

Russia's emerging multinationals: trends and issues

Citation for published version (APA):

Filippov, S. (2008). *Russia's emerging multinationals: trends and issues*. UNU-MERIT, Maastricht Economic and Social Research and Training Centre on Innovation and Technology. UNU-MERIT Working Papers No. 062

Document status and date:

Published: 01/01/2008

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
- The final author version and the galley proof are versions of the publication after peer review.
- The final published version features the final layout of the paper including the volume, issue and page numbers.

[Link to publication](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license above, please follow below link for the End User Agreement:

www.umlib.nl/taverne-license

Take down policy

If you believe that this document breaches copyright please contact us at:

repository@maastrichtuniversity.nl

providing details and we will investigate your claim.



**UNITED NATIONS
UNIVERSITY**

UNU-MERIT

Working Paper Series

#2008-062

**RUSSIA'S EMERGING MULTINATIONALS:
TRENDS AND ISSUES**

Sergey Filippov

RUSSIA'S EMERGING MULTINATIONALS: TRENDS AND ISSUES

Sergey Filippov

UNU-MERIT

(United Nations University and Maastricht University)

Keizer Karelplein 19, Maastricht, 6211TC, The Netherlands

Tel: +31 43 3884400, e-mail: filippov@merit.unu.edu

Abstract:

The paper focuses on the emergence of Russia's multinational companies. It aims to analyse their motives to internationalise as well as the approaches to internationalisation. While relevance of the theoretical perspectives is highlighted, the intention of the paper is to contribute to the understanding of the present-day phenomenon of emerging Russian multinationals; a phenomenon that has been largely overshadowed by the remarkable rise of Chinese and Indian companies. A special attention is devoted to the R&D activities of Russian multinational companies, and access to foreign technology as a driver of corporate restructuring. A discussion of the challenges and opportunities for host countries and policy implications is provided.

Keywords: Russia, multinational companies, emerging economies, foreign investment

JEL codes: F21, F23, L21, O32

UNU-MERIT Working Papers

ISSN 1871-9872

**Maastricht Economic and social Research and training centre on Innovation and Technology,
UNU-MERIT**

***UNU-MERIT Working Papers intend to disseminate preliminary results of research
carried out at the Centre to stimulate discussion on the issues raised.***

Note: This is a revised version of a paper presented at the international conference "Emerging Multinationals: Outward Foreign Direct Investment from Emerging and Developing Economies", held on 9-10 October 2008 in Copenhagen Business School.

Acknowledgements: The author is grateful to the conference participants for the stimulating discussions, particularly to Kalman Kalotay (UNCTAD), Max von Zedtwitz (Tsinghua University), Andrea Goldstein (OECD), Niels Mygind and Peter Gammeltoft (Copenhagen Business School), Alexander Settles (Higher School of Economics, Moscow) and Magdolna Sass (Hungarian Academy of Sciences).

1. Introduction

In August 2007, Russian holding company GIS acquired a French microelectronics manufacturer Altis Semiconductor from IBM and Infineon Technologies. In May 2008, Russian oil company Lukoil opened its first gas station in Belgium in one of Brussels' neighbourhoods. Russian President Dmitry Medvedev openly encourages Russian companies to internationalise by acquiring assets overseas and in the West in particular.

Internationalisation of Russians companies, ranging from energy sector to mass media, unthinkable even a few years ago, has hit the headlines of leading newspapers. The names such as Lukoil, Rosneft and Gazprom became recognisable brands. While Russian itself is a lucrative growing market, Russian companies pursue an active policy of expansion abroad and seek to strengthen their market position on a global stage. Russia accounts for the largest FDI outflows relative to GDP among BRIC countries, yet Russian companies have been largely overshadowed by the emergence of Indian and Chinese multinationals and not sufficiently addressed, even neglected, in the literature. Therefore, the objective of this paper is to fill in some gaps in the literature regarding this research area.

The mainstream research has focused on the amount of outward FDI and investment positions of home and host economies. FDI outflows from emerging economies have been often taken as a proxy of activities of emerging multinationals. Such approach can be challenged since the macro indicators conceal particular business motive and corporate strategies. Hence, the paper seeks to investigate what is behind the rising outward FDI from Russia. The idiosyncratic nature of Russian multinationals and specific way of their formation and development in the 1990s makes them an exciting object of academic research.

The subject has been under-researched. There are several explanations to this problem. Firstly, Russian corporate invasion to abroad, and particularly, to Europe, caused concerns about the motives of their internationalisation, and contributed to creation of a wide-spread belief that they are tools of Russian foreign policy rather than economic agents. Secondly, Russian companies themselves are not prepared to disclose information about their activities and strategies, impeding further academic research. The complexity of this subject compels the author to adopt a multifaceted approach and a holistic view. The phenomenon of the emerging Russian multinationals is analysed through the prism and using insights from a number of subjects, namely transition studies, politics, innovation studies and international business studies. The aim is to identify and analyse the economic motives of Russian companies to internationalise, as well as their strategies and activities.

The paper is organised as follows. The next section provides a general background by tracing the history of the emergence of Russian multinationals. Section 3 focuses on these companies, comparing them with BRICS counterparts and analysing their strategies and motivations. Section 4 looks at Europe as a destination for Russian investment. Finally, section 5 concludes.

2. Russian Capitalism: Politics and Business Intertwined

2.1. Soviet Capitalism

Strange as it may seem, several multinationals existed already in the times of the USSR. In his study of their operations in Germany, Austria, Sweden, Britain and Ireland, Geoffrey Hamilton (1986) refers to these companies as “red multinationals”. He observes “shallow” transnationalisation of these companies meaning that in most cases they carried out only marketing and sales operations. Moreover, all of them were state-owned by definition. Not surprisingly, he concludes that few of these enterprises showed signs of developing as Western multinationals had done. Similar argumentation was provided by McMillan (1987). In the same year, in his article “Soviet Capitalism: The Last Stage of Imperialism”, Guillén (1987) published a list of 72 Soviet multinationals with foreign investment holdings in 22 capitalist countries, arguing about internationalisation of Soviet enterprises.

Understanding of the organisation of the Soviet economy can be helpful in explaining the motives of internationalisation, at least in the Commonwealth of Independent States (CIS), a contemporary loose grouping of former Soviet Republics. Most state-owned enterprises headquartered in Moscow had subsidiaries in various parts of the Soviet Union, i.e. in different Soviet republics. They all were termed “all-union enterprises”. When the Union was a single state and a common economic area, this fragmentation did not pose any problem, since it was coordinated by the Soviet Ministry for Central Planning. In fact, this fragmentation was intentionally created by policy-makers aiming at equal distribution of industrial objects across the Union. Furthermore, as the state promoted the “national champions” and competition was explicitly banned, most enterprises were assigned with specific suppliers and customer, i.e. the value chain was engineered by the government. Needless to say, suppliers and customers quite often were based in different Soviet Republics too.

Collapse of the Soviet Union and the Council for Mutual Economic Assistance (Eastern European equivalent of the European Economic Community) entailed disintegration of state-owned enterprises whose assets now became located in sovereign and independent states (and even privatised according to national laws); and the links with suppliers and customers (as they become based in different states too, protected by tariff and non-tariff barriers) got broken. The only feasible way of re-establishing these links for corporate integration became the acquisition of these assets based abroad in CIS. Restructuring and transformation of these former state-owned enterprises, “red multinationals”, has been documented in several studies, including Filatotchev et al (2007), and King et al (1995) in the case of UK subsidiaries of these companies.

2.2. The 1990s: Russian Cowboy Capitalism

Another group of Russian multinationals are those that emerged from the privatisation deals. The collapse of the Soviet Union heralded the demise of most state-owned Soviet multinational companies. As in all transition economies, the period of the 1990s was the time of massive privatisation in Russia. Unlike in the Central and Eastern European economies, the reliance on foreign direct investment (FDI) in Russia was minimal. While Russia witnessed the mass privatisation in the beginning of 1990s, it is widely-acknowledged that it did not create a class of effective owners. However, a class of owners, known as “oligarchs”, was swiftly formed in the mid-1990s in the process of distribution of state property among a handful of businessmen hand-picked by the ailing president Yeltsin and his entourage in “loans-for-shares” auctions. As a result, Mikhail Khodorkovsky obtained a 78 percent share of ownership in Yukos (worth \$5bn) for only \$310 mln, and Boris Berezovsky acquired oil company Sibneft (worth \$3bn) for mere \$100 mln (Goldman, 2004).

