



Business Process Analysis (BPA) of Trade Procedures in the Republic of Korea

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Business Process Analysis (BPA) of Trade Procedures in the Republic of Korea

Mobile Phone Export to Thailand

Banana Import from the Philippines

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Preface

As shown by the outcome of the WTO's Bali ministerial meeting in December 2013, trade facilitation has become an important trade issue. In order to make trade processes more efficient, cooperation is essential. ESCAP has taken a leading role in promoting business process analysis (BPA) of trade procedures and has conducted case studies across the region. This case study focuses on input and output processes in the Republic of Korea (ROK). These processes have become generally accepted as best practice and could serve as a good reference for ESCAP Member States. Other countries outside of the region may also benefit and improve their own procedures on the basis of this report.

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Abbreviations

| Unabridged. | Abbr. and Acro. |
|--|-----------------|
| Airway bill | AWB |
| Animal and Plant Quarantine Agency | QIA |
| ASEAN-Korea FTA | AK FTA |
| Authorized Economic Operator | AEO |
| Bill of Lading | B/L |
| Board of Audit and Inspection | BAI |
| Bureau of Internal Revenue(of the Philippines) | BIR |
| Business Process Analysis | BPA |
| Cargo Selectivity | C/S |
| Mobile Phone(s) | MP(s) |
| Certificate of Origin | C/O |
| Certification Body Scheme | CB scheme |
| Chamber of Commerce and Industry | CCI |
| Container Freight Station | CFS |
| Cost, Insurance and Freight | CIF |
| Container Yard | CY |
| Delivery Order | D/O |
| Documentation Fee | Doc Fee |
| Electronic Clearance System(of KCS) | UNI-PASS |
| Electronic Data Interchange | EDI |
| Emergent Bunker Surcharge | EBS |
| Forty-foot Equivalent Unit(s) | FEU(s) |
| Free on Board | FOB |
| Free Trade Zone | FTZ |
| Free Trade Agreement | FTA |
| Global System of Trade Preferences among Developing Countries | GSTP |
| Harmonized Commodity Description and Coding System | HS |
| HS of Korea | HSK |
| Identification Certificate | ID Certificate |
| Information and Communication Technology | ICT |
| Information Technology | IT |
| International Electrotechnical Committee for Conformity Testing for Electrical Equipment | IECEE |
| International Rules for the Interpretation of the Trade Terms | Incoterms |
| International Trade Centre | ITC |
| Korea Chamber of Commerce and Industry | KCCI |
| Korea Customs Brokers Association | KCBA |
| Korea Customs Service | KCS |
| Korea Customs and Trade Development Institute | KCTDI |

| | |
|---|--------|
| Korea International Trade Association | KITA |
| Korean Won | KRW |
| Letter of Credit | L/C |
| Letter of Guarantee | L/G |
| Ministry of Food and Drug Safety | MFDS |
| Ministry of Land, Infrastructure and Transport | MOLIT |
| Ministry of Oceans and Fisheries | MOF |
| Ministry of Strategy and Finance | MOSF |
| Ministry of Trade, Industry and Energy | MOTIE |
| Multi-national Corporation(s) | MNC(s) |
| Mutual Recognition Agreement | MRA |
| National Tax Service | NTS |
| “Not Available” | N/A |
| Off Dock Container Yard | ODCY |
| Packing List | P/L |
| Per Annum | p.a. |
| Republic of Korea | ROK |
| (Clearance) Single Window | SW |
| Tax Tribunal | TT |
| Taxpayer Identification Number(of the Philippines) | TIN |
| Terminal Handling Charge | THC |
| Thailand Industrial Standards Institute | TISI |
| The National Broadcasting and Telecommunication Commission(of Thailand) | NBTC |
| Twenty-foot Equivalent Unit(s) | TEU(s) |
| Uniform Customs and Practices for Documentary Credit | UMP |
| United Nations Conference on Trade and Development | UNCTAD |
| United States Dollar(s) | US\$ |
| Value Added Tax | VAT |

Summary

The Republic of Korea (ROK) continues to promote trade by making the procedures of exports and imports efficient. In order to analyze the trade procedures of the ROK, this research elaborates on (1) Mobile Phone (MP) exports from the ROK to Thailand and (2) Banana import from the Philippines to the ROK, providing analysis and recommendations in various aspects.

To begin with the case of MP exports, ROK exported 35% of its total manufactured MPs, with 5% of the total MP exports going to Thailand in 2013. The three major business process areas for MP exports are named and segmented in detail as shown below. Basic assumptions of analysis are that the place of original departure is Seoul, port of departure is Incheon International airport, and final destination is Bangkok, Thailand via air transportation on the C.I.F trade term with irrevocable L/C payment method. During the whole process, approximately 20 stakeholders are engaged.

“Buy” process area consists of 3 core business processes: (1) Register Business, (2) Exchange samples, and (3) Conclude sales contract and trade terms.

“Ship” process area consists of 12 core business processes: (1) Arrange Transport, (2) Obtain Cargo Insurance, (3) Designate Customs Broker, (4) Store Goods, (5) Register Unique Clearance Code, etc., (6) File Export Declaration, (7) Correct Export Declaration, (8) Handle Export Declaration, (9) Deliver Export Declaration Certificate, (10) Transport Goods to Shipping Place, (11) Inspect after Acceptance of Declaration, and (12) Submit Loading Declaration and Depart.

“Pay” process area consists of 2 core business processes: (1) Establish Payment Guarantee, and (2) Claim Payment of Goods. Activity diagrams of each process are given in the main text.

The report also highlights practical research on (1) Expenses and fees (2) Time required, and (3) Documents to be submitted, including analysis and recommendations for improvement. Different expenses and fees are estimated for MP export distinguishing the ordinary expenses from extraordinary ones in Table 19 and Table 20 respectively.

Time required for each core business process areas is identified and compared with the result of Doing Business Report in Table 21 and Table 24 respectively. Given the strict assumptions, the time required for MP export is approximated to be 7 days and 5 hours, (from the point of conclusion of contract to the point of departure to destination) which is relatively shorter than the result of the Doing Business Report, which was 8 days.

With the caveat that expenses, fees and documents that are not explained or enumerated in this report may be required in specific situations, a number of

recommendations for improvement in documents to be submitted in each core business process area are suggested. In core business process 2.1(“Arrange Transport”) of MP export, the time can be reduced to half that of the present situation by unifying the information system of air cargo logistics and utilizing electronic means (e.g., mobile environment, electronic document, etc.). In addition to the suggestion of reducing time for business processes, the public and private sectors have made continual efforts to minimize the number of required documents. There may still be room for further reduction as some of the documents are repeatedly required by the same stakeholders.

In the case of banana imports from the Philippines, ROK imported 3.1 hundred thousand tons of Bananas, reaching a total import value of USD 2.5 hundred million in 2013. The largest exporter of Bananas into the ROK is the Philippines. There are three core business processes named and segmented in detail as shown below. Unlike the case of mobile export, ‘Plant Quarantine’ and ‘Food Sanitation’ are added. Basic assumptions are that the place of original departure is Manila, the Philippines, port of arrival is Incheon port, ROK, and final destination is Seoul via ocean transportation. Trade term is F.O.B with irrevocable L/C payment and only unripe bananas are permitted to be imported. During the whole process, approximately 26 stakeholders are engaged.

“Buy” process area consists of 2 core business processes: (1) Register Business, and (2) Conclude Sales Contract and Trade Terms.

“Ship” process area consists of 14 core business processes: (1) Arrange Transport, (2) Obtain Cargo Insurance, (3) Clear Goods for Export and Arrive at Importing Port, (4) Designate Customs Broker , (5) Store Goods at Storage Place , (6) Meet Import Requirement 1 (Plant Quarantine), (7) Meet Import Requirement 2 (Food Sanitation), (8) Transport and Register Unique Clearance Code, etc., (9) File Import Declaration, (10) Correct Import Declaration, (11) Handle and Accept Import Declaration, (12) Deliver Certificate and Keep Documents, (13) Pay Duties, etc., and (14) Change the Declared Amount of Duties, etc.

“Pay” process area consists of 3 core business processes: (1) Establish Payment Guarantee, (2) Claim Payment of Goods, and (3) Receive Goods.

Expenses and fees including ordinary and extraordinary expenses, estimated for banana imports are shown in Table 28 and Table 29. Required time for individual core business processes is described in Table 30. In the case of Bananas, the time required is approximated to be 7 days and 4 hours, (from the point of conclusion of sales contract to the point of importer’s receipt of goods) which is longer than that of Doing Business Report, which was 7 days, given the same assumptions. There is still some room for improvement. In the core business process 2.5(“Store Goods”) of Banana import, the time can be reduced from 7 hours to 3 hours by introducing a change in packaging method and efficient management of waiting time.

1. Overview

1.1. Mobile Phone export and Banana import

The value of MP manufacture of ROK in year 2011 amounted to approximately USD 26 billion for “Smart Phone”, and USD 11 billion for “Other MPs”. The export values of MP from the ROK to the world were approximately USD 12 billion and USD 13 billion in years 2012 and 2013, respectively; while MP exports to Thailand amounted to USD 1 hundred million and USD 67 million in years 2012 and 2013 respectively (ranked 23rd in the world in both years). In this regard, we can conclude that the ROK exports 35% of its total manufactured MPs; and 5% of the ROK’s MP export goes to Thailand.

Total import value of Bananas into the ROK was approximately USD 2.5 hundred million, or 3.1 hundred thousand tons in 2013. The largest exporter of Bananas into the ROK is the Philippines.

In terms of provinces, the main importer of Bananas in the ROK is dominantly Seoul City, representing 96% of the total import volume from the Philippines. Export value of Bananas (including plantains) from the Philippines shows an increase from approximately USD 4 hundred million in year 2008 to USD 6.5 hundred million in year 2012. Banana export accounts for approximately 40% of the Philippines’ total exports of fruits and vegetables.

Export procedures in the ROK are relatively simple compared to import procedures as export does not involve procedures related to requirement confirmation and tax collection.

In the ROK, majority of the importing and exporting processes, particularly in clearance aspects, are performed online. Clearance for importing and exporting is electronically performed through UNI-PASS (electronic clearance system) of KCS, saving time and cost to a great extent.

Both for importing and exporting, requirement confirmations such as plant quarantine and food sanitation are performed by a single authority, as the government authorities in the ROK are mutually linked by the Single Window (SW) System.

1.2. Export of MPs to Thailand

1.2.1. Commodity classification and tariff rate of MPs¹

(1) Commodity classification of the ROK

In the ROK, 2 HS subheadings are related to MPs. One is 8517.12 which has 10 tariff lines, and the other one is 8517.70 for parts of MPs. The latter has 3 tariff lines.

Table 1 Commodity classification of ROK for MPs

| HS Code(10 digits) | Commodity description |
|--------------------|--|
| 8517.12 | Telephones for cellular networks or for other wireless networks |
| 8517.12.10 | Of Synchronous code division multiple access type |
| 8517.12.1010 | With digital broadcasting receiver |
| 8517.12.1090 | Other |
| 8517.12.20 | Of asynchronous time division multiple access type |
| 8517.12.2010 | With digital broadcasting receiver |
| 8517.12.2090 | Other |
| 8517.12.30 | Of asynchronous code division multiple access type |
| 8517.12.3010 | With digital broadcasting receiver |
| 8517.12.3090 | Other |
| 8517.12.40 | Of synchronous orthogonal frequency division multiple access type |
| 8517.12.4010 | With digital broadcasting receiver |
| 8517.12.4090 | Other |
| 8517.12.90 | Other |
| 8517.12.9010 | With digital broadcasting receiver |
| 8517.12.9090 | Other |
| 8517.70 | Parts |
| 8517.70.10 | Of subheading 8517.1 |
| 8517.70.102 | Of telephones for cellular networks or for other wireless networks |
| 8517.70.1021 | Key pads |
| 8517.70.1022 | Cases |
| 8517.70.1029 | Other |

¹ Korea Customs and Trade Development Institute, Export and Import Clearance Handbook (2014). Commodity Classification issues will have to be settled first because merchant trade statistics and tariff rates and applied laws and regulations are basically based on such classifications (especially HS classification).

(2) Commodity classification and tariff rate of Thailand for MP import²

Thailand also has 2 HS subheadings related to MPs, one for MPs and the other for parts of MPs. Both subheadings have only one tariff line. The tariff rate for MPs is zero, so importers do not have to apply for AK FTA preferential tariffs. On the other hand, importers of parts of MPs are eligible for the benefit of preferential tariffs based on AK FTA, because the basic rate for parts of MPs is 1%.

Table 2 Classification and tariff rate of Thailand

| HS Code (8 digits) | Commodity description | Basic rate | AK FTA |
|-----------------------|---|------------|--------|
| 8517.12.00 | Telephones for cellular networks or for other wireless networks | Zero Duty | 0% |
| 8517.70.21 | Parts of mobile phones | 1% | 0% |

²<http://www.customs.go.th/wps/wcm/connect/CustEn/Home/HomeWelCome> (Customs of Thailand)
<http://www.customs.go.kr/kcshome/getBuRyuList.po> (Customs of Korea)
http://stat.wto.org/idbdata/idb_tha_last_e.zip (WTO)

1.2.2. Trade statistics and Related Information

(1) MP export of the ROK³

The value of MP manufacture of the ROK in year 2011 amounted to approximately KRW 29 trillion (\approx USD 26 billion) for “Smart Phones”, and approximately KRW 12 trillion KRW (\approx USD 11 billion) for “Other MPs”. Statistics for smart phones manufacture have been available since 2009.⁴ The total export value of MP from the ROK was approximately USD 12 billion and USD 13 billion in years 2012 and 2013 respectively. Annual MP exports to Thailand were approximately USD 76 million and USD 72 million in years 2012 and 2013 respectively, ranking 23rd in the world for both years.

Table 3 MP export statistics from the ROK by country

| Year 2012 | | | | Year 2013 | | | |
|--------------|--------------------|-----------------------|-----------------|--------------|--------------------|-----------------------|-----------------|
| Code | Country | Value (1,000 US\$) | Weight (ton) | Code | Country | Value (1,000 US\$) | Weight (ton) |
| Total | | 12,096,876 | 15,619 | Total | | 13,175,359 | 14,630 |
| US | USA | 4,439,639 | 5,680 | US | USA | 5,880,800 | 6,020 |
| JP | Japan | 2,341,148 | 1,888 | JP | Japan | 1,346,911 | 1,075 |
| DE | Germany | 534,337 | 828 | DE | Germany | 714,795 | 779 |
| FR | France | 533,254 | 736 | CA | Canada | 661,792 | 720 |
| AE | UAE | 456,203 | 472 | FR | France | 560,597 | 573 |
| HK | Hong Kong, China | 425,883 | 680 | AE | UAE | 550,614 | 571 |
| GB | UK | 411,866 | 480 | HK | Hong Kong, China | 430,455 | 814 |
| AU | Australia | 223,945 | 281 | GB | UK | 323,764 | 378 |
| ES | Spain | 213,231 | 340 | MX | Mexico | 294,074 | 329 |
| RU | Russian Federation | 202,771 | 321 | NL | Netherlands | 278,838 | 321 |
| SE | Sweden | 196,659 | 328 | ES | Spain | 223,728 | 290 |
| AT | Austria | 165,054 | 338 | IT | Italia | 209,321 | 263 |
| CA | Canada | 163,141 | 243 | SE | Sweden | 206,552 | 252 |
| IT | Italia | 160,354 | 222 | RU | Russian Federation | 124,485 | 184 |
| MY | Malaysia | 156,945 | 198 | MY | Malaysia | 109,322 | 90 |
| SG | Singapore | 147,651 | 149 | TW | Taipei, Chinese | 100,923 | 122 |
| TW | Taipei, Chinese | 115,835 | 127 | AU | Australia | 97,964 | 94 |
| MX | Mexico | 111,237 | 202 | SG | Singapore | 95,389 | 104 |
| NL | Netherlands | 104,592 | 156 | IN | India | 92,529 | 136 |
| IN | India | 96,730 | 282 | TR | Turkey | 86,042 | 145 |
| ID | Indonesia | 81,520 | 145 | AT | Austria | 81,306 | 141 |
| SA | Saudi Arabia | 77,272 | 74 | CL | Chile | 72,147 | 185 |
| TH | Thailand | 75,611 | 110 | TH | Thailand | 71,545 | 67 |

³ <http://www.customs.go.kr> (Customs) and <http://trass.kctdi.or.kr/service/pub/IntroServlet> (Korea Customs and Trade Development Institute)

⁴ Korea Association for ICT Promotion, Statistical Yearbook of Broadcasting and Telecommunication 2012, p.230 – 231.

| Year 2012 | | | | Year 2013 | | | |
|-----------|--------------|-----------------------|-----------------|-----------|----------------|-----------------------|-----------------|
| Code | Country | Value (1,000 US\$) | Weight (ton) | Code | Country | Value (1,000 US\$) | Weight (ton) |
| FI | Finland | 71,346 | 69 | PL | Poland | 66,896 | 133 |
| TR | Turkey | 58,505 | 98 | IR | Iran | 54,601 | 109 |
| CN | China | 55,832 | 229 | ZA | South Africa | 45,419 | 48 |
| PL | Poland | 54,563 | 153 | CO | Colombia | 42,330 | 40 |
| ZA | South Africa | 40,798 | 56 | CZ | Czech Republic | 35,935 | 50 |

(2) MP import of Thailand⁵

Import values of MPs into Thailand from the world are approximately USD 2.8 billion and USD 3.2 billion in years 2012 and 2013 respectively, and have been increasing since 2009. Korea is the 3rd largest exporter of MPs to Thailand, exporting a consistent record of around USD 1 hundred million, though this figure has been decreasing in recent years.

Table 4 MP import statistics (into Thailand) of HS 8517.12

(Unit: 1,000 US\$)

| Exporters | Import Value | | | | |
|-----------------------|--------------|-----------|-----------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| World | 900,336 | 1,197,826 | 1,842,952 | 2,759,876 | 3,234,049 |
| China | 578,763 | 777,985 | 1,101,385 | 1,909,408 | 2,134,048 |
| Viet Nam | 43,303 | 105,188 | 237,609 | 614,990 | 953,563 |
| Korea(ROK) | 106,117 | 106,659 | 148,926 | 96,163 | 72,383 |
| India | 137,466 | 114,500 | 22,315 | 55 | 32,550 |
| Taipei, Chinese | 21,884 | 31,840 | 143,050 | 71,020 | 26,379 |
| Mexico | 63 | 15,777 | 55,152 | 28,326 | 5,604 |
| Hong Kong, China | 1,540 | 4,531 | 3,865 | 3,156 | 2,611 |
| Thailand ⁶ | 448 | 909 | 1,089 | 845 | 2,032 |
| Singapore | 1,439 | 139 | 311 | 753 | 1,895 |
| Malaysia | 405 | 875 | 9,548 | 10,395 | 1,499 |
| UK | 334 | 379 | 515 | 659 | 648 |
| USA | 1,100 | 201 | 2,384 | 8,381 | 205 |
| Denmark | 0 | 48 | 11 | 12 | 114 |
| Hungary | 5,646 | 37,460 | 112,521 | 4,633 | 109 |
| France | 110 | 10 | 36 | 95 | 58 |
| Spain | 0 | 0 | 1 | 15 | 56 |
| Australia | 3 | 8 | 11 | 31 | 52 |

⁵ <http://www.trademap.org/SelectionMenu.aspx> (International Trade Statistics - ITC)

⁶ This record is presumed as those of “Re-import” into Thailand.

| Exporters | Import Value | | | | |
|-------------|--------------|------|------|-------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Canada | 233 | 248 | 248 | 1,017 | 51 |
| UAE | 1 | 0 | 3 | 3 | 36 |
| New Zealand | 0 | 1 | 7 | 8 | 24 |
| Japan | 16 | 3 | 26 | 29 | 17 |
| Sweden | 69 | 70 | 24 | 9 | 16 |
| Philippines | 203 | 14 | 1 | 43 | 13 |
| Germany | 467 | 537 | 11 | 5 | 12 |
| Brazil | 0 | 0 | 0 | 2 | 10 |

In 2012, the ROK's share in Thailand's imports of HS 8517.12 accounted for 3.5% of Thailand's MP import, showing a sharp negative growth since 2008. Given the size of Thailand's economy, we can infer that trade can be further expanded by eliminating some difficulties in overall trade procedures.

Table 5 Analysis of import (into Thailand) of HS 8517.12(year 2012)

| Exporters | Trade indicators | | | | |
|-----------------------|-----------------------------------|---------------------------------|---|---|---|
| | Import value in 2012 (1,000 US\$) | Share in Thailand's imports (%) | Import growth in value between 2008-2012 (% , p.a.) | Import growth in value between 2011-2012 (% , p.a.) | Share of partner countries in world exports (%) |
| World | 2,759,876 | 100 | 28 | 50 | 100 |
| China | 1,909,408 | 69.2 | 29 | 73 | 46.1 |
| Viet Nam | 614,990 | 22.3 | 1,605 | 159 | 7.5 |
| Korea (ROK) | 96,163 | 3.5 | -10 | -35 | 6.8 |
| Taipei, Chinese | 71,020 | 2.6 | 43 | -50 | 3.4 |
| Mexico | 28,326 | 1 | 519 | -49 | 2.5 |
| Malaysia | 10,395 | 0.4 | 58 | 9 | 0.7 |
| Romania | 9,444 | 0.3 | | 162 | 0.2 |
| USA | 8,381 | 0.3 | 73 | 252 | 4.2 |
| Hungary | 4,633 | 0.2 | 112 | -96 | 3 |
| Hong Kong, China | 3,156 | 0.1 | 5 | -18 | 6.2 |
| Canada | 1,017 | 0 | -2 | 310 | 0.2 |
| Thailand ⁷ | 845 | 0 | 56 | -22 | 0.1 |
| Singapore | 753 | 0 | -50 | 142 | 2.6 |
| UK | 659 | 0 | 33 | 28 | 1.2 |
| Austria | 244 | 0 | | 2950 | 0.7 |

⁷ This record is presumed as those of "Re-import" into Thailand.

The ROK's share in Thailand's imports of HS 8517.70 was 2% in 2012. The growth rate between the year 2011 – 2012 is sharp (-). Given the economy size of Thailand, we can infer that trade can be further expanded by eliminating some difficulties in overall trade procedures.

Table 6 Analysis of import (into Thailand) of HS 8517.70 (year 2012)

| Exporters | Trade indicators | | | | | |
|-----------------------|-----------------------------------|---------------------------------|-----------------------------|-----------------------|---|---|
| | Import value in 2012 (1,000 US\$) | Share in Thailand's imports (%) | Import quantity 2012 (tons) | Unit value (USD/unit) | Import growth in value between 2011-2012 (% p.a.) | Share of partner countries in world exports (%) |
| World | 277,493 | 100 | 2,700 | 102,775 | -12 | 100 |
| China | 112,895 | 40.7 | 2,104 | 53,657 | -22 | 38 |
| USA | 39,693 | 14.3 | 106 | 374,462 | 116 | 3.8 |
| Japan | 36,462 | 13.1 | 70 | 520,886 | -20 | 1.8 |
| Thailand ⁸ | 14,664 | 5.3 | 12 | 1,222,000 | 286 | 0.8 |
| Malaysia | 11,413 | 4.1 | 24 | 475,542 | 82 | 0.6 |
| Mexico | 11,001 | 4 | 16 | 687,563 | -8 | 5.9 |
| France | 6,810 | 2.5 | 33 | 206,364 | 88 | 1.3 |
| Korea, (ROK) | 5,577 | 2 | 57 | 97,842 | -34 | 6.9 |
| Israel | 5,221 | 1.9 | 9 | 580,111 | 6 | 0.6 |
| Germany | 4,331 | 1.6 | 20 | 216,550 | -81 | 1.3 |
| Finland | 3,669 | 1.3 | 27 | 135,889 | 40 | 0.4 |
| Canada | 3,348 | 1.2 | 3 | 1,116,000 | 289 | 0.6 |
| Sweden | 3,261 | 1.2 | 5 | 652,200 | -2 | 1.8 |
| Taipei, Chinese | 2,890 | 1 | 15 | 192,667 | -44 | 2.9 |
| Viet Nam | 2,669 | 1 | 5 | 533,800 | 72 | 0.8 |
| Romania | 2,381 | 0.9 | 85 | 28,012 | -9 | 0.5 |
| Australia | 1,464 | 0.5 | 31 | 47,226 | 2,261 | 0.1 |
| Estonia | 1,390 | 0.5 | 12 | 115,833 | -76 | 0.4 |
| Singapore | 1,386 | 0.5 | 6 | 231,000 | -27 | 0.7 |
| UK | 1,162 | 0.4 | 3 | 387,333 | 51 | 0.4 |

(3) Main exporters of the ROK of MPs and parts of MPs

The major MP manufacturers of the ROK are Samsung Electronics Co., Ltd., LG Electronics Co., Ltd, and Pantech Co. Ltd., though there may be many other MP exporters in the ROK. Among the 451 MP parts exporters of the ROK, 23 are exporting to Thailand.⁹

⁸ This record is presumed as those of "Reimport" into Thailand.

⁹ According to information supported by Trade Statistics Department of Korea Customs and Trade Development Institute, this information is based on DB analysis of Export Declarations filed to the Customs of Korea. The company names, however, are under strict confidentiality.

Table 7 Exporters of MPs of the ROK

| Company Name | Country | City | Website |
|-------------------------------|---------|-------|--|
| Samsung Electronics Co., Ltd. | ROK | Suwon | www.samsung.com |
| LG Electronics Co., Ltd. | ROK | Seoul | www.lge.co.kr |
| Pantech Co., Ltd. | ROK | Seoul | www.pantech.co.kr |

(4) Main importers of Thailand of MPs and parts of MPs¹⁰

Main importers of Thailand of MPs and parts thereof include Asia & Pacific Film Co., Ltd., Ericsson (Thailand) Ltd., International Engineering Public Co., Ltd., Jebsen & Jessen Marketing (Thailand) Ltd., and UCOM-, with the total number of importers of MP parts -reaching 27 in year 2013.¹¹

Table 8 Main importers of Thailand, of MPs and parts

| Company name | Country | City | Website |
|--|----------|---------|--|
| Asia & Pacific Film Co., Ltd. | Thailand | Bangkok | |
| Ericsson (Thailand) Ltd. | Thailand | Bangkok | www.ericsson.co.th |
| International Engineering Public Co., Ltd. | Thailand | Bangkok | www.iec.co.th |
| Jebsen & Jessen Marketing (Thailand) Ltd. | Thailand | Bangkok | www.jjsea.com |
| United Communication Industry Public Ltd. (UCOM) | Thailand | Bangkok | www.ucom.co.th |

¹⁰ <http://www.trademap.org/SelectionMenu.aspx> (International Trade Statistics - ITC)

¹¹ The same as footnote10.

1.3. Import of Bananas from the Philippines

1.3.1. Commodity classification and tariff rate of Bananas

(1) Bananas import into the ROK¹²

Bananas are classified under 2 tariff lines of heading 0803. One is 0803.10.0000 (Plantains) and the other one is 0803.90.0000 (Other bananas). The latter one is the main subject of this article. “Frozen” bananas and “provisionally preserved” bananas fall under headings 0811 and 0812 respectively. However, in real commerce, “frozen” or “provisionally preserved” ones are rare. As for tariff rates when importing into the ROK, AK FTA does not include the tariff line 0803.90.0000 in the concessions list. As for GSTP of UNCTAD, in which the Philippines is one of the member countries, heading 0803 is not included in the list of concessions. To conclude, the basic tariff rate of 30% will be applicable to Banana importers from the ROK.

Table 9 Classification and tariff rate for Banana import into the ROK¹³

| HS Code (10 digits) | Commodity description | Basic tariff rate | AK FTA |
|---------------------|---|-------------------|---------------------------------|
| 0803 | Bananas, including plantains, fresh or dried. | - | - |
| 0803.10.0000 | Plantain | 30% | Not included in concession list |
| 0803.90.0000 | Other | 30% | Not included in concession list |

(2) Bananas export from the Philippines¹⁴

Bananas are classified under 2 tariff lines of 0803. One is for “Plantains” and the other one is for “Other (Bananas).”

Table 10 Classification for Banana export from the Philippines

| HS Code (8 digits) | Commodity description |
|--------------------|---|
| 0803 | Bananas, including plantains, fresh or dried. |
| 0803.10.00 | Plantains |
| 0803.90.00 | Other |

¹² Korea Customs and Trade Development Institute, *ibid*.

¹³ We know that C/O will be necessary for importer to get the benefit of preferential tariff. But in this Banana import case, C/O is not applicable, for HS Codes for Bananas are not included in concession list. The same situation will have to be reminded in MP export case.

¹⁴ <http://www.customs.go.kr> (Customs of Korea, World HS Information System)

1.3.2. Trade statistics and related information

(1) Import of the ROK¹⁵

Total import values of Bananas into the ROK were approximately USD 2.5 hundred million (3.7 hundred thousand tons) and USD 2.5 hundred million (3.1 hundred thousand tons) in years 2012 and 2013 respectively. The main exporters of Bananas into the ROK are the Philippines (ranked 1st with over 97% share in total Korean import), Guatemala, and Peru.

Table 11 Import statistics of the ROK of Bananas

(Unit: 1,000 US\$, ton)

| Year 2012 | | | Year 2013 | | |
|-------------|------------------|------------------|-------------|------------------|------------------|
| Country | Weight of Import | Amount of Import | Country | Weight of Import | Amount of Import |
| Philippines | 362,876 | 245,173 | Philippines | 306,517 | 246,763 |
| Peru | 2,612 | 2,909 | Guatemala | 3,618 | 3,255 |
| Guatemala | 1,576 | 1,269 | Peru | 2,147 | 2,153 |
| Sri Lanka | 340 | 183 | Sri Lanka | 534 | 421 |
| Ecuador | 241 | 197 | Ecuador | 474 | 366 |
| Vietnam | 29 | 27 | Colombia | 164 | 146 |
| Total | 367,674 | 249,758 | Vietnam | 146 | 90 |
| | | | Thailand | 3 | 7 |
| | | | USA | 0 | 1 |
| | | | Total | 313,604 | 253,202 |

(2) Main importing companies in the ROK

Bananas are imported into the ROK mainly by the following 3 major companies (Korea Delmonte Fresh Produce Ltd., Dole Korea Ltd., and SHINSEGAE Co Ltd.). The first two companies are the affiliates of MNCs, and the last one is local.

(3) Export of the Philippines¹⁶

Total Philippine exports of “vegetables and fruits” reached approximately USD 1.4 billion (2.9 million tons) and USD 1.6 billion (3.6 million tons) in years 2011 and 2012 respectively. Meanwhile, import values reached to approximately USD 3.6 hundred million (5.4 hundred thousand tons) and USD 4.1 hundred million (6 hundred thousand tons) in the same years.

¹⁵ <http://www.customs.go.kr> (Customs of Korea, Trade Statistics System)
<http://trass.kctdi.or.kr/service/pub/IntroServlet> (Korea Customs and Trade Development Institute, Trade Statistics Service)

<http://www.kita.net/#nohref> (Korea International Trade Association, Trade Statistics Service)

¹⁶ <http://countrystat.bas.gov.ph/selection.asp> (Country stat Network of the Philippines). The 2012 HS code for Bananas is currently 0803.90, and differentiates 0803.10 “Plantains” from 0803.90 “Other bananas”. Prior to that, there was only one HS code for all Bananas under 0803.00, which has led to some continuity issues for trade statistics.

Table 12 Export statistics of vegetables and fruits of the Philippines

(Unit: 1,000 US\$, ton)

| Indicator | Export | | | |
|------------------------------|-----------|-------------|-----------|-------------|
| | Year 2011 | | Year 2012 | |
| | Weight | Value (FOB) | Weight | Value (FOB) |
| Vegetables and fruits | 2,934,726 | 1,402,925 | 3,640,459 | 1,615,176 |

Export values of Bananas from the Philippines showed an upward increase from approximately USD 4 hundred million in 2008 to USD 6.5 hundred million in 2012. This figure includes plantains. Banana export accounts for 40% of the Philippines' total export figure of "vegetable and fruits".

Table 13 Export statistics of Bananas from the Philippines

(Unit, 1,000 US\$)

| Export Value | | | | |
|--------------|---------|---------|---------|---------|
| 2008 | 2009 | 2010 | 2011 | 2012 |
| 405,673 | 360,289 | 319,296 | 471,152 | 647,880 |

In 2012, total Banana exports of the world reached approximately USD 9.1 billion (20 million tons). The Philippines represented 7.1% of the world Banana export, ranking 5th among all Banana exporting countries.¹⁸

Table 14 Analysis of Banana export of the world (year 2012)

| Exporters | Trade indicators | | | | | |
|--------------------|-------------------------------------|---------------------------------|-----------------------|--|----------------------------|--|
| | Value exported in 2012 (1,000 US\$) | Quantity exported in 2012 (ton) | Unit value (USD/unit) | Annual growth in value between 2008-2012 (%) | Share in world exports (%) | Average distance of importing countries (km) |
| World | 9,132,798 | 19,599,166 | 466 | 3 | 100 | 4,869 |
| Ecuador | 2,081,987 | 5,205,352 | 400 | 6 | 22.8 | 9,481 |
| Belgium | 1,284,123 | 1,261,038 | 1,018 | -4 | 14.1 | 527 |
| Colombia | 822,010 | 1,834,936 | 448 | 4 | 9 | 7,456 |
| Costa Rica | 706,741 | 1,885,910 | 375 | 5 | 7.7 | 6,789 |
| Philippines | 647,880 | 2,648,369 | 245 | 13 | 7.1 | 3,738 |
| Guatemala | 618,314 | 2,033,236 | 304 | 13 | 6.8 | 2,975 |
| USA | 436,456 | 530,889 | 822 | 6 | 4.8 | 1,174 |
| Honduras | 342,148 | 901,361 | 380 | 16 | 3.7 | 2,720 |
| Germany | 275,411 | 272,608 | 1,010 | -13 | 3 | 648 |
| Panama | 244,593 | 281,076 | 870 | -10 | 2.7 | 8,607 |
| Côte d'Ivoire | 229,867 | 295,364 | 778 | -6 | 2.5 | 4,755 |
| France | 200,347 | 266,803 | 751 | 2 | 2.2 | 988 |
| Netherlands | 120,750 | 129,492 | 932 | 2 | 1.3 | 756 |
| Spain | 94,232 | 77,638 | 1,214 | 25 | 1 | 820 |
| Peru | 83,762 | 121,669 | 688 | 16 | 0.9 | 9,849 |
| Suriname | 74,888 | 110,404 | 678 | 6 | 0.8 | 7,405 |
| Cameroon | 74,852 | 231,802 | 323 | 1 | 0.8 | 4,747 |
| Mexico | 69,385 | 173,919 | 399 | 10 | 0.8 | 2,950 |
| Dominican | 64,833 | 137,658 | 471 | 1 | 0.7 | 6,434 |

¹⁸<http://www.trademap.org/SelectionMenu.aspx> (International Trade Statistics - ITC)

| | | | | | | |
|----------|-------|--------|-----|-----|-----|-------|
| Republic | | | | | | |
| Italy | 54154 | 59815 | 905 | -19 | 0.6 | 815 |
| Belize | 47445 | 103716 | 457 | 7 | 0.5 | 8,112 |

Among the importers of Philippine Bananas, Japan is the largest, China is the second, and the ROK is the third. The ROK's import volume represents 9.1% of the total Philippine Banana export and its growth rate during 2008 – 2012 reached 17% p.a.

Table 15 Analysis of Banana importing countries from the Philippines

| Importers | Trade indicators | | | | | | |
|----------------------------|--------------------------------------|-----------------------------------|-----------------------|--|---|--|---|
| | Exported value in 2012, (1,000 US\$) | Exported quantity in 2012, (tons) | Unit value (USD/unit) | Exported growth in value bet. 2008–2012 (% p.a.) | Exported growth in quantity bet. 2008–2012 (% p.a.) | Share of partner countries in world import (%) | Tariff (Estimated) faced by Philippines (%) |
| World | 647,880 | 2,648,369 | 245 | 13 | 6 | 100 | |
| Japan | 307,420 | 1,085,053 | 283 | 9 | 0 | 6.9 | 9.5 |
| China | 92,087 | 423,211 | 218 | 63 | 48 | 2.9 | 0 |
| Korea(ROK) | 58,933 | 265,506 | 222 | 17 | 11 | 1.9 | 30 |
| UAE | 42,247 | 262,826 | 161 | 35 | 36 | 0.4 | |
| Singapore | 31,398 | 123,286 | 255 | 15 | 7 | 0.2 | |
| Saudi Arabia | 28,490 | 116,127 | 245 | 43 | 34 | 0.5 | |
| Hong Kong China | 20,040 | 90,310 | 222 | 21 | 17 | 0.3 | |
| Iran (Islamic Republic of) | 19,789 | 98,980 | 200 | -26 | -29 | 0.2 | 4 |
| New Zealand | 13,450 | 48,991 | 275 | 3 | -4 | 0.5 | |
| Kuwait | 13,087 | 79,509 | 165 | 32 | 38 | 0.1 | |
| Russian Federation | 3,612 | 12,730 | 284 | -2 | -18 | 7.2 | |
| Viet Nam | 2,986 | 3,266 | 914 | | | 0 | 5 |
| USA | 2,867 | 3,420 | 838 | 199 | 85 | 19 | |
| Korea, DPR | 1,809 | 7,055 | 256 | | | 0 | |
| Qatar | 1,302 | 5,381 | 242 | 136 | 123 | 0 | |
| Germany | 1,071 | 1,156 | 926 | | 557 | 7.2 | |
| United Kingdom | 884 | 508 | 1,740 | 156 | 123 | 6.3 | |
| Malaysia | 864 | 3,869 | 223 | | 15 | 0 | 85 |
| Egypt | 736 | 2,705 | 272 | 42 | 18 | 0.2 | 20 |
| Bahrain | 717 | 3,944 | 182 | 98 | 108 | 0 | |
| Antigua and Barbuda | 495 | 2,179 | 227 | | | 0 | 40 |
| Netherlands | 378 | 335 | 1,128 | 156 | 121 | 1.8 | |
| France | 363 | 1,419 | 256 | 60 | 292 | 3.6 | |
| Sweden | 336 | 214 | 1,570 | | | 1.4 | |

2. BPA of MP exportation to Thailand

2.1. Scope of Business Process Analysis

2.1.1. Purpose of analysis

In the previous chapter, large scale trends in trade were viewed in the context of merchandise trade statistics which can be obtained from principal sources. In contrast, a considerable portion of the contents of the Business Process Analysis (e.g., actual procedural aspects of export and import clearance, and time required for every stage, and so forth) is based on interviews with Customs Brokers in active service whose offices are located in Seoul and Incheon Airport.

The basic methodology for business process analysis on MP export from the ROK is as follows:

1. Segment the whole trade procedures in detail and name each process area
2. Draw a flow chart of each process area
3. Conduct a practical survey for required time, required expenses and fees, and the number of documents to be submitted in each process area
4. Analyze the procedures, flow charts and results of the practical survey, and find out the bottlenecks in trade processes, especially in terms of time required
5. Draw out some recommendations for innovation in trade flow

Following the models of previous BPAs, the process area consists of the following stages, which, in turn, consists of several next-step stages:

1. Buy: the registration of Business, the exchange of samples, and the conclusion of sales contract and sales terms
2. Ship: the arrangement of air cargo transportation, the storage of goods, the clearance procedure by the Customs, and the departure
3. Pay: the establishment of payment guarantee and the claim for payment

According to this research, the “Buy” process area consists of 3 core business processes, the “Ship” process area consists of 12 processes, and the “Pay” process area consists of 2 processes. The process areas and the core business processes are displayed in the succeeding figures and tables.

In this research, the number of main stakeholders is approximated to be 20. Notably, export procedures in the ROK are shorter and much more simplified - than import procedures, allowing the trader to save time and expenses. In this regard, the number of core business processes in MP export is relatively smaller than that of Banana import.

The main purpose of this analysis is to provide recommendations for innovation through which trade communities can save both time and cost.

2.1.2. Basic assumptions for Business Process Analysis

Firstly, many of the basic assumptions for this report were based on the 2014 World Bank's Doing Business Report²¹, with some slight differences. For example, in the "Doing Business Report," export and import do not include sea transport expenses, duties and related internal taxes; a "container" means 20 TEU, and "transport" is defined as only sea transport which does not include the process related to sample sending and receiving.

Likewise, the object of analysis in the "Doing Business Report" is broadly defined as "normal" goods (not perishable or not requiring special treatment or certificates) while that of this BPA report is specifically-defined goods. Thus, the result of the "Doing Business" report and this "BPA" report are complementary but should not be compared directly. Table 17 shows these differences.

Table 16 Comparison of assumptions (Export)

| Distinction | Doing Business Report | This BPA Report |
|--|---|--|
| 1. Product description | Dry cargo, 20 foot, full container load | Dry cargo, two 20 foot containers, full container load |
| 2. Refrigeration or other special environment | Does not require. | Does not require. |
| 3. Special Phytosanitary or Environment Safety Standards | Does not require other than accepted international standards. | Does not require. |
| 4. The time and cost for (sea) transport | Are not included | Are included. |

²¹ The World Bank, Doing Business Report 2014 (Understanding Regulations for Small and Medium Size Enterprises) 11th edition, 2013. Please also refer to <http://www.doingbusiness.org/methodology/trading-across-borders>.

| | | |
|--------------------------------------|---|--|
| 5. The inclusive range | From packing the goods into the container at the warehouse to the departure from the port of exit | From business register to claiming payment for goods |
| 6. Representativeness of the product | One of the economy's leading export products ("average" concept) | Specific product, say, Mobile Phones |

Secondly, the foreign exchange rate used for calculation of dutiable value is the rate determined by the Commissioner of KCS by averaging the foreign exchange selling rate of the previous week versus the week in which import declaration is filed (Customs Act Article 18).

Thirdly, as MPs are exported from the ROK to Thailand, the assumption on place of departure and arrival is as below:

Table 17 Assumption on place of departure and arrival (of MPs export)

| Commodity | Place of original departure | Port of departure | Final arrival place | Remark |
|--------------------------|-----------------------------|------------------------------------|---------------------|--------------------|
| MPs (Export from ROK) | Seoul, ROK | Incheon International Airport, ROK | Bangkok, Thailand | Air transportation |

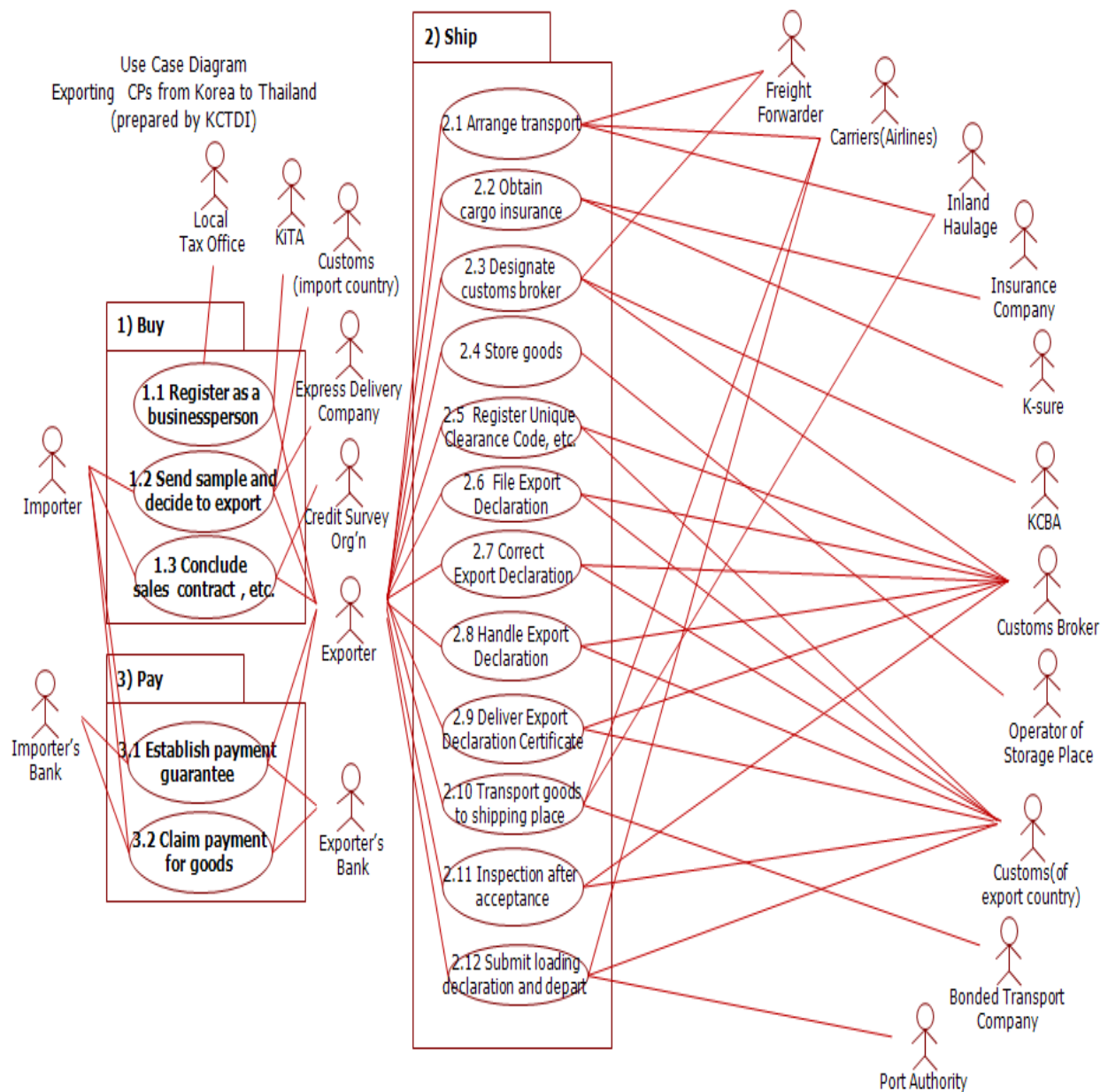
MPs are shipped using air transportation, and not by other methods such as water shipment, because MPs are not to be exposed to salty air.

Other logistics and transportation assumptions are as follows:

- MPs are delivered under the C.I.F. term where an exporter arranges and absorbs the costs of shipping MPs to the (air) port of destination.
- MPs are stuffed in two Twenty-foot Equivalent Units (TEUs) and transported.
- The payment for the purchased MPs is irrevocable once L/C is received.

