INSTITUTE FOR WORLD ECONOMICS
HUNGARIAN ACADEMY OF SCIENCES

Working Papers

No. 184 October 2008

Boris Kheyfets

RUSSIAN INVESTMENT ABROAD. THE BASIC FLOWS AND FEATURES

1014 Budapest, Országház u. 30.
Tel.: (36-1) 224-6760 • Fax: (36-1) 224-6761 • E-mail: vki@vki.hu

FOREWORD

This paper is one of several studies done at the Hungarian Academy of Sciences' Institute for World Economics ((IWE) under the CIS Strategic Research Project. A contract between the Hungarian Prime Minister's Office and the Hungarian Academy of Sciences in the summer of 2007, allowed some new, wide-ranging thematic research into the post-Soviet space to be launched. The project entitled "Hungary's CIS strategy with special regard to Russia, Ukraine and Kazakhstan" gave new impetus to post-Soviet research in the IWE and its partner the Hungarian Academy of Sciences' Research Institute of Sociology. The new opportunity was important especially because the CIS or post-Soviet space had become a neglected area in Hungary over the previous 15 years and there was a research gap to fill.

Meanwhile the post-Soviet space has been returning to the political agenda in the last year or two, due to rising ambitions in a strengthened Russia, sharp conflicts within the post-Soviet space, and worldwide problems of energy supply and prices. The research seeks to provide up-to-date answers to such emerging questions.

The project sets out to cover a wide range of essential issues about the CIS space, notably the three most important countries for Hungary: Russia, Ukraine and Kazakhstan. It deals with the issues such as the regional energy prospects, the integration and disintegration processes among the CIS states, the formulation of relations with the European Union and with other important actors worldwide, and the effects of the world economy in the region. In conjunction with the key economic questions, it examines the current social and political changes and the various political systems.

The intention is to create not just a network of Hungarian specialists on the post-Soviet space, but an international network of researchers from these newly independent states. Inviting outside researchers and think-tanks to join us in this project was a first step. The IWE is currently working with Russian and Ukrainian partners.

This paper written by Boris Kheyfets, chief research fellow at the Institute of Economics of the Russian Academy of Sciences, analyses a very important and challenging element in resurgent Russia: its growing investment activity abroad. What are the features of Russian outward FDI and what are the extents, directions and motives behind them?

Zsuzsa Ludvig
project leader

1) ECONOMIC DEVELOPMENT: A NEW TREND

The feature specific to the present-day phase of economic development in Russia is the rapid increase in outward flow of FDI. Whereas the 1990s had been dominated by illegal outward flows of funds – into foreign bank accounts, real estate or conspicuous consumption – there is now a clear propensity for business capital to transfer itself and expand abroad, essentially in the form of foreign direct investment.

The following five sources can provide an analytical basis for examining Russian direct investment abroad:

(1) Data on Russia's international investment position calculated by the Central Bank of Russia (CBR).

(2) UNCTAD publications, above all annual World Investment Reports.

(3) Federal State Statistics Service data on current and cumulative investment from Russia.

(4) Data from company reports and special questionnaires addressed to companies.

(5) Assessment of mergers and acquisitions (M&A) abroad.

Data from these sources may differ *(Table 1)*. But if used in a complex manner with benchmarking, they point towards more comprehensive understanding of the real situation.

According to CBR data on Russia's international investment position, *cumulative* direct investment by Russian residents abroad stood at USD 209.6 billion on January 1, 2007 which was ten times higher than at the beginning of 2001. Cumulative direct investment increased by a record USD 62.9 billion in 2006 alone *(Figure 1)*.

The figures above are higher than the *official* FDI outflow performance in the 1990s, although are not directly comparable. For example, CBR data show Russian companies being granted 165 licences for exchange transactions involving direct and portfolio investments in the 1993–March 1996 period. The total volume of permitted transactions for the period was USD 810 million, while 15 licences issued to various Russian financial and industrial groups (Lukoil, USD 128 million; Gazprom, USD 108 million; Surgutneftegaz, USD 87 million) accounted for the largest share of foreign investment of USD 720 million. Three-quarters of all the licences issued were for investment of USD 100,000 and less.[1]

UNCTAD estimates quite consistent with those of the CBR show Russia second only to Hong Kong (USD 470 billion) among developing and transitional economies, with a total FDI outflow of USD 156.8 billion in 2006 (*Table 2*). By 2000, Russia ranked only 12th.

However, Russia ranked only 15th by cumulative outward FDI at the beginning of 2007 among all countries in the world included in UNCTAD data, which was a significant retreat,

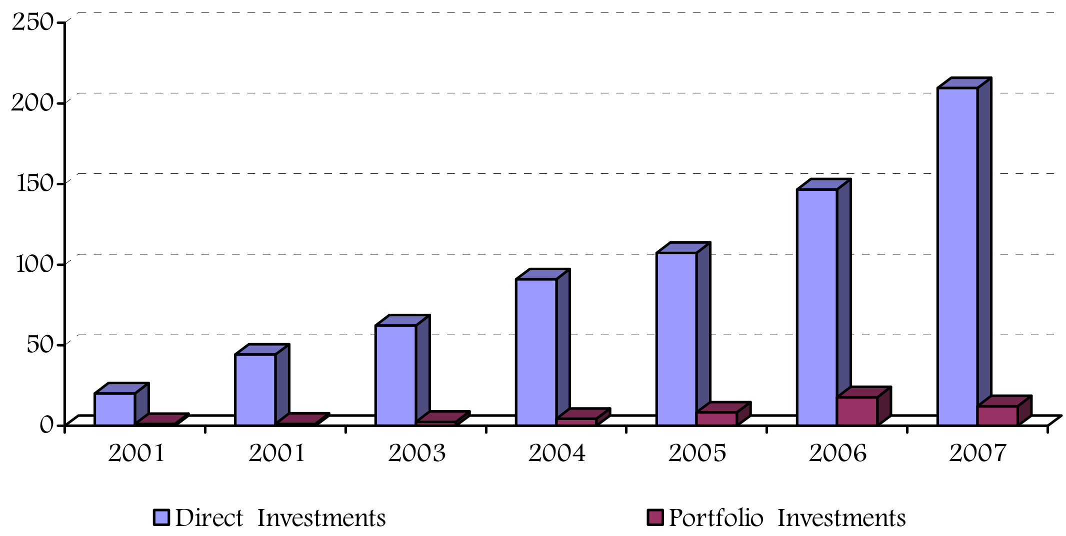
[1] ITAR-TASS, May 9, 1996.

