Changes in Cross-Border Trade Costs in the Pan-Arab Free Trade Area, 2001-2008

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Regional integration is a major feature of the trade policy strategy of all countries in the Middle East and North Africa. An important vehicle to achieve greater integration of Arab countries was the agreement to form the Pan Arab Free Trade Area (PAFTA) in 1997 under Arab League auspices.[2] Under the PAFTA all tariffs on goods of Arab origin were to be removed by January 1, 2008, which was subsequently brought forward to January 1, 2005. More recently, signatories of PAFTA have launched efforts to extend integration efforts to encompass trade and investment in services, and to increase efforts to deal with non-tariff measures restricting trade flows.

Little is known about the extent to which the provisions of PAFTA have been implemented. Regular monitoring of implementation is important for policymakers to be able to assess the effects of the agreement. It is also a precondition for action to be taken if necessary to address specific problems concerning the operation of the agreement. Absent information of the extent of implementation it is difficult for governments to either respond to concerns on the part of consumers, workers and businesses regarding the impacts of PAFTA or to make a compelling case that PAFTA has led to greater cross-border trade among Arab states. For example, it is sometimes reported in the trade press that PAFTA has not been implemented fully because customs officials do not accept that goods satisfy PAFTA rules of origin and therefore continue to levy tariffs.[3] More generally, it may be the case that specific policy measures or other factors unrelated to trade policy impede trade independent of implementation of the specific provisions of the PAFTA. As trade agreements are implemented and specific trade barriers are removed other constraints to trade become relatively more important. Having up-to-date information on what these constraints are is a necessary condition for policymakers to decide whether and how they might best be removed.

A primary source of information on the magnitude and type of constraints that affect cross-border trade are the firms that import and export, both those that are in the business of distribution and intermediation, and those that produce goods and either want to sell their output in other countries or want to import parts and components that they use to produce their goods or services. This paper summarizes the results of a survey of trading firms in 9 PAFTA members. The survey compiled information on the extent to which the costs of trading across Arab borders have declined since PAFTA was implemented. The survey spans official trade and tax policies,

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2 PAFTA is often also called the Greater Arab FTA (GAFTA) in the English-language literature.

3 For goods to be eligible for zero tariff status they must have at least 40 percent Arab content.

the administrative requirements that confront traders, and the costs/quality of transport infrastructure.

The survey is designed to allow comparisons with an earlier survey of bilateral trading costs among Arab countries undertaken in 2001. The purpose of that survey was threefold: first, to generate information on trading costs and other trade policies affecting trade and investment in the MENA region; second, to shed further light on the operation of the prevailing intra-regional trade agreements; and, third, to identify the most important factors affecting intra-regional investment decisions as well as the perceived constraints to investment in MENA countries by the investors who took part in the survey.

The results of the 2001 survey were reported in Zarrouk (2001, 2003). It revealed that the cost of getting goods across borders averaged 10 percent of the value of goods shipped. Next to tariffs and bureaucratic red tape, customs clearance procedures were the most important source of non-tariff trading costs, with the average company spending 95 man-days per year resolving problems with customs and other government authorities. Excessive delays resulted from lengthy processes of clearance and inspection, the number of documents and signatures needed to process a trade transaction, and the frequency of problems with customs and other government authorities.

The survey that is the basis of the present paper replicated the main trade-related questions asked in the 2001 survey but goes beyond it by including specific questions relating to the implementation of the PAFTA and the relative importance of trade policies that are sometimes reported in the press to be problematical (such as rules of origin and enforcement of product standards). The survey suggests firms perceive PAFTA as being beneficial due to the removal of tariffs on intra-PAFTA trade. It also reveals a marked improvement in customs clearance-related procedures, with a substantial decline in the number of required documents and signatures, a significant reduction in the variance of clearance times, and fewer firms reporting having to make informal payments (bribes) to officials. Also of note is that only a minority of respondents reported having problems with rules of origin (13 percent), substantially fewer than those perceiving arbitrary customs valuation and costs associated with enforcement of product standards to be a problem. In 2001, tariffs were ranked as one of the most important barriers to intra-regional trade; in 2008 they were ranked last. Instead, transport-related infrastructure and real trade costs (trade facilitation) was ranked as the most important constraint. Thus, the survey reveals substantial satisfaction with implementation of PAFTA tariff liberalization. It also suggests that further action to reduce the trade costs associated with trade facilitation, enforcement of standards and other non-tariff policies is needed. From an economic policy perspective, actions on these fronts have the advantage of benefitting trade in general, not just from Arab countries, and thus can avoid giving rise to trade diversion costs.

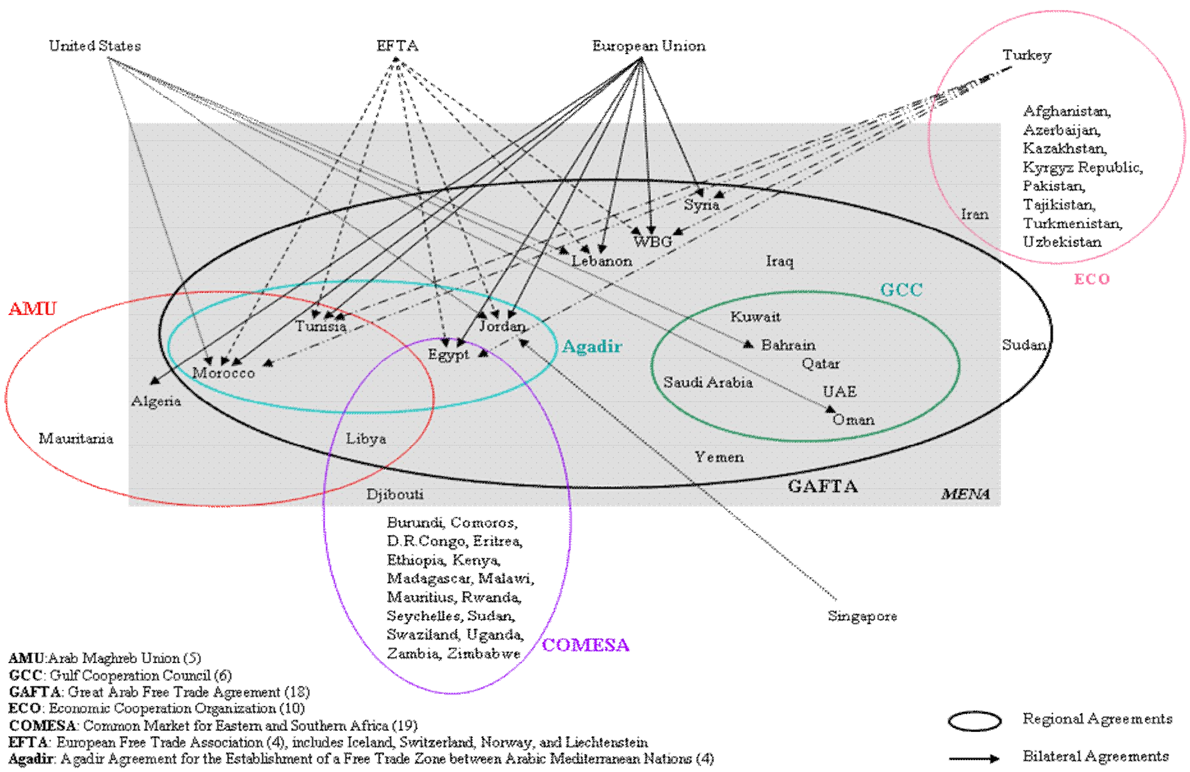
The plan of this paper is as follows. Section 1 briefly discusses the trade agreements signed by MENA countries, and summarizes some of the existing literature on prevailing trade policies and the determinants of the trade performance of the region. Section 2 discusses the survey. Section 3 presents and discusses the results. Section 4 concludes.

1. Regional integration and trade-related policies

Regional integration is a central element of the trade strategies that are being pursued by Arab countries. Efforts to integrate regionally date back to the 1950s. Examples are the 1957 Arab Economic Unity agreement, the 1964 initiative by Egypt, Iraq, Jordan, and Syria to form an Arab Common Market, the 1981 Gulf Cooperation Council and the 1989 Arab Maghreb Union (Algeria, Libya, Mauritania, Morocco and Tunisia). Regional trade integration was given a new stimulus in the mid 1990s, with countries around the Mediterranean signing free trade agreements with the European Community (EC) that aimed at the elimination of tariffs on trade in goods with the EC (with the exception of agriculture), and the revitalization of integration efforts by Arab League members through the creation of a Pan-Arab Free Trade Agreement (PAFTA) in 1998.

PAFTA is limited to merchandise trade, abolishing tariffs on manufactures as of 2005. Agricultural products remain subject to tariff rate quotas and seasonal restrictions. As a result of the elimination of duties, non-tariff measures (NTMs) are now the main obstacle hampering intra-Arab trade in manufactures. Efforts have been launched to expand the coverage of PAFTA to services trade and to move towards the creation of a customs union[4].

