Business and Power: Problems of Relationships in Russia

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Business and Power: Problems of Relationships in Russia

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Abstract. The problem of the relationship between government and business arose in Russia with the transition to market relations. Practice has shown that the state of the economy in capitalist society depends on the relationship between business and government: the better and more constructively these relations, the better the investment climate, the more inflow of financial and other resources into the economy of regions and the country as a whole. This article attempts to analyze the current problems of the relationship between government and business, outline the main directions for their improvement. It is known that the authorities have more opportunities to establish "rules of the game", since it has all the resources of the state, at its disposal is a repressive apparatus, including the court, the prosecutor's office, other law enforcement agencies and law enforcement agencies. Legislative and executive authorities in Russia develop and implement a tax and other policy in relation to business, the state supervisory authorities monitor the activities of business structures, monitoring their current legislation. The federal and regional authorities have set up a number of sites for communication with business - various councils under the president, including the State Council, the Council for Science, Technology and Education, the Economic Council, the coordination councils for entrepreneurship, the development of small and medium-sized businesses under the head of the region, etc. The Russian business, in turn, has financial resources and the opportunity to exert corporate pressure on the authorities and on its individual representatives in order to obtain the desired results. The areas for communication between business and government were also formed, in the role of which the Russian Union of Industrialists and Entrepreneurs (RSPP), the Chamber of Commerce and Industry, the All-Russian Public Organization of Small and Medium-Sized Enterprises "Opora Rossii", "Delovaya Rossiya", which is an alliance entrepreneurs working in the non-primary sector of the economy and uniting entrepreneurs from 68 regions of the Russian Federation and 40 industrial unions. Corruption, based on corruptness and bribery of the Russian authorities, has become an effective means of achieving the goal for businessmen. Lobbyism as a way of realizing its interests in the government by business has not received civilized development and legislative design in Russia.
1. Introduction

President of the Russian Federation V.V. Putin, speaking with the next message to the Federal Assembly on March 1, 2018, paid much attention to the problems of business, its relationship with the authorities, law enforcement structures. "In order for the economy to work in full force, we need to radically improve the business climate, ensure the highest level of entrepreneurial freedom and competition ... We should remove everything that allows unscrupulous, corrupt officials and law enforcement agencies to exert pressure on the business. The Criminal Code should cease to be an instrument for resolving economic conflicts between legal entities "[1].

On March 18, 2018, presidential elections took place in Russia, in which Vladimir Putin won a big victory. The Russian people, having handed the next carte blanche to the head of state, expect changes for the next six years for the better. However, many independent experts instead expect the continuation of stagnation in the economy and failure to implement a number of election promises. For example, Sergei Zhavoronkov, senior researcher at the E. Gaidar Institute for Economic Policy, explicitly stated: "Vladimir Putin is not in a position to change his economic policy because of the interests of state corporations headed by his friends. However, in his message to the Federal Assembly, he said a lot of the right things, but he says these correct things throughout the 18 years of government. This is not even populism, but a complete divergence of words and actions. [2].

Director of the Institute of Contemporary Economy Nikita Isayev believes that changes in the economy are possible only if there is political will of the head of state. [3].

A new long-term economic strategy should also affect the improvement of relations between government and business. The basic principles of these relations were formulated by President V. Putin in a message of December 4, 2014. The head of state publicly stated that "the relations between business and the state should be built on the philosophy of the common cause, on partnership and equal dialogue" [4].

However, it is incorrect to believe that after such public speeches of the head of state, all the main problems of mutual relations were completely solved. For example, there are still no clear and unchanging "rules of the game", the investment climate is far from favorable, and the legal framework does not guarantee the inviolability of private property. After the well-known authorities destroyed one of the most successful oil companies with an annual income of tens of billions of dollars, and its owners were sent to jail, the overwhelming majority of large Russian entrepreneurs began to register their companies abroad - in Cyprus, the Bahamas, the Maldives, in Switzerland and other offshore zones, thereby expressing a sign of mistrust of Russian jurisdiction.

