

**2011 Modularization of Korea's Development Experience:  
Development History of the Korea  
Customs Service and its Automation**

**2012**



**KOREA CUSTOMS  
SERVICE**



**KSingle - CUPIA**



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2011 Modularization of Korea's Development Experience:  
**Development History of the Korea Customs  
Service and its Automation**

2011 Modularization of Korea's Development Experience  
Development History of the Korea Customs  
Service and its Automation

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2011 Modularization of Korea's Development Experience

# Development History of the Korea Customs Service and its Automation



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# Preface

The study of Korea's economic and social transformation offers a unique opportunity to better understand the factors that drive development. Within one generation, Korea had transformed itself from a poor agrarian society to a modern industrial nation, a feat never seen before. What makes Korea's experience so unique is that its rapid economic development was relatively broad-based, meaning that the fruits of Korea's rapid growth were shared by many. The challenge of course is unlocking the secrets behind Korea's rapid and broad-based development, which can offer invaluable insights and lessons and knowledge that can be shared with the rest of the international community.

Recognizing this, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) in 2004 to share Korea's development experience and to assist its developing country partners. The body of work presented in this volume is part of a greater initiative launched in 2007 to systematically research and document Korea's development experience and to deliver standardized content as case studies. The goal of this undertaking is to offer a deeper and wider understanding of Korea's development experience with the hope that Korea's past can offer lessons for developing countries in search of sustainable and broad-based development. This is a continuation of a multi-year undertaking to study and document Korea's development experience, and it builds on the 20 case studies completed in 2010. Here, we present 40 new studies that explore various development-oriented themes such as industrialization, energy, human capital development, government administration, Information and Communication Technology (ICT), agricultural development, land development and environment.

In presenting these new studies, I would like to take this opportunity to express my gratitude to all those involved in this great undertaking. It was through their hard work and commitment that made this possible. Foremost, I would like to thank the Ministry of Strategy and Finance for their encouragement and full support of this project. I especially would like to thank the KSP Executive Committee, composed of related ministries/departments, and the various Korean research institutes, for their involvement and the invaluable role they played in bringing this project together. I would also like to thank all the former public officials and senior practitioners for lending their time and keen insights and expertise in preparation of the case studies.

Indeed, the successful completion of the case studies was made possible by the dedication of the researchers from the public sector and academia involved in conducting the studies, which I believe will go a long way in advancing knowledge on not only Korea's own development but also development in general. Lastly, I would like to express my gratitude to Professor Joon-Kyung Kim for his stewardship of this enterprise, and to his team including Professor Jin Park at the KDI School of Public Policy and Management, for their hard work and dedication in successfully managing and completing this project.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessary represent those of KDI School of Public Policy and Management.

**May 2012**

**Oh-Seok Hyun**

**President**

**KDI School of Public Policy and Management**



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# Abbreviation

ACE	Administration Development Strategy
ADB	Asian Development Bank
AEO	Authorized Economic Operator
AFACT	Asia Pacific Council for Trade Facilitation and Electronic Business
APEC	Asia-Pacific Economic Cooperation
APIS	Advanced Passenger Information System
APO	Army&Air Force Post Office
ASC	Authorized Supply Chain
ATA CARNET	Admission Temporaire, Temporary Admission CARNET
BDV	Brussels Definition of Value
BTN	Brussels Tariff Nomenclature
CCC	Customs Co-operation Council
CCCN	Customs Cooperation Council Nomenclature
CCTV	Closed Circuit Television
CDM	Customs Data Model
CDW	Customs Data Warehouse
CRİK	Civil Relief in Korea
CSL	Container Security Initiative
DCKS	Dual Channel the Korean System
DM	Data Mart
ECA&SEC	Economic Cooperation Administration&Supplies for Economic cooperation
EDI	Electronic Data Interchange
FDI..	Foreign Direct Investment
FRP	Fiber Reinforced Plastics
GARIOA	Government and Relief in Occupied Areas

GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalized System of Preference
HS	Harmonized System
ICA(AID)	International Cooperation Administration
ICC	International Chamber of Commerce
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Foundation
IPR	Intellectual Property Rights
ISCM	Integrated Supply Chain Management
IT	Information Technology
KCS	Korea Customs Service
KRW	Korean Won
MFCS	Manifest Consolidation System
MFN	Most Favored Nation
MOU	Memorandum Of Understanding
NII	Non-Intrusive Instrument
ODCY	Off-Dock Container Yard
OECD	Organization for Economic Cooperation and Development
P/L	Paperless
PC	Personal Computer
PCM	Pulse Code Modulation
PL480	Public Law 480



# Abbreviation

PX	Post Exchange
RFID	Radio Frequency Identification
RKC	Revised Kyoto Convention
ROK-US	Republic of Korea-United States
SKO	Supplies for Korea
SOC	Social Overhead Capital
SUN	Supplies United Nations
UCR	Unique Consignment Reference
UN	United Nations
UN/CEFACT	United Center for Trade Facilitation and Electronic Business
UNCTAD	United Nations Conference on Trade and Development
UNIVAC	Universal Automatic Computer
UNKRA	United Nations Korean Reconstruction Agency
UR	Uruguay Round
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization



## Summary

Half a century ago during the 1960s, smuggling was one of the Five Social Evils of Korea and the public perceived the customs to be one of the most corrupt government practices. Customs processes and management were slow and inefficient. Statistics was not only inaccurate but also poorly managed because its importance was negated. Importers could easily smuggle goods, taking illegal advantage of the incomplete customs surveillance. Illegal activities were difficult to detect or prevent. Documents were easily lost and smuggling acts could not be properly persecuted due to a lack of evidence or legality of evidences.

Fifty years later, in the present, Korea's international trade practices improved miraculously. Trade has become the most important component of the Korean economy. Korea's economic dependence on trade, measured in terms of its GDP, is expected to account for almost 80% in 2012. The trade volume increased 195 times from 2.8 billion USD to 545.7 billion USD in the year 1970 and 2005 respectively. The number of travelers increased 114 times from 250,000 to 28.66 million travelers, and clearance revenue increased 106 times from 300 million USD to 32 billion USD.

The number of customs officers increased 2.5 times from 1,657 to 4,287 in the year 1970 and 2005 respectively while the time to complete customs processes reduced to less than two hours for import clearance and less than two minutes for exports, representing the best efficiency level in the world. Several consecutive years, the Korea Customs Service (hereinafter the KCS) is also evaluated by the Korean government as the national organization with the highest integrity, and has been awarded the grand prize for three consecutive years for achieving the best administrative innovation practice among many of the Korean governmental organizations.

Especially the World Bank, in its Doing Business report from 2010 to 2012 for three consecutive years has evaluated Korea with the best environment for trading across borders

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amongst large population countries. The 2012 report evaluates Korea as having the best environment for trading across borders excluding the three relatively small populated countries, Singapore, Hong Kong and Estonia.

The KCS has continuously given effort to improve the quality of the customs administration service, even coping with the tremendous increase in trade volume with limited resources. The advancement of technologies led to noteworthy achievements in business and IT areas.

Five areas of efforts can be said to have contributed to the stunning development in the business area. First, there was a change in the customs administration paradigm; a shift from a provider-oriented customs administration (the public officers who supply public services), to a customer-oriented administration (the public). Second, there was an expansion of trade territory. The past customs administration focused on securing revenue and controlling smuggling, but the present customs administration expanded its role and responsibility to cope with national and social security issues. Third, there was great change on the customs clearance process where in the past all goods were physically inspected, but in the present only selected goods are inspected, and additionally the valuation is at post clearance. Fourth, technological advancement was introduced for the surveillance and investigation. The surveillance and investigation information systems were introduced in order to modernize inspection techniques. Last, there was an effort to strengthen international cooperation activities. Customs registered to the Customs Co-operation Council (hereinafter CCC) and the GATT in order to approve and apply international standards. Currently the Revised Kyoto Convention (hereinafter RKC) and the WCO SAFE Framework are adopted to fit to the customs administration environment.

The above efforts are tasks that are difficult to apply in all developing countries. In many countries, the annual target revenue is customs' main priority. For the customs administration to treat traders as customers and accept the declared duty by the declarer instead of customs imposing the amount of duty to pay, to perform select physical inspection and not a total inspection on goods, to perform audits at post clearance and not during clearance are all decisions that were not very easy to apply and enforce. This is because the innovations applied to the customs administration reduces the authoritarian role of customs, which can lead to reduction in the revenue. Certainly, these innovative changes were not easy to accept even for the KCS; but these changes were applied throughout the history to achieve faster, precise and transparent customs administration, goals that seemed impossible in the past.

The KCS UNI-PASS system's utilization of IT technology has been recognized as best practices by many international organizations. This shows that the UNI-PASS is not a simple information system but an innovative tool that has changed a paper based-working environment into an information-centered, paperless work environment. Even if a hundred countries apply the automation of customs clearance, they would not achieve the same results as Korea. Most countries receive import and export declarations electronically, but also require the presentation of paper documents in reality because the customs formalities

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are focused on the use of paper documents. It is not easy to resolutely abandon the use of paper. In case of Korea, abandoning the use of paper documents to create a work environment based on electronic paper has reduced physical inspection between the declarer and customs officer, practically making a corruption-free environment and raising work transparency, and increase work efficiency. Also because all activities in the information system are recorded, most of the customs officer's activities can be further audited electronically, contributing to the increase in transparency of the customs administration.

Through these efforts the KCS has adopted most of the recommendations excluding some recommended practices of the Specific Annexes of the Revised Kyoto Convention and the WCO SAFE Framework, and currently leads in creating international standards such as the WCO Data Model 3.0.

At business and IT aspects the KCS achieved great changes within a short period of time. Especially if we take into account the increase in Korea's trade volume during the past half century and how the customs had to cope with this with limited resources, the strenuous effort the KCS had to endure can be understood better. We hope the development experience of the KCS will help many countries who are trying to modernize their customs administration.



2011 Modularization of Korea's Development Experience  
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Automation

# Chapter 1

## Introduction

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# Introduction

Most customs authorities in the world have very similar business processes since the establishment of the CCC, the creation of the Kyoto Convention and the establishment of the WCO. Member countries of the WCO follow such recommendations as the Revised Kyoto Convention and the WCO SAFE Framework of Standards. Even though the general business process itself is similar from country to country, the way the business process is engineered by each customs authority depends on its internal and external environment. In order to cope with these changes in environment, especially, through the increase in trade and the need to focus resources in high risk goods aiming to achieve both facilitation and control at the same time, the introduction of IT has become an essential tool that affects the effectiveness of a customs administration and has become a key factor to achieve both goals at the same time.

At a business level approach, this report aims at studying the history of the Korean customs in order to understand the internal and external environments of Korea during various stages in history. Understanding the context at that time will help the readers understand why the customs evolved in such a way; what trial and errors the Korean customs administration had to face and the efforts given by the customs authority in order to solve those issues.

At a technical level, this report aims at introducing the KCS's e-clearance information system called UNI-PASS, an IT tool introduced 20 years ago and still evolving today to cope with the changing environment and demands, by introducing new IT technology and practices.

Since each country has different contexts that require certain practices and tools that may not be widely used, but nonetheless the purpose of this report is to share the KCS's experience and knowhow, hoping that customs authorities will learn or create new ideas to improve their own customs administration system.

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The report will briefly introduce the history of the Korea customs administration starting from the era where the customs administration was a part of the Ministry of Finance during the 1940s, to the foundation of the KCS in 1970 as an independent organization and to its current position. The report will give an introduction of the UNI-PASS system with detailed functions list and consequently the economical and non-economical benefits obtained through the introduction of the UNI-PASS system. Additionally there is an appendix on customs administration frameworks, namely the Revised Kyoto Convention and the WCO SAFE Framework with the current application status in Korea including an Appendix on various statistics for the reference of the reader.





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## Chapter 2

### History of Korea Customs Administration

1. Background for the Foundation of the KCS
2. The Flow of the Korea Customs Administration
3. The Historical Meaning of the KCS

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# History of Korea Customs Administration

## 1. Background for the Foundation of the KCS

The KCS was founded as an independent Customs Service on August 27, 1970. One of the biggest changes in customs administration system was the separation of authorities between the Ministry of Finance and the KCS. Since the foundation of the KCS, the Ministry of Finance became an organization responsible for the establishment of tariff policy only, and the KCS was in charge of all other customs administration matters. The Ministry of Finance focused on customs policy and the KCS executed customs administration taking charge of the management and supervision of the customs house. This resulted in strengthening both the steering (customs policy) and rowing (customs administration) functions.

The reason for the foundation of the KCS is closely related to the economic situation in the 1960s. Back then the volume of import and export increased significantly, requiring more customs officers and customs houses. Obviously, the Ministry of Finance had to separate its organization in order to distribute its workload and thus the KCS was founded as a specialized customs administration organization.

### 1.1 Countermeasures for the Rapidly Increasing Import and Export Volume

Through significant increase in import and export volume, the Korean government needed an independent organization to oversee customs clearance and the imposition and collection of duties.

In the year 1962, when the first 5 Year Economic Development Plan was promoted, the volume of trade was only 480 million USD, but since the establishment of the KCS the volume of trade increased 4.8 times to 2.8 billion USD, and tax revenue increased 6.5 times to 50.9 billion USD compared to the year 1962. As a result, the number of customs officers

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increased from approximately 300 to 1,870 and the number of customs house increased from 8 to 14.

At the time, the Ministry of Finance was overloaded with work due to increase in volume of trade and lack of human resources, making management and supervision of the 14 customs house a very difficult job. For this reason an independent organization, the KCS, was founded to administer, supervise and take responsibility in customs clearance and the imposition and collection of duties.

## 1.2 Independence from the Ministry of Finance

The foundation of an independent customs organization capable of managing and supervising customs work and perform customs administration, separate from the Ministry of Finance was strongly needed. In 1966, the same need arose in the Ministry of Finance which resulted in the foundation of the National Tax Service exclusively for internal taxes, likewise the Ministry of Finance had the strong need to create an organization specialized in customs administration. When comparing duty collection with internal collection, customs duty did not account for a big portion of the revenue. However customs stood up as an organization that fought for smuggling which was defined as one of the “Five Social Evils” to efficiently manage the ever increasing import cargoes. The establishment of a National Tax Service to manage internal tax naturally created the environment for the need to establish an independent customs authority.

The Ministry of Finance was already overloaded with responsibilities in various areas such as the establishment of economic policies and monetary policies, and additionally had to cope with the management of customs and tax policies. They soon found limitations in managing all import and export goods, controlling smuggling and managing all customs human resources.

Meantime, customs house under the management of the Ministry of Finance was soon found to be involved in various small to large scale corruptions, raising needs to discipline customs officers. On February 28, 1970, the Ministry of Finance established a special audit department who would be in charge of disciplining the customs officers and started enforcing such audits at customs house and to customs officers. The audit was so severe that customs officer and the auditors both had to present their resignation document in advance, so that if any issues arose the resignation could be processed immediately without question. The audit results were reported to the Blue House (the Korean Presidential Palace) and additionally a separate report titled “The establishment of an independent customs administration, separate from the Ministry of Finance” was presented simultaneously.

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### 1.3 Establishment of a Smuggling Investigation Special Unit

There was an immediate need for the establishment of a unified task force team to fight smuggling. During the 1960's, the first and second "5 Year Economic Development Plan" promoted by the government was successfully completed which pushed a rapid increase in volume of import and export. However, this was characterized by shortage of goods, and circulation of low quality domestic products due to high price, closed-economic structure and lack of industrial facilities. In this environment smuggling activities spread not only to expensive goods, like bullion, jewelry, watches and antlers but also for common commodities like cookies, soap, and suits.

#### Special Audit and the Foundation of KCS

Mr. Heungsuk Choi (Former Officer, Ministry of Finance)

It has already been 30 years since the KCS was founded as an independent organization from the Ministry of Finance. The KCS was established to manage clearance, impose and collect duties and control smuggling. The founding date of the KCS is August 27, 1970 which stands as a new milestone in the history of our customs administration since the establishment of the Dumojinhaeguan as our first customs administration 100 years ago. This historical event did not occur with just the need to satisfy the demands to build a better customs administration system but also due to a dishonorable background.

Before the foundation of the KCS, customs administration was under the Ministry of Finance, and at that time the customs administration did not have any problems in operating the five customs department (policy, export, customs, valuation, and international affairs), and 11 customs house (Seoul, Busan, Gimpo, Masan, Ulsan, Yeosu, Gunsan, Mokpo, Mukho, and Jeju). There was no need to separate the customs administration from the Ministry of Finance, as the system did not arise any issues. In 1969, the Department of Planning and Investigation was established with the responsibility for reforming the customs administration by issuing laws and regulations. In January 1970, to handle the increasing export workload, the Department of Planning and Investigation was integrated into the Export Department. All these changes were quickly adopted by the customs administration and changes were made flexibly in order to solve the issues, but these changes still did not raise the need to separate the customs administration as an independent organization. However, I believe that the trigger came in February 1970, the results from the establishment of the Smuggling Investigation Special Unit by initiative of the Ministry of Finance.

During the special audit period I was working for the Export Department and was chosen to be an auditor, but I had no knowledge of the audit plan even the day before my first job. On the D-day they summoned me for an unexpected meeting, and I could recognize some of my colleagues in the room. After a head count the Minister of Finance, Mr. Hwang, entered the conference room with a serious look. He told us that

a unpleasant news had reached the Presidential Office and that the President had ordered for a Special Self Audit in the customs administration in order to solve the problem. The C manager from the Department of Planning explained to us the details of the audit plan and we had to submit our resignation letter and a written oath before starting our work.

Thirty four auditors were divided into three groups and started investigating the first level customs house at Seoul, Busan and Incheon; guerilla investigations were performed at second level customs house. I was involved with the audit performed at the Incheon customs house at the first level customs house, and also in Jeju customs house, which was a second level customs house. Until now, I still remember the violent atmosphere of the audit work environment.

Two weeks of auditing resulted in the discharge of 36 customs officers, which equaled to 2.4% of total customs officers (1,473). This shocking event gave a lesson to the remaining customs officers.

The report on the audit result to the President included a request for the need to separate the customs administration independently from the Ministry of Finance in order to raise work efficiency. Thus the Minister of Finance accepted the request to make changes in the existing laws and through a Presidential Decree the KCS was founded on August 27 in that same year.

It is not possible to change the history, but if we assume that the Smuggling Investigation Special Unit was not established, the foundation of KCS could have been delayed approximately 10 years to around the late 1980's when the volume of trade was 50 billion USD, and the customs tax revenue 1 billion USD.

Source: 30 year's history of Korea Customs, Korea Customs, 2002

Even though smuggling activities should have been handled by customs because of its relationship to international trade, smuggling was controlled by four different entities since 1965: the customs, the prosecutor's office, the police, and the military, which commonly were named the "Smuggling Investigation Special Unit." However, the unit that distributes authority between the four entities was very inefficient and even corruption was found inside this team, causing public criticism.

From the customs' point of view, all legal rights and responsibilities for controlling smuggling should be given to the customs authority; however the right for investigation was given to the prosecutor. Customs had a strong will to take that authority into customs hand. The foundation of KCS became the trigger to solve all these irrational systems. In September 1970, the "Smuggling Investigation Special Unit" was dissolved and a new team was established under the authority of the KCS in order to fight smuggling. This was made possible with the help of the President and his will can be seen under his statement "the

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smuggling process should be reported to the KCS from the information stage, and the KCS should work hard to fight smuggling.”<sup>1</sup>

The KCS became independent from the Ministry of Finance in order to efficiently supervise and manage clearance, impose and collect duties, control smuggling, support imports and exports by protecting the economy from corruption and illegal trades, support the domestic surplus and also contribute to the national revenue. The customs department under the Ministry of Finance became the KCS, an independent customs administration organization with its own authority and responsibility on customs.

## 2. The Flow of the Korea Customs Administration

### 2.1 Roles and Responsibilities of the KCS

The KCS is responsible for the management of clearance, impose and collect duties, and control smuggling. These activities have the purpose to secure national revenue, and protect the domestic industries.

Major roles of the KCS can be divided into 7 parts, as follows:

- 1) Control passengers and import and export goods
- 2) Secure revenue by collecting internal tax and customs duties
- 3) Protect domestic industry from illegally imported goods by fighting smuggling
- 4) Control drugs, firearms, and hazardous food to ensure social security and national health
- 5) Control toxic chemicals and rare plant/animal to protect the ecology
- 6) Control country of origin, and intellectual property rights for fair competition
- 7) Control illegal foreign exchange transactions and money laundering

### 2.2 History of the KCS

The history of customs administration can be described as the rapid flow of passengers and goods, and the precision of investigation and audits. The customs service always faces with the dilemma of simultaneously pursuing speed and accuracy. The KCS is responsible for a fast clearance of cargoes and passengers (facilitation), but at the same time must also provide for an accurate execution of the law (enforcement) in order to secure duty revenues, prevent smuggling, protect public health, ensure social security, and protect the ecology. The development of these two concepts can be said to be the history of the KCS.

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<sup>1</sup> The Philosophy of Customs Crime, Korea Customs Research Institute, Mr. Sangdeuk Hwang 1983, P153; Korea Customs, Korea Customs Research Institute, 1985, P. 781

The history of the KCS is closely connected to the history of the domestic and international economic environment, challenges of which significantly influenced the roles and activities of the KCS. Therefore, we can understand the history of the KCS by examining how the KCS reacted to the economic environment throughout time.

The history of the KCS begins when the Ministry of Finance separated the custom administration authority to establish an independent organization in August 27, 1970. However, the history of the customs administration began long before the foundation of the KCS. The history of the KCS is only part of the entire history of the customs administration. For a better understanding, we need to briefly understand the entire history. We can say there are seven historical stages which are as follows:

- **First stage:** Foundation of the Dumojinhaeguan. The customs administration was controlled by foreigners like Möllendorff. Korea did not have any authority over customs control (1878-1947).
- **Second stage:** Regained independence of customs administration; secure revenue to contribute to national economic development, concentrated on exports and protecting domestic industries. Customs administration controlled by the Ministry of Finance (1948-1970).
- **Third Stage:** After the establishment of the KCS, the administration focused on standardizing import and export procedures and on eliminating smuggling.
- **Fourth Stage:** Introduction of the HS code system, and participate on GATT. Adoption of various international standards (1980-1989).
- **Fifth Stage:** To solve globally challenging issues such as reducing logistics costs, the electronic clearance system through EDI is developed. The KCS focuses on simplifying customs clearance. (1990-1994).
- **Sixth Stage:** Through the introduction of the WTO system, the KCS arises needs to prepare to the coming era of limitless competition. Paperless clearance system, cargo management with the manifest from the arrival of cargo to its release, and more advanced customs system were introduced.
- **Seventh Stage:** Redesign the customs work processes in order to cope with the 21st century and build a world class customs administration. Continuous organizational reform and preparations for South and North Korea Cooperation, and the opening of the New International Incheon Airport (After 2000).

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## 2.3 The Customs Administration by the Ministry of Finance (1948-1970)

### 2.3.1 Regaining independency of Customs Administration (1948-1949)

The Department of Customs was founded inside the Ministry of Finance, after the establishment of the Korean Government on August 15, 1948. The Department of Customs was divided into four divisions: the customs division, the supervision division, the monitoring division, and the investigation division. Also there were 8 customs houses, 1 post and 18 surveillance offices. New customs law/regulations were established that replaced the preceding laws/regulations created during the period of Japanese occupation. The new customs law was a unified law which was an integration of various customs related laws that at that time were dispersed through various laws and was different from the pluralistic law created during the period of Japanese occupancy. Also, the new customs law was created with consideration of the reunification of North and South Korea; so customs law at that time was designed not only for maritime trade, but also land to land trade. The new law adopted the ad valorem duty system, which is a duty measure applied depending on the price fluctuation. This measure was created to protect domestic industries. Some of the initiatives adopted to fight for smuggling, included providing incentives to reporters of smuggling events, and creation of policies to give authority of investigation.

### 2.3.2 Korean War and Securing National Revenue (1950-1956)

On June 25, 1950, the Korean War broke out. The Korean War caused extreme inflation and most industrial facilities were destroyed. The economic system transformed itself to support the war environment, and enormous public finances had to be spent to recover the destroyed industrial facilities in the late 1950's. To properly operate the economic system and secure national revenue the customs administration adopted several tools such as the implementation of Temporary Duty Collection Act, Measure on imposing Aid Supplies, Recalculation of Market Price. On December 1950, The Temporary Duty Collection Act allowed customs to impose a 10% tariff on duty exempted goods (excluding food, books).

On October 1950, after a thorough evaluation, the aids provided by the Economic Cooperation Administration (hereafter ECA) were taxed to more than 25% a month as foreign capital tax. The Recalculation of Market Price was introduced in April 1951 as investigations found a huge gap between imported price and market price due to enormous inflation. The government decided to implement these measures in order to calculate the exact value of the good and impose a correct duty during import.



**Table 2-1 | Foreign Import Aids after the Korean War**

(Unit: thousand USD)

Classification	Total	U S A				C R I K		UNKRA
		GARIOA	ECA& SEC	PL480	ICA (AID)	SUN	SKO	
1953	194,170	-	232	-	5,571	8,365	150,422	29,580
1954	153,925	-			82,437	14,049	36,142	21,297
1955	236,707	-			205,815	4,950	3,761	22,181
1956	326,705	-		32,955	271,049	24	307	22,370

Source: Korea Trade History, 1972, Korea International Trade Association, p. 267

**Table 2-2 | Smuggle Eetection During October 1951**

(Unit: thousand USD)

Route	Number of cases	Amount
Ships of the Korean Transportation company	14	136,886
UN military related	45	20,711
Others	18	1,300
Total	77	168,897

Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 2.3.3 Protection on Domestic Industries (1957-1964)

In 1957, the Korean economy started stabilizing and healing from the wounds of the Korean War. However during the late 1950s until 1961 events such as government corruption at the end of the First Republic, incompetence of the Second Republic Government, and the 5.16 Military Coup (on May 16, 1961) caused social and political instability.<sup>2</sup> During 1957 and 1958, the amount of grant received from the U.S. slowly declined and in order to cope with the independence of the Korean economy the government established a “5 Year Economic Development Plan” focused on consumer oriented industry to try and replace imports.

<sup>2</sup> Korea Trade History, 1985, p. 503 ; 30 Year History of Finance, Ministry of Finance, 1978, p. 62

**Table 2-3 | Imports and Foreign Aids During the Late 1950s**

(Unit: million USD)

Year	Import (A)	Foreign Aid (B)	(B/A) %
1957	442.2	382.9	86.6
1958	378.2	321.3	85.0
1959	303.8	222.2	71.3
1960	343.5	245.4	71.5
1961	316.1	199.2	63.0

Source: Korea Trade History, 1972, Korea International Trade Association, p. 307

Through the Third Tariff Rate Revision in 1957, the Ministry of Finance adopted a differential tariff system where lower tariff rates were applied to raw materials and higher tariff rates to finished products instead of reducing the number of HS (756 to 726). These measures were adopted to protect the domestic industry. With the Fourth Tariff Rate Revision, the government introduced policies to boost up exportation, which allowed duty exemption for the export of raw materials, provide tax refund policies on the export of finished products manufactured by imported raw materials, and allowing manufacturing of goods in bonded areas without having to pass through clearance.

Since the classification of import and export goods was one of the most important procedures in customs that required specialized knowledge and a laboratory for scientific analysis, the government decided to spend 300,000 USD during 1957~1961 to establish a “Modernization of Customs Classification Procedure Plan.” The newest equipment was installed at the laboratory for scientific analysis which was established by the Ministry of Finance on October 2, 1961. During the Ninth Tariff Rate Revision on December 1961, the Tariff Rate table and the goods classification method was changed from natural scientific method to the BTN (Brussels Tariff Nomenclature).

**Table 2-4 | GNP Growth Rate (1957–1961)**

1957	1958	1959	1960	1961
8.8%	5.5%	4.4%	2.3%	4.2%

Source: Source: Korea Trade History, 1972, Korea International Trade Association, p. 283

**Table 2-5 | Average Tariff Rate until the Early 1960s**

1949	1957	1958	April 1961	Dec 1961	1963
26%	30.86%	35.1%	47.7%	39.4%	38.9%

Source: Korea Customs, Korea Customs Research Institute, 1985, P. 510-511.

**Table 2-6 | Trade Balance During the Late 1950s**

(Unit: million USD)

Classification	1957	1958	1959	1960	1961
Exports	22.2	16.5	19.8	32.8	40.9
Imports	442.2	378.2	303.8	343.5	316.1
Trade Balance	Δ420.0	Δ361.7	Δ284.0	Δ310.7	Δ275.2

Source: History of Korean Trade, The Korea International Trade Association, 1972, p. 304.

### 2.3.4 Preparing for an Open Market (1965-1970)

The first “Five Year Economic Development Plan” was successfully finished, thus the Korean economic improved significantly. During the late 1960s the Korean government took various plans to prepare for an open market. On March 1965, the government implemented the Unitary Fluctuation Foreign Exchange System for controlling imports. On July 1967, the Free Import Plan was promoted which basically changed from Positive list system to a negative list system. Also, the Korean government tried to join international organizations such as the GATT (joined on April 14, 1967), the Kennedy Round, and the Customs Co-operation Council (joined on October 2, 1968)

The customs announced the Second Temporary Customs Act on June 12, 1964. It was a supporting plan to prevent overspending on foreign exchanges due to the Unitary Fluctuation Foreign Exchange System. This Act was to control conspicuous import consumption, in order to lower thoughtless spending on conspicuous goods and prevent high fluctuation on currency exchange rates to help secure national revenue. For the Fifteenth Tariff Rate Revision in 1968, the government implemented negative list system with higher tariff rates on new imported goods in order to soften the impact from free trade environment. Also, the government legalized the Elastic Tariff System where the customs administration could modify the tariff rate to a limited extent.

During the mid 1960s, the government came up with plans and policies to support exports. Several customs administration policies were implemented such as applying duty exemption system in order to settle the problem of currency rate and tariff rate changes that causes drawback amount to be different from the actual duty paid, the Grace System

for the Payment of Customs Duty which helped achieve industrial support and securing of import duties, and the bonded construction building regime which supported the large scale construction industries and the steel industry. The Korean government had no right to administer customs authority on the U.S. goods due to the Maia agreement and Daejeon agreement, but on July 9, 1966, the “The Republic of Korea – United States of America Agreement on Status of Force in Korea” gave the Korean government authority to exercise customs authority on some of the U.S. goods. The Korean government joined CCC-BDV policy to set an International Classification Standard in October 1968, but could not implement them into the customs code (integrated in 1973).

**Table 2-7 |** Export Trade Trend on the Bonded Goods (1961–1970)

(Unit: million USD)

Year	Amount	General	Bonded	Others
1961	40.9	38.7 (94.6%)	-	2.2 (5.4%)
1962	54.8	52.8 (96.4%)	1.0 (1.8%)	1.0 (1.8%)
1963	86.8	76.7 (88.4%)	4.9 (5.6%)	5.3 (6.0%)
1964	119.1	111.0 (93.2%)	5.4 (4.5%)	2.7 (3.3%)
1965	175.1	153.4 (87.6%)	16.3 (9.3%)	5.3 (3.1%)
1966	250.3	218.8 (86.2%)	28.8 (11.5%)	5.7 (2.3%)
1967	320.2	259.6 (81.1%)	49.8 (15.6%)	10.9 (3.3%)
1968	455.4	356.3 (78.2%)	87.0 (19.1%)	12.1 (2.7%)
1969	622.5	478.9 (76.9%)	130.7 (21.0%)	12.9 (2.1%)
1970	835.2	659.8 (79.0%)	152.3 (18.2%)	23.1 (2.8)

Source: Korean Trade History, Korea Trade Association, 1972, p. 304, p. 374.

### 2.3.5 Type of Smuggling and Control

After Korea gained independence, there was a shortage of commodities, and the galloping inflation caused an increase in smuggling of Chinese made goods. The Korean economy was not only affected by the smuggled goods from China but also illegal rice exports to Japan. During the period of the Korean War, Japanese cosmetics, textile goods, and luxury goods were smuggled through the South Sea from plying ship crews, military goods, and PX goods from the U.S. army into Korea and distributed to public. To eliminate these illegal activities, the First Customs Act Reform in 1951 gave customs officer judicial police authority. In August 1952, the government made reforms to the customs organization promoting the interrogation team to the interrogation department taking charge of all investigation matters. During the First Customs Act reform and the Third Customs Act

reform, the Korean government defined strict penalties for smuggling, and on the Fourth Customs Act reform in 1957, the rewarding program for reporters on smuggling activities was implemented into the law.

**Figure 2-1 |** Fast Sailing Boats Used for Smuggling–Tshushima Island



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

During the late 1950s to the late 1960s, there was an organized special smuggling crime that smuggled Japanese luxury goods and were based on the Tsushima Island. This professional smuggling organization used small ships equipped with tank engines and armed with weapons which sometimes ended in gun fights between smugglers and government agencies. The Japanese government deployed Special Forces to fight smuggling on their own and performed surveillance on maritime smuggling activities which sometimes ended on mistakenly seizing the Korean customs surveillance speed boats that were doing the same job. The Korean government passed several laws such as the “Prohibition on certain foreign goods Act (May 1961),” “Special Crime Enforcement Act (June 1961),” and “Special Crime Enforcement Temporary Act (July 1961)” in order to fight smuggling activities. In 1965, by order of the President, the Smuggling Investigation Special Unit which integrated the customs, the prosecutor, the police and the military, was established to fight smuggling. The customs was not only supporting this team, but also acted independently by arresting smuggling ships, blocking smuggling routes, and negotiating with smugglers which helped arrest smuggling leaders. One of the major smuggling leaders, Jung-ki Lee, surrendered in 1968, which lead to the dismissal of the Smuggling Investigation Special Unit.

The Smuggling Investigation Special Unit had been operating inefficiently since its foundation, and later the Special Audit team was founded to fight internal corruption. Thus on August 27, 1970, the KCS was founded as an integrated organization to fight smuggling.

## 2.4 Foundation of the KCS (1970-1979)

**Table 2-8 | Customs Duty Collection (1970-1979)**

(Unit: Billion KRW, %)

Classification	70	71	72	73	74	75	76	77	78	79
Total Tax(A)	398	493	523	653	1,022	1,550	2,093	2,623	3,652	4,762
Customs Tax(B)	51	52	59	82	127	181	276	386	646	732
National Tax Collected by KCS(C)	-	-	-	-	-	-	147	370	808	1,409
Customs Tax(B)/National Tax(A)	12.7	10.5	11.3	12.6	12.3	11.6	13.1	14.7	17.7	15.3
Total Taxes Collected by KCS(B+C)/Total Tax(A)	12.7	10.5	11.3	12.6	12.3	11.6	20.2	28.8	39.8	37.2

Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

The IMF-GATT led by the U.S. which promotes free trade environment provided a continuous growth in global economy. The volume of international trade more than doubled. This global environment gave a chance of growth to the export oriented Korean economy. However in the 1970s, most developed countries including the U.S. experienced severe economic recessions, which changed everything. The U.S. government announced its new economic policy (the Nixon Doctrine) on August 15, 1971. The dollar defense was part of the policy introduced which reduced economic development cooperation funds, and increased import tax to 10%. Inflation fluctuated and furthermore the Oil Shock in 1973 pinched the global economy. The stagflation spread to the entire world. Developed countries were adopting protectionism to eliminate inflation and recession. These countries tried to slow down their economic growth rate and spread the inflation pressure throughout other countries.

