

# Better Business Climate Gets New Impetus

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November 28, 2012



David Yakobashvili, pictured here last year, was among attendees at the Ernst and Young entrepreneurship conference Wednesday. **Andrei Makhonin**

Business executives are urgently calling on the government to improve conditions for entrepreneurship, which they say remains massively underdeveloped because of stifling bureaucratic and administrative hurdles.

If the country's leaders do not act soon, they might put themselves in jeopardy, participants in a business conference said Wednesday.

"Without a strong state, business cannot exist, but without strong business, the state cannot exist," billionaire David Yakobashvili said at the "Entrepreneurship in Russia: Mission Fulfilled" conference, organized by global accounting giant Ernst & Young.

Yakobashvili said conditions for entrepreneurs, especially regarding taxes and administrative

issues, have improved too little over the past few years.

"Fear and taxes are suffocating business," he told *The Moscow Times* on the event's sidelines. He added that the government should make Russia "a business paradise."

The country regularly fares poorly in rankings of the international business climate. Improvement was at the top of Dmitry Medvedev's agenda during his four-year presidency, which ended this May, although critics say indicators have not improved much.

Medvedev's successor, Vladimir Putin, has been sending different signals since he took over as head of state.

Faced with a wave of street protests, the Kremlin recently launched a high-level anti-corruption campaign. Its most prominent victim so far is Defense Minister Anatoly Serdyukov, who was forced to resign earlier this month.

Yakobashvili suggested that Putin would put his political survival in jeopardy by doing nothing.

"If the aim is to keep proper power for many years, you must ensure good conditions for business to flourish," he said.

Yakobashvili, who sold his shares in the Wimm-Bill-Dann juice and dairy company to PepsiCo as part of a \$3.8 billion deal last year, made it clear that he does not want to meddle in politics.

"I only want clear rules of the game," he said.

He suggested that the government introduce a "gentlemen's agreement of rights and duties" for businesses.

"Just introduce this. Don't interfere for 10 years and business will flourish," he said, adding that such an agreement could be copied from countries like Singapore.

His words were echoed by Rosinter founder Rostislav Ordovsky-Tanayevsky Blanco.

"The main condition for business to blossom is a level playing field," he said.

Ordovsky-Tanayevsky Blanco got applause when he suggested that the state should interfere less in business.

"We don't need a little help from our friends in the Kremlin. Just leave us alone," he said.

Alexander Ivlev, Ernst & Young's managing partner for Russia, said he expected Putin to address the business climate issue with no less impetus than his predecessor.

"I am sure that he will continue to implement reforms," Ivlev said in an interview.

He added that he had gotten this impression last week during a supervisory board meeting of the Agency for Strategic Initiatives that Putin chaired.

At the Nov. 21 meeting, Putin proposed a new fund to support Internet startups.

Ivlev suggested that ongoing societal and economic changes would drive further reform of the government.

"The social situation continues to show good dynamics," he said, a reference to the rise of an urban middle class.

Conference participants argued that fostering small and midsize businesses would unleash immense economic potential.

The sector currently provides just 10 to 15 percent of the nation's jobs, while this figure is closer to 70 percent in Western European economies, Ivlev said.

Raising those figures "is a key task for the government," he told *The Moscow Times*.

One hurdle for this is societal, participants said.

"There is still far too little attention to entrepreneurship in Russia," Maxim Nogotkov, CEO of cell phone retailer Svyaznoi, said at the conference.

Nogotkov cited surveys showing that a majority of graduates prefer finance, advertising and marketing to entrepreneurship.

Iakobashvili lamented that state jobs remain too popular with students, saying economic development is stifled when young people join the ranks of prosecutors and police en masse.

"We already have enough of them," he said. "We need businessmen who create wealth."

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