



COLOMBIA

CENTER OF EXCELLENCE BRINGS CONSISTENCY TO COLOMBIAN AUTO PARTS IMPORTS



THE SOLUTION

Inconsistent decisions on tariff classifications, shipment values, and rules of origin at Colombia's borders were incurring unnecessary delays and additional costs for automotive parts imports into the country.

The Alliance supported a collaboration between the Colombian Customs and Tax Administration (DIAN) and the private sector to develop a Center of Excellence – a virtual hub concentrating specialised automotive industry knowledge within DIAN to process advance rulings for the automotive industry.

The Center, the first of its kind in Latin America, required legislative change to modify the country's customs' structures. At its formal launch in December 2021, the public and private sectors signed a historic public-private legal agreement cementing the transformation of the relationship between Customs and the automotive industry.

“The work of the Alliance and the requisite trust we have built up with DIAN in recent years have been fundamental to the development of foreign trade in this sector, which generates 25,000 direct jobs and 100,000 indirect. The sector represents 6.6% of GDP, with production, exports, and imports crucial to the Colombian economy.”

Juliana Rico Ospina, Executive Director of ANDI (Chamber of the Automotive Industry, National Business Association)

ADDRESSING THE WORLD TRADE ORGANIZATION'S TRADE FACILITATION AGREEMENT

Article 1.3
Enquiry Points

Article 2.2
Consultations

Article 3
Advance Rulings



THE CHALLENGE

A historic lack of trust between Customs and the automotive industry had created a fraught relationship. Customs perceived low levels of private sector compliance, while industry cited unpredictable border procedures and a poorly functioning appeals system.

A cumbersome, inconsistent advanced rulings process translated to low take-up and a lack of engagement between public and private sectors, increasing time and cost.

Contested customs declarations might mean up to 12 days' additional clearance time and storage costs.

WHAT WE DID

The Alliance worked with DIAN and the private sector to create the Center of Excellence to provide consistency in how Customs classifies and treats components. The project involved establishing a working group comprising customs officials and representatives of the automotive industry to assist with its set-up, testing, training of personnel and launch. Then to work on its development, providing experts to assess its impact on users and customs clearance.

As part of the initiative, the Alliance also supported the creation of a new Division of Services and Trade Facilitation within Customs, which promotes coordination between the public and private sectors to increase the facilitation of foreign trade.

“The delays and costs associated with the importing of automotive parts seriously impedes the automotive business and ultimately leads to higher prices for consumers. This new Center will increase the competitiveness of the automotive industry, which is good news for everyone.”

Alberto Macias, Executive Director from ACOLFA (Colombian Association of Autopart producers)

“The Global Alliance for Trade Facilitation has been a driver of the public-private interaction and has been a key factor in the strengthening of trust between the different trade actors in Colombia. These real, two-way discussions are the key to understanding the needs and wants of businesses and developing meaningful solutions. Through such honest and open conversations, we hope to build trust further and make Colombia's automotive industry as competitive as possible.”

Ingrid Diaz, Customs Director, DIAN

THE IMPACTS

The Center is reducing delays and costs for importers while allowing border controls to concentrate on higher-risk shipments, by:

- improving predictability and harmonising customs processing across all ports of entry
- establishing a single point of contact to streamline administrative processes, eliminating duplication, and reducing requests for information
- enhancing Customs' knowledge of ruling on key automotive industry practices and importers' specific commodities

- reducing costs for both traders and government through quicker release times and fewer holds or examinations
- improving the competitiveness of the Colombian automotive industry, allowing it to attract further investment

A faster Advance Rulings system resulting from these reforms should reduce decisions on imports from 120 days to 90 days (based on the accepted global benchmark). A more streamlined process should also encourage greater take-up of the system.

Now that the Center is operational, the Alliance is measuring its impact, including:

- reduction in the number of valuation and classification disputes
- reduction of time and cost for border clearance
- savings per customer, generated partly by shorter average cargo release times at the border, which will lead to money saved on total transport and logistics costs



A MATTER OF TRUST

The successful launch of the Colombia Center of Excellence was built on a firm foundation of trust between the public and private sectors. A study commissioned by the Alliance found that trust had increased as both sectors experienced the benefits of working with each other.

The Alliance understood from the outset that success would require both sides working together – sharing information, listening to each other's views, understanding their aims, and having confidence that they were working for shared goals. This would require a change of attitude on both sides.

Interviews, focus groups, and a survey showed that key aspects of the project allowed the two sectors to connect through its opportunities to meet, share and learn about best practices. Public private dialogues, a central pillar of the Alliance's approach, built relationships while advancing progress toward project design and

implementation. Joint-training courses helped customs officials learn more about the businesses they were dealing with - their goals and their experiences - while company representatives came to appreciate the growing willingness of customs officials to listen and pursue real change.

The project also helped to unify previously fragmented industry associations. The Alliance, as a neutral party, played a leading role in establishing and building trust by assuming responsibility for leading the effort and assigning accountability for roles as the project advanced.

Working with academics from the University of Queensland, Australia, the Alliance used a combination of methods to retrospectively track changes in trust between private businesses and DIAN. Over the project, trust between the two groups was found to have significantly improved, with two-thirds of stakeholders from both the public and private sectors stating that their trust in the other had increased.