VALE COLUMBIA CENTER
ON SUSTAINABLE INTERNATIONAL INVESTMENT
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

Columbia FDI Profiles
Country profiles of inward and outward foreign direct investment
issued by the Vale Columbia Center on Sustainable International Investment
August 2, 2011
Editor-in-Chief: Karl P. Sauvant
Editor: Padma Mallampally
Associate Editor: Ken Davies
Managing Editor: Ana-Maria Poveda-Garces

Outward FDI from Russia and its policy context, update 2011

by
Alexey Kuznetsov*

Russian outward foreign direct investment (OFDI) increased rapidly in the 2000s. The global economic crisis caused some structural shifts in Russian companies' expansion abroad: for example, several Russian multinational enterprises (MNEs) lost a major part of their foreign assets. However, Russia remained among the top 15 countries ranked by OFDI stock. Leading Russian MNEs, especially LUKOIL and Gazprom, continued their extensive OFDI activities in 2008–2010. The main features of Russian OFDI have not changed. Round-tripping investments and OFDI in real estate are still extremely high as a proportion of the total. Large private MNEs with low transparency combine classic OFDI motives with the Russian oligarchs' desire for "capital flight" and the creation of "safety nests" abroad. Mergers and acquisitions (M&As) are more popular than greenfield OFDI among Russian MNEs, although they rarely strengthen Russian firms' competitiveness. State-controlled MNEs are assumed to have ties to Russian foreign policy. At the same time, Russian state support is weak for small and medium-sized investors who need information services and insurance schemes.

Trends and developments

Country-level developments

Russia experienced a rapid OFDI expansion during the 2000s (annex tables 1 and 2). According to UNCTAD (whose Russian figures are based on statistics from the Bank of Russia, the central bank of the Russian Federation), the country had risen to 15th rank in the

* Alexey V. Kuznetsov (kuznetsov@imemo.ru) is the head of the Center for European Studies at the Institute of World Economy and International Relations (IMEMO) and professor at MGIMO-University, Moscow, Russia. The author wishes to thank Kalman Kalotay, Boris Kheyfets and Kari Liuhto for their helpful comments. The views expressed by the author of this *Profile* do not necessarily reflect opinions of Columbia University, its partners and supporters. *Columbia FDI Profiles* (ISSN 2159-2268) is a peer-reviewed series.

world in terms of OFDI stock by the end of 2006.[1] Russia has become the leading home economy for FDI both among BRIC countries and among transition and post-transition economies, although the gap in terms of OFDI stock per capita was insignificant in the case of Hungary and some other Central European countries. During the global economic crisis, several Russian MNEs sold their foreign subsidiaries while the assets of other companies were devalued. However, Russia even climbed to 13th place in terms of OFDI stock globally due to major new investment outflows (annex table 2). Russia was in 7th place in terms of OFDI *flows* in 2009, although that year was the most difficult for the country during the recent downturn.[2] Bank of Russia statistics show that Russia's OFDI stock was US$ 303 billion at the end of 2009 and that it had reached US$ 369 billion at the end of 2010, 18 times larger than in 2000.[3] By comparison, global OFDI stock increased by only 156% during those ten years.[4]

The Bank of Russia collects information on OFDI flows for its balance-of-payments statistics and on OFDI stock for its investment position statistics from various sources, including companies' annual and financial reports, information from stock exchanges, OFDI data compiled by central banks in other countries, and some econometric estimates (when exact figures are not available). According to the internationally-accepted methodology it follows, its figures include not only foreign investments of MNEs but also OFDI of various Russian investment funds and citizens, whose OFDI in real estate is very high (about 20% and 25% of Russian OFDI stock[5]). In contrast to the Bank of Russia, the Federal State Statistical Service (Rosstat) uses only special statistical forms to gather data from companies (form No. 1–invest). However, many Russian MNEs have a low level of transparency and do not send their data to Rosstat. As a result, Rosstat's figures are much lower than those compiled by the Bank of Russia. According to Rosstat, Russian OFDI stock was only US$ 45 billion at the end of 2009 and US$ 57 billion in 2010. The Rosstat figures, which in 2008-2010 were between one-sixth and one-seventh of the OFDI stock as measured by the Bank of Russia (annex table 1), are even lower than the combined value of the non-current foreign assets of top Russian MNEs as published in those companies' annual financial reports (annex table 5). However, Rosstat is the only source of information on the industrial structure of Russian OFDI. Rosstat data show that oil and gas and metals are the main industries attracting OFDI of Russian MNEs (annex table 3). A new IMEMO–VCC survey of the top 20 Russian non-financial MNEs also shows that oil and gas and metals companies are leaders among Russian investors.[6]

Rosstat also publishes information on the geography of Russia's OFDI stock. On May 5, 2011, the Bank of Russia published such information for the first time. A comparison of Russian data with the official data of host countries shows the important role of round-

[1] UNCTAD, *World Investment Report 2011: Non-Equity Modes of International Production and Development* (Geneva: United Nations, 2011), available at: http://www.unctad.org, Web table 4.
[2] Ibid,, Web table 2.
[3] Bank of Russia. *International Investment Position of Russia for 2001-2011*, available at: http://www.cbr.ru/eng/statistics.
[4] UNCTAD„ *op. cit.,* Web table 4.
[5] Alexey Kuznetsov, "Rossiyskiye TNK: evolyutsiya ot kompaniy regional'nih k global'nim," *Vestnik federal'nogo gosudarstvennogo uchrezhdeniya Gosudarstvennaya registratsionnaya palata,* vol. 13 (2011), no. 4.
[6] Alexey Kuznetsov, Anna Chetverikova and Natalia Toganova, "*Investment from Russia stabilizes after the global crisis,*" 23 June 2011, available at: http://www.imemo.ru and http://www.vcc.columbia.edu.

tripping and trans-shipping OFDI, especially via Cyprus and the Netherlands (annex table 4). Nowadays, many Russian companies are formally owned by foreign companies that are themselves Russian MNEs' affiliates established in offshore financial centers. At the same time, some Russian foreign subsidiaries (mainly in Ukraine and other post-transition economies) have received OFDI from Cyprus.[7] Thus, not all Russian OFDI in Cyprus, the British Virgin Islands, Bermuda, and some other destinations are pseudo-foreign (i.e. round-tripping OFDI), although they do significantly distort geographical statistics (because of trans-shipping OFDI).