This global economic situation affected the Korean export environment, and this event became an opportunity to reconsider the directives for the export policy. The Korean government considered the implementation of the export oriented economic development

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strategy which was a success in its first and second “Five Year Economic Development Plan” promoted during the 1960s and throughout the third “Five Year Economic Development Plan” in 1970s. Specific industries were targeted to aid their growth by implementing such measures as the Petrochemical Industry Promotion Act (1970), the Non-Ferrous Metal Industry Promotion Act (1971), and the Modernization of Textile Industry Act (1969, 1979).

The KCS was founded on August 27, 1970. The KCS was also involved with the economic development plan established by the government, which concentrated in increasing exports and developing heavy chemical industries. The KCS worked hard to eliminate nationwide and organized smuggling to protect the domestic industry. The KCS implemented a customs administration system that could cope with the fast changing environment such as the 30% increase of trade volume, the return of the Vietnam War veterans, and the return of the Middle-East construction workers.

#### **2.4.1 Support of the Customs Administration to Promote Export and Nurture Heavy Chemical Industries**

During the 1970s, to promote exports and nurture heavy chemical industries the support given by the customs administration can be divided into two aspects; the administrative side and the business side. During that time, economic policy focused on supporting and developing steel and petrochemical industries as well as intermediate products. During the late 1960s and the early 1970s these changes in policy required the need to introduce tax free policy on raw materials.

In the business aspect, the Customs Act was reformed three times in 1974, 1976 and 1978 to introduce a new tariff rate system to protect newly developed intermediate industries. The Customs Act reform in 1974 provided partial exemption on goods that were given full duty exemption in order to promote exports, and also reduced the Tariff Reduction benefits by providing reductions to 14 specific industries instead of providing reduction benefits to all industries.

Figure 2-2 | Masan Free Export Zone



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

Masan and E-ree were appointed as Free Export Zones in 1970 and 1973, and the new export department was established in the customs administration in 1973. In 1975, KCS enacted the Special Drawback on Raw Materials for Export Act and started refunding duties of raw materials. After the Oil Shock, the Korean government adopted the Elastic Tariff System in order to lower customs duties and provide a stable supply of raw materials, including crude oil and other 25 materials. Moreover the KCS participated in international organizations such as the UNCTAD, while in 1971 Korea received GSP (Generalized System of Preference) benefit from developed countries.

In the administrative aspect, as export inspecting agencies and customs performed duplicated inspections, goods that were already inspected through the Export Inspection Act did not require customs inspection. Customs also reduced the complicated approval lines and created an export window with authority to make their own decisions (1971). In 1972, the KCS minimized interference with bonded manufacturing warehouses which allowed their autonomy in operation. In 1976, to provide a 24 hour export approval system, an import window was created to provide for faster clearance. All these administrative changes helped achieve 10 billion USD on export in the year 1977.



## 2.4.2 Nationwide Smuggling Control to Protect Domestic Industries

Figure 2-3 | Conference with ROK-US for Preventing Illegal Trade and Smuggling



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

During the 1970s, smuggling was defined as one of the “five social evils”, and the government wanted to fight smuggling with strong commitment. Unlike the 1960s, where smuggled goods were general commodities such as textiles, the trend rapidly changed in the 1970s to jewelry, electronic devices, medicine and medical supplies. Since organized and armed smuggling were trialed and prosecuted, methods of smuggling evolved in various ways like smuggling through fishing boats, ferries, goods smuggled by passengers, flight attendants, PX/APO from the U.S. army base, and illegal declarations.

The nationwide fight against smuggling started from the KCS. After the foundation of the KCS in 1970, three district enforcement offices were established in Seoul, Incheon, and Pusan. The southern sea coast guard was established in 1972 and in 1979 to fight maritime smuggling. In 1971, there was a nationwide investigation on illegally imported vehicles and a period was given to the public for voluntary declaration, which contributed to an increase in the KCS's revenue. In 1973, through the Prime Ministerial Decree No. 114 Administrative Restriction for Smugglers, in order to alert smugglers and strictly fight smuggling the KCS removed basic administrative rights such as the prohibition to board a ship, and suspension of business. In 1974, with the approval of the cabinet, the nationwide fight for illegally imported foreign goods such as illegal foreign liquor was performed.

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### 2.4.3 Effective Measures for the Rapidly Increasing Trade of Goods and People

During the 1970s, volume of import and export goods increased at least 30% every year which contributed to rapid economic growth and import liberalization. Changes, such as increased travel, launching of the ferry travelling from Busan to Shimonoseki (1970), returning of the Vietnam War veterans (1970-1973), dispatching laborers to the Middle-East (after 1975), increased the volume of total passenger travelling overseas to 28% arising the need to come up with proper solutions.

Various approaches were implemented in order to provide a fast clearance. The KCS tried to eliminate unorganized and duplicated procedures and introduce new standardized processes into the Customs Act producing such results as the Assessment Handling Procedure (1971), Container Custom Clearance Procedure (1971), Hand carry and/or Moving cargo Handling Procedure (1972), Temporary Clearance Procedure (1973), Analysis Document Process Procedure (1974) Export Clearance Procedure (1976), and the Import Clearance Procedure (1978). In 1972 in order to provide convenience for traders a Pre Classification Request Procedure (revved up after 1978) was introduced. To boost up the process, D/O process was eliminated (1970) and onboard clearance system was adopted (1976). A lot of paperwork had been simplified, and the customs broker system was adopted (1975). In 1972, 9 units of UNIVAC Key-Punch were adopted to record trade statistics. It was the first attempt by the customs administration to implement an electronic customs statistics reporting system.

Since the number of travelers increased rapidly, the customs clearance gate was divided into two areas; one for local travelers and the other for foreigners. Also, verbal custom report was replaced by document custom report to minimize disagreement and to record legal responsibility on hand carried items (1971). Vehicle imports by Busan-Shimonoseki procedure was standardized (1970) and a special clearance procedure was established for Vietnam War Veterans and overseas contractors. In 1978, the Korean government joined ATA CARNET and the import procedure for industrial tools was also established.

## 2.5 Liberalization and Economic Growth (1980-1989)

**Table 2-9 | Major Economic Indicator of Korea in 1980s (1980-1989)**

Classification	1980	1985	1989
GDP Growth Rate (%)	-3.7	7.0	6.7
Producer Price Rate (%)	38.9	0.9	1.5
Account Balance (Billion USD)	-53.21	-8.87	50.55
Total Foreign Debt (Billion USD)	272	468	294
Exchange Rate (₩/US\$)	659.9	890.2	679.6

Source: The 50 years of history of Korea International Trade Association, The Korea International Trade Association, 1996, p. 984.

We can say that the 1980s was a period of freedom, competition, and open market. The “Economic Stabilization Policy” was announced on April, 1979, which reflected social environment. Unbalanced growth in the 1970s caused by excessive growth of heavy chemical industry, and export oriented policy started showing side effects. The situation got worse after the second Oil Shock. Industrial competitiveness decreased and economic recession occurred. The inflation was more than 28%. Military government and the Fifth Republic established a strong stabilization policy such as increasing the interest rate and the exchange rate. With all these efforts, finally inflation stabilized to 7% in 1982, and the government changed the economic policy vision to autonomy, promoting and opening competition. These evolutionary policy changes and the introduction of the Three Low Phenomena (low oil price, low commodities, and low prime interest) in the 1980s resulted in a sudden export volume increase. From 1986 to 1988, export growth rate increased by 26% per year, and it was the first consecutive surplus after the independence from the Japanese occupancy.

The import liberalization, which was introduced in 1981, started expanding after 1984. The rate of liberalization was 68.6% in 1980. It increased to 84.8% in 1984 and then to 95.5% in 1989. Since 1982, the Korean government started to gradually allow the public to travel overseas starting with person aged more than 50 and reducing the age limit to 45 in September 1987 and opening to all public in January 1989 but limiting the travel expense to 10,000 USD. Liberalization of oversea travel in Korea started a little late compared to Japan (1964) and Taiwan (1981), however the increase rate of travelers was higher than these countries. Liberalization of oversea travel for all these three countries has one thing in common; the liberalization occurred during the period when they had surplus in their trade.

**Table 2-10 | Liberalization of Import (1980-1990)**

(Unit: Number of goods, %)

Year	Total Imported Goods	Restricted Import Goods	Automatic Approval Import Goods	Rate of Liberalization
1980	1,010	327	693	68.6
1981	7,465	1,886	5,579	74.7
1982	7,560	1,769	5,791	76.6
1983	7,560	1,482	6,078	80.4
1984	7,915	1,203	6,712	84.8
1985	7,915	970	6,945	87.7
1986	7,915	670	7,245	91.5
1987	7,911	503	7,408	93.6
1988	7,911	370	7,541	95.3
1989	10,241	461	9,776	95.5
1990	10,241	376	9,898	96.3

1980: CCCN Heading (4units), 1981- 1988: CCCN Heading (8units), 1989-1990: HS Heading (10units)

Source: Annual Economic Statistics, The Bank of Korea; Ministry of Commerce and Industry, Current Status of Import Liberalization, Jun 1987; Annual Trade, The Korea International Trade Association, 1993;

**Table 2-11 | Passenger Status (1980-1989)**

(Unit: 1000 people, 1,000 USD)

Year	Number of Entries (Foreigners)	Number of Locals Leaving	Revenue from Tourism	Spending of Travel	Balance of Tourism
1980	976	339	369,265	349,557	19,708
1981	1,093	436	447,640	439,029	8,611
1982	1,145	499	502,318	632,177	-129,859
1983	1,195	493	596,245	555,401	40,844
1984	1,297	493	673,355	576,250	97,105
1985	1,426	484	784,312	605,973	178,339
1986	1,660	455	1,547,502	612,969	934,566
1987	1,875	511	2,299,156	704,201	1,594,955
1988	2,340	725	3,265,232	1,353,891	1,911,341
1989	2,728	1,213	3,556,279	2,601,532	954,747

Source: Annual Tourist Statistics, The Korea Tourist Service, 2000

### **2.5.1 Customs Administration that Promotes the Economy**

In the early 1980s, the custom administration changed with the economic revolution promoted by the government. During the 1970s, the Differential Tariff System and Tariff Reduction for Specific Industry Policy were adopted to promote the export oriented industries and heavy chemical industries. These unbalanced policies caused overprotection on finished products and not enough protection for raw and half finished goods, thus assembly and manufacturing industries were overly developed. During the 1980s, the Autonomous Competition Policy was adopted by the government which forced the customs administration to change its policy in line with the government. The Differential Tariff System was changed to a Uniform Tariff System, and Tariff Reduction Policy was modified to provide reduction of duty by functions and not by industries.

### **2.5.2 Active Response for the Changing International Trade Environment**

During the 1980s, the international standards GATT (the General Agreement on Tariffs and Trade) and the HS Code was adopted in order to deal with the international trade environment.

Since July 1968, the year the Korean government joined the CCC Valuation Agreement (BDV; Brussels Definition of Value) the Korean government had adopted the law into the Customs Act for more than 16 years. The major trade partner of Korea, like the U.S. and Canada established the new GATT Valuation Agreement (The U.S. and Canada were not members of the BDV Agreement), so Korea joined the Agreement with the condition of applying the agreement with a 5 year delay. To minimize the impact of applying the new agreement, the Korean government adopted a part of the new agreement on July 1, 1984 and fully adopted it on February 5, 1986.

The HS code system was basically a new code system based on the CCCN system. CCCN was created for use by only the customs administration, but this new HS code was a multipurpose code system that could be used by the custom administration, statistics, transit and many more. Major Korean trade partners like the U.S. and the EC were expecting to adopt the HS code, so the Korean government joined the HS agreement in 1985. When the agreement was formally announced on January 1, 1988 the Korean government implemented it. At the time, the U.S. was not using the CCCN code system.

During the 1980s, the KCS was putting a lot of effort to catch up with the international trade trend and to develop relations with other countries. The first ROK-US Customs Cooperation Council was held on March 1 1984. In 1986, the Korean government and the government of Canada signed a customs cooperation agreement, and in August 1988, an MOU was signed between the Korean government and Australian government. During the Fifty-seventh CCC congress, in Varna Bulgaria on June 1981, by proposal of the Korean delegates, January 26 was officially appointed the International Customs Day. In 1983, the First International Customs Day was held, and since then it has been celebrated every year.

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### **2.5.3 Transition from an Objective Management to an Enterprise Management System**

The customs clearance system changed from an objective management system to an enterprise management system. Since the volume of trade expanded drastically, the formal system and manpower couldn't handle all the clearance workload. The KCS came up with a new clearance approach by introducing the designated customs system, enterprise management approach, and Enterprise subject to General evaluation approach. In June 1980, to support the enterprise management approach, the former supervision entity was reformed to a guidance entity and a new Guidance Bureau was established.

The designated customs system allowed importers and exporters to choose a customs nearby their facilities, so all jobs related to duty assessment, duty drawback, and post management were responsible by the designated customs while other customs house were allowed to only perform verifications on simple import and export requirements. The foundation for the application of the designated customs system were made during the Customs Act reform on December 23, 1978 and was enforced on October 1980 by the KCS. At the beginning, only 16 industry categories such as sugar refining, petroleum refining and plywood manufacturing, and 104 companies were subject to use this approach, but after 1989, the designated customs system was open to all industry categories. In 1981, the KCS established a "Guideline on the management of Companies" administration to change its policy companies by individually enforcing administrative restrictions instead of going through legal process and notifying in advance any violations or preventive information through conferences or onsite visits. The designated customs system was abolished in 1996.

After the KCS joined the GATT Valuation Agreement, the KCS worked to induce correct declaration on the value of goods. In 1987, the Valuation Bureau and 2 assessment divisions were established and Enterprise subject to General evaluation approach system was introduced to induce voluntary tariff report. Basically the approach gave eligible companies the opportunity to perform an integrated post valuation instead of having to perform valuation on clearance, reducing clearance time. This approach later evolved to post clearance audit system in 1993.

### **2.5.4 Supporting the 86' Asian Games and the 88' Seoul Olympic, and Strengthening National Surveillance**

During the 1980s, Korea held the international 86' Asian Games (September 20 to October 5, 1986) and the 88' Seoul Olympic Games (September 17 to October 2, 1988). The KCS put all efforts to clear related goods, fast and safely to support a successful hosting of the games.

For these two big events, on December 10, 1984, the KCS established a "Guideline for the clearance procedure on foreign sports athletes who visit Korea for the 86' Asian Game and the 88' Seoul Olympic Games" and trained customs officers accordingly in advance. Especially, the KCS worked hard to prevent any unknown terror attempts.

During the 88' Seoul Olympic Games, "the Olympic supporting and monitoring division" was established at the KCS headquarter as well as small divisions throughout all the customs house. During the Olympics preparation period, 359 customs officer were sent to Japan to study the then advanced customs system. For a tight surveillance security system, 1,165 national security agents were sent to advanced anti-terror facility and military posts for special training from April 20, 1988 to June 17, 1988. In July 1988, Free Bonded Areas were created to induce participation of bonded cargo operators and solve the problem of private bonded areas which were considered to be a blind spot for surveillance.

**Table 2-12 | Professional Training for Counter-terrorism**

Classification	Number of Class	Number of People	Host	Date
Incident Management Training	2	2	Agency for National Security Planning	'87. 4.20- 4.25 '88. 5.24- 5.28
Explosives Management	1	2	"	'87. 4.27- 5. 8
Explosives Detection Training	2	2	"	'87. 6. 8- 6.20
ROK-US Counter-Terrorism Training	2	40	"	'87.10.19-10.24
Explosive Training	14	584	"	'87. 7. 6- 7.24
Training of explosive detection dog	5	25	"	'87. 7.27- 9.26 '88. 3.24- 6.11 '88. 7.11- 9. 4
Identify training for false passport	11	498	KCS	'88. 1.25- 1.30
First response for contingency and training for instructor	1	7	Agency for National Security Planning	'88. 2. 1
Special education for Airport Security	1	2	"	'88. 4.18- 4.29
Hostage negotiation training	1	1	"	'88. 6.13- 6.17
Total	40 times	1,165 persons		

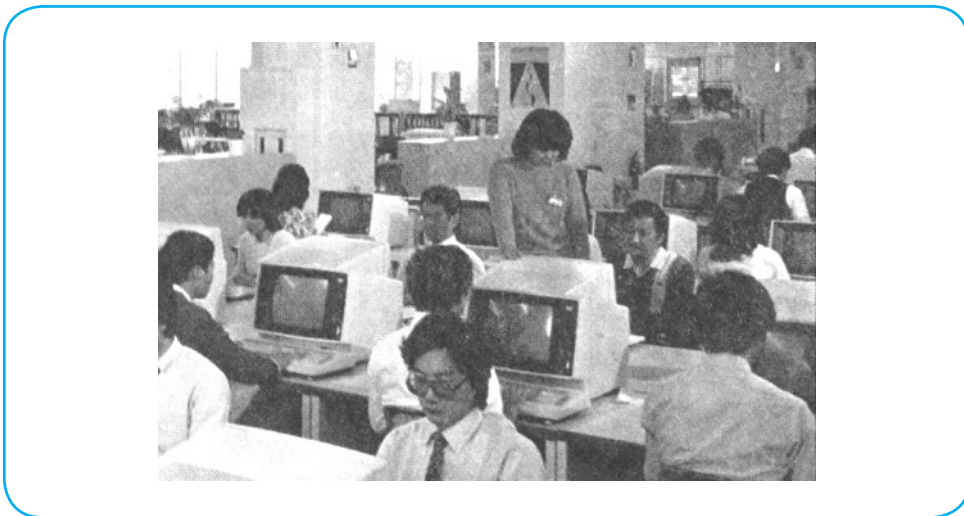
Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 2.5.5 Foundation of an Advanced Customs Administration

The 1980's, was a period where the foundation of the customs administration for a more advanced and future oriented administration was promoted. Some of the major changes were as follows.

The foundation of a centralized headquarter (October 1980), the foundation of a valuation bureau (January 1988), implementation of request for advanced classification (January 1982), implementation of a comprehensive security (December 1987), the computerization of customs system such as the implementation of a statistics data for traders, the passenger identification system, duty collection system (1981-1986), the unification of the manifest in order to standardize the manifest presented to customs by ships on arrival (September 1989) and the first e-customs system which is the air cargo system (CSS) was implemented at Gimpo Airport and Seoul customs house (1986-1991).

Figure 2-4 | Computerized Customs Process



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 2.6 Reduction of Logistic Costs (1990-1994)

Entering into the 1990's the trade balance recorded deficit of 4.8 billion USD. The reason was the increase of logistics expenses due to the decline of the Three Low Phenomena (low price, low exchange rate and low interest rate), constant increase of labor wages, and lack of SOC. The proportion of the logistics expenses for Korea in 1991 was 16.7% of the GDP, a much higher level than the U.S.'s 7% and Japan's 11%.<sup>3</sup> The logistics expenses

<sup>3</sup> Activity Report 1995, Presidential Council on National Competitiveness, p. 13



for exporting companies grew from 13.9% of the whole sale in 1989 to 14.9% in 1991, generating a supplement burden of 44 million won. The export and import companies demanded the government to decrease logistics expenses, and the government introduced hardware approaches such as the implementation of SOC and software approaches such as the simplification of processes. The customs administration introduced software approaches in simplifying customs procedures to lower logistics costs.

In the global aspect, developed countries such as the U.S. strengthened protectionist trade pressure and the Uruguay Round Agreement (URA) was established in April 1994 as a tool to open the free market era. As a result, the bound tariff was widely achieved and restricted the direct support of the government on industries. The Export Support Policy changed the conventional direct industry support by the government to indirect support.

Due to the simplification of the customs procedures and the establishment of the URA, the Korea customs administration expected an increase in smuggling and import of low priced agricultural goods from China, where after clearance the Chinese origin goods would be sold to the domestic market labeled as domestic products. The possibility of the goods being smuggled disguised as legitimate goods increased and there were also fear that goods subject to tariff adjustment would be sub-valuationed.

### **2.6.1 Establishment of a Swift and Correct Customs Procedure to Lower Logistics Expenses**

During this period, the customs administration established a Swift and Correct Customs Procedure as its most important objective to reduce logistics costs. It computerized the custom's procedure by using the EDI method, and solved the bottleneck of the logistics flow by allowing direct clearance from the port. It drastically simplified unnecessary customs clearance procedures for import and export to achieve swift customs clearance, and introduced complementary measures for a correct customs clearance.

The establishment of a swift and correct customs clearance procedure was propelled on through the implementation of the EDI customs automated system. In 1991, The KCS newly established the data management office and in 1992 established a 6 year comprehensive plan to promote the EDI customs clearance automation. By implementing the EDI export clearance system in 1994, the KCS reduced the export clearance from 4 hours to less than 5 minutes, and the incidental expenses for the customs clearance was reduced to up to an annual 1,000 billion won.<sup>4</sup>

In 1992, the KCS established a port direct control system for the first time. In order to maximize the effect, the KCS allowed for the advanced declaration of import before the arrival of the goods and tried to process customs clearance without interfering with the logistics flow by allowing post clearance duty payments. In conclusion, the delay time of

<sup>4</sup> Customs Almanac, Korea Customs Service, 1995, p. 63

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container's freight after arriving at the port was minimized, largely decreasing the amount of time required for port entry to the release of the goods to 3 days from the previous 15 days.

Most restrictions on export goods were abolished. For export goods, the customs administration reduced the bottlenecks of customs clearance by largely reducing the number of inspection procedures, and as a complementary measure implemented the high risk cargo selection inspection method.

The passenger voluntary declaration inspection method was introduced in 1989, and in 1994 the customs administration innovated the carry-on baggage inspection process by transferring from the conventional Positive System (inspection rate of 76%) to a Negative System (inspection rate of 10%). As a result, customs clearance for passengers reduced from 2-3 minutes to 5 seconds. By introducing the Rover system (1989) and the Marshal Officer system (1994) to focus inspection on high risk passengers the customs could prevent side effects caused by various easement policies.

## **2.6.2 New Industry Protectionism in Preparation for the UR**

The Agreement of UR made inevitable the reform of the Industry Support Policy. Restrictions were enforced to limit direct support. This transfer to an indirect support policy was essential. As a result, the Duty Drawback, Tariff Reduction by functions, and the Elastic Tariff Rate System became more important.

The Tariff Reduction system was reformed to strengthen competitiveness of the manufacturing industries. In December 1990, the Customs Act was reformed to strengthen Tariff Reduction in cutting-edge technology industries and the automated factory machine industries, and instead gradually reduced the Tariff Reduction for Specific Industries to increase Tariff Reduction by Functions. As a result, the industrial duty reduction among the corporate tariff reduction decreased from 86.2% in 1990 to 28.9% in 1995, and the Tariff Reduction by functions among the corporation tariff reduction increase from 3.8% in 1990 to 71.1% in 1995.

The drawback system for the exporters was first introduced in July 1991 as a Duty Drawback with Audit after Payment, and in April 1993 the Drawback was established expanding the Simplified Goods eligible for Drawback in order to complement the Individual Drawback system. In 1994, drawback provided a fast payment method accounting for 76.8% of the total drawback amount.

Protectionism on national industry was strengthened through the Elastic Tariff System. In 1994, a total of 42 items were imposed with Adjustment Tariffs on agricultural and marine products in order to protect the national industry and the non-urgent consumer goods. Anti-dumping Tariff was also introduced to minimize the national damage caused by foreign dumped products. In 1992, the first Anti-dumping Tariff was applied and in 1994 a total of

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920 million won was collected from 5 items, inducing the decrease of the volume of imports for those goods from 71% to 95%.

### **2.6.3 Simplification of Clearance Procedures and the Foundation for the Control of Illegal Trade in Line with the Opening of the UR**

There were worries that the simplification of the custom's clearance and the opening of UR will increase the import and smuggling of the low priced Chinese agricultural and marine products, raising the need to control smuggling of goods disguised as legitimate goods and sub-valuationed goods. The Origin System and Intellectual Property Rights (hereinafter IPR) were first introduced during this period, strengthening the post clearance audit of the valuation of goods in order to countermeasure sub-valuations.

In July 1991, the Origin System was first introduced to prevent foreign goods from entering the national market as domestic products. The number of goods that required declaration of origin increased from 326 items in 1991 to 678 items in 1994 to protect national farmers and fishermen from cheap foreign agricultural marine products. In December 1993, stronger control was imposed on the origin of goods and the recall method was introduced into the Customs Act. Following the opening of the URA, trade related IPR was introduced in the Customs Act in 1994, and consequently the right to Delay Clearance in case of IPR rights infringement was introduced in the Customs Act in January 1994.

To cope with sub-valuation, the post clearance audit was strengthened and in September 1994 a general investigation on import declaration values of agricultural and maritime goods was performed. In September 1992, the customs administration introduced Guidelines for Post Investigation by Company, and 2,947 companies were subject to post audit after 1993.

In 1993, the government lead the "100 days Strategy to wipe out smuggling (November 11 1993-February 18, 1994)" targeted for agricultural and marine products and achieved 48 billion won out of 828 cases by mobilizing 10,670 people from nine different government organizations.

During the 1990s, Korea's trade environment was favorable to international drug cartel to consider Korea as a drug delivery hub, so the customs administration gained the authority to investigate drug related matters and started working in that area since August 1990.

## **2.7 Establishment of the WTO&Modernization of Customs**

During this period when the WTO was officially established in January 1995 and the world market became completely open, the main goal of the Korean government was to strengthen companies to cope with international competitiveness. The government promoted the computerization of the administration and quickly introduced informatization which by the use of IT raised efficiency of the administration. This also propelled the logistics area

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and became the milestone for future development of the electronic government.

The opening of the world market and the various initiatives to appease restrictions in order to enhance national competitiveness generated side effects such as illegal and non-fair trade. The ongoing increase in smuggling of agricultural goods and livestock products, violation of the origin and IPR, smuggling of drugs and the illegal foreign exchange trade required the expansion of the role of the KCS to cope with national and social security and health.

In order to overcome the economic crisis that began from the foreign exchange crisis, Korea received relief loans from the IMF in November 1997. The government made efforts to overcome this crisis by attracting foreign investments, and soon government competitiveness started to be identified as equal to national competitiveness and the need to strengthen production efficiency led to a paradigm shift where the administration started to be customer (public users) oriented.

### **2.7.1 Establishment of a Custom's Clearance System to Promote Logistics**

In July 1997, in an effort to solve the logistics stagnation phenomenon caused by the lack of social overhead capital, customs drove the improvement of the custom's clearance procedures and shifted from the conventional import and export license method (imposition and notification, where customs decide on the duty to be paid) to the import and export declaration acceptance method (declaration and payment, where the declarer decides on the duty to be paid). Customs also implemented the cargo management system based on the Manifest Consolidation System (MFCS) to comprehensively manage the manifest instead of the conventional method to manage cargo individually. This system enabled the management of the total air and maritime cargo from the port entry to release. As a result, import and export related companies such as the shipping company, transportation company, cargo handling company, customs broker, traders can share cargo information provided by the MFCS, contributing to the reduction of clearance and logistics expenses and greatly promoting logistics.

In 1998, the customs administration implemented and diffused the Direct Clearance from Harbor and made efforts to reduce the logistics costs. This approach was expanded to include the Gwangyang port in July 1998, and the Wooam harbor and Gamcheon harbor in Busan port in September 1998. As a result, the containers could be cleared and release right away without passing through ODCY or the bonded warehouse, reducing annually up to 66.6 billion won in logistics cost. In 1999, a Complex Bonded Area was introduced in order to attract foreign investment, and reduce logistics costs.

In July 1998, customs implemented the paperless Duty Drawback system. The new drawback method changed the actual drawback from the conventional 1 day after its application to executing drawback at the same day the application is registered, contributing

to a daily average of 4 billion won in capital management. In March 1993, a simple and swift custom Duty Drawback system by reducing the value of Companies Eligible for Simplified Drawback to under 300 million won.

The customs administration principally abolished export restrictions. In 1995, the customs administration newly established the Automatic Export License System where the utilization rate reached 92% in 1996. Since 1993, the value of goods eligible for a paperless export clearance was reduced to less than 50,000 USD, generating 1.7 million cases of fast customs clearance and an annual 100 billion won in savings in additional expenses. In 1996, the patent method for the bonded factory was change to a Negative System, and in 1997, in order to promote fast export and reduce costs from the exporters the customs administration abolished the then obligatory bonded transportation and bonded area yard and just verified the loading of the goods.

### **2.7.2 Computerization and Informatization of the Customs Administration**

In line with the “EDI customs automation 6 year comprehensive plan” that started in 1992, the KCS step by step established the EDI custom/freight automatic system by developing the import customs clearance in 1996, the export freight and tariff refund in 1997 and the import freight system in 1998.

In 1999, the KCS connected the inspection/quarantine institutions such as the National Quarantine Service and entities that provide regulatory requirements for imports and exports through the EDI system so the results could be seen at real time. Based on this, the KCS developed a paperless import customs clearance system in September 1999. In the beginning, 259 high compliance companies were selected as eligible to use the paperless clearance, but later on since the year 2000 this number increase to provide 12% of all imports to be processed through paperless clearance.

From April 1997 to December 1999, the KCS introduced the investigation and surveillance information system formed by the violation investigation information system, clearance legality system and the information analysis system, in order to efficiently control illegal trade that takes advantage of the fast clearance service and try to get away with illegal trade.

The statistic system was introduced in 1996 and since 1998 import and export trend analysis and the trade statistics are periodically provided to the government institutions and to the UN and the OECD. After the foreign exchange crisis in 1997, the KCS provides trade statistics to the IMF categorized according to the HS code.

In 1997, with advancements in IT, the KCS developed the internet portal allowing national and international internet users to access the information on import and export customs clearance at any time.

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### 2.7.3 Continuous Control on Illegal Trade

The Special Urgent Duty System was introduced by the KCS in 1995 in order to protect farmers from the sharp increase in imports of low priced agricultural and marine products, imposing a special urgent duty of up to 1,114% in grain products. In December 1995, a Temporary Urgent Duty System was applied in order to prevent damages during the investigation period to impose the Special Urgent Duty system.

In 1995, the KCS obtained authority to investigate in order to tackle illegal trade such as violation of the IPR and trade rights.

In 1997, the KCS also obtained the authority to investigate on import and export products related to correct origin labeling, which resulted in a 228 billion won from 1995 to 1999. In May 1997, the KCS further obtained the inspection rights for foreign exchange transactions and later in December 1997 the investigation authority resulting in a prosecution of up to 98.9 billion won of illegal foreign exchange in 1998 and 913 billion won of illegal foreign exchange in 1999.

In July 1996, a Joint Drug Investigation Team was formed under the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 and enacted and implemented the Special Illegal Drug Trade Act the same year. The government joined the convention on December 28, 1998.

### 2.7.4 Customer Oriented Customs Service

Following the ease on restrictions and the establishment of a civilian government in 1998, the reconsideration of the national competitiveness was one of the main goals where public's rights started to become important and service effectiveness was re-evaluated in order to provide an administrative service from the public's point of view.

In 1997, a partial basic plan and specific plan were established for the KCS focusing on the customer's needs. In October 1998, the KCS declared their primary goal to build the best customs administration that will satisfy the customer establishing the Customs Service Charter. In March 1999, a survey was conducted by the Korea Management Association on "Public satisfaction survey on Korea's public service", and the KCS was selected as the best government entity.

During the organizational reform in December 1999, the Customer Service department was established at regional customs and the head quarters in order to provide a one-stop service and provide a satisfactory service to the public. As the internet homepage was established in 1997, customer's complaints were registered through the homepage increasing its use to 76% compared to the previous year. The page also provided various information to public such as public security, smuggling, import and export statistics, and received reports on illegal foreign exchange transactions.

In May 1999, terminals were installed at major customs houses such as the Seoul customs and Busan customs in order to provide an electronic way of applying duty drawback and declare exports for small businesses. In July 1998, the Evaluation of Duty Calculation before Notification of Payment method was introduced to protect the taxpayers from making any mistakes by evaluating the duty to be paid calculated by the taxpayer before the actual notification of payment.

## **2.8 World's Best Customs Administration (2000-)**

The changes in the environment centered by the WTO such as the development of multilateral trade and the rise of new regionalism, development of the economy and information and communication technology, new government policies due to the settlement of the North and South Korea Summits, required a new paradigm shift in the customs administration that could cope with these changes. The KCS extensively reformed the organizational structure in January 2000 in order to cope effectively with the surging trade volume that overpasses the economy of volume and time, and to thoroughly foil the goods that threaten the public health and social security. The KCS worked to solve the long lasting task to bring about balance between fast clearance and correct investigation and surveillance techniques by analyzing the needs of administrative employees and redesigning the work process with a reform on the organizational structure.

### **2.8.1 A Look back on the Customs Administration of the 20th Century**

According to the result of the management diagnosis performed on the KCS by the Ministry of Planning and Budget in February 1999 and the result of the organizational diagnosis performed by the KCS itself for 3 months starting in July 1999, the conventional organizational structure had 4 major characteristics.

First, there was a lack of adaptability for change due to the multi-layer and multi-line organizational structure, and since the executive function is concentrated in headquarter of the KCS, change could not be effectively adapted. Moreover, services provided in the customs houses were found out to be unsatisfactory to the customers. The need to perform various reports due to the vertical organizational structure, unnecessary interference and too much supervision intensified the task burden at customs house, arising complaints from the customs officers.

Second, there was a lack of cooperation and adjustment between departments to seek the same goal. Because the organization was principally designed as a “check and balance” method, the tasks performed by customs officers on clearance, supervision and the investigation department were generating inefficiency in performing tasks and undermining the stability of the organization.

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Third, because the customs procedures were divided into unit tasks the clearance flow was cut, unable to provide fast customs clearance. As the customs clearance process was not unified and the customs department and the supervision department performed overlapping jobs, the whole procedure could not provide a one-stop quick service from the port entry to the release of the goods.

Finally, the use of information technology and the scientific equipment was not satisfactory. Although the business process and the approval process was computerized, the information analysis system that uses accumulated customs and investigation information could not be applied at a real work environment, and the system still depended upon tasks that relied on the intervention of human resources.

