

Results of the Fight Against Smuggling in Colombia (2015-2016)

¹Jenny-Paola Lis-Gutierrez, ²Harry Ernesto Reyna-Nino,
³Leonardo Sicard-Abad, ⁴Amelec Vilorio,
⁵Willians Badillo and ⁶Lesvia Valero Barrera
¹Fundacion Universitaria Konrad Lorenz, Bogota, Colombia
²Armada Nacional, Armada, Colombia
³Puerto Brisa S.A., Pruvine La Guajira, Colombia
⁴Universidad de la Costa, Bogata, Barranquilla, Colombia
⁵Corporacion Universitaria Minuto de Dios Regional,
⁶Corporacion Universitaria Latinoamericana, Barranquilla, Colombia

Abstract: Using as a primary source the reports of the Audit Management Department of the Customs Inspection Management Branch of the National Tax and Customs Office (DIAN) of Colombia an empirical study of the ex post facto, transversal, exploratory and descriptive, presenting the main results of the coordinated action of such as the Dian, the Fiscal and customs police, highway police, state intelligence, national navy and prosecutor 2015 and 2016, against the fight against smuggling.

Key words: Smuggling, seizures, control, piracy, open smuggling, technical smuggling

INTRODUCTION

The global economy of illicit goods is huge and continues to grow. The smuggling or illegal trade of different types of goods is an economic problem that directly and indirectly affects all the countries of the world which creates a vicious circle that feeds actors of conflict and criminality. In this form of illegal trade, smuggling and counterfeiting are clandestine and dynamic activities of greater relevance and are characterized mainly by sudden changes in the main actors involved. In addition, they pose a financial threat to almost all industries and a potential danger to consumer health and safety, since, it brings with it crime problems associated with account adjustment and other crimes necessary to ensure that illicit businesses continue to function (Byrne, 2007; Eser *et al.*, 2015).

Among the different types of contraband, counterfeiting, piracy (Abid and Abbasi, 2014) and drug marketing are the most common. Its main impact lies in the undermining of innovation, a key point for each country's economic growth. In order to counteract the impact of these illicit activities, it is necessary to develop and implement different activities that require strong and sustained action by governments, companies and consumers, not only for the collection of information but

also for the development of corrective strategies and preventive measures (Vanegas *et al.*, 2015). According to CNCC (2016), the negative impacts of counterfeiting and piracy by 2022 are expected to drain approximately \$4.2 trillion from the world economy and will put at risk 5.4 million legitimate jobs.

For its part, the United Nations Office on Drugs and Crime (United Nations Publication, 2014) identifies two types of contraband, the open and the technical. The first consists in the entry or exit of goods not declared before the customs authorities to the national customs territory in order to avoid payment of customs duties as a tariff, VAT or others. The second is the entry or exit of goods into the national customs territory with presentation and declaration but through a series of fraudulent maneuvers the information presented to the customs authority is altered with the aim of sub-invoicing, over-invoicing and evasion comply with legal requirements, change the tariff position or obtain other customs or tax benefits.

In Colombia, coordination between entities such as the Dian, the fiscal and customs police, the highway police, state intelligence, the navy and the prosecutor's office are a necessary success factor to continue reducing smuggling. In this framework the purpose of this study is to present the main results of the coordinated action of the different institutions between 2015 and 2016.

MATERIALS AND METHODS

In this study, the reports of the Directorate of Supervision Management of the Customs Inspection Management Branch of the National Tax and Customs Office (DIAN) of Colombia. The reports contain the monthly and weekly information on the number and value of the arrests, the economic sectors and products affected, the cause of apprehension and the channels of apprehension. From the figures an empirical study of *ex post facto* type was elaborated and the methods of analysis used were transversal, exploratory and descriptive.

RESULTS AND DISCUSSION

The scourge of smuggling has mutated in the ends and in the actors involved as protagonists have been added as agents of drug trafficking, organized crime groups, organized armed groups, national smugglers and national and foreign companies. Smuggling seriously affects the national economy and security and also has a political, social and cultural impact, since, it creates a criminal economy that finances all types of illegal organizations (Lopez and Reyes, 2015).

Between January of June of 2017, the actions of the Ministry of Commerce, Industry and Tourism, together with the DIAN and the fiscal and customs police, led to 4,463 apprehensions of products, mainly textiles which amounted to a value of \$30,179 million pesos (Approximately \$10 million).

However, the result of the estimation of the distortion in imports by 2015 in under-invoicing and open smuggling was US \$6.171 billion (Lopez and Reyes, 2015). Open smuggling amounted to US \$538 million and was mainly related to the European Region With which this phenomenon originated US \$244 million and particularly with the United Kingdom, a country with which US \$74 million was registered of which US \$70 million corresponded to Chapter 84 (nuclear reactors, boilers, machines and parts).

