

FOREIGN DIRECT INVESTMENTS IN RUSSIA AND THE HUNGARIAN-BASED INVESTORS²

After becoming the 5th largest FDI recipient worldwide in 2008, foreign direct investments in Russia have largely been impacted by the big crisis. To put these changes in context, this paper starts with an overview of foreign investments in Russia from the beginning. Analyzing the source countries, we argue that round-tripping and trans-shipped FDI significantly mask the real sources. In terms of the regional distribution, high concentration is stressed. Reviewing the industrial breakdown of FDI in Russia, we point out that the fuel industry, mainly the oil production, except for 1999, has had a prominent or a leadership role only since 2003. Despite the Russian natural resource base, foreign investors are now motivated mostly by market-related factors. Before the crisis Russian macroeconomic, fiscal and debt policies improved the investment climate, while the growing state control has had a negative effect. Red tape, poor infrastructure, corruption and complex tax system remained major obstacles. Until the early 2000s, government made few steps to encourage foreign investment. Amid and after the crisis it was explicitly acknowledged at the highest level that resource based Russia needs the West, the foreign investments and knowledge for its modernization. The paper finally turns to investments from Hungary. Despite the low share of Russia in outward FDI from Hungary, there are a few significant investments of Hungarian-based investors, worth to be surveyed.

JEL: G31; G32

Overview of Foreign Investments in Russia from the Beginning

Before the First World War foreign investments had a significant role in the Russian Empire (Nove 1972). The October Revolution of 1917 had severe consequences for the foreign ownership, and the Soviet leadership refused the reparation demanded by the Western states. But since Soviet Russia needed foreign capital, legal conditions

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² This article is a summary of a chapter of a forthcoming book written (in Hungarian) within the framework of the research project 'Russia in the Global System and in Europe. Main Factors Affecting the Relations between the EU and the Russian Federation and Their Effects on the Russian–Hungarian Relations' led by Academician Mihály Simai and supported by the Hungarian OTKA fund (under contract number 68923).

for concessions were set in 1920. Since 1928 new concession contracts have not been signed, and at the end of 1929, Stalin announced that the NEP era ended. The last concession company was wound up in 1944 (or according to another source, in 1946). The concession companies did not contribute measurably to the capitalization and modernization of the economy, and had no particular role in terms of the state budget (*Seres 2007*).

The beginning of 1987 brought a new turning point in foreign investments as in the spirit of Gorbachev's perestroika creation of joint ventures was accepted in the Soviet Union. The Presidential Order on Foreign Investments in the USSR of 26 October 1990 and the Law on Foreign Investments in the RSFSR dated 4 July 1991 were issued before the disintegration of the Soviet Union, allowing the presence of wholly foreign-owned companies and profit repatriation (*UNCTAD WIR 1991; World Bank 1992*).

Russia's GDP went through a sharp decline until 1996. The economy started to grow from a very low base in 1997, followed by the currency, fiscal, debt and banking crisis in 1998. However, between 1999 and 2008 an unexpected recovery was seen, which was consistently underestimated by most experts. Before the crisis World Bank warned that Russia showed all signs of overheating.

Amid the difficulties of the Russian economy but with signs of stabilization and following the reduction in FDI inflows in 1994, foreign direct investments jumped in 1995 in Russia. These investments were built on first-mover advantages (*UNCTAD WIR 1996*). It was an important step when Boris Yeltsin signed the Law on Production Sharing Agreements at the end of 1995.

In spite of the fact that the annual volume of FDI inflows was close to USD 5 billion in 1997, which seemed to be a promising year before the Russian crisis of 1998, yearly FDI inflows were only around USD 2–3 billion both in the second half of the 1990s and the beginning of the 2000s. Significantly increased cross-border M&A sales in 1997 were related to the privatization. In 1998, annual FDI fell by 43 percent as the crisis had an impact on FDI inflows through a number of channels (*UNCTAD WIR 1998, 1999*).³ Although the State Duma and the Federation Council approved the draft Law on Investment Activities in the Russian Federation Implemented in the Form of Capital Investment in July 1998, i.e. one month before the extraordinary measures of the Russian government and the Central Bank in 17 August, the president signed it only at the end of February 1999. In the summer of 1999 the new Law on Foreign Investment in the Russian Federation was adopted and signed (*Ludvig 2000*).

