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kotra

Commercial Section
Embassy of the Republic of Korea

KOTRA: STRONG BRIDGE BETWEEN REPUBLIC OF KOREA AND RUSSIA



THE KOREA TRADE-INVESTMENT PROMOTION AGENCY (KOTRA) WAS ESTABLISHED IN 1962 BY THE GOVERNMENT OF SOUTH KOREA FOR PROMOTION OF TRADE BETWEEN THE REPUBLIC OF KOREA AND OTHER COUNTRIES. OVER THE COURSE OF ITS HISTORY KOTRA HAS BEEN HELPING COMPANIES FROM ALL OVER THE WORLD TO DEVELOP BUSINESS RELATIONS WITH THE REPUBLIC OF KOREA. WE TALKED ABOUT KOTRA AGENCY ACHIEVEMENTS AND PLANS IN RUSSIA WITH MR. KIM SEONG SU, HEAD OF THE RUSSIAN OFFICE.

Mr. Kim Seong Su, KOTRA has been operating in Russia since 1989. What has KOTRA accomplished during this period? What are the most memorable achievements?

Korea and Russia established diplomatic relations at the ambassador level on September 30, 1990, and upgraded the Consulate General to the Embassy of the Republic of Korea on October 30, 1990. The Consulate General was established in February 1990, and before that, the Korea Trade-Investment Promotion Agency (KOTRA) was established and started operating in Moscow. In this respect, KOTRA is proud that it has laid the foundation for bilateral diplomatic relations between the two countries.

Since then, we have been doing our best to serve as a bridge between Korea and Russia, not only in trade but also in cultural and technological exchanges.

We have organized exhibitions, delegations, and other events for Korean and Russian businessmen to interact with each other. Since the 2000s, we have made great efforts to promote Korean consumer goods in the Russian market, including playing a major role in settling Korean cosmetics in the Russian market, which are now very popular in Russia. In 2018, we organized a major event (Korea Brand & Entertainment Expo (KBEE)), showcasing Korea's excellent consumer products combined with cultural events like K-pop concerts. The event was very successful, as 100 Korean companies, 350 Russian companies, and 10,000 visitors participated. We think that this event contributed to increasing interest in Korean consumer products in Russia as well.

In 2020, Korea and Russia celebrated the 30th anniversary of bilateral diplomatic relations and as an extension of that, KOTRA held the 'Korea-Russia Industrial Technical Cooperation Conference' which promoted the technical exchanges between the two countries.

As a result of these kind of efforts, Korea-Russia trade volume, which was less than USD 190 million at the beginning of the bilateral relations (1992), reached a peak of USD 27.3 billion in 2021. As there is still a great demand for economic cooperation between Korea and Russia, we will continue to strive for further achievements.

KOTRA is actively participating in exhibitions held in Russia. Which Korean companies are currently interested in participating in these exhibitions?

The Russian market is large and fascinating in itself, but it is also a very attractive market for Korean companies because it is the gateway to enter the other CIS markets. Therefore, Korean companies are interested in the exhibitions in various sectors that are held in Russia. However, in recent years, there have been restrictions on the export of some products from Korea to Russia, thus now the exhibitions that deal with products that do not fall under these restrictions are rather popular. Typical products of such sectors include healthcare, cosmetics, and food.

In September of this year, KOTRA participated in the Dental EXPO in Crocus, where we started organizing the Korean pavilion again after the pandemic. More than 10 Korean companies participated in the Korean pavilion, and there was a high level of interest from Korean companies in the Russian market and the exhibition that deals with dental implants, which are currently



one of the most popular items.

In addition, in October, the largest beauty exhibition in Russia 'InterCharm' was held, where more than 45 Korean companies traveled to Russia and organized booths. Given the popularity of Korean cosmetics in Russia, Korean cosmetics companies also keep making efforts to get closer to Russian consumers.

Tell us about the current status of Korean businesses in Russia.

As of 2024, more than 160 Korean companies are present in Russia. Although the business environment is not always favorable due to various conditions, Korean companies are still willing to work hard to maintain their presence in the Russian market. Also, KOTRA is working to help Korean small and medium-sized enterprises, who want to export from Korea to Russia and to help them expand further into the Russian market.

On September 24, the K-MEDI Forum, a Korean-Russian medical forum organized by KOTRA, was held, and on October 11, the K-Beauty Forum, a beauty forum in cooperation with Intercharm, was held. What was the response from Russian and Korean participants?

As the Korean pavilion at the Dental Expo has been reopened since 2019, it was necessary to restore the network through the interesting and helpful event with the exhibition. That was the beginning point of the idea that led to our decision to organize the forums.

The K-Medi Roadshow was visited by about 80 companies, and MOUs were signed with relevant associations to promote



Russian-Korean cooperation in the field of dentistry. Many participants were satisfied that they were able to learn about the current status of the dental and medical industries in both countries through the forum. And they said, it was a great opportunity to expand networking in the dental field for both of Korean and Russian companies.

The K-Beauty Forum, which was organized by us too, was attended by about 160 buyers from CIS countries and Russia. There were lectures on the Korean cosmetics market trends and how to obtain cosmetics certification in Russia, and companies from both countries were satisfied that they were able to get useful information. Most importantly, like in the K-Medi forum, the companies gave us good feedbacks that the forum provided them with the networking opportunity companies to meet and learn about each other.

In what fields does KOTRA plan to develop Korea-Russia trade cooperation in the future?

In terms of industries, we are trying to focus on sectors that do not have trade restrictions, such as food, household consumer goods, services, and medical devices.



KOTRA will continue to support Korean companies that want to expand into the Russian market as we have been doing, and we will also continue to play a role as an organization that can help Russian companies find good partners in Korea. Even though currently there are some constraints on trade, we can act as a bridge between the two sides when companies want and need our help. Wherever we can, KOTRA is ready to step up to the plate. Whenever you want to find a good partner, please feel free to contact KOTRA! **BM**





MOSCOW PRESENTS 12 ARCHITECTURAL FIRMS AT CITYSCAPE GLOBAL 2024 IN RIYADH

Moscow presented a large-scale exposition at the Cityscape Global 2024, an international exhibition of architecture and real estate in Riyadh. It was organized by the Department for External Economic and International Relations of Moscow. 12 Moscow architectural firms participated in the exposition.

The block of discussions "Magnet Cities: Innovative Infrastructure as a Key to Attracting Investments and Talent" was a key event at the opening of the Moscow pavilion. The Moscow exposition attracted more than 400 international participants, including leading developers, investors and representatives of municipal authorities from around the world. Moscow firms demonstrated projects, reflecting the latest trends - from sustainable construction to high-tech and environmentally friendly

solutions. Experts and visitors particularly valued the fresh approach and attention to detail common for Moscow architects.

According to Evgeny Dridze, Deputy Head of the Department for External Economic and International Relations of Moscow, Moscow's participation in Cityscape Global demonstrates that the city is one of the leaders in urban innovation and sustainable development. Moscow is ready to promote cooperation with international partners on large-scale projects, he emphasized.

The Moscow pavilion closely cooperated with local authorities (Royal Commission for Riyadh City (RCRC)) and international colleagues, showing the city as an attractive area for investments and real estate partnerships.

MOSCOW LAUNCHES NEW SUPPORT MEASURE FOR CREATIVE ENTREPRENEURS

The Moscow Government has announced the launch of a new support program for creative sector entrepreneurs. The project is called "Creative Market". It will include fairs that will introduce residents and guests of Moscow to the products made in the city. This was reported by Natalya Sergunina, Deputy Moscow Mayor.

A fair will be held from December 26 to 29 at the Manege Central Exhibition Hall. Visitors will be able to buy New Year's gifts produced in Moscow: dishes, paintings, designer toys, lamps and much more. The city space "AKI. Lab" will host another holiday fair on December 27. There, guests will be able to buy clothes and accessories, books, decor items and holiday decorations.

The series of thematic exhibitions will continue in 2025. Representatives of such spheres as design and fashion, music and the video game industry will participate in the events. In particular, in January, the winners of the Filmshowroom accelerator will present their work to a wide audience.



Moscow's creative industry includes almost 110 thousand companies. The city offers them various support measures. For example, last year, Moscow companies could take part in fashion markets held as part of major industry events. The income from sales at them exceeded 27 million rubles.



THE RUSSIAN GOVERNMENT HAS TEMPORARILY RESTRICTED THE ENRICHED URANIUM EXPORTS TO THE USA. EARLIER, THIS MID-SEPTEMBER PRESIDENT VLADIMIR PUTIN PROPOSED TO THE GOVERNMENT TO CONSIDER THE ISSUE OF RESTRICTING THE RUSSIAN EXPORTS OF STRATEGIC COMMODITIES: URANIUM, TITANIUM OR NICKEL, BUT SO AS “NOT TO DO ANY DAMAGE TO OURSELVES”. V. PUTIN DID NOT LIMIT THE LIST WITH THESE THREE POSITIONS ONLY AND REMINDED THAT RUSSIA IS A GLOBAL LEADER IN RESERVES OF OTHER STRATEGIC COMMODITIES: IT HAS ALMOST 22% OF NATURAL GAS, ALMOST 23% OF GOLD, ABOUT 55% OF DIAMONDS.

This shows that the range of our leverage over the global strategic commodity markets is rather extensive. Although, access of almost all of the mentioned commodities to the markets of unfriendly countries is already restricted due to the sanctions, imposed upon Russia. Moreover, one cannot say that the restrictions have been entirely painless for their originators. For example, we have already covered the Russian titanium situation at the Western markets: the ban on the imports of the metal dealt a painful blow to famous aircraft manufacturers.

