

Road Transit Systems in Central Asia

A large share of international trade in the CARs involves domestic customs transit—that is, transporting goods from the point of inland customs clearance to the point of exit (in the case of exports) or from the point of entry to the point of inland customs clearance (in the case of imports) without paying the duties and taxes due on domestic consumption in the CAR concerned. This is because goods being exported (imported) often undergo customs clearance in one place but exit (enter) the country in another place. A substantial proportion of international trade in the CARs also involves external customs transit through a neighboring country—that is, transporting goods from the point of entry to the point of exit in the transit country without paying duties and taxes due on domestic

consumption in that country. The reason is that the CARs are all landlocked and most of their trade is with noncontiguous countries (see Table 6.1). Moreover—as noted in Chapters 1 and 5—the CARs, to various degrees, serve each other as a transit country in international trade.

Even domestic trade between certain regions of Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan involves customs transit through another CAR. This is because the transport networks these countries inherited from the FSU crisscross their national borders. The shortest route connecting two parts of the same country often passes through a neighboring country. Furthermore, the Kyrgyz Republic, Tajikistan, and Uzbekistan each have exclaves

Table 6.1: Share of Contiguous and Noncontiguous Countries in Merchandise Trade in the Central Asian Republics, 2004
(In percent)

	Contiguous Countries			Noncontiguous Countries		
	Exports	Imports	Total	Exports	Imports	Total
Azerbaijan	15.6	21.0	19.1	84.4	79.0	80.9
Kazakhstan	26.2	50.5	35.5	73.8	49.5	64.5
Kyrgyz Republic	24.5	26.3	25.6	75.5	73.7	74.4
Tajikistan	7.7	20.8	15.1	92.3	79.2	84.9
Uzbekistan	13.4	10.1	11.6	86.6	89.9	88.4

Source: Governments of the Central Asian republics and the authors' estimates.

in the territory of the other two. Domestic trade between these exclaves and other parts of the country they belong to inevitably involves customs transit through the country in which the exclave is located.

Accordingly, the transit systems—i.e., sets of rules and procedures in accordance with which customs transit is carried out—that are in place in the CARs have significant effects on both intra- and extra-regional trade in Central Asia. Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan’s transit systems also affect domestic trade in at least one neighboring CAR. Indeed, certain aspects of the transit systems currently in place in the CARs do impose constraints on cross-border movements of goods by rail and by road.¹ These are, however, not crucial for cross-border movements of goods by rail, for which transport-related factors—such as the need for technical inspection of the train and shunting of damaged wagons and the lack of locomotives and train paths at border crossing points—are a binding constraint. Unless these transport-related constraints are removed, improvements in the rail transit systems will do little to facilitate cross-border movements of goods by rail. In contrast, inadequacies of the road transit systems impose a binding constraint on trade in Central Asia.

It is in part due to substantial outlays and delays associated with road customs transit, especially external road customs transit, that transport costs are high and transit times are long and unpredictable for international shipments by road to and from the CARs. And it is partly due to difficulties with external road customs transit through neighboring countries, some of the CARs have spent a considerable amount of resources on the construction of new roads primarily to avoid transit through a neighboring CAR. The construction of these new roads would have been harder to justify if the use of existing roads had not been beset by difficulties with transit through neighboring countries.

This chapter reviews the road transit systems currently in place in the CARs and identifies their weaknesses that contribute to high transport costs and long and unpredictable transit times for international shipments to and from the CARs, prompting some of them to build new roads with the primary aim of avoiding transit through a neighboring CAR. The chapter then discusses how regional cooperation could help the CARs reduce outlays and delays associated with road customs transit in Central Asia.

6.1 National Transit Systems

Following independence, the CARs developed national transit systems, which apply to customs transit not covered by the international or regional agreements that the CAR concerned has signed. Key features of these transit systems, including acceptable forms of a guarantee, are specified in the customs code of the respective CAR. The design of the national transit systems has improved markedly over the last several years, reflecting the considerable progress the CARs have made in revising their customs codes in line with the Convention on the Simplification and Harmonization of Customs Procedures (commonly known as the “Revised Kyoto Convention”) and WTO standards.²

The main remaining problem with the national road transit systems is that they cover only one country and do not provide a “chain guarantee.” Consequently, a transport operator undertaking customs transit under the national road transit systems has to submit separate transit documents and provide separate guarantees in the country of origin, the country of destination, and each of the transit countries (see Figure 6.1). The need to submit separate transit documents in several countries can increase transport time substantially. Providing a guarantee even in one country can be quite costly, let alone providing separate guarantees in several countries. Customs legitimately require that the

¹ The transit systems are not important for cross-border movements of goods by air because goods in transit by air always remain in a customs-controlled environment.

