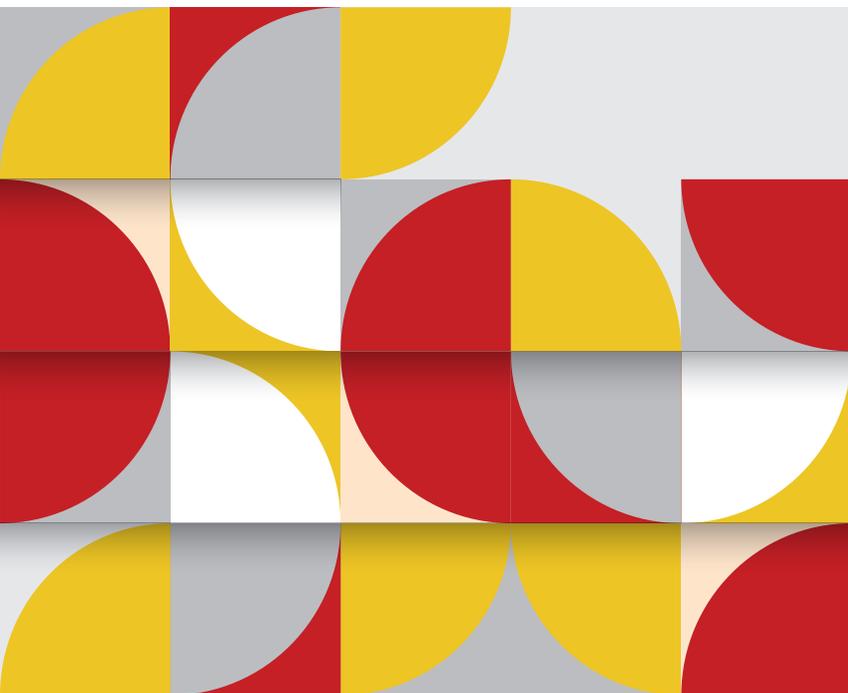


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Summary

■ Introduction

The Korea-Vietnam FTA (KOR-VN FTA), a bilateral FTA between the Republic of Korea (hereinafter referred to as Korea) and Vietnam (hereinafter referred to as Vietnam), entered into force on December 20, 2015. Even though Korea-ASEAN FTA (KOR-ASEAN FTA) was already forged, which ties Korea and Vietnam through FTA, the two governments agreed to have an additional FTA beyond the KOR-ASEAN FTA, recognizing the increased importance of economic relations between the two countries. The KOR-VN FTA is not only about tariff elimination and/or opening of service and investment markets, but also emphasizes the economic cooperation between the two countries. In chapter 13 of KOR-VN FTA, the Agreement includes contents about economic cooperation. Also unlike other FTAs, the economic cooperation chapter specifies detailed measures to facilitate and implement the economic cooperation in the Agreement.

The aim of this out economic cooperation. Also,project is to investigate the actual situation of using FTA and to provide consulting for strengthening capacity of implementing the KOR-VN FTA. In order to enhance the effect of the FTA between Korea and Vietnam, it is necessary to strengthen the capacity of local institutions to further improve the trade and investment environment between the two countries. As part of efforts to promote the qualitative utilization of FTAs and to mitigate non-tariff barriers related to the application of FTAs, policy directions for strengthening FTA implementation capacity will be presented. It is expected that the global competitiveness will be further enhanced by improving the effectiveness of the Korea-Vietnam FTA implementation and maximizing the duty-free benefits of the two countries. As the business conditions of the two countries improve through the enhancement of the effectiveness of FTA implementation, it is expected that the synergy effect will be multiplied as well.

■ Bilateral Relations between Korea and Vietnam

Korea has established formal diplomatic relations with Vietnam on December 22, 1992. Since then, the bilateral relationship between Korea and Vietnam has been progressively advanced with shared efforts by both governments and people towards their mutual beneficiary prosperity.

For both Korea and Vietnam who showed passive interest until the late 1990s in open-door market policy, the Free Trade Agreement that spread during the 2000s was an important trade policy tool. Shortly after Korea signed its first FTA with Chile in 2004, several FTAs with Singapore and EFTA were signed, followed by FTAs with 4 of Korea's 5 major trading countries/regions (including all but Japan). Korea now has 15 FTAs that connect it to 52 nations, and the FTA with 5 Central American nations is now awaiting approval in the ratification process.

Vietnam's progress in their open-door policy through the implementation of the Doi Moi in 1986, joining of ASEAN in 1995, joining of APEC in 1998, acclimatization of permanent trade relations with the United States in 2000, and joining of the WTO in 2007, Vietnam now became a full-fledged participant in the world economy. As an ASEAN member country, Vietnam signed FTAs with Korea, China, Japan, New Zealand, India, and what is commonly referred to as the ASEAN+6 nations. Individually, Vietnam signed with the Eurasian Economic Union, Chile, and others. Furthermore, Vietnam has actively participated in the recent RCEP, TTP, and other Mega-FTAs.

After the diplomatic relations between Korea and Vietnam was established, trade between the two countries has showed a strong increase. The Korea-ASEAN FTA and Korea-Vietnam FTA greatly contributed to the increase in trade between the two countries. With the exception of the years after the Asian Financial Crisis (1998) and the Global Financial Crisis (2009), trade between Korea and Vietnam has continued an increasing trend; on average, there was an increase of about 20% in exports and 25% in imports annually from 1992 to 2017. This increasing trend has made Korea become Vietnam's second largest trading partner, the second largest importing and 4th largest exporting country since 2015. On the other hand, Vietnam became Korea's fourth largest trading country, third largest exporting country, and eighth largest importing country in 2017.

The decisive factor in the increase of trade between Vietnam and Korea can be found in the active investments of Korean corporations in Vietnam. Through entering the WTO in 2007, signing the Korea-ASEAN FTA, signing the Vietnam-EU FTA, joining the TPP, and actively opening up their markets, Vietnam was able to effectively communicate their will to be an active member of global trade to the world. Korea-ASEAN FTA in 2007 and Korea-Vietnam FTA in 2015 proved to have a positive effect in an increase in trade volume; in 2007 and 2015 when the Korea-ASEAN FTA and Korea-Vietnam FTA came into effect, trade increased by 47% and 23% respectively. Considering the fact that trade increased between Korea and Vietnam by approximately 20% after creating diplomatic relations, the two FTAs can be said to have a positive contribution to the bilateral trade between the two countries.

Since the 1990s, Korea's Foreign Direct Investments in Vietnam has rapidly increased. Korea's FDI in Vietnam in 2016 stood at USD 2.3 billion, accounting for 6.4% of Korea's total FDI in 2016. Until September 2017, Korea's FDI toward Vietnam totaled USD 15.6 billion, making Vietnam Korea's fifth FDI destination, following the US, China, Hong Kong, and the Cayman Islands. Vietnam took a 4.3% share of Korea's total FDI and the once stagnant investment to Vietnam after the Global Financial Crisis has recently begun to increase rapidly again. Vietnam remains to attract investors with its comparatively cheap and abundant labor force and the government's efforts to encourage investments into the country.

■ Legal and Institutional Structure for Implementing FTA

Utilization Rate for Korea-ASEAN & Korea-Vietnam FTA

The utilization rate in Korea's imports from Vietnam tends to decline gradually over the period of 2013 ~ 16. The utilization rate, which was 72.6% in 2013, dropped slightly to 71.9% in 2014 and decreased more than 10 percentage point in 2015 and 2016, recording 60.7% and 58.8%, respectively. The utilization rate for imports from Vietnam by industry did not change much. In particular, the utilization rate of textile & garment products, which are Korea's major import products from Vietnam, was higher than 95% in 2016 and had been maintained at a very high rate. The utilization rate of electronic machinery product, Korea's second major importing

product from Vietnam, was 28.8% in 2013. It surged up to 34.4% in 2014, but in 2015 and 2016, it was back to 25.8% and 26.9%, respectively, which were about the same level as in 2013.

Customs Procedure

With the universal use of internet in both private and public sectors, the Korea Customs Service (KCS) recognizes the importance of using the technology to establish a cost-effective solution. By utilizing the clearance portal system on the internet, customs procedures can be carried out at home, or at the office or even on move as long as internet is available. The system includes connections to various other trade related entities such as banks for online payment of duties and bonded storage operators for receiving such certificates as release permits. In addition, the trade operators can access the customs administration system via internet by using the internet portal which provides various services and different access levels depending on the type of users. Such services include customs clearance services, single window services, information services and customer relationship management. The portal itself acts as a gateway between the external user and the customs system including the import and export clearance system, cargo management system and duty drawback system so that external users can have access to various information and services.

For Vietnam Customs procedure, General Department of Vietnam Customs (GDVC) is an organization structured under Ministry of Finance and responsible for ensuring management, advising and assisting Ministry of Finance in customs management and enforcement. With the proliferation of FTAs, GDVC realized that there should be a necessary for self-renewal and improvement of customs personnel, institutional issues, guidance instructions, facilities for professional activities and working environment and attitude. Since 2014, GDVC applied Vietnam automated cargo clearance system (VNACCS) to all regional customs department and subsequently all the customs sub-branches. This system provides services of tax-exemption categories, customs procedures applied for both traded and nontraded goods, simplified customs procedure of low value goods and temporary import and re-export goods. The core functions of this system including full range of modules:

automatic customs clearance (e-Declaration); Ship declaration system (e-Manifest); Invoice transactions report (e-Invoice); C/O; electronic C/O; selectivity; risk management profile/risk management criteria; import-export business management; Customs clearance and Release of goods; Supervision and control.

Issuance of Certificate of Origin

In Korea, the electronic trading platform for issuing the certificate of origin is provided by the UNI-PASS of the Korea Customs Service as well as Web Certification System of the Chamber of Commerce and Industry (KCCI). The UNI-PASS is an electronic customs clearance system developed and operated by KCS. It is not just a fully automated customs administration system utilizing up-to-date IT technology, but also has embedded 20 years of know-how and experience including full transfer of the technology and cumulated knowledge.

KCS started to construct an electronic customs clearance system in 1992 by establishing a customs clearance plan for Electronic Document Exchange (EDI). The Korea Customs Service continuously invested in the care of IT and by the year 2000 nearly all customs procedures were automated. In 2005, KCS developed the internet based customs system and the Single window was developed to connect various government entities and agencies. Since the year of 2011, the UNI-PASS system is in its fourth generation adopting mobile concept with the goal to create a system to share information globally.

With the changes in the international trade environment including the FTAs, the KCCI developed a “Certificate Origin (C/O) Web Certification System” to eliminate the inconvenience incurred to companies in having to visit the issuer of issuance of certificates. Users can conveniently send application and print a C/O using its internet-based system anytime and anywhere. The main task of the Trade Certification Service Center of KCCI is to issue certificates of origin and certify trade documents. The certificates of origin issued by KCCI include general C/O, preferential tariff C/O and FTA C/O, country-specific C/O and so on.

For Vietnam C/O Issuance, the Ministry of Industry and Trade of Vietnam is a state organization assigned by the Government to manage certificates of origin. In particular, the Ministry shall directly grant all FTA certificates of origin. All non-FTA

certificates of origin are issued by Vietnam Chamber of Commerce and Industry (VCCI). Recognizing the importance of issuing certificates of origin and facilitating the processing and receiving of dossiers, the Ministry of Trade (former) has implemented the eCoSys Certificate of Origin management system since 2006. The initial system simply collected information about certificates of origin from Import-Export Management Offices, Industrial Management Boards and VCCI nation-wide branches. In 2007, the pilot system was implemented for 50 prestigious enterprises with high and stable export turnover. In 2008, the system was widely deployed for all traders applying for FTA certificates of origin granted by the Ministry of Industry and Trade of Vietnam. All applications are electronically signed on the system.

With an aim to improving the business environment, speeding up administrative procedures, shortening the issuance period, reducing administrative costs, ensuring transparency and raising responsibility of competent issuing authorities under the Resolution 19/NQ-CP of the Government in the period of 2014 - 2015, the Agency of Foreign Trade has coordinated with the Vietnam E-Commerce and Digital Economy Agency to continuously improve the eCoSys system. According to statistics, there have been more 20,000 enterprises participating in the eCoSys system up to now.

Verification of Origin

Korea Customs Service has undertaken the origin verification process since the Korea-Chile FTA, the first FTA signed by Korea. However, until 2011, Customs Headquarter or local customs did not have a separate team or division for origin verification. In January 2010, the Korea Institute of Origin Information (KIOI), a nonprofit government-funded institution, was established. According to Customs Act Article 223-2 and the Enforcement Decree of the Customs Act Article 236-5, the Commissioner of the Korea Customs Service consigned to the KIOI to collect and analyze origin related information and the KIOI provides information to the customs authorities for FTA origin verification. In April 2011, the Center for FTA Enforcement Planning was established at the Customs Headquarter. The Center for FTA Enforcement Planning was established as a dedicated division to check on the implementation status of FTAs in Korea and to designate approved exporters, to provide administrative guidance and publicity, to improve the utilization of FTAs,

and to build computational and electronic infrastructure for the effective use of FTA (called FTA- PASS) for import-export companies. Also, it is responsible for verifying the preferential rules of origin, which prevents the illegal use of preferential tariffs.

The office of origin support under the Korea Customs Service has set up a plan to advance the origin verification process after the implementation of the Korea-EU FTA and the Korea-US FTA. As the investigation process of rules of origin differs among FTAs in which Korea participates and there has been surge of origin investigation requests from the FTA partner countries, it was needed to have concrete procedure for integrated system for origin investigation. As part of this process, the Korea Customs Service enacted and implemented the Directive on the Operation of Origin Investigation under FTA on September 20, 2012. The Directive improves the transparency and consistency in origin investigation and helps entrepreneur have better predictability from possible origin investigation.

For exporting product, Vietnam Customs offices determine the origin of exported goods through an examination of the contents declared by the customs declarants, the customs dossiers, and the results of the physical inspection of the goods. In the event that the origin of exported goods is questioned, the customs offices require the customs declarants to provide documents pertaining to the origin of exported goods. Inspection and verification of goods is then carried out at production establishments. While awaiting the result of this inspection and verification, exported goods are cleared in accordance with Article 37 of Customs Law 54/2014 / QH13.

In import verification, Vietnam's Customs offices examine and determine the origin of imported goods on the basis of the declaration contents, certificate of origin, customs dossiers and the results of the physical inspection of the goods. Certificate of origin of imported goods is to be issued by competent authorities of the exporting countries or certified by the producers, exporters or importers according to international treaties to which Vietnam is a member. In the event that the origin of imported goods becomes suspicious, the customs offices inspect and verify the origin of goods in the country of production. The results of this verification are legally valid for determining the origin of imported goods. While awaiting the results of the inspection and verification, imported goods are cleared from customs procedures under Article 37 of the Customs Law 54/2014 / QH13, but are not subject to special preferential tax rates. The official tax amount to be paid shall be based

on the results of inspection and verification.

■ Policy Suggestion

Cooperation in the Information Analysis Area

Verification of origin is inevitable in the operation of FTAs. However, if verification is too strong or tight, it will discourage the willingness to utilize the preferential tariff benefit given from the FTA, but if it is too loose or slack, it cannot effectively prevent a free-riding problem of FTAs. Verification should be a difficult procedure because it takes into account such positive and negative impacts of verification.

It is pointed out that lack of a specific, standardized verification procedure raises the difficulty of verification. This means that there exist no systematic tools to verify the authenticity of the certificate of origin effectively and efficiently. Also, given that verification of origin involves partner countries, lack of harmonized and/or agreed procedure for verification among the involving countries makes verification procedure complicated.

Considering that verification of origin can bring a negative impact on FTA utilization and can cause extra cost and time for exporters and importers, there needs to be a close cooperation between the two countries' Customs. The first step is to understand the origin verification system of the partner country, especially about how to evaluate a 'reasonable doubt.' Vietnam also has its own way of selecting imported products for verification of origin, and it seems as efficient and systematic as a Korean mechanism. Improving Vietnamese information analysis capacity will be beneficial for Korea as well as Vietnam as it can prevent any unnecessary requests for Korea with regard to the verification of origin. The two countries can cooperate to develop a systematic internal guideline for verification. In this process, each country may adjust and reflect the partner country's specific factor in its process of determining a 'reasonable doubt.'

Electronic Data Exchange Program

Bilateral origin data exchange program could have several advantages; it can contribute to lowering logistics costs, simplify examination process of origin at the

border and reduce the number of origin verification cases. These benefits can save time and cost to utilize the FTA, preventing unnecessary delay and/or dispute at the border. Especially, considering the recent expansion of bilateral trade between Korea and Vietnam, origin data exchange program can help to facilitate the FTA implementation.

Introduction of origin data exchange program requires resolution of technical and institutional matters. In case of Vietnam, technical issues can be overcome easily because Vietnam has already adopted the ECOSYS, a web-based single window system and this system can be developed to meet the requirements of electronic data exchange program. The financial burden for constructing such system should be relatively a minor matter.

On the other hand, managing the institutional matter would be critical for developing the basis for electronic data exchange system. The survey conducted by the Joint United Nations Regional Commissions in 2015 indicates that the lack of coordination between government agencies is the most difficult challenge for implementing trade facilitation measures. It is known that there is limited information sharing between C/O issuing authority and the Customs in Vietnam. Without linking these two agencies, it would be difficult to introduce an electronic data exchange program in Korea and Vietnam. In this regard, Vietnamese government should have a strong will to construct system for cross-border electronic data exchange programs and improve related laws and regulations for electronic transactions. An electronic data exchange system is the first step for an effective FTA implementation. The two countries' area of cooperation should be widened as it progresses to the next step such as cross-border paperless trade and/or construction of regional single window system.

Capacity Building for the Electronic Origin Management System

Vietnam is one of the leading countries in FTAs among ASEAN member countries. In spite of such successful achievement in FTAs, implementation of FTAs does not seem to be effective enough. Vietnamese hardware to support the explosive growth in trade is gradually developing; however its software for effective use of FTAs seems to be lagging behind. Vietnam needs to introduce measures to enhance its exporting

firms' origin management system. In this regard, Vietnam can consider adopting an electronic origin management system, which is similar to what Korea operates. An electronic management system has advantages over a paper-based traditional method. First of all, it is effective to train and educate exporting firms, especially SMEs which lack human capital. Secondly, it can reduce time and cost of management. Also, the fact that Vietnam has electronic origin management system itself increases credibility and reputation of its FTA implementing capacity.

The first and urgent task would be to introduce electronic C/O system. Given the current C/O system in Vietnam, introducing an electronic origin management system should take gradual steps. The first task is to complete its paperless trading system. Vietnam is currently developing paperless trading system. However, it is not completed yet. If the paperless trading system is not fully fledged, origin management system should be limited in its functions, losing its advantages. Therefore, construction of a high-level paperless trading system is a pre-requisite for an electronic origin management system.

Along with introducing electronic C/O system, the Vietnamese government should establish a mid- to long-term strategy for an origin management system. It took time to develop Korea's electronic origin management system. It was a result of the long-term plan to support exporting SMEs. Such a long-term strategic plan should be prepared with a strong government will.

■ Conclusion

In this project, we would like to suggest the area in which the two countries can cooperate each other to facilitate the implementation of FTA. Given that Korea has an advanced system in Customs procedure, the suggestions will be based on Korea's experiences and know-hows. However, improving Vietnamese capacity in Customs procedure will have a positive spillover effect on Korean exports so it will be a win-win result for both countries.

Cooperation in the information analysis system, electronic data exchange program between Korea and Vietnam and capacity building for the electronic origin management system are areas which we suggest in this project. Considering that verification of origin can bring a negative impact on FTA utilization and can cause

extra cost and time for exporters and importers, there needs to be a close cooperation between the two countries' Customs. Improving information analysis system in Vietnam can lubricate origin investigation procedure and its effectiveness and it will lower the burden on trading companies between the two country. Bilateral origin data exchange program could have advantages in the sense that it can contribute to lowering logistics costs, simplify examination process of origin at the border and reduce the number of origin verification cases. Improving electronic origin management system in Vietnam provides positive impact not only on Vietnam but also on its FTA partner countries, including Korea.

What we deliver in this report is to find the area in which both countries can gain and suggest the major direction to follow. The detailed path to realize mutual benefit and plan about how to cooperate and implement should be considered and followed.



CHAPTER



01

Introduction

Chapter

1

Introduction

The Korea-Vietnam FTA (KOR-VN FTA), a bilateral FTA between the Republic of Korea (hereinafter referred to as Korea) and Vietnam (hereinafter referred to as Vietnam), entered into force on December 20, 2015. Even though Korea-ASEAN FTA (KOR-ASEAN FTA) was already forged, which ties Korea and Vietnam through FTA, the two governments agreed to have an additional FTA beyond the KOR-ASEAN FTA, recognizing the increased importance of economic relations between the two countries. The KOR-VN FTA is not only about tariff elimination and/or opening of service and investment markets, but also emphasizes the economic cooperation between the two countries. In chapter 13 of KOR-VN FTA, the Agreement includes contents about economic cooperation. Also unlike other FTAs, the economic cooperation chapter specifies detailed measures to facilitate and implement the economic cooperation in the Agreement. As sectors of cooperation, it covers comprehensive sectors including manufacturing, agriculture, fishery, and forestry, such as automotive, steel and metal, petrochemicals, electronics, horticulture, fishery resources management, and livestock and crop production. Also, trade related rules and procedures such as standard, technical regulation, customs procedure and rules of origin are subject to the economic cooperation. With respect to implementing economic cooperation, the two countries agreed to establish a Committee on Economic Cooperation, which is responsible to review and monitor cooperation projects agreed by the two countries.

CHAPTER 13
ECONOMIC COOPERATION

Article 13.1 : Basic Principles

1. Recognizing the importance of economic cooperation between the Parties, the Parties shall promote cooperation in areas of mutual interest, taking into account the different levels of development and capacity of the Parties.
2. To promote and facilitate the implementation of economic cooperation, the Parties shall undertake cooperation between their respective governments and, where necessary and appropriate, encourage and facilitate cooperation, where one or both sides are entities other than the governments of the Parties. Based on mutual benefits of the Parties towards the cooperative sectors in which the Parties have mutual interests, the Parties will cooperate on relevant forms of activities.
3. Reaffirming the value of ongoing economic cooperation initiatives between the Parties, the Parties shall respect and encourage their existing economic cooperation under frameworks other than this Agreement.
4. The Parties acknowledge the provisions to encourage and facilitate economic cooperation as provided for in this Agreement in accordance with their respective domestic laws and regulations.

Article 13.4: Implementation

1. The cooperation shall be implemented in accordance with each Party's domestic laws and regulations.
2. For the purposes of the effective implementation and operation of this Chapter, a Committee on Economic Cooperation (hereinafter referred to as the "Committee") shall be established. The Parties shall conclude an implementing arrangement setting out the forms and functions of the Committee.
3. The Parties shall undertake cooperation projects at mutually agreed periods of time. The implementation of such projects shall be monitored and reviewed by the Committee to ensure their effective implementation.
4. Taking into account the different levels of development and capacity, the Parties shall contribute appropriately to the cost of implementation, according to mutual agreement.

Source: FTA Portal (<http://www.fta.go.kr/main/situation/kfta/lov5/vn/2/>)

The aim of this out economic cooperation. Also,project is to investigate the actual situation of using FTA and to provide consulting for strengthening capacity of implementing the KOR-VN FTA. In order to enhance the effect of the FTA between Korea and Vietnam, it is necessary to strengthen the capacity of local institutions to further improve the trade and investment environment between the two countries. As part of efforts to promote the qualitative utilization of FTAs and to mitigate non-tariff barriers related to the application of FTAs, policy directions for strengthening FTA implementation capacity will be presented. It is expected that the global competitiveness will be further enhanced by improving the effectiveness of the Korea-Vietnam FTA implementation and maximizing the duty-free benefits of the two countries. As the business conditions of the two countries improve through the

enhancement of the effectiveness of FTA implementation, it is expected that the synergy effect will be multiplied as well.

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CHAPTER

02



Bilateral Relations between Korea and Vietnam

Part 1 General Relations

Part 2 Bilateral Relations

Part 3 Development of FTA between Korea and Vietnam

Chapter

2

Bilateral Relations between Korea and Vietnam

Summary

Korea has established formal diplomatic relations with Vietnam on December 22, 1992. Since then, the bilateral relationship between Korea and Vietnam has been progressively advanced with shared efforts by both governments and people towards their mutual beneficiary prosperity.

For both Korea and Vietnam who showed passive interest until the late 1990s in open-door market policy, the Free Trade Agreement that spread during the 2000s was an important trade policy tool. Shortly after Korea signed its first FTA with Chile in 2004, several FTAs with Singapore and EFTA were signed, followed by FTAs with 4 of Korea's 5 major trading countries/regions (including all but Japan). Korea now has 15 FTAs that connect it to 52 nations, and the FTA with 5 Central American nations is now awaiting approval in the ratification process.

Vietnam's progress in their open-door policy through the implementation of the Doi Moi in 1986, joining of ASEAN in 1995, joining of APEC in 1998, acclimatization of permanent trade relations with the United States in 2000, and joining of the WTO in 2007, Vietnam now became a full-fledged participant in the world economy. As an ASEAN member country, Vietnam signed FTAs with Korea, China, Japan, New Zealand, India, and what is commonly referred to as the ASEAN+6 nations. Individually, Vietnam signed with the Eurasian Economic Union, Chile, and others.

Furthermore, Vietnam has actively participated in the recent RCEP, TPP, and other Mega-FTAs.

After the diplomatic relations between Korea and Vietnam was established, trade between the two countries has showed a strong increase. The Korea-ASEAN FTA and Korea-Vietnam FTA greatly contributed to the increase in trade between the two countries. With the exception of the years after the Asian Financial Crisis (1998) and the Global Financial Crisis (2009), trade between Korea and Vietnam has continued an increasing trend; on average, there was an increase of about 20% in exports and 25% in imports annually from 1992 to 2017. This increasing trend has made Korea become Vietnam's second largest trading partner, the second largest importing and 4th largest exporting country since 2015. On the other hand, Vietnam became Korea's fourth largest trading country, third largest exporting country, and eighth largest importing country in 2017.

The decisive factor in the increase of trade between Vietnam and Korea can be found in the active investments of Korean corporations in Vietnam. Through entering the WTO in 2007, signing the Korea-ASEAN FTA, signing the Vietnam-EU FTA, joining the TPP, and actively opening up their markets, Vietnam was able to effectively communicate their will to be an active member of global trade to the world. Korea-ASEAN FTA in 2007 and Korea-Vietnam FTA in 2015 proved to have a positive effect in an increase in trade volume; in 2007 and 2015 when the Korea-ASEAN FTA and Korea-Vietnam FTA came into effect, trade increased by 47% and 23% respectively. Considering the fact that trade increased between Korea and Vietnam by approximately 20% after creating diplomatic relations, the two FTAs can be said to have a positive contribution to the bilateral trade between the two countries.

Since the 1990s, Korea's Foreign Direct Investments in Vietnam has rapidly increased. Korea's FDI in Vietnam in 2016 stood at USD 2.3 billion, accounting for 6.4% of Korea's total FDI in 2016. Until September 2017, Korea's FDI toward Vietnam totaled USD 15.6 billion, making Vietnam Korea's fifth FDI destination, following the US, China, Hong Kong, and the Cayman Islands. Vietnam took a 4.3% share of Korea's total FDI and the once stagnant investment to Vietnam after the Global Financial Crisis has recently begun to increase rapidly again. Vietnam remains to attract investors with its comparatively cheap and abundant labor force and the government's efforts to encourage investments into the country.

Part **1** **General Relations**

Korea has established formal diplomatic relations with Vietnam on December, 22 1992. The year 2017 was marked as the 25th anniversary of solidarity between Korea and Vietnam which are beefing up their ties and further expanding their partnership in a way that brings mutual benefits and remarkable progress.

On the side-lines of the APEC Economic Leaders’ Meeting in 2017, the two Presidents agreed to further advance the Korea-Vietnam strategic partnership, including expanding interactions of local governments and private sectors. Vietnam has emerged as Korea’s fourth largest trading partner and investment destination while Korea has become Vietnam’s third largest trading partner and the biggest investor in the 25 years since the diplomatic ties were established. It was proposed that the two countries aggressively seek to achieve the goal of bilateral trade volume USD 100 billion by 2020, which was agreed between Korea and Vietnam in 2016.¹

Table 2-1. Overview of Korea-Vietnam Relations

Establishment of Diplomatic Relations	December 22, 1992
Bilateral Trade (2016)	USD 45,150 million Exports: USD 32, 650 million Imports: USD \$12,500 million
Investment (cumulative total as of 2016)	USD 50,700 million
Grant Aid (cumulative total as of 2016)	USD 429 million
Loan Aid (cumulative total as of 2016)	USD 1,210 million
People-to People Exchanges (2016)	Number of Korean visitors to Vietnam: approximately 1,540,000 Number of Vietnamese visitors to the ROK: approximately 420,000
Number of Koreans residing in Vietnam (2017)	Approximately 150,000
Number of Vietnamese residing in ROK (2016)	Approximately 150,000

Source: www.mofa.go.kr²

¹ Cite from Korea-Vietnam Summits on Sidelines of APEC Economic Leaders’ Meeting. *CHUNG WA DAE Briefings*. Nov. 11, 2017. https://english1.president.go.kr/activity/briefing.php?srh%5Bboard_no%5D=21&srh%5Bpage%5D=2&srh%5Bview_mode%5D=detail&srh%5Bseq%5D=19959&srh%5Bdetail_no%5D=129

The two countries are expanding their cooperation in political, socio-economic and cultural spheres to further broaden the horizons and develop a closer multi-dimensional partnership. In effect, the positive experience has already spilled over, spurring cooperation and joint projects in many new areas. However, many untapped opportunities still remain. Just to name a few, the defense industry, science and technology, climate change and the entertainment industry are to be further explored towards upgrading the relations to a comprehensive strategic partnership. In addition, it has been stressed that building a more mutually beneficial relationship based on shared understanding and respect would be a great opportunity for Koreans and Vietnamese to contribute to their mutual socio-economic development.

Since 1992, the bilateral relationship between Korea and Vietnam has been progressively advanced with shared efforts by both governments and people towards their mutual beneficiary prosperity. To facilitate the exchanges and advance the relations of the two countries, the Visa Waiver Agreement was signed on December 15, 1998 and entered into force on January 13, 1999.

Both countries have attained significant achievements in a wide range of areas, contributing to cooperative development through significant milestones. Korea-Vietnam relations were upgraded to the status of comprehensive partnership in 2001 and then, to strategic cooperative partnership in 2009 for prosperity in each country and for peace and stability in the region. With a shared view that bilateral cooperation in various fields including politics, economics, culture and social affairs will bring mutual benefit, it was stressed that there is a strong need to maintain the exchange of high-level reciprocal visits and increase cooperation and dialogue in the fields of diplomacy, security and national defense. Also, it was agreed to increase cooperation in trade, investment, ODA, labor and tourism, by encouraging businesses to expand their investment in areas such as industry, energy, infrastructure, transport, construction and urban planning.

2 Excerpt from http://www.mofa.go.kr/eng/nation/m_4902/view.do?seq=38

Table 2-2. Major Agreements/Exchanges between Korea and Vietnam

Date	Major Events
Dec. 22, 1992	Establishment of Formal Diplomatic Relations
Dec. 15, 1998	Visa Waiver Agreement signed (in effect on January 13, 1999)
Aug. 2001	Comprehensive Cooperative Partnership for the 21 st Century
May. 29, 2009	Strategic Cooperative Partnership Agreement
Jun. 17, 2016	KOICA's Invitational training programs - DEEP (Development Experience Exchange Partnership) Program for the Vision of Vietnam
Oct. 19, 2017	High-level Conference on Development Experience Exchange Partnership (DEEP) Program for Vision of Vietnam
Oct. 24, 2017	16 th Korea-Vietnam Joint Economic Committee Meeting
Nov. 10, 2017	Korean Government to Provide Humanitarian Assistance worth USD 1 million to Typhoon-hit Vietnam
Dec. 21, 2017	Korea-Vietnam Foreign Ministers' Meeting to sign a Memorandum of Understanding on cooperation
Feb. 8, 2018	KOICA Signs ROD (Record of Discussion) with Vietnam for Expansion of Social Housing Provision

Source: www.mofat.go.kr and www.koica.go.kr

Vietnam is the largest recipient of Korean ODA (Official Development Assistance). Korea International Cooperation Agency (KOICA), a Korean government agency is dedicated to providing grant aid programs. To name a few KOICA projects/programs for Vietnam, there are Consultation on Vietnam 2035 Report (2015), Urban Railway ODA project (2015~2017), Development Experience Exchange Partnership (DEEP) program for the Vision of Vietnam (2015~2018), Green City Urban Planning Decision Support System (2017), training program of capacity enhancement for high level strategic leaders and government performance evaluation (2017) and Project on Establishing Masterplan and Development Strategy for Expansion of Social Housing Provision (2018~2020). Through these projects/programs, Korea and Vietnam can share and understand each other's development experiences, including practical difficulties and solutions, as well as conduct joint research programs and training programs, enriching their in-depth discussions and exchanging practical advice and knowledge.

Development Experience Exchange Partnership (DEEP) program is KOICA's

development consulting program. The DEEP program for the vision of Vietnam, which is a Korea-Vietnam joint research project with a budget of USD 2.2 million, conducts policy research and training programs. It aims to develop high-quality human resources, implement reforms in the public sector, and establish/improve the market economy. The Korean government is expanding cooperation to link its development experience with Vietnam's need for practical policies in the areas of human resource management, public sector reforms, and the establishment of a market economy through the three-year development consulting project.³

KOICA signed a Record of Discussion (ROD) with the Ministry of Construction of Vietnam for expansion of the social housing provision in Hanoi, Vietnam on February 8, 2018. The 'Project on Establishing Masterplan and Development Strategy for Expansion of Social Housing Provision in Vietnam' has duration from 2018 to 2020, with the budget of USD 3 million from KOICA. It aims to conduct a research on the current status of social housing and analyze and evaluate related policies, to establish goals and suggest integrative policies on '2021-2030 Vietnam Social Housing Policy Development Strategy', and to provide support in improving the housing law. Target beneficiaries are low-income families and industrial complex workers living in the cities of Vietnam.⁴

Consistently, the two countries have been striving to step up exchanges, discuss concrete measures and gain outstanding achievements through high-level talks and working-level cooperation in the area of sustainable development with transfer of technology, environmental protection, mitigation of climate change and epidemic prevention as well as in the area of culture and education.

³ Excerpt from www.mofa.go.kr http://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=319279

⁴ Cited from the KOICA website, http://www.koica.go.kr/english/board/KOICA_News/oversea_offices/1325898_3562.html

Table 2-3. High-level Exchanges between Korea and Vietnam

Year	From Vietnam to Korea		From Korea to Vietnam	
1993	May	Prime Minister Vo Van Kiet		
1994			August	Prime Minister Lee Young-deok
1995	April	General Secretary of the Communist Party, Do Muoi		
1996			November	President Kim Young-sam
1998			December	President Kim Dae-jung
2001	August	President Tran Duc Luong		
2002			April	Prime Minister Lee Han-dong
2003	September	Prime Minister Phan Van Khai		
2004			October	President Roh Moo-hyun
2006			January November	Speaker of the National Assembly Kim Won-ki President Roh Moo-hyun (APEC)
2007	November	General Secretary of the Communist Party, Nong Duc Manh		
2008	March	Chairman of the the National Assembly, Nguyen Phu Trong	April	Speaker of the National Assembly Lim Chae-jung
2009	May	Prime Minister Nguyen Tan Dung	May October November	Presidential Envoy Lee Byung-suk President Lee Myung-bak Speaker of the National Assembly Kim Hyong-o
2010	November	Prime Minister Nguyen Tan Dung (G20)	October	President Lee Myung-bak
2011	November	President Truong Tan Sang		
2012	March	Prime Minister Nguyen Tan Dung		
2013	February July August	Vice President Nguyen Thi Doan Chairman of the National Assembly, Nguyen Sinh Hung Deputy Prime Minister Nguyen Thien Nhan	January September	Speaker of the National Assembly Kang Chang Hee President Park Geun-hye (G20)
2014	January October December	Deputy Prime Minister Nguyen Xuan Phuc General Secretary of the Communist Party, Nguyen Phu Trong Prime Minister Nguyen Tan Dung		
2015	May	Deputy Prime Minister Vu Van Ninh	March	Speaker of the National Assembly Chung Ui-hwa

Table 2-3. Continued

Year	From Vietnam to Korea		From Korea to Vietnam	
2016	September	Secretary of the Ho Chi Minh City party Committee Dinh La Thang Chief Judge of the Supreme People's Court Nguyen Hoa Binh		
	December			
2017	June	Vice Chairperson of National Assembly Uong Chu Luu First Deputy Prime-Minister Truong Hoa Binh Deputy Prime Minister and Foreign Minister Pham Binh Minh	March	Foreign Minister Yun Byung-se Special Envoy of President Park Won-soon President Moon Jae-in (APEC)
	November		May	
	December		November	

Source: www.mofa.go.kr⁵

In the recent years, the people-to-people exchanges are gaining more significance to foster better understanding and advance mutual prosperity, particularly among future generations who are the key in cultivating a stable and future-oriented partnership. It is encouraging that diverse exchanges are taking place across industries and sectors, let alone in education and culture, to create synergy effects and seek better opportunities. The international mobility and migration can bring various social, economic and political impacts to produce positive and negative consequences as well as opportunities and threats. Above all, the exchanges of students and mobility of workforce contribute to improving the quality of human resources as well as generating more investment resources for development.

