

**Instructions for authors, permissions and subscription information:**

E-mail: [bilgi@uidergisi.com.tr](mailto:bilgi@uidergisi.com.tr)

Web: [www.uidergisi.com.tr](http://www.uidergisi.com.tr)

***Russian Firms in the Visegrád Countries***

**Kálmán KALOTAY\*, Andrea ÉLTETŐ\*\*, Magdolna SASS\*\*\* and Csaba WEINER\*\*\*\***

\* Economic Affairs Officer, United Nations Conference on Trade and Development, (UNCTAD)

\*\* Senior Research Fellow, Centre for Economic and Regional Studies, Hungarian Academy of Sciences

\*\*\* Senior Research Fellow, Centre for Economic and Regional Studies, Hungarian Academy of Sciences

\*\*\*\* Senior Research Fellow, Centre for Economic and Regional Studies, Hungarian Academy of Sciences



**To cite this article:** Kalotay, Kálmán; Éltető, Andrea; Sass, Magdolna and Csaba Weiner, “Russian Firms in the Visegrád Countries”, *Uluslararası İlişkiler*, Volume 13, No. 49 (2016), pp. 107-130.

Copyright © International Relations Council of Turkey (UİK-IRCT). All rights reserved. No part of this publication may be reproduced, stored, transmitted, or disseminated, in any form, or by any means, without prior written permission from UİK, to whom all requests to reproduce copyright material should be directed, in writing. References for academic and media coverages are beyond this rule.

Statements and opinions expressed in *Uluslararası İlişkiler* are the responsibility of the authors alone unless otherwise stated and do not imply the endorsement by the other authors, the Editors and the Editorial Board as well as the International Relations Council of Turkey.

# Russian Firms in the Visegrád Countries<sup>1</sup>

**Kálmán KALOTAY**

*Economic Affairs Officer, United Nations Conference on Trade and Development, (UNCTAD)  
E-mail: kalman.kalotay@unctad.org*

**Andrea ÉLTETŐ**

*Senior Research Fellow, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, Hungary.  
E-mail: elteto.andrea@krtk.mta.hu*

**Magdolna SASS**

*Senior Research Fellow, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, Hungary.  
E-mail: sass.magdolna@krtk.mta.hu*

**Csaba WEINER**

*Senior Research Fellow, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, Hungary.  
E-mail: weiner.csaba@krtk.mta.hu*

## ABSTRACT

This article analyses direct investment patterns by Russian firms in the four Visegrád countries, their motivations and ownership advantages, based mostly on the eclectic paradigm. Beside statistical data, it relies on case studies to present the profile of the most important Russian investors in each host country. In the Visegrád countries, market-, and to a lesser extent, resource-seeking investment by state-owned firms in the hydrocarbons, steel and nuclear energy industries dominate. Some innovative private Russian companies, with features similar to developed-country multinationals can also be identified. Extant investment theories, with the exception of the eclectic paradigm, fall short of explaining Russian investment.

**Keywords:** Foreign Direct Investment, Multinational Enterprises, Central Europe, Russia

## Vişegrad Ülkelerinde Rus Şirketleri

### ÖZET

Bu makale Rus şirketlerinin Visegrad Grubu dört ülkedeki yatırım eğilimlerini, motivasyonlarını ve mülkiyet avantajlarını eklektik paradigma temelinde analiz ediyor. İstatistik verilerin yanında, hedef ülkelerin her birindeki en önemli Rus yatırımcılarla ilgili vaka çalışmalarına dayanıyor. Bu ülkelerde pazar arayışı ve bunun kadar öne çıkmasa da kaynak arayışına dayalı motivasyonlarla yatırımların özellikle hidrokarbon, çelik ve nükleer enerji endüstrilerine yapıldığı görülüyor. Bazı inovatif Rus özel sektör şirketleri gelişmiş ülke çokulusluları gibi davranabildiği de gözlemlendi. Eklektik paradigma dışındaki pek çok dış yatırım teorisinin Rus yatırımlarını açıklamada yetersiz kaldığı görülüyor.

**Anahtar Kelimeler :** Doğrudan Yabancı Yatırım, Çok Uluslu Şirketler, Orta Avrupa, Rusya

1 Magdolna Sass's contribution was supported by the Hungarian Scientific Research Fund (OTKA) under Grant No. 109294. Csaba Weiner's research was supported in part by OTKA under Grant No. K-105914. The views in this article are those of the authors and do not necessarily reflect the opinion of the United Nations. The authors are grateful to two anonymous referees for their comments and suggestions.

## Introduction: Context and Methodology

Today's rise of outward foreign direct investment (OFDI) from emerging economies is best explained by the fast expansion of multinational enterprises (MNEs) from a handful of leading countries. Among these, Russian MNEs have been particularly dynamic: since 2010, their home country has figured among the world's top 10 sources of OFDI flows (and among the top 20 since 2003).<sup>1</sup>

The Visegrád countries (the Czech Republic, Hungary, Poland and Slovakia) could be major targets for the expansion of Russian MNEs. Besides geographical closeness and strategic location for logistical activities, they share a common economic history with Russia in the framework of the Council for Mutual Economic Assistance (CMEA). Visegrád countries have skilled workforce with good language skills and relatively low labour costs, together with a favourable and stable business climate, with a relatively dense, good infrastructure. Furthermore, due to their membership in the European Union, they are a gateway to a market of 500 million people. One has to consider that if Russian firms wish to re-establish business links with former European CMEA countries (including East Germany) due to the tradition of more than four decades of cooperation, they find the Visegrád countries right in the middle of that area, concentrating about 60% of the population, where also the strategic Friendship Pipeline and gas pipelines flow. If the aim of Russian firms is to establish themselves in the industrial heartland of Europe, the main East-West transport corridors they can use pass through the Visegrád countries.<sup>2</sup> These countries could therefore become the most natural entrepôt for all firms going West, especially if one considers that they are already part of the EU customs union, and the Schengen Zone. As the data presented in a subsequent section show a low share of Russian investment in the Visegrád countries, one can refer to missed business opportunities.<sup>3</sup>

Despite relative familiarity with Russian partners, the reaction of politicians and public opinion in the Visegrád countries to the arrival of Russian firms has not always been positive. Part of the misgivings may be explained by a general "they are not us" attitude, which can be observed in any host country, even the United States.<sup>4</sup> Furthermore, the negative experience of the Soviet military occupation and the inefficient functioning of the planned economic system imposed by the Soviet leadership between 1945 and 1989 add to these fears. However, part of the local resistance to Russian firms may stem from fears derived from the alleged behaviour of those firms in foreign countries. Some Russian MNEs are perceived as a potential threat on the assumption that they may be a tool of Russia's leaders to regain political and economic hegemony in the former CMEA region. Additionally, questions can be raised about the quality of certain parts of Russian OFDI. One problem is an alleged link with illegal or unethical behaviour.<sup>5</sup> The use of transshipment countries to hide the origin of the investor can further exacerbate that perception (Figure 1).

1 See <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>.

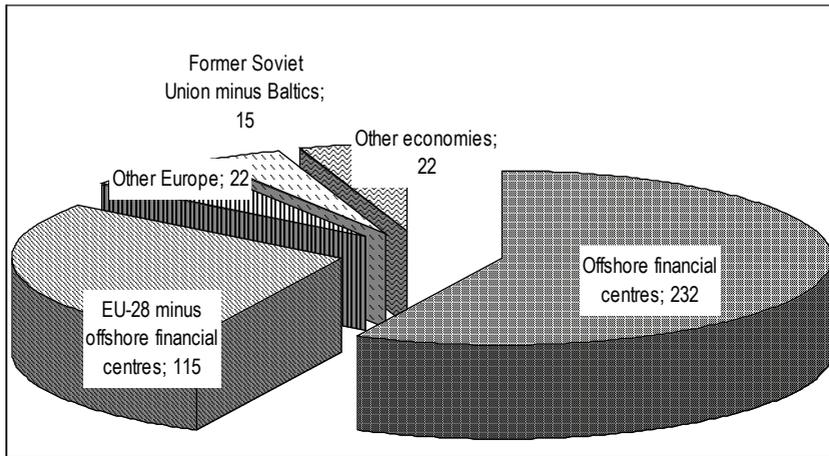
2 Corridor III linking the EU capital Brussels to the East passes via the Polish cities of Wrocław, Katowice and Kraków, before going to Kiev (the latter linked to Moscow and St. Petersburg via Corridor IX). Corridor V linking Northern Italy to the East passes via the Hungarian capital Budapest, then goes to Uzhhorod in Ukraine, to link up with Kiev, and then Russia. Perhaps the most important of all links is the Corridor II, starting from Berlin, passing via the Polish cities of Poznań and Warsaw, then in the East continuing to Moscow and Nizhny Novgorod via the Belarus capital Minsk.

3 This low share cannot be explained by the current Crimean/Ukrainian crisis for at least two reasons: because this low share characterised the pre-crisis period, too; and because the crisis affects all host countries.

4 Laura D'Andrea Tyson, "They are Not Us: Why American Ownership Still Matters", *The American Prospect*, Winter 1991, p.37-49.

5 Svetlana Ledyeva, Päivi Karhunen and Riitta Kosonen, "Birds of a feather: Evidence on commonality of corruption and democracy in the origin and location of foreign investment in Russian regions", *European Journal of Political Economy*, Vol.32, 2013, p.1-25.

**Figure 1.** Russia's OFDI stock by main groups of countries, end 2012 Billions of dollars



**Source:** Authors' calculation, based on Bank of Russia data.

This article seeks to analyse the main characteristics of the presence of Russian capital in the four Visegrád countries. This is a tall order because information, especially on corporate strategies, is not abundant. To find as much information as possible, the article looks beyond the classical forms of OFDI, and attempts to detect those transactions which have transited through other countries, too. It examines the motivations and the composition of ownership advantages of Russian investors in the four countries. It uses the eclectic paradigm of Dunning,<sup>6</sup> also known as the ownership–location–internalization advantages (OLI) framework, adjusted to the specific circumstances of Russian capital in the Visegrád Four. However, even the OLI framework falls short of explaining fully the impact of the home country, reinforcing the findings of some previous studies.<sup>7</sup>

The article is structured as follows: First a brief summary of bilateral foreign direct investment (FDI) statistics is presented. Then – after a summary of the relevant literature – case studies of Russian investments are undertaken, because FDI data capture only part of the Russian MNE universe in Visegrád countries. The subsequent section presents implications for the OLI paradigm as well as for other OFDI and MNE theories on the basis of the country studies. The last section concludes.

## The Place of Visegrád Countries in OFDI from Russia: What Statistics Show

As mentioned, FDI statistics are unable to capture the complexities of Russian corporate actions, whether they take place in the Visegrád countries, or elsewhere. The main limitations are the following:

- FDI measures only the equity-related activities of MNEs. Therefore, when Russian firms engage in non-equity modes of production in any country, FDI data reflect reality quite poorly.

<sup>6</sup> John H. Dunning, *Multinational Enterprises and the Global Economy*, Reading, Addison Wesley, 1993.

<sup>7</sup> See, for example, Kalman Kalotay, "The Future of Russian Outward Foreign Direct Investment and the Eclectic Paradigm: What Changes after the Crisis of 2008–2009?", *Competitio* (University of Debrecen), Vol.9, No.1, June 2010, p.31–54.

- FDI statistics on the countries of origin and destination always register the economy of residence of the immediate investor, not that of the final owner. Due to the presence of transshipment as a dominant form of OFDI (Figure 1), a large part of data may escape the radar screen of host countries which use only the traditional FDI statistics.

