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CHALLENGES WITH FEATURES OF CUSTOMS CLEARANCE AT THE RUSSIAN-FINNISH BORDER: A CASE OF GW EUROPE OY

Bachelor’s Thesis
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Challenges with features of customs clearance at the Russian-Finnish border: a case of GW Europe Oy

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**Thesis Title**

Challenges with features of customs clearance at the Russian-Finnish border: a case of GW Europe Oy

**Commissioned by**

GW Europe Oy

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**Abstract**

The main objective of this thesis is finding out potential problems of customs clearance at the Russian-Finnish border and ways to avoid risks during exporting of goods to Russia.

Customs clearance is an important part of trade between Finland and Russia. The process of crossing the Russian-Finnish border depends on many factors such as preparation of documents and experience of logisticians.

To achieve research objectives, representatives of Finnish logistics companies were interviewed about difficulties at the Russian-Finnish border. The results of interviews are elaborated in findings and show that careful work is needed for successful crossing the border. All kinds of mistakes cause time and money losses. Research shows what are the preparation for export and crossing the border processes and gives solutions for avoiding risks.

**Keywords**

logistics, border, cost of logistics, Finland, Russia, customs, customs clearance
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1. INTRODUCTION

The thesis topic is “Challenges with features of customs clearance at the Russian-Finnish border: a case of GW Europe Oy”. The topic was given by GW Europe Oy company where I worked as an intern. Interest in writing thesis about difficulties of specific Finnish logistics company caused by working with importing goods to Russia appeared because of both specialisation and basic trainings that took place in such companies, work of which was connected with Russia.

1.1. Research and development problem

Greenway is a Russian holding company that operates as an international logistics operator and provides a full and effective range of services for import to Russia and export of any goods from the supplier's warehouse to the customer's warehouse of a country. Greenway Head office is located in Saint-Petersburg (Russia). The company has representative offices in Moscow and Sochi (Russia), Kotka (Finland) and Hamburg (Germany).

GW Europe Oy is a subsidiary company located in Kotka. There are lots of benefits of storage of goods on the European stock close to the border of the Russian Federation because storage is low cost, reliable and safe, and what is most important, there is a possibility to deliver cargo Just In Time to any enterprise of the Russian Federation. This scheme eliminates the presence of warehouses in Russia and increases the economic efficiency of enterprises, eliminating the costs of premature release of goods for free circulation in the territory of the Russian Federation.

I intend to make a research about the thesis topic to understand customs process because there is not enough research about customs clearance
procedures between Russia and Finland. Moreover, nowadays it is a big problem for Finnish logistics companies to provide export of goods to Russia.

What is more, I will improve knowledge in logistics work while writing the thesis which will be helpful for my future career in Finnish logistics companies. Even more, I will bring new ideas needed for my commissioner (personal suggestions that can help company to work easier with the Russian-Finnish border).

1.2. Research and development question

The main research question is "What are the problems in custom clearance at the Russian-Finnish border?"

When seeking answers to these questions, there is an object to define what kind of expected or unexpected difficulties the company has while working with the border officials.

After having information about GW Europe Oy’s situation, there will be an opportunity to compare results with another logistics company’s experience. Moreover, it is interesting to know if the methods used to make working with the border regulations easier are the same in different companies or not. Also, there is an aim to compare time before and during sanctions to find out whether anything has changed.

This thesis work will include an overview of specific rules and documents needed to be presented at the border. The next issue needed to be explored is how these rules are followed and how documents work in real life, so expected and real process that company faces with customs should
be compared. Moreover, it would be useful to know whether the situation has changed in any form since the period of sanctions.

To conclude, it is needed to figure out how the company operates with customs clearness and to find solutions that will make work of the company easier.

1.3. Research and development objectives

The main aim of the thesis is to determine expected and unexpected problems GW Europe Oy faces at the border, solutions used by the company to solve these problems and finding new solutions to make working with the customs easier.

There are several research objectives of the thesis:

1. Identification of expected and unexpected problems that the company faces at the border;

2. Comparison of the results with other companies working with the Russian-Finnish border;

3. Cost of crisis;

4. Determination of solutions companies use to make work easier;

5. Summarizing and personal suggestions that can help with facilitating the company's work with customs.
I would like to mention that my thesis will include GW Europe’s point of view. Also, I will gain information from other sources possibly including interviews with similar companies. I am aimed to have my own conclusion based on different points of view.

2. THEORETICAL CONCEPTS

2.1. International trade

International trade can be explained as a process of exchange of goods and services across the state borders that is mostly used by the companies as the first type of business foreign operation that requires the least risks for company’s resources. Acquisition of goods and services, reduction of cost of production, increasing of incomes and employment, learning about advanced technical methods used abroad and security of raw materials are significant advantages of international trade. (Seyoum 2009, 14.)

