

BIGMOSCOW

JANUARY – MARCH 2016 | DIGITAL MAGAZINE

ENGLISH VERSION



MOSCOW 2016: what opportunities does the crisis open up?

Italian **Gietti**

expands chain
of coffee shops in Moscow

Austrians
Edlinger and Erichovich
bake alpine bread
in Moscow

Englishman
Adam
introduces Basel
standards in banks

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BIGMOSCOW

JANUARY – MARCH

PERSONA

2016



It's Worth Investing in Moscow

Swedish national **Fredrik Svensson** has been living and working in Moscow since 2007. He is a partner in law firm *Mannheimer Swartling* which is the largest law firm in the Nordic countries. He talks about the continuing investment attraction of Russia and its capital for small and medium businesses.

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"Three-In-One" Success

Lorenzo Getti from Italy quite understands why his compatriots are transferring their production to Russia.



And Business Bloomed with CherryBlossom

In the 16 years he has lived in Russia, Japanese **Itsuki Zaima** has tried many things, from trading in fishing tackle and second-hand motorcycles, to opening his own café, and then, a private school teaching Japanese.

GOING TO WORK IN MOSCOW



Everyone Can Find Business in Moscow!

Englishman **Zeyn Adam** is a renowned financier who was actively involved in the development and implementation of the so-called Basel Standards in the banking sector. Today he tells of his life and work in the Russian capital.

TRADING WITH MOSCOW





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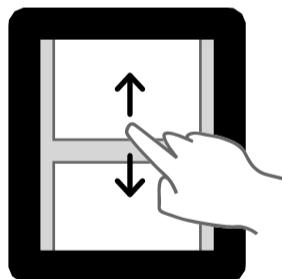
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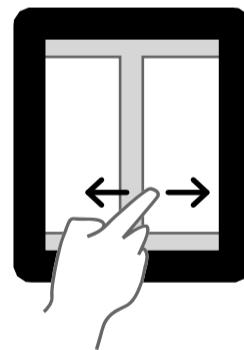
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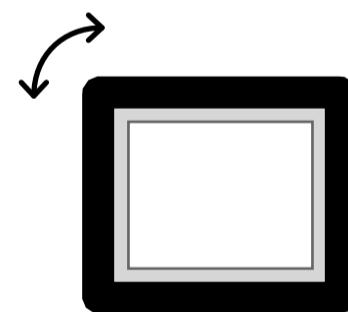
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PERSONA



Fredrik Svensson, a Swedish national and a partner in the law firm Mannheimer Swartling, working in the Russian capital since 1990, thinks that:

**It's worth
investing
in Moscow**

BY: NIKOLAI MIROSHNIK | PHOTO: VIKTOR VARZAKOV | TRANSLATION BY: JACK DOUGHTY

*The economic situation in Russia and the world today is not very good. Western sanctions against Russia, responsive anti-sanctions and import replacement have given grounds for negative reactions concerning the attractiveness of the Russian market in the media of the European states, and not in them alone. But how do matters stand in fact? Is foreign business working in Russia, in Moscow? Is Russia as attractive as it was for investments? This was the subject of an interview given to BIGMOSCOW observer Nikolai Miroshnik by **Fredrik Svensson**, a partner in the well-known Swedish law company Mannheimer Swartling, who has been living and working in the Russian capital since 2007.*

– A collection of articles entitled “How to invest in Russia”, published more than a year ago by the Association of European Business included one by you, headed “Go into Russia in a joint venture: To be or not to be?” How would you answer Hamlet’s question on this theme today?

– To invest in Russia is always a good idea. It is a country with a 140,000,000 consumers, it has sound state finances compared to some European countries, and it has a stable political system. In my opinion, it is always worth investing in Russia and

ABOUT FREDRIK
SVENSSON



its capital, but you need to do it in a responsible manner.

– **Take Swedish investors, for example. Who would you say are among the most successful?**

– Your market is very attractive for producers of consumer goods. Off the top of my head, I can certainly name the Swedish furniture company IKEA, and also the popular brand of fashion clothing H&M. They are working very well in Russia. One might also



mention the successful investments of enterprises connected with the mining industry. Up to today, things have gone very well for them but they are of course affected currently by the low commodity prices. Or take the IT field – the Internet trading portal AVITO. This is a Russian company, but it was founded by Swedes. The lads came to Russia and started virtually from scratch. They created and expanded their company, which is now worth around two billion dollars.

– So you think that even in conditions of financial instability, a reduction in the purchasing power of the population and in its investment

rating, the risk of investing is justified today?

– You know, investments always involve a certain risk. But you have to be both patient and bold. To leave the Russian market today will cost you a lot of money the day you want to return. In a couple of years (if not sooner), Russian will again be a “hot topic” and where companies want to establish business. I think Warren Buffet said once: “Be Fearful When Others Are Greedy and Greedy When Others Are Fearful”.

– In connection with sanctions and a certain tension in international relations, has the climate in Russia changed for Western business?

– On the whole, the climate has not changed. I think the Russian government and the Moscow authorities are trying to create a better playing field for business, but it takes time.

But of course things could be a lot better. One of the things that worries

**Investments always involve a certain risk.
But you have to be both patient and bold.**

*About the company
Mannheimer Swartling*



investors is that the laws and the rules of the games sometimes change too quickly. Sometimes also laws contradict each other. Investors dislike unpredictability. This problem varies from industry to industry. For example, in the consumer goods field, the laws are quite stable. But as for the oil industry or media business, the rules can change in a way that cannot always be understood. For example, in the media business, legal limits have been placed on the holding of media shares by foreign investors. As a result, to take one example, the major Finnish media holding Sanoma was forced to sell its Russian shares.

Of course sanctions have had an effect on business, although on the whole, we are not seeing any panic in Russia. Many of our businessmen have been here a very long time, they have strong links... Yes, some have been forced to leave Russia, e.g. exporters of food products. However, this is a good thing for your country in a way, you can set up your own production facilities on the spot.

As for relations with foreigners working in Moscow, they have not changed at all. The Russians take a very healthy attitude. For example, no-one (and I have many Russian acquaintances) has said to me that he doesn't like me because I am a foreigner.

– Have sanctions had any effect on your firm?

– They have not touched on our work directly. We do not work with companies subject to sanctions. But as lawyers, we give a lot of advice to our clients as to what they can and cannot do in Russia under sanctions.

– A policy of import replacement, of developing our own production facilities, has been proclaimed in our country. In this connection, in your opinion, how interesting for the foreign investor could the idea of localization of production in Russia be?

– I personally have always been in favour of completely free trade. But

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To invest money in Russia
is always a good idea.

at the same time, Russia is far from being the only country urging import replacement; Brazil, Argentine, China and to some extent the USA also support their own local producers. As for localization of foreign production in Russia, the situation has to be assessed for each specific case. I think that for certain industry sectors, it could be an option for a foreign company to consider local production, in particular for those companies who participate in state tenders.

– *Can you give an example of a Scandinavian investor who has invested in Russia and in Moscow recently?*

I know that many companies which are already present here are working on new projects. As for the newcomers, particularly from small and medium business... We must admit that the environment is not very favourable for this today. The atmosphere in Europe around Russia, mainly in the media, leaves much to be desired, and

in my opinion is too negative in many respects. I have no desire at all to give advice to your government, but I think Russia should pay more attention to its image in the eyes of the European investor.

– *What is your opinion, as a lawyer working with business: how difficult is it for a Western entrepreneur to open a business in Moscow, particularly for small and medium businesses?*

– To start a business in a developing market is always a challenge. But as I usually say, specifically to small and medium businessmen, it is no more difficult in Russia than, say, in China, Indonesia or Brazil. However, in Europe it is often considered, again under the influence of the media, that everything is far more difficult here. This is not the case. The important thing is to study the rules thoroughly and follow them. And not to listen to the advice of those who come up to you and say: with my help you could well “cut a few corners” and do everything

I think the Russian government and the Moscow authorities are trying to create a better playing field for business.





more quickly. This is a very dangerous path.

– *What are the difficulties facing a new investor in our market today?*

– Probably local financing. Obtaining credit in Russia is expensive and quite difficult. This does not only have an effect on corporate financing but also on e.g., infra-structure projects where you often lease the large machines and ancillary equipment.

– *As far as I know, in your legal practice you also specialized in questions of anti-corruption laws. How do you think matters stand with regard to corruption in Russia?*

– Corruption is a general problem. It is present also in Asia, Europe and America. But a serious fight against it is being waged in the Western countries today. Strict anti-corruption legislation has been adopted and is being applied. Even the biggest companies, if they

become involved in bribes, whether at home or abroad, can be fined, and fined billions of dollars.

While we're talking about Russia... I don't think the level of corruption in Russia is higher than in the other BRICS countries. In China it's at the same level or even worse. I repeat: there are temptations to do everything more quickly, but not altogether legally. The alternative is to keep strictly to the rules, although this takes more time. We try to convince our clients that the second way will be a lot cheaper in the long run. But if someone in a client company has done something wrong, then we are there to assess the risks, what needs to be done and who may bear any legal responsibility.

– They like to frighten foreigners with Russian bureaucracy...

Well , if anyone has to deal with bureaucracy, we lawyers do. Of course it sometimes creates unnecessary obstacles. Yes, in Sweden it takes one day to set up a new company, here it takes a month. But bureaucracy is something you just have to work with.

– In 1990, Mannheimer Swartling became the first European law firm to open a branch in Moscow, which of course gave it the advantage of being in at the start. But what are its competitive advantages today?

– Probably mainly the experience of working in Russia that it has accumulated over the past years. When the firm came to Moscow, it was still in the time of the USSR. When we wrote a business plan, no-one had the faintest idea that the Union would collapse...

In Russia, you need time to learn, to understand the country and its cultures, to get to know what business is like here... When I came in 2007, I thought I would only spend a few years in Moscow. Yet I am still here.

– How did you turn up in Moscow? Before that, you had worked in your firm's branches in Sweden...

– But I had always wanted to work abroad, In 2007, Mannheimer

I don't think the level of corruption in Russia is higher than in the other BRICS countries.



Swartling made considerable extra investments to expand its Moscow business. And they offered the post here to me. I jumped on the first train...

– You don't regret it?

– No, I don't. It's even funny, sometimes, when people at home ask: "How can you survive in that place, Moscow? It's dangerous there!"

But I'm not just "surviving", I'm living a normal life. And I'm not alone. My future wife is living with me and she is from Vienna, Austria. She has already met friends and enjoys it here in Moscow. Virtually every one of the foreigners I know working and living in Moscow speaks very positively about the Russian capital.

– And you don't feel any danger?

– Absolutely not. I can't recall that any of my foreign colleagues have ever complained on this issue.

– What impression did Moscow produce on you in your first days here?

– I have to say, over the years of my stay here, Moscow has changed very considerably. It used to seem more grey somehow. Your mayor Sobyanin did good work.

– *But surely you can't like everything here? What is the main thing that displeases you?*

– The very overloaded traffic. And of course the fact that drivers race round the city too fast. That's wrong. I think the traffic police should be stricter on reckless drivers.

– *You said that at first you planned to remain in Moscow for only a few years, but you've been working here for eight years now. Is the end of the Russian period of your life in sight yet?*

– I keep on working. I have not set myself any limit. I may not carry on living here all the way to a pension, but actually I'm not sure I'll stay in Sweden either... ■

Virtually every one of the foreigners I know working in Moscow speaks very positively about the Russian capital.



PIECES OF ADVICE
FROM **FREDRIK
SVENSSON**
FOR THOSE WHO WANT TO START
A BUSINESS IN MOSCOW



Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.

PIECES OF ADVICE

STUDY THE SITUATION IN YOUR SELECTED FIELD OF BUSINESS

Do your homework. Think through carefully just how you are going to integrate your company into the business already existing in Russia.

A BUSINESS FOR THOSE WHO WANT IT



Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.

PIECES OF ADVICE

PICK YOUR TEAM

This is perhaps the most difficult.
Don't think you can hire personnel
on the cheap in Russia.
But you can find good and loyal
workers here, to whom it is worth
paying a decent salary.

A BUSINESS FOR THOSE WHO WANT



Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.

Pieces of Advice

STUDY RUSSIAN LAWS
AND TRY TO CONFORM
TO THEM

But don't try to get round them.
Sometimes you may be offered
a way to "cut corners" –
but don't give way
to temptation.



Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.



PIECES OF ADVICE

IF YOU COME HERE, PLAN FOR THE LONG TERM

This w There is no sense in only I'm coming to Russia for a year.

cor The situation changes, to ca there are rises and falls. Don't fall at the first fence.

Friendly contacts may get you out of a difficult situation.

Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.

PIECES OF ADVICE

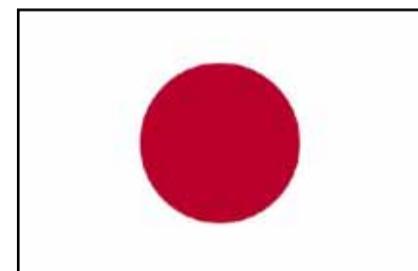
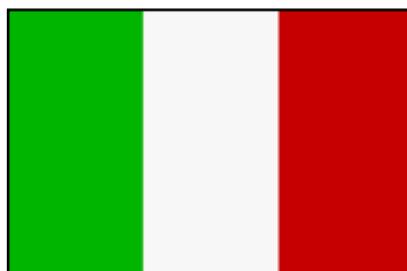
MAKE MORE CONTACTS AND LINKS

This will help in your business.
I'm not talking about common
corruption. I would prefer
to call it the legal "corruption
of friendship".
Friendly contacts may get you
out of a difficult situation.



Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.

