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**Faculty of Law**

**School of International Studies**

**“The Importance of Having a Customs Branch in the City of Cuenca”**

**Graduate thesis prior to obtaining a  
Bilingual Bachelor in International Studies Minor in Foreign Trade**

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## **DEDICATION**

I would like to dedicate this paper to all the people who have supported me through this stage in my life. People such as my grandparents, my parents, my nephews, my boyfriend and his family and my friends who never doubted that I, would be able to achieve this, and have always been there to give me words of support. They are people that have always guided me in my life.

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The first person I would like to thank is my father, Miguel Arellano. Without my father's guidance, I would never had come across this career, let alone be where I am now. My father has also taught me many life lessons; I am the only person that can accomplish my goals. Another acknowledgment is for my mother, Rosa Zambrano, who in her own way has supported me throughout this stage. I would also like to thank my supervisor, Eco. Xavier Patiño, who despite the fact that I have never been one of his students; he has given me his time and his wisdom that allowed me to conclude this paper. To all my great professors who became more than just teachers to me, they became my friends, and were always around when I needed their help and guidance. All that I have achieved is thanks to you.

## **ABSTRACT**

The following paper is based on analyzing and promoting information about the importance of having a customs branch in the city of Cuenca. To identify what the problems that the Customs district of Cuenca are having due to the fact that they are an interior customs office. In the mean time, I will explain the factors that affect importers as well as exporters when they have to deal with the customs office of Cuenca.

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## **INTRODUCTION**

In the globalized world that we live in today, it is necessary for every country to maintain a certain type of authority responsible for the regulation of the movement that is conducted inside as well as, outside the country's borders. One of those is the customs office which is a public institution, which focuses and controls the products that enter as well as the collection of taxes, the health care system and the way to secure the goods of the people.

There are currently 10 different Customs districts in Ecuador. As a branch, the Customs District of Cuenca is recognized as an interior customs office, due to the fact that they do not directly deal with an international airport, a sea port and are not directly located by the boarder, thus not being able to provide its service in the most efficient way. This is the reason why the present investigation is focused on the key factors and importance, of maintaining the Custom Branch in Cuenca.

Due to the fact that it is an interior customs branch, there is a lack of development in further advancements to the level of other districts. The problem has increased in the past few years, as a result, the responsibilities of this specific customs branch has been reduced.

The economy of the city of Cuenca is based on industrial and commercial development. The reduction does not mean that importers have stopped importing, what is left to do is use the Customs District of the city and choose a district will provide more benefits at the time of its customs operations, which because of its proximity and to maintain a seaport, which implies a reduction in costs in relation to freight, this being the Customs District of Guayaquil.

This is the reason why the objective of this investigation is to analyze the factors that have brought such a reduction in the movement of the districts of customs in the past years. And in order to be able to analyze the problem, which is due to the lack of information of the activities that are conducted by the customs institution, which causes to rely on those who live this reality in a much closer aspect, such as importers, exporters and agents of the customs offices. Through interviews and staff surveys, I was able to find the answers relating to what the causes are for

these people to have chosen other districts as the location in which they want their merchandise to go through, avoiding the use of the Customs District of Cuenca.

The causes such as costs, previous controls, security implements of the new Ecuapass system, quickness with the permits or paper work necessary at the moment of importing or exporting merchandise from the country, all of these factors have made importers be very careful when choosing which district they want their merchandise to arrive in.

For all of the previously discussed reasons, it is important to have clear objectives, so that as this assignment continues to develop we can continue to answer questions with actions and evidence.

Objectives are as follows:

- Examine through a historical review the changes, not only structural, but legal, that the Customs District of Cuenca have had to encounter.
- Analyze the principal functions of the Customs of Cuenca's office, as well as their most frequent users and their customs agents.
- Identify the output of the Customs of Cuenca's office on a national level.
- Analyze based on statistics as well as polls what problems that the District has faced have been at the same time to compare and analyze the costs as well as compare the costs of customs clearance between Customs of Cuenca and those of the District of Guayaquil.
- Project the current situation of the Customs District of Cuenca, based on polls as well as previously analyzed statistics to discover the possible advantages and disadvantages for the future of the Customs of Cuenca.

As to be able to achieve the objectives, this assignment will be divided in four different chapters. The first one will focus on a historical review of the Customs of Cuenca, the changes that have taken place and how it is structured in the present day and time. The second chapter focuses on the customs offices: objective, mission, visions, values, the District Directors, the activities that are assigned to temporary deposits and the visions for the Customs District of Cuenca. The third chapter, contains all the factors that have led to the Customs office low activity rate, as well as surveys and polls based on the customs agents, exporters and importers. Lastly, the fourth

chapter is based on the benefits and the disadvantages of the Customs office of Cuenca, and it is followed with recommendations and conclusions.

## **CHAPTER 1: HISTORICAL REVIEW**

### **1.1. Theoretical framework.**

International trade is an activity that many countries acquire because of the necessity of exchanging goods and services. It is necessary to keep a system of control to regulate all these activities. This system of control is known as Customs in every country. Ecuador counts on ten different districts of customs; one of them is the Customs District of Cuenca (SENAE, 2011).

According to the World Customs Organization (WCO), the fundamental role of Customs is not only to respond in the most efficient way to the government's objectives, but to grant the most efficient control system which assures the physical imports, in respect to the national legislation, security and protection of society. In the modern globalized world we live in today, which is highly competitive, the international trade and investment system looks for countries that can provide the most effectiveness, and the ones that have the easiest Customs process (OMA).

The World Customs Organization has struggled to solve one of their most complex problems, which is the corruption of their public system, especially in the inside offices of Customs. This problem causes a risk on the efficiency and effectiveness of the Customs services. This also is a result of a combination of an administration monopoly associated with exercising discretionary power, specifically in the branch that may lack a control system and responsibility. All of this will and does lead to corruption (OMA, 2015).

According to Renato Carreri, the functions of Customs have been increasing throughout history. The modifications that have been made are approaches that have worked to change the advance of the Custom administration; by giving them a more dynamic role in the control of the international trade system of the country, which must adjust to the improvements that have occurred throughout the activities that have been offered for customs control.

In the beginning, customs function was charging the travel costs for the people in order to cover certain expenses such as the maintenance of highways. Later, it became responsible for charging the import and export rate on merchandise with physical and protectionist intent. As a result of these circumstances, what was demanded was a customs administration that would make customs become more effective and simple (Carreri).

According to Carreri, the function of the customs administration could have been classified according to various missions:

The task of physical order: This refers mainly to the chores of physical order. Those of which are directly connected with generalization of taxes for the State. All of which do not hold much relevance with first world countries, due to the fact that they have already reached a very high and advanced industrial level.

The task of protective order: it can be referred to as physical, but there are certain characteristics that differentiate it. They protect the national economy through customs duties and other rates on international trade, like taxes and internal rates; as well as, the administration control on international trade and capital flow. The task of these measures is to review the prices of the merchandise imported as well as nationwide, taking into consideration domestic supply and avoiding that all the production be sent internationally.

The task of economic order: refers mainly to the simplification of the exportation process.

The task of an integration process: prevent the detour of freight and customs revenues, and avoid distortions in the rules of competition.

### **Concepts:**

According to the Secretary of Customs, another definition of Customs is: Customs is a state owned company, which controls, and regulates all the activities with any type of connection with the importation and exportation of merchandise, products, people and even capitals of a country, as well as, the means of transportation and paper work necessary for the entire process to take place. It is a place that is generally located next to the borders of a country, seaports, and international airports, its objective being to obey the laws, collect taxes and duties that are applicable to foreign trade (SecretariadeAduanas, 2015).

COPCI: Organic Code of Production, Trade and Investment. A new legal body of Ecuador since December 29th 2010.

ECUAPASS: Is a new customs system for the country, one that permits that all the operators of foreign trade may conduct their own customs operation on importations and exportations. The

principal objectives are: minimize the use of paper, secure and facilitate customs control, and the establishment of the Single Window for Foreign Trade (VUE).

## **1.2 The History of the Customs District of Cuenca.**

Customs is a public institution whose objective is to control all activities that grow from the process of foreign trade such as importation or exportation, trying to become a more efficient service. It is because of this that every country maintains diverse customs institutions located in strategic points where these tasks are completed; such as borders, ports and international airports.

Without a doubt Ecuador is a country that today maintains ten different Customs Districts to be able to perform their own controls. One of them is the Customs District of Cuenca, which unlike the others, is considered an interior customs due to the fact they are not located by an international airport, a seaport or by any boarder, maintaining in this form disadvantage.

We are going to review the history of the Customs of Cuenca by interviewing formal officials of the institution as well as information provided by Dr. Claudia Campoverde, I do not have secondary information.; the former officials, Ing. Antonio Torres and Germán Cantos gave the following information:

When customs was first introduced in Cuenca, it was nothing like the customs we know today. It began in a warehouse that was handled by a Cuencano business group. In the year 1830 the Customs of Cuenca was first established, but the transactions that were made in the district was a small percentage in comparison to what was being done in the District of Guayaquil, being mainly because of the fact that it was an interior customs.