Could we make matters worse for Western corporations by introducing our own bans?

Let us look at the case of uranium. To make things clear, Russia does not export naturally occurring uranium (urani-

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um ore). What is generally referred to as exports of Russian uranium, as a matter of fact, means exports of the enriched uranium product (EUP).

The uranium market has a very significant feature (among other): over the latest years the demand for uranium ore has been higher than the level of its annual production. According to the World Nuclear Association (WNA), 48332 tons of uranium are mined across the world per year, covering the global demand just by 77%. Europe is not featured among the largest producers of uranium. The USA mines less than 0,1% of the global volume. To supply the NPP demand, the USA receives uranium from Russia, Canada, Australia, the UK and other countries, and also utilizes its Cold War stockpiles, accumulated over decades: Americans are processing their weapon-grade (highly enriched) uranium into energy-grade (low enriched) one.

The United States can only provide 30% of their nuclear fuel on their own. They get uranium from Russia in the form of EUP to cover 20% of their needs. This bar was set by American lawmakers back in the 1990s, so that more competitive Russian products could not completely oust the domestically manufactured product. In 2023 the USA bought enriched

uranium from Russia for \$1,2 billion; the volume of supply amounted to 702 tons, a historic record.

Today the major EUP manufacturer in the USA is European URENCO. Its enrichment plant capacity provides for less than 15% of the total demand. Some of the demand is covered by reprocessing of nuclear fuel (HEU-LEU) from dismantled nuclear warheads. American companies have failed to master production of gas centrifuges for uranium enrichment, and their previous products were manufactured with obsolete technologies, totally uncompetitive today. However, in the first quarter of 2024 Joe Biden claimed that the Americans finally produced the first 90 kg of enriched uranium (compare this to 702 tons, supplied last year from the RF) and intended to ramp up volumes. As it turned out later, the manufactured fuel could only be used at yet to be implemented low power nuclear plants, and it is not fit for the existing 90 NPPs, because the level of enrichment is inadequate.

Therefore, it would be a very risky initiative for Washington to impose sanctions against the Russian product under very uncertain prospects for the uranium industry. But nevertheless ...

The USA introduced their sanctions against the Russian EUP back in May, completely banning its imports starting from this April. The ban will be active till 2040, and it is designed as a law, adopted by the Congress and signed by the President. But there is a loophole in the law: up to January 2028 there may be temporary exclusions when "similar commodities will be unavailable on the international market and when there are threats to energy security". This means that up to this date American NPPs will be actively fighting for these exclusions, because there are no actual alternatives. It is known that Centrus Energy has already obtained a permit from the US Department of Energy for imports of enriched uranium from Russia in 2024 and 2025 under existing contracts.



48332 tons of uranium are mined across the world per year (Source: World Nuclear Association)



The Russian share in the EUP deliveries to the EU rose from 17% in 2022 to 23% in 2023 (Source: Euratom Supply Agency (ESA))

Can the Americans resolve the issue of future severe shortages by building new uranium enrichment plants over the remaining period of time? It is doubtful, because all previous construction experience ended in failure – projects got closed down. And URENCO has no plans to share their technologies, though it could build yet another plant of its own. But still, the given timeline for construction is too short for such technologies.

What are other suppliers of EUP to the USA? Kazakhstan and Uzbekistan. Their combined shares make up for 15% of the American market. But these countries do not enrich uranium on their own, but use production capacity in Russia.

Another, recently emerged major supplier to the USA is China. From 2020 to 2022 China did not supply any enriched uranium to the USA, but started large volume deliveries at the end of 2023. At the same time the imports of Russian enriched uranium to China also rose significantly, raising concerns of American lawmakers, who initiated an investigation of this fact.

In other words, Russia controls the enriched uranium flow into the USA not only directly, but through some other major exporters as well. This means that if a relevant task is set, these deliveries could also be restricted.

Will Rosatom companies suffer losses from this decision? In the long term they will not. Enriched uranium will be required for those multiple NPPs that Russia is building abroad (Turkey, Bangladesh, India, Iran, China, Egypt, Hungary). And a few major construction projects are scheduled in Russia as well.

The European Union never joined this sanctions initiative, because it realizes that it is largely dependent on Russian uranium product supplies. According to the Euratom Supply Agency (ESA), the Russian share in the EUP deliveries to the EU rose from 17% in 2022 to 23% in 2023, the share of Rosatom in uranium conversion, a process preceding enrichment, — from 22% to 27%, and in uranium enrichment— from 30% to 38%. The European Union will not be able to replenish these volumes via cooperation with other countries, because the uranium market is a sophisticated and high-tech one, which makes it rather limited. Development of own additional conversion and enrichment capacity by the Europeans would once again require several years. There are major issues with naturally occurring uranium mining. France, which has the most NPPs in Europe, has lost its key uranium ore source due to the coups at the African continent, where a significant volume of naturally occurring uranium, imported by the French, was mined.

Therefore, our uranium leverage over the unfriendly countries could be quite effective. **BM**



KEY RATE PASSIONS

THE THEME OF THE KEY RATE OF THE BANK OF RUSSIA HAS GONE MAINSTREAM AND BECOME AN UNDISPUTED LINCHPIN OF THE ECONOMIC AGENDA, AND THE MEANING OF THIS FINANCIAL TOOL IS NOW LITERALLY PIVOTAL IN THE BROAD SENSE OF THE WORD. NOTHING OF THE KIND HAS EVER HAPPENED IN THE POST-SOVIET HISTORY OF THE COUNTRY. NEVER BEFORE BRIEFINGS OF THE REGULATOR'S HEAD AFTER MEETINGS OF THE CBR BOARD OF DIRECTORS ON THE KEY RATE VALUE HAVE ATTRACTED SUCH CLOSE ATTENTION OF THE PUBLIC. AND THE REASON FOR THIS IS PRETTY OBVIOUS: TODAY AN AWFUL LOT DEPENDS ON HOW TOUGH IS THE LEVEL OF THE MONETARY POLICY.

The discussion has gone nationwide and is unprecedented in its intensity, it features heads of state-run corporations and private companies, industrialists and bankers, experts and journalists, laymen and government officials. There is ongoing, though yet unsuccessful, search for an answer to the main question: could there be a compromise between economic growth stimulation and strict anti-inflation measures of the monetary policy?

The Bank of Russia considers a key rate raise at its December 20 meeting as "highly probable". Since in October the key rate climbed for two percentage points at once, from 19% to 21%, a most likely scenario is viewed as up to 23% and even, in a "hardcore" case, up to 25%. It is also noteworthy that the regulator stepped away from its previous target values, for example, the 4% inflation target was moved from 2025 to the

first half of 2026. It is clear that under these conditions availability of investment financing programs from all sources is dramatically reduced. The position of the large businesses was voiced by Alexander Shokhin, head of the Russian Union of Industrialists and Entrepreneurs (RUIE). According to him, many companies are already postponing their investment projects till the next year, because the CBR has made it quite clear: there will be no easing of the monetary policy before the second half of 2025 and if inflation remains rampant.

The situation poses a colossal dilemma – this is the essence of a recent statement by Mikhail Zadornov, former Deputy Finance Minister of the RF in 1997–1999. He believes the main flop of this year is the fact that they have failed to bring the inflation down to at least 5,5–6%. The economist said that the gap between the annual inflation value of 9% and the key rate of 21% was extraordinary. Zadornov explained the gap by the CBR's attempts to limit demand growth, "making it harder for banks to grant loans, primarily consumer loans, even apart from mortgage loans". The former head of the Finance Ministry also noted that just due to the inflation and the high key rate in Russia in 2025 the government debt payments will go up by about 1 trillion roubles (as compared to 2024).

Current Situation Origins

At the level of laypeople judgements (and not only at this level) it would be easy to blame everything on the top management of the Central Bank. There is a traditional rebuke: the monetary policy of Elvira Nabiullina's team is shutting the door on the business, leaving it without long-term cheap loans, and robbing the whole economy of its future and development options. There are also voices saying that Nabiullina should stop complaining about production capacity shortages as the key economic problem. Where would this

capacity come from, if the Central Bank prevents companies from getting loans, thus cutting off equipment procurement?

In reality the origins of the current real sector situation go even deeper: it has not been shaped by monetary activities of the regulator alone. It's just that the Central Bank is always in the limelight, playing its historic role of everlasting "inflation watchdog" and being an actual lightning rod. The Bank, using its limited means, tries to eliminate consequences of structural non-monetary issues. But the root causes are far beyond the mandate of the CBR. Particularly, parameters of the budget and of the so-called budget momentum are in the domain of the government and the State Duma. Moreover, today the economy is clearly divided into market-driven industries and industries, actively stimulated by the government. The latter, naturally, are far less sensitive to the impact of the key rate. The Bank of Russia will never be able to provide equal operating conditions for these two baseline layers of the economy, and a part of the business community realizes this. Speaking at an economic forum in Chelyabinsk this November, Alexander Kalinin, head of "OPORA RUSSIA", called upon his colleagues to accept expensive money as a given and to look for alternative sources, up to optimizing administrative expenses and non-tax payments.



