A map of Asia and surrounding regions, including parts of Europe, the Middle East, and Southeast Asia. The map is color-coded by country/region. Overlaid on the map is the title 'The role of TIR Convention in effective implementation of the BBIN MVA' in large white text. Below the title is a paragraph of text in white. The map shows countries like Kazakhstan, Mongolia, China, India, and others. Bodies of water like the Caspian Sea, Persian Gulf, and Bay of Bengal are also labeled.

# The role of TIR Convention in effective implementation of the BBIN MVA

Implementation of the TIR Convention holds the promise of boosting regional connectivity, Bipul Chatterjee and Surendar Singh argue

## Introduction

The Bangladesh, Bhutan, India, Nepal (BBIN) region has evolved as one of the most promising blocs and it has made steady progress through various unilateral, bilateral, regional and multilateral arrangements. However, efforts to liberalise regional trade have not contributed much to the growth of regional trade due to ineffective transit agreements; low level of harmonization of transit procedures, non-existent common guarantee mechanism.

A plethora of studies suggest that inadequate attention was given to trade and transport facilitation measures such as efficiency of customs, quality of transport, cost of international and domestic transport and related border procedures. The current state of regional connectivity of BBIN countries can be gauged from the World Bank's Logistic Performance Index (LPI) which highlights the performance of BBIN countries on various logistic related indicators (customs, infrastructure, international shipment, logistic competence, tracking and tracing and timeliness). Figure 1 and Table 1 indicates that the average LPI score and ranking of BBIN countries.

India ranks first on the index, followed by Bangladesh, Nepal and Bhutan. While analysing the sub-components of LPI, it is to be noted that India's performance on various components of the LPI index is relatively better than Bangladesh, Bhutan and Nepal. The existing gap between India and Bangladesh, Bhutan and Nepal on these parameters reflects prevailing asymmetries in logistics and trade related infrastructure development. The sub-optimal performance of BBIN countries on LPI index draws attention to the urgency of reforms in key areas such as transport, transit, trade infrastructure and custom clearance procedures.

## State of BBIN corridors

The BBIN region faces massive challenges with regard to their transit and transport connectivity which include inadequate space at land and sea ports, dearth of flyovers and bridges, ineffective transport corridors, regulatory lassitude, frequent loading and unloading at border points, lack of logistic facilities, absence of integrated transit system

and lack of harmonization of trade and technical standards. Consequently, cross border movement of goods are fraught with 'institutional and regulatory complexities' which affect connectivity in the sub-region. Some of the key issues pertinent to transit and transport facilitation are as follow:

**Customs clearance procedures:** it was noted that customs procedures differ significantly from country to country. Each country has its own set of rules and regulations for customs clearance procedures for submitting documents at five checkpoints are not streamlined and harmonised. The working hours of custom offices differ from country to country and create problems for the customs clearance procedures.

*It is important for BBIN countries that they should make concerted efforts towards implementation of the TIR Convention in BBIN MVA. Such an approach, backed by strong political will, holds the promise of boosting regional connectivity and changing the geography of trade*

Export and import of cargo involves a number of parties and a complex set of steps and procedures in which trade documents are submitted for approval to customs officials at five checkpoints in three countries. While interacting with traders, it was found that time taken for customs clearance varies at all five border checking points and a significant time is wasted in furnishing customs clearance formalities at five border points in three countries (Table 2).