Figure 1: Trade agreements in the MENA region



Note: Bilateral agreements between Arab states are not depicted.
Source: World Bank (2008).

4 The Council of Economy and Social Affairs Ministers of the Arab League submitted a proposal to the Arab Economic Summit (to be held in Kuwait during 19-20 January 2009), that preparatory work for the establishment of the Customs Union start in 2010 and be achieved by 2015.

PAFTA is an important initiative in a number of dimensions. By removing barriers to trade among Arab countries firms obtain access to a larger regional market, increasing the scope for economies of scale to be realized, while consumers benefit from the price-reducing and variety-increasing effects of greater competition. PAFTA also helps to reduce the negative effects of the patchwork of overlapping trade agreements that has emerged – reducing the potential for trade diversion and negative hub-and-spoke effects associated with agreements signed by Arab countries with the EU/Turkey, EFTA and US), and extending the benefits of free trade agreements between subsets of Arab countries (e.g., Agadir and GCC) (Figure 1). As discussed below, these agreements in turn reduce the scope for harmful trade diversion that may be associated with preferential liberalization of trade among Arab countries.

For most Arab countries, regional trade accounts for less than 10 percent of total trade – the average for all PAFTA member imports taken together was 9.5 percent in 2007; and just 6.3 percent for exports.[5] Exceptions are Bahrain, Djibouti, Jordan, Lebanon, Somalia and Syria. However, if the focus is limited to non-oil-related trade, the intra-regional trade ratio rises substantially. In the case of Syria and Yemen, regional markets account for more than half of all non-oil exports; for Bahrain, Lebanon, Oman, and the UAE it is in the 35-40 percent range; while it is more than 25 percent for Egypt, Jordan, Kuwait, and Saudi Arabia. The Maghreb countries have the lowest share of intra-regional non-oil merchandise trade—less than 5 percent. The exports of these countries go predominantly to the EU.

Since the late 1990s, the share of non-oil intra-regional trade has increased – in terms of exports it has risen from around 20 percent to 24 percent in 2007; in terms of overall reported imports (a more reliable statistic) it has doubled, growing from 4.5 percent on average in 1998-99 to some 9 percent in 2006-07. Countries that have seen intra-regional exports expand the most include Yemen, Oman, Egypt, Kuwait and Lebanon. The increase in intra-regional sourcing of non-oil imports is more uniformly distributed – all PAFTA today source more from other PAFTA signatories as a group than they did in the late 1990s, when the PAFTA integration process was revitalized.

The extent of intra-regional trade for any country depends on many factors, including differences in endowments and incomes (preferences) and the costs that are associated with crossing borders. Such costs are determined by the applicable tariffs and non-tariff barriers, the administrative procedures that must be satisfied, as well as the availability/quality of transport-related logistics and infrastructure. Arab countries have undertaken significant liberalization of external trade in the last decade, complementing preferential liberalization under PAFTA and other agreements with reductions in MFN tariffs. The uniform tariff equivalent of all tariffs (ad valorem and specific) was 6.7 percent on average in 2007. Between 2002 and 2007 the average uniform tariff equivalent for the region fell by 8 percentage points (World Bank and IMF, 2009). The overall average level of trade restrictiveness, including NTMs, was 20 percent in 2007, down from 24 percent in 2006) (Table 1). Non-tariff measures increase real trade costs for many Arab countries

5 The data in this paragraph are from UN COMTRADE. It should be emphasized that trade data are often very weak and unreliable for some countries in the MENA region.

significantly. As is the case for tariffs, governments have taken actions to reduce the incidence of certain types of NTMs, including documentary requirements.

Although significant progress has been made in reducing trade barriers, both tariffs and certain NTMs, the overall level of trade restrictiveness of a number of countries in the region remains high. The highest levels of MFN tariff protection are in the Maghreb countries, for both manufactures and agriculture. In Egypt, Jordan and Lebanon NTMs remain prevalent, resulting in overall trade restrictiveness levels that are more than double those prevailing in the GCC.

The relatively high levels of trade restrictiveness and the significant differences between Arab countries in the average OTRI level have implications for the potential economic effects of efforts to further reduce trade barriers on a regional basis. The higher are MFN tariffs, the greater the danger that preferential liberalization will generate welfare reducing trade diversion. The same is true for initiatives to lower the incidence of NTMs if this is done in a way that pertains only to intra-Arab trade. As the removal of tariffs on intra-PAFTA trade has already occurred, countries with high MFN tariffs can reduce the potential costs of trade diversion by lowering external tariffs. In the case of NTMs, there is great scope to pursue reductions in trade costs in a way that benefits all traders – both from within the region and those located outside it – thereby avoiding the costs of trade diversion.

Table 1: Overall and Tariff-only Trade Restrictiveness Indices (2007, percent)

Region	Total Trade	Agriculture	Manufacturing
East Asia and Pacific	**12.5**	**34.5**	**10.6**
	4.9	*8.3*	*4.7*
Europe and Central Asia	**11.3**	**41.1**	**8.5**
	5.0	*13.0*	*4.4*
Latin America and Caribbean	**13.9**	**34.1**	**12.1**
	8.0	*13.3*	*7.2*
Middle East and North Africa	**20.7**	**46.6**	**16.9**
	6.7	*11.1*	*6.2*
GCC*	**NA**	**NA**	**NA**
	3.9	*3.7*	*4.0*
Morocco, Tunisia	**25.7**	**97.2**	**29.3**
	17.1	*36.0*	*15.0*
Egypt, Jordan, Lebanon	**22.5**	**40.4**	**18.8**
	5.3	*6.8*	*5.0*
South Asia	**17.5**	**45.5**	**15.3**
	13.0	*20.8*	*12.8*
Sub-Saharan Africa	**19.3**	**28.9**	**20.9**
	11.8	*14.9*	*11.4*

Source: UNCTAD and World Bank staff.
Notes: OTRI (i.e., including NTMs) in bold; TTRI in italics. Aggregates are unweighted averages of countries within each group.
* Bahrain, Qatar, Saudi Arabia, UAE.

Table 2. Trading Across Borders

	Rank	No. of docs for export			Time for export (days)			Cost to export (US$ per container)			Documents for import (number)			Time for import (days)			Cost to import (US$ per container)		
	2008	2006	2008	change	2006	2008	change	2006	2008	change	2006	2008	change	2006	2008	change	2006	2008	change
Algeria	117	9	8	1	15	17	-2	1,606	1,198	408	9	9	0	22	23	-1	1,886	1,378	508
Bahrain	20		5	-5		14	-14		805	-805		6	-6		15	-15		845	-845
Egypt	21	8	6	2	27	15	12	1,014	714	300	8	6	2	29	18	11	1,049	729	320
Iraq	178	10	10	0	102	102	0	3,400	3,400	0	10	10	0	101	101	0	3,400	3,400	0
Jordan	64	7	7	0	28	19	9	720	680	40	12	7	5	28	22	6	955	1,065	-110
Kuwait	99	10	8	2	20	20	0	935	935	0	11	10	1	20	20	0	935	935	0
Lebanon	84	6	5	1	22	27	-5	969	1,027	-58	11	7	4	34	38	-4	752	810	-58
Morocco	68	6	8	-2	18	14	4	700	600	100	11	11	0	30	19	11	1,500	800	700
Oman	109	10	10	0	22	22	0	665	665	0	10	10	0	26	26	0	824	824	0
Qatar	36		5	-5		21	-21		735	-735		7	-7		20	-20		657	-657
Saudi Arabia	33	5	5	0	13	19	-6	654	1,008	-354	9	5	4	34	20	14	604	758	-154
Syria	127	12	8	4	49	19	30	1,300	1,300	0	18	9	9	63	23	40	1,822	1,760	62
Tunisia	28	5	5	0	18	17	1	770	540	230	7	7	0	29	22	7	600	810	-210
UAE	11	7	5	2	13	10	3	462	462	0	8	7	1	13	10	3	462	462	0
Yemen	126	6	6	0	33	31	2	1,129	1,129	0	9	9	0	28	28	0	1,475	1,475	0

Source: World Bank, *Doing Business, 2008.*

The NTMs included in the OTRI include measures such as licensing requirements, quotas and product standards. They are not comprehensive and do not include many of the regulatory and administrative measures that affect trade costs. Data on the performance of logistics services and on the internal costs associated with shipping goods from the factory gate to the port, and from ports to retail outlets have recently been compiled by the World Bank. The Logistics Performance Index (World Bank 2007) and the "trading across borders" indicators reported in the Doing Business database (World Bank, 2008) capture important dimensions of prevailing domestic regulatory regimes that affect trade. The *Doing Business* "cost of trading" measures the fees associated with completing the procedures to export or import a 20-foot container, measured in U.S. dollars. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport.[6] The *Logistics Performance Index* (LPI) is based on a worldwide survey of global freight forwarders and express carriers and measures the logistics friendliness countries. *Doing Business* also collects data on documentary requirements and the time associated with trading across borders.

