



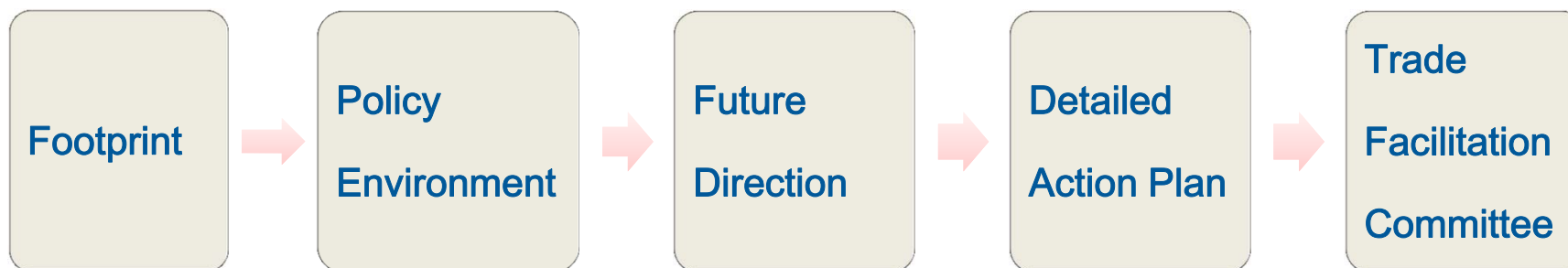
기획재정부
MINISTRY OF STRATEGY
AND FINANCE

Customs Policy of KOREA

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Ministry of Strategy & Finance

Today's presentation



I. Footprint of Korean Customs Policy

- ❖ Shaping modern customs system in 1949
- ❖ Fostering domestic industries from 1960s to 1970s
- ❖ Starting its market friendly role in 1980s
- ❖ Tailoring itself to market demands for recent 2 decades
- ❖ and Now ?

II. Policy Environment (1)

❖ Fiercer competition in global economy

- Expansion of economic bloc through FTAs
- Technological catch-up of developing countries
- Manufacturing innovation of developed countries

➤ *Advancement of customs administration and
stronger exporters' competitiveness*

II. Policy Environment (2)

❖ Expansion of FTAs

- High level + multiple countries at the same time
- 49 countries of 11 regions
- 41.1% out of total trade done through FTAs

➤ *To boost FTA utilization by improving origin system
and to prevent illegal acts, incl. origin laundering*

II. Policy Environment (3)

❖ Increase in new trade patterns

- Overseas direct purchasing
- E-commerce, special shipping, etc.
- From 3.5 million cases in 2010 to 15.5 million in 2014
 - *To simplify customs clearance and to strengthen management of freight with possible risks*

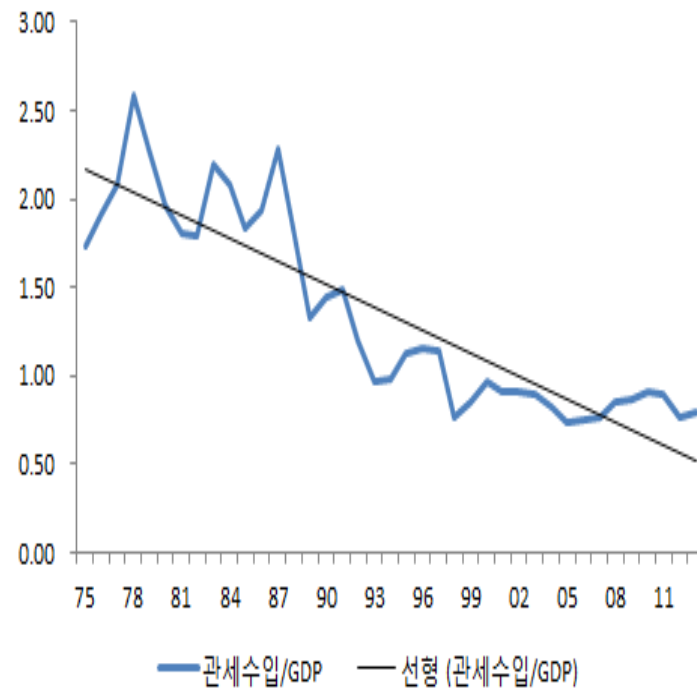
II. Policy Environment (4)

