

Recommendation 18

FACILITATION MEASURES RELATED TO INTERNATIONAL TRADE PROCEDURES

International trade and transport developments will be largely influenced by the development of Information Technology (IT) and, in particular, Internet or web-based applications.

Although the conviction has grown over the years that free world trade will benefit all countries, particularly developing countries and those in transition, this belief has not always been reflected in their respective trade policies. In fact, there are still a considerable and growing number of obstacles to international trade. These obstacles sustain the unnecessary extra cost and complications to international transactions, thereby preventing countries and enterprises from fully benefiting from international trade.

E-business makes it possible to compare offers, then order the goods and arrange payment terms all within a matter of minutes. However, the actual delivery of the traded goods to the final consumer/consignee can often face problems because the physical movement of these goods might be hampered. These delays can be caused by inadequate instructions / information being provided by the seller / buyer, by the performance of intermediary service providers and by the various demands of official controls from governmental administrations. Commercial partners trading electronically will require further measures to reduce or avoid any unnecessary delay in the delivery of their consignments. This is a valuable and challenging new dimension to the trade facilitation efforts of UN/CEFACT.

In order to understand the complexity of international trade, to have a clear model of the key elements of a trade transaction and consequently to properly compile the necessary trade facilitation measures, UN/CEFACT has set out to model the *international supply chain*,¹ using an internationally accepted modelling technique². The ultimate aim is to provide a reference model, which gives a view of the international supply chain in its entirety. Furthermore, it should support the detailed standardisation work and trade facilitation actions being carried out within the UN/CEFACT working groups. It should also pave the way for the creation of simpler and more certain international supply chains in the future. This work is being carried out in the Business Process Analyses Working Group. They have produced a very simplified model of the supply chain based on the assumption that an international trade transaction always includes commercial, shipping and payment processes. The recommended measures, grouped into four categories, relate to the processes in this model.

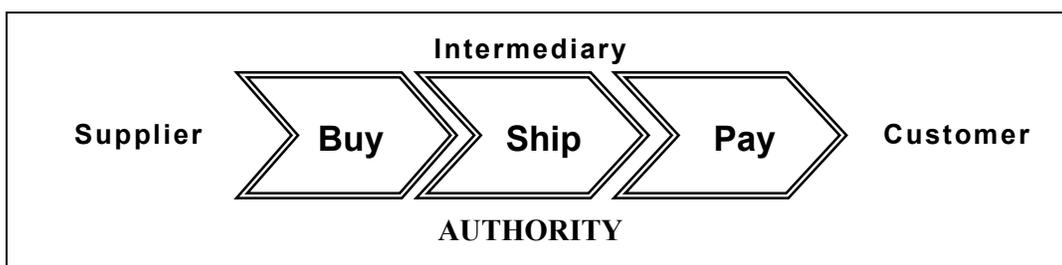


Figure 1: Very simplified way of showing a supply chain

Recommendation No. 18, third, revised edition, adopted by the seventh session of the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), Geneva, March 2001
ECE/TRADE/271

¹ International Supply Chain views an international trade transaction as a single entity rather than as a series of fragmented activities involving different “actors” such as: exporter, importer, forwarder, customs, carrier, bank etc. “Supply” is a shared objective throughout international trade and is of particular strategic importance because of its impact on the identification of continuing barriers to international trade and the consequences on overall costs and time to market.

² The UN/CEFACT Modelling Methodology - UMM.

- BUY - covering all commercial activities related to the ordering of goods;
- SHIP - covering all of the activities involved in the physical transfer of the goods, including official controls;
- PAY - covering all of the activities involved in the payment for the goods

Recommendation No.18 in its original form was adopted in September 1981 by the Working Party on Facilitation of International Trade Procedures (WP.4). This document recommended a number of concrete measures to facilitate international trade transactions. A revised version was adopted in September 1992. In view of technological developments and increased globalisation which have changed the existing patterns of international trade and transport since 1992, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), which was hosted by the UN/ECE and which replaced the Working Party on Facilitation of International Trade Procedures in 1996, undertook to revise this Recommendation. The International Trade Procedures Working Group of UN/CEFACT constituted a sub-group to revise Recommendation 18 with the active participation of Austria, the Netherlands, Norway, Poland, Sweden, the United Kingdom and a representative of UNCTAD. The sub-group completely revised and submitted for adoption the present text of Recommendation 18. The draft was sent out for comments to international organisations: the International Federation of Freight Forwarders Associations (FIATA); the International Association of Ports and Harbors (IAPH); the International Chamber of Commerce (ICC); the International Civil Aviation Organization (ICAO); the International Federation of Inspection Agencies (IFIA); the International Maritime Organization (IMO); the International Organization for Standardization (ISO); the International Union of Railways (UIC); the United Nations Commission on International Trade Law (UNCITRAL); the United Nations Conference on Trade and Development (UNCTAD); the World Bank; the World Customs Organization (WCO); and the World Trade Organization (WTO).

The International Trade Procedures Working Group regards this Recommendation as a living document, subject to a constant review process in order to keep it in pace with rapid developments in the area of international trade and electronic business.