Both data sources suggest that traders confront significant hurdles in the region, with only the UAE being among the world's better performers. The *Doing Business* data indicate that substantial progress has recently been made by some of the countries in the region to reduce procedural hurdles affecting movement of goods across borders (Table 2). The LPI data reveal a great deal of variance in logistics performance, with only one country in the region – the UAE – in the top twenty globally (Table 3).

Table 3: Logistics Performance Index, 2006

Global Rank	Country	LPI	Customs	Infra structure	International shipments	Logistics competence	Tracking & tracing	Domestic logistics costs	Timelines
140	Algeria	2.06	1.60	1.83	2.00	1.92	2.27	3.17	2.82
36	Bahrain	3.15	3.40	3.40	3.33	2.75	3.00	2.25	3.00
97	Egypt, Arab Rep.	2.37	2.08	2.00	2.33	2.38	2.62	2.83	2.85
52	Jordan	2.89	2.62	2.62	3.08	3.00	2.85	2.92	3.17
44	Kuwait	2.99	2.50	2.83	2.60	3.00	3.33	2.40	3.75
98	Lebanon	2.37	2.17	2.14	2.50	2.40	2.33	3.40	2.67
94	Morocco	2.38	2.20	2.33	2.75	2.13	2.00	2.38	2.86
48	Oman	2.92	2.71	2.86	2.57	2.67	2.80	3.25	4.00
46	Qatar	2.98	2.44	2.63	3.00	3.00	3.17	3.00	3.67
41	Saudi Arabia	3.02	2.72	2.95	2.93	2.88	3.02	2.76	3.65
135	Syrian Arab Republic	2.09	2.17	1.91	2.00	1.80	2.00	2.89	2.67
60	Tunisia	2.76	2.83	2.83	2.86	2.43	2.83	3.20	2.80
20	United Arab Emirates	3.73	3.52	3.80	3.68	3.67	3.61	2.80	4.12
112	Yemen, Rep.	2.29	2.18	2.08	2.20	2.22	2.30	2.67	2.78

Source: Arvis and others (2007).

[6] The cost measure does not include tariffs or trade taxes. Only official costs are recorded. Inland transport costs are based on distance to the shipping port. The methodology, surveys and data are available at http://www.doingbusiness.org.

2. The Survey

The survey was implemented during October-December 2008 in Egypt, Jordan, Lebanon, Morocco, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen. The questionnaire was completed by some 320 companies. Between 11 and 50 firms per country responded to the survey, with some 80 percent of the sampled firms exporting to and or importing from other Arab countries. Follow up interviews were conducted with company managers to confirm the answers. To complement and validate/cross check the data gathered on procedures and policy measures to export and import consignments, interviews were also conducted with Customs and Trade Ministry officials as well as senior executives in freight forwarding companies in the surveyed countries.

Firms selling or producing food/agricultural products and chemical, rubber or plastic products each account for about 20 percent of the sample. Services firms represent around 17 percent. These are mostly distributor services (import/export) and transport services (maritime and road). Other sectors include textiles and leather; basic metals, electrical appliances and transport equipment – each of which represent between 4 and 10 percent of the total (Figures A-1 and A-2).

About a quarter of the respondents are “pure” traders; three-quarters are manufacturers or transport companies (Figure A-3). The sample is deliberately skewed towards small and medium sized, privately-owned firms with less than 250 employees (these account for 73 percent of the sample). The reason is that these types of companies will be more likely to confront scrutiny and administrative burdens. Large companies generally have better access to rapid clearance/”green channel” procedures. Only 5 percent of the respondent companies have public sector ownership. An implication of the sampling frame is that the results regarding trade costs are likely to be upper bounds.

The questionnaire focuses on four main topics. A first set of questions deals with customs and administrative procedures affecting the import and export of goods, restrictions on overland transport and transit, and the extent of informal payments to Customs. The second set of questions focuses on the specific trade policy instruments that are subject to PAFTA commitments/disciplines – to find out if these have been removed – and on the extent to which administrative requirements and burdens reduce or nullify the benefits of removal of tariffs by PAFTA members. The third set of questions addresses the relative intensity of the barriers that are perceived to prevail on a bilateral country pair-basis. A final set of questions focuses on the relative importance of the business environment confronting companies that want to invest in neighboring countries.

The survey compiles information on the extent to which customs and other administrative requirements affecting the process of importing and exporting goods are perceived to be problematical (costly), including the stringency of customs clearance, technical controls, inspection and the extent of irregular payments and the time costs associated with border clearance. Other information pertaining to the perceptions of traders in PAFTA member countries about the benefits to their businesses from PAFTA, as well as other trade agreements are also provided. The survey allows data to be compiled on the relative intensity of trade barriers on a bilateral country pair basis as well as on regulatory measures affecting road transportation to and from neighboring PAFTA countries. This is in contrast to the data on trading across borders collected by the World Bank in the *Doing Business* report and similar indicators compiled by the World Economic Forum, which provide information at the country level as opposed to the level of a specific dyad (country pair/border).

The methodology of the survey involves ranking the regulatory and administrative constraints that cause additional burdens on cross-border trade. Companies were asked to quantify the impact of administrative costs where possible (in terms of the number of documentary formalities for importing and exporting, as well as the time taken for the consignment to be inspected and cleared) and to provide information on the size of 'informal' payments to Customs, tax and other officials. They were also asked both to rank the major sources of trade costs and to provide estimates of the cost of the major obstacles.

3. Survey Results

The results are reported in seven parts: customs and administrative requirements affecting imports and exports, respectively; bureaucratic red tape on imports; traders' estimates of trade costs; their assessment of (i) bilateral trade barriers and (ii) the benefits of PAFTA to their businesses; and the impact of non-tariff barriers at the level of product groups.

3.1. Customs and Administrative Requirements Affecting Imports

Procedural requirements for importing are measured in terms of the time required for import clearance and inspection; the number of documents and signatures required to process import transactions; customs valuation; documentation relating to rules of origin; and compliance with technical requirements (product standards).

Customs Clearance and Documentation

The survey results reveal that significant improvements have been made between 2001 and 2008 by many PAFTA countries in reducing the time for clearance, i.e., from the arrival of the goods (by air or sea or road) at the port of entry to the consignment's release from customs. It takes 2 days, on average, to release goods imported by airfreight or by road transport from customs, and 5 days for sea shipments. Although this is much longer than international best practice (respectively less than 6 hours for airfreight, 24 hours for sea freight, and 4 hours for transshipment by road), it is better than what was reported in 2001 (Table A–1).

A major procedural constraint highlighted in the survey is the number of documents and associated signatures required for processing an import transaction. In most PAFTA countries about 5 documents/procedures are required to process an import shipment arriving by air or sea, and 4 documents to clear a consignment transported by road. The number of associated signatures has fallen to 4, 5 and 6, on average, for air, sea and road transport shipments, respectively. However, there is significant variance across countries with the UAE requiring the fewest number of documents and signatures, and Syria the most. The 2001 survey found that up to 20 signatures were needed to process air or sea freight shipments (Table A-2).

Customs Valuation, Rules of Origin and Product Standards

Important aspects of the importing process include customs valuation, enforcement of rules of origin (if applicable), and compliance with technical requirements (product-specific health and safety standards). Traders may incur additional costs in satisfying such requirements, especially if customs authorities or other government bodies apply them in a restrictive way. Customs valuation is the procedure for determining the dutiable value of imported goods. The survey indicates that the majority of traders in PAFTA countries do not perceive customs valuation, in general, as problematic. It seems that customs authorities in many Arab countries now apply the WTO rules on customs valuation, i.e., accept the invoice as the basis for customs valuation. However, there are significant differences in how customs valuation in specific countries is perceived by traders, with the majority of traders reporting that in Egypt and Yemen valuation on the basis of invoices is more frequently questioned. Interviews with traders in both countries confirm that valuation practices in these countries reflect concerns on the part of Customs authorities about the truth or accuracy of commercial invoices (Table A-3).[7]

Answers by traders on their perception of documentation requirements associated with origin of imports and rules of origin overwhelmingly suggest that such rules are either not judged to be problematic or are of minor import. Only 13 percent of firms reported that documenting rules of origin was a source of problems. Most of the problems are concentrated in a few sectors – see Section 3.7 below. A higher percentage, on average 30 percent of importers in PAFTA countries, report that technical requirements (product standards) are problematic – roughly the same proportion as for customs valuation. In contrast to rules of origin, however, there is significant variance across countries. Standards enforcement is seen to be particularly problematical in Egypt and Morocco, where the majority of respondent companies report difficulties with the standards authorities (Table A-3).

As the enforcement of product standards involves costs of testing and inspection, surveyed companies were asked to estimate how large such costs are on average. Responses regarding compliance costs show an estimated cost of 2 percent, on average, ranging between 1 and 15 percent of the value of imports, with the higher estimates being associated with respondent companies exporting to Egypt and Jordan.