The theory of international trade has a microeconomic nature that includes acting with the causes, the structure and the volume of international trade. This theory deals with several directions of international trade such as determination of prices that relative to goods in world economy, international specialization, effects of tariffs and so on. (Gandolfo 2014, 4.)

International trade is the most significant determinant of country’s economic development. International trade of a country consists of inbound and outbound movement of goods and services that result into inflow and outflow of foreign exchange. Nowadays international trade is highly competitive and dynamic. It is essential to be competitive in the world market. International trade is one of the effective instruments of economic growth that should follow changes in market conditions. (Ramagopal 2006, 2.)
International trade includes logistics which is a total systems approach to supervising of the distribution process. This process involves planning, implementing and managing the movement and storage of raw materials, working progress inventory, finished goods and the associated information from the point of origin to the point of consumption. (Rushton & Walker 2007, 4; Seyoum 2014, 121.)

Logistics occupies a large part of the global market. It is impossible to purchase without logistics because international carriers deliver products using different ways of transportation (by air, road, rail or sea). Logistics is under impact of changes in international purchases and trade. Changes in distances, amount of carriers and involved elements, variety of modes of transportation are the reasons of increased complexity of logistics. Reliable and capable transportation and distribution systems connect distant from each other regions together when company deals internationally. (Trent & Roberts 2009, 26.)

Transportation is a part of logistics that can be performed across different modes including air, sea, rail and road. This thesis involves freight transportation which is a physical movement of goods, both inbound and outbound, including the collection of product and its delivery to the end user. (Rushton & Walker 2007, 5.)

2.2. Background of Russian-Finnish relations

The last decade was prosperous for trade relations between Russia and Finland. Russia came back to being the most valuable trade partner for Finland. Exports from Finland increased but statistics shows that at least quarter of them were re-exports that mean products were produced in a
third country and were delivered to Russia through Finland. (Ollus & Simola 2006, 5; Kotilainen 2007, 5.)

Re-exports and transit trade differ from each other. Re-exports are compiled in the foreign trade statistics as Finnish imports when goods come to Finland and as exports when goods leave the country. There is separate statistics where statistics on transit trade are compiled. Re-exports include such goods as cars, phones, washing machines that are being bought by Russian customers from Finnish wholesale or retail companies, or from individual citizens. A part of the re-exports exists just due to logistical practices. (Kotilainen 2007, 5.)

Own export gave considerably bigger income and employment effects for Finland than re-exports. Nevertheless, Russia was the fastest growing export market for Finland even excluding re-exports. Although re-export was excluded from the trade, a third of Finnish exports value were being lost at the Russian border due to double invoicing as the main reason. (Ollus & Simola 2006, 5.)

The number of Russia-related companies in Finland in the field of trading and transportation had also grown considerably. Companies were mainly located in Southeastern Finland. The trade in travel and construction services with Russia increased. Hence, Finland and Russia could be able to reciprocally benefit from economic co-operation. (Ollus & Simola 2006, 6.)

In March 2014 it was decided to adopt and extend gradually sanctions towards Russia. The solution was made as a reaction to actions in Ukraine. Notwithstanding, a number of exemptions were accepted. (European Parliament 2014, 3.)
First of all, there is EU's dependence on the Russian gas suppliers that is why it was determined to exempt gas from the sanctions. Secondly, EU subsidiaries of blacklisted Russian banks operated in Member States are exempted regarding to financial sanctions. Thirdly, pre-existing contracts are under exemption that opens considerably gaps. (European Parliament 2014, 3.)

Responding to EU sanctions, a ban on agricultural products and foodstuffs from EU was decreed. Baby food, certain animal products and live animals, fruit juices, prepared vegetables and canned fruit were under exemptions. (European Parliament 2014, 3.)

As a result of sanctions, all sectors including the freight market were affected. A sharp decline in freight traffic from Europe to Russia was indicated. What is more, it was decided by Russian customs that it is forbidden to cross Tortyanovka border crossing point while moving goods from Finland under TIR Carnet since April 2014. TIR Carnet is a transport document that gives the right to transport goods across borders in sealed vehicles or containers, it is created for simplification of customs procedures. This change resulted in huge queues of trucks with TIR Carnet signs. As a consequence, deliveries were delayed. (Gladkih 2015; Finnish Customs 2015.)

2.3. Customs clearance

2.3.1. Components of customs clearance

Customs clearance implies a responsibility for activities that are largely determined and undertaken by customs officers. There are different roles of customs in different countries but the core function of customs administration is common for all states. There are four main areas that are
covered ubiquitously: revenue collection, regulatory compliance, trade facilitation and security. (De Wulf & Sokol 2004, 17; Truel 2010, 22.)

Revenue collection takes the central part of customs responsibility and highly depends on the customs’ duties share of the country. Level of revenue collection depends on the value of the duties of the country’s budget. Customs authorities, thus concentrating its efforts on ensuring that the goods imported into the territory in a procedure or trade agreement are entitled to benefit from reduced or zero duty rates. Loss of income is always a risk area for the customs. Customs ensures the enforcement of customs laws and regulations. Non-compliance with these rules is a risk for the customs authorities. (Truel 2010, 23.)

