

**Transcript of the Meeting  
between the Secretary of State – the Deputy Head of the Federal Customs Service  
of Russia, Mr. S.O. Shokhin and  
Representatives of the Association of European Business (AEB)  
July 16, 2008**

**S.O. Shokhin**

At your request we have invited our specialists who are competent in the issues raised by the Association of European Business, and if you would like to give an introductory word, Dr. Schauff, then please feel free, but if not, we can come straight to discussing the issues at hand. If you do not mind, we would ask the concerned parties to explain once again and very briefly the issues you are raising for better understanding, and our specialists will try to answer your questions. We will then discuss them. Is that okay? In any case, by way of introduction I would like to welcome you, to the Federal Customs Service of Russia. I am very glad to see you all here. It has been a long time since we met with such a broad circle of representatives, and as we are all aware we need these meetings. In the future we will do our best to stick to the schedule and will meet at regular intervals. I would also like to wish you luck in your work and really hope that you are able to successfully solve those issues that you have raised. Shall we begin?

**F. Schauff**

I wish to briefly thank you for finding the opportunity to meet with our customs specialists. A few months ago we agreed that we would have this opportunity. I do not want to interfere in the work of our specialists, because I am not a customs specialist, nevertheless, it will be very interesting to listen to your discussion. I would suggest

that Dmitry Cheltsov, who has been head of our Customs Committee for a long time now, takes the lead in this discussion as our representative. Dmitry, the floor is yours.

**S.O. Shokhin**

I am sure that we will be able to get to grips with issues concerning the strategy for general strategies and approaches. And we will let the specialists discuss all the issues. Please, Dmitry, go ahead.

**D.Y. Cheltsov**

Thank you very much for this opportunity. At the beginning of our meeting I would first like to thank the Federal Customs Service and Mr. Sergey Sholokhin personally for finding the time to meet with business representatives in spite of his busy schedule, large number of meetings and the critical issues that he has to resolve every day. In my opinion, this is evidence of the consistent nature of our cooperation, since at previous meetings we have reached certain agreements regarding the format of our work together. I would like to remind you of three main provisions: firstly, the support of customs conferences held jointly by the Association of European Business and the Federal Customs Service. Secondly, the hot line which can be used in case of any critical issues and allows us to contact the executives of the Federal Customs Service in order to draw their attention to the current problems. And thirdly, regular meetings with the business people to exchange information. Today we are here at one such meeting.

It comes natural that economic situation is by no means static, we see how business in Russia is changing and how rapidly it is developing. It is a huge market, a

vast field for improving the general situation in the country. I believe that in this respect there is a lot of room for mutually beneficial cooperation between business and the state authorities. Please allow me to list the issues which were submitted to the Federal Customs Service in advance, and we can't wait to hear comments or, perhaps, clarifications or explanations on the major points. With your kind permission, the first question is related to the present situation of companies, who are customs brokers, owners of temporary storage warehouses and customs carriers. Evidently, this is a very important sphere which supports the import and export of goods in Russia. First and foremost, I would like to draw your attention to the fact that instability in this area does not profit either party. I think that the specialists understand why this issue has arisen, because the legislation quite clearly defines the situations where for certain violations it is possible to strike companies off the Register of Customs Brokers. However, the legislation stipulates a possibility rather than mandatory requirement, because the nature of such violations varies, and it is of critical importance to distinguish between intentional violation and technical errors. For this reason we were wondering if it would be possible to establish and define some criteria to avoid causing unintended damage to law-abiding players of foreign trade due to erroneous or inaccurate interpretations, as the case may be.

**S.O. Shokhin**

Ms. Nadezhda Plessko, could you please comment on the situation.

**N.S. Plessko**

It is true that the Customs Code of the Russian Federation includes an exhaustive list of articles under which if a broker is liable to an administrative penalty their certificate of entry into the Register is subject to being revoked, and, consequently, such a broker shall be struck off the Register. In this light, in order to establish such criteria it is necessary to introduce amendments into the Customs Code, because we cannot define them without changing the Code. It is necessary to determine the actual degree of broker's culpability, and at the same time, we should point out that if we decide to develop such criteria, they shall be established not only for customs brokers but for all foreign trade players as well as for those who carry out activities in any way connected with customs activities, including warehouses, carriers, etc. In other words, there should be a unified system of such criteria. We are ready to consider any suggestions in this respect. Another matter is that at present taking into account the administrative rules of procedure with regard to the state function of keeping the Register of the Federal Customs Service, it is determined that in case any administrative violations are revealed, the executive officer of the Federal Customs Service of Russia shall draft an order to revoke the offender's certificate. In other words, these criteria are clearly defined in the Customs Code, and yet it is impossible for the Federal Customs Service to consider whether to apply these measures or not. That is to say that everything is determined. In this light, according to the resolutions of the board, in order to set this situation right a draft of amendments to the administrative rules of procedure will be prepared to provide for an opportunity to consider the matter of revocation of certificates by the FCS committee, which should