It has to be recalled that offshore centres are not the final destination of the amounts invested there. At a later stage, they are further transhipped to their final target country, or round-tripped back to Russia<sup>8</sup> In both cases, a difficulty arises from the fact that one loses track of the final destination of investment projects. One exception can be made with Cyprus due to its almost 100% reliance on Russian (and, to a lesser degree, related Azeri, Kazakh, Ukrainian) capital.<sup>9</sup> For that reason, FDI from Cyprus can be used as a more or less acceptable proxy for transhipped FDI from Russia. Unfortunately, the same rule cannot be applied to the British Virgin Islands, Luxembourg, etc. where Russian offshore capital is mixed with investments coming from other jurisdictions.

The rest of Russian OFDI targets primarily the so-called wider European space<sup>10</sup> (EU, other Europe and the former Soviet Union). It has to be noted that even in those locations, some of the transactions can be of transhipped nature, especially in the Netherlands and Switzerland. Beside the group of fiscal heavens and wider Europe, the only sizeable target of Russian OFDI is the United States (number 5).

According to Bank of Russia data, the four Visegrád countries accounted for less than 1% of the OFDI stock at the end of 2012 (Table 1). Of these four countries, by far the Czech Republic was the most important destination of Russian capital invested directly. If we add the other seven economies of transition which are members of the EU (especially Bulgaria and Lithuania, in which the stocks attributed to Russian capital exceed \$1 billion), the share in Russian OFDI still reaches only 2%. This has to be compared with the massive share of 37% represented by Cyprus. It has to be noted that in 2009 and 2010, Hungary was the largest recipient of Russian OFDI stock (Table 1). However, it was due to Surgutneftegaz's taking of position in the oil and gas company Mol (see below).

8 This feature is not a unique characteristic of OFDI from Russia. Brazilian MNEs use offshore financial centres as transit points for their OFDI on an even larger scale. See Kalman Kalotay, "Indirect FDI", *The Journal of World Investment & Trade*, Vol.13, No.4, 2012, p. 542–555. Even developed-country multinationals use similar schemes through establishing affiliates in the Netherlands ("Dutch sandwich") or in certain industries in Ireland ("double Irish").

9 See Elina Pelto, Peeter Vahtra and Kari Liuhto, "Cyp–Rus Investment Flows to Central and Eastern Europe – Russia's Direct and Indirect Investments via Cyprus to CEE", *Journal of Business Economics and Management*, Vol.5, No.1, 2004, p.3–13; Kalman Kalotay, "The 2013 Cyprus bailout and the Russian foreign direct investment platform", *Baltic Rim Economies – Bimonthly Economic Review*, No.3/2013, p.58–59.

10 See Figure 1 Alexey V Kuznetsov, "Global Expansion of Russian Multinationals after the Crisis, Results of 2011", *EMGP Report*, IMEMO – Vale Columbia Center on Sustainable International Investment, 16 April 2013a, [http://ccsi.columbia.edu/files/2013/10/Russia\\_2013.pdf](http://ccsi.columbia.edu/files/2013/10/Russia_2013.pdf).

**Table 1.** Russia’s OFDI stock in Central and East European countries,<sup>a</sup> 2009, 2010, 2011 and 2012, Millions of dollars

Ranking <sup>b</sup>	End 2009		End 2010		End 2011		End 2012	
	Country	Value	Country	Value	Country	Value	Country	Value
1	Hungary	2 266	Hungary	2 230	Bulgaria	2 439	Bulgaria	2 835
2	Bulgaria	1 586	Bulgaria	1 884	Serbia	1 488	Serbia	1 784
3	Lithuania	1 380	Lithuania	1 420	Lithuania	1 444	Czech Rep.	1 585
4	Montenegro	1 339	Czech Rep.	1 192	Czech Rep.	1 309	Lithuania	1 329
5	Czech Rep.	1 336	Montenegro	896	Montenegro	935	Montenegro	1 108
6	Poland	596	Bosnia and H.	678	Latvia	704	Latvia	879
7	Estonia	589	Serbia	623	Bosnia and H.	561	Bosnia and H.	725
8	Bosnia and H.	541	Poland	581	Poland	545	Poland	596
9	Latvia	535	Latvia	473	Croatia	250	Croatia	318
10	Serbia	394	Romania	258	Hungary	228	Estonia	267
11	Croatia	206	Croatia	226	Estonia	220	Romania	138
12	Romania	63	Estonia	149	Romania	147	Hungary	106
13	Slovakia	48	Slovenia	59	Slovenia	64	Slovakia	78
14	Slovenia	14	Slovakia	52	Slovakia	59	Slovenia	45
15	Albania	–	Albania	–	Albania	–	TFYR Macedonia	1
16	TFYR Macedonia	–	TFYR Macedonia	–	TFYR Macedonia	–	Albania	–

**Source:** Authors’ compilation based on CBR, “Russian Federation: Outward Foreign Direct Investment positions by Instruments and Geographical Allocation in 2009–2013”, 2014, [http://www.cbr.ru/eng/statistics/print.aspx?file=credit\\_statistics/dir-inv\\_out\\_country\\_e.htm&pid=svs&sid=ITM\\_586](http://www.cbr.ru/eng/statistics/print.aspx?file=credit_statistics/dir-inv_out_country_e.htm&pid=svs&sid=ITM_586).

<sup>a</sup> Excluding the CIS and Georgia.

<sup>b</sup> In descending order.

Note: The Visegrád countries are highlighted in grey.

National data of the four Visegrád countries suggest similarly that Russia is not a major source of inward FDI (Table 2). In Hungary and Slovakia, the values of inward stock from Russia are negative, because one of the three main components of FDI, intra-company loans, is negative. This fact of the foreign affiliate being a net creditor of the parent company is a common financial measure by MNEs looking for optimizing their resources and taxes. In the Czech Republic and Poland, the values are positive but remain well below the 1% mark in terms of their share in the total FDI stock. As for Cyprus, which can be assumed as an important additional source of Russian capital, its share exceeds 3% in each of these countries except Hungary.

**Table 2.** The place of Cyprus and Russia in the inward FDI stock of Visegrád countries and other new EU members, end 2012

Host country	Total inward FDI stock	Cyprus		Russia		Russian mirror data	Difference
		Value	Share in total (%)	Value	Share in total (%)		
Czech Republic	136 493	5 372	3.94	411	0.30	1 585	1 174
Hungary	84 811	1 552	1.83	-127	...	106	233
Poland	219 833	7 813	3.55	675	0.31	596	-79
Slovakia	55 905	2 339	4.18	-352	...	78	430
<i>Visegrád total</i>	<i>497 041</i>	<i>17 077</i>	<i>3.44</i>	<i>606</i>	<i>0.12</i>	<i>2 365</i>	<i>1 759</i>
Bulgaria	49 318	2 703	5.48	2 296	4.66	2 835	539
Croatia <sup>a</sup>	33 324	231	0.69	257	0.77	318	61
Estonia	19 382	551	2.84	691	3.56	267	-424
Latvia	13 556	864	6.37	639	4.72	879	240
Lithuania	16 033	491	3.06	762	4.75	1 329	567
Romania	78 135	3 342	4.28	... <sup>b</sup>	...	138	7 <sup>b</sup>
Slovenia	15 494	204	1.32	62	0.40	45	-17
<i>Total of other new EU members</i>	<i>225 241</i>	<i>8 386</i>	<i>3.72</i>	<i>4 838</i>	<i>2.15</i>	<i>5 811</i>	<i>973</i>

Source: Authors' calculation, based on national data.

Note: Data are not strictly comparable across countries because of their differences in terms of deducting special purpose entities from their FDI data.

<sup>a</sup> For Croatia, cumulative FDI inflows have been used.

<sup>b</sup> Romania reports its inward FDI stock from Russia being less than €100 million, without specifying the amount. The difference with mirror data has been estimated as the value of Russian reports minus €99 million.

## The Extant Literature on Russian OFDI in a Nutshell

There is a growing body of literature that deals with OFDI from Russia and activities of Russian MNEs abroad but hardly any of them focuses on their specific activities in the Visegrád countries.<sup>11</sup> Most of the literature has been produced by a relatively small circle of academics. A common thread of these studies is that they attempt to explain why Russian firms are investing abroad, and why their expansion is so quick. As will be highlighted in this summary, the number of studies explaining the selection of one location instead of another is relatively small. Studies on Russian MNEs can be divided into five categories: (1) comprehensive overviews; (2) regionally focused studies; (3) host-country-specific studies (the group of studies probably most relevant for this article); (4) sectoral studies; and (5) company case studies (Table 3).

11 In turn, there is at least one study that focuses on the Russia–Georgia investment link as part of the CIS–Georgia link. See Alexey V. Kuznetsov and Yuri D. Kvashnin, “Kolichesvennyi analiz vzaimnykh pryamykh investitsiy stran SNG i Gruzii”, *Evrasiyskaya ekonomicheskaya integratsiya*, No.1(22), February 2014, p.32–42.

**Table 3.** Summary of literature on Russian OFDI and MNEs, 1994–2014

Overview	Regional focus	Country focus	Sectoral focus	Company focus
Bulatov (1994, 1995 & 1998), Vinslav et al. (1999), Liuhto & Jumpponen (2003), Vahtra & Liuhto (2004), Vahtra (2006 & 2007), Kuznetsov (2007, 2010, 2011 & 2013a), Kalotay (2005), Deloitte (2008), Skolkovo (2007 & 2008), IMEMO (2009 & 2011), Panibratov & Kalotay (2009), Panibratov (2012 & 2014)	- CIS: Vahtra (2005), Libman & Kheifets (2006), Kuznetsov, Kvashnin & Gutnik (2013) - CIS & EU: Kuznetsov (2006) - Wider Europe: Kuznetsov (2013b) - CEE: Pelto, Vahtra & Liuhto (2004), Weiner (2006) - Baltic States: Kilvits, Purju & Pädam (2005) - Central Asia: Kuznetsov (2008) - West Africa: Degterev (2007)	- Germany: Heinrich (2005) - Bulgaria: Zashev (2005) - Hungary: Weiner (2011 & 2013) - Poland: Liuhto (2002); Runiewicz (2005) - Latvia: Zashev (2005b) - Lithuania: Zashev (2004) - Ukraine: Blyakha (2009) - Belarus: Yeremeyeva (2009) - US: Kostyayev (2009) - Brazil: Latukha et al. (2011) - Southwestern Finland: Johansson (2006)	- Mineral resources: Boyarko (2002) - Energy: Ehrstedt & Vahtra (2008) - Oil: Vääänen & Liuhto (2001) - ICT: Panibratov (2011) - Telecom: Lisitsyn et al. (2005) - Metals: Chetverikova (2009), Survillo & Sutyryn (2001) - Banking: Panibratov & Verba (2011)	- Gazprom & Lukoil: Liuhto (2001) - Gazprom: Heinrich (2003)

**Source:** Authors' compilation, partly based on a literature review carried out by Kuznetsov (2010) and Liuhto & Majuri (2014).

The fast rise of Russian OFDI has been noted by various studies, including the paradox of outflows exceeding inflows in certain years, especially since the onset of the global crisis.<sup>12</sup> According to Panibratov and Kalotay,<sup>13</sup> 50 to 60 MNEs account for the bulk of Russian assets abroad, but despite this concentration, the total number of Russian firms investing abroad probably exceeds 1,000. In contrast, by citing the work of Libman and Kheifets,<sup>14</sup> Deloitte<sup>15</sup> asserted that the total number of Russian companies controlling foreign assets was at least 5,000 in 2005. However, Kheifets<sup>16</sup> believed there might be 5,000–10,000 firms identified as MNEs according to the UNCTAD criteria, even if purely offshore companies engaged exclusively in financial transactions were omitted.

12 Csaba Weiner, "Az orosz társaságok külföldi tőke kihelyezéseinek alakulása a világon és az orosz befektetők magyarországi jelenléte", Mihály Simai (ed.), *Oroszország két világ között*, Budapest, Akadémiai Kiadó, 2011, p. 245–303; CBR, "Direct Investment of the Russian Federation by Institutional Sectors 1994–2013 and Q1 2014", 2014, [http://www.cbr.ru/eng/statistics/credit\\_statistics/dir\\_inv\\_sec\\_e.xlsx](http://www.cbr.ru/eng/statistics/credit_statistics/dir_inv_sec_e.xlsx).