In that time, the Customs office was known as the Customs and Tobacco Office. From the low work load in the customs area, due to the fact that it was being handled in Guayaquil, they mostly dedicated themselves to the control of tobacco which was under the control of the Ministry of Finances. It was based on the control of contraband liquor and was the main focus and activities that took place in their customs warehouse. In that time, there was not much control, what the customs officers wanted was a way to make it easier to export goods.

Later on, the Ministry of Finance separated what was customs and what was the control of tobacco, giving a new image to what was the responsibilities at the customs office of the Cuenca. In order to proceed to the customs clearance of goods, the importer was conditional on its capacity, to unload, to deliver and finally the reception of other operations in the District of Jurisdiction.

Before, being able to import or export it was necessary to get a permit from the Central Bank. At this time there would be discussion on what the merchandise that was being imported or exported contained, for this would help the institution for statistics based on merchandise that goes through Customs. When it came to the importer, they had to pay 80% of the possible taxes that they had declared in their importation. The Central Bank was responsible for the calculation of this amount, and was responsible to begin the importation. The moment that the merchandise entered Customs, the person or company that imported, had to present a customs declaration, one that the Vista Aforador would use to conduct an inspection of the merchandise and determine the actual price of the taxes that must be paid towards the entity, which often had to be fixed from the previous estimated cost. The following step is to obtain the document that is referred to as the Approval. The importer was given the permission to retrieve their merchandise.

From 1992 to 1995, the activity of the Customs office was centralized to the main port, therefore leading to the cancellation of customs operations in the city, but the District did not close. In 1995 with the creation of the Secretary of Customs, there was no district, only it was named the Secretary of Customs. In that year, a process of privatization took place, where Dr. Jorge Zabala was in charge of creating a new concept concerning all the customs operations that were going to take place from that day on.

The reactivation of the Customs of Cuenca caused a series of test projects which took place and customs operations granted a private operation that was located in what was then the Customs warehouse, such as Adapaustro, Aduanaprecua, Almacopio and Logistalmedac. They later began to upgrade to become primary zones, In other words, they were enabled to carry out all customs operations.

In 1997, during the government of Abdala Bucaram the buffer was suspended because of arbitrary measures, claiming that the goods intended for consumption should not be transferred

to a domestic customs, but should be nationalized directly at the office of arrival. This suspension did not last more than two months.

In 1998, the Secretary of Customs was eliminated; giving origin to the Ecuadorian Customs Corporation (CAE), like an autonomous entity, the Ministry of Finance became independent. In the same year the Customs Law (LOA) became effective, which was the first law to give a concept to the Customs District of Cuenca, with its regulations that were initially administered by military officers but then later by civilians.

In the year 2010, the National Customs Services of Ecuador (SENAE) was created, which replaced the prior CAE. On December 29 of the same year, the Code of Organic Production, Trade and Investment (COPCI) was publicized, a regulatory body contained in Book V , Title II entitled "From the Customs Facilitation" until today this code is in effect and replaced the Customs Law. The Customs District of Cuenca counts two temporary deposits, and a customs deposit named Almacopio S.A and Adapaustro S.A respectively, this being the last that maintains the majority of the customs operations activities.

## CHAPTER 2: THE FUNCTIONS OF THE ECUADORIAN CUSTOMS

### 2.1 Custom Objectives.

The institution according to Art.205 of COPCI has the following objectives:

1. Facilitate foreign trade.
2. To monitor the entry and exit of goods.
3. To control the people who participate and have activities related to international commerce.
4. Determine and collect tax liabilities
5. Resolve claims, appeals , requests and inquiries from interested persons
6. And other responsibilities that are specifically for Customs administration.

Customs to implement its strategic objectives, establishes a focused vision that meets its stated strategic priorities that are:

- Foreign Trade Facilitation.
- Control of Foreign Trade Operations.
- Customs Institutional Modernization.

According to Art. 7 of the Organic Law of Transparency and Access to Public Information<sup>1</sup> (LOTAIP), the objectives of the administrative units are:

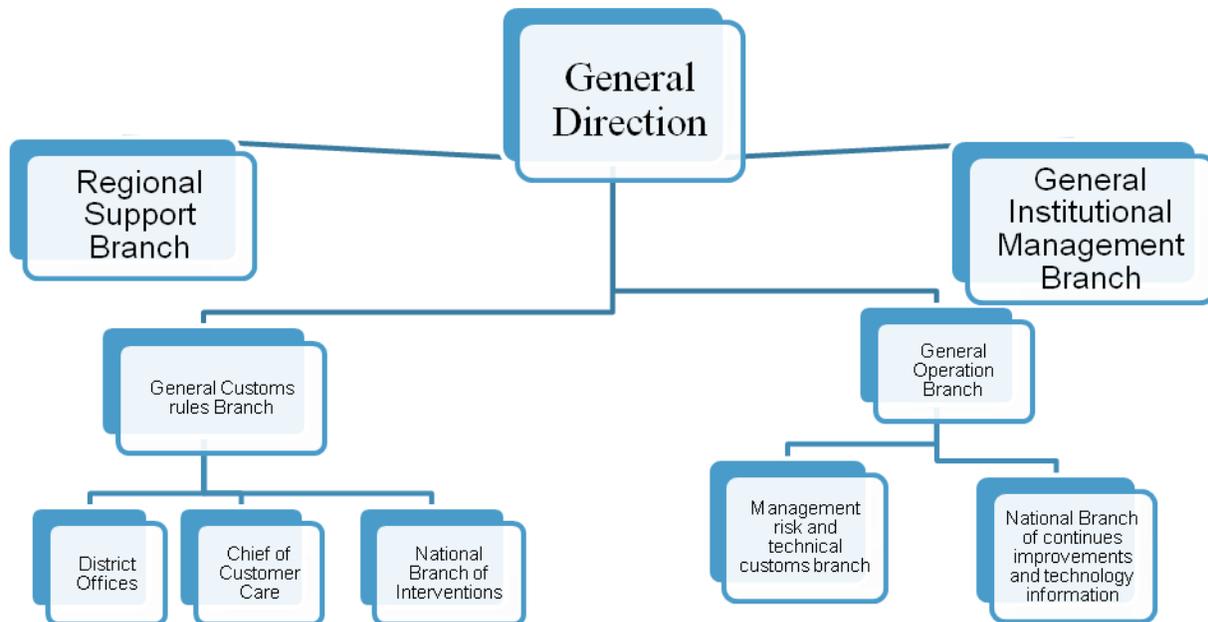
- Increase the efficiency and effectiveness in the process of foreign trade with the approach of entry and exit of goods, vehicles and people.
- Increase enforcement of customs formalities for operators of foreign trade.
- Increase operational efficiency of the SENA E.
- Increase the efficiency of development of human talent of the SENA E.
- Increase the efficiency of the SENA E budget.

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<sup>1</sup> Art. 7 de la Ley Orgánica de Transparencia y Acceso a la Información Pública.  
[http://www.aduana.gob.ec/files/pro/leg/tra/a4\\_abr\\_2015\\_MetasObjetivosUnidadesAdministrativas.pdf](http://www.aduana.gob.ec/files/pro/leg/tra/a4_abr_2015_MetasObjetivosUnidadesAdministrativas.pdf).

## 2.2 Organization Structure.

Image #1 Organization Structure.



Source: SENA E. <http://www.aduana.gob.ec/files/pro/leg/tra/estructuraorganica.pdf>.

By: Paulina Arellano.

The customs office is organized in hierarchical levels, the General Director is found on top, he/she directs and controls the lower levels and at the same time they have responsibilities in conjunction with higher levels, to which they are accountable for all decisions, activities or operations they perform.

In the structure organized by the SENA E, we see that the General Director is the one that leads the management of the institution, while monitoring the goals, mission, vision, rules and all the customs policies are met. The headquarters is located in the city of Guayaquil. Other departments fulfill the policies and regulations issued by the General Director, managing the different processes management, financial, operational and legal (SENAE, 2015).

We will now focus on the General Director, Regional Support Branch and Directors of each District of Ecuador.

**Table #1: Customs Directors Nationwide.**

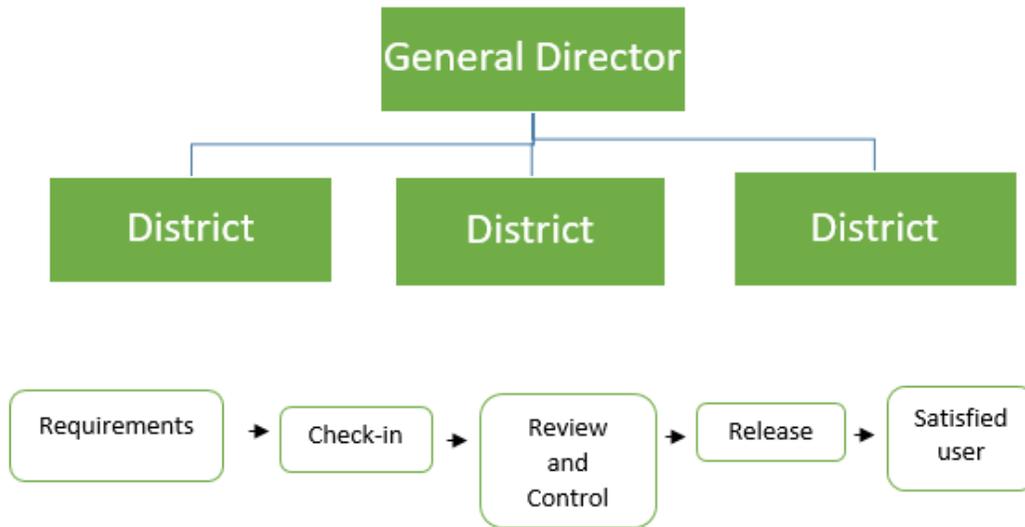
<b>DISTRICT</b>	<b>DIRECTOR</b>
General Direction	Econ. Xavier Cárdenas Moncayo. Located in the city of Guayaquil.
Division of Regional Support	Abg. Mónica Katherine Marín Rodríguez. Located in the city of Quito.
Tulcán	Eng. Francisco Hernández.
Esmeraldas	Eng. Nelson Yépez.
Quito	Eng. Esteban Servigon.
Latacunga	Eng. Fredy Pazmiño.
Puerto Bolívar	Mr. Luis Alberto Zambrano Serrano.
Guayaquil	Econ. Jorge Luis Rosales Medina.
Cuenca	Eng. Christian Ayora.
Loja Macará	Eng. Nelson Marcelo Esparza Cuadrado.
Huaquillas	Carlos Veintimilla Burgos.
Manta	Eng. Bolívar Guzmán Rugel.