In 2007, the Bank of Russia began to publish detailed statistics on the geographical distribution of Russian OFDI flows. These data demonstrate the priorities of Russian investors during the global crisis. Side by side with Cyprus, the Netherlands and other locations for round-tripping and trans-shipping OFDI, the United States has become one of the most important host countries (annex table 4a). Some small countries of the Commonwealth of Independent States (CIS) and Central and South-East Europe are also among main recipients of Russian OFDI. Armenia, Belarus, Bulgaria, Latvia, Montenegro, Serbia, Uzbekistan, and some other countries are not popular among foreign investors globally but attract significant Russian OFDI due to cultural and language ties, developed industrial chains, business contacts from the Soviet period and other advantages of the so-called "neighborhood effect".

Several countries appear among the leading hosts for Russian OFDI thanks to the activities of just one company. For instance, Zarubezhneft has become the first Russian MNE to invest in Bosnia and Herzegovina.[8] Almost all Russian OFDI in Hungary has been made by Surgutneftegaz, which has bought more than 20% of MOL, the country's main oil company (though Surgutnefetgaz resold its stake to the Hungarian state in the middle of 2011). There are also other examples, especially in Latin America and Africa.

The corporate players

According to the author's own calculations, the OFDI stock of Russian MNEs exceeded US$ 100 billion in 2009. Our estimate is much higher than Rosstat data because all Russian companies with significant foreign assets have been investigated.[9] However, our estimate is much lower than Bank of Russia data because it excludes OFDI of various Russian investment funds, citizens' OFDI in real estate and pseudo-foreign investment via offshore locations.

[7] Elina Pelto, Peeter Vahtra and Kari Liuhto, "Cyp-Rus investment flows to Central and Eastern Europe," *Electronic Publications of Pan-European Institute,* 2004, no. 10, available at: http://www.tse.fi/pei; *Evraz Group S.A. Consolidated Financial Statements*, Year Ended December 31, 2009, p. 60, available at: http://www.evraz.com, etc.

[8] Compare annex table 4a with annex table 7.

[9] The results of the IMEMO–VCC survey of Russian MNEs covered 20 top MNEs; but the IMEMO team investigated reports of 40 largest MNEs and administered special questionnaires. These 40 companies were selected from more than 100 companies whose OFDI was covered by media and various M&A databases.

In contrast to many other emerging markets, Russia has become a home economy for several dozen large MNEs.[10] Although LUKOIL is the undeniable leader, Gazprom and several Russian metal companies carry similar weight, leading the country's list of top MNEs in 2009 (annex table 5). As noted, oil and gas, iron and steel, and non-ferrous metal industries represent the main areas of international investment by Russian MNEs. Firms from these industries, as well as agrochemical and electricity companies, strengthen their competitive advantages with OFDI. However, the pattern of Russian FDI in the global economy does not fully reflect the country's industrial structure. Russia's internal market is quite large in many modern high-tech industries which produce considerable value added in various branches within the country but do not yet engage in international production.

Russian MNEs include not only resource-based companies but also, among others, telecommunications companies. Firms from the Russian nuclear value chain (mining of uranium ore, production of nuclear materials and equipment and the construction of nuclear power stations) have also begun their foreign expansion. The industrial spectrum of the "second echelon" of Russian MNEs is more complex and includes various companies from the construction and building materials industry (e.g. Eurocement, the LSR Group), machinery (e.g. Sitronics from the Sistema conglomerate, Tractor Plants, Borodino), food industry (e.g. Wimm-Bill-Dann, the SPI Group) and other branches. The process of internationalization of almost all leading Russian service companies is also very impressive. Russian telecommunications MNEs are the most well-known of these,[11] but one can also find large Russian companies with OFDI in transportation (e.g. Globaltrans, Russian Railways, UTair), retail (e.g. X5 Retail, Vester), banking (e.g. Sberbank, Gazprombank, Alfa-bank)[12], IT business (e.g. LANIT, IBS, Kaspersky Lab), media (e.g. CTC Media, Interfax), and some other sectors.

The role of state-controlled MNEs in Russia's OFDI is relatively large compared with that in developed countries, but rather low in comparison with some emerging markets, especially China. However, it would be a misleading simplification to divide Russian MNEs just into state-owned and private companies. Among state-controlled firms, one can find both effective and market-oriented companies and clumsy giants that could hardly function without state backing. Similarly, among privately-owned firms, there are both dynamic business groups and the rent-seeking empires of the oligarchs. Although nowadays it is mainly MNEs of the classic type (characterized by firm-specific and internationalization advantages and motivated by a variety of alternative considerations as noted below) that dominate the leading Russian MNEs, some companies with significant foreign assets do have different features. For example, Zarubezhneft can be seen as a successor to Soviet MNEs due to its key subsidiary in Vietnam. Then there are companies that exploit transnational economic ties within the former

[10] Karl P. Sauvant, Vishwas Govitrikar and Ken Davies, eds, *MNEs from Emerging Markets: New Players in the World FDI Market* (New York: Vale Columbia Center on Sustainable Investment, January 2011), available at: http://www.vcc.columbia.edu.

[11] Nikita Lisitsyn, Sergey Sutyrin, Olga Trofimenko, and Irina Vorobieva, "Outward internationalization of Russian leading telecom companies," *Electronic Publications of Pan-European Institute,* 2005, no. 1, available at: http://www.tse.fi/pei.

[12] The oldest Russian banking subsidiaries abroad belong to VTB. For details see, Kari Liuhto and Jan Jumpponen, *The Russian eagle has landed abroad* (Lappeenranta: Lappeenranta University of Technology, 2003).

Soviet area, such as INTER RAO UES and perhaps Eurochem.[13] Although there are classic MNEs among the Russian transport MNEs in the "second echelon" mentioned above, the largest investor, Sovcomflot, with its fleets in Cyprus, Liberia and some other countries that offer flags of convenience, has strong features of pseudo-MNEs.[14]

The two most prominent FDI theories largely explain the expansion of investment by Russian companies abroad. On the one hand, the widespread market-seeking, efficiency-seeking, asset-seeking, and resource-seeking motives of Russian MNEs are in line with the eclectic theory of international production.[15] Russian investors are usually large exporters and their OFDI supports their sales and market-seeking efforts. In some cases, it reduces transportation costs for finished goods (e.g. LUKOIL's refineries in European countries) or secures their exports against political instability in transit countries (e.g. the participation of Gazprom in operating pipelines). Another motive is the desire to reduce the impact of United States or EU trade protectionism, especially in the metal industry. However, asset-seeking motives are also important in the case of FDI by Russian MNEs in developed countries, while resource-seeking motives are typical in the case of Russian OFDI in Kazakhstan and some African countries. Efficiency-seeking motives can be found only in Russian FDI in the CIS and a few other countries, where labor costs are lower than in Russia. On the other hand, in keeping with the explanation provided by the Uppsala theory of the internationalization of the firm, short psychological distance, low language and cultural barriers for Russian MNEs in former Soviet Union and Balkan Slavic countries, as well as strong economic and political ties inherited from the Soviet period, play an important role in Russian FDI in some countries.[16] Many Russian MNEs do not have much experience in foreign investment activities and therefore usually prefer to buy companies or to establish new affiliates only under the familiar conditions of former communist countries, especially those with a favorable attitude to Russia due to cultural ties. In contrast to, say, India, Russia is "lucky" in this with its neighborhood for OFDI, especially in Ukraine (where the negative consequences of the Orange Revolution were insignificant for the majority of Russian MNEs).