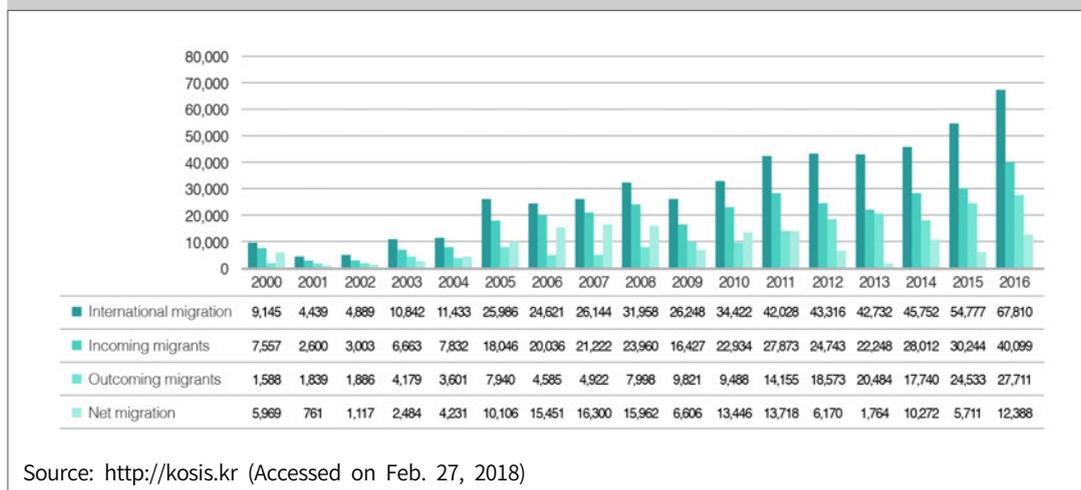
In December 2017, Korea initiated Global HR Forum 2017, promising to bring the 'Miracle on the Han River' to Vietnam and help boost the quality of workforce. In commemoration with the 25th anniversary of formal diplomatic relations between Korea and Vietnam, this forum aims to convey the various strategies that Korea has successfully implemented in human resource development. As Korea is regarded as an exemplary case for strong growth based on human resources, the forum will serve as a new educational platform for both countries to enable in-depth discussion on policy development for cultivating human resources and exchanges.⁶

⁵ Excerpt from the MOFA website, http://www.mofa.go.kr/eng/nation/m_4902/view.do?seq=38, accessed on Feb. 24, 2018

The Ministry of Labour, Invalids and Social Affairs (MoLISA) of Vietnam has set a target in 2018 to send 110,000 workers abroad, with 40 percent being female. It is reported that the ministry will focus on increasing quality of workers to ensure the competitiveness and income. In 2017, over 134,700 workers went to work abroad. In 2017, Korea received over 5,100 Vietnamese workers while Taiwan and Japan hired 67,000 and 54,504 Vietnamese workers respectively.⁷ According to Vietnam Migration Profile 2016 by International Organization for Migration⁸, the top destinations for fixed-term contracted Vietnamese workers were Taiwan Province of the People’s Republic of China, Japan, Korea, Malaysia and Saudi Arabia. The total number of Vietnamese workers received in Korea turns out 36,417 in the period from 2012 to 2016.

Overall, the total number of Vietnamese migration to Korea is constantly increasing from 9,145 in 2000 to 67,810 in 2016 growing greater than sevenfold, though there was a slight drop in 2009. The net migration also rose from 5,969 in 2000 to 12,388 in 2016.

Figure 2-1. Vietnamese Migration to Korea



6 Excerpt from the article ‘ROK seeks to kick off Miracle on Red River’. *The Voice of Vietnam*. Dec. 13, 2017, <http://english.vov.vn/economy/rok-seeks-to-kick-off-miracle-on-red-river-364547.vov>

7 Excerpt from the article ‘Vietnam targets to send 110,000 workers abroad’. *Viet Nam News*. Feb. 21, 2018, <http://english.vov.vn/society/vietnam-targets-to-send-110000-workers-abroad-369041.vov>

8 https://publications.iom.int/system/files/pdf/mp_vietnam.pdf

To look into the incoming migrants to Korea by type of visa, the number of incoming Vietnamese to study in Korea soared from 82 in 2000 to 1,042 in 2006 and then fluctuates to some extent. By and large, the Vietnamese in particular occupation and unskilled employment have been increasing from 2000 to 2016. However, it is noted that the numbers on specialty occupations and employment after industrial trainees have no values, implying that there is still a big room for improvements in the partnership between Korea and Vietnam.

Table 2-4. Number of Incoming Vietnamese Migrants by Visa Type

Period	Total	Study	Specialty Occupations	Particular Occupation	Employment after Industrial Trainees	Unskilled Employment
2000	7,557	82	0	8	0	0
2001	2,600	94	0	10	1	0
2002	3,003	124	0	32	13	0
2003	6,663	168	0	23	5	66
2004	7,832	250	0	23	10	775
2005	18,046	466	0	35	16	8,577
2006	20,036	1,042	0	73	1	5,689
2007	21,222	863	0	84	3	10,467
2008	23,960	524	0	91	0	12,499
2009	16,427	525	0	69	0	5,229
2010	22,934	674	0	42	0	8,427
2011	27,873	635	0	200	-	12,949
2012	24,743	621	-	236	-	7,855
2013	22,248	716	-	123	-	3,194
2014	28,012	833	-	53	-	5,847
2015	30,244	991	-	123	-	5,166
2016	40,099	1,058	-	172	-	7,232

Source: <http://kosis.kr> (Accessed on Feb. 27, 2018)

When it comes to the issues of Democratic People's Republic of Korea (North Korea), Vietnam has persistently reaffirmed its supports for peace, stability and denuclearization of the Korean Peninsula, and favors dialogue for peaceful settlement of all matters. In the aftermath of the controversial 2006 North Korean nuclear test, the Vietnam government expressed its grave concerns.

At the 2017 APEC Economic Leaders' Meeting, President Moon expressed his appreciation for Vietnam's continued support for the Korean government's stance concerning the North Korean nuclear issue. Noting that a peaceful resolution of the issue matters the most, the President stated he hopes Vietnam would actively support the goal with the other ASEAN member countries. Vietnam President Quang stated that the Vietnamese government supported the denuclearization of the Korean Peninsula and would faithfully implement the U.N. Security Council sanctions resolutions. The two countries agreed on exporting defense equipment, expanding bilateral business investments, and protecting the rights and interests of the two countries' citizens, including multicultural families.⁹

The 140,000 Korean and Vietnamese expatriates living in each other's countries, including the 60,000 Korean-Vietnamese families, who have become invaluable bridges connecting the two peoples, will be strong supporters for the future of the two countries.¹⁰

Part **Bilateral Relations**

Korea and Vietnam hold similarities based on the fact that they both achieved economic development through export-led strategies. After the Korean War in 1950 devastated the foundation of most domestic businesses in Korea, Korea built up the

⁹ Cite from Korea-Vietnam Summits on Sidelines of APEC Economic Leaders' Meeting. *CHUNG WA DAE Briefings*. Nov. 11, 2017. https://english1.president.go.kr/activity/briefing.php?srh%5Bboard_no%5D=21&srh%5Bpage%5D=2&srh%5Bview_mode%5D=detail&srh%5Bseq%5D=19959&srh%5Bdetail_no%5D=129

¹⁰ Cite from the article 'Korea celebrates 25 years of solidarity with Viet Nam'. *Viet Nam News*. Jan. 12, 2017, <http://vietnamnews.vn/opinion/349489/korea-celebrates-25-years-of-solidarity-with-viet-nam.html#5dAqJlF8ETFupc7y.97>

foundations for an export-led economic development in the 1960s and achieved success through the active open-door policies it enacted in post-2000. Similarly, Vietnam enacted the Doi Moi policy during the 1990s which actively sought reform and opening of its economic structure; by further encouraging direct foreign investments, Vietnam was able to rapidly join the Global Value Chain (GVC) and Global Production Network. As Vietnam quickly rose as a global production basis for electronic devices and textile & garment products, Vietnam is now attracting over USD 200 billion of Foreign Direct Investments (FDI) each year.

For both Korea and Vietnam who showed passive interest until the late 1990s in an open-door market policy, the spread and utilization of Free Trade Agreements during the 2000s was an important trade policy tool. Shortly after Korea signed its first FTA with Chile in 2004, Korea also signed several other FTAs with Singapore and EFTA (European Free Trade Agreement involving Norway, Iceland, Switzerland, Lichtenstein, and four other countries), followed by four of Korea's five major trading countries/regions (including all but Japan). Following the Korea-ASEAN FTA in 2007, the EU, the USA, and China put into effect a bilateral FTA in 2011, 2012, and 2015 respectively. Korea now has 15 FTAs that connect it to 52 nations, and the FTA with 5 Central American nations (Costa Rica, El Salvador, Panama, etc.) is now awaiting approval in the ratification process. Furthermore, the Korea-China-Japan FTA, RCEP (Regional Comprehensive Economic Partnership), Korea-Ecuador FTA, and Korea-Israel FTA are currently being negotiated.

Table 2-5. Status of Korea's FTA Implementation

	Entered into Force	Under Negotiation
Partner Country	<ul style="list-style-type: none"> • Chile (2004) • EFTA (2006) • India (2010) • Peru (2011) • Turkey (2013) • Canada (2015) • New Zealand (2015) • Colombia (2016) • Republic of Central America (Concluded, 2013) 	<ul style="list-style-type: none"> • Singapore (2006) • ASEAN (2007) • EU (2011) • US (2012) • Australia (2014) • China (2015) • Vietnam (2015) • Korea-China-Japan FTA • RCEP (Regional Comprehensive Economic Partnership) • Ecuador • Israel

Source: 'FTA Portal, Korea' website (www.fta.go.kr)

Vietnam's progress in their open-door policy through the implementation of the Doi Moi in 1986, joining of ASEAN in 1995, joining of APEC in 1998, acclimatization of permanent trade relations with the United States in 2000, and joining of the WTO in 2007 made it a full-fledged participant in the world economy. Especially after joining ASEAN in 1995, Vietnam actively looked to initiate FTAs with various nations either independently or as a member country of ASEAN. As an ASEAN member country, Vietnam signed FTAs with Korea, China, Japan, New Zealand, India, and what is commonly referred to as the ASEAN+6 nations. Individually, Vietnam signed with the Eurasian Economic Union, Chile, and others. Furthermore, Vietnam has actively participated in the recent RCEP, TTP, and other Mega-FTAs. Although Vietnam wasn't able to seek the benefits it expected from the TPP because of the withdrawal of the United States, Vietnam found improvement in its internal transparency through the TPP enrollment process. Thanks to the active participation towards an open-door policy, Vietnam is now capable of leading the ASEAN economic development process; furthermore, being the sole developing nation in ASEAN to be negotiating a FTA with the EU, Vietnam has expectations to supplement the TPP that the United States withdrew from.

Table 2-6. Status of Vietnam's FTA Implementation

	Entered into Force	Under Negotiation
Partner Country	<ul style="list-style-type: none"> • As a Member of ASEAN <ul style="list-style-type: none"> - China - Korea - Japan - Australia - New Zealand - India • Bilateral <ul style="list-style-type: none"> - Korea - Eurasian Economic Union - Japan - Chile - TPP (Concluded) 	<ul style="list-style-type: none"> • As a Member of ASEAN <ul style="list-style-type: none"> - Hong Kong, China - RCEP • Bilateral <ul style="list-style-type: none"> - Israel - EU - EFTA

Source: 'Asia Regional Integration Center' website (<https://aric.adb.org/fta-country>)

1. Trade Status: Korea and Vietnam

A. Korea's Trade in Goods

As of 2017, China is Korea's largest export market with a total of USD 142 billion, making up 24.8%, which is about 1/4 of Korea's total exports (slightly over 30% when taking into account Hong Kong). The United States ranks second with about USD 68 billion and, for the first time, Vietnam ranks third with a total volume of export of about USD 47 billion. After establishing formal diplomatic relations with China and Vietnam that are geographically adjacent to Korea in early the 1990s, the 2000s saw an explosive increase in trade with these two countries as they became members of the WTO, initiated FTAs, and actively participated in global trade.

Table 2-7. Korea's Major Exporting Countries

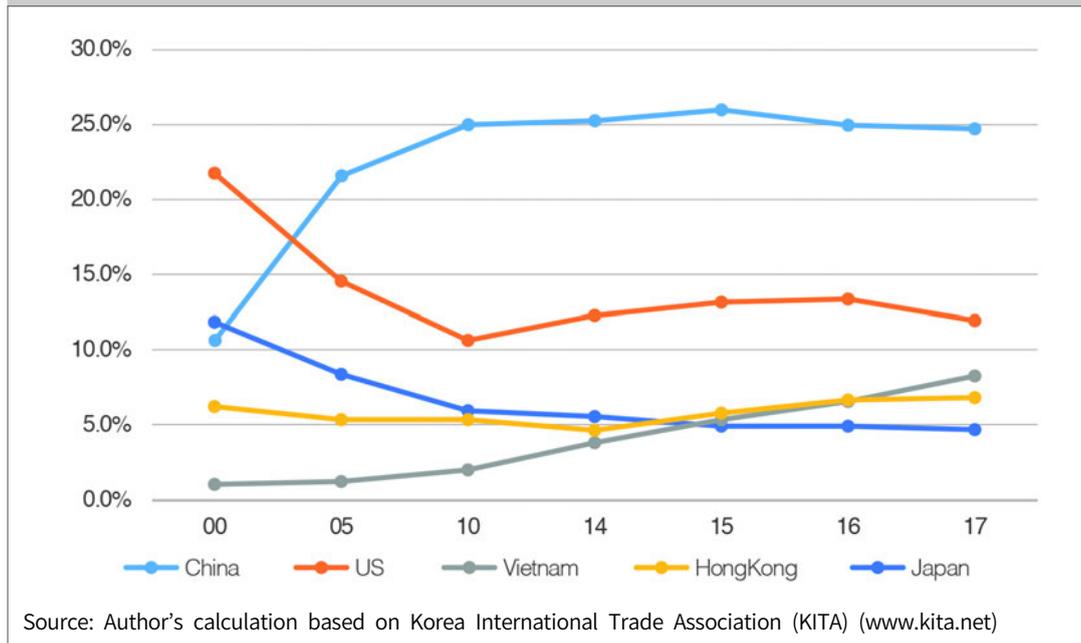
		(Unit: USD, million)						
		2000	2005	2010	2014	2015	2016	2017
	Total	172,268	284,419	466,384	572,665	526,757	495,426	573,694
1	China	18,455	61,915	116,838	145,288	137,124	124,433	142,120
2	US	37,611	41,343	49,816	70,285	69,832	66,462	68,610
3	Vietnam	1,686	3,432	9,652	22,352	27,771	32,630	47,754
4	Hong Kong	10,708	15,531	25,294	27,256	30,418	32,782	39,112
5	Japan	20,466	24,027	28,176	32,184	25,577	24,355	26,816
6	Australia	2,606	3,812	6,642	10,283	10,831	7,501	19,862
7	India	1,326	4,598	11,435	12,782	12,030	11,596	15,056
8	Taiwan	8,027	10,863	14,830	15,077	12,004	12,220	14,898
9	Singapore	5,648	7,407	15,244	23,750	15,011	12,459	11,652
10	Mexico	2,391	3,789	8,846	10,846	10,892	9,721	10,933

Source: Korea International Trade Association (KITA) (www.kita.net)

As a result of the increase in trade with China and Vietnam, the share of Korea's traditional key export countries, the United States and Japan, in Korea's total exports, displayed a decrease. The United States which once took up over 21.8% of Korea's exports in 2000 made up less than 15% by 2005 and about 10~14%

post-2010. Similarly, Japan who once took up 11.9% of share of exports in 2000 now makes up only 4.7% as of 2017. In contrast, Vietnam who only consists of merely 1.0% of share of exports in 2000 took up over 5% in 2015 and it rose to over 8.3% in 2017, making it a key export market for Korea.

Figure 2-2. Share of Korea's Export by Key Exporting Nations



China is also becoming Korea's largest import source as well. As of 2017, Korea imported a total of USD 97.9 billion from China which made up 20.5% of its total imports; Japan, the United States, Germany, and Saudi Arabia ranked after China. Korean imports from Vietnam ranked highest among ASEAN nations with \$USD 16.2 billion (2017), but ranked 8th from the whole countries. However, similar to Korea's export growth with Vietnam, Korea's imports from Vietnam have shown fast increase, surpassing \$10 billion in 2016 and increasing by 29.5% from 2016 to 2017.

Table 2-8. Status of Korea's Imports by Country

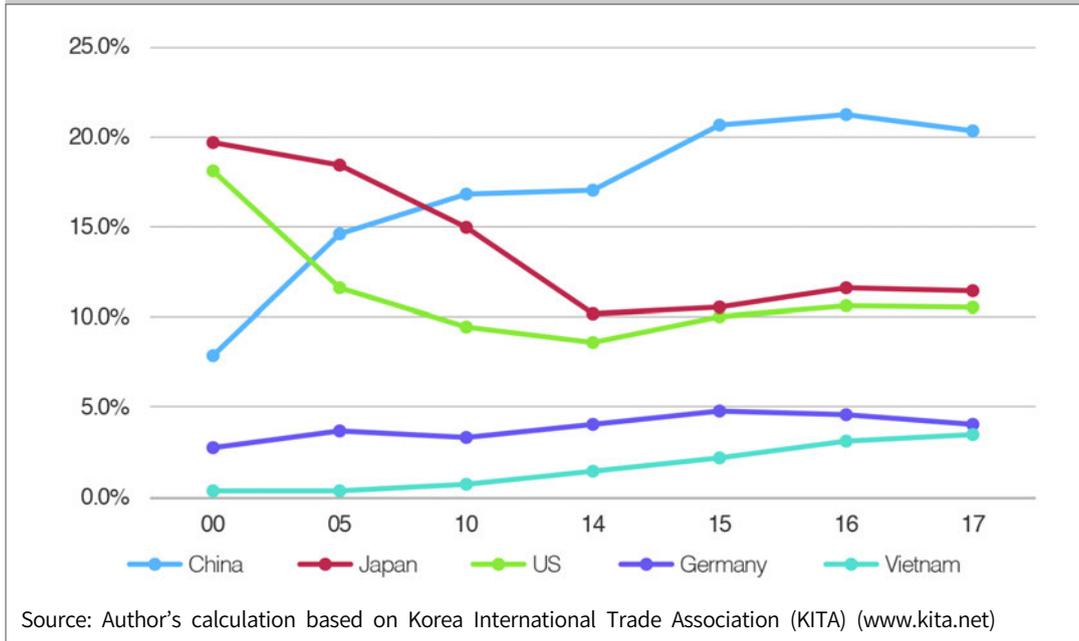
(Unit: USD, million)

		2000	2005	2010	2014	2015	2016	2017
	Total	160,481	261,238	425,212	525,515	436,499	406,193	478,478
1	China	12,799	38,648	71,574	90,082	90,250	86,980	97,860
2	Japan	31,828	48,403	64,296	53,768	45,854	47,467	55,125
3	US	29,242	30,586	40,403	45,283	44,024	43,216	50,749
4	Germany	4,625	9,774	14,305	21,299	20,957	18,917	19,749
5	Saudi Arabia	9,641	16,106	26,820	36,695	19,561	15,742	19,590
6	Australia	5,959	9,859	20,456	20,413	16,438	15,176	19,160
7	Taiwan	4,701	8,050	13,647	15,690	16,654	16,403	18,073
8	Vietnam	322	694	3,331	7,990	9,805	12,495	16,177
9	Russia	2,058	3,937	9,899	15,669	11,308	8,641	12,040
10	Qatar	2,292	5,599	11,915	25,723	16,475	10,081	11,267

Source: Korea International Trade Association (KITA) (www.kita.net)

The figure below includes Korea's four largest import countries, China, Japan, United States, and Germany, and Vietnam, comparing their progress in change of share of imports. The period 2000~2017 showed that Korea imports from, which are the United States and Japan, have decreased, while China and Vietnam, Korea's emerging trading partners, have grown in share of imports contrastingly. The increasing trade volume with the emerging economies in both imports and exports could be due to the change in Korea's trade structure and to the fast economic growth of Southeastern Asian regions which results in a rise in purchasing power and technological development.

Figure 2-3. Share of Korea's Import by Major Importing Nations



B. Vietnam's Trade in Goods

As of 2016, Vietnam's greatest export market was the United States, followed by China, Japan, and Korea. Vietnam's total export to the United States increased explosively from USD 733 million in 2000 after establishing the Permanent Normal Trade Relation with the US in 2006. By actively initiating FTAs, joining the WTO in 2007 and participating in global trade, Vietnam increased its total export twelve-fold between 2000 and 2016. During the same period, exports to the US increased by over 52 times, and 32 times for Korea (from USD 353 million in 2000 to USD 11.4 billion in 2016).

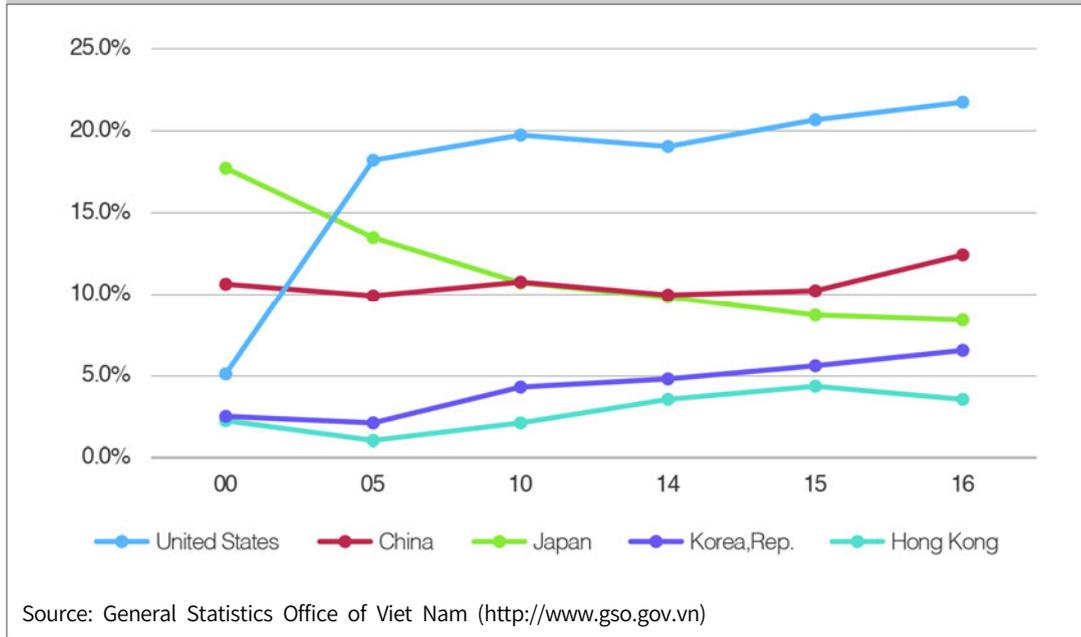
Table 2-9. Vietnam's Major Exporting Countries

		(Unit: USD, million)					
		2000	2005	2010	2014	2015	2016
	TOTAL	14,483	32,447	72,237	150,217	162,017	176,581
1	United States	733	5,924	14,238	28,635	33,451	38,450
2	China	1,536	3,228	7,743	14,928	16,568	21,960
3	Japan	2,575	4,340	7,728	14,675	14,100	14,672
4	Korea, Rep.	353	664	3,092	7,168	8,915	11,406
5	Hong Kong SAR (China)	316	353	1,464	5,265	6,959	6,088
6	Netherlands	391	659	1,688	3,762	4,760	6,012
7	Germany	730	1,086	2,373	5,175	5,707	5,961
8	United Arab Emirates	24	122	508	4,627	5,691	5,000
9	United Kingdom	479	1,016	1,682	3,647	4,645	4,898
10	Thailand	372	863	1,183	3,474	3,257	3,691

Note: Trade data of 2016 is preliminary value
 Source: General Statistics Office of Viet Nam (<http://www.gso.gov.vn>)

When looking at Vietnam's key exporting countries and their share of exports, the share of export to the US increased from a total of 5.1% in 2000 to 21.8% in 2016. The share of export to Korea also increased from a total of 2.4% to 6.5% within the same period. While the share of Vietnam's export to Korea, the United States, and China displayed a relatively stable trend, the share of export to Japan decreased from the total share of 17.8% in 2000 to 8.3% in 2016.

Figure 2-4. Share of Vietnam’s Export by Key Exporting Nations



The following table displays key countries where Vietnam import from and their import volume by country. As of 2016, Korea ranks second with a total of USD 32.2 billion. Vietnam’s largest import country in 2016 was China with a total of USD 50 billion which accounts for 28.6% of Vietnam’s total imports. Vietnam’s import shows a high concentration on the two major countries, China and Korea, consisting of nearly half of Vietnam’s total imports. In 2010, the three Northeast Asian countries including Japan took up over half of Vietnam’s total imports. Vietnam’s key importing countries including Korea, China, Japan, and Taiwan have also been Vietnam’s key inward foreign direct investment sourcing countries, making capital goods the main import product.

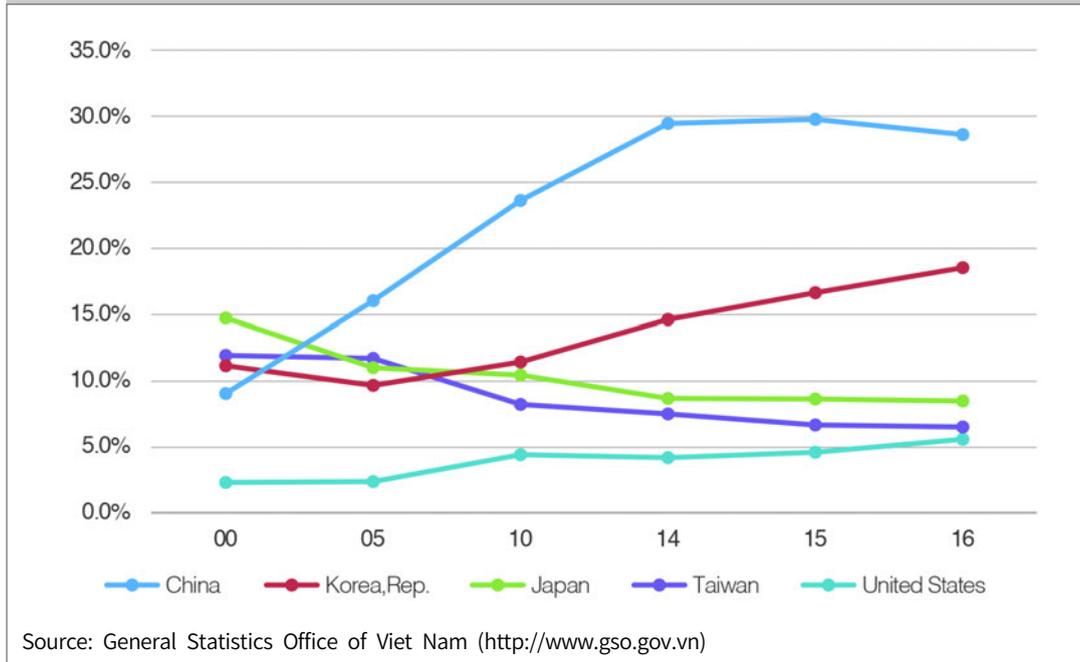
Table 2-10. Vietnam's Major Importing Countries

		(unit: USD, million)					
		2000	2005	2010	2014	2015	2016
	TOTAL	15,637	36,761	84,839	147,849	165,776	174,804
1	China	1,401	5,900	20,204	43,648	49,458	50,019
2	Korea, Rep.	1,754	3,594	9,758	21,729	27,579	32,163
3	Japan	2,301	4,074	9,016	12,857	14,225	15,064
4	Taiwan	1,880	4,304	6,977	11,064	10,951	11,235
5	United States	363	863	3,767	6,287	7,785	9,702
6	Thailand	811	2,374	5,602	7,053	8,276	8,849
7	Malaysia	389	1,257	3,413	4,204	4,188	5,171
8	Singapore	2,694	4,482	4,101	6,835	6,038	4,763
9	Indonesia	345	700	1,909	2,489	2,740	2,991
10	Germany	295	662	1,742	2,607	3,219	2,850

Note: Trade data of 2016 is preliminary value
 Source: General Statistics Office of Viet Nam (<http://www.gso.gov.vn>)

The change in share of Vietnam's imports between 2000~2016 was characterized by a fast rise of China and Korea, while the share of Japan and Taiwan decreased. In China's case, China made up only 9.0% of total imports in 2000, but quickly increased to 16.9% in 2005, 23.8% in 2010, and 29.8% in 2015, showing a steep increase. Korea similarly showed steep increase from 11.5% in 2010 to 18.4% in 2016. The United States also showed an increase between the periods although it was not as notable as Korea and China. On the other hand, the share of Japan and Taiwan decreased between 2000-2016 from 14.7% to 8.6% and 12.0% to 6.4% respectively.

Figure 2-5. Share of Vietnam’s Import by Major Importing Nations

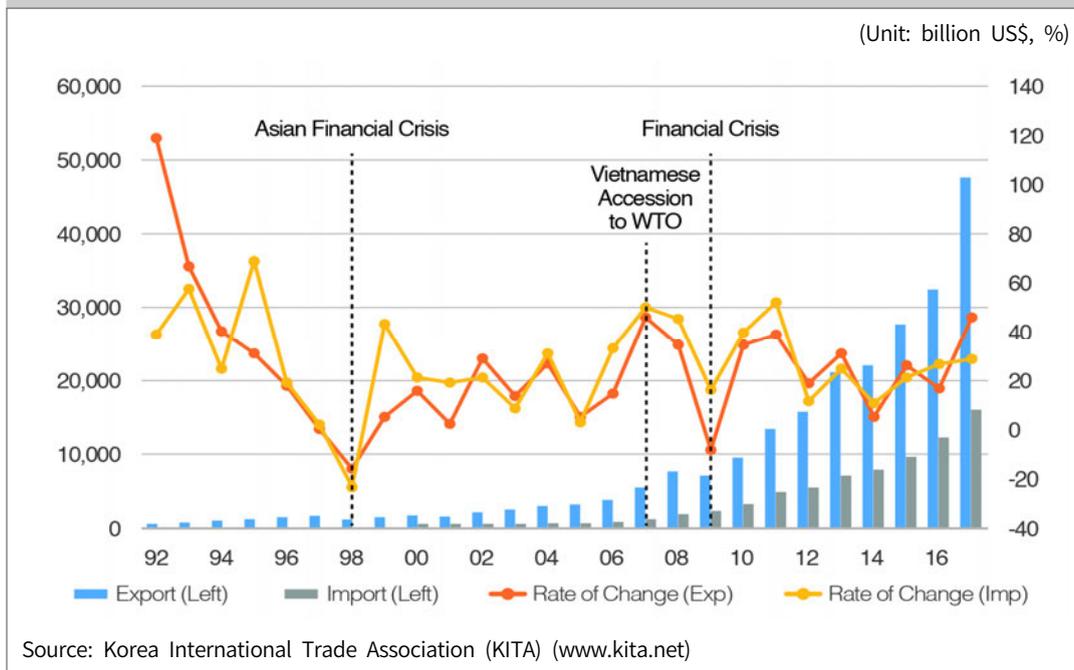


2. Trade in Goods between Korea and Vietnam

A. Volume of Bilateral Trade

After establishing diplomatic relations between Korea and Vietnam, trade between the two countries has showed a strong increase. The Korea-ASEAN FTA and Korea-Vietnam FTA greatly contributed to the increase in trade between the two countries. With the exception of the years after the Asian Financial Crisis (1998) and the Global Financial Crisis (2009), trade between Korea and Vietnam has continued an increasing trend; on average, there was an increase of about 20% in exports and 25% in imports annually from 1992 to 2017. This increasing trend has made Korea to become Vietnam’s second largest trading partner, the second largest importer and 4th largest export destination since 2015. On the other hand, Vietnam became Korea’s four largest trading country, third largest export destination, and eighth largest importer in 2017.

Figure 2-6. Progress of Korea and Vietnam's Imports and Exports



The decisive factor in the increase in trade between Vietnam and Korea can be found in the active investments of Korean corporations in Vietnam. Through entering the WTO in 2007, signing the Korea-ASEAN FTA, signing the Vietnam-EU FTA, joining the TPP, and actively opening up its market, Vietnam was able to effectively communicate their will to be an active member of global trade to the world. Korea-ASEAN FTA in 2007 and Korea-Vietnam FTA in 2015 proved to have a positive effect in increasing the trade volume; after the Korea-ASEAN FTA and Korea-Vietnam FTA came into effect in 2007 and 2015, trade increased by 47% and 23% respectively. Considering that trade between Korea and Vietnam increased by approximately 20% after creating diplomatic relations, the two FTAs can be said to have a positive contribution on the bilateral trade between the two countries. Furthermore, on January 2007 Vietnam joined the WTO, lowered its own MFN tariff, eliminated grants, and opened up the service sector. These efforts helped Vietnam to rapidly increase its trade volume. The rate of change in Vietnamese trade jumped from 22.4% in 2006 to 31.4% in 2007. The Vietnam's share of trade with Korea also increased from 11.6% in 2006 to 38.6% in 2007 after entering the WTO.

Figure 2-7. Korea's Bilateral Trade with Vietnam

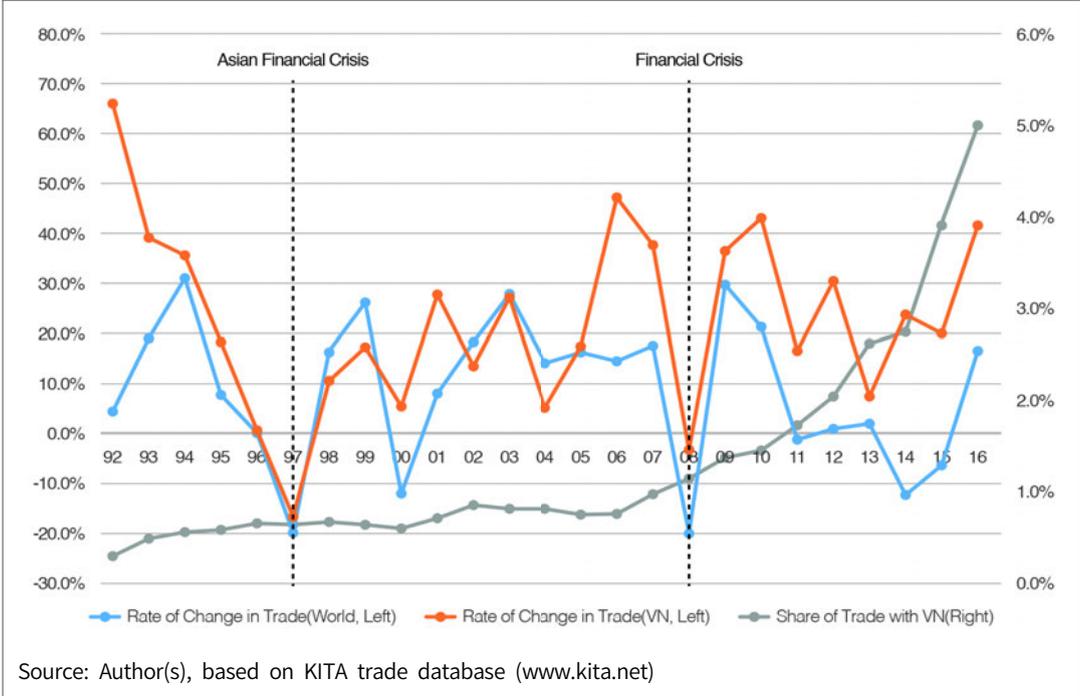
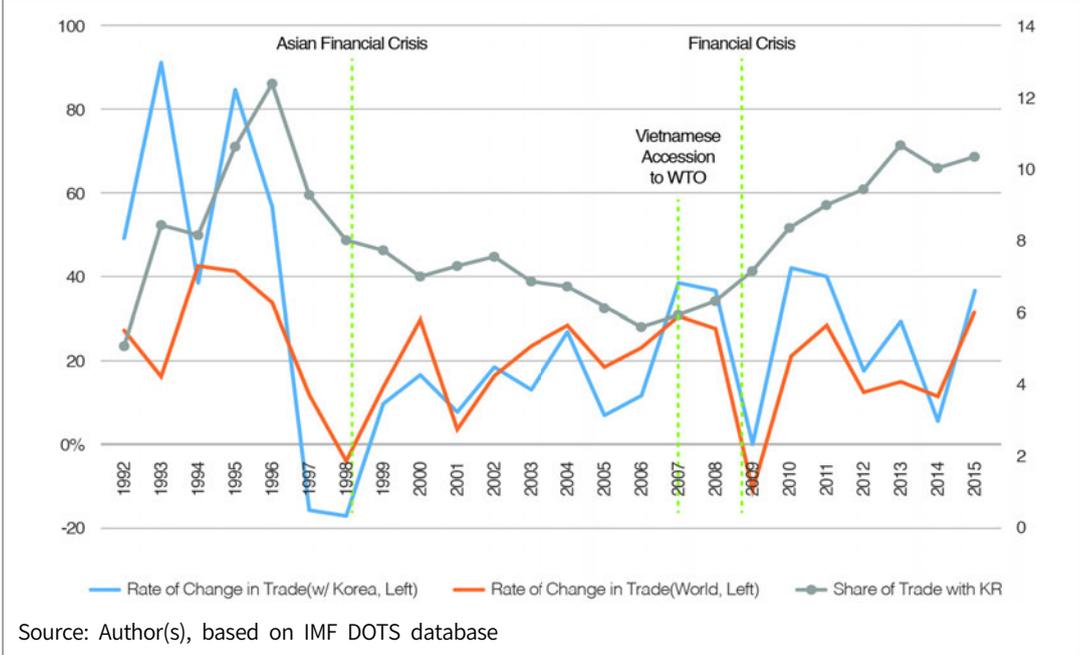


Figure 2-8. Vietnam's Bilateral Trade with Korea

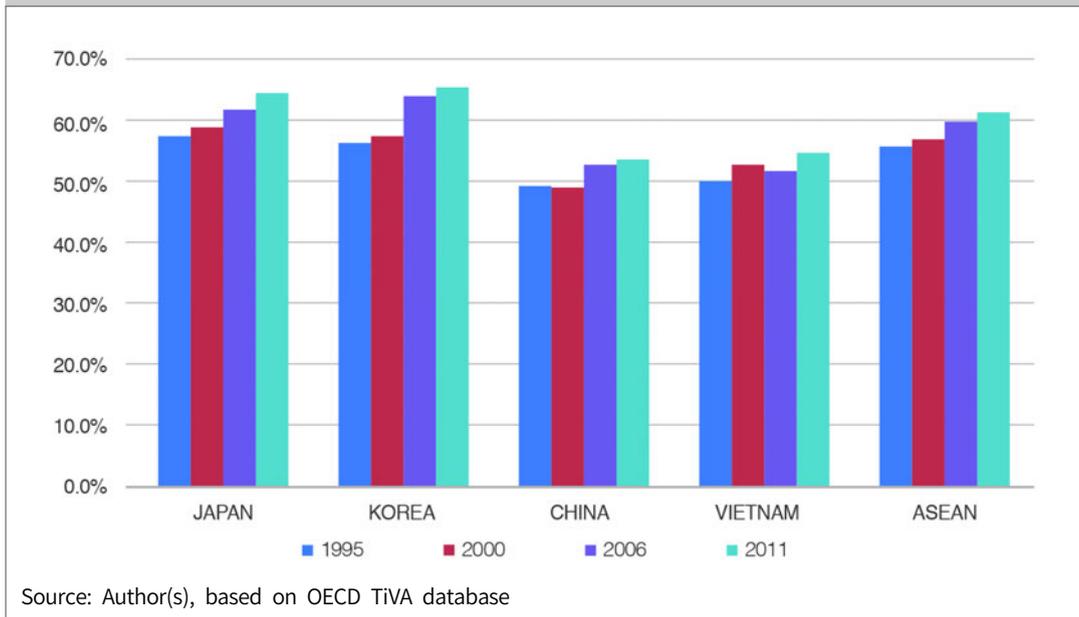


B. New Trend in Bilateral Trade

GVC has deepened and technology has rapidly developed as well. The development of Information Communication Technology has led to the formation of Global Value Chains, which has spread globally after it was joined by high cost corporations. Ever since the creation of jet engines and new methods of shipping leading to lower shipping costs, factories have left their traditional production patterns and have partitioned part of their factories to places where production costs have comparative advantage. Through foreign direct investments and partitioning of factories by developed nations, the occurrence of offshoring helped spread the GVC.