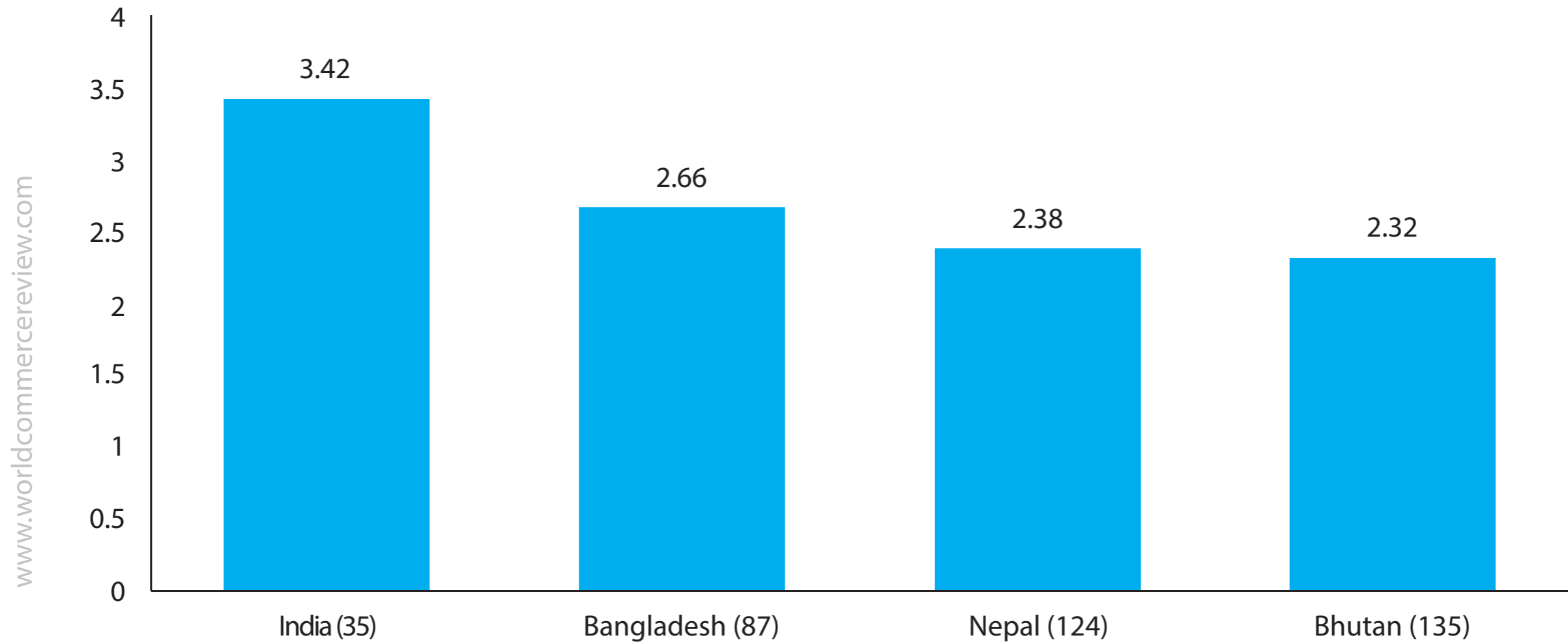
**Procedural and documentation related issues:** the findings of the field survey show that each country uses different documents in its own prescribed format. There is no standardised procedure for the submission of documents related transit, export, import and other formalities. For all five border points, traders need to prepare separate sets of documents for each customs point for exports and imports to complete the formalities of customs clearance at borders.

In India, each customs point requires three documents for both exports and imports but additional documents required if the product falls under special categories such as the sensitive list. In Nepal, each custom point requires nine documents for imports and seven for exports.

In Bangladesh, eight documents are needed for both exports and imports. The whole procedure of submitting documents is laden with administrative and regulatory complexities and substantial time goes in taking approval from various authorities (customs, plant quarantine, border management agencies, standard related organisation) at checkpoints.

Another problem with regard to submission of documents is the frequent failure of the internet at border crossing points. This causes considerable delays in completing documentation related formalities. In such cases, documents are submitted manually with due permission from higher officials of customs.

