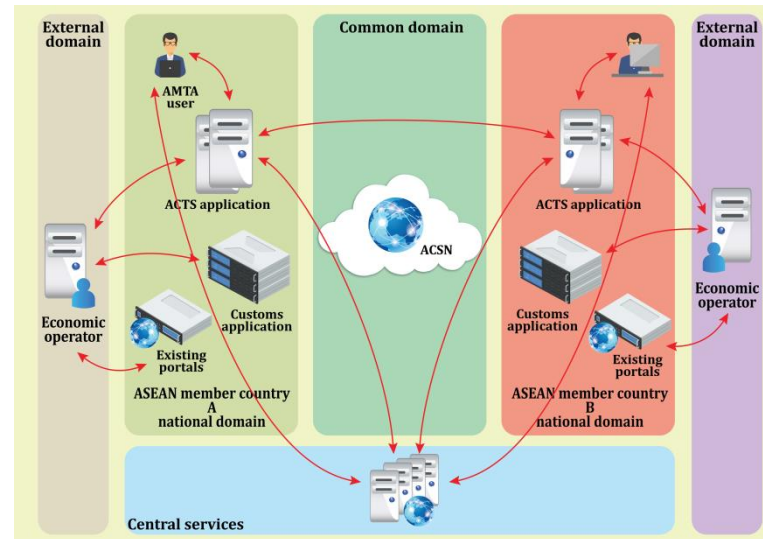


Facilitating Trade: Improving Customs Transit Systems in the Islamic Countries

OIC Study 2019

14th Meeting of the COMCEC Trade Working Group



**The presentation is specially prepared for the 14th Meeting of the
COMCEC Trade Working Group**

Objectives and Methodology of the Study

1

Conceptual Framework

2

Benchmark Criteria of the Study

3

Non-OIC Case Studies

4

1. Objectives and Methodology of the Study

Objectives of the Study

- **Improve awareness** on the importance of efficient custom transit regimes;
- **Share information on the good practices** of well-functioning custom transit regimes globally;
- **Explore comparatively** the state of the play in the OIC countries in this regard;
- **Provide policy options** that may be useful for policymakers to consider in their efforts to develop/improve efficient customs transit regimes.

1. Objectives and Methodology of the Study

Methodology of the Study

Desk Research

- Literature Review
- Review Trends in CTR Experiences Globally
- Analyze 3 Global CTR Systems
- Develop Lessons Learned and Critical Success Factors/Challenges

Data Collection

- Survey creation and dissemination
- Collection, systematization and analyzing of the statistical data from internationally available databases
- Document the current status of CTR systems in the OIC MS and develop benchmarking criteria

Data Analysis

- Analyzing by different statistical tools as descriptive statistics
- Compare different variables and correlation analysis
- Find the influence of different aspects of CTR development in OIC MS with trade costs, country rankings related to trade facilitation

Field Visit Case Study

- Face-to-face interviews with representatives from CAs
- Identify the major steps necessary to achieve an efficient and effective CTR system in these countries
- Draw a series of conclusions and recommendations

1. Methodology and Objectives of the Study

The Sections of the Study

Introduction

1

**Analysis of the OIC
Member States**

4

Conceptual Framework

2

**OIC Member States Case
Study**

5

**Global Trends and Good
Practices from Non-OIC**

3

**Challenges and
Policy Options**

6

1. Methodology and Objectives of the Study

1 Data Collection

3 different collection methods: interviews, survey and desk research. OIC MS returned the limited number of surveys (6 in total)

2 Desk Research and Interviews

Collection and analysis of the information for three OIC MS (Uganda, Pakistan, and Jordan)

Interview in the two OIC MS (Senegal and Kyrgyzstan).

3 Cross-country Comparison

11 Benchmark Criteria

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Conceptual Framework

CTR concept and custom transit procedure

Definition:

Customs procedure under which goods are transported under Customs control from one Customs office to another

Conceptual Framework

CTR concept and custom transit procedure

- The Customs Transit Regime (CTR) is the movement of goods and means of transports under customs control without paying import duties, taxes, or other charges from
 - **Internal Transit:** the entry border crossing point to the inland customs office for customs clearance ;
 - **Transit:** the entry border crossing point to the exit customs border crossing point of the country where the transit procedure is completed;
 - **Reverse Internal Transit:** the inland customs office to the exit customs border crossing point
 - **Between Inland Customs Offices:** the inland customs office to other inland customs office located in the customs territory of the country

Conceptual Framework

CTR concept and custom transit procedure

National Transit

- within the same customs territory
- goods are moving within national borders under customs control

