

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







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

---

August 2017

## Contents

Acknowledgements	6
Note on contributors	7
Foreword	8
Preface	9
<b>Executive summary</b>	<b>10</b>
Introduction	10
Soft and hard infrastructural barriers to growth	10
Soft infrastructure barriers	10
Hard infrastructure barriers	11
BBIN Motor Vehicles Agreement – a milestone towards streamlining the process of acquiring cross border permits	11
BBIN corridors – a clear view of current trade and transit related problems	12
Case study: NH-8	12
TIR Convention – the global customs transit system – facilitating cross border trade flows	13
India Joins TIR Convention for boosting regional connectivity	14
Conclusions: a compelling case for BBIN countries to accede to the TIR Convention for effective implementation of the BBIN MVA	14
Key recommendations	15
<b>Chapter 1</b>	<b>Transport barriers in BBIN countries</b>
	<b>16</b>
1.1 Transport barriers in BBIN countries and their effects on cross border trade	16
Procedural complexity and inefficient border corridors	17
Ineffective transit agreements	18
1.2 Importance of the BBIN MVA – its goals, objectives and salient features	18
BBIN MVA goals and objectives	18
Salient features of the BBIN MVA	20
1.3 Potential economic benefits of transport facilitation of BBIN countries	21
Trade creation and promotion	22
Economic development of landlocked countries and least developed states	22
Development of regional value chains	22
Reduction in cross border informal trade	22

<b>Chapter 2</b>	<b>An overview of the TIR Convention</b>	<b>23</b>
	2.1 Importance of TIR procedures in international road transport	23
	Elements of the TIR System	24
	2.2 TIR and its role in facilitating cross border trade flows	25
	2.3 TIR procedures	26
	TIR importance to BBIN MVA	28
	Benefits of TIR Convention in fulfilling WTO TFA commitments	29
	2.4 Facilitating regional transit through the TIR system and its importance to the BBIN MVA	29
	Lessons from other regions and corridors for the effective implementation of the TIR Convention within the BBIN MVA	31
<b>Chapter 3</b>	<b>BBIN MVA and the TIR Convention – observations from selected BBIN corridors</b>	<b>34</b>
	3.1 BBIN Corridor 2: Kathmandu -Kakarvitta/Panitanki Phulbari /Banglabandha Dhaka-Mongla/Chittagong	34
	Cusoms clearance procedures	34
	Procedural and documentation related issues	35
	Lack of insurance guarantee mechanisms	35
	Transport regulations and transit issues	35
	Road infrastructure and logistics related impediments	36
	Frequent loading and unloading	36
	3.2. BBIN Corridor 3: SamdrupJhongkhar-Guwahati-Silliest-Dhaka-Benapole/Petraploe-Kolkata	37
	Customs clearance formalities	37
	Procedural and documentation related concerns	38
	Infrastructural obstacles	38
	Transport regulations and other related impediments	38
	Transit issues	38
	3.3 Internal Delhi-Mumbai Corridor: JNPT Mumbai-Tughlakabad New Delhi	39

3.4	Current state of movement of goods on the NH-8 and key challenges	40
	Tax and regulatory landscape	40
	Over dimensional cargo (ODC) on the NH-8	42
	Motor vehicle tax, national and state permits	42
	Non-containerised and containerised movement	44
	Export-import clearance at Mumbai JNPT	45
3.5	The role of the TIR Convention in addressing transit and transport related impediments in BBIN and NH-8 corridors and effective implementation of the BBIN MVA	47
<b>Chapter 4</b>	<b>Conclusions and recommendations</b>	<b>49</b>
	Recommendations	50
	Simple and standardised framework	50
	Effective risk management under the TIR system	50
	Harmonisation of transit and transport related regulations	50
	Endnotes	52
	References	53
	Annexes	54

## List of maps, tables, figures and annexures

### Tables

Table 1: Performance of BBIN countries on Logistic Performance Index (LPI), 2016 (Score on a scale from lowest to highest, from 1 to 5)	17
Table 2: Protocol for movement of cargo vehicles with reference to the Motor Vehicles Agreement for the regulation of passenger, personal and cargo vehicular traffic between Bangladesh, Bhutan, India and Nepal	20
Table 3: Contracting parties to the TIR Convention 1975, in the Asia-Pacific region	23
Table 4: Key issues affecting regional transit agreements in selected regions	31
Table 5: Key features of BBIN Corridor 2	35
Table 6: Time required for customs clearance in BBIN Corridor 2	35
Table 7: Key features of BBIN highway corridor	37
Table 8: Time required for customs clearance in BBIN Corridor	38
Table 9: Overview of national highways of India	40
Table 10: Time and cost of transit formalities	43

### Figures

Figure 1: LPI score and ranking of BBIN countries (2016)	17
Figure 2: The TIR system and its procedures	24
Figure 3: Non-containerised and containerised movement	45
Figure 4: Movement of Cargo at JNP - Export	46

### Maps

Map 1: BBIN corridors	19
Map 2: BBIN Corridor 2	36
Map 3: BBIN Corridor 3	37
Map 4: Delhi-Mumbai Corridor	39

### Annexes

Annexure 1: Number of toll plazas on National Highway 8 (Mumbai to Delhi)	54
Annexure 2: List of key central and interstate agencies on the NH-8	55

## Acknowledgements

# Benefits of TIR Convention for the Implementation of BBIN Motor Vehicles Agreement

This study is a product of hard work and sincere efforts of several individuals and organisations, whose inputs have resulted into this publication. A diverse set of stakeholders and experts, who have keen interest and are involved in trade, transport, connectivity and infrastructural development issues in Bangladesh, Bhutan, India and Nepal, have contributed immensely to this work. We acknowledge their valuable inputs.

Specifically, we would like to express our gratitude and appreciation to IRU for their extensive support and involvement in this study. Special thanks are due to Kazem Asayesh and Tatiana Rey-Bellet of IRU for their deep involvement. Their valuable suggestions and timely review of various drafts of the study have not only helped us finalise this publication but also enhance the quality of its content.

### **The study benefitted from distinctive guidance from the following persons:**

- Sanjay Mitra, Secretary, Department of Road Transport and Highways, Ministry of Road Transport and Highways
- Sandeep Kumar, Commissioner (Customs & Export Promotion), Department of Revenue, Ministry of Finance, Government of India

- Bhupinder Singh Bhalla, Joint Secretary (SAARC/South Asia), Department of Commerce, Government of India
- Prashant Agrawal, Joint Secretary (SAARC), Ministry of External Affairs, Government of India
- A D James, Deputy Secretary, Ministry of Road Transport & Highway, Government of India
- Sathish K Reddy, Consultant, Asian Development Bank
- Pritam Banerjee, Senior Director, Corporate Public Policy (South Asia), Deutsche Post DHL

We also acknowledge the meticulous efforts of our colleagues at CUTS Centre for International Trade, Economics & Environment and CUTS Calcutta Resource Centre in doing this study. Notable thanks are due to Indranil Bose for its editing. Thanks are also due to G C Jain, Sudhir Kumar and L N Sharma for its financial management.

Many other names deserve special mention but could not be referenced here for want of anonymity and space. A large number of stakeholders has been interviewed and they provided valuable suggestions for taking forward the agenda of regional integration through better regional connectivity. We thank all of them.

Finally, any errors that may remain are solely ours.

## Note on contributors

### Taramani Agarwal

Taramani is a Senior Research Associate, CUTS International and is based at CUTS Centre for International Trade, Economics & Environment, Jaipur. She holds Bachelor's in Economics, Statistics and Mathematics from the Singhania University and Master's in Statistics from the Amity University. Her areas of interest include trade and transport facilitation, application of quantitative techniques. Previously, she has worked at the Bureau of Research on Industry and Economic Fundamentals and at Deloitte Consultancy.

### Sumanta Biswas

For more than a decade, Sumanta has been working in the capacity of a Senior Programme Officer, CUTS International and is based at CUTS Calcutta Resource Centre. He holds Bachelor's in Commerce from Mahatma Gandhi University. His areas of interest include field research, networking, advocacy. He has undertaken more than 30 field research based assignments on various issues of international trade, connectivity and regional economic integration. He has an enriched experience of people-to-people network in north-eastern states of India.

### Sayandeep Chattopadhyay

Sayandeep is a Research Associate, CUTS International and is based at CUTS Calcutta Resource Centre. He holds a Bachelor's in Economics from the University of Calcutta and Master's in Economics from Symbiosis International University. His areas of interest include international economics, growth theory, political economy of economic regulations. Previously, he had worked at the Institute for Social and Economic Change, Bengaluru.

### Prithviraj Nath

Prithviraj is an Associate Director, CUTS International and is based at CUTS Calcutta Resource Centre. He holds Master's in Business Management after graduating in Economics from the University of Calcutta. He has published several research papers and articles, and has expertise on participatory research in the areas of international

trade, energy governance, renewable energy and sustainable development issues. Previously, he has worked at the Department of Municipal Affairs, Government of West Bengal.

### Aparna Sharma

Aparna is a Senior Research Associate, CUTS International and is based at CUTS Centre for International Trade, Economics & Environment, Jaipur. She holds Master's in Economics from the University of Rajasthan and worked at the Indian Institute of Technology, Indore and the Indian Institute of Management, Lucknow. At present, she is a doctoral student at the Indian Institute of Technology, Indore. Her areas of interest include international trade, regional economic integration, trade facilitation, and intellectual property rights.

### Prashant Sharma

Prashant is a Senior Research Associate, CUTS International and is based at CUTS Centre for International Trade, Economics & Environment, Jaipur. He holds Master's in Diplomacy, Law and Business from Jindal School of International Affairs, O. P. Jindal Global University. His areas of interest include international trade, regional economic integration, transport and logistics regulations. Previously, he has worked at National Tsing Hua University, Taiwan, HelpAge India and IBM Global.

### Surendar Singh

Surendar is a Fellow, CUTS International and is based at CUTS Centre for International Trade, Economics & Environment, Jaipur. He holds PhD in international trade from Kumaon University. He has more than 10 years of experience in research and teaching. His areas of interest include international trade and global value chains, regional economic integration, trade facilitation. He has published several research studies, articles and discussion papers in national and international journals. He has also written two books on international trade and export-import management, which have been adopted by Sikkim Manipal University as core books for its courses on international trade and economics.

## Foreword



**Pradeep S. Mehta**  
Secretary General  
CUTS International

Countries, whether developed, developing or least developed, are making significant efforts to enhance their production, trade and investment linkages so as to become future centres of global growth. This is due to a rebalancing of the global economy, and a shift of the centre of gravity of global economic power towards the Asia-Pacific region.

Given this context, the integration of economies through better connectivity is at the core of leveraging economic and strategic benefits to the new global economic order. Realising the need for better regional connectivity, countries are endeavouring to enter into transit and transport agreements to diversify their economic, trade and investment linkages across the region at the least, and then to reach out to the world.

Keeping this in mind, Bangladesh, Bhutan, India and Nepal (the BBIN group of countries in the Bay of Bengal region) have entered into a landmark Motor Vehicles Agreement (MVA) that aims to 'provide seamless people-to-people contact and enhance economic interaction by facilitating cross border movement of people and goods'.

The BBIN MVA is a framework agreement and is considered to be part of the effort to economically integrate the sub-region, where intra-regional trade is still very low due to the poor current state of roads, railways and other trade-related infrastructure. The Agreement will help create a unified market that would generate more trade and investment opportunities for domestic and international firms. In addition, it will allow firms to foster regional value chains through cross-border investments.

Globally, it is recognised that the implementation of transit and transport agreements hinge on institutional and operational frameworks that enable better implementation of their protocols. In this regard, there are many international conventions that provide well-tested frameworks to implement transit and transport agreements. The United Nations TIR (Transports Internationaux Routiers) Convention (the Convention on International Transport of Goods under the cover of TIR carnets) is considered to be one of the most successful instruments.

It is the only international customs transit system that facilitates the smooth movement of goods across borders in

sealed compartments or containers under customs control from the customs post of departure to the customs post at the destination. The TIR system provides a globally tested 'institutional and operational mechanism' that helps countries implement transit agreements in an efficient manner.

Therefore, given the various challenges of transit and transport experienced by the BBIN group of countries for cross-border trade with their immediate neighbours, the BBIN MVA coupled with the TIR Convention can play an important role in developing standardised procedures that would facilitate efficient movement of cargoes across borders. It will contribute towards the harmonisation of transit and transport protocols, thereby significantly reducing the time and cost of doing trade in the sub-region.

In short, The TIR system can significantly improve the effectiveness and robustness of the BBIN MVA in the region and, moreover, can be instrumental for better connectivity of the BBIN region to other world markets. This, in turn, would generate greater business opportunities for domestic and foreign entities to exploit the economic potential of the sub-region. Another advantage of the TIR Convention is that it can help the BBIN group of countries to fulfil their commitments to the WTO Agreement on Trade Facilitation, which is already being implemented.

Thus, this study could not have come at a more appropriate moment. It clearly articulates the importance of the TIR system for ensuring an efficient transit and transport regime among the BBIN group of countries. It recommends that the TIR system can play an important role in better implementation of the BBIN MVA.

Finally, I am glad to state that the Government of India has recognised the importance of this study and based on its recommendations and keeping in mind its larger interest of regional connectivity, she has decided to accede to the TIR Convention. While aware of various resource constraints, I am confident that Bangladesh, Bhutan and Nepal will take note of this and will adopt the necessary steps to accede to this Convention in the near future.

I thank IRU for its support and guidance towards this study and my colleagues for their granular work in producing this seminal document and hope for its effective dissemination at national and regional level.

## Preface

**Umberto de Pretto**  
Secretary General  
IRU



IRU's collaboration with CUTS on this important study on the benefits of TIR for the Bangladesh, Bhutan, India and Nepal (BBIN) region comes at a time of gathering momentum, with the global economy looking to the Asia-Pacific region as the emergent centre of growth. India's recent announcement of its intention to accede to the TIR Convention and the implementation of the BBIN Motor Vehicles Agreement (MVA) presents an ever more relevant case for TIR as the ideal, tried and tested, customs transit tool to make this happen.

The partnership between our two organisations on this milestone publication marks the confluence of CUTS's vision for "consumer sovereignty" with IRU's drive to connect communities, and to help them prosper via a robust global framework of road transport services. It is a partnership that underlines the critical role of road transport in transforming economies and the necessary impetus that international trade facilitation conventions, like TIR, can offer in this endeavour.

With this in mind, it has been a rewarding alliance, which we hope to continue, as we work together with CUTS to push forward the idea of a unified market for the BBIN region.

The mobility of people and goods across the region and into other world markets is almost entirely dependent on the road transport sector. With strategic and focused reform, the BBIN governments can effect far-reaching advances in logistics performance, encouraging trade, improving road safety and boosting economies – often with minimal financial investment.

The challenge will be to create an enabling environment for transport that is competitive, while encouraging trade and ensuring that businesses and communities have access to efficient road transport services. The implementation of the TIR system would help tackle current inefficiencies and would yield significant development benefits. TIR would provide the BBIN road transport sector with the structure to improve productivity, competition, sustainability and transparency for the movement of freight across borders.

India's announcement on TIR coupled with the landmark BBIN MVA, as well as recent investment in road infrastructure, are clear signals that the BBIN region is past the tipping point for significant trade growth. These developments, however, will only yield their full potential for boosting the region's economies and offering its communities the opportunity for enhanced prosperity, if goods are able to move seamlessly along, through and beyond its highways, borders and roads.

**Executive summary**

# Benefits of the TIR Convention for the Implementation of the BBIN Motor Vehicles Agreement

## Introduction

The Bangladesh, Bhutan, India, Nepal (BBIN) region is poised to become an effective trade nexus, with steady progress made in recent years through various unilateral, bilateral, regional and multilateral arrangements. However, efforts to liberalise regional trade have faced challenges. Ineffective transit agreements, non-existent common guarantee mechanisms and insufficient transit harmonisation procedures place limits on the capacity for growth. A number of studies suggest that inadequate attention has been given to trade and transport facilitation measures with the necessary transformative potential to address elements such as efficiency of customs, quality of transport, cost of international and domestic transport and related border procedures.

## Soft and hard infrastructural barriers to growth

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

## Soft infrastructure barriers

The soft infrastructure barriers encompass the excessive use of paperwork, the lack of regulatory and institutional reform, inefficient customs procedures, frequent failure of internet connectivity, and lack of harmonisation of transport and transit procedures. These soft infrastructural challenges vary across land ports in the BBIN region. For instance, customs clearance procedures between India and Bangladesh are not harmonised. There are around 22 documents, 55 signatures and a dozen photocopies required – with the format and standards varying significantly.

Transshipment – the transport of goods to an intermediate destination – is also a major concern. The practice adds significantly to trade costs and ineffective transit agreements result in delays and complexities at border points. Policies regulating traffic movement tend to be limited to a bilateral arrangement, and constitute additional fees for moving goods from one side of the border to warehouses of the partner country. In addition, the manual submission of documents at land customs stations is cumbersome and lengthy, affecting the overall efficiency of cargo clearance.



### Hard infrastructure barriers

The hard infrastructure barriers include inadequate warehousing and parking, a dearth of space at land ports, poor road networks, narrow approach roads and weak flyovers. The Petrapole-Benapole Land Customs Stations (LCS) between India and Bangladesh reflect these weaknesses. The Jessore road that connects to Petrapole LCS is narrow with several encroachments through the stretch. This leads to heavy congestion outside the Petrapole LCS and the movement of trucks on this road is often restricted. In the same vein, the current capacity of the Raxual-Birganj LCS between India and Nepal is inadequate for the movement of large volumes of cargo.

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

In order to address challenges related to transit and transport connectivity, the BBIN countries entered into a landmark MVA in 2015. The BBIN MVA is a framework Agreement, designed to enhance economic integration in the BBIN region through effective transit and transport facilitation. The goal is to enhance trade and economic activity, personal mobility, and the effective movement of cargo in the region.