The occurrence of offshoring and spread of GVC has been observed in the trade of Korea, Vietnam, and key Southeastern Asian countries. The chart below shows the share of exports of intermediate goods of the total exports of key East Asian countries during the period between 1995 and 2011 using the OECD TiVA data. As can be seen, the share of intermediate goods export from the total exports for East Asian nations has continually increased since 1995. Korea's share of intermediate exports from total exports rose from 56.6% in 1995 to 65.6% in 2011 (9.0 percentage point increase), Japan from 57.8% to 64.6% (6.7 percentage point increase), and China from 49.5% to 53.9% (4.4 percentage point increase). Vietnam's share of intermediate goods exports from total exports rose from 50.2% in 1995 to 55.0% in 2011 (4.8 percentage point increase). Vietnam's share of intermediate exports from total exports ranks low when compared to the other ASEAN member nations. As of 2011, ASEAN member nations had an average of 61.5% for intermediate share of exports to total exports while Vietnam recorded a lower share at 55.0%. However, Vietnam showed a faster increasing trend between 1995 and 2011 than other ASEAN member nations.

Figure 2-9. Share of Intermediate Exports from Total Exports in East Asia Nations



The following table shows the export of intermediate goods to Vietnam from Korea, China, and Japan. Japan's export of intermediate goods to Vietnam increased from USD 950 million in 1995 to USD 5.5 billion in 2011, increasing the share of Japan's export of intermediate goods from total intermediate goods from 0.3% to 1.0%. China's export of intermediate goods to Vietnam increased exponentially as well, from USD 320 million in 1995 to USD 14.7 billion in 2011. Korea's export of intermediate goods to Vietnam increased from USD 820 million in 1995 to USD \$7.9 billion in 2011, increasing the share of Korea's export of intermediate goods from total intermediate goods, from 1.0% to 1.9%. The recent large-scale investments by Korean corporations in Vietnam have been predicted to have a large increase in the share of export of intermediate goods from total exports. The increase in share of intermediate exports from the total exports by Korea to Vietnam proves the increase in the use of GVC by Vietnam.

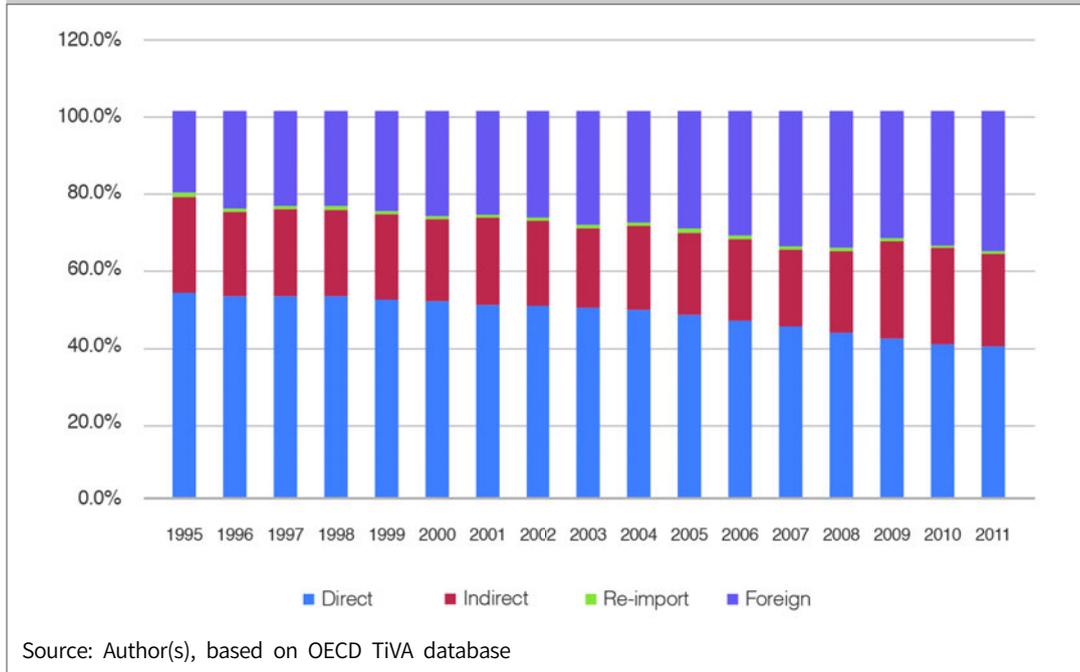
Table 2-11. Korea, China, and Japan's Intermediate Export to Vietnam

(unit: USD million)					
Exporting Country	Importing Country	1995	2000	2005	2011
Korea	World	85,252	118,177	241,924	408,207
	Vietnam	815	1,411	3,524	7,895
Japan	World	279,236	303,209	435,480	576,686
	Vietnam	950	1,552	2,853	5,489
China	World	71,007	133,966	540,808	1,061,374
	Vietnam	320	928	5,586	14,670

Source: Author(s), based on OECD TIVA database

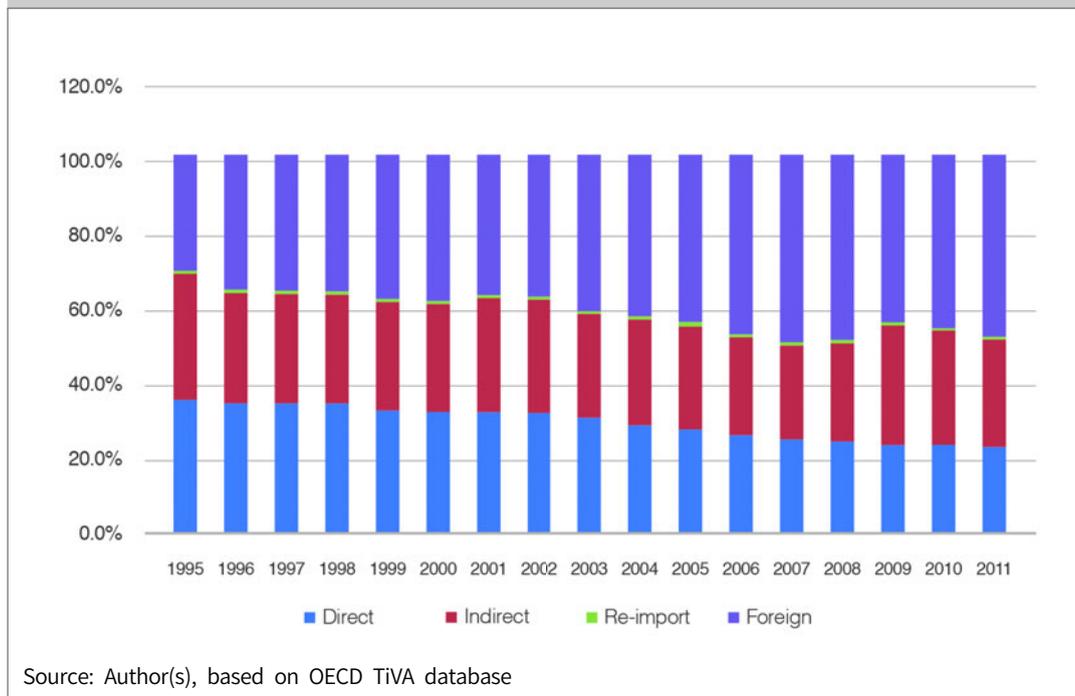
Vietnam's total value added in its exports increased from USD 7.0 billion in 1995 to USD 95.6 billion in 2011. With the exception of the year after the Global Financial Crisis in 2009 Vietnam showed a steady development but after gaining attention as a new production market, it began to rapidly grow since the mid-2000s. The value added to exports can be divided into direct domestic value added, indirect domestic value added, domestic value added embodied in re-imported products, and foreign value added products. Analyzing the 1995-2011 period elucidates the continuous increase in foreign share of value added in Vietnam while the share of direct domestic value added decreased. The foreign share of value added in Vietnam increased from 21.6% in 1995 to 31.0% in 2005 and 36.3% in 2011. In contrast, the direct domestic value added in Vietnam decreased from 53.2% in 1995 to 39.6% in 2011 (13.6 percentage point decrease). Considering the fact that foreign share of value added in Vietnam increased by about 14.7% during this same period, it can be concluded that the direct domestic value added lost or transferred to the foreign share of value added gained, which implies that Vietnam's participation in GVC has deepened by importing parts and exporting intermediate or final products.

Figure 2-10. Decomposition of Vietnam Value Added in Export: Total Industry



The following figure shows the decomposition of Vietnam's value added in its export of manufactured products. Compared to the total industries inclusive of agriculture and service, Vietnam's manufacturing industry has a comparatively higher foreign value added shares. The manufacturing industry's foreign value added stood at 31.8% of total export value added in 1995 but quickly surpassed 50% to reach 50.5% foreign value added in 2007. Although the foreign value added did decrease afterwards, by 2011, the foreign value added reached 48.8% once again. Contrary to foreign value added in the manufacturing industry, the share of direct domestic value added and indirect domestic value added in the manufacturing industry remained similar throughout. The share of direct domestic value added decreased from 34.4% in 1995 to 21.8% in 2011, while the share of indirect domestic value added decreased from 33.9% in 1995 to 29.4% in 2011. Comparatively, the share of direct domestic value added decreased at a steeper rate, but both direct and indirect domestic value added showed a decrease during this period. The share of domestic value added embodied in re-imported product is very marginal, but it has shown steady increase, reaching to 0.1% in 2011.

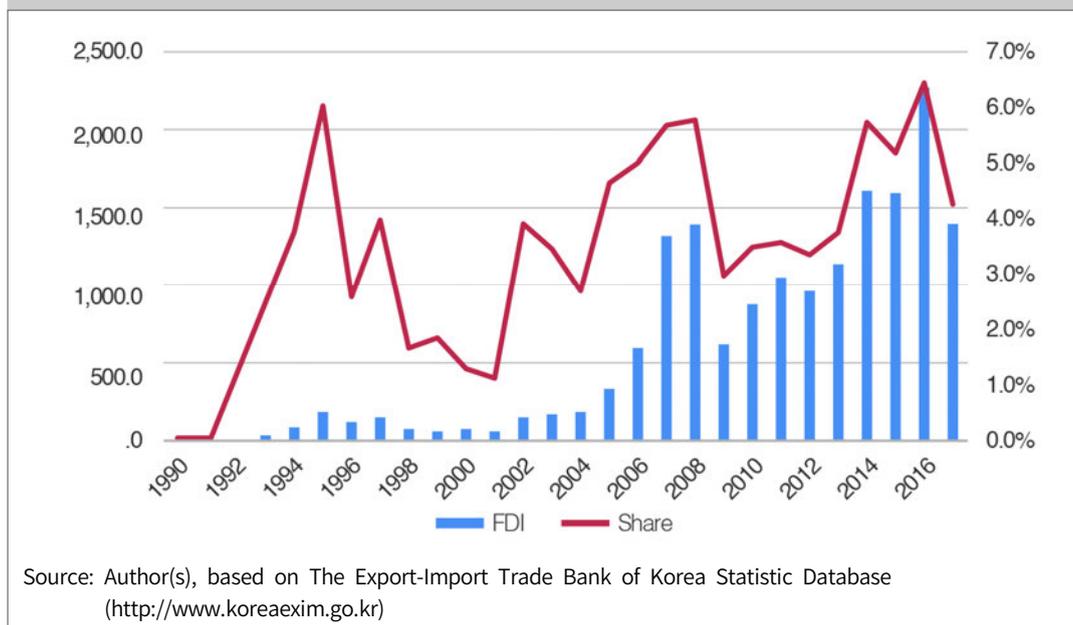
Figure 2-11. Decomposition of Vietnam Value Added in Export: Manufacturing Sector



3. Foreign Direct Investment

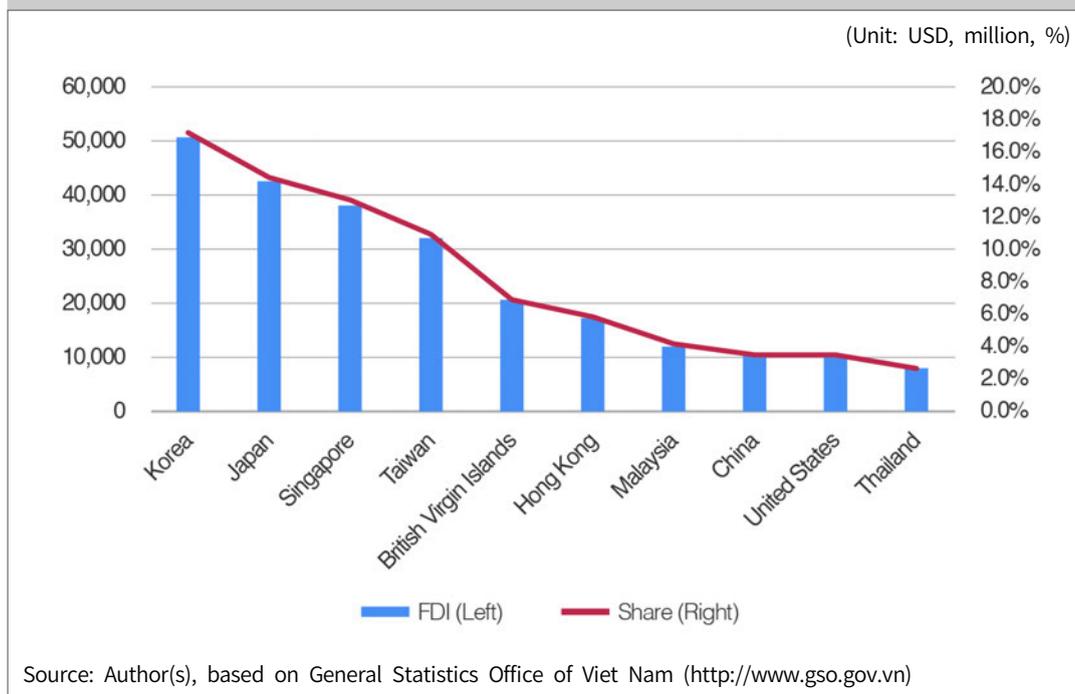
Since the 1990s, Korea’s Foreign Direct Investments in Vietnam has rapidly increased. Korea’s FDI in Vietnam in 2016 stood at USD 2.3 billion, accounting for 6.4% of Korea’s total FDI in 2016. Until September 2017, Korea’s FDI toward Vietnam totaled USD 15.6 billion, making Vietnam Korea’s fifth largest FDI destination, following the US, China, Hong Kong, and the Cayman Islands. Vietnam took a share of 4.3% of Korea’s total FDI and the once stagnant investment to Vietnam after the Global Financial Crisis has recently begun to rapidly increase again. Vietnam remains to attract investors with its comparatively cheap and abundant labor force, with the government’s efforts to encourage investments into the country.

Figure 2-12. Progress of Korea's FDI to Vietnam



Direct investments into Vietnam have also rapidly increased each year from about USD 4.1 billion in 2006 to USD 12.5 billion in 2015. Korea now sits as the top investor to Vietnam with about 17.2% share of the total inward FDI to Vietnam of the accumulated FDI in 2016, followed by Japan (14.4%), Singapore (13.0%), Taiwan (10.9%), and other countries.

Figure 2-13. FDI to Vietnam by Country (Accumulation as of 31/12/2016)



Korea's investments in Vietnam tend to be focused on the manufacturing sector. The manufacturing sector takes up about USD 10.3 billion of Korean investments which accounts for about 61.5% of total investments from Korea. The mining industry and real estate business and leasing business industry follows with a share of investments of 13.6% and 6.8% respectively. In contrast, Korea's FDI is high in industries like sewage, waste treatment, raw material recovery and environmental restoration business (11.3% of total inward FDI to Vietnam in this industry), hotel and restaurant business (9.4%), and art, sports and other recreational service (6.7) in Vietnam's inward FDI by industry. Korea's investment seems to be focused on the manufacturing sector as Vietnam's greatest attraction to Korean businesses is the cheap and abundant labor force that founds the production base of Vietnam.

Table 2-12. FDI to Vietnam by Industry

(Unit: million, US\$, %)				
Industry	Total Inward FDI (A)	Inward FDI from Korea (B)	Share of FDI allocated to each industry	Share of Korean FDI ((B)/(A))
Construction	10,631.7	506.7	3.0%	4.8%
Public Administration, Defense and Social Security Administration	279.3	0.2	0.0%	0.1%
Mining	60,929.1	2,267.0	13.6%	3.7%
Education Service	489.2	14.7	0.1%	3.0%
Finance and Insurance	47,156.9	748.8	4.5%	1.6%
Agriculture, Forestry and Fishery	1,887.0	27.6	0.2%	1.5%
Wholesale and Retail	49,449.6	671.8	4.0%	1.4%
Health and social welfare services	531.1	4.2	0.0%	0.8%
Real estate business and leasing business	36,566.9	1,132.2	6.8%	3.1%
Real estate business and leasing business	1,137.5	17.9	0.1%	1.6%
Hotel and Restaurant	5,220.5	488.3	2.9%	9.4%
Art, Sports and other Recreational Service	1,904.0	128.0	0.8%	6.7%
Transportation	7,376.6	59.4	0.4%	0.8%
Electric, Gas, etc.	7,873.0	146.7	0.9%	1.9%
Professional, scientific and technical services	18,527.9	49.3	0.3%	0.3%
Manufacturing	124,054.4	10,256.8	61.5%	8.3%
Publishing, video, broadcasting, communication and information service	10,819.2	122.9	0.7%	1.1%
Sewage, waste treatment, raw material recovery and environmental restoration business	100.6	11.3	0.1%	11.3%
Associations and organizations, repairs and other personal services	644.9	16.0	0.1%	2.5%
N/A	36.5	1.3	0.0%	3.7%
Total	385,617.5	16,671.1	100.0%	4.3%

Source: Author(s), based on General Statistics Office of Viet Nam (<http://www.gso.gov.vn>)

Part **3**

Development of FTA between Korea and Vietnam

1. Korea-ASEAN FTA

A. Development of Korea-ASEAN FTA

The discussions for the Korea-ASEAN FTA officially began on October 8, 2003 after a decision was made at the Korea-ASEAN summit meeting to create a specialist group focused on collaborative research on FTA, or more broadly, on measures to strengthen economic cooperation between the two regions. After five rounds of discussions between March and August of 2004, both sides of the Korea-ASEAN research teams were able to recognize the mutual economic benefits enjoyed from liberalizing their economies and came to a conclusion for a need for tariff elimination and liberalization of service and investment excluding items on the sensitive track.

The first negotiation for the KOR-ASEAN FTA was held in Jakarta, Indonesia on February 23-25, 2005. Both sides signed the “Framework Agreement on Comprehensive Economic Cooperation Among the Governments of the Republic of Korea and the Member Countries of the Association of Southeast Asian Nations” which included the “Letter of Understanding Among the Parties to the Agreement on Trade in Goods Under the Framework Agreement on Comprehensive Economic Cooperation Among the Governments of the Republic of Korea and the Member Countries of the Association of Southeast Asian Nations on the Tariff Rate Quota” among others at the Korea-ASEAN summit meeting on December 13, 2005. Traditionally, Korea’s FTA negotiations have followed a Single undertaking process inclusive of products, service, and investment; however, as the Korea-ASEAN FTA involves multiple nations, rather than two, the FTA negotiation process has taken the form of several distinct steps in the order of product, service, and investment.

The Korea-ASEAN Agreement on Trading Goods was officially finalized with 4 ASEAN countries, Vietnam, Malaysia, Indonesia, and Myanmar, on June 1, 2007 after finishing the domestic ratification process. Following soon after, the Philippines (January 1, 2008), Brunei (July 1, 2008), Laos (October 1, 2008), and Cambodia

(November 1, 2008) also enacted the trade agreement. Thailand was the last to sign the agreement in February 2009 and put it into effect beginning from January 1, 2010 after undergoing several problems within its nation both internally and externally.

B. Tariff Elimination under Korea-ASEAN FTA

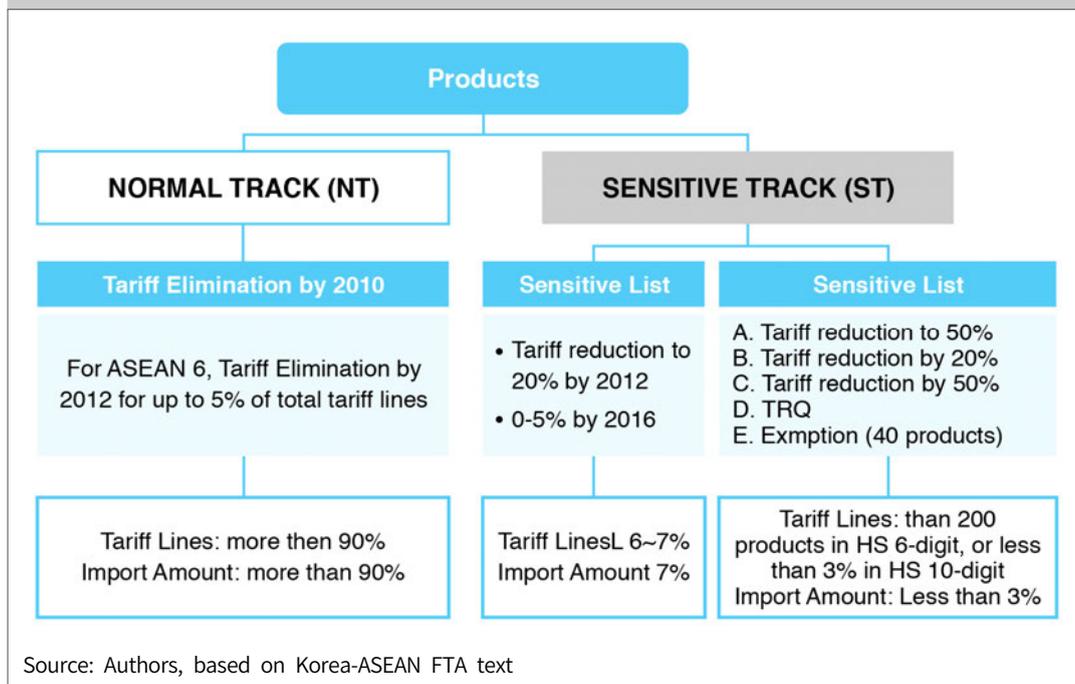
The KOR-ASEAN FTA on Trading Goods is separated into three distinct agenda discussing the main text, which are products placed on the normal track, products placed on the sensitive tracks, and rules of origin for traded products; these three addenda include a concession list for products placed on the normal track, a concession list for products placed on the sensitive track, and product-specific rules of origin. Annex 1, the concession list of products placed on the normal track, takes into account each nation's level of economic development and sets a flexible concession schedule for normal products. Annex 2, the concession list of products placed on the sensitive track, takes into account the sensitivity of each categorical product and separates them into items on the sensitive track and highly sensitive track. Annex 1 and 2 are written so that all products not placed on the sensitive track of addenda 2 are categorized into products on the normal track in Annex 1.

The decision to categorize products into the normal and sensitive tracks was put into action autonomously by each nation. However, products can be categorized within the items placed on the normal track only when the product contain over 90% of the overall tariff items and make up over 90% of the gross imports from the counterpart region in 2004 (for an ASEAN member country, the counterpart region is Korea, while for Korea, the counterpart region is all of ASEAN member countries).

In contrast, only the products whose share does not exceed 10% of the overall tariff items and gross products imported from the counterpart region are eligible to be classified as sensitive track. Items placed on the sensitive track are further divided into items within the sensitive list and highly sensitive list; items whose share does not exceed 7% of all items imported from the counterpart region are eligible to be classified as highly sensitive track items.. Items placed within the highly sensitive list are once again divided into 5 different groups; the highly sensitive list is limited to 200 tariff lines at the HS 6-digit level or 3% of all the tariff

lines at the HS digit level of each Party's own choice and 3% of the total value of imports from Korea or from the ASEAN Member Countries as a whole.

Figure 2-14. Tariff Elimination in Korea-ASEAN FTA



Tariff reductions of items placed on the normal track follow one of three schedules according to the participating country's level of economic development. Firstly, South Korea, which has a comparatively higher level of development, and the ASEAN 6 countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) have finished tariff eliminations on all items on the normal track by 2010. On the other hand of the CLMV countries, Vietnam which has a relatively higher development speed compared to the other three countries plans to complete tariff eliminations by 2016 while Cambodia, Laos, and Myanmar plans to complete tariff eliminations for items placed on the normal track by 2018. As of 2018 now, tariff on all normal track products are fully eliminated in accordance with the KOR-ASEAN FTA. The Korean-Vietnam tariff elimination schedule is shown in the table below.

Table 2-13. Tariff Elimination Schedule for Korea and ASEAN 6

X = applied MFN tariff rate	Korea-ASEAN FTA Preferential Tariff Rate (no later than January 1st)				
	2006	2007	2008	2009	2010
$X \geq 20\%$	20	13	10	5	0
$15\% \leq x \leq 20\%$	15	10	8	5	0
$10\% \leq x \leq 15\%$	10	8	5	3	0
$5\% < x < 10\%$	5	5	3	0	0
$X \leq 5\%$	Standstill			0	0

Source: Korea-ASEAN FTA text. (www.fta.go.kr)

Table 2-14. Tariff Elimination Schedule for Korea and ASEAN 6 for Vietnam

X = applied MFN tariff rate	Korea-ASEAN FTA Preferential Tariff Rate (no later than January 1st)							
	2006	2007	2008	2009	2011	2013	2015	2016
$X \geq 60\%$	60	50	40	30	20	15	10	0
$40\% \leq X < 60\%$	45	40	35	25	20	15	10	0
$35\% \leq X < 40\%$	35	30	30	20	15	10	0-5	0
$30\% \leq X < 35\%$	30	30	25	20	15	10	0-5	0
$25\% \leq X < 30\%$	25	25	20	20	10	7	0-5	0
$20\% \leq X < 25\%$	20	20	15	15	10	7	0-5	0
$15\% \leq X < 20\%$	15	15	15	10	7	5	0-5	0
$10\% \leq X < 15\%$	10	10	10	8	5	0-5	0-5	0
$7\% \leq X < 10\%$	7	7	7	7	5	0-5	0-5	0
$5\% \leq X < 7\%$	5	5	5	5	5	0-5	0	0
$X < 5\%$	Standstill						0	

Source: Korea-ASEAN FTA text. (www.fta.go.kr)

For both Korea and the ASEAN 6 countries, items on the sensitive track (i) are limited to 200 tariff lines at the HS 6-digit level or 3% of all tariff lines at the HS 10-digit level; each Party choose from the two options and (ii) less than 3% of the total value of imports from counterpart region (Korea or the ASEAN Member

Countries as a whole) based on 2004 trade statistics. However, only condition (i) acts as a ceiling for limitations to tariff lines on the Highly Sensitive List for CLMV countries.

Tariff rates on items on the sensitive list have been negotiated to be dropped below 20% by a set intermediate inspection date until the tariffs are finally dropped to a rate of 0~5% by a previously decided final inspection date. In case of Korea and the ASEAN 6 nations, the intermediate inspection date to drop all tariffs on all items in the sensitive list to below 20% was January 1, 2012 while the final inspection date was decided for January 1, 2016. Vietnam's intermediate inspection date and final inspection date was settled for January 1, 2017 and 2021 respectively, while the remaining CLM nations were settled for 2020 and 2024 respectively.

The Highly Sensitive List is divided into 5 groups: Group A with a ceiling tariff rate of 50%, Group B which reduces the performing tariff rate by up to 20%, Group C which reduces the performing tariff rate by up to 50%, Group D which imposes a tariff quota, and Group E which is excluded from actions like tariff reductions and eliminations. The number of tariff lines each Party can place in Group E is subject to a maximum ceiling of 40 tariff lines at the HS 6-digit level.

2. Korea-Vietnam FTA

In order to raise the low level of liberalization of the Korea-ASEAN FTA, Korea and Vietnam pushed forward for an FTA in their 2009 bilateral summit. Following the completion of all necessary internal procedures, the two countries officially began negotiations in August 2012 at the bilateral trade ministers' conference. Over the following 28 months, the two countries met on nine cases for formal negotiations and declared substantial settlement on the negotiations in December 2014. After technical consultation and technical and legal review, Korea and Vietnam duly signed the FTA on May 5, 2015. From Korea's perspective, the Korea-Vietnam FTA was Korea's 15th settled FTA and was a key achievement in expanding Korea's strategic FTA network. Moreover, as Korea's first upgraded FTA, the Korea-Vietnam FTA can trace its significance back to the upgraded standards for the liberalization of goods through the adoption of trade-promoting norms, especially as compared to the previous Korea-ASEAN FTA.

With the Korea-Vietnam FTA on trade in goods, Vietnam conceded 86.3% of their items compared to the Korea-ASEAN FTA (2012 gross import standards), but with a 1.2% additional items for immediate tariff elimination, 1.9% additional items for tariff elimination over a 3-year period, 2.9% additional items for tariff elimination over a 5-10 year period, and an additional 0.1% of items for tariff elimination over a 15 year period, the 86.3% concession level will rise to 92.4%. South Korea conceded an additional 1.3% of items for immediate tariff elimination, 1.0% of items for tariff elimination over a 3-5 year period, and 0.8% of items for tariff elimination over a 7-15 year period on top of its original 9.17% concession level from the Korea-ASEAN FTA, allowing Korea to raise its concession level from 92.4% to 94.7%.

By item, Vietnam plans to eliminate tariffs on key products imported from Korea such as certain fiber items in the next three years, transformers, motors, mixers, synthetic resins, and aircraft parts in the next five years, railway vehicle parts, wires, mopeds, and medicine in the upcoming seven years, and automotive parts, freight cars (5-20 tones), automobiles (above 3000CC), cosmetics, electric rice cookers, and air-conditioners among others in the next ten years. In contrast, Korea plans to eliminate tariffs on products imported from Vietnam such as tropical fruits (guava, mango, etc.), onions (dried/frozen), ginger (dried/fresh & refrigerated/etc.), and pork (pork belly/frozen/etc.) in the next ten years, and raw honey, red beans, sweet potato starch in the next fifteen years; likewise, the tariff on walnuts, tilapia, salmon, mackerel, sea bream, types of shrimp, kelp, and processed tuna products imported from Vietnam will be eliminated in the next ten years in Korea and beer within the next five years.

The Korea-Vietnam FTA improved on the standard Korea-ASEAN FTA's rules of origin and further added 100 HS 6-digit items from the Gaesung Industrial Zone currently not listed in the KOR-ASEAN FTA. Additionally, Korea not only shortened the application procedure for preferential tariff treatment for the convenience of exporters and producers domestically, but also for exporters and producers internationally so that they could request for classification of items, customs evaluation, and preliminary examination of origin. Finally, the scope of exemption for a certificate of rules of origin for items was expanded from USD 200 to USD 600 and a certificate of origins is submitted only upon the requested of the import customs authorities facilitating the utilization of the FTA.

Table 2-15. Changes of ROOs from Korea-ASEAN FTA

Products	Changes in Determining the Originating Country
Agricultural Products	The criteria for fresh agricultural products tend to stabilize their whole obtained criteria, while for processed agricultural products; selective rules of origin with 'change in tariff classification or regional value content' (e.g. sweetened condensed milk, lactose, etc.).
Textile, Clothing	The majority has been similarly negotiated as the Korea-ASEAN FTA, while certain textiles have been put up for additional flexibility (e.g. cotton, wool, etc.).
Machinery, Electronics Devises	KOR-VIETNAM FTA focuses on flexibility admitting change in tariff classification in HS 6-digit or RVC of 40% (e.g. washing machine, refrigerator, etc.).
Automobiles	The completed car utilizes the same standards as the Korea-ASEAN FTA with a value added standard of RCV 45%, while car parts utilizes the change in tariff classification in HS 4-digit (e.g. gearbox, axle, etc.).

Source: Korea-Vietnam FTA text. (www.fta.go.kr)

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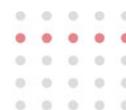
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CHAPTER

03



Legal and Institutional Structure for Implementing FTA

Part 1 Utilization of Korea-Vietnam FTA and
Korea-ASEAN FTA

Part 2 Customs Procedure

Part 3 Issuing Certificates of Origin

Part 4 Verification of Origin

Chapter

3

Legal and Institutional Structure for Implementing FTA

Summary

Utilization Rate for Korea-ASEAN & Korea-Vietnam FTA

The utilization rate in Korea's imports from Vietnam tends to decline gradually over the period of 2013 ~ 16. The utilization rate, which was 72.6% in 2013, dropped slightly to 71.9% in 2014 and decreased more than 10 percentage point in 2015 and 2016, recording 60.7% and 58.8%, respectively. The utilization rate for imports from Vietnam by industry did not change much. In particular, the utilization rate of textile & garment products, which are Korea's major import products from Vietnam, was higher than 95% in 2016 and had been maintained at a very high rate. The utilization rate of electronic machinery product, Korea's second major importing product from Vietnam, was 28.8% in 2013. It surged up to 34.4% in 2014, but in 2015 and 2016, it was back to 25.8% and 26.9%, respectively, which were about the same level as in 2013.

Customs Procedure

With the universal use of internet in both private and public sectors, the Korea Customs Service (KCS) recognizes the importance of using the technology to establish a cost-effective solution. By utilizing the clearance portal system on the

internet, customs procedures can be carried out at home, or at the office or even on move as long as internet is available. The system includes connections to various other trade related entities such as banks for online payment of duties and bonded storage operators for receiving such certificates as release permits. In addition, the trade operators can access the customs administration system via internet by using the internet portal which provides various services and different access levels depending on the type of users. Such services include customs clearance services, single window services, information services and customer relationship management. The portal itself acts as a gateway between the external user and the customs system including the import and export clearance system, cargo management system and duty drawback system so that external users can have access to various information and services.

For Vietnam Customs procedure, General Department of Vietnam Customs (GDVC) is an organization structured under Ministry of Finance and responsible for ensuring management, advising and assisting Ministry of Finance in customs management and enforcement. With the proliferation of FTAs, GDVC realized that there should be a necessary for self-renewal and improvement of customs personnel, institutional issues, guidance instructions, facilities for professional activities and working environment and attitude. Since 2014, GDVC applied Vietnam automated cargo clearance system (VNACCS) to all regional customs department and subsequently all the customs sub-branches. This system provides services of tax-exemption categories, customs procedures applied for both traded and nontraded goods, simplified customs procedure of low value goods and temporary import and re-export goods. The core functions of this system including full range of modules: automatic customs clearance (e-Declaration); Ship declaration system (e-Manifest); Invoice transactions report (e-Invoice); C/O; electronic C/O; selectivity; risk management profile/risk management criteria; import-export business management; Customs clearance and Release of goods; Supervision and control.

Issuance of Certificate of Origin

In Korea, the electronic trading platform for issuing the certificate of origin is provided by the UNI-PASS of the Korea Customs Service as well as Web Certification

System of the Chamber of Commerce and Industry (KCCI). The UNI-PASS is an electronic customs clearance system developed and operated by KCS. It is not just a fully automated customs administration system utilizing up-to-date IT technology, but also has embedded 20 years of know-how and experience including full transfer of the technology and cumulated knowledge.

KCS started to construct an electronic customs clearance system in 1992 by establishing a customs clearance plan for Electronic Document Exchange (EDI). The Korea Customs Service continuously invested in the care of IT and by the year 2000 nearly all customs procedures were automated. In 2005, KCS developed the internet based customs system and the Single window was developed to connect various government entities and agencies. Since the year of 2011, the UNI-PASS system is in its fourth generation adopting mobile concept with the goal to create a system to share information globally.

With the changes in the international trade environment including the FTAs, the KCCI developed a “Certificate Origin (C/O) Web Certification System” to eliminate the inconvenience incurred to companies in having to visit the issuer of issuance of certificates. Users can conveniently send application and print a C/O using its internet-based system anytime and anywhere. The main task of the Trade Certification Service Center of KCCI is to issue certificates of origin and certify trade documents. The certificates of origin issued by KCCI include general C/O, preferential tariff C/O and FTA C/O, country-specific C/O and so on.

For Vietnam C/O Issuance, the Ministry of Industry and Trade of Vietnam is a state organization assigned by the Government to manage certificates of origin. In particular, the Ministry shall directly grant all FTA certificates of origin. All non-FTA certificates of origin are issued by Vietnam Chamber of Commerce and Industry (VCCI). Recognizing the importance of issuing certificates of origin and facilitating the processing and receiving of dossiers, the Ministry of Trade (former) has implemented the eCoSys Certificate of Origin management system since 2006. The initial system simply collected information about certificates of origin from Import-Export Management Offices, Industrial Management Boards and VCCI nation-wide branches. In 2007, the pilot system was implemented for 50 prestigious enterprises with high and stable export turnover. In 2008, the system was widely deployed for all traders applying for FTA certificates of origin granted by the Ministry of Industry and Trade

of Vietnam. All applications are electronically signed on the system.

With an aim to improving the business environment, speeding up administrative procedures, shortening the issuance period, reducing administrative costs, ensuring transparency and raising responsibility of competent issuing authorities under the Resolution 19/NQ-CP of the Government in the period of 2014 - 2015, the Agency of Foreign Trade has coordinated with the Vietnam E-Commerce and Digital Economy Agency to continuously improve the eCoSys system. According to statistics, there have been more 20,000 enterprises participating in the eCoSys system up to now.

