

PREVENTING THE SMUGGLING OF GOODS BY LOOKING AT BUSINESS CYCLES; CASE STUDY: ISLAMIC REPUBLIC OF IRAN

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ABSTRACT

Smuggling in general and smuggling of goods in particular is one of the current problems in Iran, which has already occupied the minds of many managers in our country and has involved many devices. Smuggling of goods from different dimensions can be studied and studied expertly. This phenomenon in Iran and with the current economic situation is an indisputable reality that has spread for various social, economic and political reasons in recent years. And unfortunately, it has also had adverse effects on the functioning of trade and economic policies and, consequently, on society as a whole, so that this phenomenon tends to become critical.

This article, while paying attention to the most reasoned and richest issues in the field of smuggling, intends to have a new approach to this phenomenon in order to prevent the crisis of smuggling. The results of this article can help other countries with the phenomenon of trafficking.

Keywords: *Commodity Smuggling, Trafficking Management, Futurology, Islamic Republic of Iran*

INTRODUCTION

The underground economy, or its common form of smuggling, can be defined in terms of the hidden import of goods from one geographical domain to other areas (Felm and Henry, 2001, 473) or tax evasion by excluding border controls (Mermen, 2002). The phenomenon of smuggling or underground or illegal trade is one of the topics related to the black economy (Tanzi, 1980). In relation to the types of smuggling, we can refer to a general classification: smuggling of goods is public or hidden. Public smuggling is the smuggling of goods in the traditional way and through prohibited borders. Covert smuggling is smuggling that is done through fraud, tampering with customs documents and other activities such as slander, minimization, change of type of goods and therefore in this type of smuggling goods enter or leave the country from official sources but secretly. The current arrival in Iran is as follows:

- A) Uncontrolled entry points: Some goods are imported from uncontrolled locations.
- B) controlled entry points: Some goods are smuggled from controlled places but illegally through bribery
- C) Influential elements: Part of the decision is made by all those involved.

Study the literature

2.1 Causes and factors of smuggling of goods in Iran:

A) Subsidy payment: One of the main reasons for smuggling goods is the payment of large subsidies for basic goods to the domestic consumer. This factor causes a difference in the price of consumer goods inside and outside the country, as a result of which goods are smuggled from cheap to expensive countries.

B) Lack of adequate living facilities in border areas: Most border areas in various countries, for various reasons, are not in a good economic position. It is obvious that if this situation continues, people will turn to activities and jobs, even if false, to meet their needs (Khodavardi, 2000).

C) Extensive geographical borders: The extent of the country's borders: The length of Iran's geographical borders is 8755 km, of which 2700 km is the sea border and 2018 m is the river border and the rest are land borders and mainly desert and mountainous, there are about 5000 Cargo dinghies and 6,800 unmanned fishing boats, close proximity of Iran to a number of countries such as 21 miles from Lark

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Island to Oman, Khorramshahr to Basra and Kuwait.

D) Sharia and legal prohibitions: These types of prohibitions are applied according to the public interests of the country and are almost permanent.

E) Relative desirability of foreign goods: One of the main reasons for the tendency of people to consume goods is the smuggling of quality, variety, beauty, durability and lower prices of these products compared to foreign products.

F) Lack of proper policy on consumption pattern: One of the most important reasons for the emergence of smuggling of goods in our country is the desire of consumers and change in consumption pattern in Iran so that luxury goods are in the consumer basket of families - even with low incomes. The orientation of industry to respond to these changes has not changed (Khani, 1999). In addition to imagining the cheapness of foreign goods or their superiority, and in some cases the insufficiency of domestic production or the lack of domestic production of a particular commodity, it causes people to buy foreign goods. Of course, part of this need is met by smuggling goods (Khodavardi, 1997).

J) Commercial Laws and Procedures: Iran's Trade Law is related to 1932 and Customs Law is related to 1970. The new Customs Law was announced in 1390, but it is still far from international laws and trade and electronic commerce, the government's insistence on restrictions and bans and increased import duties on many goods under the pretext of supporting domestic industries and employment, the process and difficult conditions of obtaining a business card, such as company registration and having three years of business experience, a long customs clearance process and obtaining clearance licenses from organizations. Various, including health, standards, environment, agricultural jihad, nuclear energy, telecommunications, etc.