13 Andrei Panibratov and Kalman Kalotay, "Russian Outward FDI and its Policy Context", *Columbia FDI Profiles*, Vale Columbia Center on Sustainable International Investment, 13 October 2009, [http://ccsi.columbia.edu/files/2014/03/FDI\\_Profile\\_-\\_Russia.pdf](http://ccsi.columbia.edu/files/2014/03/FDI_Profile_-_Russia.pdf).

14 Alexander Libman and Boris Kheifets, *Ekspansiya rossiyskogo kapitala v strani SNG*, Moskva, Ekonomika, 2006.

15 Deloitte, *Russian Multinationals: New Players in the Global Economy*, Moscow, Deloitte CIS, 2008.

16 Boris Kheifets, "Russian Investment Abroad: The Basic Flows and Features", *Working Papers*, No.184, Budapest, Institute for World Economics, HAS, October 2008.

Foreign assets of the top 20 Russian non-financial MNEs reached \$111 billion at the end of 2011,<sup>17</sup> still below their end-2008 peak level of \$118 billion.<sup>18</sup> The list is dominated by resource-based MNEs, i.e. oil and gas and metals companies with considerable exports, such as Lukoil, Gazprom, Evraz and Mechel.<sup>19</sup> At the end of 2011, Europe and Central Asia accounted for about two-thirds of the foreign assets, while former Soviet Republics represented 28% of those of the top 20. Contrary to Bulgaria and Romania, the Visegrád countries are not among the leading EU host countries. The top 20 list covers both state-controlled and private MNEs. As Panibratov points out, even in the case of private firms the interest of the Russian state can be high.<sup>20</sup> The investment activity of the top investors is typically driven by the search for markets or resources. Strategic-asset-seeking motives can be found especially among Russian machinery MNEs outside the top 20. Likewise, efficiency-seeking FDI is more typical for mid-sized MNEs. International expansion is done predominantly via acquisitions.<sup>21</sup> Kalotay and Sulstarova<sup>22</sup> argue that Russian MNEs challenge some of the premises of traditional FDI theorems, the Uppsala school and explanations based on the standard theory of factor movements). Regarding the eclectic paradigm, Kalotay<sup>23</sup> and Kalotay and Sulstarova<sup>24</sup> suggest the extension of the OLI theorem with a home-country leg to OLIH (see also the section on the challenges for theories). Kalotay<sup>25</sup> further differentiates between four subsets of H advantages, including home-country-based competitive (Hc), business environment (Hb), development strategy (Hd) and state involvement (Hs) advantages. The influence of the government in Russian OFDI is undoubtedly large, although its effects vary by firms and sectors.<sup>26</sup>

## Russian Capital in the Czech Republic

Nominally, Russia represents a small portion of the inward FDI stock of the Czech Republic (Table 2). However, if the sizeable investment originating in Cyprus, as well as Russian investment transhipped via other countries, is added, its real importance is much higher. According to the Bisnode business information agency: in terms of the *number* of foreign-owned companies, Russians were at the first place in 2013.<sup>27</sup> Russian firms are generally welcomed to the country; at the end of 2012 even the Russian–Czech Mixed Chamber of Commerce<sup>28</sup> was established to support Russian investment in the Czech Republic.

17 Kuznetsov, “Global Expansion of Russian Multinationals”.

18 IMEMO, “Russian Multinationals Continue Their Outward Expansion in Spite of the Global Crisis”, *EMGP Report*, Moscow – New York, IMEMO – Vale Columbia Center on Sustainable International Investment, 2 December 2009, [http://ccsi.columbia.edu/files/2013/10/Russia\\_2009.pdf](http://ccsi.columbia.edu/files/2013/10/Russia_2009.pdf).

19 Kuznetsov, “Global Expansion of Russian Multinationals”.

20 Panibratov, Andrei, “Classifying the Role of Government in the Expansion of Russian MNEs”, *The European Financial Review*, 19 June 2014.

21 Kuznetsov, “Global Expansion of Russian Multinationals”.

22 Kalman Kalotay and Astrit Sulstarova, “Modelling Russian outward FDI”, *Journal of International Management*, Vol. 16, No. 2, 2010, p. 131–142.

23 Kalotay, Kalman, “Russian transnationals and international investment paradigms”, *Research in International Business and Finance*, Vol.22, No.2, 2008, p.85–107; Kalman Kalotay, “How to Explain the Foreign Expansion of Russian Firms”, *Journal of Financial Transformation*, Capco, Vol.24, November, 2008, p.53–61, and Kalotay, “The Future of Russian Outward Foreign Direct Investment”, p.31–54.

24 Kalotay and Sulstarova, “Modelling Russian outward FDI”.

25 Kalotay, “The Future of Russian Outward Foreign Direct Investment”, p.31–54.

26 Andrei Panibratov and Marina Latukha, “Home Government Influence Upon Emerging MNEs: How the Interest is Balanced Against the Control in Russia”, paper presented at the 1<sup>st</sup> AIB–CEE Chapter Conference, Budapest, 9–11 October 2014.

27 <http://euro.e15.cz/archiv/rusove-jsou-nejpocetnejsimi-zahranicnimi-vlastniky-ceskych-firem-1044923>.

28 [http://www.leadersmagazine.cz/2013/02/18/new-possibilities-for-czech-russian-cooperation/#.USbKrvl\\_vTo](http://www.leadersmagazine.cz/2013/02/18/new-possibilities-for-czech-russian-cooperation/#.USbKrvl_vTo).

## **Banking**

The *European–Russian Bank* was founded in Prague in 2009 as a branch of First Czech–Russian Bank that operated in Moscow since 1996 to finance Russian foreign trade and investment projects in the Czech Republic. Russia's largest bank, *Sberbank*, acquired the Czech assets of Austria's Volksbank in 2012, together with the Volksbank affiliates in six other countries of Central and Eastern Europe.<sup>29</sup>

## **Real Estate**

Russian capital (mainly from private persons) has a strong presence in the Czech real-estate industry, because Karlovy Vary is a popular tourist and business meeting place for Russians. In 2013, the Czech Republic was the 9<sup>th</sup> most important destinations for Russian real-estate investment.<sup>30</sup>

## **Manufacturing**

Czech assets were used to leverage competitiveness in a strategic way in the case of pipe manufacturer *ChTPZ Group's*<sup>31</sup> acquisition of the Czech industrial valve producer MSA a.s. (via Luxemburg). The transaction provided ChTPZ access to the market for oil and gas pipeline accessories. The Russian owner also wished to modernize the firm, to increase its sales in Russia, to bolster capacity in the Czech Republic and to build a similar plant in Russia. Expansion was the main aim for the personal protective equipment producer *Vostok Service* buying *Cerva Export Import a.s.* in 2006. After its acquisition, Cerva began to develop and expand, and established affiliates in Russia. The company acquired majority shares in the Hungarian *Vektor Kft.*, the biggest manufacturer of special clothing in Central and Eastern Europe, and *Panda*, an Italian manufacturer of work and leisure shoes. Thus, Cerva became a springboard for the European expansion of *Vostok Service*, which now is an international holding company. Expansion into new industries, such as regional air transportation, was the main motive of *Ural Mining and Metallurgical Company's* (UGMK) acquisition of a 51% stake in the Czech aircraft manufacturer *Aircraft Industries a.s.* in 2008. UGMK moved into research and development after the deal. Orders dynamically increased from Russian and other ex-Soviet markets, the company's global turnover and profit rose and the number of employees increased.<sup>32</sup> In 2013, UGMK bought all 100% of stock in *Czech Aircraft Industries*. Access to the Eastern European markets was the motive of the Russian OMZ (*United Heavy Machinery*, owned by *Gazprombank*) to buy three *Skoda* subsidiaries (*Škoda Hute* and *Kovárný* and *Škoda JS*) in 2004. In 2007, *Škoda Hute* and *Kovárný* were merged and re-branded to *Pilsen Steel s.r.o.* that was sold to *United Group SA* in 2010.

## **Hydrocarbons**

Market access was a motivation for Russia's *Lukoil* in taking over the JET filling stations in the Czech Republic in 2007 and created an own Czech affiliate for the operation of the 44 filling stations.<sup>33</sup> In 2014, *Lukoil* rationalized activity and sold these stations to the Hungarian *Mol* oil company.<sup>34</sup> *Lukoil*

29 Bosnia and Herzegovina, Croatia, Hungary, Serbia, Slovakia and Slovenia.

30 From among other CEE countries, Latvia is 6<sup>th</sup>, Croatia 14<sup>th</sup>, Estonia 16<sup>th</sup>, Hungary 18<sup>th</sup>, Slovenia 19<sup>th</sup>, Lithuania 25<sup>th</sup> (<http://prian.ru/pub/26825.html>).

31 Chelyabinsk tube-rolling plant group.

32 [http://czechrepublic.newsdeskmedia.com/Images/Upload/micro\\_sites/czech-republic/PDFs/flying-high.pdf](http://czechrepublic.newsdeskmedia.com/Images/Upload/micro_sites/czech-republic/PDFs/flying-high.pdf).

33 The petrol stations of Poland (83), Hungary (30) and Slovakia (14) were taken over at the same period.

34 <http://www.themoscowtimes.com/business/article/russia-s-lukoil-sells-petrol-stations-in-czech-republic-slovakia-hungary/504573.html>.

owns also Lukoil Aviation Czech that provides fuel supply and fuelling aircraft of contractors at international airports of Prague and Ostrava. Local market was also an aim for *Gazprom* with acquiring a 50.14% share in the Czech Vemex (gas importer) via its German affiliate (*Gazprom Germania GmbH*) in 2009.<sup>35</sup> Other owners of Vemex are indirectly also bound to *Gazprom*. Vemex has another Czech affiliate since 2011 dealing with distribution: *Vemex Energie*. Reverse geographical expansion was the main motivation of *TVEL Fuel Company*, which belongs to the Rosatom group. Together with Czech ALTA Invest, it founded *ALVEL* in 2011, taking a minority share in the joint venture. The aim of the firm is to expand to new East European markets, and to open a branch in Moscow to promote the company's services on the Russian market.

## **Steel**

*Evrax Holding's* privatization-related acquisition of the giant Vítkovice Steel (2005) was carried out by the Cyprus-registered affiliate of *Evrax Mastercraft Limited*. *Evrax Vítkovice Steel (EVS)* was developed but later was hit by the crisis, steel production was stopped twice and the number of workers has been gradually decreased. In April 2014, a group of private investors<sup>36</sup> purchased EVS, took on its debt and want to continue the company's development.<sup>37</sup>

## **Telecommunications, Information Technology (IT)**

The Russian micro-electronics producer *JSC NIIME & Micron* used the Czech Republic as a springboard for expansion in third markets. *NIIME & Micron* and Czech *STROM Telecom* established *Sitronics* in 2002 as a Scientific Centre. In 2004, the company bought control in the largest Ukrainian IT company and launched an IT services business line. In 2006, *Sitronics* purchased a majority stake in the Greek *Intracom Telecom* that gave access to South European, Middle Eastern and African telecommunication service markets.<sup>38</sup> In 2012, the Russian *AFK Sistema* group gained full control of *Sitronics*.<sup>39</sup>

In sum, the presence of Russian firms in the Czech Republic serves mostly as a market access or a starting point for gaining positions in the neighbouring regions. Regarding the entry mode of Russian investors, pure greenfield projects are difficult to find, only acquisitions or joint ventures.

