

A call from the private sector

Improving Border Clearance

In order to facilitate trade, through the improvement of border clearance procedures, the Arab-EU Business Facilitation Network, representing more than 330.000 companies in Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Syria and Tunisia, recommends that the following measures are taken by the governments of our region:

Summary of recommendations:

- Unify border control procedures by mutual recognition of procedures
- Laboratories should be mutually accredited and follow the official recognized methods of analysis leading to standardization
- Abolish price discriminations on commodities relating to transportation -i.e. fuel for trucks entering the Saudi border-
- Establish a common list for products necessitating an import license
- Create standardized documents (certificate of origin, invoice, bill of lading, packing list, laboratory test etc.).
- Remove hidden taxes
- Harmonize and gradually remove all fees to trade
- Introduce clearance based on risk assessment and prior history for fast track procedure –i.e. create white list for suppliers of repeatedly imported items
- Introduce of 24 hour limit for truck border transit time
- Introduce scanners as only primary means of border control
- Remove fuel and road taxes
- Harmonize loading capacity rules for trucks
- Introduce regional “Rapid Alert System” for banned products and companies.

1. Introduction

In recent years, our countries have implemented free trade agreements to achieve sustainable economic growth with the GAFTA and Agadir agreement as the most comprehensive. Accordingly, tariffs have been lowered, legislation to encourage foreign investment has been established, and opportunities pursued for greater regional integration. Yet implementation and trade facilitation is still slow in many countries and progress is hampered by high costs and administrative difficulties at the borders.

Inspecting trade at borders is both important and necessary, but the way it is performed in our region has significant consequences to trade. Outdated and overly bureaucratic border clearance processes imposed by customs and other agencies are

now seen by our member companies as posing greater barriers to trade than tariffs. Cumbersome systems, procedures, and poor infrastructure both increase transaction costs and lengthen delays to the clearance of imports, exports, and transit goods. Such costs and delays make the private sector less competitive—whether by imposing deadweight inefficiencies that effectively tax imports, or by adding costs that raise the price of exports. Furthermore, inefficient border management creates risks for administrative corruption. This, in turn, means loss of business and jobs.

Especially small- and medium-sized companies (SMEs) suffer in all sectors serving both export and domestic markets. SMEs cannot exploit opportunities if they are burdened by costs outside of their control that make them uncompetitive. If SMEs are to survive and be successful in generating income and jobs, lowering additional and unnecessary border clearance costs is pivotal.

For all the reasons outlined above, we in the ARAB-EU Business Facilitation Network (AE-Network), believe that reforms of the border clearing processes is essential to spur growth, employment and development.

2. Key Challenges

Better border management is more than customs clearance. The rise in global competition for foreign investment and cross border trade places a growing need for efficient border procedures and a critical awareness of the costs created for traders by out-dated and inefficient border formalities. More predictable processing for imports and exports will not only increase interregional trade flows and economic development, it could also spur increasing FDI.

Research carried out by the AE Network, clearly shows that the problem of inefficient border clearance is serious in our region and that action needs to be taken. A recent survey¹ on the main obstacles to trade covering a random mixture of companies in our region and European headquartered businesses that are operating in our region underlines the need for reforms. 96% of businesses perceive outdated ports, airports and general logistics systems to be an important obstacle to trade and 91% experienced border clearance procedures as an impediment to trade.

The findings above are supported by the 2011 World Bank Doing Business in the Arab World Report, where it is estimated, that the gains from improving border clearance procedures are substantial. As an example, cutting the days to clear exports in half could enable a small to medium-size enterprise to increase its share of exports in total sales from 1.6% to 4.5%. Similarly, a 10% reduction in export costs could increase export activity by 4.7% — which is a greater impact than would come from further reductions in tariffs.