Elvira Nabiullina: Tough monetary policy is not a fad, but an inevitable response to the events in the economy

In the meantime, today every fifth company in the processing sector on the average experiences issues with loan repayment, according to the Center for Macroeconomic Analysis and Short-term Forecasting (CMASF), a government-affiliated think tank. In the woodworking sector this share is about 22–24%, in the leather and paper production sector it is 29–34%, and in the ship-building and aircraft-building sectors this value is as high as 57%. As per CMASF estimates, enterprises have to spend every fourth rouble of their profits on paying interest, and this is the maximum level over the latest five years. Dmitry Belousov, deputy director of the Center, says that the situation with the key rate is leading to a gradual expansion of the range of civil industries, where business profitability is lower than costs of risk-free money holding (OFZ bond yields). This makes private investment into these industries irrational.

"I am especially worried, – says Vladislav Antonov, BitRiver financial analyst, – that there is a skew towards short-term loans for working capital financing versus long-term investment loans. The business has to borrow money just to "stay afloat" – to cover rising logistics and payroll costs. There is no chance for any development under these conditions".

As debt market players, polled by Expert RA, say in their

turn, in 2025 the economy will be flooded with a wave of defaults due to high loan rates: 35% expect this to happen in the second half of the year, 27% - in the first half, and only 18% do not expect anything of the kind.

Classic Conflict

There is also a number of reasons to doubt high efficiency of cooperation, coordination of activities between the Central Bank and the government, whether the parties inform one another of their every step. Particularly, as Kirill Tremasov, advisor to the CBR Chairman, said in early October, "the budget has a few unexpected items, which may require adjustment". He was referring to a measure, outlined in a standalone draft law, submitted to the State Duma on September 30 as a part of the "budget package". The final budget expenditures for 2024 were increased by 1,5 trillion roubles up to 39,4 trillion roubles, which is 22% more than last year. A fair share of funds was allocated to financing two budget items: military needs and subsidies for mortgage and other preferential programs.

"Our interaction with the government is very constructive, we hear each other, in any case, our relevant coordinate systems are clear to the other party, – said Elvira Nabiullina at a meeting with journalists in response to the question, how much the coordination of activities of the CB and the Finance Ministry was "hampered by unexpected events, such as this year's surge of expenditures, which has popped up just recently".

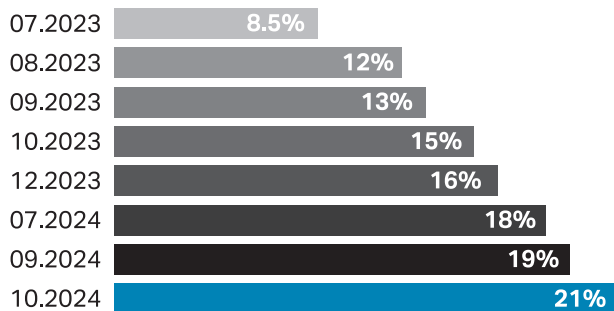
According to the CBR Chairman, many decisions on additional expenditures are adjusted at the last minute and verified. This is why the regulator learns the final numbers only when they are approved within the government.

"One thing is certain: inflation in Russia is becoming more unbearable for the economy, – says Nikita Maslennikov, leading expert at the Center of Political Technologies. – In ancient China they used an execution method, known as "death by a thousand cuts". In our case inflation is fueled by multiple drivers. Among other, there is upcoming indexation of public utilities rates up by 11,9% and railway transport rates. I presume that this measure is justified: elevator equipment, for example, needs upgrading. But why raise the car disposal fee by 70-85% from October 1, when their share in the consumption mix is only 4,6%? Couldn't it wait?"

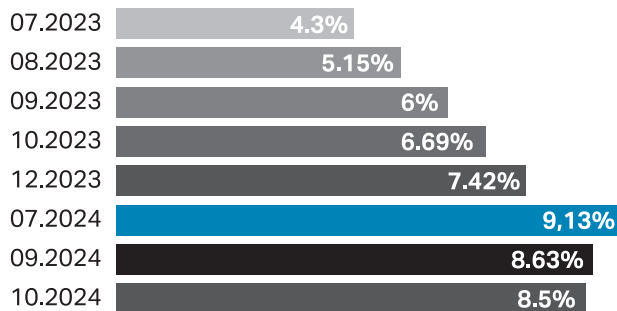
These two measures – indexation of public utilities rates and car disposal fee raise – provide one percentage point sharp of annual inflation gain in 2025. And there are other upcoming pro-inflation novelties. Particularly, as Maslennikov reminds, the Ministry of Industry and Trade plans to raise the fee for agricultural equipment disposal by five to ten times, despite sliding profits of agricultural businesses. One could criticize the Central bank for the high rate all day long, but the regulator has no other tools. If it starts bringing the key rate down now, it would send the inflation freewheeling, creating an even more dire situation both on the consumer market and in the broader economy.

"Today government-funded enterprises with state-subsidized rates get a clear advantage, – notes Vladislav Antonov. – And private business will have to phase down production or transfer its assets into more profitable financial instruments. This may increase the inflationary pressure due to insuffi-

Key Rate Change (% , CBR)



Annual Inflation Change (% , Rosstat)



(according to Vice Prime Minister Novak's statement)

cient product and service supply. By all means, the Central Bank realizes consequences of its steps for the industry, but now it is between a rock and a hard place".

On the one hand, inflation needs to be contained, because it devalues savings and destabilizes business planning. On the other hand, growing government expenditures and consumer demand continue to drive prices up, and the Bank of Russia has to take tough measures to prevent the inflation spiral from going off. This, according to Antonov, is a classic conflict between short-term stabilization and long-term development.

Government Support Measures

The conceptual dispute currently ongoing in Russia is reminiscent of the everlasting chicken and egg paradox. Which came first: economic issues caused by the high key rate or the high key rate as a response to inflation, rising government expenditures and consumer demand?

Tough monetary policy is not a fad, but an inevitable response to the events in the economy, said Nabiullina at the State Duma, at a meeting of the Financial Markets Committee. The key message, addressed to the critics of the Bank of Russia: structural risks are not related to high rates. Correspondingly, the regulator will continue to use this tool as it deems appropriate. As the Head of the Central bank commented, "many countries had gone through this, before they achieved sustainably low inflation", making business loans and market-based mortgages affordable. A tough monetary policy "is not in contradiction with those economic development tasks, which are currently worked upon by the government", the policy "protects wages, pensions, allowances and savings from growing prices".

At the same time, Nabiullina emphasized, the business is suffering from high inflation no less than people are, because its growing expenditures are "largely a manifestation of the very same inflation". "This is a reflection of the acute struggle of companies for scarcer production resources: labor, materials, new equipment".

But there is also another absolute givenness: however hard the regulator tries to manage consumer activity with its rate, and through them to affect business activities, some real things will remain out of its reach. Speaking in late October at a congress of the Federation of Independent Trade Unions, Vladimir Putin acknowledged that there were "issues and imbalances persisting" in the domestic economy. The President said that these "were primarily caused by those

complicated conditions, under which we are ramping up the industrial, agricultural, financial potential of the country", including labor shortages (an acute deficit of blue collar specialists), external sanctions and domestic structural limitations. Earlier, in his address to the Federal Assembly Putin mentioned the need to increase investment volumes in the key industries of the RF by 70% by 2030.

Back then, in February of 2024, the key rate was 16%, which was quite a lot too. But by today it has become totally prohibitive in nature, and this status increasingly switches off market regulation mechanisms in the country, putting the country on the rails of direct government control. Where would the situation go? In the opinion of Alexei Vedev, Director of the Center of Structural Research, RANEP, the inflation will keep on accelerating, because it is not contained by the high rate, but only provoked by it.

"Corporate lending will continue growing, and its higher costs will be passed on, - says the economist. - And the population will mostly stick to a savings mode, taking most of their money to banks and borrowing as little as possible. GDP growth rates will be below 1,5% per year, and the OFZ long-term bond yields will surge to record 16-18%. This is very costly to finance a budget deficit".

What does business have to do in the current situation? Vladislav Antonov believes now it is critical to search for ways to optimize costs and increase efficiency. Probably, it would be good to consider establishment of partnerships and consortiums for joint implementation of projects, to distribute risks. It is also important to closely monitor government support programs; it is likely the government will have to expand its rate subsidies for priority industries.

"Interested companies could apply for both financial (billions of roubles allocated!), and non-financial support measures, - says Oleg Kalmanovich, Neomarkets chief analyst. - The first measures include tax preferences, options to get subsidized loans through development institutes, apply for grants or subsidies. These programs are designed both for large businesses and systemic industries, and for small businesses. There are active federal and regional programs. For instance, an individual entrepreneur or socially-oriented companies may apply for a grant of up to 0,5 million roubles (up to 1 million roubles in the Arctic zone). The second tier programs feature information and consulting support through "My Business" centers and also the Russian Exports Center (REC) —for those businessmen that want to take their products abroad".

Georgy Stepanov.



“MOSCOW-TASHKENT” TELECONFERENCE: MUCH TO LEARN FROM EACH OTHER

THE “MOSCOW DAYS IN TASHKENT” EVENT HOSTED A BUSINESS CONFERENCE ON TRADE, ECONOMY AND INVESTMENT COOPERATION ISSUES IN THE TELECONFERENCE FORMAT. PARTICIPANTS OF THE DISCUSSION ALSO PROVIDED THEIR VIEWS ON BUSINESS CONDITIONS IN THE CAPITAL CITIES OF RUSSIA AND UZBEKISTAN.