Source: SENAE.

By: Paulina Arellano.

The structure is organized according to the Directors, in the second image we can observe that they maintain a manual procedure that is in accordance with the rules, regulations and responsibilities established for each one of them. In the hierarchal order, the General Director is the one in charge, and the rest are the ones that maintain their own district director, they must comply with the regulations issued by it and the regulations of the Organic Code of Production, Trade and Investment. The objective is to provide good services to its users.

**Image #2: Structural Organization of the District Directors.**



Source: SENAE. <http://www.aduana.gob.ec/files/pro/leg/tra/estructuraorganica.pdf>.

By: Paulina Arellano.

The skills of the General Director and District are different, because of this; I will detail each one of them. Art. 216 of COPCI points out that the powers of the General Director are the following:

- a) Legally represent the National Customs Service of Ecuador.
- b) Manage goods, materials, human resources and the funds of the SENAE.
- c) Knowing about the resources and resolve complaints filed by taxpayers against the servers in charge of the district offices as well as appeals.
- d) Meet and decide on proposed administrative claims against their own actions.
- e) Mark the area for the implementation of border traffic, in accordance with international conventions, of the Code and Regulations.
- f) Set in the secondary zone and boundary crossing points of special control, subject to international agreements, of Code and Regulations.

- g) Grant, suspend, cancel or declare the expiration of the licenses for the exercise of customs agents.
- h) Answer inquiries about the import tax, and on the implementation of the Code and its Regulations, subject to the provisions of the Tax Code, which will be binding acquittal regarding who makes the inquiry.
- i) Evaluation of their job in terms established in the Tax Code, and revoke them provided that such repeal is not contrary to law and does not create prejudice to the taxpayers.
- j) Authorize the operations of the industrial facilities that develop:
  - Temporary admission for active improvements.
  - Fast or Courier mail
  - Customs warehouses.
  - Duty Free stores.
  - International trade regime.
- k) To exercise the appointed responsibilities of the National Customs Service of Ecuador.
- l) Issue resolution regulations, manuals, instructions, circulars necessary for the implementation of operational and administrative aspects; and the creation or abolition of fees for customs services.

While the General Director is designated by the president of the country, the District Directors are appointed or dismissed by the decision of the General Director, the responsibilities of the District Director according to Art. 218 of COPCI are the following:

- a) Comply and enforce the regulations, rules, and other rules related to foreign trade.
- b) Verify, accept customs declarations, authorize customs operations and perform control of goods entering or leaving the country. As well as passengers in ports, international airports and places authorized to cross the border and have the inspection, examination and registration of international means of transport entering or leaving the customs territory.

- c) Grant tax exemptions applicable under the provisions of the regulations of the Code.
- d) Resolve administrative and overpayment claims.
- e) Evaluate their job and actions related to the terms established in the Tax Code provided they do not cause any harm to the taxpayer.
- f) Punish in accordance to the code in the case of violation and regulatory offences.
- g) Issue orders for recovery, payments, titles and credit notes.
- h) Exercise coercive action on behalf of SENAE.
- i) Declare administrative forfeiture and accept express abandonment of goods and award them when appropriate.
- j) Apply administrative decisions and court rulings in the area of competence.
- k) Being part of the criminal procedure that investigates the facts that the commission of customs offences discards the goods seized and put at the disposal of the Office.
- l) Appear before the competent judge as private prosecutor on behalf of the SENAE.
- m) Authorize customs procedures referred to in the Code and the regulations issued by supranational organizations in customs matters.
- n) Authorize the change of regime under the Code and Regulations.
- o) Control importation under the special customs regimes goods.
- p) Perform public auction of the goods that were left abandoned.
- q) Authorize direct clearance of goods.

### **2.3 Mission, Vision, Values.**

According to the SENAE website, the mission, vision and values of the Ecuadorian Customs are the following:

Mission: "We urge Good Living of the Ecuadorian Society , through efficient control of Foreign Trade to promote fair competition in economic sectors; on the basis of honest and productive human resources, appropriate technology and a focus on continuous improvement of our services "(SENAE, 2015).

Vision: projected for 2016. "Being a technological leader in controls and customs services, all automated and integrated processes, supporting highly productive human resources, with a user-oriented and agile management and safe trade" (SENAE , 2015 ) .

**Values:** Honesty: be consistent between what one thinks, says and does; taking impartial, objective and integral decisions (SENAE, 2015).

Loyalty: to be individually committed and collectively with the country's and institution's development (SENAE, 2015).

Customs has always implemented measures that suit the reality of Foreign Trade. This is why the goal, mission and vision of the institution require, that both officials and users, are benefited by effective controls, and technology implemented for absolute facilitation of customs operations.

#### **2.4 Temporary Deposits.**

The customs districts are in the following cities: Tulcán, Esmeraldas, Quito, Manta, Latacunga, Guayaquil, Puerto Bolívar, Huaquillas, Cuenca and Loja Macará, each maintaining their own temporary storage where goods go through customs clearance. According to Art.53 of the Regulation of COPCI, temporary storage is the customs service provided by the Customs Authority or a third party, which is intended for goods that cannot be loaded or unloaded from their transportation to take to its final destination or which requires removal or approval of other customs operations.

I will indicate what the main deposits of each district are.

**Table #2: Temporary Deposits.**

DISTRICT	TEMPORARY DEPOSITS
Tulcán	Transcomerinter SYTSA Almaros Aduanor Transbolivariana
Esmeraldas	Autoridad Portuaria de Esmeraldas
Quito	EMSA Frioexportación COINPEXA
Manta	Autoridad Portuaria de Manta
Latacunga	Telemerc
Guayaquil	Contecon Guayaquil INARPI Naportec
Puerto Bolívar	Autoridad Portuaria de Puerto Bolívar
Cuenca	Adapaustro Almacopio
Loja Macará	
Huaquillas	Bodega TCI Ecuacargas Bodega Puyango

Source: Telephone interviews.

By: Paulina Arellano.

The temporary deposits are not chosen by the district, but by the importer. Each district has their own respective temporary deposits, but like we can see in table 2, the district of Loja Macará is an exception because they do not have one of their own. The process they follow is: the importer rents a warehouse or a closed area which they call the aforador for him to proceed with the custom clearance process. As well as reviewing the documents and the final step of retiring the merchandise from the importer.

From these main temporary deposits, the one which increased customs activity according to a statement by Ing. Iliana Gonzalez, is represented by the Association of Port Terminals Deprived of Ecuador, are located in the District of Guayaquil, in the seaport, and companies like Contecom

Guayaquil SA and INARPI S.A. Contecom. In 2014 they moved around 1,056,475 345,046 containers and INARPI imports as well as exports.

## **2.5 Description of the Customs District of Cuenca.**

The Cuenca Customs District is located on Elia Liut and Gil Ramirez Davalos 2-08. It has been operating since 1830; they increased their activities due to the various regulations changes that have occurred, currently, rules have been applied according to the Code of Production Trade and Investment (COPCI) which took effect from December 29th 2010. The District Director is Christian Ayora. They have two temporary deposits: Almacopio SA and Adapaustro S.A.

### **2.5.1 Temporary Deposits and Customs Deposits.**

While we understand the concept of temporary deposits, it is necessary to know how the customs warehouse is defined, which is according to Art. 152 of COPCI is a customs procedure under which imported goods are stored for a certain time and remain under the customs control, without payment of taxes, certain rights and rechargeable, that is located in an old SENA E location.

The difference between these two kinds of deposits is that while the customs warehouse is a customs regime, according to Art. 2 paragraph fff of the Regulation COPCI, the customs procedure which is applicable to goods, requested by the one making the declarations must be in accordance with the legislation in forced at the time. Temporary storage, however, is a customs service provided for importers and exporters. In the city of Cuenca, we have these deposits in the following companies:

#### **Almacopio S.A.:**

In 1998 Almacopio began operating in the city of Cuenca, providing a service only to the agricultural sector and then expanding into the commercial sector, thereby trying to better serve its users.

