

# Exit From Customs Convention Threatens Trade, Business Climate

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Trade conducted under the TIR customs convention has fallen by 20 percent since the Federal Customs Service declared in early June that it would exit from the system, International Road Transport Union representatives said Wednesday.

Then, the customs agency published a letter saying it would pull out of the TIR system starting from Aug. 14, blaming it for repeated cases of goods not reaching their destination and, as a consequence, taxes not being paid to the federal budget.

The service later postponed its decision until Sept. 14 after it had been subjected to pressure from professional business associations.

If the agency proceeds with its plans, it would mean that all carriers would be required to have a national customs guarantee, regardless of whether they have an international TIR guarantee.

Professional associations believe that the measures could be devastating for trade. The Association of International Road Carriers, or ASMAP, calculated that to transport a shipment of goods from Kotka in Finland to Moscow under a national guarantee would be about eight times more expensive compared to using the TIR system.

The TIR system, established by a UN Convention in 1975, operates in 68 countries. Its blue-and-white tag under the windscreen of a large long-distance truck has become a common sight on roads not only throughout Europe but in Russia as well, where roughly half of all TIR operations terminate.

The system provides for simplified customs procedures, permitting goods carried by cars and trucks to be sealed in the country of origin and to only pass through customs again at the point of destination, transiting as many countries as necessary without an intermediate inspection. This saves time and lowers overheads for carriers.

To cover duties and taxes at risk if the goods are not delivered to their destination, an international guarantee chain called the International Road Transport Union (IRU) has been established. ASMAP is its branch in Russia.

In its controversial letter, the Federal Customs Service said ASMAP did not meet its obligations to pay customs duty and as of June 2013 was liable for more than 40 percent of all debts owed to the agency.

The debt incurred in connection to violations of TIR procedures exceeds 20 billion rubles (\$600 million), the letter said.

"We are now sitting down with customs trying to see where on Earth they came with this figure because it does not correspond to any ASMAP or IRU figures," IRU Secretary General Umberto de Pretto said.

He said that the service could be referring to old TIR debts that were written off in 1999 and 2002 under global agreements signed at the time by the head of the Russian customs agency.

As for the recent claims, 105 of them were filed by customs authorities over the past three years, 87 of which were accepted by the guarantee chain and 10 were rejected by courts, said Andrei Kurushin, the head of ASMAP.

Even 105 cases is a small drop in the ocean, with a total of 5 million TIR documents having been processed in Russia over the past years, he added.

Both ASMAP and IRU representatives said the agency's claims were fraudulent and the associations will take all possible measures to make the service withdraw its letter, including appealing to the World Trade Organization and President Vladimir Putin.

"Withdrawing from an international convention has serious ramifications. It says that Russia will not respect international law and commitments it has made," Umberto de Pretto said. "For the business environment this sends a very strong message that we cannot have confidence when dealing with Russia."

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