Table 1
Various estimates of Russia's cumulative end-year stock of FDI
(USD billion)

	2000	2004	2006
FDI outward stock (Central Bank of Russia)	20.1	107.3	209.6
FDI outward stock (UNCTAD)	20.1	81.9	156.8
Sum of FDI outflows (UNCTAD)	11.8	41.4	72.2
FDI outward stock (Economist Intelligence Unit)	N/A	44.4	75.2
Foreign fixed assets of Russian multinationals	N/A	25–30	62–65
FDI outward stock (Russian Gov't Statistics Committee)	N/A	N/A	13.9

Sources: www.unctad.org; www.cbr.ru; www.gks.ru; www.ma-journal.ru; author's estimates.

Figure 1
Cumulative direct and portfolio investment abroad, start of year
(USD billion)



Source: www.cbr.ru.

Table 2
The 10 top developing/transitional economies for total outward FDI in 2006
(USD billion)

Rank in 2006	Country	A. Cumulative outward FDI		B. Cumulative inward FDI		A/B	
		2000	2006	2000	2006	2000	2006
1.	Hong Kong + China	11.9	689.0	45.0	769.0	0.26	0.89
2.	Russian Federation	20.1	156.8	32.2	197.7	0.62	0.79
3.	British Virgin Islands	67.1	123.5	32.1	56.2	2.09	2.20
4.	Singapore	56.8	117.6	112.6	210.1	0.50	0.56
5.	Taiwan (Chinese Province)	66.7	113.9	17.6	50,4	3.79	2.26
6.	Brazil	51.9	87,0	103.0	221.9	0.50	0.39
7.	China	27.8	73.3	193.3	292.6	0.14	0.25
8.	Republic of Korea	26.8	46.8	38.1	71.0	0.70	0.66
9.	South Africa	32.3	43.5	43.4	77.0	0.74	0.56
10.	Mexico	8.3	35.1	97.2	228.6	0.09	0.15

Source: UNCTAD (2007), 255–8.

compared with most OECD countries. But it should be noted that there was a higher growth rate in its share in world outward FDI, from 0.3 per cent in 2000 to 1.3 per cent in 2006.

Foreign portfolio investment (FPI) is also expanding. It accounted for 5.9 per cent of cumulative direct investment in 2006. But the dynamics of portfolio investment remain unstable. Back in 2003–5, FPI by Russian business was doubling each year, but in 2006 there was a marked decline. Some FPI may be defined as strategic due to its amount and the prospective role of the investment for the host country. This pertained in 2007 when Basic Element affiliates gradually acquired 9.99 per cent of the shares in the major construction holding company Hochtief AG, a leader in construction and management of infrastructure objects, paying USD 500 million.

Outward FDI in 2006 came to 16 per cent of Russia's GDP. In other words, financial capital is becoming an important source of Russian economic development, along with natural and intellectual capital.

2) Specific features of Russia's business expansion abroad

There are some certain distinctive features of the way Russian business is expanding abroad:

(a) Most of the FDI is done by a handful of major companies.

(b) Russian business has insufficient international competitive edge.

(c) Russian outward FDI is concentrated mainly in the raw-materials sector.

Let us look at these in more detail.

(a) Following the UNCTAD approach that has become prevalent in the last few years, any company with a branch abroad can be referred to as a transnational corporation (TNC) regardless of the amount involved in foreign transactions.[2] By 2005, the Moscow International Business Association (MIBAS) had processed data on almost 350 projects by 137 Russian companies acquiring or negotiating to acquire assets abroad. But MIBAS estimates that the true number could be three or four times higher, as second or even third-echelon companies have been active in buying assets abroad in recent years, due to a favourable economic situation that has made the financial resources available.[3]

However, the author thinks there may be 5000–10,000 business firms that qualify as transnationals according to the UNCTAD criteria, even if purely offshore companies engaged exclusively in financial transactions are omitted. There are exceptionally large numbers to be found in states bordering Russia. For example, Kazakhstan had almost 1900 organizations with a Russian stake in the early 2000s, Armenia 590, Moldova 370, Mongolia 200, and Georgia almost 190.

[2] Before the late 1990s, only companies with a turnover exceeding USD 100 million and activities in no fewer than six countries were termed transnationals by UNCTAD.

[3] Borisov, A. (2005), 104.

Meanwhile the main outflow of FDI comes from only 10–15 top-echelon companies, and Russia's outward stock of FDI remains lower than those of other developed and developing economies, despite a marked increase in 2005–6. Moscow School of Management Skolkovo data obtained mainly with questionnaires puts foreign assets of USD 60 billion in the hands of the 25 biggest contributors (measured by business activity abroad), with total employment at 130,000 at the beginning of 2007. These aggregate figures for 25 TNCs correspond to the figures for a single TNC in 2005 (Procter & Gamble), which ranked 20th among the largest non-financial TNCs by volume of foreign assets. Only two Russian TNCs (Gazprom and Lukoil) had foreign assets in excess of USD 10 billion *(Table 3)*.[4]

Table 3
The 25 top Russian companies by foreign assets, 2006
(USD million)

	Company	Industry	Foreign assets, USD million	Branches etc. abroad
1	Lukoil	Oil and gas	18,921	182
2	Gazprom	Oil and gas	10,572	105
3	Severstal	Metallurgy/mining	4,546	102
4	RUSAL	Steel/mining	4,150	25
5	Sovkomflot	Transport	2,530	20
6	Norilsk Nickel	Metallurgy/mining	2,427	20
7	Sistema, JSFC	Communications/retail	2,290	19
8	Vympelcom	Communications/retail	2,103	17
9	Novoship	Transport	1,797	16
10	TNK-BP	Oil and gas	1,601	13
11	Evraz	Steel/mining	1,322	12
12	DVMP	Transport	1,074	12
13	PMP	Transport	1,055	12
14	NLMK	Metallurgy/mining	964	11
15	RAO EES	Energy	514	10
16	TMK	Steel/mining	490	9
17	Evrokhim	Agricultural chemicals	456	9
18	GAZ group	Machine engineering	366	8
19	OMZ	Machine engineering	354	7
20	Alrosa	Metallurgy/mining	294	6
21	CHTPZ	Metallurgy/mining	244	6
22	NK Alliance	Oil and gas	211	4
23	Akron	Agricultural chemicals	200	2
24	Evroset	Communications/retail	147	2
25	Mechel	Metallurgy/mining	116	1
	All industries		*58,744*	*650*

However, the difference in foreign assets between Lukoil and RAO EES (ranked 15th) is almost 26-fold. It should be noted, however, that comparable data for 2004 shows LUKOIL's for-

[4] http://www.skolkovo.ru/content/view/174/79/lang,ru/.

eign assets at only one 58th of General Electric's and one 20th of British Petroleum's. LUKOIL ranked 160th in the foreign assets global rating.[5] The Boston Consulting Group list of 100 leading world-market competitors, representing rapidly growing economies, includes only seven Russian, 44 Chinese and 12 Brazilian firms.[6]

Nowadays up to a third of all cross-border M&A involves over USD 10 billion. Russian firms have never done such transactions and there have been few deals exceeding USD billion, almost all of them in the last two or three years *(Table 3)*.

