

STRATEGIES FOR BUSINESS IN MOSCOW

# CAPITAL IDEAS

J U L Y 2 0 2 3

SUPPORT TO EXPORTS AND  
OPENING UP NEW MARKET

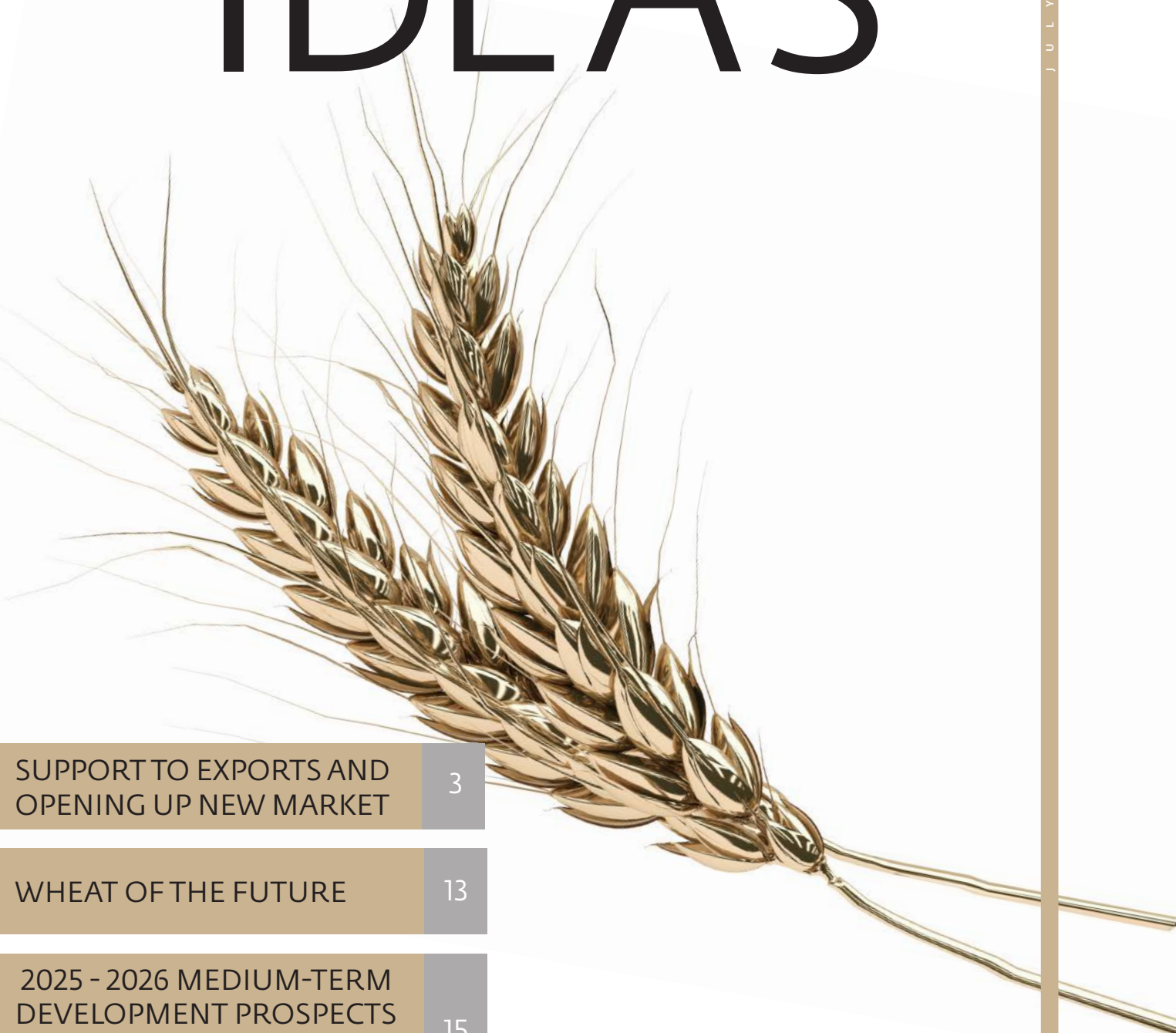
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# SUPPORT TO EXPORTS AND OPENING UP NEW MARKETS

A man with short brown hair, wearing a dark blue suit, white shirt, and dark blue patterned tie, is speaking into a black microphone. He is gesturing with his right hand. The background is blurred, showing what appears to be a stage or conference setting with colorful lights.

How possibly could Russian businesses enter foreign markets in a challenging global environment? How to enlist support of the government institutions for this purpose? What countries offer a favorable trade regime? What goods and services are in high demand? These bread-and-butter topics were in the focus of a discussion between Capital Ideas and Alexey Solodov, Vice President of the Russian Export Center.

***The Government of Russia has put together an export support program to be extended until 2030. Currently, assistance measures in support of business are provided through the national project “International Cooperation and Export”. How valuable is this project for exporters?***

The Russian Export Center (REC) has built export support infrastructure for the entire duration of the National project, which allows any company to find solutions for any problem it encounters when engaging in export operations, covering a wide range of issues, from training to insurance of complicated supply deals. In 2022, over 19,300 companies got involved in export activities with the REC support. The overall volume of exports supported by the Russian Export Center reached \$12.6 billion. Russian companies earned one in every 6 dollars of their non-primary non-energy exports with the support of the REC Group.

During the year, 816 exporters participated in international fairs, exhibitions and business missions under the Made in Russia brand with the support of the REC. Over 6,000 companies went through training classes at the REC Export School. We provide state budget support and compensate for the costs of logistics, certification, R&D and much more. We provide analytics, digital services of the My Export platform that allow businesses to solve export issues without leaving home, promote products under the Made in Russia program, including on foreign marketplaces and through show rooms of agricultural products. We have a large assortment of financial instruments, including insurance of

international supplies. It takes place under the umbrella of the National project “International Cooperation and Export” with REC as its operator.

Naturally, under the changed global circumstances, REC adapts its approaches and policies regarding the support system, and adjusts it to the new business modalities. Last year, we were empowered to render support not only to exports but to imports as well. We support Russian companies in finding alternative suppliers of priority import products through the REC representatives and our partner network.

Last year, the Russian Export Center has drawn an “exports heat map”, and it is an exemplary evidence showing that globally, the majority of countries have not limited cooperation with Russia; on the contrary, they have a keen interest in expanding this interaction. These are the EAEU countries, China, India, Turkey, UAE, Indonesia, Iran, Azerbaijan, Uzbekistan, Brazil, Saudi Arabia, Algeria, Mongolia, Pakistan, Vietnam, Egypt, Thailand, South Africa, and this list is not over yet. This year, we witness trade upsurge with these countries.

***How mature is the REC interaction with government entities of partner countries that regulate foreign economic activities? Is interaction helpful to Russian companies bent on entering foreign markets?***

Expansion of cooperation with the EAEU countries is a priority area in our work. At the end of May, the agreement on the establishment of the Eurasian Reinsurance Compa-





ny (EPC), finalized back in 2019, was ratified thus acquiring a full legal status. EXIAR, which is part of the Russian Export Center Group, was closely involved in the preparation of this law. The EPC serves the goal to expand the EAEU's internal and out-bound trade and to develop tools to support trade against the background of Western reinsurance companies vacating the Russian market. This is an important instrument that will stimulate growth of trade turnover between the EAEU countries and facilitate operations of our companies in these markets.

Over the past year, fast and effective support tools have seen a soaring demand. There was hardly any desire to multiply paper work, so we digitalized several key procedures for exporters on the My Export digital platform. Moreover, there is a competitive edge to this technology: Digit is applicable not solely in Russia. Recently, an essential step forward was taken: at a meeting of the Supreme Eurasian Economic Council, the leaders of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan signed a Protocol on amendments to the EAEU Treaty. Parts of the changes concern the rules for issuing export and import licenses. This is the first move of the EAEU to digitalize the issuance of export and import licenses. The launch of the implementation of such an algorithm was authored by the REC in collaboration with the Ministry of Industry and Trade of Russia thus launching the issuance of export licenses on the My Export platform. This is a crucial development in the export-import modus operandi.

Each market has its own set of peculiarities, so the Russian Export Center seeks and finds solutions in tandem with business tackling issues related to technical requirements, duties, payments, patenting and much more.

***Would you please specify the dynamics of cooperation between Russian companies and partner countries under the current circumstances?***

If we look at non-primary non-energy goods, Russia has been expanding exports to the East for decades, or rather, as experts in international trade say, to the global South. Basically, we did not start from scratch. In 2021, the share of "unfriendly countries" accounted for 40% of our non-primary non-energy exports; now it has decreased while the share of friendly countries in the structure of our trade now amounts to around 70%.

No less important is to take into account that entering and asserting oneself on the new markets is not an instantaneous process. It is not easy to find buyers right away, to establish sustainable logistics, delivery and operational processes. In addition, it is necessary to adapt products to the requirements of the new markets. This is exactly where the support of the state is indispensable. At such a crucial moment, we deem it our duty to stand by the exporters and render them all the support they would need to succeed.

