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Inward FDI in Russia and its policy context, 2012

by
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Russia is potentially an attractive host economy for foreign direct investment (FDI), mainly due to its large market and rich natural resources. The Government has, however, been unable to make the radical changes needed in the country's investment climate for attracting FDI on a scale and to a range of industries in line with Russia's potential. Nevertheless, oil and gas, power generation and motor vehicles industries, as well as wholesale and retail trade and several other industries have recently received new and significant FDI. After a steep decline in 2008, inward FDI (IFDI) stock recovered, to reach US$ 491 billion in 2010, although there was a moderate fall again in 2011. IFDI flows fell considerably in 2009 but rose to US$43 billion in 2010 and US$ 53 billion in 2011. In 2008–2010, the largest number of significant greenfield projects were in power generation. Large mergers and acquisitions (M&As) took place in various industries, but the size of the largest deals was usually smaller in 2010 than in 2008 and 2009. High levels of corruption, lack of competition and a distorted dialogue between the state, business and society are main barriers to the rapid growth of inward FDI. The recent global financial and economic crisis has revealed weaknesses of the Russian model of development in the 2000s. It is doubtful whether the efforts currently under way by the Russian Government to "repair" the existing model without political and economic reforms will lead toward a major improvement of the investment climate as only slight changes are being made (e. g., the improvement of the Russian migration regime and the development of special economic zones). However, the federal elections in 2012 could lead to more efficient steps, although it is difficult to predict the scale of probable positive shifts in the investment climate.

Trends and developments[1]

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[1] The longer-term development of Russian inward FDI, its main determinants and detailed policy scene were analyzed in a previous *Columbia FDI Profile* (see Alexey Kuznetsov, "Inward FDI in Russia and its policy context," *Columbia FDI Profiles,* November 30, 2010, available at: www.vcc.columbia.edu). This article is an update of that *Profile* and analyzes recent developments relating to inward FDI in Russia.

Country-level developments

Russia's inward FDI (IFDI) stock had risen noticeably during 2000–2007, but declined drastically in 2008 according to Bank of Russia data (mainly because of the devaluation of foreign assets). However, the stock had recovered by 2010, to reach US$ 493 billion, although there was a moderate decline (to US$ 457 billion) in 2011 (annex table 1). Russia ranked 15th in the world in terms of IFDI stock by the end of 2010.[2] However, Russia was not the leader in IFDI, even among emerging markets. The gap between Russia and most successful post-communist economies in terms of IFDI stock per capita remained rather significant. Moreover, Russia's IFDI stock growth in 2009-2010 was only enough to recover to the level of 2007, in comparison with the dynamic growth of the stock during the recent global financial and economic crisis in China, India and Kazakhstan (annex table 1).

Nevertheless, Russia attracts many new greenfield projects and merger and acquisition (M&A) deals by foreign multinational enterprises (MNEs) every year. Even during the recent crisis, FDI inflows to Russia radically exceeded such flows at the beginning of the 2000s and, by 2011, rose to nearly US$ 53 billion (annex table 2). At the same time, structural changes in favor of FDI in manufacturing and services took place. Despite the country's rich natural resources, inward FDI in Russian manufacturing and services grew much faster during 2005-2010 than in mining and quarrying (annex table 3). However, the extraction of crude petroleum and gas is still one of the most popular industries for FDI in Russia, although legal and political barriers limit the participation of foreign MNEs in those industries.