The major M&A deals have been the acquisition of LionOre Mining International Ltd., a Canadian-based nickel and copper producer, by Norilsk Nickel for USD 6.3 billion; the acquisition of IPSCO, a Canadian-based metallurgical company, by Evraz Group for over USD 4 billion (IPSCO assets of about USD 1.7 billion will be transferred to Trubnaya Metallurgicheskaya Kompaniya in two stages); and consolidation of the aluminium assets of Swiss-based Glencore (about USD 3 billion) and RUSAL and SUAL assets. According to UNCTAD experts, Russian cross-border M&A in 2006 accounted for less than 0.5 per cent of the global amount, which is 5–7 times lower than Russia's share in global GDP and exports.[7]

(b) Russia's expansion abroad could have been greater, but the international M&A market in recent years has seen a marked increase in competition. According to one intelligence group *(M&A Magazine)*, M&A deals involving Russian capital of more than USD 50.2 billion failed to materialize in 2006 alone.[8] Such failed deals include the asset consolidations of Arcelor and Severstal; the purchase of British-based Centrica and Polish-based PGNIG; Gazprom's entry into a Russian/Ukrainian/German gas consortium in Ukraine; the exchange of assets between Gazprom and the Italian-based ENI to obtain a controlling interest in the energy company Enipower; the acquisition of Pakistan Steel by MMK; and certain Lukoil projects for acquiring oil-refining facilities, *etc.* Failed foreign M&A deals continued in 2007–8, for example Basic Element's failure to increase its stake in German-based Hochtief AG; Aeroflot's failure to purchase the Italian airline Alitalia; Gazprom's failure to purchase Basket Dogalgaz, a Turkish-based gas distributor, *etc.*

Apart from purely political reasons, most such failures were due to the *low competitive* capacity of Russian companies in the international M&A market. Russian companies are often less competitive than players from developed countries and even some developing economies. According to an Economist Intelligence Unit study done at the request of RUSAL, only 10 per cent of Western business leaders questioned thought Russian companies were competitive in the international market.[9]

(c) The foreign expansion structure was dominated by direct investment in assets related to production and primary refining of fuel and raw materials. This

---

[5] UNCTAD (2006).

[6] Forum (2006), 4.

[7] UNCTAD (2007), 273.

[8] www.advisers.ru/survey/article986.html?t_page=print.

[9] Economist Intelligence Unit (2006).

largely reflects the structure of the domestic economy. By the end of 2006, the oil and gas sector accounted for over half the foreign assets, and metallurgy and mining for a quarter.[10] Metallurgy increased its share in total amount cumulative foreign investment significantly in 2007 and 2008.

Naturally, Russian energy and metallurgy companies have sought to diversify production by acquiring vertically integrated assets, through which products are sold to end-users or fuel and energy products of higher added value. Evraz was one to increase the share of such products (railway products, flat sections, steel structure reinforcements, *etc.*) in overall production from 65 to 80 per cent. However, this contributes little to overall situation.

The raw-materials sector is jealously protected by national governments. UNCTAD data record 150 new foreign investment-related restrictions imposed in 2002–6, as against 51 in 1997–2001. The world is facing a serious battle for natural resources, with energy security becoming a prime concern. So state protection is rising in the very sphere where Russian TNCs are most powerful.

For example, there was a scandal in the UK in 2006 simply over rumours that Gazprom might acquire the local gas supplier Centrica. This became one of the reasons behind further amendments to the 2002 Business Activities Act, changing the way M&A deals are supervised. Such amendments could have authorized the authorities to block M&A deals in energy whether they were deemed to threaten to national security. The 2002 act already authorizes the UK government to veto deals threatening national security, but it does not cover the energy market.

[10] http://www.skolkovo.ru/content/view/174/79/lang,ru/.

3) Incentives to invest abroad

Incentives to invest abroad can be conveniently divided into two groups: pull and push factors.

The *pull factors* for Russian companies include entry to new sales markets; extension of the raw-material base, overcoming tariff and non-tariff barriers applicable in regional integration groupings; diversification of business activities; a chance to acquire assets that have been undervalued, for example, through privatization in certain CEE, CIS or Third World countries, which took place later than in Russia.

However, the *push factors* may have similar importance for Russian companies. First, the accessibility of new assets is dwindling, as the main resources at home are finite. Secondly, heavy activity by Russian and foreign companies has increased domestic competition in seeking for new paths of development. Thirdly, Russian companies often use transnationalization to decrease dependence on the state, which has tended to increase in recent years. Finally, gaining new companies may avert third-party claims on previous ones. Diversifying country risks by acquiring foreign assets may protect existing investments and provide defence against hostile takeover bids.

Also to be considered are some *specific* incentives for private Russian companies to expand abroad, one of which was noted by the Canadian newspaper *The Globe and Mail*: "We suspect that Russian oligarchs when purchasing shares of foreign companies in open tenders are likely to buy respectability and get rid of their images as robber barons."[11] However, large companies these days disregard this factor almost entirely.

Another specific incentive refers more to psychology and ambitions: expansion in recent years by Russian retailers. In 2007, the Wild Orchid Company, well-known in Russia, opened its first store abroad in London. London also has a Russian furniture store, Mr. Doors. In 2006, Le Futur, a chain of gift stores, set up a joint venture in Turkey; Sela opened a store for casual wear in Warsaw; and Baden Company opened two stores in Italy. Experts explain these moves not just as risk-spreading and a search for new experience, but as a self-imposed test of competitive viability.[12]

4) The benefits of foreign investment

The acquisition of foreign assets helps to reduce operating costs and gain additional competitive advantage in export and domestic transactions, and offers additional benefits when borrowing in international markets (decreasing the cost of borrowing) or in IPO (increasing demand and obtainable prices). So it can be said that foreign expansion adds synergy to the development of the group as a whole, which in turn has a positive impact on the whole Russian economy.

Other positive impacts on Russian economic development are these:

* It enhances *exports* of goods and services by companies or foreign trade organizations, and *increases revenue* of other national players involved in foreign trade.
* It increases *competitive capacity* in leading companies, by extending the resource base, employing cheaper labour, extending the production scale, and drawing in new technologies, management experience, *etc.*, which benefits *competitive growth of the economy* as a whole.
* It brings an *increase* in business transparency. For example, IPO or preparation of borrowing investment memoranda for international financial markets provides more information than any CBR efforts to disclose bank's beneficiaries.
* It creates *additional scope* for macroeconomic policy. For example, significant currency outflow helps the monetary authorities to curb the strength of the rouble.
* It reinforces Russian *political influence* in certain countries and regions.

