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### TRS In Korea Customs

**I. First Phase(1997-2000) :**  
**Paperless Customs Clearance**

**II. Second Phase(2003-2005) :**  
**Advanced Logistic Hub**

**III. Third Phase (2006-):**  
**Client Oriented Logistics Information System (CLIS)**

## 1. Challenges to Korea

❑ logistics cost is an impediment to economic prosperity

- Compared to GDP, logistics costs are excessive
- Korea 15.7%, US 10.5%, Japan 8.8%

❑ Major reforms upgrading logistics flow needed

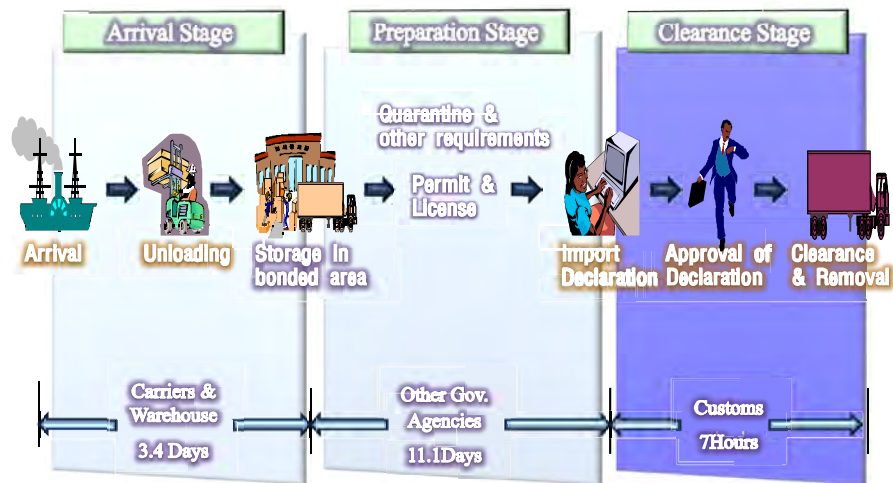
❑ Improving logistics

- Building Social Overhead Cost(SOC) takes time and money
- ⇒ Long-term Task
- System upgrade such as customs procedure
- ⇒ Short-term Task

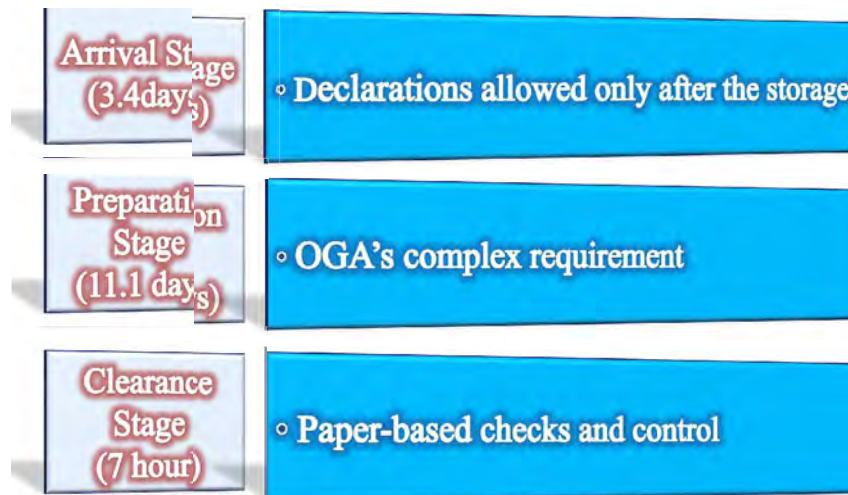


**Logistics cost reduction is the key to the competitiveness of national economy**

## 2. First Time Release Survey (1997)



## 3. Key Problems Defined



## 4. Strategies and Reforms

- ❑ Eliminate procedures interrupting logistics flow
- ❑ Build transparent clearance systems
- ❑ Customer-oriented system re-engineering

