

Import & Export Clearance System

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I. Overview of Import & Export Clearance

1. Definition of Importation

- a. **process** in which an importer or a hired Customs broker file an import declaration on importing goods to Customs
- b. **Customs processes** the declaration and allows the goods to be released from bonded areas when the declaration is deemed legitimate and to be in conformity with the Korean Customs Act.
- c. **'Importation'** refers to the introduction, consumption and usage of goods made overseas in Korea
- d. **'Foreign Product'** refers to goods, among those brought in from other countries, on which either import declaration has not yet processed, or export declaration has already been completed.
- e. The boundary of Korea refers to both land and marine territories Korea has jurisdiction over.



I. Overview of Import & Export Clearance

2. Characteristics of Import Clearance System

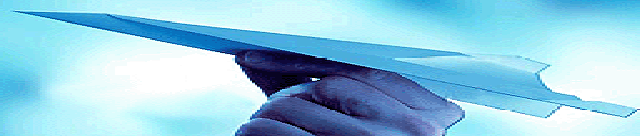
- a. Application of EDI to Import Clearance System
- b. Operation of an Inspection Selectivity System
- c. Running a Post-Audit System
- d. Shipper's Freedom to choose a Customs of Clearance
- e. Import Declaration freed from Timing of Goods' Arrival



3. Current Trends of Import Clearance

a. Import Clearance Figure by Different Methods

Year		Automated Acceptance	P/L Acceptance	Document Examination	Total
2004	Number (Case)	310,280	3,174,805	852,083	4,337,168
	Percentage (%)	7.2	73.2	19.6	100
	Value (\$US million)	194	179,688	44,581	224,463
2005(1-10)	Number (Case)	303,773	2,842,175	762,644	3,908,592
	Percentage (%)	7.8	72.7	19.5	100
	Value (\$US million)	193	173,601	39,138	212,932



b. Import Clearance Figure by Timing of Import Clearance ('05.1-10)

	Pre-Port Departure	Pre-Port Entry	Pre- Entry to Bonded Area	Post- Bonded Storage	Total
Number (Case)	40	223,895	370,610	3,295,719	3,908,592
Percentage (%)	-	5.7	9.5	84.8	100
Value (\$US Million)	2	47,240	8,665	156,925	212,932

