Russia: large, stable, and rapidly growing
Russia’s large surface is easily found on a world map. It is difficult to believe that since the dissolution of the USSR, the areas under governmental control have diminished by a factor 10 times the surface area of the UK. Nowadays Russia spans 17 million square kilometres, of which two thirds are in Asia. Despite having lost a large part of the Empire originally constructed by the Tsars, Russia still remains the largest country in the world.

A prosperous economic network is currently being established, financed by local investors and stimulated by the demand of the domestic market. Those, like Mazars, who took a gamble when they established themselves in Russia in the 1990s, are now reaping the rewards. In a country where interpersonal relations and confidence are of paramount importance, a long standing presence guarantees success.
Russia was originally founded by oriental Slav tribes who initially set up camp in Kiev, now part of the Ukraine. They were soon conquered by the Varangians (Vikings, originating from Sweden) reports the chronicle, even though the inhabitants would have called the Vikings to put an end to the continual wars between the Slavs. Little by little, several bordering principalities merged with “Kievan Rus”, the largest state, and this resulted in the creation of modern Russia; hence the title “Tsar of all the Russias”, a reference to the original divisions of the country. Russia has suffered from a characteristic problem since its formation; the continual battle led by the central government to rule over the territories.

Another longstanding Russian trait is Orthodox religion (see box overleaf), which constitutes a fundamental part of Russian identity. Saint Cyrille and Saint Method were two brothers originating from the Byzantine Empire and they wrote the first Slavonic Bible, the language which is still used during the liturgy of today. After the conversion of the Moravians, the Slavs followed the Orthodox faith until the conversion of the Principes of Kiev in 988AD, the origin of “Saint Russia”.

Facing pressure from Islam which caused the conversion of the Mongolians to the “Golden Horde”, Russia will always see itself as the safeguard for the Orthodox religion against the pressure from Turkish Muslims and Roman Catholics.
The economy, 10 years after the crisis

Post Soviet Russia has endured some difficult times in regards to the economic market. In the early 1990s households lost up to 60% of their total income in comparison to the Soviet era, in spite of the extent of “moonlighting” at the time. The economic crisis generated an uncontrollable increase in prices; in 1992 inflation rose by a record 2500%. Just as stability was returning, the collapse of the financial markets devastated the economy in 1997 and caused inflation to rise again, this time by close to 87%.

After the difficult years of 1997 and 1998, the economy enjoyed 8 years of uninterrupted growth and continues to do so; in 2006 it grew by 6.7%. The increase in GDP is mostly the result of Russia’s energy resources and the recent surge in oil prices have certainly contributed to this. However, the profit from oil stimulated national demand and local investment, which the increasing value of the Ruble did not deter.

Moreover, Russia’s role as a major economic power has enabled the country to once again be an important actor on the international stage, a stage it was kept away from due to its former internal troubles.

Oil giant and gas provider of the future
Russia is an important producer of fossil fuels. The country’s crude oil and especially gas reserves were underexploited during the Soviet era, mostly due to the lack of the technology to extract them but also due to the US petrol policy in conjunction with OPEC during the Cold War. The price of petrol was substantially lowered by the US in order to weaken their enemy; thus these reserves were left relatively untouched. This has now all changed. Petrol has become of such vital importance to the West that they purchase oil from any source, all the more so because of the growing political instability in the Middle East, the great increase in prices and the growth of Chinese demand.

Russia produces 9.44 million barrels of oil per day and, although it is not a member of OPEC, the country is the world’s second largest producer and the second largest exporter (7 million barrels per day) after Saudi Arabia. For many countries, especially European, buying Russian oil is a way of bypassing OPEC. Japan and China are currently competing for a direct gas
pipeline to their country. The very high prices are also increasing the profitability of the oilfields that are more challenging to exploit, notably those in Siberia (icy ground, need of heavy investment).

Already a world power in crude oil, Russia is also affirming itself as a gas superpower. As the world’s leading gas producer, with 203 kNm3 (2005 figures), Russia is a vital provider of gas to the EU which is greatly facilitated by the extensive gas pipeline network. With the establishment of Gazprom, a giant gas corporation with ties to the ministry of the economy, the country now exerts significant leverage on an international level. This has caused much concern to the European countries to the point of prompting them to look to diversify their supply by developing the transport of liquid natural gas in methane tankers. The extent of Russia’s gas reserves remains difficult to calculate but it is suggested that it could be more than 10 billion barrels.
Even though Russia is such a vast country, its economy is concentrated in specific areas; Saint Petersburg and Moscow are the most populous areas of the country as well as being home to the best universities. In this context, competition is fierce. However Mazars is not without assets. According to Anne Belvèze:

“Even if we do not necessarily offer higher salaries than our larger competitors, our way of working is more attractive than theirs.” In effect, the largest firms work “in a chain” and thus assistants find themselves continually repeating the same tasks. “It is therefore normal to move to another firm and to build a career with us,” continues Anne. The responsibilities offered by Mazars are a lot more diverse as is the variety of the assignments.

Moreover, Mazars has recently developed its HR policy and now offers young French graduates the opportunity to experience Russia or young Russian graduates can become expatriates and go elsewhere. “We have already sent one of the young employees, Nina Golovko, to Paris and we are expecting the arrival of Maximilien Amphoux in Moscow, a young employee who should follow Schneider” added Anne Belvèze.