- ❑ Introducing multi-reforms at each stage of Logistics Flow
  - Arrival Stage : Declaration Prior to Arrival, On-dock Immediate Release, Immediate Release
  - Doc. Preparation Stage : Reduce goods subject to Customs Verification, and electric linkage with the related agencies
  - Clearance Stage : Paperless (P/L) Clearance and automatic e-duty payment

## 5-1. Reform Measures for Improvement(1)

### 1. Adopting flexible declaration system

#### (1) IMPORT DECLARATION PRIOR TO ARRIVAL

- Declaration before arrival/storage was allowed  
(After departure, before arrival, before storage, etc)

#### (2) ON-DOCK IMMEDIATE CLEARANCE

- Immediate clearance while goods are stored on-dock

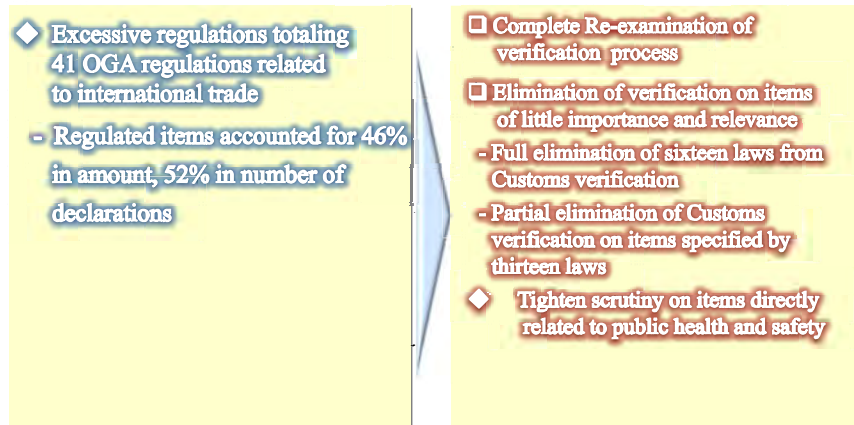
#### (3) IMMEDIATE RELEASE

- Release declarations before clearance declaration



## 5-2. Reform Measures for Improvement(2)

### 2. Reducing Goods verified by Customs



### 5-2-1. Reducing Goods verified by Customs

**Total Import (US\$144 billion; 2.6 million declarations)**

	Related Laws	Laws requiring Customs verification	
		Before	After
Number of laws	60	41	27
Import amount (billion)	67%(US\$97.1)	46%(US\$66.5)	23%(US\$33.9)
Number of declarations	62%(1,626,000)	52%(1,354,000)	25%(656,000)

※ based on 1997



## 5-2-2. Reducing Goods verified by Customs

Total Export (US\$136 billion; 2.6 million declarations)

	Related Laws	Laws requiring Customs verification	
		Before	After
Related Laws	26	15	15
Export Amount (billion)	9% (US\$12.6)	9% (US\$12.2)	3% (US\$4.8)
Number of declarations	21% (544,000)	21% (540,000)	8% (220,000)

□ Annual Savings of KRW 200billion in the Logistics Cost for Trading Community

Warehousing Cost: KRW 57.8billion

Financial Cost: KRW 144.7billion

## 5-3. Increasing Transparency

### □ Publication of "Goods Subject to Customs verification and verification method"

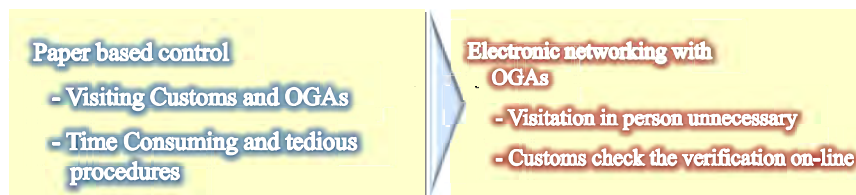
- Using HSK code (10 digits)
- Special task force lasting 3 years

### □ 'Cargo Tracking System' through Internet

- B/L number based internet tracking system like FedEx, DHL
- Increased integrity and immediate processing of Customs clearance