The Agreement is envisaged to expand and build economic cooperation and connectivity among the four countries, in order to lower the transaction costs of trade. This will create new economic opportunities, particularly in border areas, and promote sustainable and inclusive development through employment and poverty alleviation.

The BBIN MVA includes several provisions addressing insurance, permits, visas (multiple-entry), applicability of local laws and business facilitation. Although vehicles currently 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 the journey. The BBIN MVA will streamline the process of acquiring the necessary cross border permits.

While trade between India-Nepal and India-Bhutan is operative, trade among other countries is seamless. India-Bangladesh, Bangladesh-Bhutan and Bangladesh-Nepal corridors are plagued with various problems, such as inefficient loading and unloading of goods, lack of loading bay facilities, narrow roads, sub-optimal connectivity, marginal use of railways and inland waterways, electricity and communication problems at borders. All of these factors waste time and increase costs.

The BBIN MVA will address these problems by improving 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 include Myanmar and Thailand, to explore further as yet untapped trading potential.

**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 regional production networks. Additionally, a reduction in transport costs resulting from the implementation of the MVA will lead to a reduction in trade costs.**

## 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 (India and Nepal) and the National Highway 8 (NH8) 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 insurance guarantee mechanisms in the region. The cost of insurance varies across the countries and some insurance policies 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.
- 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.

## Case study: NH-8

Given that the wider regional connectivity of BBIN countries hinges on the state of internal transport, the NH-8 – one of the most important corridors – was surveyed as a case study. The NH-8 is highly strategic as it encompasses various industrial nodes and townships, and manufacturing and logistics clusters across six states in India: Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Haryana and New Delhi. The overall length of the corridor is 1375 kilometers between the ‘political capital and the commercial capital’ of India, that is Delhi and Mumbai (NHAI, 2016).

It was observed that the NH-8 faces several issues related to divergent and complex legal and regulatory frameworks, resulting in higher transaction costs, which hinder the movement of goods via road. While transacting across states, various indirect taxes are levied, like central states, value added, entry, octroi, toll, local bodies’ taxes, et cetera. These taxes are collected by respective states’ central and municipal government and other bodies. Along with taxes on goods, vehicles carrying those goods are also taxed, in the form of vehicle registration fees and other inter-state regulations.



## 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 Economic Commission for Europe (UNECE). 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 system ensures that goods travel across borders with little interference en route, maximum security and minimal customs administration.

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 better security and facilitation of transit operations

The TIR system plays an important role in facilitating cross border trade flow, 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 provides a robust guarantee mechanism, ensuring security for customs authorities but also facilitating efficient customs management.

TIR undoubtedly has advantages for customs authorities as it significantly simplifies the transit procedure, while effectively protecting the revenue of the state through which goods are carried. The system requires minimal manpower and facilities – other than what is needed for checks on seals and the inspection of load compartments or containers.

Another important benefit is that international transit operations are covered by a “single transit document” which significantly reduces the risk of presenting inaccurate information.

Advantages for the transport industry are equally compelling. Under the TIR system, goods may travel across national boundaries with minimum interference from customs authorities. TIR eliminates all traditional impediments to the international movement of goods and reduces transit delays, saving significantly on transport costs. The international guarantee chain likewise benefits the transport industry.

Over time, the expansion of the TIR system to different regions (European Union, Eurasian Economic Customs Union, Eastern Europe, Central Asia and Middle East) has illustrated persuasive benefits. First, the growth of trade in these regions encouraged countries to adopt standardised and harmonised protocols, with the TIR a natural solution as the globally accepted mechanism. Second, countries acceded to the TIR Convention as a part of their broader trade facilitation reform and its implementation has subsequently significantly contributed to the growth of intra-regional trade.

## India Joins TIR Convention for Boosting Regional Connectivity

On 6 March 2017, the Union Cabinet headed by Prime Minister Shri Narendra Modi gave its approval to India’s accession to the TIR Convention, which was followed by official accession on 15 June 2017. A landmark development, which gives immense importance to the larger agenda of regional and national connectivity.

India’s participation in the TIR Convention will help traders to access simple, reliable and hassle-free movement of cargo by road or multi-modal means across the territories of other contracting parties. The TIR Convention will harmonise national transit and transport procedures with international standards contributing to the efficient movement of goods across borders.

India’s accession to the TIR Convention is part of its multi-modal transport strategy that aims to integrate the economy with global and regional production networks through better connectivity.

The TIR Convention will boost overland trade integration with India’s eastern and western neighbours. On the eastern front, it will help India to integrate with East Asian and South East Asian markets under its current trade and transport facilitation initiatives, such as the India-Myanmar-Thailand Trilateral Highway and the BBIN MVA – thereby contributing to the larger ‘Act East Asia Policy’.

On the western front, it will help India to move cargo along the International North-South Transport Corridor (INSTC) via Chabahar port in Iran, to access landlocked Afghanistan and the energy-rich Eurasian region under its “Connect Central Asia Policy”. The Convention will also complement other national and multilateral connectivity related initiatives, such as the Goods and Services Tax (GST) and the World Trade Organisation’s Trade Facilitation Agreement (TFA) commitments.

## Conclusions: a compelling case for BBIN countries to accede to the TIR Convention for effective implementation of the BBIN MVA

Given the significance of TIR in boosting regional connectivity, there is a compelling case for BBIN countries to accede to the TIR Convention in the context of the current BBIN MVA.

TIR can significantly improve the effectiveness and robustness of the BBIN MVA in the region by establishing effective transit procedures among the four countries and by connecting the BBIN region to other world markets. Some key benefits expected from the possible implementation of TIR in the region are summarised here.

The TIR system provides an important transit facilitation instrument through its standardised format for transit declaration. The implementation of TIR in the BBIN MVA will ensure standardisation of documents and procedures, which will be beneficial for customs and transport operators alike. This will 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 will, therefore, cover duties and taxes at risk during international transit from a minimum up to EUR 60,000 per TIR carnet, thus protecting state revenue from any potential losses during international transit.

TIR also equips customs authorities with standard IT risk management tools developed by IRU. 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. It is recommended, therefore, that BBIN countries should make concerted efforts to accede to the TIR Convention.

## Key recommendations

A simple and standardised framework:

- Accession to TIR would provide tried and tested tools to implement BBIN MVA. This would boost the overall operational effectiveness of the Agreement and reduce investments needed to develop transit protocols.
- Implementation of the TIR system in BBIN will promote the standardisation of documents and procedures which will facilitate the efficient movement of vehicles across borders. The successful implementation of the MVA among the BBIN countries could be a strong driver for boosting regional connectivity and creating a unified regional market. However, to make MVA operational, tools such as the TIR Convention are required, which could further stimulate intra-regional trade, investment and economic integration - just as TIR has already proved instrumental to the facilitation of regional trade in Economic Cooperation Organisation (ECO) countries and Central Asia.

Risk management under TIR:

- Implementation of TIR would provide higher security mechanisms which would prevent the potential loss of customs duties and taxes when goods are in transit. Higher security would protect national revenue through efficient control procedures and risk management devices.
- TIR IT tools (Real-Time SafeTIR and TIR-EPD) ensure the availability of real-time information on transit operations for the concerned stakeholders, which contributes to better border control and management. These tools are a vital step towards a streamlined transit handling. TIR IT facilities could play an important role in preventing duplication of export-import clearance related formalities and make the entire process more efficient.

- The TIR IT risk management tools enable electronic message exchange among parties. They automate customs procedures, and advance risk assessment at border crossings. Moreover, they provide the framework for a fully digital TIR procedure, which has been successfully tested and is in advanced development stages.

Harmonisation of transit and transport related regulations:

- Co-opting the TIR Convention in BBIN MVA would ensure a higher degree of harmonisation of transit, transport and customs related procedures, which would significantly reduce the incidence of procedural and administrative barriers to the movement of goods across frontiers.
- Many protocols of BBIN MVA require separate legislation and disperse the regulatory framework of the Agreement. For instance, guarantee mechanisms for cross border movement of goods is yet to be explored and it is expected that it requires a new institutional framework through separate legislation in each country. The accession to the TIR Convention and its international guarantee chain provides standard guarantee mechanisms for the cross border movement of goods.
- The TIR Convention could help BBIN countries implement their TFA commitments, as many provisions of TIR and TFA are complementary and mutually supportive. Again, while TFA provisions formulate a framework, the TIR system offers concrete mechanisms for the implementation of those provisions.
- Accession to TIR would promote connections between contracting or potential Contracting Parties in new markets. This would provide easy and efficient access to different regions and deepen their integration with global and regional production networks.

To address the challenges related to internal connectivity in India, iCarnet – a carnet intended for the movement of goods on the territory of one country under customs control, can play an important role in facilitating secured transport between two customs offices within that country. It eliminates major impediments (such as inter-state cross border checking and other administrative procedures) involved in the internal movement of cargo vehicles. Most importantly, it will streamline the procedures at the Jawaharlal Nehru Port Trust (JNPT) Mumbai by removing the clearance procedure from the port to the customs of destination, thereby reducing costs and time for both customs authorities and transport operators.

## Chapter 1

# Transport barriers in BBIN countries

## 1.1 Transport barriers in BBIN countries and their effects on cross border trade

Transport facilitation has been recognised as a key issue for connectivity and economic integration in the South Asian region among BBIN group of countries. It is well known that poor transport connectivity is one of the major impediments to smooth and efficient cross border movement of cargo and vehicles and which adversely affects the growth of intra-regional trade and investment potentiality in the region. This is clearly highlighted by existing studies on trade and transport facilitation in BBIN countries.

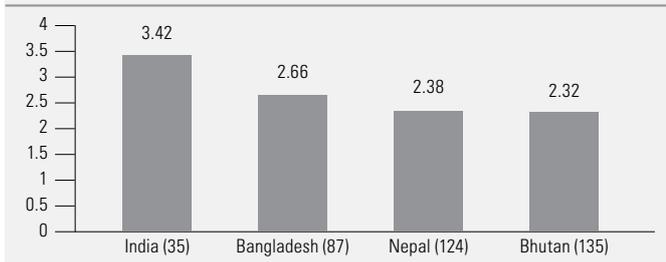
A multitude of studies have already argued that ineffective transport facilitation coupled with other factors like excessive use of documentation, lack of regulatory and institutional reforms, inefficient customs clearance procedures, frequent failure of internet, inadequate soft and hard infrastructure, lack of testing, and standards-related institutions are responsible for the sub-optimal regional connectivity in the BBIN region (De, 2014).

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 logistics related indicators (customs, infrastructure,

international shipment, logistic competence, tracking and tracing and timeliness). Figure and Table 1 indicate 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 was 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 the LPI index draws attention to the urgency of reforms in key areas such as transport, transit, trade infrastructure and customs clearance procedures.

Currently, the BBIN region faces substantial challenges with regard to its transit and transport connectivity. There is inadequate space at land and sea ports, a dearth of flyovers and bridges, ineffective transport corridors, regulatory lassitude, frequent loading and unloading at border points, lack of logistics facilities, a lack of integrated transit systems and a lack of harmonisation of trade and technical standards. Consequently, cross border movement of goods is fraught with institutional and regulatory complexities that affect connectivity in the sub-region

**Figure 1: LPI score and ranking of BBIN countries (2016)**

Source: Logistic Performance Index, World Bank 2016  
Score on a scale from lowest to highest, from 1 to 5, Ranking out of 160

**Table 1**

Performance of BBIN countries on Logistic Performance Index (LPI), 2016 (Score on a scale from lowest to highest, from 1 to 5)						
Country	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking & Tracing	Timeliness
Bangladesh	2.57	2.48	2.73	2.67	2.59	2.9
Bhutan	2.21	1.96	2.5	2.3	2.2	2.7
India	3.17	3.34	3.36	3.39	3.52	3.74
Nepal	1.93	2.27	2.5	2.13	2.47	2.93

Source: Logistic Performance Index, World Bank, 2016

### Procedural complexity and inefficient border corridors

Procedural complexity and inefficient border corridors work as deterrents to intra-regional trade flows among the member countries of BBIN. A number of factors cause delays at land ports. First, the procedure for submitting trade documents varies. For instance, trade documents used for customs clearance at Petrapole Integrated Check Post (ICP) in India are different from Benapole Land Customs Station (LCS) in Bangladesh. Traders need to prepare different sets of documents for the clearance of cargo, which is a cumbersome procedure.

Second, the dismal connectivity of internet at land ports affects the functioning of Electronic Data Interchange (EDI) and creates massive challenges not only for customs but also for other agencies which operate at border points. The EDI is a platform that provides an interface for sharing information among operating agencies at land ports. The failure of EDI links breaks the communication among operating agencies and creates severe constraints due to the lack of coordination. In addition, specific agencies such as plant quarantine (PQ) and animal quarantine (AQ) are yet to be integrated into the EDI system.

Furthermore, the existing capacity of LCS is inadequate for the large volume of bilateral trade flows and movement of trucks. The problem is further compounded by complex regulatory procedures, inefficient customs clearance operations and insufficient warehousing and storage capacity. One of the major problems at the Petrapole-Benapole LCS is the narrow approach

road to the LCS. Only one vehicle can pass through at a time. This means that trucks cannot pass over to the other side of the border when trucks are coming in from the opposite direction or returning after unloading their goods on the Bangladesh side (De, 2014).

The Raxaul (India) and Birganj (Nepal) LCS is a major transit corridor and accounts for two-thirds of bilateral trade between the two countries. The transit corridor Kolkata-Raxaul-Birganj-Kathmandu faces severe impediments related to soft infrastructure. India and Nepal use Indian Customs EDI Gateway (ICEGATE) and Automated System for Customs Data (ASYCUDA ++ systems, respectively, for the submission of online documents and other related formalities. The systems operate differently and take information in varying formats. Divergent procedures for the submission of information in ICEGATE and ASYCUDA ++ creates the issue of compatibility, which in turn, affects the efficient processing of cargo. In addition, the EDI system at Raxaul is only operational for bilateral trade flows but not for transit cargo. Therefore, transit cargo clearance is carried out manually. This adds to the transaction costs and affects cross border movements (Taneja, et al., 2016).

Moreover, the current state of hard infrastructure at Raxaul- Birganj LCS is weak. The narrow two lane bridge over the River Sirsiya near the border is in poor condition and hampers the movement of cargo vehicles. Equally, the road infrastructure between Motihari to Raxaul is weak and hinders the efficient movement of trucks (Taneja, 2013).

The lack of harmonisation of technical and transport standards, inconsistent border crossing procedures and cumbersome documentation are major barriers to cross border movement of vehicles. Goods are often inspected at different stages of the supply chain and sometimes even when they are in transit.

It is important to note that inadequate transit and transport facilitation is particularly challenging for landlocked countries like Nepal and Bhutan which rely on inter-country land transport for much of their intra and external regional trade. For instance, Bhutan and Nepal depend on Kolkata and Haldia (India), located on the east coast of India, in order to trade with other countries. Therefore, the quality of transit and transport infrastructure in India significantly impacts the trade competitiveness of Bhutan and Nepal (De, 2015).

### Ineffective transit agreements

Freedom of transit results in freedom of trade, hence playing an important role in regional connectivity. Freedom of transit in the BBIN region encounters numerous challenges. Political misunderstanding and lack of institutional and regulatory reform have affected the development of regional transit. Although bilateral transit agreements exist between countries (India-Nepal and Bhutan), they have made limited progress in terms of addressing issues related to bilateral transit facilitation.

While some BBIN countries have bilateral transit agreements in place (e.g., India and Bhutan), it is pertinent to note that lack of political will and institutional capacity have resulted in delays to regional transit agreements. Goods carried by road transport in BBIN countries are subject to transshipment at borders, causing unnecessary delays. For instance, India and Bangladesh do not have a transit agreement and goods are loaded and unloaded at border points. The principal factor inhibiting connectivity in the region is the lack of effective regional transit

agreements. Consequently, the cost of transporting goods for landlocked countries such as Bhutan and Nepal is very high and directly hits their trade competitiveness in global markets. In short, the lack of effective transit mechanisms in the sub-region impedes intra-regional trade, economic exchange and the integration of regional markets.

## 1.2 Importance of the BBIN MVA- its goals, objectives and salient features

### BBIN MVA goals and objectives

The idea of the SAARC MVA was proposed at the Ministerial Conference of the SAARC member countries in Kathmandu in November 2014, in recognition of the importance of connectivity for economic integration in the region. However, due to a lack of domestic preparation by Pakistan, India, along with Nepal, Bhutan and Bangladesh, decided to move forward with the MVA that eliminates restrictions on vehicular movement in the subcontinent. The BBIN MVA was signed on 15 June, 2015, with the objective of facilitating smooth transit and transport in the region.

The Agreement aims to address long standing grievances of the landlocked countries Nepal and Bhutan related to trade and transit issues with India. Especially in the case of Nepal, the Agreement would facilitate unhindered movement of cargo vehicles carrying exports to other countries through India and Bangladesh. For Bhutan, the Agreement means increased people-to-people contact in the region, and boosting tourism in the country.

The MVA is expected to significantly lower trade transaction costs involved in trade thereby creating new economic opportunities, particularly in the border areas of the region. The goal of the Agreement is to enhance trade and economic activity, people-to-people contact, and efficient movement of cargo among the four countries.



The key goals of the Agreement may thus be reiterated as follows:

- Facilitate cross border trade and investment in the sub-region through better regional transport connectivity
- Promote regional economic integration through improved regional connectivity by allowing movement of cargo and passengers through road transport
- Assist countries in creating an institutional mechanism for deeper regional economic integration

The objective of the Agreement is to provide seamless people-to-people contact and enhance economic exchange by facilitating the cross border movement of people and goods. The BBIN MVA would facilitate seamless sub-regional connectivity and deepen integration on economic and trade issues and people-to-people contact amongst the four countries. It would enable efficient movement of passenger and cargo vehicles among the four countries and greatly benefit small landlocked countries like Nepal and Bhutan as it would ensure their reciprocity with India in trade and commerce.

