

# IMPLEMENTATION OF TRADE FACILITATION PROVISIONS IN LEBANON: EVALUATIVE APPROACH ON IMPLEMENTATION PROGRESS

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***Abstract:** Facilitating trade for most trading nations is a fundamental policy aim. The advantages of enacting measures on trade facilitation are widely proven. However, the requirement to measure progress is stronger than ever. In the last ten years, Lebanon has endured a great many political and financial problems, which offer a potential chance to recover some of the losses by establishing standards of quality measures for trade facilitation. The UN Global Survey on the Facilitation of Digital and Sustainable Trade was given to professionals in industry who assess progress on digital and sustainable trade facilitation in Lebanon in order to give policy makers with ideas on how to solve problem and assure the improvement of business facilitation methods. The results demonstrate low progress in facilitating sustainable trade and moderate improvements in trade facilitation.*

***Key terms:** World Trade Organization (WTO), Trade Facilitation measures, digital and sustainable trade facilitation, cross borders, trade policies.*

## 1.INTRODUCTION

In the economic well being of a nation, international trade plays a vital role. As international commerce continues to rise and tariff obstacles dropping in recent years, non-tariff barriers impact cross-border trade volumes are more worried (Baek

et al.,2015). Cross-border trade has barriers in the form of restricted capacity limitations, inefficient port operations, customs charges, over-requirements in documentation, inadequate quality of human resources and border corruption etc. All these variables serve to boost international trade expenses and delays (Jankov et al. 2006), which affects cross-border trade volume. Government and corporations utilize different actions to modernize and simplify national border transaction processes in order to resolve the problem. Trade facilitation reform to minimize international trade transaction costs therefore has major policy significance (Casal-Campos et al., 2015). Commerce facilitation may be created as an instrument for the economic efficiency of reducing the complexity of international trade and for assuring a transparent and successful trade agreement (Carretero-Ayuso and García-Sanz-Calcedo, 2018). Some studies regard trade facilitation to be the instrument to minimise red tape, a word that is typically linked to inefficient, long-term bureaucracy in international commercial transactions (Grainger, 2011).

Facilitating trade also entails decreasing the transaction costs involved in implementing, regulating and managing trade policy (Staples, 2002). The World Trade Organization (WTO) defines commercial facilitation as simplification and harmonisation of international trade processes in which trade practises relate to collecting, presenting and formalities (UN-OHRLLS, 2007). Data communication and processing necessary for international trade movement of products. More customs waiting may seriously harm the quality of the goods and cut product prices. Longer customs waiting also negatively impacts exporters, because stock holding costs increase (Chen et al., 2013).

Trade facilitation It reasonable to assume that most, if not all, trading nations have a central objective for their policies. The need to measure success is as high as ever, particularly in Lebanon (Chui et al., 2016).

## **2. TRADE FACILITATION AND ITS MEASUREMENT**

Trade facilitation includes governmental initiatives to lower the costs of crossing borders beyond traditional methods such as tariffs for market access. It explores methods to enhance procedures for moving commodities over national frontiers, thereby minimizing commercial expenses whilst yet protecting border protection objectives (Grainger 2011a). Facilitation measures may include, behind border policies, domestic business rules and standards which traders have to meet even before export and import; logistics systems which physically transport and store goods from their origins to their destinations; port infrastructure and facilities; and procedures and requirements which must be satisfied once shipments reach the destination (Cubi et al., 2015). The scope of trade facilitation is not conventional and is tailored to the interest features of research (WTO 2015). Trade facilitation measures are measures that influence border operations directly for the purpose of this evaluation. According to the IEG the efforts include the "streamline and harmonisation of international trade operations, procedures and formalities, linked payments and border logistics" (IEG Approach Paper, 2017, 1). The changes in port installations can only be made if the roads near the port boundaries are very inadequate and logistics services are uncompetitive in a nation (De Sousa et al., 2012). As an area of scientific and political concern, trade facilitation has become more important. There are more binding trade obstacles than tariffs to trade costs (Anderson and Van Wincoop 2004; Hummels 2007). This may also explain why, even under preferential trade agreements among the same number of trading partners, customs unions have significantly greater trade effects (Chen and Novy 2011; Duval et al. 2016; Handley and Limão 2015).