2.1.3. Case diagram of business processes in MP export

Figure 1 Case diagram of business processes in MP export



2.1.4. Core business processes and stakeholders involved in MP export

Table 18 Core business processes and stakeholders (MP export)

[illegible]

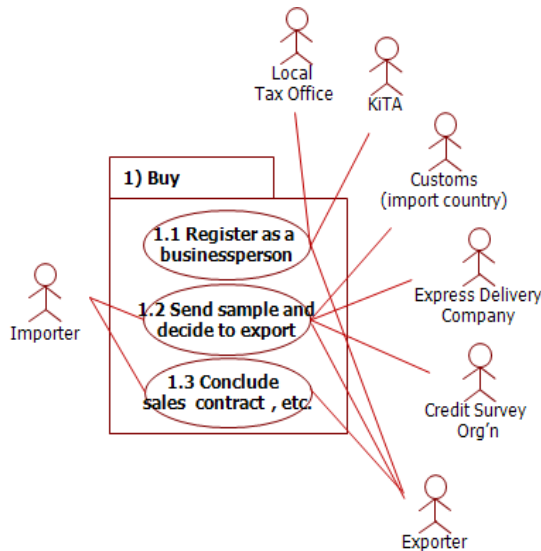
< Explanatory notes on stakeholders (1 - 20)>

| No. | Stakeholder |
|-----|---|
| 1 | Exporter |
| 2 | Exporter's bank |
| 3 | Importer |
| 4 | Importer's bank |
| 5 | Local Tax Service of NTS(of ROK) |
| 6 | Korea International Trade Association(KITA) |
| 7 | Customs(of importing country) |
| 8 | Express delivery company |
| 9 | Credit Survey Organization(in ROK, Korea Enterprise Data) |
| 10 | Freight forwarder |
| 11 | Carrier(Airlines) |
| 12 | Inland haulage |
| 13 | Insurance company |
| 14 | K-sure |
| 15 | Korea Customs Brokers Association(KCBA) |
| 16 | Customs broker |
| 17 | Operator of storage place |
| 18 | Customs(of exporting country) |
| 19 | Bonded transport company |
| 20 | Port authority |

2.2. Core business processes of MP exportation

2.2.1. Process area 1: Buy

Figure 2 Case diagram of core business processes in “Buy” process area



“Buy” process area consists of 3 core business processes. One is related to registering as a businessperson; the second is related to sending samples and making decisions to export; and the last is related to concluding sales contract and defining trade terms.

(1) Core business process area 1.1: Register business

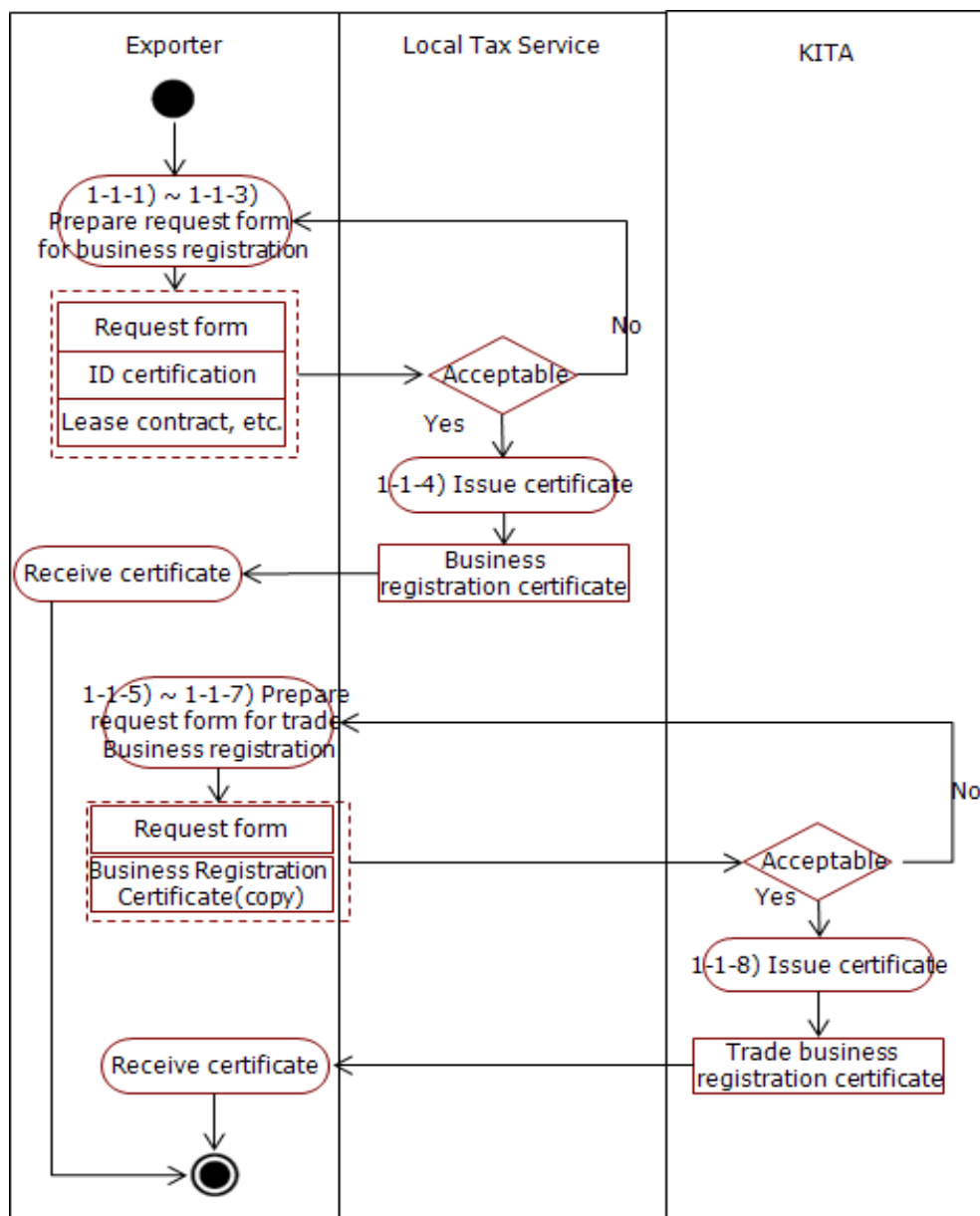
Figure 3 “Register business” Case diagram



“Register business” is the first core business process under “Buy” process area. The case diagram in Figure 9 suggests that this core business process requires the participation of:

- Exporter
- Local Tax Service(of National Tax Service, NTS)
- Korea International Trade Association (KITA)

Figure 4 “Register business” activity diagram



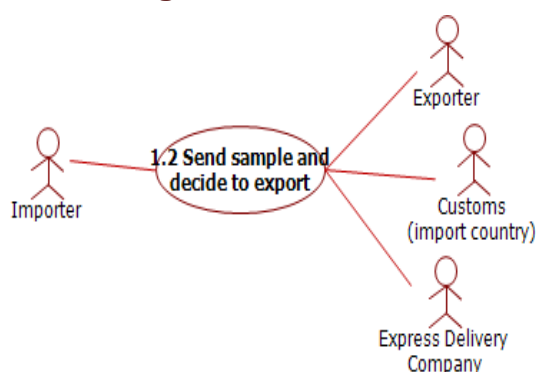
| | |
|-------------------------------------|---|
| Name of process area | 1. Buy |
| Name of business process | 1.1. Register business |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Enforcement decree of Foreign Trade Act (Article 21) Foreign trade management Regulation (Article 24) Value added tax (Article 8) |
| Process participants | <ul style="list-style-type: none"> Exporter Local Tax Service (of NTS) Korea International Trade Association (KITA) |
| Input and criteria to enter/ Begin | <ul style="list-style-type: none"> Exporter decides to begin trade business. |

| | |
|--|---|
| the business process | <ul style="list-style-type: none"> • Exporter has to meet the qualifications to export MPs. In this regard, business has to be registered in the local tax office beforehand. |
| Activities and associated documentary requirements | <p>1-1-1 Exporter applies for business registration to the competent local Tax Service. In the ROK, any business for commercial purpose should be registered in the Local Tax Service of NTS.</p> <p>1-1-2 Business registration may also be applied for through “Hometax (http://www.nts.go.kr)” of NTS using authentication certificate.</p> <p>1-1-3 In application of 1-1-1 and 1-1-2, documents to be submitted include (1) Identification Certificate of the applicant, and (2) office lease contract (for personal residence, a certified copy of resident registration is required).</p> <p>1-1-4 The officer in charge of the local tax service issues Business Registration Number to the applicant.</p> <p>1-1-5 Person who wants to do trade business will occasionally need a Trade Business Number when (1) applying for L/C or import and export results, and (2) when there is a request from some government agencies (that is to say, the application of Trade Business Number is optional according to circumstances). Business Registration Number and Trade Business Number are different.</p> <p>1-1-6 To acquire a Trade Business Number, the applicant has to submit the application to Korea International Trade Association (KITA).</p> <p>1-1-7 Documents required when applying for Trade Business Number include Request form for Trade Business Number (1 original), Business Registration Certificate (1 copy), etc., and ID card (resident registration certificate or driver’s license). A copy of the front page of resident registration certificate is also to be submitted.</p> <p>1-1-8 The person in charge of KITA issues Trade Business Number on the spot, without charge, immediately after receiving the request.</p> <p>1-1-9 While applying for Trade Business Number, applicant may be recommended to subscribe for a membership to KITA on an annual fee. The subscription, however, is only optional.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Exporter has received Business Registration Number from local Tax Service, and if applicable, Trade Business Number from KITA. • Applications for Business Registration Number and Trade Business Number are required only once in the beginning of the trade business. |

| | |
|---|---|
| Average time required to complete this business process | <ul style="list-style-type: none"> • Exporter can acquire Business Registration Number immediately after the application on the spot. If engaged in an on-site survey, the process will take 3 additional days to acquire Business Registration Number. • Exporter can acquire Trade Business Number immediately after the application on the spot. |
|---|---|

(2) Core business process area 1.2: Exchange samples

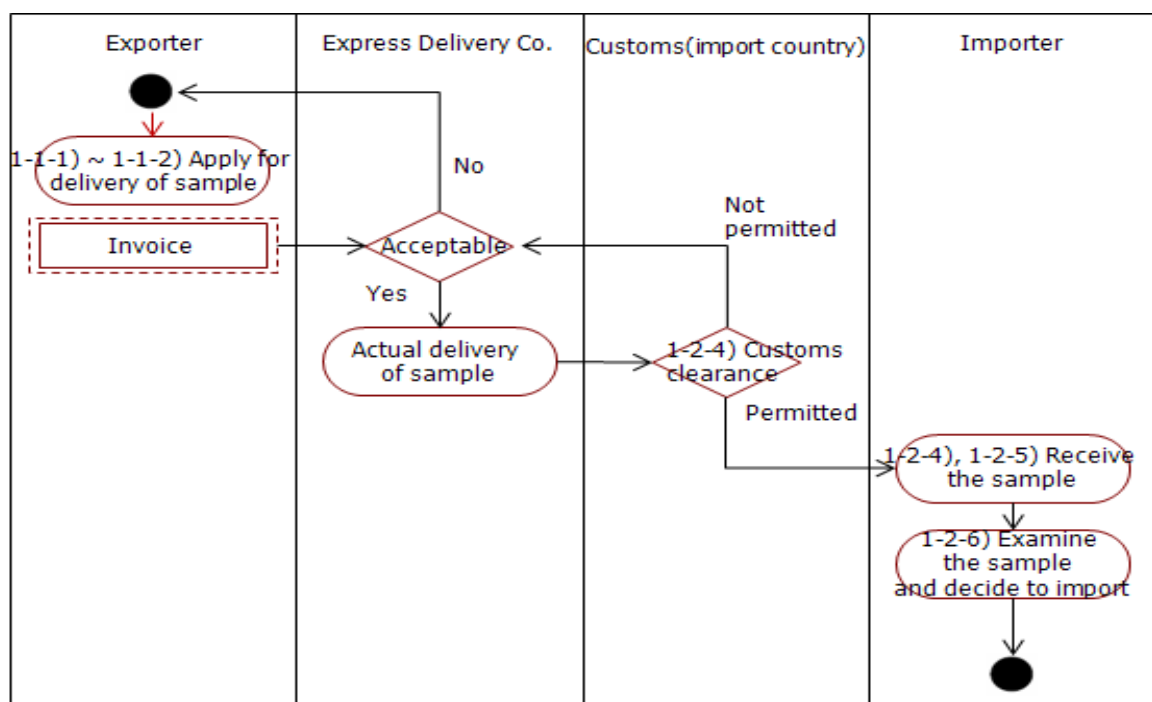
Figure 5 “Exchange samples” case diagram



“Exchange samples” is the second core business process under “Buy” process area. This core business process requires the participation of:

- Importer
- Customs(of importing country)
- Exporter
- Express delivery company

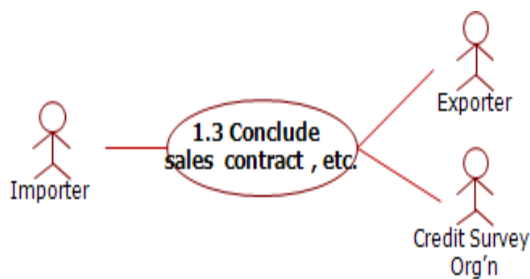
Figure 6 “Exchange samples” activity diagram



| | |
|--|--|
| Name of process area | 1. Buy |
| Name of business process | 1.2. Exchange samples |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 241, 242) • Enforcement Decree of Customs Act(Article 246) • Enforcement Regulation of Customs Act |
| Process participants | <ul style="list-style-type: none"> • Importer • Customs(of importing country) • Exporter • Express delivery company |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Exporter and importer want to initiate the trade. |
| Activities and associated documentary requirements | <p>1-2-1 Exporter and importer exchange basic information about each other as well as the information about the goods to be traded.</p> <p>1-2-2 Exporter sends importer a sample of Goods (MPs) to be exported.</p> <p>1-2-3 The batteries which may be included in the samples will be classified as “Dangerous Goods” (due to their potential explosiveness). Hence, batteries may be treated as a special case, possibly having additional documents to be required by the Express delivery company.</p> <p>1-2-4 Importer transfers money for the sample to exporter.</p> <p>1-2-5 Importer receives the sample. Generally, samples may be imported with informal clearance procedure and without payment of customs duties.</p> <p>1-2-6 Importer decides to import the goods of the same kind of the sample, if the sample is satisfactory.</p> <p>1-2-7 Importer requests another sample to exporter if the former sample is not satisfactory.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Exporter and importer have exchanged basic information on the principles of trade and goods. • Samples have been sent for confirmation, and exporter and importer decide to proceed with the trade. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 2 days |

(3) Core business process area 1.3: Conclude sales contract and trade terms

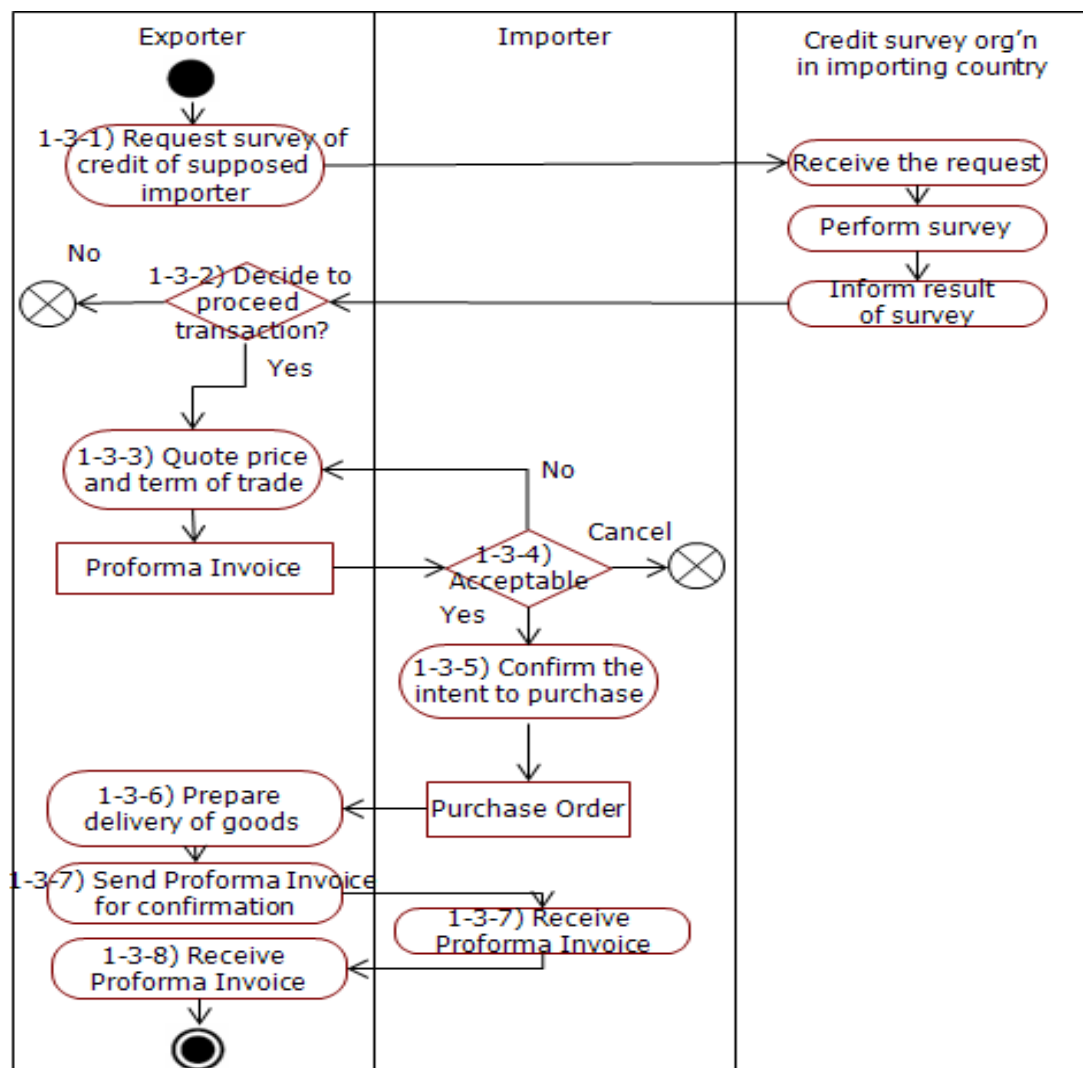
Figure 7 “Conclude sales contract and trade terms” case diagram



“Conclude sales contract and trade terms” is the third core business process under “Buy” process area. The case diagram in Figure 13 suggests that this core business process requires the participation of:

- Importer
- Exporter
- Credit Survey Organization
- (e.g., in the ROK, Korea Enterprise Data)

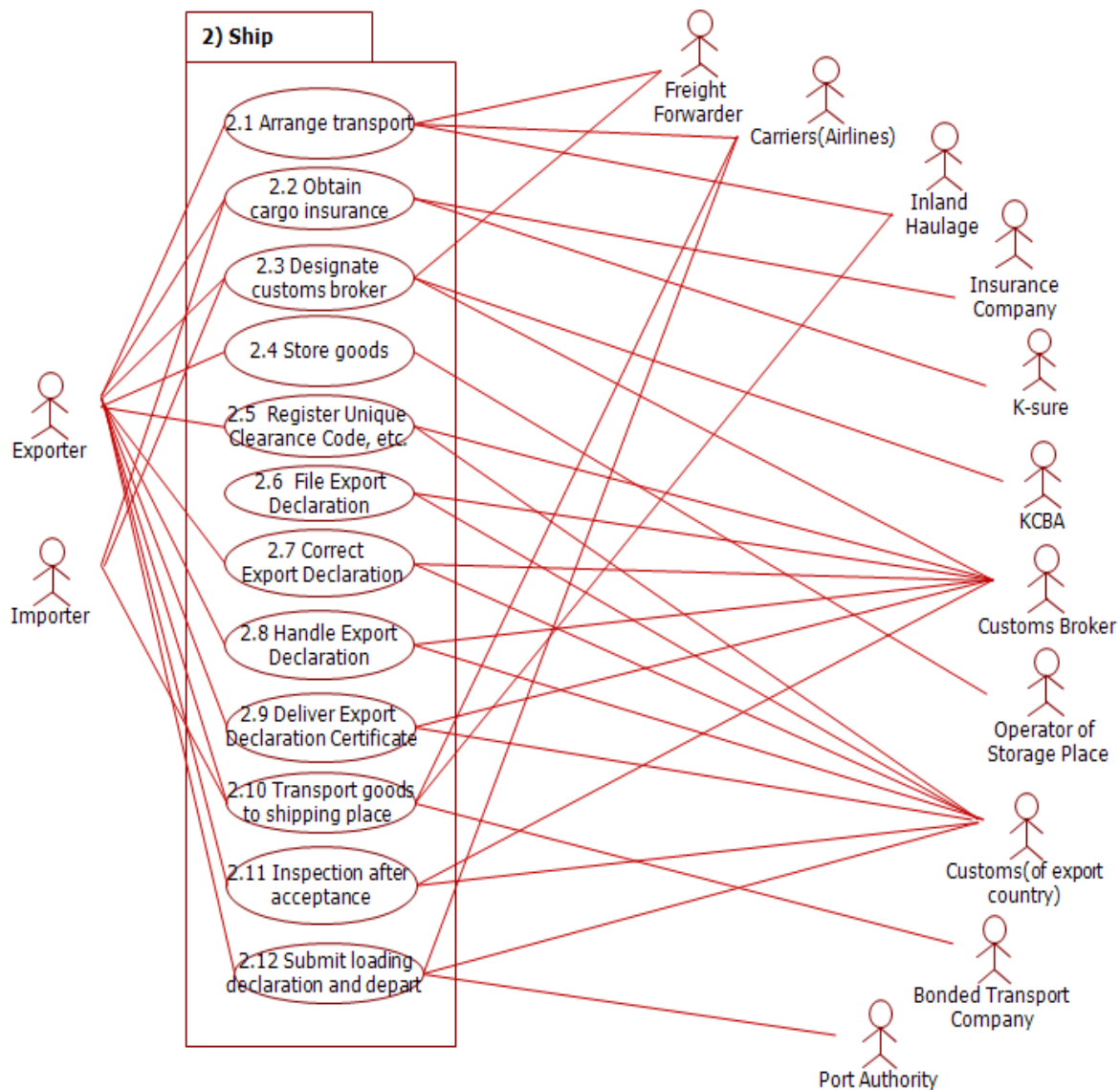
Figure 8 “Conclude sales contract and trade terms” activity diagram



| | |
|---|--|
| Name of process area | 1. Buy |
| Name of business process | 1.3 Conclude sales contract and trade terms |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Incoterms 2010 (International commercial terms) |
| Process participants | <ul style="list-style-type: none"> Importer Exporter Credit Survey Organization (in the ROK, Korea Enterprise Data) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> Exporter and importer are about to conclude the sales contract after exchanging basic information on product and sales terms. |
| Activities and associated documentary requirements | <p>1-3-1 Exporter may conduct a credit investigation about the importer through a credit rating organization (e.g., Chamber of Commerce and Industry, etc.) in the importer's country (optional).</p> <p>1-3-2 Exporter decides whether to proceed with the transaction based on the credit investigation, etc.</p> <p>1-3-3 Once the credit level of the importer has been confirmed, exporter prepares a Quotation on price and sales terms.</p> <p>1-3-4 Importer reviews the Quotation and determines if the quoted price and sales terms are acceptable. If the quoted price and sales terms are not acceptable, importer requests exporter to revise the quoted price and sales terms.</p> <p>1-3-5 If the quoted price and sales terms are acceptable, importer confirms exporter the purchase of goods with Purchase Order.</p> <p>1-3-6 Exporter prepares for the delivery of the goods accordingly.</p> <p>1-3-7 Exporter acknowledges the receipt of Purchase Order and confirms that the goods will be delivered according to the established terms and conditions by sending a Proforma Invoice to the importer.</p> <p>1-3-8 Importer receives the Proforma Invoice.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Sales contract has been concluded by exchanging Purchase Order and Pro forma Invoice. Based on Purchase Order, exporter prepares goods for export. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 2 days It will take about 2 weeks to receive a credit investigation report from Korea Enterprise Data. |

2.2.2. Process area 2: Ship

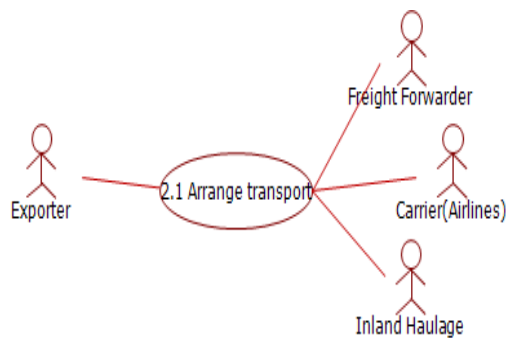
Figure 9 Case diagram of core business processes in "Ship" process area



MP export from the ROK to Thailand engages 12 core business processes under "Ship" process area. As shown in Figure 9, these core business processes are related to storage, transport, clearance, loading, and departure. They involve the arrangement for cargo movement as well as the completion of customs formalities and necessary actions for export procedures.

(1) Core business process area2.1: Arrange transport

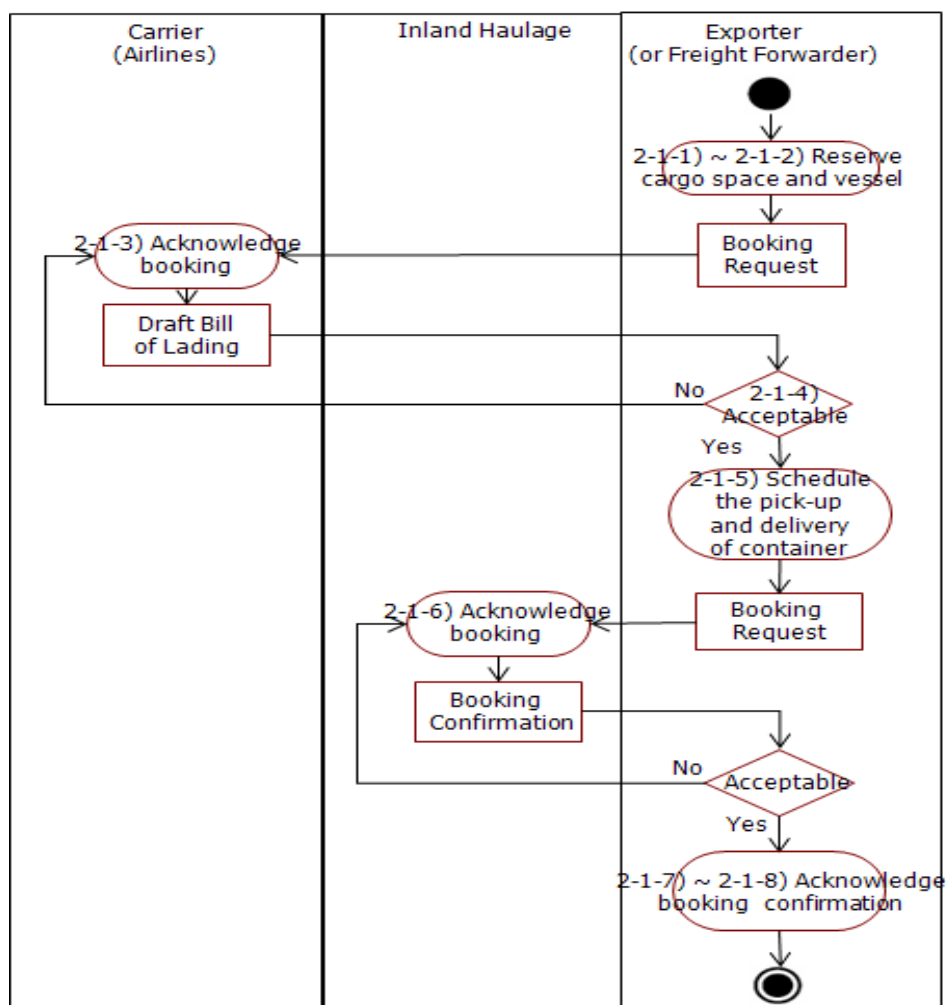
Figure 10 “Arrange transport” case diagram



“Arrange transport” is the first core business process among the 12 under “Ship” process area. This core business process requires the participation of :

- Exporter
- Freight forwarder
- Carrier (airlines)
- Inland haulage

Figure 11 “Arrange transport” activity diagram

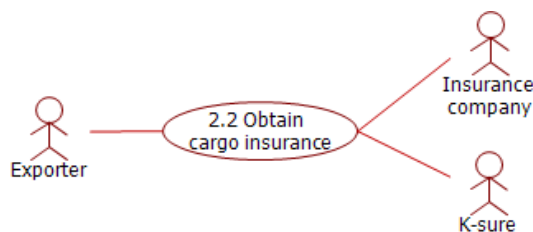


| | |
|---|--|
| Name of process area | 2. Ship |
| Name of business process | 2.1. Arrange transport |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Commercial Act (Chapter 9) • Framework Act on Logistics Policy (Section 3) of MOLIT • Enforcement Decree of Framework Act on Logistics Policy • Enforcement Regulation of Framework Act on Logistics Policy • Regulation on Registration and Management of Freight Forwarders (of KCS) • Regulation on Disembarkation of Entry into Port and Departure and Loading, of Bonded Cargoes (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Freight forwarder • Carrier (airlines) • Inland haulage |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Importer and exporter have already agreed that the delivery of purchased MPs to the specified port of destination is a responsibility of the exporter. |
| Activities and associated documentary requirements | <p>2-1-1 Exporter designates a freight forwarder who will arrange transport and provide related information. This procedure is not compulsory but strongly recommended for the convenience of the exporter.</p> <p>2-1-2 Freight forwarder contacts airlines to reserve cargo space and airplane. Booking request can be made in various forms depending on the airlines. For some airlines, a booking of cargo space and vessel can be done through an online reservation system. For those that do not have such system, the booking is done over the phone, fax, or email.</p> <p>2-1-3 Airlines acknowledge the booking request by returning a draft B/L to freight forwarder.</p> <p>2-1-4 Freight forwarder reviews the draft B/L and determines if it reflects what the exporter needs. If it does not, freight forwarder informs the airlines that the draft B/L requires further revision.</p> <p>2-1-5 Once the correct draft B/L is received, the Exporter contacts inland haulage to transport the goods to the shipping place for loading. This procedure also can be taken by freight forwarder acting on behalf of the exporter.</p> <p>2-1-6 Inland haulage acknowledges the booking request by returning a booking confirmation to the exporter (freight forwarder).</p> <p>2-1-7 Exporter (freight forwarder) reviews booking confirmation and determines if it reflects what the exporter needs. If it does not, the exporter requests inland haulage for a revision of the</p> |

| | |
|---|---|
| | booking confirmation. 2-1-8 Exporter acknowledges a receipt of the correct booking confirmation. |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Reservation of cargo space has been made, and the exporter has received booking confirmation. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 2 days (waiting time for voyage lines for airplane may be required) |

(2) Core business process area 2.2: Obtain cargo insurance

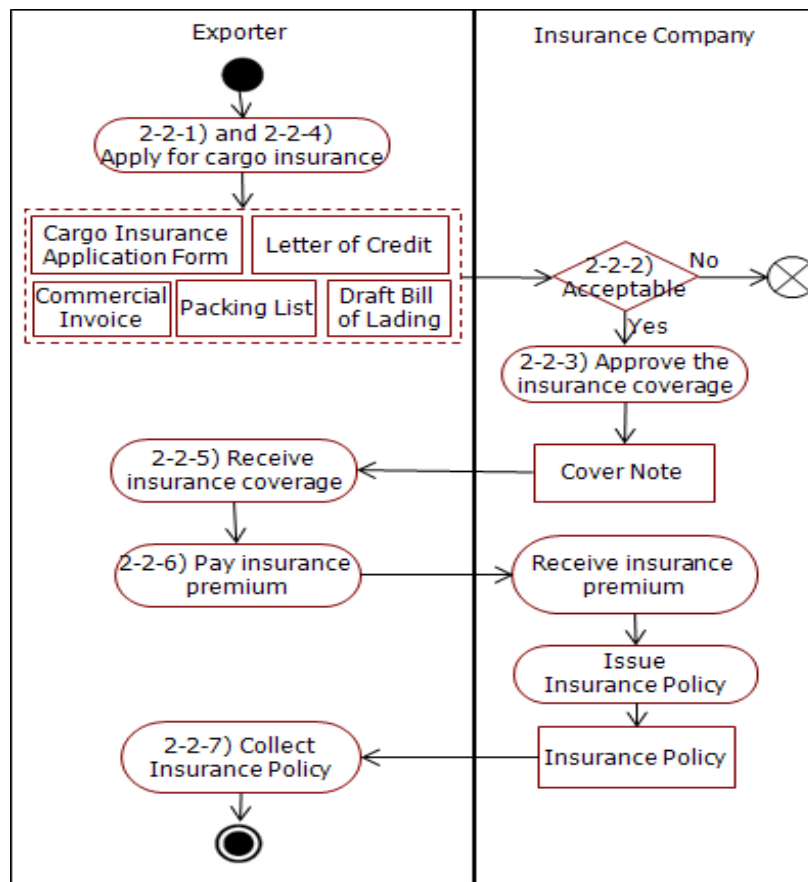
Figure 12 “Obtain cargo insurance” case diagram



“Obtain cargo insurance” is the second core business process under “Ship” process area. This core business process requires the participation of:

- Exporter
- Insurance company
- K-sure

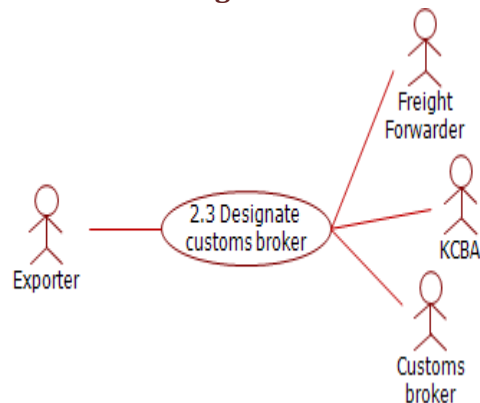
Figure 13 “Obtain cargo insurance” activity diagram



| | |
|--|--|
| Name of process area | 2. Ship |
| Name of business process | 2.2. Obtain cargo insurance |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Incoterms 2010 Commercial Act(Volume 4 Chapter 2) |
| Process participants | <ul style="list-style-type: none"> Exporter Insurance company K-sure |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> Exporter wants to obtain cargo insurance. |
| Activities and associated documentary requirements | <p>2-2-1 Exporter gives the insurance company specific information on goods to be exported, and applies for an establishment of cargo insurance.</p> <p>2-2-2 Insurance company estimates the risks of goods, and determines the conditions and the rate of insurance premium.</p> <p>2-2-3 Exporter and insurance company exchange opinions and agree to make a contract.</p> <p>2-2-4 Exporter submits necessary documents to the insurance company. These documents include (1) Insurance Application (2) Business Registration Certificate (3) Invoice, Offer Sheet, or L/C (any 1 of the 3).</p> <p>2-2-5 Insurance company issues a Cover Note to the exporter.</p> <p>2-2-6 Exporter pays the insurance premium to the insurance company.</p> <p>2-2-7 Exporter collects Insurance Policy.</p> <p>2-2-8 Exporter may obtain export insurance from K-sure (non-profit corporation) or other profit company (e.g., Coface).</p> <p>2-2-9 Exporter may obtain export a credit guarantee from K-sure.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Exporter paid the insurance premium and obtained cargo insurance from insurance company. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 1 day |

(3) Core business process area2.3: Designate customs broker

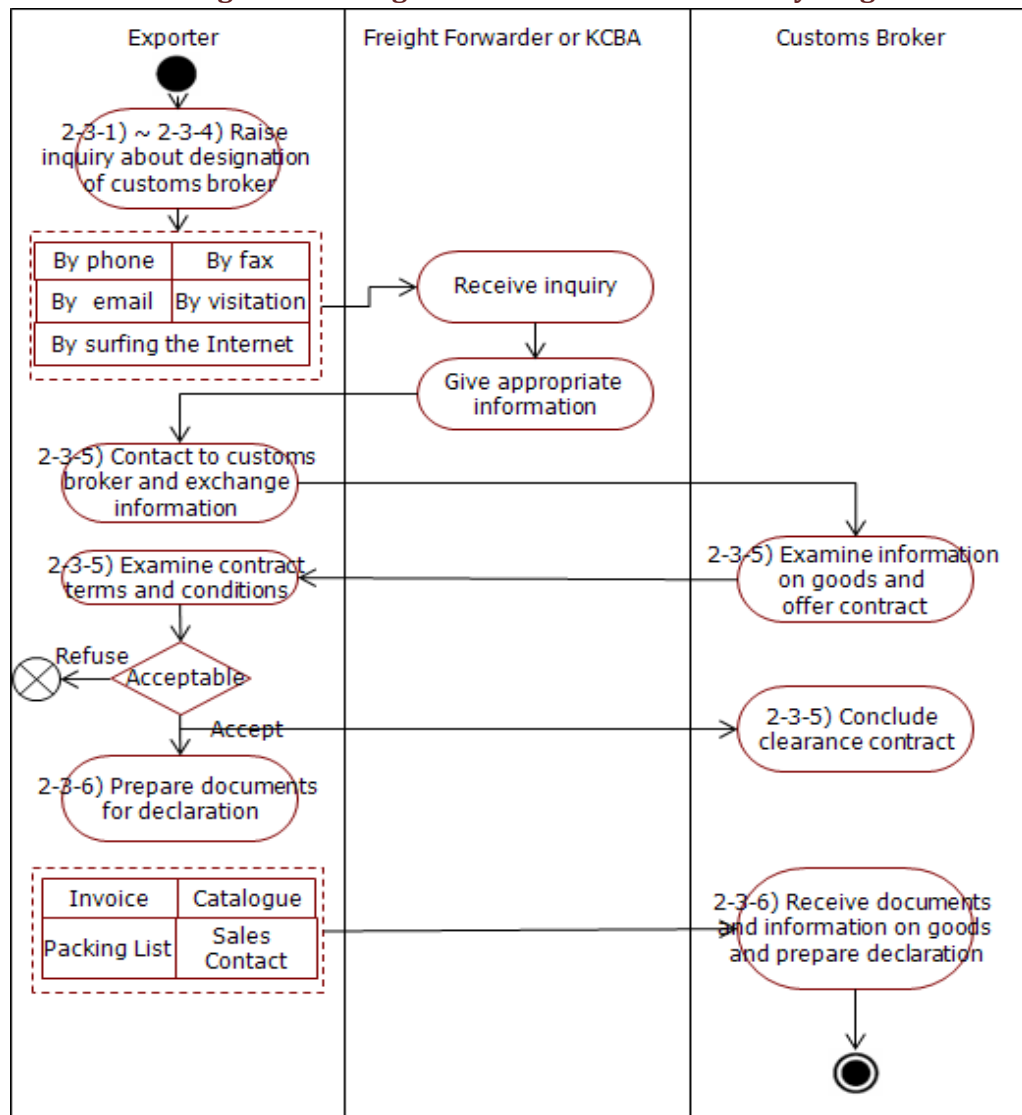
Figure 14 “Designate customs broker”
Case diagram



“Designate customs broker” is the third core business process under “Ship” process area. This core process requires the participation of :

- Exporter
- Freight forwarder
- Korea Customs Brokers Association (KCBA)
- Customs broker

Figure 15 “Designate customs broker” activity diagram



| | |
|--|--|
| Name of process area | 2. Ship |
| Name of business process | 2.3. Designate Customs Broker (optional) |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 242) • Customs Brokers Act • Regulation on Execution of Tasks of Customs Brokers (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Freight forwarder • Korea Customs Brokers Association(KCBA) • Customs broker |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Exporter is about to designate a customs broker for him/her, for the convenience of clearance and consultation of information on trading matters. |
| Activities and associated documentary requirements | <p>2-3-1 Exporter may designate a customs broker who will do clearance business on behalf of the exporter and give consultations to the exporter.</p> <p>2-3-2 Even if the designation is optional, it is strongly recommended for the convenience of the exporter.</p> <p>2-3-3 Exporter may choose a customs broker -from (1) the Internet or (2) through a freight forwarder.</p> <p>2-3-4 Exporter may inquire about the designation of customs broker at the Korea Customs Brokers Association (KCBA: http://www.kcba.or.kr/) by phone.</p> <p>2-3-5 Once a customs broker is designated, the exporter requests the customs broker to give information on goods to be declared; and concludes a contract for clearance by negotiating the clearance fee.</p> <p>2-3-6 Exporter provides detailed information and documents related both to the exporter and the goods to the customs broker.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Exporter has designated a customs broker and provided detailed information. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • If it is a one-time clearance contract, the contract may be accomplished on the spot. |

(4) Core business process area2.4: Store goods

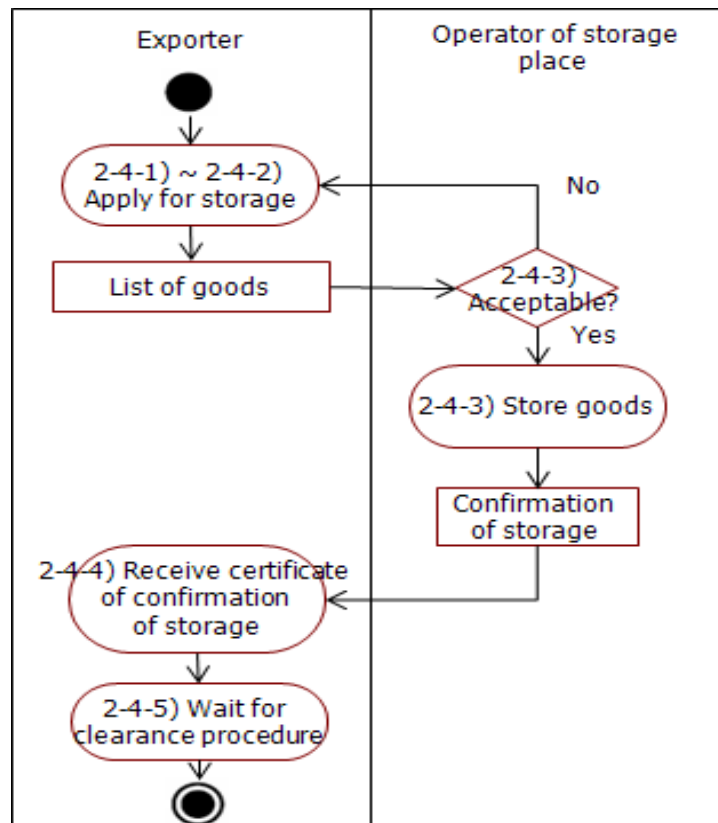
Figure 16 “Store goods” Case diagram



“Store goods” is the fourth core business process under “Ship” process area. In terms of places for storage, goods may be stored freely for export whereas the storage places are strictly limited for import based on Korean policy. This core business process requires the participation of :

- Exporter
- Operator of storage place

Figure 17 “Store goods” activity diagram



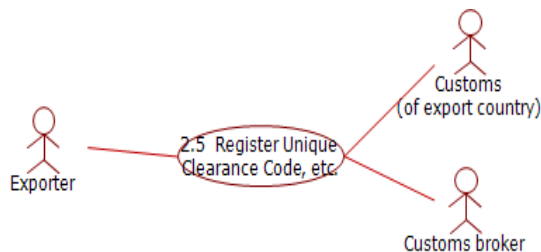
| | |
|--|---|
| Name of process area | 2. Ship |
| Name of business process | 2.4. Store goods |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Commercial Act (Chapter 11) • Customs Act (Article 155, 213, 246, 247) • Enforcement Decree of Customs Act (Article 226) • Regulation on Management of Bonded Cargo (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Operator of storage place |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Exporter wants to store goods to be exported in the storage place. |
| Activities and associated documentary requirements | <p>2-4-1 The storage place may include factory of consignor, general warehouse, bonded factory, FTZ (Free Trade Zone), bonded warehouse, CFS,²² CY,²³ workplace for processing, etc.</p> <p>2-4-2 Exporter requests the permit of storage of goods in factory, etc. to operator of storage place.</p> <p>2-4-3 Exporter receives the permit and stores goods in the storage place.</p> <p>2-4-4 Exporter receives the certificate of confirmation of storage.</p> <p>2-4-5 Goods are stored and exporter waits for the clearance procedure.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Goods are stored in the storage place to proceed with clearance for export thereafter. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 6 hours (2-3 hours for transportation from Seoul to Incheon Airport, 2 hours for actual loading and 1 hour for extra wasting time) |

²² Place where the works regarding vanning (stuffing) during loading and devanning (unstuffing) during unloading are performed, especially for LCS(less than container) cargo.

²³ Place where is entry of containers before and after loading and unloading.

(5) Core business process area 2.5: Register Unique Clearance Code, etc.