Almacopio S.A. is a company with private capital, which is controlled by the Superintendence of Banks and the National Customs Service of Ecuador (SENAE).

This company is not only located in the city of Cuenca but in three other cities. The head of the office in Cuenca is Mr. José Luis Vega. They have offices which contain: cellars, courtyards and silos.

According to the Almacopio website, they try that all merchandise, imported and national, be stored: the requirements for foreign goods are the documents of importation and for national goods they must present the receipt, then you get a Simple Storage Tuition serving as a supporting document for the goods (Almacopio).

### **Adapaustro S.A.:**

The company started its activities in 1995, with a new reactivation for Customs of the city, giving a service of Temporary Commercial Storage. This company is located in the industrial park as a strategic area for the movement of commercial operations that take place. The current manager is Mr. Galo Salamea. He looks after the concession granted by the National Customs Service of Ecuador, which aims to provide a guaranteed service and reduce the waiting period for paperwork so that users are satisfied.

The goods entering the company's offices can be from two regimes 70 or 10.

Regime 70 is about the customs warehouse, which can be either public or private, in which imported goods are stored for a certain period (1 year), which is counted from the release of the goods. One advantage of this system is that taxes and surcharges may be paid according to the availability of the importer (SENAE, 2015).

Regime 10 indicates that the goods entering the country will be available to the importer after the payment of taxes and other corresponding tariff obligations. The merchandise can remain in these deposits temporarily for up to 15 days presented the Customs Import Declaration (DIA) (SENAE, 2015).

The difference between these two companies is that Adapaustro provides two services: merchandise that is imported by rules 70 or 10, providing that the users have option to proceed through custom clearance in a 15 day time period, or that the goods are stored the time period the importer needs, that cannot exceed more than a year. However in Almacopio merchandise that enters, can only be imported under the regime 70, so the merchandise is stored in the company, while the importer nationalizes it and pays taxes for the goods according to their resource

## **CHAPTER 3: THE CUSTOMS DISTRICT OF CUENCA'S CURRENT SITUATION**

### **3.1 Importance and impact of Customs in the city of Cuenca.**

#### **3.1.1 Statistical Data**

##### **3.1.1.1 Operation movement of the Customs District of Cuenca**

Being a public institution, customs' statistical data on their activities should be available to all citizens. However, the main district chosen by the Cuenca importers, which is the Customs District of Guayaquil, does not have access to important information such as how many containers enter the port which are destined for other districts, because we have to be clear that not everything reaches the district remains in the same one. In addition, the Customs District of Cuenca has left their operations private; there is no type of data that exposes the movements that are made in this district. Due to this, to be able to analyze all that has happened up until today in the Customs District of Cuenca, one must go to the main source, which are, customs agents, importers, exporters, who through based on their activities in the district we can know what happened behind closed doors.

A very important fact that we could receive and we need to be able to start exposing is the customs activities conducted by the Customs District of Cuenca in the recent years that have reduced, maintaining an amount of 504 containers in 2013, and in 2014 round 71 containers from both Almacopio and Adapaustro .To get a clearer picture of the movements being made, in the following chart the movement of customs operations of some of the districts chosen by importers and exporters are detailed.

**Table #3: The movement of merchandise in the main Temporary Deposits**

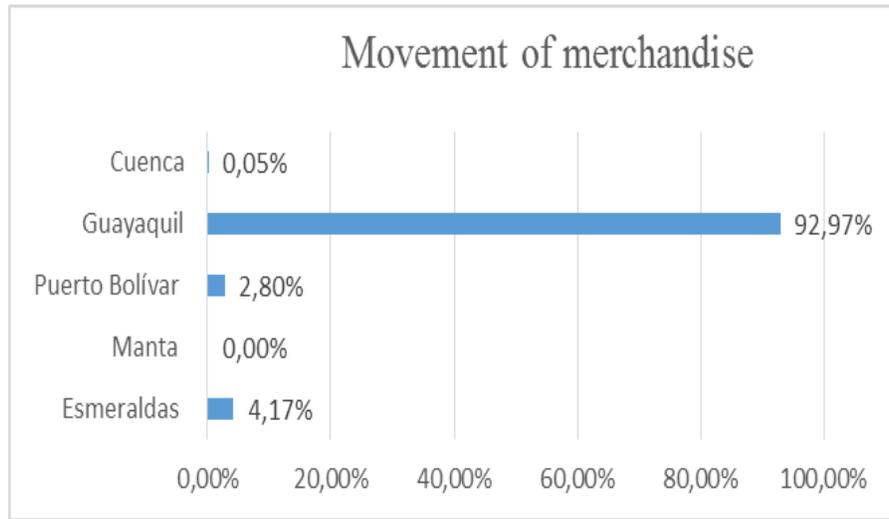
Year 2014	TEUS (Importation)							TEUS (Exportation)								
Main Deposits	Empty			Full			Total TEUS	Empty			Full			Total TEUSs	TOTAL TEUS	% TeusNac
Container Size	20	40	Total	20	40	Total	TOTAL IMPORT	20	40	Total	20	40	Total	TOTAL EXPORT	TOTAL	Import
Esmeraldas	164	1.124	1.288	1.935	33.480	35.415	36.703	1.863	26.782	28.645	1.936	34.310	36.246	64.891	101.594	4,17%
Manta				8	22	30	30		8	8	108	386	494	502	532	0,005%
Puerto Bolívar	26	23.714	23.740	1	830	831	24.571	14	8.198	8.212	13	16.278	16.291	24.503	49.074	2,80%
Guayaquil	1.073	406.308	407.381	110.622	299.392	410.014	817.395	66.409	164.020	230.429	43.703	529.606	573.309	803.738	1.621.133	92,97%
Cuenca							471								471	0.05%
TOTAL	1.263	431.146	432.409	112.566	333.724	446.290	879.170	68.286	199.008	267.294	45.760	580.580	626.340	893.634	1.772.804	100,00%

Source: Asociación de Terminales Portuarios Privados del Ecuador (ASOTEP).

By: Paulina Arellano.



**Image # 3: Movement of merchandise.**



Source: ASOTEP.

By: Paulina Arellano.

Although customs activities are performed by ports, international airports and borders, ports are the one with the most container movement, by both exporters and importers. This is why in Table #3 the name of the districts with the highest number of containers is mentioned. The Customs District of Cuenca is also located in this table by the closeness that the city has to certain ports and it is where both exporters and importers chose to precede with their customs operations.

What this table shows is that from 100 % of the merchandise that enters these deposits, 92.97% of it is in the hands of the District of Guayaquil and only 0.05% is targeted for the District of Cuenca; thus having only a minority of goods that are meant to become nationalized. In addition, a factor that was not analyzed in these percentages was the exportations that are made by other districts; it was not analyzed because the Customs District of Cuenca exportations are not performed due to the failure to obtain an international outlet from the city.

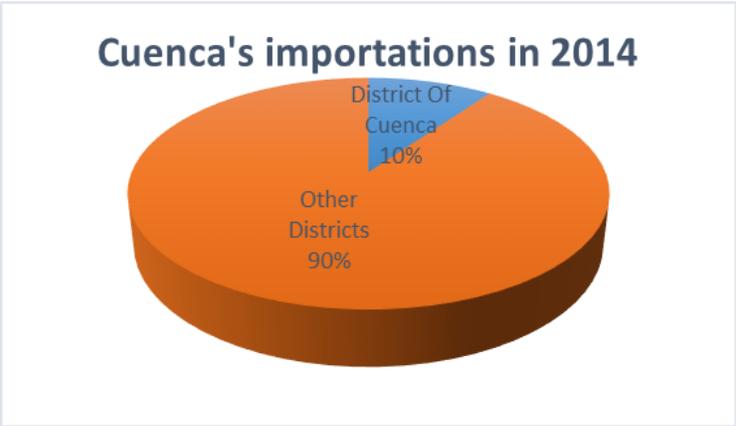
However, the commercial activity carried out in Cuenca is mainly done directly from other main ports with majority emphasis on exportation. But the problem also lies in the use that importers have made of Customs in the city, which is very low, but this does not mean that foreign trade in the city of Cuenca has been reduced but rather the use of their customs offices.

For the following table, the data was obtained by primary information provided by customs agents in the city of Cuenca and the interviews conducted at the Almacopio and Adapaustro companies. Which through its activities, we have been able to provide a closer result of the customs activities carried out by the Customs District of Cuenca and the citizen importers that use other districts. The data is from 2014, the lack of access to these kind of information makes it difficult to find a difference, but it still allows us to see the reality of what happens today at Cuenca’s customs office.

**Table #4: Entrance of containers in Cuenca for the year 2014**

Through the District of Cuenca	471
Through other Districts	4239

**Image #4: Cuenca’s Importations.**



Source: Interviews made to customs agents.

By: Paulina Arellano.

As we can see in Table #4, in 2014 only 471 containers made use of the Customs District of Cuenca, representing only 10% of imports and 90% 4,239 containers, use other districts to nationalize their merchandise, especially the District of Guayaquil. Therefore demonstrating that the institution provides services and facilities to just 10% of the importers in the town of Cuenca.

### 3.1.1.2 Tax Revenue of the Customs District of Cuenca.

One of the activities performed by Customs is the collection of taxes for the goods entering the country that can be either by air, sea or land. That is why every district is strategically located so that they can easily perform these controls. The following table shows the revenues that the Customs of Cuenca had from 2000 to 2014 and tax revenues across the country.