**Which Russian non-primary products are most in demand in foreign markets?**

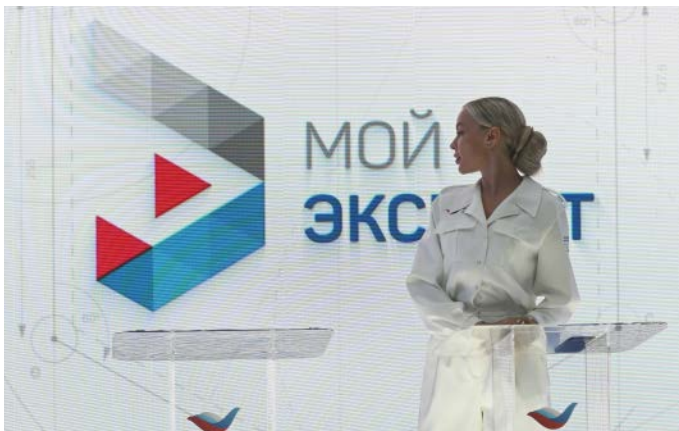
Russia has a track record of being a major global supplier of goods essential for many economies to run smoothly. Neither sanctions nor bans could create a due replacement for Russian imports. It is not confined only to oil and natural gas and raw materials – this line of products was bought, is being bought and will be bought from Russia. There are also the products of the chemical sector, including fertilizers, and products of the agro-industrial complex, also timber and hardwood, and products of the metallurgical industry, and other categories of goods like non-ferrous metals. At present, we record a moderately stable growth in the chemical and light industries, as well as in the agricultural sector.

**How are the government agencies supporting logistics, in particular, transportation of export goods? Is it all about compensation for part of the costs, or are you involved in mapping together new out-bound routes?**

Having realized the challenges of reformatting logistics, we have strengthened support on this track and channelled state support to the transportation of industrial and agricultural products ending up with digitizing the procedures and thus simplifying the mechanisms of delivery.

For exporters, delivery timeline is a significant factor. First of all, it has a special relevance for food products. A specialized Agroexpress service reduces the delivery time of products, including bound to China, from 45 days by sea to 15 days by rail through the territory of Kazakhstan. This is our joint project with the Russian Railways Logistics.

As a matter of fact, at SPIEF-2023 we announced a new joint service with Russian Railways: “Export express for SMEs”. This is a logistics service for small and medium-sized businesses that would allow transporting small batches of goods for B2B and reduces the cost of delivery. It will allow the company to submit application and order transportation through “a single window”, the My Export digital platform. Russian Railways Logistics fully takes care of the delivery of the goods to the warehouse where the cargoes will be consolidated.



**Joint stock company “Russian Export Center” (REC)**

is a government institution that renders support for non-primary exports. REC incorporates a number of companies that provide exporters with a wide range of financial and non-financial support measures. The Russian Agency for Insurance of Export Credits and Investments (JSC “EXIAR”), JSC ROSEXIMBANK and ANO “Export School” are integrated into the REC Group. Interaction within the group makes it possible to ensure availability of a product offer that meets the requirements of exporters of various profiles that are spread across various stages of the export cycle: from the original idea to ensuring payment for supplied goods and services.

Well established contacts with federal and regional authorities, key industry and business organizations allow the REC to contribute to the continuous improvement of the terms and conditions of export-oriented business activities in Russia.

The Russian Export Center is an integral part of the VEB.RF group.

Now, we are working on a subtle reconfiguration of our export support system and plan to include support for the most significant transport corridors and industries that are in need of assistance. For example, we intend to introduce a measure of support for compensation of transport costs linked to logistics corridors. These include corridors, which the Russian Government considers as top priority like the “North-South”, as well as the seaports of the North-Western Federal District and the Azov-Black Sea basin.

**What kind of support do you provide to Russian companies eager and ready to set up their own production facilities abroad?**

The Russian Export Center maintains 12 representative offices and stationed abroad representatives in China, India, Vietnam, Uzbekistan, Tajikistan, Azerbaijan, Turkey, UAE, Kazakhstan, Iran, Belarus and Armenia. Both RECs and representative offices facilitate businesses to find partners for localization of production, in particular, in special economic zones that exist in friendly countries. [CI](#)

# GLOBAL PRICING DEPRESSION.

## HOW COULD WE END IT?

The ongoing situation at the global commodity market could be called a pricing depression. From the fall of 2022 this market has demonstrated a wobbly stagnation of prices for crude oil, grain, metals, natural gas, fertilizers and other commodities. The situation is perceived as dangerous, and it needs to be changed for development of global trade and the Russian economy.

In mid-2022 a Brent crude oil barrel price went up close to \$125. The price of liquefied natural gas reached up to \$3500-\$4000 per one thousand cubic meters. Over a year— from the spring of 2022 to the spring of 2023 - the maximum price of liquefied natural gas collapsed by 10 times, down to \$350 per one thousand cubic meters. The price of crude oil in May - June 2023 fell to \$75-76 per barrel, if Brent oil is used as a benchmark. Only the firm commitment of OPEC+ to keep reducing oil production further in 2024 helped curb falling “black gold” prices.

The global pricing depression could be registered starting from December 2022. The depression had been preceded by a commodity price slump following the rise of prices in 2021 and in the first half of 2022. The starting point for growth was the oil market crash in March 2020. At the time the price of Brent crude oil barrel went below \$20 per barrel. There were even negative oil prices in the USA on the back of large supply and high activity of speculators in contrast to the real demand. The stock market in the Western countries was plunging. But the crash was curbed by immense money injections from central banks and governments, with lower key credit rates. This led to a new wave of increasing commodity prices, and prices for hydrocarbons rose the most.

As a result of this, in July 2021 a Brent crude oil barrel cost about the same as in July 2023, but in 2021 the price displayed an upward trend. In 2022 OPEC+ came to realize that the USA had not only declared that they were fighting against high prices of oil and other commodities in the world, but that they had achieved actual successes. The USA not only hiked the FRS key rate up to 5.25% (the Bank of England — down to 5%, the ECB down to 4%), but had been selling crude oil from the Strategic Petroleum Reserve (SPR) for many months, thus helping bring prices down. Consequently, the USA in 2023 started purchasing crude oil for their strategic reserve, which had been drained over the previous year by more than 40%. But the purchase rates have been and still are below the sale rates.



**Vasily Koltashov**

Economist,  
Director of New Society  
Institute

The situation at the market for oil and other commodities could have been described as balanced, but it looks nothing like the wild life balance according to Charles Darwin. It is not ruled by harmony; it is a fight of species. Species in this instance should be understood as the old centers of the global economy and the oil exporting countries, OPEC+. These developing economies wish to raise oil and other commodity prices and are reluctant to consider any debt issues of governments, corporations and households in the West. The old leaders, accustomed to perceiving themselves as developed economies, are quite consciously making their economic situation worse.

The EU is breaking records in destruction of its own economy. Russian oil and gas supplies under long-term contracts for huge volumes used to be a competitive advantage for the EU. This advantage has been destroyed. It is beneficial for the USA not only due to the replacement of Russian supply, but also due to a decline of the manufacturing sector of the EU, which could be dragging on for a long time. The previous policy of super-low rates of Western central banks has hindered the reduction of excessive production capacity. Now a large share of redundant enterprises will have to be lost by the “allies of the USA”, and not by the US itself. But these losses will not just ease the situation at the global commodity market; an even greater plunge of prices for crude oil and other commodities is planned.

The plan of the USA is in making other countries, including OPEC+ members, to come begging for relaunching global economy growth. But, does the USA have a plan for relaunching global growth? Do developing countries have faith in this plan? And what about BRICS, could it have its own backup plan to kick-start global economic growth?

In the spring of 2023 OPEC+ confirmed its intention to keep reducing oil production over 2024 as well. Presumably, daily reduction of oil production in the coming year will amount to 3,7 million: the 2 million bbl reduction of 2023 will be further cut down by another 1,4 million bbl in 2024 and added up with voluntary reductions by a number of countries. This will include both mandatory and voluntary oil output reductions by partner countries. Now this OPEC+ strategy could be viewed as a defensive one with supporting suggestions of future oil supply decrease, meaning higher value of crude oil. Following this logic, prices for many other commodities should go up too.

Multiple countries are interested in seeing the pricing depression shift over to rising commodity prices. The logic of capitalism developing in waves suggests that the average oil prices over 2020-2040 should be significantly higher than over the period of 1990-2008, and the maximum prices should be above the speculative peak of 2008 – at about \$145 per barrel. But how could it be possible if the situation in Western economies remains challenging, and the credit mechanism to support consumption and business activity growth had been used up to the limit back in 2009-2021? The global pricing depression is on the one hand a result of the recession in the West, and on the other hand is the outcome of the efforts to prevent any further oil price and overall commodity price plunge. The piling up issues with the US budget do not make things easier, but the fear of a US default is putting pressure on the global commodity market.

BRICS is discussing establishment of a new currency with possible gold-backing to make this currency as strong as the dollar of 1950s. If such currency comes to existence, then its power will not be based on the replacement of the dollar in trade, but on its reserve and investment functions. BRICS could launch an international program for infrastructure investments to expand mutual trade, and to finance this program with the new currency. The gold reserves of the BRICS countries could be roughly estimated at 30 000 tons, which would be somewhere around 964 522 troy ounces (31,1035 grams). This could be the initial amount of issue of “bricks”, as the potential currency of the new global market leaders has already been dubbed by American media.

