

THE IMPACT OF CUSTOM SERVICES ON TRADE FACILITATION: COMPARING LEBANESE CUSTOMS WITH DUBAI CUSTOMS

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Abstract: Although the primary goal of any customs body is to concentrate on efficiency, the Lebanese customs are far from achieving it. Thus, it is necessary to look deeply into the Lebanese customs and address the challenges and compare it with a high-quality country. Because custom bodies are the backbone of an economy, this study aims at reviewing the Lebanese customs and comparing them with Dubai’s customs, the latter being a leading country in the Middle East and Gulf region, in order to present further insights that the Lebanese government can learn and be inspired from it to improve the customs’ system in Lebanon. The focus of the paper is to examine the Lebanese customs which needs extensive modifications. Data is expected to be collected from a secondary source and to undergo a qualitative approach to collect the primary data. The expected suggestions for improvements are anticipated to contribute to increase the efficiency of the body in the best way possible.

Keywords: Trade Facilitation, theory of trade, customs, Lebanese customs services

Introduction

The customs service plays a major role in the economic wellbeing of any given country. Equally, significant aspect of the same is that it plays a key role in the sovereignty of a country. The Customs is therefore entitled to the role of controlling whatever enters or exits a certain country. Coupled with that the customs plays another major key role in the facilitation of trade. On that note, we will look at Lebanon in the Middle East as well as Dubai in the Gulf region to widen the perspective. Subsequently this is an opportune time for considering the steps to make the Lebanese customs providing an efficient service. That is in area of its contribution to the nation on trade facilitation. This report would consider comparison between Lebanese Customs and Dubai Customs on trade facilitation and see how Lebanon can learn one or two things from each other in the area that matters. An investigation into Beirut Port's \$129 million expansion aimed at enhancing capabilities encountered strong opposition. Truckers protested, fearing job loss due to the filling of Basin 4 for a multi-purpose terminal. This sparked a wider debate over Lebanon's

maritime transport, with the Bkirki-led committee urging a national maritime strategy beyond truckers' concerns. The port's management as a strategic asset is contested, exacerbated by the board's disputed legality. The expansion project is on hold due to opposition, as additional stakeholders join. Truckers fear employment impacts, similar to past shifts in port operations. Beirut Port aims to increase container traffic, assuring that general cargo will also benefit from the expansion.

Truckers foresee their vulnerability in a port strategy shift. The Bkirki-led committee, recognizing this from truckers' action, opposes changes at Beirut Port (POB), which they see as against their communal economic interest. The committee challenges the port's legality and expansion plans, demanding government approval and questioning tariff spending. The port's autonomy, banking arrangements, and tax collection are debated. The committee seeks integration of ports into a national strategy, urging transparency, regulation, and clear management structures. They aim for a comprehensive national discussion to align maritime transport and land infrastructure, prioritizing economic cohesion.

Currently, I work at the Lebanese port, and I had the opportunity get some insight and understanding on how people, organizations, companies, clearing agents and non-government organization was related to customs in one way or the other. To improve on trade facilitation, the Lebanese customs has introduced a modern information and scanning technology to enhance the work of the officers, customs updated all its procedures in the all-important sphere of human resources. Much has been done to undo the effects of past neglect morale, pay and working conditions have been improving and the service has undertaken a concerted recruitment and training effort. The most important thing in the surveillance is to prevent imports of drugs, firearms and ammunition, dangerous blades, endangered animal and plant species and their products, spread of animal and plant diseases, export of national cultural goods and money laundering. In addition, customs enforce restriction passed on various items and ascertains that the goods are correctly declared for the purposes of the duty. Consequently, it is in charge of making sure various subsidies are being paid on the correct basis. The study concluded that the positive effect on which Dubai customs contribute on trade facilitation was greater than what Lebanese contributed. Likewise, on Dubai Side, as a developed nation; no longer have customs duties as the primary funders of expenditures. Indeed, Dubai built the state authority and infrastructures needed for economic competitiveness using the revenue collected by customs.