The conference was organized by the Department for External Economic and International Relations of Moscow (DEEIR). The teleconference was participated by over 200 businessmen and government officials from Moscow and Tashkent.

In his welcome address to the participants of the meeting Sergei Cheryomin, Head of the Moscow Government Delegation, DEEIR Head stressed that the current relations of Russia and Uzbekistan could be called not only “strategically important and historically successful, but also model relations from the viewpoint of economic relation development dynamics”. He backed up his statement with specific facts: if in 2022 Uzbekistan had the 35th position on the list of key foreign trade partners of the Russian capital, then by results of the first half of 2024 the Central Asian republic climbed to the 13th position. The trade turnover between Moscow and Tashkent over the first six months of this year amounted to about \$1,5 billion.

– The abovementioned numbers are proof of our successful bilateral cooperation not only on interstate, but also on interregional level. The effective cooperation of the two

countries has been propelled by the recent visit of the RF President Vladimir Putin to Tashkent.

Throughout the year of 2024 Moscow and Tashkent have actively exchanged their delegations. Hokimiyat top officials regularly met with representatives of various departments of the Government of Moscow. The dialog with Uzbek colleagues was primarily supported by lead experts, engaged in urban infrastructure development issues. Guests were provided with illustrative demonstrations of Russia’s achievements in the areas of digitalization, healthcare and education.

– We are hopeful that the solutions, successfully implemented by Moscow and marked with top international rating positions and awards, our extensive urban planning and development policy experience could be relevant for the capital city of Uzbekistan, – emphasized Sergei Cheryomin.

Rashid Tangriev, acting trade representative of Uzbekistan in the RF, took the floor in the Moscow studio.

– Today in the republic, – he said, – there are more than 3 000 successfully operating joint enterprises with Russian capital. A great credit for this goes to the trade representative



office of Uzbekistan. First of all, we have managed to set up active operations of our business mission in Russia, we have developed a rather interesting agenda, very important for both countries, both at the federal level and at the level of interregional cooperation. One of the key activity areas of the Uzbekistan trade mission is to engage business community representatives in implementation of various investment projects in the republic.

According to Rashid Tangriev, today Uzbekistan has established about 25 free industrial zones. The trade mission engages not only businesses, but also regional authorities, the government to identify issues, hindering increase of the trade turnover between our countries, all the more so as leaders of Uzbekistan and Russia charged us with specific tasks.

– In the near term Moscow and Tashkent expect the trade turnover between the two countries to go up to \$10 billion. By 2030 we must achieve \$30 billion. These goals are ambitious, but quite achievable, – says the trade envoy of Uzbekistan.

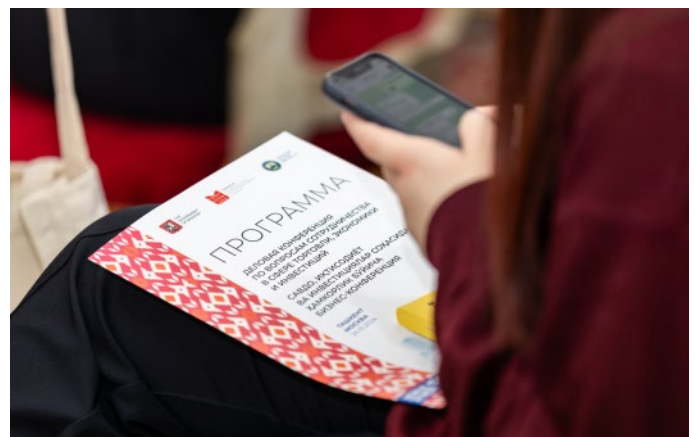
Igor Kamynin, Russia's deputy trade representative in Uzbekistan, was not as optimistic in terms of achievement of prospective goals. Taking the microphone in the Tashkent studio, he said that “it is an extremely hard task” to increase the trade turnover to \$30 billion. Getting this done would require the trade turnover to go up 15% annually. By results of seven months of this year Russia and Uzbekistan reached the amount of \$8,7 billion, which is good news for experts. Both capitals are hopeful that the trend will be sustainable and by the end of 2024 the growth will reach up to 25%.

The Russian Foreign Trade Academy, according to Kamynin, has analyzed specific issues in all areas of cooperation,

and, as experts say, the expected growth is quite feasible. What are possible sources for this?

– Today business demonstrates its commitment to increasing trade turnover growth rates. Thousands of Moscow companies trade with Uzbekistan, more than 800 of these are small and medium businesses. This points to the fact that there is an active process, where not only large companies are growing. Even Russian companies with micro budgets, small numbers of employees can efficiently work with Uzbekistan and achieve larger trade turnover results, – said Tangriev.

Other participants also spoke at the conference, including Vladimir Goncharevich, OZON deputy managing director, Hikmatullo Nasrullaev, Realsoft IT Company CEO, Dildora Atadzhanova, head of Dalatech System company, Inga Batmanova, System Electric director for cooperation with educational institutions, as well as many others.





Yevgeni Dridze, deputy head of the Department for External Economic and International Relations of Moscow, said that such meetings were quite useful: “We often speak of our achievements, which we consider avantgarde, inimitable. There should be an understanding that we are not unique. This is why the essence of what is happening is not only to share your unique experience, but also to absorb it from others”.

The conference hosted a presentation of a few innovative and key urban infrastructure projects, and also featured talks with interested Uzbek partners to share experience and discuss options to improve cooperation between Moscow and Tashkent.

An important addition to the conference agenda was a visit by Russian representatives to the leading technoparks in Uzbekistan – The Center for Innovation, Technology and Strategy

(ITSM), IT PARK Uzbekistan, and also INNO Technopark.

During the Moscow Days in Tashkent, Sergey Cheremin, Head of the delegation, Minister of the Government of Moscow, met with Shavkat Umurzakov, the mayor of the capital of Uzbekistan.

The Uzbek side presented Tashkent’s investment potential, including the Yangi Avlod industrial zone and an intellectual transport system project.

Sergey Cheremin, in his turn, spoke about Moscow’s projects in education, healthcare, transport and social sphere projects.

In 2025 authorities of the two capital cities plan to conduct Moscow Days in Tashkent and Tashkent Days in Moscow. Russian and Uzbek businessmen will discuss new results of their cooperation. **BM**



MOSCOW TAKES PART IN CIIE 2024 IN SHANGHAI

A delegation of the Moscow Government took part in CIIE 2024, the China International Import Expo in Shanghai. Moscow prepared a large-scale exposition. It was organized by the Department for External Economic and International Relations of Moscow. Evgeny Dridze, Deputy Head of the Department for External Economic and International Relations of Moscow, spoke at the opening of the stand. 10 Moscow food



and agriculture companies, including those operating in the special economic zone, showcased their services and goods. These were meat, confectionery products, ready-made food and drinks, and much more.

The stand also featured a so-called Moscow gastronomic cafe, where guests could get to know the original recipes and coffee traditions established in the city. In addition, a special gastronomic zone was organized, where famous chefs held shows and master classes. Visitors to the exhibition could taste traditional Moscow dishes such as Guryev porridge, Ukha (fish soup), Moskovit jelly, Stolichny salad, as well as Russian-Chinese dishes interpreted by Moscow chefs.

International purchasing companies expressed great interest in the Moscow exposition. Business meetings were held at the stand every day. In total, the number of individual bilateral meetings and negotiations between Russian and Chinese businesses exceeded 300. The exhibition also included off-site business meetings with visits to Chinese manufacturing plants and retail chains.

TECHNOPOLIS MOSCOW SPECIAL ECONOMIC ZONE BECOMES A LEADER OF ESG RATING OF SPECIAL ECONOMIC ZONES IN RUSSIA

The results of the second ESG rating of special economic zones of Russia were announced within the framework of the International Forum of Special Economic Zones (SEZ) - 2024. The Technopolis Moscow SEZ and Dubna SEZ have topped the Ranking. In 2024, four new zones were included in the rating, that indicates an increased interest in the sustainable development agenda. This was stated by Anatoly Garbuzov, Head of the Moscow Department of Investment and Industrial Policy.

The ranking was developed by the Association of Clusters, Technology Parks and SEZ of Russia, with the support of the Russian Ministry of Economic Development. The rating criteria include personal growth and development of the SEZ manage-

ment company, including such areas as ecology, social responsibility and corporate governance.

The Technopolis Moscow SEZ offers a preferential regime to high-tech companies. According to Garbuzov, the residents of this zone apply the most effective management practices, in particular those that comply with the principles of sustainable development. Companies prefer resource-saving solutions, implement waste sorting, and monitor carbon dioxide emissions. The Technopolis Moscow SEZ also attracts social businesses and eco-friendly companies that are engaged in recycling, energy efficiency, and production of products, using recyclable materials.

MOSCOW TAKES PART IN 12TH WORLD URBAN FORUM (WUF12)

A delegation of the Moscow Government took part in the twelfth session of the World Urban Forum (WUF12) in Cairo. WUF12 focused on localizing the Sustainable Development Goals. The event was convened by the United Nations Human Settlements Programme (UN-Habitat).

As part of the business programme of the Forum, the Moscow Government jointly with the Guangzhou Institute for Urban Innovation organized a panel session dedicated to the prospects for global cooperation between cities on urban climate issues. Hélène Chartier, Director of Urban Planning and Design at C40 Cities, Zoya Viktorova, Deputy Head of the Department of Economic Policy and Development of Moscow, and other experts took part in the discussion.

