

STRATEGIES FOR BUSINESS IN MOSCOW

# CAPITAL IDEAS



Wealth like want ruins many





What is going on in Russia?

Answering this question in the 18th century, the famous Russian historian and writer Nikolai Karamzin, said: "Stealing". Stealing then, however, didn't happen only in Russia. Officials everywhere had dirty hands. Generally, stealing, bribery, back hander's to the authorities, money laundering – all of what we now call corruption, existed and, unfortunately, still exist all over the world. Is it any wonder, for example, that in every country the word "bribe" has its own special term today. In Spanish speaking countries it is called "mordida" (literally "bite"), in French-speaking countries: "dessous-de-table" ("under-the-table" commissions), in Germany: "schmiergeld" ("smoothing money"), in Russia: "otkat" ("kickback") ... in short, corruption has no nationality. Why is that?

Why once a person comes to power, does he begin to steal? Maybe it's all in the nature of mankind, or so believed Fyodor Dostoyevsky, mired in lies, in evil, and in all other deadly sins. Or, perhaps, does the reason lie in the circumstances and lifestyle of the person, pushing him to do it?

Probably, it's by and large some of this and some of that. So finally we must admit the sorry state of affairs that it is impossible to eradicate corruption everywhere. Just as it is impossible to create the perfect person, or the perfect state. Corruption is a global challenge and of course, the whole world needs to fight it. It is no coincidence that the UN Convention against Corruption has announced Dec. 9th the International Day of the fight against this evil.

However, even if corruption does exist everywhere, there are states where the level is high, and there are

others where it is low. It is low in countries where the circumstances of people's lifestyles, laws and morals in society are such that stealing is not worth it and dangerous. That is the type of society we are building in Russia today. Of course, the fight against corruption, which has swept the country since the collapse of the Soviet Union, and has acquired truly monstrous proportions, should have begun before. However, better late than never. On the other hand, there is absolutely no time to lose. No wonder that in the last two years several important anti-corruption laws have been enacted, the Anti-Corruption Charter of Russian Business has been signed, and in late February a new department in the government of Moscow was established for regional security and anti-corruption ...

The most important thing is to start the fight against corruption and not let it be stopped. It must be consistent, aggressive and uncompromising at all levels. It is important that everybody is involved in this fight, not just the judicial and law enforcement authorities. The application of restrictions and imposition of penalties, even the toughest, may not solve the problem. An anti-corruption mindset needs to dominate the thinking in the country. At the end of the day, we need to deal with what the Patriarch of Moscow and All Russia Kirill calls "spiritual immorality."

Today it is as clear as ever: if we do not overcome corruption, it will overcome us, with all the ensuing disastrous consequences for our country.

Sergo Kukhianidze

Editor in Chief

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*Moscow Official*

## Moscow is ready to "carry investors in its arms"

*Forget about movies, Cannes really is a business minded city. In mid-March, Europe's largest international exhibition for investment and real estate (MIPIM) was held there in the Palace of Festivals and Congress Hall, and it is already the 25th such exhibition in a row. New opportunities for investors in Moscow were unveiled at it.*

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## Moscow Luxembourg: cooperation to create MFC

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Anatoly Kucherena is a prominent Russian lawyer. Recently he has become well known around the world as Edward Snowden's lawyer. Mr. Kucherena shares his opinions with Capital Ideas on the war against corruption that has been started within government institutions.

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## A Perfume for the Empress

*This year marks the 150th anniversary of the founding in Tsarist Russia of a unique perfume manufacturing empire by Henri Brocard. By the end of the nineteenth century it was considered to be the largest in Europe, and after the revolution was renamed the "Novaya Zarya" (New Sunrise) perfume factory, which continues to operate to this very day.*

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Quality Time

## A library must be attractive

"The Inostranka" is the nickname of the Margarita Rudomina All Russian State Library for Foreign Literature, which has existed in Moscow since 1922. This is a unique book deposit! The library now has a collection of more than 5 million books in 145 foreign languages! its Director Ekaterina Genieva told us about it in an interview with Capital Ideas.

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## Spring time in Moscow: touching the Beauty

Lots of beautiful women usually appear on the streets of Moscow in springtime. "Where do so many of them come from?" Surprised men constantly ask each other the same question. They simply could not be seen beneath a winter hat, scarf and long fluffy coats. Spring is the fairest of the seasons, a heyday, and not only for the blooming of feminine beauty. It's the right time to touch another beauty – art!

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## Dinner for the champions: jellied sterlet with champagne

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# Moscow is ready to "carry investors in its arms"

**Forget about movies, Cannes really is a business minded city. In mid-March, Europe's largest international exhibition for investment and real estate (MIPIM) was held there in the Palace of Festivals and Congress Hall, and it is already the 25th such exhibition in a row. New opportunities for investors in Moscow were unveiled at it.**

Opening the Moscow stand at the exhibition, one of the largest at the exhibition this year, the head of the delegation from the capital, the deputy mayor for Urban Development and Construction, Marat Khusnullin, noted that Moscow's current participation in MIPIM is the twentieth in a row. "Even though every year the city has always had something to present to the forum, today it is more open to the world than ever," said the Deputy Mayor.

Vladimir Resin, deputy of the State Duma of the Russian Federation, and adviser to the mayor of Moscow, who has spearheaded the capital's participation in MIPIM, said he was delighted by the rapid progress that the city had made during this time: "The new Moscow stand at the exhibition is as strikingly different from all its predecessors as modern spaceships are from the "Vostok", in which Yuri Gagarin made his first space flight."







"It is difficult to overestimate our success in the field of investments, especially in the last year," said Mr. Khusnullin. According to him, around 36 billion Euros have been invested in various areas of the economy of the Russian capital, 5 billion of which went into the development of the transport sector, and 8.6 million square meters of new property was constructed in Moscow.

No matter how impressive these figures may be, however, the city has no intention of stopping there. One and a half years ago the territory of Moscow was increased 2.5 fold which opened up a truly vast expanse for investors that requires decisive development: construction of new roads, houses, commercial real estate, schools, clinics, and other necessary infrastructure...

In fact, a whole new city needs to be built on the new territories for a population of 1.5 million people and to provide them with 1 million jobs! Not surprisingly, the development of the new territories has become a priority for the Moscow Government. According to experts, the total amount required for the development of the new district of the capital will amount to 7 trillion rubles. The City is able to provide only 10 percent of this amount. Where is the remaining 90 percent going to come from? "We need to get it from investors! That is why we are here in Cannes, at MIP-

IM", said Mr. Khusnullin. He added: "We are ready to carry every investor in our arms!" Moscow does not hide the fact that it needs foreign investors. It is not surprising that recently an investors club was formed in the capital which already includes 35 major business representatives."

One of them is Frederick Back from the Morton Group of companies. At a meeting in Cannes, Mr. Back thanked the Government of Moscow for its help and support. Mr. Back represents the company which has been working in the Moscow market for the last 12 years. Now it is actively investing in the new district. In the coming years, Morton intends to build 4 million square meters of real estate there, plus a business center on the Kaluzhkoye Highway. At the same time as erecting the business center, the developer will improve the roads in the area.

However, when investing in new districts, the city government does not forget about the city as a whole. The Moscow stand at the exhibition presented, in particular, a unique 70 square meter interactive layout of the area of development of the historical center of the capital (the last time a similar layout, made of wood, was presented was in 1986). What is planned to be done in the coming years will fundamentally change its socio-cultural aspect, with the creation of new pedestrian areas,



convenient transportation hubs, and comfortable places for recreation...

The global changes taking place in the Russian capital are not only of local significance. They positively affect the whole of Russia. This was stated by the Minister of Construction and Housing, Mikhail Men. "Russia has always relied on the experience of Moscow", he said. The Head of the Russian delegation at MIPIM, State Secretary, and Deputy Minister of Regional Development of Russia Svetlana Ivanova noted that our country still lags behind developed countries in social and transport infrastructure, and commercial real estate. "But this opens up even greater opportunities for investors. Moscow and Russia are real partners", she said.

Not everybody abroad, however, is sure about this. Heated debate on this topic erupted, particularly at the Cannes Gray d'Albion Hotel, during the conference on "Moscow in the global real estate market", orga-

nized by the Department of Foreign Economic and International Relations of Moscow together with The Moscow Times newspaper. The dispute was caused by a statement made at the beginning of the conference by moderator Ben Aris, editor in chief of "Business New Europe". Speaking on foreign investment in Moscow and Russia, he said that it is extremely small compared, for example, to Sweden. In Russia, he said, \$6 billion is invested, while in Sweden, with a much smaller population it is \$7 billion.

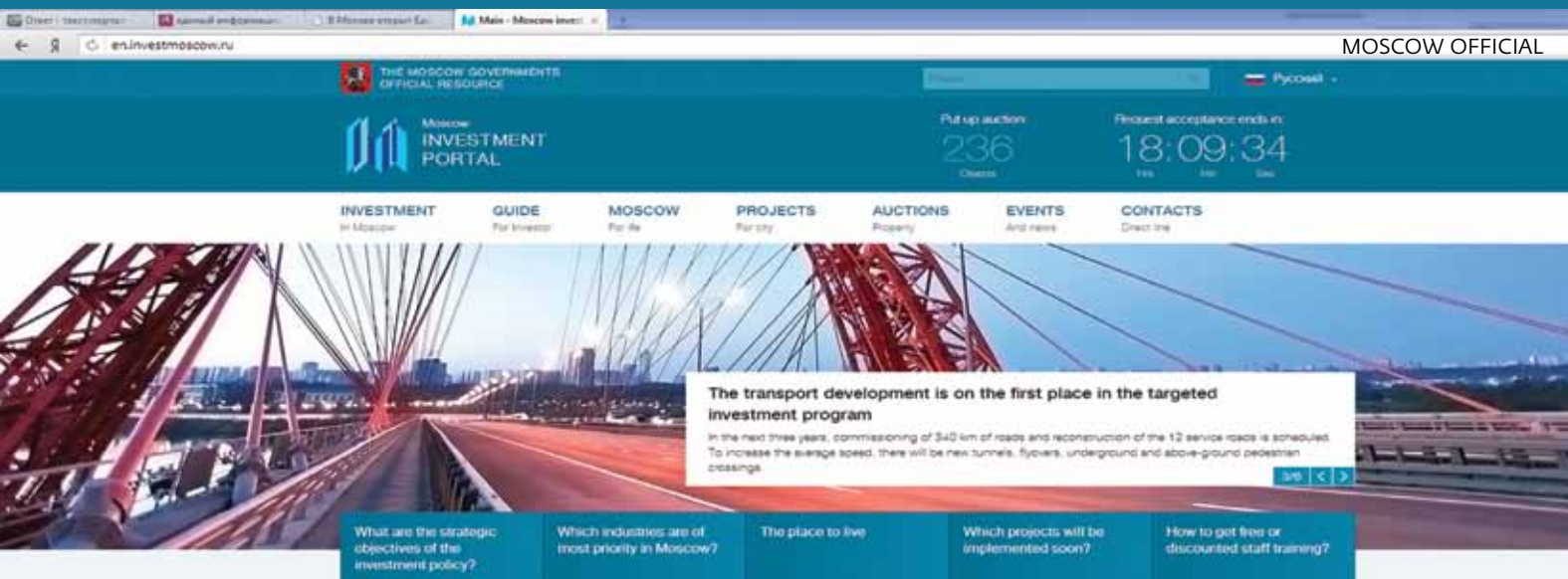
"Where do these figures come from?" Asked Marat Khusnullin incredulously. "Moscow itself invests about 400-450 billion rubles in the city every year, or \$15 billion. This is growing year by year, as are funds invested in the Russian capital by foreign investors," he said.

It is true, there was a moment when investment slowed down somewhat, but lately investors have been more active. According to Mark Groisman, CEO of AFI Development, which has been doing business in Moscow since the 1990s, with the advent of the new administration in Moscow, the investment climate is becoming more favorable. "It has become much easier to solve many problems," he said. Other representatives of Western business spoke with pleasure, in particular about the significant changes in the city laws, which are increasingly helping business people working in Moscow.

During the conference, the question was raised whether or not the events in Ukraine would affect the investment climate in the city. Almost all the speakers on the subject answered unequivocally: "No". After all, serious business people never mix business with politics. Sergei Cheremin, Minister of the Moscow Government, and Head of the Department for External Economic and International Relations, who was recently in talks held in Singapore, in particular, stated: "Local businessmen and investors are practical people. They do not get involved in politics, they do business, and they well appreciate the attractiveness of the Russian capital for investment."

"Last year," he continued, "Moscow attracted a record number of foreign investments, some \$97.7 billion, which is 20 percent more than in 2012. Foreign direct investment increased 2.4 fold and reached \$10.4 billion."

As part of the MIPIM, Sergei Cheremin held talks with the Mayor of Vilnius Arturas Zuokas and Mayor of Riga Nil Ushakov. He also participated in a meeting of mayors, the "Mayors' Think Tank". During the meetings, representatives from the major capitals of the world discussed the most effective ways to transform urban megacities into places that were suitable both for living and for business. ■



# Moscow is an open highway for investors

The Moscow City Government has opened a main information portal for investors in the city in the Russian and English languages: [www.investmoscow.ru](http://www.investmoscow.ru)

Its aim is to improve the business climate, simplify the conduct of business in the Russian capital, and to attract foreign capital to the priority sectors of the city's economy.

Within the context of the World Congress of Entrepreneurs, which was held in March 2014 in Moscow, the presentation of the official electronic resource of the government of the capital took place. Whilst introducing the portal, the Minister, Head of the City's Economic Policy and Development Department, Maxim Reshetnikov, said that the site was created with the direct participation of investors and experts. "This is a truly live interactive service ... Our online resource will become a highway for investors in the capital", said the minister.

The portal's structure includes such sections as "Investments in Moscow", "Investors Guide", "Living in Moscow", "Projects for the city", and "Tenders". They provide reliable information on investment strategy, priority sectors, special areas in the city, and the city authority's measures to support business and help protect investment.

Particular attention on the portal is paid to the plan to create the infrastructure needed for transport, energy, social, engineering, utilities, and telecommunications projects in the region. It provides information on planned and implemented investment projects in Moscow, and provides a single portal for information on land and property trading in the city.

A visitor to the site can also get acquainted with the key socio-economic and investment performance of the city Moscow, compare them with those of other cities, and find out their ratings from reputable international and Russian sources. The investment map of the city

provides brief information about the infrastructure and links to more detailed data related resources.

Great importance is attached to supporting business. Information is provided on the number of and procedures for obtaining financial and nonfinancial support for entrepreneurs, subsidies, benefits, guarantees and loans, within a legal framework that establishes the basic ways to protect the rights of investors, and a detailed description of the most preferred situations of cooperation between investors and the government. The portal provides a direct link with the city government.

The "Tenders" section is a single platform for trading with the city, and the navigation system allows for selection of projects, giving detailed information about each project and the bidding procedure.

The "Living in Moscow" section provides information on urban health services, education, transport infrastructure and attractions in the Russian capital.

According to the head of the Moscow City Competition Policy Department, Gennady Degtev, the reason behind the creation of the portal is so that anyone can get the information they need from a common standard. The site presents a guide to investment with the necessary information about starting a business, investments, protection of investments, personnel, transportation, construction and property. "In order to start using the portal's services, you must create a personal account and download mobile applications," said the head of the Department. ■

# Moscow cooperation



Sergei Cheremin and Etienne Schneider, Deputy Prime Minister, Minister of the Economy, Minister of Internal Security, and the Minister of Defence of Luxembourg

**The Department of Foreign Economic and International Relations (DFEIR) and the Agency for the Development of the financial center in Luxembourg, Luxembourg for Finance, signed a Memorandum of Understanding in the Russian capital defining the development of bilateral cooperation for the future.**

The conclusion of the agreement was the culmination of discussions which began in Luxembourg in December 2013 between Moscow Government Minister and head of the DFEIR, Sergei Cheremin, on bilateral cooperation in the development of the capitals of Russia and the Grand Duchy of Luxembourg as international financial centers.

Mr. Cheremin met with Deputy Prime Minister, Minister of Economy and Trade, and Minister of Defense of Luxembourg, Etienne Schneider. During the discussions, both sides expressed their satisfaction with the dynamics of the developing relations between Moscow and Luxembourg. The meetings resulted in the signing of a cooperation agreement between the Moscow Chamber of Commerce and Industry (MCCI) and the Chamber of Commerce of Luxembourg. Sergey Cheremin as chairman of the Committee for Foreign Economic Activity of the MCCI, and the Head of the Chamber of Commerce of Luxembourg Carlo Thelen, signed the document in the presence of Mr. Schneider.

During his official visit, Sergey Cheremin also met with the Minister of Finance of Luxembourg Pierre Gramegna, and the Governor of the Central Bank of the Grand Duchy Gaston Reinesch. During the talks, there was further dialogue on promoting Moscow as an international financial center. It was agreed to continue contacts on this subject at both the leadership and departmental levels.

The delegation from the Moscow Government was received by the Lord Mayor of Luxembourg Lydie Polfer. Both sides discussed the further development of relations between the two capitals in various fields, including in the field of urban development and the study of the preservation of historic heritage. During the meetings special attention was paid to the issue of cooperation between Moscow and Luxembourg in the field of culture. Some of the latest projects that were considered at the meeting were for the possible participation of Luxembourg

# Luxembourg: to create MFC



in the Moscow Christmas Festival in 2014, and the participation Moscow in the Christmas market in Luxembourg.

The Hotel Le Royal hosted a round table meeting on the issue of cooperation between the Moscow Government and representatives of the financial community of the Grand Duchy: the Ministry of Finance, the Association of Banks and Bankers, the Luxembourg Stock Exchange, and the largest investment companies. Sergei Cheremin gave a speech presenting Moscow as an international financial center. ■

A cooperation agreement has been signed by Sergei Cheremin and Carlo Thelen, Head of the Luxembourg Chamber of Commerce. The ceremony was attended by Pierre Ferring, Luxembourg Ambassador to the Russian Federation, Etienne Schneider, Deputy Prime Minister, Minister of the Economy, Minister of Internal Security, and the Minister of Defence of Luxembourg, and Mark Entin, Russia's ambassador to Luxembourg.

Sergei Cheremin:

# We are not afraid of Western sanctions

**Sergei Cheremin, Minister of the Government of Moscow, and Head of the Department for External Economic and International Relations, answered questions from representatives of the American "Bloomberg" news agency, the British Broadcasting Corporation "BBC" and the largest Chinese news agency "Xinhua".**

**T**he meeting between the Minister and foreign journalists took place in late March in Moscow, at the "Hotel National". The conversation took place over a cup of coffee in the framework of a "lunch with the press."

The representatives from the media were of course primarily interested in the issue of economic sanctions by the West against Russia, arising in connection with the situation surrounding the Ukraine. In particular, how serious can they be for Moscow?

In answering this question, Sergei Cheremin said: "It's hard to say. Many of our partners from large companies do not want to walk away from orders that

the government of Moscow is planning to place in the near future. The volume of products and services purchased annually by Moscow, amounts to more than \$20 billion. This is a huge market, in which for example, the largest engineering companies are interested. We buy trams and buses. We will soon announce a tender for the supply of a very large batch of train carriages for the underground system, with a contract life cycle of 30 years. Preliminary consent to participate in it has been given to all the world's leading manufacturers. This will be one of the biggest tenders in the world."

A BBC correspondent asked him to clarify, "whether or not sanctions imposed by Western countries are a



threat?" The Minister of the Government of Moscow replied: "If the European Union is going to impose sanctions, they will primarily hit the EU itself. In addition, there are alternative manufacturers of technology in China, Korea and other countries. Recently, Bombardier, a Canadian engineering company, won a tender with us to supply trams. Do you think that they will now refuse to supply the trams? I think it would be a stupid situation that the Bombardier management would be unlikely to support. At the political level any statements can be made, but when it comes to business reality, such zeal waxes cold. Besides this, we must remember something else: Russia has been through world wars – I think it will survive sanctions."

During the meeting, journalists raised the issue of Moscow's credit rating, which according to one of the major international rating agencies, Standard & Poor's, has fallen - from stable to negative. This means that, according to the company's analysts investing in the Russian capital has become supposedly dangerous. Here's what Sergei Cheremin said on this issue: "Before the global crisis that erupted a few years ago, the rating agencies actively increased the rating for the U.S. and European countries, which at that moment were in a deep crisis or even on the brink of default. You can certainly have an AAA rating with 15 trillion dollars in debt, but it's a strange situation. In Moscow today, the level of debt floats at around 12-13 percent of the annual budget. The S & P agency has lowered its rating prognosis. It's a purely political devaluation. Moscow has lost nothing of its position:

either economically or financially. It remains the most stable region of the Russian Federation, so it is just pure politics."

The Minister also stressed: "We are aware that Moscow still has an underdeveloped infrastructure, and information technology, and that there are issues with the transport system, but we aim to invest heavily and a positive dynamic has already been seen in all spheres." The Head of the Department explained that last year total foreign investment was forecast to amount to 97.7 billion dollars. This figure is almost 20 percent higher than the figure for 2012. "These investments are mainly in industry, trade, services, and the financial sector," said the Minister.