Customs Duty

Customs' duty is to ensure that goods entering and leaving the country move in a controlled manner and they are cleared in compliance with the conditions of the European Union. National legislation is customs-oriented, which promote this easy swift and inexpensive digital transaction service. Dynamics of technology have changed the conduct and scope of international trade. As a critical actor in the unfolding development customs cannot afford to be indifferent, information dissemination about customs operations is therefore considered very vital to trade facilitation in a world that is becoming increasingly technologically driven (Lebanese Customs 2017).

Trade Facilitation

Trade facilitation streamlines international trade procedures, encompassing activities like customs, licensing, transport, payments, and standards compliance. It aims to enhance efficiency and reduce costs while upholding regulatory goals. Lebanese Customs Service's role has evolved from revenue generation to pivotal trade facilitation. However, Lebanon's logistics and trade performance lags due to inadequate infrastructure. Transit procedures, vital for landlocked nations like Lebanon, require sealed shipments, efficient tracking, and cooperation between transit and landlocked countries. While Lebanon serves as a regional entry point with trade agreements, its trade balance has a deficit, attributed to factors like the Syrian crisis and regional competition.

Lebanese Customs Services

Less than 1% of imported products are subject to trade restrictions (license, technical, medical or phytosanitary certificates...) which can be similar to non-tariff barriers. Importing some products, like arms for example, is forbidden in Lebanon even if they are only in transit. In addition, Lebanon applies the boycott decided by the Arab League against Israeli products and some foreign companies may be blacklisted if they are thought to be helping the military development of that country. However, the boycott is relative since a considerable number of prohibited products can be found on the Lebanese market today. More than 83 percent of imported goods are subject to duties equal to or below five percent. Customs duties vary depending on the nature of goods and their origin. Surcharges may be applied on certain products such as textiles, alcoholic beverages, motor vehicles etc. These tariffs are set by the Lebanese customs.

Dubai Custom Services

Dubai Customs delivers several services at all the customs centers scattered around Dubai, including customs clearances services, electronic services offered to clients as well as passengers' services at the emirate's air, sea and land ports. The customs department also provides clients, traders, companies and all sectors with all the necessary assistance to facilitate and improve their businesses.

Dubai Customs is one of the leading government departments taking part in enhancing sustainable development and promoting Dubai's image worldwide, turning it into a principal capital, business and tourism destination, as it facilitates smooth movement of legitimate trade and leverages economic and social development, the matter which is consistent with its slogan stating "gateway to Dubai's prosperity", because prosperity is usually based on free trade through a safe, fast and practical environment to meet the needs of people and adapt to their requirements. This in addition to the main role to protect society and borders against those who try to smuggle prohibited substances to or through Dubai threatening the community safety and security.

The e-commerce standards emerged in Dubai aimed in cooperating with post authorities and departments to exchange electronic information and developing the harmonized system to keep abreast with trade variations and requirements to analyze data and developing customs cadre. Emirates' employ advanced technology to promote customs performance and achieving even the odds equation in facilitating customs related trade and movement of travelers while securing and protecting borders by utilizing advanced clearance systems for shipments, rays detection instruments to screen containers, luggage, targeting systems and early enquiry upon travelers.

Dubai Customs, once reliant on paper-based processes with 1,500 employees handling two million Customs declarations annually, initiated a Reform and Modernization Programme (RMP) in 2006, aiming to evolve into a leading digital service administration. The RMP was driven by a need to align with international trade expectations and local economic safeguarding. Recognizing the need for substantial changes, Dubai Customs projected a 400% growth in declarations and 300% in passenger traffic by 2010. However, the realization emerged that technology alone wouldn't suffice, demanding a comprehensive operational shift. The RMP encompassed establishing a reform and modernization function, incorporating intelligence-based risk management, post-clearance audit, reconciliation, trade facilitation measures, and aligning with international bodies such as the World Customs Organizations (WCO), United Nations (UN), and World Trade Organizations (WTO). This restructuring extended to legislative framework

development, integrating technology, and enhancing personnel capabilities. Overcoming challenges, Dubai Customs adjusted policies for paperless transactions, but the most significant hurdle was shifting employee mindsets. Collaborating with HR, Dubai Customs managed change and resistance, forging a holistic transformation journey.

