

RISK MANAGEMENT TO SUPPORT TRADE FACILITATION

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RISK

- If there is a risk of something unpleasant, there is a possibility that it will happen

<Dictionary Definition>

RISK

- The potential for non-compliance with Customs law
- Effect of uncertainty on objectives

<W.C.O>

EXAMPLE

- Smuggling
- Drug
 - Methamphetamine, Opium, Ketamine
 - LSD, Marijuana, Heroin, MDMA
- Illegal weapon
- IPR
- Tax evasion
- Money laundering

They reflect each Customs own Risks

- Korea
 - Agricultural products : high duty product
 - Methamphetamine : Consumption, via to Japan
- U.S.A
 - Cocaine : Border between southern region
- South east Asian countries
 - Opium

What is Risk Management?

- **Risk Management**

- Coordinated activities by administrations to direct and control risk (WCO)

WHY RISK MANAGEMENT?

Challenges – Changing operating environment

- Dramatic increase in workload
- Widening objectives of Customs
- Expectations for trade facilitation
- Deliver better results with the same or fewer resources

WTO TFA - Entry into Force

- 2017. Feb.22, The WTO obtained the two-thirds acceptance of the agreement from its 164 members

WTO TFA - Trade Facilitation Agreement

<Article 7>

4. Risk Management

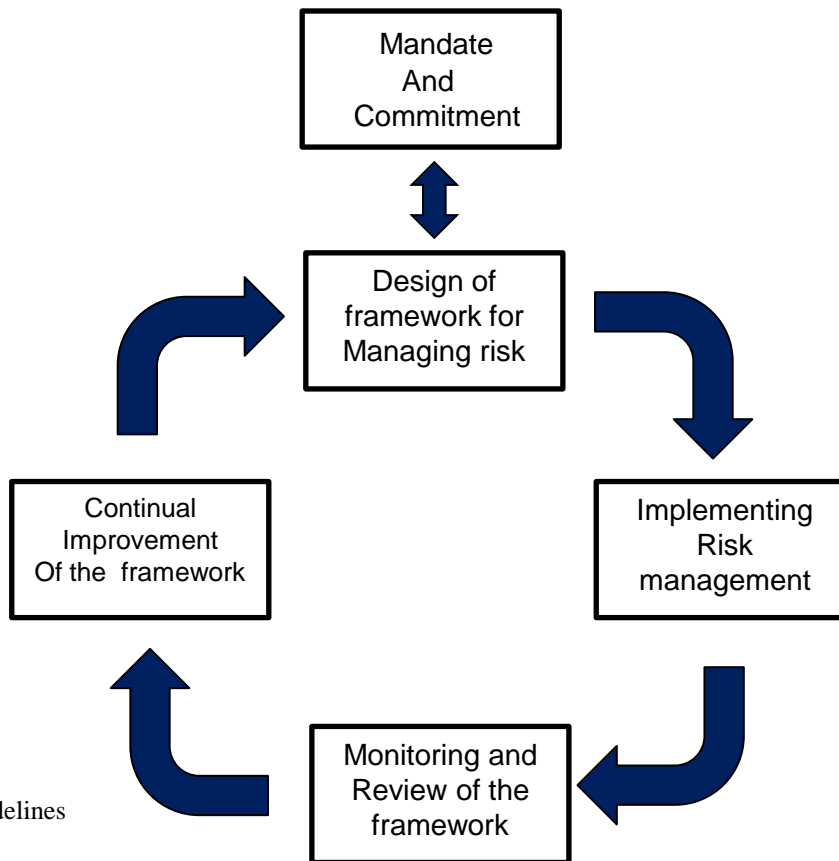
- 4.1. Each Member shall, to the extent possible, adopt or maintain a **risk management** system for Customs control
- 4.2 .Each member shall design and apply **risk management** in a manner as to avoid arbitrary or unjustifiable discrimination, or a disguised restriction on international trade

Key Elements of Supporting Infrastructure For Effective Risk Assessment and Selectivity System



How develop Risk based organization?