This issue, if denominated in US dollars, would provide about \$1 832,6 billion. This money could be allocated under the following arrangement: \$1 800 billion for a government program of infrastructure investments with the task of spending the investment on setting up and expanding production assets to replace the Western ones, with a special focus on machinery manufacturing.

The rest of the money could be allocated to the BRICS Bank and other joint projects. Immense actual costs would increase demand for raw materials, raising consumption of oil, metals and many other commodities primarily by the BRICS economies. Global prices would go up.

It would be reasonable to recall that in 2020 Joe Biden promised \$3 500 billion for infrastructure projects in the USA. If the US bureaucracy were not so corrupted by the financial capital and this capital were not as disinterested in actual economic activities, then huge expenditures of the American government could have been effective. The issue is that the financial sector is sucking the real US economy dry, and the same applies to the entire Western camp. Their debts are so huge that they have to be increased just to keep governments from defaulting. The US authorities are not interested in tightening their belts, because it could cause even greater harm. The US authorities are inclined to increase their debt by \$1,5-2 trillion every year and achieve their new domination by using political tools.

So, this is the mix of factors, underlying the global pricing depression of latest months. BRICS could take it time to make decisions for its currency, while discussing the issue and increasing trade in national currencies. But expensive dollars, pounds and euros do not benefit the real sector of the West. The situation looks nothing like in the 1980s, when the USA managed to achieve the “Washington Consensus”, which seemed really broad. Consensus is being formed outside the USA and their satellites, and a consensus is understood as new settlement rules, focus on trade with interested countries, stimulating domestic markets (not waiting for investments from the West) and looking for a way out from their dire situation in the global economy.

All these factors determine the stagnation at commodity markets, it is not yet complete but it is still there. But for the global pricing depression, the ruble would not have devalued in spring-summer 2023. In July 2023 the price of Brent crude oil barrel rose above 80 dollars, and this could be viewed as a sign of possible ending to the pricing depression. In the second half of 2023 commodity prices may start slowly going up. A new price growth may be held back by issues in Western economies, where options to support consumption growth with growing corporate, government and private debt, have been exhausted. This significant driver could prolong the pricing depression at the global commodity market or delay its exit. But global commodity prices will still have to go up later on.

In 2024 oil, grain and metals prices will likely be significantly higher than in early 2023. Further on it seems plausible that the following trend will be getting stronger: the pricing depression will be replaced by a new wave of higher prices, which will help reinforce economic growth of new leaders of the global system and those countries that will align with the leaders. A new major growth cycle will become obvious. **CI**





# AGRO-STARTUPS

In the times of change small and medium businesses need government support more than ever. Agriculture is a special focus area, since it is tied to food security of a country. Agricultural companies are entitled to special treatment of their needs by their governments.

The “Small and Medium Business” national project is designed to provide government support to farmers and agricultural enterprises. “Agro-Startup” grants are a most essential initiative, implemented under the national project titled “Acceleration of small and medium businesses”. To stimulate and expand development of agriculture and business activities in small villages and towns, it was decided to increase the amounts of grants for beginner agricultural businesses. For instance, the amounts of grants for cattle farmers have been increased up to 7 million rubles. Grants are available both to meat producers and dairy suppliers. For businessmen, engaged in crop farming or in any other agricultural areas, grant amounts will go up to 5 million rubles. Cattle breeders, working in agricultural consumer co-operatives, will be eligible to grants up to 8 million rubles. Grants for crop farming members of co-operatives or for members, engaged in any other activities, were increased up to 6 million rubles. Moreover, the maximum amount of reimbursements to agricultural consumer co-operatives was raised to 20 million rubles. In this instance,

this measure is designed for a partial reimbursement of their costs, related to purchases of agricultural products from co-operative members and owners of private subsidiary farm (PSF), non-members of the co-operative. The adopted changes correspond to the program for agriculture development and regulating markets of agricultural products, raw materials and food, focused on securing food sovereignty of Russia and increasing competitive advantages of domestic products on internal and international markets. Over the last year the state support measures helped over 20 thousand people to start their small and medium businesses. [C1](#)



# A NOOK OF THE NETHERLANDS IN RUSSIA

Yulia Shemarina and her husband, Leon Koevoets, who comes from a Dutch family of farmers, have founded a farm in Prybitki village of Tambov region. They are farming 31 hectare of land, into which they have invested 40 million rubles since the spring of 2020. The family received an “Agro-Startup” grant under the “Small and Medium Business” national project. The money was used to purchase a tractor and several tillage combines.

Yulia graduated from the Timiryazev Academy of Agricultural Sciences with the diploma of a crop farming production and processing technology engineer. After graduation she went to the Netherlands for training. This country is a major global exporter of agricultural products, despite the fact that it is almost the same size as Moscow region, and a third of its soil is sand and clay. In the Netherlands Yulia met her future husband Leon. For a year they studied everyday life of local farmers, greenhouses and livestock farms. Agricultural Holland seemed to be a very nice place. All in all, Yulia lived in the country for 6 years.

Later on they had to leave the Netherlands: the country's government started fighting farms in order to improve environmental conditions. Yulia's husband, Leon, a fourth generation farmer, could not abandon his lifework and then the pair decided to get their own business going in Russia. They chose Tambov region, Yulia's homeland, and started applying Dutch experience in a new environment.

In the Netherlands Leon farmed a fairly small area by Russian standards — 16 hectares — and, as is usual for the country, harvested two crops per year. Now the pair is working at


a plot of 31 hectares. Overall, the family leases 76 hectares, and almost a half of the land is yet covered with birch-trees.

Leon was the first one in his family to go into vegetable farming, he has been growing asparagus for 20 years. Now the farmers are trying to cultivate crops, that are not customary in Russia: kale, violet cauliflower. They do it for the sake of diversity, so that Russians can have alternatives to cabbage, carrots and beets.

For instance, the family grows a green asparagus variety in Tambov region. Asparagus is a perennial crop, yielding for about eight – nine years. The pair also grows carrots, beets, tomatoes, cucumbers, marrow squash, broccoli, cauliflower, cabbage and red cabbage. Locals have already started eagerly buying violet cauliflower, but are still hesitant about asparagus and fennel. The residents of the village like the sweet Dutch beets variety even better than their own.

The farm is busy all the year round: in March they prick out seedlings in the greenhouse. From May to June crops are planted at outdoor beds. Starting in early July, outdoor crops are harvested. The harvesting period continues up to winter: kale cabbage, for instance, withstands cold weather well. In January-February the family sorts out paperwork, makes contracts and purchases seeds. In November 2022 the farmers commissioned a vegetable storehouse with the capacity of 500 tons of vegetables. This is why the paperwork at the end of January seamlessly shifts to cleaning and shipping vegetables from the storehouse.

For now, Yulia and Leon are operating at a loss, but they are expecting profits. According to the farmers, agriculture could bring very good profits but it also could cause large losses: it all depends on weather and pricing levels.

There are certain differences in managing an agricultural business in Russia and in the Netherlands. Working based on trust, as they do in the Netherlands, the farmers faced some issues, which could be hard to resolve. It is not customary to put trust in people when doing business in Russia. “Work based on trust is much easier, than being constantly alert and suspicious of others”, – says Leon. 

# WHERE AUSTRALIAN CRAWFISH SPEND WINTERS

The idea of starting a freshwater aquaculture facility, which is unusual for Yamal, came to Nikolai Pronkin, an individual entrepreneur. The farmer is growing Australian red claw crayfish in the Extreme North conditions. The businessman opened his enterprise with the help of an “Agro-Startup” grant, received in 2022. This support is made available to Russian farmers under the “Small and Medium Business” national project.



The farmer has spent the funds to purchase a recirculating aquaculture system. This year Nikolai Pronkin expects to turn out the first 360 kilos of his product. Sales channels for his crawfish have already been set up – these are points of sales and public catering enterprises at the capital city of Yamal.

***Nikolai, how did you make the decision to start this business, that is very unusual for the Extreme North?***

It's my hobby. I have been studying shellfish for a long time with a passion. It all started with Achatina snails, which have been living at my home for over 8 years. I farm snails for my own use. Then I browsed the Internet to see what kinds of shellfish could be farmed, and I came across Australian red claw crayfish, got enthusiastic over the idea and learned more about the issue, about farming these species. I decided to give it a try. My choice of these crayfish species was not random. An Australian crayfish can grow up to 50 – 60 grams just over half a year, and its product weight is 100 grams and above. Other advantages of this crayfish include low maintenance requirements, good health and quick adaptation to various water

parameters, which is very essential. The Australian crayfish tastes like crabmeat. I think this is a profitable business.

I used the funds from the grant to purchase four recirculating aquaculture systems for growing Australian red claw crayfish, and also all required equipment: tanks, water treatment and aeration equipment. In 14 days after water parameter sampling a tank was populated with the first lot of young crayfish. Over 2000 crayfish were delivered by airplane from Adygeya to Salekhard in special thermal containers. Overall, at the start I plan to grow up to 3,6 thousand young crayfish. Australian crayfish grow faster than our regular crayfish. Young crayfish just one centimeter long grow up to five centimeters over three weeks, then their growth slows down and accounts for 9 to 10 grams per month.

