

IT IS IMPOSSIBLE TO ISOLATE RUSSIA

Oleg N. Evtushenko

State Corporation «Rostec»

Abstract

The article analyzes the current economic situation in Russia and describes the prospects for changing production through the implementation of innovative developments by the State Corporation “Rostec.” It also assesses the retention and attraction of human capital in the face of external turbulence.

Keywords

Innovation, parallel import, production.

IT IS IMPOSSIBLE TO ISOLATE RUSSIA

MGIMO University and State Corporation “Rostec” enjoy a long-standing partnership. The company commissions the university to train managers for the high-tech industry. These specialists will play a crucial role in ensuring the technological sovereignty of Russia, making their demand extremely high. In an interview with Vladimir Shapovalov, Dean of the School of International Business at MGIMO, Oleg Yevtushenko, COO of Rostec, elaborated on the prospects of import substitution, promising industries, specialist development, and cooperation with other countries amid sanctions.

- The State Corporation “Rostec” celebrates its 15th anniversary this year. What results have been achieved over this period?

- Over these 15 years Rostec has become the largest manufacturing enterprise in Russia. We do not produce oil, nor do we rely on bank interest for earnings. We are actually engaged in production and development. The Corporation comprises around 800 scientific organizations and industrial enterprises, including renowned brands such as United Aircraft Corporation (UAC), Russian Helicopters, Kalashnikov, Uralvagonzavod, Ruselectronics, Shvabe, etc.

However, it was not always this way. When Rostec was founded, almost half of the enterprises transferred to us, including hundreds of factories, R&D institutes, and design bureaus, were in crisis and experiencing losses. Many organizations and enterprises had been accumulating debts since the 1990s. There were significant problems associated with the manufacturing and distribution of civilian products. In 2009, the revenue of our companies amounted to approximately 500 billion rubles, most of which was generated by the state defense order, while the losses amounted to 60 billion rubles. That was our starting point.

- In this regard, Rostec is often compared with the intensive care unit. How many “patients” have been saved?

- A lot. This was the case, for example, with UAC, Tractor Plants, UVZ, and other assets that we acquired in a challenging state. Today, these are stable operating companies with most of their financial difficulties resolved.

Over the last 15 years, Rostec has undergone significant technological modernization. We have launched the manufacturing of civilian products that are in high demand. These include helicopters, aircraft, energy equipment, professional IT solutions, medical equipment, and motor

transport. Based on last year's results, the corporation's revenue exceeded 2 trillion rubles, which is almost four times more than in 2009. At the same time, over 45% of our income now comes from the manufacturing of civilian products.

- **Hundreds of thousands of employees work for your corporation, and often as entire dynasties. How do you manage to retain this human capital?**

- A machine tool is easy to buy, but developing and mastering the skills of a good specialist takes years. Therefore, we strive to create the most conducive environment for our employees. This includes offering competitive salaries, and comprehensive social benefits, such as a special housing support program, additional medical insurance, and various types of welfare assistance.

Currently, we employ approximately 600,000 people. Many of our city-forming enterprises serve as significant hubs in their regions, attracting local residents to work there. It is not uncommon for entire families to be employed in these factories. Some of them have accumulated centuries of combined experience. The record holder in this regard is the Nizhnelomovsky Electromechanical Plant. There are already three generations of a single dynasty working there, totaling twelve people. Overall, they have dedicated more than three centuries to their beloved enterprise.



Discipline and the ability to navigate challenging situations are perhaps the most important qualities. They are essential in both personal and professional life.

- **But first, the specialist should apply for a job at the plant. How challenging is it to attract workers amid labor shortage?**

- At some of our enterprises, we introduce children to the manufacturing process from a young age. For instance, we have published a series of books that explain engine building and aviation in simple terms. Moreover, every year our enterprises hold Weeks Without Turnstiles events. Children of factory workers, schoolchildren, and students can visit

the facilities, see everything with their own eyes, and get acquainted with manufacturing processes.

Furthermore, we are actively developing employer-sponsored education. We collaborate with all major universities in Russia, with MGIMO playing a significant role in supplying personnel for departments engaged in international trade.

I would like to highlight the Wings of Rostec program, through which we train multidisciplinary engineering and technical specialists for aircraft manufacturing enterprises. Students not only acquire theoretical knowledge but also gain practical production skills from their first year. This geographically expansive project involves 10 specialized universities in Moscow, St. Petersburg, Rybinsk, Kazan, Samara, Ufa, Perm, Novosibirsk, Irkutsk, and Ulan-Ude. By the way, this year's applicants for the Wings of Rostec program include almost 300 young people, 70% of whom come from working dynasties, following their parents' footsteps to pursue a career in aviation.



MGIMO plays a significant role in supplying specialists for departments engaged in international trade.

- **Your company has a corporate networking academy. What is the purpose behind its establishment? As far as I know, it trains not only employees of the corporation, but also external students.**

- The Rostec Academy is our center of expertise for personnel. It differs from conventional training centers in that it provides systematic employee development tailored to the specific needs of military defense enterprises.

Established in 2017, the Academy has held more than 350 educational events in the past five years, training more than 40,000 employees from 250 corporation enterprises.

Today, the Academy offers over 100 educational programs and consulting services. They cater to managers of various levels, employees in engineering and technical occupations, and young professionals. The

list of training programs is continuously updated. Last year, for instance, we opened a training and methodological center for international trade and military-technical cooperation. Given the current global situation and challenges of operating in export markets, this process involves not only Rostec enterprises, but also our colleagues from other exporting companies, including Roskosmos and the Almaz-Antey concern.

