
Project Working Group on Transport and Border Crossing (PWG-TBC)

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Requirements for the efficient use of the TIR Convention and Harmonization Convention in the SPECA region

(Item 4 b(iii) of the Agenda)

Note by UNECE

Border crossing facilitation is an important element of trade facilitation, which is virtually anything that reduces the negative impact trade and customs procedures have on the movement of goods across nations. Many of these procedures are necessary. Problems however arise when they are inefficient - requiring unnecessary data or excessive documentation.

Border crossing procedures vary quite significantly across the SPECA region. The World Bank, through its “Doing Business – Trading Across Borders” program, provides rudimentary survey-based data on the procedures required to export/import a standardized cargo of goods (see Table 1 below). In spite of its limitations, the Doing Business Database is the best publicly available source of comparable information on the length of export and import procedures.

In the SPECA countries, the major obstacles causing costly transport delays and inefficiencies include:¹

- Limited transparency in trade and customs laws, regulations and procedures
- Lack of regional harmonization of border procedures and related documentary requirements
- Imposition of unofficial fees and charges at the border-crossing and within territories
- Inadequate information and communication infrastructure
- Inadequate cooperation among the border agencies
- Underdeveloped banking system and costly bank transactions

The economic cost of slow or cumbersome border-crossing procedures is steep. The most recent research findings, based on the application of an econometric model to World Bank survey data for 98 countries, indicate that on average the increase of procedures by one day in a country

¹ Based on “Building a Regional Integrated market through Improved Trade and Transport in SPECA Countries”, UNECE/UNESCAP paper presented at SPECA Economic Forum, Baku, 25-26 June 2006.

reduces its trade by more than one per cent or increases its distance from main trading partners by about 70 km.²

Table 1. The length of import and export procedures

	AFG	AZE	KAZ	KGZ	TJK	UZB	BLR	CZE
Export procedures (days)	61	64	82	NA	67	34	31	18
Document preparation	44	40	30	NA	50	18	22	10
Inland transport	15	14	29	NA	7	8	4	7
Customs clearance	2	10	23	NA	10	8	5	1
Import procedures (days)	83	73	83	117	NA	135	33	21
Document preparation	49	51	34	58	30	69	21	13
Inland transport	25	14	33	41	NA	41	7	7
Customs clearance	9	8	16	18	9	25	5	1

Note: Data for Turkmenistan are unavailable; data for Belarus and the Czech Republic are provided for reference only.

Source: World Bank, www.doingbusiness.org

UNECE Conventions in the area of border crossing facilitation are aimed at simplification and harmonization of procedures at border crossings, be it customs or other required inspections, with a view to facilitating and developing international transport. There are no less than 15 international UNECE conventions concerned with border crossing facilitation (see www.unece.org/trans/conventn/legalinst.html). The so-called “TIR Convention” and the “Harmonization Convention” are good examples of the UNECE’s work in this area.

The Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) permits the international carriage of goods by road from one customs office of departure in one country to a customs office of arrival in another country, through as many countries as necessary, without any intermediate frontier check of the goods carried. This, of course, requires a number of precautionary measures, such as customs control and secure sealing or prescriptions for the design of the load compartment or the container, in order to avoid smuggling. To cover duties and taxes at risk throughout the journey, an international guaranteeing chain has been established. Under the Convention, the International Road Transport Union has been authorized to distribute the international Customs transit and guarantee document, the TIR Carnets and to administer the international guarantee system. In

² For details, see S. Djankov *et al*, ‘Trading on time,’ December 2006 (www.doingbusiness.org/Documents/TradingOnTime_DEC06.pdf).

2006, there were over 3.5 million carnets issued (see Table 2 below) with more than 40,000 operators authorized to use the TIR system.

Table 2. TIR carnets distributed to national associations (2001-2006)

	2001	2002	2003	2004	2005	2006
Afghanistan	**	**	**	**	**	**
Azerbaijan	3,600	1,300	1,900	3,950	5,000	5,500
Kazakhstan	9,100	6,400	17,400	17,000	19,600	32,650
Kyrgyzstan	550	1,250	2,700	4,900	6,250	11,450
Tajikistan	**	**	**	0	50	300
Turkmenistan	150	0	150	200	400	1,000
Uzbekistan	600	500	900	2,400	1,800	4,500
Belarus	232,000	284,000	237,600	187,000	182,000	197,500
Czech Rep.	34,700	34,850	38,950	39,700	37,850	42,500
Total	2,710,150	3,095,200	3,298,000	3,211,050	3,240,650	3,599,850

Note: “**” No TIR operation can be established with Afghanistan; data for Belarus and the Czech Republic are provided for reference only.