***Could you have implemented these plans without state support?***

I could have, but not right away. According to my business plan, I would have needed about four years to save up required money to invest into the business, and its scale would have been significantly smaller. I could have afforded only one recirculating aquaculture system and would slowly expand my business. The grant gave me an opportunity to buy four systems and about 2 thousand young crayfish at once. It would have been hard without the support. I cannot say it would be impossible, but it would have been very hard. C



The Government of the Russian Federation approved the provision of grants for the creation and development of agro-industrial technology parks. They will specialize in research and innovation in the field of biotechnology, breeding of animals and crops, food and feed additives, plant protection products, and research into other highly demanded areas.

In 2023, more than 1.5 billion rubles are allocated in the federal budget for these purposes. State support will be allocated for the design and modernization of industrial and technological infrastructure facilities of the park, complex equipment to produce biotechnology products, scientific research, and experimental development in the field of biotechnology.

At these sites, it will be possible not only to conduct scientific projects, but also immediately launch small-scale production, set up experiments and process agricultural products. **CI**

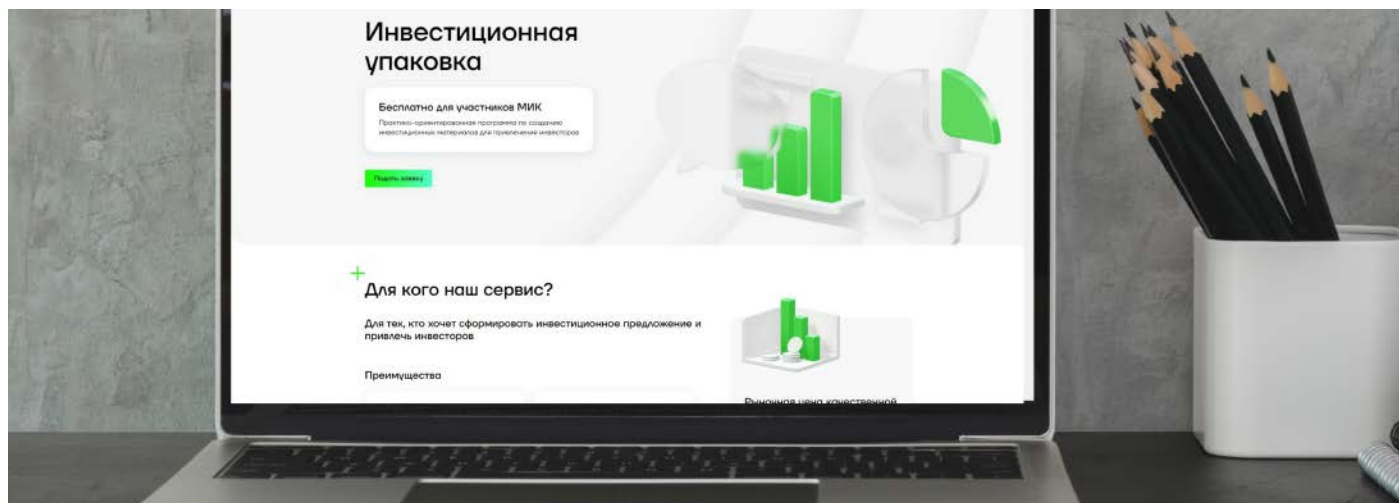


From August 27 to 29, Moscow will host the BRICS International Innovation Forum. The forum will bring together leaders of technology companies, governments, and start-ups to bring cities closer to a better future.

More than 3,000 people will become participants, including more than 300 representatives of the diplomatic corps, authorities, federal ministries, and departments from 30 countries, as well as more than 1,000 founders of successful startups.

As part of the business program, the technological foundations for creating a "cloud city" will be discussed, which help to make a smart urban revolution focused on the economy, the state, and the individual.

Detailed information and program can be found on the official website. **CI**



The Moscow Innovation Cluster (MIC) has opened a free investment packaging course for startup founders. It is aimed at capital entrepreneurs who would like to attract funding, said Natalya Sergunina, Deputy Mayor of Moscow.

Since 2020, the free Investment Packaging service has been running on the i.moscow platform to prepare a presentation and raise funding. The selection of startups was carried out on a competitive basis. Thanks to the service, entrepreneurs managed to receive more than 200 million rubles.

This year it has been transformed into a free educational program available to everyone.

The Moscow Innovation Cluster is a platform for the introduction of innovations and cooperation between large corporations, industry, small and medium-sized businesses, educational and scientific organizations, development institutions and authorities. It includes more than 140 thousand users from all over Russia. **CI**



# WHEAT OF THE FUTURE

A new product is hitting the market: it looks like a water-plant, but essentially it is a vegetable. Wolffia is not only a game changer in the agricultural sector, but a most ingenious solution to the issue of hunger across the globe. We have talked to Vsevolod Gruvman, founder of Biovolff company.

***Biovolff is a startup with a successful track record. Could you please tell about your enterprise and your achievements?***

We started out in 2021 and began our development in Moscow as a Moscow-based startup. Our first investments came from "Polyus Vremeni", a Moscow Business Angel Syndicate, we got \$140000, which carried us for the first year and a half. We allocated the investments into development of our business, research and preparation for raising new international investments. As of today, we have raised over \$940000.

Our company develops technologies for agricultural sector automation. Our primary products are bioreactors for growing Wolffia plant. A bioreactor is a 4 by 2 meters "box", connected to electric power and water supply. It creates and supports an ideal growth medium and special lighting for plants. We have patented the composition of the medium. Over the period of our operations we have developed 7 Wolffia

varieties specifically for cultivation in our bioreactor. A combination of growth medium, adequate lighting and special plant varieties ensures explosive growth of Wolffia inside the bioreactor. The plant mass is guaranteed to double over 64 hours. Growth is managed via a digital twin of the bioreactor (a Business intelligence technology). The digital twin enables remote control of all processes, provides for switching the plant over from producing proteins to producing carbohydrates, launching bioreactors and managing plant output activity. In addition, a bioreactor could be located anywhere in the world during any season. Our technology requires only minimal human intervention, because a bioreactor controls optimal environment for growth and can harvest the plant on its own. The system can be managed via a cloud service. This technology provides for production of inexpensive and full value plant protein; it does not require any agricultural land or a mild climate. This is agriculture of the future.

From the start we focused on entering new markets, because unfortunately, venture investments are still very much underdeveloped in Russia. We have registered a company in Singapore, and our front office is currently located in Dubai, we have almost all of our business there. This is due to the fact that this country has put in place all necessary arrangements for expedient rollout of a business, a part of our company has been operating here for almost a year. Over this time, we have managed to find strategic partners and are continuing to grow at fast rates. As of today, we have raised over \$940 thousand. In 2024 we plan to set up production facilities of 1 hectare and with the product output of 500 tons of dried wolffia per year. Then we have plans to implement large-scale rollout of the technology for our partners under license.

**What are your plans for entering other markets?**

We have the following priority areas: the top priority regions are MENA, the Middle East/West and South-East Asia, and then such countries as Sri Lanka, Indonesia, India. Further plans envision entry to Latin American markets. We are carefully selecting regions and taking our product to where we could get the most profits. Our product is highly dependent on electric power prices, that's why we always look at power rates. What is also important to us, we need a high level of insolation, i.e. high exposure to sunlight, but it should

not be too high, so we could reduce our facility heating costs, and so we could use solar energy for drying our products. The regions that I have named above are our current priority, since they match all the values that are important to us.

**Why Wolffia? Why have you chosen such an unconventional product?**

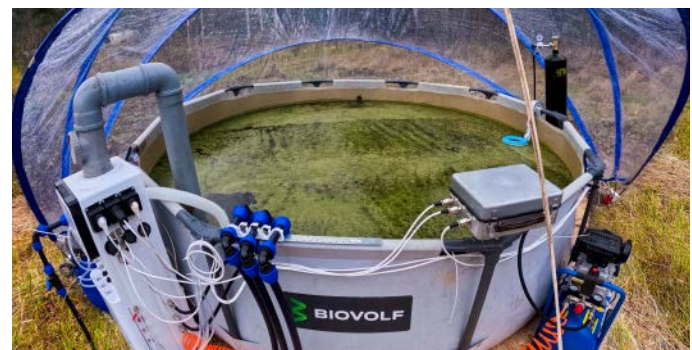
Wolffia is a new product for all countries, except for some South-East Asian countries and a couple of other countries. This is a new vegetable, which, by the way, grows on the surface of water, but it is still a vegetable, not a water-plant. It tastes like lettuce or spinach. It contains many healthy vitamins, the plant has up to 45% whole protein on dry basis, and protein specifications are the same as those of a chicken egg. Wolffia is a cooking ingredient, especially needed by people following special diets or lifestyles, such as vegetarianism, for example. This is a most productive agricultural

crop in the world per unit of area and time, and possibly, a most harmless plant in terms of environment and biodiversity. Its bioproductivity is 20 times higher than that of soy. It is important to note in current conditions that Wolffia is ideal for selection due to weekly change of generations. By the way, the plant can be used in a broad range of cosmetic products. It excellently moisturizes skin and supplies it with nutrients. Essentially, it has the same effect as health supplements, only through absorption by skin. As you can see, this is a new product for us with a lot of health benefits and a wide spectrum of applications, that's why our choice was obvious.


