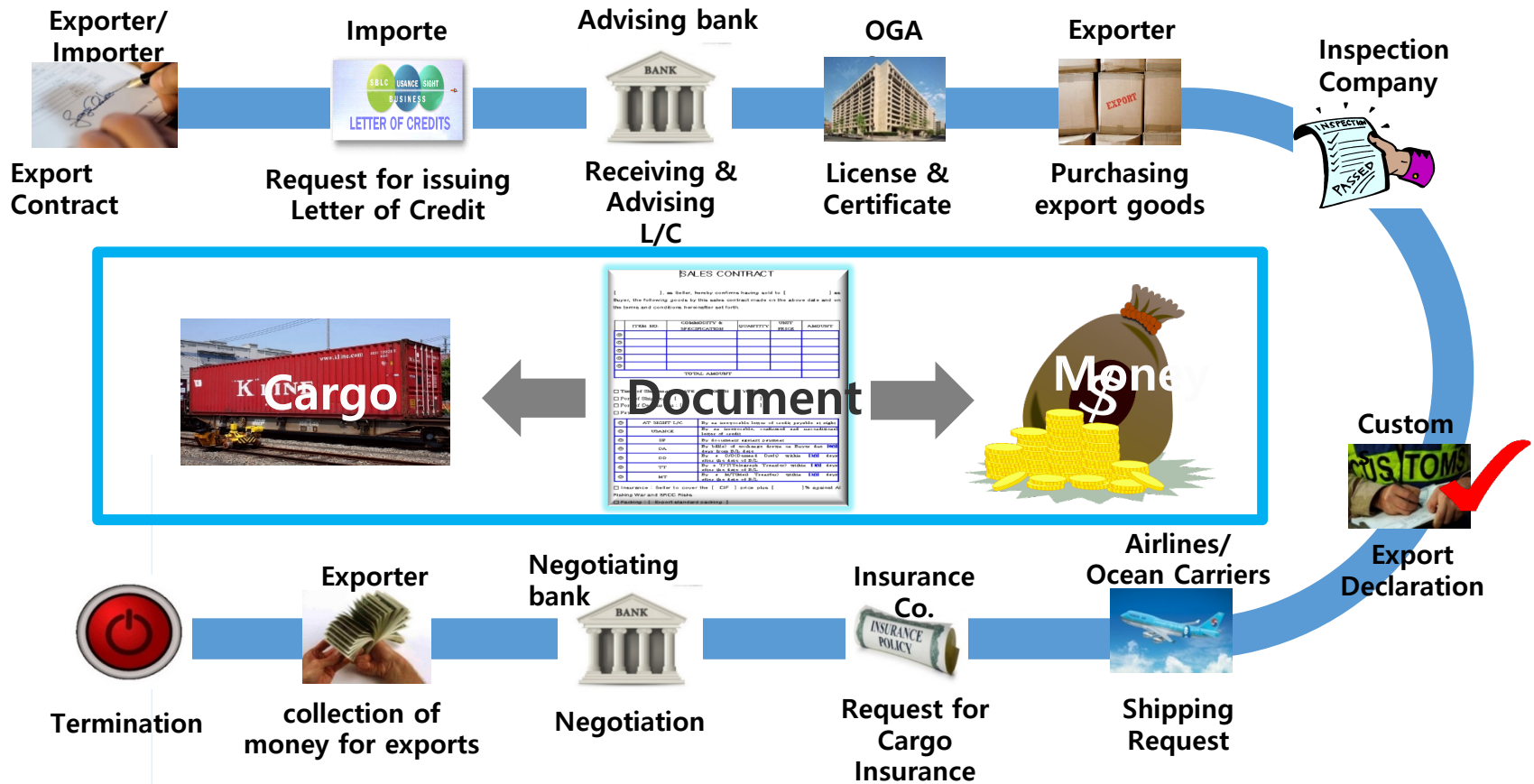
1. **Definitions**
2. **Comparisons between Single Windows**
3. **Korean Trade Single Window-
"uTrade Hub"**
4. **Feedback from the Users**



1. Definitions

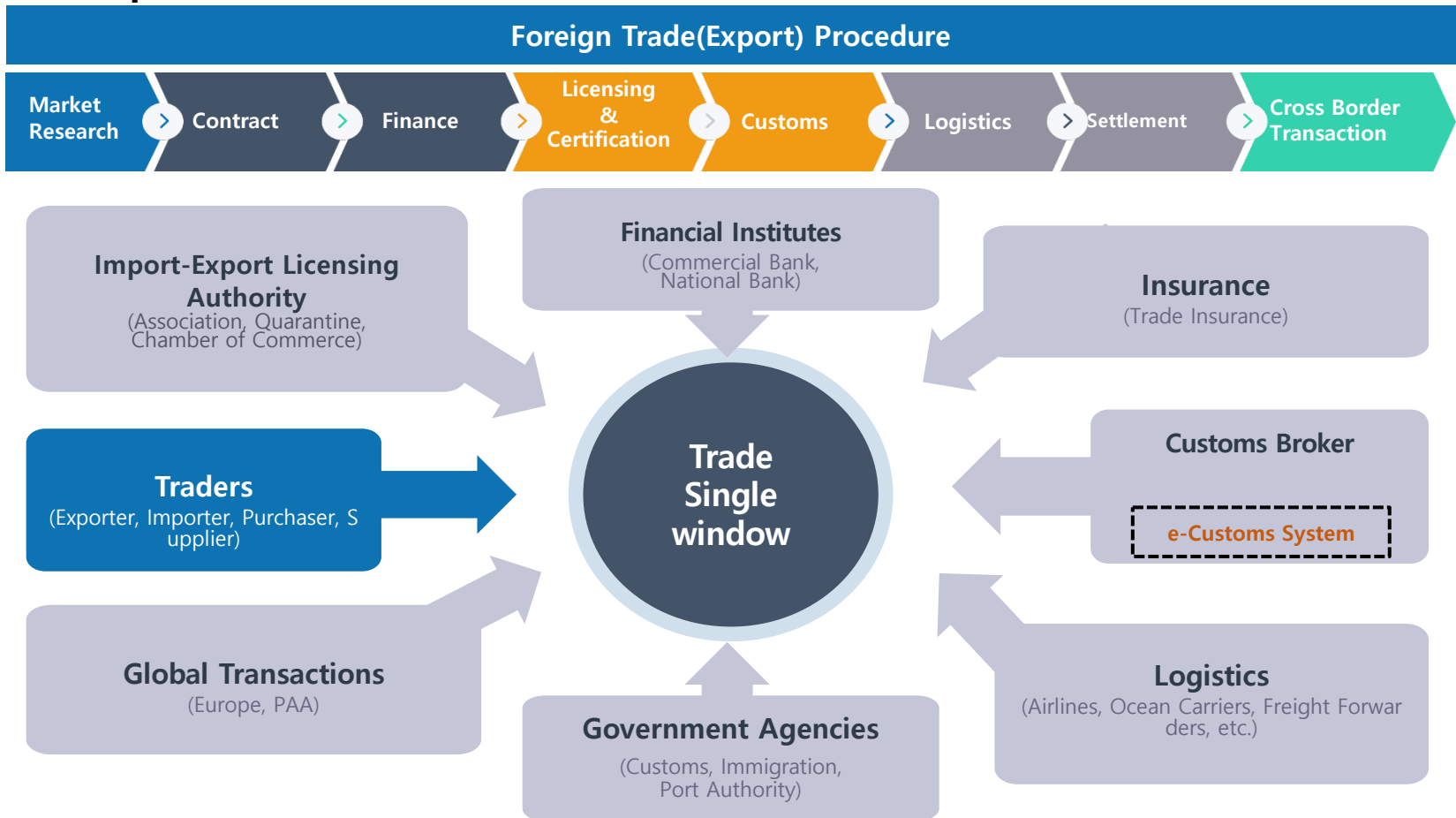
Flows of Trade

Trade has 3 flows; Cargo, Money and Documents.
Trade Documents matches Money with Cargo.