² Kazakhstan enacted its Revised Customs Code in 2003 and the Kyrgyz Republic in 2004. Tajikistan is expected to do so in November 2005. Azerbaijan and Uzbekistan are revising their customs codes.

guarantee must cover not only the cost of the potential duty and tax liabilities, but also the recovery costs and the amount of the potential penalties. Hence, the amount required for the guarantee can be substantially greater than the amount of the potential duty and tax liabilities.

Although customs in the CARs accept a guarantee in one of the several forms (e.g., a cash guarantee, a bank guarantee or an insurance guarantee), there are difficulties in providing a guarantee in any of these forms. The main difficulty in providing a cash guarantee is that small transport operators rarely hold large amounts of cash required for such a guarantee. In addition, drivers are understandably reluctant to carry large amounts of cash because not all roads in the region are secure. Furthermore, in most of the CARs, repayment system is slow and a cash guarantee can only be recovered through the customs headquarters, which is very inconvenient, especially for foreign transporters. A bank guarantee is fairly expensive and only available to large companies with a good “track record.” Although an insurance guarantee is generally cheaper than a bank guarantee, it is difficult to obtain in most of the CARs because the insurance industry is still in its early stage of development.

In the absence of a guarantee, convoying is usually required for customs transit under the national road transit systems. A major problem with convoying is that the fee for the service is rather high in some of the CARs. It can be as high as US\$285 in Kazakhstan, US\$100 in Tajikistan, and US\$245 in Uzbekistan. Another problem is that accumulating sufficient vehicles to make up a convoy takes time, that is, more than a day at light-traffic border crossing points. Furthermore, all the vehicles in a convoy arrive at the exit border crossing point together, thus creating an uneven workload for customs at that point and causing significant processing delays. That is why the variable costs of the national road transit systems in the CARs are quite high.

High costs of providing separate guarantees in several countries explain why transport operators often clear goods at the border instead of undertaking internal customs transit by road and join a customs convoy when external customs transit by road is required. A major advantage of customs convoy is that it protects, to some extent, truck drivers from attempts of corrupt traffic police officers along the route to extract unofficial payments from them. The latter is a serious problem for customs transit in the CARs not only when it is undertaken under their respective national transit systems, but also when it is undertaken under international and regional transit systems.

