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
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

- Use of IT
- Organization
- HR Development
- Legal Framework / MoU
- Mutual Administrative Assistance
- Procedures
How develop Risk based organization?
**Risk Management framework**

- **Mandate And Commitment**
- **Design of framework for Managing risk**
- **Continual Improvement Of the framework**
- **Implementing Risk management**
- **Monitoring and Review of the framework**

Source: ISO 31000:2009
Risk Management – Principles and guidelines
• Diagnosis of Organization
  
  - To understand *where your organization stand*
## Risk management Maturity Model

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<th>Maturity Model</th>
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<th>Define</th>
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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

Commissioner

Intelligence Bureau
I.R.M (IRM CENTER)

Clearance Facilitation Bureau
Export C/S
Import C/S

Audit Bureau
Drawback/Review

Investigation Bureau
Cargo C/S

Local Customs
Local Customs
Local 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!