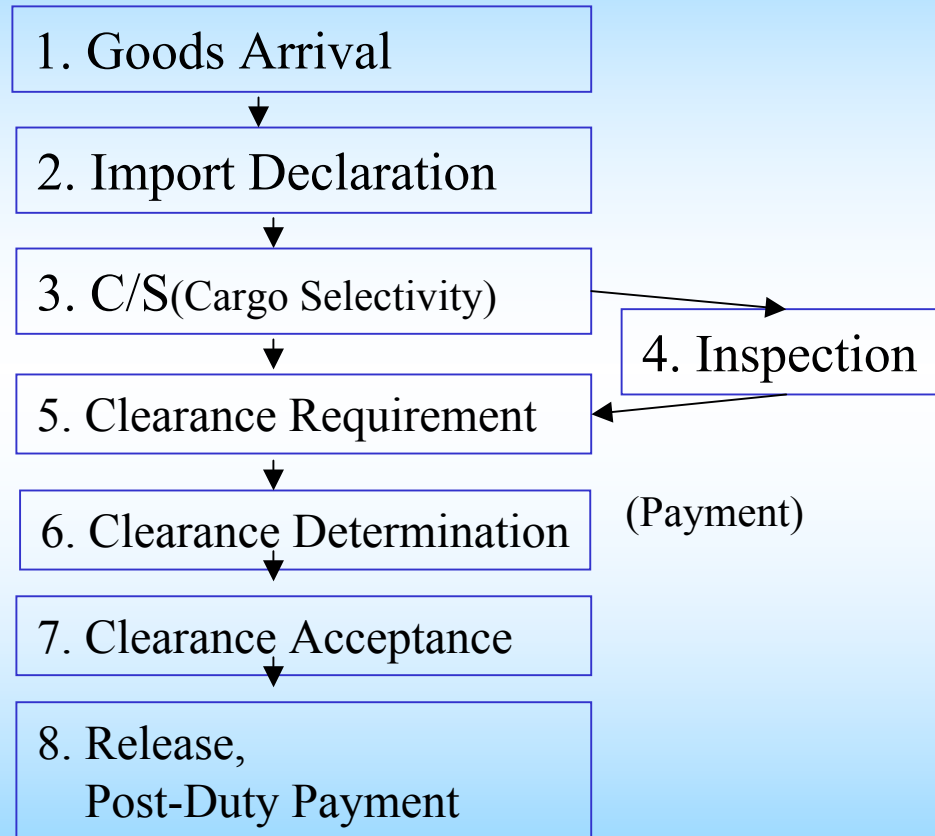
c. Clearance Time

Year, Month	Port-Entry to Bonded Area (Days)	Bonded Area to Declaration (Days)	Declaration to Acceptance (Hours)	Port-Entry to Acceptance (Days)
2001	2.0	6.7	2:32	8.8
2002	2.2	6.4	2:04	8.7
2003	2.2	6.7	1:25	9.0
2004	1.6	3.9	1:48	5.5
2005(1-10)	1.5	3.0	1:40	4.5



II. Import Clearance procedure

1. Flow Chart



II. Import Clearance procedure

2. Detailed Process at Each Stage

a. Arrival of Goods

- After arrival of a vessel or aircraft, a shipping or airline company submits a manifest to Customs in EDI
- Goods that entered a port is transported to bonded storage or bonded transported to inland bonded storage.
- * 70% of importing goods are cleared at the port of arrival.

b. Import Declaration

- Import declaration can be made by a customs broker on behalf of shippers or a shipper him/herself.
- Import declaration made customs brokers account for about 95%



II. Import Clearance procedure

c. e-Document Declaration (P/L Declaration)

- It refers to a system in which an e-document form of import declaration is electronically processed by Customs. Not only has it enabled simplified and swift clearance, but dramatically reduced logistical costs

* P/L Clearance Ratio is about 75%

d. Cargo Selectivity on Importing Goods

- selection method of high-risk goods designed to enhance the effectiveness of inspection through advance analysis or evaluation on high-risk goods.
- actual state of goods in terms of size, volume, weight and quality, and whether importing goods are those prohibited from being cleared by Customs laws and regulations.



II. Import Clearance procedure

e. Examination of Clearance Requirements

- With help of P/L import declaration method, 75% of examination on whether clearance requirements are satisfied is carried out largely on-screen, and the rest is done by document examination.
- Of the total import cases, 5-6% is selected by the selection system of importing goods for physical inspection.

f. Physical Inspection

- Checking whether declared descriptions on goods match with actuality
- Carrying out an analysis at Central Customs Laboratory and Customs Laboratories of main Custom Houses.



II. Import Clearance procedure

g. Imposition and Collection of Customs Duty

- Dutiable goods (object of duty imposition): importing goods
- Duty payer: owners of importing goods
- Tariff rate: tariff rate applied according to the tariff schedule on import goods
- Duty criteria: tax rate based on goods' price (ad valorem tax) or quantity (specific tariff)
- Korea Customs has been applying a New Customs Valuation System In line with General Agreement on Tariff and Trade (GATT) since February 5, 1985.



II. Import Clearance procedure

a. Yearly National Tax Revenue and the Ratio of Customs Duty (Unit: 100 million Won)

	2000	2001	2002	2003	2004	2005(1-10)
Total Tax Revenue	928,347	958,991	1,039,678	1,146,204	1,177,957	
KCS-raised Tax Revenue	231,328 24.9%	241,042 25.1%	264,667 25.1%	286,135 24.9%	317,901 27%	259,323
Customs Duty	46,283 5.2%	67,320 7.0%	66,013 7.0%	68,474 6.0%	67,965 5.8%	50,355

- Korea Customs collects import-duty and value-added tax, which account for 25% of the total national tax revenue, and of this 6% is customs duty.