**Figure 1. LPI Score and Ranking of BBIN Countries (2016)**



Source: Logistic Performance Index, World Bank 2016  
\*\*Score on a scale lowest to highest score from 1 to 5, \*\*Ranking out of 189

**Table 1. LPI of BBIN Countries, 2016 vis-à-vis (2014)**

(Score on a scale of 1 to 5 - lowest to highest)				
Indicators	Bangladesh	Bhutan	India	Nepal
LPI Rank (Out of 189 countries)	87 (108)	135 (143)	35 (54)	124 (105)
Customs	2.57 (2.09)	2.21 (2.09)	3.17 (2.72)	1.93 (2.31)
Infrastructure	2.48 (2.11)	1.96 (2.18)	3.34 (2.88)	2.27 (2.26)
International shipments	2.73 (2.82)	2.50 (2.38)	3.36 (3.20)	2.50 (2.64)
Logistics competence	2.67 (2.64)	2.30 (2.48)	3.39 (3.03)	2.13 (2.50)
Tracking & tracing	2.59 (2.45)	2.20 (2.28)	3.52 (3.11)	2.47 (2.72)
Timeliness	2.90 (3.18)	2.70 (2.28)	3.74 (3.51)	2.93 (3.06)

Source: Logistic Performance Index, World Bank, 2016

**Table 2. Time Required for Customs Clearance in BBIN Corridor-2**

BBIN Corridor-2 (Kathmandu-Kakarvitta/PanitankiPhulbari/Banglabandha-Dhaka-Mongla/Chittagong)					
Particulars	Nepal	India		Bangladesh	
	Karkarvitta	Panitanki	Phulbari	Banglabandha	Chittagong
<i>Import</i>					
Time for Customs Clearance	3 hrs	2-3 hrs	3-4 hrs	2-3 hrs	5-6 hrs
<i>Export</i>					
Time for Customs Clearance	2 hrs	2 hrs	2 hrs	2 hrs	5 hrs