PERSONAL EXPERIENCE



**Austrians
Edlinger
and *Erichovich*
bake
alpine
bread
in Russia**

**Italian
Gietti
expands
chain
of coffee
shops
in Moscow**

**Japanese
Jaima
teaches
Russians
language
of their own
country**

Austrians Engelbert Edlinger and Martin Erichovich have opened a successful bakery in the Russian capital



Alpine bread domiciled in Moscow

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

*Two Austrians quite recently (beginning of October 2015) opened a bakery in Moscow where it is possible not only to buy bread, but also to drink coffee or tea with a cake. From his early childhood, **Engelbert Edlinger** had dreamed of becoming a baker "to bake bread which would astonish people with its taste". And he became one, probably because he was sincerely convinced that bread is an art. Engelbert's partner – businessman **Martin Erichovich** – has long been attracted by Russia. "I don't want to say anything bad about Austria, but I love your country, where there are far more opportunities for everyone", he explained to the BIGMOSCOW correspondents who went to Engelpekar.*

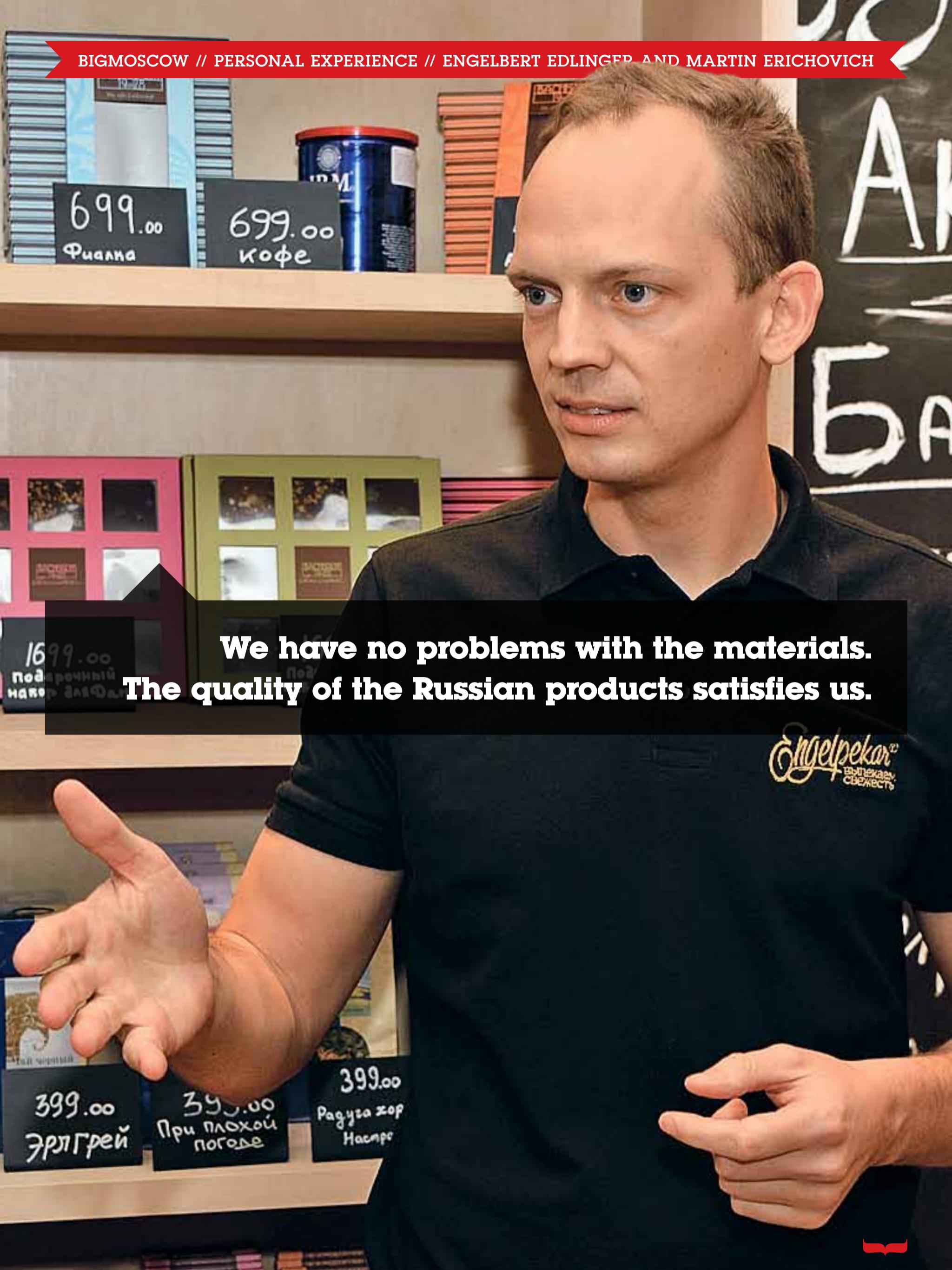
"We bake freshness" is the slogan of the Engelpekar bakery, located in the very centre of the Russian capital. And this should be taken literally: the bread here is not only born under the eyes of the purchaser, it is even kneaded here as well, exclusively from natural products and without additives of any kind.

– How did you come up with the idea of starting such a business in Russia, where bread is a pretty common sight anyway? Did anything previously connect you to this country?

Martin:

– I have been doing business with Russia in various fields for 10 years now. I got to know Engelbert about seven years ago. We were sitting next to each other in an aircraft, and we got along well at once. We kept in touch and exchanged ideas. And two years ago, this idea came to be discussed in detail, and our partnership followed.





We have no problems with the materials.

The quality of the Russian products satisfies us.

Engelbeker
Быстро
Свежее

399.00
Эрл Грей

399.00
При плохой
погоде

399.00
Рагуза хор
Насире

Engelbert:

– I was the one who had the idea about the bakery. I had worked for almost 20 years in the baking industry in Austria. And I thought: why not open a real Austrian bakery somewhere outside Austria, to bake really fresh attractive bread? And why not do it in Moscow, for example? After all, the city has a population of 16 million! I myself come from a village with only 500

Martin:

– One can only regret the two-way sanctions between the EU and Russia. They are a serious step back in our relations. And yet Europe and Russia ought to be together. We would like to import many more goods and products into Russia. Cheeses, for example. But we can't do it because of the sanctions. Fortunately flour does not come under the sanctions.

“We bake freshness” is the slogan of the Engelpekar bakery, located in the very centre of the Russian capital.

inhabitants. And the products of the bakery there are in great demand.

Martin already had good contacts with the Russian capital, and I had recipes for baking amazing bread. So we agreed to do it. We spent two years together working through the project, and then everything worked out well.

– Economic relations between Russia and the European Union are not at their best just now. Sanctions against each other, the strains of the economic crisis. Didn't this put you off?

– Was it hard to establish yourselves in Russia?

Engelbert:

– It wasn't easy. We had trouble finding a site for our business and in solving financial matters. But our main aim was always to offer Muscovites bread baked from Austrian recipes.

– Did anyone help you set up the business? Any structure or organization?

Martin:

– No. The fact is that if we had not had previous experience of dealing with





**I have been doing business with Russia
in various fields for 10 years now.**

Russia, organizing and setting up our bakery in Moscow would have taken not three months, but three whole years! Russia is a unique country, and you have to know and allow for this uniqueness.

– Some Western businessmen express fears when the subject turns to Russia. They talk about bureaucracy, corruption and crime. What is your experience?

Engelbert:

– There's nothing to fear. But if we were easily scared, we wouldn't be in this business. There are plenty of risks in Austria too. So Russia and Moscow are not exceptions, you can work very well here.

– What was your starting capital?

Martin:

– The initial amount we had was less than was actually required. We wanted to do everything properly from the start. For example, we spent a considerable sum on arranging high-quality ventilation and on various other safety measures. And the total came out as considerably more than we had initially reckoned. But the same thing can happen in Austria. All sorts of things can happen. Any businessman who opens his own business is likely to make mistakes. He often underestimates the costs and the requirements for financing, and

Мнение



**Vitaliy Solomonov,
Managing Director
of Solomon Invest**



Statistics confirm that over the last decade bread production in Russia has been falling. By 7% each year. Due to a drop in consumer demand. According to data from Rosstat, in 2013 each Russian ate 258 g. of bread every day, rather than the 303 g. of 10 years earlier. This notwithstanding, almost all of us eat bread on a daily basis. And there are almost 20m people living in Moscow. It is not difficult to see that this market is massive. Not to mention that several analysts maintain that the segment of this market





overestimates the possible turnover. We also underestimated the costs, simply because something extra was always having to be added to what we had planned. But in any case, in the end we had enough money.

– Was that your own money or credit?

Martin:

– All our own money. Money we had earned in other fields.

– You are leasing premises for the bakery. Why did you choose Ostozhenka in particular, one of

the most expensive streets in the centre of the Russian capital?

Martin:

– Well, of course it wasn't because I lived just round the corner. We considered several possibilities. But we decided on Ostozhenka in the end, because the footfall here is amazing: many people live, work and study here. There are many embassies, including the Austrian Embassy, a ten-minute walk away. And the Austrians who work in the diplomatic mission and the consular department were absolutely delighted that we opened here. They tell us: "At last there is real Austrian bread in Moscow!"

– How much does it cost to lease the premises for your bakery?

Martin:

- The lease is very expensive...

Engelbert:

- But we are still negotiating and hoping to get the leasing costs reduced.
(They both laugh.)

Martin:

- If we told the readers of your magazine how much our lease payment is, I think many of them would not believe us.

– How do matters stand with the taxes businessmen are always complaining about?

Martin:

- There are various favourable tax models in Russia, all quite legal. For example, businessmen running a small business pay six per cent on the turnover, and this opens up tremendous opportunities for us, as young entrepreneurs. This is very little compared with what we would have to pay if we were running a similar business in Austria.

– What varieties does your bakery offer?

Engelbert:

- We decided to stick to a limited range. For the last five years I worked

Expert



Olga Lutseva-Er,
Managing Director of
NeoAnalytics Market
Research company



The overall size of the market in bread-based products in Russia is around 500bn RUB. The proportion made up by small independent producers is around 20–25%. The market's dynamics are positive.

Operating in Moscow there are in the order of 400 independent bakeries, about 100 of which belong to large enterprises. On the whole, the market is growing precisely due to medium-sized and small enterprises. They quickly adapt to what the consumer wants. The independent bakery market in Moscow differs significantly





**Europe and Russia ought to be together.
We would like to import many more goods
and products into Russia.**

in a big chain store network, which had eight bakeries all over the country, producing about a thousand different named products, including confectionery. But it is not possible to maintain quality at the proper level with such volumes of production. Therefore we took the decision in favour of a small range, which would enable us to guarantee the highest quality. Obviously we favoured Austrian recipes: classic rye bread with seeds, our own original baguettes, ciabatta, apple strudel, muffins... And all from 100% natural raw materials, without any kind of additives or preservatives.

– At what price do you sell your bread? Do you base your prices on Russian or Austrian ones?

Martin:

– We base our price formation on the fact that our products are of high quality. For example, in Moscow you can buy a baguette for 40 roubles, but it will have quite different properties to

ours. And in the Moscow Azbuka vkusa [Alphabet of price] chain of stores, you can get baguettes from Austria but baked in Moscow from raw ones. They cost about seven euros, that's about 500 roubles at today's rate of exchange. But we decided to offer our products at a fair price, so that they will be available to students too.

There is no exaggeration in these words. On the day the owners of Engelpekar were talking to BIGMOSCOW correspondents, students from the nearby Moscow Linguistic University came into the premises on Ostozhenka. They bought excellent apple strudels for 290 roubles, and baguettes at a “buy one, get one free” offer price of 111 roubles.

Some of the customers greeted the staff in German as they came in: “Guten Tag” and “Grüß Gott”. The smiling girls behind the counter, dressed in dirndl, the national costume of the German-speaking Austrian regions, replied in the same way.

Martin already had good contacts with the Russian capital, and I had recipes for baking amazing bread. We came together on that basis.





– **How much bread do you sell in a day?**

Martin:

– I couldn't say offhand. Every day is different. But it must average about 300-400 bakery products a day.

Engelbert:

– Or in terms of weight, we sell about 60 kilograms of products per day.

Martin:

– The main thing is, we already have regular customers! They are people who live, work or study nearby. We also have customers from other districts of Moscow of course, who learned about us from the Internet. We're also on the

social media: Facebook, Instagram and VKontakte. And we are also active with Austrian partners in holding various events and actions, because we are trying to represent Austria, of which we are part.

– **How many staff do you have?**

Engelbert:

– There are now 12 people working here.

Martin:

– And they are all Russian.

– **What do you think of their professional qualities?**



**We took the decision in favour of a small range,
which would enable us to guarantee
the highest quality.**

Martin:

– It's hard to say. We interviewed many job applicants. It took 60-70 interviews to select 12 people, and we quite deliberately hired young people. Our staff are aged 20-23. We think this is right: they can learn a lot from us, including German.

There is a management model in which one person commands and the others do strictly as they are told. But we take another approach, in which the staff member has to be multi-skilled. Therefore each of our staff members has additional tasks on top of his/her direct responsibilities. We think it is a good thing to give someone more responsibility.

– Where do you source your initial products: flour, yeast and so on?

Engelbert:

– The main thing we require, of course, is flour, from which all our products are baked. We import it from Austria. By the way, it comes from an ancient flour mill which has been working ever since 1423 (!), and has been a family business for 22 generations now. Hundred-per-cent quality. We buy everything else here, in Russia. We have no problems with the materials. The quality of the Russian products satisfies us.

– What hinders your work most? And how do you overcome difficulties?

Martin:

– I think what bothers us most is our own impatience. We only opened recently, and we want to advance rapidly. However, a certain amount of time has to elapse before people come to trust us and realize what they are being offered, so that they return to us again and again.

– Are you planning to expand your business in Russia? Do you have concrete plans?

Engelbert:

– Yes. We would like to open a whole chain of bakeries in Moscow.

Martin:

– From the very beginning, we developed a concept according to which, when our first bakery had fully justified itself, other partners would appear and we would be able to finance new projects. Our aim is to open 10-15 branches of Engelpekar in Moscow. ■



A medium shot of a man with dark hair and blue eyes, wearing a dark apron over a blue shirt, smiling at the camera. He is holding a large pizza on a metal tray with a red-handled pizza peel. In the background, several people are working in a restaurant kitchen, and a flag of Italy is visible.

Lorenzo Getti is selling
Muscovites Italian food
produced in... Russia (!)

A “Three-In-One” Success

BY: STANISLAV KOMAROV | PHOTO: EVGENY DUDIN | TRANSLATION BY: JASON J SHAW

Lorenzo Getti is the proprietor of two Italian food shops in Moscow. And he is about to open a third. This young businessman believes that the success of his brand Da Lorenzo rests upon the skilful application on Russian soil of Italian traditions and know-how, aimed at the Russian consumer.

– **Lorenzo, how is it that a 28-year old from Italy has managed to establish themselves here in Moscow?**

– I am from Cesena. It's a small town in the north of Italy, at the foot of the Alps. Fifty kilometres from the Adriatic and the famous resort of Rimini. I came to Moscow nearly five years ago. I have a Russian wife. She was born in Siberia. But we met in Switzerland where we were studying together at the International School of Hotel Management. When we graduated, we decided to get ourselves over to Moscow.

– **You arrived and then started your business straight away?**

– Not straight away. For a year and

a half, I worked at the well-known Italian restaurant Semifreddo, and for another six months at Bontempi. Only then, did I go and work for myself. I launched an online store selling Da Lorenzo Italian food. And about two years ago, I opened my first retail outlet at the Ecomarket in the Konkovo. I created a format called “three in one”. It is simultaneously a shop, small kitchen, and cafeteria. My second shop is nearly a year old, and is on Cheremushinsky market.

To me, this business is the continuation of a family tradition. Both my uncle and my cousin are in the same business. One has a restaurant, and the other has a cafe. We are all on a theme! I've really been helped by my



BIGMOSCOW //

// LORENZO GETTI



*Watch the video
of the interview
with Lorenzo Getti*

studies in Switzerland where I learned the basics of catering, shop trading, and the hotel and restaurant business. People go to train at that college from all over the world: Russians, Italians, Chinese, Mexicans. Each has their own opinion, their own vision. And that enriched my knowledge too.

– *And how do you find bustling Moscow life after tranquil Italy and Switzerland?*

– It has its upsides and downsides. There is an insane energy in Moscow. I wouldn't try to live in Italy anymore. And doing business there is more complicated. And also, being in my business in Russia has become a lot more profitable, even with the sanctions. The Russian economy in itself is stronger than the Italian one. There is already now no point in buying produce abroad and bringing it here. Which is why many Italians have started to transfer their production to Russia. I would describe the situation with the Russian economy now as peaceful and promising. Yes, now you can't import cheese from Italy into

Russia. But nobody is stopping you from making it here!

– *Just to get one thing clear: many of the products which I see on your counter are on the banned list. So, they are all produced in Russia?!*

– Exactly so! These Italian cheeses are made in Moscow with Russian-produced milk. In Russia, we have also found suppliers of quality meat for our Italian sausage. Obviously, products which are not on the banned list, we import. For example, prosciutto, and a few other items: pasta, mineral water, coffee, olives. After all, they don't grow in Russia. (Laughs.)

– *How do you position your business in Russia?*

– It is not just quality products, but also ambience and, if you like, know-how. There aren't many shops or cafes in Moscow run by Italians. We endow our Moscow business with Italian culture and working principles.

«“Three in one” is simultaneously a shop, small kitchen, and cafeteria.



BIG

ITAL EXPERIENCE // LORENZO GETTI



In Russia, we have found all we need
to make Italian cheese and sausage.

– How many people are employed in your business? Are they all Italian?

– At the two places, there are eight people working for me. There are both Italians and Russians.

– Many consider Moscow to be an expensive city. Is it?