## **Russian Capital in Hungary**

Russian investment in Hungary has attracted large attention at the turn of the century (due to the acquisitions of shares in Hungary's petrochemical manufacturers *BorsodChem* and *TVK* by the Russian gas giant *Gazprom*) and at the beginning of the 2010s (due to the acquisition of shares in Hungarian oil and gas company *Mol* by *Surgutneftegaz*, Russia's third largest oil producer).<sup>40</sup> In both

35 <http://www.vemex.cz/en/about/>.

36 Including *Martinley Holdings*, *Nabara Holdings*, *Vitect Services*, *Hayston Investments* and *Dawnaly Investments*, each buying 20% of *Evrax Vítkovice Steel*.

37 <http://www.praguepost.com/economy/38165-evrax-sells-vitkovice-steel-to-investor-group#ixzz33tOPeX3C>.

38 [www.sitronics.com](http://www.sitronics.com).

39 <http://www.themoscowtimes.com/business/article/sistema-gets-full-control-of-sitronics/467039.html>.

40 Acquired in 2009, and subsequently sold in 2011, *Surgutneftegaz's* stake in *Mol* was the single largest Russian FDI project in Hungary. The purpose of the acquisition was unclear, further blurred by the fact that the ownership structure of *Surgutneftegaz* has never been made public. *Mol* did everything possible to keep *Surgutneftegaz* away from exercising its ownership rights, prompting *Surgutneftegaz* to resell its stake to the Hungarian State.

cases, Russian attempts ultimately proved to be unsuccessful due to local resistance to takeovers, fuelled by fear of Russian capital. Still, Russian FDI plays a limited role in Hungary (Tables 1 and 2). Excluding the Surgutneftegaz deals, Hungarian and Russian data reflect mainly the activities of the *Rakhimkulov family*. This is so despite the fact that more than 2,000 joint ventures with Russian ownership are operating in Hungary.<sup>41</sup>

### **Banking**

Having played a significant role, right from the start, both as a representative and an investor for his own account, Megdet Rakhimkulov, a former Gazprom official, has been a top Russian investor in Hungary.<sup>42</sup> The General Banking and Trust (ÁÉB) was bought in 1996 by *Gazprombank* and had been taken over gradually by the Rakhimkulovs' family company Kafijat. After ÁÉB discontinued its activities in 2007, no Russian-related bank existed in Hungary, although the Rakhimkulov family has continued to own a 9% share in Hungary's leading retail bank OTP Bank. But *Sberbank's* takeover of Volksbank International AG in 2012 also included the assets in Hungary (see above). Holding only a minor market share, Sberbank operates 51 branches in Hungary.

### **Hydrocarbons**

The state-controlled *Gazprom* plays a limited role as an investor in Hungary. It uses Panrusgáz Gas Trading Zrt.,<sup>43</sup> an intermediary established in 1994 to channel imported Russian gas to local incumbent Hungarian Gas Trade Zrt. Among gas traders in Hungary, two companies (Centrex Hungary Zrt. and WIEE Hungary Kft.) have Russian owners. *Lukoil*, Russia's second largest oil producer became a participant in Hungary's motor fuels retail and wholesale market in 2004. In 2014, through its Netherlands-based affiliate, Lukoil controlled a network of only 75 filling stations in Hungary with a 6% retail market share in 2013.<sup>44</sup> In 2014, Lukoil decided to withdraw from the CEE region.<sup>45</sup> Natural-resource-seeking Russian FDI has also appeared in Hungary. *Gazprom Neft*, Gazprom's oil arm is taking part in exploration projects in Hungary via Serbia's NIS, majority owned by Gazprom Neft.

### **Metallurgy**

In late 2009, Russian investors obtained a stake of 50% plus two shares in Ukraine's *Industrial Union of Donbass (ISD)*. As a result, the iron and steel industry in Dunaújváros and Diósgyőr acquired Russian ultimate owners. In some media sources, the Russian state-owned *Vnesheconombank (VEB)* appears

---

41 Sources: the Hungarian Investment and Trade Agency (HITA), and its predecessor ITD Hungary) and the Trade Representation of Russia in Hungary.

42 Megdet Rakhimkulov moved back to Russia in 2007. In 2008, Kafijat's share capital was reduced substantially and large dividends were paid.

43 The Russian shareholders of Panrusgáz are Gazprom Export (owning 40% of the shares), the export arm of Gazprom, and the Hungary-registered Centrex Hungary Zrt. (owning 10% of the shares), an affiliate of the Gazprombank-controlled and Vienna-based Centrex Europe Energy & Gas AG (Note that Gazprom has not had control over Gazprombank for many years.).

44 Lukoil, *Lukoil Analyst Databook 2013, 2014*.

45 Its Hungarian and Slovakian filling stations are expected to be acquired by Norm Benzinkút Kft., which had been registered in Hungary but is related to Russia. It is a joint venture between IMFA Petroleum Kft. (set up by a former Hungarian representative of the now defunct Russian oil producer Yukos) and the Belize-based Normeston Trading Ltd. The Hungarian watchdog NGO Atlatzso.hu speculated that Rakhimkulov was behind Normeston. See M. Sarkadi Nagy, "Orosz oligarcha lehetett a Mol tulajdonostársa", *Atlatzso.hu*, 4 December 2013, <http://atlatzso.hu/2013/12/04/orosz-oligarcha-lehetett-a-mol-tulajdonostarsa/>.

as the largest owner of ISD and ISD Dunaferr in Dunaujváros.<sup>46</sup> But in official documents, the role of VEB is described as assistance to unnamed Russian investors to purchase ISD.<sup>47</sup> Due to the permanent crisis of Hungarian iron and steel industries, this engagement seems to carry high risks. Metallurgy in Diósgyőr has moved from one liquidation to another, and at the company DAM in Diósgyőr, there has been no production since December 2008

### **Machinery**

In 2008, Ganz Machinery Works Holding Zrt. started a joint venture with its Russian state-owned partner *Transportno-Tekhnologicheskoye Mashinostroyeniye (TTIM)* of Atomenergomash<sup>48</sup> called Ganz Engineering and Energetics Machinery Kft., involved, among others, in the manufacture and installation of hydro machines, nuclear power station machinery and oil drilling equipment. Another Russian group, *CTP/Agromash Holding B.V.* took over Austria's Vogel & Noot in 2009, including its two Hungarian agricultural machinery factories.

### **Real Estate**

The interest of Russian players in Hungary's market is palpable, though Hungary is not among the top destinations for residential real-estate purchases by Russians. Nevertheless, in 2013, Russian citizens were the most important non-EU foreigners buying residential real estate in Hungary.<sup>49</sup> Zala County is the most attractive destination (with special attention to the spa city of Hévíz), followed by Budapest.<sup>50</sup>

Hungary has also seen both divestments and unsuccessful projects by the Russians. Russian firms have been discouraged, among others, by tax charges. Still, some investment is on the horizon. One of the particularities of these projects that they go beyond the standard definition of OFDI:

The extension of the nuclear power plant near Paks is a project mostly based on an intergovernmental agreement, signed in January 2014. The Russian state-owned company Rosatom is expected to participate in the design and construction of the future fifth and sixth blocks of the plant, and the Russians will provide a government loan of up to €10 billion to Hungary. VEB will act as an agent for the Russian government.

In a more classical OFDI project, in May 2014, Magnit, Russia's largest grocery retailer announced to build a logistics centre and a transport department, with a fleet of 1,000 trucks, in North-Eastern Hungary. Hungary's geographic location (including the broad-gauge lines at the border area) and the agricultural base played a role in the investment decision. However, the project has been put on hold due to the crisis in Ukraine.

46 Ambrus Ábrahám, "Májusban döntést ígérnek az álló kohóról", *Népszabadság*, 25 April 2013, [http://nol.hu/gazdasag/majusban\\_dontest\\_igernek\\_az\\_allo\\_kohorol](http://nol.hu/gazdasag/majusban_dontest_igernek_az_allo_kohorol).

47 VEB, "Vnesheconombank Chairman Vladimir Dmitriev's Interview to the TV Channel Russia 24" (TV Channel Russia 24, Interview, 2 December 2013), *VEB – News*, 3 December 2013a, [http://veb.ru/en/press/news/arch\\_news/index.php?id\\_19=31057](http://veb.ru/en/press/news/arch_news/index.php?id_19=31057); and VEB, "Regular Meeting of Vnesheconombank's Supervisory Board Held", *VEB – Supervisory Board Decisions*, 19 December 2013b, [http://veb.ru/en/press/ns/archive/index.php?id\\_19=31110](http://veb.ru/en/press/ns/archive/index.php?id_19=31110).

48 In 2010 TTIM was replaced by *Tsentralnoye Konstruktorskoye Byuro Mashinostroyeniya (TsKBM)*. TsKBM is owned by Atomenergomash, which is owned by Atomenergoprom, an affiliate of Russia's Rosatom State Atomic Energy Corporation. TsKBM is a 51% owner of the joint venture.

49 In contrast, EU citizens are no longer obliged to obtain permit.

50 Napi.hu, "Özönlenek az oroszok a magyar lakás piacra? Itt a friss jelentés", *Napi.hu*, 8 May 2014, [http://www.napi.hu/ingatlan/ozonlenek\\_az\\_oroszok\\_a\\_magyar\\_lakaspiacra\\_itt\\_a\\_friss\\_jelentes.580952.html](http://www.napi.hu/ingatlan/ozonlenek_az_oroszok_a_magyar_lakaspiacra_itt_a_friss_jelentes.580952.html).

One potential large project involving OFDI but also other types of transactions could have been the construction of the local section of the South Stream gas pipeline. But South Stream was abandoned on 1 December 2014<sup>51</sup>. A Hungarian–Russian joint venture involving Gazprom was registered in March 2010.

As seen, Russian companies operate in a wide variety of industries in Hungary, and motivations behind investment projects are complex and diverse. Although significant deals are still on the horizon, similar ones to the Surgutneftegaz deal are not expected in the near future.

## Russian Capital in Poland

Russia is an unexpectedly small investor in Poland (Table 2), and its importance has been declining over time. In the second half of the 1990s, Poland was the second most important destination for Russian OFDI behind the United States. Including estimates of transhipped FDI, the Russian share in the inward FDI stock of Poland did not exceed 1% in 2008<sup>52</sup> and this share probably remained similar afterwards.

According to the list of the top investors compiled by the Polish investment promotion agency for 2013,<sup>53</sup> the largest Russian foreign investors in Poland are two hydrocarbon companies, which are also the top two MNEs from Russia,<sup>54</sup> *Lukoil*, *Gazprom*, the engineering and environmental services group *EKOTON*, and the information and communication technology (ICT) firms *Kaspersky Lab* and *Luxoft*:

### Large Resource-based Companies

*Lukoil* and *Gazprom* are present in Poland, one in retail trade and the other one in transportation of gas. Important natural-resource-based Russian investor is *Severstal*, one of the world's leading steel and mining companies with the affiliate *Severstallat Silesia* in *Sosnowiec*, manufacturing tubes. Large resource-based Russian MNEs are mostly market seeking eyeing the Central and West European markets; at the same time, they prize the strategic geographic location of Poland for distribution activities. The entry modes are predominantly acquisitions.

### Engineering Companies

One of the key Russian investors in Poland, *EKOTON* (founded in 1995), is an industrial group whose main activity is providing engineering services and producing equipment for wastewater treatment. The Polish affiliate has altogether 300 employees and oversees three plants in three countries: Poland (*Białystok*), Russia and Ukraine.<sup>55</sup> Out of the six representative offices, one can also be found in Poland.<sup>56</sup> *EKOTON* is mostly local market seeking, but access to the EU market with a large potential is also important. The geographic position of Poland also plays a role, as well as the “knowledge” factor, given the innovative nature of production and products.

51 See “Russia Decision to Drop Pipeline Puts EU in Tough Spot Update” <http://www.capital.gr/dj/news.asp?details=2171008>.