The BBIN MVA is envisioned to ultimately secure integration with Southeast Asia through connectivity with Myanmar and Thailand, thereby paving the way for exploration of the untapped trading potential of the region. Improved connectivity will not only boost trade and economic activity in the region but will also help the region to develop. The underdeveloped Northeast Region (NER) of India, Nepal and Bhutan is expected to gain the most from this initiative.

The possible routes under the BBIN MVA are as follows:

- Kolkata-Petrapole/Benapole-Dhaka-Akhaura/Agartala
- Thimphu-Phuentsholing-Jaigaon-Burimari-Hatikamrul-Mongla/Chittagong
- Kathmandu-Kakarvita/Phulbari-Banglabandha-Hatikamrul-Mongla/Chittagong
- Samdrup Jongkhar (Bhutan)-Guwahati-Shilong-Tamabil-Sylhet-Chittagong
- Silchar-Sutarkandi-PaturiaFerryghat-Benapole/Petrapole-Kolkata
- Agartala-Akhaura-Chittagong
- Silchar-Sutarkandi-Chittagong

**Map 1. BBIN corridors**



### Salient features of the BBIN MVA

The BBIN MVA will facilitate cargo, passengers, non-regular passengers and personal vehicular traffic across borders in the sub region. The MVA contains 18 articles, four forms of permits for both passenger and goods traffic, and three annexures. The MVA is to be implemented through bilateral and tripartite protocols and will not affect any of the existing bilateral or other agreements between the contracting countries.

Protocols (Annexure 1) have detailed descriptions about vehicles, permits, fees and charges, cross border coordination, and details related to vehicular halts and break-downs for cargo transport and passengers. There are four forms of permits for movement: cargo, passenger,

non-regular passenger, and personal vehicular traffic. Permits for regular passenger and regular cargo transport vehicles will be based on multiple entries and are valid for one year. This will also apply to non-regular passenger vehicles, which will be duty free up to 30 days. In the Agreement, the contracting parties have agreed to allow the movement of their registered vehicles in other territories. This would include “cargo vehicles (including trucks, trailers, etc. that could carry containerised cargo) for inter-country cargo, including third country cargo” and “passenger vehicles for both hire and reward; or personal vehicles” (BBIN MVA, 2015).

Table 2

Protocol for movement of cargo vehicles with reference to the Motor Vehicles Agreement for the regulation of passenger, personal and cargo vehicular traffic between Bangladesh, Bhutan, India and Nepal		
Article	Heading	Content
I	Definitions	Definitions of authorised routes, immigration check points, and LCS, home country, host country, joint land transport facilitation committee, national land and transport facilitation committee, rest or recreation places, repair facilities, refueling centers, tolls. There are nine definitions in this article. Joint Land Transport Facilitation Committee (JLTFC) – an institutional body set by contracting parties to monitor the implementation of the Agreement and prepare the protocols for the Agreement.
II	Competent authorities	The information regarding competent authorities shall be given by contracting parties to the JLTFC for the purposes of various provisions of the protocol.
III	Permit related issues	The information regarding competent authorities shall be given by contracting parties to the JLTFC for the purposes of various provisions of the protocol.
IV	Fees and charges	All fees and charges levied under the Agreement shall be transferred by the contracting parties to the JLTFC. The option of electronic payment should also be allowed.
V	Installation of a tracking system	An electronic monitoring platform with appropriate software and hardware for efficient tracking of vehicles should be established.
VI	Unscheduled halts, accidents and vehicle breakdowns	This defines the procedure to be followed in case of an accident, breakdown, and/or repair of a vehicle. All relevant and related information shall be forwarded to the JLTFC by the contracting party.
VII	Motor liability insurance	The vehicles operating under the MVA shall be covered by a comprehensive insurance policy.
VIII	Specifications of vehicles	This specifies that schedule C II must be followed to permit the size, type and category of cargo vehicle. Load classification and the certificate of fitness is to be determined by the norms of the JLTFC.
IX	Number and volume of traffic movement of vehicle	The number and volume of the traffic movement of cargo vehicles shall be as per Schedule C III, duly certified by the competent authority of the contracting party issuing the permit.
X	Cross border coordination	Parties shall coordinate working hours and working days of the adjacent land customs stations authorised for entry and exit of vehicles under the Agreement.
XI	Temporary admission of vehicles and other customs issues	This article defines the period and conditions of the temporary admission of vehicles in the territory of the contracting party.

XII	Cross border movement of passengers and crew	This defines the regulations to be followed by the crew for cross border movement relating to their passports, visas, and crew identity card, issued in paper form or via a smart card. It also refers to cargo manifestly carried by each cargo vehicle, which is required to be formatted as per Schedule C VI.
XIII	International transit through the territory of the contracting parties	A transit declaration is required by the LCS for entering the transit country. It states that the exit endorsement must be entered in the relevant copy of the Document for Temporary Admission by the host country's customs authorities. The cargo in transit shall be exempt from routine physical customs inspections en route and customs escorts in the territory of the transit country.
XIV	Terms for establishment of authorised operator branch offices	The agency responsible for issuing permission to establish branch offices for authorised operators and the format of the application shall be presented to the JLFTC by the contracting parties.
XV	List of prohibited/restricted goods	The prohibitions and restrictions as stipulated under the national laws and regulations of the contracting parties shall govern the cross border movement of goods and crew baggage.
XVI	Institutional arrangements	The contracting parties shall each establish a permanent National Land Transport Facilitation Committee (NLFTC) or a similar body. A JLFTC shall be set up to monitor and review the implementation of the Agreement. A customs sub-group shall be established to formulate the required customs and related procedures, which safeguards the entry and exit of motor vehicles under the Agreement and protocol. JLFTC and the customs sub-group shall establish their respective Terms of Reference and internal rules.
XVII	Cooperation on investigation and repression of violations	This defines the claims for investigation of infringement and circumvention of the laws of the Agreement. Dispute Resolution Mechanism: The contracting parties shall endeavour to amicably resolve disputes arising out of interpretation and/or implementation of the Agreement through consultations among the parties involved and by using the mechanism of the JLFTC.
XVIII	Final provisions	This article details the dispute resolution mechanism, relationship with the Agreement, its enforcement and denunciation, suspension, withdrawal, transparency, dispute settlement, review and amendment of the protocols under the Agreement.

### 1.3 Potential economic benefits of transport facilitation of BBIN countries

The BBIN MVA is a framework agreement that aims to improve regional connectivity among the member countries of the BBIN. The potential benefits of the Agreement hinge on its effective implementation including a sound transit system. The BBIN MVA will contribute to the harmonisation of trade and transport standards.

While the guarantee mechanism will be most effectively managed by the TIR system, it is believed that the effective implementation of the Agreement would contribute to better sub-regional connectivity, people-to-people connectivity, tourism, and deeper economic integration among the four countries. The operation of the BBIN MVA hinges on adopting standardised and streamlined procedures to facilitate unhindered movement of passenger and cargo vehicles from one country to another, which would create enormous economic opportunities in the region.

The Agreement supported by an operational transit system could help integrate the Indian Punjab and western India with Bangladesh, Nepal and Bhutan into a single and unified market. It will serve as a stepping stone to forge deeper economic integration with Southeast and East Asian markets.

The potential economic benefits of the Agreement can be even higher for the landlocked countries, namely Bhutan and Nepal, as it will ensure unhindered movement of cargo vehicles carrying exports to other, third countries through India and Bangladesh. Furthermore, seamless regional connectivity among the four countries could facilitate strong backward and forward linkages in different sectors.

### **Trade creation and promotion**

The operation of the BBIN MVA agreement could be a game changer for intra-regional trade and investment for numerous reasons. The Agreement will enable the exchange of goods traffic rights and the efficient movement of vehicles and goods and people-to-people contact among the four countries. It will create more trade and investment opportunities by eliminating obstacles to market access and non-tariff barriers.

The Agreement will also help make cross border trade and transport more efficient because connectivity in Northeast India's economic hubs such as Agartala, Guwahati and Shillong to and through Bangladesh, Bhutan and Nepal would substantially reduce transport costs involved in the movement of cargo. Enhanced regional connectivity will facilitate strong trade and investment linkages among the member countries and will contribute to the overall economic development of the region.

### **Economic development of landlocked countries and least developed states**

The BBIN MVA initiative will be particularly beneficial to the region neighbouring Bangladesh, Bhutan, Nepal, and Northeastern India. The region is home to about half a billion people and is one of the poorest in the world. Improved regional connectivity through the BBIN MVA will enable better market access for landlocked countries such as Bhutan and Nepal, both in terms of exports and imports. It will help Bhutan and Nepal to access ports in India and Bangladesh to promote their foreign trade.

Enhanced inter-regional connectivity will allow BBIN countries to link their least developed states/regions with commercial capitals such as Dhaka, Kolkata and Kathmandu. This will enable them to exploit vast rich natural resources such as fertile soil, water, minerals, and the energy resources of the least developed states and this will substantially contribute to their economic growth.

### **Development of regional value chains**

One of the most important benefits of the BBIN MVA will come from the possible development of regional and bilateral value chains between the concerned countries. There exists immense scope to foster regional value chains in select sectors such as textile, agro-processing, horticulture and leather. It will boost the interest of countries to participate in global production networks where a large number of firms engage in the production of different components of a single product.

Improved connectivity would help firms to participate in regional value chains through logistics, information technology networks, seamless movement of goods and connectivity improvement. This will augment the growth of bilateral and regional value chains and possibilities and opportunities to connect with regional production networks to achieve higher economic benefits from an increased scale of business, networks and agglomeration economies.

### **Reduction in cross border informal trade**

It is generally accepted that high trade transaction costs coupled with cumbersome trade procedures and other delays at border points augment the growth of informal trade among the member countries of BBIN. The high volume of informal trade in the BBIN region is mainly caused by tariffs and complex administrative and regulatory procedures and inadequate trade infrastructure.

Informal trade leads to a significant loss of customs duties and taxes which could be prevented if formal channels of trade are efficient. However, the BBIN MVA is expected to provide seamless movement of vehicles through well-defined trade procedures and it will substantially reduce significant trade costs involved in different export-import procedures. In addition, it will reduce informal trade that takes place between the four countries. Effective transport facilitation coupled with the simplification of processes, procedures, and instruments will encourage operators to engage more in formal trade avenues.

In order to realise economic and trade gains flowing from the BBIN MVA, effective implementation of the Agreement is crucial and it needs certain support mechanisms, in particular an effective and efficient transit system, to become operational. Currently, the BBIN MVA is a framework agreement and it needs to be equipped with implementation tools, such as a single guarantee system, standard and mutually recognised procedures, standardised transit documents and uniform IT risk management tools. The TIR Convention (1975) is the only globally recognised system that provides harmonised, standardised procedures to facilitate cross border movement of cargo vehicles.

It is, therefore, imperative for all four countries to explore the option of co-opting the TIR Convention in the current BBIN MVA to boost the operational effectiveness of the Agreement.

## Chapter 2

# An overview of the TIR Convention

## 2.1 Importance of TIR procedures in international road transport

The Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention, 1975) is one of the most successful conventions under the multilateral framework of the 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.

Globally, there are seventy contracting parties to the TIR Convention from different regions such as Central Asia, Europe, the Middle East and North Africa. Seventeen countries from the Asia Pacific region are contracting parties to the TIR Convention (Table 3).

The TIR Convention has been implemented and is operational in most of the Asia Pacific countries. Other countries from East Asia and Southeast Asia have also expressed interest in acceding to the TIR Convention but they are yet to do so. China has recently ratified the TIR Convention to become the 70th contracting party in 2016.

Table 3

Contracting parties to the TIR Convention 1975, in the Asia-Pacific region			
Contracting Party	Time of accession	Contracting Party	Time of accession
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.

**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.**

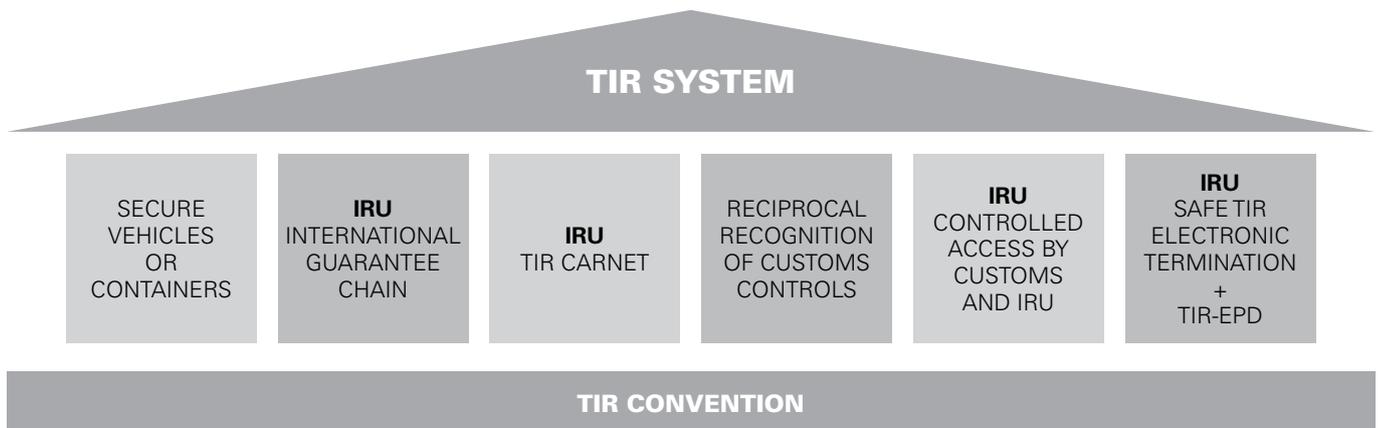
It is pertinent to note that the contracting parties to the TIR Convention in the Asia-Pacific region include a number of landlocked countries such as Afghanistan, Armenia, Azerbaijan, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. It is clear that the TIR Convention is of immense importance for landlocked countries which face severe transport related constraints in accessing other regional markets. The TIR system helps land-locked countries overcome transit and transport related impediments and realise their economic and trade potential through better market access and improved regional connectivity.

The growing importance of the TIR system in international road transport can be noted by the increase in the use of TIR carnets in certain countries in the Asia-Pacific region. As per recent statistics from the UNECE, more than 35,000 operators are authorised to use the TIR system. The global usage of TIR carnets has witnessed robust growth over the period from 1975 to 2014, with some fluctuations in the past decade caused by sluggish growth of global trade during the period from 2007 to 2009 due to political tensions between certain countries that have affected international trade in some regions.

### Elements of the TIR system

- Goods should travel in vehicles or containers secured by customs;
- Throughout the journey, duties and taxes at risk should be covered by an internationally valid guarantee;
- Goods should be 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 should be 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; natural and legal persons shall be authorised by competent national authorities to utilise TIR carnets;
- IT risk management tools emerge as an important feature of the TIR system in light of the increasing significance of computerisation of all TIR related procedures. It provides more security and facilitation to transit operations.

Adapted from: Ariadne Abel (2016) "The TIR Convention and Benefits of Seamless Movement of Vehicles in the BBIN sub-region" the Asian Journal, Asian Institute of Transport Development, Volume 1.



Source: United Nations Economic Commission for Europe, 2016

## 2.2 TIR and its role in facilitating cross border trade flows

The TIR system plays an important role in facilitating cross border trade flows. It has the potential to add considerable value to improving regional trade mechanisms thereby stimulating greater regional trade flows among member countries. Globally, the TIR system has been a successful model for reducing trade transaction costs and facilitating higher growth of intra- and inter-regional trade.

The benefits of the TIR system are manifold for all actors involved in cross border trade flows. The TIR system prevents losses to the state budget by securing customs duties and taxes. It provides robust guarantee mechanisms which not only ensure security to customs but also facilitate efficient customs management. In addition, the TIR system helps countries improve the efficiency of trade supply chains by reducing trade costs at different points of the supply chain.

The TIR system promotes harmonisation of customs procedures, uniform trade practices and effective regional transit, which in turn, help countries reduce substantial trade costs involved in these procedures. It eliminates duplication of procedures and contributes to the efficiency of the administrative and regulatory procedures at intersections. The TIR system contributes not only to cross border trade flows but also helps countries to deal with challenges emanating from transit and customs agreements under different regional trade agreements.

The implementation of the TIR system in addition to regional trade agreements leads to the assimilation of various transit and customs arrangements under the TIR framework. This helps countries to reduce the cost of compliance with different trade and transit regulations and enables them to reap higher economic benefits from regional trade agreements.

The expansion of the TIR system in different regions (European Union, Eurasian Economic Customs Union, Eastern Europe, Central Asia and Middle East) has revealed two key elements. First, the growth of trade in these regions calls for better regional connectivity through standardised protocols. This has created the need for a globally accepted convention such as TIR which has been instrumental in promoting regional connectivity. Second, countries that have acceded to the TIR Convention as part of their broader trade facilitation reforms and the implementation of the

TIR system have significantly contributed to the growth of intra-regional trade. The Central Asian region serves as one of the best examples in this context. It is worth noting that the number of TIR carnets issued in Iran, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan has increased from 1,03,610 in 2008 to 1,70,700 in 2013 (IRU, 2014). The increasing use of TIR carnets in the Central Asian region serves as a testimony to the improved cross border movement of goods thereby stimulating the growth of intra-regional trade.

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 summarises that the implementation of the TIR system can contribute to potential monetary savings and it can be in the range of 0.14 to 1.31 per cent of the national annual Gross Domestic Product (GDP).

Thus, the study suggests that it is important for these countries to consider all possibilities to accede to the TIR Convention to achieve economic gains for cross border trade flows.

