



Korea's Export Control System & KOSTI

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1 Export Control System (Dual-use goods and technologies)

□ Related Legislation

- **(Foreign Trade Act)** Regulations of controlled goods & technologies export control stated by the international export control regimes
- **(Foreign Trade Act Enforcement Ordinance)** The commissioned details of the Foreign Trade Act and necessary regulations for enforcement ordinance will serve as purpose
- **(Public Notice of Export & Import)** Regulations of details by goods and technologies for export & import control of controlled goods including control list, permission of institution, export license
- **(Public Notice of Export & Import Customs)** General regulations for export & import customs of controlled goods and technologies

□ Licensing Authorities

- The general industrial dual-use goods and technologies will be managed by the Ministry of Trade, Industry and Energy. Military, nuclear energy purpose and export to North-Korea will be supervised by each related organization

< Licensing Authorities by Goods >

| Goods Classification | Authorizing Organization | Legislation |
|---|--|---|
| General industrial dual-use goods | Ministry of Trade, Industry and Energy | Foreign Trade Act |
| Defense goods and technologies | Defense Acquisition Program Administration | Foreign Trade Act Defense Acquisition Program Act |
| Nuclear energy goods and technologies | Nuclear Safety and Security Commission | Foreign Trade Act Nuclear Safety Act |
| North-Korea export goods and technologies | Ministry of Unification | Related legislation for South & North Korean Exchange Cooperation |

□ **Export License**

- Authorization required before export for controlled goods and technologies or any WMD related signs are found
 - **(Individual License)** The goods, amount, end user and purpose will be verified and authorized for export license (required 15 days, valid for 1 year)
 - **(General License)** Authorization of multiple end users and export goods and technologies
 - **(General License for Users)** Provision of authority for self-regulation concerning the amount and end user of export goods and technologies (required 15 days , valid for 2~3 years)
 - **(General License for Goods)** Provision of authority for self-regulation concerning export goods and specified end users (required 15 days, valid for 3 years)
 - **(Transit·transshipment License)** Used in cases where controlled goods are passed or transshipped in domestic ports or airports
 - **(Brokering License)** Applied during brokering transaction of controlled goods between other countries
 - **(Catch-All License)** Applied in cases where goods and technologies are not considered as controlled but are subject to situational approval goods and technologies or subject to WMD related signs
 - **(Target Goods and technologies)** Provided through attachment 2-2 of the public notice of import & export
 - **(Transaction Party)** Verification of registration within denial list of transaction party *
 - * Search service provided by Yestrade
 - **(Suspicious ground)** Provision of signs of suspicion in article 50 of the public notice of import & export

- | |
|---|
| <ol style="list-style-type: none">1. In cases where importer does not provide necessary information of the end purpose of relevant items2. In cases where the goods and technologies for import are not subject to the business field of end user3. In cases where distinguished differences exist in level of technology between the item for export and nation for import |
|---|

- 4. In cases where the end user does not hold business history for goods to be utilized
- 5. In cases where end user requests for export of item even without expert knowledge

Omitted

□ **Export Area Classification**

- Managed by dividing areas 'Ka' and 'Na' according to membership of the international export control system
 - **(Area "Ka" Countries)** Member countries of all four major international export trades systems (WA, NSG, AG, MTCR)
 - * Partial documents will be exempted along with reduction of screening period (15 days -> 5 days) for individual authorization requests by area 'Ka' countries
 - **(Area "Na" Countries)** Other countries outside of area 'Ka'

< Area 'Ka' Country List >

Greece, Netherlands, Norway, New Zealand, Denmark, Germany, Luxembourg, U.S.A., Belgium, Bulgaria, Sweden, Switzerland, Spain, Argentina, Ireland, England, Austria, Ukraine, Italy, Japan, Czech Republic, Canada, Turkey, Portugal, Poland, France, Finland, Republic of Korea, Hungary, Australia

□ **Selective Compliance Program (ICP)**

- The Selective Compliance Program was introduced in July 2014 to establish a compliance system according to company status, classified into grade A, AA and AAA
 - **(Elements)** A total of 9 different elements for self-regulating export control