3.2. Customs and Administrative Requirements Affecting Exports

Many PAFTA countries have taken measures to encourage exports by improving the incentive framework – through policies such as duty drawback and export-processing zones. Many countries also subject exports to bureaucratic control, e.g., mandatory inspection of export consignments. The survey indicates that export procedures have become more streamlined (Table A-4). Many countries have duty drawback schemes allowing exporting companies to import inputs and components at world prices through refund of paid customs duties or temporary admission. Interviewed exporting companies overwhelmingly consider such mechanisms as important in assisting their exports. However, exporters in Egypt, Syria and Yemen highlighted that procedures are cumbersome and that delays in re-imbursement of tariffs are long. For instance it takes an average of 60 days (in Egypt) to 180 days (in Yemen) and sometimes up to a full year (in Syria) for duties paid on imported inputs to be refunded, as compared to an average 15 to 30 days in other countries.

The majority of exporters report that consignments are inspected. On average 3 percent of shipments are subject to inspection, ranging from a low of 1 percent, on average, in Lebanon, Syria, UAE and Yemen, to a high of 20 percent in Egypt (Table A-5).

3.3. Bureaucratic Red Tape and Additional Payments for Imports

The survey collected information on the number of man-days per year that importing and exporting companies spend in "resolving problems" with customs authorities and other government officials. This takes 26 days, on average, ranging between 20 to 40 man-days per

[7] Even if tariffs are no longer collected as a result of the PAFTA, domestic indirect taxes will still need to be levied on imports. Yemen, as an LDC, has a longer implementation period under PAFTA to attain free trade.

year, and up to 60 in Egypt. As is the case in other areas, matters have improved relative to 2001. The data in the earlier survey indicated that on average respondent companies devoted around 95 man days per year in contact with customs officials. This corroborates the finding that import procedures in many PAFTA countries involve fewer documents and signatures today than in 2001. The improvement reflects customs reforms and the greater use of electronic transmission of documents, which both speeds the clearance of goods and may reduce the scope for additional informal payments (Table A-6).

The majority of interviewed companies in Egypt, Syria, Tunisia and the UAE consider that difficulties in dealing with customs and other trade officials are less today compared to 3 years ago. In contrast, the majority of respondents in Jordan, Lebanon, Morocco, Saudi Arabia and Yemen are of the view that the difficulties in dealing with customs are about the same as 3 years ago (Table A-7).

Informal payments to customs officials (bribes) are another form of real trade costs. The questionnaire addressed questions about informal payments by traders to Customs officials and other trade related officials when companies deal with import clearance and inspection. About 31 percent of the respondents report they do not pay at all. Another 33 percent pay no more than one percent of the value of imports as “informal payments” to Customs officials. Relative to the 2001 survey this is an improvement of 8 percentage points. About 14 percent of the interviewed companies in Lebanon note that “informal payments” can be in kind. Although matters have clearly improved, there is widespread agreement among the interviewed companies that additional payments remain a common practice in many PAFTA countries (e.g., Egypt, Lebanon, Morocco, Syria, Tunisia, and Yemen) (Table A-8).

3.4. Estimates of Overall Trade Costs

Respondents’ estimates of the costs of trading (excluding statutory customs duties and para-tariffs such as import surcharges) are around 6 percent, on average, ranging from 2 to 11 percent of the value of imports. The estimated trading costs in the UAE are 3.5 percent, on average, compared to 7 percent in Morocco and 11 percent in Egypt. Here also there has been improvement since 2001, on the order of a 4 percentage point decline on average. The 2001 survey found that trade costs estimates averaged about 10.6 percent of the value of trade (Table A-9).

The surveyed companies were asked in a summary question to rank the most costly obstacles encountered in their trading activities. The results suggests that costs associated with road transit and maritime transport are the most important, followed by domestic taxes on imports and procedural requirements for imports (customs clearance, inspection and other bureaucratic trade control procedures). This ranking contrasts with the results obtained in the 2001 survey which ranked customs duties as the most important factor, followed by domestic taxes and customs clearance, and then public sector corruption (Table A-10).

3.5. Bilateral (Pair-wise) Trade Barriers

Respondents were asked first, to rank the extent of restrictiveness of seven categories of regulatory and administrative measures affecting road transportation to and from neighboring countries. Road transportation is an important mode of freight transport in many PAFTA countries. Countries with limited access to the sea, such as Jordan and Iraq, rely mainly on road transportation for trade. Moreover, some countries are transit hubs for intra-regional trade by road – e.g., Jordan and Saudi Arabia are hubs for goods going to Iraq and the Gulf. The most binding constraints for shipping or transiting via road to reach PAFTA markets are considered to be customs and inspection procedures, in particular frequent changes in paperwork requirements at a border without prior notification, followed by border closures and blocked roads for political and security reasons, and entry visa restrictions (Table A-11).

The majority of respondents regard Saudi Arabia as imposing the largest number of constraints on cross-border road transport. Respondents from Yemen, in particular, ranked Saudi Arabia as the country imposing the largest number of constraints on exports shipped or in transit through the Saudi territories by road. Similarly, Lebanese exporters reportedly confront the most obstacles when shipping to or transiting Syria by road. Bureaucracy, red tape, blocked roads and excessive technical requirements at the border are listed as the major obstacles. Egyptian firms report that Jordan imposes stringent customs procedures, road closures and excessive technical requirements for shipments transiting by road. Firms from Egypt, Jordan, Lebanon, Syria and Yemen all judge that the UAE has restrictive visa issuance procedures and imposes high visa fees for entry of professional drivers, in addition to restrictive health requirements on certain agricultural products.

Moreover, traders were also asked to rank PAFTA countries by the severity of the overall obstacles to their export and import activities. Six countries emerge as the most problematical: Saudi Arabia, Egypt, Jordan, Syria, Tunisia and Morocco. The 2001 survey found Syria to be regarded as the most problematical country, followed by Egypt, Tunisia and Saudi Arabia.

Saudi Arabia is ranked first in the list of the most problematic PAFTA countries. The majority of respondents from Egypt, Jordan, Syria, Lebanon and Yemen cited many reasons, most of which repeat those mentioned earlier, namely inspection and customs procedures for cross-border shipments by road. Many of the complaints relate to the harsh treatment of consignments during inspection by Saudi customs, which often require the shipment to be unloaded for inspection then reloaded, raising the cost for shippers or forwarding agents, as well as frequent changes in required paperwork without prior notification. Yemeni traders are the most affected by Saudi customs and inspection measures, as shipments from Yemen must be reloaded on Saudi transport vehicles when entering Saudi territories. Difficulties in obtaining visit visas for transport drivers as well as businessmen also figure in the complaints.[8]

Egypt is ranked the second most problematic PAFTA country. The majority of respondents from Syria, Saudi Arabia, Lebanon, Jordan, Morocco and Tunisia cited bureaucratic red tape, delays and additional payments associated with inspection and customs clearance procedures as the most important constraints, followed by unclear testing criteria for product standards, technical requirements and conformity assessment, which are perceived to be a means for protection of local industries. Jordan is ranked the third most problematic country. The majority of respondents from Egypt, Saudi Arabia, Syria, Tunisia, Morocco, UAE and Yemen list complicated documentation for customs procedures, delays due to lack of automated customs clearance at certain points of entry and additional fees and charges on transit transport (diesel charges) by road, as the most problematic measures they face.

[8] Note this survey result is in contrast with the ranking on trading across borders in the World Bank's report Doing Business in the Arab World 2009, which rank the UAE and then Saudi Arabia as the easiest country to do trade with in the Middle East.

Syria is ranked fourth in terms of trade barriers, with firms mentioning red tape and informal payments during inspection and customs clearance, payment of additional fees and charges (diesel charges), charges for transit of convoys of trucks accompanied by guards and policemen, and technical requirements and standards which do not conform to the international norms. Finally, Tunisia and Morocco are ranked fifth and sixth in terms of trade costs, with the majority of respondents reporting stringent inspection and customs clearance procedures and high shipping costs as the main problems in Tunisia. The same factors prevail in Morocco, in addition to restrictive rules of origin. Firms from Tunisia, Jordan and Egypt highlighted difficulties with Moroccan customs regarding rules of origin, including use of the change of tariff classification criterion to benefit from tariff exemptions, as per Agadir Agreement (which adopts the Pan-European Protocol of origin).

3.6. Traders' Assessment of the Benefits of PAFTA

The overwhelming majority of respondent companies – over 90 percent – report they have benefited from PAFTA. This strong result is found for all the countries in the sample, albeit with somewhat lower positive response rates for Lebanon, Morocco, Saudi Arabia and Syria than for other countries. When asked to rank the way PAFTA has benefited their businesses, respondent companies rank the removal of tariffs as the most important, followed by a reduction in trading costs (Table A-12).

A minority of respondents report having problems with documentation of PAFTA rules of origin (13 percent of respondents on the import side and 16 percent on the export side). The outlier here is Morocco, where non-acceptance of documentation of PAFTA rules of origin constitutes a problem for a larger number of companies (Table A-13).