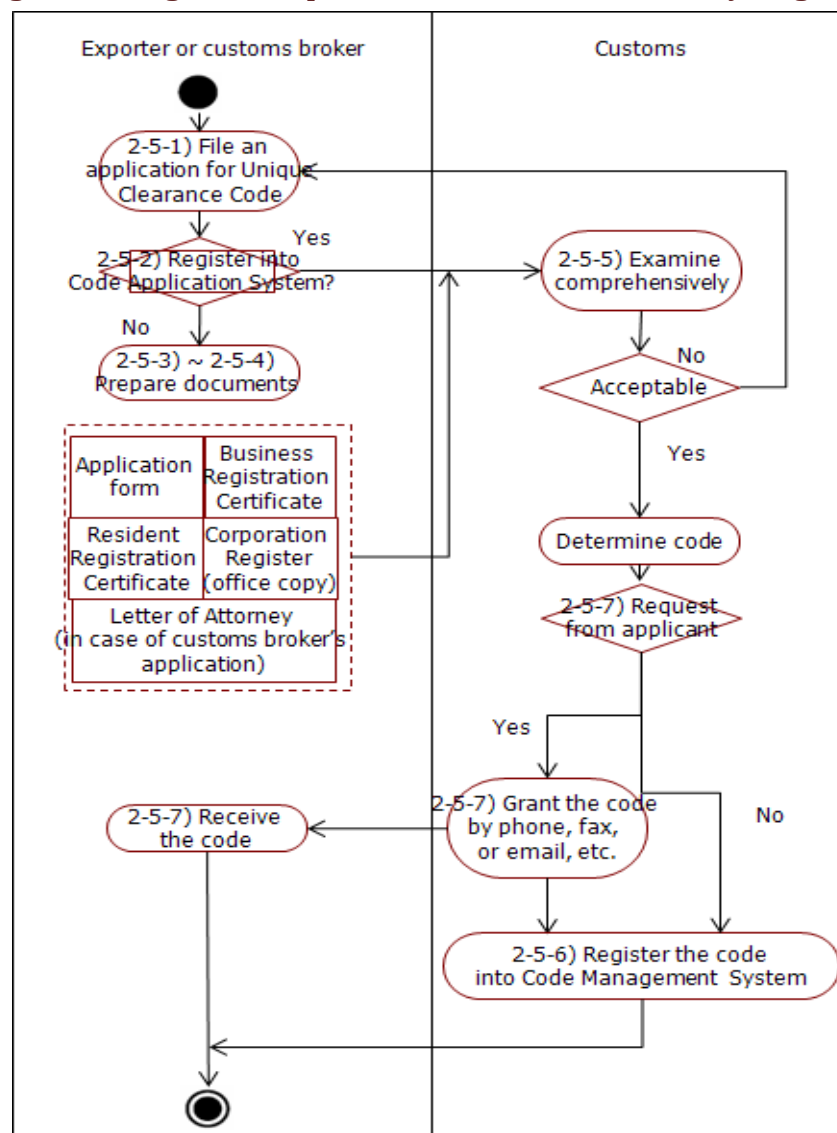
Figure 18 “Register Unique Clearance Code, etc.” case diagram



“Register Unique Clearance Code, etc.” is the fifth core business process under “Ship” process area. This core business process requires the participation of:

- Exporter or customs broker
- Customs

Figure 19 “Register Unique Clearance Code, etc.” activity diagram

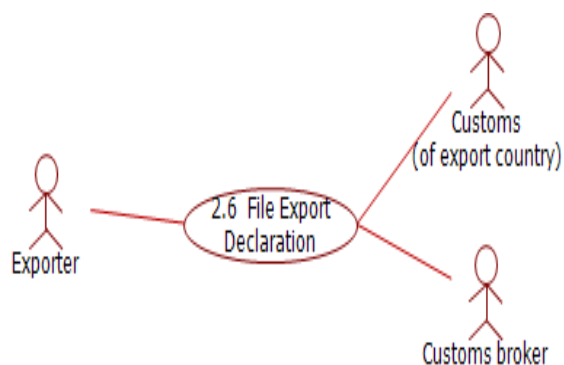


| | |
|--|---|
| Name of process area | 2. Ship |
| Name of business process | 2.5. Register Unique Clearance Code, etc. |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Enforcement Rule of Customs Act (Article 77-3) • Regulation on Registration and Management of Unique Clearance Code and Overseas Supplier/Buyer Code (of KCS) • Regulation on Management of Export Clearance Business(of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter or customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Exporter or his/her customs broker applies for the issuance of clearance-related codes as an initial step toward clearance. |
| Activities and associated documentary requirements | <p>2-5-1 Exporter or his/her customs broker has to apply for registration of Unique Clearance Code and Overseas Supplier and Buyer Code to the responsible officer of a customs house. Unique Clearance Code is a code that is given to each importing and exporting company for Customs' monitoring import and export. This is based on Article 246 of Enforcement Decree of Customs Act, and detailed procedures are stipulated in Regulation of KCS.</p> <p>2-5-2 Application of 2-5-1 can be filed (1) by registering related details into Code Application System or (2) by submitting Request Form and other required documents (visit in person or by fax, etc.).</p> <p>2-5-3 In (2) of 2-5-2, the documents required for the application of Unique Clearance Code include (1) 1 copy of Business Registration Number (in case of businessperson) (2) 1 copy of Resident Registration Certificate of Representative (for a foreigner, a copy of foreigner registration certificate or a copy of passport), office copy of corporation registration (in case of businessperson), letter of attorney (if the application is made by a customs broker).</p> <p>2-5-4 In (2) of 2-5-2, the documents required for the application of Overseas Supplier and Buyer Code include (1) Invoice on which country, company name, and address of overseas supplier and buyer can be found (2) other documents (such as B/L, P/L, etc.) by which country, company name and address of overseas supplier and buyer can be identified (3) letter of attorney (if the application is made by a customs broker).</p> <p>2-5-5 The officer in charge from the customs house</p> |

| | |
|---|--|
| | <p>comprehensively reviews the application form and related documents using administrative information network; and particularly checks if the application has duplicity or other error.</p> <p>2-5-6 The officer in charge registers the result of the application for Unique Clearance Code and Overseas Supplier and Buyer Code into the Code Management System.</p> <p>2-5-7 The result of application is considered as notified to the applicant by this registration into the Code Management System. Yet, if there is a written request from the applicant, the result of the application has to be notified to the applicant by phone, fax, email, etc.</p> <p>2-5-8 Unique Clearance Code and Overseas Supplier/Buyer Code have to be filled in the export declaration certificate.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Customs has issued Unique Clearance Code and Overseas Supplier/Buyer Code for exporter. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 30 minutes |

(6) Core business process area 2.6: File export declaration

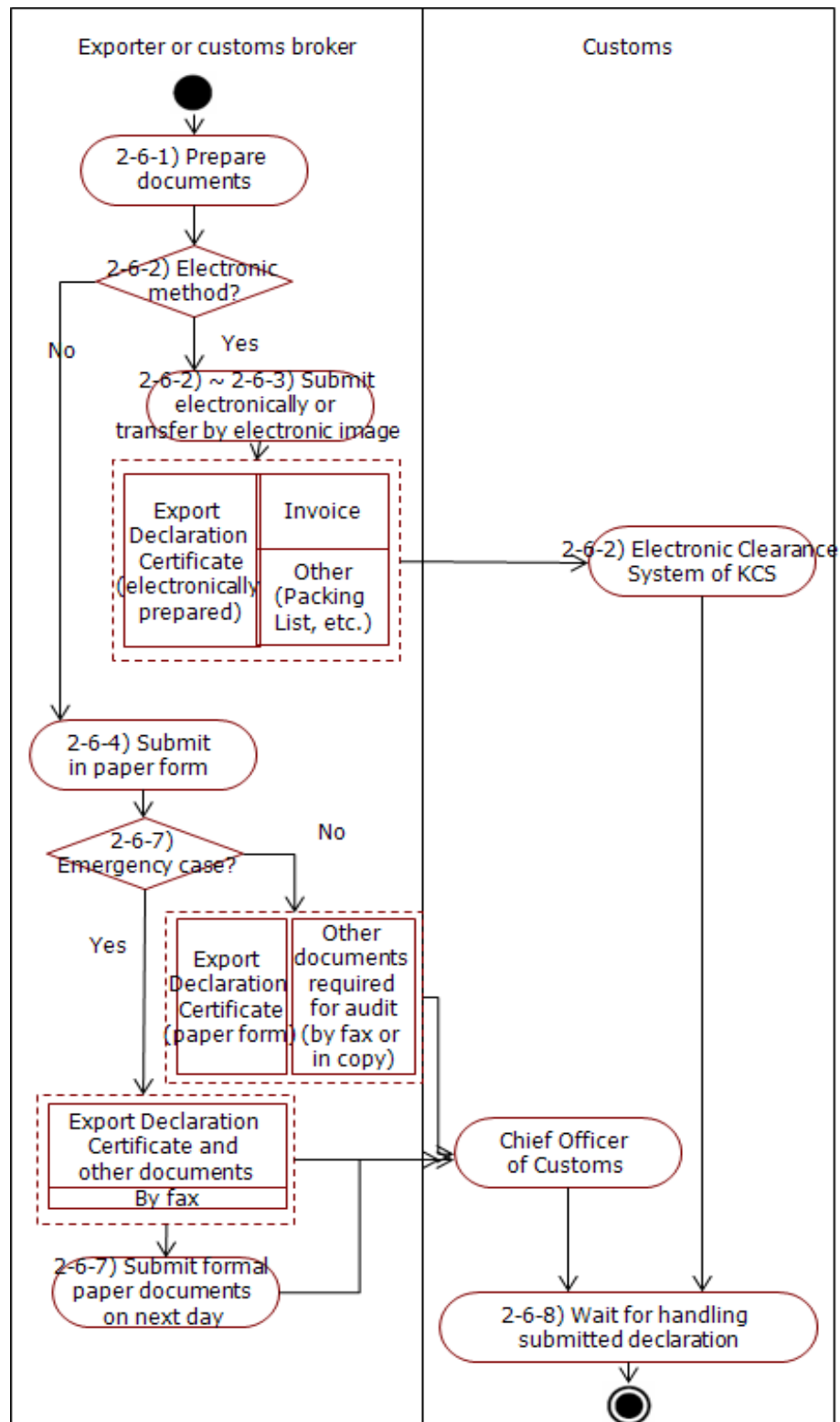
Figure 20 “File export declaration” case diagram



“File export declaration” is the sixth core business process under “Ship” process area. This core business process requires the participation of :

- Exporter
- Customs broker
- Customs

Figure 21 “File export declaration” activity diagram

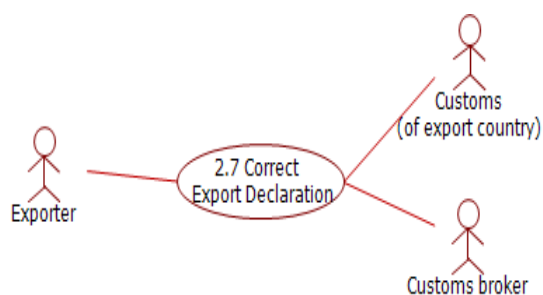


| | |
|--|--|
| Name of process area | 2. Ship |
| Name of business process | 2.6. File export declaration |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 241, 242, 245) • Enforcement Decree of Customs Act (Article 246, 250) • Regulation on Management of Export Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Export Declaration is about to be transmitted to the customs house for export clearance. |
| Activities and associated documentary requirements | <p>2-6-1 Export Declaration has to be filed by a declarant [i.e., consignor (by himself/herself), customs broker or Customs Brokerage Corporation or clearance handling corporation (acting on behalf of the consignor)] to the chief officer who manages the place where the goods are stored.</p> <p>2-6-2 Export declaration, in principle, can be filed electronically (submitting electronically or transferring in electronic image) to the Electronic Clearance System of KCS (UNI-PASS).</p> <p>2-6-3 Required documents include (1) Export Declaration Certificate (electronically prepared), (2) Invoice [in case of Authorized Economic Operator (AEO) company, Electronic Invoice is accepted if accompanied with other documents (such as authorized electronic signature and certificate of public authentication of consignor, etc.)], etc.</p> <p>2-6-4 As exceptional cases, documents in paper form may be required. This exceptional cases include (1) in case that the confirmation of the chief officer of customs house is required, (2) in case that the goods are re-exported by difference of contract, (3) in case that the goods are subject to exemption, etc. when re-importing, and (4) in case that the goods are selected as document submission by export clearance system of KCS.</p> <p>2-6-5 In this case, Export Declaration Certificate and other required documents (e.g., those that are necessary for</p> |

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| | <p>audit, naturally including Invoice, etc.) will have to be submitted to the chief officer after declaration data are transferred to UNI-PASS.</p> <p>2-6-6 For documents submission as of 2-6-4, the accompanying documents may be submitted by fax or in copy.</p> <p>2-6-7 Especially in an emergency situation, clearance can be done initially with the Export Declaration Certificate and other required documents submitted by fax. However, formal documents have to be submitted by the next day.</p> <p>2-6-8 Declaration submitted is on the queue to be handled by the Customs.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Export Declaration has been transmitted to UNI-PASS of KCS. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 2 hours |

(7) Core business process area 2.7: Correct export declaration

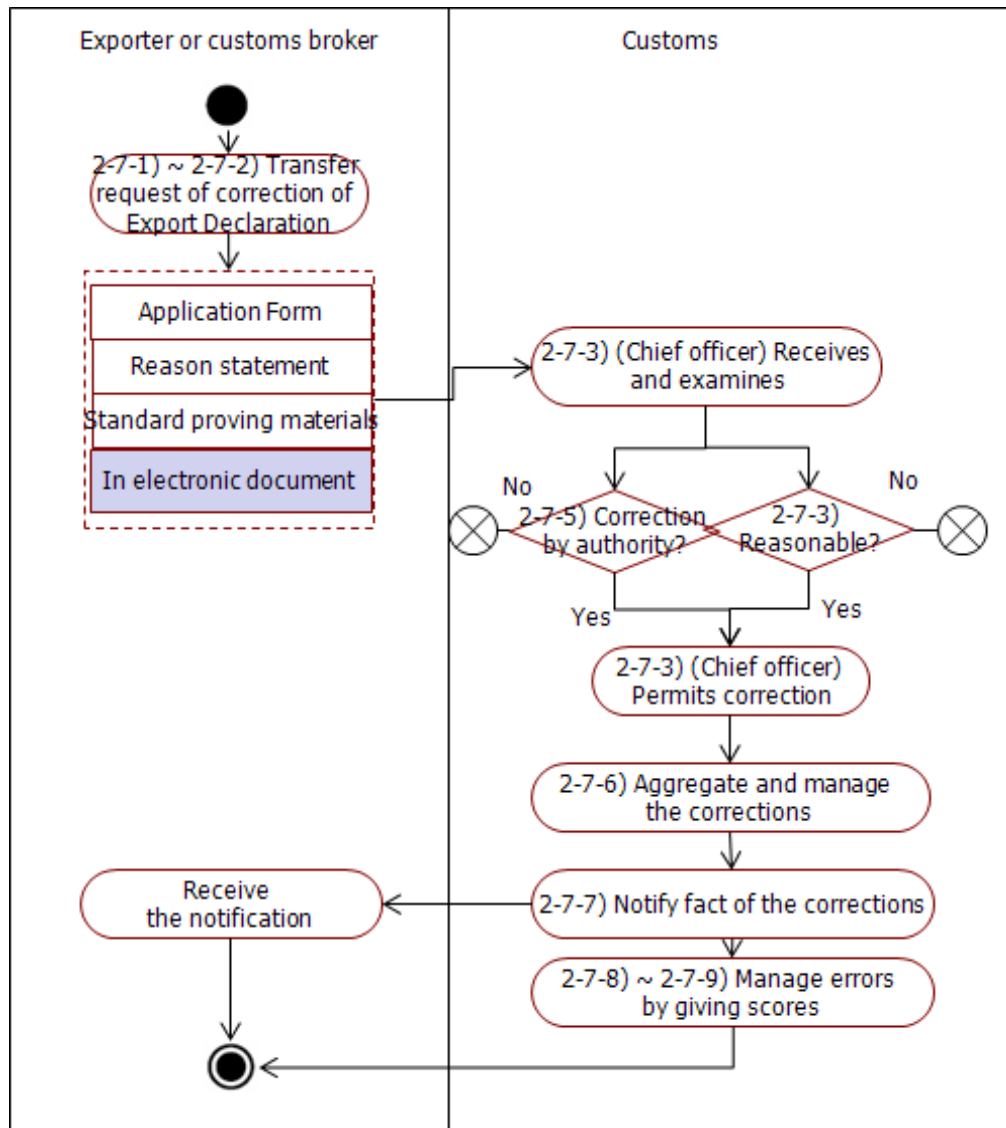
Figure 22 “Correct export declaration” case diagram



“Correct export declaration” is the seventh core business process under “Ship” process area. This core business process requires the participation of:

- Exporter
- Customs broker
- Customs

Figure 23 “Correct export declaration” activity diagram

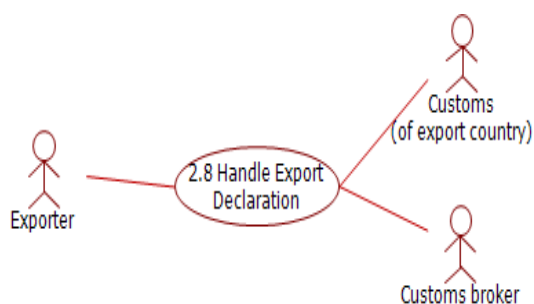


| | |
|-------------------------------------|--|
| Name of process area | 2. Ship |
| Name of business process | 2.7. Correct export declaration |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Customs Act (Articles 249, 250) Enforcement Decree of Customs Act (Articles 253, 254) Regulation on Prevention of Errors of Export and Import Declaration (of KCS) Regulation on Management of Export Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> Exporter Customs broker Customs |

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| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> Transmitted Export Declaration will have to be corrected if there are some errors in declared details. |
| Activities and associated documentary requirements | <p>2-7-1 Person who wants to correct the Export Declaration has to transfer a Request of Correction of Export Declaration in an electronic form to the chief officer.</p> <p>2-7-2 In application of 2-7-1, the declarant has to submit a Statement of Reasons for correction and proving documents to the chief officer.</p> <p>2-7-3 The chief officer permits the correction if there are justifiable reasons.</p> <p>2-7-4 Autonomous correction is permissible until before the time of departure, except if the goods are subject to audit or inspection.</p> <p>2-7-5 The chief officer may correct by his/her own authority when (1) there are errors in declared details or (2) there are discrepancies between the result of analysis and declared details.</p> <p>2-7-6 The chief officer aggregates the corrections of declaration and manages them using the Customs Error Managing System.</p> <p>2-7-7 The chief officer notifies the result of correction to the declarant within 5 working days.</p> <p>2-7-8 The customs authority manages the errors using a score system. If the total score for errors is too high, there may be some restrictions in clearance procedure (e.g., rising of inspection rate, etc.).</p> <p>2-7-9 The declarant (customs broker) notifies such errors and the score of errors to the owner of the goods.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Correction of declared declaration is done; and the correction itself and the corrected details are notified to the declarant. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 2 hours |

(8)Core business process area2.8: Handle export declaration

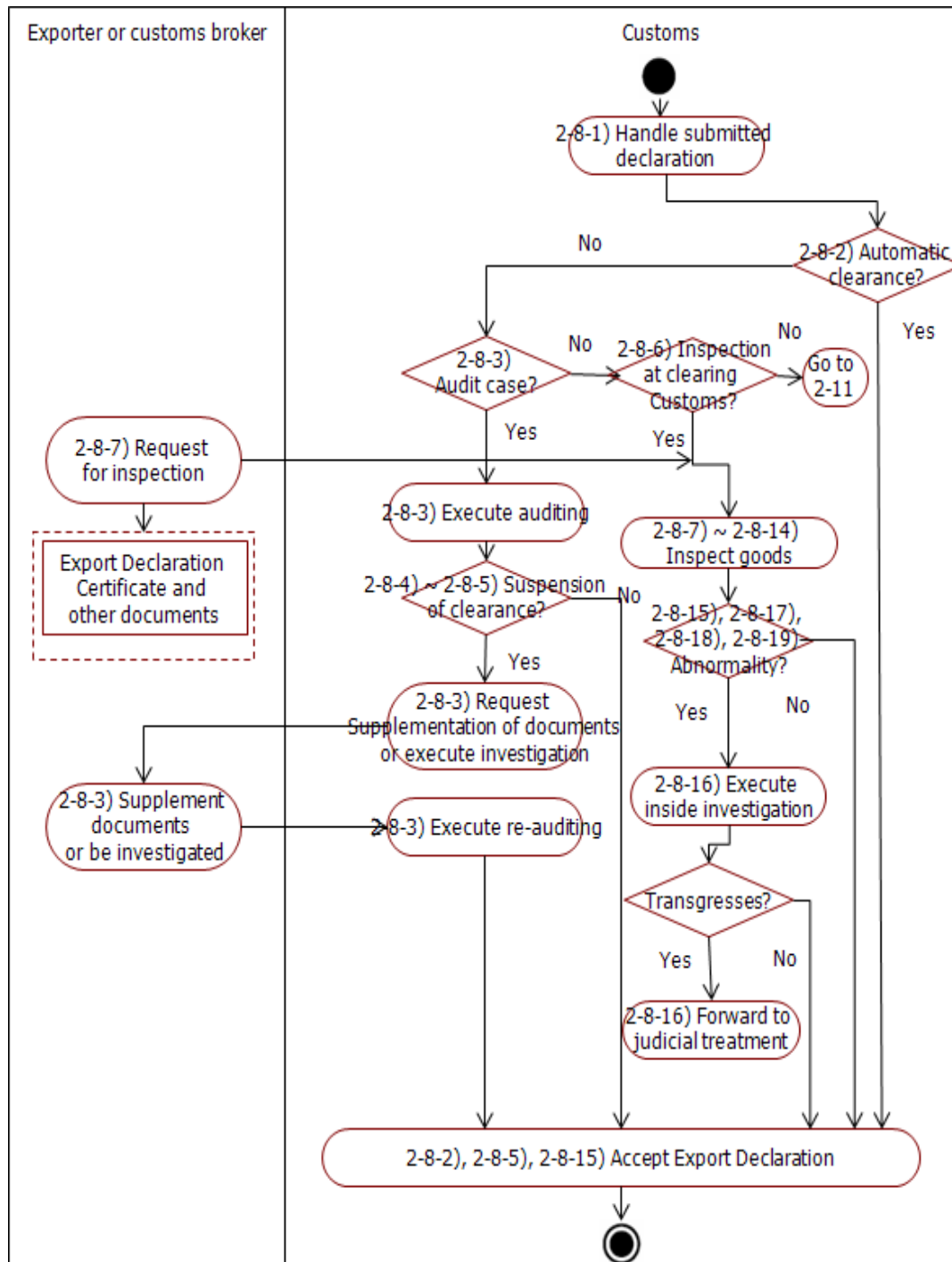
Figure 24 “Handle export declaration” case diagram



“Handle export declaration” is the eighth core business process under “Ship” process area. This core process area requires the participation of :

- Exporter
- Customs broker
- Customs

Figure 25 “Handle export declaration” activity diagram



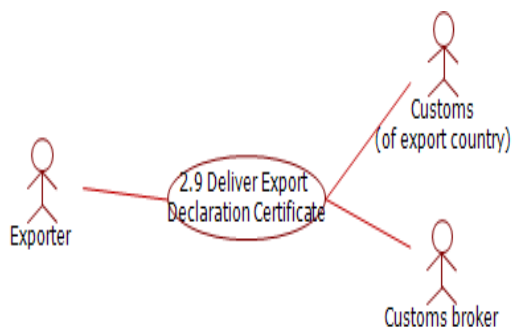
| | |
|-------------------------------------|---|
| Name of process area | 2. Ship |
| Name of business process | 2.8. Handle export declaration |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Customs Act (Article 248) Regulation on Management of Export Clearance Business (of KCS) |

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| Process participants | <ul style="list-style-type: none"> • Exporter • Customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Customs is about to handle the transmitted declaration as the main procedure for clearance. |
| Activities and associated documentary requirements | <p>2-8-1 Management of Export Declaration Certificate can be classified into 3 cases: (1) automatic acceptance, (2) audit, and (3) inspection.</p> <p>2-8-2 In case of goods subject to automatic acceptance, the Export Declaration Certificate will be accepted automatically by Electronic Clearance System of KCS (i.e., audit and inspection on export goods, in principle, is omitted).</p> <p>2-8-3 In case of goods subject to audit, the export declaration will be selected as goods subject to documents submission explained in 2-6-3 above and, accordingly, additional documents (those that are necessary for audit) may be requested by the Customs Officer.</p> <p>2-8-4 In case of goods subject to audit, clearance of the goods may be suspended when the case falls under certain conditions (e.g., omission of important items in Export Declaration Certificate, transgression of laws, ongoing investigation, etc.).</p> <p>2-8-5 In case of goods subject to audit, the Export Declaration Certificate will be accepted if the case does not fall under the conditions for a suspension of clearance.</p> <p>2-8-6 In case of goods subject to inspection, the Export Declaration will be selected as goods subject to documents submission explained in 2-6-3 above and, accordingly, additional documents (those that are necessary for audit) may be requested by the Customs Officer.</p> <p>2-8-7 The goods subject to inspection are selected by (1) export declaration data submitted to Export Clearance System of KCS or (2) responsible managing officer of customs house.</p> <p>2-8-8 Generally, the inspection rate for MPs is not more than 2% in average. Therefore, the possibility of the goods being inspected is not high.</p> <p>2-8-9 In case of goods subject to inspection, the inspection may exceptionally be conducted at the declared customs house when the chief officer decides that it is not appropriate to conduct the inspection at the shipping place.</p> <p>2-8-10 Person who submits Manifest has to check if the goods are selected for inspection when he/she submits Manifest.</p> <p>2-8-11 If the goods are selected for inspection, the submitter of Manifest gives Report of Carrying-in of Object of Inspection to the chief officer after storing the goods at</p> |

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| | <p>the designated inspection place.</p> <p>2-8-12 In case of goods subject to inspection, the chief officer gives notice of inspection to the declarant, the person who submitted the Manifest, and the operator of bonded area, etc. by appointing a certain time after the submission of Manifest.</p> <p>2-8-13 In case of goods subject to inspection, the chief officer may additionally request related documents such as P/L, etc., if necessary.</p> <p>2-8-14 Customs Officer conducts inspection. Consignor, declarant, or an employee of consignor or declarant may participate in the inspection procedure upon the request either from the chief officer side or the declarant side. Inspection can be conducted using X-Ray container inspector or vehicle-moving type inspector, etc. Inspection method includes (1) whole quantity inspection, (2) selected sample inspection, and (3) analytical inspection or scientific equipment inspection.</p> <p>2-8-15 After the inspection of 2-8-14, the export declaration is accepted when there is no error.</p> <p>2-8-16 After the inspection of 2-8-14, internal investigation procedure initiates when there is any abnormality (e.g., false declaration, export or an attempt to export prohibited or undeclared goods, forgery or modification of documents such as export permit, etc.)</p> <p>2-8-17 The declarant will have to pay the inspection fee prescribed in Article 78 of Enforcement Decree of Customs Act except when the inspection place is designated storage places or a customs inspection place.</p> <p>2-8-18 Declarant may apply to the chief officer for an extended opening of customs house after the official working hours in order to deal with clearance related tasks (optional). In this case, stipulated fee will have to be paid.</p> <p>2-8-19 Declarant may apply for handling of goods at times other than the regular handling time of the transport means. In this case, stipulated fee will have to be paid.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Declared declaration has been (1) automatically accepted or (2) audited or (3) inspected by the Customs. |
| Average Time required to complete this business process | <ul style="list-style-type: none"> • Automatic acceptance : 0.1 hour • Audit by screen : 0.3 hour • Audit by documents : 0.5 hour • Submission of documents: 2 hours • Inspection case: 6 hours |

(9) Core business process area2.9: Deliver export declaration certificate

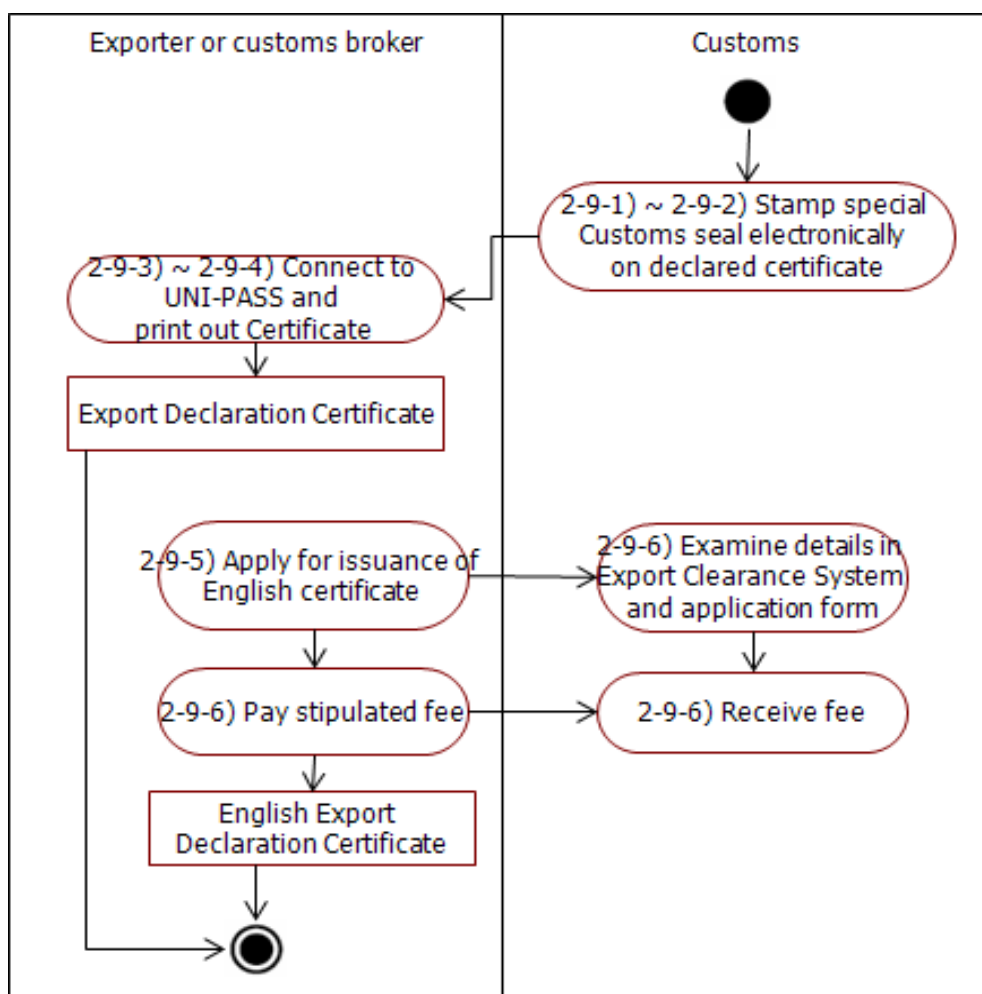
Figure 26 “Deliver export declaration certificate” case diagram



“Deliver export declaration certificate” is the ninth core business process under “Ship” process area. This core business process requires the participation of :

- Exporter
- Customs broker
- Customs

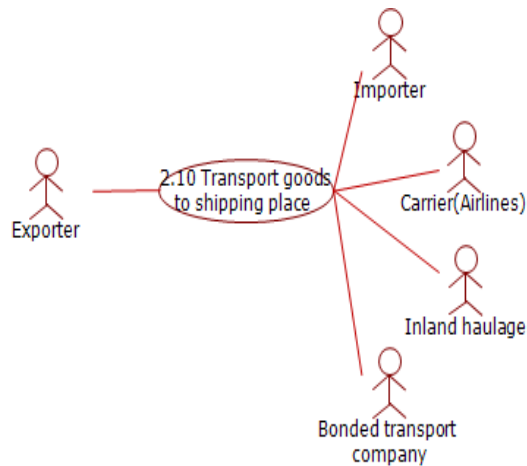
Figure 27 “Deliver export declaration certificate” activity diagram



| | |
|---|--|
| Name of process area | 2. Ship |
| Name of business process | 2.9. Deliver export declaration certificate |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 248) • Regulation on Management of Export Clearance Business(of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Export declaration is accepted and the certificate has to be delivered. |
| Activities and associated documentary requirements | <p>2-9-1 The chief officer delivers export declaration Certificate to the declarant.</p> <p>2-9-2 Special Customs seal is electronically stamped on the Certificate</p> <p>2-9-3 In actual workplace, this process is done by the exporter himself/herself. That is to say, exporter himself/herself can print out the Certificate by connecting to UNI-PASS of KCS.</p> <p>2-9-4 In case that the exporter himself/herself cannot print out the Certificate, the customs broker can print it out by connecting to UNI-PASS of KCS and send it in a PDF form to the exporter</p> <p>2-9-5 Person who wants to get an English export declaration certificate has to request for it to the chief officer by recording the details of accepted export declaration in English form.</p> <p>2-9-6 The chief officer issues English export declaration after reviewing the details in Export Clearance System and the request form. Stipulated fee will have to be paid.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Submitted declaration has been accepted and export declaration certificate has been delivered to the declarant. • Clearance procedure has been accomplished. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • On the spot |

(10) Core business process area 2.10: Transport goods to shipping place

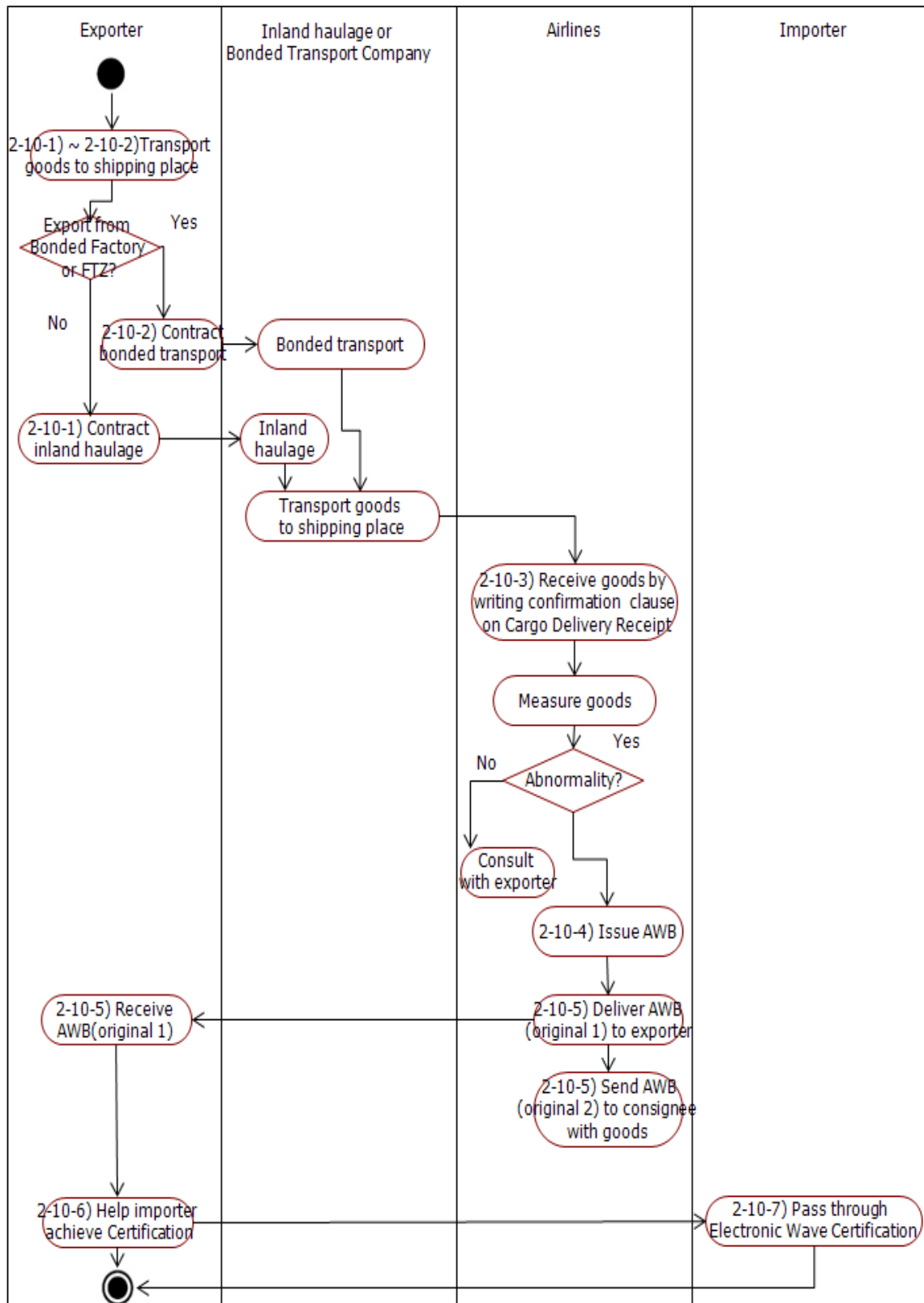
Figure 28 “Transport goods to shipping place” case diagram



“Transport goods to shipping place” is the tenth core business process under “Ship” process area. This core business process requires the participation of :

- Exporter
- Importer
- Inland haulage
- Bonded transport company
- Carrier (airlines)

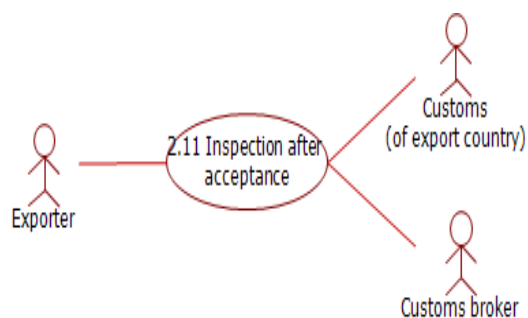
Figure 29 “Transport goods to shipping place” activity diagram



| | |
|--|--|
| Name of process area | 2. Ship |
| Name of business process | 2.10. Transport goods to shipping place |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Regulation on Management of Export Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> Exporter Importer Inland haulage Bonded transport company Carrier (airlines) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> Exporter is about to transport the cleared goods to the shipping place for departure. |
| Activities and associated documentary requirements | <p>2-10-1 Exporter transports the goods to shipping place by inland haulage.</p> <p>2-10-2 In case of 2-10-1, the goods have to be transported by a bonded transportation if the goods are either (1) returned goods or (2) exporting goods manufactured or processed in bonded factory or FTZ.</p> <p>2-10-3 Airlines receive goods after writing a confirmation of receiving of goods on Cargo Delivery Receipt.</p> <p>2-10-4 Once goods are carried-in into airlines, airlines issues Air Way Bill (AWB) after measuring.</p> <p>2-10-5 Airlines deliver AWB (original 1) to the exporter, and send AWB (original 2) to the consignor with the goods.</p> <p>2-10-6 At this time, the exporter will have to help the importer to acquire a certificate in Thailand. Generally, any person who wants to import MPs into Thailand has to pass through Electronic Wave Certification process conducted by TISI (or NBTC).</p> <p>2-10-7 Certification of 2-10-6 will have to be acquired even if the declarant has other international certificates (e.g., CB scheme of IECEE).</p> <p>2-10-8 If MP import into Thailand was a subject to preferential tariff case, then the exporter would get the benefit of preferential tariff by sending the Certificate of Origin (C/O) issued by the Korean Customs or Korea Chamber of Commerce and Industry (KCCI) to the importer. However, this MP import case is not a subject to preferential tariff; and thus, C/O is submitted to the Customs of the importing country when import declaration is filed.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Goods are carried into the airlines and AWB is delivered to the consignor. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 3 hours |

(11) Core business process area2.11: Inspect after acceptance of declaration

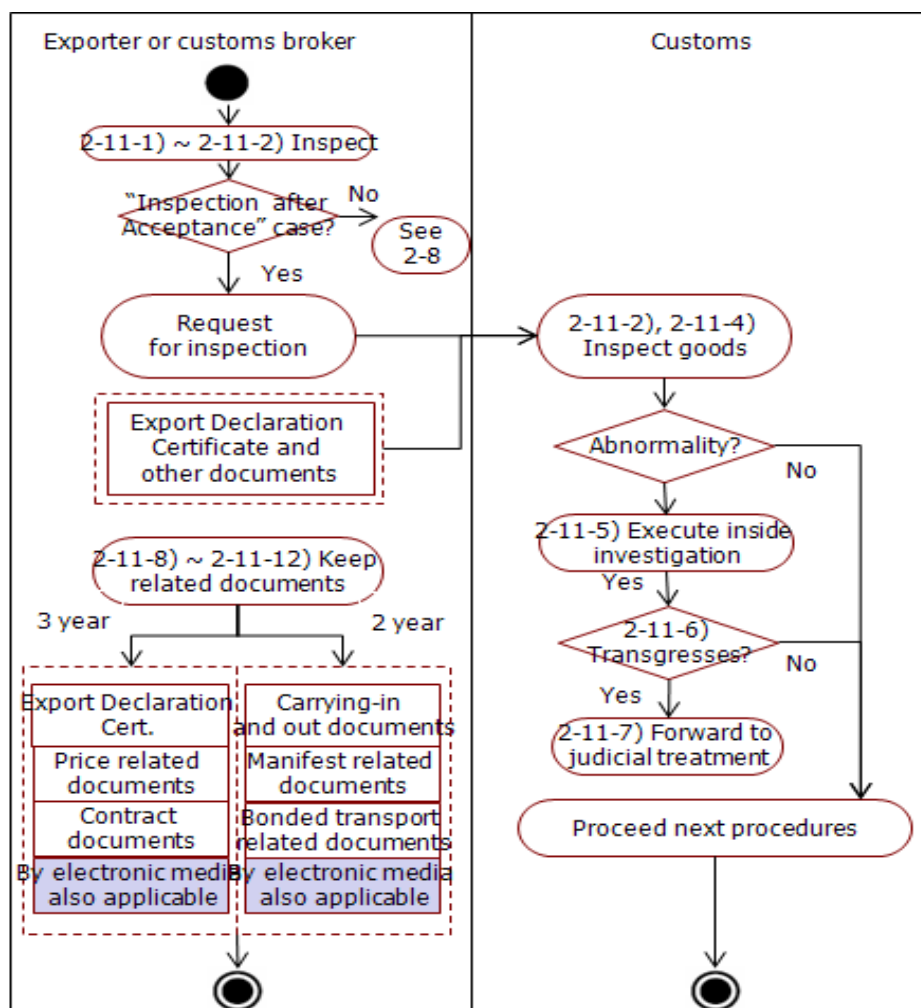
Figure 30 “Inspect after acceptance of declaration” case diagram



“Inspect after acceptance of declaration” is the eleventh core business process under “Ship” process area. This core business process requires the participation of :

- Exporter
- Customs broker
- Customs

Figure 31 “Inspect after acceptance of declaration” activity diagram

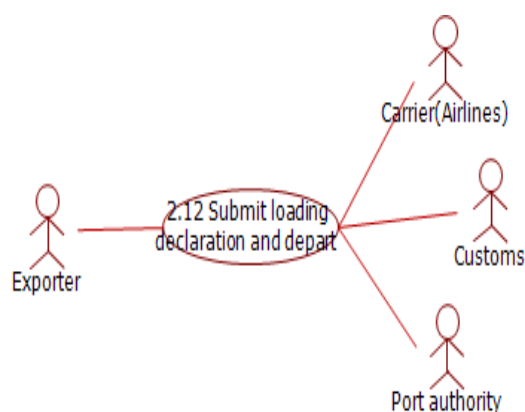


| | |
|--|---|
| Name of process area | 2. Ship |
| Name of business process | 2.11. Inspect after acceptance of declaration |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 12) • Enforcement Decree of Customs Act (Article 3) • Regulation on Management of Export Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Goods will have to be inspected if they are selected for inspection. |
| Activities and associated documentary requirements | <p>2-11-1 In case of goods subject to inspection, the inspection, in principle, is conducted at the shipping place after the acceptance of export declaration.</p> <p>2-11-2 The Customs Officer conducts the inspection.</p> <p>2-11-3 Consignor or declarant, or an employee of consignor or declarant may participate in the inspection procedure upon the request from the chief officer side or the declarant side.</p> <p>2-11-4 Inspection can be conducted using an X-Ray container inspector or a vehicle-moving type inspector, etc. Inspection methods include (1) whole quantity inspection, (2) selected sample inspection, and (3) analytical inspection or scientific equipment inspection.</p> <p>2-11-5 After inspection, internal investigation procedure initiates when there is any abnormality (e.g., false declaration, export or an attempt to export prohibited or undeclared goods, forgery or modification of documents such as export permit, etc.).</p> <p>2-11-6 If no illegalities are found in the internal investigation procedure, the actual process of clearance is completed.</p> <p>2-11-7 If the Customs finds out any illegalities in the declaration, the case will be forwarded to the Customs Investigation Division.</p> <p>2-11-8 Upon receiving the export declaration certificate, the declarant has to keep all the documents related to export declaration, because he/she has to respond when the chief officer requests for a submission of those documents. The documents, however, are submitted electronically or transferred in electronic image.</p> <p>2-11-9 Documents to be kept include the following :</p> <p>(1) Category 1</p> <ul style="list-style-type: none"> - Export declaration certificate - Documents related to the determination of dutiable value of the exporting goods. |

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| | <ul style="list-style-type: none"> - Documents related to the export contract export <p>(2) Category 2</p> <ul style="list-style-type: none"> - Documents related to carrying-in and -out of bonded cargo - Documents related to Cargo Manifest - Documents related to bonded transportation <p>2-11-10 For the documents included in Category 1, the retention period is 3 years from the acceptance of each declaration.</p> <p>2-11-11 For the documents included in Category 2, the retention period is 2 years from the acceptance of each declaration.</p> <p>2-11-12 Declaration related materials may be kept in digital forms such as micro film, or optical disc, etc.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Goods have been inspected, and relevant measures are taken from the result of the inspection. • Exporter keeps the documents related to clearance and bonded transport. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 6 hours |

(12)Core business process area 2.12: Submit loading declaration and depart

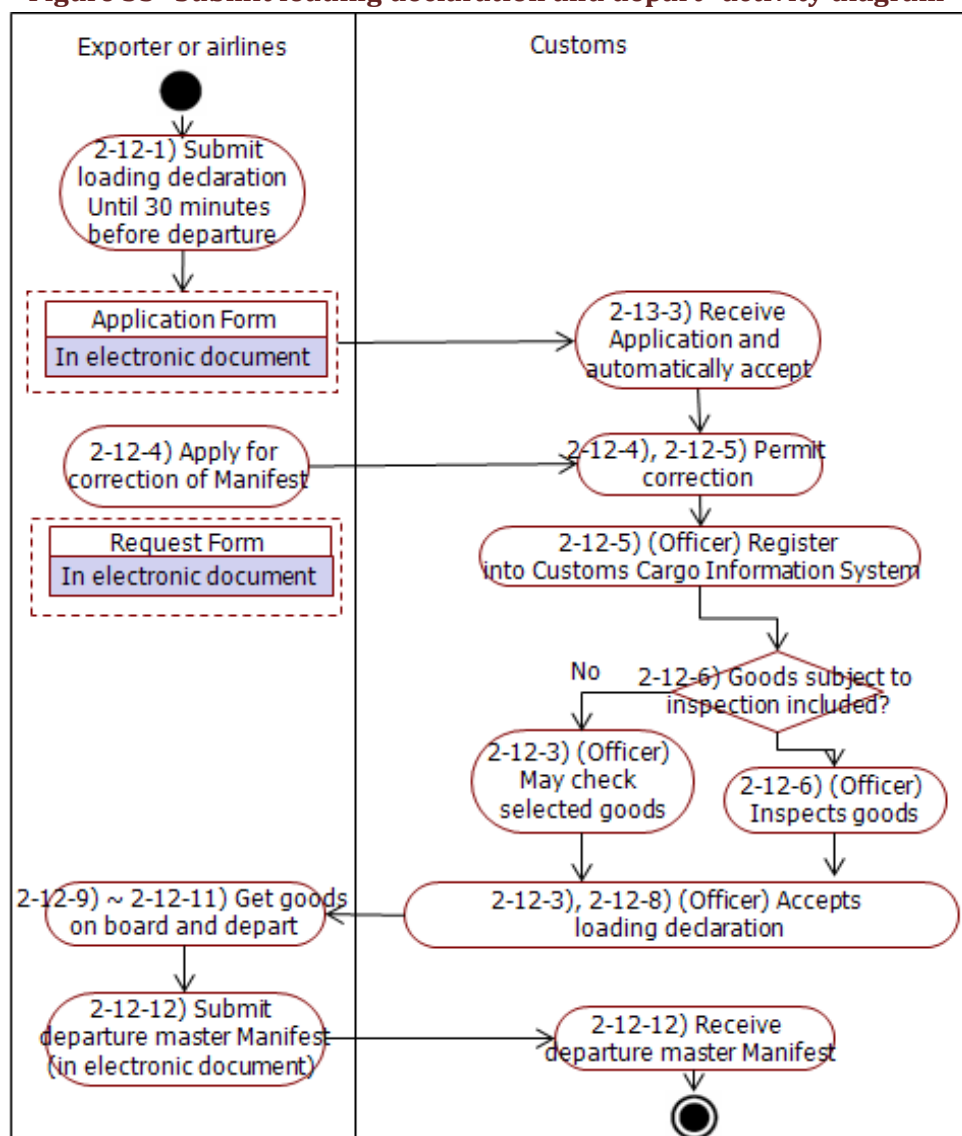
Figure 32 “Submit loading declaration and depart” case diagram



“Submit loading declaration and depart” is the last core business process under “Ship” process area. This core business process requires the participation of :

- Exporter
- Customs
- Carrier (airlines)
- Port authority

Figure 33 “Submit loading declaration and depart” activity diagram

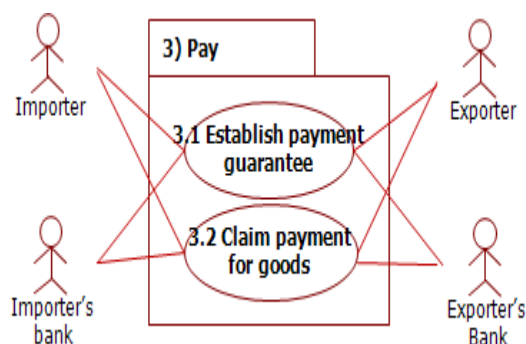


| | |
|--|--|
| Name of process area | 2. Ship |
| Name of business process | 2.12. Submit loading declaration and depart |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Customs Act (Articles 251, 277) Enforcement Decree of Customs Act (Article 255) Regulation on Management of Export Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> Exporter Customs Carrier(airlines) Port authority |
| Input and criteria to enter/Begin the business process | <ul style="list-style-type: none"> Goods are at the point of departure; thus, the exporter will have to submit loading declaration. |

| | |
|---|---|
| Activities and associated documentary requirements | <p>2-12-1 Before shipping, the exporter submits loading declaration (which contains the list of goods) in electronic form to the chief officer at the departing place after storing the goods in the port of the shipping place (including ODCY).</p> <p>2-12-2 In case of 2-12-1, especially for air freight, loading declaration (including departure manifest) has to be submitted by at least 30 minutes before the departure.</p> <p>2-12-3 Loading declaration is automatically accepted when the goods are not subject to inspection. The customs officer may, however, select and check the goods that need confirmation.</p> <p>2-12-4 When the submitter of Manifest wants to correct the details of Manifest, he/she has to submit a Request for the Correction of Manifest to the chief officer at the departing place in electronic form.</p> <p>2-12-5 The Customs officer in charge registers the permit of correction into the Customs Cargo Information System when he/she agrees that the correction is reasonable.</p> <p>2-12-6 Loading declaration for the goods subject to inspection is accepted after the Customs Officer conducts an inspection on those goods.</p> <p>2-12-7 Once export declaration is accepted, the goods have to be shipped to the transport means within 30 days from the date of the acceptance.</p> <p>2-12-8 If the declarant violates 2-12-1, the acceptance of the export declaration may be canceled, and a negligence fine may be charged.</p> <p>2-12-9 Airlines load goods and get goods on board after the acceptance of loading declaration.</p> <p>2-12-10 Once export declaration is accepted, the goods have to be loaded into the transport means within 30 days from the date of the acceptance.</p> <p>2-12-11 Airplane departs.</p> <p>2-12-12 Airlines submit export cargo manifest to customs house in electronic form, gathering master manifest (prepared by airlines) and house manifest (prepared by freight forwarder) together.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Loading declaration has been accepted and goods have departed for the final destination. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 2 hours |

2.2.3. Process Area 3: Pay

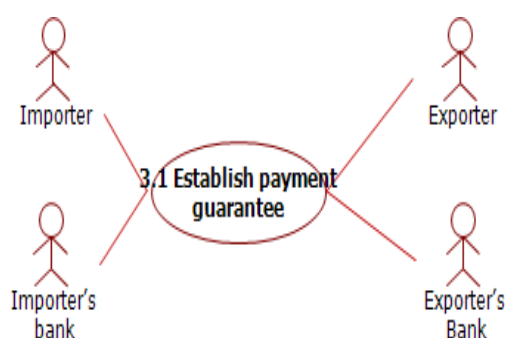
Figure 34 Case diagram of Core Business Processes in “Pay” Process area



“Pay” process area consists of 2 core business processes. One is related to establishing payment guarantee, and the other one is related to claiming payment of goods. The whole process of MP export is completed with the last 2 core business processes under “Pay” process area.