Dubai Customs launched a paperless Customs clearance system, known as Mirsal 2, in March 2010. This advanced Customs system allows the electronic clearance of simple declarations through the internet in less than two minutes, without the need to submit any papers before the arrival of goods. The system manages all operations, including the collection of Customs duties. It also manages the risk management cycle. The main uniqueness about the product is that clients are able to electronically sign their declarations by using a digital certificate. Added to this, it is connected to other entities that form part of the trade supply chain within Dubai, meaning that information about the declaration is seamlessly exchanged amongst these entities, thereby allowing for faster processing of goods and cargo.

In Dubai, Customs has revolutionized consignment clearance with a 328% speed boost, now taking under 10 minutes for 82% of transactions. Swift risk assessment, under 2 seconds, enables 97% of non-suspect cases to clear within a minute. This tech overhaul amplified compliance at Jebel Ali Port from 42% (2010) to 91.7% (2013), trimming inspection time from 2 hours to 20 minutes/container, slashing costs by 54%, and growing clients by 33%. The 'smart version' Transformation Strategy (2015) aligns with Dubai Plan 2021, enhancing services via accessible, cost-efficient means. Dubai Customs pioneers smart inspection glasses, leveraging ICT for seamless border management. This pioneering transformation serves as a blueprint for Customs and beyond, influencing UAE government's risk management strategies.

The Role of Lebanese Customs Services toward Trade Facilitation

Most Free Trade Agreements (FTAs) require a valid certificate of origin for preferential treatment of exported goods, involving reduced or abolished customs duties. Lebanon's key multilateral FTAs encompass the Greater Arab Free Trade Area (GAFTA) Agreement, granting fee exemption to Lebanese origin goods, the European Mediterranean Association Agreement, offering duty exemption to Lebanon-origin imports in the EU, and the European Free Trade Association (EFTA) Agreement, extending duty exemption to Lebanon-origin imports in EFTA member states.

Customs declarations for imports and exports are processed through Authorized Customs Clearance Agents, facilitated by the "Single Customs Declaration" form.

Import and Export to and From Lebanon

Lebanon's import demands these documents: Single Customs Declaration, Bill of Lading, Packing List, original Purchase or Commercial invoice, any needed legal documents, and a valid Certificate of Origin. Temporary entry permits are granted for foreign products being processed or manufactured locally for eventual re-export or free zone display. Export requirements comprise Single Customs Declaration, Packing List, original Purchase or Commercial invoice, needed legal documents, and a certified Certificate of Origin. Specific duties apply, like Customs Duty, Local Consumption Duty, and 11% Value Added Tax. Exported goods are exempt from these duties. Insurance varies among companies, usually covered in CIF packages. Clear agreements among industrialist, agent, and importer are essential.

Customs Services Fees

Customs Services Fees encompass various charges governed by the Customs Act. Storage fees, detailed in Articles 321 to 327, apply to Beirut Int'l Airport warehouses and other Customs offices. Exemptions and regulations pertaining to storage are outlined. Packing and sealing costs are borne by Customs for lead, ropes, and seals. Administrative printing expenses' pricing is determined by the Higher Council of Customs after consulting the Director General. Overtime procedures are set by the Higher Council. Custom service fees are determined through Council decisions. Payment methods include cash, approved bank cheques, or secured promissory notes. Cheques must be bank-issued and guaranteed.

The Challenges Facing Lebanese Customs

Lebanon's business procedures suffer from excessive regulation, impacting entry, operation, and exit. Corruption Perception Index ranks Lebanon 136 out of 176, among the most corrupt nations. Businesses face obstacles like corruption, red tape, complex customs, outdated laws, high taxes, poor infrastructure, and inadequate IP protection. Lebanon follows Arab League boycott of Israel selectively. Trade deficit reduced to \$5.25B by September 2020 due to imports drop by 48.52%. Mineral products lead imports at 30.06%, chemicals at 15.39%, while vehicle imports dropped 67.66%. Lebanon's financial crisis, intensified by 2019 events, relies on foreign inflows and reserves to maintain its currency peg.