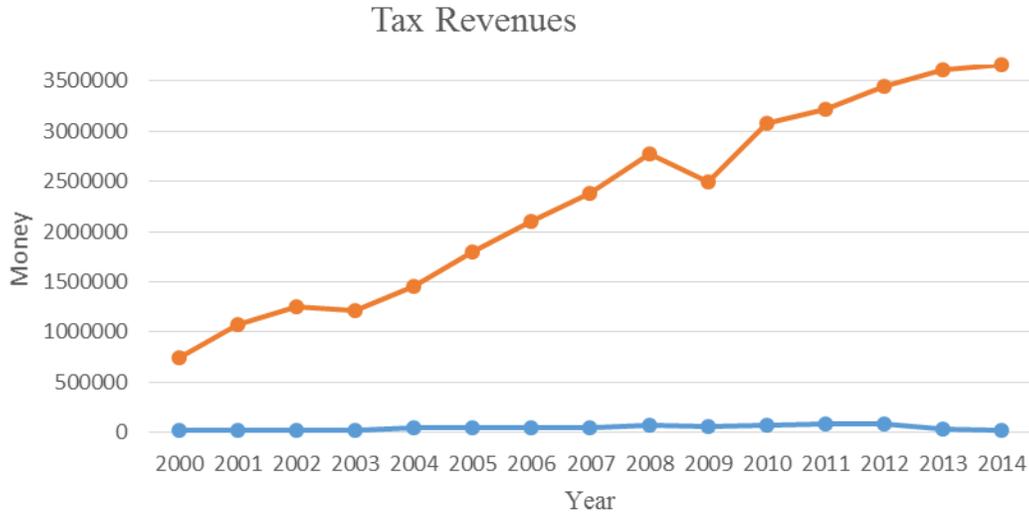
**Table #5: Tax Revenues from 2000-2014**

Year	In Cuenca	Total Collection
2000	15,032	744,298
2001	23,506	1,074,092
2002	26,237	1,252,668
2003	25,361	1,218,962
2004	42,598	1,454,343
2005	43,790	1,801,846
2006	48,334	2,102,672
2007	48,703	2,368,551
2008	70,995	2,781,024
2009	64,041	2,490,542
2010	75,945	3,081,226
2011	82,250	3,225,940
2012	83,591	3,450,595
2013	39,123	3,608,846
2014	21,283	3,661,315

Source: SENAE.

By: Paulina Arellano.

**Image #5: Tax Revenues from 2000-2014**



Source: SENAE.

By: Paulina Arellano.

The collections held by the Cuenca Customs District since 2000 has increased gradually until 2012, when three deposits in Cuenca closed, leaving only one in operation, that is why for the nationalization process, the costs boosted and importers were hurt and decided to choose another district as a point of arrival for their goods. We can see that in 2013 and 2014 the collection of taxes was reduced.

In addition to the collection of taxes, the amount is totally objective to the number of containers that have entered the Customs District of Cuenca, since the collection of respective taxes depends on the type of goods being imported, and we understand that merchandise that mostly comes to this district is food and appliances that have a high tariff rate. Despite everything previously said, what the customs of Cuenca has recovered in recent years has reduced, with respect to the other years, but the total revenues have not decreased in any year except 2009.

### **3.1.1.3 Customs Agents**

Customs agents can be both ordinary and legal people that help others proceed with customs operations. They maintain the same disposition as a notary; this is why it is believed that the data they conserve as the declarations are truthful information. At the same time, they perform their services with a license issued by Customs, giving them control to proceed and perform all responsibilities of a customs agent (COPCI, 2010).

The chief customs agents in the city of Cuenca are: Mauro Vintimilla , Nardo Gonzales , German Cantos and of the offices Malo & Arizaga . To whom we looked for to find out the current situation of the district.

For them undoubtedly customs operations in Cuenca have reduced drastically in the past three years. The main reasons for this declination according to them are:

1. The previous inspection of the merchandise is carried out in the District of Guayaquil. For importers, the fact of choosing the Customs District of Cuenca as the final destination for the nationalization of their goods, involves their goods having to be inspected in the first district where they take your goods to be subsequently sent to the district of the city of Cuenca, where once again their goods get manipulated.
2. The cost of custom clearance for their merchandise.
3. The existence of only a single temporary deposit in the city of Cuenca.
4. The security provided in the District of Guayaquil, fulfilling effectively the process of nationalization of the goods in temporary warehouses. .

### **3.1.1.4 Importers and exporters.**

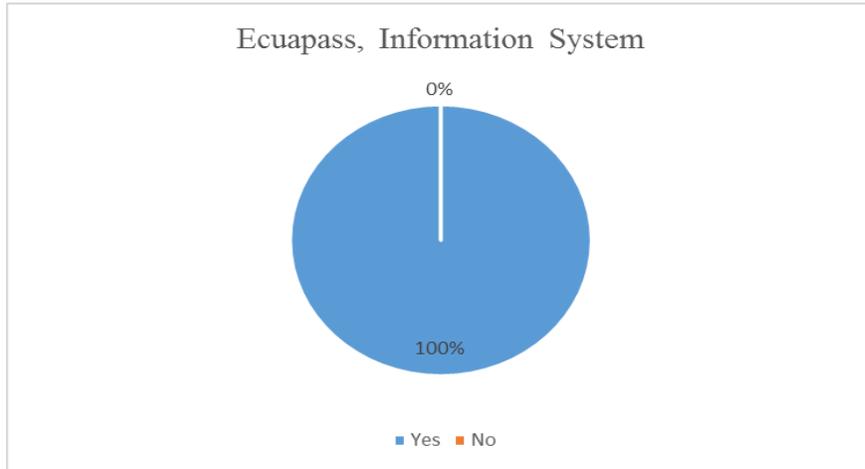
#### **Importers:**

The following charts detail the results of the information obtained through surveys and discussions with importers of the city of Cuenca. Importers who use the district and those who use other districts for the nationalization of their merchandise. In Annex No. 1, you can see the table with the results of surveys.

**Image # 6**

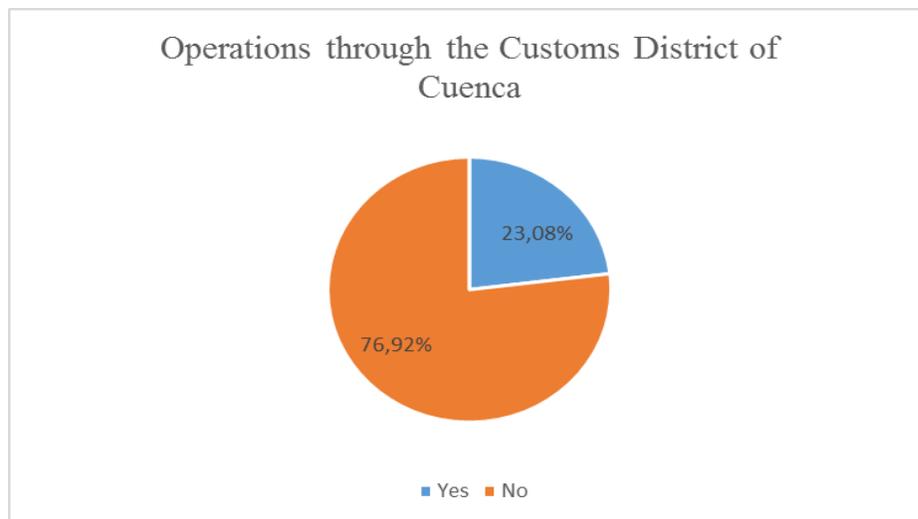
**Interviews**

1. Have you ever had any incidence implementing ECUAPASS Information System in your customs operations?



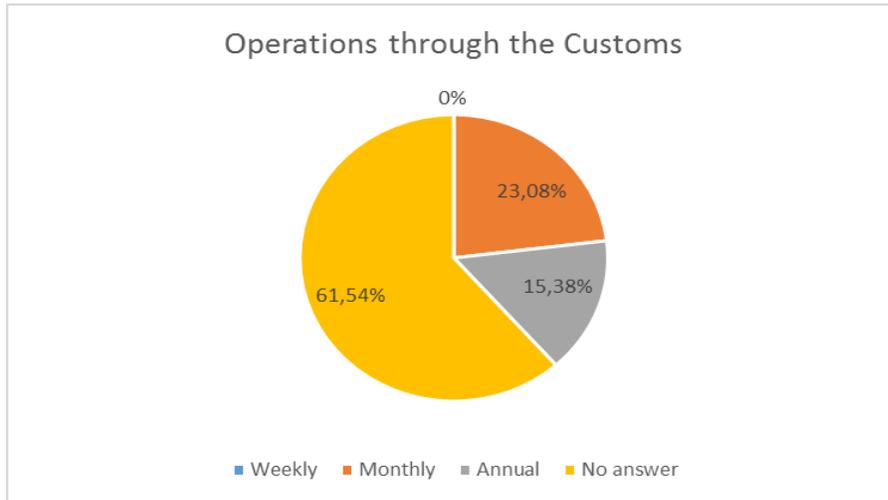
For all users of the customs office, the implementation of Ecuapass was something positive for our daily customs operations.