Also during the meeting journalists touched on the issue of how expensive Moscow is. In fact, according to an international company, Mercer, for the third year in a row, the Russian capital has topped the list of the most expensive cities in the world. What is the city government planning to do to turn Moscow into a more attractive city for foreigners from this point of view? Sergei Cheremin replied: "If people are prepared to live in such an expensive city, it means that something is keeping them there. An opportunity to earn some serious money must beckon them. As an authority, we will try to reduce the burden on those with low incomes. We have more than two million people on some form of social support. But how to reduce prices in the boutiques and luxury stores - this question is probably not for us. If people buy things at those prices, it means that they have got the money." ■

Sergei Katyrin:

# Time waits for no man, it is time for modernization

**The President of the Chamber of Commerce answers questions from Capital Ideas.**

**Mr. Katyrin, what are the main challenges facing Russia's economy today in the context of the ongoing global financial crisis?**

For Russia the character of the challenges, both before and after the crisis, remain practically unchanged. This is a selection of typical problems for emerging markets (economic restructuring, modernization, productivity, investment, etc.), supplemented by a number of national peculiarities. I would describe one of the most pressing challenges at the moment as the exhaustion of the previous sources of growth. Over the past 10 to 15 years, Russia's economy has grown by selling resources, but this is no longer enough for the development of the country today.

In my opinion, this is for the best. The changed realities have created a clear signal that time is running out, and it's time to modernize. This signal can be clearly heard.

Another challenge is membership of the WTO. We must learn not to lose out, but to develop and compete to eventually take our rightful place in the organization. That is no easy task.

**So, do you see more pluses or minuses from joining the WTO?**

We had no alternative other than to join the WTO. Russia today is an integral part of the global economy. The member countries of the World Trade Organization, account for about 95 percent of all world trade, and it

determines the rules of conduct in the global markets. To ignore the WTO would be to harm ourselves.

The WTO is in fact a tool. We need to learn how to use it, and whether there will be more pluses or minuses will be dependent upon that.

For us today, for example, there are not enough specialists able to competently defend the interests of domestic business in the organization. For example, WTO rules provide ample opportunity for anti-dumping, but its effectiveness can only be provided for by highly qualified specialists. Business people need advice on WTO rules and disciplines. I think the need for them will grow over the next 5 to 7 years (depending on the industry) when the transitional grace period after entry for Russian business is nearing its end. For this purpose, the Russian Chamber of Commerce together with the International Trade Center created a business center in 2012: "Russia in the WTO." We involve representatives from scientific and educational centers, specialists in foreign trade of the Higher School of Economics, of the Academy of Foreign Trade, Moscow State Institute of International Relations of the University of Moscow, and so on.

**The main risk in joining the WTO was in the flow of foreign goods into our markets and the mass bankruptcy of domestic producers. But this flow has not yet taken place ...**

This has not taken place, because when we entered there was no one-off reduction in tariff protection,



but we stipulated for a gradual reduction in the rate of import duties.

In some sectors, even at lower levels of tariff protection our importation of certain goods fell, and that is a fault of the WTO, as well as other sectors in which imports have grown. Last year, there was a temporary surge in imports of milk and pork, and it came as a surprise for our producers. However, using authorized WTO methods and tools, we very quickly managed to halt the negative process. However, there are certain difficulties for the textile, shoe manufacturing, and other light industries.

Generally speaking, according to experts, more than half of domestic companies have not noticed any major changes in competition, or serious pressure from imports. Our businesses are even quite relaxed about it all, saying, we will somehow overcome joining the WTO. That worries me. "Somehow" will not work in this situation. This is a clear road to losing out to the competition tomorrow. Foreign companies will definitely move into our market, and we have to make the most active use of the preferential transition period to make preparations for that. There are opportunities, the tools for this are in place, along with measures for the support of the domestic economy that do not conflict with WTO rules.

For example, take our agricultural industry, which bitterly talked a lot about claims of its impending fate under the WTO. An acceptable level of state sector support has not been decreased. A quota has been put in place for the import into Russia of agricultural products which are sensitive for our market. Plus, the WTO rules allow for direct budgetary resources for the improvement of rural infrastructure (roads, gas supply, power supply capacity, and so on), and to conduct agricultural work in the social sphere, etc. So support for agricultural producers exists, and is very clear to see.

The afore-mentioned customs tariff is not the only or the most versatile tool to protect the domestic market. The EU market has the equivalent of a 3.7 percent average level of protection for manufactured goods, to reliably protect it from competitors, by actively using and applying non-tariff protection methods, including standards and a certification system. This is a good indicator for us. Also, it would be a good thing to help to introduce this, along with certain tax benefits for domestic businesses, and the Russian Chamber of Commerce and Industry has suggested this many times. For example, to offer tax breaks to enterprises involved in the introduction of expensive innovative projects.

#### **Together with all that we also need affordable loans ...**

It was understood that the accession to the WTO will also lead to a reduction in the cost of capital, and the

expansion of financial instruments. This has not yet happened for us. Money is still expensive for us, and long term funding for major projects is generally a problem.

One day all this will change, but business works in the present time, needs to be developed and needs affordable loans now. A lot depends on the state. In particular, "tax maneuvers" are required. In order to support and promote high-tech business, you need special lending programs ... All this is being done, but we must be more proactive.

Small businesses in general will need special rates. This is a major business segment, and in developed countries it is the backbone of the economy. If you help small businesses to flourish and develop, it will provide jobs, and tax revenues will increase. In principle, the whole system needs to support such businesses. The Chamber hopes that the state will provide for serious support for small and medium-sized businesses. Purchases by the state (including state-owned corporations) and the municipalities amount to serious amounts of money: more than 13 trillion rubles a year. You can describe this as the state's investment in the development of entrepreneurship. Russia has not yet acceded to the WTO agreement on public procurement, and therefore can place orders creating certain preferences for Russian producers. Moreover, I can stress that it is in favor of those who actually produce goods, and not for those who simply assemble integer units brought from the West. These steps can seriously support entrepreneurship in the transition period, to give it the opportunity to gain strength and to adapt to the WTO.

If we talk about the particular subject of what specifically is gained or lost, by joining the WTO, a truly serious first analysis, summarizing the initial balance, can only be realistically made in about five years time.

#### **Let's talk about investments. How important are they for Russia today? What do we need to do to attract them?**

Of course, they are as important to us as they are for any other country. Attracting foreign investment is becoming a priority not only for developing economies, as it was until recently, but also for developed countries. Germany, UK, France, Finland and many other countries have already created special structures for this purpose.

The competition for investment has become one of the most important areas of economic struggle, and we still have much to learn in order to win this game.

It is clear that the most important condition for the attraction of investment is a good business climate. We are still very far from being one of the best examples. But at the same time let us still remember that our



economy has only recently become an open market economy, and many of the necessary institutions for this are today still in their infancy. I don't want to say that all of our problems come from the past. Most barriers to the creation of a good investment climate have appeared in recent times. I'm not just talking about the bureaucratic obstacles. The barriers are the tariffs and monopolies, the huge length of chain of intermediaries between the producer and consumer, very expensive borrowing, inadequate laws, and so forth.

Prior to the 2008-2009 crises, the shortcomings in our investment climate were compensated for by very high profits, and today they have become much smaller. The competitiveness of the Russian economy lags behind many developing countries, which have a cost advantage (quality / price ratio). Our innovative potential today is low, growth in productivity is not significant, and to obtain long term loans at reasonable rates of interest is almost impossible. So how do we create new business for the economy with a long-term cycle of return on investment? Added to this we need regular innovations in taxation and regular changes in other forms of business regulation. All this increases the risk for investment operations, and reduces the attractiveness of the domestic economy to domestic and foreign investors.

The estimates and forecasts of experts, manufacturers, producers, and think tanks today are similar. It is necessary to combine the efforts of government and business and create the conditions for the attraction of investment funds to the Russian economy. This is

beginning to be understood both in the corridors of power and among entrepreneurs.

Over recent years many countries have undertaken reforms and eliminated unnecessary bureaucratic obstacles, improved legislation, created more favorable conditions for entrepreneurship and for investment in business. We need to do the same, but faster. That is what, in particular, the initiative taken by the business community is aimed at, and which fully supports the authorities' roadmaps' in various areas of the economy, the implementation of which is literally to organize work to eliminate barriers.

The problems are understood, and I want to emphasize, most importantly, that they can be solved.

More investment in the regions is needed. Here today the effectiveness of measures to improve the investment climate are overwhelmingly dependent on two components. Firstly, systematic and proactive initiatives by the regional authorities to create the right conditions for attracting investments, and secondly, comprehensive support for investment activity in the regions from the federal center.

#### **How do you as a Chamber of Commerce deal with the problem of attracting investment?**

One of the priorities of the Russian Chamber of Commerce is the formation of a structure for supporting investment. The work is carried out in several directions.

The first is to promote legislative support for all issues related to attracting investment. The main factor limiting the activity of investors is their view that there is insufficient predictability in economic policy, and in the actions of the authorities in enacting regulations at the regional and federal levels. Entrepreneurs not only need important incentives and preferences, but also stable and clear rules for conducting business. We help our regional chambers to establish a good working relationship with the regional authorities, and to develop a strategy for joint action to eliminate inconsistencies in federal and regional legislation.

The second direction is in the search for and promotion of investment projects. We receive investment proposals via regional chambers, foreign missions and directly from businesses themselves. An expert council of the RFCC evaluates and analyzes investment projects on a technical basis, and suggests any revisions. Regulations are already in place to find and support investment, and only after they match these standards are proposals sent to potential investors.

The third area is in training, information and working methods with the regional chambers and entrepreneurs. We hold regular seminars on the basis of regional Chambers, usually in the region itself, with meetings of the initiators of projects that come already prepared. A small group of investors are invited (heads of business, banks, and asset management companies). Specific ways of implementing the investment proposals are discussed at these seminars.

There is another important factor that should be considered: the mentality of many of our entrepreneurs in seeking to arrange a private order of preferences for their company or particular project. This can bring immediate benefits, but eventually leads to corruption and lack of healthy competition. It is also the task of the Chambers of Commerce to form solidarity with entrepreneurs in an active role in protecting the interests of the business community.

Presentations on investment opportunities in the regions and industries can also become effective tools to attract investment, as we have seen in practice. We have organized them and carried them out for several years now.

**It is well known that corruption is one of the main obstacles to investment in the country, and to Russia's development in general. How can we overcome it?**

Actually, sooner or later all countries are faced with the problem of corruption, and in this sense it is impossible to eradicate it completely. But you can minimize it, and ensure that its manifestation in business practices becomes rarer, and the experience of many countries proves this.

The realities of our lives demand very strong action against corruption from the state and from society. Of course, the Chamber of Commerce of the Russian Federation participates in the implementation of the state anti-corruption policy. We fully support the principles of the UN Convention to combat corruption, and other international agreements in this field.

Here, however, I find it necessary to mention something: many people will perhaps be surprised, but in recent years, we as a country have been no more corrupt than other countries. Our problem is that other countries do better in the fight against it, and inevitably punish corrupt officials harder. Instead we make the right decisions but don't act upon them. This is bad in and of itself, and in terms of attracting investors, which means more money for the economy. Only a successful fight against corruption enables the development of free competition, particularly in the field of public procurement.

Of course, as a voluntary business association, we can't catch the corrupt and put them behind bars. But we do not stay on the sidelines. In Sochi at the XI International Investment Forum in September 2012, the Russian Chamber of Commerce, "Business Russia", "SUPPORT FOR RUSSIA", and the "Russian Union of Industrialists and Entrepreneurs", signed the Anti-Corruption Charter for Russian business.

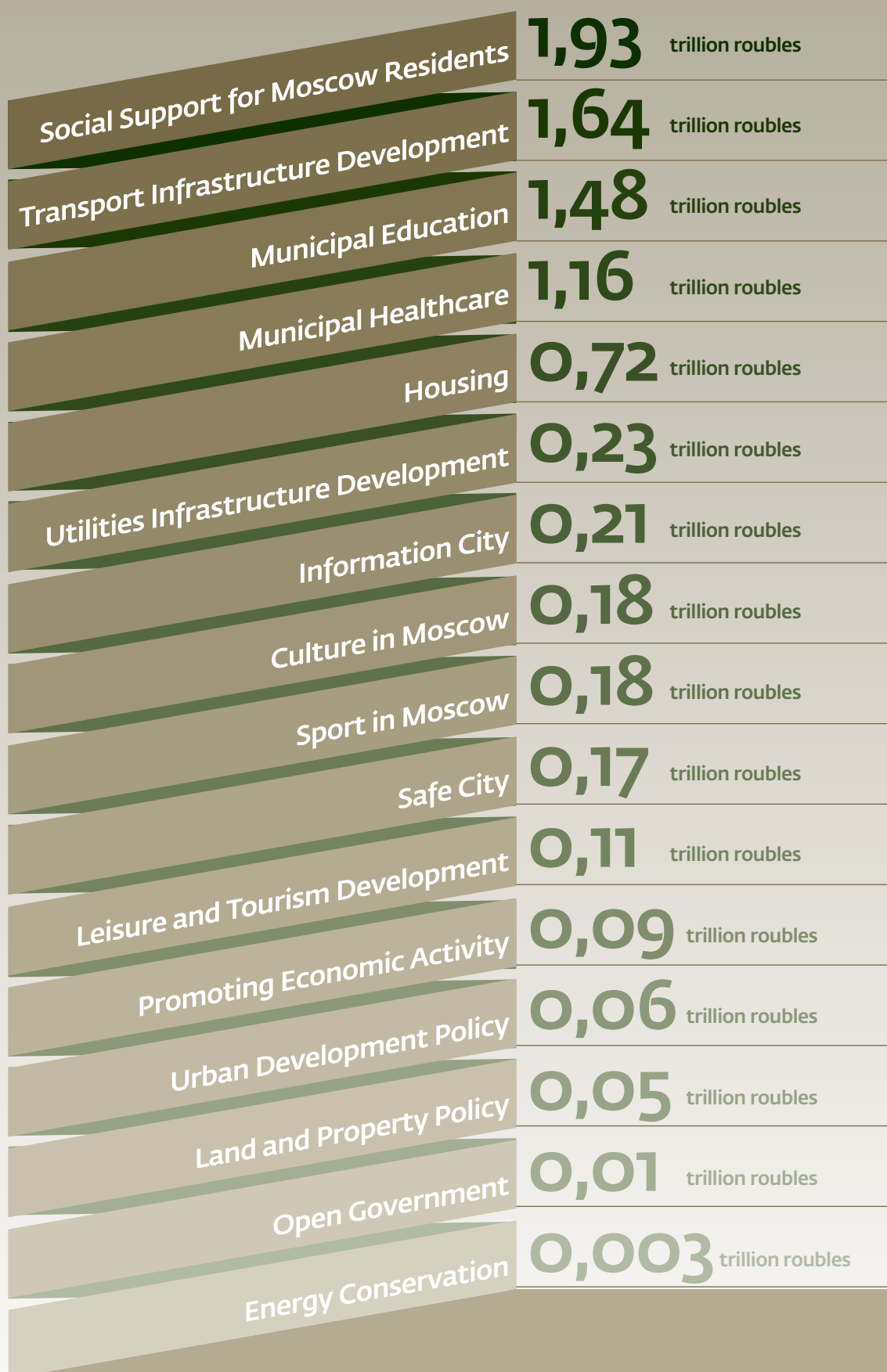
#### **How does it work?**

The Charter is a specific set of rules for business, a kind of "code of conduct". It involves the introduction of a corporate policy of special anti-corruption programs, the monitoring and evaluation of their implementation, effective financial control and compliance with the principles of public anti-corruption measures. Also, the refusal by members to the Charter in illicitly obtaining benefits, participation in tenders only on the basis of the principles of transparency and competition, information on countermeasures to corruption, cooperation with the government, the promotion of justice, and other measures. Certainly, we will help in the case of a business that is forced to face corruption.

Companies join the Charter voluntarily. It is impossible to make it compulsory and to attract everybody. I would say that many people and most entrepreneurs have long since had enough of corruption. So they are signing up. We are often asked: what would happen if a member violates the Charter? You know, with increasing competition, companies are beginning to appreciate their name and their reputation. The disclosure of corruption, of course, destroys a reputation; and competitors will certainly use that to their advantage, and try to oust them from the market place. Basically, an offending company will have to pay the price...

**Thank you for the interview. ■**

# Moscow strategic programmes 2012–2016



FACE TO FACE





**Gianfranco Facco Bonetti:**

# Russia is still a mystery but no longer an enigma

**Prominent Italian diplomat, former Italian Ambassador to Russia, and now Ambassador of the Sovereign Military Order of Malta to Russia, answered questions from Capital Ideas.**

**Mr. Bonetti, for how many years were you the Italian Ambassador?**

I was here for five years. Before that I spent five years as the Minister of Council of the Italian Embassy. It was in the early 1990's. I came in 1990 and went through one of the most extraordinary experiences of my professional life. I was in Red Square when the red flag was pulled down. So I actually witnessed the end of the Soviet Union.

**Were you in Red Square by chance at that moment, or had you actually come to see it?**

No, I was there quite by chance. I was with some relatives from Italy who wanted to see Red Square. We just happened to be there. It was Christmas night, I believe. It was the 25th of December.

So, I spent five very interesting years here, from a professional point of view. I witnessed the terrible ordeal that firstly the Soviet Union, and then the Russian people went through in those years. We tried to help. We sent train loads of potatoes and oranges to St Petersburg, where First Deputy Mayor Vladimir Putin was in charge of the foreign

assistance programmes, and also to Moscow... The European countries and the EU did a lot during that period.

Then I left. I returned to Rome and did different jobs. Then in 2001, when I was appointed Ambassador to Russia, I found a different country. In six or seven years Russia had completely changed. I couldn't believe my eyes. In a way, it was evident in the streets. The fact that so many Russians were travelling abroad, many of them to Italy, was changing people's attitudes. I remember that in 1991 and 1992, people had no faith in the future. When I came back in 2001, it was an energetic society. It had changed enormously. So I am very grateful to my diplomatic career for bringing me that great experience, that great human and professional experience.

**Do you intend to write a book about all of that, about your personal connections with all these people? With Mr. Putin in St. Petersburg, and with Mr. Gorbachov who you also met at that time?**

Perhaps, but I am not ready to write books yet. I am sure that Mr. Putin received many such visits. Then I was Minister Counselor of the Italian Embassy. All

the European embassies tried to help at that time. He probably doesn't remember me. Well, since then I have presented my credentials to President Putin twice: once as the Italian Ambassador, and then as the Ambassador of the Sovereign Military Order of Malta. Perhaps he did recognize me.

**When you handed Mr. Putin your papers from the Order of Malta was he surprised?**

I was jokingly told by the Head of Protocol, Russian Protocol that is, that I should go straight into the Guinness Book of Records because no ambassador, at least in the last century, has presented his credentials to the same Russian Head of State twice, from two different States, from Italy and the Order of Malta.

President Putin was very cordial of course. You are probably aware that ambassadors present their credentials as a group. I was very flattered that the order of protocol for calling forth the ambassadors started with the Order of Malta. I was very grateful to President Putin because we were the smallest nation represented, of course. Brazil and many other large countries were there, but the presentation ceremony was led by the Order of Malta.

**Mr. Ambassador, how did this all come about...?**

Well it happened quite simply. When my Italian diplomatic career was coming to a close and I was about to retire, the Nuncio, Monsignor Antonio Mennini, asked me: "Would you be interested in coming back to Russia as the representative of the Order of Malta?" Quite frankly, I had never considered it, but I did know that there was such a thing as the Order of Malta.

**So, you had never considered it?**

Returning here as the ambassador of the Order of Malta was beyond my imagination. So I replied, perhaps, who knows? I went to Rome and discussed the possibility with those responsible for the diplomatic activity of the Order. Then I accepted their offer. So I came here as a volunteer working for the Order of Malta as its ambassador. Three years later, I was admitted as a Knight of the Order, But I carried on doing the same work as before my admittance as a Knight. That's how I came to return to this country. I didn't want to cut my ties with the many friends I had in Russia, and I keep finding new friends around. It's very nice.

**Could you tell us something about the relations between The Order of Malta and Russia?**

In 1992, soon after the collapse of the Soviet Union, the Order of Malta and the Russian Federation signed

an agreement formally recognizing each other, establishing official relations and exchanging ambassadors. That was the first step. Of course, during the communist era, there were no relations at all – there could not have been, because the Order is a Catholic religious Order. That is how it started. The Order opened its embassy in Russia in 1992.

But humanitarian assistance was already being provided. The Order consists of many individual national associations. There is one in Germany, one in France, another in Italy, and so forth all over the world. The German association of the Order very generously decided to set up operations in Russia, using funds collected in Germany, mainly through the Catholic Church. They opened humanitarian centers in Kaliningrad, Smolensk, in Dubna, and the two most important ones in Moscow and St Petersburg. The centers in Moscow, St Petersburg, Dubna and Smolensk still exist. Of course, Moscow is the most important, followed by St Petersburg. They pay no rent there because the building was provided by the government of Moscow for a 20 year period, under a signed agreement. They assist elderly people, young people, and children or those in need because their parents have problems. They give out hundreds of meals every day.

