

## Recommendation on promoting SW for SMEs in Latin America

- knowledge share with Korean Experience

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1. **SMEs' Internationalization & Trade SW**
2. **Analysis on Current SW in Latin America**
3. **Knowledge share of Best Practice**
  - **Korean Trade SW Promotion for SMEs**
4. **Recommendation for Latin American SW**
5. **Suggested Roadmap for TSW facilitation**



## 1. SMEs' Internationalization & Trade SW

# Constraints to SMEs' Internationalization

Constraints to SMEs' Internationalization			
Constraints	Description	Internal	External
<b>limited information (uncertainty)</b>	SMEs' limited trade and market information discourages SMEs' internalization. Through WTO TFA, many governments publish national laws and regulations online, but it is limited to its own domestic information.	○	○
<b>Limited capacities and limited access to financing</b>	Biggest constraint of SMEs is limited access to finance. Many SW doesn't take trade financing as government's role	○	○
<b>Limited international business skilled workforce</b>	SMEs have big concern on its limited workforce. International trade requires skills such as writing shipping documents, settlement and negotiation, customs clearance and much more.	○	○
<b>Inefficient logistics system and delivery</b>	In international value chain, firms are requested to be competitive in pricing and delivering on time. If national logistics system is inefficient, the increased cost and time will be a burden to SMEs' competitiveness in international market		○
<b>Cumbersome exporting procedures</b>	Time and cost needed to make trade documents for regulatory control take big part of trade cost and it will challenge to competitiveness of SMEs in international market.		○



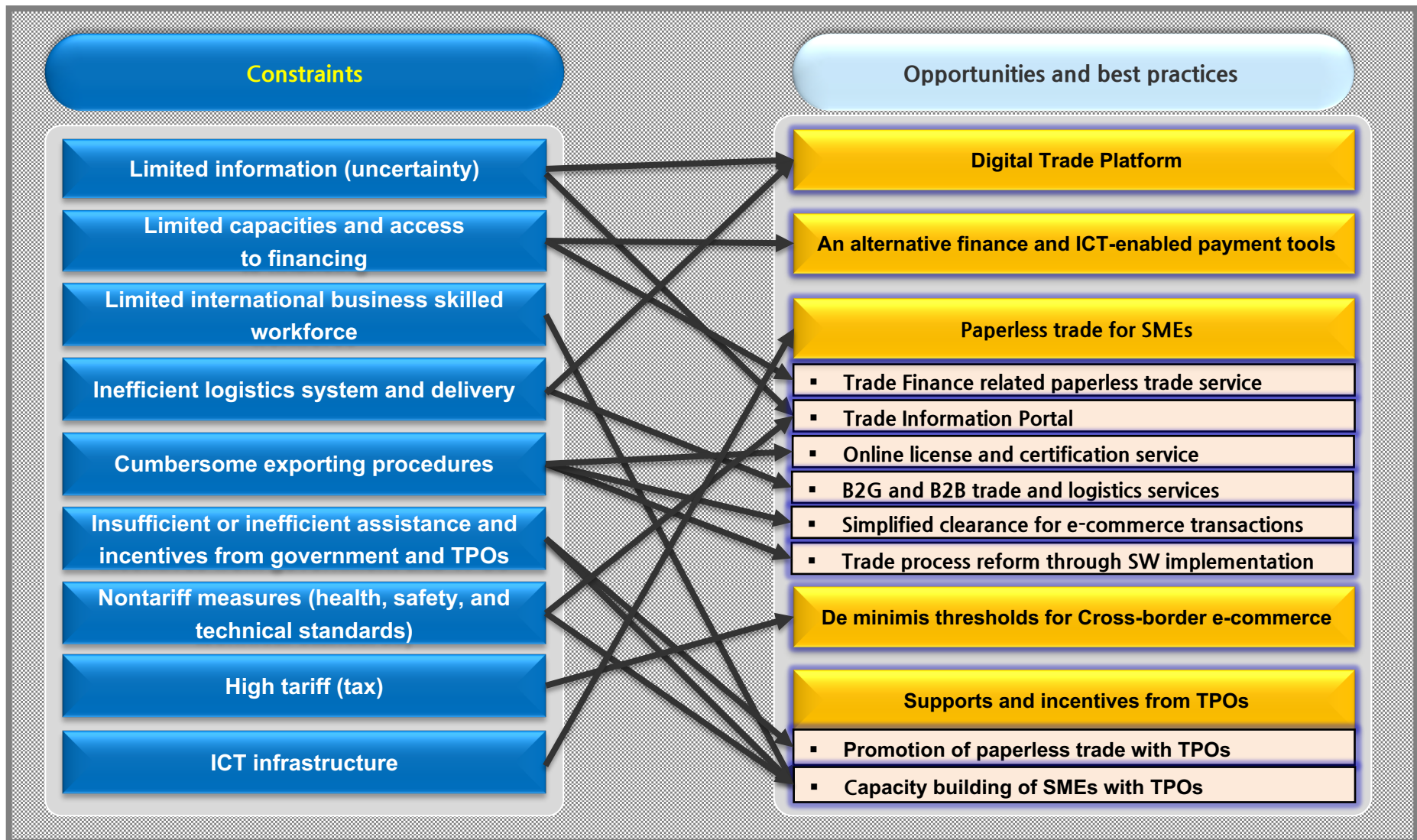
## Constraints to SMEs' Internationalization

<b>Insufficient or inefficient assistance and incentives from government and TPOs</b>	TPOs' support and incentives can increase the dynamic side of exports (such as new products, exporters or new market). However, the efforts are fragmented and not coordinated among government agencies and TPOs.		○
<b>Nontariff measures (health, safety, and technical standards)</b>	Nontariff barriers are one of major obstacles that SMEs are facing in its internalization. At first, nontariff barriers come from limited information on target market but also it is also related to limited budget and technical and workforce capacity of SMEs to get certification.		○
<b>High tariff (tax)</b>	Tariff set to imported goods hampers the competitiveness of exporter, especially SMEs. SMEs' competitiveness are more vulnerable against factors that increase costs.		○
<b>ICT infrastructure</b>	In recent years, ICT has been a key to increasing business efficiency and transparency, accessing to information, and decreasing time and costs. SMEs with limited access to ICT infrastructure, will have difficulties in increasing its competitiveness in overseas markets. The improved e-government services have become a national ICT infrastructure that increases overall competitiveness of SMEs.		○

# Opportunities to SMEs' Internationalization

Opportunities to SMEs' Internationalization			
Opportunities	Description	Internal	External
<b>Digital Trade Platforms</b>	An e-Marketplace enables SMEs to conduct cross-border trade with minimum efforts and resources. Traditionally, international trade has been for B2B transaction purpose, but e-MP has created cross-border B2C transactions. With transaction records and other VAS on e-MP, SMEs can overcome handicaps that they used to have in off-line business.	○	○
<b>An alternative finance and ICT-enabled payment tools</b>	ICT-based payment and settlement services and alternative finance play a core intermediate role by lowering risk on small cross-border transactions and they are growing in everywhere. Such solutions allow for online payments and money transfer services as well as easy funding for SMEs		○
<b>Paperless trade for SMEs</b>	Paperless Trade and Single window are evolving to support various trade business activities. Single Window services for SMEs are not very common but cases are increasing.		○
<b>De minimis thresholds for Cross-border e-commerce</b>	Low or no tariff to imported goods from cross-border e-commerce benefits to SMEs as well as government.		○
<b>Supports and incentives from TPOs</b>	The assistance of TPO benefits mostly to SMEs. The services varies from trade information, market analysis, capacity building, business matchmaking, certification and much more.		○

