

BIGMOSCOW

OCTOBER – DECEMBER 2013 | DIGITAL MAGAZINE

ENGLISH VERSION

Chamber of Commerce in strengthening the relationship between our two countries. The importance of this cannot be underestimated and I wish the Chamber and all its member companies continuing success in this most important year.



BUCKINGHAM PALACE



As the Patron of The

The Chamber has a

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Поздравительные письма к 90-летию

Пожалуйста, передайте мою сердечную благодарность всем тем, кто связан с деятельностью Российско-Британской Торговой Палаты, и наилучшие пожелания по случаю 90-летнего юбилея.

Я хорошо осведомлена об успешной работе Российско-Британской Торговой Палаты по укреплению сотрудничества между нашими странами. Важность этого не может быть недооценена, и я желаю Палате дальнейших успехов в этом наиболее важном

Soil for Business: not Dictation but Cooperation

Englishman Thompson

What interests UK
companies in Moscow?

Frenchwoman Rousseau

What have Moscow
& Paris got in common?

Dutchman Vullings

Why does he like doing
business in Moscow?

Content

GUIDE TO WORK IN MOSCOW



"Quiet Places don't Suit me"

Peter Vullings, Vice-President of Philips, likes doing business in Moscow because everything is possibly here.

BIGMOSCOW

OCTOBER – DECEMBER

2013

TRADING WITH MOSCOW



White-teeth Smile

The French dentist **Eddy Karkoukly** supplies Moscow clinics with first-class instruments and materials capable of raising Russian stomatology to the world level.

STARTUP AND VENTURE



Russian Cuisine

Thanks to a Moscow startup, international project **Foodpanda** has become a Russian resident.



Market Conditions are Virtually Ideal

German investor **Ralf Wenzel** pays particular attention to the Moscow startup Foodpanda, since he considers that if the project is successful in Russia, it will be successful everywhere.

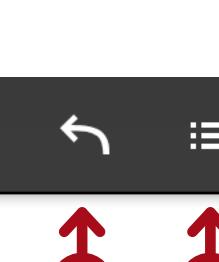
TRENDS



Business without Traffic Jams

A real transport revolution is taking place in Moscow, and this forms a totally new business medium, attractive to foreign entrepreneurs too.

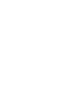
CONSULTATIONS



Accountancy and Control

How can a foreign entrepreneur organise bookkeeping and accountability in Russia? **Igor Buyan**, a partner at the company E&Y, explains.

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1 Main Menu
2 Previous Issues
3 Back
4 Contents
5 Detailed Contents
6 Quick Navigation Panel
7 Social Sharing
8 Bookmarks



1 Main Menu

Touch the screen for it to appear.

2 Previous Issues

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3 Back

This arrow takes you back to previously viewed content.

4 Contents

Complete list of issue's contents.

5 Detailed Contents

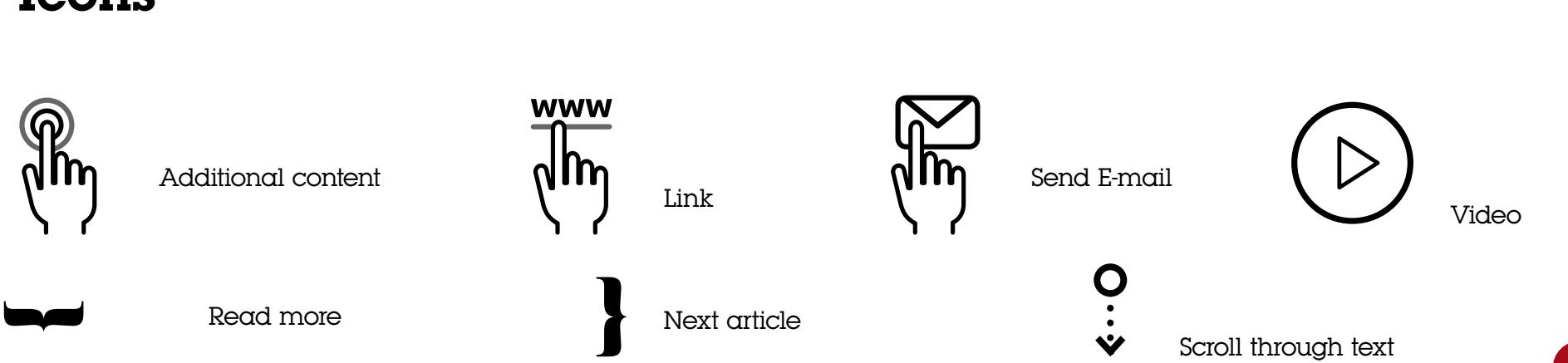
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6 Quick Navigation Panel

Quick transfer through pages of the issue.

7 Social Sharing

8 Bookmarks



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Additional content



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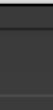
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Scroll through text

6

PERSONA

A Surcharge for Conservatism

Briton Alan Thompson, Director of the Russo-British Chamber of Commerce, thinks you should not dictate your own terms to Moscow, but seek mutually beneficial projects

BY: VLADIMIR MOKHOV | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JACK DOUGHTY

– Mr Thompson, how did you come to be appointed Director of the Russo-British Chamber of Commerce?

– Before I was offered the opportunity of proving myself in this post, I was head of the marketing department of a certain British company. It could be said that I started from nothing. But I have always aimed to find the best use for my capabilities. I have been in Russia for 14 years. I had achieved all I wanted to in that company and had hit the glass ceiling, as they say. I wanted to try my hand at something new. The more so since I had formed a regular circle of business partners and had many contacts with business people. And not least thanks to my charitable work in the Scottish St. Andrew's Society. I wanted to

make broader use of this network of acquaintances in my day-to-day work.

– Were you not put off by the fact that everything is so complicated in Russia?

– Not in the least. When I first came here in 1999, I immediately wanted to know how business is done here.

Unlike those in some foreign companies, I realised that you should not dictate your terms, but seek mutually beneficial projects. Business models must always take account of the local specifics, including the previous experience of 70 years of communism. Yes indeed, let no-one be in any doubt about that! Only then will the business model be effective. Like many foreigners coming to Russia for the first time, I started by teaching English in Moscow. Then I went to a consultancy firm, where I dealt with finances and auditing. I was the only foreigner there and that helped me greatly in acquiring that unique experience of conducting



ABOUT ALAN THOMPSON

You should not blindly import Western business models to Russian soil – adaptation is essential.

business in Russia which is so lacking in many foreign companies entering this market. You should not blindly import Western business models to Russian soil – adaptation is essential.

– As I understand it, this is just what you teach foreign businessmen within the framework of the Russo-British Chamber of Commerce, is it not?

– To some extent, yes. But in my view, the RBCC should act more like a marketing agency, because it exists due to its members' subscriptions. Consequently, to attract new members, we have to offer them something of value, something they just can't get anywhere else. The thing of value that the RBCC can offer is the opportunity to make business contacts, and to hold dialogues with the necessary people, including with state officials. All this is important for foreign business people. Therefore, the number of companies belonging to the Chamber is increasing

all the time. At the time I came to the RBCC, there were about 200 members representing Russia, and now this number has almost doubled. Britain is represented by about 250 companies.

– What projects have you succeeded in implementing during your time in Russia, and particularly here in Moscow?

– The RBCC's aim is actively to support British and Russian companies in solving questions of commerce and investment. Therefore, our projects comprise a continuous calendar of events. The biggest of these is the investment forum RussiaTalk, which is traditionally held in Moscow in the autumn. The last forum, last October, was attended by His Highness Prince Michael of Kent, who is the Chamber's patron. At such events, a very wide range of questions can be discussed and well qualified answers obtained. This is also a real opportunity for both the Russian and the British authorities to make themselves known and to

Our projects comprise a continuous calendar of events. The biggest of these is the investment forum which is traditionally held in Moscow in the autumn.



announce their intentions. Incidentally, a similar business forum was held in London in June. We invited the governors of Kaluga and Penza oblasts to it. They told us about the investment potential of their regions, what opportunities for British companies are opening up here, and what needs to be done to enter the Russian market.

– *What was of greatest interest to potential British investors?*

is understandable, because business people are interested in potential profit. All the answers were given at the forums, including the prospects for the development of production sites within the free economic zones. Russian Federation Chamber of Commerce and Industry representatives explained how a company could open its own office here, and solve various organisational and legal questions.

We try to ensure that the vast majority of the members of our Chamber are small and medium businesses.

– The British public here can be divided into two categories. One is concerned with more advanced matters, because these people have been working in Russia for a long time, from five to 10 years or more. Such matters include taxation, the expansion of their activities, and various aspects of Russian law. The other half is interested in elementary information: how to register a company, how to select staff, where to obtain various certificates, how wide the sales market is – such things could be called “instructions for use”. But this

– *Do you find that the somewhat cooler relations between Moscow and London have affected the RBCC's activities?*

– The pendulum has now swung back, and relations between our countries have improved recently. This stimulates the interest of business people. The disagreements at the political level which were in evidence two or three years ago led to some British companies in Russia keeping their heads down. As a minimum, they did not want to advertise their British





**The British display particular interest
in matters of developing business
in the Moscow region.**

roots. Now the situation has changed. As soon as the tendency towards warmer relations became evident, business became more active. Entrepreneurs are taking every opportunity to communicate. Even at the international sambo competitions in London at the beginning of June, which were sponsored by Russian and British businesses, this sort of informal contact took place. This is always the way: after a certain period of stagnation in relations, the mutual attraction becomes stronger.

The British display particular interest in matters of developing business in the Moscow region. Moscow is not only the capital, it is also a major financial and commercial centre. Everyone wants to become established here first. Although until recently, certain British business people had a prejudiced attitude. In

ABOUT THE RUSSO-BRITISH CHAMBER OF COMMERCE



such people's opinion, everyone knew how Moscow officials behaved, it was wrong to harbour any illusions about it. But it seems to me that changes are in evidence here too. The Moscow administration wants to attract foreign investors into transparent projects. The emphasis here is on

medium and small consumer-orientated businesses.

Here is just one example. The representatives of a small British firm producing exclusive silk ties recently approached us. They had come to Moscow to learn about the market situation. And although far fewer men wear ties here than in London, there is a demand. Not for nothing are the Italians already active in this sector of the Moscow market. But the Britons think their product is of much better quality and competitive in price. Furthermore, their products are hand-

Moscow is becoming an important financial centre. This takes the form of insurance, banking and consultancy businesses.

made, not just computer graphics in silk. A real gentleman will be able to tell the difference.

– How many British companies altogether are now operating in Moscow?

– I have heard the figure 600 somewhere. But it is very arbitrary. Everyone has his own statistic. What is a British company in Russia? Is it a company registered in Great Britain and engaging in trade or investment here? But there is a trend for Russians to register a company with us and to conduct their activities on Russian territory. What do you call it in such a case? Also, more and more Britons are coming to Moscow to work in Russian companies.

– When will there be as many British businessmen in Moscow as there are Russian ones in London today?

– If you put together all the Russian businessmen who came to England in the nineties, and Britons conducting business in Russia, maybe the figures are comparable. Although they do say that there are about 250,000 Russians in London alone now. And those who keep count of these matters include those from the whole of the former USSR as Russians.

– In any case, the number of British entrepreneurs in Moscow and in

Russia as a whole is increasing. The RBCC finances its activities by giving some value in return for membership subscriptions. Obviously it is easier to do this for small and medium businesses than for big ones. However, this does not mean that there are no big companies in the RBCC. Big business simply could not exist properly without a certain number of small and medium businesses. The growing number of small and medium enterprises is proof that the market is taking on a more and more healthy shape, that all the conditions for the normal conduct of business are being created.

– Moscow is constantly proclaiming that it is open for foreign investors. Do you feel that this is true in practice?

– You would do better to ask the entrepreneurs about that. But I think they would answer positively. For example, all foreigners start their acquaintance with Russia at the Federal Migration Service (FMS). This was a total mystery to me in 1999. I didn't understand anything! When I lost my visa insert, it took six months to replace it. You could write a book about that story. In 2010 my brother came to me as a guest on a few days leave. And it just happened to be when the Eyjafjallajökull volcano disrupted air traffic in Europe! He only had a visa for three or four days, but he couldn't fly back. All he could do

was apply to the FMS, of which I had so many negative recollections. But to our surprise, they sorted everything out in no time. It's a different Russia now! Many things are much easier to solve now, without bureaucratic delays. This also applies to the Federal Registration Chamber and many other state authorities. They are much more predictable and considerate now.

– *But all the same, what problems do British entrepreneurs encounter in Moscow?*

– There are problems everywhere, not only in Moscow. For example, if I stay in Russia for more than 183 days in any one year, then in theory, I automatically become a tax resident. But how do you explain this? There are a vast number of interpretations of the concepts “resident” and “non-resident”. For Russian banks, when transferring assets, it turns out that I am a non-resident of the Russian Federation, although I settled here long ago and have been working here a long time. I don't yet have a permanent residence permit. I have only now begun to deal with this question, which is also not the simplest of processes. However, a British entrepreneur who has worked in Moscow for a long time recently told me that he found it much easier to start a company here than in England.

– *The British have a reputation for being conservative. Does this help or hinder for business in Moscow?*

– Britons do of course have a tendency to keep to the rules in all they do. But sometimes, when observing the rules, they want to prove themselves right at any price, this hinders the process. There is a well-known Russian saying about this: moderation in everything. This includes observing the rules. Conservatism too should be moderate and rational. By keeping to this rule, conservatism becomes an advantage, regardless of the scale of the business. For example, the chemical cleaning and laundry company Contrast cleaners has more than once been named as one of the best consumer services enterprises in Moscow. It now has many branches here. And it all began with one Briton coming here and opening a business. This chemical cleaning company has been so well assimilated by Muscovites that they have no idea that it is of foreign origin or who owns the business. My fellow countryman simply persistently and consistently got on with the job of bringing his company to an exemplary condition. His conservatism about quality of service and his approach to his staff and clients brought results. And although the prices in this chemical cleaners may not be the cheapest,

people are prepared to pay “a surcharge for conservatism”. By the way, I prefer to have my silk ties cleaned there rather than anywhere else.

– *What other fields are attractive for investments in Moscow?*

– It's not just consumer services. Moscow is becoming an important financial centre. This takes the form of insurance, banking and consultancy businesses. However, the Russian capital still has to create a number of important institutions. Because London has tremendous experience in this respect, a broad field for cooperation is opening up here, both within the framework of the Russo-British Chamber of Commerce and in other directions.

Apart from this, the British could give Moscow a vast amount of help in developing its parks. This is just what Sergei Sobyanin's team is actively engaged in right now. British firms have already participated in landscaping work at Gorky Park, the best park in Moscow. A great many of our business people are ready to facilitate the development of health services in the Russian capital. And that's not all by a long way.