These controversial deals within the “loans-for-shares” framework provided a ground for most emerging Russian multinationals and made their owners dazzlingly wealthy; Vladimir Putin referred to them later as “appointed billionaires” (Aron, 2004). Hence, the 1990s can be roughly described as the time of the initial formation of large Russian companies and their restructuring and consolidation within the national economies. The outward FDI did exist but it can be regarded as “the capital flight” from the unstable environment to offshore paradises and tax heavens rather than firms’ internationalisation. The arrival of Vladimir Putin to the Kremlin in 2000 marked the end of the “oligarchs era” of the 1990s, or “cowboy capitalism”, as he termed it (BBC, 2004).

2.3. The 2000s: Russia Goes Global

As a result of “cowboy capitalism”, by 2000 the Russian economy had become largely concentrated in the hands of several corporations. In 2001 Troika Dialogue calculated that around 70 large financial and industrial groups control 40% of Russian GDP (Shekshina, 2001). While the “oligarchs” of the 1990s were mainly the owners of banks and other financial companies, the situation changed in the 2000s. Drastic rise in the prices of commodities (and specifically, oil and gas) has led to significant developments in the resource-based sectors and consequently to the growth of companies in these sectors. Most importantly, Russian companies (who have completed their restructuring on the domestic market) started venturing abroad. Whilst the motive of “the capital flight” still held, yet it can be argued that Russian companies started deliberately building their presence abroad. They started emerging as an important source of outward FDI. The annual average of outward FDI flows in the 1990s constituted around \$1.6bn annually, and it has reached some \$45.6bn in 2007. Similarly, outward FDI reached 16.8% of the gross fixed capital formation in 2007 against an average of 3.0% in the 1990s.

Table 1 FDI inflows and outflows in/from Russian Federation

	Mln USD				As a percentage of gross fixed capital formation			
	1990-2000 (annual av.)	2005	2006	2007	1990-2000 (annual av.)	2005	2006	2007
Inward flows	2 373	12 886	32 387	52 475	4.4	9.5	17.8	19.3
Outward flows	1 582	12 767	23 151	45 652	3.0	9.4	12.7	16.8

Source: UNCTAD, WIR 2008

Russia belongs to the group of emerging economies known as “BRIC”. In 2003 Jim O’Neill of Goldman Sachs coined a term “BRIC” to denote four economies with the strong economic growth: Brazil, Russia, India, and China. His recent forecast suggests that the aggregate GDP of these four countries will surpass the aggregate GDP of G7 by 2035. Furthermore, he argued later that Mexico could be added to this club making it “BRIMC”. And some other authors suggested using the term “BRICS” (BRIC + South Africa). A development going parallel to the growth of cumulative GDP of BRIC countries is the strong growth of outward FDI from these economies.

Table 2 Stocks of outward FDI of BRICS economies (mln USD)

	2001	2002	2003	2004	2005	2006	2007
Russia	14 412	18 018	51 809	81 874	120 417	156 824	255 211
Brazil	11 041	53 227	54 646	64 363	71 556	87 049	129 840
China	27 579	35 538	37 006	38 825	46 311	73 330	95 799
South Africa	28 999	28 755	24 195	28 790	38 503	43 499	54 562
Mexico	11 992	12 425	13 815	15 885	28 040	35 144	44 703
India	2 068	2 499	5 054	6 592	9 569	12 964	29 412

Source: UNCTAD, World Investment Reports of respective years

The outward investments from BRICS economies and Russia in particular show impressive growth dynamics. Yet, these numbers should be interpreted with caution. In each volume of World Investment Report, UNCTAD warns about possible inaccurate calculations of FDI statistics by national statistics agencies. In the case of Russia, the drastic growth can be explained by improved methodology and data registration system used by the Russian statistics bureau, which started accounting for cumulative investments actually made in previous years. Nevertheless, even improvement of statistical data cannot explain the dramatic growth of outward FDI. It is rather clear that international activities of Russian companies have been booming in the recent years.

3. Russian Bears versus Chinese Dragons and Indian Elephants

3.1. Russian Multinationals and their BRICS counterparts

Since recently, companies from BRIC economies started emerging in the rankings of global companies. For examples, in the Forbes list of 2000 global companies, in 2007 there were 109 Chinese (including Hong Kong), 48 Indian, 34 Brazilian, 17 South African and 16 Mexican companies. Russia was represented by 29 companies with the aggregate capitalisation of around \$1 trillion (Annex 1). Similarly, BRIC companies are present in the Fortune 500 List (although without any single South African company).

Table 3 BRIC companies in the Fortune 500 list

	2005		2006		2007	
	Number	Revenues (\$ bn)	Number	Revenues (\$ bn)	Number	Revenues (\$ bn)
Brazil	3	67.7	4	115.4	5	168.6
Russia	3	86.5	5	157.7	4	176.0
India	5	86.8	6	120.4	6	147.5
China	16	464.5	20	617.4	24	838.5
Mexico	2	78.2	5	146.8	5	172.6
BRIMC	29	783.7	40	1 157.7	44	1 503.2
USA	176	6 221.8	170	6 816.9	162	7 338.4

Source: authors' calculation based on Fortune 500 list

Note: Fortune 500 includes Hong Kong-based companies in the list of Chinese firms

The revenues of BRIMC companies doubled for the period 2005-2007, while the number increased only by 1.5. Similarly, the revenues of Russian companies doubled for the same period, with the number of companies staying basically the same. It should not be surprising given that all the companies in the list operate in the energy sector (Gazprom, Lukoil, Rosneft, Surgutneftegaz), and the price for energy resources has risen dramatically over the recent years. It fairly represents the Russian economy which is dominated by natural resources, metals and mining companies since 2000. Years of high oil/gas and commodity prices, as well as high demand from developed and emerging economies, have generated a windfall of export revenues, and made these companies cash-rich.

In fact, being a large company (in terms of assets, sales, or profits) or having non-equity relations with foreign partners does not mean being a multinational company *per se*. In principle, a company may be *uninational* and generate all the revenues on the domestic market or by exporting its production abroad without any foreign presence (Kalotay, 2008). According to a conventional definition a company should be operating in at least two countries, or at least in

one country outside of the home one, to be called a multinational company. The Boston Consulting Group aimed to identify global companies from emerging economies based on both criteria – size and internationalisation. It compiled a list of 100 Global Challengers, based on both amount of revenues (over \$1bn) and the degree of internationalisation (foreign subsidiaries, sales networks, etc). In the BCG's (2008) list of 100 emerging multinationals, some 41 Chinese, 20 Indian, 13 Brazilian, 7 Mexican and only 6 Russian companies can be found. Specifically in Russia, a survey of the Moscow School of Management Skolkovo and the Columbia Program on International Investment has identified 25 top multinationals. The criteria included foreign assets, foreign sales and foreign employment.

Annex 2 presents an overview of appearance of Russian companies in all the four rankings – Skolkovo 25, BCG 100, Fortune 500 and Forbes 2000. Only two companies – energy giants Gazprom and Lukoil – appear in four rankings. Other companies are only in two lists or only in one of them. It entails that they might either too internationalised (but not large), or too large (but less internationalised).

Orientation on the oil and gas and commodities is not the only similarity with other BRIC emerging multinationals. Companies servicing mass clients (electronics, telecommunications, retail, hardware) face with a challenge of serving low-income consumers. For example, in Russia companies start their operations with serving more affluent consumers in Moscow and St. Petersburg, regions with the highest income per capita. As the market saturates and the competitive pressure intensifies, companies are forced to explore markets in other regions, and adopt their strategies to serve low-income consumers. In a way, the situation is reminiscent of the concept of “bottom of the pyramid” put forward by Prahalad (2004) and Hart (2005). By going into the provincial regions and expanding their markets, emerging companies encounter problems of underdeveloped infrastructure and distribution networks in all BRICS economies. Exposed to all these challenges and having grown in unstable economic environment (economic crises in the 1990s) made these companies resilient to shocks and flexible in a way.

3.2. Theory of Firm Internationalisation and Emerging Multinationals

The theory has provided tools for the analysis of internationalisation of firms. The classical framework for the explanation of firm internationalisation is the OLI paradigm developed by Dunning (1977, 1988). According to OLI paradigm, in order to invest in another country a firm has to satisfy three conditions. Firstly, a firm should possess Ownership advantages, i.e. should possess a technology or product that could compete on a domestic market. Secondly, there should be a reason to invest overseas rather than staying on the domestic market, meaning Location advantages. And lastly, investing overseas (and producing there) should be more profitable for a firm rather than exporting goods produced domestically, i.e. Internationalisation advantages.

Another theory, the product life cycle by Vernon (1966, 1979) addresses corporate strategies of multinational companies operating in developed and developing countries. An innovating

company in the developed economy starts producing a new innovative product for the home market. Over time, as the product matures and production processes become standardised, its exports (to developing countries) increase, and eventually a company sets up manufacturing in its larger foreign markets.

