

Know-Who More Important Than Know-How

By [Howard Amos](#)

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The  Moscow Times

The plea was clear and out of the ordinary.

“I'd like to initiate dialogue with the mayor of Moscow as he's connected at the top,” Canadian businessman John Walmsley wrote in a recent e-mail to The Moscow Times.

Walmsley, of Winnipeg-based Biovaildiagnostics, a medical diagnostic research and development, settled on Mayor Sergei Sobyenin as a target because he is a former associate of Prime Minister Vladimir Putin. He calculated that such an approach “could be more fruitful than random shots at low-end functionaries.”

Selected Business Associations

Britain

Russo-British Chamber of Commerce

www.rbcc.com

UKTI

www.ukti.gov.uk

Australia

Austrade

www.austrade.gov.au

United States

American Chamber of Commerce in Russia

www.amcham.ru

Mid-Atlantic Russia Business Council

www.ma-rbc.org

U.S.-Russia Business Council

www.usrbc.org

Russian-American Chamber of Commerce

www.russianamericanchamber.org

U.S. Commercial Service

www.buyusa.gov/russia/en

Canada

The Canada Eurasia Russia Business Association

www.cerbanet.org

Europe

The Association of European Business in the Russian Federation

www.aebrus.ru

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He said in a subsequent e-mail exchange that he wrote to The Moscow Times because he didn't know where else to turn.

“Phones are not much help. As you can imagine, once connected, costs can get a little ridiculous with no results,” he said. “My experience has been dismal.”

Walmsley’s appeal to a local newspaper illustrates the frustrations faced by businesspeople looking to establish contacts in Russia without representatives on the ground.

“You can't run Russia by remote control, you have to be here,” said Chris Gilbert, the Russian director of the Russo-British Chamber of Commerce, or RBCC, which has been promoting

business ties between Russia and Britain since 1915.

A physical presence is necessary because much business is still conducted face-to-face. “A Russian company will work with a Western company for reasons other than price; there will also be a human factor involved,” Gilbert said.

A multitude of private organizations, of which the RBCC is just one, help member companies, for a fee, make these sorts of personal contacts. For U.S. businesses there is the American Chamber of Commerce, the U.S.-Russia Business Council and the Mid-Atlantic Council, among others. For European companies there is the Association of European Businesses in Russia, or AEB.

Canadians like Walmsley struggling to enter the Russian market could turn to the Canada Eurasia Russia Business Association.

These organizations have not been seriously affected by the crisis, said Gilbert, adding that the RBCC, which has about 600 corporate members, saw an increase in requests for assistance in both 2009 and 2010. Companies that previously would have “gone it alone,” he said, were now more cautious and sought help, making up for any fall in demand precipitated by the crisis.

The governments of many countries, including Canada, also use their political clout to help businesses find the right partner.

The British company Tensar, based in Blackburn, develops and produces ground stabilization solutions called geogrids that create a stable, weight-bearing layer in the soil.

With the help of U.K. Trade and Investment, or UKTI, a government-run body that assists British businesses in international markets, and the networking events of the RBCC, the company has had a flourishing local presence for 14 years.

“As a medium-sized British manufacturing business,” said David Cashman, the company's Russia and Central Asia business manager, “trying to make contact at a very high level in Russia is almost impossible.”

The company was, however, greatly assisted by the British Embassy, said Cashman, who gave the example of Tensar's involvement in construction projects linked with the building program for the 2014 Sochi Winter Olympics.

As a part of a trade mission organized by UKTI, Tensar was introduced to Deputy Prime Minister Dmitry Kozak and given an opportunity to discuss the specifics of one aspect of the company's work.

“We got answers right from the top level,” Cashman said. “I can't fault it really.” Tensar has been working in Sochi since 2008.

The company has even managed to break into Russia's natural resources industry — a notoriously difficult part of the country's economy for foreigners to work in.

“You do need the two P's — patience and persistence” — to crack the tricky energy sector,

Cashman said, but Tensar is now supplying a Gazprom-funded railway project on the mineral-rich Yamal Peninsula in the north, and they were recently approached by a major oil company.

Though strong state support and clever use of available commercial organizations can assist companies, there remain problematic areas for those seeking to make contacts and exploit potential markets.

Making contacts in Moscow or St. Petersburg is one thing, said Val Kogan, president of the Mid-Atlantic – Russia Business Council, which has more than 500 high-tech U.S. companies as members, but it is more complicated in the regions.

“If you take a regional chamber of commerce,” he said, “in some cases it will be a very real and helpful organization, in some cases just a paper cut-out.”

The process of establishing a presence is simpler for larger companies that have more resources to spend on consultants and public relations. Accessing some industries can be “particularly difficult for small and medium-sized companies,” Kogan said.

John McCaslin, the senior commercial officer with the U.S. Commercial Service, based in the embassy in Moscow, highlighted several other areas where Russian business puts obstacles in the way of those seeking an entry.

He said one issue is a lack of readily available, quality information about opportunities, while another is making sure investors know who is the ultimate beneficial owner of a company, as “there are all sorts of ways to make that information very convoluted.”

To this end the U.S. Commercial Service — in a similar fashion to the branches of other foreign governments — employs six full-time staff members to research industries and write reports in English that are freely available online.

They also lobby with the Russian government on the behalf of businesses, when appropriate. Deputy Prime Minister Igor Shuvalov is the “key guy,” McCaslin said.

“We pretty much act like an international business consulting firm whose clients are U.S. companies,” he added.

McCaslin was upbeat about future developments and said opportunities — and openness among officials — had surged in parallel with President Dmitry Medvedev's rhetoric about creating high-tech industries and the promotion of the Skolkovo innovation center.

Russia's scheduled accession to the World Trade Organization will also have a positive impact “that will really help things in a very broad way, making it easier over the next few years to do business” he said.

But there is no sense that Russia's business environment is likely to resemble that of Western countries any time soon.

“Do not be naive,” said Frank Schauff, president of AEB. “The rules of the game are different here.”

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