be able to thoroughly investigate the situation and the customs broker's activities as well as those of warehouses and carriers.

### **S.O. Shokhin**

This issue has been raised many times, I remember discussing it. We have had to solve specific problems and understand that there can be very different situations. As a rule, such violations are rarely intended. There can be some drawbacks or omissions, and it comes natural that those who work more make more mistakes, that is understandable. But no matter how hard we tried and brainstormed in our attempts to include this procedure related to such diversified work into the legislation, honestly speaking, we failed. We talked about it a year ago, and it had to do with a specific case. It seems that the only way out is to create a committee which will consider each particular case. If you have any suggestions with regard to the addenda to our legislation, which would make our work easier, we will be happy to discuss them. So far, we do not see any way of bringing the diversity of the parties' legal relations and the types of activities into some kind of legal norm. This is not an individual case. If it were so easy we would not need courts. The courts exist because it is impossible to take everything into account. Therefore, let us do it this way, we are ready to consider your suggestions and we understand that it is sometimes unjust to punish a company with a multimillion turnover for one or two violations. We realize this and are trying to find a way out. So far, it is difficult for us to suggest anything except applying an individual approach.

**D.Y. Cheltsov**

Thank you very much for your commentary. In any case I believe that all those involved in customs-related business should be thankful for such an attentive and detailed discussion of such situations so as not to interrupt the process or stop the business. Since such solutions have been found in the past, I think, in any case, this is the best and most optimal way of tackling this problem. Of course, all of us have experienced such difficulties trying to work out the criteria. This is not an easy situation, it is difficult to determine unambiguously and clearly a balanced and rational approach to each specific case. I think this is the only way out of today's situation. Maybe in the future something can be changed for the better.

The next question I would like to ask on behalf of business representatives is related to establishing a simplified procedure to control the customs costs for the law-abiding foreign trade players. I am asking this question, because there is Order No. 727 which contains such provisions for car dealers. Are there any plans to apply this procedure to other law-abiding foreign trade players?

**S.O. Shokhin**

I would like to ask Ms. Nadezhda Razumkova for commentary. Please, go ahead.

**N.L. Razumkova**

Good afternoon. I would like to generalize the question. We are talking about developing a new procedure which would provide for the simplification of the customs cost control procedure for law-abiding foreign trade players. This is really a very urgent issue, and the Federal Customs Service is considering various options for achieving this. Customs control, including control of the customs costs is based on the selective principal. That is forms of customs control are applied primarily to foreign trade players and to goods supplies with a high level of risk. And, of course, we understand that foreign trade players who have been carrying out foreign trade in the law-abiding manner over a long period of time, who have no registered violations, and who are willing to cooperate with the customs service by providing information including accurate information on price, should be entitled to simplified procedures. But at present, these procedures are being developed. We have acquired some experience under Order No. 727, but this procedure will be applied to all goods, including those with a high level of risk. This is why such a procedure will be developed in the future. If you have any questions with regard to the order that is in force, please feel free to ask any specific questions.

**I.D. Shariff (Honda Motors)**

I have some questions related to 727. In my list of questions, there is a question from Toyota. On my own behalf, I can say that if not 100% of automobile importers, then at least the vast majority are facing similar problems in one way or another. I do not mean dealers, but car importers, i.e. subsidiary manufacturing companies. The company is included in the order, as are the majority of car manufacturers, there are

some companies – like Mazda – who came in later and are not included in Order 727, but Toyota is included in this order. The problem is that they have a new agreement, and almost all car manufacturers are facing these problems, or companies merge like Peugeot and Citroën whose representatives are here. In our case there were also new suppliers, and it all leads to a situation, whereby the companies that used to benefit from Order 727 can no longer use it despite the fact that there have been no changes, or a company can't use the order to the full extent, like in our case some motorcycles are cleared under the order and others are not. The main reason for this is that the amendments (not to the order but to the lists) have not been entered for the last 2 years and we have not yet received answers to any of our questions. Why the amendments were not entered, will they ever be entered and if so when will they be entered, etc. Could you please tell us the relevant details?

