On May 18, 2016, the 5th Meeting on Deregulation and Private-Public Joint Meeting in Charge of Regulatory Reform was held in the Blue House and the event was attended by the public, and representatives from the government and the private sector.

During the meeting, corporate representatives talked about unreasonable regulatory challenges they faced while operating business in Korea, and related ministers (government regulators) spoke in response about how they will reform such regulations.

In order to quickly respond to the government’s deregulatory drive, the Office of the Foreign Investment Ombudsman within the Korea Trade-Investment Promotion Agency (KOTRA) worked tirelessly to address unreasonable regulatory issues raised by foreign-invested companies in a bid to improve the country’s business environment. In this regard, we offer one such example of grievance resolution that has led to the improvement of unjustifiable customs regulations.

The Korea Customs Service (KCS) tightened up regulations on domestic transportation of express deliveries and the Customs Act Newly inserted paragraph (6), Article 254-2 (Special Customs Clearance for Consignments) on July 1, 2013. The newly inserted paragraph (6) stipulates that the head of a customs office shall clear a consignment through customs at a designated storage place that is separately determined in accordance with the procedure prescribed by the Commissioner of the KCS. Effective as of July 1, 2013, the newly inserted provisions prohibit the express delivery of such goods into any bonded warehouse.

Such tightened regulations the KCS set on the domestic transportation of express delivery can be viewed as the preventive measures against the domestic inflow of ‘goods threatening public security’ via other means of transportation such as general goods or mailing goods. The related logistics industry points out such restrictions on bonded transportation of express delivery would have limitations in preventing the inflow of ‘hazardous substances’ into the country.

So far the KCS has designated the entirety of express deliveries as items subject to customs control, requiring all of them to be subject to X-ray screening. This customs control of express deliveries has been conducted more thoroughly than general deliveries.

Domestic logistics companies using express delivery are operating across all industries in Korea, and are providing goods and services produced by businesses all over the world through the global networks. This restriction on bonded transportation would lead to the complicated process of logistics companies and increased inefficiency as it is much more time-consuming and costly.

Domestic businesses’ logistics needs can be boiled down to just five things: speed, simplicity, cost, global distribution and compliance.

This means that businesses want their goods and services to be provided in a speedy, simple and price-competitive manner in the global market while complying with customs regulations of each country.

Transportation services of express deliveries that satisfy the needs of such businesses can play a key role in boosting competitiveness of logistics.

Multinational express carriers in Korea such as DHL, UPS, Fedex, and TNT raised some issues of such customs regulations for transportation of express deliveries and requested that Foreign Investment Ombudsman provide assistance in regulatory improvement.

The Ombudsman visited the Commissioner of the KCS on July 27, 2015 to resolve such issues filed by the foreign-invested companies, and requested that relevant customs authorities review and reconsider measures to allow for bonded transportation of express deliveries. The Ombudsman also suggested that the KCS and the foreign-invested companies involved attend the Meeting for Foreign-invested Companies hosted by KOTRA.

As a result, both sides attended the meeting organized by the Ombudsman on Aug. 19, 2015. During the event, the head of KCS listened attentively to the issues related to prohibition on transportation of such goods. On April 6, 2016, the Ombudsman attended the Private-Public Joint Committee Meeting for Regulatory Reform hosted by the KCS where he repeatedly explained problems of the current system and strongly requested that the system be improved quickly.

On Aug. 7, 2016, the KCS accepted the requests by the foreign-invested companies for regulatory improvement and amended the ‘Notice of disposal: Import Clearance of Express Deliveries’ stipulating that ‘bonded transportation such as bonded warehouse for private use shall be approved for domestic businesses using express services provided by express carriers’.

With this amendment, domestic logistics companies using express delivery services are expected to boost their global competitiveness through improved logistics.

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*Bonded transportation means transporting cargos imported from a foreign country into another bonded area in the original form of foreign goods after filing a declaration with or obtaining approval from the head of the relevant customs office without clearing them through customs in the port of entry.