– It was a shock when we first got here! In Moscow, everything is different. In Europe, life for young people is too quiet; here it is interesting. At first, it seemed that everything here is very expensive, but now we are used to it. All the same, I try to keep our prices down. For example, we sell coffee at 90 roubles

a cup. In Italy, it also costs 1 euro 10. It's the same with the prices for the rest of the goods produced in Russia.

– What about the quality?

– We use Italian processes. And if you try imported cheeses and the cheeses produced here, then only an expert would be able to tell the difference. That is precisely why 90% of our customers are regulars. That is an indicator already! They bring their families, their friends. They bring their kids to the Sunday master classes.

– Do you keep abreast of the changes going on in the country?

Opinion



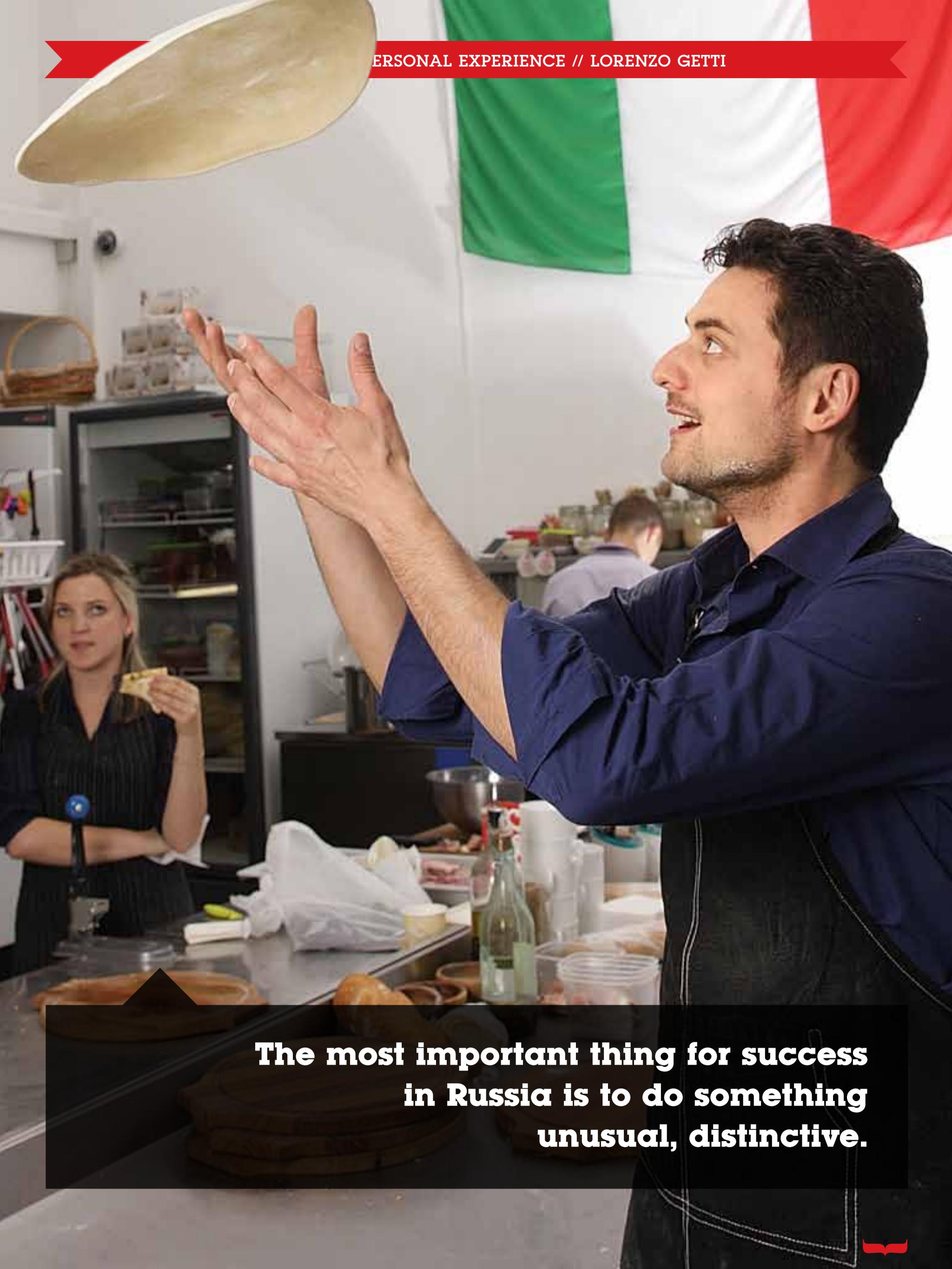
Sergey Rak,
Chairman of the Board
of Directors at Markon



Over the last six months, the catering segment in Moscow has contracted by 10%. This is hardly unsurprising: average wages markedly decreased during the crisis, as a result of which, demand also dropped significantly. Added to which, the cost of supplies for those in the business increased substantially. Very few operating in this segment will be feeling as if they are doing well at the moment.

But, compared with western countries, there are still far fewer places serving food in the Russian capital than are needed. Hence, the conditions





**The most important thing for success
in Russia is to do something
unusual, distinctive.**

– The landscape in Russia changes quickly. When I first arrived, everything was highly disorganized. I would go into Russian Post or Sberbank and be horrified. It would be full of people, nobody knew who to talk to, none of the staff knew any foreign languages... But over five years, I have seen huge changes: service is getting closer to European levels.

– Is it the case in all areas? I would like to hear some criticism too...

– My area is organizing restaurants. And in this, Russians are still far behind the Italians. As I see it, Russians in the restaurant

trade are only in it for the money. Italy is full of businessmen who have their own restaurant or café not just for the money. Income, obviously, is important: you have to have something to live on. But it's more often the case that they keep the business for their family, for pleasure, to make themselves happy.

Or, take as an example Moscow waiters. In Italy, there is no stigma attached to being a waiter for many years, even into old age. It is a profession. Here, though, people do it on a temporary basis, as a sideline...

Also I don't like the way second-rate restaurants try to imitate the concept of Italian restaurants. In such establishments, the food, the

Expert



Ilyas Shugaev,
*Head of the Legal
Support Department
at the law firm
MosGorKonsalt*



The format of Lorenzo Getti's business is without doubt very interesting in terms of its ergonomics and the facilities for those who simply want to enjoy a cup of coffee either on or off the premises. But, at the same time, when combining different forms of business, one must rigorously heed the requirements as set out by the laws and bylaws of the RF for each of them. To set up any business in Russia, it is necessary initially to register with the Tax Inspectorate as





service, and the name: none is what it claims to be. There is nothing Italian about them.

– Why, in your opinion, is Italian cuisine so popular?

– There are three reasons for this: it is simple, it is tasty, and it is healthy. We don't fry things, generally; we use fish and seafood, olive oil; we take only the very freshest of everything. You can combine three ingredients and come up with a dish of some sort. For example, Caprese salad. Or pesto. They are made with love. This is very important.

– Are you able to say how much you invested in your business?

– It would take between two and five million roubles to open a business like mine. I'm thinking of the “three in one” concept. To open a restaurant, though, that would need from five to seven million roubles. At my place, for example, the dining area covers 110 square metres. It's quite small for a restaurant. However, due to the increase in the euro exchange rate, I would put 8 million roubles into the budget. I mean, we are importing some kitchen equipment from Italy and Germany. And the price has already gone up by 20 percent.

A close-up photograph of a young man with dark hair and a beard, wearing a blue button-down shirt. He is smiling warmly at the camera. His hands are resting on a dark wooden table in front of him, supporting a white ceramic coffee cup and saucer. The cup contains a latte with a decorative foam pattern. In the background, there's a blurred view of what appears to be a cafe or restaurant interior with other tables and chairs.

If you are only doing it for the money,
then nothing will work out for you.

– *What advice would you give to businessmen just starting out on setting up shop in Russia?*

– The most important thing for success in Russia is to do something unusual, distinctive. Not just an Italian restaurant but also something unique. Like a pasta restaurant which sells only pasta products. Or a restaurant which serves different types of pasta and desserts. You have to think up some kind of gimmick. Like we have our “Conversation Club”...

such evenings, customers can choose a few dishes at a discounted price.

– *Your first piece of advice is clear. Anything else?*

– Work your budget out properly. In Russia, Italy, wherever, starting a business brings up completely unexpected problems which you have to resolve. So your budget needs to have a financial “safety cushion”. It can be ten percent or more. It can happen that you don’t get to the end of the journey: you open, but then you don’t have enough money

**I want my daughters to go to school here:
I don't have any qualms at all about
the schools in Moscow.**

– *What's that?*

– On certain days, we have an Italian teacher come to us. There are quite a few people in Moscow who would like to get some practice in conversational Italian. Some come just to chat, some to teach the language to help get a job, some brush up on their knowledge for exams, and others want to travel to Italy. Customers pay the teacher 600 roubles. It is also lucrative for us: on

to cover some kind of vital minor details. Examples of businessmen who don't do something properly, open, and then close after a year, are everywhere. We are currently trying to open another place in the centre of Moscow. That project already has different economics than here in the Konkovo. When we were at the Federal Service for Consumer Rights Protection (Rostrebnadzor), they read us a dismaying statistic: about 90% of



businesses close during the first year because the budget wasn't accounted for carefully enough.

Also, concentrate on service. If it's a restaurant, try and make the dining area as pleasant as possible for the guests. It should have a good manager who knows how to deal with customers.

Fourthly. Cook good food and serve it quickly. Don't descend to the level of fast food, but research some modern work methods.

Finally, you really must have a Plan B, a fall-back position.

And, of course, do it all with love. If you don't love your job and are only doing it for the money, then nothing will work out for you.

– Moscow is a city in which you not only work but also live. How do you relax?

– Unfortunately, I have a lot of work on. Having a day off is difficult. But when I do manage it, I love going to the parks in Moscow with the family. Everyone who comes to Moscow remarks on the parks and

gardens here: there aren't any bigger ones anywhere else. In the centre of Moscow, you can walk through a park for several kilometres. I live in the south-west, which is also a very green area. I simply enjoy going for a walk with my children. That, it seems to me, is much better than watching cartoons.

– How many children do you have?

– I have two daughters: one is three and a half, and the other one is nearly two. The eldest goes to kindergarten. There are no such conveniences in Italy. I have an app installed on my phone, and there are cameras there, so my wife and I can keep an eye on my daughter at any given moment. My wife looks after the children. Which I consider an important and quite difficult job. I would like to carry on living in Moscow. I want my daughters to go to school here: I don't have any qualms at all about the schools in Moscow. Perhaps they could do their higher education in Switzerland. But that is a long way off yet! ■

It would take between two and five million roubles to open a business like mine.



Itsuki Zaima was in several businesses in Russia but achieved success with his Japanese language courses

And Business Bloomed with Cherry Blossom

Itsuki Zaima comes from the Japanese city of Fukuoka. He has lived in Russia for 16 years, 10 of which he has spent in Moscow. Itsuki has dealt in fishing gear, sold second-hand motorcycles, fed Russians the Japanese pizza “Okonomiyaki”... But for the last three years he has been teaching Muscovites how to speak Japanese in his private school “Sakura Blossom” (called “Ooka” in Japanese). On the subject of his unlikely adventures in Russia and his successes and failures in business, he spoke candidly to BIGMOSCOW magazine.

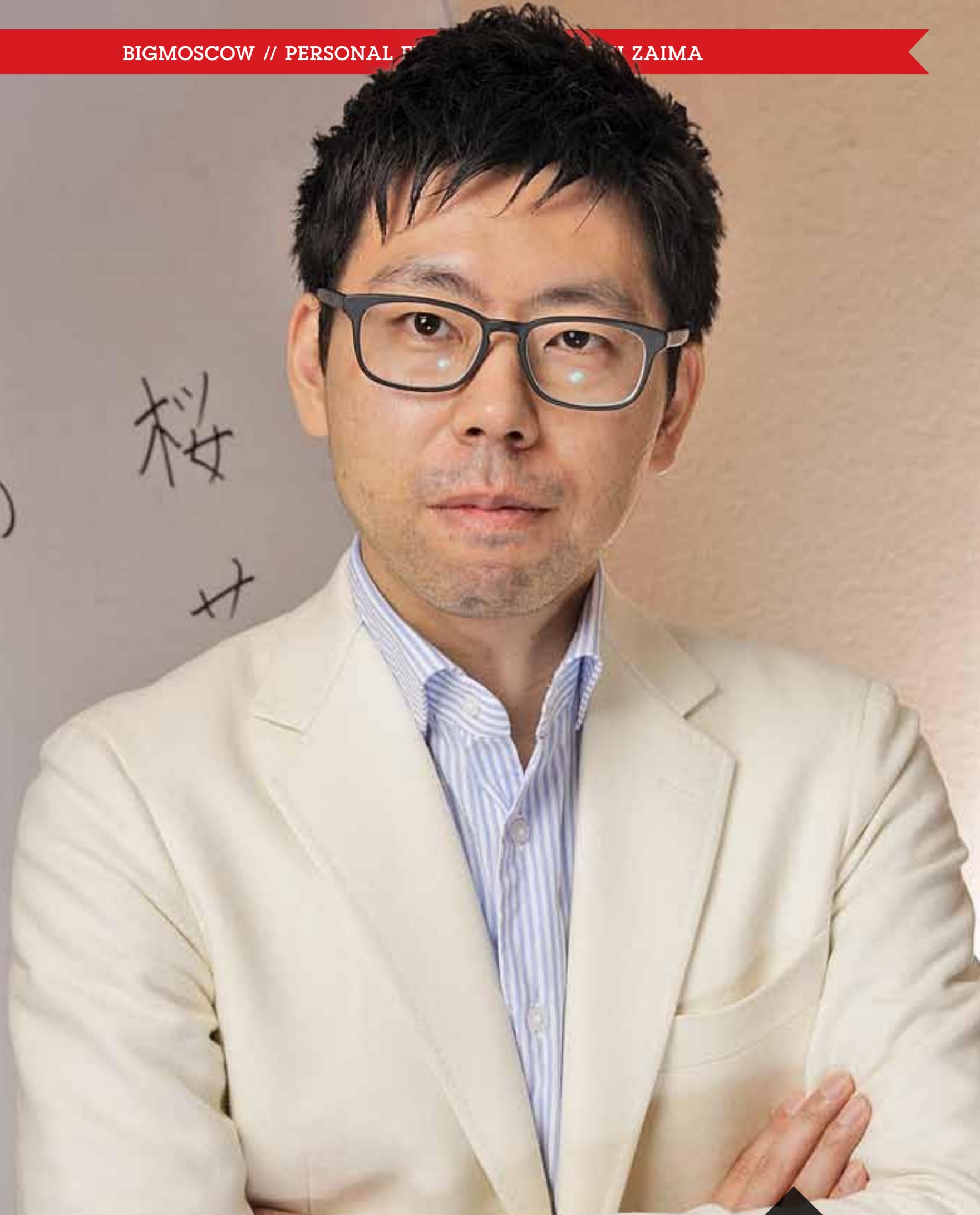
– The first time I was in Russia was in 1995 when I was 17 and still at school, – *Itsuki Zaima tells me.* – I was very interested in the events of the Civil War and the foreign military intervention including that which took place in Siberia and the Russian Far East. This affected my family: one of my relatives was involved in it in Russia. And also I was very keen on Dostoevsky, so I decided to study in the city –

St. Petersburg – where the great Russian writer lived and created his works. I decided to see if I could get into Saint Petersburg

State University without knowing any Russian. During the entrance exams for the Philological Faculty, I was unable to reply to even the simplest of questions from the teacher, such as what my name was, so she then switched from Russian to English. A suitable group for me with my non-existent knowledge couldn’t be found, so they offered me an individual programme. They warned me that this would be more expensive: 6,000 dollars a year.

