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TIR Convention as it is.

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The TIR Convention Yesterday.

Work on the TIR transit system began on the initiative of several European countries shortly after World War II. The first TIR Agreement was concluded in Geneva in 1949, a decade later, in 1959, 17 countries adopted the TIR Convention.

The development of mixed (multi-modal) operations led to the need to recognize container, under certain conditions, as a transport unit, which provides custom security. It also meant that the goods under the TIR procedure can be carried not only by road, as it was before, but also by rail, river and sea transport modes, even under the condition that part of the journey by road vehicles.

The First TIR Convention was finalized in 1975 with accumulated experiences, technological advances, changes in customs and transport regulations and came into force in 1978. After the entry into force the TIR Convention, 1975 replaced the old 1959 Convention. However, the former convention is still in force, as one of the Contracting Parties to the TIR Convention, 1959 (Japan) has not yet acceded to the TIR Convention 1975

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The principles of the TIR Convention

- Secure vehicles or containers
- International Guarantee
- TIR Carnet
- Mutual recognition of Customs controls

- Controlled access

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Geographical coverage

Adopted almost 37 years ago, the TIR Convention, 1975 has proven to be one of the most sophisticated instruments adopted under the auspices of the UNECE. The basic ideas and principles of the TIR Convention, 1975 and its transit system have formed the basis for many other transit systems. Geographically TIR operations cover whole Europe and extend to the North Africa, the Middle East and the Central Asia. Over the ocean, the Contracting Parties to the TIR Convention are the United States, Canada, Chile, and Uruguay.

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The TIR Convention is•

One of the most sophisticated instruments adopted under the auspices of the UNECE.

- the ideas and principles of its transit system have become the basis for other transit systems.
- In 1984, the Economic and Social Council of the United Nations adopted Resolution (1984/79), in which all the nations of the world are encouraged to explore the possibility of accession to the TIR Convention and the introduction of its provisions into the national legislations.

The TIR system is recommended to the UN regional commissions, in particular, as well as to the international, intergovernmental and nongovernmental organizations as a universal system of customs transit.

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The TIR Convention Today is

- Based on a partnership between public and private sectors.

- The only global Customs transit procedure.
- Does not contain any restrictions on the modes of transport (road vehicles and containers).
- Facilitates international transport.
- Secures the Budgets of the Contracting Parties.
- Has the basis to implement the principle of intermodal transport.

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Data on the TIR Carnet issued.

The success of the TIR system is reflected in the number of TIR Carnets issued every year. So, if in 1952 it was granted just over 3000 Carnets, in 1960 their number increased to 100,000, and in 1970 it were 800.000. In 70's and 80's the demand for TIR fluctuated between 500,000 and 900,000 a year, and in 2006 - has exceeded 3.5 millions.

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The usage of the TIR Carnets in Central Asia indicates growing demand for and relevance of the TIR Convention. Over the past decade the number of TIR operations in the region increased by more than 5.5 times, breaking the mark of 142,500 Carnets.

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The TIR system today is a three-layer structure:

International level

Administrative Committee authorizes an international organization (IRU); the Executive Board (TIRExB) supervises the application of the Convention, including functioning of the guarantee system.

National level

Government of the contracting party (usually the Customs) authorizes the National Association.

Operational level

Customs authorities, in cooperation with the national associations select and authorize TIR transport operators.

But it is now, after more than 35 years of hard work to find compromises and deliberated decisions.

There are several stages in the development of the Convention.

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Stages of the TIR system

1975-1990 stage of relative stability.

The Convention was of a regional nature with the established traditions and regional boundaries.

On July 8, 1981 the USSR acceded to the Convention.

The main players of that time were:

- Contracting parties
- Administrative Committee (Secretariat)
- Working Group 30 (Secretariat)
- Carriers
- IRU

As a rule, there was an exchange of views, adoptions of the amendments, discussions on technical issues, explanations on the application of the Convention at the meetings, **"Stress - test of the TIR system" and the Crisis of the 90s Stage.** Geopolitical events and changes on the political map of the world in the 90s gave stimulus to the expansion of economic ties

between Eastern and Western Europe and to the tremendous increase in the international road transport. The number of TIR operations in 1992 has exceeded 1 million and reached 2.7 millions in 1998.

