

# AJOT

*American Journal of Transportation*

NO. AMERICA'S TRANSPORTATION & LOGISTICS NEWSPAPER

ajot.com

MARCH 26 – APRIL 8, 2012

ISSUE #528

## Shippers beware: as opportunities open in Russia, watch the details

*By Karen E. Thiermer, AJOT*

Exports to the CIS nations might be on the increase, but shipping products there is not for the faint hearted. And it requires an expert who knows the ins and outs of this very challenging marketplace.

Those with experience know all too well that the transport of shipments to Russia and the CIS nations is the easy part. The harder part is getting the shipment actually into those countries and to the customer.

"When shipping to Russia, the first question to ask is to which customs station will the product be arriving," says Radek Maly, CEO and President of **Highland Forwarding**, a freight forwarding company in Bedford, NH that has wide experience in that market. "A shipment must be registered with a local customs station. It positively cannot clear customs at another station," Maly emphasizes.

Unlike in the United States where imported shipments usually clear customs at the port of entry, usually the seaport or

airport, CIS-bound shipments do not clear customs until they reach their final destination. Consequently, every city and town in each nation has its own customs office and agents.

"Russia is very bureaucratic," says Maly.

On top of that, every detail of documentation must be accurate and every item shipped, no matter the quantity or size, must have proper documentation written in both English and Russian, regardless if the shipment is coming from a non-English speaking country.

"Regardless of the products, everything has to be checked in advance," he says.

Customs documents must contain specific points: 1) a commercial invoice; 2) packing list; 3) itemized unit price; 4) description; 5) gross and net weight of shipment; 6) country of origin; 7) harmonized customs code; 8) total number of packages shipped; and 9) a contract number.

"A shipment cannot be

shipped without a contract between a buyer and a seller," reports Maly. "And the customs agents are always looking for mistakes. That's because they think everybody wants to trick them or smuggle something in. It's the attitude, so you have to be especially careful."

Not uncommon are the number of shipments that cannot be offloaded because customs documentation was not absolutely correct.

"Shipments can sit for weeks, be sent back or confiscated because of lack of proper documents," Maly remarks.

If documentation is also not written in Russian, shipments can sit in storage for days or weeks, which can be exceptionally expensive, while a translator is sought to translate the documents.

This *AJOT* reporter has heard stories about frozen chicken parts left to rot or where a buyer is sought in nearby non-CIS countries where the shipment can be offloaded and delivered for cut throat rates. The stories are not unusual.

"It doesn't matter if the shipment is chicken parts or something else, the requirements are all the same in Russia," Maly says.

The buyer must also provide a GOST certificate, and possibly several other certificates required for Russian customs.

"This is the most important thing about doing business in Russia," Maly adds. "Customs clearance must always be done by the buyer or his broker, and the seller can never pay duties and customs clearance. Delivery Duty Paid (DDP) terms do not exist in Russia."

Highland Forwarding is proficient in handling shipments to Russia and the CIS nations. Among its staff of some 20 people, nearly a third of them speak Russian. The company handles a number of contracts worth millions of dollars.

But the work is not easy and most freight forwarders will not touch the business.

Besides tough documentation requirements, Russia is a vast country that spans nine time zones. Many of the bulk shipments that are related to mining, or gas and petroleum are destined to Siberia.

"There are two main ways to ship in Russia: truck or rail," Maly comments. "Rail is very reliable, and much cheaper than by truck."

This is particularly the case since a shipment might have to travel some 6,000 miles to reach Siberia once it is offloaded at a European port.

While it is advantageous to put as many shipments on rail as possible, there are limitations – particularly for large machines.

Consequently, Maly stresses the importance of working with companies to discuss what size the machine should be to facilitate its shipment.

"The key thing is to start talking to your forwarder as far in advance as possible – even before a machine is built," he says.

In some cases a machine might need to be disassembled, and then reassembled in Russia to save transport costs.

"Sometimes I have to check to see if a shipment is even acceptable for truck or rail," he adds. "Depending on its width and height, we will decide which way to go."