Korea Customs AEO Program

Purpose: Information
Submitted by: Korea
Sub-Committee on Customs Procedures (SCCP) Meeting
Singapore
24-26 February 2009

Trade Security & Facilitation
Paradigm Shift in Customs
and AEO

Feb. 24 2009
Version: 4.0

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   - Risk-Based Management
   - Public-Private Program
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1. Korean AEO Background

- Risk-Based Management

Risk & Information Management
- Import C/S
- Export C/S
- Cargo C/S (since 1996)
- Cargo MGMT Selection (1999)

Customs Security Initiative
- 24 Hours Rule (Manifest) for inbound cargo before entry (since 1997) and US-bound cargo before loading (since 2003)
- Operation of Container X-ray detectors in major ports (since 2002)
- MOU partners (1993)
- Compliance program (Voluntary audit & management partner, Faithful Customs Partner since 2004)

WCO Customs Data Model and Global Single Window
- Active electronic data exchange with other countries based on WCO CDM v 2.0
  - In Jun. 2007, data-exchange pilot project agreed with Belgium & Philippines
- Global Single Window

Korean AEO Background

- Public-Private Program

MOU with private Sector
- MOU partners
  - 1,008 (including air/seaport operators)
- Detected smuggling attempts

<table>
<thead>
<tr>
<th>Year</th>
<th>Case (No.)</th>
<th>USD (bln.)</th>
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<td>24.9</td>
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<tr>
<td>'06</td>
<td>616</td>
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<td>'07</td>
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MOU Benefits
- Exemption of Import Inspection
- Simplified Import declaration

Compliance program
- Compliance assessment of customs partner
  - Criteria: management safety, facility safety, outsourcing, internal control, customs cooperation, etc.
  - Importer, Customs broker, Warehouse, Freight Forwarder, Transporter, Sea & Air carrier
  - Voluntary audit & management partner (267 as of 2008)

Benefits for highly-compliant partners
- Maximum autonomy
- Less inspection and document control
- Faithful Customs Partner (64 as of 2008)

Effective control over Import and Export
- AEO tailored to ROK for supply chain parties
Korean AEO Background

AEO Background
- Adoption of WCO SAFE Framework (Jun. 05)
- Society Safety and Public Health Protection
- International Competence for Enterprise
- Customs Process Restructurings/Enterprise Management

AEO Strategy (WITH)
- Win-Win (Cooperation Based on Customs and Business Partnership)
- International (Customs administration in compliance with Global Standard)
- Trademark (Own Brand name and MRA)
- High & Low (Higher benefits and Lower control)

2. AEO Progress

AEO Introduction (1st phase)
- Adoption of WCO Framework (Jun. 05)
- Task Force Team & Roadmap (May, Jul. 07)
- Research & Benchmarking (Jun. ~ Dec. 07)
- Customs Act revision (Jan. 08)

AEO Introduction (2nd phase)
- Detailed plan for Implementation (May 08)
- Private working Committee and Advisory Committee (Sep. 08)
- Exchanging the interesting Government Agencies’ opinions (Oct. ~ Dec. 08)
- Initializing AEO Criteria (Oct. 08)
- AEO Audit Capacity Training (Sep. Oct. Nov. 08)
AEO Pilot Project (1)

Pilot Project Planning (Sep. 08)
- 59 Applications (Sep. 08)
- 11 Designated Participants and MOU (Oct. 08)

Stage

1st Stage: Documentation Validation
- Period: Oct. ~ Dec. 08
- 8 Certification, 3 pending

2nd Stage: Visitation Validation
- Period: Jan. ~ Feb. 09
- In process

AEO Pilot Project (2)

Workshop (Oct. 08)
Seminars (Oct. 08)
Consulting (Oct. 08 ~ Feb. 09)
Online community (Oct. 08 ~ Feb. 09)

Participants & Parties

<table>
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<tr>
<th>Supply chain parties</th>
<th>Enterprise name</th>
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<td>Ex/importer/Manufacturer</td>
<td>SAMSUNG ELECTRONIC</td>
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<td>KOLON INDUSTRIES, INC.</td>
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<td>DASAN Networks</td>
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<td>Amkor Technology Korea, Inc.</td>
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<td>Customs broker</td>
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<td>Freight forwarders</td>
<td>Electronics Logitech Co., Ltd.</td>
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<td>Schenker Korea Co., Ltd.</td>
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<td>Warehouse / Transporter</td>
<td>Joyang Logistics Int’l Co., Ltd.</td>
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<td>Port &amp; terminal operator</td>
<td>PUSAN NEWPORT Co., Ltd.</td>
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<td>Airlines</td>
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AEO Progress

AEO Implementation

- AEO Implementation Working Group (Jan. ~ Feb. 09)
- Revision of Implementing Decree of Customs Act (Feb. 04, 2009)
- Integrated Enterprise (AEO) Management Rule (Feb. 09)
- AEO Implementation (March, 2009)
- Developing AEO Brand Name and Logo (Feb. Mar. 09)
- AEO Marketing and Promotion (Feb. Mar 09)
- AEO Audit Training Course Development (Feb. Mar. 09)
- Online Application and Management System (Jan. ~ Oct. 09)

