Trade Facilitation & Time Release Study

Chang-yeop LEE

Korea Customs Service
Trade Facilitation & TRS
Trade Facilitation

- Lowering trade transaction cost
- Creating standard efficiencies

<Trade across Border>

Expediting the movement, release and clearance of goods, including goods in transit (Doha Declaration)
Customs and WCO Role for Trade Facilitation

Improving Economic Situation depends highly on an Effective Trading System

- Internationally agreed Protocols
- Guidelines
- Customs Practices
Customs and WCO Role for Trade Facilitation

Examples of WCO tools

- RKC
- SAFE
- FoS
- SW
- Compendium
- Data Model
- GNC
- RM
- PCA
- Guidelines
- Transit Handbook
- CBM
- Time Release Study Guide
- Global Border Management
Time Release Study

Shipping company and agent, Port Authority
Importing company broker Container Yard operator OGAs
Customs, Bank, Customs broker
Port Authority Container Yard Warehouse, Forwarder

Arrival
Unloading & warehousing
Preparation & Declaration
Permission
Delivery
Where does TRS fit in?

TRS is a unique tool and method for measuring the actual performance of Customs activities as they directly relate to trade facilitation at the border.

TRS measures the effectiveness of procedures by Customs and OGA’s in imports, exports and in transit movements.
Objectives of TRS

a) Identifying bottlenecks in Int’l Supply Chain

b) Assessing efficiency of new techniques

c) Establishing TF performance Measurement

d) Identifying opportunities for TF improvements

e) Estimating the country’s comparative position
WTO Trade Facilitation Agreement

BALI INDONESIA NOV. 2013
Article 7. Release and Clearance of goods

6. Establishment and Publication of Average Release times

6.1 Members are encouraged to measure and publish their average release time of goods periodically and in a consistent manner, using tools such as, inter alia, the WCO Time Release Study.
Article 7. Release and Clearance of goods

6. Establishment and Publication of Average Release times

6.2 Members are encouraged to share with the Committee their experiences in measuring average release times, including methodologies used, bottlenecks identified, and any resulting effects on efficiency.
TRS Best Practice of Korea
Challenges of Korea

LOGISTICS COST
Challenges of Korea

LOGISTICS COST(%)
Challenges of Korea
First Time Release Survey (1997)

Arrival Stage
- Arrival
- Unloading
- Storage in bonded area
- Quarantine & other requirements
- Permit & License
- Import Declaration
- Approval of Declaration
- Clearance & Removal

Preparation Stage
- Carriers & Warehouse: 3.4 Days
- Other Gov. Agencies: 11.1 Days
- Total: 14.8 Days

Clearance Stage
- Customs: 7 Hours (0.3 Days)
Reform Measures_Paperless Customs Clearance

1970 ~80's
- Paper based
- Export clearance ('94)
- Import clearance ('96)
- Export cargo ('97)
- Import cargo ('97)
- Duty drawback ('97)

1990's
- EDI
- Export clearance ('94)
- Import clearance ('96)
- Export cargo ('97)
- Import cargo ('97)
- Duty drawback ('97)

2000's
- Web based
- Internet declaration system ('04)
- Internet Clearance portal ('05)
- Risk Management System ('05)
- Single Window ('06)

2010's
- Ubiquitous
- CKM ('01), CDW ('02)
- Internet declaration system ('04)
- Internet Clearance portal ('05)
- Risk Management System ('05)
- Single Window ('06)
Reform Measures_Paperless Customs Clearance

Korea Customs e-Clearance System

UNI-PASS

관세청

KOREA CUSTOMS SERVICE
1878
Reform Measures_Post Audit

- Customs only concerned about right taxation
  - Examination & control before clearance
Reform Measures Post Audit

Post Audit

-Customs Clearance First, Post Audit Later

AFTER
KCS introduced **Single Window in 2006** and participated over 50 authorities or agencies related with border procedures such as quarantine, KFDAs and so on.