Beyrouty and Tessler (2014) have undertaken a study which analyses the potential benefits of adoption of the TIR system by Argentina, Brazil, and Mexico. The study argues that the adoption of TIR by these countries could save substantial time and costs. The implementation of TIR is expected to boost exports of three countries by US\$1-5bn for a total of US\$9bn. In the cases of Argentina and Brazil, substantial trade is intermodal, in Mexico, it takes place through road transport.

The study further postulates that the gains in trade in these countries are tentative as they only consider the time benefits of TIR and not the reduction in costs of shippers and reduced regulatory and procedural burdens, among other factors (Beyrouty and Tessler, 2014). In the same vein, a recent study by IRU (2016) undertook a comprehensive analysis of transit costs in East and Southern Africa and demonstrated that the implementation of the TIR Convention can substantially lower the cost of doing trade in the Common Market for Eastern and Southern Africa (COMESA).

The average reduction in transport costs would be hundreds of dollars per container, thus saving billions of dollars and increasing the 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 Eastern and Southern Africa, and summarises that the TIR system will be 16 times less expensive than the national bond system and more cost efficient.

The increasing importance of the TIR system in regional trade flows has motivated many countries to accede to the TIR Convention. Pakistan recently acceded to the TIR Convention to achieve greater access to markets in regions such as Central Asia, Western China and West Asia. It will help Pakistan to improve its export competitiveness by reducing transport costs and simplifying cross border movement of vehicles and goods. Similarly, China acceded to the TIR Convention on 5 July 2016, which is a landmark development, particularly in view of its 'One Belt and One Road' (OBOR) strategy that aims to link underdeveloped provinces of China with other regions.

China's accession to the TIR Convention opens new efficient and faster transport opportunities and transport routes between China and Europe and will lay the foundation for harmonising transport standards and boosting transport, trade, and development across the Eurasian region. China's joining the TIR system can become a real game changer for international trade as it performs over 700,000 border examinations each year with its western neighbours, and sees TIR as a means to simplify shipments to and from Europe and other countries.

This will significantly lower the cost of transport by eliminating unnecessary procedural hurdles at border intersections which in turn will facilitate greater cross border trade flows with other countries. Furthermore, the development of intermodal TIR could establish

industrial parks and economic corridors along the Silk Road which would promote industrial activities in these countries. Spillover effects of improved regional connectivity would help them mobilise greater international investments for development of export processing zones (EPZs) and special economic zones (SEZs).

## 2.3 TIR procedures

TIR procedures hold immense importance for inter-regional connectivity, mobility of vehicles and efficient movement of cargo across borders. TIR procedures provide high security for customs and enable goods to move under customs control across borders without the payment of customs duties and taxes for goods in transit.

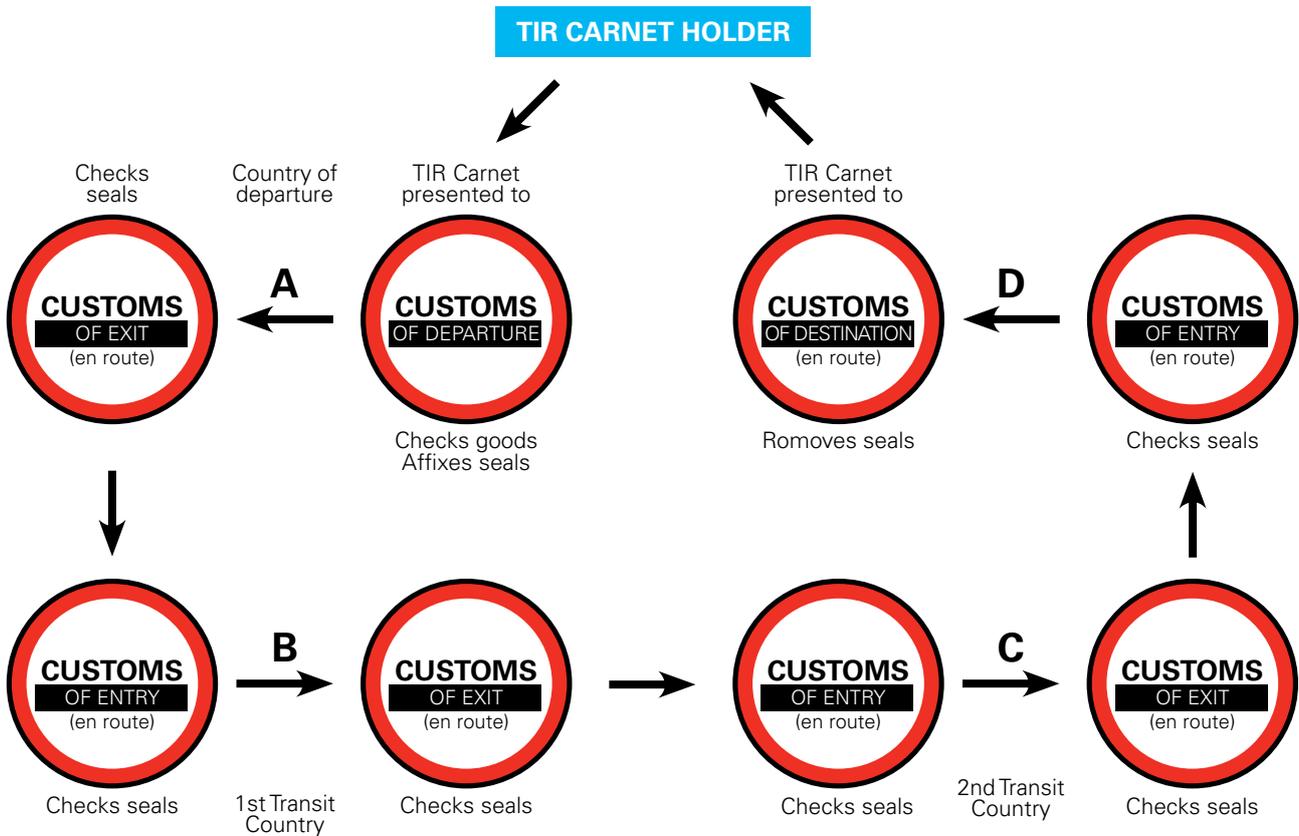
The standard TIR procedure is explained in a schematic way in Figure 2. The key stakeholders involved in the TIR procedure are UNECE, IRU, national TIR associations, customs authorities, insurance companies that are part of the TIR guarantee chain, and TIR transport operators. The national association is authorised by the country's customs authorities to issue TIR carnets and provide a guarantee to the customs authorities for all TIR operations performed within the territory of the country.

The national association unites TIR carnet holders, and at the same time is responsible for undertaking proper scrutiny in relation to admission of transport operators to the TIR system. However, it is pertinent to note that the national association is not a financial organisation; its obligations are supported by the global TIR guarantee chain. The amount of guarantee provided under a TIR carnet can be from US\$50,000 to €100,000, depending on the country concerned.

The TIR carnet is a document that consists of the goods manifest and several vouchers. At each crossing point, one voucher is removed and retained, while the counterfoils bearing customs stamps remain in the TIR carnet after the TIR is terminated at the destination customs office. The TIR carnet is then returned by its holder to the association, and then to IRU.

However, the national guarantee association or chamber of commerce authorised by customs authorities in a particular country is responsible for guarantee payment of any duty or taxes within the territory of a country, in case any irregularity is noted during a TIR operation (Abel, 2016). "The national guaranteeing association, therefore, takes the responsibility for the payment of duties and taxes of national and foreign carriers for TIR carnets which have been issued by itself or by a TIR guaranteeing association in another country" (Abel, 2016).

This guarantee chain is managed by International Road Transport Union (IRU) which is an international organisation mandated by the UNECE to manage the TIR Convention worldwide. IRU is responsible for the effective organisation



and functioning of an international guarantee system. While the Convention gives comprehensive details of legal provisions related to the TIR procedures, it does not share any specific details about the operation of the TIR guarantee system and leaves such issues to IRU and its partners (national associations, insurance companies) within the international guarantee chain.

It is important to keep in mind that the guarantee given under the guarantee chain is used only when the TIR carnet holder fails to make a payment request directly. Under such circumstances, the guarantee chain is used to settle the claim. It is the holder of a TIR carnet who takes the responsibilities for all duties, taxes, interests and fines that may be claimed by a customs authority in case of any irregularity in the international transport operation involving a TIR carnet issued to him (Abel, 2016).

The *modus operandi* of the IRU guarantee chain is based on a two tier system:

- The international component of the guarantee chain hinges on a global insurance agreement between IRU and the global insurer where national associations are the beneficiaries. The agreement contains the details of the guarantee amount given by IRU to national associations to cover duties and taxes for which national associations are liable towards customs authorities. The aggregate maximum limit

covered per year is CHF 300,000,000. The contract provides a guarantee/surety to all contracting parties where the TIR procedure can be used.

- The national component of the guarantee chain is based on an agreement between national guaranteeing associations and insurance companies/ financial institutions. It covers the liabilities of the holder towards the guarantee chain.

As a standard practice, the global insurers recover their claims from national insurers or national financial institutions up to the maximum limit of the national insurance contract. On the other hand, national insurers or national financial institutions recover their claims from the TIR carnet holder, who is primarily liable for the payment.

In a legal context, the guarantee chain works on contractual arrangements as follows:

- Guarantee agreement between the customs authorities and the national association, as required by the TIR Convention.
- Deed of Engagement of the association towards IRU concerning the issuance of TIR carnets.
- Declaration of Engagement by the transport company towards its association for admission to the TIR customs system and authorisation to use TIR carnets, in line with the requirements of the TIR Convention.

Over the years, the TIR system has emerged as an important instrument in international road transport. IRU has introduced new technology oriented tools to facilitate proper risk assessment and to eventually move towards complete computerisation.

In this respect, there are two main TIR IT tools which are likely to fulfil the goal of complete computerisation. The Real-Time Safe TIR system is aimed at automation of TIR related customs procedures and allows customs officials to track the real time status of any TIR guarantee and automatically exchange data on the termination of a TIR operation.

The second tool, TIR-EPD, facilitates TIR carnet holders to share information on transported goods in advance with the customs officials of the countries through which goods covered under the TIR carnet will pass, and allows customs authorities to receive this advance information to perform advance risk assessment and making decisions on required controls in advance (Abel, 2016).

### **TIR importance to 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 the current BBIN MVA because 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 address existing concerns related to transit and transport facilitation.

Some key benefits in the event of a possible implementation of the TIR system within the BBIN MVA are as follows:

- The TIR system offers a single customs guarantee backed by an international guarantee chain led by IRU and a national association. The adoption of the TIR system by the BBIN MVA will be beneficial for customs authorities as it will cover duties and taxes at risk during international transit for a minimum of US\$50,000 to €100,000 per TIR carnet. This means that customs officials of BBIN countries need not worry about the potential losses of duties and taxes during international transit.
- The TIR system provides an important transit facilitation instrument through its standardised format for transit declaration. The implementation of the TIR system within the BBIN MVA will promote standardisation of documents and procedures,

from which both customs authorities and trade partners will benefit. The standardised customs control and harmonised procedures will substantially lower the cost of transport and transit delays.

- The TIR system 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 the vehicle without breaking the Customs seal or without leaving obvious traces of tampering” (UNECE, 2006).
- The TIR carnets are only issued to those transport operators who have a 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 authorised transport operators in BBIN countries, mutually recognised by the four countries and other TIR contracting parties, which would induce more competition and efficiency in the transport sector.
- 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 the 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 adoption of the TIR system by the BBIN MVA will facilitate integration between customs and other stakeholders based on mutually accepted protocols thereby eliminating potential risks and irregularities in the course of the clearance of traffic and transit. Therefore, it would be beneficial for BBIN countries to accede to the TIR system rather than explore other options. In short, the adoption of the TIR system by the BBIN MVA is expected to address existing glitches in transit and transport facilitation among the four countries.
- Regarding the BBIN MVA, accession to the TIR system 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 cross border trade flows and integration with the world economy. The potential benefits of the TIR system will be accrued through a 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 the Middle East, Central Asia, and Europe, through maritime transport, in light of the International North South Trade Corridor (INSTC) and the recently concluded Chabhar agreement.

- The TIR Convention can help BBIN countries not only implementing the BBIN MVA but also in fulfilling their commitment to the WTO (TFA). Many provisions of the TIR Convention support the implementation of the TFA. For instance, Article 11 on freedom of transit of the TFA stipulates that each contracting party will encourage the easy and smooth movement of vehicles across borders 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 transport 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.

## 2.4 Facilitating regional transit through the TIR system and its importance to the BBIN MVA

Countries enter into transit agreements that facilitate the transit of goods through different countries on mutually agreed protocols which include common trade procedures, uniform customs clearance of goods at the point of entry and other border points. Transit agreements are the backbone of any successful regional transit system which include both soft and hard infrastructure.

They also determine access and use of trade related infrastructure and serve as stepping stones to a vibrant regional transit system in any region. Countries often sign transit agreements as a part of their larger regional economic integration agenda to promote cross border movement of goods and regional trade.

### Benefits of TIR Convention in fulfilling WTO TFA commitments

Among the BBIN countries, India and Bangladesh have ratified the WTO TFA, and Bhutan and Nepal are expected to ratify the WTO TFA in due course. The TFA is a framework agreement with the aim of facilitating trade and its effective implementation requires substantial changes in the regulatory, procedural, and institutional framework of BBIN countries. In this context, the TIR Convention can help BBIN countries to fulfill their commitments under TFA. The TIR Convention is well aligned with the TFA and supports the implementation of the TFA provisions. The TFA aims at facilitating trade while the TIR Convention focuses on facilitating transit procedures. Both are in consonance with each other in the sense that they underscore the importance of addressing impediments related to trade and transport facilitation.

	TFA	TIR
Aim	Facilitates trade	Facilitates transit procedures
Parties	160	70
Mode of transport	All	Intermodal (subject to some portion of journey by road)
Negotiating authorities	Trade	Customs and or/transport
Entry of force	108 additional ratifications which are still necessary	20 March 1978

Source: Author’s construction based on various sources (UNECE, 2016)

Overall, the TIR Convention is in line with and supports the implementation of the latter’s provisions. There are also many mutually supportive provisions. Article 11 of the TFA relates to the “freedom of transit” and most elements of this article are covered in Article 46 of the TIR Convention. In addition, Article 7 of the TFA relates to the “release and clearance of goods” and this is covered under Article 5 of the TIR Convention.

Examples of Provisions: WTO TFA and TIR Convention	
TFA	TIR
Art. 7 (4.3): Focus on high risk consignment	TIR IT risk management tools, such as Real-Time Safe TIR and TIR-EPD, serve the basis for even higher security of TIR system
Art. 9: Allow goods to be moved to a customs office inside the territory (instead of border)	Possible under TIR operations
Art. 10 (2.1): Acceptance of paper or electronic copies of documents	eTIR
Art. 11 (2): Transit shall not be conditional upon the collection of fees and charges	Art.46: No charges shall be levied for customs attendance in connection with customs operations under the convention
Art. 1: Publication and availability of information	Art.4 and 46: TIR procedure is transparent when it comes to procedures, fees and charges
Art. 12 Customs cooperation	Principle 4 of the "reciprocal recognition of customs control" of the TIR Convention

Source: The United Nations Agreements on border crossing facilitation and the WTO TFA, 4 November, 2015

However, it has long been recognised that a large number of transit agreements have made sub-optimal progress in terms of boosting regional connectivity and cross border movement of vehicles.

One of the key reasons behind the limited success of transit agreements lies in the inherent weakness and lack of coherence in the institutional and regulatory framework among contracting parties alongside other operational deficiencies. It is also noted that the prevailing impediments in transit agreements can be well addressed by acceding the globally recognised TIR system.

The adoption of the TIR system by transit agreements has facilitated smooth implementation while also contributing to the value of the agreement. In this respect, the Transit and Transport Framework Agreement (TTFA) serves as a perfect example. The TTFA is a regional transit agreement under the aegis of the Economic Cooperation Organization (ECO).

The TTFA was signed in 2002 among ten ECO countries comprising Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan. The Agreement aims to "facilitate free movement of goods across borders of the member states in accordance with a set of unanimously approved principles" (Sheikh, 2015). However, the depth and scope of the TTFA with regard to transit facility is extremely limited (as stated in Article 2), is confined to contracting parties, and does not extend the same benefits to non-contracting parties.

Essentially, it states that the transit operation might commence or culminate in its territory. This is in complete opposition to Article 13 of the agreement which outlines "an obligation on the part of Contracting Parties having sea... to provide... port facilities to other Contracting

Parties under the Agreement". The contradiction between Article 2 and Article 13 undermines the viability of transit of trade in the region (Sheikh, 2015).

The customs controls and operational modalities of the Customs Transit System under TTFA are clearly enumerated in Annexure VII. However, many provisions with regard to customs and procedures are not harmonised with the new standards of safe and secure cross border movement of goods elaborated by the World Customs Organization (WCO) and other global conventions.

Furthermore, the TTFA does not have any guarantee mechanism to cover customs revenues in the event of goods being transited or diverted into the national territory of the state through which it is passing. This has created a major challenge for transit trade in the region. The problem of the guarantee mechanism has been resolved with the adoption of TIR Convention by all ECO countries.

Furthermore, to this end, Article 28 of TTFA affirms that contracting parties, which are also parties to the Customs Convention on the International Transport of Goods under cover of the TIR Convention 1975, will apply the provisions of that Convention amongst themselves and the contracting parties that are not yet parties to this Convention will consider the possibility of acceding to this Convention. In 2013, Afghanistan reactivated the TIR system and in 2015, Pakistan acceded to the TIR Convention. Today, all TTFA countries are TIR contracting parties and TIR is the TTFA transit system. In the same vein, BBIN countries can also accede to the TIR Convention and make the protocols of the MVA operational.