I spent the first year and a half just learning the language. I lived with a Russian family with two children. I learned the language, as they say, through complete immersion. Then I entered the preparatory department of the History Faculty at SPbU. But I





I spent the first year and a half
just learning the language.

left in the third year. After the financial crisis of 2000, I just couldn't find work anywhere, so I had to go back to Japan. I worked at my father's company.

Then, one day, I received a phone call from Petersburg. A Russian friend of mine invited me to come and work, buying and selling. He said that quite a few people were interested in buying Japanese goods. So in 2003, I returned to St. Petersburg. We were bringing fishing tackle into Russia.

– *Russia and Japan are two different planets. How did you adapt to the local mentality?*

– It's true, we have different values. But in many ways we are very similar. Russians, for example, like the Japanese, value personal relationships. In Europe, everything is by contract. But here it is the thing to do to trust your friends. So if I say I'll do something, I'll do it; if I make a promise, I keep it.

In Russia, there are quite a few people interested in buying Japanese goods.

I registered the company in my native Fukuoka. And, along with two partners, I opened a shop for anglers in Petersburg. Everything went well for two years. But then my partners fell out with each other and we closed the shop.

I went my own way. I moved from Petersburg to Moscow, started a company, and began to collaborate with a big Japanese firm BIKE O, which sold second-hand motorcycles.

Our salon was located in a large retail park. We sold used Hondas and Suzuki. BIKE O invested a large amount in the business: 1.5m dollars.

– *Are you happy with your co-workers' attitude towards work?*

– In Japan, when employees come to work in the morning, they mop the floor themselves, clean the motorcycles, they don't sit still for a minute. From childhood, we see people hard at work all around us. But the first thing people do here when they arrive is make some tea. Then go for a smoke, discuss the news. And they only start working once a customer arrives. It used to irritate me, make me very angry, but then I realised that we are from different worlds. People here lived under socialism for a very long time when, whether you made any effort or not,





A close-up portrait of Itsuki Zaima, a man with dark hair and glasses, wearing a light-colored suit jacket over a striped shirt. He is holding a red ceramic teapot with a traditional design featuring a dragon and the characters '合格' (Goukaku) on it. A small red flower is pinned to his lapel. The background is plain white.

I opened the school “Sakura Blossom”
in September of 2012.
And business took off right away.

you still received the same pay. Hence, the very low work productivity. And there are still traces of this now. Both habit and upbringing have an effect. In the end, I realised that I had to find a compromise. In Japan, most people are workaholics, and they often don't have the time for the simple life. That, too, isn't right. In Russia, everyone wants to find the time for work, and for their family, and for their friends. No one should sacrifice everything to work.

– Why did you wind up the motorcycle business in the end?

metres in a residential building right in the centre, not far from Pushkinskaya metro. It was a really good spot. I invested 250,000 dollars in the business, all of my savings. Plus a small sum I borrowed from friends. A Japanese company carried out the design. All the refurbishment work was done by local tradesmen. Before we even had the chance to hang up the sign, I was met with opposition from the local residents. They said that if I wanted the café to be in their building, then I should share its revenue with them. This was the Residents' Association (TSZh). But I was renting

Here, everyone wants to find the time for work, and for their family, and for their friends.

– Sales were doing well, and I had big plans. But in 2009, there was a sharp increase in the import duty on cars and motorcycles. The prices in our salon jumped by 50%. Just then, the crisis broke out here. Dealing in motorcycles ceased to be profitable.

I was forced to close the motor salon and I decided to realize a dream I had had for a long time: to open a chain of little cafes. To start with, I rented some small premises of 55 square

the place from the company that owned the building, and was already paying 7,500 dollars a month for it. But the residents were insistent: "Your sign is hanging up above the ground floor... You've installed air conditioning and it is spoiling the aspect of the building..."

But we opened anyway. There were nine people working in the cafe: three chefs, five waiters, and a manager. I had decided against sushi, as there is no sea in Moscow. But they do love





A portrait of Itsuki Zaima, a Japanese businessman, wearing glasses and a light-colored suit. He is holding an open book or magazine in his left hand. In the background, there is a painting of a horse and a small Japanese flag. A black text box is overlaid on the lower half of the image.

**My aim has always been to bring Japan
and Russia closer together.**

pancakes in Russia. So I banked on Japanese pizza: okonomiyaki, which translates as “whatever you like”. The base is dough and cabbage, and the fillings can be anything: smoked foods, mushrooms, grilled meat, cheese or seafood. It is all very quick and easy to make. My prices were very affordable. The average bill came to about 300 roubles.

There were, of course, more than enough difficulties. For example, if you open a catering business in Japan, you have the services of many companies who deliver food to you already chopped. In other words, you have partners. This isn't developed in Russia: I had to set up the supply

chain myself. All agreements had to be concluded separately. And only then could the manager deal with the orders and receiving goods.

After a year, I broke even, passed the point where I managed to get my head above water. But then, I had only had three days off in a whole year. And I was working 15 hours a day. It was then that I realised that there would not, alas, be any great profits forthcoming. Added to which, problems with representatives of the regulatory authorities started. I didn't want to pay bribes on principle. The café had been going for 2 years, and then I decided to close it...

Lawyer



Natalya Zyablova,
Partner at the law firm
LegalWay



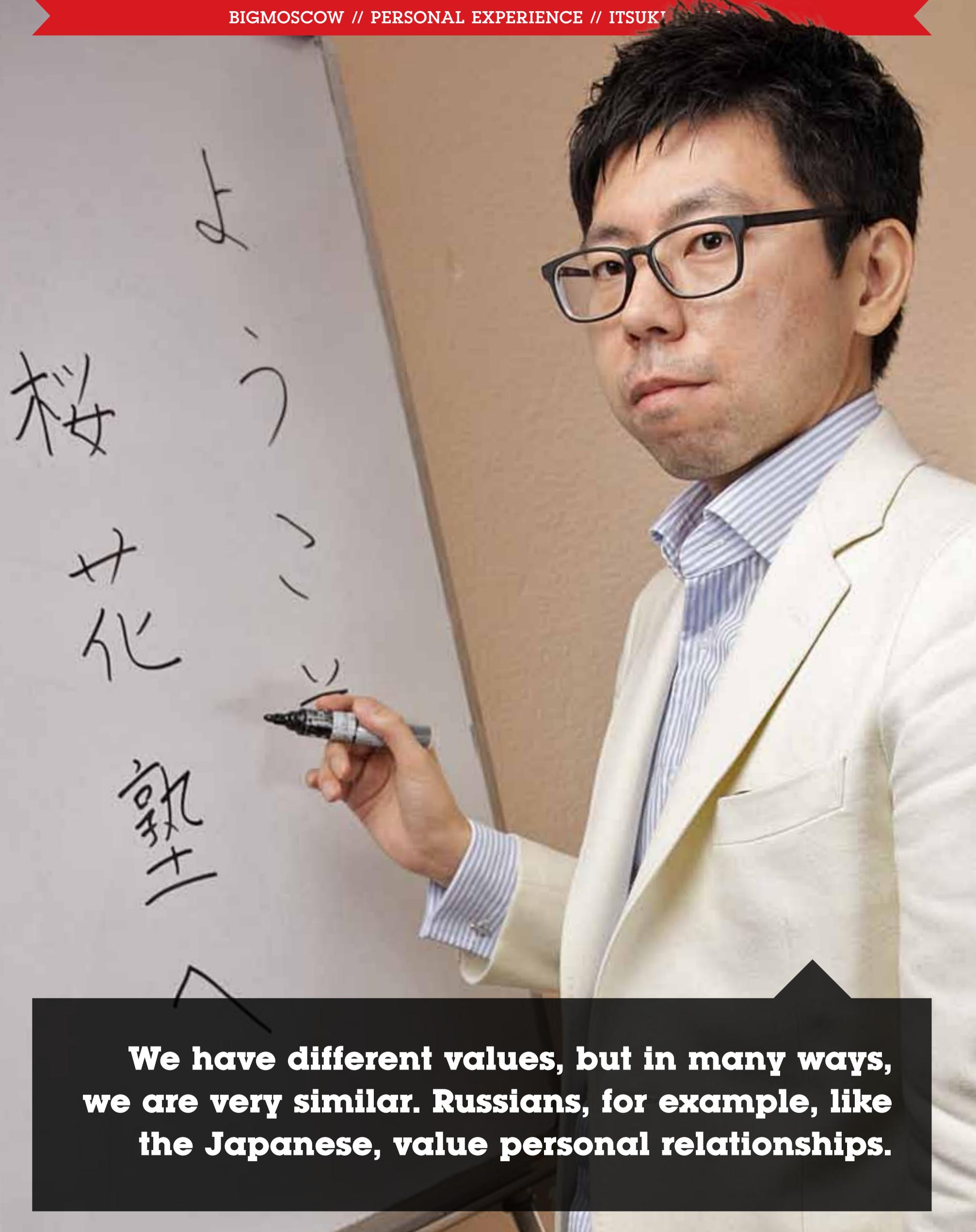
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According to the Housing Code of the RF, the Residents Association (TSZh in Russian) is recognised as a non-commercial organization, bringing together property owners in a multi-occupancy building for the joint management of the entire building complex, to maintain the operation, tenure, usage and, within the limits as established in law, regulation of the property as a whole. Similar owner associations for multi-occupancy residential buildings exist, in one form or another, in various countries.

In Russia, the TSZh has the right to sell or hand over for temporary usage the communal parts of the





We have different values, but in many ways, we are very similar. Russians, for example, like the Japanese, value personal relationships.

– Did you not try to sell the business?

– Selling a small or medium-sized business in Russia is very difficult. People think that maybe your books are not all in order.

And because we had a lot of young people come to the café who were interested in Japanese subculture, I put up a notice about enrolment for a course to learn Japanese. Fifteen pupils immediately appeared.

I opened the school “Sakura Blossom” in September of 2012. And business took off right away. The name is very symbolic. Sakura [blossom from the Japanese cherry tree of the same name] is a symbol of Japanese culture

and the Japanese soul. The premises were provided to me by a Japanese acquaintance. He had a small office not far from Avtozavodskaya metro. I rented one room from him. I had lost virtually all of my money in the café business, so I didn’t want to put any more into individual premises.

After that, I started looking for places of 70 square metres in the centre of Moscow, near Shabalovskaya metro. I was helped in this by an agent I know who I worked with when I was still looking for a place for the cafe. To succeed in Russia, it is very important to have good contacts in different areas. Here, an awful lot is built upon personal relationships.

Opinion



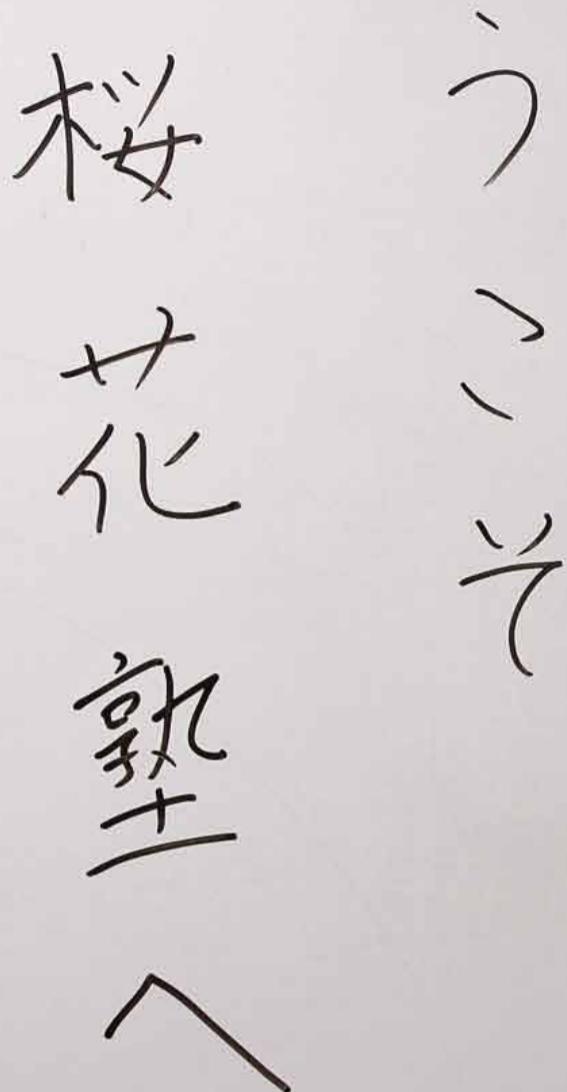
Ekaterina Chegnova,
co-founder and Academic
Director of Star Talk School
for Foreign Languages



The current market for foreign language schools in Moscow is extremely competitive. It is considered to be one of the most profitable business segments, and one which doesn't require large investments. Schools come under various categories. There are global brands which invest hundreds of thousands of dollars in advertising. Competing with them is difficult but not impossible. So how can you do this?

- 1) Establish your own niche and aim for your target market.
- 2) Offer the lowest prices possible and attract





I now pay 70,000 roubles a month in rent. Until recently, it was almost twice as expensive as Tokyo. Now the rouble has slumped, so the costs have evened themselves out on that score.

– Tell us in more detail about your school...

– Our educational centre is now three years old. 90 people now attend it. There are six teachers. The groups are small: six people in each. The lessons last two hours. The teaching costs 6,000 roubles a month for eight lessons.

I should point out that we have some of the lowest prices in Moscow.

I developed the teaching programme along with my partner from Japan.

– Who do see as being your competitors?

– The local universities and colleges. But there, the teachers place the emphasis on grammar, and speaking practice is woefully inadequate because there are 15–20 people, if not more, in the auditorium. But a lot of talking is just what we do in our lessons. Each of the six pupils has the chance to practice. We share the joy of conversing with them. And I believe that when learning a language, it is very important to derive pleasure from it.

To succeed in Russia, it is very important to have good contacts in different areas.

– Who are your pupils?

– The average age of our pupils is 25. On the whole, they are people who have already completed higher education. They want to add Japanese to their qualifications to open doors to Japan.

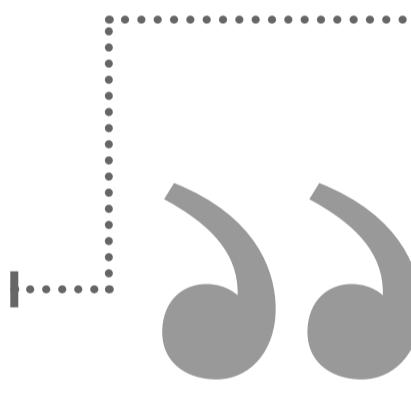
My aim has really always been to bring Japan and Russia closer

together. We are neighbours, but our relationship is not sufficiently developed. I believe that by learning each other's languages and culture, we will find more of those things that we have in common. ■

Expert



Leonardo Siciliano,
*Head of Russian
 Market Analysis
 Dept.
 (Strategic Investment
 Advisor) at Leonardo
 Audit OOO*



I was surprised to see how many foreign language schools are actually available in Moscow, and how many different teaching formulas and method are spread around. It leads me to realize how developed, as underestimated, is the market at the moment. Furthermore, I am sure perspectives for the market are brilliant, considering that index of English-proficiency among Russian people is still quite low. And Muscovites don't learn only English. Moscow counts 41 schools actively teaching Italian language to 1,680 children. And notice that Italian language has not such high demand as a foreign language like German or French.

Young generations are strictly convinced that speaking English will enlarge their opportunities.





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Everyone can find business in Moscow!