In order to solve this structural problem, from July to October 1999, the KCS created the Task Discussion Development Committee by the core tasks and established the “Customs Administration Development strategy (ACE, Adaptability, Cooperation, and Efficiency)” for the implementation of new missions and to carry out structural reform. The objective of the ACE was to maximize adaptability to cope with changes in the customs administration, cooperation in the sense that the administration will change to a client oriented system where everyone can participate in its development and an efficient customs administration focused on the work flow and design of the organization fit to provide an efficient administration and become the world best customs administration.

The organizational reform of the KCS in the 21st century can be categorized into 3 directions; restructuring from the task distribution centered system into a process centered system in order to raise customer satisfaction, introduction of the risk management system based on the informatization to improve efficiency of the investigation and audit related works, and the improvement of the human resource management for the improvement of customs officer’s satisfaction level and provide a sense of achievement.

First of all, the KCS transferred from a task distribution centered system into a process-centered system in order to raise customer satisfaction. The task was classified into processes that must be centered on the flow and processes that must be centered on accuracy (the non-process). By applying process management technique, swiftness could be achieved to the process centered on the flow, and the non-process could be covered by created designated departments. With these initiatives the KCS could solve the long dilemma, balance between facilitation and control. The integration of the cargo management procedure processed by the clearance bureau into the customs department provided for a One-Stop Quick service system. Also, the integration of the audit work into one audit department solved the problem of duplicate inspection and the issue of responsibility. Additionally, the development of the cargo selectivity provided for a more accurate tax audit.

Second, the risk management technique was applied in all areas of the customs administration. In order to deal with the increasing trade volume and number of travelers with limited human resources, the KCS reduced the work load by analyzing information in advance to select high risk cargo and passengers for inspection. In this conception, the risk



management was applied for passenger clearance, selectivity of goods subject to control and inspection, company based planned audit, and port and airport surveillance. The KCS also introduced the Advanced Passenger Information System (APIS) that collects and analyzes in advance the information on travelers and selects high risk passengers during customs procedure. The KCS also propelled the development of a Law Compliance Evaluation system where low risk companies are given the benefit of self auditing. This was introduced to change the previous manual and random based selectivity of goods to a high risk automated target based selectivity. A special inspection and information analysis team was created at headquarters and at regional customs, and drug detecting dogs were introduced for more precise selection and closer inspection of goods. In line with the development of these information analysis systems, the KCS also developed a program to evaluate the correct declaration of the declarers in July 1999, and the scope of application of the program was expanded to traders in the year of 2000.

Third, the KCS improved the personnel management scheme in order to raise satisfaction level including faithfulness and a sense of achievement, and established capacity building program for a continuous self development and a performance evaluation scheme. To improve personnel level the KCS established the professional program focusing on the 3 core fields, inspection, audit and investigation, and designated a professional task for each fields so that practical experience could help raise their professionalism. The capacity building program was expanded with the expansion of the professional program.

This organizational reform was the biggest since the foundation of the KCS, and it has a big meaning in that it was not only a reform to reduce the number of personnel or to adjust tasks, but a redesigning and re-engineering through a thorough task analysis. The characteristic of the organizational reform of the 21<sup>st</sup> century differs from the previous one in that before the organization was designed and the functions or tasks were distributed later, but now a work analysis is performed and the organizational structure is designed according to the existing work flow. In the case of the headquarter of the KCS the cargo and clearance works were integrated into the Clearance support bureau, and to strengthen the planned audit capacity the audit department inside the investigation bureau was expanded to the Audit and Policy bureau so they could focus on audit tasks.

The KCS also reformed the investigation bureau into the investigation and surveillance bureau to integrate investigation and surveillance work, and created the foreign currency investigation department inside the bureau to strengthen investigation of foreign currency and data analysis skills. The Customs Issue Solving Expert was created in order to protect the customers rights, under the Planning and Management office at headquarter and reflected this to the regional customs and customs house. The function of the customs house and the headquarter was reformed so the previous vertical organization structured focused on centered authority was reformed to a flat organization with distributed authority in order to raise responsiveness to the customers, and the headquarter was reformed to manage planning, the regional customs focused on investigation and audit capacities,

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while the customs house focused on clearance service. An analysis was performed to see which decision could be delegated to the regional customs and step by step the supervisory; decision making authority was delegated to the regional customs.

## 2.8.2 Outcome of the Organizational Reform

After the reform of the organizational structure, in February 2000, the KCS opened the Director's Evaluation Tournament in order to evaluate the execution and application capacity of the organizational reform. In June 2000 the KCS applied for Best Practice among public entities and entered the finals on Innovation Competition among public entities. The outcome of the organizational reform that has been implemented so far is as follows:

- First, the clearance and logistics time was reduced. The time taken from the declaration to the acceptance of the declaration decreased from 3 hours and 10 minutes to 2 hours and 55 minutes, to standards of developed countries.
- Second, through the implementation of the Direct Post Audit Scheme a more accurate valuation could be performed. The number of cases on duty declaration correction increased 29 times compared to the previous year making a total of 22,378 cases, and revenue increased 46% to 94.2 billion won.
- Third, the rights relief for taxpayers was rapidly improved. The number of claims for additional duty collection totaled 28 cases, double from previous year, and the audit period decreased from 50 days to 40 days.
- Finally, the investigation capability strengthened. The arrest for foreign illegal trade, drug, trademark, foreign exchange and other smuggling activities recorded 573 cases and 495.7 billion won, an increase of 3.2 times compared to the previous year.

## 3. The Historical Meaning of the KCS

The history of the KCS since its foundation as an independent central customs institution has a deep significance. During the history of the KCS, since the foundation of the organization, the KCS has grown swiftly in size and number of staff in comparison to the increase of import and export volume. The quality of functions soared as a comprehensive customs administration by proving the public that the customs administration service that currently stands is totally different from what it was before.

### 3.1 Quantitative Growth

The import and export volume of Korea was merely 2.8 billion dollars in the inauguration period in August 1970, but increased to 263.5 billion dollars, an increase of 94 times in the year 2000. The number of travelers increased from 240,000 to 9 million, an increase of

36 times. The amount of revenue also increased from 58 billion won to 18 trillion won, an increase of 310 times. The customs administration and the number of personnel that manages the increasing workload have increased from 14 customs houses with 1,870 customs officers during the time of the inauguration of the KCS to 28 customs houses and 3,931 customs officers in the year 2000.

## 3.2 Qualitative Change

The KCS has steadily made efforts since its inauguration in order to secure a swift clearance on passengers and import and export goods and at the same time secure the revenue and protect national and social welfare, and also increase the accuracy of investigation and surveillance functions. This effort manifested as efforts for the implementation of a correct selection and inspection scheme, an electronic clearance scheme, total cargo management through the manifest and cargo tracking, and the investigation and surveillance information system.

### 3.2.1 From Total Inspection to Selected Inspection

Before 1988, the customs administration implemented a total inspection scheme with the exception of some import and export articles that were considered free of inspection (inspections accounted for 77.5%). The KCS also introduced stage by stage the selectivity scheme in import and export cargo implementing the exports goods free of inspection in 1988, the inspection based on the random table method in 1989 the introduction of the risk management technique in 1990, the introduction of a post audit valuation scheme selection inspection system in 1992, the cargo selectivity system from 1993 to 1994, selectivity for cargo subject to control in. At first, a manual selection based on random table method was introduced but later through the accumulation of data and use of IT systems, an automated selectivity method was used. In July 2000, the inspection ratio for export goods were 0.3% and for import goods 7.1% with goods subject to control 0.37%.

Before the implementation of the DCKS (Dual Channel the Korean System) in July 1989, the passenger carry-on inspection scheme was based on a total inspection scheme (categorized by simple and general inspection), but through innovations in the passenger carry-on inspection and voluntary declaration, the inspection ratio in July 2000 accounted for 5.92%. A faster and accurate inspection baggage inspection was introduced with the opening of the Incheon international airport in March 2001, by implementation of a One Stop System and the Advanced Passenger Information System.

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### 3.2.2 Implementation of a Paperless Electronic Clearance System

In the 1970s, the attached document needed to declare import/export and for duty refund was a minimum of five to a maximum of 15 documents, but in the year 2000, 95% of export, 12% of the import and 47% of the duty drawback was processed in a paperless form.

Since the introduction of the first computerized system in Busan customs in December 1973 with the objective managing trade statistics, the KCS has evolved from a Batch generation, through an on-line generation and file transfer generation, to the EDI customs automation, and then to an internet based system era.

The first customs computerized system was the air cargo customs computerized system in Gimpo and Seoul Customs developed between 1986 and 1990. It was upgraded to an On-line system and the EDI customs automation method due to the limitation and shortage of the capacity of the main computer. As a result, the KCS developed the EDI customs/cargo automation system in stages and subsequently developed the import customs in 1996, export cargo and duty drawback in 1997, and the import cargo system in 1998. Finally they got to complete the paperless import customs system by completing the connection with 75 import and export related regulatory permit emitting public entity such as National Quarantine Station in July 1997.

Hidden behind the paperless system is the effort to achieve simplification and standardization on the customs procedures. The change from a Imposition and Notification to Declaration and Payment, expansion of goods free of inspection, creation of manuals for all customs procedures become the foundation for the achievement of a paperless system.

### 3.2.3 The Cargo Management System and Investigation and Surveillance Information System

In July 1996, the MFCS enabled customs to track cargo and track total amount of air and maritime cargo from its entry to release, making possible smuggle controls and expanding customs area from the previous warehouse admission→clearance acceptance to ship arrival→release of cargo. Conventionally, the cargo management by B/L could be performed by customs after the admission of cargo to the warehouse after its arrival, but after system implementation cargo management, including total amount and cargo tracking could be performed on arrival of ship. Also import and export related entities such as the shippers, airlines, cargo handlers, customs brokers, and traders could share cargo information through the MFCS, contributing to the decrease of the customs and logistics cost and to the improvement of logistics flow.

The development of such system enabled the development of investigation and surveillance information system that evolved from the violation investigation information system, information analysis system and customs legality evaluation and management

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system, and contributed much to the vitalization of the advanced import and export declaration before arrival of ship and the direct clearance from harbor.

### **3.2.4 Change in Role of the Customs Administration**

The role of the KCS since its inauguration period expanded from the conventional role of securing of the national financial income and focusing on fighting smuggling to the current role of ensuring people's health, social security, protection of environment and national industry, fighting pornographic material, illegal foreign exchange, IPR violation, false origin, and promoting logistics and international trade.

In 1970, the KCS introduced its basic direction as "Customs trusted by the people," "Eradication of smuggling," "Reform discipline," and "Increase revenue." The smuggling trend back then included the conventional smuggling of goods such as gold, jewelry, deer antlers, watches and the part of industrial products of which the import was limited or prohibited. But the smuggling of drug crossopterygian pornographies and agricultural marine and livestock products increased sharply due to economic development, the liberalization of import and the simplification of the customs procedure. Before the foundation of the WTO, the GATT system provided free trade for only industrial products, but after the foundation of the WTO followed by the URA, the agricultural and marine products and the IPR and services also become liberated and tariffed. As of result of this, fighting drugs, origin mislabeling, IPR and illegal foreign exchange all became the task and role the customs administration.

### **3.2.5 From Provider Oriented to Customer Oriented Customs Administration**

The KCS has tried steadily since its inauguration to wipe out its regulatory image of the customs administration and to achieve a customer oriented administration. The slogan of "Customs trusted by the people" defined during the foundation of the KCS has changed to "a customs administration that detects and supports". This has become fruitful with the advent of the customer oriented customs administration era in the 1990s that reviews the various administrative processes from the civilian point of view and values the public rights.

In 1997, the customer oriented customs administration basic plan was defined, and in 1998 the KCS defined the customer's satisfactions as customs highest value reforming the "customs service charter" and the "seven rights of the customs administration customer." As a result, the KCS was selected as the best agency during the "Public satisfaction survey on Korea's public service" promoted by the Korea Management Association. Since 2000, the KCS established a Customer Service department in the customs headquarters and regional customs to solve customs issues and established the one-stop service for the customer's satisfaction service.

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### 3.2.6 Promote a Continuous Modernization on Surveillance Equipment

The KCS continuously propelled the modernization of surveillance patrol ships and surveillance/communication equipment for the effective surveillance of smuggling and to ensure national security. The surveillance patrol ship pursued increase in size and refinement of the material of the ship. There were a total of 47 ships on the foundation of the KCS in 1970, but under the Presidential Decree in April 1983, government ships of similar functions integrated into the Customs Service and the number of the ships increased to 53. Under the Presidents decree on 2nd sea command navy an “Armed review of the surveillance patrol ship” was performed, arming all surveillance patrol ships with CAL-30 and M-60 in April 1st 1984 and customs also took the responsibility to block spy ships. By returning the weapons and the munitions to the Ministry of Defense on March 20, 1994, the KCS fully committed itself to the cause of fighting smuggling. Later, the KCS promoted the inspection equipment modernization scheme in 1995 and constructed two 100 tons large FRP patrol ships, and dispatched them in Busan Customs and Mokpo Customs. As of 2000, there are a total of 39 ships dispatched in 11 customs house and three customs post to fight smuggling.

The number of inspections and the communication equipment also increased and were computerized. The X-ray machine was installed in Gimpo customs for the first time in Korea after the MoonSaeGwang incident (an assassination attempt of the then President Park Chung Hee) on August 15, 1974, in order to increase seeking capabilities and the introduction of weapons and swords against terrorism. The supply for such equipment surged during the 86 Asian games and the 88 Seoul Olympics increasing the number to 78 X-ray machines. In 1975, the KCS introduced gate type metal detectors for the first time in Korea increasing the speed of passenger clearance. As of 2000, there are 82 gate type metal detectors and 398 portable detectors.

To effectively combat smuggling in port areas, the KCS installed and operated CCTV in the north port, harbor 1 and harbor 2 of Busan Customs. The CCTV installed were super low-tone color to provide clear images day and night and becoming a complementary function to the mobile surveillance system. In August 2000, there are 780 wireless communication equipments including a total of 810 surveillance equipment and 49 radars and 259 wired communication equipment including six PCM transfer devices was implemented to aid in the fight on smuggling.

### 3.2.7 Continuous Efforts for International Cooperation

The international customs cooperation was visualized through multilateral customs cooperation. These include the participation in and hosting of international conferences such as the WCO, and bilateral customs cooperation such as the customs cooperation conference and mutual cooperation agreement with the main trading partners and delegation of foreign customs officials.

Since Korea joined the GATT (1967) and the CCC (1968), the KCS actively participated in various customs related conferences such as the GATT/WTO and CCC/WCO and played a leadership role in the internationalization and the standardization of customs administration. In 1984, the KCS opened the 63th and 64th general meeting in 1984 and the 2nd Pacific Rim Customs Highest Authority Conference in Seoul in 1990.

Since the opening of the first Korea-Japan customs cooperation meeting, USA, Canada, China and Russia and 10 countries have regularly opened the customs cooperation meeting to make efforts to expand trade between the countries and the prevention of the trade conflicts related to customs matter. In 1986, after the customs cooperation mutual agreement with Canada, 16 countries including Russia, EU, and Thailand signed agreements or MOU (Memorandum of Understanding).

By dispatching customs officials to main partner countries and major smuggling districts, the KCS had a customs window in the embassy to solve clearance issues from importers and exporters, and collect information related to smuggling activities. Starting with customs attaché to Tokyo, Japan in September 1971, attachés have been sent to five countries including USA, Japan, China and Thailand.

### **3.2.8 Transfer of Customs HQ from Nonhyeon to Daejeon Government Complex**

In August 1970, the KCS started operating at the New Seoul Supermarket building situated in Joongrimdong and Seodaemoongu in Seoul. It was acceptable at that time as possessing an independent government office was not an easy task when the government organization was expanding very quickly during the 1970s, but a government office inside a supermarket building was not a pretty site.

In May 1980, the KCS closed the 10 year lease contract with the supermarket and arranged for a new site for an independent government office in Nonhyeondong, Seoul constructing a new customs headquarter at a standard of a central administration government organization.

In August 1998, the Korean government established a Government Complex in the city of Daejeon in order to dissipate the economic power and the population that was concentrating in Seoul and moved the central administrative government unit. The KCS closed the era of Nonhyeon-dong government office and moved the government office to the government Complex in the city of Daejeon. But, there were various side effects because building a government complex was thought to bring integration and efficiency in public service, but actually brought many inconveniences of having to go on frequent business trips to Saejongro in Seoul and Gwacheon government offices.

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### 3.3 The Significance of the History of the Customs Administration

As of the year 2000, the most significance given during the history of the KCS is the quantitative growth and the qualitative change brought to the customs administration. We cannot ignore the attention and passion of the leaders of the customs administration, and especially the efforts given by customs officials into accepting the advanced customs administration and the passion towards the customs. Despite these notable achievements, there are some points that need closer attention.

#### 3.3.1 Level of Satisfaction of Internal and External Users

The customers of the KCS are divided into external customers and internal customers. The external customers are the import and export related corporations such as the general public, traders, warehouse operators, transporters and customs brokers, and external institutions which include congress, other government institutions, and international institutions. The internal customers are the customs officials themselves. The issue lies on to what extent the KCS has satisfied these customers.

The import and export related corporations have a high level of demand in the customs procedure for its simplification and to obtain related information. The general public has a demand for the strengthening national and social security such as prevention of smuggling and illegal foreign exchange, prevention of the introduction of hazardous substances. The customs officials, the customs internal customers are demanding a more mature organizational culture.

The KCS has made efforts to decrease the logistics time through the EDI customs automation system and the expansion of the customs management area from “the declaration to the release” to “port entry to release,” but the average time needed from the port entry to release was still more than 8 days. In comparison with the one day release goal of the U.S., the KCS still needed improvements. In line with this, the customs administration steadily provided correct trade statistics and cargo information through the MFCS, but still could not be satisfied. There were more problems in the level of satisfaction for internal customers. According to the result of an evaluation conducted between October 1998 and February 1999 in the KCS’s organization and the management, some customs officials doubted the need for the existence of the KCS. There arose many issues such as customs officials rejecting to be transferred to the clearance department, the absence of audit business, and work cut offs.

In order to overcome this, the KCS started the organizational reform of the customs administration in 1999, and executed the biggest organizational reform on January 1st, 2000. The reform on the customs administration was focused on delegating most of the tasks to the customs house, arranging human resources so work can be focused more onsite, and creating and strengthening the audit department.



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### 3.3.2 Immature Organizational Culture

The customs administration had a vertical organizational structure that composed of a director general→director→manager line, and focused on individual task implementation system that depended on personal information. Along with that, the organization was formed to be focused on the provider or in unit tasks (clearance, surveillance, investigation tasks) structured for the comfort of the administration. With this type of organizational culture and system, the KCS could not cope with the environmental changes of the customs administration such as the advent of the information era where expansion of the customs administration scope was necessary and could not satisfy the demands of the internal and external customers of the KCS.

The KCS benchmarked the organizational culture of the U.S. customs service's 3P (People, Process, Partnership) where they focused on an organization management by consumer centered processes, improvement of the process flow to satisfy the demands of internal and external customers, and an organizational management based on partnership. The internal customs officials participated in improving the work processes and capacity building was performed in order to improve their work environment.

The success of the organizational reform depends upon the parallel organizational culture where work is processed as a team utilizing the information system, and where the manager and worker keep their step in tune. The understanding and effort by high customs officials is essential in order to achieve this.

### 3.3.3 Need for a Comprehensive Customs Administration Information System

The computerization and the information system for all areas of customs administration including export, import, duty collecting, duty drawback, investigation/surveillance and information on foreign exchange were performed, but they were divided into areas of development. As a result, the work process was computerized, but the information system such as the clearance and the investigation system was not integrated, and thus the information analysis system that uses these systems started to fall behind. The informatization can be completed only if information related to customs administration can be integrated and used and analyzed. The three year informatization plan was established.

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### 3.3.4 Capacity Building and Nurturing of Professional Human Resources

#### Application of Valuation in the KCS

Mr. Chongho Kim

(Former Director, General of Busan Main Customs and Incheon Airport Customs)

Through customs automation in Korea sub-valuation can be easily detected and also works as a preventive measure to incite declarers into declaring the correct value of the goods. Two major factors that contribute to the detection and prevention of sub-valuation are the accumulation of correct and detailed data, and the prevention of physical contact between the declarer and the customs officer.

When a sub-valuation is performed by a company, this action can be detected by third parties. The competitor may not know exactly if the counterpart company is sub-valuating, but based on the market price of the product sold they can suspect that the competing company is paying less tax, and therefore presume a sub-valuation. The competitor may request an investigation to the customs authority. Thanks to the introduction of the data warehouse and advances in data mining the customs authority now has vast data to analyze and compare and can obtain these data in the form they want without having to request the IT department. By simply comparing the declared values of goods with various companies that import such good, the customs authority can easily find out if a certain company is sub-valuating.

In order to perform an effective sub-valuation the declarer must also bribe the customs officer so he can look the other way when a sub-valued declaration is presented to customs. Due to customs automation every action performed is registered into the system and physical interaction is reduced considerably between customs officers and the declarer. Moreover the automatic distribution of clearance inspectors make it impossible to bribe one particular customs officer as the declarer never knows which inspector will examine his declaration.

A good taxation culture has also contributed to detection and prevention of sub-valuation. Declarers working for large scale companies may try to sub-valuate imported goods in order to reduce costs, raise competitiveness for the sake of the company and conclusively earn merit for their own performance. This with the premise that sub-valuation goes undetected by customs, but when the sub-valuation is detected through various methods as those mentioned above, the declarer will have to pay the unpaid tax and additionally a fine is applied. All responsibility falls upon the declarer. In other words, if all goes well, the merit goes entirely to the company's sake, but if all goes wrong the responsibility falls upon that one person who performed the sub-valuation. No declarer would take such risks on behalf of the company, hence reducing the number of sub-valuation cases.

Source: excerpt from an interview with Chong Ho Kim,

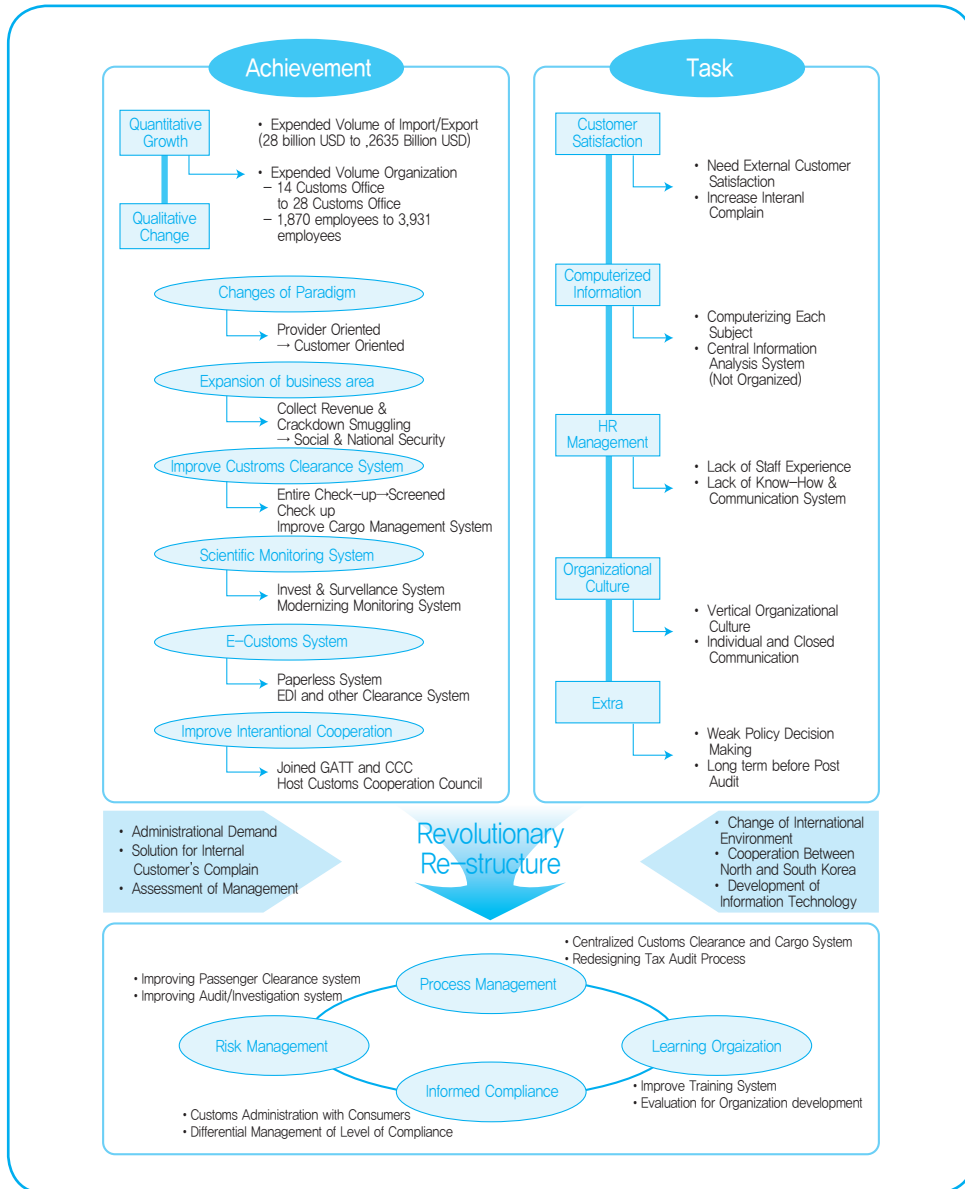
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The modernization of the customs administration was possible thanks to the personnel with excellent talents and passion for the customs who were eager to learn advanced techniques from foreign countries and adapted them to the Korean system suitable to the local environment. The 30 years of training for the foreign customs, field trips, delegation and the training of the IT personnel in the beginning of the 1990s became the foundation for this. Human resources were considered to be essential to raise professionalism in the customs administration. But the dismissal of the young middle-grade management layers in the late 1990 was a detrimental phenomenon. The number of the young people that had passed the Civil Service examination and who were dispatched to the KCS left to other departments within two to three years and there were no less than 23 people in 1995. The KCS had the task to overcome the lack of understanding in the use of IT from the manager level of the customs administration, lack of professional knowledge related to the customs administration, lack of capacity in information analysis techniques and the lack of transfer of information related to the customs and the investigation to the senior officials.

### **3.3.5 Discontinuity of the Flow of Customs Administration**

There was a case where the customs administration flow was cut or changed arbitrarily. Especially the Valuation at Post Audit which started as the Enterprise subject to General evaluation scheme in the 1980s developed into a Company Based Post Audit in the late 1990. The post audit became the core business of future customs administration, and Japan has over 20 post investigation teams in Tokyo customs house alone. The U.S. customs administration also considers this as one of the most important business. Nevertheless after introduction of the Declaration and Acceptance scheme, the scheme changed into an Audit for Clearance Legality, and the Post Audit nearly disappeared. During the year 2000, the KCS has re-created the post audit department as part of the structural innovation considering its importance but the lack of classification and valuation experts due to this gap in audit work has become one of the major tasks needed to overcome by the customs administration.

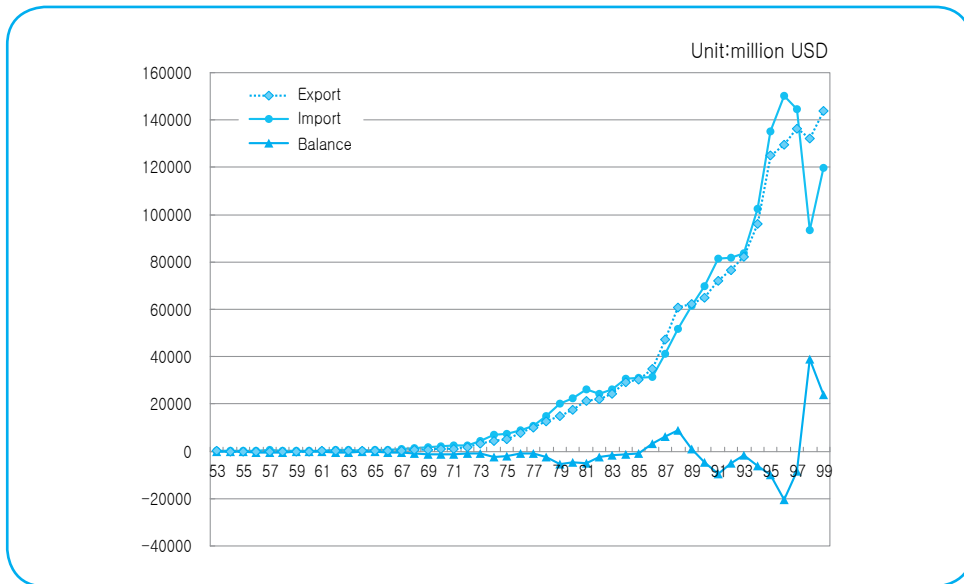
Figure 2-5 | Innovation in the Korea Customs Administration



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 3.4 Change in Major Customs Administration Index

Figure 2-6 | The Size of Export and Import, Balance of Trade



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

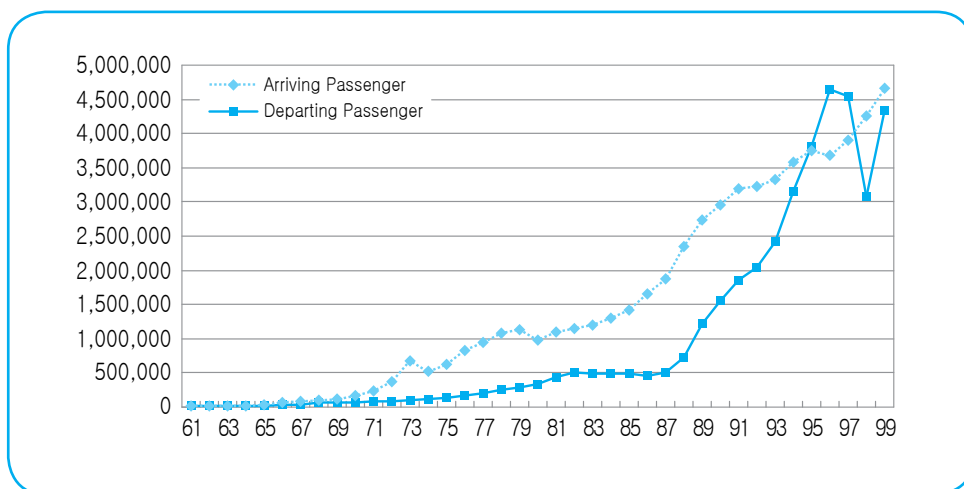
After the 6.25 War in 1953, the scale of exports and imports in Korea increased consistently. The trade balance was minus over 30 years from 1953 to 1986. Especially trade balance deficit reached about 5.2 billion dollar due to the second oil shock in 1979. The continuous export increase after 1962 and the three-low phenomenon in the middle of 1980s, Korea achieved a trade surplus of about 3 billion dollars for the first time in Korean history.

However, rapid increase of import volume after 1987 approached about 70 billion dollars in 1990 and trade balance turned to minus. In 1996 right before Asian Financial Crisis of 1997, trade balance deficit approached about 20 billion dollars. Korea recorded a trade surplus in 1998 even without increase in export volume when the import volume rapidly reduced during the Asian Financial Crisis in 1997.

#### 3.4.1 Inbound and Outbound Travelers

The size of inbound and outbound passengers reached 9 million, an increase of about 36.5 times compared to the indexes during the KCS foundation in the 1970s. Korea was a country where inbound travelers exceeded the number of outbound travelers for about 30 years from 1962 to 1995. The inbound index increased 102% compared to the previous year owing to homecoming of Korean-Japanese after the Treaty on Basic Relations between Korea and Japan in June 1965.

Figure 2-7 | Inbound and Outbound Travelers by Year (1960-1999)



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

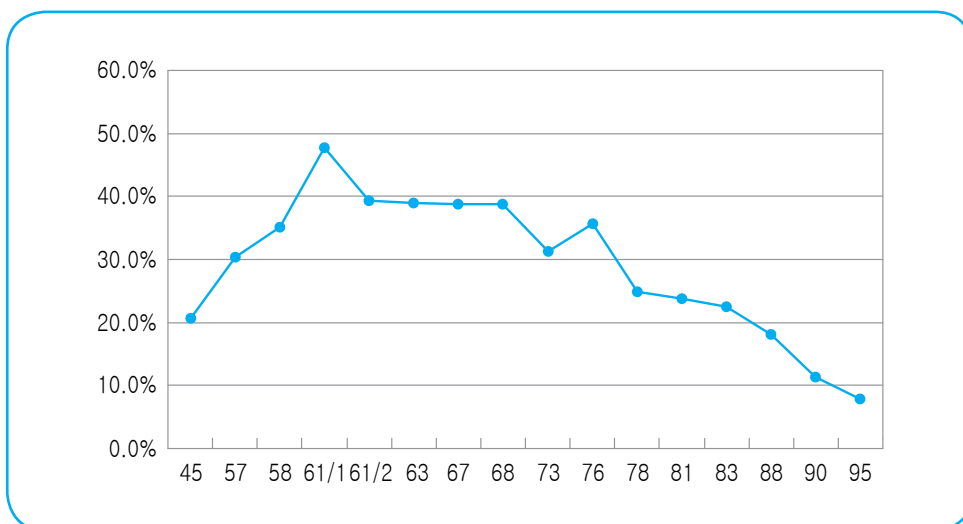
From 1970 to 1973, due to homecoming soldiers from Vietnam, the number of inbound increased 53% in annual average during those years. After the 1980s, the number of outbound travelers increased due to ongoing liberalization of overseas travel and Korea became the country of which the number of outbound passengers exceeded that of inbound reaching about 3.82 million outbound passengers in 1995. In 1996, owing to governmental globalization policy, the number of outbound passengers reached the highest to 4.65 million outbound passengers, about 960,000 people more than inbound passengers. In 1997, due to Asian Financial Crisis, the number of outbound passengers rapidly decreased becoming a country with inbound passengers exceeding outbound passengers.

### 3.4.2 Common Customs Duty

As foreign aid was reduced from 1957, the common customs duty was raised each year to foster revenue securement and protect domestic infant industries. The common customs duty rate reached 47.7% in April 1961. From December 1961 to 1973, the excessive duty rates for the purpose of protecting consumer goods were gradually reduced to the proper level.

In December 1976, with the abolition of the intermediate duty in accordance to the reduction of duty rate phases from 17 to 11 stages, the average duty rate automatically increased slightly. By gradually reducing the average duty rate through the First and Second Duty Rate Reduction Plan to comply with the liberalization of imports, the average tariff rate of 1995 became a one digit number (7.9%).