Overall, the internationalisation theory has been the object of long and extensive treatment in the literature, e.g. Williamson (1975), Buckley and Casson (1976) and others. A significant contribution to this strand of literature was made by Johanson and Vahlne (1977), widely known as Uppsala Model. This is a model of incremental internationalisation overcoming “psychic distance”. In other words, firms start their internationalisation from neighbouring markets with low market commitment, and proceed from no regular export activities to the foreign production units, and later expand to more remote markets¹.

While the theory of firm internationalisation has been built to explain the motivations and strategies of firms from developed countries (expanding to developing markets), there have been several attempts to test the applicability of these theories to explain internationalisation of BRIC companies. Outward FDI and multinationals from emerging economies were investigated in the early pioneering studies of Heenan and Keegan (1979), Lall (1983) and Wells (1983).

Another strand of theory (development studies) has focused on the impact of inward FDI from developed economies on developing ones; and the intensification of FDI flows from developing economies to developed ones called upon rethinking of prevalent concepts of development studies. The relationships between the structure and level of development of the economy of a nation and the nature of outward as well as inward FDI have been formalised by Dunning (1981, 1988) in his seminal work on the investment development path (IDP); its updated version was published in 1998 (Dunning and Narula, 1998). This model holds that outward FDI is a function of the development level of the country (GDP per capita). Regarding multinationals from emerging economies, the investment development path suggests that they tend to initially invest in resource- and market-seeking activities in neighbouring countries and then expand their presence worldwide. In a way, these provisions of IDP are similar with the tenets of aforementioned Uppsala Model.

A series of publications has been devoted to the topic of emerging multinationals, including (2005), Globerman and Shapiro (2006), Goldstein and Shaw (2007), Benito and Narula (2007). Besides, international organisations have also paid considerable attention to the internationalisation of firms from emerging economies. In 2006 both OECD and UNCTAD published reports dedicated to emerging multinationals (UNCTAD, 2006; OECD, 2006).

Despite the interest and novelty of the topic of emerging multinationals, the focus of most studies has been on the Asian and Latin American multinationals, overlooking their Russian counterparts. Despite a group of studies (Bulatov, 2001; Crane *et al.*, 2005; Heinrich, 2003; Kalotay, 2002, 2004, 2005, 2008; Kets de Vries *et al.*, 2004; Vahtra and Liuhto, 2006) the research on Russian multinationals remains scarce. In his painstaking research on the

¹ Kalotay (2008) shows that Uppsala model can actually explain behaviour of Russian resource-based companies. First, they start internationalisation through export of products, at a later stage they acquire foreign assets and establish subsidiaries due to a variety of reasons (e.g. to avoid export duties).

applicability of conceptual models to explaining internationalisation of Russian companies, Kalotay (2008) concludes that Dunning's eclectic paradigm could be applied to Russian multinationals, although with some extension on home country basis. Yet, other theories would require more re-thinking for explanation of this phenomenon. This brief overview of theoretical foundations is helpful for further analysis, yet contribution to theory-building is beyond the scope of this paper.

3.3. Motives of Internationalisation of Russian companies

In order to investigate motivation of Russian companies to expand overseas, I use of the conventional classification of FDI motives put forward by Dunning (1993). Relevance of each of the four types of FDI is considered for the Russian multinationals. Despite seemingly clear-cut division between four types of FDI, however, it should be kept in mind that in many cases multinationals pursue several goals with the same acquisition, and hence FDI may have several motives at the same time.

Firstly, resource-seeking motive refers to investment seeking to acquire factors of production or natural resources. Russian corporate expansion to the CIS can be to a large extent explained by the resource-seeking motives. Examples include Russian oil company Lukoil's operations in oil-rich Azerbaijan and Russian miner and steel maker Mechel's operations in Kazakhstan with the goal of securing access to valuable raw materials used in steel making.

Secondly, market-seeking motive refers to investments which aim at either entering new markets or maintaining existing ones. In the manner consistent with the tenets of the Uppsala Model and Investment Development Path, Russian multinationals have been expanding their geographical presence in the neighbouring markets of the CIS. Examples include expansion of the electronics retailer chain Euroset, and telecommunications companies MTS and Vimpelcom to the CIS markets. Russian companies benefit from the knowledge of local traditions and business practices as well as sharing common language. As for the advanced developed markets, Russian companies seemingly face challenges entering them, having to deal with tough competition (from both traditional and emerging multinationals) and regulatory impediments. Yet, these attempts may be successful. For example, Lukoil undertook downstream investments in the US, Western and Eastern Europe. By accessing the end customers, resource-based companies aim to widen their profit margin, which remain limited as they sell raw materials at the low end of the product value chain.

Thirdly, efficiency-seeking investment has as its goal to increase a firm's efficiency by exploiting the benefits of economies of scale and scope, or common ownership. Dunning (1993) suggests that efficiency-seeking FDI would come sequentially after the two previously discussed type of FDI. In a Russian case, efficiency-seeking outward FDI is mostly evidenced by the corporate consolidation of assets located in CIS countries and Eastern Europe. Examples include acquisition of refining assets in Odessa (Ukraine) by Lukoil, acquisition of the Linos oil refinery in the Lugansk region (Ukraine) by TNK-BP in 2000; purchase of Aluminium Foil Plant in

Armenia by Rusal. And more recently, in February 2006, Russian Severstal acquired a 60 percent stake in the Ukrainian metal producer Dneprometiz, the biggest producer of hardware products in Ukraine.

With the growing importance of the technology, innovation and know-how for the competitiveness of a modern company, there is a trend to focus on acquisition of technology- and R&D-intensive units (both companies and research institutes) as a form of asset-seeking FDI. Russian companies have a great interest in the advanced technologies, marketing experience and modern managerial skills. Yet, asset-seeking FDI to obtain a technological edge appears to be rare.

Russian multinational group Renova appears to be an exception from this rule. Recently, it was engaged in acquisition of two technology-intensive Swiss companies. In 2006, Renova bought 10.25% in Oerlikon Corp., and in 2008 it became its principle shareholder. Renova will help Oerlikon establish production of equipment for car components in Russia, and its turn, Oerlikon's technologies may be applied on Ural turbine plant, subsidiary of Renova (Integrum, 2008). In 2007, Renova also acquired a considerable stake in Sulzer AG, a producer of equipment for oil, gas, chemical, pulp-and-paper and other industries.

In order to understand the internationalisation strategies of Russian companies, these four classical "pull" motives of foreign investment can be complemented with the "push" factors. One of these "push" factors would obviously be a "system escape" motivation (Bulatov, 1998). In the late-1990s Russian companies sought to diversify from Russian market to foreign markets in order to escape economic volatility and political instability. While currently the Russian market shows the signs of economic stability for many years consecutively, many Russian companies still seek to venture abroad to hedge themselves against any potential political risks.

Another "push" factor is the underdeveloped financial sector in Russia. Skyrocketing oil and gas and commodities prices generate windfall of revenues, yet they boost the ambitions for further corporate growth and expansion. Russian financial system is still immature and cannot provide necessary financial resources, hence most Russian giants are unable to lend on the internal market. For example, in the Russian giant Gazprom faced problems when it decided to acquire the controlling stake of 72.663% in the oil company Sibneft. It had to raise \$13.09bn, which was virtually impossible in the domestic Russian financial system; and the loan was provided by a syndicate of western banks that included Morgan Stanley, ABN AMRO and Dresdner Kleinwort Wasserstein. Russian state-owned oil company Rosneft conducted its IPO (49% of shares) in London in 2006. Moreover, exchange rate appreciations and high interest rates at home speak in favour of access to capital in the West too.

3.4. Greenfield, Mergers & Acquisitions and Strategic Alliances

Traditionally, firm internationalisation implies two form of entering a host economy – acquisition of a domestic firm or establishment of a new subsidiary in a greenfield project. A more recent trend in internationalisation is establishment of strategic alliances with partners from a target

market. Formation of a strategic alliance has its own advantage and disadvantages compare to the traditional modes of internationalisation.

In the case of Russian companies, while most of the attention has been drawn to their acquisition of foreign assets, in fact they have been quite active in establishing greenfield projects, and their number even exceeded that of M&A deals (Table 4). Moreover, strategic alliances are popular among Russian companies; this number has fluctuated since 2000, but it has been steadily growing since 2004 (after a temporary decrease). Overall, all three modes of internationalisation (M&A deals, greenfield projects and strategic alliances) have been on the increase.

Table 4 Number of M&A deals, greenfield projects and strategic alliances initiated by Russian companies

	2000	2001	2002	2003	2004	2005	2006	2007
M&A deals	30	46	54	76	54	61	121	140
Greenfield projects			51	120	109	139	156	...
Strategic alliances	29	21	51	28	15	37	52	89

Source: UNCTAD WIR 2007, based on information from OCO Consulting, LOCOmonitor (for greenfield projects); Thomson SDC Platinum Mergers & Acquisitions / Joint Ventures & Alliances (for M&A deals and strategic alliances). Note: only strategic alliances with foreign partners are included, agreements between companies and governments are excluded.