6.2 TIR System

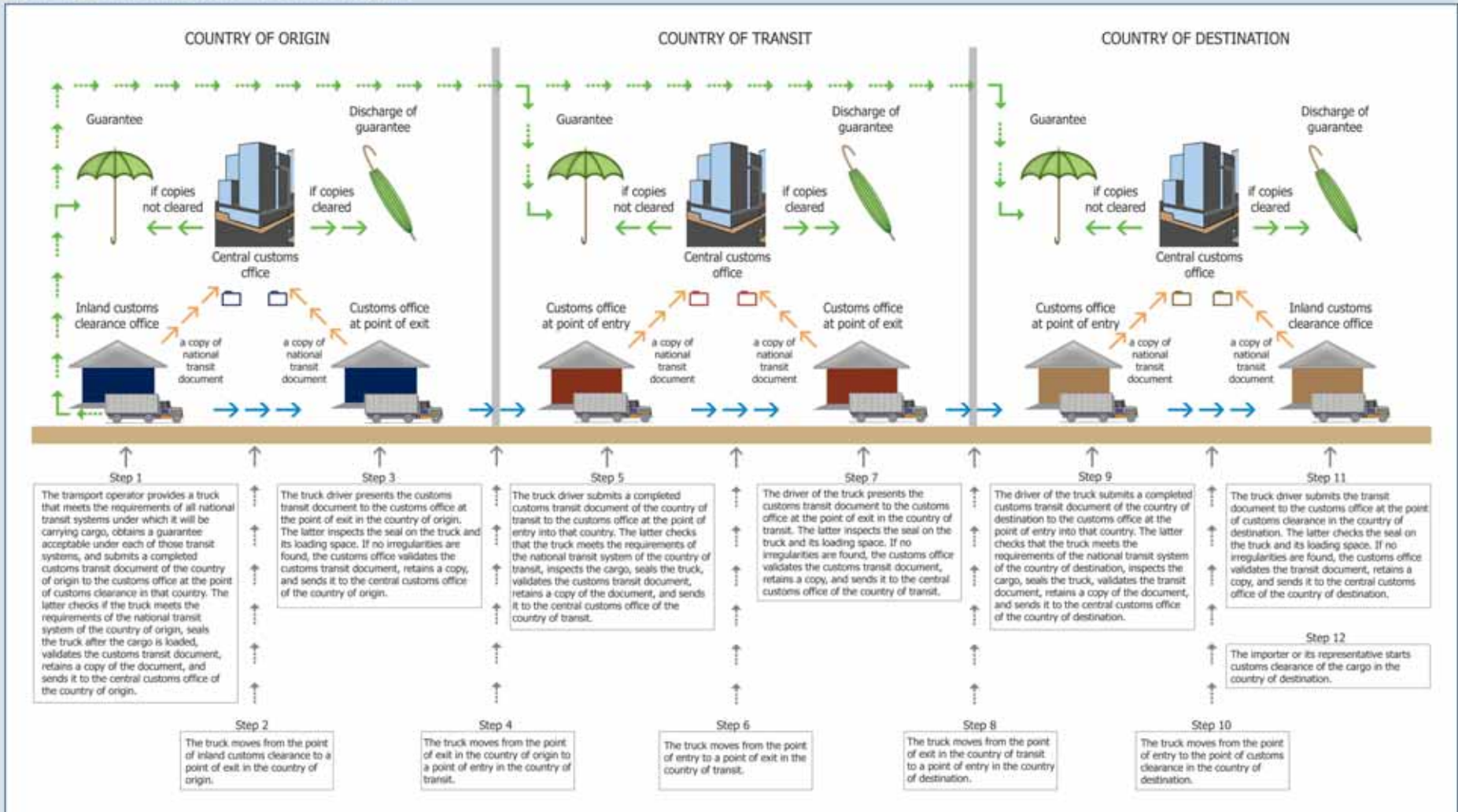
The most important international road transit system used in the CARs is the so-called “TIR system”—that is, the international transit system based on the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (often referred to as the “TIR Convention”).³ The main features of the TIR system are as follows:

- (i) Goods are transported in a customs-secure vehicle or container. The TIR Convention sets out standards and certification procedures for the load compartment (i.e., the cargo carrying area) of vehicles and for containers that can be used in customs transit under the TIR system. The standards are designed to ensure that the interior of a load compartment or a container is not accessible when it is sealed by customs and any tampering would be clearly visible.
- (ii) While goods are in transit, the duties and taxes at risk are covered by a “chain guarantee” provided by the national associations of transport operators that control access to the TIR system.⁴ If an irregularity

³ All of the CARs are members of the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets.

⁴ The amount payable under the guarantee is up to US\$200,000 for tobacco and alcohol and up to US\$50,000 for all other goods.

Figure 6.1: A Typical Road Transit Operation under National Transit Systems



Source: Arvis (2005) and the authors.

occurs during a TIR transit operation and the transport operator fails to pay the taxes and duties that become due as a result of the irregularity, then the national transport operators' association of the country where the taxes and duties need to be paid pays them. If a different national association has issued the TIR Carnet for the transit operation, that association reimburses the expenses of the association that has paid the taxes and duties. Since the national associations are not financial institutions, their guarantee obligations under the TIR system are backed by insurance companies.

- (iii) Goods are accompanied by a TIR Carnet, which is an international customs document issued in the country of origin and serves as a customs control document in the countries of origin, transit, and destination. A TIR Carnet serves as a proof that the goods it is accompanying are covered by a guarantee. The International Road Transport Union (IRU) prints TIR Carnets and distributes them to the national associations.
- (iv) Customs control measures taken in the country of origin are accepted by the countries of transit and destination. This does not, however, preclude customs officials in a transit country from undertaking spot checks on the basis of an identified risk. If they do so, then they must reseal the load compartment or the container.

