

How to negotiate in... RUSSIA

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Remember..



The most characteristic souvenir for tourists who visit Russia is the Matrioshka, a brightly painted wooden doll containing other identical dolls that get smaller each time a new doll is opened up. They were first manufactured in Zagorsk, a town near to Moscow, at the end of the 19th century. It is said that their name from Latin (*mater/mother*) is due to a peasant mother with a large family (the Matrioshka usually contains 6, 8 and even 12 dolls). The businessman who visits Moscow will have to make a lot of contacts and open a lot of doors if he finally wants to discover who to do business with, although unlike the Matrioshka, he will find people who are increasingly important.



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KEY FACTS

POPULATION	143.4m
AREA	17,075,200 sq km
FORM OF GOVERNMENT	Federal republic (81 federal administrations)
GDP PER CAPITA (PPP)	USD 9,800
CURRENCY	Rouble (RUR) = 10 kopecks
OFFICIAL LANGUAGE	Russian and other (Tatar, Ukrainian, Armenian, etc.)
LANGUAGE FOR BUSINESS	English
RELIGION	Russian Orthodox, Protestantism, Judaism (50% of the population professes to be atheist)
CAPITAL	Moscow (8.7m)
MAIN CITIES	Saint Petersburg (4.8m), Novosibirsk (1.4m), Nisni Novgorod (1.4m), Yekaterimburg (1.3m)
TELEPHONE CODE (COUNTRY)	7
INTERNET CODE	.ru
NATIONAL HOLIDAY	12 th June



BUSINESS ENVIRONMENT

- Since the fall of the Communist regime in 1991, there have been periods of crisis followed by periods of recovery in Russia, although always against a background of great uncertainty. In the 21st century Russia seems to be on course for economic growth and considerable reduction of its external debt, all of which is encouraging political stability, growth and foreign capital investment.
- In its transition to a market economy, Russia lags behind the central and eastern European Countries, but it is in a better position than most of the former USSR republics. The institutions, financial system, or the legal and fiscal framework need real improvement to attract foreign investment.
- Nevertheless, the Russian economy offers opportunities for obtaining profit, but with a high level of risk. You should take a lot of precautions and gradually learn how the government institutions and the business sector function. A reliable local contact is essential.
- The dark side of the Russian economy is the presence of organised business mafias. Foreign companies are frequently blackmailed and their staff threatened. The mafia is a form of clandestine government and should be treated as such. Corruption is like just another tax. If you are not prepared to fight against this shady business element, then it is best to stay away from Russia.
- If you want to triumph in the Russian market, you should go in stages. At the beginning, a commercial agent is better than a sales branch or local office. In the second stage, it is best to have a subsidiary rather than a joint venture. It is essential to keep tight reins on all business activity.

NEGOTIATION STRATEGIES

- It is difficult to get a business appointment in Russia. When you do, it is best to reconfirm it several times to make sure that it is not cancelled.
- Monday is not considered to be a good day for doing business or for travelling. It is best to try to arrange appointments on other days of the week.
- The first meeting is usually just to get to know each other and judge the other party's credibility. They are normally cold and reserved as to the possibility of doing business.
- In the first contact it is important to discover what their real interest is for doing business and their ability to pay. They may only be looking for information.



NEGOTIATION STRATEGIES

- The Russian negotiating strategy is the zero-sum game. What one party wins the other party loses. Faced with this attitude, you should stress the benefits to be gained from mutual cooperation.
- Your company presentation and business proposal must be simple and easy to understand. The main aim is to create a good general impression rather than offer exhaustive information based on a lot of data and facts.
- Handouts should be translated into Russian. When you do business outside Moscow you should take enough copies, since office infrastructure (computers, photocopiers, faxes, etc.) is not particularly good.
- You will usually need an interpreter to negotiate, since Russians have a poor knowledge of foreign languages. It is better to take a reliable interpreter than use theirs.
- Meetings are usually interrupted by phone calls (especially to mobiles) or by visits. You should not get annoyed at this; it is accepted in their business culture.
- Russians can become quite aggressive when they are negotiating: rage, anger, threatening to pull out of the negotiations, etc. are usual behaviour. You should keep calm and wait for the storm to blow over.
- On occasions they lead you to believe that they have understood and accept your arguments, although this is not true. They are trying to make amends for their earlier aggressive behaviour.
- Some Russian negotiators use uncontrollable verbal diarrhoea, which means that you cannot converse with them in a reasonable manner: they use arguments that are unrelated to the issue under discussion. If they are refused something, they do not readily accept and repeat their request time and again. You will have to be patient and stop them politely.
- Russians frequently try to confuse their listeners by giving them a distorted view of the facts. This is known as *pokazuja* (steaming up your glasses). You should remember that the flags on the Kremlin are always blowing, even if there is no wind - they flutter in the air coming from holes in the masts.
- Many Russian managers are not familiar with business management techniques or concepts. You should therefore not overdo it with terms like profitability, marketing, management by objectives, etc.