In the 1990s, the role of FDI in Russia was minimal, limited to only a few sectors, and has not become the driving engine of the economy (*Ludvig 2000*). The turnaround occurred in 2003, with FDI inflows of nearly USD 8 billion into Russia.

³ UNCTAD uses data from the Bank of Russia. It is important to emphasize that the Federal State Statistics Service of Russia (Rosstat) has different methodology when it comes to foreign direct investments.

Today Russia is one of the largest recipients of FDI in the world. While in 2000, Russia took only the 38th place with FDI inflows of USD 2.8 billion, in 2008 FDI inflows rose to a record USD 75.5 billion putting Russia in 5th place behind the United States, Belgium, China and the United Kingdom. In 2009, due to the crisis, the inflow of foreign direct investment in Russia nearly halved to USD 38.7 billion, but Russia was still the 6th most important host country behind the United States, China, France, Hong Kong and the United Kingdom (*UNCTAD, WIR Annex Tables 2010*).

After many years FDI outflows exceeded inflows again in 2009. This gap, however, reaching USD 7.3 billion has never been so wide (according to the *Bank of Russia*).

Rosstat data indicate that in 2009 the share of FDI inflows in foreign investments in Russia was at 19.4 percent, compared to just 1.1 percent shares of portfolio investments. All the 'rest' belonged to other investments, namely mainly to trade and other credits. The Central Bank of Russia reports that the share of reinvested earnings in FDI in non-banking corporations reached 45.1 percent both in 2007 and 2008, but it declined to 36.3 percent in 2009.

In the 1990s, the share of FDI inflows in gross fixed capital formation climbed above 10 percent only in 1999. However, before the crisis unfolded it has significantly jumped exceeding 20 percent in 2007 and 2008, while declining in 2009 to 14.7 percent (*UNCTAD, WIR Annex Tables 2010*). In the years before the crisis Russia's GDP showed large growth despite the low investment rate (particularly compared to South Korea, China and India) (*World Bank 2008*).

Inward FDI stock in Russia rose to USD 491.1 billion by the end of 2007 representing a 15-fold increase from USD 32.2 billion at the end of 2000. Despite record transactions it fell to USD 215.8 billion in 2008 due to the depreciation, and crept back up to USD 382.5 billion in 2009 (source: *Bank of Russia*). In terms of IFDI stock, among the BRIC countries Brazil and China are ahead of Russia, but India lags far behind Russia (*UNCTAD, WIR Annex Tables 2010*). The UNCTAD's World Investment Prospects Survey (WIPS) indicated Russia for FDI to be the 4th most attractive destination for the years 2007–2009 and 2008–2010, and the 5th for the periods 2009–2011 and 2010–2012. A darker picture is painted by A.T. Kearney. According to its so-called FDI Confidence Index, measuring the likelihood of direct investment over the next three years, Russia fell to 18th in 2010 from 9th in 2007.

Various figures for the Russian M&A market come from various institutions based on their methodology. Nevertheless, these figures clearly show that in contrast to China, a significant part of the foreign investments in Russia is related to cross-border M&A transactions (*Skolkovo 2009*). According to UNCTAD, the number of cross-border merger and acquisition transactions, carried out in Russia during the crisis in 2009, continued to increase, but the total value of M&A sales fell strongly. However, Russia was still ranked 6th in the world in 2009. Ernst & Young points out that despite the crisis, the number of FDI projects also increased in 2009, but fewer jobs were created than in 2008. In terms of the number of FDI projects Russia was the 5th most attractive destination in Europe.

Source Countries and Regional Breakdown of FDI in Russia

Rosstat data suggests that the most important source countries of inward FDI into Russia are the Netherlands, Cyprus and Germany. The key role of the Netherlands and Cyprus calls attention to two problems: the phenomenon of round-tripping and trans-shipped FDI. The former one makes the assessment of the real magnitude of FDI difficult because of capital of Russian origin coming back, while the latter (also) obscures the country distribution, i.e. the real source countries. Our research shows that the largest investors are (still) from the EU (also see *de Souza* 2008). Looking ahead, however, the data of A.T. Kearney warns. While for the European investors in 2007 Russia was the 3rd main destination over the next three years Russia slipped to the 10th place in 2010.