#### **I.V. Bulycheva**

I'll try to clarify the situation with Order 727. This order has been in effect for a long time and has proved its effectiveness. I think, it is effective both for you, the business community, and for the customs authorities. We have a lot of practical experience, and taking into consideration today's specialization of the customs authorities in clearing vehicles, I think you will agree that we have made much progress in this field both on the part of the customs officials and on the part of the foreign trade players. No amendments have been made to Order 727 for a long time, nevertheless time marches on and there is now the need to update the order and the



provision on the procedure for controlling the custom costs for certain types of goods. Today a new version of Order 727 is being drafted. As for the car dealers, in our opinion, it is advisable to apply an integrated approach to this work, especially in light of what Ms. Nadezhda Razumkova said before. We need to use the overall procedural strategy for controlling customs costs and a differentiated approach in this area. No doubt, after the new version of Order 727 is issued, the lists will be updated. Nevertheless, today work under Order 727 continues, you know this as well as I do. The Federal Customs Service receives documents from you which are then processed. Information is being communicated to the specialized customs authorities who are in charge of clearing vehicles. This is why today we can't talk about the ineffectiveness of Order 727, but the list will be updated once the new provision is issued.

**I.D. Shariff**

Could you tell us when the order is expected to be issued?

**I.V. Bulycheva**

In this case Order 727 applies to specific goods; it depends very much on the general procedure Ms. Nadezhda Razumkova spoke about.

**E.U. Okorochenkova (Peugeot-Citroën Rus)**

I am sorry, Elena, but the lists under Order 727 have not been updated for over 2 years and unfortunately it is not working in practice. I am probably expressing the opinion of all car manufacturers if I suggest we resume meeting as we did in the past. We used to meet with the customs service once a quarter and discussed all urgent issues. Unfortunately we have not had any such meetings for a long time, for at least 2

years, even more according to my colleagues. We discussed everything at these meetings and knew what to expect in the future. But Order 727 is not working in practice.

### **I.V. Bulycheva**

I can't agree with you that the order is not working in practice. I would say that it is working in practice. Because if it was not working, it would be a completely different story. It is working. No, the list has not been updated for a long time. Nevertheless, as of today, 52 organizations are included in the list of automobile organizations. The list includes 7 organizations which import tires. Of course, there are difficulties, new procedures are being prepared, but if you want to know when the new provision will be issued precisely, I'm afraid I can't tell you the exact month. But the work is definitely being done. Apart from that, as for the list, which has not been updated, I will reiterate that we have a clear specialization of the customs authorities by these groups of goods, therefore the specialists have enough experience and knowledge of the category of goods they are dealing with. The Federal Customs Service maintains constant contact with the customs officials that do the clearing. Information provided by the FCS is circulated to all offices. We are working. As far as regular meetings are concerned it is difficult to comment as this issue is outside the framework of the direct application of Order 727.

### **D.Y. Cheltsov**

Thank you for your commentary. I am sorry, but our time is limited. This is surely an important issue. Here we have representatives of 6 car manufacturing companies and, naturally, the interest is great. The Association of European Business has drafted a letter of petition to the FCS of Russia signed by Frank Schauff. Maybe it would be worthwhile holding another meeting to discuss all issues related to this huge segment of business and exchange useful information.

**S.O. Shokhin**

Let us decide now whether we will have a meeting. We will see how regularly we will be able to meet, but now, since we have too many questions we shall arrange a meeting. Let's think when we can meet? And let's find out when the new version of the order can be issued. With regard to this order there will be a lot of internal problems that is problems inside the FCS of Russia involved with agreeing all the technical aspects. Let's see how difficult it is to update the lists and how necessary it is and when the new orders will be issued. I will find this out and we can have a discussion at the next meeting. We will have this meeting soon, OK? When can we have it? What would you suggest? May be September?

**A.V. Smelyakov**

No later than September, we can promise that.

**I.D. Sharif**

As for the Automobile Manufacturers Committee under AEB, the sooner this meeting will take place, the better. Taking into account the vacation period, we leave it

up to you to decide, but let's agree now that the meeting will be held no later than September.

**S.O. Shokhin**

No later than September, that is decided. I would suggest that we have it in the beginning of October, within the first ten days.