NEGOTIATION STRATEGIES

- In quite important negotiations the minutes (*protokol*) are taken detailing what has been discussed. The minutes are read at the end of the meeting and accepted and signed by both parties.
- Negotiation is hard. The Russians grant hardly any concessions and, if they do, they demand a much better deal in return. You need to begin with plenty of room for manoeuvre.
- Russians apply their knowledge of chess to business negotiations. They attack the opponent's weakest point. They are quite adept at knowing just how far they can go.
- Although the planned economy disappeared some time ago, the decision-making process is extremely slow and bureaucratic, and on occasions, deliberately so. You will have to visit the country several times if you want to do business.
- Business culture in Russia is very hierarchical; most decisions are taken at the top. It is therefore important to contact the company's senior management. You must not negotiate via intermediaries or middle managers.
- The key problem for closing negotiations is the method of payment. It is difficult to get the payment in strong currencies (dollars or euros); nobody wants the rouble because it is not listed on the currency markets. You will need the help of a financial advisor.
- For buying operations, they may ask to be paid cash or to transfer part of the money to a bank account in another country.
- The legal framework of business relations is not very developed. A solution could be to include a clause in the contract stating that any disputes will be submitted to arbitration in a third country. Sweden is the country that is normally used.

ETIQUETTE

- Except in extremely formal situations, Russians greet visitors with a handshake and say their surname. They do not use expressions like "How are you?" When there is trust, as well as shaking hands, they embrace and kiss each other.
- The most usual greetings are *Zdrástvuitie* ("Good morning", which is used like "Hello" and is pronounced *esdrasvuisé*) and *Dasvidánia* (Goodbye). "Thanks" is *Spasiba*.
- Russian names consist of the first name, the patronymic name (from the father's first name) and the surname. Thus in the example *Ivan Nikolaievich Pankratov*, *Ivan* is the first name, *Nikolaievich* means son of *Nikolai* and *Pankratov* is the surname.



ETIQUETTE

- Women add the letter “a” to the end of their surname. Mr *Pankratov*’s wife will be Mrs *Pankratova*.
- The Russians address each other informally. They use first names and patronymic names, as well as diminutives and nicknames. When they have established a personal relation with a foreigner, they invite him to use one of these names.
- It is important to give them your business card so that they give you theirs. You must not lose it because it is difficult to find the information in business or telephone directories, since there are hardly any or they are not up to date.
- You must not mention politics. Topics to avoid are relations with the ex-USSR republics, periods of conflict in their history, for example, the Stalin period, and Russia’s severe living conditions; you should not mention the alcoholism problem either.
- Russians have no qualms about speaking about their personal life. You should not be surprised when at the first meeting they start talking about their family problems, their salary or their company’s economic situation.
- Russian people are extremely proud of their literature, architecture and museums, and their sports achievements. You can feel safe with these topics of conversation.
- The family is very important in Russian society. They frequently repeat the expression *Semiá yest Semiá* (The family is the family) to justify any act that they do for their relatives.
- Privacy is also important. Office doors are usually closed. You should knock and ask permission to enter; when you leave you should remember to close the door behind you.
- Postal address in Russia is written the opposite order to in the West: first the country, then the town and street and, finally, the surname and person’s name.
- Lunch is the most usual business meal. You usually have to wait a long time to be served. You should not bother with the a la carte menu, as many of the courses will not be available. Just ask for the set menu.
- The most popular restaurants usually have long tables for several people. If there are just two or three people in the group you may have to share the table with other restaurant diners. In medium-price or expensive restaurants a person can sit alone at a table.

ETIQUETTE

- After-lunch sessions are long. They do not normally talk about professional matters, but personal or social matters, for example the way of life in the foreign visitor's country.
- Russians are great drinkers and boast about staying sober after drinking very heavily. The national drink is vodka (it is estimated that 5% of retail sales are *vodka*). It contains pure water and natural alcohol obtained from pressing rye. It is 40° and drunk in moderation is a good drink: two or three small glasses during a lunch, instead of a glass of wine do not prevent you from continuing working, since vodka does not make you sleepy or cause an upset stomach.
- Drinking vodka is a pleasure and ritual for the Russians. Glasses are filled to the brim on the table and are never raised, since it would be too big a risk; all the bottle must be drunk. Vodka is sold in grams in restaurants.
- Toasts are very common. The expressions used most are: *Za vashe zdorovye* (Cheers!) and *Mir i Druzhiba* (Peace and friendship!)
- All gifts are well received, especially if they are products that represent western culture like CDs, electronic gadgets, designer watches, wallet-document holders, etc.

PRACTICAL INFORMATION FOR BUSINESS VISITORS

ENTRY REQUIREMENTS

- All nationalities require a visa to go to Russia. Tourist, private, business and transit visas are available for single or multiple entry. Organisation can be time consuming as vouchers from your hotels must be faxed as confirmation.