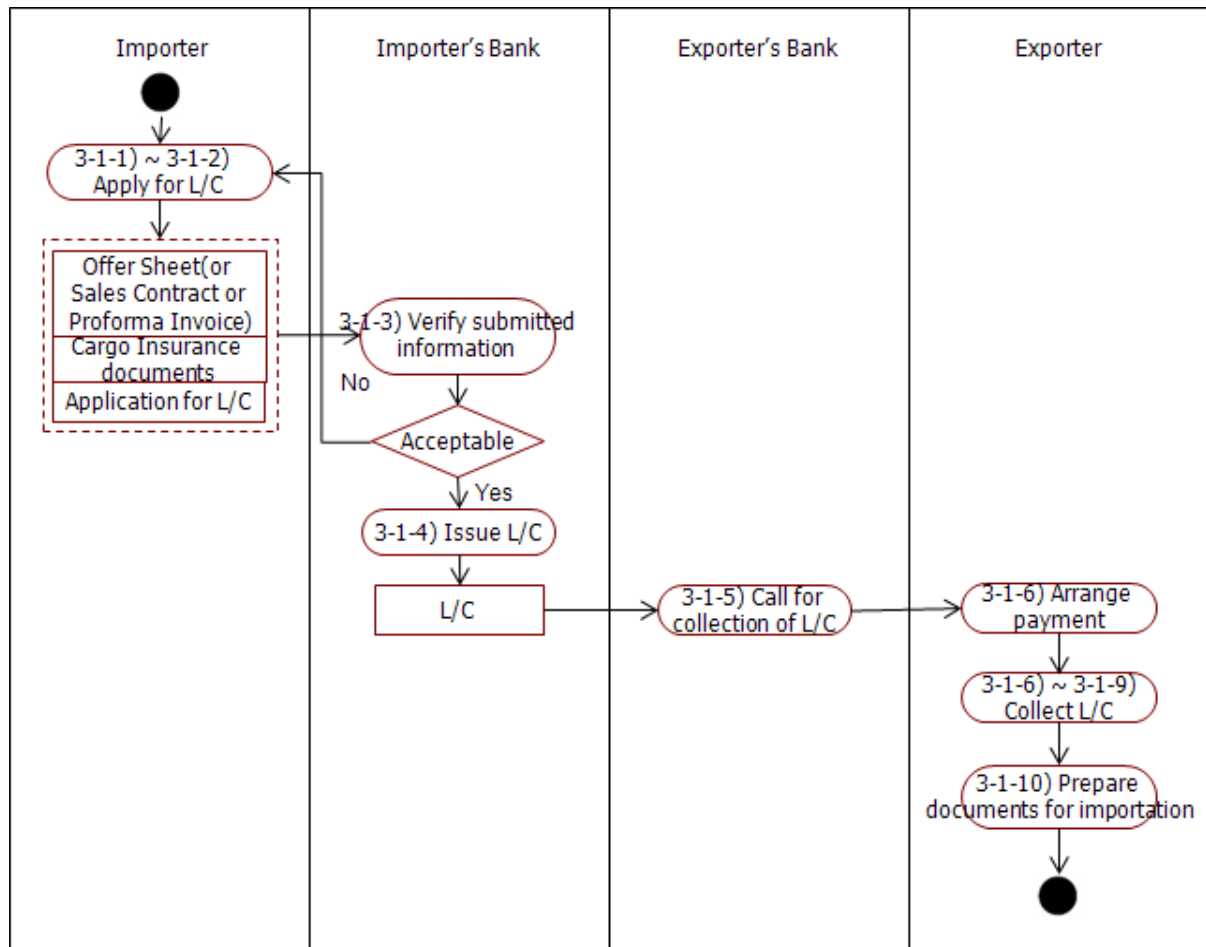
(1) Core business process area 3.1: Establish payment guarantee

Figure 35 “Establish payment guarantee” case diagram



“Establish payment guarantee” is the first core business process under “Pay” process area. This core business process requires the participation of :

- Importer
- Importer’s bank
- Exporter
- Exporter’s bank

Figure 36 “Establish payment guarantee” activity diagram

| | |
|---|---|
| Name of process area | 3. Pay |
| Name of business process | 3.1. Establish payment guarantee |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Legal imperatives (Jus cogens) of the related country (e.g., Commercial Act) • Conditions on the Contract of L/C • Uniform Customs and Practices for Documentary Credit (UMP) 600 |
| Process participants | <ul style="list-style-type: none"> • Importer • Importer's bank • Exporter's bank • Exporter |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Importer wants to open an L/C as a means of payment of goods. |

| | |
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| Activities and associated documentary requirements | <p>3-1-1 Importer applies for the issuance of L/C by submitting an Application for Irrevocable Documentary L/C and a Pro forma Invoice to the importer's bank.</p> <p>3-1-2 In application of 3-1-1, the following documents have to be submitted to the bank.</p> <ul style="list-style-type: none"> (1) Application form for opening Irrevocable documentary L/C (2) Cargo insurance documents (3) Offer sheet or sales contractor Pro forma invoice <p>3-1-3 Importer's bank reviews the submitted documents and evaluates the importer's credit standing.</p> <p>3-1-4 If the importer's credit is in a good standing, the importer's bank approves the application, issues L/C, and forwards it to the exporter's bank electronically.</p> <p>3-1-5 Exporter's bank establishes authenticity of the L/C and informs the exporter that L/C is ready for collection.</p> <p>3-1-6 Exporter collects L/C and determines if it meets the contractual agreement, and whether its terms and conditions are acceptable.</p> <p>3-1-7 If the exporter finds L/C unacceptable, he/she needs to consult the exporter's bank.</p> <p>3-1-8 Exporter's bank consults the importer's bank.</p> <p>3-1-9 Importer's bank then consults the importer on the amendment of L/C.</p> <p>3-1-10 If the Importer finds the already issued L/C acceptable, he/she makes necessary arrangements for the delivery of goods.</p> <p>3-1-11 Exporter prepares documents required for L/C for importer.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Importer completes the application for L/C to the importer's bank. • Importer's bank issues L/C. • Exporter is notified that the L/C is ready for payment. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Issuance itself will be achieved immediately after application. • Additional 7 days may be necessary if limitation arrangement or credit survey is engaged while opening the L/C. |

(2) Core business process area3.2: Claim payment of goods

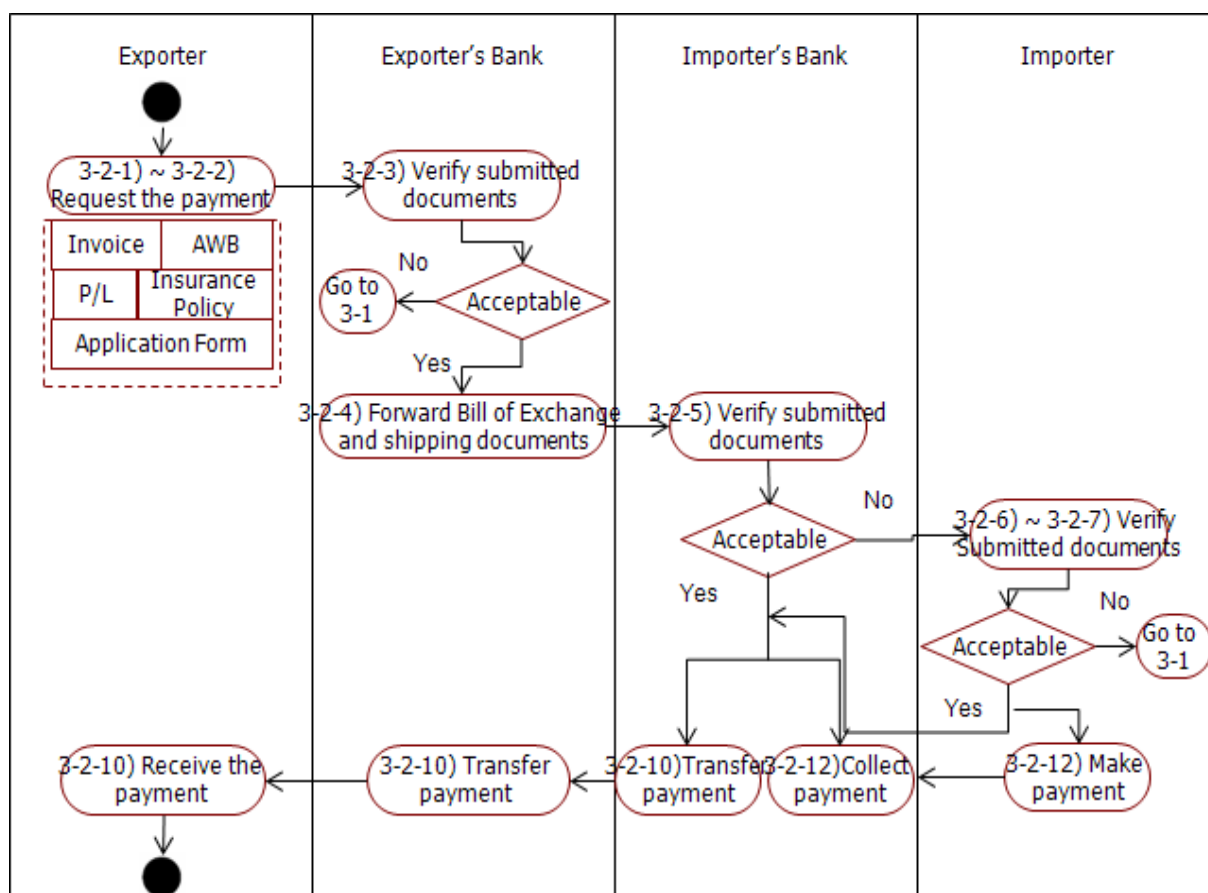
Figure 37 “Claim payment of goods” case diagram



“Claim payment of goods” is the last core business process under “Pay” process area. This core business process is, at the same time, the final one in this BPA analysis of MP export. This core business process requires the participation of :

- Exporter
- Exporter's bank
- Importer
- Importer's bank

Figure 38 “Claim payment of goods” activity diagram



| | |
|--|--|
| Name of process area | 3. Pay |
| Name of business process | 3.2. Claim payment of goods |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Legal imperatives (Jus cogens) of the related country (e.g., Commercial Act) • Conditions on the Contract of L/C • Uniform Customs and Practices for Documentary Credit (UMP) 600 |
| Process participants | <ul style="list-style-type: none"> • Exporter • Exporter's bank • Importer • Importer's bank |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Importer completed the clearance related procedures and is about to make payment for the goods by L/C. |
| Activities and associated documentary requirements | <p>3-2-1 Exporter also prepares documents required in L/C. Those documents typically include :</p> <ul style="list-style-type: none"> - Commercial Invoice - P/L - Insurance policy - AWB <p>3-2-2 With the documents required in L/C, the exporter requests the exporter's bank to advise the importer's bank to proceed with the payment for goods.</p> <p>3-2-3 The Exporter's bank reviews the submitted documents and determines if they are compliant with the terms and conditions listed in L/C. If they do not meet the terms and conditions in L/C, the exporter's bank informs the exporter about the discrepancies. In this case, the exporter needs to make necessary corrections.</p> <p>3-2-4 If the submitted documents meet the terms and conditions listed in L/C, the exporter's bank forwards the Bill of Exchange and shipping documents to the importer's bank.</p> <p>3-2-5 The importer's bank reviews the submitted documents and determines if they are compliant with the terms and conditions of L/C. If they do not meet the terms and conditions in L/C, the importer's bank informs the importer about the discrepancies.</p> <p>3-2-6 The importer determines if the discrepancies can be waived.</p> <p>3-2-7 If the importer does not waive the discrepancies, the importer's bank declines the request to make payment for the goods.</p> <p>3-2-8 The exporter's bank notifies the exporter about the rejection of payment so that the exporter can make</p> |

| | |
|---|--|
| | <p>necessary corrections.</p> <p>3-2-9 If the importer's bank finds the submitted documents compliant with the terms and conditions listed in L/C from the very beginning, the importer's bank transfers the payment for the goods to the exporter's bank.</p> <p>3-2-10 The exporter's bank transfers the payment of goods to the exporter.</p> <p>3-2-11 The exporter receives the payment for the goods.</p> <p>3-2-12 The importer's bank debits the payment for the goods from the importer's account.</p> <p>3-2-13 The importer's bank releases the documents collected from the exporter.</p> <p>3-2-14 The importer collects the documents required for import.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer completed payment for the goods, collected documents, and is ready to receive the goods. • In general, this core business process is the final step for ordinary cross-border trade. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • It will ordinarily take 3.5 days to give notice to the importer. • It will ordinarily take 1.5 days to forward the shipping documents to the importer. |

2.3. Principal findings in business processes of MP export

2.3.1. Expenses and fees to be borne²⁴

Table 19 and Table 20 show the main expenses and fees to be borne by the Exporter, distinguishing the ordinary ones from the extraordinary ones. Expenses and fees would vary in each case. However, for a better understanding of trade processes, this report provides estimated fees and expenses.

(1) Ordinary expenses and fees

Ordinary expenses and fees generally include A) Expense for exporting sample, B) Expense for transporting, C) Expense for cargo insurance, D) Fee for clearance, E) Loading expense (CFS manipulation charge), F) Inland transport expense, and G) Handling charge.

Table 19 Ordinary expenses and fees for MP export

(including VAT, when specific indication is not given)

| Expense item | | Calculation | Required time and notable points | Remark |
|---|-------------------------|-----------------------------|----------------------------------|--|
| Expense for exporting sample | -Clearance fee (in ROK) | - 2/1000 of CIF value + VAT | - | - MIN = KRW16,500 |
| | - Express delivery cost | - KRW 150,000 | 1 day(24 hours) | - Under the assumption that the samples are 3kg, total value of KRW 1,200,000. - Under the assumption that the samples will be delivered to downtown area of Bangkok, Thailand. |
| Expense for transporting from ROK to Thailand | - Air freight | - KRW 1,050/kg | 1 day(24 hours) | - MIN = KRW37,500/kg - Under the assumption that the weight of the goods is higher than 100 kg. |
| | - Fuel surcharge | - KRW 920/kg | - | - This amount may periodically vary according to international price of petroleum oil. |
| | - EDI fee | - KRW1,100 | - | - |

²⁴ This information is based on the information provided by personnel from a freight forwarder company (located in Seoul) and the data collected by the author. The detailed amount and time required may vary depending on the stakeholders engaged.

(including VAT, when specific indication is not given)

| Expense item | | Calculation | Required time and notable points | Remark |
|--|---------------------|--|----------------------------------|--|
| Expense for obtaining cargo insurance | | - Invoice value X 110% X 0.025% | - | - MIN = USD 15.00 |
| Fee for clearance | | - 2/1000 of CIF value + VAT | - | - MIN = KRW16,500 - Payable to Customs Broker (in ROK). |
| Loading expense(CFS manipulation charge) | - THC | - KRW33/KG | - | - |
| | - Airport charge | - KRW 22,000 | - | - |
| Storage expense | - Storage | - Free within 2 days in airline warehouse. | - | - Expense for carrying-in and -out may incur. |
| Inland transport expense | - Transport expense | - 1 ton truck = KRW 82,500 - 2.5 ton truck = KRW137,500 - 5 ton truck = KRW165,000 | - | - Inland transportation from Seoul(downtown area near Gangnam) to Incheon Port |
| Handling charge | | - KRW 33,000 | - | - Payable to freight forwarder (in ROK). |

(2) Extraordinary expenses and fees²⁵

Extraordinary expenses and fees are the ones that the exporter may bear in exceptional circumstances. These include A) Fee for credit survey, B) Fee for Customs inspection, C) Fee for extra opening after official working hours, and D) Fee for handling goods at times other than regular handling time of transport means.

Table 20 Extraordinary expenses and fees for MP export

| (including VAT, when specific indication is not given) | | | |
|---|--|----------------------------------|--|
| Expense item | Calculation | Required time and notable points | Remarks |
| Fee for credit survey | - KRW 220,000 | - 2 weeks | - A written report (in English or Korean) will be issued. |
| Inspection by Customs | -(Transportation fee + Lodging expense + Food expense) | | - Inspection will be conducted when the goods are selected for inspection. - If the inspection place is Designated Storage Place or Customs Inspection Place, no fees are charged. |
| | | - | - "Basic fee" will be exempted to exporting goods, if they fall on an inspection case. |
| Fee for extra opening after official working hours | - Basic + Additional | - | - Basic = KRW 1,000(on holydays, 3,000) - Additional = KRW 750 ~ 1,750/hour (varies according to the time of the day) |
| Fee for handling goods at times other than regular handling time of transport means | - Basic + Additional | - | - Basic = KRW 500 (on holidays, 1,500) - Additional = KRW 375 ~ 900/hour (varies according to the time of the day) * Fee for export case amounts to one-fourth of fee for import case. |

²⁵ There can be minor expenses other than those enumerated in this table. For example, one will be able to get the English export declaration certificate from the DB of Trade Statistics Department of Korea Customs and Trade Development Institute, possibly with prescribed fees.

2.3.2. Time required in each core business process^{26 27}

Table 21 and Figure 39 show the duration and dependencies among MP export processes.

Largely, the result shows us that it takes 2 days for sending samples and making a decision to export (1.1 ~ 1.2), 2 days for concluding the sales contract(1.3), 2 days for arranging transport (2.1 ~ 2.3), 6 hours for storing goods (2.4), approximately 12.5 hours for clearance (2.5 ~ 2.11, excluding 2.10), 3 hours for transporting to shipping place(2.10), 2 hours for submitting loading declaration and departing, and 5 days for claiming payment of goods (2.12 and 3.2).

In total, 14 days and 3 hours are consumed. However, this result will have to be strictly analyzed to be compared with the result of, for example, Doing Business Report. This will be described hereafter.

(1) Time required in relation to MP export

Table 21 Time required in relation to MP export

| Core business process | Time required | Precursor | Simultaneous task | Remarks |
|---|---|-----------|-------------------|--|
| 1. Buy | | | | |
| 1.1 Register business | Business Registration Number : on the spot (Visitation : 1 hour) | N/A | Simultaneous | When an on-site survey engages : 3 days additional |
| 1.2 Exchange samples | 2 days | N/A | | - |
| 1.3 Conclude sales contract and sales terms | 2 days | 1.2 | N/A | Credit survey report : 2 weeks |

²⁶ Based on the assumption that importation is performed according to the most general custom.

²⁷ The required time is indicated by averaging. For example, when the expert group answers as “2 – 3 days” for certain procedure, the outcome will be written as “2.5 days”.

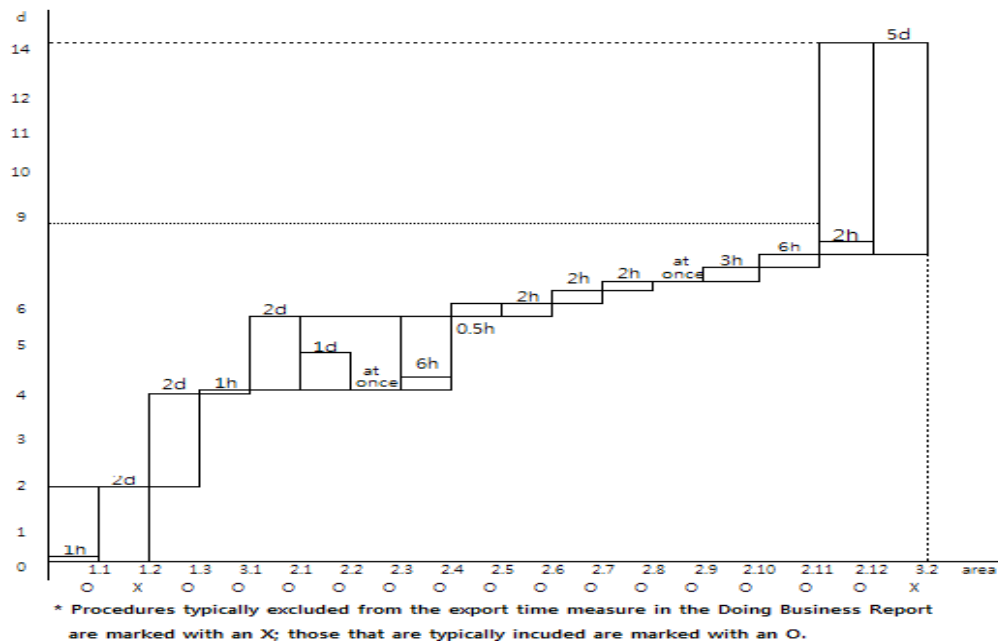
| Core business process | Time required | Precursor | Simultaneous task | Remarks |
|---|--|-------------|------------------------|--|
| 2. Ship ²⁸ | | | | |
| 2.1 Arrange transport | 2 days | 3.1 | Simultaneous | - |
| 2.2 Obtain cargo insurance | 1 day | 3.1 | | - |
| 2.3 Designate customs broker | On the spot | 3.1 | | - |
| 2.4 Store goods | 6 hours | 2.1/2.2/2.3 | | - |
| 2.5 Register Unique Clearance Code, etc. | 0.5 hour | 2.4 | Simultaneous | - |
| 2.6 File export declaration | 2 hours | 2.4 | | - |
| 2.7 Correct export declaration | 2 hours | 2.5/2.6 | N/A | - |
| 2.8 Handle export declaration | 2 hours ²⁹ | 2.7 | N/A | - |
| 2.9 Deliver export declaration certificate | On the spot | 2.8 | N/A | - |
| 2.10 Transport goods to shipping place | 3 hours | 2.9 | N/A | - |
| 2.11 Inspection after acceptance of declaration | 6 hours | 2.10 | N/A | - |
| 2.12 Submit loading declaration and depart | 2 hours | 2.11 | Simultaneous with 3.2 | - |
| 3. Pay | | | | |
| 3.1 Establish payment guarantee | Issuance itself : on the spot (Visitation : 1 hour) | 1.3 | N/A | When credit survey, etc. engages : 7 days additional |
| 3.2 Claim payment of goods | 5 days | 2.11 | Simultaneous with 2.12 | - |

²⁸Here, the core business processes of 2.1 ~ 2.12 are expressed as being implemented by stages one after another, but in actual situation, they will be seen as implemented almost simultaneously. In this regard, the total time consumed (here, it is indicated as about 3 days) may be able to be shortened to below 3 days.

²⁹Assumed as document submission case. Please refer to core business process area 2.8.

(2) Time-procedure chart of MP export to Thailand

Figure 39 Time-procedure chart of MP export



1.1 Register Business /1.2 Exchange Samples

1.3 Conclude Sales Contract and Trade Terms

3.1 Establish Payment Guarantee

2.1 Arrange Transport /2.2 Obtain Cargo Insurance /2.3 Designate Customs Broker

2.4 Store goods

2.5 Register Unique Clearance Code, etc. /2.6 File Export Declaration

2.7 Correct Export Declaration

2.8 Handle Export Declaration

2.9 Deliver Export Declaration Certificate

2.10 Transport goods to Shipping Place

2.11 Inspection after Acceptance of Declaration

2.12 Submit Loading Declaration and Depart /3.2 Claim Payment of Goods

2.3.3. Number of documents required in each core business process

Table 22 shows the documents to be submitted in each business process as well as how those documents should be submitted when exporting MPs from the ROK. The above-mentioned documents are the typically required ones in general situations.

Table 22 Number of documents required in relation to MP export

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|---|---------------------|--|------------------------------------|---|
| 1. Buy | | | | |
| 1.1 Register business | 2 | - ID certificate - Contract | In person | Local Tax Service(of NTS) |
| 1.2 Exchange samples | 1 | -Invoice | In person | Express delivery company |
| | 2 | - Invoice - Simplified export clearance list | UNI-PASS (Electronic) | Customs (exporting country) |
| 1.3 Conclude sales contract and sales terms | 4 | - | In person | Exporter /Importer |
| 2. Ship | | | | |
| 2.1 Arrange transport | 4 | - | In person | Freight forwarder airlines Inland haulage |
| 2.2 Obtain cargo insurance | 1 1 | Business registration certificate 1 among invoice, offer sheet, and L/C | In person (Fax or email available) | Insurance company |
| 2.3 Designate customs broker | 0 | | - | - |
| 2.4 Store goods | 4 | - Invoice - P/L -Application form - Other documents | In person (Fax or email available) | Operator of storage place |

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|---|---------------------|---|---------------------------------------|-----------------|
| 2.5 Register Unique Clearance Code, etc. | 1 | - Business registration certificate | In person (Fax or email available) | Customs broker |
| | 1 | - Application form | UNI-PASS (Electronic) | Customs |
| 2.6 File export declaration | 2 | - Invoice - P/L | In person (Fax or email available) | Customs broker |
| | 1 | - Export declaration | UNI-PASS (Electronic) | Customs |
| 2.7 Correct export declaration | Basic : 2 | - Application form - Reason statement | UNI-PASS (Electronic) | Customs |
| | Basic : 2 | - Invoice - P/L | In person | |
| | Additional : 3 | (if necessary) (The number of documents varies according to items to be corrected) | In person | |
| 2.8 Handle export declaration | 0 | - | - | - |
| 2.9 Deliver export declaration certificate | 0 | - | - | - |
| 2.10 Transport goods to shipping place | 0 | - | - | - |
| 2.11 Inspection after acceptance of declaration | 0 | - | - | - |
| 2.12 Submit loading declaration and depart | 2 | - Invoice - P/L | In person (Fax or email available) | Airlines |
| | 1 | - Loading declaration | UNI-PASS (Electronic) | Customs |

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|---------------------------------|---------------------|--|---|-----------------|
| 3. Pay | | | | |
| 3.1 Establish payment guarantee | 3 | <ul style="list-style-type: none"> - Arrangement Statement for transaction of foreign exchange - Application form for opening L/C - Document of insurance | Fax or email available(except export documents) | Bank |
| | 1 | <ul style="list-style-type: none"> - 1 among offer sheet, contract, and Pro forma invoice | | |
| 3.2 Claim payment of goods | 4 | <ul style="list-style-type: none"> - Invoice - P/L - Insurance policy - AWB | Fax or email available | Bank |

2.4. Analysis and recommendations for improvement

2.4.1. Analysis of MP export business process

(1) In aspect of time consumed

In MP export, Table 21 and Figure 39 show that the total time consumed amounts to 14 days and 3 hours, expressed by recalculating the total time into calendar days. However, it should be noted that the basic assumptions should be importantly considered for such a result to be compared with the outcomes of other reports, particularly including Doing Business Report. For better comparison, the Os and Xs at the bottom of Figure 45 indicate whether each item is included in Doing Business Report. The items with Os are included in Doing Business Report, while the ones with Xs are not. For instance, the processes of exchanging samples and payment by L/C are not included in Doing Business Report. Thus, when we aggregate the time consumed by summing up the Os, we can obtain the result of approximately 7 days and 5 hours in total. This result is a little shorter than the result of Doing Business Report, which is 8 days. From the chart, we may notice that relatively longer time is required in arranging transport (2.1). The clearance itself (2.5 – 2.9), in contrast, does not take much time.

(2) In aspect of documents to be submitted

The Korean government has continuously been improving its trade procedures mainly in the following directions: (1) Management of trade procedures by Internet Web environment, (2) Reduction of trade related documents to be submitted, and (3) Improving the method by which documents are submitted and delivered. For example, in Customs clearance area, the import and export declaration can be filed and managed by connecting to electronic clearance system using Internet Web Portal, UNI-PASS of KCS.

The number of documents to be submitted is decreasing as a result of continuous efforts from both the private and the public sectors. The greatest progress has been made in clearance area as electronic submission of accompanied documents in export clearance began on and from January 1st, 2012. Since then, 100% of the export clearance documents are submitted electronically, leaving only a few exceptions (limited to cases for direct confirmation). This electronic submission in export clearance area is done through UNI-PASS, the system that also allows the declarant to print out the export declaration certificate.³⁰ In the ROK, electronic C/O (e-C/O), electronic SPS (electronic certification of sanitary and phytosanitary), etc. are under discussion for further implementation.

Some documents, however, are repeatedly required by different stakeholders

³⁰Please refer to http://portal.customs.go.kr/kcsipt/portal_link.jsp?portalGoToLink=inform_8&iFrameGoToLink=/kcsipt/inform/inform_07_iframe_buf.jsp(Export Declaration” of UNI-PASS)

throughout the entire trade process (for example, invoice or P/L). In relation to the method of document submission, e-mail submission is allowed in many areas these days.³¹

(3) Elimination of regulatory burden to MP exporters

In the ROK, there is no regulatory burden to MP exporters. It can be confirmed by referring to Annexed Table 1 of “Consolidated public notice” of MOTIE and Annexed Table 1 of “Regulation of designation of confirmation of goods and confirmation method by chief officer according to Article 226 of Customs Act” of KCS.³²

It will be the burden of the importers (i.e. the Thai importers) to pass through any regulatory requirements for MPs. As mentioned in the explanation of core business processes 2-10-6 and 2-10-7, it is known that the person who wants to import MPs into Thailand has to pass through Electronic Wave Certification process executed by TISI(or NBTC), irrespective of any other international certification(e.g., CB scheme of IECEE).

³¹Please refer to “How to submit” of Table 25 for some rough information on submission of electronic or paper document.

³²Korea Customs and Trade Development Institute, *ibid.*, p.1891 and 2605.

2.4.2. Recommendations for improvement

(1) Advice to traders

The persons who are engaged in exporting goods from the ROK should be wise and efficient to save the time and cost involved in trade by identifying the business processes that can be proceeded simultaneously. For example, business processes such as “Arrange transport” (2.1), “Obtain cargo insurance” (2.2), and “Designate customs broker” (2.3) can be done simultaneously.

Partnerships with acting service providers (such as customs broker and freight forwarder) will be necessary, for certain tasks can be done more cost-efficiently by the entrusted service providers than by the exporter him/herself.

In the ROK, the Third Party Logistics, in which the trader entrusts logistics-related business to a third company specialized in logistics, have been widely recognized since long ago. Recently, the Fourth Party Logistics, in which consulting on Logistics such as SCM (Supply Chain Management) and Logistics Business Reengineering is added, are also under discussion.

(2) Recommendations for improvement

Following the assumptions of Doing Business Report, 7 days and 5 hours in total would be consumed. For the assumptions of Doing Business Report, refer to the part of this report around footnote 22. The processes that take the most time include (1) Conclude Sales Contract and Sales Terms (2 days), and (2) Arrange Transport (2 days). Based on the chart, “Arrange transport” has the most potential for time reduction among the processes in MP export. “Arrange Transport” consists of a series of activities including “Designate freight forwarder”, “Reserve cargo space”, and “Booking confirmation”. The time consumed in each activity can be saved by utilizing electronic method.³³

The number of required documents has been reduced nearly to the minimum level already. In some cases, however, some stakeholders repeatedly require the same documents (for example, Invoice, P/L, in 2.6 and 2.7.). In this regard, there is still room for further reduction of documents.³⁴

³³Unification of the information system of air cargo logistics is under discussion. Until now, the stakeholders (e.g., airlines, freight forwarder, etc.) in air cargo logistics area have to submit electronic documents through several channels. These diverse channels will have to be unified. Lee, Chan-ki, “Direction of Clearance Administration of Year 2014”, the Customs & Trade Journal (Jan. and Feb.), p18.

³⁴Korean Customs is looking for a way to reduce required documents in diversified directions, and, as one example of such endeavor; we can mention the omission of submission of the documents which can be confirmed through Customs Electronic System.

(3) Proposed simplification of process

In core business process 2.1, time can be reduced by half by unifying the information system of air cargo logistics and by utilizing electronic means (e.g., Mobile environment, electronic document, etc.). By saving the time consumed in 2.1 to half, the total time consumed can be reduced to 10 days and 21 hours. Especially if it is expressed according to assumptions of Doing Business Report, the time consumable according to TO-BE scenario will be 6 days and 5 hours. This result is shown in below Table 24.

Table 23 Proposed simplification and how to achieve

| Core business process area | AS-IS | TO-BE | How to save time |
|----------------------------|--------|-------|---|
| 2.1 Arrange transport | 2 days | 1 day | <ul style="list-style-type: none"> · Unification of the information system of air cargo logistics · Utilization of electronic means (e.g., Mobile environment, electronic document, etc.) |

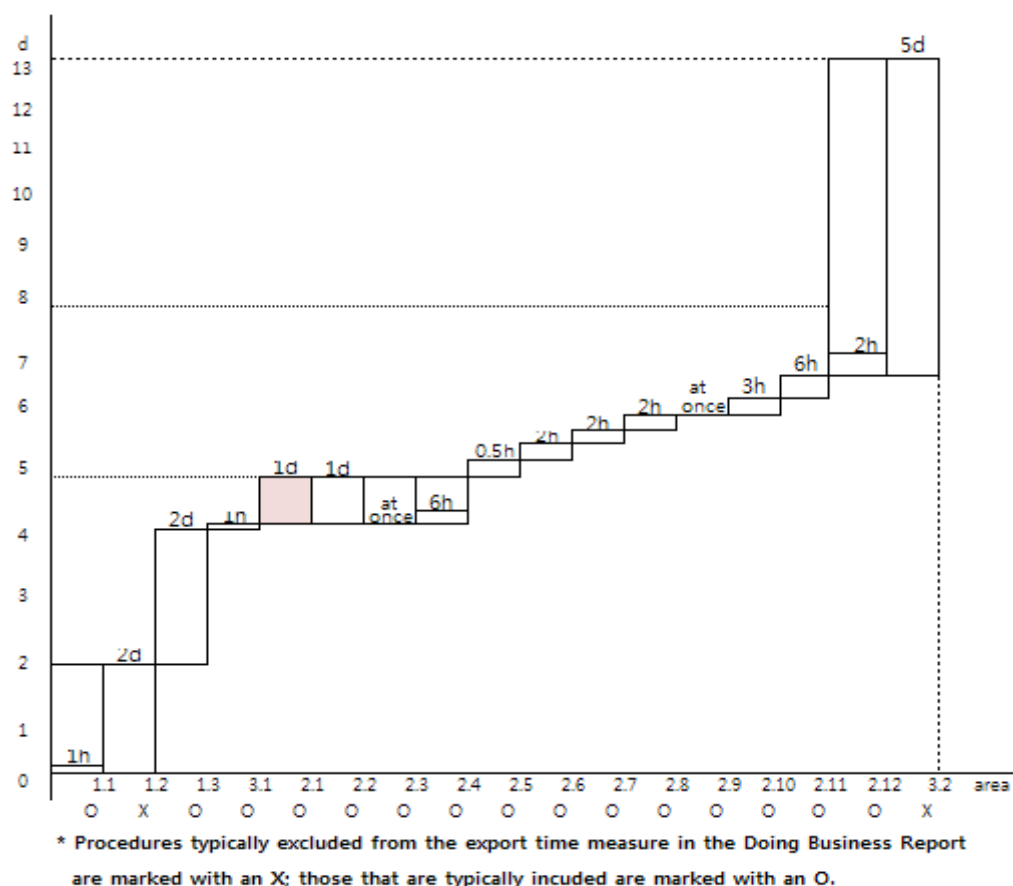
Table 24 Result of time consumed in MP export

| This research | | | | | Doing Business Report |
|---|----------------------|----------------------|---|---------------------|-----------------------|
| Given BPA assumptions | | | Given Doing Business assumptions | | |
| AS-IS | | TO-BE | AS-IS | TO-BE | |
| A | 11 days/ 21 hours | 10 days/ 21 hours | 4 days/ 23 hours | 3 days/ 23 hours | 8 days |
| B | 14 days/ 3 hours | 13 days/ 3 hours | 7 days/ 5 hours | 6 days/ 5 hours | |
| * 1.1 ~ 3.2 total. ** “simultaneous” adjusted. | | | * 1.2 and 3.2 omitted. ** “simultaneous” adjusted. | | - |
| A: Before recalculation. B : After recalculation by applying the formulation “ 8 hours = 1 calendar day” ³⁵ | | | | | |

³⁵The Customs gives the customer extra opening service after ordinary working time in Korea. Thus, this outcome may be some shorter in real situation.

Proposed simplification is visualized in Figure 40. Possible reduction in time is marked in light pink.

Figure 40 Proposed simplification visualized in Chart



- 1.1 Register as businessperson /1.2 Send sample and decide to export
- 1.3 Conclude sales contract, etc.
- 3.1 Establish payment guarantee
- 2.1 Arrange transport /2.2 Obtain cargo insurance /2.3 Designate Customs Broker
- 2.4 Store goods
- 2.5 Register Unique Clearance Code, etc. /2.6 File Export Declaration
- 2.7 Correct Export Declaration
- 2.8 Handle Export Declaration
- 2.9 Deliver Export Declaration Certificate
- 2.10 Transport goods to shipping place
- 2.11 Inspection after acceptance of declaration
- 2.12 Submit loading declaration and depart /3.2 Claim payment of goods

3. BPA of Banana importation from the Philippines³⁶

3.1. Scope of business process analysis

3.1.1. Purpose of analysis

In the first chapter, large scale trends in trade are previewed in the viewpoint of merchandise trade statistics which can be obtained from principal sources. The basic methodology for business process analysis on Banana import into the ROK is as follows:

- Segment the whole trade procedures in detail and endow the names of each process area.
- Draw a flow chart of each process area.
- Conduct a practical survey for required time, required expenses and fees, and the number of documents to be submitted in each process area.
- Analyze the procedures, flow charts and results of the practical survey, and find out the bottlenecks in trade processes, especially in terms of time required.
- Draw out some recommendations for innovation in trade flow.

Following the models of previous BPAs, the process area consists of the following stages, which in turn, consists of several next-step stages.

- Buy: the registration of business, the exchange of samples, and the conclusion of sales contract and sales terms.
- Ship: the arrangement of air cargo transportation, the storage of goods, the clearance procedure by the Customs, and the departure.
- Pay: the establishment of payment guarantee, the claim for payment, and the payment.
 - According to this research, the “Buy” process area consists of 3 core business processes, the “Ship” process area of 14, and the “Pay” process area of 3. The process areas and the core business processes are displayed in the following figures and tables.
 - According to this research, the number of main stakeholders is approximated to be 25.
 - It may be mentioned that, in the ROK, Banana import includes requirement confirmation procedures for both plant quarantine and food sanitation. Thus, the number of the business processes in Banana import is relatively larger than that of MP export.

The main purpose of this analysis is on drawing recommendations for innovation by which trade communities can save both time and cost.

³⁶ A considerable portion of the contents of this analysis (e.g., actual procedural aspects of export and import clearance, and time required for every stage, and so forth) is based on the tips given by Customs Brokers in active service whose offices are located in Seoul and Incheon Airport.

3.1.2. Basic assumptions for business process analysis

Bananas are imported from the Philippines into the ROK. Assumption on place of departure and arrival is as following:

Table 25 Assumption on place of departure and arrival (of Bananas)

| Commodity | Place of original departure | Port of arrival | Final destination | Remark |
|------------------------------|-----------------------------|-------------------|-------------------|----------------------|
| Bananas (Import into ROK) | Manila, the Philippines | Incheon Port, ROK | Seoul, ROK | Ocean transportation |

Bananas are shipped using ocean transportation. This assumption is set because of the relatively cheap freight cost considering the volume of bananas (comparing the freight cost of air transportation). Bananas are delivered under the F.O.B. term where an importer arranges and absorbs the costs of shipping Bananas to the port of destination. The payment for the purchased Bananas is irrevocable once L/C is received.

It is important to note that as of January 1, 2014, importation of Bananas into the ROK is permitted only to “unripe” Bananas, and not to “ripe” ones.

- This limit of importation is set because “ripe” Bananas are easily exposed to the danger of insect disease and pest such as fruit flies.
- “Unripe” Bananas are normally in deep or light green color. Yet, color is not a perfect method to determine whether the Bananas in question are “unripe” or “ripe”, because “unripe” Bananas may sometimes be in purple or yellow color which seems similar to the “ripe” ones.
- The “unripe” Bananas which are imported into the ROK will be sold for different purposes after being ripened thereafter.
- The post-ripening process may be accomplished (1) by natural time-consuming method or (2) by artificial method using ethylene gas.
- Others
 - Importing quantity is assumed as one FEU.
 - Bananas are stored in 13°C ~ 16°C (generally 14°C) both in container and at storage place.

