Explaining the Lower Relative Customs Rate in 2025: Is it in Gold Imports?

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In its issue of Monday, 4/5/2026, Al-Akhbar newspaper published an article on customs revenues and raised the interesting point that, despite more and better control and the use of sophisticated technologies, the customs rate fell from 7.3% in 2016 to 4.5% in 2025[1]. We would like to investigate this observation, and check its validity and some of the reasons behind it and how to reverse it, if possible.

Table 1

Billion USD	**2016**	**2025**
Customs Revenue	1.471	1.077
Good Imports	18.705	21.076
Customs Rate	7.86%	5.11%

[1] See: "*$1.2 million of daily customs revenues is lost*" Al-Akhbar, 4 May 2026.

Table 2

Billion USD	**2016**	**2025**
Precious Stones and Metals	1.892	3.957
As Ratio of Goods Imports	10.11%	18.77%

We begin with a look at Table 1 above. We can see *in actual fact* that the customs rate, the ratio of customs revenue to goods imports, fell from 7.86% in 2016 to 5.11% in 2025[2]. But the way this customs ratio is calculated as a simple average is misguided, since it gives equal weight to the custom rate of each and every good imported. A more accurate way is to calculate the customs ratio as a weighted average of customs rates, with the weight given by the share of each good import in total goods imports. Specifically:

$$\text{(1)} \quad wc = (M_1/M).\ c_1 + (M_2/M).\ c_2 + \ldots\ldots\ldots.. (M_n/M).\ c_n$$

where wc is the weighted average customs ratio, c_1 is the customs rate on imported good 1 (goods imports range in number from 1 to n), M_1 is imports of good 1, and M is total goods imports; and so on for n number of goods.

It is clear from equation (1) *that goods that have a zero customs rate and higher weight in total goods imports will reduce the customs ratio.* Now if we look at Table 2, we can see that the share of precious stones and metals (mostly gold, either as gold bars for investment purposes or as alloyed gold for manufacturing purposes) in total imports increased from

[2] The dates are representative and involve no ambiguities regarding exchange rates: 1,507 LBP per USD in 2016 and 89,500 LBP per USD in 2025.

10.11% in 2016 to 18.77% in 2025. Not only that, but this precious goods import is subject to a zero percent customs rate, because it is vital for jewelry exports and for wealth/value protection[3]. *More important, it is this higher share coupled with the zero customs rate that partly explains the fall in the customs ratio and customs revenue between 2016 and 2025. Given that the share has increased in USD by $2 billion, then it is responsible for a decline in customs revenue of about $145 million[4], or more than a third of the total decline of close to $400 million*. As to why this share has increased, two reasons can be put forward: first, the higher price of precious metals (mostly gold) in 2025 and the higher demand for it by the Lebanese for investment purposes; second, the smuggling of these precious goods to mostly Syria and Iraq because of the lower price in Lebanon due to the zero customs rate[5].

We can derive three important conclusions from the discussion above:

First, the look at the simple average of the customs rate is misleading, as the case of the precious goods imports for 2025 has revealed. As such, a consideration of the weighted average customs rate is more appropriate. Consequently, this invites a look at ALL goods imports that are subject to zero custom rates, and whether they have increased either for domestic use or for smuggling[6], as this will go a long way in explaining why customs revenue will decline in the process.

[3] In 2016, precious goods exports reached $828 million; and in 2025 they reached $1.25 billion.

[4] Assuming a (reasonable) weighted average customs rate of 7%, then the missed customs revenue is equal to $2 billion x 0.07 = $145 million

[5] See: "*Gold Imports Are Tax Free*", An-Nahar, 20 April 2026.

[6] Note that smuggling or 're-exports' is recorded as a positive entry in the balance of payments Errors and Omission item.

Second, the government should seriously consider levying judicious but positive customs rates on goods such as precious goods and others. But it has to do it in a way that levels the playing field with our neighbors so as to reduce if not to eliminate smuggling; yet at the same time not to damage the competitive edge of our exporters; and, of course, to ensure higher customs revenue.

Third, with respect to the last point above, the government should re-double its efforts to increase customs revenues by tightening control and the use of advanced technologies. We have seen that the rise of precious goods imports (and most likely others) explains at least more than a third of the decline in customs receipts, so more should be done at the level of government action. And, as important, the enhanced revenue shouldn't only take us back to the 2016 level, but to increase it further as a sign of better governance and as a government resource that is badly in need, especially now.

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