Paperless Trade

Paperless Trade is a “digitization of the document flow” for Procedure Simplification, via **e-documents** replacing the previous conventional paper-based process.





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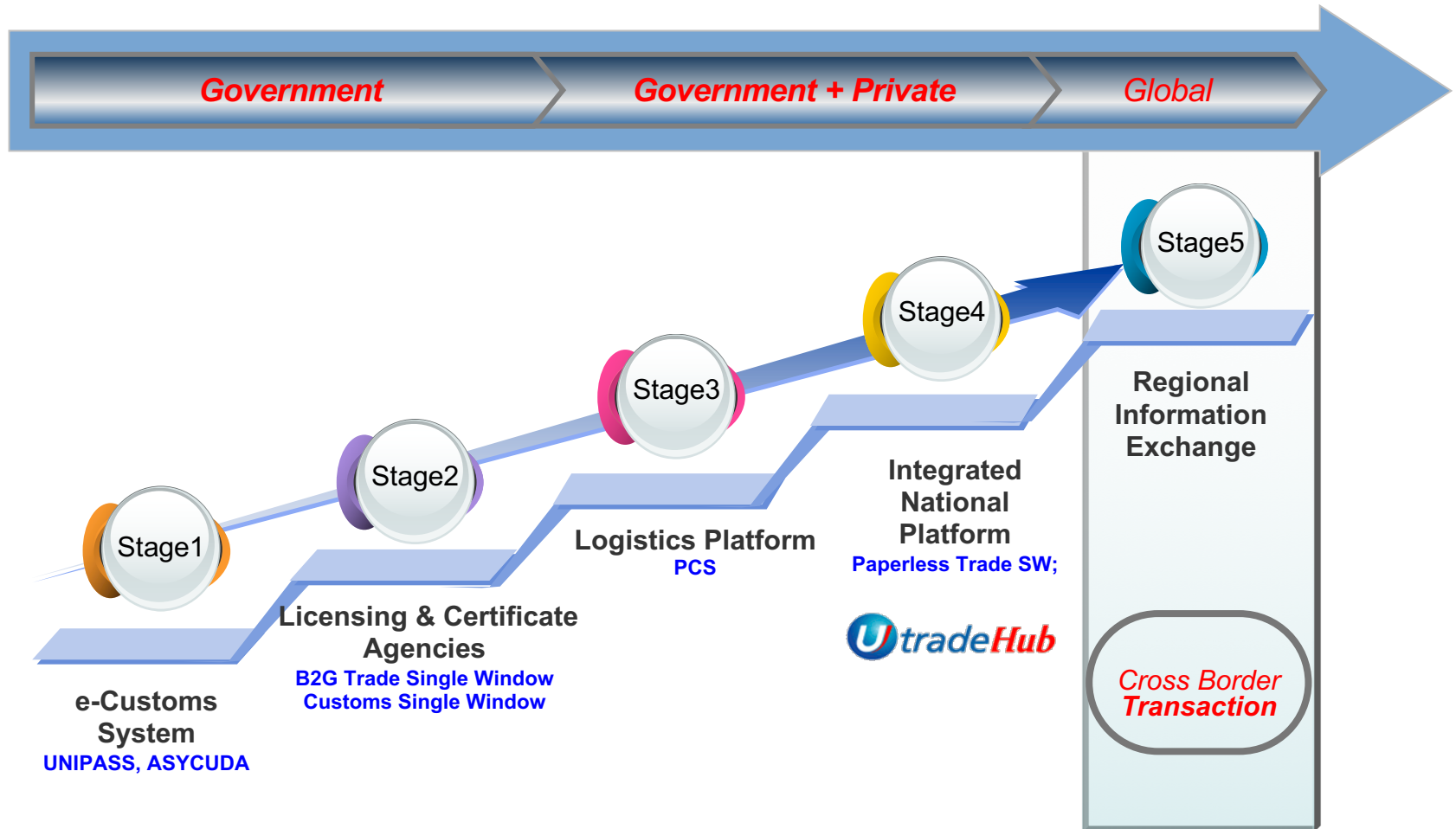
Comparison between Single Windows

Worldwide Single Window Initiatives

Type of Initiative		Economies and Cases
National Level	Single Window (in operation)	Azerbaijan, Indonesia, Japan, Republic of Korea, Kyrgyz Republic, Malaysia, Philippines, Singapore, Mexico, Peru, Chile, Colombia and others
	Single Window (under construction)	Kazakhstan, Mongolia, Turkey, Tajikistan, Uzbekistan, Russia, India, and etc.
	Other Paperless Trade Systems	<ul style="list-style-type: none"> - Customs EDI System (ICES) of India - e-Ports of China - Digital Trade and Transport Network (DTTN) of Hong Kong, China - Pakistan's Web-Based One Customs (WeBOC)
Cross-Border(Bilateral)		<ul style="list-style-type: none"> - Electronic Certificates of Origin(C/O) between Korea and Taiwan - Electronic Exchange of Preferential C/O among ASEAN members - Electronic Exchange of Preferential C/O data between Korea and China - Electronic Sanitary and Phyto-sanitary (e-SPS) exchanges between Australia and New Zealand
Cross-Border(Regional/Worldwide)		<ul style="list-style-type: none"> - ASEAN National Single Window - Single Customs Territory of East Africa Community - Pacific Alliance(Chile, Columbia, Mexico and Peru) - Pan Asian e-Commerce Alliance (PAA)

Source: HS HA and SW LIM(2014), ADB Working Paper Series on Regional Economic Integration No. 137 and Modified by the Author