- Announcement of the AEO implementation: Jan. 1, 2008
- The AEO implementation in official: Feb. 04, 2009
- The AEO program launch in practice: Mar, 2009

AEO Progress

AEO Mutual Recognition (1)

Planning in 2009 & 2010

Under development in 2009

Planning in 2009 & 2010

AEO Mutual Recognition (1)
### AEO Mutual Recognition (2)

#### Integrated Criteria Comparision (not verified)

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- All documents and information used for customs clearance, goods flow and disposal should be appropriate, complete and accurate. Procedures which guarantee the protection from unfair exchanges, losses, and the introduction of erroneous information must be conducted.
- Controlling documents should include an access to the computer and the information protection.
- A record management system that is able to trace import/export goods and flow of charge needs to be prepared, and also make an access possible for customs to check them if necessary.

### AEO Mutual Recognition (3)

#### Research for MRA Strategy (Jun.~Dec. 08)
- Meeting with C-TPAT program manager (Nov. 2008)
  - Discussing the procedure and possibility of MRA

#### Organizing Internal MRA Working Group (Feb 09)
- Proposal Letter of MRA negotiation to USA C-TPAT (Dec. 2008)
  - A side by side comparison of the program requirements: Under development
  - Plan to conduct a side by side comparison before/after C-TPAT Seminar

#### MRA Planning (Feb. 09)
- C-TPAT Seminar (Apr. 2009)
  - Plan to present Korean AEO program during the session

#### Enacting the official MRA meeting (Mar. 09)
AEO Progress

AEO Mutual Recognition (4)

PRC AEO

ROK AEO

Japan AEO

Agreed to establish a working-group for AEO MRA
- The Second Tripartite of Customs Heads’ Meeting
  (ROK, Japan, China, November 11, 2008)
- Plan to make the working group for MRA in March 2009
- Plan to have the first meeting in April 2009
  e.g. in Korea, WCO (WCO SAFE Working group), USA (C-TPAT Seminar)

Meeting with Japan AEO manager (Oct. 2008)

AEO Progress

AEO Mutual Recognition (5)

EU

Discussing AEO program during JCCC (Nov. 2008)
- Plan to make the working group for MRA in March/April 2009

New Zealand

Meeting with SES manager (Nov. 2008)
- Could not meet a manager in charge of MRA
- Plan to have the second meeting

Singapore

Meeting with STP manager (Feb. 2009)
- Plan to make the working group for MRA in March/April 2009
3. AEO Program

### AEO Parties
- Exporter (manufacturer)
- Customs Broker
- Freight Forwarding
- Transporter
- Sea Carrier
- Airlines
- Warehouse Keeper
- Importer (manufacturer)

### AEO Type
- Class B: Compliance + Minimum Security Requirements
- Class A: Best Compliance and Security
- Class S: Best Compliance and Security

### AEO Program

**AEO Criteria (1)**
- Customs Compliance (Compliance Record + Internal Control)
  - Section 1: Customs Compliance (Sub 1)
  - Section 2: Financial Solvency (Sub 2)
  - Section 3: Operational System Security Management (Sub 7)

**AEO Criteria (2)**
- Safety and Security Management
  - Section 4: Business Partners Security Management (Sub 3)
  - Section 5: Conveyance Security Management (Sub 3)
  - Section 6: Personnel Security Management (Sub 2)
  - Section 7: Additional Security Management (Sub 3)
AEO Program

AEO Criteria (3, Sub-section)
- Customs Compliance (Compliance Record + Internal Control)

Section 1
 Customs Compliance (Sub 1)
- Acts and Rules
  related to Customs and Trade
- Compliance Record
- Internal Control System
- Transparency

Section 2
 Financial Solvency (Sub 2)
- Volume of Business
- Financial Solvency

AEO Program

AEO Criteria (4, Sub-Section)
- Safety and Security Management

Section 3
 Operational System Security Management (Sub 7)
- The operation of
  record management systems
  and Documentation of Procedures
- Management for goods information
- Security Management for IT
- Outsourcing Management of Operating System
- Import & Export Goods Management
- Access Control of facilities
- Facility Security Management

Section 4
 Business Partners Security Management (Sub 3)
- Business partners
  related to supply chain
- Business partners
  not related to supply chain
- Mutual Cooperation
AEO Program

AEO Criteria (5, Sub-Section)
-Safety and Security Management

Section 5
Conveyance Security Management
(Sub 3)

- Conveyance containers
  - Means of Conveyance
  - Control of Seals

Section 6
Personnel Security Management
(Sub 2)

- Training Program
  - Personnel Management

Section 7
Additional Security Management
(Sub 3)

- CEO's will for Security Management
- Building Cooperation Systems for Security Management
- Crisis Management and Incident Recovery Plan

Application
- Risk Evaluation
- S/A
  - AEO Management Status Statement
  - Compliance Managers

Audit based on document AEO Center
Within 30 days

On-site Validation AEO Center
Within 10 days

Grading Within 10 days

AEO Committee/Headquarter
Re-Audit (if necessary)