Mazars also distinguishes itself by its technical excellence, which is particularly appreciated in the Russian context.

Russia is complex in terms of the professional environment. “The legal aspects and relations with the administrative bodies, notably the tax service, are particularly complicated and delicate,” according to Anne. It is a supplementary opportunity for Mazars. “When a company has complete confidence in the group, it will give us everything and absolutely everything in regards to its legal and accounting tasks to perform, and sometimes more”. A client can thus ask that Mazars takes complete control over the introduction of an expatriate: work permits, registration with the tax office and various other organisations and “it can go up to more personal details such as negotiating some accommodation and finding a doctors surgery for the wife and children.” The legal and tax department at Mazars do not lack work.

However it is not the legal and tax services which have prompted the most growth for Mazars. “We have witnessed an enormous increase in demand for the outsourcing of keeping accounts, as we are practically the only firm on the market to offer this service,” explains Anne. It is Mazars’ wealth of expertise which makes the difference. “We can take charge of accounting in Russia for a foreign firm, reporting from its headquarters outside Russia, and ensure compliance with the IFRS standards.” In two years, the technical excellence of Mazars has ensured that it has enjoyed close to a 100 percent growth in outsourcing.
Russia’s recent economic growth has had a great effect on the growth of Mazars’ office based in Moscow. From 24 employees in 2005, Mazars now consists of approximately 70 and the annual turnover has close to tripled. Anne Belvèze, who became the office manager after managing the BAS projects for Russia, is not as concerned about an eventual slowing down of this growth as much as she is about coping with the current booming demand. “The talent market is extremely competitive, sometimes we struggle to find the employees to perform our assignments” she explains. Staff turnover is particularly rapid amongst the new recruits, who on average only stay for a year and a half.

The legal and tax sector is rapidly developing but Anne Belvèze is waiting to see if this activity will eventually plateau. Transaction support is at the moment a very specific trade. However, according to Anne “fear of Russia has disappeared, foreign companies are becoming increasingly ready to seize external growth opportunities offered by Russia’s rapid development.”

Moreover, the strong Russian companies are looking for financing from outside the regional banking system and thus require the signature of a recognised audit company on their accounts in order to obtain this finance. “From this perspective, we have two advantages over our competition,” explains Anne. “We are less expensive and we offer a more personal service. Russian businesses value that there is only one point of contact only if that point of contact behaves like a partner, which for them is the basis of establishing a close relationship. Mazars knows how to establish this relationship.”

Mazars’ reputation is therefore well established on the Russian market and thus results in sometimes surprising consequences; a small group of Israeli companies is now asking for Mazars’ services, a first satisfied client sending Mazars’ address to his business relations in his country of origin.

In the same vein, several French companies have demonstrated for the first time their confidence in Mazars in Russia before soliciting assignments in France. “Our portfolio consists of mainly French clients, but the Russians are showing more and more confidence in us. It must be said that their business structures require a certain technical quality.” The local companies are often composed of a collection of judicial entities which are difficult to consolidate. The advantage of working with regional companies is twofold; a “strong buzz” about Mazars and the establishment of SMEs or large companies which only trade on the Russian market stimulates vigorous growth; growth on a market which is far from being saturated. “One of our clients is an agro-alimentary business specialising in meat. Last year they grew by 60%!”, concludes Anne Belvèze.
**Recommended reading**

**Les Russes**
Colin Thubron
Ed. Payot, Travellers Edition
account of travels across Russia and other ex-USSR countries at the beginning of the 1980s.

**Les États postsoviétiques.**
Analysis of the situation in every former USSR country.

**L’Économie de la Russie**
François Benarroch
Repères, la Découverte 2006

**The Oligarchs**
Wealth and Power in the New Russia
David Hoffman
Ed. Routledge
The "most dramatic and comprehensive" account of how a few businessmen rose to the pinnacle of Russian Capitalism.

**Russia moves into the global economy**
John M. Letiche
Ed. Routledge
The most recent developments in Russia written by a world-renowned scholar.

**Pop culture Russia!**
media, arts, and lifestyle
Birgit Beumers
Ed. ABC-Clio ltd
Popular culture in modern Russia, illustrated by examples such as the works of Vladimir Vysotskii and Alexei Balabanov.

**Putin’s Russia**
Anna Politkovskaya et Arch Tait
Harvill Press
a hard-hitting and no holds barred portrait of modern Russia.

**On the internet**

- www.lecourrierderussie.ru
- Le Courrier de Russie, THE French language newspaper about Russia
- www.themoscowtimes.com
- The Moscow Times
- In English
- www.sptimes.ru
- The St. Petersburg Times
- In English

From a more economic perspective:
http://www.internationalist.com/business/Russia.php
Investing in Russia.

**Traité de savoir-vivre à l’usage des jeunes russes**
Gary Shteyngart
Le Seuil, Ed. De l’Olivier 2005
Story of a Russian emigrant to the United States who unwittingly finds himself involved with the Russian Mafia (who send him to Eastern Europe). NB: The author was born in St. Petersburg (during Lenin’s era) and emigrated himself to the United States.

**Le pingouin, L’ami du défunt**
Andrei Kourkov
Ed. Liana Levi et le Seuil "Points", 2002-2005
Russian author.