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

Investment from Russia stabilizes after the global crisis¹

Report dated June 23, 2011

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Moscow and New York, June 23, 2011:

The Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences, Moscow, and the Vale Columbia Center on Sustainable International Investment (VCC), a joint undertaking of the Columbia Law School and the Earth Institute at Columbia University in New York, are releasing the results of their second joint survey of Russian outward investors today². The survey is part of a long-term study of the rapid global expansion of multinational enterprises (MNEs) from emerging markets. The present survey, conducted at the beginning of 2011, covers the period 2007-2009.

Highlights

Despite the global crisis of the last few years, Russia has remained one of the leading outward investors in the world. The foreign assets of Russian MNEs have grown rapidly and only China and Mexico are further ahead among emerging markets. As the results of our survey show, several non-financial³ Russian MNEs are significant actors in the world economy. The foreign assets of the 20 leading non-financial MNEs were about USD 107 billion at the end of 2009 (table 1).

Their foreign sales⁴ were USD 198 billion and they had more than 200,000 employees abroad. Together, the 20 firms had some 800 foreign affiliates in 87 countries. The top 20 list includes state-controlled firms as well as private ones, although private firms under the control of Russian oligarchs dominate (see box 1). Resource-based MNEs form a clear majority, although there are a number of

¹ This report was prepared by an IMEMO team led by Alexey Kuznetsov, Head, Center for European Studies at IMEMO. The team also included Anna Chetverikova, Senior Researcher, and Natalia Toganova, Researcher, at the Center. It is based on a survey conducted in February and March 2011. Research assistance was provided by Anna Gutnik, Sergey Khavronin and Ilya Darmanov.

² The first joint IMEMO-VCC survey was conducted at the end of 2009 and covered the period 2006-2008. Its results are available at: <http://www.vcc.columbia.edu/content/emerging-market-global-players> and <http://www.imemo.ru>.

³ The methodology of the international project of which this report forms a part excludes financial firms.

⁴ The foreign sales of Russian MNEs include exports from Russia as well as the sales of their foreign affiliates - *except* for foreign affiliate exports back to Russia. These figures correspond with the revenue data by foreign geographical segments that are typical for Russian MNE reports. Few Russian MNEs publish separate data on foreign affiliate sales.

firms in services too. It is perhaps worth noting that, although the firms at the top of the list (LUKOIL and Gazprom) are much larger in asset size than most of the others, the list is nothing like as lopsided as the lists in some of the other country reports published by the VCC. Only five of the 20 firms have less than USD 1 billion in foreign assets.

Table 1. Russia: The top 20 non-financial outward investors, by foreign assets, 2009 (USD million^a)

Rank	Name	Main industries	Status	Foreign assets ^b
1	LUKOIL	Oil & gas extraction / refineries / petroleum retail	Listed (Main foreign owner - 20.0%)	28,038
2	Gazprom	Oil & gas extraction / gas distribution / electricity	Listed (State - 50.0%)	19,420
3	Evraz	Iron & steel / mining of metal ores and coal	Listed	10,363
4	Severstal	Iron & steel / mining of metal ores and coal	Listed	9,907
5	Mechel	Iron & steel / mining of metal ores and coal	Listed	~ 5,100
6	Norilsk Nickel	Non-ferrous metals / mining of metal ores	Listed	~ 5,000
7	Sovcomflot	Shipping	Unlisted (State - 100.0%)	~ 4,745
8	Sistema	Conglomerate (telecommunications dominate)	Listed	~ 4,300
9	NLMK (Novolipetsk Steel)	Iron & steel / mining of metal ores	Listed	~ 4,000
10	VimpelCom	Telecommunications	Listed (Main foreign owner - 29.9%)	3,756
11	RENOVA	Conglomerate	Unlisted	~ 2,972
12	TMK	Metal tubes	Listed	2,248
13	INTER RAO UES	Electricity production and supply	Listed (State - 65.7%)	1,338
14	Zarubezhneft	Oil extraction / refineries	Unlisted (State - 100.0%)	~ 1,300
15	UC RUSAL	Non-ferrous metals / mining of metal ores	Listed	~ 1,100
16	Atomenergoprom	Mining of uranium ores / nuclear materials and equipment	Unlisted (State - 100.0%)	812
17	FESCO	Sea and railway transportation	Listed	712
18	Polyus Zoloto	Mining of gold ores	Listed	~ 500
19	OMZ	Nuclear and other electric power machines	Listed	478
20	Acron	Agrochemicals	Listed	440
Total				106,529

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

^a The exchange rate used, in accordance with Russian accounting practice, is the official rate of the Central Bank of Russia as of December 31, 2009: USD 1 = RUR 30.24.

^b The symbol '~' indicates that the amount is an estimate by the IMEMO team. In these cases, company reports did not provide an exact official figure because they usually had data only on non-current foreign assets (see annex table 1a). Moreover, the companies themselves either did not respond to the survey or asked the team to use its own estimates.

The majority of this year's top 20 companies also figured in our last top 20 list. Koks (16th place at the end of 2008) sold all its steel plants in Slovenia, while ALROSA withdrew from its large diamond joint venture LUO-Kamachia-Kamajiku in Angola and went from the 18th place to the 29th place. Eurochem went from the 17th place to the 21st place. The conglomerate Basic Element (6th place last year) got into trouble during the crisis because of its foreign loans and was saved only with several billion US dollars worth of state support. In the process, it lost some of its foreign assets and had to reduce its stake in its subsidiary UC RUSAL to a minority one. UC Rusal figures on this year's list on its own (see also annex II). Other newcomers are Atomenergoprom, Polyus Zoloto and Acron, the last of these taking a small step up from 21st place in 2008 to 20th in 2009.

A special case is VimpelCom. Since 1998, this company had been under the joint control of Russian Altimo (from the Alfa Group) and Norwegian Telenor, which controlled 44% and 29.9% of its shares respectively in 2009. The remaining shares traded freely on stock exchanges. In October 2009, the merger of Russian VimpelCom and Ukrainian KyivStar (also a joint project of the Alfa Group and Telenor) was announced. The deal was closed in 2010 and VimpelCom Ltd. was registered in Bermuda. In 2010, the company continued its foreign expansion through further mergers. Today, Altimo owns only 31% of VimpelCom's shares with 25% of the voting rights, as against the 44% it controlled in 2009. When contacted, a Vimpelcom representative refused to answer the IMEMO-VCC survey questionnaire on the grounds that VimpelCom can no longer be regarded as a Russian company. The main reasons for this answer were i) the relocation of the company's head office from Moscow to Amsterdam, ii) the listing of the firm only on the New York Stock Exchange (since 2010) and iii) the large voting rights of Altimo's foreign partners. Telenor now owns 32% of VimpelCom's shares with 25% of the voting rights, while Weather Investments (Italy) owns 19% of the shares with almost 30% of the voting rights.

Profile of the top 20

The Transnationality Index (TNI)

The average TNI for the 20 top Russian MNEs is 33%, which hides large variations among both firms and the TNI components. Thus, while the share of foreign sales in total sales is 67%, the share of foreign assets in total assets is only 18% and the share of foreign employment in total employment is even lower at 14%. As for firms, several large Russian companies have only recently begun investing abroad. As a result, such companies usually have a low TNI (e. g., Polyus Zoloto and Atomenergoprom), although some "experienced" MNEs (e. g. Sistema, VimpelCom and Gazprom) also have a low TNI because their core activities are focused on Russian infrastructure development (see annex table 1).

Distribution by industry

Companies in the oil & gas, steel, and non-ferrous metals sectors control the majority of Russian foreign assets (see annex figure 1). These industries represent areas of Russian specialization in the world economy. However, other Russian industries have also begun investing abroad. Companies in transport, telecommunication, machinery, electricity supply, nuclear materials, and chemicals are also to be found on the list of the top 20. Many other MNEs, too small to make it on to the list, are to be found in such industries as building materials, food, retail and information technologies.

It is also worth noting that representatives of some industries would rank higher if the top 20 list had been organized on the basis of *non-current* foreign assets, which may in some ways be a better reflection of foreign direct investment (FDI) abroad than total foreign assets. For instance, Severstal's non-current foreign assets are almost the same as those of Gazprom (see annex table 1a),

which has significant *current* assets abroad in the form of gas reserves in European gas holders. Another example is Vimpelcom, whose non-current foreign assets are greater than those of Norilsk Nickel. The explanation involves differences in important features of different industries – telecom companies cannot “store” their production in foreign subsidiaries.

The geography of Russian MNEs

Some Russian MNEs have affiliates almost all over the world. For example, the largest Russian multinational, LUKOIL, has affiliates in 36 countries while Gazprom has affiliates in 33 countries (see annex table 1). Nevertheless, the effects of neighborhood and cultural ties are still evident in the geographical distribution of Russian assets abroad (see annex table 2 and annex figure 2). The most popular locations are European countries, although the priorities – “old” EU members, countries of South-Eastern Europe, and members of the Commonwealth of Independent States (CIS) – depend on the specialization and the strategies of individual firms. At the end of 2009, Russian MNEs on the list had 46% of their foreign assets in Western and Central Europe. The share of the former Soviet Union's area (excluding the Baltic States) was 22% and the share of North America was 19% (see annex figure 3). However, there are sharp contrasts among industries, for example between oil & gas on the one hand and steel on the other (see annex figure 3a). The most unpopular locations for almost all Russian MNEs were South Asia and South America. Recently, some companies have begun expanding into East Asia & the Pacific and Sub-Saharan Africa.

Although the top 20 Russian MNEs dominate other Russian MNEs in foreign activities, the distribution of their foreign assets does not exactly correspond with the geography of Russian outward FDI as a whole (see annex table 6 and annex figure 7). First of all, Russian MNEs use “classic” off-shore and other tax havens (such as Cyprus, the British Virgin Islands, Bermuda, Luxembourg, and Gibraltar) both for round-tripping and trans-shipping FDI. Moreover, some Russian oligarchs control both large companies with specialization in one industry or several related industries (i. e. “classic” MNEs) and investment funds for expansion into other sectors (see box 1). For example, Alexey Mordashov controls Severstal, a steel MNE, as well as S-Group Capital Management, which operates funds with foreign assets in tourism and some other areas. Several Russian oligarchs do not have “classic” MNEs at all and realize their ambitious investment plans via special financial funds. For instance, Alexander Lebedev controls the National Reserve Company, which operates in banking, insurance, tourism, transport, and the media. There is also significant Russian outward FDI in real estate. Every year, including the period of the current global downturn, Russians have been spending more than USD 10 billion a year for cheap real estate in Bulgaria, Cyprus, Montenegro, Spain, Germany, Turkey, and various seaside and mountain resorts elsewhere. There is also significant investment in real estate by the oligarchs, especially in the United Kingdom and France.

Main drivers

The motives of Russian FDI abroad are varied. The typical outward FDI motives of Russian MNEs, especially in M&A deals, are the searches for markets and resources (see annex table 4). Their FDI can also be strategic-assets-seeking but it is rarely efficiency-seeking (this latter motive is to be found in Russian FDI only in the CIS and a few other countries, where labor costs are lower than in Russia). It can also be driven by image-building motives and by the need to insure against political risk. Russian owners of the largest companies are still under suspicion of developing new methods of “capital flight”. In some cases, through their FDI abroad, Russian MNEs have received access to cheap financial resources from international stock exchanges for the development of their business in Russia. The strengthening of negotiating power is another specific FDI motive of Russian oligarchs. Such power is useful both in dialogue with the Kremlin on anti-monopoly investigations and in the struggle against protectionism abroad. The main factor behind these special Russian drivers of

outward investment is the extraordinary personalization of some of the largest MNEs. For example, Alexey Mordashov, the CEO of Severstal, owns 82.9% of Severstal's shares; the chairman of NLMK's board, Vladimir Lisin, controls 85.5% of NLMK's shares; and the chairman of Mechel's board, Igor Zyuzin, owns 66.8% of Mechel's shares (see also box 1 and annex II).

Box 1. Russian oligarchs as investors abroad

The journalistic term "oligarch" has become a scientific term in Russia because it points to the nature of Russia's largest private companies, especially their ownership structure, tight relations with the State (or more exactly with some high-ranking officials), and stable oligopolistic positions in the modern Russian economy. According to Forbes, there are more than 100 billionaires in Russia (the full list is available at: <http://www.forbes.com/wealth/billionaires/list>). Thus, a country in the 12th place by GDP takes the 3rd place in the world by the number of billionaires. All large Russian fortunes are based on the results of privatization deals of the 1990s, when some people received major plants and mines for what were in effect token prices. In many cases, their close relations with high-ranking officials were crucial to the success of these deals.