At its Seventh session held in March 2001, UN/CEFACT adopted the present version (third, revised edition of Recommendation 18). Participants in the Seventh UN/CEFACT session in March 2001 included representatives of the following member States: Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Cuba, Czech Republic, Denmark, Finland, France, Germany, Hungary, Iceland, India, Iran (Islamic Republic of), Ireland, Israel, Italy, Japan, Lithuania, Luxembourg, Malta, Mauritius, Netherlands, Nigeria, Norway, Philippines, Poland, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Senegal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela and Yugoslavia.

The following intergovernmental organizations participated: Bank for International Settlements (BIS), Danube Commission (CD), European Free Trade Association (EFTA), European Organization for Nuclear Research (CERN), League of Arab States, and World Customs Organization (WCO).

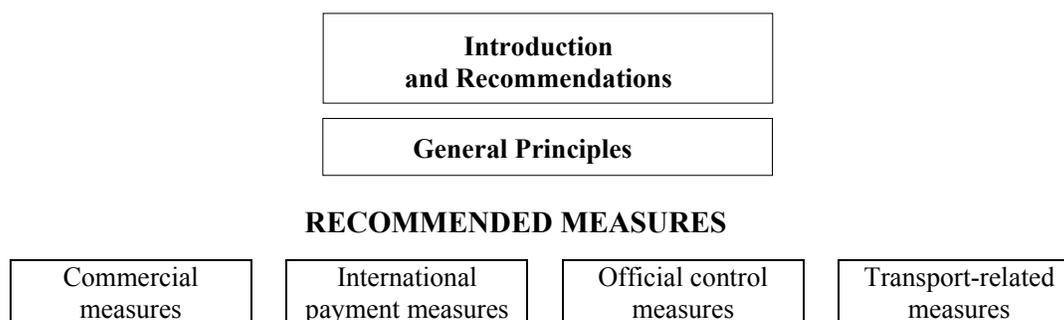
The following United Nations bodies, regional commissions and specialized agencies were also represented: International Telecommunication Union (ITU), United Nations Commission on International Trade Law (UNCITRAL), United Nations Conference on Trade and Development (UNCTAD), United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), United Nations Economic and Social Commission for Western Asia (ESCWA), United Nations Institute for Training and Research (UNITAR), and the Universal Postal Union (UPU).

The following non-governmental organizations participated: European Electronic Messaging Association (EEMA), International Article Numbering Association (EAN), International Association of Ports and Harbours (IAPH), International Chamber of Commerce (ICC),

International Multimodal Transport Association (IMMTA) and the International Organization for Standardization (ISO).

Observers present at the invitation of the secretariat included representatives of the Electronic Commerce Europe Association (ECEA), the Global Commerce Initiative (GCI), Organisation for the Advancement of Structured Information Standards (OASIS), REDTOO AG, the Taipei EDIFACT Committee, and Webforce International.

The revised Recommendation No. 18 has the following structure:



The general principles apply to two or more of the groups of recommended measures. These measures are intended to be of a very practical nature.

RECOMMENDATIONS

UN/CEFACT,

Being concerned that a wide range of formalities, procedures and practices create obstacles and extra cost to international trade, and therefore restrict countries and enterprises from fully benefiting from international trade;

Considering that the simplification, harmonisation and standardisation of procedures, practices and of formalities, and of the documents arising from them are useful steps towards the removal of such obstacles, and towards the reduction of cost and delay;

Bearing in mind the rapid and ever accelerating pace of the introduction of information and communication technology, the new developments in the trade and transport industry, and the urgent need to adapt trade procedures and practices to such new techniques;

Recommends that Governments, administrations and organisations responsible for the national regulations and practices related to the movement of goods in international trade support international facilitation work by adhering to the general principles and implementing facilitation measures described hereafter.

Recommends that international organisations responsible for the international agreements include these measures when reviewing existing or preparing new international instruments.

Recommends that participants in international trade accept and implement those facilitation measures described hereafter, which fall within their area of interest.

Invites Governments and international organisations to notify the Executive Secretary of the United Nations Economic Commission for Europe (UN/ECE) of the extent to which they accept and will implement the facilitation measures described hereafter.

GENERAL PRINCIPLES

This Recommendation relies on the assumption of the predictability, transparency and non-discrimination of the time required, the procedures used and the cost involved in compliance with official regulations. Moreover, the Recommendation is based on the following governing principles, which may apply to one or more of the aforementioned groups of recommended measures. They cover procedures and data requirements, documents and Information Technology.

Procedures and data requirements

- Procedures should be kept to a minimum.
- Procedures should be commercially oriented and relate more closely to trade and transport requirements.
- Procedures should be simplified, harmonised and should comply with international standards.
- Data requirements should be kept to a minimum
- Data requirements should be simplified, harmonised and standardised, to ease the information flow.
- Laws regulations and other information regarding procedures and data requirements should be readily accessible to all parties concerned.

Documents

- Documentary requirements should be kept to a minimum.
- Documents should be in line with UN Recommendation No. 1, UN Layout Key for Trade Documents.³
- The use of plain paper, documents produced or appearing to be produced by reprographic automated or computerised systems should be acceptable.
- The presentation of supporting documents should not be required.
- Hand-written signatures and their equivalents should be avoided as far as possible (e.g. on invoices) on paper documents.