Having registered in the Seychelles, Cyprus, Monaco, the Bahamas and other offshore companies, Russian companies minimize their costs by significantly reducing tax payments. tax on dividends in Russia is 9%, then in offshore it is only 5% or completely absent, as, for example, in the Bahamas. Offshore schemes allow you to evade many Russian taxes: (value-added, income of individuals, payment of various excises and duties, as well as from social payments to budgets of different levels.

According to SM Mironov, the former head of the Federation Council, 70% of the Russian economy today is managed from offshore companies, which is confirmed by many facts. Thus, a controlling stake in the largest domestic steel company Novolipetsk Steel (worth $ 13.3 billion) belongs to Fletcher Group Holdings Limited, based in Cyprus. The main owner of NLMK V. Lisin, who owns 82% of the combine, is at the top of the list of the richest businessmen in Russia. Its condition in 2018 is estimated at $ 19 billion [5]. According to our calculations, over the past 10 years, Russian businessmen have been exported abroad, including offshore companies for more than $ 680 billion or almost three annual Russian Federation's budgets.

As a result of mass withdrawal of large Russian business to offshore, the Russian budget is not receiving hundreds of billions of rubles in taxes and fees.

With the help of offshore companies, Russian businessmen not only evade taxes, but also protect property from raider seizures, and from illegal criminal prosecution. On illegal criminal prosecution of entrepreneurs in modern Russia say for a long time, but radically to break the trend is not possible, the chances of facing a criminal case with Russian businessmen are quite large. In Russia, the institution
of a criminal case against a businessman often ends in a reputational loss or loss of business. Businessmen are in danger of losing control of their case in the SIZO, where they can be kept for months without a verdict and great progress in the investigation.

Thus, the current practice of unlawfully instituting criminal proceedings against Russian businessmen is an integral part of the negative process - raiding, that is, the illegal seizure of profitable business.

With the pressure of the law enforcement agencies, the authorities have been struggling for more than ten years, during which the head of state issued tough instructions on this issue. Dmitry Medvedev, being the president of Russia, in the summer of 2008, at a meeting with representatives of small businesses, directly stated: "In general, it is necessary that both our law enforcement bodies and the authorities cease to be a nightmare of business" [6]. Vladimir Putin also called on the supervisory and supervisory bodies to stop the nightmare of business, to reduce the number of unscheduled inspections of entrepreneurs.

Fulfilling V. Putin's instructions to stop the "nightmarish business", the Ministry of Economic Development in October 2012 drafted a bill proposing a fine of 200 thousand rubles and even imprisonment for up to 5 years of police for illegal criminal prosecution of entrepreneurs. Despite the wide support among lawyers and businessmen, this project has been forgotten. "The practice of investigating criminal cases of raiding shows that in almost all cases, officials of the government and local government provide assistance to raiders," said the head of the Investigation Committee, Alexander Bastrykin. According to him, the elected authorities initiate deputy requests, distort the coverage of events in the media, and fulfill other orders of the raiders [7].

The fight against raiding in Russia is hampered not so much by legislative problems as by crime and corruption by state bodies. The statistics of recent years indicate a negative trend: every year hundreds of thousands of businessmen in Russia are arrested. In 2010 281.3 thousand "economic" crimes were recorded, then in 2011 - 240.2 thousand, in 2012 - 235 thousand, in 2013 - 225.2 thousand, in 2014 - 212.3 thousand In 2016, according to the business ombudsman Boris Titov, 240,000 criminal cases on economic crimes were instituted [8].

President Vladimir Putin was aware of the wrong policies of the authorities and law enforcement agencies in relation to business. At the meeting-seminar with the chairmen of the courts, he stated the following facts: in 2014, investigative authorities instituted nearly 200,000 criminal cases on so-called economic composition. Only 15% of the cases ended in a verdict. A 83% of entrepreneurs lost business. That is, they were pressed, robbed and released. " And this, of course, is not what we need from the point of view of the business climate" [9].

