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Q1: Respondent details

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Q2: Country or Customs territory

INDIA

Q3: Organization

NGO

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Q4: Title of case story

Promoting Regional Connectivity through BBIN MVA: Role of TIR Convention

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

Trade facilitation is an integral element of trade and development agenda of developing countries. In recent times, trade facilitation initiatives have been undertaken by many developing countries to provide reliable, transparent and predictable environment for the movement of goods and services, across the border. Trade facilitation measures include a broad set range of activities, such as institutional and regulatory reforms and trade-related infrastructure. The BBIN sub-region, comprising of Bangladesh, Bhutan, India and Nepal have entered into BBIN Motor Vehicle Agreement (MVA) in 2015 to address challenges related to transit, transport facilitation in the region. Facilitating trade and transportation related issues in the region will prove extremely beneficial for landlocked countries like Bhutan and Nepal. Better infrastructure, transport networks connectivity across these countries will exponentially improve access to ports for traders of Nepal and Bhutan. In the light of this, the case story analyses the challenges in the effective implementation of BBIN MVA and how these challenges can be addressed by acceding to TIR Convention.

Q7: Who provided funding?

Multilateral organization

Q8: Project/Programme type

Multi-country

Q9: Your text case story

Promoting Regional Connectivity through BBIN MVA: Role of TIR Convention

Background and Context

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Facilitating trade and transportation related issues in the region will prove extremely beneficial for landlocked countries like Bhutan and Nepal. Better infrastructure, transport networks connectivity across these countries will exponentially improve access to ports for traders of Nepal and Bhutan. In the light of this, the case story analyses the challenges in the effective implementation of BBIN MVA and how these challenges can be addressed by acceding to TIR Convention.

BBIN MVA: A Landmark Development

The BBIN sub-regional initiative is envisaged to expand and build up economic cooperation and connectivity among the four south Asian nations. The BBIN MVA is an umbrella agreement, signed with the conviction of economic integration in the region by facilitating transit and transport within four countries. It is expected to lower down the transaction costs of doing trade significantly, hence resulting in generating new economic opportunities, particularly in border areas of the region, thus, promoting sustainable and inclusive development through employment generation and poverty alleviation. Among others, the agreement includes appropriate clauses to look at insurance, permits, visa (multiple-entry), applicability of local laws (a more detailed analysis will be important), 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. BBIN countries currently face a number of logistical impediments. Except for trade between India-Nepal and India-Bhutan, trade among other countries is not seamless. Trade between India-Bangladesh, Bangladesh-Bhutan, Bangladesh-Nepal, is plagued with various problems. Problems such as loading unloading of goods, lack of banking facilities, narrow road connectivity, marginal use of railways and inland waterways, electricity and communication problems at borders, etc., causes wastage of time and induces high costs. BBIN MVA is expected to solve these problems and work on the development of infrastructural and regulatory mechanisms in the region. The BBIN MVA is likely to yield maximum dividends for the land-locked countries 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.

Current State of Transit and Transport Facilitation in BBIN Countries: Observations from BBIN Corridors

Infrastructure has always played an important role in integrating a region, and Eastern-South Asia has repeatedly faced issues of inadequate and poor infrastructure, signalling obstruction to overall growth and development. Poor transport connectivity results in inefficient cross border movement of cargo and vehicles thereby harming the growth of “intra-regional trade and investment potentiality” in the region. A multitude of studies have already argued that ineffective transport facilitation coupled with other factors such as excessive use of documentation, lack of regulatory and institutional reforms, inefficient customs clearance procedures, frequent failure of internet, inadequate soft and hard infrastructure, absence of testing and standard related institutions are responsible for the sub-optimal regional connectivity in the BBIN region (De, 2014).

A recent survey conducted by CUTS International shows that there are number of factors which hinder the efficient of movement of vehicles across borders. In all BBIN countries, it was noted that custom 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 is not streamlined and harmonised. The working hours of custom offices differs in each country and creates lot of problems for the custom clearance procedures. Furthermore, there are 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 set of documents for each customs point for exports and imports to complete the formalities of custom clearance at borders. In India, each custom point requires three documents for both exports and imports but; there are additional documents required if the product falls under special category such as 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 a substantial amount of time goes for taking approval from various authorities (customs, plant quarantine, border management agencies, standard related organisation) at checkpoints. Other problems with regard to submission of documents include frequent failure of 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.

