What the Doctor Prescribes for Launching and Sustaining a Viable E-trade Initiative?

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The Objective

To help an “economy” increase and maintain competitiveness in international trade through the use of Electronic Commerce
To jump start and incentivise the business community’s adoption of Electronic Commerce
The Proven Strategy

(a) Start with creation of electronic Government services, and through the use of such services by the business community enhance the IT readiness of the users (the B2G services).

(b) Use the B2G services as the building block and create value-adding commercial services to connect the business community to its suppliers and buyers world-wide (the B2B services).

(c) In most cases, the use of a service provider (as opposed to the Government developing and operating such services) is the preferred solution.
Successful Cases

(a) Hong Kong - Tradelink
(b) Singapore - CrimsonLogic
(c) Korea - KTNet
(d) Taiwan - Trade-Van

NECESSARY INGREDIENTS FOR SUCCESS
Necessary Ingredients for Success

An examination of the successful cases reveal what are the critical factors.

(a) Government Support
   (1) Financial
   (2) Exclusive franchise
   (3) Mandatory use of services

Government Support (1)

Government equity participation
- seed money
- as shareholder and directors of the board of the service provider to act as a bridge to co-ordinate business direction of service provider with Government trade policies
- as investment
**Tradelink as Example**

**Shareholders**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Hong Kong Government</td>
<td>42.49%</td>
</tr>
<tr>
<td>The Hongkong and Shanghai Banking Corporation Ltd (HSBC)</td>
<td>8.78%</td>
</tr>
<tr>
<td>Pacific Century CyberWorks (PCCW)</td>
<td>8.78%</td>
</tr>
<tr>
<td>China Resources (Holdings) Ltd</td>
<td>5.30%</td>
</tr>
<tr>
<td>Hong Kong Air Cargo Terminals Ltd (HACTL)</td>
<td>5.30%</td>
</tr>
<tr>
<td>Modern Terminals Ltd (MTL)</td>
<td>5.30%</td>
</tr>
<tr>
<td>Swire Pacific Ltd</td>
<td>5.30%</td>
</tr>
<tr>
<td>TAL Apparel Ltd (TAL)</td>
<td>4.73%</td>
</tr>
<tr>
<td>Hongkong International Terminals Ltd (HIT)</td>
<td>4.69%</td>
</tr>
<tr>
<td>The Hong Kong General Chamber of Commerce (HKGCC)</td>
<td>4.08%</td>
</tr>
<tr>
<td>The Federation of Hong Kong Industries (FHKI)</td>
<td>3.48%</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>1.55%</td>
</tr>
<tr>
<td>HK Association of Freight Forwarding &amp; Logistics Ltd (HAFFA)</td>
<td>0.22%</td>
</tr>
</tbody>
</table>

**Government Support (2&3)**

- 7-year exclusive franchise for specified trade transactions from 1997 to 2003

- Compulsory migration programme
Necessary Ingredients for Success

(b) Addressing cost concerns of users

Requirement:
Use of the electronic services must not result in extra operational cost for the users

- Low transaction fees
- Free registration
- Free customer software
- Free digital certificates for electronic signatures

(c) Customer services support

Customer Hotline Service to handle customers’ enquiries and requests for assistance
- Dual call centres
- Three-tier
- Sophisticated Customer Relation Management System
- Dedicated training centres
Necessary Ingredients for Success

(d) A network of service centres
   (for the non-computerized companies)
   - Conversion of paper documents to electronic form

Benefits to the Trading Community

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper Documents</td>
<td>Electronic messages</td>
</tr>
<tr>
<td>Each document needed to be</td>
<td>Same data can be re-used for different</td>
</tr>
<tr>
<td>prepared separately</td>
<td>documents</td>
</tr>
<tr>
<td>Delivered to Government centers</td>
<td>Electronic documents sent via direct</td>
</tr>
<tr>
<td>by post, by courier, or in</td>
<td>dial-up or Internet</td>
</tr>
<tr>
<td>person</td>
<td>24 hours x 7 days a week</td>
</tr>
<tr>
<td>Documents accepted only during</td>
<td>Automated computer processing of electronic documents is much quicker</td>
</tr>
<tr>
<td>office hours (9:00 a.m. to 5:00</td>
<td></td>
</tr>
<tr>
<td>p.m.) on weekdays</td>
<td></td>
</tr>
<tr>
<td>Manual processing of paper</td>
<td>Computerised bank settlement</td>
</tr>
<tr>
<td>documents takes time</td>
<td>process</td>
</tr>
<tr>
<td>Manual payment by cash, cheque</td>
<td></td>
</tr>
<tr>
<td>or stamps</td>
<td></td>
</tr>
</tbody>
</table>
Tradelink’s Electronic Services

Trade Related Government Services as the Basic Building Block

All Traders
- Import & Export Declaration
- Export Credit Insurance Declaration
- Certificate of Origin
- Dutiable Commodities Permit
- Shipping Order Service / AMS
- Trader Documentation Service for Regional/Global Trade
- China Processing Trade/Cross Border Documentation Service

