



**Department of Balkan, Slavic and
Oriental Studies**

**M.A. in the Politics and Economics of Contemporary Eastern
and South Eastern Europe**

**Evaluation of the Competitiveness
and the Business Environment
in Russia**



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Contents

Acknowledgements	2
1. ABSTRACT.....	3
2. INTRODUCTION	4
2.1 The Black Sea Region	4
2.2 Russia's profile	5
3. Global Competitiveness Index.....	8
3.1 Components of Competitiveness Pillars	9
3.2 Competitiveness and ranking of the Balkan region in comparison with EU27, USA and China	
10	
3.3 Competitiveness and ranking of the Russian Federation	18
3.3.1 Basic Requirements.....	20
3.3.2 Efficiency Enhancers	29
3.3.3 Innovation and sophistication factors	41
3.3.4 Competitiveness and ranking of Russia in comparison to the Black Sea Region, EU27,	
USA and China average	46
4. Ease of Doing Business Index.....	48
4.1 Ease of Doing Business and ranking of the Black Sea region in comparison with EU27, USA	
and China	50
4.2 Ease of Doing Business and ranking of Russian Federation.....	61
4.2.1 Indicators of Ease of Doing Business in Russia	62
4.3 Ease of Doing Business and ranking of Russia in comparison to the Black Sea Region, EU27,	
USA and China average.....	74
5. The most problematic factors for doing business in Russia.....	80
6. Policy Recommendations	81
7. Conclusion Remarks	87
8. REFERENCES	89
9. APPENDIX.....	95

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ABSTRACT

In this report we examine aspects of the competitive and business environments of the Russian Federation by analyzing competitiveness and the ease of doing business capacity using data derived from published sources. Theoretically, the thesis is based on both current distinguished research-publications: Global Competitiveness Report (World Economic Forum) and Doing Business (World Bank), therefore presenting a gauge of Russian's Federation national economy in comparison and giving special attention to the Economies of the Black Sea Region, EU27, China and USA.

Concurrently, the study summarises and critically evaluates the existing advantages and disadvantages existing in these areas of the Russian economy while adding potential hypotheses for further and desirable improvement.

We examine the competitiveness profile of Russia, 2001-2013 outlining the main competitiveness drivers and barriers based on hard and survey data compiled for the Global Competitiveness Project of the World Economic Forum, organized around twelve competitiveness pillars. We also estimate how easy is to start a business not only in the country but also in comparison with the rest of the Black Sea countries calculated by the data of the ten pillars of Doing Business Index.

The World Economic Forum (WEF) says in “The Global Competitiveness Report 2012-2013” that the Russian Federation, at 67th place, drops one position since last year.

“A sharp improvement in the macroeconomic environment—up from 44th to 22nd position because of low government debt and a government budget that has moved into surplus—has not been enough to allow the country to compensate for the poorer assessment of its already

weak public institutions (133rd) and the innovation capacity of the country (85th this year, down from 57th in the 2010–2011 edition of the GCI),” runs the report.¹

Russia’s position is almost twice below the EU27 average according to the results in the global ranking. In addition, the results in the Black Sea region-10 place Russia as one of the best performed BS-10 country (4th place) in competition, leaving Turkey ahead and Greece occupying the last position.

1. INTRODUCTION

1.1 The Black Sea Region

The Black Sea is bounded by Europe, Anatolia and the Caucasus and is ultimately connected to the Atlantic Ocean via the Mediterranean and the Aegean Seas and various straits. The Bosphorus Strait connects it to the Sea of Marmara, and the Strait of the Dardanelles connects that sea to the Aegean Sea region of the Mediterranean. These waters separate Eastern Europe and Western Asia².

The Black Sea has an area of 436,400 km², a maximum depth of 2,212 m and a volume of 547,000 km³.

The Black Sea region consists of 10 east-west linked countries based on geographical (i.e. directly bordered to the Black Sea), economic, historical, cultural, social and environmental criteria. Those countries are: Bulgaria, Georgia, Romania, Russia, Turkey, Ukraine, Armenia, Azerbaijan, Greece and Moldova.

¹ <http://www.weforum.org/>

² From Wikipedia, the free encyclopedia

1.2 Russia's profile

Russia is vast, covering over much of the northern part of Eurasia, 17.075 million km² in area; it is the largest country in the world. To the west, it borders Ukraine, Belarus, Poland and the Baltic states, to the north, Finland, Norway and the Baltic stated, and to the south, Georgia, Azerbaijan, Kazakhstan, Mongolia, China and North Korea. Russia has a coastline on three oceans: the Artic, the Atlantic and the Pacific³. The Russian Federation is composed of 83 constituent regions, which are grouped into eight federal districts that are administrated by presidential envoys. There are 12 cities with a population of over one million; one of them is the capita, Moscow.

The population of Russia is 147.1 million people. Russia's well-educated workforce is an important asset for long-term growth, and relatively low-cost and generally highly skilled workers are one of the main attractions for investors.

Russia is a multiethnic state and home to 160 different ethnic groups. The majority are Russians (80.9%), with Tatars (3.9%) and Ukrainians (1.4%) the second and third largest groups. Russian is the official language. It is the most widely spoken Slavic language and is a co-official language in several former Soviet republics.

Russia is a secular state and enjoys full religious freedom. The dominant religion is Russian Orthodoxy, follows Islam and co-exist Protestantism, Judaism, Roman Catholicism and Buddhism.

Russia has emerged as one of the big, rising economies. Its dramatic recovery began in 1999. Between 1999 and 2008, the Russian economy grew by an annual average rate of 7.0 percent

³ <http://www.pwc.ru/ru/doing-business-in-russia/index.jhtml>

in real terms. The dominant reason for growth has been European or capitalist convergence, which Russia has enjoyed thanks to the hard-fought introduction of a market economy in the 1990s. The transition to a market economy consisted of deregulation, privatization, and financial stabilization. The most fundamental step was to liberalize prices and trade and to create a market economy, so that economic decisions are made by free individuals and independent firms. Another feature of a market economy is the dominance of private enterprise. Russia undertook the largest privatization in world history from 1992 until 1997. According to the EBRD (2008) assessment, the private sector contributed 70 percent of GDP from 1997 until 2004, but contrary to the trend in other transition countries that share fell to 65 percent in 2005. Essentially all economic growth has come from private enterprise. From 1998 until 2002, Russia undertook a profound tax reform, adopting a liberal tax system. It cut the number of taxes sharply, reduced the tax rates, and introduced a flat personal income tax of only 13 percent, while decriminalizing many tax violations. As a consequence, Russians started paying taxes, and public expenditures have hovered around 35 percent of GDP. Russia's structural reforms continued until 2002. Among the last important reforms was a comprehensive judicial reform, which means that businessmen sue both one another and the government on an increasing scale. Another important reform was the adoption of a land code, which legalized private ownership of agricultural land. New laws on licensing, certification, permits, and inspections eased the restrictions on small enterprises. A new customs code facilitated the previous, exceedingly difficult customs procedures. A second group of causes of the high growth has been the huge free capacity in production, infrastructure, and human capital and structural changes after the collapse of communism⁴.

⁴ <http://issrb.ru/content/files/The%20Russian%20Economy%20More%20than%20Just%20Energy.pdf> "The Russian Economy: More than Just Energy?

Economic impetus is slowing slightly as a result of fallout from the Euro-zone crisis and a drop in oil prices. Capital flight is expected to continue this year, putting downward pressure on the ruble, however, the central bank's FX reserves are sizeable and sufficient to mitigate FX pressure. Slow payment reported for both commercial and government buyers.

The main medium-term challenge remains to diversify the economy away from commodities which would make Russia less vulnerable to price shocks. Good fiscal position, with low public debt.

President Putin's return to power ensures short-term political stability but raises concerns about his administration's ability to implement real change to address social challenges, strengthen property rights, reform the economy and reduce corruption. Capital flight has continued even after May's elections, indicative of uncertainty over the policy direction and weak institutions. Inflation is forecast to drop to 5% from 8.4% last year as a result of a decline in world food prices, but will be buffeted by increased social spending. GDP growth fell in 2011 to 4% from 5.5% in 2010 due to global economic conditions and is expected to ease to 3.7% this year and 3.9% in 2013⁵.

Trade and Investment Environment: In an effort to boost much-needed foreign direct investment, Putin has made it a priority to drastically improve the investment environment. The World Bank estimates that joining the WTO may add 11% to Russia's economy between 2012-2021.

⁵ <http://www.edc.ca/EN/Country-Info/Documents/Russia.pdf>

2. Global Competitiveness Index

Consistent with the approach in the Global Competitiveness Project of the World Economic Forum, **the term ‘competitiveness’ includes a broad range of factors, policies and institutions, that ultimately determine the level of productivity of an economy.**

Hence, competitiveness is essentially focused on economic productivity. More competitive and productive economies tend to have the capacity to produce higher levels of income for their citizens. The productivity level also determines the rates of return obtained by investments and since the rates of return are fundamental drivers of economic growth, a more competitive economy is one that is likely to grow faster in the medium to long run. Since 2005, the World Economic Forum has based its competitiveness analysis on the Global Competitiveness Index (GCI), a comprehensive index capturing both microeconomic and macroeconomic foundations of national competitiveness across twelve ‘competitiveness pillars’. The index is largely attributable to the work of Michael Porter who co-directed the Global Competitiveness Report (until 2009) and who leads the Institute for Strategy and Competitiveness at the Harvard Business School. Availability of data across 2005-2009, notwithstanding some changes and developments to the index, allows us to draw some comparisons over the period 2005-2013, for which the GCI data are available. A relatively strong score and ranking in the GCI indicates an economy possesses a combination of productivity-enhancing features such as:

- a strong and sophisticated business culture - both in terms of companies and customers,
- well-developed infrastructure,
- close collaboration between industry and universities/research centers in research,
- high business spending on R&D,
- a high capacity for innovation,

- strong protection of intellectual property,
- respect for the rule of law and an efficient judicial system and
- generally transparent and accountable institutions.

At the time of releasing The Global Competitiveness Report 2012–2013, the outlook for the world economy is once again fragile. Global growth remains historically low for the second year running with major centers of economic activity—particularly large emerging economies and key advanced economies—expected to slow in 2012–13, confirming the belief that the global economy is troubled by a slow and weak recovery. As in previous years, growth remains unequally distributed. Emerging and developing countries are growing faster than advanced economies, steadily closing the income gap. The International Monetary Fund (IMF) estimates that, in 2012, the euro zone will have contracted by 0.3 percent, while the United States is experiencing a weak recovery with an uncertain future. Large emerging economies such as Brazil, the Russian Federation, India, China, and South Africa are rowing somewhat less than they did in 2011. At the same time, other emerging markets—such as developing Asia—will continue to show robust growth rates, while the Middle East and North Africa as well as sub-Saharan African countries are gaining momentum.

2.1 Components of Competitiveness Pillars

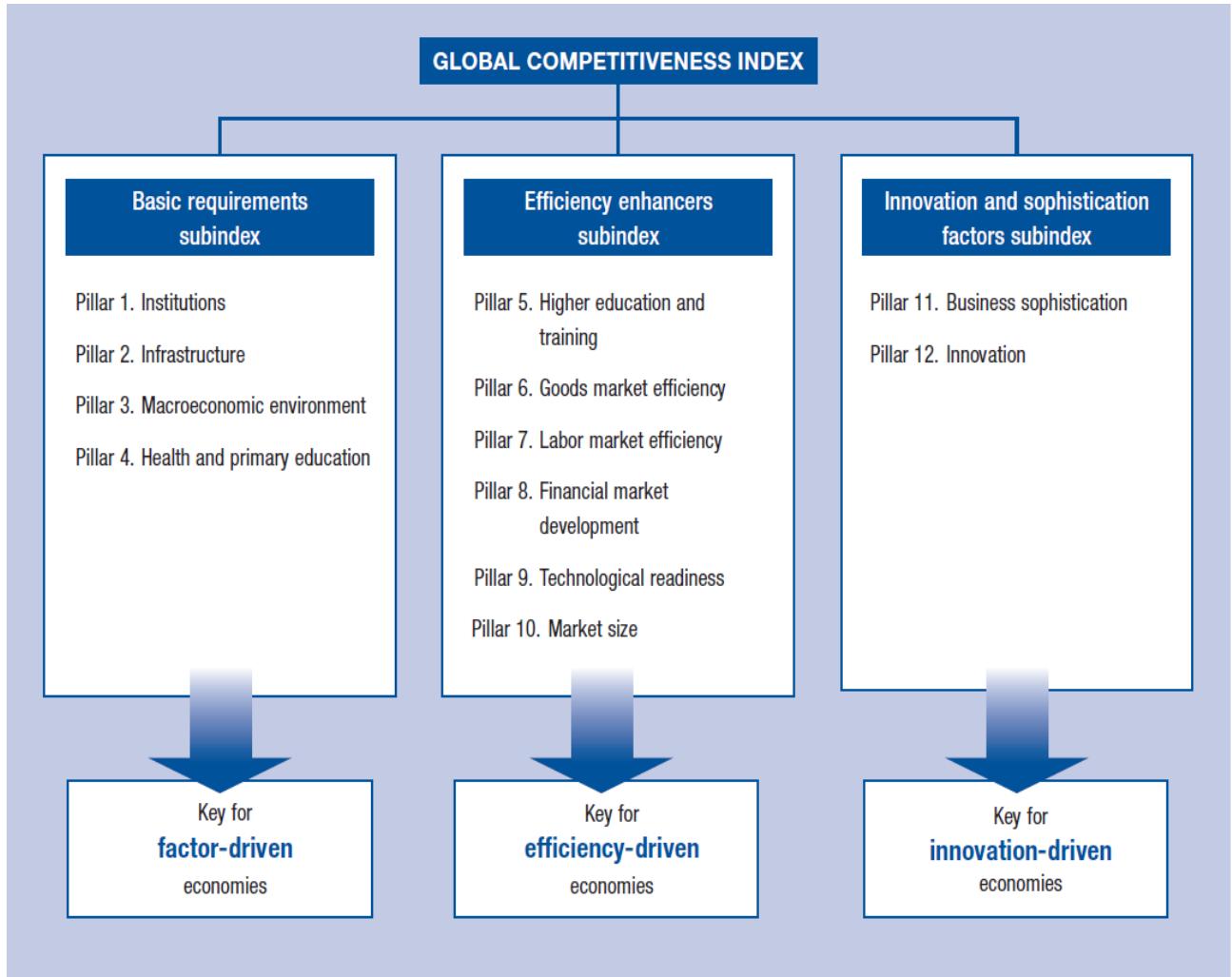
The twelve competitiveness pillars are arranged under three main headings or categories to provide an indication of countries' relative positions in relation to:

- Basic Requirements,
- Efficiency Enhancers and
- Innovation and Sophistication Factors.

The role of each competitiveness pillar (and its sub-elements) is not independent of other pillars (or elements), as some competitiveness factors are enhanced and supported by others

pointing to the interdependence of many of the components in the index and the complexity of the competitiveness concept.

Figure1: The Global Competitiveness Index framework



Source: Global Competitiveness Report 2012-13

2.2 Competitiveness and ranking of the Balkan region in comparison with EU27, USA and China

Above we mentioned the significance and the aim of the Global Competitiveness Index and the 12 pillars that are the components on which the report is being realized. In this section we will try to show the Black Sea region's data of the Global Competitiveness Index for the

period 2001-2013 based on the 3 sub-indexes of: basic requirements, efficiency enhancers and innovation and sophistication factors (figure 1). Additionally, a comparison with the ranking and scores of EU27, USA and China will take place.

Table 1: Global Competitiveness Index: Black Sea Region

Black Sea Region 10	2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13			
	SCORE	RANK																								
1 Bulgaria	3.82	59.00	3.68	62	3.67	64	3.98	59	3.83	58	3.96	72	3.93	79	4.03	76	4.02	76	4.13	71	4.2	74	4.27	62		
2 Georgia							3.14	94	3.25	86	3.73	85	3.83	90	3.86	90	3.81	90	3.86	93	3.95	88	4.07	77		
3 Romania	3.84	56.00	3.59	66	3.38	75	3.86	63	3.67	67	4.02	68	3.97	74	4.1	68	4.11	64	4.16	67	4.1	77	4.07	78		
4 Russia	3.70	63.00	3.64	64	3.46	70	3.68	70	3.53	75	4.08	62	4.19	58	4.31	51	4.15	63	4.24	63	4.21	66	4.20	67		
5 Turkey	3.86	54.00	3.31	69	3.65	65	3.82	66	3.68	66	4.14	59	4.25	53	4.15	63	4.16	61	4.25	61	4.3	59	4.45	43		
6 Ukraine	3.26	69.00	2.97	77	3.17	84	3.27	86	3.3	84	3.89	78	3.98	73	4.09	72	3.95	82	3.9	89	4	82	4.14	73		
7 Armenia									3.44	79	3.75	82	3.76	93	3.73	97	3.71	97	3.76	98	3.89	92	4.02	82		
8 Azerbaijan									3.64	69	4.06	64	4.07	66	4.1	69	4.3	51	4.29	57	4.31	55	4.41	46		
9 Greece	4.46	36.00	4.32	38	4.58	35	4.56	37	4.26	46	4.33	47	4.08	65	4.11	67	4.04	71	3.99	83	3.92	90	3.86	36		
10 Moldova									3.37	82	3.71	86	3.64	97	3.75	95					3.86	94	3.89	93	3.94	87
Average	3.82	56.17	3.59	62.67	3.65	65.50	3.76	68.17	3.60	71.78	3.97	71.56	3.97	77.22	4.02	76.11	4.03	74.25	4.04	79.44	4.08	79.67	4.14	71.10		

Source: World Economic Forum, Global Competitiveness Index

It comes in one's attention that all of the 10 Black Sea countries did not start simultaneously to participate to the Global Competitiveness Index. During the period 2001-2004 were participating only 6 countries and in 2004/2005 another country was introduced counting then to 7. The Global Competitiveness report of the year 2005/2006 for the first time encompassed in its research and ever since then the 10 countries of the region.

GCI published by the World Economic Forum, have revealed the progress or not made by several countries of Black Sea, even though, further structural reforms are essential so as to achieve a somehow smoothness of the impact of the global crisis.

In 2012-2013 the economy of the Black Sea Region is ranked in the 71.10th place on average globally. Examining individually each country's ranking we come across with Turkey in the 43rd place representing the best performed Black Sea country. Azerbaijan follows in 46th place, Bulgaria in 62nd, Russia in 67th, Ukraine in 73rd, Georgia in 77th, Romania in 78th,

Armenia in 82nd, Moldova in 87th and lastly and worst performed Black Sea country being Greece in 96th place.

In retrospect, it is useful to mention that during the period 2001-2013 that we analyze, in both ranking and scoring, the Black Sea countries have shown very fluctuations, up-down and the opposite. The data of GCI notifies that through the examining period Black Sea lags behind the EU27 in all pillars. According to Global Competitiveness Report 2012/2013 the average score for the Black Sea countries is relatively good (above 3.5 given that score 7 is the best achieved) except for Innovation and Sophistication factors (3.25 score and 93.50 rank). In contrast the average score for the Black Sea countries fails to go as fast as the one of EU27, China's and USA's. For the examining period 2001-2013, the average score from the starting point 2001 until 2007/08 was ranging at the same about level, reaching up to 3.97, from 2008/09 things seems to show improvements in the Black Sea region, the score keeps a steady upward trend, noting a score of 4.14 for 2012/2013 GCI. As far as the classification of the region is concerned, is clear that it occupied different positions but what is worth to mention is that the Black Sea countries ranked in the 56.17th place (the best one achieved for the region) in 2001/02, in 79.67th place in 2011/12 but improves its position in the GCI 2012/2013 getting on the 71.1st rank.

Furthermore, European countries have experienced many challenges during the recent past that we have mentioned above. From the launch of the worst financial and economic crisis that the Western world has undertaken ever since the Great Depression, Southern European economies, as long as Ireland, have found themselves in the eye of the storm. Extreme public spending in the case of Greece, failing banks in Ireland and in recent times Spain following the bursting of a decade-long real estate bubble, and Italy's and Portugal's general incapacity to develop and compete in a globalized environment have brought these economies to the very verge of sovereign bankruptcy for the first time since the end of World War II.

Consequently, these economies—except Italy— have been urged to request full or partial international bailouts because of their incapability to get affordable financing in the international financial markets. Alongside with these events, governments in other euro zone countries (such as Austria, Finland, and Germany) and non-euro zone countries (such as Sweden, Switzerland, and the United Kingdom) have advanced from increasingly low, and sometimes even negative, real interest rates. In some cases this is the result of the countries' traditionally sound fiscal policies; it is sometimes also a consequence of the high uncertainty that is motivating investors to search for “safe” locations.⁶

Table 2: Global Competitiveness Index: EU27

Country/ EU27	2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13		
	Rank	Score																							
1 Finland	1	6.03	2	5.74	1	6.01	1	5.95	1	5.94	2	5.76	6	5.49	6	5.50	6	5.43	7	5.37	4	5.47	3	5.55	
2 Sweden	9	5.55	5	5.40	3	5.80	3	5.72	3	5.65	3	5.74	4	5.54	4	5.53	4	5.51	2	5.56	3	5.61	4	5.53	
3 Denmark	14	5.44	10	5.23	4	5.61	5	5.66	4	5.65	4	5.70	3	5.55	3	5.58	5	5.46	9	5.32	8	5.40	12	5.29	
4 Germany	17	5.39	14	5.06	13	5.24	13	5.28	15	5.10	8	5.58	5	5.51	7	5.46	7	5.37	5	5.39	6	5.41	6	5.48	
5 Netherlands	8	5.56	15	5.03	12	5.24	12	5.30	11	5.21	9	5.56	10	5.40	8	5.41	10	5.32	8	5.33	7	5.41	5	5.50	
6 United Kingdom	12	5.51	11	5.17	15	5.23	11	5.30	13	5.11	10	5.54	9	5.41	12	5.30	13	5.19	12	5.25	10	5.39	8	5.45	
7 Austria	18	5.33	18	4.93	17	5.07	17	5.20	21	4.95	17	5.32	15	5.23	14	5.23	17	5.13	18	5.09	19	5.14	16	5.22	
8 France	20	5.29	30	4.62	26	4.91	27	4.92	30	4.78	18	5.31	18	5.18	16	5.22	16	5.13	15	5.13	18	5.14	21	5.11	
9 Belgium	19	5.31	25	4.81	27	4.88	25	4.95	31	4.63	20	5.27	20	5.10	19	5.14	18	5.09	19	5.07	15	5.20	17	5.21	
10 Ireland	11	5.52	24	4.86	30	4.73	30	4.90	26	4.86	21	5.21	22	5.03	22	4.99	25	4.84	29	5.74	29	4.77	27	4.91	
11 Luxembourg	-	-	-	-	21	4.99	26	4.95	25	4.90	22	5.16	25	4.88	25	4.85	21	4.96	20	5.05	23	5.03	22	5.09	
12 Estonia	29	4.87	26	4.73	22	4.96	20	5.08	20	4.95	25	5.12	27	4.74	32	4.67	35	4.56	33	4.61	33	4.62	34	4.64	
13 Spain	22	5.17	22	4.88	23	4.94	23	5.00	29	4.80	28	4.77	29	4.66	29	4.72	33	4.59	42	4.49	36	4.54	36	4.60	
14 Czech Republic	37	4.41	40	4.26	39	4.48	40	4.55	38	4.42	29	4.74	33	4.58	33	4.62	31	4.67	36	4.57	38	4.52	39	4.51	
15 Slovenia	31	4.70	28	4.64	31	4.70	33	4.75	32	4.59	33	4.64	39	4.48	42	4.50	37	4.55	45	4.42	57	4.30	56	4.34	
16 Portugal	25	4.92	23	4.87	25	4.92	24	4.96	22	4.91	34	4.60	40	4.48	43	4.47	43	4.40	46	4.38	45	4.40	49	4.40	
17 Latvia	47	4.19	44	4.14	37	4.54	44	4.43	44	4.29	36	4.57	45	4.41	54	4.26	68	4.06	70	4.14	64	4.24	55	4.35	
18 Malta	-	-	-	-	19	5.03	32	4.79	35	4.54	39	4.54	56	4.21	52	4.31	52	4.30	50	4.34	51	4.33	47	4.41	
19 Lithuania	43	4.27	36	4.33	40	4.39	36	4.57	43	4.30	40	4.53	38	4.49	44	4.45	53	4.30	47	4.38	44	4.41	45	4.41	
20 Hungary	28	4.87	29	4.63	33	4.61	39	4.56	39	4.38	41	4.52	47	4.35	62	4.22	58	4.22	52	4.33	48	4.36	60	4.30	
21 Italy	26	4.90	39	4.31	41	4.38	47	4.27	47	4.21	42	4.46	46	4.36	49	4.35	48	4.31	48	4.37	43	4.43	42	4.46	
22 Cyprus	-	-	-	-	-	-	38	4.56	34	4.54	46	4.36	55	4.23	40	4.53	34	4.57	40	4.50	47	4.36	58	4.32	
23 Greece	36	4.46	38	4.32	35	4.58	37	4.56	46	4.26	47	4.33	65	4.08	67	4.11	71	4.04	83	3.99	90	3.92	96	3.86	
24 Poland	41	4.30	51	3.98	45	4.15	60	3.98	51	4.00	48	4.30	51	4.28	53	4.28	46	4.33	39	4.51	41	4.46	41	4.46	
25 Romania	56	-	66	3.59	75	3.38	63	3.86	67	3.67	68	4.02	74	3.97	68	4.10	64	4.11	67	4.16	77	4.08	78	4.07	
26 Bulgaria	59	3.82	62	3.68	64	3.67	59	3.98	58	3.83	72	3.96	79	3.93	76	4.03	76	4.02	71	4.13	74	4.16	62	4.27	
27 Slovak Republic	40	4.36	49	4.02	43	4.23	43	4.43	41	4.31	37	4.55	41	4.45	46	4.40	47	4.31	60	4.20	69	4.19	71	4.14	
Average	27.04	4.96	29.46	4.63	28.50	4.80	29.93	4.83	30.59	4.70	29.59	4.89	33.41	4.74	34.30	4.75	34.74	4.70	36.04	4.73	37	4.71	37.41	4.74	
Total countries of report	75		80		102		104		117		125		131		134		133		139		142		144		

Source: World Economic Forum, Global Competitiveness Reports

Europe's place in the world is altering: there is not only the economic challenge from Asia and Americas; other challenges with a universal dimension contain an aging labour force and demographic transformation, energy supply and demand, and the possible impacts of climate

⁶ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

change. Europe's competitiveness depends significantly on its global cities and metropolitan regions, where enterprises can advantage from agglomeration economies and networks connecting global market places⁷.

