

## FOREWORD

We all have to look carefully at investment ideas, whether in good or difficult times. Corporations everywhere are under pressure to behave responsibly. Despite what some believe, the vast majority are naturally disposed to want to do that: it is in their longer term interests, and after all, who would of themselves wish to be irresponsible? But context determines behaviour.

And the context is changing. The legislative constraints on corporate behaviour, and the social expectations of business, have evolved fast in recent years. The papers in this volume look at the way that process has affected Russia.

The result is illuminating. Russia, like other formerly Communist countries, has had to undergo far greater changes than any experienced by the outside developed world. The very nature of the modern Russian corporation has been a new and rapidly changing element of Russian society. The relationship of private business with the state has been subject to sometimes dramatic change in the past few years. Property rights are not as firm as elsewhere. The execution of tax law, the regularity of the judicial system, the transparency of administration, and corruption are all matters for concern.

But none of this should disguise the fact that there is measurable progress too. Many Russian corporations increasingly see the case for accountable behaviour, and the connection between that and their interest in long term investment, whether domestic or foreign.

Both Russian and outside investors have a direct interest in the way that the assumptions and beliefs that surround Russian business will develop. That is of course a matter of knowing what Russian law may say, and how it is applied. The papers which follow explain that. But they go further, because they deal too with the wider context. It is essential for all investors, and perhaps particularly foreign investors, to understand that context, and to track its evolution. We can all have our different hopes and fears, but we need to know what is really going on before we can judge how best to promote the one and guard against the other.

That should be enough to justify close consideration of the material set out in this volume. But I would commend it for a wider reason too: Russia is an essential part of Europe, and her fate and prosperity matter to all of us on this continent, and beyond it. Russia's future will depend on responsible and effective investment being undertaken now. That future will be more hopeful if both Russian and foreign investment is for the long term, and undertaken with the wider interests of society fully in mind.

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the Russian Federation*