# Implication on the Constraints and TSW

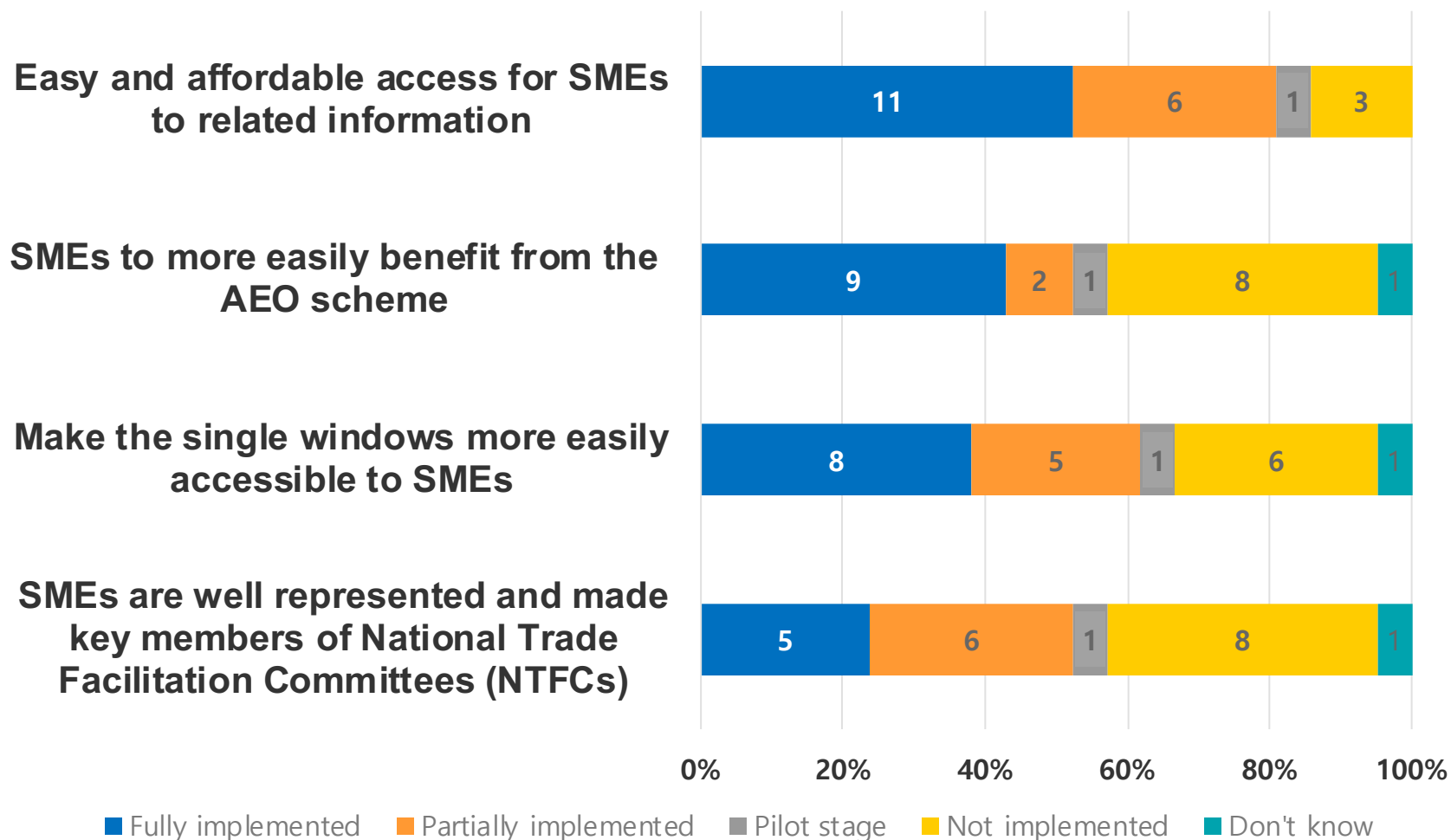




## 2. Analysis on Current SW in Latin America

# Global Survey on Trade Facilitation & Paperless Trade Measures 2017(UN)

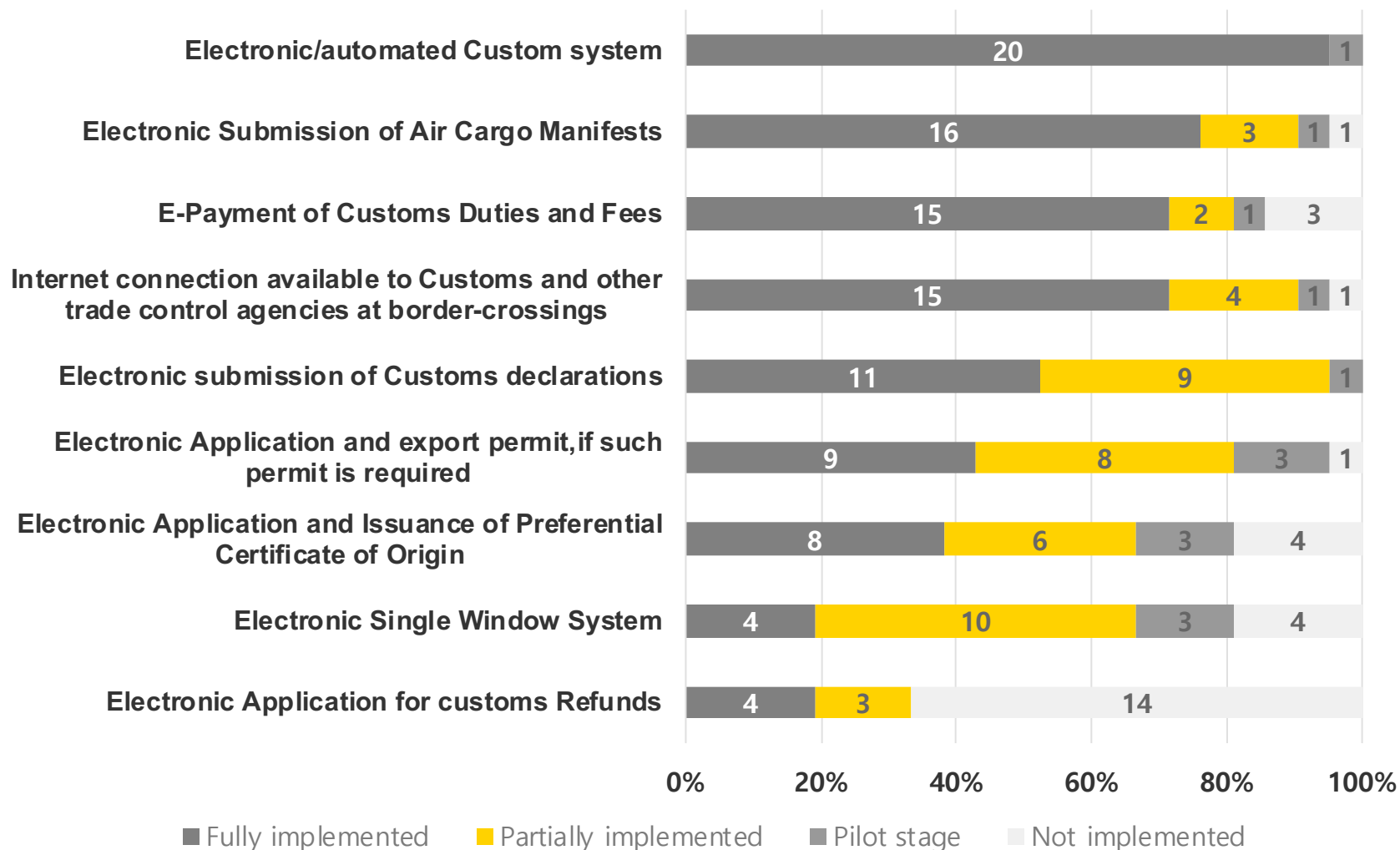
## Implementation levels of SME-Oriented trade facilitation measures in Latin America





