



RUSSIAN FEDERATION
Ulitsa Krasno proletarskaya 16, bld. 3, Moscow, 127473
Tel +7 495 234 2764 Fax +7 495 234 2807
info@aebrus.ru http://www.aebrus.ru

РОССИЙСКАЯ ФЕДЕРАЦИЯ,
127473 Москва ул. Краснопролетарская, д. 16 стр. 3
Тел. +7 495 234 2764 Факс +7 495 234 2807
info@aebrus.ru http://www.aebrus.ru

Moscow, 5 September 2013

Press release of the Association of European Businesses on the results of the study “Financial and economic consequences of parallel imports’ liberalisation in Russia”

In order to analyse the financial risks and socioeconomic consequences of parallel imports’ liberalisation in Russia, an independent study was conducted in summer 2013 at the initiative of the Association of European Businesses (AEB). The contractor for the study was the International Market and Social Research Institute GfK-Rus.

The study involved 34 expert interviews with senior management representatives of the leading players on various markets: automotive, including passenger and commercial vehicles and their spare parts (18 interviews), construction machinery and equipment (3 interviews), home appliances and electronics (5 interviews), retail trade of home appliances and electronics (3 interviews) and other markets (5 interviews). In addition, a price comparison was carried out of comparable products on these markets in Russia and European countries (Austria, Germany and Poland).

The respondents generally expressed the opinion that the liberalisation of parallel imports will have a negative effect on the Russian economy.

In particular, the study identified the following potential risks:

- a) a decline in Russia’s investment appeal: this opinion was expressed by 17 of the 34 companies polled with 4 of the companies stating that they plan to terminate their investment programmes altogether;
- b) a reduction in the localisation of production in Russia: 12 of the 34 companies surveyed predicted a decline in local production volume, while 7 companies said the status quo would be preserved. At the same time, the most pessimistic respondents suggested that companies could close down some localised production in Russia and relocate it to nearby countries such as Poland, Hungary and China;
- c) a decrease in domestic production in Russia: 30 of the 34 experts surveyed predicted that orders for domestic production would decline since a proportion of domestic production will be replaced by imports, including parallel imports. The decrease could be roughly 20% during the first year of the liberalised parallel imports;
- d) unemployment in Russian industrial production sector: the biggest job losses are expected in such sectors as the tyre industry, automotive components and equipment maintenance – by approximately 40%-60%;
- e) the mass import of counterfeit products manufactured abroad and sold in Russia at a lower price: manufacturers of automotive components, tyres and sporting goods/clothes should expect the largest share of counterfeit products – up to 30%-50%;
- f) a reduction in customs duties and tax revenue due to the possible use of simplified and shady schemes by independent importers – approximately 5%-10%;
- g) the refusal of independent importers to render additional services, warranties and maintenance, and the proper information support for consumers as well as a narrow product range since independent importers will import high-margin goods instead of niche products.

AEB SPONSORS 2013

- Allianz IC OJSC • Alstom • Aon Hewitt • Atos • Awara Group • Bank Credit Suisse (Moscow) • BNP Paribas • BP • BSH Group
- Cargill Enterprises Inc. • Clifford Chance • CMS, Russia • Continental Tires RUS LLC • Deloitte • DHL • DuPont Science & Technologies
- E.ON Global Commodities SE • Enel OGC 5 • Eni S.p.A • Ernst & Young • GDF SUEZ • Gestamp Russia • HeidelbergCement
- ING Commercial Banking • INVESTMENT COMPANY IC RUSS-INVEST • John Deere Agricultural Holdings, Inc. • KPMG
- LEROY MERLIN Russia • MAN Truck & Bus AG • Mercedes-Benz Russia • Messe Frankfurt Rus, O.O.O • METRO Group • Michelin • MOL Plc
- Novartis Group • OBI Russia • Oranta • Pepeliaev Group, LLC • Pirelli Tyre Russia • PwC • Procter & Gamble • Raiffeisenbank ZAO • ROCA
- SERVIER • Shell Exploration & Production Services (RF) B.V. • Stanton Chase International • Statoil ASA • Telenor Russia AS • TMF Russia
- Total E&P Russie • Volkswagen Group Rus OOO • Volvo Cars LLC • VSK • YIT Rakennus Representative Office
- YOKOHAMA RUSSIA LLC • Zurich Insurance Company

- h) the use of products with unverified quality (having unhindered and uncontrolled access to the market) will affect the quality of maintenance and the safety of end consumers.

In addition, the study showed that the liberalisation of parallel imports is not expected to significantly reduce prices in the retail sector, prices will fall 5%-10% in the wholesale sector, thus boosting the margins in the business of independent importers.

The study also examined changes to the quality of employment and concluded that parallel imports will worsen the employment structure: it is not justified to create a niche to expand retail and intermediary personnel due to a lack of skilled labour in the production sector.

The study shows that the modern Russian market is highly competitive, as evidenced both by the breadth of the available product range as well as the large number of market players.

According to AEB CEO Frank Schauff, “the study confirmed our fears concerning the negative consequences caused by parallel imports’ liberalisation for investors in Russia. Obviously some investors may simply leave Russia. We assert that Russia will not benefit in the event of the liberalisation of parallel imports and will only lose out”.

The materials of the press-conference will be available at www.aebrus.ru shortly.

AEB SPONSORS 2013

- Allianz IC OJSC • Alstom • Aon Hewitt • Atos • Awara Group • Bank Credit Suisse (Moscow) • BNP Paribas • BP • BSH Group
- Cargill Enterprises Inc. • Clifford Chance • CMS, Russia • Continental Tires RUS LLC • Deloitte • DHL • DuPont Science & Technologies
- E.ON Global Commodities SE • Enel OGK 5 • Eni S.p.A • Ernst & Young • GDF SUEZ • Gestamp Russia • HeidelbergCement
- ING Commercial Banking • INVESTMENT COMPANY IC RUSS-INVEST • John Deere Agricultural Holdings, Inc. • KPMG
- LEROY MERLIN Russia • MAN Truck & Bus AG • Mercedes-Benz Russia • Messe Frankfurt Rus, O.O.O • METRO Group • Michelin • MOL Plc
- Novartis Group • OBI Russia • Oranta • Pepeliaev Group, LLC • Pirelli Tyre Russia • PwC • Procter & Gamble • Raiffeisenbank ZAO • ROCA
- SERVIER • Shell Exploration & Production Services (RF) B.V. • Stanton Chase International • Statoil ASA • Telenor Russia AS • TMF Russia
- Total E&P Russie • Volkswagen Group Rus OOO • Volvo Cars LLC • VSK • YIT Rakennus Representative Office
- YOKOHAMA RUSSIA LLC • Zurich Insurance Company