– *You are a member of the Moscow Whisky Tasting Club. Have you taught your Russian partners the right way to use this drink?*

– It's more a matter of them teaching me than me teaching them! Our club provides an opportunity to spend a pleasant evening in conversation and dining. And to taste Scotch at the same time. But it's not as good in Moscow as in Scotland. ■



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PIECES OF ADVICE
FROM **ALAN THOMPSON**
FOR THOSE WHO WANT TO OPEN
A BUSINESS IN MOSCOW



Behind each piece of advice lies the experience and knowledge of a man who has worked in Russia for fourteen years.
[Touch here to find out.](#)

PERSONAL EXPERIENCE



The Frenchwoman Muriel Rousseau has created a little Paris in Moscow. It is always crowded in there

The American Daniel Klein helps foreigners to avoid losing their way in the legal field in Moscow

The Swedes Mathias Eklöf and Joakim Grönvall give Muscovites information about their goods and services



“Jean-Jacques” Muriel Rousseau

*A descendant of the great
enlightener Jean-Jacques
Rousseau has created
a little touch of Paris
for Muscovites*



*The French artist and designer **Muriel Rousseau**, a 13th-generation Parisian, has created complex visual projects, but this was not enough for her, so she opened the "Jean-Jacques" chain of Parisian bistros in the Russian capital. Muriel told BIGMoscow what it is like to work as the creative director of her own business, and how she manages to combine the forms and traditions of French culture with the natural flow of Moscow life.*

STARTING CAPITAL

I inherit my attraction to everything Russian from my ancestors, says Muriel Rousseau-Ovchinnikova. My great-grandmother had a lot of Russian literature in her library. I have been engrossed in it since I was 14. My grandfather fought against the Germans and was taken prisoner. He shared plank beds with Russians for several years in a concentration camp in Poland. He told me a lot about it later.

When Muriel went to an exhibition of the Russian artist Nikolai Ovchinnikov in Paris in the nineties, she realised that she really wanted to go to Russia, which is so penetratingly displayed by the artist in his pictures.

– Everyone around me was saying “What a remarkable artist he is, this Nikolai Ovchinnikov. You really must get to know him”. We met, and got into an argument immediately. I paid him a compliment about his pictures, and he flew into a rage. “I don’t like it when people praise my work!” I remember thinking at the time that a man like that could never be my husband.

But fate decided otherwise. Two unique artists joined their lives to each other.

– My husband soon decided to return to Russia. To get the necessary paperwork sorted out, I went to Moscow a month beforehand. I arrived with only a single suitcase in the square outside Belorussky Station on 3rd October 1993, the very day that supporters of the Supreme Soviet tried to storm the Ostankino television centre.



About Muriel Rousseau



**The blood of my ancestors flows in my veins.
They were never afraid, and always tried
to be first in everything.**

– Wasn’t it frightening?

The blood of my ancestors flows in my veins. They were never afraid, and always tried to be first in everything. My grandmother was one of the first women to fly in a passenger aircraft. My great-grandmother travelled independently in Asia, and lived in China.

– What did you do in Moscow?

I opened a design studio with Russian partners. We worked for companies, developing their house style, logos, booklets and brochures, and organised image events.

– Was it difficult to register your own business?

– I had to obtain a business certificate to open it. The French side supplied the Russian administration with evidence that their fellow applicant was not mentally ill, had no criminal record and had a certain amount of money in her account. This used to be quite a longwinded process, but everything’s much easier now. And business people can always find

– How did you acquire your working capital?

My partners and I invested five thousand dollars each. In my opinion, this is the minimum amount for opening a business in Moscow.

– How long did your first Russian enterprise last?

– Three years. Once we had earned some money from it, disagreements arose between us about how the business should be conducted in future. Relations with the other partners broke down, and I left the project.

**PARISIAN BISTRO
JUST ROUND THE CORNER**

– You had no partners when you started your next project?

Nikolai and I were the founders of the creative agency Lieu Commun Groupe. There are 15 people in the company. We design booklets, posters and other printed products. We also hold unusual events and presentations, where it is necessary to talk about the products, or about the strategy of some

We managed to buy our office as our own property, but we have to pay exorbitant rent for the workshops.



– What difficulties have you come across at this stage?

The worst thing is certainly the cost of premises. Artists are people who by definition, don't have large sums of money. We managed to buy our office as our own property, but we have to pay exorbitant rent for the workshops. Hotels in Moscow are also very expensive. It's cheaper for foreigners to rent an apartment. I would also like to mention the complex and confused bookkeeping. We had to take on an experienced and capable local specialist to handle it for us.

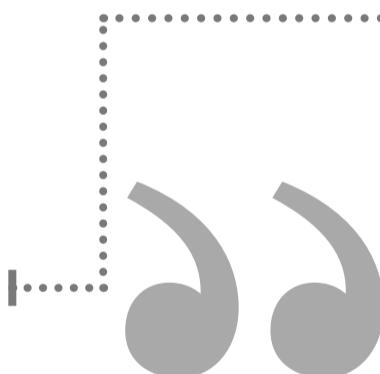
– How did you get the idea of opening a chain of bistros in Russia's big cities?

– There are many de luxe restaurants in Moscow, very expensive and posh, but with terrible service by Western standards. I missed having a real Parisian bistro “just round the corner”, with reasonable prices and a home-like atmosphere. I wanted to create my own “little Paris” here, where it would be possible to spend time with friends and chat over a cup of coffee with another woman. I thought of it like this: if young people don't have 100 dollars to dine out, that doesn't mean that they can't eat in a decent café. The first “Jean-Jacques” opened in Moscow at the end of 2004 on the Nikitsky Boulevard, Nikolai and I designed the interior and the company style. It's a typical French bistro, without pretensions.

Expert



Aleksandr Minayev,
“Art People Group”



is built and organised. There are very few professional companies helping to construct and open restaurants, and those few are greatly overloaded. No supply system for restaurants has been developed, and there are hardly any professional schools and staff training centres left. A foreigner opening a restaurant in Moscow must first of all obtain a properly formulated work permit. You must have registration in Moscow or Moscow oblast, open a legal entity and register with the Tax Inspectorate. It is best to have a local partner to simplify the process of filling in the forms correctly. Leasing property in the



– How did you manage to recreate the Parisian atmosphere?

– We thought through every detail – views of France drawn in white paint on mirrors, wooden bookcases with built-in wine racks, unusual photographs, antique lamps, and historic glass tableware such as curved, floating “drunken” glasses. Memory and the heritage of the past are very important to me in marketing. I find new things boring. I like to work with traditions. This is capital which has to be adapted to the present day. Our restaurants have history, and people like that.

– Why does the colour green predominate in your bistros?

– It is a tribute to the gardens of Paris. The tables for newspapers and handbills in Paris are also green. It's a very symbolic colour for me.

– Were the materials brought from Paris or acquired locally?

– We had a lot of help from the Leroy-Merlin specialist shops operating in Moscow and St. Petersburg.

– Who are your partners in “Jean-Jacques”?

– The restaurateurs Dmitri Borisov and Dmitri Yampolsky, who have taken part in the creation of such successful projects as “Alshu”, “Gogol”, “Mayak” and “Kvartira 44” (“Apartment 44”).

– Did you name the bistros in honour of your ancestor?

– Yes, the name of my great-great-grandfather the philosopher has become a talisman for me. His political ideal was direct democracy. I hope I am a worthy successor to him. The average bill in our bistros is only 25-30 dollars.

– And you allow your patrons to draw on the tablecloths?

– In Paris too, everyone draws or writes on the paper tablecloths – their thoughts, phone numbers they need,

I thought of it like this: if young people don't have 100 dollars to dine out, that doesn't mean that they can't eat in a decent café.



poems, games of noughts and crosses, then they tear off the pieces they want and take a particle of free unhurried France with them. We even leave well-sharpened pencils in glasses on the tables for this purpose.

– How much does a coffee cost now in the “Jean-Jacques” chain?

– Twelve roubles. The first “Jean-Jacques” in St. Petersburg opened in 2007. We now have three bistros in the Northern capital.

– Each of your restaurants is something like the last “Jean-Jacques”, and yet there’s something different about it too.

– The heroes are the same, the interior, the image, the spirit are the same as in the first “Jean-Jacques”, but the subject develops and the architecture changes. We play with it. For example, there was a bookshop next to our bistro in Stoleshnikov Avenue. We put table lamps on little tables, and book racks next to them. The thought was that people would come in, take a book from the shelf as in a library, and read. A bistro is a sort of club, where people socialise. There are many little nooks and crannies in them.

– How do you select a location for a new bistro?

Opinion



Vladimir Starok,
CAO of the “Svetly”
restaurant

becomes a severe trial, and may last from six months to a year. Another problem is the absence of high-quality products from this country. This concerns furniture and equipment as well as food products, if we are talking about the stage when the restaurant is already up and running. For delivery of equipment and furniture we usually work with Spain and Italy; and also with China, for certain elements of the decor.

All the above problems make any restaurant project in Moscow considerably more expensive. If, for example, we are talking about opening a restaurant with a floor area of 400 square metres,



The heroes are the same, the interior, the image, the spirit are the same as in the first “Jean-Jacques”, but the subject develops and the architecture changes.

– We conduct market analysis. I am proud of the fact that I managed to persuade my partners that we should not only open bistros in the centre. They can be a success elsewhere too. In Paris, for example, at street intersections there are bistros on each corner. This is an excellent location from a strategic point of view. Flows of people cross here. Unfortunately, I have not been able to transfer this principle to Moscow. Here there are wide boulevards and long straight streets.

– Where do the most people visit bistros? In Paris or Moscow?

– In Paris, of course, It is customary there to eat breakfast in the nearest bistro to home. To drink a cup of coffee and eat a freshly baked croissant, you only have to go out into the street and walk 30 metres at the most. Restaurants in Paris frequently close after lunch, at about 3pm, and open again for dinner at half past seven. In

Moscow, our bistros are open round the clock. At any time of day a visitor will be offered a comfortable table, an up-to-date newspaper, a warm shawl and a glass of water.

– Should a foreigner opening a business in Moscow worry about the bureaucratic practices of Russian officials?

– There is even more bureaucracy in France. It's much easier to come to an agreement with officials here than in my homeland.

LIBERTY, EQUALITY AND FINE CUISINE

– Do Moscow waiters differ from those in Paris?

– Yes, they do. And it's understandable. There are no long-standing traditions here. In Paris, waiters frequently work in the same bistro for 30 years. Neighbours meet every evening in a family restaurant to talk, sit over a glass of calvados





or cider and discuss the latest news with the waiter. It is hard physical work, which requires a great deal of fantasy, cheerfulness and optimism. The waiters in our Moscow bistros are sometimes very inhibited. But I would like them to feel at ease and to be more cheerful. They ought to become good friends of the clients, be able to talk to them about anything under the sun. We have a very good team, people want to come and work for us.

– What can you say about your target clientele?

– It is quite wide: it includes creative people, actors, producers, journalists, artists and designers, students, clerks working locally, foreigners and top managers, who like to come to us to relax and escape the pretentiousness of the expensive places.

– How is your menu made up?

They come to us as if they were visiting their beloved grandmother – for the sake of a tasty, filling home-cooked meal and a free-spirited friendly atmosphere.

We try to combine classic French cuisine with original, almost home-like recipes. Unchanging successes from year to year are salad with chicken liver and raspberry wine vinegar, onion soup, grape snails in cream garlic sauce, duck's foot confit, and frogs' legs with aioli sauce. They come to us as if they were visiting their beloved grandmother – for the sake of a tasty, filling home-cooked meal and a free-spirited friendly atmosphere with accordion trills and the sound of guitars.

– What would be your advice to foreigners wanting to open a restaurant in Moscow?

– It requires a lot of energy, a very great amount of energy. To open your own business in a foreign country requires boldness and patience. You will have many difficulties to overcome.

– How difficult is it for a foreigner to master the Russian language?

– Unfortunately I don't speak Russian very well, because I've never especially studied it. I understand everything, I can read from the printed page, but sometimes it is difficult for me to express my thoughts. My French fellow-countrymen and women sometimes joke that it is better not to know Russian, so that you don't understand all the unpleasant things going on around you in Russia. On the other hand, knowing the language makes it a lot easier to communicate, and it is generally very interesting to talk to Muscovites. That's important to me. After all, socialising with people is my profession. ■



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Legal Field

*American **Daniel Klein** started his own company in Moscow to assist others from overseas with business interests in the Russian capital*

BY: SVETLANA SAMODELOVA | PHOTO: EVGENY DUDIN | TRANSLATION BY: JASON SHAW



He knows how to protect intellectual property, avoid double taxation, and increase business value, all of which redounds to the advantage of any entrepreneur. He finds it easy to put himself in his client's situation having been a successful manager and operations director.

*He has been in the legal world now for 20 years, and in business for eight. His company **Podolsky & Klein** provides services to western businesses engaged in commercial activity in Russia, and these services are highly rated.*

"RUSSIANS LOVE TO SAY "NO!"

He has three degrees. He left Washington University in St. Louis as an engineer specialising in metallurgy and gas turbine technology. Later, he graduated from the Law Faculty at New York University. He found his way into the largest law firm, dealing with patenting.

– But I wanted something more varied and interesting than fighting in court over patents, so I went to study at the London Business School where I received an MBA. Having worked at a law firm in France for a year, I decided to go into business. Our company manufactured smartcards. I was

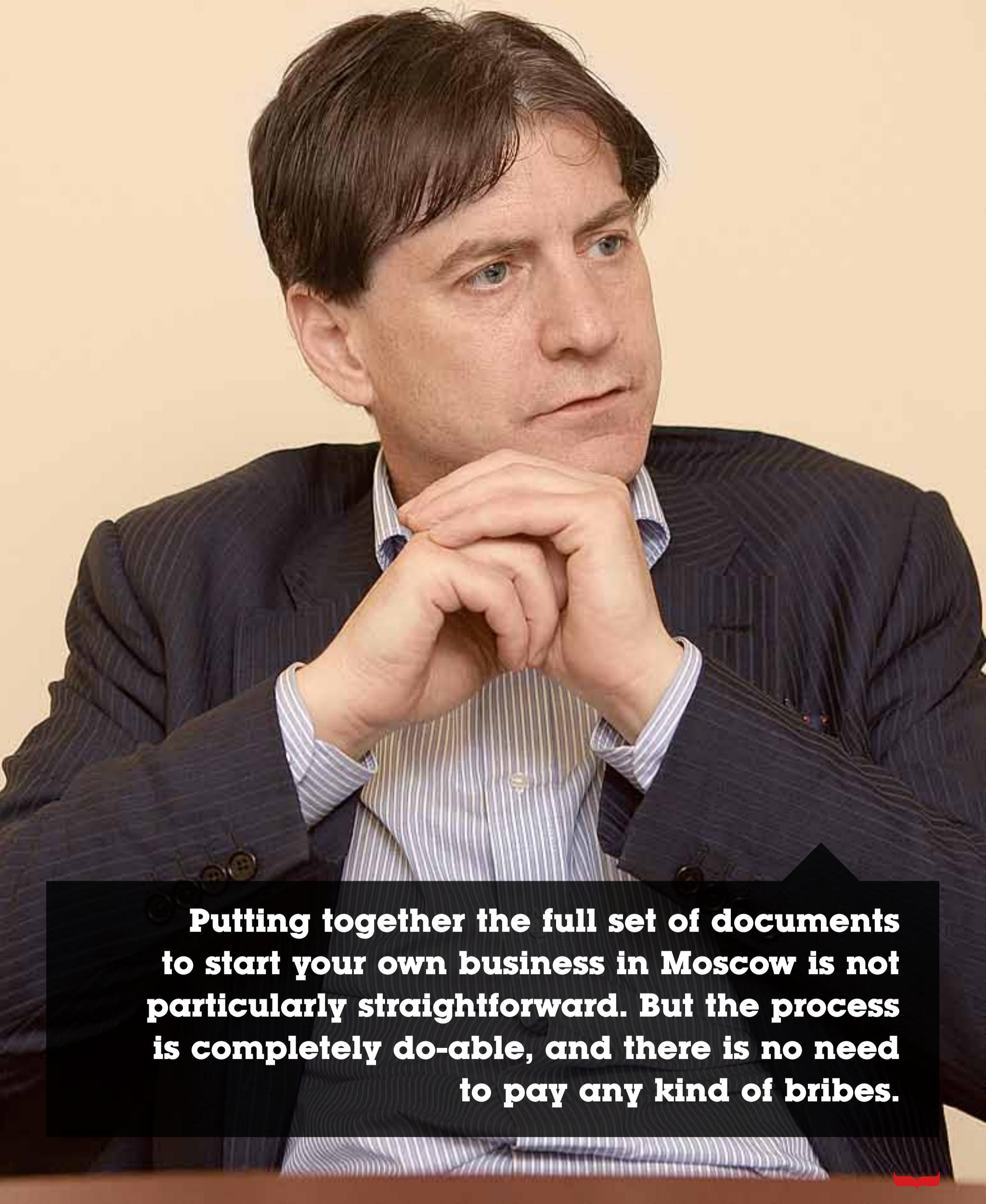
the Managing Director for Europe, Central Asia and Africa. Then I was involved in venture capital investments for an Austrian company in Vienna. We bought Eastern European internet companies, including Russian ones. It was then that I began to feel a mysterious attraction pulling me towards Russia.