❖ A lesser role of customs duties as fiscal resource

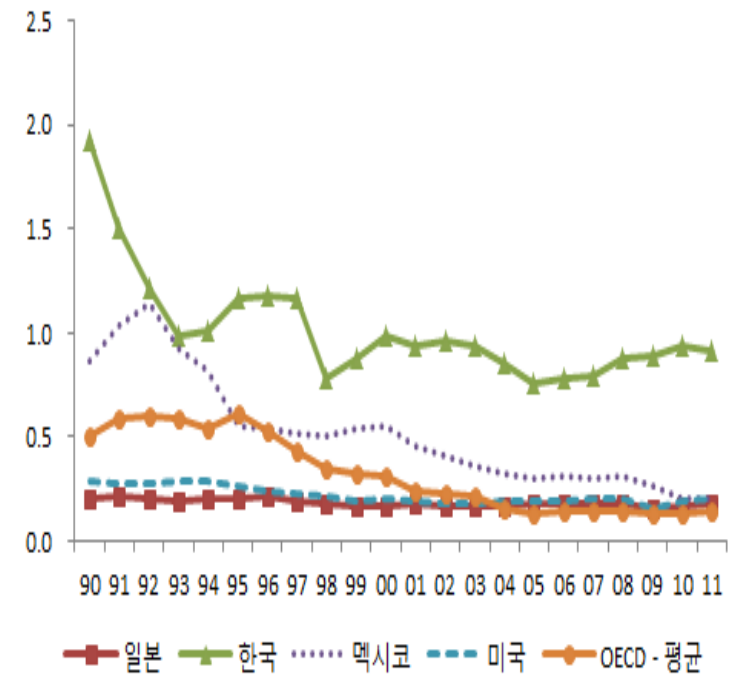
- Recent changes in economic environments
- “zero” tariff items → less contribution to revenue
- 4.7%(2010) → 3.3%(2014) ※ duties out of total tax revenues
 - *To reform duty drawback system and to realign duty reduction and exemption for revenue stability*

Prospects of Customs Revenue

The GDP patterns against customs revenues



The Changes of customs revenues in major economies



III. Future Direction

- ❖ **Realign legislations in Korea**
- ❖ **Policy strategy on tariff rates**
- ❖ **Stabilize tax revenue sources**
- ❖ **Better utilization of FTAs**

IV. Action Plan (1)

❖ Realign legislations in Korea

- Stipulate the public duties and rights in customs laws
- Redesign the regulations prescribed in directives
- Rewrite customs laws easily to understand
- Divide “Customs Act” into taxation and procedures

IV . Action Plan (2)