A few months ago, an agreement was signed with the Bavarian association of the Order to expand the activities of the social center in Moscow. The St Petersburg center is supported by other regions in Germany, and by Wurzburg in particular. It functions very well, very well indeed. I recommend them for a visit, if you happen to be in St Petersburg.

So this is what we do: religious contacts and activities of a humanitarian nature around the country.

**That is the main activity, is it not?**

Yes, the main activity is the humanitarian work.

However, at the same time, the embassy which I have the honor of being in charge of, has started what I believe to be something conducive to better relations with the Orthodox Church.

**Do you have any connections with it?**

We have many connections. Let me explain. By chance, we came to realize that over the last 20 years many churches have been built all over Russia. However, many hundreds or thousands of churches and parishes mostly lack, from a religious point of view, one essential element. They do not have religious relics, saints' relics. In Italy we have a lot of relics. There are convents that had masses of relics, which are now



The opening of the Treasures of Malta exhibition at the Kremlin. Nine centuries of service to the faith and charitable works.

closed. So, we thought, perhaps we could bring those relics to Russia.

Last June, we brought three relics of St. Nicolas to Saransk. I myself had the honor of handing them over to Bishop Varsanovy in Saransk Cathedral. I personally believe, and the Order also believes, that this work, which is conducted in all humility, may prove to be a good link between the Catholic community and the Orthodox community, between the two churches. Of course we are talking about the relics of saints and martyrs who died before the schism of 1054, because they are acknowledged by both churches.

At the moment we are preparing for the handing over of the relics of St. Ambrose, who was Bishop of Milan in the fourth century. Last march, I personally handed over a relic of St. Panteleimon to the church in Usovo. Usually, we contact His Holiness the Patriarch and ask, we have discovered these relics, Your Holiness, who should we give them to?

The Patriarch replies: "send them here or there." In 2012 he sent us to Arseniev and in 2011 to Ulan-Ude, so we have become pretty good travelers. We are going to Smolensk next June on a similar mission. I like doing this very much because I am always very moved when I see the reverence and Christian faith with which they are accepted.

**The headquarters of the Order of Malta is, of course, on the island of Malta, isn't it?**

Actually no. It has been in Rome since 1833, after Malta was captured during Napoleon's campaigns.

In 1798, when Napoleon was on his way to Egypt from France, he landed on Malta. He kicked out the Maltese Knights and took over the island. For three years the Order was based in Russia. The main seat of the Order was in St. Petersburg. When Tsar Paul the First was killed, it was a disaster from the Order's point of view. It would have been better if he had survived. The Order spent about 30 years going from one place to another. Then in 1834, the Pope at the time offered the Order a chance to settle in Rome. Since then the Knights have been on the Aventine, which is one of Rome's seven hills, and in Via Condotti, one of two autonomous areas recognized by the Italian government. The Order's government is based in Via Condotti. It is very small. For instance, the Order has diplomatic relations with 104 countries around the world, but there are only four people looking after them all from Rome. So just four people are doing what would be done by four hundred people in my former ministry. They are all unpaid volunteers, because all the money the Order manages to raise through its associations goes to the main goal of the Order, which is humanitarian aid. The Order does much all over the world, in Africa, Asia, South America, and in all countries where people are suffering, as well as in the medical field.

**Mr. Ambassador, do you still use a bicycle when you are in Moscow?**

I know what you are asking. I think that these days it would be much easier to get around by bike than it was ten years ago. You now see some bikes around, but there didn't use to be many bicycles in Moscow.



**You know why I am asking this question, it's because I would like to know what you think Moscow needs to do to attract more tourists, more investors?**

Well... I don't know the statistics regarding tourists coming to Moscow. So I can't say whether things are getting better, very much better, or what...

**A little better. Around six million foreign tourists come to Moscow annually. Mostly they come to Moscow and St. Petersburg.**

As far as Moscow is concerned, perhaps it should try to attract tourists for longer stays, not just for four or five days, but for slightly longer periods. Perhaps offer more things of interest, such as visits to outlying areas of Moscow, but I am no expert on such matters.

**But the infrastructure is not so good, and that is very important.**

Yes, infrastructure is very important. For example, when you travel in Germany, which I do very often, whenever you stopover in a city of fifty, sixty or seventy thousand people, you are certain to find a nice little hotel. Clean, with reasonable prices, and a good breakfast in the morning. It is essential. Italy is not so well developed as Germany in this respect. There has not been enough investment in this area. I think that what is lacking here is the availability of good, mid-standard hotels, because not many people can afford what the big hotels charge here. Western tourists are used to mid-standard hotels, two or three stars, but decent and comfortable. This, I think, is very important.

**So, what else?**

Well, since I am no longer an Italian Ambassador, I travel more, for reasons I explained earlier. I have seen many beautiful provincial cities and many beautiful landscapes. In many places, nature is untouched. For instance, in the Far East, we landed in Vladivostok and drove by car to Arseniev. It is a wonderful place, but nobody outside of Russia knows about it, perhaps even only a few in Russia know about it. So, what is really needed is a good ministry or agency for tourism, to put all these extraordinary places that you can offer to tourists on the map. Tourism to Russia can be very exciting. Sometimes uncomfortable, but that is the challenge.

For instance, I have never been to Altai, but from what I know, Altai could be a kind of Russian Switzerland. I think Russia should offer more of its jewels to the tourist world than it has done up to now.

Internal air transport works fine. I usually fly or take a car. I went to Saransk by car. The road was reasonably good, acceptable anyway. There are few motorways, but the roads to Mordovia are not too bad. Also, there are specialist tourists, such as hunters for instance. There are many wonderful places in Russia where they can hunt.

So, I would say that you have great potential. Much more than has been exploited so far.

**"Do you have any favorite Russian cuisine, Russian food?"**

Well, I do enjoy the zakuski (snack food). I like fish very much. I am sad that black caviar is no longer available. I don't even look for it anymore, out of respect for the sturgeon. We all hope that the sturgeon population will recover one day.

**Mr. Ambassador, when you say that you like zakuski, do you mean to say that you also try Russian vodka?**

Of course. You can't have zakuski without vodka. I was invited to a celebration last night. It was at the Actor's House in Stary Arbat Street. We had a wonderful meal with zakuski, and many other things of course. Vodka was top of the list. I do like your cuisine, your food.

**Mr. Ambassador, perhaps you can answer my next question not as the Ambassador of the Order of Malta, but as a person who knows Moscow and Russia quite well. Do you agree that Russia, and particularly Moscow, are still "unknown territory" for foreigners?**

Yes, to a large extent I do... Why? People don't know a lot about Russia. When you come to Russia for the

first time, it isn't easy to break into the spirit of the country. First of all, there is the language barrier.

### **So, it's a culture shock...**

A shock? No I wouldn't call it a shock, but you are confronted with a different civilization, European but different. As for me, when I came here for the first time, I knew very little about Russia. I had a problem even reading the street signs...

### **There were no signs in English.**

Yes, it is an obstacle for a non Russian speaker. At the beginning it was a major obstacle. On the other hand, it made things more exciting, at least, once you penetrate this mystery...As Churchill once said, when he was talking about the Soviet Union, that Russia is a "riddle wrapped in a mystery inside an enigma.

### **Do you believe that is still true?**

In some respects, Russia is still a mystery, but no longer an enigma.

### **By the way, have you seen the recent Woody Allen film, To Rome with Love?**

Yes, I have seen it. It was excellent. Cinema is something that can represent a country, not violent films that are everywhere to be seen these days, but things like the comedies that used to be made here even during the Soviet era. We thought that you had no sense of humor during the Soviet era, but you did. For instance, Ironiya Sudby's The Irony of fate, is a wonderful comedy, which I had never heard of before coming to Russia.

So, I believe that somebody at the city or federal level should consider solving such problems through their embassies abroad. For instance, Italy has a special agency for tourism. It is called ENIT. Russia has potential. Take for instance, the route from St. Petersburg to Moscow by river. It is absolutely amazing, quite incredible.

### **Perhaps you know that the Moscow authorities want to transform the city into an international financial center. Have you heard anything about this?**

Yes, I have.

### **Do you think this idea could be made a reality?**

Well, I suppose that you could start off by being the financial center for the CIS.

### **Would that be the first step?**

It would be the initial step. You have an independent currency, the ruble. If the ruble proves to be strong because of sound financial measures taken by the state, then why should it not become a financial center?

In 1992, I remember going to the Moscow Stock Exchange. It was in Myastniskaya Street, next to the post office. It was incredible at the time. It really was prehistoric capitalism.

### **Yes it was. It was capitalism gone wild.**

If you look back at those times, and look at what has happened now, then you are entitled to have faith in the future. After all you started from scratch. I remember that I had the privilege of accompanying my ambassador at the time, in 1992, to a conference of foreign ambassadors that Gaidar held in the Old Square. He told us that they were immediately going to float the ruble. We couldn't believe it. We went back to the embassy where my ambassador said: "what's going to happen to the people?" Overnight people lost practically all of their savings. People who had been saving up for twenty or thirty years found themselves poor overnight. So, you really did have to start from scratch.

### **Were you surprised when Gaidar said that?**

Well yes, because it was so brutal. Actually it was extremely brutal.

### **It was not a clever decision, was it?**

Well, I don't wish to criticize, but it was brutal, it was very brutal. We European diplomats used to think at the time that the American economists and advisors, the various whiz kids coming in from America, did not understand the country and were not always providing the right advice.

I remember my ambassador invited Grigory Yavlinsky to lunch after his return from America, where he had been to prepare his 500 day plan of reform. Five hundred days to change the economy of a country of this size! On the other hand, perhaps he needed to be thrown into the water to learn how to swim. This brings me back to my previous statement. You started from scratch around twenty years ago, so if you look back, then you should be confident about the future.

### **Thank you very much Mr. Ambassador for such a very interesting interview.**

That wasn't an interview. It was a conversation.

**You are right. Thank you. ■**



“First of all, there are a lot of brains in this room. Who gets to decide if there is a brain drain from Russia? I tell Vladimir all the time, I mean Mr. President, all the time, that Russia’s most precious resource is its country’s brain power. You have a lot of it. It will take a lot to create a brain drain in Russia.”

**George W. Bush, former US president, in his speech at St. Petersburg University**



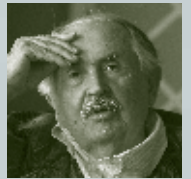
“Physically, I think that I look more Russian than Italian. I like the way that Russian women look. They are very gentle, very elegant. I have been studying the Russian language for the last six months, because my mother is Russian, and I am well liked by the Russian people, and also because I would like to appreciate my Russian heritage.”

**Ornella Muti, Italian actress**



"The general impression from Moscow is that the city has become even richer, with more shiny new homes and more congestion on the streets. The smiles on people's faces seem a little brighter. Perhaps it's just because its spring. I do not know whether that's true or not, but I have a feeling that Moscow will become one of the major capitals of the world. Of course, there is a great love of the dollar here, and it seems that the eyes of the young women seduce you, until you no longer feel the presence of culture and poetry. But I feel hopeful for Moscow, even if I feel like it is a different country."

**Tonino Guerra, Italian poet, novelist, and screenwriter**



"In Russia you learn patience. In America you learn action."

**Orson Scott Card, American novelist, critic, public speaker, essayist and columnist**





## Anatoly Golubev,

Founder and President of the Foundation for a World Without Corruption International Alliance and member of the Steering Committee of the UN Global Compact Network in Russia

**E**ight years ago, the UN General Assembly adopted the United Nations Convention against Corruption (UNCAC). Today the vast majority of countries are participants in the UNCAC. Some individual countries that are party to the UNCAC have succeeded in reducing the level of corruption over the last few years. Nevertheless, while it is impossible to talk about victory over corruption, there has not been a marked decrease in it globally. In some countries, including in some members of the UNCAC, the efforts of the authorities have not yet led to significant results, and according to experts in some cases corruption has even increased.

The main reason that the threat of corruption in the world is not shrinking, in my opinion, is not so much the passivity of national authorities or their mistakes in the design and implementation of anti-corruption policy, but an acute shortage of active and conscious support for such policies by society and the private sector in many countries. First of all, it is typical for countries in which civil society and civic solidarity are

# A world myth

underdeveloped, and where the effectiveness of the democratic institutions is not high. Most often, a similar situation is observed in countries with low levels of well-being and education in the general population, as well as where there is a sufficiently high level of alienation between those in power and the rest of society.

It would be a mistake to argue that not enough efforts have been made to reduce corruption in such countries. Such efforts, however, are quite often implemented in forms which are insufficiently sensitive to the national and cultural peculiarities of their respective societies, and are therefore repudiated by the majority of society. This is particularly so, if these efforts contain elements of coercion and are associated with the policies (whether real or imagined) of major geopolitical players. That is why the current approach to promoting the UNCAC requires some adjustments - primarily focusing on maximizing the inclusion of wide circles of society and the private sector all over the world in the process. This applies to the countries that have already joined the UNCAC (with certain reservations), and also to those that have still to join. The UNCAC provisions proclaim the need for cooperation among the private sector and civil society, but do not provide specific and effective mechanisms for such cooperation.

Decisive progress in achieving the objectives of the UNCAC requires speedy consolidation of the efforts of all concerned in the systems and structures, and they need to be self-organized, actively positive and constructive in anti-corruption work in every country, and in every market segment. In other words, to eliminate the threat of global corruption, civil society and business should universally adopt an active role in the practical and positive promotion of the UNCAC. Appropriate anti-corruption projects and initiatives should primarily provide for the formation in the mass consciousness of all citizens of an active stance against corruption in all its shapes and forms,

# without corruption: or reality?

to ensure popular support for the actions by States to implement the provisions of the UNCAC to reduce corruption.

The solution to this problem is to provide the most up to date implementation of the Participation Programme in promoting the United Nations Convention against Corruption for 2011-2020 (for society and the private sector) "WORLD WITHOUT CORRUPTION". The program was developed through the joint efforts of experts from many countries on the basis of the Interregional Public Organization "The Committee for the Fight against Corruption", together with the Department of National Security of the Russian Academy of National Economy and Public Administration under the President of the Russian Federation.

In 2012, the "WORLD WITHOUT CORRUPTION" program was presented to the international community, as an initiative of the UN Global Compact in Russia and received high levels of expert evaluation from universities in Germany, France, Spain, and Russia, and also received numerous positive reviews from leading experts and lawyers from around the world .

On February 11th 2014, the "WORLD WITHOUT CORRUPTION" program was adopted as an action guide by the participants at the Second All-Russian meeting of the non-governmental security sector.

I would like to emphasize that the implementation of such a global program assigns specific responsibilities to international non-governmental organiza-



tions, including the fight against corruption as one of its top priorities. The activities of these organizations in different countries should be based on the unconditional recognition of the right of all peoples to their own way of life, and that the national institutions of civil society should not be subject to instruments of external influence. Especially, in order to provoke and support the confrontation between the individual national institutions of civil society. Likewise, the activities of national and international non-governmental organizations in the fight against corruption should not be used as a tool to promote the political and economic interests of any country in other countries.

The main objective of this program is to identify key directions of activity for all interested public and entrepreneurial forces to promote the UNCAC in the next decade and to identify the underlying mechanisms of their participation in this promotion.

As far as can be judged, there are associations and other non-governmental organizations everywhere, that have declared the fight against corruption as one of their top priorities, anywhere where the population has any real chance of independent social activity. However, such organizations are often uncoordinated, and many of them do not know about each other. In some cases, the various non-governmental organizations in the same country, possessing an impressive social potential, take radically different positions on other priority issues for themselves, such as, social, political, religious, and so on.

Such organizations very rarely manage to directly agree amongst themselves on the coordination and consolidation of efforts in combating corruption, even if their position on this issue is very similar. This requires the active participation and ownership of "neutral" forces, and it is necessary to create effective mechanisms for information exchange, coordination and "mediation" at both the national, the regional and global levels.

The implementation of appropriate procedures and mechanisms is a very important aspect of the "WORLD WITHOUT CORRUPTION" program. In addition, the activity of the anti-corruption non-governmental organizations, including the international ones, today as a rule, is limited to an assessment of the existing level of corruption, discussing its various negative effects and specific condemnation of corrupt officials. Despite the high emotional intensity, often the characteristics of such activity has not led to any noticeable and sustained decline in the level of corruption. As a result, such organizations which have relatively few resources tend to spend them inefficiently, and moreover, the idea of the possibility for civil society institutions alone to achieve significant success in the fight against corruption is increasingly in reasonable doubt.

Whilst the criticism of various unavoidable mistakes by the authorities in the fight against corruption is of undoubted importance, we should accept that criticism itself should not continue to be the only form of interaction between the government authorities and business and civil society in this sphere. It is necessary to revise the priorities of such cooperation, and significantly strengthen its positive practical component. The switch from confrontation to cooperation, as far as it can be achieved, is in my opinion, the main task today, since fair compromise and cooperation constitute the fundamental basis of any healthy initiative.

That's why the "WORLD WITHOUT CORRUPTION" program involves the transfer of anti-corruption activities to focus on projects with concrete, practical value and, thereby be attractive to the naturally pragmatic private sector, which always balances the resources spent against the results obtained.

It's no secret to anyone that a negative bias is often prevalent in the anti-corruption activities of non-governmental organizations, making it virtually impossible for the open participation of the private sector in such activities. Meanwhile, the structure of the private sector makes it the first victim of corruption and so it bears the greatest loss. Corruption distorts markets, inhibits fair competition, hinders business planning, and significantly reduces profits. The forced behavior of companies working under a corrupt market gives reasons for their moral condemnation by the populace, and undermines the social legitimacy of business, making it difficult to achieve civil harmony, without which business can't be consistently effective.

The business community is certainly not only a key, but also a natural ally of civil society in the fight against corruption. As a result, the anti-corruption activity of the private sector today is forced to be implemented mainly in two areas: financing the most "neutral" aspects of the activities of some non-governmental organizations, and the introduction of internal anti-corruption control procedures.

We must recognize that in recent years, funding for anti-corruption activities of non-governmental organizations is often not from companies, nor the result of an awareness of the need to combat corruption, nor a manifestation of social responsibility. On the contrary, such funding is often a form of punishment for participating companies (not always voluntary) in a corrupt scheme to compulsory "make amends" to society. In such a situation, the company is primarily interested in how to successfully report on the costs of its enforcement to the organization that controls the fulfillment of the conditions of a pre-trial settlement. This funding is obtained mainly from the institutions of civil society, which are supported by organizations



supervising the fulfillment of these conditions. What are usually funded are the most "neutral", "harmless" projects, that most of the time have no independent practical value. Moreover, sometimes the funds only maintain the staff of NGOs, who only simulate the fight against corruption. The real efficiency of the use of allocated funds (sometimes very significant) inevitably fades into the background. Meanwhile, for a productive fight against corruption, each business entity must be able to participate in financing the development and implementation of particular anti-corruption projects at its own volition, in specific projects that are best suited to its capabilities, business interests and ideas of expediency. Moreover, it must be able not only to closely monitor the intended use of the relevant non-governmental organization provided for the implementation of the project funds, but directly involved in the project itself, independently or with a non-governmental organization implementing these or other steps included in it .

In the fight against corruption, no corporation should act as a virtually disenfranchised "cash cow" for non-governmental organizations. Only in such circumstances can we expect that the private sector will be stable and actively cooperate with non-governmental organizations in promoting the UNCAC. Of course, the implementation of this approach requires the

building of qualitatively new mechanisms and technologies of interaction between these social forces, and so in the last decade some such adjustments have become familiar sights. However, the time is ripe for such adjustments, and the necessary mechanisms and interaction technologies have in a large part successfully passed the test, including projects implemented over the last eight years by our organization.

The second most common element of the current anti-corruption activities of private sector organizations is anti-corruption compliance control. In the last decade it has become a standard part of the corporate policy of large companies. Almost every one of them has developed and implemented its own code of conduct, a set of different procedures for monitoring its performance and a system of appropriate training of personnel. Reputable consulting companies offer corporations more sophisticated (and thus more expensive) methods of compliance control, and the development and adaptation of relevant documents and procedures for different types of business and conditions for various markets.

Despite the importance of extending the system of anti-corruption compliance control, one must admit, that by itself it cannot radically affect the reduction of the level of corruption.

There are several reasons for this. First of all, anti-corruption compliance controls aimed at ensuring good conduct by middle and lower level staff in corporations excludes the independent corrupt activity of an individual member of the staff. This assumes the honesty and integrity of corporate internal control services and security, and in the conditions of a highly corrupt market via these services, or at least with their active connivance, corruption schemes can be put into practice.

Anti-corruption compliance control is completely useless when corrupt business practices are consciously applied by any of the senior managers of a company, but that's not all. No, even the most effective compliance control, in principle, is not able to reduce the level of corruption, when external pressure is put on the company by the local authorities to prevent extortion. Meanwhile, external corruption pressure creates the most serious risks for a business - until it is forced to fold up.

This means that instead of further complicating the anticorruption compliance control, its simpler and cheaper forms must be fitted as part of a more advanced multifunction system, and technology employed to counter both internal and external forms of corruption. The basis of this technology should be carefully planned and organized as a system of permanent mutually beneficial cooperation with relevant non-governmental organizations for anti-corruption. The practical experience gained by our "Committee on Combating Corruption" shows that no single corporation is capable of stably and efficiently fighting corruption alone, while consolidated efforts in this direction by corporations and the institutions of civil society are able to prevent the pressure for corruption to a realistically secure level.

