

of state-owned property to the share capital of open joint-stock companies, the new *Privatization Law* also established a number of new privatization methods including, for example, the sale of shares in open joint stock companies on stock exchanges, and the sale of such shares outside the Russian Federation. At the same time, some of the previously well-known and widely used methods of privatization (such as the sale of shares in open joint stock companies to their employees, or the buyout of the leased state property by the lessees) are now excluded from the new *Privatization Law*. In doing so, the Government is trying to eliminate the use of “cheap” methods of privatization, which appears to be a reasonable and long-expected change based on the inadequacies of previous privatization attempts.

In accordance with the new *Privatization Law* the Russian Government each year approves an annual plan with a list of federal property intended for privatization during the relevant year. The planning procedure for privatization of property owned by the Russian Federation subjects and for municipal property is defined by the relevant state and municipal authorities. Such annual plans and decisions on the conditions of privatization of state and municipal property are published in the official mass media nominated by the relevant authorities.

Current legislation on privatization clearly demonstrates an overall increase in state control over the privatization process, the specific forms of which, in many instances, are yet to be developed. It is unlikely that there will be a great deal of privatization activity in the short run.

11. LANGUAGE POLICY

Under Article 68 of the *Constitution of the Russian Federation*, the state language throughout the territory of the Russian Federation is Russian. All official election materials, legislation, and other legal acts, must be published in the official state language.

In addition, the *Constitution* upholds the rights of each of the individual republics within the Russian Federation to establish its own state language. Thus, regional state bodies and local institutions of self-government within Russia’s 21 republics may conduct official state business in two languages: Russian and the republic’s national language.

Foreign investors should be aware of some of the restrictions governing the use of the Russian language. For example, the Federal Law *On the State Language of the Russian Federation* requires that all advertising in the Russian Federation must be

either in Russian or in the particular state language of the individual republic in which the advertising appears. The exceptions to this rule are trademarks, which may be in the original language of the trademark, and mass media designed for teaching foreign languages. In addition, the use of the word “Russia” or “Russian Federation” in the name of a company (except for the transliterated foreign spelling of the same words) requires a special permit from the Government of the Russian Federation and exposes that company to certain tax consequences.

12. CIVIL LEGISLATION

The adoption of the new *Civil Code of the Russian Federation* represents one of the landmarks in Russia’s transition to a market economy. The *Civil Code* consists of four parts. Part I of the *Civil Code* came into effect on 1 January 1995, and Part II on 1 March 1996. Together, these two parts serve as the legal basis for virtually every transaction in the Russian Federation.

Part I of the *Civil Code* upholds such rights as the rights to own and inherit property; to engage in entrepreneurial activity; to establish independent legal entities, and provides for the protection of non-material attributes, in particular, defense of honor, dignity and business reputation. Part I also defines concepts such as legal entity, securities, transaction, obligation, power of attorney and contract.

Part II further expands on the law of obligations, and contains provisions governing certain types of contracts: sale and purchase; barter; donation; annuity; rent; contractor’s agreement; provision of services; transportation; forwarding; loan; insurance; agency. In addition, Part II of the *Civil Code* provides for non-contractual obligations such as agency without authority, torts (including product liability), unjust enrichment, public contest, and public promise of a reward.

Although Parts I and II of the *Civil Code* were signed into law, several provisions of the *Civil Code* required the adoption of additional legislation. Such legislation has now, in large part, been adopted including the Federal Law *On Joint Stock Companies*, the Federal Law *On Limited Liability Companies*, the Federal Law *On State Registration of Legal Entities*, the Federal Law *On Pledge* and the Federal Law *On State Registration of Rights to Real Estate and Transactions Therewith*. It should be noted that significant amendments to the *Civil Code*, and respective federal laws related to limited liability companies, pledge