Practice has shown that for the safe conduct of business and enrichment, support from the power structures is required. This is officially - under oath and protocol, - said billionaire Roman Abramovich in the High Court of London in October 2011. He gave Boris Berezovsky a large sum - more than 2 billion 500 million dollars - for supporting his business at the political level [10].

In the conditions of constant pressure on the business, which are far from the normal investment climate, the empowered entrepreneurs should receive additional powers to resolve conflicts between businessmen and authorities. Otherwise, more and more businessmen will withdraw their business from Russia's jurisdiction to offshore, and offshorization of the Russian economy will become irreversible.

Today offshores become a real obstacle to the formation of a normal business climate in the country, reducing the level of confidence in its economy from foreign partners and investors. Therefore, President V.Putin repeatedly stated that the state needs to support domestic business, create such conditions that it is profitable to invest in the domestic economy and industry [11]. To do this, it is necessary to create comfortable conditions for doing business in Russia, to reduce corruption in public authorities, etc.

Corruption in the Russian Federation complicates not only normal business conduct, but also distorts the functioning of all political and economic mechanisms. Corruption in Russia has become a way to enrich the powers that be. New political and socio-economic conditions have become fertile
soil for illegal enrichment of those who, by virtue of their official powers, distribute various kinds of quotas, issue licenses, conduct tenders for government purchases, etc.

The annual aggregate income of Russian corrupt officials is constantly growing and has already reached, according to some estimates, $300 billion [12]. According to opinion polls, 90% of Russian businessmen do not believe that their business in our country can be successfully managed without corruption links [13]. In 2017, according to the world's corruptness rating, Russia occupies 135th place out of 182 states and is among the most corrupt states in the so-called "zone of national shame" [14]. A feature of modern corruption in Russia is that it is consistently expanding its zones of influence, at the expense of new, previously sufficiently protected from it spheres, in particular, law enforcement and higher echelons of power, which makes it particularly dangerous.

In the distribution of Russian markets for corruption services, the executive branch is almost exclusively dominant. It accounts for 98.97% of the total volume of the market of corruption services (for comparison, the judiciary - 0.86% and the legislative branch - 0.17%). Moreover, the exclusive power functions of the executive branch bring the greatest corruption income, in particular, such as non-financial control and supervision activities - 34.6%, licensing - 34.2%, fiscal levying taxes and tax control - 22.0% [16]. According to Cyril Kabanov, chairman of the National Anti-Corruption Committee, corruption manifests itself most in the sphere of public procurement, when the value of goods and services is deliberately increased by the prior collusion of an official and businessman participating in the process of tenders and competitions for the development of public finances [17].

Thus, the corruption component in Russia has become a critically dangerous problem.

In order to combat corruption the specialists suggest minimizing the contacts of the official with the customer of the state service, applying a widely advertised "electronic government" that is not yet fully operational. It was proposed to ensure a broader representation of state and public structures in the President's Council for Combating Corruption. A number of recommendations concern the improvement of the system for investigating cases of corruption, the development of a legal institution for the confiscation of corrupt incomes, and the tightening of the liability of legal persons for corruption offenses [18].

In our opinion, lobbyism and corruption are two sides of a medal between government and business in modern Russia.

Some researchers believe that lobbying plays a positive role in making important decisions, since lobbyists inform the authorities about various problems of business and thereby ensure the realization of the interests of the business community in public authorities. Given the underdevelopment of the Russian political and legal system and the imperfection of the representative government, lobbying (so far not legally formalized and not public) is becoming one of the main forms of bringing business interests to power.

Acting professionally, the AvtoVAZ lobbyists were able to persuade the government bodies to make the decision that was beneficial to domestic automakers. Thanks to the efforts of the lobbyists, the workplaces and staff of experienced specialists were saved. In this, we believe, the positive role of modern lobbyists from the big Russian business.