Facilitating trade is also an important role of customs. Global infrastructure gives traders a huge choice of routes for the movement of goods between countries and the most efficient way will be always chosen by traders. (Truel 2010, 23.)

Sometimes it is cost-effective and safe to move cargo through the longer route to avoid a border crossing. Also, there is a possibility of differences in treatment between customs in the same country. Usually traders adapt quickly by changing their supply route. Another challenge for customs is to secure the global supply chain. Level of importance of security depends on country but, anyway, security is a source of risk for all customs authorities. (Truel 2010, 23.)

Customs clearance consists of export and import procedures. Export is a process when goods that are in free circulation within EU are taken to countries outside the EU. Frequently goods are exported permanently without any intention to import them back into the EU. (Finnish Customs 2015.)
However, goods can be also exported temporarily for an exhibition or presentation as an example. Temporary export means that goods are needed to be returned to the EU in complete safety and without any damage after they have been used. (Finnish Customs 2015.)

Export declarations must be submitted for all goods that are going to be exported outside customs and fiscal territories of the EU. These goods must be placed under an export procedure. Submitting of export declaration is a responsibility of the exporter. A forwarding agency can also submit the declaration for the exporter. There are no customs declarations to be submitted when goods are traded between EU countries. However, if the annual value of the exports exceeds 500 000 euros, Intrastat declarations must be submitted for the purpose of foreign trade statistics. (Finnish Customs 2015.)

Import is a process of delivering goods into EU country from a non-EU country. Before taking into use or being resold, goods must be cleared through Customs. Release for free circulation and consumption is the most frequent import customs procedure where a customs declaration must be submitted for the goods. (Finnish Customs 2015.)

The commodity code, origin and customs value of the goods are characteristics of goods, according to which the levying payments and the duties are determined. There is a right to lower customs duties or zero duties that can be granted based on the origin of goods. It is required to present an appropriate declaration or certificate of origin enclosed to the customs declaration to use this right. (Finnish Customs 2015.)

It is also possible to use special procedures while importing to avoid payment of duties and other taxes or be granted lower customs duties. No
customs duties are paid and no import declaration is submitted for goods imported from EU country to EU country. If the annual import value exceeds 500,000 euros, an Intrastat declaration must be submitted for the purpose of foreign trade statistics. (Finnish Customs 2015.)

There are two types of tariff with use of which duties are measured and collected. There are "bound tariff" and "applied tariff" that are inherent in each country. The bound tariff is fixed. It defines the maximum duty rate that can be applied to WTO trading partners. There is an equal treatment to all trading partners of the WTO, exceptions are permitted in the presence of a trade agreement. According to MFN principle (the first article of the GATT), in case of granting a low duty rate to one country, low duty rate is granted to all countries. (Truel 2010, 84.)

There is a protective activity of country’s trade where supplementary duties are used. Distinguishing and lasting only a short while anti-dumping duties, countervailing duties and import quotas can be accomplished quickly; the importer does not have enough time to find another suitable sourcing place. There are countries and industries that are subject of these trade solutions. Every sector can be affected by these countries and industries that present danger. (Truel 2010, 85.)

When imported goods are acquired in a foreign exchange, there is a fluctuation of amount of duty to be paid that is counted according to exchange rates. Duties are brought about by multilateral trade negotiations while taxes are brought about by independent domestic fiscal policy. Customs collects taxes on behalf of other institutions. (Truel 2010, 86.)

"Home Use" is a standard customs procedure by which most of imported goods are cleared. This procedure is applied to goods that are imported to be left on the customs territory. Taxes and duties are applied to these
goods. Goods are under customs control until the duties and taxes are paid. After payment of duties and taxes goods are in "free circulation" and traders can dispose of them at its discretion. Free circulation is defined by World Customs Organization as "goods which may be disposed of without customs restriction". (Truel 2010, 82.)

Most of goods are exported under definitive export also called as "Outright Exportation". Revised Kyoto Convention defines this procedure as "the customs procedure applicable to goods which, being in free circulation, leave the customs territory and are intended to remain permanently outside it". Supply chain can be stopped by clearance process that causes risks. Declaration of goods should be done during opening hours. (Truel 2010, 82; Seyoum 2014, 106.)

Figure 1. Summary of export and import procedures
2.3.2. Modification of customs clearance

Customs clearance has been changing over time. New procedures can be presented to customs officers but practice shows that the result of modification depends on acceptance of changes by the staff. For example, customs officers both from Russian and Finnish sides can boycott or sabotage its introduction if they are not satisfied with a new IT system. (De Wulf & Sokol 2004, 17.)