Information Technology

Transition strategies to replace paper documents by electronic information exchange or electronic documents are common practice.

- The use of information and communication technology and the resulting electronic solutions should be encouraged.
- The use of electronic documents and standard format should be supported (UN/CEFACT Recommendation No. 31)⁴.
- The requirement for authentication can be fulfilled by means of technological solutions and need not be accompanied by a signed and/or authenticated paper document (UN/CEFACT Recommendation No. 14)⁵.

The *UN/CEFACT Compendium of Trade Facilitation Recommendations*, includes a number of other facilitation instruments.⁶

³ The texts of the UN/CEFACT Recommendations can be found on www.unece.org/cefact

⁴ See www.unece.org/cefact/rec/rec31en.htm

⁵ See www.unece.org/cefact/rec/rec14en.htm

⁶ See www.unece.org/cefact/

GROUP 1 - COMMERCIAL MEASURES

Introduction

Supply chain management is the strategic process of vertical and/or horizontal integration of the supply, manufacturing/assembling, warehousing, transportation and payment of goods in order to fulfil market demands.

The predominant aims are the reduction of the number of actors in the chain, reduction of intermediate or buffer stores and lead times by way of automation and the integration of information systems. These can be achieved by using specialised organisations, through comprehensive agreements and long-term partnerships.

The flows of material are increasingly taken care of by intermediaries who often offer the complete package of services needed for having the goods delivered to customers on time, at a given destination, i.e. providers of international third party logistics.

The fast growing international e-business features electronic messages (documents) - instead of traditional paper-based messages and electronic data processing. This provides accuracy in copying and repetitive routines, and transfer and processing times are commonly reduced to nothing but fractions of a second. Furthermore, e-business provides more transparent market places and processes supporting quicker market response. Just-in-time deliveries are commonplace.

Recommended Measures

Measure 1.1 A framework contract

A framework contract for long-term partnership should be set up, where appropriate, between the supplier of products and the customer setting out the conditions of trade and technical details under which the customer may place orders.

Measure 1.2 Intermediary

An intermediary who provides commercial and/or transport services within an international supply chain should be connected, where appropriate, to the framework contract between supplier and customer by way of a separate contract.

Measure 1.3 Transport arrangements

The transport should be arranged from origin to destination, with as few as possible intermediaries and with limited handling of the goods themselves during transshipments or changes of the mode of transport.

Measure 1.4 Environmental protection

The traders should observe the requirements of national regulations and international agreements, i.e. on environmental protection, including measures of safe recycling or reprocessing of packing and product material in order to eliminate problems of residues and waste.

Measure 1.5 In-house use of standards data elements

Enterprises introducing electronic data interchange for international trade transactions should select standard data elements from the UN/Trade Data Elements Directory (UNTDDED), ISO 7372 and the appropriate UN/EDIFACT directory.

Measure 1.5.1 Use of standard formats

Enterprises introducing information and communication technology solutions for international trade transactions should apply standards and recommendations as laid down by UN/CEFACT (as, for example, in Recommendation No. 16: *LOCODE – Code for Ports and Other Locations*⁷ and Recommendation No. 25: *Use of the UN/EDIFACT Standard*⁸) and other national and international organisations (e.g. the International Organization for Standardization, the World Customs Organization, the International Maritime Organization, the International Civil Aviation Organization, the International Chamber of Commerce, the International Telecommunications Union and the United Nations Conference on Trade and Development).

Measure 1.5.2 Alignment of in-house documents

Sellers and buyers of goods in international trade should align all relevant in-house documents to the United Nations Layout Key for Trade Documents.

Measure 1.5.3 Inclusion of packing instructions in order

Where packing instructions exist, they should be included in the purchase order, thus avoiding the use of a special form. Instructions for product marking, and on sale packing and/or transit packing may also **be included**.

Measure 1.5.4 Combination of delivery instructions with order

Where delivery instructions exist, they should be combined with the purchase order so as to avoid the use of a separate form for [delivery] instructions or for request for delivery instructions.

Measure 1.5.5 Importers' specification of distribution of documents

Importers' requirements for distribution of documents should be set out in the purchase order.

Measure 1.5.6 General use of Standard Shipping Marks

Importers should promote the use of the Standard Shipping Mark described in UN/CEFACT Recommendation No.15⁹, *Simpler Shipping Marks*. When applicable, marking should follow standards in harmony with the applicable international standards (e.g. ISO). Shipping marks should be specified in purchase orders and documentary credits.

Measure 1.5.7 Timely arrival of Dispatch and Shipping advices

Dispatch and Shipping advices should reach the importer and/or import forwarder well in advance of the goods to enable timely arrangement for clearance and transport.

Measure 1.5.8 Exporter's advice of distribution of documents

Exporter's advice of distribution of documents should be combined with the Dispatch or Shipping advice.