Europe for another year did not manage to become the world's most competitive economy, as the economies of many countries that are in its territory have been seriously affected by the global economic crisis. However, it is noteworthy that as in previous years, this year's top 10 remain dominated by 6 European countries of which 5 are members of the EU27. More accurately, according to the GCI 2012/2013 categorization, the best ten European countries are: Switzerland (1st), Finland (3rd), Sweden (4th), the Netherlands (5th), Germany (6th) and the United Kingdom (8th) confirming their place among the most competitive economies⁸.

The EU is not an identical unit as far as competitiveness is concerned. On the contrary, great discrepancies exist between Member States, with some countries (as mentioned above) performing much better than others and well above the EU average or other advanced economies, such as the United States, while other countries of the region are ranked in lower positions for their competitiveness⁹, for example: Spain (36th), Italy (42nd), Portugal (49th), Romania (78th) and Greece at 96th. From the collected data which are summarized to the including tables it is obvious that the Black Sea's score and rank are far away from that of the EU27. Retrospectively, the Black Sea region had a score of 3.82 and was ranked at 56.17th place on average in 2001/2002 while for the year 2012/2013 the score is 4.14 and 71.10th rank. On the other hand, for the same period 2001/2002 the EU27 had a score of 4.96 and was ranked at 27.04th place on average while for the year 2012/2013 the score is 4.74 and 37.41st rank.

⁷ http://www.espon.eu/main/Menu_Publications/Menu_SynthesisReports/

⁸ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

⁹ http://www3.weforum.org/docs/CSI/2012/Europe2020_Competitiveness_Report_2012.pdf

The United States' ability to compete on the global stage has dropped for the fourth year running as confidence in the country's politicians continues to decline¹⁰. This year's (2012/2013) survey showed the U.S. fell to 7th position from 5th, is categorized in the Innovation-driven stage, in the global ranking but the country remains an innovation powerhouse and its markets work efficiently, the WEF said¹¹. The competitiveness of the world's largest economy rose, thanks to the U.S.' status as a global innovation powerhouse, but some aspects of its political environment continue to raise concerns among business leaders, "particularly the low public trust in politicians and a perceived lack of government efficiency."

Although many structural features continue to make its economy extremely productive, a number of escalating and unaddressed weaknesses have lowered the US ranking in recent years. US companies are highly sophisticated and innovative, supported by an excellent university system that collaborates admirably with the business sector in R&D. Combined with flexible labor markets and the scale opportunities afforded by the sheer size of its domestic economy—the largest in the world by far—these qualities continue to make the United States very competitive. On the other hand, some weaknesses in particular areas have deepened since past assessments. The business community continues to be critical toward public and private institutions (41st). In particular, its trust in politicians is not strong (54th), perhaps not surprising in light of recent political disputes that threaten to push the country back into recession through automatics pending cuts. Business leaders also remain concerned about the government's ability to maintain arms-length relationships with the private sector (59th), and consider that the government spends its resources relatively wastefully (76th). A

¹⁰ <http://usatoday30.usatoday.com/money/economy/story/2012-09-05/us-competitiveness-decline/57597074/1>

¹¹ <http://online.wsj.com/article/SB10000872396390443686004577633410066066848.html>

lack of macroeconomic stability continues to be the country's greatest area of weakness (111th, down from 90th last year). On a more positive note, measures of financial market development continue to indicate a recovery, improving from 31st two years ago to 16th this year in that pillar, thanks to the rapid intervention that forced the deleveraging of the banking system from its toxic assets following the financial crisis¹². The period 2001/2002-2009/2010 was the best for the competitiveness of the USA which was among the two of the best globally, occupying even the 1st place for 3 times. USA's ranking has fallen somehow the last years (7th in 2012-2013 GCI) but it still remains in the top 10 countries, declaring that it has the largest economy in the world for a long period.

In our effort to evaluate and compare the Black Sea region in association with USA, the very first assumption that is created is that the comparison is being done between two completely heterogeneous and dissimilar regions/economies. The disparities are obvious both in the ranking and scores that the two regions achieved during the examining period of 2001-2013. Specifically, BS-10 is year by year losing position in the ranking (2001/2002⇒56.17th, 2012/2013⇒ 71.10th, USA still keeps doing well and maintains in the eminence of the Global Competitive Index (2001/2002⇒ 2nd, 2012/2013⇒7th).

Table 3: Global Competitiveness Index: China & USA

	2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13	
	SCORE	RANK																						
China	4.4	39	4.37	33	4.19	44	4.29	46	4.07	49	4.24	54	4.57	34	4.7	30	4.7	29	4.8	27	4.9	26	4.83	29
USA	5.95	2	5.93	1	5.81	2	5.82	2	5.81	2	5.61	6	5.67	1	5.74	1	5.6	2	5.4	4	5.4	5	5.47	7

Source: World Economic Forum, Global Competitiveness Reports

¹² http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

China, which has improved its ranking each year since 2005 and is now ranked 29th overall 144, it has now returned to its 2009 level and is categorised in the Efficiency-driven stage¹³. Ranking in 29th place loses some ground in this year's edition of the Report from the 26th of the 2011/2012 report. Experts said the news is a warning to Beijing that it needs to effectively increase education and innovation investment and speed up market-oriented reform¹⁴. The country continues to lead the BRICS economies by a wide margin, 25 ahead of second-placed Brazil (48th) by almost 20 ranks.

China has been highly successful in capturing world export markets. Chinese competitiveness is not just a matter of an undervalued exchange and extremely low labor costs. It reflects primarily the coincidence of favorable cost conditions with improvements in China's ability to produce products that meet world market specifications. These improvements are closely related to foreign participation in China's economy through foreign direct investment and joint venture enterprises.

Despite the fact China's decline is small—its overall score barely changes—it affects the rankings of every pillar of the GCI apart from market size. The deterioration is more prominent in those areas that have become critical for China's competitiveness: financial market development, technological readiness, and market efficiency¹⁵.

Trying to evaluate the BS-10 region related to China we observe that on the one hand China until 2007 was showing a decline in its competitiveness which started to change and having an upward trend till the present (without mentioning the small fall of the last report), improving its economic profile and being among the best 30th countries in universe. On the other hand, the Black Sea region is struggling to reach at least the epicenter of the global

¹³ <http://www.thebeijingaxis.com/tca/editions/the-china-analyst-apr-2012/113>

¹⁴ http://www.chinadaily.com.cn/bizchina/2012-09/06/content_15737676.htm

¹⁵ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

ranking, 71.10th place on average for the year 2012/2013, twofold and more below than the China's rank.

2.3 Competitiveness and ranking of the Russian Federation

In the former annex we analyzed the competitiveness and ranking of the Black Sea region compared to EU's, USA's and China's. In this section we will analyze the performance of Russia and its position in the global competitiveness index during the years 2001-2013. Moreover, the country's profile will be explicitly interpreted grounded on the 12 pillars of the GCI which are segregated in three main groups as: basic requirements, efficiency enhancers and innovation and sophistication factors.

Table 4: Competitiveness and ranking of Russia (2001-2013)

GCI	Rank	Score
2001-2002	63	3.70
2002-2003	64	3.64
2003-2004	70	3.46
2004-2005	70	3.68
2005-2006	75	3.53
2006-2007	62	4.08
2007-2008	58	4.19
2008-2009	51	4.31
2009-2010	63	4.15
2010-2011	63	4.24
2011-2012	66	4.21
2012-2013	67	4.20

Source: World Economic Forum, Global Competitiveness Index

Throughout the period 2001-2013 the ranking of Russia alternated from 63rd to 67th place. The best performance was realized in the period 2008-2009 and the worst in 2005-2006. Observing all this period of years, we can assume that in 2001 the country took not such a good place (63rd out of 75 economies), thereafter underwent many ups and downs and

terminated in 2012/2013 in the 67th place out of 144 economies. The data of Global Competitiveness reports records that in the course of the last 7 years (from 2006/2007) the Russian performance augmented its score over 4 units and this year recorded at 4.2. By that time the score was around the base fluctuating from 3.70 to 3.53.

Table 5: Russia's ranking on Pillars/GCI 2011/12

BASIC REQUIREMENTS							EFFICIENCY ENHANCERS							INNOVATION AND SOPHISTICATION FACTORS									
1. Instituions		2. Infrastructure		3. Macroeconomic Environment		4. Health and Primary Education		5. Higher Education & Training		6. Goods Market Efficiency		7. Labor Market Efficiency		8. Financial Market Development		9. Technological Redness		10. Market Size		11. Business Sophistication		12. Innovation	
RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE
128	3.08	48	4.52	44	5.16	68	5.7	52	4.54	128	3.6	65	4.4	127	3.21	68	3.66	8	5.73	114	3.34	71	3.14

Source: Global Competitiveness Report 2011-12

Table 6: Russia's ranking on Pillars/GCI 2012/13

BASIC REQUIREMENTS							EFFICIENCY ENHANCERS							INNOVATION AND SOPHISTICATION FACTORS									
1. Instituions		2. Infrastructure		3. Macroeconomic Environment		4. Health and Primary Education		5. Higher Education & Training		6. Goods Market Efficiency		7. Labor Market Efficiency		8. Financial Market Development		9. Technological Redness		10. Market Size		11. Business Sophistication		12. Innovation	
RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE
133	3.09	47	4.52	22	5.8	65	5.75	52	4.59	134	3.62	84	4.23	130	3.19	57	4.13	7	5.76	119	3.31	85	3.01

Source: Global Competitiveness Report 2012-13

In line with GCI 2012-2013, Russia is ranked 67th worldwide out of 144 countries with a score of 4.20 and characterized as a transition economy. In comparison, to last year's performance we may perceive that the country has deteriorated by 1 place. More specifically, concerning the basic requirement it went up 10 places ($63^{\text{rd}} \Rightarrow 53^{\text{rd}}$), in efficiency enhancers it improved by 1 place ($55^{\text{th}} \Rightarrow 54^{\text{th}}$) and in Innovation and sophistication factors has fallen by 11 places ($97^{\text{th}} \Rightarrow 108^{\text{th}}$).

2.3.1 Basic Requirements

Basic requirements are one of the three sub-indexes that contain the components, each measuring a different aspect of competitiveness. Moreover, by saying basic requirements we mean the first four pillars of the GCI:

- 1st pillar: Institutions
- 2nd pillar: Infrastructure
- 3rd pillar: Macroeconomic environment
- 4th pillar: Health and primary education

Data show that the basic requirements of Russia have shown a significant improvement, going up 10 places (rank: 2011/2012⇒63rd, 2012/2013⇒53rd) and having a score of 4.8 instead of 4.6 in comparison to last year's GCI.

❖ 1st pillar: INSTITUTIONS

North (1990) offers the following definition for institutions: “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.” Institutions determine the costs of acting in different ways in political and economic contexts¹⁶.

The institutional background is determined by the legal and administrative structure within which individuals, firms, and governments cooperate to produce wealth. The quality of institutions has a strong comportment on competitiveness and growth¹⁷. It affects investment

¹⁶ Ashford C. Chea, 2011, “Financial Sector and Economic Development: How Institutions, Financial Markets, and Prudential Oversight can be Enhanced to Accelerate Economic Growth and Sustainable Development in Sub-Saharan Africa” International Journal of Academic Research in Business and Social Sciences, Vol. 1, No. 3. <http://www.hrmars.com/admin/pics/389.pdf>

¹⁷ www3.weforum.org

decisions and the organization of production and plays a crucial role in the ways in which societies allocate the benefits and endure the costs of development strategies and policies.

Table 7: Russian Federation: 1st pillar Institutions

	Indicator	GCR 2012-2013		GCR 2011-2012	
		Value	Rank/144	Value	Rank/142
1st pillar INSTITUTIONS		3.1	133	3.1	128
1.01	Property rights	2.8	133	2.8	130
1.02	Intellectual property protection	2.6	125	2.5	126
1.03	Diversion of public funds	2.4	126	2.4	120
1.04	Public trust in politicians	2.5	86	2.7	72
1.05	Irregular payments and bribes	3.1	120	3.1	115
1.06	Judicial independence	2.6	122	2.6	123
1.07	Favoritism in decisions of government officials	2.4	127	2.5	117
1.08	Wastefulness of government spending	2.8	103	2.8	94
1.09	Burden of government regulation	2.6	130	2.4	132
1.10	Efficiency of legal framework in setting disputes	2.8	124	2.8	123
1.11	Efficiency of legal framework in challenging regs.	2.7	127	2.7	123
1.12	Transparency of government policymaking	3.6	124	3.7	115
1.13	Business costs of terrorism	4.7	118	4.7	116
1.14	Business costs of crime and violence	4.5	90	4.2	100
1.15	Organized crime	4.2	114	4.0	119
1.16	Reliability of police services	2.8	133	2.6	132
1.17	Ethical behavior of firms	3.4	119	3.2	117
1.18	Strength of auditing and reporting standards	3.8	123	3.8	120
1.19	Efficacy of corporate boards	3.9	124	4.0	123
1.20	Protection of minority shareholders' interests	3.0	140	3.1	135
1.21	Strength of investor protection, 0-10	4.7	94	5.0	77
1.22	Gov't services for improved business performance	3.0	110		

Source: Global Competitiveness Report 2011/12 – 2012/13

Evaluating the significance of institutions in Russia's competitiveness, we can declare that the country's economy has become less competitive in the last year thanks to "deterioration in...the quality of institutions¹⁸. Russia felt even more down in the global ranking as far as its status of institutions is concerned, reaching the 133rd rank (GCI 2012-2013) and having a score 3.09 that does not even meet the average of the comparing economies. The report also cited problems with the rule of law, the judiciary and the protection of property rights as

¹⁸ <http://russianeconomicfreedom.org/2011/09/09/weak-institutions-lack-of-rule-of-law-drag-on-russian-competitiveness/>

major concerns. The influence of weak institutions and weak network structures on entrepreneurial development hampers the competitiveness of Russia in comparison to the rest of the world. One reason for this was the absence of property rights. The enforcement of property rights is also a major barrier for business development in Russia, with violations common and the business community often opting for informal resolution of conflicts rather than using formal institutions¹⁹. In contrast, it is often argued that Russia has not been able to develop high levels of productive entrepreneurship with the formal institutional environment being identified as the primary obstacle to entrepreneurship development within its new institutional environment²⁰. Moreover the burden of government regulations (130th place) harms businesses in the need to comply with regulations. We should not leave apart the challenges faced by Russia from the terrorism (118th place) and organized crime (114) which deteriorate the country's possibility for development. Another bad aspect is that of the judicial independence which is ranked at 122nd place with a score of 2.6 and the data also show that there is great favoritism in decisions of government officials (127th place, score 2.4). The last in simple words can be interpreted as the lack of Judicial Independence from the state, which is one of the key to the success for development²¹. Finally, even an amateur realizes at a glance that the Russia's institutions based on the GCI 2012-2013, that the country lags behind other economies, operating poorly in intellectual property protection (125th), property rights and reliability of police services (133rd), and protection of minority shareholders' interests (140th). Given the problematic above mention background we can say

¹⁹ Aidis, R. and Y. Adachi. 2005. Firm Entry and Exit Barriers in Russia. Working Paper, SSEES/UCL, London.

²⁰ Djankov, S., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer. 2002. The Regulation of Entry. The Quarterly Journal of Economics 67:1 - 37.

²¹ <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&id=48829>

that the public trust in politicians (86th) and strength of investor protection (94th) show the best performance for the country.

❖ **2nd pillar: INFRASTRUCTURE**

Table 8: Russian Federation: 2nd pillar Infrastructure

Indicator	GCR 2012-2013		GCR 2011-2012	
	Value	Rank/144	Value	Rank/142
2nd pillar INFRASTRUCTURE	4.5	47	4.5	48
2.01 Quality of overall infrastructure	3.5	101	3.6	100
2.02 Quality of roads	2.3	136	2.4	130
2.03 Quality of railroad infrastructure	4.2	30	4.2	29
2.04 Quality of port infrastructure	3.7	93	3.7	97
2.05 Quality of transport infrastructure	3.8	104	3.8	105
2.06 Available airline seat kms/week, millions	3,280.50	12	3,106.20	13
2.07 Quality of electricity supply	4.3	84	4.3	84
2.08 Mobile telephone subscriptions/100 pop.	179.3	5	166.3	7
2.09 Fixed telephone lines/100/pop.	30.9	41	31.4	38

Source: Global Competitiveness Report 2011/12-2012/3

Concerning the infrastructure pillar, the country improved its position only by 1 place in the general ranking from 48th in 2012 to 47th in 2013. In more details, according to the GCI 2012/2013 Russia is problematic in its quality of overall infrastructure (101th), quality of roads (136th) and quality of air transport infrastructure (101th). On the other hand a much better performance is shown regarding mobile telephone subscriptions (5th), quality of railroad infrastructure (30th) and the available airline seat (12th).

The transportation infrastructure in Russia is underdeveloped. Data published by the World Bank in 2009 showed that spending on Russia's roads fell from 2.8% to 1.5% of GDP, compared with 3.5% spent by China. In 2010, work was completed on a motorway that links European Russia to its far east.

The transport system is heavily Moscow-centered, with virtually all transportation channels of economic significance starting from Moscow. Commercial transportation relies heavily on

rail. Roughly 90 percent of commercial transport is rail-based and insufficiently integrated into world transport systems. The Russian trucking industry is only minimally developed, and roads are not designed to carry heavy and long-distance truck traffic. The Russian railway system includes a total of 150,000 kilometers (93,210 miles) of broad gauge rail, making it one of the most extensive railway systems in the world. However, of this total only 87,000 kilometers (54,061 miles) is in "common carrier" service. The remaining 63,000 kilometers (39,148 miles) serve specific industries or are devoted railways lines and are not available for common carrier use.

The Russian highway system includes a total of 948,000 kilometers of road including 416,000 kilometers that serve specific industries or farms. Russia's great territorial areas and rough topography have stalled the development of a nation-wide highway system. The European parts of the country are much better served than the areas east of the Ural mountains.

The Russian waterways system is an important component of the transportation infrastructure. Russia has some 630 upgraded airport facilities, 50 of which are capable of accommodating international flights. Large-scale international events like APEC Summit 2012 in Vladivostok, UEFA EURO 2012 and forthcoming ones' to be held in Russia including the 27th World University Summer Games of 2013 in Kazan, the 2014 Olympic Winter Games in Sochi and the 2018 FIFA World Cup are placing new challenges for Russian airports, requiring service level meeting the highest international standards.

Russia's telecommunications system is in the core of the global telecommunications revolution. The country's phone system has undergone significant changes since the breakup of the state phone monopoly in 1990. By 2000, there were over 1,000 companies licensed to offer communication services. During this period access to digital lines, internet and e-mail services are now widespread and rapidly improving. In a few short years, Russia made

noteworthy movement in the direction of building the telecommunications infrastructure essential for a market economy.

Russia's infrastructure overall is arguably better than the other BRICs, except for China²².

Russian automotive market may become the largest in Europe by 2015-2016²³. However, experts ensure: road infrastructure will become the brake for not only automotive industry but for all the economy. Poor quality of roads, traffic jams are resisting for the most of industries as they increase logistic costs in the total cost of products and thus reduce its competitiveness. Investments in new roads construction and maintenance of existing roads in Russia are less than 2% of GDP while the average level in developed countries is 3-5%. As a result, the rate of transportation costs in industrial products costs in Russia exceeds that in the USA and Western Europe.

Russia will spend \$285bn (£173bn) over the next decade to double the rate of road building, prime minister Vladimir Putin (and present president since 4 March 2012) said on The Guardian,(Monday 30 May 2011)²⁴, addressing one of the most sensitive issues for Russian voters.

❖ ***3rd pillar: MACROECONOMIC ENVIRONMENT***

Shifting to the next pillar, we realize that the country has accomplished a sharp improvement in the macroeconomic environment, up from 44th to 22nd position because of low government debt and a government budget that has moved into surplus (GCI 2012-2013).

²² <http://therussiamonitor.com/2010/09/16/whats-wrong-with-russia-infrastructure/>

²³ http://doroga.problema.ru/about_eng.php

²⁴ <http://www.guardian.co.uk/world/2011/may/30/vladimir-putin-road-building-programme>

Table 9: Russian Federation: 3rd pillar Macroeconomic Environment

		GCR 2012-2013		GCR 2011-2012	
	Indicator	Value	Rank/144	Value	Rank/142
3rd pillar MACROECONOMIC ENVIRONMENT		5.8	22	5.2	44
3.01	Government budget balance, % GDP	1.6	20	-3.6	67
3.02	Gross national savings, % GDP	28.6	28	24.7	44
3.03	Inflation, annual % change	8.4	111	6.9	111
3.04	Interest rate spread, %			4.8	58
3.05	General government debt, % GDP	9.6	9	9.9	7
3.06	Country credit rating, 0-100 (best)	66.9	39	65.2	45

Source: Global Competitiveness Report 2011/12-2012/13

The Russian economy had a good first half of the year 2012, with strong domestic demand as the main driver of growth. The economy returned to the pre-crisis uttermost towards the end of last year, supported by strong consumption, as growth held steady at the same rate as in 2010. In 2011, measured in current dollars, Russia's economy was the ninth biggest in the world, compared to the eleventh biggest in 2007. This year, Russia's output might exceed US\$2 trillion²⁵. Since the 1990s, the Russian economy has become more globally integrated. From 2000 to 2012, GDP per capita increased from \$1,775²⁶ to \$ 12,993. Key economic indicators were near or at record levels: the current account surplus stayed high and the Central Bank of Russia added to its reserves, helping to bolster market confidence. While many countries in Europe were struggling with large public debt and high fiscal deficits, Russia's public debt was no more than 10 percent of GDP and the fiscal balance was in surplus. Inflation and unemployment rates both declined to the lowest level in two decades²⁷. As people's purchasing power improved and unemployment fell, fewer people were in poverty than at any time since the beginning of the economic transition in early 1990s.

²⁵ <http://www.worldbank.org/content/dam/Worldbank/document/rer-27-march2012-eng.pdf>

²⁶ <http://www.ge.com/innovationbarometer/scorecard/country/russia.html>

²⁷ <http://www.worldbank.org/en/country/russia/overview>

❖ **4th pillar: HEALTH AND PRIMARY EDUCATION**

As far as the health and primary education system is concerned, we perceive that it went up 3 places in comparison to the previous year, moving its ranking from 68th to 65th place, by improving all the components of this pillar.

Table 10: Russian Federation: 4th pillar Health & Primary Education

		GCR 2012-2013		GCR 2011-2012	
	Indicator	Value	Rank/144	Value	Rank/142
	4th pillar HEALTH & PRIMARY EDUCATION	5.7	65	5.7	68
4.01	Business impact of malaria	n/appl.	1	n/appl.	1
4.02	Malaria cases/100.000 pop.	(NE)	1	0.0	1
4.03	Business impact of tuberculosis	5.4	70	5.5	65
4.04	Tuberculosis cases/100.000 pop.	106.0	93	106.0	91
4.05	Business impact of HIV/AIDS	5.5	56	5.3	63
4.06	HIV prevalence, % adult pop.	1.0	105	1.0	106
4.07	Infant mortality, deaths/1,000 live births	9.1	52	11.1	56
4.08	Life expectancy, years	68.8	100	68.9	99
4.09	Quality of primary education	4.1	62	4.0	58
4.10	Primary education enrollment, net %	93.4	73	91.8	80

Source: Global Competitiveness Report 2011/12-2012/13

Total health spending accounted for 5.1% of GDP in the Russian Federation in 2010, compared with an OECD average of 9.5%. Health spending as a share of GDP among OECD countries is highest in the United States, which spent 17.6% of its GDP on health in 2010. The Russian Federation also ranks below the OECD average in terms of health expenditure per capita, with spending of 998 USD in 2010 compared with an OECD average of 3268 USD.²⁸

The public sector is the main source of health funding in all OECD countries, except Mexico, Chile and the United States. In the Russian Federation, 62.1% of health spending was funded by public sources in 2010, down from 70.8% in 1997, and is now well below the OECD average of 72.2%. Public spending on health in the Russian Federation has risen by only 23%

²⁸ <http://www.oecd.org/health/healthpoliciesanddata/BriefingNoteRUSSIANFEDERATION2012.pdf>

between 1997 and 2009 while private spending has increased by over 73%, indicating that households are paying a greater share for their health expenditure.