In case customs officers understand significance of the reform for customs and for themselves as individuals they follow new changes. Opposing to changes in system often occurs because of stuff’s mistrust and incertitude to new developments that are a reason why they need to be brought to the border. Nevertheless, there are winners and losers in any process of development, so one should not wait for positive news to cancel all opposition to reforms. (De Wulf & Sokol 2004, 17.)

The major role in countering integrity problems will be played by modern customs clearance practices based on in-depth use of IT. Notwithstanding, practice shows that this is not enough for comprehensive uprooting of corruption. Thus, any human resource policy must certainly define how to deal with these issues. (De Wulf & Sokol 2004, 36.)

It is necessary that customs officers understand that corruption and slacking behavior are unacceptable. Such actions should be followed by explicit disciplinary actions ranging from admonishment, to skipping salary adjustments and bonus payments, to dismissal. Dismissals should be fair and impartial. Prompt official reaction to accusations of corruption guarantee lack of unjustified accusations and avoidance of long postponement between offence and penalty. (De Wulf & Sokol 2014, 36.)
Updating of information technology affects time of customs clearance making it shorter and improves efficiency of operations. Even though customs clearance process is shortened, the stay of goods in the port is still extremely long because of the period of time that is needed for different procedures such as health, safety, and quality controls, and because of slow port operations. (De Wulf & Sokol 2014, 114.)

Providing customs clearance of international consignments in a timely manner is a typical practice. There is a decrease of the use of resource-intensive physical inspections and concentration on trade transactions that is designed to reach balance between physical control and trade facilitation. It is typical for most developed and middle-income countries. (De Wulf & Sokol 2014, 288.)

Information and accounting systems are considered to be reliable by customs administration. All information is transferred electronically. Risk management basis are used to make decisions on treatment of consignments. The key factor is a compliance record of traders. (De Wulf & Sokol 2014, 288.)

There is a method of operation that is used by developed countries. The concept is that customs resources are moved from resource-intensive and low-value activities at the time of arrival of goods to low-resource and high-value pre-rival clearance and systems-based audit activities. (De Wulf & Sokol 2014, 288.)

2.4. Documentation

2.4.1. Required documents
There is a requirement for at least basic documentation for all export transactions in most countries. Usually a commercial invoice, bill of lading and export declaration are used for simple transactions with non-regulated commodities and goods. On the other hand, considerable documentary requirements are regularly required for some categories of goods including such documents as export permits and licenses, pre-shipment inspections and authorization from other governmental agencies. (Hinkelman 2008, 6.)

In extreme cases, a vote of the country’s national legislature or executive power may be required for export approval. Also, a proof of pre-shipment payment or foreign exchange documentation can be required in some countries. There are exceptions for member nations of a regional trade pact (for example, EU countries) in relation to which little or no documentation is needed. (Hinkelman 2008, 6.)

Trade relations between the country of export and country of import play a significant role in the requirements for duties, tariffs, export and import. What is more, requirements for the number and type of documents also depend on trade relations between countries. (Hinkelman 2008, 7.)

Over time, many customs authorities facilitate the procedures of customs clearance allowing providing just a few data for the initial customs declaration instead of a huge amount of documentation. The trader provides additional information that is necessary to complete the declaration at a later stage. Some customs authorities allow the trader to inform all transactions in a monthly report, and even determine their own duties and taxes. (Truel 2010, 87.)

All traders do not have access to simplified procedures and shall be a subject to authorization and auditing. Customs duties provide income to the government and protection of individual industries in the domestic market. As a result, the bottom line is affected by customs duties which are
collected whether the company sells imported goods or not and whether the company has profit or not. (Truel 2010, 87.)

Nonetheless, there is a sufficient amount of cases where imported goods do not continue staying in the domestic market. The cost of goods that are going to be subsequently exported is increasing if duties are collected. This situation will lead to the destruction of business position on export markets. Some customs procedures are available to correct these effects. (Truel 2010, 87.)

Transit goods can be delivered by road, rail, air, sea and inland waterways. There is a set of conditions to ensure that delivery of goods will be implemented with paid duty and taxes, including a financial guarantee, a time limit and an affixed to the transport unit seal. The customs transit procedure may also be applied at the national level, for example, when freight is cleared at the customs of importer instead of the port. (Truel 2010, 97.)

Use of TIR (Transport International Routier) carnets simplifies transit by road. When the truck with transit goods crosses several borders, delivery at each border crossing is declared by using a TIR carnet. (Truel 2010, 97.)

Quite frequently there are situations when goods have to travel through one or several countries to reach the final destination. It happens, for example, when goods are going to be delivered to a country that does not have access to the sea. There is a procedure that is called customs transit. Customs transit allows goods to cross different countries to reach the final destination without any payment of duties. Customs transit is defined as the "Customs procedure under which goods are transported under Customs control from one Customs office to another" by the RKC. (Truel 2010, 97.)
2.4.2. Four-tier system

The four-tier system of trade relationships is being used in most countries. Tiers have different levels of requirements for easiness of trade, measure of charge duties and required documentation. (Hinkelman 2008, 7.)