At the forum, the Moscow Government prepared a large-scale exposition. Here, forum participants and guests could in an interactive way explore key Moscow projects on the housing renovation program, industrial zone reorganization, environmental sustainability projects, development of cultural and sports clusters, parks and public spaces.

Cairo's Governor Ibrahim Saber visited the Moscow stand. In addition, he held a meeting with Sergei Cheremin, Head of the Moscow Department for External Economic and International Relations. The parties discussed promising areas for cooperation between Cairo and Moscow, as well as ways to boost collaboration on various projects between the two cities.



BRICS: DEVELOPMENT AND NEW MEMBERSHIP

WHERE IS BRICS GOING? WHAT IS THE ULTIMATE LOGIC OF THE CURRENT EXPANSION? SHOULD WE EXPECT NEW MEMBERS JOINING THE ORGANIZATION? WHAT ARE THE TOP PRIORITY OBJECTIVES AND WHY THE FORMAT OF BRICS PARTNERSHIP WILL REMAIN KEY? WHAT IS THE CURRENT OVERALL STATUS OF BRICS IN THE WORLD?

Baseline Changes Ongoing

The BRICS is growing stronger and developing. The expansion of the club and the Kazan Summit, a new payment system project, called "Putin's Plan" by the US media, growing trade and criticism from Western economic institutions — these are all attributes of a new era. At the BRICS they speak of fair globalization, which must replace the neoliberal globalization under the Washington Consensus and rules, lately constantly changing at the will of the White House. The BRICS Summit in Kazan announced its desire to reform the UN, especially the Security Council. The BRICS intends to underwrite maritime transport without any help from the West, perform settlements without any use of SWIFT through central bank linkage. Trade in national currencies is on the rise.

Over 200 various events have been held in 2024 under Russia's BRICS chairmanship. There is growing cultural engagement in the BRICS area, all the more so as the club now unites Russia, China, India, Brazil, SAR, Iran, Egypt, Ethiopia, UAE and Saudi Arabia. The BRICS partnership environment is taking shape: there are ongoing discussions of cooperation formats, levels and forms of partnership for those countries that will be granted partner status. Ways to handle existing



Vasily Koltashov

Economist,
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controversies, like those between Brazil and Venezuela, are also being considered. Brazil is striving to prevent Venezuela's expansion for the account of Guyana, a former British colony, and Venezuela is concerned about Brazil's influence. Such controversies hinder future expansion of the BRICS.

This is somewhat comforting for the West. They also hope that new BRICS members will be prone to influence by the USA and their allies, which would stall radical unification projects, such as common currency, even more. But there is little consolation in this as well, since it is obvious that BRICS is winning in the field of ideology. Particularly, BRICS appears as a more open, multi-stakeholder and progressive structure than the G7. BRICS highlights its focus on the interests of the Global South, those infringed upon by the West.

Expansion After Strengthening

Now the BRICS perceives that a new order should be built, crucial global trade strongpoints must be secured and most promising independently run countries with large territory and population should be accepted into membership. In this case economy size matters as well. In 2024 the BRICS accepted Iran, Egypt, UAE, Saudi Arabia and Ethiopia.

The UAE are a major oil exporter, shifting over to trading oil for yuan, and a global financial center. Saudi Arabia is ready to sell oil for yuan. Egypt controls the Suez Canal, vital for the global economy. Of the new BRICS members, only Ethiopia is cut off from the sea due to the policies of the West: in 1993 its province of Eritrea broke away from the country, giving rise to a long armed conflict. Now the country has no seaports.

Iran is highly important due to its self-reliance and firm stance in its fight against the West. Iran is the strongest new BRICS member in terms of politics.

All of the above countries are those with long ancient histories. This is important, since it is known that “color revolutions” by the USA are easier to conduct in those countries that have short history and lack strong national bureaucracy. The latter is essential for internal stability of a BRICS member country.

Now there is a queue of potential members of the club. But entry conditions are becoming stricter. Countries should be independent from the West and not prone to selling their voice in the BRICS to the West. Could Turkey, for instance, behave this way?

And another requirement is a low level of conflicts with the existing BRICS members.

Strengthening After Expansion

The BRICS is rather ahead of G7 by its GDP, as well as by its industrial capacity, production and volumes of essential resources. According to the International Monetary Fund (IMF), the US share of the global economy by October 2024 slid to 14,76%, and in early 2025 this will amount to 14,7%. This rides on the back of a record US budget deficit, projected to amount to over 1,9 trillion dollars in 2024, with the expected government debts of 34 trillion dollars this December. 40 years ago the debt of the US federal authorities was below 1 trillion dollars. Just for comparison of the trends: Russia in 2024 accounted for 0,25% of the global government debt, which for the whole world exceeded 100 trillion dollars (93% of the global GDP). These data are also reported by the IMF.

The PRC got ahead of the USA in industrial production as far back as fifteen years ago. After the Second World War, the share of the USA in the global industrial production amounted to 60%. Now this is hardly 10%. The share of industry in the US GDP mix is about 20%. Many non-Western countries display this value of 1,5-2,5 times higher, with China this stands at 41%. The US industrial production volume could be estimated at 5 trillion dollars (for the 2023 GDP of 25,4 trillion dollars), when for China this figure will be at 7,5 trillion dollars (for the 2023 GDP of 18,32%). So it turns out that the real economy of the PRC is one and a half times stronger than the American one. And BRICS is made of producing, and not consuming countries. This is the very reason that their economies are growing stronger.

In 2023 the BRICS share of the global GDP rose from 31% to 35%. Even back then the BRICS counted 3,6 billion people, which is almost a half of the global population, over 40% of the global oil production and about a quarter of the global exports of goods. Today the net industrial output of the BRICS should amount to over 40%.

Further BRICS Evolution

There will hardly be any expansion of the BRICS club in 2025. Sergei Lavrov, Russia's Foreign Minister, said: “By a majority of votes the ten countries decided to take a pause with new membership, to be able to “digest” newcomers, which have increased the union by two times”. What does “digest” mean? Probably, the issue in question is developing BRICS institutions and operational formats in the financial and trade areas. Here Russia is aiming to achieve maximum results, including establishment of a reserve currency. But the majority of the club members are focused on slow progress. They in-

tend to get benefits from their trade with the USA, like India, for which the American market has become key.

Russia proposes to set up a common BRICS Bridge payment system. Pepe Escobar, a Brazilian global economy and international relations expert, said during the Summit: “I would not comment on any timelines, because now there needs to be an understanding of how to implement this payment system. Today already 90% of settlements between Russia and China are not made in dollars. So, there is an existing alternative payment system. They are using rouble and yuan. Maybe, we would be able to use currencies of all member countries. As for the currency, now there are ideas that it could be by 40% made up by gold and by 60% - by other BRICS country currencies”.

Sergei Stankevich, a political expert, reported on the sidelines of the BRICS Kazan Summit, that a new Bridge BRICS payment system will be implemented in the next few months. Sanctions, pressure through use of internal opposition and failed settlements for traded products are a trifecta of issues, which seem to be the most acute for the BRICS. If settlements are made simple in a reliable settlement system, this will be a giant step forward. When countries are capable of making cross-border settlements via digital platforms, managed by their central banks, this would mean setting up a mechanism for further accelerated trade growth outside of the West and giving an impetus to development of manufacturing sector within the BRICS and around it.

Back to Expansion Issue

If this mechanism proves its continuity and convenience, then BRICS would be able to expand faster. Even the format of partnership with the BRICS will be more attractive, if not most attractive for countries of the South. This will mean new pressure for the dollar system. There will be a continuing shift in the global labor division system: developing countries will become stronger, richer and together they will be more resilient in terms of economy. Algeria, Venezuela, Cuba, Turkey, Azerbaijan, Bangladesh, Bahrain, Belarus, Bolivia, Vietnam, Honduras, Zimbabwe, Indonesia, Kazakhstan and others are right now planning on joining BRICS. There is an issue with that.

If Turkey and Azerbaijan could be inconsistent supporters of BRICS development, making too many compromises with the West, then Algeria has issues with Russia's partners in Africa. Vietnam is distrusted by China and mistrusts China, though this has been smoothed over due to Vladimir Putin's visit to the country. Bolivia is shaky, and Argentina is totally torn away from the BRICS by the USA with the help of Javier Milei. BRICS leaders are concerned about internal or foreign policy uncertainties. For this very reason, new memberships could be granted very cautiously.

Becoming a BRICS partner is a track for controversial countries to follow. At the Kazan Summit it was stressed many times that there were growing concerns of the club getting diluted, when its structures, trade and finance mechanisms have yet to be set up properly. That's why acceleration is primarily required along this track, and then most reliable countries, which generate no frictions between the club members, with stable national bureaucracies, and with large economies (which will not be a key factor), will be onboarded. **BM**



GLOBAL SITUATION PARADOXES: DEMAND FOR TRUST

The global economy and trade over the latest years have been developing into an increasingly more graphic paradox. On the one hand, new added value chains keep popping up and branching out, the largest part of the global economic environment is in its usual operating mode, on the other hand some of the chains are broken in a most abrupt fashion, whole regions are plunged into chaos, from yet another perspective there is ongoing search for solutions to replace missing logistics links, and then again there is still more sophisticated all-round hunt for violators of "sanctions", which could be designated as such by hunters at their whim by any criterion, be it a company or a natural person. If a single word could be used to describe this, then turbulence would be the most innocuous choice. In point of fact, quite a significant part of industry and sector markets is engulfed by all kinds of trade and economic conflicts, drawn-out, situational, opportunistic, structural conflicts etc. The only question is, will this expanding part reach the "critical mass", and if it does, when will it start a global landslide. This raises yet another question, could this catastrophic scenario still be prevented.