# Global Survey on Trade Facilitation & Paperless Trade Measures 2017(UN)

## Implementation levels of paperless trade measures in Latin America



# Global Survey on Trade Facilitation & Paperless Trade Measures 2017(UN)

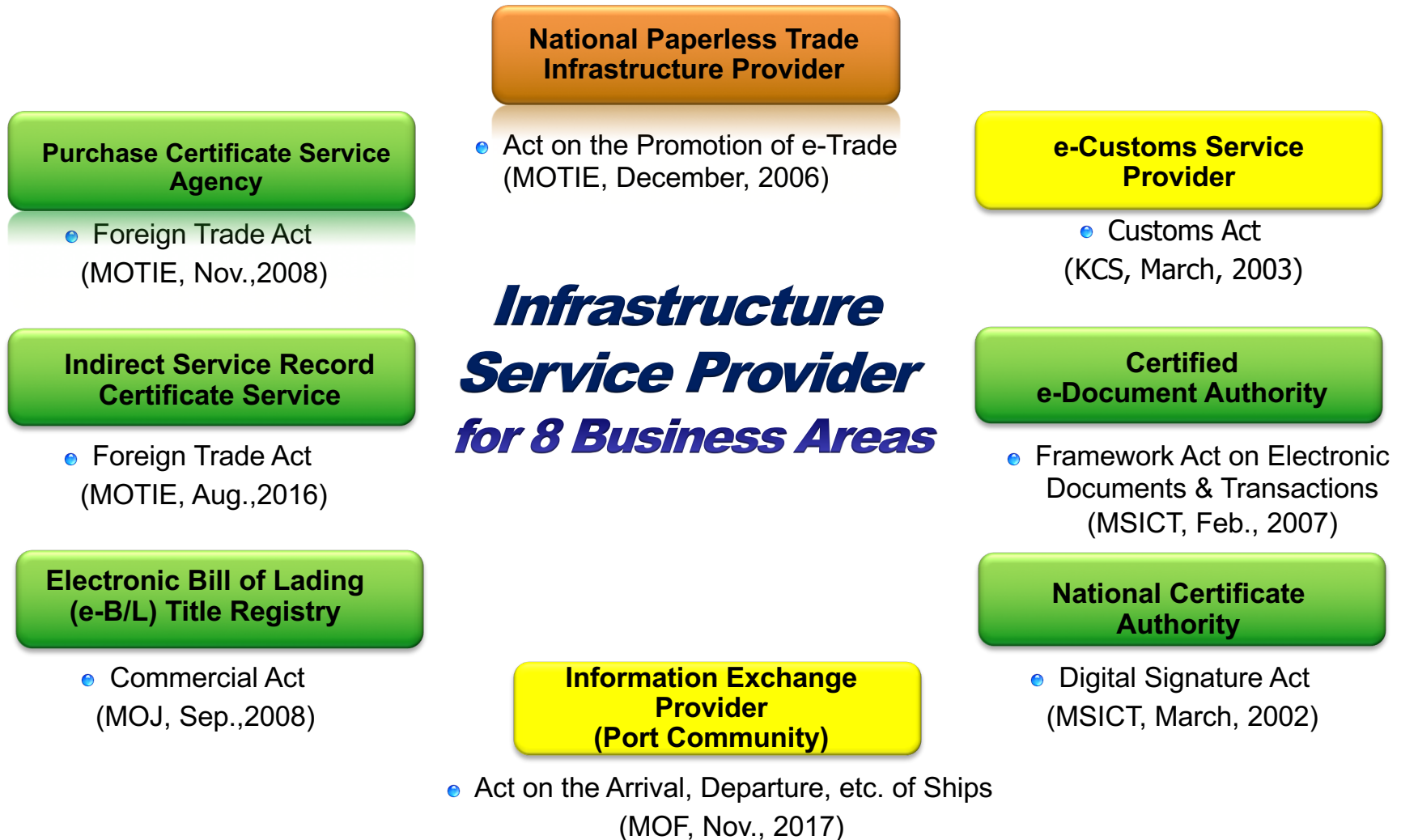
## Most and least implemented trade facilitation and paperless trade measures in Latin America, 2017

Group of measures	Most implemented	Implementation rate	Least implemented	Implementation rate
Transparency	Independent appeal mechanism	89%	Advance ruling (on tariff classification)	76%
	Publication of existing import/export regulations on the internet	86%	Advance publication/notification of new regulations before their implementation	59%
Formalities	Pre-arrival processing	91%	Trade facilitation measures for authorized operators	75%
	Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities	89%	Establishment and publication of average release times	43%
Institutional arrangements and cooperation	Establishment of National Trade Facilitation Committee	75%	Government agencies delegating controls to Customs authorities	22%
	Cooperation between agencies on the ground at the national level	70%		
Paperless trade	Electronic/automated Customs System	97%	Electronic single window system	56%
	Electronic Submission of Air Cargo Manifests	87%	Electronic application for Customs refunds	29%
Cross-border paperless trade	Laws and regulations for electronic transactions	76%	Electronic exchange of certificate of origin	38%
	Engagement in trade-related cross-border electronic data exchange	52%	Electronic exchange of sanitary and phytosanitary certificate	19%



3. Knowledge share of Best Practice  
- Korean Trade SW Promotion for SMEs

# Legal Status of Korean Trade Single Window



# Major Milestones of Paperless Trade

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**1989**

**Organizing SOC Investment Planning Board under President**

**1991**

**Establishing KTNET- Trusted 3<sup>rd</sup> Party Service Provider**

**1994**

**Launching TSW Commercial Service(VAN/EDI)**

**2003**

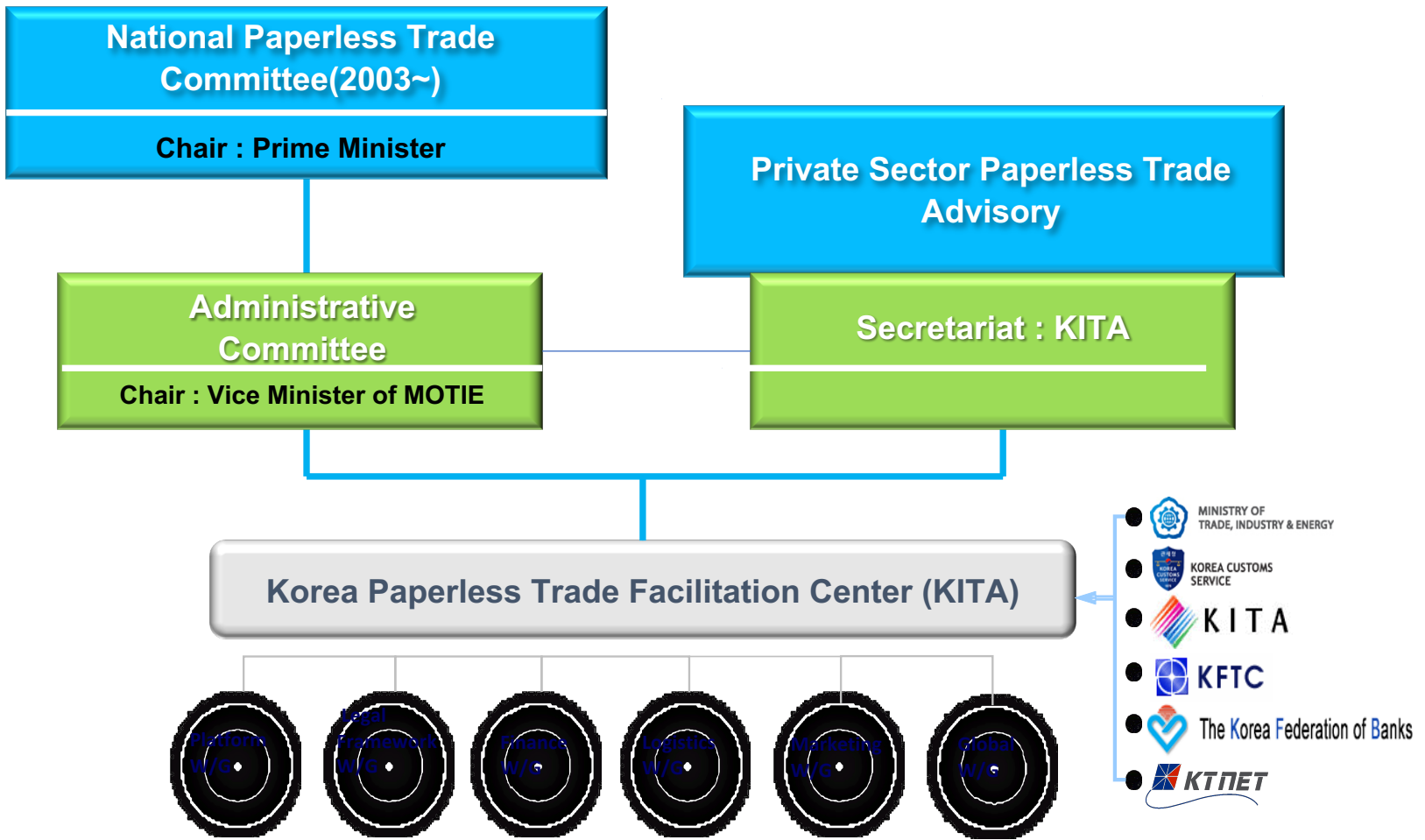
**Organizing National Paperless Trade Promotion Committee  
(Chair: Prime Minister)**