< ICP Elements >

① Declaration of export control by CEO, ② Self-regulating export control organization, ③ Assessment & trade screening procedure, ④ Shipment management, ⑤ Audit, ⑥ Education, ⑦ Document management, ⑧ Violation reports & corrective measures, ⑨ Information security management

- **(Benefits)** Qualification for general license will be granted, along with additional benefits such as simplification of individual authorization procedure. Benefits will differ according to grade

< Screening Criteria by Elements >

| Assessment Goods | | | Major Assessment Index |
|------------------|-------------|---------------------------------|---|
| 1 | System | Export Management Organization | Organization Composition & Responsibility Disambiguation |
| 2 | | Export Management Regulation | Public Notice of enactment including regulations and detailed rules |
| 3 | | Will of Enforcement | Cases of CEO's message of compliance |
| 4 | Procedure | Export Control Screening | Rating, authorization process, transaction notification, transaction party, etc. |
| 5 | | Shipment Management | System management including document concordance during shipment |
| 6 | Maintenance | Education | Education planning & record management |
| 7 | | Audit | Necessary measures of audit results including audit planning and records |
| 8 | | Document Management | Document storage planning including rating & authorization, record management, etc. |
| 9 | | Report & Corrective Action | Report procedure and corrective action for violations |
| 10 | Others | Information Security Management | Preparation for technical access for controlled technology management |

- **(Certification Status)** 164 companies (June 2017)

□ **Penalties**

- **(Related Legislation)** Foreign Trade Act Article 53 (Criminal), Article 31 (Administrative), Article 49 (Administrative)
- **(Penalty Details)** Fine or prison sentence for criminal punishment, training and export/import limitations for administrative penalties

< Criminal and Administrative Penalties >

| Criminal Penalties | Administrative Penalties |
|---|--|
| <ul style="list-style-type: none"> ○ Unauthorized export for purpose of controlled material proliferation - Up to 7 years of imprisonment - Fine up to 5 times export price ○ Authorization through illegal methods & authorized exports - Up to 5 years of imprisonment | <ul style="list-style-type: none"> ○ Training - Up to 8 hours (KOSTI course) ○ Restrictions of controlled material import/export - Up to 3 years |

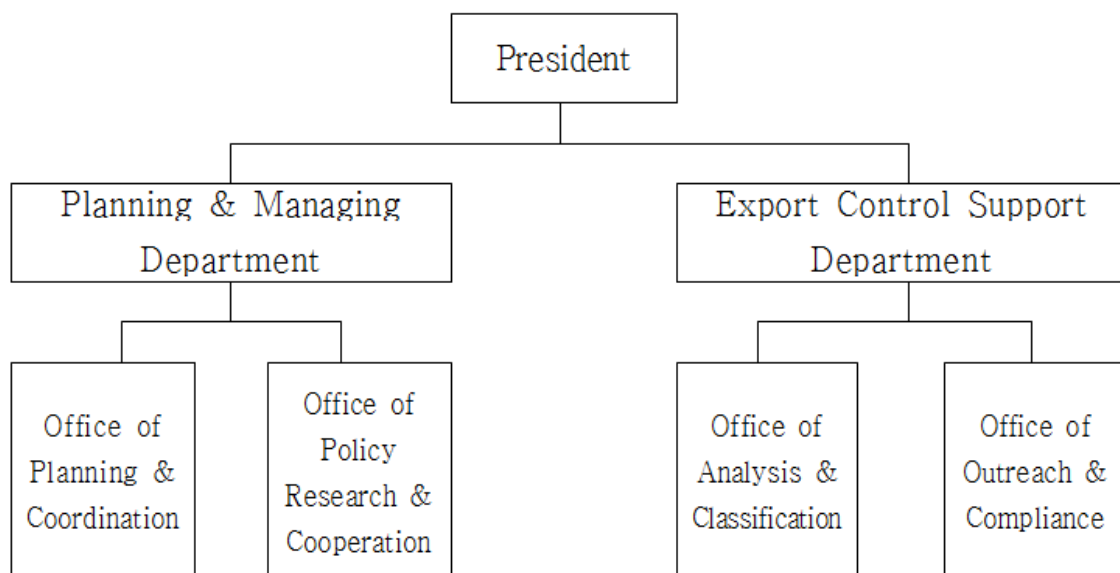
| | |
|-----------------------------------|--|
| - Fine up to 3 times export price | |
|-----------------------------------|--|

