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INLAND TRANSPORT COMMITTEE

Working Party on Customs Questions affecting Transport

(Ninety-fifth session, 19-23 June 2000,
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**CUSTOMS CONVENTION ON THE INTERNATIONAL TRANSPORT OF GOODS
UNDER COVER OF TIR CARNETS (TIR CONVENTION, 1975)**

Revision of the Convention

Preparation of Phase III of the TIR revision process

Computerization of the TIR procedure

Note by the UN/ECE and the TIR secretariats

A. MANDATE AND BACKGROUND

1. The Working Party on Customs Questions affecting Transport, at its ninety-fourth session (21-25 February 2000), decided to devote one day of its June 2000 session to a detailed discussion on the computerization of the TIR system (TRANS/WP.30/188 para. 37). The Working Party has already earlier decided that Phase III of the TIR revision process should focus on the possible computerization of the TIR procedure. The TIR Administrative Committee, at its twenty-sixth session, had endorsed this decision (TRANS/ WP.30/AC.2/53, paras. 36-39).

2. The UN/ECE and TIR secretariats have prepared Informal Document No. 1 (2000), dated 31 January 2000, which has been submitted already to the ninety-fourth session of the Working Party in February 2000 to serve as a basis for discussion (available in English, French and Russian).
3. Furthermore the European Community (EC) has prepared Informal Document No.8 (2000), dated 6 June 2000, which provides their point of view on the computerization of the TIR procedure. It also gives valuable information on the so-called "New Computerized Transit System" (NCTS) which will eventually replace the manual procedures applied in Community and common transit (available in English only).
4. In the present document further information is provided on the reasoning put forward by an Enquiry Committee established by the European Parliament on the computerization of Customs transit procedures, particularly the Community and common transit systems.
5. The Working Party may wish to take these documents as a basis for its considerations on the computerization of the TIR procedure as part of Phase III of the TIR revision process. Delegations may also wish to inform the Working Party on experiences made in their countries in this respect.

B. CONSIDERATIONS OF THE EUROPEAN PARLIAMENT

6. In 1995 fraudulent activities within Customs transit systems in Europe had reached worrying levels and led to the introduction of a number of short term measures with a view to stabilizing these Customs transit systems whose proper functioning is vital for efficient international transport and trade.
7. It was estimated that the financial loss for the European Community and its Member States arising from fraudulent activities under Customs transit systems alone amounted to at least 750 Million ECU (at that time) for the period from 1990 to 1995.
8. In March 1995, the European Commission published a document entitled "Fraud in the Transit Procedure, Solutions Foreseen and Perspectives for the Future". This led to the establishment of an Investigation Committee by the European Parliament. The objective of this Committee was to investigate, the reasons for the crisis in the transit system, the shortcomings and loopholes in the procedures, the measures taken to improve the procedures, additional measures to be taken forthwith as well as measures taken or to be taken to recover the sums lost and to penalise those responsible.

9. It soon became apparent to the Inquiry Committee that, if its work is to be meaningful, its mandate should not be restricted to the Community transit system in isolation, as it is an integral part of a wider trading system and is linked to the other existing Customs transit systems in Europe, i.e. the common transit and the TIR transit system. Any defects the Community transit system has and any reform which is envisaged to rectify its defaults, would therefore have immediate repercussions on the other Customs transit systems as well. Therefore, the analysis made by the Inquiry Committee of the European Parliament also covered the TIR system. Its conclusions and recommendations can therefore be used for the considerations of the Working Party responsible for the functioning of the TIR procedure.

10. The Inquiry Committee stressed that paper based Customs transit systems have been designed to cope with small amounts of paper. The development of international transport and trade in the last 20 years or so, coupled with a reduction in the number of staff at Customs posts has led to a situation where, especially at so-called "hot spot" border crossings, the facilities provided by Customs transit systems could easily be misused for fraudulent activities.

11. Documents went astray, return slips were and still are sent to wrong offices and inquiry procedures were time consuming and often very difficult to be carried out as they were initiated a long time after Customs transit operations had been terminated. The use of Customs stamps made and still makes Customs transit systems prone to fraud because stamps could easily be falsified and stolen and thus made them an easy target for organized crime.