International Transit

- movement in more than one country

Conceptual Framework

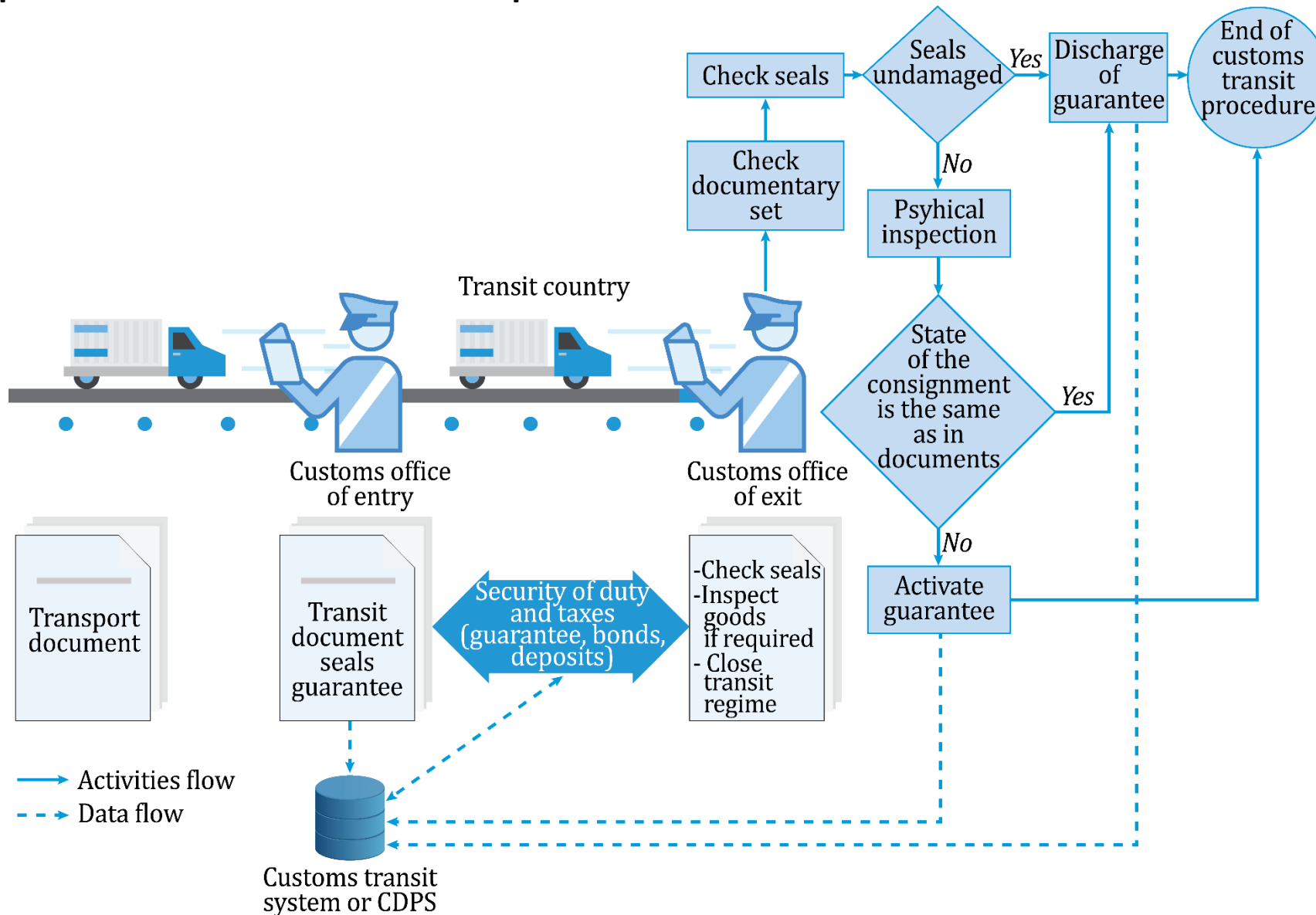
CTR concept and custom transit procedure

Customs transit procedures:

all the activities designed to facilitate the movement of goods that cross one or more customs territories or countries, without risking customs revenue, which could be threatened if transit goods were illegally diverted (sold) in the market of the transit country.