Compared with OECD countries, the Russian Federation has very high levels of mortality and shorter life expectancy. In 2010, life expectancy at birth in the Russian Federation was 69 years, more than ten years lower than the OECD average (79.8 years), while according to GCI2013 it is 68.8 years. It is lower also compared with countries with similar income levels such as Turkey (73.7 years), Mexico (76.7 years) or Chile (78.9 years). While mortality rates have been steadily decreasing over the past two decades in most OECD countries, in the Russian Federation, they increased sharply during the economic transition from 1991 to 1994, especially for men, leading to a sharp reduction in life expectancy. The infant mortality rate in the Russian Federation has been cut by more than half over the past two decades, from 17.3 deaths per 1000 live births in 1990 to 8.5 deaths in 2008. Nonetheless, with a present rate of 9.1 deaths per live births, it remains nearly two-times higher than the OECD average of 4.3 deaths per 1000 births.

There are currently around 665,000 HIV-infected people registered in Russia, with the situation having further deteriorated in recent years. As independent observers report, the incidence of TB and HIV / AIDS has reached epidemic levels in Russia and the former Soviet republics. Despite these grim figures, the authorities have not only ignored this problem, but have also actively suppressed information surrounding it²⁹. Around 1.5 million people in Russia, Eastern Europe and Central Asia were living with HIV at the end of 2010, with the region having a prevalence of 1.0 percent according to the GCI2013. Tuberculosis cases are 106.0 per 100.000 people.

²⁹ http://imrussia.org/index.php?option=com_content&view=article&id=267%3Aputins-russia-life-with-hiv-aids-and-tb&catid=60%3Aexhibits&Itemid=107&lang=en

Primary education is the largest sub-sector of any education system and offers the unique opportunity to contribute to the transformation of societies through education of youth and children. Millions of children around the world are deprived of the right to education³⁰.

In Russia, the quality of primary education ranks 62nd with a score 4.1 and primary education enrollment stands at the 73rd rank with a high value of 93.4 percent.

The School enrollment; primary (% net) in Russia was 93.37 in 2009, according to a World Bank report, published in 2010.

2.3.2 Efficiency Enhancers

Efficiency enhancers are the second sub-index of competitiveness which in turn includes the following pillars:

- 5th pillar: Higher education and training
- 6th pillar: Goods market efficiency
- 7th pillar: Labor market efficiency
- 8th pillar: Financial market development
- 9th pillar: Technological readiness
- 10th pillar: Market size

Data show that the efficiency enhancer of Russia have shown a slight improvement, going up 1 place (rank: 2011/2012→55rd, 2012/2013→54rd) and having a score of 4.26 instead of 4.19 in comparison to last year's GCI.

³⁰ http://iite.unesco.org/policy_and_research/icts_in_primary/

❖ **5th pillar: HIGHER EDUCATION AND TRAINING**

The report points that the secondary and tertiary education enrollment elevate from 75th & 13th rank to 72nd & 12th, respectively.

Table 11: Russian Federation: 5th pillar Higher Education & Training

Indicator	GCR 2012-2013		GCR 2011-2012	
	Value	Rank/144	Value	Rank/142
5th pillar HIGHER EDUCATION & TRAINING	4.6	52	4.5	52
5.01 Secondary education enrollment, gross %	88.6	72	84.8	75
5.02 Tertiary education enrollment, gross %	75.9	12	77.2	13
5.03 Quality of the educational system	3.4	86	3.4	82
5.04 Quality of math and science education	4.3	52	4.3	50
5.05 Quality of management schools	3.5	115	3.6	107
5.06 Internet access in schools	4.2	70	4.3	62
5.07 Availability of research and training services	4.0	80	4.0	77
5.08 Extent of staff training	3.7	89	3.8	82

Source: Global Competitiveness Report 2011/12-2012/13

“Being aware that the key element in the Russian Federation’s success in surmounting political, economic and social difficulties shall lie in the standard of citizens’ education, the first draft RF “On Education” was adopted in 1992. The Constitution of the Russian Federation approved on December 12, 1993 (Article 4), secured education rights for all citizen. Equal access to free-of-charge pre-school, general (basic and full) secondary and primary vocational education in Governmental and municipal institutions is guarantee by the State. General secondary education is compulsory”³¹.

In 2010, a large proportion of adults in the Russian Federation had attained at least upper secondary education (88%, compared to 74% on average among OECD countries and 56% on average among G20 countries), and a high proportion of adults had attained tertiary education (54%, compared to 31% on average among OECD countries and 26% on average

³¹ <http://planipolis.iiep.unesco.org/upload/Russian%20Federation/Russia%20NPA%20EFA.pdf>

among G20 countries). Much of this advantage is the result of the country's historically strong investment in education, as there are high levels of education among older age groups. The Russian Federation is among the top four countries with the highest proportions of young adults with a tertiary qualification. During the period 2005 to 2010, the changes were also quite significant, and the number of foreign student enrolled in the Russian Federation increased by 78%³². Comparing with the last years ranks, there has been a decline of the quality of the educational system (from 82nd to 86th), of math and science education (from 50th to 52nd) and quality of management schools from 107th to 115th.

Despite, losing 8 places, Russia maintains a good internet access in schools (70th). Russia's Education and Science Ministry will ensure qualitative access to the Internet to all schools. A key factor to increase the quality of education is to ensure access to modern communication means. Every school should have good broadband access to the Internet to get texts, video files and to show fragments of films at lessons³³.

❖ **6th pillar: GOODS MARKET EFFICIENCY**

Moving on our analysis we note that Russia has worsened its position in the goods market efficiency pillar, falling from 128th to 134th place, maintaining however its score at the same level of 3.62. This pillar seems generally problematic for the Russian competitiveness, as far as the ranks are concerned, apart from the buyer sophistication indicator (61st) which lies down the average rank globally.

³² www.oecd.org/edu/eag2012

³³ <http://www.russkiymir.ru/russkiymir/en/news/common/news7596.html>

Table 12: Russian Federation: 6th pillar Goods Market Efficiency

Indicator	GCR 2012-2013		GCR 2011-2012	
	Value	Rank/144	Value	Rank/142
6th pillar GOODS MARKET EFFICIENCY	3.6	134	3.6	128
6.01 Intensity of local competition	4.0	124	4.0	124
6.02 Extent of market dominance	3.3	107	3.3	101
6.03 Effectiveness of anti-monopoly policy	3.4	124	3.4	111
6.04 Extent and effect of taxation	2.9	121	3.1	106
6.05 Total tax rate, % profits	46.9	105	46.5	95
6.06 No. procedures to start a business	9	97	9	94
6.07 No. days to start a business	30	104	30	98
6.08 Agricultural policy costs	3.0	133	3.2	130
6.09 Prevalence of trade barriers	3.5	132	3.5	134
6.10 Trade tariffs, % duty	10.3	106	11.0	109
6.11 Prevalence of foreign ownership	3.4	133	3.5	129
6.12 Business impact of rules on FDI	3.5	128	3.6	123
6.13 Burden of customs procedures	2.9	137	2.8	137
6.14 Imports as a percentage of GDP	22.3	135	21.7	132
6.15 Degree of customer orientation	3.7	134	3.5	136
6.16 Buyer sophistication	3.5	61	3.6	54

Source: Global Competitiveness Report 2011/12-2012/13

Russia with the inefficient goods market declares its inability to produce the right mix of products and services given supply-and-demand conditions, as well as not being able to ensure that these goods can be most effectively traded in the economy. In addition, the weak intensity of local competition (124th) is another drawback of country's competitiveness, as it is important in driving market efficiency and thus business productivity, by ensuring that the most efficient firms, producing goods demanded by the market, are those that thrive. The best possible environment for the exchange of goods requires a minimum of impediments to business activity through government intervention. For example, competitiveness is hindered by distortionary or burdensome taxes and by restrictive or discriminatory rules on FDI as well as on international trade but Russia is ailing a lot regarding burden of customs procedures (137th) having a low score of 2.9.

Market efficiency also depends on demand conditions such as customer orientation and buyer sophistication. According to GCI 2012-2013 the customer orientation in Russia suffers

(134th) which means , for cultural or historical reasons, customers in some countries may be more demanding regarding the quality of products and services or their technological advancement than in others. This can create an important competitive advantage, as it forces companies to be more innovative and customer-oriented and thus imposes the discipline necessary for efficiency to be achieved in the market. The last phenomenon is not apparent in Russia. On the other hand, the buyer sophistication indicator (61st) shows better performance lying above the average rank globally.

Additional disadvantages in goods market efficiency is the relatively many procedures (97th) and days (104th) that are required in order to start a new business, in a period that the fact of attracting new investors is vital for the development of the economy. Moreover, the agricultural policy costs show has a bad ranking (133rd) despite the fact that agriculture occupies a large proportion of the Russia's economy. Russia's agricultural policy is at a particular juncture. The national agricultural policy will benefit from the country's accession to the World Trade Organization (WTO) as the country's future commitments to reduce distorting support are being established. It is highly opportune to shift the policy focus from subsidising output and input prices to supporting long-term improvements of the sector's efficiency and competitiveness, as well as creating an enabling institutional environment³⁴.

Taxation is the only practical means of raising the revenue to finance government spending on the goods and services that most of us demand³⁵. Tax policy can affect the pace of economic development and the way the rewards of that development are distributed³⁶. At this point we can say that the extent and effect of taxation in Russia does not seem to be at the desirable level (121st) so as to boost competitiveness. The standard rate of company tax in

³⁴ <http://www.oecd.org/russia/russia-agriculturalpolicymonitoringandevaluation2011.htm>

³⁵ <http://www.imf.org/external/pubs/ft/issues/issues27/>

³⁶ <http://faculty.law.wayne.edu/tad/index.html>

Russia is currently 20% of which 2% is normally paid to the federal government and 18% to republican authorities³⁷. The tax rate for the share transferred to regions authorities may be as low as 13, 5 %.

❖ **7th pillar: LABOR MARKET EFFICIENCY**

The efficiency and flexibility of the labor market are crucial for certifying that workers are allocated to their most efficient use in the economy and provided with motivations to do the best in their jobs. Labor markets must hence have the flexibility to transfer workers from one economic activity to another quickly and at low cost, and to permit for wage variations without much social disruption. Efficient labor markets must also guarantee a clear relationship between worker motivations and their efforts, as well as equity in the business environment between women and men.

Table 13: Russian Federation: 7th pillar Labor Market Efficiency

Indicator	GCR 2012-2013		GCR 2011-2012	
	Value	Rank/144	Value	Rank/142
7th pillar LABOR MARKET EFFICIENCY	4.2	84	4.4	65
7.01 Cooperation in labor-employer relation	3.7	125	3.6	125
7.02 Flexibility of wage determination	5.1	69	4.9	83
7.03 Rigidity of employment index, 0-100 (worst)			38.0	94
7.04 Hiring and firing practices	3.7	90	3.7	85
7.05 Redundancy costs, weeks of salary	17	81	17	29
7.06 Pay and productivity	4.0	65	4.0	61
7.07 Reliance on professional management	3.6	110	3.7	112
7.08 Brain drain	2.8	111	2.9	98
7.09 Women in labor force, ratio to men	0.87	38	0.91	18

Source: Global Competitiveness Report 2011/12-2012/13

In this pillar we come across with one more deterioration of Russia's performance, where it has fallen 19 places in the ranking from the previous report, more accurately from 65th to 84th.

³⁷ <http://www.taxrates.cc/html/russia-tax-rates.html>

The worst performance is seen in the cooperation among labor-employers (125th), being at the same rank with the previous year. This non-cooperation may lead from the employer's point of view to the inability to plan for the future so that a company can continue to be a success, to make profits for its shareholders and to keep its employees motivated. Where employees are not happy with working conditions this frequently leads to high labour turnover, bad timekeeping, and high levels of absenteeism. It may also occur in the form of slackness by individuals, poor working, and deliberate time wasting and similar practices.

Another fact that impairs the competitiveness in Russia is the high rates of brain-drain (111st). The brain drain reached its peak in the late 1990s when scientists quitted Russia in teams and sometimes manages to preserve those teams in other countries³⁸. Russia is said to be facing a labor force crisis and it is set to lose 17 million skilled workers by 2030³⁹. The brain drain from Russia is not a disaster - this is the conclusion made by the World Bank economists.

Another aspect that impedes competitiveness is the practices which should be followed in cases of hiring and firing an employee, which according to the GCI is ranked 90th. The Russian legal concept for the dismissal of an employee is fundamentally different than the legal concept which exists and is practiced in the United States of America. The fundamental difference being that, in the United States there are no strict limitations placed on the employer for grounds for dismissal of an employee as there are in place in Russia. In the United States there exists the principle of "hire and fire" and "employment-at-will" whereby the hiring and firing of employees is at the relatively free discretion of the employer. In turn,

³⁸ <http://umconference.um.edu.my/upload/43-1/papers/056%20IrinaSoboleva.pdf>

³⁹ <http://rt.com/news/prime-time/russia-foreign-force-hays-report-163/>

an employee in Russia can be dismissed only on grounds which are described in the Labor Code of the Russian Federation (LC RF) or by other federal laws⁴⁰.

Women in labor force rank now 38th from 18th last year comparing that of men. The Labor force; female (% of total labor force) in Russia was last reported at 48.87 in 2010, according to a World Bank report published in 2012⁴¹. Today, the major sectors of employment for women include education and health care, where employees are predominantly women who hold a university or secondary school diploma. The quality and the human potential of the highly qualified female labor force are very high in contemporary Russia. In the sphere of production, men and women are employed almost equally (49 percent of employed persons are women)⁴².

On the other hand, pay and productivity despite the slight fall, 4 places, from 61st to 65th that has made since last year, performs generally well taking into consideration the ranking in other fields. Conventional theory predicts that productivity gains lead to hikes in real pay. Efficiency wage theory hypothesizes that pay increases can lead to productivity improvements.

❖ **8th pillar: FINANCIAL MARKET DEVELOPMENT**

Financial markets play an important role in the deployment of financial resources for long term investment through financial intermediation. The presence of money markets facilitate trading in short-term debt instruments to meet short-term needs of large users of funds such as governments, banks and similar institutions⁴³. Theoretical and empirical studies emphasize

⁴⁰ http://www.levinebridge.com/library/index.php?ELEMENT_ID=508

⁴¹ <http://www.tradingeconomics.com/russia/labor-force-female-percent-of-total-labor-force-wb-data.html>

⁴² <http://www.gwi-boell.de/web/democracy-100-years-womens-day-khotina-labor-market-3111.html>

⁴³ <http://www.waifem-cbp.org/v2/dloads/THE%20ROLE%20OF%20FINNCIAL%20MARKET.pdf>

the need to pay more attention to institutional development as institutions play a vital role in financial sector development. An efficient financial sector allocates the resources saved by a nation's citizens as well as those entering the economy from abroad to their most productive uses⁴⁴.

Table 14: Russian Federation: 8th pillar Financial Market Development

		GCR 2012-2013	GCR 2011-2012	
Indicator	Value	Rank/144	Value	Rank/142
8th pillar FINANCIAL MARKET DEVELOPMENT	3.2	130	3.2	127
8.01 Availability of financial services	3.7	117	3.7	119
8.02 Affordability of financial services	3.4	118	3.5	112
8.03 Financing through local equity market	3.0	100	3.1	98
8.04 Ease of access to loans	2.6	86	2.4	91
8.05 Venture capital availability	2.4	85	2.3	88
8.06 Soundness of banks	3.8	132	4.0	129
8.07 Regulation of securities exchanges	3.4	114	3.5	116
8.08 Legal rights index, 0-10 (best)	3.0	118	3.0	105

Source: Global Competitiveness Report 2011/12-2012/13

In this pillar Russia is confirming another component of its competitiveness that is suffering, specifically falling 3 places from the previous year and ranking 130th.

The banking sector is an integral part of the economy. Hence this sector plays a key role in the wellbeing of the economy. A weak banking sector not only jeopardizes the long-term sustainability of an economy, it can also be a trigger for a financial crisis which can lead to economic crises. However, the last GCI report has ranked Russia at 132nd in terms of soundness of banks in the country, implying that the performance of banks is not good.

The profile of bank funding is weak in Russia. Banks are typically not able to fund all their loans with core customer deposits. Banks usually look to fund longer maturities in foreign currencies, often borrowing in the wholesale cross-border markets⁴⁵. The Russian banking is

⁴⁴ www3.weforum.org

⁴⁵ <http://www.standardandpoors.com/ratings/articles/en/us/?articleType=HTML&assetID=1245329738834>

dominated by state-owned giants Sberbank and VTB, and regulator the Russian Central Bank. The Russian banking sector has huge potential for growth, with Credit Suisse estimating that as little as 24 percent of Russians have bank accounts⁴⁶.

The access to loans for the Russian population seems not to be so easy and the availability of financial services is not good judging from the rank (86th) and (117th), respectively in the GCI report. With the support of a long-term grant from AFI, the MED launched a project in partnership with the Ministry of Finance, the Central Bank of Russia, and the Russian Microfinance Center in September 2010 aimed at promoting innovative regulation and supervision of banking agents and improving access to financial services across the country. The primary goal of the project was to expand agent banking to enable 5 million unbanked low-income Russians to access remittance and payment services, as well as loans and saving accounts.

❖ 9th pillar: TECHNOLOGICAL READINESS

Technology has gradually become an important component for firms to compete and prosper.

Table 15: Russian Federation: 9th pillar Technological Readiness

Indicator	GCR 2012-2013		GCR 2011-2012	
	Value	Rank/144	Value	Rank/142
9th pillar TECHNOLOGICAL READINESS	4.1	57	3.7	68
9.01 Availability of latest technologies	3.9	129	4.1	121
9.02 Firm-level technology absorption	3.6	141	3.8	130
9.03 FDI and technology transfer	3.6	135	3.7	129
9.04 Individuals using Internet, %	49.0	57	43.0	57
9.05 Broadband Internet subscriptions/100 pop.	12.2	47	11.0	47
9.06 Int'l Internet bandwidth, kb/s per user	31.9	44	13.2	41
9.07 Mobile broadband subscriptions/100 pop.	47.9	17		

Source: Global Competitiveness Report 2011/12-2012/13

⁴⁶ http://russiaprofile.org/bg_companies_banking/37378.html

The country has managed to make an improvement in its performance regarding this pillar, escalating 11 places from the last year, reaching from the 68th to 57th rank. However, the country lags behind in terms of competitiveness as far as the availability of latest technologies is concerned (129th), Russian firms appear not to be ready to absorb and embody the application of new technology in their operation (141st). Disappointingly, the FDI and technology transfer is ranked (135th) almost in the bottom of the GCI report 2012-2013.

According to the United Nations Conference on Trade and Development (UNCTAD) annual report on July 5th 2012, Russia saw FDI flows grow 22 percent, reaching \$53 billion, its third-highest level ever recorded. The economy's growing consumer base, affordable labor market and strong commodities sector continued to attract a range of investors such as Unilever, ExxonMobil and PepsiCo, with the value of regional cross-border mergers and acquisitions rising from \$4.5 billion in 2010 to \$33 billion in 2011. The report cited Russia's WTO accession and privatization program as the key drivers of near-term FDI growth, noting that WTO accession will boost foreign investors' confidence in the market as privatization opens new opportunities for investment. The report was particularly optimistic on the possible effect of Russia's WTO accession, mentioning that the passage will improve the country's investment environment considerably and have a mainly positive influence on its services sector, which is even now profiting from liberalization actions intended to embolden foreign investment⁴⁷.

On the other hand, a more encouraging view is presenting by individuals in their usage (57th) and subscription (47th) to internet services, let alone the mobile broadband subscription jumping to 17th place.

⁴⁷ <http://www.modernrussia.com/content/unctad-world-investment-report-highlights-strong-russian-fdi-flows>

❖ **10th pillar: MARKET SIZE**

The magnitude of the market affects productivity since large markets permit firms to exploit economies of scale. Habitually, the markets available to firms have been restricted by national borders. In the era of globalization, international markets have become, to a certain extent, a substitute for domestic markets, especially for small countries. There is vast empirical evidence showing that trade openness is positively associated with growth⁴⁸.

Table 16: Russian Federation: 10th pillar Market Size

	Indicator	GCR 2012-2013		GCR 2011-2012	
		Value	Rank/144	Value	Rank/142
	10th pillar MARKET SIZE	5.8	7	5.7	8
10.01	Domestic market size index, 1-7 (best)	5.6	9	5.6	9
10.02	Foreign market size index, 1-7 (best)	6.1	7	6.1	8

Source: Global Competitiveness Report 2011/12-2012/13

In this pillar, Russia's performance is almost perfect with a domestic market size ranked (9th) and foreign market size in rank (7th), achieving in both markets scores (5.6 & 6.1 respectively) close to 7.

Before the 2008 global economic crisis, when the federal budget was in surplus, annual government domestic debt publication was a relatively small figure at 170 – 250 billion roubles annually⁴⁹.

Russia's domestic market is the country's most attractive piece for investors surveyed. Growth opportunities, especially in serving consumers, are "very attractive" for 30% of investors and appeal to 75% overall, an unusually high proportion⁵⁰. Investors remain optimistic about Russia's attractiveness and mention the growing domestic market as key attraction. Russia is a huge and growing market for imported agricultural products including U.S. products. While

⁴⁸ www3.weforum.org

⁴⁹ http://www1.minfin.ru/common/img/uploaded/library/2011/09/Debt_policy_2012-2014.pdf

⁵⁰ <http://www.ey.com/RU/en/Issues/Business-environment/Russia-attractiveness-survey-2011>

consumer trends have already resulted in greater demand for higher-value products, Russia's accession to the WTO in 2012 will also lead to increased market access and help boost agricultural trade⁵¹.

Russia is ranked (7th), among the best countries, as far as its foreign market is concerned, gathering a score of 6.1 which implies an extremely good performance in this field.

Russia's accession to the WTO will cause no «shocks». And one shouldn't expect and fear that lives of businessmen will take an abrupt and radical change after 1 September 2012. What should be expected is a movement and progressive change of the economic situation. First of all, it concerns international trade. On one hand, opportunities for bringing capital from the outside and promoting our products and services abroad will expand. On the other hand, the internal market will see a tougher competition. This country's accession to the WTO will encourage all producers to think about their competitive prospects and about their positions not only in the domestic market, but in the system of world trade as a whole. Russia has some advantages compared to other countries: cheaper raw materials, qualified workforce, huge natural reserves. This will provide an additional competitive edge in the global market, and we must use it by all means⁵².

2.3.3 Innovation and sophistication factors

Innovation and sophistication factors are the third sub-index of competitiveness which in turn includes the following pillars:

- 11th pillar: Business sophistication

⁵¹

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities%20for%20Key%20U.S.%20Products%20in%20Russia_Moscow_Russian%20Federation_3-20-2012.pdf

⁵² <http://wto.wtcmoscow.ru/en/jeksperty/>

- 12th pillar: Innovation

Data show that the Innovation and sophistication factors of Russia have shown a sharp decline, falling down 11 places (rank: 2011/2012⇒97th, 2012/2013⇒108th) keeping a stable score of 3.2 in both reports.

❖ 11th pillar: BUSINESS SOPHISTICATION

More sophisticated business practices are beneficial to higher efficiency in the production of goods and services. This leads, in turn, to increased productivity, thus enhancing a nation's competitiveness. Business sophistication regards the quality of a country's overall business networks as well as the quality of individual firms' operations and strategies.

Table 17: Russian Federation: 11th pillar Business Sophistication

Indicator	GCR 2012-2013		GCR 2011-2012	
	Value	Rank/144	Value	Rank/142
11th pillar BUSINESS SOPHISTICATION	3.3	119	3.3	114
11.01 Local supplier quantity	4.0	121	4.1	116
11.02 Local supplier quality	3.8	122	3.8	121
11.03 State of cluster development	3.0	114	3.2	92
11.04 Nature of competitive advantage	2.7	125	2.8	115
11.05 Value chain breadth	2.8	129	2.8	124
11.06 Control of international distribution	3.5	119	3.6	110
11.07 Production process sophistication	3.1	113	3.1	107
11.08 Extent of marketing	3.5	109	3.5	101
11.09 Willingness to delegate authority	3.2	117	3.0	117

Source: Global Competitiveness Report 2011/12-2012/13

In this pillar, we see a weakness of the Russian economy, the country is ranked 119th (from 114th in GCI 2011-2012) with a score of 3.31.

The unique feature of value chain analysis is the definition of competitiveness. The competitiveness of a specific company is addressed from two perspectives: from the perspective of adding value and from the perspective of its distribution.

Despite its strong performance across the above pillar, a considerably weak performance is evident in Business Sophistication with a rank of 129 for value chain breadth which means that local companies do not enjoy a broad value chain presence, 125 for nature of competitive advantage, 121st and 122nd for local suppliers' quantity and quality respectively. Unfortunately, the same figures are shown and in the rest elements that determine the business sophistication, the nature of competitive advantage fell this year at 125th place from 115th of the previous year GCI. The control of international distribution is also weak, as the 119th rank implies, and the production process which is being followed by the Russian enterprises lacks sophistication for second year in row, from 107th to 113th place. Marketing which is considered to be of vital importance regarding the competitiveness and the development of an enterprise, in Russia seems not to be a priority as it falls from 101st to 109th according to the GCI 2012/2013. Survey data included in the GCI points to a need to further develop clusters (114th) in the Russian Federation, as it lags behind all. Clusters arise when companies from a particular sector are interconnected in geographically neighboring groups. They enhance efficiency, create opportunities for innovation, and reduce barriers to entry for new firms. Lastly, at the same rank (117th) remains the willingness to delegate authority but increases its score from 3.0 to 3.2.

