

# ECONOMIC GROWTH POINTS:

## Russian-Swiss partnership as a mechanism for forming the sixth technological order

THE BASIS OF ANY BUSINESS IS MUTUALLY BENEFICIAL COOPERATION. IT IS IMPOSSIBLE TO DEVELOP GLOBAL INDUSTRIES, WHICH, IN PARTICULAR, IS THE OIL AND GAS INDUSTRY, WITHOUT RELIABLE PARTNERS. WITH WHOM ARE RUSSIAN COMPANIES BUILDING BUSINESS RELATIONSHIPS THAT CONTRIBUTE TO ECONOMIC GROWTH?

KEYWORDS: *Swiss Business Hub Russia, Russian-Swiss partnership, oil and gas industry, small and medium-sized businesses, investment climate.*

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**Lorenz Widmer**  
Head of Swiss Business  
Hub Russia,  
economist

– Mr. Widmer, what does the Swiss Business Hub in Russia do? What tasks do you set for your establishment regarding the development of partnership between the two countries?

– The Swiss Business Hub Russia is the Moscow representative office of Switzerland Global Enterprise (S-GE), the official organization for promoting international trade and investment. The center is part of the Swiss Embassy and promotes the development of exports of goods and services to Russia, as well as popularizing ideas and promoting business opportunities in Switzerland.

**Swiss Business Hub Russia** (at the Embassy of Switzerland in Moscow) provides services for small and medium-sized businesses from Switzerland and Liechtenstein to expand their presence in the Russian market. The center also provides support for Russian companies interested in opening their own subsidiaries in Switzerland or in finding Swiss business partners

Bilateral economic relations between our countries are developing successfully, but I am convinced that the partnership potential is not fully realized, so we set ourselves the task of developing it further. To do this, we provide information about business opportunities and help establish contacts.

– And in what industries can this potential be more revealed? What is interesting in Russia?

– Traditionally, Swiss companies successfully operate in industries such as pharmaceuticals, engineering, electronic goods and tools, and, of course, in the field of consumer goods.

I want to note that in addition to the well-known Swiss global leaders, there are a large number of small and medium-sized players, as a rule, occupying a narrow niche in which they often claim technological leadership. I think that such companies are especially attractive to potential Russian partners. As a practice, they are very open and ready to search for the optimal format of cooperation jointly.

– How well, in your opinion, has the investment climate formed in Russia?

– In recent years, undoubtedly, many areas of business life in Russia have become more professional. The framework created by the state for business has become clearer and interaction with state authorities is more convenient. That is, for example, evidenced by the improved World Bank “ease of doing business” indicator. Speaking about investments, the main challenge



The chemical industry is one of the most important sectors of the Swiss economy

is the weakness of some public institutions, especially those related to private property and the courts. This is the point of view expressed by our customers – representatives of small and medium-sized businesses.

– What Swiss companies do business in Russia today in the oil and gas sector and related industries? What successful joint projects could you talk about?

– Swiss companies successfully supply technology and specialized chemicals to the Russian oil and gas sector. Examples of such technologies include equipment and solutions for separation processes in the petrochemicals, compressors and gas treatment units, mechanical engineering parts for sinking such as gearshifts for high capacity, parts for the construction of oil and gas pipelines, including seamless joints. Finally, Switzerland produces tools, including for working in explosive atmospheres.

Alongside to world-famous companies such as ABB or Sulzer, small high-tech and highly specialized companies work in this sector, which only market experts know about. Enerproject SA, a manufacturer of gas compressor equipment from the Canton of

Ticino, implements projects in Russia together with its partner, the company ENERGAS. A recent example of their collaboration is equipping the Grozny TPP with three Enerproject compressor units. Swiss equipment, launch and maintenance were provided by Russian specialists of ENERGAS Group.

– Which features of the work of Swiss companies in Russia could you highlight? And what are the features of the work of Russian companies in Switzerland?

– As for the Swiss companies in Russia, then, probably, the main difficulty at the primary stage is the search for a suitable and reliable partner. Much depends on this, and this moment should be carefully worked out. The Swiss Business Hub center very often supports Swiss companies that are taking their first steps in the Russian market in this direction.

If we talk about the work of Russian companies in Switzerland, the situation is fundamentally different in that most often Switzerland is not considered as a separate market. Russian companies that open their business in Switzerland have global or at least European ambitions. They see Switzerland as a platform through which a wide variety of markets are conquered. Such a strategy can, for example, be observed in Russian IT companies.

– What concerns stop Swiss companies from developing business in Russia?

– At the moment, it is very difficult to talk about fears, because it all depends on the depth of the global crisis, which is just unfolding now and which will not blow over Russia. Leaving aside the current



The most powerful Enerproject screw compressor units in Russia provide fuel gas for turbines of the Grozny TPP





Low pressure booster compressor station on the basis of Enerproject units pumps low-pressure associated gas at the Varandey field of LUKOIL-Komi

crisis, in recent years, many companies that are our customers, are closely monitoring which development model Russia will choose in the future. This refers to categories such as nationalization of business or openness /autarchy. In any case, the Swiss business will continue to work in the Russian market, but the cooperation models will depend on these strategic decisions.