The oligarchs' participation in Russian political life varies. Some, like Roman Abramovich, participate actively. Abramovich is the speaker of the Chukotka Autonomous District Parliament and a former governor of this Russian region. Despite his official position, Mr. Abramovich owns significant shares in some of the largest private companies (e. g. Evraz) and usually spends much of his time abroad. Other oligarchs try to avoid all forms of political life. Russian public opinion is indifferent to this issue and makes no distinctions among oligarchs. The continuing importance of the oligarchs in the Russian economy is a function of the state's tolerance of monopolies and oligopolies, especially in the oil and metal sectors, as shown by its unwillingness to enforce anti-trust legislation that is very similar to its US and EU counterparts. In addition, the State has often provided massive financial support to large and inefficient private companies. Such support has indeed been crucial to the survival of several oligarchs' empires in the global crisis. Not that the State offers unqualified support, for it does periodically raise questions about the oligarchs' continuing investment in luxury real estate abroad.

Sources: IMEMO-VCC survey of Russian multinationals, 2011a; Jakov Pappe and Jana Galuhina, *Rossiyskiy krupnyy biznes: perviye 15 let* (Moscow: Higher School of Economics, 2009); and Alexey Kuznetsov, ed., *Vliyaniye rossiyskoy investitsionnoy ekspansii na obraz Rossii v Yevrope* (Moscow: IMEMO, 2010), available at: <http://www.imemo.ru>.

The role of the State

There is a widespread perception that the Russian Government exercises a significant influence on the operations of Russian MNEs. In fact, there are only a few large investors under state control. On the other hand, there is much that the State can do to support outward investment by private companies. First, medium-sized Russian companies need state support in insuring their operations against political and other non-commercial risks abroad, especially outside Europe and North America. However, the State insurance agency for export credits and outward FDI, plans for which were announced several years ago by the Russian State Bank for Development and Foreign Economic Affairs (Vnesheconombank), has still not been established. Next, Russia has not been very aggressive in pursuing double taxation and bilateral investment treaties with other countries. For example, there were only 48 bilateral investment treaties with Russian participation in force at the end of 2009. (There are nearly 200 countries in the world.) Still, dozens of new treaties are in the process of ratification and ten of them came into force in 2010 (see annex table 8).

Thirdly, all Russian MNEs need informational support. Russian businesspeople do not usually know enough about the investment climate, the political system, the cultural specifics and other important features of potential host countries for their FDI. Unfortunately, government agencies themselves lack the necessary intellectual resources to furnish such support and do not work well with those who could help them, such as experts from Russian think tanks and universities. The think tanks and other

such institutions themselves need greater financial resources but the Russian firms that could most easily supply them are no better than government agencies at working with them.

Finally, the Russian institutional base for MNE expansion abroad is underdeveloped. For example, Russia is the only large industrialized country not in the WTO. This fact produces additional barriers in its dialogue with its main economic partner, the European Union. Until it joins the WTO, Russia cannot become a member of the OECD, although it has been formally engaged in the process of acceding to the OECD for the past four years.

Ownership and management nationality

The shares of only four companies among leading Russian MNEs are not listed on any stock exchange. Of these, three are fully state-owned enterprises, while one (RENOVA) is a conglomerate controlled by its founder, V. Vekselberg. For the listed firms, the most popular stock exchanges are the Russian RTS and MICEX, but either shares or depository receipts (ADRs / GDRs) of some Russian multinationals can also be bought on foreign stock exchanges, e. g. the London Stock Exchange (11 companies - see annex table 3). However, although several companies have a significant free float abroad, their key shareholders remain Russian. For example, the foreign owners of Evraz have 27.6% of its shares while Lanebrook Ltd. under its three Russian owners controls the rest; the foreign owners of Sistema control less than 20%; and so on. Russian principal owners usually keep MNEs under their tight control (see the company profiles in annex II) and almost all CEOs are Russian. Norwegian Telenor, which held 29.9% of VimpelCom's shares in 2009, is the most significant foreign shareholder on the top 20 list. It is worth noting, however, that the presence of foreigners on governing bodies is fairly widespread. Severstal, VimpelCom, and several other companies have a significant share of foreigners on board (annex table 3).

Official languages

All Russian MNEs derive from large Russian domestic enterprises and their main shareholders are Russian. So Russian is naturally the official language of all companies on the top 20 list. At the same time, the internationalization of their business activities, listings on foreign stock exchanges, and the relatively high numbers of foreigners on boards have led many MNEs to adopt English as a second language. The majority of the top 20 publish their annual and other reports in both Russian and English. Moreover, their Russian versions are usually regarded as translations from the English versions. Some reports - e. g., Form 20-F for the NYSE or the Quarterly Report of Open Joint-Stock Company - are available in only one language, English in the former case and Russian in the latter. Although managers of leading Russian MNEs gradually become bilingual and the firms often have their own translation departments, they also use the translation services of independent firms.

Head office locations

Most firms on the top 20 list have their head offices in Moscow (see annex figure 4). Three companies have other locations of official registration but their main decision-making centers have migrated to the Russian capital as well. (Severstal is officially registered in Cherepovets in the Vologda Region, Norilsk Nickel in Dudinka in the Krasnoyarsk Krai, and Evraz in a foreign country, Luxembourg.) Only four companies have head offices (i.e., decision-making centers) outside Moscow - two in sea-port cities (Sovcomflot in St. Petersburg and FESCO in Vladivostok) and two in the regional capitals of European Russia (NLMK in Lipetsk and Acron in Velikiy Novgorod). In contrast, head offices in peripheral towns are not unusual for the second echelon of Russian MNEs. For example, MMK (iron and steel, 25th place) has its head office in Magnitogorsk, Concern Tractor Plants (machinery, 27th place)

has it in Cheboksary, ALROSA (diamonds, 29th place) has it in Mirny, and VSMPO-AVISMA (non-ferrous metals, 33rd place) has it in Verkhnyaya Salda.

Acquisitions versus greenfield projects

The rapid growth of Russian assets abroad is powered mainly by cross-border acquisitions of large companies in resource-based industries (see annex table 4). Russian companies usually take over cheap old plants or new service companies and then make new investments in their development. There are only a few significant greenfield projects in the leading industries of Russian MNEs: in oil & gas, telecommunications and steel (annex table 5). It is important to stress that, although the media usually publish more impressive figures on Russian greenfield FDI, many investment announcements are no more than elements of corporate PR-campaigns. For example, information about LUKOIL's plans to build a new refinery in the United States for USD 1,047 million appeared on the eve of a summit of the two countries' Presidents in July 2009, although LUKOIL's President V. Alekperov almost immediately disclaimed the plans in the leading Russian business newspaper Vedomosti. Some greenfield projects of Russian MNEs were indeed serious plans but they failed during the crisis. For example, plans for the construction of new plants in Vietnam by UC RUSAL (proposed investment USD 1.5 billion) and in India by Mechel (proposed investment USD 414 million) were announced in 2008 but had to be abandoned during negotiations with local partners.

Internationalization of R&D

With rare exceptions, leading Russian MNEs are not very successful in R&D activities, especially in undertaking such activities abroad. This has to do at least in part with their industrial specialization, since oil & gas firms are always far behind producers of pharmaceuticals, telecommunications equipment or other high-tech products when it comes to R&D. For example, LUKOIL spent only USD 100 million on R&D (0.12% of its turnover) and Gazprom only USD 245 million (0.25% of its turnover) in 2009. Furthermore, their R&D activities are concentrated in Russia, although they do have international patents (see annex box 1). Russian metal MNEs do have some R&D departments abroad, but RENOVA and Sistema are the only companies from the top 20 with significant foreign R&D activities. RENOVA's core foreign R&D activities are connected with its Swiss machinery subsidiaries. RENOVA controls 56.7% of the shares of Oerlikon, which spent USD 194 million on R&D (7.3 of its sales) in 2009, and 30% of the shares of Sulzer, which spent USD 59 million on R&D in the same year. Sistema's subsidiary Sitronics (64% of the shares) specializes in telecom equipment and spent USD 21 million (2.1% of its revenue) on R&D in 2009, both in Russia and in its R&D centers in Athens and Prague.

Changes in foreign assets, sales and employment

The top 20 as a group showed steady growth in foreign assets even during the global crisis, although their total assets showed a small dip (1.5%) in 2008, followed by a nearly 12% jump in 2009 (table 2 below). In 2009, the domestic operations of many of these companies also recovered from the crisis, although the assets of some others continued to decline. Some of the top 20 significantly expanded their activities abroad in 2009. Mechel was the brightest example, with an 80% increase in its foreign assets, especially in its non-current foreign assets, that year (see annex table 1a). As a result, the *total* assets of the 20 top MNEs increased by 10% between 2007 and 2009 while there was a 15% rise in their *foreign* assets over the same period (table 2).

Most of the top 20 are large exporters. The global downturn thus caused significant declines in their foreign as well as total sales. Foreign sales fell by nearly 25% from 2008 to 2009, with the 2009 sales lower even than 2007 by 7% (table 2). Total sales fell by 22% over the same year and the 2009 sales

were lower than 2007 by 3%. The consequences of this loss of export revenue were, however, less dramatic for Russian expansion abroad than might have been expected. For some firms, like the oil companies, the new acquisition opportunities were more important than the relatively small fall in oil prices. For others, who had accumulated large war chests before the crisis, the crisis offered opportunities to buy weak competitors. While some firms did postpone their new projects in 2009, actual divestments were relatively rare.

Russian MNEs generally prefer not to publish employment figures. The owners and top managers do not usually care much about public opinion and trade unions are weak. So the annual and financial reports of Russian MNEs often contain only figures on assets and revenues and other indicators for investors. In fact, many companies closed some Russian operations during the crisis but retained most of their employees abroad. As table 2 indicates, the total employment of the top 20 has been falling steadily over 2007-2009, while their foreign employment rose sharply in 2008 (nearly 13%) and dropped very little in 2009 (somewhat over 2%). This is a consequence of several factors: the increasing internationalization of Russian MNEs, the greater productivity of EU and US labor, and the greater sensitivity of Russian oligarchs to their image abroad than to their image at home. It is not that Russian oligarchs do not understand the precarious nature of their position in Russia – they understand it only too well. They simply want to make sure that their fallback homes in Western Europe and the United States remain hospitable.

Table 2. Russia: Snapshot of the top 20 MNEs, 2007-2009 (USD million and number of employees)

Variable	2007	2008	2009	% Change, 2007-2009
Assets				
Foreign	92,900	100,425	106,529	+15
Total	544,900	536,800	598,948	+10
Share of foreign in total (%)	17	19	18	
Sales				
Foreign (including exports)	212,000	261,900	198,000	-7
Total	305,400	378,600	295,762	-3
Share of foreign in total (%)	69	69	67	
Employment				
Foreign	184,000	207,000	202,000	+10
Total	1,520,000	1,490,000	1,427,000	-6
Share of foreign in total (%)	12	14	14	

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

The big picture

During the latter part of the 2000s, Russia became one of the leaders in outward FDI among emerging markets. According to the Central Bank of Russia and UNCTAD, the country reached the 15th world rank on outward FDI stock at the end of 2006.⁵ During the global economic crisis, several Russian MNEs lost their foreign subsidiaries while the assets of other companies were devalued. However, Russia remained in the 15th place by outward FDI stock due to major new investment outflows. For

⁵ Bank of Russia, *International Investment Position of Russia for 2000-2010*, available at: <http://www.cbr.ru/eng/statistics>, and *World Investment Report 2010: Investing in a Low-Carbon Economy*, annex table 4, available at: <http://www.unctad.org>.

example, Russia was in 7th place by FDI outflows in 2009, although that was the most difficult year for the country during the current downturn (see annex figure 5). According to the Bank of Russia, Russian outward FDI stock reached nearly USD 319 billion at the end of 2009, almost 16 times larger than in 2000 (see annex figure 6). Of course, some Russian FDI outflows went offshore only to return home. In 2009, Russian FDI outflows to Cyprus, the British Virgin Islands, Bermuda and other offshore locations exceeded USD 18 billion. However, not all these investments were round-tripping FDI. For example, Cyprus, the Netherlands and Luxembourg were major trans-shipment points, with the final destinations being the CIS and countries in Central Europe.