The consolidation efforts of society and the private sector in the fight against corruption means the active involvement in the fight against this global threat, not only by anti-corruption non-governmental organizations, but also all the other institutions of civil society. This includes academic and journalistic associations, associations of art and culture, professors and school teachers, labor organizations, religious associations, consumer associations, community-based organizations, and so on. The basis of this consolidation is the simple fact that the negative effects of corruption affect the lives of every person on earth, regardless of their gender, nationality, ethnicity or religion, regardless of their financial and social status, professional activity, level of education, political views and place of residence. Each of these associations can and should play a crucial role in reducing corruption in the world.

We should particularly want to focus on the role of labor organizations in the fight against corruption. Union employees in most countries have very substantial resources available to them, including political influence, and could have a major impact on reducing corruption.

In particular, they are able to very effectively stimulate the rejection of private sector organizations from all forms of corrupt practices, via active public support for such rejection and the coordination of agreed interests within the framework of the introduction and implementation of various anticorruption procedures, and by providing strong pressure on companies practicing corrupt business methods. This includes the inclusion of appropriate anti-corruption provisions in labor contracts, holding strikes and even a boycott of individual employers

No less important are the concerted anti-corruption action structures of the business community, and various business associations - both by territory and sector. The business community needs to publicly express solidarity with individual companies which have become the object of blackmail by corrupt officials. Various forms of legal support for such companies (including organizational and even financial) on the one hand, and public rejection of business cooperation with companies that do not want to abandon corrupt business practices, are only a small part of the mechanisms whose consistent application will significantly affect the level of corruption.

However, there is no doubt, and this is confirmed by experience, that none of these social forces alone are able to achieve a decisive victory in the fight against corruption. Moreover, even simply joining their efforts together will not lead to the desired result. What are needed are consolidated coordinated actions based on a constant exchange of information. At the same time, experience shows that the consolidation and coordination of anti-corruption efforts of even a small number of organizations initially creates a powerful synergy - the effect of their concerted action produces a significantly far superior result than more fragmented efforts, and the quantitative and qualitative composition of the participants in the various anti-corruption projects.

In the coming decade, this synergy is a major resource capable of significantly reducing the global level of corruption, replacing the corresponding social relations in the vast majority of countries in the field of practical rules to the margins. The "WORLD WITHOUT CORRUPTION" program is intended to achieve such synergies in the near future for decisive progress in the fight against corruption, as a global threat to the stability and sound development of mankind. ■

# Anatoly Kucherena: Corruption can be reduced



*Anatoly Kucherena is a prominent Russian lawyer. Recently he has become well known around the world as Edward Snowden's lawyer. Mr. Kucherena shares his opinions with Capital Ideas on the war against corruption that has been started within government institutions.*

**Mr. Kucherena, how seriously do you think the war against corruption in government institutions is being conducted?**

Only time will tell. It seems to me that President Putin seriously wants to clean out corrupt officials from government institutions. Unless that is done, there is absolutely no way of fulfilling the economic and social objectives outlined in his campaign speeches. Some reports claim that "kickbacks" in road construction and infrastructure projects account for well over half their total costs. So what can be constructed with the money that is left over?

For the anti-corruption campaign to be a real success the legislation needs to be improved. Nevertheless, a lot will depend on how the legislation is implemented in reality, since there are always shrewd minds that can find a loophole in even the best of laws.

In the war against corruption, much will depend on the professionalism of the law enforcement agencies and the courts, and how civic bodies in society and ordinary citizens respond. Sadly, many of those who urge the government to do away with corruption actually don't mind bribing officials or police officers now and then to smooth things over. Sometimes, criminal plots are even hatched to remove business competitors.

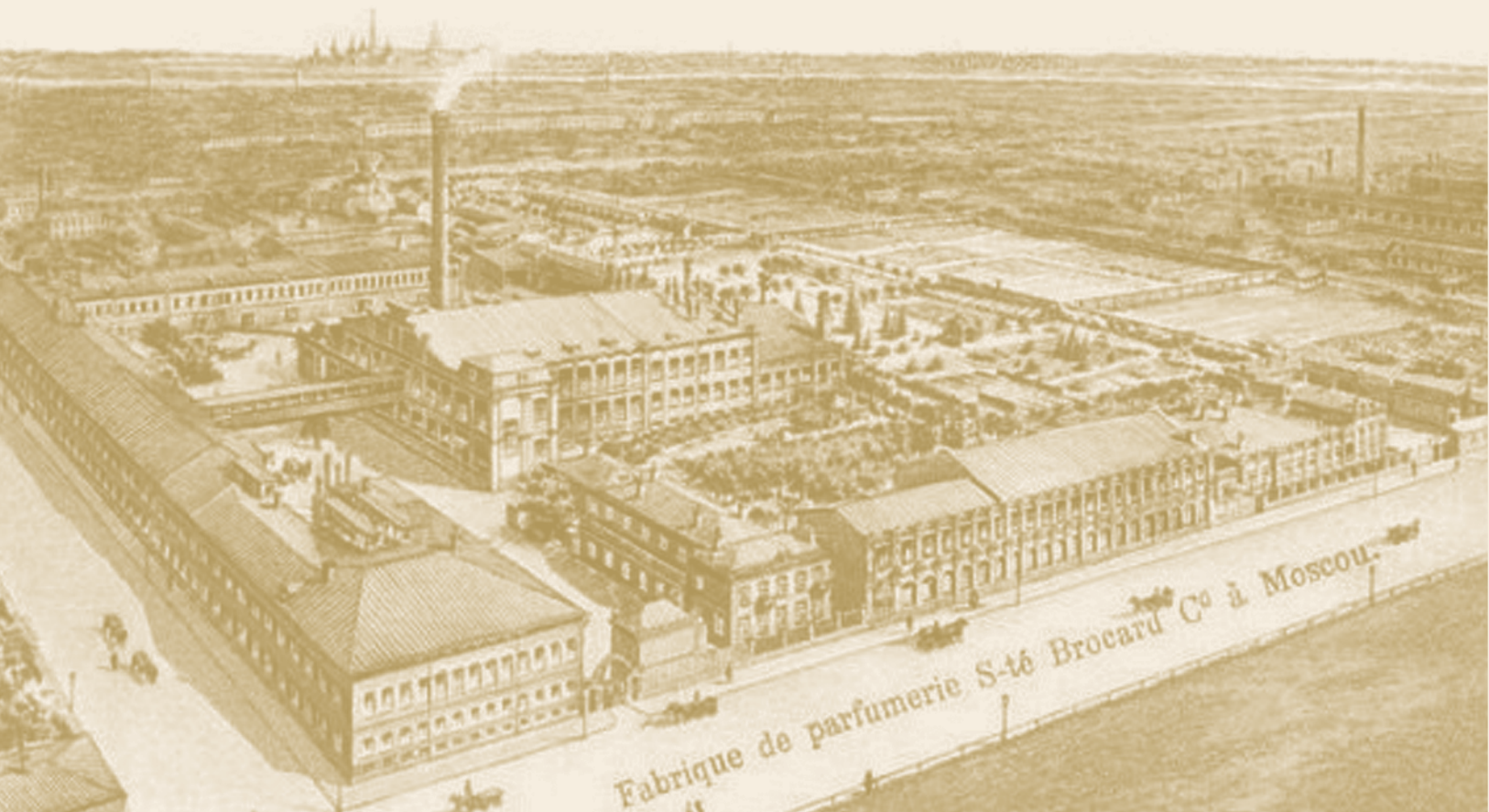
Russia ranks 136th on the perception index of a total of 176 countries drawn up by Transparency International. The lower the ranking, the higher the level of perceived corruption. So, you would think that things are pretty awful in Russia, wouldn't you? However, the index does not actually reflect the real level of corruption in a country, merely how it is perceived to be by its own citizens. For example, most Russians are convinced that all state officials are thieves. I know from my own personal experience that there are many honest, decent, modest living people among state employees, who really find it quite offensive when opposition activists stigmatize them as thieves.

Every now and again, the mass media carry whistleblowing articles about exorbitant corruption in certain regions or in certain government agencies. Time goes by and nobody is held accountable. What needs to happen is that when major allegations of corruption are brought against officials in the mass media, along with supporting evidence, they should be temporarily suspended until the charges are properly investigated.

At present, new laws are being enacted to tighten control over the income and expenditure of officials, members of Parliament and their families. Some have already been passed. That inspires real hope that corruption can be reduced. ■



*This year marks the 150th anniversary of the founding in Tsarist Russia of a unique perfume manufacturing empire by Henri Brocard. By the end of the nineteenth century it was considered to be the largest in Europe, and after the revolution was renamed the "Novaya Zarya" (New Sunrise) perfume factory, which continues to operate to this very day.*





# A Perfume for the Empress

## First Steps

It is hard to know what fate could have held for the future perfume maker, if not for his father, who owned his own perfume factory and a small shop on the Champs Elysees in Paris. Production was small and it soon appeared to be on the brink of ruin. Without waiting for the tragic ending, the boy's father sold the factory to competitors and migrated to the United States, believing that the business would fare much better in the New World. Sadly, his grand plans did not come to fruition. Finally, totally disillusioned with the perfume business, Anatas Brocard left his perfume company to his children, fourteen year old Henri Brocard and his brother, and returned to Paris. Just a year later the Brocard brothers had already won several medals at the prestigious perfume exhibitions of the times. It would seem that luck had fallen into their hands and they should continue to develop the company left to them by their father, but Henri Brocard thought differently. He left the business to his brother and moved to Russia at the invitation of major perfumer, Constantine Ghic. Ghic was urgently seeking a manager to run his new perfume factory, and was very glad that in 1861 Henri Brocard accepted his business proposal.





# A Successful Marriage

During this time, his stay in Russia evoked mixed feelings in Brocard. On the one hand the country was very profitable for business, because people in Russia at that time already actively bathed in public baths (instead of using soap they used pressed ash from furnaces). On the other hand, the young perfume maker was shocked by the patriarchal Russian nineteenth-century conservatism, the blinkered views, the backwardness, the peasant attitude, the smug officials ... But the salary



Charlotte and Henri Brocard, 1864.

offered by Ghic, outshone all the inconveniences, because it was much higher than that which the young man could expect in Europe. The only pleasant outlet for the young Frenchman was visiting the house of the Belgian, Thomas Reve. It is hard to say what attracted the young man most: the pleasant company or the charming daughter of the owner of the house: Charlotte Reve. The girl was really pretty, had business acumen and spoke Russian well. But at the time this beauty's heart belonged to someone else - a famous opera singer. He needed to get rid of his competitor. One evening, during a concert at the house, at which Henri Brocard's rival was expected to perform, he presented his hostess with the gift of a basket full of elegant wax violets and asked her to put it on the piano. His cunning plan was that the violets had been impregnated with their own distinct aroma, which would negatively affect the vocal cords of any opera singer. Not surprisingly, Brocard's hapless opponent disgraced himself that evening and never appeared again in the house of his fiancé's father. The way to the girl's heart was opened and on September 7th, 1862 the young couple married. From that time Henri Brocard spent all night long inventing a new method for producing concentrated perfume to sell at a profit in the West, and to finally open his own business in Russia. When the invention was ready, the perfume maker went to Paris, where the technology was sold to the famous perfume company "Roure Bertrand DuPont" for 25,000 francs.



Upper floor trading aisles.

## Popular Soap

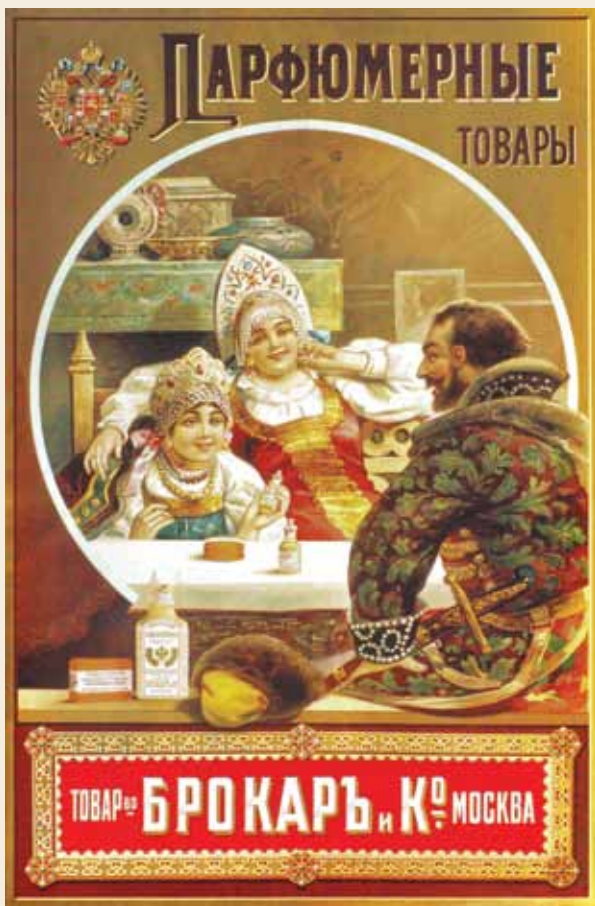
Henri Brocard invested the money in opening his own soap factory, and at the beginning he rented space in a former stables in Toply Lane in Moscow. On the first working day of the factory in 1864, 60 bars of soap were made in two huge pots, and after that daily production increased to 100 pieces per day. The first soap produced at the Brocard factory, had a concise name: "Children's Soap." However, the first "Children's Soap" looked quite different to its modern counterpart. It was a small neat, fragrant smelling bar of soap, with letters from the Russian alphabet imprinted upon it. Years later, some members of the middle class argued that "people learned to read using Brocard's soap". Also Brocard's soap producing factory boasted an unbeatable price. Every bar of soap cost three times less than the similar goods of his competitors. However, in the beginning the production of soap did not bring big profits to the Brocard family. An unusual way of developing production was suggested to him by his entrepreneurial wife. According to Charlotte he needed to produce a "popular" soap, which would cost a pittance, but would be affordable for the urban and rural poor. Henri agreed with his wife, and soon the new brand of "Popular Soap" appeared in Moscow. It sold for just one kopeck. After the "Popular Soap" other cheap soaps were produced: "Glycerin", a round soap called "Bowl", a green soap called "Gherkin", "Amber Soap", "Honey Soap", "Pink Soap" and "Greek Soap." Charlotte was proved to be right. Before then many people in the villages didn't know about soap. Now every time they visited the city, they bought boxes of "Popular Soap" for the entire village. The first awards followed. Coconut soap, which was created using grandfather Brocard's recipe, sold for five kopecks per piece in 1865, and received a silver medal at the Exhibition of Russian products in Moscow. In 1869, the factory moved to the corner of Arsenevsky lane and Mytnaya Street, behind Serpukhovsky Gate in Moscow. Soon after that Brocard opened his first perfume store on Nicholskaya Street in Moscow.

## Supplier of His Majesty's Court

At the same time, no matter how well the soap business was doing, Henri Brocard had a clear dream to become a supplier to the court of His Imperial Majesty. The first step towards achieving this honorary title was made in 1873 during a visit







hibition in Paris in 1900. It would seem that this Henri Brocard could finish his career and go home to his Paris homeland. However, after being questioned on this by his wife, he said that when he was ready to die he would return to Paris, but until then he would continue to live and work exclusively in Russia. The legendary perfume maker died on the 3rd of December 1900 in Moscow, and is buried in the family vault near Paris.

## Red Moscow

By the time of Henri Brocard's death, his company Brocard & Co was turning over more than 2.5 million rubles a year. As he had once continued his father's business, now his business was continued by his sons Alexander and Emilie. In 1913 they managed something that their father had sought to do unsuccessfully all of his life. In the year of the 300th anniversary of the House of Romanov, the brothers released the famous perfume "The favorite bouquet of the Empress", created on the basis of aromas donated to their father by Empress Maria Alexandrovna. The perfume quickly became popular, and Brocard and Co became the official supplier to the Court of His Imperial Majesty. After the 1917 revolution, the Henry Brocard perfume company was first nationalized and then renamed the "Zamoskvoretskiy perfume and soap plant number 5." Augustus Michel, who worked as a manager

in the factory under Henri Brocard himself, did not like the new name. He suggested that the Bolsheviks give it a different name: "New Sunrise". To the great surprise of the senior perfume maker, who had once participated in the creation of the world famous perfume: "The Favorite bouquet of the Empress", with the image of Catherine II on the bottle, the Bolsheviks agreed. They were allowed to resume production of the most popular perfumes. However, they realized that the production in Soviet Russia of a perfume called "The Favorite Bouquet of the Empress" was simply impossible. So August Michel offered to give the perfume a new name: "Red Moscow". It was under this brand name, in red and white colors designed by the artist Andrei Evseev and developed in 1924, that "Red Moscow" first appeared on the shelves of Moscow shops. We must pay tribute to the Soviet leaders, as they not only kept Henri Brocard's best perfumes, but also continued the tradition of releasing perfumes to commemorate special events. So, in 1927, to commemorate the 10th anniversary of the October Revolution, "Red Poppy" perfume was released. On the anniversary of Alexander Pushkin, new perfumes appeared: "The Tale of the Fisherman and the Fish", "The Tale of Tsar Saltan", and "Queen of Spades". In 1958 at an exhibition in Brussels, "Black casket", "Blue casket", "Lights of Moscow", "Stone Flower" and many others were presented. The Soviet collection of perfumes was not only highly appreciated by the international jury, but also received the "Grand Prix", and "Red Moscow" won the gold medal and the title of best perfume! Later, in celebration of the jubilee of the KGB agency, the "Shield and Sword" eau de cologne was issued, and in honor of the conquest of space, "Vostok" eau de cologne was produced. In 1979-1980 on the eve of the Moscow Olympics, "Olympic souvenir" and "Olympian and teddy bear" were released on sale, with a bottle made in the shape of a teddy bear, the symbol of the Moscow Olympics. Today "New Sunrise" continues its work just as before. ■

For Capital Ideas courtesy of National Geographic Society, Russia





Тема номера  
с.1-2

Персона  
с.3

Место  
с.4

# ULYSSE NARDIN

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ВСЕ О ЛЕГЕНДАРНЫХ ШВЕЙЦАРСКИХ ЧАСАХ, ИХ СОЗДАТЕЛЯХ И ВЛАДЕЛЬЦАХ

## Эволюция Чуда

«О создании или открытии чудес...»

И

К

Тема номера

**Maxim Andrianov:**

# We should always follow the letter of the law

**Maxim Andrianov, CEO of Ulysse Nardin Russia, which after the headquarters in Le Locle, Switzerland, is the largest division of the company, answered questions from Capital Ideas.**



**You work in constant interaction with your Swiss colleagues. Can you share your experiences with us?**

I have already worked as a representative of the Swiss company for eight years, and have quite a lot of experience in dealing with colleagues from head office and others. We have a unique situation in the company, primarily due to the fact that the former owner of the company Rolf Schneider, who is now deceased, had a very specific management model.

**Mr. Schneider led the company for over 18 years and is as inextricably associated with Ulysse Nardin as Steve Jobs was with Apple. What does it mean for you to lose such a person?**

Rolf Schneider created Ulysse Nardin, and made it into precisely the kind of company that we know today. I am extremely grateful to have been lucky enough to be able to work with him for four years. Not everyone experiences such luck. It was a rich experience. Rolf was unique, and was not afraid to take risks, not afraid of responsibility. By his example, he proved that the brightest breakthroughs and greatest accomplishments are the result of taking gambles.

**Have the policies of the company changed under the new CEO Patrick Hoffman?**

No. Mr. Hoffman has worked in Ulysse Nardin for sixteen years and knows the company like nobody else.

The key positions in manufacturing, marketing, sales, finance and development are still held by the same people, who went through everything together with Rolf Schneider. So, in terms of operational activities, nothing has changed ... Yes, Rolf was a real genius, an outstanding businessman and marketer. As president and, most importantly, the owner of the company he could do almost everything. For example, he could cancel a prototype just before an exhibition, if he thought that it was not ready. Rolf had a terrific sense of product: he could look at the final drawings a project that was ready to run and say: "this and that needs to be changed." The changes were made so fast, that often the company's managers learned about the updates just a day or two before an exhibition. Rolf was involved in all the details of each project, and knew all of the company employees by name. He could call any time, at the most unexpected moment, to clarify any detail that was of interest to him. It's not easy, but it is important for the head of a company to be aware of all the business processes, especially if he is the owner of the company. This is something worth thinking about for every new head of a company. Although, of course, it all depends on the size of the business. If the company employs 150-200 thousand people, it is physically impossible to remember them all.

**Tell me, how do foreigners adapt to working in Russia? How difficult it is for them?**

It is important that foreigners coming here understand the characteristic features of working in Russia, by carefully and meticulously studying the situation, rather than trying to immediately impose their own rules. That is the case in our company. Before making any big decision, we exchange views, study the experience of other companies, and try to take our particular business mentality into consideration. Our managers are well aware that there are things that are inherent to this market and you just have to accept them as they are.