□ **Legislation on ITT**

- Disambiguation of control scope of ITT through amendment of Foreign Trade Act, July 2013
 - Control subjects have been extended to not only foreign transfer, but from domestic residents to foreign residents within Korea

□ **Outline**

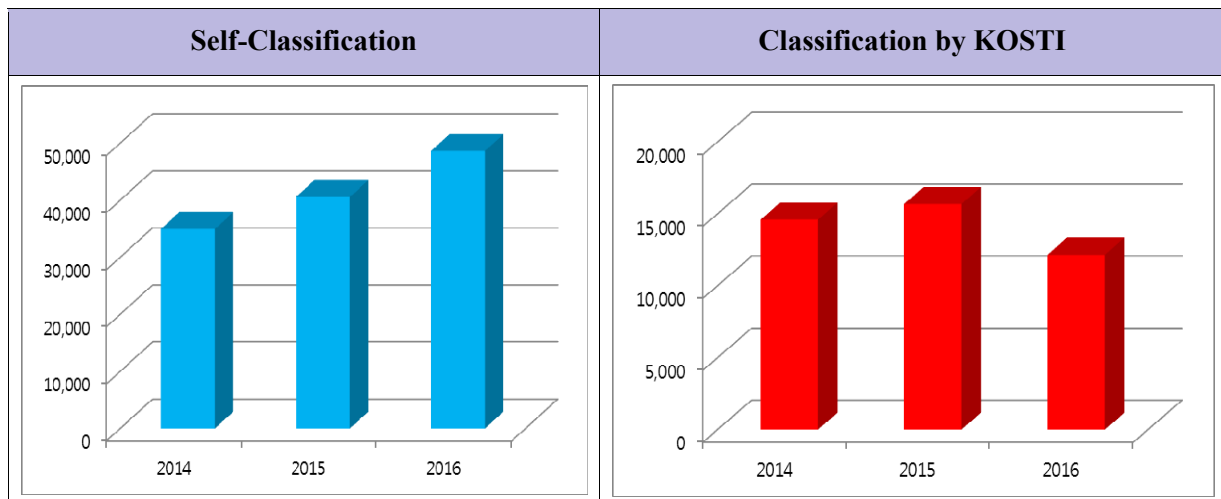
- **(Establishment Period)** 5th June 2007
 - **(Legal Basis)** Article 29, Foreign Trade Act
 - **(Background)** Necessity of establishing a specialized organization according to the international regulation of controlled material export management based on the UNSCR 1540
- **(Mission)** Contributing to trade promotion through stable management of controlled goods
- **(Major Tasks)** Classification of goods and technologies, research, policy-making, education & PR, international cooperation, online system operation, supporting compliance
- **(Organization Composition)** Composed of 2 divisions and 4 offices



□ **Major Tasks**

- **(Classification)** Classification of goods and technologies whether they are pertinent to control list by a team composed of internal and external experts
 - **(Self-Classification)** Users can get result on-spot through the self-Classification tool provided by Yestrade
 - **(Classification by KOSTI)** Applications will be filed to KOSTI's experts, which will require 15 days

< Records of Classification, 2014 ~ 2016 >



- **(Research)** Ideas on policy-making will be suggested through research of systems in major countries and analyze international export control issue

< Major Publications >

| Name of Material | Major Details | Date of Publication |
|--|---|---------------------|
| Guidance of Controlled goods | Description of controlled goods | 2017.3 |
| Understanding export control | International export control system & systems of major nations | 2015.3 |
| North-Korea controlled material export FAQ | Q&A of North-Korean export related works | 2013.2 |
| Casebook of illegal export | Examples of illegal export and penalties | 2011.12 |
| Export control system of major Asian nations | Export systems of major Asian countries including Japan, Taiwan, etc. | 2011.11 |

| | | |
|------------------------------|--|---------|
| U.S. Re-export control guide | General matters related to U.S. EAR compliance | 2010.11 |
|------------------------------|--|---------|

- **(Education·PR)** Operation of educational training for controlled trade support and PR activities for encouraging compliance
 - **(Education)** Operation of basic and advanced course regarding export control system, classification, licensing, illegal export

