

COMMUNICATION FROM JAPAN

The following communication, dated 13 July 2005, from the Delegation of Japan, is being circulated in advance of the Negotiating Group meeting of 25-26 July.

**EXPLANATORY NOTE ON PRE-ARRIVAL EXAMINATION –
JAPAN'S EXPERIENCE**

I. INTRODUCTION

1. This paper aims to elaborate on the idea of pre-arrival documentary examination in trade procedures as proposed in TN/TF/W/17, and to share the experience of Japan with this regime, focusing on the area of customs procedures.
2. Pre-arrival documentary examination further expedites the release of cargoes through documentary examination prior to cargo arrivals, while reserving the right of the authorities to conduct further examinations where necessary, and maintaining appropriate border control with the use of the risk management concept. The pre-arrival examination regime has been in existence in a number of developed and developing countries, indicating that this regime has been well recognized as an effective measure for trade facilitation.
3. We hope that this submission will contribute to deepening the understanding of pre-arrival documentary examination among Members. We also hope Members recognize that this regime can be applied not only to customs, but also to other trade procedures required by governments.

II. OUTLINE OF PRE-ARRIVAL EXAMINATION

4. Generally, importers are required to submit an import declaration to customs after cargoes arrive from foreign countries and, subsequently, customs conduct documentary and/or physical inspections of the declared cargo, if necessary. Therefore, in principle, importers are unable to begin import procedures prior to the arrival of cargoes.
5. The pre-arrival examination regime was established to manage these general requirements with certain flexibility in order to facilitate the movement of goods. Pre-arrival examination allows importers to submit pre-arrival import declarations before the arrival of cargoes so that customs can conduct documentary examination in advance. If it does not impede the pursuance of the legitimate policy objective under this regime, customs will notify traders before the arrival of cargo whether or not further documentary examinations and/or physical inspections are required and, if not, customs will then issue an import permit immediately after the formal import declaration is presented upon arrival of the cargoes.

6. This regime provides the following benefits:
 - Documentary examination will be conducted before the arrival of cargoes;
 - Traders will be notified whether documentary examinations and/or physical inspections are required or not before the arrival of cargoes;
 - Customs will issue an import permit immediately after the formal import declaration is presented upon arrival of cargoes, if further documentary examinations or physical inspections are not required.
7. The benefits of this regime have been widely recognized in relevant international organizations. For example, the General Annex Chapter 3 of the WCO Revised Kyoto Convention requires customs to introduce a pre-arrival examination as follows:

Standard 25

"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."

III. JAPAN'S EXPERIENCE IN THE AREA OF CUSTOMS

8. Responding to the needs of effectively coping with the increasing volume of trade with limited human and financial resources, and to the request from the private sector to further expedite the movement of goods, Japan, in the area of customs procedures for example, introduced pre-arrival examination in 1991. This regime has become one of the major trade facilitation measures in Japan while maintaining adequate customs control and has been widely used by traders. In 2004, the usage rates of pre-arrival examination in Japan were 28.0% and 54.8% for sea cargoes and for air cargoes, respectively. In addition, the regime of pre-arrival examination is being used in other trade procedures such as food sanitation.
9. A brief explanation of the pre-arrival examination in Japan Customs is as follows.
 - A. TYPE OF CARGOES COVERED
 10. The pre-arrival examination can be applied to all types of imported cargo. The cargoes which benefit most from the use of the pre-arrival examination are those in need of quick processing, specifically:
 - those requiring speedy clearance due to the nature of the goods, such as fresh foods;
 - those under strict delivery terms;
 - those with a limited selling market with a particular seasonal demand, such as Christmas and New Year's;
 - those requiring an extensive examination of the import declaration, such as with numerous kinds of cargoes in one declaration;
 - those of which the required documents are available in advance;
 - those requiring long-distance sea transport.
 - B. DOCUMENTS TO BE SUBMITTED
 11. In order to use the pre-arrival examination, importers need to submit a pre-arrival declaration to customs, using the same form as a general import declaration form.

12. Documents to be attached to a pre-arrival declaration are the same as the documents attached to a general import declaration, unless the Director-General of customs decides some of them are unnecessary at the time of the pre-arrival declaration. The items to be entered in a pre-arrival declaration form are the same as the items to be filled in the import declaration form, unless the Director-General of customs decides some of them are unnecessary at the time of the pre-arrival declaration.¹

C. TIMING OF SUBMISSION

13. Importers can submit a pre-arrival declaration at any time after the Bill of Lading (Airway Bill in the case of air cargo) related to the declared cargo is issued, and after the foreign exchange rate for the scheduled date of import declaration is announced.²

D. DOCUMENTARY EXAMINATION

14. Customs conduct the same documentary examination for a pre-arrival declaration as for a normal import declaration. To fully benefit from the pre-arrival examination, the examination should be, in principle, completed by the import declaration scheduled date. The importer should make revisions each time changes occur in the declared data, such as foreign exchange rates or the volume of cargoes, etc.