52 Csaba Weiner, “Russian FDI in Central and Eastern European Countries, Opportunities and Threats”, *Working Papers*, No.168, Budapest, Institute for World Economics, Hungarian Academy of Sciences, April 2006; Kuznetsov, “Global Expansion of Russian Multinationals”, p.9.

53 [http://www.paiz.gov.pl/publications/foreign\\_investors\\_in\\_poland](http://www.paiz.gov.pl/publications/foreign_investors_in_poland).

54 Kuznetsov, “Global Expansion of Russian Multinationals”.

55 <http://en.ekoton.com/about-us/#>.

56 [http://issuu.com/elenashestakovskaya/docs/ekoton\\_booklet\\_2014\\_eng!e=4852988/7529014#search](http://issuu.com/elenashestakovskaya/docs/ekoton_booklet_2014_eng!e=4852988/7529014#search).

## Technology Companies

Unlike other Visegrád countries, Poland also hosts two major Russian ICT companies: One of them is Kaspersky Lab, a global player in internet security provision,<sup>57</sup> established in 1997 (headquartered in Moscow, but its holding registered in the United Kingdom). Poland hosts one of the 30 regional offices located worldwide, and one of the 11 European offices.<sup>58</sup> The other one is the quickly growing Luxoft company, an IT solutions service provider, specialized in application and product engineering outsourcing services for enterprise IT organizations and software vendors. Similarly to Kaspersky Lab, it is incorporated outside Russia: in the British Virgin Islands.<sup>59</sup> Focuses on solutions for the banking and financial industry. In the case of the two innovative ICT companies, beside market-seeking, also an efficiency-seeking motive is present. These companies are also unique in the sense of their greenfield entry mode.

While the number of cases of successfully operating Russian affiliates is non-negligible, Polish opposition to takeovers by Russian capital is manifest, such as in the case of the unsuccessful bid of Acron for Azoty Tarnów in 2013 and 2014. It is the biggest chemicals producer in Poland and its takeover was blocked because Azoty is considered as a strategic asset for the Polish state.<sup>60</sup> Other cases include the failed acquisition by Russian investors of Polimex, one of the three biggest Polish construction firms in 2012.

Overall, Russian capital is of minor importance for Poland with many recent failed acquisition attempts. It is important to note that besides subsidiaries with the “usual” market-seeking motive, Poland hosts efficiency-seeking Russian investments as well.

## Russian Capital in Slovakia

Compared with the other Visegrád countries, the analysis of Russian investment in Slovakia is at a nascent stage. To the best knowledge of the authors of this article, no proper detailed case study on their activities has been prepared so far. The lack of such studies can be in part explained by the fact that Russian firms are more reluctant to engage in interviews (although it is not fully impossible).<sup>61</sup> The other explanation is that Slovak researchers have seen more priority in following the strategies of Western MNEs in the process of EU accession than the activities of Russian firms. For these reasons, a full in-depth analysis of Russian firms in Slovakia cannot be presented.

The identity of Russian investors in Slovakia is only partly known – mostly the big household names, such as *Gazprom*, that has limited activities in the country under the name of Vemex Energy, headquartered in the Czech Republic; *Lukoil*, which entered Slovakia in 2007 when it bought ConocoPhillips’ gas stations in various countries,<sup>62</sup> including the Visegrád Four; and *Sberbank*,

57 [http://rbth.com/articles/2010/04/29/the\\_virus\\_warrior\\_a\\_start\\_up\\_tale.html](http://rbth.com/articles/2010/04/29/the_virus_warrior_a_start_up_tale.html).

58 <http://www.kaspersky.com/about>.

59 Its affiliate in the Polish city of Kraków, opened in 2010, offers application and product development services and specializes in solutions for the travel, automotive and finance industries; the Wrocław affiliate, opened in 2013. See <http://www.luxoft.com/pr/luxoft-extends-global-delivery-network-with-opening-a-second-delivery-location-in-poland/>.

60 See e.g. [www.bloomberg.com/news/2013-04-19/azoty-dives-on-polish-gambit-to-thwart-russian-buy-warsaw-mover.html](http://www.bloomberg.com/news/2013-04-19/azoty-dives-on-polish-gambit-to-thwart-russian-buy-warsaw-mover.html) and <http://www.chemanager-online.com/en/news-opinions/headlines/russian-firms-be-fined-over-grupa-azoty-investments>.

61 See IMEMO, “Investment from Russia stabilizes after the global crisis”, *EMGP Report*, Moscow – New York, IMEMO – Vale Columbia Center on Sustainable International Investment, 23 June 2011.

62 As mentioned in the Hungarian case study, too, Lukoil is about to sell its gas stations to another, mostly Russia-linked company at the moment of closing this study.

which in 2012 acquired Austrian Volksbank's affiliates in seven countries, including the Visegrád Group except Poland. In the past, Yukos participated in the privatization of the pipeline company Transpetrol (2002); however, following its bankruptcy, the Slovak State bought back that share in 2009. A common thread of these entries into Slovakia was that they were always related to large-scale acquisitions, which facilitated instant access to the local market.

Another mode of entry and value-chain control for Russian companies is participation in public tenders for large-scale construction contracts. These transactions are not FDI *per se*; however, they play an important part in Russian state-owned firms' internationalization strategies.<sup>63</sup> In Slovakia, the most important deal of this type is the nuclear power equipment and service export monopoly *Atomstroyexport's* participation in the 3<sup>rd</sup> and 4<sup>th</sup> phases of the reconstruction of the Mochovce Nuclear Power Plant. Russian companies were also participating in tenders for the Bohunice Nuclear Power Plant. The participation of Russian companies in those bids in Slovakia has been coordinated since 2012 by Rusatom Overseas, which is a wholly owned affiliate of the State Atomic Energy Corporation Rosatom.<sup>64</sup>

The lack of information about Russian companies in Slovakia is partly related to their low reputation that they compensate by registering companies under local names, helping them remaining mostly invisible.<sup>65</sup> Many Russian transactions targeting Slovakia are financed by capital transhipped via the Netherlands, Cyprus and Switzerland.<sup>66</sup>

## Challenges for the Extant Theories and the Evolving Validity of the OLI Theory

The main challenge of the emergence of new sources of OFDI for extant theories is to preserve their explanative power under the conditions of increasing diversity. It would be easy to create a special theory for each new case: one for the Dragon multinationals (it already exists),<sup>67</sup> one for the Russian Eagles (it does not yet exist), etc. Such a fragmentation of theory, however, would make cross-country (and over time) comparisons impossible. The explanation for Dragons cannot be transferred to Eagles and vice versa. However, if extant paradigms do not develop together with time, they risk becoming extinct theories soon.<sup>68</sup> The world has evidently changed since the times of the creation of the original OFDI theories and paradigms; the issue is if they contain sufficient flexibility to adjust to new circumstances, such as the rise of Russian OFDI, and its growing concentration in the "Wider Europe".

---

63 As one of the referees of this paper has stressed, exports are also integral part of internationalization strategies. However, they do not result in control mechanisms over production; the latter exist only in FDI and non-equity modes of production integration.

64 See "HNClub: Ruský kapitál sa tlačí na Slovensko", 18 February 2013, <http://hn.hnonline.sk/hnclub-178/hnclub-rusky-kapital-sa-tlaci-na-slovensko-540166>.

65 The authors are grateful to Sonia Ferencikova for drawing their attention to this point.

66 See "Slovensko samení. Investori z východu striedajú západných", 25 November 2012, <http://spravy.pravda.sk/ekonomika/clanok/253102-slovensko-sa-meni-investori-z-vychodu-striedaju-zapadnych/>.

67 See John A. Mathews, *Dragon Multinational: A New Model of Global Growth*, Oxford, Oxford University Press, 2002.

68 To illustrate evolution over time, a parallel can be drawn with trade theory: the idea of comparative advantage is almost 200 years old but not yet completely dead despite the rise of its competitors. To survive, it needed to expand its purview to factor movements, and received a big push by the invention of the revealed comparative advantage method in the 1960s. See Bela Balassa, "Trade Liberalisation and "Revealed" Comparative Advantage", *The Manchester School*, Vol.33, No.2, 1965, p.99–123.

Traditional theories of capital endowments and movements such as the Heckscher–Ohlin–Samuelson (HOS) paradigm<sup>69</sup> face a major difficulty in explaining how the lower middle-income Russian Federation is on the global top list of OFDI. In principle, Russia should be a capital importer, not a capital exporter country. The main reason for the HOS' limited power of explanation is its aggregate macroeconomic approach, which does not for instance consider such structural elements as the split of Russia into high and low-income segments, and the accumulation of capital by the high-income group, used in part for international business expansion.<sup>70</sup> The same weakness of aggregation, and a wish to establish uniform thresholds across countries and time, make it difficult for the IDP,<sup>71</sup> too, to explain why Russia's investment position turns into almost balance too prematurely<sup>72</sup> (and since 2009, outflows have exceeded inflows).

The Uppsala School,<sup>73</sup> positing that the internationalization of firms takes place through stages, also suffers regarding an explanation for the international leapfrogging of Russian firms. Why this theory does not hold to the majority of Russian firms? Because they are not the typical technology-based small upstarts, but mostly giant firms deriving large income from natural resources. Among the Russian investor firms in the Visegrád Group, it is possible to find some technology-based companies (Kaspersky Lab, Sitronics), but they are not the dominant ones. In the same vein, the Uppsala School applies well to greenfield OFDI but less to the acquisition of foreign assets, in which the relative lack of experience is compensated by, at least partly, the expertise found in the target firm.

The OLI paradigm of Dunning<sup>74</sup> seems to fit the specific case of Russian MNEs better. The original OLI framework has been extended and modified several times. In its most updated form by the author,<sup>75</sup> ownership advantages can be divided into asset-based advantages (Oa), such as cutting-edge technologies, marketing prowess or powerful brand names, and transaction-based advantages (Ot), such as common governance of assets and interaction with other corporate networks. From this, it can be deduced that transaction-based ownership advantages are indirectly shaped and influenced by the home-country business environment and culture (e.g. the Chinese Guanxi networks). Despite these advances, there have been studies which have not found satisfactory results when they applied

69 Eli F. Heckscher, "Utrikeshandelns verkan på inkomstfördelningen", *Ekonomisk Tidskrift*, Vol.21, 1919, p.497–512 [English translation: "The effect of foreign trade on the distribution of income", H. Flam and M.J. Flanders (eds.), *Heckscher–Ohlin Trade Theory*, Cambridge, MA, MIT Press, p.43–69]; Bertil Ohlin, *Interregional and International Trade*, Cambridge, MA, Harvard University Press, 1933; Paul Samuelson, "International trade and the equalization of factor prices", *Economic Journal*, Vol.58, No.230, 1948, p.163–184; Paul Samuelson, "International factor-price equalization once again", *Economic Journal*, Vol.59, No.234, 1949, p.181–197.

70 Kalman Kalotay, "How to Explain the Foreign Expansion of Russian Firms", *Journal of Financial Transformation*, Capco, Vol.24, November 2008, p.53–61.

71 John H. Dunning, "Explaining the international direct investment position of countries: towards a dynamic or developmental approach", *Weltwirtschaftliches Archiv*, Vol.119, No.1, 1981, p.30–64; John H. Dunning, "The investment development cycle revisited", *Weltwirtschaftliches Archiv*, Vol.122, No.4, 1986, p.667–677.

72 According to UNCTAD data, in 2013, the outward FDI stock of Russia amounted to \$501 billion, compared with an inward FDI stock of \$576 billion, resulting in a ratio of 0.87.

73 Jan Johanson and Jan E. Vahlne, "The internationalizations process of the firm: a model of knowledge development and increasing foreign market commitments", *Journal of International Business Studies*, Vol.8, No.1, 1977, p.23–32; Jan Johanson and Jan E. Vahlne, "The mechanism of internalisation", *International Marketing Review*, Vol.7, No.4, 1990, p.11–24; Jan Johanson and Finn Wiedersheim-Paul, "The internationalization of the firm: four Swedish cases", *Journal of Management Studies*, Vol.12, No.3, 1975, p.305–322.