Methods of resolution of present-day trade and economic conflicts have long gone beyond the regular competitive, legal, court arbitration bounds. The "grey zone" of interaction is sprawling out, where outcomes are decided by cowboy battles of "new nomads", new "economic killers". From the economic perspective, unilateral restrictive practices are aimed at forced redistribution, and often just outright seizure of capitals, resources, rents, incomes, destruction of targeted businesses. From the systemic perspective, it is not only science and research, production, logistics cooperation configurations that

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are torn down, the foundations of the global currency and financial infrastructure are undermined as well.

The infrastructure principles were laid out during the talks of the USA, Great Britain and the USSR on the post-war settlement in 1944-45, then were revised several times, but the main thing remains unchanged: the dominant status of the dollar and the Western countries in the global currency and financial system and control (voting quotas, staffing) over a group of international organizations – economy regulators. This allows the USA to extract a palpable rent benefit from seigniorage, in macro-economic terms, through issue of the dollar both as a domestic and as a global currency. However, the 80-year use of this unique benefit was accompanied by a significant net outflow of capital from the USA with development of the most marginal complexes for added value generation outside of the country. The costs to support the global military and economic infrastructure kept on growing. This resulted in a consistent trend of falling return on invested capital in the USA. In 2010s signs that further globalization was no longer profitable for the USA



(as growth of the global trade share in the global GDP) started showing up. Trumpism with its “Make America Great Again” maxim starting from 2016 became a demonstration of interests of those American business strata, which had bet on bringing back production capacity and putting the financial capital under the jurisdiction and in the territory of the USA, and also reducing the economic burden of their leadership. All this is happening at the background of a long-term trend for weakening positions of the Western coalition almost by all parameters and rising economic weight and influence of states, currently represented by the BRICS+ extended group.

In part, these two groups face common challenges, but parrying strategies invariably differ. The Western coalition made a bet on its consolidation as a “garden”, surrounded by “jungle”. In reality, there is no full control and concord within the Western coalition, nor there could be any. Consolidation is supposed to be based on a rather tough intraspecific competition. This is what happened before, in 1940-1956, when the allied USA and the Great Britain performed quite a painful process of change of the currency and financial and foreign policy hegemony, while being formal partners. This also happened later on, when the USA purposefully suppressed excessive, in their opinion, investment growth rates in Germany and Japan. And in our times, disciplining allies in the sphere of narrative, sanctions and building supply chains remains a vital and complicated task for the leader of the Western world. The deep-down interest of

the Western coalition is quite transparent: considering the perspective of further increase of the economic and demographic weight of the “Global South”, including BRICS+ countries at its core, succeed in making a transition to a new technological paradigm and based on that, guarantee its existing advantages in the global economy and politics structure and resulting economic benefits for 1-2 generations.

The strategy of BRICS+ countries, which are today institutionally a much more amorphous, “soft” union, is related to the call for a more harmonious, fair organization of global trade, investments, resolution of existing issues under 17 UN SDG goals, settlement of conflicts. The share of mutual trade and investment between the key member states of BRICS+ at present, generally, is many times lower than their trade turnover volumes with Western countries. The trade between Russia and China, for example, is steadily rising, but remains about 4 times lower than that between China and the USA or the EU. This objectively makes some Chinese partners vulnerable to secondary sanctions from the USA or the EU, and consequently, forces them to avoid cooperation with Russian counterparties.

At present there is the New Development Bank, established by the BRICS, trade in national currencies is expanding, opportunities for development of a standalone payment and settlement system are being discussed. The topic of payment and settlement institutions was one of the central items on the summit’s agenda. But if the countries displayed their apparent unity, being displeased with the current status of things, then approaches to practical solutions were only outlined. To a large degree it was caused by actual issues with launching a new global financial infrastructure, while the current, dollar-dependent infrastructure, despite all existing issues, still provides for the most part of the modern trade turnover and financial interactions. For this reason, the BRICS+ countries for now tend to choose solutions, improving the current situation. This aspiration includes realization of both the key issue and the key opportunity to make the global currency and financial, social and economic situation. This means trust of partners in each other. Distrust begets fear, fear begets madness. As Winston Churchill, well-versed in geopolitics, once noted: “I decline utterly to be impartial between the fire brigade and the fire”. **BM**



BRICS commemorative banknote was presented at the Kazan Summit

THE “CUPPER ENVIRONMENTALLY FRIENDLY LUBRICANTS” PROJECT HAS RECENTLY WON AN AWARD OF THE MAYOR OF MOSCOW IN THE “INNOVATIVE LEADERS” NOMINATION. WHAT WAS IT SPECIFICALLY THAT THIS WELL-KNOWN RUSSIAN COMPANY WAS AWARDED FOR AT THIS HIGH LEVEL? SERGEI MAMYKIN, CUPPER GROUP OF COMPANIES FOUNDER AND CHIEF TECHNOLOGY OFFICER ANSWERED THIS AND OTHER QUESTIONS IN HIS INTERVIEW TO BM.MOSCOW FORESIGHT MAGAZINE.

Sergei Mamykin: “SANCTIONS PUSHED US TO DEVELOP WORLD’S BEST TECHNOLOGIES”

– Based on a unique approach to development of lubricants, the one-of-a-kind CLAD copper cladding technology, devised by the CUPPER team, was awarded by the Mayor of Moscow as a leader in technology solutions in the area of transport and logistics. We have managed to achieve something that was considered almost impossible – we provided high level protection of friction mechanisms with minimal environmental impact.

Our company is the first in the world to develop copper ion-based oils and lubricants and to successfully adapt them for wide use. Our products not only extend service life of equipment, but also exclude use of hazardous substances, such as sulphur, phosphorus and sulphated ash. Recognition by the judging panel confirms that we are going in the right direction.

Owing to this award and the overall support by the Moscow Government, we have started testing our oils in small aircraft, it is a new and ambitious challenge for our young company.

Is it true that the history of CUPPER company started with an OKA car and a vial of antiseptic green dye?

Yes, this is true, though the vial only used to contain antiseptic green dye, but at the time it was filled with a copper solution, which was of a similar green color.

In early 1993 I worked at a small firm, hardening automatic couplers for the Russian Railways, and used to drive for about 100 km per day in my OKA car. Its engine was rather worn out after 70 thousand kilometers and we planned to overhaul it. But a young researcher proposed to pour a mysterious liquid into the motor, assuring that it “would not

make things any worse”. I decided to give it a try, poured it in and forgot all about it.

After driving for 50 km, I was shocked — the engine started working as a new one. This was a real discovery for me! Later I met Dmitry Nikolayevich Garkunov, a leading Russian tribologist, who explained to me in great detail what tribology is and what is the role of copper in all of this. This event became a turning point, which opened the world of technologies for me.

What makes the CUPPER brand technology of developing lubricants so unique? What benefit would a motorist get by replacing his regular oil with CUPPER?

In 2012 I founded a company, naming it with Cuprum Performance in mind. Copper has a unique feature: it integrates a metal structure and provides long-term protection,



Sergei Mamykin, CUPPER Group of Companies Founder and Chief Technology Officer



Laboratory of the CUPPER company

activating self-repair processes during operation of mechanisms. The oil production technology (CLAD (c) (Cuprum Lining Antiwear Defense) is a completely patented Russian development. This technology enables improving efficiency of machines, extends their service life and significantly reduces maintenance costs. It also ensures maximum environmental value of oils at NO SAPS level — no sulphur, no phosphorus and minimal sulphated ash. This makes our products more environmentally friendly and safer versus traditional solutions, which use these hazardous substances for wear protection.

What is happening today, under sanctions, with production and sales of motor and gearbox oils, improvers and lubricants, how do domestic manufacturers of these products feel in this situation?

The latest two years have brought significant changes to the market of oils and lubricants under sanctions. Russia did not have any active developers of domestic improvers, and supplies from leading Western manufacturers became unavailable at one point, the market was flooded with components from a number of unreliable manufacturer countries, which had an impact on product quality.

Restricted access to global oil and improver production technologies creates issues for domestic manufacturers. They have to develop their own compounds and process technologies, which is very costly and time-consuming.

We have been prepared for this better than others, since our anti-wear improver technology differs from anything available on the market, and we produce those by ourselves. The component shortage, which has been an issue for many, had no impact on us.

Given the shortage of imported goods, companies started active development of in-house capacities, increasing production volumes. We, for example, have ramped up our production capacity by four times.

Sales also have gone through changes: more oils are sold through marketplaces, increasing their availability, but involving risks, because up to 50% of products on the market are counterfeit. Customers have to carefully inspect products to avoid filling their engines with low-quality products. In this situation CUPPER products are more protected owing to a special greenish color of our oils and lubricants.

Some time ago CUPPER announced of establishing its own oil and lubricant production facilities at Pushkino and Orekhovo-Zuevo. How efficient are these assets?

We started operations at two sites at Pushkino and Orekhovo-Zuevo, but in 2023, to improve efficiency and logistics, we focused on the Orekhovo-Zuevo site. Owing to government support tools for small innovative companies, we invested a lot of effort into procuring equipment, units and components, required for production of industrial-grade oils and lubricants.

Since 2023 we have been producing entirely new products, including gearbox oils, which are already in use with specialized mining equipment.