Other FDI motives of Russian MNEs exist side by side with the traditional four key motives in the eclectic paradigm, leading to a real plurality of OFDI motives for Russian MNEs. For example, while it is false to say that any significant part of Russian OFDI services Russian foreign policy, political aspects of OFDI decisions are taken into account in many cases. Russian embassies often supply Russian investors with necessary information and help develop useful contacts with local companies. Russian political support can soften protectionism (e.g. in Belarus, Vietnam, Venezuela). The Russian Government and MNEs have developed schemes such as "investment-for-debts" in some countries (e.g. Armenia).

---

[13] Alexey Kuznetsov and Anna Chetverikova, "Despite the crisis, Russian Federation MNEs continue their outward expansion in 2008," in Sauvant, Govitrikar and Davies, op. cit., p. 313.

[14] Alexey Kuznetsov, "Prospects of various types of Russian transnational corporations (TNCs)," *Electronic Publications of Pan-European Institute,* 2007, no. 10, pp. 18–27, available at: http://www.tse.fi/pei.

[15] John H. Dunning, "The eclectic paradigm of international production: a restatement and some possible extensions," *Journal of International Business Studies*, vol. 19 (1988), no. 1, pp. 1–31; Kalman Kalotay, "Russian multinationals and international investment paradigms," *Research in International Business and Finance,* vol. 22 (2008), no. 2, pp. 85–107.

[16] Jan Jonanson and Jan-Erik Vahlne, "The internationalization process of the firm: a model of knowledge development and increasing foreign market commitments," *Journal of International Business Studies*, vol. 8 (1977), no. 1, pp. 23–32; Alexey Kuznetsov, "Pryamiye inostranniye investitsii: effekt sosedstva," *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, vol. 52 (2008), no. 9, pp. 40–47.

Many privately-owned Russian MNEs are suspected of using OFDI as a novel means of capital flight or creating safety nests abroad.[17]

Among the most specifically Russian OFDI motives, which are often combined with the classic motives, one can also mention the desire to improve the image of top managers, access to cheap financial resources from international stock exchanges to develop business in Russia and strengthening a firm's negotiating power. Such power is useful both in dialogue with the Kremlin on anti-monopoly investigations and in the struggle against protectionism abroad. There is an extraordinary personalization of large Russian MNEs, including some of the largest. For example, Alexey Mordashov, the CEO of Severstal, owns 82.9% of its shares. The chairperson of NLMK's board, Vladimir Lisin, controls 85.5% of NLMK's shares. The chairperson of Mechel's board, Igor Zyuzin, owns 66.8% of Mechel's shares.[18]

A few Russian oligarchs own both large companies specializing in one or several related industries and investment funds for expansion into other sectors. For example, Alexey Mordashov controls Severstal as well as S-Group Capital Management, which operates funds with foreign assets in tourism and some other sectors. Several Russian oligarchs realize their ambitious investment plans via special funds. For instance, Alexander Lebedev controls the National Reserve Company, which is involved in banking, insurance, tourism, transportation, and media. Its largest foreign project is Blue Wings in Germany, in which the National Reserve Company owned 48% of shares and invested more than US$ 100 million (though this airline went bankrupt in the global crisis).

Some oligarchs prefer to invest the money they acquired from the privatization of Russian enterprises in the 1990s in foreign funds. For example, Vladimir Iorich sold his 42% holding of Mechel's shares in 2006 and invested approximately US$ 0.9 billion in the Pala Investments Fund, which is registered in Switzerland, and is involved in mining OFDI worldwide. Some illegal motives also exist. For example, a Russian MNE under state control can make OFDI for market-seeking reasons, but at the same time it may be possible for some top managers to steal some money from the incorrectly estimated price of an investment project (e.g. through kickbacks, which are known in Russia as *otkat*).[19]

There are special motives connected with Russian OFDI in real estate. There are more than 100 billionaires (oligarchs) in Russia (despite its rather modest GDP per capita, the country is in third place in the world as regards billionaires[20]). All the oligarchs' huge fortunes are based on privatization deals in the 1990s, when they acquired leading plants and mines for symbolic prices, and are protected by the modern Russian economic system characterized by low

---

[17] Alexander Bulatov, "Gosregulirovaniye vivoza kapitala iz Rossii v nastoyashchem I budushchem," *Mirovaya politika: vzglyad iz budushchego* (Moscow: MGIMO-University, 2009, Vol. 10), pp. 74–78; Sergey Filippov, "Russia's emerging multinationals: trends and issues," *UNU-MERIT Working Papers*, 2008, No. 062, p. 7.

[18] Official information on these companies is available at: http://www.severstal.com; http://www.nlmksteel.com; http://www.mechel.com.

[19] For details on Russian criminal schemes, including *otkat* in foreign activities, see, Andrey Yakovlev, *Agenti modernizatsii* (Moscow: Higher School of Economics, 2006).

[20] *The World's Billionaires 2011*, available at: http://www.forbes.com/wealth/billionaires/list.

competition and high corruption.[21] However, many oligarchs understand the instability of their situation and try to accumulate reserves abroad, including through OFDI. European countries have become the main locations for Russian oligarchs' OFDI in palaces, castles and football clubs. A few businesspersons (e.g. Evgeny Shvidler, Vladimir Iorich) have changed their citizenship, but usually Russian oligarchs prefer informal emigration because they cannot increase their fortunes without maintaining their existing ties to the Kremlin (e.g. Boris Berezovsky in the United Kingdom, Vladimir Gusinsky in Spain). The best example of a modern Russian oligarch is Roman Abramovich. He is the speaker of the Chukotka Autonomous District Parliament and a former governor of this Russian region. Despite his official position in Russia, Mr. Abramovich spends most of his time abroad. He has invested around US$ 1 billion in British, French and other European luxury real estate.[22]

At the same time, Russians from the middle class also invest abroad in real estate, usually in holiday homes for non-commercial purposes in tourist regions (though FDI statistics do not distinguish purposes of investment in real estate). The real estate markets in large Russian cities are monopolized and prices for apartments are extremely high.[23] Thus, people from the middle class sometimes prefer to buy houses and apartments abroad instead of investing their capital in expensive automobiles or dachas (summer cottages) in Russian provinces. At the same time, private investments in Russian companies' shares are very risky while savings in banks are unprofitable. The average price for Russian deals in foreign real estate was only US$ 210,000 in 2009.[24] Every year, including during the current global downturn, Russians spend more than US$ 10 billion for cheap real estate in Bulgaria, Cyprus, Montenegro, Spain, Germany, Turkey, and other countries.[25] As a result, the share of investment in real estate exceeds 20% of total Russian OFDI flows.