⁷ www.unece.org/cefact/rec/rec16en.htm

⁸ www.unece.org/cefact/rec/rec25en.htm

⁹ www.unece.org/cefact/rec/rec15en.htm

Measure 1.5.9 Standard conditions of sale

Trading partners should use such standard conditions of sale or model contracts as are agreed internationally or within certain trades when they fairly represent the interests of all the parties concerned. The standard model contract provided by ICC should be considered when outlining the contract of sale.¹⁰

Measure 1.5.10 Standard trade terms

Trading partners should make wide use of the applicable standard terms, such as INCOTERMS of the ICC. To avoid possible future disputes, specific reference should be made in the contract to the applicable standard term, such as FCA or CIF (UN/CEFACT Recommendation No. 5)¹¹.

¹⁰ See http://www.iccwbo.org/home/statements_rules/menu_rules.asp on the ICC web site; see also UNCITRAL “United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980)” <http://www.uncitral.org/en-index.htm>

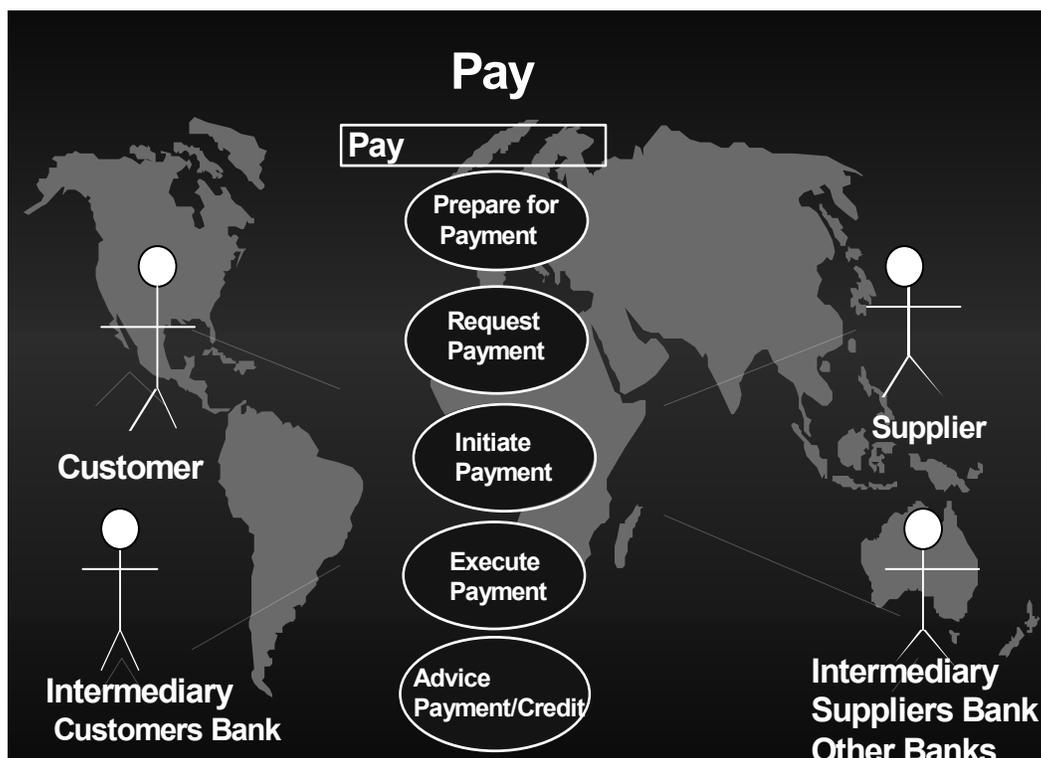
¹¹ See www.unece.org/cefact/rec/rec5en.htm

GROUP 2 - INTERNATIONAL PAYMENT MEASURES

Introduction

The measures and recommendations dealt with in this section relate to the methods and procedures associated with the payment for goods in international trade.

Figure 2: Diagram – Payment in the International Supply Chain¹²



Whilst all payment methods are covered the focus is on open account, reflecting an increasing trend towards the use of this payment method in international trade. The measures are directed separately at traders, international banks, national Governments and international organisations in order to facilitate implementation. This approach has highlighted that much can be improved with simply greater attention to best practice, rather than implementation of radical international agreements and conventions. Having stated this, there are two recommendations that *do* require international agreement, one at the International Organization for Standardization (ISO) and the other at the World Trade Organization (WTO).

In researching the recommendations, what became clear was that the payment aspects of the overall business supply chain, as reflected in the 'payment process', were often overlooked and underestimated by companies involved in international trade. This has been at the seller's peril as it results in non-payment, late payment or the supply of products for no profit.

¹² International Supply Chain views an international trade transaction as a single entity rather than as a series of fragmented activities involving different "actors" such as exporter, importer, forwarder, customs, carrier, and bank. "Supply" is a shared objective throughout international trade and is of particular strategic importance because of its impact on the identification of continuing barriers to international trade and the consequences on overall costs and time to market.

Certain recommended measures are directed at banks that provide international services. Over the past few years the banks have focused many improvements on domestic payment facilities, to the detriment of progress in respect of international payment services. This has resulted in little real progress and modernisation being made. Although not included as a recommendation, it has been observed that new payments systems, beyond the range of traditional procedures, such as documentary credits and bills of exchange, should be investigated and made widely available.