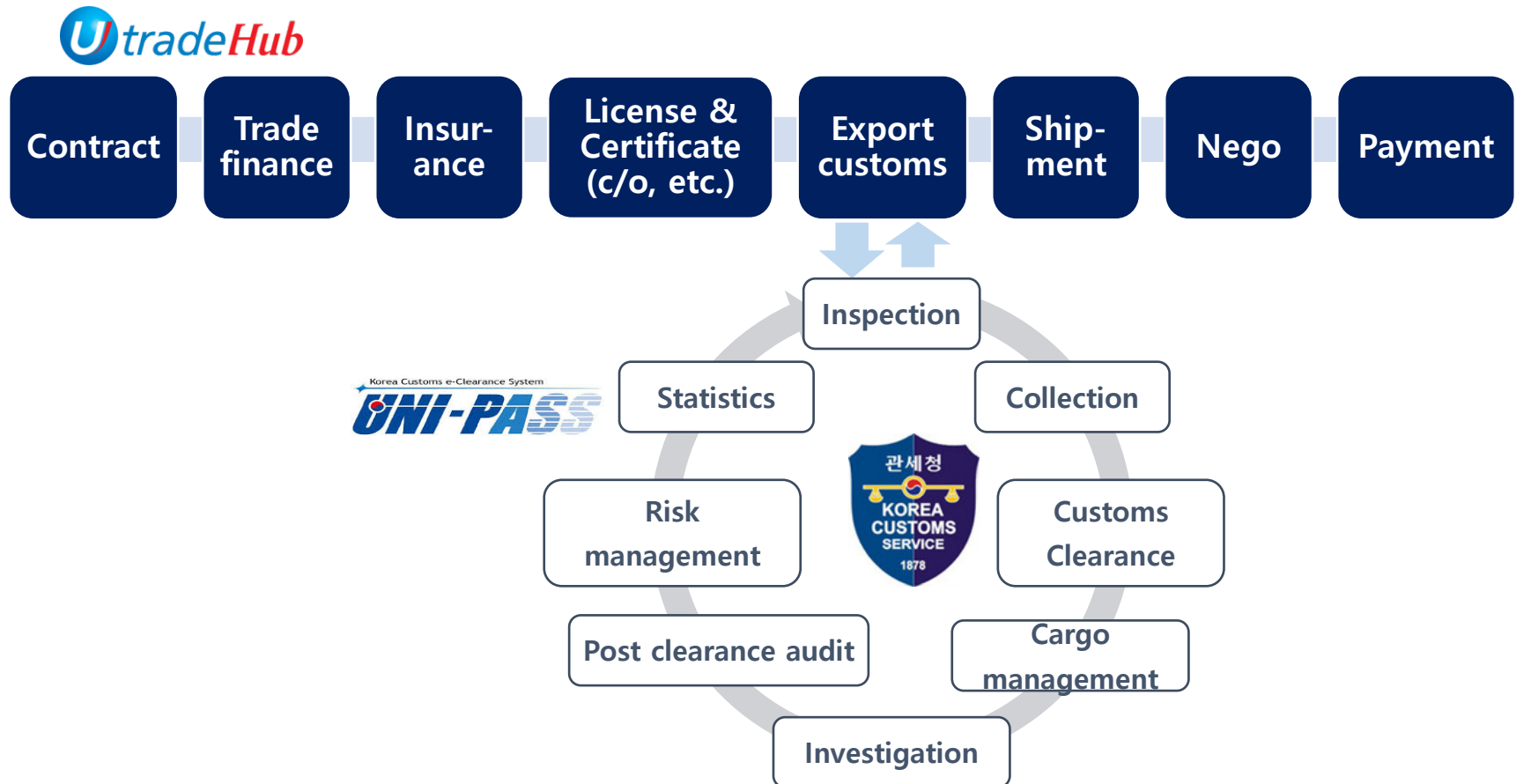
5 phases of Paperless Trade



Source : "Roadmap towards paperless trade", UNECE, 2006 and Modification by KTNET

Trade SW vs. e-Customs

Trade SW is linked with e-Customs System.



Trade SW vs. e-Customs by Institution

Category	Authority in charge	IT System	Contents	Characteristics
e-Customs	<ul style="list-style-type: none"> • Korea Customs Service • Customs Service • Revenue Authority • Ministry of Finance 	UNI-PASS, ASYCUDA	<ul style="list-style-type: none"> • Inspection • Collection • Customs clearance • Cargo management • Investigation • Post-clearance audit • Risk management • Statistics 	<ul style="list-style-type: none"> • Collection of Customs Tariff and Duties • Regulatory enforcement & Border management • Anti-smuggling • Main Users: Customs Broker, Freight Forwarder
Trade SW	<ul style="list-style-type: none"> • Ministry of Trade, Industry and Energy • Ministry of Commerce • Ministry of Economy • MINCETUR* • USTR* 	uTradeHub	<ul style="list-style-type: none"> • Letter of Credit/Open Account • Shipping Request • Way Bill/Bill of Lading • Certificate of Origin • License & Certificate • Cargo Insurance • Negotiation • Collection 	<ul style="list-style-type: none"> • Trade facilitation and promotion • Easy Environment for Foreign Trade • Encouragement of SMEs' export • Elimination of trade-related off-line regulation • Platform to link e-Customs system, Port Community System, Immigration & OGA's • Main Users: Traders

Trade SW vs. Customs SW

	Customs SW	Trade Single Window
Main Goal	Customs SW is for, from the point of Customs, linkage to OGA in order to issue license and certification related to import-export via on-line	Automation of whole trade procedure via on-line including Customs, Logistics, Banking & Trade Finance, B2B commerce and Licensing & Certification
Leading Agency	Customs Authority	Ministry of Trade, Ministry of Commerce, Ministry of Economy
Phases of Paperless Trade Advancement	2 nd stage	4 th stage
Scope of Service	Extension to OGA's Licensing & Certification	Customs, Logistics, B2B Commerce, Banking & Trade Finance, Licensing & Certification
Main Users	OGA's, Customs, Customs Brokers, Private Sector Applicants	Traders, Logistics Companies, Financial Institutes, Industrial Association, OGA's, Customs, Customs Brokers
B2B Commerce	None	Purchase Order, Invoice
Logistics	None	Shipping Request, e-B/L, AMS for Container Security
Trade Finance	None	e-L/C, e-Nego, e-Insurance Policy, e-L/G



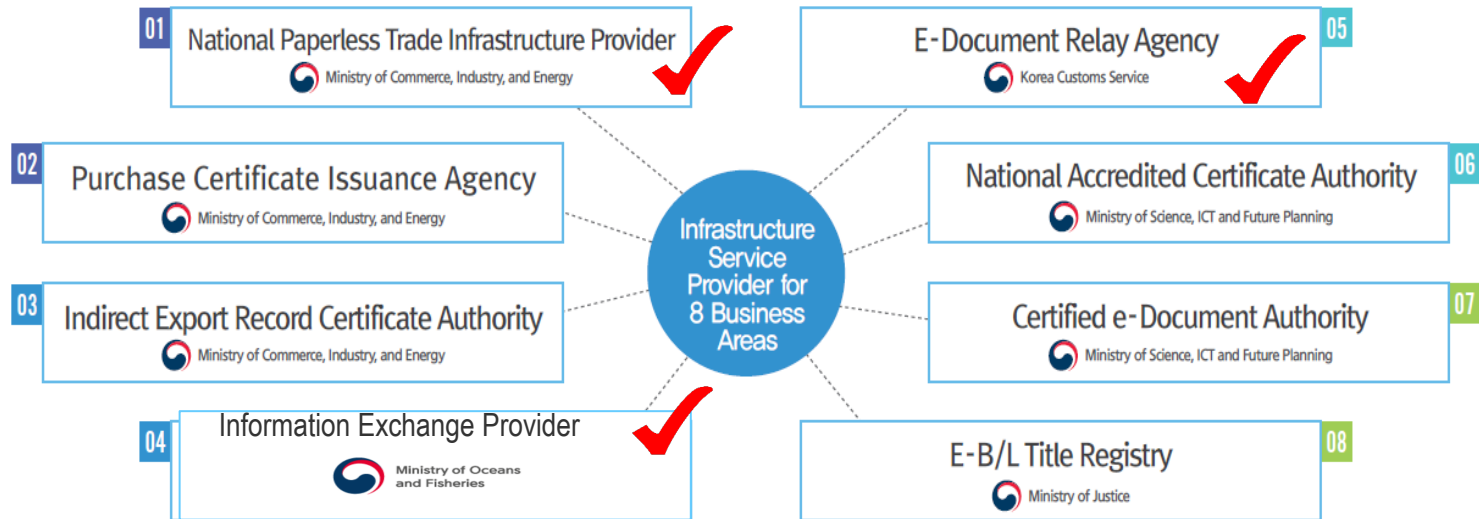
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Korean Trade Single Window- “uTradeHub”

What is uTradeHub and Who is KTNET ?