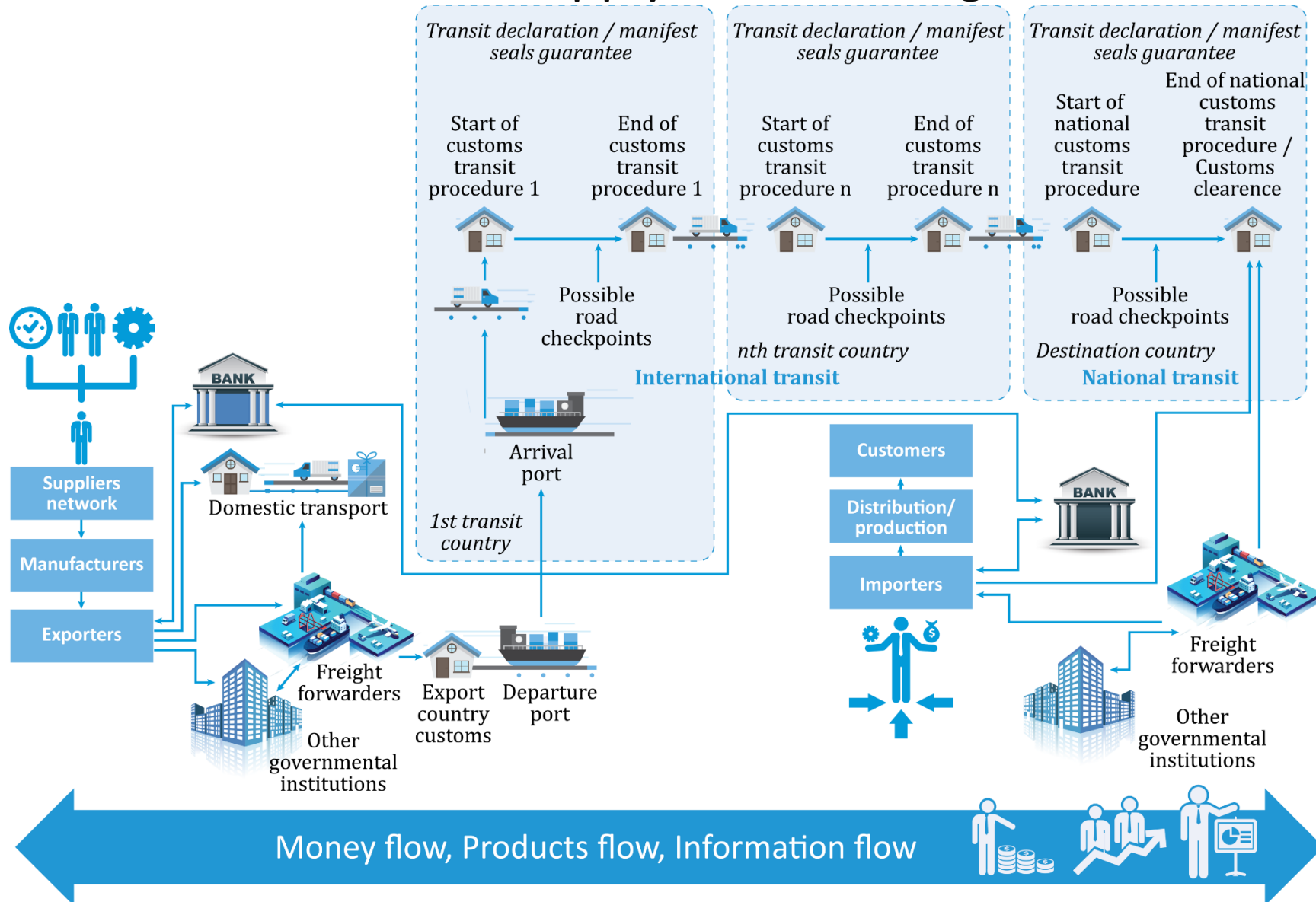
Conceptual Framework

CTR concept and custom transit procedure



Conceptual Framework

Customs Transit Procedure and Supply Chain Management



Conceptual Framework

International agreements, standards, recommendations, and handbooks related to CTR

- **World Customs Organization - Revised Kyoto Convention (RKC):**
 - Specific Annex E, Chapter 1- Customs CTR, and Chapter 2 – Trans-shipment
 - RKC General Annex – Chapter 6: Guidelines on Customs Control - Exchange of information (Standards 6.7 and 7.4)
- **TIR Convention:**
 - simplify and harmonize the administrative formalities of international road transport
- **UNECE International Convention on the Harmonization of Frontier Controls of Goods:**
 - Chapter III Provisions Concerning Transit, Annex 2, 3, 5, 6, 8, 9

Conceptual Framework

International agreements, standards, recommendations, and handbooks related to CTR

- **Customs Convention on Container:**
 - allow intermodal containers to be temporarily brought into the duty of their state and tax-free
- **UNECE Convention on Customs Treatment of Pool Containers Used in International Transport :**
 - Chapter 3 - Provisions Concerning Transit,
 - Annex 2, Article 4, Annex 3, Article 5, Annex 4, Article 5, Annex 5, Article 5, Annex 5, Article 5, Annex 8 – Facilitation of border-crossing procedures for international road transport

Conceptual Framework

International agreements, standards, recommendations, and handbooks related to CTR

- **WCO SAFE Framework of Standards (SAFE FoS):**
 - supply chain security standards,
 - new approach to management of goods moving across borders,
 - closer partnership between Customs and business
- **WCO Transit Handbook to Establish Effective CTR Schemes for Landlocked Developing Countries LLDCs:**
 - practical guide to assist WCO Members in developing a more functional and effective CTR system
- **WCO Transit Guidelines Route for efficient CTR regime :**
 - provide a clear path to implementing the efficient CTR procedures that are of high economic importance for LLDCs and CTR developing countries

Conceptual Framework

International agreements, standards, recommendations, and handbooks related to CTR

- **Vienna Programme of Action for Landlocked Developing Countries:**
 - use of advanced ICT, including the electronic exchange of information among CAs of landlocked developing countries and the transit countries
- **Almaty Programme of Action:**
 - Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries
 - needs of landlocked developing countries to promote more efficient integration into the global trade

Conceptual Framework

The Convention on International Transport TIR

- The first **door-to-door CTR** is International Road Transport (**TIR**)
- **TIR Transport**
- **TIR Operations**
 - Start of TIR Operation
 - Termination of TIR Operation
 - Discharge of a TIR Operation

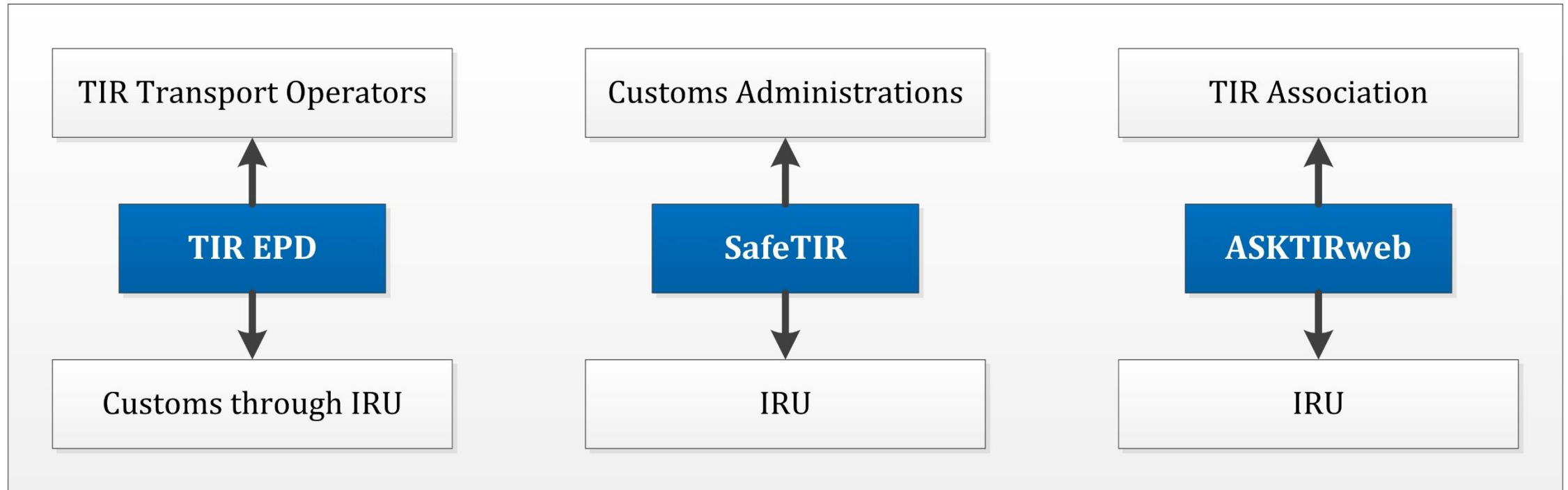
Conceptual Framework

The Convention on International Transport TIR

- **TIR-EPD** is a system that enables TIR carnet holders to submit Customs transit declarations to Customs authorities in different countries.
- **SafeTIR** system provides a database of terminated TIR Carnets. The system is an effective risk management tool that allows early detection of possible infringements/fraud by CAs with information on the validity and closure of TIR Carnets. As well, the system provides information in real-time to TIR country associations - guarantee chain on termination of the TIR movement.
- **ASKTIRweb** is used by TIR national associations to manage the TIR Carnets.