Tier 1 is "Special Trade Status". At this tier from one to endless amount of nations are in special trade relations (for example, EU, NAFTA and Russia-Kazakhstan-Belarus Customs Union). The aim of these relations is to remove most or all tariff and non-tariff barriers to trade. Almost all barriers are removed in EU. In the case of NAFTA, tariff and documentation requirements are being gradually reduced but they are not completely eliminated. (Russia Briefing 2014; Hinkelman 2008, 7.)

As a result of Russia-Kazakhstan-Belarus Customs Union, goods that originate in any of the three countries or have been imported to into one of the three countries from other countries may be transferred within the Customs Union without customs control and customs clearance. (Russia Briefing 2014; Hinkelman 2008, 7.)

Tier 2 is "Normal Trade Relations" (formerly most favored). Trade relations between friendly countries that are not part of a Regional Trade Agreement are called Normal Trade Relations. Vast majority of world trade relations regards to Normal Trade Relations (for example, trading relationships between the USA and France or between Indonesia and Italy). Moderate trade requirements, tariffs and requirements for documentation are the norm. (Hinkelman 2008, 7.)

Tier 3 is "Restricted Trade Relations". In such kind of relations there are significant restrictions in trade between countries. There are high import duties or tariffs, restrictions for export or import of listed goods, limitations in
quantities of export or import, strict requirements for documentation. An example of restricted trade relations was trade between the USA and China prior to the establishment of Normal Trade Relations. (Hinkelmann 2008, 7.)

Tier 4 is "Embargo". All trade relations with the subject country are banned in case of embargo. An embargo can be unilateral (the USA’s 30-year embargo of Cuba), or multilateral (the EU sanctions against Russia as a result of crisis in Ukraine). (Europa 2015; Hinkelmann 2008, 7.)

2.5. Customs problems in general

Each area may be accompanied by risk for customs authorities. The major customs responsibility is revenue collection. Nonetheless, share of customs duties in the national revenue of a country is a key indicator of importance of customs’ responsibility. The lower the importance of duties in the national budget, the lower center of attraction of revenue collection. In connection with trade agreements and customs procedures duties were reduced or removed in developed countries. (Truel 2010, 22.)

Efforts of customs authorities are concentrated on ensuring that goods entering the territory under a procedure or a trade agreement are subject to reduced or zero duty rates. The loss of income is always a critical risk area for customs. (Truel 2010, 22.)

From the point of view of customs authorities, there is a variety of risks that are presented by customs procedures. These kinds of risks may have an impact on compliance, revenue and security. Trader has an opportunity to choose customs procedure when goods are at customs. Customs authorities are informed about trader’s preferred treatment of goods after the choice is made. (Truel 2010, 82.)
For example, there is a situation when trader intends to import or export temporarily some works for an exhibition. In this case, most likely importer or exporter is the declarant who is responsible for providing accurate information and paying the required duties and taxes. Broker or agent acts on behalf of the importer and there is a common source of risk when business does not understand it. Agent or broker becomes responsible if goods are cleared in their own name. (Truel 2010, 82.)

There is a risk that an urgent shipment may wait for the opening on customs due to the holidays. Also, opening days and hours are different in distant countries and even cities. What is more, import regulations of a country may forbid or limit direct purchase of products from overseas. That is why it is important to assess the rules of trading of the country before the orders are handled. (Truel 2010, 82; Seyoum 2014, 106.)

There are reasons in connection to which too much or, conversely, lack of duties causes a threat to risk. Control of number of paid duties is a way to identifying areas where duties are paid unnecessarily and reduction or complete abolition of duties could be carried out by an appropriate customs procedure. Insufficient payment of duties is an indicator of non-compliance and an indicator of an error in the declared information. (Truel 2010, 84.)

The presence of corruption is possible at customs. Position of customs officers implies that they have power to influence decisions. These decisions affect the duty and tax liability of traders or the appropriateness of goods. Opportunities and inducements are reinforced by high tariffs and regulations. What is more, insufficient salary of the stuff can possibly exacerbate the problem. (De Wulf & Sokol 2004, overview XIX.)

Adoption of arrangements for constraining liberty of customs officers results in a reduction of opportunities and inducement for corruption. In
combination with the enhanced trade policy, the first defensive line against corruption is composed of the introduction of modern procedures which reduce face-to-face contact between traders and customs and softens the discretionary powers of customs officials. (De Wulf & Sokol 2004, overview XIX.)

What is more, grant of appropriate compensation for employees, increase in the risk of detection are the options to promote integrity in customs. Most customs managers believe that corruption is so diffuse nowadays that there is a need in requiring implementation of countermeasures specifically designed political efforts, for example, World Customs Organization and Revised Arusha Declaration on Integrity in Customs. (De Wulf & Sokol 2004, overview XIX.)