There are several reasons for the active investment expansion of Russian companies abroad, easily explained by the two most famous direct investment theories. On the one hand, the eclectic theory explains the market-seeking and efficiency-seeking motives of Russian MNEs.⁶ The leading Russian investors are large exporters and their outward FDI supports their sales. In some cases, it reduces transport costs for finished goods (hence the refineries of LUKOIL in European countries) or secures their exports against the political instability of transit countries (hence the participation of Gazprom in pipelines). Other motives are connected with getting around trade protectionism in the United States or the EU, especially in the metal industry. However, asset-seeking motives are more popular among Russian MNEs in developed countries. As for resource-seeking motives, they are typical for Russian outward FDI in Kazakhstan and in some African countries. The second or Uppsala theory of the internationalization of the firm emphasizes the role of close psychological distance and low language and cultural barriers.⁷ These factors are important for Russian investment in Slavic countries, as are the strong economic and political ties inherited from the Soviet period. Many Russian companies with outward FDI do not have much experience in investing abroad and thus tend to prefer buying companies or establishing affiliates in the familiar environment of post-communist countries, especially those with a positive attitude towards Russians. In contrast to South Africa or India, Russia may be said to be lucky in its neighborhood for outward FDI.

At the beginning of the 2000s, Russia had a variety of multinational types, a situation typical for countries at the initial stages of internationalization (from the United Kingdom of the 19th century to the China of the 1990s). Fairly quickly, however, large former Soviet enterprises gradually transformed themselves into dominant Russian multinationals, drawing on the industrial and cultural ties of the Soviet Union. Oil & gas, iron & steel, and non-ferrous metal industries are now the main areas in which major MNEs operate. Large Russian investors abroad do not, however, reflect the industrial structure of the Russian economy. Many firms producing considerable value added in various industries drawing on sophisticated modern technologies have thus far found the domestic Russian market large enough for their appetites, although we may expect this to change in the near future. Two non-resource-based areas in which Russian firms are already investing abroad with some success are telecommunication and nuclear technology. Other areas in which we may expect more outward FDI in the future, from companies in the second echelon group, are construction and building materials (e. g., Eurocement and LSR Group), machinery (e. g., Sitronics from the Sistema conglomerate, Tractor Plants and Borodino), food products (e. g., WimmBillDann and SPI Group), and transport (e. g., Globaltrans, Russian Railways and UTair). A notable novelty is the ongoing internationalization of almost all leading Russian service companies, from media firms and IT firms to retailers and banks (on the last, see box 2).

⁶ 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 and Kalman Kalotay, "Russian multinationals and international investment paradigms," *Research in International Business and Finance*, vol. 22 (2008), no. 2, pp. 85-107.

⁷ 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 and Alexey Kuznetsov, "Pryamiye inostranniye investitsii: effekt sosedstva," *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, vol. 52 (2008), no. 9, pp. 40-47.

In the mid-2000s, many Russian MNEs expanded abroad through acquiring foreign firms in difficult financial conditions. The advantages of developing value-added chains were ignored in favor of easy acquisitions. However, such acquisitions, though envied by their Western competitors, became serious burdens for new Russian investors during the recent downturn. Moreover, some Russian exporters unreasonably based their outward FDI not only on their huge pre-crisis revenues but also on foreign loans. The clearest example was Basic Element, owned by O. Deripaska. During the global crisis, the Basic Element empire was saved only with extensive state support. Even so, Deripaska lost some of his foreign assets in machinery and construction and had to reduce his stake in his largest metal company, UC RUSAL, which launched an IPO in 2010.

Box 2. Russian financial multinationals

Our report does not cover financial services but an internationalization process can be seen in the Russian financial sector as well. However, no Russian financial MNE can be compared with the largest Russian non-financial MNEs in internationalization. The global competitiveness of the Russian financial sector is low. After the collapse of the Soviet Union, none of the banks or insurance companies took the opportunity to become real multinationals. On the contrary, many foreign financial multinationals secured a footing in the Russian market.

There are two main kinds of Russian financial MNEs. The first group consists of old MNEs, which were born as MNEs after the USSR collapsed. These companies inherited branches from their Soviet predecessors. VTB is an example, with branches in the United Kingdom, France, Germany, and other countries. Ingostrah, an insurance company, is another example. During the 1990s, VTB and Ingostrah had similar problems – they found it difficult to become client-friendly. When the financial crisis arrived, Ingostrah had urgently to scrap its business in Western Europe. VTB dealt only with corporate clients in European countries and could thus stay afloat in the crisis.

The second group consists of new banks and insurance companies, which in the boom years before the crisis tried to grab a share of the Western and Central European market. The Bank of Moscow went to the Baltic States and Serbia while insurance company RESO-Garantia bought a subsidiary in Lithuania. These efforts were less than successful and Russian banks have since focused on the CIS (see annex table 7).

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

Several Russian companies lost their foreign subsidiaries during the recent crisis. There were examples in machinery, construction, insurance and some other industries. The situation in iron and steel was the worst. The largest non-ferrous metal companies survived but went down in the top 20 ranking. The crisis was even more severe for Russian greenfield FDI. Many projects were either abandoned or postponed. However, some companies (mainly oil & gas MNEs) continued to make large new deals in 2009 (see annex table 4).

When the economic recovery began in 2010, firms in many industries showed that Russia remained an important source of outward FDI. For example, VimpelCom and Atomenergoprom significantly strengthened their global position. Further industrial and geographical diversification of Russian outward FDI can also be observed. If this is to continue, however, Russian MNEs need more state support outside the familiar regions of the CIS, Europe and North America. There have been some moves in this direction – the Russian Government has recently entered into some double taxation and bilateral investment treaties *outside* the traditional regions of Russian investment. The fault does not all lie with the State, however. Much as Russian MNEs need informational support, few are willing to cooperate with either state bodies or independent experts in the field of outward FDI.

Russian policy on outward FDI is largely undeveloped, mainly because outward investment is a relatively unfamiliar feature of the Russian economy. To the extent that a policy exists, it seems to be based on questionable assumptions. Thus the Russian state tries to protect the several dozen existing Russian MNEs while failing to stimulate hundreds of other Russian companies into venturing abroad. Medium-sized companies with competitive advantages in economic niches and evident weaknesses in the political realm are more suitable objects of state policy than the currently dominant corporate giants. It should be said, however, that these giants are quite skilled at securing state support by claiming that they need it to fight protectionism abroad. Recent examples of this include RENOVA in Switzerland, UC RUSAL in Guinea and Surgutneftegaz in Hungary.

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Emerging Market Global Players (EMGP) Project

The IMEMO ranking of Russian multinational enterprises was conducted in the framework of the Emerging Market Global Players (EMGP) Project, a collaborative effort led by the Vale Columbia Center (VCC - see below). It brings together researchers on FDI from leading institutions in emerging markets to generate annual reports on leading multinationals in each participating country. Reports on 12 countries have been published so far (several on some of them): Argentina, Brazil, China, Hungary, India, Israel, Korea, Mexico, Poland, Russia, Slovenia, and Turkey. For further information, visit: <http://www.vcc.columbia.edu/content/emerging-market-global-players>.

Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences

The Institute of World Economy and International Relations (IMEMO) was established in 1956 as a successor to the Institute of World Economy and Politics which had existed from 1925 to 1948. It is the leading Russian research center in the field of world development and one of the world's leading think tanks focusing on public policy, economics, social issues, security and ecology. The Institute is a non-profit organization which acts within the Charter of the Russian Academy of Sciences. For many years, research carried out by IMEMO has served as a reliable basis for political decision-making. At the same time, IMEMO takes an independent and uncommitted position in its research. The Institute employs approximately 400 researchers, including several members of the Russian Academy of Sciences and more than 260 professors and Ph.D.s. IMEMO has two dozen research centers and departments, including the Center for Industrial and Investment Studies, the Center for European Studies, and the Center for Research in Transitional Economies. Since December 2006, the Institute has been directed by Academician and professor of economics Alexander Dynkin. For more information, see <http://www.imemo.ru>.

Vale Columbia Center on Sustainable International Investment

The Vale Columbia Center on Sustainable International Investment (VCC), headed by Dr. Karl P. Sauvant, is a joint undertaking of the Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to FDI in the global economy, paying special attention to the sustainability dimension of this investment. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law. Its objectives are to analyze important, topical and policy-oriented issues related to FDI, develop and disseminate practical approaches and solutions, and provide students with a challenging learning environment. For more information, see <http://www.vcc.columbia.edu>.

ANNEX I. Tables, figures and boxes

Annex table 1. Russia: The top 20 multinationals: Key variables, 2009 (USD million^a and number of employees)

Rank	Company	Assets		Sales		Employment		TNI ^b , %	Number of foreign affiliates	Number of host countries
		Total	Foreign	Total	Foreign	Total	Foreign			
1	LUKOIL	79,019	28,038	81,083	67,221	143,500	26,000	46	169	36
2	Gazprom	276,561	19,420	98,908	72,004	393,600	18,900	28	69	33
3	Evraz	23,424	10,363	9,772	6,822	110,000	24,000	45	15 ^d	8
4	Severstal	19,644	9,907	13,054	9,098	84,000	6,000	42	54	18
5	Mechel	13,183	~ 5,100	5,754	3,015	80,000	8,300	34	61	16
6	Norilsk Nickel	22,760	~ 5,000	10,155	7,928	83,900	3,800	35	57	19
7	Sovcomflot	6,068	~ 4,745	1,222	n.a.	7,800	~ 5,000	(75)	9 ^d	5
8	Sistema	42,011	~ 4,300	18,750	~ 2,900	~ 80,000	~ 11,000	13	14 ^d	11
9	NLMK	12,502	~ 4,000	6,140	3,859	62,800	5,800	35	78	16
10	VimpelCom	14,733	3,756	8,711	1,279	36,400	9,200	22	69	17
11	RENOVA	~ 20,000	~ 2,972	~ 17,400	~ 6,900	~ 120,000	29,000	26	10 ^d	6
12	TMK	6,681	2,248	3,461	1,290	46,000	3,900	26	17	13
13	INTER RAO UES	3,414	1,338	2,153	1,422	~ 15,000	n.a.	(65)	30	14
14	Zarubezhneft	2,831	~ 1,300	563	560	n.a.	~ 7,000	(70)	8	5
15	UC RUSAL ^c	23,886	~ 1,100	8,165	6,696	75,800	n.a.	(35)	18	13
16	Atomenergoprom	22,015	812	6,488	3,709	~ 20,000	~ 1,000	22	28	15
17	FESCO	2,260	712	650	499	~ 10,000	n.a.	(60)	56	10
18	Polyus Zoloto	3,791	~ 500	1,225	n.a.	19,200	4,000	(20)	19	8
19	OMZ	1,356	478	867	567	~ 16,000	1,900	38	8	4
20	Acron	2,809	440	1,241	977	13,400	4,000	41	7	5
Total (average for TNI)		~ 598,948	~ 106,529	~ 295,762	~ 198,000	~ 1,427,000	~ 202,000	(33)	796	87

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

^a The symbol '~' indicates that the amount is an estimate by the IMEMO team. The exchange rate used, in accordance with Russian accounting practice, is the official rate of the Central Bank of Russia as of December 31, 2009: USD 1 = RUR 30.24.

^b The Transnationality Index (TNI) is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment. It is expressed as a percentage. The TNI for six firms is calculated without data for one variable and is therefore shown in parentheses.

^c UC RUSAL was a major part of the conglomerate Basic Element, which figured in last year's ranking. UC RUSAL is no longer fully controlled by Basic Element - see narrative report and annex II for further details.

^d Several small foreign affiliates are excluded as they do not figure in the company's reports.

Annex table 1a. Russia: The top 20 multinationals: Total and non-current assets, 2008-2009 (USD million)^a

Rank	Name	Total assets		Total non-current assets		Total foreign assets		Non-current foreign assets	
		2008	2009	2008	2009	2008	2009	2008	2009
1	LUKOIL	71,461	79,019	50,088	52,228	23,577	28,038	9,791	10,076
2	Gazprom	243,995	276,561	190,486	220,737	17,940	19,420	4,948	6,747
3	Evraz	19,451	23,424	13,160	19,171	11,199	10,363	n.a.	n.a.
4	Severstal	22,514	19,644	11,829	11,459	11,477	9,907	6,417	6,297
5	Mechel	12,010	13,183	9,265	10,700	~ 2,800	~ 5,100	2,246	4,190
6	Norilsk Nickel	20,759	22,760	13,702	14,352	4,600	~ 5,000	1,709	2,005
7	Sovcomflot	5,727	6,068	5,189	5,465	~ 4,581	~ 4,745	n.a.	n.a.
8	Sistema	29,177	42,011	19,467	28,333	~ 3,900	~ 4,300	3,804	~ 4,200
9	NLMK	14,065	12,502	8,718	8,625	4,985	~ 4,000	n.a.	n.a.
10	VimpelCom	15,725	14,733	14,810	13,286	4,386	3,756	3,921	3,197
11	RENOVA	~ 20,000	~ 20,000	~ 15,000	~ 15,000	~ 3,129	~ 2,972	~ 1,609	~ 1,740
12	TMK	7,068	6,681	4,774	4,704	2,361	2,248	1,842	1,652
13	INTER RAO UES	3,200	3,414	2,291	2,661	1,267	1,338	777	696
14	Zarubezhneft	2,456	2,831	1,644	1,786	~ 1,100	~ 1,300	1,064	1,279
15	UC RUSAL	24,005	23,886	18,933	20,262	~ 1,200	~ 1,100	952	938
16	Atomenergoprom	15,911	22,015	15,273	20,375	71	812	n.a.	n.a.
17	FESCO	2,777	2,260	2,279	1,949	1,143	712	594	358
18	Polyus Zoloto	3,079	3,791	1,991	2,699	0	~ 500	0	482
19	OMZ	1,275	1,356	556	553	377	478	192	234
20	Acron	2,145	2,809	1,649	2,185	332	440	243	283
Total		536,800	598,948	401,104	456,530	100,425	106,529	n.a.	n.a.