- (v) National associations of transport operators control access to the TIR system and issue TIR Carnets. To obtain such rights, the associations and their members need to meet certain requirements. In particular, the associations need to have an agreement with the customs administration of their countries, whereby they provide a guarantee for all transit operations undertaken under the TIR system in their countries, irrespective of where the TIR Carnets are issued.⁵

Created more than 50 years ago, the TIR system has proven to be very effective in facilitating customs transit by road, especially when it involves crossing multiple borders. Moreover, it remains the only universal transit system in the world. However, the fixed costs of the TIR system—i.e., its costs that do not depend on the number of transit operations undertaken under the system—are too high for most transport operators from the CARs. This is because the first two features of the system have significant fixed-cost implications.

The first feature means a transport operator that wants to use the TIR system has to purchase or lease a truck that meets the requirements of the TIR Convention.⁶ Moreover, the truck needs to be re-certified every two years for continued use under the TIR system. The requirements are rather stringent and can only be met by a high-quality truck. Since customs transit under the TIR system often involves entry to an EU member country, the truck used in such transit has to comply also with EU emission regulations. Hence, to be able to use the TIR system, transport operators from the CARs have to purchase or lease European-manufactured trucks, which are very expensive by local standards.⁷

⁵ See Arvis (2005) for a detailed description of the TIR system.

⁶ Although the requirements of the TIR Convention apply to the compartment of a truck, they are effectively requirements for the truck since a compartment can rarely be bought or leased separately from the rest of the truck.

⁷ Used trucks of EURO-3 class, for example, cost at least US\$70,000 and new trucks of EURO-5 class cost more than US\$100,000. The high cost of trucks that meet the requirements of the TIR Convention and comply with the emission regulations of the EU is the main reason for the relatively small number of such trucks in the CARs. The total "TIR fleet" of the CARs is estimated at around 3,000 units, which is small given that Uzbekistan alone has 190,000 freight vehicles. With around 1,600 TIR-certified units, Kazakhstan has the largest "TIR fleet" of the CARs. By comparison, Tajikistan has no TIR-certified units and is not using the TIR transit system in practice, even though it can theoretically issue TIR Carnets.

The second feature of the TIR system means a national association controlling access to the TIR system needs to have an insurance that covers its guarantee liabilities under the system. It then needs to recover the cost of such insurance from its member transport operators through various fees, such as entry and annual membership fees. Since the amounts payable under the guarantee are quite high by Central Asian standards, so is the cost of the insurance. Moreover, most transit operations undertaken by transport operators from the CARs involve crossing a few borders. The amount of the duties and taxes at risk during such transit operations are generally much smaller than the amount of the guarantee under the TIR system.

Table 6.2 presents data on the costs of the TIR system in Azerbaijan, Kazakhstan, Kyrgyz Republic, and Uzbekistan. It shows that the cost of trucks that meet the requirements of the TIR Convention and comply with the emission regulations of the EU as well as the entry and/or annual fees for membership in the national association that controls access to the system, are indeed quite high in the four CARs. Most transport operators in the CARs are micro, small and medium-sized enterprises, which cannot

afford using the TIR system at such high fixed costs. This partly explains why—as noted in Chapter 5—the market for international road shipments in the CARs is dominated by a small number of large transport operators, mostly from Iran and Turkey.

Although the fixed costs of the TIR system are high, these can be offset by its benefits, which primarily relate to faster border crossing and the exemption from a customs escort. The processing of vehicles transporting goods under a TIR Carnet (henceforth referred to as “TIR vehicles”) at border crossing points should be significantly faster than for non-TIR vehicles. Furthermore, TIR vehicles should be allowed to pass through a transit country without a customs escort.