Effects of the recent global crisis

In the middle of the 2000s, many Russian MNEs preferred to develop their investment expansion by cross-border M&As involving companies in difficult financial conditions. The process was driven less by the potential advantages of extending their international intra-firm value added chains than by the possibilities of easy acquisitions.[26] However, many of the foreign companies acquired became serious burdens for new Russian investors during the recent downturn. Moreover, some Russian MNEs financed their OFDI not only from their huge export revenues of the pre-crisis period but also through foreign loans. The most prominent example was Basic Element, a major diversified MNE owned and controlled by Oleg Deripaska. During the global crisis, the investment empire of Basic Element was saved only by multibillion dollar support provided by the Russian Government. Nevertheless, it lost

---

[21] Jakov Pappe and Jana Galuhina, *Rossiyskiy krupniy biznes: perviye 15 let* (Moscow: Higher School of Economics, 2009).

[22] For more detail on this phenomenon see, Alexey Kuznetsov, ed., *Vliyaniye rossiyskoy investitsionnoy ekspansii na obraz Rossii v Yevrope* (Moscow: IMEMO, 2010), pp. 90–94, available at: http://www.imemo.ru.

[23] *Tseni v Rossii. 2010* (Moscow: Rosstat, 2010), pp. 117, 119, available at: http://www.gks.ru.

[24] *Aktivnost' rossiyan na rinke zarubezhnoy nedvizhimosti: itogi 2009 goda*, 10.02.2010, available at: http://gordonrock.ru/news/?tema=97&news_id=550.

[25] Bolgariya – dlya vseh, Shveytsariya – dlya izbrannih, 31.01.2011, available at: http://gordonrock.ru/news/?tema=10&news_id=824.

[26] Boris Kheyfets and Vladimir Baykov, "Apologiya beglogo kapitala," *Expert*, 2009, No.3, available at: http://www.expert.ru.

some of its foreign assets in machinery and construction, and reduced its stake to a minority one in its largest metal subsidiary UC RUSAL, which began an initial public offering in 2010.

Several Russian companies have lost all their major foreign subsidiaries in machinery, construction, insurance, and some other industries. The situation in the iron and steel industry is the most striking one: MAIR and Estar went bankrupt, while Koks sold all its Slovenian plants. Even the M&A activities of the relatively successful steel companies were interrupted in mid-2008 (annex table 6). In 2010, Severstal announced plans to sell its largest European subsidiary Lucchini and some enterprises in the United States. The largest non-ferrous metal companies survived but went down in the ranking of top Russian MNEs. Only oil and gas companies continued to realize large new M&A deals in 2009. In 2010, the economic recovery began and M&A deals by MNEs in other industries (e.g. VimpelCom, ARMZ) showed that Russia remained an important source of OFDI.

Many greenfield projects were frozen in 2009, although at the same time many Russian companies announced great plans. For example, the expansion of Mechel in India was halted, while UC RUSAL did not begin its OFDI activities in Vietnam. However, the crisis opened new possibilities for expansion and diversification by some highly competitive companies. Russian oil and gas giants strengthened their expansion in developing countries, especially in Venezuela and Iraq. Russian telecommunication leaders went outside the former Soviet Union area (annex table 7). Many examples can also be found in the second echelon of MNEs. In 2008–2010, Russian Railways went to Armenia and broadened its activities in European countries and Mongolia (a huge project of the company in Libya was temporarily stopped in 2011 because of the war there). Despite small OFDI, some Russian IT firms also diversified markedly abroad.

A significant transfer of jobs from Russia has since the crisis for the first time drawn attention to the negative impact of Russian OFDI on the home economy. Before the crisis, this was not so noticeable because the Russian economy was growing rapidly. In 2008-2009, Russian MNEs decreased their personnel at home rather easily while their staff reduction abroad was slight. There were two main reasons for this difference. On the one hand, the gap between the productivity of the labor force in Russia and that in Western countries was still high, providing an incentive for MNEs to reduce jobs first of all in Russia. On the other hand, Russian trade unions were weak while relevant state policy was rather inarticulate.

The policy scene

There is a widespread perception that the Russian state has a significant influence on the operations of Russian MNEs. In fact, "patriots" (state-controlled corporations with political goals that take precedence over business rationale) and "conformers" (private companies that frequently operate in line with Russia's official policies) are relatively rare.[27] For example, there are only a few large state-controlled Russian MNEs: two companies out of the ten

[27] These terms were coined by Peeter Vahtra and Kari Liuhto in their "Expansion or exodus? Foreign operations of Russia's largest corporations," *Electronic Publications of Pan-European Institute,* 2004, no. 8, p. 94, available at: http://www.tse.fi/pei.

largest Russian non-financial MNEs and five companies in the top 20 Russian MNEs.[28] Moreover, managers of some Russian state-owned MNEs abuse their position and pursue their own interests. Some companies have assumed a leading role in the Russian economy due to state participation, but it is difficult to see any special state support in their cross-border expansion.

At the same time, there are some examples of coordination between Russian MNEs and Russian foreign policy. For instance, Russian private companies toed the line with the Russian Government's official position and temporarily decreased their economic contacts with Estonia in 2007 after a grave of Soviet soldiers was desecrated in Tallinn.[29] However, it is difficult to find strictly-defined Russian national goals or interests in many other cases. For example, there are opposing views on the conflicts over natural gas with Ukraine and investment in gas transportation in Belarus. Some experts speak of the end of Russian gas diplomacy and a real transformation of Gazprom into a classic MNE, while others perceive the situation as the beginning of an active gas diplomacy.[30] Political influence is a factor in Russian investment expansion in Central Asia (much as in the case of United States OFDI in Latin America or German MNEs' investment in Eastern Europe), but it is not a crucial factor.[31] It is impossible to prove a strong connection between Russian investment and Russian foreign policy in Asia and Africa, although sometimes the Government of Russia tries to help Russian private MNEs in those regions. The Government usually protects existing projects (e.g. LUKOIL or UC RUSAL subsidiaries), but its role during the initial stages of Russian OFDI projects is insignificant.