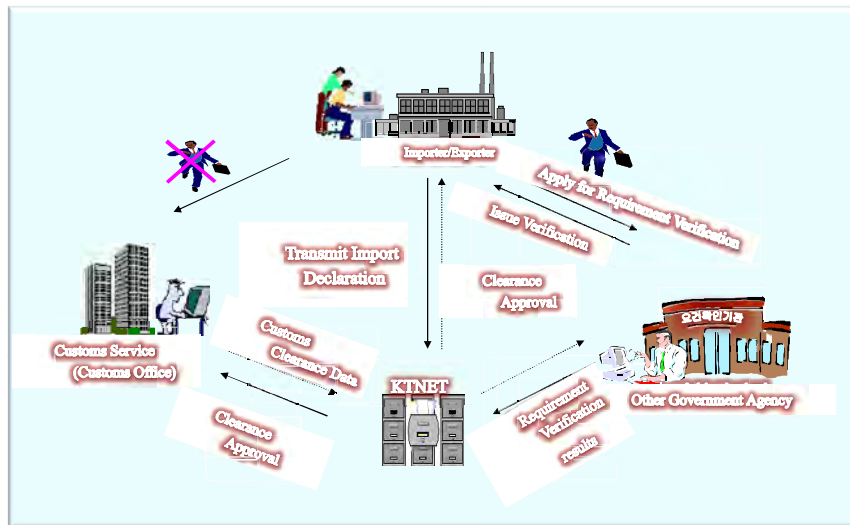
## 5-4. Reform Measures for Improvement (3)

### 3. Network Linkage with OGAs



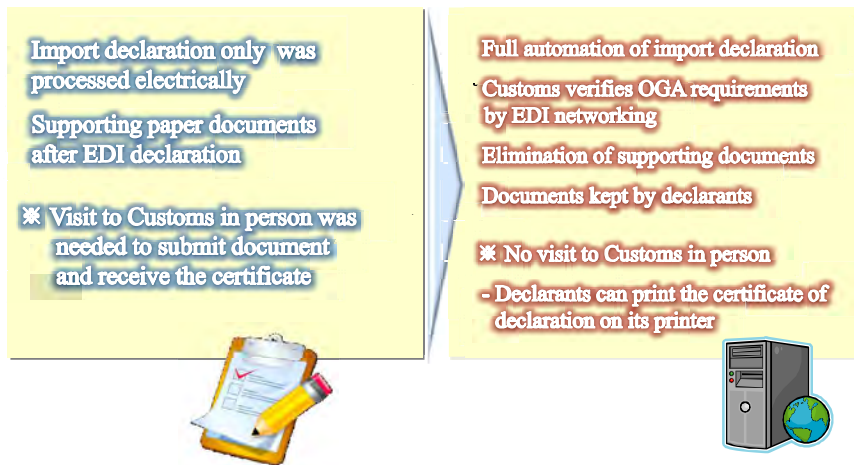
- Reduced clearance time (quarantine items : 22 days ⇒ 16days)
- Savings of KRW 100 billion logistics costs

