

## What steps can the Russian government take to make doing business in Russia easier for foreign businesses?

1. It is clearly possible to work successfully in Russia, as proven by the many Russian and foreign companies in Russia today. However, certain “Russia-specific risks” do remain and a true market economy with a level playing field for all players does not yet exist.
2. There are two groups of foreign businesses to be considered when addressing the barriers to foreign investments in Russia:
  - a. Foreign businesses not yet active in Russia but considering market entry, and;
  - b. Foreign businesses already successfully active in Russia.
3. The first group of businesses is mainly exposed to the often unjustifiably negative image of Russia (corruption, mafia, Yukos, bureaucracy etc.) and rarely hears about the opportunities and high returns offered by the Russian market:
  - a. This is mainly a PR problem that provides a concrete opportunity for the Russian Government to improve the country’s image by issuing clear, transparent and objective information about the opportunities and risks of the Russian market.
  - b. In principle, Dutch and other Europeans are positively inclined towards Russia in a cultural sense. It is mainly the negative business image that requires attention from a PR point of view.
4. The second group of businesses is already successfully active in Russia but could function more effectively if a number of problems would be solved, among them:
  - a. Legislative and administrative ambiguity.
  - b. Limitations to movement of capital and equipment.
  - c. Unsatisfactory enforcement of the law and of contractual and ownership rights.
  - d. Underdeveloped financial infrastructure.
  - e. Reservations concerning foreign competition and resulting protectionist attitudes.
  - f. Deep-rooted informal networks between business, political, legislative and judiciary circles.
  - g. Inefficient production culture that has its roots in the defense dominated (and capacity - not quality oriented) Soviet production complex.
  - h. What are the reasons then for foreign businesses to be active in Russia:
    - i. Proximity to the growing Russian market.
    - ii. Proximity to Russia’s enormous resources.
    - iii. High returns on investments in spite of the relatively high risks.
5. So, Shto delat? - What is to be done? There are steps that the Russian Government can take here as well, such as:
  - a. Establishment of transparent legislative and institutional basis as well as a clear strategy for foreign investment activity – independent of political leadership would go a long way toward dispelling many of the concerns foreign investors have regarding the opacity of Russia's legal system.
  - b. Improved PR – i.e. Communication of the points mentioned under 5 a, b and c to foreign audiences.
    - i. Both the legislative and institutional basis for investment activity and the definition of a clear foreign investment strategy and their communication (PR) are simple, cheap and effective resources that the Russian government has at its disposal for attracting foreign investments.

- ii. Initiatives in this area could be started on a regional (Oblast) level as this would be easier and quicker to realize than on a Federal level.
- c. Public land registries as well as public catalogues of investment projects.
- d. Establishment of a foreign investment guarantee fund covering political – non commercial – risks.
- e. Increased in efforts aimed at establishment of Industrial and Trade parks with privileged conditions and specific services.
- f. A practical Agency for Supporting and Protecting Foreign Investments would also be very welcome and effective.