H) Low risk of smuggling of goods: In general, the lower the cost and risk of smuggling, smugglers feel less dangerous and can move goods from outside to inside or from inside to outside at a lower cost. Low risk of trafficking is one of the causes of its spread. On average, 13% of the country's total trade is done in the form of smuggling and the probability of the volume of smuggling of goods in the year of success of smugglers is 90 to 95% (Rafati, 2002). Only 3% of the volume of smuggling that enters the country is discovered, ie 97% of the smuggled goods reach their destination.

I) Unbalanced growth and development in different regions of the country and high unemployment rate in border areas:

Most of Iran's border areas are deprived, and border residents have few healthy job opportunities to meet their economic needs; Such conditions increase the tendency of residents of border areas to smuggle. Another consequence of uneven development will be the migration of border residents to industrial cities in search of work, which in the long run will create security problems.

In addition, there is no complete coordination in the definition and interpretation of trafficking among the agencies in charge of combating trafficking. A high percentage of trafficking cases in the judiciary are acquitted, one of the main reasons is the way these courts are inferred from the law on government penalties (Mohammadi, 2004).

J) Instability and constant change:

The amount of tariffs on imported goods and its conditions are not fixed, and the scope of smuggled goods is not fixed.

K) Profitability of smuggling goods in Iran.

L) Proximity to unstable countries and unbalanced economies of these countries.

M) Communities of ethnic groups living on both sides of the border.

Ethnic, cultural and religious commonalities and mutual interests between residents on both sides of the Iranian border and its neighbors have been an incentive for border traffic and a tool to facilitate smuggling, and this cooperation of smugglers on both sides of the border has materialized (Shahdadi, 2003: 91).

Commonwealths have facilitated communication between residents on both sides of the border and expanded exchanges. These conditions prevail in almost all borders of the country.

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o) The lengthy and costly process of legal imports and the high rate of tariffs: in many imported items in order to support domestic production and redundant formalities.

p) Some other factors

Direct and tacit support of neighboring states for smuggling of goods, poor planning to overcome unemployment, lack of investment in trade, outdated trade laws, staggering revenues from smuggling of goods and merchandise, lack of guarantees to enforce enforcement measures, They are a smuggling phenomenon.

On the other hand, in the national geography of Iran, we can point to the existence of more than 8000 km of water, land and other border crossings that lack the necessary equipment and manpower to protect and monitor these borders, so that there are suitable places and towers. There are no acceptable distances and at the water borders, the police force is weaker in terms of equipment and facilities than the smuggling force. In the same limited space, due to the situation of the administrative staff and the lack of proper attention to their situation, expectations are not met in the controlled space.

2.2 Previous research

- Giles (1999) in a study mentions the main causes of the emergence of underground activities, high tax burdens, inflation, real disposable income and declining ethical standards. (Arab Mazar Yazdi, 2005, p. 102).

- Schneider (2000) in examining the factors affecting the shadow economy in eighteen western industrialized countries, refers to direct and indirect taxation and government regulations as economic reasons and tax ethics and the tendency of people to government as non-economic causes (Arabic). Mazar Yazdi, 2004, p. 76).

- Schneider and Klingmeier (2004) in a study entitled "The Effect of the Shadow Economy on Economic Growth" conducted on 109 developing, transitional and advanced countries during the 1990s concluded that in Industrial and developed There is a positive relationship between economic growth and the size of the shadow sector and a negative relationship in developing countries.

- Schneider (2005) examined the indirect relationship between the underground economy and gross national product in a study. In his research, the ratio of black economy to GDP in developed, current and developing countries was 17%, 38% and 41%, respectively, with a decrease of only one percent in the volume of underground economies of developed countries. The percentage increases.