74 John H. Dunning, "Trade, location of economic activity and the multinational enterprise: a search for an eclectic approach", Bertil Ohlin, Per-Ove Hesselborn and Per M. Wijkman (eds.), *The International Allocation of Economic Activity*, London, Macmillan, 1977, p.395–418.

75 John H. Dunning and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy*, Second Edition, Cheltenham, Edward Elgar, 2008.

the OLI framework for explaining the emergence of new MNEs.<sup>76</sup> The eclectic paradigm has also been criticized for not explaining FDI flowing from less to more developed economies.<sup>77</sup> Furthermore, as a response to pressures to make the OLI theorem more comprehensive, legitimate worries have been expressed that too many extensions of the theory help increasing its power of explanation only at the expense of internal cohesion.<sup>78</sup>

In light of the above, it has to be asked whether the emergence and presence of Russian MNEs in the Visegrád countries can be explained using the OLI framework. As for Russian firms' Oa, it is obvious that their (exclusive) access to raw materials and related technical knowledge are very important for their investment in the Visegrád countries. In all the four countries, investments in oil- and gas-related activities dominate and there are certain steel-related investments as well. These activities derive Oa advantages from the parent companies' natural-resource-related expertise. Another industry performing similarly is that of nuclear energy production: Russian firms are already present in Slovakia, and Hungary has just concluded an agreement in the area. On the other hand, it has been possible to find Russian companies, whose competitive advantage is very similar to that of developed-country MNEs, in the sense that they are based on innovation and R&D activities. It is possible to identify even born global companies among them, firms that internationalized very early in the life cycle of the company. The most notable case is that of Luxoft (and to a lesser degree of Kaspersky Lab) investing mainly in Poland, not only with a market-seeking motive (representative office) but also with an efficiency-seeking motive (local lab with exporting activities). We could find only traces of acquiring competitive advantages or ownership advantages instead of exploiting existing ones.<sup>79</sup> Only the case of Sberbank in acquiring an Austrian bank together with its affiliates in the Visegrád countries may belong to that category.

The Oa advantages of Russian firms in Visegrád countries are closely related to their Ot advantages. For instance, in almost all cases, the development of business required the use of existing business links. The most evident case is that of financial services, in which the main motivation of Russian banks investing abroad has been providing financial services to locally active, directly or indirectly Russian-owned affiliates. In these cases, the ownership advantages can be partly related to existing deep business and personal contacts with these companies at home and providing them similar to home financial solutions – though some of these are more characteristic of an evolving market economy environment. The effort to use the same practices in a host country can be traced in the firms' behaviour in the Czech Republic.<sup>80</sup>

---

76 John Child and Suzana B. Rodrigues, "The Internationalization of Chinese Firms: A Case for Theoretical Extension?", *Management and Organization Review*, Vol.1, No.3, November 2005, p.381–410.

77 Because of this weakness, Moon and Roehl have suggested to develop a new "imbalance theory" for unconventional FDI, claiming that firms from poorer countries aim at not only augmenting their ownership advantages but also counterbalancing their disadvantages when investing abroad. Hwy-Chang Moon and Thomas Roehl, "Unconventional foreign direct investment and the imbalance theory", *International Business Review*, Vol.10, 2001, p.197–215.

78 Narula argues that too much extension of the eclectic paradigm introducing new sub-categories the integrity of the theory, see Rajneesh Narula, "Keeping the eclectic paradigm simple: a brief commentary and implications for ownership advantages", *United Nations University Working Paper*, No.031, 2010. Rugman also expresses fears that the paradigm becomes too eclectic and broad, see Alan M. Rugman, "Reconciling Internalization Theory and the Eclectic Paradigm", *The Multinational Business Review*, Vol.18, No.1, p.1–13.

79 Rajneesh Narula, "Globalization, new ecologies, new zoologies, and the purported death of the eclectic paradigm", *Asia Pacific Journal of Management*, Vol.23, No.2, 2006, p.143–151; John A. Mathews, *Dragon Multinational: A New Model of Global Growth*, Oxford, Oxford University Press, 2002.

80 Kalman Kalotay, *et.al.*, "Russian capital in the Visegrád countries" *Working Papers* No.210, Budapest, IWE, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, December 2014.

The ownership advantages (both  $O_a$  and  $O_t$ ) of Russian firms are reinforced by locational advantages, as the locations/countries in question rely almost exclusively on certain Russian natural resources. The two types of advantages are interconnected through personal, economic, infrastructure and technical networks inherited from the CMEA-era in the case of hydrocarbons, iron and steel and nuclear energy industries. The machinery industry shows a similar interconnection of ownership and locational advantages: they are partly related to the production of related equipment, and ownership and related locational advantages are based on the same common inherited factors. For technology-based companies, the locational advantages are not specific to the Visegrád countries in the case of market-seeking investments, but they are important for efficiency-seeking ones: relatively low wages of (highly) skilled local labour, and similarities of languages (in the case of the Slavic countries), may add to local advantage.

The expansion of Russian MNEs in Visegrád countries is similar to other emerging-country multinationals in the form of relatively high state involvement, either transparently or in an indirect way. The term transparently refers to cases when firms are majority owned by the Russian State (e.g. Gazprom) or enter into the host markets through state contracts (in the nuclear power industry). The term indirect means state influence without any formal link developed. Indirect influence can become a norm in state capitalism.<sup>81</sup> The role of Russian State and the Russian policy environment in prompting OFDI raises the issue if that factor can be assimilated under the  $O_t$  factor, or a home-country (H) factor has to be added to the OLI legs. State-owned companies obviously possess advantages that facilitate their internationalization (such as financial and administrative support). That hypothesis can be extended to privately owned firms whose international expansion is seen by the State as strategic priority and as a consequence, it is supported by all available means. In the case of Russian MNEs active in innovative industries (especially ICT-related services), home-country factors play a minor role. State influence is low although the Government is still very much interested in the development of these industries and companies.<sup>82</sup> The OLIH hypothesis<sup>83</sup> needs to be further tested in the future, both against findings on Russian OFDI and OFDI from other emerging markets, also based on state capitalism (e.g. China).

## Conclusion

The number of studies on Russian direct investment and the activity of Russian multinationals abroad is growing fast as the country is becoming one of the key sources of OFDI on the global scene. Knowledge about the activities of Russian MNEs in specific locations is however uneven. Relatively little is known about their activities in the Central European region. To start filling that gap, this article has described the motives and patterns of Russian investment in the region, finding a broad variety of investors in the four Visegrád countries. Certain companies (the technology-based firms) show characteristics similar to developed-country MNEs, other firms are large state-owned and natural-resource-based firms, alike the ones found in other emerging countries, and yet others fall under no straightforward categorization (e.g. real estate investors).

81 Jonas Grätz, "Russia's Multinationals: Network State Capitalism Goes Global", Andreas Nölke (ed.), *Multinational Corporations from Emerging Markets: State Capitalism 3.0*, Palgrave Macmillan, 2014, p.90–108.

82 See Andrei Panibratov and Marina Latukha, "Home Government Influence Upon Emerging MNEs: How the Interest is Balanced Against the Control in Russia." Paper presented at the 1<sup>st</sup> AIB-CEE Chapter Conference, Budapest, 9–11 October 2014.

83 Kalman Kalotay and Astrit Sulstarova, "Modelling Russian outward FDI", *Journal of International Management*, Vol.16, No.2, 2010, p.131–142.

The reactions of the Visegrád host Governments to Russian MNEs have been mixed. The group of state-owned resource giants has stirred up more misgivings about their perceived relationship with Russian foreign policy objectives. Additionally, the use of transshipment and other tactics to hide the origin of capital by some Russian investors has given rise to serious worries in Visegrád countries. Divergences in the attitudes of the Visegrád countries can explain the main differences in the presence and activities of Russian MNEs in each country analysed.

This article has also drawn tentative conclusions on the applicability of international business theory to this special case of OFDI, especially as far as the eclectic paradigm is concerned. On the basis of the analysis of the Visegrád countries, it has been found that the main elements of the OLI paradigm can be applied when explaining Russian FDI there, but its extensions with home-country factors seem to be necessary. This refers first of all to MNEs in natural-resource-based industries, mainly oil, gas and steel; but home-country interest is prevalent in other industries, too.

To validate the results of this article, further research on Russian OFDI in the four Visegrád countries is necessary in the future. Moreover, in order to compare these conclusions with the findings of studies on Russian firms in similar geographical areas, it is also imperative to investigate patterns of Russian investment in other EU countries. The analysis of the activities and motivations of Russian MNEs in turn need be compared with the behaviour of other emerging-market MNEs. In this respect, it is already possible to count on studies on Chinese MNEs which, to some extent, seem to reinforce the idea of home-country influence;<sup>84</sup> yet other studies re-confirm the importance of EU countries in the global strategies of Chinese firms.<sup>85</sup> The task is to weave these strands of literature together to arrive to a more coherent explanation of activities of emerging-market MNEs.

---

84 See Tian Wei, Jeremy Clegg and Lei Ma, "The conscious and unconscious facilitating role of the Chinese government in shaping the internationalization of Chinese MNCs", *International Business Review*, In Press, Corrected Proof, Available online 8 September 2014.

85 See for example, Haico Ebberts and Jianhong Zhang, "Chinese investments in the EU", *Eastern Journal of European Studies*, Vol.1, No.2, 2010, p.187–206; Francesca Spigarelli, "Chinese Investments in Italy: Is the Wave Arriving?", Dasho Karma Ura and Patricia Ordóñez de Pablos (eds.), *Advancing Technologies for Asian Business and Economics: Information Management Developments*, Hershey PA, IGI Global, 2012, p.119–142.

