



# Regional Workshop on Cross-Border Digital Trade for CAREC Countries

12-14 November 2024, Seoul, South Korea



## WORKSHOP SUMMARY

1. The Asian Development Bank (ADB) and the Korea Customs Service co-organized the Regional Workshop on Cross-Border Digital Trade for CAREC Countries on 12-14 November 2024 in Seoul, South Korea. It was attended by customs and trade officials of the CAREC countries, experts from the Korea Customs Service (KCS) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), as well as staff and consultants of ADB.

2. The workshop discussed the basic principles of cross-border digital trade (CBDT) to raise awareness in setting up an implementation framework, including strategic activities in optimizing customs control and facilitating the movement of global trade in the region. The workshop also exchanged knowledge on the methods and tools adopted by developed countries to align their business and information processes in implementing cross-border digital trade. It was aligned with the objective to assist interested CAREC countries in developing and implementing their digitalization efforts, trusted partnership, and risk profiling activities.

3. In their opening remarks, Mr. Heon Park, Director General of the International Affairs Bureau of KCS, welcomed the participants and underscored customs authorities' important role in supporting fast and stable clearance and logistics for improved customs services. He cited that KCS had been operating regimes allowing seamless clearance of legitimate cargo, implementing border management to control high-risk goods using digital technology, and improving express cargo processing despite the increasing cargo volumes due to the upsurge of e-commerce. On behalf of ADB, Ms. Zulfia Karimova, Principal Regional Cooperation Specialist, Regional Cooperation and Integration Unit of the Central and West Asia Department, emphasized the importance of boosting cross-border connectivity and interoperability through customs agencies' cooperation and organizing cross-learning activities to share experiences and best practices.

### **Session 1: Overview of Korea Customs Service's UNIPASS System.**

4. KCS presentation explained the history and achievements of developing the UNIPASS system, a unique, integrated system that earned international recognition and has been benchmarked by many countries. All functions and operations in the UNIPASS system are carried out electronically, ensuring a fast, accurate, and transparent system and operations, including import and export clearance, cargo management, risk management, and tax collection, with uninterrupted service 24/7. The UNIPASS system also functions as a single window connected to relevant agencies, allowing cross-border exchange of electronic certificates of origin. KCS continues to use innovative technology to improve manual in an information-centered environment, investing largely in research and development and new technologies such as artificial intelligence and big data into the UNIPASS.

### **Session 2: Cross-border Paperless Trade Agreement**

5. UNESCAP's presentation highlighted the challenges to moving forward in cross-border paperless trade (CPTA) in Asia, such as harmonization of legal frameworks, lack of intergovernmental coordination mechanisms, and capacity gaps among parties. The urgency for countries to accede to the CPTA was emphasized, as it fosters interoperability among

CAREC members and their external partners and will steer the direction of regional paperless trade.

### **Session 3: Methodology in the conduct of a feasibility study for Cross-border Paperless Trade and Green Customs Control Measures**

6. ADB presentation stressed the importance of conducting a cross-border paperless trade feasibility framework to better analyze and identify what systems and processes, documents, and data need to be improved and harmonized. The feasibility framework includes an assessment of the end-to-end cargo clearance process involving customs, regulatory agencies, traders, and transport operators to obtain the information needed to map the degree of digitalization and their import and export regimes. Engaging in cross-border paperless trade with partner countries supports green customs initiatives, particularly digitization and automating licensing and permitting processes, as well as advance notification measures.

### **Session 4: Single Window in the Context of Border Management Modernization and Trade Supply Chain**

7. KCS emphasized the importance of the single window as a solution to achieving Customs goals, especially in customs digitalization and border management modernization by having a single portal to manage cross-border requirements. The single window also operates within the legal framework, taking into account 42 laws related to imports and exports. The KCS single window includes an internet clearance portal that uses a hybrid model connecting regulatory agencies and other organizations.

8. The presentation also showed that the WCO data model is a foundational factor for standardizing the single window environment. In the process of designing a standardized data set and electronic messages, the KCS system harmonizes the data sets by eliminating duplicating elements and designs electronic documents using XML format. International standards also play a significant part in the process of establishing guidelines or creating common regulatory frameworks for single windows.

### **Session 5: Border Management Modernization Based on Big Data Utilization**

9. KCS presentation focused on three aspects of leveraging big data and adopting artificial intelligence (AI) technology. First is having designated organizations drive the direction of new technology adoption, such as a big data analysis division that will maintain a big data platform and design expert training programs. Second is human resources, to enhance capability on technology and achieve the desired results from AI application by organizing information and communication technology (ICT) training programs. Third is a system environment that allows the handling of big data and provides services based on AI technology to support decision-making from new technology. KCS applies AI by using diverse data for risk management, using both structured and unstructured data for different purposes, advanced data skills such as statistical algorithms, deep learning, machine learning, image detection, among others.