In the rare cases where government invests in foreign assets, the state budget gains the income. For example, a 50 per cent share in Russian–Vietnam JV Vietsovpetro is on the books of the Federal Service for Federal Property

[11] *Globe and Mail*, May 14, 2007.

[12] *Vedomosti*, August 21, 2007.

Management and contributed USD 761.7 million to the federal budget in 2006. This constituted a high proportion of the total proceeds gained from state property.[13]

Foreign investment may notably be used to *modernize the economy and improve export structure*. Though relatively small, there has been clear increase in recent years.

In April 2006, for example, Smart Hydrogen (a JV between Norilsk Nickel and Interros) acquired for USD 241 million 35 per cent of Plug Power, a leading US developer and producer of hydrogen energy equipment. The partners plan to start production of such energy systems in Russia in 2008, assisted by Power Plug.

Vekselberg's Renova entered the new market of alternative energy in Europe. Renova had already established a Swiss company, Avelar Energy, and in 2007 acquired the Italian energy trader Energetic Source. Renova plans to invest over USD 1 billion in wind, solar and bio energy and to pursue activities related to renewable energy sources.

Some promising M&A deals have been made in car manufacturing. In 2006, the Deripaska-controlled GAZ Group acquired 100 per cent of LDV Holdings, a UK producer of light commercial vehicles. The main product is a Maxus light commercial vehicle to be produced in Nizhny Novgorod after adaptation to Russian conditions.

Rostselmash purchased for USD 150 million 80 per cent of Buhler Industries Inc., a Canadian manufacturer of tractors and agricultural equipment. Buhler-Russia LLC has already been founded to assemble Buhler tractors in Russia and a tractor plant is being built in Krasnodar Region, with an export annual output of 480 tractors.

M. Bolotin, president of Tractor Plants group, bought 100 per cent of Malaysia-based Dunham-Bush, makers of air-conditioning and refrigerator equipment, in a USD 90 million deal. In 2008, Tractor Plants planned to start greenfield construction and reach an annual turnover of USD 300 million within five years, to make it a major supplier of compressor equipment in Russia and the CIS countries.

Vekselberg's Renova has acquired big stakes in the Swiss-based car-making groups Oerlikon and Sulzer. Oerlikon will build a plant in the Nizhny Novgorod region for applying coatings to various parts, in particular automotive components, for supply to Russian factories. Oerlikon already has over 70 centres worldwide and car-making accounts for 60–70 per cent of its production. Sulzer is the world's second biggest producer of oil-pumping equipment and industrial pumps.

A new target for Russian foreign investment is high-quality construction services, where again the aim is to apply the experience of foreign partners to Russia. In 2007, Basic Element purchased 30 per cent of STRABAG, a leading European construction holding company with 50,000 staff located

[13] In December 2006 the ownership structure of the JV changed, which will decrease direct budget income from foreign investment. Russia's share in the JV was purchased by Zarubezhneft, OJSC (wholly owned by the Russian Federation). Zarubezhneft receives as a management fee 5 per cent of the income due to Russian interests. Zarubezhneft is expected to devote all income due to Russia and received in full to increasing investment in Vietnam, other countries, and Russia itself.

throughout Europe and a global turnover of about €10 billion. STRABAG focuses on construction of industrial, commercial premises and residential buildings, roads, tunnels and other communications. Following this M&A deal, STRABAG is rapidly increasing its construction order book. It will be among the major contractors for the Winter Olympics at Sochi.

5) Efforts to be global

Despite the importance of the positive factors mentioned, foreign investment by Russian business has another side: acquisition of foreign assets as a *condition for survival* in the current competition battles. The forecast is that a handful of major companies will be setting the pace in some industries in the near future. There is little time left for becoming a global company by acquiring foreign assets or merging with major foreign players. This approach is well understood by top Russian government officials who have set the objective of establishing Russian-based global companies in all industries. As the newly elected President D. Medvedev noted in his manifesto in February 2008, "We need to extend significantly export support measures for Russian-based companies abroad, to improve the Russian business image abroad."[14] He called for Russian businessmen to be more aggressive in investing in foreign acquisitions, and he promised state support for and assistance to national business in foreign markets.

Several Russian companies have been pursuing such a policy for a long time. Lukoil, operating in 19 countries, plans to channel a third of its investment into acquisitions, mainly abroad, according to its development strategy for 2007–16. Target areas are Iraq, Central Asia and Latin America for production, while retail sales will increase in Europe and the foreign share of oil refining from under 30 per cent to 44.

Gazprom, the second largest oil and gas company by sales turnover, also intends to be involved in various upstream and downstream projects in third countries, as part of a strategy of gaining a global presence in world oil and gas markets by participating in auctions, tenders and share-swap transactions. One objective is to add Central Asian gas to its resource portfolio. In the longer term, Gazprom is also looking to acquire various energy assets in Europe and shares in regasification terminals and other gas assets in the United States, which ties in with plans to build gas liquefaction facilities in Russia. The developing economies of most interest to Gazprom are Venezuela, Vietnam, India and some Caspian countries. The company's strategy is to establish a complete value chain – from upstream to downstream in markets where the company is not present yet.

Rosneft hopes to become one of the five leading energy companies worldwide by capitalization. To become a genuinely international company, it plans to acquire foreign oil-production and oil-refining assets. For example, it agreed in 2006 with CNPC to establish Vostok Energy, a JV that will construct

[14] http://www.newsru.com/russia/15feb2008/medved4i7z_print.html.

an oil refinery with a capacity of 10 million tonnes in China and approximately 300 filling stations there. In July 2007, Rosneft signed a strategic cooperation agreement with Royal Dutch Shell, under which the latter may have access to new Russian fields, and the former become co-owner of a European oil refinery. Rosneft and the Indian-based Oil and Natural Gas Corporation (ONGC) will construct an LNG terminal in the south of India.

Companies already established or in the process of establishment include aircraft, shipbuilding and nanotechnology corporations and Atomenergoprom. They will also make efforts to spread their operations worldwide. For example, the asset value of Atomenergoprom assets will rise from USD 40–50 billion to USD 100 billion by 2010, as equity contributions are made by 30 companies, including Tekhsnabexport, TVEL Corporation, and Atomergomash. This will make Atomenergoprom a powerful competitor on international market for such major players as Westinghouse Toshiba (capitalization USD 24.3 billion), Areva (USD 37.8 billion), the German-based Siemens (USD 108.6 billion), and General Electric (USD 368.5 billion).