Within manufacturing, basic metals and metal products were the largest host industries in terms of FDI stock in 2010 (annex table 3). However, these investments often represent round-tripping FDI undertaken by Russian investors.[3] For example, the second largest Russian steel company, Evraz, is owned by offshore companies in which Russian investors (Roman Abramovich, Alexander Abramov, Alexander Frolov) have key interests. The fourth largest Russian steel company, NLMK, is also controlled by foreign companies, mainly by Fletcher Group Holding from Cyprus (85.5% of NLMK), which belonged to Russian citizen Vladimir Lisin.[4]

Apart from metal industries, in manufacturing the most important FDI-recipient industries include food and beverages, chemicals and pharmaceuticals and transport equipment. Major service-industry recipients include wholesale and retail trade, real estate and financial activities (annex table 3). In these cases, large markets are usually an important driver for inward FDI in Russia. Market-seeking FDI motives usually outweigh the disadvantages of high-level corruption and lack of competition. For example, the eighth annual survey of German companies in Russia showed that chances for a growth of returns and market possibilities were the main drivers for German investors in Russia in 2010. The survey also showed that 64% of enterprises surveyed saw positive shifts in Russia's business climate overall, but the percentage supporting the call for reforms, according to the survey, was 94%

[2] UNCTAD, *World Investment Report 2011: Non-Equity Modes of International Production and Development* (New York and Geneva: United Nations, 2011), available at: http://www.unctad.org, web table 3.
[3] Rosstat database, available at: http://www.gks.ru.
[4] Evraz. Annual Report and Accounts 2010, available at: http://www.evraz.com; NLMK, Annual Report 2010, available at: http://www.nlmk.com.

in fields such as bureaucracy and corruption. At the same time, lower taxes in Russia were supported by only 66 %.[5]

According to data from the Bank of Russia, Bermuda, the British Virgin Islands and Cyprus were the three largest sources of FDI in Russia as of 2010 (annex table 4). This reflects the importance of round-tripping Russian investments via tax-haven destinations. MNEs from Germany, Sweden, France, and other EU member states also have significant FDI in Russia, while the role of FDI from the United States is rather modest. Meanwhile, companies from China, Republic of Korea, Japan, and other Asian countries are expanding rapidly in Russia.

The corporate players

Foreign companies do not dominate the Russian economy, as their foreign affiliates are typically smaller than Russian firms. For example, the turnover of the three largest non-financial companies under Russian control in 2010 was six times higher than the turnover of three largest companies in the economy under foreign control.[6] Moreover, the shares of foreign affiliates and of companies jointly held by Russian and foreign owners in Russia's investment stock have decreased (from 8.2% and 11.2%, respectively, in 2005, to 5.3% and 7.6% in 2010).[7] Only some specific branches of industry (e.g., beer and tobacco) are exceptions in this respect. At the same time, some large foreign affiliates are present in various Russian industries (annex table 5).

Recently, the relative importance of MNEs has begun to go up in several key industries. The best examples are in the production of motor vehicles and power generation, where foreign companies try to modernize the whole industries. Famous automobile MNEs continue to build and enlarge new plants in St. Petersburg, Kaluga and other cities. European electricity firms have finished the first steps of modernizing Russian electric power stations to assure sustained efficiency. When entering Russia, some investors in these and other industries have preferred acquisitions of local companies (annex table 6), while others have undertaken greenfield FDI projects; some of these projects have already been completed (annex table 7). Apart from large projects in a few industries, the industrial diversification of greenfield projects is higher in the "second echelon" of FDI projects – that is, those involving only US$ 10–50 million of FDI – in Russian plants in various industries, as well as trade and other service centers in Russia.

Effects of the recent global crises

Although the global financial and economic crisis of 2008-2009 had a strong impact on inward FDI in Russia, many of the postponed greenfield FDI projects were finished in 2010-2011. Various new FDI projects have been started in different Russian regions. For example, a recovery can be seen of FDI flows in the construction industry. However, large M&As remain rare. For example, excluding round-tripping FDI, Naspers from South Africa made the

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[5] Ost-Ausschuss der deutschen Wirtschaft, *Geschäftsklima Russland 2010: 8.Umfrage des Ost-Ausschusses der Deutschen Wirtschaft und der Deutsch-Russischen Auslandshandelskammer*, 2010, available at: http://russland.ahk.de.

[6] Author's calculations, on the base of Expert-400, *Expert,* 2011, no. 39 (3–9 October), available at: http://www.raexpert.ru/ratings/expert400/2011.