These benefits of the TIR system are, however, not always realized in the CARs due to border infrastructure problems, noncompliance by customs, and corruption. When a border crossing point becomes congested, the main delay factor is the waiting time to reach the border control zone rather than the actual processing time within the zone. The approaches to most border crossing points do not allow

Table 6.2: Costs of the TIR System in Azerbaijan, Kazakhstan, Kyrgyz Republic, and Uzbekistan

(As of 1 January 2006, in US dollars)

	Azerbaijan	Kazakhstan	Kyrgyz Republic	Uzbekistan
Cost of a new vehicle that meets the requirements of the TIR Convention and complies with emission regulations of the EU	>100,000	>100,000	>100,000	>100,000
Entry fee for membership in the national association that controls access to the TIR system	2,500	3,000–5,000	8,000	8,000
Annual fee for membership in the national association that controls access to the TIR system	600–1,800	200–2,000	200–1,000	120–130
Cost of a TIR Carnet	115	100	124–174	150

Note:

EU - European Union

TIR - Transport International Routier

Source: Data collected by the authors.

traffic separation schemes that would prioritize TIR vehicles over non-TIR ones. As a result, the former incur the same preprocessing delays as the latter.

Furthermore, when a TIR vehicle reaches a border control zone, customs officials should only check the TIR Carnet and the customs seal on the vehicle. They are allowed to break the seal and examine the contents of the vehicle only on the basis of an identified risk. However, customs officials in the CARs often require that drivers of TIR vehicles produce a full set of documentation almost identical to that required for drivers of non-TIR vehicles. In some countries, seals are broken routinely rather than on the basis of an identified risk, and customs officials often demand that TIR vehicles be escorted. Unofficial payments are usually needed to avoid excessive paper work and physical examination of the cargo at border crossing points.

Combined with various official and unofficial payments relating to the vehicle (e.g., an entry fee, a charge for an excess axle load, and unofficial payments to

traffic police officers along the route), unofficial payments to customs officials significantly raise costs of customs transit and reduce the benefit of using the TIR system in the CARs. As Table 6.3 shows, a Kyrgyz truck carrying goods under a TIR Carnet has to make official and unofficial payments totaling US\$1,255–1,805 (17–20% of the value of cargo) along the Bishkek-Frankfurt, Germany route, and US\$1,740 (12–18% of the value of cargo) along the Bishkek-Istanbul, Turkey route. A significant proportion of these payments have to be made in Kazakhstan and Uzbekistan.

Even if the benefits of the TIR system had fully been realized, it would have not been suitable for short-distance customs transit due to its high fixed costs. The benefits of the system increase with the number of countries that need to be crossed during customs transit. The system is, therefore, mostly used in long-distance customs transit that requires the crossing of several countries. The fixed costs of the system are too high for it to be used in external customs transit that requires crossing of one country or in

Table 6.3: Official and Unofficial Payments to be Made by a Kyrgyz Truck Carrying Goods under a TIR Carnet along Selected Routes, 2005
(In US dollars, unless otherwise indicated)

Bishkek-Frankfurt, Germany			Bishkek-Istanbul, Turkey		
Route	Official payments	Unofficial payments	Route	Official payments	Unofficial payments
Kazakhstan	135	300–600	Kazakhstan	100	100
Russian Federation	100	300–500	Uzbekistan	415	100
Belarus	100	150–200	Turkmenistan	440	50
Poland	85	0	Iran	390	10
Germany	85	0	Turkey	135	0
Total	505	750–1,300	Total	1,480	260
In percent of the value of cargo	7–8	10–12	In percent of the value of cargo	10–15	2–3

Note:
TIR – Transport International Routier

Source: Data collected by the authors from Kyrgyz transport companies.

internal customs transit, which only requires crossing of the border between two trading countries.

6.3 Regional Cooperation in Customs Transit

Given the high fixed costs of the TIR system and the high variable costs of the national road transit systems, the CARs have been trying to establish regional transit systems that could be used for intraregional customs transit by road and would be less costly than the TIR and national road transit systems. To this end, the CARs—along with the other CIS countries—have signed the Agreement on Transit through the Territories of the CIS Member Countries. Within the framework of the ECO, the CARs—together with Iran, Pakistan, Turkey, and Turkmenistan—signed a Transit Trade Agreement, which seeks to facilitate trade between two signatory countries that involve external customs transit through the territory of another signatory country. In addition, Azerbaijan, Kazakhstan, Kyrgyz Republic, and Tajikistan—along with Afghanistan, Iran, Pakistan, Turkey, and Turkmenistan—have signed the Transit Transport Framework Agreement, which aims to facilitate customs transit along designated routes through the territories of the signatory countries. Within the framework of the EAEC, Kazakhstan, Kyrgyz Republic, and Tajikistan—along with Belarus and the Russian Federation—have signed the Agreement on Transit through the Territories of the Custom Union Member Countries. Kazakhstan and Kyrgyz Republic—along with the PRC and Pakistan—have signed a regional transit agreement. Kazakhstan has signed bilateral transit agreements with Georgia, Uzbekistan, and Kyrgyz Republic, which has signed a bilateral transit agreement also with Tajikistan.