The responses also show that the majority of affected exporting firms by problems related to rules of origin are from UAE and Saudi Arabia. For Saudi and UAE exporters certificates of origin issued by their national authorities were often rejected by Customs in Egypt, Morocco and Tunisia. Affected products are concentrated in processed foods, including dairy produce, refined sugar, sugar confectionery and cocoa preparations. UAE-registered exporting companies, especially those located in the Jebel Ali Free Zone, report the most rejections of origin documentation by the customs authorities of PAFTA partner countries.

While the majority of responses judge Egypt, Morocco and Tunisia as the most restrictive in accepting origin documentation issued by other PAFTA countries, many firms in these 3 countries complained in turn about a lack of transparency in the implementation of PAFTA rules of origin and the non-acceptance of cumulation of origin by many PAFTA countries, in contrast to the Agadir agreement.

3.7. Cross-Sectoral Impediments in Trading Across Borders

This section explores whether some product groups confront more restrictive policies than others in PAFTA countries, with a view to assessing whether there is heterogeneity in the incidence of different policies that is not captured as a result of pooling all firm responses at the country level or summing up all the firms from the surveyed countries. The collected data were sorted into ten main product groups using the HS 1-digit level of classification: animal and vegetable products, prepared foodstuffs, mineral products, chemical products, plastics, wood and paper, textile and garments, base metal articles, electrical and mechanical appliances, and miscellaneous manufactures (Figure A-5).

Table A-14 reports the most costly factors affecting in imports by product group. Note that these results should be regarded as indicative only; as only an approximate guide to the type of cross-sectoral heterogeneity in the impediments that might be present in the survey data.

Standards-Related Problems Encountered by Product Groups

Standards are of particular concern to exporters of vegetable products, prepared foodstuffs, wood and paper, and chemicals (pharmaceuticals). The survey data indicate that enforcement of standards in these products groups raise costs and restrain intra-regional trade.

In the vegetable products group, respondents from traditional exporters of agricultural products (Egypt, Syria and Lebanon) perceive stricter packaging and labeling requirements for fresh food (potatoes, fruits and rice) that GCC countries impose as technical barriers to trade and the cause of additional costs in meeting such mandatory standards. It appears, however, that the norms that are applied conform to international standards. Other impediments facing fresh food exports are seasonal restrictions on imports during harvest periods (e.g., Saudi Arabia and UAE impose import restrictions on dates during harvest periods; Egypt on apples; and Jordan on tomatoes and cucumber crops).

In the prepared foodstuffs group, standards-related problems are often associated with testing and certification (conformity assessment) procedures. For instance, exporters of prepared meats from Jordan reported cumbersome certification procedures when exporting to some PAFTA countries (Egypt and Lebanon). Other standards-related measures which respondents perceive as NTBs are packaging and labeling for chocolate and other preparations containing cocoa (e.g., for Syrian exporters to Saudi Arabia). In the wood and paper group, standards-related measures are perceived to be excessively restrictive by exporters of sanitary and facial tissues, and towels from Syria, Jordan and Lebanon to some GCC countries (UAE, Qatar). Chemical and pharmaceutical products are reported to be subject to costly testing procedures and very long testing periods (lasting two to four years) in order to obtain an import license. Regional pharmaceutical companies see this as a measure that is used in order to protect local production of inferior quality.

Impediments-Related to PAFTA Rules of Origin by Product Group

Problems related to PAFTA rules of origin are concentrated in the group of prepared foodstuffs. Table A-15 reports information from the survey responses regarding the specific products for which importers still pay tariffs because customs officials in importing countries determined that products did not meet PAFTA rules of origin. For instance, Moroccan Customs have rejected refined sugar imported from the UAE because it did not meet the minimum local content value requirement, although the exporter reported providing evidence that the PAFTA rules of origin were satisfied. Other products that have been subjected to tariffs include unfinished wooden furniture and facial tissues; textiles and garments; articles of base metal (iron and steel); and miscellaneous manufactures (ceramics). All of these imported products are competing with similar products of local industries and for which Customs interpretation of the rules of origin could be used for protection.

In addition, the survey results include responses from non-GCC countries raising concerns that GCC exporters receive government support such as a tax-free business environment, subsidized energy and high-quality transportation infrastructure, allowing them to compete "unfairly" in other PAFTA markets where local producers and exporters do not benefit from similar conditions. Some of the firms argue that lobbying the government to use rules of origin as an instrument of protection is a legitimate 'compensating' device

Stringent rules of origin are also used to counter trade deflection. For instance survey responses reveal that Customs in Egypt, Morocco, Syria and Tunisia tend to reject rules of origin documentation issued by the UAE authorities, especially for textiles and garments shipments, which were found to have originated in China, and trans-shipped to other PAFTA countries through the Jebel Ali Free Zone.

Estimates of Trade Costs by Product Groups

A compilation of the most costly factors affecting imports by product groups suggest that the costs associated with problems in transport and transit of goods to and from PAFTA countries are the most important for virtually all the products groups, followed by domestic taxes and fees, then customs clearance and import inspection procedures. This ranking is consistent with the results obtained from pooling firms at the country level.

As far as estimates of the costs of trading by products group are concerned, the data indicate that such costs are around 3.5 to 5 percent of the value of imports, on average, for articles of base metal, prepared foodstuffs, mineral products, products of the chemicals, plastics, textiles and garments. Estimated trading costs for wood and paper, electrical and mechanical appliances, vegetable products and miscellaneous manufactures are slightly higher, at around 6 to 7.5 percent, on average.

Summing up, the survey results by product groups reinforce the conclusions emerging from the aggregated survey data regarding the impact of constraints related to rules of origin and non-tariff barriers to trade in PAFTA countries.

4. Conclusions

The main findings of the survey are that an overwhelming majority of respondent companies are of the view that they have benefited from PAFTA. These benefits stem in particular from the removal of tariffs on intra-PAFTA trade. The survey also reveals a marked improvement in customs clearance-related procedures, with a substantial decline in the number of required documents and signatures, a significant reduction in the variance of clearance times, and fewer firms reporting having to make irregular payments. A minority of respondents reported having problems with rules of origin (13 percent), and substantially fewer than those perceiving customs valuation and enforcement of product standards to be a problem (around 30 percent on average, with significant variation across countries).

In 2001, tariffs were ranked as one of the most important barriers to intra-regional trade; in 2008 they were ranked last. Instead, transport-related infrastructure and real trade costs (trade facilitation) were ranked as the most important constraints. Thus, the survey confirms recent analytical studies that conclude that the magnitude of Arab trade flows is significantly lower than it would otherwise be as a result of high real trade costs (e.g., Dennis, 2006; Harb, 2007; Péridy, 2007; Abedini and Péridy, 2008). It suggests that from a policy perspective efforts to facilitate trade and reduce the incidence of non-tariff measures deserve priority.

If such actions are implemented in a nondiscriminatory fashion – apply to and benefit all trade, independent of origin – potential trade diversion costs will be avoided. As noted in the Introduction, overall levels of trade restrictiveness of a number of the countries in the region remain relatively high. This reduces the competitiveness of firms and the real incomes of consumers. PAFTA-based initiatives to lower NTM-related real trade costs offer an opportunity to lower overall levels of trade restrictiveness in a way that does not generate trade diversion.[9] Regional cooperation to reduce trade costs can help stimulate both intra-regional and trade with rest of world. The policy challenge is to identify what types of policies should be given priority attention and how regional cooperation in the PAFTA context can best be used to complement national efforts to facilitate trade.

The survey is an example of the type of monitoring that is needed to determine whether trade commitments are implemented and to identify where policy actions are needed to further reduce the costs of trade, thus improving competitiveness. An annual process of monitoring of the type implied by the survey – bringing in the private sector not only as a source of information but as a partner – can help to build public support for the process of regional integration and taking actions to reduce trade costs and enhance competitiveness. To be most effective, the data collected on implementation of PAFTA could be merged with information on the OTRI and other country-level data on trade and logistics costs/performance (such as the Logistics Performance Indicator and Trading Across Borders indicator (in the *Doing Business* report). These data could be the basis for periodic engagement between governments and private sector on the "state of integration of markets".

The focus of this paper has been on trade in merchandise. Policies affecting trade in services and the movement of factors of production (labor, capital) are important for regional competitiveness and welfare as well. Indeed, for some countries in the region services trade is as or more important than trade in goods. PAFTA members have identified services as an area for deeper cooperation. Much less is known about policies affecting trade and investment in services than about policies affecting merchandise trade. The type of data collection and monitoring exercise reported here for merchandise could also be undertaken for services. Templates that can be used for this purpose have been developed by the World Bank and have been implemented on a pilot basis in a number of Arab League member countries. The same is true for diagnostic tools to assess trade and transport facilitation performance of specific ports/border crossings and transport routes/corridors. Combining these tools into a regular process of monitoring and assessment of trade incentives and performance would help governments benchmark performance and identify priority areas for action, at both the national and the (sub-)regional level.