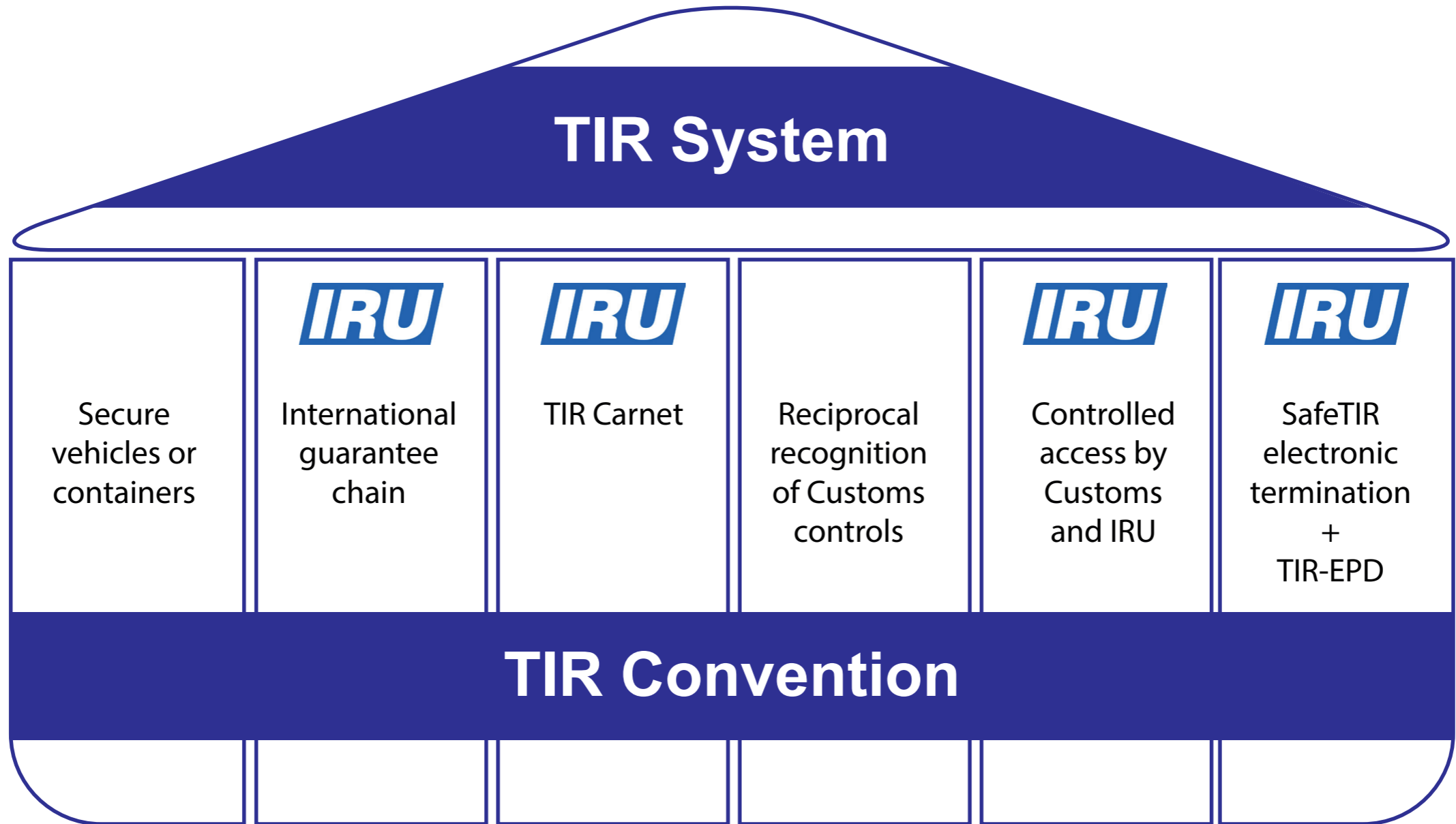
Source: CUTS Survey, 2016

**Table 3. Contracting Parties to the TIR Convention, 1975 in the Asia-Pacific region**

<i>Contracting Party</i>	<i>Time of accession</i>	<i>Contracting Party</i>	<i>Time of accession</i>
Afghanistan	23 Sep 1982	Mongolia	1 Oct 2002
Armenia	8 Dec 1993	Republic of Korea	29 Jan 1982
Azerbaijan	12 Jun 1996	Russian Federation	8 Jun 1982
Georgia	24 Mar 1994	Tajikistan	11 Sep 1996
Indonesia	11 Oct 1989	Turkey	12 Nov 1984
Iran	16 Aug 1984	Turkmenistan	18 Sep 1996
Kazakhstan	17 Jul 1995	Uzbekistan	28 Sep 1995
Kyrgyzstan	2 Apr 1998	Pakistan	21 January 2016
		China	5 July 2016

Source: United Nations Treaty Collection Database, Chapter XI Transport and Communications, A. Customs Matters, 16 and United Nations ESCAP, 18 July 2016.





**Absence of robust insurance guarantee mechanisms:** there are two major problems in the case of insurance guarantee in BBIN region. The first relates to high cost of insurance and absence robust guarantee mechanism for cross border trade. The cost of insurance varies significantly across countries and encourages logistic firms to buy insurance in those countries where it is available at lower prices.

The second relates to the problem of non-recognition of insurance policies in the region. For instance, Bangladesh does not recognise insurance policies of India, Nepal and Bhutan. Non-recognition of insurance policies contributed to the development of 'contractual arrangements' for recognition and coverage between insurance providers so that their policies can be accepted. The problem of non-recognition of insurance policies in the BBIN region undoubtedly underlines the importance of robust insurance guarantee mechanisms thereby dispensing with the need for multiple or contractual arrangements (Abel, 2016).

### **BBIN MVA and its importance**

In order to address challenges related transit and transport connectivity, the BBIN countries have entered into a landmark Motor Vehicles Agreement in 2015. The BBIN MVA is a framework agreement, and it is signed with the conviction to enhance economic integration in the BBIN region through effective transit and transport facilitation. The goal of the agreement is to enhance trade and economic activity, people to people contact, effective movement of cargo, in the region.