< Regular Course Record, '14 ~ '16 >

| Classification | 2014 | 2015 | 2016 |
|----------------|------|------|------|
| No. of Courses | 26 | 47 | 40 |
| Participants | 816 | 613 | 720 |

- **(PR)** Through media, online (SNS), promotional material, annual event. Young expert program for university and graduate students
- **(International Activities)** Cooperation with related foreign organizations, international export control regimes
 - **(Cooperation with related Organizations)** Establishment of cooperative system through hosting of joint events and information sharing with foreign organizations

< Major Cooperative Organizations by Nation >

| Nation | Cooperating Organization |
|----------|--|
| U.S. | Department of Commerce, Department of Energy, Department of State, CITS, CNS |
| Japan | Ministry of Economy, Trade and Industry(METI), CISTEC |
| China | CAITEC |
| Malaysia | Ministry of International Trade and Industry(MITI) |

- **(Outreach)** Operating outreach program(specialized in supporting compliance), cooperation with foreign programs(EXBS, INEICP etc)
- **(International Regimes)** Transfer of opinions from nation, industry, academia related to control list amendment

- **(Compliance program)** Establishment of compliance system according to company status and support of designated rating

< ICP-designated Support Contents by Step >

| Step | | Supporting Matters | Details |
|------|-----------------------------|--|--|
| 1 | Decision | Examination of applying ICP within company Intention of applying system by board of directors | Provision of consultation & material Awareness education targeting executive members |
| 2 | Preparation for Application | Assessment of appropriateness of ICP base Designation of main department and manager | Provision of appropriate model for ICP establishment Provision of ICP organization chart & regulations (draft) Deliver ICP requirements, amendments & supplementations |
| 3 | Preparation for Screening | Documentation process for screening | ICP manager expertise training Deliver supplementations for submitted documents |
| 4 | Designated Screening | Examination and preparation of screening goods | Screening schedule planning & verification of preparations |

- **(SMB Support)** Provision of consulting regarding elements of ICP for supporting SMB with weaknesses in controlled material management
 - Free consulting services kicked off as of 2012, Providing consultation with about 300 companies every year

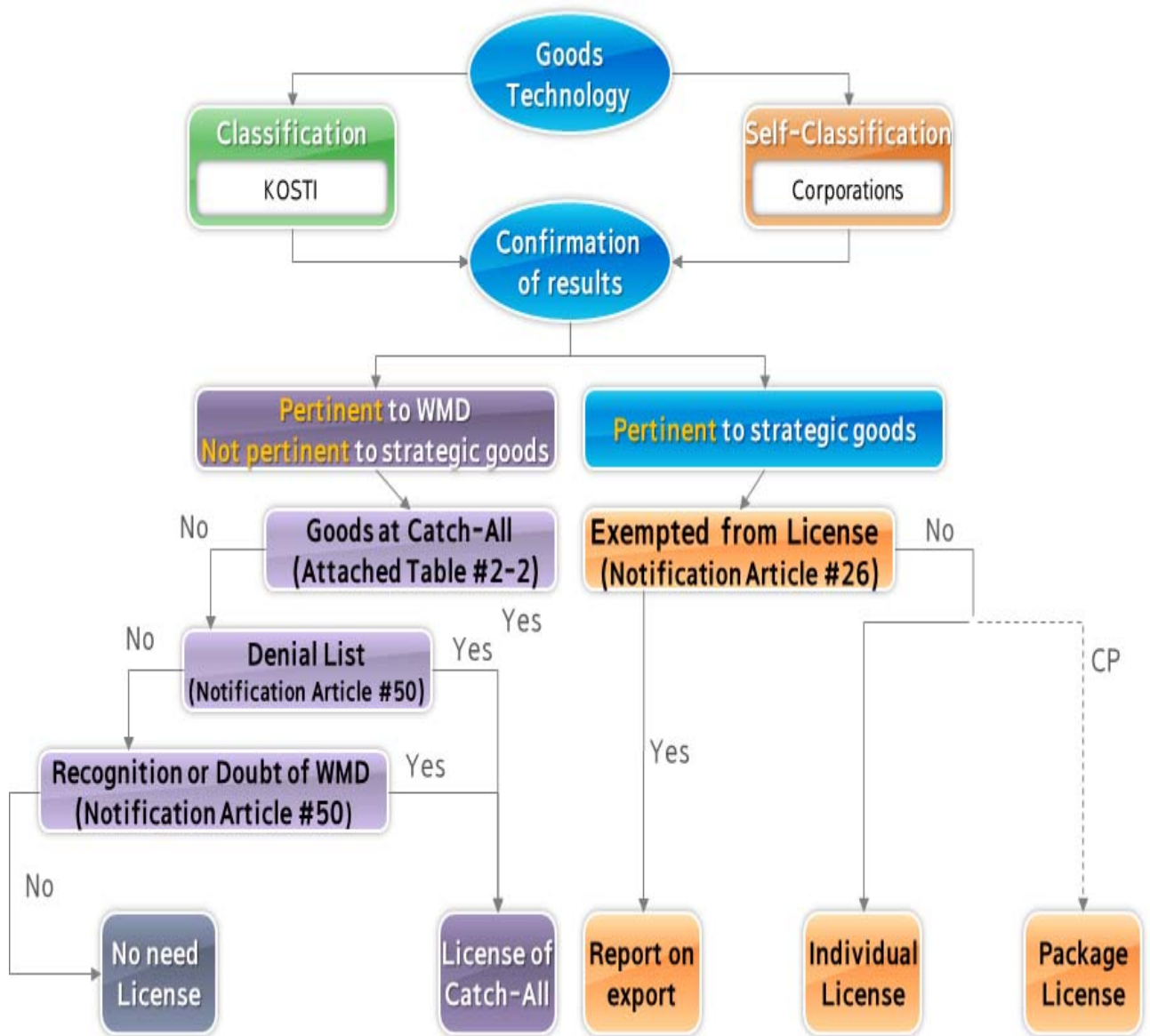
< Consulting Field & Details of Support >