– *How did you find yourself in Moscow?*

– I gave a speech at a conference in Vienna organised by the Adam Smith Institute. Then a meeting took place which radically changed my life. I became acquainted with the presidents of the companies Mir, MVideo and Sprandi, and they offered me the chance to move to Russia. I worked as Marketing Director at Sprandi, involved

ABOUT
DANIEL KLEIN





Putting together the full set of documents to start your own business in Moscow is not particularly straightforward. But the process is completely do-able, and there is no need to pay any kind of bribes.

with outdoor advertising, and advert for TV. Then I introduced an Austrian firm dealing in property to the Russian market. Then I became co-founder of Hellevig, Klein & Usov. We provided not only legal but also accounting and recruitment services. I liked the business model of offering a wide range of services so, after a couple of years, in 2010, I put it into practice with my own company. The venture capital for our company Podolsky & Klein was provided by Alinga Consulting Group.

– *What difficulties did you encounter in setting up your venture?*

– It was the very same company, Alinga, that registered our company. I should point out that putting together the full set of documents to start your own business in Moscow is not particularly straightforward. Arranging this takes quite some time. But the process is completely do-able, and there is no need

to pay any kind of bribes. You can hire a legal expert who will do it all for you.

– *Was finding office premises difficult?*

– Rent for office space in Moscow is double that in New York, but slightly less than it is in London. Alinga introduced us to our office. A lot of companies use specialised websites to find the right office premises. But using them to find a small office in Moscow is extremely difficult. I've been trying for a few years now to find an agency specialising in letting precisely that kind of smaller space, but, so far, without any success.

– *How did you go about recruiting staff for your company?*

– It was not straightforward, by any means. It is difficult in Russia finding staff with a sufficient understanding of the principle of personal responsibility. Russians love saying “No!” No doubt,

In recent years, in Russia there has grown up a new generation of keen, active, results-driven entrepreneurs. They feel self-assured in business and are virtually no different from Americans.



**It's paradoxical, but here you can set up
a law firm without a law degree.
And nobody warns the client about this.**

these are echoes of the Communist culture. Its influence decreases over time, but it has not completely disappeared yet. Although, in recent years, in Russia there has grown up a new generation of keen, active, results-driven entrepreneurs. They are between 25 and 28. They feel self-assured in business and are virtually no different from Americans. I prefer to hire people who have come to Moscow from the outer reaches. They feel almost like immigrants here in the capital, and are hardworking, persevering and motivated. They are more determined because they need the money to rent a flat.



pklawpartners.com

- ***You also live in a rented flat.***
- ***How many people work at your company?***
- Five.
- ***What kind of salaries do they get?***
- A secretary gets 50,000 roubles (about 1,200 euros). Partners and advisers receive between 120,000 and 140,000 roubles (3,000-3,500 euros).
- “THE THINGS YOU NEED ARE EXPERIENCE, CONNECTIONS AND INSTINCT”**
- ***Tell us about the specific nature of business in Russia. What do western businessmen have to be wary of?***
- High-level corruption, particularly where procurement is concerned. It is sometimes hard to avoid. In the West, both in the UK and the US, there is a sufficiently developed legal framework for fighting corruption. There is one in Russia, too, but it doesn't function properly. Laws are poorly upheld. It



**It's essential to find the right people.
There are people who can string you along,
both here and in the West.**

is hardly worth relying on supervisory bodies. If you have recourse to the courts, you cannot guarantee that justice will prevail.

– Russians like to joke that: “Ignorance of the law doesn’t excuse you of responsibility. Knowledge of it makes that easy”. What, as a lawyer, have you found surprising in Russia, and still do?

– In the West, before they can start to practice, young lawyers have to sit exams to obtain a licence. In Russia, the situation is not regulated. It’s paradoxical, but here you can set up a law

firm without a law degree. And nobody warns the client about this.

Here is another example of when my astonishment knew no bounds. I once took part in a trial where the barrister from the other side didn’t deem it necessary to attend the hearing. That is extremely poor practice.

I remember once we were merging two cinema chains, conducting negotiations. And both companies were keen to save money on lawyers. They simply did not want to spend money on performing due diligence. That is very typical in Russia. They sign the contract first, and then look to see if there are any issues. Now, for example, many problems come up to do

Expert



Sergei Silin,
head of “AIP” auditing
and consultation group



in Moscow at the present time. The minimum growth, according to various studies, is 20-30% per annum, which is a good figure compared with other professions. In Moscow today, up to 50% of the legal services market (about one billion dollars per annum) is taken up by foreign consultants. One of the reasons for this situation is the great image attractiveness of the transnational consultancy players, namely the Big Four. This is particularly important if the Russian client has interests abroad. Competition in the market is very high, but the quality of service is still inadequate.



with offshore companies. Five to seven years ago, contracts were being signed, and offshore companies purchased without the details being worked out, without any lawyers being involved. That is the Soviet approach again: lawyers are called in at the last minute only when “push comes to shove”, as they say. And there is the opposite extreme. There are law firms operating in Moscow, charging \$700-800 an hour for their services. In the end, the company in question receives a bill for \$20,000-30,000 when, in actual fact, many legal issues are impossible to resolve by then.

– ***What kind of difficulties can foreign lawyers come up against in Moscow?***

– Russian court proceedings have their own niceties which you have to know in minute detail. In Moscow, I occupy a definitively narrow niche; I am an expat, the only American patent attorney in Russia, and lawyer who knows western law as well. Our special adviser is a judge at the London Maritime Arbitrators Association. We help Russian companies to acquire patents, trademarks in Silicon Valley.

Opinion



Dmitri Sokur,
managing director
of the PR agency
“Sokur and Partners”

made here – in this case concerning the specifics of how the law is applied in Russia and to what extent the specialists are acquainted with it.

Therefore I advise promoting legal service by focusing specifically on the leading specialists and their qualifications, or on the person heading the company. In general, any country has its own specific features, because obviously the promotion strategies in Russia and, for example in America, will differ.

For the best and quickest results, I would recommend delivering reports at major events, where comparative analysis (“how they do it” and



– *Is it difficult finding clients?*

– Not for us. We have a joint venture with the outsourcing company Alinga. They have around 120 affiliated clients. These companies often have some kind of legal issues which crop up, and we help to deal with them.

– *Are Russian partners reliable?*

– It's the same as in the rest of the world. It's essential to find the right people. There are people who can string you along, both here and in the West. The things you need are experience, connections, and instinct.

“IN MOSCOW, NO TWO DAYS ARE THE SAME”.

– *What would your company be doing differently if it was operating in the States?*

– It would be simply impossible to do business in the same way. The market in America is far more saturated: there are thousands of out-of-work lawyers. In the States, it is common practice to provide services in one particular, narrow field. Whereas in Moscow, I operate across

a broad spectrum of services. But there wouldn't be any fewer problems with bureaucracy in America than in Russia.

– *Would you earn more in America?*

– Most probably, yes.

– *What is it that keeps you in Moscow?*

– Working in Moscow is interesting. No two days are the same: to put it another way, it is never boring. But, it's working out, on the whole.

– *Does business in Moscow require decisions to be taken rapidly, on the spot?*

– It can be quite a pressurised environment. In Moscow, so much of everything happens at once, that it is hard to keep track of it all. I've been working in Moscow for a long time, I have a lot of contacts. Literally, every day some kind of proposals are made, new opportunities open up. Sometimes there isn't the time to look at them all, analyse them.

Literally, every day some kind of proposals are made, new opportunities open up.



– *What kind of risks are there?*

– You can be unsuccessful, technically speaking, anywhere. It has now become harder for the foreigner to start his own business in Moscow than before. Already companies are no longer hiring foreigners as frequently as they did. But there is a favourable tax situation in Russia. Income tax is fixed at a rate of 13%. Also, there is a system which allows foreigners to arrange a visa for three years which is not too difficult to obtain.

– *Is it a prerequisite to know Russian? Or are there enough businessmen who speak good English?*

– I would say that, fortunately, knowing Russian is not a prerequisite. Although, I don't think that there is a right answer to that. Clearly, if I knew Russian, my business would be a lot more successful than it is now. I sometimes don't go to a meeting if I know that it is going to be held in Russian. A week ago, I delivered a lecture at the science and technology innovation complex at Skolkovo, and really regretted that I was speaking in English and not in Russian.

– *How long are you planning to work in Moscow?*

– I am currently opening offices in Boston and New York. I am called upon to be in the US more often.

– *What about the crime situation? Is Moscow a safe place?*

– I feel safer in Moscow than I do in, let's say, Paris. But, even so, London is a little more relaxed than Moscow, although that does depend on the area.

– *What would you say to those foreign businesspeople who are deliberating whether or not to do business in Russia?*

– I would say unequivocally: go for it! Russia is a country with huge business opportunities. And the situation will be like that for the next 10 years. Of course, over the last 20 years Russian specialists have managed to acquire western business training and experience working on international markets. But in Russia, there is still a high demand for foreign business experts. It is a lot more difficult for young entrepreneurs to be successful in the West than it is in Russia. If you are ambitious and think outside the box, then get yourself over here! ■



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Business on Trust

Swedish entrepreneurs counted on the opinion of Moscow consumers and did not guess wrong

Mathias Eklöf and Joakim Grönvall founded and headed the reference web portal Yell.ru, where useful information can be found on the services provided by companies of the widest variety of sorts and sizes: from shopping malls to small shops, from major medical networks to spa salons and hairdressers, from car showrooms to car service stations and driving schools.

THE INTERNET IS THE PRESENT-DAY EQUIVALENT OF OIL

Before founding Yell.ru, Mathias Eklöf and Joakim Grönvall were engaged in major media projects, and acquired experience in internet business at both national and all-European levels. Two years ago, they had the idea of a reference web portal for Russia. The idea was to develop the “Yellow Pages” project and to give consumers more detailed information. Speaking of this, Mathias and Joakim jokingly recall that they are not the first Swedes

to open their own business in Russia. A century ago, their fellow-countryman Alfred Nobel was engaged in the oil business here, which was a very good prospect for foreigners at the time. Today, the enterprising Swedes say, it is just as attractive for foreign entrepreneurs to set up on the internet in Russia, because the World Wide Web is the present-day equivalent of oil!

Mathias and Joakim particularly recommend the internet to foreigners thinking of doing business in Russia. Firstly, there are still niches available here. And secondly it is one of the few fields not requiring a Russian partner to help “open doors”.

On the net, the doors open themselves, as long as you observe the rules of the game (more about them a little further on). Not for nothing are the major internet companies in Moscow headed by foreigners. For example,



Ozon is managed by a Frenchwoman, Lamoda by Germans and Avito by young lads also from Sweden. Incidentally, Avito started as an internal project of Yell. And today, operating independently, it has 35,000,000 visitors a month.

The division of roles in Yell is quite simple. Joakim, as a rule, works with



experience of implementing internet projects. Furthermore, they want the sort of people for whom Yell would be their life's work. The company now employs 25 staff, but this number will have to increase, because the amount of work is growing all the time.

We are the social mirror of present-day Russian society, reflecting the actual trends in its development.

the product, and Mathias is responsible for the commercial side and business development. In general, they solve any problems as they occur, not infrequently holding brainstorming sessions. Fellow workers taken on in Moscow participate in them too, on an equal footing with the owners of the company. The level of education of these workers is quite high. The Swedes say that there are many good technicians and programmers in Russia. However, it is not easy to find well qualified managers with

A HISTORICAL BONUS

Mathias and Joakim realised when they arrived in Moscow that things are different here. But they were not afraid of the difficulties.

– The more difficult it is to open and run a business, the less competition there will be. Furthermore, it's more difficult for let's say, Americans, if they come to Moscow, both in living here and in running a business. We have a better understanding

About Mathias Eklöf

I was pleasantly surprised. I had expected a great deal more in the way of bureaucratic excesses.

of the specifics of the Russian soul. We are a Northern country too...

For example, in Russia it is very important to build up a system of mutual trust. After all, in many respects internet business is built on trust.

– We recommend specific companies to consumers. Therefore absolute trust is a matter of principle for us. Ours is a site of real responses, not invented ones. It is our strict policy only to publish the responses of actual consumers.

We have built in powerful filters to sort out any “prepaid” responses. Our colleagues also filter the information.

The Swedes say that their company's long-term development programme excludes any attempts to "come to an understanding" with the businesses listed. If the visitors lose trust in the site, the business is lost too. It is always more profitable in the long run to conduct business honestly. There is also another factor which Mathias and Joakim take into account. The same sort of business in America would be more aimed at the huge home

Opinion



***Yevgeny Gavrilin,
managing director
of Boomstarter***



a surge of interest in the world wide web. The Russian market typically lags about two years behind the Western one. So I see nothing wrong in cloning ideas, allowing for the local specifics. Remember which Russian internet businesses are the most successful: Yandex, Groupon, Ozon, clones of Google, Biglion, Amazon, etc. This has naturally attracted many investors. In turn, the most active growth is occurring in the internet commerce market: electronic payments and cellphone advertising. The crowdfunding market is picking up. I think you can safely bet on this market for another five years.



market. Manufacturing there does not have such a great need to develop exports, to search for consumers abroad. But in countries like Sweden, a business can only survive by adapting to the international scene and going into the external market.

– And then there's the theory that Kievan Rus was also founded by Swedes. Although the history of that is still in dispute, it's yet another bonus for us...

The fact that labour costs in Moscow are somewhat lower than in Western Europe can also be considered some kind of bonus for foreign businessmen. Yet to lease an office in the centre of the Russian capital is a lot more expensive than, for example, in Stockholm. Taken as a whole, about the same amount is required to develop an internet project of this kind in Russia and in Sweden.

– When developing a business in Moscow, there are numerous other details to be taken

into account. I have in mind primarily various bureaucratic procedures. But all the same, I was pleasantly surprised. I had expected a great deal more of it.