*So thinks the financier **Zeyn Adam**,
awarded the Golden Certificate
by the Association of Russian Banks*

Zeyn Adam's track record is impressive. He has studied at two American universities, and occupied important positions at Deutsche Bank, American Express, BNP Paribas, Royal Bank of Scotland, Lloyds, Banco Santander, and ABN Amro. He has been a consultant for the Federal Reserve in the US (essentially the US central banking system) and for the Financial Services Authority (the financial regulatory and supervisory body of the UK). Today he tells about his life and work in the Russian capital.



– You were dealing with the issue of financial risk whilst still studying in the US. What was it that sparked your interest in the Basel Standards?

– I only became properly immersed in this subject when I was working in the UK after studying in the States. A colleague of mine gave me a document on banking supervision put together by the Basel Committee. I was asked my opinion on it. And the new concept inspired me. I joined in with the work on its development and theoretical basis. And I became directly involved with developing the Basel Standards: international standards to determine financial risks and ways of managing them. There are three of these accord/recommendations already: their names have been shortened to “Basel II, Pillar I”, “Basel II, Pillar II (ICAAP)”, and “Basel III, LCR and Capital Requirements”.

Like my associates, I was convinced that banks which accept the Basel Standards will ultimately attain not only great stability, but will also be able to increase their revenue. Not to mention that for the borrower receiving credit will become simpler and cheaper.

We presented our suggestions in Paris at a conference for the financial directors of the largest banks in

the West. Our ideas interested the professional community.

Since then, I have never needed to send my CV anywhere. I became known, and the leading banks began calling me to work for them in the capacity of consultant.

– And then suddenly you popped up in Moscow. What attracted you to Russia?

– It wasn’t sudden at all. A senior manager at Russia’s Alfa-Bank called me. He suggested I put

my concepts into practice with them. I thought about it and refused. “What is Russia!?” At the time, I was certain that to build a serious career, you had to work at one of the global financial centres like London, New York or Paris. But a year on, I had been convinced that in Moscow I could be involved in genuinely serious business on a massive scale. So I accepted.

– Were you advised by anyone when making this decision?

– Of course. I had a word with my father. He’s a businessman. “What do you want to go there for, to Russia? You

ABOUT ZEYN ADAM





In Moscow, I am involved in genuinely serious business on a massive scale.

have a stable job in London, you're on good money. Just stay put", he said.

You have to realise... I was born in a country which was then called Rhodesia (now Zimbabwe). Then civil war broke out. My country was fighting against Communism. Fortunately, by the time I finished school, the war had ended. I didn't even have to do military service. Imagine how the older generation were brought up? But now, everything has changed both in Russia and in the rest of the world. So, when I told my mum about what I was planning to do, she was supportive.

My mum had managed to get to Russia and see St. Petersburg by then. She then said, "The Russians aren't easy to get on with. They aren't like us, they are gloomier, they don't smile much. But living in Russia for a while would be very interesting for you."

Now, I am in complete agreement with her: living and working in Russia is a very interesting and worthwhile experience.

– *But what were your first impressions of Russia like?*

– Woeful. I flew in and there was no one to meet me at Sheremetyevo, even though they were already waiting for me at work. I had to find a taxi myself and make my own way to the hotel...

– *But you have now found your feet in Moscow?*

– The Moscow of 2011 and the Moscow of today are like two different cities. It is so much cleaner now; the streets and buildings have been renovated. I don't know, maybe it's being done for the football World Cup? But it is definitely being done.

There are, of course, still problems here. Service is lax. The foreigner is often looked upon as a visiting rich man from whom more money is to be extracted. The attitude towards the customer in shops or restaurants is often indifferent. It's a small thing, but the service culture sorely needs changing.

– *You came here not knowing a word of Russian. Did you then learn the language?*

Living and working in Russia is a very interesting and worthwhile experience.





Most of my friends in Moscow are Russian.



– I had a teacher for six months. It was tough. I was holding meetings with bank representatives every day, including weekends, conducting long negotiations. I had to get a team together, find somewhere to live, buy a car... When it came to the lessons, I was so worn out that my teacher would quietly go and make me some coffee... I had to stop having lessons deciding that I would gradually pick the language up by using it. Obviously, if I

want to carry on working in Russia, and I do, I need to learn the language.

– You mentioned that at the start things were very difficult. What problems were there?

– I had to start virtually from scratch. The perceptions in Russia of the system of Basel Standards were extremely hazy. The specialists here, of course, were reading the translation of the Swiss documents. But as for their

*On the Basel
Committee and
Basel Standards*





practical implementation: they weren't always properly understood.

At the time, the banks in Russia sometimes behaved according to the English proverb "Penny wise, pound foolish". In other words, they were being too conservative and hard-headed when it came to loans for small business, but they were giving out hundreds of millions to some rather risky megaprojects. Nobody was able to determine accurately the real cost of loans, of financial risks. Experts were working not according to precise, well-founded criteria, but, as the Russians say, by eye.

It occurred to me that for the system to start producing results, it needed to be joined by not just Alfa-Bank, but by as many big players as possible. So I turned to the Central Bank. I took an interpreter with me and, as they say, "turned up on their doorstep". And – guess what?! – we met with understanding. In Russia today there are very robust processes at work for integrating the country into the global economy. As a result, we set up a working group to discuss and implement the Basel Standards in Russia. We invited the first few banks to collaborate with us.



**Banks which accept the Basel Standards
will ultimately attain stability
and be able to increase their revenue.**

I have to admit that sometimes we had to drag people along and convince them to come and see us. Convince them that the Basel Standards were created not to harm Russia, one of the last countries to address this issue. After all, the USA, Hong Kong, Europe had been working on the application of the Basel Standards for ten years by then. They had been successfully implemented in Brazil, China, India... What we are proposing is ultimately for the benefit of banks themselves and the country's financial system as a whole.

Yes, implementing these recommendations does require a certain outlay. But those who say, "Why? Everything here today is quite alright" don't understand that you can't just think about today.

As a result, within the Association of Russian Banks, we set up an industry structure: the Committee for Risk Management. I am its founder and president. And now, 57 large Russian banks are already actively involved in the Committee's work.

– ***When you came to Russia, you didn't know anybody. What is your circle of friends and acquaintances like now?***

– I have lived in different countries and get on easily with new people. And I have stayed friends with people everywhere.

I am from Zimbabwe. Foreigners, as a rule, socialize with their fellow countrymen outside work. But there aren't very many Zimbabweans in Moscow. So, I have mates amongst the foreigners living here, but, still, most of my friends in Moscow are Russian.

One of my closest friends is Igor Korneev, the well-known former midfielder for CSKA Moscow and the USSR, who also played for Barcelona, and who is now a well-established coach for the Russian national team. We meet up often, and I know his family well.

– ***And how do you spend your spare time? Assuming you have any...***

– I do now. I am a bachelor, I live on my own. I go to the cinema, I've been round pretty much all of the museums

The Russian economy is extremely attractive to foreign investors.



in Moscow. There are certainly things to see here! I often go to cafes and restaurants. I love good food. I cook a lot myself, by the way, and I think my cooking isn't bad. No, honestly, that's what my colleagues say as well: I often bring my culinary delicacies to work and treat the team.

– You live alone. Do you feel safe doing so?

– Absolutely. As far as personal safety goes, I like it here in Russia. I can happily wander around the centre of Moscow on my own of an evening, talking on my mobile. Try doing that in Johannesburg! They'd have your phone off you. And you'd be lucky if they didn't crack you over the head. Yes, and in certain parts of London...

– I see that you are not about to leave Moscow?

– My contract with Alfa-Bank is until 2017. After that... I hope that I have built up enough of a reputation in the banking community here not to be without work...

– Imagine a foreign entrepreneur who is thinking about starting a business in Russia comes to you. What advice would you give him?

– Why imagine? I'm thinking about starting my own business here myself. Not a bank, of course. But a financial consultancy: the Russian economy is extremely attractive to foreign investors at the moment in terms of its size, its requirements, its potential, opportunities, and prospects. Very, very many investors would find something to put their efforts into here. Saying that, I think that starting a business for the foreigner in Russia is not completely straightforward. They need help. Not knowing the local set-up makes going through the whole process of registering your business and getting to grips with the tax system difficult.

My advice, then, to the foreigner considering investing in Russia, would be this: to start a business in Russia successfully, it is best to have a Russian partner. ■

**As far as personal safety goes,
I like it here in Russia.**





1,600 Shades of Black and Green

***Ashis Ranjan Das from India
has introduced Russians
to the very best types of tea***

Ashis Ranjan Das was born in India and graduated from The People's Friendship University of Russia in Moscow, defending his thesis in nuclear physics. But, in the end, like his forefathers, he became an expert in tea. For almost three decades, he has been tasting, selecting and supplying tea for the Russian market. He worked, at first, in the family business, then for other large companies (Tosh, Unilever, Lipton, PIK and Co Ltd). And then, **Ashis**, ranked eighth out of 1,500 of the world's tea tasters able to distinguish 1,600 (!) types of tea, headed up his own company Bio-Import in the Russian capital.



In Russia, business today is still built less on demand than on a shortage of any alternatives.

— I am a native of Kolkata, — says *Ashis Ranjan Das*, — my family has been in tea business for over a hundred years. But, initially, I didn't have any plans to carry on the dynasty. I left to study in the Soviet Union. At the People's Friendship University, I specialized in "Optimal Control of Nuclear Reactor". The USSR was building atomic power stations in India at the time. But I never worked as a nuclear physicist. When a post-graduate student, I married a Russian woman. We had a son. As per my contract with GOI, I worked at the Education Department of the Indian Embassy in Moscow. Then, I taught maths in an Indian school. It was then that my family asked me to work with them.

— What was the Russian tea market like in those days? And when did you realise that working in it was profitable?

— In the Soviet Union there were a lot of shortages. One of them being decent tea. In special "festive" deliveries, along with some dried smoked sausage, they would pack a small tea caddy with an "Indian elephant" on the label. This elephant was the trademark of the Moscow Tea Factory. In truth, about 25% of it was Indian tea, and the rest of it was grown in Georgia, Azerbaijan or Krasnodar Krai.

The Soviet Union was then buying a kilogramme plus of tea per person per year: around 260 million kilograms. Most of it was from India, where there were five large suppliers involved. And everyone knew what tea to dispatch, where and when. A small amount of it also came from Ceylon. The system was rigorously efficient. The cost of the tea was very low.

I planned to help my family for time being but to continue with my core research thereafter. But then in the USSR came perestroika. I had a family





**Now Russians, Muscovites, are ready
and able to pay for quality.**

here to feed. And the system for supplying Indian tea ended up being destroyed...

To meet the tea-drinking needs of an enormous country with occasional purchases was not possible. I remember in 1991–1992, we were delivering a thousand tonnes of tea to a factory in Ryazan every month. I was spending 20 days a month at different factories: in Ryazan, Almaty, Irkutsk...

Then, for the first time, I brought into Russia some very good Indian tea in iron caddies. In Moscow, at the time,

in Russia, the moment had come when it was not only possible, but also extremely profitable, to offer high quality goods to the market. And that the demand would only increase.

– *What are, in your opinion, the particular characteristics of the Russian tea market?*

– It has quite a few. One of them, for example, the lifespan of any new kind /taste of tea (food product) in Russia is very short! Every three to

To run a successful business in Russia, it is best to know the Russian language.

there was a foreign currency shop on the Arbat. In there, they asked us to supply some niche'quality tea. We supplied them two containers of packed caddy tea. The purchase price was a dollar per caddy. But we sold it for 2.5 dollars. In the shop, though, they were selling it for \$5. We delivered the tea on the 23rd of December, and on the next day went to buy three or four tins of it for some acquaintances. But it turned out that they had all already gone. It was then that I realised that

six months here, you have to offer something new. It's the same, by the way, with vodka, and mayonnaise, and other products. In India, people on the whole stay faithful to a particular kind of tea their whole lives. And it is very difficult for something new to come through. Similarly, in China, too, offering something new is, on the whole, virtually impossible. Even when they visit a different country, they only want to eat Chinese food and to drink their favourite tea.





In Russia, the moment had come when it was not only possible, but also extremely profitable, to offer high quality goods to the market.

Russians though, no doubt down to the old days of shortages, are now, largely, of the mind-set to acquire from a shop whatever there is available. In Russia, business today is still, despite the massive upheavals of recent times, built less on demand than on a shortage of any alternatives.

– *What Russian predilections do you take into account when supplying tea?*

– There are some surprising ones. People here are used to drinking compote (*a dry fruit beverages*). Sounds irrelevant? Yet, it is precisely by playing well on this Russian predilection that Pickwick offers a wide range of fruit teas, as well as herbal teas. The company's profitability in Russia went through the roof at 1000% (!), at a time when its peak profitability in Europe was, at best, no more than 20%. And it is all because in Russia people had an already developed taste and drank tea which reminded them of the compote they were used to.

But the most interesting thing is that the largest producer of teas with such

things added to them is... Germany. They don't drink it themselves but send most of it to the Russian market.

– *If we are to compare black and green tea, which enjoys the greater demand in Russia?*

– Men of 35 and older prefer strong black tea. In the large towns, green tea does really well too. Because the opinion that it has health benefits has firmly taken root. Russians have given Pu-Erh a try, the preparation of which involves either the natural (7–8 years) or artificial (30–100 days) maturing of the raw ingredients. As well as Tie Guanyin, Anxi, which is a yellow tea, and Darjeeling, which they call “the champagne of teas”. That is a black tea with a refined muscatel, lightly tannic taste, and floral aroma, which grows in the Himalayas at an altitude of 750-2000 metres above sea level, in a cold, moist climate.

This tea goes well in Special teabags. The qualities of its taste and its properties are the same as with the loose variety. It loses only 15% of infusion due to its filtration.

Renting offices and warehouse space these days in Russia is not a problem.





It is possible to offer better quality teas in Russia now. The reason for this is simple: people know very well what bad tea is. And now Russians, Muscovites, are ready and able to pay for quality.

In contrast with China or India, workers in whatever field cost a great deal. So, dealing with the lower end of the tea market here is not as profitable as it is with the higher end. If a tea

costs 2 dollars, don't try to sell it on for three here. \$2.20, maximum, because the difference for the customer is but a small one. But tea costing 10 dollars: people here will buy for eleven/twelve. This isn't a problem for the consumer bearing in mind the quality in question.

– *Where do your tea supplies come from?*

– China, India, Vietnam, Indonesia; some comes from Kenya, Sri Lanka, Nepal... But most of it comes from China.

– Who are your clients now in Moscow?

– 90% of them are shops, including online stores. A small quantity of our tea is taken by packers. We sell tea all over Russia. We have now split the business into two parts: my family continues to work with the lower end of the market, and we deal with the top end.

– How hard was it finding offices and warehouses to rent?

– Renting offices and warehouse space these days in Russia is not a problem. Where the difficulties arise is with staff, especially of the middle rank. You can still find a good accountant, but a sales manager, that's a big problem. For example, there are ten people working at our company. But there is a constant turnover of staff for this position. I was thinking maybe it is only me in this situation. I spoke with some other businessmen, and it is the same story with them.

My friends at the employment agencies tell me that the first question almost every jobseeker asks is "What will my salary be?" It is not important to them what they can offer the company: the main thing is what they stand to receive.

They tell me "It's all to do with the mentality here". In business, if we want to run it well, we shouldn't have to consider either religion or mentality. The person should simply be a hard worker.

– Is it essential to know Russian to do business here?

– Yes. To run a successful business in Russia, it is best to know the Russian language. Russia has many problems specific to itself. Knowing the language just about gives you the chance to understand why they arise.

– What effect has the crisis had on your company?

– Sales have dropped off. The reason being that the average paycheque has gone down. But it is not without its idiosyncrasies here: people in Russia can go and buy an iPhone6 for 85,000 roubles, for which they will then... scrimp on food. After the jump in the dollar, those eggs which used to cost from 27 roubles, are now being sold for 62 roubles. That's what I can't understand: have the chickens started eating foreign currency or something? And yet, tea, which comes in from abroad, people want to buy it for the old price; they even want the price to be lower still than that.