Source: The International Road Transport Union.

The overall supervision of the TIR Convention and its application in all Contracting States falls within the responsibility of the TIR Administrative Committee, an inter-governmental body comprising all Contracting Parties and its TIR Executive Board (TIRExB). The Convention’s effective implementation hinges upon five pillars: secure load compartment of vehicles (or containers), international guarantee valid in all countries of transit that are TIR operational, TIR Carnet (or a single customs declaration document that is valid in all countries of transit), mutual recognition of customs controls and controlled access to the system. Without all these conditions being met, the TIR Convention is unlikely to perform its function properly.

More broadly, the success of the TIR transit system – or any other effective transit system – relies on a common legal framework that ensures the uniform application of rules and procedures and establishes a guarantee regime for duties and taxes at risk. In addition, the framework should feature simplified procedures and documents, modern risk management techniques, effective information and communication technology and non-discriminatory treatment. Finally, the effectiveness of any transit system depends upon coordination and information exchange, at national and international level, between various agencies involved in cross-border traffic such as but not limited to border police, security, immigration, customs, sanitary. The “Harmonization Convention” (see below), provides a framework of how to address border-crossing challenges in order to ensure better trade and transport facilitation.

In relative terms, Central Asia has proved to be the fastest growing TIR region among all Contracting Parties. Since 2001, the annual number of TIR Carnets issued to domestic transport operators has increased from 10,000 to 55,000. In particular, Kazakhstan and Kyrgyzstan have shown a remarkable growth. These trends can partly be attributed to the transport of Chinese goods from the Chinese border to third countries. In addition, more and more TIR operations are performed in the region by carriers from foreign countries (see Table 3 below), especially from Turkey and Iran. With Tajikistan starting the TIR implementation in 2004, Afghanistan (though a Contracting Party) remains the only country in the region where the TIR procedure cannot apply. Once China and Pakistan accede to the TIR Convention and Afghanistan starts its application, the

historic Silk Road will be restored and further rapid progress in the use of TIR Carnets may be expected.

Table 3. Issuance of TIR Carnets vs. terminated TIR operations (2006)

	Number of TIR Carnets issued to domestic operators	Number of TIR operations terminated in the country by both domestic and foreign operators
Afghanistan	-	-
Azerbaijan	5,500	11,008
Kazakhstan	32,650	52,310
Kyrgyzstan	11,450	6,654
Tajikistan	300	3,108
Turkmenistan	1,000	6,416
Uzbekistan	4,500	4,940

Source: *The International Road Transport Union.*

However, there are a number of factors that impede the application of the TIR system in Central Asia. Those impediments are not unique to the SPECA region and can (or could) be found in other regions as well. In general, the obstacles can be split in two groups: (i) those directly related to the TIR Convention (and, therefore, to the Customs authorities) and (ii) those indirectly affecting the application of the TIR procedure. The TIR Convention addresses the issue of Customs transit. This is a very important, but not the sole element of border crossing facilitation. Even a perfectly functioning TIR Convention could become useless, if other relevant problems of border crossing and international road haulage are not solved.

Among the 'Customs' – related impediments, the following should be mentioned:

- Requesting additional documents/information not foreseen by the Convention. The TIR Convention foresees two documents only: the TIR Carnet and the Certificate of Approval of a road vehicle/container for transport under Customs seal. Other documents may also be asked by Customs, but on the condition that they are normally available with transport operators, such as the CMR consignment note, packing lists, etc. The information from those documents should only be used for the purposes of identification of the goods and vehicles. Data on the goods value and HS-code are not obligatory.
- Excessive use of control measures that should remain exceptional, such as Customs escorts and physical examination en route. Escorts may only be imposed in exceptional cases at the carrier's expense. The transport operator should be given the reasons for escort. Escort rates should be justified by the actual costs and should not represent an indirect tax for fiscal purposes. Apart from the escort rates, there are some additional points of concern. Once a decision about the escort is taken, it should be organized as soon as possible. Vehicles should not wait at the border for hours and even days until a sufficient number of trucks have gathered together to form a column to be escorted by Customs. What is even more important, while waiting for escort, transport operators should not be forced to use accompanying 'commercial' services like private parking areas where fees can easily exceed \$100 per vehicle per day. Physical examination en route may be used only in exceptional cases to prevent abuses, if there are well-founded suspicions that an infringement has been committed. When deciding on examinations, Customs authorities should use risk management techniques, instead of indiscriminate

controls, which yield almost no results (as shown by a WCO analysis) and are too cumbersome both to Customs and to transport operators. Other governmental authorities (e.g., road police) are not entitled to remove the seals without Customs officials being present, although they do it from time to time, thus creating enormous difficulties for transport operators.