**Do you think that Wolffia could solve the issue of food security and hunger on our planet, which has been widely discussed lately?**

Yes, food security is one of our priority areas. I see Wolffia as wheat of the future. Today any developed state is striving to provide every resident of its country with its domestically produced food, because during cataclysms, pandemics or geopolitical situation changes may cut off imported food supply. Often one or another country would have money and demand for this, but it may lack technologies to ensure food autonomy. For example, as is the case for the Persian Gulf countries, which have large financial resources but occupy 60th – 70th positions in the global food security ranking. They are very much concerned about this issue and invest a lot into a solution to this problem. This is why now we see increasing use of vertical farms, which cannot yet achieve parity with the traditional agriculture, and these solutions are for now uneconomical from the financial point of view. It is very rare that a vertical farm can achieve profitability, but these farms are displaying excellent development on the back of government subsidies. Today such farms are numerous in Singapore, the United Arab Emirates and in other similar regions. Our solution is a perfect fit for their food security concept, because production is not as expensive as at vertical farms or as current cell technologies, and it does not require agricultural land.

Now to the issue of hunger. The mankind is growing with every year; it is forecasted to grow up to 10 billion people by 2050. Even today almost 9% of the planet's population do not get enough food. The traditional agriculture lacks the resources to meet the growing food demand, because agricultural land is not available everywhere, the climate is changing, natural resources are being depleted, the water issue is becoming more and more acute etc. This is why every manufacturer of alternative proteins, just like us, takes part in a battle for food, because we provide new technologies, capable of feeding people under changing conditions. C



# 2025 - 2026 MEDIUM-TERM DEVELOPMENT PROSPECTS FOR MOSCOW'S FOREIGN ECONOMIC RELATIONS

A portrait of Andrey Dorokhin, a man with short dark hair and blue eyes, wearing a dark blue checkered suit jacket, a light blue patterned shirt, and a paisley tie. He is sitting at a dark wooden table with his hands clasped in front of him. The background is a blurred office setting with warm lighting.

Andrey Dorokhin, Head  
of the Direction of  
External Trade Analytics  
and Cooperation  
with International  
Organizations of  
Department for  
External Economic and  
International Relations  
of Moscow

Currently the Russian Economic Development Ministry is drawing up a forecast for development of the country's foreign economic relations up to 2026 under the new conditions. The data is for the most part open and published at the website of the Russian Economic Development Ministry, and is also discussed at multiple expert forums and in relevant economic media, particularly, at RBC. Constituent entities of the Russian Federation and its capital city are also assessing their medium-term prospects in the changed environment.

Development indicators for foreign economic relations of legal entities, registered in Moscow, up to the year of 2026 were generated on the basis of alternative options, proposed by the Russian Economic Development Ministry. The two primary options are basic and conservative cases.

The primary outlook cases by the Russian Economic Development Ministry take into account changed external and external development conditions for the Russian economy. In view of the fact that the medium- and long-term development path for the national economy is characterized by a high level of uncertainty, it could be adjusted in the light of new conditions going forward.

The forecast by the Russian Economic Development Ministry allows for development of the national economy under stronger financial and economic sanctions against the Russian economy from the EU and the USA, imposing tough restrictions on access of Russian companies to the global capital market, and also for Russian retaliatory measures over the period of the forecast.

The base case scenario describes the most probable development scenario for the Russian economy, given relatively optimistic changes in the external environment. The conservative case is based on assumptions of deteriorating foreign economic conditions and a more moderate recovery of domestic demand.

The introduction of sanctions by foreign states led to expanding banking sector liquidity deficit and stronger FX rate volatility. All these drivers, according to multiple experts, are laying down a hidden trend for long-term reduction of in-

coming import volumes both to Russia in general and to the Moscow region in particular, a subsequent increase in costs of the imported goods component in volumes of added value in products and goods, produced in Russia. Foreign currency revenue opportunities for Russian and Moscow exporters are contracting.

According to the Russian Economic Development Ministry, one of the key domestic economic indicators, inflation in April-May 2023 year-on-year has slowed down to 3,15% YoY, after 11,94% YoY in December 2022.

As per estimates of the Russian Economic Development Ministry, based on the results of 2023, capital investments will increase by 0,5% versus 2022, when investments grew by 4,6% largely on the back of federal budget expenditures on major infrastructure projects. In 2023 the federal ministry expects gradual recovery of investment activities in manufacturing industries, including recovery of investment imports resulting from implementation of measures to stave off external sanction pressure, execution of programs of import substitution and redirection of import deliveries to friendly and neutral countries.

These measures will result in the domestic economy's growth by 1,2% in 2023. It appears that this growth will be driven by domestic demand, including implementation of import substitution programs, namely increasing production of domestic products and services.

It should be noted that the Economic Development Ministry, when developing outlook cases and guidelines, did not use the Urals crude oil price indicator due to its current non-representative nature. Scenario conditions include the value of Russian crude oil export price. The average Russian crude oil export price for 2023 will amount to \$60,9 per bbl (after \$79,7 per bbl in 2022). It is expected that the oil and gas exports will be recovering due to rerouting of deliveries to friendly and neutral countries.

In the base case scenario, the medium-term development trajectory for the Russian economy will also be determined by both domestic consumer demand and investment demand. Growth of goods imports over the medium-term perspective will slow down to 2,4 – 2,5% per year in 2025 – 2026 in line with implementation of programs for import substitution and increased production localization in the territory of Russia.

The conservative case differs from the base case by two key assumptions: a greater slowdown of the global economy and stricter sanctions by unfriendly states.

Under stronger secondary sanctions, pressure on friendly and neutral countries and slower refocusing of manufacturing and supply chains, it is expected that the level of demand for Russian export goods will be lower.

In the Moscow region, according to the customs statistics, in January – December 2022 companies and organizations, registered in Moscow, traded with 221 countries.

The foreign trade turnover between companies, registered in Moscow, and their foreign partners by results of 2022 increased by 6,8% versus 2021 and amounted to \$357,3 bn.

The imports of goods over January – December 2022 versus 2021 plunged by 17,0%, the exports rose by 21,7%.

The total value of imported goods amounted to \$107,1 bn, the total value of exports amounted to \$250,2 bn.





The leaders in the trade turnover in Moscow by the results of 2022 were China (\$35 616,3 mn), Belarus (\$11 506,0 mn), Germany (\$8 546,5 mn), Kazakhstan (\$6 416,5 mn), USA (\$5 999,7 mn), Turkey (\$6 691,8 mn), Italy (\$5 337,1 mn), Switzerland (\$4 670,1 mn), India (\$3 814,6 mn) and France (\$3 567,9 mn). It should be noted that 5 out of 10 countries- leaders in the foreign trade turnover with Moscow are countries, actively supporting imposition of sanctions on Russia.

Nevertheless, for the first time over many years Belarus rose to the 2-nd position by trade volumes with Moscow, pushing back Germany, India climbed to the 9-th position. This scenario was largely implemented due to the active refocusing by Moscow of its foreign economic links to new markets. It is expected that going forward over the given outlook period up to 2026, the composition of key foreign economic partners will also see significant geographic changes.

It is important to note: the results of the last few years show that the export deliveries of entities, registered in Moscow, exclusive of fuel and energy industry products, are less prone to market fluctuations. Over 2022 the foreign trade turnover between the entities, registered in Moscow, and their foreign partners, net of the fuel and energy component in Moscow's exports and imports, amounted to \$141,3 bn (reduction by 18,4%).

Overall, by results of 2022 the volume of goods deliveries by the entities, registered in Moscow, net of the oil and gas component, amounted to almost \$ 35,1 bn, which is 22,0% lower than in 2021.

The entities, registered in Moscow, supplied goods to 175 countries. By results of 2022 the volume of export goods deliveries by the entities and enterprises, registered in Moscow, to their partners from the top-seven importer countries amounted to \$17 137,5 mn, or about 48,8% of the total exports by Moscow entities, exclusive of fuel and energy industry products, which largely demonstrates the changed



geographic diversification of the national exports by the total value of supplies.

The volume of product imports net of the oil and gas component by results of 2022 amounted to \$106,2 bn, which is 17,1% lower than for 2021. A significant part of imports by the entities, registered in Moscow, is made up by machinery and equipment products, consumer goods and chemical industry products.

Goods to Moscow were supplied from 215 countries. The predominant volume of supplies is traditionally delivered by a relatively small number of foreign countries, including China – \$33 967,6 mn (a reduction by 0,4% versus 2021, the share of the total import volumes by results of 2022 – 32,0%), Belarus – 8 117,2 mn (+40,4%, 7,6% share).

The import of goods by Moscow-registered entities from key leader countries amounted to \$66 249,1 mn, or to about 62,4% of the total imports volume.

It should be mentioned that the restrictions, introduced by countries versus their Russian, including Moscow-based partners and their foreign trade operations, over the medium-term will have a negative impact on the development dynamics of the overall global trade and will bring about certain adverse implications for foreign investments in the domestic economy.

