

KOREAN AEO PROGRAM


May 2017



KOREA CUSTOMS SERVICE

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Europe Meeting



11th ASIA-EUROPE (ASEM)

TOMAS DIRECTORS GENERAL / COMMISSIONERS MEETING

OCTOBER, 2015

INDIA



Trade Facilitation Agreement

HOW is Authorized Economic Operator defined?

AEO

“a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards.”

<* WCO SAFE Framework of Standards>

WTO Trade Facilitation Agreement

The WTO Trade Facilitation Agreement (TFA) contains provisions for **expediting the movement**, for effective **cooperation** between customs authorities, and for **technical assistance and capacity building**. (adopted in Nov 27, 2014)

Section I

- Art. 1 Publication and Availability of Information
- Art. 2 Consultation
- Art. 3 Advance Ruling
- Art. 4 Appeal/Review procedures
- Art. 5 Other measures for transparency etc.
- Art. 6 Fee and Charges
- Art. 7 Release and Clearance of goods
- Art. 8 Border Agency Cooperation
- Art. 9 Movement of goods intended for import
- Art. 10 Formalities
- Art. 11 Transit
- Art. 12 Customs cooperation



Article 7.7
Trade Facilitation Measures
For Authorized Operators

A WAY FORWARD

“Each Member shall provide additional trade facilitation measures related to importer, export or transit formalities and procedures.....to authorized operators(Article 7.7 of TFA)

- Category A: **by the time** the Agreement enters into force
- Category B: after **a transitional period** following the entry into force
- Category C: on a date after a transitional period following the entry into force, and requiring the acquisition of **assistance and support for capacity building**.

Korean AEO Program

Korean AEO program trajectory

Preparation Phase (Jun 2007-Apr 2009)



- Legal basis (Article 255.5 of Customs Act)
- Pilot Project (Samsung Electronics)

Implementation Phase (May 2009-May 2011)



- **Support for SMEs**
- **Korea AEO Association**

Utilization Phase (Jun 2011-To Date)

- Expanded benefits (Customs Audit Exemption)
- **Broader AEO MRA territory**

Who joins AEO program?

Types of Entities

- ① Exporter
- ② Importer
- ③ Customs broker
- ④ Freight forwarder
- ⑤ Transporter (Bonded transporter)
- ⑥ Sea carrier
- ⑦ Air carrier
- ⑧ Cargo handler
- ⑨ Warehouse operator



9 types of entities
that cover whole supply
chain

Who joins AEO program?

Year	Exporter	Importer	Broker	Forwarder	Carrier*	Warehouse*	Total
2009	5	5	1	4	3	3	21
2010	27	28	11	4	3	1	74
2011	31	35	15	15	3	5	104
2012	31	34	35	49	11	7	167
2013	33	20	24	65	11	14	167
2014	27	8	9	30	9	8	91
2015	57	8	7	20	1	11	104
2016	50	11	8	14	1	3	87
2017	31	5	12	10	1	2	61
Total	292	154	122	211	43	54	876

* Carrier : Sea carrier, Air carrier and Bonded transporter

** Warehouse : Warehouse operator, Cargo handler

WHO joins AEO program?

Clearance

- Reduced inspection rate
- Priority Inspection
- Ex/import declaration by Corporate ERP

Corporate Management

- Minimized foreign currency transaction audit
- Reduced penalty & noticed disposition
- Fast track at airport (for CIP)

Duty Payment

- Exemption from Customs Audit
- Interest reduction for SMEs
- Exemption from Customs Bond

WHY Korean AEO program achieved success?

Factors Behind Korea's AEO Program Success

- **Corporate Acceptance**
 - Reduced Non-Tariff Barrier/ Higher Competitiveness

- **KCS Excellent Capability**
 - Commissioner's commitment to AEO Program
 - Customs officers' support
 - *UNIPASS*, Korea's unique, advanced e-clearance system

- **Strong AEO Organizational Structure**
 - AEO Center, AEO Committee, CVCI, AEO Association

Mutual Recognition Arrangement

Mutual Recognition & Benefits

Mutual Recognition

Mutual Recognition (MR) is that one Customs administration recognizes the validation findings and AEO authorizations by the other Customs administration, and provides substantial, comparable benefits.



- Reduced Inspection Rate
- Simplified verification of import related documents
- Prioritized Clearance
- Prioritized Measure
- Designation of Liaison Officer

WHO is Korean MRA partners?

Mutual Recognition Arrangement(MRA)

MRA partners

USA('10) Canada('10) Singapore('10)
Japan('11) New Zealand('11) China('13)
Hong Kong('14) Mexico('14) Turkey('14)
Israel('15) Dominican Republic('15) India('15)
Taiwan('15) Thailand('16)

Prospective MRA partners

Vietnam
Peru, Uruguay
Malaysia
Australia
UAE,
Kazakhstan



Korea is No. 1 MRA signing country across the world

FUTURE STRATEGY

WHAT will Korea do in its future endeavors?

- AEO : To **Shift focus** from accreditation to **Post-Audit system**
(AM, Comprehensive Audit)
- AEO MRA : To Ensure **effective MRA**
with reciprocal, demonstrable benefit
- Reach-out: To **Share Korea's experience** and knowledge
with global community

THANK YOU