State support for Russian OFDI is weak and uses only a few policy instruments.[32] The main problem seems to be the lack of experience in investing abroad. For example, a state insurance agency for export credits and OFDI has not yet been established, although the Russian State Bank for Development and Foreign Economic Affairs (Vnesheconombank) announced plans to do this several years ago. The Russian Federation also has only modest positions in the field of double taxation treaties (DTTs) and bilateral investment treaties (BITs), especially outside the traditional regions of Russian firms' foreign expansion. For example, there were only 58 BITs with Russian participation in force at the end of 2010. However, dozens of treaties are in the process of ratification (with the United States, Portugal, Uzbekistan, Slovenia, Thailand, Ethiopia, Algeria, and Brunei) or on the way to being

---

[28] Alexey Kuznetsov, Anna Chetverikova and Natalia Toganova, "*Investment from Russia stabilizes after the global crisis,*" June 23, 2011, available at: http://www.imemo.ru and http://www.vcc.columbia.edu.

[29] Alexey Kuznetsov and Anna Chetverikova, "Problemi rossiysko-pribaltiyskih ekonomicheskih svyazey," *Mirovaya ekonomika i mezhdunarodniye otnosheniya,* vol. 53 (2009), no. 7, pp. 73–81.

[30] Leonid Grigoriev, "Ukraina – Rossiya: ekonomika gazovoy voyni," *Strategiya Rossii*, vol. 3 (2006), no. 3, available at: http://www.fondedin.ru/sr; Sergei Komlev, "Lessons to be taken from the January transit crisis," March 26, 2009, available at: http://www.imemo.ru/ru/conf/2009/00309_1.pdf; Elizabeth Buchanan, "Pipeline politics: Russian gas diplomacy under Putin", 2010, available at: http://apsa2010.com.au/full-papers/pdf/APSA2010_0190.pdf.

[31] Alexey Kuznetsov, "Investitsii v Tsentral'noy Azii: problemi konkurentsii rossiyskih i zarubezhnih TNK," *Konflikti ekonomicheskih i politicheskih interesov na postsovetskom prostranstve*, ed. by Fedor Voytolovskiy and Alexey Kuznetsov (Moscow: IMEMO, 2008), pp. 28–37, available at http://www.imemo.ru/ru/publ/2008/08025.pdf.

[32] Boris Kheyfets, "Vneshniy sector rossiyskoy ekonomiki," *Voprosy Ekonomiki*, vol. 79 (2007), no. 11, pp. 76–91.

signed.[33] However, the main focus of Russia's current outward investment policy appears to center on the protection of dozens of existing Russian MNEs.

Conclusion

Russian OFDI activities will continue to increase, although the speed of foreign expansion will be slower. First, LUKOIL and some other large MNEs have never stopped their expansion abroad. Secondly, companies that have overcome the effects of the crisis have announced new projects, and many of these look realistic. For example, Rosneft announced a purchase of 50% of Ruhr Oel's shares for US$ 1.6 billion in October 2010. In May 2011, Rosneft did become the owner of this German refinery company. Thirdly, some Russian firms from the second echelon have only recently begun their internationalization: they can be expected to undertake significant OFDI at least within the CIS and some other neighboring regions. However, there are serious questions about the future character of Russian OFDI. Many experts and politicians think that the international production activities of Russian MNEs should stimulate a rapid modernization of the Russian economy. If Russian billionaires prefer to continue their expansion for the sake of expansion, the prevailing weak Russian state support can be transformed into restrictive policy.

Information services are crucial for successful OFDI by Russian MNEs. However, the state cannot provide them itself because the staff of various state economic bodies or trade representations abroad is limited. In many cases, officials cannot support private companies with independent information on investment climate details or the political aspects of local business. As for analytical centers (such as academic institutes, universities and private agencies), they need additional financial resources that can be supplied only by the companies themselves. Unfortunately, many Russian MNEs and potential investors do not cooperate with experts in such activities. Large Russian businesses have yet to establish positive relationships with civil society.

Additional readings

Kalotay, Kalman, "Russian multinationals and international investment paradigms," *Research in International Business and Finance,* vol. 22 (2008), no. 2, pp. 85–107.

Kheyfets, Boris, "Na slome trenda: itogi zarubezhnih pryamih investitsiy rossiyskogo biznesa v 2010 godu," *Vestnik federal'nogo gosudarstvennogo uchrezhdeniya Gosudarstvennaya registratsionnaya palata,* vol. 13 (2011), no. 1, pp. 4–17.

Kuznetsov, Alexey, "Industrial and geographical diversification of Russian foreign direct investments," *Electronic Publications of Pan-European Institute,* 2010, no. 7, available at: http://www.tse.fi/pei.

Kuznetsov, Alexey, "Struktura rossiyskih pryamih kapitalovlozheniy," *Mirovaya Ekonomika i Mezhdunarodniye Otnosheniya*, vol. 51 (2007), no. 4, pp. 69–76.

Kuznetsov, Alexey, "Urgent tasks for research on Russian TNCs," *Transnational Corporations,* vol. 19 (2010), no. 3, pp. 81–95.

[33] Ministry of Foreign Affaires of the Russian Federation, *Dvustoronniye soglasheniya o pooshchrenii i vzaimnoy zashchite kapitalovlozheniy*, 26.02.2010, available at: http://www.mid.ru.

Kuznetsov, Alexey, and Anna Chetverikova, "Despite the crisis, Russian Federation MNEs continue their outward expansion in 2008," *MNEs from Emerging Markets: New Players in the World FDI Market*, ed. by Karl P. Sauvant, Vishwas P. Govitrikar and Ken Davies, January 2011, pp. 311–335, available at: http://www.vcc.columbia.edu.

Vahtra, Peeter, "Expansion or exodus? Russian TNCs amidst the global economic crisis," *Electronic Publications of Pan-European Institute,* 2009, no. 20, available at: http://www.tse.fi/pei.

Useful websites

For statistical material about Russian OFDI, see the Bank of Russia, available at: http://www.cbr.ru.

For texts of Russian laws, see ConsultantPlus, available at: http://www.consultant.ru.

* * * * *

For further information please contact: Vale Columbia Center on Sustainable International Investment, Ken Davies, Kenneth.Davies@law.columbia.edu.

The Vale Columbia Center on Sustainable International Investment (VCC), led by Dr. Karl P. Sauvant, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law.

Statistical annex

Annex table 1. Russia: outward FDI stock, 2000–2010

Economy		FDI stock (US$ billion)						2010 OFDI stock per capita (US$)
		2000	2005	2007	2008	2009	2010	
Russia [a]	Data of the Bank of Russia	20	147	370	206	303	369	2,620
	Data of Rosstat	…	4	14	32	45	57	403
Memorandum: Comparator economies								
China (without Hong Kong)		28	57	96	148	230	298	225
Brazil		52	79	140	156	165	181	934
India		2	10	44	63	79	92	77
Poland		1	6	21	24	30	37	968
Hungary [b]		1	8	17	20	22	21	2,070
Kazakhstan		0	0	2	3	7	16	1,034
Ukraine		0	0	6	7	7	8	174

Sources: Bank of Russia, *International Investment Position of Russia for 2001–2011*, available at: http://www.cbr.ru/eng/statistics; Rosstat database, available at: http://www.gks.ru. For comparator economies: UNCTAD, *World Investment Report 2011: Non-Equity Modes of International Production and Development* (Geneva, United Nations, 2011), available at: http://www.unctad.org, Web table 4; *UNCTAD Handbook of Statistics*, 2010, pp. 473–474, 479, 481–482.