Verification of Origin

Korea Customs Service has undertaken the origin verification process since the Korea-Chile FTA, the first FTA signed by Korea. However, until 2011, Customs Headquarter or local customs did not have a separate team or division for origin verification. In January 2010, the Korea Institute of Origin Information (KIOI), a nonprofit government-funded institution, was established. According to Customs Act Article 223-2 and the Enforcement Decree of the Customs Act Article 236-5, the Commissioner of the Korea Customs Service consigned to the KIOI to collect and analyze origin related information and the KIOI provides information to the customs authorities for FTA origin verification. In April 2011, the Center for FTA Enforcement Planning was established at the Customs Headquarter. The Center for FTA Enforcement Planning was established as a dedicated division to check on the implementation status of FTAs in Korea and to designate approved exporters, to provide administrative guidance and publicity, to improve the utilization of FTAs, and to build computational and electronic infrastructure for the effective use of FTA (called FTA- PASS) for import-export companies. Also, it is responsible for verifying the preferential rules of origin, which prevents the illegal use of preferential tariffs.

The office of origin support under the Korea Customs Service has set up a plan to advance the origin verification process after the implementation of the Korea-EU FTA and the Korea-US FTA. As the investigation process of rules of origin differs among FTAs in which Korea participates and there has been surge of origin investigation requests from the FTA partner countries, it was needed to have concrete procedure for integrated system for origin investigation. As part of this

process, the Korea Customs Service enacted and implemented the Directive on the Operation of Origin Investigation under FTA on September 20, 2012. The Directive improves the transparency and consistency in origin investigation and helps entrepreneur have better predictability from possible origin investigation.

For exporting product, Vietnam Customs offices determine the origin of exported goods through an examination of the contents declared by the customs declarants, the customs dossiers, and the results of the physical inspection of the goods. In the event that the origin of exported goods is questioned, the customs offices require the customs declarants to provide documents pertaining to the origin of exported goods. Inspection and verification of goods is then carried out at production establishments. While awaiting the result of this inspection and verification, exported goods are cleared in accordance with Article 37 of Customs Law 54/2014 / QH13.

In import verification, Vietnam's Customs offices examine and determine the origin of imported goods on the basis of the declaration contents, certificate of origin, customs dossiers and the results of the physical inspection of the goods. Certificate of origin of imported goods is to be issued by competent authorities of the exporting countries or certified by the producers, exporters or importers according to international treaties to which Vietnam is a member. In the event that the origin of imported goods becomes suspicious, the customs offices inspect and verify the origin of goods in the country of production. The results of this verification are legally valid for determining the origin of imported goods. While awaiting the results of the inspection and verification, imported goods are cleared from customs procedures under Article 37 of the Customs Law 54/2014 / QH13, but are not subject to special preferential tax rates. The official tax amount to be paid shall be based on the results of inspection and verification.

Part **1**

Utilization of Korea-Vietnam FTA and Korea-ASEAN FTA

1. Measuring the Effectiveness of FTA

FTA itself does not guarantee that exporting products receive preferential tariff treatment from the FTA partner country. The products might be refused to receive preferential tariff treatment because they fail to meet the required rules of origin. Exporters and/or importers may not be interested in applying preferential tariff rate because the volume of export/import is very small and thus the benefit from such preferential treatment is negligible. Or it may occur because exporters and/or importers are not aware of FTA and/or have no idea how to make use of it. Whatever reasons are, it is not ideal or desirable for not utilizing FTA which went through a long and intense negotiation process. In this regard, more attention has been cast on the effectiveness of FTAs. That is, how effectively an FTA has been used is the area where more and more countries are focusing on.

One way to measure the effectiveness of the implemented FTA is to see utilization rate, which can be calculated as follows;

$$\text{Utilization Rate} = \frac{\sum_{\substack{p \in \text{partner} \\ s \in \text{sector}}} (M_{p,s} \text{ entering under preferential treatment})}{\sum_{\substack{p \in \text{partner} \\ s \in \text{sector}}} (M_{p,s} \text{ such as } p,s \text{ is eligible to preferential treatment})}$$

In the formula above, $M_{p,s}$ denotes the importing country's imports from partner countries.

The utilization rate is the ratio of imports which receive preferential tariff treatment at the border to imports which are 'eligible' under the preference regime. The terminology 'eligible to preferential treatment' means that imports of products such as zero MFN tariff products, excluded products under the FTA, or products whose tariff elimination has not yet started should be excluded from the consideration. The utilization rate is a number between 0 (0%) and 1 (100%), where 0% means FTA is not used at all and 100% implies that FTA is fully used in trade

in goods. These rates and ratios show how effectively an FTA is utilized. In this section, we measure the utilization rate for Korea-ASEAN FTA and Korea-Vietnam FTA, covering the period of 2013-16.

2. Korea's Imports from Vietnam

A. Korea's Tariff Structure

As of 2016, Korea had 12,243 tariff lines in HS 10-digit. Considering some products are sub-divided and some have more than two tariff lines, the total number of product types that are applied with tariff lines in Korea is 12,579 products. Most of these products are subject to ad valorem tariff rate, but there are 94 products which are applied with specific tariff or selective tariff rates of 'ad valorem or specific tariff' form. Products which are applied with specific tariff are mostly primary and processed primary products, which include HS 01~24. However, 36 out of 94 products which are subject to specific tariff are manufactured goods, such as rubber and chemical products (30 products) and textile and garment products (5 products).

The following table shows the average applied tariff rate which Korea imposes on its imports.¹¹ It is a simple average which excludes products with specific tariff.

¹¹ Industry is classified according to the HS 2-digit as following;

HS 2-digit	Industry
CH 01~10	Primary
CH 11~24	Processed Primary
CH 25~28	Processed Mineral
CH 29~40	Rubber/Chemical
CH 41~43	Leather
CH 44~45	Paper/Wood
CH 50~67	Textile/Garment
CH 68~71	Non-Metal
CH 72~83	Metal
CH 84	General Machinery
CH 85	Electronic Machinery
CH 86 and CH 88-89	Other Transportation
CH 87	Transportation
CH90~91	Precision Machinery
CH92~97	Other Manufacturing

Korea's average tariffs for processed primary products are the highest with 47.7% and it is followed by primary products with 39.17%. It reflects Korea's sensitivity in imports of agricultural, fishery and/or forestry products. Among manufactured products, the tariff rate for textile and garment products are relatively high; the average tariff rate on these products is 9.6%, which is close to 10%, however the highest tariff rate imposed on textile and garment products is only 13%. On the other hand, tariff rates for paper and wood, other transportation and metal products are relatively low, less than the 5% average tariff. The overall average applied tariff rate on imported products for Korea is 12.73%.

Table 3-1. Korea's Average Tariff Rates

Industry	# of Products	Average Tariff	Minimum	Maximum
Electronic Machinery	810	5.38	0.0	13.0
General Machinery	1,285	5.78	0.0	13.0
Leather	242	7.69	0.0	16.0
Metal	1,037	4.18	0.0	8.0
Non-Metal	463	7.11	0.0	8.0
Other Manufacturing	435	5.19	0.0	13.0
Other Transportation	141	2.71	0.0	8.0
Paper/Wood	606	3.02	0.0	10.0
Precision Machinery	521	6.48	0.0	8.0
Primary	1,251	39.17	0.0	887.4
Processed Mineral	798	4.48	0.0	20.0
Processed Primary	1,023	47.70	0.0	800.3
Rubber/Chemical	2,292	6.01	0.0	50.0
Textile/Garment	1,389	9.60	0.0	13.0
Transportation	192	8.03	0.0	10.0
Total	12,485	12.73	0.0	887.4

Note: Basic tariff rate is a simple average tariff rate based on 2016. Products which are subject to TRQ are exempted from the calculation.
 Source: Calculated by Authors.

Distribution of tariff by industry is summarized in the following table. In terms of tariff lines, there are 1,974 products which imposed no tariff on imports. This consists of about 15.7% of all tariff lines. The number of products within the ranges 0~3% and 3~5% tariff rates are 724 and 774 respectively. This means that about 27.4% of imported products in Korea are subject to 5% or lower tariff rates. Most of the imported products are subject to 5~10% tariff rate range, however, 411 products are imposed with higher than 30% of tariff rate.

Table 3-2. Distribution of Import Tariff by Industry

	Range: $x < \tau \leq y$									Total
	0	0~3	3~5	5~10	10~20	20~30	>30	ad or specific	specific	
Electronic Machinery	253	10	18	527	2				1	811
General Machinery	309	20	97	858	1					1,285
Leather	28	29	42	73	70					242
Metal	412	104	40	481						1,037
Non-Metal	6	50	31	376						463
Other Manufacturing	154			279	2					435
Other Transportation	70		62	9						141
Paper/Wood	326	39	79	162						606
Precision Machinery	86	2	32	401						521
Primary	34	48	13	333	389	242	192	47		1,298
Processed Mineral	65	206	107	419	1					798
Processed Primary	31	86	132	246	245	78	205	11		1,034
Rubber/Chemical	162	83	120	1,901	8	4	14	30		2,322
Textile/Garment	28	47		888	426			5		1,394
Transportation	10		1	181						192
Total	1,974	724	774	7,134	1,144	324	411	93	1	12,579

Note: Basic tariff rate is a simple average tariff rate based on 2016.

Source: Calculated by Authors.

B. Korea's Utilization Rates for Imports from Vietnam under the Korea-ASEAN FTA and the Korea-Vietnam FTA

Korea's total imports from Vietnam during the period 2013-16 stood at USD 37.5 billion. Textile & Garment products account for the highest volume, which recorded USD 12.8 billion, and is followed by electronic machinery products (USD 10.0 billion), primary products (USD 2.5 billion) and processed mineral products (USD 1.9 billion). The total customs duty imposed by Korea on imported products from Vietnam during this period was USD 619.6 million, and the applied tariff rate on Vietnam imports was about 1.7%. Products with relatively high tariffs are the primary product with a registered tariff rate of 6.8%. Transportation products (5.1%) and non-metal products (3.7%) were also subject to relatively high tariff rates.

Table 3-3. Korea's Imports from Vietnam: 2013-16

(Unit: million, USD, %)			
Industry	Imports	Tariff Paid	Applied Tariff Rate
Electronic Machinery	9,966.7	136.0	1.4%
General Machinery	1,552.1	10.9	0.7%
Leather	502.8	10.7	2.1%
Metal	1,562.8	13.3	0.8%
Non-Metal	416.2	15.4	3.7%
Other Manufacturing	1,134.6	5.8	0.5%
Other Transportation	62.9	.1	0.2%
Paper/Wood	1,416.5	28.6	2.0%
Precision Machinery	895.1	30.0	3.4%
Primary	2,535.7	172.5	6.8%
Processed Mineral	1,914.0	17.5	0.9%
Processed Primary	1,223.8	40.2	3.3%
Rubber/Chemical	1,256.5	10.9	0.9%
Textile/Garment	12,807.9	117.2	0.9%
Transportation	206.5	10.5	5.1%
Undefined (HS Ch 99)	11.5	.0	0.0%
Total	37,465.5	619.6	1.7%

Source: Summarized by Authors, based on Korea Customs and Tariffs Development Institute (KCTDI) trade data.

In order to compute the utilization rate of Korea's imports from Vietnam, we first calculated the amount of imports which are eligible to receive preferential tariff treatment. From the total imports from Vietnam shown in the previous table, the imports which were not eligible to be applied with preferential tariff treatment from both Korea-ASEAN FTA and Korea-Vietnam FTA should be dropped from the consideration. The utilization rates of Korea's imports from Vietnam are summarized in the table below. In the four years from 2013 to 2016, Korea's total imports from Vietnam amounted to USD 34.5 billion, excluding zero tariff products, imports of products which are excluded from concession in Korea-ASEAN FTA and Korea-Vietnam FTA, and other cases in which it is impossible to apply preferential tariff treatment. Among them, imports under the Korea-ASEAN FTA (Customs Tariff category of FAS) or Korea-Vietnam FTA (Customs Tariff category of FVN) amounted to USD 22.3 billion, showing that Korea's utilization rate for imports from Vietnam is 64.6%.

The imports of textile and garment products accounted for USD 12.5 billion, consisting of 36.1% of total imports during this period. The imports of electronic machinery items accounted for USD 9.5 billion, which was about 27.6% of imports from Vietnam. The imports in these two industries consist of the majority of Korea's imports from Vietnam, accounting for 63.7% of total import. However, unlike textile and garment products which scored 94.9% of utilization rate, the utilization rate for electronic machinery products was merely 27.8%, which is the main reason for lowering the utilization rate for Korean imports from Vietnam.

The industry with the highest utilization rate was the processed primary products with the highest utilization rate of 97.5% over the period of 2013-2016. In addition, textile & garment product (94.9%) and paper & wood product (91.8%) also showed relatively high utilization rate with both higher than 90%. On the other hand, the utilization rate for general machinery was low at 16.0% and even though the amount of imports from Vietnam was not large, the utilization rate of transportation product was also low at 26.3%.

Table 3-4. Utilization Rates for Korea's Imports from Vietnam: 2013-2016

(Unit: million, USD, %)

2013~16	A	C	CIT	F	FAS/FVN	FASVN	I	L	P	W	Total	Utilization Rate
Electronic Machinery	1,692.7	5,177.1	4.9	.0	2,649.9						9,524.5	27.8%
General Machinery	125.2	1,173.0	.0	.1	247.2						1,545.5	16.0%
Leather	135.4				360.0				5.9		501.3	71.8%
Metal	198.3	378.5			650.9				8.3		1,236.0	52.7%
Non-Metal	173.4	.0			225.3						398.7	56.5%
Other Manufacturing	69.5	502.0			562.4						1,133.9	49.6%
Other Transportation	2.1	1.9			4.3						8.3	51.9%
Paper/Wood	20.6	48.3			795.4		.5	1.7			866.6	91.8%
Precision Machinery	371.6	87.1	2.7	1.0	432.7						895.1	48.3%
Primary	474.4	2.8			1,576.5			.0		.4	2,054.0	76.8%
Processed Mineral	573.2	3.5			1,014.5						1,591.2	63.8%
Processed Primary	25.6	.2		.5	1,033.2			.0	.2	.3	1,059.9	97.5%
Rubber/Chemical	16.8	152.1	.0		839.3				.0		1,008.2	83.2%
Textile/Garment	606.5	1.6			11,824.7				28.2	.0	12,461.0	94.9%
Transportation	89.3	1.1			54.0	61.2					205.5	26.3%
Total	4,574.4	7,529.1	7.6	1.7	22,270.3	61.2	.5	1.8	42.5	.7	34,489.7	64.6%

Note: The abbreviations in tariff classification stands for; A (Basic Tariff), C (WTO Tariff), F (International Cooperation Tariff), P (Tariff Quota) and W (Concessive Duty on Agriculture).
 Source: Summarized by Authors, based on Korea Customs and Tariffs Development Institute (KCTDI) trade data.

The following table shows the trends in utilization rates of Korea's import from Vietnam by industry and by year. The utilization rate in Korea's imports from Vietnam tends to decline gradually over the period of 2013-16. The utilization rate, which was 72.6% in 2013, dropped slightly to 71.9% in 2014 and decreased more than 10 percentage points in 2015 and 2016, recording 60.7% and 58.8%, respectively. These results need to be considered carefully since the Korea-Vietnam FTA came into effect in 2016 after Korea's preferential tariff treatment widened.

The utilization rate for imports from Vietnam by industry did not change much. In particular, the utilization rate of textile & garment products, which are Korea's major import products from Vietnam, maintained at the very high level, recording

higher than 95% in 2016. The utilization rate of electronic machinery product, Korea's second major imported product from Vietnam, was 28.8% in 2013. It surged up to 34.4% in 2014, but in 2015 and 2016, it was back to 25.8% and 26.9%, respectively, which were about the same level as in 2013.

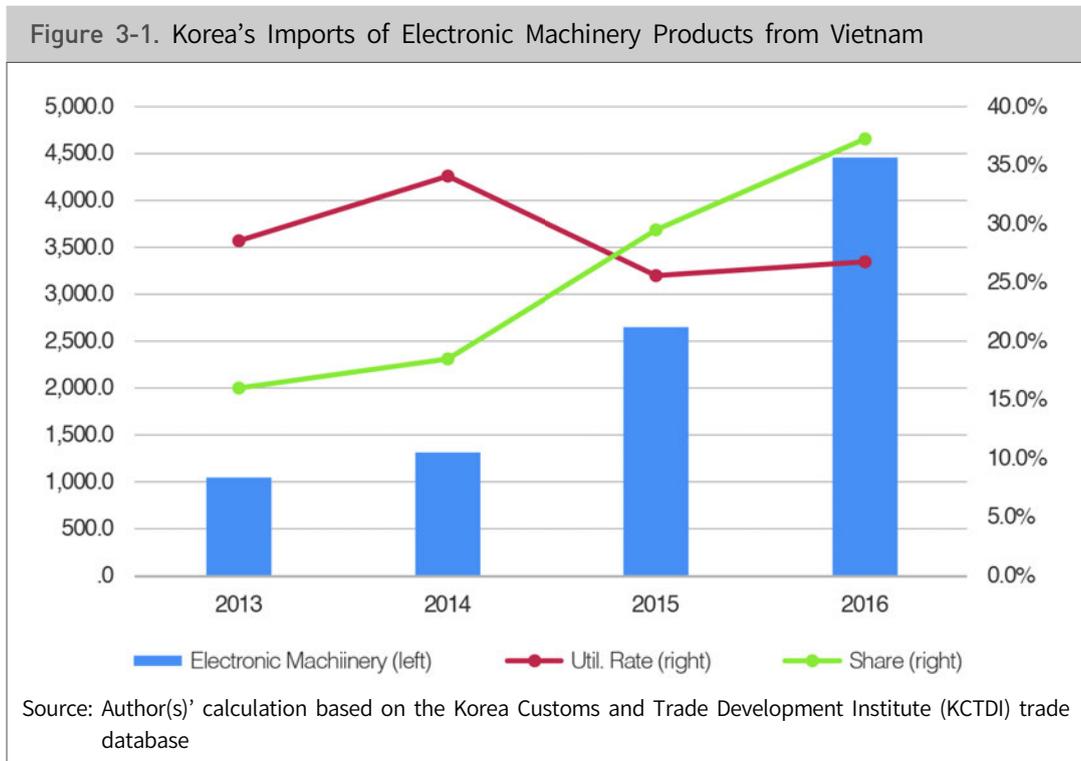
Table 3-5. Utilization Rates for Korea's Imports from Vietnam: 2013-2016: by Industry

	2013	2014	2015	2016
Electronic Machinery	28.8%	34.4%	25.8%	26.9%
General Machinery	25.7%	21.0%	11.4%	15.6%
Leather	75.8%	77.5%	67.9%	68.2%
Metal	48.6%	57.1%	55.2%	50.2%
Non-Metal	89.4%	88.7%	50.1%	42.6%
Other Manufacturing	47.6%	47.8%	47.4%	54.1%
Other Transportation	53.4%	68.6%	49.6%	42.1%
Paper/Wood	78.9%	91.7%	92.9%	94.8%
Precision Machinery	61.3%	49.3%	39.8%	49.8%
Primary	77.0%	69.4%	73.5%	85.9%
Processed Mineral	73.0%	45.5%	36.3%	71.0%
Processed Primary	98.7%	98.8%	99.1%	94.3%
Rubber/Chemical	90.6%	87.9%	82.9%	74.8%
Textile/Garment	94.4%	94.8%	95.2%	95.1%
Transportation	1.6%	0.7%	0.6%	73.6%
Total	72.6%	71.9%	60.7%	58.8%

Source: Summarized by Authors, based on Korea Customs and Tariffs Development Institute (KCTDI) trade data.

However, the significant increase in imports of electronic machinery products from Vietnam has been a major cause of the decline in the utilization rate. As shown in the previous table, the utilization rate of electronic machinery products is much lower than other industries. Given that, the utilization rate for total imports from Vietnam could go down as more and more of electronic machinery product is imported. The following figure shows Korea's imports of electronic machinery products from Vietnam and its share of total imports. The amount of import of

electronic machinery products from Vietnam had been quadrupled from USD 1.0 billion in 2013 to USD 4.5 billion in 2016. The share of import of electronic machinery product accounted for 16.3% of total imports in 2013 and rose to 29.7% and 37.4% in 2015 and 2016, respectively. The increased imports of electronic machinery products, which have a relatively low utilization rate, have been the main reason for the drop in the utilization rate in Korea's imports from Vietnam for the period of 2013-2016.



The low utilization rate of electronic machinery products can be attributed to the structural characteristics of the industry. In other words, the reason for low utilization is not due to restrictions on FTA rules of origin, but rather due to the characteristics of the electronic machinery industry, where production is actively taking place using an intermediate part and component-based global production network. Also, the surge in Korean imports of electronic machinery products from Vietnam since 2015 is considered to be the result of massive investment by Korean

companies, such as SamSung Co. To identify detailed factors, an in-depth analysis focusing on the relevant industries will be needed.

3. Vietnam's Imports from Korea¹²

A. Vietnam's Import Tariff Structure

Vietnam applies the Harmonized Commodity (HS) System and goods imported/exported are subject to import/export duties. The Vietnam government issued Resolution No. 109/2016/NQ-CP approving the ASEAN Harmonized Tariff Nomenclature 2017 (AHTN 2017). At the same time, Vietnam shifts the preferential import tariff rate due to the change in the list of import tariffs under the new list of export goods (AHTN 2017).

In addition to significant change in tariff rates when Vietnam first joined the WTO in January 2007, tariffs have decreased steadily over the past years. In fact from 2015, tariff rate on a number of imports into Vietnam were reduced under the commitments to FTAs. Tariff rates on many commodities under the tariff schedule have been lowered and adopted faster than the WTO commitments and preferential import tariffs (MFN). According to the commitment schedule, the average tariff of 2015 tariff schedule in 2017 was 0.96%, while it becomes 0.06% in the period of 2018-2022 (0.9% lower than the period 2015 - 2017). As committed, Vietnam has basically completed the elimination of tariffs within ASEAN by 2015, and the 7% of tariffs will be flexible until 2018. In addition, about 3% for types of the tariff of ATIGA (ASEAN Trade in Goods Agreement) are excluded from commitments and removed tariffs.

When joining the FTA, the tariff preferences mean that the inputs of the economy will be reduced, and business efficiency will increase. Vietnam's domestic revenues have risen dramatically from 56% of total budget revenues to 75% in 2016 and are expected to increase further. This increase will be offset by income from import tariff. Import goods must fall under the special preferential import tariff, promulgating together with the Decree and goods is imported from countries that

¹² Due to limitation on available data, Vietnam's import utilization from Korea cannot be computed.

are members of the ASEAN Comprehensive Economic Partnership Agreement with Japan, Korea, China, Australia, etc. In addition, the goods must meet the provisions on the origin of goods in the Agreement. Relevant documents and certificates of origin (C/O) are issued by the Ministry of Industry and Trade.

Goods imported across the borders of Vietnam, or which pass between the domestic market and a non-tariff zone, are subject to import duties. Exceptions to this include goods in transit, goods exported abroad from a non-tariff zone, goods imported from foreign countries into non-tariff areas for use in non-tariff areas only, and goods passing from one non-tariff zone to another. Most goods and services being exported are exempted from tariff. Export duties (ranging from 0% to 45 % and computed on free-on-board (FOB) price) are only charged on a few items, mainly natural resources such as minerals, forest products, and scrap metal.

Consumer goods are subject to high import duties, while machinery, equipment, materials and supplies needed for production enjoy lower rates of import duties, or even a zero percent tariff rate. Duty rates for imported goods include preferential rates, special preferential rates, and normal rates depending on the origin of the goods.

Import duties declarations are required upon registration of customs declarations with the customs offices. Depending on the trade conditions, a number of different types of duties on the import are imposed. In-depth information on a range of goods would be well advised at the website of Vietnam Customs.¹³

B. Vietnam's Tariffs on Imports

Imports are subject to import tariff, value-added tax (VAT) and, for certain goods, Special Consumption Tax (SCT). Tariff is imposed on almost every type of product that is imported into the country. The import tariff rates depend on the type of the product. Import tariffs are to be paid before customs clearance. Late payment can lead to delayed customs clearance and furthermore, it may also result in higher costs. Tariff rates applicable to imported goods include preferential tariff rates, special preferential tariff rates, and ordinary tariff rates:

¹³ <https://www.customs.gov.vn/SitePages/Tariff-Search.aspx?language=en-US>

- Preferential tariff: applied to goods originating from countries, groups of countries, or territories, which are applied the Most Favored Nation (MFN) treatment in their trade relations with Vietnam.
- Special preferential tariff: applied to goods originating from countries, groups of countries, or territories, which concluded special preferential agreements (e.g. free trade agreements) with Vietnam.
- Ordinary tariff: applied to goods originating from countries, groups of countries, or territories, which are not applied to the MFN treatment or special preferences on import tariff to Vietnam.

Tariff exemption

Imported goods which are exempted from tariff include the followings:

- Goods temporarily imported for re-export or temporarily exported for re-import.
- Goods imported for processing for foreign partners and exported afterwards or goods exported to foreign countries for processing for Vietnam and re-imported afterwards under processing contracts.
- Goods imported to create fixed assets for projects entitled to investment incentives or investment projects funded with official development assistance capital sources.
- Goods imported for service of petroleum activities.
- Goods imported for direct use in activities of scientific research and technological development.

Value-added tax (VAT)

In addition to import duty, goods brought to Vietnam are also subject to value-added tax (VAT). VAT rates are 0%, 5% or 10%. However certain products, for example, goods that are necessary but cannot be produced in Vietnam, can even enjoy VAT exemption.

Special consumption tax (SCT)

Some consumer goods are classified as luxury items and an additional tax will be imposed on those products. The special consumption tax or also known as the luxury tax applies to certain imported goods, e.g. alcoholic beverages, tobacco products, and petroleum products. SCT rates start at 7% and can exceed 100% for some products such as cars with a higher engine capacity. For example, the tariff for E10 gasoline is 7%. SCT of 70% will be imposed on cigarettes until December 31, 2018. Starting from January 2019, however, the tariff will rise to 75%.

Environmental protection tax (EPT)

EPT is a tax imposed on products that have a harmful effect on the environment. According to the Law No. 57/2010/QH12, goods such as plastic bags, gasoline, coal, etc. are subject to the environmental protection tax. Tax rates are calculated based on the amount of money paid on one unit. For example, plastic bags are subject to VND 30,000-50,000 (equivalent to USD1.32-2.2) of EPT per kilogram.

Prohibited goods

The Ministry of Industry and Trade lists goods that cannot be imported to Vietnam. For example, the following products are prohibited: cigars, petroleum oil and oil obtained from bituminous minerals, newspapers, journals, periodicals, discs, tapes, and other recorded media, and second-hand items (including electronics and automotive).

a) Import Tariff under the VKFTA and the AKFTA

Comparing to commitment of 8320 liberalized tax lines in the AKFTA, Vietnam committed to liberalize 201 additional items under the VKFTA. Schedule of tariff elimination within the range of 3 years to 15 years was established on the principle of the domestic commodity demand to support production, export, tariff cuts short route from 3-7 years; fishery products will be subject to 0% of rate by the end of the schedule.

Import tariff under the VKFTA

In order to implement the Vietnam-Korea FTA (VKFTA), the Ministry of Finance issued Circular 201/2015/TT-BTC providing import tariff incentives specifically implemented for Vietnam - Republic of Korea FTA in the period of 2015-2018. The schedule includes 9502 tax lines, including tax-accordance line 9445 levels 8 and 57 lines of tax are detailed according to the level of 10. Over the 15-year period of elimination schedule, Vietnam will completely remove import duties on 89.9 per cent of all products from Korea. Vietnam will remove 30% and 20% tariffs imposed on Korean air conditioners and rice cookers, respectively, over the next 10 years. The average tariffs for foodstuffs and consumer goods will gradually be reduced from the existing 16-17% to 0% over the next five years.

The Government recently issued Decree 149/2017/NĐ-CP, which regulates a new special preferential import tariff, as agreed upon in the VKFTA, and to be put in place between 2018 and 2022. Under the decree, import taxes imposed on 704 types of products imported from Korea to Vietnam, will be eliminated by 2018. The groups of commodities that will enjoy tax exemptions this year are mainly seafood, wheat flour, confectionery, diesel fuel, jet fuel, paint, laundry detergent, plastic, iron and steel products, power machinery and equipment, and electronic products.

In 2018, tax rate on additional 653 products imported from Korea will be reduced compared to last year. The preferential tax rates will be applied to commodities directly transported from Korea to Vietnam. The goods must also meet origin regulations, as stated in the agreement, and exporters must provide certificates of origin in a form stipulated by the Vietnamese Ministry of Industry and Trade.

Import tariff under the AKFTA

Vietnam commits to eliminate import tariff rate for about 86% of total tariff lines by 2018, and the remaining 14% will be: (i) reduced to 5% by the final year of tariff reduction schedule (2021), and (ii) partially reduced by 2021 or remained as the applied MFN rate.

Continuing to fulfill the commitment, the Ministry of Finance of Vietnam promulgated Circular 167/2014/TT-BTC dated November 15, 2014 and Circular 44/2015/TT-BTC dated March 30, 2015 guided the special preferential import duty of

Vietnam under the AKFTA for the period from 2015 to 2018. From 2015, Vietnam will eliminate the tariff rate of 7,366 tariff lines (or 77.6% of total tariff lines) that mainly focus on some item groups, such as agricultural products, equipment and their parts, textile, fishery, paper, chemical, products from iron, steel and basic metal. By 2018, total number of tariff lines subject to tariff elimination will be 8,184 (accounting for 86% of total tariff lines).

The final tariff reduction of the AKFTA Schedule is on 2021. Apart from tariff lines eliminated in 2018, tariff rate of 620 tariff lines will be tentatively reduced to 5% (including electronics, mechanics, iron, steel and basic metal, petrochemistry products, machinery parts, some types of specialized cars, etc.); the rest of the items are not committed or remain as high tariff rate, including cars, car accessories and spare parts of cars, motorbikes, bikes, home electric appliances, iron and steel, alcohol beverages, tobacco, etc.

Based on the ASEAN - Korea FTA commitment, Vietnam has committed to add additional 265 tariff lines that record import turnover from Korea USD 917 million. The list includes: materials for the textile and garment; plastic materials; electronic components; automotive parts; electrical appliances; some iron and steel products; electric cable; trucks from 10-20 tons and automotive of a cylinder capacity exceeding 3,000 cc. From 2018, import tariffs for 704 tariff lines will be reduced to 0% for items such as seafood, wheat, confectionery, diesel fuel, machinery and electronic equipment.

Part **2 Customs Procedure**

1. Korea

With the universal use of internet in both private and public sectors, the Korea Customs Service recognizes the importance of using the technology to establish a cost-effective solution. By utilizing the customs clearance portal system on the internet¹⁴, customs procedures can be carried out at home, or at the office or even

on move as long as the internet is available. The system includes connections to various other trade related entities such as banks for online payment of duties and bonded storage operators for receiving such certificates as release permits. In addition, the trade operators (i.e., traders, customs brokers, forwarders, bonded warehouse operators and bonded transporters) can access the customs administration system via internet by using the internet portal which provides various services and different access levels depending on the type of users. Such services include customs clearance services, single window services, information services and customer relationship management. The portal itself acts as a gateway between the external user and the customs system including the import and export clearance system, cargo management system and duty drawback system so that external users can have access to various information and services.

In Korea, the trader operator can process all customs administration processes via the internet portal such as creating, correcting, cancelling a customs declaration, requesting regulatory permits to other government agencies through the single window portal service, requesting duty drawback, and receiving continuous real-time processing status information. Here, let us discuss the details by focusing on customs procedures as follows.

A. Import

Import clearance

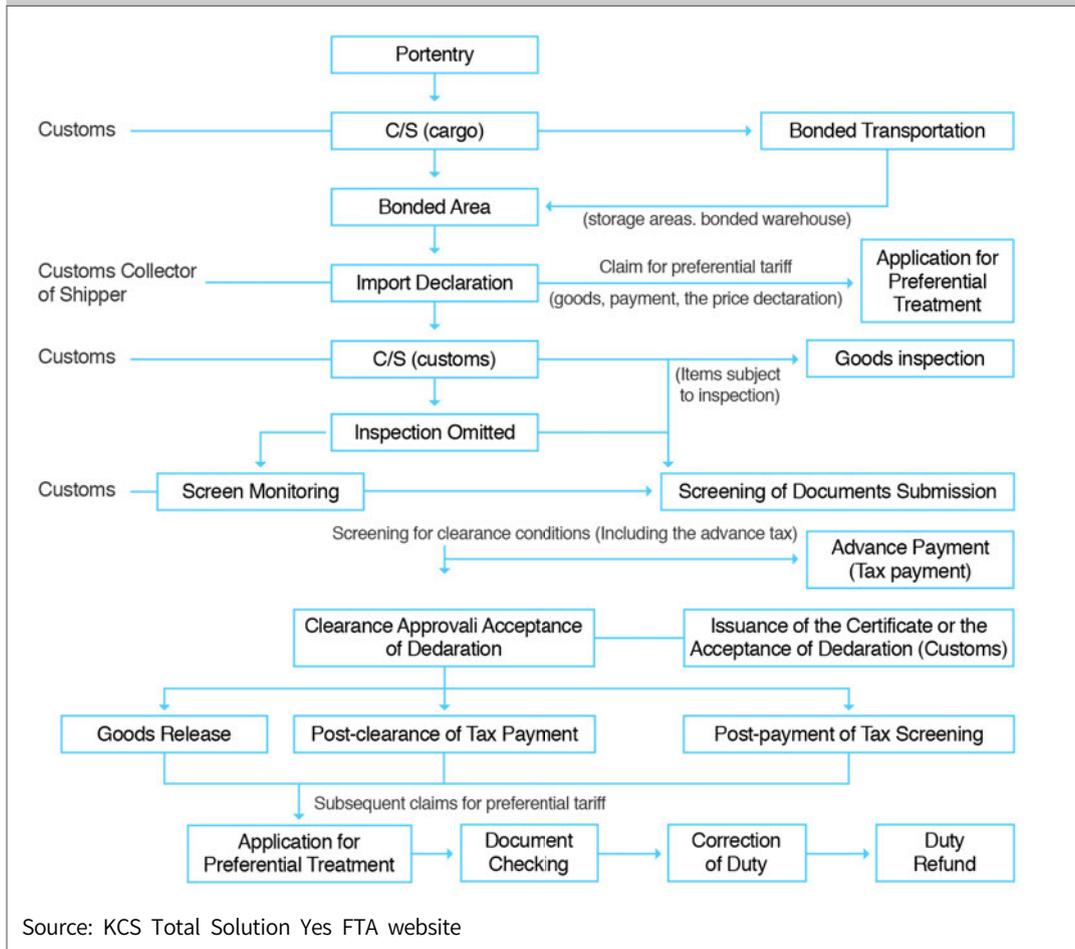
Import customs clearance means a series of customs administrative proceedings in accordance with the provisions of the Customs Act allowing import goods to be imported or consumed in Korea. Here, imports mean goods shipped from foreign country to Korea (referring to any foreign goods shipped from the bonded area in Korea in cases of those passing through the bonded area). According to Article 239 of the Customs Act, the goods subject to consumption or usage but do not meet the criteria for import is exceptions.

A person intending to import foreign goods files a declaration of the goods to be imported into Korea to the head of a customs office that then checks to ascertain

14 Korea Customs Service (2012) p. 85-88.

whether the import declaration has been filed legally in compliance with the Customs Act and other laws and ordinances. The flows chart of the import customs procedure is shown in <Figure 3-2>.

Figure 3-2. Flow chart of the Import Clearance Procedure



As shown above, this procedure starts with the arrival of goods from a foreign country. While the goods are stored in a bonded area, at the stage of meeting requirement, the owner of the imported goods have to meet the clearance requirements by preparing a tariff rate recommendation and a customs duty exemption recommendation in advance before filing an import declaration. After then, the institution responsible for ascertaining the clearance requirements and

making a tariff rate recommendation and a custom duty exemption recommendation sends the electronic documents to the Customs through the connected network.

Next, the stage of import declaration requires the import declarant to complete an import declaration form and send it to the clearance system electronically (For more details, refer to <Table 3-6>). Required documents include *basic documents* such as an invoice, a bill of lading, a packing list, and a certificate of origin and *documents for ascertaining import requirements* such as a value declaration form, required documents for import such as inspection, quarantine, permit and recommendation documents issued by relevant institution¹⁵, an application form for exemption from customs duty, an application form for applying the agreed tariff, a confirmation of security for local tax payment, a Kimberley Process Certificate, and a tariff recommendation certificate.

Table 3-6. Korea's Import Declaration

	Declaration before departure from the port	Declaration before arrival at the port	Declaration before arrival at the bonded area	Declaration after storage in the bonded area
Time of declaration	Before the vessel (aircraft) loaded with goods departs from the port of lading and five days before arrival (one day before arrival in the case of an airplane) in Korea	Before arrival at the port after the vessel (aircraft) departs from the port of lading and five days before arrival (one day before arrival in the case of an aircraft) in Korea	Before arrival at the bonded area in which the goods will be shipped	After storing the goods in the bonded area
Goods subject to import declaration	Good imported in an aircraft Goods imported from Japan, China, Taiwan or Hong Kong	Not limited	Not limited	Not limited

¹⁵ There is a confirmation system which requires that the head of every customs office should ascertain whether the obligations prescribed by 34 individual laws and ordinances in relation to importation are fulfilled in order to achieve the national policy goals, such as environmental protection, social security and national health protection, and accordingly this is intended to make it necessary to submit documents issued as import requirements by the relevant institutions, such as documents of inspection, quarantine, recommendation, permission and/or confirmation prescribed for pertinent goods to the relevant customs office.

