

Corruption widespread, deep-rooted at Beirut Port

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Tax evasion at Beirut Port takes a hefty toll on the state Treasury.

BEIRUT: It is common knowledge that most Lebanese state institutions are plagued with corruption.

It is also clear that successive governments have failed to put an end to this phenomenon. Hundreds of millions of U.S. dollars are being squandered each year due to tax evasion, inefficient collection systems and wasteful administrations.

In 2011, Transparency International ranked Lebanon 134 among 183 countries with a score of 2.5 on the corruption perception index, which is based on a scale that ranges from 0 (highly corrupt) to 10 (very clean). Among 20 Arab countries, Lebanon ranked in 14th place.

Beirut Port, Lebanon's key trade hub which accounts for 80 percent of some \$1.5 billion in yearly customs fees and another \$1.5 billion in Value Added Tax revenues to the state Treasury, is a striking example of corruption in state institutions.

Public Works and Transportation Minister Ghazi Aridi recently estimated tax evasion at Beirut Port at \$1 billion annually. In the first nine months of 2012, overall receipts generated through the port reached \$2 billion with Customs receipts standing at \$1 billion.

The large-scale practice of fraud at Beirut Port might dupe some people into thinking that the process of smuggling goods is simple. But in the technical sense, it isn't.

It requires a highly organized network of benefactors and beneficiaries, an industry insider told The Daily Star.

According to the insider, who spoke on condition of anonymity, tax evasion requires the collaboration of at least four to five parties. Those include the client and his supplier, the clearance office, the customs inspector or scout man and his supervisor as well as other customs agents.

Sources familiar with these unethical ways to deprive the Treasury of badly needed income explained the practices at the port.

The client asks the supplier to provide him with a false description and invoice of the goods that are shipped to Beirut Port. The clearance office, which acts on behalf of the client at Beirut Port, makes a false declaration to the Customs' Treasury, which issues a payment receipt. The clearance agent then bribes the customs inspector who physically examines the shipped container to match its content with

the items listed on the payment receipt. Another bribe is also paid to the head of inspectors, who signs the container out.

For example, clients claim to import computers rather than clothing, which is subject to higher customs fees.

“The client wants to pay less taxes to sell products at greater profits; the supplier wants to satisfy the client and earn his loyalty; the clearance office wants to earn extra commissions, while inspectors and custom agents make thousands of dollars a day in bribes,” the insider said.

“Everyone gets a share of the pie. So no one is willing to expose the network ... it is that simple.”

Another way suppliers help clients evade taxes is by providing them with an exact statement of the content of containers while reducing the prices of shipped goods, which consequently would be subject to a lower VAT.

“This is another form of tax evasion which goes under the radar and is beyond the control of the Customs department,” Elie Zakhour, head of the Chambre Internationale de Navigation de Beyrouth, told The Daily Star.

Last month, the Customs Control department raided several clearance offices at Beirut Port in an attempt to crack down on illegal activities.

Though they are employed by private companies, clearance agents have to be licensed and approved by the Customs Administration to work at Beirut Port.

“Any attempts to curb corruption at Beirut Port would fail as long as the same staff remain in charge,” the owner of a trade company with clearance offices at Beirut Port told The Daily Star on condition of anonymity.

Along the same line, Zakhour said the rotation of employees among piers is another way to curtail corruption.

“Tax evasion is a big blow to the honest trader more than any other party. It allows for unfair competition, dealing a blow to those who actually respect the law,” Zakhour said.

Another way to counter fraud is the use of scanners that were purposely put out of commission in the past few years under the pretext that they needed repairs, Zakhour added.

While the Customs Clearance Automated System randomly flags containers either Red for examination by a Customs inspector or Green for pass, they should all go through scanners before they leave Beirut Port.

“Not all containers can be flagged red because it will delay operations at Beirut Port and flood it with containers ... nevertheless all containers should go through scanners that were left unrepaired or out of use in the past,” Zakhour said.

However, even after the scanners were repaired and put to use, they are frequently still being bypassed, the company owner said.

The businessman added that vacancies in three top positions including the head of the Higher Council for Customs, the director-general of the Customs Department and the head of Customs in Beirut are another obstacle facing serious attempt to reform the sector.

Among candidates to the post of director-general of the Customs Department is the Customs acting director-general Shafiq Merhi, director of the Freezone Warehouse department at Beirut Port Raymond Khoury, and head of the Customs Control Department Gabi Fares, an industry source told The Daily Star.