TELEPHONE CODE (COUNTRY)

- 7

TELEPHONE CODE (CITIES)

- Moscow (095), Saint Petersburg (812)

WORKING WEEK

- Monday to Friday



PRACTICAL INFORMATION FOR BUSINESS VISITORS

WORKING HOURS

- 8.00–17.00 (public administrations)
- 8.00–17.00 (businesses)
- 9.00–12.00 & 13.00–15.00 (banks)

PUBLIC HOLIDAYS

- 1st and 2nd January – New Year
- Good Friday
- Easter
- 1st May – Labour Day
- 1st Dec – National Day
- 25th – 26th Dec – Christmas



AIRPORTS

Moscow Airport

Distance from the centre: 28 kilometres

A taxi will take 30-40 minutes. An express train departs every 30 minutes. Organising an airport transfer in advance is suggested.

San Petersburg Airport

Distance from the centre: 18 kilometres

Taxis from Pulkovo's Terminal 2 (international), are expensive. It is often cheaper to arrange a pick-up through your hotel or you could hail a taxi from the road outside the airport



TRANSPORT IN THE CITY

Moscow

There are 10 official taxi firms in Moscow, most of which use yellow Ladas. Hailing a taxi is usually very easy. The driver will probably claim that the meter is not working but insist that it is used. Have your destination written in Cyrillic script as few drivers speak English. Yellow taxis have a fixed price and are safe. The better hotels have their own drivers. They will cost more but the cars are generally BMWs and the journey is likely to be more comfortable. Locals look out for black Volgas with the Russian flag in the windscreen. These are state cars whose drivers have been given time off from their duties. The cars will be clean and the drivers will know where they are going. Moscow does have an extensive metro system with it you can travel anywhere in the city. It does get crowded at rush hour, but some of the stations on the circle line are stunning and well worth a visit.

PRACTICAL INFORMATION FOR BUSINESS VISITORS

San Peterburgh

Taxis can be hailed in the street or ordered by phone from local taxi companies. Official taxis are yellow with an illuminated taxi sign on the roof but there are many more unofficial taxis. Negotiate the fare in advance – knowing Russian numbers are invaluable. Ask someone who knows the city to give you an idea of the expected price.



USEFUL WORDS AND PHRASES

WORDS

- Yes = da
- No = net
- Thank you = spasibo
- Thank you very much= bolsheo spasibo
- You're welcome = pazhaluista
- Please = pazhaluysta
- Excuse me = izvinite
- Hello = zdravstvuyte
- Goodbye = do svidaniya
- So long = poka
- Good morning = dobroe utro
- Good afternoon = dobry den
- Good evening = dobry vecher
- Good night = spokoynoy nochi
- A little = nemnogo, malo
- A lot = mnogo
- All = vse
- So so = tak sebe
- Departure = otpravlenie
- Arrival = pribytie
- Passport = passport
- Airport = aeroport
- Train = poezd
- Bus = autobus
- Subway = metro
- Street = ulitsa
- Square = ploschad
- Hotel = gostinitsa, otel
- Parking = stoyanka
- Shop = magazin
- Restaurant = restoran
- Open = otkryto
- Closed = zakryto
- Breakfast = zavtrak
- Lunch = obed
- Dinner = uzhin

USEFUL WORDS AND PHRASES

DAYS AND NUMBERS

Days

- Day = den
- Week = nedelya
- Month = mesyats
- Year = God
- Monday = ponedel'nik
- Tuesday = vtornik
- Wednesday = sreda
- Thursday = chetverg
- Friday = pyatnitsa
- Saturday = subбота
- Sunday = voskresenie
- Yesterday = vchera
- Today = sevodnya
- Tomorrow = zavtra

Numbers

- Zero = nol
- One = odin
- Two = dva
- Three = tri
- Four = chetyre
- Five = pyat
- Six = shest
- Seven = sem
- Eight = vosem
- Nine = devyat
- Ten = desyat
- One hundred = sto
- One thousand = tysyacha
- One million = million

PHRASES

- How are you? = kak dela?
- What is your name? = kak vas zovut?
- Nice to meet you. = ochen priyatno.
- Do you speak ... = vy govorite po-...
- I do not understand = ya ne ponimayu
- How do you say this in [English]? = kak eto skazat po [russky]?
- Where is ...? = gde ...?
- How much does this cost? = skolko eto stoit?



INTERNET INFORMATION

LOCAL PRESS

- www.moscowtimes.ru
- www.therussiajournal.com (Business newspaper)

INSTITUTIONS

- www.mid.ru (Ministry of Foreign Affairs)
- www.economy.gov.ru (Ministry of Economy)
- www.fipc.ru (Centre for Promoting Foreign Investment)
- www.gks.ru (Russian Committee of Statistics)
- www.customs.ru (Customs)
- www.gost.ru (Legislation and regulations about products)

INTERNET INFORMATION

OTHERS

- www.russiaexport.net (Foreign Trade Portal)
- www.russia.com (General information on Russia)
- www.yellowpages.ru (Moscow yellow pages)
- www.russia-travel.com (Tourist information on Russia)



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