

Doing business Russian-style

By Joseph D. Serio

For months, American companies and investors have been monitoring closely the developments in Russia. Now that the fear of a communist resurgence has been assuaged, American business people are looking for ways to take advantage of the staggering opportunities available in one of the world's most resource-rich markets. The first step in the process is an evaluation of the security threats and necessary preventive measures.

Business security

From August 1991 to October 1993 (after Mikhail Gorbachev's ouster and prior to Yeltsin's bombing of the parliament building), American business people flocked to Russia to cash in on what the Russians called their "Klondike," the gold rush. Many had never been to Russia, knew nothing of the pitfalls of conducting business there and, consequently, left empty-handed. With the re-election of Boris Yeltsin, it would seem that the second greatest opportunity for business to invade Russia is just around the corner. But there are a few things you should know before you go.

■ **Security firms.** A good security firm will not only arrange a "krysha," or "roof" (protection) to ward off local extortionist groups, but also should be able to advise, in conjunction with your attorney and accountant, the best way to deal with local police and tax authorities. It is important to use American or European (non-Russian) sources to identify reliable and trustworthy Russian security firms. Many firms have been infiltrated or even established by criminal elements. It is impossible to protect your company adequately without Russian security contacts.

■ **Partners.** Checking potential partners, whether

major state-owned factories, commercial banks, small enterprises, political figures or private entrepreneurs, is absolutely essential when doing business in Russia. A thorough check can determine authenticity of claims made by potential partners regarding their backgrounds, business activity and involvement with criminal groups. Avoid proposals that demand cash in advance, signatures on documents or representational rights before the partner has been properly assessed.

■ **Landlords, staff.** Most American business people do not consider landlords and staff to be potential security risks. On a number of occasions, American companies have rented from unscrupulous landlords, finding out only after problems arose that the landlords had no legal right to rent the space and, in many cases, were associated with organized crime groups. In such instances, disagreements with landlords have quickly developed into extortion and other threatening situations.

■ **Low profiles.** Generally speaking, American companies should maintain a low profile in Russia. American businesses tend to announce their arrival to a new market, publicizing their activities through press releases, media interviews and advertising. In Russia, this may bring unwanted attention from criminal elements and government authorities. Public exposure of your business activities should be limited to that necessary to successfully conduct business.

Personal safety

The rise of criminal groups in Moscow and many other Russian cities has led to a frenzy of reporting in the western press that is often sensational, exaggerated and, at times, just plain wrong. While there has been a dramatic rise in some types of criminality, the western reader often draws images of machine gun-toting thugs on every street corner or muggers behind every bush. This simply is not



the case. With proper preparation and awareness, most potentially threatening situations can be avoided.

■ **Airport.** Have a friend, colleague or representative from a business support services company meet you at the airport. The American Embassy reports a number of incidents in which Americans were robbed by cab drivers on the roads from Moscow airports into the city.

■ **Automobiles.** Luxury foreign automobiles attract the attention of car thieves, criminal groups and the traffic police. Many companies hire Russian drivers, usually with their own cars, to provide transportation for company executives and their families.

■ **Apartments.** Your apartment is a refuge from the

daily difficulties that arise in the course of conducting business in Russia. Do not conduct meetings at home with people you do not know well. Several American business people invited to their homes Russians whom they did not know well and were robbed.

Observing basic business security and personal safety hints will minimize the likelihood of and assist in building a successful business in Russia.

Joseph D. Serio is a consultant for the New York-based corporate investigation firm Kroll Associates. He is the author of "Guidelines for Safety and Security in Russia."