- **Which industries in Russia will be breakthrough and dominant in the coming years?**

- In the coming years, the dominant industry for «Rostec», and in general for the domestic manufacturing industry, will be aviation. Currently, for Russia, producing its own civil aircraft is crucial for ensuring sovereignty. By 2030, UAC enterprises will manufacture over 500 aircraft of various types, including more than 270 MS-21 liners and about 140 SSJ-100 aircraft. Undoubtedly, our enterprises are fully committed to achieving these goals.



A machine tool is easy to buy, but developing and mastering the skills of a good specialist takes years.

At the same time, the aircraft industry has a huge multiplier effect as it is interconnected with many other industries such as metalworking, composite materials, electronics, engine building, etc. The MS-21 project, for example, involves collaboration with hundreds of factories across the country.

- **You have mentioned engine building. What are the prospects in this field?**

- We are yet to complete tests and launch serial production of PD-8 and PD-14 engines to meet the needs of civil aviation. We also have tasks related to helicopter power units. Our aim is to satisfy domestic needs in all areas that previously relied on foreign engines.

Developing new engines is a challenge, as it takes about 10 years. Only five countries in the world are capable of that. Russia is now steadily regaining its position in this market.

In the energy sector, there is also a notable backlog and potential for development. The reliance on foreign equipment turned out to be unjustified and risky. For instance, in Sakhalin, the departure of foreign suppliers jeopardized the stability of energy supply. As a result, we will supply units manufactured by UEC to Sakhalinenergo, ensuring the island's power grid system remains stable. And this demand is expected to expand.

The share of our gas pumping equipment has already reached 80%. We collaborate with Gazprom, Rosneft, and other major companies. We offer power units up to 25 MW and are working to increase their capacity. By 2025, the United Engine Corporation will start supplying Gazprom with equipment of 32 MW capacity, followed by 42 MW capacity in the future.

- **What other promising niches can you name?**

- The production of special equipment has great potential. In 2021, the share of imports in road construction and logging equipment was 85%, and about 64% of tractors were foreign-made. Additionally, more than half of the vehicle fleet is over 10 years old, so it will soon require updating.

For Rostec, this segment is not new, as the Uralvagonzavod concern and the High Precision Systems holding have their own lines of special equipment. Now we are preparing a major project for road construction, municipal, agricultural, and logging equipment. Our goal is to fill the gap left by foreign manufacturers in the market.

- **What about electric transport? Will Russia have its own electric cars?**

- Of course, this sector is also very promising. Moscow already has over a thousand electric buses in operation, most of which are produced by us. Their pilot operation has already started in other cities as well. Both AvtoVAZ and KAMAZ have plans for passenger electric vehicles. The industry is growing and requires the development of electric charging infrastructure. Our KRET concern is an active player in this segment. It develops consumer and industrial charging stations. Currently, its market share in the production of electric stations makes up around 20%, but there are plans to expand it to 35-45% in 2023.



Over these 15 years Rostec has become the largest manufacturing enterprise in Russia. We do not produce oil, nor do we rely on bank interest for earnings. We are actually engaged in production and development.

- **Recently, foreign pharmaceutical companies have been leaving Russia. Is there a cause for concern?**

- Healthcare and pharmaceuticals are strategically important industries, and our country is now making every effort to accelerate import substitution in these areas. So, there have been significant advancements in vaccines, with 90% of drugs in the national vaccination schedule now being Russian-made. For example, our first quadrivalent influenza vaccine, Ultrix Quadri, complies with all WHO recommendations for variant composition and quantitative content of active ingredients. It provides protection against four prevalent flu variants and is approved for children from 6 months, adults of all ages, and pregnant women. Another example is COVID-globulin, an anti-COVID-19 drug derived from the blood plasma of recovered patients. Research results indicate that COVID-globulin prevents severe complications caused by coronavirus in 70% of cases.

As for medical equipment, the share of domestic production is yet to reach 50% in the next two years and 80% by 2030. Our companies such as Shvabe, KRET, and ROSEL operate in this market and show remarkable progress.

- **In the context of deglobalization, production and supply chains will be reshaped. In which countries and sectors is cooperation possible?**

- Despite the strong desire of Western countries to isolate us, it is impossible due to Russia's size and long borderline. We have rich resources and extensive economic ties.

Regardless of the sanctions, we still cooperate with most regions of the world. Rostec has reliable partners in Asia, the Middle East, Africa, and Latin America.

Given the current restrictions, we offer our partners the most flexible terms, including settlements in national currencies, barter schemes, etc.

We are doing our utmost to ensure that cooperation with Russia remains profitable and convenient.

As for promising areas, these are, of course, aviation equipment, weapons, digital technologies, medical instrumentation, and pharmaceuticals.

- Your first degree is in the military sphere. How does it help in management?

- By my initial education is in military translation. In fact, including the period of my studies, I served for about 10 years. Discipline and the ability to navigate challenging situations are perhaps the most important things you learn there. These qualities are essential in both personal and professional life. Especially if you work in the military-industrial complex, which is also a kind of army, only a production one. And, of course, proficiency in foreign languages helps a lot.

Conflict of interest: the author reports no conflict of interest.

Funding: the study was not sponsored.

For citation: Oleg N. Evtushenko (2022). Russia - «smart» house. International Business, 1(1), pp. 91-98

Submitted for publication: 22.09.2022

Accepted for publication: 26.09.2022