The spatial concentration of foreign direct investments in Russia is quite strong. According to our calculations based on Rosstat data, Moscow accounted for the largest share (36.9%) of cumulative FDI inflows to Russia (consisting of 83 ‘federal subjects’) for the period 1995–2008, followed by the Sakhalin Oblast (17.6%) and the Moscow Oblast (8.7%), then St. Petersburg (3.5%), the Omsk Oblast (2.7%), the Krasnodar Krai (2.6%), the Tyumen Oblast (2.4%), the Chelyabinsk Oblast and the Leningrad Oblast (2.1% each) and Tatarstan (1.3%).

Industrial Breakdown of FDI

Rosstat data indicates that in the 1990s, food industry was the most attractive investment area, however, trade and catering also had a significant share. Between 1999 and 2001 transportation received a sizable share of foreign direct investments. The fuel industry, mainly the oil production, except for 1999, has had a prominent or a leadership role only since 2003. In 2007, almost half of the FDI inflows took place in the mining of energy resources. In 2008, the major sectors were the real estate and business services (18.7%), the mining of energy resources (17.2%), the wholesale and retail trade and repair (14.8%), the electricity, gas and water supply (8.6%), and the financial activities (6.3%).

Foreign direct investments in the electricity sector were related to the unbundling and sale of the monopoly RAO UES of Russia, giving opportunities for the German E.ON, the Italian Enel and the Finnish Fortum to acquire assets.

Within the mining of energy producing materials, foreign direct investments typically went into the oil production. Surge in oil and gas prices after 2003 also stimulated foreign companies, however, oil companies are burdened strongly by the extraction tax and in particular the export duty.

Manufacturing of food products, beverages and tobacco is the most important branch within the manufacturing sector.

Multinational companies are already either market leaders or significant players in many segments of the Russian consumer sector (*PwC 2009b*). Although share of foreign direct investment in the Russian transport equipment manufacturing is not significant, the role of foreign capital in the automotive industry has been dramatically increasing from year to year. The share of foreign brands in the passenger car production in Russia has already reached 47 percent in 2009 (*Ernst & Young 2010*). Changes in the automotive industry created expansion opportunities for the automotive suppliers, and several foreign component manufacturers took the advantage of these opportunities (*PwC 2008*).

Russia does not allow foreign banks to open branches in Russia. Moreover, foreign insurance firms are subject to a 49 percent equity limitation (*Office of the U.S. Trade Representative 2010*). By the end of August 2010, 220 out of the 1158 registered credit institutions in Russia had foreign stakes in authorized capital, of which 82 were wholly foreign-owned and a further 25 had more than 50 percent foreign participation (source: *Bank of Russia*). A considerable part of the Russian banking system is under state control. Almost half of the Russian domestic loan market is in the hands of the state-controlled banks. 6 of the 10 largest banks are controlled by the state. 2 out of the other 4 are foreign-owned (UniCredit Bank, Raiffeisenbank). Overall, a quarter of Russian banking sector's assets belongs to foreign ownership (*Fungáčová-Solanko, 2008*).

So far only a limited number of multinational players are present in the Russian retail market. While India and China are faced with intensifying competition from global entrants such as Wal-Mart, Carrefour and Tesco, in Russia Wal-Mart and Tesco have not had a single store, and the new-comer Carrefour swiftly withdrew from the market (*PwC 2009b; PwC 2010*). In food retail only Metro, Auchan and the Rewe Group have significant positions (*PwC 2009a*).

Motivations

Russia's macroeconomic stability, sound fiscal policy, the external debt management and the accumulation of huge foreign exchange reserves substantially improved the investment climate (*Tarr-Volchkova 2010*). The WIPS report declares that foreign investments in Russia are motivated mostly by market-related factors. In the 2009 survey (for 2009–2011), the main location criteria were the size and growth of the local market, the presence of suppliers and partners, the access to international/regional markets and the following of the competitors.

Svetlana Ledyeva argues that “the leading factors stimulating the sharp FDI increase in 2003–2005 were market size, big city advantages and Sakhalin region's production sharing agreements in the oil industry” (*Ledyeva 2007*).

Purchasing power of the Russian population increased considerably in the 2000s but from a low base following the collapse of the Soviet Union and the crisis of 1998. Per capita retail sales in Moscow are the largest. Russia had 11 cities with more than million people (Moscow, St. Petersburg, Rostov-on-Don, Ufa, Kazan, Nizhny

Novgorod, Samara, Yekaterinburg, Chelyabinsk, Novosibirsk and Omsk) in early 2009 and 3 cities with nearly 1 million inhabitants (Volgograd, Perm and Krasnoyarsk).

