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**MY RECOMMENDATIONS AND TIPS OF A BUSINESS  
STUDENT FOR POTENTIAL INTERNATIONAL PARTNERS  
PLANNING TO DO BUSINESS IN RUSSIA**

In the contemporary world economy grows because of increasing global communications and multinational business corporations, and it is really good if your business will get you outside internationally. So, it may be effective and profitable to do business in Russia. Russia is the largest country in the world. Now Russia is one of world's most important emerging markets, it is defined by its size and its growth potential.

**Russia: Country Profile**

*Geography.* Russia is extending over much of the northern part of Eurasia for the 17,075 million km<sup>2</sup> in area; it is the largest country in the world. The Russian Federation is composed of 83 constituent regions, which are combined into eight federal districts that are administrated by presidential envoys. There are twelve cities with a population of over one million: Moscow, the capital city, St Petersburg, Novosibirsk, Nizhny Novgorod, Yekaterinburg, Omsk, Kazan, Samara, Rostov-on-Don, Chelyabinsk, Volgograd and Ufa.

*People.* According to the 2010 census, the population is 142,9 million. The 61,6 % of the population is working age people, while 16,2 % are below this age, and 22,2 % are above it. The population is 46,2 % male and 53,8 % female. Russia is a multinational country, which contains a lot of ethnic group. Russia is a secular state and enjoys full religious freedom. Russian language is the official language; English language is the most popular studied foreign language.

*Government structure.* The Constitution was adopted in 1993; it states that Russia is a democratic federative state with a republican form of government grounded in the rule of law. President in Russia is a head of state, and Prime Minister is a head of government.

The legislation branch consists of the bicameral Federal Assembly. In its turn, it consists of the State Duma and the Federation Council, consequently, lower and upper house of parliament. The lower house of parliament drafts legislation and can amend the Constitution. The upper house of parliament approves or rejects those drafts that are made by the lower house and appoints high. The judicial branch consists of several courts. The first and the highest is the Constitutional Court. The second is the Supreme Court that is the highest judicial body for courts of general jurisdiction. The third is Supreme State Arbitrage Court that is highest instance for economic disputes. Executive power is provided by the Government, comprising the Prime Minister, deputy prime and federal ministers.

*Legal system.* The legal system of Russia is based on statutory law rather than case law. The Constitution, federal constitutional laws, federal laws, presidential decrees, government regulations, and moreover, the laws of the 83 constituent regions of the Russian Federation are the main legal acts in Russia. Constitution of the Russian Federation recognizes the norms of international, global law, and international treaties and agreements, to which Russia is a signatory, as a part of the domestic legal system. However, international treaties in force to which in Russian Federation is a party prevail over domestic law in case of conflicts.

*Economy.* From 2011 Russia continued to recover from the financial crisis and demonstrated some positive results. Government has spent on anti-crisis measures ran to RUB 3 trillion. Due to high oil prices, Russia enjoyed a budget surplus of 0,8 % of GDP. Now GDP is growing by 4,3 %, while industrial production is increasing by 4,7 %.

### **Russia: Business Environment**

*Property and Licensing.* There are some following forms of property: private, public and municipal. The Civil Code of the Russian Federation regulates the property matters in Russia.

As any country, Russia has some activities that must be licensed. All issues that are concerned with licensing are regulated by Federal laws on licensed activities and the Federal Law "On Licensing Certain Types of Activ-

ity". After Russia's accession to the WTO, importers of alcohol and pharmaceuticals not need to import licenses. Some encryption and informatics technology will also not need to be licensed. For those encryption technology-related products that still do require an import license, expert evaluation and approval will only need to be obtained once.

*SME support.* One of the Russian Government's top priorities is providing a support for small and medium enterprises (SME). At the moment the share of SMEs in GDP amounts to 21 %. The Government will target an increase in the SME share in GDP by 60–70 % by 2020 (Social and Economic Development Forecast for the Russian Federation for 2012 and the 2013–2014 Planning Period.). In 2012 the Government plans to allocate RUB 19 billion from the federal budget for SME support. The support of SME directs to the developing micro financing and guarantee funds, supporting small innovative enterprises and export-oriented businesses, grants for start-ups, support for single-company towns, leasing, infrastructure development and educational programs.