**KCS’ SW**

One Stop service system processing Customs declaration and OGAs’ regulatory requirements

**Before**

1. Application
2. Approval
3. Import Decl.
4. Approval

OGAs → Im/exporters → Customs

**After**

1. Application
2. Import Decl.
3. Approval

Im/exporters → Single Window
OGAs → Result notification → Customs
KCS introduced **AEO in 2009** and signed **MRAs (Mutual Recognition Agreement)** with **13 countries** including USA, Japan and China.
Reform Measures_Risk Management

1996
Import C/S I

2000
Cargo control (Import C/S II)
Export C/S
APIS

2001
Drawback Selectivity
Review Selectivity

2009
Integrated R/M System
Adopting flexible declaration system

Import declaration prior to arrival

24-hour unloading program at major ports

24-hour clearance system at major ports
Best practice of TRS

AEO MRA Effect by Test Operation

Korea

China

WCO CCF-Korea Fund
Best practice of TRS for AEO MRA Effect

Customs to Business Cooperation

More than 300 companies in supply chain

Including non-AEOs

Identifying MRA benefits, bottlenecks, etc.

Listening expectations and opinions thr. survey
Best practice of TRS for AEO MRA Effect

Time for export (Measured by exporting country)
- Export declaration → Shipping → Departure Declaration
  → Shipping → Departure

Time for import (Measured by importing country)
- Arrival → Transportation → Carry-in → Import declaration → Acceptance → Release
# Best practice of TRS for AEO MRA Effect

## Period of Analysis

<table>
<thead>
<tr>
<th>Period</th>
<th>Before AEO MRA</th>
<th>After AEO MRA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April ~ June 2013</td>
<td>August ~ October 2013</td>
</tr>
</tbody>
</table>

## TRS Result

<table>
<thead>
<tr>
<th></th>
<th>Before AEO MRA</th>
<th>After AEO MRA</th>
<th>TRS Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Export → China Import</td>
<td>10H 17M</td>
<td>3H 54M</td>
<td>6H 23M (△62%)</td>
</tr>
<tr>
<td>China Export → Korea Import</td>
<td>5H 10M</td>
<td>2H 16M</td>
<td>2H 53M (△56%)</td>
</tr>
</tbody>
</table>
Best practice of TRS for AEO MRA Effect

KOREA-CHINA AEO MRA(2014)
Resolve the bottlenecks diagnosed by TRS

14.8 days ('97) → 4.5 days ('05) → 2.2 days ('15)
Outcome

Reducing Logistics Cost

Quality Service to the Trade Community

Increasing Customs’ soft power

Global Recognition
Best Practice in WCO TRS guideline Version 2

4. Republic of Korea

- The TRS Methodology using Customs Automated System -

(1) Korea Customs Service (KCS) completed the EDI-based import cargo management system and import clearance system in 1997 and, utilizing the processing time recorded in the system, developed a method of calculating, at major logistics stages, the average processing time of all imported cargoes brought into Korea for a specific time.

(2) In 2006, KCS updated the existing system into an independent, web-based TRS system, which enables automatic TRS measurement of all process and scope on a real-time basis of average processing time, standard deviation and performance of individual logistics participants, and information sharing among stakeholders. KCS named the system "Client-oriented Logistics Information System (CLIS)," highlighting its client-oriented function and automated, independent information system.

Function I : Measuring all the movements of imported cargo

Function III: Supporting logistics target management

Function IV: Evaluating the operational efficiency of every customs house

Function II : Measuring the average time consumed for cargo processing and standard deviation

- Calculating the average time consumed and standard deviation in real time at predefined logistics stages between arrival and release
- Assisting logistics quality control and speed management by enabling clients to search and download data related to all their cargoes for a certain period of time

KCS obtained dramatic reduction in the time involved in imported cargoes' completion of customs procedures by establishing CLIS, which promotes clients' participation and enables the generation of useful statistical data about cargo processing:

With CLIS, the average length of the customs process from port arrival to release shrank by 56% from 14.8 days in 1998 to 2.3 days in 2010. Standard deviations in cargo handling, whose tracking started in 2005, fell by 38.5% from 13.2 days in 2005 to 7.99 days in 2010.

Korea’s National Information Society Agency estimates related annual savings in logistics costs at KRW 2,370Bn (USD 2.47Bn)
Trade Facilitation
Transaction Cost

Reduced trade costs

Increased competitiveness of businesses

Improved export volume and expansion of FDI

More trade can create jobs and income opportunity, and increase government revenue

Economic growth and competitiveness

Poverty reduction and wealth
Tools to contribute!

Thanks very much!