**There are some negative aspects to the Russian market - the system of kickbacks, corrupt officials, and so on ...**

Yes, unfortunately that happens, but we adhere to the principles of purity when doing business. In the West, these concepts are clearly defined. The rules of the game are simple, and clearly understood by everybody: "we say no to corruption and bribes." It doesn't matter how difficult it may be, we should always follow the letter of the law. We entered the market here to stay, and will only play by the rules. This is something that it would be worth many Russian businessmen learning.

**What do you see are the differences between western style and domestic businesses?**

The first thing I found very surprising was the fact there is a strict adherence to the timetable of the working day in the West. Here in Russia if there is any serious issue to be dealt with, then we are ready to drop everything and sit there trying to solve it, even if it takes all night. In Switzerland, as soon as the bell goes for the end of the working day, the whole company empties out immediately. The people clearly distinguish between the two concepts of "work time" and "family time". Of course, the business culture of the West has been polished over decades, and here it is still in its formative stages. Perhaps we too, will get there with time.

**What did you manage to learn from your Western partners?**

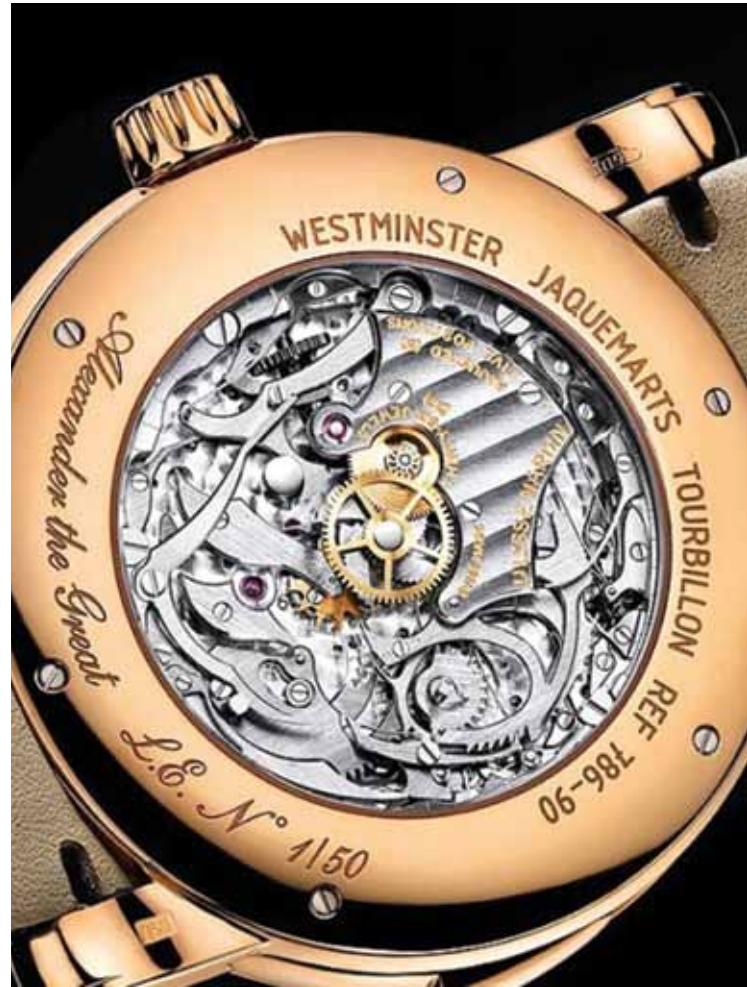
There is always something new to learn from our Western colleagues. Their experience in business is huge, but ours is still in its infancy. Even so, we have something to offer as well. Markets around the world have their own national characteristics, and our Western partners often learn a lot from us. It is most important not to be complacent. It is in our character, to take a long time to harness a horse, but then we ride it full steam ahead, so to speak. Or perhaps, it is just the opposite!

**What type of model of watch would you recommend for a "newcomer" starting a relationship with Ulysse Nardin?**

It's a question of taste. The main thing is that you should like the look of the watch. You can take it step by step. Start with the classics, then move on to a gold chronometer, try on a "Freak" model, for example... Believe me, there is an Ulysse Nardin for everybody. It can be a bright watch with a serious face that will cause admiration, and pride in owning such beautiful expensive accessory.

**What are your feelings towards the Russian watch industry?**

Deep respect and a sense of nostalgia. My first watch was a Soviet ZIM, and it was something to be proud of. Many beautiful and interesting watches were produced and supplied not only in Eastern Europe but also in the West. For example, the first watch assembly plant was founded in the French city of Besancon. Those watches were sold in France with great success. Of the latest modern models, in my opinion, the "Aviator" model watch is a great success. It is interesting in terms of design and its mechanisms. ■



Dennis Adamovich:

# There are many investors

American born Dennis Adamovich has lived in Russia for more than 10 years. He now holds the position of director of digital marketing at LG Ad Russia. Previously he was the official representative for the Yahoo! Company in Russia and the CIS countries. He was born and raised in New York, and he studied economics and finance at St. John's University, and completed a Bachelors Degree also Fine Arts at New York University. In an interview with Capital Ideas Mr. Adamovich talks about his experiences in Moscow.

## **Dennis, how did you come to move to Russia?**

I have been visiting Russia since childhood, even in Soviet times, because my mother is from Belarus, but my father is American. I was born in 1969 in Brooklyn, New York, but in 2001 I married a Russian lady. In the beginning we lived in the U.S., and in 2002 our daughter was born. Then my wife decided to return to Russia, and I wanted to stay close to my child.

## **What was your first business in Russia?**

At first, I was involved in the production of software for a Russian company in Dolgoprudny Moscow Institute of Physics and Technology. In 2005, I worked together with the Department of Education of the City of Moscow and the Coca-Cola Company, and we launched an educational program called Edumasters LLC. It was linked to corporate social responsibility. We set up Educational Kiosks with free wireless internet access for students in 50 Moscow schools. It was a very good project, and it ran for three years.

## **You made your career in Russia quite quickly...**

You have such a fast rhythm of life, and many people that I met here demanded my expertise within the investment, technology, and advertising businesses. So I got the opportunity to expand my private business, and slowly diversified into a few areas related to investments. I started working for large companies, including representing Yahoo! Company for five years, and was director of new business development at ICMA a MediaArtsGroup advertising agency. Now I am assisting in the development of digital Marketing - projects for the LG Ad Russia, and our Client LG Electronics..



# opportunities for in Russia today



### **What problems have you faced during this time?**

The biggest problem was related to taxes. As part of a venture project we bought one of the largest mobile content providers, the JIPPI Russia Company. It went bankrupt and we sold it off piecemeal. Then the longest and worst period in the history of my career began, when we were forced to fight with the Tax Inspectorate for a VAT refund. It was a huge amount of money and we had to sue for three years. I gained a lot of experience, hired several lawyers, and eventually the Court of Arbitration recognized our rights. The company's turnover decreased and the business collapsed. But our victory is a very good example that you can achieve justice through the courts in Russia. It all worked out well. We got one hundred percent of the money back, even though we did not know what to expect at first.

### **During the 12 years you have lived in Russia, have you seen any positive changes?**

Certainly. Everything has changed dramatically over the past five years. From the very beginning when I first arrived here, the streets were full of crooks in police uniforms that used to wait for tourists in front of hotels and clubs, demanding money. I don't see this anymore. That time in Russia is long gone.

I have not met officials who work more for their personal rather than social interests for a long time. People in authority used to suggest that we start some business together. Now there is noticeably less corruption. It is true, however, that dealing with officials can be a very unpleasant situation. For example, this year my visa expired. The Moscow Federal Migration Service moved to an electronic system, and my papers were put in too late. These people would not give me even the opportunity of a few days to stay in the country while I was waiting for a new visa. This was just a technical issue, but they behaved as if I had violated the Constitution. I had to leave and wait in another country, and spend a few thousand dollars on extra travel.

### **What new trends would you point to in the advertising industry?**

Here competition is often decided by super commissions – whoever pays the most wins. This corrupt practice has a very bad impact on quality, and we at the LG Ad Russia fight against it. We have checks and balances that discourage this practice and provide truly valuable services. Moreover, every year there are a number of legislative changes in our industry, the meaning of which I can't understand. It is as if when someone earns a lot of money, it really annoys others. Like in Outdoor Advertising and TV advertising, for example.

Also, in Russia there are people who still live in the past, and others who already live in the future. I often meet a lot of people who are fairly advanced, and also see those who continue to live in the old communist

ways. This greatly limits the ability of a company to grow and expand.

### **Have you come across any pleasant surprises in Russia?**

Oh yes! I was very pleasantly surprised that in this country, when people give you their word, they really keep it. In America, no one will even speak to you if you don't have paperwork, but here no one needs any paperwork, so you can arrange things just human being to human being. This is very important and very positive that people can trust each other.

Also, I am surprised by the huge amount of holidays that you have, like May holidays, New Years, and so on. It is very pleasant. Back home we only get one day off at Christmas and one on New Year's Day.

### **What advice would you give to your countrymen who are planning to come to Russia?**

They need to come here with realistic expectations, and not to try to teach everyone how to live and what to do, just accept the way things are. That is the only way to be happy, instead of fighting to find the level of service and quality of products that you are used to, because you will use up 10 times more effort and money. Also, definitely be sure to go outside Moscow and see the different regions. I often take the bus to go fishing in the Tverskaya region, the bus to Tver costs 300 rubles, and a taxi to the fishing lake is only 400 Rur, with the dock rental so for less than \$100 USD, you can fish for the largest Carp you have ever seen. I have been to St. Petersburg, Krasnodar, Kazan and Sochi many times. I really love the different regions. They have a different way of life, different styles and traditions, and each little town has its own culture, its own pride. I find the people are very hospitable. They always show me things like how to cook fish soup, or how to collect mushrooms.

### **What types of businesses would you recommend are best for Americans to develop here?**

The latest wave is franchising, and several successful companies have opened up. Also, the real estate business: shopping malls, hotels. There are not enough of them. There are many opportunities for business ventures, and there are now laws to protect investors. Also there are not enough restaurants, and it is always hard to find a seat. I'd really like to see is a normal dry cleaning shop. I can't understand why it costs 200 rubles to clean a shirt when it only costs 1 dollar at home.

### **Do you plan to remain permanently in Russia?**

I get asked this question a lot, and I don't understand it. I am an American citizen, but I have decided to live and work in Russia. We'll see what the future holds. I can fly to New York at any time, and then come back again. These days there are no barriers between the countries. ■

# useful info

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Guy Willner:

# Building a home for Russia's



## Guy Willner – Chairman and CEO

He has over 20 years leadership experience in high-tech companies. In 1998 he cofounded IXEurope, a market leader in high-end data center services. As CEO of IXEurope he raised approximately \$100 million of venture capital and the company's revenues grew over 600% in its first three years. IXEurope was listed as the UK's fastest growing company according to the Sunday Times Tech Track 100, and Guy received personal recognition as a semi-finalist in the UK's Entrepreneur of the Year Awards in 2003. In 2007, IXEurope was acquired by Equinix Inc for \$555 million. Prior to working for IXEurope, Guy worked for Compagnie Generales Des Eaux (now the Vivendi Group) and between 1992 and 1998 worked in both the UK and Hungary to establish a communications operator which attracted \$210 million in EBRD funding.

Prior to 1992, he began his career with Philips NV, in Paris and Vienna, working in CDROM, Smart Card and Intel technologies. In 1986, Guy graduated from Oxford Brookes University with a BSc in Engineering.



**IXcellerate**

DATACENTRE MOSCOW

Дата Центр - Москва

*The CEO of IXcellerate Moscow One Data Centre answered questions from Capital Ideas.*

# internet

**Mr. Willner, you have been building and operating datacenters all across Europe since 1998. What exactly is a datacenter?**

A datacenter is a very large building where dozens of companies locate their servers, either in rows or in their own personal caged areas. The datacenter operator provides a complex backup power supply system, multi-operator technical support, and a high level of overall security.

**What attracted you to the Russian market?**

Russia is currently the biggest internet market in Europe. Over half the investment in Russia's digital market now come from overseas, and Russia is pushing for Moscow to become a Tier 1 financial trading market...so there were many reasons to take a long hard look at what all this infrastructure needs to be built upon. That's exactly what the IXcellerate team did. After selling a successful multinational datacenter business to Equinix Inc in 2007 for \$550 million, I teamed up with Cliff Gauntlett and Dmitry Fokin to create one of the first independent Tier 3 datacenters in Russia.

**So, how is Russia different from other European digital economies, and why do you believe that it will overtake them?**

Russia has an enormous home grown internet economy, with some huge brand names such as Vkontakte (a social networking company), Rambler (internet search engine), Mail.Ru, and Kaspersky (antivirus software), among the long list. In commercial terms, there is every possibility that this will arrive in small towns much faster than the bricks-and-mortar retail chains will, effectively leap-frogging the roll out of retail outlets.



The Moscow Stock Exchange, the main exchange in Russia, has ambitions to grow significantly over the next five years and is building the platforms to enable this to happen. So firstly, you have this vibrant and creative (Not to mention, fast growing) home market, and the enormous potential for Ecommerce in a country with 11 time zones. Add to that, Moscow's ambition to become a Tier1 world financial capital. This all makes for a convincing argument that Moscow should lead the way technologically.

**First and foremost, your Moscow One Datacenter was a construction project. Did you encounter any difficulties?**

Securing the right location within Moscow's MKAD ring road was a major problem, as it was difficult to find a suitable property that would meet with the expectations of a Western customer for a datacenter site. After reviewing more than a hundred sites, we finally managed to find a home for our new project. The price of real estate is high in Moscow. Then again, prices for services are high, so we expect to make comparable, if not better, profit margins here than in Frankfurt, Paris or London, where we built our last business. There are a number of experienced construction companies here with solid experience – we worked with Mercury Construction, and I can say that the result was every bit as good as our other builds in Western Europe.

**What about the administrative side to the business?**

The permissions process in Russia (for construction, telecoms, licenses, and so on) can be pretty daunting to an outsider, and something of a throwback to the Soviet era, but if you have a large amount of patience and humility, you can work through it all one step at a time. You need to approach it with an understanding that the system is not the same as, say, in the UK or the USA.

**What other challenges did you face when starting the business?**

First of all, we had to overcome the negative perceptions of potential investors, who seemed to prefer low risk/low return projects in the US or Western Europe to investing in a high return emerging market. This was a big issue for us, and it took some time to raise the necessary finance. On a more local note, traffic is still a problem and it means that we have to carefully schedule our meetings with plenty of time between each of them!" One very positive aspect is that we have been able to build a very strong and technically competent team. Russia is very knowledgeable, technically speaking.

**Are your customers mainly local companies, or are there any major global giants coming to tap into the potential of this market?**

By building our Moscow One Datacenter we have made things that bit easier for international companies to access the Russian internet and technology markets. We are attracting interest from a wide range of international companies in the internet, enterprise and banking spheres. To our surprise, we

are also securing business from Russian companies, who are beginning to appreciate the levels of quality of our services. NTT and Orange Business Services were amongst our first international customers, but we also have Mastertel, Macomnet, and Telecom Birzha, all Russian based telecom and internet operators.

**Your business seems to be based on outsourcing, but Russian companies have a reputation for wanting to do everything in-house. How do you attract their business?**

Customers are starting to outsource this need more and more, as the cost and complexity of adapting an average office room into a room capable of powering and cooling hundreds of servers becomes ever more prohibitive. Even so the number of in-house datacenters compared to the IXcellerate model is still of the order of 4 to 1. This is changing as more large enterprises realize that it is no longer realistic to do this in-house. Our job is to explain the attractiveness in financial terms of outsourcing, and it is also our job to explain to IT people that they still retain control of their systems, but they are just housed in a much better environment.

**You say that datacenters are "User-neutral". What does this mean in simple English?**

Independence is key to a datacenter, as the modern datacenter is like an internet airport. Many telecoms operators land, interconnect and take off from the datacenter. Therefore to be successful, the operator needs to treat all networks equally. Some big clients, such as banks, need to be connected with at least five phone companies to make sure that their systems are never down. If one telecoms system fails, they can swiftly switch to another one.

The IFC (World Bank) quickly recognized the importance of this project, which in IFC terms is classified as a national infrastructure project. They understand that datacenters are as key as train stations and airports in today's digital economy. So, being "user neutral" is all about allowing customers the ability to connect to all the available networks, rather than trying to tie them down to individual providers on expensive or inflexible long term contracts.

**So, what about the next five years?**

Russia's internet and technology markets will continue to grow faster than the general economy, and so will the need for this type of service. We are considering expanding to other parts of Moscow, and even to other Russian cities, but for now we have plenty of customers for Moscow One. ■

# useful info

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Concern  
**General Invest**  
Investment company

Italian entrepreneur Vincenzo Trani does not think that he knows Russia very well ("to know a country well, one must be born there," he said.) Nevertheless, he has lived here for 12 years, he is fluent in Russian, has a respectable office in Moscow on the 22nd floor of a business center with a magnificent panorama of the old part of town, and runs a successful business. Also, he is confident regarding investment and entrepreneurship in Russia. At least, no worse than the millionaires, whose assets he not only helps to increase, but he also helps them to retain their fortunes.

# Vincenzo Trani

Chairman of the Board of Directors, General Invest

# The only thing missing for me here is the sea

**O**ur meeting with Mr. Trani took place at the wrong, or maybe vice versa, at the right time, when the stable, Russian financial market was trembling nervously following a string of closures of several quite popular banks there has been a sizeable depreciation of the national currency. Of course, this topic can't be ignored by telling stories about his business in Russia, and the head of General Invest commented on these events as well.

I came to Russia in 2000. Not because there were problems in Europe, but quite the contrary. It was a time of increased economic activity due to the enlargement of the EU, the introduction of the single currency and ever higher expectations. But, probably, everybody had their own understanding of the situation, relying on which they made important decisions in business and in life.

While watching the events in Russia at this time, I guessed at what might actually happen with investments there. Even though there were considerable complexities in the situation in Russia, on the whole the situation was much better than it had been in the previous decade. This indicated to me that the country had also developed this particular business, and developed it with a higher rate of growth than in the EU. After all, what is "ten years" for Italy? Almost nothing. Literally "yesterday." Instead, in Russia from the early 1990s, anything that could happen did happen,

and the pace of change was fascinating. That's why I thought it might be worth trying to work there and to invest some of my funds in Russia.

Now, looking back from 2014, I see that the decision was the correct one. Because these days' companies that invest and work in Italy, supplying products for export, including to Russia, are experiencing probably the most difficult times in their history, even those that have been in existence for 100 or 200 years. The fact is that there is a fundamental difference between a business model that provides for export and another that relies on the development of business in a foreign country. I first started my business in Russia in collaboration with the EBRD (European Bank of Reconstruction and Development), and then with KMB Bank, the Italian Banca Intesa, and the Russian MDM Bank. Those days a special project had just been implemented for the development of small businesses. Looking closer at the situation, I decided that it was time for me not just to participate in other people's projects, but to take a much more important step - to become an entrepreneur. Then, in 2007, I created the General Invest group of companies, the holding structure for which was headquartered in Italy.

## Why not in Russia?

Because you can't break away from your roots. In this particular case, it did not matter that business taxes in Italy compare quite unfavorably with Russia - on aver-

age they are almost 5 times higher there. But even with this advantage I did not want to create a holding company in Russia, otherwise it would look as if I had forgotten my homeland and everything associated with it.

We chose to specialize in the sphere of Wealth Management. Many people now talk about it, but few really understand it. Our concept is management of the family wealth. Just imagine, this is not some newfangled invention. Italian bankers have been engaged in this activity for several centuries. It is about proper management of assets (including loans and advances to banks, investments in securities, real estate and other property), not only from the point of view of those assets, including taking into account the management of family problems, which at some point may be key. For example, how is it possible to transfer all of this to future generations? Again, we're not just talking about the usual procedure of inheritance. Unfortunately, a rich man's heir can not necessarily be able to be entrusted to successfully manage the company, just because he is his son. It is often quite the opposite, and in Italy we have a lot of such examples. Our task is to form a family office, which patronizes the wealth created in the broadest sense, ensuring the preservation of capital and its transmission from generation to generation, along with the "family know-how" belonging to the family as their unique experience, which includes cultural values, intellectual and spiritual order.

By the way, in Italy and Switzerland, countries where this type of activity has been developed for a long time, it is not necessary to explain why all this is needed - a rich man almost intuitively understands that he needs assistance in such matters. If, for example, the children grow up and it's time to give them a serious education, the rich person will not delve into the Internet, but use the services of a representative of the company, which has contacts with the best universities in the world. The same firm will select the best place for a family vacation where you can spend not only a pleasant but also a usefully time. The family banker, with information on all of the family-owned assets, knows how best to manage them. At the same time, particularly wealthy clients who keep their own money either in private banks or in very large international banks, invite us to manage these investments, and control how the bank manages their money.

It is important to emphasize that to directly deal or not to deal in the client's money, does not matter to us in principle. More often we act as advisors, as a structure, which is engaged in the development and preservation of the wealth of the family. That is our business model.

**What connection does all this have with the development of business in the context of Russia?**

General Invest is not an ordinary financial services company that helps to divert money abroad. We have created a lot of investment products for our clients designed just for Russia. Why do I think that it might be of interest to our customers? Usually, people prefer to invest in their own country. For those who live in Russia, it is much easier to see the pros and cons, and therefore, the gains that can be made here. I also think that these products will be of interest to our European clients. In Europe today, there are few profits waiting to be made, while risks still remain, and they are considerable. We can offer not only a higher yield, but also help in terms of legal registration, tax compliance, and provide a return on investment with a lower risk.