Many transit agreements have made limited progress in terms of boosting regional connectivity and cross border movement of vehicles. Regional transit agreements are crippled by several inherent shortcomings. These

Table 4

Key issues affecting regional transit agreements in selected regions			
Issues	Region/Area	Transit system	Example
Weak implementation of the transit agreement	Economic Community of West African States (ECOWAS) (Yet to accede to the TIR system)	Interstate Road Transport (ISRT)	ECOWAS countries imposing controls at the point of entry in transit
			Lack of coordination among national guarantors of the ISRT
Procedural issues	Afghanistan and Pakistan	Afghanistan Pakistan Transit Agreement	Insurance guarantees not being released owing to stringent conditions by Pakistan customs and lack of efficient operations by Afghan customs, high guarantee rates compared to the market rates
Harmonisation of regulations	Pakistan, Kyrgyzstan, Kazakhstan, and China	Quadrilateral Agreement for Traffic in Transit (QTTA)	Lack of agreement on trade facilitation measures and customs-to-customs cooperation

Source: 'Regional Infrastructure for Trade Facilitation Impact on Growth and Poverty Reduction', ODI Working Paper, Marie-Agnès et al., 2016, and input from the authors of this report.

shortcomings include lack of coherence between local legislation and the transit agreement or lack of buy-in from the government or private sector. However, such shortcomings in transit agreements easily can be managed by adopting the TIR system that provides a legally binding mechanism and complements transit agreements. Table 4 explains the key issues in transit agreements and how they could be or have been addressed by co-opting the TIR Convention.

The significance of the TIR system in regional transit agreements and in the facilitation of regional transit, especially in regions that are similar to the BBIN region, makes a compelling case for BBIN countries to accede to the TIR system for smooth and effective implementation of the BBIN MVA. The BBIN MVA lacks any guaranteeing mechanism to protect customs revenue in the event of goods being diverted to the national territory of the state through which it is passing. Without such a mechanism, the MVA could not be operational.

The inclusion of the TIR system in the BBIN MVA will enable BBIN countries to easily achieve the objectives of the agreement and become operational. Moreover, the BBIN MVA categorically states that the cost of implementation is to be borne by member countries. A collective decision to accede to the TIR Convention can play an important role in the harmonisation of trade and transport standards that facilitate cross border trade flows.

It is worth noting that establishing a BBIN regional transit system would be too costly and time consuming. The experience of other regions also shows that due to many national and regional impediments, they have failed to establish such mechanisms. Joining the TIR system will allow all four countries to use their financial resources for other elements of the BBIN MVA and

explore possible ways to promote a link between South and Southeast Asia. Furthermore, TIR is global and will connect the BBIN region to other regions through one global guarantee mechanism, an advantage that such regional mechanisms lack. The importance of the TIR system in facilitating regional as well as global transit in other regions makes a vibrant case for BBIN countries to accede to this Convention for the purposes of boosting the operational effectiveness of the BBIN MVA.

#### **Lessons from other regions and corridors for the effective implementation of the TIR Convention within the BBIN MVA**

Different regions have been using the TIR system to promote regional as well as global connectivity. The TIR system is currently the only truly international customs transit system and it has the widest geographical coverage. It covers the whole of Europe, North Africa, Central Asia, and the Middle East. The global expansion of the TIR system highlights its importance and acceptance in international road transport.

The TIR system has been instrumental in providing a high degree of security to customs by averting losses of duties and taxes while goods are in transit. It has also improved coordination between customs authorities of the countries involved and has significantly eased cross border trade. In addition, the TIR system has added significant value to businesses of firms, freight forwarders, logistic companies, and government agencies (customs and transport ministers).

The TIR system has been of great benefit to transport operators and customs authorities by providing a reliable, and cost effective customs regime for international road transport of goods across borders. The worldwide acceptance of the TIR system makes it a valuable addition



to other countries' regional transit agreements. Lessons from other regions may be useful for countries which are contemplating joining the TIR Convention to facilitate their inter-regional and intra-regional movement of vehicles.

The ECO region has been one of the most successful examples of implementation of the TIR system to facilitate cross border movement of vehicles. The success of the TIR system in the ECO region can be measured by the increasing use of TIR carnets. From 2005 until July 2015, the total number of TIR carnets issued by ECO associations came to 8,055,750 and this represents 28 per cent of all carnets issued in the world during the same period.

It is expected that following Pakistan's accession to the TIR Convention, the use of TIR in the ECO region will increase further. The increasing use of TIR carnets serves as a testimony to improved regional trade flows in the ECO region thereby stimulating other industrial activities in the region as well. It is also noteworthy that 67 per cent of carnets issued to ECO TIR carnet holders were used for transport between ECO countries, which highlights the role of the TIR system in enhancing intra-regional trade and regional integration.

The TIR system has facilitated easy and smooth movement of vehicles across frontiers by eliminating key impediments such as lack of streamlined procedures, safety and security related concerns and multiple customs points. Most importantly, the TIR system has complemented the existing TTFA agreement in the ECO region and it has also enhanced the operational effectiveness of the agreement.

Landlocked and least developed countries in the ECO region are benefiting from the TIR system, and the BBIN region, which also includes the same categories of countries, could well benefit from TIR to promote their transport and transit, and boost their trade.

Another important lesson can be drawn from the Republic of Belarus, an important transit country, which provides a connecting link between Europe and the Eurasian Customs Union and Central Asia for seamless movement of cargo via major transport corridors that pass through its territory. With the implementation of the TIR system within the European Union, Belarus, and Asian countries, the movement of vehicles has eased and increased transit freight flows through Belarus, promoting growth of commodity exchange between the EU and Asian countries.

Existing experiences of the ECO and Central Asia explicitly outline the importance of the TIR system in enhancing regional connectivity in these two regions. The TIR system has been a key catalyst in boosting operational efficiency of transit agreements and facilitating efficient movement of vehicles across frontiers. Moreover, the ECO and Central Asia regions serve as an example for BBIN countries, given their regional and geographical similarities.

In this context, it is important to note that the BBIN MVA is a framework agreement and has yet to be ratified by all member countries. The agreement still needs to meet protocols on streamlining customs procedures, volumes of cargo, insurance fees, passenger transit fees, and so on. Successful implementation of the agreement depends on several factors such as the type of agreement and its ability to address procedural and operational issues concerning transporters, logistic companies, freight forwarders and customs officials.

In order to deal with these issues, the BBIN MVA requires separate implementation legislation, potentially on bilateral or trilateral bases and this would further create legislative fragmentation thereby creating more institutional, regulatory, and harmonisation related issues. However, these concerns can be well handled by the BBIN MVA with accession to the TIR Convention, which incorporates comprehensive, standardised and harmonised procedures.

Furthermore, TIR has the capacity to achieve the objectives of the BBIN MVA, especially related to regional transit and transport. For example, an insurance policy issued in India is not accepted in Bangladesh, Nepal, and Bhutan, but the BBIN MVA requires comprehensive policies for vehicular traffic. This led to the development of a contractual arrangement for mutual recognition and coverage between insurance providers so that their policies can be recognised in other countries (Abel, 2016).

The problem of non-recognition of insurance policies can be addressed through the international guarantee mechanism of the TIR system, thereby relinquishing the need for temporary bilateral contractual arrangements. Furthermore, the legal acceptance, security, and reliability of the TIR system across the BBIN region will infuse a sense of confidence among stakeholders (traders, transporters, logistical firms and customs officials). The outcome of this would increase the volume of traffic and cross border trade flows among the member countries, and the security of knowing that state revenue is guaranteed would vastly improve the efficiency of border management controls for traffic in transit. (Abel, 2016).

The successful experiences of other regions make a strong case for BBIN countries to accede to the Convention by legal instruments, and effectively implement them, according to international standards and existing best practices.

The effective and affordable regional road transport agreement coupled with the TIR system would help the BBIN countries to reduce costs and delays associated with road customs transit in their territories. This would, in turn, substantially reduce transport costs and make transit times shorter and more predictable and the procedure for international road carriage from BBIN countries to other regions more transparent.

It would also promote intra-regional trade, and expand trade in terms of both geographical distribution and commodity portfolio. The bottom line is that regional transit agreements need to be backed by the TIR system in order to capitalise on the benefits of transit agreements and provide higher dividends to transport operators, customs officials, and a country's economy.

Smooth customs transit operations by road through neighbouring countries would help the BBIN countries to avoid the construction of new bypass roads and enable them to allocate more resources for the rehabilitation and maintenance of existing transport networks and their closer integration with international transport networks. In short, it would facilitate the development of harmonised and reliable transit regimes between India, Bangladesh, Nepal and Bhutan under the BBIN MVA thereby expanding the agenda of economic integration in the BBIN region.

## Chapter 3

# BBIN MVA and the TIR Convention – observations from selected BBIN corridors

This chapter analyses the primary survey (qualitative and quantitative data) gathered from two BBIN corridors and one internal corridor (i.e., the Delhi-Mumbai corridor: JNPT Mumbai-Tughlakabad New Delhi) to understand administrative, regulatory, procedural, transit, and transport related impediments.

A range of stakeholders such as exporters, importers, freight forwarders, road carriers, truck associations, customs officials and logistic companies were interviewed and consulted to understand the intricacies of transit and transport facilitation in light of the BBIN MVA.

Furthermore, the analysis focussed on transport, transit, and trade infrastructure, regulatory, administrative, and procedural obstacles in view of the TIR Convention and its six pillars (i.e. secure vehicles or container, international guarantee, TIR Carnet, mutual recognition of customs controls and controlled access, and IT risk management tools).

Efforts have been made in understanding the role of the TIR system and its instruments to address these impediments and facilitate a greater degree of harmonisation of transit and transport procedures under the BBIN MVA.

### 3.1 BBIN Corridor 2: Kathmandu-Kakarvitta / PanitankiPhulbari/ Banglabandha-Dhaka-Mongla/Chittagong

#### Customs clearance procedures

It was found 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 different checkpoints, which are not streamlined or harmonised. The working hours of customs offices differ from country to country and this also creates problems for the customs clearance procedures.

Export and import of cargo involve 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 the time taken for customs clearance varies at all five border check points and a significant amount of time is wasted in furnishing customs clearance formalities at the five border points in three countries (Table 6).<sup>1</sup>

<sup>1</sup>Corridor 2: Kathmandu-Kakarvitta/ PanitankiPhulbari/Banglabandha Dhaka-Mongla/Chittagong, and Corridor 3: Thimphu - SamdrupJhongkhar-Guwahati-Syllhet-Dhaka-Benapole/Petrapole-Kolkata

Table 5

Key features of BBIN Corridor 2				
Name of corridor	Distance	Use of road	Customs points	Name of land and sea ports
Kathmandu-Kakarvitta/ PanitankiPhulbari/ Banglabandha-Dhaka- Mongla/Chittagong	Chittagong 1394 Mongla: 1314	India NH 31 C, NH 31 and SH 12 A Bangladesh: N5 up to Hatikumrel, N507, N6,N704 and N7 to reach to Mongla and N405, N4 and N3 to reach Dhaka and N1 to reach Chittagong	5	Kakarvitta (Nepal) Panitanki (India) Phulbari, (India) Banglabandha, (Bangladesh) Chittagong, (Bangladesh)

Source: CUTS Survey 2016, Note: NH= National Highways, SH= State Highway.

### Procedural and documentation related issues

During the course of field survey, it was noted that each country uses different documents in its own prescribed format. There is no standardised procedure for the submission of documents related to 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 are required if the product falls under special categories. In Nepal, each customs 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 into obtaining approval from various authorities (customs, plant quarantine, border management agencies, standard related organisation) at checkpoints.

Another problem with regard to the submission of documents is the 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 customs authorities.

### Lack of insurance guarantee mechanisms

There are two major problems in the case of insurance guarantees in the BBIN region. The first relates to

the high cost of insurance and the lack of robust guarantee mechanisms 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 the insurance policies of India, Nepal, and Bhutan. Non-recognition of insurance policies contributes 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 indubitably underlines the importance of robust insurance guarantee mechanisms thereby dispensing with the need for multiple or contractual arrangements (Abel, 2016).

### Transport regulations and transit issues

Transport associations and logistic companies pointed out that there are significant asymmetries in transport regulations among the BBIN group of countries.

This raises a major concern in implementing the BBIN MVA and it is difficult to say to what extent transport rules and regulations will be harmonised and how they will affect day to day cross border movement of trucks. Currently, transport associations are in a dilemma about the fate of the existing bilateral trade and transit treaties, whether the BBIN MVA will supersede bilateral treaties or will complement them.

Table 6

Time required for customs clearance in BBIN Corridor 2 (Kathmandu-Kakarvitta/PanitankiPhulbari/Banglabandha-Dhaka-Mongla/Chittagong)					
Particulars	Nepal	India	Bangladesh		
Import	Kakarvitta	Panitanki	Phulbari	Banglabandha	Chittagong
Time for customs clearance	3 hrs	2-3 hrs	3-4 hrs	2-3 hrs	5-6 hrs
Export					
Time for customs clearance	2 hrs	2 hrs	2 hrs	2 hrs	5 hrs

Source: CUTS Survey, 2016

**Map 2: BBIN Corridor 2**



Source: SASEC, Asian Development Bank, 2015 Note: Mongla sea port is not included in this study.

They believe that the existence of two different transit agreements may lead to a dual regulatory system which would put an additional burden on compliance costs. Transporters have shared some general problems in the corridor, including the lack of repair and maintenance facilities, frequent intervention by road transport officers (RTOs), illegal local tax collections, and toll charges at many places.

**Road infrastructure and logistics related impediments**

The current state of road infrastructure in this corridor is generally not good but some sections of the corridor are relatively good. For instance, road infrastructure from Kathmandu to Mugling, Phulbari and Bangladbanda is deplorable and it is a veritable challenge for the movement of trucks.

The road is a narrow hillside road with steep turns, which at times result in congestion and accidents. The road infrastructure between Mugling and Narayanghat faces frequent landslides, causing delays in the movement of trucks. Moreover, highway authorities are not active in removing landslides, for facilitating the movement of goods.

Due to poor road infrastructure, the average speed of 12 wheeler trucks is less than 60 km per hour in the corridor. This problem is exacerbated by other issues such as trucks being frequently stopped by local authorities in the respective countries. In many cases, trucks are stopped for more than 3-4 hours in transit for verification of transport and cargo related documents.

The cumulative effects of poor road conditions and frequent delays due to controls at different places increase the costs of doing trade and impact the competitiveness of exports.

**Frequent loading and unloading**

The lack of a harmonised transport system in BBIN countries results in frequent loading and unloading of goods at ports. At all five border crossing points, goods are loaded and unloaded, causing considerable loss in the value of goods and increasing the possibility of pilferage.

The cumulative loss of time in loading at the point of origin in India, transport, unloading at Kakarvitta, transport, unloading at Benapole, parking, customs, border crossing, and re-loading is estimated at 99 hours compared to the ideal time of 29.6 hours.

### 3.2. BBIN Corridor 3: Thimphu-Samdrup Jongkhar-Guwahati-Silliest-Dhaka-Benapole/Petrapole-Kolkata

This corridor links Thimphu, Bhutan, with the sea ports of Kolkata, India, through Bangladesh. The total length of the route from Thimphu to Kolkata is 1,379 km. It is a shorter route involving less transport costs for Bhutan to access both the Indian and Bangladeshi markets. It holds tremendous potential for facilitating easy and efficient movement of goods across borders.

It could also be a game changer for BBIN countries by promoting their connectivity with South and Southeast Asian countries.

#### Customs clearance formalities

It was observed that all three countries have their own rules and regulations for customs clearance. There are a number of steps to be followed for completion of custom formalities. This includes bill of entry, commercial invoice, import licence, insurance certificate, letter of credit, bill of export, and other related documents.

The procedure for submitting documents is cumbersome and lengthy. Following discussions with traders, freight forwarders, and customs agents, it became evident that the time taken for customs clearance differs significantly at all three border checking points and a lot of time is lost in completing customs clearance formalities at border points in the three countries (Table 8).

Table 7

Key features of BBIN highway corridor				
Name of corridor	Distance	Use of road	Customs points	Land and sea ports
Thimphu-SamdrupJhongkhar-Guwahati-Syllhet-Dhaka-Benapole/Petrapole-Kolkata	1,379 km	Thimphu highway, NH 27, NH127D, NH6, NH206, Syllhet highways, Bhangma highways, Aricha highways, Jessore Road	5	Samdrup (Bhutan) Guwahati (India) Tamabil (Bangladesh) Dhaka (Bangladesh) Kolkatta (India)

Source: CUTS Survey, 2016

Map 3: BBIN Corridor 3



Source: SASEC, Asian Development Bank, 2015

Table 8

Time required for customs clearance in BBIN Corridor 3 (Thimphu -SamdrupJhongkhar-Guwahati-Syllhet-Dhaka-Benapole/Petrapole-Kolkata)				
Particulars	Bhutan	India	Bangladesh	India
Import	Samdrup	Guwahati		
Time for customs clearance	1-2 hrs	1 hrs	3-4 hrs	4 hrs
Export				
Time for customs clearance	1-2 hrs	1 hrs	1 hrs	3 hrs

Source: CUTS Survey, 2016

### Procedural and documentation related concerns

Procedural and documentation formalities pose a serious challenge to the efficient movement of vehicles across borders. This is because each country prescribes its own format for documentation as stipulated in its custom act. Traders need to prepare different sets of documents to comply with customs formalities at each customs point in this corridor and the procedures for completing customs formalities is a time consuming exercise.

However, the problems related to customs clearance are not severe in the case of India and Bhutan trade as they have a free trade agreement. As a result, customs officials on the Indian side do not examine the cargo coming from Bhutan. On the other hand, trade between India and Bangladesh is subject to various procedural and documentation related requirements.

The complexities of completing procedural, regulatory formalities is intensified due to lack of integration among various operating agencies at border points. For instance, the customs clearance process is not fully linked with testing and other coordinating agencies at all three border points.