**I.D. Sharif**

Thank you very much.

**A.V. Smelyakov**

Ok, so in the last ten days of September or in the first ten days of October?

**S.O. Shokhin**

No, the first ten days of September. The first half of September. First two weeks of September. Can everyone manage that?.

**D.Y. Cheltsov**

Thank you very much for your understanding and support.

The next question I want to ask at this meeting is related to the possibility of changing the customs cargo declaration after release of goods and the procedure for voluntary additional payments in case of some technical mistakes in declaration. This happens rather often, and I think that everyone here is interested in the accuracy and reliability of submitted information and the proper collection of customs duties. It is very important both for the customs authorities and, strange as it may sound, for the consignee companies. It is necessary for keeping clear and accurate records of the received goods and products. Here some technical difficulties are possible, and I

would like to hear the opinion of the Federal Customs Service on the possibility of such changes.

**S.O. Shokhin**

Here we have the First Deputy Head of the Main Department of the Customs Clearing and Control Organization (MDCCCO), he will try to clarify the situation.

**S.I. Alekseev**

Thank you, Mr. Shokhin, this is an old problem and it has a long history. MDCCCO has been working on it for a long time. Today we have drafted an order, and this order is being agreed internally by the Federal Customs Service. I will say right away that everything related to declaration, as you all know, is the most complicated issue in the work of customs, because it has to do with both paper and electronic forms, with various types of reporting and with making decisions with regard to administrative violations. Therefore the correct and accurate filling out of customs cargo declarations is very important and significant from the viewpoint of the law. And for this reason our approach to these issues is very meticulous and adjusted. I will say once again that the order has been drafted, and I want to say right away that it will only be applied to cases that are not related to correcting customs costs and customs payments. This is because where payments are corrected, let colleagues from MDCCCO correct me if I'm wrong, such cases are reviewed as an administrative violation. So I am not going to touch this aspect of changes to customs cargo declaration, at least not the version which is being agreed by the departments of the

Federal Customs Service. This mainly has to do with the following: changes in the customs declaration caused by technical mistakes, changing vehicles, with the problems a broker faces every day while registering goods and exporting goods with declarations filled out at the border. We are all aware of these problems, and we have tried our best as far as it is possible within the field of legislation, to cover all the cases that we are aware of, with which we are dealing with and about which you send us your requests. All these cases have been taken into consideration.

That will be all about amendments for now.

**S.O. Shokhin**

Does anybody want to add anything? Any additional questions or has Mr.Sergey Alekseev clearly explained the situation?

**D.Y. Cheltsov**

I think his commentary was adequate, and, in my opinion, very positive, in as much as a document is being prepared which can solve the problem in full or at least in part, this is very important. So, we eagerly anticipate the issuing of the document. Thank you very much.

**M.V. Lyakisheva**

Can I ask one more question on this issue? Mr. Sergey Alekseev, can you please clarify the following. The legal importers often face the problem of discovering mistakes in declarations which were overlooked by the customs authorities after the goods were released, but the current legislation does not allow for additional payments

to be made without entailing liability. Is the FCS planning to make any amendments to the legislation in this respect?

**S.I. Alekseev**

Such amendments, as you understand, require the Customs Code to be changed, not the regulations of the FCS of Russia. Such a package of proposals exists. But the necessity of its adoption is being studied.

**M.V. Lyakisheva**

Thank you.

**D.Y. Cheltsov**

The last question we have on the agenda is related to the situation in the customs checkpoints on the Russian border.

It is midsummer now, and the peak period is impending. Before the New Year a lot of goods are being imported, and we all remember the long queues on the border in previous years. We are well aware that some work is underway between the customs services on the Finish border and with some other neighboring countries, that some programs exist and so certainly, there must be some progress in this area. It would be good to hear the latest information about what has been achieved, what will be in the future, and what the importers should expect when going through the customs checkpoints on the border in the period leading up to the New Year.

**S.I. Alekseev**

Thank you, we are also very concerned about this problem. At the end of every year we have heaps of rush job at the customs border points, and all our attention is focused there. Unfortunately, the shipping schedules are arranged in such a way that the period of closing contracts falls on the end of the year. This uneven distribution of commodity traffic leads to long queues at the border. I should say that often information on long queues and problems at the customs border points given by the press does not reflect the real situation, actually the queues at the border are much shorter than reported. By way of example I can mention how the press covered the queues at the Finish border. It was reported that the queues were over 50 kilometers long and much was said about the traffic jams. Our officers went to the Finish side. They did not see such long queues. Moreover, we demanded evidence and I received photos and video records with the time code, and there were no such queues. Apart from that we need to understand that the queues at the border have huge gaps. There are groups of 2-3 vehicles with an interval of 2-3 kilometers between them. In this case you can say that the queues are huge.