In terms of national Governments and international agreements, it is hoped that the measures proposed can be adopted voluntarily in the interest of freeing up markets. If not efficiently managed it has been assessed that the payment cycle can cost up to 8-15 per cent of the transaction value. This cost is often passed on to the purchaser in the country of importation. In terms of measures related to exchange control, these will have a negative effect on the macro-economy of the importing country by adding to the cost of the products domestically and ultimately their exports.

It is also recognised that with the removal and restriction on duty rates, some countries may consider using other procedures to restrict trade e.g. they may delay payment in order to benefit for as long as possible from the credit currency in their domestic banking system. Not only are these measures counter-productive, but they also run contra to the objectives of globalisation. It is therefore recommended that the WTO include appropriate recourse mechanisms to prevent this.

Finally, the use of the Internet and e-commerce has also had a major impact on payment practice and the provision of information that is available on, for example, creditworthiness and payment morality. The recommendations take account of these developments, but are not mutually exclusive and apply equally to countries where such facilities are limited or do not exist.

Recommended Measures

Measures 2.1 Recommended measures directed at international traders

The eight recommendations are directed at companies involved in international trade. They are recommended on the basis of being best practice and are presented in the form of an action list. It should be noted that all of the points made are of equal importance, as each, if not implemented, might have a negative effect on the receipt or promptness of payment.

Measures 2.1.1 Proper training of staff involved in international trade

Businesses involved in international trade should ensure that their staff have been properly trained in international payment matters.

Measures 2.1.2 Understanding the payment process

It should be ensured that export sales personnel, as well as operational staff, fully understand the payment process as described in this Recommendation and are properly briefed on the appropriate payment terms included in the sales contract.

Measures 2.1.3 Using briefings on payments

A number of briefings on payment in international trade are available for businesses. It is recommended that these briefings be made available nationally so that companies can use them to train and inform their staff.

Measures 2.1.4 Encouraging prompt payment

In order to encourage prompt payment by customers, businesses should consider offering discount for prompt payment. As an example, discounts of 1-3 per cent might be offered where payment is made on delivery or 0.5 – 1.5 per cent where payment is received within ten days.

Measures 2.1.5 Credit monitoring

Businesses should review their need for credit information (credit worthiness and payment morality) The terms on which such information could be made available should be discussed with their banks or commercial credit information supplier.

Measures 2.1.6 Payment terms

On the basis of credit information received, it is recommended that a business should build up a profile of its customers and adjust its payment terms according to the perceived credit risk, the associated cost of the particular payment method and the value of goods consigned.

Measures 2.1.7 Managing prompt payment

Despatch and delivery of the goods should be followed up with a Delivery & Quality e-mail or fax to the buyer/importer/customer emphasising that the goods have arrived, that they meet contract quality specifications, and the seller looks forward to prompt payment by the due date.

Measures 2.1.8 Reducing collection costs

Businesses should approach their banks to obtain collection facilities and trade finance located in the buyers'/importers'/customers' countries in order to speed receipt of payment and reduction of trade finance costs.

Measures 2.2 Recommended measures directed at commercial banks

The measures recommended in this section are directed at banks providing international payment services. The objective is to make the payment process more efficient and as a consequence improve the service banks offer their customers.

Measures 2.2.1 Providing customer credit information

Banks should enter into partnership arrangements with commercial suppliers to provide credit worthiness and payment morality information to business' customers trading across borders, so that both sellers and banks financing this trade have a far better assessment of the risks.

Measures 2.2.2 Advice on payment methods

Banks should provide clear objective advice to their customers on appropriate methods of payment, taking account of the credit worthiness of the customer's buyer, the risk of non-payment in relation to the size of the customer and value of the consignment. From this formula the recommended payment method should be the cheapest and most efficient for the bank's customer.

Measures 2.2.3 Reducing collection costs

Banks should provide payment collection and trade finance facilities in the buyer's country for customers selling with contracts denominated in the buyer's currency. Such facilities should be made available to all business, irrespective of size.

Measures 2.3 Recommended measures directed at national Governments

The following recommended measures are directed at national Governments.

Measures 2.3.1 Exchange control methods

National exchange controls should not require the use of specific payment methods, such as documentary letters of credit or documentary collections. Such requirements impose delays, add costs and complexity, act as a non-tariff barrier to trade and have no real positive impact on the effectiveness of exchange control.

Measures 2.3.2 Discouragement of late payment

National Governments should introduce late payment legislation, to encourage prompt payment on recognised commercial terms.

Measures 2.4 Recommended measures directed through international agreement and standards

The following longer-term proposals require agreement between national Governments and commercial and financial organisations and their international counter-parts:

Measures 2.4.1 The standardisation of good payment practice

Countries should follow the revised ISO 9001:2000 “Quality management systems - Requirements” and the accompanying revised ISO 9004:2000 “Quality management systems - Guidelines for performance improvements” which imply company commitments on payment practice. It should be verified that the payment system is adequate for fulfilling the contractual arrangements.

Measures 2.4.2 Removal of international payment (non-tariff) barriers

The WTO should include as part of the negotiations for the next Trade Round measures to prevent the abuse of mandatory payment procedures. Examples are those required for exchange control purposes and those procedures causing unnecessary delays by withholding money within the national banking system, where these constitute a non-tariff barrier. Appropriate remedies should be made available through the normal WTO dispute settlement mechanism.