At the same time, Mathias admits that in other fields of business there is undoubtedly much greater bureaucracy. And if he, like Nobel, were dealing in oil, he would hardly be able to maintain such optimism.

The Swedes have fully adapted their internet project to the realities of Russian life. In the process of developing Yell, its traffic has risen by 200 per cent in two years. Whereas initially the site had 400,000 visitors a month, today there are more than 2,000,000 of them. And whereas previously the proportion of returnees (clients who came back again to seek information on Yell) was only 12%, it is now 35%. And the tendency for this figure to rise is being maintained. All kinds of information are searched for on the site. It is mostly connected with shopping. Recently there have

It is profitable for companies to place advertising with Yell because it takes them closer to consumers.



About Joakim Grönvall



We are not afraid of competition. That's why we started up our business in Moscow.

been many questions concerning obtaining education in Moscow and other Russian cities, and places in kindergartens. Both Muscovites and foreigners are becoming more and more interested in finding out where to get quality medical assistance. This theme has risen to second place in number of requests, after shops.

– We are the social mirror of present-day Russian society, reflecting the actual trends in its development. If something changes in society, it is instantly apparent on Yell. If, let us say, the legal basis for school education were to change now, the theme would already have arisen on the site.



Anastasia Simakina,
analyst
of the Tadviser Centre

Yell divides its users into two main categories. Firstly, the end consumers (category B2C). Secondly, business people wanting to find consumers for themselves (category B2B). The most active visitors are young men and women aged 24-35. In the B2B category, they are heads and managers of companies. With the aid of Yell, they seek out consumers and position themselves in the market. Or, for example, if they intend to open a restaurant and are looking for kitchen equipment and furniture, Yell.ru can handle these questions too. But we are mainly working for the end consumer here.

It is a matter of principle to Yell not to take money from consumers. The

big players in the market try to influence the laws being adopted, lobbying for their own interests. The key RF law in this field is the Federal law "On electronic commerce".

The concept of internet commerce is a very broad one. It includes selling on the net (e-trade), electronic money (e-cash), electronic marketing (e-marketing), electronic banking (e-banking) and even electronic insurance services (e-insurance). Each of these fields has its own law-based standards, complete and effective to varying extents. Some slow down the development of the



business model is based on prime placements and contextual advertising, like the business model of the big search engines, with the aim of attracting clients for any company.

– The consumer who goes to Yell knows what information he wants. For example, someone decides to buy an Audi, and he is using us to look for car showrooms where cars of that make are sold. It is profitable for companies to place advertising with Yell because it takes them closer to consumers.

The site founders also cite this statistic: 80% of those wanting to buy a car start by seeking information on the internet. Then they go to Yell and see where they can actually make the purchase. And only then do they visit the showroom. So Yell is the connecting link between online and offline.

An unknown land will become known Mathias and Joakim recently opened an English-language version of Yell intended specially for foreigners, both those permanently living and working in Moscow, and tourists. There is quite a lot of interest in it. The number of visitors is constantly growing, there are already tens of thousands of them.



And this means, again, that trust in Yell is increasing – among other things, because for many of those heading for Russia with various ends in mind (including opening a business), this country is Terra Incognita.

– We want to help foreigners to open up Russia for themselves! Because they don't have enough information about this country. They need to be told about a lot of things.

Many Russians, particularly in Moscow and St. Petersburg, do not trust either advertising or official sources, preferring to seek the information they need on the internet. Yell.ru, on one hand, helps consumers find the necessary information about a company, and on the other, makes it easier for companies to get in contact with their potential consumers.

Some companies buy advertising and promotion services on Yell.ru, helping to expand contact with potential consumers. On the basis of the parameters used on the New York stock exchange, Yell's potential price on the Russian market is already approaching \$300,000,000.



– The internet market in Russia is very diversified and fiercely competitive. Yandex, Google, Facebook and ‘VKontakte’ are all on it. Furthermore, each major city has its own social networks. But we are not afraid of competition. That’s why we started up our business in Moscow.

The Swedes think they were right to start their business in the Russian capital rather than anywhere else. Moscow today is a dynamically developing megalopolis, where much is changing before your eyes. New metro stations are opening, roads are being built and leisure zones are being developed. And in the field of internet project development, they say that

Moscow is a real Klondyke with its own form of “gold fever”. Of course it is not easy to achieve success, but when you’ve done so here, it’s easier to bring in the Russian regions as well, which the Yell portal has begun doing this year, e.g. in Ekaterinburg. But even so, Moscow takes up almost 50% of Yell’s total traffic. And the number of Muscovites using Yell’s services continues to grow.

In two years, the Swedes have made themselves completely at home in the Russian capital. They are comfortable here. At first, knowing no Russian except “hleb” (bread) and “kolbasa” (sausage), they lived on those alone. But now, after expanding their vocabulary, they have tried much of what Moscow has to offer. And they find it to their taste. ■



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“Quiet Places don’t Suit me”

*Dutchman **Peter Vullinghs** provides
Muscovites with consumer goods
of the quality they expect*

*He has worked in various countries, but now he has moved to Moscow and has stayed here a long time, because this proved profitable not only to the Philips company and to Russian consumers, but to the head of the Consumer Lifestyle products business of Philips in Russia and Central Asia Russia and Central Asia, Mr. **Peter Vullinghs**.*

About Peter Vullinghs



– When did you first visit Moscow? What was your first impression of the city?

– My first visit to Moscow was six years ago. I didn't spend very long here, but the city and its inhabitants made the most favourable impression on me. I saw a lot in common between Muscovites and the Dutch. Therefore, when I was offered the chance of moving to Moscow to work, I jumped at it.

– What is there in common between the Muscovites and your fellow countrymen?

– Muscovites are just as purposeful as we are. Another thing I like about Russians is that they call a spade a spade. If things are going badly, they say so. This trait of directness also makes the Russians like the Dutch.

– Has Moscow changed a lot since you came here the first time?

Yes, and for the better. For example, many cafés have appeared, where you

can get a tasty breakfast, and there are sufficient places for sporting activities. Previously, there were problems with this. By comparison with my first visit, restaurant service in Moscow has risen to a very high level and is now among the best in the world. Of course the people haven't changed much, but on the other hand, I cannot fail to mention the rise in the number of citizens belonging to the middle class. Six years ago, the gap between rich and poor was very noticeable, but today the middle class is rapidly increasing, as is the prosperity of the whole population.

– Are there any traits and features of Moscow and Muscovites which you still can't get used to?

– It's difficult for me to find an example of anything I still need to get used to. There are certain cultural differences, of course, but where aren't there? The most unpleasant thing in Moscow is the constant traffic jams. And another thing I don't much like is the long winters, like last year's

I saw a lot in common between Muscovites and the Dutch.



for instance. Winter could be a bit shorter, it would be better if it ended by April. Also, I have never understood why in the passport control queue at the airport, at first everyone calmly forms one line, and then some smart Alec comes along and says he was here before, and brings another ten people with him. He is rebuked, and immediately takes offence and begins loudly expressing his indignation.

– *Have you encountered any difficulties due to the fact that you don't speak Russian?*

– On one hand, it would be a good thing if I did speak Russian fluently, it would have made it possible to avoid a few embarrassing moments, but on the other hand, when people realise that I don't speak Russian, they stop arguing with me because it is useless. However, I understand Russian not too badly, those around me do not know this, and I take advantage of it sometimes: there have been situations

when people have been speaking ill of me in my presence, and then I suddenly reply in Russian. Imagine how awkward that makes them feel. But such cases are exceptions, people in Moscow are friendly on the whole.

– *You don't intend to leave Moscow?*

– Not yet. I won't hazard a guess about how long I shall continue to work here, because we can't know in advance how our life is going to turn out. I don't see any reason to leave at present; I like living and working here.

– *Would you call Moscow one of your favourite cities?*

– Undoubtedly. First of all because of the people who live here.

– *And what are your other favourite cities?*

– Amsterdam, Barcelona and Hong Kong. In general, Moscow takes city life to extremes, and that's what I

I like doing business in Moscow because everything is possible here. For example, a profit growth of 30-40%. That is quite unrealistic in the West at the present time.



love: dynamism, energy – on the whole, quiet places don't suit me. In Moscow, I can keep up all my hobbies. For example, I like classical music – Tchaikovsky and Rachmaninov. I would go as far as to say that the level of performance of the classics in Moscow cannot be compared with any other city. One more quality of Moscow little known in the West is that it has so many green areas. For example, yesterday evening I went running in Luzhniki, on my days off I have been to Tsaritsyno, and next weekend I intend to go to the park in Kuzminki.

– Why do you like working in Moscow? How does the Moscow business medium differ from the Western?

– I would say this: I like doing business in Moscow because everything is possible here. For example, a profit growth of 30-40%. That is quite unrealistic in the West at the present time. Moscow consumers differ from Western ones. They pay more

attention to quality and technology. It's important to them to know all the details. Russians don't abide by the rule “the cheaper the better”, they are willing to pay for quality.

– What is the reason your business is growing so rapidly?

– Philips started doing business in Russia in 1898, when the company founder Anton Philips sold 50,000 lamps to the Tsarist government. Over our years of working here, we have studied the Russian consumer very thoroughly. For example: Russians love salads. In particular “Olivier” salad, for which all the ingredients have to be cut into cubes, is very popular here. We have produced a hand blender especially for Russia, which helps housewives to prepare one of their favourite dishes quickly. There are many other examples. Philips also owes its success in the market to marketing strategies developed to allow for the local specifics. In the West, marketing is largely based on

The most unpleasant thing in Moscow is the constant traffic jams. And another thing I don't much like is the long winters





**The Moscow consumer is distinguished
by his extremely thoroughgoing
approach to the matter in hand.**

how a brand is perceived emotionally, but for Muscovites, the technology is more important. Remember that almost everyone here used to receive an engineering education. And now even women know their way around the design of various appliances quite well.

– *What would be your advice to small and medium businesses intending to enter the Moscow market?*

– First of all, to have a good understanding of your consumer and how he makes his choice in favour of one product or another. Muscovites spend a lot of time on the internet, reading various forums in which various goods are discussed. After finding out how one article differs from another, the Moscow consumer makes his choice, taking all the pluses and minuses into account. The Moscow consumer is distinguished by his extremely thoroughgoing approach to the matter in hand. And of course, it must not be forgotten that a product which is extremely popular in the West

might not find consumers in Moscow. Every local market has its own specifics.

– *What difficulties have you encountered in the post of top manager in Moscow?*

– I would not call them difficulties, but it really surprised me what requirements are made of the head of a company in Moscow. This is very different from what is customary in the West. Moscow needs only the strongest business leaders, capable of taking rapid decisions and of bearing responsibility, because here, the democratic monarchy is the most widespread form of management. I have worked in China; there, the business culture is based on “not losing face”. In China, you cannot openly talk with someone about your problems or his in the presence of other people; conversations like that only take place one to one. In Moscow, everything is much simpler. And if you compare it with India, where I worked for three years, that’s a place where you have

**The qualification of Moscow personnel
is higher than the requirements
made on staff in the West.**





to set each member of staff precise deadlines for each job. In Moscow the level of responsibility is much higher, the staff do not have to be monitored all the time.

– Do problems arise with Moscow specialists? Do they have an adequate level of education, sufficient work experience and are their professional qualities high enough?

– I would go so far as to say that the qualification of Moscow personnel is higher than the requirements made on staff in the West. And yet marketing and sales used not to be taught to anyone here. The experience which Muscovites have gained in marketing over the years of market reforms exceeds the experience of their colleagues working, say, in Amsterdam. This has taken place firstly because Muscovites are very disciplined. Secondly, they know foreign languages.

I myself have some knowledge of five languages, to differing degrees. But I talk to Russian colleagues only in English, in order not to find myself at a disadvantage. Some people in this company know Chinese, and we even have one Ethiopian speaker.

– *What do your relatives and friends think about you working in Moscow? Have you had to dispute any Western preconceptions about Russia?*

– I remember phoning my mother and telling her that I was moving to Moscow (I was working in Singapore at the time), and she replied that it was a very long way away – although it takes nine hours less to fly from Amsterdam to Moscow than from Amsterdam to Singapore. The preconception that Russia is a long way away from world civilisation has its roots in the time of

the communist regime's rule. Another aspect is the behaviour of tourists abroad. For example, young Dutch people really let themselves go in Spain. When I take a holiday in Salou (a resort on the Spanish Mediterranean coast), I try to speak only English, so as not to give rise to bad associations. But not all the Dutch are like that! It's the same with the Russians who get up to all sorts of debauchery in Turkish hotels. A preconception arises because of them, although there are no more rowdies in Russia than in other countries.

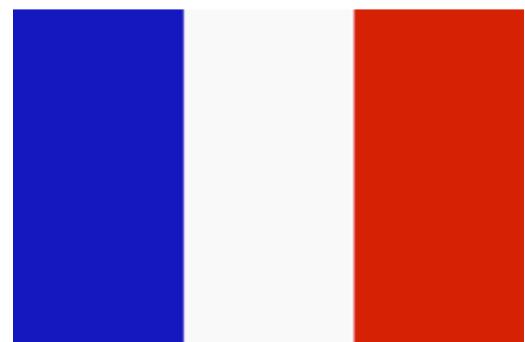
– *Would you encourage your colleagues and friend to come and work in Moscow?*

– Yes, of course. We invited several Western colleagues here, and they were all very contented. ■



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White-teeth Smile

*The high quality dental technical equipment and professionalism of Frenchman **Eddy Karkoukly** has given many Muscovites the chance to smile broadly again*

Eddy Karkoukly, a top class dental prosthodontist who specialises in complex work, including aesthetic restorations, has brought the latest stomatological technologies to Moscow. He was the laboratory head for elite clinics, and then founded his own company, French Creative, which fulfils orders for premium-class Moscow stomatological clinics, and also supplies high quality materials to the capital's dental technicians and stomatologists.

About Eddy Karkoukly



"I DIDN'T KNOW A WORD OF RUSSIAN"

– *How did you come to work in Russia?*

– After graduating from my professional college, I worked in well-known dental technical laboratories. We actively cooperated with the European Stomatological Centre. This clinic was created by a Frenchman. They had such a huge amount of work that it became impossible to fulfil all the prosthetic orders coming to France from Moscow, and the management decided to open a dental technical laboratory on the spot. I was asked: "Would you like to work in Moscow?" Without thinking twice about it, I said "Yes".

I was 28 years old, and of an inquisitive nature. It interested me to see another world, another culture. So I came to Moscow.

– *What were your first impressions?*

– Russia was a very different place in those years from what it has now

become. I remember that there wasn't a single street lamp on Tverskaya. When it grew dark, the street was only lit by the illuminated advertisements. You had to look very hard where you were going. Light and dark areas alternated along the road.

– *What about the weather?*

– I came from the Côte d'Azur, from Cannes, where it is already almost summer by the beginning of April. In Moscow there was sleet with gusts of wind whipping you like a lash.

– *The Russians say about such weather: "one tooth won't stay next to another". Did you speak Russian?*

– I didn't know a word of it! Listening to Russian, I thought "I'll never be able to repeat what they said!" It's a very difficult language. But I went from a standing start to full gallop. A teacher came to me in the clinic for three months and spent an hour with me twice a week teaching me Russian.