Russian metallurgy companies (NLMK, Severstal, Mechel, Norilsk Nickel) are also expanding abroad aggressively. Abramovich affiliates acquired 41 per cent of the Evraz Group and put the company top for *M&A (Table 3)*. In 2007, Evraz's foreign steel companies accounted for 25 per cent of its revenues and the group ranked fourth in the world among steel companies by capitalization.[15]

In 2007, a new Russian-based TNC emerged: the United Company Russian Aluminum (UC RUSAL) mentioned before. Some experts are forecasting a consolidation and merger with certain Russia-based companies, which will naturally strengthen its capacity to invest abroad. Specifically, a merger of Norilsk Nickel and UC RUSAL (which already purchased 25 per cent of Norilsk Nickel in 2008) will produce a large metallurgical company. The shareholding previously owned by one of the co-owners of Norilsk Nickel, M. Prokhorov, amounted to USD 4.5 billion in cash and 11 per cent in UC RUSAL shares. Usmanov's Gazmetal intends to acquire a stake from the second co-owner of Norilsk Nickel, V. Potanin, and may join the above two companies.

Alrosa, which accounts for 25 per cent of the world's diamond production and 97 per cent of Russia's, is implementing two projects in Africa. The company owns 32.8 per cent of Catoca, a diamond field in Angola which is a JV owned by local-based Endiama, Israel-based Daumonty Financing, and Brazil-based Odebrecht. Also in Angola, Alrosa is developing diamond pipes under the Luo project, in which it has a 45 per cent stake. Alrosa now plans to expand its African presence into South Africa and Namibia, and invest up to USD 800 million in projects on the continent.

Leading Russian-based mobile-phone operators (Sistema, JSFC, Altimo) are also intending to go global. In 2007–8 they entered some Asian mobile markets (India, Indonesia, Vietnam, Cambodia). For example, Sistema and JSFC plan to invest up to USD 7 billion in its Indian projects. Some estimates suggest that

[15] *Vedomosti*, March 4, 2008.

Russian-based companies now control three quarters of the mobile market in CIS countries. Sberbank intents to expand its foreign activities. By 2014, up to 20 per cent of its income will come from these, as opposed to only one per cent at present.[16]

Many other examples could be given.

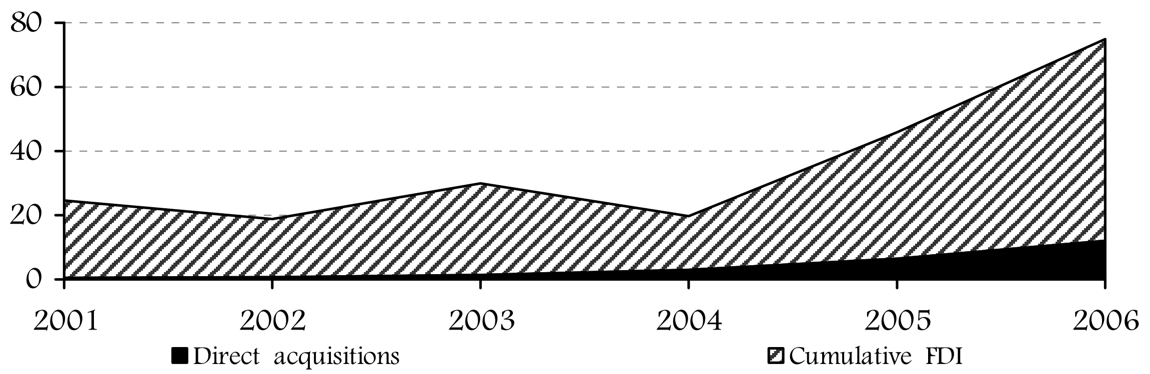
6) CONSEQUENCES

There are some specific features in the foreign expansion of Russian business that point to some negative impacts for domestic economic development, and naturally so, as private interests are often inconsistent with public ones. So it is no coincidence that Russians are still hostile to such foreign expansion. A September 2005 poll by WCIOM (Russian Public Opinion Research Centre) had 54 per cent of respondents thinking expansion of Russian business abroad should be curbed, as it encouraged job exports and outflows of finance, and only 21 per cent supporting it.[17]

Foreign investment indeed absorbs *a major part of the financial resources* of Russian business and so restricts capacity to invest at home. Domestic fixed capital investment in 2006 (at nominal exchange rates) was a little over USD 1754 billion – about three times the cumulative FDI in that year. Furthermore, income from foreign assets is seldom repatriated to Russia. It is almost all reinvested, so swelling foreign assets further. Experts have estimated that large foreign acquisitions in 2006 amounted to USD 11–13 billion or 18–20 per cent of the total increase in foreign investment stock (USD 62.9 billion) as assessed by the CBR. So reinvestment from foreign assets forms an essential part of the increase in foreign investment (up to 80 per cent, see *Figure 2).*

Principally due to the increase in foreign investment, the foreign debt of Russian-based companies and banks exceeded USD 400 billion by January 1, 2008 (compared to less than USD 30 billion in 2000). Such companies had borrowed relatively cheaply from Western banks to effect their foreign M&A. The credit crisis that spread in 2007–8

Figure 2
Year-on rise in cumulative FDI and M&A by Russian firms
(USD billion)



brought an increase in borrowing value that limited the scope for re-borrowing, new borrowing and IPO significantly.

Russian TNCs show unusually high levels of foreign-affiliate sales as a proportion to total sales, with similar internationalization in foreign assets and employment. *Table 4* indicates that the *integral* transnationality index for almost all Russian-based TNCs (except shipping companies) is primarily due to *the high level of transnational sales,* while indices of asset transnationalization, the basic figure for TNCs, are substantially less than for leading TNCs in developed and developing economies.

Concentration of income in foreign branches of Russian-based TNCs substantially reduces the tax base for the Russian budget. For example, ISFR data for 2003 that include offshore traders of Evraz Group (Ferrotrade UK and Ferrotrade Gibraltar) but not its Russian enterprises accounted for over half its revenue and over 75 per cent of its net income.[18]

Foreign investment does not always help to improve the *Russian image* abroad, though many negative features of Russian business practice are purposely exaggerated by competitors. But it has to be said that such propaganda

Table 4
Transnationality indices, 2004
(per cent)

TNC	Industry	Assets	Sales	Employ.	Index*
Lukoil (Russia)	Oil	26.2	78.0	9.2	37.8
Norilsk Nickel (Russia)	Non-ferrous metallurgy	10.4	84.9	1.8	32.3
Novoship (Russia)	Transport	91.7	85.0	1.4	58.9
RUSAL (Russia)	Non-ferrous metallurgy	11.4	81.2	8.6	62.9
Primorsk Shipping (Russia)**	Transport	86.4	77.6	50.0	71.3
Mechel (Russia)	Ferrous metallurgy	3.3	60.6	13.0	25.6
Far East Shipping (Russia)**	Transport	32.5	31.2	4.2	22.8
Alrosa (Russia)**	Mining	1.0	45.3	0.0	15.4
Gazprom (Russia)	Oil and gas	…	67.3	…	…
OMZ (Russia)	Heavy machinery	38.5	51.7	38.5	42.9
Severstal (Russia)	Ferrous metallurgy	2.6	59.3	13.0	25.0
General Electric (US)	Electrical and electronic equipment	59.8	37.2	46.3	47.8
Vodafone (UK)	Telecom	95.8	85.3	80.1	87.1
Ford Motors (US)	Car manufacturing	58.9	41.6	45.5	48.7
British Petroleum (UK)	Oil industry	80.0	81.5	83.1	81.5
Hutchison Whampoa (HK, China)	Various industries	80.4	49.5	82.8	70.9
Petronas (Malaysia)	Oil industry	36.0	29.3	11.8	25.7
SingTel (Singapore)	Telecom	75.9	69.9	45.3	67.1
Samsung Electronics (S. Korea)	Electrical and electronic equipment	21.9	77.7	34.3	44.7
Citic Group (China)	Various	17.0	27.2	17.1	20.4