While comparison between the three modes is interesting per se, I take a deeper look at the geographical distribution of M&A deals, and later – strategic alliances. The number of deals is used, rather than the value of transaction. The main reason is that the value of transaction is available only for certain M&A deals. Moreover, as I seek to show the magnitude of M&A activity rather than absolute amount in financial terms, the number of deals seems to be a more appropriate measure.

Table 5 Number of M&A deals performed by Russian companies

	2000	2001	2002	2003	2004	2005	2006	2007
Russia	279	290	249	329	219	253	332	476
CIS	17	19	20	40	25	20	29	35
Eastern Europe	6	6	17	17	10	11	12	20
Western Europe	5	18	8	13	8	19	51	53
Northern America	1	2	5	2	5	-	11	10
Asia			2	1	2	3	5	10
Middle East	1	1	1	2	2	5	4	6
Africa			1	1	1	1	6	1
Latin America						1	1	
Australia					1		2	
Rest of the world						1		5
Total	309	336	303	405	273	314	453	616

Source: calculated from the data of Thomson SDC Platinum Mergers & Acquisitions / Joint Ventures & Alliances. Note: Rest of the world – British Virgin Islands in 2005 and 2007, Turks and Caicos Islands in 2007, Jersey in 2007

The data in the Table 5 reveal several interesting trends. Firstly, Russian companies have been increasingly active in M&A activity, almost doubling the number of deals in 2007 in comparison to 2000. Secondly, M&A deals with other Russian companies account for the lion's share of all

M&A activity of Russian companies. The CIS economies were the main target of Russian multinationals at the beginning of the 2000s. The rate of acquisition remained practically the same throughout the entire period 20-40 M&A deals per annum. Since the mid-2000s we are witnessing interest of Russian multinationals towards assets in Europe (Western Europe in particular) and Northern America.

In the case of strategic alliances, the situation is somewhat different. To start with, the number of alliance partners in Russia is rather small. It might imply that companies operate in their habitual environment on the Russian market and they may obtain a full control over its target through a variety of market and non-market mechanisms. Moreover, lack of trust among economic agents on the market inhibits formation of strategic alliances. Similar reasons explain why this number is so low in CIS countries and Eastern Europe too. On the other hand, when entering sophisticated markets of Western Europe and Northern America as well as Asian countries, Russian companies tend to rely on strategic alliances as an alliance partner facilitates entry into foreign market. Moreover, Russian companies seek to obtain access to the latest technologies through a strategic alliance.

Table 6 Strategic alliances of Russian companies

	2000	2001	2002	2003	2004	2005	2006	2007
Total number of alliances	50	33	88	48	25	55	81	152
Russia	6	6	14	6	2	6	11	29
Western Europe	14	8	35	16	15	20	23	60
North America	11	6	14	12	7	6	20	19
CIS	7	8	12	6	1	4	5	12
Asia	7	8	17	3	1	9	17	31
Eastern Europe	2		2	2		3	1	6
Middle East				1	1	2		2
Africa	1	1	3				2	2
Latin America			2			2		1
Australia	2		1	1		1	1	1
Unknown				1	1	3	2	4
RoW (e.g. Guernsey)							1	1

Source: Thomson SDC Platinum Mergers & Acquisitions / Joint Ventures & Alliances.

Notes: The year of announcement and alliance partner, total number and number of alliance partners, excluding a Russian company in each alliance. If there are 3 partners in alliance, they are counted separately (as if Russian company formed an alliance with each partner separately), hence the number of alliance partner is not equal to the number of alliances. The immediate partner is counted as an alliance partner, not the ultimate owner.

3.5. Geography of Internationalisation

Modern Russian multinationals are re-tracing the steps of former Soviet “red multinationals”, from former Soviet republics to Africa, Asia and Latin America. In accordance with Uppsala Model and Investment Development Path, Russian multinationals started their internationalisation process from the neighbouring CIS countries. The process is facilitated by linkages established in the Soviet times, common business practices and relatively low interest to these economies from the part of well-established multinationals and Western investors. Russian energy companies are particularly interested in these markets. For instance, Russian electricity giant RAO UES has acquired power station and energy-distribution in Armenia, Georgia, Moldova and Ukraine. The prospects of economic growth in CIS countries offer even more investment opportunities in the future. This is why not only companies working in resource-intensive sectors, but also those in retail and consumer-oriented sectors enter CIS economies. For example, Russian biggest bank Sberbank offers its services to clients in Kazakhstan.

Moreover, in some cases Russian companies may use CIS countries as a testing ground for new innovative products or services before they are offered on a wide-scale in the home country. For example, in April 2006 a Belarusian subsidiary of a Russian telecommunications company MTS (part of the Sistema JSFC), in partnership with Siemens, launched a trial area of 3G communication network in the capital Minsk (Siemens, 2006). As the trial proved to be successful, MTS announced the launch of 3G in its home market Russia in the second half of 2008, or early 2009 (in partnership with Ericsson) (CNews, 2008). Similarly, with its launch in Ukraine in 2007, MTS became the first operator in the CIS region to offer Blackberry enterprise services to its subscribers. MTS intends to launch similar services back in Russia in 2008 (MTS, 2008). Over time Russian multinationals have extended their geographical reach and established commercial presence in Europe, which is now the main destination of Russian outward investment (Table 7).

Table 7 Foreign assets and foreign subsidiaries of top 25 Russian multinationals, 2006

	Number of foreign subsidiaries	Percentage of assets
Western Europe	271	52
Eastern Europe		11
CIS	119	22
Northern America	42	6
Asia and Australia	25	3
Africa	11	4
Latin America	6	2
Offshores	156	

Source: Skolkovo (2007)

In the Eastern European markets Russian companies enjoy familiarity with the local conditions, yet it often sparks political sensitivities given the uneasy common past. As an example, the acquisition of the ailing Vítkovice Steelworks in Czech Republic by Evraz Group in 2005 was complicated. The situation is somewhat paradoxical. It is quite logical that Russian companies start internationalisation with the expansion to the nearest regions, such as CIS and Central and Eastern Europe. Yet, the very same countries are wary of Russian economic presence regarding it through the prism of the economic dependency. Besides, new EU member states seek to deliver this message to the entire union.

As for Western Europe, although the political sentiments are not as strong as in Eastern Europe, in the West Russian companies faces with different managerial practices. They are requested to reveal their shareholders' structure and introduce more transparency in their operations. For many Russian companies born in the period of "cowboy capitalism" and extensively using the scheme of acquisition through offshore companies, these requirements are quite demanding and challenging. According to Skolkovo (2007), top 25 Russian multinationals have 156 offshore subsidiaries (comparing to 474 subsidiaries worldwide, or the same number as the aggregate number of subsidiaries in CIS, Asia and Africa).

A good example of a successful deal in Western Europe is the acquisition of Danish steel manufacturer DanSteel A/S by Novolipetsk Steel. The Russian company has been in a long-standing partnership with DanSteel, being its major supplier of quality steel slabs since 2002. In January 2006 Novolipetsk Steel acquired a 100% stake in DanSteel A/S. The Danish plant receives its raw materials from Novolipetsk Steel in Lipetsk every week and produces structural steel, shipbuilding steel and steel for boilers and pressure vessels (NLMK, 2008).

Russian multinationals are considering and increasing their presence in locations in the Northern America, Australia and Africa. Since the most Russian multinationals operate in the resource-based sectors, their orientation of Africa, rich in mineral resources, is unsurprising. For example, Alrosa, Russia's largest diamond company is involved in three projects in Angola (Alrosa, 2008). Norilsk Nickel is engaged in two nickel mining projects in Botswana and South Africa (NorilskNickel, 2008). Russian companies in non-source sectors are moving to Africa as well. In September 2006, a joint Russian-Angolan bank Banco VTB Africa SA opened in Angolan capital Luanda (VTB owns 66% of shares in this establishment). VTB had already had its presence in Namibia before (VTB, 2008).

Moreover, "no go" countries (such as Cuba, Iraq, Iran, Libya and Syria) had strong ties with the former USSR, and they are open for Russian investments. Lukoil was active in Iraq before the US-led invasion. In Iran, Gazprom is engaged in exploration of the South Pars field project executed by the consortium comprised of Total, Petronas and Gazprom (Gazprom, 2008). More recently, in April 2008, Gazprom signed a deal with the National Oil Corporation of Libya to set up a joint venture (RIAN, 2008). Russia can still leverage its former close relations and knowledge of these countries to its advantage and advantage of Russian multinationals.