An example of successful lobbying of interests of big business in the government is the adoption of governmental decisions on the appeals of Gazprom. As a result, the government allowed gas producers to increase tariffs for the population in 2008 by 1.5 times, in 2009 by another 25%, in 2010 and 2011 by 30% and 40% respectively. Simple calculations show that the population and enterprises in three years began paying more than twice as much for gas tariffs as at the beginning of 2008.

Under the pressure of the electricity lobby, the government of the country made a number of decisions in favor of the energy business.

Moreover, after a while, a government decision was made (not without the participation of lobbyists led by A. Chubais) about the right of private energy companies to set prices for supplied electricity to wholesale markets themselves.

Almost simultaneously, the government decided to increase electricity tariffs for businesses and the public. As a result, in the crisis year 2009, electricity tariffs rose by 20-25%. The growth of tariffs for
electricity for businesses and the public continued until the end of 2017, despite the economic crisis and the decline in real incomes of ordinary Russians. In 2018, the decision of the Federal Energy Commission cost 1 kW / hour was increased for the population compared to 2008 more than three times [19].

It would be more correct and fair, in our opinion, that the government, going towards the lobbyists, does not forget that it should serve not only monopolists, but also to observe the interests of millions of Russians. Along with the growth of tariffs for gas, electricity, housing and communal services, the real incomes of Russian citizens should also grow proportionally.

In modern Russian history, there are examples where government decisions were taken under the pressure of lobbyists to the detriment of public interests. The RSPP and individual oligarchs were able to establish such a dialogue with government bodies, in which they often received what they wanted: they privatized the former public property for a symbolic price, paid a low income tax on a flat scale, used offshore zones to reduce other taxes and export of capital abroad, received other preferences from the current government. At the same time, large business, lobbying its narrowly corporate interests, paid large amounts of bribes to government officials.

In the 2000s, lobbying in the higher echelons of power did not decrease. Only methods of "pushing" the interests of business have changed: in our opinion, they have acquired a more civilized form. So, thanks to the skillful actions of lobbyists, the owners of insurance companies were able to persuade the deputies of the State Duma and members of the government to introduce compulsory motor third party liability insurance (OSAGO) in Russia, and then regularly make decisions on tariffs beneficial for insurers. Changes to the previous procedure for annual technical inspections were also made with the participation of lobbyists.

Lobbyists from business actively work in the power structures in order to reduce the tax burden on entrepreneurs. They were able for years to freeze the draft law on the progressive scale of income tax on wealthy Russians. Thanks to lobbyists the dream of billionaires and millionaires has come true not to pay progressive taxes. In Western Europe and the United States have long been operating increased tax rates for wealthy citizens: the richer - the greater the tax. During the crisis, the progressive tax in the US reached 60%. In Russia, the income tax for the poor and the rich is the same - 13%. And if some changes are being considered in this area, then raising taxes from all citizens to 15%, and not just from businessmen. It is worth mentioning here that owners of medium and large businesses in Russia practically do not pay their wages in order to not pay the current tax to individuals at a rate of 13%, but receive legal dividends, which are taxed at a significantly low rate - only 9%.

Thus, in relations of power and business in Russia, quite a lot of acute problems have accumulated, which President V. Putin must solve in the new six-year term if he intends to realize his election promises and tasks formulated in his next letter to the political and economic elite with whom he spoke on March 1, 2018.

2. Problem Statement
One of the main issues of this research was the issue of topical issues of the relationship between business and government in Russia. The authors made an attempt to analyze the shortcomings in this area relating to corruption, lobbyism, criminal prosecution of businessmen, etc. To remedy this situation, it is necessary, in our opinion, to change the forms and methods of state management of the economy.