There are some differences in assumptions between “Doing Business report” and this “BPA report.” For example, in “Doing Business Report,” export and import do not include sea transport expense, duties, and related internal taxes. To take another example, in “Doing Business Report”, the container means 20 TEU, not 40 FEU, and transport is defined as only sea transport which does not include the process related to sample sending and receiving. The object of analysis of “Doing Business Report” is broadly defined as “normal” goods (not perishable or not requiring special treatment or certificates) and that of this BPA report is specifically defined goods. Thus, the result of “Doing Business” report and this “BPA” report are complementary but should not be compared directly. Table 26 shows this difference.³⁷

³⁷To compare the assumptions of this “BPA report” with those of “Doing Business Report”, there we can find

Table 26 Comparison of assumptions (Import)

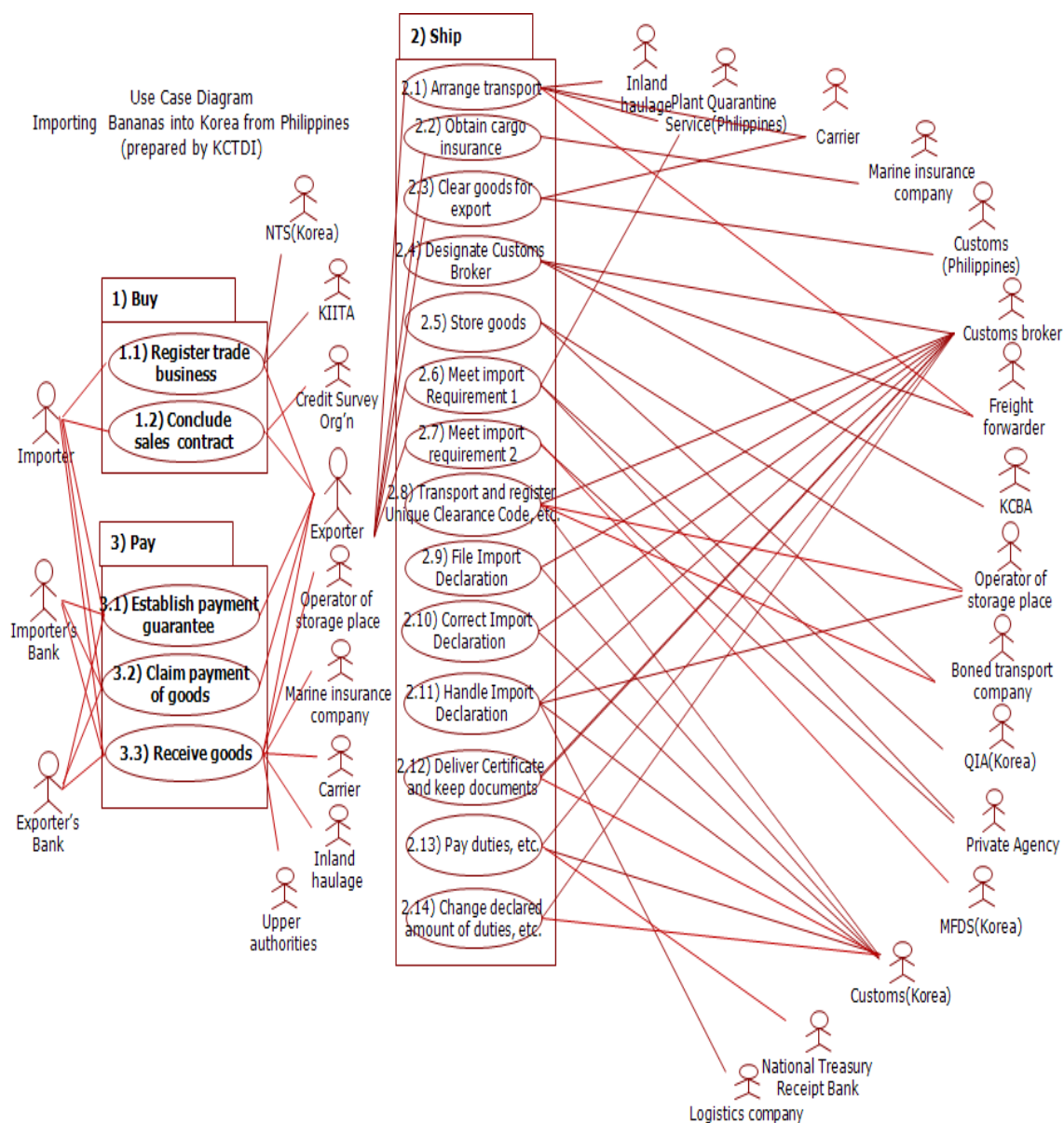
| Distinction | Doing Business Report | This BPA Report |
|--|---|--|
| 1. Product description | Dry cargo, 20 foot, full container load | Fruits, 40 foot containers ³⁸ , full container load |
| 2. Refrigeration or other special environment | Does not require. | Refrigeration between 13°C ~ 16°C required. |
| 3. Special Phytosanitary or Environment Safety Standards | Does not require other than accepted international standards. | Plant quarantine and food sanitation required. |
| 4. The time and cost for (sea) transport | Are not included | Are included. |
| 5. The inclusive range | From packing the goods into the container at the warehouse to the departure from the port of exit | From business register to receipt of the goods |
| 6. Representativeness of the product | One of the economy's leading export products("average" concept) | Specific product, say, Bananas |

out some differences. Please refer to <http://www.doingbusiness.org/> of the World Bank.

³⁸In real trading, "40 foot container" assumption is more realistic than "20 foot container" assumption.

3.1.3 Case diagram of business processes in banana importation

Figure 41 Case diagram of business processes in Banana import



3.1.4. Core business processes and stakeholders involved in Banana import

Table 27 Core Business Processes and Stakeholders (Banana Import)

| Stakeholder Core Business Process Area | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
|--|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 1. Buy (2) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.1. Register business | | | x | | | | | | | | | | x | | | | | | | | | | | x | | |
| 1.2. Conclude sales contract, etc. | x | | x | | x | | | | | | | | | | | | | | | | | | | | | |
| 2. Ship (14) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.1. Arrange transport | x | | | | | | | x | | | | | | x | | | | | | | | x | | | | |
| 2.2. Obtain cargo insurance | x | | | | | | x | | | | | | | | | | | | | | | | | | | |
| 2.3. Clear goods for export and arrive at importing port | x | | | | | | | | | | x | | | | | | | | | | | x | | | | |
| 2.4. Designate customs broker | | | x | | | | | | x | x | | | | | | | | | | | | | x | | | |
| 2.5. Store goods at storage place | | | x | | | x | | | | | | | | | | | | | | x | | | | | | |
| 2.6. Meet import requirement1 (Plant Quarantine Act) | x | | x | | | | | | | | | | | x | x | x | | | | | | | | | | |
| 2.7. Meet import requirement2 (Food Sanitation Act) | x | | x | | | | | | | | | | | | | | x | x | | | | | | | | |
| 2.8. Transport and register Unique Clearance Code, etc. | | | x | | | x | | | x | | | x | | | | | | | | x | | | | | | |
| 2.9. File import declaration | | | x | | | | | | x | | | x | | | | | | | | | | | | | | |
| 2.10. Correct import declaration | | | x | | | | | | x | | | x | | | | | | | | | | | | | | |
| 2.11. Handle import declaration | | | x | | | x | | | x | | | x | | | | | | | | | x | | | | | |
| 2.12. Deliver certificate and keep documents | | | x | | | | | | x | | | x | | | | | | | | | | | | | x | |
| 2.13. Pay the duties, etc. | | | x | | | | | | x | | | x | | | | | | | x | | | | | | | |
| 2.14. Change the declared amount of duties, etc. | | | x | | | | | | x | | | x | | | | | | | | | | | | | | |
| 3. Pay (3) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.1. Establish payment guarantee | x | x | x | x | | | | | | | | | | | | | | | | | | | | | | |
| 3.2. Claim payment of goods | x | x | x | x | | | | | | | | | | | | | | | | | | | | | | |
| 3.3. Receive goods | x | | x | x | | x | x | x | | | | | | | | | | | | | | x | | | | x |

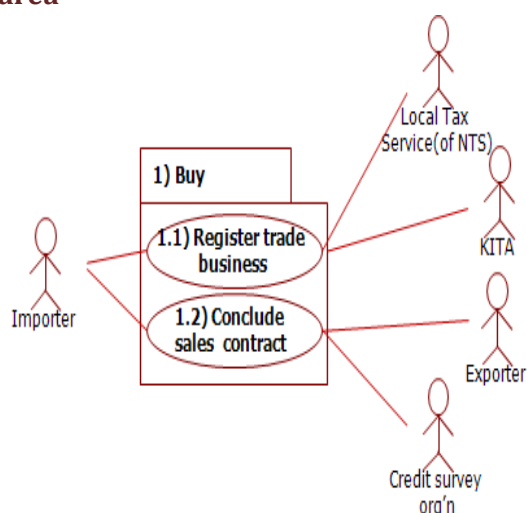
< Explanatory notes on stakeholders (1 - 26) >

| No. | Stakeholder |
|-----|---|
| 1 | Exporter |
| 2 | Exporter's bank |
| 3 | Importer |
| 4 | Importer's bank |
| 5 | Credit Survey Organization (In ROK, Korea Enterprise Data) |
| 6 | Operator of storage place |
| 7 | Marine insurance company |
| 8 | Inland haulage |
| 9 | Customs broker |
| 10 | Korea Customs Broker's Association(KCBA) |
| 11 | Customs(The Philippines) |
| 12 | Customs(ROK) |
| 13 | Local Tax Service(of NTS) |
| 14 | Plant Quarantine Service [under Bureau of Plant Industry(BPI) of Philippine government] |
| 15 | Animal and Plant Quarantine Agency(QIA) of ROK |
| 16 | Agency of plant quarantine acting on behalf of Importer |
| 17 | Ministry of Food and Drug Safety(MFDS) of ROK |
| 18 | Agency of Food Sanitation acting on behalf of Importer |
| 19 | National Treasury Receipt Bank of Korea |
| 20 | Bonded transport Company |
| 21 | Logistics company |
| 22 | Carrier(Shipping Company) |
| 23 | Freight forwarder |
| 24 | Korea International Trade Association(KITA) |
| 25 | Korea Customs and Trade Development Institute(KCTDI) |
| 26 | Upper authorities |

3.2. Core business processes of Banana importation

3.2.1. Process Area 1: Buy

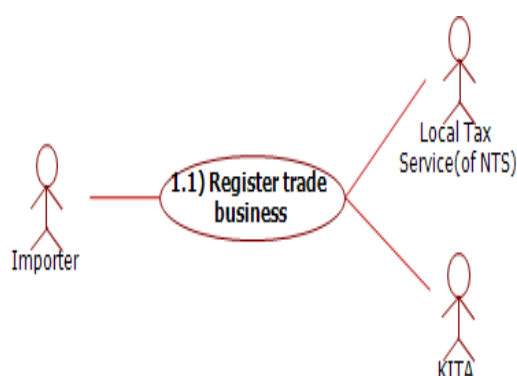
Figure 42 Case diagram of core business processes in “Buy” process area



“Buy” process area consists of the following 2 core business processes. The first one is related to registering trade business and obtaining Trade Business Number; and the other one is related to concluding sales contract and defining trade terms.

(1) Core business process area 1.1: Register business

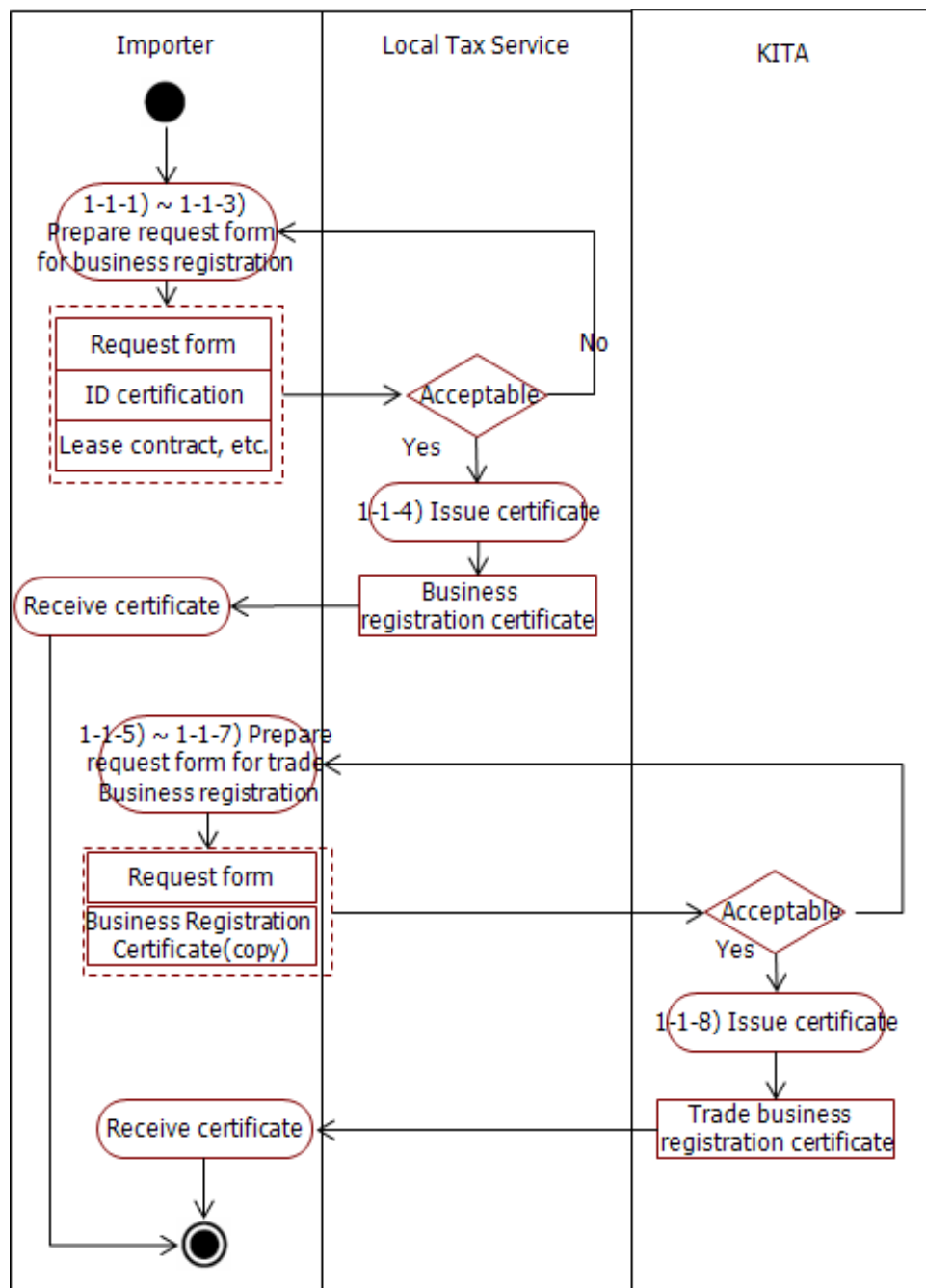
Figure 43 “Register business” case diagram



“Register business” is the first core business process under “Buy” process area. The case diagram in Figure 43 suggests that this core business process requires the participation of :

- Importer
- Local Tax Service (of NTS)
- Korea International Trade Association (KITA)

Figure 44 “Register business” activity diagram

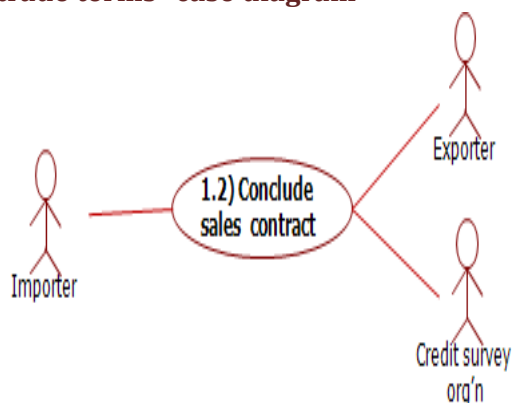


| | |
|---|--|
| Name of a process area | 1. Buy |
| Name of a business process | 1.1. Register business |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Enforcement Decree of Foreign Trade Act (Article 21) • Foreign Trade Management Regulation (Article 24) • Value Added Tax (Article 8) |
| Process participants | <ul style="list-style-type: none"> • Importer • Local Tax Service(of NTS) • Korea International Trade Association(KITA) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Importer decides to begin trade (import) business. • Importer has to meet the qualifications to import Bananas. In this regard, business has to be registered in the local tax office beforehand. • Importer may have to acquire a Trade Business Number from KITA. |
| Activities and associated documentary requirements | <p>1-1-1 Importer applies for business registration to the competent local Tax Service. In the ROK, any business for commercial purpose should be registered in the NTS within 20 days from the first day of business.</p> <p>1-1-2 Business registration may also be applied for through “Hometax(http://www.nts.go.kr)” of NTS by using authentication certificate.</p> <p>1-1-3 In application of 1-1-1 and 1-1-2, documents to be submitted include (1) Identification Certificate of the applicant, and (2) office lease contract (for personal residence, a certified copy of resident registration is required).</p> <p>1-1-4 The officer in charge from the local tax service issues Business Registration Number to the applicant.</p> <p>1-1-5 Person who wants to do trade business will occasionally need a Trade Business Number when (1) applying for L/C or import and export results, and (2) when there is a request from some government agencies (that is to say, the application of Trade Business Number is optional according to circumstances).</p> <p>1-1-6 To acquire a Trade Business Number, the</p> |

| | |
|---|--|
| | <p>applicant has to submit the application to Korea International Trade Association (KITA).</p> <p>1-1-7 Documents required when applying for Trade Business Number include Request form for Trade Business Number (1 original), Business Registration Certificate (1 copy), etc., and ID card (resident registration certificate or driver's license). A copy of the front page of resident registration certificate is also to be submitted.</p> <p>1-1-8 The person in charge from KITA issues Trade Business Number on the spot, without charge, immediately after receiving the request.</p> <p>1-1-9 While applying for Trade Business Number, applicant may be recommended to subscribe for a membership to KITA on an annual fee. The subscription, however, is only optional.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Importer has received Business Registration Number from Local Tax Service, and if applicable, Trade Business Number from KITA. • Applications for Business Registration Number and Trade Business Number are required only once in the beginning of the trade business. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Importer can acquire Business Registration Number immediately after the application on the spot. If engaged in an on-site survey, the process will take 3 additional days to acquire Business Registration Number. • Importer can acquire Trade Business Number immediately after the application on the spot. |

(2) Core business process area1.2: Conclude sales contract and trade terms

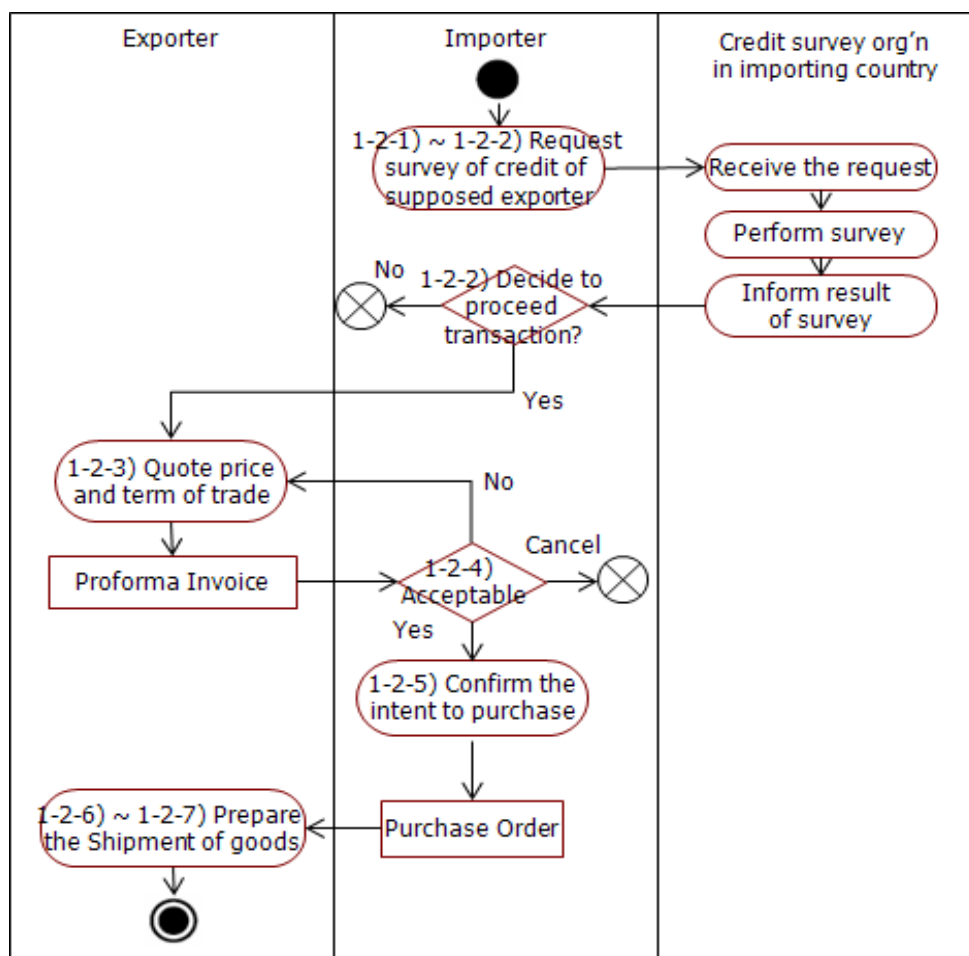
Figure 45 “Conclude sales contract and trade terms” case diagram



“Conclude sales contract and trade terms” is the second and the last core business process under “Buy” process area. The case diagram in Figure 51 suggests that this core business process requires the participation of:

- Importer
- Exporter
- Credit survey organization
(in the ROK, Korea Enterprise Data)

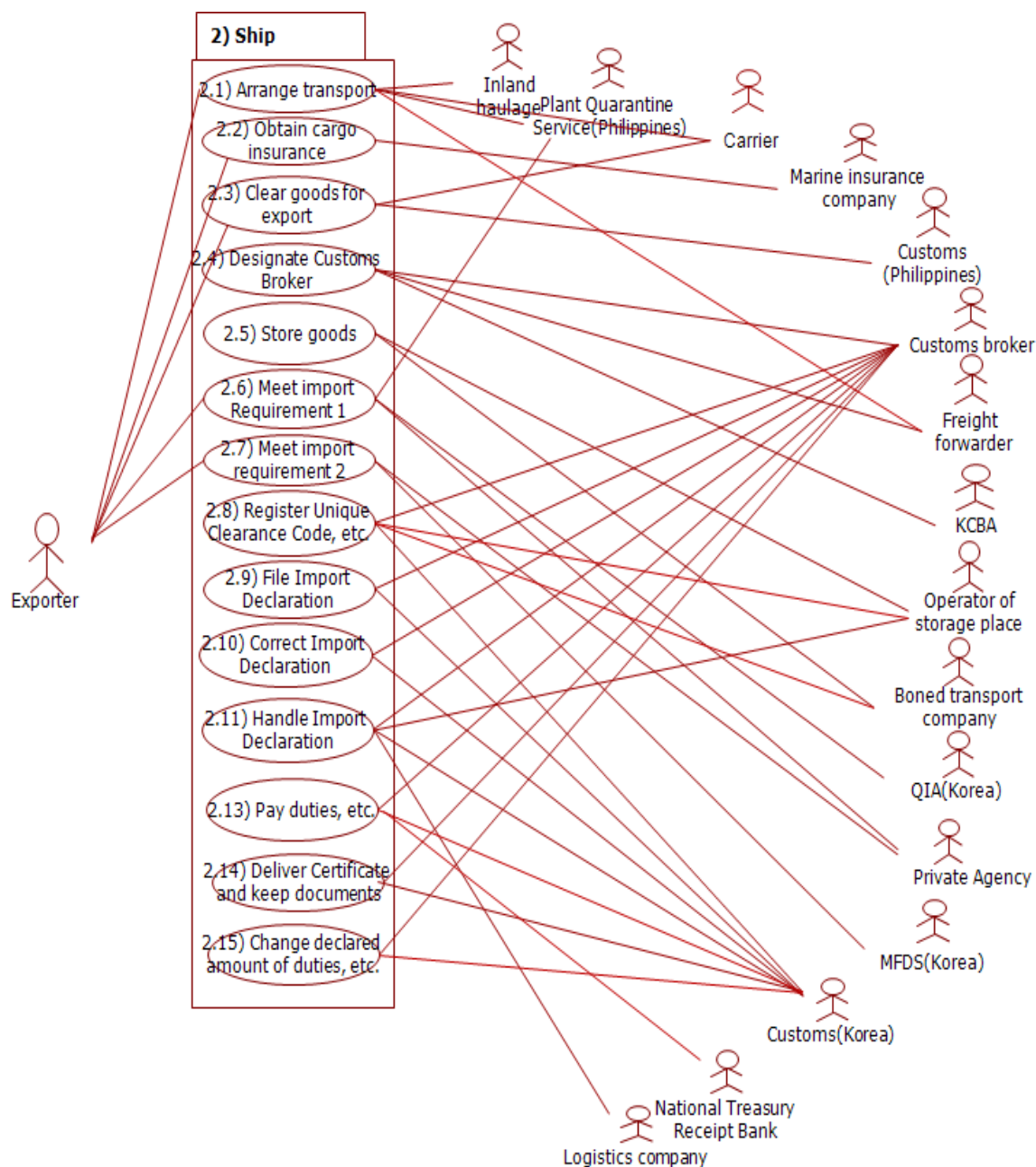
Figure 46 “Conclude sales contract and trade terms” activity diagram



| | |
|---|---|
| Name of process area | 1. Buy |
| Name of business process | 1.2. Conclude sales contract and trade terms |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Incoterms 2010 |
| Process participants | <ul style="list-style-type: none"> Importer Exporter Credit survey organization (in the ROK, Korea Enterprise Data) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> The importer evaluates the transaction and decides to import Bananas from the exporter. The importer and the exporter want to conclude sales contract. |
| Activities and associated documentary requirements | <p>1-2-1 The exporter and the importer exchange basic information on goods and trade terms. In trans-border Banana trade, it seems that sample sending seldom occurs.</p> <p>1-2-2 The exporter may conduct a credit investigation about the importer through a credit rating organization (in the ROK, a company named "Korea Enterprise Data" is performing credit investigation :(http://www.kedkorea.com/si/SICRS11R0.d o) in the importer's country (optional).</p> <p>1-2-3 Once the credit level of the importer has been confirmed, the exporter prepares a quotation on price and sales terms to inform the importer.</p> <p>1-2-4 The importer reviews the quotation and determines if the quoted price and sales terms are acceptable.</p> <p>1-2-5 If the quoted price and sales terms are not acceptable, the importer requests the exporter to revise the quoted price and sales terms.</p> <p>1-2-6 If the quoted price and sales terms are acceptable, the importer confirms the exporter the purchase of goods with purchase order.</p> <p>1-2-7 Exporter prepares for the delivery of the goods accordingly.</p> <p>1-2-8 Exporter acknowledges the receipt of purchase order and confirms that the goods will be delivered according to the established terms and conditions by sending a Pro forma Invoice to the importer.</p> <p>1-2-9 Importer receives Pro forma Invoice.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> Sales contract has been concluded by exchanging Purchase Order and Pro forma Invoice. Based on purchase order, the exporter prepares goods for export. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 2 days It will take approximately 2 weeks to receive a credit investigation report from Korea Enterprise Data. |

3.2.2. Process area 2: Ship

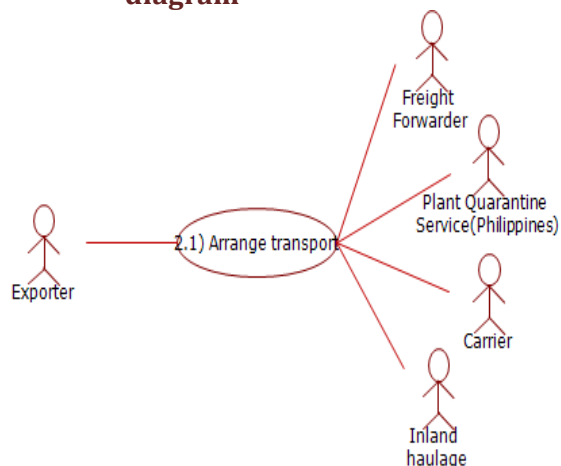
Figure 47 Case diagram of core business processes in "Ship" process area



Banana import from the Philippines into the ROK engages 15 core business processes under "Ship" process area. As shown in Figure 53, these core business processes are related to export clearance, transport, arrival, storage, requirement confirmation, import clearance, payment of duties and internal taxes, etc. They involve the arrangement for cargo movement as well as the completion of Customs formalities for export and import, and necessary actions for import requirements.

(1) Core business process area 2.1: Arrange transport

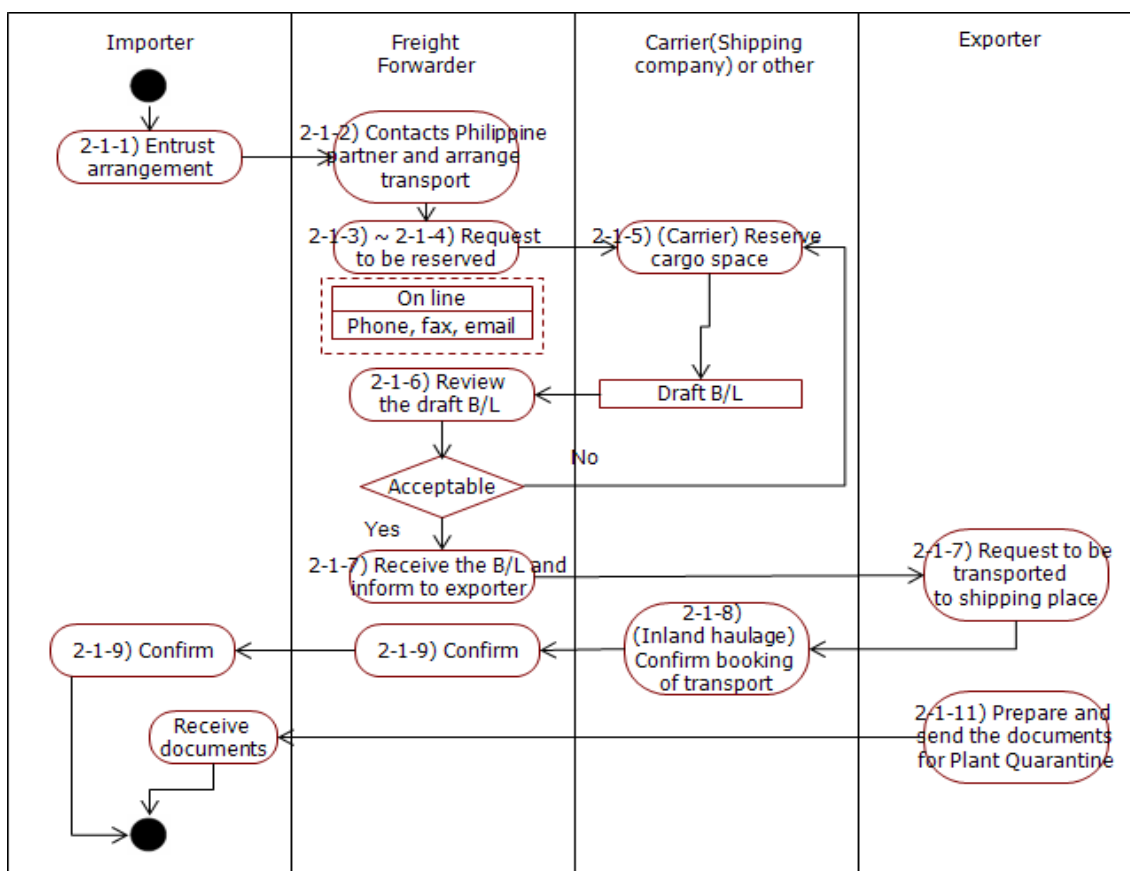
Figure 48 “Arrange transport” case diagram



“Arrange transport” from export side is the first core business process under “Ship” process area. This core business process requires the participation of:

- Exporter
- Freight forwarder
- Plant Quarantine Service [under Bureau of Plant Industry (BPI) of Philippine government]
- Carrier (shipping company)
- Inland haulage

Figure 49 “Arrange transport” activity diagram

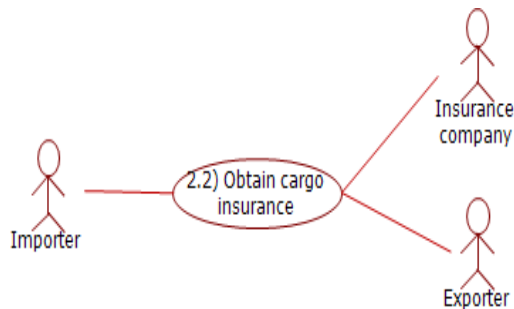


| | |
|---|--|
| Name of process area | 2. Ship |
| Name of business process | 2.1. Arrange transport |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Commercial Act (Chapter 9) • Framework Act on Logistics Policy(Section 3) of MOLIT • Enforcement Decree of Framework Act on Logistics Policy • Enforcement Regulation of Framework Act on Logistics Policy • Regulation on Registration and Management of Freight Forwarders (of KCS) • Regulation on Disembarkation of Entry into Port and Departure and Loading, of Bonded Cargoes (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Importer • Freight forwarder • Plant Quarantine Service • [under Bureau of Plant Industry (BPI) of Philippine government] • Carrier (shipping company) • Inland haulage |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The importer and the exporter have already agreed that the delivery of purchased Bananas to the specified port of destination is a responsibility of the importer. |
| Activities and associated documentary requirements | 2-1-1 The importer contacts a freight forwarder and entrusts the arrangement of transport to him/her. This procedure is optional but strongly recommended for the convenience of the importer. |

| | |
|---|---|
| Activities and associated documentary requirements | <p>2-1-2 Freight forwarder contacts the counterpart in the Philippines and arranges the transport.</p> <p>2-1-3 Freight forwarder (or his/her partner) contacts shipping company to reserve cargo space and ship.</p> <p>2-1-4 Booking request can be made in various forms depending on the shipping company. For some shipping companies, a booking of cargo space and vessel can be done through an online reservation system. For those that do not have such system, the booking is done over the phone, fax, or email.</p> <p>2-1-5 Shipping company acknowledges the booking request by returning a draft B/L to the importer (freight forwarder).</p> <p>2-1-6 The importer (freight forwarder) reviews draft B/L and determines if it reflects what the exporter needs. If it does not, the importer informs the shipping company that the draft B/L requires further revision.</p> <p>2-1-7 Once correct draft B/L is received, the exporter contacts inland haulage to transport the goods to the shipping place for loading. This process also can be done by freight forwarder acting on behalf of the exporter.</p> <p>2-1-8 Inland haulage acknowledges the booking request by returning a booking confirmation to the exporter.</p> <p>2-1-9 The exporter reviews booking confirmation and determines if it reflects what the exporter needs. If it does not, the exporter requests inland haulage for a revision of the booking confirmation.</p> <p>2-1-10 Exporter acknowledges a receipt of the correct booking confirmation.</p> <p>2-1-11 In the meanwhile, exporter prepares the documents required in compliance with the Plant Quarantine Act of the ROK. These documents include (1) Phytosanitary Certificate for Bananas issued by the government of the Philippines [= Plant Quarantine Service under Bureau of Plant Industry (BPI)] and (2) Other manufacturing and processing documents (See also Core Business Process Area 2.6.).</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer makes reservation for cargo space and ship. • The exporter makes a contract with the inland haulage for transporting the goods to the shipping place. • The exporter prepares the required documents in compliance with Plant Quarantine Act of the ROK. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 5days (according to a Korean shipping company, time may vary because there are many long distance islands in the Philippines) |

(2) Core business process area 2.2: Obtain cargo insurance

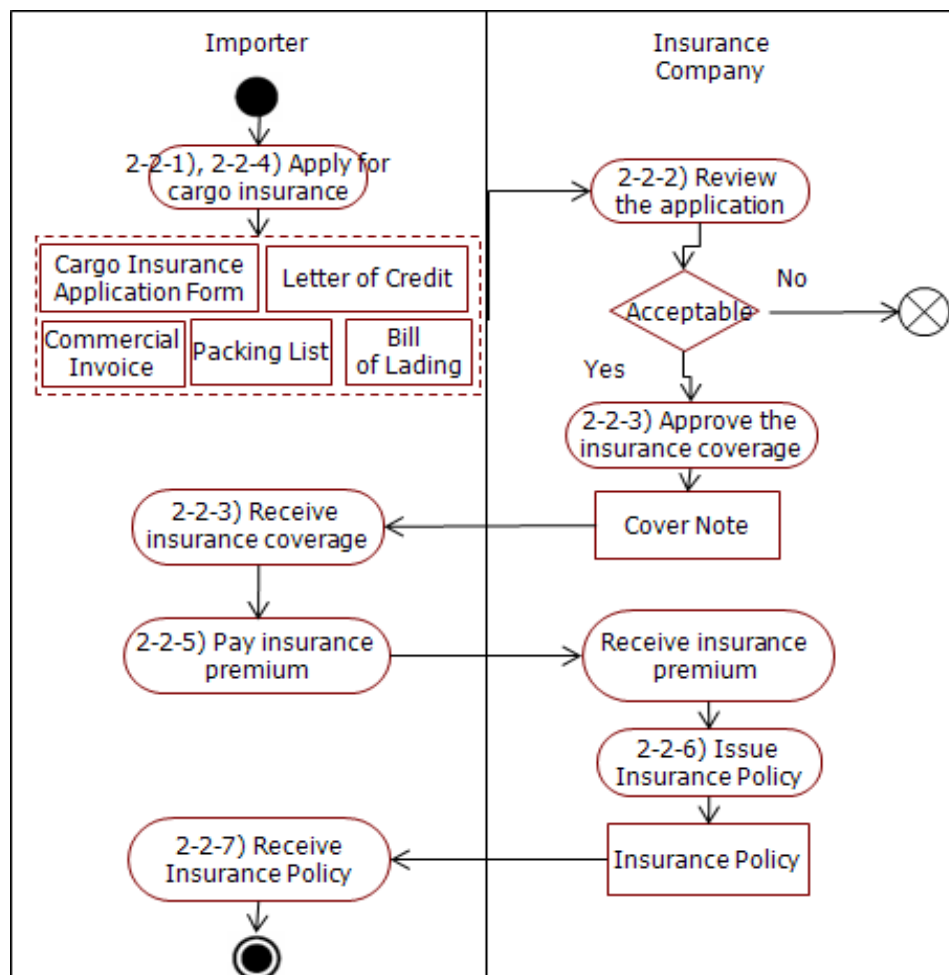
Figure 50 “Obtain cargo insurance” case diagram



“Obtain cargo insurance” is the second core business process under “Ship” process area. This core business process area requires the participation of:

- Importer
- Insurance company
- Exporter

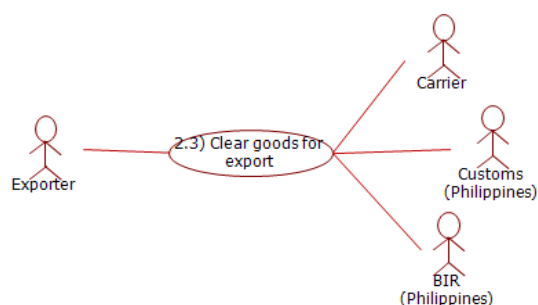
Figure 51 “Obtain cargo insurance” activity diagram



| | |
|---|--|
| Name of process area | 2. Ship |
| Name of business process | 2.2. Obtain cargo insurance |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Incoterms 2010 |
| Process participants | <ul style="list-style-type: none"> Importer Insurance company Exporter |
| Input and Criteria to Enter/ Begin the Business Process | <ul style="list-style-type: none"> The importer wants to obtain cargo insurance. According to FOB trade term, it is the importer's responsibility to obtain cargo insurance. |
| Activities and associated documentary requirements | <p>2-2-1 The importer gives the insurance company specific information on the goods to be exported, and applies for cargo insurance.</p> <p>2-2-2 The insurance company estimates the risks of goods, and determines the conditions and the rate of insurance premium.</p> <p>2-2-3 The importer and insurance company exchange opinions and agree to make a contract.</p> <p>2-2-4 The importer submits necessary documents to the insurance company. These documents included (1) Insurance Application (2) Business Registration Certificate (3) Invoice, Offer Sheet, or L/C (any 1 of the 3).</p> <p>2-2-5 The importer pays the insurance premium to the insurance company.</p> <p>2-2-6 The insurance company issues a Cover Note to the Importer.</p> <p>2-2-7 The importer collects Insurance Policy.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> The importer paid the insurance premium and obtained cargo insurance from the insurance company. |
| Average time required to complete this business process | <ul style="list-style-type: none"> 1 day |

(3)Core business process area 2.3: Clear goods for export, etc.

