

COMMUNICATION FROM KOREA

The following communication, dated 27 April 2005, from the Delegation of Korea, is being circulated in advance of the Negotiating Group meeting of 2-4 May 2005.

**IMPROVEMENT OF GATT ARTICLE V:
MINIMIZATION OF BURDEN ON CARGO IN TRANSIT AND
DIFFERENTIATION OF CARGO UNDERGOING TRANSHIPMENT**

I. INTRODUCTION

1. Korea believes that improving the implementation of Article V of the GATT is a vital component of trade facilitation. Korea reaffirms its commitment to the principles of the freedom of transit, including the principles of non-discrimination that are dealt with in Article V. Further, Korea upholds the principles of simplification, standardization, and transparency for facilitation of goods in transit. Korea addressed some of the aforesaid issues in communications (TN/TF/W/7, and 18) concerning Articles VIII and X, which can be applied for transit as well. Below, Korea puts forth further suggestions to facilitate transit.

II. MINIMIZATION OF BURDEN ON CARGO IN TRANSIT AND DIFFERENTIATION OF CARGO UNDERGOING TRANSHIPMENT

2. As the volume of trade is growing and more countries are being tied together in a global supply chain, the volume of goods in transit is increasing.¹ Given these trends, minimizing border requirements for goods in transit should help to facilitate transit. Furthermore, differentiating goods in transit with transshipment and without transshipment by implementing a more simplified transit process for non-transshipment goods compared to transshipment goods will contribute to facilitating not only movement of goods in transit but also overall trade. Article V of GATT does not address different treatment for goods in transit without transshipment and for goods in transit with transshipment. Regarding these issues, Korea proposes that Members:

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| <ul style="list-style-type: none">• be obliged to review their transit procedures to ensure that border requirements for goods in transit are minimized as much as possible; and• accord to goods in transit that do not require transshipment less burdensome treatment than goods in transit that do require transshipment. |
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¹ The number of containers that the Korean Customs treated increased by 195% between 1999 and 2004. Over the same period, the number of containers in transit increased by 310%.

3. With respect to minimizing border requirements, Members may consider reducing documentary and data requirements for goods in transit. In particular, Members may use a commercial or transport document (e.g., commercial invoice, packing list, etc.) as the descriptive part of the goods declaration. The commercial or transport document may even be accepted as the goods declaration for the consignment concerned. Such usage of commercial or transport document is recommended in the Revised Kyoto Convention.²

4. If goods in transit do not involve transshipment, a simple goods declaration and a simple set of service fees are sufficient for transit procedures, for there is only a minimal risk that the goods may be released into the transit country, and the services that the transit country authorities provide would be small.

5. On the other hand, for transit goods that undergo transshipment, there may be a need for additional inspection and security measures to prevent the smuggling of goods into the transit country or other illegal activities. In this regard, it would seem reasonable for the transit countries to require a minimal amount of additional paperwork and service fees for transshipment goods in transit.

6. To minimize burdens on the traders engaged in transit traffic, goods in transit without transshipment should be given more streamlined treatment than goods in transit with transshipment. Further, Korea finds it beneficial to stipulate that non-transshipment goods in transit be obliged by only the bare minimum requirements with respect to paperwork and fees. For instance, a Member may choose not to require any documents for goods in transit by sea that does not undergo transshipment, while requiring only a limited set of documents for goods in transit by sea that undergo transshipment such as inbound manifest, declaration form for unloading, and outbound manifest.

7. Consequently, by reducing the burdens and simplifying procedures, such as inspection, data collecting, etc., for transit goods, especially for goods in transit that do not undergo transshipment, Customs and other related agencies can allocate their resources to those areas which involve higher risk and require more attention, thus reducing cost and increasing efficiency.

III. IMPLEMENTATION CONCERNS

8. To implement the aforementioned measures, Members would need to review their documentary requirements and fees for non-transshipment goods in transit, as well as those for goods in transit with transshipment.

9. To accommodate such reviewing process,

- assistance from appropriate international organizations, notably the WCO, could be helpful and appropriate, and
- such organizations may also present best practices that developing countries can easily adopt and introduce.

² Standard 6 and Recommended Practice 7 of Specific Annex E Chapter 1 of Revised Kyoto Convention on Customs Transit, and Standard 5 and Recommended Practice 6 of Specific Annex E Chapter 2 of Revised Kyoto Convention on Transshipment: "*Any commercial or transport document setting out clearly the necessary particulars shall be accepted as the descriptive part of the Goods declaration for Customs transit and this acceptance shall be noted on the document;*" and "*The Customs should accept as the Goods declaration for Customs transit any commercial or transport document for the consignment concerned which meets all the Customs requirements. This acceptance should be noted on the document.*"

10. Once the review is made, Korea believes that consolidating the documentary requirements and simplifying the fee structure need not take much public resource.
