Research on AEO and AEO MRA Effects

by Conducting Empirical Study with TRS Measurement and Survey

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I. Background and Hypothesis
1. Background

25 AEO MRA in Worldwide

Research on domestic effect of AEO

No Research on MRA effect

Research Initiated by CA, CN, EU, JP, KR, SG, US

“Reflect present look of AEO MRA and canvass international public opinion”
2. Hypothesis

**AEO MRA Promotes Trade Facilitation**

- AEO MRA contributes prompt Customs procedures

**Companies are well aware of and utilize AEO and AEO MRA**

- The countries that have introduced AEO and concluded MRA are promoting successfully and giving a regular training.
- The level of awareness and utilization on AEO and MRA is high

**Companies are satisfied with benefits from AEO and AEO MRA**

- The level of satisfaction on tangible benefits such as inspection exclusion is high
- The level of satisfaction on intangible benefits such as strengthening competitiveness and increasing brand image is high
II. Research Methodology
1. Ways of the Research

Time Release Study

Survey
2. Time Release Study

- **Customs Clearance Procedure of Exporters in China (WCO TRS Guide)**
  - Export Declaration → Export Inspection → Loading → Departure

  Measure Time on Export (China)

- **Customs Clearance Procedure of Importers in Korea**
  - Report Arrival → Import Declaration → Import Inspection → Release

  Measure Time on Import (Korea)

* Provide benefits such as Inspect Exemption to AEO Companies, but No benefits to Non-AEO Companies

* Overall TRS = China + Korea

How to match data? **B/L number and name of ship/aircraft**
2. Time Release Study

- **6 AEOs**
- **6 Non-AEOs**

- **KR**
- **CN**

- **3 AEOs, 3 Non-AEOs**
- **Does not Matter**

- **Period for TRS:** Before MRA (April ~ June); After MRA (Aug ~ Oct)

- **6 Sections:** Steel, Electronics, Chemicals, Textile, Machine, Automobile

- **Exclusion:** Island transportation, Long-term stored goods
3. Survey

▷ Subject: 300 or more companies
▷ Both AEOs and Non-AEOs, All Areas
▷ Discovering Benefits/Difficulties
▷ Level of awareness of AEO and MRA
▷ Participants (CA, CN, EU, JP, KR, SG, US, BASC)
3. Survey

- **Target Analysis**
  - Whole Supply Chain
  - AEO company
  - Non-AEO Company

- **Analysis Method**
  - Frequency Analysis
  - Cross Analysis
III. Research Result
1. TRS

<table>
<thead>
<tr>
<th>Category</th>
<th>Before MRA</th>
<th>After MRA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data</td>
<td>16,488</td>
<td>13,988</td>
<td>30,476</td>
</tr>
</tbody>
</table>

Exception

- All sections of the import and export process (exclude time consumed for inland transit)
- Check inspections performed by other government agencies; check goods that are stored long-term by classifying or marking
1. TRS (Before MRA)

- AEO company is faster than Non-AEO company

**Difference of Customs clearance time**

(Unit: percentage)

<table>
<thead>
<tr>
<th></th>
<th>China Import</th>
<th>China Export</th>
<th>Korea Import</th>
<th>Korea Export</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-11.9</td>
<td>+126</td>
<td>-78</td>
<td>-61.4</td>
</tr>
</tbody>
</table>

Korea Export
1. TRS (After MRA)

Greater effects from AEO export to AEO import

(Korea AEO Exporter -> China Importer)

<table>
<thead>
<tr>
<th></th>
<th>AEO Importer</th>
<th>Non-AEO Importer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50%</td>
<td>62%</td>
</tr>
</tbody>
</table>

(China AEO Exporter -> Korea Importer)

<table>
<thead>
<tr>
<th></th>
<th>AEO Importer</th>
<th>Non-AEO Importer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>56%</td>
</tr>
</tbody>
</table>
1. TRS (After MRA)

- Greater effects from AEO export to AEO import

(Korea AEO Exporter -> China Importer)

<table>
<thead>
<tr>
<th></th>
<th>AEO Importer</th>
<th>Non-AEO Importer</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>-34%</td>
<td></td>
</tr>
</tbody>
</table>