The BBIN MVA is envisaged to expand and build economic cooperation and connectivity among the four countries, and is expected to lower the transaction costs of doing trade significantly, hence creating new economic opportunities, particularly in border areas of the region, thus, promoting sustainable and inclusive development through employment generation and poverty alleviation.

The BBIN MVA includes several provisions such as appropriate clauses to address insurance, permits, visas (multiple-entry), applicability of local laws and business facilitation. Although vehicles have the right to travel through the BBIN countries, most of the associated agreements are bilateral, and require a variety of permits at different stages of a journey, the BBIN MVA will streamline the process of acquiring cross-border permits.

The BBIN MVA is expected to address these problems and work on the development of infrastructural and regulatory mechanisms in the region. Furthermore, the BBIN MVA is likely to yield maximum dividends for the land-locked countries and underdeveloped North East India, as it will integrate them more effectively with the global economy. Especially in the case of Nepal, the agreement would facilitate unhindered movement of cargo vehicles carrying exports to third countries through India and Bangladesh.

The agreement is set to ultimately pave its way through Myanmar and Thailand, to explore the untapped trading potentials. Overall, the BBIN MVA will facilitate trade creation and investment linkages among the member countries. It will also assist in the development of possible bilateral and regional value chains, as it will cater for the easy movement of goods across the borders, thus building opportunities for the development of regional production networks.

### **TIR Convention**

The Customs Convention on the International Transport of Goods under cover of TIR<sup>1</sup> Carnets (TIR Convention, 1975) is one of the most successful conventions under the multilateral framework of United Nations Economic Commission for Europe<sup>2</sup> (UNECE). Today, it is the only global customs transit system that provides easy and smooth movement of goods across borders in sealed compartments or containers under customs control from the customs office of departure to the customs office of destination.

Globally, there are seventy Contracting Parties to the TIR Convention from different regions such as Central Asia, Europe, Middle East and North Africa<sup>3</sup>. Seventeen countries from the Asia Pacific region are Contracting Parties to the TIR Convention (Table 3). The TIR Convention has been implemented and operationalised in most of the Asia Pacific countries. Other countries from East Asia and South-East have also expressed interest to accede to the TIR Convention but they are yet to accede to the TIR convention<sup>4</sup>. China has recently ratified the TIR Convention and become the 70<sup>th</sup> contracting party in 2016<sup>5</sup>.

The TIR System operates on six pillars: i) secure vehicles or containers, ii) international guarantee chain, iii) TIR carnet, iv) reciprocal recognition of customs controls, v) controlled access vi) TIR IT risk management tools. These pillars ensure that goods travel across borders with minimum interference en route and at the same time, provide maximum safeguards to custom administrations (Abel, 2016).

### **Benefits of TIR Convention in implementing the BBIN MVA**

Given the significance of the TIR System in boosting regional connectivity, there is a compelling case for BBIN countries to accede to the TIR Convention in the context of current BBIN MVA. The TIR System can significantly improve the effectiveness and robustness of the BBIN MVA in the region. Considering its unique features, the TIR system is a globally accepted Convention.

It can significantly contribute to the successful implementation of the BBIN MVA and also addressing existing concerns related to transit and transport facilitation. Some of key benefits in the event of a possible implementation of the TIR System to BBIN MVA are as follow:

1. The TIR System offers a 'single customs guarantee' backed by international guarantee chain led by IRU and national association. The adoption of TIR System in BBIN MVA will be beneficial for customs authorities as it will cover

duties and taxes at risk during international transit for a minimum of USD 50,000 or EUR 100,000 per TIR Carnet. It means that customs officials of BBIN countries should be concerned about the potential losses of duties and taxes during international transit.