- A 2005 World Bank study asked industry owners to look at 14 factors that hinder business development in countries and identify five factors that affect economic growth, respectively. As a result, the role of the underground economy in hindering business development in all regions of the world except the newly industrialized countries of Southeast Asia was overestimated by the role of government taxes (Kaufman, 2006).

- Mihai (2008) in a study entitled "Study of the relationship between shadow economy and economic growth in Romania in the period 1999-2008 using the ordinary least squares method") showed that the relationship between shadow economy and economic growth in Romania There are positive and significant.

- In a 2011 article, Putnins and Sauka estimated the size of the shadow economy for the Baltic states of Estonia, Lithuania, and Latvia, and examined how it spread and the factors influencing it using a questionnaire. The results of their study show that the shadow economy In Latvia in 2010 it is significantly larger than its neighbors Estonia and

Lithuania. Based on their study, the researchers claim that the most important motivator for turning to shadow activities in the Baltic states is the dissatisfaction of entrepreneurs and employers with the government and their distrust of the government and the tax system.

- Elgin and Garcia in a 2011 study examined the impact of public confidence and taxes on the informal sector. Algin and Oztanelli also used a new two-part methodology in 2012 to measure the shadow economy based on a dynamic general equilibrium model. Their methodology has made it possible

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to build a collection in an unbalanced panel of 161 countries with 7,395 observations between 1950 and 2009 and use it to measure the shadow economy. , The former socialists in transition (Middle East and North Africa, Central Africa, and Asia-Pacific) conclude that, assuming other conditions are stable, richer countries tend to have smaller shadow economies.

MATERIALS AND METHODS

Research method

The research method used in this research is applied in terms of purpose because the purpose is to provide a model for the relationship between the prevention of smuggling crisis and trade cycles in Iran. Applied research is done to find a solution to an important problem in a community, an industrial or administrative organization. This research is conducted with the aim of having the results to solve problems in organizations or the statistical community. Therefore, considering that the present study is commissioned by the General Staff for Combating Trafficking in Human Beings, it is useful. Also, the research method used is based on the method of collecting information, exploratory-descriptive research method. Because the main purpose of exploratory research is to identify a situation about which there is no necessary information, in other words, in this type of research, the researcher seeks to obtain information that can help them to better understand the subject of research. Therefore, by this definition, any research requires a series of exploratory studies, i.e. exploratory research is the basis for more important and extensive research.

Next, we need to do a descriptive study to better describe and interpret these relationships to prevent the crisis of smuggling goods, because descriptive research involves a set of methods that aim to describe the phenomenon or phenomena (smuggling of goods) or this type. The research describes and interprets the existing conditions and relationships in order to provide a more complete expression and definition of it or its difference with other phenomena. In this type of research, the description and introduction of the desired phenomenon is done by enumerating the characteristics, dimensions and limits of that phenomenon.

In this study, the statistical population includes all recorded data on research variables such as the amount of smuggling of goods and gross domestic product (GDP) in the country, by the responsible official sources.

In this article, we will use economic growth and smuggling of goods to model. Let's try to examine the relationship between economic growth and 9 groups of smuggled goods separately, and then obtain an index from a total of 9 groups of goods and estimate a model with economic growth.

9 groups of smuggled goods are shown in Table (1).

Table (1): 9 groups of smuggled goods

Commodity group	Symbol
Food	CMGH
Prohibited Goods	CKM
Home Appliances	CLKH
Clothing	CPO
Live Trap	CDZ
seeds and fertilizers	CBZ
Drugs & Supplies	CDI
Vehicles and Spare Parts	CLI
Unnecessary commodity	CKGH

The tests were performed using Eviews econometric software. Also, the research hypotheses have been statistically confirmed at an appropriate level of reliability and are consistent with the relevant studies. Also,

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in this research, an experimental model based on theoretical foundations between recession, prosperity and the beginning of smuggling of goods has been presented.