Russia is increasingly turning to the import substitution industrialization, and actively imposes import restriction measures. The pursuit of import substitution is a stated goal in many sectors. It is enough to see (1) the development strategy for the pharmaceutical industry up to 2020 approved in October 2009, (2) the food security doctrine signed by President Dmitry Medvedev in early 2010 or (3) the automotive industry protected by custom duties and supported by scrapping incentive programme. In this situation, import substitution FDI has an important role.

Until the early 2000s, the government made few steps to encourage foreign investment. Attitude towards foreign capital has recently changed considering FDI as a means to achieve modernization goals. Despite the negative experience of the former Free Economic Zones (FEZ) in Russia (except for the Kaliningrad FEZ and the Magadan FEZ), Russia in the mid-2000s was determined to create special economic zones (SEZ). SEZs still offer very little to the foreign companies, which in turn are rarely located in them (*Liuhto* 2009). It is no coincidence that the Russian parliament in December 2009 amended the Law on Special Economic Zones to simplify the establishment and to be open to a broader scope of investors (*UNCTAD WIR* 2010).

PricewaterhouseCoopers states that Russia's well-educated workforce is an important asset for the long-term growth. The relatively low-cost and generally highly skilled workers are one of the main attractions for investment. The latter's top importance is not confirmed by the WIPS 2009 report. Moreover, a spring 2008 survey by the Foreign Investment Advisory Council (FIAC) emphasizes that a majority of respondents indicated that recruiting talented managers and/or people with necessary technical skills has become one of the toughest challenges for foreign investing companies. In order to attract foreign specialists migration legislation was simplified in 2010. This was proposed by the Russia Ministry of Economic Development that thinks modernization is impossible without smart personnel (*The Moscow Times*, 6 May 2010).

Difficulties

While in recent years foreign investments have significantly increased in Russia, problems have been articulated more loudly in the media than opportunities. This was mainly thanks to the particular democracy model of Russia (the theory of sovereign democracy replaced that of the managed democracy in 2006) and the growing state control.

According to Igor Bunin and Yevgeny Yasin, a new period in the state-business relations began in 2003. State capitalism – which is the 4th period in the post-communist Russia – is characterized by assertion of dominance by the state with the threat of expropriation (*Hanson* 2005). Anders Åslund divides three energy models

of which state capitalism followed the liberal-oligarchic model that was dominant between 1994 and 2004 (*Åslund* 2006).

Two laws impose limitations on foreign investment were adopted in April 2008, and Putin signed them just before his departure from his presidency. The package was a milestone, but investment restrictions started well before this (see *Gati* 2008).

The Russian government has also significantly increased its role in the economy through the state strategic corporations. State corporations are often dominant and may have access to budgetary support, so that the private companies, including the foreign ones, may have more difficulty to compete with them. The lower competition may be detrimental to efficiency, resulting in higher prices and lower quality (*Tarr-Volchkova* 2010).

Although Russia terminated the provisional application of the Energy Charter Treaty in 2009, Russia should apply the “Investment Promotion and Protection” as well as the “Dispute Settlement”⁴ for 20 years following the effective date of termination to any investments made in its area during the provisional application by investors of other signatories.⁵

Russia has been on the verge of joining the WTO for years. Russia is the only one of the G20 that is still outside the organization. An emblematic issue is the intellectual property rights. U.S. copyright industries estimate that approximately 65 percent of sound recordings in Russia are pirated. Internet piracy is a serious and growing concern. Counterfeiting of trademarked goods is still a problem (*Office of the U.S. Trade Representative* 2010).

The corruption market is worth USD 300 billion annually in Russia, so, this is the most remunerative business (*The Moscow Times*, 24 April 2009). According to the Corruption Perception Index of Transparency International Russia has had the worst year in 2008 since 1999. Foreign companies in particular suffer from the corruption-laden environment. For this the case of IKEA is emblematic and well known.

Different surveys show that bureaucracy and administrative barriers prove to be greater problems than corruption (*RIA Novosti*, 17 January 2007; *FIAC* 2008). The construction permits and the trading across borders are in the worst situation (*World Bank-IFC* 2010). As far as customs procedures are concerned, roughly twice as many documents are required than in developed countries, and about 44 percent of shipments are inspected in Russia (*The Moscow Times*, 17 August 2010). Some say that the Russian tax system is so complex that it is almost impossible to do everything properly (*FIAC* 2008). A 2008 survey of German firms running their business in Russia shows the complex tax system and the frequent tax inspections to be one of the main obstacles (*Kotov* 2009). However, considerable simplifications and reductions were made in the tax system.