Conceptual Framework

The Convention on International Transport TIR



Conceptual Framework

Efficient Customs Transit Regime

LEGAL FRAMEWORK	1	MANAGING GUARANTEES	2
PARTNERSHIP WITH THE BUSINESS SECTOR	3	AUTHORISED ECONOMIC OPERATOR	4
RISK MANAGEMENT	5	SIMPLIFICATION OF FORMALITIES	6
TRANSIT FEES AND CHARGES	5	SECURITY MEASURES	6
COORDINATED BORDER MANAGEMENT	5	PERFORMANCE MEASUREMENT	6

Conceptual Framework

Benefits of Efficient Customs Transit Regime

CUSTOMS

- Costs
- Risk Management
- Guarantee System
- Paperwork
- Standardized and simplified documents
- Mutual cooperation
- Smuggling
- Bribery
- Productivity

BUSINESS

- Costs
- Trade volume
- Time
- Paperwork
- Compliance
- Predictability
- Partnership with CA and OGAs
- Corruption
- Physical inspections

TRANSPORT

- Costs
- Higher demand
- Transport time
- Paperwork
- Compliance
- Predictability
- Partnership with CA and OGAs
- Corruption
- Physical inspections

ECONOMY

- Trade costs
- Trade volume
- National export
- Regional economic integration
- Higher employment
- Higher foreign investment
- Decrease of national grey economy
- Corruption
- Transport time

REGION

- Trade costs
- Increased trade volume
- Increase regional export
- Improved global integration of the region
- Higher employment
- Higher foreign investment
- Decrease of regional grey economy

Conceptual Framework

The role of transit facilitation in regional economic integration

- Enhance **regional competitiveness**
- Support **regional economic integration**
- Have an important role in a **regional production network**
- Stepping-stone to the **harmonization of other trade facilitation measures in the region.**

Objectives and Methodology of the Study

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Conceptual Framework

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2. Benchmark Criteria of the Study

- 1. Legal framework**
- 2. ICT and efficient transit information management**
- 3. CTR Guarantee management and monitoring system**
- 4. Transit Fees and charges**
- 5. Simplification of formalities with wide use of simplified procedures in transit**
- 6. Risk management**
- 7. AEO**
- 8. Security measures including the security of possible customs debt**
- 9. Coordinated border management**
- 10. Partnership with business**
- 11. Performance measurement**