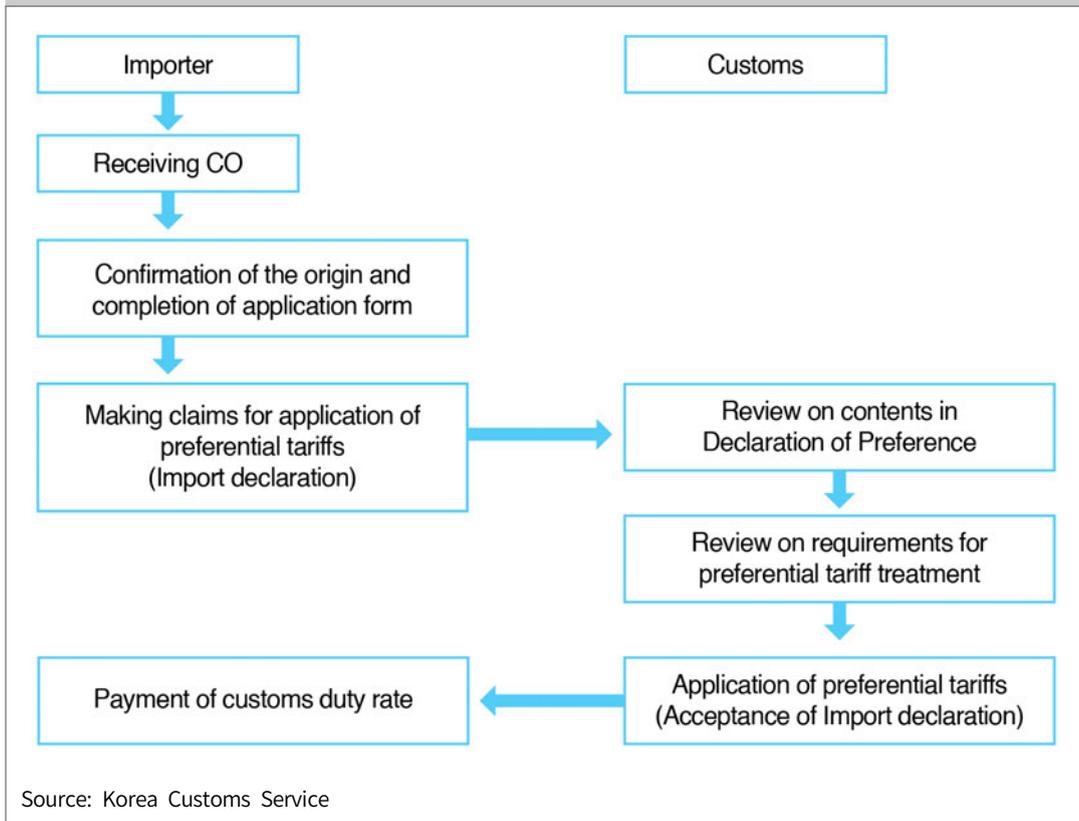
Table 3-6. Continued

		Declaration before departure from the post	Declaration before arrival at the port	Declaration before arrival at the bonded area	Declaration after storage in the bonded area
Customs office for import declaration		Customs office in charge of the place of scheduled arrival	Customs office in charge of the place of scheduled arrival	Customs office having jurisdiction over the bonded area of scheduled arrival	Customs office having jurisdiction over the bonded area for the stored goods
Time of notification of whether there are any goods subject to inspection		At the time of submitting data which prove that the vessel (aircraft) has departed from the port of lading	Date of import declaration	Date of import declaration	Date of import declaration
Time of acceptance of import declaration	Inspection omitted	After submission of the cargo manifest	After submission of the cargo manifest	After reporting the arrival of goods at the bonded area	After import declaration
	Goods subject to inspection	After the end of goods inspection	After the end of goods inspection	After the end of goods inspection	After the end of goods inspection

Source: Korea Customs Service

Importantly, importers intending to apply for the preferential tariff rates under the FTA shall provide Declaration for Preference at the time of import declaration, and the claim for preferential tariffs can be made before and after the acceptance of import declaration.

Figure 3-3. Importation Clearance Procedure



The above figure shows the procedure claiming preferential tariffs before acceptance of import declaration. However, if importers were not able to apply for preferential treatment because original supporting documents were not prepared prior to the acceptance of import declaration, they can make claims for preferential tariff treatment retroactively within 1 year from the acceptance of import declaration of the good in question as stipulated in the Presidential Decree. Required documents include declaration for preference, documents for proof of origin, claim for rectification or other documents for correction.

The clearance system selects goods subject to inspection and goods subject to submission of required documents, and notifies the import declarant thereof. If the good is subject to inspection, an examination for customs clearance is performed through documents after physical inspection of the goods. If there is no problem as a result of examination, approval thereof is registered. Accordingly, the owner of

imported goods provides the Customs with security for duty payment (or pay the customs duty in advance) to receive the goods delivered from the bonded area. Once the customs duty payment has been received or security has been put up, the clearance system automatically accepts the import declaration and it notifies the import declarant and the cargo system (or storage place) of the details of the acceptance of the import declaration. Finally the goods will be delivered to the owner in response to the request of the owner of the imported goods.

Meanwhile, the head of a custom office may reject a filed declaration or the declarant may cancel the filed declaration after obtaining approval from the head of the custom office in the following cases, respectively:

- ▶ Rejection of declaration
 - Where the declaration has been filed in a false way or any other illegal manner
 - Where abandonment, discard, public sale, successful auction or definite seizure of the goods, or their reversion to the National Treasury has been determined
 - Where the requirements for import declaration before departure or arrival have not been fulfilled
 - Where the goods declared before departure or arrival have not arrived
 - Where the other formal requirements for import declaration have not been fulfilled

- ▶ Cancellation of declaration
 - Where a decision has been made to return goods being different from the content of the import contract, deteriorated or damaged goods, etc. to the foreign supplier, etc
 - Where the imported goods have been destroyed or lost or are intended to be discarded after obtaining approval from the relevant customs office due to a disaster or for any other unavoidable causes
 - Where the imported goods are intended to be returned or discarded for such reasons as withholding of customs clearance, failure to satisfy the clearance requirements, prohibited goods for import, etc.
 - Where it is recognized that there is any justifiable reason or reasons equivalent to any case mentioned above

Simplified import declaration procedure

Simplified import declaration procedures are classified into simplified declaration with the declaration form and omission of an import declaration. The former is possible by submitting only an import declaration form without submission of any attached documents in the case of goods such as (i) duty-free goods recognized as articles for personal use as the goods to be received by a domestic resident with a total dutiable value of not more than KRW 150,000, (ii) duty-free commercial samples as goods with a total dutiable value of not more than USD 250, (iii) goods

among design drawings which are exempted from import approval, (iv) means of payment which a financial institution imports in order to engage in a foreign exchange business in accordance with the Foreign Exchange Transactions Act. The latter applies to any article exempted from customs duty or subject to zero tariffs among the goods which fall under any of the following categories that require presentation of only a bill of lading in order to be delivered immediately from the storage places such as (i) duty-free goods which are carried in through diplomatic pouches, (ii) duty-free goods which belong to the head of a foreign country visiting Korea, his or her family and entourage, (iii) goods used for news reporting by organs of public opinion registered with the Ministry of Culture, Sports and Tourism, such as newspapers, films or recording tapes containing news stories, and so on.

B. Export

Export clearance

Export means shipping domestic goods out of Korea to foreign countries (Clause 2, Article 2 of the Customs Act). All the goods intended for export must undergo the export clearance procedures of the Customs.

The export clearance procedures refer to the procedures from declaring the goods intended for export to the Customs, getting the export declaration accepted by the Customs to loading the goods in a means of transportation that goes back and forth between Korea and the importing foreign country. Refer to <Figure 3-4> and <Figure 3-5> for the details of the procedures.

Any person who intends to export goods must file an export declaration and get it accepted by the head of the customs office having jurisdiction over the location area of the relevant goods before loading them in the means of transportation. At present, an export declaration can be filed swiftly through the Electronic Data Interchange (EDI) system or via the Internet, and items for news reporting such as newspapers or catalogs can be cleared through customs through a more simplified customs clearance method based on the simplified export declaration procedures.

Figure 3-4. Flow chart of Export Clearance Procedure

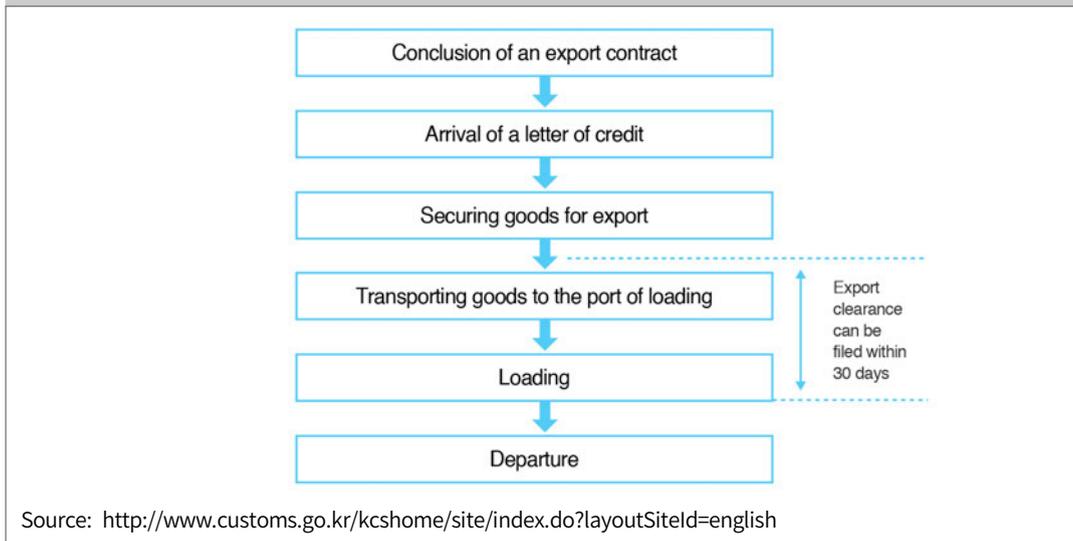
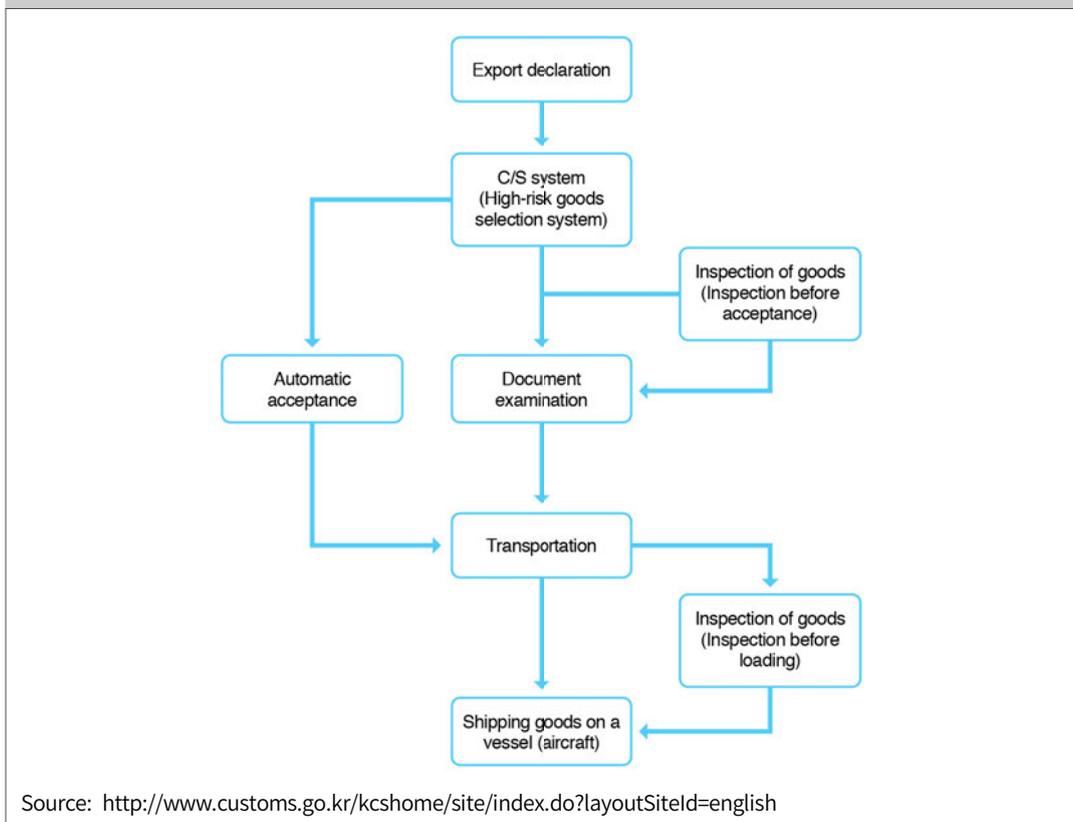


Figure 3-5. Flow chart of Export Clearance Procedures at the Customs



Although inspection of goods for export is generally omitted in principle, where it is necessary to electronically sort, select and inspect goods in accordance with the risk assessment criteria, an inspection may exceptionally be performed on such goods. If any illegal export, any violation of country of origin labeling, or any infringement of an intellectual property right is detected during the inspection, the person exporting such goods will be punished under the relevant laws and regulations such as the Customs Act.

The goods whose export declaration has been accepted must be loaded in a means of transportation which goes back and forth between Korea and the importing foreign country within 30 days from the date of export declaration acceptance. However, in the event of any unavoidable reasons such as changes in the loading schedule, etc., the loading period may be extended after obtaining approval thereof from the head of the relevant customs office. In addition, caution is required because unless the relevant goods are loaded in the means of transportation within the loading period, the acceptance of the export declaration may be revoked and refund of customs duties may also be impossible.

On the other hand, there are separate procedures prescribed for the loading management of postal items or portable consignments. In addition, foreign goods shipped into a bonded area in Korea may be returned to the exporting foreign country, and in this case, the return declaration procedures must be undergone for the customs clearance of such goods.

Export declaration

To file an export declaration, the owner of goods for export or a state-certified qualified specialist (licensed customs broker, customs brokers' corporation, or juristic person for handling clearance) needs only to complete and send an export declaration form to the KCS e-Clearance System electronically by means of the EDI system for export clearance or the data processing equipment of the 'Export Declaration Assistance Center'. A filed export declaration takes effect when a declaration number is granted by the KCS e-Clearance System.

Depending on the relevant case, the methods of accepting a filed export declaration are classified into 'automatic acceptance', 'acceptance after examination

by customs officials', and 'acceptance after inspection'. First, automatic acceptance implies that an export declaration is automatically accepted by data processing. That is, it is not subject to inspection or submission of documents.¹⁶ Second, acceptance after examination by customs officials applies to goods inspection of which is omitted among the goods the declaration of which is not subject to automatic acceptance. Customs officials accept the filed declaration after examining the declared contents. Finally, acceptance after inspection implies that, although inspection of goods for export is generally omitted, the filed export declaration is accepted after actual inspection of goods among the goods which need to be verified as actual articles and the goods which have been sorted out as high-risk articles.

Then, if the filed export declaration is accepted, the head of the relevant customs office will issue an export declaration completion certificate (i.e., a 'pre-loading export declaration completion certificate' if issued before the loading of the goods and an 'export-fulfilled export declaration completion certificate' is issued after the completion of shipping).

2. Vietnam

The General Department of Vietnam Customs (GDVC) is an organization structured under the Ministry of Finance and responsible for ensuring management, advising and assisting the Ministry of Finance in customs management and enforcement. In the past, Vietnam's economy was a socialist-oriented market economy centrally

¹⁶ While, goods for which an export declaration form must be submitted to the Customs when filing an export declaration are following: (i) goods which need certification of the requirements satisfied before acceptance of the filed export declaration in the Public Notification of the Designation of Goods Subject to Confirmation by the Head of a Customs Office and the Methods of Confirmation under the provisions of Article 226 of the Act and goods which need certification (however, except in cases where details of the requirements for export can be verified through the electronic data processing network connected to the relevant export approval agency), (ii) re-export of goods which are different from the contents of the contract or export of goods cleared through customs for import on condition of re-export, (iii) goods on which the exporter files an export declaration by submitting required documents or makes a request for customs inspection for the sake of reduction or exemption of customs duties, etc., refund of paid customs duties or post management when re-importing such goods, and lastly (iv) goods which have been notified to the declarant by the export clearance system as goods subject to submission of documents.

planned and controlled, while customs procedure was simply formed in a pure method, and there was no specific procedure set up because the operational system had not yet completely structured with conditions and modes of operation bearing many difficulties. Later on, the economy turned into a market-oriented one. Facing the interaction of many different economies, the diversification of movement in term of models and application methods have strongly demanded a change and improvement in customs declaration examination, inspections and controlling of goods crossing customs borders.

With the proliferation of FTAs, the GDVC realized that there should be a self-renewal and improvement of customs personnel, institutional issues, and guidance instructions, facilities for professional activities and working environment and attitude. This change can be found from the Customs Ordinance issued in 1990, the Customs Laws issued in 2001, 2005 and the Customs Laws published in 2014. The latest Customs Laws issued in June 23, 2014 and came into effect on January 1, 2015 inherited the premises of electronic customs which were mentioned in the 2005 Customs Laws and provided new provisions to overcome the limitation of legal requirement when developing electronic customs, and few cases are allowed by Government to apply traditional paper-based procedure.

The legal basis is sufficiently established for accelerating application of automation in many customs procedural steps. Since 2014, information technology has been vigorously applied in the State of management of customs, and the customs modernization can be exhibited through this innovation. This change reflects the determination of the entire system in building the customs organization's transparency and efficiency, in response to the requirement of administrative reform, creating favorable conditions for import-export businesses and the capacity of the State management in customs.

A. Import

The General Department of Vietnam Customs applied the Vietnam automatic cargo clearance system to all regional customs departments and subsequently all the customs sub-branches, and all the basic customs procedures have been automated since 2014. According to the 2014 Customs Laws and related Decrees, Circulars or

other legal documents guiding the Laws, customs declarants are required to make custom declaration for import and export goods through electronic system, namely, Vietnam automated cargo clearance system (VNACCS).

VNACCS/VCIS covers customs procedures in 3 stages: before clearance, during clearance and after clearance of goods. This system provides services of tax-exemption categories, customs procedures applied for both traded and nontraded goods, simplified customs procedure of low value goods and temporary import and re-export goods. The core functions of this system including full range of modules are as follows: automatic customs clearance (e-Declaration); Ship declaration system (e-Manifest); Invoice transactions report (e-Invoice); C/Os; electronic C/Os; selectivity; risk management profile/risk management criteria; import-export business management; Customs clearance and Release of goods; Supervision and control.

<Figure 3-6> shows basic customs procedure for goods importation and this procedure are implemented as described in <Table 3-7>

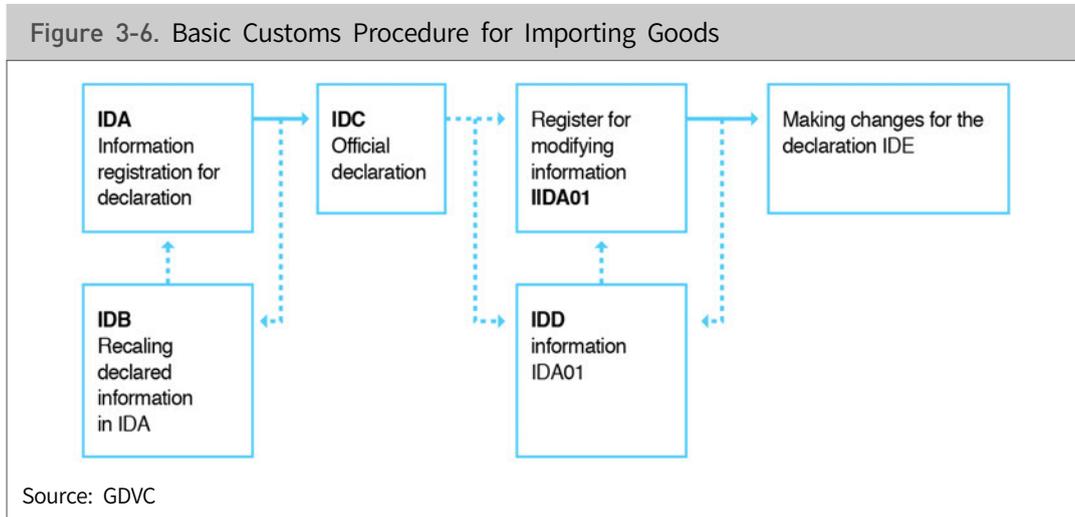


Table 3-7. Basic Steps to Implement Customs Procedure

Step 1	A customs declarant makes automatic customs clearance (e-Declaration), customs value declaration (if needed) according to required input data on criteria and standardized format, and send it to the customs system.
Step 2	A customs declarant receives response by customs through the system about declaration number, selectivity result and following contents: + Green channel: free inspection of customs paper dossier, exemption of physical inspection of goods. Goods are allowed for customs clearance and move to Step 4 + Yellow channel: inspection of customs paper dossier. Modification or some changes can be done if required by customs officers and submit the paper to customs for inspection. If goods are allowed for clearance then move to Step 4, if there is a requirement of physical examination then move to Step 3
Step 3	Red channel: customs declarants submit paper dossiers and goods for inspection by customs officers
Step 4	Customs declarants keep customs declaration for receiving goods

Source: GDVC

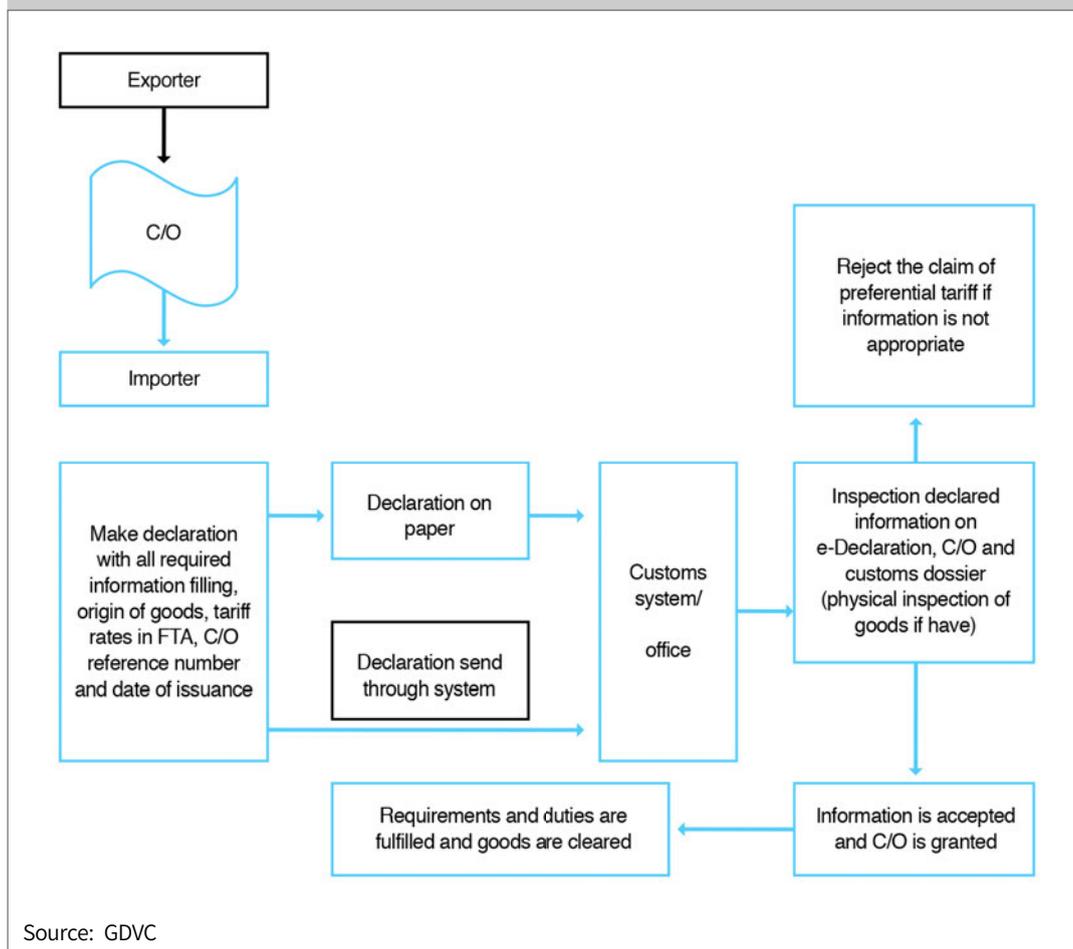
For details, at Stage 1, the declaration should be filed by following the exact system instruction, that is, providing commercial invoice (there are some exceptions of waiving the commercial invoice submission), bills of lading or equivalent transportation documents which have equal value in comparison with bills of lading, importation permits for goods which are required under regulations for importation permit; the inspection notices or inspection result notification by specialized inspection agencies according to the provisions of law; Declaration of value, Certificate of origin (Self-certification or certification of origin in electronic date of form). In step 2, the GDVC applies the selectivity method to classify import and export declarations based on the classification of businesses with compliance criteria which have been applied globally by most customs organizations for over 20 years. Based on level of compliance and risk management regulations, import and export goods are systematically classified in three levels: exemption for inspection (green channel); paper records check (yellow channel); checking documents and goods (red channel)

Furthermore, goods are originating from a country or some countries or a territory that have agreements on the application of preferential tariff treatment with Vietnam, according to the provisions of Vietnamese laws and international treaties

in which Vietnam has signed or participated. If customs declarants wish to claim for specific preferential tariff treatment, apart from declaring all required information on customs declaration, the customs declarants are required to submit Certificate of origin for customs for checking with all related information that declarants provides. When the information in the electronic import declaration shows that the tax rates applied is preferential rate, system will classify the declaration into yellow channel, place, method and level of goods inspection (if required). Based on the result, customs declarants submit Certificate of origin (if issued in paper) for inspection by customs office. The system will automatically make a clearance for goods when customs declarants fulfill all the requirements and duties.

<Figure 3-7> describes a basic model for notifying transmitting and processing information related to goods which have a claim for preferential tariff treatment as committed by the FTA in general and particularly FTA between Vietnam and Korea. In general, for the purposes of claiming preferential tariff treatment, the importer shall submit to the customs authority of the importing member at the time of import, a declaration, a Certificate of Origin including supporting documents and other documents as required in accordance with the laws and regulations of the importing country. According to the FTA with Korea, if the importer did not gain preferential tariff treatment at the time of importation, that importer may, no later than one year after the date of importation, make a claim for preferential tariff treatment.

Figure 3-7. Applying Preferential Tariffs at Importation in Vietnam



Simplified Customs Procedure

The General Department of Vietnam Customs has been reviewing and investing money and labor force on ensuring the smooth and consistent operation of VNACCS system. To that end, the GDVC has implemented a coordinated tax collection system through commercial banks; receiving goods declaration, other relevant information and electronic customs clearance for e-Manifest, while ensuring facilities are well-equipped for professional operation.

Simplified procedures are basically applied to goods sent through expedite services, and customs declarants can use single or simplified declared information

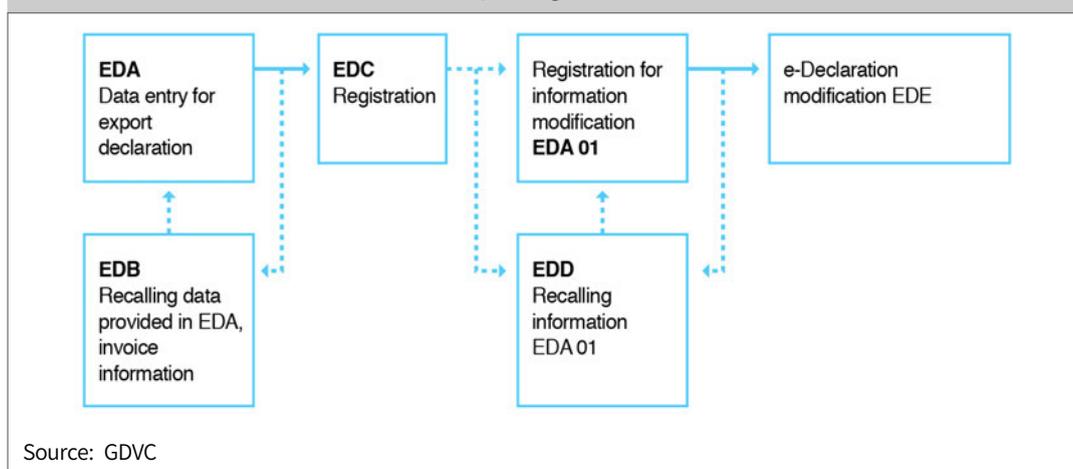
from abroad to conduct customs procedure. For gifts and samples sent to organizations in Vietnam with a tax calculation value of under VND 5 million, the total payable tax amount of less than VND 50,000 shall not be subject to tax exemption consideration procedures, carrying out customs declaration and customs inspection as prescribed for non-taxable goods; Gifts and donations of foreign organizations and individuals to Vietnamese individuals; Gifts and presents of Vietnamese organizations and individuals to foreign individuals with a value not exceeding VND 2 million or with a value exceeding VND 2 million. Total tax payable under VND 200,000 is exempt from export tax, import tax and not subject to value added tax; Commodities are samples of organizations and individuals in Vietnam sent to individuals in foreign countries; Sample goods of organizations and individuals in foreign countries sent to individuals in Vietnam with the value not exceeding VND 1 million or the value of goods exceeding VND 1 million. Payments of less than VND 100,000 shall be exempt from export tax and import tax; Commodities are samples of organizations and individuals in Vietnam sent to organizations in foreign countries; Sample goods of organizations and individuals in foreign countries sent to organizations in Vietnam with a value not exceeding VND 30 million shall be considered for exemption from import tax or export tax. For certainty and following the domestic laws and regulations, above-prescribed goods must not be in the list of banned goods for import and export, suspended from export or temporarily suspended from import. Diplomatic and consular bags exported or imported shall be exempt from customs procedures (including customs clearance, customs inspection exemption).

B. Export

Goods for exportation as well as goods for importation are required to be declared to customs and go through customs procedures (refer to <Figure 3-8>). Customs declarants make an e-Declaration or paper customs declaration for goods exportation. Basically, the process of receiving and processing the declared information on customs declaration of goods exportation shall be handled in the same manor with goods importation (except for paper customs declaration). For both procedures, customs declarants are responsible for all the information reported

on customs declaration and documents that they provide to customs office for clearance of goods. This is required by the Customs Laws. In terms of origin of goods, the declarants are supposed to be fully responsible for information stated on customs declaration and C/O forms provided to customs authority. In certain cases, the exporter will have to provide documentation proving the origin of the goods requested for customs clearance.

Figure 3-8. Customs Procedure for Exporting Goods



After the customs declarants complete the declaration on the export declaration, and transmit it to the automate data processing system of the customs office, the system will immediately respond to the customs declarants right after the system receives it. The customs declaration is divided into blue channel, yellow channel and red channel, based on the risk management mechanism of the system.

Part **3**

Issuing Certificates of Origin

1. Korea

The Certificate of Origin (CO) refers to documents that prove the country of goods produced or the originating status of the goods in question. Importers can receive preferential tariff treatment provided that the goods fulfill preference criterion set out in FTA texts and the CO is prepared. Certificates of Origin are divided into two, i.e., preferential certificates of origin and non-preferential certificates of origin. The former is issued by the Korea Customs Service (KCS) as well as the Korea Chamber of Commerce and Industry (KCCI) while the latter is issued by only the KCCI. In case of Korea's FTAs with Vietnam, a certificate of origin issued by a competent authority of the exporting country is used as the only type of proof of origin. In this sense, the issuance of COs by the KCS as well as the KCCI will be discussed. Importantly, the focus of this study is on the electronic trading platform for issuing COs in Korea so the UNI-PASS of the KCS as well as Web Certification System of the KCCI will be discussed.

A. Electronic Trading Platform for Issuing COs

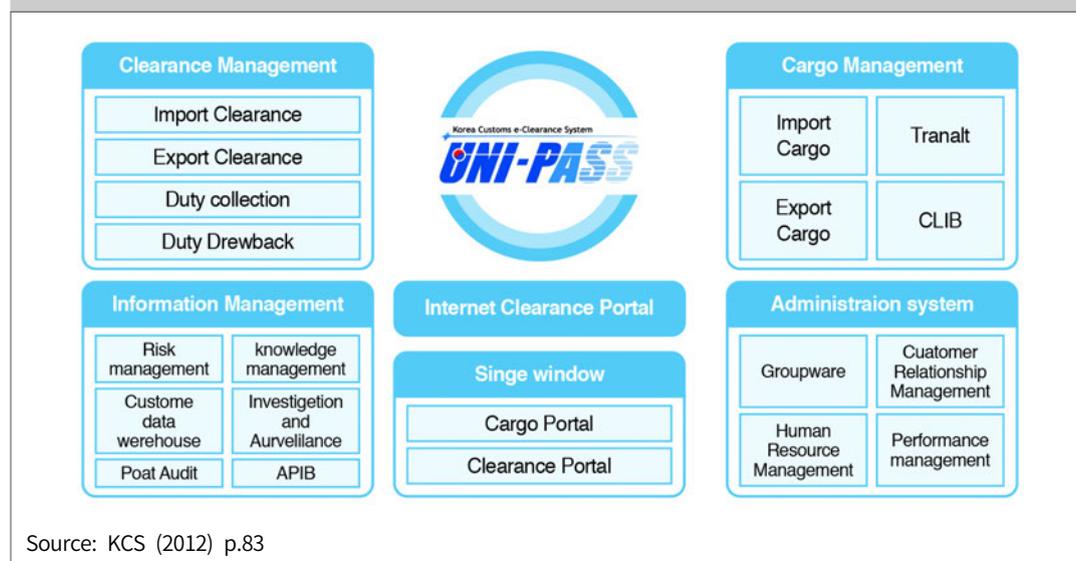
B. The UNI-PASS of the KCS

The UNI-PASS is an electronic customs clearance system developed and operated by KCS. It is not just a fully automated customs administration system utilizing up-to-date IT technology, but also has embedded 20 years of know-how and experience including full transfer of the technology and cumulated knowledge.

This system is composed of various components and modules to provide efficient customs administration. Importantly, the business processing components include the procedural business modules (i.e., Clearance management, Cargo management, Duty collection, etc.) as well as the non-procedural business modules (i.e., Investigation, Surveillance, Audit, etc.). Furthermore, it supports the business

processing components by providing the Integrated Risk Management System, the Customs Data Warehouse, the Knowledge Management System and the Law Compliance System (refer to <Figure 2-1>).

Figure 3-9. UNI-PASS System



The Korea Customs Service started to construct an electronic customs clearance system in 1992 by establishing a customs clearance plan for the Electronic Document Exchange (EDI). The Korea Customs Service continuously invested in IT and by year 2000, nearly all customs procedures were automated. In 2005, the KCS developed the internet-based customs system and the Single window was developed to connect various government entities and agencies. Since 2011, the UNI-PASS system has been in its fourth generation adopting a mobile concept with a goal to creating a system to share information globally (refer to <Table 3-8> for brief development history of the UNI-PASS system).

Table 3-8. Development History of the UNI-PASS System

1st Generation	The first IT system implemented was a simple statistics tool developed by the Korea Customs Service to manage customs statistics.
2nd Generation	The phased development of the first automated e-clearance system, the UNI-PASS in an EDI-based environment began in 1994; the export and import clearance (1996), cargo management (1997), paperless clearance (1998), and the investigation system (1999). Supporting solutions were introduced to the UNI-PASS system such as the Customs Data Warehouse (2001), the Knowledge Management System (2001), and the Risk Management System (2003).
3rd Generation	The phased development of the web-based UNI-PASS by transferring the existing EDI system into a web format and additionally developing the internet Portal (2004), Duty collection (2005), Drawback (2005), Single window (2005), and the Performance Management System (2005). The UNI-PASS continued introducing up-to-date IT technology such as the RFID (Radio Frequency Identification) in the air cargo management (2007) and expanded by developing the integrated Risk Management system (2007), AEO management system (2008) and more.
4th Generation	Since 2011, the UNI-PASS system has been in its 4 th Generation adopting a mobile concept with a goal to create an intelligent customs administration system based on Smart Clearance.

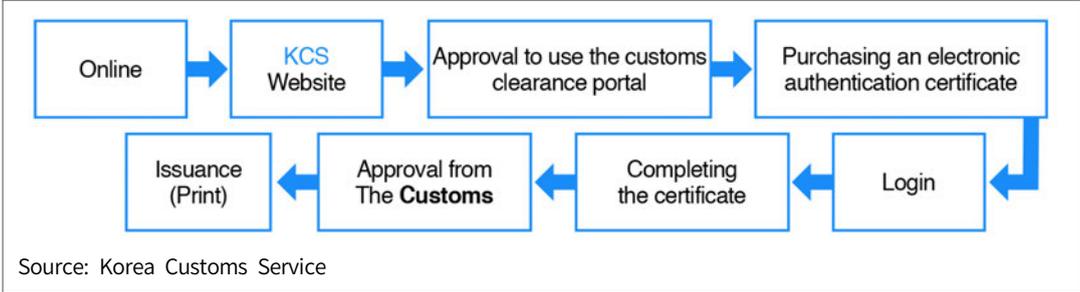
Source: Korea Customs Service

There are numerous benefits presented by the UNI-PASS system, and four major benefits of computerization are as follows: (i) increase in productivity by improving work environment and seeking convenience, (ii) availability of comprehensive information from the KCS and other organizations both domestic and abroad, (iii) enhanced transparency of whole organizations, and (iv) increase in government revenue by collecting customs duty in a more efficient way.¹⁷

In this section, the focus is on the procedure of issuing COs in the UNI-PASS system. <Figure 3-10> describes the procedure for CO issuance via the UNI-PASS system by the Customs in Korea. Here, application for COs requires registration and receipt of approval to use the customs clearance portal by purchasing the electronic authentication certificate.

¹⁷ KCS (2012) pp. 99

Figure 3-10. Flow chart of Issuance in the Customs



When accessing a log-in page, the user finds “Application for FTA certificate of origin” which provides information on CO application, including general, common information and the details about the products (refer to <Figure 3-11> and <Figure 3-12> for the UNI-PASS system).

After entering all the information, the user can check the status of processing. Regarding the approval process of a CO, it will take three days if investigation is not required after applying the CO while it will take ten days with investigation.

Figure 3-11. “General Information Section for CO Issuance” in the UNI-PASS

FTA원산지증명신청 ★ Home > 전자서명

[공지사항]
 ※ 2013년 12월 31일까지는 등록된 전자서명과 수기서명 중 선택적으로 사용할 수 있으나 2014년 1월 1일부터는 전자서명만 사용할 수 있습니다.
 마동록자는 Home > 마이페이지 > 서비스관리 > FTA원산지증명서수출자서명 목록 신규등록 화면에서 서명 등록 등록하여 주시기 바랍니다.

신청개요 공통사항 들음내역

*원산지제출번호 P1705-18 전송구분 최초

기본정보

*신청세관 *신청일자 2018-01-18

신청사유 발급신청 신청자수 0

*FTA협정선택

선적후 발급 ※ 선적 후 발급을 신청하시는 경우 체크하시고, 관련 근거서류(B/L사본 및 지연사유서)를 첨부하셔야 합니다.