The literature has been studied as regards the ease of trade and measurements. Diversified from the usual CGE (Computable General Equilibrium) methodology, Wilson et al. (2003), use a gravity model for the study of the

connection to quantify the influence of trade facilitation on trade performance. They investigate four trade facilitation measures: port infrastructure, customs and regulatory and e-business infrastructures, and assess their trade effects for APEC nations. Wilson and Perez (2010) Contribute to literature on trade facilitation by building four more aggregate trade-facilitation indicators utilising factor analysis from a broad variety of primary indicators. These include (i) physical infrastructure; (ii) ICT; (iii) border and transit efficiency; and (iv) business environment and regulatory environment (Demuzere et al., 2014). They also use an increase in gravity model for assessing the effect on export performance of the various features of trade facilitation, as evaluated by these four metrics. Iwanow and Kirkpatrick (2007) Use a gravity model to investigate the impact on export performance of regulatory quality and trade facilitation. They employ the gravity model to quantitatively evaluate the potential impact to export performance of trade facilitation by decreasing export expenses (DiMuro et al., 2014). Their results show that reform of trade facilitation, reform of the frontier, better regulatory conditions and greater transport and communications infrastructure all contribute to export growth (WATH, 2010).

Liu and Yue (2013) Examine how delays impact the quality, price, trade and welfare of products. Politicians also seem to grasp the need of trade facilitation measures. Trade monitoring exercise carried out by the WTO and OECD (2017) including over 60 developing countries and 38 donor and institutional nations shows that TFA sectors have high priorities among the full range of trade support from both beneficiaries and donors (de Melo et al., 2016). World Trade Organization (2015) notes that WTO members are well aware of the increased benefits of cooperation on streamlining trade processes (OSCE, 2012).

### 3.METHODOLOGY

Trade facilitation necessarily encompasses a large number of private and public actors comprising various segments of the chain, because this affects the operating interface between these actors (WTO 2015). The dealers, suppliers of logistics and insurance and customs brokers are private entities. These agents might operate in various national areas and each party's obligations, based on the established agreement. Incoterms (Grainger 2011b). Public players include not only border operating agencies, for example customs, sondern also the ministries of agriculture, the environment and health, which normally have a mission for public health and security (Choi, 2011) In this context, trade facilitation measures should be organized according to types, in accordance with the major set of trade transactions to be discussed in Table1 below.

**Table 1: Trade Facilitation Measures -IEG Approach paper (2017)**

<b>The Type of trade facilitation</b>	<b>Description</b>
<b>Rules, processes and documentation simplification</b>	Simplification and simplification of trade regulations, procedures and documents Simplifying requirements and assessing compliance with risk-based methods Single windows and collecting systems establishing or upgrading
<b>Dialog, cooperation, integration among agencies</b>	In support of domestic and international cross-agent coordination policy discourse and advisory services

<b>Border agencies reinforcement</b>	Technical support and specialized training's for the improvement of customs organization and other no border customs agencies
<b>Border operations modernization</b>	Specialized software investment and technical help (e.g. ASYCUDA), hardware and information technology system (e.g. scanners) (for example, payment and revenue systems, websites, and portals)
<b>Logistics and border infrastructure</b>	Investments in border physical infrastructure, including port and border infrastructure

A comprehensive list of clauses included in the TFA of the WTO and the UN Regional Treaty: the Framework Agreement for the Facilitation of Cross-Border Paperless Trade in the Asian and Pacific area is included in the 2019 United Nations Global Survey on Digital and Sustainable Trade Facilitation. The survey comprises structures in several groups where the first group includes measures to promote general trade (Transparency; Formalities; Institutional Cooperation and Arrangement; and Transit Facilitation) (Allen et al., 2017). Digital trade facilitation measures are the second group, and comprise (Paperless Trade and Cross-Border Paperless Trade). The third group is referred to as measures of facilitation of sustainable trade (trade facilitation for SMEs, facilitation of agriculture trade, women in trade facilitation).

**Table 2: Trade Facilitation Measures Grouping -Source UNRC Survey on Trade Facilitation.**

<b>General Trade Facilitation Measures</b>	<b>Digital Trade Facilitation Measures</b>	<b>Sustainable Trade Facilitation Measures</b>
1. Openness 2. Operating procedures 3. Institutional cooperation and arrangement and facilitation of transit	1. Cross-Border 2. Paperless Trade	1. Facilitation of trade for SMEs 2. Facilitation of Agricultural Trade; Women facilitating trade

As for the gathering of data, the survey has been addressed to specialists in trade facilitation in Lebanon, including government officials, commercial and public sector managers, academics from academia in the subject (Cui and Song, 2019). A scoring and rating in Table 3 were then assigned to the data obtained.

**Table 3: Stages of Implementation**

<b>Implementation stage</b>	<b>Explanation</b>
Complete implementation	The measure is completely executed and in compliance with international norms in law and practise. Taking completely into consideration a measure suggests that the subgroups had a good response.