[a] There are two official sources for FDI statistics in Russia. The Bank of Russia estimates FDI figures by using balance-of-payments data. As a result, it includes all forms of FDI. Its statistics are the source for the FDI data for Russia in UNCTAD's FDI database (though UNCTAD usually receives preliminary data for the latest year and updates it only in subsequent reports). However, the Bank of Russia's data lack detailed information on the sectoral structure of FDI. The Federal State Statistics Service (Rosstat) collects data from companies and publishes detailed information (since 2005). However, its data do not include information for some countries and industries because the level of transparency of some Russian MNEs is inadequate.

[b] Excluding data on special purpose entities.

Annex table 2. Russia: outward FDI flows, 2000–2010

(US$ billion)

Economy		**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Russia	*Data of the Bank of Russia*	3.2	2.5	3.5	9.7	13.8	12.8	23.2	45.9	55.5	43.6	51.7
	Data of Rosstat	…	…	…	…	2.1	0.6	3.2	9.2	21.8	17.5	10.3
Memorandum: Comparator economies												
China		0.9	6.9	2.5	2.9	5.5	12.3	21.2	22.5	52.2	56.5	68.0
Brazil		2.3	-2.3	2.5	0.2	9.8	2.5	28.2	7.1	20.5	-10.1	11.5
India		0.5	1.4	1.7	1.9	2.2	3.0	14.3	17.2	19.4	15.9	14.6
Hungary		0.6	0.4	0.3	1.6	1.1	2.2	3.9	3.6	3.1	2.7	1.5
Poland		0.0	-0.1	0.2	0.3	0.9	3.4	8.9	5.4	4.4	5.2	4.7
Kazakhstan		0.0	-0.0	0.4	-0.1	-1.2	-0.2	-0.3	3.2	1.2	3.1	7.8
Ukraine		0.0	0.0	-0.0	0.0	0.0	0.3	-0.1	0.7	1.0	0.2	0.7

Sources: UNCTAD, *World Investment Report 2011: Non-Equity Modes of International Production and Development* (Geneva: United Nations, 2011), available at: http://www.unctad.org, Web table 2; Bank of Russia, *Balance of Payments of the Russian Federation*, available at: http://www.cbr.ru/eng/statistics; Rosstat database, available at: http://www.gks.ru.

Annex table 3. Russia: sectoral distribution of outward FDI stock, 2009

(US$ million)

Sector/industry	2009 [a]
All sectors/industries	**44,628**
Primary	**1,318**
Mining and quarrying	1,318
Extraction of crude petroleum and gas	306
Extraction of metal ores	894
Secondary	**18,732**
Manufacturing	18,544
Manufacture of food products and beverages	118
Manufacture of refined petroleum products	3,263
Printing and reproduction of recorded media	154
Manufacture of chemicals and chemical products	81
Manufacture of iron and steel	7,467
Manufacture of non-ferrous metals	7,062
Manufacture of nuclear power equipment	57
Manufacture of transport equipment	125
Electricity, gas, steam and water supply	184
Construction	4
Services	**24,578**
Wholesale and retail trade and repairing	17,341
Wholesale trade of fuels	14,078
Transportation and communication	1,899
Transport	1,088
Telecommunication	811
Financial activities	3,277
Real estate activities	2,055

Source: Rosstat database, available at: http://www.gks.ru.

[a] The database of Rosstat is based only on responses received from companies to its surveys. If a Russian MNE prefers not to answer the official request of Rosstat, data on the company's OFDI will be absent from the Rosstat statistics.

Annex table 4. Russia: geographical distribution of outward FDI stock, 2009

(US$ million)

Region/economy	According to Rosstat	According to Bank of Russia	According to national statistics of host countries
World	**44,628**	**306,241**	**…**
Developed economies	**38,142**	**239,574**	**…**
Europe	**32,686**	**217,930**	**…**
European Union	29,626	206,020	38,332
Austria	408	6,339	2,276
Bulgaria	6	1,470	1,321
Cyprus	13,149	120,093	3,611
Czech Republic	6	1,336	257
Estonia	26	602	466
Finland	66	974	656
France	67	1,339	621
Germany	110	7,444	2,929
Hungary	1	2,266	1,631
Ireland	2	661	727
Italy	58	1,908	1,564
Latvia	100	535	512
Lithuania	221	1,380	869
Luxembourg	479	19,906	…
Netherlands	12,397	24,114	445
Poland	18	596	163
Spain	0	3,059	2,594
United Kingdom	2,224	10,341	1,223
Gibraltar	1,000	3,080	…
Switzerland	2,058	7,733	…
North America	**5,455**	**10,773**	**8,107**
Canada	0	241	315
United States	5,455	10,532	7,792
Bermuda	0	10,478	…
Developing economies	**2,509**	**47,935**	**…**
Africa	**189**	**1,278**	**…**
Liberia	179	1,027	…
Asia and Oceania	**811**	**5,089**	**…**
China	13	78	…
India	536	46	371
Turkey	228	2,636	2,271
Vietnam	0	987	2,321
United Arab Emirates	4	1,197	…
Latin America and Caribbean	**1,509**	**41,568**	…
Bahamas	0	3,804	…
British Virgin Islands	1,379	33,285	…
Cayman Islands	25	3,388	…
Transition economies	**3,976**	**18,732**	**…**
Montenegro	0	1,339	…
CIS	**3,923**	**15,955**	**…**
Armenia	725	313	…
Belarus	1,977	6,069	…
Kazakhstan	61	2,701	1,022
Ukraine	575	4,327	2,675
Uzbekistan	333	1,374	…

Source: Rosstat database, available at: http://www.gks.ru; Bank of Russia database (http://www.cbr.ru); Eurostat database (http://appsso.eurostat.ec.europa.eu, latest update – 07.02.2011); and national statistics on FDI of the USA (http://www.bea.gov/international/ii-web), Canada (http://www.international.gc.ca); India (http://dipp.nic.in/fdi_statistics/india_FDI_December2009.pdf); Vietnam (http://www.gso.gov.vn), Kazakhstan (http://www.nationalbank.kz/cont/publish119221_6516.pdf) and Ukraine (http://www.ukrstat.gov.ua).