**I fail to understand many bureaucratic attitudes.
But I take a philosophical attitude to this.
There are such difficulties in the West too.**



It surprised me that there were foreigners who had lived five or six years in Moscow without learning the language. They told me: “I don’t need it, I don’t want to bother my head with it, I don’t want the hassle”.

Some of them even said: “The less Russian I speak, the fewer problems I have”. This is not correct. The menus in restaurants are written in Russian, everyone speaks Russian in the shops. All the clients are Russians. Without the language, you can’t understand



interfere with anyone. One clinic building was on Sidorovka and the other on Barrikadnaya. That’s in

We provided high quality services using the latest equipment and advanced medical technologies.

the Russian mentality. I worked hard at studying the language. It helped me to talk with Muscovite friends, with whom I spent my days off. And soon I started speaking Russian. And all because I had such a tremendous desire and motivation to do so.

– What difficulties did you encounter?

– I didn’t encounter any particular difficulties. I lived by the principle: do what you have to do and don’t

the very centre of Moscow. But I had the feeling that I had returned to a sort of enclosed world: in the clinic, all the managers were French and so were all the doctors. We didn’t experience any competition. Our laboratory was unique in Russia. We provided high quality services using the latest equipment and advanced medical technologies, which were not available to the Russian state medical service. Our laboratory carried out the most complex orders.



I worked hard at studying the language.
It helped me to talk with Muscovite friends.

– Are clients in Moscow different from Western ones?

– I am constantly dealing with patients. It is important to me to determine certain nuances for myself; the colour of teeth, for example. I must say that Muscovites trust their doctors completely. In the year 2000, when I had only just arrived, there were patients who, one might say, had not been spoiled by good service. Everything was amazing to them. The standardised medicine of the state health institutions could not provide an individual approach to patients.

"YOU'LL GET THE ORDER WHEN WE SEE THE MONEY"

– What made you decide to open your own business?

– I went from the European Stomatological Clinic to the French Stomatological Clinic, and after working there for five years, I decided the time was ripe for me to have my own firm. In 2008, I made my dream come true. By that time I knew Russian as well as French and English, I knew

the local mentality, and I had acquired a certain reputation in stomatological circles.

– Was it difficult to get all the necessary documents together and obtain all the various permits?

– I left all that to my Russian wife Yelena, who is a lawyer by education. She is also the managing director of our enterprise, by the way. Personally, I fail to understand many bureaucratic attitudes and laws. Each time I am amazed: What on earth are they for? But I take all this philosophically. There are such difficulties in the West too. I realise that you can't have everything good all together in the same place.

– Does your company own its premises, or are you leasing?

– We are leasing. And we are paying almost twice as much as we would in France.

In France I could open a dental technical laboratory anywhere, including in a residential block. But

**The Russian market has huge potential.
We know what to order, what will be
in demand and in what quantities.**





in Russia, such a laboratory has to be either in a business centre, as ours is, or in a separate building or detached house with a special ventilation system. The premises have to conform to strict rules.

In France, no licence of any kind is needed. Here we had to be checked by the Sanitary-Epidemiological Station before we could obtain a licence. Now, fortunately, the licence is for an unlimited period, but previously it was for only three years, then for five.

– How many people work in your laboratory?

– When I started, four dental technicians. They are local lads, who I have been training for several years now. We have our own website, and many people phone us asking for work. We have a rigorous selection process. Only one in a hundred applicants is accepted. It isn't enough to be capable, to know how to listen, to pick up the smallest detail, you also have to be motivated, to have the desire to improve. In our profession you have to be an artist, a photographer, a sculptor and a jeweller, all at the same time. You also have to be proficient in anatomy, physiology, properties of materials, casting and computer programs.

There is a crisis in Europe now. There is more opportunity to earn money in Moscow.

– *What is the salary level of your staff?*

– It depends what work they're doing. Usually about 45-50,000 roubles a month (a little over 1000 euros).

– *Do you bring consumables and instruments from France?*

– We currently have two lines of business. We fulfil orders for élite stomatological clinics. We also bring in consumables for the dental technical laboratories – we have a contract with a certain German company. The Russian market has huge potential. We know what to order, what will be in demand and in what quantities. Obviously, these are very high quality goods, for which there is always a demand.

Here's an example, so that you can see why we started developing a second line of business. One day I happened to need a certain consumable material. In France, as in the rest of Europe, if something is lacking, you make a phone call, place an order and next day it is all brought to you. My assistant made a call, they took her order and said the goods would be sent... in three months. And our

work is urgent. Now, such problems do not arise.

And there's something else I found surprising. In France, you order components, they are brought to you at once, they don't wait until you have paid the bill. In Moscow it is all quite different. They will only start putting the order together when they see the payment order. I was constantly hearing: "Wait, we'll write the invoice for you now". When I asked: "Can I take the goods today?", they replied: "You'll get the order when we see the money". That's the way it is, there is no trust.

"RUSSIAN STOMATOLOGY HAS BEEN RAISED TO THE WORLD LEVEL"

– Great changes are currently taking place in Russia, as they were in France in the stomatological field 20 years ago. People are beginning to study, to raise their professional level, to strive to improve quality. This is a great leap forward in development. There is a crisis in Europe now, development seems to have stopped. Although the level in Europe is still higher than in Russia,



there is more opportunity to earn money in Moscow. Income tax is low here compared to France. But social security payments are quite high.

– *How do you find new clients?*

– Mainly by recommendation. After all, we are operating in a premium élite niche of the market.

– *Are tariffs for stomatological services in Russia lower than in Europe or the USA, for example?*

– There is a common trend throughout the world. Orders from France, for example, are now sent to Morocco, Tunisia and even China – for reasons of economy. Unfortunately, this has an effect on quality too.

On the whole, tariffs and prices in stomatology in Russia are lower, but prices can be much higher in an élite clinic in the centre of Moscow.

– *How do you now assess the stomatological services market in Russia?*

– This sector has been developing rapidly for the past 15 years. Russian specialists have been able to travel abroad to study. Now many Russian stomatologists, orthodontists and prosthodontists have a perfect command of English, and exchange information on the internet with colleagues throughout the world.

Today, Russian stomatology has been raised to the world level. There are doctors and clinics operating in accordance with international protocols. There are quite a few networks of clinics operating in the economy sector. Specialist-owned clinics like mine are in demand in the premium sector.

– *Many foreigners fear that crime is on the rampage in Moscow. Are their fears justified?*

– Do they think it's safer in Paris, Marseille or America? Everything is quiet in Moscow.

– *What are your favourite places in Moscow?*

– I adore the Novodevichi Monastery, located on a bend of the Moskva river, near Luzhniki.

– *What would you say to foreigners who are still wondering if it is worth starting a business in Moscow or not?*

– There are great opportunities in Moscow. You can gain useful experience. It is interesting to live, work and trade here – particularly if you are a globally minded person, ready and willing to work hard. ■



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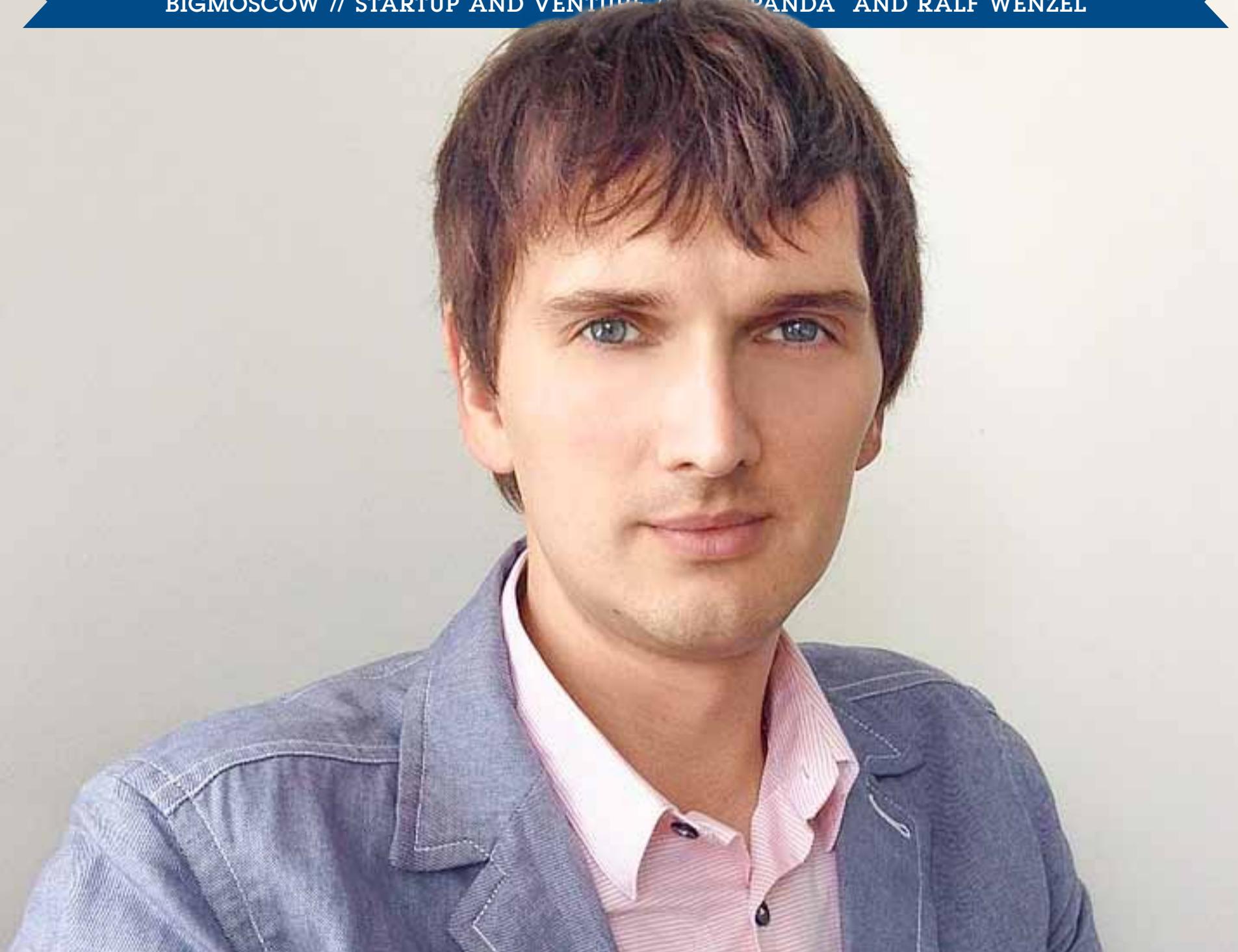




Russian Cuisine

*Harvard graduate **Sergei Sushchentsev** rejected a corporate career and created a startup delivering restaurant dishes to the home*





– What education did you receive and how did your career develop before the Foodpanda project?

– I worked in management consultancy, in the Moscow office of McKinsey.

In parallel, I was studying at Harvard, where I obtained an MBA diploma. Before that, I worked in finance for P&G. On the whole, I was making my way in a corporate career.

– So what made you leave the broad corporate highway for the own-business path?

– I wanted to take all the decisions myself and have complete control of developing the business. I decided that this was more up my street than giving consultations.

– How was the idea of your startup born?

– I looked at the Western business models and considered which one would work best in Russia. I decided to go for a service startup in e-commerce. I studied two projects: Just Eat (Europe) and Seamless (USA). I analysed the corresponding sector in Russia and

realised that although such projects already exist, the food delivery market was still in its infancy. There was plenty of room for two or three major players. I calculated the economics of the project, discussed matters with restaurants and thought: Let's do this!

– How did you acquire the Foodpanda brand?

– Foodpanda is a global project, currently operating in 27 countries throughout the world. But actually each

time in the Bon Sport project of the same business incubator, which was how I got to know Ralf and acquired investments and the Foodpanda brand. That is, Rocket Internet, as the business incubator, invested assets and its already widely promoted brand. However, the legal entity to which the right to use the brand name Foodpanda in Russia belongs, OOO Rocket Russia, is an RF resident. We make use of certain analytical capabilities of the investor. But we are an independent project.

The food delivery market is growing throughout the world. In a few years, most of mankind will be ordering food via mobile apps.

Foodpanda is a separate business with its own local team. I'll try to explain. The business incubator Rocket Internet first opened a Foodpanda food delivery company in Singapore. The business did remarkably well, and a year later, Rocket Internet decided to spread this successful business model worldwide. This was entrusted to Ralf Wenzel, who was appointed to the position of global manager. I myself had worked for some

– What investments have you already attracted and what are the prospects for the development of the project?

– We received \$20,000,000 from Rocket Internet, Phenomen Ventures and a number of other investors. The food delivery market is growing throughout the world. In a few years, most of mankind will be ordering food via mobile apps. In Russia, this trend



is only just starting. Judging from the results of the first months of operation, the Russian food delivery market will become the biggest of all those countries where the Foodpanda project has been started. We have one of the highest average tickets and huge potential.

– *Tell us about the Foodpanda business model in more detail.*

– We have concluded contracts with restaurants, and we place their menus (prices, pictures, descriptions) on our internet resource. We advertise on the internet and attract clients to our website or suggest they download a mobile app (available for iOS and Android). The client states his location, and he is offered a choice of all the restaurants in the city which deliver food to where he is located. The service is free to the users. That is, the food prices on our site and the restaurant's site are absolutely identical.

– *Why is it better for the client to order from you rather than directly from the restaurant itself?*

– Firstly, we offer a selection of more than 200 restaurants. Secondly, it's convenient. We show the restaurants which are nearest to the client. Finally, by ordering from us, the client earns bonus points which can be used later for a free order. This service is still under development, we shall soon start it up.

– *How many people work in the company?*

– It's a small group, but a professional one. Many of them are young lads who generate ideas and bring them to life themselves. The main department is sales, which is concerned with attracting restaurants. There is also marketing, responsible for attracting food-ordering clients to our website. We have a call centre and ad administration office. Altogether, a little over 30 people.

– *When do you plan to start getting a return on your investment?*

– In two years' time. ■

**Interview
with Ralf Wenzel, an investor
in the Foodpanda project**





Market Conditions are Virtually Ideal

*German investor **Ralf Wenzel** considers that Russia offers the best prospects for the Foodpanda international project*

– Why did Rocket Internet take on the Foodpanda project? How do you usually select objects for investments?

– In all branches and sectors of the consumer market, a transition is taking place from offline communication channels to online ones, to which the new mobile apps channel must now be added. What used to be done by exchange of documents is now more and more often done online. To order a taxi, you don't have to make a phone call, it's all done by a special smartphone app. The same applies to the food delivery market – phone orders are being squeezed out by online and mobile app orders. The online world, and even more the mobile apps, are making life better. In this world, everything is faster, more convenient and more transparent. It has more selection and simpler communication. And everything that makes life better creates consumer value and the opportunity for a successful business. The Foodpanda business is based on this. A project which makes food delivery simpler, more convenient and more transparent improves people's lives.

– What do you think are the specific features of Russian investment projects?

– Russia's overall potential is obvious – 140,000,000 consumers in one

country! Last year Russia overtook Germany, France and Great Britain to take first place in Europe for its number of internet users. Switching from offline to online is quicker in Russia than in other markets. The Russian infrastructure provides a solid basis for such projects as Foodpanda, and the Russians themselves are mature well-educated people. We consider such market conditions virtually ideal.

– How was the project started? What difficulties were encountered? What is your role in the startup?

