

Union and Common Transit

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Reasons

- In the EC the need for a specific transit system became apparent in 1968 when with the Customs Union the Common Customs Tariff of the EEC was established progressively and therefore in the following year the Community transit system was introduced by Council Regulation (EEC) 542/69. Its objective remains valid still today for international transit procedures:
- ‘...avoid a succession of national transit procedures in connection with the carriage of goods.’

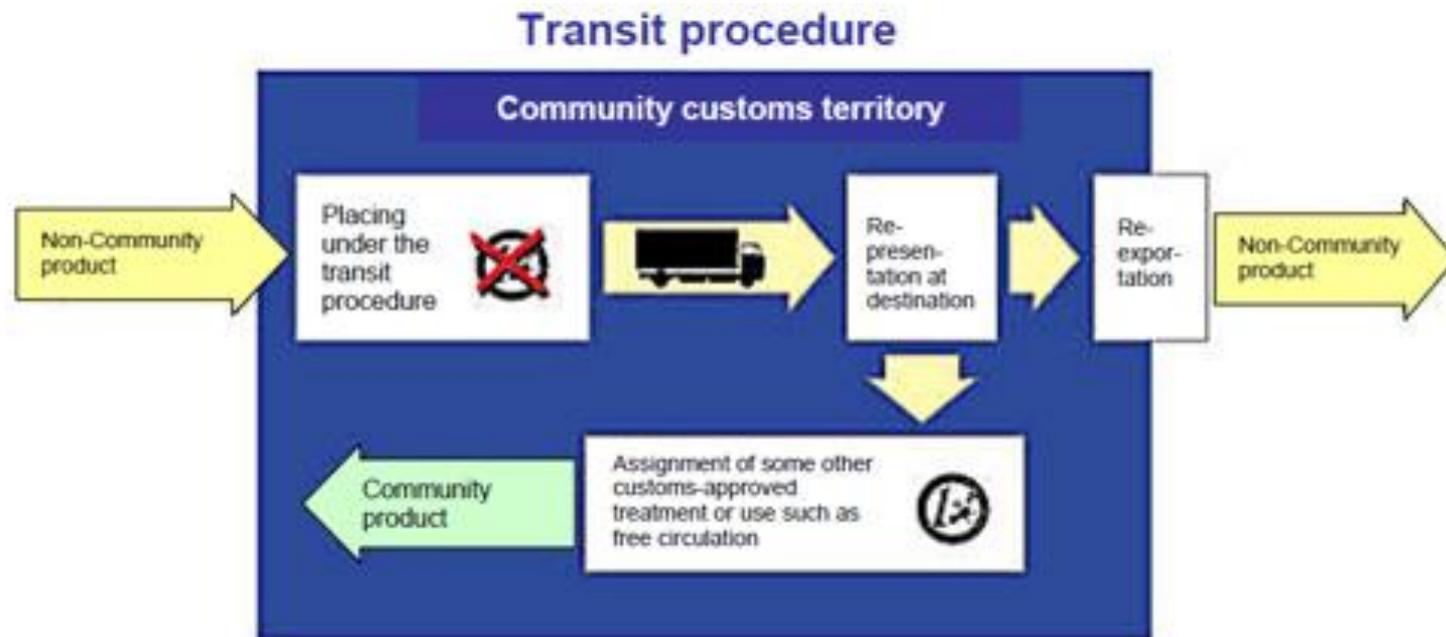
Main features

- Transit allows transport of goods from the border elsewhere under suspension of duties, with customs clearance taking place instead at final destination.
- Guarantee (cash deposit/financial guarantee) needed to protect against loss of duties and taxes
- Continuous customs supervision indispensable to avoid fraud
- Ideally, IT-support and real-time monitoring to prevent fraud. For "union" & "common" transit countries, electronic declarations are made via the IT system - "NCTS"; otherwise paper declarations needed.