These agreements have, however, had a very limited effect on customs transit in the CARs for a variety of reasons. The ECO Transit Transport Framework Agreement, for example, has not yet entered into force, as only five countries have so far ratified it (six are needed for it to become effective). Uzbekistan, a key transit country in the region, has not even signed it. The ECO Transit Trade Agreement and the bilateral transit agreement between

Kazakhstan and Uzbekistan have entered into force but are not being implemented. The CIS and EAEC transit agreements do not address issues relating to the provision of a guarantee for customs transit. The bilateral transit agreement between Kazakhstan and the Kyrgyz Republic only applies to Kyrgyz trucks passing through the Kazakh territory. It stipulates that Kyrgyz transport operators provide a bank guarantee to the Kyrgyz customs in return for its letter of guarantee, which enables a Kyrgyz truck to pass through the Kazakh territory without a customs escort. As noted above, a bank guarantee is fairly expensive in the CARs and is only available to large companies with a good “track record.” This partly explains why a few Kyrgyz transport operators are making use of the bilateral transit agreement between their country and Kazakhstan.

Consequently, the need remains for the CARs and their neighbors to put in place an effective and relatively inexpensive regional transit system for short-distance customs transit by road. Given the success of the TIR system, its design could serve as a basis for the regional transit system. However, the design of the TIR system would have to be modified to make the fixed costs of the regional transit system cheaper than those of the TIR system. The main features of the regional transit system could be as follows:

- (i) The system would be based on a regional transit agreement. The agreement would have to be drafted in consultation with transport operators and fully supported by the customs of all participating countries.
- (ii) A regional supervisory body would be established to supervise the implementation of the system in the participating countries. The body could be set up as a separate institution or within the framework of one of the existing regional cooperation organizations or programs.
- (iii) Goods would be transported in a customs-secure vehicle, but the requirements for such

a vehicle would be less stringent than those in the TIR system. The requirements as well as certification rules and procedures would need to be acceptable to the customs and set out in the regional transit agreement. Actual certification could be done by the same national body that does certification of the TIR vehicles.

- (iv) A national guaranteeing body would be established in each participating country to control access to the system in their respective countries. One of the existing institutions, such as the national association of transport operators, could serve as such a body.
- (v) While goods are in transit, the duties and taxes at risk would be covered by a “chain guarantee.” This would be an insurance guarantee provided by the national guaranteeing bodies and backed by insurance companies. Therefore, the national legislation would need to be amended accordingly in those CARs where it currently does not allow insurance companies to insure transit operations. To make the guarantee cheaper, maximum payments under the guarantee could be set at lower levels than those under the TIR system.
- (vi) Goods would be accompanied by a regional transit document issued by the national guaranteeing body in the country of origin and would serve as a customs control document in the countries of origin, transit, and destination. It would serve as a proof that the goods it is accompanying are covered by the insurance guarantee under the regional transit system. The regional supervisory body then would print regional transit documents and distribute them to the national guaranteeing bodies.

- (vii) Customs control measures taken in the country of origin would be accepted by the countries of transit and destination. Breaking of seals and physical examination of goods would be allowed only under special circumstances.

Both fixed and variable costs of such a regional transit system would be relatively low. Its fixed costs would be less than those of the TIR system because its requirements for vehicles would be less stringent than those of the TIR system and the maximum payments under the “chain guarantee” it provides would be less than those under the TIR system. The variable costs of the system would be less than those of the national transit systems because one insurance guarantee would cover the entire transit operation and the transport operator would have to fill out only one transit document (see Figure 6.2). The benefits of the system would be even greater if the participating countries has established, at their border crossing points, separate lanes for vehicles carrying goods under the regional transit system.