The Common market has been formed and the economies have been booming.

At the same time weaknesses of a seemingly well-functioning TIR system revealed. Each country had different approach to transit procedures. There were no close cooperation between customs administrations, carriers and the guarantee chain neither at the national nor at the international level.

These changes attracted attention of organized crime and, as we know already, resulted in rapid increase of the number of non-discharged operations and claims of the customs authorities to guarantee chain, followed by the collapse of the TIR insurance pool and lasting up to now arbitrations in "the Paris court."

In a word - there were no risk assessment system and feedback, which affected the overall security of the TIR system, and led to the significant financial losses.

Reaction of the States and the Revision of the Convention – 1994.

Competent authorities and transport industry could not help reacting to what was happening and, starting from 1994 the stage of "**Reaction of the States and the revision of the Convention**" has begun.

The Short-term measures to overcome the Crisis. 1994 - 1995.

The Governments and the private sector introduced improved mechanisms for monitoring of the TIR operations by creating a centralized monitoring systems, optimized the number of TIR offices. They introduced staff training and data transmission system, developed by the IRU «SAFETIR. »

At the international level:

- Setting up of the TIR Contact Group in November 1994 for the

1. Creation of consultations mechanism between public and private sectors;
2. Swift response to new problems in TIR system;
3. Ensure internationally agreed approaches to the application of the Convention.

The first meeting was held in Prague in November 1994 (representatives of 12 Customs Administrations, 3 associations, IRU).

Later, it was held 6 meetings more. (Geneva, February 1995, Budapest, May 1995, Geneva, June 1995., Prague, December 1995, Istanbul, December 1998, Athens, April 2002).

The issues under consideration were:

- "Alcohol / Tobacco" TIR Carnets;
- Reduction of the time of discharge procedures;
- Reduction of the number of TIR Customs offices;
- Full guarantee coverage of duties / taxes by TIR Carnet holder;
- Decentralization of the TIR guarantee system;
- Governmental cooperation mechanisms at the international level;

Long-term measures at the international level;

- Introduction of "Alcohol / Tobacco" Carnets in the middle of October 1994 and suspension from November 30, 1994;
- Revision of existing or creation of a New TIR Convention;

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Stages of the TIR system.

Stabilization and recovery from the crisis stage. 1995-1999.

- Decision of Inland Transport Committee to start the revision process of the Convention (February 1995)
- Resolution No. 49 Short-term measures to ensure the security and the efficient functioning of the TIR transit regime from March 3, 1995 (Contains 11 items, signed by 33 countries and the European Community);
- Urgent Communication to all Contracting Parties to the TIR Convention, 1975, concerning transportation of small quantities of tobacco products and alcoholic beverages, adopted by the TIR Contact Group June 29, 1995;
- Recommendation "Introduction to the control system for TIR Carnets" adopted by the Administrative Committee for the TIR Convention 1975 October 20, 1995 (the transfer of operational data on the presentation of the IRU TIR Carnet by the Customs office of destination and the use of MRF (Model Reconciliation Form)).
- Creation of the Registry on Customs seals and stamps.

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Results Expected

- Protecting the Budget interests of the Contracting Parties;
- Improving the efficiency of customs procedures by means of risk analysis;
- Elimination of illegal activities;
- Acceleration of international transport by simplifying and harmonizing customs procedures;
- Vehicles downtime reduction;
- Decrease of transportation costs;
- Everyone wins – transport, exporters, importers, consumers.
- Enhance the supply chain security and trade.

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The revision of the TIR Convention

• Phase I (1995-1997) Entry into force 02.17.1999

- Establish control over the TIR procedure at the national and international levels for Customs authorities and the private sector to ensure transparency, particularly of the international guarantee system, at all levels;

• Phase II (1998-2000) Entry into force 12.05.2002

- Define responsibilities of all Parties involved and clarify and harmonize key legal and administrative procedures at national and international levels. Establish examples of best practice. The sharing of best practices;

• Phase III (2001-present). Entry into force of the XXI century.