**Figure 2-8 | Change of Average Duty Rate**



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

**Table 2-13 | Common Customs Duty Rate by Reform (First to Thirty First)**

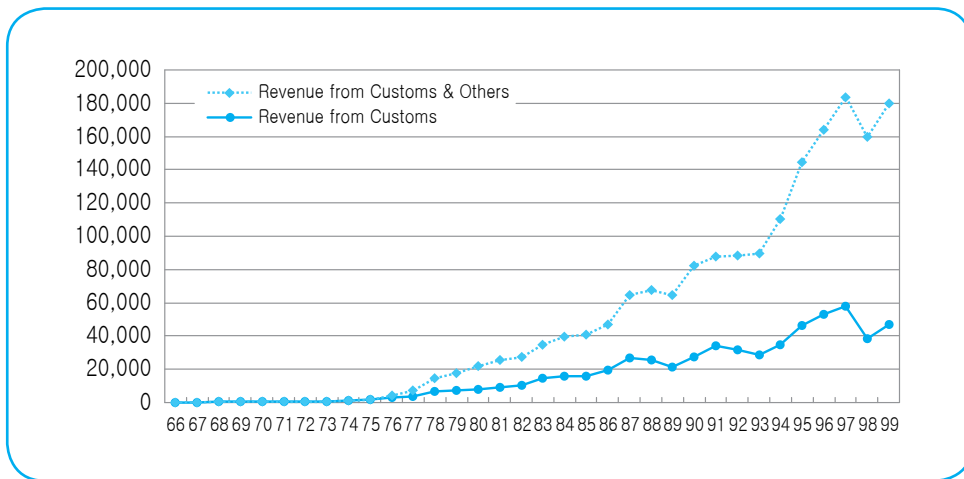
Date of Reform	Avg. Duty Rate
Jan 1 <sup>st</sup> 1957 3 <sup>rd</sup> Reform	30.3%
Dec 29 <sup>th</sup> 1958 5 <sup>th</sup> Reform	35.1%
Apr 10 <sup>th</sup> 1961 6 <sup>th</sup> Reform	47.7%
Dec 31 <sup>st</sup> 1961 9 <sup>th</sup> Reform	39.4%
Dec 5 <sup>th</sup> 1963 11 <sup>th</sup> Reform	38.9%
Nov 29 <sup>th</sup> 1967 15 <sup>th</sup> Reform	38.8%
Dec 31 <sup>st</sup> 1968 16 <sup>th</sup> Reform	38.7%
Feb 5 <sup>th</sup> 1973 19 <sup>th</sup> Reform	31.3%
Dec 22 <sup>nd</sup> 1976 22 <sup>nd</sup> Reform	35.7%
Dec 5 <sup>th</sup> 1978 23 <sup>rd</sup> Reform	24.9%
Dec 31 <sup>st</sup> 1981 24 <sup>th</sup> Reform	23.7%
Dec 29 <sup>th</sup> 1983 25 <sup>th</sup> Reform	22.5%
Dec 26 <sup>th</sup> 1988 27 <sup>th</sup> Reform	18.1%
Dec 31 <sup>st</sup> 1990 28 <sup>th</sup> Reform	11.4%
Dec 6 <sup>th</sup> 1995 31 <sup>st</sup> Reform	7.9%

Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 3.4.3 Index on Duty and Collection

Duty revenue continuously increased along with increase of import volume. Duty accounted for over 20% in national tax revenue until mid 1960s but since the 1960s to the year 2000, it recorded 12.34% (4.6873 trillion won in 1999) in annual average. As KCS collected domestic tax on imported goods with the introduction of the special income tax and VAT (Value Added Tax) in 1977, the duty collection result of KCS averaged 27% of national revenue from 1970 to 2000 and collected about 40% of national tax revenue in 1987. The revenue including duty collection by the KCS in 1999 was 17.9889 trillion won.

Figure 2-9 | Collection Result of Tariff by Year (1965-1999)



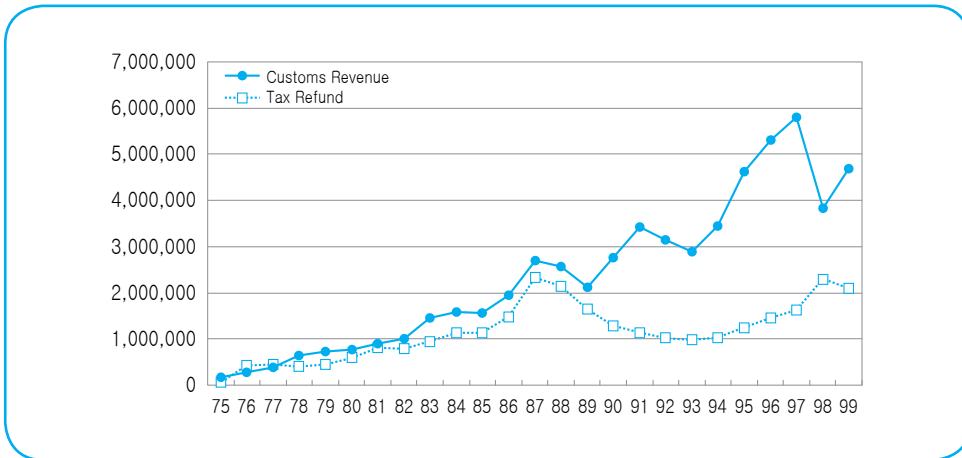
Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 3.4.4 Index on Duty Drawback

Customs duty drawback system was introduced to the Customs Code for the first time in 1961 but its usage rate was low. As Duty Drawback Special Law was established and came into force in 1975, it took many roles as a supporting tool for export. In 1976 and 1977, the drawback amount was more than the customs collection amount. In 1978 the drawback result compared to duty collection amount dropped to 64.32%, because of reduction in statutory tariff through the introduction of Special Tariff Rate (1977). In 1990, the drawback result compared to duty collection rapidly reduced (73.13%→44.26%), and kept decreasing until 1997, because of large tariff rate cuts and localization of raw materials. In 1998, the drawback result compared to duty collection rapidly increased (27.71%→59.29%), because customs collection amount decreased due to soaring exchange rates along with the Asian Financial Crisis but drawback amount increased.



**Figure 2-10 | Compare of Collection Result of Tariff and Refund Result (1975-1999)**

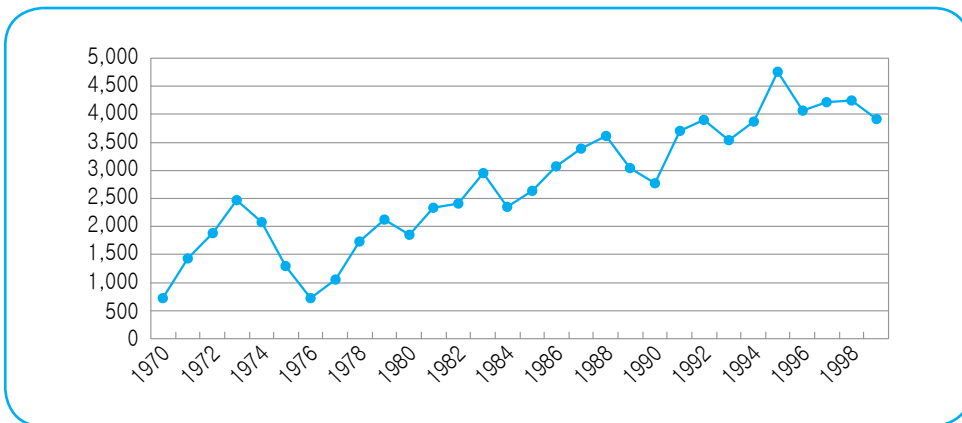


Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 3.4.5 Index on Duty Reduction

The amount of duty reduction increased as import volumes increased. Especially, in the early 1970s, the KCS was called a reduction office since duty reduction amount exceeded customs collection amount due to the introduction of the Duty Reduction Policy.

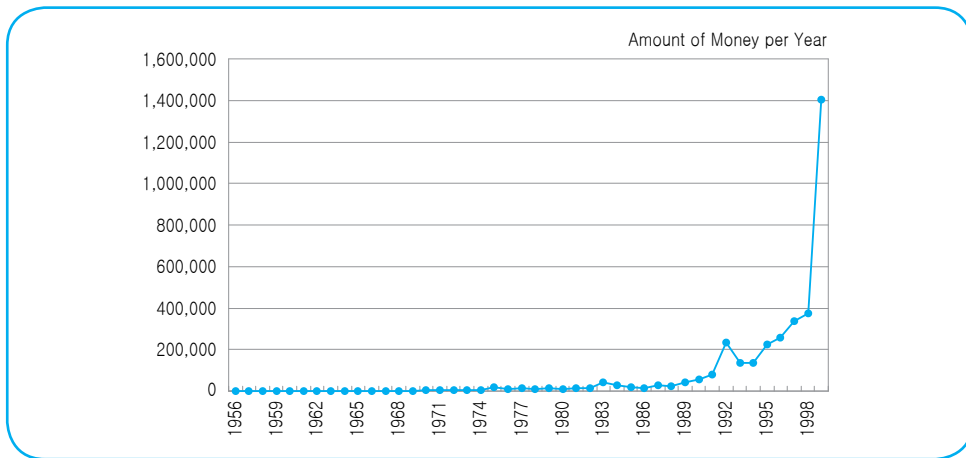
**Figure 2-11 | Duty Exemption Amount Progress (1979-1999)**



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

In 1976, the amount of reduction rapidly decreased (129.6 million won→71.9 billion won) and priority of the Duty Reduction Policy switched from total exemption to duty reduction which was introduced emergently on January 14, 1974 and the Customs Code reformed accordingly in 1975. The range eligible for reduction was reduced to 14 types of businesses such as machine industry. This was because duty drawback was mainly used rather than duty reduction in order to reduce the burden of the post management after the introduction of Special Customs Law.

**Figure 2-12 | Smuggling Apprehension Result (1955-1999)**



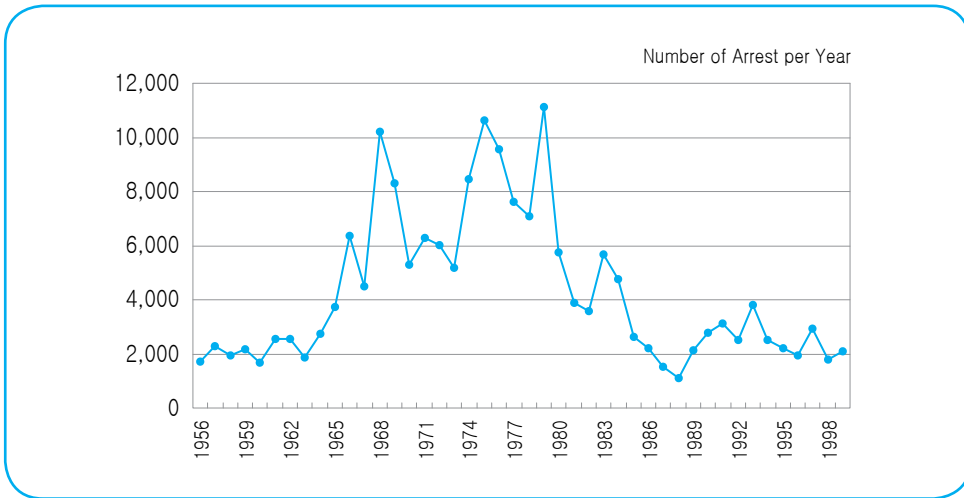
Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

### 3.4.6 Index on Smuggling Control

In 1992, arrest on smuggling by amount of money increased 292% compared to the previous year. This was because in 1992 drug-related arrests increased thanks to the introduction of full-scale drug-related investigation after acquiring the authority to investigate drug-related matters in 1990. In 1999 arrest on smuggling by amount of money increased 375% compared to the previous year, because arrests related to illegal foreign exchange transaction increased after customs acquired the authority to investigate on foreign exchange transaction in 1997.

Overall, smuggling trends changed from small value and multi-items smuggling until the early 1980s and then to high value and small item smuggling in the late 1980s. In 1992, the number of arrests on drug-related activity only accounted for 0.67% compared to total smuggling arrests, but in terms of value reached 56.97%. In 1999, the number of arrest on illegal foreign exchange transaction only accounted for 0.67% compared to total smuggling arrests, but in terms of value reached 65.13%.

Figure 2-13 | Smuggling Apprehension Result (1965-1999, Number of Case)



Source: 30 year's history of Korea Customs, Korea Customs Service, 2002



2011 Modularization of Korea's Development Experience  
Development History of the Korea Customs Service and its  
Automation

## Chapter 3

### Customs Automation in Korea

1. History of customs Automation and Current Status in Korea
2. UNI-PASS
3. Benefits of Computerization
4. Globalization of UNI-PASS

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# Customs Automation in Korea

## 1. History of Customs Automation and Current Status in Korea

The development of the customs system (the UNI-PASS system) begins in 1974 starting with very simple software for statistic management. Through the 20 year history after the first customs system until the 1990s, the KCS encountered many inconveniences in using the system in the customs work environment. All customs administration processes were performed in paper documents and especially worse was the situation of the clearance process. The declarer had to visit the customs house in order to declare the goods and pay the according duty. Long clearance time had direct influence in high costs causing declarers to fight for time. During this period, the application of the risk management system was not even considered. Therefore, random selectivity was performed to select declarations for audit and due to limitations of human resources the KCS did not have available capacity to invest in the risk management.

Because all procedures were processes in paper there was no data that could be analyzed and high risk goods had to be targeted by analyzing the paper declaration. Anti-smuggling campaigns were carried out with slogans that read “Prevent Smuggling! Do not buy, do not use,” and smuggling related call centers were established. The KCS needed additional space to store the documents and trade volume increased 15% annually but the number of human resources in customs stayed limited due to various reasons. For example, the import clearance took about three days and monthly work reports took a week to write. Import and export statistics, tax payments, tax calculations, statistics on customs law violations were not standardized and could not be shared causing customs officers to have to input all the data into the system. Traders had to present more than 120 documents to various government agencies in order to clear their goods and this process took around 15 to 23 days. Import and export clearance, unloading and loading, transportation caused an increase

in logistics costs. These environments catalyzed the need for a better customs system not only for the general public but also for the government agencies.

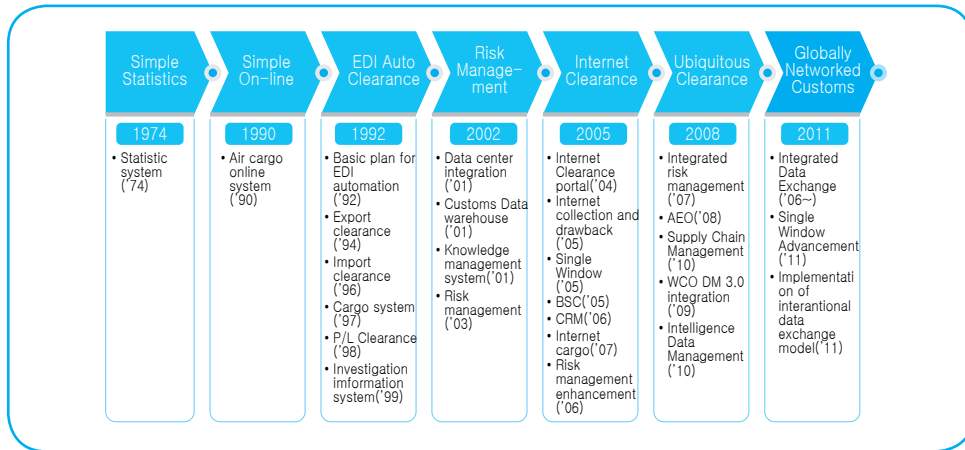
**Table 3-1 | Trade Environment in the Early 1990s**

	<b>Business Environment</b>	<b>Environment for Automation</b>
Internal Factors	<ul style="list-style-type: none"> <li>- Inefficiency in handling import/export cargoes</li> <li>- Sharp rise in trade volume: about 15% per annum</li> </ul>	<ul style="list-style-type: none"> <li>- Difficult information sharing</li> <li>- Multiple inputting of overlapping information</li> <li>- Increase in internal demand for computerization from work strains</li> </ul>
External Factors	<ul style="list-style-type: none"> <li>- 120 different types of customs clearance related documents</li> <li>- Took 15-23 days on average from entry of vessel to release of cargo</li> </ul>	<ul style="list-style-type: none"> <li>- Non customs organizations both public and private have high performance automation systems</li> <li>- Rise in demand for information sharing</li> <li>- Recommendation by Customs Cooperation Committee and other international organizations</li> </ul>

Source: Customs Automation white Paper, Korea Customs Service, 2006; Budi Yuwono, PhD., Challenges and Issues in the Development of The Indonesian National Single Window (INSW), Center for Information Technology Governance Research University of Indonesia, 2010

The clearance, selected as one of the 6 projects for the National Administration Network, became the momentum for the development of the customs system. The clearance management system was developed through 5 years starting in 1985 and went into operation on 1990. In April 1990, the KCS established the Data Management Center, an organization with profession in the IT area contributing to a swift customs informatization development. The “Import and Export Declaration through file interchange” was self developed by the KCS followed by the “Arrival of export bonded transportation,” “Customs Approval information management,” “Selectivity management for Import goods,” which were additionally operated. Most notably, the KCS was the first Korean government organization to achieve a paperless export clearance procedure, aiding one step further into achieving a paperless customs administration.

Figure 3-1 | Development History of UNI-PASS



Source: Customs automation white paper, Korea Customs Service, 2006

Automation was not only the job of creating an automated system based on the existing business process, but included a dramatic reduction of the processes and documents from 360 to 180, and eliminated the export bonded transportation, export bonded area admission declaration processes, as well as the need to present regulatory permit documents for import and exports. In the case of the export business process, the procedure was reduced from eight to four steps. New procedures were implemented such as the Import declaration before arrival of ship, Import declaration before arrival to bonded area, and direct clearance from harbor. The flow of cargo and the flow of duty payment were separated so that declarers could pay duty after clearing the goods. In this sense, automation acted as an enabler and not only provided time reduction and comfort but was able to provide a thorough record of high risk cargo, low risk cargo, low risk company and high risk company through information analysis and information reception in advance and also provided selectivity capabilities applying systems that only existed in one's imagination.

In the information organization point of view, in order to efficiently and professionally cope with the vastly increasing trade, a new customs authority independent from the Ministry of Finance was established on August of 1970 and started by taking responsibility of trade statistics. In August 1980, an information department was newly established and on 1984 in order to efficiently promote IT the information department was reformed to an Information and Communications department with 12 IT staff. In April 1990, a Data Management Center was newly established under the sub-Commissioner allocating 24 staff. The Data Management Center was later expanded to become the Information Management Center and in 1998 received a big reform taking charge of outsourcing the information system with caused a reduction in the number of staff to 72 reducing the organization's size. Later in 1995, the Information Management Center closed to create an integrated Information



Cooperation Division and is still under operation in the year 2011. Currently the UNI-PASS system is operated by the KCIngle-CUPIA, designated by law.

Apart from the changes in the organization, human resource development was also notable. Between 1989 and 1999, administrative officers were selected for professional IT expert programs. Officers who had knowledge on the continuous development and operation in the area of customs IT volunteered. They were trained in the area of IT and sent to the Data Management Center for a certain period of time (three to four years) and then were sent to develop new systems or to improve the currently existing systems. Later these staffs were allocated to customs house which contributed to promote the use of IT and the efficient use of human resources increasing the overall productivity by increasing the ability to use and create information. This system disappeared on 1998 as the government system started to be out source but stands as a limestone that contributed to making the KCS system to world standard.

### The Importance of Human Capacity

Mr. Soo Woong Lee

(Former Data Management Director and Trade&Communications Director of the KCS)

The electronic clearance system, UNI-PASS developed with fervor by the KCS is benchmarked by many countries around the world and I feel proud on the continuous operation of the system including implementations carried in other countries like Ecuador who has self invested around 40 million USD to implement the system. Through the establishment of the six year plan for the development of an EDI automated clearance system based on paperless clearance had two premises. First, the system that will be used by the staff should be comfortable to use; and second, the system should be easy to modify in cases of changes in the business process. This requirement was to prevent wasting time on the development of the information system due to changes in the business process.

Most of all resources were focused on nurturing IT experts. There was a belief that IT businesses should be carried out by the IT department which lead to the annual selection of 10 to 15 staff members, graduate of the Tax University in order to train them for six months in the IT field. Later these staff will work at the KCS headquarter for three years in the era of IT. The policy provided these staff the priority to be promoted faster which acted as a carrot to motivate elite staff to voluntarily enter the program. Through this program, 60 customs officers were nurtured which later became to be the key staff in promoting informatization on the customs administration. These staffs scattered to other information departments after the decision to outsource the IT system in May 1998. At that time, the KCS was known among government entities as the "Academy of Computing," recognized for its high level of expertise in this field. Some of the customs officers who were trained in this program could even code programs far better than the existing IT staffs, but of course IT staffs were also provided with continuous capacity building programs.

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I remember having regretted the development of a customs information system. The IMF financial crisis of 1997 resulted in organizational reform, which led to a job-loss of about 500 customs officers. The basis for this reduction in human resources was due to the informatization. The informatization at the KCS was promoted in order to provide means for the customs officers to break free from the simple tasks (which would be carried out by the system) and focus more on tasks that could add to the overall value. Having this vision in mind, the reduction of human resources was hard times.

Source: excerpt from an interview with Soo Woong Lee

The KCS continuously invests in the care of IT and by the year 2000 nearly all customs procedures were automated. In 2005, due to increase in the number of internet users, the KCS developed the internet based customs system and on 2006 the KCS developed the single window in order to connect various government entities and agencies. The single window system shows the highest use rate of more than 97% in the world. Between 2008 and 2010, the ubiquitous RFID (Radio Frequency Identification) was implemented on air cargo and starting In 2011, a long term project is being promoted in order to create a system to share information globally.

## 1.1 Implementing a Customs Automation System in Korea

Clearance automation cannot be achieved simply by implementing an information system. Change in the organization and the mind of the customs officers are a key to achieving success. The KCS experienced the following issues and risk factors during the implementation of an electronic clearance system and found solutions accordingly.

First, usually officers of a customs that have not had any customs automation system previously are quite reluctant in adapting themselves to a new computer system due to various reasons such as undergoing training and adjusting work habit. To solve this problem, gradual migration from manual to automation can ease the difficulty and make the officers adjust themselves to the new environment more easily.

Second, many customs officers are not willing to share their work experience and knowledge because of reasons such as having advantage in competition between different officers. In this case if appropriate incentive is given for every experience and knowledge shared with others, the officers will be more willing to share them and help implement an automation system. Also even the most resistant officers would later follow this trend as he or she would gain very little from retaining information alone.

Third, customs automation can cause conflict between different departments of customs. They have to cooperate or adjust their work details unwillingly and this would

cause constraints and discord. In order to ease this problem, KCS formed an operational committee in implementing the customs automation system and the committee mediated between the different departments.

Fourth, before an automation system is popularized, people usually distrusted using electronic documents for the concern on legitimacy. To overcome this, the KCS helped to establish user groups and encouraged them to use electronic documents so that the rest of them would follow for its convenience and guarantee of legitimacy.

Fifth, importers, exporters and other organizations that are connected to the system would worry that their sensitive information can be accessed without their authorization when using the customs automation system. This concern was eased by preparing sufficient security measures and internally establishing a strict policy to protect information from the users.

Finally, when the customs automation system was connecting to other government and non-governmental systems, it faced various technical difficulties such as inability to exchange data due to lack of standardization and differences in level of computerization. For this, the Korean government actively provided financial and technical support in national level to the government agencies and non-governmental agencies and established technical standards for the systems to follow.

**Table 3-2 | Risk Factors for Implementation**

	<b>Risk Factors</b>	<b>Solutions</b>
Internal	Reluctance in adapting automation in customs administrations especially in customs clearance	During the transition period, gradually change work processes from manual to automations for adjustment of officers
	Uncooperative in sharing work experience and knowledge between officers	Provide incentives for sharing them
	Conflicts arising between different departments of customs because of the perception that changes could cause infringement in their work right	Address the conflicts between the different departments through an operations committee
External	Distrust on electronic document over its legitimacy	Established reliable user groups that could promote use of electronic document to non-users
	Concern among organizations that were connected to the system, especially private enterprises over possible leakage of information	Implement strong security measures in the system for the possible hacking of information from both internally and externally and establish a strict regulation over information handling by customs officers

	Risk Factors	Solutions
	Non-standardized data and different level of computerization between different customs system, government and non-governmental systems hinder information sharing	National-level support by the government


Source: Customs Automation white Paper, Korea Customs Service, 2006; Budi Yuwono, PhD., Challenges and Issues in the Development of The Indonesian National Single Window (INSW), Center for Information Technology Governance Research University of Indonesia, 2010

### 1.1.1 Major Changes after Customs Automation

Implementation of a customs automation system resulted in some vast changes in customs administrations in Korea. As mentioned before, customs automation not only introduces computer systems and necessary infrastructure to customs but customs process, law and regulations and overall administrations details must be changed to successfully adapt to the system and maximize efficiency.

Major changes due to implementation of the customs automation system could be document handling and risk management for the KCS during its early stage of automation. For private enterprises, there had been considerable reduction in visits to customs as submission of declarations and result notifications were automatically dispatched electronically.

**Table 3-3 |** Major Changes before and after Implementation of an Automation System in the Early Stage of a Customs System

Before	Customs Automation	After
Paper document		Electronic document
Manual selection for risk management		Computerized selection
Face to face examination		Screen (electronic) examination
Document notification		Electronic notification

Source: UNI-PASS Operation Manual, KCS

Later, when more advanced systems were introduced, the biggest change was exchange of data and information between different departments, organizations and even different customs abroad. Also, the existing functions became more advanced and additional functions and systems were added to enhance work efficiency and user convenience.

As the system expanded and advanced, more and more changes were introduced in customs administrations and the system became an integral part of customs administrations

rather than a tool for processing everyday tasks. That raised a question of how to integrate the system to customs administrations so that a user can easily access and utilize the system.

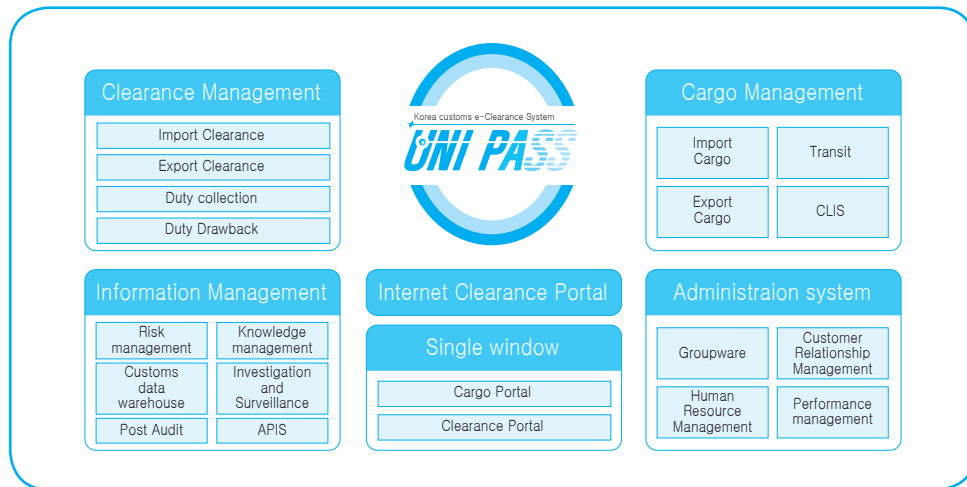
This has been the basic designing concept of the current KCS system and based on this, a virtual customs automation system was designed in the early 2000s and implementation of the concept began since 2005. In this new concept, the system is accessible anytime, anywhere using network capable device in most intuitive way possible by incorporating advanced technology and user oriented designing.

## 2. UNI-PASS

UNI-PASS is a brand name of the KCS' administrations automation system that consists of various systems. Each system has its own customs administrative functions and can work in conjunction with other systems or on its own. All the systems follow a pre-decided standardized protocol that enables easy sharing of information between different systems of UNI-PASS and different systems outside of customs.

UNI-PASS is largely divided into single window, clearance management, cargo management, information management and the administrations systems for their respectable fields. The systems are shown in [figure 4-3].

Figure 3-2 | Major Systems of UNI-PASS



Source: UNI-PASS operations manual, KCS Some of the major systems are explained in the following sub-chapters.

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## 2.1 Single Window

Implementation of a single window system is a recommendation of the Revised Kyoto Convention and the UN/CEFACT. Recommendation 33 of UN/CEFACT states that a single window should be:

*“a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.”<sup>5</sup>*

The implementation of the single window for the UNI-PASS system provides a platform for a one-stop service of all customs clearance procedures, so that traders can submit declarations and acquire regulatory requirements from government and non-governmental agencies with a single submission of information over the internet.

The single window works as a portal for all import and export clearance and other customs administrations that gather information submitted by a user and consolidates it with other information already available in other customs and non-customs systems. Then the Single Window sorts and standardizes the information and re-transmits the information to each corresponding agencies and entities.

Moreover, the information is shared between the customs and other agencies making the single window a portal for customs and other trade related information. Thus it saves time and resources by maximizing productivity for customs clearance.

The importer or the customs broker uses the single window system to present the customs declaration and if needed the regulatory permits that should be obtained for the goods to be imported. The single window portal provides a unique declaration which includes fields for requesting approval of regulatory permits and fields for import declaration. Once the customs broker fills the integrated declaration and sends the information to the single window. After approval for regulatory permits, the approval number is automatically registered into the import declaration and the information is reviewed by the customs officer. This method provides prevention of counterfeiting regulatory permit approvals as information flows directly from the approving agencies to the customs authority through the single window system. The customs broker can also perform payment of the corresponding duties and service fees through the e-payment, and query on the status of the declaration.

One of the key factors of achieving single window is the standardization and simplification of data (data harmonization). In the case of Korea at the time of implementing the single window clearance portal there were about 17 agencies involved and 33 documents under 12 different types of laws. The goal of the single window portal was to create a unique declaration that will integrate all 33 documents into one. The 33 documents were analyzed

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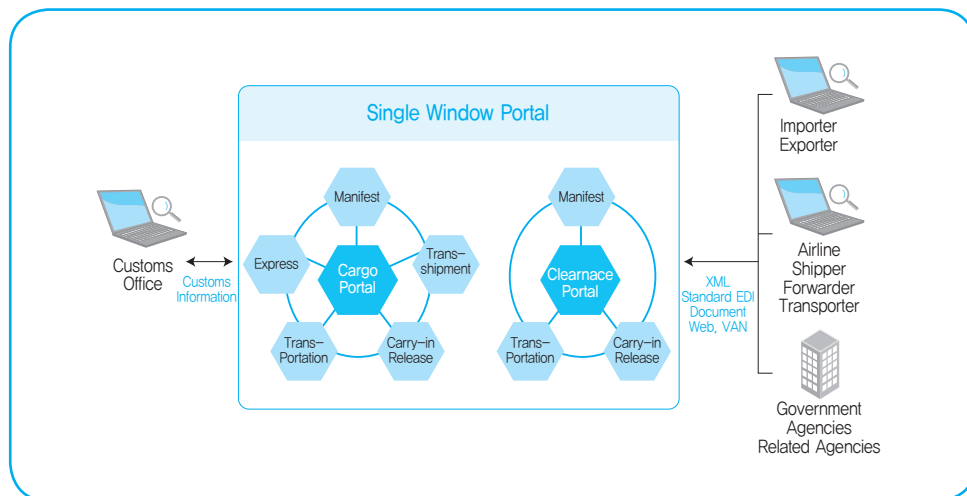
<sup>5</sup> Recommendation 33, UN/CEFACT, 2004

to identify common fields (data needed and used by all agencies, such as name of importer, address, etc.) and unique fields (data uniquely required by particular agencies). Moreover the total number of data fields was reduced by eliminating duplicates and unnecessary fields. In conclusion, a total of 542 data fields were identified. From those 237 were common fields and 118 were unique fields, and by elimination a total of 187 data fields were reduced.

Another important factor is the diffusion of the single window concept to the public and private sector. It is important to note that the implementation of a single window portal brings about strong animosity from various agencies as they fear their authority is reduced. The single window is only a gateway to provide facilitation to the private users and as a form of information sharing between government agencies. The internal processes of receiving, reviewing and approving an application do not change for each agency, the single window only provides for a better connection between the agencies and the public.

Because various agencies from different Ministries are involved as actors of the single window a strong political will becomes also an important factor for a successful implementation of the single window. Promoting entity of the single window should be of a higher hierarchy than the Ministry level, even at the Presidential level if necessary.

**Figure 3-3 | The KCS Single Window**



Source: UNI-PASS Introduction, KCS

## 2.2 Internet Clearance Portal

With the universal use of the internet both private and public, the KCS acknowledged its importance and utilized the technology to establish a convenient and cost-effective solution to connect to the UNI-PASS system.

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Utilizing the internet, customs procedures can be carried out at home or at the office or even on move where internet is available using an internet capable device such as a PC or even a mobile phone. Thus the Internet Clearance Portal overcomes any geographical barriers of the past EDI system with less cost of running and more convenience. The system includes connections to various other trade related entities such as banks for online payment of duties and bonded storage operators for receiving such certificate as release permits.

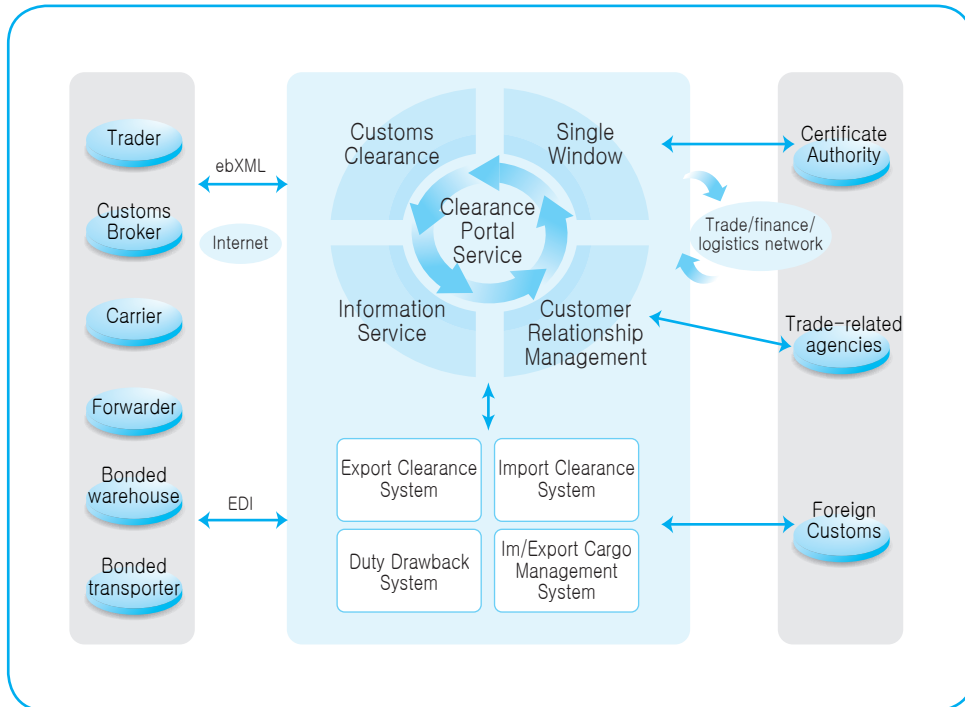
The system is equipped with advanced security solutions to counter-measure any possible intrusion to the system from outside.