The development of such a regional transit system requires concerted efforts by the CARs and their neighbors. Many elements of the system, including transport inspection mechanisms and organizations that could serve as national guaranteeing bodies, are already present in the CARs and in most of their neighbors. However, there is a lack of capacity and the political will to combine these elements into an effective regional transit system. Therefore, technical assistance by multilateral institutions as well as lobbying by firms that export and/or import goods by road, local transport operators, and other parties that stand to benefit from the establishment of the regional transit system are needed for it to happen. Given the difficulties in negotiating multiparty agreements, several bilateral transit systems could initially be set up as an intermediate step towards the regional transit system. However, these bilateral transit systems would have to be compatible and similar to the TIR system in order for them to serve as “building blocks” rather than become “stumbling blocks” of the proposed regional transit system.

Parallel to developing the regional transit system, the CARs need to ensure full implementation of the TIR Convention on their territories to better utilize the advantages of the TIR system in extra-regional customs transit. Although the TIR Convention is a multilateral agreement, the CARs could use regional cooperation mechanisms to put peer pressure on those countries which have signed the Convention but do not fully adhere to it. They could also use regional cooperation mechanisms to encourage the PRC to join the TIR Convention as soon as possible. The PRC's accession to the TIR Convention would enable some of the CARs to use the PRC as a transit country in trade with South and East Asian countries and fully realize their bilateral trade potential with those countries.

6.4 Conclusions

The transit systems in place in the CARs have a significant effect on both intra- and extra-regional trade in Central Asia, while the transit systems in place in Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan also affect domestic trade in at least one neighboring CAR. Indeed, certain aspects of the transit systems in the CARs impose constraints on cross-border movements of goods by rail and by road. These are, however, not crucial for cross-border movements of goods by rail, for which transport-related factors are a binding constraint. In contrast, inadequacies of the road transit systems impose a binding constraint on trade in Central Asia.

The main deficiency of national road transit systems of the CARs is that they cover only one country and do not provide a "chain guarantee." Hence, a transport operator undertaking customs transit under the national transit systems has to submit separate transit documents and provide separate guarantees in the country of origin, the country of destination, and each of the transit countries. This can be time-consuming and costly. In addition, there are difficulties in providing a guarantee in any form. In the absence of a guarantee, customs transit under the national transit systems usually requires convoying which also can increase transport costs and transit time substantially. That

is why the variable costs of the national road transit systems in the CARs are quite high.