❖ **12th pillar: INNOVATION**

The final pillar, but not of mediocre importance, of competitiveness is technological innovation. Innovation is particularly important for economies as they draw on the frontiers of knowledge and the opportunity of integrating and adapting exogenous technologies tends to vanish. For the last to occur an atmosphere that is conducive to innovative activity is prerequisite, supported by both the public and the private sectors. In particular, this means sufficient investment in research and development (R&D) especially by the private sector, the

presence of high-quality scientific research institutions, far-reaching collaboration in research between universities and industry, and the protection of intellectual property. It is a broadly held belief that Russia inherited great capabilities in science and technology from the Soviet era. Unfortunately these capabilities have not led to innovation and prosperity.

Table 18: Russian Federation: 12th pillar Innovation

		GCR 2012-2013		GCR 2011-2012	
	Indicator	Value	Rank/144	Value	Rank/142
	12th pillar INNOVATION	3.0	85	3.1	71
12.01	Capacity for innovation	3.3	56	3.5	38
12.02	Quality of scientific reasearch institutions	3.6	70	3.8	60
12.03	Company spending on R&D	3.0	79	3.1	61
12.04	University industry collaboration in R&D	3.4	85	3.5	75
12.05	Gov't procurement of advanced tech products	2.9	124	3.3	99
12.06	Availability of scientists and engineers	3.8	90	4.0	72
12.07	Utility patents granted/million pop			1.9	47
12.08	PCT patents, applications/million pop.	5.4	44		

Source: Global Competitiveness Report 2011/12-2012/13

In this last pillar, the general ranking finds Russia at the 85th place with a score of 3.0; more positive rankings were measured in the previous year (71st rank with a score of 3.1). Russian companies lag global leaders in overall innovation performance. This performance is reflected in various measurements of innovation input and output. In particular, Russia's poor innovation input could be explained by relatively low business expenditure on R&D and gross expenditure on R&D.

The capacity for innovation (56th) is above the average performance leaving hope for future improvements. Research has never been a competitive advantage of Russian universities, with a quality of scientific research (70th), in average performance of the totally 144 economies included in GCR. Despite a series of efforts undertaken by the government, the structure of Russia's sciences complex has changed little, and in terms of research in Russia. In the last two years the Russian government has formulated, and started to implement a

number of ambitious projects aimed at enhancing the position of Russian universities not only in the country but also worldwide. The reform measures place particular emphasis upon support for research in universities and the integration of research and teaching⁵³.

Funding for R&D in universities grew from the mid-2000, when the State began to implement policies supporting higher education, including university research.

Moving forward to the level of company spending on R&D we find Russia at the 79th rank with a score of 3.0 actually falling 18 places from the previous year. Despite the previously deterioration in rank, the Russian business environment has also become more innovation friendly in the recent years. Russian companies are actively catching up with modern management and innovation theories and business practices, and increasing the education level and quality of the human capital. The active search for external technologies, outsourcing (in and out), cooperating with local and foreign partners have become the actual goals of the companies in Russia. At this point it is disappointing to figure out that the collaboration between universities and industries in R&D is not so strong (85th), below the average performance with a score of 3.4. Actually there has been a drop of 10 places from the last's year performance. However, it is encouraging to mention at this point that Gazprom Group had spent RUB 7.9 billion on R&D in 2011, which was 12 per cent more than in 2010 and as part of vocational training and career development of the Group's experts, the Company enhanced cooperation with Russian universities⁵⁴.

A co-funding scheme for research cooperation between industrial companies and universities began in 2010⁵⁵. The scheme is intended for technology projects resulting from university

⁵³ <http://www.ifri.org/downloads/ifridezhinairinaengresearchinuniversitiesjan2011final.pdf>

⁵⁴ <http://www.lngworldnews.com/russia-gazprom-spends-rub-7-9-bln-on-rd-in-2011/>

⁵⁵ http://www.wipo.int/econ_stat/en/economics/gii/pdf/chapter6.pdf

R&D. Companies should provide the same amount of financing as the government, and no less than 20% of the public subsidy must be spent on R&D, while the rest should be invested in tooling-up and implementation.

The worst performance in this pillar is shown by the contribution of government procurement of advanced technological products which has fallen 25 places from the previous year standing at the 124th rank with a score far from the average performance, just of 2.9. Moreover, the availability of scientists and engineers (90th) is problematic and inadequate to Russia's status.

Russia's strength is its engineering and scientific talent. It has about 3,500 engineers for every 1 million people, nearly the same ratio as the United States. The technical skills of the Russian workforce go beyond basic programming and extend to complex engineering tasks. To take advantage of this talent, companies such as Sun, LG, Google, Oracle, Siemens, Intel, Boeing, IBM, Dell, Motorola and Citibank have established a presence there⁵⁶. Finally, a more positive rank is shown in the patent application, 44th with a score of 5.4.

2.3.4 Competitiveness and ranking of Russia in comparison to the Black Sea Region, EU27, USA and China average

As it is worldwide believed and proved, no economy can be existent by its one, but it is the presence of others as well that make it compete and develop further its performance. For that reason and given the fact that the performance of Russia and its position in the global competitiveness index for the period 2001-2013 has been analyzed, it is of vital importance this performance of Russia to be compared to that of the Black Sea region, EU-27, USA and China's, in order to get much more precise outcomes on Russia.

⁵⁶ <http://www.solovatsoft.com/whyoutsourcerussia.html>

Table 19: Competitiveness and ranking of Russia in comparison to the BS-10, EU27, China, USA average 2001-2013

Country	2001/2002		2002/2003		2003/2004		2004/2005		2005/2006		2006/2007		2007/2008		2008/2009		2009/2010		2010/2011		2011/2012		2012/13	
	Rank	Score	Rank	Score																				
Russia	63	3.7	64	3.64	70	3.46	70	3.68	75	3.53	62	4.08	58	4.19	51	4.31	63	4.15	63	4.24	66	4.21	67	4.2
EU27	27.40	4.96	29.46	4.63	28.50	4.80	29.93	4.83	30.59	4.70	29.59	4.89	33.41	4.74	34.30	4.75	34.74	4.70	36.04	4.73	37.00	4.71	37.41	4.74
BS-10	56.17	3.82	62.67	3.59	65.5	3.65	68.17	3.76	71.78	3.6	71.56	3.97	77.22	3.97	76.11	4.02	74.25	4.03	79.44	4.04	79.67	4.08	71.1	4.14
China	39	4.4	33	4.37	44	4.19	46	4.29	49	4.07	54	4.24	34	4.57	30	4.7	29	4.7	27	4.8	26	4.9	29	4.83
USA	2	5.95	1	5.93	2	5.81	2	5.82	2	5.81	6	5.61	1	5.67	1	5.74	2	5.6	4	5.4	5	5.4	7	5.47

Source: World Economic Forum, Global Competitiveness Index

According to the last GCI REPORT (2012-2013), Russia (67th globally) comes fourth in ranking in the Black Sea region, just after Turkey (43rd), Azerbaijan (46th) and Bulgaria (62nd) and above Ukraine (73rd), Georgia (77th), Romania (78th), Armenia (82nd), Moldova (87th) and ultimate Greece (96th). By and large Turkey, Azerbaijan, Bulgaria and Russia had the best score in the Black Sea on average. However, the present rank is not credited as the best one of Russia's, which was the 51st in 2008/2009. While it is above the BS-10 on average (71.10) regarding ranking, the score of Russia (4.20) is below the BS-10 on average (4.14). The country stands first in the region in basic requirements (53rd), follows Azerbaijan (56th). On efficiency enhancers is found as the second in the region (54th) after Turkey while in the innovation and sophistication factors it comes third from the end (108) in the region representing a bad performance. Among the positive factors is the rapid improvement of macroeconomic environment indices, where Russia jumped to the 22nd position from 44th it occupied a year earlier, let alone the big market size that comes first not only in the region but and globally (7th). According to researchers, the improvements are mainly due to last year's low state debt and budget surplus⁵⁷.

⁵⁷ <http://en.rian.ru/russia/20120905/175781890.html>

Paralleled to the average performance of the European countries, Russia stands impressively below (37.41) not only in the present time but and the past years as well. In all of the three sub-indexes Russia lags behind the EU27 average. The market size is of Russia outweigh astoundingly of that of EU27 on average, apart from Germany (5th) and United Kingdom (6th) individually. In addition it shows a very good performance on its macroeconomic environment which is above the EU27 on average.

Compared now the Russian competitiveness with the economies of the United States and China, we see that the analysis is much easier. Eventually, both the last referred countries rank better to the last GCI report, 7th and 29 respectively. USA lags to its macroeconomic environment (111) with that of Russia, while China has a much better market size as it ranks (2nd).

3. Ease of Doing Business Index

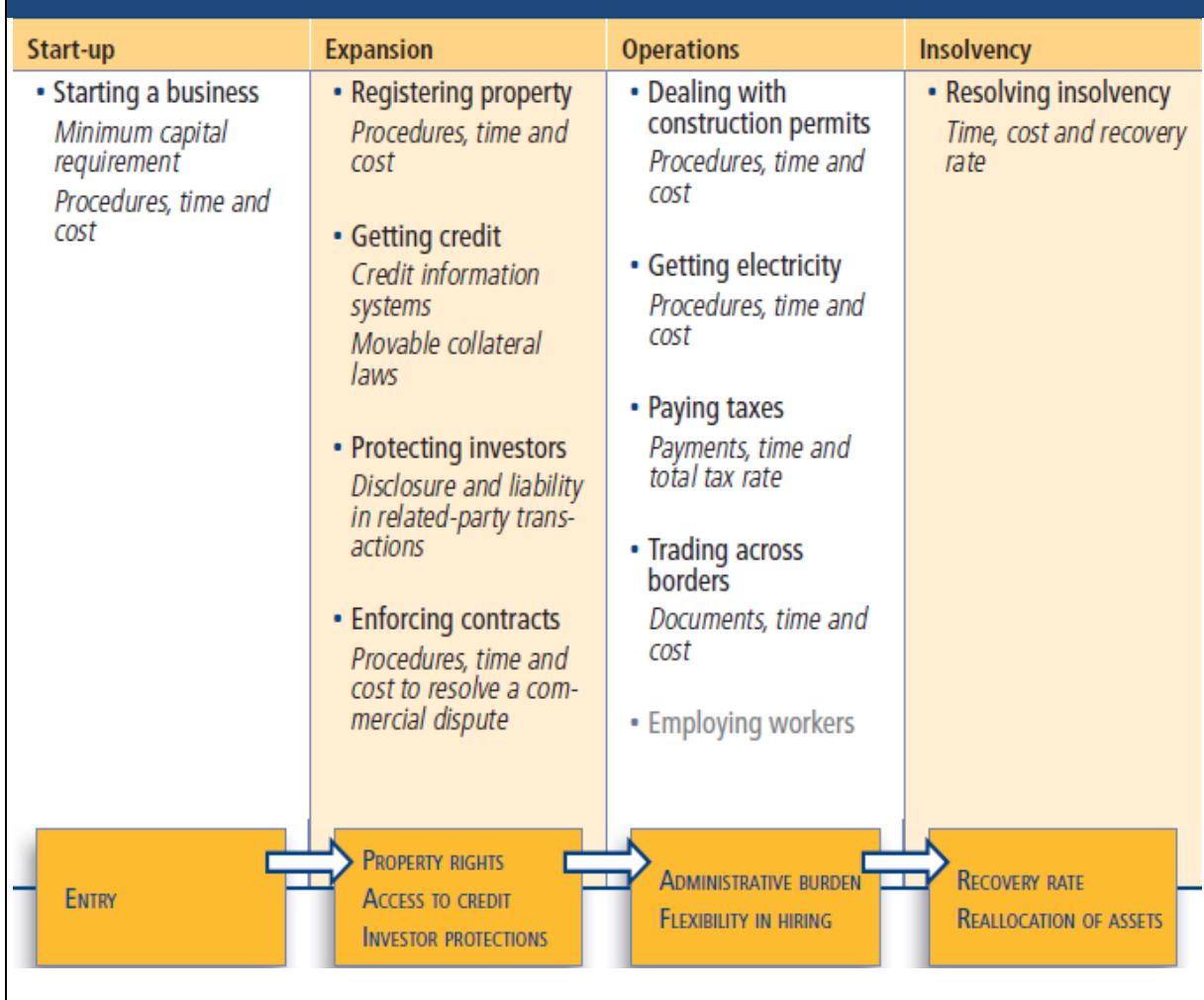
DB2012 ranks 183 economies on their Ease of Doing Business, from 1 – 183. A high ranking on the ease of DB index means the business environment is more favorable to the starting and operation of a local firm. This index averages the country's percentile rankings on 10 business cycles, made up of a variety of indicators, giving equal weight to each business cycle.

The Doing Business Project, initiated in 2002, examines domestic small and medium-size companies and assesses the regulations applying to them through their life cycle. The primary Doing Business report, circulated in 2003, enclosed 5 indicator sets and 133 economies.

The DB2012 report covers 11 indicator sets and 183 economies. The fundamental goal persists: to offer an objective foundation for understanding and improving the regulatory environment for business around the world.

Doing Business provides quantitative measures of regulations for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—as they apply to domestic small and medium-size enterprises. It also looks at regulations on employing workers. Doing Business focuses on 10 topics-pillars, with the specific aim of evaluating and providing quantitative measures of regulations relevant to the life cycle of a domestic firm.

Figure 2 Doing Business – measuring 11 areas of business regulation



Source: World Economic Forum, Global Competitiveness Report 2012-13

3.1 Ease of Doing Business and ranking of the Black Sea region in comparison with EU27, USA and China

In this section we will try to show the Black Sea region's data of the EDB Index for the period 2005-2012 based on the 11 pillars mentioned above (figure 2). Additionally, a comparison with the ranking and scores of EU27, USA and China will be represented.

Table 20: Ease of doing Business and ranking in the BS-10 in comparison to the EU27, USA and China (2005-2012)

ECONOMY	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
BS-10	84.3	78.8	74.1	70.7	72.9	75.3	79.2
EU	35.75	37.42	34.12	37.52	40.5	37.12	38.54
USA	3	3	3	3	4	4	4
CHINA	91	93	83	83	89	87	91

Source: International Finance Corporation, The World Bank

The Ease of Doing Business published by The World Bank, have revealed the progress that have been achieved in several countries of the Black Sea Region (not at all of them) regarding the fact of doing business in one of those countries.

Table 21: Ease of Doing Business Index: BS-10

ECONOMY		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1	Bulgaria	62	54	46	45	44	51	59
2	Georgia	100	35	18	15	11	12	16
3	Romania	78	55	48	47	55	56	72
4	Russia	79	112	106	120	120	123	120
5	Turkey	93	65	57	59	73	65	71
6	Ukraine	124	139	139	145	142	145	152
7	Armenia	46	46	39	44	43	48	55
8	Azerbaijan	98	97	96	33	38	54	66
9	Greece	80	95	100	96	109	109	100
10	Moldova	83	90	92	103	94	90	81
AVERAGE		84.3	78.8	74.1	70.7	72.9	75.3	79.2
NUMBER OF ECONOMIES		155	175	178	181	183	183	183
NUMBER OF PILLARS		10	10	10	10	10	9	10

Source: International Finance Corporation, The World Bank

According the Doing Business 2012 the business environment of the Black Sea region is ranked in the 79.20th place on average across 183 economies globally. Analyzing separately each country's position in the EDB2012 we unexpectedly observe Georgia in the 16th place, representing by this figure the best performance and desirable environment of doing business in the Black Sea region. Armenia comes second in the 55th place, Bulgaria in 59th, Azerbaijan in 66th, Turkey in 71st, Romania in 72nd and Moldova in 81st. Not encouraging is the ranking for Greece and Russia in 100th and 120th place respectively, but much more disappointing is the ranking of Ukraine in the 152nd place, configuring by this way the worst performance in the Black Sea region.

In review, the BS-10 countries for the period 2005-2012 have undergone many fluctuations concerning their business environment. Generally speaking we can say that at a very important point all of them have by far improved their performance on the Ease of Doing Business Index. It is impressive and it catches anyone's attention the case of Georgia which

has accomplished something that a few years ago would seem impossible. Georgia according the EDB 2005/2006 was ranked 100th, in one year 2006/2007 it jump up 65 places and eventually climbing up in the 16th rank in EDB 2012, being one of the top 20 economies with the most business friendly regulations⁵⁸. A progressive route has been followed, but not of the same level of Georgia, Azerbaijan that from the 98th (2005/2006) jumped up 32 places at 66th (2011/2012) and Turkey that from the 93rd (2005/2006) jumped up 22 places at 71st (2011/2012). However, not all BS-10 countries have done a forward movement, Armenia from the 46th stands now 55th, Greece from 80th is at 100th, Ukraine from 124th has fallen 28 places at the 152nd place, but the worst performance is that of Russia falling down 41 places from 79th (2005/2006) to 120th to the last EDB index. The rest of the BS-10 have not dramatically, but somehow improved their position in the EDB index through these years.

Throughout all years from 2005 but especially from 2008 all the economies including the BS-10 countries have implemented many reforms making it easier to do business more than in the previous years. Starting with Georgia which has accomplished 20 reforms for the period 2008-2012 and ranking in the 16th place globally is the best performed among the BS-10 countries being simultaneously a motivation for competence to the rest of those countries. The country has made reforms in 9 areas of measuring business regulation except from the getting electricity pillar and that because there holds an exceptional position. Indicatively, Georgia simplified business start-up by eliminating the necessity to visit a bank to pay the registration fees (DB2012) and Amendments to the Law on Entrepreneurs made it easier to start a company by abolishing the requirements for a minimum capital, a company seal, and a company charter and by making the use of notaries optional (DB2009)⁵⁹. Furthermore,

⁵⁸ <http://www.doingbusiness.org/reports/global-reports/doing-business-2012>

⁵⁹ <http://www.doingbusiness.org/reforms/overview/economy/georgia>

Georgia made paying taxes easier for firms by simplifying the reporting for value added tax and introducing electronic filing and payment of taxes and the corporate income tax rate was reduced from 20 percent to 15 percent, and the social tax abolished.

At this point, it is important to make reference to the fact that two of the BS-10 countries, Moldova (2nd) and Armenia (9th) are among the 10 most improved business reformers in DB 2012. Moldova, moved from the 83rd (2005/2006) to 81st (2011/2012), accomplishing 10 reforms for the period 2009-2012 in 6 areas of measuring business regulation. For example according to DB2010, in Moldova, property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5.

Armenia, despite the fact that its general ranking has been impaired during 2005-2012 falling from the 46th to 55th place, has accomplished 14 reforms for the period 2008-2012 in 6 areas of measuring business regulation, such as making dealing with construction permits easier by eliminating the requirement to obtain an environmental impact assessment for small projects (DB2012).

Continuing our analysis, we find that other countries of the Black Sea region have made significant reforms in their business regulation through the period 2008-2012. Bulgaria has achieved 13 reforms, making trading across borders faster by introducing online submission of customs declaration forms (DB2012). On the other hand, dealing with construction permits has become more difficult in Bulgaria. The fees for obtaining construction permits were increased by about 16 percent in 2008. Stricter environmental requirements mean that companies in Sofia have to obtain a certificate of energy efficiency before and after

construction (DB2009). Azerbaijan, has made 11 reforms, improving access to credit by establishing an online platform allowing financial institutions to provide information to, and retrieve it from, the public credit registry and regarding the enforcing contracts, a second commercial court was created in Baku, increasing the number of judges dealing with commercial cases from five to nine. The average time to enforce a contract through the courts is 237 days (DB2012). Turkey, with a long-lasting improving performance measures 5 reforms on business regulation, over the above mention period. For example, Turkey made starting a business less costly by eliminating notarization fees for the articles of association and other documents, lowered the social security contribution rate for companies by offering them a 5% rebate and in 2008 the interest tax and corporate income tax were lowered to 20%, and online filing was introduced and implemented.

Romania, comparing the two edges of 2005 and 2012 gives the impression that for sure have improved their position on the Ease of Doing business jumping up 6 places from 78th to 72nd rank, respectively. Nonetheless, it is vital to mention that the best performance of the country was that of the 47th rank according the 2008/2009 EDB. For the period 2008-2012 the country made 11 reforms out of which 6 were positive and 5 negative. According to DB2012, Romania made starting a business more difficult by requiring a tax clearance certificate for a new company's headquarters before company registration but made paying taxes easier for companies by introducing an electronic payment system and a unified return for social security contributions. It also abolished the annual minimum tax on profit that had introduced according the DB2011.

Lastly in our analysis are the 3 countries of the Black Sea region that throughout these years have not improved their position in the ranking according the EDB Index. Greece, from the 80th rank (DB2005/2006) and each year deteriorating its place is ranked nowadays 100th

(DB2011/2012). In contrast with its general ranking, Greece with its 8 reforms has made starting a business easier by implementing an electronic platform that interconnects several government agencies (DB2012). Also, in 2009 the minimum capital requirement to start a business was cut by 80%, reduced capital tax and made publication of company statutes quicker. Moreover, Greece has made some good reforms regarding the controversial issue of paying taxes as following: reduced its corporate income tax rate, an electronic payment of social security tax was introduced and a new tax code reduced the profit tax scale, causing a decrease in the total tax rate measured by Doing Business of 1.6%. On the other hand, Greece made transferring property more costly by increasing the transfer tax from 1% of the property value to 10% (DB2011).

The Russian Federation losses 41 places from the 79th (DB2005/2006) to 120th (DB2011/2012). However, there have been efforts for reforms mentioning, registering property transfers is made easier by eliminating the requirement to obtain cadastral passports on land plots, getting electricity is less costly (1,852.4) by revising the tariffs for connection and trading across borders is made easier by reducing the number of documents needed for each export or import transaction and lowering the associated cost. But according the DB2012 Russia increased the social security contribution rate for employers.

Finally, Ukraine falling from the 124th to 152nd rank is not the worst performed among the BS-10 but one of the worst globally. As every country the Ukraine as well looks forward to improve its business environment via reforms, even if the outcome is not the desirable one. So, from 2008 reforms counts to 11 in Ukraine, making starting a business easier by eliminating the requirement to obtain approval for a new corporate seal, paying taxes easier and less costly for firms by revising and unifying tax legislation, reducing corporate income tax rates and unifying social security contributions. But, the country made trading across

borders more difficult by introducing additional inspections for customs clearance of imports.

Table 22: Ease of Doing Business Index: EU27

ECONOMY		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1	Austria	32	30	25	27	28	32	32
2	Belgium	18	20	19	19	22	25	28
3	Bulgaria	62	54	46	45	44	51	59
4	Cyprus	x	x	x	x	40	37	40
5	Czech Republic	41	52	56	75	74	63	64
6	Denmark	8	7	5	5	6	6	5
7	Estonia	16	17	17	22	24	17	24
8	Finland	13	14	13	14	16	13	11
9	France	44	35	31	31	31	26	29
10	Germany	19	21	20	25	25	22	19
11	Greece	80	109	100	96	109	109	100
12	Hungary	52	66	45	41	47	46	51
13	Ireland	11	10	8	7	7	9	10
14	Italy	70	82	53	65	78	80	87
15	Latvia	26	24	22	29	27	24	21
16	Lithuania	15	16	26	28	26	23	27
17	Luxembourg	x	x	42	50	64	45	50
18	Malta	x	x	x	x	x	x	x
19	Netherlands	24	22	21	26	30	30	31
20	Poland	54	75	74	76	72	70	62
21	Portugal	42	40	37	48	48	31	30
22	Romania	78	49	48	47	55	56	72
23	Slovak Republic	37	36	32	36	42	41	48
24	Slovenia	63	61	55	54	53	42	37
25	Spain	30	39	38	49	62	49	44
26	Sweden	14	13	14	17	18	14	14
27	United Kingdom	9	6	6	6	5	4	7
AVERAGE		35.75	37.42	34.12	37.52	40.50	37.12	38.54
NUMBER OF ECONOMIES		155	175	178	181	183	183	183
NUMBER OF PILLARS		10	10	10	10	10	9	10

Source: International Finance Corporation, The World Bank

The majority of EU members rank in the top 40 best locations for doing business but regulatory reforms must be pursued to avoid Asia's growing economies from overtaking. Singapore, Hong Kong SAR – China, New Zealand come out as the best locations for doing

business, but 8 EU Members are in the top 25 economies on business ease. However, the results show that big disparities remain across Europe.

Denmark ranks first among EU countries (and 5th overall), with an average of 6 days necessary to start a business and without any cost. Second among EU countries ranks the United Kingdom (and 7th overall), with an average of 13 days necessary to start a business, at a cost equal to 0.7% of gross national income (GNI) per capita. Other high scores include Ireland (10th), Finland (11th) and Sweden (14th).

On the other hand, we find Italy which ranks 87th and Greece that ranks last among EU Members, and 100th in the full World Bank ranking, just after Vietnam and Yemen Republic. To be more accurate, the DB indicator on the ease of starting a business for the European Union show that, the lowest regional performance is that of Czech Republic (138th) and the best is Ireland (13th), in Poland it takes 32 days while in Belgium just 4 days to launch a business, in Greece it requires 10 procedures at a cost equal to 20.1% of GNI per capita while in Slovenia the procedures are only 2 and the cost is zero.