[7] Rosstat, *Russia in figures: 2011* (Moscow: Federal State Statistics Service, 2011), table 24.3, available at: http://www.gks.ru.

largest 2010 cross-border M&A deal in Russia; in terms of transaction value, though, it was outside the top dozen M&As completed in 2008-2010 by inward investors (annex table 6).

There were some changes in the list of leading foreign affiliates in Russia in 2010 (annex table 5), as compared with that for 2009[8] (e.g., Ford went from second to 12th place). However, in some cases this was only the result of various dynamics resulting from different starting points of post-crisis recovery in different Russian industries. All 20 leaders of the 2009 list were among the top 25 foreign affiliates in non-financial industries in 2010.

The policy scene

The global crisis revealed the weak features of the Russian investment climate, including inappropriate types of relations between state-owned and private companies (both large oligopolies and small enterprises). At the beginning of 2010, Russian president Dmitry Medvedev announced new measures for the improvement of the investment climate: a reduction of administrative barriers (including, for example, reducing the bureaucracy of customs procedures), the liberalization of the Russian migration regime (which would help foreign affiliates bring in top managers and other skilled personnel from abroad), the privatization and reorganization of state-owned enterprises (SOEs), the liberalization of access to infrastructure, selective tax incentives, real progress in the legal system, and investment image-building.[9]

However, only selective steps had been taken by July 2012. First, the liberalization of the Russian migration regime was introduced for high-skilled specialists; according to the federal law No. 86-FZ of 19 May 2010, foreign investors can easily engage their top managers and engineers in Russia (if such a foreign specialist earns more than US$ 65,000-70,000 a year).[10] Second, the Russian Government has introduced mechanisms of state assistance for investors struggling against bureaucracy and corruption, including the designation of special high-ranking officials in the federal and regional governments responsible for such problems.

Some new measures have implications for the location of FDI in Russia. For example, new Russian special economic zones (SEZs) were established in 2010. There are four industrial and production zones, including the new Titanium Valley Zone in the Sverdlovsk Region and a zone for the reindustrialization of the motor-vehicles center Togliatti in the Samara Region. There are also four technology and innovation zones (no additions to the list in 2010), 13 tourist and recreational zones (most of them were established in 2010) and three port zones (the new one is situated in Murmansk).[11] However, Russian tourist zones are not successful because of weak incentives for investors.[12] Another example is related to new double taxation treaties (DTTs) and bilateral investment treaties (BITs). Recently, Russia has concluded these treaties mainly with recipients of Russian outward FDI, while new BITs have rarely been signed with countries that have significant FDI in Russia. As a result, major home countries

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[8] Kuznetsov, *op. cit.,* annex table 5, available at: http://www.vcc.columbia.edu.

[9] Ministry for Economic Development of the Russian Federation, *Osnovniye meri po uluchsheniyu investitsionnogo klimata v Rossiyskoy Federatsii, opredelenniye na soveshchanii prezidenta RF D.A. Medvedeva February 2, 2010,* available at: http://www.economy.gov.ru.

[10] Federal Migration Service, Russian Federation, *Instruction Booklet for Foreign National Highly Skilled Specialists*, September 9, 2011, available at: http://www.fms.gov.ru.

[11] Ministry for Economic Development of the Russian Federation, *Special Economic Zones in the Russian Federation,* 2011, available at: http://www.economy.gov.ru.

[12] Olga Kuznetsova and Olga Cheplyayeva, *Aktualizatsiya federal'noy regional'noy politiki v postkrizisniy period* (Moscow: Accounts Chamber of the Russian Federation, 2011), pp. 60–62, 105–106.

usually have only short BITs with Russia from the period of initial market reforms (sometimes even from the Soviet period).[13]

Special issues

In 2011, on the eve of federal elections, the Russian Government came to understand some of the deficiencies of the current Russian model of development. For example, the Strategy of the Russian Federation Social and Economic Development for 2008-2020 failed to achieve positive results during the first two years after its adoption. As a result, the Government has sought to elaborate new measures that can modernize the whole Russian economy. More than 1,000 leading Russian experts participate in various discussions on the new economic Strategy 2020,[14] but the coordination of the different thematic groups is rather weak, while intellectual free space is narrow. Moreover, the approach ignores some well-known incentives for innovation and competition such as steps against informal cartels, the development of venture funds, necessary measures against corruption, and urgent tasks for the development of infrastructure; it is therefore a doubtful way to improve the investment climate in Russia.

