

Wishful thoughts about doing business in Russia

*Reflections on 10 years of activities in the
former USSR and on stories told by other
people*

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Why not Russia ?

- Language
- Puzzling customs and financial regulations
- Climate and time difference
- Distance from your home office and size of the country
- Expensive

Why Russia ?

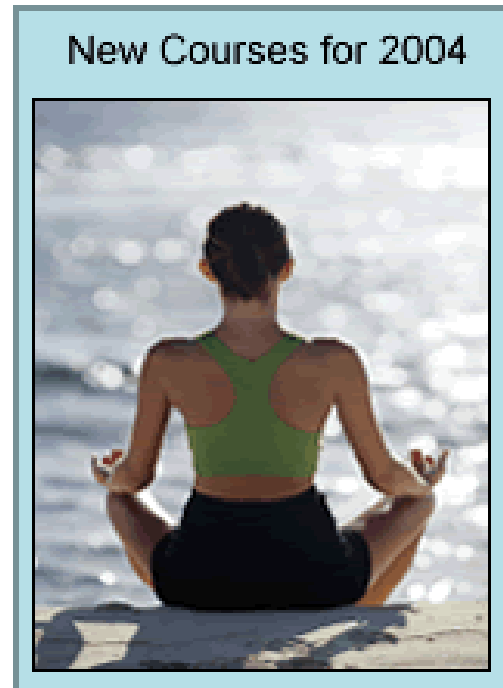
A place to make smart things

- Tremendous market for commercial technologies and products
- Large financial resources
- Superpower in human and natural resources
- Leveraged resources of the US and EU



My Reference Point

- 22 years with The Dow Chemical Company
- Last 10 years as an External Technology manager for the fSU and Israel
- Native speaker with a good country feeling
- Continue with Active Solutions LLC, MI



It would be good to...

- Know your future partner well. Perform due diligence on ownership, reputation, etc.
- Understand IP issues and sensitivities
- Rules and regulations for customs, certification, financial transactions
- Know what you want before you come and have your home base secure
- Be sensitive to people on a ground, yours and your partners
- Phase your project to verify things
- Be realistic about time it takes to get things done

Know your future partner...

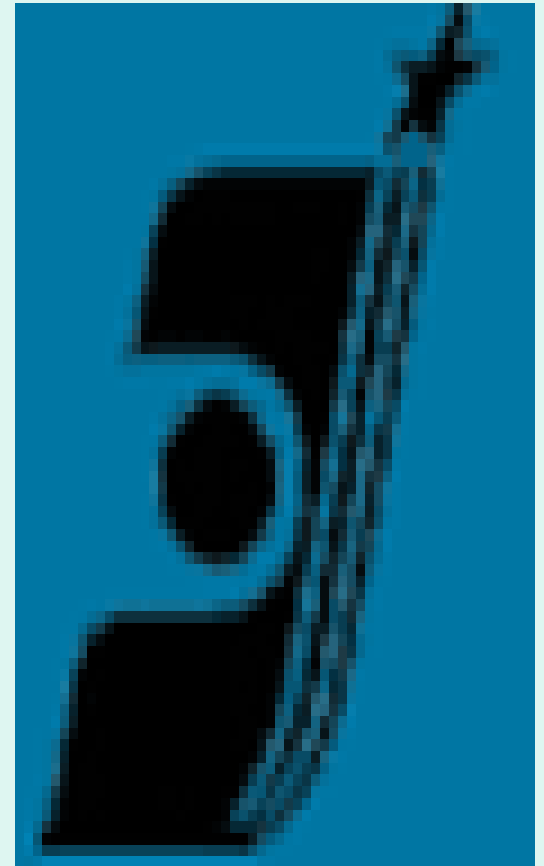
- Ownership and business history
- Management structure, debts and cash flow
- Due diligence on technology
- Safety record, compliances with national and local regulations
- Establish personal relations with key players

Secret Swiss
Services



IP issues

- Today Russia is a fully fledged member of the International Patent Convention
- It was different in the past...
- ROSPATENT and competent Russian attorneys
- Protect your old and new IP property
- How to split the IP pie
- Salient benefits of the *ancien regime*
- Keep in touch, know what is going on



Before you sign any agreement...

Understand laws and their practices:

Financial and banking regulations;

Customs practices; Equipment certification;

Patent & Taxation; Ownership model



Homework

- Peace of mind to concentrate on the task
- Keep your ear to the ground
- Know your limits
- No wavering on made commitments
- Come equipped with technical competence
- Smart negotiation tactics, like everywhere else
- You are sizing up your partners and they are doing the same

Phasing the project

- Identify a “no return” point & put the first phase well ahead of it
- Minimize exposure (10% of the budget ?) at the first phase, not the time
- Use the phasing to know your local partner and lay of the land
- Best of your people should be there

Project and site management

- Interpreters and transportation
- Mobile phones and internet, can be via mobile provider.
- Lodging, food, health and evacuation plans
- Be present: keep a hand on a pulse
- Success comes only through micro-management

An example of a good project

- Reactive Chem software development
- Long and slow progress toward project definition (Phase 1)
- Two-way communication
- IP retention at the company
- International - EU + USA - development
- Success through identification on an internal champion

A difficult project

- Search for tolling arrangement
- Concerns about safety at the company site
- Shaky financial situation and changing ownership
- Exaggerated financial expectations
- “No go” decision after two massive site visits



Increase your Credit

A Complicated Project

- Long and difficult preparations: importation of equipment and logistics
- Pre-conceived notions on both sides
- A slow start complicated by the default of 98
- Successful integration of the teams
- Completion of the tasks
- Looking back



Change is a good thing

Once again: It would be good to...

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Summing up



- Time is the most valuable thing
- Russia is your best bet, maybe
- Human side of the story
- **Good luck**