2. The TIR System provides an important transit facilitation instrument through its standardized format for transit declaration. The implementation of the TIR system in BBIN MVA will promote standardization of documents and procedures, from which both customs authorities and trade partners will benefit. The standardized customs control and harmonized procedures will substantially lower the cost of transportation and transit delays.
3. The TIR System is the only global customs transit system that enables the movement of goods across borders in sealed compartments or containers under customs control from the customs office of departure to the customs office of destination. It ensures that 'goods cannot be removed or introduced into the sealed part of vehicle without breaking the Customs seal or without leaving obvious traces of tampering' (UNECE, 2006).
4. The TIR Carnets are only issued to those transport operators who have credible track record and have passed the approval of their national association and customs authorities to be admitted to the TIR system. This would contribute to the development of authorized transport operators in BBIN countries, mutually recognized by the four countries and in other TIR Contracting Parties, which would induce more competition and efficiency to transport sector.
5. The TIR System has a globally accepted electronic control system for integrated transit operations. The Real-Time Safe TIR integrates customs with other stakeholders and allows them to validate the status of TIR Carnet in the course of traffic in transit and to transmit the information on the termination of the TIR operation in the territory of a country. This is an important risk management instrument in the TIR system and enables early detection of potential irregularities. The adaptation of the TIR system in BBIN MVA will facilitate the integration between customs and other stakeholders based on mutually accepted protocols thereby eliminating the potential risks and irregularities in the course of the clearance of traffic and transit. Therefore, it is good for BBIN countries to accede to TIR system rather than explore other options. In short, the adoption of the TIR System in BBIN MVA is expected

to address existing glitches in transit and transport facilitation among the four countries.

6. Accession to the TIR System in BBIN MVA will provide better market access to those regions which have already acceded to the TIR Convention. Enhanced market access through the TIR System will facilitate a greater amount of cross border trade flows and integration with the world economy. The potential benefits of the TIR System will be accrued through greater amount of 'cross border trade and investment' which would allow BBIN countries to attain the larger goal of sub-regional economic integration. In addition, the inter-modal aspect of the TIR System will help BBIN countries to connect with other regions such as Middle East, Central Asia, and Europe through maritime transport in the light of the International North South Trade Corridor (INSTC) and the recently concluded Chabhar Agreement.
7. The TIR Convention can help BBIN countries not only implementing the BBIN MVA but also in fulfilling their commitment to the WTO Trade Facilitation Agreement (TFA). Many provisions of TIR Conventions support the implementation of the TFA. For instance, Article 11 on 'freedom on transit' of the TFA stipulates that each contracting party will encourage the easy and smooth movement of vehicles across border and will avoid any 'disguised restriction on traffic in transit'. This Article is in line with Article 2 of the TIR Convention which states that transportation of goods should not take place through transshipment. In short, the TIR Convention could serve the dual purpose of implementing both the MVA and the TFA

## **Conclusion**

It is amply clear that the BBIN region encounters diverse ranges of problems with regard to transit and transport facilitation. The sub-optimal trade and transport facilitation is significantly hindering the growth of intra-regional trade among the BBIN group of countries.

Inadequate transport infrastructure, ineffective transit agreements, inefficient customs clearance, absence of insurance mechanism, mundane administrative and regulatory procedures and lack of inter-governmental cooperation and integration are playing a major role in this regard. In practical terms, Nepal and Bhutan are landlocked countries

and their connectivity with the world solely hinges on connectivity with India. Both countries rely on India's trade and transport infrastructure for doing their international trade.

Today, all BBIN countries are placed at a competitive disadvantage on all indicators relating to the efficiency of logistic and border administration. Despite a significant volume of trade between them, the administrative, procedural and regulatory frameworks are still fragmented. The current transit arrangements include a plethora of rules and regulations, dealing with various aspects of trade, transit and transport facilitation.

