

National Research University - Higher School of Economics

Faculty of World Economy and International Affairs

Course Syllabus and Description

Starting and Growing a Foreign Business in Russia

Master of International Business Program

38.04.02 Management

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COURSE DESCRIPTION

Pre-requisites: No specific prerequisites are required for this course but basic competences in management, law, finance and accounting would be helpful.

THIS COURSE IS AVAILABLE TO MIB STUDENTS ONLY

Course type: elective

Abstract: The emphasis during the course will be on issues related to initiating and doing business in Russia and possibly making comparison between similar business aspects in Russia and in your home country.

We will cover a broad range of issues relevant to starting, operating and investing in a business in Russia. The knowledge and skills acquired during the course will be useful to anyone considering international career in multinational companies and in particular to those who prepare themselves to work as consultants and country experts.

LEARNING OBJECTIVES AND OUTCOMES

- To highlight pros and cons of doing business in Russia from a foreign investor's perspective;
- To develop an understanding of the Russian business environment;
- To challenge students to shift from being a receiver of ideas, facts, concepts and techniques, to a style of generating ideas, identifying problems, analyzing and evaluating alternatives and thus to develop the most important expert's skills.

As a result of the course, the student should have:

- **Knowledge:** of political, economic, financial and cultural context of doing business in Russia and the unique opportunities and challenges of working in the Russian business environment.
- **Ability:** to use statistical data, analytical national and industry reviews, legislation and legal literature and research publications to analyze the current conditions of entering the Russian market and make strategic decisions regarding the ways of establishing a new business in Russia.
- **Awareness:** a conception of current problems facing Russian business, including those problems under discussion among the main participants, and possible methods of their resolution.
- **Skills:** to critically evaluate analytical and scientific materials on the given issues.

COURSE PLAN

1. Historical Overview: Brief history of business and entrepreneurship in Russia

- Main stages of development of Russian business and entrepreneurship: before the revolution, New Economic Policy, Soviet Period, market-driven economy, Russia before and after the crisis; from "hydrocarbon civilization" to a new scenario;
- Examples of Russian and foreign entrepreneurs activity in the Russian business and commerce.

2. Country Profile: Why to enter the Russian market, drivers offering growth opportunities, challenges of the Russian business environment

- Principal Economic Trends
- Investment Climate: SWOT analysis; legal framework for foreign investors

- Business Environment

3. Regulatory Framework in the Russian Federation

- Business Entities
- Starting a Business in Russia (establishing a legal presence): resident vs non-resident, advantages of branches
- Foreign Investment procedures
- Customs: Importing and exporting
- Business and personal taxation, Russian sourced income of foreign companies
- Labor relations and social security
- Currency regulations in Russia

4. Dynamics observed in the key industries

- Oil, gas and mining
- Banking, finance and insurance
- Pharmaceuticals and healthcare industry
- Telecommunications

5. Living and working in Russia: useful tips

№	Topics	Contact Hours			Homework	Hours total
		Lectures	Seminars	Total		
1	Historical Overview: Brief history of business and entrepreneurship in Russia	2		2	6	8
2	Country Profile: Principal Economic Trends	4	2	4	12	18
3	Country Profile: Investment Climate and Business Environment	4	2	4	12	18
4	Business Entities: establishing a legal presence	4	2	6	18	24
5	Foreign Investment	4	2	6	18	24
6	Customs and Currency Regulation	4	2	4	12	18
7	Business and personal taxation	2	2	2	6	10
8	Labor relations and social security	2		2	6	8

9	Dynamics observed in the key industries	2		2	6	8
	Research Project				34	34
	Total	28	12	40	130	170

READING LIST

We will use:

- 1) Brochures prepared by “the bid four”: PriceWaterhouseCoopers, KPMG, Delloite, and Baker & McKenzie.
- 2) Books and articles of Russian and foreign authors.
- 3) On-line databases: The World Bank: Doing Business Survey, Global Entrepreneurship Monitor, etc.
- 4) Cases and articles provided by the instructor.
- 5) Federal laws.

1. Historical Overview: Brief history of business and entrepreneurship in Russia

Recommended readings:

1. Yasin, Ye.G. Competitiveness and modernization of Russian economy: launch of the project. State University - Higher School of Economics, 2004. - 47 c 338 Y31
2. Picturing Russia. New Haven Yale University Press, 2008. - 284 c.
3. Clarke, S. The development of capitalism in Russia. London; New York Routledge, 2009. - 250 c.
4. Gufoff G., Carstensen F. Entrepreneurship in Imperial Russia and the Soviet Union. – Princeton University Press, 1993.
5. Organization and development of Russian business. New York Palgrave Macmillan, 2009. - 326 c. 334 O-72
6. Russian bureaucracy and the state. New York Palgrave Macmillan, 2009. - 346 c. 32 R95

2. Country Profile: Why to enter the Russian market, drivers offering growth opportunities, challenges of the Russian business environment.