2. Did you perform your customs operations through the Customs District of Cuenca? If your answer is no, please indicate through which District you do.



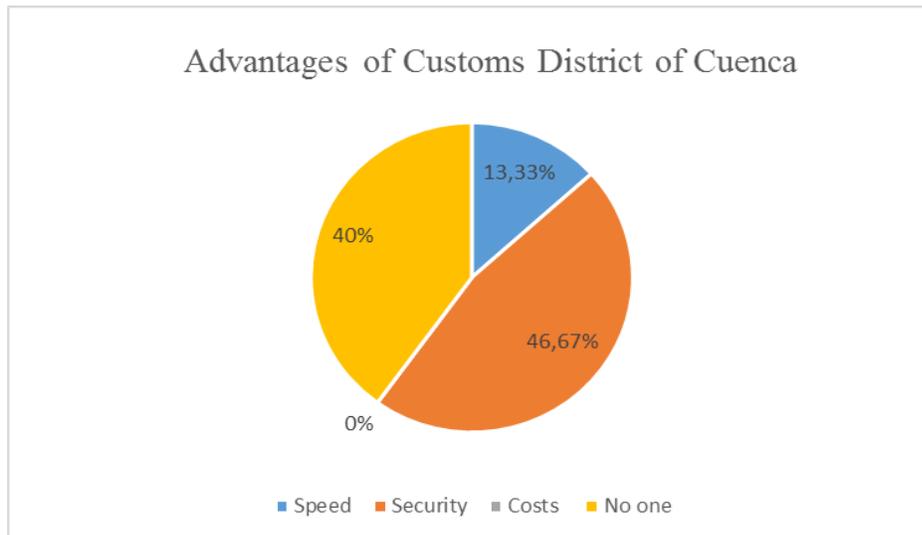
The Customs District of the city of Cuenca has a 23.08% usage rate, whereas 76.92% of importers prefer using Customs districts like the District of Guayaquil.

3. How often do you perform operations through the Customs District of Cuenca?



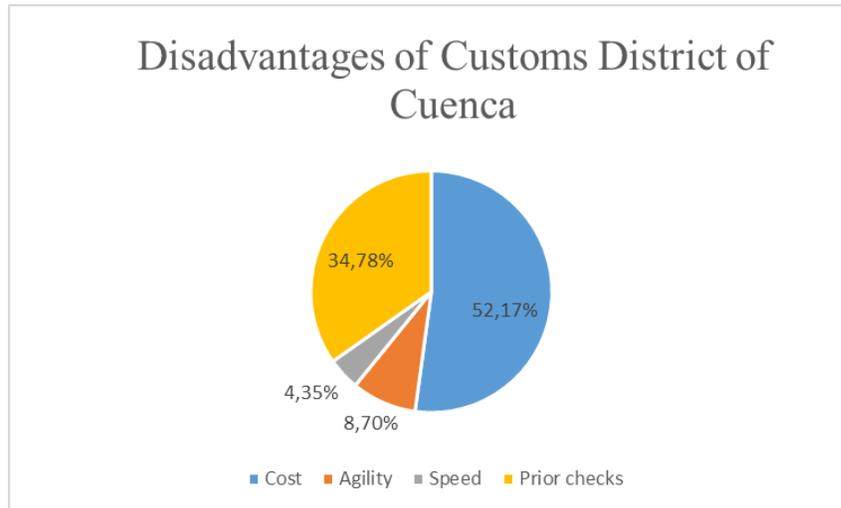
In other words, the frequency of the use of the Cuenca office, as we can see there is no weekly customs activity by the companies surveyed, 23.08% do so monthly, 15.38% do so yearly and 61.54% did not respond because they do not use the District of Cuenca.

4. What would you consider an advantage of performing customs operations through the Customs District of Cuenca?



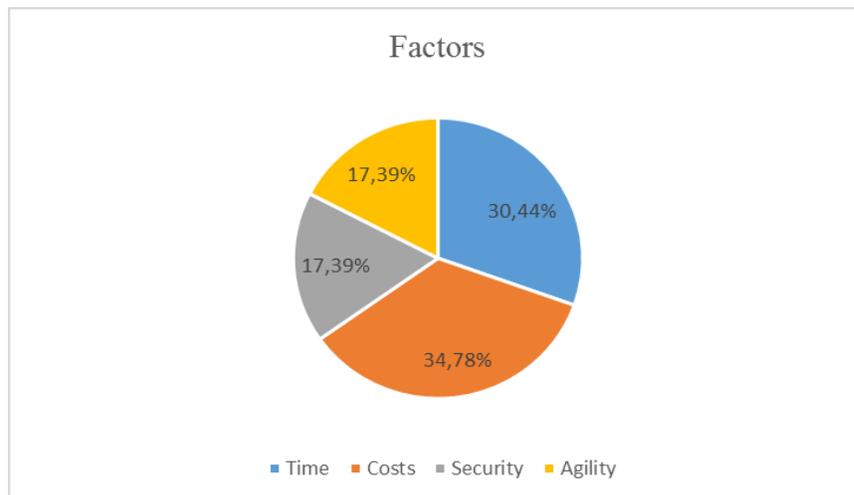
The main advantage that the Customs District provides to its users, 47% claim it to be security, 40% did not respond due to not receiving any benefit from the office of Cuenca, their speed got 13% and cost got 0%.

5. What is the main disadvantage of nationalizing goods through the Customs District of Cuenca?



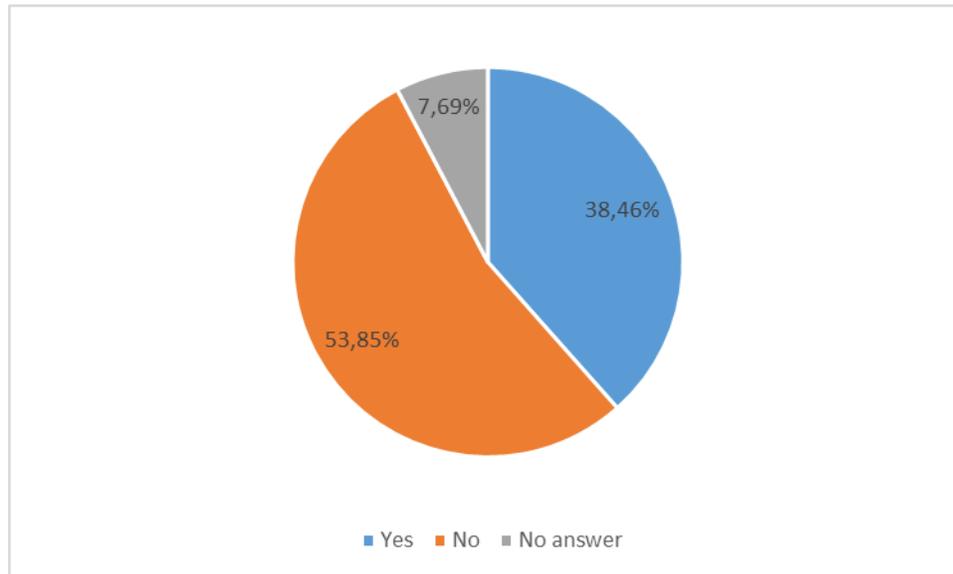
On the other hand, the main disadvantages for importers that use the Customs District of Cuenca are the costs that received 52.17% of the votes. Followed by prior checkups their goods must pass with 34.78 %, agility 8.70% and how quickly customs processes their items received 4.35%.

6. What factors influence the decision of choosing which District to use when nationalizing merchandise?



The factors that are taken into account when choosing the district for the nationalizing of good, in other words customs clearance, is mainly the costs with 34.87%, followed by process time with 30.44%, and agility and security with 17.39%.

7. If Customs in Cuenca were to close down, would it affect your business?



Finally, if in the future the office had to suspend their activities by any aforementioned factor, 53.85% of the importers think that it will affect their business, 38.46% think that it might somehow affect them and 7.69% did not respond due to the fact they do not use the district.

Moreover, Cuenca being one of the largest cities in the country has been characterized by the export of flowers, straw hats, appliances, tires, ceramics and certain products made from wood. To learn about the relationship between the Customs of Cuenca and the exporters, several of them were questioned to better know their opinion on this topic.

By maintaining a customs office in Cuenca, the goods are sent by other districts, mainly the District of Guayaquil because of its proximity and diversity giving that goods can be exported by air and sea. Consequently, the role played by the Customs District of Cuenca with exporters is to complete the formalities in the proper way, especially with the use of the Ecuapass system because all documents are processed by this digital medium and you can stage the procedure at any time.

Although the system has been beneficial, exporters think that it should be given more training because they have problems that have delayed the export process. That's why they want more

flexibility in government paperwork, efficient attention towards exporters and importers, trained staff and attention to mail and services complaints.

### **3.1.1 Problems the Customs District of Cuenca has encountered.**

While the survey was conducted to key foreign trade participants, such as customs agents, exporters and importers, now the main factors that have made most importers choose other districts to nationalize their goods will be analyzed. It is essential to note that the Customs District of Cuenca has had a significant number of reductions in its operations in the last three years.