European
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Transit



EU Customs Transit

- **Union/Common transit and also**
- Carnet TIR
- Carnet ATA
- Rhine Manifest
- NATO Form 302
- Post

Union Transit

- Legal basis in Union Customs Code
- Union Transit applies between two points in the customs territory of the EU
 - internal (Union goods)/external (non-Union goods)
 - extended to Andorra & San Marino

Common Transit

- Legal basis in EC-CTC Convention 1987
- Movements between Contracting Parties (EU, EFTA + Turkey, Serbia and FYROM)
 - Not mandatory
 - Not exclusive
 - Principle: parallelism to Union transit

Common Transit – how it began

- **In 1972**, not long after the Custom Union's creation - due to increased levels of trade and in order to facilitate the movement of goods between European partners - the **Community transit** system was **extended by two separate Agreements** covering transit movements of the EEC with **Austria and Switzerland**. Both agreements were applicable as of 1 January 1974.
- The two bilateral Agreements of 1972 were complemented by a **trilateral Agreement in 1977** between the EEC, Austria and Switzerland in order to cover also goods which touched both, Swiss and Austrian territory during their movement.

Common Transit – how it continued

- In **1987 two Conventions were signed** by the European Community and all EFTA countries which replaced the Agreements of 1972 and 1977 with Switzerland and Austria. These Conventions would facilitate the importation, exportation and movement of goods to, from and between the European Community and the EFTA countries but also between individual EFTA countries.
- **One** Convention established a common **transit** procedure, while **the other** provided for the simplification of import, export and transit formalities by introducing the Single Administrative Document (**SAD**).