**2007**

**Launching Full Internet-based Platform 'uTradeHub'**



# Forming National Paperless Trade Committee to upgrade & support TSW



# NPTC, the Organization for Paperless Trade & TSW Facilitation

## Goal

**Full online/automated seamless trading procedures through operation of Paperless Trade promotion system**

**1. Policy Decision : National Paperless Trade Promotion Committee**

**2. Policy Setup/Implementation – MOTIE**

**3. Execution : Paperless Trade Infrastructure Provider**  
(Act on the Promotion of e- Trade)



**4. Participation & Cooperation from Stakeholders and Trade Community**



- ▶ Government Investment for Korean Trade Single Window  
EDI/VAN Platform in 1990's: US\$68Million  
Upgrade to Internet Platform from 2004-2006(uTradeHub): US\$30Million

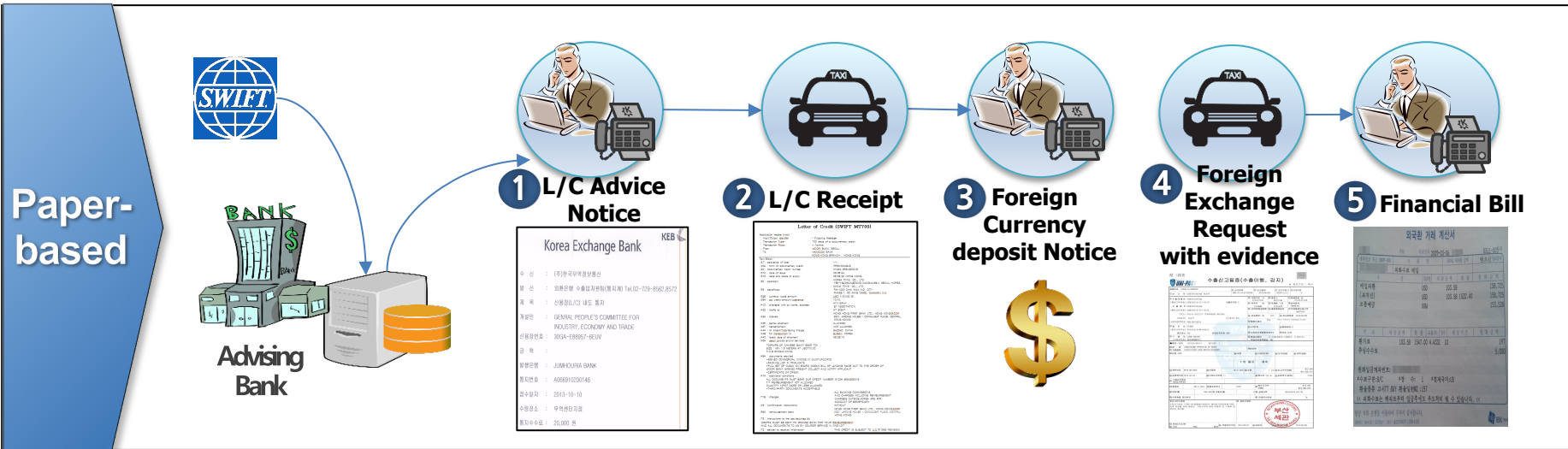
# Attractive Services for Traders and SMEs

## 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

# Attractive Services for Traders and SMEs

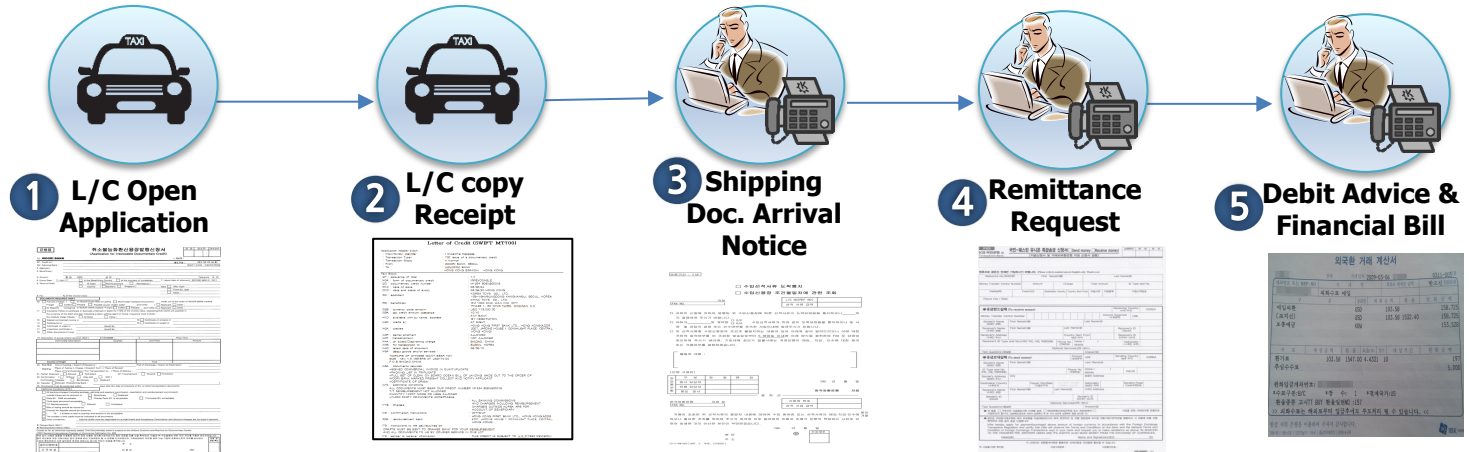
## Letter of Credit Advice (Exporter)



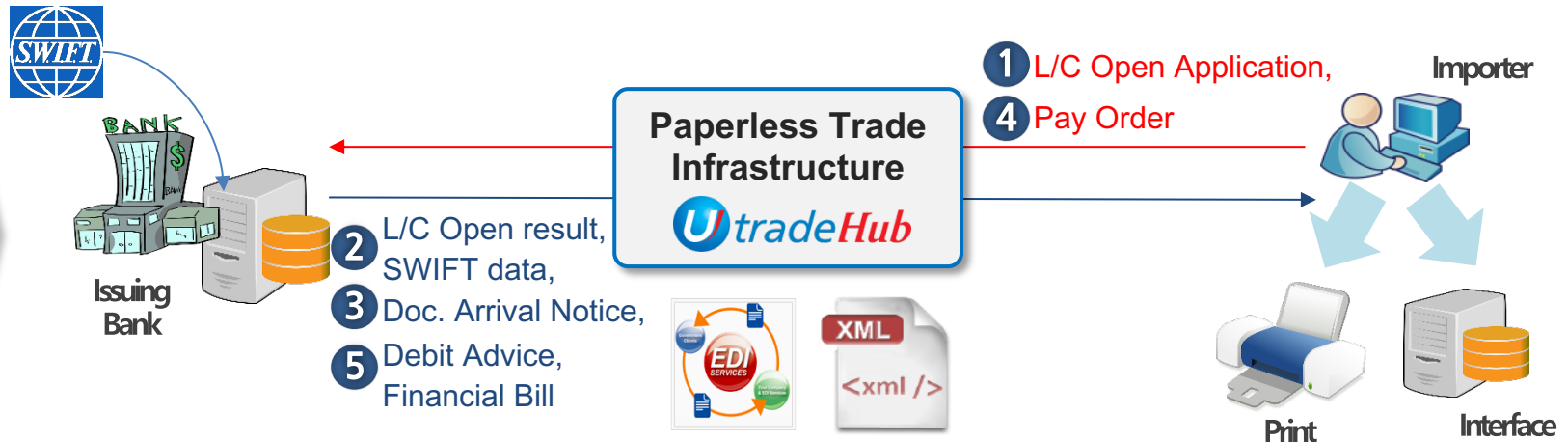
# Attractive Services for Traders and SMEs