3.6. Corporate R&D of Russian multinationals

Innovation and R&D are undoubtedly recognised as the ultimate source of corporate competitiveness in the contemporary world. Furthermore, multinational companies are creators and bearers of innovation and ideas across borders (Romer, 2003; Sanna-Randaccio and Veugelers, 2003). Emerging multinational companies start realising the importance of investment in R&D, viewing it as a necessary condition for the long-term sustainability. It finds its reflection in the R&D Scoreboard of the top 850 UK and 1250 global companies by R&D investment, published annually by the UK Department for Business Enterprise & Regulatory Reform (formerly Department of Trade and Industry). It has become the core reference for benchmarking R&D investment data.

Judging by the sheer number of companies in the list, the performance of BRICS is rather modest, with the total number of 21 company out of 1250 (and without any South African or Mexican company). China (incl. Hong Kong) has the biggest number of companies – 10, while Russia is represented only by Gazprom. BRIC companies appeared in the R&D Scoreboard list for the first time in 2001, and since then they started strengthening their presence. Retrospective analysis reveals increase in the number of R&D top performers among Chinese and Indian companies, while the number of Brazilian and Russian companies remains roughly the same. In fact, it even decreased for Russia: in 2006 and 2007 it is represented only by Gazprom, while in 2005 a national car maker AvtoVAZ was also present.

Table 8 Investments of BRIC companies in R&D (£mIn)

Report Publication	2001	2002	2003	2004	2005	2006	2007
Year of analysis	2000	2001	2002	2003/04	2004/05	2005/06	2006
Total number of firms in Scoreboard	500	600	700	700	1000	1250	1250
China		1	2	3	6	9	10
India			1		1	3	7
Brazil	1	1	1	2	3	3	3
Russia					2	1	1
South Africa			1	1	1	1	
Total R&D investment of companies in Scoreboard	193 351	206 466	206 719	204 579	219 723	249 355	243 944
China		108.44	151.15	311.4	513.16	838.63	945.73
India			238.00		48.64	155.08	268.17
Brazil	90.39	91.14	91.31	209.05	238.64	448.02	674.81
Russia					82.17	132.63	254.70
South Africa			74.06	55.99	36.52	20.85	

Note: Numbers for China calculated as a sum of China (proper) and Hong Kong
Source: BERR (2008), and annual R&D Scoreboards by UK DTI

The numbers for BRIC are still only a tiny share of the global R&D spendings. However, it should be kept in mind that the cost of R&D (primarily, the workforce wage) is lower in emerging economies than in developed countries. Moreover, despite this modest performance in terms of number of companies, BRIC multinationals are catching up. While annual growth of 1250 global R&D performers constituted 9%, Chinese and Indian multinationals showed 30% growth, Brazilian multinationals – 71.7% and Russian ones (Gazprom) virtually doubled its R&D investment. Similarly, measuring in the long-term perspective (4 years), the rates of growth have been impressive – from 25.8% in China to 220.0% in Russia, whilst the average growth of G1250 companies was only 5.5%. Other indicators also speak in favours of BRIC, but the analysis here is more complex taking into consideration industry-specific features. For example, Indian multinationals as a group invested 27.4% of operating profit into R&D, while Russian Gazprom – only 1.6%. The explanation comes from the fact that many Indian multinationals operate in pharmaceuticals and biotechnology, where this ratio by definition is extremely high due to high costs of developing new drugs and molecules.

Table 9 Emerging multinationals in the Global 1250 R&D 2007 Scoreboard

	Number of companies in Scoreboard	R&D investment 2006/07, £m	Growth over last year %	Growth over average of last 4 years %	As % of operating profit	As % of sales	R&D investment plus capital expenditures as % of sales	Industries
China	7	765.66	32.3	25.8	3.2	0.6	9.9	1, 4, 7, 8
Hong Kong	3	180.07	12.6	110.9	65.8	1.9	3.1	3, 4
Brazil	3	674.81	71.7	147.6	4.9	1.4	21.4	1, 2, 6
India	7	268.17	30.6	50.8	27.4	3.8	12.6	5, 8, 9
Russia	1	254.70	101.0	220.0	1.6	0.6	20.7	1
World	1250	20 927.5	9.0	5.5	13.4	1.8	8.2	

Source: BERR (2008)

Notes on industries: 1 – oil & gas producers; 2 – mining; 3 - electronic & electrical equipment; 4 - technology hardware & equipment; 5 - automobiles & parts; 6 - aerospace & defence; 7 - fixed line telecommunications; 8 - software & computer services; 9 - pharmaceuticals & biotechnology

Gazprom, which occupies the 172th place in the ranking, is performing relatively well in comparison to other oil and gas producers in the G1250 list. It invests 1.6 % of operating profit into R&D, the same number as average for 18 companies, and even higher in terms of R&D investment as percentage of sales – 0.6 against 0.3% on average. As it has already been said, Gazprom almost doubled its R&D investment over the last year comparing only to 20% increase on average among global oil and gas producers.

The fact that Russian multinationals appeared in the Scoreboard only in mid-2000s is reflects the state-of-affairs in the Russian economy in the period of the 1990s, investment in R&D was not among the priorities of Russian companies. The main goals were acquisition of state assets in controversial deals, struggle for a market share, corporate restructuring and consolidation. In most cases profits were divided among few shareholders or landed into affiliated companies in offshore paradises. Investment in R&D did not generate immediate profits and therefore were considered uneconomical. Moreover, many emerging Russian companies are in low R&D-intensive oil and gas sector, where R&D investment on average account for 1.6% of operating profit comparing to almost 20% in pharmaceuticals (BERR, 2008).

Russian companies have used various approaches to organise their corporate R&D. The most widely used (and the most economical) on was the acquisition of state-owned research institutes². Most Russian emerging multinationals were formed as a result of privatisation of state assets in the 1990s. In the similar way, many former state-owned research institutes that used to be part of Ministries or Academy of Sciences were privatised and got integrated in these companies, or vice versa – became part of these companies that got privatised later³.

The R&D department of Norilsk Nickel is a research institute “Gipronickel”, located in St. Petersburg. This research institutes was established in 1934 within the Ministry of Industry of USSR. Since 1990 it is part of the State Concern “Norilsk Nickel”; in April 1994 the Concern became a joint-stock company, and all enterprises within the Concern (including “Gipronickel”), became its daughter companies. In 2007 other Russian research institutes joined “Gipronickel”, making it a hub of the corporate R&D for Norilsk Nickel. Now, “Gipronickel” is the major metallurgic R&D institute in Russia (Gipronickel, 2008).

Gazprom has its own research institute VNIIGAZ that provides scientific and technological solutions to research, development and project issues, with the main purpose is to find and make use of new oil/gas wells. The research institute was established in 1948. In 1999 the institute was reorganised in a limited liability company, with Gazprom possessing 100% shares. Currently, VNIIGAZ is a network of research centres, divisions and laboratories. VNIIGAZ cooperates with foreign multinationals and research institutes from US, UK, Norway, France, Italy, Germany, Hungary, Japan, China, Argentina, Kazakhstan, Ukraine and Uzbekistan (Vniigaz, 2008).

Rosneft is not an exception in the way its R&D is structured. In order to achieve the integration of corporate research, Rosneft has created a corporate scientific and production complex, which unites four oil and gas scientific research institutes in different Russian regions. The geographical location of these four institutes enables the company to cover all the regions in

² In the centrally planned economic system, the organisational structure for research, development and innovation was highly fragmented. There was a traditional separation between a network of branch R&D, project design and product design organisation on one side, and a network of enterprises on the other (Hanson and Pavitt, 1987). With the collapse of the central planning system, these research institutes remained without customers as many state-owned enterprises closed down or drastically reduced demand in the results of R&D.

³ Likewise, western multinationals acquired research institutes in transition economies in the 1990s (see Filippov and Costa, 2008 for life sciences in Czech Republic)

Russia where it operates. These four institutes are former state-owned research institutes which were privatised in the 1990s (Rosneft, 2008).

As resources get depleted in the traditional oil- and gas-bearing provinces and new resources are remote and increasingly difficult to produce, and major part of equipment became obsolete, many oil and gas corporations realised that advanced technology is a main driver of corporate profitability. Yet, after a decade of neglect of fundamental and applied research, many state-owned research institutes (many of whom are now corporate R&D centres) have lost its expertise. Moreover, a frontier in many sciences, such as life sciences, has moved radically, making it virtually impossible to catch-up; and hence making development of internal research capabilities a futile undertaking. Therefore, access to foreign technology has been perceived as a reasonable way to boost the productivity and increase profitability.