At the same time, you all know that we are constantly monitoring the situation, keeping it under control and taking measures to make the queues at the border shorter. Each morning I receive a report on the number of vehicles on both sides of the border. This issue is always within the vision field of all FCS officers, and they all are involved in one way or another. In order to shorten the queues at the border we have increased the capacity of the customs border points two to three times for the most strenuous situations. A number of measures are being taken to this end. And above all



I'd like to mention such a measure as giving advance notice about arrival. This is the so called electronic copy of a transit declaration, which is submitted to the customs authorities before the vehicle arrives. We began to use this measure just recently, but it has already proved to be effective. You are well aware of how long it takes the driver to complete a transit declaration at the border. This measure reduces the time spent at the customs border point by approximately one hour. Moreover, in the busiest areas we have increased the number of officers. All computer workstations are occupied, and the officers are working very hard. A number of measures are being taken by the State Border Committee. At the Burachki border point a "one window" experiment is being carried out. Arriving at the customs checkpoint at the border, the driver hands over his package of documents to an officer and all formalities related to other control services – transport inspection, veterinary, sanitary and other kinds of control are settled without his participation. He then receives the documents containing the entry permit from the customs officer. The average time for the procedure that we originally established and the standard set for our employees is one hour. We are well within the limits now. But we are aware that one hour is too long, way too long. Our goal is to shorten the time in the future.

We are working on implementing Federal Act No. 266 which provides for two border services – the customs and the federal service. That's what Burachki is, that's our experiment. What I am saying is that this is a trial and error application of the Act in Burachki, even though there is no inter-service electronic information system which would lessen the amount of time spent by employees carrying paper to and fro and

which would allow our officers to electronically track the clearance with other authorities and to issue permits for other vehicles to cross the border. Even under such conditions I believe that we have shortened the time vehicles have to spend at the border. When we acquire the proper electronic applications and the applicable software is installed, the time will still further be reduced. Furthermore we have a resolution on this matter by the Government providing for specialized border clearance checkpoints.

It's a well known fact that most of the time spent at the clearance checkpoints is taken by different control procedures, i.e. cargo inspection. The inspecting is often done by the veterinary and sanitary services. Where the inspection is initiated by those services, customs officials have to take part in the inspections.

It takes a lot of time. Plus, not all the border points are suitable for such control. And it crams the entry, slows the process and causes queues. The Government today has issued instructions on creating specialized border checkpoints for major goods. For example, goods subject to veterinary control. We believe that introducing specialized checkpoints and clearing cargo without inspection by a large number of border control authorities will allow us to increase the checkpoint's capacity and will help us to handle the existing import volumes, which, I must say, are growing.

This is the summary of the issues we are working on.

**S.O.Shokhin**

I will summarize and add a couple of things.

It is clear that in Act 226, “one window” is us and the border guards. The migration control will be under the border guard control, they will handle it themselves. The rest is on us. This experiment in Burachki proved to be highly effective. Why Burachki? The types of goods which go through Burachki allow us to simplify many kinds of control procedures, meat crosses the border there so it is easier to work with partner authorities. What I’m saying is that officers of other controlling bodies have been transferred under our control. So everything is now in the same hands.

Mr. Alekseev has touched on this issue, and if you look at the table it is very impressive. We are going to test and finalize this procedure in Burachki and then we will choose where we can introduce it next.

Now, to the Russian-Finish border. We have introduced one actual step with regard to specializing. Why is specializing important? Many control procedures are not required over there. If food products do not cross the border there, then why are veterinary doctors and sanitary officers there? It will make things quicker. We are talking about saving minutes here, and this is important.

There were two points designated for busses to cross the border by our order: Svetogorsk and Brusnichnoye. We have the approval of our Finnish colleagues. Everything will be fine. The effectiveness is very high. With the intensity of traffic at these points, most of all the high number of busses, the capacity has increased by 10%. That’s a lot.