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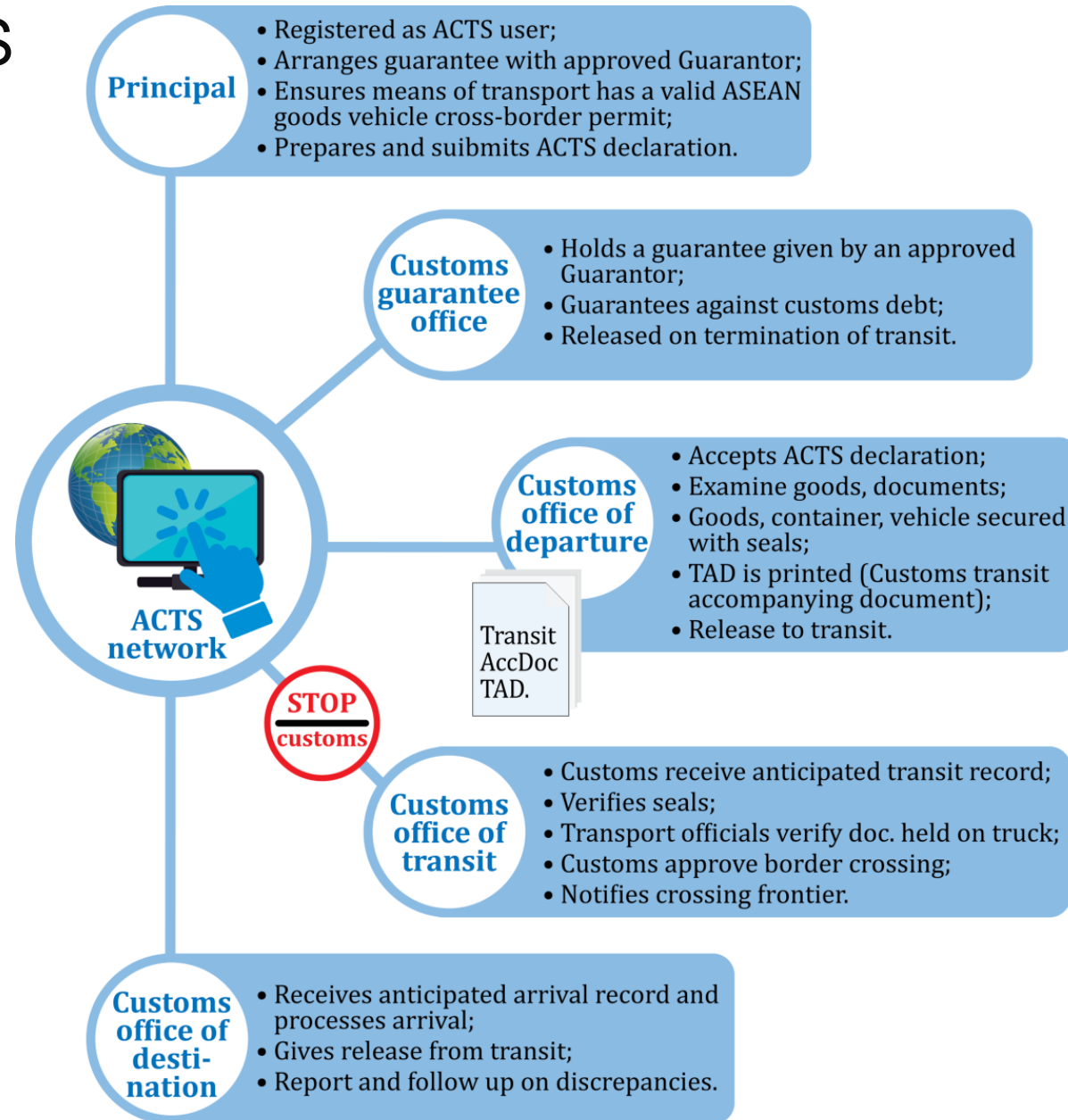
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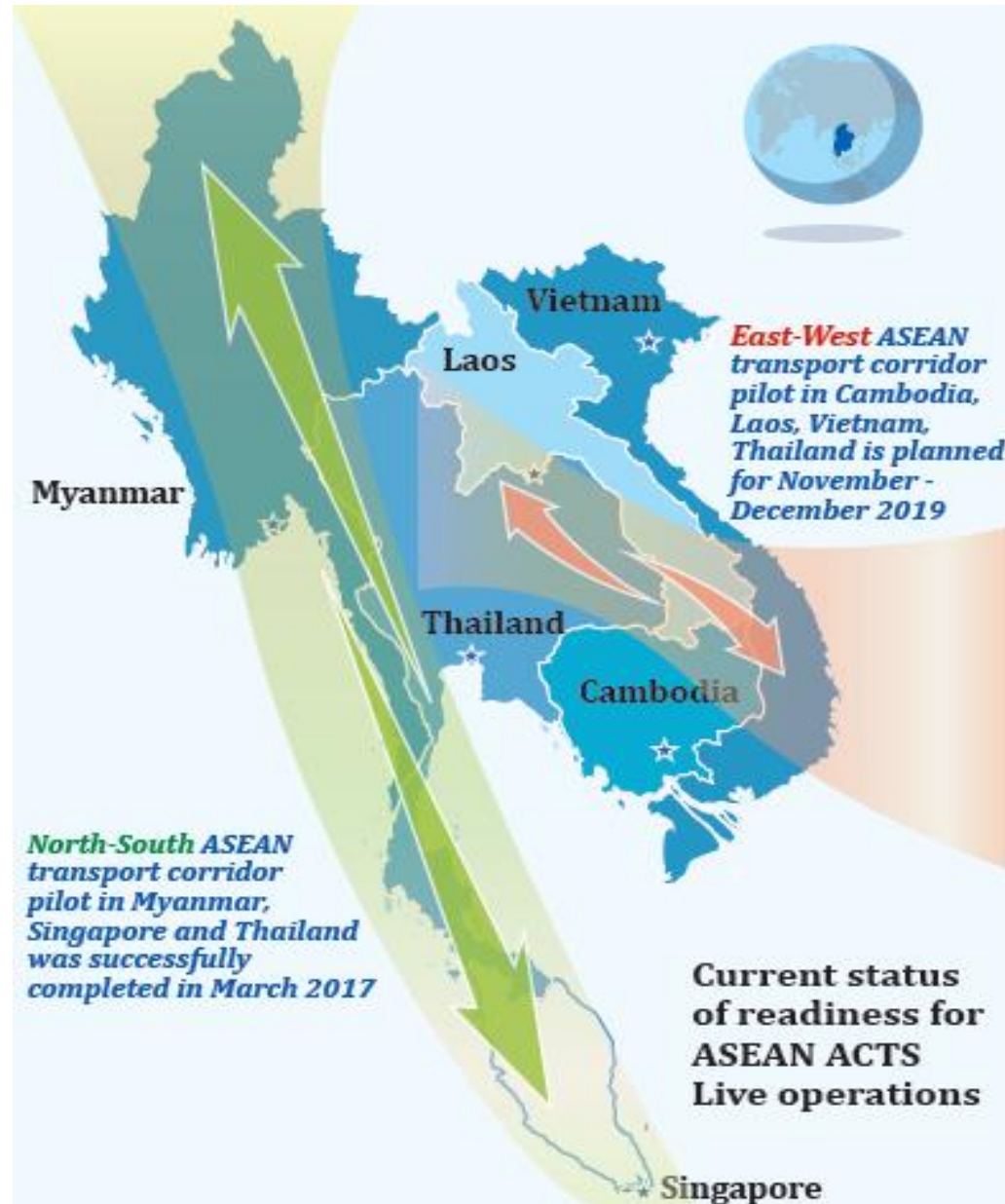
4. Non-OIC Case Studies

