

Technical note on the WTO Trade Facilitation Agreement

Article 10.5: Pre-shipment inspection

This document is an extract from
"Getting down to business: Making the Most of the WTO Trade Facilitation Agreement",
published by the International Trade Centre in partnership with UNCTAD and UNECE.

Pre-shipment inspection: Article 10.5

Many countries operate pre-shipment inspection (PSI) procedures through private companies that perform a quantitative and qualitative examination of imports before they are shipped from the exporting country. However, mandatory inspections can represent an unnecessary and costly non-technical barrier to trade and adds to the cost of doing business.

Members must quit the mandatory use of pre-shipment inspections for tariff classification and customs valuation.

Article 10.5 aims to reduce this practice as much as possible by prohibiting the use of PSI in relation to tariff classification and customs valuation, and by encouraging Members not to apply new requirements for other types of PSI.

The measure

ARTICLE 10 FORMALITIES CONNECTED WITH IMPORTATION, EXPORTATION AND TRANSIT

5 Pre-shipment Inspection

5.1 Members shall not require the use of pre-shipment inspections in relation to tariff classification and customs valuation.

5.2 Without prejudice to the rights of Members to use other types of pre-shipment inspection not covered by paragraph 5.1, Members are encouraged not to introduce or apply new requirements regarding their use.¹⁴

Understanding the measure

What is covered?

Core obligation

This measure requests WTO Members not to require the use of PSI for tariff classification and customs valuation. If a PSI system exists, legal review for aligning domestic laws with obligations arising from this measure will be required.

Discipline on the introduction or application of new requirements to use PSI

In recognizing that Members can have rights to use other types of PSI which do not deal with tariff classification and customs valuation (e.g. PSI related to sanitary and phytosanitary measures to test the shelf life of products), the TFA nonetheless encourages Members not to introduce or apply new rules and requirements regarding their use. Thus, paragraph 5.2 does not impose a legal obligation but encourages the best endeavours of Members to reduce or ideally eliminate PSI.

What is not covered?

The measure does not discipline the use of PSI other than customs control.

¹⁴ This paragraph refers to PSI covered by the GATT/WTO Agreement on Pre-shipment Inspection, and does not preclude PSI for sanitary and phytosanitary purposes.

Benefits and opportunities for stakeholders

Elimination of PSI for customs valuation and tariff classification will reduce the time and costs of customs controls and valuation. As a result, compliance of traders will be enhanced.

Implementation

Implementation checklist

The following checklist may be used to estimate the level of compliance with the measure:

- Any requirements in the national implementation framework to require PSI for tariff classification and customs valuation is abolished.
- Steps are also undertaken to reduce the use of PSI in other circumstances other than tariff classification and customs valuation.

Preparing a national implementation plan

The following template may be used as the basis for a national implementation plan:

Implementation sequence	Actions suggested
	Preparatory phase
	Review existing legal and/or administrative frameworks to determine changes needed, if any.
	Determine changes required to legal instruments, procedures and business processes to eliminate the use of PSI for tariff classification and customs valuation.
	Highlight commitments not to introduce new measures related to other types of PSI in legal and/or administrative frameworks.
	Set-up phase
	Implement necessary changes in national legal, regulatory and administrative frameworks.
	Foster change management among government authorities by providing appropriate training and opportunities for learning.
	Update business processes to comply with the measure.
	Conduct a public awareness-raising campaign.
	Management and follow-up phase
	Periodically review and monitor the application of the measure.
	Encourage feedback from private sector to be incorporated into review mechanisms.
Average time for implementation	One year.
Leading implementation agency	Customs is most commonly chosen as the leading implementation agency.

Key challenges

A non-facilitative controlling mindset of customs authorities who insist continuing PSI for customs valuation, tariff-related information and to ensure compliance represents a major challenge.

Key factors for success

Appropriate staff training to learn new ways of managing valuation and tariff classification without PSI is essential. Adoption of an ICT-enabled risk management system (see Article 7.4) and post-clearance audits (See Article 7.5) will eliminate any need for PSI for customs valuation and tariff classification, as assessment errors can be addressed through post-clearance audits.