The Finns are asking us to come back now. Why? The customs officials are saying that everything is fine, but the local population is unhappy with the fact that a lot of vehicles are passing through, making driving more difficult there, and the quality of the air worse. But, my friends, you have to choose – you either benefit from the cargo transit or make the locals happy.

That's much ado about nothing. The infrastructure we are developing, as we said, is just one side. The other side of the border has to do some work too. Countries close roads for spring and autumn, when there are rains; the traffic has to pass through a bottleneck. These are the issues we face. There must be some measures taken by the other side.

Now, some details on the advance notice procedure. Yes, it is true that one actual hour is saved. We are currently negotiating with the Commission of the European Communities. 12 countries are participating in the project and we may introduce the advance notice on January 01. Firstly, at the Finnish, Baltic and Polish borders, etc. But issues arise even there.

We have our own legislation and our own developed methods. We have not yet been able to reach an agreement on the information to be included. For the most part that's the same information as in the TIR. But there are no codes and no prices. Without the codes and the prices any truck will encounter risks. It makes no sense. And we are told that we cannot introduce the data ourselves as the state authorities of

the other side will not have this information unless the foreign trade players supply it themselves. Which we can not force them to do.

Let's at least inform the foreign trade players that if they want to cross the border without any problems or delays in compliance with our legislation, then they have to stipulate the first 10 numbers, or at least 6 numbers of the code showing the goods category, that's what we ask. We also ask for the price estimates, or we will have to find other ways to determine the price, as we need it for clearance, and for internal transit. Most of the cargo passing the Finnish border is internal transit. How are we going to accomplish that?

That is why the foreign trade participants also have to take a step forward on this issue, and that will really simplify the procedure. As for specialization, as Mr. Sergey Alekseev has quite rightly pointed out we are actively reviewing this issue.

And that's the last issue on the agenda, am I right?

**D.Y. Cheltsov**

Yes, that's the last point of the agenda.

**S.O. Shokhin**

Concerning the last and the first points on the agenda I would like to address several questions to the AEB.

I will say it now, as it is impossible to hide the fact - we will immediately be confronted with the fact that the political authorities of the country have requested that

we develop a brand new approach to customs clearance in the country. I presume you have heard about it. We have been focusing mostly on the customs clearance at the internal customs checkpoints. Now the goal is to consider the possibility of transferring the customs clearance to regions neighboring the border.

That is a serious and complicated matter. It will result in major changes in logistics, cargo flow and in our work as we will somehow have to do it at the borders, or to be more precise, near the borders. You all realize what it means. As I understand there are brokers, temporary storage warehouse owners and transporters present here. I am asking you to give it a thought and to suggest how to approach this issue.

I was asked to develop a strategy by the 1<sup>st</sup> of August, and I will make a report on this issue on August the 29th. I am talking about the strategy for moving customs clearance to the regions neighboring the border. That's a hard task. We are working on it now. It is very difficult to find suitable approaches as there are issues that need to be tackled, above all, concerning the transport categories and the customs-related infrastructure. There are also personnel issues and so on.

Of course, I do not send official requests to business-circles asking for suggestions, as it is not our practice. Of course, we will be developing and discussing the strategy further, first and foremost with the business-circles, because we have to think of some solutions in this regard. We will have to construct temporary storage warehouses and adjust the logistics schemes, which in this case will have to be quite different. Almost nothing is ready at the border.

I am also asking you to think ahead on this issue. If you have any suggestions which you would like to be included in the report on the strategy I will announce on August, 29, please, send them directly to my assistant. I can not guarantee that every suggestion will be included, but it will make things easier for us if we know the opinion of the business people directly interested in the issue. And it just might help us to find the optimal ways for developing the new methods.

That is all I have to say. I have finished my report.

**AEB member speech (no surname listed)**

I would like to point out one more thing, if you do not mind.

Mr. Shokhin, it is in respect to the advance notice issue. In theory, the Customs Code of the Russian Federation provides for the use of advance transit declarations. At the moment, as I understand it, this strategy does not work because of a lack of coordination between different internal customs bodies and between the internal customs and the border authorities. As I understand it, if a foreign trade player electronically submits an advance declaration for entry of vehicles into Russia, then this constitutes as notification and contains all the data, prices and codes, etc. But our company has tried to use the procedure numerous times and could not understand how it worked. Thank you.