In accordance with the last data of the World Bank the average of the Black Sea region countries on the Ease of Doing Business is 79.20 while the average of the EU member states is 38.54. Observing the EU and the BS-10 separately throughout the 2005 until nowadays we can see that in 2005 the EU holds an average of 35.75 which year by year has declined being now 38.54. On the contrary the BS-10 countries in 2005 had an average of 84.30 but they have improved their ranking on average at the 79.20 place. This fact can be explained by the interaction that has taken place between the EU and some countries of the BS-10 in order to join the EU. Reports acknowledge that the desire to join the European Union has inspired reformers in Romania and Bulgaria. EU countries will therefore have to keep up reforms if

they want to maintain a competitive edge internationally and continue attracting foreign investments. The study also shows that the EU has inspired reform in other countries - particularly in Africa, where entrepreneurs face numerous regulatory hurdles to exporting - by working with them to simplify barriers to trade and facilitate trading across borders.

The fact that countries like Georgia (16th) and Armenia (55th) scored better than EU countries such as Czech Republic and Italy (ranked 64th and 87th, respectively) "doesn't mean that international investors are going to start taking their money out of large markets like the EU and shifting to Tbilisi and Yerevan. But, it does show that emerging market economies can sometimes show greater initiative than established ones in simplifying the commercial regulations and procedures.

Moving to USA, one of the strongest economies in the world, we should for sure declare that the comparison with the BS-10 countries is impossible due to the fact that they are by far different in strength and capabilities which constitute them incomparable. However, we can say that on the Ease of Doing Business the USA ranks 4th, being on the top of the ladder, while the BS-10 rank on average just at the 79.2 place. USA has followed a steady-going path all this years, being loyal at its top rank, from 2005 until 2008 it held the 3rd place and since then it is found in the 4th place globally. The excellent performance for many years configures that it is a strong, sound economy, friendly and attractive environment for doing business. The ranking in all pillars range from 4 to 20, apart from the paying taxes pillar where the USA ranks 72nd. The best of its ranking is shown in the getting credit pillar (4th), followed by the protecting investors (5th). It takes only 6 days to launch a business in USA, requiring 6 procedures at a cost equal to 1.4% of GNI per capita while in BS-10 it requires on average 12.9 days, 6.2 procedures at a cost equal to 6.12% of GNI per capita. In 2011, the United States introduced a new tax on payroll increasing taxes on companies operating within

the New York City metropolitan commuter transportation district⁶⁰, a reform that made it more difficult to do business.

China is largely isolated from the worst effects of the global recession, thanks to several factors: its banks have limited relations with the international financial system; its institutional and regulatory apparatus is increasingly strong; mainland consumers enjoy low levels of debt and one of the world's highest national savings rates; and, private consumption is rising steadily among the country's fast-growing middle class. China's exporters may be doing less well than they have but the domestic market offers huge opportunities, and the country's economy is expected to maintain high single-digit growth over the coming years. China has a long history of perplexing multinational companies.

As western countries remain stuck in financial disorder, business people are looking to get a position in China, hoping to hit its growth and expanding middle class. Firm economic expansion, coupled with a rapid market transformation and a series of government reforms, mean China -- the world's second-largest economy -- is no longer just a country for low-cost manufacturing. It is also an increasingly attractive destination to do business. China ranks 91st on the Ease of Doing Business 2012, a rank which represents exactly the average compared across the 183 economies. Several western companies -- including global giants such as Starbucks, Volkswagen, Boeing and Procter & Gamble -- have established a presence in the country. But despite China's increasing influence, challenges remain for those looking to do business in the country. In fact its present position coincides with that of the 2005 but in relation to the previous year it has lost 4 places from 87th. Compared to the BS-10 countries, we see that China lags behind on average at present and all the previous years. Current rank

⁶⁰ <http://www.doingbusiness.org/reforms/overview/economy/united-states>

of the BS-10 on average is 79.2 while China ranks 91st. Intense competition, corruption, business etiquette and language are some of the barriers that can be faced⁶¹. The indicators of some pillars reflect the problems that the economy suffers from. The worst performance belongs to the pillar dealing with construction permits (179th), despite the fact that in 2008 Beijing and Shanghai processed applications for construction permits electronically and allowing construction companies to apply for safety certificates online, reducing delays. On the ease of starting a business China ranks 151st. It takes only 38 days to launch a business in China, requiring 14 procedures at a cost equal to 3.5% of GNI per capita while in BS-10 it requires on average 12.9 days, 6.2 procedures at a cost equal to 6.12% of GNI per capita. Paying taxes (122nd) and getting electricity (115th) where the days needed are 145 requiring 5 procedures at a cost equal to 640.9% of GNI per capita, are the rest of the indicators that deteriorate the performance of China. However, during the last years China has made efforts to improve its tax system. In 2009, the tax burden was reduced on businesses by reducing the corporate income tax rate from 33.3 percent to 25 percent and unifying the criteria and accounting methods for tax deductions as well as in 2011, new corporate income tax law unified the tax regimes for domestic and foreign enterprises and clarified the calculation of taxable income for corporate income tax purposes. China's best performance is shown at enforcing contracts (16th) and to that must have helped the reform that took place in 2009 regarding the rules on enforcement of judgments were tightened, making it harder for debtors to prevent enforcement. In this pillar the BS-10 lags behind on average 51.43.

⁶¹ <http://edition.cnn.com/2011/10/21/business/china-business-investors-culture/index.html>

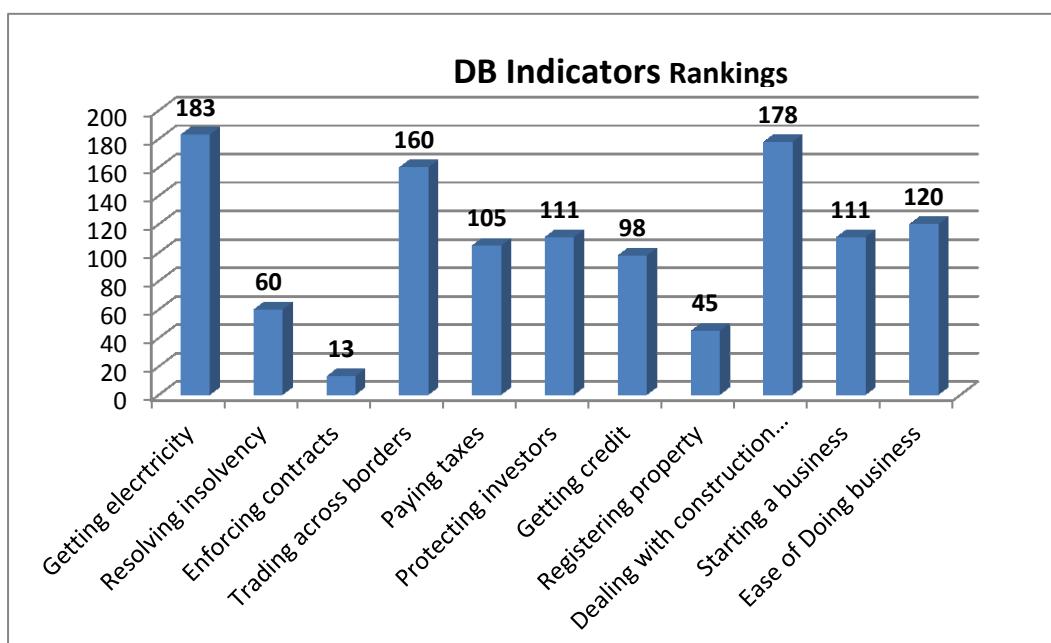
3.2 Ease of Doing Business and ranking of Russian Federation

In this section we will analyze the performance of Russia and its position on the Ease of Doing Business during the years 2005-2012, giving emphasis in the country's current position compared to that of the DB2011.

The business environment remains challenging owing to high levels of corruption and government regulation. Despite statements promoting privatization, the state will continue to play a key role in strategic sectors like energy and natural resources⁶².

The figure 3 below demonstrates that the Russian Federation ranks 120 among 183 economies as a result of total average of 10 topics.

Figure 3: Rankings of Doing Business 2012 Indicators of Russia among 183 Economies



Source: The World Bank, Doing Business 2012

⁶² <http://www.edc.ca/EN/Country-Info/Documents/Russia.pdf>

Throughout the period 2005-2012 the ranking of Russia fluctuated from 79th to 123th. The best performance was accomplished in DB2005/2006 ranking 79th among 155 economies, during the following years the country went through a serious decline which led the country in its worst performance in DB2010/2011 ranking 123rd among 183 economies. However, the country has improved its performance in the DB2011/2012 by going up 3 places and ranking now 120. Regarding the 10 indicators measuring the Ease of Doing Business in Russia we can assume that there have taken place fluctuations but not very important ones. Below we will show in detail how the 10 indicators perform in Russia according the DB2012 and a slight comparison to the previous year report will be mentioned.

3.2.1 Indicators of Ease of Doing Business in Russia

❖ *Starting a Business*

Men and women, no matter their economic status around the world seek to run and profit from their own companies. However, these entrepreneurs will not all have the same experience in starting a new company. Rules governing business start-up differ significantly through economies, in certain cases making the cost of formal business registration almost unaffordable. The legal registration of businesses is useful for many reasons. Legal entities can outlive their founders. Officially registered companies have access to services and institutions from courts to banks as well as to new markets—unregistered businesses do not enjoy those benefits. When firms are formally registered, their employees can also benefit from protections provided by the law.

Table 23

Russia		Starting a Business Rank	Procedures	Time	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
DB Report	2011	108	9	30	3.6	1.9
	2012	111	9	30	2	1.6

Source: The World Bank, Doing Business 2012

Comparing the economy's indicators today with those in the previous year show that starting a business in Russia has become more difficult falling from the 108th rank to 111th. Both years, it takes 30 days to launch a business in Russia, while are required 9 procedures in order the formal registration to be done. The cost of starting a business has been reduced by 1.6 reaching at 2% of the income per capita. From the 9 procedures, most of them are being realized within 1 day, i.e. notarize registration application and agreement on establishment of a company and pay registration fee, while the delay is being found on registering with the unified register at the Federal Tax Service on the local level, to obtain the single number of state registration and the number of tax registration (identification number of taxpayer, INN) that takes 18 days and 5 days are needed to open the company bank account.

It must have been the improvement of other economies in this pillar that have induced the change of Russia's ranking. Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program but it is depressing that no reform have been

recorded in Russia from 2008 until today. Making the process of business incorporation easy also has broader benefits for the economy.

❖ ***Dealing with Construction Permits***

The ease of dealing with construction permits, Doing Business records the procedures, time and cost required for a small to medium-size business to obtain all the necessary approvals to build a simple commercial warehouse and connect it to water, sewerage and a fixed telephone line. Good construction regulation matters for public safety. It also matters for the health of the building sector and the economy as a whole. It is estimated that for every 10 jobs directly related to a construction project, another 8 jobs may be created in the local economy.

Scoring well on the ease of dealing with construction permits tend to have rigorous yet expeditious and transparent permitting processes for the economies. Speed matters.

Table 24

Russia		Dealing with Construction Permits Rank	Procedures	Time	Cost (% of income per capita)
DB Report	2011	182	53	540	4,141.00
	2012	178	51	423	183.8

Source: The World Bank, Doing Business 2012

Regarding the dealing with construction permits Russia has made a slight progress of 4 places, moving from 182 to 178 rank globally. To build a warehouse in Russian Federation requires 51 procedures, takes 423 days and costs 183.8% of income per capita. There has been a sharp reduction of 117 days from the previous year, encouraging many builders.

Procedures to legally build a warehouse includes submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates. Completing all required notifications and receiving all necessary inspections. Obtaining utility connections for water, sewerage and a fixed telephone line. Registering the warehouse after its completion. It takes 120 days to request and obtain the development plan of land plot at the Moscow Architecture and City Planning Committee and 60 days are needed to request and convene Acceptance Commission.

Smart regulation ensures that standards are met while making compliance easy and accessible to all. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. In 2011, Russia eased construction permitting by implementing a single way for all procedures related to land use.

❖ ***Getting Electricity***

Infrastructure services, particularly electricity, are uneasiness for businesses around the world. World Bank Enterprise Surveys show that managers in 109 economies, 71 of them low or lower-middle-income economies, consider electricity to be amid the biggest constraints to their business. In addition, managers estimated losses due to power outages at an average 5.1% of annual sales. Poor electricity supply harmfully affects the productivity of firms and the investments they make in their productive volume. Researchers estimate that eliminating the electricity outages in Eastern Europe and Central Asia would increase GDP by 0.5%. It is therefore essential for businesses to have reliable, good-quality electricity supply.

Table 25

Russia		Getting Electricity Rank	Procedures	Time	Cost (% of income per capita)
DB Report	2011	-	-	-	-
	2012	183	10	281	1,852.40

Source: The World Bank, Doing Business 2012

The DB 2011 measured a set of regulations affecting 9 stages (instead of 10) of a business life, the getting electricity indicator was not among them, so we do not have data about this year in Russia. From the table above we can see that for the year 2012 Russia ranks last (183) in getting electricity, just after Bangladesh. Getting electricity connection in Russia requires 10 procedures, takes 281 days and costs 1852.4% of income per capita. From the 281 days in sum, the four initial procedures of getting electricity are the lengthier such as:

1. *To submit an application for an electricity connection to the local office of MOESK and await technical conditions it takes 30 days and the cost is RUB 2,330,832.0*
2. *Await completion of the external connection design and its approval by a specialized private electrical design firm it takes 90 days with a cost of RUB 240,000.0*
3. *Customer obtains an excavation permit at the Directorate for Public Services of the District it takes 30 days and it is for free.*
4. *Await completion of the external connection works by a private electrical contractor it takes 37 days.*

Afterword's, getting electricity is most difficult in Russia, ranks 9th (out of 10) countries where the more procedures are required and comes 5th globally regarding time. However, Russia made getting electricity in 2012 less costly by reforming the tariffs for connection. This severe situation, greater time and cost to get an electricity connection reflects lower electrification rates. Extra connection procedures are more possible to occur in economies

where the electricity supply is weak as a consequence of great losses in the transmission and distribution systems.

❖ ***Registering Property***

Registered property rights are essential to support investment, productivity and growth. Evidence from economies around the world recommends that property owners with registered titles tend to invest more. Besides they have a better opportunity of getting credit when using their property as guarantee. Private and public sector as well do benefit from the land registration. For governments, having credible, up-to-date figures in cadasters and land registries is crucial to properly assess and collect tax revenue. Property transfer taxes are an important source of revenue for many governments. But when transfer fees and taxes are too heavy, this not only deteriorates the protection of property rights but also decreases possible revenue from property taxes.

Table 26

Russia		Registering Property Rank	Procedures	Time	Cost (% of property value)
DB Report	2011	51	6	43	0.1
	2012	45	5	43	0.2

Source: The World Bank, Doing Business 2012

In this indicator Russia shows a better performance. From 2011 it has jumped up 6 places, ranking now 45th, reducing procedures and time but with a tiny increase of the cost. It is a quite good position given the fact that is among the best 50 countries as far the registering property is concerned. Registering property in Russian Federation requires 5 procedures, takes 43 days and costs 0.2% of the property value. At this point is good to make a reference that 4 out of five procedures can take place at the same time in combination (see Appendix)

but the 5th and last one: “*Apply for state registration of title transfer in the Unified State Register of Rights to Real Estate*” requires 30 days (given that 43 days is the total).

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time restrictions for procedures and setting low fixed fees. From its point of view Russia facilitated property registration by introducing new documentation requirements—such as cadastral passports—in lieu of inventory documents and cadastral maps. Additionally, the country eliminated the requirement to obtain cadastral passports on land plots.

❖ ***Getting Credit***

Strong creditor rights increase the accessibility of loans. One reason is that when lenders have better legal protection during bankruptcy and reorganization of the borrower, they become more self-assured about the return of their investment in cases of default and as a result more eager to liberalize credit on favorable terms. Creditor rights can help hinder some effects of an economic crisis, since weak creditor protection and weak enforcement make credit markets more unstable.

Credit bureaus and credit registries are essential parts of the financial structure that enables entrance to formal finance. Credit bureaus and credit registries are one manner of increasing access to finance for individuals and small firms.

Table 27

Russia		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (% of adults)	Private Bureau Coverage (% of adults)
DB Report	2011	89	3	5	0	14.4
	2012	98	3	5	0	35.8

Source: The World Bank, Doing Business 2012

Russia ranks 98th in Getting Credit pillar, in comparison with the previous report (2011) it has fallen 9 places from the 89th. The economy has a score of 5 on the depth of credit information index and a score of 3 on the strength of legal rights index. Higher scores indicate more credit information and stronger legal rights for borrowers and lenders. While the most recent Doing Business data reflect how well the credit information system and collateral and bankruptcy laws in Russian Federation support lending and borrowing today. Russia is counted among 123 economies for good practices around the world providing strong legal rights for borrowers and lenders in allowing out-of-court enforcement.

Finally, the only reform in Russia that we can mention on making access to credit more simple and prompt is referred to DB2008, where a private bureau, National Bureau of Credit Histories (NBKI), started operations in March 2006. A draft of the law dates back to 1992, but only increased consumer lending and the requirement for banks to submit credit data, made the reform possible. This afforded Russia to climb from 0 to 4 in DB's credit information index.

❖ **Protecting Investors**

Investor protections are important for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. Lacking of investor protections, equity markets fail to

grow and banks turn out to be the sole source of finance. Economies that have active capital markets tend to successfully protect investors. In these economies investors receive financial information they can trust, they contribute in key decisions of the company, and directors are liable for their managerial decisions.

Table 28

Russia		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
DB Report	2011	93	6	2	7	5
	2012	111	6	2	6	4.7

Source: The World Bank, Doing Business 2012

Globally, Russian Federation stands at 111 in the ranking of 183 economies on the strength of investor protection index, falling from the 93 place in which was ranked in 2011.

❖ **Paying Taxes**

All governments need revenue, but the provocation is to prudently select not only the level of tax rates but also the tax base. Furthermore, governments need to draw a tax compliance system that will not dispirit taxpayers from contributing. Tax rates and burdensome tax administration continue to be the upper hindrance to business. The magnitude of the tax cost for businesses affects investment and growth. Where taxes are high, businesses are more prone to abandon the formal sector. Maintaining tax rates at a rational level can embolden the progress of the private sector and the establishment of businesses. This is mostly essential for small and medium-size enterprises, which subscribe to growth and job formation but do not supplement considerably to tax revenue.

Efficient tax administration assists on boosting businesses to become formally registered and the economy to grow—and thus expand the tax base and increase tax revenues, relation between pillars. Administration that is unjust and changeable will bring the tax system into disesteem and dwindle the legality of government.

Table 29

Russia		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
DB Report	2011	105	11	320	9	31.8	5.7	46.5
	2012	105	9	290	8.9	32.1	5.8	46.9

Source: The World Bank, Doing Business 2012

Globally, Russian Federation stands 105th in the ranking of 183 economies on the ease of paying taxes. On average, firms make 9 (instead of 11 in 2011) tax payments per year, spend 290 (instead of 320 in 2011) hours per year on filing, preparing and paying taxes and pay total taxes amounting to 8.9% of profit. In the direction to raise tax revenue Russia cut the corporate income tax rate from 24 percent to 20 percent and increased the social security contribution rate for employers.

❖ **Trading Across Borders**

The benefits of trading are well substantiated. Restricted access to international markets can preclude the growth of businesses and economies of scale. Local markets are usually small, especially in developing economies, and trade offers opportunities for more output at lower cost. Trade also allows developing economies to become part of global supply chains. Trade can also advantage the transfer of know-how. Inadequate infrastructure, inefficient port operations, excessive documentation requirements, burdensome and time-consuming customs procedures, heavy-handed inspections and audits by diverse government agencies', can

hamper a business's ability to trade across borders. Simplifying trade is hence an ordinary apprehension for policy makers.

Table 30

Russia		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
DB Report	2011	162	8	36	1.850	13	36	1.850
	2012	160	8	36	1.850	10	36	1.800

Source: *The World Bank, Doing Business 2012*

Worldwide, Russian Federation stands at 160 in the ranking on the ease of trading across borders improving its position by 2 places from the previous year. Exporting a standard container of goods requires 8 documents, takes 36 days and costs \$1850. Importing the same container of goods requires 10 documents (in 2011 the documents counted to 13), takes 36 days and costs \$1800 (instead of \$1850). Russia made trading across borders easier by decreasing the number of documents needed for each export or import transaction and lowering the related cost.

❖ *Enforcing Contracts*

Effectual commercial disagreement resolution has numerous benefits. Courts are needed for businesspersons because they interpret the rules of the market and defend economic rights. Well-organized and translucent courts embolden new business dealings because businesses recognize they can depend on the courts whether a new customer fails to pay.

Table 31

Russia		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
DB Report	2011	18	37	281	13.4
	2012	13	36	281	13.4

Source: The World Bank, Doing Business 2012

The Russian Federation stands 13th in the ranking of 183 economies on the ease of enforcing contracts, being among the best 20 economies in this pillar, globally. The country enhanced its performance by jumping up 5 places from the 18 place of the previous year. To enforce a contract through the courts in Russia requires 36 procedures, takes 281 days and costs 13.4% of the value of the claim.

Russia has made enforcing contracts easier by revising rules on modes of service of complaints and notification of court decisions. Furthermore, by allowing electronic filing of complaints Russia has made another step forward in facilitating the enforcing of contracts. The Russian Federation made it possible to electronically submit case documents, including initial complaints, to its high commercial court (the Arbitrazh Court) in July 2010. Russia also introduced videoconferencing for hearings, which allows parties to participate in court hearings without having to incur travel costs.

❖ ***Resolving Insolvency***

The global financial crisis urged bankruptcy reforms around the world. Striving with a fall in demand and business revenue, many businesses could not be rescued since they deprived from access to additional credit or because creditors as well were in financial pain. Minor bankruptcy expenses can aid retain competent firms in life while at the same time heartening the establishment of new firms and supporting vigorous competition in the economy. And a

good insolvency regime, by reducing the stigma of bankruptcy for both firms and individuals, encourages entrepreneurs to take risks and innovate.

Table 32

Russia		Resolving Insolvency Rank	Time (years)	Cost (% of estate)	Recovery Rate (Cents on the dollar)
DB Report	2011	103	3.8	9	25.3
	2012	60	2	9	41.5

Source: The World Bank, Doing Business 2012

Finally, in this last pillar of resolving insolvency Russia within one year has made a huge jump upward, earning 43 places in the global ranking. Russian Federation stands at 60 in the ranking of 183 economies on the ease of resolving insolvency. Resolving insolvency takes 2.0 years on average and costs 9% of the debtor's estate. The average recovery rate is 41.5 cents on the dollar. The Russian Federation in its effort to simplify the resolving insolvency system introduced several changes to the insolvency law to speed up liquidation and strengthen the legal status of secured creditors. Moreover, Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.

3.3 Ease of Doing Business and ranking of Russia in comparison to the Black Sea Region, EU27, USA and China average.

In this section of our analysis we will try to estimate Russia's business environment in relation to its neighbouring competitors in the Black Sea region, European Union and China. Judging from its general rank 120 on the Ease of Doing Business report 2012 we assume some first indications of its business environment and regulation.

Starting from its contiguous economies of the Black Sea region which whom Russia has more in common as the most of them are from the so-called transition economies struggling to leave behind their close economies for a free and more competitive one's. Russia has one of the worst performances among the BS-10 countries according to DB2012, its rank is even below the average score of 79.2 of the BS-10 region. It comes right after Ukraine (152) and Greece (100) with the poorest scores in the BS-10 and globally. It lags behind a lot from Georgia which ranks 16th, having the best score among the BS-10 region and being simultaneously one of the best in universe.

Table 33: Ease of Doing Business Index 2011/2012: BS-10 Pillars

ECONOMY	Ease of Doing Business	Starting a business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
1 Bulgaria	59	49	128	133	66	8	46	69	91	87	90
2 Georgia	16	7	4	89	1	8	17	42	54	41	109
3 Romania	72	63	123	165	70	8	46	154	72	56	97
4 Russia	120	111	178	183	45	98	111	105	160	13	60
5 Turkey	71	61	155	72	44	78	65	79	80	51	120
6 Ukraine	152	112	180	169	166	24	111	181	140	44	156
7 Armenia	55	10	57	150	5	40	97	153	104	91	62
8 Azerbaijan	66	18	172	173	9	48	24	81	170	25	95
9 Greece	100	135	41	77	150	78	155	83	84	90	57
10 Moldova	81	88	164	160	18	40	111	83	134	26	91
AVERAGE	83.00	65.14	107.86	143.71	63.71	43.43	80.14	114.14	112.00	51.43	90.86

Source: The World Bank, Doing Business 2012

To lead our study in more depth within the BS-10 region we realize that starting a business in Russia is not easy at all, ranking in 111st place just before Ukraine (112) and Greece (135) where the ranking is completely discouraging, when the average score in the region is 65.4. Georgia (7th) and Armenia (10th) are those in the region where the possibility to launch an entrepreneurship is easier. In Russia it requires 9 procedures, takes 30 days at a cost of 2% of income per capita to start a business, while in Georgia the procedures and time count to 2 but the cost is higher, 4.3% of income per capita. The cost to start a business is less in Russia

than in any other BS-10 country, Greece (20.1 %) and Moldova (9.1%) income per capita are the most expensive. During the period 2008-2012 no reforms have been made in the country aiming at starting a business easier, on the contrary in Georgia, Bulgaria and Moldova are mentioned 3 reforms in this pillar. Opening a business is far easier in EU-27, where the average rank is just 66.15, with Ireland ranking first among the EU-27 in 13th place but we cannot say the same for the Czech Republic that ranks 138th. In USA (13th place globally) a business to start its function seems to be a matter of time as far as the idea is conceived. On average 6 procedures, 6 days at a cost of 1.4 % looks as an illusion to what really happens in Russia. On the ease of starting a business China ranks 151th, 40 places below Russia, hence it is needless to say anything else.