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

^a The symbol '~' indicates that the amount is an estimate by the IMEMO team. In 2009, Koks, Eurochem and ALROSA left the top list of Russian MNEs and Atomenergoprom, Polyuz Zoloto and Acron joined it. UC RUSAL stopped being part of the conglomerate Basic Element.

Annex table 2. Russia: The top 20 multinationals: Regionality Index^a, 2009

Rank	Company	Regions									Number of foreign affiliates
		Middle East and North Africa	Sub-Saharan Africa	East Asia and the Pacific	South Asia	Developed Asia-Pacific	Eastern Europe & Central Asia ^b	Other Europe	Latin America & the Caribbean ^c	North America	
1	LUKOIL	3	3	0	0	0	11	65	7	11	169
2	Gazprom	4	0	1	0	0	24	67	4	0	69
3	Evráz	0	13	0	0	0	33	33	0	21	15 ^d
4	Severstal	0	4	2	0	0	11	52	0	31	54
5	Mechel	0	0	0	0	0	13	66	20	2	61
6	Norilsk Nickel	0	7	4	0	7	0	60	15	7	57
7	Sovcomflot	0	11	11	0	0	0	78	0	0	9 ^d
8	Sistema	7	0	0	7	0	58	21	0	7	14 ^d
9	NLMK	0	0	3	0	0	3	83	5	6	78
10	VimpelCom	0	3	4	0	0	36	29	14	14	69
11	RENOVA	0	20	0	0	0	10	50	0	20	10 ^d
12	TMK	6	0	12	0	0	23	41	0	18	17
13	INTER RAO UES	3	0	0	0	0	44	50	3	0	30
14	Zarubezhneft	0	0	25	0	0	25	37	13	0	8
15	UC RUSAL	0	11	0	0	0	17	39	28	5	18
16	Atomenergoprom	0	11	7	0	7	28	36	0	11	28
17	FESCO	0	0	25	0	4	2	56	9	4	56
18	Polyus Zoloto	0	0	0	0	0	47	32	16	5	19
19	OMZ	0	0	0	0	0	13	50	37	0	8
20	Acron	0	0	29	0	0	0	42	0	29	7
Average (total for last column)		1	3	4	0	1	18	56	8	9	796

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

^a The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

^b The former Soviet Union's area excluding Lithuania, Latvia and Estonia.

^c Including Bermuda.

^d Several small foreign affiliates are excluded as they do not figure in the company's reports.

Annex table 3. Russia: The top 20 multinationals: Stock exchange listings, etc., 2009

Company	Domestic stock exchanges	Foreign stock exchanges (shares, ADRs and GDRs)	Free float, %	Foreigners on board, %, 31.12.2009	CEO nationality
LUKOIL	RTS ^a , MICEX ^b	LSE ^c , Deutsche Börse, US Over-the-Counter	Less than 50.0	18	Russian
Gazprom	MICEX	LSE	Less than 50.0	9	Russian
Evraz	-	LSE	27.6	30	Russian
Severstal	RTS, MICEX	LSE	Less than 18.0	56	Russian
Mechel	RTS, MICEX	New York Stock Exchange	Less than 33.2	22	Russian
Norilsk Nickel	RTS, MICEX	LSE, Börse Berlin-Bremen, US Over-the-Counter	Less than 49.9	15	Russian
Sovcomflot	-	-	0	14	Russian
Sistema	RTS, MICEX, Moscow Stock Exchange	LSE	24.2	38	Russian
NLMK	RTS, MICEX	LSE	13.2	33	Russian
VimpelCom	RTS	New York Stock Exchange	Less than 26.1	44	Austrian
RENOVA	-	-	0	0	Russian
TMK	RTS, MICEX	LSE, US Over-the-Counter	24.4	70	Russian
INTER RAO UES	RTS, MICEX	-	Less than 28.9	0	Russian
Zarubezhneft	-	-	0	0	Russian
UC RUSAL	MICEX (since 2010)	Hong Kong Stock Exchange, New York Stock Exchange (since January 2010)	10.8 (January 2010)	33	Russian
Atomenergoprom	-	-	0	0	Russian
FESCO	RTS, MICEX	-	Less than 44.2	22	Russian
Polyus Zoloto	RTS, MICEX	LSE, US Over-the-Counter	35.0	11	Russian
OMZ	RTS, MICEX	LSE, Börse Berlin, US Over-the-Counter	Less than 15.0	11	Russian
Acron	RTS, MICEX	LSE	Less than 28.5	0	Russian

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

^a RTS - "Russian Trading System" Stock Exchange

^b MICEX - Moscow Interbank Currency Exchange

^c LSE - London Stock Exchange

Annex table 4. Russia: The top 10 outward M&A transactions, 2007-2009

Rank	Year of acquisition	Acquirer's name	Target name	Target industry	Target economy	% of shares acquired	Value of transaction, USD million
1	2007	Norilsk Nickel	LionOre Mining	Mining of ores	Canada (assets in Australia, Botswana & South Africa)	100	5,865
2	2008	Evraz	IPSCO Inc.	Iron & steel	Canada (US part was resold to TMK)	100	4,250 (including the part resold to TMK in Jan. 2009)
3	2007	Evraz	Oregon Steel Mills	Iron & steel	USA	100	2,276
4	2008	Evraz	Palmrose	Iron & steel, coke and mining of ores	Cyprus (assets in Ukraine)	100	2,108
5	2007-2009 (3 annual equal payments)	Gazprom	Beltransgas	Gas transportation	Belarus	37.5	1,875 The total for 50% was reached USD 2,500 million in 2010
6	2009	Surgut-neftegaz	MOL	Oil & gas	Hungary	21.2	1,852
7	2008-2009	LUKOIL	ISAB	Oil refinery	Italy	49	1,830
8	2008-2009	TMK	IPSCO Tubular and NS Group	Steel pipe and tubes	USA	100	1,642 (Russian Evraz is the seller - see deal 2)
9	2009	LUKOIL	Lukarco	Oil & gas	Netherlands (assets in Kazakhstan)	46	1,599
10	2009	Mechel	BCG	Coal-mining	USA	100	1,447
Total							23,102 (without deal 8)

Sources: Thomson ONE Banker, Thomson Reuters and information from annual and other company reports.

Annex table 5. Russia: The top 10 outward greenfield investments, completed, 2007-2009
(USD million)^a

Years	Company	Destination	Industry & project	Value realized by the end of 2009
Since 2008	Sistema	India	Telecommunications - SSTL - 73.7% of shares (Pan-India CDMA mobile telephone communications)	~ 1,000 ^b
Since 2007	Magnitogorsk Iron & Steel Works (MMK)	Turkey	Construction of two steel works and infrastructure by joint company MMK Atakaş (first objects were ready in 2008, MMK controls 50% of shares)	~ 500 ^c
2008-2009	VimpelCom	Vietnam	GTEL-Mobile - 40% of shares (start of GSM 1800 mobile telephone communications)	267
Since 2008	Russian Railways	Libya	Infrastructure which is connected with a railways construction contract	~ 200 ^d
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
Since 2008	Gazprom	Austria	Construction of the second bloc of gas-holder Heidach (first one was ready in 2007)	~ 150 ^e
Since 2007	Gazprom	Armenia	Construction of the fifth bloc of Razdan power station	~ 140 ^f
Since 2007	Metalloinvest	United Arab Emirates	Construction of steel plant Hamriyah Steel (Metalloinvest controls 80% of shares)	~ 115 ^g
Since 2007	Gazprom	Libya	Oil exploration fields Bloc 19 and Bloc 64	~ 100 ^h
2008-2009	LUKOIL	Bulgaria	First stage of ecology-friendly modernization of Burgas subsidiary (sulphate alkylation plant)	93

Sources: Company press releases and annual and financial reports.

^a The symbol '~' indicates that the amount is an estimate by the IMEMO team.

^b On the eve of the global crisis, Sistema planned to invest USD 4 billion to USD 7 billion or even USD 10 billion till 2017-2020 in Indian telecommunications. In 2009, Sistema made its plans more realistic.

^c The project was announced in May 2007. Its construction was completed between July 2007 and March 2011. The total joint investment of the Russian and Turkish partners was USD 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 USD 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 2009, the largest completed object was a rail-welding plant under construction 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 USD 400 million.

^f Gazprom bought the Razdan power station with four blocks for USD 248.8 million in 2007 and built its fifth block between 2008 and 2010 at a cost of USD 194 million. Some media sources have announced more significant Gazprom investments in Armenia but they were partially connected with other M&A and greenfield projects (e. g., with the construction of a pipeline linking Armenia and Iran).

^g Metalloinvest built the Hamriyah Steel plant between June 2007 and January 2010. The total joint investment of Metalloinvest and its local partner was USD 150 million.

^h Gazprom was going to invest USD 300 million in these projects in several years with production sharing agreements. As of June 2011, the proposed investment is in question because of the current civil war in Libya.

Annex table 6. Russia: Top 25 destinations of non-financial FDI outflows, 2007-2009
(USD million)

Rank	Destination	2007	2008	2009	2007-2009 on average
1	Cyprus ^a	14,630	9,369	16,930	13,643
2	Netherlands ^a	12,502	2,732	3,624	6,286
3	United States	974	7,265	1,628	3,289
4	United Kingdom ^a	2,454	3,886	2,166	2,835
5	British Virgin Islands ^a	1,425	3,790	2,366	2,527
6	Canada	181	6,723	20	2,308
7	Bermuda ^a	2,689	3,257	793	2,246
8	Switzerland ^a	1,404	2,426	1,807	1,879
9	Luxembourg ^a	497	2,722	1,420	1,546
10	Gibraltar ^a	886	1,190	2,127	1,401
11	Germany	674	1,860	1,178	1,237
12	Ukraine	1,601	551	671	941
13	Hungary	-12	542	1,789	773
14	Belarus	765	619	896	760
15	Kazakhstan	103	326	974	468
16	United Arab Emirates	901	240	60	400
17	Spain ^a	259	458	371	363
18	Cayman Islands ^a	52	718	296	355
19	Uzbekistan	354	414	223	330
20	Austria	230	253	458	314
21	France	257	217	386	287
22	Bulgaria	168	387	229	261
23	Czech Republic	248	319	142	236
24	Armenia	269	266	166	234
25	Serbia	44	11	609	221
Top 25		43,555	50,541	41,329	45,142
Total FDI outflows		45,211	54,202	44,868	48,094

Source: Central Bank of Russia.

^a The relatively high ranks of these destinations can be explained mainly by the dominance of trans-shipping and round-tripping FDI as well as FDI in real estate. It should be noted, however, that not all Russian investment in some of these locations, e. g., the Netherlands and Switzerland, falls in these categories.