ASEAN ACTS



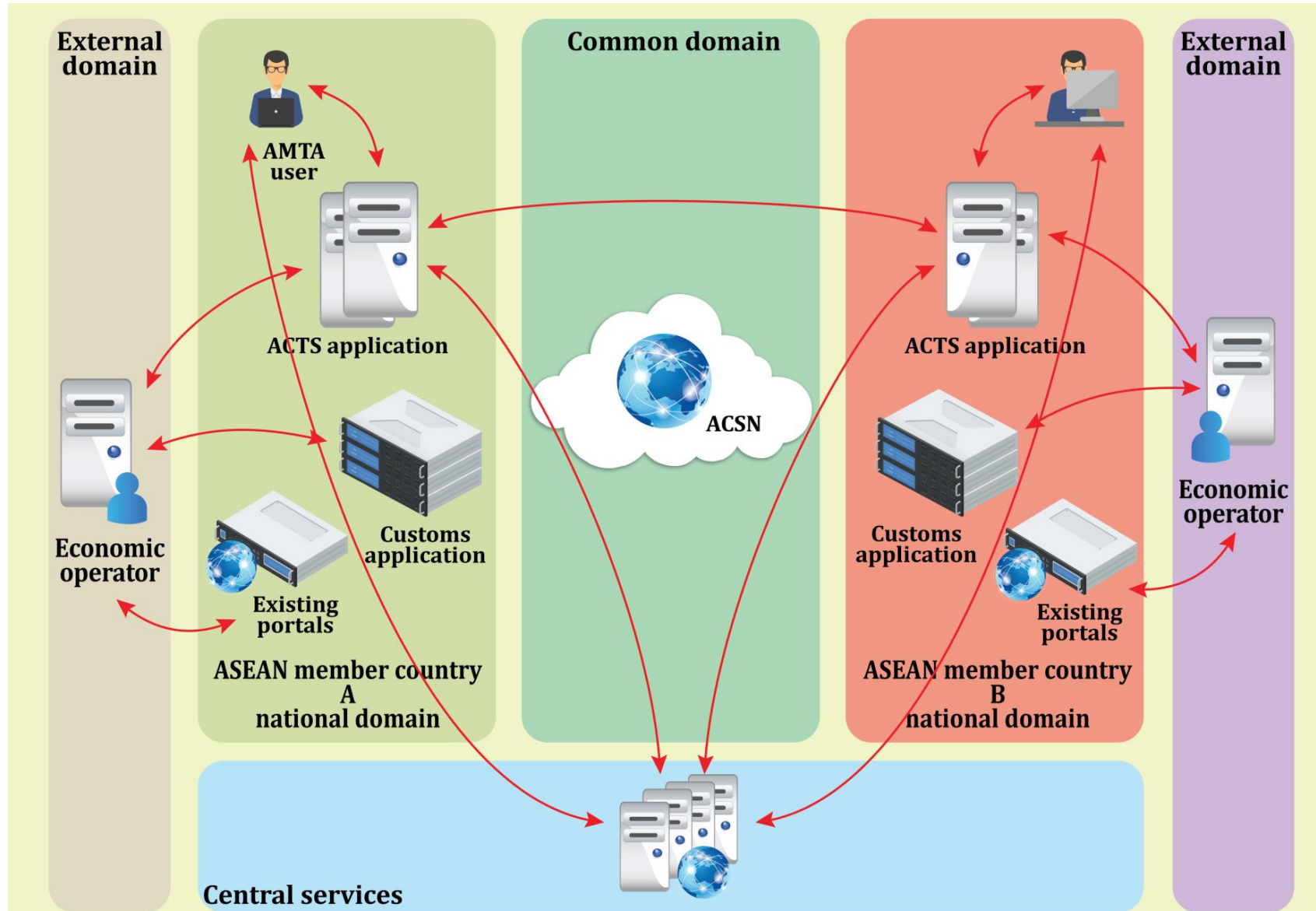
4. Non-OIC Case Studies

ASEAN ACTS








4. Non-OIC Case Studies

ASEAN ACTS



4. Non-OIC Case Studies

ASEAN ACTS

	Before		After
ASEAN Agreement on facilitation in transit	Independent national transit procedures & low IT support		Trade facilitation & strengthening operational capacity in transit by IT system => 9 Protocols
ASEAN Feasibility Study on transit	Independent national transit procedures & low IT support		Functional specification prepared by ASEAN MSs & EU was approved
ASEAN Single Window project	Independent national systems without Exchange of data		SW network established between ASEAN MSs & data exchange
ASEAN CTS based on Protocol 7	Independent national systems without Exchange of data		ACTS as a common system for all ASEAN MSs
Protocol 7 and its technical appendixes	Independent and not harmonised national transit procedures & low IT support		Common transit declaration, guarantees, processes, IT systems, simplifications & Admin. assistance