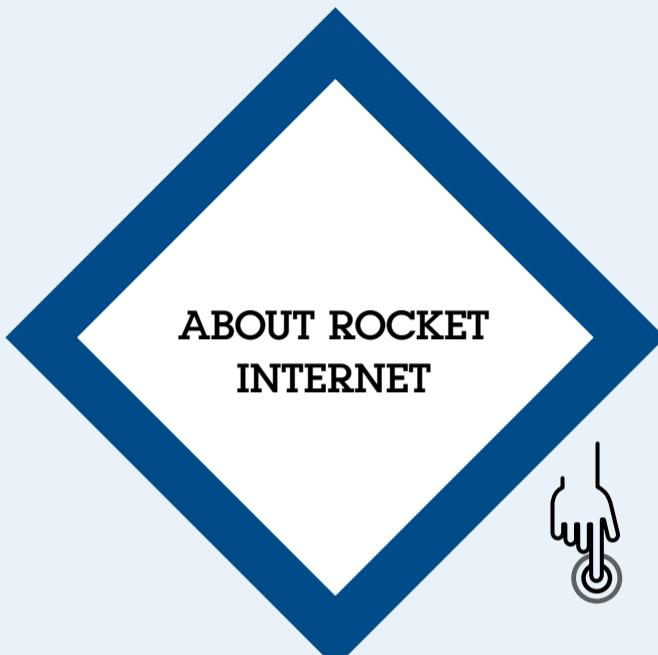
– The project began with the formation of a highly qualified team of people who know all the specific features of the local market. This is an essential condition for the success of any project in any country. Knowing the local market properly enables many mistakes to be avoided. Then we adapted our global product to the requirements of Russian consumers,



and concentrated all our efforts on creating partnership relations with the best restaurants all over Russia, to give consumers the best choice. Every day we discuss the results, successes and problems of our business.

I, as the global CEO, coordinate operations across different countries and make sure that useful information

is available to everyone and that the product and the business processes are constantly being improved on the basis of feedback from the consumer, so that we continue to do something really important, from Senegal to Vietnam, from Argentina to Russia, from Poland to Brazil. I have been in internet business for more than 10 years, and this experience helps me a great deal. But problems arise every day. If you



are operating in 27 countries, there is always something to do.

– *How often do you communicate with the Moscow team, and in what way?*

– At the present stage, constant communication is extremely important. The more often we communicate and the more deeply we go into things, the quicker we react to a change in the situation, so that our business develops more successfully. We discuss matters by phone, we hold video conferences. We try to use e-mail as little as possible. We adhere to the team culture, but at the same time, we give local teams broad rights and autonomy. Our central team collects business information from all the countries, and uses it to set global standards. Communication is both vertical and horizontal. Only in this way can we ensure the quickest distribution of useful information.

**Switching from offline to online
is quicker in Russia than
in other markets.**



– How do you assess the general prospects of the project?

– In all countries, we are seeing rapid growth literally every few months. The consumers like our product, and our client base is constantly expanding. Food is ordered everywhere. And we make use of this. The more effectively we do so, the better quality service we can offer. We begin on a small scale,

this process and play an important part in it. In Russia, the main problems are the huge distances and the logistics. But this also offers great opportunities for business. Many creative ideas are being expressed on how to overcome these difficulties. We are cooperating with a large number of restaurants, who have already developed highly sophisticated methods of quick delivery of orders to consumers attracted by our

**We adhere to the team culture,
but at the same time.
We give local teams broad
rights and autonomy.**

and then scale up the business on the basis of actual figures and assessments. Cooperation with such partners as KFC and McDonalds helps us speed up our further development.

– What are the prospects for online startups in Russia in general?

– According to Morgan Stanley's assessment, the Russian e-commerce market will increase by 35% by 2015. This is the highest rate of increase in the world. We want to become part of

site. The basic principle of any startup is this: find some problem and offer a solution. In Russia, as everywhere, there are enough problems, which means there will be solutions too.

– What would be your advice to Western investors? Which sectors of the Russian market are the most attractive?

– Every investment opportunity is unique and requires special study. Each sector has its leaders and all sectors are expanding. The Russian



internet market is still very young, and the competition in it is not so great as it is in other sectors. This means that there are more opportunities for a successful business – in many fields. The companies which understand local problems better than the others and are able to turn these problems into consumer values will win the race. And if you achieve success in the Russian market, it means you will find success everywhere you go.

– *What other investment projects do you have in Moscow?*

– At the present time, Rocket Internet is working with five other Russian venture projects: eDarling, Lamoda, mebelrama, Westwing and wimdu. A Russian version of Cuponation also opened recently.

– *What scale of investment are we talking about?*

– We have collected over \$20,000,000 from a group of investors. These include, in particular, such funds as Investment AB Kinnevik and Phenomen Ventures.

– *Have there been instances of friction or misunderstanding with the Moscow team? How do you act in such a situation?*

– We support a culture of discussions and exchange of knowledge, and we have a splendid team of specialists augmenting each other. Of course, differences in points of view about the business can always occur. We consider them and analyse them. We try various versions and see what happens. But when the conclusions have been drawn and a decision is taken, there is only one thing to do: act. ■

If you achieve success in the Russian market, it means you will find success everywhere you go.



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Business without Traffic Jams

A transport revolution in Moscow opens up new opportunities for Western entrepreneurs

BY: ALEKSEY TIKHONOV | PHOTO: ARTUR POPOV | TRANSLATION BY: JACK DOUGHTY



The new Moscow authorities have set about radically restructuring the city's transport complex. This will lead to a transformation of the entire commercial system of the Russian capital and will create market niches which will be attractive not only for Moscow businesses, but for foreign businesses as well.

The main strategic economic aim of Sobyanin's team is to expand the capital's transport system. The greater part of the whole investment plan of the city authorities is directed towards solving this problem. This year, the proportion of expenses on the development of the transport system reached 63%, and by 2015 this figure will rise to 70%. Altogether, about one trillion roubles (up to 30 billion dollars) will be spent on the programme over the three-year period 2013-2015.

The central element of the strategy is the creation of a virtually new public transport system. Its throughput capacity at peak times must increase by 40%. The length of the Moscow Metro lines will increase by 45%. Such high rates of transport construction have not been seen in Moscow since the time of the first five-year-plans, when the patriarchal city was turned into an industrial giant in only a few years. The present reconstruction is a reaction to the trend of rapid economic development over the past 10 years, which has led to a corresponding increase in the use of motor vehicles in the great city. The new city authorities intend to reduce the use of personal transport in the city by a third. This radical reduction in personal transport will mean that car services, refuelling stations and car dealers will gradually be forced out of the city centre.

Moscow taxis will be classed as public transport. The taxi market, like many others in the Russian capital, was created in a random way, with a predictable result. The Mayor's office calculates that illegal taxis made up



SUCH HIGH RATES OF TRANSPORT CONSTRUCTION HAVE NOT BEEN SEEN IN MOSCOW SINCE THE TIME OF THE FIRST FIVE-YEAR-PLANS

about 70% of the market in Moscow in 2011. Certain measures have been taken to reduce the proportion of “illegals” as far as possible. In particular, the question of granting legal taxis the right to use the public transport lanes is currently under consideration. International practice shows that this and other preferences firstly destroy the illegal taxi market, and secondly gradually force private cars out of the centre of a great city, thus solving the traffic jam problem, which is one of Moscow’s biggest headaches, and one well known in the West.

This is actually a matter of radically changing the prevailing methods of moving around the city and its suburbs. Citizens will spend less time behind the steering wheels of their own cars, and more in public transport and in the city itself.

The result of this transformation will be a radical reconstruction of the entire city economy and the whole enormous services market. This primarily concerns the structure of commerce in the capital. It will have to adapt to the new situation and move closer to the transport flows. The expansion of the transport system envisages the construction of 255 transport interchange units, each of which will actually be a large-scale shopping centre. The reconstructed rail terminals will also affect shopping. Thus a completely new shopping area will be formed in the city, which will accordingly need to be filled. Obviously the big chain stores will come here, but there is room for small businesses, including foreign ones.

There will also be a new boost to public catering and consumer services. The online



A COMPLETELY NEW SHOPPING AREA WILL BE FORMED IN THE CITY, WHICH WILL ACCORDINGLY NEED TO BE FILLED.

ordering system is expected to develop rapidly. A pilot online store project has already been started up in the Moscow Metro. It is expected that passengers waiting for a train will be able to shop from advertising images placed in the station vestibules and then arrange for their goods to be delivered. The Metro's first partner will be the company Media Markt. The work will also continue on other stations, bringing in other Western companies.

The development of the communications infrastructure on public transport will lead to an increase in the demand for information resources on the internet and will weaken the position of the information service radio stations, which used to serve car owners trapped in traffic jams for hours on the way to or from the office. There is more room to be filled in this information space, and here Western entrepreneurs, more experienced in internet commerce, have a certain competitive advantage over Russian startups, and they could well make use of this.

The reduction in the time spent by Muscovites behind the wheel will lead to a rise in the demand for alcoholic beverages, in particular in restaurants and cafés. The whole public catering sector can expect significant growth: new businesses of all formats will open, but predominantly small enterprises: bars and small cafés. Western entrepreneurs can take advantage of this too.

Making it harder to use personal transport will lead to a growth in demand for housing in the city centre, particularly for renting it. The current tendency of well-off Muscovites to rent an apartment in the centre as a second



NOW IS THE TIME WHEN PRIVATE BUSINESSES ARE MAKING IMPORTANT INVESTMENT DECISIONS IN ACCORDANCE WITH THE NEW STRUCTURE OF THE CAPITAL.

home will increase. So this means a new trend in the real-estate market.

At the same time, the movement of some business activity from the city centre is to be expected. New centres will be formed on the outskirts and in the so-called “new Moscow”. In a few years, we can expect a considerable proportion of offices to move from the historic part of the capital, which will become territory for temporary and permanent housing. Accordingly, new business centres will have to be built, and Western companies will be attracted to these projects too.

All the pluses and minuses of the new structure of Moscow will not be apparent immediately. But now is the time when private businesses are making important investment decisions in accordance with the new structure of the capital. And Western business should not be left on the sidelines in this process. ■



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Accountancy and Control

What does a foreign entrepreneur opening a business in Russia need to know about specific local features of bookkeeping accounts and reports?



The policy of the Russian Federation Ministry of Finance aimed at bringing accountancy standards into accordance with international standards of financial accountability poses new problems for companies, including Western ones. Igor Buyan, a partner at Ernst & Young, who has worked with many Western clients, analyses the transitional situation and makes recommendations to Western entrepreneurs who have already entered the Russian market or who intend to do so in the near future.

In the 1990s, many Western companies came to Russia. Their fate in Russia turned out in different ways. Some closed their offices because of the crises of 1998 and 2008. Others stayed but only at the level of a representative office. But there are also those who have succeeded in building a successful business in Russia. What influenced the final result? Of course, a large part was played by economic factors, but not least was the correct organisation of the business, taking Russian reality

and specifics into account. This includes organising accounting and tax reports. If a report does not meet all the requirements of Russian law, a new business is often deprived of the opportunity to continue its activities. The sanctions in the form of fines applied by the supervisory bodies are very severe.

What does one need to know first of all for the correct structuring of accountancy and tax reports in Russian conditions? The first thing is

**THE TAX REPORT IS AN UNCONDITIONAL PRIORITY
BECAUSE IT IS ASSOCIATED WITH RISKS OF ADDITIONAL
PAYMENTS IN THE FORM OF FINES**



to pay attention to the tremendous number of requirements and regulations which have to be followed both by the accounts department and all the other departments of the new business. Otherwise, when they are checked by the state supervisory bodies, the business owners face serious difficulties. In most Russian companies, the tax report is an unconditional priority because it is associated by company managers with risks of additional payments in the form of fines. Here the accountancy side of things plays more of an auxiliary role.

On the basis of the above, to structure a report (particularly a tax report) correctly, you must find a professional accountant with not less than 15-20 years' experience who must know his way confidently through



all the subtleties of the tax requirements. True, it is now possible to bring in an outsourcing company to outsource the tax and accounting reports. My point of view is that this course is only advisable if we are talking about representative offices,

not about an actual business with production and sales. If the number of operations to be reflected in the report is significant, the cost of outsourcing will prove much higher than the salary of a professional accountant. Also, with outsourcing, there is a serious risk that errors in a report made by an outside organisation and leading to significant tax consequences will not be corrected by the owners of the business.

On the other hand, you need to understand that accounting teams

**THE MINISTRY OF FINANCE OF THE RUSSIAN FEDERATION
HAS BEEN SYSTEMATICALLY CHANGING THE STANDARDS
OF RUSSIAN ACCOUNTANCY TO BRING THEM CLOSER
TO THE INTERNATIONAL ONES**



formed 15-20 years ago are most likely to be able to cope well with tax checks and reports, but they are not usually competent enough in accountancy. In recent years, the Ministry of Finance of the Russian Federation has been systematically changing the standards of Russian accountancy to bring them closer to the international financial reporting standards (IFRS). Furthermore, for public companies, the IFRS standards are required to be met as well as the Russian ones. Pursuing a predetermined strategy, the Ministry of Finance may very soon enforce a complete transition to IFRS on all companies in the Russian Federation.

Accountants now need to have not only knowledge about the chart of account and how an economic operation is reflected in the report. An accountant must also be able to make professional judgements and assessments about bad debts, deductions, asset depreciation and so on. Practice shows that the old

accounting staff did not know how to adapt, and consequently, companies had to seek out qualified staff resources outside. An invaluable service in this was provided by the international auditing companies, who in a short period were able to train large numbers of staff in all the details of IFRS, which later served as a basis for organising accounts reporting meeting both the Russian standards (to a lesser extent) and the IFRS (to a greater extent) in all the big companies in the Russian Federation. Nevertheless, in connection with the plans for a complete transition to IFRS for all enterprises in the Russian Federation, all employers are finding there is a shortage of IFRS-qualified personnel. This particularly applies to those with businesses outside Moscow and St. Petersburg.

What should be done now by Western entrepreneurs who intend to open a business in Russia and want to safeguard themselves at once against risks connected with possible errors in

ALL EMPLOYERS, PARTICULARLY THOSE IN THE RUSSIAN REGIONS, ARE FINDING THERE IS A SHORTAGE OF IFRS-QUALIFIED PERSONNEL



accounting and tax reports? I would recommend, firstly, searching the labour market to find, and then taking onto the staff, a qualified tax specialist with experience of not less than 15-20 years and entrusting him with the tax report. And secondly, the same should be done for an accountant with 5-10 years' experience, preferably in an auditing company. This specialist should look after the accounting report.

Note also that in taking a decision on which employee should head the accounts department, a business owner should decide what his priority is: to reduce the risk of tax penalties or to bring accounting completely up to IFRS requirements. ■



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WE SIMULATE SITUATIONS



About Belfort



Who is Boss in the House?

