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## PRESS RELEASE

### New CER Essay - *Unwritten Rules: How Russia Really Works*

by Alena Ledeneva

Western businesses and policy-makers must first grasp the “unwritten rules” that underpin the Russian economy, if they are to play a role in its transformation, according to a new CER essay. Too often foreign investors and policy-makers focus on the ineffectiveness of the rule of law, rather than starting by looking what does work in Russia and how.

“If legislative reforms and law enforcement do not operate in the expected way, it is logical to suppose that something is working against them, and working very efficiently”, writes author Alena Ledeneva. “What is it? A tentative answer can be found in popular wisdom: ‘Russia is a country of unread laws and unwritten rules.’”

The author demonstrates how these unwritten rules operate by analysing tax evasion schemes, barter exchanges, and the role of the state as a major shareholder in large corporations. For example, Cyprus is both the most popular offshore zone for Russian business and one of the Russia’s top five foreign investors, matching France and the UK. What looks like capital flight from Russia often reappears as foreign investment in Russia, albeit having escaped taxation. Such elusive informal practices greatly contribute to the non-transparency of the ‘rules of the game’ in the Russian economy.

Ledeneva argues that western attempts over the past decade to ‘shock’ Russia into a functioning market economy have had minimal effect because they have been subverted by these “unwritten rules”. But foreign investors and international organisations can play a major role in transforming these unwritten rules, which is essential if the Russian economy is to change fundamentally.

#### Notes for Editors:

1. *Unwritten Rules: How Russia Really Works* will be published by the Centre for European Reform on May 29. For copies please phone 44 (0)20 7233 1199 or email [catherine@cer.org.uk](mailto:catherine@cer.org.uk)
2. Alena Ledeneva is Lecturer in Russian Politics and Society at the School of Slavonic and East European Studies, University College London. For interviews please contact Alena Ledeneva on 44 (0)20 7862 8605