12. During one of the hearings organized by the Inquiry Committee, the Director-General of an important national association of transport operators, stressed that European Customs authorities today still use "...methods that were commonly practised in the German Empire around 1900, with Customs stamps which practically invite forgery and which are indeed frequently forged".

13. The activities and analyses of the Inquiry Committee of the European Parliament lead to the recommendation of replacing the present paper based system with a computerized Community and common transit system to be implemented as quickly as possible. At the same time the recommendation also states that the creation of a computerized system is not sufficient to solve all problems and is not in itself an anti-fraud measure. Greater attention should also be paid to complementary technological options for the management of Customs transit.

14. In particular, the Inquiry Committee stressed that while the maximum exploitation of the potential offered by computerization should be ensured, further and complementary measures are required and should be pursued, such as E-mail, optical and Smart Cards ;...".

C. CONSEQUENCES FOR THE COMPUTERIZATION OF THE TIR PROCEDURE

15. The Contracting Parties of the TIR Convention in close cooperation with the transport sector have followed since 1996 a clear and consistent strategy in safeguarding and improving the TIR Customs transit regime with a view to reducing the amount of Customs fraud, to ensure transparency in its functioning and to streamline its functioning and its operations.

16. Instead of introducing numerous ad hoc measures and isolated computer and other recommended EDI procedures to improve some of the elements of the TIR procedure, the Contracting Parties have opted for a three stage solution which led to the initiation of the TIR revision process.

17. Under Phase I of this revision process, access to the TIR procedure, in accordance with strict minimum requirements, was put under the surveillance of Customs authorities, transparency in the functioning of the international guarantee system was established, the legal basis for an industry managed EDI control system for TIR Carnets was provided and an international Governmental supervisory body, the TIR Executive Board, was established. Phase I has been implemented as of early 1999.

18. During Phase II of the TIR revision process, the legal and administrative procedures required for an efficient functioning of the TIR regime were clarified and the duties and obligations of transport operators, guaranteeing associations and Customs authorities were clearly identified and enshrined into the text of the Convention. In addition, recommended procedures for the execution and management of important elements of the TIR regime were established and agreed upon at the international level. It is expected that Phase II could be completed in October 2000.

19. In a last step, under Phase III of the TIR revision procedure, modern technological solutions are planned to be made available also under the TIR Customs transit regime. These measures are meant to be an indispensable complement to the legal and administrative measures already taken by the Contracting Parties to the TIR Convention under Phases I and II of the TIR revision process. They should thus not modify the now modernized structures and the procedures prevailing in the TIR regime which, for very good reasons, will have to remain mainly under the responsibility of the respective national Customs authorities.

20. Furthermore, it must be stressed that the present TIR revision process, once successfully concluded, must lead to a TIR Customs transit system that is at least as secure and efficient as the “New Computerized Transit System” developed and to be applied soon in the countries of the European Community and some of its neighbouring countries. Otherwise, the TIR regime will again become the target of organized crime with all its negative consequences for the State budgets and international transport and trade.

21. In addition, it seems to be obvious that the present TIR revision process has to establish long-term solutions, as a revision process cannot be undertaken every 5 or 10 years with all the resource consequences this entails for the Contracting Parties and the many experts that are involved. Also, frequent and hectic changes of Customs procedures bring about more difficulties than they are able to resolve for Customs administrations and transport operators. Thus, the approach taken, also and particular in the field of computerization, must be courageous and forward looking, with an open platform trying to accommodate all or at least most of the technical solutions that individual countries may wish to pursue at the national level - and Customs transit is only one of many national Customs procedures.

22. Lastly, in considering the computerization of the TIR Customs transit procedure, particular emphasis must be given to the fact that the TIR Convention, as a United Nations Treaty, is intended to provide a universal solution for international Customs transit. In fact, it is today the only globally applicable Customs transit regime. With the accession of the TIR Convention by most of the countries in the Middle East, with the imminent ratification of the Convention by the Gulf States and in view of the very serious steps taken by China and many South-East Asian countries to consider the application of the Convention, it is obvious that any computerization of the TIR Customs transit regime - which is in the view of the UN/ECE and the TIR secretariats a precondition for its future functioning - must provide for practicable solutions that can be applied in the immediate future in more than 80 countries world-wide.