KTNET is designated operator of Korean Trade SW, “uTradeHub”

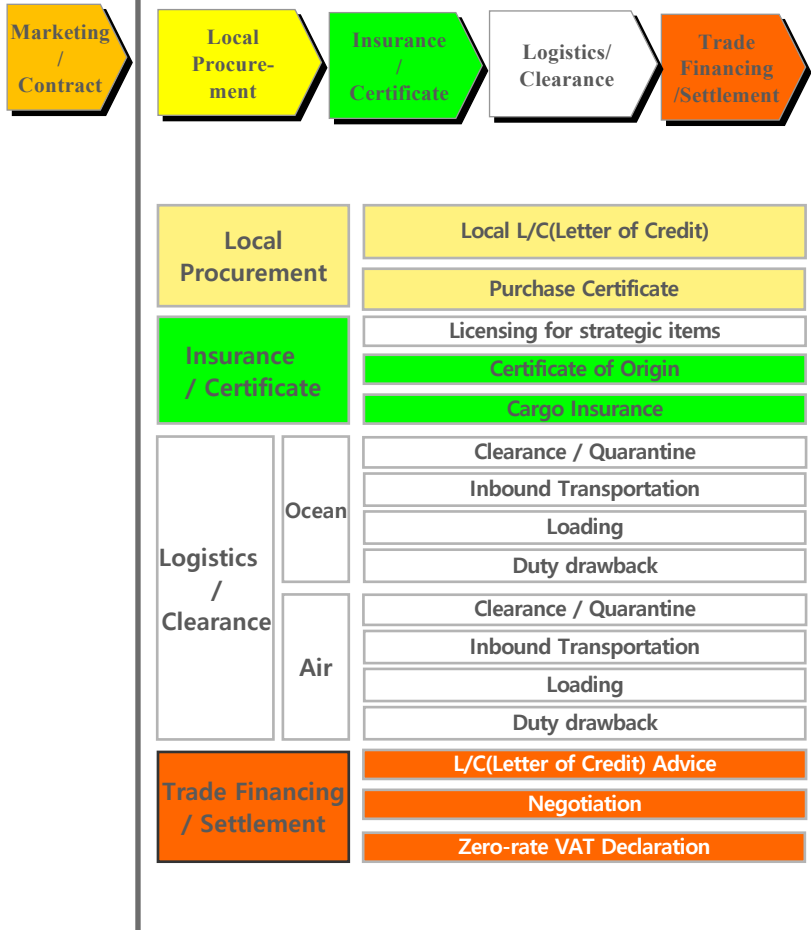
KTNET has been designated by the Korean government as an **Infrastructure Service Provider for 8 business areas**, having operational experience and know-how in Paperless Trade Platform.



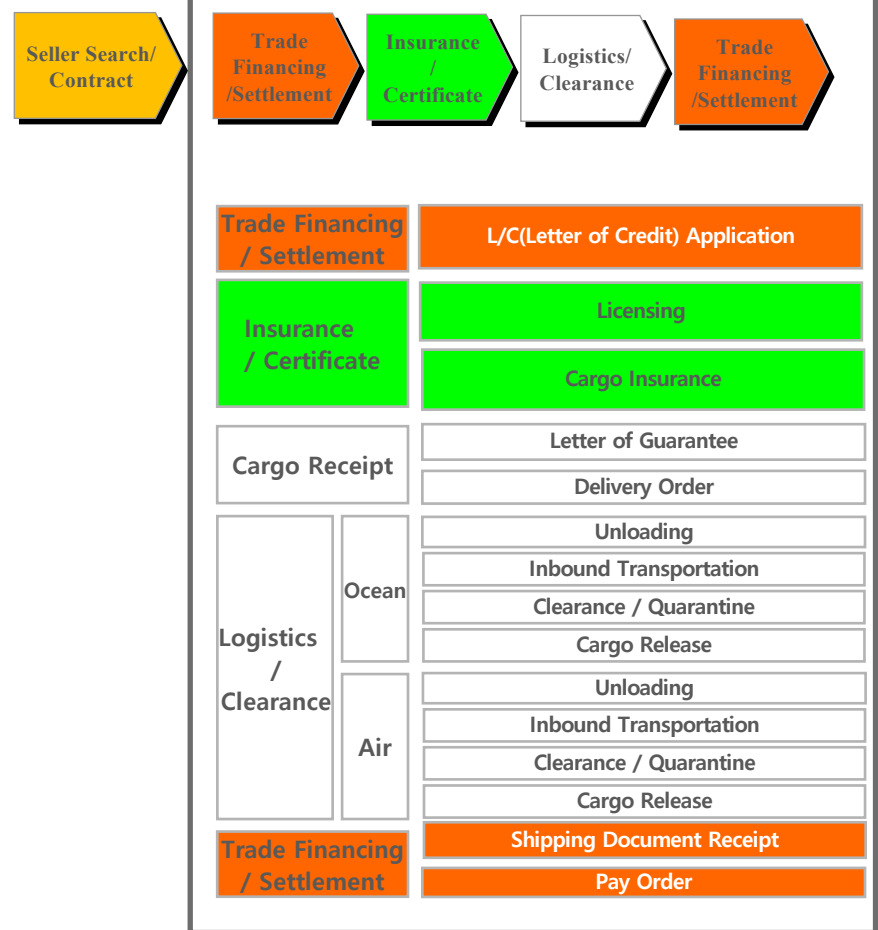
- ❖ KTNET was established by the Government Initiatives of MOTIE(Ministry of Trade, Industry and Energy) and Korea Customs Service => Trusted 3rd Party Service Provider
- ❖ Legal Background : “Act on Promotion for the Trade Business Automation”(1991)
- ❖ Shareholder : KITA (Korea International Trade Association), 100%