Textile Traders & Manufacturers
- Restrained Textile Export Licence
- Carrier Notification and Electronic Visa Copy to US Customs
- Production Notification
- Textile Trader Registration Scheme (TTRS) Notifications

Forwarders & Carriers
- Carrier Notification
- Shipping Order
- Manifest
- Textile Trader Registration Scheme Notifications

Pan-Asia E-Commerce Alliance

Tradelink’s Role as e-Business Magnet in International Trade Transactions

Establish Market Channel
- Web Hosting
  - Pan Asian Portal
- ECIC
- Insurers
- Govt Depts
- US Customs
- Banks

Negotiate Contract
- Purchase Order
- Export Credit Insurance Declaration
- Commercial Invoice
- Packing List
- Certificate of Origin
- Inspection Certificate
- Bill of Lading
- Forwarder Cargo Receipt (Draft)
- Manifest
- TTRS Notification
- Electronic Visa Copy
- Trade Declaration
- Dutiable Commodity Permit
- Under Development

Prepare Products
- Production Notification
- Outward Processing Arrangement
- China Cross Border Documentation
- China Processing Contracts
- Advanced Shipment Notice

Arrange Logistics
- Carrier Notification
- Shipping Order
- Bill of Lading
- Forwarder Cargo
- Manifest
- TTRS Notification

Comply with Regulations

Settle Payment

Overseas Buyers Sellers
HK Traders
China Traders & Manufacturers
Container Terminals
Carriers
Forwarders

Current Connections
Under Development

The 13th Northeast Asia Economic Forum
Results

Tradelink today -
- Over 53,000 customers
- 17 million transactions per year
- More than US$10 million profit in a year

Future directions ........

(A) Pan-Asian e-Commerce Alliance
(B) DTTN/ E-Trade Platform and similar
(A) Pan Asian e-Commerce Alliance

Established in July 2000, PAA aims to promote and provide secure cross border electronic services for efficient global trade and logistics.

<table>
<thead>
<tr>
<th>Members</th>
<th>No. of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIECC (China)</td>
<td>10,000</td>
</tr>
<tr>
<td>KTNet (Korea)</td>
<td>30,000</td>
</tr>
<tr>
<td>CrimsonLogic (Singapore)</td>
<td>25,000</td>
</tr>
<tr>
<td>Trade-Van (Chinese-Taipei)</td>
<td>25,000</td>
</tr>
<tr>
<td>Tradelink (Hong Kong)</td>
<td>53,000</td>
</tr>
<tr>
<td>DagangNet (Malaysia)</td>
<td>2,000</td>
</tr>
<tr>
<td>TEDMEV (Macau)</td>
<td>500</td>
</tr>
<tr>
<td>TEDI Club (Japan)</td>
<td>80</td>
</tr>
<tr>
<td>CAT (Thailand)</td>
<td>2,000</td>
</tr>
</tbody>
</table>

147,580
(A) Pan Asian e-Commerce Alliance

- Trust in cross border transactions through:
  - Legal framework for electronic cross border trade transactions
  - Mutual Recognition of Digital Certificates amongst members of the Alliance, Six Certification Authorities recognized (HK, Taiwan, Korea, Singapore, Japan, China)

- Secure cross border trade transaction services

(B) DTTN/ E-Trade Platform

Central e-platform to facilitate regional and global information flow and service integration by

- Stimulate innovative value added services
- Catalyst to promote SME e-business adoption
The Hong Kong Model

Tradelink has been asked by the Hong Kong Government to build and operate the Digital Trade and Transportation Network (DTTN) to serve the 9 business sectors:

1. buyers/ importers
2. sellers/ exporters
3. freight forwarders including third party logistics service providers
4. carriers (ocean, river, road, rail and air) including express integrators
5. Terminals
6. government and its agencies
7. banks and financial institutions
8. insurance companies
9. inspection agencies

The Hong Kong Model

through the conversion of
some 60 commercially used business documents, and allow/accept the use by customers of most of the commonly used international standards and protocols.
The 13th Northeast Asia Economic Forum

The Hong Kong DTTN 3-Layer Model

**Layer 1:** Standards and Protocols
- Local and international standards for security, trade documents, codes, protocols

**Layer 2:** Core Messaging Infrastructure
- Open, neutral, secure, reliable and shared electronic infrastructure messaging

**Layer 3:** Value-added services such as multi-modal integration, distribution & transportation management

Community Role of the DTTN

- **Sellers**
- **Buyers/Buying Offices**
- **Freight Forwarders**
- **Carriers**
  - Carriers Portals
  - Intra
  - GTNexus
  - CargoSmart
- **Regional/Global Service Providers**
  - Bolero
  - TradeCard
  - PAA
- **Value-adding Service Providers**
  - Tradelink
- **Terminals**
- **Banks & Financial Institutions**
- **Inspection Agencies**
- **Insurance Institutions**
- **Communications Gateway**
- **Security Services**
- **User Management**
- **Reporting**
- **Document Exchange & Transformation**

- ~53,000 import/export traders
- ~132,000 Pan-Asian traders
- Government & Agencies (via ASP)
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THANK YOU

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