Recommended readings:

1. Global Entrepreneurship Monitor (Babson) 2014 Report
2. Doing Business 2014. Russian Federation (The International Bank for Reconstruction and Development / The World Bank)
3. Transparency International’s 2014 Corruption Perception Index

3. Regulatory Framework in the Russian Federation

Recommended readings:

1. Doing business and investing in the Russian Federation. Price Waterhouse LLP, 2014.

2. Cuthbert, M. Russian business law. 2009.
3. Organization and development of Russian business. New York Palgrave Macmillan, 2009.
4. The rough guide to Russian taxation. Deloitte & Touche.
5. Black, B. S. Guide to the Russian Law on Joint Stock Companies. The Hague Kluwer Law International, 1998.
6. <http://russian.doingbusiness.org/data/exploreconomies/russia/>
7. <http://www.russian-civil-code.com/>
8. <http://www.russian-customs-code.com/>
9. <http://www.russian-tax-code.com/>
10. <http://www.russian-customs-tariff.com/>
11. <http://www.russian-customs.org/>
12. <http://www.russian-offences-code.com/SectionII/Chapter14.html>
13. Federal Law No.129-FZ on State Registration of Legal Entities and Individual Entrepreneurs (2001, amended 2005) <http://www.legislationline.org/documents/id/4376>
14. <http://www.investingacrossborders.org>
15. <http://www.businessmonitor.com/bmo/europe>
16. <http://export.gov/russia/marketresearchonrussia/index.asp>
17. <http://www.pwc.ru/en/doing-business-in-russia>
18. <http://www.euromonitor.com/russia/country-factfile>
19. <http://www.legislationline.org/search>
20. <http://www.heritage.org/index/country/russia> freedom
21. <http://juslugi.ru/legislationru/consumersrightprotectionlaw> LLC
22. <http://www.fundinguniverse.com/company-histories/Pizza-Hut-Inc-Company-History.html>
23. http://faculty.insead.edu/chandon/personal_page/Documents/Case_Russian%20Standard%20Vodka_corrected-w.pdf Russian Standard Case

4. Dynamics observed in the key industries

Recommended readings:

1. Doing Business 2014. Russian Federation (The International Bank for Reconstruction and Development / The World Bank)
2. Doing Business in Russia 2014. Baker & McKenzie.
3. Doing Business in Russia 2014. Delloite & Touche CIS.
4. Doing business and investing in the Russian Federation. Price Waterhouse LLP, 2014.
5. Economist Intelligence Unit

5. Living and working in Russia: useful tips

1. Doing Business in Russia 2014. Baker & McKenzie.
2. Doing Business in Russia 2014. Delloite & Touche CIS.
3. Doing business and investing in the Russian Federation. Price Waterhouse LLP, 2014.

GRADING SYSTEM

The class will meet once a week for 4 hours. Typically, there will be lectures and discussions of the material covered in the corresponding section. Attendance and participation in the classes are required. The course concludes with an essay followed by a written exam.

Methods of evaluation:

1. Continuous: examination of students during the course of lectures; return to the given material;
2. Final: test (with account of previous observations and appearance in lectures as in seminars).

The student's independent work: assimilation of the theoretical material and information received in the course of the lectures, learning the works of domestic and foreign authors on the given problems, preparation for an essay on a chosen theme. **The course concludes with a test describing the results of students' study.**

Final grade is calculated from grades for:

- Essay – 30%;
- Lecture attendance – 30%;
- Final test – 40%

For each of the above aspects of evaluation the student receives, correspondingly, on a 10-point scale:

- For essay - 0.3 x Q1;
- For lecture attendance - 0.3 x Q2;
- For final test - 0.4 x Q3

where Q1, Q2, Q3 are grades on a 10-point scale.

GUIDELINES FOR KNOWLEDGE ASSESSMENT

Discussion and examination questions:

1. What are the main attractive factors of doing business in Russia?
2. What are the main threats of doing business in Russia?
3. How can you rate the following indicators in Russia (low, medium, high): average salaries, household disposable incomes?
4. Please rate the following financial figures for businesses in Russia (low, medium, high): utility and operational costs, business registration costs.
5. What are the main drivers of growing opportunities for businesses in Russia?
6. What was the key factor in creating a weak legitimacy in Russia?
7. What is the main feature of the Russian leadership style?
8. What is the key aspect of the Russian business culture?
9. What is the main historical feature of the Russian business?
10. List the main periods of Russian business & entrepreneurship history.
11. What are the symptoms of the "Dutch Disease" in Russia?
12. What are the rights and guarantees of foreign investors in accordance with the Foreign Investment Law in Russia?
13. How does the Russian legislation limit the activities of non-Russian investors participating in strategic companies?
14. What are the options of establishing a presence of foreign investors in Russia?
15. What are the main advantages of non-resident company vs resident company in Russia?
16. What are the advantages of branches in comparison with other options of establishing a presence in Russia?
17. What are the differences and similarities of branches and representative offices in Russia?
18. List legal types of Economic Partnerships in Russia.
19. What is the difference between general partnership and limited (commandite) partnership?
20. List legal types of Economic Companies in Russia.

21. What are the differences between the closed JSC and the LLC in Russia?
22. What are the maximum periods of validity for branches and representative offices in Russia?
23. What corporate profit tax rates are applicable for RLE permanent establishment in Russia?
24. How are Russian-sourced incomes of foreign companies taxed?
25. What are the income tax rates for tax-residents in Russia?
26. What are the income tax rates for non-residents in Russia?
27. What is the total amount of social security contributions in Russia?
28. Can foreign entities act as importers of record in Russia?
29. List the main features of the bonded warehouse.
30. What does a declared customs value consist of?
31. What are the import customs payments in Russia?
32. What are the export customs payments in Russia?
33. What currency operations are illegal between residents in Russia?
34. What are the rules regarding ruble payments between non-residents in Russia?
35. In which countries may Russian residents open bank accounts?
36. How do the procedures for obtaining a work visa for foreigners differ for a Russian company and for a branch or representative office?
37. What are the durations of the working week and the annual paid vacation in Russia?