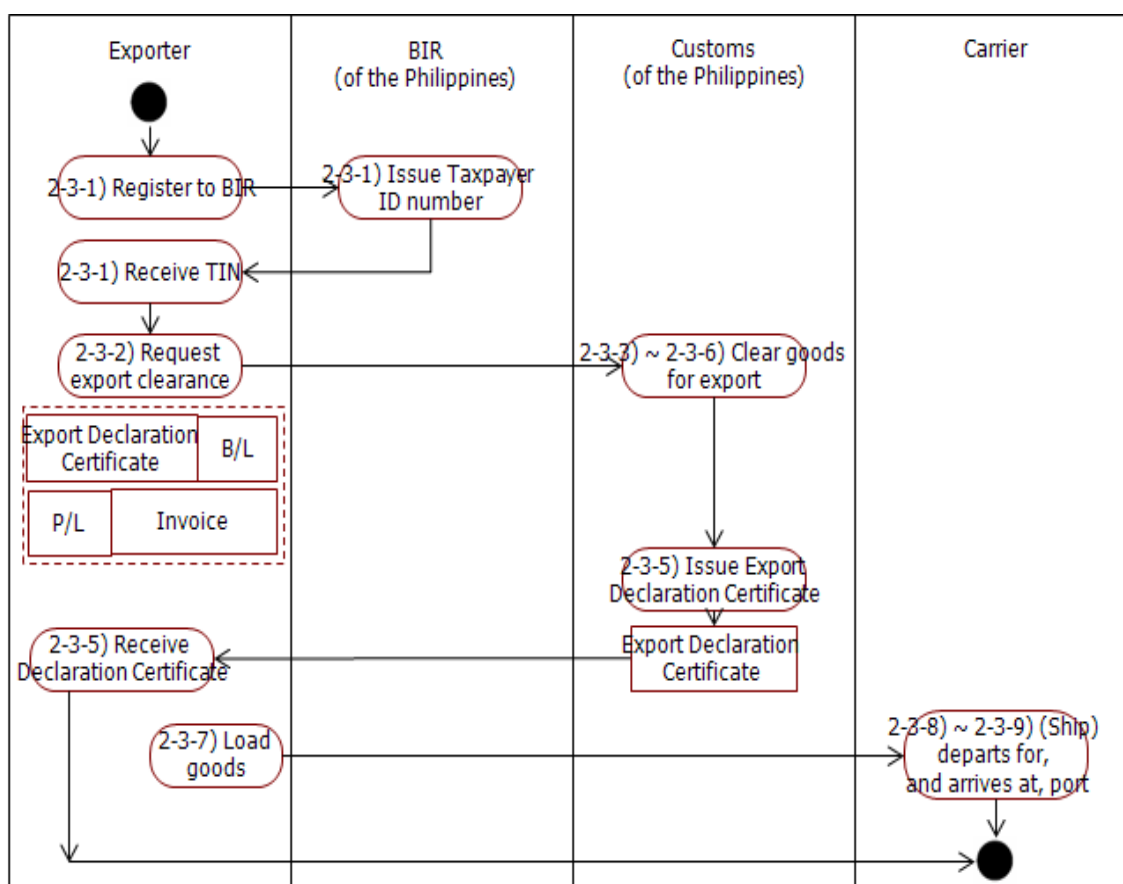
Figure 52 “Clear goods for export” case diagram



“Clear goods for export and arrive at importing port” is the third core business process under “Ship” process area. This core business process requires participation of :

- Exporter
- Bureau of Internal Revenue (BIR) of the Philippines
- Customs (of exporting country)
- Carrier (shipping company)

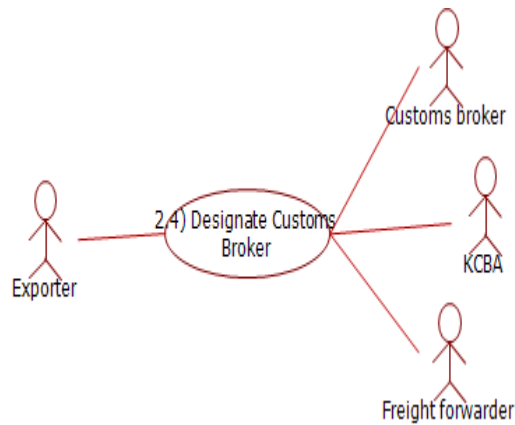
Figure 53 “Clear goods for export” activity diagram



| | |
|--|--|
| Name of process area | 2. Ship |
| Name of business process | 2.3. Clear Goods for Export and Arrive at Importing Port |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (of exporting country) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Bureau of Internal Revenue (BIR) of the Philippines • Customs (of Exporting Country) • Carrier (shipping company) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The exporter wants the goods to be cleared and shipped for export. |
| Activities and associated documentary requirements | <p>2-3-1 The exporter registers and receives a Taxpayer Identification Number (TIN) from the Bureau of Internal Revenue (BIR).</p> <p>2-3-2 The exporter submits the documents for export clearance such as (1) export declaration certificate, (2) B/L, (3) P/L, and (4) Invoice, etc.</p> <p>2-3-3 If the goods are subject to inspection, the goods go under inspection.</p> <p>2-3-4 Customs permits the export of Bananas.</p> <p>2-3-5 The exporter receives the export declaration certificate from Customs.</p> <p>2-3-6 Export clearance procedure from the Customs side is accomplished.</p> <p>2-3-7 The exporter loads the goods into the ship.</p> <p>2-3-8 The ship departs for the importing port.</p> <p>2-3-9 Goods arrive at the importing port.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Clearance for exporting is completed and the goods depart for the destination. • The goods arrive at the importing port. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • It ordinarily takes 2.5 days to complete export clearance (according to a report from Korean research institute). • Pure time for voyage to the importing port, i.e. Incheon Port, will be 5 days. |

(4) Core business process area 2.4: Designate customs broker

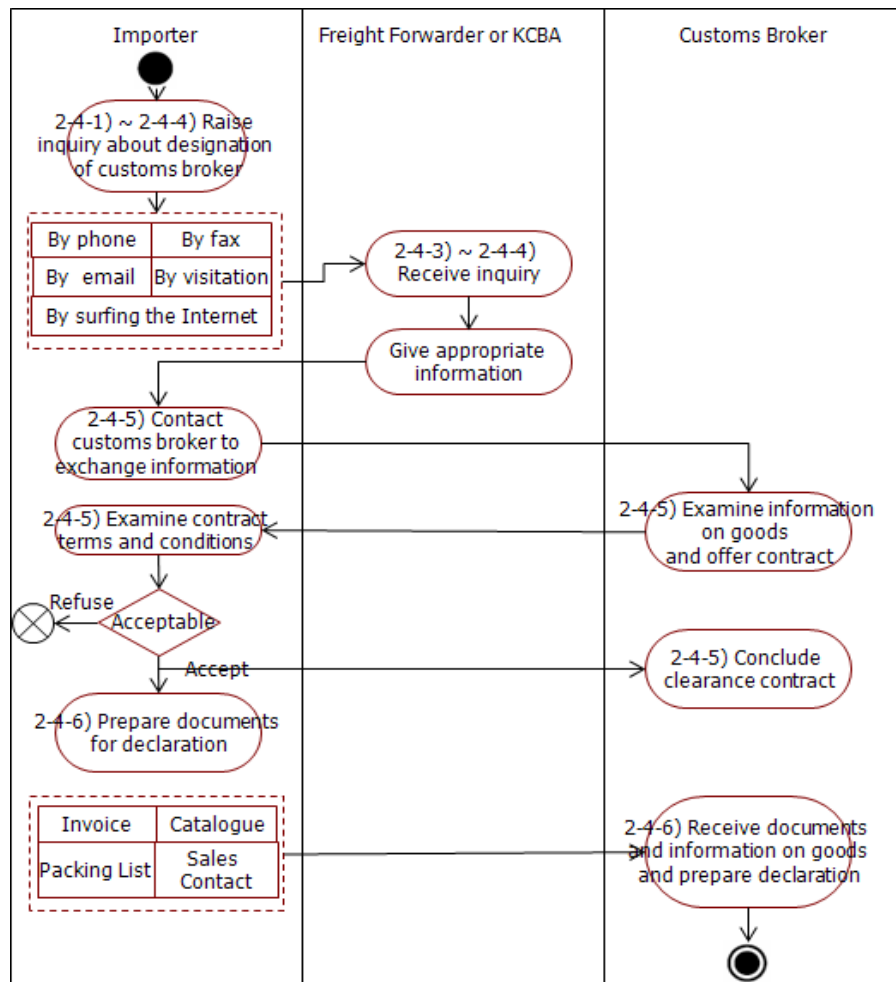
Figure 54 “Designate customs broker” case diagram



“Designate customs broker” is the fourth core business process under “Ship” process area. This core business process requires the participation of :

- Importer
- Customs broker
- Korea Customs Brokers Association (KCBA)

Figure 55 “Designate customs broker” activity diagram



| | |
|--|---|
| Name of process Area | 2. Ship |
| Name of business process | 2.4. Designate customs broker(Optional) |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 242) • Customs Brokers Act • Regulation on Execution of Tasks of Customs Brokers (of KCS) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer • Korea Customs Brokers Association (KCBA) • Freight forwarder • Customs broker |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The importer is about to receive the shipping documents. • The importer is looking for an easy and convenient method to clear the goods and to get useful information regarding the import of goods with reasonable cost. |
| Activities and associated documentary requirements | <p>2-4-1 The importer may designate a Customs Broker who will do clearance business on behalf of the exporter and give consultations to the exporter.</p> <p>2-4-2 Even if the designation is optional, it is strongly recommended for the convenience of the exporter.</p> <p>2-4-3 The importer may choose a Customs Broker by (1) surfing the Internet or (2) intercession of freight forwarder.</p> <p>2-4-4 The importer may inquire about the designation of customs broker to Korea Customs Brokers Association (KCBA: http://www.kcba.or.kr/) by phone.</p> <p>2-4-5 Once a customs broker is designated, the importer contacts the customs broker to give information on goods to be declared and conclude a contract for clearance by negotiating the clearance fee.</p> <p>2-4-6 The importer provides detailed information and documents related both to the importer and the goods to the customs broker.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer decides to conclude the contract for clearing with the customs broker. • The importer and the customs broker exchange information regarding import of goods with each other. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • If it is a one-time clearance contract, the contract may be accomplished on the spot. |

(5) Core business process area2.5: Store goods at storage place

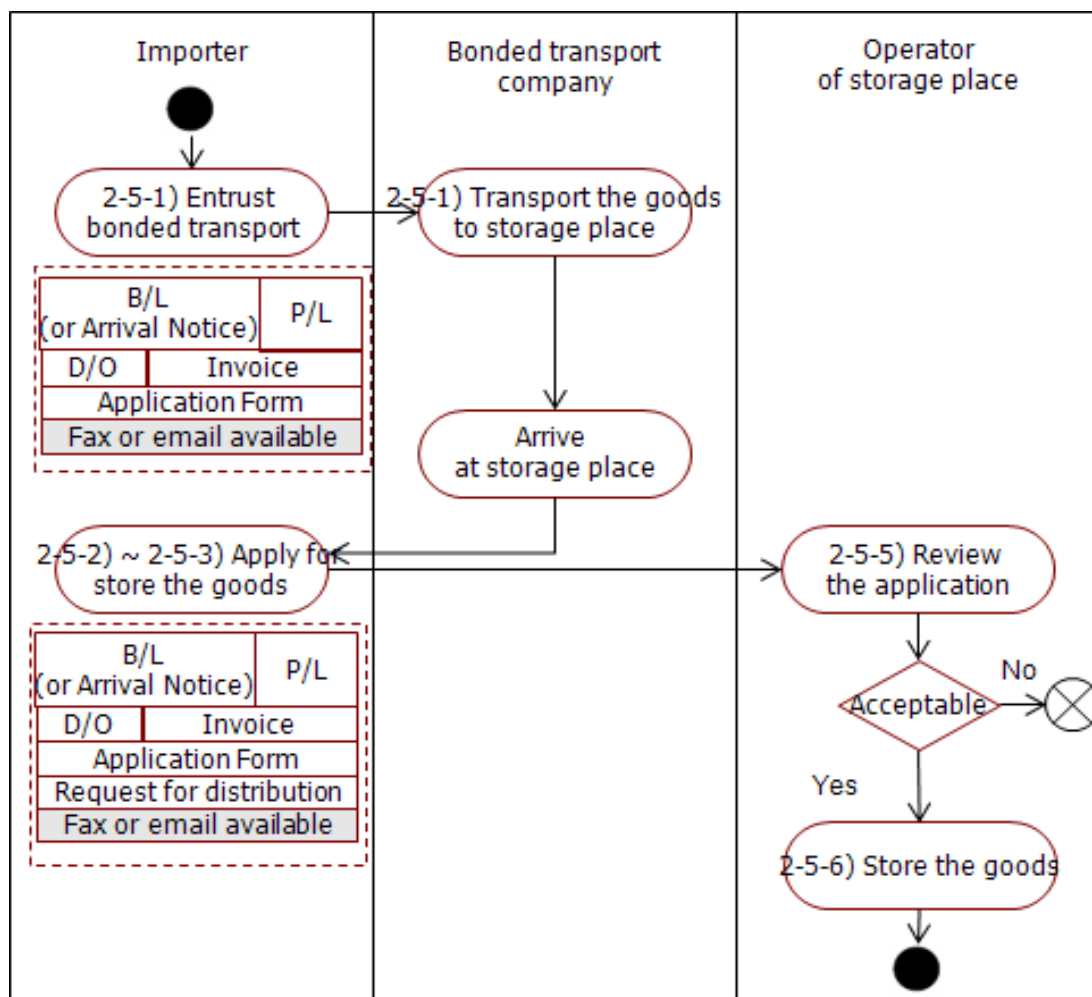
Figure 56 “Store goods at storage place” case diagram



“Store goods at storage place” is the fifth core business process under “Ship” process area. This core business process requires the participation of:

- Importer
- Bonded transport company
- Operator of storage place

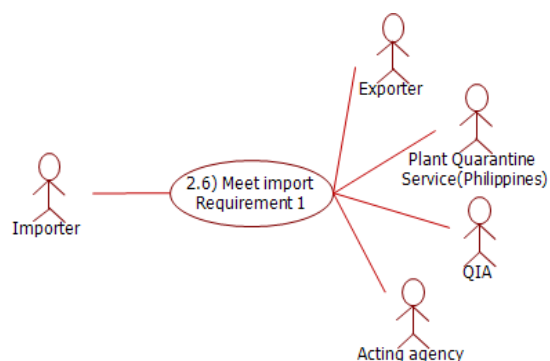
Figure 57 “Store goods at storage place” activity diagram



| | |
|--|---|
| Name of process area | 2. Ship |
| Name of business process | 2.5. Store goods at storage place |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Articles 155, 213, 246,247) • Commercial Act (Chapter 11) • Enforcement Decree of Customs Act(Article 226) • Regulation on Management of Import • Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer • Bonded transport company • Operator of storage place |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The importer stores goods at bonded area to proceed with clearing goods for import. |
| Activities and associated documentary requirements | <p>2-5-1 The goods are transported in bond to bonded area. The goods for import have to be stored in a bonded area (this is different from the export case).</p> <p>2-5-2 The importer applies for storage of the goods to the operator of the storage place.</p> <p>2-5-3 For the case of Banana import, a warehouse with refrigeration facility would be appropriate as a storage place.</p> <p>2-5-4 In this case, bonded areas for storage of goods include designated storage place, customs inspection place, and other bonded areas.</p> <p>2-5-5 Operator of the bonded area permits the storage of goods into the bonded area.</p> <p>2-5-6 Goods are stored in the storage place.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Goods arrive at port and are stored at bonded area. • Goods are ready to be cleared for import. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 7 hours |

(6) Core business process area 2.6: Meet import requirements 1

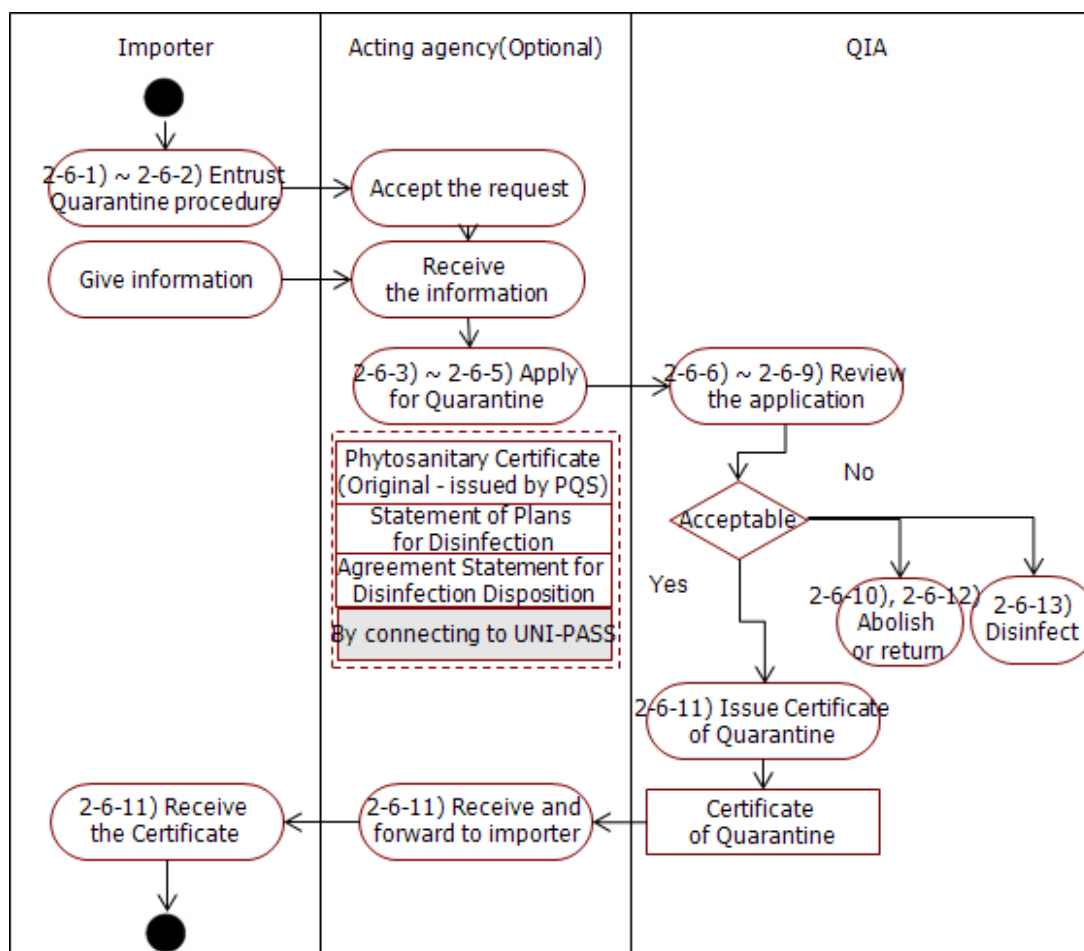
Figure 58 “Meet import requirements (Plant quarantine)” case diagram



“Meet import requirements (for plant quarantine)” is the sixth core business process under “Ship” process area. This core business process requires the participation of :

- Exporter
- Importer
- Plant quarantine service (of Philippine government)
- Animal and Plant Quarantine Agency (QIA) of ROK
- An agency acting on behalf of Importer (Optional)

Figure 59 “Meet import requirements (Plant quarantine)” activity diagram

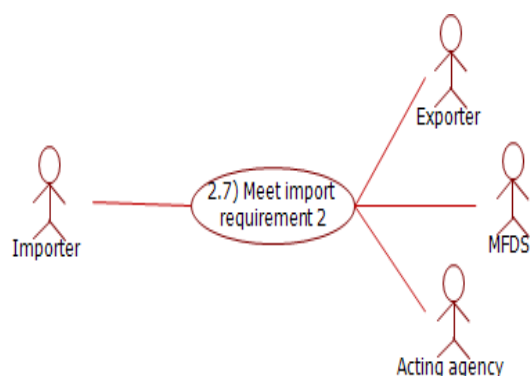


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| Name of process area | 2. Ship |
| Name of business process | 2.6 Meet import requirements(Plant quarantine) |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Articles 148, 226) • Enforcement Decree (Article 233) • Plant Quarantine Act (Article 8, 9, 10, 11, 12, 14, 16, 17, 17-2, 18) • Enforcement Rule of Plant Quarantine Act (Article 11, 14, 15, 18, 29) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer • Plant Quarantine Service [under Bureau of Plant Industry (BPI) of Philippine government] • Animal and Plant Quarantine Agency (QIA) • An Agency acting on behalf of the importer (Optional) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Any importer who wants to import Bananas into the ROK has to acquire confirmations from 2 relevant authorities; and one of them is Plant Quarantine Declaration by QIA. |
| Activities and associated documentary requirements | <p>2-6-1 Any importer who wants to import Bananas into the ROK has to apply for Quarantine by submitting the documents in compliance with the Plant Quarantine Act of the ROK.</p> <p>2-6-2 This process may be entrusted to an agency acting on behalf of the importer.</p> <p>2-6-3 The importer (or agency) has to report the import activity to the head officer of Animal and Plant Quarantine Agency (QIA), and have the goods quarantined by Plant Quarantine Officer at the first port of arrival.</p> <p>2-6-4 The application of 2-6-1 can be submitted by (1) written document, (2) mail, or (3) information networking by connecting to UNI-PASS of KCS (general case). The (3) benefits from the system called Single Window (SW) System of KCS.</p> <p>2-6-5 Documents required for an application for Quarantine include (1) Phytosanitary Certificate (issued by government authority of exporting country) (2) Other manufacturing and processing documents(3) Statement of Plans for Disinfection (optional) (4) Agreement Statement for Disinfection Disposition (See also Core Business Process Area 2-1-11).</p> <p>2-6-6 The documents (3) and (4) may also be transmitted</p> |

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| | <p>electronically through UNI-PASS of KCS.</p> <p>2-6-7 In 2-6-5, the Statement of Plans for Disinfection is submitted when the importer agrees that the goods should be disinfected before Quarantine. A prior-disinfection is a general custom.</p> <p>2-6-8 When the quarantine process of 2-6-1 is not performed at the first port of arrival, it may be performed at the bonded area after bonded transportation, if necessary.</p> <p>2-6-9 The quarantine process of 2-6-1 has to be performed at the place designated by the head officer of Animal and Plant Quarantine Agency (QIA).</p> <p>2-6-10 The quarantine officer will have to direct the applicant to abolish or return the goods in question, when the case involves one of the following issues: (1) Failure to submit the documents listed in 2-6-5 (2) Prohibited goods (3) Violation of import restriction (4) Inappropriate quarantine process</p> <p>2-6-11 The quarantine officer issues the Certificate of Quarantine if the goods are determined to be safe from the quarantine process.</p> <p>2-6-12 When prohibited items or harmful disease and insects are discovered, the goods will be abolished or returned.</p> <p>2-6-13 Goods will be disinfected if they were found with disease or insects that are harmful but manageable. This will take another 3 ~ 7 days.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer completes plant quarantine process and finally acquires the Certificate of Quarantine. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Precision inspection (first time): 10 days • Inspection with the same packaging and the same place (second time) : 2 days • When disinfection engages: another 3 ~ 7 days |

(7) Core business process area 2.7: Meet import requirements²

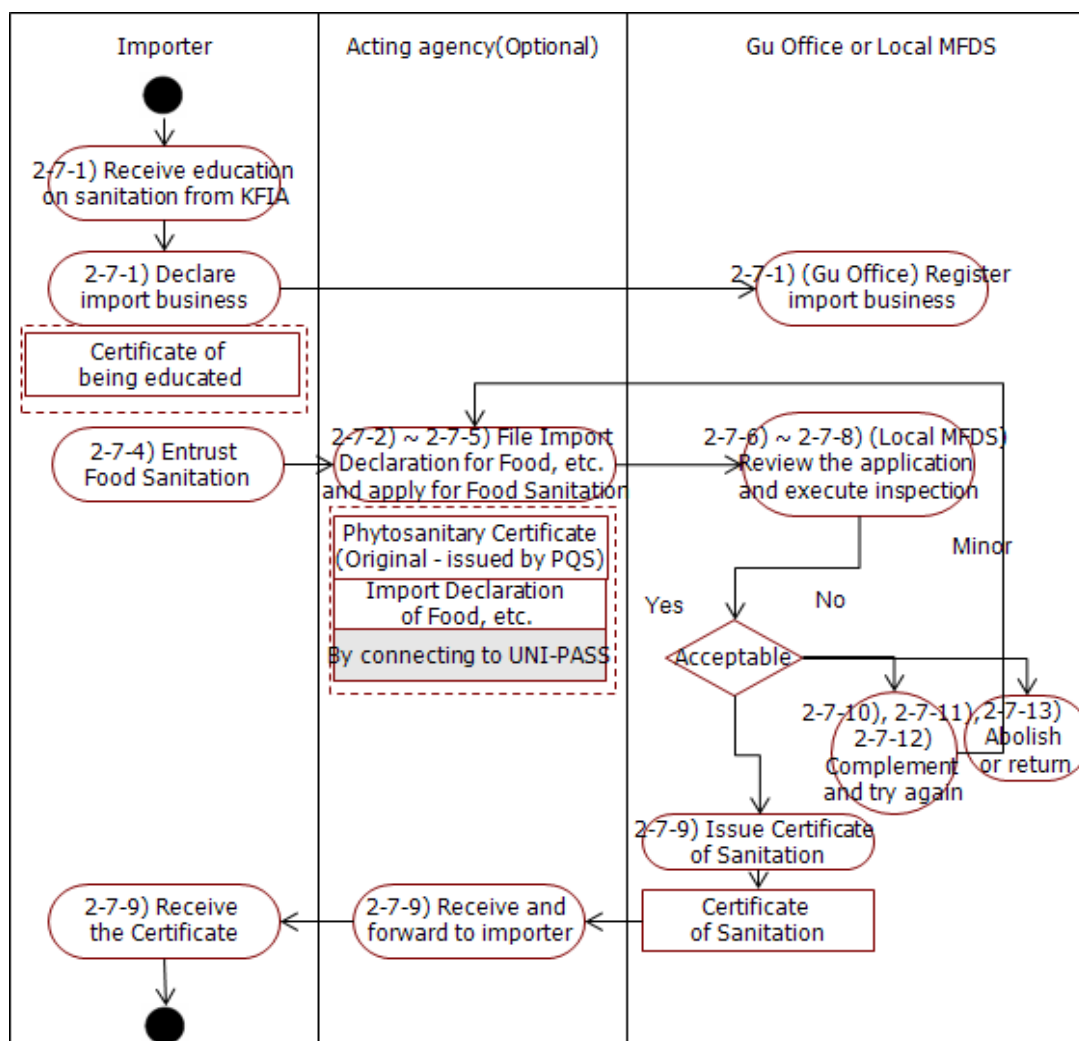
Figure 60 “Meet import requirements (Food Sanitation)” case diagram



“Meet import requirements (for Food sanitation)” is the seventh core business process under “Ship” process area. This core business process requires the participation of:

- Exporter
- Importer
- Ministry of Food and Drug Safety (MFDS) of ROK
- An Agency acting on behalf of Importer (Optional)

Figure 61 “Meet import requirements (Food sanitation)” activity diagram

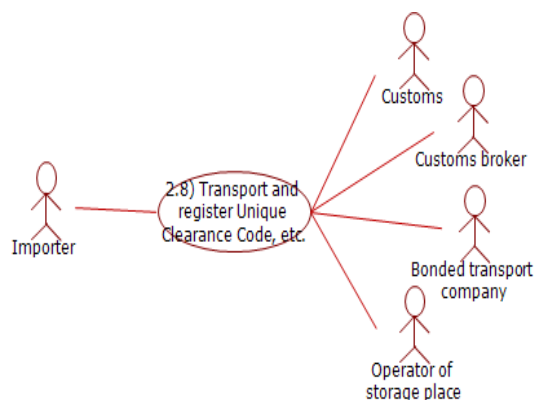


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| Name of process area | 2. Ship |
| Name of business process | 2.7. Meet import requirements (Food sanitation) |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Article 226) • Enforcement Decree (Article 233) • Food Sanitation Act (Articles 4, 7, 19, 19-2) • Enforcement Decree of Food Sanitation Act (Articles 10-4, 11) • Enforcement Rule of Food Sanitation Act (Articles 12, 13, 14, 15, 15-3, 15-4, 15-5) • Regulation on Inspection of Imported Foods, etc. of MFDS (Articles 3, 5, 5-2, 8-2, 11) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Exporter • Importer • Ministry of Food and Drug Safety (MFDS) of ROK • An Agency acting on behalf of Importer (Optional) |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Any importer who wants to import Bananas into the ROK has to acquire confirmations from 2 relevant authorities; and the second one is Food Sanitation Declaration by MFDS. |
| Activities and associated documentary requirements | <p>2-7-1 Any importer who wants to import Bananas and sell them for commercial purpose has to declare such business to the local "Gu" Office, with a certificate of 4-hours training on sanitation. An institution providing sanitation training is known as Korea Food Industry Association (KFIA).</p> <p>2-7-2 The importer (or agency) files import declaration for Food, etc. to the Head of Local MFDS (1) by printed document or (2) by electronic document by connecting to UNI-PASS of KCS (general case). (3) Benefits from the system called SW System of KCS.</p> <p>2-7-3 The documents to be submitted include (1) Phytosanitary Certificate (issued by government authority of the exporting country) (2) Import Declaration for Food, etc.</p> <p>2-7-4 In 2-7-2, the filing of declaration maybe made by agency acting on behalf of the importer.</p> <p>2-7-5 In 2-7-2, the declaration may be submitted from 5 days before the expected arrival date of goods.</p> <p>2-7-6 Upon receiving the declaration, the officer of MFDS first reviews the documents.</p> <p>2-7-7 Then, the officer of MFDS conducts 3 types of inspection as listed below: (1) Inspection by human senses (2) Precision inspection</p> |

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| | <p>(3) Inspection by random sampling</p> <p>2-7-8 Bananas are inspected for the following aspects: (1) Inspection on agricultural chemical residues (2) Inspection on heavy metal (Pb)</p> <p>2-7-9 If the goods are found safe, the officer of MFDS issues Certificate of Sanitation to the declarant.</p> <p>2-7-10 If the goods are not found safe, the officer of MFDS notifies such fact ("unsafe") to the importer and the chief officer of customs house.</p> <p>2-7-11 In 2-7-10, the notification may be sent by electronic document.</p> <p>2-7-12 In 2-7-10, if the violation of the goods determined as "unsafe" is a minor one, the declarant files import declaration for food, etc. again after complementing the first declaration.</p> <p>2-7-13 In 2-7-9, if the violation of the goods determined as "unsafe" is a severe one, the goods have to be (1) returned to the original country or (2) sent to a third country or (3) abolished.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer files an import declaration for food, etc. to Local MFDS. • MFDS determines whether the goods are "safe" or not, and takes a corresponding measure. • The importer receives the Certificate of Sanitation issued by MFDS. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Precision inspection (first time) : 2.5 days • Inspection by human senses only : 1 day |

(8) Core business process area 2.8: Transport and register Unique Clearance Code, etc.

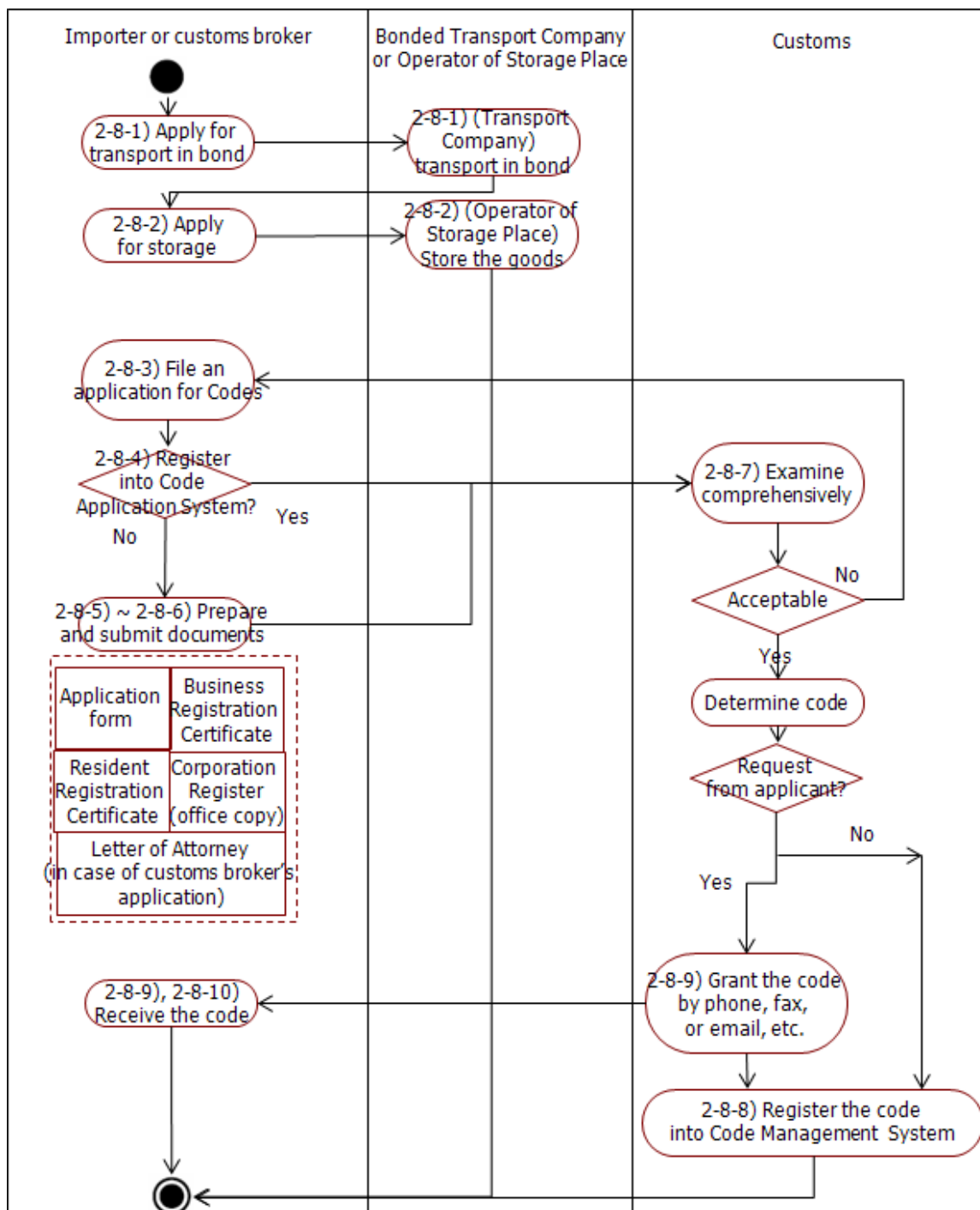
Figure 62 “Transport and register Unique Clearance Code, etc.” case diagram



“Transport and register Unique Clearance Code, etc.” is the eighth core business process under “Ship” process area. This core business process requires the participation of:

- Importer or customs broker
- Bonded transport company
- Operator of storage place
- Customs

Figure 63 “Transport and register Unique Clearance Code” activity diagram

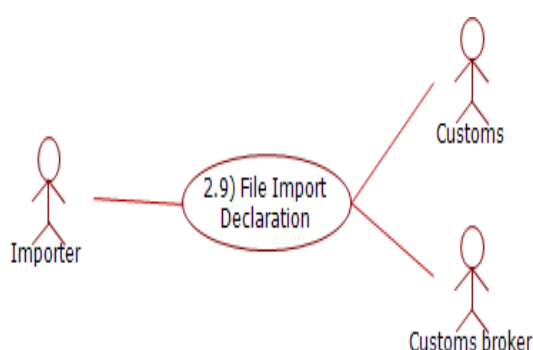


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| Name of process area | 2. Ship |
| Name of business process | 2.8. Transport and register Unique Clearance Code, etc. |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Enforcement Rule (Article 77-3) • Regulation on Registration and Management of Unique Clearance Code and Overseas Supplier/Buyer Code (of KCS) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer or customs broker • Bonded transport company • Operator of storage place • Customs |
| Input and criteria to enter/ begin the business process | <ul style="list-style-type: none"> • Goods are transported to a storage place near Customs for clearance. • Importer or his/her customs broker applies for the issuance of clearance-related codes as an initial step toward clearance. |
| Activities and associated documentary requirements | <p>2-8-1 Goods are transported (in bond) to storage place for clearance (Goods will be cleared in a place near Seoul).</p> <p>2-8-2 Goods are stored at storage place.</p> <p>2-8-3 The importer or his/her customs broker has to apply for registration of Unique Clearance Code and Overseas Supplier and Buyer Code to the responsible officer of customs house.</p> <p>2-8-4 Application of 2-8-3 can be filed (1)by registering related details into Code Application System or (2)by submitting Request Form and other required documents (visit in person or by fax, etc.).</p> <p>2-8-5 In (2)of 2-8-4, the documents required for the application of Unique Clearance Code include (1)1 copy of Business (in case of businessperson), (2)1 copy of resident registration certificate of Representative (for a foreigner, a copy of foreigner registration certificate or a copy of passport), office copy of corporation registration (in case of businessperson), and (3) a letter of attorney (if the application is made by a customs broker).</p> <p>2-8-6 In (2) of 2-8-4, the documents required for the application of Overseas Supplier and Buyer Code include (1) Invoice on which country, company name, and address of overseas supplier and buyer can be found, (2) other documents (such as B/L, P/L, etc.) by which country, company name and address of overseas supplier and buyer can be</p> |

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| | <p>identified, and (3) a letter of attorney (if the application is made by a customs broker).</p> <p>2-8-7 The officer in charge from the customs house comprehensively reviews the application form and related documents using administrative information network; and particularly checks if the application has duplicity or other error.</p> <p>2-8-8 The officer in charge registers the result of the application for Unique Clearance Code and Overseas Supplier and Buyer Code into the Code Management System.</p> <p>2-8-9 The result of application is considered as notified to the applicant by this registration into the Code Management System. Yet, if there is a written request from the applicant, the result of the application has to be notified to the applicant by phone, fax, email, etc.</p> <p>2-8-10 Unique Clearance Code and Overseas Supplier/Buyer Code have to be filled in the import declaration certificate when filing the certificate.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Customs has issued Unique Clearance Code and Overseas Supplier/Buyer Code for the importer. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 4 hours (Transport) • 0.5 hour (Issuance of codes) |

(9) Core business process area 2.9: File import declaration

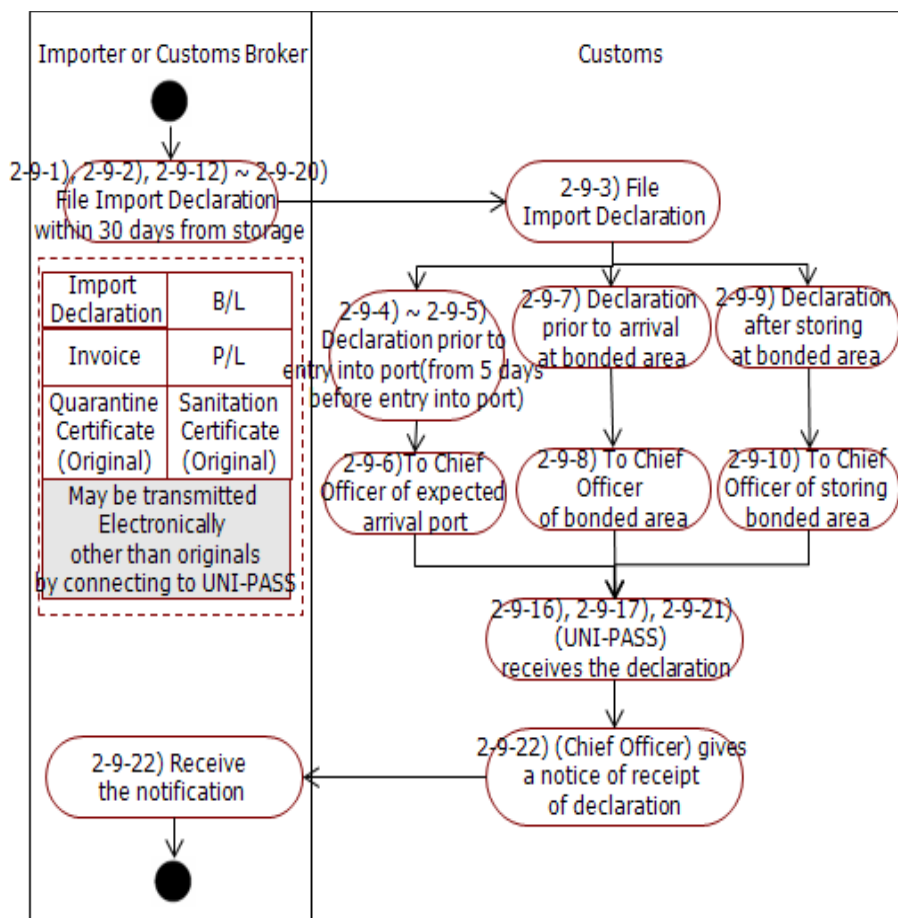
Figure 64 “File import declaration” case diagram



“File import declaration” is the ninth core business process under “Ship” process area. This core business process requires the participation of :

- Importer or customs broker
- Customs

Figure 65 “File import declaration” activity diagram



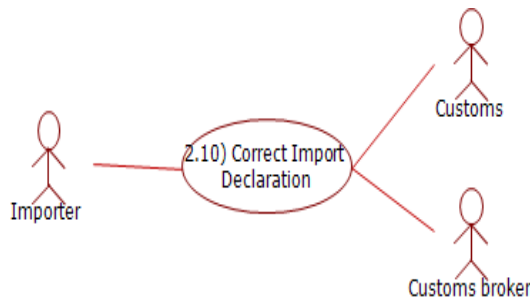
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| Name of process area | 2. Ship |
| Name of business process | 2.9. File import declaration |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Customs Act (Articles 241, 245) Enforcement Decree of Customs Act (Articles 246, 247, 250) Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> Importer or customs broker Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> The declarant transmits an import declaration to the clearance system of the customs house. |
| Activities and associated documentary Requirements | <p>2-9-1 The importer has to transmit an import declaration to the competent chief officer of customs house within 30 days from the date that the goods are stored in the bonded area.</p> <p>2-9-2 When the importer violates 2-9-1, additional tax (prescribed within 2/100 of dutiable value) may be</p> |

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| | collected. |
| 2-9-3 | In case of Banana import, the declaration can be transmitted in the following methods: (1) declaration prior to the entry into the port (2) declaration prior to the arrival at the bonded area (3) declaration after the storage of goods at the bonded area. |
| 2-9-4 | For declaration prior to the entry into the port, the declaration is filed before the entry of goods into the port after departure. |
| 2-9-5 | For 2-9-4, the declaration can be filed from 5 days before the entry of goods into the port. |
| 2-9-6 | In 2-9-4, the declaration has to be filed to the responsible chief officer of the customs house of the expected arrival port. |
| 2-9-7 | For declaration prior to the arrival at the bonded area, the declaration will be filed before the arrival of goods at the bonded area after entering the port. |
| 2-9-8 | In 2-9-7, the declaration has to be filed to the responsible chief officer of the customs house of the bonded area. |
| 2-9-9 | For declaration after the storage of goods at the bonded area, the declaration will be filed after the storage of goods at the bonded area. |
| 2-9-10 | In 2-9-9, the declaration has to be filed to the responsible chief officer of the customs house of the bonded storage area. |
| 2-9-11 | For the declarations from 2-9-1 to 2-9-10, import declaration has to be transferred in the name of customs broker (including Customs Corporation, Clearance Handling Corporation) or Consignor. |
| 2-9-12 | Documents to be transmitted include (1) import declaration, (2) B/L, (3) P/L, (4) Invoice, (5) Quarantine certificate, and (6) Sanitation certificate. |
| 2-9-13 | Import declaration can be transferred (1) by the Internet (more common these days) or (2) by Electronic Data Interchange system (not very common). |
| 2-9-14 | In (1) of 2-9-13, the declarant has to acquire the approval of the chief officer by applying for the utilization of UNI-PASS of KCS. |
| 2-9-15 | In (1) of 2-9-13, when the declarant wants to submit trade documents (Invoice, B/L, Certificate of Origin, P/L) by electronic method, authorized electronic signature and authorized certification document have to be accompanied. |
| 2-9-16 | The clearance system of the Customs House sends back the notice of receiving the import declaration. |
| 2-9-17 | Import declaration will be effective from the point of time when the transmitted declaration data are |

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| | <p>received by clearance system.</p> <p>2-9-18 In case of Banana import declaration, C/O for preferential tariff or proof documents for requirement confirmation cannot be submitted electronically (according to Plant Quarantine Act or Food Sanitation Act).</p> <p>2-9-19 In 2-9-18, the declaration of Banana import can be filed, in principle, by transmitting (1) import declaration certificate and (2) the documents listed below. The certificate and the documents can be transmitted either in electronic image or by electronic submission.</p> <ul style="list-style-type: none"> - Invoice - Price declaration certificate - B/L(copy) - P/L -Certificate of Origin - Documents to prove import requirement confirmation by Plant Quarantine Act and Food Sanitation Act <p>2-9-20 Trade documents (Invoice, B/L, C/O, P/L) can be submitted electronically when an import company with an AEO status files an import declaration through a declarant with an AEO status.</p> <p>2-9-21 If there are inevitable reasons, the chief officer may exceptionally accept the declaration first and allow the declarant to submit the documents later. However, no exception is allowed for the proof documents for requirement confirmation.</p> <p>2-9-22 The chief officer gives a notice of receiving the import declaration in response to the transmission.</p> <p>2-9-23 If Banana import was a subject to preferential tariff case, then C/O would be necessary for the importer to get the benefit of preferential tariff. However, Banana import into the ROK is not subject to preferential tariff; and thus, C/O is submitted to the Customs of the importing country when import declaration is filed.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The import declaration is transferred and the chief officer of customs house gives a notice of receiving the import declaration. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Transmission to Customs and retransmission to the declarant : 0.5 hour |

(10) Core business process area 2.10: Correct import declaration

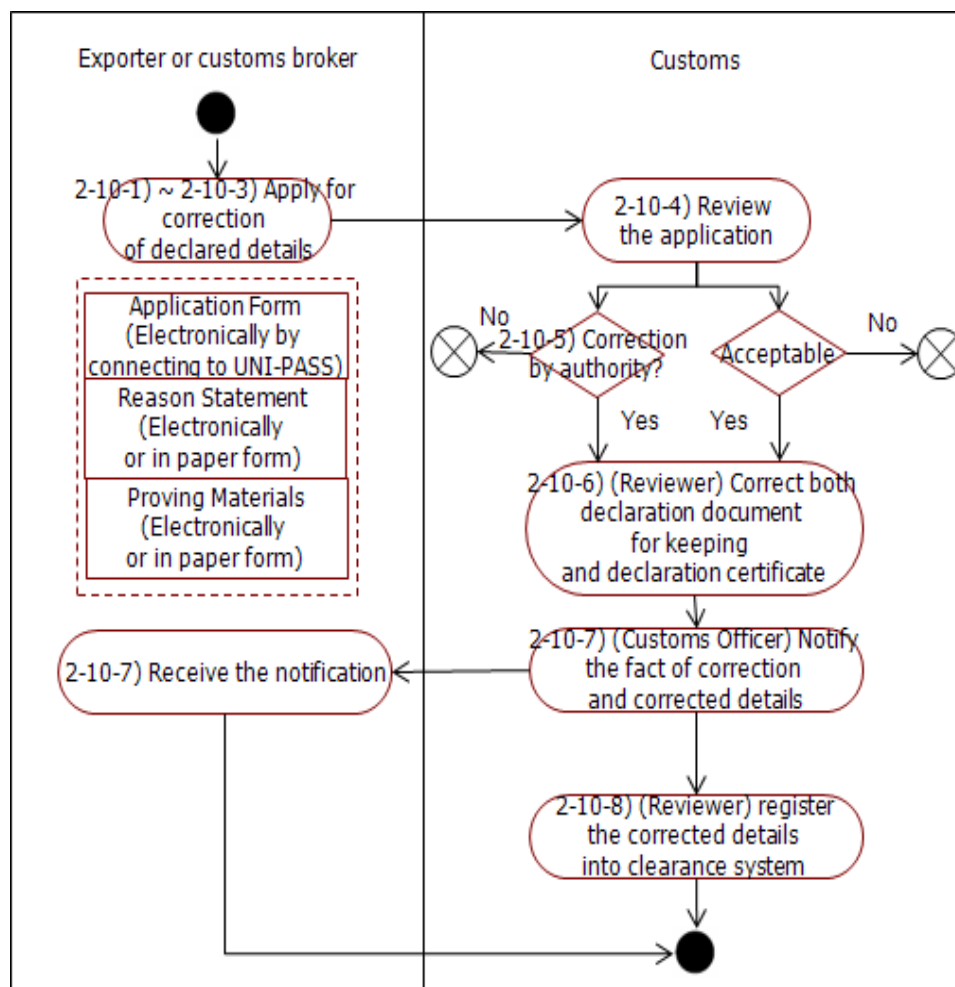
Figure 66 “Correct import declaration” case diagram



“Correct import declaration” is the tenth core business process under “Ship” process area. This core business process requires the participation of:

- Importer or customs broker
- Customs

Figure 67 “Correct import declaration” activity diagram



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| Name of process Area | 2. Ship |
| Name of business process | 2.10. Correct import declaration |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (249, 250) • Enforcement Decree of Customs Act(Article 253, 254) • Regulation on Prevention of Errors of Export and Import Declaration (of KCS) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer or customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The declarant and the Customs may have to change the declaration filed. |
| Activities and associated documentary requirements | <p>2-10-1 When the declarant wants to correct the declared details which do not affect the decision of duty amount, he/she has to transfer the Application Form for Correction of Import Payment Declaration.</p> <p>2-10-2 In application of 2-10-1, the declarant has to submit a Statement of Reasons for Correction and relevant proof documents to the chief officer.</p> <p>2-10-3 The application form of 2-10-1 can be transmitted by connecting to UNI-PASS of KCS, but other documents will have to be submitted in printed form.</p> <p>2-10-4 The officer reviews the correction and permits if reasonable.</p> <p>2-10-5 The reviewer of the declaration may correct by authority when he/she finds a discrepancy between the declared details and the declared goods.</p> <p>2-10-6 In 2-10-4 and 2-10-5, the correction will be made both to the declaration document for keeping and to the declaration certificate.</p> <p>2-10-7 Customs Officer notifies the correction and the corrected details to the declarant.</p> <p>2-10-8 The reviewer enters the corrected details into the clearance system.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The declarant corrects the details of the declaration, if necessary. • The declaration is ready for being handled by the Customs. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 2.5 hours |