– How great is the competition in your business?





To make it in Russia, you need
to be of interest to the market,
with a new product, new management
model, or a new kind of technology.

– A lot of people have started going to China themselves and bringing back tea from there. And, there is a wave of shady imports. This is easy to explain: people don't want to pay taxes. So they bring in tea which hasn't been tested, hasn't undergone certification. Everyone considers themselves to be a connoisseur. Recently, for example, a certain woman who had worked for me ten years ago rang me up and said, "I am now on familiar terms with tea". I, of course, said, "How lucky you are! I am from a "tea" family myself, have

been in tea for many years, and I am still on formal terms with it." I mean, this love is a one-sided thing: I still love tea. Whether it loves me, I'll only be able to say at the end of my life.

– Any parting words for foreigners thinking about doing business in Russia?

– To make it in Russia, you need to be of interest to the market with a new product, new management model, or a new kind of technology. So go on, give it a try! ■





maximumtest.ru



Both learn and teach

*The MAXIMUM education company
successfully prepares school pupils
for examination tests, combining offline
and online instruction*

*The testing system introduced in Russia recently for higher educational establishments (the Unified State Examination – USE, the Main State Examination – MSE, the State Comprehensive Attestation – SCA, and the State Graduation Examination – SGE) differ considerably from the former classical graduation tests with papers. Therefore a special kind of preparation of the graduates for the tests was needed. Entrepreneur **Michael Myagkov** turned his attention to foreign experience, and decided to construct his own system of high-quality preparation of those planning to take the Russian tests.*

Michael Myagkov decided to adapt international experience of preparation for standardized examinations to the situation in Russia. Leaving his job as vice-president of the company Kaplan, he returned to Russia, where in 2012 the active installation of the USE was just commencing. Myagkov knew exactly how to set up a system of preparation for standard examinations, so he set about implementing this

idea. He was not discouraged by the initial refusals from investors, and his enthusiasm and conviction that he would succeed helped him to attract his first funds.

In the spring of 2013, the MAXIMUM courses of preparation for the USE and MSE appeared. In the pre-examination period, the first 100 pupils took them successfully.

Michael Myagkov decided to adapt international experience of preparation for standardized examinations to the situation in Russia.



The positive reactions from the pupils and their teachers and parents, and in particular the high marks achieved by the children in taking the USE, helped his cause still more.

“We started up when the environment was right for our company, i.e. when the USE appeared in Russia. Given the existence of such an examination, our company was able to offer a high-quality product. We had invested all the necessary resources in it, developed the technology base and selected teachers of a high standard.

funds started taking an interest in MAXIMIM, including Siguler & Goff, based in New York. With their support, the startup has now begun a new project: to prepare Russian school pupils for TOEFL, IELTS and other foreign examinations, jointly with the company Kaplan.

The MAXIMUM teaching programmes are divided into three categories.

The first consists of offline courses in Moscow and other major cities of Russia. In this case, the company

The company throws down a challenge to the existing stereotypes and changes the concept of preparing for examinations.

We could then grow by adapting to other specialities and other regions of the country”, says *Myagkov*.

Following the founder, the prospective students came to believe in it too: in the following year, 2600 people underwent instruction in the company, the year after that 7000, and by May 2016 it is planned to bring this number up to 30,000.

After such a successful start to its activities, serious investment

throws down a challenge to the existing stereotypes and changes the concept of preparing for examinations which had come to exist in Russia.

Up to then, there had been one-to-one classes with a tutor, who was judged by how long he had been involved in teaching – the longer the better. In MAXIMUM, the system is constructed differently. Parents gain access online to the educational system of courses, due to which the teaching programme becomes more



transparent: one may look at the child's level of knowledge, the number of times the site has been visited, and other information.

The second category of courses is remote teaching for pupils all over the country. It is based on a system similar to the offline classes, but instead of being together in classes, the school pupils are connected to webinars.

The third format consists of small programmes on individual subjects, and consists only of video recordings, lessons and tests.

"We consider our continuous development to be our main advantage. We draw conclusions from the results of each lesson and use the most successful approaches in the next course. No tutor could develop so actively. But we combine the best practices of on- and offline to achieve ideal teaching quality", says Michael.

A special approach to the selection of teachers helps to achieve this effect. In MAXIMUM, they are mainly 25-year-old graduates of the best colleges in the country, who know from their own experience what the USE is, and have gained high marks in it. Of the 2500 applicants for this work, 72 were selected. And before they started teaching, they took special courses for teachers, and learned all the secrets of the specific format of work in MAXIMUM.

"We have created an ideal system for successful preparations in examinations, and one which is quite accessible in terms of price: We only charge half as much as the average payment for the services of a tutor, and classes in offline groups cost only half of that," sums up Myagkov. "Furthermore, we guarantee the quality of our teaching, which is always improving. Where else will you find such an offer?" ■



Read an interview with Leon Zilber, an investor in the startup MAXIMUM.



www.sigulerguff.com



The Russian startup market is a lively one

Leon Zilber, Vice-President of the New York foundation Siguler & Guff, considers that this project has an outstandingly strong team, market knowledge and understanding of business.

*The American foundation Siguler & Guff has extensive experience of supporting startups all over the planet. It has invested in educational companies in China, Brazil, India... Its Vice-President, **Leon Zilber**, talks to BIGMOSCOW about why the foundation decided to support the Moscow company MAXIMUM, the situation in the Russian startup market and its prospects.*

Even from another continent, it is apparent that now is not the best time for the Russian startup market: investments are decreasing and successful startups are gradually moving over to the West. In his opinion, a successful startup can be seen from far off, in such a way that it cannot be missed. This is what happened with the Russian company MAXIMUM.

– Why did you decide to invest in a Russian startup?

– In spite of the current situation, we are continuing to look for promising

Russian projects. There are some sections of the market that do not interest us (advertising technologies, for example), but we believe in the field of education. I consider that the company MAXIMUM and its team form the best educational project in Russia today.

– How do you see the startup market in Russia? Are you tracking the situation in it and the influence of the crisis?

– The Russian startup market has not gone away. Furthermore, several

In spite of the current situation, we are continuing to look for promising Russian projects.



companies are doing fine today. Of course, the flow of financing has decreased, since many investors have stopped investing in Russian projects. This has forced some of the startups to move over to the West, taking their business with them. Unfortunately the Russian market today is very different from the rapidly developing one it was in 2010, for example.

– What in your opinion are the strong aspects of Russian projects? And what do they most lack?

– How do startups in different countries differ? Or are there traits common to all of them?

– It is not important where a startup is located. A successful project can always be recognized by certain characteristics. These include a motivated team, a thorough understanding of business, strong financial and marketing strategies, and a lot of expertise in the local market.

– What impresses you about the MAXIMUM service? why did you decide to invest in it?

The Russian startup market has not gone away. Furthermore, several companies are doing fine today.

– As a rule, most Russian startups have a team with a strong technological background. However, they have a very superficial understanding of specific business projects, so it often turns out that tough a project looks attractive at first, it later suddenly becomes disappointing. I have seen very many companies which developed interesting technologies, yet they could not explain what problem their service solved.

– Before taking the decision to invest in one company or another, we always check the project against a number of criteria. First we look at what sort of team runs it. We liked the creators of MAXIMUM because they had experience in their field and were passionate about their idea. We also paid attention to their knowledge of the market. The two managers of MAXIMUM had previously worked in



educational companies in Israel and the USA, so they were able to apply their unique experience in Russia, where standardized test examinations had only just been introduced. A third argument in favour of the project was their LMS (Learning Management System). Today, the Russian way of preparing for examinations looks very outmode, and largely consists of classes from textbooks with a tutor. But MAXIMUM offers an online platform with the capability of solving tests on the Internet, with functions for tracking successes and finding out the strong and weak aspects of the pupil. The MAXIMUM LMS provides an opportunity to follow the work literally in real time. The project was the first in the Russian education market able to offer such a platform.

– What role do you play in MAXIMUM's development? Do you have any influence on what decisions are taken? Do you act as advisors, or do you just observe?

– Our foundation is an investor in the company and a member of its board. We try to do all we can to help the project. But it is worth stressing that it is the startup team itself which controls the development of the business and takes the strategic decisions.

– Do you have other projects in the education field? How much do you think Internet terminologies will change the market? What awaits this field in the future?

– Yes, earlier we invested in educational companies in China, Brazil and India, but MAXIMUM was the first such startup in Russia in which we participated. Actually the brightest project in this market in the USA is the company Kaplan. However, only a year ago it was mostly an offline business. But now Kaplan has turned itself into an almost entirely online company with offline elements.

In our view, MAXIMUM is just the sort of project to head the process of Russian education going over to

Before taking the decision to invest in one company or another, we always check the project.



the Internet. And this is particularly important if you take the size of Russia into account. Using the capabilities of the Internet makes education more accessible: school pupils from all regions will be able to prepare for examinations in a high-quality way.

– *Have you yourself taken any online courses? What are your impressions?*

– Of course I have, I studied in Kaplan to prepare myself for the GMAT examination (a test for entering business schools Editor's note). And do you know what? I think that if I had not studied in that programme, I would certainly have received lower marks.

– *What factors influence the success of startups? And what is the reason for projects more often failing?*

– I think that each company that has closed has its own reasons for failure. The problem is often that the project looks promising, but quickly proves a disappointment. It is understandable that startups require some time to become profitable, that is why investors support a company until it pays for itself or is sold to someone. But if the business angels do not see any prospects and lose faith in the project, it is closed down. This is why it is so important to keep convincing investors again and again that the service has a future.

– *What would be your advice to foreign investors wishing to invest funds in Russian startups?*

– If you want to invest in Russia, you have to bear in mind that to see the situation properly, it is best to have a Russian speaker in the team who understands the specific national features of the country. ■

About MAXIMUM





Such a generous... **Cheburashka!**

The Russian market for children's goods and services is becoming even more attractive to foreign investors

BY: ANTONINA TSITSULINA | PHOTO: HE ASSOCIATION OF CHILDREN'S GOODS INDUSTRY ENTERPRISES

TRANSLATION BY: JASON J SHAW



What makes up the market for children's goods and services in Russia today? For foreign investors intent upon putting money into this sector, where might be the areas to concentrate their efforts?

What should they be aware of in terms of Russia's rules and regulations in this area? Taking a look at this, and much more, is President of Russia's Association of Children's Goods Industry Enterprises, **Antonina Tsitsulina**.

The rate of growth of the children's goods market in Russia



If one was to give a general description of the situation surrounding the Russian market for children's goods and services, one would have to say, first and foremost, that, even taking into account the well-documented manifestations of crisis and stagnation associated with the general state of the economy, in contrast to other industries, this one is always the last place to see money depart, and the first place to see it arrive. Therefore, overall, in terms of value, this market is growing. Over the last 7 years, the size of this market in Russia has increased by 69 %. And during 2015, it has grown by at least 2%.

The main trends in the area of the production and sales of children's goods in Russia, as we see it, are as follows:

1. As in other countries, it has been observed that children are "becoming more expensive". As ever, parents invest a lot of money in them. Especially in education and development.



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**OVERALL,
IN TERMS OF VALUE,
THE RUSSIAN MARKET
FOR CHILDREN'S
GOODS AND
SERVICES IS STEADILY
GROWING.**

2. In retail trade, the greatest share of sales occur with dedicated chains. In second place is large food retail, and in a number of regions, trade at markets and bazaars.

3. But the main trend is the growth in the number of sales. Particularly in online trade where sales of children's goods is amongst the top five most rapidly growing areas.

4. The active development of the children's section of companies traditionally associated with production and sales of household appliances, IT products (the specialized children's departments at stores like Eldorado, Utkonos, Ulmart, and others).

The state policy in Russia is thus: if someone imposes economic sanctions against Russia then the RF, to the contrary, confers upon foreign investors the status of most favoured nation. And the Federal law on industrial policy, and the other state programmes and by-laws associated with it in various industries (including children's goods) provides for equal measures of state support for investment projects. And if a foreign investor decides to localize production within the territory of the RF, then he will enjoy the full measure of support from the state. This includes in terms of lending policy and the tax burden. This can be delivered with the help of such instruments as the special investment contract (an agreement providing privileges for businessmen over a period of 10 years). This is already used by many joint enterprises with foreign participation. For example, the children's food sector in the RF is represented today by global companies (Danone and, of course, PepsiCo). This process is fairly widespread in the



**IF A FOREIGN
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baby-care products sector. To illustrate, already up to 60% of production of nappies is localized to Russia.

A boom is also being experienced in production of large-sized, logically difficult products and, at the opposite end of the scale, small or perishable products. For example, at Zabava in the Moscow area, they are setting up production of children's sports and games equipment jointly with Chinese partners. And several distributors, who previously located their production on the Asian market, are now opening up here with Russian partners. Like Prosto Toys and Shoysha.

The proportion of foreign investors in the production of children's goods and services in Russia today is very great. But considerably greater is the elasticity, the capacity of this market. And its attractiveness.

We believe that, in connection with the changes in the foreign exchange rates, the number of joint investment projects, particularly in the area of manufacturing, is set to increase. It is profitable! Evidence of this are the negotiations being conducted by IKEA, who have expressed an interest in expanding their enterprises engaged in the full production cycle of children's furniture and toys in Russia (taking into account the development of a single economic zone by the former USSR countries who are part of the Customs Union).

Due to positive demographic processes, the number of children in Russia is steadily growing. And the market is growing in direct proportion to this.

No doubt, this is why making it onto the agenda was the joint Russian-Chinese project



RUSSIA WAS, AND REMAINS, AN INTERESTING LEG OF THE LOGISTICAL JOURNEY FROM ASIA TO THE CIS AND EUROPE, AND BACK AGAIN.

to invest in the Detsky Mir group (a well-known chain of children's department stores in Russia). Clearly, this investment will be reasonably profitable.

Traditionally, foreign investors came to Russia to trade. But trends are changing. And talk is more and more about production.

The great area of opportunity for investors in Russia, in my opinion, is in baby-care products, in large-scale production. Especially in the Moscow region, with a market comparable with some European countries in terms of volume, and with the passing of the law on industrial policy for the city of Moscow and the substantial privileges extended to investors.

Certainly, also worthy of the attention of potential investors is everything connected with IT technology. Not for nothing did Lego sign an agreement with a Russian manufacturer which beat the competition in developing a module for educational robotics. Now they are implementing it together in a range of Lego's educational kits.

Russia was, and remains, an interesting leg of the logistical journey from Asia to the CIS and Europe, and back again.

In my opinion, it is important for investors to know about the opportunities to increase investment support in providing everything required by RF educational establishments (colleges, secondary schools, grammar schools, vocational schools, and kindergartens). It should be said that Russia has kept the state education system. And that here, over the last year, over 600 kindergartens were opened. And that they were all newly equipped, and the old ones re-equipped with everything they



RUSSIA OPERATES AN EXTREMELY STRINGENT QUALITY CONTROL AND SAFETY CHECKING SYSTEM FOR ALL CHILDREN'S GOODS.

need. And also, a programme in the RF is being carried out to build 14,000 new schools. Which means that there is notable growth in the educational equipment sector, the sector producing school furniture etc.

But investors should be aware that Russia operates an extremely stringent quality control and safety checking system for all children's goods, regardless of whatever kind of documentation they may already have and in which part of the world they may have undergone certification. On entering the Russian market, they have to have their quality and safety checked once more. And the Russian system is fairly complicated: from state registration (for medical items and goods for new-borns) to compulsory certification (for toys, shoes) and a declaration whereby safety is guaranteed by the manufacturers themselves. When it comes to toys, the Russian market is reminiscent of the German market. When it comes to clothing: the Italian market.