(China AEO Exporter -> Korea Importer)

<table>
<thead>
<tr>
<th></th>
<th>AEO Importer</th>
<th>Non-AEO Importer</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>-2%</td>
<td></td>
</tr>
</tbody>
</table>

16
1. TRS (After MRA)

Generate positive effects on all participating industries, but the level is different depending on importing countries and industries

(Korea AEO Exporter -> China Importer)

(China AEO Exporter -> Korea Importer)
## 2. Survey (Status)

(Unit: number)

<table>
<thead>
<tr>
<th>Category</th>
<th>Korea</th>
<th>China</th>
<th>Japan</th>
<th>Singapore</th>
<th>EU</th>
<th>U.S.</th>
<th>Canada</th>
<th>BASC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEO</td>
<td>269</td>
<td>243</td>
<td>236</td>
<td>21</td>
<td>650</td>
<td>370</td>
<td>16</td>
<td>41</td>
<td>1,846</td>
</tr>
<tr>
<td>Non-AEO</td>
<td>86</td>
<td>143</td>
<td>4</td>
<td>29</td>
<td>188</td>
<td>151</td>
<td>6</td>
<td>151</td>
<td>758</td>
</tr>
<tr>
<td>Total</td>
<td>355</td>
<td>386</td>
<td>240</td>
<td>50</td>
<td>838</td>
<td>521</td>
<td>22</td>
<td>192</td>
<td>2,604</td>
</tr>
</tbody>
</table>
2. Survey (awareness of AEO MRA)

Companies are generally not aware of concept, status, benefits on AEO MRA

▷ Awareness of AEO MRA Concept

<table>
<thead>
<tr>
<th></th>
<th>AEO</th>
<th>Non-AEO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>6</td>
</tr>
</tbody>
</table>

▷ Awareness of AEO MRA Benefits

<table>
<thead>
<tr>
<th></th>
<th>AEO</th>
<th>Non-AEO</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>35</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>5</td>
</tr>
</tbody>
</table>
2. Survey (AEO Benefits)

Level of actual benefits from AEO certification is lower than one of expected benefits

▷ Level of expected and actual benefits
2. Survey (MRA Benefits)

Level of actual benefits from AEO MRA is lower than one of expected benefits

Level of expected and actual benefits

- Level of satisfaction of the business partners stationed in MRA signed countries has increased
  - Average: Expected Benefit 82.9, Actual Benefit 81.9
  - Demand for document submission from government and related agencies other than customs has reduced
  - The number of documents needed has been reduced during clearance
  - Time spent on physical inspection has reduced during clearance
  - Frequency of physical inspection has reduced during clearance

Expected Benefit: 82.9
Actual Benefit: 81.9

<table>
<thead>
<tr>
<th></th>
<th>Expected Benefit</th>
<th>Actual Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>82.9</td>
<td>81.9</td>
</tr>
<tr>
<td>Level of satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand for document submission</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The number of documents</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time spent on physical</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency of physical</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Frequency of physical inspection has reduced during clearance
IV. Key Findings
1. Effects on trade facilitation of AEO and AEO MRA

- Import Customs clearance time for AEO company is faster than one for Non-AEO company before MRA
- Import Customs clearance time for AEO Exporter is greatly reduced after MRA
- The number and percentage of cargo inspection for AEO company is significantly reduced after MRA

2. Awareness of AEO MRA

- Awareness of MRA concept, status, utilization, benefits is significantly low
- The level of efforts to AEO certification and its maintenance is similar
  - Especially, Company has a burden on regular audit by Customs

3. The level of AEO and AEO MRA Benefits

- The level of satisfaction on AEO benefits from AEO company is lower than the level of expectation
- The level of satisfaction on AEO MRA benefits from AEO company is lower than the level of expectation
V. Suggestions
1. Roles of the WCO

Discussion on development and expansion plan of AEO and AEO MRA

Share Best Practices and valuable information

Apply for practical benefits and seek for new benefits

Implement an integral AEO information sharing system (Unify electronic data exchange)
2. Roles of Customs

Simplify AEO certification procedures and maintenance

Seek for additional tangible benefits and preferential care to AEO company

Expand quantitative and qualitative promotion
Many Thanks