In other words, it can be said that there is a complete absence of regulatory and procedural harmonization in the domain of movement of trucks. As a result, goods are subject to trans-shipment of cargo at borders, which increases both the time and cost of international transport of goods among the group of BBIN countries. It is anticipated that the problem of trans-shipment will get resolved with the implementation of the BBIN MVA and the TIR Convention is likely to improve the condition of cross border vehicular traffic for cargo and passengers among the four countries.

The BBIN-MVA has been ratified by India, Bangladesh and Nepal. It is expected that Bhutan will ratify the agreement in due course. The effective implementation of the agreement requires substantial amount of work on its implementation of Protocols which includes fixing custom procedures, developing insurance mechanism, fixing transit fee, routes and volumes of cargo. In this context, it is challenging to assess the actual impact of BBIN MVA, especially because it is an agreement that aims to facilitate trade and transit and reduce the cost of doing trade amongst the four countries.

The important question in this regard is that the success of the agreement critically hinges on the 'design and the quality of implementation'. It is important for BBIN countries to ensure that the design of the agreement incorpo-

rates the micro and meso level concerns and makes the agreement more effective.

Given the structure of the agreement, it is challenging to implement several provisions of the agreement as they require separate enabling legislation - at bilateral or trilateral bases. For instance, creating an insurance mechanism for cross border movement of vehicles requires additional legislation and adding any legislation in the BBIN MVA would add to the administrative and regulatory complexities.

This in turn, would affect harmonization and standardization of procedures. On the other hand, the TIR Convention has all elements – ‘comprehensive, harmonized procedure’ and it could play an important role in effective implementation of many provisions of the BBIN MVA. For example, Article 4 of the agreement relates to ‘custom duties and taxes’ to be managed by Joint Land Transport Facilitation Committee (JLTFC). The involvement of JLTFC in the application of ‘fee and charges’ could create serious coordination problems and potential opportunities for rent seeking. In the case of the TIR Convention, the issues related to duties and taxes can be easily resolved by an international guarantee chain which covers all risks related to duties and taxes.

Similarly, Article V of the agreement relates to establishment of electronic monitoring platforms for efficient tracking of vehicles. In order to do so, BBIN countries need to develop a new electronic monitoring platform at regional levels to monitor cross border movement of vehicles. In this respect, the TIR Convention provides two globally tested electronic tools (ie., Real-Time Safe TIR and TIR-EPD) which would ensure smooth exchange of information between different agencies.

The implementation of the TIR Convention in BBIN MVA is expected to provide legal and operational certainty of knowing what a procedure entails and how it will be applicable throughout the region (Abel, 2016). The consistency in rules and regulations would infuse a sense of confidence among stakeholders and would mobilise greater invest-



ment in export, transport and logistics sectors. This would enhance immensely the volumes of traffic and trade and it would also ensure the security of State revenues through better controls at border points.

The TIR System would help BBIN countries in customs controls, multi-modal connect, improved logistics and ease of doing trade. A fully operational TIR System would facilitate the effective implementation of BBIN MVA and would contribute to better regional connectivity in the BBIN region. Finally, the accession to the multilateral legal instruments such as the TIR Convention, in any country or region requires political buy-in, generated by all stakeholders, who are key beneficiaries.

It is therefore, important for BBIN countries that they should make concerted efforts towards implementation of the TIR Convention in BBIN MVA. Such an approach, backed by strong political will, holds the promise of boosting regional connectivity and changing the geography of trade. ■

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*1. TIR is the abbreviation for Transports Internationaux Routiers. More information about the TIR system, TIR Handbook and eTIR project can be found at <https://www.unece.org/tir/welcome.html>*

2. UNESCAP, (2014), *'Towards Electronic TIR Customs Transit System (eTIR)*  
<http://unnex.unescap.org/pub/brief12.pdf>
3. *Ibid*
4. *Ibid*
5. IRU(2015), *Pakistan joins the United Nations TIR Convention*  
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