**S.O.Shokhin**

Let us discuss this issue with your company, personally. We have companies who have been successfully using this scheme for years. You all know the company

that provides the best example. For three years now IKEA has only been using the advance electronic notice procedure. I see no problems with it. A different issue is what kind of scheme you are using for data transfer. We will have to look into that. For many the real issue with the advance notice was related to the fact that for the foreign trade players it is a financial burden of up to 50,000 dollars, as far as I know. This is how much is needed to cover the costs of buying the necessary equipment and software and installing networks. A lot of foreign trade players decide against it.

But if you want to do this, let's see, exactly who did you deal with?

I was talking about using the advance declaration as a document for other customs procedures, transit included.

### **S.I.Alekseev**

I do not think we will have any problems with this. Please, contact the MDCCCO and address your request to me. As Mr. Shokhin has pointed out, we have an advance notice scheme which we have been using for years. Furthermore, we have introduced the advance notice procedure at the north-west border and it is working at full capacity. Those who cross the border are really satisfied with it. We have implemented it on the basis of the Russian Customs Economic Company, using the Internet. There are no problems with it whatsoever. I am afraid you keep knocking when the door is already open.

### **S.O.Shokhin**

Please, contact the relevant experts. That's an entirely different issue.



**D.Y. Cheltsov**

Thank you very much Mr. Shokhin for offering to join the discussion on this scheme and the goals of the customs authorities. Frankly, this information was already provided in 2006, two years ago. Even then we were discussing the consequences of such changes as part of our committee proceedings. And, to tell the truth, we were able to distinguish a large number of risks in connection with this issue, including those of the state authorities. This issue is also a human resources issue. This issue does not concern the customs authorities alone, it includes the companies' personnel issues as well. It is very difficult to send experts there to sort things out. It requires major financial investment in the creation of new infrastructure in the regions neighboring the border. And it leaves us with the question, what to do with the current infrastructure in the central part?

**S.O.Shokhin**

We are well aware of the fact that it is difficult and hard. Our goal is simple and it is not up for discussion anymore. We have been assigned a task and we now have to fulfill it. Now the question is how to fulfill it in the most effective way, with as little losses and risks as possible. It is easy to come up with reasons why this isn't necessary. But what we need is to come up with reasons on how to improve it. It is understood that the introduction will not be instant. It will be a gradual, thoughtful and careful process. That is what you have to take into account.

We are aware that this issue was raised at some point, but at the time neither the business environment nor the customs service itself were ready to solve it, even if we are talking about the technical side. Nowadays we take a different approach. I think that this issue can actually be solved. What we need is to develop the stages, the tactics and the strategy of our actions, the where and when. I am asking you to consider this issue.

**D.Y. Cheltsov**

Naturally, we will do our best. One quick comment. We rely on western expertise for many issues, and maybe we have to use it for this particular purpose too. Such a situation is absolutely logical and rational for smaller countries. But for a country as big as Russia, your goal seems to be extremely difficult, and if there is some positive solution to it, if it is solved in a short time, it will be a true feat. We wish you the best of luck and will do our best to help you. Thank you.

**F.Schauff**

Mister Secretary of State. Dear Sergey. We thank you and your colleagues for providing this opportunity to discuss the matters important for business and for you. It was very interesting to hear about other existing issues. We would like to ask if it would be possible to conduct such meetings two or three times a year, so that we would have the chance to openly discuss the issues which interest the foreign business players among us. Please, would you address this question right away?

Of course, we were pleased to hear the things you said about the new strategy. If you would like our opinion on the matter, we will be happy to provide it. We will probably send it via Alexandr. I absolutely agree that there are numerous complex issues. They arise out of the fact that progress has been made between the EU and Russia. Commodity exchange is always a positive development and forms the basis of our constructive cooperation. Thank you all. We hope that we will meet with our car manufacturers soon, after the summer break. All of us here today will meet again by the end of the year.

Thank you very much.

**S.O.Shokhin**

Thank you. We sure will. It doesn't matter how busy we are, we are still going to assign Alexandr the task of organizing such meetings two or three times a year. And I think that this is a real possibility.

In the future, according to the applicable results, we will finalize all the documents and will implement all the solutions. We thank you once again for such a productive dialog. We certainly need it. I believe that the issues you or we have, are not just your issues or our issues. They are common issues.

Both you and we need to find the solutions as this matter concerns the development of the economy of the entire country, and mostly, its economic power and stability. It is only natural that we are highly interested in solving these issues.

So, let's all agree that this was a successful meeting and start implementing the things we discussed today, at the operational level. Thank you.

(applause)