## 5-4-1. Network linkage with OGAs

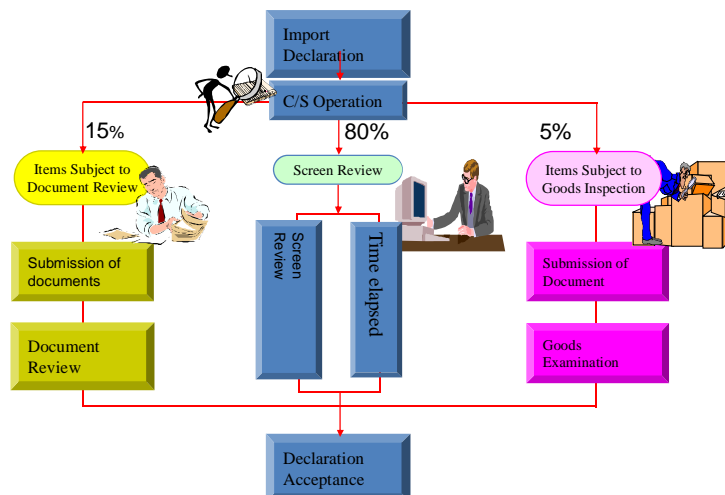


## 5-5. Reform Measures for Improvement (4)

### 4. Paperless Customs Clearance



### 5-5-1. Paperless clearance process (4)



## 5-6 e-payment of Duties & Taxes(5)

Importers needed to visit designated banks with duty bill and cash

- The bank issued receipts.
- The bank registered the receipt electrically and confirm via EDI

Taxpayers entrust the bank to pay the duty from their account, with computers in their office

- The bank automatically transfers Customs duties and taxes to Customs account



## 5-7 Post Audit

Customs concerned only about right taxation

- Examination & control before clearance
- Time proven old technology preferred by Customs

Post Audit System

- Customs Clearance first, Post Audit later
- Complaints about the role of Customs



## 6. Major Achievements(1)

### Time Release

Year	Arrival to warehouse (Days)	Preparing Customs Declaration (Days)	Declaration to Acceptance (Hours)	Arrival to Acceptance (Days)
1997	3.4	11.1	7:08	14.8
2000	2.3	6.6	2:44	9.0

Time Saved for import clearance : 6 Days  
Improved efficiency of Customs procedures : 4.5 Hours

## 6. Study on Benefits of Reduced Time Release(2)

Conducted by Independent National Automation Agency in 2002

- **Enhanced administrative efficiency and staff reduction (4,000 Officers)**
- **Benefits to the trading community: Estimated at USD 2.1 billion**
  - **Reduced processing time, manpower: US \$1 billion**
  - **The logistics costs: US \$ 0.8 billion**
- **Increased Customer satisfaction (Highest: 5)**

User Group	Traders	Customs Brokers	Carriers	Forwarders	Bonded Transporters	Warehouse Operators
Satisfaction Level	4.06	4.05	3.57	3.71	4.44	3.96

## 7. Difficulties faced

- **No one wants to lose control – Old ways are better**
  - Customs; Elimination of hard copy, Adopting post audit system
- **Agency to agency competition**
  - OGAs; prefer control while goods are under Customs custody
- **Herculean Task to deregulate IER and making HS code based goods lists that need verification**
- **Lack of awareness among high level policy makers**
- **Lack of Infrastructure on EDI and automation**

## 8. Success factors

- |                                    |  |
|------------------------------------|--|
| <b>Legal Background</b>            | <ul style="list-style-type: none"> <li>• Customs Law authorized Customs to decide items that need verification during clearance</li> </ul>                   |
| <b>Leadership &amp; Commitment</b> | <ul style="list-style-type: none"> <li>• Leadership from the CEO and committed Customs officials</li> </ul>  |
| <b>Understanding the project</b>   | <ul style="list-style-type: none"> <li>• Continuous consultation with OGA and Business, and Training of its staffs</li> </ul>                                |
| <b>Technical factor</b>            | <ul style="list-style-type: none"> <li>• Technical assistance including development and distribution of the free S/W to OGAs</li> </ul>                      |
| <b>Strategic Partnership</b>       | <ul style="list-style-type: none"> <li>• Strategic partnership with Quarantine (Pilot Project)</li> <li>• Demonstrating and Sharing data with OGA</li> </ul> |

Sharing information, Customs law plus publishing (?) approach

## 9. Other Success Factors

### Open customs Policy

Cargo Tracking Service through Internet, Customs Audit  
Opening Customs decision making process via Internet  
Legal notice, cargo arrival notice via e-mail, mobile message  
Increased integrity and governance

### Evaluation & Merit system

Continuous evaluation of Customs officials, Customs Houses  
Performance based personal management (Merit system)



## II. Second Phase(2003-2005) : TRS for Advanced Logistic Hub