If we compare ourselves with overseas practice in this area, yes, we have customs duty on goods entering the country. But since joining the WTO, they are going down and, in the next two years, they will fall to 7.5% (at the moment, depending on the type of goods, they can be between 10 and 15%).

There are other special benefits for foreign investors in Russia too. For example, a preferential tax rate: not 18% VAT but 10%. And we have our own – and no other country has this – strategy for developing the children's goods industry in 15 economic sectors until 2020. As well as the subprogram developed by the RF Trade and Industry Ministry and the



**IN THE NEXT THREE
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***The breakdown of
customer expenditure
on children's goods
in Russia, 2015***

ministry's financing of industrial projects being carried out within the territory of the Russian Federation. To support, in particular, starting up of manufacturing, including industrial estates producing children's goods.

That, which, in my view, the foreign investor should know and do, is this:

- analyse the Russian market, select a segment
- know who the market leaders are, and their thinking
- attend dedicated exhibitions
- have a grasp of particular regulatory measures (technical, Customs etc.)
- put together a good team.

Wherever you may be in Russia, the plan of action for potential investors is one and the same. In the regions, there are bodies set up to support investors. Moscow is the wealthiest region due to its status as a capital city. And here, on the one hand, there are limitations in terms of the costs of land and leases, but, on the other hand, there no problems with finding highly qualified staff and a sales market.

And one final thing: it is very clear that in the next three years the market for children's goods and services will be very competitive. But very profitable too. ■





Love cinema, and understand the risks

*What do foreign businessmen need
to know when looking to invest
in the Russian film industry?*



*More and more often, Russian filmmakers are reaching international standards in the quality of their output. But is it worth potential investors abroad putting money into the film industry in Russia? Is it profitable? If so, how profitable, and which parts of it are, exactly? If not, then why not? And also, what kind of sums are we talking about for those looking to invest? How do you find partners and the right area in which to apply your efforts? Talking today precisely about these kind of things is **Alexander Izotov**, head of the Russian film company Czar Pictures, director, producer, and expert in investing in the movie business.*

More and more often, Russian filmmakers are reaching international standards in the quality of their output. But is it worth potential investors abroad putting money into the film industry in Russia? Is it profitable? If so, how profitable, and which parts of it are, exactly? If not, then why not? And also, what kind of sums are we talking about for those looking to invest? How do you find partners and the right area in which to apply your efforts? Talking

today precisely about these kind of things is Alexander Izotov, head of the Russian film company Czar Pictures, director, producer, and expert in investing in the movie business.

Russian cinema today is being reborn. Analysts at home and abroad have observed a rise in the number of films being made, and in the money they are taking. According to data from the European Audiovisual Observatory, Russia is now firmly amongst the top

**THE GOVERNMENT IN RUSSIA GIVES
SUPPORT TO FILM-MAKERS.**



ten countries of Europe in terms of cinema-goers; and in the world, according to IHS, in terms of box office receipts.

Historically, it has come about that film production in Russia relies, to a great extent, on the active participation of the state. And the state does support film-makers. But if government grants were taken out of the equation completely, it is not known if Russian cinema would survive or not. The best producers enjoy state aid. And if the money is there, ambitious projects with every chance of being profitable can result. But Russian films are watched by a very small number of people abroad. Our movies are sold in 3% of the territories yielding worldwide takings, whereas American movies, for example, are sold in over 80% of them. In actual fact, this is no reason to despair, but rather an indicator of real potential and the vector of growth for the film industry in Russia.

These days, Russian film-makers consider themselves to have an important objective: to

integrate themselves into global cinematography. One route is joint production and enticing foreign investors to work with them. In the way that, for example, the French director, screenwriter, and producer Luc Besson does. He lives in France but doesn't use only French money for his work. A lot of European businessmen and Americans invest in his films. And he carries out projects which then go on to sell everywhere. And Hollywood is successful on the whole because the finances there come from America, and Germany, and France, and Indonesia, and China...

Hence, the objective of Russian cinema is to be involved in international projects which attract foreign investment, and to make films which will be seen throughout the world. And we in Russia know exactly what is worth doing with overseas partners.

First, to shoot genre films for which there is a demand.

Secondly, to shoot them in English.

Thirdly, to shoot them with global stars in the leading roles.

TO THOSE IN SMALL AND MEDIUM-SIZED BUSINESS, I WOULD ADVISE BECOMING A CO-INVESTOR IN A PROJECT.



And the Russian film industry is going down this road. And there have been real successes. For example, hard at work at also targeting western viewers is the Russian director, screenwriter, producer, and music video maker Timur Bekmambetov. His two most recent films deserve a mention. The first, the famous desktop thriller *Unfriended*, was shot by the director Leo Gabriadze; the production budget for the film was 1m USD, and on release it took over 50m. The second is the science fiction action film *Hardcore*. This picture sold at the Toronto International Film Festival for significantly more than it cost to make. But such stories are still few and far between.

However, investing in the Russian film industry is profitable. Not least because the dollar exchange rate has risen. Therefore filming in Russia is more convenient and not so pricey. In the Moscow region, especially, where, historically, numerous film studios sprang up and are still working. If

anything, Russia is genuinely rich in resources in the film business worthy of investment.

How does it all happen? In the same way, no doubt, as in the rest of the world. I, the investor, want to put money into film. A director comes up to me and says, "Give me some money, and we'll meet up on the red carpet in Cannes". More often than not, it's a question of trust.

Of course, there are different routes for those wishing to invest in film production in Russia. If it is a case of someone wanting to invest directly in the making of a film, then it is possible to produce the picture independently: here we are talking about figures in the region of one and a half, two and a half, or three million dollars (a film for distribution). If not even more.

But to those in small and medium-sized business, I would advise becoming a co-investor in a project. For this, you need to select a film production company. This could be one of the so-called majors which receive the above-

**INVESTMENTS IN THIS ARE WITHIN THE MEANS
OF SMALL AND MEDIUM-SIZED BUSINESS. THEY COULD BE
MADE BACK FAIRLY QUICKLY AND BRING IN INCOME.**



mentioned money from the Russian Film Fund (professional film companies who know what they are doing), and here, the figures, in my experience, will be from several hundred thousand to several million dollars. Or it could be an independent film company which produces its own films, and again, you could be a co-investor.

How do you go about selecting a company? First of all, by the films they have already made. By how well they did financially. By the names of directors and the actors they have cast.

But, in any case, it is important to know that investing in film is by no means straightforward. It is essential to know what you are investing in, why you are doing it, and to be aware of the risks. And essential, it goes without saying, to love film.

It also needs to be said that, in itself, shooting films (a large and important job) is only part of it all. The film industry is also workshops, and laundries, and cinemas, and restaurants, and all kinds of

distribution. All of this is just at the point of being built in Russia. And these are also points where potential investors can bring their force to bear.

To me personally, it seems that there is a future in the business to do with so-called film production servicing. Here I would point out the gaping hole in quality services on offer in providing vehicles (on lease) for film shoots. We are talking about trailers for the actors. When making films, I realised that there are few of them these days in Russia. Yet they are in demand from all film-makers. And the standard of those we have available is still low. Because the owners of these vehicles simply never have the time keep them in good condition: they are constantly being used. In other words, this niche in Russia is, as yet, vacant. And investing in this could be within the means of small and medium-sized business: a hundred, two hundred, four hundred thousand dollars. This could be made back fairly quickly and bring in income.

**N MOSCOW ALONE, THERE SHOULD BE TWICE
THE NUMBER OF MOVIE THEATRES THAN THERE ARE:
THAT'S A MASSIVE MARKET!**



2016 HAS BEEN DECLARED THE YEAR OF RUSSIAN CINEMA. WHICH MEANS THAT FOR INVESTORS, FILM PRODUCTION HERE IS SET TO BECOME EVEN MORE ATTRACTIVE.

In Russia, still there are... hardly any cinemas. And where they happen to be is somewhat random. In Kazan (the capital of the republic of Tatarstan), for example, there are today more cinemas per head than in Moscow. And quite a few towns with populations of 50,000 – across the country and even in the Moscow region – don't have even one (!). But the people there would go to the cinema if they could. This is also somewhere possible investors could use their wherewithal. By my calculations, in Moscow alone, there should be twice the number of movie theatres than there are. That's a massive market! And one shouldn't forget that in Russia the distribution period is a very short one. On average, it lasts for two weeks, whilst in America it's 20–30 days. This is partly down to the lack of movie theatres. But you need to remember that in Russia you can only go into this area with big money: tens of millions of dollars. It is big business already. And it is has been heavily carved up.

What other problems and difficulties in our business do potential overseas partners need to know about? One is that in Russia the film industry has a shortage of middle-ranking staff. Also there aren't enough capable assistant directors and props managers. Things are somewhat better with actors. Acting school here has long been very strong.

And finally, it is probably worth touching on one more aspect of the film industry in Russia: the supply of film-making equipment. This business here is, let's just say, a little difficult. Those who work in it buy the camera and lighting equipment, and rent it out. But they buy it for foreign currency and rent it out in roubles. Given the economic crisis and exchange rates, you wouldn't envy them at all at the moment.

But overall, we look to the future optimistically. By the way, 2016 has been declared the Year of Russian Cinema. Which means that, for investors, film production here is set to become even more attractive. ■



WE SIMULATE SITUATIONS



delovus.ru



Don't rely only on yourself

*A foreigner running a business in Russia
has to remember that he has allies here
who are willing to reduce his risks and
protect his legal interests*

BY: ANTON ALESHIN | PHOTO: LA DELOVYE USLUGI | TRANSLATION BY: JACK DOUGHTY



*Business involves risks. A conflict can sometimes lead not only to financial losses, but can also cast doubt on the viability of the entire project... **Anton Aleshin**, a counsellor of the Moscow law agency Delovye uslugi, shares the “secrets” of business security in Russia. He has behind him tens of millions in money saved for clients, more than 200 court cases, including in the RF Supreme Arbitration Court, and regular speeches at seminars. He also has experience of working in the central administration of the Federal Tax Service of Russia.*

SITUATION



The German brothers Frank and Jurgen N. set up a construction business in Moscow. The personnel taken on for construction work included citizens of the former USSR who were not Russians. This enabled them to make a significant saving on wage payments. The Russian state body responsible for migration control (Directorate of the Federal Migration Service – DFMS) has to be notified when foreigners are taken on for work in Russia. One of the workers taken on, after signing a labour

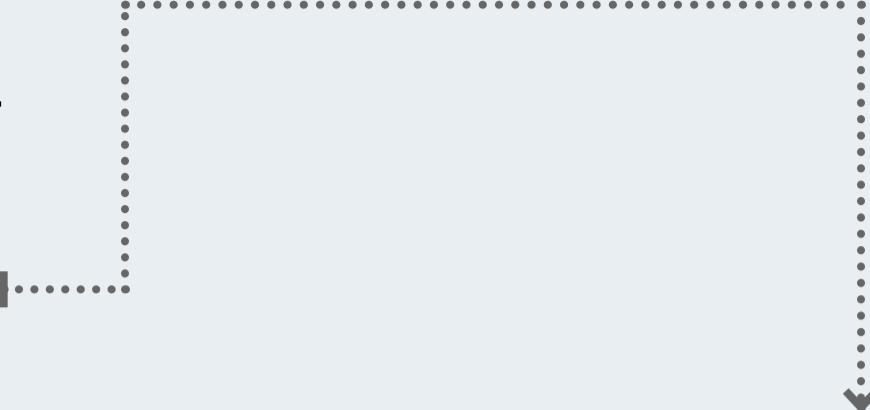
In order to avoid such problems, businessmen need to know the nuances of the requirements in Russian regulatory documents. And literally to do as follows:

1. Although, in the situation under consideration, there is no obligation to send a notification to the DFMS, it is still better to do so anyway, in respect of any labour contract concluded with a foreign worker, regardless of the time actually worked.
2. When a labour contract is annulled, an explanatory note must be obtained from the worker on the reasons for him not coming to work, and an order must be drawn up about the annulment of the labour contract, which the staff member should sign as having read.



SITUATION**2**

Giuseppe V. is a successful landlord. He owns several apartments in Moscow and St. Petersburg, and recently acquired a non-residential property, where he fulfilled a long-held ambition to open an Italian restaurant in a prestigious district which reminded him of his native Venice. However, the novice restaurateur had to face the terrible state of the pavement right outside his establishment. Attempts to get the municipal authorities to repair it produced no result. But he was allowed to put it in order by his own efforts. In spite of the considerable expense, Giuseppe decided to do this, and the new paving slabs at the entrance were a real enhancement of his restaurant. However, the restaurateur was worried by his accountant, who asserted that the expense of the repair now imposed a double burden on his business. It could not be deducted from



However, foreigners running a business in Russia should know the specific nature of Russian tax law. The point is that although the expenses under consideration were counted as relating to public property, they could still be deducted from the incomes received, since they were intended for making a profit, by providing customers with good access to the restaurant. This interpretation was submitted in Giuseppe's behalf to the relevant tax authority, which had no alternative but to confirm the legality of the deduction and return the money to the businessman.

**FOREIGNERS RUNNING
A BUSINESS IN RUSSIA SHOULD
KNOW THE SPECIFIC NATURE
OF RUSSIAN TAX LAW.**

The conclusion can be drawn that it is worthwhile for any foreign businessman to think about bringing in local tax consultants to work in his interests. They should specialize in optimizing taxation in the form of the realization of tax reserves. Such consultants aim to reduce the taxation levied as far as possible on the basis of the law as applied in Russian judicial practice.



SITUATION

3

James M., an American, decided to start up production in Russia of precision tools for measuring air quality. The first thing the innovator came up against was the need to register his new company. After spending three months studying the RF legislation, James managed, with the help of Russian friends, to gather together all the necessary documents and submit them to the relevant authority. Imagine his astonishment when the registration was rejected! James was sure that everything had been done 100% properly! But the reply from the relevant authority contained references to a mass of procedural errors. Alas, it is sometimes simply impossible for a foreigner to avoid mistakes in drawing up documents.

James applied to a specialist firm, which offered to register the new company for him. But James was stubborn by nature: he was sure he had fulfilled all the conditions directly laid down in the law. The consultants helped the businessman correct all the errors and sent in the registration papers in the client's name. They also prepared everything for starting work. They helped him open a bank account, obtain a stamp and draw up the corporate documents.

As a result, with the help of the consultants, the firm started work only three weeks after the application to a competent consultancy company.

**THE ASSISTANCE OF
A SPECIALIST FIRM PROVIDING
SERVICES IN SEEING
THROUGH THE REGISTRATION
OF COMPANIES SAVES
A LOT OF TIME.**

The assistance of a specialist firm providing services in seeing through the registration of companies saves a lot of time and in the end it also saves money spent on setting up the business.



SITUATION**4**

Jovan B., a Serb, set up a private stomatological clinic in Moscow. Some of the equipment was purchased in Russia on credit, and some was brought in under direct contracts from German with payment by instalments. The premises were fitted out on a leased site in a brand new business centre built by Turkish citizens. At first things went well, and Jovan began expanding his clinic, adding an ophthalmology consulting room, also purchased on a deferred payment scheme. However, due to the deterioration of the foreign political situation, sanctions against Russia and the fall in the rouble exchange rate, the profitability of the business, which was highly dependent on imported equipment, sharply decreased. Jovan began missing payments on his leasing agreement. After one such failure to pay, the lessor, without warning, annulled the lease



However, a consultant who was brought in was able to explain to the bank and the suppliers that they had interests in common with Jovan: the intractable lessor had to be persuaded to return the equipment, which could later be sold, and in this way all the debts owed to them could be paid. The consultant also prepared a lawsuit against the lessor for wrongly seizing the equipment and causing Jovan losses, demanding compensation for the enforced closure of the company.