3. METHODOLOGY

Qualitative method is used in the thesis as the main one. The qualitative research defines the methods and techniques most suitable for collecting and analyzing data. Big amount of qualitative research indicates the research process and determines that qualitative research cannot be shortened to particular techniques or to set stages. Dynamic process is involved in qualitative research and connects problems, theories and methods. Focused on definition in text, qualitative inquiry requires a data collection mechanism that is sensitive to basic content when collecting and interpreting data. (Bryman & Burgess 2002, 2; Sharan 2009, 1.)

This method is the most suitable for the thesis because the main material will be gained from the company. Some interviews from other logistics companies will be included to compare different facts. Moreover, I will search the information via books and the Internet, ask the company about giving me statistics of the company’s work to compare periods before/during the crisis.
Qualitative research is a term for a wide range of approaches and methods for the study of natural social life. Information or data collected and analyzed primarily (but not exclusively) non-quantitative in nature. It consists of text materials such as interview transcripts, fieldnotes, as well as documents and visual material such as artifacts, photos, videos, and also online sites that document the human practice. (Saldana 2011, 4.)

Despite the fact that qualitative research contains a number of assumptions and characteristics jointly, there are differences in the disciplinary framework that qualitative research could extract from, in what the goal and in how a qualitative study might be elaborated. (Sharan B. 2009, 1.)

There are various aims of qualitative research that depend on the objectives of a specific project. The results often consist of significant representations and presentations of important conclusions from the analytical data synthesis and may include documentation of cultural observations, new ideas and concepts of personality and social complexity, evaluation of programs or policies, artistic renderings of human values, and critical analysis of the existing social order and initiation of social justice. (Saldana 2011, 4.)

Qualitative research is carried out within and across multiple disciplines, such as education, sociology, anthropology, psychology, communications, journalism, health, social work, justice studies, business and other related fields. (Saldana 2011, 4.)

In all forms of qualitative research, some, or even all of the data are collected through interviews. Interview can be defined as a process in which the researcher and the participant are involved in the conversation concentrated on issues related to the research study. Interview is a focused
conversation, usually between two people but sometimes with more participants, which is directed by one to get information. (Anzul, Ely, Freidman, Garner & McCormack-Steinmetz 2003, 53; Sharan B. 2009, 88.)

The interview is required when we cannot observe the behavior, feelings, or how people interpret the world around them. In addition, it is necessary to have an interview when we are interested in past events which cannot be repeated. (Sharan B. 2009, 88.)

Person-to-person interview is one of the most common forms of collecting data in which one person retrieves information from another. Also, such formats of interview as group or collective can also be used for collecting data. Both person-to-person and group interviews can be determined as conversation with a goal. The main aim of the interview is to get a special kind of information. (Sharan B. 2009, 88.)

Methods of interrogation and surveillance involve various types and degrees of training before entering the field. Interview may not be started until it is not decided who to interview and what questions to ask. (May 2002, 204.)

Theoretical analysis and preliminary testing are needed to guide the selection of the sample and plotting the interview or open the questionnaire. These actions are done before the first official interviewing. Observers, in contrast, may enter the field as soon as the research site is selected. (May 2002, 204.)

Qualitative researchers are interested in understanding how people interpret their experience as they build their own worlds, and what they attribute to their experiences. They are usually concerned with not only
objectively measurable "facts" and "events", but also with the ways that people build, interpret and give meaning to these experiences.

Usually, attention to dynamic processes is included to qualitative approaches, rather than (or in addition to) static categories, and they intend to discover or develop new concepts, imposing preconceived categories on people and events they observe. Qualitative approaches are built on common foundation that is formed by these commitments. (May 2002, 199; Sharan B. 2009, 3.)

To collect all the needed data, I contacted representatives of five Finnish logistics companies:

1. Mirasela Oy;
2. Spedition Auto Freight Oy;
3. IVK-Trans Oy;
4. Team Niinivirta Oy;
5. GW Europe Oy.

All the companies are located in Kotka. I chose them because I know this area well and these companies work with Russia that helped me to gain all the required information to answer the research question.

4. FINDINGS

To gather more information related to the real situation at the Russian-Finnish border, seven representatives of five Finnish logistics companies
(Mirasela Oy, Spedition Auto Freight Oy, Team Niinvirta Oy, IVK-Trans Oy, GW Europe Oy) were interviewed. The questions about the process of exporting and difficulties with crossing the border were asked. All the following findings are results of interviews that are united together. Also, interviews gave an opportunity to compare how the crisis affected the chosen companies.

4.1. Export process

There is a variety of documents to be prepared for export from Finland to Russia. The summary of procedure of receiving and sending goods is based on the interviews.