원산지특례 해당없음 제3국 송장 전시 연결원산지 증명 개성공단 공업지구

메모

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*사은자등록번호

Source: <https://unipass.customs.go.kr/csp/index.do>

Figure 3-12. “Product Information Section for CO Issuance” in the UNI-PASS

The screenshot shows the UNI-PASS web interface. At the top, there are navigation tabs: '수출물품 및 원산지결정기준', '물품전체검색', '양식다운로드', and '업로드'. Below these are search and filter tabs: '선택', '제품번호', 'HS부호', '물명,물품상세', '수량(단위)', '중량량(단위)', 'FOB미화금액', '원산지기준', '원산지', and '소명서'. The left sidebar contains sections for '통합계 정보' (with fields for *총수량, *총중량, and *중FOB미화금액), '물품정보' (with fields for *제품번호, *HS코드, *물명, *물품상세, *수량(단위), *중량량(단위), *FOB미화금액, *원산지결정기준, and *원산지), and '수출신고정보 연계'. The main content area displays a 'Certificate of Origin' form for the 'Korea-India Comprehensive Economic Partnership Agreement'. The form includes fields for: 1. Exporter (name, address, country, e-mail address, telephone number, fax number), 2. Producer (name, address, country) (optional), 3. Importer (name, address, country) (optional), 4. Means of transport and route (optional), 5. For Official Use, 6. Remarks, 7. HS Code, 8. Description of goods, 9. Gross weight and value (FOB), 10. Origin criterion, 11. Number and date of invoice, 12. Declaration by the exporter, and 13. Certification. A blue arrow points from the '물품정보' sidebar to the 'HS Code' and 'Description of goods' fields in the certificate form.

Source: <https://unipass.customs.go.kr/csp/index.do>

C. Web Certification System of the KCCI

The Korea Chamber of Commerce and Industry (i.e., KCCI) is the oldest and largest business organization in Korea, which is composed of 72 regional chambers of commerce. As an only authorized organization in Korea to certify trade documents, the KCCI issues certificates that are mandatory for import-export transactions to its members. As for the certificates of origin, the number of issuance reaches several hundred thousand cases every year.

With the changes in the international trade environment including the FTAs, the KCCI developed the “Certificate Origin (CO) Web Certification System” to eliminate the inconvenience incurred to companies in having to visit the issuer of certificates. Users can conveniently send applications and print a CO using its internet-based system anytime and anywhere.

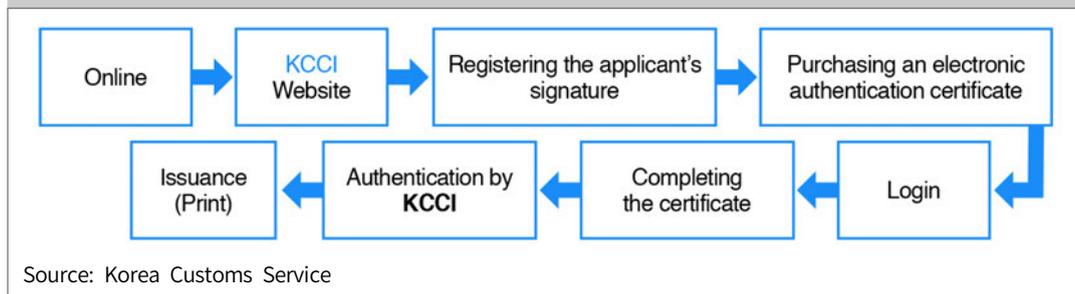
The main task of the Trade Certification Service Center of the KCCI is to issue

certificates of origin and certify trade documents. The certificates of origin issued by the KCCI include general COs, preferential tariff COs and FTA COs, country-specific COs and so on.

Firstly, a general CO is a document the KCCI is authorized to issue on an A4 paper, to confirm “the nationality of the product, that it was grown, raised, manufactured or processed in Korea”. Customs offices use this document to confirm the originating country or to filter out merchandises from the enemy states. Next, a preferential tariff CO is different from a FTA CO since it is issued under GSP, GATT, and APTA. An FTA CO is then issued when trade involves countries under Korea’s FTAs. The KCCI began FTA CO issuance service after Korea’s first FTA with Chile which entered into force in 2004. The forms vary depending on the nature of the agreement and the Web Certification System assists the user in identifying the right issuance method. That is, KCCI processes users’ applications to issue the FTA CO in the case of Korea-Singapore FTA and Korea-ASEAN FTA while the user can self-issue COs directly in case of Korea-Chile FTA and Korea-EFTA FTA. Lastly, a country-specific CO is any CO issued not in the KCCI form but in a specific form of a particular country. The user can choose the appropriate form from KCCI’s Web Certification System.

Given that, <Figure 3-13> shows the procedures for issuance by KCCI. As shown below, before applying for Trade Certificates, the user needs to register its signature by providing the following documents such as *Application for Signature Registration*, a copy of *Business Registration Certificate*, and a *Corporate/Individual Certificate of Seal Impression* (refer to <Figure 3-14> for signatory registration form). The user also needs to obtain a Digital Certificate, which is an electronic identity document (i.e., e-ID) and e-Signature for the use in cyberspace. Then, Web Registration is open to the firms that completed e-Signature Registration and received Accredited Certificate.

Figure 3-13. Flowchart of Issuance in the KCCI



Source: Korea Customs Service

Figure 3-14. "Signatory Registration Form" in the Web Certification System

Signatory Registration						
Based on rules regarding the Issuance of trade-related certificates, you need to register your signature by completing this form.						
1. Information on Your company						
Business Registration No.				Tel.		
Company Name				President Name		
Main Products				Homepage		
				E-mail address		
Scale of Company	Account Period				Fax.	
	Capital		Total Sales for latest Year		Person in Charge	Name
	Factory Address (Existence, None)					Tel.
	Number of Employees					
				WEB User Registration	Sub-ID	
2. Written pledge						
By submitting this form, you agree that you will sincerely observe all the obligations and comply with Foreign Trade Act, KCCI Regulation with regarding to the issuance of certificates of origin or other trade-related certificates. You fill out this form based on facts or you assume full responsibility for any problems caused by your mistakes or false information or forgery documentation regardless of your intention. Under Foreign Trade Act 38, you can take any liability for any of its breaches for the said act 53-2, be sentenced to not exceeding 5 year's imprisonment or 3 times penalty for the vale of export goods.						
20 . . .						
Company Name :						
President :						
Required documents :						
1. One original of signature registration. (our prescribed form) 2. One copy of 'Business Registration Certificate'. 3. One original of 'Corporate's Registration Seal Certificate' issued by the local administration.						
Korea Chamber of Commerce and Industry						
Official Use	Registration No	The Term of Validity			Competent CCI	

Source: <http://cert.korcham.net/eng/sub03/menu01.html>

After a web registration, the firm chooses the application form for the type of a CO, enters data into the required fields and selects “Application” for certificate issuance. Then KCCI Certification Service Team will check the received application against supporting export documents and screen for misspelling. When it is confirmed that there is no erroneous entry, the KCCI will issue the certificate immediately (refer to <Table 3-9> for issuing fees charged by the KCCI). Where applicable, the KCCI will notify the applicant of erroneous entries. Such notification will be delivered via instant messaging service (SMS) or alert function in the Web Certification System. The certificate will be issued after the applicant rectifies and resubmits the application.

Table 3-9. Fee Structure of the KCCI

Fees(VAT included)	Members	Non-members
Signatory Registration	Free	55,000 Won
General COs	Free	7,000 Won
Preferential Tariff COs	1,500 Won	1,500 Won
FTA COs	Free	7,000 Won
EDI COs	Free	3,500 Won
Other trade certificates	Free	7,000

<http://cert.korcham.net/eng/sub03/menu02.html>

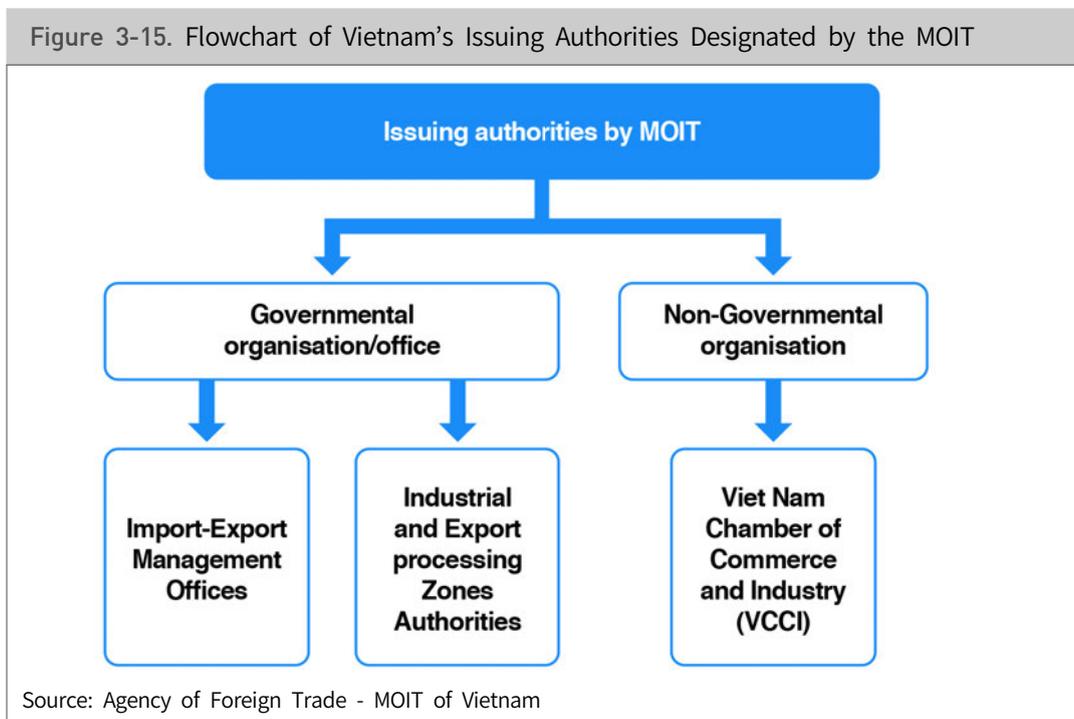
2. Vietnam

A. CO Issuing Authorities

Pursuant to Vietnam’s Laws on Foreign Trade Management 2017 and Decree 31/2018/NĐ-CP dated March 8, 2018 regulating rules of origin in detail (to replace Decree 19/2006/NĐ-CP dated February 20, 2006), the Ministry of Industry and Trade of Vietnam is the competent authority to fully manage and authorize an organization or an office to issue a certificate of origin. At present, both non-governmental organizations and governmental organizations are authorized to issue certificates of origin (refer to <Figure 3-15>).

However, a governmental competent authority and non-governmental competent authority issue FTA and non-FTA certificates of origin respectively in accordance with the Ministry of Industry and Trade of Vietnam's arrangement. The Vietnam Chamber of Commerce and Industry (VCCI) is the only non-governmental authority issuing non-FTA certificates of origin which include non-preferential certificates of origin/certificate of origin Form B of Vietnam, certificates of origin Form A under the General System of Preference (GSP) except for the footwear (Chapter 64) to the European Union market and some other kinds of certificates of origin in accordance with rules of origin of importing countries. Up to now, the VCCI has established 18 branches nationwide to issue non-FTA certificates of origin. The Ministry of Industry and Trade of Vietnam does not authorize the VCCI to issue FTA certificates of origin. There have been 19 governmental competent authorities issuing FTA certificates of origin, including Form AK and Form VK so far. Their headquarters are mainly located in different provinces in the North, the Central provinces and the South of Vietnam. A list of contact points of such issuing authorities is available and updated at the website: www.ecosys.gov.vn

Figure 3-15. Flowchart of Vietnam's Issuing Authorities Designated by the MOIT

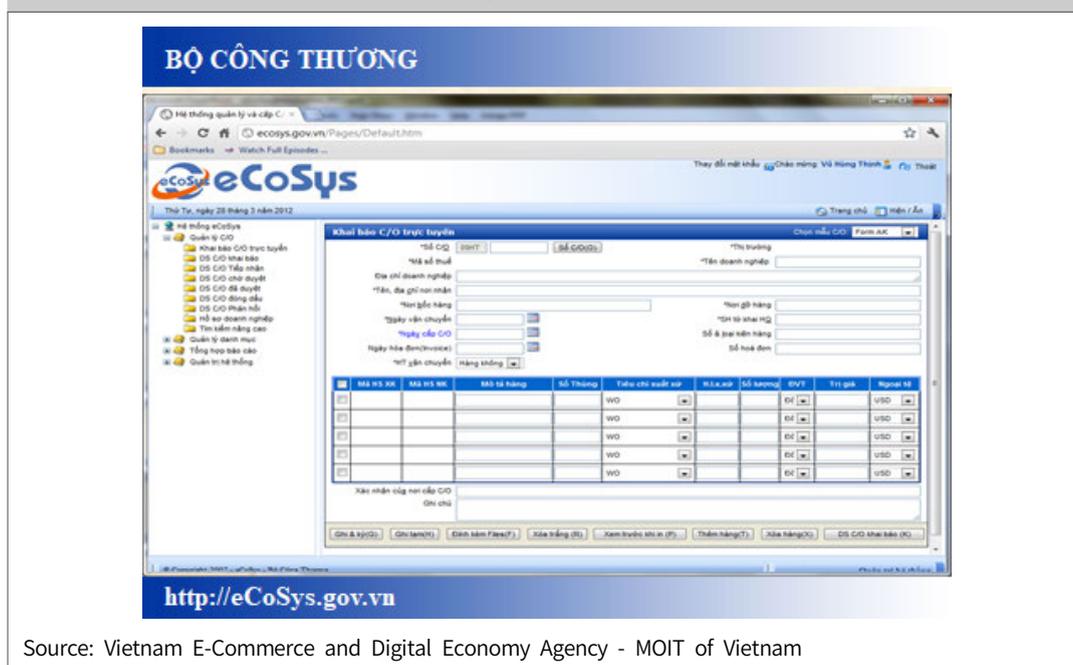


B. The System of Electronic COs in Vietnam (eCoSys)

Regarding the certification of origin involving competent authorities, a certificate of origin can be issued manually or electronically via the website: www.ecosys.gov.vn. After the Ministry of Industry and Trade of Vietnam had recognized the importance of issuing COs via internet, the system of electronic certificate of origin (eCoSys) was established in 2006. Previously, the eCoSys system only focused on collecting full database from competent issuing authorities and applicants of certificates of origin in the entire process of issuance. In recent years, the eCoSys system has been improved to access two following models such as (i) declaring all information on a certificate of origin and saving its database on www.ecosys.gov.vn; (ii) issuing a certificate of origin via internet.

The weakness of the eCoSys system lies in its inability to directly exchange database of import and export declarations from Vietnam National Single Window (VNSWS) managed by the General Department of Vietnam Customs. Thus, it is difficult for competent issuing authorities to verify authenticity of import and export declarations provided by applicants via internet.

Figure 3-16. Interface of the eCoSys System



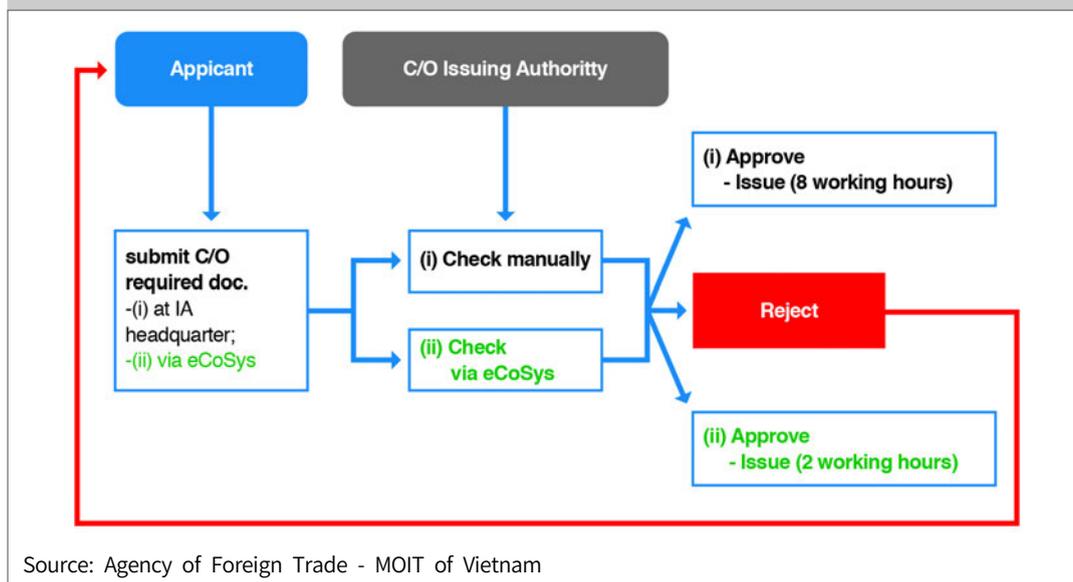
Source: Vietnam E-Commerce and Digital Economy Agency - MOIT of Vietnam

For an applicant requiring a paper certificate of origin, he can also apply model (i) but need to attach required supporting documents via internet. After declaring all the information on a certificate of origin at the website www.ecosys.gov.vn, he still needs to submit full hard copies of a certificate of origin application form and its required supporting documents at the headquarter of an issuing authority where he registered his business records.

For an applicant requiring an electronic certificate of origin, he can apply both model (i) and model (ii). In general, he declares all information on a certificate of origin and uploads copies of required documentation to www.ecosys.gov.vn instead of submitting paper/hard copies documents at headquarter of an issuing authority. Hence, competent officers of an issuing authority can check and verify all required documentation for application and inform him whether the certificate of origin is approved or not via internet. All steps accessing model (i) and model (ii) are certified by digital signatures.

At the time of carrying out this Project, certificates of origin Form AK and Form VK have been applied manually; other Form D under ATIGA, Form VC under the Vietnam-Chile Free Trade Agreement and Form EAV under the Vietnam-Eurasian Economic Union (EAEU) Free Trade Agreement have been subject to electronic application in accordance with Decision 2412/2016/QĐ-BCT dated 15th June 2016 and Decision no.1313/2017/QĐ-BCT dated April 17, 2017. Nevertheless, the Ministry of Industry and Trade of Vietnam still encourages applicants to apply certificates of origin Form AK and Form VK electronically if they have enough administrative and technical conditions to do this.

Figure 3-17. Flowchart of Certificates of Origin Issuance in the MOIT



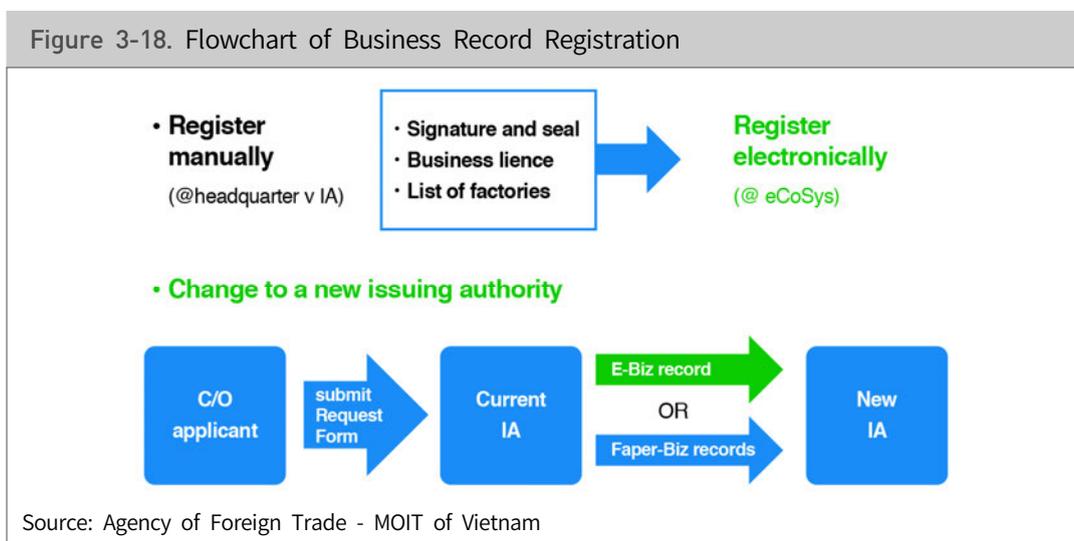
The benefits from issuing an electronic CO are as following. First of all, the number of hard copies of supporting documents required for electronic application has decreased a lot in comparison with paper application. Moreover, a period to approve and issue a certificate of origin has been reduced from 8 working hours to 2 working hours since an issuing authority receives a certificate of origin application and an appropriately-filled up certificate of origin Form. Issuance procedure of certificates of origin in Vietnam has contributed to trade facilitation as reflected in the purposes of Free Trade Agreements so far.

C. Schemes of Issuing COs

Vietnam has two schemes of certification of origin. One is a certification of origin involving the competent authorities and the other is self-certification of origin by approved exporter system as the second pilot project under the ASEAN Trade in Goods Agreement (ATIGA).

An applicant who uses any mentioned-above scheme needs to register a business record at the first time of application. Pursuant to Decree 31/2018/NĐ-CP dated March 8, 2018 regulating rules of origin in detail, the applicant would be advised to

register his business record electronically as it will support him to change to a new issuing authority in a different location afterwards (Refer to <Figure 3-18>). For the first step, if the applicant registers electronically, all his business record will be immediately transferred via internet by a current issuing authority to a new one at the next step according to his request later. In case of a paper registration of business record, the applicant needs to contact both current and new issuing authorities to get confirmation first. The applicant then re-submits by himself his business record directly at headquarter of the new issuing authority or send by post. In fact, the applicant can save much time and fees if he uses the electronic registration of business records instead of the paper model.



Pursuant to Article 15 of Decree no.31/2018/NĐ-CP dated March 8, 2018 regulating Vietnam’s Laws on Foreign Trade Management - rules of origin in detail, an applicant of a certificate of origin Form VK or any other FTA or non-FTA certificate of origin must be required to provide an issuing authority with the following documents. Firstly, basic documents include an application form (Form 04 of Annex attached to Decree no.31/2018/NĐ-CP) and a declared certificate of origin Form VK (Appendix V attached to Circular no.40/2015/TT-BCT dated November 18, 2015 regulating rules of origin under Vietnam - Korea Free Trade Agreement), export declarations, commercial invoices, bills of lading. Secondly, documents of origin declaration include the cost

statement of WO/RVC/CTC (Appendixes II - IX attached to Circular no. 05/2018/TT-BCT dated April 3, 2018 regulating rules of origin), supplier's declaration of origin for domestically-produced input materials and such materials will be used for subsequent production of the final-finished goods (Appendix X attached to Circular no. 05/2018/TT-BCT dated April 3, 2018 regulating rules of origin).

Figure 3-19. Supplier's Declaration of Origin for Domestically-Produced Input Materials

Appendix X
Supplier's declaration of origin for domestically-produced input materials
(attached to Circular no. 05/2018/TT-BCT dated 03rd April 2018 regulating rules of origin)

Producer's name:

Business registration no.:

Quantity:

Value: USD

VAT invoice no.

(Name of producer/supplier of domestically-produced input materials) certifies that materials/goods (1)
(Material/goods description, HS 6 digits) declared hereby were produced in a factory of our company in (2)...Viet Nam c and fulfill the origin criteria (3)..... in accordance with Chapter Rules of Origin under (4).....

Our company confirms that the above-mentioned declaration is correct and we are legally responsible for what we declared.

Place.....,dated 20...
Legal representative of the company/trader
(Sign, seal, full name clarified)

Notes:

- This supplier's declaration of origin applies to originating materials/goods produced in Viet Nam and used for a subsequent production of a final finished product which will be issued a C/O. C/O Form D applicants do not need to use this declaration form.

(1) In case of multiple materials/goods to be declared their origin, applicants can make a list attached to this declaration form (with continuous seal by the company)

(2) Address of factory of our company in Viet Nam

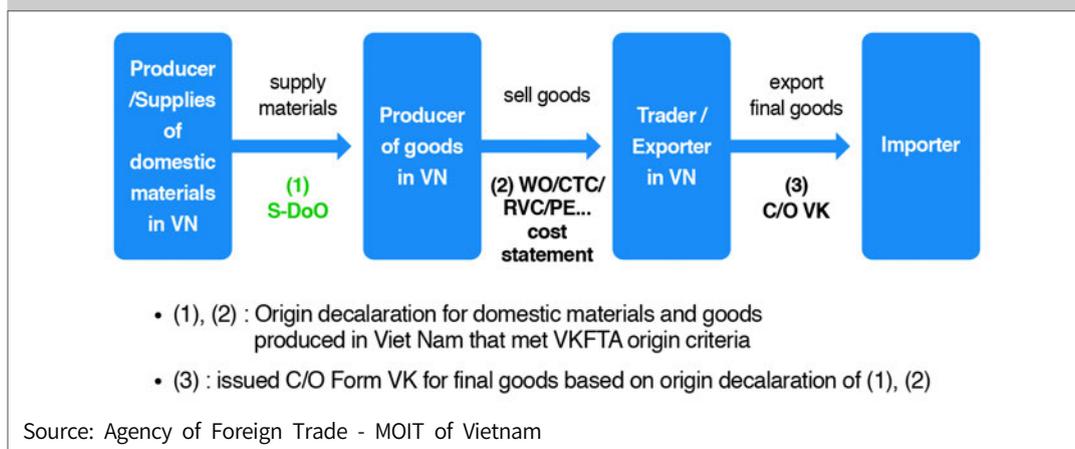
(3) Specific origin criteria (For example: CC/ RVC...%)

(4) Name of Free Trade Agreements/Circular no.... (For example: VKFTA/Appendix I attached to Circular no...)

Source: Agency of Foreign Trade - MOIT of Vietnam

The exporter is not always the producer of the exported goods. Often the exported goods or inputs used in the production of the final goods are supplied from a local producer. In such cases, an exporter would need to obtain information from the supplier, which is generally referred to as a supplier's declaration, so that it would be possible to ascertain whether the goods satisfy the applicable origin criteria or not.

Figure 3-20. Process of Origin Declaration in Vietnam



By the process of origin declaration as seen in <Figure 3-20>, it is understood that final goods for export being applied for a CO needs a cost statement of WO/RVC/CTC reported by a producer and a supplier's declaration of origin if such exporting final goods use some originating domestically-produced materials for the final goods production.

Part  **Verification of Origin**

1. Korea

A. Improvement of the Origin Verification Process in Korea

The Korea Customs Service has undertaken the origin verification process since the Korea-Chile FTA, the first FTA signed by Korea. However, until 2011, Customs Headquarter or local customs did not have a separate team or division for origin verification. In January 2010, the Korea Institute of Origin Information (KIOI), a nonprofit government-funded institution, was established. According to the Customs Act Article 223-2 and the Enforcement Decree of the Customs Act Article 236-5, the Commissioner of the Korea Customs Service consigned the KIOI to collect and analyze origin-related information and the KIOI provides information to the customs authorities for FTA origin verification. In April 2011, the Center for FTA Enforcement Planning was established at the Customs Headquarter. The Center for FTA Enforcement Planning was established as a dedicated division to check on the implementation status of FTAs in Korea and to designate approved exporters, to provide administrative guidance and publicity, to improve the utilization of FTAs, and to build computational and electronic infrastructure for the effective use of FTAs (called FTA- PASS) for import-export companies. Also, it is responsible for verifying the preferential rules of origin, which prevents the illegal use of preferential tariffs. Detailed works include the following matters.

- Establishment of plans and policies related to FTA enforcement
- Establishment of a long-term FTA strategy and basic plan
- Establishment and revision of notices, guidelines and procedures for implementing FTAs
- Collection and analysis of origin information and management and operation of consignment business
- Provision of support to Enterprises for FTA utilization
- Development, operation and management of FTA-related systems

- Planning and operation of international origin verifications
- Verification of origin of import/export goods from/to Asia, Europe and USA, which use preferential treatment under relevant FTAs
- Pre-verification of exporting goods
- Management and participation in the FTA Implementation Committee (including PTA)

In order to carry out these tasks, the Office of Origin Support was installed and a team which is responsible and dedicated to origin verification was established in the customs headquarter and main local customs offices. In this way, Korea has established a system dedicated to the risk management of origin of FTAs, having the government organization that is responsible for FTA Rules of Origin (ROOs) and origin verification.

Customs Act Article 233-2 (Collection and Analysis of Information on Origin of Exported and Imported Goods)

- (1) The Commissioner of the Korea Customs Service may collect and analyze information necessary for the business affairs of confirming, determining, verifying, etc. the origin of exported and imported goods in accordance with this Act, the Act on the Special Cases of Customs Act for the Implementation of Free Trade Agreements, treaties, agreements, etc.
- (2) Where it is necessary for the efficient collection and analysis of information pursuant to paragraph (1), the Commissioner of the Korea Customs Service may entrust part of the business affairs prescribed by Presidential Decree to the head of a corporation or organization prescribed by Presidential Decree. In such cases, the Commissioner of the Korea Customs Service may support expenses incurred in performing entrusted affairs within the budgetary limits.
- (3) Matters necessary for the collection and analysis of information on the origin of exported and imported goods under paragraph (1) shall be prescribed by Presidential Decree.

Enforcement Decree of the Customs Act Article 236-6 (Data, etc. to Confirm Certificates of Origin)

- (1) "Data prescribed by Presidential Decree" in the former part of Article 232-2 (2) of the Act means the data pursuant to the classification falling under each of the following subparagraphs within three years from the date when an export declaration is accepted:
 1. Data in the following items submitted by a producer of the exported goods;
 - (a) Documents provided to an exporter in order to prove the country of origin of the relevant goods;
 - (b) Contract on the supply of goods with an exporter;
 - (c) Import declaration completion certificate of raw materials used in the production of the relevant goods (limited to cases where an import declaration is filed in the name of the producer);
 - (d) Evidential documents related to production or purchase of the relevant goods and raw materials;

- (e) Statement of costs, details of raw materials and statement of process;
 - (f) Ledger of management of incomings and outgoings and inventory of the relevant goods and raw materials;
 - (g) Documents prepared and provided to a producer by a person who supplies or produces the materials used in the production of the relevant goods in order to prove the country of origin of the relevant materials;
 - (h) Application documents for issuance of the certificate of origin (including electronic documents and limited to cases where a producer is issued the certificate of origin);
2. Data in the following items submitted by an exporter:
- (a) A certificate of origin provided to an importer of a country which imports the goods for which the certificate of origin has been issued (including its electronic document);
 - (b) Export declaration completion certificate;
 - (c) Contracts related to export transaction;
 - (d) Application documents for issuance of the certificate of origin (including electronic documents and limited to cases where an exporter is issued the certificate of origin);
 - (e) Documents referred to in subparagraph 1 (a) through (f) (limited to cases where an exporter is issued the certificate of origin);
3. Data in the following items submitted by a person who has issued the certificate of origin:
- (a) A certificate of origin issued (including its electronic document);
 - (b) Application documents for issuance of the certificate of origin (including electronic documents);
 - (c) Other data that has been kept by the issuing authority and is deemed necessary for confirmation of the country of origin.
- (2) "Persons prescribed by Presidential Decree" in Article 232-2 (2) 3 of the Act means a producer or an exporter of the relevant exported goods.

The office of origin support under the Korea Customs Service has set up a plan to advance the origin verification process after the implementation of the Korea-EU FTA and Korea-US FTA. At that time, the FTA rules of origin rose as a key issue in implementing FTAs and the verification of origin has had a full impact on the activities of Korean companies, mainly in automobile parts, automobiles, textile and garments, and petrochemical products, which are Korea's major export items. In order to effectively respond to a surge of verification demands from FTA partner countries such as the US and the EU, an upgrade of the overall administrative system was required, including the introduction of advanced origin verification system. For this reason, the Korea Customs Service has recognized that the advanced verification and administration of origin is a necessary task in terms of enhancing the reliability of the country of origin and improving competitiveness of Korean companies in the exporting market.

As the investigation process of rules of origin differs among FTAs in which Korea participates and there has been a surge of origin investigation requests from FTA partner countries, it was needed to have concrete procedure for integrated system for origin investigation. As part of this process, the Korea Customs Service enacted and implemented the Directive on the Operation of Origin Investigation under FTAs on September 20, 2012. The Directive improves the transparency and consistency in origin investigations and helps entrepreneur have better predictability from possible origin investigations.

This administrative rule enhances the capacity of origin verification by strengthening the protection of taxpayer rights and transparency of the verification process. It transfers the authority and responsibility of verification from the Customs Headquarter to local customs, and standardizes and systemizes the verification procedures. The role of the Korean Customs Service is concentrated in planning, supporting and conducting command, while customs offices are responsible for analysis, verification and follow-up measures in origin verification. In addition, the administrative rule specifies the verification process including selection of the random selection target, systemization of the process of origin verification, and the establishment of a dedicated team for the verification of specific items. It also introduces the use of risk indicators and exporting/importing companies' profiling to institutionalize the origin verification based on a reasonable doubt.

B. Verification of Origin for Exporting Products

The Commissioner of the Korea Customs Service may direct the head of customs office to conduct an origin inspection of the exported goods if:

- ① requested by the customs authority of the partner country to confirm the authenticity and accuracy of the document of origin.
- ② requested by the customs authority of the Contracting State to conduct a joint investigation of origin.
- ③ recognized the alleged violation of the origin of exported goods.
- ④ requested by outside organizations (auditors, prosecutors, police, etc.).

In addition, the head of customs office can also start the investigation of origin

if it recognizes an error in the certificate of origin of exported goods, or the allegation of violation of the origin and/or reports of the outsider. The head of customs office shall report to the Commissioner of the Korea Customs Service and obtain an approval when starting the documentary investigation of origin. The head of customs office should notify the person to be investigated when starting an origin check.

The person to be investigated shall submit the relevant data within 30 days from the date of receipt of the request to submit evidence of origin, except as otherwise provided in the Agreement. However, if it is not possible to submit the data within the deadline due to unavoidable reasons, it is possible to apply for an extension of the deadline within 15 days from the date of receiving the notice of domestic documentary investigation, only for one time not exceeding 30 days. When the submitted data is not sufficient, the head of customs office may request a supplementary proof by establishing a period of not less than 5 days and not more than 30 days.

The head of customs office can conduct a domestic on-site investigation if it is difficult to confirm the authenticity of a certificate of origin and whether it meets the criteria of origin as a result of domestic documentary investigation. The head of customs office shall notify the subject of the investigation within 30 days from the date of approval of the Commissioner of the Korea Customs Service.

In general, a documentary investigation takes precedence over an on-site investigation. According to the Decree of the Customs Act, however, an on-site investigation may take precedence over a documentary investigation if;

- ① person to be investigated requests an on-site investigation.
- ② requested for a joint investigation or observation from the partner country(ies).
- ③ the certificate of origin of the investigation falls under Customs Act Articles 44-2 and 44-3.
- ④ the partner country(ies) repeated requests for the verification of origin more than 3 times.
- ⑤ it is to conduct periodic surveys on exported goods.
- ⑥ the head of customs office recognizes that it is necessary to prioritize the on-site investigation in consideration of the quantity and the scope of the subject merchandise.

- ⑦ the Commissioner of the Korea Customs Service instructs an on-site investigation.

On the other hand, the head of customs office must deliver the notice of on-site investigation of the country of origin to the subject person by fax, registered mail or email until 30 days before the on-site investigation starts. The person to be investigated may apply for postponement of the on-site investigation if (i) there are difficulties in receiving an on-site investigation due to natural disasters, (ii) there are severe difficulties in the business due to fire or other disasters (iii) it is difficult to conduct an on-site investigation normally due to labor disputes, etc. (iv) the books and supporting documents are confiscated or stolen. In this case, the head of customs office will review the reason for the postponement and notify the subject of the approval and the due date for the on-site investigation.

The head of customs office will send the result of an investigation and the certificate of origin to the customs authority of the other country after the origin survey is completed by the EMS and e-mail (only when the recipient country requests the return of the certificate of origin).

C. Verification of Origin for Importing Products

The Commissioner of the Korea Customs Service may direct the head of customs office to investigate the origin of imported goods if any of the following is true:

- ① The counterpart country has been provided with the certificate of origin containing an error which is issued by the exporting country of the contracting partner or a violation of the origin standard.
- ② The risk of violation of origin is recognized through a selection system.
- ③ Directing planning investigation by information analysis.
- ④ When requested by an outside organization (auditors, prosecutors, police, etc.).
- ⑤ When randomly selected and ordered to conduct an investigation of origin.

The head of customs office may undertake a country of origin investigation of imported goods if any of the following occurs:

- ① instructed by the Commissioner of the Korea Customs Service.

- ② recognized the error or violation of the application procedure of origin or preferential treatment of imported goods through information analysis.
- ③ requested to investigate the origin of imported goods subject to preferential treatment by customs, examination and investigation departments.
- ④ received a report from outside organizations.
- ⑤ selected through a random screening method specified in the agreement.

The head of the customs office may require the importer to submit the document that the importer must keep in accordance with the Enforcement Decree of the Customs Act. In this case, except for cases otherwise specified in the agreement, the deadline for submission of the data shall be within 30 days from the date of receipt of the request for submission of data. The rules for postponement of document submission, approval, and/or document supplementation follow the same regulation as that of an export investigation.

The head of the customs office may provide the importer with the results of the self-inspection by providing the "FTA Preferential Tariff Applicant's Guide to Autonomous Inspection of Imported Goods" before the documentary investigation notice. However, importers who are entitled to these benefits are limited to:

- ① the company which is an authorized exporter (AEO company).
- ② the company under examination of corporation in accordance with the "Ordinance for Enterprise Audit Operation".
- ③ a faithful entity of small scale business defined by the Enforcement Decree of the Customs Act Article 135-4.
- ④ if the head of customs office recognizes that the certificate of origin can be cured by self-determination of errors.

The importer who is requested to submit the self-inspection should submit the inspection result within 5 - 30 days. Upon receiving a self-inspection report, the head of customs office can review the inspection results and take any of the following measures;

- ① In the event that there is no violation of origin, the case is closed.
- ② In case where the violation of the origin is confirmed, the unpaid tax is levied or collected (except for the case where the importer voluntarily compensates

or adjusts the unpaid tax amount).

- ③ When additional confirmation is required, an investigation of origin is conducted.

If the importer does not submit the results of the self-inspection within the specified period, the head of customs office will immediately undertake the investigation.