E. PHYSICAL INSPECTION

15. After the documentary examination, the necessity of a physical inspection will be notified to the importer prior to the scheduled date of the import declaration, if such a notification will not impede the legitimate policy objective. In addition, should the necessity arise for a physical inspection of the cargo after the notification, the prior notification may be changed.

F. IMPORT DECLARATION

16. When the cargo arrives and all requirements are met for the import declaration under the Customs Law, such as the completion of procedures required under other laws and regulations, importers inform customs of their intention for a formal import declaration, together with all the necessary items or documents with a deferred submission at the time of the pre-arrival declaration. Then customs treat the pre-arrival declaration as a formal import declaration, after confirmation, and provide immediately an import permit as long as physical examination is not required.

IV. THE MERIT OF PRE-ARRIVAL EXAMINATION

17. The availability of pre-arrival examination is of key importance to all traders since it does not only provide predictability as to how long the customs clearance would be, but also greatly contributes to expediting the movement of goods. According to the 7th Time Release Survey conducted by the Ministry of Finance in Japan in 2004, the average time required for the release of goods with the use of this regime was 51.3 hours (in case of sea cargoes), 30% less than the time without the use of this regime (See Annex).³

¹ The dutiable price and tax amount are computed with the foreign exchange rate to be applied on the import declaration schedule date.

² Current exchange rates against the U. S. dollar, the Sterling Pound and other major foreign currencies are normally announced around Wednesday of the previous week. As soon as the documents to be submitted and items to be declared are ready, the pre-arrival declaration can be made as early as 10 days before the arrival of the cargo.

³ Time Release Surveys are implemented based on sampling conducted over 1 week with cooperation from trade-related agencies. The survey targets the time required from arrival of cargoes to the release of goods including carrying-in to bonded areas, import declaration to customs and import permission.

V. IMPLEMENTATION COST OF PRE-ARRIVAL EXAMINATION

18. The significance of introducing the pre-arrival examination regime is merely to change the timing of the import declaration submission. Therefore, the implementation of the pre-arrival examination regime does not necessarily require IT infrastructure although the use of IT can improve the efficiency of the operation of the pre-arrival examination.⁴ In the case of Japan Customs, pre-arrival examination is operated on both a manual and IT basis.

19. Therefore, we believe that this measure can be implemented by using the existing facilities and resources of each Member with minimum costs for legislation and training of officials, and we recognize that the benefit of introducing this measure far outweighs the cost of introduction. Furthermore, Japan has been providing technical assistance in the area of customs procedures, including pre-arrival examination, to developing-country officials on our own initiative.

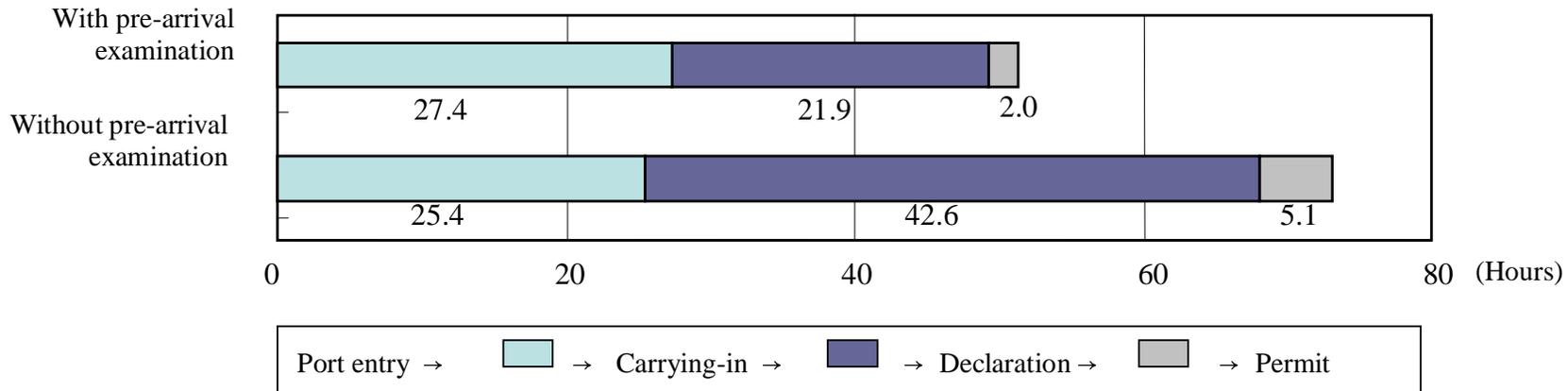
⁴ According to the "Customs Modernization Handbook" (Luc De Wulf/ Jose B. Sokol, The World Bank, 2004, P97), Sri Lanka was successful in introducing pre-arrival screening and clearance for air express consignments prior to the availability of its automated systems.

ANNEX

Import Lead Time Reduction by Pre-Arrival Examination

With pre-arrival examination:	51.3 hours
Without pre-arrival examination:	73.1 hours
Pre-Arrival Examination	-> 30 % reduction in import lead time

[Import lead time reduction by pre-arrival examination (sea cargo)]



(Source) 7th Time Release Survey, March 2004 (MOF)