There are different ways of investing in Russia, including real estate, works of art, and antiques. We have a number of products that you can't find anywhere else. Personally I prefer a product, which allows the client to invest in lending to small and medium-sized businesses. Under this program, we have implemented a large project with a network of branches, another holding company called "Micro Capital" which deals in particular with lending directly to small businesses. About 20 branches are involved in total, and they operate not only in Russia, but also in Belarus, Moldova, and Armenia. By participating in our project the investor not only generates income, but he can feel connected to activities that, among other things, have social effects and huge prospects. After all, for Russia to diversify its economy through the development of small business is perceived as one of the key tasks.

Of course, all clients are different. For some of them the most important thing is to ensure long-term preservation of capital. Others are interested purely in speculative ventures, and we act in accordance with the client's wishes, but never position ourselves as a company that provides the maximum return on investment. Again, we perform the function of the family office. We are neither a bank, a mutual fund, nor an ordinary investment company, and we do not wish to be. We also do not deal in stock market speculation, although we have direct access to the exchange and conduct operations there. But the logic behind these actions is different: it is not designed for instant results, but for advantages in the long term perspective. This is not because we are altruistic and do not want to make money. Not in this case. Speculation is, unfortunately, not a good thing to do. You can win once, twice, or hit a big jackpot, but eventually losing is inevitable. For an investor who chooses speculation as way of obtaining profits, profitability in the long term will not even be zero, but negative.

When someone compares us with any investment company, I always say, you still have not understood us correctly. You should not assess our results by the





profits earned, but by the result that the client will have, say, three years later, and by how much we will reduce the number of problems he has, and what new opportunities will open for him. The main thing is that he will get a different view of his situation which he didn't have before. That, basically, is what we are doing in Russia.

**You have been in Moscow for more than ten years. What changes have you noticed in life in this great city, which many believe, is very different from life in the rest of Russia?**

I think people in Moscow have become considerably richer. When I first came here in the early 2000's, I felt a big difference in prosperity between the different layers of the population. Of course, many could afford a luxurious lifestyle, but the majority lived quite modestly, and this could be seen in everything: how they dressed, what products they bought, which cars they drove - and the cars were mostly older models. Nowadays it is very, very rare to see an old car. This is quite a clear sign showing that Moscow has not only formed a middle class, but it has done so on a massive scale. These people do not live worse, but sometimes better than in other countries. Take for example, employees in middle-sized companies. They receive higher salaries in Moscow than their counterparts in the same positions in Italy.

Or take an important figure for any country, such as the unemployment rate. In Moscow, it is practically zero. This fundamentally distinguishes it from such major European cities as Paris, Frankfurt or Rome. Of course, this shows the result of the policies pursued by the Russian government. A considerable contribution is made by city officials, who are able to attract new companies here, and to create the conditions for business development and new jobs.

I am particularly impressed with how Moscow keeps its green spaces tidy: parks, squares, boulevards, flower beds, and so on. Moscow has more territory of green square meters and is definitely better than the cities of Rome, Frankfurt, and Paris. Moreover, all these green spaces are maintained in immaculate condition. But we must bear in mind that control and care of these areas costs more than simply cleaning the streets. So the budget spent for these purposes must be very large. If such costs were incurred in other countries, there is no doubt that the level of city taxes would be much higher.

**What recent projects in Moscow have attracted your attention most?**

The Moscow City project, of course. To be honest, I criticized it a lot at the beginning. Even today, I do not care for this architectural style. If I had been offered to move our office there, I would never have agreed. Some like to feel like they are on Fifth Avenue in New York, but I prefer the old Moscow much more. On the other hand, the construction industry is the engine of the economy, and when it stops you get problems. That's the first thing. Secondly, there are not enough office premises in the city today and at the time the project began in Moscow City this was urgently needed indeed.

However, this project is well known and is not that novel. Regarding the most promising projects at the present time, I would highlight the idea of making Moscow an international financial center. Unfortunately, not much has been accomplished in this direction. Above all, we need serious changes in legislation, because if we're talking about a world center, where it is very convenient to operate, manage investments, have a head office, it should be interesting not only to Russians, but also to others: Americans, Japanese, British, Arabs, and so on. So if you want to see an international financial capital here, then it needs to be built for the rich and not the poor.

In this particular case, it isn't necessary to reinvent the wheel. If you look at how it was done in Dubai, and done well, a similar experience could be suitable for Moscow. They did not only identify areas for development, but also divided them into sectors, so that each company division was gathered together in one sector: banks in one, computer companies in another, and so on. Each of these sites had their own particular regulations. For example, the commercial banks are next to the central bank that controls their work and provides for optimum conditions. Because they do not pay taxes there (or they are very small), you can work as if in a free economic zone. But there is one caveat: in this case, the local market is closed to you, otherwise chaos

will prevail. Instead huge flows of monetary payments and commodity operations flow through the financial capital, but the downside for the country is the risk of lack of tax income.

These legislative decisions don't yet exist in Russia, which is a pity. I think Moscow would have a very good chance to compete with other financial centers, as it would be able to ensure real independence from global regulators, who whatever one may say, have control over the rest of the financial world, including offshore.

**Russia's economy is slowing down. In some industries growth is zero, and in some sectors it is negative. At issue is the stability of the banking system, and the falling ruble. Are you not afraid that the increasing problems may undermine your business at some point?**

I think that such fears are exaggerated. You Russians and we Italians have one habit in common: we love to criticize the government, emotionally talking about the shortcomings and exaggerate attention relating to emerging issues. Of course, if there was a crisis in the world, it would have to appear here in Russia as well. When my anxious clients regurgitate some frightening predictions, I always propose to look at actual performance and compare it with what is happening abroad. The slow down exists, of course, but in relation to the terms of lower GDP in a number of major European (and not only European) economies, the situation here is not so critical.

Also, I do not agree with the statement that the current situation is reminiscent of the Russian default in 1998. Yes, some banks have closed, but this process did not start yesterday. It has been going on for quite some time and in general it is positive. It's a deliberate policy of the government, because it was necessary to reduce the clearly excessive amount of banks and financial institutions. At the same time, the main network remains, and when one bank closes, another gets bigger. If we had a situation similar to the 1998 default, I think that there would no longer be any private banks in Russia, and the funds would have already been moved abroad. As that did not happen, it just speaks of deep positive changes in the economic system of your country.

As for the banks, which have recently been denied a license to conduct banking activities that is quite another story, not related to the state of the financial markets. Some of them were actually involved in some serious violations related to money laundering, and these actions caused damage to the economy. So, the fact is that this is a healthy improvement of the market; it is a good signal to honest players who

pay taxes and behave in an honest manner in relation to competitors. The only thing that is bad in this situation is that it has affected private investors, and ordinary citizens who do not have the proper tools to evaluate risks. Even intelligent people must realize that higher interest rates on deposits show evidence about the risks of such investments. I am really sure that the problem affecting investors will gradually be resolved, and they will receive compensation. They just need a little patience.

The fact is that the economies of the vast majority of countries today are marked by the financial crisis. This is not the fault of governments, nor the consequences of any erroneous decisions by them.

We will pass through the present downturn in the economic cycle, and eventually the global crisis will be over, although I am at a loss to predict exactly when that will be. But I can confidently predict that Russia will come through it easier than in the crisis of 2008, and certainly it will not be such a catastrophe as the default of 1998. Your financial authorities have learned to manage these kinds of problems. If we evaluate the current policy of the Central Bank of the Russian Federation, it is more realistic than it was in 2008. They did the right thing and gradually weakened the ruble, and did not carry out costly currency interventions in support of an obviously unrealistic exchange rate. The fact that the ruble fell slightly is better and nothing too serious. To those clients, who until this moment have not protected themselves from currency risk, I suggest today not to spend money on currency purchases. The maximum rate of fall will be about 50 rubles per €1, no more.

**Do you think that the terms under which your activities operate now are easier to work with than they were at the beginning?**

Much easier. The background is much more peaceful. The level of influence on the business community of the criminal environment has greatly decreased. Relations with regulatory agencies have improved. We meet with more loyal behavior from the police, tax inspectors and other inspectors. They are motivated by the fact, that they wish to avoid incorrect behavior, and it is clearly felt by us. In addition, the inspectors undertake more reasonable tactics: if the behavior of your company does not go beyond the norm, they don't particularly bother you.

**What do you do in your free time?**

I'm fond of motorcycles and restoring antique cars. When I get a few days off, I go to Italy, to the coast, usually Sorrento. I am very fond of the sea, and it seems to be the only thing that I miss in Moscow. ■

**Teri Lindeberg,**

Founder and CEO of Staffwell

# Russia is a great place to do business



**When and why did you decide to relocate to Moscow?**

I came to Moscow in July 1996 when I was 27 years old. I had been working in New York City for 5 years and was ready for a change. My boyfriend at the time accepted a job in Moscow and I came over with him as a trailing girlfriend, so to speak.

**How did you come to start Staffwell?**

I had been working in Moscow as a Partner of an International recruitment firm and had been feeling disengaged from their leadership. I liked the recruitment industry and decided to try opening my own business in Moscow. I took my savings out of the stock market just before the dot com bust, and invested it in launching Staffwell in 2000.

**Was it difficult to start your own business in Russia?**

Of course there were difficulties, but the excitement outweighed them. I had quite an entrepreneurial mindset, so I had a lot of ideas of what I wanted the business to be. The excitement for me was in hiring new employees, finding a great office space, and setting up the operations. The challenges were in building a business on a shoestring budget, in a market that was still recovering

AFFWELL  
ing Great People

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from the 1998 financial crisis. We did it though, and at the two year mark I had my model right and we started making money.

**How did Staffwell differentiate itself on the market and how did it succeed?**

What has always made us different and successful is that we focus on having really great people work for us. We hired people with great potential and then trained and mentored them to provide our recruitment and consulting services to the high standards we set out. We have a really great, top-notch team; many whom have been with us from 8 to 14 years, and have helped us maintain a very strong and successful business model and operations.

My focus and intent for Staffwell has always been to offer superior recruitment and executive search services to customers, an enjoyable and preferable work environment for employees, and a strong market brand. We have done this very well and continue to improve and expand our operations.

I also help to differentiate us a bit as Staffwell's leader. I am American, female, an experienced international recruiter, an entrepreneur, a working Mom, and quite well known on the Russian market from having lived here and working actively in recruitment for the past 18 years. As a person and as the CEO of Staffwell, I am extremely positive, engaging and forward driving; and I have a very strong entrepreneurial mindset in that I am a creative ideas person, a quick study, and a competent problem solver. I have a true love of our business, our team, and our clients.

**Do you hire both Russians and Foreigners to work for you?**

Yes, we have always had Russians and Foreigners working for us in Russia. Although at least 90% of our team has always been Russian, nationality has not been one of our main deciding criteria. Instead, we hire based on prior work experience, ability to do the job well, talent, skills, disposition, character, affordability, and positive references. Fluent Russian and English language skills are also strongly desired.

**Which sectors have the greatest demand for your services and expertise?**

Staffwell works with Russian and Foreign companies, of all sizes, in most main industry sectors. We have offices in Moscow and Saint Petersburg

and our teams recruit for assignments outside of Russia as well. Our biggest recruitment divisions at Staffwell right now are in oil & gas, industrial, legal services, banking & investment, real estate & construction, mining & metals, manufacturing, retail, FMCG, leasing, and IT. We place most occupational roles from high level skilled professionals to executive management. In 2013 our biggest placements with our Clients were in finance, legal, general management, construction, engineering, marketing, HR, IT, operations, sales, planning, and accounting.

**What advice would you give to the foreigner thinking about starting a business in Russia?**

Come with a good strategy and business plan for the market, hire great people to work for you, be actively engaged and involved in the business, learn the rules and play by them, work hard and smart, and have fun. Russia is a great place to do business, which is why I am still here!

**Tell us about the book you wrote and published?**

My book is titled Making Perfect and it is about what employees want from their employers. It is a business book that tells the story of our own successful business transformation that resulted from the company-wide employee engagement exercise (Tea with Teri) I ran with my employees at Staffwell. It's a real eye-opener as most companies and employers have no clue what their employers want or what would motivate them to perform better. The book contains over 900 tips on how companies can improve their businesses based on employee ideas and feedback. I highly recommend it.

**Did you always want to write a book and will you write more books?**

Yes, when I was young I wanted to write a book about my life, and tried many times, but never seemed to make it past the first paragraph. After I launched Staffwell, in my thirties, I started to do a lot of writing for PR and marketing purposes for the Company. I started my own career journal called The Well, I had my own blog and I wrote for several other blogs including Harvard Business Review and Forbes, and I wrote often for magazines and newspapers. The more I wrote, the better I wrote. I wrote Making Perfect because I had to, for I felt so strongly that the information that my employees were telling me in my Tea with Teri employee engagement exercises, was so important that it had to be shared with the outside World.



I would like to write another business book: a 'how to' book on management appraisals. Although, I am not sure when I am going to find the time in the nearest future, so I may deliver seminars on the topic instead. I do also intend to write a memoir one day. Such stories I have to tell, many of which I have never told before, and many of which took place in Russia. It will be another great book.

**How has Moscow changed over the past 18 years?**

It has changed a lot and all for the good. There is better air quality, better cars on the roads, modern buildings, better roadways and infrastructure, good restaurants and entertainment centers, a wider availability of international products available, great schools, smart, well-educated and well-travelled people, less bureaucracy, better housing options, and the list goes on. It's a great city, as is Saint Petersburg and a lot of the other regional cities of Russia. It's a wonderful country to live in, work in, and explore.

**What hasn't changed over the past 18 years?**

The weather and location. Beautiful sunny summers and white snowy winters, and convenient to travel to European, Middle Eastern, African and Asian locations.

**How do you spend your free time when you are not working?**

I have 3 little boys that keep me quite busy with extracurricular sports (I coach their basketball and baseball teams); hosting their sleepovers, and of course keeping them off their Xbox and iPads so they can complete their homework. I also have a lot of friends I enjoy spending time with, and I play Broomball, a wintertime team sport (similar to ice hockey), and softball, from Spring to Fall. I enjoy being outdoors and spend a lot of time on holidays walking, swimming, and kayaking, and occasionally playing golf and tennis.

Like most people, I also enjoy the occasional delightful escape into a good book, movie, museum, live music or theater performance, and I also attend four to five formal Balls in Moscow every year. I quite enjoy these as they are fun occasions to dress up in ball gowns and enjoy wonderful nights out with friends dining and dancing, and usually all for very worthy charitable causes.

**What is in the future for you and Staffwell?**

Staffwell is going strong and there is a lot more growth to achieve in the coming years. It will likely be a stagnant market here again this year due to the Global recession that is still lingering, but we are pushing through it and making very good strategic partnerships, and focused more than ever on innovation and success. I love this Company and the people that work for it...and of course I greatly appreciate our clients. I have no plans to leave Staffwell or Russia. They are a huge part of my life and make me very happy. ■

Alexey V. Zhao

# Human life is priceless but you need money to be able to save it

**Why do wealthy Russians prefer to go for treatment to Germany, Switzerland or Israel, if, as government representatives and the doctors themselves claim that the level of the achievements of Russian medicine are not inferior to those on offer at the best foreign clinics? To answer this question, we turned to the AV Vishnevsky Institute of Surgery, Deputy Director of the Institute, Doctor of Medical Sciences, Professor Alexey Zhao.**

**U**sually, the decision of a patient to go abroad for treatment is due to the lack of understanding that we in Russia use the same techniques, and the results are no worse. No one questions the right of a person to choose, especially when it comes to the most precious of values – that of health. One downside of this is that outsiders are making a business out of it. Agencies specializing in organizing such trips, using the patient's lack of awareness, overcharge the true cost of medical services by two or three times. As far as the treatment processes are concerned, believe me when I say that we have excellent surgeons, quite modern equipment and advanced technology. In our institute, as well as in other leading specialist centers, especially in Moscow, we are famous for our traditions and achievements in the field of medicine. So here you will undergo medical procedure as good as those abroad.

**Other clinics perform surgical operations in line with their specific profile. What does your institute specialize in?**

We often get asked this same question. Not everyone knows that many of the operations that are now quite commonplace, were developed and per-

Alexey V. Zhao, M.D.  
Ph.D., Prof, Deputy  
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Institute of Surgery





formed here for the first time, and then our students spread this unique expertise to other institutes. But we never stand still, and always try to improve and do more than anybody else. It is of no surprise that the most severely ill patients from across the country are brought to us. Here, much more material and technical resources, knowledge and effort are invested in the treatment of each patient, including intellectually. Each department is headed by an academic or a professor - a leading expert in his field. I would say that our Institute is a sphere of hi-tech medicine, and it is not just the technology, but also within the walls of the school itself, there is a special climate formed by professional highly trained specialists.

**Can you give at least a few examples to prove that the institute actually works to a global standard?**

Take, for example, the Department of Vascular Surgery, where the surgeon Anatoly Pokrovsky works. He is famous all over the world among those skilled in the same profile. At one time he was president of the International Association of Angiology and Vascular Surgery, and remains an honorary member. His department has conducted unique operations, such as malformation of various localized tumors related to the blood vessels of the neck, and inflammatory lesions of the arteries, and here we conduct more of them than any other clinic in the world. We can proudly say that we have the most experience in this field, and we can treat illnesses that others are not yet able to.

The Department of Liver Surgery is headed by Professor Vladimir Vishnevsky, author of numerous scientific papers and tutor to all those involved in this field of medicine in Russia. Its direction in its present form was born in our institute, and leading experts in the field of liver surgery were trained within these walls.

At the same time as treating disease, our institute serves as a center for disaster medicine, paying special attention to methods of rescuing people who have been seriously injured. The department of wounds and wound infections, which is headed by Valery Mitish, is the pride of our institute, and one of the best departments in Russia with such a profile. Unique methods for the treatment of purulent wounds, extensive wounds, and serious damage to bone tissue have been developed here, thereby managing to save a patient even in seemingly hopeless cases. Even if there is a need for amputation, it is carried out as gently as possible, providing better opportunities to rehabilitate the patient.

Our burns unit is famous across the country, where we not only save people, but also help them return to normal life. There's a branch of plastic surgery that is mainly engaged in dealing with scars formed after burns, and this treatment is also performed here at the level of world standards.

I have listed just some of the techniques, without going into details and without resorting to professional



terminology. Really I could take much longer to respond to this question.

**How has it happened that such an unusual medical institute has developed, seemingly without any previous analogy?**

Generally speaking, this was one of the country's first scientific medical research centers, and the story of its creation is unusual. A year before the end of the Second World War (in 1944), some medical scientists began to think about the future of the planet, and proposed to the government that it organized an Academy of Medical Sciences. Its structure was to consist of ten clinical institutions, including the Institute of Experimental Clinical Surgery. In 1944, the distinguished surgeon Alexander Vishnevsky became the Director and the institute is dedicated to his memory. Apart from specialist civilians that came here, other specialists came that had paid an incredibly heavy price for their experience - in the midst of battle. They were universal surgeons: they could operate on all organs, and worked very quickly and accurately. From then on, the main departments of the Institute and the direction of its field of activities were formalized. Since then and for all the ensuing years, continuity has been maintained in its inherent traditions, the excellence of the surgeons that have worked here and the impeccable scientific authority of its directors have remained unchanged.

**Many of the buildings on campus look like they were not built after the war, but more than a hundred years ago...**

That's right. This place is based in the old Shchipok district of Moscow, which was once a kind of free medical center. In the 19th century it formed a complex for health charities, where treatment care was provided to all who needed it but could not afford to pay. As you can see, they were not some kind of "economy class primitive structures" but were properly constructed buildings, uniquely constructed by some of the best original Moscow architects, and superbly equipped for their time. Among the patrons to donate money to this complex was the philanthropist Pavel Tretyakov, who was much better known as the founder of the most famous art museum in Moscow: the Tretyakov Art Gallery. These days, in a building constructed with his money, the Department of Wounds and Wound Infection is based. Obviously, it has changed in our time and is equipped with the latest equipment. Soon a reconstruction is planned, and this unique building will be restored.

Only the main building is relatively modern, built in the 1970s, but its architectural style has no historical value and it is obsolete. There are no complaints about the diagnostic equipment and the equipment in the operation rooms. Everything is up to date, but we still have to work in cramped conditions. We

need to reconstruct the building itself, change the communication systems, and remodel the wards - they need to become more spacious and comfortable for the patients. We hope that we can do this, if we get the funding.

**Will it be possible to carry out the reconstruction of the existing clinic without stopping its work, just as is done in industry?**

The technologies exist, but it would be very difficult. In order not to disturb the sterile conditions, the buildings under repair must be completely isolated from the rest. Then, once the work is completed, part of the clinic may be moved there. So, the entire reconstruction can be undertaken step by step. It will be difficult and uncomfortable, but we're not able to close the Institute and to postpone operations for months, when the price of human life is often measured in minutes. Another possible option, in principle, is to build another building. A suitable area for development could be found on the territory of the institution itself, but this requires government approval. We are, of course, a public institution under the Ministry of Health and are funded from the federal budget.