Both customs agents as well as importers see the decreasing number of activities in the district and they believe it all began when there was a change in the employment in the institution. What is being referred to is that each company needs new staff, with up to date knowledge and give opportunities to the younger generations, new staff members indicate new rules, procedures, controls, etc. Which destabilizes the way many of the importers and customs agents must work, since they must adapt to the new procedures? The result of these changes has become a factor when choosing a district for their operations.

Another factor that has promoted this issue, is that after the closure of certain temporary storage , leaving just one in operation, importers do not have options to choose the deposit where the goods can be nationalized, which has meant the rise of processing costs for the clearance of customs for their goods.

The next factor is the number of times that the importers products must go by interventions, that while the District of Guayaquil being the most popular choice for importers from Cuenca because of its proximity, the goods must first reach the seaport and be inspected even though the paperwork does not necessarily have to be done there. Then the importers merchandise that make use of the Customs District of Cuenca, pass the inspection done at the port and when they reach Cuenca the merchandise is once again reviewed by the officers of Customs this way the goods can circulate Ecuador. This situation has led many importers to make the decision to proceed through custom clearance in the District of Guayaquil so that their goods must only proceed

through one inspection and avoid having any problems with possibly losing certain items, scratches on the goods, damage on boxes and avoid handling harms to the goods that will be sold later.

For exporters from Cuenca, maintaining a custom office has not been very beneficial and to some extent came as an obstacle. Since their exported goods had to go through an inspection by the Cuenca office and keep several documents that had to be inspected, additionally they had to be moved to another district that either had a port or airport to be able to send their goods off but also had to go through another inspection again.

The time invested in these inspections, delayed the shipment of goods, which is not favored by the exporters. Therefore, exports are no longer performed by Cuenca, it is done directly by the district that will ship off the goods. Customs serve as a source of information, providing a more personal service, and help during procedures for exporters.

#### **3.1.1.1 Customs Clearance Costs.**

For importers, the cost of customs clearance has been a problem that has influenced the use of the Customs District of Cuenca. We must keep in mind that in order for the merchandise to circulate throughout the country, many taxes and charges must be paid by the importer.

What the importer must pay according to the import process is the following:

First, to perform an importation the services a customs agent is required, he is in charge of advising his client, to indicate what goods cannot enter the country, what are the respective taxes that they must pay; once chosen, you must complete and send the Customs Import Declaration (DAI) through the Ecuapass system and any necessary supporting documents .

Secondly, when the container arrives either by sea or air, it enters the temporary storage, by then the payment of taxes on the goods that are entering the country must already be paid, so you can proceed to the allocated capacity; if no problems are found, then they can proceed and the goods can legally circulate the Ecuadorian territory .

As a result, the customs agent salary, the storage area in the temporary deposit, the nationalization of the goods, the shipping costs and transportation must be paid

But there are some changes that occur when the district chosen by the importer for their merchandise to be nationalized is Cuenca. Hiring a customs agent remains the same, only that when the goods reach the port of Guayaquil they enter the temporary storage where an inspection of the imported cargo is performed so that it can be transported to Customs District of Cuenca and continues to the process in the deposit.

### **3.1.2.2.1 Comparative analysis of customs clearance costs in the District of Cuenca vs the District of Guayaquil**

The costs that must be paid by an importer if they decide whether the goods go through clear customs in the Customs District of Cuenca and if they choose to clear customs through the Customs District of Guayaquil are:

**Table #6: Custom Clearance Expenses.**

Operations	Price in Cuenca	Price in Guayaquil
Storage in the Temporary Deposits	\$120	\$120
Nazionalization	\$280	\$280
Port Expenses	\$290	\$290
Transport between Guayaquil-Cuenca	\$600	\$600
Electric Lock	\$50	
Storage	\$180	
Weighing and handling in Cuenca	\$100	
Transfer Request	\$170	
Total	\$1.790	\$1.290
Difference	\$500	

Source: Adapaustro S.A. y Edgar Peñafiel, Customs Agent of Guayaquil.

Produced by: Paulina Arellano.

The difference in the costs that must be paid by an importer when wanting to clear customs of their goods between these two districts is about \$500. If said importer was to use the Customs District of Cuenca on a monthly basis, said price would reduce. However, that amount being spent is a key element to many importers when making the decision to choose Guayaquil as their destination. Although we should mention that this increase has occurred in the last three years, giving the fact that there are only two companies operating in the city, resulting an increase of prices.

### **3.1.1.2 Application of the new ECUAPASS Software.**

The Customs System began to operate since October 2012, whose main objective is to facilitate foreign trade activities for both exporters and importers. This new software has had a positive impact for users of the office because it became available for access by everyone at any time.

The advantages the system has provided are:

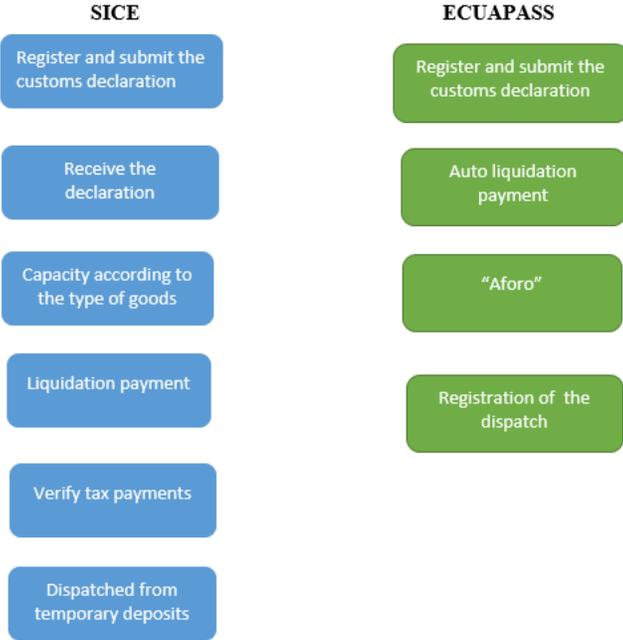
- Provide transparency in processes done by both importers and exporters.
- Reduce the number of paperwork necessary.
- The process of both exportation and importation can be done online.
- The use of electronic signatures "token", mainly helped maintain effective information.
- Los perfiles de riesgos de los operadores de Comercio Exterior podrán ser supervisados, y de esa manera dar una ventaja para aquellos usuarios que mantengan un perfil limpio y se pueda manejar de manera óptima el aforo automático de la mercancía.
- The profiles risks of foreign trade operators will be monitored, thus giving an advantage for users who maintain a clean profile and can automatically operate the capacity of the goods.
- Implementation of the Single Ecuadorian Window (VUE), which will streamline customs operations.

While implementation of the computerized system is an advantage for users and for customs in general; for the Customs District of Cuenca it has not been a factor, due to the fact its users do not need the service and facilities of the customs office, since all the processes are carried out through this system. As a result, the importance of maintaining an office in the city has increasingly reduced.

**Import process through Ecuapass system:**

The import processes that continue to take place today with the Ecuapass system has benefited the importers at the time of the conduct of their operations. In the chart below we can see the difference with the Ecuapass system and the old system referred to as the Interactive Foreign Trade System (SICE).

**Image #7: The process of importation**



Source: SENAE.

Produced by: Paulina Arellano.

Under the old system, Interactive Foreign Trade System (SICE ), the customs agent, who is the person who provides services of the nationalization of the goods, had physically take the statements and different types of paperwork to the offices of customs. The documentary

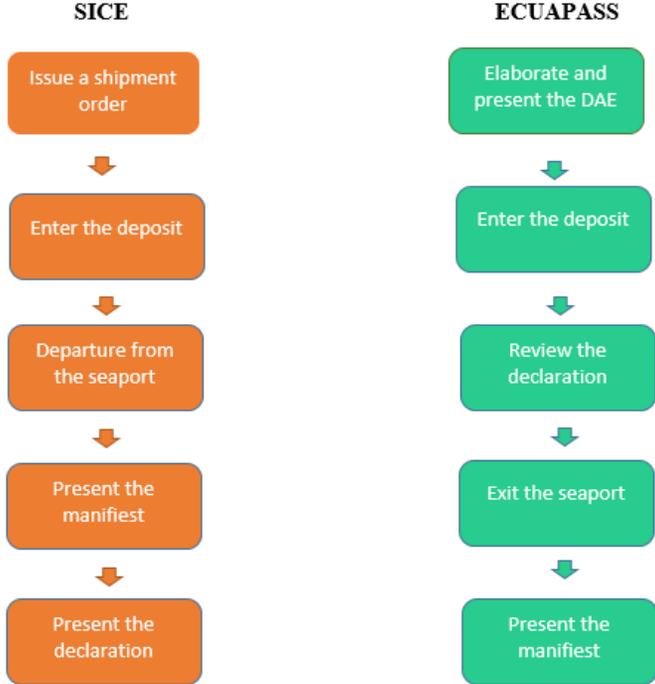
capacity was carried out and if necessary so was the physical capacity, the next step they had to perform was the payment of taxes and the verification of the payment, afterward the authorization for the departure from the temporary deposit was given.

In the other hand, with the new Ecuapass system, the process with which an importer must follow is to firstly register in the Customs Declaration system (DAI), there goods will be revised and if all is ground to be fine, they get notified the amount of taxes that must be paid; otherwise they state the supporting documents they must submit to be able to proceed with the payment of taxes. Immediately the system indicates the designated agent for the merchandise and the results can be seen by through the system so that the importer can access their goods at any time and remove them from the temporary deposit.