Annex table 4a. Russia: geographical distribution of FDI outflows, 2007–2010

Region/economy	FDI outflows, US$ million					World rank [a]
	2007	2008	2009	2010	Average, 2007–2010	
World	**45,897**	**55,540**	**43,632**	**51,664**	**49,183**	**–**
Developed economies	**38,878**	**44,788**	**33,896**	**39,742**	**39,326**	**–**
Europe	**34,923**	**29,401**	**31,252**	**36,727**	**33,076**	**–**
European Union	32,619	25,579	27,110	35,150	30,115	–
Austria	230	253	458	847	447	16
Belgium	80	49	36	36	50	47
Bulgaria	168	387	229	286	268	24
Cyprus	14,630	8,879	15,391	17,865	14,191	**1**
Czech Republic	248	319	142	359	267	25
Finland	110	154	185	246	174	29
France	257	217	386	335	299	10
Germany	674	1,860	1,488	1,872	1,474	**9**
Greece	33	58	32	318	110	35
Hungary	-12	542	1,789	47	592	15
Ireland	227	294	-279	1,002	311	19
Italy	87	295	158	315	214	27
Latvia	79	166	78	136	115	34
Lithuania	57	57	64	41	55	45
Luxembourg	497	2,722	784	2,949	1,738	**8**
Netherlands	12,501	4,685	3,377	6,761	6,831	**2**
Romania	1	25	39	196	65	41
Spain	259	458	375	490	396	17
Sweden	-55	177	256	203	145	31
United Kingdom	2,454	3,886	2,016	1,385	2,435	**4**
Gibraltar	886	1,311	2,178	-870	876	12
Isle of Man	-92	-28	-6	527	100	38
Monaco	81	82	52	79	74	40
Norway	-10	2	22	123	34	54
Switzerland	1,404	2,426	1,806	1,755	1,848	**7**
North America	**1,155**	**13,988**	**1,654**	**1,915**	**4,678**	**–**
Canada	181	6,723	20	863	1,947	**6**
United States	974	7,265	1,634	1,052	2,731	**3**
Other developed economies	**2,800**	**1,399**	**990**	**1,100**	**1,572**	**–**
Australia	42	47	14	36	35	53
Bermuda	2,689	1,305	854	999	1,462	**10**
Israel	50	42	25	59	44	50
Developing economies	**2,704**	**5,974**	**3,497**	**7,028**	**4,801**	**–**
Africa	**74**	**58**	**69**	**124**	**81**	**–**
Asia and Oceania	**1,183**	**1,103**	**308**	**771**	**841**	**–**
China	54	25	22	30	33	55
India	13	401	2	-3	103	37
Turkey	183	272	106	143	176	28
United Arab Emirates	901	240	60	81	321	18
Vietnam	6	0	41	173	55	43
Latin America and Caribbean	**1,447**	**4,813**	**3,120**	**6,133**	**3,878**	**–**
Argentina	0	216	3	1	55	44
Bahamas	-285	-89	333	402	90	39
Barbados	0	0	0	259	65	42
Belize	-11	50	235	2,842	779	13
British Virgin Islands	1,425	3,822	2,305	1,892	2,361	**5**
Cayman Islands	53	718	296	87	289	21
Saint Kitts and Nevis	172	22	1	1	49	48
Venezuela	57	-90	0	601	142	32

Annex table 4a. Continued

Region/economy	FDI outflows, US$ million					World rank [a]
	2007	2008	2009	2010	Average, 2007–2010	
Transition economies	**3,802**	**3,877**	**4,885**	**2,506**	**3,768**	**–**
Bosnia and Herzegovina	1	55	287	94	109	36
Croatia	95	75	13	23	52	46
Georgia	71	63	-7	47	44	51
Montenegro	188	173	85	117	141	33
Serbia	44	11	609	208	218	26
CIS (without Georgia)	**3,403**	**3,500**	**3,896**	**1,972**	**1,350**	**–**
Armenia	269	266	179	-23	173	30
Belarus	759	735	881	1,410	946	11
Kazakhstan	103	326	1,029	-316	286	22
Moldova	41	15	110	18	46	49
Turkmenistan	7	25	54	83	42	52
Uzbekistan	354	414	217	131	279	23
Ukraine	1,605	441	669	34	687	14
Unspecified destinations	**513**	**901**	**1354**	**2388**	**1,289**	**–**

Source: Bank of Russia database, 26 May 2011, available at: http://www.cbr.ru.

[a] Ranking in terms of average annual FDI outflows during 2007–2010.

Annex table 5. Russia: principal non-financial MNEs headquartered in country, ranked by total foreign assets in 2009

Rank	Name	Main industries	Total foreign assets (US$ million)		Non-current foreign assets (US$ million)	
			2008 [a]	2009	2008	2009
1	LUKOIL	Oil & gas extraction / refineries / petrochemicals / petroleum retail	23,577	28,038	9,791	10,076
2	Gazprom	Oil & gas extraction / gas distribution / electricity	17,940	19,420	4,948	6,747
3	Evraz	Iron & steel / mining of metal ores and coals	11,199	10,363	…	…
4	Severstal	Iron & steel / mining of metal ores and coals	11,477	9,907	6,417	6,297
5	Mechel	Iron & steel / mining of metal ores and coals / electricity	~ 2,800	~ 5,100	2,246	4,190
6	Norilsk Nickel	Non-ferrous metals / mining of metal ores	4,600	~ 5,000	1,709	2,005
7	Sovcomflot	Sea transport	~ 4,581	~ 4,745	…	…
8	Sistema	Conglomerate (telecommunications dominate)	~ 3,900	~ 4,300	3,804	~ 4,200
9	NLMK	Iron & steel / mining of metal ores	4,985	~ 4,000	…	…
10	VimpelCom	Telecommunications	4,386	3,756	3,921	3,197
11	RENOVA	Conglomerate	~ 3,129	~ 2,972	~ 1,609	~ 1,740
12	TMK	Metal tubes	2,361	2,248	1,842	1,652
13	INTER RAO UES	Electricity production and supply	1,267	1,338	777	696
14	Zarubezhneft	Oil extraction / refineries	~ 1,100	~ 1,300	1,064	1,279
15	UC RUSAL	Non-ferrous metals / mining of metal ores	~ 1,200	~ 1,100	952	938
16	Atomenergo-prom	Mining of uranium ores / nuclear materials and equipment	71	812	…	…
17	FESCO	Sea and railway transportation	1,143	712	594	358
18	Polyus Zoloto	Mining of gold ores	0	~ 500	0	482
19	OMZ	Nuclear and other electric power machines	377	478	192	234
20	Acron	Agrochemicals	332	440	243	283

Sources: IMEMO survey of Russian MNEs based on their annual and financial reports, as well as a special questionnaires. Symbol '~' means author's calculations based on media news, etc. (see Alexey Kuznetsov, Anna Chetverikova and Natalia Toganova, "*Investment from Russia stabilizes after the global crisis,*" 23 June 2011, available at: http://www.imemo.ru and http://www.vcc.columbia.edu).

