Korea Customs’ FTA Outreach Program for Small and Medium-sized Enterprises

January 21, 2014 in Brussels
Presented by Youngdal Lee
I. Overview of Korea’s FTA

II. Analysis on SME’s FTA Utilization

III. KCS’ Outreach Programs for SMEs
I. Overview of Korea’s FTA
Overview of Korea’s FTA

1. Current Status of FTA in Korea

- Number of FTAs in effect: 9 FTAs
- Number of FTA partner countries: 47 countries
- Percentage of trade volume under FTAs: 36% as of 2013

($ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>940</td>
</tr>
<tr>
<td>2009</td>
<td>791</td>
</tr>
<tr>
<td>2010</td>
<td>1,308</td>
</tr>
<tr>
<td>2011</td>
<td>2,663</td>
</tr>
<tr>
<td>2012</td>
<td>3,710</td>
</tr>
<tr>
<td>2013</td>
<td>3,872</td>
</tr>
</tbody>
</table>

(%)
Overview of Korea’s FTA

Korea’s FTAs in Effect

- K-Chile
- K-Singapore
- K-EFTA
- K-ASEAN
- K-India
- K-EU
- K-Turkey
- K-Peru
- Korea-US

* Concluded FTA with Colombia, Australia / Under negotiation with China, Canada, NZ etc.
II. Analysis on SME’s FTA Utilization
## Definition of Korean SMEs

<table>
<thead>
<tr>
<th>Industry</th>
<th>Small &amp; Medium-sized Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employees</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>under 300</td>
</tr>
<tr>
<td><strong>Transportation, Mining &amp; Construction</strong></td>
<td>under 300</td>
</tr>
<tr>
<td><strong>Retail, Hotel etc.</strong></td>
<td>under 300</td>
</tr>
<tr>
<td><strong>Fishery, Film, Hospital etc.</strong></td>
<td>under 200</td>
</tr>
<tr>
<td><strong>Wholesale, Service etc.</strong></td>
<td>under 100</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Varied</td>
</tr>
</tbody>
</table>

Source: The Framework Act on SMEs
Analysis on SMEs FTA Utilization

2 Economic Importance of SMEs

<table>
<thead>
<tr>
<th></th>
<th>No. of Companies</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3,234,687</td>
<td>14,534,230</td>
</tr>
<tr>
<td>SMEs</td>
<td>3,231,634 (99.9%)</td>
<td>12,626,746 (86.9%)</td>
</tr>
</tbody>
</table>

Analysis on SMEs FTA Utilization

FTA Utilization Rate by Company Size (export)

<table>
<thead>
<tr>
<th>Country</th>
<th>Major</th>
<th>SME</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>82.7</td>
<td>78.4</td>
<td>80.5</td>
</tr>
<tr>
<td>EFTA</td>
<td>70.6</td>
<td>70.6</td>
<td>67.9</td>
</tr>
<tr>
<td>Asean</td>
<td>57.7</td>
<td>38.5</td>
<td>48.9</td>
</tr>
<tr>
<td>India</td>
<td>35.4</td>
<td>43</td>
<td>57.7</td>
</tr>
<tr>
<td>EU</td>
<td>80.9</td>
<td>66.4</td>
<td>76.4</td>
</tr>
<tr>
<td>Peru</td>
<td>92</td>
<td>76.4</td>
<td>98.1</td>
</tr>
<tr>
<td>USA</td>
<td>69.2</td>
<td>66.6</td>
<td>76.4</td>
</tr>
<tr>
<td>Turkey</td>
<td>73.1</td>
<td>70.2</td>
<td>66.6</td>
</tr>
</tbody>
</table>
Analysis of SMEs FTA Utilization

SMEs FTA Utilization Rate by Number of Firms

Year of 2012

- 74.6% (47,471 firms)
- 25.4% (12,383 firms)