Incomplete implementation	The measure is partially applied and the foreign trade is not entirely respected. Where some of its criteria are considered, the measure is still under implementation.
Trial Implementation	The measure is being prepared to conduct the whole reproof and the previous measure is being used to prevent possible disturbances.
No implementation	No effort, initiation and feasibility studies have been completing the measure at all or at least.

#### 4. DATA ANALYSIS AND CONCLUSION

##### 4.1 The Measures of Transparency

The Transparency Group has five trade facilitation initiatives. For all five Lebanese initiatives, the average implementation level achieved 62%.

**Table 4: Measures of Transparency**

Category	Measure	%
Transparency	1. Publication on the Internet of existing import-export rules.	80%
	2. Stakeholder consultation on new draft regulations (prior to their finalization)	75%
	3. Advance publication/notification of new	60%

	regulations before their implementation (e.g. 30 days prior)	
	4. Advance ruling (on tariff classification)	50%
	5. Independent appeal mechanism (for traders to appeal customs rulings and the rulings of other relevant trade control agencies)	40%
Average		62%

The independent call mechanism in this category from the Table above is the least implemented measure, and the publishing regulation is the most implemented

#### 4.2 The Measures of Formalities

In this category there are 8 measures. The measures used to accept paper or electronic copies necessary for import, transit export are the ones most often found in the table below (Arvis et al., 2013). However, risk management, release time and speedy delivery are the least developed procedures.

**Table 5: The Measures of Formalities**

Category	Measure	%
Formalities	1. Risk management (as a basis for deciding whether a shipment will be physically inspected or not)	50%

	2. Pre-arrival processing	70%
	3. Post-clearance audit	60%
	4. Separation of Release from final determination of customs duties, taxes, fees and charges	55%
	5. Establishment and publication of average release times	30%
	6. Trade facilitation measures for authorized operators	50%
	7. Expedited shipments	50%
	8. Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities	80%
Average		58.1%

#### 4.3 Measures of Institutional cooperation and arrangement:

In this category, there are five metrics. The chart below shows that the least effective measures undertaken in Lebanon are an effective national committee, while a delegation of controls to customs officials appears on the path towards complete implementation (Pugliese et al., 2013).

**Table 6: Measures of Institutional Cooperation and Arrangement**

Category	Measure	%
Institutional cooperation and arrangement	1. Establishment of a national trade facilitation committee or similar body	40%

	2. Cooperation between agencies on the ground at the national level	70%
	3. Government agencies delegating controls to customs authorities	80%
	4. Alignment of working days and hours with neighboring countries at border crossings	70%
	5. Alignment of formalities and procedures with neighboring countries at border crossings	40%
Average		66%

#### 4.4 The Measures of “Paperless Trade”

In this category there are 10 measurements. The category is somewhat entirely realised in accordance with the following table (Massoud, 2011). In Lebanon, the governing services and agencies have access to an electronic customs system and Internet connection, but customer payments and refunds have not been implemented.

**Table 7: The Measures of Paperless Trade**

Category	Measure	%
Paperless trade	1. Electronic/automated Customs System established.	100%

	2. Internet connection available to customs and other trade control agencies at border crossings	100%
	3. Electronic Single Window system =	80%
	4. Electronic submission of customs declarations.	90%
	5. Electronic application and issuance of Import and Export Permit	95%
	6. Electronic submission of sea cargo manifests	95%
	7. Electronic submission of air cargo manifests	95%
	8. Electronic application and issuance of Preferential Certificate of Origin	95%
	9. E-Payment of customs duties and fees	70%
	10. Electronic application for customs refunds	60%
Average		88%

#### **4.5 The Measures of Cross-Border Paperless Trade**

In this category there are 6 measurements. The most widely adopted measure, according to the table below, is electronic transfer of certificates of origin between Lebanon and other countries, but electronically received letters of

credibility from insurers are the least and thus the least implemented measure in this category (Pomfret and Sourdin, 2010).

**Table 8: Measures of Cross-Border Paperless Trade**

<b>Category</b>	<b>Measure</b>	<b>%</b>
Cross-border paperless trade	1. Laws and regulations for electronic transactions are in place (e.g. e-commerce law, e-transaction law)	70%
	2. Recognized certification authority issuing digital certificates to traders to conduct electronic transactions	50%
	3. Customs declaration electronically exchanged between your country and other countries	60%
	4. Certificate of Origin electronically exchanged between your country and other countries	80%
	5. Sanitary & Phytosanitary Certificate electronically exchanged between your country and other countries	50%
	6. Banks and insurers in your country retrieving letters of credit electronically without lodging paper-based documents	20%
Average		55%

#### 4.6 The measures of Transit Facilitation

In this category there are 4 measurements. According to the chart below, physical inspection by the Lebanese government is the lowest and agreements with adjacent countries are the greatest implementation measure (Padel et al., 2010).

