
Pre-arrival as a value-added service to support Digital trade

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1. Changes in the trading environment

Global Supply Chain

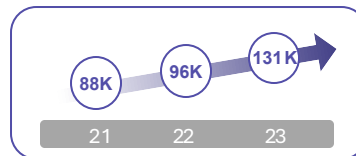


Increased difficulty in procurement and inventory management

E-commerce



Significant surge

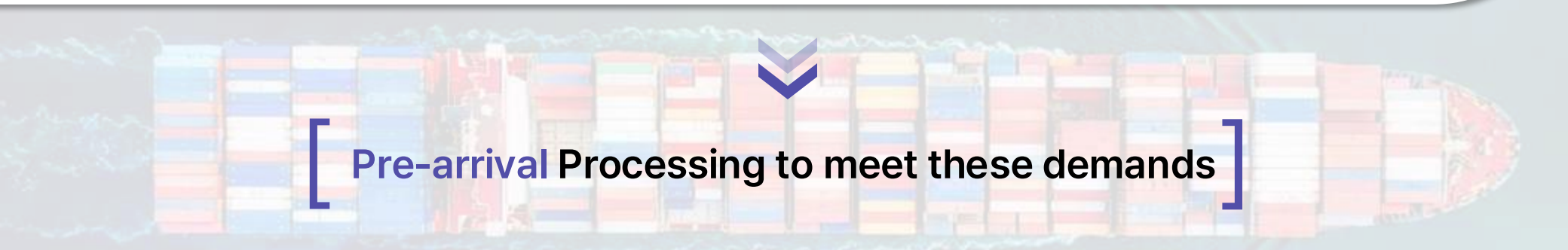


E-commerce import volume(Korea)

Digital Technology



Digital transformation of trade processes
(Automation, AI, Big Data)



Pre-arrival Processing to meet these demands

2. Pre-arrival processing

Pre-arrival Processing

Submitting **advance cargo information** for faster customs clearance

Enabling customs to **asses risk and plan necessary inspections in advance**

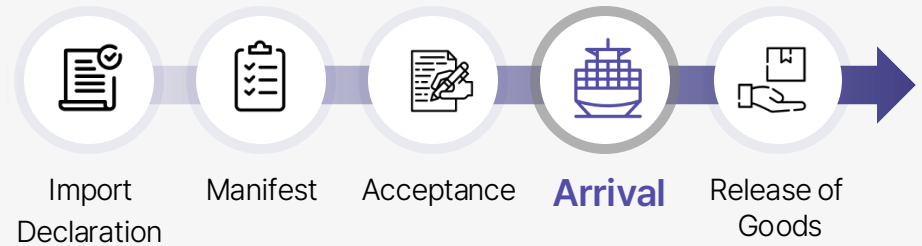
→ Including a variety of data on **cargo type, quantity, shipper, and consignee**

Businesses

- 01. Reduced Logistics Costs
- 02. Improved Inventory Management

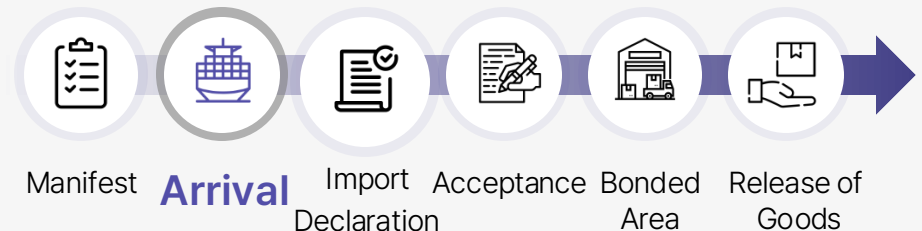
Customs

- 01. Dispersed import declaration period
- 02. Faster Clearance & Risk Management



* General customs procedures

(Declaration after arrival)



2. Pre-arrival processing (WCO PLACI)



01. Overview

✓ WCO PLACI (Pre-Loading Advance Cargo Information)

"Pre-Loading Advance Cargo Information," a system that requires pre-loading information to enhance safety and security



02. Background

✓ Introduced following **the cargo bombing attempt (2010)**, with the concept being proposed in 2011

✓ **Purpose : To enhance trade security and manage potential risks** to facilitate efficient customs procedure



03. Expected Benefits

✓ Enhanced risk management

✓ Reduced customs clearance times

✓ Cost savings



2. Pre-arrival processing (Manifest)

Overview and Background

Manifest

- ✓ **Comprehensive list of all cargo** containing information of import/export goods and the supply chain
- » **Essential elements of Risk and logistics Management**