**What position does the Institute take in the budget priorities?**

We exist in the budget system for public institutions, and are certainly not bottom of the list. But I can't say that the money allocated for the maintenance of the Institute is enough. We work on quotas, which are allocated annually by the Federal Ministry of Health. Without investing money, you cannot get results, especially when it comes to high-tech, modern medicine. This is a serious investment. Any additions to the budget can only come from the private business sector. We would be pleased to introduce one model or another of public-private partnership. We have ideas, and if private capital can help solve the problems associated with the lack of medical funding from the state, we will do our best to welcome it.

**Are there any models that allow for the partnership participation of foreign capital?**

We have foreign citizens that pay for medical treatment. If we talk about private investment, so far there have been no such proposals, but we are ready to consider them, especially in the field of high-tech and high-quality services, where we have really established a strong position.

**What might attract an investor?**

Every investor wants to make a profit, but we must understand that high-tech medicine is a field that is associated with high costs. Complex operations require expensive drugs, and the best equipment, which is also very expensive. At the same time we can't be guided by commercial interests: we can't refuse to save a person's life on the grounds that it would require too much money. Such a statement would sound immoral. Since we are talking about very complex operations, a high degree of risk is also involved. For example, liver surgery, my specialist field, usually involves cancer patients. The likelihood that private business investment would be interested in such projects is low. However, if we calculate costs carefully, we may be able to involve private insurance agencies, and with their help build a certain segment of demand for such services. Then it is possible that someone will agree to invest funding.

Commercial success is more likely in the development of surgical services which do not involve risk to the life and health of patients, but are in high demand and pay well. This aesthetic surgery, cosmetic surgery, minimally invasive techniques, endoscopic surgery, and so on, are exactly what they do today in numerous private clinics, although they do not always do it well. Since at our institute we have similar departments and highly skilled professional specialists, a good case can be put forward for one day organizing a hospital for in-patients this way. A partnership for profit could well happen in this case.

Also, of course, we are willing to accept charitable donations from any organization.

**Which international projects is your institution involved with?**

We certainly strive to maintain and develop international links, including with so-called multicenter randomized trials. Many of us are certified GCP (Good Clinical Practice), which allows us to participate in such projects, and we are not last in the list there. If we talk about the exchange of experience, we try, despite the limited budget, to allocate funds for trips for young specialists. Last year we sent vascular surgeons to the United States, doctors from the Department of Liver Surgery to Korea, and experts from the Department of Surgery of the Pancreas to Japan. They all return with useful ideas that allow us to make rational improvements in our medical practice. What is especially pleasant is the confirmation that in general we do not lag behind our foreign colleagues, and in some areas (angiodyplasia, wounds and wound infection, surgery of the liver and pancreas, endoscopic surgery) we can actually teach others. ■

# Wooden palace of Tsar Alexis 1 in Kolomenskoye





Ekaterina Genieva:

# A library must be attractive

**"The Inostranka" is the nickname of the Margarita Rudomino All Russian State Library for Foreign Literature, which has existed in Moscow since 1922. This is a unique book deposit!" The library now has a collection of more than 5 million books in 145 foreign languages!" its Director Ekaterina Genieva told us about it in an interview with Capital Ideas.**

**Ms. Genieva, how has the library of foreign literature changed since its inception?**

Our library is quite an interesting phenomenon. It was created by Margarita Rudomino. The concept, the whole spirit of the library, was devised and created by this amazing woman, and it has survived to the present day. Of course, it has changed, but the idea of a place where not only books are kept, but where very different people come together, has remained unchanged. It is getting better all the time, and it continues to expand. Jose Borges wrote: "a book is dead until such time as it warmed by the touch of the human hand." Here we are busy all the time with this warming human touch. Margarita Rudomino viewed the library as a kind of living organism. For example, she taught the workers and villagers foreign languages, and gradually from that the courses of the Institute of Foreign Languages were born. From our publishing activities, the publications "Progress" and "Rainbow" were born. That's why our library is the only one in the country that bears the name of its creator.

**What type of books does the library store?**

We have 5 million units – it is the largest repository of foreign books in Russia. There are books in 147 languages. Strictly speaking - 145 foreign languages, as two of them stand out. The 146th language is Russian translated from foreign literature into Russian. There





are a lot of them. Russia is a country which translates and is translated to very well. We collect different translations. For example, we have the works of Shakespeare translated by people from Nikolai Karamzin to Georgi Kruzhkov, and even by Pasternak - such a wide range ... Also, we have the 147th language: Russian's living abroad from the time of the first emigration, who have begun to return to Russia since 1990."

"We hold some very old and rare books from the 14th and 15th centuries. For example, we have one of Martin Luther's earliest editions (a Christian theologian, and a leading translator of the Bible into the German language), and there are incunabula (early printed books published before 1501, very rare, and their circulation was only 100-300 copies). There are 40,000 publications in the rare books depository. Also there are a lot of books from the so-called displaced cultural property fund of items moved during the war.

**What sort of activities do you design for your target audience?**

"They are designed for absolutely everyone. We hold exhibitions, round tables, seminars, and conferences, often not only Russian, but also in other languages. We have a very large number of publishing activities, where new books and publications are discussed. So many people come that the hall can only just accommodate them all. We are open to everyone that wants to come to us. The important thing at our meetings is that no one moans or gives boring lectures; we are always interested in live communication. We hold regu-

lar work programs for people from other cultures and nationalities, with whom we cooperate. We have 14 international cultural centers, but it is only here that you can find Jewish, American and Iranian cultural centers next to each other.

**How popular is the library these days? Who are your visitors?**

The visitors question is not so simple in the 21st century. After all, they don't only come on foot, but also by "fingers". I'm talking about our wonderful electronic library with lots of electronic visitors' rooms. We have excellent visitor statistics to our electronic library, and every day around 300 to 350 people come to the reading rooms, and around 600 to 700 people per week come to social and cultural events.

But it is not about the numbers, but in fact about what they represent: the content is more important than the numbers. They are all very different people: children, young people, sociologists, and experienced translators. Inside of the adult library we have a wonderful children's room. Conceptually it is a Children's Fund in foreign languages. Parents bring their children here to learn languages from the age of four, so they are accustomed to being surrounded by books from an early age. Many of the floors are carpeted, and the young people just sit right down on them when they read. We are very happy when young people come to spend time with us of their own volition. When you tell a person to "read", that is surest way to make sure that they won't read. You can only do this if the library is an attractive place."



People of different nationalities come here, and not only Europeans. We work with Tajiks and Uzbeks, and we teach them the Russian language instead of reproaching them, that they do not speak good Russian. Our institution has a culture of tolerance.

**Do guests from foreign countries and well known compatriots visit the library?**

Yes, we are fine with that. All overseas ambassadors are our guests and our colleagues. Writers come here on a regular basis. For example, the Irish poet and Nobel Laureate, Seamus Heaney, has been here three times. A year ago he died, and soon we will hold an evening dedicated to his memory. Lyudmila Ulitskaya is a regular guest at our library. We have had Alexander Solzhenitsyn, Venezuelan President Hugo Chavez, U.S. Secretary of State Madeleine Korbelt Albright, and the British Prime Minister David Cameron and the Archbishop of Canterbury have also visited. We have been visited by many religious leaders. When someone arrives on an official visit, they almost always come to visit us. We are almost like a symbolic place.

**What is required from a foreigner coming to visit here in the first place?**

To work in the reading room, you need to sign up, of course. Generally speaking, we let anybody into the library space on a guest pass. It's wonderful, even if a little dangerous. We hold many events in English and other languages, but all are welcome at any of the meetings. Entrance to the "Inostranka" is open to anyone and at any time. ■



Alexandre Vassiliev:

# My collection is in three

**He is a well known fashion historian, author of numerous books, and host of the popular TV show "Fashion Sentence" on Russian Channel One. More than thirty years ago, Alexandre Vassiliev started collecting costumes. To date he has accumulated about 50 thousand pieces: dresses, hats, coats, shoes, suspenders, umbrellas, bags, gloves...**

**I** magine how many wedding dresses I have - even from Napoleon Bonaparte's time! **Alexandre told Capital Ideas in an exclusive interview.** I can't put all the exhibits in just one room - they just will not fit! You will not find one room in the world for such a huge display. I have nearly five hundred portraits alone. The paintings are from different eras, but they have all been collected using the same principle: the portraits have to be associated with the world of fashion. The main thing is that they portrayed people who would have epitomized the fashion trends of their time. You can see this from their ties, vests, dresses, jewelry, and hair style.

Not so long ago I found a portrait in Hungary of a widow from about 1860. This painting was being sold by some Gypsy at a flea market in Budapest. And when I saw this very young lady with such sad eyes, dressed in beautiful lace, I realized that it would be a perfect gem for my collection.

I also collect vintage photography. They all come to me in completely different ways. For example, portraits of the French actress of the 1900s and the star of the "Paken Fashion House", Arlette Dorgere, were inherited by her dentist. One time I managed to buy a whole box of her photos at a flea market, sold by his heirs. I do not know what relationship she had with her dentist, and why exactly he collected portraits of his patient.

Another passion of mine is beadwork. I have very good restorers that work for me and restore all damages, because the beads easily fall off due to rotting thread. It is also a pleasure of mine to buy vintage fans. There are many of them, especially in Spanish antique shops, because it is a hot country, and even today the local beauties enjoy using this accessory. I also find quite a lot of fans in Mexico, where it is also hot, and even today women still carry a fan in their handbag.

**Where apart from flea markets and antique shops do you find antiques?**

I purchase a lot of things at auction after some museums have gone bust. During the time of crisis they were in great need, and they had to close their doors to visitors. In particular, four years ago in New York in the United States, the fashion and textile department of the Brooklyn Museum was closed. This was a collection of 40,000 dresses - a huge amount! Of these, 12,000 of the most outstanding items were taken by the Metropolitan Museum to replenish their collection. But still 28 thousand remained, which were put up for auction.

Also, surprisingly, even the Metropolitan Museum began to sell off part of its collections. They had too many costumes, and for example, they recently put up many hats from the 19th century for auction. I managed to buy quite a lot.

# stored countries





Alexandre Vassiliev wearing an 18th century costume for an opera by Mozart "The Wedding of Figaro", created to his own design. Reykjavik.

To find items of bygone eras from private collectors is, of course, very difficult today. But sometimes interesting items can still be found: for example, dresses that belonged to the Baltic Baroness Groningen Güney. During the Revolution, she immigrated to France and opened a large fashion house there, which was called "Yteb". This was her name Betty in reverse. The Baroness was very fond of costume evenings, and she often appeared at them in vintage dresses, which she had carefully collected. After the release of my book "Beauty in Exile", in which I wrote about her life, her grandson who lives in the United States, contacted me. He told me that his mother was alive, the daughter of the Baroness, who was over 80 years old and living in Brussels. She invited me to her house, and was happy that I had written about her mother in my book. Then she produced several large suitcases and sold me all of her mother's dresses. And so, you see, through the book, I found these items in Brussels

which had belonged to this Baltic baroness, as well as products from this Yteb fashion house, quite by accident. Most of the dresses are in excellent condition, and they are all from the 1850's!

I inherited a whole collection of items from one Russian fashionista of the 1900s. Her name was Tatiana Nikitichna Nalbandova. She was the owner of the Petrovskaya vodka factory. Together with her husband, a physiologist, she went to Paris in 1913, and soon afterwards the First World War started. She could not return to Russia because she could not move across the borders. Then in 1917 the revolution took place. All of her funds in the bank were expropriated. Tatiana had arrived in Paris with trunk loads of her finest clothes. She stopped wearing these outfits when they went out of fashion, but Nalbandova did not want to



Embroidered evening gown. Russia 1924.



part with them, because they had cost so much, and besides that the outfits reminded her of the days of her youth. She died in the 1930s. It was only in the early 1990s, after 60 years (!) that her grandchildren decided to part with all the contents of the trunks, and sold them to me. This was a unique occurrence. It was like finding the treasures of Tutankhamen to discover so many items from olden times.

**Which era do the oldest items in your collection belong to?**

What do I have? From the early 18th century, and the 1700s. There are corsets, embroidered jackets, shoes, purses.

**Is it not possible to find items from previous centuries these days?**

It is possible at auction, but in my collection I do not have anything from the 16th or 17th century, apart from some lace. Personally I do not have any textile products.

**Does your collection contain anything that belonged to royalty?**

I dream about Queen Elizabeth II outfits. But after she is gone there will be so much, because she rarely appears in front of her subjects in the same outfit twice!

In my collection there are six dresses that belonged to the Grand Duchess Maria Pavlovna Romanova, who had a big fashion house in Paris. It was called "Kitmir". They made beaded dresses there commissioned by Chanel, and in the 1920s the dressmakers, sewers, and embroiderers were mainly Russians.

**How much do such rarities cost?**

Prices vary. For one such dress, one can pay on average from five hundred to one and a half thousand Euros.





### Who is your sponsor?

I do have donors. But basically I sponsor myself. Of course, I won't deny that it's a lot of money to spend on my private passion, but I can see the results. Some people just live selfishly and spend all the funds they earn only on themselves. They will buy themselves a yacht and enjoy it, and they do not care less how others live. I believe that this is a real charity, an opportunity to spend your money on making people happy, to give them the chance to admire things and feel really good.

All of the purchases that I make are done with a sober mind. Besides, I already have so much choice that now it is difficult to seduce me with something. For example, if I stop by an antique shop somewhere in Paris, they may say, we have a clasp for you. But I may have around 19 pieces of such clasps... And, of course, I like to bargain to the last penny. In this sense I am a careful collector, because I know that my budget is limited and I must stay within it. So I haggle like a real Turk or Armenian. Because the Turks, Greeks, Jews and Armenians are the best traders in the world.

### I am interested in what your monthly budget for purchases is?

Yes, I do have a monthly budget for purchases, but I don't want to talk about it. Also, auctions of vintage clothing are not held every month, but maybe about

once every three months. So around four times a year I have to spend well. But it's worth it! That's because it is true beauty! Just look at the elegant ball gowns worn before the revolution. Incidentally, the ladies coming to the ball used special ballroom notebooks, in which they penciled in a list of dances: who to dance with, when to dance, and with whom to dance the mazurka, polonaise, or waltz. I have a collection of these notebooks. In the 20th century, celluloid became the new fashionable material. I have a real rarity: two ballroom notebooks made from celluloid. The pencil notes can be washed off with water, and so such notebooks could be used several times.

Yet another adorable collection of exhibits for me is my collection of hatpins. Ladies hats were huge in those days, and the long hairstyles were complicated. So to ensure that such a hat didn't fly off the head from the wind or when traveling, they were always fastened with hatpins. I have been finding and collecting these hat pins for many years, and exhibit them gladly. They are always a great success with visitors to my exhibitions.

### All the vintage items are very small and all the shoes are very narrow. Is it true that feet in the nineteenth century were much narrower than they are today?

Yes, they were significantly smaller and narrower, but the ladies of those times did not have to run around

the city as much as we do. The average waist size of dresses from that era was 50 cms. Only the corsets of many of the dresses have been preserved. They do not have a bottom part, and only the top part remains, but they are so pretty, so remarkable.

Also in my collection there are abundant vials of real perfumes, and all kinds of facial powder and blusher from a century ago.

**You probably need the help of a whole team of assistants. You can't surely do all this alone.**

Twenty five people work with me. The organization of the exhibitions requires the efforts of the whole team, and thank God, I have these people. Most of my staff comes from Riga, because they all have a European passport, and besides that they all speak Russian, which is very important. Their main task is to transport items, moving them from one country to another. My assistant is a Frenchman, Christophe Dubois, with whom I have been working for 15 years, and who goes to various auctions on my behalf. He is also vice - president of the "Alexandre Vassiliev" foundation. I give him guidance, and together we make decisions about what exactly to purchase. Then payment is made via credit cards. All items are delivered first to Paris and then to Lithuania, where my collection is based. I now have three storage areas: one in Moscow; another in Lithuania; and a third in Paris. The collection is so large that I can't keep it all in one place. Also for safety reasons, I prefer to keep the exhibits in three countries, because one never knows what might happen. So at least I'm sure that at least part of my collection will certainly survive.

**Now, an indiscreet question. Do you pay for storage in Lithuania?**

No, due to the contract that I signed with the Lithuanian Ministry of Culture, the Lithuanians were more than happy to offer me storage space. I hoped that the Russian Ministry of Culture would sign a similar contract with me, but no such luck. I am always being told that Russia already has a fashion museum run by the famous designer Valentin Yudashkin. Personally, I never saw it, but I would like to visit and explore it.

Items from my collections have been exhibited in Venice, Paris, Sydney, Tokyo, Moscow, Hong Kong, Riga, Istanbul, Washington, and Santiago. I hold a lot of exhibitions. I understand that I am the owner of priceless treasures, and I do not keep it a secret. People get great pleasure from it: both aesthetic and educational. They want to know how their ancestors were dressed.

Silk and muslin ball gown with lace, and pearl embroidery.

**Do you have any competitors?**

They are not competitors, they are colleagues. There is a small private fashion museum in the town of Albi in southern France, near Toulouse. I'm great friends with the owner. There are not many private fashion museums in the world. There are collectors. For example, Nazim Mustafayev, director of a chain of shoe stores in Moscow. He has a professional interest: he initially collected only shoes from the 18th, 19th, and 20th centuries. He recently started collecting clothes as well. There is a very nice museum located in Chile. It belongs to the Chilean millionaire heir of a large inheritance. Almost all of the money from his parents has been spent on clothing, and this gentleman has acquired one of the largest private collections in the world. He is not a competitor for me, he's my colleague, because we all do the same thing: we preserve past history. Also, what kind of competition can it be if we are on different continents, and we have different audiences? However, if people wish to fly to Chile to see it, then I will be more than happy. ■

The actress Vedrenskaya, wearing an evening gown. St. Petersburg 1913.



# Spring time in touching the Beauty

*Lots of beautiful women usually appear on the streets of Moscow in spring-time. "Where do so many of them come from?" Surprised men constantly ask each other the same question. They simply could not be seen beneath a winter hat, scarf and long fluffy coats. Spring is the fairest of the seasons, a heyday, and not only for the blooming of feminine beauty. It's the right time to touch another beauty - art!*



**O**n April 16th an exhibition commemorating the 125th anniversary of Soviet sculptor Vera Mukhina will open in the Crimea Val. This legendary woman became the winner of five Stalin Prizes. Her most famous work is the monument: "Worker and Kolkhoz Woman" which was exhibited in Paris in 1937 at the World Exhibition. This composition was the crowning glory of the USSR pavilion and became a symbol of the Soviet country for many years. In 1939, the monument was installed near to the All-Russia Exhibition Centre in Moscow, where it remains to this day. In 1947, the "Worker and Kolkhoz Woman" became the emblem of the main movie studio of the USSR: "MOSFILM". Also, other creations by Vera Mukhina can be seen in the capital. For instance, a monument dedicated to composer Peter Tchaikovsky in front

# MOSCOW:



of the Moscow Conservatory, and a monument to the writer Maxim Gorky in the square in front of Belorussky railway station.

**O**n April 18th a long awaited event is coming for all those who do not switch the TV during commercials to other channels, and which also treats commercial advertisements with great reverence and respect. The "Night of the Advertisement Eaters" has been held annually in Moscow for many years. It all started in 1981, when a Frenchman by the name of Jean Marie Bursicot decided to start collecting what were in his view, the most outstanding commercial advertisements. Since then the collection has greatly expanded. To see these masterpieces of advertising, as the collector himself described them, you can actually view them in the evening at Crocus City Hall.





**O**n April 20th, Orthodox Christians around the world will celebrate their most significant and important holiday - Easter. Interestingly enough, this year's Easter also falls on April 20th for Catholics as well. On the eve of April 19th, all the city's churches and monasteries will hold the traditional solemn services of worship, with the blessing of festive cakes and painted eggs. If you have never attended such an event, we strongly suggest you to do so. You will have a great experience.

**I**n April, the International House of Music in Moscow will hold many major concerts. On April 1st there will be a performance by Swedish pianist and arranger Robert Wells, who is known and loved far beyond Scandinavia. Interestingly, in the Moscow show Robert will be accompanied by Russian pop singer and pianist Dmitry Malikov. Both musicians are known for their balance between classical and pop music.

**A**t the House of Music on April 4th and 5th there will be a real treat for anyone who is a fan of the famous American guitarist Al Di Meola and his band. Al Di Meola is known as a musician who opened up the technical possibilities of the guitar. His calling card is a mixture of styles: Latin, gypsy jazz, fusion, and jazz rock. This man is the champion of modern guitarists, and has won a number of various awards.



Then on April 30th, the House of Music will celebrate International Jazz Day with a grand concert.