4. Non-OIC Case Studies

ASEAN ACTS Benefits

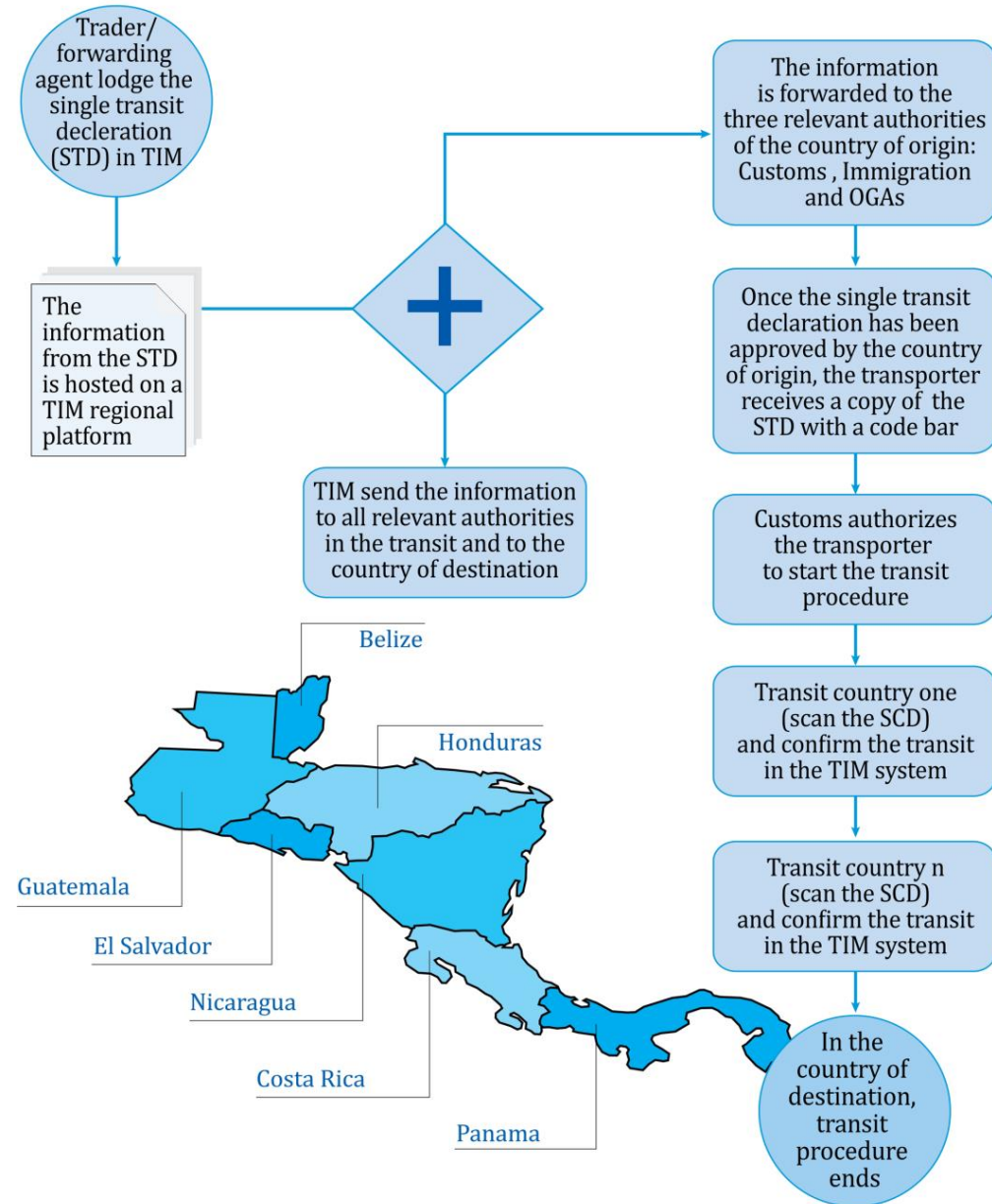
- Access to the ASEAN Customs Transit System to all authorized traders in accordance with mutually agreed and pre-defined criteria, without discrimination;
- Electronic communication between traders and Customs authorities, as well as among Customs authorities of Member States for each step in the application of ASEAN Customs Transit procedure;

4. Non-OIC Case Studies

ASEAN ACTS Benefits

- Single regional Customs transit declaration;
- One transit guarantee valid for all ASEAN countries, provided by approved guarantors from the financial sector;
- Simplifications and exemptions from standard requirements for authorized compliant traders based on risk profiling.

4. Non-OIC Case Studies (TIM in Latin America)



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International Goods in Transit (TIM in Latin America)

International Goods in Transit (TIM in Latin America)



4. Non-OIC Case Studies

International Goods in Transit (TIM in Latin America)

	Before		After
IDB Project on facilitation in transit	Independent national transit procedures, low co-operation & low IT support		Trade facilitation & strengthening operational capacity in transit by IT system
TIM Feasibility Study on transit	Independent national transit procedures & low IT support		Unified Transit Declaration (DUT) & Central America Unified Declaration
TIM System	Independent national systems without Exchange of data		Simplifications for operators & tool for control authorities (Customs and OGAs)
Framework Convention on Customs Union	Independent national systems without Exchange of data		TIM as a common system for Central America countries
Regulation on Customs Transit	Independent and not harmonised national transit procedures & low IT support		Common transit declaration, guarantees, processes, IT systems, simplifications & SW for OGAs

4. Non-OIC Case Studies

International Goods in Transit (TIM) Benefits

- Central America regional platform, used for the management of **Single Transit Declaration (STD)**
- **Exchange of messages** on the regional centralized information repository - TIM system
- Mandatory and additional documents required for transit are **scanned and attached to the STD**
- Streamlining of CTR procedures has **reduced the time** required to submit the documents and **speed** up the Customs control;