¹ <http://www.invest-in-med.eu/en/the-medalliance-consortium-24.html>

Studies, using the World Customs Organization’s methodology², suggest that improvements supposed to speed goods through customs are undermined by the comparative failure of other border management agencies to reform and modernize using similar modern approaches and risk based selective inspection techniques. A common example is differences in opening hours when a truck reaches the borders or the lack of relevant equipment at border posts for various inspections. A general observation is that trade is reduced by more than 1% with each additional day a product is delayed before being shipped and up to 3.5% for perishable agricultural goods.

For example, agro food products cannot always be cleared *on site* at borders. These need to undergo a transit procedure to other regions or sometimes to the capital several 100 kilometers away which adds up on the cost. In addition, extra documents to clear the goods for final local consumption are sometimes required, which again adds up to the cost. A World Bank estimate is that for each additional signature an exporter is required to collect reduces trade by 4.2%. Extra documents are a common problem as well as harmonizing of standards would lead to easier border clearance as products would not have to live up to several different, yet similar, standards in home, transit and destination countries. The issue of standardization includes recognition of laboratory control systems across borders.

A common problem is the unnecessary unloading which happens when customs suspect that there is something wrong with the shipment, such as smuggling of undeclared goods or illegal items. While sometimes necessary, this can be very disruptive to trade if carried out arbitrarily and excessively. Therefore, a practise of “risk profile inspection” combined with high tech scanners to facilitate trade and/or adoption of a single customs window is a way forward. Reducing transport constraints so that they are in line with the world average could increase exports by about 10% and imports by more than 11% in our region according to a recent World Bank study.

Different loading capacity rules on axel load formula also apply extra costs on doing business. Hence, over-loaded trucks are unloaded until the exact tonnage relevant to the kind of truck used on the other side of the border is reached. It seems, however, that the maximum weight can be exceeded through facilitation payments. A way forward would be a harmonization of loading capacity.

3. Recommendations

In order to meet the challenges of inefficient border clearance procedures, the AE-Network calls upon the governments of our region to take the following measures.

Challenge	Recommendation
-----------	----------------

² World Bank: Border Management Modernization (McLinden et al. 2011)

Documentation	<ul style="list-style-type: none"> • Establish a common list for products necessitating an import license • Create standardized documents (certificate of origin, invoice, bill of lading, packing list, laboratory test etc.). • Create standardized documents for the region (certificate of origin, invoice, bill of lading, packing list, laboratory test etc.). Documents could be in Arabic, English or French
Laboratories	<ul style="list-style-type: none"> • Laboratories should be mutually accredited and follow the official recognized methods of analysis leading to standardization • Laboratories should be accredited and follow the official recognized methods of analysis leading to regional standardization
Border clearance time	<ul style="list-style-type: none"> • Introduce of 24 hour limit for truck border transit time • Introduce scanners as only primary means of border control • Introduce clearance based on risk assessment and prior history for fast track procedure • Unify procedures and border clearance protocols
Fees and hidden taxes	<ul style="list-style-type: none"> • Remove commodity subsidies, such as on fuels, which harms trade • Remove fuel and road taxes
Different loading capacity	<ul style="list-style-type: none"> • Harmonize loading capacity rules for trucks

4. Conclusion:

The problem and negative consequences of having different border clearance procedures in our region can be reduced significantly. More efficient and harmonized border clearance procedures will simplify the clearance of goods, boost the participation of national industries in the global marketplace, contribute significantly to the economic competitiveness of our countries, encourage investment and development of industry as well as increase the participation of SMEs in international trade.

The AE Network therefore calls on governments of the MENA region to work towards facilitating border clearance procedures in order to facilitate trade, stimulate growth and create jobs, which will benefit all businesses and consumers.

Algeria: Forum des Chefs des Entreprises (FCE)

Egypt: Federation of Egyptian Industries (FEI)

Jordan: Jordan Chamber of Industry (JCI)

Lebanon: Association of Lebanese Industrialists (ALI)

Libya: Libyan Youth Business Council (LYBC)

Morocco: Confédération Générale des Entreprises du Maroc (CGEM)

Syria: Damascus Chamber of Industry (DCI)

Tunisia: Union Tunésienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)