Annex table 7. Russia: The internationalization of leading banks, end of 2009

Rank	Bank	Net assets, USD million	Main shareholders	Countries with banking affiliates
1	Sberbank	246,905	60.3% - State (Bank of Russia)	Belarus, Kazakhstan, Ukraine
2	VTB	84,100	85.5% - State	Angola, Armenia, Austria, Azerbaijan, Belarus, China, Cyprus, Georgia, Germany, France, India, Kazakhstan, Singapore, Ukraine, UAE, United Kingdom
3	Gazprombank	55,350	41.7% - Gazprom; 50% - pension fund Gazfond	Armenia, Belarus, Switzerland
4	Russian Agricultural Bank	31,570	100% - State	No affiliates abroad.
5	Bank of Moscow	26,803	63.4% - Government of Moscow and its firms ^a	Belarus, Estonia, Latvia, Serbia, Ukraine
6	VTB-24	23,580	98.9% - VTB	No affiliates abroad.
7	Alfa-Bank	21,372	99.9% - ABH Holding SA (Michael Fridman - 36.5%, German Khan - 23.3%, Petr Aven - 13.8%)	Cyprus, Netherlands, United Kingdom, United States
8	UniCredit Bank	17,033	Subsidiary of UniCredit Bank Austria AG (100%)	- ^b
9	Raiffeisen Bank	16,503	Subsidiary of Raiffeisen Group, Austria (100%)	- ^b
10	Promsvyazbank	16,132	72.9% - brothers Dmitriy and Alexey Ananyev	No affiliates abroad.
11	Rosbank	15,446	Subsidiary of Société Générale, France (72%)	- ^b
12	MDM Bank	14,132	70.6% - MDM Holding SE, Cyprus; in fact, 54.1% - Sergey Popov	Latvia
13	Uralsib Bank	13,217	94.6% - Financial Corporation Uralsib	No affiliates abroad.
14	Nomos Bank	9,499	28.2% - Petr Kellner (Czech Republic) via Russia Finance Corporation BV, Netherlands, 18.9% - Roman Korbačka (Slovak Republic), 18.7% - Alexander Nesis, 12% - Nikolay Dobrinov, 12% - Alexey Gudaitis (all of them from Russia) via various firms in Cyprus	No affiliates abroad.
15	VTB Severo-Zapad	8,446	Subsidiary of VTB (100%)	No affiliates abroad.

Source: RBC Rating (available at: http://rating.rbc.ru/articles/2011/02/24/33178170_tbl.shtml?2011/02/24/33177839) and annual reports of banks.

^a Since 2011, the main shareholder is VTB (51%).

^b Strictly speaking, foreign banking affiliates are not allowed in Russia and subsidiaries under foreign control are registered as independent local banks. Moreover, leading foreign banks sometimes have several subsidiaries in Russia. Thus, the French Société Générale controls not only Rosbank but also Bank Société Générale Vostok, Rusfinans Bank and DeltaKredit.

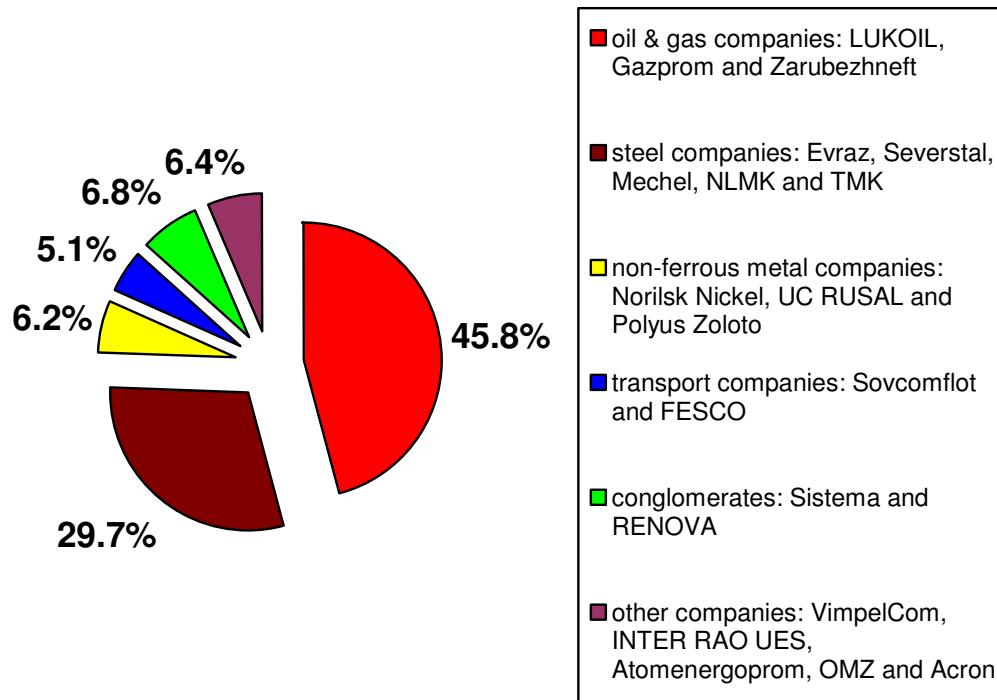
Annex table 8. Russia: Bilateral investment treaties (BIT)

Groups of BITs	Total number	Countries, with year of signing/ratification
Soviet BITs in force	11	Finland (the first Soviet BIT, 1989/1991), Belgium and Luxembourg (1989/1991), Canada (1989/1991), Federal Republic of Germany (1989/1991), France (1989/1991), Netherlands (1989/1991), United Kingdom (1989/1991), Austria (1990/1991), Republic of Korea (1990/1991), Spain (1990/1991), Switzerland (1990/1991)
Russian BITs, signed before a new type of BIT was introduced, in force	30	USA (limited agreement of 1992.04.03/1992), Bulgaria (1993/2005), Cuba (1993/1996), Denmark (1993/1996), Greece (1993/1996), Romania (1993/1996), Slovakia (1993/1996), Czech Republic (1994/1996), India (1994/1996), Kuwait (1994/1996), Vietnam (1994/1996), Albania (1995/1996), Hungary (1995/1996), Mongolia (1995/2005), Norway (1995/1998), Sweden (1995/1996), Yugoslavia/Serbia (1995/1996), Italy (1996/1996), Laos (1996/2005), Egypt (1997/2000), Lebanon (1997/1998), Macedonia (1997/1998), Philippines (1997/1998), Turkey (1997/1999), Argentine (1998/1999), Japan (1998/2000), Moldavia (1998/1999), South Africa (1998/2000), Ukraine (1998/2000), Lithuania (1999/2004)
Russian BITs of the new type, in force	17	Yemen (2002/2005), Syria (2005/2007), China (2006/2009), Indonesia (2007/2009), Jordan (2007/2009), Belarus (2008/2010), Kazakhstan (2008/2010), Kyrgyzstan (2008/2010), Libya (2008/2010), Tajikistan (2008/2010), Venezuela (2008/2009), Abkhazia ^a (2009/2010), Angola (2009/2010), Namibia (2009/2010), Nigeria (2009/2010), South Ossetia ^a (2009/2010), Turkmenistan (2009/2010)
Russian BITs ratified but not in force	3	North Korea (1996/2005), Armenia (2001/2005), Qatar (2007/2009)
BITs changed by new BITs	3	Italy (1989/1991), China (1990/1991), Turkey (1990/1991)
BITs in the process of ratification	8	USA (comprehensive treaty of 1992.06.17/-), Portugal (1994/-), Uzbekistan (1997/-), Slovenia (2000/-), Thailand (2002/-), Ethiopia (2005/-), Algeria (2006/-), Brunei (2007/-)
BITs which became out of date before ratification	4	Poland (1992/-), Croatia (1996/-), Ecuador (1996/-), Cyprus (1997/-)
BITs under negotiation	18	Australia, Azerbaijan, Belgium and Luxembourg (new version), Bosnia and Herzegovina, Iran, Israel, Latvia (the process was frozen because of discrimination against the Russian minority), Malaysia, Morocco, Mexico, Myanmar, Nicaragua, Peru, Romania (new version), Saudi Arabia, Singapore, Tunisia, United Arab Emirates

Sources: Russian legislation, available at: <http://www.garant.ru> and Ministry of Foreign Affairs of the Russian Federation, *Dvustoronnnye soglasheniya o pooshchrenii i vzaimnoy zashchite kapitalovlozheniy*, 26.02.2010, available at: <http://www.mid.ru>.

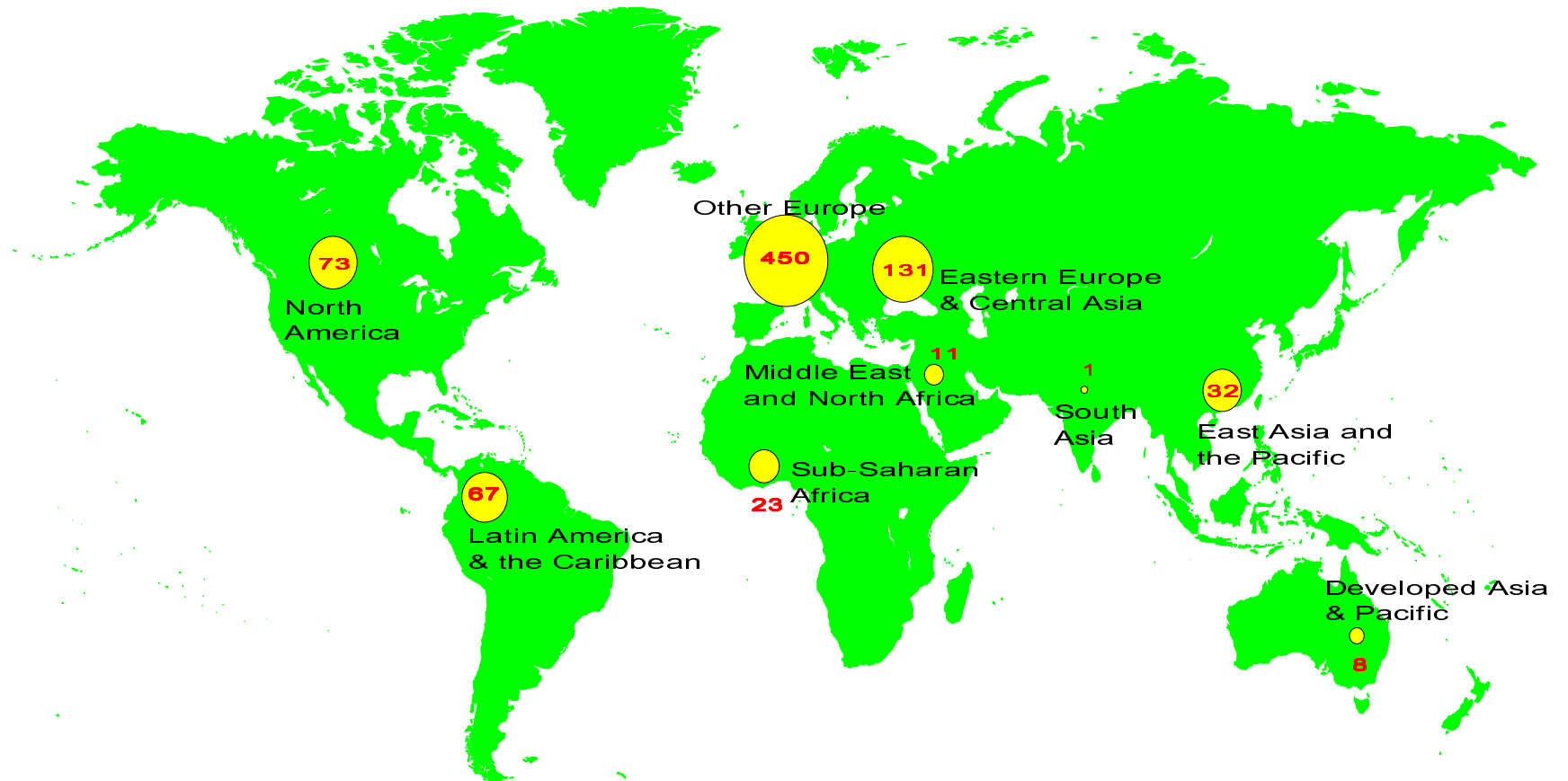
^a Abkhazia and South Ossetia have been recognised by only four members of the United Nations, including Russia.