The process of exporting of goods from Finland to Russia has five stages:

1. arriving of goods to port and picking up to a warehouse;

2. arriving of goods to a warehouse;

3. reception of goods at the warehouse;

4. preparation of goods for export;

5. crossing the border.

The process begins from port:

1. container arrives to port and receives the temporary storage status up to 45 days;
2. if container is stored for more than 45 days, the status of customs storage is assigned to it.

There are documents that are needed for picking container up to a warehouse. They are described in a following table.

Table 1. Documents needed for picking container up to a warehouse

<table>
<thead>
<tr>
<th>Document</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice</td>
<td>Contains a list of goods and services, their quantity and price at which they are delivered to the buyer</td>
</tr>
<tr>
<td>Packing List</td>
<td>Contains a full list of the goods for each commodity place individually</td>
</tr>
<tr>
<td>AREX application</td>
<td>Contains information about safety of goods</td>
</tr>
<tr>
<td>Bill of Lading</td>
<td>Certifies ownership of the shipped goods</td>
</tr>
<tr>
<td>Release</td>
<td>Guarantees that freight is paid and that company owns container</td>
</tr>
</tbody>
</table>

When goods are arriving from port, they are delivered to a transit warehouse and the following documents and actions are needed to be done to prepare them for placing:

Table 2. Documents needed for placing goods to a transit warehouse

<table>
<thead>
<tr>
<th>Document</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMR</td>
<td>Declaration that contains information about sender, receiver and amount of goods</td>
</tr>
<tr>
<td>T1</td>
<td>Transit declaration that is used for the EU goods and contains information about them</td>
</tr>
<tr>
<td>----</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>TIR-Carnet</td>
<td>It is used for goods from outside EU and gives the right to transport goods across borders in sealed vehicles or containers</td>
</tr>
<tr>
<td>Invoice</td>
<td>Contains a list of goods and services, their quantity and price at which they are delivered to the buyer</td>
</tr>
<tr>
<td>Packing List</td>
<td>Contains a full list of the goods for each commodity place individually</td>
</tr>
<tr>
<td>EXA</td>
<td>Export declaration that is used for goods that are not delivered as transit and contains information about them</td>
</tr>
</tbody>
</table>

If there is no required EXA, sender should give permission for opening it and guarantee that it is not opened yet is required.

The next stage is reception of goods at the warehouse:

1. arriving numbers are entered to the warehouse report program;

2. transit goods are marked with their numbers of customs storage and “temporary” designation, the time of storage of transit goods is limited and they can be stored for up to 20 days;
3. When transit goods are stored for more than 20 days, they receive a status of customs storage and can be stored without time limit (IMA form should be sent to customs and new numbers of customs storage are given to goods).

Preparation of documents is also required when goods are ready to be exported to Russia. To cross the border, the following is needed:

Table 3. Documents needed for export of goods to Russia

<table>
<thead>
<tr>
<th>Document</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice</td>
<td>Contains a list of goods and services, their quantity and price at which they are delivered to the buyer</td>
</tr>
<tr>
<td>Packing List</td>
<td>Contains a full list of the goods for each commodity placed individually</td>
</tr>
<tr>
<td>CMR</td>
<td>Declaration that contains information about sender, receiver and amount of goods</td>
</tr>
<tr>
<td>T1</td>
<td>Transit declaration that is used for the EU goods and contains information about them</td>
</tr>
<tr>
<td>EXA</td>
<td>Export declaration that is used for goods that are not delivered as transit and contains information about them</td>
</tr>
</tbody>
</table>
TIR-Carnet

- It is used for goods from outside EU and gives the right to transport goods across borders in sealed vehicles or containers, EXA declaration is closed when TIR-Carnet is opened

Certificates

- Some goods require specific certificates

AREX application

- Contains information about safety of goods

Copies of declarations and CMR are usually stored at the company for up to 5 years.

The process of crossing the border:

1. all the required documents are needed to be presented to customs;

2. T1 declaration is closed at the Finnish border and does not go to the Russian side but sometimes it is needed to present it to the Russian customs to confirm the cost of goods;

3. EXA declaration is closed at the Finnish border and does not go to the Russian side;

4. TIR-Carnet is closed at the Finnish border and goes to the Russian side.
4.2. Difficulties with crossing the border

4.2.1. Expected difficulties

The process of crossing the Russian-Finnish border is quite complicated even when all the required documents are prepared correctly and should not stop or prolong exporting. Usually trucks cross the Finnish border without any problems but there are difficulties with crossing the Russian border.

There are four types of customs control:

1. checking of documents;
2. physical inspection;
3. weight control;
4. x-ray.

The weight risk is the most common. The problem occurs because the weight of a truck entering Finland without any cargo is not checked by the Russian side. Weight mentioned in the truck’s registration certificate is added to the customs database instead of the real weight. In fact, the weight of the truck entering Finland is never equal to official because it depends on such factors as amount of fuel, presence of spare wheels and additional equipment in a truck (for example, additional fuel tank and hydraulic equipment). The difference between official and real weight can reach up to 1 ton.