The trade operators such as traders, customs brokers, carriers, forwarders, bonded warehouse operators and bonded transporters can access the customs administration system through internet by using the internet portal. The portal will provide different services and access levels depending on the type of user. Such services provided by the internet portal includes customs clearance related services, single window services, information services (statistics and processing status etc.) and customer relationship management. The portal itself acts as a gateway between the external user and the customs system itself such as the import and export clearance system, cargo management system and duty drawback system in order to provide various information and services to the external users.

The trade operators can process all customs administration processes through the internet portal such as creating, correcting, cancelling a customs declaration, requesting regulatory permits to other government agencies through the single window portal service, requesting duty drawback, and receiving continuous real-time processing status information. Apart from the main services related to the customs administration, the trade operators can also receive information services such as functions to search various codes (HS code), past declarations, statistics (general customs related statistics and personal statistics related to personal trade), and various notifications that act as a communication channel between the external user and the internal user.



Figure 3-4 | Internet Clearance Portal



Source: UNI-PASS Introduction, KCS

### 2.3 Import Clearance

The import clearance system provides a paperless environment for import declarations and result notifications by connecting traders, Customs brokers, carriers, and trade-related agencies to the Customs network via internet, EDI or through a gateway. The system processes the clearance of goods starting from the customs declaration to the acceptance of the declaration.

The importer or the customs broker uses the single window system to present the customs declaration and if needed the regulatory permits that should be obtained for the goods to be imported, once the permits are obtained.

Once the customs broker presents the declaration to customs, the gateway performs simultaneously several activities. The gateway performs an error search to see all required fields of the declaration are correctly inputted, a tax payment number is emitted, the cargo selectivity performs a selection on high risk goods subject to document review or physical inspection, and an inspector is assigned automatically. In the case of error, the system notifies the declarer to make corrections to the declaration. For the case of cargo selectivity, the customs system notifies the declarer whether to present paper documents for

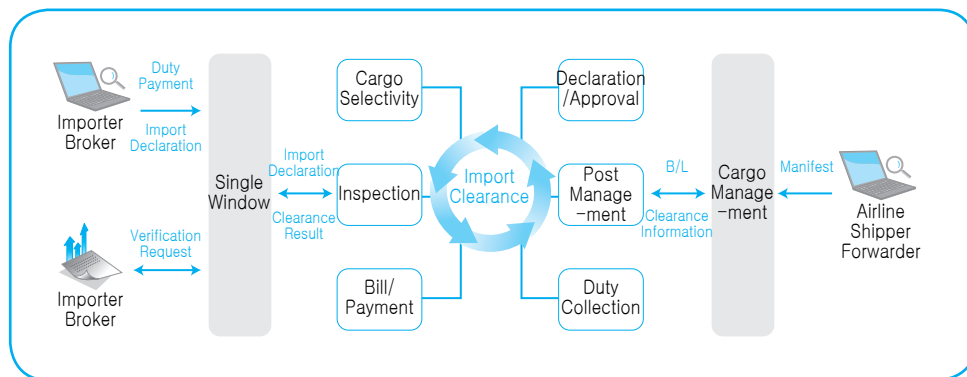
document review or physical inspection. The reception date and time of the declaration will be registered into the system to be linked with the Cargo Reference Number (view 3.2.5 Cargo Management) and provide the current status information to stakeholders.

If the cargo selectivity did not select the declaration as subject to document review or physical inspection, the declaration will be subject to P/L (paperless) review. P/L review refers to the review performed by the customs officers by monitor screen without the need to present paper documents by the declarer. This accounts for 85% of the declaration. Document review accounts for 12% while physical inspection accounts for 3% of the whole imports. The reason why paperless review is performed instead of automatically approving the declaration by the system is because during paperless review the customs officer, by experience, can identify data fields that could be suspected of risk and assign the declaration as document review or physical inspection. The process of changing the risk level of the declaration can be performed backwards where by experience the customs officer can assign a declaration subject to physical inspection to document review or even omit the document review and approved through paperless review. This practice is approved in the KCS as all changes are registered into the system and the customs officer must input the reason of any changes.

Once the P/L review, document review or physical inspection is completed the customs officer must register the result into the system in order to provide feedback to the risk management system and the risk profile. Depending on the result of the review, the customs officer can cancel, hold or approve a declaration to allow the goods to be released and be removed from the bonded area.

The goods that are released will be tracked by two systems, the Post Audit System (view 3.2.9 Post Audit for reference) and the Post Management. The Post Management system takes care of managing cargo that are subject to re-export. Such goods will be tracked by the system and will be controlled until the goods are shipped out of the country through an export declaration.

Figure 3-5 | Import Clearance Portal



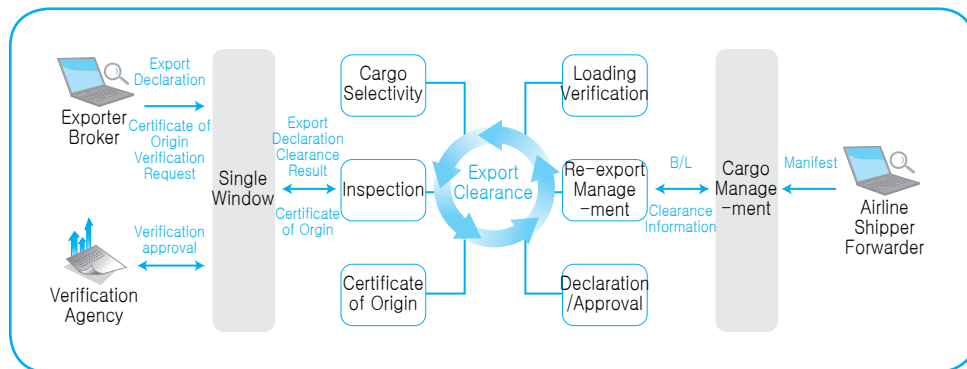
Source: UNI-PASS Introduction, KCS

## 2.4 Export Clearance

The export clearance system provides paperless environment for export declarations and result notification by connecting traders, customs brokers, carriers and other trade-related agencies. Basically it's the same process as the import declaration with the difference that in the case of Korea, the government provides facilitation for export to activate the national economy. Therefore in most cases the export declaration is approved automatically without human intervention. A small number of exports are subject to inspection related to goods that are prohibited for export, and exports that require certain authorizations from other government agencies.

Once the export declaration is approved by customs, the goods are loaded to the ship. A shipping verification report is presented to customs to check the goods and quantity that was actually loaded into the ship and to finally be exported. The export system also provides for a re-export management where the goods that were imported are administered and check until its re-export.

Figure 3-6 | Export Clearance Portal



Source: UNI-PASS Introduction, KCS

## 2.5 Cargo Management

The cargo management system monitors the flow of cargoes throughout all stages of cargo movement from the arrival of the ship, the unloading, bonded transportation, admission to bonded area including warehouses, process of clearance, the release of the goods, and in connection for import, export and transit clearance.

The process of cargo management begins with the presentation of the electronic manifest by the shippers, airlines or forwarders. House and Master B/L are presented and one of the sub systems of the cargo management system, the Manifest Consolidation System, creates a unique cargo management number named Cargo Reference Number through a combination

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of the MRN or Manifest Reference Number the Master B/L number and the House B/L number. The Cargo Reference Number is used throughout all the customs process from the arrival of means of transport to the release of goods after its clearance in order to track down the exact location of the cargo and the current status with detailed information on the date, time (seconds included), and the person in charge of each process. Stakeholders can access this information to check the current status of their cargo.

Once the electronic manifest is presented to customs through the process of selectivity, the goods can be subject to document review, physical inspection or can be approved if there are no inconsistencies. If the goods are subject to document review the shipper must present supporting documents with the manifest in order for customs to perform a document review. All cargo selected for physical inspection will be passed through non-intrusive equipment (X-ray) and subsequently to an open inspection if there are any suspicions regarding the X-ray scan results.

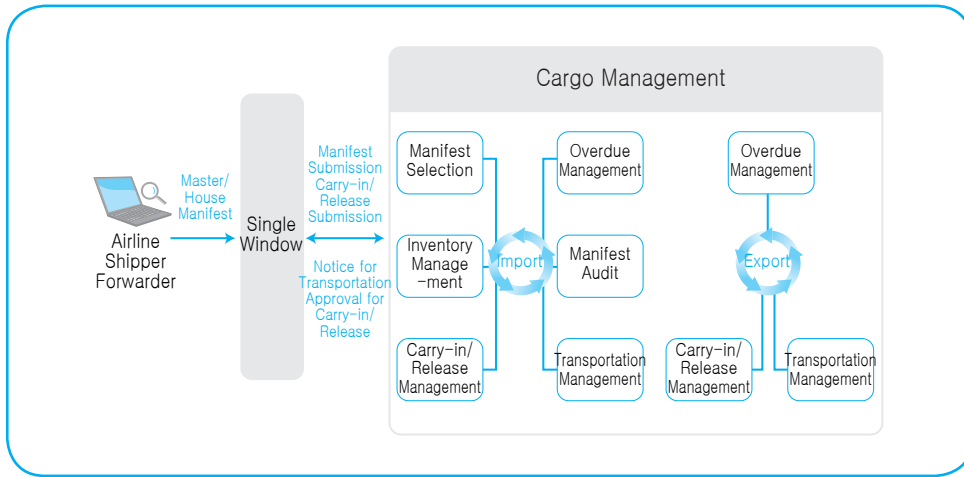
Information on the manifest can also be shared with the stevedore who can access such information and create a work order. When the goods arrive at the port, the stevedore can perform an exact cargo handling job based on the information received in advance. The stevedores must present a cargo inconsistency result report to customs to declare any cargo that has not arrived or has arrived but was never declared.

In order to perform manifest selectivity and to provide manifest information in advance to stakeholders such as the stevedores, the KCS applies the policy to present the electronic manifest 24 hours before arrival in the case of shippers, and for airlines 24 hours before on long flights, and presentation of the manifest before arrival for short flights.

The cargo management system has various stakeholders such as the forwarder, stevedore, bonded warehouse operators, cargo owners, customs brokers, and the customs officers (clearance auditors, investigators). Information provided by the cargo management system include cargo arrival information, unload information, cargo location information, expected admission of goods to a bonded area, release approval information, cargo processing information, B/L information.

The Cargo Reference Number provides for a cargo tracking system that can track the cargo throughout the entire process from arrival to release. Stakeholders and other related entities can make inquiries on the status of a cargo using a bill of lading number, container number or variables assigned to the cargo using the internet. Relevant information would be sent back to the inquirer to his PC, mobile phone and other internet capable devices in real-time. All information is stored into the system to provide a profile for use in future during audit procedures.

Figure 3-7 | Cargo Management



Source: UNI-PASS Introduction, KCS

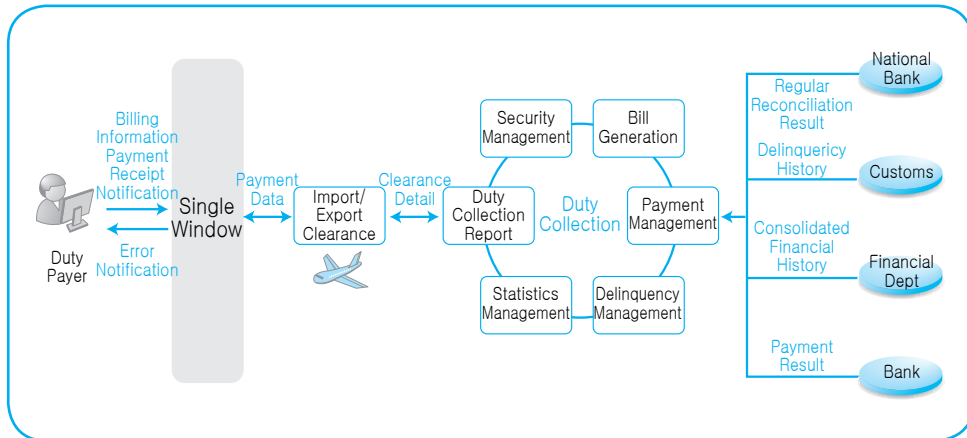
## 2.6 Duty Collection

Duty Collection system provides a comprehensive customs duty management environment for both users and customs. The system administers payment of duty in accordance to customs law and notifies the customs, banks and duty payers of payment details that result in punctual duty collection.

The Duty collection system is connected with the import and export system in order to provide duty payment functions in the form of e-payment. The system keeps track of all payments to link with the National Bank for reconciliation. The Delinquency history keeps track of any taxpayers who have violated or did not paid tax. The financial department provides consolidate financial history and the banks provide payment results to customs in order to check the declared value and the actual payment results.

Management of statistics is a major role of customs as one of its main goals is to collect duties. Statistics on revenue can be extracted in various manners such as total revenue by goods and by customs house, total revenue by country of import by year, etc. The use of the Data warehouse provides for a thorough statistics that can be used to create various reports (view 3.2.10 Customs Data Warehouse).

Figure 3-8 | Duty Collection



Source: UNI-PASS Introduction, KCS

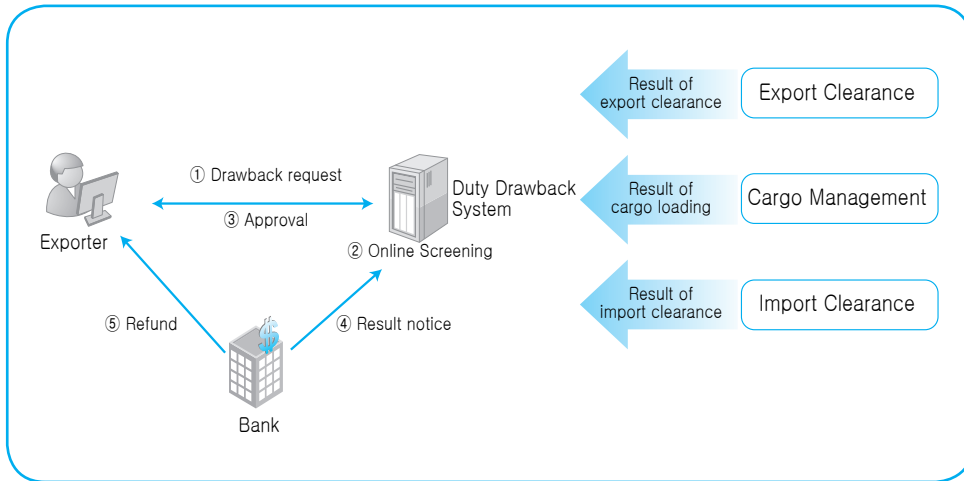
## 2.7 Duty Drawback

Customs duty drawback means a refund of paid import duty in part or in full when certain conditions are met such as importing raw materials for manufacturing export goods as part of export promotional policy.

Customs Duty Drawback system shares and recalls information from import and export clearance and cargo management to check information from customs clearance and cargo management that are relevant for customs duty and it calculates and refunds the duty in fully automated manner.

The system is connected to banks for electronic refund of the duty and automated refund notification and payment record is stored in the system. Once a drawback is approved, the drawback request is transferred to a post-audit system to be examined for its adequacy multiple times.

Figure 3-9 | Duty Drawback



Source: UNI-PASS Introduction, KCS

## 2.8 Risk Management

Despite of ever increasing trade volume, number of customs officers and other resources are generally limited. To counter-measure this dilemma, effectively selecting out high-risk cargoes is important for both security and safety of a nation by detecting such activities as duty evasion, smuggling and illegal currency trade.

The risk management system is used as a tool to effectively achieve this dilemma by providing facilitation in the sense that not all goods will be inspected or considered high risk, and by providing control in the sense that high risk goods will be accurately selected and inspected in order to protect national interests. The key is to select a minimum number of cargoes and achieve a high target ratio (the actual incidents found by inspecting the cargo selected by the risk management system). The risk management system has become an essential tool to customs administrations that have limited human resources but a continuous growth in trade volume.

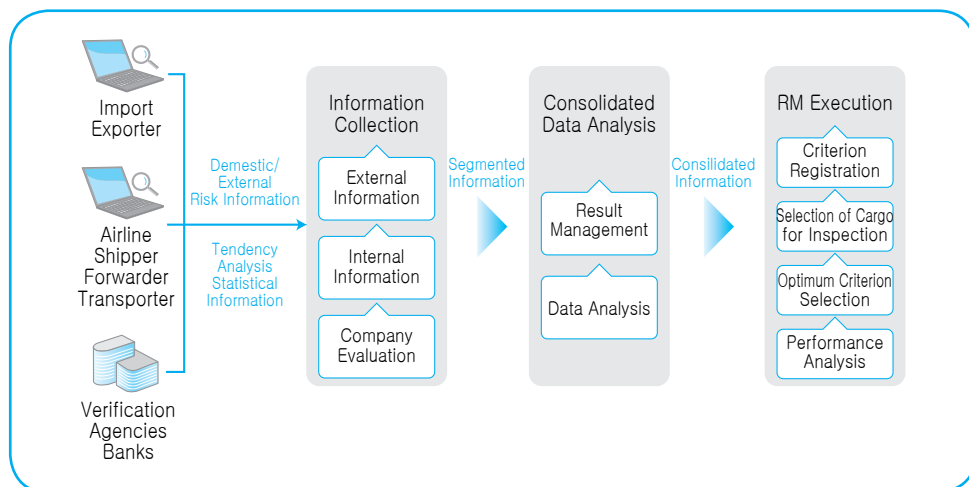
There are various areas of the customs administration system that the risk management is applied which includes the selectivity for the manifest, selectivity for the declaration, post audit selectivity, APIS (Advanced Passenger Information System) selectivity, surveillance selectivity and other alerts. Although human interaction is also applied for the selection of high risk goods (to take advantage of the experience and know-how of the customs officers), the system itself is automatic and various techniques are applied in order to perform the most efficient targeting.

The risk management system interacts with the data warehouse in order to use the information available and create the most optimal selectivity criteria. Some of the

techniques used for the selection include rule based, first time importers management, first time imported goods management, data mining and random.

As an example, the rule based selectivity is based on criteria management where most of the data fields of the declaration are used as parameters and based on the experience and know-how of the customs officers a pattern of parameters are used to target specific cargoes. For example, if a specific goods A is imported from country B, perform selectivity of 60%. These criteria are first registered into the system by the customs officers and the criteria manager applies at real time during a certain period of time to see how the criteria work. Specifically the results looking for are selectivity ratio and the target ratio. Once the results are obtained, the criteria can be modified, erased, or kept for its continuous application. It is important to feedback inspection results back to the risk management system in order to optimize the criteria available.

Figure 3-10 | Risk Management



Source: UNI-PASS Introduction, KCS



## Application of Risk Management in the KCS

Mr. Chongho Kim

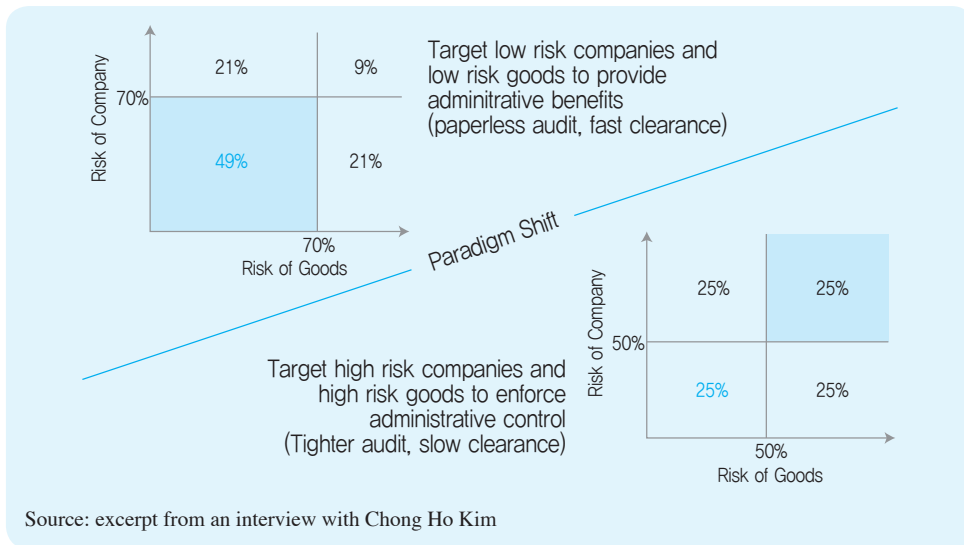
(Former Director, General of Busan Main Customs and Incheon Airport Customs)

In the case of Korea, the risk management applies various techniques to select high risk goods and classifies the declaration into three categories: P/L review (or paperless review where the electronic declaration is skimmed through the eyes of a customs official through the computer monitor), document review (review of the declaration and all its supporting documents), and physical inspection (the inspection on the physical goods).

Basic targeting techniques used are criteria based and random targeting. Criteria based, where a group of variables of a declaration data field is used to form criteria and if a declaration meets the criteria it is targeted for review. Other techniques used by the risk management are to keep scores of each data fields of a declaration. If the sum of all the scores with a weight applied is greater than a critical point the declaration is considered to be high-risk and is subject to review. The KCS also has different tools to manage first time importers and first time importing goods as they are also considered to be high-risk.

When selectivity was first introduced in the KCS the targeted amount of P/L review was to be greater than 50%. As P/L review benefited the declarer with faster clearance time the approach chosen by the KCS was to select specific low risk companies that import low risk goods so 'good' companies could benefit from this system. However when applied P/L review ratio did not pass even the expected 50%. Even if 70% of low risk companies and 70% of low risk goods (mainly raw materials) were targeted, this only accounted for 49% of P/L review. In 2003 the P/L review was widely promoted to try to increase the rate, but still they could not pass the 50% rate.

A dilemma strokes the KCS and basically they changed their way of thinking. Instead of targeting low risk companies with low risk goods to provide benefits they started targeting high risk companies with high risk goods only those targeted goods the KCS would then request the presentation of paper documents. They approached with a 50% selectivity of high risk companies with a 50% on high risk goods which resulted in a total of 25% selectivity. Later to raise the selectivity ratio not only high risk goods imported by high risk companies, but low risk goods imported by high risk companies were also accounted for to increase the selectivity rate to 30% and conclusively obtaining 70% targeting rate for the P/L review, much greater than the initially targeted 50%. At that time when there was little understanding of the risk management system, the above paradigm shift was a major breakthrough.



## 2.9 Post Audit

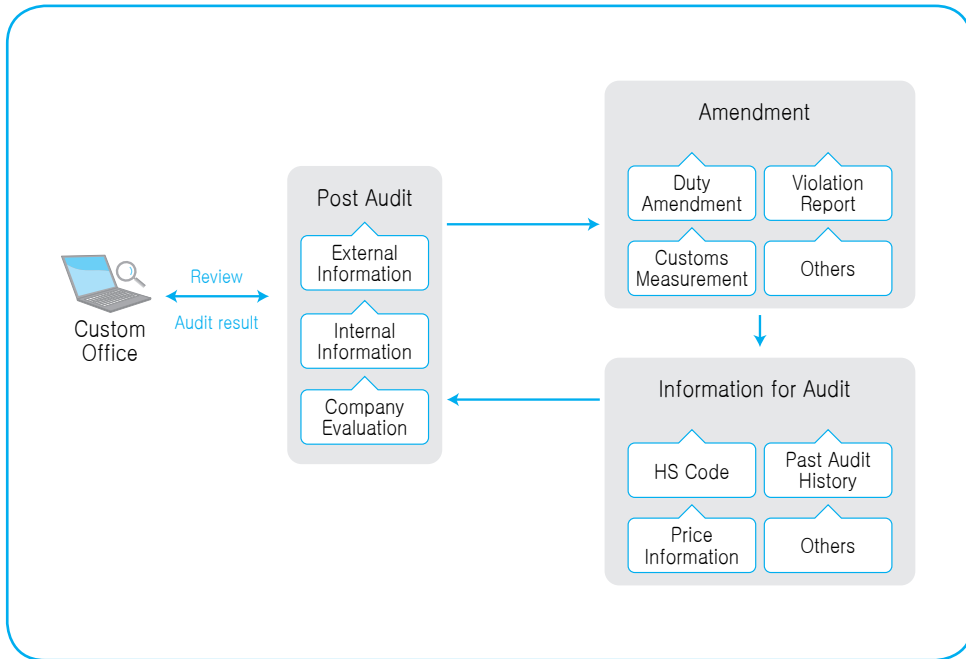
Although high level of risk management process is applied for customs declarations during the customs clearance, after release of cargoes, the declarations undergo an audit process by the Post Audit system to inspect any improper doings. This post audit process saves time significantly by speeding up customs clearance process and also has a preventive effect for unlawful activities by deterring them in advance.

The system is largely divided into two parts, one for auditing declarations and the other for auditing companies and maintaining database for continuous tracking of their history which enables comprehensive risk management even after release of cargoes.

All declarations that have been approved during the clearance process are all subject to post audit selectivity. After clearance, all declarations go through a post audit selectivity process in order to select declarations that may be considered to be high risk. An auditor is assigned based on the assignment criteria. The auditor makes use of the data warehouse in order to perform an analysis of data and find irregularities in the customs declaration. If needed the customs officer can request the declarer to present supporting documents to the declaration. Any observations found during the audit is registered into the system for future reference. The according measure is applied and the result is notified to the declarer as well as registering the results into the system to feedback into the data warehouse.

In the case of company audit, sometimes referred to as planned audit, is performed on a specific company to audit all customs related activities during a given period of time. The company audit can be performed at office, by analyzing data using the data warehouse or by analyzing supporting documents including account books and contracts requested to the declarer. If necessary, customs officers conduct site-vitis to perform on onsite audit of the company. Although most actions are performed manually, all actions and logs are registered into the system as re-usable data to feedback to the data warehouse.

Figure 3-11 | Post Audit



Source: UNI-PASS Introduction, KCS

## 2.10 Customs Data Warehouse

### Application of Data Warehouse in the KCS

Mr. Chongho Kim

(Former Director, General of Busan Main Customs and Incheon Airport Customs)

In order to speed up clearance time, the KCS adopts the 'Declaration and Payment' method where the value declared by the declarer is accepted as they are and goods are approved for its release. This is a risky approach as most declarers would take advantage of this method and sub-value their goods in order to pay less duty and tax but a necessity as there are needs to speed up clearance time to reduce logistic costs and increase national competitiveness. To prevent this from happening various preventive methods are introduced to alert the declarers that even though 'Declaration and Payment' method works on the basis of 'trust' to speed up clearance time, they will somehow be subject to customs control. Those methods include the introduction of a risk management system and complementarily the introduction of the post audit system.

There are two types of post audit. One is the company audit, which is widely used around the world, and the purpose is to analyze data, target a specific company

and perform a detailed audit on its activity of the past couple of years to see how 'trustworthy' they are. Company audit methods may include document review (documents are requested to the company on all supporting documents, account books, etc. to be reviewed in customs office) and/or onsite audit.

The other type of audit is the declaration audit where all declarations that have been approved by the customs for its clearance are subject to post audit through a targeting system. Different from the company audit, the declaration audit performs case by case audits and complements the clearance audit performed during customs clearance.

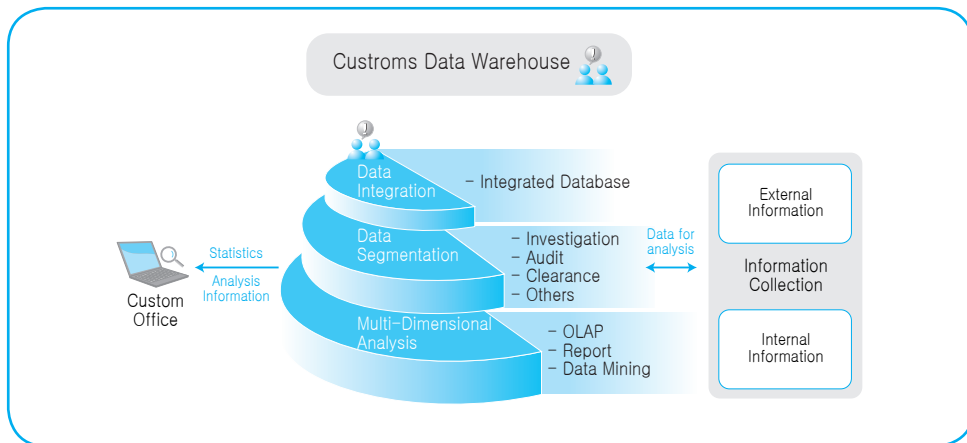
System targeting method is important but one other resource considered to be of high importance in targeting high-risk goods is human resources. In the KCS there are currently total of 500 employees which accounts for 10% of all customs officer in the KCS that perform post audit. They analyze data using the data warehouse to target high-risk goods based on their experience, know-how, media sources and external reports. This example shows the equal importance of capacity building of personnel to customs automation.

Source: excerpt from an interview with Chong Ho Kim

CDW (Customs Data Warehouse) is a comprehensive database and analysis tool that consolidates information, arranged and analyzed by consolidating more than two thousand different types of internal data with various external data.

Data required for a specific area of customs administrations (e.g. customs clearance, investigation) are extracted and consolidated to be stored in the DM (Data Mart) of each administration area. The DM data is stored in a three-dimensional "cube" form, a form of storing computer data, for convenience and multi-dimensional analysis.

Figure 3-12 | CDW



Source: UNI-PASS Introduction, KCS

In the year of 2000, the CDW system was further improved. Before when a specific data was required, the IT department was notified so data could be extracted in the form the user wanted. It took a long time and was a tiresome process. In order to break the gap between the user and the extraction of data CDW was created so that the user could by themselves extract needed data without having to request the specifics to the IT department. The key function of a CDW is not to store data in an orderly manner, but to extract data by practically anyone in the form the user wants. The data mining function complements to the capacity of the CDW.

The goal of the risk management system is to focus its resources in high risk goods to reduce inspection rates and increase efficiency. In a way the CDW is said to be a part of the risk management system. The key foundation to the function of the risk management system is to feed the system with up-to-date data in order to create optimized targeting mechanisms. This is where CDW comes in hand. Analysis of data has come an integral part of customs administration. In the KCS, the valuation and classification department was created to focus on analyzing data in order to feed the risk management.

### 3. Benefits of Computerization

There are numerous benefits from using UNI-PASS not only in the KCS but the whole trading community of Korea and the rest of the world.

The four major areas of improvement are as follows:

- Increase in productivity by improving work environment and seeking convenience
- Availability of comprehensive information from the KCS and other organizations both domestic and abroad
- Raise level of transparency (less corruption) of the whole organization
- Increase in government revenue by collecting customs duty in more efficient way

Above improvements derives the following positive effect for the KCS and rest of the community.

#### 3.1 Decrease in Customs Clearance Time

One of the most important tasks for a customs is clearing a cargo from its entry into a country to releasing it to its market and vice versa. This involves in checking whether the goods that are either imported or exported are in respect to the customs law. This involves filing and submitting proper documents by an importer and exporter, inspecting the cargo, customs duty collection and auditing the whole process to find any abnormality during the process.

As UNI-PASS was introduced, the whole customs administrations were simplified, restructured and standardized in more efficient ways as seen previously and the customs clearance procedure also benefited from these changes.

One of the biggest changes in customs clearance is substantial drop in clearance time. This drop in clearance time is the result of electronic document handling and automated risk management. When paper document was used, a declarant had to fill in declaration forms manually. Many of the forms contained fields that had identical information such as general information (such as name and address) and details of goods.

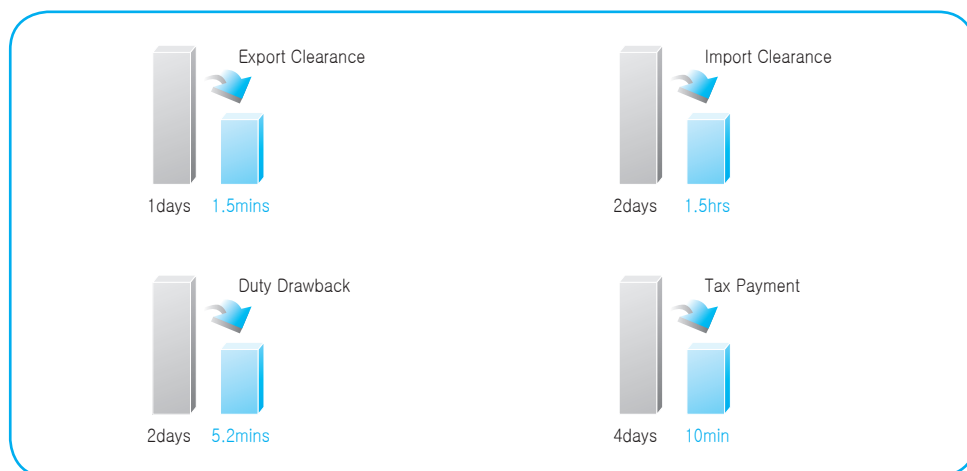
However, after using UNI-PASS, much of information that had been stored in the system from the registration of the declarant or from previous declarations is automatically recalled and filled in the new declaration form. Also the declarant can submit the declaration over the internet, EDI or by using a gateway so that he or she does not have to pay a visit to a customs office or other organizations such as a requirement verification agency.

Also, when paying customs duty, a duty payer can make payment using electronic payment to banks or utilize a pre-paid customs account and the information is automatically transmitted to UNI-PASS.

In customs side, document auditing, cargo selection, duty collection, cargo management and other functions are done automatically so that customs officers only need to intervene to process less than five percent of declarations.

By doing so, the time for examining declaration manually, transporting paper documents and sending notification practically does not exist. This enabled significant time saving on customs clearance that is shown in [Figure 3-13].

**Figure 3-13 | Changes in Time Required for Clearance and Payment**



\* Recommendation for import clearance by United Nations Conference on Trade and Development is four hours

Source: UNI-PASS Introduction, KCS

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## 3.2 Reduction in Logistics Cost

Reduction in customs clearance time, simplified customs process and using electronic document are the direct effect of UNI-PASS. This direct effect resulted in cost saving of logistics. In 2010, the annual cost savings in Korea amounted about four billion US dollars.

Also indirectly, both public and private organizations gains competitiveness from reduced time and cost for customs clearance when they are importing and exporting goods. Furthermore this would lead to increase in national competitiveness which is very important in international trade which ultimately leads to increase in national income.

## 3.3 Transparent Customs and Strengthened National Security

Before the introduction of UNI-PASS, unlawful activities in customs in Korea were quite common. These activities were possible because the procedures that had potential for corruption such as allocation of declaration for inspection was done by human beings.