Taken as a whole, based on the guidelines by the Russian Economic Development Ministry under the conserva-

tive and the base cases for Moscow, it can be said that the share of exports by Moscow-registered entities in the total Russian exports in 2026 will remain at about the same level there currently is.

In 2023 a certain reduction of export volumes and export composition transformation are expected due to external market changes and also due to the sanctions regime and counter-sanctions. Moreover, it seems possible that oil prices will go down and oil and gas export volumes will decrease in favor of a higher share of non-commodity, non-energy exports of the city of Moscow by 2026, other modes of transportation will be used and exports will re-focus on new markets.

At the same time, by 2026 Moscow economy's adaptation to the sanctions regime and implications of the slowdown of the global economy are expected to result in diversification of import and export deliveries of Moscow's enterprises, which will have a significant impact on the geography of key trade and economic partners of the city of Moscow on the turnover composition and on supply prices for Moscow exporters.

It appears that over the reporting period the foreign trade of the city of Moscow will be adapting and developing under the conditions of persistent sanctions pressure, which seem most likely to remain in place over the medium-term period. **CI**

# GENERAL TRENDS OF GLOBAL CARGO SHIPPING MARKET

The cargo shipping market, especially the container shipping segment, is rather interesting for economic analysis for a number of reasons, for instance, due to its specific industry fragmentation and historical market development features. The demand on the market is visibly cyclic and depends on global trade status. Competition development dynamics are based on high entry barriers for this business, because building (or buying) a cargo ship is quite costly. The role of the economy of scale in the industry is very significant — the larger the merchant fleet, the larger the capacity of its ships, the cheaper would be the cargo shipping services for a cargo unit. The market has been historically regulated at the international level.



Though the market was far from its best shape when it entered the year of 2023, it had set a few records. So, for example, following a slight decline in 2021, the tanker segment in some areas demonstrated growth for hundreds of percent due to the redirection of Russian oil product routes. And container shippers on the back of lower cargo turnover and higher rates over the period from 2019 to 2022 got more profits than over the entire history of the industry (let us remind you that cargo shipping containers were introduced in 1956).

Nevertheless, over the last few years the industry has experienced noticeable volatility, unnerving businessmen all over the world. First the global trade, and the cargo shipping market came under the adverse pressure of the trade wars (China — USA, Korea — Japan) and political change (increased role of protectionist policies at national levels across the world, the exit of the UK from the EU). Then, when the market had already been weakened, the relentless blow of the COVID-19 pandemic showed us how unprepared we had been for such a crisis and caused an unprecedented destabilization of international supply chains.

These events gave rise to a sustainable trend for profound transformations of the industry and international supply chains. First, at the background of the demand plunge major players tried hard to ensure stable rates for long-term contracts. Second, the spot segment initially went through a significant supply shortage and correspondingly, growing shipping service rates, and then shipping delays and even failed deliveries, consequently followed by crashing demand, resulting in lack of cargos for a part of the merchant fleet. Third, the scale of global trade recovery led to growing de-

mand from shipping companies for new-build ships.

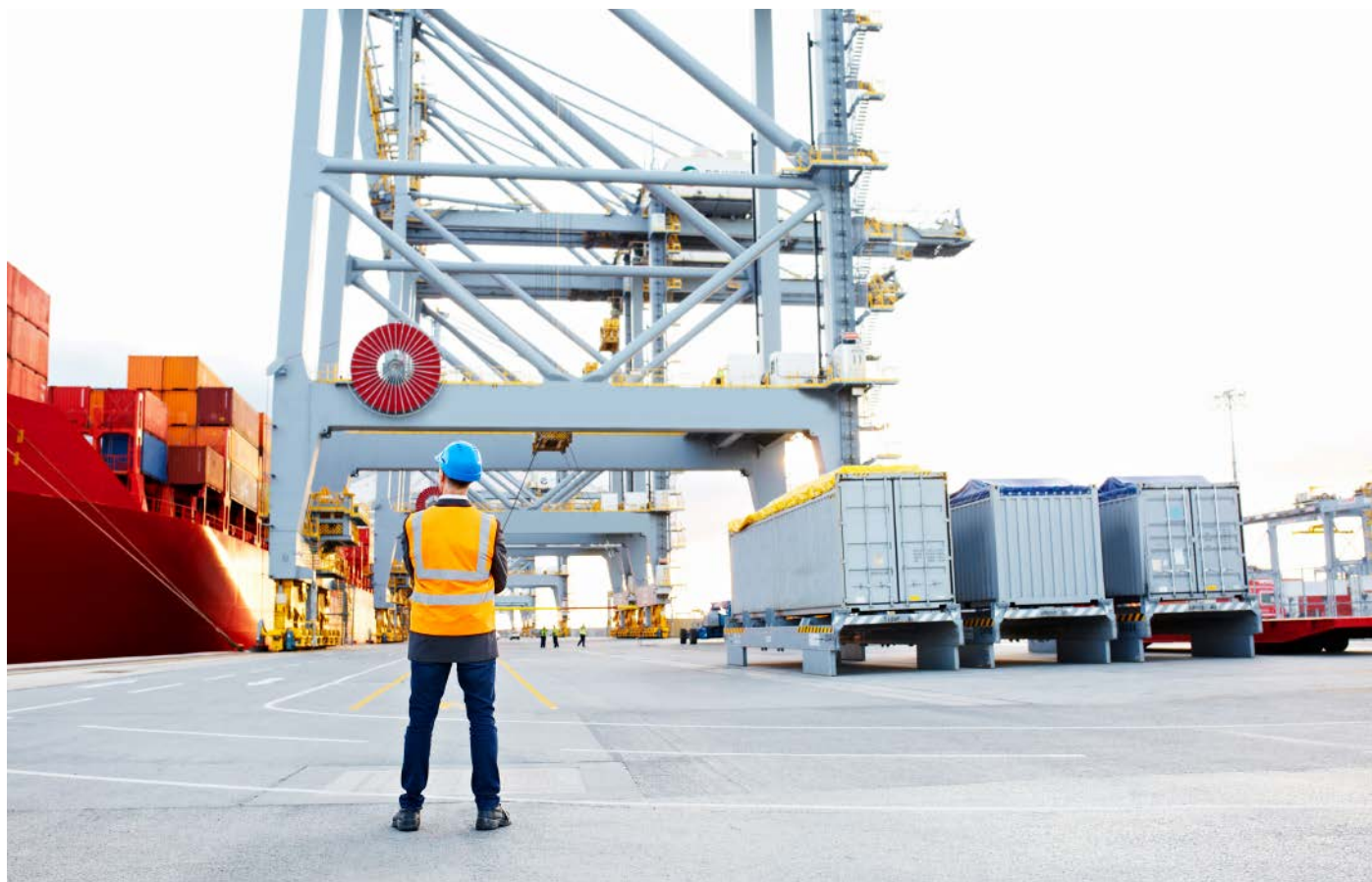
What is the current status of the cargo shipping market, and what will tomorrow bring us? Let us take a closer look at the key segments:

- the tanker shipping segment shows continuing annual stable growth of cargo shipping volumes and cargo capacity of the global tanker fleet. In 2023 and 2024 this growth will amount to at least 5% versus the previous year. The supplies of Russian oil products to Asia (China, India) have a key impact on this segment;

- bulk cargo shipping (bulk commodity shipping) today demonstrates certain stagnation or rather low growth of cargo turnover, just a few percent, on the back of the portfolio of orders for new bulkers growing by 5-7 % versus the previous year. This trend is determined by lower volumes of Russian coal shipping, reduced steel production in the PRC, grain and cereals shipping disruptions;

- RO/RO shipping (shipment of automotive vehicles) is characterized by supply shortages and corresponding high freight rates due to slow growth of the specialized vessel fleet, and the adverse effect of these factors will be felt over the next few years. New ships will be launched only as soon as in 2024-2025, the capacity of these ships will increase the global fleet capability by more than 25% at once (which will obviously lead to growth of buyer power in the segment and to subsequent reduction of rates);

- the situation for the container shipping segment continues to remain most dramatic — slower global production growth on the back of reduced purchasing power and expanding container ship fleet lead shippers to demand shortage and





more active rate competition. In the first half of this year shipping lines registered lower average loading levels for container ships, sliding to the level of 70%, which has a direct impact on shipper profits. At the same time some routes are looking at further declines of spot rates to pre-COVID levels and even lower, so that long-term contract rates could go above the spot market rates.

The current market conditions force shippers to be guided by many-fold operational profit plunge even in their most optimistic outlooks. So, for example, A.P. Moller-Maersk forecasts a 10-fold, and Hapag Lloyd — a 6-fold plunge of profits versus previous years, MSC forecasts are also gravitating towards a negative scenario, especially given the active ramp-up of the fleet's tonnage. At the same time, shippers will get an opportunity to recover their lost revenue volumes (primarily due to optimization of shipper carrying capacity).

Improved environmental protection features of the global fleet are yet another driver for the cargo shipping market. In order to reduce their CO2 emissions, shippers are forced to limit shipping speed of their ships, causing longer overall shipping times, and consequently, slower fleet turnover, thus balancing excessive cargo shipping capacity supply on the market. This also stimulates building new ships with eco-friendlier engines, which will gradually oust the old fleet from long-haul routes to regional ones.