- Usage of modern methods and technologies (eTIR, etc.)
- Improvement of trade safety elements.

After the starting of the Revision process the Convention began its new life. The elements, lacking, but so vital, began to appear and later on were implemented into practice.

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Security Elements

(Public and Private Sector)

- Selection and authorization of TIR transport operators;
 - Strict criteria established by the Convention;
 - The Customs authorities in partnership with the national guaranteeing associations;
 - Additional requirements may be imposed by associations;

- Authorized carriers are similar to the authorized economic operators (AEO) WCO SAFE FoS.

- Exclusion of offenders from the TIR operations (Article 38);
- A central data bank of the TIR (available on-line) for all authorized and excluded carriers.

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Security Elements

• **Regulations on technical conditions to road vehicle which may be accepted for transport of goods under Customs seals**

- Absorbed the experience of customs services;
- Are in line with new technologies and new designs. Recent examples: vehicles with sliding sheets and fiber optic cables;
- Mandatory sealing in the office of departure;
- Recommendation to use the most modern Customs seals.

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Security Elements

• Measures of Public Sector: (Customs)

- Documentary control and inspection in the office of departure;
- Ability to set the delivery timeframes and route;
- In exceptional cases - the use Convoys and customs check-in at Customs offices en route;
- Mutual recognition of customs control measures;
- Information exchange.

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• **Measures of the Private Sector: (IRU)**

The TIR Carnet as a single customs document and guarantee

- ✓ Visible and invisible protection elements
- ✓ The control system for TIR Carnets SafeTIR, RTS
- ✓ **On-line access for Customs Authorities;**
- ✓ TIR-EPD preliminary notification system
- ✓ The possibility of advanced information transmission.

Amendments to the Convention resulted in a noticeable improvement of the TIR procedures at both national and international levels, expanded the capabilities of customs control, as well as contributed to the strengthening of cooperation between governments and businesses through the creation of the TIR Executive Board.

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Stage of new technologies (control or simplification?) and Globalization 2001-present (Project eTIR, 2003)

To overcome the problems, associated with the constraints of the TIR system in paper format, the Contracting Parties to the TIR Convention launched the so-called "project eTIR" in 2003 to substitute paper TIR Carnet by electronic messages between the parties involved in the TIR system. Computerized TIR will provide significant additional benefits.

First: it will provide additional capabilities for security and risk management, thereby reducing the risk of customs fraud.

Second: closer international cooperation will enable all stakeholders to significantly reduce the administrative burden and to maximize the benefits of global supply chain.

Finally: the provision of advance cargo information and exchange of information in real time will help to accelerate the TIR procedure.

After the start of the project eTIR Customs administrations and the private sector came up with various initiatives aimed at overcoming some limitations of the TIR system, based on a paper format. In the majority of the Contracting Parties to the TIR Convention operations management is currently provided by the customs information technology (IT) systems, which in some countries allow transport operators to provide data related to the TIR in advance and in electronic format, and then require them to do so. The private sector, the IRU, in particular, computerized most of its TIR - related activities for more effective risk assessment and guarantees coverage of the international transit system.

All these initiatives are widely used within eTIR project. It should be noted that, unlike any other project eTIR provide all Contracting Parties to the Convention with the unique platform for the exchange of information between Customs authorities (C2C), and also give Customs the ability to manage data on guarantees, provided by guarantors for the authorized TIR Carnet holders.

Taking into account the large number of Contracting Parties and the differences in their administrative structure, such an electronic system must be very flexible and decentralized, and to function on the basis of a limited set of international standards. This is a very difficult task. However, the TIR system must keep pace with the latest developments in this area, which has already greatly changed the Customs, transport and trade procedures. Contracting Parties to the TIR Convention, national and international organizations, as well as the carriers will have to work hard on this issue.

Still unclear, of course, is the platform C2B (Customs to Business), but this mechanism, I'm sure, will be adjusted, as the most of the points under consideration.

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The TIR Convention and the WCO SAFE Framework of Standards (2005, 2007).

