Doing business in Russia

- Several years of market economy in Soviet Russia: the New Economic Policy (replaced the policy of War Communism in 1921), its economic, political and international goals;

- In 1920s private initiative was allowed in Soviet Russia, and foreign companies were welcome to enter, set up their businesses and invest in the Russian economy. According to the Soviet legislation of that time, companies could be registered as legal entities on the territory of Russia, operate legally and enjoy legal remedy;

- Private enterprise was made legal again only under Gorbachev’s rule in the times of perestroika (The Law on Individual labor activity (1986), the Law on Enterprises (1987) and the law on cooperatives (1988));
Main problems of the Russian legal environment:

- Most Russian laws are formulated in ugly and ambiguous language that allows double or arbitrary interpretation;

- Provisions of such key pieces of legislation as federal Civil Code, Tax Code and others sometimes contradict each other, and that’s where administrative discretion takes hold;

- Russia is a civil law country where judges don’t make law, so there is no chance that mistakes or omissions of the lawmakers can be corrected by courts;
- Many legislative provisions are simply non-enforceable;

- Due to insufficient level of legal protection of property and entrepreneurial activity, foreign (and national) businesses are not really safe in Russia;

- Contract-related issues (applicable law and arbitration clauses);
Law Enforcement and Informal practices

- Low level of judicial independence;

- Accusatory bias of Russian Judiciary;

- Politicization of judiciary

- In the event of contradiction between a norm of federal law and a provision of secondary legislation, the latter often prevails (especially in Moscow);

- Selective application of law;

- Even when xenophobia was not an issue (in 1990s), many officials were biased and suspicious. They treated foreigners differently than Russians and often tried to take advantage of them. Today xenophobia that was almost at zero level under Yeltsin’s rule is rampant;

- Importance of having a local counterpart;

- Corruption-related problems;
Recent Developments

- Elimination of the Supreme Arbitrazh Court (February of 2014);

- Legislative proposals that may bring up serious problems for foreign companies (i.e. the bill stipulating possibility to confiscate property, assets and bank accounts of both European and American companies if sanctions are applied to Russia);

- For the time being Russian lawmakers value short-term political goals more than constitutional provisions;

- Escalation of authoritarianism in Russia and Crimea-related events.