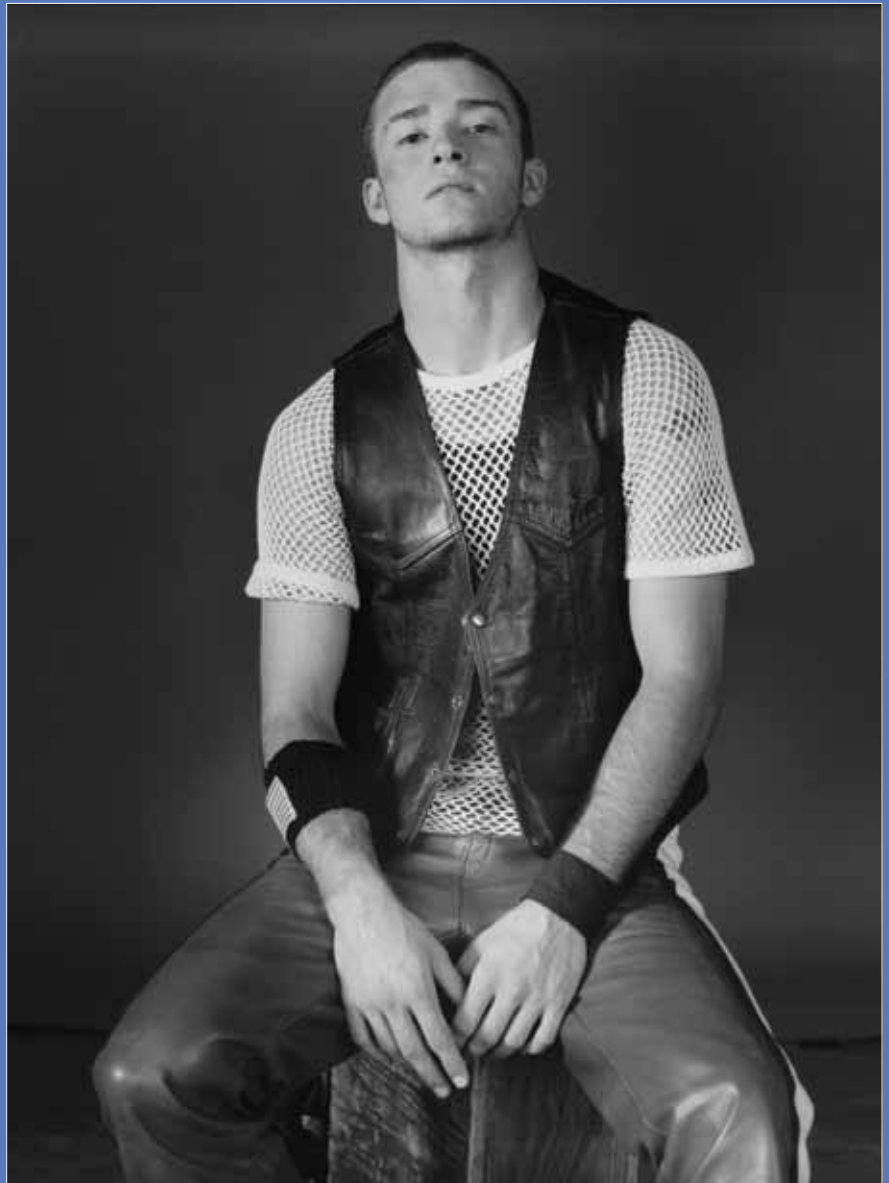
**A**lso in April, a premiere has been scheduled at Moscow's Pushkin Theater, which will please fans of the famous Russian pop singer Sergei Lazarev. He will play a major role in a new production based on the brilliant play by Beaumarchais, *The Marriage of Figaro*. This is not a new experience for Sergei, as he has already performed on stage in this theater in a production of "Talents and the dead" by Evgeny Pisarev. This comedy is about the life of a poor painter who can barely make ends meet. His paintings sold poorly, and to get out of debt, he decided on a dangerous course of action, which touched the souls of the audiences. Today, Moscow theaters often attract pop stars, as apparently, it helps to boost audience numbers.

**I**n recent years, The Bolshoi Theatre has increasingly invited foreign directors. For example, in May, the premiere of Mozart's opera "Cosi Fan Tutti" will be interpreted by the Dutch director Floris Visser. For the ballet by Chopin "La Dame aux Camellias", based on the famous novel by Alexander Dumas, the Bolshoi ballet will be directed of the chief choreographer of the Hamburg Ballet, John Neumeier. It is significant that Neumeier's worldwide acclaim began with the staging of this ballet in Stuttgart in 1978.



**M**oscow State Theater of Nations, which for several years has been run by one of the most popular Russian actors Evgenie Mironov, continues to conduct bold experiments with new Russian dramas. The premiere of the play "Janna", starring the actress Ingeborga Dapkunaite, will be offered to the public. She is a truly international figure, born and raised in Vilnius, has played and continues to play in many Russian films, including in the famous film by the director Nikita Mikhalkov "Burnt by the Sun", for which she received an Oscar. She was married to British theater director Simon Stokes. She played on stage in London, and has played several times for western filmmakers. She is adored in Russia, and her cute Lithuanian accent gives the actress a unique charm. In the play "Janna", Dapkunaite plays a heroine of our times - a successful modern woman who is used to controlling everything and everyone. "This is a tragicomedy about friendship, love and betrayal, an assessment of our times, when many have to pay too high a price for success, and I'm sure this topic is very close to the hearts of most of the audience", admitted Ingeborga Dapkunaite in an interview with Capital Ideas magazine. It will be staged by young director Ilya Rothenberg, who is only 33. The author of the play is even younger, 26 year old Yaroslava Pulinovich. She was born and lives in Omsk, but her plays are already well known around the world, and have been staged in the theaters of England, Poland and Lithuania.

**A** concert is scheduled for May 17th at the Olympisky Sports Complex by one of the world's most successful performers, the very handsome Justin Timberlake. This concert will be part of singer's world tour. The tour organizers promise that Justin will appear in front of his fans in all his glory - with slicked-back hair and a suit from Tom Ford, which will perfectly fit the star's slim figure.



**A**t the end of May Andrey Zvyagintsev will present his latest film to audiences. Russian critics believe this director to be a true artist, a man who creates original art. Zvyagintsev's debut film "The Return" has received international recognition, and won the Golden Lion award at the Venice Film Festival. This year is special for the director: on February 6th he was 50 years old. Zvyagintsev has called his new film project "Leviafan": a unique gift to himself for his birthday. Work on the project was conducted in high secrecy, and the director and producer gave away almost no details. It is only known that the story centers on the life of one family, the relationship between husband and wife, children and parents. The leading role in the film will be played by the well-known actor Alexei Serebryakov. Filming took place in the Murmansk region of the Barents Sea. That is not surprising, as Zvyagintsev is well known as a director for whom a spellbinding backdrop is important, and each frame is literally done to perfection.

**A**nother Russian film director, Alexei Uchitel is producing a movie entitled "Eight", which is an adaptation of the novel by Zahar Prilepin, which has been the winner of almost all Russian literary awards. It is the story of four young men who serve in the OMON special police unit in a small provincial town. The story excited Uchitel so much and it made such a huge impression on him that after he had read Prilepin's novel, which had not even been published yet, within two weeks he had concluded a contract for its film adaptation. The main characters are young, and literally brimming over with so much energy that they sometimes do not know what to do with it. Then one of them falls in love with the girlfriend of a local crime boss...

**O**n May 29th, the International House of Music will hold a literary and musical performance to the memory of Anna Akhmatova, the famous poet. There will be only two performers: both very beautiful woman – the famous actress Olga Kabo and the romance style singer Nina Shatskaya.



A grand concert has been announced for June 1st at the Olympiyskiy Sports Complex by the cult British band "Black Sabbath", headed by its lead singer Ozzy Osbourne. A little later both Moscow and St. Petersburg will be visited by another legendary group - the American group "Aerosmith", with its lead singer Steven Tyler.

At the end of June all Russian movie stars traditionally gather in Moscow wearing evening gowns and diamonds on the red carpet of the Moscow International Film Festival. So far it is too early to talk about who will judge the winners, or even which films will be at the festival. Everything will become clearer closer to the time. But one thing we can be sure of is that all be guests will be greeted with open arms by movie director and Festival President Nikita Mikhalkov. ■



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Dear Ladies and Gentlemen!

We hope that you like Capital Ideas. Please give us your feedback and send us your comments. This will all help to make Moscow a better place to work and live.

**Sergo Kukhianidze**, Editor in Chief

Write to Sergo Kukhianidze at [sergomrk@mail.ru](mailto:sergomrk@mail.ru)

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This section of the magazine – “Moscow Vocabulary” – was born of remembering ... Ronald Reagan, who appeared to be a fan – and collector – of Russian proverbs and sayings. Well, and we would like to guide you into a world of Russian idioms – just as bright and colorful.

БИТЬ В ОДНУ ТОЧКУ – bit' v odny tochku.

(To keep striking the same spot

Explanation: To concentrate one's efforts on one thing  
in seeking to attain a specific goal

ВИДНО ПТИЦУ ПО ПОЛЕТУ – vidno ptitsu po pol'otu.

(A bird is seen by its flight)

Explanation: You can judge a person by his actions and behavior

ДО УПАДУ – do upadu.

(Till one falls down)

English equivalent: To the point of exhaustion

ГУСЕЙ ДРАЗНИТЬ – gus'ey draznit'.

(To tease the geese)

Explanation: To irritate, to annoy somebody (often without reason)

ЦЕНЫ НЕТ – tseny n'et

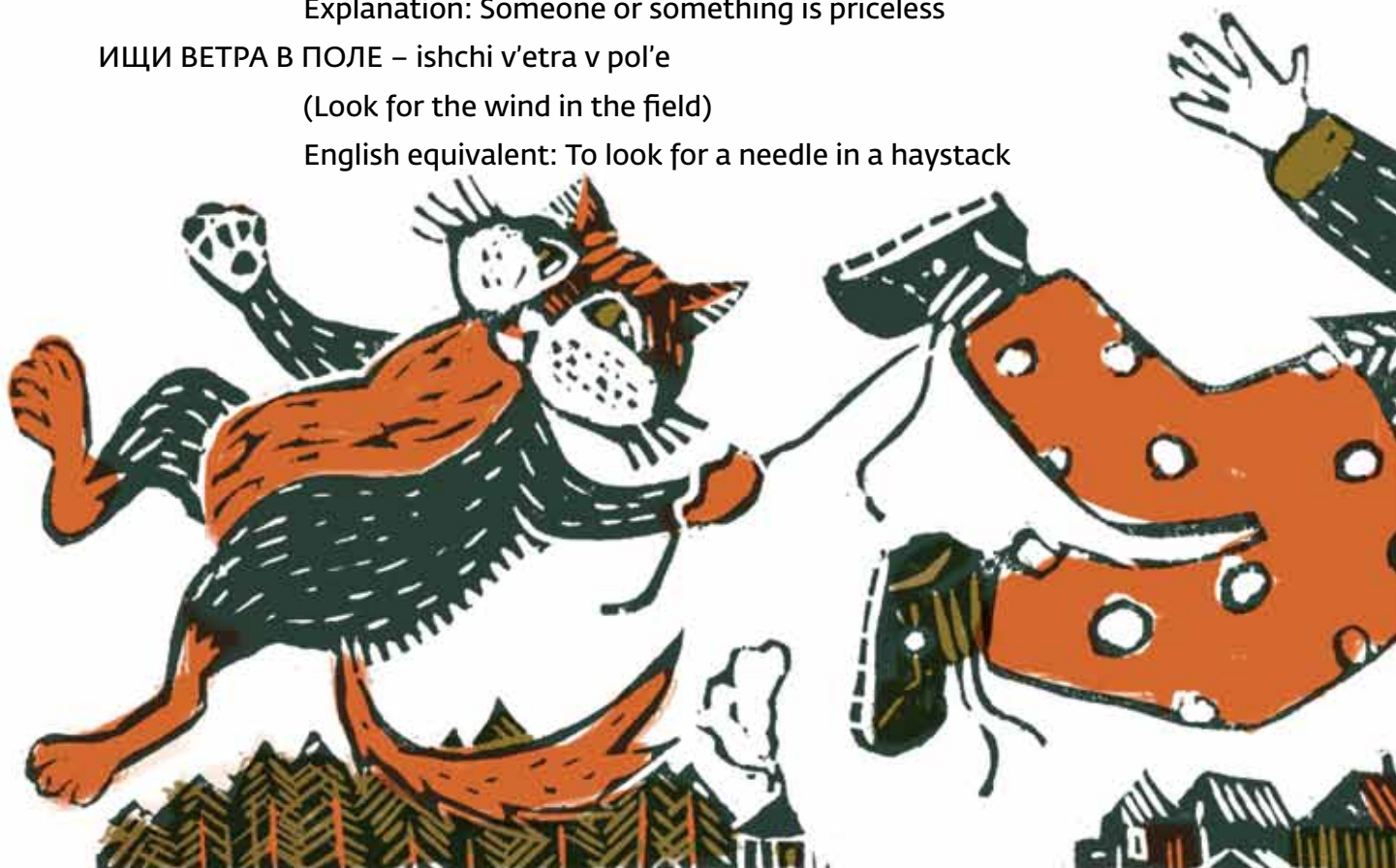
(There's no price on someone or something)

Explanation: Someone or something is priceless

ИЩИ ВЕТРА В ПОЛЕ – ishchi v'etra v pol'e

(Look for the wind in the field)

English equivalent: To look for a needle in a haystack



КАШИ НЕ СВАРИШЬ – kashy n'e svarish

(You won't cook kasha (a dish of cooked grain) with someone)

Explanation: It's difficult to work with someone

НАЙТИ СЕБЯ – nayti s'eb'a.

(To find oneself)

Explanation: To determine one's aptitude

КАТАТЬСЯ КАК СЫР В МАСЛЕ – katattsya kak syr v masl'e

(To be rolling like cheese in butter)

Explanation: To be comfortably off

КОТ НАПЛАКАЛ – kot naplakal.

(Something the cat cried out)

English equivalent: Very little, practically nothing

ЛОВИТЬ НА ЛЕТУ – lovit' na l'etu.

(To catch something in flight)

Explanation: To grasp something easily

ПАЛЬЦА В РОТ НЕ КЛАДИ – pal'tsa v rot n'e kladi.

(Don't put your finger in his/her mouth)

Explanation: With this person one must be scrupulously



# Orange juice?

**For some people the birch is just a tree. But not for the Russians!**

**I**n Russia the birch tree is the most popular, and if you like, the most respected of all trees. Russian poets, such as for example, Sergei Yesenin, wrote about birch trees, Russian artists have devoted themselves to it, and it has even been glorified by many Russian musicians in their songs! We all remember the wonderful song "Birch sap" by the legendary group "Pesniary" which includes the words: "And our Homeland generously gave to me, birch sap, birch sap to drink ..."

How is it that the birch tree has taken such a root in the minds of the Russian people? That's a difficult question to answer. Many attribute this to the fact that the birch tree is the most common tree in the country. Without it, it is virtually impossible to imagine any single forest landscape. Others argue

that for the ancient Slavs, the birch was a symbol of fertility and even a talisman against evil spirits. For example, in those days people kept birch branches in the attic or put them under the roof of the house to prevent lightning strikes. They used birch branches in the garden to scare away rodents and birds. Placed in front of barn doors, the birch branches protected livestock from evil spirits and witches. Even in the traditional Russian steam bath, a birch broom has symbolized cleansing and healing from ancient times!

However, the birch broom in the steam bath does not have the only healing attributes. The whole tree, or rather its buds, leaves and fungus, the so-called "black birch mushrooms" growing on the trunk, have unique healing properties.



# No, birch juice, please!

Birch sap is also very good for health, and can be collected from late March to late April, depending of course on the weather in any given year, just as long as the first leaves have not yet appeared on the tree.

Birch sap has the ability to normalize the micro flora in the stomach and stabilize the digestive system. It removes excessive acidity, and adds some if there is a lack of it. It also has the ability to dissolve phosphate and carbonate based kidney and liver stones. Birch sap is useful as a preventative and restorative remedy for the treatment of lung disease.

Also, in olden days, birch sap was used as a cosmetic. Washing the face with birch sap reduces dark spots and acne. It is recommended to wipe the face every morning with a piece of frozen birch sap. The skin not only receives thermal stimulation, but also minerals that nourish it. It is also very useful to wash the hair in birch sap, especially for women. It stimulates hair growth, strengthens the roots, makes the hair thick and fluffy, and removes excess oil.

As with any business, the collection of birch sap also has rules that must be followed. The most important of them is that under no circumstances should the tree be harmed.

So, to get the birch sap, but not cause any harm to the birch (the tree will still be harmed, but one should try to minimize it, so as not to destroy the tree), one should observe the following rules.

Do not use an axe! Better to use a drill, with a drill with a size of 5-10 mm. Drill a hole in the main trunk. Next year, you will not find even a trace of last year's drilling.

Try not to "drain" all of the tree's juice! The tree is ready to lose some juice, and it can compensate for it. But if you do it bleed it completely, then it will wither and die. It is better to drain 5-10 trees and take one liter of juice from each of them in two or three days, than to take 5 liters in one day, dooming it to destruction.

It is important not to make the hole too deep. When it is ready, a tube of aluminum or plastic is placed in



it, through which the juice pours out. Then all that remains is to place an appropriate collection vessel underneath and check it periodically. Plastic bottles are usually used to collect birch sap.

After collecting the juice from the tree try your best to help heal the wound you have made. To do this, after collecting the juice, seal the hole with pitch, clay or hammer a wooden cork into the hole. Then the "hole" in the tree will quickly heal.

Although birch juice can be preserved in cans, and different drinks can be made from it, birch sap is best drunk fresh. ■





# Dinner for the champions: JELLIED STERLET WITH CHAMPAGNE

*Mikhail Kuznetsov, Head Chef at the World Trade Center, opened up his first-class cooking secrets to Capital Ideas.*

*It happened at the Moscow World Trade Center on the night of 21st to 22nd of May 2008. Despite the late hour, one of the banquet halls at the WTC was filled with cheerfully smiling men. They were the players and coaches of "Manchester United" - the famous football club, who just won a match in the Luzhniki stadium against "Chelsea" to win the Champions League Trophy.*

**A**fter two hours of intense struggle it was time to relax. The sumptuously laid tables in the banquet hall of the WTC were very welcoming. Sir Alex Ferguson, Cristiano Ronaldo and his teammates began to feast with pleasure on different tasty snacks:- pickled mushrooms, cuts of fish and meat, pancakes with caviar ... A special treat was the signature dish of the staff at the WTC – Jellied sterlet with champagne.

The days are gone when top clubs came to Moscow for matches with local teams, and brought with them their own food and chefs for fear of upsetting the stomachs of their rich and super-rich players. Now this is not necessary. Why would they, if Moscow has Mikhail Kuznetsov, a highly







skilled chef at the World Trade Center, who knows everything about food, and nobody understands how to cook it better.

Mikhail's basic rule is: you need to love what you cook and who you cook it for. He has two more, no less important rules: treat people the way you would like them to treat you, and always and everywhere be positive in your thoughts and deeds.

Incidentally, one of the main restaurants in the WTC was briefly called RFR. What's this? Simply, the Real Food Restaurant. However, Mikhail Kuznetsov prepares real food, not only in this restaurant, but also in the Plaza Garden Cafe and Bar24, which are also under his culinary control. (A catering service is also available under him that can handle over 1,500 people at one time in the banquet hall at the WTC!). All three of these cult establishments, in the sense of eating and drinking, are located in the most famous place at the WTC – at the

foot of the famous rooster adorning the main clock of the World Trade Center.

Mikhail embodies his cooking credo in daily practice. "If we use fish, then we only use live ones, as I say, ones that are still breathing. If meat, only chilled. Never frozen under any circumstances. Vegetables and fruits are also always extremely fresh," Mr. Kuznetsov told Capital Ideas.

Product quality control in the WTC is extremely strict. According to Mikhail, it undergoes three steps. Despite the fact that all suppliers are highly reliable, every item supplied by them is thoroughly checked on site. That is the first step. As soon as they arrive at the kitchen, their quality is again checked by a special supervisor. That is the second step. The third step is when the quality of the products is assessed by the chef himself before he starts to cook a particular dish. And, if something is wrong, the product can be rejected at any stage, im-





mediately returned to the supplier and replaced. The WTC does not work with unreliable suppliers and would immediately cease all dealings with them.

Whatever the quality, however, the most important thing is that the products are correctly cooked. A whole team of chefs at the WTC work under Mikhail Kuznetsov's supervision. Each of them is highly professional and familiar with all the modern trends in the world of cooking. From time to time, chefs from the WTC are trained in the best restaurants in Spain, France, Italy, Germany ... In short, all the chefs are well versed

and able to cook a masterpiece for every taste.

The menus in restaurants, cafes and bars at the WTC impress with their diversity, and are constantly updated. One day it could be Russian dishes, the next European or Asian. They also have speciality dishes. In May, for example, when the asparagus season begins in Europe, visitors to the RFR are offered a variety of dishes containing asparagus, including desserts.

Mr. Kuznetsov loves to surprise, especially with his signature dishes. Here is one of them. This is a chocolate dessert in the form of spheres, which are stuffed

with Taggiasca olives and hot red chili peppers. Before serving the dessert to the table, he pours hot raspberry sauce over the top. It's a breathtaking combination of tastes! However, all the desserts at the WTC are out of this world. One better than another. Which, of course, is no coincidence, since the WTC has its own pastry bakery, which bakes everything from simple rolls to exclusive cakes. It is not surprise that the head of Real Food Restaurant at the World Trade Center recently has become a member of prestigious International Association of Gastronomies – the *Chaine des Rotisseurs*. ■



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