## References

- Ábrahám, Ambrus. “Májusban döntést ígérnek az álló kohóról”, *Népszabadság*, 25 April 2013, [http://nol.hu/gazdasag/majusban\\_dontest\\_igernek\\_az\\_allo\\_kohorol](http://nol.hu/gazdasag/majusban_dontest_igernek_az_allo_kohorol).
- Balassa, Bela, “Trade Liberalisation and “Revealed” Comparative Advantage”, *The Manchester School*, Vol. 33, No. 2, 1965, p. 99–123.
- Blyakha, Nataliya, “Russian foreign direct investment in Ukraine”, *Electronic Publications of Pan-European Institute*, No. 7/2009, <http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketi/Documents/Blyakha%200709%20web.pdf>.
- Boyarko, Grigoriy Yu, “Rossiyskiye mineral’no-syr’yevyye transnatsional’nyye korporatsii”, *Mineral’nyye resursy Rossii. Ekonomika i upravleniye*, No. 3, 2002, p. 66–75.
- Bulatov, Alexander, “O rossiyskikh predprinimatel’skikh investitsiyakh za rubezhom”, *Ekonomika i zhizn’*, No. 29, 1994.
- Bulatov, Alexander, “Rossiyskiye predprinimatel’skiye investitsii za rubezhom”, Alexander Bulatov (ed.), *Ekonomika vneshnikh svyazey Rossii*, Moskva, BEK, 1995, p. 495–527.
- Bulatov, Alexander, “Russian Direct Investment Abroad: Main Motivations in the Post-Soviet Period”, *Transnational Corporations*, Vol. 7, No. 1, April 1998, p. 69–82.
- CBR, “Direct Investment of the Russian Federation by Institutional Sectors 1994–2013 and Q1 2014”, 2014a, [http://www.cbr.ru/eng/statistics/credit\\_statistics/dir\\_inv\\_sec\\_e.xlsx](http://www.cbr.ru/eng/statistics/credit_statistics/dir_inv_sec_e.xlsx).
- CBR, “Russian Federation, Outward Foreign Direct Investment Positions by Instruments and Geographical Allocation in 2009–2013”, 2014b, [http://www.cbr.ru/eng/statistics/print.aspx?file=credit\\_statistics/dir\\_inv\\_out\\_country\\_e.htm&pid=svs&sid=ITM\\_586](http://www.cbr.ru/eng/statistics/print.aspx?file=credit_statistics/dir_inv_out_country_e.htm&pid=svs&sid=ITM_586).
- Chetverikova, Anna, “Vsplesk i sovremennyy krizis zarubezhnykh investitsiy krupneyshikh kompanii rossiyskoy metallurgii”, Fedor Voytolovskiy and Alexey Kuznetsov (eds.), *Rossiya v mirovoy ekonomike i mezhdunarodnykh otnosheniyakh*, Moskva, IMEMO, 2009, p. 26–33, <http://www.imemo.ru/files/File/ru/publ/2009/09032.pdf>.
- Child, John and Suzana B. Rodrigues, “The Internationalization of Chinese Firms: A Case for Theoretical Extension?”, *Management and Organization Review*, Vol. 1, No. 3, November 2005, p. 381–410.
- Degterev, Denis A., “Sistemy soprovozhdeniya vneshneekonomicheskoy deyatel’nosti (na primere Zapadnoy Afriki)”, *Mirovoye i natsional’noye khozyaystvo*, No. 1 (2), 2007, [http://www.mirec.ru/old/index.php%3Foption=com\\_content&task=view&id=36.html](http://www.mirec.ru/old/index.php%3Foption=com_content&task=view&id=36.html).
- Deloitte, *Russian Multinationals, New Players in the Global Economy*, Moscow, Deloitte CIS, 2008.
- Dunning, John H., “Trade, location of economic activity and the multinational enterprise, a search for an eclectic approach”, Bertil Ohlin, Per-Ove Hesselborn and Per M. Wijkman (eds.), *The International Allocation of Economic Activity*, London, Macmillan, 1977, p. 395–418.
- Dunning, John H., “Explaining the international direct investment position of countries, towards a dynamic or developmental approach”, *Weltwirtschaftliches Archiv*, Vol. 119, No. 1, 1981, p. 30–64.
- Dunning, John H., “The investment development cycle revisited”, *Weltwirtschaftliches Archiv*, Vol. 122, No. 4, 1986, p. 667–677.
- Dunning, John H., *Multinational enterprises and the global economy*, Reading, Addison Wesley, 1993.
- Dunning, John H. and Sarianna M. Lundan, *Multinational Enterprises And The Global Economy*, Second Edition, Cheltenham, Edward Elgar, 2008.
- Ebbers, Haico and Jianhong Zhang, “Chinese investments in the EU”, *Eastern Journal of European Studies*, Vol. 1, No. 2, 2010, p. 187–206.
- Ehrstedt, Stefan and Peeter Vahtra, “Russian energy investments in Europe”, *Electronic Publications of Pan-European Institute*, No. 4/2008, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketi/Documents/Ehrstedt\\_Vahtra\\_42008.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketi/Documents/Ehrstedt_Vahtra_42008.pdf).

- Filippov, Sergey, “Emerging Russian Multinationals, Innovation, Technology, and Internationalization”, *Journal of East-West Business*, Vol. 17, 2011, p. 184–194.
- Grätz, Jonas, “Russia’s Multinationals, Network State Capitalism Goes Global”, Andreas Nölke (ed.), *Multinational Corporations from Emerging Markets, State Capitalism 3.0*, Palgrave Macmillan, 2014, p. 90–108.
- Heckscher, Eli F., “Utrikeshandelns verkan på inkomstfördelningen”, *Ekonomisk Tidskrift*, Vol. 21, 1919, p. 497–512 [English translation: “The effect of foreign trade on the distribution of income”, H. Flam and M.J. Flanders (eds.), *Heckscher–Ohlin Trade Theory*, Cambridge, MA, MIT Press, p. 43–69].
- Heinrich, Andreas, “Internationalisation of Russia’s Gazprom”, *Journal for East European Management Studies*, Vol. 8, No. 1, 2003, p. 46–66.
- Heinrich, Andreas, “Russian companies in old EU member states, the case of Germany”, Kari Liuhto (ed.), *Expansion or Exodus: Why Do Russian Corporations Invest Abroad?*, Binghamton, NY, The International Business Press, 2005, p. 41–59.
- IMEMO, “Russian Multinationals Continue Their Outward Expansion in Spite of the Global Crisis”, *EMGP Report*, Moscow – New York, IMEMO – Vale Columbia Center on Sustainable International Investment, 2 December 2009, [http://ccsi.columbia.edu/files/2013/10/Russia\\_2009.pdf](http://ccsi.columbia.edu/files/2013/10/Russia_2009.pdf).
- IMEMO, “Investment from Russia stabilizes after the global crisis”, *EMGP Report*, Moscow – New York, IMEMO – Vale Columbia Center on Sustainable International Investment, 23 June 2011, [http://ccsi.columbia.edu/files/2013/10/Russia\\_2011.pdf](http://ccsi.columbia.edu/files/2013/10/Russia_2011.pdf).
- Johanson, Jan and Jan E. Vahlne, “The internationalizations process of the firm, a model of knowledge development and increasing foreign market commitments”, *Journal of International Business Studies*, Vol. 8, No. 1, 1977, p. 23–32.
- Johanson, Jan and Jan E. Vahlne, “The mechanism of internalisation”, *International Marketing Review*, Vol. 7, No. 4, 1990, p. 11–24.
- Johanson, Jan E. and Finn Wiedersheim-Paul, “The internationalization of the firm, four Swedish cases”, *Journal of Management Studies*, Vol. 12, No. 3, 1975, p. 305–322.
- Johansson, Linda, “International business operations of companies with Russian involvement in Southwestern Finland”, *Electronic Publications of Pan-European Institute*, No. 2/2006, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopakettit/Documents/Johansson\\_22006.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopakettit/Documents/Johansson_22006.pdf).
- Kalotay, Kalman, “Outward Foreign Direct Investment from Russia in a Global Context”, *Journal of East-West Business*, Vol. 11, No. 3–4, 2005, p. 9–22.
- Kalotay, Kalman, “Russian transnationals and international investment paradigms”, *Research in International Business and Finance*, Vol. 22, No. 2, 2008a, p. 85–107.
- Kalotay, Kalman, “How to Explain the Foreign Expansion of Russian Firms”, *Journal of Financial Transformation*, Capco, Vol. 24, November, 2008b, p. 53–61.
- Kalotay, Kalman, “The Future of Russian Outward Foreign Direct Investment and the Eclectic Paradigm: What Changes after the Crisis of 2008–2009?”, *Competitio* (University of Debrecen), Vol. 9, No. 1, June 2010, p. 31–54.
- Kalotay, Kalman, “Indirect FDI”, *The Journal of World Investment & Trade*, Vol. 13, No. 4, 2012, p. 542–555.
- Kalotay, Kalman, “The 2013 Cyprus bailout and the Russian foreign direct investment platform”, *Baltic Rim Economies – Bimonthly Economic Review*, No. 3/2013, p. 58–59, [http://real.mtak.hu/5259/1/BRE\\_3-2013\\_web.pdf](http://real.mtak.hu/5259/1/BRE_3-2013_web.pdf).
- Kalotay, Kalman and Astrit Sulstarova, “Modelling Russian outward FDI”, *Journal of International Management*, Vol. 16, No. 2, 2010, p. 131–142.
- Kalotay, Kalman, Andrea Élétető, Magdolna Sass and Csaba Weiner, “Russian capital in the Visegrád countries” *Working Papers* No. 210, IWE, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, December 2014.

- Kheyfets, Boris, "Russian Investment Abroad: The Basic Flows and Features", *Working Papers*, No. 184, Budapest, Institute for World Economics, HAS, October 2008.
- Kilvits, Kaarel, Alari Purju and Sirje Pädam, "Russia's foreign direct investments in new EU member states, the case of the Baltic States", Kari Liuhto (ed.), *Expansion or Exodus: Why Do Russian Corporations Invest Abroad?*, Binghamton, NY, The International Business Press, 2005, p. 61–73.
- Kostyayev, Sergey, "Lobbizm rossiysko gobiznesa v SShA", *Mirovaya ekonomika i mezhdunarodniye otnosheniya*, Vol. 53, No. 4, 2009, p. 44–55.
- Kuznetsov, Alexey V., "Dva vektora ekspansii rossiyskikh TNK – Yevrosoyuz i SNG", *Mirovaya ekonomika i mezhdunarodnyye otnosheniya*, Vol. 50, No. 2, 2006, p. 95–102.
- Kuznetsov, Alexey V., "Prospects of Various Types of Russian Transnational Corporations (TNCs)", *Electronic Publications of Pan-European Institute*, No. 10/2007, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketit/Documents/Kuznetsov\\_102007.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketit/Documents/Kuznetsov_102007.pdf).
- Kuznetsov, Alexey V., "Investitsii v Tsentral'noy Azii, problemy konkurentsii rossiyskikh i zarubezhnykh TNK", Fedor Voytlovskiy and Alexey Kuznetsov (eds.), *Konflikty ekonomicheskikh i politicheskikh interesov na postsovetskom prostranstve*, Moskva, IMEMO, 2008, p. 28–37, <http://www.imemo.ru/files/File/ru/publ/2008/08015.pdf>.
- Kuznetsov, Alexey V., "Industrial and Geographical Diversification of Russian Foreign Direct Investments", *Electronic Publications of Pan-European Institute*, No. 17/2010, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketit/Documents/Kuznetsov\\_netti.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketit/Documents/Kuznetsov_netti.pdf).
- Kuznetsov, Alexey V., "Outward FDI from Russia and its policy context, update 2011", *Columbia FDI Profiles*, 2 August 2011, [http://ccsi.columbia.edu/files/2014/03/Profile\\_Russia\\_OFDI\\_-\\_2\\_August\\_2011\\_FINAL.pdf](http://ccsi.columbia.edu/files/2014/03/Profile_Russia_OFDI_-_2_August_2011_FINAL.pdf).
- Kuznetsov, Alexey V., "Global Expansion of Russian Multinationals after the Crisis, Results of 2011", *EMGP Report*, IMEMO – Vale Columbia Center on Sustainable International Investment, 16 April 2013a, [http://ccsi.columbia.edu/files/2013/10/Russia\\_2013.pdf](http://ccsi.columbia.edu/files/2013/10/Russia_2013.pdf).
- Kuznetsov, Alexey V., "Vyvoz kapitala rossiyskimi TNK, prichiny dominirovaniya Bol'shoy Yevropy", *Vestnik MGIMO-Universiteta*, No. 4, 2013b, p. 92–97, [http://www.vestnik.mgimo.ru/sites/default/files/pdf/11mezhd\\_otn\\_kuznecov.pdf](http://www.vestnik.mgimo.ru/sites/default/files/pdf/11mezhd_otn_kuznecov.pdf).
- Kuznetsov, Alexey V. and Yuri D. Kvashnin, "Kolichesvennyi analiz vzaimnykh pryamykh investitsiy stran SNG i Gruzii", *Evrasiyskaya ekonomicheskaya integratsiya*, No. 1 (22), February 2014, p. 32–42.
- Kuznetsov, Alexey V., Yuri D. Kvashnin and Anna V. Gutnik, "Monitoring of Mutual Investments in the CIS", *Report No. 15*, Saint Petersburg, EDB Centre for Integration Studies, 2013 (project coord. A.M. Anisimov), [http://www.imemo.ru/files/File/en/publ/2013/13015\\_en.pdf](http://www.imemo.ru/files/File/en/publ/2013/13015_en.pdf).
- Latukha, Marina, Andrei Panibratov and Elena Safonova-Salvadori. 2011. "Entrepreneurial FDI in emerging economies: Russian SME strategy for Brazil", *Entrepreneurship and Innovation* Vol. 12, No. 3, 2011, p. 201–212.
- Ledyaeva, Svetlana, Päivi Karhunen and Riitta Kosonen, "Birds of a feather: Evidence on commonality of corruption and democracy in the origin and location of foreign investment in Russian regions", *European Journal of Political Economy*, Vol. 32, 2013, p. 1–25.
- Libman, Alexander and Boris Kheyfets, *Ekspansiya rossiyskogo kapitala v strani SNG*, Moskva, Ekonomika, 2006.
- Lisitsyn, Nikita E., Sergei F. Sutyryn, Olga Y. Trofimenko and Irina V. Vorobieva, "Outward Internationalisation of Russian Leading Telecom Companies", *Electronic Publications of Pan-European Institute*, No. 1/2005, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketit/Documents/Lisitsyn\\_Sutyryn\\_Trofimenko\\_Vorobieva\\_12005.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketit/Documents/Lisitsyn_Sutyryn_Trofimenko_Vorobieva_12005.pdf).
- Liuhto, Kari, "Russian gas and oil giant conquer markets in the west: evidence on the internationalization of Gazprom and LUKoil", *Journal of East-West Business*, Vol. 7, No. 3, 2001, p. 31–72.
- Liuhto, Kari, "Russian direct investments in Poland", Kari Liuhto (ed.), *Business in Poland. Studies in Industrial Engineering and Management* No. 18, Lappeenranta University of Technology, 2002, p. 368–379.

