This article is concerned with valuation-based problems that foreign investors and project financiers encounter when operating in Poland and Russia. The legal and regulatory frameworks in those countries have largely been modelled on the guidelines and laws that have been developed by the western capitalist economic systems, though in being applied to Poland and Russia, the systems are expected to function in the absence of a complimentary sophisticated local capitalist market. This approach to regulation has led to significant difficulties caused in part by the fact that the both sets of laws are predicated on the ability of the underlying economic structure to identify capital, asset, and strategic values in order to trigger the transformation procedures. Unfortunately, the respective laws of both Poland and Russia provide little assistance to either the investor or the domestic partner target in this respect. The foreign partner in standard western financing also requires legal, executive, and administrative systems which are geared to protecting and maintaining the value of their local equities or monetary liabilities. Unfortunately, the legal frameworks in both Poland and Russia again fail in a number of respects to provide the synthesised approach which is needed to attain either of these requirements. As a result, the certainty and "rule of law" which underpins the corporate regulatory systems of all developed capitalist economies is largely absent. In the circumstances, the investor/acquiror is left to try and safeguard against the attendant commercial risks by analyzing closely the existing legal frameworks against the dynamic economic and political developments in each country in order to identify inconsistencies that can potentially affect initial valuations or projected revenues and, with that, jeopardise the development's long-term economics.

In analyzing the legal frameworks in these countries, it is as such necessary to consider at the outset the prevailing and inter-related economic and

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political circumstances in which the respective regulations were created and now operate. No law operates in a vacuum. In Central and Eastern Europe, much of the recent legislation has been a consequence of attempts by the local authorities to create an economic climate that is attractive to direct foreign investment. In order to achieve this mix, the law has been used merely as part of an overall reform strategy which is directed to fostering the following economic, legal, and political combination.

First, economic and financial aspects which cover: a) the macroeconomic framework including the position of the country's balance of payments and the extent of its state budget deficit, with their effects on exchange, interest, and inflation rates (the impact of government policies in these areas on the predictability of the rate of inflation and the projected exchange rate of the local currency is usually of particular importance to potential investors); b) the microeconomic framework, especially the degree of mobility enjoyed by the factors of production and the extent of open competition in the markets, including the price systems as well as the quality of the institutions in charge of the management of the economy; c) the country's trade policy and especially its access to developed countries' markets; d) the status of the financial sector including the availability of a sufficiently strong financial market where investors may seek additional financing and are able to trade or pledge their securities in a secondary market; and e) the availability of basic infrastructure in its broadest sense (including public and professional services) and the possibility of procuring from abroad needed goods and services (especially managerial staff and specialized labor) that may not be adequately available in the domestic market.

Second, legal and regulatory aspects which are not limited to having supportive investment legislation but should allow investors to operate under a legal system which is generally positive in its attitude towards private investment, both in the substance of applicable rules as well as in the manner such rules are being applied and disputes resulting from their application are being resolved. Inadequate protection, in law or in fact, of property and contractual rights, excessive procedural hurdles, and restrictions and undue delay in adjudication are notorious factors in discouraging new investment. They only encourage corruption and attract speculative investors who may be looking for short term gains through the avoidance of rules or the enjoyment of "exceptional treatment".

Third, political informational and cultural aspects which depend on the degree of the country's openness to the outside world, the degree of