Alexei Kudrin, the ex-Minister of Finance of Russia and the head of the Center for Strategic Research (CSR), called the "immediate launch of public administration reform" the main task of the newly victorious President V.Putin and the future government, since the current system of state administration "is not capable of solving problems, facing the country "[20].

Specific directions, forms and methods of public administration, including such an important sphere as state regulation of the economy are determined by the nature of the relationship between government and business in this particular period.
The practice of state regulation of the economy shows that in different countries of the world, in different ways, according to tradition and experience, a balance is formed between state interference and the influence of market processes on the economy. This is the subject of legislation on companies, joint-stock companies and other associations.

In the difficult situation associated with the introduction of Western sanctions against Russia, the economic function of the state is increasing. If we analyze the sectoral structure of sanctions against Russia, we can find that the sanctions are directed against the key competitive industries of the Russian economy: the oil, gas, nuclear and military industries, as well as against Russian banking capital. In these conditions, the state seeks to help businesses that fall under the sanctions of the US and its allies.

Cooperation between private enterprises, organizations and public authorities exists in Russia for more than a quarter of a century. The political leadership of the country attaches great importance to this cooperation. "The constructive interaction of government, society and business is one of the conditions for the success of democratic transformations and the sustainable economic development of our country," he said. Putin, welcoming the participants and organizers of the Togliatti Dialogue Forum [21]. The interaction of government, business and society is now seen as the most important factor contributing to the solution of complex tasks of Russia's social and economic development.

Economic forums are one of the forms of effective interaction between government and business. The fact that there have been a lot of different subjects in the subjects of the Russian Federation over the past few years, both in terms of objectives and composition of participants in economic forums, shows that the dialogue between the authorities and business is happening more and more often. Leaders of the largest domestic companies and regional leaders, heads of regional government bodies can openly discuss issues of stimulating innovation activity in the framework of forums to upgrade the regional economy, to talk freely about taxes, labor resources and investments. All this can not but contribute to mutual understanding, development of common views and common approaches to solving urgent problems of social and economic development of regions and the country as a whole.

As international experience shows, this form of interaction between government and business, such as public-private partnership (PPP), can become an effective means of establishing close mutually beneficial relations in the economy and social sphere. Public-private partnership (in foreign public and political literature - public-private) implies cooperation between business and government structures, regional corporations and state enterprises aimed at achieving common social and political goals, solving pressing social and economic problems through agreements, contracts, concession agreements on interaction. Public-private partnerships are widely spread abroad, and, above all, in Western Europe.

The need for the formation of public-private partnership in our country is quite clearly indicated by Presidents D. Medvedev and V. Putin in a number of their public speeches. Thus, in the Message of the President of Russia Dmitry Medvedev to the Federal Assembly of the Russian Federation on November 30, 2010, it was stressed: "We need to encourage and make maximum use of the mechanism of public-private partnership" [22]. In June 2017, President Vladimir Putin instructed the government "to work out a mechanism for public-private partnership for infrastructure" [23].

The private sector can solve such tasks as profit from joint activities with the state, access to objects owned by the state, or other benefits, such as benefits, budget funds for business development, stability, overcoming barriers to access to markets for services (works) and other.

Thus, public-private partnership as a form of interaction between government and business in Russia is gaining momentum and in the long term it should become an organizational and institutional combination of efforts and resources of the state and private business with a view to implementing socially significant projects.

3. Research Questions
In this study, the authors consider the following questions.
1. Identify shortcomings in the relationship between government and business and outline ways to overcome them.
2. Analyze the reasons for the flight of domestic businessmen and their capitals to offshore and other countries of the world.
3. Show the attempts of the country's leadership to de-orphanize the national economy.
4. Analyze some forms and methods of effective interaction between business and government in the face of Western sanctions.

4. Purpose of the Study
The purpose of the study is to study the problems that Russian businessmen face when entering into relations with the bodies of the Russian government.