Risk Management framework

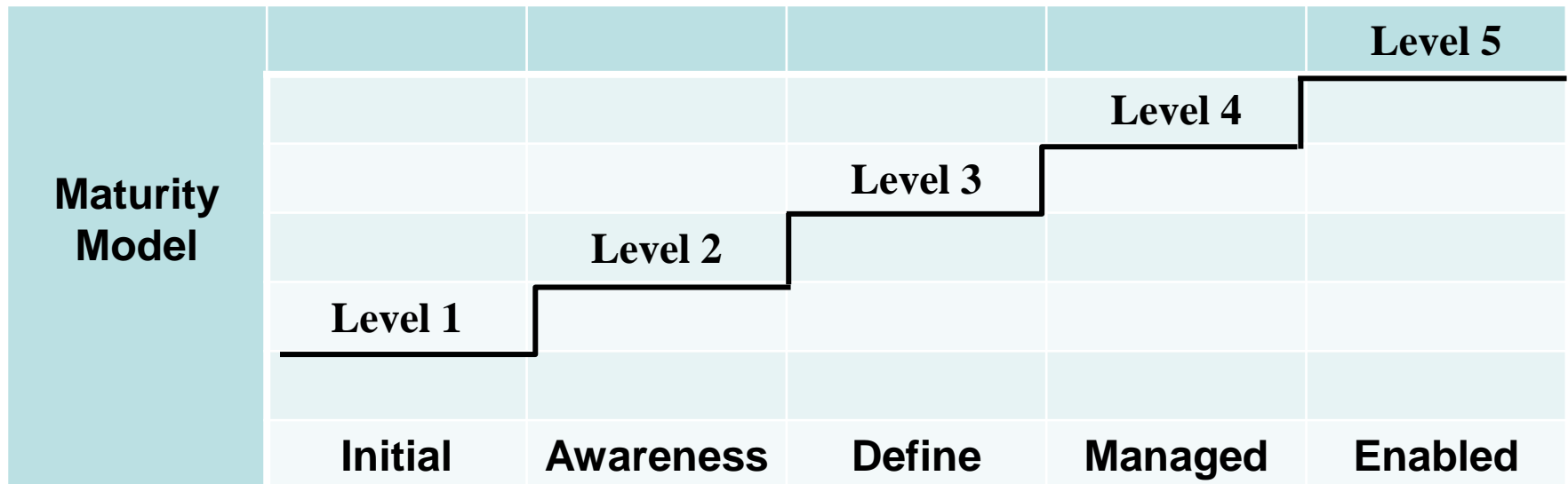


Source : ISO 31000:2009
Risk Management – Principles and guidelines

- Diagnosis of Organization

- To understand **where your organization stand**

Risk management Maturity Model



Risk management Maturity Model

1. Naive

- There is growing understanding of a mismatch between available resource and demand

2. Aware

- The organization is aware of its mission, objectives and related risk

3. Defined

- The risks are well defined, and the risk management approach is standardized and rigorous

4. Managed

- Risks are effectively and efficiently managed

5. Enabled

- Very high maturity of RM / Actively seeks to exploit positive risks and opportunities