⁴ See Part III and Part V of the Energy Charter Treaty.

⁵ For more on this, see the works of Andrei Konoplyanik.

In addition to red tape, another major obstacle facing foreign investment is the poor infrastructure (*The Moscow Times*, 10 November 2009). In Russia there are uncharted territories by the transnational capital mainly due to the lack of infrastructure (and large distances).

Hungarian Investments in Russia

According to the Central Bank of Hungary, Hungary's outward FDI stock in Russia experienced a jump in 2006 from EUR 16.6 million at the end of 2005 to EUR 139.6 million at the end of 2006. In late 2008 it stood at EUR 205.5 million accounting for 1.7 percent of Hungary's total outward FDI stock. After years of minimal investments, FDI outflows to Russia amounted to EUR 411.1 million, EUR 114.3 million and EUR 239.3 million in 2006, 2007 and 2008, respectively. But data for 2009 was negative. Hungarian investments were also impacted by the big crisis.

The Hungarian Ministry of National Economy (and ITD Hungary) states that Hungarian-based big business invests in the energy, financial, construction, pharmaceutical and agro-industrial sectors of Russia.

The main Hungarian actors in Russia are the oil and gas company Mol, the OTP Bank, the real estate developer TriGránit and Mr Sándor Demján's interests, as well as the drug makers Richter and Egis.

Since 2000, Richter has had its own production facility located about 100 kilometres from Moscow, which already began exporting from Russia in 2004, too. Richter has nine representative offices in Russia; owns a 49 percent stake in OOO Pharmarichter, a company in Moscow that makes promotion of pharmaceutical products; and has a 5.6 percent stake in Protek, which is one of the largest pharmaceutical companies in the pharmaceutical wholesale and retail trade in Russia.

Egis, having been under the control of Servier since 1995, uses its independent marketing and commercial network in the CIS and Hungary. Egis currently operates only one representative office in Russia, located in Moscow. OOO Egis-Rus, which is a dormant company, was founded in 2007. Egis has one consignment store in Russia. In August 2004 Egis got an 87.5 percent stake in the Russian company Serdix founded by Servier. The production unit in Moscow Oblast was established within the framework of Serdix. However, Egis' ownership in Serdix dropped to 18.3 percent in 2007 and to 5.4 percent in 2010.

Mol turned toward Russia according to its new strategy, announced in October 1999. Mol has either a 50 percent or a 100 percent ownership interest in at least six Russian companies. Zapadno-Malobaliskoye/ZMB (50%), Mol-Zapadnaya Sibir (100%), Baitex (100%) and Matyushkinskaya Vertikal (100%) are involved in exploration and production in Russia. Surgut Trading (50%) is interested in trading oil products, while Mol-Russ (100%) was founded to provide management services.

ZMB, Mol Zapadnaya Sibir and Matyushkinskaya Vertikal operate in Western Siberia, Baitex in the Volga-Urals region, and Mol-Russ is established in Moscow.

OTP Bank acquired two banks in Russia: first Investsberbank for USD 477.5 million in 2006 then Donskoy Narodny Bank, a leading bank in Rostov Oblast, in November 2007 for USD 40.95 million. The latter transaction was completed in May 2008.

The TriGránit's plans in Russia were moved to the focus of attention in 2007. In January 2007, the TriGránit and Gazprombank-Invest, subsidiary of Gazprombank signed an agreement establishing a joint venture. TriGránit announced that it was planning to invest EUR 5 billion in Russia. Krasnodar was the first concrete point. The building site is there but the project suffered a delay.

In September 2007, TriGránit acquired half of the company Torgoviy Kvartal. At that time TriGránit expected more than EUR 1 billion investment in the "coming years" by the partnership. But pursuant to a decision at the end of 2009, the joint activity came to an end even before the implementation of the projects. The Russians have not bought out TriGránit's share, but split up the projects. By this, the shopping and entertainment centre named Torgoviy Kvartal in Naberezhniye Chelny in Tatarstan, the second phase of this project and the project of shopping and entertainment centre in Omsk came under the ownership of TriGránit. At the crisis time, company Torgoviy Kvartal stopped the construction of the shopping and entertainment centres in Domodedovo and Omsk and the second phase in Naberezhniye Chelny (*BN.ru*, 12 July 2010).