[a] In 2009, three companies – Koks, Eurochem and ALROSA – were eliminated from the list of top Russian MNEs while Atomenergoprom, Polyuz Zoloto and Acron entered it as newcomers. The conglomerate Basic Element (6th place in 2008) got into trouble during the crisis because of its foreign loans. As a result, it lost some of its foreign assets and had to reduce its stake in its subsidiary UC RUSAL to a minority one. Thus, in 2009, UC RUSAL figured on the list on its own.

Annex table 6. Russia: main M&A deals, by outward investing firm, 2007–2010

Year	Acquiring company	Target economy	Target company	Target industry	Shares acquired (%)	Deal value (US$ million)
2007	Norilsk Nickel	Canada	LionOre Mining	Mining of ores	100.0	5,865
2010	Vimpel-Com	Ukraine	Kyivstar GSM	Telecom-munications	100.0 [a]	5,589
2008	Evraz	Canada	IPSCO Inc.	Iron and steel	100.0	4,250
2007	Gazprom	Belarus	Beltransgas	Gas transportation	50.0 [b]	2,500
2007	Evraz	USA	Oregon Steel Mills	Iron and steel	100.0	2,276
2008	Evraz	Ukraine	Palmrose	Iron & steel, coke and mining of ores	100.0	2,108
2009	Surgut-neftegaz	Hungary	MOL	Oil and gas	21.2	1,852 [c]
2008	LUKOIL	Italy	ISAB	Oil refinery	49.0	1,830 [d, e]
2008	TMK	USA	IPSCO Tubular and NS Group	Steel pipe and tubes	100.0	1,642 [d]
2009	LUKOIL	Netherlands (assets in Kazakhstan)	Lukarco	Oil and gas	46.0	1,599
2009	Mechel	USA	BCG	Mining of coals	100.0	1,447
2008	Mechel	UK (assets in Russia and Kazakhstan)	Oriel Resources	Mining of ores	100.0	1,440
2007	Basic Element	Austria	Strabag	Construction	30.0	1,427 [f]
2007	Gazprom	Germany	Wintershall Gas GmbH	Gas supply	15.0	1,218 (change of assets with BASF)
		Germany (assets in Libya)	Wintershall AG	Gas production	49.0	
2009	ARMZ (Atom-energo-prom)	Canada (assets in Australia, Kazakhstan and the USA)	Uranium One Inc.	Uranium ores	51.4 [g]	1,055
2008	Severstal	USA	Esmark	Iron and steel	100.0	978
2008	Severstal	USA	PBS Coals	Mining of coal	100.0	877
2008	Severstal	USA	Sparrows Point	Iron & steel	100.0	770
2009	LUKOIL	Netherlands	TRN	Oil refinery	45.0	725
2007	RENOVA	Switzerland	Sulzer	Machinery	31.2	720

Sources: Thomson ONE Banker, Thomson Reuters and information from financial reports of MNEs.

[a] Both companies were under joint control of Russian Altimo and Norwegian Telenor. After this merger, a new company VimpelCom Ltd. was established.

[b] The deal was realized in four steps and was finished in 2010.

[c] In 2011, Surgutneftegaz sold its share in MOL.

[d] The last payment for a deal was made in 2009.

[e] In 2011, LUKOIL bought additional 11% of ISAB's shares for US$ 283 million.

[f] Basic Element lost control over Strabag in 2009 but it re-acquired 17% of Strabag's shares in 2010.

[g] The deal was realized in three steps and was finished in 2010.

Annex table 7. Russia: main greenfield projects, by outward investing firm, 2007–2010

Years	Company	Destination	Industry & project	Value realized by the end of 2010 (US$ million) [a]
Since 2008	Sistema	India	Telecommunications – SSTL – 73.7% of shares (Pan-India CDMA mobile telephone communications)	~ 2,000 [b]
Since 2007	Magnitogorsk Iron & Steel Works (MMK)	Turkey	Construction of two steel works and infrastructure by joint company MMK Atakaş (MMK controls 50%)	~ 1,000 [c]
Since 2010	National Oil Consortium (five equal partners: Rosneft, LUKOIL, Gazpromneft, TNK-BP, and Surgutneftegas)	Venezuela	PetroMiranda – 40% of shares (oil exploration in the field Junin-6)	600
Since 2008	Russian Railways	Libya	Infrastructure connected with the construction of railways	~ 350 [d]
Since 2010	LUKOIL	Iraq	West Qurna 2 oil field (56.3% of shares in this project)	300
2008–2009	VimpelCom	Vietnam	GTEL-Mobile – 40% of shares (start of GSM 1800 mobile telephone communications)	267
Since 2008	Gazprom	Austria	Construction of the second bloc of gas-holder Heidach (first one was ready in 2007)	~ 250 [e]
2007–2010	Gazprom	Armenia	Construction of the fifth bloc of Razdan power station	194
2007–2009	Zarubezhneft	Bosnia and Herzegovina	Development of petroleum subsidiary (reconstruction and modernization of refinery and petrochemical destroyed during a civil war, as well as development of petroleum retail network)	171
2007–2010	Metalloinvest	United Arab Emirates	Construction of steel plant Hamriyah Steel (Metalloinvest controls 80% of shares)	150

Sources: Alexey Kuznetsov, Anna Chetverikova and Natalia Toganova, "*Investment from Russia stabilizes after the global crisis,*" June 23, 2011, available at: http://www.imemo.ru and http://www.vcc.columbia.edu; companies press releases for 2010.

[a] The symbol '~' indicates that the amount is an author's estimate.

[b] On the eve of the global crisis, Sistema planned to invest between US$ 4 billion and US$ 7 billion, or even US$ 10 billion, up to 2017–2020 in Indian telecommunications. In 2009, Sistema scaled down its plans.

[c] The project was announced in May 2007. Construction took place between July 2007 and March 2011. The total joint investment of the Russian and Turkish partners was US$ 2.1 billion.

[d] Russian Railways established a subsidiary and signed a contract in spring 2008 for the construction of railways in Libya. The price of the contract was € 2.2 billion (i.e. about US$ 3 billion). By the time the civil war broke out in 2011, about 10–15% of the investment had been made. At the end of 2010, the largest completed object was a rail-welding plant in Ra's Lanuf.

[e] Gazprom, its German subsidiary Wingaz and the independent German partner RAG built the second block of the gas-holder between the end of 2008 and the beginning of 2011. The total investment was € 300 million, i.e. about US$ 400 million.