



TIR and the facilitation of unimpeded trade for China

Unleashing the potential of international road transport for China's Belt & Road initiative: an analysis of the TIR system's facility to boost unimpeded trade in China and countries along the route.

Introduction

A joint project with the University of International Business and Economics (UIBE), this report studies the future benefits of trade facilitation in China and the construction of an international road transport system offered by the implementation of the TIR system.

The context

China's Belt & Road initiative and its ratification of the United Nations TIR Convention in 2016 has intensified the need to remove the current administrative, technological, institutional and infrastructural obstacles to international trade.

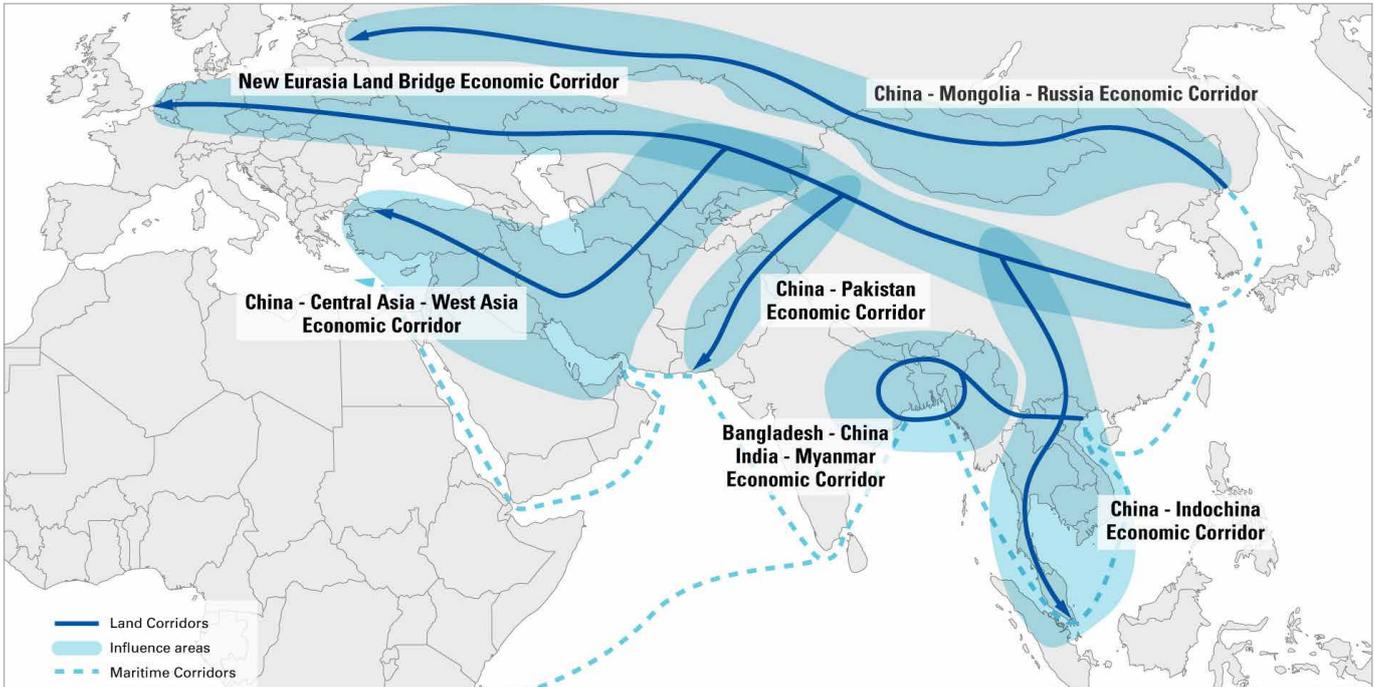
With the vision for enhanced movement of goods along the former Silk Road, China is looking to bring about trade facilitation measures based on internationally recognised norms and regulations. The country has already entered into relevant agreements concerning trade and customs facilitation with the

World Trade Organization (WTO) and World Customs Organization (WCO) and now requires the tools to realise these objectives.

As a global trade power, China has a strong interest in improving the efficacy of its foreign trade instruments, while continuously reviewing policies to open to world markets. Chinese customs has expressed its intention to vigorously promote the reform of national customs integration. However, the total volume of trade with China's neighbours has not witnessed a significant increase, in part due to the stagnant global economy and lowered price of staple commodities. Therefore, neither the growth of foreign trade nor profitability of business is positive, giving rise to an increasingly pronounced demand for trade facilitation. While the professionalisation of road transport services are being improved, the sector requires further reform to support the accelerating development of an export-oriented economy.



Using TIR will help China and countries along the Belt & Road route, in particular Eurasian countries, to save up to 80% of the transport time and 30% of the costs in international road transport.



Background on TIR

The United Nations TIR Convention (1975) is one of the most effective international instruments, overseen by the UN Economic Commission for Europe (UNECE). 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 TIR system plays an important role in facilitating cross border trade flows, adding considerable value to improving regional trade mechanisms. 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.

Conclusions

Accelerating the implementation of TIR would significantly enhance the potential of the “One Belt One Road” initiative in China. It would shorten customs clearance time, reduce costs to promote trade development, and promote regional trade relations between China and “One Belt One Road” countries, especially those in middle Asia, western Asia, southern Asia and north-eastern Europe. In facilitating the freedom of transit and customs cooperation, it would enable China to take credible steps towards realising the WTO trade facilitation agreement. TIR would also enhance the competitiveness of cross-border logistics by reducing customs intervention and simplifying required documentation. In so doing, it would help expand the cross-border transport market, boosting the growth of international Chinese transport enterprise.

TIR in China at a glance

- China has the most bordering countries in the world (14).
- Road transport comprises only 10% of international cargo transport in China – making it heavily under-used.
- China has already opened 178 international road transport routes, achieving 37,470,000 ton volumes of goods transported by 2015.
- China ratified the TIR Convention in July 2016, becoming the 70th signatory.
- Currently, 42 of the 65 major countries along the Belt and Road route have acceded to TIR.
- The TIR Convention has 70 signatories in five continents and is being carried out in 58 countries, most of which are important regions along “Silk Road Economic Belt”.
- Using TIR will help China and countries along the Belt & Road route, in particular Eurasian countries, to save up to 80% of the transport time and 30% of the costs in international road transport.
- With the implementation of TIR, the total volume of import and export trade among China and other major countries along the B & R route could increase by up to USD 13.5 billion - which is 1.4% of the total volume of trade.
- Relevant standards in existing international road transport in China, such as vehicle and road guidelines or customs clearance documents, differ between neighbouring countries across the region – impeding the development of an international road transport network.
- China currently has only 300 international transport operators – compared to 6,000 in a much smaller country like Poland, or 2,000 in Turkey.
- International road transport could become one of the most pivotal transport modes for foreign Chinese trade, with enormous potential.