[9] Countries with high average MFN tariffs can reduce potential trade diversion costs generated by PAFTA by reducing external levels of protection.

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Figure A - 1
Selected Countries' Representation in the Survey Sampling

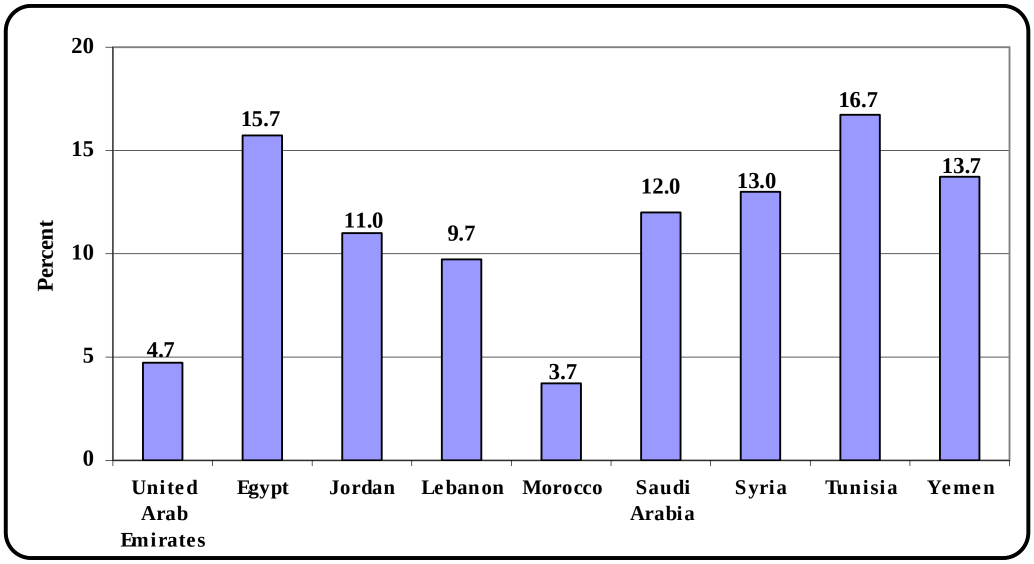

Figure A - 2
Distribution of Companies by Activity

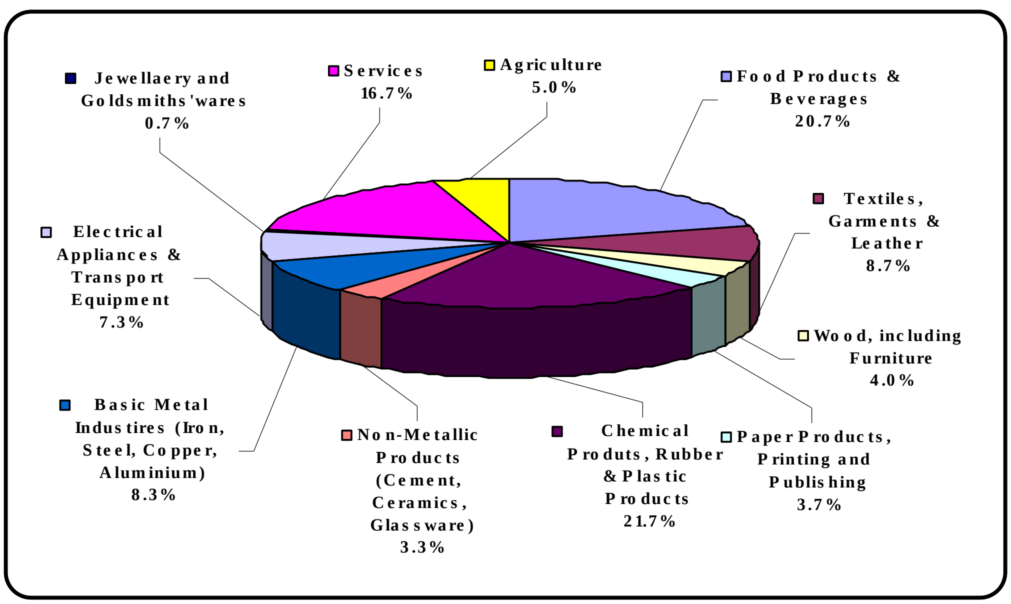

Figure A - 3
Distribution of Companies by Type of Business

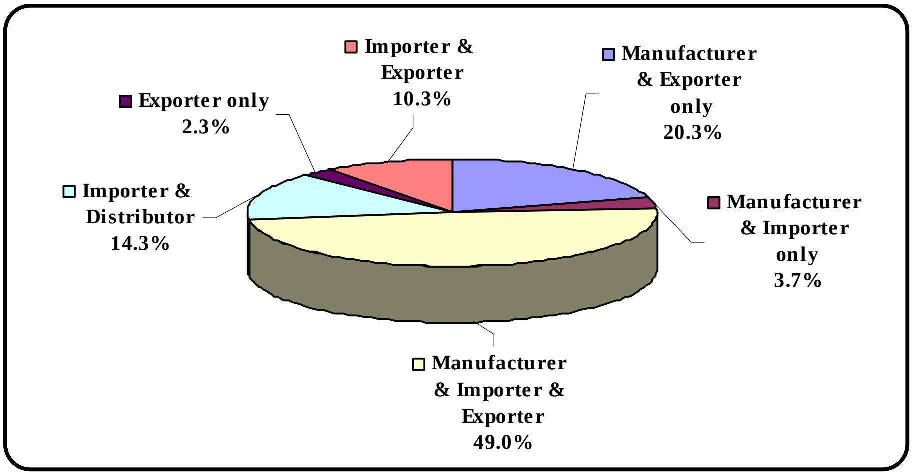

Figure A - 4
Distribution of Companies by Size of Employees

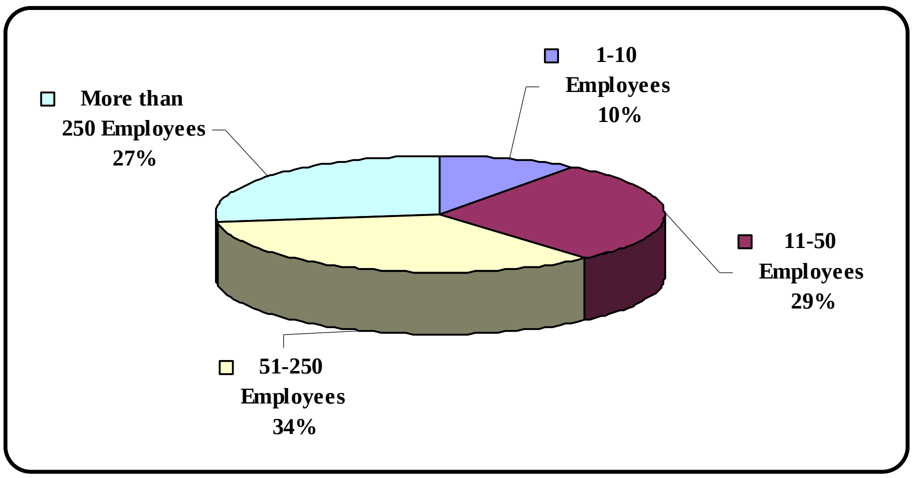

Figure A-5

Distribution of Companies by Product Groups (HS -1-digit)