Urgent attention is needed for Customs underfunding, currently linked to revenue percentages, causing fiscal shortfalls and slowing procedures. Balancing revenue goals risks compromising efficiency. A persistent lack of funds hampers effective operations. Relying on the Port of Beirut, Lebanon's preferred trade route due to geopolitical shifts, revenue rose 16.1% in 2016. Beirut Port handled over 2/3 of goods (approx. 69.44%), Beirut Airport managed 22.32%, and Port of Tripoli handled the remainder. The shift towards maritime and air transport was driven by the Syrian War disrupting land routes.

Comparison between Lebanese Customs and Dubai Customs

Certainly, there is much Lebanese government can learn from Dubai Customs, this can be done by taking a bold step of reduction a number of federal agencies directly involved in the ports. In addition, reducing incidence of physical inspection of cargo, and continuing to develop on new initiate idea toward the 21 century, which Lebanese Customs Service would have a capacity to declare a 48-hour window for cargo clearance Furthermore, Cargo warehouses are poorly ventilated, overcrowded, and chaotic; Security in the terminal areas is lax, with little control of human traffic around the premises.

Subsequently, clearance delays are frequent, with air cargo subject to less delay than sea-borne but the 48-hour window still far off and valuable, time-sensitive cargo often not released as quickly as necessary, integrity breaches often occur, with cargo often tampered with, gleaned from, or pilfered entirely, and many airlines saying that cargo is missing from most of consignments.

Dubai is a developed country, well organized with good behaviors people with integrity. Which makes things easier for both Dubai Customs and citizens to work together in order to promote trade, Dubai customs always in one way and other educate their people on the do and don'ts of Customs procedure. At the same time the government also did it part by providing social amenities, welfares packaging for the officer, moreover technologies play a major role in today's Dubai Customs way of operation, unlike Lebanon that is an undeveloped, and battling to meet its needs and accepting new technologies.

Another issue of integrity in Lebanese customs compared to Dubai one is serious one. A culture of corruption can create an atmosphere of unnecessary barriers and obstacles, since it is easiest to engage in corruption during a human interaction, those in Lebanese customs and other port agencies with corrupt intent may feel it is to their advantage to create barriers to the flow of

normal procedures in order to create occasions for such interaction. This attitude drastically damaging Lebanese reputation in the eyes of international communities.

Lebanese Customs Reform

Lebanon faces an imminent economic crisis demanding urgent action to curb unemployment, inflation, and public service collapse. LIFE, a nonpartisan body, warned of this crisis for years, offering specific recommendations unheeded by policy makers. The government relies on unsustainable sources while grappling with rising debt, fiscal deficits, political deadlock, and liquidity shortfalls. To restore confidence, swift and substantial measures across five key areas are essential:

- **Fiscal Space:** Tackle public wages, subsidies, and debt costs.
- **Expenditures:** Cease Electricité du Liban (EdL) subsidies, streamline the public sector, and implement digital government services.
- **Revenues:** Focus on efficient tax collection and administration, especially for VAT, income taxes, and customs duties.
- **Pension Reform:** Revamp government pension plans and social security systems.
- **Privatization:** Launch a comprehensive privatization program for state assets, improving governance and operational efficiency, and potentially bolstering local capital markets.

Avoiding a worsening economic crisis and restoring confidence will require a well-orchestrated series of immediate and radical measures across five primary areas:

a) **Transparency and Rule of Law:** Enforcing the rule of law is vital for Lebanon's economic revival and investor confidence. Widespread corruption and fiscal leakages hinder progress. Transparency International ranks Lebanon poorly. The Anti-Corruption National Strategy is positive but requires robust enforcement. Strengthening the judiciary's independence, introducing asset disclosure for officials, independent audits, and penalties are crucial. Improved tax collection and a strict code of conduct can boost government revenues, especially given potential oil and gas windfalls. A digital citizen feedback system and an independent commission for "Stolen Asset Recovery" can enhance accountability and discourage corruption.

b) **Review Debt Service and Liability Management:** Lebanon's high debt servicing costs demand careful handling of discussions about restructuring. Implementing fiscal and reform measures before any debt management is essential. The banking sector should aid fiscal consolidation. Simplistic interest rate reductions won't ensure fiscal sustainability. Banks' engagement should include short-term

budget relief and voluntary debt re-profiling, aligning with reforms for sustainable debt management. Monetary policy should unwind to restore confidence.