Paperless Trade Services of KTNET

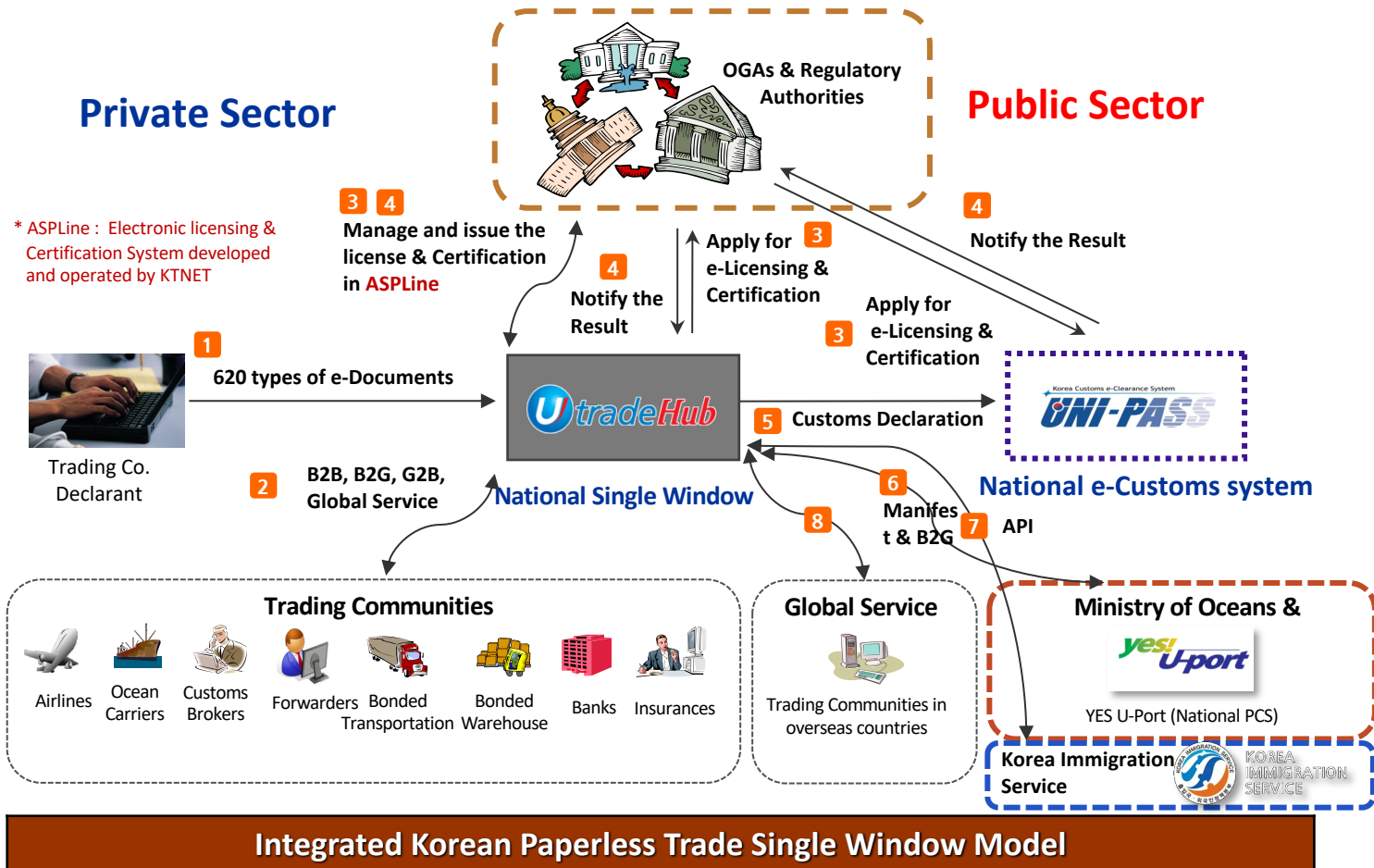
Export



Import



Trade Single Window with Border Security



Number of uTradeHub Users by user type

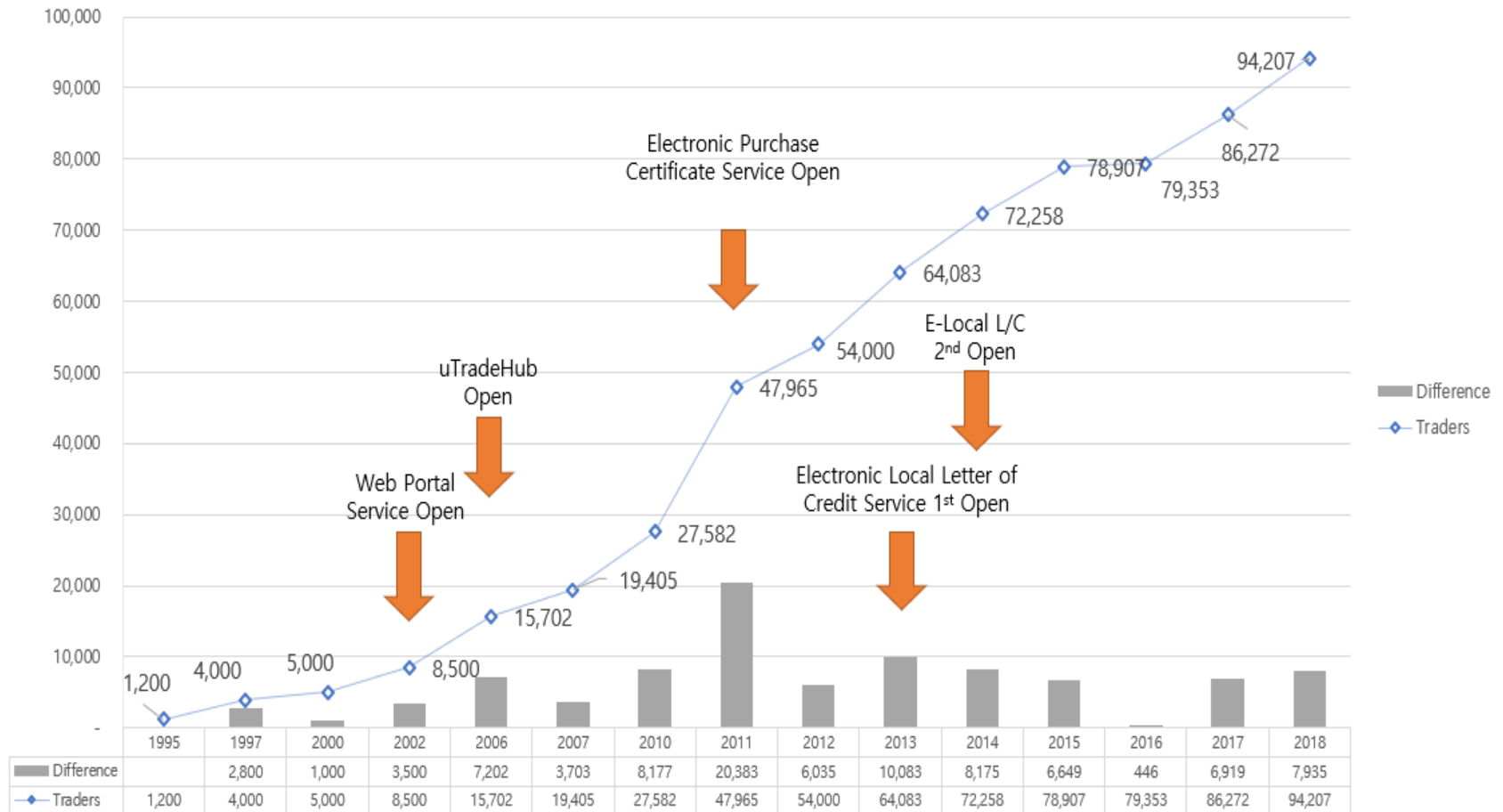
* The information is from KTNET internal database and number can be changed by calculation method and time of measurement

User type	2016	2017	2018
Trader	79,353	86,272	94,207
Bank	69	68	66
Insurance	15	15	21
Licensing and Certification	169	162	163
Customs broker	863	791	744
Ocean carrier	194	186	176
Air carrier	139	139	203
Private inspection company	235	185	174
Freight forwarder	3,821	3,854	5,321
Bonded warehouse	1,168	1,122	1,073
Bonded transportation	519	1,351	1,395
Terminal		34	38
Total	86,545	94,179	103,581

In this table, trader includes paid and unpaid users of uTradeHub and they are exporters and importers as well as indirect exporters. uTradeHub has fee-free services and unpaid users only use fee-free services.