Non-Utilization rate
Utilization rate (%)

www.customs.go.kr
**Why can’t SMEs utilize FTA?** *(400 SMEs surveyed in 2013)*

### Reasons for non-utilization of FTA

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of knowledge</td>
<td>24.2</td>
</tr>
<tr>
<td>Less motivated</td>
<td>8.7</td>
</tr>
<tr>
<td>Shortage of HR</td>
<td>14.2</td>
</tr>
<tr>
<td>Difficulty origin management</td>
<td>11.4</td>
</tr>
<tr>
<td>Burden on verification</td>
<td>17.4</td>
</tr>
<tr>
<td>Others</td>
<td>24.1</td>
</tr>
</tbody>
</table>

(400 SMEs surveyed in 2013)
III. KCS’ Outreach Programs for SMEs
Established one-stop FTA support Center at 6 main customs

77 Account Managers have been assigned to provide one-stop support services including discovering needs, providing personalized consultations and carrying out post management services.

- Consultations
- Resolving Difficulties in Customs Clearance Procedures
- International Cooperation

※ at 6 main customs (Seoul, Busan, Incheon etc.)
1. Consulting Service

Customs brokers visit companies to provide consulting Service on site, to give information regarding origin, management, origin certification and verification etc.

※ Participating enterprise is to bear a portion (30%) of the cost

Customized Consulting Services for SMEs

Consulting areas:
origin management, origin certification and approval etc.

2. Training Sessions for Workers at SMEs

Specialized training and education are provided to practical level workers at companies. A permanent FTA training center has been established at 6 regional Customs and provide information on origin certification, approved exporter etc.

Trainings provided to practical-level workers

Trainings held 66 times for 2,620 workers in 2013
3. Capability Building and Job-Matching Services

For undergraduate and specialized vocational high school students, afterschool classes and short-term educational programs have been held. (20 sessions for 241 students in 2013)

Matching students who wish to gain a job with SMEs undergoing manpower shortage

Training to build capacity and job matching service
4. Provision of FTA-related Information

FTA portal website <fta.customs.go.kr> is operated to help exporting and importing companies easily gain access to FTA-related information including preferential tariff rates and rules of origin etc.

* Linked to relevant government agencies to provide one-stop service

✓ “FTA Portal (English version) is operated to provide FTA-related information to buyers of the FTA partner countries which would contribute to increase in the volume of exportation (October, 2012)

Smart phone application called “SMART FTA” has been introduced to allow real-time provision of FTA-related information
5. e-FTA Origin Management System (FTA-PASS)

Manufacturer / Exporter

Self-Evaluation on Origin Status
PC Mode: download program from web
WEB Mode: access to web
Cost: free of charge
5.1 Supported Target

- Small-Sized
  - DHC Receiver Drier

- Medium-Sized
  - HCC Engine

- Large-Sized
  - Car

Material Supply → Assembly → Automobile Export

Supported Company Level
5.2 System Structure

- **Master Info.**
  - Customer (Buy/Sell)
  - Material & Product List
  - Bill of Materials

- **Transaction Info.**
  - Cost of Materials
  - Certificate of Origin (Received)
  - Product Price

- **Origin Calculation**
  - Origin calculate
  - Calculate history

- **Document Issue**
  - Export C/O Issue
  - Local C/O Issue
  - Write Register
  - Related Doc. Archive

- **User Information**
  - User (Signature authority)
  - User authority
  - Company

- **Rules of Origin**
6. Advance Application of FTA Preference

For importers

by signaling alert message on the e-clearance system screen at their import declaration

by showing how much duty they can save when they claim for preferential tariff treatment

If they miss the chance at the import declaration, they can use it within one year after the import declaration is accepted by the Customs.
6. Automatic Notification of FTA Preference

For exporters
by signaling alert message on the e-clearance system
screen at their export declaration
by showing that this item is subject to preferential
tariff benefit in FTA partner country

*By providing the MFN rate and FTA rate in ASEAN, Chile, EU, U.S., Peru etc countries.*
Thank you