| Field | Supporting Details |
|----------------------|--|
| Classification | Suggestion of handled goods and technologies and potential of controlled goods related to technology |
| Compliance | Support of administrative procedures for system execution including general matters, rating, and application for authorization |
| Establishment of ICP | Organization diagnosis and management system establishment support |

- **(Online System)** Operation of Yestrade providing various services and acting as a single-window for compliance
 - **(Year of Establishment)** 2005
 - **(Services)** Application for classification and export license, statistics, E-education etc

- **1987** Establishment of related evidence of controlled material export and import control according to the enforcement ordinance of the Foreign Trade Act
- **1987** MOU signing between Korea-US related to controlled material & technology material support
- **1987** Joining of Biological Weapons Convention (BWC)
- **1989** New establishment of controlled material export authorization system related to enforcement ordinance of the Foreign Trade Act
- **1995** Joined Nuclear Suppliers Group (NSG)
- **1996** Joined The Wassenaar Arrangement (WA), Australia Group (AG)
- **1997** Joined the Chemical Weapons Convention (CWC)
- **2001** Joined Missile Technology Control Regime (MTCR)
- **2003** Introduction of Catch-all system
- **2005** Opening Yestrade
- **2007** Opening KOSTI
- **2009** Execution of confirmation document issuance for supporting trade with Iran
- **2011** Opening of Iran confirmation document issuance system
- **2011** Opening of “Strategic Trade week” event (developed into yearly event “Trade & Security day”)
- **2014** Execution of Intangible Transfer of Technology (ITT)

Compliance Procedure



□ **Purpose**

- Started as of 2011 to raise awareness of export control and award individuals or entities credited with developing export control system

< Event Details >

- Date
Between September ~ November
- Host & Supervising Organization
Ministry of Trade, Industry and Energy, KOSTI
- Participants
Government, industry, academia from domestic and overseas
- Program
opening ceremony, meetings with related agency, awards, ICP workshop, academic forums etc.

□ **2017 Draft of Event**

| Day No | Day 1(Trade & Security Day) | Day 2(10 th Anniversary) |
|-----------|-----------------------------|---|
| 1 | Interagency meeting | Opening remarks |
| 2 | Opening Ceremony | ITT Technical Exchange |
| 3 | CP Workshop | Development Strategy for KOSTI |