

Benefits of the TIR Convention for the implementation of the BBIN Motor Vehicles Agreement

A report produced by CUTS International on the use of the United Nations TIR Convention as an instrument to realise the ambitions of the milestone Motor Vehicles Agreement to promote regional and inter-regional trade flow for BBIN countries, bringing inherent benefits of economic growth and sustainable development.

The Bangladesh, Bhutan, India, Nepal (BBIN) region's trade potential is a critical component of the economic prosperity and sustainable development of the four countries. With the capacity to grow a significant trade network, steady progress has been made in recent years through various unilateral, bilateral, regional and multilateral arrangements to improve connectivity between the four countries. However, there is still some way to go and ever present challenges pose barriers to growth.

Ineffective transit agreements, non-existent common guarantee mechanisms and insufficient transit harmonisation procedures place limits on regional trade flows. The 2015 Motor Vehicles Agreement (MVA) is a milestone in improved trade facilitation, promoting investment linkages among the member countries with a view to capitalising on potential bilateral and regional value chains. In order for the MVA to be effectively implemented, however, a streamlined transit system operating among the four countries, connecting the BBIN region to other world markets, is essential.

This study, produced by CUTS International, recommends that the United Nations TIR Convention – the global customs transit system managed by IRU – would provide the ideal transit mechanism. TIR is an international instrument, which could help realise the ambitions of the MVA. Applied in the context of the MVA, it almost certainly holds the key to overcoming the current barriers to growth that limit the region's sustainable development. India's decision to accede to the TIR Convention provides further momentum and places the region at the centre of efforts to boost overland trade and regional integration across South Asia and beyond.

Download the full document
<https://www.iru.org/resources/iru-library/benefits-tir-convention-implementation-bbin-motor-vehicles-agreement>



Customs clearance procedures between India and Bangladesh are currently not harmonised. There are around 22 documents, 55 signatures and a dozen photocopies required – with the format and standards varying significantly.



BBIN Motor Vehicles Agreement – a milestone towards streamlining the process of acquiring cross border permits

In order to address the challenges related to transit and transport connectivity, the BBIN countries entered into a landmark Motor Vehicles Agreement (MVA) in 2015. The BBIN MVA is designed to facilitate trade and investment linkages among the member countries. It could also assist in the development of possible bilateral and regional value chains, as it is expected to cater for the easy movement of goods across the borders, thus building opportunities for regional production networks. Additionally, a reduction in transport costs resulting from the implementation of the MVA will lead to a reduction in informal road transport services operating outside of legal parameters.

BBIN corridors – a clear view of current trade and transit related problems

In order to understand the current state of trade and transport facilitation in BBIN countries, in terms of both soft and hard infrastructure, two BBIN corridors and the National Highway 8 were visited by CUTS. A range of stakeholders were consulted to gain a clear view of the current trade and transit related problems. There were a number of observations:

- In the case of cross country corridors, customs procedures differ from country to country. Elements such as documentation, working hours, rules and regulations are not harmonised.
- There is an absence of mutually recognised guarantee mechanisms in the region. The cost of national guarantees varies across the countries and the national mechanisms are not recognised outside of the issuing country.

- The lack of a transit agreement between India and Bangladesh leads to the transshipment of cargo at land ports (and therefore administrative delays).
- Despite a bilateral transit agreement between India and Bhutan, the entry of commercial vehicles is banned up to a certain distance from the land ports, which results in congestion and delays.

Barriers to growth

The BBIN region's transit and transport connectivity faces soft and hard infrastructure barriers that hamper the efficient movement of vehicles across borders. This in turn is limiting the growth of intra-regional trade and investment – which curbs broader ambitions for the region relating to development, sustainability and economic growth.

Soft infrastructure barriers

- Excessive use of paperwork
- Lack of regulatory and institutional reform
- Inefficient customs procedures
- Lack of harmonisation of transport and transit procedures
- Frequent failure of internet connectivity

Hard infrastructure barriers

- Inadequate warehousing and parking,
- Dearth of space at land ports
- Poor road networks
- Narrow approach roads and weak flyovers

Implementation of the TIR system would promote the standardisation of documents and procedures across the BBIN region.



TIR Convention – the global customs transit system – facilitating cross border trade flows

The United Nations TIR Convention (1975) is one of the most effective international instruments, overseen by the UN. It is the only global customs transit system that provides seamless 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. The system ensures that goods travel across borders with little interference en route, maximum security and minimal customs administration.

The TIR system plays an important role in facilitating cross border trade flows, adding considerable value to improving regional trade mechanisms. Globally, the TIR system has been a successful model for reducing trade transaction costs and facilitating higher growth of intra-regional and inter-regional trade.

The benefits of the TIR system are clear: it prevents losses to the state budget by securing customs duties and taxes and it provides a robust guarantee mechanism, ensuring security to customs authorities but also facilitating efficient customs management.

How the TIR system works

- Goods travel in customs secure vehicles or containers
- Throughout the journey, duties and taxes at risk are covered by an internationally valid guarantee
- Goods are accompanied by an internationally accepted customs document (TIR carnet), opened in the country of departure and serving as a customs control document in the countries of departure, transit and destination
- Customs control measures taken in the country of departure are accepted by all countries of transit and destination
- Access to the TIR procedure for national associations to issue TIR carnets and to act as guarantor; and to natural and legal persons to utilise TIR carnets are granted by competent national authorities
- IT risk management tools constitute an important feature of the TIR system and serve as the basis of its full computerisation, providing even higher security and facilitation of transit operations



A compelling case for BBIN countries to accede to the TIR Convention for effective implementation of the MVA

Given the significance of TIR in boosting regional connectivity, and India's decision to accede to the TIR Convention, there is a compelling case for other BBIN countries to opt for TIR in the context of the current BBIN MVA.

TIR can significantly improve the effectiveness and robustness of the MVA in the region by establishing effective transit procedures among the four countries and by connecting the BBIN region to other world markets.

Key benefits expected from the possible implementation of TIR in the region can be summarised here:

- Standardisation of documents and procedures reduce the cost of transport and transit delays.
- The TIR system offers a "single customs guarantee" backed by the TIR international guarantee chain, managed by IRU.
- The adoption of TIR covers duties and taxes at risk during international transit, thus protecting state revenue from any potential losses during international transit.
- TIR equips customs authorities with standard IT risk management tools. The Real-Time Safe TIR integrates customs with other stakeholders and allows them to validate the status of a TIR carnet in transit and to transmit the information on the termination of the TIR operation in the territory of a country. This important risk management instrument enables early detection of potential irregularities. Thanks to another instrument – TIR-EPD, customs authorities can receive advance information on transported goods for performing advance risk assessment.
- The adoption of TIR in the BBIN MVA would facilitate 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.

A fully operational TIR system has been estimated to yield economic benefits ranging from 0.14 percent to 1.31 percent of national gross domestic product.