Safe Framework

- ✓ Following the 9/11 attacks in the US (2001), **Advance manifest systems** have become International standards
- » **Advance manifests have become mandatory in Korea**

Expected Benefits



Targeting goods subject to inspection
Preventing hazardous goods



Accelerating customs clearance
by examining manifests in advance



Expanding pre-arrival submission
▶ **Improving global logistics flows**

2. Pre-arrival processing (Manifest)



Contents

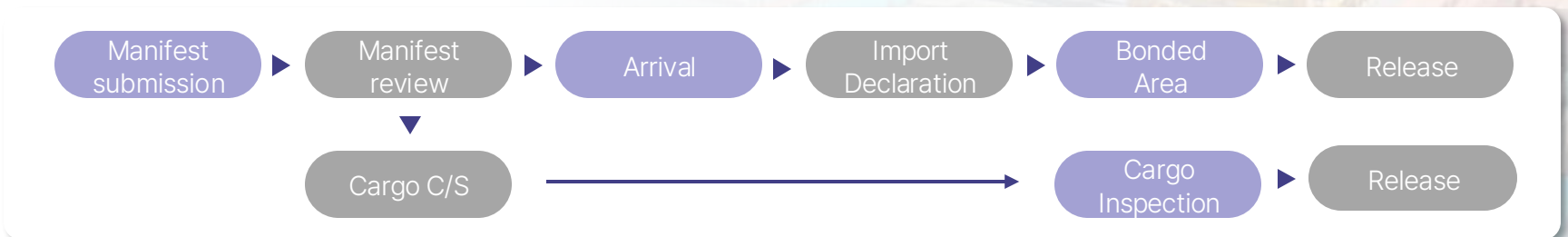
- ✓ **Mandatory advance submission of manifests**



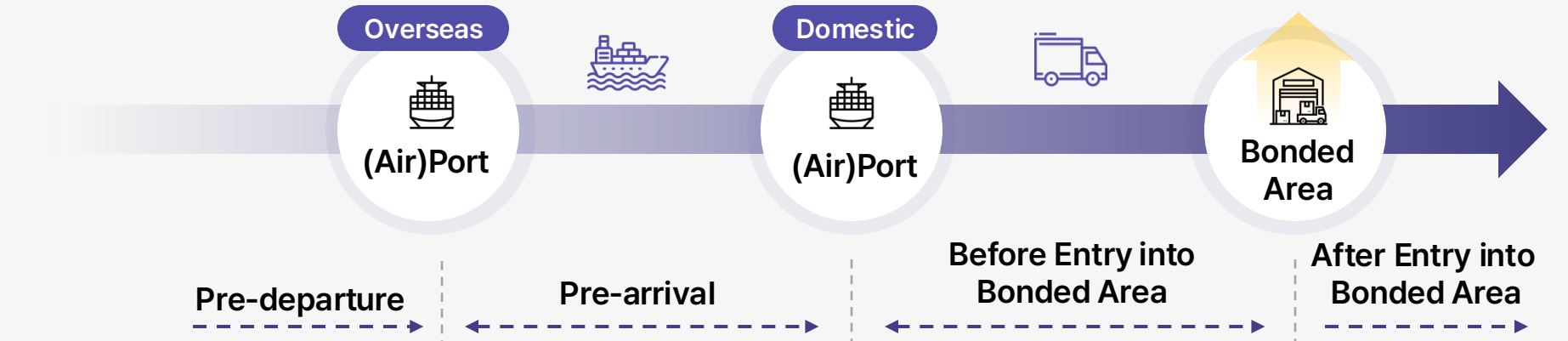
- ✓ **Preventive blocking** of hazardous materials based on the manifests
- ✓ **Selectivity of cargo subject to inspection** based on advance manifests



Cargo Flowchart (General Declaration)



2. Pre-arrival processing (clearance)



| | Pre-Departure | Pre-Arrival | Before Entering Bonded Area | After Entering Bonded Area |
|--|---|---|--|----------------------------|
| Reporting time | Before departure (5 days before arrival) | Before arrival (5 days before arrival) | After arrival Before entering bonded area | After bonded area |
| Goods to Report | All air cargo; and sea cargo from Japan, China Taiwan, Hongkong | All goods | All goods | All goods |
| Possible Time of Acceptance w/o Inspection | After manifest submission | After manifest submission | Arrival date at the bonded area | Date of declaration |

3. AEO (Authorized Economic Operator)

AEO?