Post Management Comprehensive Audit Center (and/or AEO Center)

Documentary & On-site Audit Revalidation/Investigation

Positive
Up grading/Maintaining

Negative
Rejection/Pending

Rejection/Pending

Within 10 days

Appeal

Within 30 days

Withdrawal

Within 10 days

Cabinet

Within 30 days

Down grading

Comprehensive Audit Center

Contingency Plan

1. S/A
   - annual by internal auditor
2. Reporting critical change
   - within 1 month
3. Accident
   - on prompt
4. Monitoring
   - 2 times/year
5. Renewal
   - Every 3 years

AEO Program
- Validation Process (subject to changes)
AEO Benefits (1- subject to changes)

- Less or No Inspection
  - Cargo C/S,
  - Import C/S,
  - Export C/S,
  - Entry C/S
  - Priority Inspection if Inspected

- Simplified Procedure
  - Priority treatment of document
  - Less Document Control of Import; Export; Entry; Amendment; Drawback - Free from Duty Pre-Audit

- Less Liability of Payment of Duty
  - Increase in Credit Security Limit
  - Permit for monthly payment of duty
  - Automatic Drawback

- Designation of Customs Program and others
  - Faithful customs partner
  - Carrier for simplified bonded transportation
  - Self management of bonded warehouse
  - Patent of bonded warehouse
  - Self issue of certification
  - Certified exporter of origin of country
  - Declaration by ERP
  - Post self-audit
  - CEO VIP channel at an airport
  - No exception from Random
  - Secured lane in crisis

AEO Benefits (2, By level- subject to changes)

Class B
Ex/importer
- Cargo C/S – Inspection free (100%)
- Designation of post self-audit
- Permit for monthly payment of duty
- Designation Of Certified exporter of origin of country

Logistics
- Designation Of bonded transportation

Ex/importer/ Customs broker
- Designation Of Self Issue of certification

Class A

Class S

Supply chain parties
Ex/importer
- Cargo C/S – Inspection free (100%)
- Designation of post self-audit
- Permit for monthly payment of duty
- Designation Of Certified exporter of origin of country

Logistics
- Designation Of bonded transportation

Ex/importer/ Customs broker
- Designation Of Self Issue of certification

Ex/importer/ Logistics
- Condition of designation for faithful customs partner 3rd grade

Logistics: Freight forwarder, Warehouse, transporter, sea & air carrier
AEO Program

AEO Benefits
(3, By level-subject to changes)

Class B | Class A | Class S
---|---|---
Supply chain parties | Benefits
Ex/importer | Expansion of P/L import declaration (decrease the rate of P/L for non-AEO)
| Increase in Credit Security Limit (30/365, >50%)
| Automatic Drawback
| Exemption from Duty Pre-Audit
Ex/Importer/ & Customs broker | Import C/S: Reduction in inspection into import declaration
| Import: Application of exceptional import clearance procedure (Advance release after submission of manifest, quarterly payment of customs duty)
| Drawback: Exemption from submitting document, Exemption from Drawback Pre-Audit

AEO Program

AEO Benefits
(4, By level-subject to changes)

Class B | Class A | Class S
---|---|---
Supply chain parties | Benefits
Customs broker | Export: Export C/S - Exemption from clearance audit, Fewer document control (Reduction in submission of document)
| Export: Export C/S - Exemption from cargo inspection, choice of the place of controls
Warehouse (Boned area) | Designation Of Patent of boned warehouse
Sea career | Entry C/S: Free from onboard inspection and clearance
Ex/Importer/ or Logistics | Condition of designation for faithful customs partner 2nd grade
AEO Program

AEO Benefits (5, By level—subject to changes)

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<tr>
<th>Class B</th>
<th>Class A</th>
<th>Class S</th>
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<tr>
<td>Supply chain parties</td>
<td>Benefits</td>
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<tr>
<td>Ex/importer</td>
<td>Import: Central import declaration</td>
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<td>Increase in Credit Security Limit (70/365, &gt;350%)</td>
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<td>Ex/importer/ or Logistics</td>
<td>VIP channel at an airport for CEO</td>
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<td>Condition of designation for faithful customs partner 1st grade</td>
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</tbody>
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4. Future Plan

- Implementation (Mar.)
  - Certifying AEO for pilot participants
  - AEO Management System (~Oct.)
  - Online based tool
  - AEO conference (Nov.)
  - Updating specific criteria
  - Building AEO Audit Capacity

- Initiation of MRA
  - Working group
  - Heads' meeting
  - USA, Japan, China, EU, Singapore, etc.

- Expansion
  - Supporting SME
  - Minimizing corporate burden

- Contribution
  - Training program
  - AEO Intl. Seminar
  - Sharing Know-how

- Best Practices
  - Exploring BP

- Integrated AEO Management System

Global Network (2010~)

Mutual Recognition (Apr. 2009~)

Full-fledged Operation (Mar. 2009~)
Securing the Supply Chain based on Risk Management
= Optimizing and Facilitating the Supply Chain

Last Point of Discussion

THANK YOU!

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