However, since the introduction of UNI-PASS, corruption in the KCS has been virtually none existent. UNI-PASS minimizes human activity in customs clearance and strictly controls those procedures that have potential for a customs officer to be involved in an unlawful activity. Along with the implementation of the system, customs procedures were radically changed so that face to face opportunities and any other potential for corruption became very rare.

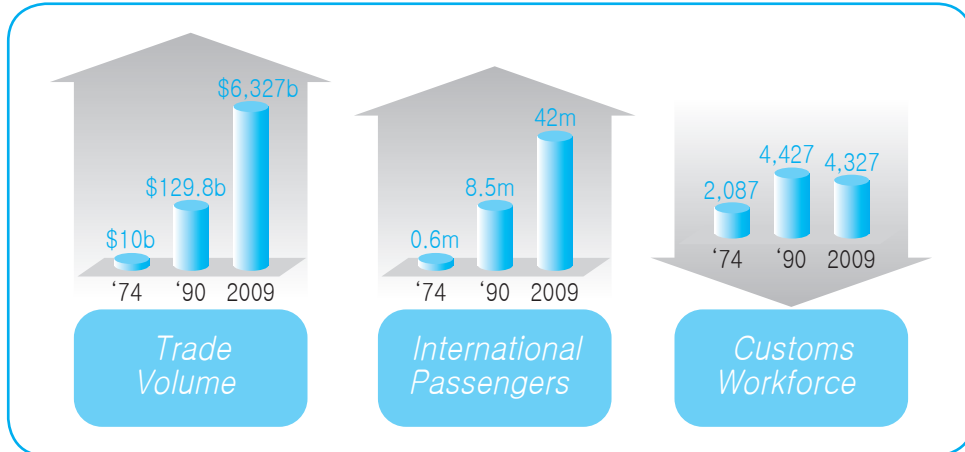
Also, when financial corruption and other unlawful activities were prominent, the organizational culture of the KCS was somewhat passive and unproductive due to the complicated understandings involved in the whole organization. However as such organizational culture was radically changed, the whole organization had a single motivation to work with which was the original purpose of a customs, controlling border for cargoes and passengers.

Speaking of border protection, it is vital to protect the border from entry of such security threats and potential harms as illegitimate firearms and unapproved bio-matters. Those can seriously pose threats to the people and the government when entered into a country and it is a duty of customs to deter such threats.

By utilizing advanced risk management and various other functions of UNI-PASS, the efficiency of selecting and detecting those threats and other unlawful goods and cargoes increased dramatically. Time and resource that are required for such tasks reduced significantly by employing scientific methods and computing power along with vast internal and external information from other systems in Korea and from abroad.

### 3.4 Increase in Productivity

Figure 3-14 | Change Over the Years in Korea



Source: UNI-PASS Introduction, KCS

As shown in [figure 3-14], both trade volume and number of international passengers has been increasing significantly since 1974. However number of customs workforce had increased only twice between 1974 and 1990 and remained largely the same in the KCS between in 1990 and 2009.

This phenomenon has been only possible because of the presence of UNI-PASS by automating most of customs duties so that a customs officer can process significantly more task than before with increase in accuracy.

Furthermore, customs budget has been increasing mostly in single figure, reflecting that the increase in productivity is not only due to increased spending either.

## 4. Globalization of UNI-PASS

The UNI-PASS system has earned regional and international recognitions by organizations such as the AFACT, WCO, ADB, IDB and the UN. Because of its recognition, the UNI-PASS system has been benchmarked by many countries. Feasibilities have been performed on various countries around Asia, Asian Pacific, Africa and South America. Implementation of part of the system has been implemented in Guatemala, and there are currently projects going on in Ecuador, Tanzania and Nepal. Activities abroad related to the UNI-PASS system is shown in the table below including future activities that are already defined and are scheduled to execute.



**Table 3-4 | Globalization of UNI-PASS**

	Feasibility Study	Consulting	Implementation	Others
Bolivia	Customs modernization (2010)			
Costa Rica		Customs audit system (2009)		
Dominican Republic		BPR/ISP for customs administration (2007)		Intermediate supervision (2008) Final supervision (2009)
Ecuador	Customs modernization (2009), Master Plan for Single Window (2009)	BPR/ISP for customs administration (2010), BPR/ISP for single window (2011)	Customs administration system (2011-2012), Single Window System (2011-2012)	
Guatemala	Customs modernization (2007), Risk Management (2008)	BPR/ISP for risk management & Data Warehouse (2009)	Risk Management system & Data Warehouse system (2009-2010)	
Kenya	Customs modernization (2007)			
Laos	Customs modernization (2008)			
Mongolia	Procurement for customs system (2007)			
Nepal	Customs modernization (2007)	BPR/ISP for customs administration (2011)	Customs administration system (2012)	
Tanzania	Customs modernization (2008)	BPR/ISP for Risk & cargo management (2011)	Risk & cargo management system (2011-2012)	

Source: KSingle-CUPIA, 2011



2011 Modularization of Korea's Development Experience  
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## Chapter 4

### Conclusion

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## Conclusion

Korea has developed during half a century from world's one of the poorest countries after its independence in 1945, and now among the top 10 countries in trade power. The KCS experienced an expansion in the organization due to sudden increase in workload and achieved not only a quantitative development but an astonishing qualitative development. The international evaluation on the Korean development is that Korea has a good country to do trade and provides one of the world's fastest and exact clearance service procedures.

In this development, there were two efforts; one in the business aspect and the other in the technical aspect.

Five areas of effort can be said to have contributed to the surprising development in the business area. First, there was a change in the customs administration paradigm. There was a change in the customs administration paradigm; a shift from a customs administration oriented on the provider (the public officers who supply public services) to a customs administration oriented on the customer (the public). Second, the expansion of trade territories; the customs administration of the past focused on securing revenue and controlling smuggling, but the administration in the present has expanded its role and responsibility to cope with national and social security. Third, there was an improvement on the customs clearance process where in the past all goods were physically inspected, but in the present only select goods are inspected, and additionally the valuation that was performed on clearance now is performed post clearance. Fourth, there was a scientific application for the surveillance and investigation area. The surveillance and investigation information system were introduced in order to modernize inspection equipment. Lastly, there was effort to strengthen international cooperation activities. Customs registered to the CCC and the GATT approving and applying the international standards.

The KCS use IT as an innovative tool to improve the manual and paper based work environment into information centered, paperless work environment. Providing a paperless

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environment based on electronic documents physical contact between the declarer and customs officer reduced drastically contributing to a practically corruption free environment and also provided for strengthening the post audit capabilities through the continuous storage of information produced during administration process. Through these initiatives the customs administration secured speediness, efficiency and transparency.

Behind these developments efforts from the customs administration can be seen where through various years the trade volume increased hundred folds but customs had to cope with public, social needs with a merely 2.5 increase in human resources. From a different point of view, it would have been impossible to physically inspect all goods instead of adopting the selectivity method of the nearly hundred times increase of the import and export volume, and the change from a valuation at clearance to valuation to be performed at post clearance was somewhat not a choice but a transformation that could not be ignored. Also the ever increasing trade volume could not be processed manually by the limited resources, so it was inevitable the active implementation of IT to provide for a paperless work environment.

The KCS did not solve these problems passively but more aggressively strengthen the selectivity inspection techniques, and the capacity to perform post clearance audit in order to seek a more active use of IT instead of merely focusing on computerization. One example that shows this is that currently around 1,000 customs officers out of 4,200 uses the data warehouse in order to analyze data and apply it in the post clearance audit.

The KCS tackled the challenging and drastically changing environment by improving its work processes and through computerization. We hope that the experience of the KCS will serve as a useful reference to countries that are willing to bring about change in their customs administration.

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## Appendix 1. Customs Administrations Frameworks

This chapter will study frameworks of customs administrations which define rules and regulations to improve customs administrations practiced around the globe. They are guidelines that were set by mainly international organizations with interest for trade facilitation thus various measures were melted into those frameworks for simplification of procedures, standardization of process and many other features that improves upon the current administrative systems in customs.

### 1. Revised Kyoto Convention

The full title of the Kyoto Convention is the 'International Convention on the Simplification and Harmonization of Customs procedures'. The original Convention was concluded in 1973 in Kyoto, Japan and started to be implemented from September 1974. It had undergone series of improvements and minor revision and in 1999 had a major amendment that resulted in earning the popular designation of the RKC.

The RKC is the most important guideline that suggests the ways to modernize customs administrations and procedures. The RKC was designed to provide guidelines with the following factors in consideration so that a customs can deal with the issues that are prominent in modern day customs.

- Increased globalization of trade
- Rapid growth in international cargo
- A highly competitive international business environment
- Establishment of the WTO and regional trading arrangements such as APEC
- Reduced tariff barriers through the WTO
- Removal of many non-tariff barriers
- Growth in e-commerce and use of EDI for delivery of Government services
- Increased focus on trade security

Using the RKC, customs around the world could compare their administrative procedures with the guidelines mentioned in the RKC and started to amend for better customs environment. As the result customs procedures were simplified and standardized and non-tariff barriers were reduced that ultimately led to harmonization of customs procedures and the liberalization of international trade.

## 1.1 Structure of the RKC

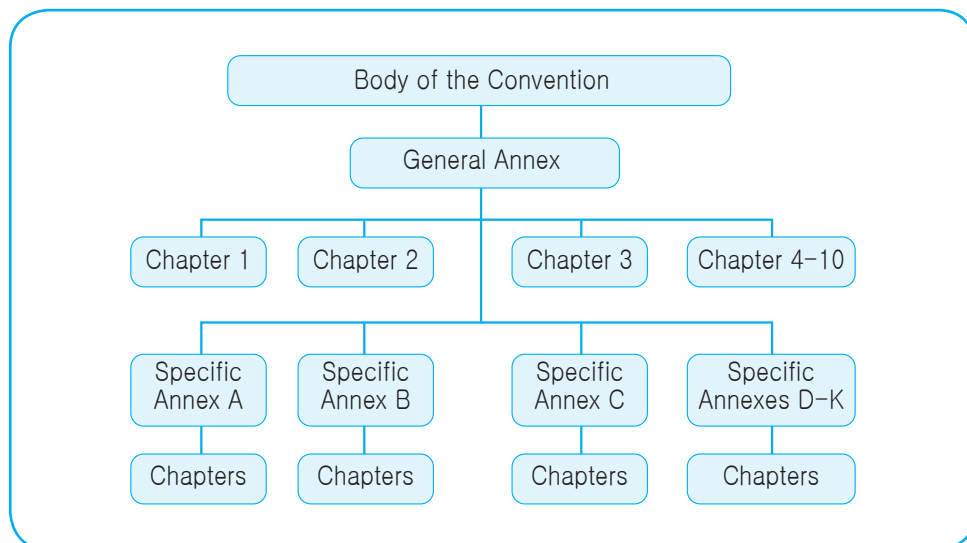
The RKC is consisted of three parts as follows – the Body, the General Annex and the Specific Annexes. Both the General Annex and the Specific Annexes are divided into Chapters. In addition, both the General Annex and the Specific Annexes have detailed guidelines in customs procedures. In order to become a party to the RKC a customs must accept the details that are mentioned in the body and the general annex in their entirety. However the customs does not have to accept all the details in the specific annexes and following them do not affect the status of the customs.

The obligatory body provides the main ideas of the RKC that contains the goals and principles of the convention. Moreover it contains provisions relating to scope, structure, administration, accession and amendment details.

The general annex contains core details of customs administration which are not repeated in the specific annexes. It is divided into 10 chapters, which contain standards of customs administrations and trade that are mandatory for convention members. Detailed guidelines have been provided to assist with implementation of the RKC.

The specific annexes are again divided into 10 chapters, which cover different aspects of customs procedures. They also contain detailed guidelines for implementation of the RKC. It is possible to accede to either a complete specific annex or just one or more chapters of the annex. Accession to the specific annexes is optional and may be accomplished following accession to the body and general annex.

Figure A1-1 | Structure of the RKC



Source: Revised Kyoto Convention, World Customs Organization, 1999



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## 1.2 Purpose of the RKC

All the annexes and their chapters are accompanied by implementation guidelines and they are not part of the legal text. They provide guidance to customs authorities on administrative practices that will help them to implement the RKC effectively and strengthen the capability of the customs authorities to carry out their duties. As mentioned before, the guidelines are not mandatory, so the authorities do not have any obligation in following them. However as the guidelines represent best current practices, they should be treated as a valuable tool to achieve customs modernization and considered accordingly. The guidelines are regularly reviewed and updated to reflect up to date practices, so they will continue to be flexible and progressive.

## 1.3 Comparison with the Original Kyoto Convention

When the WCO reviewed the original Kyoto Convention, it concluded that:

- An effective mechanism was required to keep the convention relevant and up-to-date
- Reservations system needed to be more restrictive
- Detailed implementation guidelines were needed for the legal provisions.

The revised Convention addresses these issues. The amendments contains more details with simpler notions to improve understanding and lowers the barrier of become a member of the convention. The revision has also incorporated important modern concepts, including the application of new technology such as the ICT, the implementation of new procedures such as risk management and post audit and new cooperative arrangements with private sectors. The key operational fields of the RKC includes the followings:

- Risk Management
- Audit based Controls
- Pre-arrival Information
- Information Communication Technology
- Coordinated Interventions
- Consultation with Trade Sector
- Information on Customs Laws, Rules and Regulations
- System of Appeals in Customs Administrations

Central to the new governing principles of the RKC is the commitment of customs authorities to provide transparency and predictability for all those involved in aspects of international trade. Transparency is important as it lowers unfair trade thus increase in government revenue and safety of trade. Also predictability increase the efficiency of customs administrations by deploying utilization of standardized information between different customs authorities

## 1.4 Benefits of the RKC

This sub-section focuses on the tangible benefits of implementing specific RKC measures, recognizing the difficulty of assessing overall benefits related to RKC implementation due to many external factors. Faster release of goods, lower trade costs, increased revenue, more FDI and economic competitiveness, various non-economic benefits, and a basis for implementing other Customs instruments and tools are among the benefits related to the RKC as mentioned in more details later.

### ■ Swift Customs Clearance and Lower Trade Costs

Many RKC measures, including computerization of customs administrations, risk management and pre-arrival information, are expected to improve customs clearance times. Faster release of goods is beneficial directly and indirectly for both customs administrations and businesses. For example, it enables customs to process more transactions without delay, so that they can deploy their limited resources to other areas of customs administrations such as filtering high-risk cargoes. It also allows traders to enhance their competitiveness.

### ■ Increased Revenue

Government revenue collection remains an important role for a customs administrations and the RKC potentially strengthen the capacity of customs to improve revenue collection. Firstly, the RKC effectively increases volume of import thus it provides more opportunity for revenue collection. Secondly, trade facilitation measures could reduce the incentives for illegal trade, on which traders do not pay customs duty. Finally but not least, a specific customs technique such as post-clearance audit could enhance revenue collection even further.

### ■ Increase in FDI and Economic Competitiveness

Many RKC measures, such as customs to business partnership, transparency and appeal procedures, are expected to enhance FDI and economic competitiveness. Private sector considered efficient and simplified customs procedures one of the important factors for their investments. Customs procedures which are in accordance with the RKC are of significant importance for the prevailing as it was designed in those factors in mind.

Recognizing that international trade is an engine of economic growth, the WCO has emphasized the importance of not using customs procedures as non-tariff barriers to trade. When goods are traded faster at lower cost, traders will obtain higher competitiveness in domestic and international markets.

### ■ Non-Economic Benefits

Besides the above-mentioned economic benefits, implementation of the RKC is expected to promote protection of the public. Risk management is a key element in implementing effective customs controls while facilitating legitimate flows of trade. Standardized procedures help deterring illegal trade and in/out flow of unauthorized personnel by sharing standardized information between different authorities and the private entities. In addition,

transparent and predictable customs procedures effectively improve the integrity and professionalism of customs administrations.

- Basis for Implementing other Customs Frameworks and Tools

Based on the RKC, the WCO SAFE Framework of Standards that also became the basis for the Authorized Economic Operator (hereinafter AEO), has its origin in the RKC’s “authorized persons” concept.

Like the WCO SAFE Framework and the AEO, the RKC has potential to become the foundation for other customs frameworks and tools as it defines the guidelines of customs administrations for modernization.

### 1.5 Application of the RKC in Korea

Korea has adopted the RKC on February 19, 2003 and officially took effect from February 3rd 2006. The table below shows the application of the RKC in Korea. The member countries of the RKC must follow the recommendations of the “The General Annexes” of the RKC. Only the special annexes are options for the member countries to apply. In the year 2008, Korea stands in the 10th position of the 58 countries in applying the special annexes with 14 chapters applied from the 25 chapters (on average 4 chapters are applied per country). Postponed articles are areas of the chapters that will be implemented in future or is currently being implemented.

**Table A1-1 | Application of the RKC in Korea**

Structure	Chapters	Postponed articles	Applied in Korea	
Specific Annexes	A	Formalities prior to the Lodgment of the Goods Declaration	7, 11	Yes
		Temporary Storage of Goods	10	Yes
	B	Clearance for Home Use		Yes
		Re-importation in the same state		No
		Relief from Import Duties and Taxes	7	Yes
	C	Outright Exportation		Yes
	D	Customs Warehouses	7, 8, 9	Yes
		Free Zones	9	Yes
	E	Customs Transit		No
		Transshipment		Yes
		Carriage of goods coastwise		No

Structure	Chapters	Postponed articles	Applied in Korea
F	Inward processing		No
	Outward processing		No
	Drawback	5, 6, 9	Yes
	Processing of goods for home use		No
G	Temporary admission	9, 15, 19, 21, 22, 23	Yes
H	Offences		No
J	Travelers		No
	Postal traffic		Yes
	Means of Transport for Commercial Use		Yes
	Stores		Yes
	Relief Consignment	6	Yes
K	Rules of Origin		No
	Documentary Evidence of Origin		No
	Control of Documentary Evidence of Origin		No

Source: Korea Customs Service

## 2. WCO SAFE Framework of Standard

In an effort to raise the technical work of the WCO task force on security and facilitation to a prominent political level, the WCO established a High Level Strategic Group (hereinafter HLSG) comprised of twelve WCO members. The HLSG met seven times from June 2004 to April 2007 and developed the WCO Framework of Standards to Secure and Facilitate Global Trade, which the WCO Council adopted in June 2005. Although not an international convention, the SAFE Framework is a set of voluntary standards to which most WCO members have committed to pursue accordingly.

The SAFE Framework centers its integrity in risk management, which monitors risk factors in customs administrations.

### 2.1 Background of the WCO SAFE Framework of Standard

On June 26, 2002, during the summit in Kananaskis, Canada, the G8 issued a statement called for a cooperative G8 action on transport security, which listed several policy steps in response to the 9/11 attacks on container security, aviation security, maritime security and land transportation. The statement stated the importance of security in supply chain and needs of revising it after the impact caused by the attacks. The statement is as follows:

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‘Work expeditiously, in cooperation with relevant international organizations, to develop and implement an improved global container security regime to identify and examine high-risk containers and ensure their in-transit integrity; develop, in collaboration with interested non-G8 countries, pilot projects that model an integrated container security regime; implement expeditiously, by 2005 wherever possible, common standards for electronic customs reporting, and work in the WCO to encourage the implementation of the same common standards by non-G8 countries; and begin work expeditiously within the G8 and the WCO to require advance electronic information pertaining to containers, including their location and transit, as early as possible in the trade chain.’

Above statement shows the WCO’s view that, regardless of whether customs controls are for purposes of collecting customs duties or deterring illegal trade, by utilizing risk management there should be equilibrium between controls and trade facilitation. Thus excessive controls without the use of systematic analysis make customs less effective and should accompany more efficient means of control for risk management would provide a solution.

## **2.2 Structure of the WCO SAFE Framework of Standard**

The SAFE Framework is organized into twin pillars, the first being customs to customs and the second being customs to business. The total number of standards is seventeen, eleven in Pillar 1 and six in Pillar 2.

Pillar 1 provides for the ability of a customs authority to receive information on exports, imports, or goods in transit in advance and electronically; analysis of the information to determine whether the shipment is high-risk in terms of national security; and scrutiny of high-risk consignments, preferably using non-intrusive inspection techniques. The facilitative aspect of this process is that a shipment deemed to be low-risk need not be scanned or physically inspected.

Pillar 2 builds on Pillar 1 with a recommended process where customs administrations validate as AEOs businesses that comply with security requirements and whose cargo would, therefore, generally be deemed low-risk under the procedures of Pillar 1.

## **2.3 Details of the WCO SAFE Framework of Standard**

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. AEOs include inter alia manufacturers, importers exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors.

Although the SAFE AEO relates to operators in the context of supply chain security, the intellectual precedent comes from the previously mentioned RKC.

One way of explaining the substance of the SAFE Framework is to divide it into four core elements, which are:

- A commitment to harmonize advance electronic cargo information requirements on imports, exports, and goods in transit
- The application of a consistent risk assessment approach for screening containerized cargo to identify potential security threats
- At the reasonable request of the country of import, the country of export will perform an examination of outbound high-risk containerized cargo preferably using NII, based on a comparable risk targeting methodology
- The establishment of AEO programs where customs, upon successful validation or authorization of international trade operators who meet stipulated supply chain security standards and best practices, will grant trade facilitation benefits.

Due to the technical complexity and financial requirements, many WCO members are by necessity pursuing phased implementation of the SAFE Framework. To assist with that endeavor, the WCO and other organizations provide capacity building to assist WCO members from developing countries implement the SAFE Framework.

## **2.4 Application of the WCO SAFE Framework of Standard in Korea**

Two years before the adoption of the Framework by the WCO Council in June 2005, the KCS had already adopted various standards mentioned in the WCO SAFE Framework of Standard and currently works to apply the remaining Standards. Such approach includes:

- Application of CSI in August 2003
- Research on the foundation of data exchange (CDM v1.1 in 2004, CDM v2.0 in 2005),
- Pilot project for data exchange between countries (from November 2007 to May 2008)
- Application of RFID (Radio Frequency Identification) on import air cargo (pilot project in July 2008 and currently in real environment application)
- Application of AEO program in April 2009

Legal approaches to adopt the WCO SAFE Framework of Standard, which are:

- Creation of KCS UCR Guidelines in October 2007
- Customs Code reform in December 2007 to create the foundation for the application of data exchange between countries, Data Model, UCR, AEO
- Customs Code reform in December 2008 to create foundation for the implementation of an Integrated National Customs Information Network

**Table A1-2 | Application of the WCO SAFE Framework of Standard in Korea**

Pillars	Standards	Details	Applied in Korea
1. C2C	1. Integrated Supply Chain Management System	<ul style="list-style-type: none"> <li>• DM/UCR</li> <li>• Sealing</li> <li>• Advance electronic export goods declaration</li> <li>• Advance electronic cargo declaration</li> <li>• Information exchange for high risk consignments</li> <li>• Integrated Border Management</li> <li>• AEO/ASC</li> </ul>	Partial No No No Yes No Yes
	2. Cargo Inspection Authority	<ul style="list-style-type: none"> <li>• Authority to inspect cargo originating, existing, transiting</li> </ul>	Yes
	3. Modern Technology in inspection Equipment	<ul style="list-style-type: none"> <li>• Non-intrusive inspection equipment</li> <li>• Radiation detection equipment</li> </ul>	Yes Yes
	4. Risk Management System	<ul style="list-style-type: none"> <li>• Automated selectivity system</li> </ul>	Yes
	5. High-Risk Cargo or Container	<ul style="list-style-type: none"> <li>• Identify and target potentially high-risk cargo</li> </ul>	Yes
	6. Advance Electronic Information	<ul style="list-style-type: none"> <li>• Computerized customs system</li> <li>• ICT</li> <li>• Data privacy and protection</li> </ul>	Yes Yes Yes
	7. Targeting and Communication	<ul style="list-style-type: none"> <li>• Joint targeting and screening</li> </ul>	No
	8. Performance measures	<ul style="list-style-type: none"> <li>• Statistical reports</li> </ul>	Yes
	9. Security assessment	<ul style="list-style-type: none"> <li>• ISCM security assessment</li> <li>• Cooperation with competent authorities</li> </ul>	No Yes
	10. Employee Integrity	<ul style="list-style-type: none"> <li>• Integrity enhancement programmes</li> </ul>	Yes
	11. Outbound Security Inspections	<ul style="list-style-type: none"> <li>• Inspection of high-risk containers and cargo by reasonable request of the importing country</li> </ul>	No
2. C2B	1. Partnership	<ul style="list-style-type: none"> <li>• Self-assessment process by private sectors</li> </ul>	Yes
	2. Security	<ul style="list-style-type: none"> <li>• Integration in to existing business practices</li> </ul>	Yes
	3. Authorization	<ul style="list-style-type: none"> <li>• Accreditation procedures and incentives</li> </ul>	Yes
	4. Technology	<ul style="list-style-type: none"> <li>• Use of modern technology</li> </ul>	Yes
	5. Communication	<ul style="list-style-type: none"> <li>• Customs-Business partnership programmes</li> </ul>	Yes
	6. Facilitation	<ul style="list-style-type: none"> <li>• Maximize security and facilitation</li> </ul>	Yes

Source: Korea Customs Service

### 3. Other Systems and Tools

#### 3.1 WTO Agreement on Customs Valuation

The value on imported goods is determined mainly for the purpose of applying duties. It constitutes the taxable basis for customs duties. It is also an essential element for trade statistics, for monitoring quantitative restrictions, tariff preferences and for collecting internal national taxes and others.

The WTO Valuation Agreement, formally known as the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (GATT), replaced the GATT Valuation Code as a result of the UR multilateral trade negotiations which created the WTO in 1994. The GATT Valuation Code was originally created in 1979 during the Tokyo Round of multilateral trade negotiations with a view to ensuring that the effect of tariff concessions would not be derogated by non-tariff barriers, one of them being arbitrary Customs valuation regimes which were prevalent at that time.

The agreement establishes a customs valuation system that primarily bases the customs value on the transaction value of the imported goods, which is the price actually paid or payable for the goods when sold for export to the country of importation, plus certain adjustments.

In cases where the customs value cannot be determined on the basis of the transaction value, it will be determined using one of the following methods:

- Transaction value of identical goods
- Transaction value of similar goods
- Deductive value method
- Computed value method
- Fall-back method.

The above valuation methods must be used in hierarchical order.

The agreement is intended to provide a single system that is fair, uniform and neutral for the valuation of imported goods for customs purposes, conforming to commercial realities and, outlawing the use of arbitrary or fictitious customs values. The agreement, by its positive definition of value, recognizes that customs valuation should, as far as possible, be based on the actual price of the goods to be valued. With more than 90% of world trade valued on the basis of the transaction value method and price adjustments based on objective and quantifiable data, the agreement provides more predictability, stability and transparency for trade, thus facilitating international trade while at the same time ensuring compliance with national laws and regulations.

The WTO Valuation Agreement mandates the WCO to administer the agreement, through its technical committee on customs valuation. The responsibility of the Committee, which meets twice a year, is to ensure uniformity in the interpretation and application of



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the Agreement at the technical level. The committee maintains a close working relationship with the WTO Committee on Customs Valuation which manages all the trade policy aspects of the agreement. The major responsibilities of the committee are:

- Examine specific technical problems arising from the day-to-day administration of the Customs valuation systems of Members and to give advisory opinions on appropriate solutions based upon the facts presented. Its decisions are issued in the form of Advisory Opinions, Commentaries, Case Studies, Studies, etc., which are published in the Compendium of Customs Valuation
- Furnish information and advice on questions concerning the valuation of imported goods as requested by Members
- Study valuation laws, procedures and practices as they relate to the Agreement
- Facilitate technical assistance to Members with a view to furthering the international acceptance and understanding of the Agreement

The agreement represents a positive step towards the liberalization of international trade. It is intended to foster co-operation and mutual trust between the business community and customs and for that reason the Agreement sets out the respective rights and mutual obligations for customs and traders. Like all areas of customs control, facilitation and compliance must go hand in hand with the implementation of the Agreement.

The interests of trade will not be well served by unsustainable systems and partnerships and effective communication with interested parties is essential to optimize the effective and efficient administration of the WTO Valuation instruments.

At international level, the WCO has maintained a long-term close co-operative relationship in the area of Customs valuation with the International Chamber of Commerce (ICC). The ICC has been participating in the meetings of the Technical Committee since 1979 as an observer and has had the opportunity to explain specific aspects of commercial practice as well as to give its views and advice on specific technical issues. This has led to greater understanding by Members of current commercial practices and to frank exchanges of views on both sides.

### **3.2 Rules of Origin**

Rules of origin are the criteria needed to determine the national source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.

There is wide variation in the practice of governments with regard to the rules of origin. While the requirement of substantial transformation is universally recognized, some governments apply the criterion of change of tariff classification, others the ad valorem percentage criterion and yet others the criterion of manufacturing or processing operation.

In a globalizing world, it has become even more important that a degree of harmonization is achieved in these practices of Members in implementing such a requirement.

Rules of origin are used for the followings:

- Implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures
- Determine whether imported products shall receive most-favored-nation treatment or preferential treatment
- For the purpose of trade statistics
- For the application of labeling and marking requirements
- For government procurement

It is accepted by all countries that harmonization of rules of origin i.e., the definition of rules of origin that will be applied by all countries and that will be the same whatever the purpose for which they are applied-would facilitate the flow of international trade. In fact, misuse of rules of origin may transform them into a trade policy instrument per se instead of just acting as a device to support a trade policy instrument. Given the variety of rules of origin, however, such harmonization is a complex exercise.

Article 1 of the Agreement defines rules of origin as those laws, regulations and administrative determinations of general application applied to determine the country of origin of goods except those related to the granting of tariff preferences. Thus, the Agreement covers only rules of origin used in non-preferential commercial policy instruments, such as MFN treatment, anti-dumping and countervailing duties, safeguard measures, origin marking requirements and any discriminatory quantitative restrictions or tariff quotas, as well as those used for trade statistics and government procurement. It is, however, provided that the determinations made for purposes of defining domestic industry or “like products of domestic industry” shall not be affected by the Agreement.

#### 4. Accomplishments of the Korean Framework

Through the continuous development of the customs administration system and application of international frameworks, the Korean customs system has earned recognitions as follows:

- E-ASIA Award by AFACT<sup>6</sup> (2007)
- ISO 20000 Certification for Operation&Management (2007)
- The best case of protecting intellectual property by WCO (2006)
- The best cargo Tracking Management System by WCO (2004)
- The best customs clearance case by ADB and IDB (2001)
- The best case of anti-corruption by UN

<sup>6</sup> AFACT: Asia Pacific Council for Trade Facilitation and Electronic Business

The World Bank recognized the KCS single window system as an innovative achievement and analyzes that companies are saving 2,583 million dollars each year<sup>7</sup> thanks to the system. The system was recognized to be innovative in providing simplicity in clearance procedures and allowing a systematic connection with entities that provide regulatory permits.

Based on the Doing Business report published by the World Bank, the 2010 and 2011 report rank Korea the first among 61 countries with large population (countries with population of over 13 million), in trade across borders. Overall, Korea places third in the 2011 Doing Business Ranking followed by the United States and the United Kingdom among a large population.