After the ill-fated September 11, 2001 the so-called "Big Eight" countries entrusted the World Customs Organization (WCO) to solve the problem of the safe transport of goods. Since then, the issue of transport security is a priority worldwide. The main objective of the WCO is to develop a series of measures, aimed at protection of global trade and global logistics network. In June 2005 WCO has prepared a document, approved by the members of the "Big Eight." Today it is known as the WCO Framework of Standards to Secure and Facilitate Global Trade. This document consists of a set of standards, contains many provisions that may affect the activity of most transportation companies, and, in particular, those who apply TIR procedure in their work.

However, the WCO Framework of Standards - is nothing more than standards. Despite the fact that the principles of the Framework of Standards each contracting party applies at national level, the actual mechanism of compulsory enforcement at the international level does not exist. In particular, if a State implements the program of authorized economic operators (AEO), the mechanism for mutual recognition of these operators is not provided. It means that the trading company which is authorized economic operator in one country will not be considered as AEO in other states. Since there is no mutual recognition of economic operators, they will have to undergo an accreditation procedure in all countries where they do their business. (Adaptation of Framework of Standards to Secure and Facilitate global trade is the basic requirement to become an accredited economic operator.)

In October 2007, Framework of Standards was updated: it was released a new publication, including technical information about AEO concept. But since there's no mutual recognition, the use of framework of standards including AEO requires bilateral agreements between all trading parties, which is practically impossible, or regional application, again, with various regional approaches. The Way out could be found in the introduction and adaptation of SAFE FoS through additional Annexes on Security and

Automation in the TIR Convention, 1975, so as the provisions of the Convention are mandatory.

More information can be found at:
<http://www.unece.org/fileadmin/DAM/trans/bcf/wp30/documents/ECE-TRANS-WP30-2010-8e.pdf>

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Customs in the XXI Century (2008)

The system of exchange of information between customs services is designated to support and to enhance international trade, promote economic development and international guarantees of social security, tax collection and management. This system will support the construction of 10 units identified in the "Customs in the XXI Century" program, reduce the costs of the enterprises to comply with the legislation, and increase the effectiveness of implementation of the customs legislation through information exchange. At the same time, the GNC (Global Network of Customs) will provide support in the implementation of the Framework of Standards to Secure and Facilitate Global Trade.

The abovementioned gives us an opportunity to note the benefits, provided to its members by this unique international system of customs transit, and to make some predictions for the future.

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PROSPECTS OF THE TIR CONVENTION

- Accession of new countries (China, Pakistan, Saudi Arabia).
- Further improvements to enhance security (SAFE FoS WCO, ISO: 28000) (New Annex on Security).
- Improvement of the international guarantee chain.
- Computerization of the TIR (eTIR project, etc.) and transition to paperless technology (C21) (a new Annex on Automation).
- Intermodal Transport:

- Container transport covered by the Convention;
- Expansion of the scope (the Oceans, Black, Mediterranean, Caspian, Baltic Sea, the Dnieper, the Danube, the Rhine);
- New users (maritime transport, rail transport).
- Creation of the global transit system for all modes of transport, corresponding to modern specifications.

At present, the UNECE secretariat and the secretariat of the Economic and Social Commission for Asia and the Pacific (ESCAP) are working on the implementation of the TIR system in the Middle East and Asia. They consider the TIR system to be one of the cornerstones for the effective road transport in Asia and the Middle East. The efforts of the ECE and ESCAP are supported by various international organizations and banks, for example, the European Commission and the Asian Development Bank (ADB) who believe that the TIR system is the necessary condition for the development of road transport along the historic Silk Road and in the Greater Mekong region in the Far East.

The main obstacle to the application of the TIR system outside Europe and North America is the creation of normal functioning guarantee system, which can ensure the coverage of all required fees and taxes. Taking into account the difference in the level of development of Africa and Europe, in particular, it is very difficult to match the risks for the guarantor and, therefore, the cost of the TIR Carnet. The way out, perhaps, is to create a separate regional guarantee systems, operating under the general direction of the world guarantee system. Creation of such a such a system would make it possible regional, interregional and even intercontinental transport under the TIR Convention.