5. Research Methods
In this study, the following methods are used: 1) a comparative method that compares the relationship of power and business in Russia and China, some other developed countries; 2) systemic and structural-functional approaches make it possible to form a holistic and objective view of the state of relations between government and business in Russia, highlighting both the positive aspects and the existing shortcomings; 3) The institutional approach allows us to analyze the role of the president, the government, law enforcement and other authorities in the implementation of state policy regarding business representatives in Russia.

6. Findings
1. In the new economic conditions at the state level, recognition of business as an active creative force of the society is necessary, and entrepreneurship is an important part of the country's economic growth, welfare, quality of life and national security. The state should give an open, clear and long-lasting signal to society that entrepreneurship is a benefit for both the Russian economy and citizens.
2. The federal and regional authorities should finally understand that the entrepreneurial potential can be realized only in the case of guaranteed inviolability of private property, stability of tax policy, fiscal and regulatory conditions, and also with the interest of regional and local authorities in the development of entrepreneurship, mutual understanding and cooperation of the authorities and business, their common responsibility for social and economic development of the country.
3. Despite the less favorable conditions for doing business in Russia than the developed countries of the world, domestic businessmen, acting within the limits of the anti-Russian sanctions, with the support of the power institutions, are achieving significant results in modernizing production and introducing the latest achievements of science and technology in their enterprises. This is evidenced, among other things, by the successes in the production of precision weapons, aircraft and shipbuilding, and other branches of the economy.
4. Thanks to the achieved mutual understanding between the authorities and the business community, attempts by the US and its allies to drive a wedge between the authorities and big business, including those who were included in the so-called "Kremlin list" failed, experts predict that Americans can seize property and business accounts from a blacklist to quarrel with the power of a large business or that oligarchs close to the Kremlin, influenced the change in Russia's foreign policy, including on issues related to Ukraine. The sanctions against the Rossiya bank, called the "personal bank of senior officials of the Russian Federation" and large Russian businessmen, who were considered to be connected by business relations with President V.V. V., were not successful. Putin (GN Timchenko, brothers AR and BR Rothenberg, Yu. V. Kovalchuk). The hopes of the US Senate about causing significant damage after imposing sanctions on Sberbank, VTB, Vnesheconombank, Gazprombank, Gazprom, Novatek, Rosneft and Rosoboronexport were not fulfilled. However, it should be recognized that as a result of the set of sanctions of the West, the banking, defense and energy sectors of the Russian economy still suffered to some extent.
5. However, it would be a mistake to believe that in the relations of power and business in Russia all problems are solved. The level of corruption is still high, there is no guarantee of inviolability of private property, as evidenced by raider seizures of lucrative enterprises involving law enforcement agencies, Russian courts and other authorities, and the number of arrests of businessmen in economic crimes exceeds two hundred thousand a year.

7. Conclusion
1. As a result of joint actions of business and government, the standard of living of ordinary Russians has deteriorated noticeably in recent years. For the fourth consecutive year, the real incomes of citizens are declining, and the total number of poor people exceeds 20,000,000. This fact was recognized by the Russian president in his message to the Federal Assembly on March 1, 2018 [24].

2. According to the conditions of doing business in the Doing Business rating, Russia in 2017 occupied 35th place. To the political leadership of Russia to improve the business environment, it is advisable to turn to the experience of Japan, China, Singapore, and other developed countries of the world in order to creatively use it in their country. Both China's experience, and the Japanese and Singaporean "economic miracle" have convincingly shown that by creating a favorable investment climate, caring for comfortable conditions for entrepreneurs, providing them with all possible support, the state not only achieves impressive results in the economy, but also significantly improves political stability in society, the level and quality of life of its citizens.

3. The authors of the article express the hope that President Vladimir Putin will use his new six-year term as head of state to change the relationship of power to business for the better, to reduce corruption and raiding, to reduce the outflow of capital to offshore so that by joint efforts of the authorities and business, creatively using international experience, to bring Russia to a number of prosperous countries in the world.

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