When truck with cargo is coming back from Finland to Russia, Russian side checks its weight, comparing results with documentation. As a
consequence, the weight is not as declared because the initial weight of the truck in database is wrong.

When the declared Gross/Net weight does not match the real, truck cannot cross the border and sometimes customs officers find fault with the slightest inconsistencies. Also, type of goods or way of packing can be different on papers and in reality. In this case, the loss of time and money is a consequence. It takes up to 12 hours to unload the truck to check its real weight or goods and to load it again.

Customs inspection based on inconsistencies is not cheap and includes costs for accommodating trucks, loading and unloading, security measures and takes at least 1 day:

1. unloading/loading operations price starts from 1000 EUR (the price depends on metric units);

2. price for storage of goods starts from 60 EUR;

3. idle time costs around 100 EUR per day per truck.

As a result of customs inspection, total losses begin from 1160 EUR and 1 extra day at the border. What is more, goods can be damaged during loading and unloading.

The total cost of exporting of goods from Finland to Russia is based on:

1. customs duties, VAT and charge for customs clearance;
2. cost of logistics that includes cost of idle time;

3. charges at the Russian border that include storage, loading/unloading costs and other payments caused due to lack of experience and knowledge.

4.2.2. Unexpected difficulties

Even though Finnish logistics face predicted difficulties at the Russian-Finnish border, there are unexpected cases. Team Niinivirta company experienced imperfection of the Russian customs. One of the company's trucks was stolen on a territory of Russia. Representatives of the company received a paper from the Russian police that confirms theft of a vehicle.

It was impossible to return truck to Finland, documents from police were presented at the Russian customs but were rejected. As a result, Team Niinivirta company had to pay a full cost of stolen truck and a fine to continue work with Russia because the next truck crossing the border would have been arrested. There is a possibility to change the name of the company to avoid payments but it is also a difficult process that will affect reputation and amount of Finnish clients.

The company decided to stop work with Russia because Valio, export of which was already prohibited due to the embargo, was the main client of Team Niinivirta and it would cost a lot to pay all the fees to the Russian customs without having big perspectives in the future.

4.3. Cost of crisis
It is a fact that the embargo affected logistics business in Finland because lots of companies work with Russia. All of these affected companies suffered in a different way but there are no exceptional companies which did not have any changes caused by the crisis.

Due to the weakening of the ruble, freight transportation from Europe became unprofitable for the Russian side. Delivery of some products has been stopped totally or volumes of delivery have been significantly reduced. Correspondingly, the interviewed companies also suffered. The table below shows the cost of crisis of the companies chosen for the interview.

Table 4. Cost of crisis of Finnish logistics companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Losses</th>
</tr>
</thead>
</table>
| Mirasela Oy          | • 60% decrease of export  
|                      | • 70% of workers laid off  
|                      | • office and warehouse in Kouvolan closed (only Kotka’s office continues work)                                                          |
| Spedition Auto Freight Oy | • was bankrupt in September 2016                                                                                                      |
| Team Niinivirta Oy   | • full stop of export to Russia  
|                      | • 40% of workers laid off                                                                                                               |
| IVK-Trans Oy         | • 30% decrease of export  
|                      | • 20% of workers laid off                                                                                                               |
| GW Europe Oy         | • 20% decrease of export                                                                                                               |
5. CONCLUSION

The research part shows that Finnish companies face different kinds of risks at the Russian-Finnish border. It is impossible to predict all of them but the majority of risks is expected by logicians.

Experience of working with exporting to Russia is the main solution of problems. Well-experienced companies know how to accelerate the process of crossing the Russian-Finnish border.

It is necessary to check all the documents carefully because one small mistake can cause losses of time, money and reputation of the company. Control before crossing the border helps to avoid difficulties at the border.

Usually there are Russian workers in Finnish logistics companies because they are familiar with the Russian mentality and it is easier to solve all kinds of problems at the Russian border for native speakers.

Research shows that the interviewed companies suffered in different ways. GW Europe Oy had the smallest losses. It is a result of a huge work and negotiations with Russian clients. The workers have a big experience with export to Russia and speak both fluent Finnish and fluent Russian languages that helps to work carefully and solve all the customs problems. Also, company does not export any goods prohibited due to the embargo.

Taking into consideration the case of Team Niinivrta, I would suggest to make full truck insurance on the territory of Russia to avoid similar problems.
REFERENCES


INTERVIEW QUESTIONS

What are the most common problems on border?

Is it possible to prevent problems?

Are all of the problems predictable?

Does the difference in the Legislation of the Russia and Finland affect the passage of the border?

What in your opinion may be changed in system of crossing the border?

What are the features of Finnish and Russian side?

Could you tell about any sudden cases?

What advices could you give for a successful export business to Russia?

Does experience in this sphere play a significant role?