

Protecting Investors' Rights in the Far East

KEY CONCLUSIONS

Innovations in state regulation helping to develop business in the region

"The main thing that we have managed to do today is that there is a one-stop shop that business can reach out to in order to resolve virtually all of its legal issues related to interaction with the state", Presidential Commissioner of the Russian Federation for the Protection of Entrepreneurs' Rights Boris Titov said.

"One very important issue is creating a reference point for the leaders of subordinate institutions and corporations that aim to develop business in the Far East. This means moving away from personal interaction and creating electronic platforms", Minister for the Development of the Russian Far East Alexander Kozlov said.

Effective institutions have been created to protect investors' rights

"To date, RUB 104 billion in debt have been returned to businesses, including RUB 18 billion in the past year", Prosecutor General of the Russian Federation Yury Chaika said.

"Today, sufficient mechanisms have been created in the Russian legal field to protect the rights of investors, which allow for fully providing such protection [...] In 80% of cases, the problems faced by those involved in investment activities are not related to problems with law enforcement or oversight bodies, but are actually errors committed by those involved in the investment process when they started organizing it", PARADIGMA Law Group Managing Partner and Founder Kliment Rusakomsky said.

PROBLEMS

Administrative pressure remains high

"Preventing unlawful interference in business activities by law enforcement officials is a serious problem", Chaika said.

"Oftentimes, the system for controlling [administrative pressure] largely paralyzes those who create material goods [investors, manufacturers of

products]”, Deputy Chairperson of the State Duma of the Federal Assembly of the Russian Federation Olga Epifanova said.

“A unique feature of the Far East is that there aren’t so many people and not so much business here, and the system of law enforcement as well as control and oversight is the same here as it is throughout the rest of the country [...] Therefore, there is an impression that the pressure on business is higher here”, All-Russian Non-Governmental Organization of Small and Medium-Sized Businesses OPORA RUSSIA President Alexander Kalinin.

Imperfections in the legislative framework is creating problems for investors

“Today, policy-making requires adjustments and sometimes revisions”, Kozlov said.

“The protection of investors’ rights in the Far East is a very hot topic [...] The main thing is that the rules of the game are unclear”, Head of the Economic Programme on the Russia 24 TV Channel Alexey Bobrovsky said.

“If business does not feel protected, it’s obvious there won’t be any investment”, Kalinin said.

“What we don’t like is the overlapping laws that are introduced in addition to or in contradiction with existing laws. The laws need to be consistent, but this is not always the case, which is a big risk for transnational companies and a great difficulty in their work”, Deloitte Touche Tohmatsu Limited Chairman David John Ogilvie Cruickshank said.

Low level of legal literacy among business

“Foreign investors are primarily hampered by a lack of knowledge of Russian legislation”, Chaika said.

“We need to draw attention to such parts of the problem as a low level of legal literacy and a low level of legal culture among those involved in the investment process”, Rusakovsky said.

SOLUTIONS

Monitoring compliance with and updating legislation

“Our job is to not only supervise the implementation of existing legislation, but also initiatives to reform it”, Kozlov said.

“We need to form a regulatory and legal framework that would help to attract investors to the Far East [...] Reduce administrative pressure on business and investors in the Far Eastern region”, Chaika said.

“A system needs to be established to protect the rights of entrepreneurs”, Titov said.

Development of communications between business and the regulatory authorities

“Communication by the oversight and law enforcement agencies with the business community would eliminate many problems”, Kozlov said.

Enhance the legal literacy of entrepreneurs and officials

“The key issue is competence, both in business and in law enforcement [...] Business should self-organize and improve its literacy in the legal sphere”, Kalinin said.