Annex figure 1. Russia: Breakdown of the foreign assets of the top 20 multinationals, by main industry, 2009



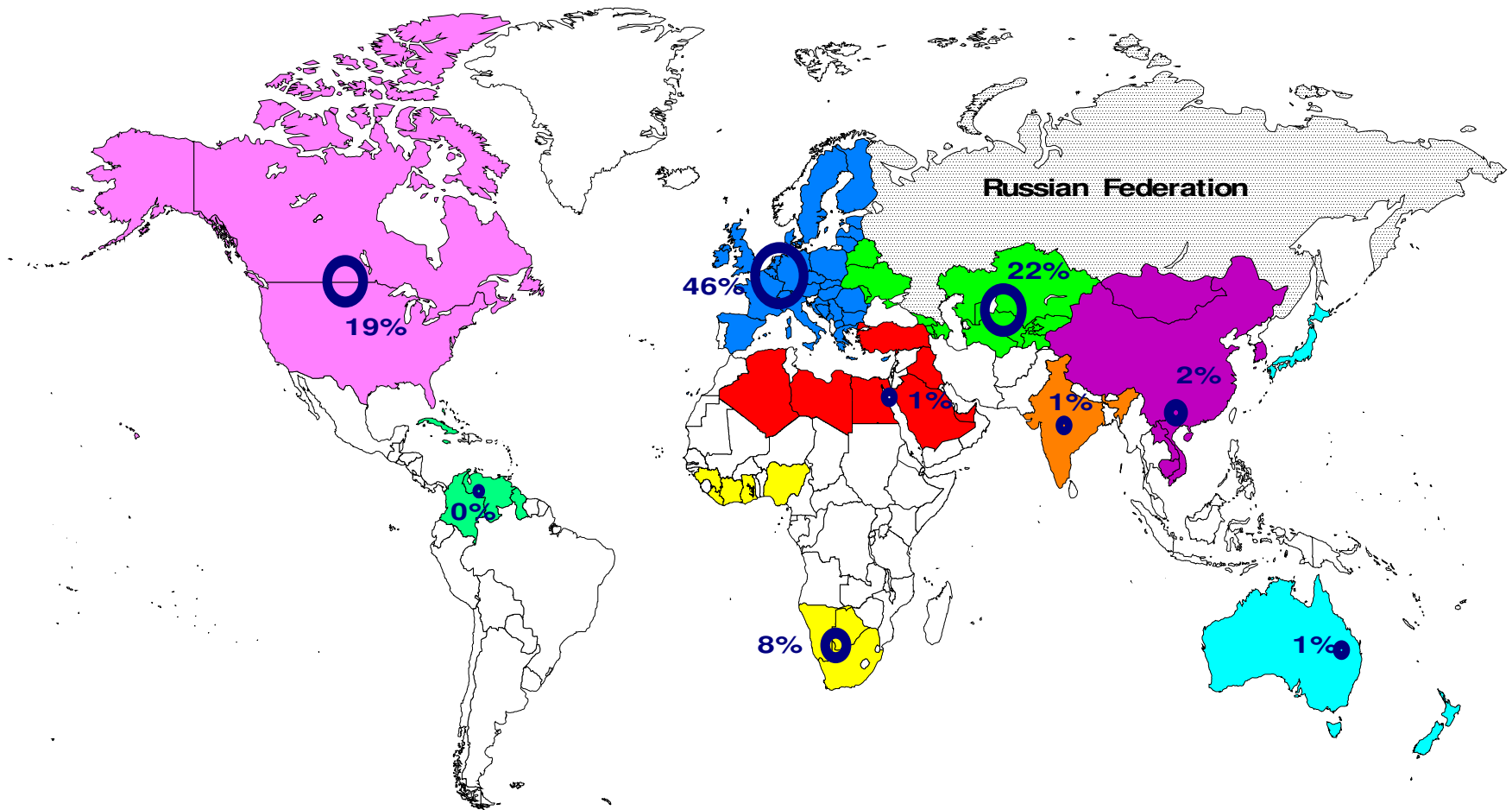
Source: IMEMO-VCC survey of Russian multinationals, 2011a.

Annex figure 2. Russia: Foreign affiliates of the top 20 multinationals, by region, 2009 (number of affiliates)



Source: IMEMO-VCC survey of Russian multinationals, 2011a.

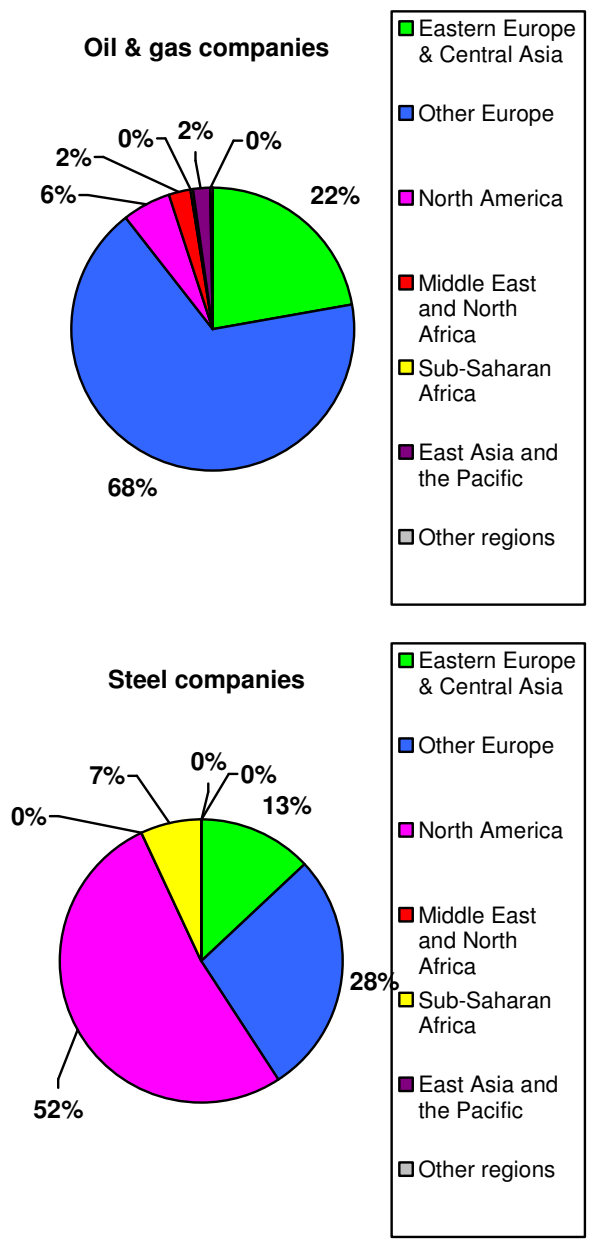
Annex figure 3. Russia: Geographical distribution of the foreign assets of the top 20 multinationals, 2009^a



Source: IMEMO-VCC survey of Russian multinationals, 2011a.

^a This figure normally provides the geographic distribution of foreign assets by industry. Unfortunately, data for all industries was not available. For two major industries, see figure 3a.

Annex figure 3a. Russia: Geographic distribution of the foreign assets of the top 20 multinationals: a comparison of the oil & gas and steel industries, 2009



Source: IMEMO-VCC survey of Russian multinationals, 2011a.

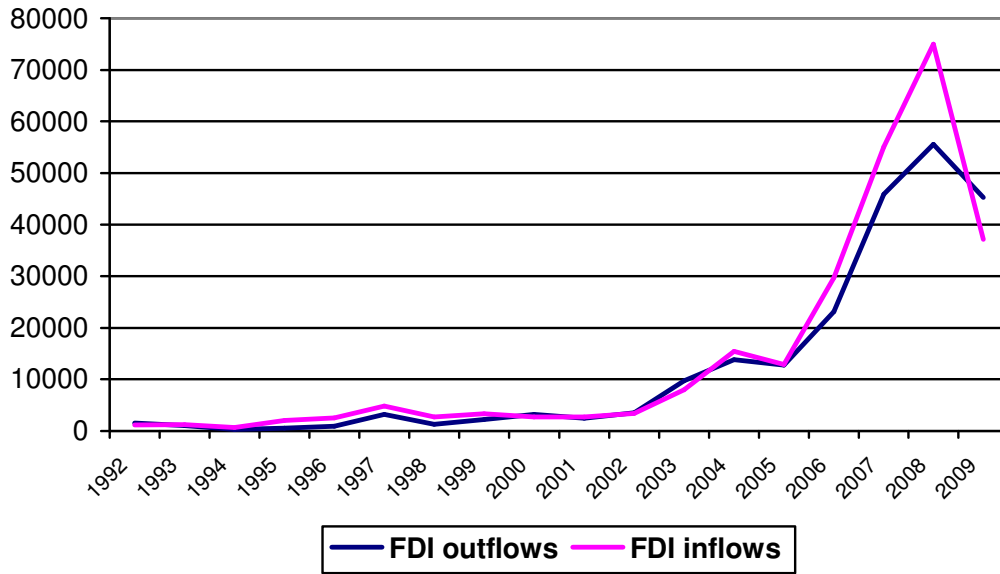
Annex figure 4. Russia: Head office locations^a of the top 20 multinationals, 2009



Source: IMEMO-VCC survey of Russian multinationals, 2011a.

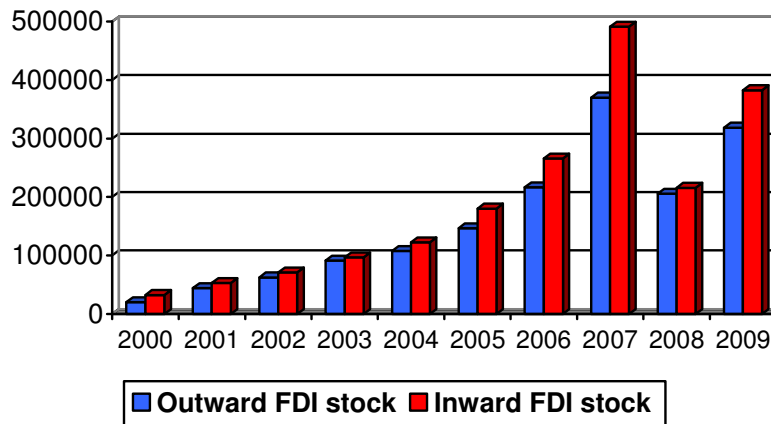
St. Petersburg	Head office of Sovcomflot
Velikiy Novgorod	Head office of Acron
Lipetsk	Head office of NLMK
Vladivostok	Head office of FESCO
Moscow	Head offices of the other 16 companies
Cherepovets	Place of official registration of Severstal, although its head office is in Moscow
Dudinka	Place of official registration of Norilsk Nickel, although its head office is in Moscow

Annex figure 5. Russia: Inward & outward FDI flows, 1992-2009 (USD million)



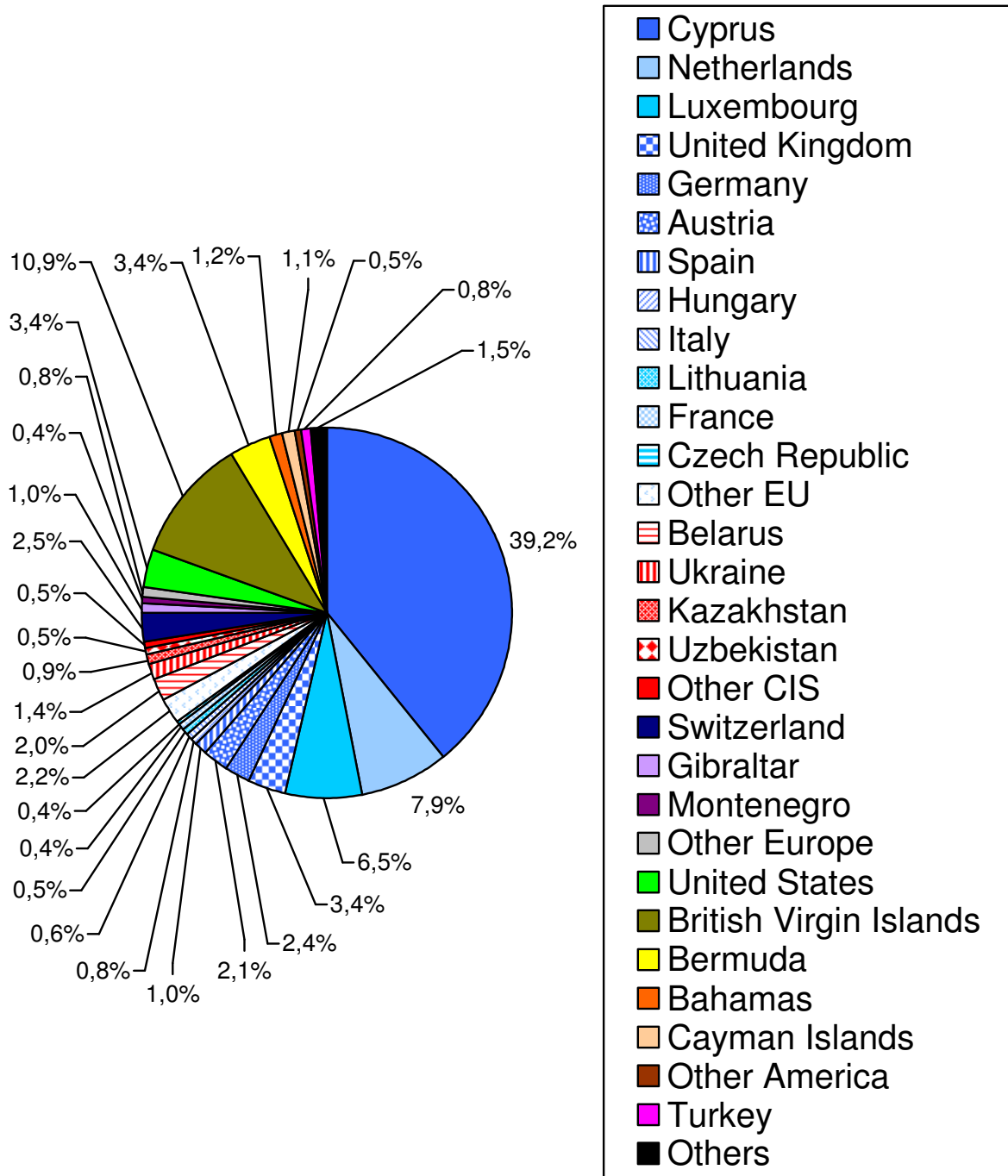
Source: Central Bank of Russia.