Other than this, the lack of harmonised transport system in BBIN countries led to frequent loading and unloading of goods at ports. At all five border crossing points, goods are loaded and unloaded, causing considerable loss in the

goods at ports. At all five border crossing points, goods are loaded and unloaded, causing considerable loss in the value of goods and increases the possibility of pilferage. The cumulative loss of time in loading at point of origin in India, transportation, unloading at Kakarvitta, transportation, unloading at Benapole, parking, customs and crossing of border, and re-loading is around 99 hours as against the ideal time of 29.6 hours

Role of TIR Convention in the Effective Implementation of BBIN MVA

The Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention, 1975) is one of the most successful under the multilateral framework of United Nations Economic Commission for Europe (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. The TIR System operates on six pillars: i) secure vehicles or container, 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 border with minimum interference en route and at the same time, provide maximum safeguards to custom administrations (Abel, 2016).

TIR System plays an important role in facilitating cross border trade flows. It has potential to add “considerable value” to improving regional trade mechanisms thereby stimulating greater amount of regional trade flows among the member countries. Globally, the TIR System has been a successful model to reduce trade transaction cost and facilitate higher growth of intra- and inter-regional trade. One of most important benefits of the TIR System is that it helps countries improve the efficiency of trade supply chains by lowering trade costs involved at different stages of supply chain. The TIR System promotes harmonisation of customs procedures; uniform trade practices and effective regional transit, which in turn, help countries reduce substantial amount of trade costs involved in these procedures. It eliminates duplication of procedures and contributes the efficiency of the administrative and regulatory procedure at crossing points. Peter Krausz (2015) calculates the potential economic benefits of TIR in selected UNESCAP countries which include Cambodia, India, Indonesia, Japan, Lao PDR, Myanmar, Republic of Korea, Thailand and Vietnam) by using the “base on the volume (weight) of traded goods expressed in the number of 20-tonne load units and estimated over the period 2014-2018”. The study summaries that the implementation of the TIR System can contribute to “potential monetary savings” and it can be in the range between 0.14 and 1.31 percent of national annual GDP. Thus, the study suggests that it is important for these countries to consider all possibilities to accede to the TIR Convention to accrue economic gains of cross border trade flows. IRU (2016) undertakes a comprehensive analysis of transit costs in East and Southern Africa and demonstrates that the implementing the TIR Convention can substantially lower the cost of doing trade in Common Market for East and Southern Africa (COMESA). The average reduction in transportation cost would be hundreds of dollars per container, thus saving billions of dollars and increasing GDP in African countries. It also compares the “costs of national bonds, of the COMESA Regional Customs Transit Guarantee (RCTG) and the TIR Carnet in East and Southern Africa and summaries that “the TIR System will be 16 times less expensive than the national bond system and more cost efficient”

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. The TIR system is globally accepted Convention given its unique features. It can significantly contribute the successful implementation of the BBIN MVA and also addressing existing transit and transport facilitation related concerns. Some of key benefits of the possible implementation of the TIR System to BBIN MVA are as follow:

- The TIR System provides an important transit facilitation instrument through its standardized format for transit declaration. The implementation of TIR system in BBIN MVA will provide a “simplified and standardized Customs control and documentation” to transport operators which will facilitate easy and smooth movement of vehicles across borders. The standardized customs control and documentation will substantially lower the cost of transportation and transit delays.
- 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 minimum upto EUR 60,000 per TIR Carnet. It means that customs officials of BBIN countries need to not worry about the potential losses of duties and taxes during international transit. Other than this, TIR Carnets are only issued to those transport operators who have credible track record, which enhances the TIR system’s security, and the transport is performed in secure vehicles or containers, which satisfy the technical requirements of the TIR Convention.
- 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 on 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 mutual 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 exploring other options. In short, the adoption of the TIR System in BBIN MVA is expected to address existing glitches in transit and transport facilitation of between the four countries.

- Accession to the TIR System in BBIN MVA will provide better market access to those regions which had already acceded to the TIR Convention. Enhanced market access through the TIR System will facilitate greater amount 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 fulfill larger goal of sub-regional economic integration. Other than this, 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 view of recently concluded Chabhar Agreement and International North South Trade Corridor (INSTC).
- The TIR Convention could help BBIN countries not only implementing the BBIN MVA but also fulfilling their commitments of the WTO TFA. It will work as “double-edge sword” in reinforce the implementation of BBIN and TFA.

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Q10: Lessons learnt

The study analyses the key elements of BBIN MVA and explore possible opportunities for adopting TIR Convention. A through analysis of various protocols of BBIN MVA shows that the accession to the TIR Convention can be game changer for boosting regional connectivity in the region. It will can help BBIN Countries to integrate with other regional markets such as China (which has already acceded to TIR Convention). The adoption of TIR Convention in BBIN MVA will ensure smooth and effective implementation of the agreement. It is important to note that the Government of India has expressed a keen interest in acceding to the TIR Convention and it is started the process for the same.