Indeed, the Federal Government tried to “repair” the current Russian model without political and economic reforms. However, the Federal Duma elections in December 2011 showed a significant drop in support of the ruling party, United Russia. It received the majority in the Federal Duma, but according to some reports only due to a large number of falsifications[15] and high legal barriers for opposition candidates (e.g., a party can enter the Duma only with 7% of votes). After protests in many large Russian cities began, the President and Government announced some reforms. At the moment, it is difficult to estimate the scale of probable positive shifts in the Russian investment climate after the President’s elections in March 2012. For example, former President Dmitry Medvedev, as the new Prime Minister, has made significant changes in his Cabinet but President Vladimir Putin has appointed many former federal ministers as his advisers. In autumn 2012, direct free elections of some regional governors will take place, and new possibilities for the liberalization of the investment climate in some regions may arise. However, the Government tried to appoint as many new governors as possible for the next 4-5 years, before a new liberal election law comes into force.

Conclusions

The main features of the policy adopted under the new Russian President following the elections in 2012 are a crucial factor for the Russian investment climate in 2012 and thereafter. Russia has already taken two important steps in its foreign policy that have a long-term influence on its inward FDI. First, the Customs Union between Russia, Belarus and Kazakhstan came into existence in 2010, establishing the Eurasian Economic Union; it comes into force in 2012. In practice, a common market of three or more post-Soviet republics, including Russia may be created by 2015. Secondly, Russia has finished her 18-year long negotiations on accession to the WTO. Most recently, parliament ratified the accession, and

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13 The Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences and the Vale Columbia Center on Sustainable International Investment, “Investment from Russia stabilizes after the global crisis”, Report dated 23 June 2011, prepared by a team led by Alexey Kuznetsov, Anna Chetverikova and Natalia Toganova, annex table 8, available at: http://www.vcc.columbia.edu.

14 See various materials on Russia’s Strategy 2020, available at: http://2020strategy.ru; http://strategy2020.rian.ru.

15 Sergey Shpilkin, *Statistika issledovala vibori*, available at: http://www.gazeta.ru/science/2011/12/10_a_3922390.shtml.

Russia became a member of the WTO. Upon ratification of the accession in this month of July, Russia becomes an OECD member and changes her FDI regime and other norms in line with OECD standards. Russia could also establish a free trade zone with the European Union and pursue regional integration in the Asia-Pacific region.

Additional readings

Bulatov, Alexander, “Rossiya v mezhdunarodnom dvizhenii kapitala: sravnitel’niy analiz,” *Voprosy Ekonomiki*, vol. 83 (2011), no. 8, pp. 66–76. (“Russia in international capital migrations: comparative analysis”).

Dolgopyatova, Tatiana, Ichiro Iwasaki and Andrei A. Yakovlev, eds., *Organization and Development of Russian Business: A Firm-Level Analysis* (Basingstoke, Hampshire: Palgrave Macmillan, 2009).

Ernst & Young, *Growing Opportunities: Russia FDI Report 2011*, available at: http://www.ey.com/publications/).

Kuznetsov, Alexey, “Kapitalovlozheniya iz ES v Rossii: znachimiye peremeni,” *Contemporary Europe*, vol. 10 (2009), no. 3, pp. 58–72 (“FDI from EU in Russia: significant changes”).

de Souza, Lúcio Vinhas, “Foreign investment in Russia,” *ECFIN Country Focus*, vol. 5 (2008), issue 1, available at: http://ec.europa.eu/economy_finance/publications/).