When the documentary investigation is completed, the head of customs office shall notify the importer of the origin on-site investigation. The head of customs office can conduct a domestic on-site investigation if it fails to confirm the authenticity and accuracy of the document of origin or if further confirmation is required. However, in accordance with the Enforcement Decree of the Customs Act, an on-site investigation can be conducted in preference to a documentary investigation if any of the following is met:

- ① If the person to be investigated requests on-site investigation.
- ② Where the certificate of origin of the investigation falls under Article 44 (2) and (3) of the Customs Act.
- ③ The head of customs office recognizes that it is necessary to prioritize on-site investigation in consideration of the quantity and the scope of the subject merchandise.
- ④ If the Commissioner of the Korea Customs Service instructs an on-site investigation.

Regarding the notification of the on-site investigation, postponement, adjustment and procedure of on-site investigation of imported goods, it follows the same criteria as those of export goods.

2. Vietnam

A. Verification of Origin for Exporting Products

The Customs offices determine the origin of exported goods through an examination of the contents declared by the customs declarants, the customs dossiers, and the results of the physical inspection of the goods. In the event that

the origin of exported goods is questioned, the customs offices require the customs declarants to provide documents pertaining to the origin of exported goods. Inspection and verification of goods is then carried out at production establishments. While awaiting the result of this inspection and verification, exported goods are cleared in accordance with Article 37 of the Customs Law 54/2014 / QH13. When examining the dossiers, customs officers shall carry out the following:

- a) Check the declaration of origin in the "Goods Description" (the "Details" section) on the electronic customs declaration or the "Origin" box on the paper customs declaration, compare with the relevant documents on the origin of goods.
- b) Customs officers shall accept the contents of the origin declared by declarants and carry out customs procedures according to regulations when there is no doubt about the origin of exported goods, carrying out customs clearance procedures.
- c) In the event the customs officer suspects the origin of the exported goods or illegal conveyance of information, the customs officer shall request the customs declarant to explain/provide documents of proof.

Customs officers shall examine the contents of evidencing explanations /documents and handle them as follows:

- Where the contents of explanations/documents prove suitable: accept the enterprise's declared origin and proceed according to Point b) of this clause;
- In cases where the customs declarant fails to explain or supply sufficient evidence or documents proving that the origin of the goods are unclear: request the Head of the Customs Sub-Department to approve the transfer of goods physical inspection or conduct inspection at production establishments.

Upon physical inspection of goods, Customs officers shall check the origin information inscribed on goods/packages/labels to be compared with the content declared on the customs declaration, with the results of examination of customs dossiers. In case of declaration of origin on the customs declaration being in conformity with physical inspection result of the goods, the results of goods origin verification are updated in the section of "Updating the opinions of the handling

officers" on the system for e-customs declaration or on the verification result slip for paper customs declarations. Customs clearance shall then be carried out according to regulations. In cases where the origin declaration on the customs declaration is incompatible with physical inspection results of the goods, the customs officers shall update the results of goods origin verification in the section of "Updating the opinions of the handling officers" on the system for e-customs declaration or on the verification result slip for paper customs declarations and customs clearance shall be carried out according to regulations, and at the same time notify the customs declarant of the presentation and documents proving the origin of exported goods.

Where the customs declarant fails to provide documents, or the documents provided by the customs declarant do not satisfactorily determine the origin, customs officers shall make a proposal to the Head of Customs Sub-Departments to conduct an inspection at the establishments producing exported goods. The coordination of the investigation and verification is as follows:

- ① Customs Sub-Departments shall coordinate with import and export management offices of the Ministry of Industry and Trade and the Vietnam Chamber of Commerce and Industry (VCCI) in inspecting them at establishments producing exported goods.
- ② If any problems arise during the inspection at the establishments producing exported goods, the customs sub-departments shall report such to the provincial/municipal Customs Departments and the General Department of Customs for guidance.
- ③ The Customs Sub-Departments and the provincial/municipal Customs Departments shall have to coordinate with the origin inspection teams domestically and internationally according to the notice of the General Department of Customs.

After the examination and no objections are raised about the origin of exported goods, customs officers shall carry out customs procedures according to regulations. On the other hand, if there are sufficient grounds to identify fraudulent origin of goods, the Customs Sub-Departments shall handle the case according to regulations and send reports to the provincial/municipal Customs Departments (Customs Supervision and Management).

B. Verification of Origin for Importing Products

Customs offices examine and determine the origin of imported goods on the basis of the declaration contents, certificate of origin, customs dossiers and the results of the physical inspection of the goods. Certificates of origin of imported goods are to be issued by competent authorities of the exporting countries or certified by the producers, exporters or importers according to international treaties to which Vietnam is a member. In the event that the origin of imported goods is refuted, the customs offices inspect and verify the origin of goods in the country of production according to international treaties to which Vietnam is a member. The results of this verification are legally valid for determining the origin of imported goods. While awaiting the results of the inspection and verification, imported goods are cleared from customs procedures under Article 37 of the Customs Law 54/2014/QH13, but are not subject to special preferential tax rates. The official tax amount to be paid shall be based on the results of inspection and verification.

For physical inspection of goods imported from abroad, it includes;

- Check and compare origin information inscribed on products, packages or labels against the customs declarations, the examination results of customs dossiers, and assurance of conformity complied with the provisions of Decree No. 89/2006/ND-CP on goods labels.
- Check for conformity of origin on goods, packages and labels.
- For the types of imported goods such as liquid goods, bulk goods, goods not subject to labeling, or goods with labels but without information on origin, inspect the goods' journey to verify the origin of goods.
- If necessary, verify the origin of components, parts of products or take samples of the goods for analytical assessment so as to obtain more information on origin verification.
- Record the results of goods origin verification in the section "Updating the opinions of the handling officers" on the system for e-customs declaration or on the verification result slip for paper customs declarations.

If the origin verification result complies with customs dossiers and physical inspection results (if any), customs officers shall accept the certificate of origin, and

goods are subject to the special preferential tax rates according to regulations. Where there are grounds to question validity of the certificate of origin or the origin of imported goods, customs officers shall carry out the following procedures:

- ① Customs officers shall make a proposal to the heads of the customs sub-departments to consider a case and approve the sending of written notices on the customs offices' questions and request the customs declarant to explain/supply additional proof of goods origin (if any). Notice to be made in an electronic format on the VNACCS system or in writing.
- ② Based on the explanation/documents provided by the customs declarant, the Customs Sub-Department shall:
 - Where customs declarants explain or provide documents evidencing and clarifying the objection, and customs offices have sufficient grounds to determine the origin, the goods will be considered to be subject to special preferential tax rates according to regulations.
 - Where the customs declarants fail to explain or provide evidence or the explanatory documents or otherwise provide insufficient documents to serve as a basis for determining validity of the certificate of origin of the imported goods, calculate the tax at the MFN rate or ordinary tax rate and send a written report to the provincial / municipal Customs Department.
- ③ Based on the dossiers submitted by the Customs Sub-Departments, the provincial/municipal Customs Departments shall consider and guide the handling thereof as follows:
 - Where there are sufficient grounds for settlement, the documents guiding the Customs Sub-Departments shall be promulgated and the customs declarant shall be notified at the same time.
 - Where there are not enough grounds for settlement, the provincial/municipal Customs Departments shall report to the General Department of Customs for an inspection and verification. The timeframe for the review process at the Department level is 3 working days from the date of receiving the issue report and complete relevant dossiers of the Customs Sub-Department.
- ④ Based on the dossier submitted by the provincial/municipal Customs Department, the General Department of Customs shall consider and guide the handling as follows:

- Where there are sufficient grounds for settlement, reply immediately or provide information/documents to the provincial/municipal Customs Department for settlement. The timeframe for the review process at the General Department level is 5 working days at the latest from the date of receipt of the problem report and complete relevant dossiers of the provincial/municipal Customs Department.
 - Where it is necessary to verify with the competent authorities of the exporting country, the General Department of Customs (Customs Supervision and Management) shall send a written request to the competent agency of the exporting country for confirming authenticity of the certificate of goods origin or explaining, clarifying the questions of origin of goods.¹⁸
- ⑤ Where the General Department of Customs is not satisfied with the verification results of the competent authorities of the exporting country, the origin of the goods shall be checked in the exporting country (according to the investigation procedures and verify the certificate of origin in the relevant Free Trade Agreement), and at the same time, notify in writing the provincial/municipal Customs Department where the problem arises to know and answer the customs declarant. The inspection and verification of the origin of goods in the exporting country is carried out as follows:
- The General Department of Customs shall notify in writing: the competent body of the exporting country, the exporter or the producer having a factory which shall be directly inspected, the customs office of the exporting country or the importer having goods subject to inspection on the verification of the origin of goods in the exporting country.
 - If a written approval of the exporter or the producer is not received within thirty (30) days after receiving the notice, the General Department of Customs may refuse to grant preferential treatment to the products which must be tested.
 - Where the competent authority of the exporting country proposes to postpone

¹⁸ The time limit and procedures for verification with the competent authorities of the exporting country shall be based on the provisions of Clause 3, Article 26 of the Circular No. 38/2015/ TT-BTC and the provisions of each Agreement.

the direct inspection at the establishment and notify the General Department of Customs of the delay, the inspection shall also be carried out within sixty (60) days from the date of receipt of the notice. This time limit may be extended if the General Department of Customs is in agreement with the competent authorities of the exporting country.

- The General Department of Customs must provide the exporter or producer and the competent authority of the exporting country a decision on whether the inspected product meets the criteria of origin.
- The temporary exclusion of preferences will be canceled after a written decision has been made showing that the product originates as declared.
- The exporter or producer have the right to make an written explanation or provide additional information to prove the origin of the product within thirty (30) days from the date of receiving the decision of the origin of the product. If the product is still proven to be of no origin, the final decision shall be notified to the competent authority of the exporting country within thirty (30) days of receiving the explanation or additional information of the exporter or producer.
- The timeframe for the inspection process is one hundred and eighty (180) days from the date the competent authority of the exporting country receives the inspection notice of the General Department of Customs, including the physical inspection and verification conclusion and notification of the result to the competent authority of the exporting country.

Within 15 working days after receiving the verification results, the General Department of Customs shall notify the provincial/municipal Customs Departments and/or the customs declarants thereof.

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CHAPTER

04



Policy Suggestions

- Part 1 Capacity Building on Issuance and Verification of Certificate of Origin
- Part 2 Joint Development of the Electronic Origin Data Exchange Program between Korea and Vietnam
- Part 3 The Issuance System for Electronic Certificate of Origin

Chapter

4

Policy Suggestions

Summary

Cooperation in the Information Analysis Area

Verification of origin is inevitable in the operation of FTAs. However, if verification is too strong or tight, it will discourage the willingness to utilize the preferential tariff benefit given from the FTA, but if it is too loose or slack, it cannot effectively prevent a free-riding problem of FTAs. Verification should be a difficult procedure because it takes into account such positive and negative impacts of verification.

It is pointed out that lack of a specific, standardized verification procedure raises the difficulty of verification. This means that there exist no systematic tools to verify the authenticity of the certificate of origin effectively and efficiently. Also, given that verification of origin involves partner countries, lack of harmonized and/or agreed procedure for verification among the involving countries makes verification procedure complicated.

Considering that verification of origin can bring a negative impact on FTA utilization and can cause extra cost and time for exporters and importers, there needs to be a close cooperation between the two countries' Customs. The first step is to understand the origin verification system of the partner country, especially about how to evaluate a 'reasonable doubt'. Vietnam also has its own way of selecting imported products for verification of origin, and it seems as efficient and

systematic as a Korean mechanism. Improving Vietnamese information analysis capacity will be beneficial for Korea as well as Vietnam as it can prevent any unnecessary requests for Korea with regard to the verification of origin. The two countries can cooperate to develop a systematic internal guideline for verification. In this process, each country may adjust and reflect the partner country's specific factor in its process of determining a 'reasonable doubt'.

Electronic Data Exchange Program

Bilateral origin data exchange program could have several advantages; it can contribute to lowering logistics costs, simplify examination process of origin at the border and reduce the number of origin verification cases. These benefits can save time and cost to utilize the FTA, preventing unnecessary delay and/or dispute at the border. Especially, considering the recent expansion of bilateral trade between Korea and Vietnam, origin data exchange program can help to facilitate the FTA implementation.

Introduction of origin data exchange program requires resolution of technical and institutional matters. In case of Vietnam, technical issues can be overcome easily because Vietnam has already adopted the ECOSYS, a web-based single window system and this system can be developed to meet the requirements of electronic data exchange program. The financial burden for constructing such system should be relatively a minor matter.

On the other hand, managing the institutional matter would be critical for developing the basis for electronic data exchange system. The survey conducted by the Joint United Nations Regional Commissions in 2015 indicates that the lack of coordination between government agencies is the most difficult challenge for implementing trade facilitation measures. It is known that there is limited information sharing between C/O issuing authority and the Customs in Vietnam. Without linking these two agencies, it would be difficult to introduce an electronic data exchange program in Korea and Vietnam. In this regard, Vietnamese government should have a strong will to construct system for cross-border electronic data exchange programs and improve related laws and regulations for electronic transactions. An electronic data exchange system is the first step for an effective FTA

implementation. The two countries' area of cooperation should be widened as it progresses to the next step such as cross-border paperless trade and/or construction of regional single window system.

Capacity Building for the Electronic Origin Management System

Vietnam is one of the leading countries in FTAs among ASEAN member countries. In spite of such successful achievement in FTAs, implementation of FTAs does not seem to be effective enough. Vietnamese hardware to support the explosive growth in trade is gradually developing; however its software for effective use of FTAs seems to be lagging behind. Vietnam needs to introduce measures to enhance its exporting firms' origin management system. In this regard, Vietnam can consider adopting an electronic origin management system, which is similar to what Korea operates. An electronic management system has advantages over a paper-based traditional method. First of all, it is effective to train and educate exporting firms, especially SMEs which lack human capital. Secondly, it can reduce time and cost of management. Also, the fact that Vietnam has electronic origin management system itself increases credibility and reputation of its FTA implementing capacity.

The first and urgent task would be to introduce electronic C/O system. Given the current C/O system in Vietnam, introducing an electronic origin management system should take gradual steps. The first task is to complete its paperless trading system. Vietnam is currently developing paperless trading system. However, it is not completed yet. If the paperless trading system is not fully fledged, origin management system should be limited in its functions, losing its advantages. Therefore, construction of a high-level paperless trading system is a pre-requisite for an electronic origin management system.

Along with introducing electronic C/O system, the Vietnamese government should establish a mid- to long-term strategy for an origin management system. It took time to develop Korea's electronic origin management system. It was a result of the long-term plan to support exporting SMEs. Such a long-term strategic plan should be prepared with a strong government will.

Part **1**

Capacity Building on Issuance and Verification of Certificate of Origin

1. Information Analysis for Verification of Origin

The target selection for Korean origin verification can be divided into a random selection and a target item selection based on a reasonable doubt. The Commissioner of Korean Customs Service shall establish and operate the sorting and screening system for origin investigation (integrated risk management system) to select the subject of origin investigation through preliminary analysis and evaluation of the risk of origin. A field agent collects the risk information and the types of violation related to the origin of exported and imported goods. Such information is registered in the system. In addition, the field agent shall use the monitoring information of the integrated risk management system or the monitoring information such as import/export customs clearance or foreign exchange transactions, and register content for the analysis of risk information in the system when he/she perceives a risk symptom. The Commissioner of Customs may select the subject of origin investigation according to the results of the risk assessment of origin.

A. Korea's Selection Process for Origin Verification: Random Selection Process

The Korean Customs Service shall supplement the limitations of the verification system with an information analysis process, and plan and carry out the verification of the origin through a random sampling method within the scope of the FTA agreement in order to resolve the imbalance of import and export verification with the contracting partner in Korea. In a random selection process, a stratified random sampling method is used. A stratified random sampling adopts a statistical method which first divides the entire population into homogeneous groups (called strata). Random samples are then selected from each stratum.

In a random selection process, it first sets origin risk indicators. According to the origin risk indicators, the target industry is determined in terms of MTI classification. From the corresponding MTI, the target items (HS 4-digit) are selected. Any items

which are selected more than two times in this process are finally selected as a target item for verification. The following table shows a hypothetical and simplified example of such random selection process. In the following case, automobiles, automobile parts, lubricants, and pork are items that contain two or more risks per country of origin risk indicator.

Table 4-1. Sample Selection Using Stratified Random Sampling

Risk Indicator	Risk Factor	MTI	Items
Trade Risk	Increase in Import Volume	Transport Equipment	Automobile, Ship
	Increase in Import Amount	Mineral Fuel	Lubricants, Crude Oil
	Newly Imported	Jewelries and precious metals	Luxury products
Industry Risk	Domestic Industry Damage	Agricultural and Fishery Products	Pork, Wine
	Value Added Item	Transport Equipment	Automobile part
Party Risk	Differences between Certified and Extracting Country	Agricultural and Fishery Products	Pork
Certification Risk	Error in Certified Export Number	Miscellaneous	Automobile part
Country Risk	Increasing FTA Imports	Germany, Italia	Automobile
	Increased Request for Origin Verification	Poland, France	Pork, Automobile parts

For items subject to a verification and selected as the final target item, the company subject to an investigation shall be selected considering factors such as whether it is a top company or a new company based on the amount of import or whether the FTA preferential tariff benefit is provided. In the random sampling method, the verification of the origin is conducted for companies selected from the random sampling process mentioned above, by randomly extracting company's imports/exports occurred after the effectuation of the FTA. The number of verifications is carried out considering the importance of the items, possibility of danger, and the amount of import, but the number of verifications conducted on a company, in general, is 5-30.

B. Korea's Selection Process for Origin Verification: Information Analysis Based on a Reasonable Doubt

The customs authorities of Korea use the method of origin information analysis to select imported goods which are subject to the FTA origin verification process based on a reasonable doubt. The reason Korean customs authorities use the origin information analysis technique is to concentrate verification ability of the originating materials, and given the possibility of violation, to conduct a sophisticated information analysis in a situation where it is impossible to verify the origin of all imported items. In addition, a sophisticated information analysis system has been established and operated to prevent waste of customs administration resources caused by unnecessary verification of origin and to reduce the burden placed on enterprises.

The first step of an FTA origin verification based on a reasonable doubt is to set origin risk indicators. This is a task that identifies risk factors needed to analyze origin information, taking into account a total of 169 risk indicators for 10 risky areas.¹⁹ The second step is to select high-risk items in a country of origin. This is the task of using statistical analysis (trade risk, tax rate risk, spillover effect, etc.) using the Customs Data Warehouse (CDW) of the KCS or utilizing the risk management monitoring data provided by the KCS to customs authorities. For the third step, the risky items of a country of origin are analyzed in detail. For this step, the scope of the verification target is reduced by analyzing import and export companies, characteristics of each item, and the status of the exporting country. At the fourth stage, the documents submitted to the customs for the selected items are extracted and confirmed. Lastly, the risk score is calculated. This is to determine whether to start the verification process by calculating the risk score based on the data collected in the previous procedures.

Step 1: Identifying Origin Risk Indicators

The origin risk indicators mean the risk identification factors specific to the origin validation. Such indicators are extracted through the analysis of domestic origin

¹⁹ See 'Origin Risk Indicator Guideline' in the Appendix

verification cases and the analysis of the WCO risk indicator. It consists of a total of 169 risk indicators in 10 risk areas including trade risk, certificate of origin risk, country risk and product risk.

Each indicator is evaluated as H (high), M (middle), and L (low). 'H' (Score: 5) means that the risk level of the origin is 'very high', 'M' (Score: 3) means that the risk level of origin is 'high', and L (score: 1) indicates the risk level of the origin is 'normal'.

As a result of combining the calculated risk indicators of origin, a certain number of scored indicators are selected as a subject of origin verification based on a reasonable doubt.

Table 4-2. Summary of Origin Risk Indicators

Category	Sub-category	Domain	# of Components	Contents (Example)
A	A1	Certificate of origin Risk	19	Unregistered Seals and Signature
B	B1	Trade Risk	6	Factors such as surging imports and newly imported goods after the agreement enters into force.
	B2	Industry Risk	6	High technology products imported from under-developed countries
	B3	Country Risk	12	Countries lacking control over its border ports and bonded areas
	B4	Product Risk	21	Inconsistent item names, discrepancy between paper description and actual imported goods, etc.
	B5	Tariff Risk	8	Imports under TRQ, products with high tariff etc.
	B6	Transaction Parties Risk	30	Importer/exporter without a domestic location
	B7	Transaction Risk	17	Goods receipts and payment lines are different
	B8	Transportation Risk	14	Absence of documents proving that the goods imported were under control and supervision of customs authorities at the third country
	B9	Rules of Origin Risk	36	Treatment of materials switching foreign materials with domestic goods
Total			169	

Step 2: Selection of High Risk Products

In the process of selecting high risk products, both statistical analysis and the information provided by the relevant authorities are used. In case of statistical analysis which uses CDW of the Korea Customs Service, the CDW takes into account trade risk, tariff risk and other effects. First, to analyze trade risk, statistical analysis method is employed using R-B1 (trade risk) among the risk indicators. This method examines import statistics from the FTA partner country of Korea. As shown in the table below, the risk level is in a quantitative form according to each indicator.

Table 4-3. Evaluation of Risk Indicators for Trade Risk

Code	Risk Indicators	Risk Level
R-B1-01	Items with an import growth rate of 50% or more after the effectuation of the FTA	H
R-B1-02	Items with an import growth rate of 30~50% after the effectuation of the FTA	M
R-B1-03	Items with an import growth rate of 10~30% after the effectuation of the FTA	L
R-B1-04	Newly imported items after the effectuation of the FTA	H
R-B1-05	Items whose share of imports from the partner country increased while the share of imports from other countries declined	M
R-B1-06	Items designated as export restricted items by the partner country (Example: Lumber from Indonesia)	H

Tariff risk analysis is the evaluation on R-B5 (tariff risk) among the origin risk indicators. This is a way to select items with a high benefit due to preferential tariff treatment through a tariff rate review, which is measured by the risk indicators and risk levels in the table below

Table 4-4. Evaluation of Risk Indicators for Tariff Risk

Code	Risk Indicator	Risk Level
R-B5-01	Items subject to Anti-dumping duty	M
R-B5-02	High tariff items	M
R-B5-03	Items with TRQ under FTA	M
R-B5-04	Items subject to special safeguard under FTA	M
R-B5-05	Items subject to reciprocal tariff under Korea-ASEAN FTA	M
R-B5-06	Items subject to FTA seasonal tariff	M
R-B5-07	Items whose difference between MFN and preferential tariff rate is more than 5%	M
R-B5-08	Items with a large tariff difference depending on the similar product classification (Example: Copy Machine and Printer)	M

In addition to selecting risk items through a statistical analysis, risk items are selected through the data provided by the KCS or related organizations. Basic information regarding import and/or the report regarding the verification of origin can be used to analyze the certificate of origin risk (R-A1).

Table 4-5. Evaluation of Risk Indicators for Certificates of Origin Risk

Code	Risk Indicator	Risk Level
R-A1-01	Different from the legitimate issuing authority or issuer specified in each agreement	H
R-A1-02	Unregistered issuer	H
R-A1-03	Absence of issuing date	H
R-A1-04	Typographical errors about issuing organization name, country of origin	H
R-A1-05	Abnormal C/O number	H
R-A1-06	Abnormal AEO number	H
R-A1-07	Signature or stamp missing and/or use of inconsistent and unregistered signature or seal	H
R-A1-08	Discrepancy between the C/O and invoice (product name, price, etc)	M
R-A1-09	Discrepancy in exporter name between the C/O and invoice	M
R-A1-10	C/O format differs from standard format	H

Table 4-5. Continued

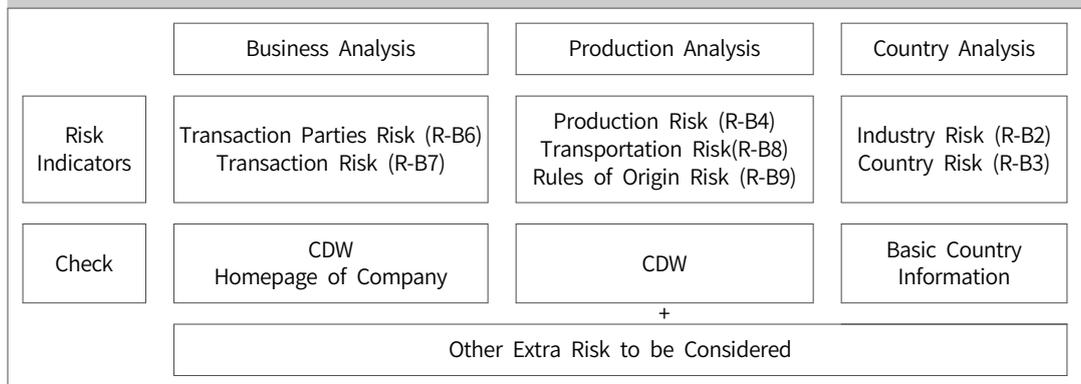
Code	Risk Indicator	Risk Level
R-A1-11	C/O entry errors. Missing	M
R-A1-12	Expired C/O	H
R-A1-13	Duplication of the C/O issuance number	M
R-A1-14	Retrospective Issued C/O	M
R-A1-15	Re-issued C/O	M
R-A1-16	C/O contents include some non-origin goods	M
R-A1-17	Discrepancy in HS code between the C/O and import declaration	M
R-A1-18	Whether or not it is based on the information provided by producer(s) (when the exporter and the producer are different)	M
R-A1-19	Invoice issued by a third country	M

Step 3: In-depth Analysis of Risky Items of Countries of Origin

The scope of the verification target is narrowed down through the detailed analysis of risky items selected from step 2. Detailed analysis includes business analysis which considers factors such as import/export items of companies, characteristics of the transaction and/or production base, and product analysis which takes into account factors including product specific rules of origin, characteristics of goods, and/or transportation routes. In addition, analysis on exporting countries such as its natural resources, industrial base, and political situation in the exporting countries are used to analyze risky items of countries of origin.

The business analysis is conducted to analyze risks of the companies by using R-B6 (trader risk) and R-B7 (trade risk) among the origin risk indicators. On the other hand, the product analysis evaluates product-specific risk factors by using the product risk (R-B4), transportation risk (R-B8) and rules of origin risk (R-B9). The country analysis uses R-B2 (industrial risk) and R-B3 (national risk) among the risk indicators. In addition, other factors that are related and considered to be important can be added in this process. If such extra risk analysis factor is deemed to be significant, it should also be considered in addition to the risk indicators mentioned earlier.

Figure 4-1. In-depth Analysis of Risks of Countries of Origin



Step 4: Examination of Documents Submitted to the Customs

At this stage, the suitability of the application for the agreement is examined, and documents submitted to the customs for its import clearance by the importer(s) are reviewed. First, in reviewing the certificate of origin, one would check if there exists any discrepancy between the application form for preferential tariff treatment and the certificate of origin submitted, and if there is an additional risk inherent to the case under reviewing. Furthermore, the reviewing process is to reveal if there is any unidentifiable risk factor which cannot be confirmed by the electronic certificate of origin, such as a signatory, seal, suitability of issuing institution of the certificate. In addition, it examines documents related to direct transportation (B/L, transshipment certificate, etc.) to identify and confirm additional charges related to transportation risk.

Step 5: Evaluation of Risk Scores and Determination of the Launch of a Verification Process

Finally, the risk score is calculated based on the procedure described above. The risk score determines whether the verification of origin could start. The following table shows an example of the determination of a verification process depending on risk scores.

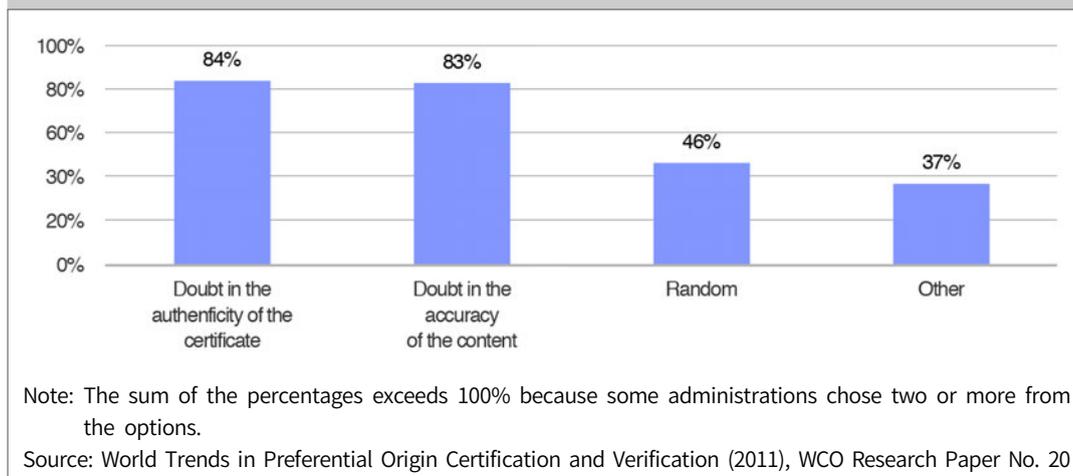
Table 4-6. Risk Scores and Determination of Verification

Category	Risk Scores and Corresponding Actions
A	Immediate verification of origin starts when the risk score of any risk indicator item is 5 or higher
A+B1~B9	If risk indicator in Category A does not reach 5, and the combined risk score of Category A and B1~B9 is <ul style="list-style-type: none"> • 10 or higher: Start verification • 9 or lower: Determine whether or not to verify after analyzing additional information
B1~B9	<ul style="list-style-type: none"> • 20 or higher: Start verification • Between 10~19: Determine whether or not to verify after analyzing additional information • 9 or lower: Continue to monitor

2. Cooperation in Information Analysis for Verification of Origin

According to the WCO survey on the 109 Customs administrations in 2011, the main reason for conducting verification was having doubts about authenticity of the certificate (83%). Having doubts about accuracy of the content of the proof of origin was another major reason for carrying out verification.

Figure 4-2. Motives for Verification



Verification of origin is inevitable in the operation of FTAs. However, if verification is too strong or tight, it will discourage the willingness to utilize the preferential tariff benefit given from the FTA, but if it is too loose or slack, it cannot effectively prevent a free-riding problem of FTAs. Verification should be a difficult procedure because it takes into account such positive and negative impacts of verification.

It is pointed out that the lack of a specific and standardized verification procedure raises the difficulty of verification. This means that there exist no systematic tools to verify authenticity of the certificate of origin effectively and efficiently. Also, given that verification of origin involves a partner country, the lack of harmonized and/or agreed procedure for verification among involved countries makes verification procedure complicated. In many cases, verification of origin is based on a tit-for-tat strategy; if a partner country requests a verification of origin, the country responds with a request for origin verification to the partner country as well. Such strategy, however, will deteriorate the situation and cannot be an efficient way to control a possible C/O fraud.

Vietnam recently raised a question of a sudden increase in origin verification cases on its exports to Korea under the Korea-ASEAN FTA and/or Korea-Vietnam FTA. Vietnam argued that it received more than 50 requests for origin verification from the Korean Customs Service and complained that it was excessive. As it was shown from the previous section, Korea maintains its own information analysis system and if an imported product falls into the category of verification, it starts the verification process.

Considering that verification of origin can bring negative impact on FTA utilization and can cause extra cost and time for exporters and importers, there needs to be a close cooperation between the two countries' Customs authorities. The first step is to understand the origin verification system of the partner country, especially about how to evaluate the 'reasonable doubt'. Vietnam also has its own way of selecting imported products to be subject to the origin verification process, and it seems as efficient and systematic as a Korean mechanism. Improving Vietnamese information analysis capacity will be beneficial to both Korea and Vietnam since it can prevent any unnecessary requests for origin verification to Korea. The two countries can cooperate to develop a systematic internal guideline for verification. In this process, each country may adjust and reflect the partner country's specific factor in its process of determining 'reasonable doubts'.

Part **2**

Joint Development of the Electronic Origin Data Exchange Program between Korea and Vietnam

1. Background

When the Korea-China FTA was implemented, the number of certificates issued in Korea was expected to increase by approximately 2.8 - 8 times. The number of certificates issued per year before the effectuation of the Korea-China FTA was about 139,000, but considering the volume of Korea's exports to China, the number of certificates of origin for Korea-China FTA could increase to 394,000-1,125,000 per year. Such a surge in the issuance of origin certificates can lead to excessive workload in institutions issuing certificates of origin, bringing in additional cost and time and can be an obstacle to the efficient implementation of the Korea-China FTA. In order to alleviate burden of proof of origin, the Korean government has gradually amended FTA-related laws and stepped up the system.

The Korean government amended the 'Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements' which entered into force on December 27, 2016. The main content of the amendment for the effective implementation of FTAs include following improvements; first, regarding requests for ex-post facto applications of conventional tariffs, applicants are allowed to submit a copy of the certificate of origin. Applicants were used to be required to submit an original copy of the certificate of origin when submitting the application of the preferential tariff treatment after an import declaration, but it is now possible for them to submit a copy of the certificate of origin, thereby simplifying and expediting the ex-post facto application process.

Second, if a revision and/or correction of a certificate of origin is needed, a new certificate of origin can be issued with a copy of the original certificate of origin issued. In order to apply for the amendment of the certificate of origin, the original copy of certificate of origin issued by the issuing institution (the Korea Customs Service or the Korean Chamber of Commerce and Industry) must be returned from the importer of a partner country. However, after the amendment, under the

Korea-ASEAN FTA, and Korea-Vietnam FTA, the copy of the certificate of origin can be submitted first for correction and the original copy of the certificate of origin can be submitted to the issuing authority within 30 days. As a result, the time required to correct the certificate of origin was drastically shortened from about 10 days to one day, and the difficulty of not receiving FTA privilege at the Customs of the partner country during the correction period was resolved.

Third, the coverage of civil affairs services using e-documents has been widened. In the past, related documents had to be submitted to the Customs for customs duties such as ex-post facto applications of conventional tariffs, issuance of the certificate of origin, etc. However, after the revision, most of the FTA-related applications can be filed and processed by electronic document systems or through electronic methods, minimizing the required cost and time of exporters and making it easier to utilize the FTA.

2. Developing an Electronic Origin Data Exchange System under the Korea-China FTA

In addition to domestic institutional improvement, there has been bilateral cooperation between Korea and its FTA partner countries to facilitate effective implementation of FTAs. One of the major achievements is the introduction of an electronic origin data exchange system in Korea and China. As the bilateral FTA between Korea and China (*Free Trade Agreement between the Government of the Republic of Korea and the Government of the People's Republic of China*, Korea-China FTA) entered into force in December 2015, the two countries started to exchange certificates of origin issued for preferential tariff treatment under the Korea-China FTA. The Korea-China FTA Article 3.27 stipulates that an electronic origin data exchange system should be established for effective and efficient implementation of FTAs. According to Article 3.27, the KCS and GAC (General Administration of Customs of the People's Republic of China) endeavor to develop an 'Electronic Origin Data Exchange System' before the implementation of the Korea-China FTA.

Article 3.27: Electronic Origin Data Exchange System

According to “Arrangement between the Korea Customs Service of the Republic of Korea and the General Administration of Customs of the People’s Republic of China on Strategic Cooperation”, both Parties endeavour to develop an Electronic Origin Data Exchange System before the implementation of this Agreement to ensure the effective and efficient implementation of this Chapter in a manner jointly determined by the Parties.

Also, like other FTAs, the Korea-China FTA prescribes that the importers who claim preferential tariff treatment shall submit the certificate of origin and documentary evidences. However, it includes in the footnote that if all the information of a certificate of Origin is exchanged, the customs authority of each Party may exempt submission of the Certificate of Origin.

Article 3.17: Claims for Preferential Tariff Treatment

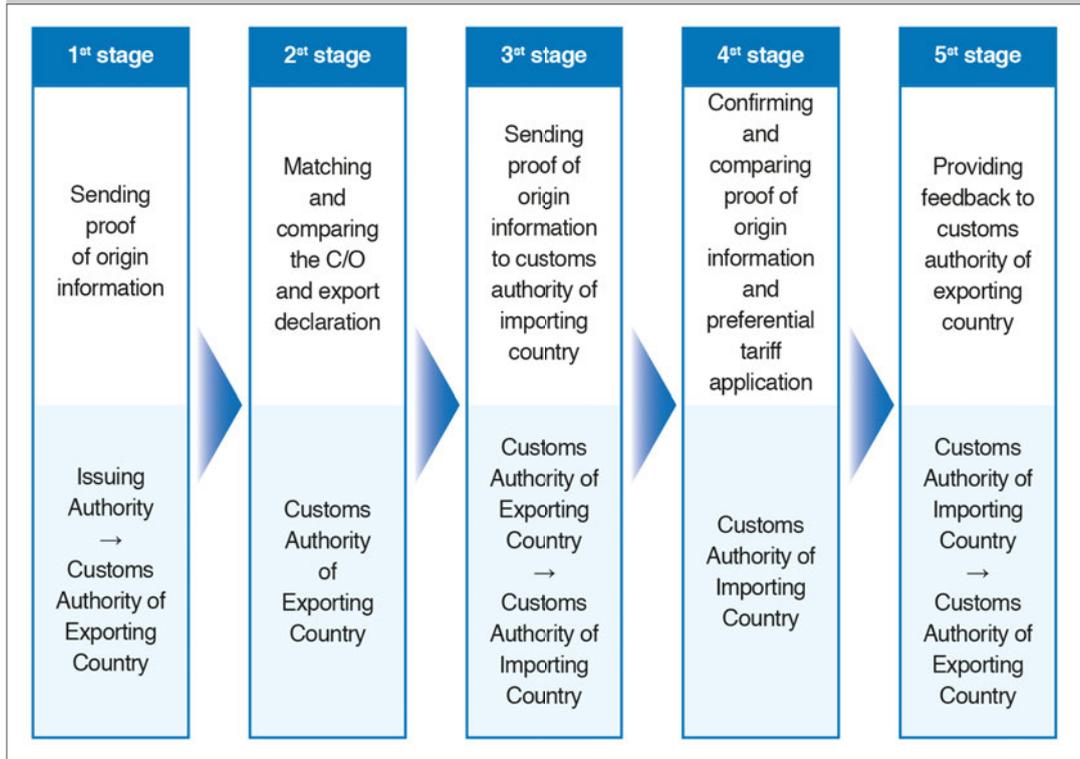
1. Unless otherwise provided in this Chapter, the importer claiming preferential tariff treatment shall:
 - (a) make a written statement in the customs declaration, indicating that the good qualifies as an originating good;
 - (b) possess a valid Certificate of Origin, at the time the import customs declaration referred to in subparagraph (a) is made; and
 - (c) submit the original Certificate of Origin and other documentary evidences related to the importation of the goods in accordance with their respective domestic laws and regulations 3.