*Any conflicts between lessee and lessor
of Moscow office premises can be avoided
by careful legal work on the leasing
agreement.*

BY: LILIYA YEGOROVA | PHOTO: BELFORT | TRANSLATION BY: JACK DOUGHTY



*The cost of leasing commercial property in Moscow and in the region of the capital is high. Therefore particular attention should be paid to this matter in organising a business, particularly as far as Western entrepreneurs are concerned. **Liliya Yegorova**, managing partner of the company Belfort, tells of possible hidden pitfalls in relations with the lessor, and how to avoid them.*



belfort-consult.ru

SITUATION



1

A Western company, a building materials distributor, concluded a leasing agreement for storage premises on the territory of Moscow oblast for 11 months. The leasing contract gave the lessee the right to sublet the premises. The lessee made use of this right. But six months later, the lessor demanded the cancellation of the contract and the vacating of the premises, because the lessee had not agreed the sublet with the lessor. The lessor took the case to court. The company applied to lawyers for help.

appropriate articles in the text of the agreement between the lessor and lessee itself. In this case, the leasing contract included the following form of words: "The lessee has the right to sublet the leased property". It does not follow from this that the lessee has to obtain the lessor's agreement when concluding each subletting contract, or notify him. It should therefore be acknowledged that the subletting agreement was part of the contract between lessor and lessee. This was the position taken in the court case.

The lawyers succeeded in proving that the lessee had not breached the terms of the leasing agreement, and that the lessor had no grounds for unilateral cancellation of the contract. Consequently, nor were there grounds for the lessee to be forced to vacate the storage premises. The lessor's petition was



SITUATION

2

A foreign company, a furniture distributor, concluded a short-term leasing contract for office space in Moscow. The contract included the full address of the building and the storey on which the offices were located, but the room numbers were not specified. No plan of the building's storeys was attached. Two months later, the lessor demanded that the premises be vacated, since in his opinion, the property handed over under the contract was not sufficiently agreed, and consequently the contract was invalid under Clause 3, Article 607 of the RF Civil Code. After the lessee's refusal to vacate the premises, the lessor submitted a claim to court. The lessee applied to specialists to protect his interests.

application of rules of the RF Civil Code on leasing contracts". Article 15 of this resolution states that a contract in which the property being leased is not individually specified (i.e., the terms of the object and subject of the contract have not been agreed) cannot be deemed invalid if it has actually been carried out by the parties. In this case the following circumstances indicated that the leasing contract had been carried out by the parties: the absence of claims against each other when the object was handed over and the acceptance deed for it was drawn up; the fact that the lessee had paid the lease payment for two months; and also the payment into the lessor's account of an insurance deposit for the premises in the sum specified in the leasing agreement. It was proved in court that the short-term leasing contract had in fact been carried out. Therefore the lessor's claim was rejected. Nevertheless, actually, according to the RF Civil Code, in the event of a significant condition not being agreed in the contract, the contract is considered not to have been concluded, i.e. it does not confer any rights or impose any obligations on the parties. And the lessor has the right to demand the return of the property under the regulations on unfounded enrichment (article 1102 of the RF Civil Code). Such legal disputes can be avoided by giving complete specifying details of the property to



SITUATION

3

The Moscow branch of a large Western company concluded a long-term leasing contract for non-residential premises on Moscow territory. It was planned to use the premises as an office. The contract specified that it was the lessee's responsibility to carry out major repair work. The state of the property was not specified in the contract. The property was handed over in an unusable condition, so the lessee was obliged to carry out a major renovation of the premises before he could start using them. After this, the lessee applied to the lessor for reimbursement of expenses, but was refused. The lessee took the case to court.

responsibility to carry out major repair work of leased property at his own expense, unless otherwise stipulated by law, by other legislative acts or by the leasing contract. A breach by the lessor of his obligation to carry out major repair work gives the lessee the right to carry out such major repair work as specified by the contract or as a matter of urgent necessity, and to recover the cost of the repair from the lessor or have it deducted from his lease payments.

Clause 1 of Article 611 of the RF Civil Code makes it the lessor's responsibility to hand over the property to the lessee in a condition in accordance with the terms of the contract and the purpose of the property, even in the event of the state of the property not being stipulated in the leasing contract. Since the premises were handed over to the lessee in a condition making them unfit for use, the obligation imposed on the lessee by the contract for major repair work to the premises did not involve the loss of the lessee's right to demand reimbursement of the cost of the capital repair work. The right of recompense for such costs, or their deduction from the lease payment, is an independent right given to the lessee by law. It may be restricted in the leasing contract, but in this case, no such provisions were contained in it. The lawyers managed to recover the costs incurred in the major repair work on the premises carried out by the lessee. Nevertheless, litigation could have been avoided if the parties had taken a more responsible approach to setting out the provisions of the contract covering



SITUATION

4

A large international company with an office in Moscow concluded a leasing agreement on an apartment for its top manager. The contract made provision for the possibility of its termination ahead of schedule on the lessee's initiative, subject to 90 days notification. If this notification time was exceeded by the lessee, then the lessor, under the terms of the leasing contract, had the right to retain the lessee's security deposit. The contract was cancelled on other grounds, by agreement between the parties, which did not stipulate any sanctions payable by either the lessor or the lessee. Nevertheless, the lessor did not return the security deposit, claiming that the contract had been terminated not by agreement between the parties, but on the lessee's initiative.

Clause 1 of Article 450 of the RF Civil Code provides for a contract being terminated by agreement between the parties. In this case, the lessor insisted that he had not given his agreement for the contract to be terminated. Therefore the contract had been terminated on the lessee's initiative. At the same time, it was proved by the lessee's email records of his correspondence with the lessor that the lessor wanted to conclude a new leasing contract with another lessee. Furthermore, there was written confirmation of the fact that the lessor had long been looking for another lessee. Therefore in fact, both parties had an interest in the contract being terminated ahead of schedule.

The lawyers to whom the international company applied drew up a claim against the lessor, demanding the return of the security deposit. The case was settled out of court by the return of the security deposit. In order to avoid such situations and not to fall into traps set by unscrupulous lessors, more attention should be paid to the wording of the provisions of the leasing contract concerning its termination and amendment. And negotiations concerning the termination of the contract ahead of schedule should only be in written form (by email), and all the correspondence should be kept.



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Business Autumn

Moscow exhibition sites greet the new season with a particularly intensive programme





PIR EXPO
pirexpo.com



1.10 – 4.10

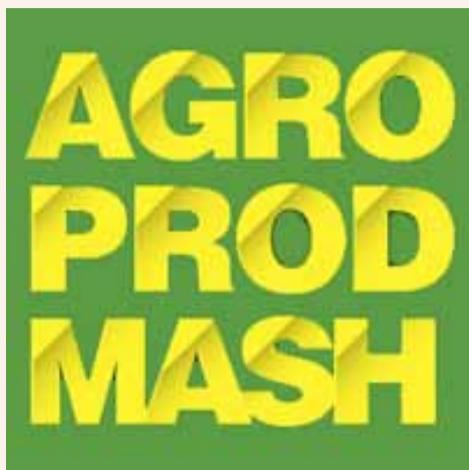
Location: “*Krokus-Expo*”,
pavilion No. 3
Field: *hospitality industry,
restaurants, catering (HoReCa)*

PIR Expo, the annual international exhibition of the hospitality industry, is being held for the 16th time. Exhibitors from France, Italy, Japan, the USA, Great Britain, Germany, China, Denmark, the Netherlands and another dozen or so countries are participating in the programme.

PIR Expo will include more than 500 events in various formats – master classes, discussions, presentations, and competitions. Useful business contacts will be made, and experience will be shared by leading specialists in the industry – successful restaurateurs and hoteliers, famous chefs, bartenders and baristas, heads of companies in the HoReCa sector and independent experts. More than 3500 people take part every year in the free programme alone.

**SECTIONS OF THE
EXHIBITION**





AGROPRODMASH-2013 
agroprodmash-expo.ru

7.10 – 11.10

**Location: “Expostrans”
central exhibition complex.**

**Field: equipment for the food
and food-processing industry.**

The “Agroprodmash-2013” exhibition, the 18th of its kind, is one of the most central and large-scale events of the year for the food and food-processing industry. More than 600 companies, representing about 40 countries from around the world and all the regions of Russia, will be showing their products at the exhibition.

The exhibition programme includes: the international conference “Development of the food and food-processing industry of Russia”, the industry forum “The confectionery and bakery market in conditions of change”, the eighth international technology forum “Innovative technologies and equipment in the dairy industry”, the Third International Meat Congress, and other events.

**SECTIONS OF THE
EXHIBITION**



MITEX-2013



www.mitexpo.ru

5.11 – 8.11

**Location: “Expotsentr”
central exhibition complex**

Field: the machine tool industry.

About 500 companies from a fifth of the world's countries will take part in the Moscow international exhibition of tools, equipment and technologies. MITEX is the biggest exhibition of the machine tool industry in Russia. It is always of great interest to Western companies.

The exhibition programme includes a conference for reviewing the latest innovations and technologies related to tools intended to make their use more efficient, new opportunities, power saving and injury. On the demonstration seminar site, leading world developers and manufacturers of tools and equipment will demonstrate their achievements and novelties to professional consumers.

**SECTIONS OF THE
EXHIBITION**





NATEXPO-2013
www.natexpo.ru



19.11 – 21.11

**Location: “Krokus-Expo”,
pavilion No. 2**

**Field: television, radio
and the Internet**

This year is the 10th anniversary of NATEXPO, an international exhibition of professional equipment and technologies for television, radio and internet broadcasting and film production. The project was created by the National Association of Television and Radio Broadcasters (NAT) with the support of the Federal Agency for the Press and Mass Communications in partnership with the National Association of Broadcasters of the USA (NAB USA). It is successfully solving the problem of the integration of electronic means of mass information and communication.

Unlike narrowly specialised exhibitions of professional equipment, NATEXPO combines not only the manufacturers of technical equipment and new technologies, but also of programme products and associated industries - satellite and cable television, broadband multimedia devices, digital cinematography, etc. ■

**SECTIONS OF THE
EXHIBITION**



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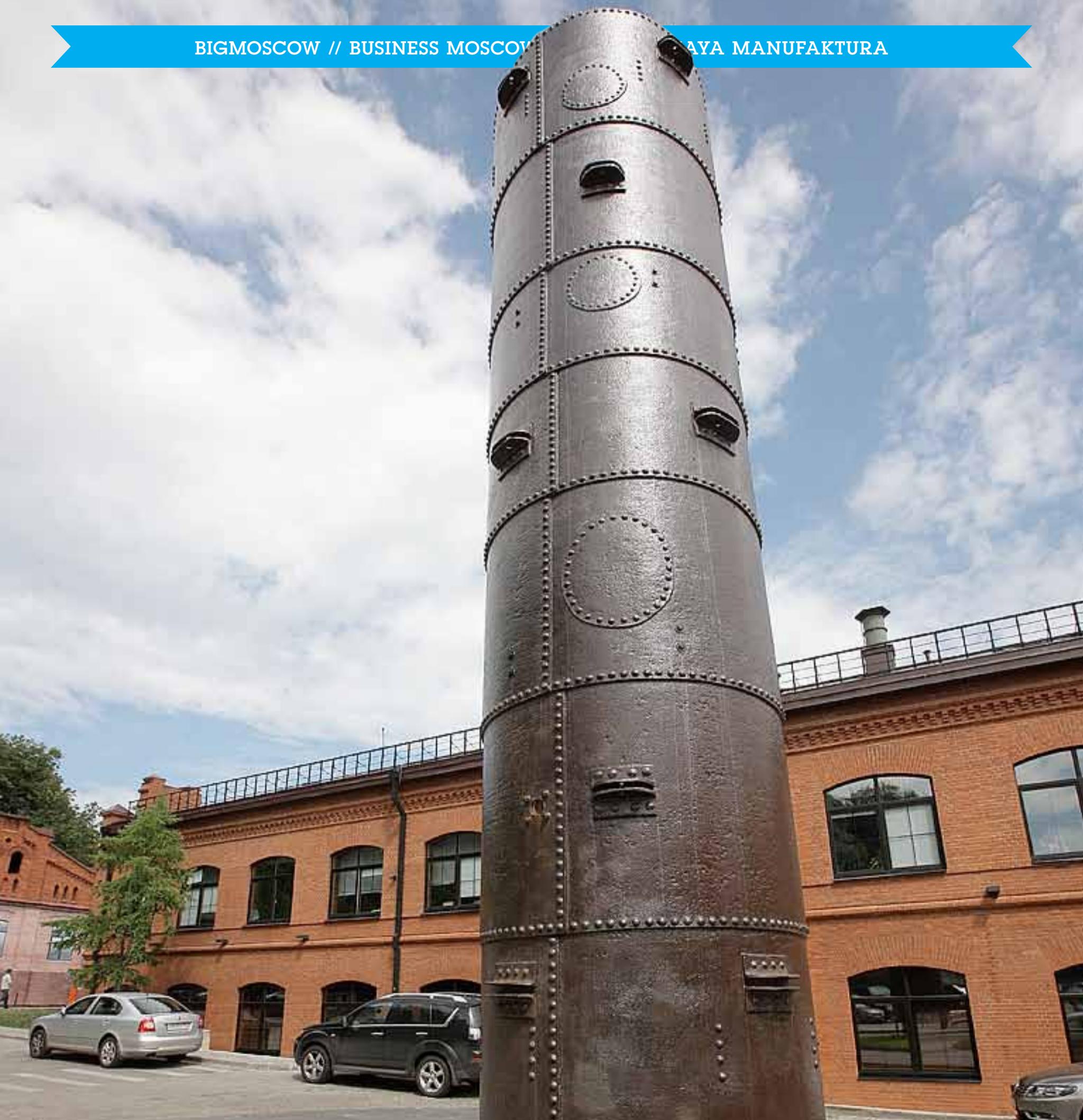
In an Architectural Ensemble

The *Danilovskaya Manufaktura*
Business Centre

PHOTO: EVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



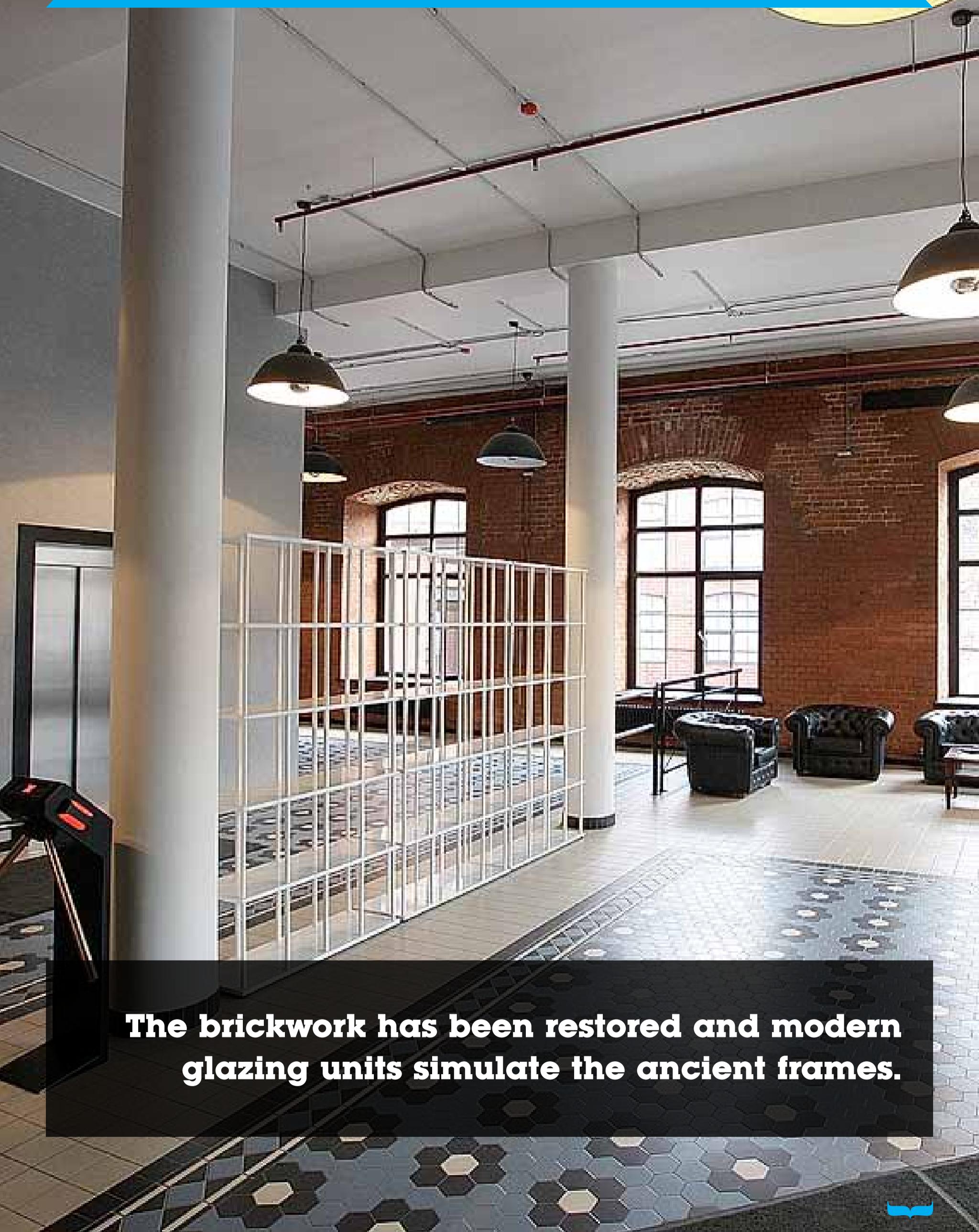
**The Danilovskaya Manufaktura business centre
is a modern loft-style business quarter
in a 19th-Century architectural ensemble.**



The textile factory buildings dating from the time of the Industrial Revolution were reconstructed and re-equipped in 2009.