Useful websites

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

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

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The Vale Columbia Center on Sustainable International Investment (VCC), led by Lisa Sachs, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It is a leading forum on issues related to foreign direct investment (FDI), paying special attention to the impact of such investment on sustainable development. Its objectives are to analyze important topical policy-oriented issues related to FDI and to develop and disseminate practical approaches and solutions. (www.vcc.columbia.edu)

Statistical annex

There are two official sources for FDI statistics in Russia: the Federal State Statistics Service (Rosstat) and the Bank of Russia. Rosstat presents more detailed information. However, the quality of its data is low, because Rosstat uses only questionnaires completed by companies, with an insufficient response rate. The Bank of Russia estimates FDI figures more accurately: It uses balance-of-payments data and collects figures from companies. It compares these statistics with data from stock exchanges, foreign statistical offices and other sources. Then it makes some additional estimates of shadow (legal but unregistered) FDI flows. As a result, the Bank of Russia's statistics are the source for UNCTAD's FDI flows and stocks database. However, the Bank of Russia's data lacked detailed information on the regional and sectoral structure of inward FDI for many years.

Nevertheless, there is real progress in the Bank of Russia's statistical work. For example, it has begun to publish data on Russia's inward FDI stock by country of origin (figures are available for 2009–2010) and on Russia's FDI inflows by country of origin (for 2007–2011), by branch (for 2010–2011) and by region of destination in the Russian Federation (for 2011).

Annex table 1. Russia: inward FDI stock, 2000–2011

(US$ billion)

Economy		**2000**	**2005**	**2007**	**2008**	**2009**	**2010**	**2011**	**2010 Inward FDI stock per capita, (US$ million)**
Russia	*Data of Bank of Russia*	32	180	491	216	379	493	457	3,502
	Data of Rosstat	16	50	103	122	109	116	457	825
Memorandum: Comparator economies									
China		193	272	327	378	473	579	712	438
Brazil		122	181	310	288	401	473	670	2,439
India		16	43	106	125	167	198	202	165
Poland		34	91	178	164	186	193	198	5,073
Czech Republic		22	61	112	113	126	130	125	12,527
Kazakhstan		10	26	45	59	73	81	64	5,206
Ukraine		4	17	38	47	52	58	25	1,268

Sources: Bank of Russia, "International Investment Position of Russia for 2001–2011", and "International Investment Position of Russia for 2011" (for data on FDI stock in Russia, 2011), available at: http://www.cbr.ru/eng/statistics (for Bank of Russia data on FDI stock in Russia, 2000-2011), and Rosstat database, available at: http://www.gks.ru (for Rosstat data on FDI stock in Russia, 2000-2010); for comparator economies: UNCTAD's FDI/TNC database, available at: http://stats.unctad.org/fdi (for data on FDI stock in 2000-2010), and UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: United Nations, 2012), annex table I.2, available at: www.unctad-docs.org/files/UNCTAD-WIR2012-Annexes-Tables-en.pdf (for data on FDI stock in 2011); and UNCTAD, *UNCTAD Handbook of Statistics*, 2010, table 8.4.1, available at: www.unctad.og/statistics/handbook (for population data to derive per capita IFDI stock; all per capita figures are calculated by the author based on *UNCTAD Handbook Statistics* on population).

Annex table 2. Russia: inward FDI flows, 2000–2011

(US$ billion)

Economy		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2010
Russia	*Data of Bank of Russia*	2.7	2.7	3.5	8.0	15.4	12.9	29.7	55.1	75.0	36.5	42.8	52.9
	Data of Rosstat	4.4	4.0	4.0	6.8	9.4	13.1	13.7	27.8	27.0	15.9	13.8	
Memorandum: comparator economies													
China		40.7	46.9	52.7	53.5	60.6	72.4	72.7	83.5	108.3	95.0	105.7	124.0
Brazil		32.8	22.5	16.6	10.1	18.1	15.1	18.8	34.6	45.1	25.9	48.4	66.7
India		3.6	5.5	5.6	4.3	5.8	7.6	20.3	25.4	42.5	35.6	24.6	31.6
Kazakhstan		1.3	2.8	2.6	2.1	4.1	2.0	6.3	11.1	14.3	13.8	10.0	12.9
Poland		9.4	5.7	4.1	4.6	12.9	10.3	19.6	23.6	14.8	13.7	9.7	15.1
Czech Republic		5.0	5.6	8.5	2.1	5.0	11.7	5.5	10.4	6.5	2.9	6.8	5.4
Ukraine		0.6	0.8	0.7	1.4	1.7	7.8	5.6	9.9	10.9	4.8	6.5	7.2