Chronicle of uTradeHub Users

Number of Traders using Korean National Trade Single Window



The number of traders in this table does not include trade service providers such as customs brokers and freight forwarders

Number of uTradeHub Users by the size of Firms

2017	Exporter (Direct Exporters only)			Export Amounts (Million USD)			Export Clearance (1,000 Transactions)			
	Number	%	%	Amount	%	%	Transaction s	%	%	
Nation-wide	96,024	100.0		573,717	100.0		12,734	100.0		
uTradeHub Users	38,309	39.9	100.0	530,615	92.5	100.0	9,942	78.1	100.0	
Size	Large	285	0.3	0.7	292,926	51.1	55.2	3,005	23.6	30.2
	Medium	1,171	1.2	3.1	89,852	15.7	16.9	2,404	18.9	24.2
	Small	36,853	38.9	96.2	147,837	25.8	27.9	4,533	35.6	45.6

[u](#) Direct exporters only

Number of uTradeHub Users by Export type

Comparison of users of uTH against total exporters (Direct Exporters)



Type	2017		
	Exporters (Direct)	Export Amount (USD Million)	Clearance (1,000)
Overall (A)	96,024	573,717	12,734
uTH users(B)	38,309	530,615	9,942
(B/A)	39.9%	92.5%	78.1%
(A-B)	57,715	43,102	2,792

Use of Paperless Trade by Indirect Exporters



Type	2016		2017		2018	
	Amounts (USD Billion)	Indirect Exporters	Amounts (USD Billion)	Indirect Exporters	Amounts (USD Billion)	Indirect Exporters
Total Indirect exporters	205	67,880	210.5	68,204	214.9	66,544
Direct exporters with Indirect Export Record		24,477		26,456		N/A
Indirect only exporters		43,403		41,748		N/A

Summary of Major Services of uTradeHub

e-Documents	Classification	Sender	Receipient	Total Transaction(Off-line & On-line)	On-line Transaction	Online/Offline Percent age	No. of Companies	Interface
Export Letter of Credet(L/C)	Trade Finance	Banks	Exporter	200,000	107,576	54%	2,078	UTH, ERP
Local L/C	Trade Finance	Banks	Exporter	121,762	121,762	100%	2,336	UTH, ERP
Purchase Certificate	Trade Finance	Exporter	Banks	1,093,977	1,093,977	100%	26,973	UTH, ERP
Cargo Insurance	Commerce	Insurance Companies	Exporter	2,926,261	557,344	19%	55	ERP
Certificate of Origin	Commerce	Exporter	Chamber of Commerce	1,094,455	43,517	4%	145	UTH, ERP
Letter of Gurantee for earlier obtaining import cargo	Trade Finance	Importer	Banks	200,000	21,800	11%	596	UTH, ERP
Delivery Order	Logistics	Shipping Lines	Terminal	2,000,000	1,018,125	51%	32	ULH, ERP
License and Certificates for Export and Import	Commerce	OGA	Trader	108,154	108,154	100%	1,472	ASPLINE
Import L/C	Trade Finance	Importer	Banks	400,000	201,037	50%	2,624	UTH, ERP
Draft(Bill of Exchange)	Trade Finance	Exporter	Banks	200,000	62,792	31%	57	UTH, ERP
Open Account(O/A)	Trade Finance	Exporter	Banks	N/A	549,756	N/A	39	UTH, ERP
Notice of Shipping Documents	Trade Finance	Banks	Importer	700,000	335,211	48%	4,085	UTH, ERP
Export Insurance	Trade Finance	Exporter	Export Insurance Corp.	809,788	14,333	2%	21	ERP
Export Clearance	Customs	Exporter	Customs Broker	8,423,120	94,080	1%	34	ERP
Import Clearance	Customs	Importer	Customs Broker	18,691,086	58,610	0%	66	ERP

Services for Indirect Export Promotion - Incubating SMEs as Exporters

Numbers related to Indirect Exporter Support Service

- ▶ Users of Purchase Certificate/Local Letter of Credit(L/C): Vendors to Direct Exporters
- ▶ Benefits: Local VAT 0% and Customs Duty Draw-back for the portion of materials used for product

Type	2016		2017		2018	
	Amounts (USD Billion)	Indirect Exporters	Amounts (USD Billion)	Indirect Exporters	Amounts (USD Billion)	Indirect Exporters
Purchase Certificate	185.1	62,554	190.5	63,561	196.8	62,390
Local L/C	19.9	5,326	19.9	4,643	18.1	4,154
Total	205	67,880	210.4	68,204	214.9	66,544

Cultivating CBEC(Cross Border e-Commerce) SMEs – “goGlobal”

▶ e-Commerce Export in Korea(USD Billion)

	2014	2015	2016	2017	2018 (1st Half)	Increase Rate (CAGR)
e-commerce Export	0.62	1.15	2.08	2.68	1.57	44.2%
e-commerce import	1.49	1.55	1.73	2.04	1.21	8.2%

▶ Number of goGlobal Service Users

	2017	2018	2019(Jan. to Apr.)
Exporters	141	395	538
Importing countries	99	143	154
Export amounts (FOB, USD)	4,527,841	24,193,580	39,600,935
Export clearance	49,456	141,573	220,095



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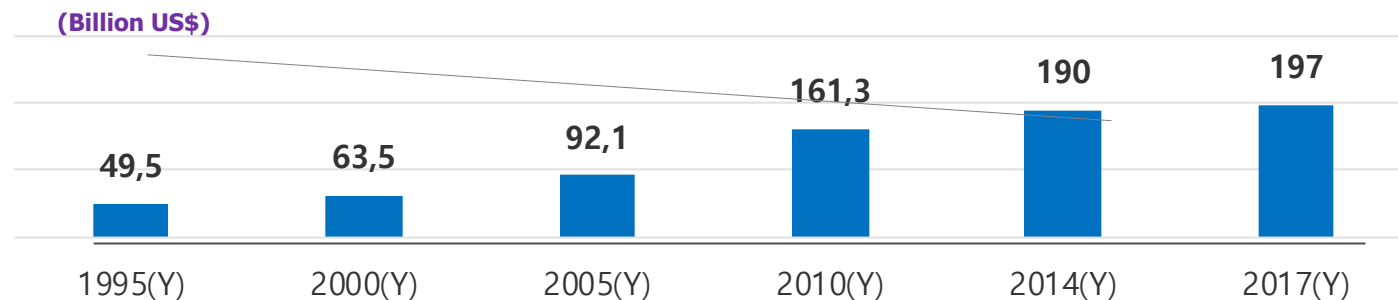
Feedback from the Users