Consequently, the industry is looking at growth dynamic stabilization and further decline of volatility. Ramping up pricing competition due to higher global fleet cargo capacity, shippers are losing their dominance, and cargo owners are gradually getting their market power back. Risks of geopolitical tensions, escalation of conflicts and new pandemics will be limiting optimistic development plans. CI

**Leonid Shurilinov,**  
expert Infranews Agency



# LITHIUM RACE

In late June the world saw an outstanding event at the global lithium market. Rosatom signed a contract with Bolivia on mining the metal, which is an integral component of lithium-ion batteries both for smartphones and other gadgets, and for electric cars. According to a BBC report, in 2023 40% of lithium are used in batteries, 26% - in ceramic product and glass manufacturing, 13% - in lubricant production, 7% - in metals industry, 4% - in air conditioning systems, 3% are used in medicine and polymer production. Hence the importance of lithium, the demand for which is growing due to the development of high-tech industry sectors and electric transport all over the world. Russia stopped mining lithium after the fall of the USSR. Up to 2022 the country covered its needs with supplies from Argentina and Chile. But the well-known events led to suspension of this import route. On April 12, 2022 Vladislav Demidov, deputy director of the department of metals industry and materials of the Ministry of Industry and Trade, speaking at a session of the Federation Council, said: "If raw materials aren't available, there could be a major issue for securing our lithium needs for lithium-ion batteries". This issue had to be resolved urgently, given rising demand.

The International Lithium Association is forecasting that over the period from 2021 to 2040 the global lithium demand will increase by 6 times due to growing interest in electromobility and renewable technologies, and also on the back of strict laws of major industrial countries, stipulating lower carbon footprint. For instance, in Europe the levels of CO<sub>2</sub>,



**Yekaterina Borisova**

PhD in History, SRF of Institute of Oriental Studies of the Russian Academy of Sciences

emitted by transport, have to be reduced by 15% by 2025, and down to 37,5% by 2030 in total as compared to the current situation.

However, these outlooks will likely be adjusted with a looming EU recession and dwindling interest in electric cars in China, following cancellation of subsidies for purchases of this type of vehicles. According to Vedomosti newspaper, in 2021 it was expected that the share of electric and hybrid car sales of the total volume of new car sales would reach 12–13% by 2023 (including its growth in Europe almost up to 25%, in China – up to 18%). But now this share amounts only to about 9% globally.

Back in the day, American General Motors announced that it had plans to stop selling gas engine cars by 2035. German Audi's stated goal was to quit production of ICE cars by 2033. Many other major automotive concerns followed suit. As re-



ported by Bloomberg, by 2040 two thirds of global passenger car sales were to be electric cars. Joe Biden has previously set a goal that by 2030 electric cars would amount to over a half of all car sales in the USA. The explosive development of electric cars was assisted both by relevant laws with promotional subsidies, and by lower battery prices. According to Bloomberg, by the end of 2020 the prices for lithium batteries fell due to the economy of scale by 89% since 2010, and they were expected to fall by yet another 27% by 2023. However, the market had turned about due to lithium shortages, and prices surged.

**The price of the chemical element has been consistently growing until recently:**

2007 - \$6,3/kg;

2018 - \$16,5/kg;

2019 - \$67,5/kg;

2022 - \$77/kg. In April 2022 the exchange price of lithium hydroxide reached up to \$86,6/kg.

Over the past 10 years lithium has been ahead of a number of other strategic raw material types by price growth and volatility; this applies primarily to key metals (such as copper, nickel, cobalt, aluminum), demand for which, among other, is existing in the very same market niches, as for lithium, — in the sector of energy efficiency and electric transport technologies.

The year of 2023 saw a major disruption in the trend for

constantly rising lithium prices. The prices for the metal have been declining since January. This has been caused both by the abovementioned drivers (European recession and cancellation of subsidies for electric car and hybrid car purchases in many countries), and by growing lithium supply on the market. According to Vedomosti newspaper, in 2022 its production grew by about 40%, in 2023 it may rise by another 45%. A significant part of new projects will be commissioned in 2024–2025, i. e. excessive global supply of lithium is expected globally. This, as analysts believe, will drive further price reductions for the metal.

Bolivia is the leader in predicted resources of this element, critical for energy storage systems - 21 mln tons, located across three deposits. Access to the largest deposit in Bolivia (Salar de Uyuni) was granted to China; it is planned to mine 20 thousand tons of lithium carbonate per year with an arrangement to localize battery manufacturing there. Bolivia's neighbors are also in the top three by lithium reserves – Chile (19 mln tons) and Argentina (9,6 mln tons). Australia mines over ½ of the metal, ¼ is produced by Chile, about 15% - in China, 5–6% - in Argentina; the rest of the countries (USA, Brazil, Portugal, Zimbabwe and a number of other countries) produce much smaller or insignificant amounts. For now, Bolivia still lags far behind in lithium production. The majority of the global supply of the metal comes from nine mining enterprises: four in Australia, three in China and two in Argentina and Chile. About 2/3 of the supply are controlled by five companies

only: Albemarle (US) — about ¼ of the market; Tianqi Lithium (China) and SQM (Chile) — over 1/10 each; Mineral Resources (Australia) and Allkem (Argentina) — about 6–8%.

An agreement to mine and produce lithium carbonate in Bolivia was signed by Uranium One Group, an international uranium mining holding and a Rosatom company, and Yacimientos de Litio de Bolivia (YLB), a Bolivian lithium company. The agreement envisions construction by 2025 of an industrial complex with the production capacity of 25 thousand tons of lithium carbonate per year with possible capacity increase based on geologic exploration results. 25 thousand tons, according to Aleksey Likhachev, CEO of Rosatom, make 4% of the total lithium production on the globe, which is by results of 2022 estimated at 640 thousand tons.

It will be the first major international lithium project for the Russian corporation, though in Russia Rosatom is already taking part not only in production projects, but in battery production as well. For instance, in 2025 a gigafactory was supposed to start production of lithium-ion batteries in Kaliningrad region. The capacity of the production facility is 4 GWh/year. Therefore, a complete lithium production process chain is being developed: from extraction to finished product manufacturing. It is planned to use the energy storage sys-



tems on domestic-made vehicles. The corporation plans to manufacture electric motors. Rosatom will act as a technology partner for electric motion solutions for a future range of Russian ATOM passenger cars, mass production of which will start in 2025.

The second battery manufacturing factory is already operational in Moscow. In 2022 Rosatom launched in Moscow a new assembly facility for energy storage systems, with its first products being traction batteries for trolleybuses. The technology was purchased from a South Korean company that has left Russia.


To avoid dependency on foreign partner whims, it was also decided to develop Russian deposits. At the start of 2023 Rosatom announced its plans for lithium production at Kolmozero



deposit in Murmansk region jointly with Nornickel. The "Polar Lithium" project accounts for 18,9% of all reserves of the metal in Russia. A development project for the deposit envisions production of lithium carbonate and hydroxide (45 thousand tons per year), reaching the planned capacity by 2030.

Gazprom also has plans to supply lithium to Rosatom. In early February 2022 Gazprom, Irkutsk Oil Company (IOC) and the Ministry of Industry and Trade signed a trilateral action plan ("roadmap") for implementation of a project to produce lithium compounds from mineralized groundwaters of the Kovykta gas condensate field in Irkutsk region.

## Probable lithium reserve volumes in Russia are estimated by the U.S. Geological Survey at 1 mln tons.

Despite its cautious approach to electric transport development, Russia has joined the lithium race, and its first steps may be viewed as super successful; and some reduction in global growth rates could be assessed just as a correction of trends, and not as a U-turn. 





# THE RIGHT TO COUNSEL

The global legal environment is in turmoil—access to justice is being artificially limited, while the rules of international law are either already being revised or awaiting their turn. Alexei Zakharko, Managing Partner at Nextons, one of the largest law firms in Russia, talks about the current state of affairs and the unique challenges faced by his firm in the new environment.

**How was the decision made to separate from the Dentons international law firm and launch Nextons as your own brand?**

First of all, there were compelling business considerations. We realized that in the current climate it was impossible to operate successfully in the Russian market as part of a global organization. Nextons is one of the largest law firms in the Russian market. We did not see any other option for ourselves.

Some alternatives did exist. For example, operating a virtual practice (without an actual physical office space), relocating to another country, or reducing legal headcount from over 130 lawyers to just five, but we didn't consider those. Our firm has always provided its clients with a full range of services. We advise on a wide range of issues in all areas of law, provide comprehensive business and transaction support, and represent our clients in litigation and arbitration proceedings.

The priority for us was to preserve the team, to keep our best talent, and we have done that. We have not lost any of our key people. This is what I consider most important. We have one of the strongest and most respected teams of professionals in the market, with an impeccable reputation, wealth of experience, and international recognition.

There is no difference between when we were part of the Dentons network and now, after we have become an independent firm—Nextons. Some things, of course, have changed, but we have preserved our corporate culture, our core approach to doing business, our know-how, and even the addresses of our offices. We made this process as painless as possible, although it was very challenging.