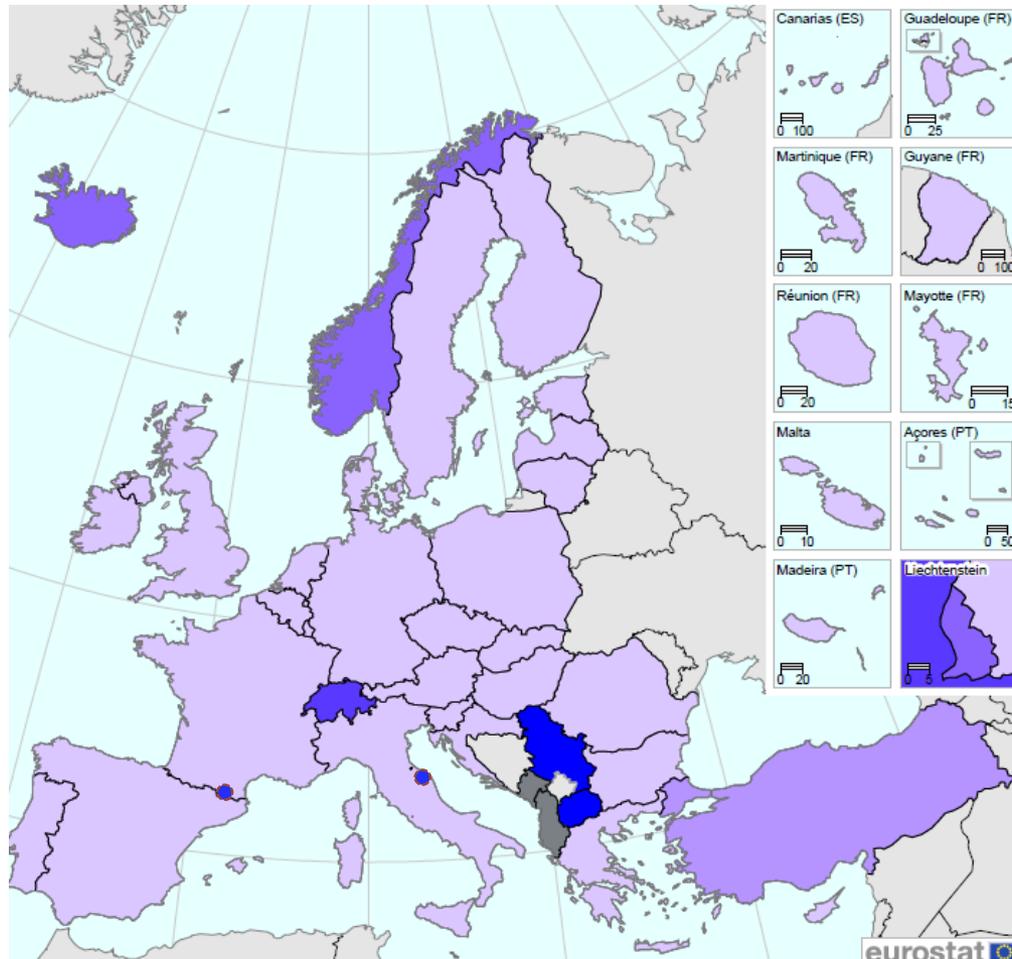
Common Transit – extension

- The **Conventions were extended** on 1 July 1996 to include the four Visegrad countries (the Czech Republic, Hungary, Poland and the Slovak Republic) till accession to the EU. The Convention was extended as well to other than Visegrad countries, i.e. to Croatia on 1 July 2012 (which has meanwhile become an EU MS), to Turkey on 1 December 2012, to former Yugoslav Republic of Macedonia in July 2015 and to Serbia in February 2016.
- The **extension continued** when Slovenia, Bulgaria, Malta and Cyprus became EU Member States
- A number of countries in the region are observers and some prepare to join by introducing a compatible system

Common Transit – impact

- The facilitation effect was considerable as it went beyond the movement of goods.
- It introduced the Single Administrative Document which standardized the declarations for import, export and transit (and in the EU for other customs procedures).
- The standardization was finally accepted and was useful when NCTS was developed in the 1990ies. First NCTS movements took place in 2000 and the roll out started in 2003.
- The standardization of forms has paved the way for the standardization of data elements and the EU data model (which is based on a global one, namely the WCO data model).

Common Transit Convention



- Common Transit Convention links with the EU:
 - Switzerland
 - Norway
 - Iceland
 - Serbia
 - FYROM and
 - Turkey.

TIR Convention 1975

- 73 contracting parties (incl. EU+MS), (+/- 60 active)
- TIR carnet
- Flat rate guarantee (50,000 \$; as of 1/7/2018: EUR 100,000)
- Holder = in general the haulier
- Approval of associations and holders
- Approval of means of transport & sealing



Objectives

- Freedom of transit, Art. V GATT + Art. 11 WTO TFA
- Respect of international standards (e.g. WTO, WCO)
- Facilitation/acceleration of entry in or passage through customs territory with suspension of duties/commercial policy measures
- Getting clearance/release away from border
- Efficient controls/cost savings



Tools

- Robust legal framework
- Real-time IT information exchange
- Need for guarantee to cover a potential debt
- Sealing of containers/vehicles to ensure integrity
- Customs supervision to ensure compliance

IT Infrastructure (NCTS)

- Reliable method to monitor in real time/avoid fraud
- Use data that are available to trade
- Align with global data standards (WCO DM)
- Ensure real-time IT information exchange
- Communication channels between involved offices
(departure, destination, transit)

Transit simplifications

Based on strict compliance with conditions/criteria:

- Use of comprehensive guarantee/waiver
- Use of electronic transport documents
- Status of authorised consignor/consignee
- Use of seals of a special type
- Exemption of prescribed itinerary

Advantages of transit system

- One of the cornerstones of regional integration
- Agreements can be bilateral, multilateral or regional
- Facilitation of free flow of goods through suspension of duties and taxes during the transit movement
- Supporting smooth trade flows in a region
- Suspension of duties, commercial policy measures

Positive impact

Transit was often the start of a much wider and deeper cooperation and this is illustrated for example by the fact that regularly experts from common transit countries are assigned to work in the customs directorate of the European Commission. With some countries (CH, NO) the Union has security agreements, and where they do not apply, relevant data can be combined with transit declarations.

Some conclusions

- Transit requirements in line with global international standards and guidelines
- Positive impact, including as regards regional integration
- Necessity of having automated procedures and real-time monitoring is proven