Sources: Bank of Russia, *Balance of Payments of the Russian Federation*, available at: http://www.cbr.ru/eng/statistics (for Bank of Russia data on FDI flows to Russia, 2000-2010); Rosstat database, available at: http://www.gks.ru (for Rosstat data on FDI flows to Russia, 2000-2010); UNCTAD's FDI/TNC database, available at http://stats.unctad.org/fdi (for data on FDI flows to comparator economies, 2000-2010), and UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: UNCTAD, 2012), annex table I.1, available at: www.unctad-docs.org/files/UNCTAD-WIR2012-Annexes-Tables-en.pdf (for data on FDI flows to Russia and comparator economies in 2011).

Annex table 3. Russia: sectoral distribution of inward FDI stock, 2005, 2010

(US$ million)

Sector / industry	2005 [a]	2010
All sectors / industries	**49,751**	**116,199**
Primary	**13,392**	**22,109**
Agriculture, forestry, and fishing	520	1,703
Mining and quarrying	12,872	20,406
Extraction of crude petroleum and gas	12,200	16,807
Secondary	**20,217**	**53,678**
Manufacturing	19,405	47,222
Food products and beverages	3,164	5,565
Wood and of products of wood and cork, except furniture	959	1,925
Paper and paper products	499	1,509
Refined petroleum products	3,589	1,786
Chemicals, chemical and pharmaceutical products	607	2,869
Rubber and plastics products	436	1,176
Other non-metallic mineral products	1,222	2,870
Basic metals and metal products, except machinery and equipment	6,601	21,154
Machinery and equipment	378	1,933
Electrical equipment and electronic products	255	1,086
Transport equipment	753	3,886
Construction	557	3,017
Services	**16,142**	**40,412**
Electricity, gas, steam and water supply	255	3,439
Wholesale and retail trade and repairing	3,274	11,021
Wholesale trade, except of motor vehicles and motorcycles	2,591	7,527
Retail trade and repairing, except of motor vehicles and motorcycles	536	2,378
Transportation and communication	3,625	4,100
Transport via pipelines	2,290	1,542
Telecommunication	864	1,016
Financial activities	3,448	4,739
Real estate activities	1,406	8,390

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

[a] Rosstat began to publish data on sectoral distribution of inward FDI stock only in 2005.

Annex table 4. Russia: geographical distribution of inward FDI stock, 2009, 2010

(US$ million)

Region/economy	2009	2010
World	**378,837**	**493,354**
Developed economies	**306,850**	**403,307**
Europe	**264,113**	**342,730**
European Union	241,896	329,734
Austria	7,446	8,275
Belgium	1,889	2,849
Cyprus	129,930	179,217
Czech Republic	692	1,130
Denmark	932	1,421
Finland	5,509	6,634
France	8,968	11,793
Germany	15,277	23,124
Hungary	610	825
Ireland	189	3,765
Italy	1,057	1,255
Latvia	223	263
Luxembourg	14,407	19,659
Netherlands	33,619	40,206
Poland	413	577
Slovenia	246	249
Spain	1,076	1,314
Sweden	11,683	18,095
United Kingdom (incl. Channel Islands and Isle of Man)	7,134	8,396
Gibraltar	10,203	5,756
Liechtenstein	348	485
Switzerland	5,688	6,531
North America	**14,019**	**5,609**
United States	13,910	5,380
Other developed economies	**28,718**	**54,968**
Bermuda	27,193	52,593
Israel	234	316
Japan	1,236	2,006
Developing economies	**65,406**	**84,999**
Africa	**1,220**	**1,046**
Seychelles	782	978
Asia and Oceania	**4,047**	**6,068**
China	1,251	1,987
Korea, Republic of	1,152	1,950
Turkey	606	762
Vietnam	240	259
Latin America and Caribbean	**60,139**	**77,885**
Bahamas	18,659	24,579
Belize	299	458
British Virgin Islands	36,599	50,966
Cayman Islands	3,612	720
Dominica	261	278
Panama	359	413
Transition economies	**2,026**	**2,241**
CIS	**1,889**	**2,070**
Azerbaijan	269	324
Kazakhstan	1,051	1,123
Ukraine	179	248
Unspecified destinations	**4,555**	**2,807**