## Letter of Credit Advice (Importer)

Paper-based



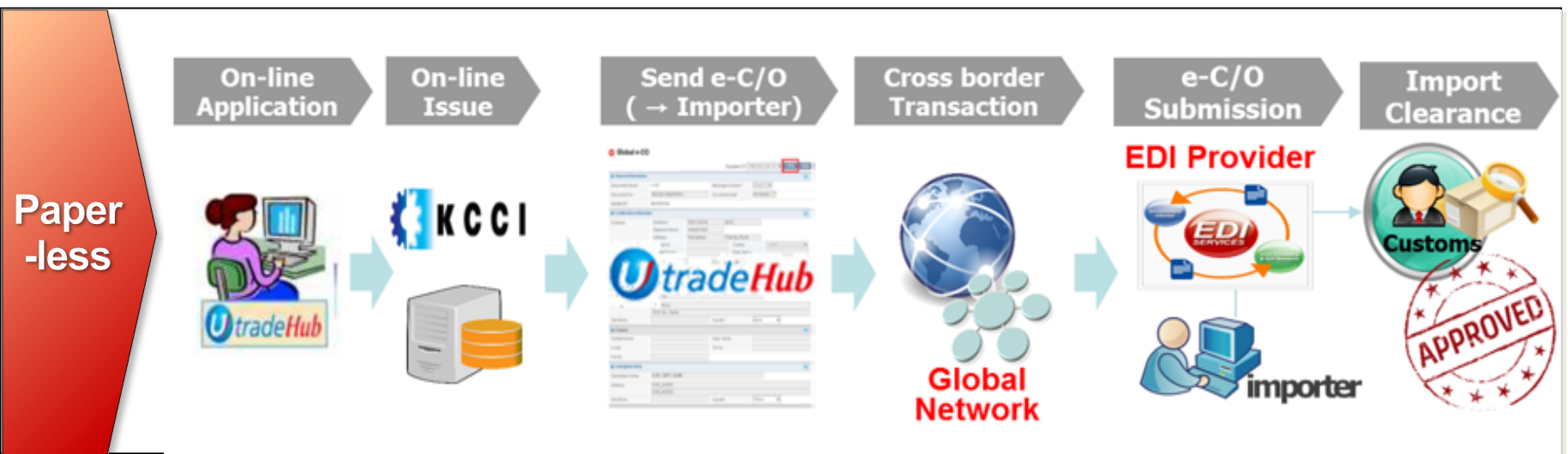
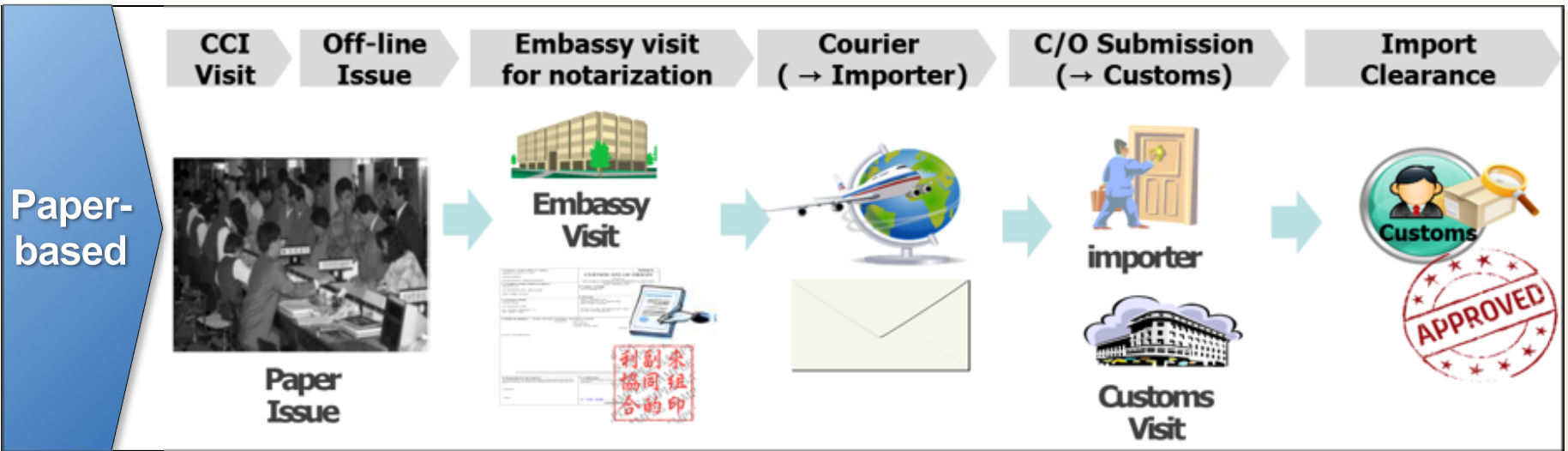
Paper-less