In early April 2008 TriGránit announced plan to build a shopping centre called Mozaika in Moscow. Because of the crisis this project also suffered a delay. In mid-August 2010 the start of construction was expected to be at the beginning of 2011.

TriGránit's intentions in St. Petersburg became known in June 2007, when the Governor of St. Petersburg and president of TriGránit signed a framework agreement, followed by a cooperation agreement in December 2007. TriGránit tries to come forward with two projects, one on the Vasilyev Island and another on the site of the Badaev warehouses.

Russian state lottery Gosлото is controlled by Mr Demján. In 2008, Demján acquired a majority stake in the Russian Orglot company by buying out Gazprombank's stake.

In September 2006 Euroinvest, which handles the investments of Mr Demján, signed a cooperation agreement about building a large sugar factory in Russia. Euroinvest got a 51 percent in the company Ryazhskiy sakharniy zavod. In December 2007, yet it was thought that the sugar factory will be built for (more than) EUR 200 million and the start of production could be in the 4th quarter of 2009.

Summary and Outlook

The crisis put an end to the dynamic growth of foreign direct investment in Russia that has been shown since 2003. Russian GDP shrank 7.9 percent in 2009, more than in 1998, but less than in the years after the collapse of the Soviet Union. Russia saw a budget deficit (of 5.9 percent of GDP) in 2009 after being in surplus since 2000. The economic recovery after the 1998 crisis was more smoothly than now (*World Bank* 2010).

Figures of the Central Bank of Russia show that after the sharp fall in 2009, FDI inflows in H1 2010 (USD 19.1 billion) slightly exceeded that of the H1 2009 (USD 18.5 billion), but they fell far short of the performance of the same period of 2008 (USD 44.1 billion). However, according to the Rosstat data, FDI inflows still decreased (by 11 percent) in H1 2010 (to USD 5.4 billion) from H1 2009.

Russian Finance Minister and Deputy Prime Minister Alexei Kudrin believed in February 2010 that annual volume of FDI inflows will return to the pre-crisis level of USD 60–70 billion in the next 2–3 years (*RIA Novosti*, 3 February 2010). In early October 2010 Kudrin expected FDI inflows to be more than USD 40 billion in 2010 and over USD 50 billion in 2011 and 2012 (*Rg.ru*, 5 October 2010).⁶

Moscow continues to play a leading role in foreign investment in Russia. Experience has shown that regional authorities have an important role in the development of foreign investments in the regions. It also appeared that Russia is still not an investment area for the layman and the small foreign actors.

Being the largest investor in Russia, for Europe it is particularly important how Russia develops. At present, issues related to the Russian–Kazakh–Belarusian Customs Union may also cause problems.

Maxim Medvedkov, Russia's chief WTO negotiator said in early October that Russia could join the WTO in 2012 (*Prime-Tass*, 7 October 2010). Russia will join separately as a sovereign state.

In September 2009 President Medvedev in his manifesto identified corruption and the raw material-based economy as the two main problems facing Russia, and declared that foreigners would be offered “the most favourable conditions for establishing research and design centres in Russia”. After the crisis but in the midst of modernization and diversification challenges as well as budget deficits, Putin in October 2010 promised “a really open and attractive investment environment with maximally liberal regulation, with appropriate taxes, and high-quality work by the state” (*The Moscow Times*, 19 October 2010). It is sure that it will be very hard to reduce the role of the ‘fuel and energy complex’ to the level envisaged by the drafters of the “Energy Strategy of Russia for the Period up to 2030” approved in November 2009.

⁶ Definitely, Kudrin uses the methodology of the Bank of Russia.

Now amendments of the law on the limitation of foreign investments should be followed as the law is too strict from the domestic viewpoint. Putin promised revisions by the end of 2010 (*RIA Novosti*, 21 May 2010). However, most prized assets will not be available in the future and in the mineral sector well-established institution of asset swaps remains (*Reuters*, 22 December 2009).

It is a question how the privatization (worth of USD 50 billion) planned for the next five years will be realized and what role foreigners can play in it.

Finally it has to be said that while there are many problems that foreign investors have to face in Russia, (as Sándor Réthi, a Hungarian expert on the Russian market warns) in many cases behaviour of large foreign companies also leaves much to be desired.

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