Annex figure 6. Russia: inward and outward FDI stock, 2000-2009 (USD million)



Source: Central Bank of Russia.

Annex figure 7. Russia: Geography of outward FDI stock, end of 2009



Source: Central Bank of Russia.

Annex box 1. Current international patents of LUKOIL

No.678644 - 1997-2017 (Albania, Algeria, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, China, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, Iran, Italy, Kazakhstan, Kyrgyzstan, Latvia, Liberia, Lichtenstein, Lithuania, Luxembourg, Moldova, Monaco, Mongolia, Montenegro, Morocco, Netherlands, North Korea, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sudan, Sweden, Switzerland, Tajikistan, Uzbekistan, Ukraine, United Kingdom, Vietnam)

No.34940 - 1997-2017 (Lithuania)

No.36704 - 1998-2012 (Estonia)

No.6734 - 1998-2011 (Turkmenistan)

No.200829, No.194287 - 1998-2018 (Turkey)

No.3518690 - since 1998 (United States)

No.11683 - 1999-2019 (Georgia)

No.53259, No.53260, 53261, No.53262, No.53263 - 1999-2020 (Cyprus)

No.3725905, No.3750154 - since 2002 (United States)

No.838720 - 2004-2014 (Belarus, Bulgaria, Kazakhstan, Macedonia, Serbia, Ukraine)

No.4501 - 2006-2020 (British Virgin Islands)

No.57443, No.57446 - since 2007 (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Ivory Coast, Mali, Mauritania, Niger, Senegal, Togo)

No.301255725 - since 2008 (Hong Kong)

No.01371586 - since 2009 (Taiwan)

No.37846, No.378471, No.378478, No.378480, No.378481, No.378482, No.378483, No.378484,

No.378485, No.378487, No.378840, No.378841, No.378842, No.378845 - since 2009 (Columbia)

No.79439, No.79440, No.79523, No.79567, No.79576 - since 2009 (Nigeria)

Source: IMEMO-VCC survey of Russian multinationals, 2011a.

ANNEX II. Corporate profiles of the top 20

1. LUKOIL (<http://www.lukoil.com>)

Founded in 1991, LUKOIL is still the largest private oil company in Russia as well as one of the largest in the world. The company specializes in the exploration and production of oil and gas, the production of petroleum products and other related activities. Its market share is 17.8% of Russian oil production and 18.2% of Russian oil refining. Despite the recent global crisis, it has retained its position on the world petroleum market. LUKOIL has about 1% of global oil reserves and accounts for 2.4% of global oil production. The firm is listed on Russian as well as foreign stock exchanges. Its main shareholders are still its President V. Alekperov and its Vice-President L. Fedun. The main foreign shareholder, ConocoPhillips, sold its 20% share in 2011. The main resource base and refineries of LUKOIL are situated in Russia. The resource base is mainly in Western Siberia. The refineries are in European Russia as well as Western Siberia. The company's domestic retail network consists of more than 2,000 filling stations in 62 administrative regions.

LUKOIL has assets in many foreign countries, acquired over a decade and a half of foreign expansion. Its first projects focused on the development of its resource base in such countries as Azerbaijan, Kazakhstan and Egypt. Later, LUKOIL began to acquire refineries and petrochemical plants abroad, in Bulgaria, Romania, and Ukraine. Its last acquisitions were of the ISAB refinery (60%) in Italy in 2008-2011 and the TRN refinery (45%) in the Netherlands in 2009. Foreign refineries now account for more than a third of LUKOIL's refining capacity. Its foreign retail network consists of approximately 4,450 filling stations in 25 countries, including the United States (1334 stations at the end of 2009), Turkey (689 stations), Romania (328) and Ukraine (297).

2. Gazprom (<http://www.gazprom.com>)

Gazprom, founded in 1989, is the largest Russian company in the field of exploration, production, transportation, storage, processing, and marketing of hydrocarbons. Its main product is natural gas. Gazprom also produces and supplies heat and electric power. Its market share declined in Russia over 2008-2009 because of the crisis, from 82.7% to 79.2% of gas production and 8.8% to 8.4% of oil production. However, Gazprom remains one of the world's leading companies in its sector, with around 18% of global gas reserves, 14.5% of gas production and 22.8% of gas trade. It is listed on Russian as well as foreign stock exchanges, although it remains state-controlled, with more than half the shares in the hands of the Russian state and state-owned companies. Gazprom's assets are to be found in many Russian regions but the key resources are in Western Siberia and on the shelf. Gazprom's gas pipeline length exceeds 160,000 km and the company still holds a leading position in Russian gas distribution.

Because of the specifics of the natural gas industry, Gazprom began its expansion abroad in the 1990s in European countries. Today, it has gas exploration and production projects in Algeria, India, Venezuela and Vietnam among other countries. Europe remains a major area for Gazprom's investment in the development of its gas transmission system and for gas sales. The main consumers of its gas are Ukraine (17% of foreign sales in 2009), Germany (15%), Turkey (9%), and Italy (9%). The company has power plants in Lithuania and Armenia.

3. Evraz (<http://www.evraz.com>)

The Evraz Group, founded in 1992, is a leader in the Russian steel industry. A vertically integrated company that produces iron ore, cast iron, steel, rolled metal, coal, and vanadium, it ranked 14th among global steel producers in 2009. Unlike other Russian companies, Evraz is listed only on a foreign stock exchange (the LSE). More than 71% of the Evraz's equity is held by Lanebrook Ltd., which is controlled by R. Abramovich's investment firm Millhouse and by Evraz CEO A. Frolov and Evraz chairman A. Abramov. The company's mining assets of iron ore, coal and vanadium are located in the Urals and in Siberia. In 2009, Evraz bought a vanadium producer in the Tula region. Three Russian steel plants are located in Western Siberia and the Urals.

The Group began foreign expansion only in the mid-2000s, with the acquisition of two European producers of steel and rolled metal in Italy and the Czech Republic. Today, it controls enterprises in Canada, some European countries, South Africa, Ukraine, and the USA. It did not acquire any new foreign assets during the crisis.

4. Severstal (<http://www.severstal.com>)

Severstal was the third largest steel company in Russia in 2009 and one of the world leaders in the steel industry. The company was founded in 1993. Within its vertically integrated structure, Severstal produces coal, iron ore, steel and rolled metal. In 2007, it began to diversify and established a gold division. Severstal's shares are traded on two Russian stock exchanges (RTS and MICEX) and on the LSE. Severstal CEO A. Mordashov still controls more than 82% of the company's share capital. Nowadays, all assets are divided into three divisions: Severstal Resources, Severstal Russian Steel and Severstal International. Severstal Resources and Severstal Russian Steel include assets mainly in the Russian northwest and Siberia. The key region for the company is Volodga, with its Cherepovets steel mill.

Severstal acquired its first foreign assets in 2004. Over the rest of the decade, it purchased a number of enterprises in North America, Europe and Africa. Today, Severstal's foreign affiliates produce steel, rolled metal, coal, iron, and gold ore. The key foreign assets are situated in Italy, France and the United States.

5. Mechel (<http://www.mechel.com>)

Founded in the early 2000s, Mechel today is a steel and mining company that produces iron ore, iron, steel, nickel, and rolled metal. It also produces electricity. Mechel was the top coking coal producer in Russia in 2008 but fell to third place in 2009, as its market share of coking coal went from 21% in 2008 to 13% in 2009. It is still one of the largest steel producers in Russia, with a market share of 8%. Mechel is listed on the Russian RTS and MICEX stock exchanges as well as on the NYSE. The chairman of the board of directors, I. Zyuzin, still controls more than 65% of Mechel's equity. The company has four divisions: mining segment, steel segment, ferroalloys, and power segments. All four divisions include Russian assets located in Siberia, the Urals, and the northwest of the country.

Mechel's foreign expansion began in 2002, with the acquisition of a steel plant in Romania. Until 2009, the company's foreign assets were mainly in Europe, including steel mills in Lithuania and Romania, and power plants in Bulgaria. It also owned mining assets in Kazakhstan. In 2009, despite the crisis, Mechel acquired the US coal company Bluestone.

6. Norilsk Nickel (<http://www.nornik.ru/en>)

Founded as a state concern in 1989, Norilsk Nickel was privatized in the 1990s. Today, it is the largest Russian company in the non-ferrous metal industry. It produces mainly copper, nickel, platinum and palladium, but also some gold, silver, cobalt and other non-ferrous metals. Because of its resource base, Norilsk Nickel is also one of the leading global producers of non-ferrous metals. Despite the crisis, the company has retained a global market share of 22% in nickel production and 3% in copper. During the crisis, its global market share of palladium fell from 45% in 2008 to 38% in 2009 and of platinum from 11% to 9%. The company is listed on the LSE and on the Berlin and Bremen stock exchanges, as well as on Russian exchanges. The company's main shareholders are its founder, V. Potanin, who owns 25% of its share capital, and UC RUSAL, which owns 25.1%. Norilsk Nickel has two main divisions in Russia, which include mining and manufacturing assets in East Siberia (in Norilsk) and the Murmansk Region. It also has power and transport assets.

Norilsk Nickel acquired its first foreign assets only in 2003, in the United States. The company has production facilities in Australia, Botswana, Finland, South Africa and the United States. Its Australian mines were closed during the global crisis. With its well-developed sales and service networks, Norilsk Nickel ranks 3rd among Russian MNEs by geographical diversification.

7. Sovcomflot (<http://www.scf-group.com>)

Sovcomflot is the leading Russian shipping company, specializing in the overseas transport of oil, petroleum products and liquefied gas. Founded in 1988 as a commercial enterprise, Sovcomflot is today one of the largest tanker companies in the world and the leader in some segments such as arctic shuttle tankers and ice-class LNG carriers. It is also the second largest global operator of Aframax tankers. The firm is fully state-owned and headquartered in St. Petersburg. Its fleet includes more than 150 vessels of an aggregate 11.8 million dwt.

Sovcomflot has few foreign affiliates. The company does some "investing" by registering the fleet under the flag of Cyprus and other countries with lax shipping regulations. Its "classic" transport subsidiary is situated only in Spain.

8. Sistema (<http://www.sistema.com>)

Joint-stock financial corporation Sistema is a diversified company with assets in telecommunications, high technology (radar, software, biotechnology, etc.), oil production, retail sales, banking, media, tourism, and healthcare. The corporation has had a diversified structure since its founding in 1993. Today, the key sector for Sistema is telecommunications. Its company MTS is one of the global top ten in the field and one of the three largest in Russia. Other Sistema companies are also leaders in their industries. For example, the travel agency Intourist is the leader in inbound tourism with a market share of 8.7% in 2009. Sistema's shares are traded on two Russian stock exchanges (RTS and MICEX) and on the LSE abroad. Its subsidiaries are also listed on the NYSE. Sistema's chairman of the board, V. Evtushenkov, still controls more than 60% of its equity (64.2% in 2009). The Russian assets of Sistema are in various regions, mainly in central Russia.

Sistema got its first foreign assets only in 2002 - in Belarus and the Czech Republic. By 2009, Sistema had telecom assets in Ukraine, Belarus, Uzbekistan, Turkmenistan, Armenia and India (within the MTS, Comstar OTS and SSTS subsidiaries); high-tech assets in Ukraine, the Czech

Republic, Greece, and Austria (within Sitronics and RTI Systems); and tourism assets in Turkey and the United States (within Intourist).