The exportation through the Ecuapass system:

According to the following detailed image, the exportation process has also received modifications.

**Image #8: The process of exportation.**



Source: SENAE.

Produced by: Paulina Arellano.

The changes that we see is that with the current system, the development of the customs declaration, where all data of the good will be exported are saved for records , must be filed electronically with the accompanying documents or some type of support, such as the original invoice, prior authorizations and certificate from its origin; the agents declaration that is made when it entered the temporary storage, to be able confirm that what is in the declaration is being transported; if there are no issues developed they can proceed to exit the port and finally the cargo manifest is presented . In contrast to the old system the first thing that was done was the shipment of the order and the presentation of the customs declaration and cargo manifest was the final step that the exporter had to do.

What Ecuapass has provided to its users is the increase of control declarations, thus providing greater security of what enters or leaves the country, but especially the act of giving access to the system at any time to see the status of your procedure; as a result this has led to the number of days it takes to nationalize goods to be reduced.

Although the system has provided a reduction of the amount of days it takes to nationalize goods, what the exporters, customs agents and importers are asking for is that there should be more training on how to use the given system, the limited capacity on the number of items that are loaded into the system and attention to the mail complaints.

## **CHAPTER 4: THE CUSTOMS DISTRICT OF CUENCA**

### **4.1 The Customs District of Cuenca in the next few years.**

After analyzing all the information regarding the Customs District of Cuenca, starting with the historical background, we can see that in several occasions there was situations where activities were suspended and the office even had to be closed, however, this has not been generated because of the support it has received by the Chamber of Commerce and Industry and major corporate groups in the city.

If today we live in a reality where firstly, the data of the activities taken place in the office are not available to the public to be able to have a clear view of the situation that the institution are facing, the decreasing use of customs facilities for various factors have affected importers, we can believe that the result of the operations are going to take place in the office will remain being negative.

We have to consider the fact that it is the customs office that has always brought them problems and serious consequences to the district, as a result in the recent years it has made the use of the Customs District of Guayaquil constant, while the use the Customs District of Cuenca continues to reduce.

The reduction of the usage of Customs undoubtedly is mainly due to the costs the importers must pay at the time of choosing Customs of Cuenca as the final destination in the nationalization of the merchandise. As seen in Table # 6, the difference is about \$500, an amount which many importers have seen as an essential element when choosing the district. The rising costs for users are due to only having one temporary storage unit. Importers do not have different options when choosing the deposit and the fact of being the only one; the prices are set for its consideration.

Additionally, the security provided by the District of Cuenca for a vast majority of the importers is necessary, however the fact that the goods do not directly arrive to the city of Cuenca, but some port or international airport, places where the goods have to be inspected to be able to be sent to it is primary city. It has become uncomfortable for importers and their merchandise does

not arrive in perfect condition. Therefore, as seen in Table #3, 100% of the goods coming into these ports that are mostly used by importers from Cuenca, some because of its proximity, 92 % reach the Customs District of Guayaquil, and only 0.05% are destined to the Customs District of Cuenca, although the population of the two cities differs, the number of container for the office of Cuenca is low.

Another very important factor that helps us understand the use that importers from Cuenca have from their district, are the customs activities in 2014. Which had a total of 471 containers, but to the city of Cuenca in the same year the income of containers was 4,200, proving once again that the amount of customs procedures are being reduced for the office of Cuenca by the factors mentioned above.

Tax collection, as we could see from the chart #6 are well below the total revenue, and the trend they have especially from the years 2013 and 2014 is decreasing.

All the factors mentioned in the preceding paragraphs have caused the reduction in the use of the goods carried out, this is why the cost remains high, the merchandise is repeatedly manipulated, it causes that the revenues from the Customs District Cuenca be minimal compared to the other districts of the country. This will only cause both importers and exporters to continue choosing other districts for their operations and to obtain their benefits.

#### **4.1.1 Benefits and Disadvantages of the operation of Customs District of Cuenca.**

##### **Benefits:**

- The security the Customs District of Cuenca provides is considered one of the most important factors for importers when it comes to choosing the district as a point of arrival for their goods, especially when it comes to sensitive goods, such as appliances, electronics, musical instruments, and merchandise with a high commercial value. This has led importers prefer to pay a higher cost but have more security of goods being transported, since they may be present when their merchandise is selected for a physical inspection.

- In Cuenca, another advantage that is given to importers and exporters is the reduced number of days necessary to obtain permits for the goods entering the country with the "import for consumption" regime or leaving the country. There are not many obstacles for both importers and exporters to renew a permit for this regime.
- Support for the exporter to be able to carry out their customs operations. The office provides personalized service to exporters, such as training on how to properly send their goods abroad with all the necessary permits.

**Disadvantages:**

- The constant changes in the customs staff, reduces the exporters and importers reliability in the time of performing their customs operations at the Customs District of Cuenca.
- The tariffs carried out in the District of Cuenca, is a cause that has influenced the importers of the city to choose other districts for the nationalization of their goods, because most times the capacity selected for merchandise using the District of Cuenca is physical.
- As a result of the factor above, handling the goods twice, first in the district it arrives in and later arriving in the yards of deposit chosen by the importer in Cuenca, often causes the goods to undergo certain changes.
- The costs that must be paid for custom clearance of imported goods through the city of Cuenca is high compared to the costs in district the goods for the companies of Cuenca arrive in, Customs District of Guayaquil.
- The existence of only a single temporary deposit in the city for the customs clearance of the goods, the lack of choices for importers to choose from for the destined temporary deposit.
- The waiting time the importer must remain to remove the goods from temporary storage.
- The limited capacity for the Ecuapass system admission of the items from the Customs District of Cuenca.
- The lack of training on how to use the Ecuapass system for importers and customs agents.
- Natural Customs drawback for the city of Cuenca, is the fact it is an interior office, and does not offer its users the ability to send or receive goods through the district directly

## CONCLUSIONS AND RECOMMENDATIONS

While the primary role of the office is the control that provides the entry and exit of goods, the tax collection and facilitation of all the activities of foreign trade, Customs of Cuenca is not able to achieve its goal for several reasons.

The main reason for being a customs office, it does not allow it to be competitive with other customs. This occurs because when choosing the Customs District of Cuenca for the nationalization of the goods, an importer has to assume is:

- The costs of the district the goods arrives in, plus costs of the nationalization of the goods by the District of Cuenca.
- The controls and inspections the importers from Cuenca's good must pass.
- The time for nationalization of merchandise stretches.

All these factors have not been beneficial to the importers; this is why the use of the Customs District of Cuenca keeps reducing since there are other districts which give importers more advantages in their customs operations. I refer only to importers, since exports by the district are no longer performed, because they do not have a direct international departure from the city and previous inspections that are carried out in the temporary deposit of Cuenca.

This is why I ask the following question; what is the real importance of maintaining the Customs office of Cuenca? My answer, after obtaining the information is that the importance of maintaining the Customs District of Cuenca against its major users who are importers, exporters and custom agents is really low, since most do not use the district due to the previously mentioned factors. So the fact that someday, the customs office in the city will suspend its activities does not affect customs operations performed by customs agents, importers and exporters; because they will remain to perform their activities through the Customs District of Guayaquil.

#### Recommandations:

Despite the reductions in activities that the Customs District of Cuenca suffers, mainly because of the costs that users must pay; both customs agents and importers through interviews that were made and their approach on their activities, have exposed a very important element in regard to the services provided by customs in the city; and the implementation of another temporary storage that could encourage the use of the Customs District of Cuenca increase, as this could reduce costs and importers have the option of choosing the warehouse where they want their goods to arrive at to be nationalized .

Although costs remain high compared to if the merchandise is nationalized in another district, we must bear in mind that for some importers security and to be present at the time of the inspection of their merchandise, is a key factor in choosing the Customs of Cuenca as final destination for their importation even if it means paying a little more. That's why the fact of implementing a new deposit could be a decisive element for importers to re-elect this district for their customs operations and to have competition with other districts.

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## Annexes:

### Annexes #1: Interviews

1. Have you ever had any incidence implementing ECUAPASS Information System in your customs operations?

Positive	13	Negative	0
	100%		0%

2. Did you perform your customs operations through the Customs District of Cuenca? If your answer is no, please indicate through which District you do.

Yes	3	No	10
	23.08%		76.92%

3. How often do you perform operations through the Customs District of Cuenca?

Weekly		Monthly	3	Annual	2	No answer	8
	0%		23.08%		15.38%		61.54%

4. What would you consider an advantage of performing customs operations through the Customs District of Cuenca?

Speed	2	Security	7	Costs	0	No one	6
	13.33%		46.67%		0%		40%

5. What is the main disadvantage of nationalizing goods through the Customs District of Cuenca?

Costs	12	Agility	2	Speed	1	Prior checks	8
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	52.17%		8.70%		4.35%		34.78%
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6. What factors influence the decision of choosing which District to use when nationalizing merchandise?

Time	7	Costs	8	Security	4	Agility	4
	30.44%		34.78%		17.39%		17.39%

7. If Customs in Cuenca were to close down, would it affect your business?

Yes	5	No	7	No answer	1
	38.46%		53.85%		7.69%