### Infrastructural obstacles

Cross border movement of vehicles in this corridor is affected by sub-optimal road infrastructure. While inspecting different sections of the corridor, it was found that road infrastructure is good in some parts of the corridor. For instance, Tambil, Bangladesh to Petrapole, India is good and the movement of vehicle is efficient. However, there are some serious infrastructural constraints in some portions of the corridor.

Bhutan has some constraints related to the internal movement of vehicles. One of the key problems is that only small trucks (6 to 8 wheelers) are allowed to carry cargo of 8 to 12 tonnes. This is due to the poor conditions of bridges: they are narrow and permit only one vehicle to cross at a time and their load carrying capacity is low (not more than 16 tonnes).

The problems are further compounded by lack of proper maintenance and renovation of existing bridges, causing unnecessary delays in the movement of vehicles.

### Transport regulations and other related impediments

One of the key problems with regard to transport regulations relates to the free movement of foreign commercial vehicles across borders. It was noted that Bhutan does not allow the movement of commercial vehicles inside cities. Vehicles stopped approximately five kilometres away from border areas such as Phuentsholing, Gelephu, Nganglam, Samtse, and Samdrup Jongkhar.

Goods are unloaded and transferred onto Bhutanese trucks which then carry goods to the main cities of Bhutan. It was also noted that the actual documentation requirements are sometimes higher than those specified in the existing transit treaty of India and Nepal. Inadequate harmonisation of customs and transport related regulations bog down the cross border movement of vehicles. However, it is believed that such issues are likely to be addressed with the implementation of TIR within the BBIN MVA.

### Transit issues

Transport associations and logistic companies raised concerns over transit agreements. The existing transit agreement between India and Nepal and India and Bhutan are not effective due to ineffective implementation. These agreements have failed to achieve the needed degree of harmonisation in transport and transit regulations.

Furthermore, the problem of transit is particularly important from Bhutan's point of view due to its landlocked position in the region. Given that Bhutan can effectively access the Nepalese and Bangladeshi market through the Changrabandha LCS in India, its transit agreement with India is crucial. However, Changrabandha LCS faces heavy traffic congestion due to its capacity limits.

At present, around 1,500 - 2,000 trucks move through Changrabandha LCS per day but this LCS has the capacity of handling not more than 700 trucks per day. There are also illegal tolls at many places on this route, especially on the Indian side and in the India-Bangladesh border area. Similarly, heavy traffic jams at Phuentsholing LCS lead to significant delays in the movement of trucks.

However, the Government of Bhutan is exploring the possibility of diverting traffic towards Hasimara (West Bengal) by creating another entry and exit point. This could reduce congestion at Phuentsholing LCS and ease the movement of trucks.

### 3.3 Internal Delhi-Mumbai Corridor: JNPT Mumbai-Tughlakabad New Delhi

This internal corridor links Tughlakabad Inland Container Deport (ICD) of New Delhi, India with the sea port of JNPT, Mumbai, India. It is a mega infrastructure project of the Government of India. The flagship National Highway 8 is a US\$100bn investment project, to be completed over the next 30 years. The NH-8 will house various

industrial nodes and townships, manufacturing clusters and logistic clusters across five states: Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Haryana and New Delhi.

The overall length of the corridor is 1,375 km between the political capital and the commercial capital of India, i.e., Delhi and Mumbai (NHAI, 2016). The survey work has revealed that approximately 125 km total of approach roads feed the NH-8 both in Maharashtra and Haryana between the two customs services of JNPT, Mumbai, and Tughlakabad ICD, respectively.

**Map 4 Delhi-Mumbai Corridor**



The overall distance considering the actual length of the highway and length of the approach roads makes it approximately 1,500 km. Other than this, the NH-8 caters to both international and domestic cargos and plays an important role in domestic and international trade of the country. The NH-8 directly or indirectly serves many major, intermediate and feeder ports both in highly industrialised and export oriented states, i.e. Gujarat and Maharashtra, on the Western Coast Line of India.

The volume of freight movement on this highway could not be determined due to paucity of data; however, it is understood to have one of the highest freight volumes of traffic in India. Table 9 explains the importance of the NH-8 in the context of overall national highways.

Of the total length of various national highways spread across Maharashtra, Gujarat, Rajasthan, Haryana and the NCT of Delhi, the NH-8 makes for 6 percent of the total 23014 km. It is pertinent to note that the road section of NH-8 plays a crucial role in the freight movement of the respective states.

Various developments and road up-gradation projects are underway along this highway. For instance, the Government of India has undertaken a feasibility survey for upgrading two and four lanes into six lanes at some sections of the NH-8 in Gujarat and Rajasthan and the construction of roads and flyovers has started. However, issues like the acquisition of land for the expansion of the highway are creating hurdles for the progress of work.

Furthermore, for toll collection, the Ministry of Road, Transport & Highways (MoRTH) has implemented measures like Electronic Toll Collection, Radio Frequency Identification (RFID), etc., with provision of passage through a designated area at toll plazas for the benefit of its users. The increasing importance of the NH-8 makes it crucial to undertake a close assessment of cost, time, and procedural dimensions including general perceptions about road transport of freight through this highway.

### 3.4 Current state of movement of goods on the NH-8 and key challenges

The NH-8 directly serves the JNPT (known as Nava Sheva), Mumbai, the largest sea port in terms of volume, and it caters to the two categories of freight movement: (i) international cargo (export/import); and, (ii) domestic cargo (interstate supply of goods).

For international cargo, relatively less en route regulatory compliance plus price factor basically determines the trader's preference for other modes of carriage of goods, while domestic cargo constitutes a significant amount of interstate trade and holds immense importance both for international trade and domestic consumption.

Furthermore, time and market based factors drive the trader's preference for sending goods by road:

- Time: including ease of availability, loading/unloading, time-bound movement and other logistic services like door-to-door delivery;
- Market-based price factor: competitive price of other modes of transport such as railway.

The complexity and multiplicity of tax structures in different states and divergent legal and regulatory frameworks across states increase transaction and compliance costs which hinder the movement of goods through road transport.

#### Tax and regulatory landscape

The Constitution of India is based on a federal structure of governance and clearly defines the distribution of legislative, administrative and executive powers between the centre and the states. The power to levy taxes on sale of goods within the state falls in the state's jurisdiction.

On the other hand, the Central Government holds the power to impose tax on the interstate sale of goods when goods are sold between and across one or more states. This interstate sale of goods also includes services tax. The different types of indirect tax-related legislations are an integral element of the constitutional structure of taxation in India.

Table 9

Overview of national highways of India			
States/NCT	Length of national highways (km)	Distribution of NH-8	Percentage
Maharashtra	7,434.79 (also 720 km of coastline)	128	1.72
Gujarat	4,970.90 (also 1600 km of coastline)	498	10
Rajasthan	7,906.20	635	8.03
Haryana	2,622.40	101	3.85
NCT*	80	13	16.25
Total	23,014.29	1,375	5.97

Source: National Highways Authority of India. National Capital Territory.

Taxes to be paid in the movement of goods		
Different types of indirect tax	Collecting agencies	Point of collection
Central states tax	Originating states	Originating states of goods
Value added tax	State governments	Destination based tax
Entry tax	State governments	While goods entering from one state to another
Octroi	State governments	In case of goods entering one state from another
Toll tax	State or centre	In transit
Local bodies taxes	Municipal and other bodies	Collection points are generally in cities of respective states

Source: National Highways Authority of India. National Capital Territory.

The distribution of powers embodied in the Constitution seeks a balance in the tax-related revenue generated by the state and central governments. Taxes are collected by the state, the Centre and other agencies are involved in the movement of goods.

However, the plethora of tax-related legislations generates significant complexities for tax payers in India and particularly because of overlapping indirect tax-related legislations. Given the complexity and structure of indirect taxation in India, it is important to note that the sale of goods in the country is subject to multiple taxes.

For instance, the sale of goods within a state is subject to state level value added tax, which ranges between 4 per cent and 15 per cent. The interstate sale of goods is subject to a central sales tax (CST), which may range from 2 per cent to 15 per cent. There are also transport charges, which are subject to service tax at an effective rate of 4.8 per cent. In addition, states' governments impose an entry tax (ET) on the entry of goods into a local or municipal area in the state, which may range between 2 per cent and 5 per cent.

Other than this, in India, the movement of goods also contends with interstate and border checkpoints, documentation including road permits, waybills, etc. Movement of goods on the NH-8 is subject to both goods and motor vehicle taxes by respective states' commercial tax and motor vehicles departments. On the NH-8, all five states impose different types of taxes along the national highways and frontiers to monitor the movement of goods through them and prevent pilferage or evasion of taxes.

For instance, the consignment in a truck traveling from Maharashtra to Rajasthan will affix the liability on the part of the consignor for goods [entry tax (goods), octroi, sales tax] and the transporter [for entry tax, permits (vehicle) ]etc.

During the survey work, it was also found that several states have also facilitated the remaining payment of such goods tax and submission of documents through online platforms, at the respective departmental websites. In addition, states like Maharashtra, Gujarat and Haryana have designated checkpoints for the payment of such dues. In Rajasthan, the dues are paid online, with the provision of random checks through flying squads by the state's commercial tax department.

In cases of export/import cargo, a pre-declaration by the consignor and submission of an N-Form is required. The fee for an N-Form is applied by state, and requires online submission and manual carriage of documents for both export and import consignment. If the N-Form is not submitted within the stipulated time, then general octroi/entry tax rules, along with the penalty schedule of the imposing state, will be applicable.

Furthermore, on the NH-8, there are around 25 NHAI tolls to maintain sections of highways and collect highway usage fees. Additionally, trucks carrying over dimensional cargo (ODC) and over weight cargo (OWC) are penalised. During the survey work, it was found that the rate of tolls varies significantly across different weight categories *vis-à-vis* the allowed axle load, heavy duty vehicles, low carrier vehicles in the freight segment, and seating capacity in the passenger segment.

States	Octroi	Entry tax
Delhi	No	No
Haryana	Yes	Yes
Rajasthan	No	Yes
Gujarat	No	Yes
Maharashtra	Yes	No

Source: State Legislations, E&Y 2013, updated 2016

NHAI concessionaires (or private contractors) are authorised to collect 10 times the toll charge in case of ODC and OWC commercial goods and passenger vehicles. This is undoubtedly a good practice to reduce hazards to human safety. However, 7 out of 10 commercial trucks are stopped for legitimate and/or illegitimate gains.

#### **Over dimensional cargo (ODC) on the NH-8**

The penalty dues are perhaps unjustified if NHAI concessionaires allow ODC and OWC vehicles to pass 'as-is', after penalising them. These concessionaires are apparently violating the NHAI rule of not allowing overloaded vehicles to make use of the highway unless the excess load has been removed. But not a single detention was experienced or reported by any of the private concessionaires on the NH-8.

#### **Motor vehicle tax, national and state permits**

Other than goods tax, both international and interstate movement of goods by road requires a national/state permit for the registered vehicle. The vehicle registration fee varies across states and is collected by states only as per their acts and norms. In case of the national permit, a consolidated fee of INR 16,500 (plus an home state authorisation fee of around ₹1,000) is being collected by MoRTH that later disburses the share of the states .

In case of temporary state (transit) permits, concerned states on the NH-8 have different transit, or vehicle, entry tax fees, as per the category of

goods and passenger vehicles, as stipulated in their respective motor vehicle legislations derived from the guidelines of the Centre Motor Vehicles Act, 1988, and the Centre Motor Vehicles Rules, 1989.

Among the NH-8 states, the vehicle entry tax is the lowest in Gujarat while Maharashtra, Rajasthan, and Haryana, in descending order, charge relatively higher entry taxes. Even the allowed duration of transit and/or delivery differs from state to state. For example, Gujarat has weekly, monthly and yearly arrangements but Haryana has a minimum quarterly arrangement for the vehicle entry tax. In that case, if a commercial goods vehicle enters into Haryana even for a day, it is liable to deposit the quarterly amount.

As explained earlier, the penalty dues for over dimensional and over weight cargo are measured against maximum permissible Gross Vehicle Weight (GVW) and maximum safe axle weight under different transport vehicle categories. It varies according to the positioning of the axle and its load capacity as per the stipulated specifications by MoRTH. The longest trailer allowed in India has a GVW of 49 tonnes.

MoRTH has set an excess load limit of up to 5 per cent of the maximum GVW beyond which the vehicles are subject to NHAI and the state motor vehicle's departmental action and penalties and those of any other authorised government agency such as police or traffic police. Table 10 exhibits the procedural requirement along with the time taken for service delivery.



Table 10 – Source: CUTS Survey 2016

Time and cost of transit formalities [NH-8, approx. 1,500 km; states: MH, GJ, RJ, HR, and Delhi (DL)]				
1. Off transit road transport (freight) formalities				
Control	Activity	Time (Hours)		Cost
		Min	Max	
Manufacturer/Trader, clearing and forwarding agent	Goods: Ensure that customs duties (for export/import cargo), in addition to all other commercial taxes, such as excise/VAT, entry tax (goods), and octroi, are paid and printed receipts obtained	24	60	Market based (as agreed with the consigner). However, as informed by some operators on this route, the average cost of transporting a 20 feet container from Delhi to Mumbai is ₹60,000, including tolls and all other road taxes except penalties under Section 10. Section 11 includes the coverage of an insurance premium for that duration.
	Vehicle: Initiate conversation with the transporter, sign contract under Section 10 or Section 11 of Carriage by Road Act, 2007			
Transporter/Logistic companies including aggregators	Package, including pick-up and delivery, toll tax, parking vehicle permit, etc. (does not include transit time)	12	24	Freight cost is market based, the toll tax and permit are as per the respective schedules
	Package, including pick-up, delivery, loading, unloading, warehousing, storage (including refrigerated containers when required), tolls, parking, and permits (does include the transit time on the NH-8)	48	60	Market based price, as per the respective tax schedule. Aggregators do have an advantage to conclude the formalities and NH-8 time of transit between 48 to 60 hours
Total		84	144	As mentioned above
2. In transit road transport (freight) formalities				
NHAI	Collection of highway user charges through private concessionaires (total number of NHAI tolls on the NH-8 is around 25), with an average clearance time, and factoring in the peak time and low time in a year, of 15 minutes (25x15 minutes average clearance time)	6.25		INR 150-450 at each toll plaza based on the size of the truck and trailer
State tolls	Total number of state NHAI tolls on the NH-8 is approx. 4 with an average clearance time of 10 minutes (4x10 minutes average clearance time)	0.66		INR 100-280, based on the size of truck and trailer
State RTO checkpoints in MH, GJ, RJ and HR	Situation 1: Scrutiny of national permit, vehicle registration certificate, insurance, driving licence, work order, and freight documents with no OWC, ODC export/import containerised cargo with customs seal under transshipment category (4x10 minutes average clearance time)	0.66		As per the respective RTO rules
	Situation 2: Scrutiny of national permit for non-containerised but non-ODC, OWC, open body truck, flat track trailer export/import cargo (4x20 minutes average clearance time)	1.33		
	Situation 3: Others, including no national permit, open body or flat track trailer, etc. for interstate supply with temporary state transit permit for NH-8 states (4x30 minutes average clearance time)	2		

State VAT/Commercial tax departmental checkpoints	Situation 1: For interstate supply of goods, MH, RJ has enabled submission of documents and deposition of requisite taxes through online platforms and thus gradually eliminated physical checkpoints. A printed copy of the submission is however required as evidence across the NH-8 as there are designated flying squads to detect/deter non-compliance and collect penalties	0	As per the originating/delivery state tax schedule
	Situation 2: GJ and HR have both online platforms and physical checkpoints for commercial tax (goods). A consigner/consignee or its agent can deposit the tax offline as well. Tax is calculated as per the invoice and across categories of goods (2x60 minutes average clearance time)	2	
	Situation 3: For export/import cargo movement, a pre-shipment declaration is required and mostly submitted online. A time bound N-form (transit form) is secured for such movement (4x10 minutes average clearance time)	0.66	N-form fee is collected by respective commercial departments, checkpoints and/or municipal corporations
Forest department	Detect/deter smuggling of protected plants and wild life. Two such checkpoints in Gujarat and Rajasthan were found with an average clearance time of 10 minutes (2x10 minutes average clearance time)	0.33	As per the declaration and penalty rules laid down by the Ministry of Environment, Forest and Climate Change
Police/Traffic police and others, including the excise department	Scrutiny by flying squads at MH and GJ and both flying squads and checkpoints at RJ and HR to prevent speeding, overloading, and irregularities such as driving violations, and smuggling of restricted products such as alcohol and tobacco, and acting upon intelligence based input (4x20 minutes average clearance time)	1.33	No inspection charge but challenge as per the respective states' rules
South Delhi Municipal Corporation	The Environment Compensation Charge (ECC) collected at toll plazas and also known as a green tax for empty vehicles (1x5 minutes average clearance time only for ECC)	0.25	INR 700-1,300, as per the vehicle size
	For loaded Vehicles		INR 1,400-2,600, as per the vehicle size
Total		15.47	As mentioned above

### Non-containerised and containerised movement

The NH-8 allows freight movement of both containerised and non-containerised cargo. However, the volume of non-containerised cargo is high and open to many risks. The non-containerised cargo is subject to frequent inspection or checking in transit by respective state motor vehicle departments.

Frequent checking at state border points undermines the security and safety of the cargo and increases the possibility of pilferage of cargo in transit. The rapid growth

of non-containerised cargo is due to the lack of container manufacturing capacity in India and other factors such as low capacity of exporters to pay for containerised cargo.

The increasing importance of non-containerised cargo is also driven by push and pull factors. These include a lack of available containers, inefficient customs clearance procedures, a lack of service links between factory gate and dry ports, and long waiting times until the full capacity of containers is utilised. The risk of pilferage during transit of cargo and the need for additional checks at state border

points easily can be eliminated by co-opting the TIR Convention. TIR approved load compartments provide the highest level of safety and security for customs.