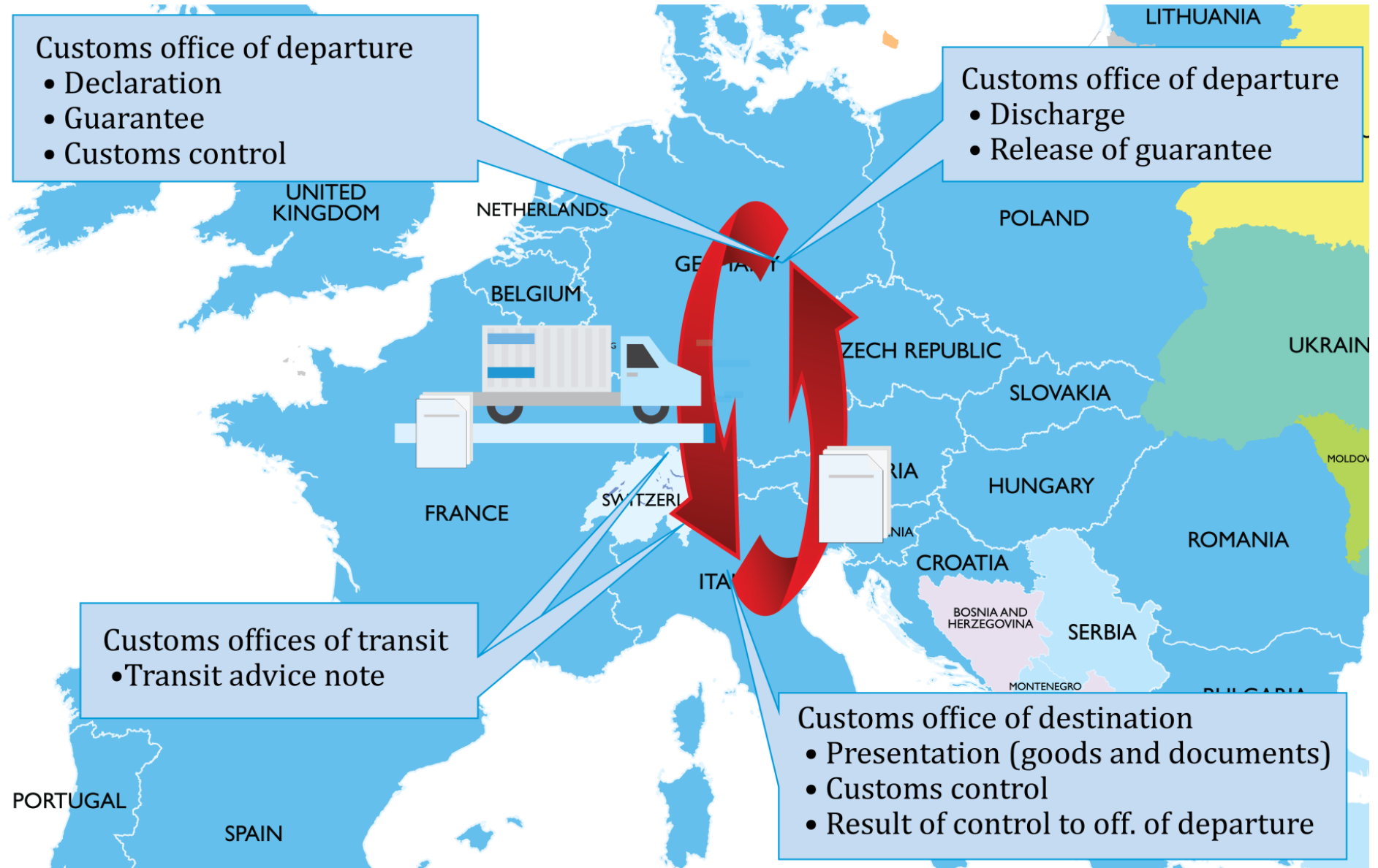
4. Non-OIC Case Studies

International Goods in Transit (TIM) Benefits

- Consignment **delivery costs and general trade costs** have fallen considerably
- Use of national CDPS for management of **risks in transit**;
- STD **exchange of information with all OGAs** in each country;
- Using **common customs seals** in line with the WCO RKC recommendations
- **Transit process can be monitored** by CAs, traders and transport companies (traffic, electronic notifications, and traceability);
- **Automatic interaction with regulatory agencies** for approval of transit.






4. Non-OIC Case Studies

EU NCTS



4. Non-OIC Case Studies

EU NCTS

	Before		After
EU-EFTA Convention on Common Transit	Independent national transit procedures & low IT support		Trade facilitation & strengthening capacity in transit (common declaration) between EU & EFTA
NCTS Feasibility Study on transit	Independent national transit procedures & low IT support		Functional & Technical specification prepared by EC & EU+EFTA MSs
NCTS as EU & EFTA IT transit system	Paper-based international transit system without exchange of data		CCN/CSI network established between EC, EU MSs & EFTA
NCTS as a new Annex to EU-EFTA Convention on CT	Paper-based international transit (Convention on Common Transit)		NCTS as a common system for all EU+EFTA+TR+MK+SRB
NCTS as a basic condition for accession to Conv.	Independent and not harmonised national transit procedures & low IT support		Common transit declaration, guarantees, processes, IT systems, simplifications & Admin. assistance

4. Non-OIC Case Studies

EU NCTS

New Computerized Transit System has constantly evolved over the past 30 years in order to improve its services and performance. Specific aspects that make the NCTS experience a model for other countries and regions are:

- Direct electronic data exchange with Customs – fully paperless Electronic transit declaration;
- Less administrative workload;
- Early discharge at the Office of Departure (release of guarantee);
- Minimum costs for traders;
- Direct data exchange between Customs administrations;

4. Non-OIC Case Studies

EU NCTS

- Facilitations such as simplified procedures, modulation of guarantee, authorized consignor/consignee, etc.
- Better allocation of human and technical resources;
- Elimination of fraudulent document manipulation;
- Selective controls based on risk analysis;
- Reduction in number of inquiry procedures;
- Clear description and identification of goods;
- Guarantee and Electronic guarantee management;
- Transport within the prescribed time limit.

4. Non-OIC Case Studies

Benefits ACTS, TIM, and NCTS

- **Speed up the procedures** applied at all Customs offices involved in transit operations;
- Connected with the **control of single transit customs declaration**, the adequacy, and quality of guarantee, enclosed documents, and goods and with release or end of transit procedure;
- **Eliminate barriers** between customs brokers and Customs authorities;
- **Reduce carriers' expenses** resulting from delays, and repeated inspection of the cargo at each national frontier;

4. Non-OIC Case Studies

Benefits ACTS, TIM, and NCTS

- **Imposition of national security requirements** (guarantee, bond, a deposit of duty, etc.);
- **Reduce the Customs requirements** deriving from national transit procedures;
- Use of **Customs Risk Management** to focus on high-risk consignments; and also
- Provide **simplification for Customs authorities** arising from the fact that the international transit operation is covered by a single transit document, which reduces the risk of presenting inaccurate information – or data discrepancies- to different Customs administrations.

4. Non-OIC Case Studies

Success factors and best practices

ACTS (ASEAN)

- For authorised traders
- Single regional electronic customs transit declaration
- One transit guarantee for all ASEAN MSs
- Harmonised simplified procedures (e-messages)
- Agreed Administrative Assistance in ASEAN MSs
- Speed up the transit procedure
- Efficient customs control based on risk management

TIM (Latin America)

- For authorised traders and OGAs
- Single regional electronic customs transit declaration
- Other documents attached to Single transit declaration
- Harmonised simplified procedures (e-messages)
- Agreed Exchange of data with OGAs
- Speed up the transit procedure
- Efficient customs control based on risk management

NCTS (EU)

- For registered traders
- Common electronic customs transit declaration
- Transit guarantees for all EU MSs & relevant countries
- Harmonised simplified procedures (e-messages)
- Agreed Administrative Assistance (between contracting parties)
- Speed up the transit procedure
- Efficient customs control based on risk management

Thank You For Your Attention