GROUP 3 - MEASURES RELATED TO OFFICIAL CONTROLS

Introduction

Trade liberalisation is one of the key factors in economic growth. In too many cases this is not being generally reflected in attitudes towards the easy and rapid movement of goods across borders. Trade and transport industries still have to comply with numerous procedures and formalities, which hamper developments in new trade and transport solutions and add unnecessary costs to the transaction chain.

However, many controls on goods crossing borders are legitimate responses to national and international public interests. Revenue has to be raised, dangerous goods, hazardous wastes and nuclear substances need to be monitored and illicit drugs must be interdicted. Many requirements do not apply to Customs procedures but to procedures of other authorities involved in the cross-border trade.

The necessary balance between private and public interests should be built on ongoing cooperation. The fact that various authorities are involved demands for coordination and transparency in their actions in order to facilitate trade.

For customs administrations, the revision of the International Convention on Simplification and Harmonisation of Customs Procedures (the Kyoto Convention) will contribute to the closer alignment of customs procedures and practices world-wide. The revised Kyoto Convention, as amended by the protocol of amendment to that convention – Brussels, 26 June 1999, contains the commitment of Customs administrations to:

- provide transparency and predictability for all those involved in international trade;
- use risk management techniques;
- cooperate with other relevant authorities and trade communities;
- implement appropriate international standards.

Countries should therefore make every possible effort to accede to this Convention¹³. If formal acceptance is not yet possible, the standards and recommended measures contained in the Revised Kyoto Convention should be implemented as soon as practicable.

The Columbus Ministerial Declaration on Trade Efficiency (published by UNCTAD) and the International Customs Guidelines (published by ICC) also contain recommendations for further simplification and standardisation of customs practice.

As far as the involvement of preshipment inspection agencies to carry out customs-related activities is concerned, UN/ECE Recommendation No. 27: *Preshipment Inspection*,¹⁴ provides that such involvement should only occur for a limited period of time. During this time the Government concerned should take every possible measure to enable its customs service to resume its usual functions.

Recommended Measures

Measure 3.1 *Predictability*

The time required, the procedures used and the fees related to official regulations should be predictable.

¹³ For more information see web site www.wcoomd.org/frmpublic.htm

¹⁴ See www.unece.org/cefact/rec/rec27en.htm

Measure 3.2 **Transparency**

All relevant information of general application pertaining to official rules and regulations including information about procedures and control requirements should be made available to the business community as well as to government bodies. Within an overall framework of co-operation, new rules and regulations as well as any amendments to them should be presented for comments to the business community before entering into force. Rules and regulations should be made available, in printed form or electronically, well in advance of the time at which they enter into force.

Contact points should be set up within the relevant administration in order to ensure that the business community receives information and guidance.

Education activities for the business community should be arranged on a regular basis.

Measure 3.3 **Cost benefit analysis**

Before introducing new requirements or prolonging existing rules for inspection, control and testing of goods in international trade, the authorities concerned should make cost and benefit assessments of proposals in consultation with the business community.

Measure 3.4 **Data Requirements**

Government authorities should require a minimum of data and documents for control purposes and where possible utilise commercial information.

Measure 3.5 **Submission of data**

Government authorities should request import and export data once and allow submission of data to a single entity (Single Window Concept).

Measure 3.6 **Advance lodgement**

Government authorities should allow goods to be released immediately on arrival at the designated place. In order to facilitate clearance of goods, advance lodgement of documentation should be allowed.¹⁵

Measure 3.7 **Deferred payment**

Government authorities should allow deferred payment to all persons who provide an adequate guarantee or who are otherwise acceptable to the relevant authorities.

Measure 3.8 **Coordination of physical inspections by government authorities**

If various government authorities must inspect the goods, such inspections should be coordinated and, if possible, carried out at the same time.

Measure 3.9 **Minimum selective controls based on risk management**

Controls by government authorities should be kept to the minimum necessary to meet their main objectives and should be carried out on a selective basis using risk management techniques to the greatest extent possible.

¹⁵ “National legislation shall make provision for the lodging and registering or checking of the Goods declaration and supporting documents prior to the arrival of the goods.” (Standard 3.25 of the Revised Kyoto Convention), see also guidelines 4.6 to Chapter 3 of the Revised Kyoto Convention (www.wcoomd.org/Kyoto/ch6e-ver.pdf).

Measure 3.10 **Audit based control**

To manage the worldwide increase in trade and to provide traders with greater facilitation, authorities should increasingly rely on audit-based controls, using traders' commercial accounting systems.

These controls should be coordinated, as far as possible, and carried out at the same time by all different authorities concerned.

Audit-based controls should not preclude physical examination of the goods. (Revised Kyoto Convention Guidelines, Ch 6, 7.2)¹⁶.

Measure 3.11 **Certificates of origin**

Certificates of origin or declarations regarding origin on commercial invoices or on specific forms should be required only when necessary. This is essential for the proper application of trade policy measures for either the prevention of fraud or for the application of preferential regimes.