9. NLMK (Novolipetsk Steel) (<http://www.nlmksteel.com>)

NLMK was founded in the 1990s on the site of a famous Soviet plant in Lipetsk. Today, it produces mainly iron, steel, rolled metal, and iron ore. It also produces coke and coal and has transport assets. With its key mill in Lipetsk, NLMK commands a strong market share in Russia, producing about 17% of Russian steel in 2009. Its Russian market share in coke was 11.5%, in cold-rolled steel 23%, and in iron-ore concentrate 22%. NLMK used the crisis to reinforce its position in world markets. In 2009, its share in the world slab market reached 18%, as compared to 11% in 2008. The company is listed on the three most popular stock exchanges among Russian companies: RTS, MICEX and LSE. More than 79% of NLMK's equity is held by Fletcher Group Holding Ltd., which is controlled by NLMK chairman V. Lisin. Key assets of the company are located in Central Russia; resource assets are also located in the Urals and Western Siberia.

NLMK began its foreign expansion only in 2005, with the acquisition of a steel producer in Denmark. By 2009, the company had assets in a number of European countries (e. g., Belgium, Italy and France) and in the United States. It acquired no new foreign assets during the crisis.

10. VimpelCom (<http://www.vimpelcom.com>)

VimpelCom is one of the leaders in the Russian mobile communication market with its key brand known as "Beeline". It was founded in 1992 and now provides an integrated service through wireless, fixed and broadband technologies. At the end of 2009, its market share in Russia was 24.7%, roughly what it had been before the crisis. In 2009, VimpelCom's brand "Beeline" became one of the top ten most expensive global brands in telecommunication. VimpelCom has been listed on the NYSE since 1996. Since 2000, VimpelCom's shares have also traded on RTS. Key shareholders of the company in 2009 were the Russian Alfa Group (44%) and Norwegian Telenor (29.9%). VimpelCom can provide its services in most Russian regions. In 2009, the company had 50.9 million subscribers in Russia.

VimpelCom's foreign service affiliates are mostly in the CIS. In 2009, they were to be found in Kazakhstan, Ukraine, Armenia, Georgia, Tajikistan, and Uzbekistan. In 2009, VimpelCom also began to provide mobile services in Vietnam and Cambodia. In 2010, VimpelCom changed the whole strategy of its foreign expansion, with the aim of building a global telecom company headquartered in the Netherlands. It is unclear whether it will show up among the Russian top 20 in the next report.

11. RENOVA (<http://www.renova.ru>)

The conglomerate RENOVA was founded in 1990. It owns assets in oil production, machinery, construction, energy, chemicals, telecommunications, nano-technologies, and the non-ferrous metal industry, among others. RENOVA also has its own direct and portfolio investment funds. It is an unlisted private firm. The key figure in this conglomerate is still its founder, V. Vekselberg. RENOVA's assets are located in Central Russia, the Urals, the Far Eastern and some other Russian regions. During the crisis, the company worked to enlarge its business. In 2009, RENOVA created a joint venture with Rusnano that would produce thin-film solar modules.

The main country for RENOVA is still Russia, but the conglomerate also has several foreign subsidiaries acquired mostly over 2005-2007. These assets are located in Belarus, Italy, Switzerland and the United States. RENOVA has also invested in Latvia and South Africa.

12. TMK (<http://www.tmk-group.com>)

TMK is the largest pipe producer in Russia, founded only in 2001. It produces almost all types of pipes, especially those used in the oil and gas, energy, chemicals, aviation, and construction industries. The company produced nearly 60% of all Russian seamless pipes and about 70% of the seamless OCTG pipes in 2009. In the same year, TMK's global market share was 13% in seamless OCTG pipes. The crisis led to TMK falling, over 2008-2009, from the second to the third place as a global pipe producer. TMK is listed on the Russian stock exchanges RTS and MICEX and on the LSE abroad. In 2009, 74.8% of TMK's equity was held by TMK Steel Ltd., which was controlled by TMK's chairman D. Pympanyanskiy. TMK's Russian assets include four key enterprises located in Central Russia and the Urals.

Foreign expansion is not the main direction of TMK's development. Although it began expanding abroad in 2002, its production affiliates are now limited to Kazakhstan, Romania and the United States. TMK's foreign *sales* network is more developed. It includes offices in Italy, Germany, Switzerland, China, Singapore, South Africa and several CIS countries. In 2009, TMK created a new subsidiary consolidating all its European assets.

13. INTER RAO UES (<http://www.interrao.ru/eng>)

The state-controlled INTER RAO UES was founded in 1997. It specializes in the generation and distribution of electric power. It is one of the leaders in the Russian power sector, with a 23% share of installed capacity in 2009. The company generated 7.4% of Russian electric power in 2009. Because of its specialization and its shareholders, INTER RAO UES is listed only on the Russian RTS and MICEX. State-owned companies Rosatom and Rosenergoatom controlled over 55% of its equity. The company's assets are located in Central Russia and include 4 power plants.

INTER RAO UES has more than 20 affiliates in 14 countries. The first foreign assets to be acquired were in the CIS countries (Armenia and Georgia) in 2003. Generation plants and distributors of electricity later became a part of the firm's network in other CIS and European countries. In 2009, the foreign power-producing plants of the company were located in Armenia, Georgia, Kazakhstan and Moldova. INTER RAO UES is also engaged in the import and export of electric power, importing power mainly from Kazakhstan and Georgia, and exporting 86% of Russian-generated electric power to Finland and Belarus.

14. Zarubezhneft (<http://www.nestro.ru>)

Founded in 1967, Zarubezhneft is the oldest company in the Russian oil and gas sector. It specializes in the exploration, development and operation of oil and gas fields, as well as in the construction and operation of oil refineries, pipelines, and other oil and gas infrastructure. Zarubezhneft is not listed on either Russian or foreign stock exchanges, as it is fully state-owned and has the status of a strategic enterprise. It has always been outward-oriented and has very few Russian assets, those being mainly in Central Russia and the Urals. More recently, however, the firm has begun to develop its Russian division, including oil production in the Nenets Autonomous region.

At various times, Zarubezhneft's international activity has encompassed such diverse locations as Algeria, Angola, Cuba, India, Iraq, Kazakhstan, and Syria. In 2009, the firm operated in Bosnia and Herzegovina, Cuba, Kazakhstan, Turkmenistan and Vietnam.

15. UC RUSAL (<http://www.rusal.ru/en>)

RUSAL was founded in 2000. A major milestone was the 2007 merger with its Russian competitor SUAL and the aluminium business of Swiss Glencore, which turned Rusal into United Company RUSAL or UC RUSAL. Today, UC RUSAL is the largest producer of aluminum in the world and the only aluminum producer in Russia. Its global market share in aluminum production was about 10% in 2009, despite the crisis and a decrease in production. The company was also the fourth largest producer of alumina with approximately 10% of global output in 2009. In addition to aluminium and alumina, RUSAL produces bauxite, nepheline ore, alloys, foil and packaging materials. It also has a power-generating division. Despite its global position, RUSAL was listed on stock exchanges only at the beginning of 2010. At the beginning of 2010, its main shareholders were the En+ Group of O. Deripaska's Basic Element, the founder of RUSAL, (47.6% of the company's equity in 2009), Onexim Holding (17.1%) and SUAL (15.9%). The basis of RUSAL's business is its Russian assets in Siberia, the Urals and Central Russia. They included 13 aluminum smelters, 4 alumina refineries and 2 bauxite mines.

The foreign expansion of RUSAL began in the early 2000s, with the acquisition of assets in the CIS countries and in Guinea. Foreign activities widened in the second half of the 2000s, especially in 2007, when UC RUSAL was founded. As a result, RUSAL now has assets in Ukraine, Armenia, Italy, Sweden, Ireland, Guinea, Nigeria, China, Guyana, Jamaica, and some other countries. It acquired no new foreign assets of any size in 2009.

16. Atomenergoprom (<http://www.atomenergoprom.ru/en/>)

The fully state-owned Atomenergoprom (Atomic Energy Power Corporation) was founded in 2007 by order of the President of Russia. Formally, it is a part of Rosatom, the State Atomic Energy Corporation. The company specializes in the nuclear industry and produces uranium, constructs nuclear power plants and other equipment, and generates energy. Its Russian experience in the nuclear field makes it the global leader in nuclear power plant construction abroad. In 2009, the company was the fifth global producer of uranium and the second largest holder of uranium reserves. Its global market share of uranium enrichment services was about 40%. Atomenergoprom is not listed on stock exchanges but its bonds were placed on MICEX in 2009. The company's assets in Russia are spread over many regions, including Siberia, the Urals and Central Russia.

Atomenergoprom's activities abroad are also widespread. In 2009, the company had mining projects in Kazakhstan, South Africa and Canada, among other countries, and service affiliates in the EU, South Korea and Japan. Significant foreign investments, however, date only from 2009.

17. FESCO (<http://www.fesco.ru/en>)

Founded as a joint-stock company in 1992, FESCO today is the leading transport and logistics company in Russia. With 56 vessels of 0.8 million dwt, 24 container ships and 16,000 units of the rolling stock, FESCO specializes in shipping, rail transport and port services. It also provides sophisticated cargo services. FESCO's shares are traded on the Russian RTS and MICEX. The

key shareholder in 2009 was still the same: the Industrial Investors Group, which owned 55.8% of FESCO's share capital, with its founder S. Generalov serving as FESCO's president. FESCO had assets in the many Russian regions that its specialization in cargo services requires. However, its main activities were concentrated in the Far Eastern region in Primorskiy Krai, where key terminals are located. Its port division also included assets in European Russia (St. Petersburg and Novorossiysk).

Foreign activities are a part of usual business of FESCO. The company established its first foreign affiliate in 1995 in Australia. By 2009, FESCO had foreign assets in a number of countries, including China, the United States, Hong Kong (China), and Australia. The main part of FESCO's fleet was registered in countries with special shipping legislation, such as Cyprus, the British Virgin Islands and the Marshall Islands).

18. Polyus Zoloto (<http://www.polyusgold.com/eng>)

Polyus Zoloto was established only in 2006. It is the largest producer of gold in Russia and a leading one in Kazakhstan. Polyus Zoloto can be also related to global leaders of the gold sector. In 2009, the company became only the eleventh in gold production in the world but it was the fourth global gold producer by reserves. As other Russian companies, Polyus Zoloto is listed on the RTS and MICEX, as well as on the LSE and the over-the-counter market in the United States. The main shareholders of the company were its management, especially its CEO, M. Prohorov. Polyus Zoloto's Russian mining activities are concentrated in Siberia and the Far Eastern region.

Polyus Zoloto began its foreign expansion only in 2009. During the crisis, the company acquired a 50.1% interest in KazakhGold Group and became the owner of mining assets in Kazakhstan, Kyrgyzstan and Romania.

19. OMZ (<http://www.omz.ru/eng/>)

Founded in 1996, OMZ is a leading Russian heavy engineering company. It specializes in the engineering, production, sales and maintenance of equipment and machines for the nuclear power, oil & gas, and mining industries; and also in the production of special steels and equipment for other industries. In 2009, OMZ was one of the top five global producers of large special steel products and its Russian market share in special steel was 15%. The company is also the only producer of several types of equipment in Russia. OMZ's shares trade on a number of stock exchanges, both domestic and foreign. The ownership structure of the company did not change significantly after K. Bendukidze, the founder, sold his shares in 2004. In 2009, Forpost-Management owned 41.1% of OMZ's shares and Investresurs owned 18.3%. However, Gazprombank was the real chief shareholder. OMZ does not have assets in many Russian regions. Its activities are concentrated in St. Petersburg and Moscow.

During the crisis, OMZ acquired no new foreign assets. As a result, the company still has foreign plants only in the Czech Republic (as well as service affiliates in Armenia, the Netherlands and the British Virgin Islands).

20. Acron (<http://www.acron.ru/en>)

Acron is one of Russia's leading producers of mineral fertilizers, ammonia, and organic and non-organic compounds. In 2009, its Russian market share in the production of nitrogen and

phosphate fertilizers was about 13%. Acron is listed on the Russian RTS and MICEX, as well as on the LSE in Europe. The formal shareholders of Acron in 2009 were four limited companies, all controlled by V. Kantor, who owned 71.5% of Acron's equity in 2009. Acron's Russian assets include two key enterprises located in Central and North-Western Russia, in addition to mining projects in the Urals and the Murmansk region. The company also has transport assets.

Acron acquired its first foreign assets in China in 2005. The crisis did not impede the further expansion of the company. In 2009, Acron put into operation its port terminal in Estonia and also created a new sale subsidiary in Switzerland. As a result, Acron's foreign assets that year included a mining project in Canada; sales divisions in China, Switzerland and the United States; transport assets in Estonia; and a production facility in China.