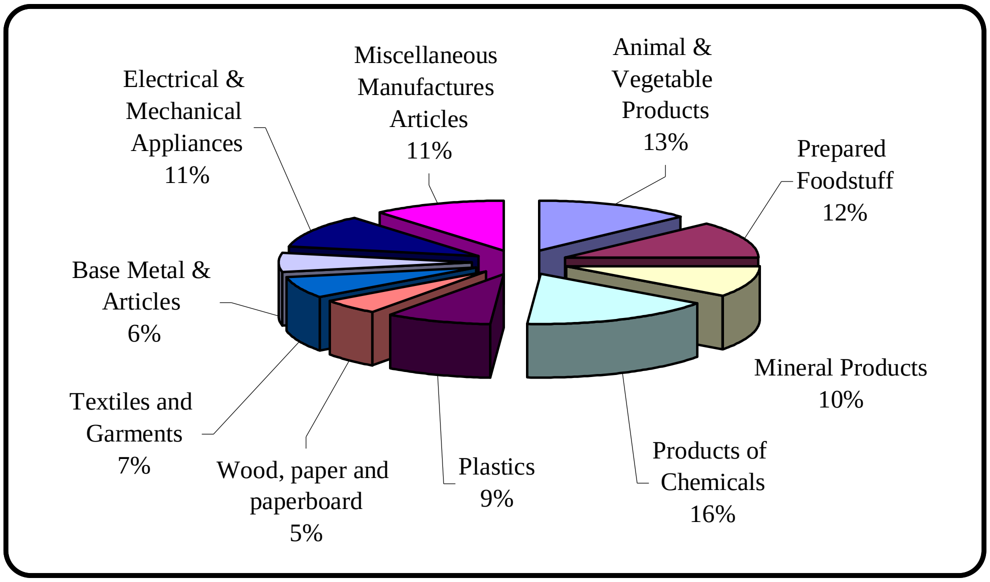

Table A - 1 : Time for Customs Clearance of Imports by Port of Entry

Selected PAFTA Countries	Air Freight (days)		Sea Freight (days)		Road Transport (days)	
	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)
Egypt	2.0 - 7.0	2.0	3.0 - 9.0	3.0	2.0 - 5.0	3.0
Jordan	2.0 - 3.0	2.0	3.0 - 15.0	3.0	2.0 - 5.0	3.0
Lebanon	2.0 - 6.0	2.0	2.0 - 6.0	2.0	1 - 5.0	2.0
Morocco	Less than 1 - 1.5	1.0	1.0 - 5.0	2.5	1 - 2.0	1.0
Saudi Arabia	2.0 - 10.0	5.0	4.0 - 27.5	6.0	2 - 4.0	2.5
Syria	2.0 - 3.0	2.0	2.0 - 5.0	3.0	2 - 3.0	2.0
Tunisia	2.0 - 4.0	2.0	3.0 - 8.0	6.0	2 - 4.0	2.5
UAE	Less than 1 - 1.5	1.0	1.5 - 3.5	2.0	1.0 - 2.0	1.0
Yemen	2.0 - 4.0	3.0	4.5 - 5.0	5.0	1.0 - 3.0	2.0
Total Countries (2008 Survey)	**2.0 - 5.0**	**2.0**	**3.0 - 8.0**	**5.0**	**1.5 - 4.5**	**2.0**
Total Countries (2001 Survey)	**2.0 - 5.0**		**2.0 - 10.0**		**1.0 - 3.0**	

(*) Ranges represent lower and upper values using Tukey's hinges (lower and upper quartiles) which are standardized by avoiding the bias of extreme values; Average is the arithmatic average of lower and upper values (Tukey's hinges), for more details, see <http://support.spss.com/>.

Table A - 2 : Number of Documents and Signatures Requirements for Importing, by Port of Entry

Selected PAFTA Countries	Air Freight				Sea Freight				Road Transport			
	Documents for Imprts		No. of Signatures		Documents for Imprts		No. of Signatures		Documents for Imprts		No. of Signatures	
	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)
Egypt	5 - 7	6	5 - 10	8	6 - 8	7	6 - 12	9	4 - 8	6	6 - 11	10
Jordan	3 - 4	4	3 - 6	4	4 - 5	4	4 - 5	4	3 - 4	4	3 - 4	4
Lebanon	4 - 5	4	4 - 8	4	4 - 5	4	4 - 7	4	4 - 5	4	4 - 8	4
Morocco	4 - 7	5	3 - 7	4	5 - 7	6	5 - 9	8	4 - 5	4	3 - 5	3
Saudi Arabia	4 - 7	5	4 - 5	5	4 - 6	5	5 - 6	5	4 - 5	5	4 - 5	5
Syria	6 - 10	8	15 - 40	20	6 - 10	8	17 - 30	25	6 - 10	8	20 - 39	27
Tunisia	3 - 4	3	3 - 4	4	3 - 4	3	3 - 4	3	3 - 4	4	3 - 4	4
UAE	4 - 5	4	1 - 3	2	4 - 6	5	3 - 4	3	3 - 4	4	2 - 7	3
Yemen	8 - 9	8	20 - 21	20	8 - 9	8	7 - 24	20	5 - 8	8	7 - 22	20
Total Countries (2008 Survey)	**4 - 6**	**5**	**3 - 10**	**4**	**4 - 7**	**5**	**4 - 15**	**6**	**4 - 6**	**4**	**4 - 17**	**5**
Total Countries (2001 Survey)	**-**	**5**	**10 - 20**	**-**	**-**	**6**	**12 - 20**	**-**	**-**	**5**	**11 - 15**	**-**

(*) See Footnote in Table A-1.

Table A - 3 : Traders' Perceptions of Import Documentations Associated with Customs Valuation, Rules of Origins and Standards compliance

	Egypt	Jordan	Lebanon	Morocco	Saudi Arabia	Syria	Tunisia	UAE	Yemen	Total(1)
1. Customs Valuation :										
Problems with Customs (e.g. do not accept invoice as a basis for valuation) ?										
Yes (Count)	16	13	2	3	3	12	4	-	16	69 (29.6%)
No (Count)	9	15	24	7	14	25	43	13	14	164 (70.4%)
2. Rules of Origin :										
Problems with Documentations Related to Rules of Origin ?										
Yes (Count)	4	2	3	4	1	7	4	1	2	31 (13.4%)
No (Count)	23	25	22	6	15	30	44	9	27	201 (86.6%)
3. Product Standards Compliance :										
Difficulties with Technical Requirements for Product Standards?										
Yes (Count)	16	8	4	6	6	11	10	1	5	66 (29.3%)
No (Count)	10	19	22	5	12	22	33	10	25	159 (70.7%)
Costs of compliance with Techincal Requirements (percent of CIF import value)										
Range(2)	5.0-15.0	3.0-12.5	1.0-7.0	1.7-2.7	4.0-5.0	0.7-10.0	1.0-3.0	1.0-10.0	1.0-1.5	1.0-15.0
Average(2)	7.0	7.0	2.0	2.0	5.0	5.5	1.0	5.5	1.0	2.0

(1) Numbers in parentheses are percents of total respondents.

(2) See Footnote in Table A-1.

Table A - 4 : Number of Documents and Signatures Requirements for Exporting

Selected PAFTA Countries	Air Freight				Sea Freight				Road Transport			
	No. of Documents		No. of Signatures		No. of Documents		No. of Signatures		No. of Documents		No. of Signatures	
	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)	Range(*)	Average(*)
Egypt	4 - 6	4	5 - 10	8	5 - 7	6	7 - 20	10	6 - 8	7	9 - 20	12
Jordan	3 - 4	4	3 - 4	4	4 - 5	5	4 - 5	5	3 - 4	4	3 - 4	4
Lebanon	4 - 5	4	4 - 5	4	4 - 6	5	4 - 5	4	4 - 5	5	3 - 5	4
Morocco	6 - 7	6	5 - 7	6	6 - 7	6	6 - 9	8	3 - 6	5	2 - 4	2
Saudi Arabia	4 - 5	4	4 - 5	4	4 - 5	4	4 - 5	4	4 - 5	4	4 - 5	4
Syria	5 - 7	7	10 - 25	13	6 - 8	7	11 - 21	15	5 - 8	7	10 - 16	15
Tunisia	3 - 4	3	3 - 4	3	3 - 4	3	3 - 4	3	3 - 4	3	3 - 4	3
UAE	3 - 4	4	2 - 4	2	3 - 4	4	2 - 3	3	3 - 4	4	2 - 4	3
Yemen	7 - 8	7	16 - 20	20	5 - 7	7	9 - 22	21	5 - 7	6	20 - 21	21
Total Countries (2008 Survey)	**3 - 5**	**4**	**3 - 7**	**4**	**3 - 7**	**5**	**3 - 11**	**5**	**3 - 6**	**4**	**3 - 12**	**4**
Total Countries (2001 Survey)	**-**	**5**	**8 - 10**	**-**	**-**	**6**	**8 - 10**	**-**	**-**	**5**	**11 - 15**	**-**

(*) See Footnote in Table A-1.

Table A - 5 : Traders' Responses to Requirements for Inspection of Export Consignments

	Yes (Count)	No (Count)	If Yes, What Percent Of Export subject to inspection ? (Range)(*)	(Average)(*)
Egypt	37	10	6.0-25.0	20.0
Jordan	23	1	1.0-2.0	1.5
Lebanon	16	11	1.0-2.5	1.0
Morocco	6	3	5.0-10.0	5.0
Saudi Arabia	20	9	1.0-2.0	2.0
Syria	19	10	1.0-2.5	1.0
Tunisia	33	15	3.0-20.0	10.0
UAE	7	6	0.5-5.0	1.0
Yemen	18	5	1.0-2.5	1.0
Total	179	70	1 - 15	3.0

(*) See Footnote in Table A-1.

Table A - 6 : Bureaucratic Red Tape on Imports: Number of Man-days per Year Spent in Resolving Problems with Customs and Tax Administration

Country	2008 Survey			2001 Survey
	% of total respondents	Range(*) (days)	Average(*) (days)	Average (days)
Egypt	84.6	25 - 60	45	100
Jordan	46.8	25 - 42	30	200
Lebanon	88.5	20 - 50	29	
Morocco	81.8	20 - 56	30	
Saudi Arabia	89.5	14 - 24	20	
Syria	96.2	20 - 42	32	209
Tunisia	57.7	18 - 30	25	
UAE	75	13 - 27	20	
Yemen	92.6	15 - 30	20	
Total	89.7	20 - 40	26	95

(*) See Footnote in Table A-1.