**Table A1-3 | 2011 Doing Business Ranking of Korea among Large Population**

	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Korea, Republic of	3	9	7	4	25	5	29	5	1	1	6

Source: World Bank, Doing Business Economy Rankings, 2011

<sup>7</sup> Doing Business in Korea 2009, World Bank

## Appendix 2. Statistics

### 1. Number of Customs Officers by Customs Organizations

Table A2-1 | Number of Customs Officers by Customs Organizations

Year	Total	Headquarter	Training Center	Laboratory	Customs Houses	Fluctuation
1970	1,872	215(80)			1,657	-
1971	1,958	327(134)			1,631	86
1972	1,970	343(159)			1,627	12
1973	1,991	331(158)			1,660	21
1974	2,087	145			1,942	96
1975	2,162	165			1,997	75
1976	2,424	161			2,263	262
1977	2,581	165	22		2,394	157
1978	2,738	180	22		2,536	157
1979	2,850	180	22		2,648	112
1980	3,467	191	21	20	3,235	617
1981	3,776	219	25	22	3,510	309
1982	3,873	219	25	22	3,607	97
1983	3,886	217	25	22	3,622	13
1984	3,886	217	26	29	3,614	-
1985	3,937	230	26	29	3,652	51
1986	3,937	230	26	29	3,652	-
1987	4,180	298	31	33	3,818	243
1988	4,386	294	31	34	4,027	206
1989	4,395	294	31	34	4,036	9
1990	4,427	318	31	34	4,044	32
1991	4,505	339	32	34	4,100	78
1992	4,521	339	32	34	4,116	16
1993	4,525	345	32	34	4,114	4
1994	4,525	345	32	34	4,114	-
1995	4,525	345	32	34	4,114	-
1996	4,551	343	32	34	4,142	26

Year	Total	Headquarter	Trainingm Center	Laboratory	Customs Houses	Fluctuation
1996	4,551	343	32	34	4,142	26
1997	4,500	324	31	33	4,112	Δ51
1998	4,211	276	27	28	3,880	Δ289
1999	3,975	250	-	30	3,695	Δ236
2000	3,931	250	-	30	3,651	Δ44
2001	4,111	250	17	30	3,814	180
2002	4,183	265	17	30	3,871	72
2003	4,226	265	17	30	3,889	43
2004	4,292	265	17	28	3,957	66
2005	4,304	272	17	30	3,959	12
2006	4,343	304	33	31	3,949	39
2007	4,438	316	40	31	4,022	95
2008	4,429	310	40	31	4,019	Δ9
2009	4,459	310	45	31	4,031	30
2010	4,459	310	45	31	4,031	

\* ( ) Regional office

Source: 40 year's history of Korea Customs, Korea Customs Service, 2009

## 2. Expenditure

Table A2-2 | Expenditure

(Unit: hundred million KRW)

Year	Customs Expenditure		General Government Expenditure		A/B (%)
	Total Amount (A)	Growth Rate	Total Amount (B)	Growth Rate	
1970	14	-	4,413	-	0.32%
1971	15	5.7%	5,463	23.8%	0.27%
1972	20	35.1%	7,011	28.3%	0.29%
1973	22	7.5%	6,516	-7.1%	0.33%
1974	28	32.1%	10,188	56.4%	0.28%
1975	35	24.6%	15,502	52.2%	0.23%
1976	47	32.5%	21,705	40.0%	0.22%
1977	70	50.1%	27,400	26.2%	0.26%
1978	94	33.2%	35,387	29.1%	0.27%
1979	122	30.0%	50,322	42.2%	0.24%
1980	162	33.1%	64,861	28.9%	0.25%
1981	218	34.1%	79,078	21.9%	0.28%
1982	268	23.3%	91,789	16.1%	0.29%
1983	247	-7.9%	101,808	10.9%	0.24%
1984	253	2.5%	110,721	8.8%	0.23%
1985	298	17.6%	124,064	12.1%	0.24%
1986	332	11.3%	137,965	11.2%	0.24%
1987	380	14.6%	157,945	14.5%	0.24%
1988	473	24.3%	180,250	14.1%	0.26%
1989	552	16.7%	216,531	20.1%	0.25%
1990	649	17.7%	274,367	26.7%	0.24%
1991	775	19.4%	312,835	14.0%	0.25%
1992	918	18.4%	333,625	6.6%	0.28%
1993	997	8.5%	372,680	11.7%	0.27%
1994	1174	17.8%	427,947	14.8%	0.27%
1995	1262	7.5%	518,811	21.2%	0.24%
1996	1448	14.7%	579,621	11.7%	0.25%
1997	1627	12.3%	675,786	16.6%	0.24%

Year	Customs Expenditure		General Government Expenditure		A/B (%)
	Total Amount (A)	Growth Rate	Total Amount (B)	Growth Rate	
1998	1673	2.8%	702,635	4.0%	0.24%
1999	1644	-1.7%	801,378	14.1%	0.21%
2000	1905	15.9%	864,740	7.9%	0.22%
2001	2224	16.8%	968,865	14.1%	0.23%
2002	2489	11.9%	1,089,183	10.4%	0.23%
2003	2745	10.3%	1,172,229	7.6%	0.25%
2004	2963	7.9%	1,182,362	0.9%	0.23%
2005	3147	6.2%	1,342,077	13.5%	0.23%
2006	3363	6.9%	1,448,360	7.9%	
2007	3571	6.2%	1,543,309	6.6%	0.23%
2008	3789	6.1%	1,754,695	13.7%	0.22%
2009	3985	5.2%	1,998,759	13.9%	0.20%
2010	4028	1.1%	2,012,835	0.7%	0.20%

Source: 40 year's history of Korea Customs, Korea Customs Service, 2009

## 3. IT Expenditure

Table A2-3 | Expenditure

(Unit: million KRW)

Year	IT Expenditure (Total)
1971	2,755
1972	4,333
1973	24,094
1974	95,462
1975	87,687
1976	104,256
1977	118,541
1978	156,564
1979	160,626
1980	183,939
1981	523,788
1982	643,900
1983	731,832
1984	742,089
1985	1,099,090
1986	1,531,209
1987	1,883,448
1988	2,192,767
1989	2,468,144
1990	3,378,147
1991	3,200,807
1992	4,787,903
1993	6,236,305
1994	6,515,051
1995	7,741,343
1996	11,802,286
1997	13,920,683
1998	15,600,685
1999	18,761,927



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Year	IT Expenditure (Total)
2000	21,780,543
2001	24,541,000
2002	27,489,005
2003	30,672,006
2004	34,298,412
2005	33,641,000
2006	35,316,000
2007	36,211,000
2008	37,318,000
2009	42,179,000

Source: 30 year's history of Korea Customs, Korea Customs Service, 2002

## 4. Import and Export Volume

Table A2-4 | Import and Export Volume

(Unit: million USD)

Year	Export Amount	Import Amount	Trade Balance
1953	40	345	Δ306
1954	24	243	Δ219
1955	18	341	Δ323
1956	25	386	Δ362
1957	22	442	Δ420
1958	17	378	Δ362
1959	20	304	Δ284
1960	33	344	Δ311
1961	41	316	Δ275
1962	55	422	Δ367
1963	87	560	Δ474
1964	119	404	Δ285
1965	175	463	Δ288
1966	250	716	Δ466
1967	320	996	Δ676
1968	455	1,463	Δ1,008
1969	623	1,824	Δ1,201
1970	835	1,983	Δ1,148
1971	1,067	2,394	Δ1,327
1972	1,624	2,522	Δ898
1973	3,225	4,240	Δ1,015
1974	4,460	6,851	Δ2,391
1975	5,081	7,274	Δ2,193
1976	7,715	8,773	Δ1,058
1977	10,046	10,810	Δ764
1978	12,710	14,971	Δ2,261
1979	15,055	20,338	Δ5,283
1980	17,504	22,291	Δ4,787
1981	21,253	26,131	Δ4,878

Year	Export Amount	Import Amount	Trade Balance
1982	21,853	24,250	Δ2,397
1983	24,445	26,192	Δ1,747
1984	29,244	30,631	Δ1,387
1985	30,283	31,135	Δ852
1986	34,714	31,583	3,131
1987	47,281	41,020	6,261
1988	60,694	51,811	8,883
1989	62,377	61,464	913
1990	65,015	69,843	Δ4,828
1991	71,870	81,524	Δ9,654
1992	76,631	81,775	Δ5,144
1993	82,236	83,800	Δ1,564
1994	96,013	102,348	Δ6,335
1995	125,057	135,118	Δ10,061
1996	129,715	150,339	Δ20,624
1997	136,164	144,616	Δ8,452
1998	132,313	93,282	39,031
1999	143,685	119,752	23,933
2000	172,300	160,500	40,449
2001	150,400	141,100	Δ13,267
2002	162,500	152,100	14,643
2002	162,500	152,100	14,643
2003	193,800	178,800	16,082
2004	253,800	224,500	23,180
2005	284,400	261,200	29,382
2006	325,500	309,400	14,991
2007	371,500	356,800	10,944
2008	422,000	435,300	9,341
2009	363,500	323,100	11,786

Source: 40 year's history of Korea Customs, Korea Customs Service, 2009

## 5. Number of Passengers

Table A2-5 | Number of Passengers

Year	Inbound		Outbound	
	Number of Passengers	Increase Ratio	Number of Passengers	Increase Ratio
1961	11,109	28.10%	11,245	43.10%
1962	15,184	36.68%	10,242	-9.79%
1963	22,061	45.29%	11,860	13.64%
1964	24,953	13.11%	20,486	42.11%
1965	33,494	34.23%	19,796	-3.49%
1966	67,965	102.92%	35,095	43.59%
1967	84,216	23.91%	40,374	13.08%
1968	102,686	22.01%	67,381	40.08%
1969	126,686	23.30%	72,311	6.82%
1970	173,335	36.82%	73,569	1.71%
1971	232,795	34.30%	76,701	4.08%
1972	370,656	59.22%	84,245	8.95%
1973	679,221	83.25%	101,295	16.83%
1974	517,590	-23.80%	121,573	16.68%
1975	632,846	22.27%	129,378	6.03%
1976	834,239	31.82%	164,727	21.46%
1977	949,666	13.84%	209,698	21.45%
1978	1,079,396	13.66%	259,578	19.22%
1979	1,126,100	4.33%	295,546	12.17%
1980	976,415	-13.29%	338,840	12.78%
1981	1,093,214	11.96%	436,025	22.29%
1982	1,145,044	4.74%	499,707	12.74%
1983	1,194,551	4.32%	493,461	-1.27%
1984	1,297,318	8.60%	493,108	-0.07%
1985	1,426,045	9.92%	484,155	-1.85%
1986	1,659,972	16.40%	454,974	-6.41%
1987	1,874,501	12.92%	510,538	10.88%
1988	2,340,462	24.86%	725,176	29.60%

Year	Inbound		Outbound	
	Number of Passengers	Increase Ratio	Number of Passengers	Increase Ratio
1989	2,728,054	16.56%	1,213,112	40.22%
1990	2,958,839	8.46%	1,560,923	22.28%
1991	3,196,340	8.03%	1,856,018	15.90%
1992	3,231,081	1.09%	2,043,299	9.17%
1993	3,331,226	3.10%	2,419,930	15.56%
1994	3,580,024	7.47%	3,154,326	23.28%
1995	3,753,197	4.84%	3,818,740	17.40%
1996	3,688,779	-1.85%	4,649,251	17.86%
1997	3,908,140	6.09%	4,542,159	-2.36%
1998	4,250,216	8.75%	3,066,926	-48.10%
1999	4,659,785	9.64%	4,341,546	29.36%
2000	9,375,864	100%	9,358,007	115%
2001	9,749,352	3.98%	9,784,647	4.56%
2002	10,971,240	12.53%	10,975,416	12.17%
2003	10,446,797	-4.78%	10,392,584	-5.31%
2004	12,954,222	24.00%	13,052,710	25.60%
2005	14,154,359	9.26%	14,508,560	11.15%
2006	15,878,518	12.18%	15,872,579	9.40%
2007	17,729,979	11.66%	17,678,411	11.38%
2008	16,909,486	-4.64%	16,842,005	-4.73%
2009	15,370,137	-9.09%	15,414,118	-8.48%

Source: 40 year's history of Korea Customs, Korea Customs Service, 2009

## 6. Tax Collection Record

Table A2-6 | Tax Collection Record

Unit	Tax amount collected by Customs			National Tax(C)	A/C	B/C
	Customs Duty(A)	VAT..etc	STT(B)			
1966	117		117	952	12.29%	12.29%
1967	254		254	1,392	18.25%	18.25%
1968	379		379	2,107	17.99%	17.99%
1969	447		447	2,871	15.57%	15.57%
1970	509		509	3,648	13.95%	13.95%
1971	522		522	4,531	11.52%	11.52%
1972	591		591	4,763	12.41%	12.41%
1973	823		823	5,785	14.23%	14.23%
1974	1,266		1,266	9,137	13.86%	13.86%
1975	1,810		1,810	13,910	13.01%	13.01%
1976	2,755	1,473	4,228	20,927	13.16%	20.20%
1977	3,859	3,700	7,559	26,227	14.71%	28.82%
1978	6,464	8,079	14,543	36,523	17.70%	39.82%
1979	7,323	10,411	17,734	47,617	15.38%	37.24%
1980	7,661	14,090	21,751	58,077	13.19%	37.45%
1981	8,906	16,635	255,541	72,579	12.27%	35.19%
1982	10,126	17,441	27,567	83,964	12.06%	32.83%
1983	14,632	20,170	34,802	100,507	14.56%	34.63%
1984	15,940	23,802	37,742	108,997	14.62%	36.46%
1985	15,661	25,481	41,142	118,764	13.19%	34.64%
1986	19,426	27,657	47,083	136,063	14.28%	34.60%
1987	26,965	37,447	64,412	163,437	16.50%	39.41%
1988	25,736	41,920	67,656	194,842	13.21%	34.72%
1989	21,176	43,454	64,630	212,341	9.97%	30.44%
1990	27,654	54,841	82,495	268,474	10.30%	30.73%
1991	34,355	53,536	87,891	303,198	11.33%	28.99%
1992	31,532	56,678	88,210	352,184	8.95%	25.05%
1993	28,859	60,817	89,676	392,606	7.35%	22.84%

Unit	Tax amount collected by Customs			National Tax(C)	A/C	B/C
	Customs Duty(A)	VAT..etc	STT(B)			
1994	34,489	75,821	110,310	472,617	7.30%	23.34%
1995	46,332	98,120	144,452	567,745	8.16%	25.44%
1996	53,095	111,062	164,157	649,603	8.17%	25.27%
1997	57,976	125,446	183,422	699,280	8.29%	26.23%
1998	38,360	121,203	159,563	677,977	5.66%	23.54%
1999	46,873	133,016	179,889	756,580	6.20%	23.78%
2000	57,997	173,331	231,328	923,347	6.24%	24.89%
2001	59,234	181,805	241,039	957,928	6.18%	25.16%
2002	66,013	198,499	264,512	1,039,678	6.35%	25.44%
2003	68,473	217,662	286,136	1,146,642	5.97%	24.95%
2004	67,965	249,936	317,901	1,177,957	5.77%	26.99%
2005	63,177	261,143	324,320	1,274,657	4.96%	25.44%
2006	68,584	295,533	364,117	1,380,443	4.97%	26.38%
2007	74,108	323,228	397,335	1,614,591	4.59%	24.61%
2008	87,757	425,581	513,337	1,673,060	5.25%	30.68%
2009	91,691	498,526	498,526	1,645,407	5.57%	30.30%

\* Tax Revenue is equal to the total of national tax and local tax (national tax + local tax = Tax Revenue, Total rate of national tax + total rate of local tax = 100%). National tax includes internal tax and customs duty.

\*\* Originally, based on the new reformed law in 1951, the fiscal year started every April 1st and ended the following year on March 31st, 1955. Because the U.S. aid was still under negotiations, the annual budget plan was delayed and completed on July 31st, and the revised supplementary budget was planned in July making the data disappear for the fiscal year. Following this even the fiscal year was reformed to be on January 1st and end in December 31<sup>st</sup>.

Source: Annual National Tax Statistics, National Tax Service, 1995-2009  
 Annual Revenue Statistics, Ministry of Finance taxation bureau, 1958-1964  
 Korea Revenue Statistics, Ministry of Finance taxation bureau, 1958

## 7. Smuggling Arrest Record

Table A2-7 | Smuggling Arrest Record

Year	Number of Arrest	Amount (million KRW)
1956	1,711	216
1957	2,281	261
1958	1,941	167
1959	2,171	146
1960	1,691	136
1961	2,557	210
1962	2,536	187
1963	1,868	122
1964	2,752	186
1965	3,717	460
1966	6,349	743
1967	4,511	797
1968	10,196	1,356
1969	8,320	1,261
1970	5,924	2,575
1971	6,284	3,758
1972	6,031	6,338
1973	5,193	3,734
1974	8,464	4,089
1975	10,619	17,717
1976	9,576	9,130
1977	7,636	12,016
1978	7,099	81,57
1979	11,122	11,731
1980	5,752	11,558
1981	3,904	13,203
1982	3,564	16,123
1983	5,680	42,198
1984	4,745	26,834
1985	2,163	17,504



Year	Number of Arrest	Amount (million KRW)
1986	2,210	16,139
1987	1,514	26,061
1988	1,113	24,781
1989	2,119	39,495
1990	2,763	54,059
1991	3,119	80,013
1992	2,506	234,006
1993	3,796	136,057
1994	2,529	136,699
1995	2,213	223,109
1996	1,930	258,646
1997	2,946	334,664
1998	1,782	373,076
1999	2,086	1,403,115
2000	2,611	2,400,406
2001	3,655	3,356,086
2002	4,171	6,367,826
2003	4,391	3,623,323
2004	5,158	5,034,385
2005	4,996	4,921,393
2006	5,996	6,253,916
2007	6,696	4,480,601
2008	5,924	5,511,123
2009	5,145	

Source: 40 year's history of Korea Customs, Korea Customs Service, 2009

## Appendix 3. UNI-PASS System Function List

### 1. Single Window Functions

**Table A3-1 | Single Window Function List**

Task unit	Functions
Request Regulatory Permits	Import declaration on food etc.
	Inspection request for import plants and import declaration on prohibited goods
	Inspection request for export plants
	Import declaration for import agricultural goods
	Quarantine request for import agricultural goods
	Quarantine request for import livestock
	Quarantine request for export agricultural goods
	Quarantine request for export livestock
	Processing status of related agencies
	Query reception/transmission status
	Discussion board of the related agencies
	Archive of the related agencies
	e-payment processing
	e-payment status
Regulatory Permit Related Tasks	Create import approval
	Create inspection/quarantine report
	Create export approval
	Processing status
	Notification list
User Management	Query internet service use
	Change internet service use
	Quit internet service use
Document Management	Query status of user's document box
	Register user's document box
	Change user's document box
	Configure user's document box

Task unit	Functions
Process Status Monitoring	Reception management
	Reception status of regulatory permits
	Error status on regulatory permits received
	Reception status on current state
	Error status on reception state
	Reception status on codes
	Error status on codes received
	Send status
	Error status on send
	Reception/sending statistics
	Information status on creation of document box
	Information status on deleting of document box
	Unused status of document box
	List of received documents
	List of sent documents
	Gateway
Receive result notification of inspection/quarantine	
Reception/error notification of inspection/quarantine result	
Clearance result notification on inspection/quarantine	

Source: Korea Customs Service

## 2. Internet Portal functions

Table A3-2 | Internet Portal Function List

Task unit	Functions
Export Clearance	Writing declaration
	Processing status
	Notification details
Import Clearance	Writing declaration
	Processing status
	Notification details
Customs Drawback	Writing declaration
	Processing status
	Notification details
Cargo	Writing application
	Processing status
	Notification details
	Processing status(bonded transportation)
	Notification details(bonded transportation)
Other Electronic Civil Affair	Writing application
	Processing status
	Registering attachment
	Printing certificate for passing vehicle
Managing Enterprise Information	Managing trading clients
	Managing trading clients(bonded transportation)
	Goods information management
	Managing FOB conversion list
Printing Clearance Document Format	Import declaration certificate
	Export declaration certificate
	Bonded factory(others) declaration certificate
	Bonded transportation declaration certificate
	Application approval for lease
	Other notice

Task unit	Functions
Electronic Document Box	Sending/receiving box
	Transmission/reception statistics(user)
	Document box(user)
	Document box detailed view(user)
	User management registering document box(user)
	User management amending document box(user)
	User management setting document box user(user)
Support Information on Declaration	HS code
	Customs duty rate(convention, flexibility)
	Internal duty rate
	Weekly exchange rate
	Simplified drawback rate
Company Performance Result	Import export drawback payment result
	Yearly import result
	Yearly export result
	Export declaration result
	Import declaration result
	Tariff notification details
	Duty payment result
	Security usage details
	Delinquency details
	Drawback application details
	Application result for certificate of tax payment on raw material
	Application result for certificate of import declaration partition
	Application result for carry-in loading
	Drawback balance
	Import/export error status
	Details of post management goods
Self assessment of compliance degree	
Information on audit progress	
Error management on self audit declaration	
Non-drawback details	

Task unit	Functions
Information on Clearance	Progress information on import cargo (period)
	Progress information on import cargo (by case)
	Progress details on export (period)
	Progress details on export (by case)
	Non-loading list of transit cargo
	Acceptance details of export
	Import requirement approval details
	Export requirement approval details
	Departure permit(sea)
	Departure permit(air)
	Forecast details of aircraft entry/departure
	Registration details of bonded vehicle
	Analysis progress
	Brand name registration
	Goods verification details before loading
	Companies subject to import/export PL
	Companies with simplified fixed amount drawback
	Details of designation for credit security
	Extending bonded area placing period
	Inventory status of bonded area
	Cargo processing time by company
	Details of loading permission period for supplies for vessel
	Non-arrival details of bonded transportation
	Expected carry-in information for bonded transportation
	Non-carry in status of unloading place
	Searching progress status of customs incident
	Searching informed process in general prosecution
	Searching incidents in high court
	Searching requirement verification details
	Advanced prediction system
	Expiry details of compulsory period for release
	Import/export statistics
	Benefit and general market preparation ratio
Export notification support center	
List search for clearance of post	

Task unit	Functions
Statistics Code	Statistics code
	Placing field code
	Reduction in customs duty/Code for install payment
	Holiday
	Port code
	Airport code
	Unloading/survey/outsourced company code
Application for Usage	Usage application
	Company and representative
	Company employee
	General user
	Agreement on sign up of membership
User Management	Searching internet service usage
	Changing internet service usage
	De-selecting internet service usage
Document Box Management	Document box(user)
	Document box detailed view(user)
	User management document box management(user)
	User management change of document box(user)
	User management user setting of document box(user)
My Page	Amending personal information
	List search of my consulting details
	Registering my consulting details
	List search of details of my opinion for improvement
	Registering details of my opinion for improvement
	My community
	My scrapbook
	Frequently accessed civil appeal
	Setting my page
Managing User Right	User
	User group
	Application
	Resource group
	Role group
	User security policy
	Managers right

Task unit	Functions
Common Module	Managing traders searching traders
	Searching HS code
	Searching trading registration number
	Searching exchange rate information
	Searching placing field code
	Searching goods for trade management
	Managing traders managing traders
	Managing traded goods managing traded goods
	Searching common code
	Searching existing import declaration details
	Searching unique clearance code
	Managing traders managing traders
	Managing traded goods managing traded goods
	Managing traded goods searching standard ingredient
	Searching customs duty reduction installment code
	Searching code by domestic tax
	Searching code for domestic tax deduction in special duty
	Searching code for deduction in value added tax
	Searching code for foreign supplier
	Searching verification(application) of carry-in(loading)
	Searching simplified fixed rate list
	Searching application for re-certificate amendment
	Searching sequential table
	Searching details of existing export declaration
	Searching import declaration number
	Searching export declaration number
	Searching common code name
	List searching FOB conversion list
	Managing FOB conversion list
	Searching declarant contact
Searching import declaration number(OCX)	
List search import declaration certificate	
List search payment notification	
List search export declaration certificate	

Source: Korea Customs Service



### 3. Import Clearance Functions

**Table A3-3 | Import Clearance Function List**

Task unit	Functions
Managing Declaration Allocation	Registering audit task by officers
	Registering auditor by HS
	Registering auditor by placing field
	Registering auditor by express courier
	Registering manual allocation (selection)
	Registering manual allocation (input)
	Registering change of auditor (selection)
	Registering change of auditor (input)
	Registering officers for extra opening
	Registering auditor allocation method
	Changing auditor for declaration amendment
	Registering officers for unique clearance code
	Integrate change of officers for extra opening application
	Managing placing field code group
Approval Process	Searching approval application status
	Registering audit/approval
	Registering approval cancellation
	Registering rectification cancellation
	Registering request for analysis cancellation
	Searching approval application status
	Approval for correction request and changing PL
	Approval for correction of displaying origin
	Approval for rejection of declaration
Immediate Release	Searching declaration approval application status
	Declaration approval
	Daily status
	Search result by officers
	Search status by officers
	Search amendment status by officers

Task unit	Functions
Verifying Clearance Status	Search daily clearance status
	Search correction clearance status
	Search declaration amendment status
	Search details of auditor(inspector) change
	Search amendment/correction/rectification status
	Search cancellation/rejection status
	Search daily status by officers
	Search undecided status by officers
	Search import requirement verification
	Process status by P/L process time
	Search immediate post-audit status
Declaration Process	Declaration allocation status
	Registering audit approval
	Registering and issuing analysis request
	Registering withholding of clearance
	Searching import inspection photographing details
	Registering request for displaying origin
	Search status for undecided cases
	Inspection information and inspection amendment
	Registering inspection result
	Search provisional(permanent) price declaration status
	Search inspection guideline
	Registering extension for permanent price declaration deadline
	Search information for foreign market price information
	Request for correction and PL change registration
	Registering guide for amendment of duty amount
	Extending deadline for submission of certificate of delivery
	Search status for certificate of delivery
	Search request for approval of correction request
	Registering declaration withdrawal/rejection
	List searching and cancelling of declaration withdrawal application
	Application status for extension of deadline for permanent price declaration
Application audit for extension of deadline for permanent price declaration	
Registering audit result	

Task unit	Functions
	Registering and printing notification for trademark
	Notifying inspection execution
	Searching C/S information
	Searching delinquency information
	Searching details of price declaration
Issuing Notification	Issuing payment notification
	Printing payment notification for goods before acceptance
	Issuing expense notification for import substitute
Registering Re-application	Approval of duty exemption of re-export condition
	Registering release approval before acceptance (general)
	Registering and issuing record book for application of extra opening
	Verifying/registering duty reduction details
	Registering small/medium manufacturers
	Searching application details for extra opening
	Searching extra opening application details by import declaration
	Registering result for extra opening
	List searching and cancelling of release approval application before acceptance
	Managing extra opening record book
	Verifying and registering application for conventional tariff
Moving Goods	Registering details of family
	Printing details of major goods
	Searching non registered details of family
Import Requirement/ Verifying Duty Rate Recommendation	Searching requirement verification by organization
	Registering requirement verification and tariff recommendation
	Searching requirement verification details by HS
	Changing import requirement registration details
	Changing inspection quarantine registration details
	Searching import requirement/duty rate error notification
Verifying Origin	Registering origin verification details
	Searching origin verification details
	Origin verification statistics
	Registering origin seal
	Searching origin seal
	Searching violation details of displaying origin

Task unit	Functions
Amending Import(duty payment) Declaration	Manual amendment of import(duty payment) declaration
	Application status for amendment of import(duty payment) declaration
	Application audit for amendment of import(duty payment ) declaration
	File loading subject to integrated rectification
	File loading subject to integrated rectification
	Registering integrated rectification
	Integrated audit for duty amount amendment application
	Registering integrated notice and issuing notice
	Registering compensation details
	Searching compensation details
	Searching import declaration details by notice number
	Changing duty collection type
	File loading subject to model type aggregate amendment
	Registering model type aggregate amendment
	Searching file registration details for model type aggregate amendment
Import Clearance Status	Searching declaration (acceptance) details
	Searching acceptance status
	Searching clearance progress information
	Searching installment usage approval details
	Issuing declaration acceptance details
	Issuing import declaration list
	Searching import/export pattern by HS
	Searching declaration number by period
	Searching duty amount by declaration number
	Searching post audit goods list
	Issuing goods record book with display of origin
	Searching immediate post audit status
	Searching business registration number
	Searching non accepted status details
	Distribution of import declaration certificate
	Searching companies subject to special clearance
	Searching auto clearance details
	Searching import result by declaration type
Searching evaluation level by unique clearance code	

Task unit	Functions
Analysis Report Status	Searching analysis report status
	Searching analysis result
	Searching analysis result by HS code
	Searching status for analysis request
	Searching status for analysis correction request
	Searching analysis history details
Declaration Management	Searching declaration status before declaration release
	Searching declaration details before declaration release
	Searching inspection information and change of inspection
	Release audit before declaration
	Companies for application / goods registration
Amendment Management	Cancelling manual amendment declaration before release
	Searching amendment status for declaration before release
	Searching amendment details for declaration before release
Audit and Measurement	Searching allocation status of duty payment declaration form
	Duty payment declaration form
	Registering opinion for audit
	Searching status for measurement
	Registering measurement result
	Changing subject for pre audit
	Registering information submission details
	Searching information submission list
Searching Statistics Status	Searching statistics report1
	Searching statistics report2
Requirement Verification	Duty rate by HS, import pattern
	Registering concession/allocation/FTA recommended organization
	Individual registration for subjects with verification by customs
	Integrated registration for subjects with verification by customs
Amendment/ Cancellation	Registering cancelling cancellation/rejection
	Registering cancellation of acceptance
Customs Duty Management	Registering duty rate
	Registering countries with agreement/flexible customs duty
	Registering dumping customs rate
	Changing integrated customs rate
	Printing changing details of customs rate list

Task unit	Functions
	Registering internal tax rate
	Registering simplified duty rate
	Registering abatement installment code
	Integrated amendment for abatement code
	Registering foreign market price information
Search Tariff Amendment	Searching goods, specification amendment details
	Searching number of goods, specification amendment
Pre-audit Selection Criteria Management	Searching goods and company
	Registering goods and company
Post Management	Searching companies subject to aggregate audit
	Searching companies in violation of customs, drawback law
	Searching companies with delinquency
	Searching companies with low credibility
	Searching declarants with low credibility
	Registering criteria for goods with specific use duty rate
	Registering criteria for goods with abatement installment
	Registering companies in violation of customs law
	Registering companies with delinquency
	Registering companies with low credibility
	Registering declarants with low credibility
	Registering risk level of companies in violation of customs law, drawback law
	Registering risk level of companies with delinquency
	Registering risk level of companies with low credibility
	Registering risk level of declarants with low credibility
	Registering risk level by verification result code
	Registering risk level by specific use duty rate goods
Registering risk level by abatement installment goods	
Code Management	Registering holidays
	Registering weekly exchange rate
	Registering HS code
	Registering statistics code
	Searching statistics code
	Unique clearance code
	Foreign supplier code
	Operating foreign supplier code

Task unit	Functions
	Code management code
	Managing merged company
	Managing company reference
Exchange Rate Management	Detailed search of information on daily exchange rate
	Information on weekly exchange rate
	Registering and amending exchange rate information
	Searching error status in exchange rate information
Allocation	Waiting for acceptance processed
	Import declaration allocation
	Reflecting amendment details on import declaration
	Automatic acceptance of bonded factory usage declaration
Trademark Management	Managing major brands
	Managing brand right
	Managing cases for withholding of clearance
	Managing requested cases for withholding of clearance
	Searching brand right
	Searching brand right
	Managing non applied cases
Registering and printing brand right related notice	
Statistics Management	Declaration status by countries, customs
	Withheld result for clearance
	Parallel import result
Managing Selection/ Allocation/Approval	Registering random ratio
	Manual selection
	Manual allocation/change of officer in charge
	Searching selection list
	Registering verification/result for measurement
	Result registration
Search Details/ Registration	Manual registration
	List search/print
	Detail search/print
	Registering changed details
	Registering completed details
	Searching acceptance details
	Accepting post management

Task unit	Functions
Search Statistics Data Collection Method	Management method
	Legal article
	Management method/Legal article
	Completion / Measurement result
	Completion / Measurement result details
	Violation details by customs
	Violation details by search condition
Applying EDI Change	Searching application status for change
	Details of application for change
Allocation	Generating information for risk criteria
	Registering selection C/S and officer in charge
	Auto acceptance of post management
	Generating statistical data for violation details of vessel verification result
Simplified Courier	Registering manual selection of simplified express courier
	Status search for subjects to simplified express courier
	Registering simplified express courier inspection result
	Status search for simplified express courier inspection
List Clearance	Searching clearance list process status
	Audit for goods by express courier
	Cancelling acceptance for goods by express courier
	Declaration status by companies with clearance list
	Searching declaration details by companies with clearance list
	Declaration status by clearance list period
	Amending goods details by express courier
	Result by express courier of list clearance
Registering commercial document delivery company	
Simplified Courier C/S	Registering simplified C/S criteria
	Searching simplified C/S criteria
	Registering express courier inspection ratio
	Requesting registration of simplified C/S criteria
	Request status of simplified C/S criteria
	Simplified C/S result history
	Comparison status of simplified C/S result
Result by simplified C/S criteria	



Task unit	Functions
List Clearance C/S	Registering list clearance C/S criteria
	Searching list clearance C/S criteria
	Registering excellent list clearance criteria
	Searching excellent list clearance criteria
	History by list clearance C/S criteria
	Details of list clearance C/S inspection
Allocation	Simplified express courier C/S
	List clearance C/S
Carnet Import/Export Management	Registering temporary import details
	Registering usage approval other than main purpose
	Registering approval for extension of re-export period
	Installment registration of goods
	Searching details of re-export violation details
	Registering imposition result details
	Accepting re-export declaration
	Registering cancellation (withdrawal) of accepting re-export declaration
	Accepting temporary export declaration
	Accepting re-import declaration
Registering details of temporary export	
Carnet Loading Management	Searching details of non-loading in re-export
	Searching details of change
	Registering loading details of re-export
	Extending re-export loading period
Carnet Bonded Transportation Management	Registering approval for bonded transportation
	Searching non-arrival status of bonded transportation
	Registering arrival report for bonded transportation
	Registering abolition/devastation of bonded transportation
	Searching bonded transportation status
Carnet Status	Approval status for extending re-export period
	Additional decision notification status
	Monthly carnet clearance result
	Periodic process status
	Import/export declaration status
Allocation	Approval status for usage other than main purpose
	Delivery verification for details of carnet additional decision

Source: Korea Customs Service

## 4. Export Clearance Functions

**Table A3-4 | Export Clearance Function List**

Unit Task	Functions
Audit	Inspector Allocation Status
	Export Declaration Review-Common
	Export Declaration Review-Line
	Requirement verification/Inspection&Quarantine verification
	Amendment Notice Registration
	Inspection Result Registration
	Export declaration Review-Header
	Export declaration Review-Line
	Re-classification as the item to inspection
	Re-classification as the item which additional document should be submitted
Amendment/ Withdrawal/ Rejection	Amendment notice verification approval
	Amendment/withdrawal request review
	Amendment/withdrawal request approval
	Declaration amendment/withdrawal/rejection registration- Header
	Declaration amendment/withdrawal/rejection registration- Line
Incomplete Shipment	Declaration amendment/withdrawal/rejection Management- Header
	Declaration amendment/withdrawal/rejection Management- Line
	Incomplete shipment status review
	approval cancellation
Simplified Export	shipment period extension approval
	Export Completion detail review
	Review items to inspection in the list clearance
	Register inspection result
	List Clearance acceptance cancellation
Distribute Declaration	Review list clearance details
	list clearance acceptance registration and declaration withdrawal
	Register auto allocation of inspector
	Register inspector selection rule
	Register inspector manual allocation

Unit Task	Functions
	Register inspector change
	Register the officer in charge of amendment&withdrawal
	Change the officer in charge of amendment&withdrawal
Requirement Verification	Export requirement verification details management
	Inspection&Quarantine result management
Information Retrieval	Daily performance by officers
	Verification of details inspector changes
	Verification of declaration(acceptance), withdrawal/rejection
	Daily Clearance Status Review
	Review of incomplete jobs by officers
	Review of declaration amendment status
	Verification of amendment details
	Review of declaration acceptance details-Header
Review of declaration acceptance details-Line	
Allocation	Export Declaration receipt
	Declaration amendment and withdrawal receipt
	List clearance receipt
	Requirement verification approval/Inspection&Quarantine verification result receipt
	Export declaration selectivity
	Declaration allocation to verifiers

Source: Korea Customs Service

## 5. Cargo Management Functions

**Table A3-5 | Cargo Management Function List**

Task unit	Functions	
Import cargo	Arrival	Status of sea arrival report
		Sea arrival report audit
		Status of air arrival report
		Air arrival report audit
		Status of sea arrival report amendment
		Audit sea arrival report amendment
		Status of air arrival report amendment
		Audit air arrival report amendment
		Search crew lists
		Search air arrival crew list
		Search sea arrival passenger list
		Search air arrival passenger list
		Amending sea arrival crew list
		Amending sea arrival passenger list
		Amending air arrival crew list
		Amending air arrival passenger list
	Search manifest details	
	Search manifest container details	
	Search consolidated manifest	
	Search consolidated manifest details	
	Search consolidated manifest container details	
	Sea manifest audit	
	Selectivity of sea cargo subject to control	
	Air manifest audit	
	Selectivity of air cargo subject to control	
	Deselecting items subject to control	
Registering results		
Status of manifest amendment request [sea/air]		

Task unit	Functions
	Audit for amending service information [sea/air]
	Audit for B/L amendment [sea/air]
	Additional audit for Master B/L [sea/air]
	Additional audit for House B/ [sea/air]
	Audit for delete of B/L [sea/air]
	Manually amending service information [sea/air]
	Manually amending manifest [sea/air]
	Manually amending consolidated manifest [sea/air]
	Manually amending container information
Unload	Receipt status of Abnormality Report on Unloading Results
	Processing status of Abnormality Report on Unloading Results
	Details of processing abnormality report on unloading results
	Registering details and current status of seal rack issuance
	Registering amended Abnormality Report on Unloading Results
	Registering amended Abnormality Report on Unloading Results
	Receipt status of abnormality report on unloading results
	Processing status of Abnormality Report on Unloading Results
	Details of processing abnormality report on unloading results
Import Carry-in	Carry-in status by bonded area
	Carry-in status by cargo management number
	Details of carry-in report
	Details of carry-in report for irregulars
	Carry-in status
	Details of carry-in report for items subject to control
	Manually amending carry-in report
	Status of carry-in report amendment
	Audit for carry-in report amendment
	Receipt of carry-in report
	Accept request for carry-in report amendment
Import Release	Release status by bonded area
	Release details by cargo management number
	Release declaration details
	Details of release approval

