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Books, Milk and Radios: Russia Prepares Online Exports Expansion

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Russia's e-commerce market is likely to change in the coming years, experts said.

The government's attempt to hike the customs duty for foreign goods that Russians buy online caused an uproar earlier this year.

But it is telling that no one mentioned things that Russians sell on the Internet.

Russia's cross-border exports are still in their infancy, e-commerce professionals say, with bureaucratic and customs hurdles mostly to blame.

Things are starting to turn, however, thanks to a renewed push from online retailers and reserved enthusiasm on the part of officials.

Experts polled by The Moscow Times said it was too early to say what exactly Russia has to offer to the global clientele of online retail stores beyond the requisite souvenirs, books and historical memorabilia.

But Russian small and midsized businesses have the capacity to produce world-class items in a wide range of goods, including surprising ones, said Vladimir Dolgov, the head of eBay Russia.

"Sometimes I regret we cannot sell oil and gas on eBay," he said in an interview. "But we'll make do with other stuff."

Red Tape

Russia's online exports grew robustly in the early age of the Russian Internet in the late 1990s and early 2000s.

When Ozon.ru — Russia's answer to Amazon — launched in 1998, about 50 percent of its clients were based outside Russia, Ozon.ru spokeswoman Maria Nazamutdinova said. She admitted this was because of the limited popularity of the Internet in Russia at the time, but said the absolute number of foreign buyers has not decreased since.

But things ground largely to a halt in 2004, when new regulation, including a revised Customs Code, made life for online exporters in Russia more complicated.

The most obvious hurdle is the customs duty, which reaches 1,080 rubles for a parcel weighing between one and two kilograms — this is now $24, but was about $30 before the ruble's devaluation in recent weeks, and thus a serious impediment for online retail.

Postal rules are also unfriendly to exporters, said Alexander Ivanov, president of industry group the National Association of Mail Order and Distance Selling Trade (NAMO).

Potentially lucrative arts and historical memorabilia exports are also hampered by restrictive cultural exports rules, which de-facto prohibit items dating from before the 1930s from leaving the country, much to the chagrin of collectors everywhere.

Officials and industry representatives polled for this story were unable to provide any statistics for Russia's outgoing online sales, but all agreed it was a blip on the radar of Russia's e-commerce — a market estimated by lobby group the Association of Online Vendors at $17 billion last year and growing at between 30 and 50 percent annually.

Inside the Treasure Chest

Russia does have things to sell abroad — it's just that no one is precisely sure yet what they are, experts said.

Some exports are clear, chief among them Russian-language books, the main focus of Ozon.ru's business, the company's spokeswoman Nazamutdinova said.

Folk arts and crafts, as well as post-1930s memorabilia, are another point of interest for foreign buyers.

Items such as shawls from the town of Pavlovsky Posad, Khokhloma wooden tableware, Soviet stamps, state awards and 1980 Moscow Olympics-themed handbags are already plentiful on eBay, though Ivanov of NAMO was dismissive of that market's size.

Online exports are interesting for Russian small and midsized businesses across the board, some of which have solid potential for international sales, all experts agreed.

But what exactly will score with global buyers will only be seen when the market opens, both Ivanov and Dolgov said.

Isolated success stories abound: For instance, Sokol radio sets suddenly became a hit with South African clients a decade ago, Ivanov said. He failed to provide an explanation, though surmised those may be handy for communication across the savannah.

Dolgov of eBay cited as an example unique spoon-shaped lures made by a Russian company, "that fishermen queue up to buy."

And there is even market for online food exports — in particular baby food for Chinese customers, who prefer imports after a string of food poisoning scandals that resulted in infant deaths.

"With the ruble down, we can even export iPhones," Dolgov quipped. He admitted, however, that such exports will only last until importers adjust prices to account for the devalued ruble.

There are also the post-communist countries, where markets are smaller and many items imported to or produced in Russia are unavailable.

Recognizing this, Ozon.ru has opened branches in Kazakhstan, the Baltic region, Israel and Poland, which have sizable Russian diasporas, Nazamutdinova said.

Changing the Balance

Russia's e-commerce market is likely to change in the coming years, experts said.

Part of this is due to import restrictions. The customs tariff for online purchases coming to Russia is 30 percent of the item's cost, but it has so far only been applied to purchases costing more than 1,000 euros ($1,250). However, the government tried last summer to bring down the limit to 150 euros ($190), though the bill is stalled for now after public outcry.

But outgoing cross-border trade is also expected to make an impact — not the least because of officials' interest.

"Russian Post never cared much about outgoing sales, but now they've got a new team, and the government expects them to produce results, so they're making an effort," Ivanov said.

Both Russian Post and the Federal Customs Service told The Moscow Times that they see the existing problems and are working to change them.

The customs tariffs are expected to be slashed in the upcoming Customs Code of the Customs Union of Russia, Belarus and Kazakhstan, service spokeswoman Natalia Semikina said.

She could not give a time frame, saying only that the drafting is in progress, but stressed that the customs service supported a tentative plan to lower tariffs.

Russian Post admits that the current rules for outgoing shipments "may not be very comfortable for corporate clients," company spokeswoman Olga Zhitnikova said. She said the company is considering changing them, but declined to elaborate.

In a sign of change, eBay Russia last month began working with Russia-based sellers, said Dolgov.

The company has already attracted a dozen Russian online retailers, and hopes to lure in more domestic companies that can tap the global markets this way without having to open offices worldwide, Dolgov said.

"This market will grow," he said.

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