

# PLASTIC PIPES INDUSTRY REMAINS IMPORT-DEPENDENT

By Marina Kuzmenko

On 29 October “Plastics Industry: Import substitution and investment during sanctions” Press Conference has taken place at ITAR-TASS Press Centre. Major players of Russia’s plastics industry have shared their view on the situation the industry is facing in the run-up to the Plastics of Russia Forum.

Fares Kilzie, Chairman of the Board of Directors of CREON Consulting Group has said during the press-conference: “I accept that Russian plastics industry can survive sanctions from the USA but it will not be possible to effectively develop the industry with Western European sanctions due to mutual import-dependency in project financing, equipment, raw materials and other markets. Therefore, all diplomatic efforts should be deployed to overcome contradictions and return to normal trade relations with Western Europe, mainly with Germany”.

Miron Gorilovskiy, President of POLY-PLASTIC Group has highlighted the major problems in the processors’ market: raw materials import dependency, high costs of basic polymers, poorly designed customs and tariff policy, absence of standards and technical regulation. According to him, plastic pipes for Russian infrastructure is an ideal example of import substitution: within the last 10 years home producers have replaced 95–97% of imported pipes for domestic infrastructure (water, gas and heat supply and distribution) using latest technology. “The pipes were imported in 90s and today we export our own produce to CIS countries and EC. These are our technologies, developed by us and in some cases they are far more advanced than in Europe. We are currently working on import substitution programmes for electrofusion fittings, components, valves, which al-

lows us to widen the product range and sell not only pipes but the whole pipe systems”, said M.Gorilovskiy.

Plastic pipes industry is import dependant. Shortage of raw materials – pipe grades of PE – in Customs Union countries is about 60%. Moreover, it is well known fact that establishment of production in Russia costs significantly more than overseas.

The customs and pricing policy towards PE and PP must consider them as raw materials but not the final product. The cheaper the processors buy raw material the more added value created inside the country, the higher the chances for import replacement and export potential of the industry, higher employment and more taxes paid in the country.

Final decision of Eurasian Economic Commission Board on cancellation of import duties zeroing for Black types of PE, which was taken in the last October Resolution will be seriously reflected on infrastructure modernisation. 65% of networks are worn out. This will lead to

high number of emergency situations and increased burden on consumers given current lack of funding for network repairs and modernisation.

The situation in petrochemical industry is also catastrophic, Gorilovskiy pointed. The industry requires long-term investment, supported by the government through the interest rate compensation, tax breaks and other incentives. Given the current conditions of customs and tariff policy, our raw materials producers are forced to inflate the prices in the home market.

M. Gorilovskiy highlighted the necessity of investment into social infrastructure – roads, stadiums, hospitals, housing and utility sector – and all these projects should be based on state and private partnership, as no governmental fund will be enough. In the current stagnation, projects on road construction, bridges, networks, social infrastructure facilities can accelerate the development of plastic pipes production and various processing industries.