Dealing with construction permit is for sure the blind-side part of the business cycle almost for the entire BS-10 region. The ranking is disappointing not only for Russia (178) just after Ukraine (180), but for the most of the BS-10 countries. However, Georgia in contrast to its counterparts of the region has an outstanding performance standing at 4th place globally. Procedures in Russia are 51 while in Georgia just 9, the time of 423 days is another discouraging point in Russia when the accomplishment in Georgia is being fulfilled in 74 days. From the point of cost we can see that Russia is not such expensive (183.8% income per capita), the cost is greater in Azerbaijan (335.2) while Greece with a cost of 3.4 % of income per capita appears to be the cheapest. Despite the reforms that have taken place Russia has a long path to run in reaching Georgia and Greece, the best performed of the BS-10 countries in this field. EU-27 on average (65.15) has a good performance in this pillar, with Denmark (10th), a fact that Russia lags behind by far. China (179th) just one place below Russia cannot by no means compete USA in this field that ranks 17th, it resembles like the two edges of a rope.

Getting electricity in Russia is more difficult than anywhere else in the universe according to the DB2012, the country stands (183) in last position. The scores in all indicators outweigh from those of the other countries (10 procedures, 281 days at a cost 1,852.40% per capita). Nonetheless, the same about performance is obvious to other BS-10 countries, the exception is Turkey with the best ranking (67th), the procedures that are required in the country have been reduced to 5 (same with Georgia) and the days to 70. On the other hand the cost involved is less in Greece. Ranking last Russia is far away from the EU-27 average of 70.69, supposing that the worst performance of the EU-27 belongs to Romania standing in the 165 position where it requires 7 procedures, it takes 223 and the cost that should be paid is 556.9% income per capita. The worst rank of the EU-27 is even better from that of Russia, let alone the case of Germany who ranks 2nd. Globally, it is easier to get electricity to Germany, the procedures are just 3, someone has to spend 17 days and pay 49.9% of his income to receive the electricity provision. The United States also perform well in this pillar, ranks 17th, with 4 procedures, 68 days and a cost of 16.8% income per capita. China stands at the 115th position, for sure this score declares that is easier (5 procedure, 145 days) to get electricity connection there than in Russia. On the contrary, China lags behind the EU-27 average performance that we mentioned earlier.

Russia is not the best country in the BS-10 region to register property, it ranks 45th and is above the BS-10 average 57.4. Registering property in the region is easier in Georgia, which ranks 1st globally, follows Armenia (5th) and Azerbaijan (9th), while exactly the opposite happens in Ukraine which has the worst performance in rank 166th. The procedures required are 5 in Russia, 1 in Georgia and 11 in Greece while the days are 43 in Russia, 2 in Georgia and 117 in Ukraine. In Russia the cost (0.2% income per capita) is one of the lowest in BS-10 while in Ukraine it is much more higher (3.9%). Compared to the EU-27 average (65.69),

Russia performs better in this pillar but seems rather weak confronting USA. The latter ranks 16th, requires 4 procedures (1 less than Russia), 12 days and the cost is 0.8%. Identical with Russia appears to be the registering property in China which stands 40th, the procedures are those of USA's but it takes 29 days at a cost of 3.6%.

For another pillar in sequence, Russia shows the worst performance in the Black Sea region below the average 43.0. Getting credit in the region is more difficult in Russia (ranks 98th) in comparison to other countries. Access to finance is easier to Bulgaria, Georgia and Romania, the three of them are ranked in the 8th position. Russia also lags behind the EU-27 on average 47.12 in getting credit. Among the EU-27 countries, United Kingdom has the best rank (1st) and globally as well, last comes Luxemburg in the 150 position. Russia shares the same rank with two countries of the EU-27, Italy and Slovenia. USA and China despite the big gap that there is between them, 4th and 67th rank respectively, exceed Russia's capability to finance.

A glance at Russia's protecting investor rank (111) would discourage any potential investor in the country. Much below of the 78.3 on average of BS-10 countries means that Russia does not pay a lot of attention to its investor so as to be attractive to them. On the other hand, George again comes first in the region, with a global ranking of 17th, while Ukraine and Moldova have the same attitude with Russia. Compared to EU-27 on average (72.19), Russia is much below in the rank, Ireland seems to act better in protecting investor, Netherlands and Slovak Republic are in the same direction with Russia, while Estonia (166) shows the worst performance among the EU-27. For one more time we see an excellent performance of USA that ranks 5th where investor enjoy a lot of protection and support. On the contrary in China, this option of business cycle is much or less the same with Russia's, the country stands 97th, 14 positions above Russia.

The issue of paying taxes, which is a key point for a business, likewise is weak in Russia. The country ranks 105th, it is not the worst position in the region, but it stands only 2 places below the region's average that is 103. There are neither the payments nor the time per year that worsen its enactment. It is due to high tax rates that entrepreneurship have to pay especially those apart from the main taxes that are more in Russia (5.8) than in other BS-10 economies. The tax system seems to be much fair and good in Georgia (42) and stricter in Ukraine (181). On average the EU-27 ranks 66.5 in this pillar; therefore it is needless to say that Russia lags behind. For one more time we find Finland (5) as the best performer among EU-27 whereas Italy stands last in 134th. Putting Russia just opposite USA and China we observe that eventually lags behind the first one's which ranks (72) but does better from China which stands (122nd). This is the business cycle that deteriorates the USA whole performance, it is important to mention that its total tax rate is of 46.7% profit about the same of Russia's one 46.9%. China from her position which is inferior of Russia's, has a total tax rate of 63.5% and annually should be spent 398 hours on paying taxes, when time is money.

As our analysis progress comparing Russia in a regional and universe level, we find that the country suffers from a very weak business environment. Nowadays, trade has become more than ever international; conversely trading across borders seems rather difficult in the country of our report. Having the second worst position (160) in the region it stands 108.9 below the BS-10 on average. Trading across borders in the region is easier in Georgia (54th) and more difficult in Azerbaijan (170th). Among the EU-27 the average ranks in this pillar 38.89 which for very sensible reasons cannot be compared to that of Russia (160th). Estonia ranks first in the EU-27 (3rd globally) and Greece last in 108th position. Both USA and China ranking 20th and 60th, respectively, perform considerably better than Russia in this pillar.

At this point, we are glad to observe and mention that Russia finally shows the best performance not only considering the BS-10 region but globally, as well. The average rank on the ease of enforcing contracts in the region is 52.4 when Russia ranks 13th. It takes 281 days to enforce a contract in Russia at a cost of 13.4% of claim while in Greece it takes 819 days and the cost in Moldova is twice as Russia's (28.6% of claim). Armenia stands last in the region (91st). Hard to believe but Russia is above the EU-27 average (45.35), where Luxemburg ranks 1st and Italy 158th. On enforcing contracts Russia can for sure be competed with USA which stands in the 7th place (6 places above Russia) and China in the 16th, as it seems not to be great differences between them.

Regarding the last pillar of our analysis, resolving insolvency, Russia from its (60th) place is above the BS-10 on average which is 93.7. Is the second country in the region after Greece (57th) where the procedure of closing a business can be completed much easier. In Azerbaijan (156th) this action tends to be far demanding. However, closing a business is easier by 36.9 on average in EU-27 than in Russia, that lags behind. Finland ends ones business' life more rapid than any other EU-27 country, it takes less than one year (about 9 months) while in Russia it requires 2 years at least. In USA starting and closing a business seems to happen similarly easy. In this pillar USA rank 15th, translating this position we can just say that Russia lags behind and many reforms should be done. On the contrary, in China (75th) a businessman strive more to end his workings than in Russia.

4. The most problematic factors for doing business in Russia

Business environment and competitiveness are two concepts highly interrelated, as each of them is a prerequisite for the other. Judging from the rank both in GCI (67th) and Doing

Business Index (120th), entrepreneurship in Russian Federation is not such a simple task. The most problematic factors for doing business in Russia as it is recorded in GCI 2012/2013 are: corruption (20.5), inefficient government bureaucracy (11.9), access to financing (10.0), tax rates (9.3), inadequately educated workforce (7.1) and others of less importance.

The country's business environment still has a bad international reputation for corruption, bureaucracy and complexity. Corruption in Russia is so pervasive that the whole society accepts the unacceptable as normal, as the only way of survival, as the way things "just are."⁶³ Transparency International, which ranks countries according to perceived levels of corruption, says Russia has slumped from 46th place in 1996 to 143rd in 2011. Backward African countries, Uganda and Nigeria. That makes it one of the most corrupt countries on earth. Bureaucrats in charge of state tenders routinely ask for enormous bribes from companies bidding for the contracts, which add to the cost of the bills that the state pays. During years of economic boom, the road construction industry has become one of the most corrupt in Russia and costs have soared. The Russian Federation does particularly poorly in terms of environmental sustainability, with some of the poorest ratings globally for three indicators: the strength of environmental regulations, the number of international environmental treaties ratified by the country, and the quality of the natural environment.

5. Policy Recommendations

Russia immediately needs a more reshaped economy. The country must exploit its strengths and overwhelmed the impediments with a view to accomplish its full potential. The first strength is an affluence of natural resources, particularly oil, gas, coal, and precious metals.

⁶³ http://www.nytimes.com/2012/08/19/opinion/sunday/for-russians-corruption-is-just-a-way-of-life.html?_r=0

The second power is the great domestic market and growth rate. The third strong point is a highly educated population.

Russia, in order to ensure the WTO membership⁶⁴- criteria and from 30 November 2007 the ratified 'roadmap to accession', to the OECD, has already made significant efforts to improve the Business Environment hence its competitiveness.

Russia should lay a great emphasis on the following priority areas currently of major concern to business community.

Russia's political leadership is well abreast of its legal weakness. Investors are profoundly worried about outside powers and corruption affecting both the judicial system and law enforcement agencies, meaning that business owners cannot feel safe from potential state confiscation. Russia's immoderate bureaucracy poses challenges for investors. Since 2000, the number of Russian bureaucrats has augmented by 66%⁶⁵, and the cost of preserving the bureaucracy has increased from 1% to 20% of GDP¹¹. With public tenders, some business have stated problem in the course of registration and standardization, which retard the introduction of new technologies. In an environment of weak rule of law and unproductive bureaucracy, corruption among public officials flourishes and poses a serious hurdle to entrepreneurship and productivity, undermining investor confidence.

Consequently, the first target for reform is an inefficient and corrupt institutional framework. Policy-makers should create stronger laws and more transparent, independent and respected

⁶⁴ The Russian Federation has been a member of WTO since 22 August 2012.
http://www.wto.org/english/thewto_e/countries_e/russia_e.htm

⁶⁵
<http://www.biac.org/statements/nme/08%2003%202011%20FINAL%20BIAC%20DRAFT%20BIAC%20RUSSIA%20PAPER%202011.pdf>

courts, which companies could trust. The judicial system should be ameliorated in order to provide an unbiased and reliable forum for settling disagreements and enforcing rights on a non-discriminatory basis. Legislation that manages cases where there is a clear conflict of interest in companies and in state authorities is essential.

In order to fight systemic corruption, Russia needs not only to disperse power and property but also to isolate executive power from the system of checks over it. The political responsibility for the fight against corruption must be shared by the government and the opposition. The introduction of the Anticorruption Law, and supplementing Anticorruption Legislation, is assisting to fight corruption in Russia. Recently, the Russian Federation ratified the OECD Convention on Combating Bribery – in effect from 13 January 2012⁶⁶ – as part of Russia's continued efforts to improve its Transparency International corruption ranking and draw additional foreign investment. By this way, many non-Russia-based companies operating in Russia will already have anticorruption compliance programs in place, through the legislation in their home countries. Moreover, the authorities should carry out simplified fast procedures for warehouse receipts.

Investors are also troubled, not only for the extensive corruption and inadequate legal system mentioned above, but about the absence of a competitive environment and investment protection in Russia as well. Poor management leads to reduced productivity and significantly decreases the attractiveness of Russian corporations to investors. Russia is much less attractive to FDI as long as Russia's human capital is in an uncertain state. Public health issues, containing alcohol and tobacco abuse, have tangible economic dimensions, and presently, companies are practically the only way to get a minimum and efficient health

⁶⁶ <http://www.squiresanders.com/publications/detail.aspx?pub=5953>

insurance that gives access to available health institutions. According to the World Finance analysis, Russian regions can do a lot to perform better in the eyes of investors, and better performing regions will advance the attractiveness of Russia as a country. However, certain issues remain outside of regional control: infrastructure, Russia's reputation and some other factors need to be solved on the federal level⁶⁷.

Restructuring the public sector in order to strengthen the rule of law, to decrease burdensome bureaucracy, and to combat corruption will have positive effects for business confidence in Russia and will encourage domestic and foreign investment. Restricting corruption could potentially save the Russian economy billions of dollars per year.

The development of a foreseeable and high confidence investment environment is a strategic objective at this point. The Russian government should improve competition and regulation to encourage startup companies. Russia should work toward full compliance with the principles of non-discrimination and transparency, open FDI regimes for all sectors, and effective enforcement of property rights. Regulation can also be improved to encourage innovation commercialization and investment in R&D.

Regulatory barriers and tariffs in Russia are several times more restrictive than the OECD. In terms of the business environment for trade the World Bank and International Finance Corporation/Doing Business 2012: ranks Russia as 160th out of a total of 183 countries in terms of ease for trading across borders. Russia's economy is highly dependent on exporting many types of natural resources and commodities, meaning that strong trade is essential for continued growth.

⁶⁷ <http://worldfinancereview.com/may%202012/43-45.pdf>

In recent years, significant efforts have been undertaken in Russia to improve the tax environment, particularly in the areas of tax policy, tax collection and tax administration as well as a reduction in the number of taxes and the tax rates. It is unanimously concurred that the Russian tax system has become more transparent and less anti-business than it used to be. We appreciate the steps that have been taken to curb the burden of tax audits. Nevertheless, like any other emerging economy, many remains to be done to make the Russian tax laws.

The key goal of the state tax system should be to create a stable fiscal and legal regime to stabilize the trust of long-term investors and to improve the investment climate. Consultation with industry and industry associations as well as permitting sufficient transition period beforehand a proposed tax law change occurs should contribute to the stability and predictability of the tax system. Russia should lessen administrative difficulties and simplify tax mechanisms wherever possible. The current extensive documentary requirements should be improved and electronic documents should be allowed to facilitate companies to automate accounting and tax compliance in any existing Information Technology systems.

Russia has made some steps in improving its Intellectual Property Rights regime in recent years, by improving judicial system and developing new laws on copyrights, trademarks and patents, though if still has significant outstanding issues to address. The policy-makers should ensure that confidential business information is protected against unfair commercial use in perpetuity and that enforcement is backed up with significant punishments. Improving the overall IPR regime in Russia affects the benefits for innovation too.

Another challenge for Russia is the quality of education, in particular in math and science, and brain drain. The quality of education in Russia is deteriorating quickly. The consequence is that qualified workers are leaving the country. Russia should in the near future make major

investments into improving the quality of the country's educational system at all levels if it wants to maintain its highly educated population that is among its key advantages. Quality of education, availability of skills, intellectual property rights laws and enforcement, and private and public sector collaboration all impact innovation performance.

Moreover, the Russian government should pay attention in stabilizing financial markets, facilitating access to finance for business and make business practices more sophisticated, for example by introducing more clusters.

Besides, the high degree of state ownership in Russia, with state-owned enterprises responsible for around 60% of GDP, has a negative impact on competition, innovation and productivity growth. These three areas are inter-related. The recent moves by the Russian Government to privatize several SOEs are welcome and should increase foreign investment. Reducing the role of the State in the economy and encouraging private sector economic growth is important to boost competition, attract foreign investment, and thus stimulate economic growth.

Last but not least, technology is a major driver of productivity, as it enables transformation of business processes and applications and improves organizational effectiveness. To drive productivity growth, Russian companies need to improve their technology adoption and use, as well as their innovation performance.

The government needs to improve technology infrastructure and force e-government to facilitate improved development, adoption and use of technology. By improving its connectivity and technological infrastructure, Russia can stimulate technology development and use. This can also increase Russia's attractiveness to FDI and enhance productivity. In

addition, improving the availability of online services for business and developing online procurement procedures can enhance the use of technology by business.

6. Conclusion Remarks

The main aim of this paper was to examine aspects of the competitiveness and innovative business environment in Russian Federation. The outlook for the Russian economy is positive. It is one of the world's largest exporters of energy and minerals, which has allowed it to build up massive foreign-exchange reserves⁶⁸. This acts as a buffer against a future economic crisis. Russia has some potentially serious problems which it needs to work to overcome especially in the areas of institutions and enforcement of law. In the medium-long term if faces structural challenges such as unfavorable demographics (aging population combined with a steady brain drain) and the need for economic diversification. Our results show that the businesses are hampered by these problems, as is evident from the relatively low levels of business development and contribution to GDP by small firms in Russia compared with European countries. It is encouraging to see that Russia's evaluation on many key indices by business leaders is increasing. On the other hand, Russia's worldwide rank is decreasing in most of these areas as other countries appear to be improving at an even faster rate. In other words, the world is becoming increasingly competitive and this, combined with Russia's will to be more integrated in the world economy, clearly speaks for Russia needing to take additional steps to become increasingly competitive.

The path forward for Russia to secure productivity improvements needs to involve all of the key actors in the technology and innovation systems. The various issues that Russia faces in the development, adoption and use of technology and improving its innovation performance

⁶⁸ <http://www.edc.ca/EN/Country-Info/Documents/Russia.pdf>

create a huge opportunity for a win-win situation for all participants. Even small incremental changes that address the major issues are likely to create worthwhile benefits. Getting the basics right creates an opportunity for Russia to generate much greater impact on productivity by expanding its existing strengths.

This paper involves some recommendations over specific areas where Russia should pay some attention and therefore receive some benefits. For that the coming years could well be a crossroads for Russia. Will the tendency to authoritarianism persist or will there be a determined effort to further more open democratic structures? Will the Russian economy be closely based on natural resources or much more broadly based? A great amount of the answer lies in the hands of the leaders and people of the country itself. However, the Russian people are, at least, famous for their patience and determination, which has time after time shown over the centuries.

WTO membership is an exceptional and important chance to move the country forward toward an outward-looking model of economic development. Likewise, other countries have their role to play, particularly to open doors and provide examples that could help Russia move onward. Diversification, modernization and growth will be all the stronger if WTO accession is accompanied with improvements in the business climate, something of significance not just for Russians but for the world generally.

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8. APPENDIX

Table 1: Global Competitiveness Index: EU27 Pillars 2012-13

	EU-27	BASIC REQUIREMENTS		1. INSTITUTIONS		2. INFRASTRUCTURE		3. MACROECONOMIC ENVIRONMENT		4. HEALTH AND PRIMARY EDUCATION		EFFICIENCY ENHANCERS		5. HIGHER EDUCATION AND TRAINING		6. GOODS MARKET EFFICIENCY		7. LABOR MARKET EFFICIENCY		8. FINANCIAL MARKET DEVELOPMENT		9. TECHNOLOGICAL READINESS		10. MARKET SIZE		INNOVATION AND SOPHISTICATION FACTORS		11. BUSINESS SOPHISTICATION		12. INNOVATION	
Country	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCORE	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	RANK	SCOR	
1 Sweden	6	6.01	6	5.73	19	5.69	13	6.16	14	6.46	8	5.32	7	5.75	12	5.14	25	4.81	10	5.29	1	6.29	34	4.62	5	5.56	5	5.56	4	5.56	
2 Finland	4	6.03	3	6.03	23	5.58	24	5.7	1	6.82	9	5.3	1	6.18	18	5.05	15	5.00	4	5.5	10	5.92	54	4.18	3	5.62	7	5.49	2	5.75	
3 Germany	11	5.86	16	5.31	3	6.36	30	5.48	22	6.3	10	5.27	5	5.8	21	4.92	53	4.51	32	4.66	15	5.71	5	6.02	4	5.57	3	5.71	7	5.42	
4 Denmark	16	5.68	14	5.4	16	5.74	32	5.4	23	6.19	15	5.15	14	5.59	19	5.03	8	5.22	30	4.69	3	6.17	53	4.22	12	5.24	9	5.41	12	5.08	
5 Netherlands	10	5.92	7	5.72	7	6.18	41	5.2	5	6.6	7	5.35	6	5.79	6	5.29	17	4.99	20	4.96	9	5.98	20	5.11	6	5.47	4	5.63	3	5.31	
6 Luxembourg	8	5.96	9	5.6	12	5.84	12	6.18	28	6.2	24	4.87	44	4.74	4	5.32	37	4.65	12	5.21	2	6.21	92	3.07	19	4.89	23	4.96	18	4.82	
7 Austria	20	5.63	25	5.04	15	5.8	33	5.35	20	6.32	19	5.01	18	5.48	22	4.31	32	4.69	34	4.65	17	5.7	36	4.62	10	5.3	6	5.52	13	5.07	
8 France	23	5.52	32	4.83	4	6.28	68	4.64	21	6.31	18	5.04	27	5.14	46	4.47	66	4.41	27	4.73	14	5.72	8	5.76	18	4.96	21	5.00	17	4.91	
9 United Kingdom	24	5.51	13	5.41	6	6.22	110	4.01	17	6.39	4	5.5	16	5.57	17	5.09	5	5.42	13	5.16	7	6.00	6	5.78	9	5.32	8	5.48	10	5.17	
10 Belgium	22	5.52	27	5.00	21	5.68	66	4.66	2	6.75	17	5.09	4	5.81	15	5.12	50	4.54	31	4.68	22	5.57	27	4.81	13	5.21	12	5.32	11	5.09	
11 Estonia	26	5.47	30	4.94	41	4.72	20	6.01	27	6.21	31	4.63	25	5.17	31	4.73	10	5.11	39	4.51	25	5.29	96	2.98	33	4.06	51	4.2	30	3.93	
12 Cyprus	42	4.94	40	4.53	39	4.8	117	3.86	9	6.5	43	4.41	32	4.98	33	4.68	44	4.57	38	4.56	37	4.85	106	2.81	51	3.77	52	4.18	53	3.36	
13 Slovenia	39	5.05	58	4.05	35	4.91	50	4.94	24	6.29	55	4.25	23	5.2	49	4.42	91	4.15	128	3.29	34	4.96	78	3.46	36	4.02	53	4.18	32	3.85	
14 Ireland	35	5.11	19	5.22	25	5.34	131	3.44	12	6.46	25	4.85	20	5.3	9	5.24	16	5.00	108	3.6	12	5.82	56	4.13	20	4.87	18	5.09	21	4.66	
15 Spain	36	5.11	48	4.25	10	5.92	104	4.17	36	6.09	29	4.67	29	5.02	55	4.37	108	3.98	82	3.9	26	5.29	14	5.45	31	4.14	32	4.51	35	3.77	
16 Malta	34	5.12	37	4.61	34	4.91	71	4.6	19	6.34	40	4.46	35	4.93	34	4.62	92	4.14	15	5.11	21	5.59	125	2.38	46	3.85	43	4.27	48	3.43	
17 Portugal	40	4.96	46	4.28	24	5.5	116	3.87	30	6.19	44	4.4	30	4.98	61	4.31	123	3.8	99	3.71	28	5.27	48	4.34	37	4.01	54	4.17	31	3.86	
18 Czech Republic	44	4.89	82	3.67	38	4.81	42	5.19	53	5.87	34	4.59	38	4.87	41	4.53	75	4.32	57	4.25	31	5.06	40	4.51	32	4.13	35	4.45	34	3.81	
19 Italy	51	4.81	37	3.56	28	5.19	102	4.23	25	6.27	41	4.44	45	4.73	65	4.29	127	3.72	111	3.57	40	4.71	10	5.63	30	4.24	28	4.75	36	3.73	
20 Lithuania	49	4.84	60	4.01	40	4.74	75	4.57	39	6.05	46	4.38	26	5.15	56	4.36	65	4.41	87	3.86	33	5.00	74	3.53	47	3.83	56	4.16	43	3.51	
21 Slovak Republic	62	4.64	104	3.44	56	4.23	54	4.87	42	6.03	51	4.33	54	4.5	54	4.37	86	4.2	47	4.45	45	4.46	59	4.00	74	3.5	61	4.02	89	2.98	
22 Poland	61	4.66	55	4.11	73	3.89	72	4.6	43	6.03	28	4.69	36	4.92	51	4.39	57	4.48	37	4.59	42	4.66	19	5.12	61	3.66	60	4.06	63	3.25	
23 Hungary	55	4.78	80	3.7	50	4.39	44	5.15	51	5.89	52	4.32	49	4.67	67	4.28	79	4.27	72	4.05	49	4.43	52	4.25	58	3.68	86	3.74	37	3.61	
24 Latvia	54	4.79	59	4.01	64	4.11	46	5.06	45	5.99	48	4.37	42	4.78	47	4.42	27	4.78	52	4.4	38	4.73	91	3.11	68	3.57	71	3.89	64	3.25	
25 Greece	98	4.13	111	3.37	43	4.7	144	2.42	41	6.04	69	4.05	43	4.74	108	3.92	133	3.56	132	3.13	43	4.54	46	4.38	85	3.37	87	3.74	87	3.00	
26 Bulgaria	65	4.63	108	3.39	76	3.79	31	5.42	49	5.92	59	4.18	63	4.31	83	4.17	49	4.54	80	3.97	52	4.3	62	3.82	97	3.3	97	3.62	92	2.98	
27 Romania	90	4.22	116	3.33	97	3.22	58	4.83	83	5.51	64	4.12	59	4.36	113	3.86	104	4.01	77	3.98	59	4.09	43	4.41	106	3.2	110	3.47	102	2.92	
Average	37.96	5.18	48.22	4.54	33.30	5.13	63.19	4.82	29.15	6.22	32.96	4.71	29.30	5.13	42.11	4.64	59.04	4.49	54.59	4.39	26.48	5.27	50.15	4.31	37.44	4.38	40.37	4.61	37.04	4.15	

