Transshipment in Korea: Customs Perspective

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Background

- Transit transport vs Transshipment

- Korea is kind of an island country and proposed Eurasia Initiative
  : Korea → China → Mongolia → Russia → Europe
Background

- 85% of cross-border trade is carried out by sea

- An increase in transshipment at global level: more than three times in the past 15 years

Table 1: World container port throughput and its transshipment component (million TEU)

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<tbody>
<tr>
<td>Total port throughput</td>
<td>87.9</td>
<td>145.2</td>
<td>235.4</td>
<td>400.3</td>
<td>481.8</td>
<td>622.6</td>
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<tr>
<td>Transshipment</td>
<td>15.5</td>
<td>31.2</td>
<td>57.9</td>
<td>106.4</td>
<td>137.0</td>
<td>174.6</td>
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<tr>
<td>Transshipment (% share)</td>
<td>17.6</td>
<td>21.5</td>
<td>24.6</td>
<td>26.6</td>
<td>28.4</td>
<td>28.0</td>
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- Five busiest transshipment ports across the world are in Asia:
  - Singapore > Shanghai > Shenzhen > Busan > Hong Kong > ... > Rotterdam

Source: Port Technology, 2013
Transshipment in Korea at glance

- Transshipment accounts for 14.7 percent of the overall cross-border shipments in 2015
- The volume of transshipment has little changed over past several years

Volume of export, import, and transshipment

Proportion (%) of transshipment to the overall cross-border shipments

Source: Korea Customs Service
Sending and receiving countries of transshipments through Korea are mostly in Asia in 2015:

- Asia (60.9%)
- North America (13.9%)
- Europe (11.2%)
- Latin America (7.9%)

Source: Korea Customs Service
Transshipment Procedures in Korea

Bonded area

Terminal

Arrival
- e-manifest
- Declaration of discharge

Departure
- e-manifest
- Bonded transportation
- Entry report
Transshipment Procedures in Korea

- Submission of only manifests by shippers to Customs
  - 100% e-manifest consolidated by UNI-PASS, automated clearance system

- Submission of e-manifest + declaration of transshipment
  - for addition to or reduction from original shipments
  - for confirmation of “no-change” in original shipments in order to verify the origins of original shipments

- Visibility of transshipment: declarations of discharge
  - declaration of bonded transportation

- Little inspection on transshipment cargo
Case Study(1)

- Transshipment of air cargo between two air ports

<table>
<thead>
<tr>
<th>Past</th>
<th>Present</th>
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</table>
| e-Manifest  
+ carry-in report  
+ declaration of bonded transportation  
+ carry-out report | e-Manifest  
including information of bonded transportation and bonded warehouse |

Reduction of 3 hours of transit time
Transit within a day
**Case Study(2)**

- **e-C/O between two Customs authorities**

![Diagram]

1. **C/O application**
2. **Issuing C/O**
3. **e-C/O**
4. **Sending original C/O**
5. **Import declaration without C/O**
6. **Result of application of C/O for a preferential duty rate**

**Diagram Explanation**

- **Exporter** sends a **C/O application** to the **C/O issuing agency**.
- The **C/O issuing agency** then issues the **C/O**.
- The **C/O** is sent to **China Customs**.
- **Korea Customs** receives an e-C/O.
- **China Customs** sends an e-C/O back to **Korea Customs**.
- The **result** of applying the C/O for a preferential duty rate is determined.
- The **import declaration** goes through without the need for a physical C/O.
Challenges

- Transshipment of prohibited goods (e.g., drugs, counterfeit goods)
  - Detection of 6.5kg marijuana marked ‘herb and spice’ from Canada to Taiwan via Busan port, Korea in July 2015
  - Detection of switching original goods from China to Hong Kong with counterfeit goods by staff at a bonded area in Korea

- Exploiting transshipment as a chance of falsifications of origins
  - Transshipped goods are exempted from marking of origins on the goods and submission of certificates of origins
Suggestions

- Sharing experiences to identify barriers to transshipment / transit transport
  - Great Tumen Initiative (GTI) seminar on TFA (Trade Facilitation Agreement)
    - Global and regional issues about TFA
    - Paperless Trade in GTI
    - Sharing information and single window

- Research on simplification and harmonization of documents and procedures of transshipment / transit transport
  - Failure case study on harmonization of declaration documents between neighboring Customs authorities

- Time release study on transshipment procedures
  - Korea Customs conducts annual Time Release Studies
  - Measurement of elapsed time from arrival to release of shipments: 2 days
  - No measurement of elapsed time on transshipment yet
Contact for questions or suggestions:
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