However, it is important to note that the Constitution Amendment Bill for Goods and Services Tax (GST) has been approved by the President of India after its passage in both houses of Parliament in India. The GST will represent a nationwide tax that will subsume a web of central, state and lower-level indirect taxes. This includes excise duty, service tax, countervailing duty, valued added tax and also state levies, octroi, entry tax, local taxes and luxury tax.

The GST will create a common and integrated market while reducing the cascading effect of tax on the cost of goods and services. The government has decided to roll out the GST in April 2017 and its effective implementation will bring revolutionary changes to the tax and regulatory landscape of India.

The effective implementation of GST mainly depends on two factors. First, the ability of the government to manage complexities that stem from the current labyrinthine system that involves a plethora of agencies and regulations. Second, it would be worth noting to what extent the GST is able to deal with operational challenges that emerge after its implementation. .

**Export-import clearance at Mumbai JNPT port**

Traders, transporters, and clearance agents face many obstacles while exporting or importing goods via the Mumbai JNPT. Inefficiencies due to cumbersome administrative procedures and a lack of standardised trade procedures and other related documents lead to a delay in the clearance of cargo at port.

Figure 3 and 4 explain the clearance procedures of export and import at the JNPT. The import procedures of goods faces procedural and infrastructural obstacles.

Figure 3 – Non-containerised and containerised movement

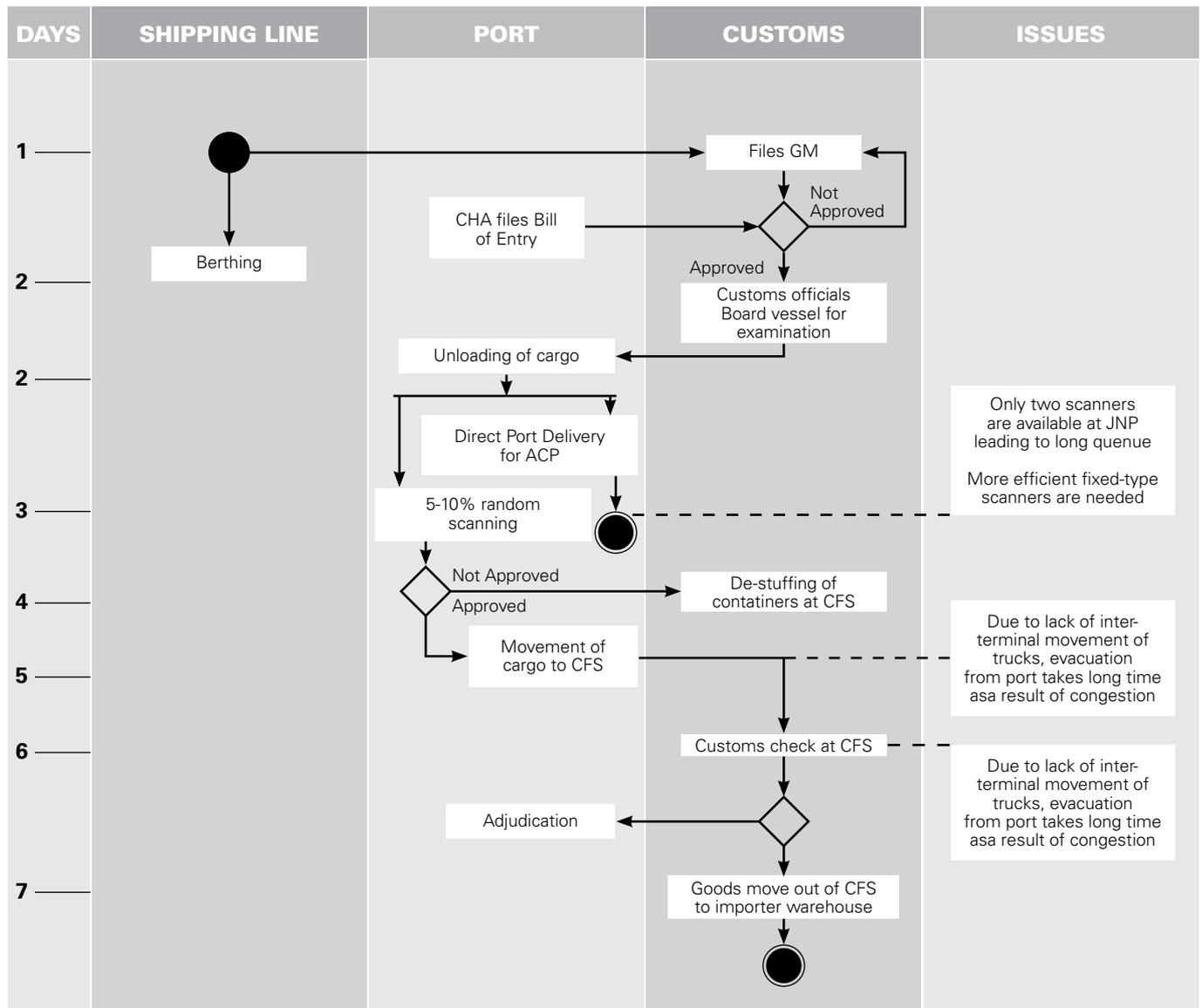
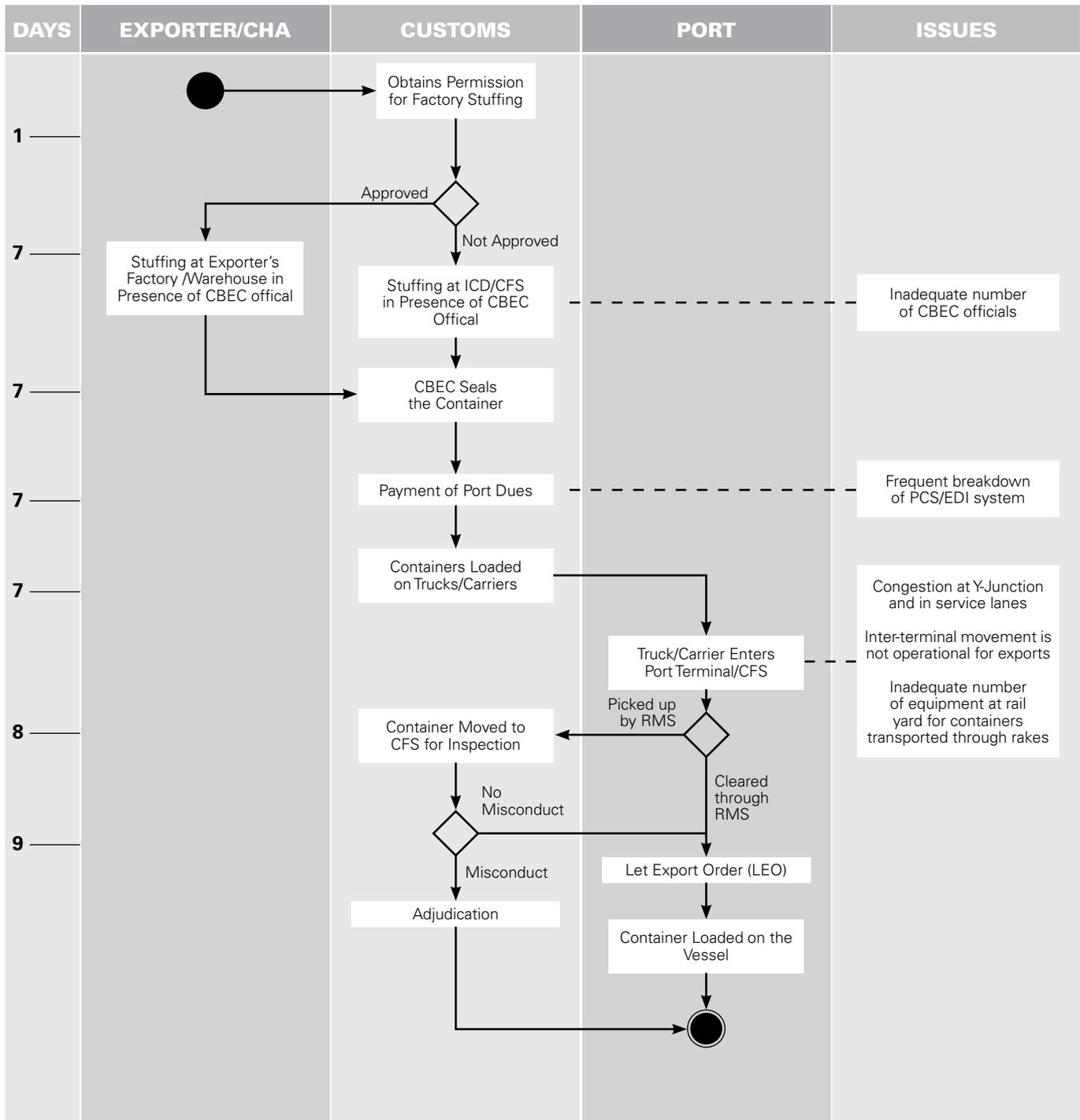


Figure 4 – Movement of Cargo at JNP - Export



Source: Bridging Infrastructural Deficit at Selected Ports in India, BRIEF, 2016, pp. 36-37

The key issues are an inadequate number of scanners at the JNPT port, lack of inter-terminal movement of trucks, evacuation related problems, and partial clearance of cargo at container freight stations.

On the other hand, the key issues in export clearance are frequent breakdown of electronic data interchange (EDI), congestion at entry point to port, restrictions on inter-terminal movement and inadequate equipment at railyards for containers transported by rakes. In short, procedural and infrastructural impediments at the

JNPT affect the efficient functioning of the whole trade supply chain which links with different nodes of industrial zones in India. The current problem of congestion at the JNPT can be alleviated by the adoption of iCarnet. The iCarnet is a tool that is used for secure transport of goods between two customs offices in the same country.

Under iCarnet, the operation related to customs clearance can be performed at customs offices of the destination country. Therefore, the iCarnet could ease congestion at the JNPT, thereby improving the efficiency of whole trade supply chain.

### 3.5 The role of the TIR Convention in addressing transit and transport related impediments in BBIN and NH-8 corridors and effective implementation of the BBIN MVA

It is amply clear from the survey findings that BBIN countries encounter diverse ranges of problems with regard to transit and transport facilitation. 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, a lack of an insurance mechanism, mundane administrative and regulatory procedures, and lack of inter-governmental cooperation and integration are playing a major role in this regard. I

n practical terms, Nepal and Bhutan are landlocked countries and their connectivity with the world hinges solely on connectivity with India. Both countries rely on India's trade and transport infrastructure for international trade. Due to ineffective transit regimes, and procedural and infrastructural impediments, Nepal and Bhutan incur substantial trade costs that could be reduced if an effective transit agreement was in place.

Today, all BBIN countries face a competitive disadvantage on all indicators relating to the efficiency of logistics 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 lack of regulatory and procedural harmonisation in the domain of the movement of trucks.

As a result, goods are subject to the trans-shipment of cargo at borders, which increases both the time and cost of the international transport of goods among BBIN countries. It is anticipated that the problem of trans-shipment will be resolved with the implementation of the BBIN MVA and TIR Convention and these tools are 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 a substantial amount of work on fixing customs procedures, developing an insurance mechanism, fixing transit fees, routes, and volumes of cargo. In this context, it is challenging to assess the actual impact of the 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 incorporates 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 the cross border movement of vehicles requires additional legislation and adding any legislation to the BBIN MVA would add to the administrative and regulatory complexities. This, in turn, would affect harmonisation and standardisation of procedures.

On the other hand, the TIR Convention encompasses all elements of a comprehensive, harmonised procedure and it could play an important role in the effective implementation of many of the provisions of the BBIN MVA. For example, Article 4 of the Agreement relates to customs duties and taxes to be managed by the JLTFC. The involvement of the JLTFC in the application of fees 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 resolved by an international guarantee chain which covers all risks related to duties and taxes.

Similarly, Article 5 of the Agreement relates to the establishment of electronic monitoring platforms for efficient tracking of vehicles. In order to do this, BBIN countries need to develop a new electronic monitoring platform at regional levels to monitor the cross border movement of vehicles. In this respect, the TIR Convention provides two globally tested electronic tools (i.e., Real-Time Safe TIR, and TIR-EPD), which would ensure the smooth exchange of information between different agencies.

The implementation of the TIR Convention within the 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 investment in export, transport, and logistic 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 connections, improved logistics and ease of doing trade. A fully operational TIR system would facilitate the effective implementation of the BBIN MVA and would contribute to better regional connectivity in the BBIN region.

As far as interstate transport is concerned, the use of an instrument such as iCarnet, which is based on the principles of TIR, can be taken into consideration. The iCarnet is used for the secure transport of goods between two customs offices in the same country. It provides a guarantee for customs authorities for the goods that are being transported to their final destination, where they will be cleared. It is used for internal transport from sea ports and airports to the customs of destinations.

The iCarnet is operational in Ukraine and has been very successful in facilitating the transport of goods within the country. Other countries such as Turkey, Kazakhstan, Kyrgyzstan, Iran, Tajikistan, and Armenia have expressed their keen interest in co-opting the iCarnet for their internal transport. All procedures, such as the guarantee mechanism and claim procedures, are performed as under the TIR system.

Given the features of the iCarnet and a successful experience of its implementation, it is possible that the iCarnet may be useful in facilitating internal transport in India. It can play an important role in reducing the cost of doing trade internally as well as boosting trade competitiveness globally. Whereas the implementation of GST may solve the internal corridor problems, the iCarnet can play an important role in reducing congestion at ports in India.

Under iCarnet, clearance of cargo can take place at the customs offices of the destination. In short, iCarnet will eliminate the exercise of clearance and will significantly ease the burden on ports.

## Chapter 4

# Conclusions and recommendations

It is well recognised that ineffective transport and transit facilitation have impacted inter- and intra-regional connectivity and economic integration among the BBIN countries. Despite shared history, culture, value systems, and geographical contiguity, BBIN countries are still not well connected with each other and regional integration remains a distant dream.

However, a significant volume of new literature on trade within the BBIN region shows that ineffective transit and transport facilitation have emerged as major issues and blocks in the rapid expansion of cross border trade flows.

Complex procedural and regulatory frameworks, travel restrictions, delays due to trans-shipment, poor and sometimes non-existent trade infrastructure at selected LCSs and inefficient customs clearance procedures are significantly raising the time and cost of doing trade among BBIN countries.

Furthermore, the existing transit agreements are burdened with procedural and regulatory complexities and they have failed to address challenges emanating from micro and operational procedures. Goods are often loaded and unloaded at border points which results in substantial delays.

The principal factor inhibiting regional connectivity relates to the lack of an effective regional transit agreement.

BBIN countries envisaged the BBIN MVA with the aim to improve economic integration and connectivity among the four countries of Southeastern Asia. The signing of the BBIN MVA is an important development to address long standing issues related to transit and transport facilitation in the region.

The operationalisation of the Agreement is likely to play an important role in creating transport corridors linking the four countries into economic corridors as well as facilitating the transit of goods and people-to-people contact along specified key routes without trans-shipment at border crossing points.

This will substantially eliminate the time-consuming exercise of unloading and loading cargo. The reduction in cost and time of doing trade will create more trade and investment opportunities, especially in border states, thereby addressing other challenges such as regional inequalities and poverty. Another important benefit of the MVA will be its contribution to the development of the containerised movement of cargo.

Given that the containerisation of trade has been successful in lowering the cost of trade across the world, the introduction of the containerised movement of cargo in BBIN countries may reduce the high cost of transport, which is a key concern in intra-regional cross border trade.

The containerised movement of cargo is multi-modal and can facilitate integrated and seamless road, rail, and sea transport and reduce the cost of doing trade for landlocked countries like Bhutan and Nepal.

The BBIN MVA is a good framework, however, its actual implementation requires significant institutional, and regulatory reforms in each country. Many provisions of the Agreement cannot be implemented without additional legislation or a new institutional framework, which must be accepted by contracting parties.

However, concerns regarding the implementation of the BBIN MVA can be addressed by co-opting international instruments such as the TIR Convention. The TIR Convention is the only global customs transit system that provides the 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.

It has been instrumental for the effective implementation of similar transit agreements in other regions, notably in Asia. In the context of the BBIN MVA and its protocols, the TIR Convention seems to be a useful tool for the efficient implementation of the Agreement. The current framework of BBIN MVA is also in consonance with many provisions of the TIR Convention.

The use of the TIR system for making the BBIN MVA operational is important and it will help in dealing with the specifics of the Agreement, thereby facilitating easy and efficient movement of vehicles across borders. The intermodal element of the TIR Convention will help in making the BBIN MVA more effective, particularly for connecting South Asia to other regions and continents.

### Recommendations

Against this background, the study has undertaken a careful and comprehensive analysis of the benefits of the TIR Convention in implementing the BBIN MVA. In short, the study proposes important policy recommendations and advocates accession to the TIR Convention by BBIN countries to make the BBIN MVA a successful transit and transport agreement.

#### Simple and standardised framework

- Accession to the TIR system for the BBIN MVA will provide globally tested tools which will help implementation of the MVA. This would boost the overall operational effectiveness of the Agreement and reduce investments needed to develop transit protocols.

- Implementation of the TIR system within the BBIN MVA will promote standardisation of documents and procedures which will facilitate the efficient movement of vehicles across borders. Successful implementation of the MVA among the BBIN countries could be a strong driver for boosting regional connectivity and creating a unified regional market. However, to make MVA operational, it requires tools such as the TIR Convention, which could further stimulate intra-regional trade, investment and economic integration as TIR has already been instrumental to the facilitation of regional trade in ECO countries and Central Asia.