Generally speaking, as any other company, Russian multinationals may choose to source technology in two different ways; firstly, by forming a strategic alliance with a Western firm, and secondly, by acquiring a technology-intensive western company. Obviously, there is a multitude of opportunities in between these extremes. In case of oil and gas companies, they may also sign profit-sharing agreement with a western multinational for development of specific oil fields. In the 1990s, several production sharing agreements (PSA) were concluded, which involved participation of Exxon (US), SODECO (Japan), Shell (UK/the Netherlands), Marathon (US), Mitsui, Mitsubishi (Japan), Mobil, Texaco, Exxon (US) ARCO (US) British Petroleum (UK), TotalFinaElf (France), NorskHydro (Norway) Conoco (US), etc.

In terms of forming strategic alliances, oil company Yukos has been an unrivalled leader, as it opted for strategic alliances as the main source of technology acquisitions and efficiency improvement. In 1998 Yukos formed strategic alliance with the multinational Schlumberger and started implementing QHSE (Quality, Health, Safety, Environment) management at all sites. It was argued that Schlumberger's expertise helped Yukos increase production rates at certain oil wells 30% to 200% (Alexander's Gas and Oil, 2001). In July 2000, Yukos signed a contract with Norwegian engineering firm Kvaerner for development of surface infrastructure at west Siberian Priobskoye field. Besides, Yukos had a strategic alliance with TotalFinaElf covering the Shatsky block in the Black Sea. Partnering with western companies had as its goal to improve the ratio of developed to under-developed oil reserves.

Henderson and Radosevic (2004) compared the use of alliances by Lukoil and Yukos to access the technology. They argue that for Yukos alliances have been central to improved operational efficiency and growth of the company, while for Lukoil alliances have been peripheral to its performance (resulting to worse financial and operational results of the company). One of the alliances that Lukoil formed has been the one with the US giant Conoco Philips. Both companies went even further, and in 2004 Conoco Philips acquired 7.6% stake in Lukoil, later it increased it to 20%. As a result, Lukoil got access to the latest technologies and capital, and Conoco Philips secured access to Lukoil's oil and gas reserves in Russia.

For Russian telecommunications companies such as MTS and VimpelCom foreign expertise in the telecommunications sector became indispensable, and they chose alliance and partnerships

with foreign companies, technological leaders, as a way to access the latest technologies. They could not integrate any former state-owned research institutes as the companies operating in resource-intensive sectors. Both telecommunications companies were created from scratch rather than established in the process of privatisation, and they didn't inherit any research institutes. Moreover, Russian research institutes didn't possess competence in the new telecommunications technologies rapidly developing in the West. Acquisition of a Western company was also troublesome (as the number of such companies on the market is limited). Both MTS and VimpelCom entered in partnerships with Ericsson and other leading technology companies (Ericsson, 2004a, 2004b).

In terms of foreign acquisitions, a good example is a deal between Russian multinational Basic Element and Magna International (Canada), second largest auto parts maker in North America, in May 2007. Basic Element invested \$1.54bn into the Canadian international. The Russian company aims to get access to the advanced Western technologies, and Magna, in its turn, secures local partner in the fast-growing auto markets.

3.7. State Policy on Outward Investment: “Copy China”

Acquisition of foreign assets by Russian multinationals has raised concerns in developed markets. Many believe that Russian multinationals (whose capital is allegedly directly or indirectly controlled by the Russian government) are seeking not the access to technology, capital or market, but rather act as tools of Russian foreign policy seeking to project Kremlin's power on a number of countries.

While majority state-owned company like Gazprom and Rosneft are by definition closely-linked to the Kremlin, others active in overseas M&A (Lukoil, Rusal, Severstal) might be indirectly related to the Kremlin. On top of that, there are no indications that smaller companies operating in non-energy sectors (telecommunications firms MTS and Vimplecom or food producer Wimm-Bill-Dann) may be controlled by the state. Apparently, for them the profit maximisation emerges as the main motive for internationalisation.

Generally speaking, a government can promote outward FDI and exports through a variety of economic and financial measures such as tax rebates. A state can also conduct “economic diplomacy” to promote the interests of their companies overseas. Seemingly, unlike the Chinese “going global” programme, supporting attempts of national champions to internationalise by implementing an investment-friendly framework (Sauvant, 2005), Russian Federation has never had any specific policy to promote outward FDI (Kalotay, 2008). At least this policy has not been explicitly formulated and/or openly conducted.

Things are starting changing, however. Dmitry Medvedev, the new Russian President, made a speech in January 2008 (while still in the capacity of Deputy Prime Minister) to influential Russian big businesses. In the speech he appealed to Russian companies to “copy China” by expanding overseas and going on a global buying spree of foreign assets. *“This is a very important task. The majority of powerful countries are engaged in this. Many of them are very*

active, like China. And we should be active, too" (FT, 2008). Mr Medvedev underscored that expanding Russian presence overseas would be beneficial for the Russian economy and cut its dependence on foreign technology. A global expansion drive would *"allow us to retool Russian enterprises with technology, boost their production culture and grant them the opportunity to diversify investments and win new markets"* (FT, 2008).

He pledged Government's support at home and abroad to expanding Russian companies acquiring assets overseas, specifically, competitive energy and high-tech industries. Despite the declaration of strategic support, Russian government has not yet developed a consistent policy of assisting Russian multinationals in the global expansion. However, it is often speculated that Russian government provides implicit policy support.

4. EU-Russia Relations and Russian Multinationals

4.1. Russia's Companies in Europe

According to Skolkovo (2007), at the end of 2006, 63% of the foreign subsidiaries of Russian multinationals concentrated in Europe. Yet, Russian investment into EU member states reaches only €3bn, while the EU investments to Russian economy amount to €30bn, while (CBR, 2008). More specifically, Russians target Eastern Europe for a variety of reasons, ranging from psychological ones (similar mentality and shared past) to pragmatic ones (opportunities of growing markets and access to the single European market).

For example, Russian metallurgical company Mechel has a network of subsidiaries in Europe, specifically, in Romania and Lithuania. Mechel Nemunas in Lithuanian Kaunas is a metallurgical plant specialising in hardware manufacturing, majority of whose output is sold to consumers in the EU (Mechel, 2008). It may be argued that Lithuanian membership was essential in the decision to acquire Nemunas, as the company obtained control over the assets in October 2003, in the wake of EU enlargement. The situation is similar with the Romanian case. Russia and EU have an export quota system in place whereby Russian exports to the EU are limited to certain stipulated quantities for each product category. Besides, Russian industrial technologies may not be able to comply with these raised environmental standards and such non-compliance may become an additional basis for restricting Russian steel exports to the European market. Production within the EU borders enables to effectively avoid these restrictions on the export of products to the EU member states.

Gazprom is actively in the Baltic region too. In January 2004, Gazprom finalised its acquisition of a 34% stake in Lietuvos Dujos, Lithuania's natural gas company; and before that it had already held stakes in the energy companies in Latvia (25% stake in Latvian Gaze) and Estonia (37% stake in Eesti Gaas). (EIA, 2004). Once again, the 2004 EU enlargement could serve as a motivation, as Gazprom could consider Baltic countries as a ground for its greater exports to the rest of EU.

Table 10 Recent M&A deals in Europe by Russian companies

	Sector	Target	Country	\$mln	Year
Amtel	Chemicals	Vredestein Banden	NL	201	2005
Basic Element	Metallurgy	Hochtief AG	DE	525	2007
Evrax Group	Metallurgy	Vikovice Steel	CZ	287	2005
Global Information Services Holding	Machinery	Altis Semiconductors	FR	449	2007
Lukoil	Fuel & Energy	Jet Petrol Stations	CZ, PL, HU, FI	560	2007
Lukoil	Energy	Nelson Resources	UK	2000	2005
Norilsk Nickel	Metallurgy	OMG nickel assets	AU, FI	408	2006
Novolipetsk Steel	Metallurgy	Duferco	US, EU	806	2006
Novolipetsk Steel	Metallurgy	Steel Invest & Finance SA	LU	805	2006
Renova	Energy	Energetic source SPA	IT	700	2007
Rusal	Metallurgy	SUAL, Glencore	CH	3,600	2007
Rusal	Metallurgy	Eurallumina SPA	IT	420	2006
Severstal	Mining (gold)	Celtic Resources Holdings Plc	IE	315	2007
Severstal	Metallurgy	Lucchini SpA	IT	579	2005
Severstal	Metallurgy	Lucchini SpA	IT	700	2006

Source: M&A Journal; Thomson Financial

Note: only stakes above 10% and deals over \$100mln included

Russian companies not only acquire assets in Europe, they also use European locations as a destination for re-investment to Russia. This is known as the “round tripping” phenomenon, a situation when investors channel their local funds abroad with the purpose of subsequent return to the domestic economy in the form of foreign direct investment (IMF, 2004: 70; UNCTAD, 2006: 70). “Round tripping” through Europe and other locations allows Russian companies to benefit from investment incentives granted to foreign investors, but more importantly – to hedge themselves from any political risks in Russia (which may affect domestic companies). In Europe, Cyprus and Luxembourg emerge as offshore locations, through which Russian companies perform major investment activities.