*International agreements.* Russia is a member of numerous international organizations, including the Council of Europe and the Organization for Security and Cooperation in Europe, Group of Eight, the Group of Twenty Finance Ministers and Central Bank Governors, and the Group of Seven Finance Ministers. Russia plays a special role in Central Asian organizations, including the Commonwealth of Independent States, the Eurasian Economic Community, the Collective Security Treaty Organization and the Shanghai Cooperation Organization. On 16 December 2011 at the ministerial conference in Geneva, Russia's entry to the World Trade Organization (WTO) was approved. Russia must ratify the agreement within 220 days and will become a full member 30 days after it notifies the WTO of ratification. Russia has committed to ease its trade regime and advance its integration with the global economy. It has also agreed to reduce its tariffs on a wide range of products.

*Foreign investment.* By the end of 2011, 31,7 % of total foreign accumulated investment was in manufacturing, 16,3 % was in extraction, 17,1 % in retail, wholesale and repair, 11 % in real estate, and 9 % in transport and communications (Federal Statistics Service). Russia's accession to the WTO opens up new avenues for investment, although some sectors will remain restricted. Wholly foreign-owned banks will be allowed to operate in Russia but with a ceiling of 50 % control of the banking market, while foreign affiliates will not be allowed (Declaration by the Russian Government and Central Bank of Russia of 5 April 2011 "On the Development Strategy for the Banking Sector in the Russian Federation to 2015").

### **Financial systems**

*Banking sector.* According to the Central Bank of Russia, the Russian banking sector's profits reached a record high of RUB 573 billion in 2010

(around 12,9 % more than in 2007 before the crisis set in). In terms of assets, the largest banks are state controlled: Sberbank, VTB, Gazprombank and Russian Agricultural Bank. The Central Bank of Russia and the Russian Government support the consolidation of the banking sector as a means of making it more effective. From 1 January 2012, newly created Russian banks will be required to have minimum equity capital of RUB 300 million. For operating banks, this request will be effective from 1 January 2015.

*Anti-money laundering legislation.* Since 2001, a number of measures have been implemented to bring anti-money laundering (AML) legislation in line with international standards, together with organisational and administrative measures to enforce the law. Such AML measures include special controls over certain transactions and tighter Central Bank control over the banking system. Financial institutions including banks, insurance companies, professional securities markets participants, and leasing companies have all had to introduce special monitoring and reporting functions and report to supervisory bodies regularly. Recent amendments to the law aim to bring Russian legislation in line with the recommendations of the international Financial Action Task Force on Money Laundering (FATF). Russia became a FATF member in 2003.

*Foreign currency control rules.* Since the adoption of the new Federal law on currency regulation in 2003, there has been a marked trend towards the liberalization of Russian currency control legislation. Currently, there are no general restrictions on transactions involving foreign currency. However, certain limitations and requirements aimed to ensure the stability of the national currency, the Russian rubles (RUB), are still in place. These restrictions and requirements are mainly applicable to Russian currency residents. For example, as a general rule, any settlements between residents may only be performed in RUB unless one of the residents is a Russian authorized bank. The use of foreign bank accounts by Russian residents is also subject to certain strict formalities and limitations.

### **Business entities**

*Legal framework.* The Civil Code restrains the certain types of business and their foundation. It embraces all possible requirements for documents of foundation, as name, location, governance and state registration. The Civil Code, also, defines representative offices of government for reorganizational and liquidation processes.

*Registration.* On 1 January 2004, the government introduced the “one-window” registration process for legal entities. It is a requirement that only CEO or director of a new creating company may file a registration application; and he or she must personally revive the registration certificates, representatives and members are not allowed. If it is impossible for CEO to come to Russia to personally file an application; this application should be sent via registered mail to the Russian registration authorities. These authorities in

their turn process the application and return it back to the address of entity. So, the process of registration may take even months to complete. However, when necessary documents in person by the CEO it should take 5 working days. It is important to note that shelf-company structure is unavailable in general. Sometimes the approval or subsequent notification of Federal Antimonopoly Service is needed and required. From the end of January 2010 the state duty of register a legal entity is RUB 4,000. There is no processing fee for state registration.

*Choice of entity.* There are a number of different forms of business organizations in Russia; investors can choose from Russian legal entities to representative branches or offices of foreign entities. Russian legal entities are established in forms of joint-stock companies, partnership companies or limited liability companies. In the current moment, there are following forms of commercial legal entities in Russia: limited liability companies, additional liability companies, full partnerships, limited partnerships, joint-stock companies (open and closed), production cooperatives, and unitary enterprises (state-owned legal entities not open to foreign investors).

So, it may be effective and profitable to do business in Russia. As a result, we can see the most important tips to start business in Russia, exactly it is not all issues, but is a start point for the foreign investor, who wants to meet with secularities of economy sphere in Russia and legal work in business. Russia is one of world's most important emerging markets; it is defined by its size and its growth potential.

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