The project was a winner in the Commercial Real Estate Moscow Awards as the best Category B business complex.



The brickwork has been restored and modern glazing units simulate the ancient frames.



As well as stylish loft apartments and offices, the complex also has showrooms, studios, concert areas and restaurants.

Here one can live and work, and hold business meetings and lively parties.



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LIVING IN MOSCOW

With Full Comfort

*Irishman **Garret Johnston** feels at home in Moscow because he understands not only the Russian language, but also the Russian soul*

BY: SVETLANA SAMODELOVA | PHOTO: EVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



*He speaks 11 languages, and it is said of him that he alone is worth a whole consultancy group. He has 25 years of experience in marketing behind him. He works mainly in the high-tech fields, and also in retail, in 13 countries on five continents. He is known in business circles as a man with an innovative way of thinking, well able to look at the world in his own way and break down preconceptions. **Garrett Johnston**, vice-president of Team Drive, told BIGRUSSIA about what a foreign intellectual is doing in Moscow.*

"I BEGAN TO STUDY RUSSIAN IN THE EATING HOUSES AND BARS OF KIEV"

Before coming to Moscow, Garrett was able to learn the secrets of the Slavic soul in Kiev.

– I was working as a management consultant in the Norwegian Telenor group on questions of corporate marketing strategy. Norway is a rich country; at that time, investors had more capital than they could invest in

their own homeland. Therefore, after the collapse of the USSR, Telenor took the risk of buying a big share in Ukraine's biggest cell phone operator, "Kievstar". It was a bold move to invest billions of dollars in a country like Ukraine in the nineties, when no-one knew if Kuchma would stay in power or not. At that time, Kievstar was beginning to lose its share of the market, and I was asked to help the management cope with this problem.

– ***Many people speak Russian in Ukraine. Was it difficult to learn the language?***

– I have always found languages easy to learn. I probably inherited this aptitude. My father and grandfather knew many languages, I grew up in a home with Russian and Chinese newspapers and German and Arabic books lying on the table.



www.team-drive.ru



In Moscow, as in Ireland, normally only one person pays for the dinner. People are big-hearted in Moscow.

– When I came to Ukraine, my knowledge of Russian was poor. I went on special courses and learned the basics. I studied the language “by immersion”, so to speak, for which I made a point of going to the suburbs of Kiev. I sat down in various eating houses and bars, and watched for hours what mimicry and gestures ordinary people used in pronouncing various words. Whatever the élite think about it, a people’s culture comes from below. It was important to me to understand the culture and study people’s psychology. I listened and took in how and with what intonation the customers talked to each other. It was in these dives that I mastered the body language and learned many expressions.

– How did you end up in Moscow?

– A dispute about Kievstar arose between the Norwegian company Telenor and the Russian Altimo (Alpha-Telecom). It became

uncomfortable to work there. It just so happened that at that time, I was offered a job by MTS, the Russian telecommunications company.

We came to an agreement that I would not have to deal with Ukraine, and would not have to act against Kievstar. That decided the matter. I accepted the offer, and arrived in Moscow at the beginning of 2006.

– *What were your first impressions, after Kiev?*

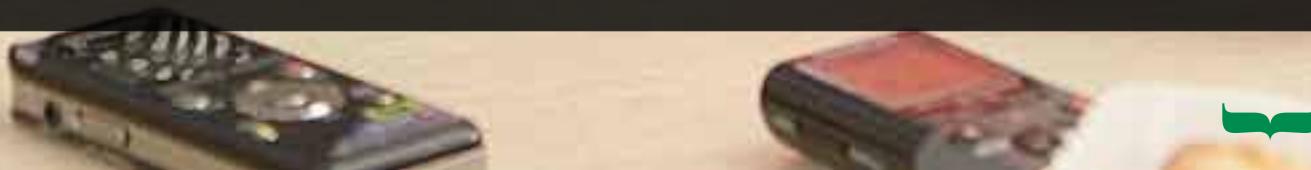
– A certain difference in mentality was apparent, for example in relation to money. In Kiev, if you dined in company in a café, as a rule each one would pay for himself, calculating the amount from the bill. But in Moscow, as in Ireland, normally only one person pays for the dinner, and then everyone chips in some

ABOUT GARRETT
JOHNSTON





Russians are very creative — they know better than many people in other parts of the world how to think up ideas and concepts, but when it comes to putting them into practice, the Russians are not so good at it.



money; no-one works out his debt to the last kopek. People are big-hearted in Moscow.

Another example. I remember conducting an experiment in Kiev. I used to sit in a respectable restaurant, chat to a couple of girls, and their first question was most often “What’s your job?” I’d reply that I was out of a job right then. After a minute or two, one of the girls would go to the toilet “to powder her nose”, after which the other one would disappear. In Moscow, they’d carry on chatting to me, say they were sorry to hear that, and even offer to help.

– Foreigners often comment that Muscovites don’t smile, they look gloomy. Have you noticed that?

– Yes. At first I couldn’t understand why people looked so preoccupied. But then I realised that they just don’t do “duty smiles”. All smiles are honest. If someone smiles at you, it’s very sincere, from the heart.

– Russians are very creative – they know better than many people in other

parts of the world how to think up ideas and concepts, but when it comes to putting them into practice, the Russians are not so good at it.

– If you look at the world economy, it is divided into two parts: some countries are good at thinking up innovative ideas, and others are better at putting them into practice. The Chinese, for example, specialise in putting into practice concepts thought up in other countries. But a significant part of the profit from new products is more and more shifting from the executors to the inventors, to the creators of intellectual value, to those who think up and generate ideas. Take for example this iPhone lying on the table in front of us. Ninety-two per cent of the profit from this product stays in California, where creative people worked out how best to connect people to each other and to artificial intellect. And for the places where it is assembled, for example China, and where the sales networks have been built up, only eight per cent of the profit is left.

Anyway, it seems to me that the

As a rule, businessmen in Moscow only make short term plans. They probably think that everything may well be very different tomorrow.



Chinese economy's tendency to copy the ideas of others is becoming more and more risky. For example, have you heard of the creation of domestic three-dimensional printers, which print not documents, but actual three-dimensional objects? A development of this idea might be the creation on the basis of this technology of an industrial alternative to hugely expensive industrial machines. Imagine that this technology will be widely accessible in industry in as little as ten years from now. Who will then need China with its cheap labour force? After all, then it will be possible simply to "print" many things, whether in Russia or in England. And Russia, with such a turn of events, will find itself in a very favourable position, because Russian creative potential will be in demand throughout the world. Scientific creativity, inventiveness – this is surely the best that could be. It is the most profitable segment of the economy of the future.

"POWER IS PEOPLE"

– *Many foreigners are afraid of bureaucracy and corruption*

in Russia. Have you come up against obstacles created by Russian officials?

– Any serious person in any country must know how to come to agreement with the authorities and to secure their support, at both local and federal levels. Or hire competent people who can take your concept to the authorities and obtain approval for your project.

But on the whole, what is power? Power is people. It is a priority to cooperate with them and come to agreement with them. For example, if I plan to open a small shop on Kalanchevskaya Street, the first thing that has to be done is to find out from the local people how and in what form this can best be done to make it more necessary and attractive to them. If the locals take part in developing the concept and design of this shop, they will become its loyal customers. It is important to remember that the main power comes from people, not from the government.

– *Have you had problems with Russian partners?*

Russian capital, brands, ideas and people can and must change the whole world for the better.





– I have only had positive experience of working with Russian partners, I have not come across any unreliable people along the way. But I should like to say that as a rule, businessmen in Moscow only make short term plans. They probably think that everything may well

be very different tomorrow. It is easy to talk to them about plans for next year, but hard to talk about plans for the next decade. It's difficult to explain to them that money has to be invested over the long term, that it's more profitable that way.

– *What is the Russian consumer like? How does he differ from the Western one?*

– The main difference between the Russian consumer and the Western one is that he is not specifically asked how he would like to see the goods or the service. His potential as a source of necessary information and as the main element in the creative chain is very rarely called upon. The consumer has low expectations, the specific nature of Russian business has taught him to think in terms of price: to look for where it is cheaper. Quality is a secondary matter. But on the whole, I don't think there is much cultural difference between Russian and Western consumers.

– *What are the special features of the Russian market?*

– Many forecasts say that by 2020, it is Russia which may become the country with the strongest economy. Some estimates also say that 50-60% of its market space is now unoccupied. That means that there is a huge prize on the table. And the chance to pick up this 60% will go to the one who can respond correctly and in good time to the requirements and wishes of the clients.

– *What difficulties in your work have you come up against in Russia?*

– There have not been any particular difficulties. But I'll tell you one thing that seemed strange. That is the system of administrative orders and declarations – at all levels, in all Russian organisations. Here, you very often have to write service notes about all sorts of things, which takes a lot of time. What's the need for them? It's a mystery to me.

– *Many foreigners comment that the socialist past has killed any initiative in Russians. Is this so?*

– Yes, this does in fact appear so at times. Russians often want to hear, what exactly something is, literally from one end to the other, and on top of that what exactly they should do. Without even asking why. But if I have to tell you everything in the smallest detail every time, what use are you to me?

In this connection, I should like to give this advice to businessmen working in Moscow: give your fellow workers room to spread their wings, inculcate initiative in them, and then you will be amazed at their creative potential and at the results their labour can achieve.

– *What does Team Drive do? By whom and when was it created?*

– The company was founded in 2011 by a team of professional managers with successful experience of efficient management of large projects and firms. One of the founders is Leonid Melamed,



who previously headed AFK “Sistema” and before that MTS, where we had experience of working successfully together. It was he who asked me to join the team. Leonid always welcomed variety in approaches and a fresh objective view. This was particularly in demand in his new business.

The basic idea of the business is creating, or significantly increasing the value of, clients' assets by efficient top-grade management. We are convinced that many Russian companies, ideas, concepts and brands are considerably undervalued, and from the point of view of their potential not only in Russia, but in the world as a whole. Our task is to determine this potential and the fullest way of realising it. Russian capital, brands, ideas and people can and must change the whole world for the better.

“YOU ONLY HAVE TO LIVE IN MOSCOW FOR A MONTH TO REALISE THAT THERE IS NOTHING TO BE AFRAID OF HERE”

– Do you have your own apartment in Russia?

– Yes, in Moscow. And I bought it a long time ago, in 1993, from a friend who was emigrating out of Russia. I bought it without even understanding why at the time. The apartment was not used for a long while, there was no need for it, but then it became very useful.

– Is it all that necessary to know Russian if you live in Russia, or are there now enough businessmen who speak English?

– There are two extremes here. People either know English very badly or not at all, or they know it excellently. And there are more and more of the second category. But I think the foreign specialist should speak his clients' language in any country. For example, I recently had to speak in Holland. Canadians came onto the platform and spoke in English. I spoke in Dutch, and this made a strong impression on the audience. You are taken more seriously

At the present time, there are far more opportunities for carrying out ideas and projects in Moscow than in any other European capital.



and trusted more if you are so interested in a country that you even learn its language. Furthermore, a knowledge of the language is a considerable help in penetrating into the specifics and understanding the nuances of your partners and clients.

– What would you say to those foreigners who are still in two minds about whether it is worth coming to work in Moscow or not?

– I would ask them the reasons for their doubts. Many are worried about the Russian Mafia. This is complete nonsense. I would advise them not to waste time on doubts, but to concentrate on analysis. At the present time, there are far more opportunities for carrying out ideas and projects in Moscow than in any other European capital.

– Many are afraid that crime is on the rampage. Are you not



afraid to walk around in Moscow and its suburbs on foot?

– This is one of the stereotypes, that foreigners are afraid of crime in Russia. You only have to live in Moscow for a month to realise that there is nothing to be afraid of here. And there are petty hooligans everywhere, not just in Moscow.

– I sense that you find it very comfortable to live and work in Moscow. Tell me, Garrett, are there traits in Russians that make them akin to the Irish?

– There are. For example, imagine an identical Saturday evening party in different cities – in London, Dublin and Moscow. It's 9pm, everyone is eating, talking, drinking, having a good time. But at two in the morning, the polite Englishman politely hints to his guests that it's time for them to go home. But the Irishman, like the Russian, can stay on as a guest till Tuesday.

– How do you spend your spare time?

– I like to go to the extremely beautiful garden of the Hermitage, lie on the lawn and read, read, read.

– What do you read?

– Newspapers, books. The Financial Times, the Irish Times and the Guardian in English, the Neue Zürcher Zeitung and the Frankfurter Allgemeine Zeitung in German, Le Monde and Le Canard Enchaîné in French. I am now reading the book On Intelligence, by Jeff Hawkins. It is about attempts to create an artificial intellect.

– You have a favourite place in Moscow, the Hermitage garden. Do you have one in Ireland?

– The beach at Glenbeigh in County Kerry. Six kilometres of soft golden sand, the Atlantic Ocean, and just me, my dog and the seagulls. That's a place where you don't have to think about anything.

– Do you have a recipe for dealing with Moscow traffic jams?

– The Moscow administration would find it worthwhile to study and try to adapt the European system of “integrated transport”, including road infrastructure, signs, driving rules, driving standards and the system of organisation of public transport. But I expect they have their own recipe. ■



BIGMOSCOW

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