**Table 9: Measures of Transit Facilitation**

Category	Measure	%
Transit Facilitation	1. Transit facilitation agreement(s) with neighboring country.	80%
	2. Customs Authorities limit the physical inspection of transit goods and use risk assessment.	60%
	3. Supporting pre-arrival processing for transit facilitation.	65%
	4. Cooperation between agencies of countries involved in transit.	70%
Average		68.75%

#### 4.7 The Measures of Trade facilitation for SMEs

In this category there are 5 measurements. As indicated in the relatively little scores of training and consultants, or specialized measures to SMEs, or providing greater access to individual windows for small and medium-sized enterprises, and even worse, offering any advantage to decreasing expenses for small and medium

enterprises, the Lebanese system does not provide for SMEs (Zurayk and Abu Ghyda, 2009).

**Table 10: The Measures of Trade Facilitation for SMEs**

<b>Category</b>	<b>Measure</b>	<b>%</b>
Trade facilitation for SMEs	1. Government has developed trade facilitation measures that ensure easy and affordable access for SMEs to trade-related information	5%
	2. Government has developed specific measures that enable SMEs to more easily get benefits	5%
	3. Government has developed specific measures that enable SMEs to more easily get benefits	10%
	4. Government has taken actions to make single windows more easily accessible to SMEs (e.g. by providing technical consultation and training services to SMEs on registering and using the facility.)	5%
	5. Government has taken actions to ensure that SMEs are well represented and made key members of National Trade Facilitation Committees (NTFCs	5%
	6. Implementation of other special measures to reduce costs for SMEs	3%
Average		5.5%

#### 4.8 The Measures of Agricultural Trade Facilitation

In this category there are 4 measurements. The following table shows that compliance with sanitary and phytosanitary measures and standards was at least scored, while automated SPS certifications were applied, verified and issued the highest (Sylvander et al., 2006).

**Table 11: Measures of Agricultural Trade Facilitation**

Category	Measure	%
Agricultural trade facilitation	1. Testing facilities and laboratory facilities in your primary trade partners will be equipped to comply with the SPS standard	40%
	2. Compliance with the SPS standards should be developed by national standards and certification organizations	70%
	3. Automated application, testing and issue of SPS certificates	75%
	4. Special attention granted for border crossings for the perishable items	60%
Average		61.25%

#### 4.9 The Measures of Women in Trade Facilitation

There are 3 measures in this category. According to the table below.

**Table 12: The Measures of Women in Trade Facilitation**

Category	Measure	%
Women in trade facilitation	1. The current policy/strategy on trade facilitation includes specific attention to women participating in trade	1%
	2. Government has implemented trade facilitation measures for trade-related women	1%
	3. Women in the Committee on the Facilitation of National Trade	5%
Average		2.3%

#### 5. CONCLUSION:

The aim of facilitating trade is mainly to promote efficiency and lower cross-border trading expenses. This not only increases economic benefits, but also adds to more inclusive economic benefits, particularly for women, small and medium-sized enterprises and for crucial development sectors such as agriculture.

It has been explained above that Lebanon in all the above categories has not reached full implementation in any of the world trade facilitation measures. The closest one for full implementation in the paperless trade, where Lebanon scored 88%. on the other hand, Lebanon has not adopted any quality standards to

promote women to be a significant trading partner for Lebanese trade facilitation or any measures with regard to processes, legislation and regulation for SMEs. Other actions like as openness, formality, collaboration, cross-border transit and the liberalization of trade in agriculture are very near to partial execution. Thereby Lebanon has the ability and potential to invest in constructing a good framework to improve and accelerate the execution of the above-mentioned low score measures, thus becoming a viable and useful partner in facilitating international commerce. The poor performance of measures to facilitate sustainable commerce in Lebanon has been assessed: facilitating trade for small and medium-sized firms, facilitating trade and agricultural trade and encouraging women to trade. Implementing these elements makes Lebanon a sustainable development vision.

Reform of trade facilitation is an ongoing process. A step-by-step strategy should be pursued to maximise the benefits of these reforms. As a crucial determinant for effective reform initiatives, Lebanon should develop strong institutional structures and multi-stakeholder collaboration and consultation processes. Following this, efforts should be made to guarantee complete access to trade information to promote process openness. The following stage is to deal with formalities that should simplify and simplify operations ideally. Additional legal frameworks, methods and procedures need be implemented for implementing digital measures. Finally, steps should be undertaken for cross-border paperless business transactions. Therefore it is necessary to take a methodical method.

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