# Attractive Services for Traders and SMEs

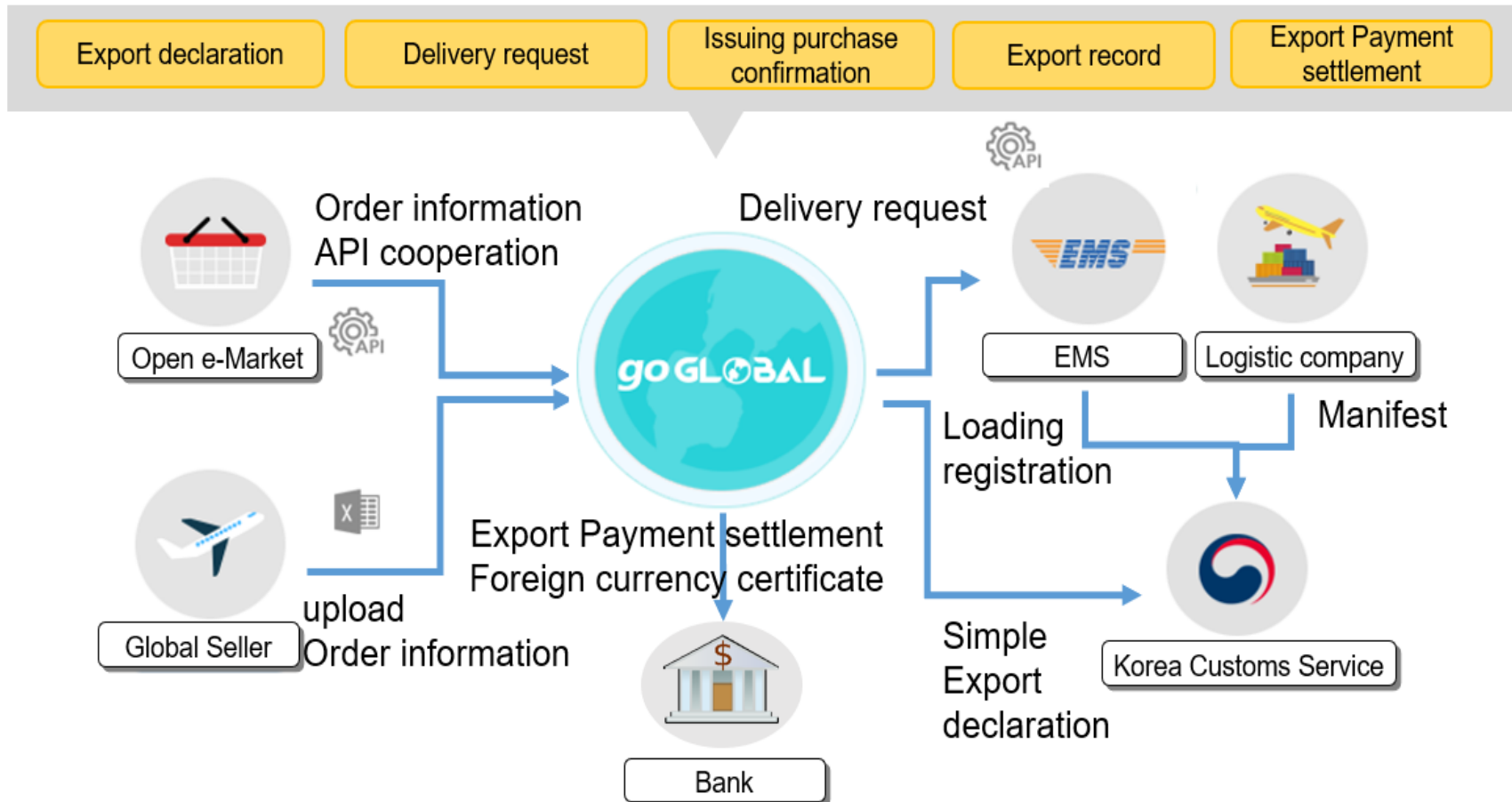
## Global e-C/O Exchange



## Attractive Services for Traders and SMEs

### “goGlobal”- Export Clearance for MSME CBEC Exporter

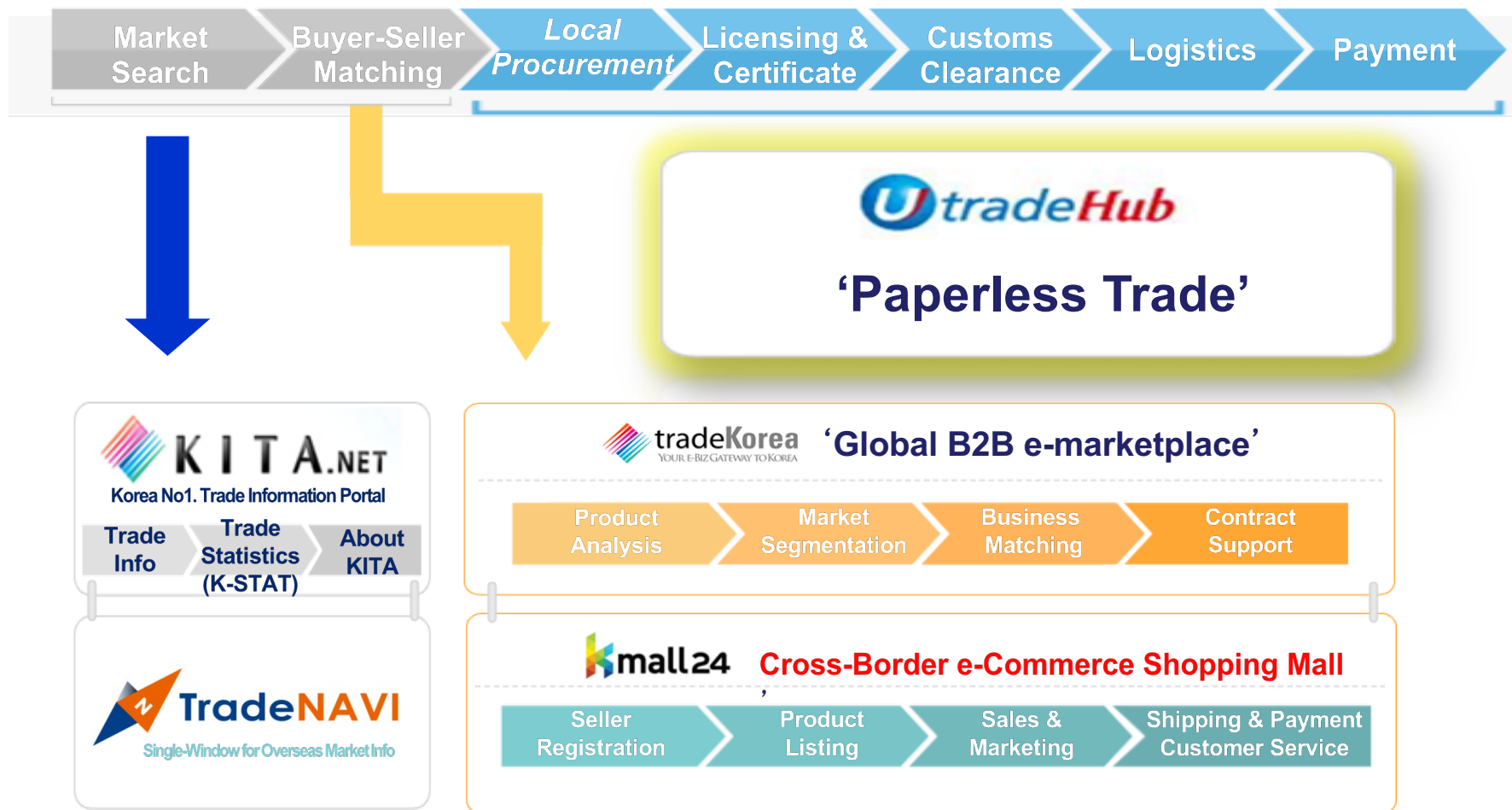
- Users: Micro and Small Cross-Border e-Commerce Exporters
- Benefits: Local VAT 0% and Customs Draw-back for the portion of materials used for product, if any



# Cooperation between TSW and TPO

## Collaboration between uTradeHub and KITA(TradeNAVI, tradeKorea, Kaml24)

TradeNAVI(Trade Information Portal), tradeKorea(B2B e-Market Place), Kmall24(B2C CBEC Shopping Mall)



- ▶ Total Visitors of TradeNAVI, 1,867,450(As of 2016) & Daily 9,337(2016)

# Cooperation between Korean TSW and TPO

## Comprehensive e-Trade Promotion Policy with the collaboration between TSW and TPO (MOTIE, 2006)

Promotion tasks	Detailed promotion tasks	Related institutions
Completion of comprehensive trade procedure digitalization	(1) Implement paperless trade system	KTNET
	(2) Provide seamless paperless trade service	KTNET
	(3) Adjust the promotion system for paperless trade	KITA
Strengthening of international cooperation for implementation of global e-trade	(4) Deploy Korea-Japan e-trade network	KTNET
	(5) Deploy East Asian e-trade network	KTNET
	(6) Actively respond to international issues	KITA
Export expansion through export marketing and IT combination	(7) Deploy export marketing consulting network	KOTRA, KITA
	(8) Promote Internet general trading companies	KITA
	(9) Increase efficiency of e-trade mission by utilizing IT	KOTRA
	(10) Revitalize public e-Marketplace	KOTRA
	(11) Take measures to reduce e-trade risks	KOTRA and K-Sure
	(12) Strengthen support for exporting digitized products online	
Laying the groundwork for e-trade expansion	(13) Increase trading personnel's ability to utilize e-trade	KITA
	(14) Cultivate e-trade experts	KAICI
	(15) Provide facilities for integrating e-trade support institutions	GCA
	(16) Create an atmosphere of e-trade expansion	KITA

KAICI: Korea Association for International Commerce and Information, GCA: Global Commerce Association



#### 4. Recommendation for Latin American SW



# Legal Framework

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## ❖ Main Goal:

- Secure transaction
- Legal validity endowment of electronic documents through the TSW