Benefits of Trade SW

- Qualitative Benefits : Procedure **Simplification** and Gov't Administration **Transparency**

Conventional Trade	Paperless Trade
Off-line and Multi-Window	On-line and One-Stop Single Window
Non-Standard Paper Documents	Unified and Standard e-Documents
Repeated Submission	One time Submission
Vulnerable to counterfeit & falsification	Anti-Counterfeit & Anti-Falsification

- Benefits for SMEs: Competitiveness of SME's & Contribution to Sustainable Economic Growth



[Small and Medium Business Administration of Korea]

Measure on Benefits of Trade SW

US\$ 2.26 billion (Hyundai Research Institute, 2006)

Profit of Paperless Trade
US\$ 2.34 billion

Cost for Paperless Trade
US\$ 0.08 billion

Economic Benefits
US\$ 2.26 billion

Productivity : US\$ 0.27 billion

Cost Saving : US\$1.9 billion

Return on IT Investment : US\$0.17 billion

US\$ 5.42 billion (International Trade Research, 2010)

Profit of Paperless Trade
US\$ 5.57 billion

Cost for Paperless Trade
US\$ 0.15 billion

Economic Benefits
US\$ 5.42 billion

Other Cost Savings

0.07

0.03

Fee for Paperless Trade

Direct Cost Savings of Company

2.5

0.12

Company's Cost of implementation
& maintenance for own system

Incidental Expense Savings

3.0

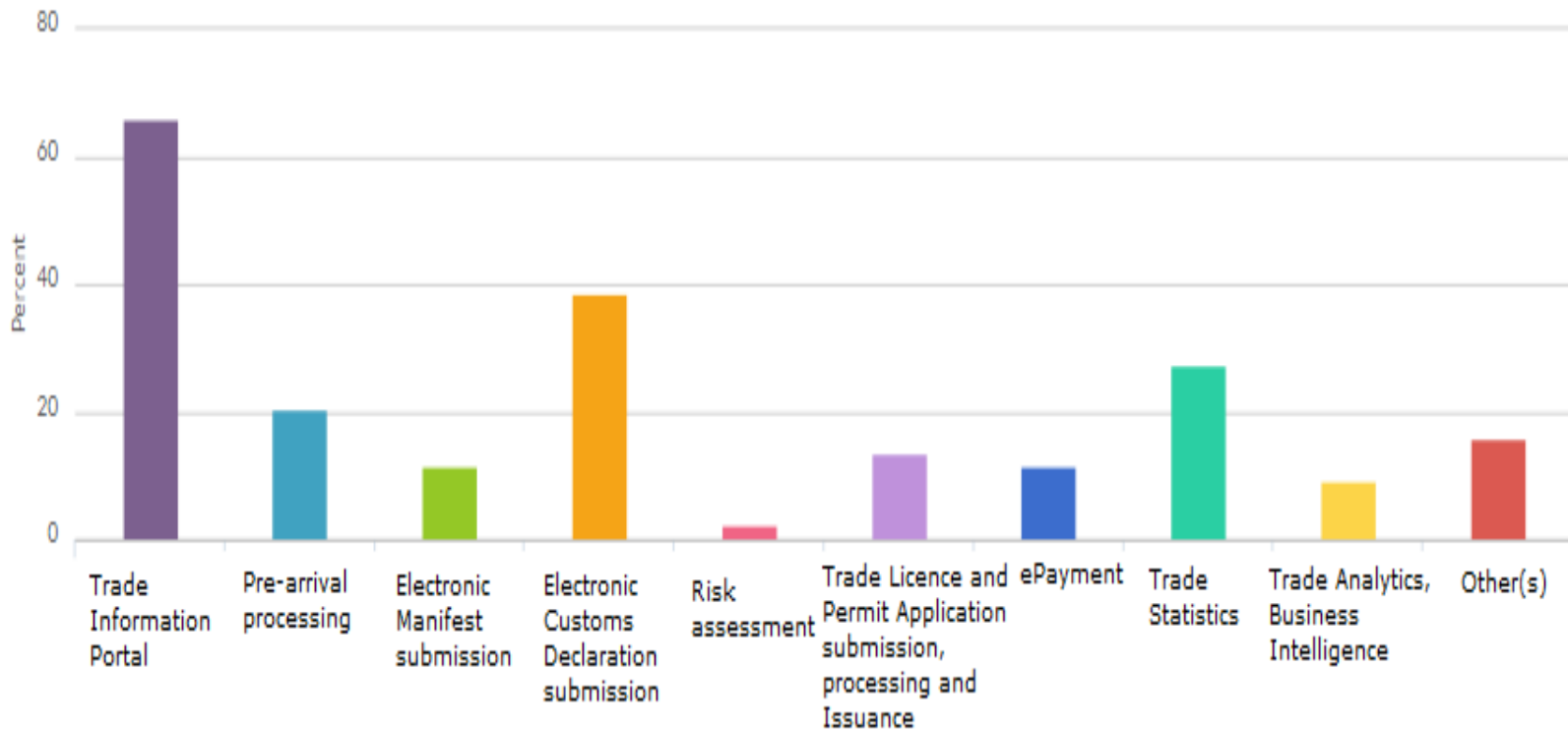
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Public Sector Investment

Surveys on Features of Korean Single Window(ESCAP,2018)

A survey to Korean SMEs regarding the features of Korean SW (Regional Best Practices and Future Development, 2018, UNESCAP)

Korean SMEs Choice: 1) Trade information portal 2) Electronic Customs Declaration submission & 3) Trade Statistics

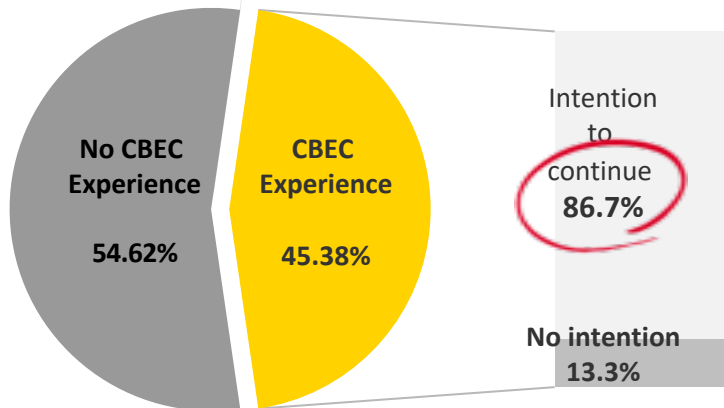


Surveys on Cross-Border e-Commerce SMEs (SME Promotion Agency, 2016)