**– It is no secret that Russian enterprises need European technologies, but the technologies are not produced for sale, they are developed in research centres within companies “for their own consumption”. In your opinion, how willing are Swiss companies to share these technologies with Russian enterprises?**

– I am convinced that there are interesting prospects for cooperation with Swiss small and medium-sized businesses. If we talk about the development of technology, then Russian enterprises have, roughly speaking, two ways: either to develop their technologies themselves or to acquire ready-made technologies through partnership with a major

In the autumn, from October 26 to 30, we will assemble a group of Swiss companies on a business mission in the oil and gas industry to Moscow and Astrakhan. We have already received a very positive response from our companies, and we are convinced that the business mission will take place in an exciting composition. This will be our specific contribution to the development of partnerships this year!

foreign player. If we talk about the development of technology, then Russian enterprises have, roughly speaking, two ways: either to develop their technologies themselves or to acquire ready-made technologies through partnership with a major foreign player. The first path is a process that requires a significant amount of time; the second path indicates a certain loss of control. However, there is a third way, which is for the company to develop its own technologies, but at the same time resort to specialized engineering companies that can help speed up the process. I know that this is performed in other sectors, and I suppose that this also applies to the oil and gas industry.

**– In your opinion, does the impact of sanctions only affect Russian companies against which the prohibitive measures**

**are directed, or do they also affect European partners of Russia?**

– First of all, it is important to understand that Switzerland does not apply the sanctions of either the European Union or the United States. Our neutral position is that we have taken specific measures so that our territory is not used to circumvent the sanctions.

As for the influence of Western sanctions and Russian counter-sanctions on Swiss business, it naturally exists, in the sense that any restrictions prevent the development of the economic activity.

**– What, in your opinion, are the prospects for cooperation between Russia and Switzerland**

**in the oil and gas industry? Tell us about the plans of the Swiss Business Hub for the development of partnerships in the near future.**

– As I said above, Swiss companies are successfully operating in the oil and gas industry in Russia, including large corporations and smaller enterprises. Some of these companies have already localized at least part of the production in Russia, while others are only gaining pace. We definitely see the potential for further development, so this year we invested in a small study of the Russian oil and gas industry in terms of potential for Swiss enterprises. We want to use this study primarily for Swiss small and medium-sized businesses.

The Swiss Business Hub promotes international trade and investment, including through the organization of Swiss pavilions at exhibitions. ●

## WHAT Neftegaz.RU WROTE ABOUT 10 YEARS AGO...

### Private oil and gas companies are welcoming shelf drilling

In 2010, the Ministry of Energy of the Russian Federation announced that it is prepared to discuss its plans with non-government agencies on the topic of shelf drilling. According to the acting legislation on subsoil use, only two state owned companies are allowed to operate on the shelf – Gazprom and Rosneft. Whereas the Ministry of natural resources believes this is not sufficient.



### • Comment Neftegaz.RU

In March 2020, The State Duma passed a legislation on incentives for investors working in the Arctic. Foreign enterprises and commercial organisations registered in the Arctic Zone will be able to become residents of the Arctic Zone. The residents are entitled to tax incentives, such as a zero-rate over the span of 10 years, as low as 5% on production over the span of 15 years; a zero MET rate for 12 years on liquefied gas production and gas chemistry, a zero MET rate within the first 12 years with a gradual transition to a full rate from the 13th year up to 17th year for new oil provinces in the Eastern Arctic. By passing this bill, the government hopes to attract 7 trillion rubles in private investments into the Arctic by 2030.



### Buryatia will be given gas

The president of the republic of Buryatia is determined to continue the gasification of the region. V. Nagovitsyn announced this on April 26, 2010, addressing the National Khural of the Republic in his annual message. The Head of the Republic mentioned that "gasification is planned to be carried out in 2010-2011 by increasing liquefied gas supplies from Gazproms' plants via railroads to Onokhoi station (Transsib)".

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In 2020 the Government of the Republic of Buryatia and Gazprom LNG Technologies will study the potential to gasify the region using LNG. The respective Parties have already outlined a comprehensive action plan to implement the project, covering all phases from geological



exploration to acquire funding for the construction of the liquefaction facility. The major issue in regards to gasification revolves around Buryatia's demand for it. Low levels of gas consumption have previously halted the implementation of gasification in the region. Authorities

of the republic have repeatedly raised the issue of gasification in recent years, which would enable them to abandon the use of coal and mazut boilers that are harmful to the environment.

### Russia will supply the world with more oil

The International Energy Agency has revised its projections to increase oil production by non-OPEC countries for 2010. According to a new estimate published by them earlier today, an additional 600 thousand bpd will enter the world market in 2010.

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In 2020, Russia is still committed to supplying the world with more oil, however, OPEC is no longer prepared for it. Countries under the OPEC+ agreement could not come to an understanding in Vienna in March 2020, to proliferate the agreement beyond the first quarter of this year. Russia refused to cut its productions to 1.5 million bpd in the first quarter and to 500 thousand bpd in the second. As a result, from April 1, 2020 all participating parties to the OPEC+ agreement will be free from restrictions on oil production. Increased oil production and exports, as well as price reductions and discounts have already been announced by Saudi Arabia, UAE, Kuwait and Iraq. The disruption of the OPEC+ agreement resulted in the destabilisation of the oil market and a steep fall in oil prices. Technical difficulties were among the main reasons why Russia refused to reduce its oil production. ●