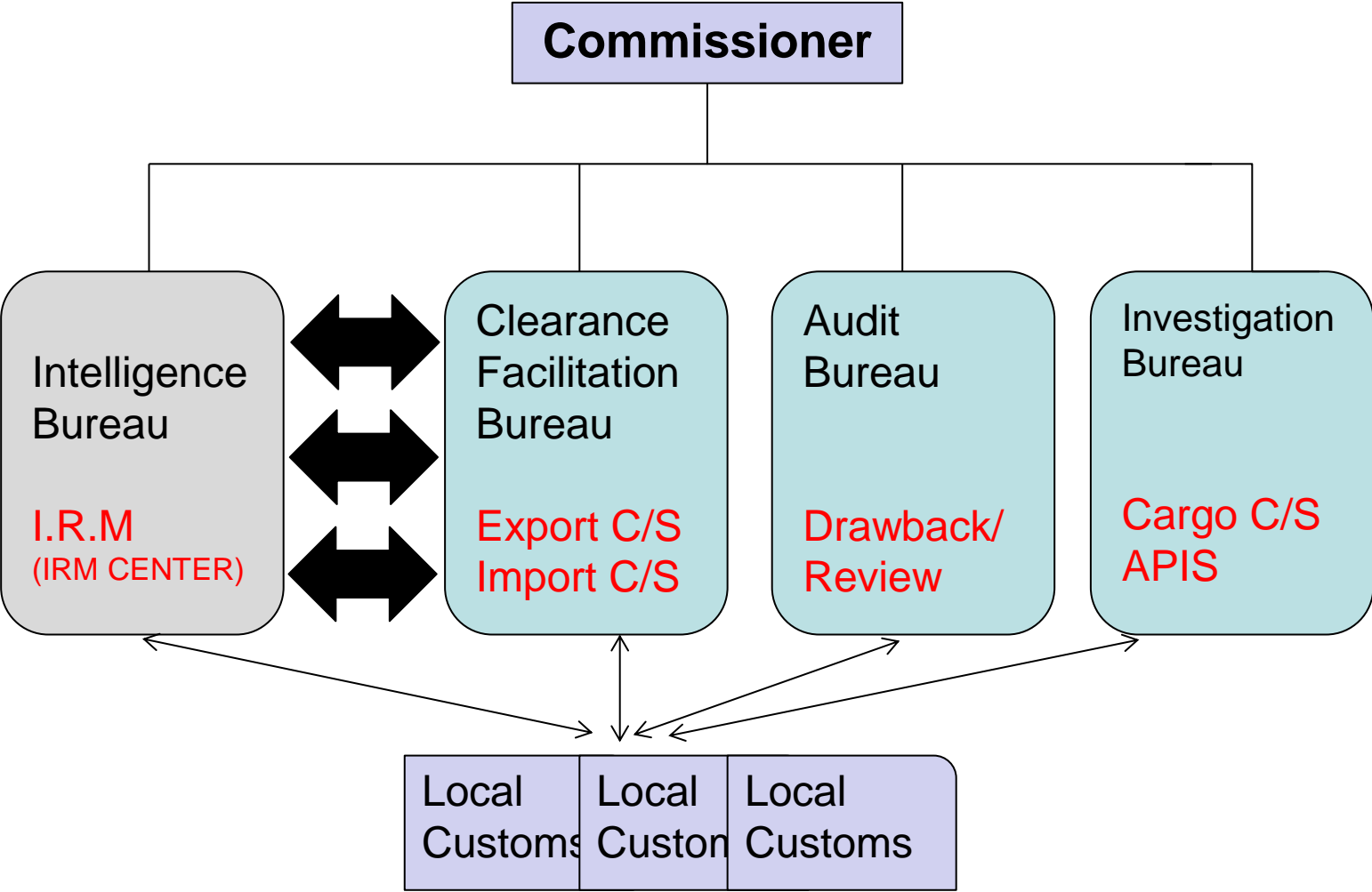
- **Diagnosis of Organization**

- Develop standard maturity Model for measurement
- Develop Survey model
- Organizing reliable survey sample group
- Outsourcing survey and Diagnosis

Risk Management Organization

- **Unified/Integrated Model ?**
 - Concentrated information / Intelligence
 - More focus on security
- **Individual Model?**
 - Each division operates its own targeting system
 - Advantage to develop appropriate risk Criteria
(Import C/S, Export C/S, APIS, etc)

Previous Model of Korea Customs



Present Model of Korea Customs

- **NTC – National Targeting Center**
 - **Unified Risk Management organization**
 - **Feb 28. 2017 Opened NTC**
- **Unified/Integrated Model**
 - **Concentrated information / Intelligence**

Thank you!