**What year did you launch your operations in the Russian market?**

We started in 1991. Even before the opening of the Dentons (formerly Salans) offices, first in Moscow and then in St. Petersburg, our lawyers were on staff at a company called Revolution, which in the 1970s and 1980s provided support for trade transactions with the USSR. In those years, the company advised clients on foreign trade matters. In 1991, we opened our first office in Russia. Our landmark projects included the entry of the Coca-Cola Company into the Russian market and the opening of McDonald's. Last year was marked by the closure of McDonald's.

**To what extent does your current status as an independent firm allow you to maintain ties with the former parent company?**

We are Dentons' preferred law firm in Russia. Of course, we cannot work together on every project, but our cooperation is continuing. These close and friendly ties give us an additional competitive advantage. We have a resource at our disposal that allows access to valuable information, enables us to get a feel for the market trends, and so on, which our clients value highly. The legal industry evolves very quickly, and it is important to keep abreast of the various developments.

**Nextons**

As of January 1, 2023, the team formerly known as Dentons' Russian practice has completed its separation from the global group and started operating independently under a new brand name in the world.

The Nextons team brings together 130 top legal professionals in Moscow (the office has been open since 1991) and St. Petersburg (office opened in 1993), with expertise in all areas of law, industry-specific knowledge, competence in foreign legislation, and the ability to handle even the most complex legal matters in a rapidly changing environment.

Nextons provides a full range of legal services and all necessary legal support for Russian and international companies, following the best practices and traditions developed over more than 30-year legacy in the Russian market under the global brand.

**Does the new status allow for a more independent policy?**

Absolutely. We are truly independent. We set policy entirely on our own to decide whether or not to work with someone. Naturally, we work closely with Dentons and continue to provide services for their clients in the Russian market. Some of them are in the process of exiting the market, and we provide legal support for these projects. This exodus is the driver of our M&A practice and will continue for some time.

**Has the firm's book of clients changed? You mentioned that some of them are leaving the Russian market, but are there also companies moving in the opposite direction and entering it?**

Yes. In particular, we have clients from the Middle East and elsewhere abroad, with which we are working closely on major landmark transactions.

**Are those mostly countries in Southeast Asia or the Middle East?**

Mostly, the Middle East. There are companies from Southeast Asia, South Korea, and India, but currently, a lot more of them are from the Middle East.

**What projects are you currently focusing on?**

We have always been a full-service law firm. We work in a number of areas, and at present, all of our practices are very busy. Of course, M&A is the leading practice in that regard, which is due, as I have already mentioned, to the remarkable number of market exit deals. Interestingly, we see an increased workload in our capital markets practice as many Russian issuers implement various measures following the introduction of the sanctions and counter-sanctions.

The sanctions and counter-sanctions, with the resulting disruptions in the supply chains, have also spurred numerous

new litigation projects for our dispute resolution practice, an area where we expected a bit of a slowdown in 2023.

***In terms of staffing, are you seeing changes in the team structure? Are you expecting new associates to come onboard?***

You know, Dentons has always prioritized training and development programs for younger associates. Likewise, Nextons understands the importance of training young recruits. For any firm, having a steady influx of new talent is essential. Right now, we are training young attorneys through our summer school program. The curriculum includes various courses taught by partners, counsel, and practice support managers in the firm.

The program covers a very broad spectrum and focuses on contract drafting skills, organization of complex exercises like legal due diligence, and also pays attention to the development of soft skills. The participants also learn about the core competencies of each of the firm's practices, and this know-how enables them to detect potential risks and identify issues that could be solved by attorneys from other practices when working on client projects. I can confidently state that no university and no competitor firm offers a program of this kind. Recently, we were pleased to welcome five young university graduates to our team.

***Which universities do you hire from?***

We look at graduates not only from universities in the capital, such as the Moscow State University, the MGIMO University, the Moscow State Law University, or the Higher School of Economics, but also schools in other regions, like the St. Petersburg State University, the Kazan (Volga Region) Federal University, the Ural State Law University, and others.

I cannot say that we have a rigid set of criteria. We look at educational background, overall knowledge, creative thinking ability, and, of course, we go after "stellar" candidates, the very top graduates. We do have one specific criterion—we strive to bring onboard young associates who are highly proficient in the English language. Unfortunately, I find that there are still many graduates who have not mastered English at the level we are looking for. I am happy to say that we are continually welcoming new associates to the firm.

***Tell us about representing Russian nationals and businesses in foreign jurisdictions. Are you able to achieve fair outcomes? What percentage of cases are decided in their favor?***

Let me put it this way. When all these cases started last year, the situation with access to justice was unclear, since there were no lawyers able or willing to represent Russian companies or Russian nationals. Nevertheless, any person, in any circumstances, should have the right to legal counsel. To that end, the problem gradually resolved itself. The European sanctions directives have made clearcut exceptions—representation in court is not subject to sanctions, and currently, in many jurisdictions there are attorneys of-

### Alexei Zakharko

Alexei Zakharko is Nextons' Russia Managing Partner. He focuses on M&A, joint ventures, corporate finance and leveraged acquisitions.

Alexei has represented clients in M&A and private equity transactions in a wide range of industries, including energy, transportation, banking, insurance, retail, foods and beverages, construction and automotive. He has extensive experience advising energy and natural resources sector companies on their investments in Russia and abroad, as well as port/terminal transactions and bank equity deals.

Alexei Zakharko is recognized as a leading lawyer in corporate law and M&A, private equity, sanctions law, transport law, energy and natural resources in Russia by such reputable legal ratings as Pravo.ru-300, Kommersant, Chambers Global, Chambers Europe, The Legal 500, IFLR 1000, Best Lawyers, and Leaders League.

officially representing Russian citizens. However, it is worth noting that in some jurisdictions, such as the Netherlands, it is practically impossible to find an attorney to represent a Russian entity. On the whole, there are options, but it could mean compromising on quality in terms of the attorney's expertise and international experience. If in the past, any Russian company with the money could retain top-notch legal counsel, today they might have to settle for second-tier representation. But overall, the problem is not as acute as it was.

***The current financial logistics are rather burdensome, even for paying attorneys' fees. How do you handle this situation?***

This is a complex and multifaceted issue. Naturally, we keep up with developments in this area, monitor the situation, and always look for solutions.

***In your opinion, what are the prospects for returning the frozen assets? Is this a possibility? Will there be court proceedings?***

My sense is that someday we will see the start of a comprehensive process to sort through the aftermath, which will stretch for decades. A whole generation of litigators will forge their careers specializing in arbitration against sovereign entities. There is a mechanism called Investment Treaty Arbitration, whereby an investor can bring a case against the state if he suffered expropriation of property and such, plus the rules of international law and litigation will be undergoing revision for decades to come. And the stakes will be very high. In time, we may even see the emergence of new international legislation that attempts to regulate these issues to some extent, so that the process is less chaotic and more civilized. We hope that when all is said and done, there will be certain international initiatives to bring some clarity into this area of the law. **C**

Pyotr Stronsky:

# “This world is so beautiful”



The Moscow Mayor's Office has hosted a solo exhibition by Pyotr Stronsky, People's Artist of the Russian Federation, Member of the Russian Academy of Arts, titled “This world is so beautiful”. The exhibition has been organized with the support from the Department of Foreign Economic and International Relations of the City of Moscow. The exhibition featured paintings by the artist: portraits, landscapes and genre compositions from various years, showing the creative evolution of the artist.

Pyotr Stronsky has had multiple solo exhibitions in Russia, USA, Switzerland, France, Germany, Austria, Luxembourg, Slovakia, Malta, Slovenia, China.

In 2003 Pyotr Stronsky became the first winner of the International Nikolay Rerikh Award in “Artistic Expression” nomination.

A landmark phase in the life of the artist was his top award in the competition to recreate paintings of the Christ the Savior Cathedral in Moscow together with a team of artists. He painted 38 images of Saints. His work over paintings in orthodox churches holds a prominent place in his art – he created paintings in the Church of the Kazan Icon of Our Lady in Kolomensky District of Moscow Region, the Chapel of All Saints on the Moscow Canal bank. Together with experts from the mosaics workshop





collection, the collection of the Prime Minister of Japan, the Weinan State University (China) and many others.

The “Culture” National Project now makes it easier to see works of art by Pyotr Stronsky and other great works by Russian artists. Under this project 75 multimedia guides are created for museums and art spaces across Russia, today the platform hosts more than 430 museums. Free multimedia guides with augmented reality technology capability are available, one needs only to download “Artifact” app and point one’s smartphone at an exhibit, or take an online tour of major museums of the country without leaving one’s home. **CI**

of the Repin Institute the artist created a large mosaic “The Icon of Christ of Edessa” for Spaso-Blachernae convent in Dmitrov District of Moscow Region. The Russian Orthodox Church presented Stronsky with the Order of Saint Andrei Rublev for his services.

Art works by Pyotr Stronsky are displayed in collections of the Russian Ministry of Culture, the museum of the Russian Academy of Arts, the Moscow Kremlin Museum, the museum of Moscow’s History, the State Art Museum in Trenchin (Slovakia), the N. Rerikh’s Museum in New York (USA), the Vasnetsov Brothers State Art Museum in Kirov, the Saint-Petersburg State Museum-Institute of the Rerikh Family, the Kyrgyz Aityev National Fine Arts Museum, the Sigmund Freud Museum in Wien (Austria), the Vatican’s





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