

Battle Over E-Commerce Ejects Foreign Couriers

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January 26, 2014



A ramping up of customs bureaucracy has forced international couriers like DHL to halt parcel deliveries in Russia. **Sergey Porter**

Consumers and industry insiders are blaming domestic e-commerce lobbyists for the customs clampdown that provoked several international shipping companies to halt express deliveries to private individuals in Russia last week.

DHL, DPD and FedEx cancelled their express parcel delivery services after learning that all shipments, regardless of their value, would now have to be formally registered with customs.

Registry requires an array of additional documentation, including a purchase receipt and the buyer's passport number, Vedomosti reported.

The change has led to "a substantial increase in formal customs entries, resulting in a significant delay in the delivery of packages to private individuals in Russia," Ivan Shatskikh,

country manager for UPS Russia, said in an e-mailed statement.

These heightened requirements are just the first of new customs policies set to tighten regulation and increase taxation of Russia's burgeoning e-commerce market.

Customs authorities will soon begin levying a 30 percent duty on all purchases from foreign e-commerce companies valued at more than 150 euros (\$200).

Previously, customs duties were only applied to shipments worth more than 1000 euros or weighing in at more than 31 kilograms.

The new limit was initiated by customs authorities in cooperation with the Association of Online Vendors, which includes such major domestic players as M.Video and KupiVip, RBC reported.

The Society for Consumer Rights Protection called for a boycott on all the association's member companies last week and on Friday announced plans to hold a demonstration on Feb. 8 protesting the lowering of the duty-free threshold.

"According to the lobbyists, the new measures will enable us to battle unregistered importers. However, it is obvious that the adopted means are nothing more than a struggle with western Internet giants, to whom Russian online shops are losing market share," the society said in a statement.

"It seems to me that all of these steps that are being taken, they are going to the lobby for our Russian Internet shops," agreed Yelena Berlizova, marketing director of local online payment service Payture.

The Russian e-commerce market is a juicy target, with yearly growth of between 25 and 30 percent, according to a study published in November by the Higher School of Economics.

Cross-border trade more than doubled in 2013, the Association of Online Vendors has estimated, indicating that foreign companies are picking up steam in the race to capture the market.

While domestic companies stand to gain from the lower duty-free threshold and stricter customs rules, the government has also been eyeing the growing and largely untaxed market.

After meeting with President Vladimir Putin earlier this month, Housing Minister Mikhail Mel announced that "an ordering of Internet trade" would be used as a source of funding for infrastructure projects.

The Finance Ministry estimates the increase in revenues from the lowering of the duty-free threshold at between 20 billion and 40 billion rubles (between \$580 million and \$1.2 billion), Mel said.

The disappearance of costly express delivery services from the market will only affect a select group of consumers who shopped in foreign stores that deliver exclusively by private carriers, Alexander Ivanov, president of the National Association of Distance Selling, told Kommersant FM.

"It is not much by percentage — 1.5 percent maximum. But what is 1.5 percent? It is half a million people," Ivanov said.

Delivery time is not the main consideration for Russians who shop abroad, most of whom are lured by products that are not available in Russia and better deals than they can find at home, the Higher School of Economics study found.

The website Shopozz.ru, one of a growing pack of companies that specialize in orchestrating the purchase and delivery of products from abroad, does not offer private shipping services to its Russian customers.

"It is more economical for our clients to use state postal services," namely, Russian Post and its express branch, EMS, a service consultant said.

The upcoming fall in the duty-free threshold will likely have a much more substantial impact on the market than the increased bureaucracy at the border, Berlizova said, adding that Russian consumers will nonetheless find a way to access the products they want at the price they can afford.

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Original url:

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