Note: Number of man-days is total time spent on resolving problems with Customs and Tax Departments about the application and interpretation of import laws and regulations in the country (e.g., customs formalities, product classification in the tariff schedule and other regulations directly related to import process).

Table A - 7 : Traders' Perception of the Evolution of Difficulties in Dealing with Customs officials in Their Countries (Today compared to 3 years ago)

(% of total responses)

	Difficulties in Dealing with Customs - Decreased	Difficulties in Dealing with Customs - Remained the same	
Egypt	75	Jordan	72 (remained same)
Syria	54	Lebanon	82 (remained same)
Tunisia	84	Morocco	70 (remained same)
UAE	87	Saudi Arabia	74 (remained same)
		Yemen	60 (remained same)

Table A - 8 : Traders' Responses about "Informal" Payments to Customs Officials

		Range of "informal" payments in % of import value (Companies' responses in percent)						
Country	**Is it common for trading that a Company pays "Informal" Payments to Customs Ofiicials? (Average)[1]**	**0% [2]**	**0 - No more than 1%**	**2 - 9%**	**10 - 17%**	**18 - 25%**	**In-Kind**	**Don't Know**
Egypt	Mostly	7.7	42.3	42.3	11.5	3.9		0.0
Jordan	Seldom	93.9	97	-	-	-		3.0
Lebanon	Frequently	10.3	48.3	17.2	6.9	-	13.8	13.8
Morocco	Sometimes	18.2	36.4	36.4	1	-		18.2
Saudi Arabia	Never	95.0	95	-	-	-		5.0
Syria	Always	5.3	60.3	26.3	-	-		13.2
Tunisia	Sometimes	21.3	55.3	2.2	-	-		42.6
UAE	Sometimes	38.5	38.5	7.7	-	-		53.8
Yemen	Frequently	6.5	74.2	22.6	3.2	-		0.0
Average (2008 Survey)	**Sometimes**	**30.6**	**64.1**	**15.7**	**2.8**	**-**	**1.6**	**16.1**
Average (2001 Survey)			**56.3**	**18.6**	**3.6**	**0.5**		**20**

(1) Companies were asked to rank their answers using one of the following six point scale: always, mostly, frequently, sometimes, seldom, never; the reported results represent averages using Tukey's hinges method (see footnote in Table A-1).
(2) The reported precents in this column were not reported in the 2001 survey.

Table A - 9 : Traders' Estimates of Trade Costs
(Percent of the Value of Imports)

Country	Range(*)	Average(*)
Egypt	8.5-15	11.0
Jordan	2-6.0	4.0
Lebanon	2.5-11	7.5
Morocco	3 - 17	7.0
Saudi Arabia	3 - 10	5.0
Syria	4-11.5	9.5
Tunisia	1.5-6.0	4.0
UAE	1.0-8.5	3.5
Yemen	2.0-10	7.0
Average (2008 Survey)	**2 - 11**	**6.0**
Average (2001 Survey)	**-**	**10.6**

* See Footnote in Table A-1.

Table A - 10 : Ranking The Most Costly Procedural Requirements for Import Activities in PAFTA Countries

	Respondents (Count)	Percent total respondents	(2008 Survey)	(2001 Suvey)*
			(Rank)	(Rank)
Road Transport & Transit / Maritime Transport	115	(57%)	1	6
Domestic Taxes on Imports (e.g. VAT, Sales taxes, etc)	114	(59%)	2	2
Procedural Requirements (Customs clearance, Inspection & other administrative procedures)	109	(49%)	3	3
Tariffs on Imports	99	(45%)	4	1
Technical Requirements & Compliance to Standards	88	(42%)	5	5
Public Sector Corruption	84	(44%)	6	4

* Zarrouk (2001).

Table A - 11 : Traders' Ranking of Barriers to Cross-Border Road Transportation, on a Bilateral Country Pair-Basis

Traders' Country of Origin	Countries with Most Problematic Constraints for Cross-border Road Transportation											
	Egypt	Jordan	Lebanon	Morocco	Saudi Arabia	Syria	Tunisia	UAE	Tunisia	Yemen	Algeria	Iraq
Egypt		1, 2, 6						3				2
Jordan					1, 3			3				2
Lebanon					1, 2	1, 2, 5, 7		3				2
Morocco											2	
Saudi Arabia												
Syria	1	1			1, 3			3				2
Tunisia												
UAE					1							
Yemen					1, 2, 3, 4, 5, 6, 7			3, 6				

1. Stringent customs procedures at the border (inspection and clearance); customs closures on public holidays and week end; paperwork and formalities uncertainty.
2. Cross-border roads closures and blocked roads for political and security reasons.
3. Restrictive rules for issuing visas for business and professional drivers (e.g. costly visa fees for one entry only, discrimination by nationality, etc.)
4. Requirements for Yemeni trucks to unload shipments at the Saudi border, and to pay for handling and loading charges of shipments on Saudi registered vehicles for final delivery within the Saudi territories; Return of the foreign trucks to country of origin with empty cargo, etc.
5. Excessive cross-border road transportation charges (road usage charges, diesel and fuel charges, convoy charges, etc.)
6. Technical and health requirements for crossing foreign trucks in order to transit the country.
7. Requirements that transiting foreign trucks move from border entry checks to border departure checks in convoy accompanied by security guards and policemen.

Note: Respondents were asked in the questionnaire to rank the severity of a set of obstacles on a scale of 1 to 4 where 1 means that the constraint is not problematic/costly at all and 4 means that the constraint is extremely problematic/costly. Constraints ranked 4 and listed by 50 percent at least of total respondents to a particular obstacle, were retained in the final results.

Table A - 12 : Traders' Ranking of the Ways PAFTA Mostly Benefitted Their Business

		Rank	Percent of Total Respondents
-	**No Customs Duties / Tariffs paid on Imports**	1	90
-	**Cheaper Trading Costs**	2	88.5
-	**Cheaper Sources of Imports**	3	79

Table A - 13: How Problematic Rules of Origin (ROO) Documentations in PAFTA Countries

	Egypt	Jordan	Lebanon	Morocco	Saudi Arabia	Syria	Tunisia	UAE	Yemen	Total
How Problematic ROO when Importing from a PAFTA Country?										
Problematic (Count)	2	2	4	6	1	4	4	1	2	26 (13%)
Not Problematic (Count)	23	17	18	1	19	23	39	4	28	172 (87%)
How Problematic ROO when Exporting to a PAFTA Country?										
Problematic (Count)	-	2	2	5	6	4	7	4	2	32 (16%)
Not Problematic (Count)	24	20	17	2	16	22	35	4	25	165 (84%)

Table A-14: Ranking the Most Costly Factors In Import by Product Groups

		Customs Procedures & Inspection	Standards & Tech. Requirements	Transport & Transit	Domestic Taxes & other fees	Public sector corruption	Estimates of Trading Cost in Imports*	
							Range	Average
1	Animal & Vegetable Products	√	√	√			2.75-11.75	7.00
2	Prepared Foodstuffs		√	√	√		2.50-10.00	5.00
3	Mineral Products	√		√	√		2.00-10.00	5.00
4	Products of Chemicals	√	√	√	√		2.00-10.50	5.00
5	Plastics			√	√	√	1.75-3.00	5.50
6	Wood, paper and paperboard	√	√	√			4.00-7.75	6.00
7	Textiles and Garments	√		√	√		2.25-8.50	5.00
8	Base Metal & Articles	√		√	√		2.00-10.00	3.50
9	Electrical & Mechanical Appliances				√	√	3.50-12.50	6.00
10	Miscellaneous Manufactures Articles	√		√	√		5.50-13.50	7.50

* Respondents estimated cost of major factors (excluding import duties) in percent of an average import cost.

Table A - 15
Sample of Products Subject to Tariffs* and for which Customs Determined that PAFTA Rules of Origin are not Met

Importing PAFTA Country	Products Subject to Tariffs	Country of Origin
Egypt	- Iron & Steel	UAE, Kuwait, Saudi Arabia
	- Sugar & Sugar Confectionery	UAE
Lebanon	- Fiber Glass	Saudi Arabia
	- Food Stabilisers	Syria
	- Packing Containers of Aluminum	Egypt
Morocco	- Sugar and Sugar Confectionery	UAE
	- Ceramics	UAE
	- Sugar Confectionery	Egypt
	- Cotton Yarn	Egypt
	- viscose Fabrics	Egypt
	- Acrylic Fabrics	Egypt
	- Refrigerators	Saudi Arabia
Saudi Arabia	- Beans, Wheat products (Burgul, Friekah)	Jordan
	- Unfinished Furniture (wooden body)	Egypt
Syria	- Facial Tissues & Towels	Jordan
	- Ready made clothing	UAE
Tunisia	- Ceramics	UAE
	- Sugar	UAE

* Information Compiled from the completed questionnaires.