Source: Bank of Russia database, available at: http://www.cbr.ru/eng/statistics.

Annex table 5. Russia: principal foreign[a] affiliates in non-financial[b] industries, ranked by turnover[c], 2010

Rank	Name	Industry	Home economy	Turnover (US$ million)
1	BP (*TNK-BP Holding*)	Petroleum [d]	United Kingdom	31,295
2	Auchan	Trade	France	5,845
3	Metro Cash and Carry	Trade	Germany	4,347
4	Volkswagen	Motor vehicles	Germany	3,774
5	JTI	Tobacco	Japan	3,692
6	Philip Morris	Tobacco	United States	2,990
7	PPF (*Eldorado*)	Trade	Czech Republic	2,738
8	Procter & Gamble	Chemicals	United States	2,718
9	Carlsberg (*Baltika*)	Beverages	Denmark	2,602
10	Nestlé	Food	Switzerland	1,946
11	LG Electronics	Electronics	Korea (Republic of)	1,829
12	Ford Motor	Motor vehicles	United States	1,820
13	Ilim	Wood and paper	Switzerland	1,755
14	Enel (*OGK-5*)	Power generation	Italy	1,724
15	E.On (*OGK-4*)	Power generation	Germany	1,651
16	Mars	Food	United States	1,597
17	Samsung Electronics	Electronics	Korea (Republic of)	1,461
18	Coca-Cola HBC	Beverages	Greece	1,450
19	PepsiCo [e]	Beverages	United States	1,449
20	Tele2	Telecommunications	Sweden	1,402
21	IKEA	Trade	Sweden	1,310
22	Leroy Merlin	Trade	France	1,265
23	Anheuser-Busch InBev (*SUN InBev*)	Beverages	Belgium	1,230
24	Renault (*Avtoframos*)	Motor vehicles	France	1,188
25	Henkel	Chemicals	Germany	1,187

Source: Expert-400, *Expert,* 2011, no. 39 (3–9 October), available at: http://www.raexpert.ru/ratings/expert400/2011.

[a] With at least 50% shares owned by foreign investors.

[b] The largest Russian banks under foreign control (not shown in this table, which excludes foreign affiliates in financial services) are Rosbank (France, Société Générale), Raiffeisen Bank (Austria) and UniCredit Bank (Italy).

[c] In many cases, the data on the assets of Russian affiliates of foreign MNEs are not available.

[d] Shell (Netherlands/UK) and Total (France) are the main foreign investors in the Russian oil industry; but they own only minor stakes in Russian petroleum projects.

[e] Excluding Wimm-Bill-Dann, because its acquisition was finished in 2011.