According to Andi (2016), smuggling in Colombia accounted for 0.9% of Colombia's GDP and 2% of Latin America's GDP in 2016, this fiscal gap represents for Colombia's economy to cease to receive benefits such as:

- \$6 billion, equivalent to 10% of total legal imports
- 148,000 manufacturing jobs
- To obtain an added value in the industry of the additional 14.1%
- Increase industrial production by 4.6% (2016)

In the plan against anti-evasion and smuggling, since 2015, one of the lines of action was the strengthening of

the control of the open smuggling of products, through the coordinated action of the areas of customs inspection and the fiscal and customs police. Within the implemented strategies are found:

- Controls developed in sectional directions especially in places of circulation, distribution, sale and storage
- Follow-up on complaints made by third parties
- Analysis of the behavior of the import statistics of different products and the level of consumption of the same products
- To carry out control activities on user operators, industrial users and free zone commercials
- Control activities on the foreign trade operations of permanent customs users

All of the above has allowed the following results:

An increase in the number of apprehensions of 2016 compared to 2015, rising from 46,236 to 50,931, growing by 10.2% (Fig. 1). Despite this, there has been a decrease in the value of the 2016 seizures compared to 2015, from 347,177 million pesos (115.7 million dollars) to 307,039 million pesos (102.3 million pesos) dollars), decreasing by 11.6% ((Fig. 2).

Proceeds from control actions, the inspection area carried out 8,943 apprehensions in the amount of \$45.958 million pesos; the operational control area accounted for 41,011 apprehensions in the amount of \$229,506 million pesos; through the management of the customs operation area, 989 apprehensions were made in the amount of \$31,575 million pesos.

During the course of 2016 as a result of the control actions carried out by the DIAN, the sectional directorates most outstanding for their percentage share in quantity were: Cali with 10.5%; Medellin with 10.1%; Cucuta with 10.0%; Pereira with 6.6%; Santa Marta with 6.5% and Ipiales with 6.5%. By 2016, the most significant Causes of apprehension were:

- 1.6 when the goods are not covered by a shipping form, nationalization invoice or import declaration or if there is an amount greater than that declared or if it is a different merchandise (94.8%)
- 1.28 when in development of subsequent control it is found that the merchandise does not have the labels required in the technical regulations or with the labels, stamps, legends or stamps determined in the current legal provisions (2.9%)

The sectors with the highest values of apprehensions are: textiles and their manufactures (customs tariffs chapter 50-63) (63, 545, 309, 361); plastics and articles there of (customs tariff Chapter 39 and 40) (40, 282, 832,

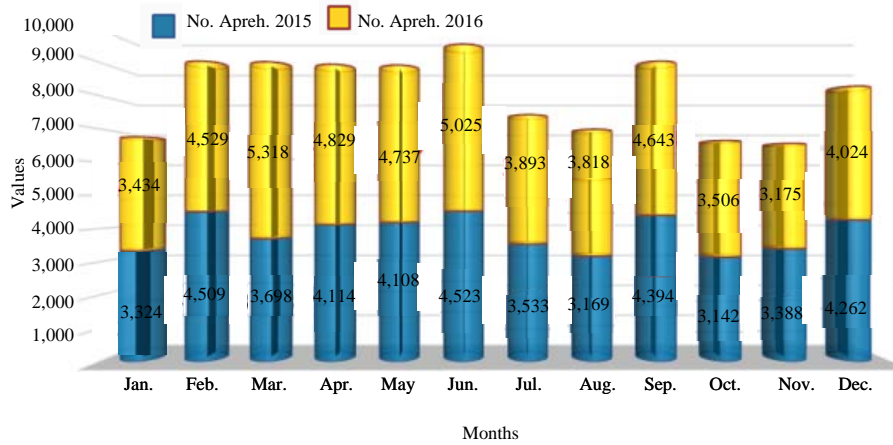


Fig. 1: Number of apprehensions 2015-2016, own elaboration based on DIAN data

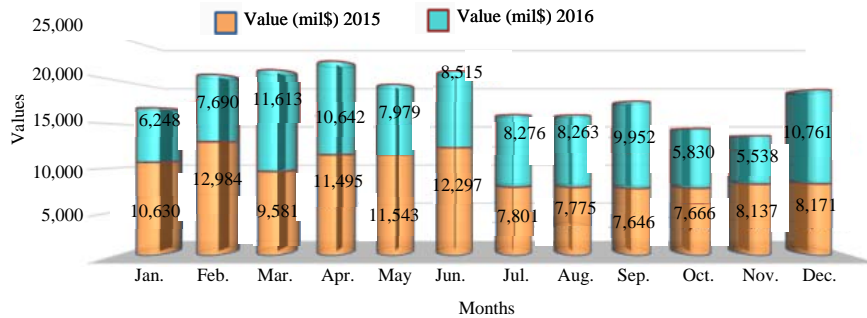


Fig. 2: Value of apprehensions in millions of pesos (2015-2016), own elaboration based on DIAN data

