



Russia

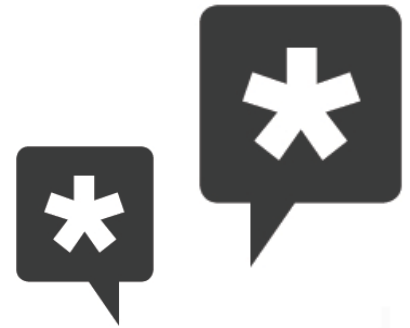
Is Russia a good country to do business in now?

There are definitely opportunities to be had in Russia. The choice of entry strategy with any market is key, but particularly in Russia. If yours is merely a sales strategy, take care in selecting the right distribution partner. If you intend to have production capabilities in the region, Greenfield options, with support, are plentiful but so are Russian businesses for sale.

Here's why.

Russia is the world's largest country, stretching across the Asian and European continents and spanning 11 time zones. The Russian economy has grown considerably since the collapse of the Soviet Union in 1991. In the years following the 1998 financial crisis, Russia enjoyed 10 straight years of growth, averaging 7 per cent annually. In the six years to 2008, fixed capital income growth and personal income growth both averaged above 10 per cent. Poverty and unemployment have declined steadily in the past decade and the middle class continues to expand. There remains a strong reliance on energy and raw materials in the Russian economy, however there is strong political will to diversify it.

Fast Facts



Population: **140 million**

Language: **Russian, many minority languages**

Religion/s: **Russian Orthodox 15-20%; Muslim 10-15%**

Land area: **17 million square km**

Currency: **Rouble**

Capital: **Moscow**

Internet domain: **.ru**

International dialing code: **+7**

Innovation ranking¹: **39 (out of 82 countries)**

Digital economy ranking¹: **59 (out of 70 countries)**

Macroeconomic indicators:¹

	2010	2011	2012
GDP (US\$)	\$1.5 trillion	\$1.7 trillion	\$1.9 trillion
GDP per capita (US\$)	\$10,521.79	\$11,996.17	\$13,391.15
Real GDP growth	3.7	4.2	4.5
Inflation (CPI)	6.8	7.7	6.0

Economy

According to the OECD, the post-crisis economic recovery has been solid but unspectacular. Inflation has been pushed higher by a food price shock, resulting from extreme weather during last summer, but underlying pressures will remain contained. The current account surplus is projected to roughly halve between 2010 and 2012 as import volume growth outstrips that of exports by a large margin. The planned cut in public spending may restrain domestic demand.

Fast Facts



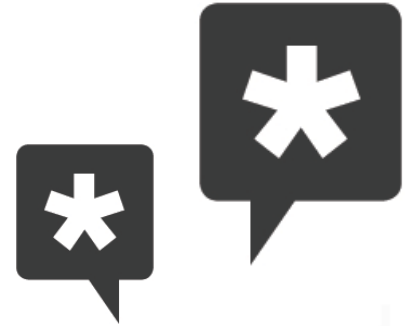
Politics

Dimitry Medvedev is Russia's third democratically elected president and came to power with over 70 per cent of the vote in 2008. He is a close political ally and protégé of former-president and current Prime Minister Vladimir Putin. Putin was barred by the Russian constitution from running for a third term as president and was confirmed as prime minister one day after Medvedev was sworn in as president. Medvedev promised to work closely with Putin to improve the standard of living for Russians.

Doing business

Corruption is still fairly widespread in Russia, so it is important to be aware. Following these simple guidelines may help:

- Ensure appropriate controls are in place and overseen regularly.
Ensure proper audit trails.
- Building relationships with trustworthy local officials is important.
Make sure that the authorities - central, local and regional - are kept abreast of your plans.
- Follow all the legislative rules. Pay all taxes and bear no heed to those advising you of various loopholes. The Russian Government is prepared to make examples of foreign businesses and penalties can be severe.
- Take a 'no bribe' stance early and stick to it whatever the temptation.
Companies that are scrupulously 'clean' find that the approaches dry up after a while, while those that are not tend to find that the requests and the amounts increase.
- Localise all communications into Russian. Even if the recipient speaks English, you will gain credibility by translating.
- Be patient! Russia retains a much more hierarchical structure than we are used to in the EU or US. This tends to put delays in systems or even simple replies to emails.
- Make eye contact and shake hands on both arrival and departure from the meeting.
- Business and social mix well in Russia. Expect to have 'offsite' meetings and to engage in small talk during your meetings.



Doing business (continued)

- Russians have a communal spirit and tend to dislike ‘cold fish’. Don’t be surprised by displays of emotion and feel free to do so yourself!
- Remember this is a collectivist society and any over the top flattery or compliments to individuals will be treated with suspicion or jealousy.
- Although discussions can be quite informal, expect agreed terms to be contracted.

References

¹ Taken from the Economist Intelligence Unit’s report: ‘A new ranking of the world’s most innovative countries’ that ranks innovation in 82 countries. Innovation is defined as the application of knowledge in a novel way, primarily for economic benefit. Companies deem it vitally important as a competitive tool. Government policymakers see it as essential for economic growth.

¹ Digital economy ranking is the Economist Intelligence Unit’s measure of the quality of a country’s information and communications technology (ICT) infrastructure and the ability of its consumers, businesses and governments to use ICT to their benefit. When a country uses ICT to conduct more of its activities, the economy can become more transparent and efficient.

¹ Source: Organisation for Economic Co-operation and Development, www.oecd.org (Real GDP growth and inflation), and International Monetary Fund, www.imf.org (GDP and GDP per capita). 2009 and 2010 figures are OECD and IMF staff predictions. Real GDP growth and inflation are defined in percentage change from previous period.



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