Annex table 6. Russia: main M&A deals, by inward investing firm, 2008–2010

Year	Acquiring company	Target company	Target industry	Home economy	Shares acquired (%)	Value (US$ million)
2010	First Quantum	National Container Company	Transport	United Kingdom [a]	50.0	900
2010	Kinross Gold	Severnoye Zoloto, Regionruda	Gold ores	Canada	100.0	368
2010	Naspers	Digital Sky Technologies	Information technologies	Netherlands [b]	28.7	388
2009	E.On	Severnefte-gazprom	Oil and gas	Germany	25.0	3,959
2009	Wandle Holdings	Polyus Zoloto	Gold ores	Cyprus [c]	29.6	1,249
2009	Central European Distribution Corporation	Russian Alcohol Group	Beverages	Poland / United States	100.0 [c]	1,053
2009	Weatherford	10 service companies of TNK-BP	Oil and gas	Switzerland	100.0	489
2008	Fortum	TGK-10	Power generation	Finland	92.9	3,892
2008	ENEL	OGK-5	Power generation	Netherlands [d]	22.7	1,448
2008	Renault	Avtovaz	Motor vehicles	France	25.0	1,166
2008	AXA	RESO-Garantiya	Insurance	France	36.7	1,165
2008	Barclays	Expobank	Banks	United Kingdom	100.0	745
2008	Arcelor Mittal	Berezovskaya Mine	Coal mining	Luxembourg	97.9	720
2008	Bank of Cyprus	Uniastrum Bank	Banks	Cyprus	80.0	576

Source: Thomson ONE Banker, Thomson Reuters; http://www.alconews.ru/russia/2009/11/11028.php; http://www.ma-journal.ru/news/73490/.

[a] The acquisition was made in two separate deals.
[b] Naspers is a company from South Africa, but its FDI in Russia was made via the Netherlands by its subsidiary Myriad International Holding.
[c] This is a case of round-tripping Russian investment.
[d] ENEL is the largest Italian energy company, but it makes its FDI in Russia via the Netherlands.

Annex table 7. Russia: main completed greenfield projects, by inward investing firm, 2008–2010[a]

Year[b]	Investing company	Target region of Russia	Home economy	Industry	Shares owned (%)	Value (US$ million) [c]
2010	Thunder Sky Group	Novosibirsk Region	China	Electrical equipment	50.0	450
2010	Yokohama	Lipetsk Region	Japan	Tyres	100	390
2009	RusVietPetro (PetroVietnam)	Nenets Autonomous Okrug	Vietnam	Oil and gas	49.0	614
2009	Heidelberg Cement	Tula Region	Germany	Construction materials	100	420
2008	TNK-BP (British Petroleum)	Tyumen Region	United Kingdom	Oil and gas	50.0	More than 1,500 [d]
2008	OGK-4 (E.On)	Khanty-Mansi Autonomous Okrug	Germany	Power generation	78.3	1,050
2008	OGK-4 (E.On)	Perm Krai	Germany	Power generation	78.3	550
2008	OGK-4 (E.On)	Moscow Region	Germany	Power generation	78.3	550
2008	Enel OGK-5 (ENEL)	Stavropol Krai	Italy	Power generation	56.4	530
2008	Hyundai Motor Company	Saint Petersburg	Republic of Korea	Motor vehicles	100	500
2008	Enel OGK-5 (ENEL)	Sverdlovsk Region	Italy	Power generation	56.4	490
2008	Ferrero	Vladimir Region	Italy	Food products	100	270
2008	Liebherr	Nizhny Novgorod Region	Switzerland	Machinery	100	260
2008	SABMiller	Ulyanovsk Region	South Africa	Beverages	100	220

Source: Author's compilation, based on Rosstat's and companies' information.

[a] Entries refer to projects in which production has already started before February 2012. The largest announced but still not realized greenfield project of the period with FDI was Shtockman Development (Total – 25%, StatoilHydro – 24%, Gazprom – 51%). Its investments might exceed US$ 15 billion.

[b] The starting year for a completed greenfield project. The use of data for "completed" projects (instead of "announced" projects) allows the exclusion of false announcements and unsuccessful projects, but underestimates the role of some large new projects because many projects begun in 2010 will be finished only in 2012–2013.

[c] Some of the entries are rough values because of unstable exchange rates of the Russian Rouble and Euro vis-à-vis the US dollar.

[d] Investment in several new blocs in adjoining oil and gas fields.