- Lack of training and experience of Customs officials. A well-trained and experienced Customs officer is a *sine qua non* for the smooth application of the TIR Convention. Very often, Customs officials in the field change so quickly that they have no time to acquire any expert knowledge. That leads to a number of negative consequences (failure to perform the proper controls at departure, errors related to the filling-in of TIR Carnets, raising requirements that do not comply with the TIR Convention, non-application of risk analysis and too strict control measures against trustworthy transport operators, etc.) and undermines one of the five pillars of the TIR system, namely mutual recognition of Customs controls.
- Among other flaws and omissions by Customs authorities, problems with integrity should be highlighted. Due to a number of factors (e.g. low salaries, weak anticorruption measures, etc.), some officials (mainly but not only Customs) regard truck drivers as an easy source of income and make them pay 'tips'. This sensitive topic is seldom discussed openly, but many transport companies provide routinely their drivers with some cash to 'facilitate' their 'negotiations' with control authorities, in particular, to 'lubricate' Customs clearance. If transport operators refuse to pay, they may be threatened by the application of strict control measures (e.g. physical examination) that would inevitably lead to delays and financial losses.

As far as impediments beyond the TIR Convention are concerned, the following issues are worth noting:

- Weighing and vehicle weight certificate;
- Maximum vehicle weight, dimensions and axle load;
- Lack of coordination between various control authorities at the border;
- Issuance of visas to professional drivers;
- Road/ecological charges;
- Bilateral road transport permits;
- Poor road infrastructure and border crossing facilities;
- High domestic duties and taxes preventing operators from purchasing or leasing new tractor units/trailers/semitrailers;
- Illicit drug trafficking.

Some of these issues are addressed in the framework of the Harmonization Convention, in particular by its new Annex 8 on road transport that is supposed to come into force in 2008.

The International Convention on the Harmonization of Frontier Controls of Goods aims at facilitating border crossing of goods by harmonizing and reducing formalities as well as the number and duration of border controls. It establishes border control procedures such as customs controls, medico-sanitary, veterinary, and phytosanitary inspections, controls of compliance with technical standards and quality controls. These procedures largely call for

national cooperation and coordination of services of various agencies as well as for international cooperation between the border services of the respective neighbouring countries. In particular, the convention foresees joint controls of goods and documents through the provision of shared facilities, same opening hours and same types of services at the same border. Finally, the convention also promotes the one-stop-shop principle for border controls. All of these requirements still remain to be implemented in the SPECA region.

According to UNECE experts, the implementation of the TIR and Harmonization Conventions could be improved with the aid of following measures:

- regular training on the TIR procedure for Customs officials and transport industry;
- if necessary, invite the TIRExB and TIR Secretariat to assist in such training;
- establish bilateral contacts with countries which have broad experience in using the TIR system (Kazakhstan, Russia) with a view to studying this experience;
- establish national computerized Customs transit systems (if this has not been done yet);
- conduct a survey of road transport industry (through the national road associations) with the aim to identify major bottlenecks at the borders in the SPECA region;
- where required, introduce a 24/7 working schedule or, at least, ensure the same working hours for adjacent border posts;
- establish a mechanism for systematic monitoring of border waiting times;
- introduce hot lines at various governmental control agencies where transport operators can report their problems with border crossing;
- by delegating functions, reduce the number of control agencies at the border (ideally: only Customs and Border Guard);
- facilitate the issuance of visas to professional drivers;
- conclude agreements that would result in more comprehensive traffic rights, eliminating the well-known obstacle of the bilateral transport permits.

Issues for consideration

At its 12th session, the PWG-TBC is invited to:

- a) **Take note** of persistent impediments to efficient border-crossing procedures in the SPECA region.
 - b) **Discuss** which of the policy measures proposed could be adopted by SPECA countries at least cost to assure a more effective implementation of the TIR and Harmonization conventions.
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