## ❖ Expected Impacts:

- Building up Trust and Confidence in the e-Document transaction
- Expediting Participation of Traders to TSW

## ❖ Policy Implication:

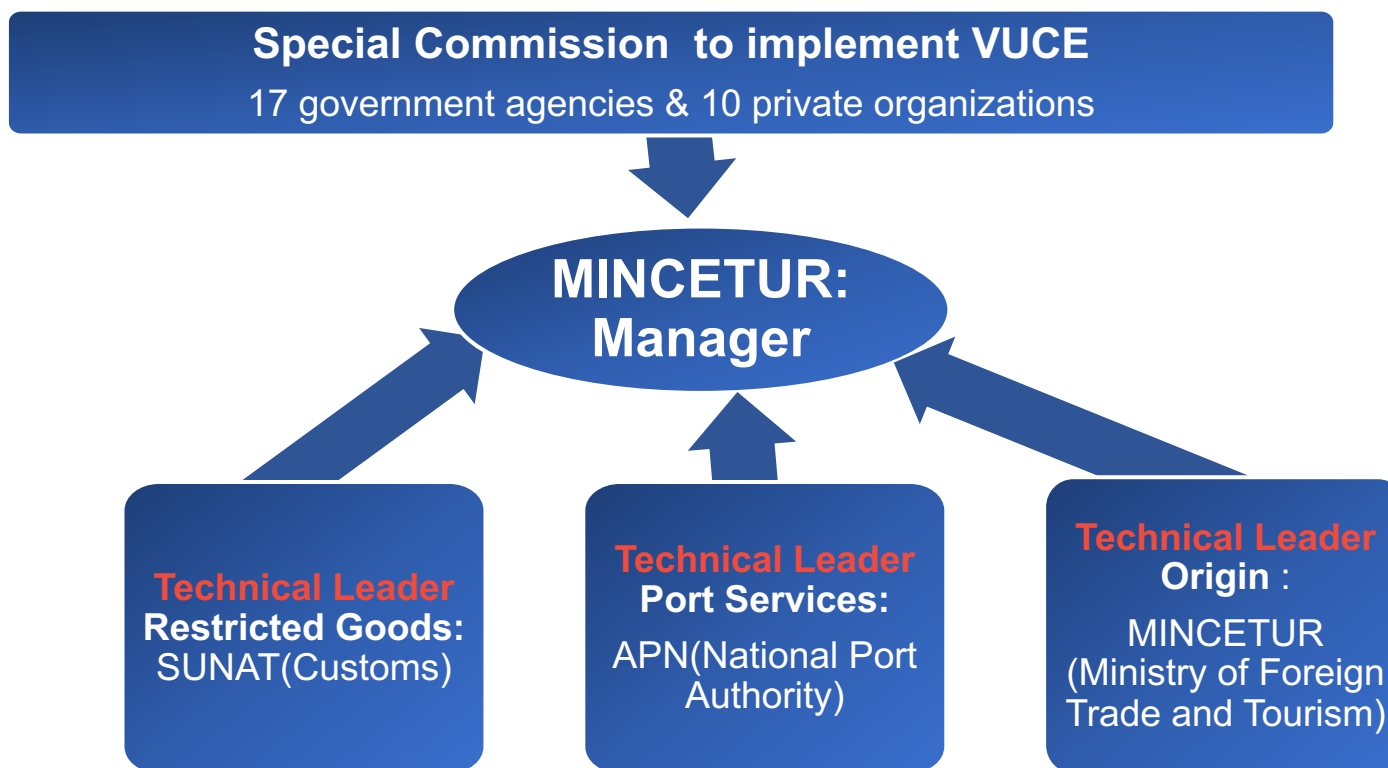
- Most definite and positive Measure by the government for TSW facilitation

## Institutional Framework – Forming Appropriate Organization

### ❖ Forming Appropriate Organization to Support and Implement TSW

- Related to the political will to achieve the goal
- Due to financial burden (high system implementation costs) and mediation of conflict of interests among various public stakeholders related to foreign trade, the strong political will and leadership is required for the successful implementation of Trade Single Window.

### Peru VUCE Project Organization



# Institutional Framework - Leading Agency and Cooperation with TPO

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## ❖ Leading Agency Support and Implement TSW

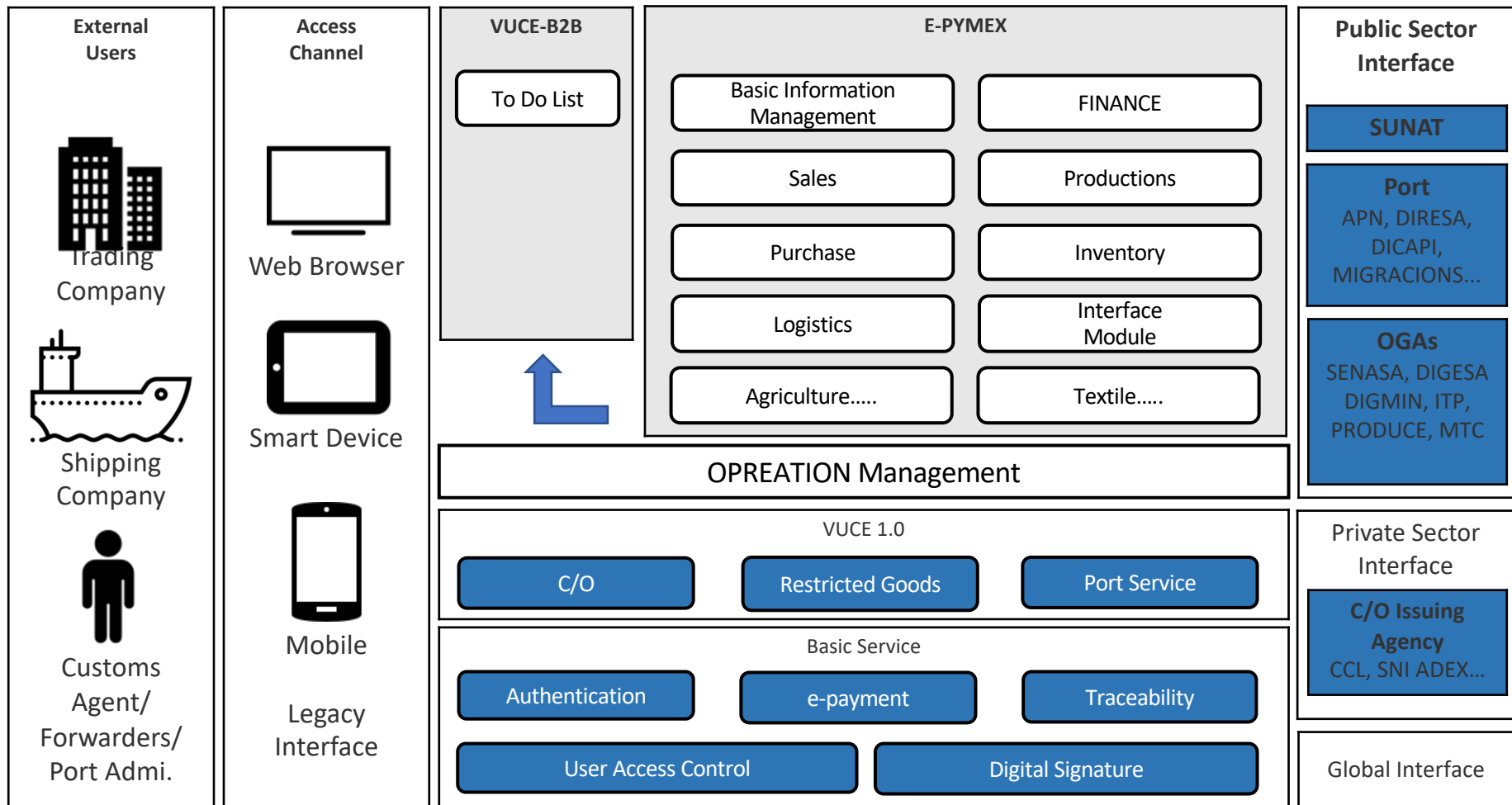
- To mediate conflict of interests from various stakeholders, leading agency as a driving force is critical.
- Ministry of Trade and Customs Authority are strong candidates for leading agency.