c) Enhance Communication and Government Coordination: During eroding confidence, policy makers must communicate clearly and frequently to reassure stakeholders. Bondholders, banks, agencies, and the public need updated information. Timely financial disclosures, like budget deficit figures, are crucial. Improved coordination within state branches and the executive arm is essential. Establishing an economic management team for regular updates enhances accountability and discipline.

d) Adopt Structural Reform and New Economic Model: Lebanon requires a new economic model. Current consumption-centered economy with low domestic savings and reliance on external resources sustains trade deficits. Traditional sectors like public administration, construction, tourism, and financial services need reform. The fiscal plan must align with a new economic vision that addresses the persistent current account deficit. Tourism, outsourcing services, and select high-value industrial and agricultural segments can stimulate growth, attract investments, and generate fiscal receipts.

Lebanon's revival depends on strong leadership, comprehensive reforms, and fiscal programs. Confidence restoration, increased investment, and better growth prospects hinge on these measures. Failure risks Lebanon's resilience, social fabric, and future.

Operationalization of the Study

To attain the objective of this research, a qualitative approach is employed secondary data were collected from books, articles, journals, newsletters, and publication on the subject matter, as well as publications from the Lebanese Customs Services and Dubai Customs websites etc. The institutions have comprehensive statistical data which are published periodically and which are important to substantiate the information contained herein.

Corruption is one of the biggest challenges facing the Customs Service of any country, including Lebanon. The integrity includes not merely effective anti-corruption efforts but also high overall expectations of the level of Service to be provided. It is pursuing this aim through a realistic and multi-faceted set of policies including realistic salaries, better promotion policies, a focus on discipline, preventive and investigative measures, an enforced code of conduct, and increased automation. Low integrity can lead to serious problems of public trust, revenue loss, low staff morale, a reduction in voluntary compliance by other stakeholders, and an atmosphere of unnecessary barriers and obstacles, raising costs for businesses and consumers.

Integrity is not just a question of detecting and punishing corruption, but also of reducing opportunities and temptations for it. In this respect, the prospects for greater use of risk management, automation and simplified procedures are grounds for optimism in the next few years. Several desiderata remain, however. The prohibited items list changed should be less consistently and communicating more effectively and transparently. Integrity emphasized should be in the processes of recruitment and advancement, and attention paid to this in key documents currently be drafted, which will define systems for career pathing and performance evaluation and reward.

There need to be rewards that are more effective and penalties for stakeholders, for compliance and non-compliance. Introduced modern management risk profiling and organizational controls. Transparent must be flex in all procedures. Strengthened should be mechanisms feedback. The organizational principle of segregation of duties implemented should be paramount. Moreover, serious consideration for past misdeeds people and organizations with a zero-tolerance approach henceforth, inaugurated by a high-profile anti-corruption drive. Finally, a good communication strategy is needed, as well as concrete anti-corruption measures. In addition, the Lebanese government must create a special court that would look into any corruption case brought before it, especially cases that concern corrupt customs officer (Lebanese Customs, 2019-2020).

Conclusion

Collaboration among stakeholders is crucial to enhance a robust single window platform for Lebanese Customs, aiming to bolster regulatory compliance and trade facilitation. The report highlights the loss of funds meant for Lebanese economic growth due to ineffective revenue collection by Customs. Modern Customs methods, including Intelligence-Driven Risk Management and Coordinated Border Management, are endorsed. The need to improve Customs relations, modernize cargo terminals, and address port infrastructure and electricity supply is emphasized. Delays in Customs procedures and regulations are identified as trade barriers, particularly affecting time-sensitive goods and agricultural products. Custom efficiency's impact on trade flows surpasses infrastructure improvement. Comparatively, Dubai's Customs have demonstrated greater positive effects on trade facilitation, aided by revenue-driven infrastructural development. Further research is recommended to explore infrastructure's influence on Customs efficiency. The study underscores the importance of streamlined Customs processes for economic competitiveness.

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