



**Economic and Social
Council**

Distr.
GENERAL

TRADE/CEFACT/1999/14
27 January 1999

ENGLISH ONLY

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE FOR TRADE, INDUSTRY AND ENTERPRISE DEVELOPMENT

Centre for the Facilitation of Procedures and Practices
for Administration, Commerce and Transport (CEFACT)

Item 9 of the provisional agenda

Fifth session, 15-17 March 1999

International Trade Procedures Working Group (ITPWG)

DRAFT RECOMMENDATION ON PRESHIPMENT INSPECTIONS

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Submitted by the International Trade Procedures Working Group (ITPWG)*

This recommendation has been revised by the International Trade Procedures Working Group (ITPWG) and is submitted for approval.

* The present document is reproduced in the form in which it was received by the secretariat.

GE.99-30324

I. PREAMBLE

At its fourteenth and sixteenth sessions, held in September 1981 and 1982, the Working Party on Facilitation of International Trade Procedures adopted Recommendation No.18, "Facilitation Measures Related To International Trade Procedures" which included a recommendation to discourage the use of preshipment inspections

Since then, the World Trade Organization (WTO) has adopted an Agreement on Preshipment Inspection and the World Customs Organization (WCO) has published a Declaration Concerning Integrity in Customs.

In view of these developments, the UN Centre for the Facilitation of Procedures and Practices for Administration, Commerce and Transport (UN/CEFACT), which has replaced the Working Party on Facilitation of International Trade Procedures, undertook to produce a separate recommendation discouraging the practice of preshipment inspections (PSI) in general while supporting the WTO instrument regarding preshipment inspections where such inspections are considered necessary as an interim measure.

II. RECOMMENDATION

In, at itssession, UN/CEFACT adopted the following Recommendation:

"The UN Centre for the Facilitation of Procedures and Practices for Administration, Commerce and Transport (UN/CEFACT),

- being aware that excessive administrative and official formalities constitute non-tariff barriers to trade which can cause delays and additional costs;*
- noting that a number of Governments require inspection prior to the shipment of goods from the exporting country; and*
- recalling its earlier recommendation discouraging the use of preshipment inspection,*

recommends that preshipment inspections (PSI) should not be made a regulatory requirement.

Where in certain circumstances the interim recourse to PSI is still considered necessary, UN/CEFACT recommends that:

- *PSI should be considered as a short term measure and the procedure should be reviewed every twelve to eighteen months to ensure fulfilment of objectives;*
- *a deadline, which should not exceed five years, should be established for removing regulatory PSI procedures;*
- *the WTO Agreement on Preshipment Inspections should be formally adhered to.*

Where PSI is used to carry out Customs related activities, UN/CEFACT recommends that:

- *Governments and Customs administrations formally adopt the WCO Arusha Declaration Concerning Integrity in Customs;*
- *a comprehensive programme of Customs reform and modernization, with adequate resources, be combined with the introduction of the PSI program; and*
- *maximum use be made of available PSI information.*

At that session, representatives attended from:

The following specialized agency, intergovernmental and non-governmental organizations were also represented:

III. EXPLANATORY TEXT

1. For more than 100 years, private sector buyers and sellers have resorted to the practice of inspecting goods before their shipment in order to ensure that the quantity and quality of the goods to be traded conform to the specifications of the sales contract.

2. During the last quarter of the twentieth century, this purely commercial practice in some importing countries was made an official requirement, particularly in countries where it was felt that Customs and other official agencies were inefficient (thereby prejudicing the revenue collection and enabling corrupt practices and fraud).

3. The negative effects of PSI in causing delays and increased costs and involving sometimes onerous procedures was reported to the UN/ECE Working Party on Facilitation of Trade Procedures already in 1976 with the observation that PSI acted against the international trade facilitation effort and that remedial action was warranted.

4. In September 1981 the UN/ECE Working Party on Facilitation of International Trade Procedures adopted a Recommendation No 18 on "Facilitation measures related to international trade procedures".

5. As a result of its discussions of this subject, the Working Party adopted one recommended measure (8.2) on "Discouragement of pre-shipment inspection", worded as follows:

"The present trend towards increased pre-shipment inspection of goods for purposes other than phytosanitary, sanitary and veterinary controls causes serious concern because of its implications in the form of costs and delays. This practice should be discouraged. when there is legitimate need for inspection the authorities concerned should accept certificates issued by official control bodies in the country of export"

6. As part of its continuous review of Recommendations on Trade Facilitation, noting the substantial increase in the use of PSI and taking into account the active interest in the problem of pre-shipment inspection, demonstrated through initiatives in international fora, including the World Customs Organization, the World Trade Organization and the International Chamber of Commerce, CEFACT agreed to adopt a separate Recommendation on the subject, reaffirming its previous position and taking into account recent developments, notably the adoption by the WTO of the "Agreement on Preshipment Inspection", the WCO of the "Declaration concerning integrity in Customs" (Arusha Declaration), and the development by UNCTAD of 19 Trade Facilitation Recommendations regarding Customs practices.

7. The purpose of the present Recommendation, therefore, is for CEFACT to reaffirm its concern in regard to pre-shipment inspection, to lend support to the WTO and WCO instruments, and the UNCTAD Customs Recommendations on the subject, and to strengthen these initiatives by recommending time limits on the use of PSI.