Task unit	Functions
	Status of application for amending release declaration
	Audit carry-in report amendment
	Manually amending release declaration
	Details of unreleased amid release approval process
Inventory	Inventory status by bonded area
	Inventory status by cargo management number
Bonded Transportation	Status of receipt of bonded transportation declaration
	Acceptance of bonded transportation declaration
	Status of bonded transportation declaration acceptance
	Status of amendment request for bonded transportation
	Audit for bonded transportation amendment
	Registering discard/destruction of bonded transportation
	Information on scheduled bonded transportation carry-in
	Bonded transportation non-arrival status
Transshipment	Status of transshipment permit application
	Audit for transshipment permit
	Amending common section of transshipment permit
	Amending cargo management number of transshipment permit
	Amending container information of transshipment permit
Allocating Import Cargo	Automatic C/S
	Details on freight congestion
	Generate cargo tracking information for import
	Generate records of declaration acceptance and release approval
	Allocate auditor
Allocating Auditor	Registering automatic allocation of auditor
	Registering criteria for selecting auditor
	Manually allocate auditor
	Register change of auditor
Import Cargo C/S	Managing C/S criteria
	Registering C/S criteria
	Registering random criteria by customs office
Public Auction for Overdue Goods	List of goods to be overdue
	Request for calculating preliminary price for the public auction
	Search details of freight congestion

Task unit	Functions
	<ul style="list-style-type: none"> <li>Checking bonded transportation for overdue goods</li> <li>Status of request for calculating preliminary price for the public auction</li> <li>Status of request for calculating preliminary price for the public auction [appraisal dep.]</li> <li>Registering preliminary price for the public auction</li> <li>Public auction item list</li> <li>Registering public auction result</li> <li>Registering approval of release of public auction item</li> <li>Status of freight congestion by bonded area</li> <li>Draw up list for release notice</li> </ul>
Bonded Area	<ul style="list-style-type: none"> <li>Status of request of scrap/destruction of bonded area</li> <li>Approval of scrap/destruction of bonded area</li> <li>Status on approval of scrap/destruction of bonded area</li> <li>Registering the completion of the scrap/destruction of bonded area</li> <li>Status of the request for amending scrap/destruction of bonded area</li> <li>Audit for amendment over scrap/destruction of bonded area</li> </ul>
Cargo Information	<ul style="list-style-type: none"> <li>Information on import cargo allocation</li> <li>Bonded transportation declaration processing information</li> <li>Advance information on declaration provided by broker</li> <li>Information on bonded area carry-in/release declaration</li> <li>Search import cargo tracking information (official use)</li> <li>Search import cargo tracking information (portal)</li> </ul>
Bonded Factory Management	<ul style="list-style-type: none"> <li>Search for carry-in release declaration list</li> <li>Registration status for temporary duty free permission</li> <li>Registration of temporary duty free details</li> <li>Search for application list of carry-in declaration amendment</li> <li>Detailed search for application of carry-in declaration amendment</li> <li>Search for application list of release declaration amendment</li> <li>Detailed search for application of release declaration amendment</li> <li>Registering approval for carry-in/release declaration</li> <li>Approval by manager for carry-in/release</li> <li>Manual amendment for carry-in/release</li> </ul>

Task unit	Functions
	Search for planned carry-in list
	Search non arrival list
	Register bonded factory raw material
	Register details of bonded transportation exceptional company
	Search application list for extension of bonded transportation
	Search application details for extension of bonded transportation
	Statistics by customs/company/HS
	Monthly/daily statistics
Duty Free	Application status for carry-in inspection
	details/acceptance of application for carry-in inspection
	Application status for amendment of carry-in inspection
	Application details/acceptance of carry-in inspection
	Application process status of carry-in inspection amendment
	Application process details of carry-in inspection amendment
	Release declaration status
	Release goods declaration status
	Details/acceptance of release goods declaration
	Application status for abolition/loss
	Details/acceptance of abolition/loss application
	De-selection application status
	Details/acceptance of de-selection application
	Registering unit of exchange ticket/de-selection status
	Registration status by HS code
	Amendment application status
	Details/acceptance of amendment application
	Manual process status of amendment
	Manual registration of amendment
	Manual registration of carry-in/release
	Monthly sales result report status
Monthly sales result report details	
	Manual registration of monthly sales result



Task unit	Functions
Departure	Status of sea departure report
	Audit sea departure report
	Status of air departure report
	Audit air departure report
	Status of request for amending sea departure report
	Audit sea departure report amendment
	Status of request for amending air departure report
	Audit air departure report amendment
	Search air departure crew list
	Amending air departure crew list
	Search air departure passenger list
	Amending air departure passenger list
Export cargo	Search export manifest
	Search export manifest details
	Search consolidated manifest
	Search consolidated manifest details
	Status of receipt of sea export manifest
	Audit sea export manifest
	Status of receipt of air export manifest
	Audit air export manifest
	Managing un-submitted list of manifest
	Canceling export manifest approval
	Status of export manifest amendment request
	Amending export manifest service information
	Audit for export manifest B/L amendment
	Audit for delete of export manifest B/L
	Additional audit for export manifest Master B/L
	Additional audit for export manifest House B/L
	Amending export manifest container information
	Amending export declaration number (cargo management number)
	Amending export manifest service information (manually)
	Amending export manifest B/L (manually)
Delete export manifest B/L (manually)	
Manifest	

Task unit	Functions
	Add export manifest (manually)
	Export manifest M B/L (manually)
	Export manifest container information (manually)
	Amending export manifest declaration number (manually)
Export Carry-in	Search details of carry-in report
	Status of carry-in report amendment request
	Audit for carry-in report amendment
	Receipt of carry-in report
	Accept request for carry-in report amendment
Allocating Export Cargo	Applying details of export cargo shipment
	Applying details of transit cargo shipment
	Generate details of incomplete shipment
	Export manifest
	Generate disparity of transit cargo
	Allocate auditor
Allocating Auditor	Registering automatic allocation of auditor
	Registering criteria for selecting auditor
Loading	Search disparity of transit cargo
	Search non departure details
	Search export implementation details
	Search cargo management number vessel details
Cargo Information	Search export cargo tracking information (official use)
	Search export cargo tracking information (portal)

Source: Korea Customs Service

## 6. Duty Collection Functions

**Table A3-6 | Duty Collection Function List**

Task Unit	Functions
Duty Payment	Searching non payment details
	Amending/re-issuing notice
	Integrated notice for bonded factory
	Integrated notice for release before acceptance
	Searching notice number by declaration
	Approval for extension of payment
	Manual payment registration
	Searching payment error details
	Managing manual payment registration
	Registering other duty collection result
	Searching amended notice non payment details
	Generating notice details
	Processing financial notice of payment
	Managing Payment Receipt
Amending and re-issuing of tax bill	
Integrated issuance of tax bill	
Registering companies for tax bill	
Registering receipt for reversion to national treasury	
Registering status for receipt of reversion to national treasury	
Status for companies with tax bill	
Issuing details of tax bill	
Search for details of drawback and tax bill by notice number	
Printing corrected tax bill aggregate list by importer	
Issuing details of corrected tax bill after passing taxed period	
Registering issuing companies for import receipt	
Change of issuing for individual import receipt	
Change of issuing for integrated import receipt	
Search details of tax bill (monthly)	
Duty Collection and Drawback	Issuing notice for duty collection
	Registering drawback amount according to customs law
	Registering drawback appropriation details

Task Unit	Functions
	Issuing drawback notice according to customs law
	Registering transfer receipt for drawback transfer according to customs law
	Non-registration details of drawback transfer receipt
	Registering details of export drawback
	Registering account for drawback payment
	Issuing supplementary collection record book
	Issuing drawback collection record book
	Searching export drawback details
	Searching drawback details according to customs law
	Searching discrepancy in payment transfer result
Duty Arrearage Management	Record book for payment delay details
	Searching delinquent
	Issuing additional due payment notice
	Registered issuance of installment integrated payment notice
	Registered issuance of partial notice for delinquency
	Searching registration of delinquency delivery
	Registering deficit disposal
	Searching yearly delinquency result
	Registering installment notice for second duty payer
	Payment details for delinquency deficit
	Delinquency deficit details by company
	Searching and deselecting delinquency deficit by notice
	Allocation details of delinquency officers
	Registering delinquent activities
	Searching delinquent activities
Integrated Payment	Registering companies with issuance of integrated payment receipt
	Issuing integrated payment receipt
	Issuing record book of integrated payment receipt
Others	Integrated revenue payment record book
	Details for conditional delay of re-export
	Registering report for re-export result
	Account transfer between customs
Demand Notice for Payment and deficit Disposal	Registering install payment for act of god
	Searching account transfer result between customs
	Registering payment notice
	Searching details of payment notice

Task Unit	Functions
	Searching deficit process details
	Registering second duty payer
	Searching people subject to duty payment
Investigation for Ahereabouts of Property	Registering search of location for delinquent
	Registering property of delinquent
	Searching delinquency card
	Searching foreign currency trade details by delinquents
	Searching details of drawback to national treasury by delinquents
	Searching result for personal items of high amount delinquent
Seizure and Public Auction	Search record list
	Search record registration
	Registering seized property
	Search seizure details
	Searching request for public auction
High Amount Delinquent	Searching details of public auction request
	Applying administrative restriction
	Extending and de-selecting administrative restriction
	Administrative restriction application acceptance
	Administrative restriction history of delinquents
	Search administrative restriction status
	Details of credit information offering
	Details of credit information by company
Searching and de-selection of credit information by notice	
Seizure and Request for Grant	Registering final notice
	Searching final notice for payment
	Seizure and request for grant
	Searching seizure details
	Searching details of request for grant
Registering Usage Benefit and Approval for General Delay Usage Benefit	Registration approval for usage benefit
	Registration details for usage benefit
	Delay in registration of disposal
	Delay details of disposal
Monthly Payment	Registering companies for monthly payment
	Monthly payment status
	Registering and deselecting monthly payment
Delinquency Statistics	Delinquency statistics allocation
	Delinquency management status

Task Unit	Functions
	Searching delinquency details
	Delinquency status by period/amount
	Delinquency status by reason of occurrence
	Constitution details of delinquents
	Delinquency status by amount/subjects
	Delinquency status of number of years passed since occurrence
	Delinquency status by stage
	Reasons for delinquency statistics
Security Management	Registering details of security offering
	Registering de-selection of security
	Searching expiry of valid security
	Registering application for credit security usage
	Registering de-selection of credit security usage amount
	Searching usage details of credit security
	Searching expiry of valid credit security
	Usage details of company credit security
	Managing express courier
	General record book for individual security
	List search for credit security company
	Searching aggregate security registration
	List search companies with liquidation
Collection Report	Amending receipt and disbursements by revenue substitution
	Amending report on decision for drawback amount
	Amending drawback payment receipt
	Registering details of monthly concession
	Printing receipt for duty calculation from revenue
	Printing receipt and disbursements for import substitution
	Issuing receipt and disbursements for revenue
	Printing drawback receipt
	Printing tax payment(non-payment)
	Daily payment aggregate list
	Printing national bank payment details
	Details of daily comparison discrepancy
	Searching non-payment details
	Searching paying bank(branch)
	Amending report on duty payment receipt
Request for duty allocation	

Task Unit	Functions
	Printing monthly concession fee
	Search closure status
	Search monthly concession fee transfer result
	Monthly payment details
	Details of payment report calculation basis
Adjustment Section	Printing decision book for daily duty collection
	Printing notice expiration record book
	Printing change of delinquency record book
	Printing drawback appropriation record book
	Printing correction and rectification record book
	Printing installment non arrival record book
	Printing additional amount record book
	Search bond expiration by reason
Issuing deduction and installment record book	
Re-export Management	List search non fulfillment of re-export
	Registering re-export fulfillment record
	Searching details of registering re-export fulfillment record
	Searching details of registering re-export fulfillment
Approval Process	Approval details of supplementary collection
	Approval details of drawback
	Approval for cancellation of notice detail
	Request for drawback payment
	Approval for monthly concession transfer
Managing Companies with Credit Security	Approval for account transfer between customs
	Registration of credit security company designation
	Cancellation of credit security company designation
Others	Details of aggregate security company designation
	Registering revenue managing officer
	Details of revenue management
	Duty payer amendment
	Registering delinquency officer
	Managing delinquency officer

Source: Korea Customs Service

## 7. Duty Drawback Functions

**Table A3-7 | Duty Drawback Function List**

Task Unit	Functions
Registering Basic Information	Registering simplified fixed drawback ratio list
	Registering payment bank
Managing Companies	Registering companies with applied/non-applied simplified fixed drawback
	Registering drawback amount payment account/drawback from jurisdictional customs
	Managing details of aggregate certificate free issuance company
	Registering calculation method for demand by company
	Registering companies for assignee notification
	Registering companies with advanced verification of yield ratio
	Registering goods subject to shortened export period
	Integrated registration of pre-audit drawback criteria
Processing Drawback Application	Searching allocation status by officers in charge
	Searching acceptance status of drawback application
	Searching acceptance status of certificate of tax payment on raw materials
	Searching acceptance status of certificate of import declaration partition (CIP)
	Searching acceptance status of calculation
	Drawback application details (screens for officer in charge)
	Drawback application (export details)
	Drawback application (import details)
	Drawback application (output details)
	Payment certificate for raw material
	Applying for certificate of tax payment on raw materials (on import)
	Aggregate(certificate of tax payment on raw materials import certificate of average tax amount) installment certificate
	General details of application for calculation
Details of post duty collection of application for calculation	
Details of drawback result of application for calculation	



Task Unit	Functions
	Issuing request for appropriation of drawback amount
	Registering appropriation of drawback amount
	Issuing drawback amount result notification
	Searching/issuing transfer request details of drawback amount
	Searching payment report details of drawback amount
	Searching decision/payment/transfer details of drawback amount
	Registering payment completion of drawback amount
	Registering re-payment order approval of drawback amount
Adjustment	Searching acceptance/processing status of adjustment declaration
	Searching details of non-adjusted drawback payment withholding
	Searching details of non-adjusted duty collection withholding
	Searching details of expired companies for adjustment period
	Searching status for adjustment application
	Searching drawback related certificate of tax payment on raw material/certificate of import declaration partition/certificate of average tax amount
	Searching drawback usage details of certificate of tax payment on raw material/certificate of import declaration partition/certificate of average tax amount
Re-certificate Issuing Status	Amending certificate of raw material payment
	Amending application for certificate of tax payment on raw material (on import)
	Amending application for certificate of tax payment on raw material (on other output)
	Amending aggregate (certificate of tax payment on raw material/certificate of import declaration partition/certificate of average tax amount)certificate of import declaration partition
	Searching details of certificate of tax payment on raw material amendment withdrawal
	Searching acceptance status of aggregate certificate amendment and withdrawal application
	Amendment and withdrawal approval of certificate of tax payment on raw material (first)
	Amendment and withdrawal approval of certificate of tax payment on raw material (second)

Task Unit	Functions
	Amendment and withdrawal approval of certificate of tax payment on raw material (third)
	Amending certificate of import declaration partition and approval for withdrawal
Amending Re-certificate	Searching aggregate certificate issuance status
	Searching aggregate certificate issuance status by company
Managing Auditor	Registering audit by officers in charge
	Registering auditor by company
	Registering change of auditor
	Registering change of auditor by application number
Registering Approval	Approval by assistance chief officer for drawback Application
	Approval by director for drawback application for drawback application
	Approval for re-payment order for drawback amount
	Decision and payment order for drawback amount
	Registering companies subject to adjustment by official authority
	Searching non-adjusted status by officers
	Amending non-adjusted drawback payment amount
	Amending non-adjusted drawback payment amount (for import cases)
	Searching required time period for process
	Searching rejection details
	Searching daily work process status
	Searching daily drawback work process status
Audit for Drawback	Searching allocation status by auditors
	Drawback application post audit
	Integrated registration of audit result for certificate of tax payment on raw material
Measurement for Audit Result	Registering opinion for audit
	Registering opinion for re-audit
	Searching measurement status
	Registering measurement result
	Searching list for approval request by auditor
	List search for information submission
	Registering request for information submission

Task Unit	Functions
	Searching list for pre-taxation notice
	Pre-taxation notice
Managing Audit Criteria	Searching selection criteria
	Registering selection criteria
	Managing selection ratio
	Registering selection ratio by selection criteria
	Requesting selection criteria
	Searching details of request for selection ratio criteria
	Auditing and registering selection criteria details
	Registering and taking measurement for criteria for auto cancellation
	Registering compulsory inspection criteria
	Managing selection calculation by law binding degree evaluation level
Statistics Information and Audit Management	Drawback audit result code
	Drawback measurement amount
	Drawback audit result by customs
	Drawback audit result by individual
	Monthly drawback audit result
	Managing criteria count
	Statistics report of drawback audit result
	Statistics report by selection criteria
Managing Officers for Audit	Registering auditor
	Printing work load by individual
	Searching number of places in audit division by customs
	Printing number of places, current number status by audit division class
	Printing audit personnel allocation status by customs
	Registering specialized audit officer
	List printing specialized audit officer
	Registering number of places in audit division by customs
Searching Details of Drawback Application	Searching common details in drawback
	Searching export matters
	Searching import matters
	Searching export declaration

Task Unit	Functions
	Searching carry-in verification
	Searching usage of drawback carry-in verification
	Searching import declaration
Searching Drawback Details by Company	Searching drawback application list
	Searching application/non-application of simplified amount
	Searching change details in jurisdictional customs
	Searching collection details of unreasonable drawback amount
	Searching delinquency details
	Searching drawback audit result
Approval and Processing Status	Searching daily processing status
	Searching daily completion status
	Searching daily non-completion status
	Searching daily collection status
	Searching daily result by officers
	Searching change details that are subject to audit
	Approval supplementary collection details
	Searching status for approval request
Re-certificate Audit	Allocation status by auditor
	Aggregate certificate audit
Measurement for Audit result	Registering opinion for audit
	Searching measurement status
	Registering measurement result
	Searching list for approval request
Approval and Processing Status	Searching status for approval request
	Searching daily aggregate certificate processing status
	Searching daily aggregate certificate completion list
	Searching daily aggregate certificate non completion details
	Searching daily aggregate certificate supplementary collection
	Searching daily result by aggregate certificate audit officer
	Searching changing details subject to aggregate certificate
Searching Process Status	Searching drawback application status
	Searching certificate of tax payment on raw material status
	Searching certificate of average tax amount status
	Searching certificate of import declaration partition status

Task Unit	Functions
	Searching dismissal details
	Searching correction notification status
	Searching error details
	Searching status by customs by period by error type
	Searching application of simplified drawback ratio/application approval details
	Searching decided drawback amount details
	Searching drawback application details
	Searching drawback export details
	Searching drawback import details
	Drawback output details
	Searching free issuing companies and application number of broker free issuing details
Managing Material Usage	Searching usage details of raw material payment details
	Searching usage details of raw material payment details (before EDI)
Information Search	Searching certificate of export declaration details of drawback usage
	Searching drawback usage of carry-in (loading) certificate
	Searching details of unique clearance code
	Searching customs law drawback details
	Searching non-drawback list of small to medium enterprises
	Search management of small to medium enterprises non-drawback list

Source: Korea Customs Service

## 8. Risk Management Functions

Table A3-8 | Risk Management Function List

Task Unit	Function
Criterion Management	Managing common random ratio
	Managing random ratio by customs
	Managing criterion for compulsory inspection case
	Managing criterion for compulsory inspection case-detailed
	Managing risk criteria
	Managing application ratio by credit level
	Managing sunset standard
	Managing additional value by inspection result code
	Managing request for criteria registration
Searching Criterion	Searching criteria operation status
	Searching criteria operation result
	Criteria details
	Searching initial importer
	Searching measures for C/S criteria
	Searching criteria for high risk
	Analyzing C/S criteria
	Analyzing C/S criteria-detailed
Analysis of Performance	Selecting data analysis and scope key
	Searching inspection result and data analysis
	Searching data analysis monthly cases
	Change in HS code
	Printing C/S criteria detection cases
	Searching import inspection selection details
	Monitoring high risk criteria inspection in real time
	Monitoring high risk criteria inspection in real time-detailed
	Managing selection details
	Registering inspection result
	Searching inspection rule
	Managing sunset criteria data
Managing dummy criteria data	

Task Unit	Function
	Executing simulation
	Simulation execution result
	Simulation result analysis
Item Profile	Managing HS reference
	Managing inspection technique by HS
	Managing inspection method by HS
	Searching average price, weight by HS
	Obtaining HS information (DW)
	Generating, deleting repeat import information (DW)
	Searching comparative price information (DW)
Compliance Management	Searching customs administration compliance degree of a corporation
	Searching customs administration compliance degree of trend analysis
	Searching randomly selected compliance ratio
	Detailed search of administrative restriction on a logistics company
	Managing administrative restriction on a logistics company
	Searching rapid decrease/increase compliance degrees for a company
	Searching trend on compliance degree
	Searching company for compliance degree Decrease/increase
	Bonded area added value management
	Searching details of compliance degree for a bonded area
	Searching compliance degree of a bonded area
	Detailed search of offered information for bonded area
	Searching offered information for bonded area
	Searching major indicators for bonded area
	Managing added value for bonded transportation
	Searching details for compliance degree of a bonded transportation
	Searching compliance degree of a bonded transportation
	Detailed search on offered information of bonded transportation
	Searching offered information of bonded transportation
	Searching major indicators for bonded transportation
Searching compliance ratio by sectors	

Task Unit	Function
	Searching compliance ratio change analysis by sectors
	Managing added value of a shipper
	Searching details for compliance degree of a bonded transportation
	Searching compliance degree of a shipper
	Detailed search of offered information of a shipper
	Searching offered information of a shipper
	Searching major indicators for a shipper
	Managing added value of a im/exporter
	Searching im/exporter basic statistics of compliance degree
	Searching im/exporter details of compliance degree
	Searching im/exporter compliance degree
	Searching im/exporter compliance degree by sector
	Searching im/exporter compliance degree by type
	Detailed search of offered information for im/exporter
	Searching offered information for im/exporter
	Searching major indicators for im/exporter
	Managing additional value of a declarant
	Searching details of compliance degree of a declarant
	Searching compliance degree of a declarant
	Searching compliance level by type of declarant
	Detailed search for offered information by a declarant
	Searching offered information by declarant
	Searching major indicators of a declarant
	Detailed search of compliance degree by type
	Company offered information list
	Searching list by company
	Detailed search of compliance degree by type of company
	Searching compliance degree by type of company
	detailed search of compliance degree by origin
	Searching compliance degree by type of origin
	Detailed search of compliance degree by FTA
	Searching compliance degree by type of company
	Detailed search of information offered on FTA
	Searching information offered on FTA



Task Unit	Function
	Searching major indicators for FTA
	Detailed search of compliance ratio by country of extraction
	Searching compliance ratio by country of extraction
	Searching compliance degree of all companies
	Detailed search of offered information
	Detailed search of evaluation list for offered information
	Managing offered information
	Searching compliance degree of major companies
	Managing added value of express courier
	Detailed search for compliance degree of an express courier
	Searching compliance degree of an express courier
	Detailed search for offered information of an express courier
	Searching offered information of an express courier
	Searching major indicators of an express courier
	Searching compliance degree of a specific period
	Managing added value of an airline
	Detailed search of airline compliance degree
	Searching airline compliance degree
	Detailed search of airline offered information
	Searching airline offered information
	Searching major indicators of an airline
	Searching transition analysis by field
	Managing added value of foreign suppliers
	Detailed search of compliance degree by foreign supplier
	Searching compliance degree by foreign supplier
	Searching major indicators by foreign supplier
	Searching foreign company list
	Managing added value of forwarders
	Detailed search of offered information by forwarders
	Searching offered information by forwarders
	Searching major indicators of forwarders
	Detailed search for compliance degree of forwarders
	Searching compliance degree of forwarders
	Searching compliance ratio of transit cargo

Task Unit	Function
	Setailed search of compliance ratio by HS
	Searching compliance ratio by HS
	Measuring compliance degree by bonded transporter(batch)
	Measuring compliance degree by shippers (batch)
	Measuring compliance ratio by im/exporter, country of extraction (batch)
	Measuring compliance ratio by im/exporter, goods (batch)
	Measuring compliance degree by declarant (batch)
	measuring compliance ratio by declarant, origin (batch)
	measuring compliance ratio by declarant, country of extraction (batch)
	measuring compliance ratio by declarant, HS (batch)
	measuring compliance degree by type of company (batch)
	measuring compliance ratio by origin (batch)
	measuring compliance ratio by country of origin (batch)
	measuring compliance degree by express courier (batch)
	measuring compliance ratio by HS (batch)
	measuring compliance degree by airline (batch)
	measuring compliance degree by foreign supplier (batch)
	measuring compliance degree by forwarder (batch)
	measuring compliance ratio for transit cargo (batch)

Source: Korea Customs Service

## 9. Post Audit Functions

**Table A3-9 | Post Audit Function List**

Task Unit	Functions
Post Taxation Audit for Imports	allocating auto selection of entities subject to payment audit
	allocating by auto distribution of auditor
	allocating statistics generation of payment audit process result
	allocating statistics generation of payment audit c/s result
	allocating comparative price information generation of payment audit
	allocating average price information generation by payment audit for HS
Selection	selecting payment audit manually
	searching statistical status of post audit
	searching(and detailed search) for comparative price information
	searching complete information of payment audit
	searching clearance information by HS
	searching payment declaration allocation status by auditor
	searching selection reason for payment audit
	searching payment declarant
	registering opinion for payment audit/approval
	searching measures for payment audit result
	registering measures for payment audit
	searching request for approval list by auditor
	registering request for approval by auditor
	searching approval request status by approver
	registering cancellation of approval by approver
	searching amendment details
	manual allocation and auditor allocation
	registering notice before collection
	data submission and searching manual inspection list
	request for c/s criteria registration/amendment
audit and registration of requested details for c/s criteria registration/amendment	
bundled issuing of data submission request	

Task Unit	Functions
	bundled issuing of manual inspection notice
	bundled issuing of notice before collection
	registering data submission and date for manual inspection submission
	searching request details of registering/amending import audit c/s criteria
	issuing notice for post audit result
	searching notice result for post audit result
Selection Criterion Management	registering composition selection criteria for payment audit
	managing intelligent criteria for payment audit
	registering added value by audit result code
	omitting individual payment audit
	registering payment audit jurisdictional customs by HS
Statistics Status Statistics Allocation	registering random selection ratio
	managing customs selection ratio
	registering auditor allocation criteria
	registering auditor allocation method by company
	registering auditor allocation method by work unit
	registering auditor allocation method by HS
	searching payment audit process status
	searching progress status subject to payment audit
	searching payment audit completion status
	searching payment audit non-completion status
	searching declaration details amendment status
	searching payment declaration amendment status
	searching status for audit result request status
	searching amendment details subject to payment audit
	companies subject to aggregate audit payment declaration status
	searching/researching average unit price information by HS
	amending subject to payment audit
	registering examples for HS classification
	searching data analysis result related to company/HS
	registering HS classification audit verification data
registering taxed price audit verification data	

Task Unit	Functions
	searching error status by selection criteria
	searching inspection selection c/s information
Inspection Result	searching information on measures for inspection result
	searching cargo information
	searching price declaration details
	details of taxed price calculation
	details of final price declaration
	searching foreign market price information
Information	searching company data
	searching overdue details
	searching inspection/quarantine result information
	searching requirement approval/duty rate information
	searching duty reduction(install payment) verification registration information
	issuing analysis request registration/solicitation
	searching analysis reply status
	searching analysis result
	searching corporate and company information
	searching result for rapid increase im/export goods
	searching im/export result by import declaration company
	searching im/export result by foreign supplier/purchaser
	searching im/export result by company and goods
	searching duty reduction result by property
	searching independent audit company
	searching stores
	searching company
	searching result by year and month
	registering/issuing import post audit duty correction notice
	list searching import post audit duty correction notice
non-measures status after import	
approval request status after import	

Source: Korea Customs Service

## 10. Data Warehouse Functions

Table A3-10 | Data Warehouse Function List

Task Unit	Functions
Import	implementing accepting, receiving import declaration and HS DM
	implementing average cost DM by import item
	implementing minimum unit price information DM
	implementing counterfeit selection audit DM
	implementing c/s selection result DM
	implementing details of request for correction DM
	implementing statistics for import declaration correction DM
	implementing duty exemption approval details for submitted cases DM
	standard for receiving import declaration and process by HS
	implementing inspection, examination result DM
	implementing requirement verification cases DM
	implementing requirement verification result clearance process DM
	implementing certificate of origin verification DM
	implementing audit detection rate for import related documents DM
implementing single window usage status DM	
Import C/S	implementing c/s detection result DM
	implementing c/s detection result by declaration criteria DM
Export	implementing common and specific conditions for export DM
	implementing allocation of inspectors and inspection result DM
	implementing specific and common export declaration amendment DM
	implementing specific and common export declaration cancellation DM
	implementing specific and common export DM
	implementing average unit price by export countries DM
	implementing information on return declaration DM
implementing time spend on export examination DM	

Task Unit	Functions
	implementing specifications for specific and common export declaration DM
	implementing details for simplified clearance list DM
Analysis Analytical Lab	implementing individual details for analysis result DM
	implementing pre-audit result DM
	implementing analysis result and change in HS code DM
	implementing duty classification information DM
	implementing analysis and duty classification, result DM
Carnet	implementing ATA carnet import details DM
Statistics	implementing daily result information DM
	implementing daily im/export result and accumulated information DM
	implementing comprehensive export statistics result DM
	implementing export result statistics by HS, country DM
	implementing export result statistics by company
	implementing individual result import statistics DM
	implementing import statistics result by company
	implementing import statistics result by HS, country DM
	implementing import statistics general information for duty amount DM
	implementing export statistics individual result DM
Pre/post audit	implementing foreign supplier im/export status DM
	implementing manufacturing companies im/export status DM
	implementing amendment in import declaration DM
	implementing correction, amendment, revision of import declaration DM
	implementing price information DM
	implementing im/export company information by area of correction DM
	implementing import post-audit result DM
Drawback	implementing drawback information DM
	implementing drawback export DM
	implementing information on demand for drawback DM
	implementing drawback import DM
	implementing aggregate certification DM
	implementing average duty rate certification DM

Task Unit	Functions
	implementing certificate for partial import DM
	implementing calculation information DM
	implementing common information on supplementary collection DM
	implementing drawback result by export type DM
	implementing calculation status for drawback amount DM
	implementing result status by drawback type DM
Duty collection	implementing duty collection details of companies DM
	implementing overdue details DM
Post Management	implementing after service details DM
Legality of Clearance	implementing change in payment amount for self-auditing companies DM
	implementing foreign currency related approved amount for import DM
	implementing foreign currency related approved amount for export DM
	implementing commonalities for export DM
	implementing unfinished cases by suspects, stage DM
	implementing detailed law violation cases by suspects DM
	implementing organized smuggling information DM
	implementing issuing im/export receipt by year of foreign currency BS DM
Foreign Currency	implementing foreign currency BS issuing im/export receipt approved amount DM
	implementing received details for export bankruptcy and repayment
	implementing import settlement information DM
	implementing violators for foreign currency and foreign check trade DM
	implementing suspect for illegal foreign currency trade DM
	implementing common details for violation statistics DM
	implementing common details for violation statistics of organized smuggling DM
	implementing statistics for violated goods DM
General (Incomplete)	implementing individual details of violated lost goods DM
	implementing details of rewarded person DM
	implementing (un)completed by suspects, stage DM



Task Unit	Functions
	implementing common details of regulation violation statistics DM
	implementing re-sending, entry container result DM
General (Complete)	implementing foreign exchange related import amount DM
	implementing foreign exchange related export amount DM
	implementing accepting bill of exchange DM
Export Cargo	implementing common section in result manifest DM
	implementing common section in export manifest DM
	implementing detailed common section in export manifest DM
	implementing details of master B/L in export manifest DM
	implementing details of house B/L in export manifest DM
	implementing B/L details in export manifest DM
	implementing export declaration details in manifest DM
	implementing container details in export manifest DM
implementing amendment result details in export manifest DM	
Import Cargo	implementing common result in manifest DM
	implementing manifest result by detailed fields DM
	implementing B/L details in manifest DM
	implementing import clearance in manifest DM
	implementing information in direct port clearance DM
	implementing container details in manifest DM
	implementing im/export cargo container details DM
	implementing statistics for manifest amendment DM
	implementing aggregate details of cargo subject to supervision DM
	implementing unloading information DM
	implementing abnormal container information when unloading DM
	implementing abnormal B/L information when unloading DM
	implementing amendment information for carry-in declaration DM
	implementing carry-in information DM
implementing list clearance information DM	
implementing amendment information for carry-in declaration DM	

Task Unit	Functions
	implementing amendment information for release declaration DM implementing information for bonded transportation result DM implementing details of bonded transportation in duty free DM implementing time required for inspecting cargo subject to supervision DM implementing inventory details of consigned sales good DM implementing overdue information DM implementing information on unloading result DM implementing information in cargo placing status other than bonded area DM
Cargo C/S	implementing common result for cargo subject to supervision DM implementing detailed result for cargo subject to supervision DM implementing common result by each transportation stage DM implementing inspector result by each transportation stage DM implementing selection result for cargo subject to supervision DM implementing inspection result for cargo subject to supervision DM
Sea / Air	implementing inventory analysis for supplies for aircraft DM implementing release analysis for supplies for aircraft DM implementing carry-in/release result for supplies for aircraft DM implementing carry-in analysis for supplies for aircraft DM implementing application analysis for loading supplies for vessel DM implementing application analysis for unloading supplies for vessel DM implementing analysis for transit application DM implementing analysis for bonded transportation declaration DM implementing air entry/departure analysis DM
Passenger Information	implementing information on selection result DM implementing entering passenger information DM implementing high risk passenger history information DM implementing high risk passenger information DM implementing personal information DM

Task Unit	Functions
	implementing sea passenger information transmission details DM
	implementing air passenger details DM
Carry-in/release of Personal effects / Foreign Currency	implementing APIS detection ratio DM
	implementing information carry-on item inspection result DM
	implementing common goods details for foreign currency release DM
	implementing declarant of foreign currency carry-in/release DM
	implementing common goods under custody details DM
	implementing common deposited goods details DM
	implementing common duty free goods details DM
	implementing common clearance goods list DM

Source: Korea Customs Service





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