Did you buy the equipment for your plants in the West or developed it on your own?

We, being a Russian manufacturer, inherently understand the importance of being independent from imported components, including production equipment, this is why we selected the equipment for our plant only in Russia. We brought some from makers in Novosibirsk, Saint-Petersburg and other regions, but not all solutions were readily available, we had to develop some equipment on our own.

It is great to have passionate employees at our production facilities. Our guys assembled and fine-tuned the solutions for our current needs in no time. So this way we did not only mitigate our risks, related to equipment maintenance, but made our own contribution into local economy development. I understand the importance of this better than anyone else.

How much motor oil under your brand is manufactured by your facilities per month?

Starting from 2023, we are working on expanding our production facilities and currently their output exceeds 5000 tons of products per year. The segment of motor oils as of late does not have the largest share, unlike other products used in industry and transportation.



Laboratory of the CUPPER company



How many employees are there in the company now?

We have expanded our team now, and the team has about 100 people. These people are really passionate to make a product which could be a real contribution to saving both natural resources and people. These are professionals with extensive experience from R&D to building sales channels.

I regularly conduct research together with the team, we have a well-equipped lab, where we run daily tests and new product development. We have set up a customer office at our point-of-sales in Moscow, where one could see the product range and get a personal consultation. We are working very hard to create high-quality products and services, which is reflected in the performance of our team.

There is a lab of your company operating in Moscow's Kalibr technopark. What does it do specifically?

This is our research and production lab, and of course, it plays a key role in ensuring high quality of manufactured products. The primary objective of the CUPPER lab is new product development. Now, for example, we are working on development of a high temperature chain lubricant.

Its second, but no less important function is extra quality assurance at all production phases. This allows us to timely identify possible faults and guarantee conformity of every product to the established standards.

Which industries are already using CUPPER brand motor oils?

First of all, it should be understood that industries mostly demand gearbox, compressor and other oils, and not motor oil. Mining industry is one of the key areas where our oils are



actively used. It is critical for this sphere to extend service life of parts and to prevent equipment failures, when downtime could cost as much as several million roubles per day. For this purpose, we are closely cooperating with engineers and users directly at their sites, to adapt our product to their needs. And it is our unique technology that makes us one of the few companies on the Russian market that are capable of resolving challenging tasks. Moreover, for our oil production we use the third, fourth and fifth group of base oils to ensure the highest quality of end product.

Besides, CUPPER oils are actively used by railway transport. Here our oils are used in compressors and traction gearboxes of locomotives and high-speed electric trains. Over the latest years we have created a unique 75W-90 gearbox oil – a product, which extends service life by two-three times versus similar products.



Recently we have had another managed maintenance session at the rolling stock of a major industrial company. We have achieved an outstanding result. We have managed to reduce oil consumption by 7-10% by just replacing the oil!

Now CUPPER oils for maritime and river transport are used not only in Russia but abroad as well. In this segment we have discovered yet another positive outcome of our oil performance – reduction of vibration level caused by uneven engine piston operation. This became possible due to a technology which curbs the hydrogen wear, and copper, incorporating into the crystal grid, raises efficiency.

Are your motor oils known abroad? To what countries to you supply your products?

CUPPER company is well-known in the CIS market and is actively ramping up its sales there. At present we distribute our products not only across Russia, but in Belarus in Kazakhstan too. We have gone out to these markets primarily by word of mouth. The message about a “green liquid” has rapidly crossed the borders of Russia, and we started getting queries from motorists from other countries. This way, step by step, our product has come to these markets.

What is the oil change period for CUPPER oil?

When we speak of oil change periods, we need to understand that it largely depends both on operating conditions and on quality of car fuel. Our oils are made from synthetic base highly refined VHVI, PAO, Esters oils, and all else being equal, maintain

their performance properties significantly longer. But on the average, our oils keep their viscosity by one and a half-two times longer, but of course, depending on a product line.

Recently a representative of your company said that oils by CUPPER are “completely biodegradable”, they could be collected, purified and “re-used in production”. Sergei Mikhailovich, could you please comment on this?

We have oils that contain ethers, they are biodegradable by their properties. Other oils could be re-used, if you drain oil after 300 service hours, purify it properly, add a package of improvers, then it could be used again with some changes. This way our oils could work for about 3-4 operation cycles. Today we are implementing these options in practice and running tests at the experiment block of our production site.

The green color of your motor oils, is its purpose only to differentiate from others by color?

The green color on the one hand is our unique feature, but I would like to dispel the myth that we are using colorants. The specific color is determined by copper salts, which are used as anti-wear package components.

In your view, how would the oil and improver market develop in Russia?

This depends on a large number of factors, including further implementation of the import substitution policy, easing of the sanctions pressure and many others. Over the latest years we have observed growth of the car fleet in Russia. With growing numbers of modern cars with sensitive fine systems, there is a growing need for high-quality synthetic oils due to their superior physical and chemical properties.



We should keep in mind the importance of environmental protection; in this case we are talking not only about electric cars, which, I believe, are ill-adjusted to the severe Russian climate, but about the need to reduce emissions from traditional internal combustion engines. And this is the perfect goal for us.

It is obvious that Russian manufacturers will have to invest over the next few years into development and implementation of new technologies to increase the level of independence from imports, and also to propose solutions not only for broad public use, but also for Russian industrial needs.

And next year changes are expected in connection with the implementation of “Chestny Znak” system for motor oils. On the one hand, this measure will reduce the amount of counterfeit products on the Russian market and will provide product quality assurance, but on the other hand it will lead to higher costs due to additional expenditures. **BM**



CUPPER Environmentally Friendly Lubricants

RUSSIAN INTERNATIONAL LOGISTICS IN 2024: CHALLENGES AND PROSPECTS



The current year has been a milestone for Russian logistics. The sanctions, previously imposed upon Russia, have brought significant adjustments to logistics chains and posed new challenges to Russian companies: exporters and importers faced obstacles in making international payments and cargo and ship insurance, some transport use modes were restricted, seaports and airports were closed for Russian ships and airplanes. Due to these reasons and to avoid reputational risks many foreign companies were afraid to cooperate with their Russian partners. Some industries of the Russian economy, over the latest few years have faced specific issues, related to exports and imports.

Nevertheless, the Russian business has demonstrated high flexibility and ability to find new solutions. In response to the sanctions, Russian companies and forwarders found new routes and logistics chains: the volume of shipments to Asian countries, such as China, India, Turkey, has increased, there has been active growth in multimodal services, combining use of several modes of transport (road, railway, maritime), domestic transportation volumes have gone up and regional logistics centers have been developed under export restrictions. In 2024 new logistics companies, specializing in various transport modes and logistics services, appeared on the Russian market. Many of these companies focus on new routes and cargo types. The number of small companies, offering specialized logistics services, is also on the rise.

As for some or other transport modes, maritime transport remains one of the most significant transport types for international trade. However, the sanctions have restricted access of Russian ships to some seaports, leading to higher freight rates. This was the very reason for the Russian rail-

way transport to become the new driver to bypass sanctions, spurring development of new railway routes to Asian countries and border crossing upgrades. Nevertheless, Russian railway logistics suffer from shortage of containers and railcars, leading to freight delivery delays.

This year trucking played an important role for Russia in short distance freight deliveries and in regions with well-developed road network. However, growing fuel and spare parts prices along with experienced truck driver shortages create additional issues.

Airfreight logistics are traditionally used in Russia for deliveries of express and high-value freight. However, the sanctions have reduced opportunities to use airspace of some countries, leading to higher air freight prices. Despite the



Russian railway transport to become the new driver to bypass sanctions



Airfreight logistics are traditionally used in Russia for deliveries of express and high-value freight

observed in 2024 volatility of freight rates, constantly changing depending on the geopolitical situation and demand for transport services, and also more complicated customs procedures and longer freight processing timelines, Russian logistics continue to demonstrate growing potential for further development. For example, Russia is actively developing its cooperation with countries in Asia, Africa and Latin America, charting new supply chain routes via the Trans-Siberian Railway, southern routes through the Caspian and the Black Seas, and also new air freight routes to Asia and Latin America. And the most graphic showcase for Russia's new opportunities, naturally, is the Northern Sea Route. This Arctic route is becoming more prominent on the back of global logistics changes and taking shape as a major alternative to the traditional maritime routes, such as Suez and Panama canals, offering a shorter and safer route between Europe and Asia. It is highly likely that development will require significant investment, which could be raised from foreign sources. Reduced transportation costs and delivery times will make Russian goods more competitive on the global market, and the route itself could become an important tool for strengthening Russia's positions in the Arctic and on the global arena.

In 2024 Russia continued upgrading its transport infrastructure, building new highways, railways and seaports, actively implementing digital technologies, enabling streamlining of logistics processes and improving their transparency. To increase efficiency and better adapt to new Russian logistics conditions, blockchain, internet of things, artificial intelligence and big data are being implemented.

This year the important role of public and private partnership in development of Russian logistics has become especially obvious. Private companies bring in innovations, flexibility and efficiency, and the state provides long-term investment and sets up favorable conditions for doing business. Success-

ful cases of public and private partnership include construction of new seaport terminals, development of railway infrastructure and establishment of logistics centers.

In our opinion, in the longer term development of Russia's international logistics will depend on successful implementation of government programs for transport infrastructure development and implementation of innovative technologies, and also on efficient diversification of trade partners and accelerating development of local supply chains.