Notes: * Integrated transnationality index – an average of three such indices: foreign assets/total assets; foreign sales/total sales; employed in foreign branches/ total employed; ** data for 2003; data for 2003–4 used as the 2005 date in the 2007 World Investment Report excludes Russia. Calculated with data from UNCTAD (2005), 272; UNCTAD (2006), 286.

[18] Vedomosti. 2006/03/02.

is not always groundless. Transparency International, studying how foreign firms influence corruption in *host* countries (for 2002) placed Russia 28th of 30 countries studied.[19] According to Trust Barometer studies in autumn 2006 by Edelman, Russian business was trusted by only 15 per cent of top managers in Europe, 20 per cent in North America, 42 per cent in Asia and 44 per cent in Latin America.[20]

7) WHERE TO INVEST ABROAD

There are no accurate statistics on the geographical spread of foreign investment by Russian-based companies. Sometimes the firms acquired are just nominally located in a certain country while they invest elsewhere. Such companies are often resident in jurisdictions that experts view as offshore (Netherlands, Great Britain, Ireland, Canada), and structured in a complicated manner, using subsidiaries in classic offshore havens.

For example, Nelson Resources Limited, acquired by Lukoil in 2005 for over USD 2.1 billion has its assets in Kazakhstan but is registered in Bermuda. Controlling interests in it were held by two large financial and industrial groups (Kazkommerzbank and Narodny Bank of Kazakhstan).[21] LioOre Mining International Ltd, registered in Canada, has most of its assets in Australia and Africa. The many other instances include the acquisition of Celtic Resources (an Ireland-based gold producer) by Severstal for some USD 330 million in January 2008. The underlying assets are in Kazakhstan (100 per cent of the Suzdal gold mine, 75.5 per cent of the Zherek mine, and 50 per cent of the Shorskoye molybdenum mine) and Russia (74.5 per cent of the project for the Tominskoye copper and gold field and 100 per cent in the Mikheevskoye copper and gold field in the Chelyabinsk Region).

In this regard, geography results will vary according to the criteria as adhered to: by location of basic assets or registered office. Much of investing is carried out through offshore companies, which as well distorts the geography of investments. And all this illustrates why particular experts and official informational sources vary so deeply in their estimates of actual Russian OFDI stocks.

The Federal State Statistics Service (Rosstat) is the only official source able to supply overall information on the ten countries that have accumulated the biggest stocks of Russian OFDI and to itemize OFDI by countries (not by OFDI stocks accumulated) and by certain CIS countries. It should be noted that OFDI constitutes rather more than two-fifths of all OFI, while credits and loans account for the greater part.

As *Table 1* shows, Rosstat supplies the lowest figures for OFDI, five or six time lower than the average figures supplied by other sources. This is because it publishes only data on investment made by non-financial institutions, disregarding financial investment and such transactions as share acquisitions

---

[19] www. transparency.org.

[20] Edelman Trust Barometer. 2007. P.20 (www.edelman.com).

[21] Vremya Novostey. 2005/05/12.

by foreign companies in the secondary market, reinvestment, or investment through companies incorporated abroad.

These points are relevant to interpreting the data in *Table 5*.

Table 5
Russian OFI and OFDI stocks by countries, end 2007
(USD million)

	OFI stocks		OFDI stocks		OFI flows in 2007 (for comparison)
	Total	% of total	Total	% of total	
Total OFI stocks	32,061	100	13,944	100	74,630
Ukraine	811	2.5	126	0.9	514
Cyprus	9,985	31.1	1886	13.5	9,230
Austria	1,067	3.3	2	0.0	10,372
Netherlands	7,391	23.1	7231	51.9	6,874
United States	1,176	3.7	1134	8.1	22,796
UK	966	3.0	654	4.7	1,890
Germany	732	2.3	259	1.9	7,311
British Virgin Is.	4,677	14.6	44	0.3	5,083
Belarus	771	2.4	660	4.7	1,314
Switzerland	461	1.4	78	0.6	4,563
Other countries	4,024	12.6	1870	1.,4	4,683

Source: www.gks.ru.

The table does not give data for Russian OFDI stocks in Uzbekistan or Moldova, which do not feature in the top ten by overall OFI stocks.

According to Rosstat data, over three-quarters of outward investment accumulated by the end of 2007 had been made in offshore or closely related territories, of which the following are specified: Cyprus 33.1 per cent in 2007 (18.4 per cent in 2006), BVI 14.6 per cent, and Netherlands 23.1 per cent. Cyprus is notable for its share of overall OFDI stocks (13.5 per cent), which exceeds the proportion found in other countries.

There are several thousand partly Russian-owned firms investing in Russia and in foreign countries. Lanebrook, incorporated in Cyprus, holds a controlling interest in the Evraz group, the current leader among Russian TNCs by OFDI stock. In November 2007, Lanebrook acquired shares in five Ukrainian enterprises from Privat Ukrainian Industrial Group (99.25 per cent shares of Sukhaya Balka Mining and Concentration Complex, 95.57 per cent of the Dnepropetrovsk Metallurgic Plant named after Petrovsky, 93.74 per cent of Bagleykoks coking plant, 98.65 per cent of Dneprokoks, and 93.83 per cent of the Dneprodzerzhinsk Coking Plant). Other examples can be found in the Netherlands, UK, British Virgin Islands, and several other countries with firms established by Russian interests.

Investment expansion often involves complex, multi-level schemes. For example, UC RUSAL, one of the biggest Russian TNCs, is managed by Dutch-based RUSAL Global Management BV, which according to its documents is fully owned by another of Derispaska's companies: Cyprus-based RUSAL MMC. Ltd. Russian OFDIs are often founded in the form of credit and loan associations, to limit political risks. This may be a partial explanation for the gap between ODI and OFDI.