IT IS NOT POSSIBLE TO PREDICT A WORSENING OF THE SITUATION, BUT IT IS ESSENTIAL TO PREPARE FOR POSSIBLE CONFLICTS.

It is not possible to predict a worsening of the situation, but it is essential to prepare for possible conflicts. To do this, one must scrupulously study the signed contracts, particularly the leasing contracts, secure one's own property, not cede to the lessor the right to seize equipment, and also consider ways of mortgaging the property to friendly partners. Experienced lawyers are always





From Bread to Carousels

And taking place in the Russian capital in 2016 will be an assortment of international exhibitions to pique the interest of all people in business





**MVC:
GRAIN – MIXED FEED –
VETERINARY – 2016
XXI INTERNATIONAL
DEDICATED TRADE SHOW**

www.exponet.ru

26.01–28.01

**Venue: Exhibition of Economic
Achievement (VDNKh)**

Profile: Agriculture, Food Industry

Every year in Russia, dozens of agribusiness-based exhibitions take place, but the regular MVC: GRAIN – MIXED FEED – VETRINARY EXHIBITION, held since 1996, has become one of the most interesting and impressive exemplars in recent years, attracting international acclaim. Taking part in the exhibition, as always, are companies and organizations from the majority of the countries of Europe, and 44 regions of Russia. And, as ever, many there will find prospective business partners, sign profitable contracts and agreements, and find the partners they need to help sell their goods and services.





REMONT EXPO – 2016 HOME MAINTENANCE AND IMPROVEMENT EXHIBITION

www.remontexpo.com

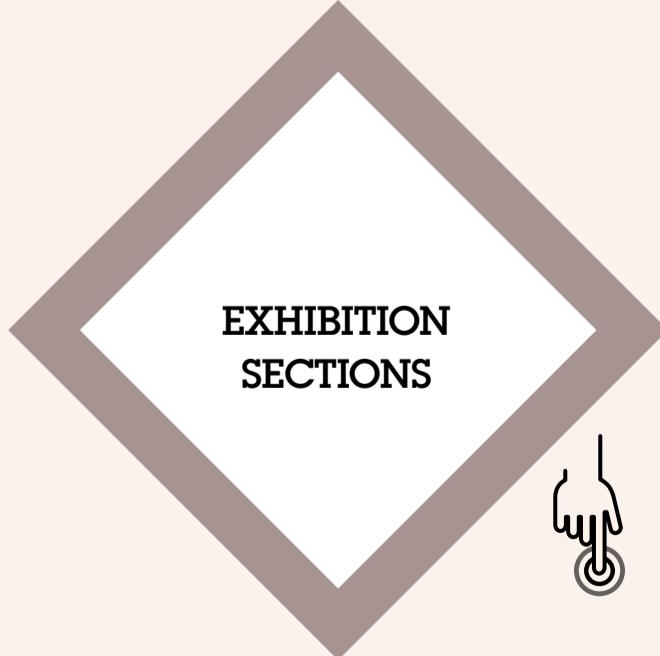
05.02–08.02

**Venue: Sokolniki Exhibition
and Convention Centre**

**Profile: Property
and Construction**

REMONT EXPO is traditionally held as an exhibition/congress B2C event. This format brings together two groups. One, the exhibitors, are manufacturers of maintenance and repair supplies, and repair services providers. Their participation can involve leasing exhibition space and putting together a display, or attending the programme of business events (congresses), or arranging their own seminars and presentations. The other group, consumers of such goods and services, play their part as the visitors. The aim of the exhibition is to gather, in the same place at the same time, clients, experts, and prospective partners in the field of services in home maintenance and improvement.

EXHIBITION
SECTIONS





**PRODEXPO-2016
XXIII INTERNATIONAL
EXHIBITION OF FOOD
AND DRINK PRODUCTS
AND INGREDIENTS**

prod-expo.ru

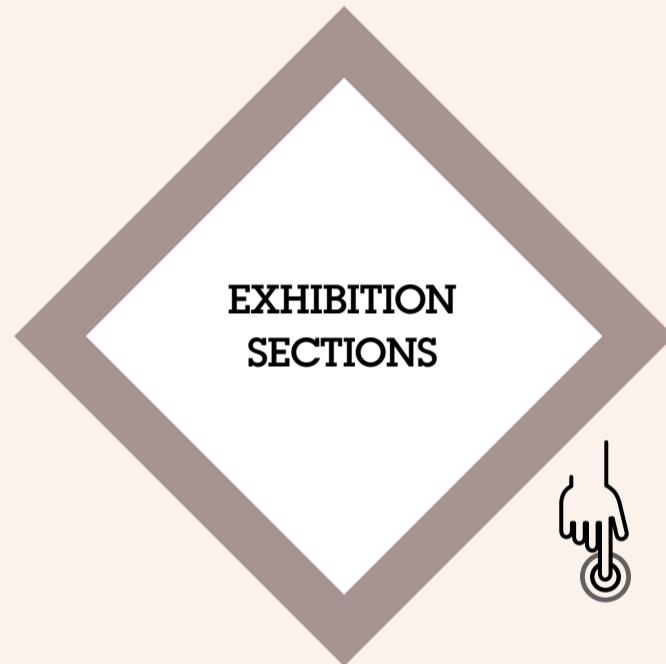
08.02–12.02

***Venue: Expocentre Central
Exhibition Complex***

***Profile: Food industry, trading,
logistics, production, and sales
of food and drink***

PRODEXPO, the largest international forum in Russia and Eastern Europe, is the definitive annual event in the field of food and drink (including alcohol), and has been setting the course for the Russian food industry's development for over twenty years. During the years it has been in existence, this peer of the Russian food supplies market, the PRODEXPO megaproject, has played an important role in shaping the development of the food supplies sector of the Russian economy. By promoting quality food products on the domestic market, PRODEXPO helps to deliver priority national projects aimed at raising the quality of life of the Russian consumer.

**EXHIBITION
SECTIONS**





RAPPA EXPO – 2016 XVIII INTERNATIONAL EXHIBITION OF AMUSEMENT RIDES AND ENTERTAINMENT EQUIPMENT

raapa.ru

03.03–05.03

Venue: Exhibition of Economic Achievement (VDNKh)

Profile: Property and construction, finance, safety, art and culture, consumer goods, sport, tourism, leisure and pastimes, transport and haulage.

If you want to reach a wider audience, increase sales, create quality branding for your company, then there is a unique opportunity to do so by participating in the XXVIII International Exhibition of Amusement Rides and Entertainment Equipment RAPPA EXPO – 2016. How do you find a reliable manufacturer? Where can you purchase amusement rides? How do you train staff in



maintaining complex structures? How do you succeed in the entertainment trade? Which children's rides are in demand? How do you create a fun and festive atmosphere for visitors? Able to answer all these questions will be the organizers of this exhibition: The Russian Association of Amusement Parks and Attractions (RAPPA). ■

Business' Olympian Heights

*The business centre “Olympic Hall”
has offices available in the heart
of Moscow’s Meshchansky district*

PHOTO: OLYMPIC HALL | TRANSLATION BY: JASON J SHAW



BIGM / BUSINESS MOSCOW // "OLYMPIC HALL"



BIGMOSCOW // BUSINESS MOSCOW // "OLYMPIC HALL"



BIGMOSCOW // BUSINESS MOSCOW // "OLYMPIC HALL"



OSCOW // BUSINESS CENTER "OLYMPIC HALL"





ЧЕРНЫЙ В МОСКВЕ

*It is here in Moscow
that **Liao Kuijing**
from China first went
skiing, and fell in love
with cheese and
mushroom blini*

Mum found Moscow delightful!

BY: STANISLAV KOMAROV | PHOTO: VIKTOR VARZAKOV | TRANSLATION BY: JASON J SHAW

Liao Kuijing is a senior marketing manager for Huawei, one of the largest telecommunications companies in the PRC. He is only recently arrived in Moscow, and is still adapting to his new surroundings. All the same, here in the Russian capital, he feels safe and at ease. He even brought his mother over to visit, and she found the beauty Moscow has to offer enchanting.

– Liao, why is it that your colleagues call you “Bill”?

– Many Chinese people give themselves European or American names to make things easier in everyday life. I am no different in that respect.

– Where did you study? What gave you your start in your career?

– My life has been that of a traveller. I was born in the province of Sichuan, in the city of Yibin. After finishing high school and studying at the local university, my parents sent me off to study, first in Hong Kong, and then the US. In America, I learned about marketing communications, and it was there that I acquired my other name, Bill.

– How did you manage to get into Huawei?

– A friend suggested I try and get a job with them. Huawei is one of China's largest producers of information equipment, a market leader. To land a job at this company for any young specialist in China is considered something of a coup. They offer unique opportunities for career growth, and the chance to promote projects on the global markets. I submitted my CV looking for a position in the marketing department, had an interview, and received an offer. I worked for some time in Hong Kong, then I transferred to the main Huawei office in Shenzhen. Not long ago, they suggested I come and work in the marketing department of their corporate solutions company in Russia.





I have now been in Moscow for a year and five months.

– And what impressions has it left you with?

– My deepest impressions came on the plane when flying into Moscow.

I saw a huge, modern city with splendid buildings, and on the other hand, an infinite amount of forest intact in its vicinity. You don't see that in China. And Moscow, with its leisure parks, boulevards and avenues has left an indelible impression on me.

Moscow leaves an indelible impression on the foreign visitor.

The contrast between the urban nature of the megacity and the large areas of preserved woodland is very striking indeed.

– Where in Moscow do you live?

– Many of my colleagues live in apartments rented for them by the company. Mine is on Autumn Street in Krylatskoye District. Not very far from our Russian Head Office.

– Tell us in more detail what you are responsible for at Huawei

– Last year, Huawei entered the top 100 global brands. We are the first Chinese company to have done so. We have been promoting our brand in Russia since 1997. My task is to make the Russian market aware of the new direction our company is taking. My division has been active in Russia since 2011. It is still small, but has achieved much already. Large Russian customers have tested and now

use our innovations. We supply the Russian market with ground-breaking solutions in ICT for various business sectors. Such as banks, oil and gas, railways, and state entities. Amongst our clients are the Central Bank of Russia, Sberbank, VTB, the Ministry of Health, RZD (Russian Railways), and Transneft. Our comprehensive solutions in communications, network structures, and data storage systems can be used by any large company. Our brand is very well-known in China: in Russia, though, only a few know about it yet. Which is why my team and I are actively promoting it.

– Tell us about your team.

– I am the only person on our team who is Chinese. The others are Russian. We range in age from those who have just left college, all the way up to those with great wisdom, seasoned by experience. They are top-class technical experts. That I am from





My task is to make the Russian market aware of the innovations that Huawei can offer.

China doesn't pose a problem for us working together, because everybody speaks very good English. It seems to me that in Moscow, wherever you look, you sense that everybody knows English.

– *Do you get to speak to any of your compatriots who live and work in Moscow?*

– I often receive official invitations from the Chinese Embassy and the Trade Delegation, but, to be honest, I haven't made it to any of their events. But, of course, I do bump into Chinese people in Moscow. Usually, it's true, it happens by chance, spontaneously. There are a lot of Chinese businessmen working here, and quite a few who are just touring Russia on holiday. I come across them as well.

Recently, my mum came to see me. We went to the Moscow State University. She can't speak English, so they sent us an interpreter who translated excellently from Chinese to Russian and back again. He helped us see Moscow. We became friends and still keep in touch.

– *What did your mum say about Moscow?*

– For Chinese people of her age (which is between 50–60), visiting Moscow is a significant event. Historically, a great interest in the Russian capital developed amongst the Chinese. She went to the Kremlin, of course, and we also went out for a pleasure cruise on the Moskva River. And then we took a trip to Suzdal to see an example of an ancient city in the Golden Ring. My mum really liked Suzdal. She said it was like being in a fairy tale.

– *Does your mum understand Russian culture?*

– I can't speak for all Chinese but, in any case, when I am communicating with my team there aren't any cultural difficulties. We understand each other perfectly. I have heard a lot about your country's rich cultural heritage, but I am no expert, seeing as I only know how to say "please" and "thank you" in Russian. To get to know your

**I don't like borscht.
But Russian blini with different fillings
are something I adore!**



A portrait of a young man with short dark hair, wearing a dark suit jacket over a white button-down shirt. He is looking directly at the camera with a neutral expression. The background is a plain, light-colored wall.

**For Chinese people, visiting Moscow
is a significant event.**

culture better, I would have to learn the language and read a lot. But I simply don't get the time...

– Are you planning to learn any Russian, even just at the conversational level?

– I already started to learn it a year ago. I have to admit, I haven't made great progress. They say that Chinese and Russian are two of the most difficult languages on the planet. But when I was studying in the US, my teacher maintained that all the languages in the world are equal: none are more or less beautiful, complicated, or difficult to learn than each other. A person just needs the time, inclination, and determination to learn a new language.

– What does the name of your brand Huawei mean?

– It has a very multi-layered meaning. It can be explained in three words: strength, opportunities, and China. It is a combination of all three

meanings creating a new word in Chinese.

– Work, as I see it, is your main priority. But what do you do with your spare time in Moscow?

– My favourite place in this city is the Moskva River. And if I have a spare moment, I walk or drive to the Rowing Canal. I watch people doing sports, or simply contemplate, watching the lapping of the waves...

– Do you do any kind of sport yourself?

– Snowboarding, go-karting, pistol shooting, archery, I go paintballing. It is in Russia, in the Krylatsky Hills, that I first went skiing. I don't ski just there, either: I also go to the outskirts of Moscow, to the slopes in Yakhroma, at the Volen Sports Park, which are very popular.

– And do you find Moscow's Chinese suitable enough?

– I know an excellent Chinese restaurant called China Dream. I think you could call it 85% authentic

In Moscow, you sense that everybody knows English.





Now we have the chance to talk about this technology which is in no way worse, and often surpasses, western equivalents.

Chinese. I can also recommend our Chinese canteen at the Huawei office. It was opened especially for the Chinese employees. The company do everything possible to ensure that specialists coming from China feel at home. It is difficult for people to adapt to Russian food and the local cuisine at first.

There are now around 1,600 people working in Huawei's office in Russia. The majority of them are employees working in Russia on a permanent basis. But very often, people from China fly over to deliver certain projects: business trippers, as you

company at such an age: is that the mark of a successful career?

– It very much depends on the company you are working for. At Huawei, there are young directors but also quite a few with a lot of experience too. And I am thirty already. But there is nothing surprising about my career, I work hard. You should also understand that for Chinese people, working for Huawei is an achievement in itself.

– Because of the sanctions, a reorientation is occurring

**My favourite place in this city
is the Moskva River.**

say in Russia. They are the regular customers at our canteen.

– Have you sampled any Russian cuisine? Pelmeni? Borscht?

– To be honest, I don't like borscht. But your blini with different fillings are something I adore! Especially cheese and mushroom! I've noticed that I've started to go to the Russian canteen more often. I'm getting used to it.

– For a Chinese specialist to head up a department in a big

with the Russian economy, from western markets to eastern ones. How do you see the prospects for your company?

– We, without a doubt, see new opportunities. But these changes aren't really to do with someone in Russia refusing western products and beginning to buy them in the East, from China, particularly. We see the change in the situation being that many Russian companies over the years bought western products from the same producers and never looked elsewhere.





Therefore, they had no idea what Chinese companies have accomplished in IT technology. Now we have the chance to talk about this technology which is in no way worse, and often

surpasses, western equivalents. It isn't always cheaper, but for the same money our customers receive a much higher quality of functionality, and much more effective solutions. ■

BIGMOSCOW

iPad magazine on how a foreigner can conduct
his small and medium business in Moscow

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