An exporter's declaration of origin on the commercial invoice should be accepted.

If a separate form for certificate of origin is required it should be based on defined criteria and designed in accordance with an internationally approved model for such certificates.

The importer should be permitted to retain the certificate of origin and only present it on request.

Plain paper certificates of origin should be permissible, provided the security requirement is met.

Submission of origin information should be permitted via electronic means provided the security requirement is met.

Measure 3.12 **Legalisation of documents**

Legalisation of documents (e.g. consular invoices) should not be requested.

Measure 3.13 **Dangerous goods, hazardous waste and nuclear substances**

National regulations should conform to international standards (UN/ECE Recommendation No. 11: *Documentary Aspects of the International Transport of Dangerous Goods*)¹⁷.

Measure 3.14 **Service fees**

Government authorities shall not charge special fees for services outside legal hours.

¹⁶ See www.wcoomd.org/Kyoto/ch6e-ver.pdf

¹⁷ See www.unece.org/cefact/rec/rec11en.htm

GROUP 4 - TRANSPORT-RELATED MEASURES

Introduction

The safe, reliable and accurate physical transfer of the traded goods from the supplier to its customer is essential to the satisfactory conclusion of a trade transaction.

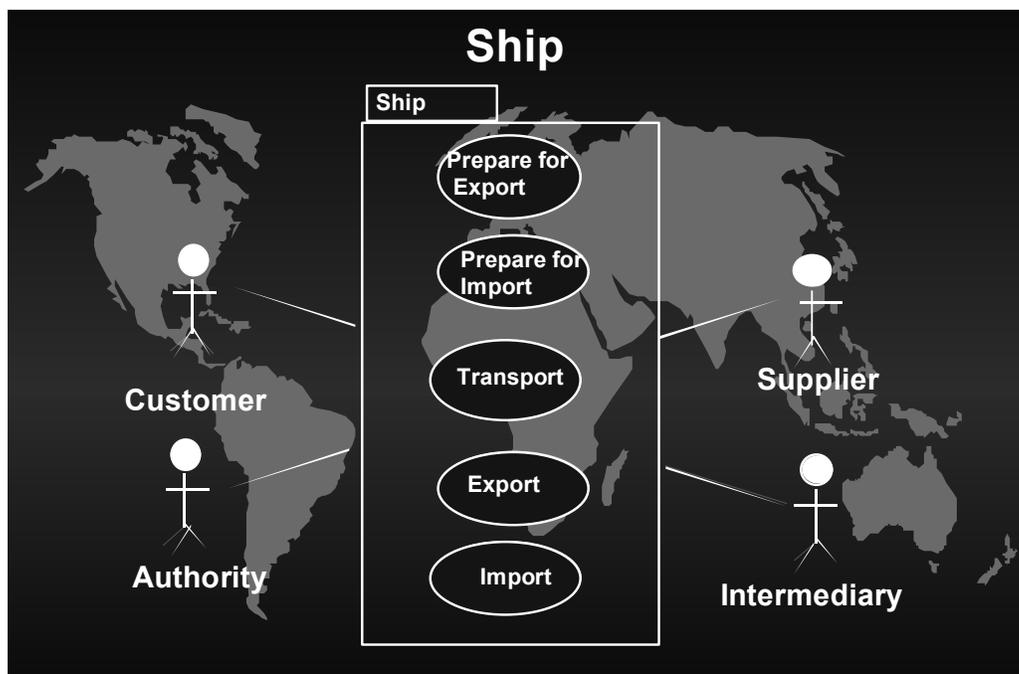


Figure 3: Diagram - Shipping

Transport is therefore one of the main functions in international trade and the procedures related to transport are therefore of the utmost importance for its efficiency. These procedures mainly involve the selection and contracting of transport services, the determination of responsibility for goods under custody and of their corresponding insurance coverage, the recording of the goods carried, advice of the action taken, and claims for payment for services rendered.

In addition to the transport operators and carriers, the freight forwarders, Customs agents (brokers), cargo handling agencies and port, warehouse and terminal operators all play an essential role in providing intermediary services while goods are on their way between exporters and importers. Sometimes these services are used only at intermediary points, but more often they are engaged also at the point of departure and the final destination of goods moving in international trade.

The documents used in connection with transport reflect these main areas of activity and can be categorised as follows: (1) contract documents; and (2) receipt documents.

These documents should be aligned to the UN Layout Key for Trade Documents (UNLK) presented in Recommendation No. 1¹⁸, in particular:

¹⁸ UN/CEFACT, Recommendation No. 1 (United Nations Layout Key for Trade Documents 1972, republished 2001). The Recommendation on a layout key for trade documents aims at providing an international basis for the standardisation of documents used in international trade and transport and for visual display representations of such documents. The United Nations Layout Key for Trade

- Insurance policies and certificates, when issued for individual shipments and insurance declarations under open cover;
- Forwarding instructions;
- Shipping instructions;
- Seaway bills and bills of lading;
- Multimodal transport documents;
- Universal transport documents;
- Customs cargo declaration (IMO FAL 2);
- Dangerous goods declaration (IMO FAL 7); and
- Arrival notice.