The CBR provides a very low estimate of Russian OFDI to CIS countries and specifies only two geographical directions – CIS and non-CIS. According to the CBR data, CIS countries accounted at the end of 2007 for only 3.4 per cent of all Russian OFDI stocks.[22] Independent experts offer much higher estimates. According to the Moscow School of Management Skolkovo, the 25 biggest TNCs at the end of 2006 had invested up to 20 per cent of all the foreign assets.[23] Kuznetsov estimates that the CIS countries accounted at the end of 2007 for 30 per cent of Russian OFI, and Ukraine, Kazakhstan and Belarus for 80 per cent of this.[24] Deutsche Bank experts basing their estimates on Rosstat data say the CIS countries took 59 per cent of Russian OFDI in 1997–9, which decreased to 12 per cent in 2004–6.[25]

It should be noted when assessing the geographical spread of Russian OFDI that Russian companies initially invested mainly in adjacent and other familiar regions (the CIS, the Baltic, the CEE countries – former members of Comecon) and some developing countries that had enjoyed close economic relations with the former USSR (Vietnam, Mongolia, Guinea, Angola).

In recent years, Russian-based TNCs started to expand aggressively into more distant foreign countries such as the United States and the EU. The same applied to developing countries like China and India. There are also instances of very large investment in Latin America and Africa (mainly projects related to mineral resources).

[22] http://www.cbr.ru/statistics/credit_statistics/print.asp?file=iip_cis.htm

[23] http://www.skolkovo.ru/content/view/174/79/lang,ru/.

[24] Kuznetsov (2008) 34:4.

[25] Russia's outward investment. Deutsche Bank Research. 2008, 4.

8) Direct investment in EU countries

Russian firms see European countries, especially EU members, as attractive locations for investment, especially since the EU enlargement to include the CEE countries and Cyprus. Cyprus and the CEE countries have long been closely tied to Russia. Cyprus was an offshore territory for a long time, and there still some tax benefits for income from outside the Union, despite the EU accession. Cyprus-registered companies own numerous Russian-based assets. So it is natural to find that according to Rosstat data, Cyprus accounted at the beginning of 2008 for 33.1 per cent of all Russia's cumulative investment abroad (including 13.5 per cent of the FDI).[26]

Certain investment projects implemented by Russian-based TNCs in Europe have already been mentioned, but other big European M&As include the acquisition by Severstal of the Lucchini Group (a manufacturer of high-quality steel and rolled steel products in Italy and France for the vehicle and railway industries, with its own distribution chain). Lucchini SpA accounts for 14.1 per cent of steel production in Italy, and access to the EU market was

[26] www.gks.ru.

one of the motives behind Severstal's purchase.

In 2006, Novolipetsk Steel (NLMK) set up a JV with the European steel group Duferco (50:50), in a deal worth USD 805 million. This new company registered in Luxembourg is to purchase either 100 per cent of the shares or a controlling interest in 22 Duferco-owned companies, including Duferco Farrell Corporation (USA), Carsid SA (Belgium), Duferco Clabecq SA (Belgium), Duferco La Louvière SA (Belgium), Duferco Coating SAS (France), Sorral SA (France), Acciaierie Grigoli SpA (Italy) and Duferco Transformation Europe (France).

In addition to car manufacturing, Russian companies are attracted by light industry and the food industry, agriculture, trading, the hotel industry and other fields. There are exotic investments as well: acquisition of shares in English football clubs by Russian billionaires R. Abramovitch (GBP 140 million) and A. Usmanov (GBP 75 million), of the Versace villa by A. Novikov, a Russian multimillionaire restaurateur for GBP 26 million, and of the Hediard chain of French gastronomy boutiques by S. Pugachev, businessman and representative of the Republic of Tuva in the Federal Assembly. Such acquisitions are often made simply for prestige.

Europe continues to claim Russia is a threat to European economic security. German Chancellor Angela Merkel stated at the beginning of 2007 that Europe might block Russian expansion if Moscow blocks European investors.[27] This view is also apparent in the report "Perspectives of the Internal EU Gas and Electricity Market" approved by the European Parliament in July 2007, which recommends that third-country companies be prohibited from purchasing energy infrastructure objects unless there is reciprocal approval for such.[28] The European Commission will consider the report when devising legislation on EU energy markets.

Such claims were denied by Vladimir Putin at press conference after the Russian-EU Summit in October 2007), where he called rumours that that Russian companies were buying up all European assets with Russian petrodollars exaggerated. Aggregate cumulative European investment in the Russian economy had reached almost €30 billion by mid-2007, while Russian investment in Europe stood at only €3 billion.[29]

Russian and European companies settle their objective problems by exchanging various assets, which enables them to minimize losses through various protectionist restrictions.

Gazprom started to employ share exchanges with foreign investors actively. Gazprom and the German-based Wintershal (100 per cent owned by BASF Chemicals) exchanged 25 per cent of the voting shares minus 1 share and 10 per cent of the preference shares in Gazprom's subsidiary SeverneftеGazprom, which holds the sub-soil licence for the Yuzhno-Russkoye oil and gas condensate field and 15 per cent of the shares minus 1 share in Wingas (Gazprom owns 35 per cent of shares in

---

[27] *The Times*, September 1, 2007.

[28] *Vedomosti*, July 11, 2007.

[29] Путин В.В. Заявление для прессы и ответы на вопросы по итогам XX саммита Россия–Евросоюз (http://www.kremlin.ru/text/appears/2007/10/149679.shtml).

this company), which owns cross-country gas pipelines in Germany and holds a lease on Reden, one of the biggest underground gas-storage facilities. The field is to become the principal raw-material base for the North European gas pipeline to be built between Vyborg, Russia, and Greifswald, Germany, under the Baltic Sea). Furthermore, Wintershal is to deliver 49 per cent of its shares in oil concessions C97 and C98, situated in Libya.

In exchange for 50 per cent of the shares minus 1 share in two Hungarian E.ON subsidiaries (E.ON Földgáz Storage – underground storage in Hungary; E.ON. Földgáz Trade – a gas trader) and 25 per cent of shares plus 1 share in E.ON Hungaria, a regional gas and utility company, Gazprom delivered to E.ON a 25 per cent shareholding (minus 1 share) in the development of the Yuzhno-Russkoye oil and gas condensate field.[30]

Gazprom offered the Netherlands-based Nederlandse Gasunie the chance to participate in construction of the North European Gas Pipeline. The company will obtain up to 9 per cent of the shares in the consortium established for the purpose, and in return, Russian gas will be given access to Britain through a new pipeline from the Netherlands constructed in conjunction with E.ON and the Belgian-based Fluxys.

The Serbian authorities decided to change their position on selling Naftna Industrija Srbije (NIS), the national oil company, after Serbia was invited to participate in a South Stream project. Gazprom's subsidiary managed to acquire 51 per cent of the shares in NIS without tender, and for a smaller consideration than Serbians had asked for initially. In return, the Serbia will participate in constructing a 400-km South Stream segment to pass over Serbian territory, and an underground gas storage-based depleted gas field in Banat (60 km NE of Novi Sad) will be constructed. Such agreements look set to make Serbia a reliable partner of Gazprom.