Footnote 3: If all the information of a Certificate of Origin is exchanged between the customs authority of each Party through Article 3.27 (Electronic Origin Data Exchange System), the customs authority of each Party may not require the importer to submit the Certificate of Origin on importation. Nevertheless, the customs authority of each Party reserves the right to require the importer to submit the Certificate of Origin, when it deems necessary. This footnote shall be without prejudice to any other requirements under this Chapter.

Under the electronic origin data exchange system shared between Korea and China, the two countries exchange information of 33 items in three sectors. First, customs authorities in an exporting country provide information regarding certificates of origin and export declarations to the importing country’s customs authority. The certificate of origin-related information contains 22 items, such as issuing institutions, exporters, producers, shipping ports, etc. In addition, the exporting country also provides information on 5 export declarations, including export declaration number, filing date and the customs handling it. On the other

hand, the importing country's customs authority provides its feedback on 6 items to the exporting country, including whether preferential tariff treatment is provided, its applied tariff rate and the value of import. The procedure for each step is shown in the figure below.

Figure 4-3. Procedure of the Electronic Origin Data Exchange



The electronic data exchange program is a practical measure to implement and utilize the Korea-China FTA. Its expected effects include reduction of logistics cost due to the omission of submission process of certificates of origin and simplification of origin examination process in Customs. Furthermore, as both parties have sufficient information regarding its import, it could reduce the number of origin verification cases in the two countries which alleviate risks faced by businesses using the Korea-China FTA.

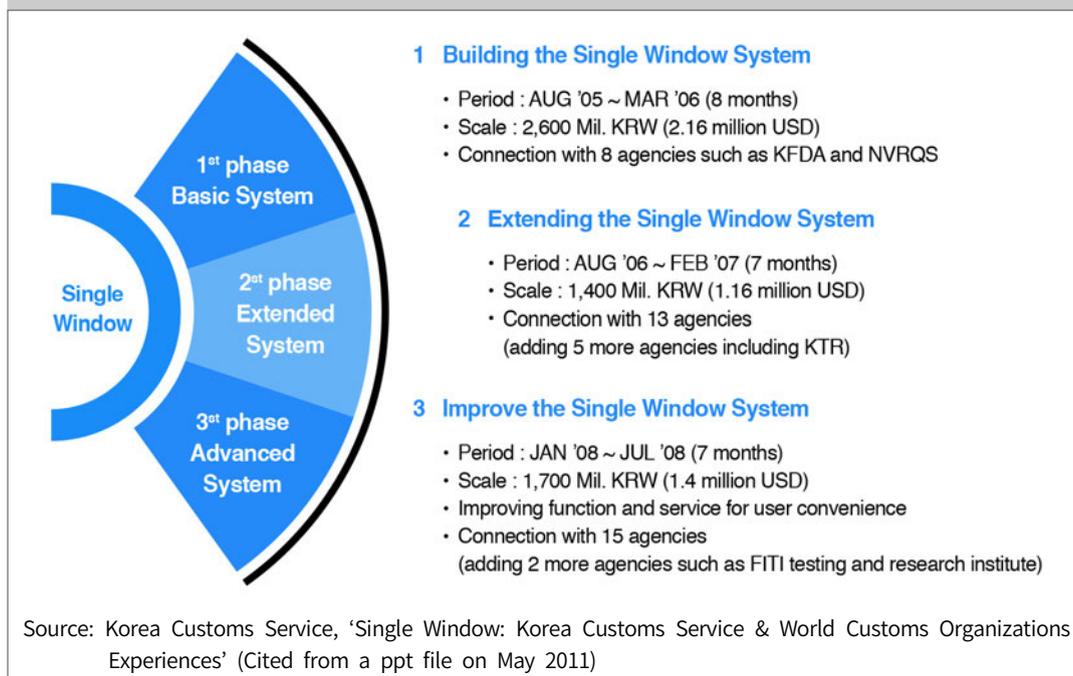
3. The Electronic Data Exchange Program for Korea and Vietnam

The electronic data exchange program shared between Korea and China took gradual steps for implementation. It first launched a pilot data exchange program in the two countries for certificates of origin under the Asia Pacific Trade Agreement (APTA) on February 8, 2017. After running the pilot program for approximately 3 months, the data exchange program has been fully adopted for the Korea-China FTA since May 2017. Prior to this, the Korea Customs Service held a meeting with overseas Customs attaches and commercial officials of seven ASEAN countries' embassies in Seoul and proposed to build an electronic data exchange system to facilitate the Korea-ASEAN FTA.

As mentioned earlier, a bilateral origin data exchange program could have several advantages: it can contribute to lowering logistics cost, simplifying examination of origin at the border and reducing the number of origin verification cases. These benefits can save time and cost for utilizing the FTA, preventing unnecessary delays and/or disputes at the border. Especially, considering the recent expansion of bilateral trade between Korea and Vietnam, the origin data exchange program can help facilitate the FTA implementation.

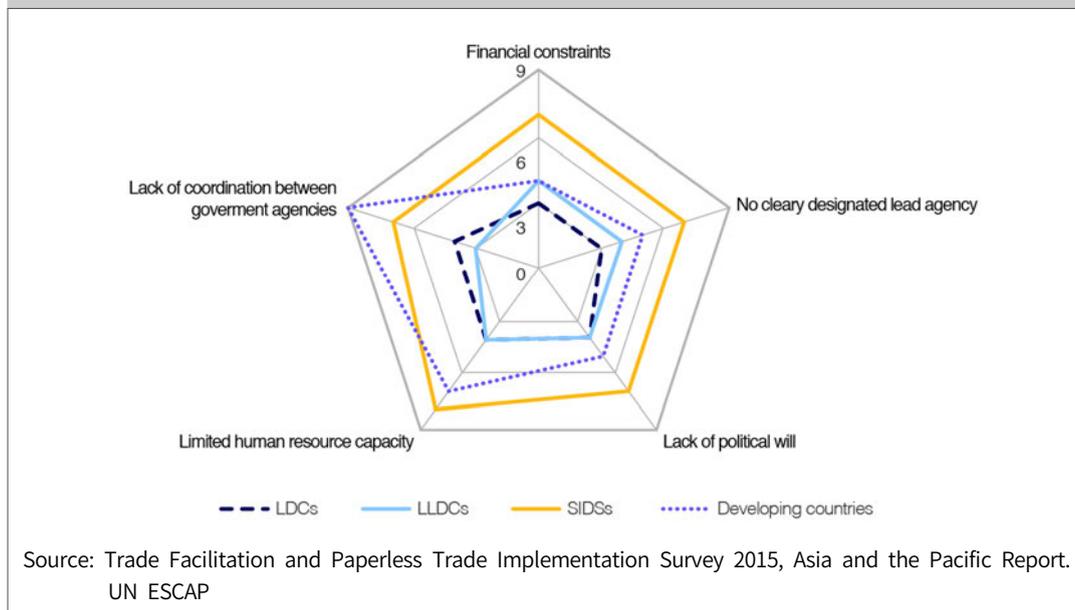
Introduction of the origin data exchange program requires resolving technical and institutional matters. It is because the data exchange program is based on the real-time data exchange, and thus the participating countries should have a complete electronic C/O issuing system to exchange data. In addition, the participating countries should develop relevant domestic laws and systems to send information abroad. In case of Vietnam, the technical matter can be overcome easily because Vietnam has already adopted the ECOSYS, a web-based single window system which can be developed to meet the requirements of the electronic data exchange program. The financial burden for constructing such system should be relatively a minor issue. In case of Korea, the Korean government launched a project in 2005 to develop a single window system, linking government departments and customs administration. It took gradual steps to improve the already existing EDI clearance system, and the total cost for three years amounted to approximately USD 9.04 million. The three-stage development project, as a result, linked and connected total 28 government agencies in the area of international trade.

Figure 4-4. Gradual Construction of Korea's Single Window System



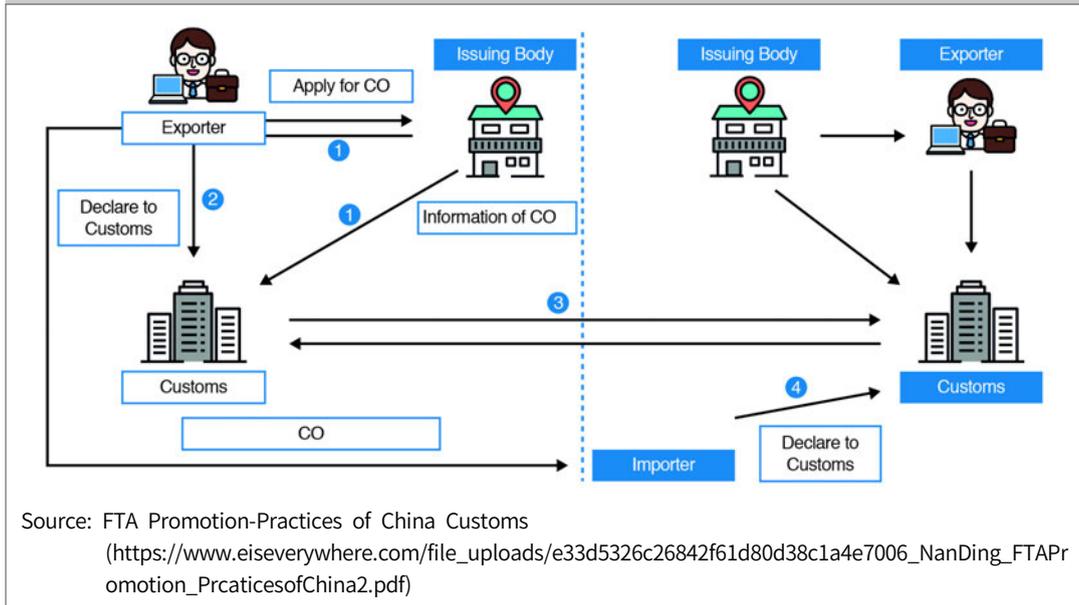
On the other hand, managing the institutional matter would be critical for developing the basis for the electronic data exchange system. The survey conducted by the Joint United Nations Regional Commissions in 2015 indicates that the lack of coordination between government agencies is the most difficult challenge for implementing trade facilitation measures for developing countries in Asia-Pacific region. The survey measures the development of trade facilitation and paperless trade in Asia-Pacific region, analyzing the importance of the 5 most common challenges associated with trade facilitation in the Asia-Pacific region. The results show that financial constraint is rather a minor matter compared to the lack of coordination among the government agencies. Limited human resource capacity seems to be relatively more important than other challenges. Out of the 5 most common challenges associated with trade facilitation in the figure, lack of coordination among the government agencies, lack of political will and no clearly designated lead agency would be correlated as an institutional matter. Lack of political will result in the lack of coordination among the agencies, and thus there is no agency to take the leading role for making further progress on trade facilitation.

Figure 4-5. Challenges faced by the Asia-Pacific Countries in Implementing Trade Facilitation Measures



In the electronic data exchange system under the Korea-China FTA, coordination and cooperation between C/O issuing authorities and the Customs are essential. Information in export declarations to the Customs and information in the C/O should be shared between the Customs and C/O issuing authorities in the exporting country and collected information should be exchanged between the Customs in importing and exporting countries.

Figure 4-6. Electronic Data Exchange Program under the Korea-China FTA



It is known that there is limited information sharing between a C/O issuing authority and the Customs in Vietnam. Without linking these two agencies, it would be difficult to introduce a shared electronic data exchange program between Korea and Vietnam. In this regard, the Vietnamese government should have a strong will to construct the system for cross-border electronic data exchange programs and improve related laws and regulations for electronic transactions. Strong political will and leadership serve as important factors in the project involving multiple government agencies. Once all the domestic matters are resolved to start the electronic data exchange program, Korea can share and provide its experience and know-how to Vietnam, including technical and financial support.

The electronic data exchange system is the first step for an effective FTA implementation. The two countries' area of cooperation should be widened as it progresses to the next step such as cross-border paperless trade and/or construction of a regional single window system.

Part **3**

The Issuance System for Electronic Certificate of Origin

1. Importance of Origin Management

The origin management system supports determination of origin of products and manages necessary data and documents regarding information on raw materials and costs, production process, and sales with the proper forms. Those documents and data will be prepared for CO issuance.

The management of origin shall be governed by the FTAs as well as domestic laws including ordinances, rules, and notices. Since Korea has signed FTAs with various countries and regions, product-specific rules tend to be complicated and the contents and procedures of the FTA texts vary under each regime. In fact, firms utilizing FTAs need to have knowledge in various aspects such as customs valuation, accounting, production process, and international transaction to carry out the management of origin. Given the limited resources and complex circumstances under multiple FTAs, it is important for firms to optimize the origin management. In this sense, the origin management system is growing in importance in Korea.

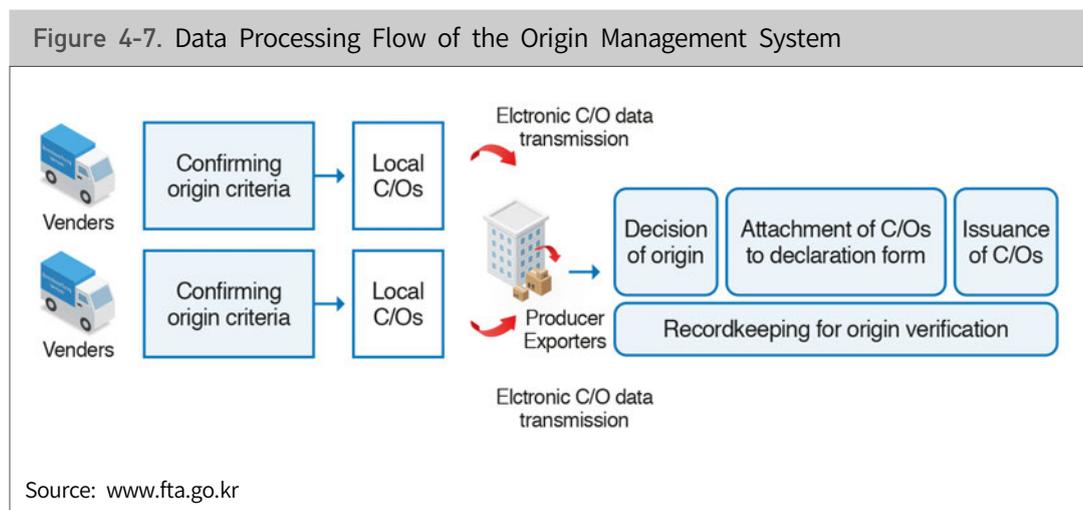
2. Korea's Electronic Origin Management System

A. The FTA-PASS: Self-Certificate

The FTA-PASS is software developed by the Korea Institute of Origin Information (KIOI) sponsored by the KCS for small and medium-sized enterprises (SMEs) which are unable to develop their own management systems for the origin of products. It is free software, so firms can download it from the KIOI website. By using this software, it is possible to determine exports' origin, and prepare self-issuance of certificates of origin, declaration of origin, cost and production statement for origin verification questionnaires. More importantly, it enables SMEs to systematically manage issuance of trade documents in accordance with the FTA texts and to respond effectively to a request for verification of other contracting party in the

future.

<Figure 4-7> shows the data processing flow of Korea's Origin Management System. Firms can confirm the origins of their parts or finished goods, issue and send COs to trading partners and maintain supporting data for origin verification. Furthermore, the system is capable of transmitting, and receiving data by linking with the ERP system and the UNI-PASS, and the system is constantly upgraded so that it can be used for future FTAs.



As shown in Table <4-7>, there are three types of the FTA-PASS that firms can choose for their needs. Depending on its production type and sourcing style, firms can choose among simple, basic and inventory type. Simple type is the most basic and easy-to-use type of the FTA-PASS and it is suitable for non-regular exporting firms with low price fluctuations. Basic type is appropriate for firms with low volatility in price and with no need for inventory management. Lastly, inventory management type is the most sophisticated type and appropriate for firms with frequent transactions with complicated sourcing in its production process.

Table 4-7. Types of the FTA-PASS

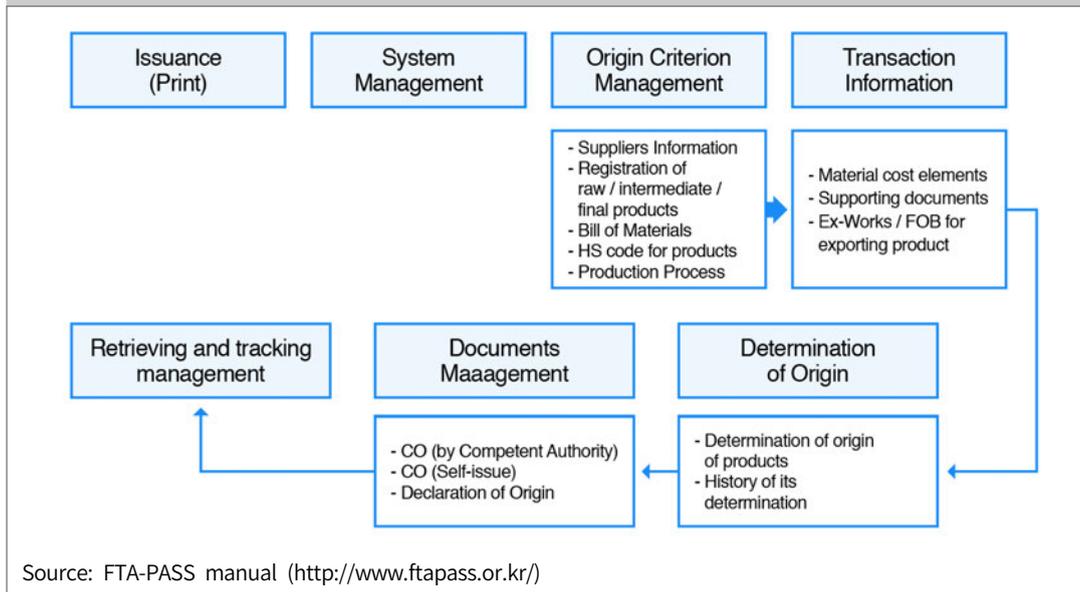
Type	Firm Size/Features
Simple type	<ul style="list-style-type: none"> - Suitable for SMEs - Very low frequency of transaction - Low price fluctuations
Basic type	<ul style="list-style-type: none"> - Suitable for SMEs - Price and sales do not vary often. - No need for inventory management
Inventory management type	<ul style="list-style-type: none"> - Suitable for medium-sized enterprises, large enterprises - High frequency of transaction - High price fluctuations - Multi-sourcing of raw materials

<http://www.ftapass.or.kr/index.do>

Indeed, the FTA-PASS provides a comprehensive and effective management program, and it is performed in three stages, (i) creating and registering input data, (ii) determining the origin, and (iii) preparing and self-issuing documents related to origin determination.

For greater details, <Figure 4-8> shows steps of using the FTA-PASS, the first step being the signing-up for the website. Firms then should proceed to provide proper information. That is, under the menu of “Origin criterion management” in the system, firms need to enter information on suppliers, product lists including raw/parts/finished products, bills of materials, HS codes, and production process. After then, firms register transaction information, such as material costs, with supporting documents which are necessary to determine the origin of products. Then, the origin of the product will be determined by the criteria of each FTA and a certificate of origin will be issued.

Figure 4-8. Information on the Use of Basic Type of the FTA-PASS



The structure of the FTA-PASS is shown in the following figure. There is a menu for simple issuance of COs which is performed in four stages: 1) preparation, 2) registration, 3) determination, and 4) issuance of the CO. Once users follow the procedures step by step, the system determines automatically whether it satisfies the rules of origin required by the FTA. Accordingly, the originating documents for Korea's FTAs shall be prepared and issued in accordance with the form in the FTA texts.

Figure 4-9. Structure of the FTA-PASS

Main Page of FTA-PASS



Simple Issuance of COs via the FTA-PASS

- 1) Preparation 2) Registration 3) Determination 4) Issuance



Source: FTA-PASS manual (<http://www.ftapass.or.kr/>)

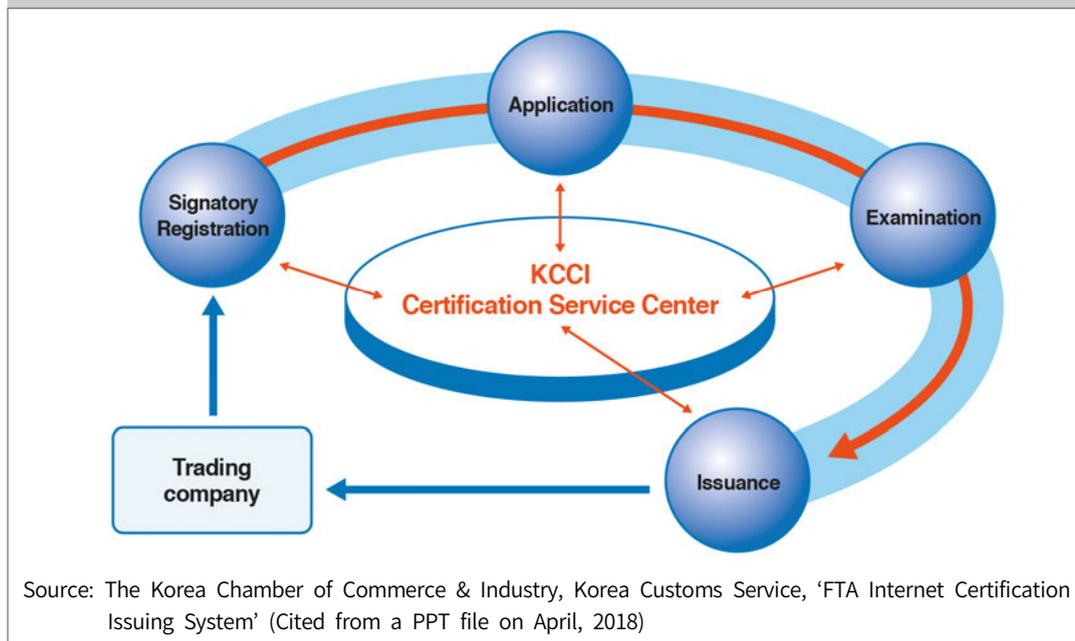
B. The Web Certificate System of the KCCI:

The web-based certificate system of KCCI was already explained in Chapter 2. With regard to authorized agencies' issuance of certificates of origin, Korea has two institutes which can provide certificates of origin: the Korea Customs Service and KCCI. In terms of FTA certificates of origin, it is known that about 70% of C/Os are issued by the KCCI and the other 30% is issued by the Korea Customs Service. In 2016, the KCCI issued C/Os for 268,621 cases. Most of the issuance was applied through the KCCI web-site. In this sub-section, we aim to show the KCCI's web-based certificate system, with a focus on its C/O management system.

Facing the demand for expanded facilitation and liberalization of trade and proliferation of computerized trade documents, the Korean government revised the Electronic Government Act and introduced electronic document management system in May 2010 to handle civil affairs. The web-based certification system targeted to enhance competitiveness of Korean exporting firms by saving transaction time and reduce cost required for C/O-related tasks by minimizing physical visit to issuing authorities.

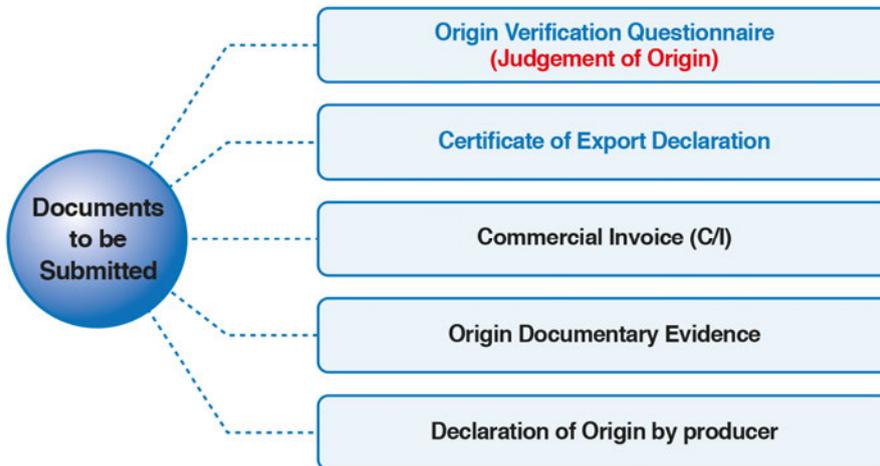
The core part of the KCCI system is the linkage to the Korea Customs Service. Applicants should provide the export declaration number, and the information submitted to the KCCI's web-based C/O system is compared and confirmed with the information provided to the Korea Customs Service in the process of issuing a C/O. Furthermore, KCCI system is a fully electronic C/O system. Applicants are required to physically visit KCCI only when they have to register its actual signature and company seal before using the system for the very first time, and all other information can be submitted afterwards via the internet. The process of applying a certificate of origin is summarized in the following figure.

Figure 4-10. Web C/O Issuance Procedure



The digital certificate is used to log into the system and after logging-in, applicants follow the procedure to apply a C/O and provide required information, including an export declaration number, commercial invoice, origin documentary evidence, and/or declaration of origin by producer. The system asks applicants to attach documentary evidence, such as a receipt of materials, production procedure, etc. These documentary evidence is revised and stored in the KCCI, and KCCI decides if the application of the C/O satisfies the rules of origin required by the FTA under which a company applies for. If any mistake, lack of information, or suspicious information is detected, the KCCI may request for additional proof or reject to issue a C/O.

Figure 4-11. Required Documents for FTA C/Os



Source: The Korea Chamber of Commerce & Industry, Korea Customs Service, 'FTA Internet Certification Issuing System' (Cited from a PPT file on April, 2018)

One of the features of the KCCI's web-based C/O system is its C/O reference function. This function is to enhance credibility of the C/O issued by the KCCI by letting foreign customs authorities confirm authenticity of the C/O using the issuance number through the internet. If foreign customs authorities have a doubt about authenticity of the C/O issued by the KCCI, they can directly check via internet by entering the issued year, reference number and reference code, which are provided together with the C/O. This system enables importing countries to confirm the authenticity of the C/O immediately and reduce unnecessary delays and disputes at the customs procedure in importing countries.

Figure 4-12. Certificate of Origin Reference System

Authenticity of a document issued/certified by
Korea Chamber of Commerce and Industry (KCCI)
Republic of Korea

Year of Issuance/Certification: 2017

Reference No: Please enter referenceNo only

Reference Code: Please enter referenceCode only

Check it out

Source: KCCI website (<http://cert.korcham.net/search>)

3. Capacity Building for the Electronic Origin Management System in Vietnam

Vietnam is one of the leading countries in FTAs in the ASEAN member countries. Let alone signing FTAs with six East Asian countries, Vietnam has effectuated bilateral FTAs with Korea, EEU, Japan and Chile, and the Vietnam-EU FTA is expected to be finalized soon. FTAs should become an important trade policy tool in Vietnam. If the US decides to rejoin TPP, it means that significant share of Vietnamese trade will be covered by its FTA partners.

In spite of such successful conclusion of FTA, implementation of FTAs does not seem to be effective enough. Vietnam's hardware to support the explosive growth in trade is gradually developing. However, its software for effective use of FTAs seems to be lagging behind. Many Vietnamese companies do not have appropriate origin management systems and have insufficient understanding on what preparations are necessary to utilize FTAs. The lack of origin management system

makes Vietnamese exporting firms vulnerable to origin verification issues and their fear for verification can make them hesitant or remain passive in utilizing FTAs. In particular, with upcoming effectuation of the FTA with EU and the US in the future, Vietnamese exporting companies should have a more robust origin management system.

Vietnam needs to introduce a measure to enhance its exporting firms' origin management system. In this regard, Vietnam can consider adopting an electronic origin management system, which is similar to what Korea operates. The electronic management system has advantages over a paper-based traditional method. First of all, it is effective to train and educate exporting firms, especially SMEs which lack human capital. Its web-based step-by-step approach makes it easy to evaluate whether a firm satisfies required rules of origin. Secondly, it can reduce time and cost of management. Because it is done electronically, there is no need to make a physical visit to related agencies and it can save all necessary documents for proof of origin electronically, therefore cutting the cost of management. In addition, the fact that Vietnam has electronic origin management system itself can increase credibility and reputation of Vietnam's FTA implementing capacity. Construction of an electronic origin management system will send a signal to the FTA partner countries, indicating that Vietnam is well prepared for FTA operation. Such increased reputation and credibility will lower the level of suspicion on Vietnam's C/Os.

Paperless Trading System

Given the current C/O system in Vietnam, introducing an electronic origin management system should take gradual steps. First task is to complete the paperless trading system. Vietnam is currently developing a paperless trading system. But it is not completed yet. The electronic origin management system means that everything should be recorded and saved in an electronic manner. If paperless trading system is not fully fledged, the origin management system will be limited in its functions, losing its advantages. Therefore, construction of the high-level paperless trading system is a pre-requisite for developing an electronic origin management system.

Establish a Mid- to Long-term Strategy

The Vietnamese government should establish a mid- to long-term strategy for the origin management system. At the beginning of Korea's origin management system, it only had a simple inquiry function for the FTA texts and agreement-specific criterion regarding the origin of products. Accordingly, firms had to obtain relevant information for determination of origin via FTA customer centers or technical books. Yet, firms had difficulty in utilizing FTAs since they received inaccurate information. It is no surprise that the utilization rates of FTAs in Korea were quite low during the early years of FTA implementation.

In 2009, the KCS planned and prepared to establish an infrastructure for the origin management system designed for SMEs to optimize their management of product origins as well as to issue reliable trade documents in accordance with the FTAs.

In 2010, Korea's origin management system was initially developed to support firms' use of FTAs in terms of determination of origin and issuance of trade documents (i.e., self-certification by economic operators). In the following year, a function of certification by C/O issuing authorities was added to the system, and the customized FTA-PASS was developed for users. Since 2012, KCS continued to upgrade the system by adding a function of issuing various trade documents, which formed the current FTA-PASS system.

As explained above, it took time to develop Korea's electronic origin management system. It was the result of a long-term planning to support exporting SMEs. Such long-term strategic plans should be prepared with a strong government will.

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CHAPTER

05



Conclusion

Chapter

5

Conclusion

There has been a dramatic increase in the bilateral trade between Korea and Vietnam for the past 20 years. In 2018, Vietnam became the 3rd largest export market for Korea and Korea is the largest foreign investor and the second biggest trading partner for Vietnam. The strong economic relations and expansion of trade between the two countries is expected to continue and to be strengthened. At the summit meeting between Korean President Moon Jae-In and Vietnamese President Tran Dai Quang on March 23, 2018, the two leaders agreed on aiming for USD 100 billion of bilateral trade by 2020.

The two FTAs between Korea and Vietnam have significantly contributed to the expansion of bilateral trade and investment, which will work as the fundamental for strengthening economic relations between the two countries. In this regard, improving the effectiveness of FTA implementation can be of mutual interest and benefit to both Korea and Vietnam. Even though there has been critical development in Customs procedure in Vietnam, it is still referred as a field to be improved.

In this project, we would like to suggest the area in which the two countries can cooperate each other to facilitate the implementation of FTA. Given that Korea has an advanced system in Customs procedure, the suggestions will be based on Korea's experiences and know-hows. However, improving Vietnamese capacity in Customs procedure will have a positive spillover effect on Korean exports so it will be a

win-win result for both countries.

Cooperation in the information analysis system, electronic data exchange program between Korea and Vietnam and capacity building for the electronic origin management system are areas which we suggest in this project. Considering that verification of origin can bring a negative impact on FTA utilization and can cause extra cost and time for exporters and importers, there needs to be a close cooperation between the two countries' Customs. Improving information analysis system in Vietnam can lubricate origin investigation procedure and its effectiveness and it will lower the burden on trading companies between the two country. Bilateral origin data exchange program could have advantages in the sense that it can contribute to lowering logistics costs, simplify examination process of origin at the border and reduce the number of origin verification cases. Improving electronic origin management system in Vietnam provides positive impact not only on Vietnam but also on its FTA partner countries, including Korea.

What we deliver in this report is to find the area in which both countries can gain and suggest the major direction to follow. The detailed path to realize mutual benefit and plan about how to cooperate and implement should be considered and followed.

2018년 KOTRA 발간자료 목록

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18-001	유럽 의료기기 시장동향 및 진출전략	2018.1
18-002	중남미 의료기기 시장동향과 우리기업 진출전략	2018.1
18-003	유럽 소비재 유통시장 진출 가이드	2018.1
18-004	한눈에 보는 수출유망국 (의료기기 ③편)	2018.1
18-005	2017년 하반기 수입규제 동향과 2018년 상반기 전망	2018.1
18-007	글로벌 로봇산업 시장동향 및 진출방안	2018.2
18-008	4차 산업혁명 관련 신산업 해외경쟁력 설문조사 분석	2018.3
18-009	글로벌 가공식품 시장동향과 우리기업 진출전략	2018.3
18-010	아프리카 의료기기 시장동향과 우리기업 진출전략	2018.3
18-011	글로벌 메가시티 히트상품-패션	2018.3
18-012	GCC 및 이란 중소기업 수출유망품목과 주요 인증제도	2018.4
18-013	4차 산업혁명 글로벌 트렌드 리포트 - CES 2018에서 본 소비, 일자리, 조직문화의 혁신	2018.4
18-014	아세안 주요국 화장품 유통 및 인증제도	2018.4
18-015	메르코수르 시장이 좋아하는 한국 상품	2018.5
18-016	글로벌 메가시티 히트상품-푸드(食)	2018.5
18-017	트럼프정부 인프라 부흥 정책에 따른 미국 P3 인프라시장 환경과 진출기회	2018.6
18-018	한-중미 FTA 분야별 활용방안	2018.6
18-019	일본 소비자의 변화와 일본기업의 비즈니스 모델 - P2P 공유경제를 중심으로	2018.6
18-020	한-터키 FTA 서비스·투자 협정 발효에 따른 유망분야	2018.7
18-021	글로벌 메가시티 히트상품 - 홈&리빙(住)	2018.7
18-022	미-중 통상분쟁 현황 및 전망	2018.7
18-023	사우디 ICTVA, 아랍에미리트 ICV 제도 도입 현황과 시사점	2018.7
18-024	2018년 상반기 對韓 수입규제 동향 및 하반기 전망	2018.7
18-025	2018년 글로벌 비관세장벽 동향	2018.8
18-026	2017/18 무역사기 피해 현황 및 대응방안	2018.8
18-027	NAFTA 재협상 타결과 영향	2018.9
18-028	서방의 대러시아 경제제재 현황과 시사점	2018.10
18-029	유럽 스타트업 생태계 현황과 협력방안	2018.10

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18-034	대이란 제재 복원, 중동 주요국 및 기업 반응조사	2018.10
18-035	EU 기금을 활용한 유망 프로젝트	2018.10
18-036	캐나다 전기자동차 부품시장 현황 및 진출전략	2018.11
18-037	인도네시아·말레이시아 할랄시장 진출전략	2018.11

□ GSR (Global Strategy Report)

번호	제목	번호부여일
18-001	러시아 극동지역 주요산업 협력방안	2018.3
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18-001	2017년 대중수출 성과와 2018년 전망	2018.1
18-002	중국 서비스산업의 부상과 진출 확대 방안	2018.4
18-003	양회에 나타난 중국의 2018년 경제정책과 시사점	2018.4
18-004	중국 지방 성시별 진출정보	2018.6

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18-003	2018 미국 중간선거 결과에 따른 정책전망 및 우리에게 주는 시사점	2018.11

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18-002	2018년 1월 수출 동향	2018.2
18-003	2018년 2월 수출 동향	2018.3
18-004	2018년 2분기 KOTRA 수출선행지수	2018.3
18-005	2018년 3월 수출 동향	2018.4
18-006	2018년 4월 수출 동향	2018.5
18-007	2018년 5월 수출 동향	2018.6
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18-013	2018년 9월 수출 동향	2018.10
18-014	2018년 10월 수출 동향	2018.11

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18-002	한눈에 보는 해외 25개국 취업정보	2018.1
18-003	월드챔프 성공사례집: 2017년 코트라 월드챔프사업 참가기업의 수출 성공스토리	2018.2
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18-006	해외에서 더 가까이 FTA 활용을 도와주는 FTA 해외활용지원센터 활동사례집	2018.3
18-007	2017 외국인투자자움부즈만 연차보고서	2018.3
18-008	Foreign Investment Ombudsman Annual Report 2017	2018.3
18-009	2017 IP-DESK 백서	2018.3
18-010	2016/17 경제발전경험 공유사업(KSP) 산업&무역 정책자문 러시아 RUSSEZ : RUSSEZ 발전 전략 수립을 위한 정책 제언	2018.3
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18-028	세계시장, 문을 열면 희망이 보인다: 온라인마케팅·무역사절단·지방지원단 특화사업 우수사례	2018.3
18-029	지사화 우수사례집: 2017 코트라 지사화사업을 통한 20개 기업의 수출 성공스토리	2018.3
18-030	서비스산업 해외진출 성공사례	2018.4
18-031	주요국별 경제통계 가이드북	2018.4
18-032	SEOUL FOOD 2018 디렉토리	2018.4

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18-034	외국인 부동산 취득안내	2018.6
18-035	글로벌 지식재산권 보호, 해외지재권보호실과 함께	2018.6
18-036	글로벌 IP 이슈페이퍼	2018.6
18-037	중국 위조상품 유통분석 (식품편)	2018.6
18-038	2017 북한 대외무역 동향	2018.7
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18-041	2017 KOTRA 지속가능경영 & 인권경영 보고서	2018.7
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18-014	급변하는 신흥국 소비시장, 트렌드 변화에 주목하라	2018.6
18-015	KOTRA 해외수주협의회 제 32차 수요포럼: 해외 프로젝트 보증 및 민간보험 활용방안	2018.6
18-016	'세계로 포럼' 中 中小企业 글로벌화, 협업으로 새로운 시장에서 기회를 찾다	2018.6
18-017	스마트혁신 홍콩을 통한 중국시장 진출전략 설명회	2018.7
18-018	최근 미국 통상정책과 우리의 기회	2018.7
18-019	프랑스 투자환경 설명회	2018.8
18-020	해외건설 재도약을 위한 새로운 도전 : KOTRA-CAK-KENCA 공동 개최 특별포럼 / KOTRA 해외수주협의회 제 33차 수요포럼	2018.9
18-021	해외 수입규제 및 비관세장벽 대응전략 세미나	2018.9
18-022	2018 글로벌 화장품 트렌드 포럼	2018.10
18-023	2018 글로벌 화장품 산업 백서: 2018 글로벌 화장품 트렌드 포럼 참고자료집	2018.10
18-024	글로벌 신통상포럼	2018.11