## ❖ Cooperation with TPOs and Professional Association

- Collaboration between TPOs and TSW
  - . Effective measures to support SMEs' Internationalization and export
  - . Pro Mexico, PROMPERU, ProChile, ProColombia, etc.
- Cooperation with Professional Industrial Association
  - . To get aggregated demands from private sector players
  - . To promote the participation of trade community members to Trade Single Window
  - . Peruvian VUCE Project : 10 Private Organization Involved  
(AAP, ADEX, APACIT, Chamber of Commerce of Lima, COMEX, SNI, DP World Callao Port, ASMARPE, APAM, ASPPOR)

# Institutional Framework – Attractive Service for Traders and SMEs

## ❖ Useful and Attractive Services Peruvian VUCE 2.0(VUCE B2B & E-PYMEX)

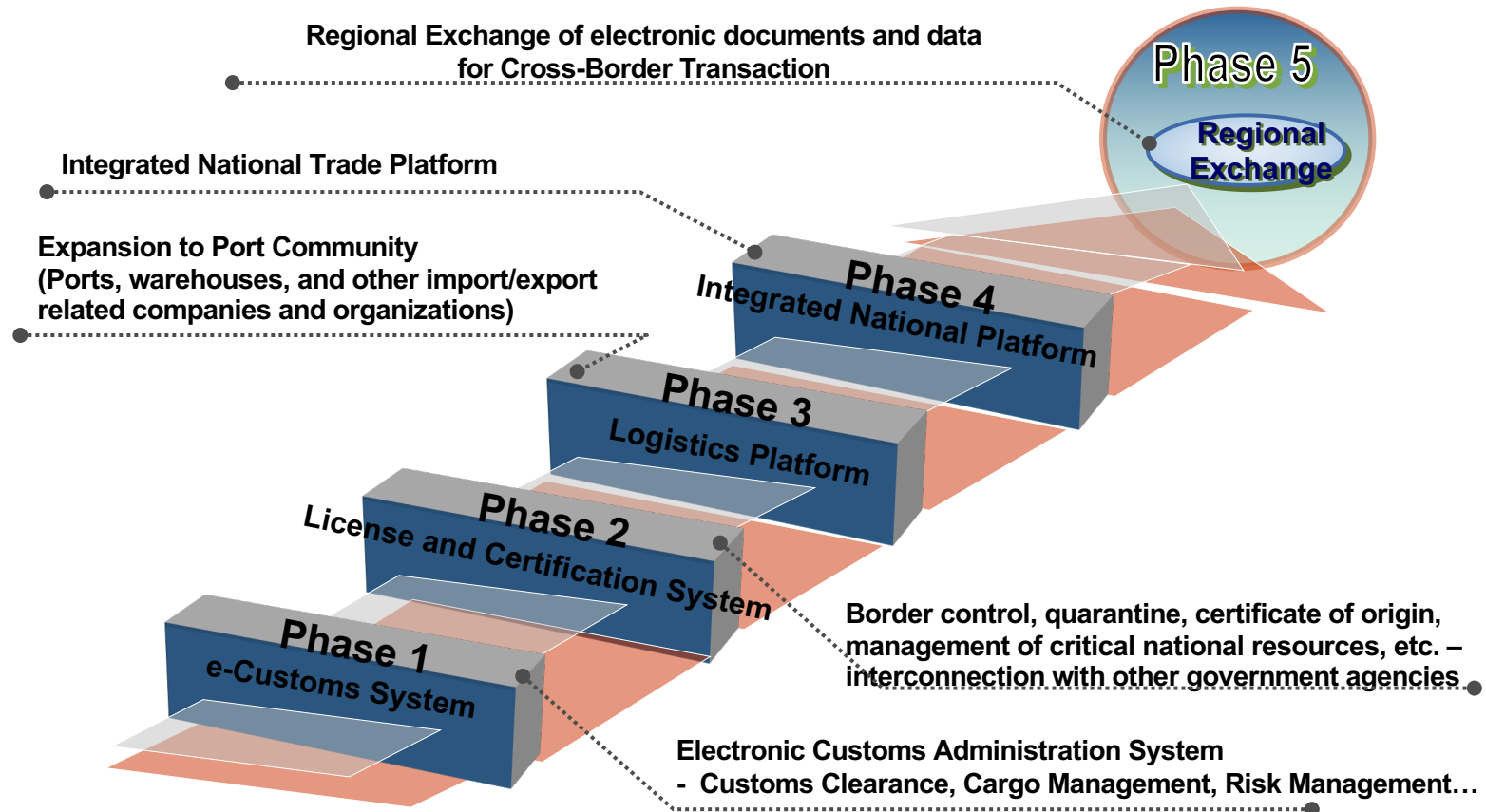


# Institutional Framework - Consensus among Public Stakeholders

## ❖ Consensus among the Public Stakeholders on adequate Model of SW

- Trade Single Window, Customs Single Window, or Port Single Window

### [5 Phases of Paperless Trade]



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

# Institutional Framework – Financial Scheme

## ❖ Financial Scheme for Implementation and Operation

- Fund for System Implementation: Government Budget or PPP Model
- Operation Model
  - . Operator: Government Agency or Trusted 3<sup>rd</sup> Party Service Provider
  - . Main Source of Operation Budget: Government Budget or Commercial

*[Single Window operations model and budget source]*

<b>Region</b>	<b>Member State</b>	<b>Operation model</b>	<b>Main operation body</b>	<b>The main source of operation budget</b>
<b>Central Asia</b>	Armenia	Public	Customs	Government grants
<b>Central Asia</b>	Azerbaijan	Public	Customs	Government grants
<b>Central Asia</b>	Kyrgyzstan	Public	Public company	Government grants
<b>North-East Asia</b>	Japan	PPP	Third party SP	Commercial
<b>North-East Asia</b>	Republic of Korea (UNIPASS)	Public	Customs	Government grants + Commercial
<b>North-East Asia</b>	Republic of Korea (uTradeHub)	PPP	Third party SP	Commercial
<b>Pacific</b>	New Zealand	Public	Customs	Government grants
<b>South-East Asia</b>	Indonesia	Public	Public company	Government grants
<b>South-East Asia</b>	Malaysia	PPP	Third party SP	Commercial
<b>South-East Asia</b>	Singapore	PPP	Third party SP	Commercial
<b>South-East Asia</b>	Thailand	PPP	Customs	Government grants + commercial

### ❖ Regular Training Opportunities for Users

- Collective training program for TSW users
  - . Effective way to attract newcomers and keep current clients staying
  - . Good opportunity to communicate with Traders and to get direct feed-back from the users
  - . Collective training programs together with professional industrial associations
  - . Helpdesk operation for Customer support and Training

### ❖ Release of Education Software for TSW

- Enabling remote and on-line self-study
- Good measures for Capacity Building for SMEs' Staffs
- Teaching future traders such as vocational high school students and foreign trade and international commerce major university students.





## 5. Suggested Roadmap for TSW facilitation

# Suggested Roadmap for Latin America

## ❖ Analysis on Environment and Findings on Readiness for TSW

- Main Industries and Environment surrounding SMEs differ from each country in the region



## ❖ Forming Appropriate Organization to support & Implement TSW

- such as National Trade Facilitation Committee recommended by WTO TFA. [The Stronger, The Better](#)



## ❖ Setting up Masterplan

- Action Plan, Findings on Stakeholders, Designation of Leading Agency of the Government
- TSW Facilitation Plan especially promotion plan for SMEs' participation
- Designing TSW for easy access by SMEs, Operation Model & Budget Source



## ❖ Fiscal Plan: Funding Source for implementation



## ❖ Organizing TSW Implementation Team within leading agency