AEO refers to an individual entity in the international import and export supply chain that has been **certified by customs authorities** as complying with the **WCO Supply chain Security Standards** or equivalent standards. In other words, it is a system that designates parties taking appropriate **Measures to ensure the safety and security of goods traded between countries as trustworthy companies and provides benefits to them.**

Global

✓ Fulfillment of the promise to introduce international standard norms

- Submission of Intent to Implement WCO Framework (154 countries)

National

✓ Protection of public safety and health

- Blockage of illegal items (narcotics, terrorism)
- Improvement of reliability of trade transactions

Corporate

✓ Enhancement of international competitiveness

- Increase in corporate value
- Grant of customs administrative

Customs

✓ Risk management model

- Proactive risk management through corporate management
- Efficient operation of customs administration

AEO

3. AEO (Authorized Economic Operator)

Synergy with Pre-arrival

- ✓ Pre-arrival is **accessible by all** (AEOs enjoy additional benefits)

Benefits for AEOs

- ✓ **ERP-based** import/export declaration
 - ✓ **Exemption** of documentary submission (Paperless)
 - ✓ **Low Selectivity** rates for Inspection (A/AA/AAA)
- » **Boosting compliance level with Streamlined logistics and cost saving**



4. Digital trade

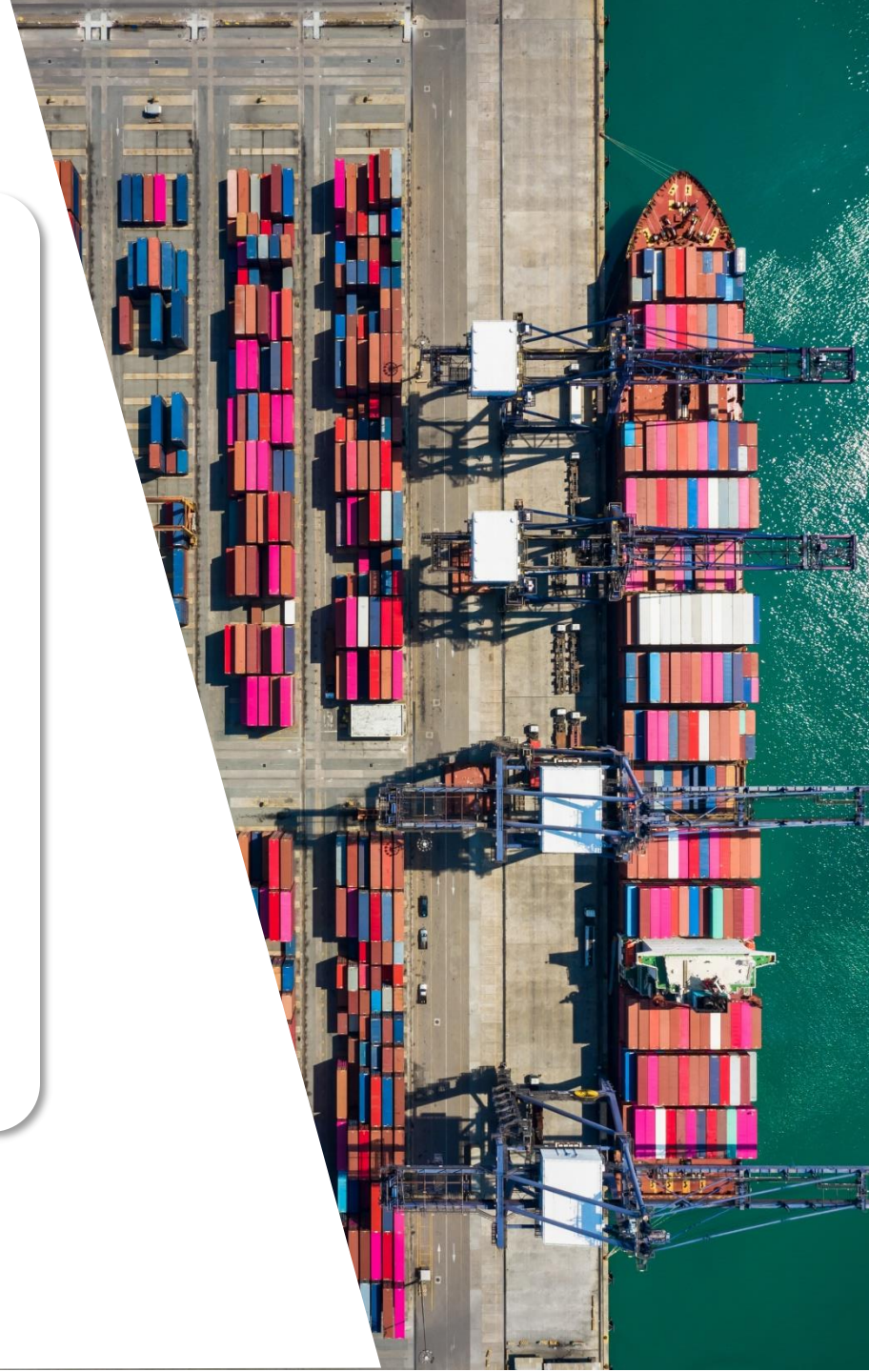
Prerequisites for Pre-arrival

- ✓ **Advance information submission** (E-document)
- ✓ **Faster clearance**
(reduced logistics cost, enhanced competitiveness)
- ✓ **Data based risk management**
(Targeted inspections, Supply chain tracking)

» Digital Trade