(11) Core business process area 2.11: Handle and accept import declaration

Figure 68 “Handle and accept import declaration” case diagram

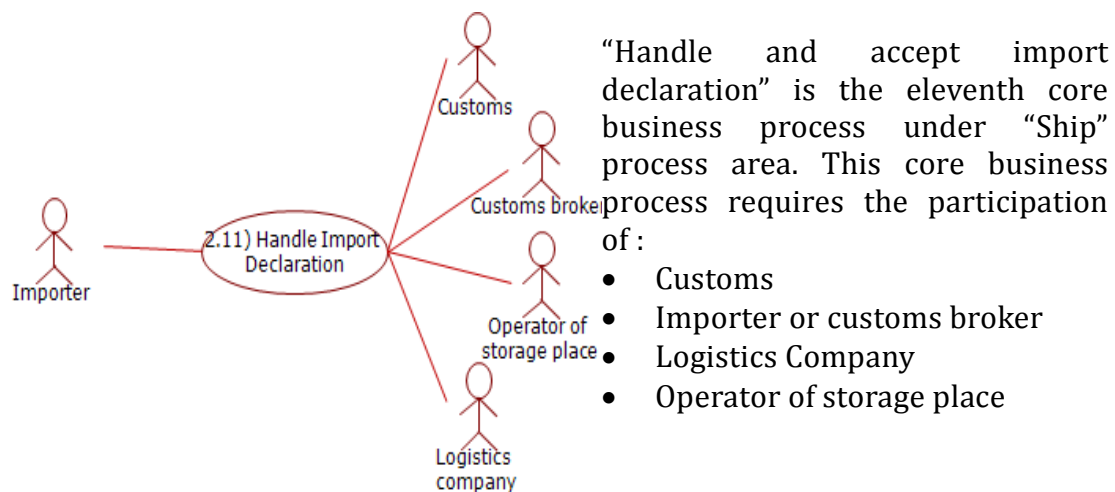
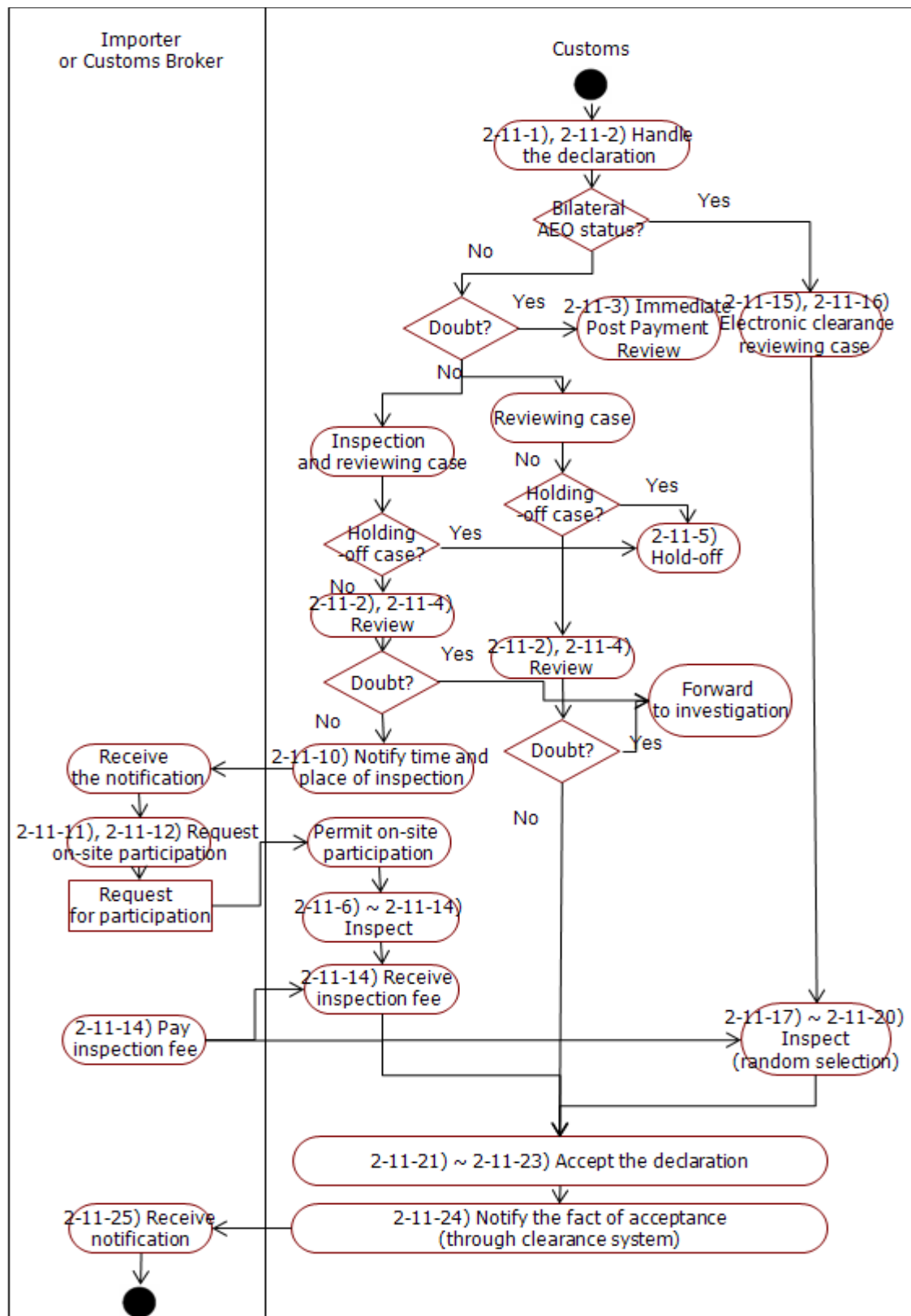


Figure 69 “Handle and accept import declaration” activity diagram



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| Name of Process Area | 2. Ship |
| Name of business process | 2.11. Handle and accept import declaration |
| Related Laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Articles 248, 246, 247, 248, 321) • Enforcement Decree of Customs Act (Articles 251, 252, 255, 274, 275) • Enforcement Rule of Customs Act (Articles 78, 79, 81) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Customs • Importer or customs broker • Logistics company • Operator of storage place |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The importer requests the chief officer of customs house to handle the filed Import Declaration. |
| Activities and associated documentary requirements | <p>2-11-1 Filed import declaration can be handled in the following 3 methods:</p> <ol style="list-style-type: none"> (1) Inspection and reviewing (2) Reviewing (3) Electronic Clearance Reviewing <p>2-11-2 In (1) and (2) of 2-11-1, the details subject to review include the following:</p> <ol style="list-style-type: none"> (1) Details of required documents and written contents of declaration certificate (2) Necessity of request of analysis (3) Appropriateness of commodity classification and applied tariff rate (4) Meeting of import requirement (5) Marking of origin and false or erroneous marking on quality, etc. (6) Discrepancies between cargo Information, C/S information and details on import declaration (7) Appropriateness of application of FTA preferential tariff rate (8) Other details for determining acceptance of import declaration <p>2-11-3 In (1) and (2) of 2-11-1, Import Section Chief of customs house has to request Immediate Post Payment Review, if the case involves one of the following issues:</p> <ol style="list-style-type: none"> (1) There is a doubt on applied duty amount, commodity classification, tariff rate, etc. |

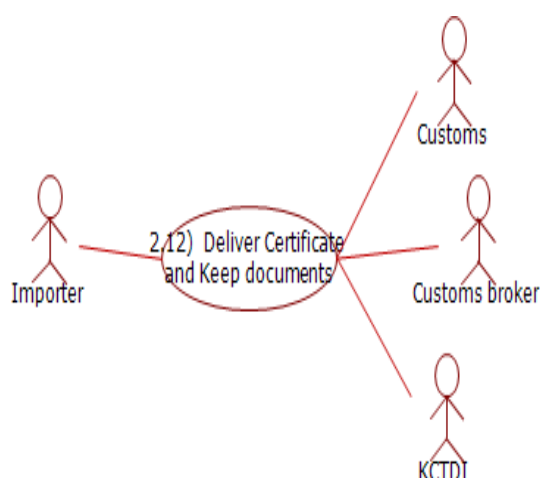
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| | <p>(2) The declarant does not follow the Custom's guidance on correction of duty amount.</p> <p>2-11-4 In (1) and (2) of 2-11-1, Import section chief of customs house may request the analysis of the goods to the Customs Analytical Laboratory.</p> <p>2-11-5 In (1) and (2) of 2-11-1, the chief officer of customs house may decide to hold off the clearance of the goods in question, if the case involves one of the following issues:</p> <ul style="list-style-type: none"> (1) Important details on declaration certificate or required documents are insufficient. (2) There is a concern of transgressing the laws and national health. (3) Request of formal complaint or investigation is made. (4) Goods have false/erroneous marking on quality, etc. (5) It takes a long time for the declarant to meet the requirements for acceptance of import declaration. <p>2-11-6 In (1) of 2-11-1, the goods subject to inspection are selected by (1) clearance system at the time of receipt of import declaration or (2) responsible customs officer at the time of determination of handling of import declaration.</p> <p>2-11-7 Inspection rate for fruit import is around 10 ~ 20%, which is relatively high considering that the official average inspection rate for all importing products is 2.9%.</p> <p>2-11-8 In (1) of 2-11-1, the rate of inspection may be lowered, if the case falls on one of the following:</p> <ul style="list-style-type: none"> (1) Goods are imported by a company with high degree of compliance. (2) Goods are imported by a company which has no record of transgression in previous inspections. (3) Goods are imported by foreign investment company which has no record of violation of laws and arrears of taxes. <p>2-11-9 In (1) of 2-11-1, on the date of import declaration, the declarant should be notified whether the goods are selected for inspection by the clearance system.</p> <p>2-11-10 In (1) of 2-11-1, the chief officer has to notify the time and place of inspection to the declarant, when he/she admits the necessity of the declarant's presence in inspection.</p> <p>2-11-11 In (1) of 2-11-1, if the declarant wants to be present in inspection, he/she requests it to the chief officer in a written form.</p> <p>2-11-12 In (1) of 2-11-1, the presence in</p> |
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| | <p>inspection may be requested by the declarant himself/herself or the employee of the declarant.</p> <p>2-11-13 In (1) of 2-11-1, Inspection may be conducted in a number of ways including (1) whole quantity inspection, (2) selected sample inspection, and (3) analytical inspection or scientific equipment inspection.</p> <p>2-11-14 The declarant will have to pay the inspection fee prescribed in Article 78 of Enforcement Decree of Customs Act except when the inspection place is one of designated storage place or customs inspection place.</p> <p>2-11-15 In (3) of 2-11-1, electronic clearance review is applied to goods imported by a company which has an AEO status and of which related partners of the following all have AEO status.</p> <p>(1) Declarant (customs broker)</p> <p>(2) Logistics company(freight forwarder, shipping company, unloading company, bonded transportation company)</p> <p>(3) Operator of bonded area, cargo manager</p> <p>(4) Overseas supplier(by Mutual Recognition Agreement)</p> <p>2-11-16 In (3) of 2-11-1, the declaration of goods subject to electronic clearance review can be filed by (1) declaration prior to arrival at bonded area or (2) declaration after arrival at bonded area.</p> <p>2-11-17 In (3) of 2-11-1, Inspection on goods subject to electronic clearance review, in principle, is conducted in random selection inspection.</p> <p>2-11-18 In (3) of 2-11-1, rate of inspection on goods subject to electronic clearance review may be lowered as in cases of 2-11-7.</p> <p>2-11-19 Declarant may apply to the chief officer for an extended opening of customs house after the official working hours in order to deal with clearance related tasks (optional). In this case, stipulated fee will have to be paid.</p> <p>2-11-20 Declarant may apply for handling of goods at times other than the regular handling time of the transport means. In this case, stipulated fee will have to be paid.</p> <p>2-11-21 The chief officer accepts the import declaration after reviewing the details of declaration.</p> <p>2-11-22 Goods on which security has to be furnished will be accepted after furnishing the security.</p> |
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| | <p>2-11-23 Such goods include goods which are imported by an importer who has records of delay of payment of Customs Duty in last 2 years or an importer who has no record of import in last 2 years, etc.</p> <p>2-11-24 In 2-12-21, the responsible officer of customs house notifies the acceptance to the declarant through clearance system.</p> <p>2-11-25 The acceptance of import declaration will be effective from the time of arrival of notification of 2-11-24 to the declarant through clearance system.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The filed import declaration is managed and handled in a way appropriate for each case. • The filed import declaration is finally accepted by the chief officer. • The importer is ready to pay the duties and related internal taxes. The importer may pay them prior to the acceptance of the declaration. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Paperless screen audit : 3.5 hours • Document submission case : 4.5 hours |

(12) Core business process area 2.12: Deliver certificate and keep documents

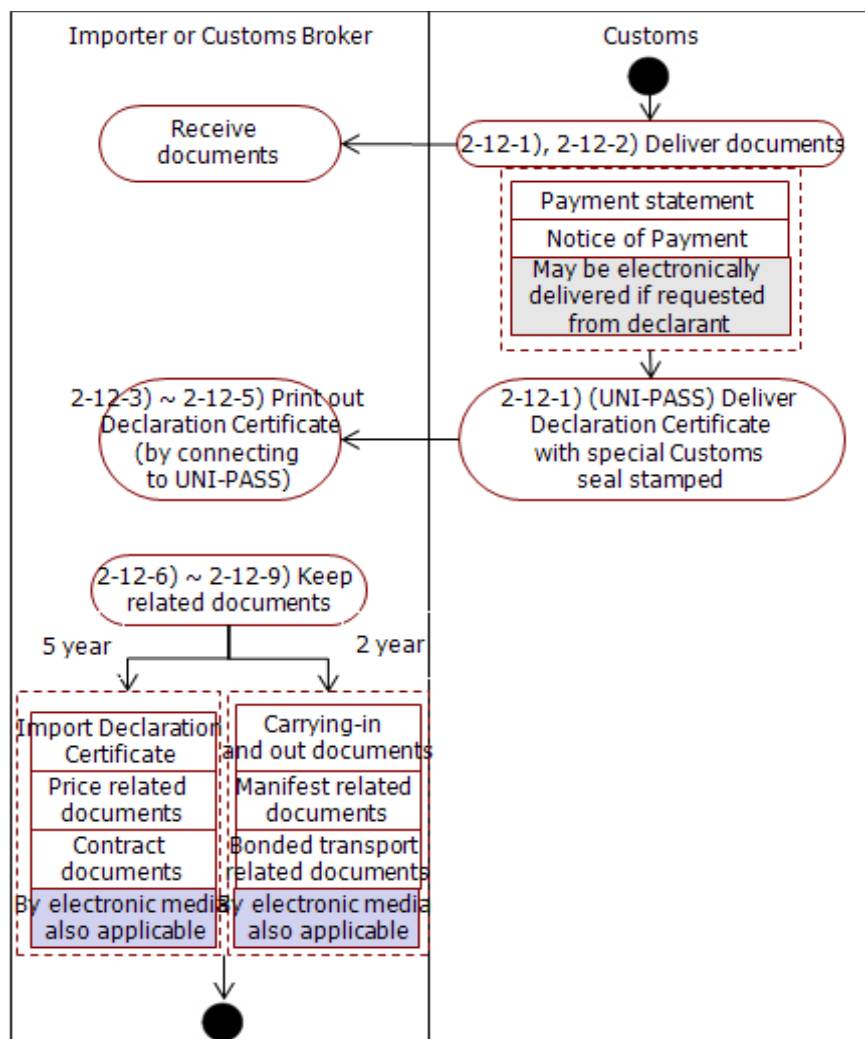
Figure 70 “Deliver certificate and keep documents” case diagram



“Deliver certificate and keep documents” is the twelfth core business process under “Ship” process area. This core business process requires the participation of :

- Importer
- Customs broker
- Customs
- Korea Customs and Trade Development Institute (KCTDI)

Figure 71 “Deliver certificate and keep documents” activity diagram



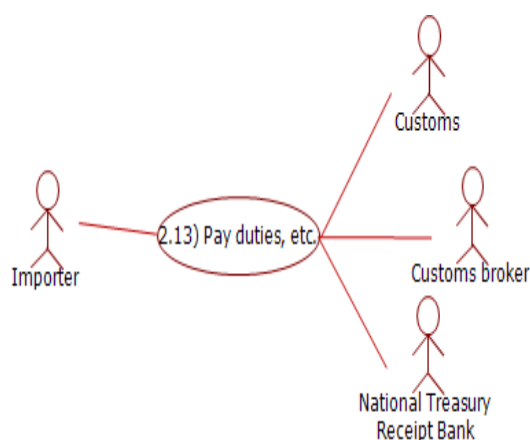
| | |
|-------------------------------------|--|
| Name of Process Area | 2. Ship |
| Name of business process | 2.12. Deliver certificate and keep documents |
| Related laws, rules and regulations | <ul style="list-style-type: none"> Customs Act (Articles 12, 248) Enforcement Decree of Customs Act(Article 3) Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> Importer or customs broker Customs Korea Customs and Trade Development Institute (KCTDI) (Optional) |

| | |
|--|---|
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • Import declaration is accepted and the certificate has to be delivered. |
| Activities and associated documentary requirements | <p>2-12-1 The chief officer of customs house delivers the import declaration certificate to the declarant with a special Customs stamp on the Certificate.</p> <p>2-12-2 Documents such as payment statement, notice of payment, import declaration certificate, etc. may be delivered electronically, if the receiver submits the application and gets the approval of the chief officer.</p> <p>2-12-3 As for the declaration certificate, the issuance is permitted only by connecting to UNI-PASS of KCS.</p> <p>2-12-4 The importer can print out the declaration certificate by connecting to UNI-PASS. It is, however, common that the customs broker prints out the Certificate from UNI-PASS of KCS and sends it to the importer in PDF format.</p> <p>2-12-5 In 2-12-3, the Certificate is considered as original when it is the first copy printed out from UNI-PASS. In other words, the Certificates other than the first copy are not considered as originals but only as re-issued copies.</p> <p>2-12-6 Person who wants to acquire an English import declaration may apply for its delivery by contacting Korea Customs and Trade Development Institute (KCTDI) with a prescribed fee.</p> <p>2-12-7 The declarant to whom the import declaration certificate is delivered has to keep the declaration related documents. The declarant has to classify the documents by declarant and declaration number; and immediately submit them if the chief officer asks to.</p> <p>2-12-8 The documents to be kept by the declarant include the following:</p> <p>(1) Category 1</p> <ul style="list-style-type: none"> - Import declaration certificate - Documents related to contract - Documents related to the determination of dutiable value, etc. <p>(2) Category 2</p> <ul style="list-style-type: none"> - Documents related to carrying-in and -out of bonded cargo - Documents related to Cargo Manifest - Documents related to bonded transportation <p>2-12-9 The retention periods for the documents are 5 years for the documents in Category 1, and 2 years for the documents in Category 2.</p> |

| | |
|---|---|
| | 2-12-10 The declarant may keep the declaration related documents using data transferring media such as microfilm, optical disc, etc. |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • Import declaration certificate has been delivered to the declarant. The declarant keeps the related documents. • Clearance-related procedures (in a broad sense) have been accomplished. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • On the spot. |

(13) Core business process area 2.13: Pay the duties, etc.

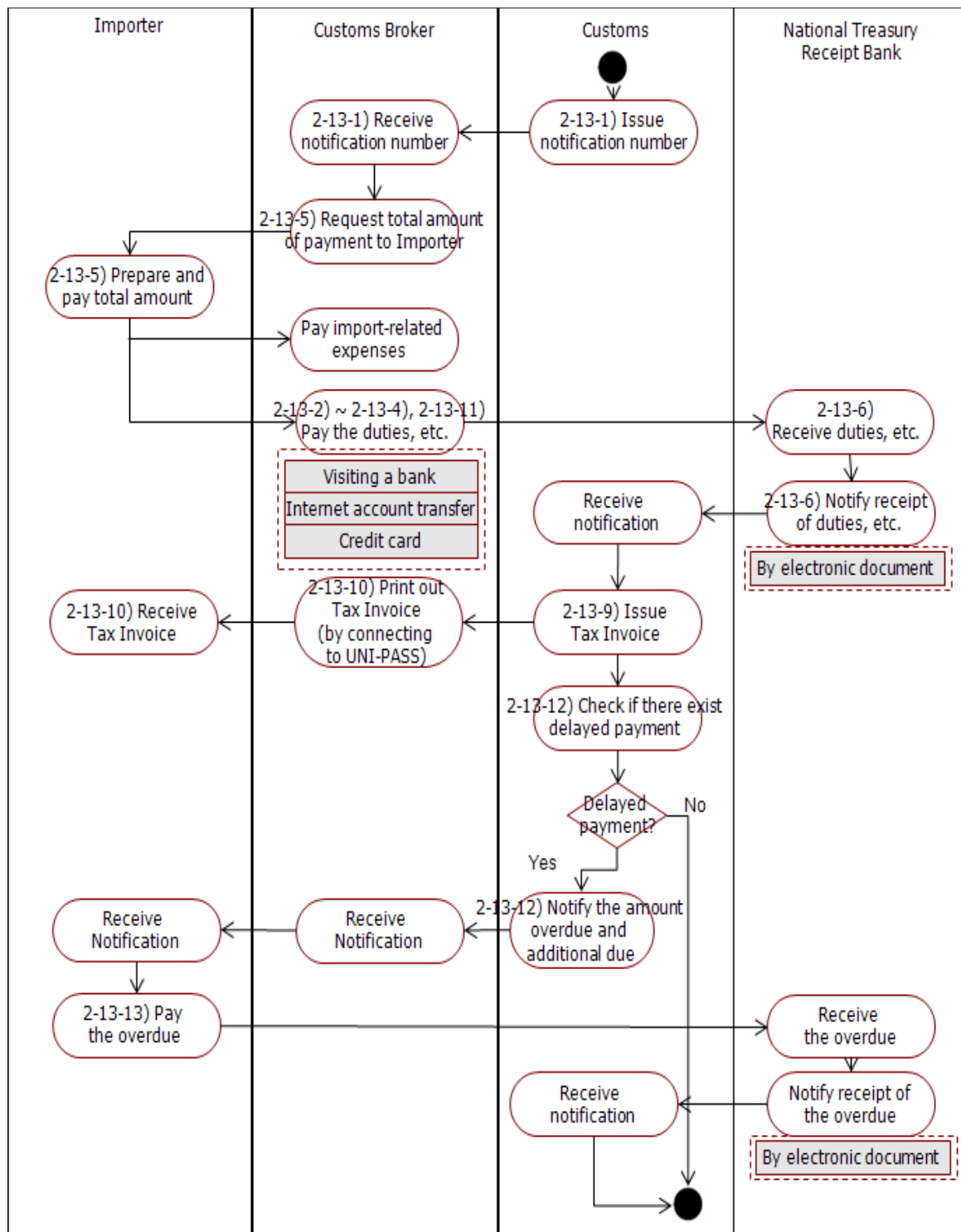
Figure 72 “Pay the duties, etc.” case diagram



“Pay the duties, etc.” is the thirteenth (the last but one) core business process under “Ship” process area. This core business process requires the participation of :

- Importer
- Customs broker
- National Treasury Receipt Bank
- Customs

Figure 73 “Pay the duties, etc.” activity diagram

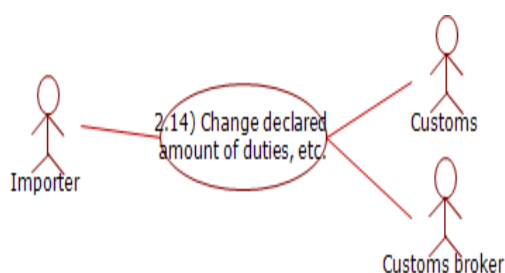


| | |
|---|---|
| Name of process area | 2. Ship |
| Name of business process | 2.13. Pay the duties, etc. |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Articles 3, 4, 9, 11, 14, 15, 16, 17, 19, 27, 38) • Enforcement Decree of Customs Act • Enforcement Rule of Customs Act • Value Added Tax Act (Articles 1, 13, 14) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer or Customs broker • National Treasury Receipt Bank • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The importer is about to pay the duties and related taxes to complete the clearance. |
| Activities and associated documentary requirements | <p>2-13-1 KCS receives the details of import declaration which the declarant transferred, and reviews the details and notifies the notification number to the declarant.</p> <p>2-13-2 The taxpayer pays the duties and related internal taxes to National Treasury Receipt Bank within 15 days from the date of acceptance of import declaration.</p> <p>2-13-3 Payment can be made in one of the following method :</p> <p>(1) by visiting the bank</p> <p>(2) by Internet account transfer</p> <p>(3) by credit card (limited to the case of 10 million KRW or less, including internal tax)</p> <p>2-13-4 The taxpayer may pay the duties and related internal taxes by printing out the Notice of Payment, even before the acceptance of import declaration.</p> <p>2-13-5 In case of 2-13-4, it may be a custom that the customs broker asks the importer to hand him/her over the total amount of money for importing (e.g., duties and internal taxes, clearance fee, warehouse fee, D/O fee, inland haulage expense, etc.); and the customs broker handles these payment on behalf of the importer.</p> <p>2-13-6 In succession of 2-13-3, the system of National Treasury Receipt Bank notifies the receipt of duties and related internal taxes by electronic document to the system of Korea Customs Service.</p> <p>2-13-7 The system of KCS treats the case as completed if there is no abnormality.</p> <p>2-13-8 The system of KCS notifies error(s) to National Treasury Receipt Bank if there is any abnormality.</p> <p>2-13-9 After the system of KCS completes the receipt of duties and related internal taxes, Tax Invoice will be</p> |

| | |
|---|---|
| | <p>issued if there is Value Added Tax.</p> <p>2-13-10 Tax Invoice may be printed out by the importer by connecting to UNI-PASS of KCS, if the duties and related internal taxes were paid by the importer. If the duties, etc. were paid by the customs broker, the customs broker will be able to print out the Tax Invoice.</p> <p>2-13-11 Duties and related internal taxes can be paid by monthly basis, if the taxpayer is designated as such. In order for the taxpayer to be eligible for monthly payment, he/she has to meet all of the following conditions: (1)The importer has no record of being punished for violation of laws in last 2 years. (2)The importer has no record of delaying the payment of duties, etc. in last 2 years. (3)The importer has import and tax-paying record in last 3 years.</p> <p>2-13-12 For the delayed payment of duties and related internal taxes, the system of Korea Customs Service notifies the taxpayer of the overdue amount of duty and tax by adding additional dues.</p> <p>2-13-13 Taxpayer pays the overdue duties and taxes by adding additional dues.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer has paid the duties and related internal taxes. • The Customs issues Tax Invoice for the importer in relation with VAT. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 1 day (when the customs broker makes the clearance-related payments on behalf of the importer, as is the general case) |

(14) Core business process area 2.14: Change the declared amount of duties

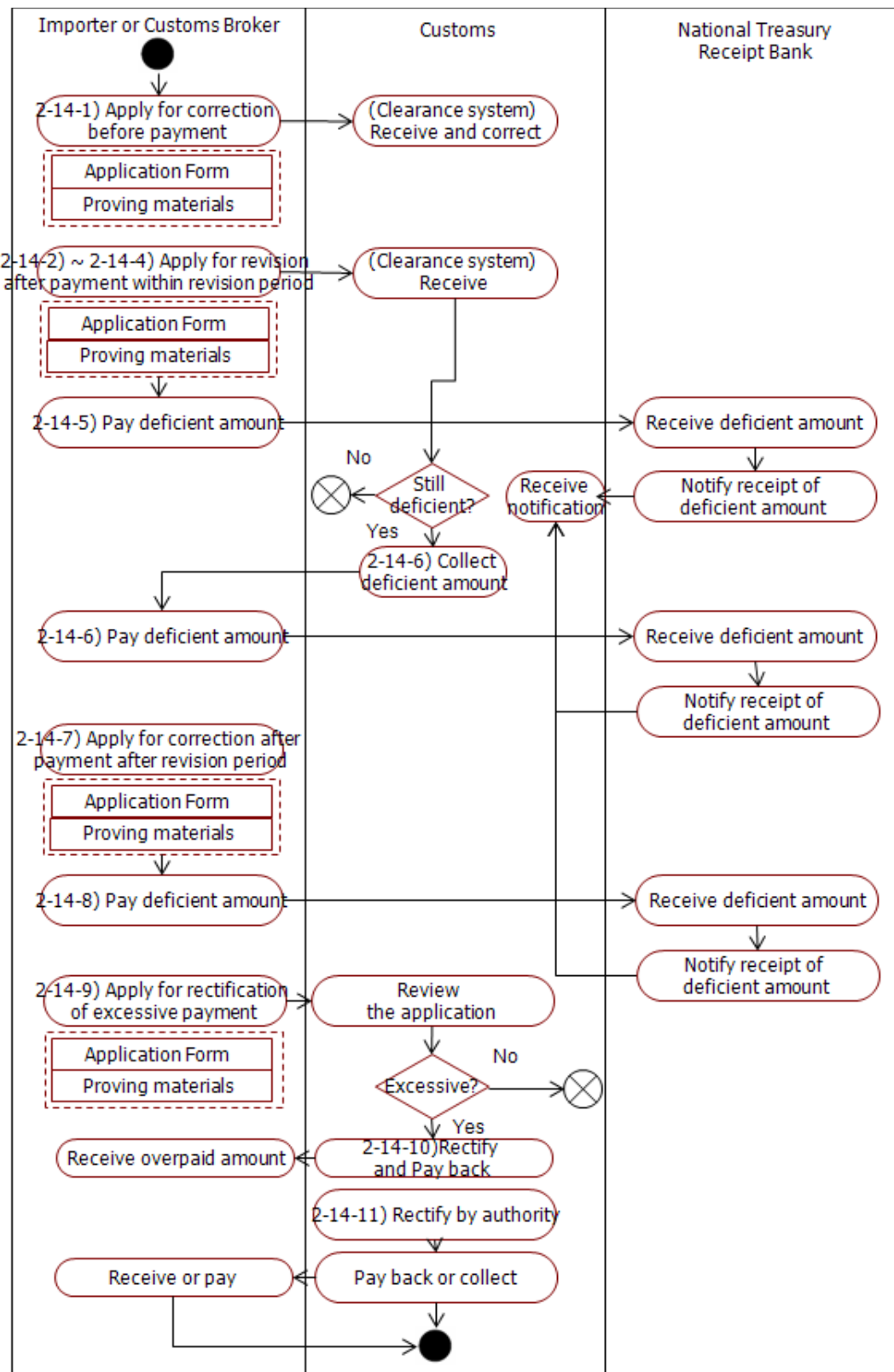
Figure 74 “Change the declared amount of duties, etc.” case diagram



“Change the declared amount of duties, etc.” is the fourteenth and the last core business process under “Ship” process area. This core business process requires the participation of :

- Importer
- Customs broker
- Customs

Figure 75 “Change the declared amount of duties, etc.” activity diagram

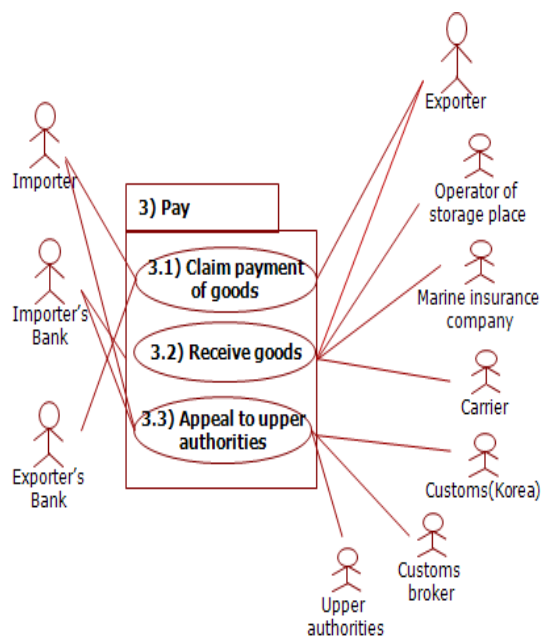


| | |
|--|---|
| Name of process area | 2. Ship |
| Name of Business process | 2.14. Change the declared amount of duties, etc. |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Articles 38-2, 38-3) • Enforcement Decree of Customs Act (Article 32-3, 32-4, 33, 34) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer • Customs broker • Customs |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The taxpayer and the chief officer found out some errors in declared amount and want to change it. |
| Activities and associated documentary requirements | <p>2-14-1 The taxpayer may correct the declared amount of duties and related internal taxes, if he/she finds the declared amount is excessive or deficient before paying it. Correction can be done by transferring the application for correction to the clearance system of KCS with proof materials.</p> <p>2-14-2 The taxpayer may apply for a revision of the relevant amount of duties to the chief officer, when he/she finds excess or deficiency in the tax declaration and payment, or any errors in the dutiable values forming a basis for duty computation, tariff classification, etc.</p> <p>2-14-3 The chief officer may notify the taxpayer to apply for revisions within 6 months from the date of declaration and payment, if he/she finds excess or deficiency in the tax payment, or any errors in the dutiable values forming a basis for duty computation, tariff classification, etc.</p> <p>2-14-4 In 2-14-3, the taxpayer who intends to apply for a revision of the amount of duties and related internal taxes has to file an application to the chief officer.</p> <p>2-14-5 In 2-14-2 and 2-14-4, the taxpayer who has filed an application for the revision of the deficient amount of duties and related internal taxes has to pay the relevant duty by not later than 1 day after the date of filing the application for revision.</p> <p>2-14-6 When there still is a deficiency in the amount of duties and related internal taxes after revising the amount according to an application referred to in 2-14-2 and 2-14-4, the chief officer collects the deficient amount of duties and related internal taxes. Additional amount is computed</p> |

| | |
|---|--|
| | <p>and added based on the interest rate prescribed by Presidential Decree, counting from the date of payment to the date on which the deficient amount of duty has been paid.</p> <p>2-14-7 The taxpayer may file a correction of a declaration (limited to cases where a revision period expires), if any deficiency exists in tax declaration and payment.</p> <p>2-14-8 In case of 2-14-7, the taxpayer has to pay the relevant duties and related internal taxes by not later than the date of filing the corrected declaration.</p> <p>2-14-9 The taxpayer may file an application for rectification of a declared amount of duties and related internal taxes within 3 years from the date of filing the first declaration, if he/she has found that there is an excess of payment (limited to cases where a revision period expires).</p> <p>2-14-10 In case of 2-14-9, the chief officer has to, on receipt of the application for the rectification, either rectify the amount or notify the applicant within 2 months that there is no reason for rectification.</p> <p>2-14-11 The chief officer has to rectify the amount of duties and related internal taxes, when he/she has found excess or deficiency while reviewing the tax declaration and payment, the amount declared of duties and related internal taxes, or the amount applied for rectification.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The declared amount of duties and related internal taxes has been corrected, revised, and rectified. • Clearance-related tasks are accomplished, and the goods are ready for payment and release. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 1 day (if one among correction, revision, additional collection from chief officer, and rectification takes place) |

3.2.3. Process area 3: Pay

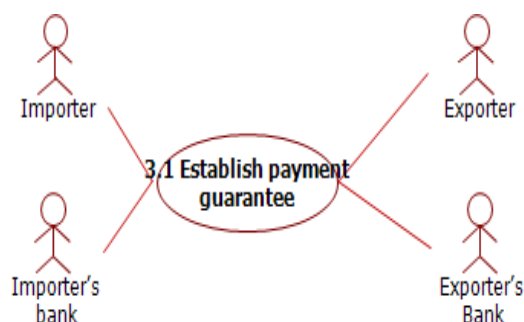
Figure 76 Case diagram of core business processes in “Pay” process area



“Pay” process area consists of the following 3 core business processes: the first one is related to establishing payment guarantee (opening an L/C), the second on to claiming the payment for the goods, and the last one to receiving the goods.

(1)Core business process area3.1: Establish payment guarantee

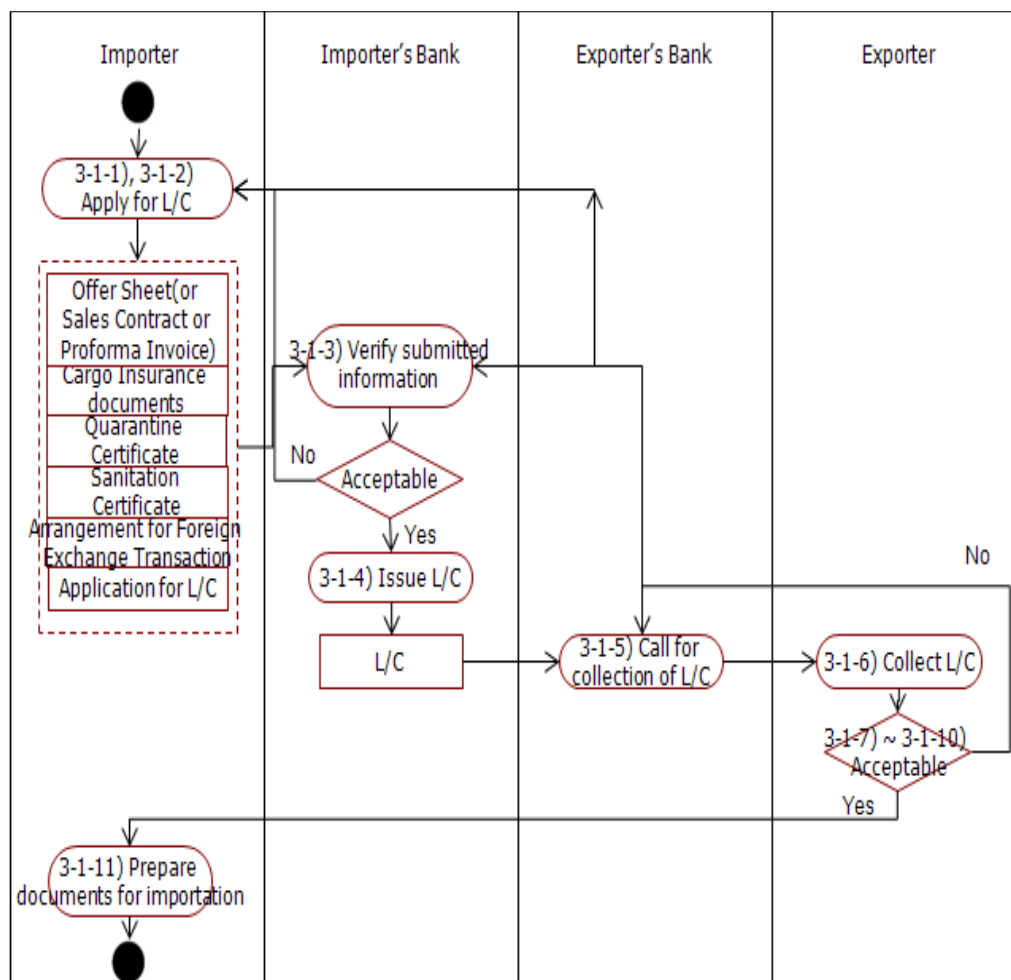
Figure 77 “Establish payment guarantee” case diagram



“Establish payment guarantee” is the first core business process under “Pay” process area. The case diagram in Figure 77 suggests that this core business process requires the participation of:

- Importer
- Importer's bank
- Exporter's bank
- Exporter

Figure 78 “Establish payment guarantee” activity diagram



| | |
|--|---|
| Name of process area | 3. Pay |
| Name of business process | 3.1. Establish payment guarantee |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Legal imperatives (Jus cogens) of the related country (e.g., Commercial Act) • Conditions on the Contract of L/C • Uniform Customs and Practices for Documentary Credit (UMP) 600 |
| Process participants | <ul style="list-style-type: none"> • Importer • Importer's bank • Exporter's bank • Exporter |
| Input and criteria to enter/Begin the business process | <ul style="list-style-type: none"> • The importer wants to open an L/C as a means of payment of goods. |

| | |
|---|--|
| Activities and associated documentary requirements | <p>3-1-1 The importer applies for issuance of L/C by submitting an Application for Irrevocable Documentary L/C and a Pro forma Invoice to the importer's bank.</p> <p>3-1-2 In application of 3-1-1, the following documents have to be submitted to the bank.</p> <p>(1) Written agreement on foreign exchange transaction</p> <p>(2) Application form for opening irrevocable documentary L/C</p> <p>(3) Marine insurance documents</p> <p>(4) Offer sheet or sales contractor Pro forma invoice</p> <p>(5) Import agency agreement (limited to a case of other actors acting on behalf of the importer)</p> <p>(6) Other required documents (Certificate of quarantine, Certificate of sanitation)</p> <p>3-1-3 The importer's bank reviews submitted documents and evaluates the importer's credit standing.</p> <p>3-1-4 If the importer's credit is in good standing, the importer's bank approves the application, issues L/C, and forwards it to the exporter's bank by electronic means.</p> <p>3-1-5 The exporter's bank establishes authenticity of the L/C and informs the exporter that L/C is ready for collection.</p> <p>3-1-6 The exporter collects L/C and determines if it meets the contractual agreement, and whether its terms and conditions are acceptable.</p> <p>3-1-7 If the exporter finds L/C unacceptable, he/she needs to consult the exporter's bank.</p> <p>3-1-8 The exporter's bank consults the importer's bank.</p> <p>3-1-9 The importer's bank then consults the importer on the amendment of L/C.</p> <p>3-1-10 If the importer finds the already issued L/C acceptable, he/she makes necessary arrangements for the delivery of goods.</p> <p>3-1-11 The exporter prepares the documents for importation.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer completes the application for L/C to the importer's bank. • The importer's bank issues L/C. • The exporter is notified that the L/C is ready for payment. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • Issuance itself will be achieved immediately after application (visitation = 1 hour). • Additional 7 days may be necessary if limitation arrangement or credit survey is engaged while opening the L/C. |

(2)Core business process area3.2: Claim payment of goods

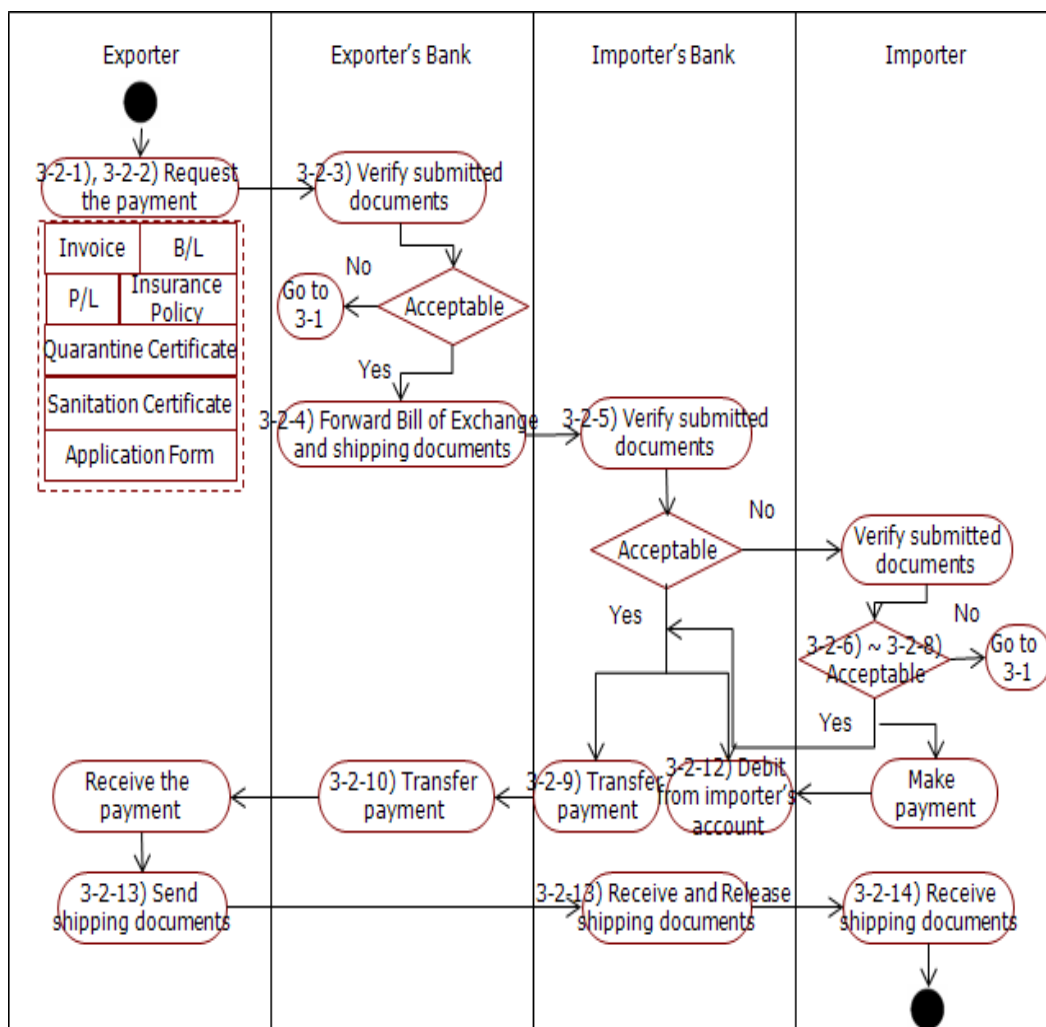
**Figure 79 “Claim payment of goods”
case diagram**



“Claim payment of goods” is the second core business process area under “Pay” process area. This core business process requires the participation of :

- Exporter
- Exporter's bank
- Importer
- Importer's bank

Figure 80 “Claim payment of goods” activity diagram

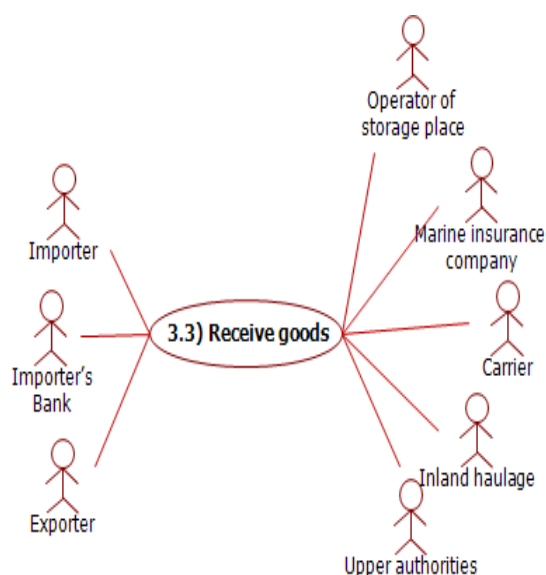


| | |
|---|--|
| Name of process area | 3. Pay |
| Name of business process | 3.2. Claim payment of goods |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Legal imperatives (Jus cogens) of the related country • Conditions on the Contract of L/C • Uniform Customs and Practices for Documentary Credit (UMP) 600 |
| Process participants | <ul style="list-style-type: none"> • Exporter • Exporter's bank • Importer • Importer's bank |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • The importer completed clearance related procedures and is about to make payment for the goods by opened L/C. |
| Activities and associated documentary requirements | <p>3-2-1 The exporter prepares documents called for in L/C. Those documents typically include:</p> <ul style="list-style-type: none"> - Commercial Invoice - P/L - Insurance Policy - B/L - Quarantine Certificate - Sanitation Certificate <p>3-2-2 With the documents called for in L/C, the exporter requests the exporter's bank to advise the importer's bank to proceed with the payment for goods.</p> <p>3-2-3 The exporter's bank reviews submitted documents and determines if they are compliant with the terms and conditions as listed in L/C. If they do not meet the terms and conditions in L/C, the exporter's bank informs the exporter about the discrepancies. In this case, the exporter needs to make necessary corrections.</p> <p>3-2-4 If submitted documents meet the terms and conditions as listed in L/C, the exporter's bank forwards the Bill of Exchange and shipping documents to the importer's bank.</p> <p>3-2-5 The importer's bank reviews submitted documents and determines if they are compliant with the terms and conditions of L/C. If they do not meet the terms and conditions in L/C, the importer's bank informs the importer about the discrepancies.</p> <p>3-2-6 The importer determines if the discrepancies can be waived.</p> <p>3-2-7 If the importer does not waive the discrepancies, the importer's bank declines the request to make payment for the goods.</p> <p>3-2-8 The exporter's bank notifies the exporter about the decline for the payment of goods so that the exporter makes necessary corrections.</p> |

| | |
|---|---|
| | <p>3-2-9 If the importer's bank finds the submitted documents compliant with the terms and conditions listed in L/C from the very beginning, the importer's bank transfers the payment for goods to the exporter's bank.</p> <p>3-2-10 The exporter's bank transfers the payment of goods to the exporter.</p> <p>3-2-11 The exporter receives the payment for goods.</p> <p>3-2-12 The importer's bank debits the payment for goods from the importer's account.</p> <p>3-2-13 The importer's bank releases documents collected from the exporter.</p> <p>3-2-14 The importer collects the documents (i.e., shipping documents) required for import.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> The importer completed the payment for the goods, collected documents, and is ready to receive the goods. |
| Average time required to complete this business process | <ul style="list-style-type: none"> It ordinarily takes 3.5 days to give notice to the importer. It ordinarily takes 1 day to forward the shipping documents to the importer. |