Leonid Shurilinov,
Infranews Agency, expert



This year trucking played an important role for Russia in short distance freight deliveries and in regions with well-developed road network

Vera Prokina:
**“A HANDBAG
IN RUSSIA
BECOMES
A WORK OF ART”**



Handbags are a most popular accessory, an integral part of any woman's wardrobe. The global market features handbags in a multitude of styles, sizes, colors and materials, and any woman could find a handbag which is a perfect fit for her.

But why do women love handbags so much? Is this a necessity or just a fad? Vera Prokina, founder of Russian Pepfer brand, designer and creative director, answered this and other questions in an exclusive interview to BM Moscow Foresight magazine.

Your question is a complex and a very philosophical one. If a handbag is viewed like a symbol, and in my Pepfer brand I largely draw on symbolism, then a handbag stands for freedom of expression. Many cultures and religions strictly regulate personal appearance of women, and a handbag remains an island of freedom and mystery, carried along by a woman.

A handbag is not only a utilitarian item, historically it was a decorative accessory for women and men, a symbol of public status and wealth of a person, when both its cover and contents matter. There is a good reason that the most famous global brands have turned bags and handbags into objects of desire and worship. We in our company design handbags for those who love art. And if a woman for some reason is not wearing her Pepfer brand handbag on this day, she would put it in a most prominent place at home, at work or at leisure.

Men have made a joke that a woman's handbag has anything imaginable but order. Would you agree?

Men have to clean up their garages first, rather than peek into a woman's handbag!

Any bag, a man's or a woman's is his or hers personal business only. Keeping in mind the tough world a woman lives in and how many things she needs to fit into a handbag, creative chaos inside may be a necessity.

We can see by our customers that some of them value having many pockets and compartments, so all things could be sorted in a needed order, everything in its place. And it may be that all things are put together into one compartment. And what is most curious, it could be one and the same woman, depending on her mood.

What do you see as current issues with running a fashion business in Russia?

The domestic market of female accessories is still in the phase of formation and acceptance of Russian design. Handbags by Pepfer are regularly compared with Western brands, without any regard for age-long historic traditions and na-

tional specifics. It is amusing when we are compared to Balenciaga, a Spanish fashion house, which is over 100 years old. (It is now owned by Kering, a French fashion group). You can't be serious, comparing us with Balenciaga? It would be unreasonable to compare large financial investment funds of the West and budding Russian brands. Handbags for €300 and €3000, there is an obvious difference, isn't there?

I think all handbags makers face the same issues: shortage of skilled labor, shortage of materials, disrupted logistics. Yet another problem is interaction with marketplaces, constantly changing game rules, and with labeling requirements and with other administrative barriers being put up. Moreover, there are high loan rates and narrow planning horizons. Let me say without getting into any specifics: any of these issues could crash any business into the ground, including fashion business.

For many women, handbags have become collector items and personal status symbols. Does this apply to Pepfer products, or do you create casual handbag collections?

We make the so-called art handbags, which have become collector items. And there are basic casual models. And what



is most important, Pepfer has set up production of art collection-styled keychains and pendants. Moreover, these could serve as an accessory for a basic bag. Sometimes a woman would like to shine and sometimes she would prefer not to be noticed. We, Pepfer designers and artists, are prepared to support any mood of our customers.

How did the Pepfer brand idea come about?

As it often happens, the idea came about by chance, during my maternity leave. It all started with imports of accessories from South Korea, gradually crossing over into ordering our own models. Ultimately, our business got going in Russia.

I am the chief designer at Pepfer. I invite artists based on planned collections, mood, workload of our craftspeople, personal taste and technical ideas. I am proud of my cooperation with artists and always give credit to authors. But whatever we do, process engineers always have the final say. "The devil is in the details" is the classic slogan of our production. But we are always happy when things come out as conceived, and often they turn out even better!

Is it true that all Pepfer bags are handmade?

Of course not! Indeed, we use a lot of manual work, especially with applications. But since we are scaling up our products, often update our collections, fulfill corporate orders, work with various sites, we embrace modern technologies and the advantages they offer. We have a mix of manual and industrial production, and this enables our craftspeople not only to produce unique things, but to make money on these.

Which genuine materials (leather, fur) does Pepfer use for making its bags?

We primarily work with natural cattle leather, procured in Russia (95%), Italy and Turkey. The choice is determined by relatively stable supply, price/quality ratio. We've had some experience with fur, but currently we do not use it in our collections.

Those who prefer environmentally friendly materials or just textile bags, would like our jacquard tapestry models.

Our collections feature backpacks, waist packs, smartphone bags. Designer accessories with nostalgic art will brighten and diversify wardrobe of any modern person, who wants to have a colorful, distinctive and unique look.

How much time did it take for your brand to pay back and bring income?

My plus side, just the same as my minus side, is cautious calculation, that's why the maximum investment I got for my business amounted to ₺500 thousand. I took this money from my family budget and used it for participation in TRA-NOI Paris annual expo at the Fashion Week in the capital of France. Curiosity and opportunity to "see and be seen" were



key for me in going to Europe. There I got customers from China, South Korea, Germany, and what matters most from me – from the Chicago Museum of Contemporary Art. They ordered a Campbell's soup can-styled handbag from us. Let me tell you, cans could be very inspiring.

Overall, my business is developing without any loans. I am open for investment, but for now I am not talking about any specific amounts that could provide real multiplied growth for Pepfer brand.

Such a famous brand as Pepfer must have its own brand boutiques. Did you open any special stores in Russian cities?

I would agree, we should have boutiques, but there are none for now. We had experience with opening a small store at Nikolskaya street, but personal matters, lack of ability to control everything all the time at some point led me to making a choice between stores and production. When I have proper and adequate investment, I will definitely revisit this issue.

Pepfer brand is famous for its original handbags styled as an ice-cream cone, milk carton, pack of salt. And just recently I saw a woman in Moscow with a caviar can handbag. It was so amusing!

Pepfer products are designed to create a good mood, and every accessory carries a part of a warm memory. These are fun to present and to receive. These are great for going





to parties, theater and even going down into the metro an owner of our product will be in the spotlight. It is no doubt that to achieve this, I and my audience have to be bold in our experiments.

You have designed a book clutch bag collection, based on “The Cherry Orchard”, “The Master and Margarita”, “Anna Karenina”. Have these items enjoyed demand from women of fashion? How many of these models do you make?

This is what I call an intellectual collection. Book clutches are made in batches of up to 100 pieces, and then we change production modes, for example, switch from print to embroidery, change embroidery elements etc. These accessories have been made not only for those who chase fashion, but for well-educated girls with an attitude.

Are Pepfer products known in Europe or Asia? Or are the doors for them shut in the current situation?

I have already mentioned that we took part in international TRANOI and Premierclasse exhibitions at the Fashion Week in Paris, which brings together brands from all over the world and undergo tough selection of the best. For objective reasons, it all ended in 2019. Nevertheless, I saw interest in the Russian Pepfer brand: we got quite a lot of orders. Two years were not enough to gain a foothold on the European market and to build a regular customer base.

Our colleagues from China said that for proper positioning on the Asian market one needs to regularly participate in European or American exhibitions. I do not have resources for this now, though, looking at other brands, I can see this is still possible.

In one of your interviews you said that as a designer, you create accessories for modern art connoisseurs. Do you think a handbag could become a work of art today?

A handbag is an art object! This is the so-called affordable mass-market art. I can clearly see this when looking at cooperation with art galleries and artists.

You have met Italian movie star Ornella Muti, who, it is rumored, inspired you to design your Vegan collection. Could you please tell us about this.

I have met Ornella and her daughter Naike in 2024 at the Moscow Fashion Week. She saw one of our bags (a supremacist nesting doll) and asked what was this Pepfer brand? We got to talk and made friends.

I can say they are very kind, sincere and open people. We communicate through a messenger and call each other from time to time.

Specifically for Ornella, our company created a pink nesting doll with her autograph. It is as stunning as the Italian star! And her daughter Naike, an environmental and animal rights activist, inspired me to create my Vegan collection. Let me explain, these are accessories, made without any animal materials: fur, leather, down, wool, silk, suede etc. Animal rights activists say these materials are often made by using very cruel practices.

Nevertheless, it is very nice that Italian women from the land which sets accessory fashion trends, not only carry Pepfer handbags, but appear on red carpets, landmark events with these and carry them on their travels. These are real brand ambassadors, who do a lot for me personally and for the Russian culture.

Italian psychologists consider a handbag a most “revealing” item of female wardrobe – you can understand a lot about an owner of this essential accessory by its shape and content. What are your thoughts on this?

I am 100 percent for this statement, and for this reason I and artist Katya Belyavskaya are developing a symbolic “Orchids” collection, where jacquard fabric, woven at an oldest Russian factory, will reflect beauty and diversity of the flower, which symbolizes the feminine. **BM**





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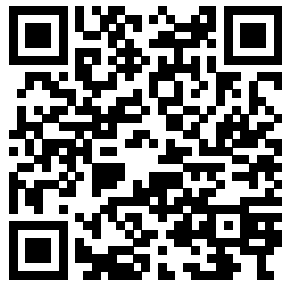
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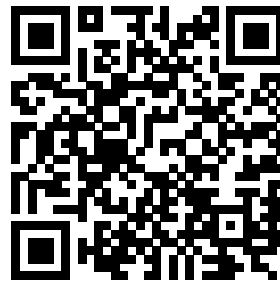


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