

Foreign Businesses Say Slashing Red Tape Could Spur Investment

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ST. PETERSBURG — As Western sanctions aggravate an already sharp economic downturn in Russia, representatives of foreign business councils said administrative and regulatory barriers that impede business should be cut.

Gathered at the St. Petersburg International Economic Forum on Thursday, the heads of business councils from North America, Europe and India presented a united front, slamming red tape as a major impediment for foreign companies, which stops many prospective investors at the border.

"The companies that succeed in Russia are those that have surmounted administrative and regulatory barriers," said Lou Naumovski, chairman of the national board of directors of Canada-Eurasia-Russia Business Association. "Many others have failed because of them."

Naumovski, who heads the Moscow Office of Kinross Gold Corporation, added that Russia's

Far East could benefit from an exchange on best business practices — including on slashing administrative barriers — with other resource-rich countries such as Canada.

That exchange is already active, he said, but "the pace of change must be accelerated."

Other foreign business leaders cited Russia's cumbersome customs procedures as a major obstacle.

"Russia needs to speed up its customs procedures for the sake of business," said Michael Harms, chairman of the management board at Russian-German Chamber of Commerce.

In 2011, Russia ranked 124th out of 183 countries in terms of the efficiency of customs procedures, according to the Global Competitiveness Index compiled by the World Economic Forum.

But despite the obstacles, representatives of foreign business recognize the Russian government's efforts towards improving conditions for conducting business in the country.

"The current international crisis has had a clearly negative effect on the trust of investors," Harms said. "But the Russian government has been doing the right thing by continuing its clear and stable economic policy and working towards improving the business climate."

While U.S. business representatives conceded that the sour relations between the U.S. and Russia have harmed trade relations, they largely remain confident of Russia's potential to attract foreign investment.

"New financial and investment decisions, of course, have been affected by the Ukrainian crisis," said Daniel Russell, president and chief executive officer of the U.S.-Russia Business Council. "But a large number of foreign investors are committed to the Russian market in the long-term. The strategic factors underlying the trade and investment decisions made with Russia have not changed."

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