❖ Policy strategy on tariff rates

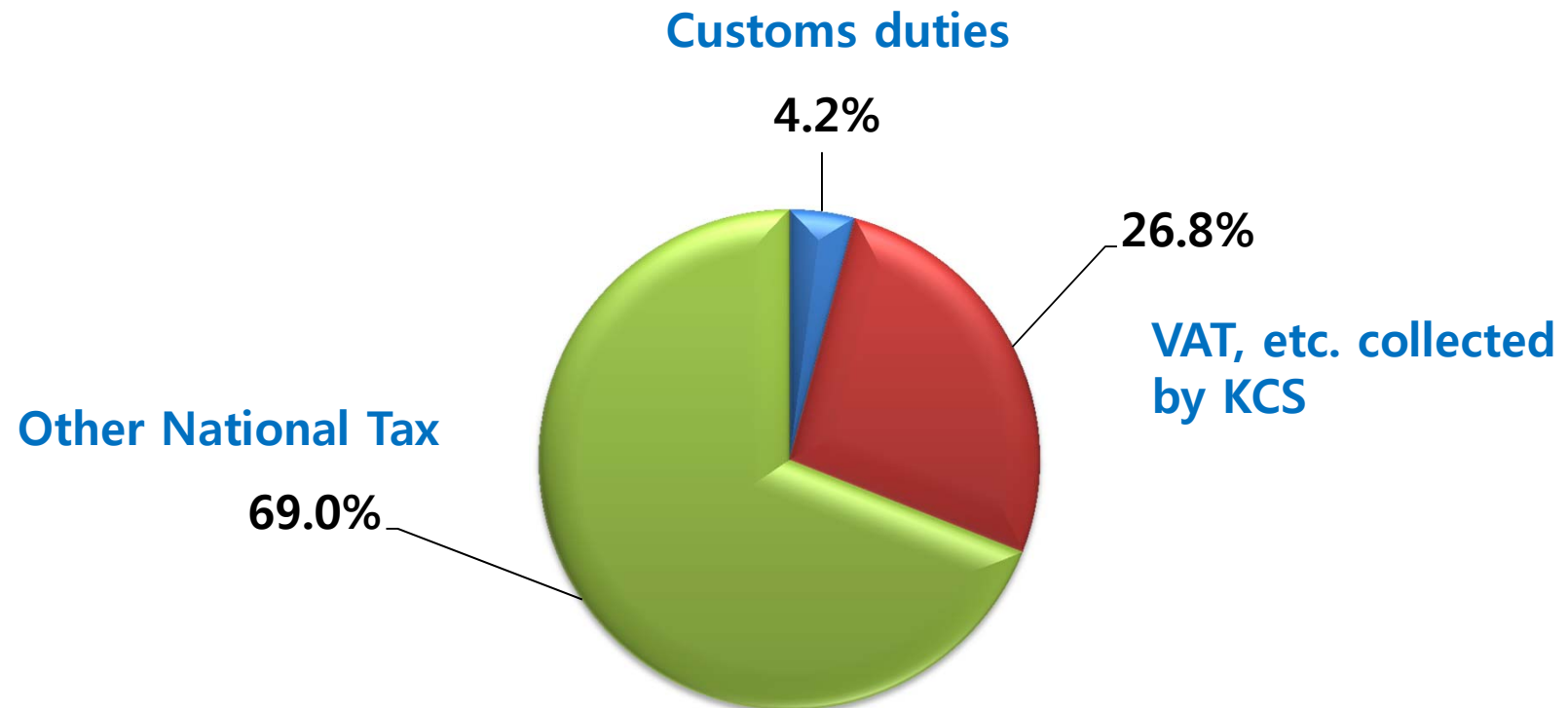
- **Restructure general tariff rates based on competitiveness**
- **Examine reasonable tariff rates on items**
- **Administer quota tariffs on a flexible basis**
- **Gather opinions from interested parties for transparency**

IV . Action Plan (3)

❖ Stabilize tax revenue sources

- Upgrade duty drawbacks**
- Reduce administrative costs incurred by drawback**
- Examine unnecessary duty reduction or exemption**
- Provide intensive support especially for SMEs**

Customs role in revenue collection (2014)



IV . Action Plan (4)

❖ For better utilization of FTAs, improve:

- Complicated legislations on origin**
- Proof of origin**
- Origin verification**
- Future FTAs and implementation negotiations**

Relevant Laws regulating Rules of Origin

Multilateral Agreements

- GATT
- The Agreement on Rules of Origin
- Revised Kyoto Convention
- GSTP Agreement
- The Asia-Pacific Trade Agreement

Bilateral Agreements

- Rules of Origin of 10 FTAs, incl. the Korea-Chile FTA
- The Agreement on the Procedure of Certification of Origin of Goods Traded between the South and the North Korea

Domestic laws and regulations

- The Customs Act
- The Act on Special Cases of the Customs Act for the Implementation of FTA
- The Foreign Trade Act
- The Inter-Korean Exchange and Cooperation Act
- The Agricultural Products Quality Control Act, and 5 other legislations

V. Trade Facilitation Committee

- ❖ **Built under the Minister of Strategy and Finance**
(MOSF, 2015. February)
 - Review the basic plan for trade facilitation
 - Coordinate administrative cooperation

- ❖ **Composed of 19 public and private experts**
(2-year term)
 - Chief of the Committee : 1st Vice Minister of MOSF
 - Secretary : DG of Customs and Tariffs of MOSF

Thank you !

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