II. Import Clearance procedure

h. Exemption and Reduction of Customs Duty & Installment Payment

- Korea Customs is running System of partial and complete Duty Exemption. This is to achieve national goals more effectively, e.g. policies on industry, culture and education.
- The System of Duty Exemption is run according to Korea Customs Act and Special Tax Restriction Act.

- Installment payment is designed to relieve firms' financial hardship even as temporary aid, especially for those experiencing national or industrial disasters.
- At the same time, it is a means to support investments for specialization.



III. EDI Import Clearance System

1. Development Background

- Explosive increase in total trade volume of Korea:
US\$40.7 billion in 1980 to US\$ 223.4 billion in 1999, recording 547% increase
- Limited Increase in manpower: 3,476 in 1980 to 3931 in 1999,
indicating 13% increase
- A need to develop an advanced information DB system to intercept illicit
and illegal trade effectively
- Request for the use of EDI (Electronic Data Interchange) by major trading
partners of Korea, e.g. the US, Canada, Australia, and the EU in processing
Import/export declarations
- The development of the EDI Import Clearance costed 3.1 billion Won
for the period of 1995-1996.



III. EDI Import Clearance System

2. Detailed Working-Process of EDI

- a. Filling in Import Declaration Form
 - To make import declarations in EDI, each declarant is given ID and password which enable him/her to access to Customs computer system.
- b . Application of Cargo Selectivity
 - On the basis of information filled in the electronic documents, Customs decides whether further examination/inspection will be made.
- c. Electronic Selection of High-Risk Cargo
 - For declarations selected for further inspection, Customs notifies it electronically.



III. EDI Import Clearance System

2. Detailed Working-Process of EDI

d. Requirement Checks by Special Laws

- Requirement checks obligated by special laws are done via electronic linkage with related agencies.

e. Electronic Approval

- For inspected goods, their inspection results are electronically filed and approved after inspectors complete physical examinations.
- For goods not inspected, their declarations are electronically approved



III. EDI Import Clearance System

3. Effects of EDI Import Clearance System

a. Internal Effects

- Enhanced Administrative Efficiency
- Drastic Reduction in Time and Working-Procedures in Import Clearance
- Increase in Inspection Selectivity
- Simplified Documents
 - Of a total of 306 different document formats, 165 have been abolished while 109 have been transformed to an electronic form.
- Organizational Innovation and Strengthened Administrative Transparency
- Computerizing and automating working-process, which enables external users to be able to check the process, and minimizes face-to-face contacts between the users and Customs personnel, thereby eliminating arbitrary decisions of Customs members and enhancing administrative transparency



III. EDI Import Clearance System

3. Effects of EDI Import Clearance System

a. External Effects

- Economized Working-Process
 - The introduction of advanced technology and techniques to Customs administration from import and export clearance, cargo to drawback system saves 2.5 trillion Won per annum.
 - * This figure is the collective analysis of economic effects on traders, customs brokers, shippers, forwarders, bonded transporters and bonded storage businesses.
- With the introduction of computerized system, the trade community has benefited from a curtailed number of employees hired for import declaration, decreased working-hours and reduced document presentation.



IV. Future Plans

1. Basic Development Principles

- Towards Faster and Smoother Flows of People and Goods
- More Accurate Detection of Illegal Activities
- Towards Customer-Friendly Customs Administration

2. Future Development Plans

- Timely and Adequate Adoptability to New Environment and Customers' Demands
- Voluntary and self-Compliance with Laws and Regulations in Cooperation with Customers
- Maximizing Efficiency & Effectiveness with the minimum level of manpower and costs



IV. Future Plans

3. Stabilizing P/L Import Clearance System

- To correct any possible problems that might be caused by the application of a P/L System to import clearance this year, Korea Custom will continuously assist the System by improving the functions

4. Establishing Single Windows System

- KCS is going to establish “Single Window”
 - a system that allows traders to logde information with a single body to fulfil all import or export-related regulatory requirements.





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