Source: World Economic Forum, The Global Competitiveness Index 2012-13

Table 2: Global Competitiveness Index: Black Sea Countries-10 Pillars 2012-13

Balkans	BASIC REQUIREMENTS			1. INSTITUTIONS		2. INFRASTRUCTURE		3. MACROECONOMIC ENVIRONMENT		4. HEALTH AND PRIMARY EDUCATION		EFFICIENCY ENHANCERS		5. HIGHER EDUCATION AND TRAINING		6. GOODS MARKET EFFICIENCY		7. LABOR MARKET EFFICIENCY		8. FINANCIAL MARKET DEVELOPMENT		9. TECHNOLOGICAL READINESS		10. MARKET SIZE		INNOVATION AND SOPHISTICATION		11. BUSINESS SOPHISTICATEDNESS		12. INNOVATION	
	Economy	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE		
1 Bulgaria	65	4.6	108	3.4	76	3.8	31	5.4	49	5.9	59	4.2	63	4.3	83	4.2	49	4.5	80	4.0	52	4.3	62	3.8	97	3.3	97	3.6	92	3.0	
2 Georgia	64	4.6	61	4.0	53	4.3	88	4.4	61	5.8	87	3.8	93	3.8	82	4.2	35	4.7	93	3.8	76	3.7	99	2.9	120	3.0	113	3.4	126	2.6	
3 Romania	90	4.2	116	3.3	97	3.2	58	4.8	83	5.5	64	4.1	59	4.4	113	3.9	104	4.0	77	4.0	59	4.1	43	4.4	106	3.2	110	3.5	102	2.9	
4 Russia	53	4.8	133	3.1	47	4.5	22	5.8	65	5.7	54	4.3	52	4.6	134	3.6	84	4.2	130	3.2	57	4.1	7	5.8	108	3.2	119	3.3	85	3.0	
5 Turkey	57	4.8	64	4.0	51	4.4	55	4.9	63	5.8	42	4.4	74	4.1	38	4.6	124	3.8	44	4.5	53	4.3	15	5.3	50	3.8	47	4.3	55	3.3	
6 Ukraine	79	4.4	132	3.1	65	4.1	90	4.4	62	5.8	65	4.1	47	4.7	117	3.8	62	4.4	114	3.5	81	3.6	38	4.6	79	3.4	91	3.7	71	3.2	
7 Armenia	76	4.4	71	3.9	80	3.7	83	4.5	80	5.5	82	3.9	70	4.2	72	4.2	30	4.7	78	4.0	92	3.4	115	2.6	98	3.3	92	3.7	105	2.9	
8 Azerbaijan	56	4.8	63	4.0	71	3.9	18	6.0	107	5.1	67	4.1	89	3.9	60	4.3	26	4.8	98	3.7	61	4.0	76	3.5	57	3.7	69	3.9	46	3.4	
9 Greece	98	4.1	111	3.4	43	4.7	144	2.4	41	6.0	69	4.0	43	4.7	108	3.9	133	3.6	132	3.1	43	4.5	46	4.4	85	3.4	85	3.7	87	3.0	
10 Moldova	93	4.2	110	3.4	92	3.5	93	4.4	86	5.4	99	3.7	88	4.0	100	4.0	81	4.3	104	3.6	65	3.9	121	2.5	131	2.9	120	3.3	135	2.4	
Average	73.10	4.49	96.90	3.6	67.50	4.01	68.20	4.70	69.70	5.65	68.80	4.06	67.80	4.27	90.70	4.07	72.80	4.30	95.00	3.74	63.90	3.99	62.20	3.98	93.10	3.32	94.30	3.64	90.40	2.97	

Source: World Economic Forum, The Global Competitiveness Index 2012-13

Table 3: Global Competitiveness Index 2012/13 - China

		GCR 2012-2013		GCR 2011-2012	
	Country	Rank/144	Value	Rank/142	Value
	CHINA	29	4.8	26	4.9
	Indicator				
A	BASIC REQUIREMENTS		31	5.3	30
	1st pillar INSTITUTIONS	50	4.2	48	4.3
1.01	Property rights	47	4.9	41	5
1.02	Intellectual property protection	51	3.9	47	4
1.03	Diversion of public funds	51	3.7	51	3.7
1.04	Public trust in politicians	26	4.1	26	4.2
1.05	Irregular payments and bribes	67	4	63	4.1
1.06	Judicial independence	66	3.9	63	3.9
1.07	Favoritism in decisions of government officials	34	3.8	38	3.8
1.08	Wastefulness of government spending	39	3.7	30	3.9
1.09	Burden of government regulation	23	4.2	21	3.9
1.10	Efficiency of legal framework in setting disputes	44	4.2	42	4.3
1.11	Efficiency of legal framework in challenging regs.	53	3.9	44	4
1.12	Transparency of government policymaking	51	4.5	41	4.7
1.13	Business costs of terrorism	32	4.3	94	5.2
1.14	Business costs of crime and violence	102	5.1	55	5.1
1.15	Organized crime	70	4.8	88	4.9
1.16	Reliability of police services	98	4.7	55	4.6
1.17	Ethical behavior of firms	59	4.5	57	4.1
1.18	Strength of auditing and reporting standards	58	4	61	4.8
1.19	Efficacy of corporate boards	72	4.5	77	4.4
1.20	Protection of minority shareholders' interests	91	4.3	60	4.4
1.21	Strength of investor protection, 0-10	68	4.2	77	5
1.22	Gov't services for improved business performance	80	5		
	2nd pillar INFRASTRUCTURE	48	4.5	44	4.6
2.01	Quality of overall infrastructure	69	4.3	69	4.2
2.02	Quality of roads	54	4.4	54	4.4
2.03	Quality of railroad infrastructure	22	4.6	21	4.6
2.04	Quality of port infrastructure	59	4.4	56	4.5
2.05	Quality of transport infrastructure	70	4.5	72	4.6
2.06	Available airline seat kms/week, millions	2.00	11,685.50	2.00	10,157.10
2.07	Quality of electricity supply	59	5.2	49	5.5
2.08	Mobile telephone subscriptions/100 pop.	114	73.2	113	64
2.09	Fixed telephone lines/100/pop.	58	21.2	55	21.9
	3rd pillar MACROECONOMIC ENVIRONMENT	11	6.2	10	6.2
3.01	Government budget balance, % GDP	41	-1.2	50	-2.6
3.02	Gross national savings, % GDP	5	51	2	54

3.03	Inflation, annual % change	82	5.4	63	3.3
3.04	Interest rate spread, %			31	3.1
3.05	General government debt, % GDP	35	25.8	20	17.7
3.06	Country credit rating, 0-100 (best)	22	79.6	22	80.2
4th pillar HEALTH & PRIMARY EDUCATION		35	6.1	32	6.2
4.01	Business impact of malaria	89	5.6	91	5.5
4.02	Malaria cases/100.000 pop.	80	2	79	7.5
4.03	Business impact of tuberculosis	84	5.1	78	5.1
4.04	Tuberculosis cases/100.000 pop.	84	78	89	96
4.05	Business impact of HIV/AIDS	70	5.3	73	5.2
4.06	HIV prevalence, % adult pop.	12	0.1	21	0.1
4.07	Infant mortality, deaths/1,000 live births	71	15.8	74	16.6
4.08	Life expectancy, years	75	73.3	70	73.3
4.09	Quality of primary education	42	4.5	31	4.7
4.10	Primary education enrollment, net %	4	99.8	9	99.4
B	EFFICIENCY ENHANCERS	30	4.6	26	4.7
5th pillar HIGHER EDUCATION & TRAINING		62	4.3	58	4.3
5.01	Secondary education enrollment, gross %	90	81.2	93	78.2
5.02	Tertiary education enrollment, gross %	79	25.9	85	24.5
5.03	Quality of the educational system	57	3.9	54	4
5.04	Quality of math and science education	33	4.6	31	4.7
5.05	Quality of management schools	68	4.2	59	4.3
5.06	Internet access in schools	31	5.4	28	5.7
5.07	Availability of research and training services	55	4.4	42	4.5
5.08	Extent of staff training	45	4.2	45	4.2
6th pillar GOODS MARKET EFFICIENCY		59	4.3	45	4.4
6.01	Intensity of local competition	37	5.3	22	5.5
6.02	Extent of market dominance	23	4.6	20	4.7
6.03	Effectiveness of anti-monopoly policy	54	4.2	48	4.3
6.04	Extent and effect of taxation	41	3.9	29	4
6.05	Total tax rate, % profits	125	63.5	125	63.5
6.06	No. procedures to start a business	134	14	131	14
6.07	No. days to start a business	116	38	112	38
6.08	Agricultural policy costs	13	4.7	9	5
6.09	Prevalence of trade barriers	79	4.2	63	4.5
6.10	Trade tariffs, % duty	122	11.5	126	13
6.11	Prevalence of foreign ownership	99	4.3	99	4.4
6.12	Business impact of rules on FDI	41	5	22	5.3
6.13	Burden of customs procedures	65	4.2	56	4.4
6.14	Imports as a percentage of GDP	126	27.1	126	27
6.15	Degree of customer orientation	90	4.5	72	4.5
6.16	Buyer sophistication	11	4.6	5	4.7
7th pillar LABOR MARKET EFFICIENCY		41	4.6	36	4.7

7.01	Cooperation in labor-employer relation	57	4.4	51	4.5
7.02	Flexibility of wage determination	77	5	52	5.3
7.03	Rigidity of employment index, 0-100 (worst)			82	31
7.04	Hiring and firing practices	42	4.3	44	4.3
7.05	Redundancy costs, weeks of salary	117	27	118	91
7.06	Pay and productivity	16	4.7	13	4.7
7.07	Reliance on professional management	48	4.5	46	4.7
7.08	Brain drain	39	4.1	33	4.3
7.09	Women in labor force, ratio to men	34	0.88	34	0.88
8th pillar FINANCIAL MARKET DEVELOPMENT		54	4.3	48	4.4
8.01	Availability of financial services	68	4.6	60	4.7
8.02	Affordability of financial services	46	4.6	41	4.7
8.03	Financing through local equity market	46	3.9	46	4
8.04	Ease of access to loans	50	3.1	45	3.1
8.05	Venture capital availability	22	3.5	22	3.5
8.06	Soundness of banks	71	5.1	64	5.3
8.07	Regulation of securities exchanges	58	4.3	53	4.5
8.08	Legal rights index, 0-10 (best)	65	6	60	6
9th pillar TECHNOLOGICAL READINESS		88	3.5	77	3.6
9.01	Availability of latest technologies	107	4.4	100	4.5
9.02	Firm-level technology absorption	71	4.7	61	4.9
9.03	FDI and technology transfer	77	4.6	80	4.6
9.04	Individuals using Internet, %	73	38.3	75	34.3
9.05	Broadband Internet subscriptions/100 pop.	49	11.6	55	9.4
9.06	Int'l Internet bandwidth, kb/s per user	119	2.7	94	0.8
9.07	Mobile broadband subscriptions/100 pop.	69	9.5		
10th pillar MARKET SIZE		2	6.8	2	6.8
10.1	Domestic market size index, 1-7 (best)	2	6.8	2	6.7
10.2	Foreign market size index, 1-7 (best)	1	7	1	7
C	INNOVATION & SOPHISTICATION FACTORS	34	4	31	4.1
11th pillar BUSINESS SOPHISTICATION		45	4.3	37	4.4
11.01	Local supplier quantity	28	5.2	19	5.4
11.02	Local supplier quality	66	4.5	59	4.6
11.03	State of cluster development	23	4.6	17	4.7
11.04	Nature of competitive advantage	56	3.6	45	3.8
11.05	Value chain breadth	49	3.8	45	4
11.06	Control of international distribution	41	4.3	37	4.4
11.07	Production process sophistication	57	3.9	52	4
11.08	Extent of marketing	52	4.4	43	4.5
11.09	Willingness to delegate authority	54	3.8	54	3.8
12th pillar INNOVATION		33	3.8	29	3.9
12.01	Capacity for innovation	23	4.1	23	4.2
12.02	Quality of scientific research institutions	44	4.2	38	4.3

12.03	Company spending on R&D	24	4.1	23	4.2
12.04	University industry collaboration in R&D	35	4.4	29	4.5
12.05	Gov't procurement of advanced tech products	16	4.4	16	4.4
12.06	Availability of scientists and engineers	46	4.4	33	4.6
12.07	Utility patents granted/million pop			46	2
12.08	PCT patents, applications/million pop.	38	6.5		

Source: World Economic Forum, *The Global Competitiveness Index 2012-13*

Table 4: Global Competitiveness Index 2012/13 - USA

		GCI 2012-2013		GCI 2011-2012		
	Country	Rank/144	Value	Rank/142	Value	
	UNITED STATES	7	5.5	5	5.4	
	Indicator					
A	BASIC REQUIREMENTS		33	5.10	36	5.20
	1st pillar INSTITUTIONS		41	4.60	39	4.60
1.01	Property rights	42	5.00	39	5.10	
1.02	Intellectual property protection	29	5.00	28	5.00	
1.03	Diversion of public funds	34	4.60	36	4.60	
1.04	Public trust in politicians	54	3.10	50	3.20	
1.05	Irregular payments and bribes	42	4.80	42	4.90	
1.06	Judicial independence	38	4.90	36	4.90	
1.07	Favoritism in decisions of government officials	59	3.20	50	3.30	
1.08	Wastefulness of government spending	76	3.20	66	3.20	
1.09	Burden of government regulation	76	3.30	58	3.40	
1.1	Efficiency of legal framework in setting disputes	35	4.50	36	4.50	
1.11	Efficiency of legal framework in challenging regs.	37	4.20	39	4.20	
1.12	Transparency of government policymaking	56	4.40	50	4.50	
1.13	Business costs of terrorism	33	4.20	122	4.50	
1.14	Business costs of crime and violence	124	4.40	81	4.50	
1.15	Organized crime	86	4.50	86	4.90	
1.16	Reliability of police services	87	4.90	30	5.60	
1.17	Ethical behavior of firms	30	5.50	29	5.10	
1.18	Strength of auditing and reporting standards	29	5.00	40	5.20	
1.19	Efficacy of corporate boards	37	5.20	26	5.10	
1.2	Protection of minority shareholders' interests	23	5.10	32	4.80	
1.21	Strength of investor protection, 0-10	33	4.80	5	8.30	
1.22	Gov't services for improved business performance	5	8.30			
	2nd pillar INFRASTRUCTURE		14	5.80	16	5.70
2.01	Quality of overall infrastructure	25	5.60	24	5.70	

2.02	Quality of roads	20	5.70	20	5.70
2.03	Quality of railroad infrastructure	18	4.80	20	4.80
2.04	Quality of port infrastructure	19	5.60	23	5.50
2.05	Quality of transport infrastructure	30	5.80	31	5.70
2.06	Available airline seat kms/week, millions	1.00	32,294.30	1.00	32,085.90
2.07	Quality of electricity supply	33	6.00	32	6.00
2.08	Mobile telephone subscriptions/100 pop.	72	105.90	87	89.90
2.09	Fixed telephone lines/100/pop.	15	47.90	14	48.70
3rd pillar MACROECONOMIC ENVIRONMENT		111	4.00	90	4.50
3.01	Government budget balance, % GDP	140	9.60	139	-10.60
3.02	Gross national savings, % GDP	114	12.90	121	11.60
3.03	Inflation, annual % change	31	3.10	1	1.60
3.04	Interest rate spread, %			26	2.90
3.05	General government debt, % GDP	136	102.90	132	91.60
3.06	Country credit rating, 0-100 (best)	11	89.40	9	91.40
4th pillar HEALTH & PRIMARY EDUCATION		34	6.10	42	6.10
4.01	Business impact of malaria	1	n/appl.	1	n/appl.
4.02	Malaria cases/100.000 pop.	1	(NE)	1	(NE)
4.03	Business impact of tuberculosis	59	5.60	61	5.60
4.04	Tuberculosis cases/100.000 pop.	4	4.10	4	4.10
4.05	Business impact of HIV/AIDS	90	5.00	87	4.90
4.06	HIV prevalence, % adult pop.	92	0.60	93	0.60
4.07	Infant mortality, deaths/1,000 live births	41	6.50	41	6.80
4.08	Life expectancy, years	34	78.20	32	78.70
4.09	Quality of primary education	38	4.60	37	4.60
4.1	Primary education enrollment, net %	58	94.60	77	92.00
B	EFFICIENCY ENHancers	2	5.60	3	5.50
5th pillar HIGHER EDUCATION & TRAINING		8	5.70	13	5.60
5.01	Secondary education enrollment, gross %	47	96.00	50	94.10
5.02	Tertiary education enrollment, gross %	2	94.80	6	82.90
5.03	Quality of the educational system	28	4.70	26	4.70
5.04	Quality of math and science education	47	4.30	51	4.30
5.05	Quality of management schools	12	5.40	12	5.40
5.06	Internet access in schools	24	5.70	24	5.80
5.07	Availability of research and training services	9	5.60	11	5.60
5.08	Extent of staff training	15	5.00	12	5.00
6th pillar GOODS MARKET EFFICIENCY		23	4.90	24	4.80
6.01	Intensity of local competition	18	5.60	18	5.60
6.02	Extent of market dominance	9	5.20	11	5.20
6.03	Effectiveness of anti-monopoly policy	17	4.90	17	5.00
6.04	Extent and effect of taxation	68	3.50	63	3.50
6.05	Total tax rate, % profits	103	46.70	96	46.80
6.06	No. procedures to start a business	47	6.00	34	6.00

6.07	No, days to start a business	16	6.00	13	6.00
6.08	Agricultural policy costs	65	3.90	69	3.90
6.09	Prevalence of trade barriers	50	4.60	59	4.60
6.1	Trade tariffs, % duty	35	1.40	32	1.50
6.11	Prevalence of foreign ownership	51	5.00	43	5.10
6.12	Business impact of rules on FDI	64	4.70	68	4.70
6.13	Burden of customs procedures	48	4.50	58	4.30
6.14	Imports as a percentage of GDP	142	17.60	140	15.90
6.15	Degree of customer orientation	18	5.40	24	5.30
6.16	Buyer sophistication	10	4.60	12	4.60
	7th pillar LABOR MARKET EFFICIENCY	6	5.40	4	5.60
7.01	Cooperation in labor-employer relation	42	4.70	36	4.80
7.02	Flexibility of wage determination	34	5.40	32	5.50
7.03	Rigidity of employment index, 0-100 (worst)			1	0.00
7.04	Hiring and firing practices	8	5.00	8	5.10
7.05	Redundancy costs, weeks of salary	1	0.00	1	0.00
7.06	Pay and productivity	12	4.80	8	4.90
7.07	Reliance on professional management	19	5.40	17	5.50
7.08	Brain drain	5	5.60	3	5.70
7.09	Women in labor force, ratio to men	44	0.86	44	0.85
	8th pillar FINANCIAL MARKET DEVELOPMENT	16	5.10	22	4.90
8.01	Availability of financial services	12	6.00	13	6.00
8.02	Affordability of financial services	13	5.30	18	5.30
8.03	Financing through local equity market	18	4.60	28	4.30
8.04	Ease of access to loans	20	3.80	24	3.70
8.05	Venture capital availability	10	4.10	12	4.00
8.06	Soundness of banks	80	5.00	90	4.80
8.07	Regulation of securities exchanges	39	4.80	48	4.60
8.08	Legal rights index, 0-10 (best)	11	9.00	20	8.00
	9th pillar TECHNOLOGICAL READINESS	11	5.80	20	5.20
9.01	Availability of latest technologies	14	6.30	18	6.30
9.02	Firm-level technology absorption	14	5.90	18	5.90
9.03	FDI and technology transfer	43	4.90	49	4.90
9.04	Individuals using Internet, %	20	77.90	18	79.00
9.05	Broadband Internet subscriptions/100 pop.	17	28.70	18	26.30
9.06	Int'l Internet bandwidth, kb/s per user	33	47.20	26	29.00
9.07	Mobile broadband subscriptions/100 pop.	8	65.50		
	10th pillar MARKET SIZE	1	6.90	1	6.90
10.01	Domestic market size index, 1-7 (best)	1	7.00	1	7.00
10.02	Foreign market size index, 1-7 (best)	2	6.70	2	6.70
C	INNOVATION & SOPHISTICATION FACTORS	7	5.40	6	5.50
	11th pillar BUSINESS SOPHISTICATION	10	5.30	10	5.40
11.01	Local supplier quantity	14	5.40	12	5.50

11.02	Local supplier quality	14	5.50	13	5.50
11.03	State of cluster development	12	5.00	9	5.10
11.04	Nature of competitive advantage	18	5.20	20	5.20
11.05	Value chain breadth	13	5.10	14	5.10
11.06	Control of international distribution	10	5.10	9	5.10
11.07	Production process sophistication	11	5.70	15	5.60
11.08	Extent of marketing	3	5.90	3	5.90
11.09	Willingness to delegate authority	10	5.10	10	5.10
	12th pillar INNOVATION	6	5.50	5	5.60
12.01	Capacity for innovation	7	5.20	7	5.20
12.02	Quality of scientific research institutions	6	5.80	7	5.80
12.03	Company spending on R&D	7	5.30	6	5.30
12.04	University industry collaboration in R&D	3	5.60	3	5.70
12.05	Gov't procurement of advanced tech products	15	4.40	9	4.70
12.06	Availability of scientists and engineers	5	5.40	4	5.50
12.07	Utility patents granted/million pop			3	339.40
12.08	PCT patents, applications/million pop.	12	137.90		

Source: World Economic Forum, *The Global Competitiveness Index 2012-13*

Table 5: Ease of Doing Business Index: RUSSIA

Number of pillars	INDICATORS	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Ease of Doing Business Rank	79	96	106	120	120	123	120
1	Starting a Business		33	50	65	106	108	111
2	Dealing with Construction Permits		163	177	180	182	182	178
3	Getting Electricity		87 employing workers	101 employing workers	101 employing workers	109 employing workers	—	183
4	Registering Property		44	45	49	45	51	45
5	Getting Credit		159	84	109	87	89	98
6	Protecting Investors		60	83	88	93	93	111
7	Paying taxes		98	130	134	103	105	105
8	Trading Across Borders		143	155	161	162	162	160
9	Enforcing Contracts		25	19	18	19	18	13
10	Resolving Insolvency		81	80	89	92	103	60

Source: The International Finance Corporation, The World Bank

Table 6: Ease of Doing Business Index 2011/2012: EU27 Pillars

ECONOMY		Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
1	Denmark	5	31	10	13	11	24	29	14	7	32	5
2	United	7	19	22	60	68	1	10	24	13	21	6
3	Ireland	10	13	27	90	81	8	5	5	21	62	10
4	Finland	11	39	45	25	25	40	65	28	6	11	5
5	Sweden	14	46	23	8	19	48	29	50	8	54	19
6	Germany	19	98	15	2	77	24	97	89	12	8	36
7	Latvia	21	51	112	84	32	4	65	67	15	17	32
8	Estonia	24	44	89	48	13	40	166	51	3	29	72
9	Lithuania	27	101	47	81	7	48	65	62	28	15	40
10	Belgium	28	36	51	87	174	48	17	77	36	20	8
11	France	29	25	30	62	149	48	79	58	24	6	46
12	Portugal	30	26	97	34	31	126	46	78	26	22	22
13	Netherlands	31	79	99	67	48	48	111	43	13	28	7
14	Austria	32	134	76	21	35	24	133	82	25	9	21
15	Slovenia	37	28	81	27	79	98	24	87	50	58	39
16	Cyprus	40	33	78	96	123	78	29	37	19	105	23
17	Spain	44	133	38	69	56	48	97	48	55	54	20
18	Slovak Republic	48	76	50	102	10	24	111	130	95	71	35
19	Luxembourg	50	81	33	63	134	150	122	17	31	1	49
20	Hungary	51	39	55	103	43	48	122	117	74	19	66
21	Bulgaria	59	49	128	133	66	8	46	69	91	87	90
22	Poland	62	126	160	64	89	8	46	128	46	68	87
23	Czech Republic	64	138	68	148	34	48	97	119	70	78	33
24	Romania	72	63	123	165	70	8	46	32	72	56	97
25	Italy	87	77	96	109	84	98	65	134	63	158	30
26	Greece	100	135	41	77	150	78	155	83	108	90	57
27	Malta	x	x	x	x	x	x	x	x	x	x	x

Source: The World Bank, Doing Business 2012

Table 7: Ease of Starting a Business 2011/2012: BS-10

ECONOMY		Starting a Business Rank	Procedures	Time	Cost	Paid-in Min. Capital
1	Bulgaria	49	4	18	1.5	0
2	Georgia	7	2	2	4.3	0
3	Romania	63	6	14	3	0.8
4	Russia	111	9	30	2	1.6
5	Turkey	61	6	6	11.2	8.7
6	Ukraine	112	9	24	4.4	1.8
7	Armenia	10	3	8	2.9	0
8	Azerbaijan	18	6	8	2.7	0
9	Greece	135	10	10	20.1	22.8
10	Moldova	88	7	9	9.1	9.9
Average		62.89	6.2	12.9	6.12	4.56