Trade facilitated by ICT

entails digitalization of customs procedures



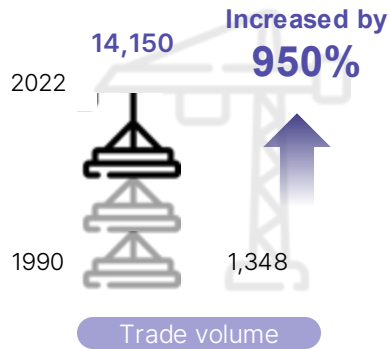
4. Digital trade



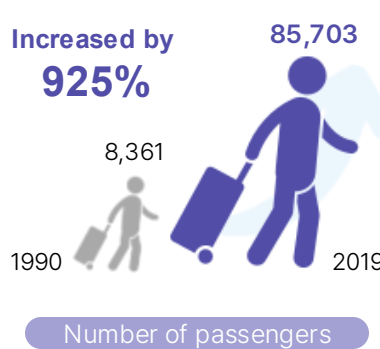
Driving Digital Trade

Response to upsurge of workload over workforce

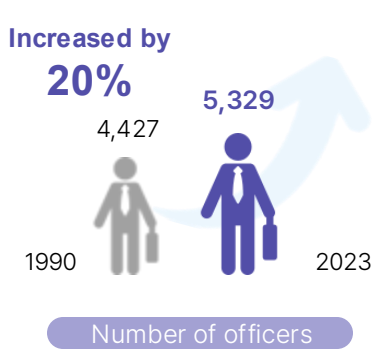
(Unit : USD 100mil)



(Unit : thousand people)



(Unit : No. of persons)



Evolution of Korea's Digital Trade System

System for File transfer/ Compilation of Trade statistics

1974

1st Generation

EDI Clearance system

1994

2nd Generation

Internet Clearance system

2004

3rd Generation

Smart Clearance System

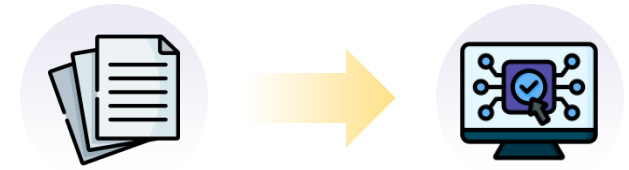
2016

4th Generation

4. Digital trade (EDI, Single window)

EDI (Electronic Data Interchange)

- ✓ Automates and digitalizes paperless customs procedures;
- ✓ Enables electronic submission of Invoices, B/Ls, C/Os; and
- ✓ The entire customs systems for clearance, cargo and tax collection



Single window

- ✓ Enhances accessibility through an integrated online customs system;
- ✓ Connects various government agencies through a single platform; and
- ✓ FDA, Ministries of Agriculture, Environment, Land, etc. are participating.



» Improved operational efficiency & expedited customs clearance

4. Conclusion – Next step



4. Conclusion – Next step



Enhanced Security (Corporate secret, Personal Info)

- ✓ pre-arrival/AEO/Digital trade have a high risk of information leakage
- In Clearance and Tax collection, Trust is Paramount !



Data Quality Management

- ✓ Verification of Trade Data for Errors
- ✓ Upgrade Automation Level ↑ (AI)



Data Disclosure (Open API)

- ✓ Improves not only clearance but also corporate competitiveness





Thank you



Korea Customs
Service