Environment Analysis : SME status

Intention of SMEs

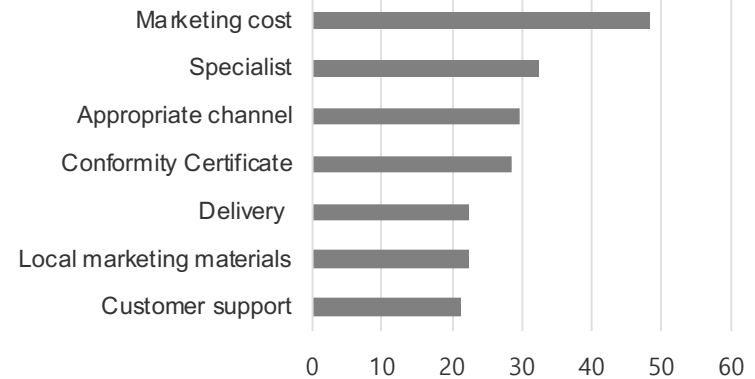
- **Cross-Border e-Commerce Experience and intention to continue**
 - Survey to 1,688 SMEs, Experienced: 766 SMEs



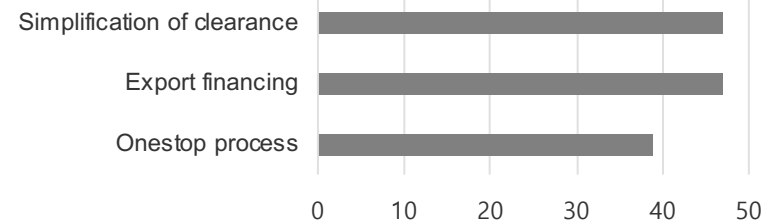
- **Strong will of SMEs to continue CBEC and expectations on Simplification of clearance, Export financing and One stop service**

Difficulties of SMEs

▪ Difficulties in CBEC export



▪ Expectations towards Korean government

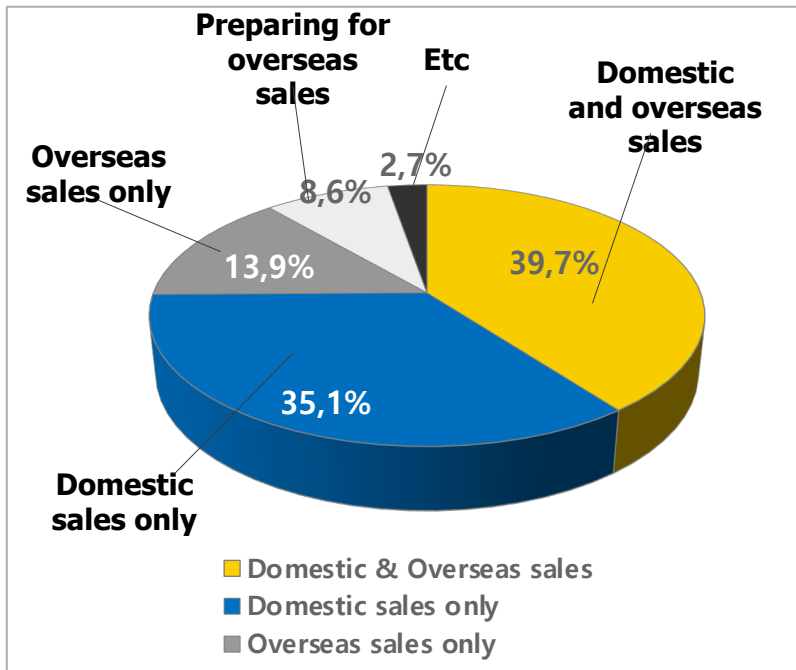


Source: SME Promotion Agency, 2016

Surveys to Cross-Border e-Commerce SMEs(KTNET, 2018)

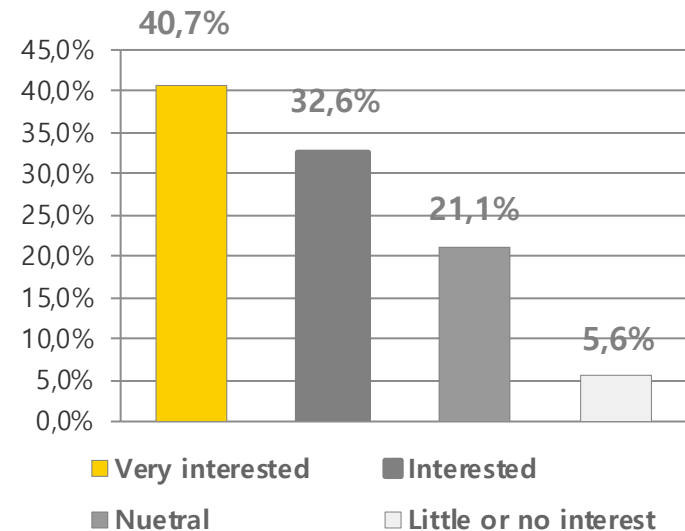
Environment Analysis : 2018 SMEs FOCUS Group Survey by KTNET to enhance CBEC support by TSW

Online sales types



► Policy to support transform of domestic seller (35.1%) into overseas seller

Intention for overseas sales

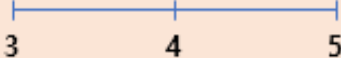


► Domestic sellers have high interest in overseas sales

Surveys to Cross-Border e-Commerce SMEs(KTNET, 2018)

Obstacles in direct CBEC

(Unit: 5 top, 3 middle)

No	Obstacles in direct cross-border e-commerce sales	
1	No dedicated overseas sales marketing human resource	3.56
2	Lack of B2C overseas marketing knowhows	3.52
3	Lack of operation fund	3.46
4	Lack of overseas market information	3.43
5	Lack of understanding on online platform	3.27
6	Difficulties in competitive products	3.07

* Measure: 5: very important, 4: important, 3: normal, 2: not important, 1: not important at all

Surveys to Cross-Border e-Commerce SMEs(KTNET, 2018)

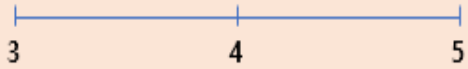
Difficulties SMEs are facing

Difficulties	345
Law and regulations of importing countries on Customs clearance and certification	3.47
Intensive competition in overseas sales	3.47
Lack of overseas Advertisement and marketing knowhows	3.44
Lack of operation fund	3.42
Delivery cost and return of product	3.42
Lack of dedicated overseas sales resources	3.41
Lack of overseas market information	3.38
Competitive products	3.35
Customer support on refund/dissatisfaction	3.35
Difficulties in payment and settlement	3.33
Product registration and local language	3.32
Compliance to online marketplace policy	3.31

*Measure: 5: very important, 4: important, 3: normal, 2: not important, 1: not important at all

Surveys to Cross-Border e-Commerce SMEs(KTNET, 2018)

Required Program from the Government

Required programs from government	
Overseas Ads and marketing support program	3.93
Increase efficiency in logistics & lessen logistics cost	3.91
Information on overseas clearance & certification	3.84
Exclusive export funding for B2C online exporters	3.84
Simplification of self export declaration procedure	3.79
Overseas market/marketing information and training	3.79
Exclusive warehouse for SMEs	3.79
Training and consultation on opening biz. in <u>eMP</u>	3.65
Information and channel for quality products sourcing	3.60

*Measure: 5: very important, 4: important, 3: normal, 2: not important, 1: not important at all