Asset exchanges enhance trust between investors and encourage relations. In February 2008, Gazprom and E.ON signed a memorandum of understanding on joint construction and operation of a gas-turbine power plant near Lubmin in Germany, not far from where the North Stream pipeline supplying natural gas to the power plant enters the country. Estimated capacity will be 1200 MW and the construction investment some €700–800 million. Gazprom and E.ON will set up an implementing JV on a parity basis.

Medium-sized ventures are also investing in European industry, and often turning out to be far more efficient than large TNCs, due to their greater flexibility. For example, foreign expansion has allowed Sintez (a Russian-based group well-known at home, involved mainly in hydrocarbons production) to diversify its activities substantially. Sintez has entered into an agreement with Macedonia whereby it will build a thermal power station with a power capacity of 227 MW and a thermal capacity of 160 MW. It will be integrated into Macedonia's energy system and supply 60 per cent of Skopje inhabitants with thermal energy. The power station, already under construc-

[30] http://www.gazprom.ru/news/2006/07/131400_20438.shtml.

tion, has some long-term contract offers to supply power (from Austria, Greece, Switzerland). Sintez's investment will be about €140 million, making it one of the biggest foreign investors in Macedonia.

In Germany, Sintezis is implementing another energy project, to provide a 110 MW power station near Leipzig. Sintez's investment in the project is expected to be about €100 million.[31]

In expanding abroad, Sintez has reputable partners. In energy, it cooperates with Colenco Power Engineering, a well-known Swiss company, Alstom (Switzerland) and Gama (Turkey). Sintez is now promoting itself in the international market Sintez by sponsoring the Swiss-based team Matech Rasing, which participates in FIA GT3 European car racing with Ford cars.

*

To sum up, Russian companies are expanding abroad in various directions. Though this does not always achieve them what they hoped and their behaviour is not always expert or sophisticated, they are gaining experience fast and engaging high-quality M&A experts. Foreign investment by Russian companies is encouraged by the world economic situation: cheapening of some foreign assets under crisis and persistently high income from Russian raw-material exports. Also appearing is greater support from Russian governmental authorities. So foreign investment by Russian business can be expected to expand further in the immediate future.

* * * * *

[31] http://pragent.ru/public/sintez1/.

Table 6
The top 20 cross-border M&A transactions by Russian firms in 2004-8[1]

Year	Foreign asset[2]	Purchasing firm	Industry	Value, USD million[3]
2007	100% share in LionOre Mining International Ltd (Canada)	Norilsk Nickel	Metallurgy	6287
2008	100% share in IPSCO (Canada)	Evraz Group	Metallurgy	4025
2006	Glenkor's aluminum assets (Switzerland)	RUSAL, Sual	Metallurgy	3000[4]
2005	100% share in Nelson Resources Ltd (Bermuda)	Lukoil	Fuel and energy	2130
2007	91% share in Oregon Steel Mills Inc (US)	Evraz Group	Metallurgy	2100
2007	30% share in STRABAG SE (Austria)	Basic Element	Construction and engineering	1680[4]
2005	13.2% share in Turkcell Iletisim Hizmetleri (Turkey)	Alfa Group	Telecom	1602
2007	16% share in Magna International Inc (Canada)	RusPromAvto (Gaz Group)	Car manufacturing	1537
2007	30% share in Sulzer (Switzerland)	Renova Holding	Machinery manufacturing	1350[4]
2007	21.4% Oerlikon (Switzerland)	Renova Holding	Machinery manufacturing	850[4]
2007	9.99% share in Hochtief AG (Germany)	Basic Element	Construction and engineering	820[4]
2008	Sparrows Point (US)	Severstal	Metallurgy	810
2006	50% share in Steel Invest & Finance SA (Luxembourg)	NMLK	Finance	805
2007	80% Energetic Source SPA (Italy)	Renova	Fuel and Energy	700[4]
2006	79% Highveld Steel & Vanadium Corp (South Africa)	Evraz Group	Metallurgy	681
2008	51,05% Delong Holdings Limited (China)	Evraz Group	Metallurgy	614
2008	51% share in Naftna Industrija Srbije (Serbia)	Gazpromneft	Fuel and energy	600[4]
2005	62% share in Lucchini (Italy)	Severstal	Metallurgy	579
2007	Filling stations in Czech Republic, Slovakia, Belgium, Poland, Hungary	Lukoil	Oil refining / trading	560[4]
2006	90% share in Armentel (Armenia)	Vympelcom	Telecom	488

Note: [1]Some share exchanges disregarded; [2]asset volume acquired may have increased by purchase of further shares or decreased by subsequent selling; [3]deal price converted into USD at rate on purchase date; [4]estimate.

REFERENCES

Borisov, A. (2005): 'Russian Business Abroad'. *Mezhdunarodnaya Zhizn* 2.

Crane K., D.J. Peterson and O. Oliker (2005): 'Russian investment in the Commonwealth of Independent States'. *Eurasian Geography and Economics,* 4 (46).

Deutsche Bank Research (2008): Russia's outward investment. Deutsche Bank Research.

Economist Intelligence Unit (2006): 'Russians are going. Initiation of developing Russian TNCs'. RUSAL: Moscow.

Economist Intelligence Unit (2007): 'World investment prospects to 2011: Foreign direct investment and the challenge of political risk', Columbia Program on International Investment.

Forum (2006): 'Foreign expansion of Russian business'. *Forum,* supplement to *Vedomosti* Newspaper, December.

Kaartemo, V. (2007): 'New role of Russian enterprises in international business.' Turku School of Economics and Business Administration, Pan-European Institute, 18.

Kheyfets, B. (2007): 'Foreign expansion of Russian business and national interests', Institute of Economics: Moscow.

Kheyfets, B., and A. Libman (2008): 'Corporate integration: An alternative for the post-Soviet space', Moscow.

Kuznetsov, A. (2008): 'Russian companies expand foreign investments'. *Russian Analytical Digest,* 34.

UNCTAD (2005): *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D.* United Nations: New York and Geneva.

UNCTAD (2006): *World Investment Report 2006: FDI from developing and transition economies: Implications for development.* United Nations: New York and Geneva.

UNCTAD (2007): *World Investment Report 2007: Transnational Corporations. Extractive industries and development.* United Nations: New York and Geneva.

Vahtra, P. (2006) 'Expansion or exodus? – trends and developments in foreign investments of Russia's largest industrial enterprises'. Turku School of Economics and Business Administration, Pan-European Institute, 1.

Vahtra, P. (2007) 'Expansion or exodus? – The new leaders among the Russian TNCs'. Turku School of Economics and Business Administration, Pan-European Institute, 13.

WCIOM (2006): 'Globalization and transnationalization of Russian business: Public opinion'. WCIOM: Moscow.