Source: The World Bank, Doing Business 2012

Table 8: Ease of Dealing with Construction Permits 2011/2012: BS-10

ECONOMY		Dealing with Construction Permits Rank	Procedures	Time	Cost
1	Bulgaria	128	23	120	317
2	Georgia	4	9	74	20.2
3	Romania	123	16	287	73
4	Russia	178	51	423	183.8
5	Turkey	155	24	189	197.7
6	Ukraine	180	21	375	1,462.03
7	Armenia	57	18	79	57.1
8	Azerbaijan	172	30	212	335.2
9	Greece	41	14	169	3.4
10	Moldova	164	27	291	79.2
Average		120.2	23.3	221.9	272.9

Source: The World Bank, Doing Business 2012

Table 9: Ease of Getting Electricity 2011/2012: BS-10

ECONOMY	Getting Electricity	Procedures	Time	Cost
1 Bulgaria	133	6	130	366.6
2 Georgia	89	5	97	751.3
3 Romania	165	7	223	556.9
4 Russia	183	10	281	1,852.40
5 Turkey	72	5	70	624.4
6 Ukraine	169	11	274	229.2
7 Armenia	150	6	242	257.8
8 Azerbaijan	173	9	241	677.6
9 Greece	77	6	77	59.2
10 Moldova	160	7	140	660.6
Average	139.5	7.5	177.8	593.9

Source: The World Bank, Doing Business 2012

Table 10: Ease of Registering Property 2011/2012: BS-10

ECONOMY	Registering Property Rank	Procedures	Time	Cost
1 Bulgaria	66	8	15	3
2 Georgia	1	1	2	0.1
3 Romania	70	8	26	1.2
4 Russia	45	5	43	0.2
5 Turkey	44	6	6	3.3
6 Ukraine	166	10	117	3.9
7 Armenia	5	3	7	0.3
8 Azerbaijan	9	4	11	0.2
9 Greece	150	11	18	12
10 Moldova	18	5	5	0.9
Average	57.4	6.1	25	2.51

Source: The World Bank, Doing Business 2012

Table 11: Ease of Getting Credit 2011/2012: BS-10

ECONOMY		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (%of adults)	Private Bureau Coverage (%of adults)
1	Bulgaria	8	8	6	52.8	28.8
2	Georgia	8	8	6	0.0	29.6
3	Romania	8	9	5	15.2	42.0
4	Russia	98	3	5	0.0	35.8
5	Turkey	78	4	5	23.8	60.5
6	Ukraine	24	9	4	0.0	17
7	Armenia	40	6	6	23.7	46.6
8	Azerbaijan	48	6	5	15.6	0
9	Greece	78	4	5	0.0	82.4
10	Moldova	40	8	4	0.0	3
Average		51.75	6	5	7.9	34.4

Source: The World Bank, Doing Business 2012

Table 12: Protecting Investors 2011/2012: BS-10

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Bulgaria	46.00	10.00	1.00	7	6
2	Georgia	17.00	9.00	6.00	6	7
3	Romania	46.00	9.00	5.00	4	6
4	Russia	111.00	6.00	2.00	6	4.7
5	Turkey	65.00	9.00	4.00	4	5.7
6	Ukraine	111.00	5.00	2.00	7	4.7
7	Armenia	97.00	5.00	2.00	8	5
8	Azerbaijan	24.00	7.00	5.00	8	6.7
9	Greece	155.00	1.00	4.00	5	3.3
10	Moldova	111	7	1	6	4.7
Average		74.67	6.78	3.44	5	5.25

Source: The World Bank, Doing Business 2012

Table 13: Paying Taxes 2011/2012: BS-10

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	Bulgaria	69	17	500	4.90	19.20	4.10	28.1
2	Georgia	42	4	387	—	—	—	16.5
3	Romania	154	113	222	10.40	31.80	2.20	44.4
4	Russia	105	9	290	8.90	32.10	5.80	46.9
5	Turkey	79	15	223	17.90	18.80	4.40	41.1
6	Ukraine	181	135	657	12.20	43.30	1.60	57.1
7	Armenia	153	34	500	16.80	23.00	1.10	40.9
8	Azerbaijan	81	18	225	12.90	24.80	2.20	40
9	Greece	83	10	224	13.40	31.70	1.40	46.4
10	Moldova	83	48	228	0.00	30.60	0.70	31.3
Average		103	40.3	345.6	10.82	28.37	2.61	39.27

Source: *The World Bank, Doing Business 2012*

Table 14: Trading Across Borders 2011/2012: BS-10

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
1	Bulgaria	91	5	21	1.551	6	17	1.666
2	Georgia	54	4	10	1.595	4	13	1.715
3	Romania	72	5	12	1.485	6	13	1.495
4	Russia	160	8	36	1.850	10	36	1.800
5	Turkey	80	7	14	990	8	15	1.063
6	Ukraine	140	6	30	1.865	8	33	2.155
7	Armenia	104	5	13	1.815	8	18	2.195
8	Azerbaijan	170	8	38	2.905	10	42	3.405
9	Greece	84	5	20	1.153	6	25	1.265
10	Moldova	134	6	32	1.545	7	35	1.740
Average		108.9	5.9	22.6	100.58	7.3	21	1.850

Source: *The World Bank, Doing Business 2012*

Table 15: Ease of Enforcing Contracts 2011/2012: BS-10

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Bulgaria	87	39	564	23.8
2	Georgia	41	36	285	29.9
3	Romania	56	31	512	28.9
4	Russia	13	36	281	13.4
5	Turkey	51	36	420	27.9
6	Ukraine	44	30	343	41.5
7	Armenia	91	49	440	19
8	Azerbaijan	25	39	237	18.5
9	Greece	90	39	819	14.4
10	Moldova	26	30	352	28.6
Average		48.22	36.5	425.3	24.59

Source: *The World Bank, Doing Business 2012*

Table 16: Ease of Resolving Insolvency 2011/2012: BS-10

ECONOMY		Resolving Insolvency Rank	Time (years)	Cost (%of estate)	Recovery Rate (Cents on the dollar)
1	Bulgaria	90	3.3	9	31.4
2	Georgia	109	3.3	4	25.5
3	Romania	97	3.3	11	28.6
4	Russia	60	2	9	41.5
5	Turkey	120	3.3	15	22.3
6	Ukraine	156	2.9	42	8.9
7	Armenia	62	1.9	4	40.3
8	Azerbaijan	95	2.7	8	29.7
9	Greece	57	2	9	41.8
10	Moldova	91	2.8	9	31.3
Average		93.7	2.75	12	30.13

Source: *The World Bank, Doing Business 2012*

Table 17: Ease of Starting a Business 2011/2012: EU27

ECONOMY		Starting a Business RANK	Procedures	Time	Cost	Paid-in Min. Capital
1	Ireland	13	4	13	0.4	0
2	United Kingdom	19	6	13	0.7	0
3	France	25	5	7	0.9	0
4	Portugal	26	5	5	2.3	0
5	Slovenia	28	2	6	0	43.6
6	Denmark	31	4	6	0	25
7	Cyprus	33	6	8	13.1	0
8	Belgium	36	3	4	5.2	18.9
9	Finland	39	3	14	1	7.3
10	Hungary	39	4	4	7.6	9.7
11	Estonia	44	5	7	1.8	24.4
12	Sweden	46	3	15	0.6	14
13	Bulgaria	49	4	18	1.5	0
14	Latvia	51	4	16	2.6	0
15	Romania	63	6	14	3	0.8
16	Slovak Republic	76	6	18	1.8	20.9
17	Italy	77	6	6	18.2	9.9
18	Netherlands	79	6	8	5.5	50.4
19	Luxembourg	81	6	19	1.9	21.2
20	Germany	98	9	15	4.6	0
21	Lithuania	101	6	22	2.8	35.7
22	Poland	126	6	32	17.3	14
23	Spain	133	10	28	4.7	13.2
24	Austria	134	8	28	5.2	52
25	Greece	135	10	10	20.1	22.8
26	Czech Republic	138	9	20	8.4	30.7
27	Malta		x	x	x	x
Average		66.15	5.62	13.69	5.05	15.94

Source: The World Bank, Doing Business 2012

Table 18: Ease of Dealing with Construction Permits 2011/2012: EU27

ECONOMY		Dealing with Construction Permits Rank	Procedures	Time	Cost
1	Denmark	10	5	67	59.1
2	Germany	15	9	97	49.7
3	United Kingdom	22	9	99	63.8
4	Sweden	23	7	116	81.6
5	Ireland	27	10	141	33.1
6	France	30	10	184	13.6
7	Luxembourg	33	12	157	19.5
8	Spain	38	8	182	51.8
9	Greece	41	14	169	3.4
10	Finland	45	16	66	66.6
11	Lithuania	47	15	142	25.5
12	Slovak Republic	50	11	286	7.2
13	Belgium	51	12	169	53.6
14	Hungary	55	29	102	5.8
15	Czech Republic	68	33	120	10.9
16	Austria	76	13	194	60.8
17	Cyprus	78	9	677	47.5
18	Slovenia	81	13	199	64.9
19	Estonia	89	13	148	278.6
20	Italy	96	11	258	138.1
21	Portugal	97	14	255	47.2
22	Netherlands	99	15	176	107.8
23	Latvia	112	23	205	21
24	Romania	123	16	287	73
25	Bulgaria	128	23	120	317
26	Poland	160	30	301	53.6
27	Malta	x	x	x	x
Average		65.15	14.62	189.12	67.49

Source: The World Bank, Doing Business 2012

Table 19: Ease of Getting Electricity 2011/2012: EU27

ECONOMY		Getting Electricity Rank	Procedures	Time	Cost
1	Germany	2	3	17	49.9
2	Sweden	8	3	52	20.7
3	Denmark	13	4	38	120.6
4	Austria	21	5	23	110.8
5	Finland	25	5	53	31.7
6	Slovenia	27	5	177	242.2
7	Portugal	34	5	64	54.6
8	Estonia	48	4	111	222.5
9	United Kingdom	60	5	109	72.3
10	France	62	5	123	40.2
11	Luxembourg	63	5	120	58.8
12	Poland	64	4	143	209.3
13	Netherlands	67	5	143	30.7
14	Spain	69	5	101	231.9
15	Greece	77	6	77	59.2
16	Lithuania	81	5	148	63.3
17	Latvia	84	5	108	439.1
18	Belgium	87	6	88	95.3
19	Ireland	90	5	205	91.1
20	Cyprus	96	5	247	95.3
21	Slovak Republic	102	5	177	242.2
22	Hungary	103	5	252	120.3
23	Italy	109	5	192	327.2
24	Bulgaria	133	6	130	366.6
25	Czech Republic	148	6	279	186.2
26	Romania	165	7	223	556.9
27	Malta	x	x	x	x
Average		70.69	4.96	130.77	159.19

Table 20: Ease of Registering Property 2011/2012: EU27

ECONOMY		Registering Property Rank	Procedures	Time	Cost
1	Lithuania	7	3	3	0.8
2	Slovak Republic	10	3	17	0
3	Denmark	11	3	16	0.6
4	Estonia	13	3	18	0.4
5	Sweden	19	1	7	4.3
6	Finland	25	3	14	4
7	Portugal	31	1	1	7.3
8	Latvia	32	5	18	2
9	Czech Republic	34	4	25	3
10	Austria	35	3	21	4.6
11	Hungary	43	4	17	5
12	Netherlands	48	5	7	6.1
13	Spain	56	5	13	7.1
14	Bulgaria	66	8	15	3
15	United Kingdom	68	6	29	4.7
16	Romania	70	8	26	1.2
17	Germany	77	5	40	5.2
18	Slovenia	79	5	110	2
19	Ireland	81	5	38	6.5
20	Italy	84	7	27	4.5
21	Poland	89	6	152	0.4
22	Cyprus	123	6	42	10.3
23	Luxembourg	134	8	29	10.1
24	France	149	8	59	6.1
25	Greece	150	11	18	12
26	Belgium	174	8	64	12.7
27	Malta	x	x	x	x
Average		65.69	5.15	31.77	4.77

Source: The World Bank, Doing Business 2012

Table 21: Ease of Getting Credit 2011/2012: EU27

ECONOMY		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (% of adults)	Private Bureau Coverage (% of adults)
1	United Kingdom	1	10	6	0	100
2	Latvia	4	10	5	59.7	0
3	Bulgaria	8	8	6	52.8	28.8
4	Ireland	8	9	5	0	100
5	Poland	8	9	5	0	74.8
6	Romania	8	9	5	15.2	42
7	Austria	24	7	6	1.7	51.6
8	Denmark	24	9	4	0	7.3
9	Germany	24	7	6	1.3	100
10	Slovak Republic	24	9	4	2.6	56.1
11	Estonia	40	7	5	0	33.1
12	Finland	40	8	4	0	20.5
13	Belgium	48	7	4	72.6	0
14	Czech Republic	48	6	5	6.1	95.7
15	France	48	7	4	43.3	0
16	Hungary	48	7	4	0	16.1
17	Lithuania	48	5	6	15	75.6
18	Netherlands	48	6	5	0	83.2
19	Spain	48	6	5	54.7	11.4
20	Sweden	48	7	4	0	100
21	Cyprus	78	9	0	0	0
22	Greece	78	4	5	0	82.4
23	Italy	98	3	5	23	100
24	Slovenia	98	4	4	3.3	100
25	Portugal	126	3	4	86.2	21.5
26	Luxembourg	150	6	0	0	0
27	Malta	x	x	x	x	x
Average		47.12	7.00	4.46	16.83	50.00

Table 22: Ease of Protecting Investors 2011/2012: EU27

ECONOMY		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
1	Ireland	5	10	6	9	8.3
2	United Kingdom	10	10	7	7	8
3	Belgium	17	8	6	7	7
4	Slovenia	24	3	9	8	6.7
5	Cyprus	29	8	4	7	6.3
6	Denmark	29	7	5	7	6.3
7	Sweden	29	8	4	7	6.3
8	Bulgaria	46	10	1	7	6
9	Poland	46	7	2	9	6
10	Portugal	46	6	5	7	6
11	Romania	46	9	5	4	6
12	Finland	65	6	4	7	5.7
13	Italy	65	7	4	6	5.7
14	Latvia	65	5	4	8	5.7
15	Lithuania	65	7	4	6	5.7
16	France	79	10	1	5	5.3
17	Czech Republic	97	2	5	8	5
18	Germany	97	5	5	5	5
19	Spain	97	5	6	4	5
20	Netherlands	111	4	4	6	4.7
21	Slovak Republic	111	3	4	7	4.7
22	Hungary	122	2	4	7	4.3
23	Luxembourg	122	6	4	3	4.3
24	Austria	133	3	5	4	4
25	Greece	155	1	4	5	3.3
26	Estonia	166	8	3	6	5.7
27	Malta	x	x	x	x	x
Average		72.19	6.15	4.42	6.38	5.65

Source: The World Bank, Doing Business 2012

Table 23: Ease of Paying Taxes 2011/2012: EU27

ECONOMY		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labour tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
1	Ireland	5	8	76	11.9	11.6	2.7	26.3
2	Denmark	14	10	135	20.1	3.6	3.8	27.5
3	Luxembourg	17	23	59	4.1	15.1	1.5	20.8
4	United Kingdom	24	8	110	23.1	11	3.2	37.3
5	Finland	28	8	93	13.7	24.2	1.2	39
6	Romania	32	113	222	10.4	31.8	2.2	44.4
7	Cyprus	37	27	149	9.1	11.8	2.2	23.1
8	Netherlands	43	9	127	20.9	18.1	1.5	40.5
9	Spain	48	8	187	1.2	36.7	0.7	38.7
10	Sweden	50	4	122	15.7	35.5	1.6	52.8
11	Estonia	51	8	85	8	39.4	11.2	58.6
12	France	58	7	132	8.2	51.7	5.7	65.7
13	Lithuania	62	11	175	5.7	35.1	3.1	43.9
14	Latvia	67	7	290	6.1	27.2	4.7	37.9
15	Bulgaria	69	17	500	4.9	19.2	4.1	28.1
16	Belgium	77	11	156	5.2	50.4	1.7	57.3
17	Portugal	78	8	275	15.1	26.8	1.5	43.3
18	Austria	82	14	170	15	34.8	3.4	53.1
19	Greece	83	10	224	13.4	31.7	1.4	46.4
20	Slovenia	87	22	260	14.1	18.2	2.4	34.7
21	Germany	89	12	221	19	21.8	5.9	46.7
22	Hungary	117	13	277	14.8	34.1	3.5	52.4
23	Czech Republic	119	8	557	7.5	38.4	3.2	49.1
24	Poland	128	29	296	17.4	23.6	2.6	43.6
25	Slovak Republic	130	31	231	7.2	39.6	2	48.8
26	Italy	134	15	285	22.8	43.4	2.2	68.5
27	Malta	x	x	x	x	x	x	x
Average		66.50	16.96	208.23	12.10	28.26	3.05	43.40

Table 24: Ease of Trading Across Borders 2011/2012: EU27

ECONOMY		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
1	Estonia	3	3	5	725	4	5	725
2	Finland	6	4	8	540	5	8	620
3	Denmark	7	4	5	744	3	5	744
4	Sweden	8	3	8	697	3	6	735
5	Germany	12	4	7	872	5	7	937
6	Netherlands	13	4	6	895	5	6	975
7	United Kingdom	13	4	7	950	4	6	1,05
8	Latvia	15	5	10	600	6	11	801
9	Cyprus	19	5	7	790	7	5	900
	Ireland	21	4	7	1,11	4	12	1,12
11	France	24	2	9	1,08	2	11	1,25
12	Austria	25	4	7	1,18	5	8	1,2
13	Portugal	26	4	16	685	5	15	899
14	Lithuania	28	6	9	870	6	9	980
15	Luxembourg	31	5	6	1,42	4	6	1,42
16	Belgium	36	4	8	1,43	5	8	1,6
17	Poland	46	5	17	1,05	5	16	1
	Slovenia	50	6	16	710	8	15	765
19	Spain	55	6	9	1,22	7	10	1,22
20	Italy	63	4	20	1,25	4	18	1,25
21	Czech Republic	70	4	17	1,06	7	20	1,17
22	Romania	72	5	12	1,49	6	13	1,5
23	Hungary	74	6	16	1,02	7	18	1,09
24	Bulgaria	91	5	21	1,55	6	17	1,67
25	Slovak Republic	95	6	17	1,56	7	17	1,54
26	Greece	108	5	20	1,15	6	25	1,27
27	Malta	x	x	x	x	x	x	x
Average		38.88	4.50	11.15	756.50	5.23	11.42	756.83

Source: The World Bank, Doing Business 2012

Table 25: Ease of Enforcing Contracts 2011/2012: EU27

ECONOMY		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (%of claim)
1	Luxembourg	1	26	321	9.7
2	France	6	29	331	17.4
3	Germany	8	30	394	14.4
4	Austria	9	25	397	18
5	Finland	11	33	375	13.3
6	Lithuania	15	30	275	23.6
7	Latvia	17	27	369	23.1
8	Hungary	19	35	395	15
9	Belgium	20	26	505	17.7
10	United Kingdom	21	28	399	24.8
11	Portugal	22	31	547	13
12	Netherlands	28	26	514	23.9
13	Estonia	29	35	425	22.3
14	Denmark	32	35	410	23.3
15	Spain	54	39	515	17.2
16	Sweden	54	30	508	31.2
17	Romania	56	31	512	28.9
18	Slovenia	58	32	1,29	12.7
19	Ireland	62	21	650	26.9
20	Poland	68	37	830	12
21	Slovak Republic	71	32	565	30
22	Czech Republic	78	27	611	33
23	Bulgaria	87	39	564	23.8
24	Greece	90	39	819	14.4
25	Cyprus	105	43	735	16.4
26	Italy	158	41	1,21	29.9
27	Malta	x	x	x	x
Average		45.35	31.81	498.58	20.61

Source: The World Bank, Doing Business 2012

Table 26: Ease of Resolving Insolvency 2011/2012: EU27

ECONOMY		Resolving Insolvency Rank	Time (years)	Recovery Rate(Cents on the dollar)
1	Finland	5	0.9	89.1
2	United Kingdom	6	1	88.6
3	Netherlands	7	1.1	87.7
4	Belgium	8	0.9	87.3
5	Denmark	9	1	87.3
6	Ireland	10	0.4	86.9
7	Sweden	19	2	75.8
8	Spain	20	1.5	75.6
9	Austria	21	1.1	72.7
10	Portugal	22	2	70.9
11	Cyprus	23	1.5	70.8
12	Italy	30	1.8	61.1
13	Latvia	32	3	56.2
14	Czech Republic	33	3.2	56
15	Slovak Republic	35	4	54.3
16	Germany	36	1.2	53.8
17	Slovenia	39	2	51.1
18	Lithuania	40	1.5	50.9
19	France	46	1.9	45.8
20	Luxembourg	49	2	43.5
21	Greece	57	2	41.8
	Hungary	66	2	39.2
23	Estonia	72	3	36.9
24	Poland	87	3	31.5
25	Bulgaria	90	3.3	31.4
26	Romania	97	3.3	28.6
27	Malta	x	x	x
Average		36.88	1.95	60.57

Source: *The World Bank, Doing Business 2012*

Table 27: Doing Business 2011 & 2012: China & USA

ECONOMY		Ease of Doing Business		Starting a business		Dealing with Construction Permits		Getting Electricity		Registering Property		Getting Credit		Protecting Investors		Paying Taxes		Trading Across Borders		Enforcing Contracts		Resolving Insolvency	
		DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012	DB2011	DB2012
1	CHINA	79	91	151	151	181	179	x	115	38	40	65	67	93	97	114	122	50	60	15	16	68	75
2	USA	5	4	9	13	27	17	x	17	12	16	6	4	5	5	62	72	20	20	8	7	14	15

Source: *The World Bank, Doing Business 2011, 2012*

Table 28: Starting a Business 2011 & 2012: China - USA

Economy/DB Report		Starting a Business Rank	Procedures	Time	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
CHINA	2011	151	14	38	4.5	118.3
	2012	151	14	38	3.5	100.4
USA	2011	9	6	6	1.4	0.0
	2012	13	6	6	1.4	0.0

Source: The World Bank, Doing Business 2011, 2012

Table 29: Dealing with Construction Permits 2011 & 2012: China - USA

Economy/DB Report		Dealing with Construction Permits Rank	Procedures	Time	Cost (% of income per capita)
CHINA	2011	181	37	336	523.4
	2012	179	33	311	444.1
USA	2011	27	19	40	12.8
	2012	17	15	26	12.8

Source: The World Bank, Doing Business 2011, 2012

Table 30: Getting Electricity 2011 & 2012: China - USA

Economy/DB Report		Getting Electricity Rank	Procedures	Time	Cost (% of income per capita)
CHINA	2011	—	—	—	—
	2012	115	5	145	640.9
USA	2011	—	—	—	—
	2012	17	4	68	16.8

Source: The World Bank, Doing Business 2011, 2012

Table 31: Registering Property 2011 & 2012: China - USA

Economy/DB Report		Registering Property Rank	Procedures	Time	Cost (% of property value)
CHINA	2011	38	4	29	3.6
	2012	40	4	29	3.6
USA	2011	12	4	12	0.5
	2012	16	4	12	0.8

Source: The World Bank, Doing Business 2011, 2012

Table 32: Getting Credit 2011 & 2012: China - USA

Economy/DB Report		Getting Credit Rank	Strength of legal rights index (0-10)	Depth of Credit Information Index (0-6)	Public Registry Coverage (% of adults)	Private Bureau Coverage (% of adults)
CHINA	2011	65	6	4	63.9	0.0
	2012	67	6	4	82.5	0.0
USA	2011	6	8	6	0.0	100.0
	2012	4	9	6	0.0	100.0

Table 33: Protecting Investors 2011 & 2012: China - USA

Economy/DB Report		Protecting Investors Rank	Extent of Disclosure Index (0-10)	Extent of Director Liability Index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
CHINA	2011	93	10	1	4	5.0
	2012	97	10	1	4	5.0
USA	2011	5	7	9	9	8.3
	2012	5	7	9	9	8.3

Table 34: Paying taxes 2011 & 2012: China - USA

Economy/DB Report		Paying taxes Rank	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
CHINA	2011	114	7	398	63.5
	2012	112	7	398	63.5
USA	2011	62	11	187	46.8
	2012	72	11	187	46.7

Table 35: Trading Across Borders 2011 & 2012: China - USA

Economy/DB Report		Trading Across Borders Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
CHINA	2011	50	7	21	500	5	24	545
	2012	60	8	21	500	5	24	545
USA	2011	20	4	6	1,050	5	5	1,315
	2012	20	4	6	1,050	5	5	1,315

Source: The World Bank, Doing Business 2011, 2012

Table 36: Enforcing Contracts 2011 & 2012: China - USA

Economy/DB Report		Enforcing Contracts Rank	Procedures (number)	Time (days)	Cost (% of claim)
CHINA	2011	15	34	406	11.1
	2012	16	34	406	11.1
USA	2011	8	32	300	14.4
	2012	7	32	300	14.4

Table 37: Resolving Insolvency 2011 & 2012: China - USA

Economy/DB Report		Resolving Insolvency Rank	Time (years)	Cost (% of estate)	Recovery Rate (Cents on the dollar)
CHINA	2011	68	1.7	22	36.4
	2012	75	1.7	22	36.1
USA	2011	14	1.5	7	81.5
	2012	15	1.5	7	81.5

Source: The World Bank, Doing Business 2011, 2012