



Association
of European
Businesses

Press release

Moscow
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Press release from the Association of European Businesses on the risks inherent in the legalisation of parallel importation

The Association of European Businesses (AEB) is seriously concerned about the recent initiatives aimed at legalising parallel importation.

The Association of European Businesses does not support the amendments to the agreement of the Eurasian Economic Union (EEU) on 29 May 2014, prescribing exceptions to the principle of regional exhaustion of rights.

We support the efforts of the EEU governments to promote competition, but we believe that the proposed changes are not well founded and could have a negative impact on the investment climate. In 2013, GfK-Rus conducted a study commissioned by the AEB in which 17 of the 34 companies surveyed stated that there would be a reduction in the investment attractiveness of Russia in the case of the legalisation of parallel importation, with four companies planning to wind down their investment programmes.

We believe that the legalisation of parallel importation and the subsequent changes in the EEU agreement would mean inconsistency and instability of legislation

Furthermore, a differentiated approach to the principle of exhaustion of rights may violate WTO rules.

In our view, it is impossible to develop clear and objective criteria for which products should be considered exceptions, and who will determine these exceptions.

The AEB notes that the introduction of parallel imports affects everyone, including investors, consumers and the state.

Parallel imports will substantially increase healthy and safety risks for the consumer, especially in respect of medical equipment, drugs and auto parts.

«Parallel import of medicines not only creates the opportunities for the boost of competition in the pharmaceutical market but also significantly increases the risks to the quality of medicines. Short-term targets are achieved at the expense of the generation of long-term and large-scale challenges. Such a decision can hardly be considered justified», - noted Ivan Glushkov, Head of External Affairs Department STADA CIS.

It is possible that we will see a growth in the import of counterfeit and knowingly wrongly declared goods to the Russian market. Unfortunately, there are parallel importers who are unreliable at declaring goods: they underestimate the cost and weight, and knowingly use false customs codes.

The legalisation of parallel importation will not contribute to the policy of import substitution, and this also applies to companies that are only planning to localise their production facilities in Russia.

«Parallel imports are banned in all European countries, which has had a positive influence on the formation of a single market in the EU. Investors cannot build a clear strategy for a company if they are not confident in the stability of the legislation», - said the CEO of the Association of European Businesses Frank Schauff.

The legalisation of parallel importation will lead to job losses of 40-60% (depending on the sector) in car parts manufacturers and equipment maintenance services.

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«As a consequence of liberalization of parallel imports, we expect the reduction of jobs in the tire industry. "Unauthorized" parallel importers will not be responsible for the technical condition of imported tires, as this would not be in their financial interests», - thinks Jaron M. Wiedmaier, General Director Continental Tires RUS LLC.

«Volkswagen Group Rus, like other car manufacturers, is strongly against parallel import, as this measure has lots of long-term negative consequences. First of all, we will lose the mechanism of quality control - the market will be filled with counterfeit parts and, as a result, customers satisfaction with our products will go down and car manufacturers will be confronted with lots of claims under consumer legislation. Second, it will lead to unfair competition, as parallel importers are not obliged to keep a great amount of parts on stock for satisfactory customer service, while official importers invest a lot to fulfil these commitments. And, third, the market is losing attractiveness and potential for automotive components manufactures, slowing down the development of automotive industry and local production», - said Marcus Osegowitsch, General Director of Volkswagen Group Rus.

We are convinced that the best option at the current time in the economic crisis is to maintain the current applicable principle of regional exhaustion of rights without any exception, which will ensure stability and predictability of the law and will help to attract investment to Russia and the EEU.

For more information, please contact AEB Communications Manager\Press - Secretary Svetlana Kuskova at: svetlana.kuskova@aebrus.ru or by phone: +7 (495) 234 27 64 ext. 136

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