Recommended Measures

Measure 4.1 Simpler requirements when exporters arrange insurance

When exporters are obliged to procure, or arrange, insurance for the benefit of the importers (i.e. under ICC INCOTERMS CIF and CIP, or similar transactions), certification of the existence of such insurance should be accepted as issued by the insurer if in the form customary in the country in question (i.e. policy, certificate, declaration, acknowledgement, etc.).

As an alternative to these forms, it is permissible to use a slip or stamp on another commercial document (e.g. invoice) together with specification of the claims procedures and the terms of insurance, if standard. Otherwise a copy of the terms of insurance should be sent to the importer. In case of recurring shipments, a direct general confirmation of cover from the insurer to the importer can replace individual insurance documents.

Measure 4.2 Simpler requirements when importers arrange insurance

When importers arrange insurance (i.e. under ICC INCOTERMS E-term, F-terms and C-terms, except CIF and CIP, or similar transactions), the production of individual insurance documents (policies or certificates) is not necessary, except in certain bulk trades.

However, importers should, in their own interests, arrange with their insurers for the issue of a floating policy, open cover or similar type of contract which will give them protection, irrespective of declarations made against it; a simple system of reporting all shipments to be insured should be agreed with the insurer.

Documents is intended for application in the designing of documents related to the various administrative, commercial, productive and distributive activities constituting external trade, whether these documents are completed in handwriting, by mechanical means such as typewriters and automatic printers, or by reproductive methods. In 1985, the ISO adopted International Standard ISO 64.22 Layout Key for Trade Documents.

Measure 4.3 Voluntary use of UNCTAD/ICC Rules for multimodal transport documents

For multimodal transport operations, transport operators should use existing transport documents based on the UNCTAD/ICC Rules for multimodal transport documents. A multimodal transport document means, according to rule 2.6 of these Rules, a document evidencing a multimodal transport contract, which can where required be replaced by electronic data interchange messages (UN/CEFACT Recommendation No. 12)¹⁹.

Should they wish to design their own multimodal transport document, this document should be aligned on the UNLK format and incorporate, or make reference to, the UNCTAD/ICC Rules.

Measure 4.4 Promotion of Sea waybills and non-negotiable multimodal transport documents

Sea waybills and non-negotiable multimodal transport documents should be called for by sellers or buyers whenever the facility is available and suitable. Transport operators and carriers should always offer a non-negotiable transport document, bearing in mind that these can be utilised under documentary credits if stipulated by the applicant for the credit (ICC UCP 500)²⁰.

Measure 4.5 Preparation of transport documents at destination by Electronic Data Interchange (EDI) techniques

Computer software, facilities and procedures should be developed for the preparation of transport documents in the country of destination, using EDI and electronic business tools.

Measure 4.6 Ratification of the IMO FAL Convention

The Convention on Facilitation of International Maritime Traffic, 1965 (1998 edition), applies to maritime traffic. Its purpose is to facilitate maritime transport by simplifying and minimising the formalities and documentary requirements. Countries that have not yet ratified or acceded to the Convention are urged to consider its importance by becoming a contracting party, and to implement it accordingly.

Measure 4.7 Ratification of the Montreal Protocol No. 4 to the Warsaw Convention

The Montreal Protocol No.4 to the Warsaw Convention entered into force on 14 June 1998 and only applies to air carriage between the territories of the 43 Contracting Parties (as of 30 June 1999). Countries that have not yet ratified are urged to reconsider the importance of this Protocol for the development of their airfreight industry, to become contracting parties, and to implement it accordingly.²¹

Measure 4.8 Take advantage of the entry into force of the Montreal Protocol No. 4 to the Warsaw Convention

With the entry into force of the Montreal Protocol No. 4, sellers and buyers should take advantage of the abolition of the requirement to have the Air waybill as a paper document[. Where applicable it can be substituted by electronic data processing and transmission for air carriage operations between the territories of two contracting parties.

¹⁹ See www.unece.org/cefact/rec/rec12en.htm

²⁰ see Uniform Customs and Practice for Documentary Traded (UCP 500, ICC Publication 500, Paris; web site: www.iccwbo.org)

²¹ On 28 May 1999, the “Convention for the Unification of Certain Rules for International Carriage by Air” (Montreal Convention, 1999) was opened for signature and, depending on the rate of ratification, is likely to enter into force in the near future. It will supersede, for those States parties to this Convention and also the Montreal Protocol No. 4, the provisions of the latter instrument.

Measure 4.9 Timely arrival notice

Transport operators and carriers should ensure that arrival notices are made available to all concerned parties well before the arrival of the goods and should - depending on the time factor - use either facsimile, electronic mail or similar means, or a document aligned to the UNLK²², possibly a copy of the transport document.

Measure 4.10 Standard practices for pre-arrival notices

Transport operators, carriers, freight forwarders, importers, customs and other authorities should review each party's need for pre-arrival notices in order to develop simple, advertised and known practices, especially for very short routes.

Measure 4.11 Cargo tracking and tracing systems

Transport operators and carriers should be encouraged to introduce computerised cargo tracking and tracing systems to provide clients with advance information on the location of their consignments.

²² See introduction to this Group 4, above, and footnote there.