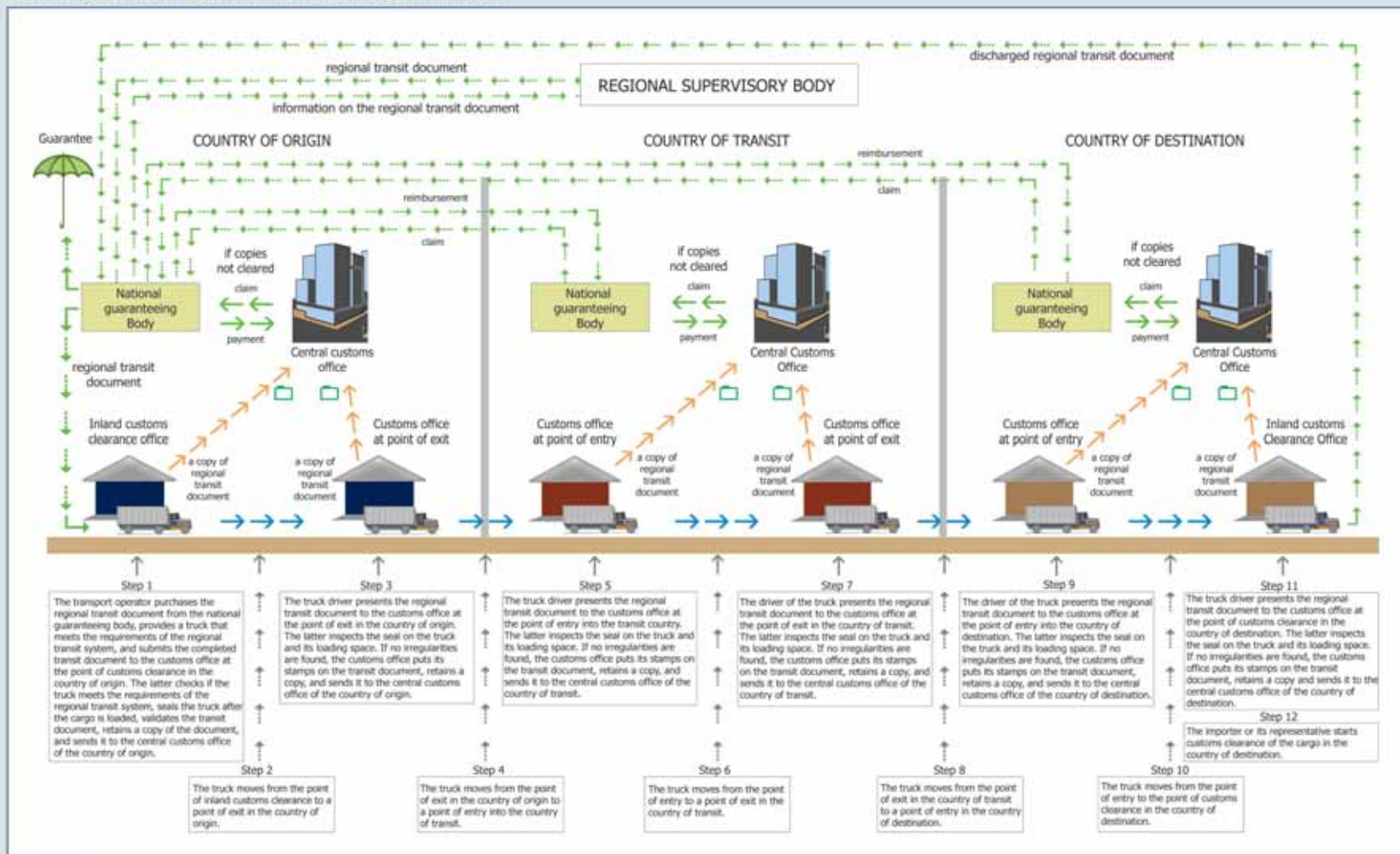
All CARs have acceded to the TIR Convention, but the fixed costs of the TIR system are too high for most transport operators from the CARs. Moreover, the benefits of the TIR system are not always realized in the CARs due to border infrastructure problems, noncompliance by customs, and corruption. Even if the benefits of the TIR system had fully been realized, it would have not been suitable for short-distance customs transit due to its high fixed costs.

The CARs have been trying to establish regional transit systems that could be used for intraregional customs transit by road and would be less costly than the TIR and the national road transit systems. To this end, they have signed numerous transit agreements with each other as well as with other countries. These agreements have, however, had a very limited effect on customs transit in the CARs for a variety of reasons. Some of them have not entered into force, while those that have entered into force have not been implemented or have not reduced the costs of customs transit significantly due to an inadequate design.

Consequently, the need remains for the CARs and their neighbors to develop an effective and relatively inexpensive regional transit system for short-distance customs transit by road. Given the success of the TIR system, it could serve as a blueprint for the regional transit system. But the design of the TIR system would have to be modified to reduce its fixed costs. Since negotiating multiparty agreements is relatively difficult, several bilateral transit systems could initially be set up, as an intermediate step towards the regional transit system. However, these bilateral transit systems would have to be compatible and similar to the TIR system in order for them to serve as "building blocks" rather than become "stumbling blocks" for the proposed regional transit system.

The TIR system will be indispensable for long-distance customs transit by road that involves crossing multiple borders. The CARs, therefore, need to ensure

Figure 6.2: A Typical Road Transit Operation under the Proposed Regional Transit System



Source: Authors

the full implementation of the TIR Convention on their territories. Although the TIR Convention is a multilateral agreement, the CARs could use regional cooperation mechanisms to put peer pressure on those countries which have signed the Convention but do not fully adhere to it.

The establishment of an effective and affordable regional road transit system and the full implementation of the TIR Convention would help the CARs reduce costs and delays associated with road customs transit in their territories. This would, in turn, reduce transport costs and make transit times shorter and more predictable for

international road shipments to and from the CARs, and help the CARs expand trade and diversify it in terms of both geographical distribution and commodity composition. Easier customs transit by road through neighboring countries would help the CARs avoid the construction of new bypassing 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. The establishment of an effective and affordable regional road transit system and the full implementation of the TIR Convention would also boost transit trade in the region and increase revenues it generates for the CARs.