

Amazon Will Deliver to Iraq Before Russia

By [Herbert Mosmuller](#)

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Customs officers sorting through packages that are waiting for the go-ahead to be delivered. An astounding 13 forms need to be filled out for a shipping container from the United States to enter Russia
Sergei Porter

The world's biggest online retailer, Amazon.com, offers shipping to practically anywhere around the world, from Antarctica to Zimbabwe.

Even people craving an iPad 2 or a Justin Bieber album in war-torn and isolated countries like Iraq, Afghanistan and Myanmar can check the box for standard or expedited shipping.

But not in Russia.

It's not because of a lack of enthusiasm for online shopping in Russia, where e-commerce has grown by leaps and bounds to top \$8 billion last year. The problem is with long delivery times and regular gridlock at notoriously inefficient customs checkpoints — barriers that threaten

to constrain further growth.

The hardships of international shipping have slid in and out of the spotlight in recent years, and the process remains an adventure, mostly because of red tape. Delays last Christmas indicated that little improvements have been made despite promises to speed up shipments, and new difficulties loom this year when customs regulations change with the implementation of a customs union between Russia, Belarus and Kazakhstan.

An astounding 13 forms need to be filled out for a shipping container from the United States to enter Russia, according to a World Bank investigation last year. By comparison, fellow BRICS nation India requires nine forms, while Mexico seeks five and France two.

Moreover, it takes an average of 36 days and \$1,850 to get a container from the United States to Russia. These shipping troubles landed Russia in a dismal 166th place among 183 countries on the World Bank's Trading Across Borders list.

The Russian Post and the Federal Customs Service have reiterated promises to ease the shipping process and pointed the finger at each other for the difficulties. But frustrated shippers like Amazon, meanwhile, have limited or closed their Russian operations altogether.

Amazon on its web site offers only priority shipping to Russia, which usually costs about the same as the purchase itself, and it ships only books, DVDs, VHS videos and music. People cannot order goods such as electronics, health-care products or children's toys.

The online auction and shopping web site eBay is ready to send packages to Russia — two and six weeks for international deliveries is standard — but only if the buyer can find a delivery company to handle the shipment, said Alina Prawdzik, eBay's head for expansion in Europe.

DHL, for one, does not handle eBay shipments to Russia anymore. This is "due to the difficulties in ensuring full compliance for shipments addressed to private individuals," DHL spokeswoman Maria Vernomudrova said in an e-mailed statement.

Several leading express delivery companies suspended shipments to noncorporate clients in Russia last year because of "unacceptable" delays, UPS Russia director Ivan Shatskikh said.

"It was virtually impossible to do customs clearance on time, which would have lead to a low quality of shipping service and broken the transportation company's contractual obligations to customers," Shatskikh said.

Putting an extra strain on deliveries is the booming e-commerce market, which grew 50 percent year on year to \$5 billion in 2009 and then another 33 percent in 2010, Prawdzik said.

The shipping process was smoothed out temporarily last year when customs hired extra officers and extended their working hours, but at the start of this year Russia's online shoppers were hit by a new wave of delays.

"Our main delivery partner EMS stumbled at New Year's, with delays of up to a month," said Aaron Block, CEO of online retailer Bay.ru. EMS is the express delivery branch of the Russian Post.

E-commerce growth is expected to continue, making structural reforms more necessary than ever. But what exactly needs to change?

Post Blames Customs

The postal service is the most obvious suspect, but its regular clients, both retail and wholesale, are mostly content with its current performance.

EMS "is a trusted partner, and they are growing in a big, bad way," Block said. "And by bad, I actually mean good."

Block's stance was echoed by some avid online shoppers. "Russian Post had problems at the start of the online shopping boom in early 2010, but lately, their work stabilized," [wrote](#) blogger T_itanium, who keeps a diary of his online shopping experiences on LiveJournal.

In a bid to smooth parcel deliveries, Russian Post/EMS, which remains the country's biggest delivery service, announced in March that it was holding talks with online retailers to electronically regulate parcel data.

Whatever delays happen are due to paperwork problems, Russian Post spokeswoman Lyudmila Semyonova said. Half of international deliveries get stuck at customs because the attached forms to determine weight, value and size of a shipment are filled out incorrectly, she said.

In such cases "it's unavoidable to open the package, check the content and document the results of the screening, leading customs to delay those international parcels," Semyonova said.

Customs Blames Post

The Federal Customs Service said all international deliveries with correct paperwork are processed within a day and whatever delays happen are likely the fault of the postal service.

"The responsibility for loss of international mail, damage, incorrect packaging, non-delivery or breach of terms of sending international mail, lies with the postal administrations under the provisions of the Universal Postal Convention," the customs agency said in an e-mailed statement.

But it did not comment on the meticulously detailed customs forms, which shippers say are a guaranteed source of headache for anyone who tries to get their belongings over the Russian border.

When Andrei Pevnev accepted a job offer last year that would require him to move to the United States, he discovered that Russian customs "wanted a detailed description of every item (size, color, price, brand) even on used items," he said by e-mail.

"How do I know a price of something I had for like 10 years? They say, 'Go online, google the item somewhere and print the page indicating its price,'" he said.

The problems are not limited to overly detailed forms, said Shatskikh, of UPS. Other issues, he

said, include "gaps in customs legislation, total control rather than control based on risk assessment, not enough customs employees to cope with the volume of customs declarations, and low work productivity."

Customs has been focusing on easing regulations, implementing about 50 new rules on express deliveries in recent years aimed at streamlining the process.

But attempts to curb bureaucracy through regulations have little effect, not the least because the rules keep changing overnight, Shatskikh said.

"With the introduction of the ... Customs Code of the customs union of Russia, Belarus and Kazakhstan, almost all those documents became obsolete," while new ones are still being developed, he said.

We Ship for You

One man's delay, however, is another man's business opportunity. At least, this is how it is for Aaron Block, whose company, Bay.ru, specializes in shipping things to Russia.

Block said that while the business is tricky, it also offers huge opportunities, precisely because the shipping difficulties scare off competitors in a relatively embryonic market.

"You need to tackle the custom forms, the language barrier, the weight and dimension limits. You need boots on the ground to make deliveries work," he said. "But if you can make customers happy here, then you've built strong brand loyalty for the foreseeable future."

Still, the company charges a healthy premium for getting goods through customs, and standard shipping time is about a month.

Bay.ru opened in 2007, and Block, a U.S. expatriate living in Moscow, joined two years later out of frustration over delayed parcel deliveries to his home address.

Block said that during his pre-Bay.ru years he often asked himself the question that eventually got him on the company's board: "Why is it impossible in a city of 12 million people to get the goods that you want?"

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