#### Effective risk management under the TIR system

- Implementation of the TIR system within the BBIN MVA would provide higher security mechanisms which would prevent the potential loss of custom duties and taxes when goods are in transit. Higher security would protect national revenue generated through customs and national duties through efficient control procedures and risk management devices.
- Regarding circulation of information and ITC mechanisms, TIR IT tools (Real-Time SafeTIR and TIR-EPD) ensure the availability of real-time information on transit operations for the concerned stakeholders, which contributes to better border control and management. It is a vital step towards a streamlined transit handling. TIR IT tools could play an important role in preventing duplication of export-import clearance related formalities and make the entire process more efficient.
- The TIR IT risk management tools enable electronic message exchange among parties. They automate customs procedures, and advance risk assessment at border crossing points. Moreover, they serve the basis of a fully computerised TIR procedure, which is being already tested.

#### Harmonisation of transit and transport related regulations

- Co-opting the TIR Convention into the BBIN MVA would ensure a higher degree of harmonisation of transit, transport and customs related procedures, which would significantly reduce the incidence of procedural and administrative barriers in the movement of goods across frontiers.
- The TIR Convention could help BBIN countries to implement their TFA commitments as many provisions of the TIR Convention and TFA are complementary to each other and mutually supportive as well. Again, while TFA provisions formulate a framework, the TIR system offers concrete mechanisms for the implementation of those provisions.



- Accession to the TIR system for the BBIN MVA would allow countries to connect with other countries and regions which are TIR contracting parties or potential contracting parties. This would provide easy and efficient access to different regions and deepen their integration with global and regional production networks. Efficient movement of vehicles under the TIR system would help firms to access regional and international markets.
- Many protocols of the BBIN MVA require separate legislation and disperse the regulatory framework of the Agreement. For instance, a guarantee mechanism for the cross border movement of goods is yet to be explored and it is expected that it requires a new institutional framework through separate legislations in each country. The accession to the TIR Convention and its international guarantee chain provides a standard guarantee mechanism for the cross border movement of goods.
- To address the challenges related to internal connectivity in India, iCarnet, a carnet intended for the movement of goods in the territory of one country under customs control, can play an important role in facilitating secured transport between two customs offices in a country. It eliminates major impediments involved in the internal movement of cargo vehicles, such as interstate cross border checking and other administrative procedures. Most importantly, it will streamline the procedures at the JNPT, Mumbai by removing the clearance procedure from the port to the customs of destination, thereby reducing costs and time for both customs authorities and transport operators.

In a nutshell, it can be said that the TIR system provides a comprehensive solution for transport in transit and ensures the smooth movement of goods from one country to another without any hindrance or delays.

The TIR system has a sound guarantee mechanism that prevents the potential loss of duties and taxes in international transit. The significance of the TIR system can be well gauged from its continuous expansion in different regions over the years, in consonance with the development of global trade and transport systems in the contemporary world.

It is equally important to note that the TIR Convention does not underscore the significance of national customs laws and other regulations. National customs authorities are empowered to carry out customs checks at any stage, including in transit if they notice any discrepancy or irregularity in the movement of goods.

Finally, 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 that the BBIN countries make concerted efforts towards implementing the TIR Convention within the BBIN MVA. Such an approach, backed by strong political will, holds the promise of boosting regional connectivity.

## Endnotes

<sup>1</sup>De, Prabir (2014), 'Connectivity and Regional Co-Operation in South Asia, The Commonwealth Secretariat', p. 185

<sup>2</sup>*Ibid*, p. 185

<sup>3</sup>CUTS (2015), 'Trade Consignment Mapping in South Asia, A Case of Selected Corridors'

<sup>4</sup>[http://www.idsa.in/idsacomments/BBIN-MVAPushingRegionallIntegration\\_nnayak\\_190615](http://www.idsa.in/idsacomments/BBIN-MVAPushingRegionallIntegration_nnayak_190615)

<sup>5</sup>MustafizurRahman, 'Trade Facilitation in South Asia through Transport Connectivity – Operationalising the Motor Vehicle Agreement (MVAs)', June 2015, Centre for Policy Dialogue

<sup>6</sup>Nihar R Nayak (2015), 'BBIN-MVA: Pushing Regional Integration through Sub-regional Cooperation', [http://www.idsa.in/idsacomments/BBIN-MVAPushingRegionallIntegration\\_nnayak\\_190615](http://www.idsa.in/idsacomments/BBIN-MVAPushingRegionallIntegration_nnayak_190615)

<sup>7</sup>*Ibid*

<sup>8</sup>Parthparatim Pal(2016), 'Intra-BBIN Trade Opportunities and Challenges', Observer Research Foundation, pp. 3-4, [http://www.orfonline.org/wp-content/uploads/2016/03/ORF-Issue-Brief\\_135.pdf](http://www.orfonline.org/wp-content/uploads/2016/03/ORF-Issue-Brief_135.pdf)

<sup>9</sup>*Ibid*

<sup>10</sup>Pritam Banerjee (2015), 'Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement, Unlocking the Potential for Vibrant Regional Road Freight Connectivity', [http://www.cuts-citee.org/pdf/BBIN\\_Motor\\_Vehicles\\_Agreement-Unlocking\\_the\\_Potential\\_for\\_Vibrant\\_Regional\\_Road\\_Freight\\_Connectivity.pdf](http://www.cuts-citee.org/pdf/BBIN_Motor_Vehicles_Agreement-Unlocking_the_Potential_for_Vibrant_Regional_Road_Freight_Connectivity.pdf)

<sup>11</sup>Pranav Kumar and Chandan Mukherjee, 'Trade Facilitation Needs Assessment in South Asia: A Case Study of Eastern Sub-Region', p. 4

<sup>12</sup>Brunner, Hans-Peter (2013), 'Can Global Value Chains Effectively Serve Regional Economic Development in Asia?', ADB Working Paper Series on Regional Economic Integration, Paper No. 110, Asian Development Bank, Manila 2013

<sup>13</sup>Parthparatim Pal(2016), 'Intra-BBIN Trade Opportunities and Challenges', Observer Research Foundation, pp. 3-4

<sup>14</sup>ShahidKardar (2011), 'South Asia—Intraregional Cooperation: The Way Forward', p. 24 <http://www.adb.org/sites/default/files/linked-documents/rcs-south-asia-2011-2015-oth-02.pdf>

<sup>15</sup>TIR is the abbreviation for Transports Internationaux Routiers. More information about the TIR system, TIR Handbook and eTIR project can be found at [tir.unece.org](http://tir.unece.org)

<sup>16</sup>UNESCAP (2014), 'Towards Electronic TIR Customs Transit System (eTIR)', <http://unnex.unescap.org/pub/brief12.pdf>

<sup>17</sup>*Ibid*

<sup>18</sup>*Ibid*

<sup>19</sup>IRU(2015), Pakistan joins the United Nations TIR Convention, <https://www.iru.org/resources/newsroom/pakistan-joins-united-nations-tir-convention>

<sup>20</sup>UNESCAP (2014), 'Towards Electronic TIR Customs Transit System (eTIR)', <http://unnex.unescap.org/pub/brief12.pdf>

<sup>21</sup>Krausz, P. 2015, 'Economic Benefits of TIR: UNESCAP Focus', Study mandated by the International Road Transport Union (IRU), Geneva

<sup>22</sup>IRU (2016), 'Transit costs in East and Southern Africa: A study comparing the costs of national bonds, the Common Market for East and Southern Africa (COMESA) Regional Customs Transit Guarantee (RCTG) and the TIR Carnet in East and Southern Africa'

<sup>23</sup>*Ibid*

<sup>24</sup>Pakistan accession to TIR Convention: Geo-strategic importance and economic benefits: <http://www.globalaffairs.com.pk/pakistan-accession-to-tir-convention-geo-strategic-importance-and-economic-benefits/>

<sup>25</sup>IRU(2015), 'Current TIR expansion efforts in China and beyond', [https://www.unece.org/fileadmin/DAM/tir/seminar/dushanbe/Expansion\\_Eng.pdf](https://www.unece.org/fileadmin/DAM/tir/seminar/dushanbe/Expansion_Eng.pdf)

<sup>26</sup>TIR - Crossing Borders, Opening Frontiers, <https://www.ajot.com/blogs/full/blog-tir-crossing-boarders-opening-frontiers>

<sup>27</sup>*Ibid*

<sup>28</sup>*Ibid*

<sup>29</sup>Home state authorisation fee is collected by states

<sup>30</sup>'Specification of Maximum Gross Vehicle Weight and Maximum Safe Axle Weight', Feb, 2016. Available at [http://nhtis.org/pdf/Tolerance\\_5\\_\\_of\\_GVV\\_06.02.16.PDF](http://nhtis.org/pdf/Tolerance_5__of_GVV_06.02.16.PDF) (Accessed on 16 August 2016)

<sup>31</sup><http://timesofindia.indiatimes.com/india/Trucks-can-carry-5-excess-load/articleshow/49776003.cms>

<sup>32</sup>Carriage by Road Act, 2007: (i) Section 10: Liability of Common Carrier, (ii) Section 11: Rates of charge to be fixed by common carrier for carriage of consignment at a higher risk rate. Available at: <http://transport.bih.nic.in/Acts/The-Carriage-by-Road-Act-2007.pdf>, accessed on 12 September 2016

<sup>32</sup>BRIEF (2016) Bridging Infrastructural Deficit at Selected Ports in India, pp. 36-37

## References

- Abel, Ariadne (2016), 'The TIR Convention and Benefits of Seamless Movement of Vehicles in the BBIN sub-region', The Asian Journal, Asian Institute of Transport Development, Volume 1
- Asayesh, Kazem (2015), 'TIR Convention; the experience of ECO region and its benefits for BBIN', International Road Transport Union
- Asayesh, Kazem (2016), 'TIR System in ECO region: Next steps for Pakistan', International Road Transport Union
- Asian Development Bank (2006), 'Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit'
- Bayleym, Anthony (2014), 'Policies to Enhance Trade Facilitation in South Asia and Southeast Asia', ADBI Working Paper Series
- De, P. and Iyengar, K. (2014), 'Developing Economic Corridors in South Asia', Asian Development Bank
- De, Prabir (2015), 'Disentangling transit costs and time in South Asia: Lessons from firms in Bhutan and Nepal importing through Kolkata and Haldia ports', ODI, Working Paper
- De, Prabir, Abdur Khan and Sachin Chaturvedi (2008), 'Transit and Trade Barriers in Eastern South Asia: A Review of the Transit Regime and Performance of Strategic Border-Crossings', Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 56
- E&Y and Retailers Association of India (2013), 'Movement of goods in India'
- Government of Bangladesh (2016), 'Regional Road Connectivity Bangladesh Perspective'
- International Road Transport Union (2015), 'Current TIR expansion efforts in China and beyond'
- International Road Transport Union (2015), 'Role of private sector in facilitating cross border transport in CAREC'
- Jouanjean, Marie-Agnès, Dirk Willem teVelde, Neil Balchin, Linda Calabrese and Alberto Lemma (2016), 'Regional Infrastructure for Trade Facilitation Impact on Growth and Poverty Reduction', ODI Working Paper
- Masters, Christian (2014), 'Facilitation through the Bali Package Implementation through the TIR', WTO and IRU
- Mel. DeDeshal (2011), 'Trade Facilitation Issues in South Asia', South Asia Centre for Policy Studies'
- Pal, Parthaprathim (2016), 'Intra-BBIN Trade: Opportunities and Challenges', Observer Research Foundation
- Reis, T Hardman (2016), 'Border Crossing Facilitation in the Context of the United Nations General Assembly Resolution 70/197: Prospects for the TIR and the Harmonisation Conventions', The Asian Journal, Asian Institute of Transport Development, Volume 1
- Reis, T Hardman (2016), 'The UN Agreements on border crossing facilitation and the WTO Trade Facilitation Agreement', UNECE
- Sheikh.R. Amer (2015), 'Accession to TIR Convention, 1975: Value for Pakistan's Trade & Transit Vision', National School of Public Policy, Government of Pakistan
- Transport Corporation of India and Indian Institute of Management, Calcutta (2014), 'Operational Efficiency of National Highways for Freight Transport in India'
- UNECE (2013), 'Customs Conventions on the International Transport of Goods under the TIR Carnets (The TIR Convention 1975)'
- UNESCAP (2014), 'Towards Electronic TIR Customs Transit System', Brief no. 12
- USAID (2014), 'A Study of the TIR Convention, 1975 for Pakistan', USAID Trade Project
- World Customs Organisation (2014), 'Transit Handbook: To Establish Effective Transit Schemes for LLDCs'
- Yasui, Tadashi (2013), 'Transit Facilitation for Regional Economic Integration and Competitiveness', World Customs Organization, Research Paper No. 28

Annexure 1 Number of toll plazas on National Highway 8(Mumbai to Delhi)			
No.	Concessionaire	Name of the toll plaza	Governing authority
1	M.E.P. Infrastructure Pvt. Ltd	Airoli	Maharashtra State Road Development Corporation(Limited)
2	Ideal Road Builders Pvt. Ltd	Kharegaon ,Mumbai-Agra Road(NH-3) (Thane Bhiwandi Bypass)	National Highways Authority of India
3	M.E.P Infrastructure Pvt. Ltd	Mulund	Maharashtra State Road Development Corporation(Limited)
4	Supreme	Bhiwandi-Gujarat Highway	Public Works Department, Government of Maharashtra
5	Ideal Road Builders Pvt. Ltd.	Khaniwade	National Highways Authority of India
6	Ideal Road Builders Pvt. Ltd.	Charoti	National Highways Authority of India
7	Ideal Road Builders Pvt. Ltd.	Bhagwada	National Highways Authority of India
8	Ideal Road Builders Pvt. Ltd.	Boriach	National Highways Authority of India
9	IDAA Infra. Pvt. Ltd.	Choryasi	National Highways Authority of India
10	L&T Vadodara Bharuch Tollway Limited	Vadodara Bharuch	Works not completed (huge traffic jam near bridge under construction)
11	Ideal Road Builders Pvt. Ltd.	Vasad	National Highways Authority of India
12	Ideal Road Builders Pvt. Ltd.	Radhvanaj	National Highways Authority of India
13	PrakashAsphaltings& Toll Highways (I) Ltd.	Kathpur	National Highways Authority of India
14	RidhiSidhi Associates	Vantada	National Highways Authority of India
15	Sahkar Global	Khandi-Obari	National Highways Authority of India
16	MEP Infrastructure Developers Ltd.	Padona	National Highways Authority of India
17	ShreenathJi Udaipur TollwaysPvt. Ltd.	Negadiya	National Highways Authority of India
18	ShreenathJi Udaipur TollwaysPvt. Ltd.	Mandawada	National Highways Authority of India
19	ITNL Road Infra. Development Co. Ltd.	Gomti	National Highways Authority of India
20	ITNL Road Infra. Development Co. Ltd.	Beawar	National Highways Authority of India
21	Soma Isolux NH-8 Tollway Pvt. Ltd.	Piplaz	National Highways Authority of India
22	Soma Isolux NH-8 Tollway Pvt. Ltd.	Gegal	National Highways Authority of India
23	GVK-Jaipur Expressway Pvt. Ltd.	Kishangarh	National Highways Authority of India
24	GVK-Jaipur Expressway Pvt. Ltd.	Thikariya	National Highways Authority of India
25	PinkCity Expressway Pvt. Ltd.	Daultpura	National Highways Authority of India
26	PinkCity Expressway Pvt. Ltd.	Manoharpura	National Highways Authority of India
27	PinkCity Expressway Pvt. Ltd.	Shahjahanpur	National Highways Authority of India
28	MCEPL	Delhi-Gurgaon	National Highways Authority of India
29*	GF Toll Road Pvt. Ltd.	GF Toll Plaza	-
	Or M/S Dep Tolls LLP	Delhi-Gurgaon	South Delhi Municipal Corporation

\* Trucks usually take the MG road from Gurgaon to reach TKD, New Delhi. However, another route through Mahipalpur is also available during nights to reach TKD, New Delhi. Accordingly, toll collection agencies and their respective authorities as per the route will vary.

Annexure 2 List of key central and interstate agencies on the NH-8			
Sr.	Agency	Tax category	Infrastructure
1	Central Board of Excise and Customs, JNPT	Customs duty, CVD and excise	Yes(JNPT Port)
2	Maharashtra Regional Transport Organisation	Commercial vehicle	Yes
3	BMC	Octroi	Yes
4	Gujarat Commercial Tax Department	Goods	Yes
5	Gujarat State Regional Transport Organisation	Commercial vehicle	Yes
6	Forest Department Gujarat	Wildlife and forest clearance	Yes (near Bharuch)
7	Rajasthan State Regional Transport Organisation	Commercial vehicle	Yes
8	Forest Department Rajasthan	Wildlife and forest clearance	Yes(near Udaipur)
9	Weight measures(other than RTOs/DTOs)	At NHAI toll plazas(NHAI)	Yes
10	Haryana police (on behalf of the RTOs)	Commercial vehicle	No(police naka at the border)
11	Department of excise and taxation of Haryana	Commercial vehicle (entry)	Yes
12	Police/traffic police	Safety challenge	No, mostly random with few nakas
	Enroute checks in Rajasthan(through mobile RTOS but not in Gujarat and Maharashtra)		
	Intelligence based agency		

<sup>19</sup>IRU(2015),Pakistan joins the United Nations TIR Convention, <https://www.iru.org>





## **IRU**

La Voie-Creuse 16, CP 44  
CH-1211 Geneva 20, Switzerland  
+41-22-918 27 00 (tel)  
+41-22-918 27 41 (fax)  
[iru@iru.org](mailto:iru@iru.org)

[iru.org](http://iru.org)

## **Consumer Unity & Trust Society (CUTS)**

CUTS International

D-217, Bhaskar Marg, Bani Park  
Jaipur 302016, Rajasthan, India  
+91-141-228 28 21 (tel)  
+91-141-228 24 85 (fax)  
[cuts@cuts.org](mailto:cuts@cuts.org)

[cuts-international.org](http://cuts-international.org)