4.2. Challenges

Lack of mutual investment reciprocity and lack of trust appear to be the biggest challenge in the Russia-EU bilateral relations. While the European multinationals complain about the Russian state's strong grip on the economy (and energy sector in particular), similarly, Russian companies claim that the access to the EU market and acquisition of assets are often constrained due to political considerations.

Given the controversial history of privatisation in Russia, Europeans may have legitimate concerns over the activities of Russian multinationals and acquisition of assets in Europe. While the worries about Russian multinationals as tools of Kremlin's foreign policy may be too much politicised, concerns over the current business practices of Russian multinationals may remain valid. The concerns perhaps would not be strong if Russian companies were engaged not in M&A but in greenfield investment in Europe, thus creating new jobs and generating tax revenues for host economies.

Russian multinationals will have to change these practices sooner or later. As many of them seek to attract foreign capital, they have to increase transparency and to adopt international business standards and practices; something that Russian companies have been reluctant to do so far. Russian multinationals need to introduce more transparency, improve reporting procedures, protect minority shareholders rights. It is increasingly acknowledged that long-term competitiveness of Russian companies depends on best practices in corporate governance.

Image of Russian multinationals remains a big problem and obstacle for internationalisation. Russian companies have to be more open in communicating to the world. In the present, most of them still behave according to "bunker mentality". The battle for Arcelor in 2005 between Mittal Steel and Severstal is a good example. While Mittal launched an offensive PR campaign and effectively promoted itself in the media, Severstal remained silent.

The issue of investment reciprocity comes to the fore. Instead of mutual reciprocity and mutual promotion of direct investment, both parties quite often engage in creation of different barriers and establishment of mutual restrictions. "Depolitisation" of the issue of foreign investment emerges as a way forward in the bilateral relations.

Presently, Russia restricts foreign investments in energy sector and other important sectors such as national defence. These restrictions are stipulated by the Law on Foreign Investments in the Strategic Sectors and new amendments to the Law on Subsoil. Likewise, on 19 September 2007, the European Commission adopted a third package of legislative proposals in the domain of EU energy policy. The Commission aims at a wider consumer choice, fairer

prices, cleaner energy and security supply. This package strengthened guarantees for EU companies of fair competition with third country companies. More specifically, the companies from third countries wishing to acquire a significant interest or even control over an EU network have to demonstrably and unequivocally comply with the same unbundling requirements as EU companies. The European Commission can intervene in situations where a third country company fails to do so (EC, 2007). Overall, Europe is not ready to stick to the economic liberalism when faced with Russian companies. In May 2008 the EU internal markets commissioner Charlie McCreevy called for more openness to foreign investment in Europe and argued Europe must “practice the openness we preach” (CNBC, 2008).

4.3. Prospects

A view which is shared by both sides is that a balanced and equitable partnership is needed in EU-Russia bilateral relations. A prospective solution is a plan on the table entailing a creation of EU-Russia Free Trade Area. The current EU-Russian bilateral relationships are regulated in the framework of the Partnership and Co-operation Agreement (PCA), which was signed in 1994 and entered into force on December 1, 1997. One of its main objectives is the promotion of bilateral trade and investment. By the end of 2007 the current PCA came to an end of its initial 10-year period. Yet, it remains in force unchanged because the both parties have not negotiated a new one due to a variety of reasons.

The energy issues dominate in the bilateral EU-Russia dialogue; and significant prospects for EU-Russian bilateral relations lay in this sector. Russian companies seek to buy energy assets in Europe to boost their presence (e.g. Gazprom’s intentions to buy Centrica, which owns British Gas); and Europeans equally aim at the Russian energy sector. Liberalisation of the EU downstream energy market provides enhanced opportunities for Russian multinationals. Yet, the proposals being drafted by the EU competition commissioner Neelie Kroes are still in their infancy. If adopted, they will enable “unbundled” European energy markets, requiring separate energy production and distribution networks, and to integrate 27 national markets in one.

5. Conclusions

Russian companies emerged recently on the global economy are increasingly catching the world headlines.

Emergence of Russian multinationals has been largely perceived as a threatening development; and an argument has been invoked quite often that Russian multinationals are tools of foreign policy rather than economic agents. This perception has been a stumbling block on the way of academic studies of this phenomenon.

Our analysis in the paper shows that many Russian companies expanding overseas are in fact motivated by economic reasons. Yet, the study of interrelatedness of Russian foreign policy and

expansion of Russian companies overseas deserves a special attention and should be studied within the relevant research area.

As it has already been stated in the introduction, most Russian companies are reticent concerning their economic activities, and in particular, foreign operations (e.g. wide-spread use of offshore companies). Obviously, it poses challenges and creates limitations for the academic research. With this restricted access to the primary data on the level of particular companies, scholars have to deal only with publicly available secondary data on the topic that hide significant information.

As aforementioned, aggregated data on the amount of outward of FDI is a very proxy for activities of multinationals. In the paper different sources of data were used to “zoom in” to Russian multinational companies themselves. Hence, a logical step and a promising avenue for further research is a study of subsidiaries of Russian companies, i.e. to “zoom in” further. Recent research on foreign subsidiaries (starting from the seminal paper of Birkinshaw and Hood, 1998) has developed tools for such analysis. More specifically, what kind of functions these subsidiary possess, what level of competence they have, what is the level of autonomy, what is the path of their development and learning over time.

As shown in the paper, by acquiring foreign assets in western countries, Russian companies seek to obtain access to the latest technologies. In this respect, an interest avenue of study is how this technology, knowledge and expertise from an acquired firm (i.e. newly established subsidiary) is transferred to the headquarters and other units in the corporate network, and what kind of tools and mechanisms facilitate this process.

The global financial crisis ravaging most economies is undeniably affecting Russia’s multinational companies too, forcing them to rethink their expansion plans, and invent new ways of internationalisation. Yet, Russia’s multinationals are set to play an increasing role in European and world business, remaining an exciting research area.

References

- BCG, 2008. The 2008 BCG 100 New Global Challengers. How top companies from rapidly developing economies are changing the world. BCG, Boston.
- Benito, G., Narula, R. (eds.), 2007. Multinationals on the periphery. Macmillan, London.
- BERR, 2008. The 2007 R&D Scoreboard. The top 850 UK and 1250 global companies by R&D investment. London: Department for Business Enterprise & Regulatory Reform
- Birkinshaw, J., Hood, N. 1998. Multinational subsidiary development: Capability evolution and charter change in foreign-owned subsidiary companies, *Academy of Management Review* 23(4), 773-795.
- Buckley, P.J., Casson, M.C., 1976. The Future of Multinational Enterprise. Macmillan, London.
- Bulatov, A., 1998. Russian direct investment abroad: main motivations in the post-Soviet period. *Transnational Corporations* 7(1), 69-82.
- Bulatov, A., 2001. Russian direct investment abroad: history, motives, finance, control and planning, *Economics of Planning* 34(3), 179-194.
- Crane, K., Peterson, D.J., Oliker, O., 2005. Russian investment in the Commonwealth of Independent States. *Eurasian Geography and Economics* 46(6), 405-444.
- Dunning, J. H., 1993. *Multinational Enterprises and The Global Economy*. Addison-Wesley, Wokingham, England and Reading, Mass.
- Dunning, J.H., 1977. Trade, location of economic activity and the MNE: a search for an eclectic approach, in: Ohlin, B., Hesselborn, P.O., Wijkman, P.M. (Eds.), *The International Allocation of Economic Activity*. Macmillan, London and Basingstoke, pp. 395-418.
- Dunning, J.H., 1981. *International Production and the Multinational Enterprise*. George Allen and Unwin, London.
- Dunning, J.H., 1988. The eclectic paradigm of international production: a restatement and some possible extensions. *Journal of International Business Studies* 19(1), 1-31.
- Dunning, J.H., Narula, R., 1998. *Foreign Direct Investment and Governments, Catalysts for Economic Restructuring*. Routledge, London and New York.
- Dunning, J.H., van Hoesel, R., Narula, R., 1998. Third world multinationals revisited: new developments and theoretical implications, in: Dunning, J.H. (ed.) *Globalisation, Trade and Foreign Direct Investment*. Pergamon Press.
- Filatotchev, I., Buck, T., Wright, M., 2007. Soviet all-union enterprises as new multinationals of the CIS. *The International Executive* 35(6), 525-538.
- Filippov, S., Costa, I. 2008. Go East? Multinational companies in the Czech life sciences. *Studies in Ethics, Law and Technology* 2(2)
- Globerman, S., Shapiro, D., 2006. Outward FDI and the economic performance of emerging markets. International conference on the rise of transnational corporations from emerging markets: threat or opportunity? Columbia University, NY.
- Goldman, M.I., 2004. Putin and the oligarchs. *Foreign Affairs*, November/December
- Goldstein, A., Shaw, T.M., 2007. *Multinational companies from emerging economies: composition, conceptualisation and direction in the global economy*. London, Macmillan.
- Hamilton, G. (Ed.), 1986. *Red Multinationals or Red Herrings?: The activities of Enterprises from Socialist Countries in the West*. St. Martin's, New York.