RESULTS AND DISCUSSION

The results of estimating the model of the effect of GDP on the smuggling index are shown in Table (2). Based on the results in all three periods of failure, the impact of economic growth on smuggling is significant and only in the period 2012Q3-2014Q1 this relationship is negative. The issue of smuggling of goods in our country, in addition to the adverse economic effects, is important as an economic and social challenge in the regional, national and international spheres, so that the prevalence of smuggling and its negative impact as a deterrent to development, disrupts practices. And the implementation of economic, social, and cultural programs becomes governmental, and ultimately, economic growth and recession are reduced. After the failure of production and the reduction of employment and income, it becomes a complication, that is, with the increase of smuggling of goods, poverty in the society increases from what it is. With the increase of poverty, social corruption increases and if it continues, economic crises occur. Thus, smuggling of goods also damages the economic information system of countries and eliminates the possibility of planning for long-term growth. On the other hand, it reduces government revenues and upsets the balance between the productive, commercial and commodity sectors.

On the other hand, smuggling of goods can indirectly have a negative impact on the national investment of the country. With the arrival of smuggled goods (at low prices), national production is hit and the demand for domestically produced products decreases, which in turn reduces profitability and ultimately reduces investment in the domestic production sector.

Decreased investment will also reduce employment and increase the unemployment rate. With the increase of unemployment, social crises and their consequences will also increase. The unemployment of social crises and its consequences will also increase. In fact, with increasing smuggling of goods, increasing social crises will ultimately jeopardize national security.

Conversely, countries that enjoy free trade and trade freedom are certainly less trafficked and have higher economic growth.

Table (2): Model estimation results

Coefficient variable	Standard deviation		t- statistics	Probability
2004Q3-2010Q1				
CGDP	1.39E+09	3.92E+08	3.536684	0.0012
C	3.30E+10	4.02E+10	0.821280	0.4170
2010Q4-2012Q2				
CGDP	3.32E+08	63945049	5.194869	0.0000
C	-2.46E+11	3.09E+10	-7.955454	0.0000
2012Q3-2014Q1				
CGDP	-2.76E+09	9.20E+08	-2.996777	0.0050
C	-2.89E+11	1.41E+11	-2.055016	0.0474
R-squared	0.324691			
Adjusted R-squared	0.228218			
F-statistic	3.365626	Durbin-Watson stat		2.511684
Prob(F-statistic)		0.013808		

Source: Research Findings

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Smuggling of goods has positive and significant effects on the level of production and economic growth in Iran. Now we can use the causality test to determine the existence and correctness of this relationship. It is also possible to determine the type of relationship (one-way or two-way) between smuggling of goods and the level of production and economic growth through causation test. Granger causality test can be used to study the presence or absence of a causal relationship and its direction. Therefore, the results of Granger causality test between the variables of GDP and smuggling are shown in Table (3). According to the results, there is a causal relationship between GDP and smuggling.

Table (3): Granger causality

Probability	observations	Hypothesis
CGDP does not Granger Cause SHECO	39	0.0655
SHECO does not Granger Cause CGDP		0.9839

Source: Research Finding

SUMMARY AND CONCLUSION

The results of this study are very important in dealing with the problem of trafficking. For example, if it is estimated based on the model that empirical evidence has been used in its construction then we conclude that in periods of economic recession, the period of smuggling is increasing, we can deal with the increase in the volume of smuggling of goods and services by considering the increase in the level of production, employment in the country.

But if we conclude that the situation of the economic boom period of the trafficking cycle is also in the boom period, then smuggling is no longer considered a way of livelihood and will be a profitable economic activity. And the overall solution will be to move towards tariff and regulatory policies or deregulation.

In some cases, the reduction or increase of tariffs and even the change of export and import laws and regulations will not serve the interests of the domestic producer and will hit domestic production, but the economic justification of smuggling must be eliminated. As long as the smuggling of goods and services benefits the perpetrators, we can not expect this to happen at a friendly offer at no cost. Therefore, by equipping the customs with an electronic system and using a single window system, through which, under-declaration is prevented. An urban step can be taken in this direction. According to the results obtained from the main model, we find that there is a positive and significant relationship between economic growth cycles and trafficking, which is the cause of economic growth cycles based on Granger causality test which is created with a gap of two seasons from the time of boom and three seasons from the time of recession.

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