### **Session 6: Korea Customs Service New Technologies**

10. KCS established its own Research and Development (R&D) laboratory to develop customs worksite-oriented technologies reflecting customs needs and attending to continuous feedback from field staff on customs processes. The KCS R&D laboratory leads multiple research projects and activities to develop new services and products and improve existing ones. These projects include an X-ray scanner for small cargo security inspection, a training system for X-ray screening, a 3D multi-function radiation detection system, a



detection robot for container inspection to lessen human intervention of possible hazardous cargo, and a passenger screening system. KCS, in this session, has shown that technology and innovation can redefine customs processes and shape the future of customs.

### **Session 7: Cross-border E-Commerce and AEO Scheme for SMEs**

11. ADB presentation emphasized that e-commerce can empower marginalized sectors, including small and medium enterprises (SMEs). With the growth of e-commerce, Central Asia has the potential to become an international hub for e-commerce. With the proper intervention and legal and policy support, e-commerce could significantly boost the region's competitiveness and economic advantage. Customs' prevailing challenges on customs clearance and digitalization, including i) no visibility on the number of postal items received at the facility, ii) limited access to the postal service and release status of postal items, and iii) not fully established risk management, were described.

12. Discussions provided suggestions to include SMEs in the AEO program as an important part of the supply chain, such as providing more flexible accreditation criteria, expediting authorization examinations, and enhancing public-private sector collaboration to support SME certification.

### **Session 8: Demonstration of UNIPASS Risk Management and cross-border data exchange modules**

13. KCS presentation highlighted that integrated risk management is vital to ensuring the balance between trade facilitation and security. Established in 2017, KCS's Custom Border Targeting Center uses precise steps in information collection, risk analysis, targeting, inspection, and feedback. The session reiterated the importance of sharing information between agencies and the practical application of AI targeting to improve risk targeting and profiling activities.

### **Session 9: Introduction to Pre-arrival Processing as a Value-Added Service to Support Digital Trade and Green Customs**

14. KCS underscored in this session that pre-arrival processing or submitting advance cargo information for faster customs clearance can significantly reduce logistics costs, improve risk management, and enhance inventory management. KCS also highlighted the synergy of pre-arrival processing, authorized economic operators, and risk management and shared KCS plans further to improve the pre-arrival processing system, including enhancing data quality management, using AI in automation and data collection, and data disclosure to enhance corporate competitiveness.

### **Session 10: Benefits of Exchanging Export Declaration as advance information to support Cross-border Digital Trade aligned with the ASEAN's Export Declaration Message Implementation Guidelines and Process Specifications**

15. ADB presentation shared the Association of Southeast Asian Nations (ASEAN) experience implementing the exchange of ACDD (or export declaration) using the ASEAN single window for export information exchange among ASEAN Member States. This approach provided visibility and transparency for local exporters and strengthened controls and compliance in monitoring electronic messages. As pointed out, the ASEAN experience can be a useful reference for other regions, such as CAREC.



## Session 11: Introduction to Risk Register, Process and Treatment using Data Analytics

16. ADB presentation described what a dynamic risk management system should constitute and how to apply a proactive approach in risk register, process, and treatment using data analytics. Risk analytics provides intelligence to management from data and information to make decisions on uncertainties faced by the organization. Key takeaways included the flexible way of establishing risk profiles and working with other partner government agencies, given that Customs may not always have first-hand information. Automation and implementation of dynamic risk management, if implemented sustainably, will be worth it and highly beneficial to the trading community.

17. **Breakout Session.** Participants were pre-assigned to brainstorm on the essential types of trade documents required for clearing imported goods and for cross-border exchange and identify which of these documents are shared with other government agencies and business entities. During the presentation by the groups, CAREC officials shared their data-sharing mechanisms and the current gaps in collaboration between customs and partner government agencies. Each group provided recommendations on how to integrate risk management systems and share information more effectively among cross-border regulatory agencies.

18. **Way Forward.** As a way forward, ADB encouraged all CAREC countries to participate actively in the *UN Framework Agreement on Facilitation of Cross-Border Paperless Trade*. Countries can identify the remaining capacity gaps and areas that need assistance, and through joint dialogues, they can share lessons learned and promote cross-learning activities with other sub-regions.

19. ADB also offered to help CAREC countries develop technical reference guidelines suitable for CAREC countries in the areas of e-commerce, risk management, data exchange, etc. ADB also suggested that countries undertake national-level consultations to seek suggested topics aside from the areas covered in the two-day workshop. ADB expressed readiness to continue collaborating with ESCAP and KCS to develop programs that will benefit CAREC countries in terms of digitalization.

20. **Site Visit.** Organized by KCS, CAREC officials joined the tour of the Express Cargo Clearance Center facility at Incheon Airport on 14 November. KCS presented its express cargo clearance process, trends of express cargo imports, and the process of automatic sorting system.