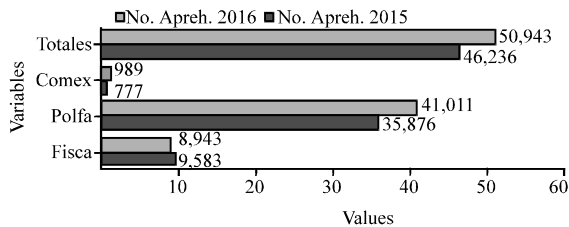


Fig. 3: Number of apprehensions by type of entity, Own elaboration based on DIAN data

259), footwear, gaiters and the like, parts of these articles (chapter 64 of the customs tariff) (33, 735, 353, 986); electrical machinery, apparatus and equipment and parts thereof apparatus for the recording or reproduction of sound, images and their parts and accessories (Chapter 85 of the Customs Tariff) (28, 406, 580, 516) (Fig. 3).

The products with the highest value of the apprehensions were, garments and clothing (COP 61, 458, 469, 242) plastics and articles thereof (36, 288, 864, 813); footwear (COP 33, 503, 906, 919); bags, suitcases and

cases (COP 14,475,809,872); cigarette (COP 8, 732, 679, 747); jewellery, earrings, necklaces of common metal (COP 7, 899, 489, 695); whiskey (COP 7, 698, 433, 566); chainsaws, computer parts (COP 7, 592, 222, 254); watches and parts thereof (COP 6, 201, 102, 137); goggles and correction glasses (COP 5, 660, 753, 199); vehicles to transport merchandise (COP 5, 645, 983, 294); perfumes (COP 5, 619, 874, 155); electric motors and parts thereof (COP 4, 877, 694, 930); medicines (COP 4, 535, 506, 327); batteries and batteries (COP 3, 893, 029, 055); toys (COP 3, 699, 740, 678); cell phones (COP 3, 687, 616, 333); rubber and articles thereof (COP 3, 511, 063, 092); closed circuits of security, power plants and parts of electrical machines (3, 152, 117, 018) and telephone parts (COP 3, 079, 943, 450) (Torres *et al.*, 2010).

CONCLUSION

The phenomenon of contraband in Colombia has caused high levels of distortion associated with the topography of the national territory, large extensions of

maritime and land borders with control difficulties and the increase of this type of illegal economy for the financing of different groups at the same time margin of law.

DIAN estimates identified that the distortion due to smuggling amounted to \$6 billion, however, despite the coordinated efforts of different entities, seizures in 2015 accounted for only 1.93% of that value And in 2016 to 1.7%. This means that in Colombia, more than 98% of contraband is still undetected.

The inclusion of military forces to combat the scourge, through the development of coordinated operations has contributed to the work of the national police, however, coordination and information-sharing efforts should be greater with a more active participation of Forces such as the National Navy and the army for border control.

RECOMMENDATION

Further studies include the possibility of analyzing contraband as a source of funding for violence and other illegal activities.

REFERENCES

- Abid, M. and M. Abbasi, 2014. Antecedents and outcomes of consumer buying attitude: The case of Pakistani counterfeit market. *Indian J. Sci. Res.*, 8: 165-176.
- Andi, 2016. [Contraband Means Unfair Competition for the National Industry]. Andi Publisher, Bogota, Colombia, (In Spanish).
- Byrne, P., 2007. Mastering supply chain security. *Logist. Manage.*, 46: 1-25.
- CNCC., 2016. [Latin America joins to fight smuggling]. Camara Nacional de Comercio, Servicios y Turismo de Chile, Santiago, Chile. (In Spanish) <http://www.cnc.cl/latinoamerica-se-une-para-enfrentar-el-contrabando/>
- Eser, Z., B. Kurtulmusoglu, A. Bicaksiz and S.I. Sumer, 2015. Counterfeit supply chains. *Procedia Econ. Finance*, 23: 412-421.
- Lopez, A.G. and P.H.S. Reyes, 2015. [Report on the Estimation of the Distortion in the Value of Colombian Imports]. Dian Publisher, Bogota, Colombia, (In Spanish).
- Torres, M., C. Vasquez and A. Vilorio, 2010. [Management and quality of information in e-government (In Spanish)]. *Univ. Sci. Technol.*, 14: 55-64.
- United Nations Publication, 2014. World Drug Report. United Nations Publication, New York, USA., ISBN:9789211482775, Pages: 93.
- Vanegas, J.G., J.A. Restrepo and M.A. Gonzalez, 2015. [Business and international trade: Evidence of academic research for Colombia (In Spanish)]. *Bus. Sum*, 6: 84-91.