(3) Core business process area 3.3: Receive goods

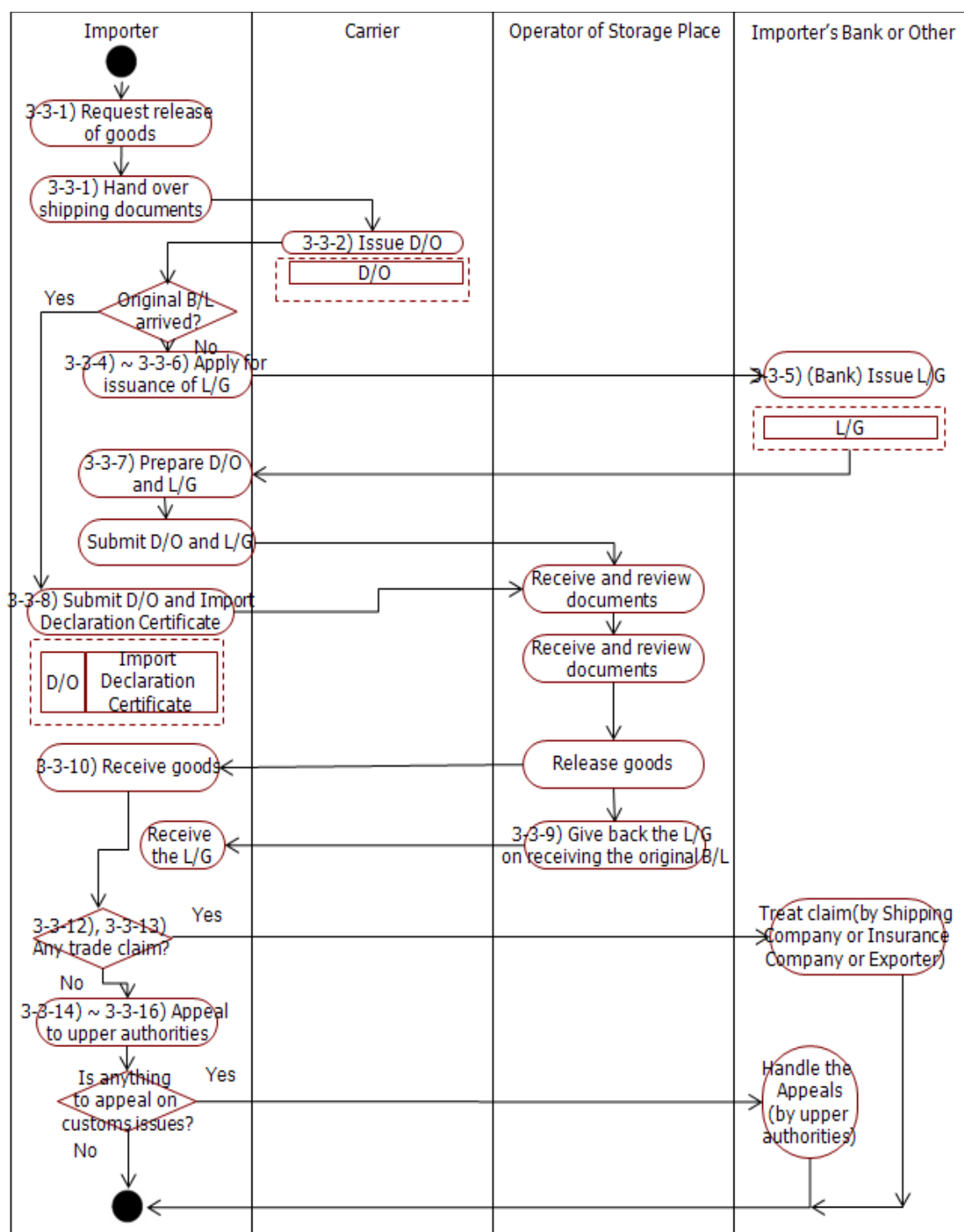
Figure 81 "Receive goods" case diagram



"Receive goods" is the third core business process under "Pay" process area; and it is also the last core business process in this BPA analysis of Banana import. This core business process requires the participation of :

- Importer
- Carrier (shipping company)
- Operator of bonded area
- Marine insurance company
- Inland haulage
- Exporter
- Importer's bank
- Upper authorities

Figure 82 “Receive goods” activity diagram



| | |
|---|--|
| Name of process area | 3. Pay |
| Name of business process | 3.3. Receive goods |
| Related laws, rules and regulations | <ul style="list-style-type: none"> • Customs Act (Articles 38-3, 39, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132) • Regulation on Application and Management of Customs Appeals (of KCS) • Regulation on Management of Import Clearance Business (of KCS) |
| Process participants | <ul style="list-style-type: none"> • Importer • Carrier (shipping company) • Operator of storage place • Marine insurance company • Exporter • Importer's bank • Upper authorities |
| Input and criteria to enter/ Begin the business process | <ul style="list-style-type: none"> • While the clearance procedure and claiming procedure for payment are progressing on one side, the importer is ready for receiving the goods on the other side. |
| Activities and associated documentary requirements | <p>3-3-1 The importer hands over the shipping documents (especially the Original B/L) to shipping company.</p> <p>3-3-2 Shipping company issues Delivery Order (D/O) to the importer.</p> <p>3-3-3 The importer submits the D/O and Import declaration certificate to the operator of storage place.</p> <p>3-3-4 A special process called "L/G (Letter of Guarantee)" may be engaged when the goods arrive at port before the arrival of Original B/L.</p> <p>3-3-5 L/G can be issued by the bank which opened the L/C for the importer, by application from the importer.</p> <p>3-3-6 The application of 3-3-5 can be made by the importer's visitation with required documents [application form, and shipping documents (in copy form)]</p> <p>3-3-7 By submitting the L/G to shipping company, the importer can receive the goods with the D/O.</p> <p>3-3-8 The importer, upon receiving the shipping documents (original), submits the original B/L endorsed by the importer's bank to</p> |

| | |
|---|---|
| | <p>shipping company.</p> <p>3-3-9 Shipping company gives back the L/G to the importer.</p> <p>3-3-10 The importer receives the goods.</p> <p>3-3-11 Goods will be transported to the final destination, which is the downtown area of Seoul.</p> <p>3-3-12 The importer may raise a claim if it is applicable.</p> <p>3-3-13 Trade claim may be raised against any one of the shipping company, marine insurance company, or the exporter, in accordance with the cause of damage or deficiency of quantity in the imported goods.</p> <p>3-3-14 As an additional procedure, post-appeal to upper authorities may be added.</p> <p>3-3-15 Appeal procedure on Customs matters includes the followings:</p> <ul style="list-style-type: none"> (1) Pre-assessment review (to the chief officer) (2) Raising an objection (optional, to the chief officer) (3) Request for Evaluation (to the commissioner of KCS) or request for adjudication (to Tax Tribunal) (4) Request for evaluation of Board of Audit and Inspection (5) Administrative litigation <p>3-3-16 In all of the above-mentioned appeal procedures, the taxpayer may be asked to designate a lawyer or a customs broker as his/her attorney.</p> |
| Output criteria to exit the business process | <ul style="list-style-type: none"> • The importer received the goods in question. • The trading has been finished by the importer's receiving the goods if there is no trade claim toward one or more participants in this trading. |
| Average time required to complete this business process | <ul style="list-style-type: none"> • 3 hours • Issuance of L/G will be achieved on the spot, in case of visitation to bank. |

3.3. Principal findings in business processes of Banana import

3.3.1. Expenses and fees to be borne³⁹

Below Table 28 and Table 29 show the main expenses and fees to be borne by the exporter, distinguishing between the ordinary ones and the extraordinary ones. Expenses and fees would vary in each case. However, for a better understanding of trade processes, this report provides estimated fees and expenses. Ordinary expenses and fees generally include A) L/C Opening charge, B) Marine freight, C) Cargo Insurance Charge, D) Domestic Port Charges, E) Fee for Bonded Transportation, F) Storage/Carrying-in and -out, G) Fee for plant quarantine, H) Fee for food sanitation, I) Fee for bonded transportation, J) Customs duties and VAT, and K) Domestic transportation.

Extraordinary expenses and fees are the ones that the exporter may bear in exceptional circumstances. These include A) Fee for credit survey, B) Inspection by Customs, C) Fee for extra opening after official working hours, D) Fee for handling goods at times other than regular handling time of transport means, and E) L/G issuance fee.

(1) Ordinary expenses and fees

Table 28 Ordinary expenses and fees for Banana import

| (including VAT, when specific indication is not given) | | | |
|--|--|---|---|
| Expense item | Calculation | Required time and notable points | Remarks |
| L/C opening charge | - L/C value X Basic rate X Applied rate X Number of days/365 | - | - Basic Rate=Foreign exchange rate used as a basis for foreign exchange transaction - Applied Rate = Generally 0.15 ~ 0.25% for 3 months |
| Marine freight (Manila → | - USD 1,300 + - EBS charge USD 300 | - Required time period for transportation = | - Free time = 3 days - Electric jack free time = 2 days |

³⁹ This information is based on the information provided by the personnel from a Freight Forwarder company (located in Seoul) and the data collected by the author. The detailed amount and time required may vary depending on the stakeholders engaged. This information is strictly bound to the assumptions given in the early stage of this article, that is to say, One 40 FEU, cold storage at 14 °C, and so forth. Expenses (ordinary and extraordinary) may vary depending on shipping companies and handling companies, for the prices tend to be diversified recently.

| (including VAT, when specific indication is not given) | | | |
|--|--|---|--|
| Expense item | Calculation | Required time and notable points | Remarks |
| Incheon) | | 14 days | * If time is passed in excess of agreed time period, additional charge will be imposed. |
| Marine cargo insurance charge | - (CFR value x110%) x (0.0583 ~ 0.1045%) ⁴¹ | - | - |
| Domestic port charges | - THC = KRW 170,000 ~ 247,000 - Wharfage = KRW 8,400 ~ 8,700 - Cleaning fee = KRW 30,000 ~ 40,000 - DOC fee = KRW 33,000 - Handling fee(D/O charge) = USD 55 | - | - |
| Fee for bonded transportation | - KRW 250,000 | - | -From Incheon port to a bonded warehouse located in the vicinity of Incheon port |
| Storage/Carrying-in and -out | - KRW 300 ~ 385/box | - Cold storage at 14°C | - If 2 weeks passes, additional charge of KRW 11/day/box will be imposed. - one FEU = approximately 1,320 box |
| Fee for plant quarantine | - Fee for proxy : KRW110,000/B/L - When in need of disinfection, additional charge of KRW 440,000 will be imposed. | - First time = approximately 10 days - After the first time = 2 days | - |

⁴¹ Opinions on insurance rate are not unanimous. There is a person who says that it is 0.0583, but some other person says that it is 0.1045. It seems that rate varies according to acting companies.

(including VAT, when specific indication is not given)

| Expense item | Calculation | Required time and notable points | Remarks |
|-------------------------------|--|--|--|
| Fee for food sanitation | <ul style="list-style-type: none"> - Fee for proxy : KRW 110,000/B/L - When in need of disinfection, additional charge of KRW 880,000 will be imposed. | <ul style="list-style-type: none"> - First time = approximately 2 -3 days - After the first time = 1 day | - |
| Fee for bonded transportation | - KRW 300,000 | - | - From bonded warehouse located in the vicinity of Incheon Port to bonded warehouse near Seoul |
| Import clearance fee | - (CIF value x 2/1,000) | - | - Minimum = KRW33,000 |
| Customs duties | - CIF value x 30% | - | - HSK = 0803.90-0000 |
| Value added tax | - (CIF value + Customs duties) x10% | - | - |
| Domestic transportation | <ul style="list-style-type: none"> - KRW 198,000/5ton truck - KRW 275,000/11ton truck | - | -From bonded warehouse to downtown area of Seoul, the final consumption place |

(2) Extraordinary expenses and fees⁴²

Table 29 Extraordinary expenses and fees for Banana import

(including VAT, if specific indication is not given)

| Expense item | Calculation | Required time and notable points | Remarks |
|---|--|----------------------------------|--|
| Fee for credit survey | - KRW 220,000 | - 2 weeks | - A written report (in English) will be issued. |
| Inspection by Customs | - [Basic fee + (Transportation fee + Lodging expense + Food expense)] | - | - Basic fee = KRW 2,000 x Required time for inspection - If the inspection place is designated storage place or Customs inspection place, the fee will be free. |
| Fee for extra opening of Customs house after official work hour | - Basic + Additional | - | - Basic = KRW 4,000 (on holydays, 12,000) - Additional = KRW 3,000 ~ 7,000/hour (varies according to the time of the day) |
| Fee for Handling Goods at Times other than Regular Handling Time of Transport Means | - When Customs officer attends = Basic + Additional - When Customs officer does not attend = Basic only | - | - Basic = KRW 2,000 (on holydays, 6,000) - Additional = KRW 1,500 ~ 3,600/hour (varies according to the time of the day) |
| L/G issuance fee | - KRW 20,000 | - | - Payable to importer's bank |

⁴² There can be minor expenses other than those enumerated in this table. To take an example, one will be able to get the English export declaration certificate from the DB of Trade Statistics Department of Korea Customs and Trade Development Institute, if it is necessary, with prescribed fee.

3.3.2. Time required in each core business process⁴³⁴⁴

Table 30 and Figure 83 show the duration and dependencies among Banana import processes. Largely, the result shows us that it takes 2 days for concluding contract (1.2), 5 days for arranging transport (2.1 ~ 2.2), 7.5 days for export clearance and arriving at importing port (2.3), 7 hours for designating customs broker and storing goods at storage place (2.4 ~ 2.5), 2 days for meeting import requirement (Plant quarantine, 2.6), 1 day for meeting import requirement (Food sanitation, 2.7), 4 hours for transporting (2.8), 2 days and 8.5 hours for clearance (2.8 ~ 2.14 and 3.1), 4.5 days for claiming payment of goods (3.2), and 3 hours for receiving the goods (3.3). In total, 28 days and 4 hours are consumed, expressing after recalculating in unit of calendar day. However, this result will have to be strictly analyzed to be compared with the result of, for example, Doing Business Report. This will be described hereafter.

(1) Time required in relation to Banana import

Table 30 Time required in relation to Banana import

| Core business process | Time required | Precursor | Simultaneous task | Remarks |
|-----------------------------------|--|-----------|-------------------|---|
| 1. Buy | | | | |
| 1.1 Register business | Business registration number : on the spot (Visitation : 1 hour) | N/A | Simultaneous | When an on-site survey engages : 3 days additional |
| 1.2 Conclude sales contract, etc. | 2 days | N/A | | (Credit survey report : 2 weeks) |
| 2. Ship ⁴⁵ | | | | |
| 2.1 Arrange transport | 5 days | 1.1/1.2 | Simultaneous | (there are many long-distance islands in the Philippines) |
| 2.2 Obtain cargo insurance | 1 day | 1.1/1.2 | | - |

⁴³ Based on the assumption that importation is performed according to the most general custom.

⁴⁴ The required time is in average figures. For example, when the expert group answers as “2 – 3 days” for certain procedure, the outcome will be written as “2.5 days”.

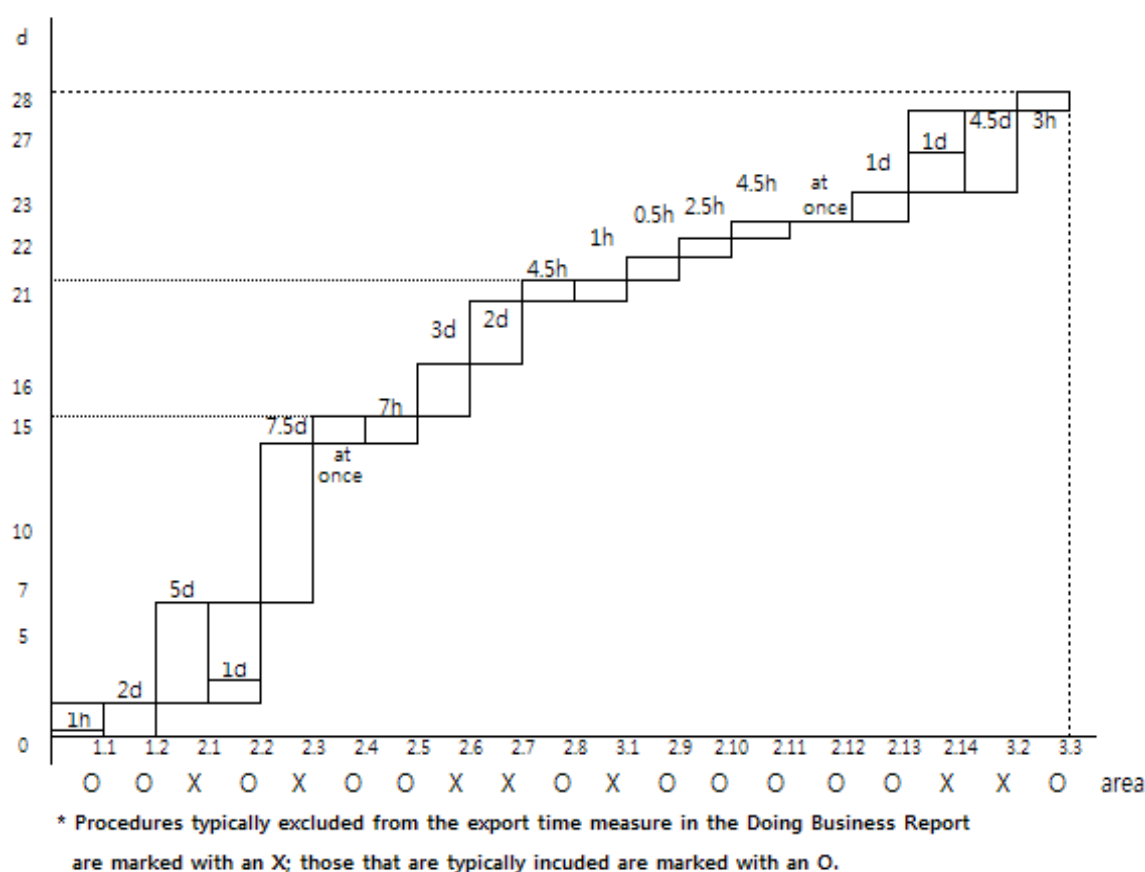
⁴⁵ The total time consumed in 2.1 ~ 2.3 may reach 15 days in maximum depending on circumstances.

| Core business process | Time required | Precursor | Simultaneous task | Remarks |
|---|---|-----------|-----------------------|---|
| 2.3 Clear Goods for Export and Arrive at Importing port | Export clearance : 2.5 days Voyage : 5 days | 2.1/2.2 | N/A | Export clearance : Exporter's side |
| 2.4 Designate customs broker | On the spot | 2.3 | Simultaneous | - |
| 2.5 Store goods at storage place | 7 hours | 2.3 | | - |
| 2.6 Meet import requirement1 (Plant quarantine) | First-time : 10 days After first time : 3 days | 2.4/2.5 | N/A | When disinfection engages, it will take another 3 ~ 7 days. |
| 2.7 Meet import requirement2 (Food sanitation) | Declaration of food import business : 6 hours First-time : 2.5 days After first time : 2 days | 2.6 | N/A | - |
| 2.8 Transport and register unique clearance code, etc. | 4 hour(transport) 0.5 hour(UCC) | 2.7 | Simultaneous with 3.1 | - |
| 2.9 File import declaration | 0.5 hour | 2.8/3.1 | N/A | - |
| 2.10 Correct import declaration | 2.5 hour | 2.9 | N/A | - |
| 2.11 Handle and accept import declaration | 4.5 hour | 2.10 | N/A | - |
| 2.12 Deliver certificate and keep documents | On the spot | 2.11 | N/A | - |
| 2.13 Pay the duties, etc. | 1 day | 2.12 | N/A | - |
| 2.14 Change the declared Amount of duties, etc. | 1 day | 2.13/3.2 | N/A | - |

| Core business process | Time required | Precursor | Simultaneous task | Remarks |
|---------------------------------|--------------------------------------|-------------------|------------------------|--|
| 3. Pay | | | | |
| 3.1 Establish payment guarantee | On the spot (Visitation : 1 hour) | 2.7 ⁴⁶ | Simultaneous with 2.8 | When limitation arrangement or credit survey engage : 7 days |
| 3.2 Claim payment of goods | 4.5 days | 2.12 | Simultaneous with 2.14 | |
| 3.3 Receive goods | 3 hours | 2.14 | N/A | L/G issuance : on the spot |

(2) Time-procedure chart of Banana import

Figure 83 Time-procedure chart of Banana import



⁴⁶ “Establish payment guarantee” process will, in general, be left behind the “Meet import requirement 1 and 2” in actual business, for import requirement documents (such as Food Sanitation Certificate, etc.) will have to be accompanied when opening an L/C.

- 1.1 Register Business /1.2 Conclude Sales Contract and Trade Terms
- 2.1 Arrange Transport /2.2 Obtain Cargo Insurance
- 2.3 Clear Goods for Export, etc.
- 2.4 Designate Customs Broker /2.5 Store Goods at Storage Place
- 2.6 Meet Import Requirement1
- 2.7 Meet Import Requirement2
- 2.8 Transport and Register Unique Clearance Code, etc. /3.1 Establish Payment Guarantee
- 2.9 File Import Declaration
- 2.10 Correct Import Declaration
- 2.11 Handle and Accept Import Declaration
- 2.12 Deliver Certificate and Keep Documents
- 2.13 Pay the Duties, etc.
- 2.14 Change the Declared Amount of Duties /3.2 Claim Payment of Goods
- 3.3 Receive Goods

3.3.3. Number of documents required in each core business process

Table 31 shows the documents to be submitted in each business process as well as how those documents should be submitted when importing Bananas into the ROK. These documents are the typically required ones in general situations.

Table 31 Number of documents in relation to Banana import

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|-----------------------------------|---------------------|--|------------------------------------|--|
| 1. Buy | | | | |
| 1.1 Register business | 2 | - ID certificate - Contract for leasing | In person | Local Tax Service (of NTS) |
| 1.2 Conclude sales contract, Etc. | 4 | -Quotation -Purchase order -Pro forma Invoice -Contract | In person | Exporter /Importer |
| 2. Ship | | | | |
| 2.1 Arrange transport | 4 | -B/L -Invoice -P/L -Other | In person | -Freight forwarder -Shipping company -Inland haulage |
| 2.2 Obtain cargo insurance | 1 1 | -Business registration certificate -1 among Invoice, offer sheet, and L/C | In person (Fax or email available) | Insurance company |

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|---|---------------------|---|------------------------------------|---------------------------------|
| 2.3 Clear goods for export and arrive at importing port | 4 | -B/L -Invoice -P/L -Other | Electronic | Customs (exporting country) |
| | 4 | -B/L -Invoice -P/L -Other | In person | Shipping company |
| 2.4 Designate customs broker | 0 | - | - | - |
| 2.5 Store goods at storage place | 5 | -B/L(or Arrival Notice) -Invoice -P/L -Application form -D/O | In person (Fax or email available) | Bonded Transport company |
| | 6 | - Application form - B/L - P/L - Invoice - D/O - Request for distribution | In person (Fax or email available) | Operator of storage place |
| 2.6 Meet import requirement1 | 1 | - Phytosanitary certificate issued by exporting country | In person (Original) | QIA |
| | 3 | - Application for quarantine - Statement of plans for disinfection - Agreement statement for disinfection disposition | UNI-PASS (Electronic) | |
| 2.7 Meet import requirement2 | 2 | - Certificate of education fact - Application form for registration of import business of food, etc. | In person | Gu Office (Sanitation Division) |
| | 1 | - Phytosanitary certificate of exporting country | In person | Local MFDS |
| | 1 | - Declaration of import of food, etc. | UNI-PASS (Electronic) | |

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|--|---------------------|--|-------------------------------------|--------------------------|
| | 2 | - Import Declaration Certificate - Details of Declaration(indicated by Korean language) | UNI-PASS (Electronic) ⁴⁷ | |
| 2.8 Transport and register Unique Clearance Code, etc. | 5 | - B/L(or Arrival Notice) - Invoice - P/L - Application form - D/O | In person (Fax or email available) | Bonded transport Company |
| | 1 | - Business registration certificate | In person (Fax or email available) | Customs broker |
| | 1 | - Application form | UNI-PASS (Electronic) | Customs |
| 2.9 File import declaration | 3 | - B/L - Invoice - P/L | In person (Fax or email available) | Customs broker |
| | 1 | - Import declaration certificate | UNI-PASS (Electronic) | Customs |
| 2.10 Correct import declaration | Basic : 2 | - Application form - Reason statement | UNI-PASS (Electronic) | Customs |
| | Basic : 3 | - B/L - Invoice - P/L | In person | |
| | Additional : 3 | (If necessary) (The number of documents varies according to details to be corrected) | In person | |
| 2.11 Handle and accept import declaration | 0 | - | - | - |
| 2.12 Deliver certificate and keep documents | 0 | - | - | - |

⁴⁷When these electronic documents cannot be confirmed by the receiving officer (e.g., when scanned file cannot be confirmed, and so forth), they may be requested to be submitted by Fax, or Email, etc.

| Core business process | Number of documents | Remarks | How to submit | Where to submit |
|---|---------------------|--|-----------------------|--------------------------------|
| 2.13 Pay the duties, etc. | 1 | - Notice for payment | - | National treasury receipt bank |
| 2.14 Change the declared amount of duties, etc. | Basic : 2 | - Application form - Reason statement | UNI-PASS (Electronic) | Customs |
| | Basic : 3 | - B/L - Invoice - P/L | In person | |
| | Additional : 3 | (If necessary) (The number of documents varies according to details to be corrected) | In person | |
| 3. Pay | | | | |
| 3.1 Establish payment guarantee | 3 | - Arrangement statement for transaction of foreign exchange - Application form for opening L/C - Document of insurance | In person | Bank |
| | 1 | - 1 among offer sheet, contract, and Pro forma invoice | | |
| | 2 | - Plant quarantine certificate - Food sanitation certificate | | |
| 3.2 Claim payment of goods | 4 | - B/L - Invoice - P/L - Insurance policy | In person | Bank |
| 3.3 Receive goods | 4 | - B/L - Invoice - P/L - Insurance policy | In person | Shipping company |
| | 2 | - D/O - Import declaration certificate | In person | Operator of storage place |

3.4. Analysis and recommendations for improvement

3.4.1. Analysis of Banana import business process

(1) In aspect of time consumed

In Banana import, Table 30 and Figure 83 show that the total time consumed amounts to 28 days and 4 hours. However, it should be noted that the basic assumptions should be importantly considered for such a result to be compared with the outcomes of other reports, particularly including Doing Business Report. For better comparison, the Os and Xs at the bottom of Figure 83 indicate whether each item is included in Doing Business Report. The items with Os are included in Doing Business Report, while the ones with Xs are not. For instance, the processes that occur in exporting country and the processes related to L/C are not included in Doing Business Report.

Thus, when we aggregate the time consumed by summing up the Os, we can obtain the result of 7 days and 4 hours in total. This result is a little bit longer than that of the result of Doing Business Report, which is 7 days, given the same assumptions. If we aggregate the time consumed by adding the time for meeting import requirements (Plant quarantine and food sanitation), then the result is 12 days and 4 hours.⁴⁸

From the chart, we may notice that relatively longer time is required in storing goods (2.5), paying the duties, etc. (2.13), and changing the declared amount of duties, etc. (2.14). The clearance itself (2.8 – 2.12), in contrast, does not take much time.

(2) In aspect of documents to be submitted

The Korean government has continuously been improving its trade procedures mainly in the following 3 directions: (1) Management of trade procedures by Internet Web environment, (2) Reduction of trade related documents to be submitted, and (3) Improving the method by which documents are submitted and delivered. For example, in Customs clearance area, the import and export declaration can be filed and managed by connecting to electronic clearance system using Internet Web Portal, UNI-PASS of KCS.

The number of documents to be submitted is decreasing as a result of continuous efforts from both the private and the public sectors. The greatest progress has been made in clearance area, as electronic submission of accompanied

⁴⁸ Assumed that the trading in question is one of repetitive transactions after the first time.

documents in import clearance began on and from July 17th of 2012. Since then, 100% of the import clearance documents are submitted electronically, leaving only a few exceptions (limited to cases for direct confirmation). Electronic document submission is now expanded to many other areas of typical transactions including the submission of documents for duty exemption and related internal taxes. This electronic submission in import clearance area is done through UNI-PASS; and this system also allows the declarant to print out the export declaration certificate.⁴⁹

The following Table 32 displays the utilization rate of UNI-PASS (internet clearance system) in the ROK.⁵⁰ Note that the remaining percentages of each rate are the percentages executed by EDI, not by UNI-PASS.

Table 32 Utilization rate of UNI-PASS

| - | Export | Import | Draw back | Bonded factory | Bonded transport | Carrying-in and -out of cargoes | Simple average |
|-----------|--------|--------|-----------|----------------|------------------|---------------------------------|----------------|
| Year 2012 | 89.18% | 92.65% | 77.14 % | 94.15% | 51.68% | 78.14% | 80.49% |
| Year 2013 | 90.17% | 93.43% | 80.73 % | 95.23% | 51.21% | 80.86% | 81.93% |

In area of L/G, KITA began application and issuance of e-L/G utilizing uTradeHub from December, 2012. In the ROK, electronic C/O (e-C/O), electronic SPS (electronic certification of sanitary and phytosanitary), etc. are under discussion for further implementation. Some documents, however, are repeatedly required by same stakeholders throughout the entire trade process (for example, Invoice or P/L, in 2.9 and 2.10.). In relation to the method of document submission, e-mail submission is allowed in many areas these days.⁵¹

(3) Elimination of regulatory burden to Banana importers

In the ROK, there are 2 regulatory burdens to Banana importers. It can be confirmed by referring to Annexed Table 2 of “Consolidated public notice” of MOTIE and Annexed Table 2 of “Regulation of Designation of Confirmation of Goods and Confirmation Method by chief officer according to Article 226 of Customs Act” of KCS.⁵²

⁴⁹Please refer to

http://portal.customs.go.kr/kcsipt/portal_link.jsp?portalGoToLink=inform_8&iFrameGoToLink=/kcsipt/inform/inform_07_iframe_buf.jsp (“Import Declaration” of UNI-PASS)

⁵⁰Based on the information provided by KCS.

⁵¹Please refer to “How to submit” of Table 34 for some rough information on submission of electronic or paper document.

⁵²Korea Customs and Trade Development Institute, *ibid.*, p.1891 and 2605.

One is plant quarantine and the other is food sanitation. Both can be done through UNI-PASS of KCS at the same time with clearance, not by separately contacting each authority. This unification of handling import requirements are called “SW (Single Window)”. The Korean government is planning to unify the declaration by relevant authorities and the declaration by the Customs so that the importer can pass through requirement confirmation and clearance simultaneously, submitting electronic documents only once.⁵³

3.4.2. Recommendations for improvement

(1) Advice to traders

The persons who are engaged in importing goods into the ROK should be wise and efficient to save the time and cost involved in trade by identifying the business processes that can be performed simultaneously. For example, the business processes related to import declaration and D/O can be carried out simultaneously.

Partnership with acting service providers (such as customs broker, freight forwarder) will be necessary, for certain tasks can be done more cost-efficiently by the entrusted service providers than by the exporter him/herself. In the ROK, the Third Party Logistics, in which the trader entrusts logistics- related business to a third company specialized in logistics, have been widely recognized since 2000's. Recently, the Fourth Party Logistics, in which consulting on logistics such as SCM (Supply Chain Management) and logistics business reengineering are added, are also under discussion.⁵⁵

(2) Recommendations for improvement

Following the assumptions of Doing Business Report, 7 days and 4 hours in total would be consumed. For the assumptions of Doing Business Report, refer to the part of this report around footnote 36.

The main processes that take the most time include (1) Conclude sales contract, etc. (2 days), (2) Store goods at storage place (7 hours), and (3) Pay the duties, etc. (1 day). “Change the declared amounts of duties, etc.” (2.14) is an optional situation that occurs only when it is necessary.

Based on the chart, “Store goods at storage place” has the most potential for time reduction among the processes in Banana import. “Store goods at storage place” consists of activities including transportation to, loading into, and unloading from

⁵³Lee, Chan-ki, *ibid.*, p18. Additionally, one thing to be noted by Banana importers in Korea is the fact that MFDS of Korea is planning to strengthen the criteria for permitting the agricultural chemical residue around June, 2014. This information is quoted from an article of the weekly “Customs and Trade Information” dated on April 11th, 2014, of KCTDI.

⁵⁵ Please refer to p162 and p164 of the following article for grasping the situation in Korea of utilizing Customs Brokers and Freight Forwarders : Korea Customs Logistics Association, “A Study on Cutting-edge Export and Import Clearance System through Providing Information on Export and Import Logistics Expenses,” 2011.12. This article is available by the Internet, even if it is written in Korean.

storage place. By examining the “Store goods at storage place” core business process, we found four detailed processes engaged: (1) Transportation to storage place (3 hours), (2) Documentation (Almost real-time), (3) Waiting time for store goods unloading and stuffing into storage place (2 hours in average), and (4) Unloading and stuffing into storage place (2 hours).

Among the four detailed processes, process (4) may be shortened to around 20 minutes, if the packaging is done by wrapping on palettes, for by doing so, the unloading and stuffing tasks can be done by using a forklift.⁵⁶(1) Can also be shortened by decreasing the waiting (queuing) time. (3) Varies depending on the quantity of goods to be handled, and in this sense, it is not a variable that can be controlled by the operator of the storage place. Thus, it is recommended that the time for “Store goods at storage place” process should be shortened to 3 hours.

The number of required documents has been reduced nearly to the minimum level already. In some cases, however, some stakeholders repeatedly require the same documents (for example, Invoice, P/L, in 2.6 and 2.7.).In this regard, there may still be rooms for further reduction of documents.⁵⁷

(3) Proposed simplification of process⁵⁸

In core business process 2.5, the time can be shortened from 7 hours to 3 hours, by (1) changing of packaging method, and (2) efficient management of waiting time, even though it may cost more money.

Table 33 Proposed simplification and How to Achieve

| Core business process area | AS-IS | TO-BE | How to save time |
|----------------------------|---------|---------|--|
| 2.5 Store goods | 7 hours | 3 hours | <ul style="list-style-type: none"> · Change of packaging method · Efficient management of waiting time |

By saving time consumed in 2.5, the total time consumed can be reduced to 28 days. If it is expressed according to the assumptions of Doing Business Report, the time consumed according to the TO-BE scenario will be 7 days and 1 hour. This result is shown in below Table 34.

⁵⁶But you will have to keep in mind that the expenses accruable to the importer will increase.

⁵⁷Korean Customs is looking for a way to reduce required documents in diversified directions, and, as one example of such endeavor, we can mention the omission of submission of the documents which can be confirmed through Customs Electronic System.

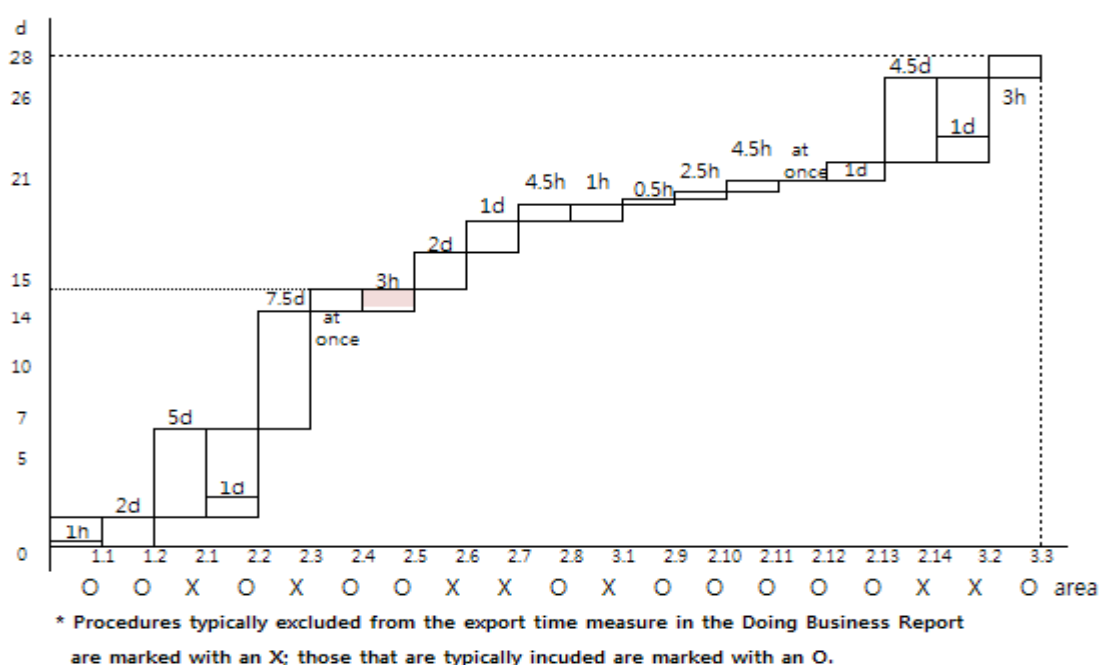
⁵⁸A person working in actual practices in clearance area gave a suggestion, during this research, that, in application of inspection, the Customs Officer use the mobile devices to exchange information with the declarant, for, as of today, the Officer gathers the application of inspections in the morning and handles them aggregately in the afternoon, thus the declarant has to wait until the afternoon. It seems that, by utilizing mobile environment, time and cost of handling of application of inspections may be saved.

Table 34 Result of time consumed in Banana import

| This research | | | | | Doing Business Report |
|--|----------------------|----------------------|---|---------------------|-----------------------|
| Given BPA assumptions | | | Given doing business assumptions | | |
| AS-IS | | TO-BE | AS-IS | TO-BE | |
| A | 25 days/ 22 hours | 25 days/ 18 hours | 4 days/ 22 hours | 4 days/ 19 hours | 7 days |
| B | 28 days/ 4 hours | 28 days | 7 days/ 4 hours | 7 days/ 1 hour | |
| * 1.1 ~ 3.3 total. ** “simultaneous” adjusted. | | | * 2.1, 2.3, 2.6, 2.7, 2.14, 3.1 and 3.2 omitted. ** “simultaneous” adjusted. | | - |
| A: Before recalculation. B : After recalculation by applying the formulation “ 8 hours =1 calendar day” ⁵⁹ | | | | | |

Proposed simplification is visualized in Figure 84. Possible reduction in time is marked in light pink.

Figure 84 Proposed simplification visualized in Chart



⁵⁹ Customs gives the customer extra opening service after ordinary working time in Korea. Thus, this outcome may be some shorter in real situation.

- 1.1 Register as businessperson /1.2 Conclude sales contract, etc.
 2.1 Arrange transport /2.2 Obtain cargo insurance
 2.3 Clear goods for export and arrive at importing port
 2.4 Designate Customs Broker /2.5 Store goods at storage place
 2.6 Meet import requirement1
 2.7 Meet import requirement2
 2.8 Transport and register Unique Clearance Code, etc. /3.1 Establish payment guarantee
 2.9 File Import Declaration
 2.10 Correct Import Declaration
 2.11 Handle and accept Import Declaration
 2.12 Deliver Certificate and keep documents
 2.13 Pay the duties, etc.
 2.14 Change the declared amount of duties, etc. /3.2 Claim payment of goods
 3.3 Receive goods

Table 35 displays the average time required in clearance procedures.

Table 35 Time required in relation to clearance⁶⁰

| Product | | Average of Bananas | | | Average of agricultural, forestry, and fishery products | | |
|---|------------------|--------------------|------|-------|---|-----------|-----------|
| Distinction | | Ocean | Air | Total | Ocean | Air | Total |
| Number of declarations | | 9,942 | 15 | 9,957 | 345,923 | 2,907,224 | 3,253,147 |
| Entry into port →Acceptance(of Import declaration) | Days | 7.97 | 5.67 | 7.97 | 13.21 | 0.56 | 1.91 |
| Entry into port →Carrying-in to storage place | Days | 1.85 | 0.67 | 1.85 | 2.97 | 0.21 | 0.50 |
| Carrying-in at storage place →Import Declaration | Days | 5.83 | 4.87 | 5.83 | 9.91 | 0.32 | 1.34 |
| Import declaration →Acceptance | Hours Minutes | 5:44 | 3:30 | 5:44 | 4:22 | 1:23 | 1:42 |
| Carrying-in to storage place →Acceptance | Days | 6.12 | 5.00 | 6.12 | 10.25 | 0.35 | 1.41 |
| Entry into port →Import declaration | (Days) | 7.69 | 5.53 | 7.68 | 12.88 | 0.53 | 1.84 |

⁶⁰ Average during year 2013, from raw information provided by KCS.

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R-1. For analysis of MP export And Banana import in common

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Customs Brokers Act/Enforcement Decree/Enforcement Rule

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Value Added Tax Act/Enforcement Decree/Enforcement Rule

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Regulation on Management of Bonded Cargo (of KCS)

Regulation on Management of Collection of Customs Charges (of KCS)

Regulation on Prevention of Errors of Export and Import Declaration (of KCS)

Regulation on Registration and Management of Unique Clearance Code and Overseas Supplier/Buyer Code (of KCS)

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<http://stat.wto.org/StatisticalProgram/WsdbStatisticalNoData.aspx?QueryType=VIEW&Language=E> (International Trade Statistics – WTO)

<http://www.doingbusiness.org/> (Doing business – The World Bank)

<http://www.trademap.org/SelectionMenu.aspx> (International Trade Statistics - ITC)

www.customs.go.kr (KCS)

<http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=english> (KCS: in English)

http://portal.customs.go.kr/kcsipt/portal_link.jsp?portalGoToLink=inform_8&iFrameGoToLink=/kcsipt/inform/inform_07_iframe_buf.jsp (“Import Declaration” of UNI-PASS)

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http://elaw.klri.re.kr/kor_service/lawTotalSearch.do (Korean Laws in English)

<http://www.kita.net/#nohref> (Korea International Trade Association, Trade Statistics Service)

<http://www.custra.com/main.do?method=getIndex&gcd=S01&siteCmscd=CM0001> (Portal Service of Customs and Trade of Korea Customs and Trade Development Institute)

<http://trass.kctdi.or.kr/service/pub/IntroServlet> (Portal Service of Trade Statistics of Korea Customs and Trade Development Institute)

<http://www.icti.or.kr> (ICTi Statistics Portal of Korea Association for ICT Promotion)

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- Industrial Product Standards Act B.E. 2511
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- Electrical Appliances Safety Control Act
Regulation on Management of Export Clearance Business (of KCS)

<WebPages>

- <http://www.customs.go.th/wps/wcm/connect/CustEn/Home/HomeWelCome>
(Customs Service of Thailand)
- <http://www.nbtct.or.th>(The National Broadcasting and Telecommunication Commission of Thailand)
- <http://app.tisi.go.th/standard> (Thailand Industrial Standard Institute)
- <http://www.customs.go.kr/kcshome/getBuRyuList.po> (World HS Information System of KCS)
- http://stat.wto.org/idbdata/idb_tha_last_e.zip(WTO World Tariff DB)
- <http://www.rapa.or.kr/design/index.asp> (Korea Radio Promotion Association)

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Administrative Appeals Act

Regulation on Application and Management of Customs Appeals (of KCS)

Regulation on Management of Audit of Payment of Duties, etc. (of KCS)

Regulation on Delivery of Import Tax Invoice (of KCS)

Regulation on Methods of Quarantine of Importing Plants (of QIA)

Regulation on Inspection of Importing Food, etc. (of MFDS)

Regulation on Management of Import Clearance Business (of KCS) Regulation on Management of Monthly Payment (of KCS)

<WebPages>

<http://dti.gov.ph> (Department of Trade and Industry of the Philippines)

http://customs.gov.ph/boc_index.jsp (Customs Service of the Philippines)

<http://countrystat.bas.gov.ph/selection.asp> (Country stat Network of the Philippines)

R-4. Meetings

R-4.1. Survey method

- Visitation
- Phone call
- Email correspondence

R-4.2. Time period and main issues of survey

(1) The 1st survey

- Time period: Feb. 10th, 2014 ~ Mar. 19th, 2014
- Main Issues
 - Stages of trading
 - Main activities by stages
 - Time consumed by stages
 - Expenses by stages
 - Documents to be submitted by stages
- Lessons and recommendations for improvement
- Main participators
 - Importers of Bananas and exporters of MPs
 - Freight forwarders
 - Customs brokers
 - Officers of Korean Customs Service and Korean Customs
 - Bank clerks
 - Operators of warehouse (especially including refrigerating warehouse)
 - Operators of bonded transportation
 - Express Consignment Company
 - Shipping Company
 - Airlines

(2) The 2nd survey

- Time period: Jun. 10th, 2014 ~ Aug. 3rd, 2014
- Main issues
 - Fact confirmation on the outcomes of 1st Survey
 - Correction of “the recommendations for improvement”
 - Gathering of final suggestions
- Main participators
 - Customs brokers
 - Freight forwarders
 - Operators of warehouses (especially including refrigerating warehouses)