- Liuhto, Kari and Jari Jumponen, "The Russian Eagle Has Landed Abroad. Evidence Concerning the Foreign Operations of Russia's 100 Biggest Exporters and Banks", *Research Report*, No. 141, Lappeenranta, Lappeenranta University of Technology, 2003.
- Liuhto, Kari and Saara Majuri, "Outward Foreign Direct Investment from Russia: A Literature review" *Journal of East-West Business*, Vol. 20, No. 4, 2014, p. 198–224.
- Lukoil, *Lukoil Analyst Databook 2013*, 2014.
- Mathews, John A., *Dragon Multinational: A New Model of Global Growth*, Oxford, Oxford University Press, 2002.
- Moon, Hwy-Chang and Thomas W. Roehl, "Unconventional foreign direct investment and the imbalance theory", *International Business Review*, Vol. 10, 2001, p. 197–215.
- Napi.hu, "Özönlenek az oroszok a magyar lakáspiacra? Itt a friss jelentés", *Napi.hu*, 8 May 2014, [http://www.napi.hu/ingatlan/ozonlenek\\_az\\_oroszok\\_a\\_magyar\\_lakaspiacra\\_itt\\_a\\_friss\\_jelentes.580952.html](http://www.napi.hu/ingatlan/ozonlenek_az_oroszok_a_magyar_lakaspiacra_itt_a_friss_jelentes.580952.html).
- Narula, Rajneesh, "Globalization, new ecologies, new zoologies, and the purported death of the eclectic paradigm", *Asia Pacific Journal of Management*, Vol. 23, No. 2, 2006, p. 143–151.
- Ohlin, Bertil, *Interregional and International Trade*, Cambridge, MA, Harvard University Press, 1933.
- Panibratov, Andrei and Kalman Kalotay, "Russian Outward FDI and its Policy Context", *Columbia FDI Profiles*, Vale Columbia Center on Sustainable International Investment, 13 October 2009, [http://ccsi.columbia.edu/files/2014/03/FDI\\_Profile-\\_Russia.pdf](http://ccsi.columbia.edu/files/2014/03/FDI_Profile-_Russia.pdf).
- Panibratov, Andrei, "From national leaders to global players: Evidence from Russian MNEs in the high technology sector", M. Marinov and S. Marinova (eds.), *Internationalization of Emerging Economies and Firms.*, London, UK, Palgrave MacMillan. 2011, p. 169–190.
- Panibratov, Andrei, *Russian multinationals: from regional supremacy to global trend*, USA and Canada, Routledge, 2012.
- Panibratov, Andrei, "Classifying the Role of Government in the Expansion of Russian MNEs", *The European Financial Review*, 19 June 2014, <http://www.europeanfinancialreview.com/?p=2383>.
- Panibratov, Andrei and Marina Latukha, "Home Government Influence Upon Emerging MNEs: How the Interest is Balanced Against the Control in Russia." Paper presented at the 1<sup>st</sup> AIB–CEE Chapter Conference, Budapest, 9–11 October 2014.
- Panibratov, Andrei and Cyril Verba, "Russian banking sector: Key points of international expansion", *Organizations and Markets in Emerging Economies 2*, Vol. 1, No. 3, 2011, p. 63–74.
- Pelto, Elina, Peeter Vahtra and Kari Liuhto, "Cyp–Rus Investment Flows to Central and Eastern Europe – Russia's Direct and Indirect Investments via Cyprus to CEE", *Journal of Business Economics and Management*, Vol. 5, No. 1, 2004, p. 3–13.
- Runiewicz, Malgorzata „Russian direct investments in Poland: A case of Lukoil”, *Journal of East-West Business*, Vol. 11, No. 3–4, 2005, p. 85–95.
- Samuelson, Paul, "International trade and the equalization of factor prices", *Economic Journal*, Vol. 58, No. 230, 1948, p. 163–184.
- Samuelson, Paul, "International factor-price equalization once again", *Economic Journal*, Vol. 59, No. 234, 1949, p. 181–197.
- Sarkadi Nagy, M., "Orosz oligarcha lehetett a Mol tulajdonostársa", *Atlatszo.hu*, 4 December 2013, <http://atlatszo.hu/2013/12/04/orosz-oligarcha-lehetett-a-mol-tulajdonostarsa/>.
- Skolkovo, *Russian Multinationals Bullish on Foreign Markets*, Moscow – New York, Skolkovo – Columbia Program on International Investment, December 2007, [http://www.skolkovo.ru/images/stories/book/SKOLKOVO\\_PRESS-RELEASE\\_071210\\_TOP\\_25\\_RANKINGS\\_Eng.pdf](http://www.skolkovo.ru/images/stories/book/SKOLKOVO_PRESS-RELEASE_071210_TOP_25_RANKINGS_Eng.pdf).
- Skolkovo, *Emerging Russian Multinationals, Achievements and Challenges*, Skolkovo – Vale Columbia Center on Sustainable International Investment, November 2008, [http://www.skolkovo.ru/images/stories/book/SKOLKOVO\\_Research\\_Emerging\\_Russian\\_Multinationals\\_Eng.pdf](http://www.skolkovo.ru/images/stories/book/SKOLKOVO_Research_Emerging_Russian_Multinationals_Eng.pdf).
- Spigarelli, Francesca, "Chinese Investments in Italy: Is the Wave Arriving?", Dasho Karma Ura and Patricia Ordóñez de Pablos (eds.), *Advancing Technologies for Asian Business and Economics: Information Management Developments*, Hershey PA, IGI Global, 2012, p. 119–142

- Survillo, Vladimir G. and Sergey Sutyryn, "The way of Sibirsky Aluminum", Kari Liuhto (ed.), *East Goes West: The Internationalization of Eastern Enterprises*, Studies in Industrial Engineering and Management No. 14, Lappeenranta University of Technology, 2001, p. 134–161.
- Tyson, Laura D'Andrea, "They are Not Us: Why American Ownership Still Matters", *The American Prospect*, Winter 1991, p. 37–49.
- Vahtra, Peeter, "Russian Investments in the CIS – Scope, Motivations, and Leverage", *Electronic Publications of Pan-European Institute*, No. 9/2005, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Vahtra\\_92005.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Vahtra_92005.pdf).
- Vahtra, Peeter, "Expansion or Exodus? – Trends and Developments in Foreign Investments of Russia's Largest Industrial Enterprises", *Electronic Publications of the Pan-European Institute*, No. 1/2006, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Vahtra\\_12006.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Vahtra_12006.pdf).
- Vahtra, Peeter, "Expansion or Exodus? The new leaders among the Russian TNCs", *Electronic Publications of Pan-European Institute*, No. 13/2007, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Vahtra13\\_07%20slide%20package.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Vahtra13_07%20slide%20package.pdf).
- Vahtra, Peeter and Kari Liuhto, "Expansion or Exodus? – Foreign Operations of Russia's Largest Corporations", *Electronic Publications of Pan-European Institute*, No. 8/2004, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/2002-2004/Vahtra\\_Liuhto\\_82004.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/2002-2004/Vahtra_Liuhto_82004.pdf).
- Väätänen, Juha and Kari Liuhto, "The internationalization of Russian oil companies: Lukoil and its princes", Kari Liuhto (ed.), *East goes west: The internationalization of eastern enterprises*, Studies in Industrial Engineering and Management No. 14, Lappeenranta University of Technology, 2001, p. 88–112.
- VEB, "Vnesheconombank Chairman Vladimir Dmitriev's Interview to the TV Channel Russia 24" (TV Channel Russia 24, Interview, 2 December 2013) *VEB – News*, 3 December 2013a, [http://veb.ru/en/press/news/arch\\_news/index.php?id\\_19=31057](http://veb.ru/en/press/news/arch_news/index.php?id_19=31057).
- VEB, "Regular Meeting of Vnesheconombank's Supervisory Board Held", *VEB – Supervisory Board Decisions*, 19 December 2013b, [http://veb.ru/en/press/ns/archive/index.php?id\\_19=31110](http://veb.ru/en/press/ns/archive/index.php?id_19=31110).
- Vinslav, Yu., M. Khusnutdinov, Ye. Pukhova and A. Ukhin, "K razvitiyu postsovetiskikh transnatsional'nykh korporatsii (faktologiya, analitika, predlozheniya)", *Rossiyskiy ekonomicheskiy zhurnal*, No. 11–12, 1999, p. 12–21.
- Wei, Tian, Jeremy Clegg and Lei Ma, "The conscious and unconscious facilitating role of the Chinese government in shaping the internationalization of Chinese MNCs", *International Business Review*, In Press, Corrected Proof, Available online 8 September 2014.
- Weiner, Csaba, "Russian FDI in Central and Eastern European Countries, Opportunities and Threats", *Working Papers*, No. 168, Budapest, Institute for World Economics, Hungarian Academy of Sciences, April 2006.
- Weiner, Csaba, "Az orosz társaságok külföldi tőke kihelyezéseinek alakulása a világon és az orosz befektetők magyarországi jelenléte", Mihály Simai (ed.), *Oroszország két világ között*, Budapest, Akadémiai Kiadó, 2011, p. 245–303.
- Weiner, Csaba, "Inkább megy, mint jön? Orosz közvetlen tőkeberuházások Magyarországon", *Geopolitika a 21. században*, Vol. 3, No. 4, February 2013, p. 120–137.
- Yeremeyeva, Irina, "Russian Investments in Belarus", *Electronic Publications of Pan-European Institute*, No. 13/2009, <http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/Yeremeyeva%201309%20web.pdf>.
- Zashev, Peter, "Russian investments in Lithuania – politics, business, corporate culture", *Electronic Publications of Pan-European Institute*, No. 10/2004, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/2002-2004/Zashev\\_102004.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopaketti/Documents/2002-2004/Zashev_102004.pdf).
- Zashev, Peter, "Russian Companies in the Forthcoming EU Member States: A Case of Lukoil in Bulgaria", Kari Liuhto (ed.), *Expansion or Exodus: Why Do Russian Corporations Invest Abroad?*, Binghamton, NY, The International Business Press, 2005, p. 109–128.
- Zashev, Peter, "Russian investments in Latvia – Significance and business cultural impact". Proceedings of the 31st Annual Conference of the European International Business Academy "Landscapes and Mindscapes in a Globalized World." Oslo, Norway, December 11–13, 2005b.