- Hanson, Ph., Pavitt, K., 1987. The comparative economics of research and development in East and West: a survey. *Fundamentals of Pure and Applied Economics* 25.
- Hart, S.L., 2005. *Capitalism at the Crossroads*. Wharton School Publishing.
- Heenan, D.A., Keegan, W.J., 1979. The rise of third world multinationals. *Harvard Business Review* 57(1), 101–109.
- Heinrich, A., 2003. Internationalisation of Russia's Gazprom. *Journal of East European Management Studies* 8(1), 46-66.
- Heinrich, A., 2006. Russian companies in old EU member states: the case of Germany. *Journal of East-West Business* 11(3-4), 41-59.
- Henderson, J., Radosevic, S., 2004. Restructuring and growth of post-socialist enterprises through alliances: Lukoil and Yukos, in: Radosevic, S., Sadowski, B. (Eds.), *International Industrial Networks and Industrial Restructuring in Central and Eastern Europe*. Kluwer Academic Publishers, Boston, pp. 223-236.
- IMF, 2004. *Revision of the balance of payments manual (Annotated outline)*, 5th ed. IMF, Washington.
- Johanson, J., Vahlne, J.-E., 1977. The internationalisation process of the firm: a model of knowledge development and increasing foreign market commitment. *Journal of International Business Studies* 8(1), 23-32.
- Kalotay, K., 2002. Outward foreign direct investment and governments in Central and Eastern Europe: the cases of the Russian Federation, Hungary and Slovenia. *The Journal of World Investment* 3(2), 267-287.
- Kalotay, K., 2004. Will foreign direct investment take off in the Russian Federation?. *The Journal of World Investment & Trade* 5(1), 119-138.
- Kalotay, K., 2005. Outward foreign direct investment from Russia in a global context. *Journal of East-West Business* 11(3-4), 9-22.
- Kalotay, K., 2008. Russian transnationals and international investment paradigms. *Research in International Business and Finance* 22, 85-107.
- Kets de Vries, M., Shekshina, S., Korotov, K., Florent-Treacy, E., 2004. The new global Russian business leaders: lessons from a decade of transition. *European Management Journal* 22(6), 637-648.
- King, R., Hill, M., Cornforth, J., 1995. From “red multinationals” to capitalist entrepreneurs?. *European Journal of Marketing* 29(13), 6-22.
- Lall, S., 1983. *The New Multinationals: The Spread of Third World Enterprises*. Wiley, New York.
- McMillan, C., 1987. *Multinationals from the Second World: Growth of Foreign Investment by Soviet and East European Enterprises*. St. Martin's Press, New York.
- OECD, 2006. *Emerging Multinationals: Who are They? What Do They Do? What is at Stake?*. OECD, Paris.
- Prahalad, C.K., 2004. *The Fortune at the Bottom of the Pyramid*. Wharton School Publishing.
- Romer, P., 1993. Idea gaps and object gaps in economic development. *Journal of Monetary Economics* 32, 543-73.
- Sanna-Randaccio, F., Veugelers, R., 2003. Global innovation strategies of MNEs: implications for host economies, in: Cantwell, J. & J. Molero (eds). *Multinational*

Enterprises, Innovative Strategies and Systems of Innovation. Edward Elgar, Cheltenham.

- Sauvant, K., 2005. New sources of FDI: The BRICs – outward FDI from Brazil, Russia, India and China. *The Journal of World Investment & Trade* 6(5), 639-709.
- Shekshnia, S. 2001. Troika Dialog founder Ruben Vardanian on building Russia's first investment bank. *Academy of Management Executive* 15(4), 16-23.
- Skolkovo, 2007. Russian multinationals bullish on foreign markets. Release of the Skolkovo – CPII 2007 Ranking of multinational enterprises by the Moscow School of Management and the Columbia Program on International Investment. Moscow and New York.
- UNCTAD, 2006. FDI from Developing and Transition Economies: Implications for Development, *World Investment Report 2006*. United Nations, Geneva.
- UNCTAD, 2007. Transnational Corporations, Extractive Industries and Development, *World Investment Report 2007*. United Nations, Geneva.
- Vahtra, P., Liuhto, K., 2006. An overview of Russia's largest corporations abroad, in: Liuhto, K. (Ed.), *Expansion or Exodus – Why do Russian Corporations Invest Abroad?* International Business Press, New York.
- Vernon, R., 1966. International investment and international trade in the product cycle. *Quarterly Journal of Economics* 80, 190-207.
- Vernon, R., 1979. The product cycle hypothesis in a new international environment. *Oxford Bulletin of Economics and Statistics* 41, 255-267.
- Wells, L.T., 1983. *Third World Multinationals: The Rise of Foreign Investment from Developing Countries*. MIT Press, Cambridge, MA.
- Williamson, O., 1975. *Markets and Hierarchies: Analysis and Antitrust Implications: A study of The Economics of Internal Organisation*. Free Press, New York.

Press reports:

- Alexander's Gas and Oil Connections (2001). Yukos expects alliances with western investors this year. April 26, 2001, retrieved from <http://www.gasandoil.com/goc/company/cnr12272.htm>
- Aron, L. (2004). The Putin Restoration. American Enterprise Institute Online. April 26, 2004, retrieved from http://www.aei.org/publications/pubID.20360/pub_detail.asp
- BBC (2004). Putin backs state grab for Yukos. December 23, 2004, retrieved from <http://news.bbc.co.uk/1/hi/business/4120339.stm>
- CNBC (2008). EU's McCreevy calls on China, Russia to end unfair trade, investment rules. May 5, 2008, retrieved from <http://www.cnbc.com/id/24462509>
- CNews (2008). MTS to launch 3G in Moscow in 2009. April 16, 2008, retrieved from <http://eng.cnews.ru/news/line/indexEn.shtml?2008/04/16/297405>
- EIA (2004) Baltic Sea Region. January 2004, retrieved from <http://www.eia.doe.gov/emeu/cabs/latvia.html>
- FT (2008) Copy China says Medvedev. February 1, 2008.
- Integrum (2008). Vekselberg increases stake in Swiss Oerlikon to blocking shareholding. April 9, 2008, retrieved from <http://www.integrum.com/ArticlesByCategoryPage.aspx?oid=199>

- RIAN (2008). Russia, Libya to set up joint oil and gas venture. May 13, 2008, retrieved from <http://en.rian.ru/russia/20080417/105284724.html>

Company reports and press-releases

- Alrosa (2008) <http://eng.alrosa.ru/news/detail.php?ID=4088>
- EC (2007) http://ec.europa.eu/energy/electricity/package_2007/index_en.htm
- EC (2008) http://ec.europa.eu/trade/issues/bilateral/countries/russia/index_en.htm
- Ericsson (2004a) <http://www.ericsson.com/ericsson/press/releases/20040714-952824.shtml>
- Ericsson (2004b) <http://www.ericsson.com/ericsson/press/releases/20040927-961920.shtml>
- Gazprom (2008) <http://www.gazprom.com/eng/articles/article8523.shtml>
- GiproNickel (2008) <http://www.nickel.spb.ru/history.shtml>
- Mechel (2008) http://www.mechel.com/about/production_capacity/index.wbp
- MTS (2008) <http://www.mtsgsm.com/profile/strategy>
- NLMK (2008) http://www.nlmksteel.com/StandardPage_692.aspx
- Norilsk Nickel (2008) http://www.nornik.ru/en/our_products/norilsknickelafrica
- Rosneft (2008) <http://www.rosneft.com/about/history>
- Siemens (2006) <http://siemens.by/en/press/releases/2006/3qmts>
- Vniigaz (2008) <http://www.vniigaz.ru/en/about/index.php>
- VTB (2008) <http://www.vtb.com/rus/web.html?s1=24&s2=522&s3=1&l=2>

Databases:

- CBR: <http://www.cbr.ru/statistics/main.asp>
- M&A Journal: <http://www.ma-journal.ru>
- Thompson International

Annex 1

Russian companies in the FORBES Global 2000 list. Year 2008

	Company	Industry	Sales (\$bn)	Profits (\$bn)	Assets (\$bn)	Market Value (\$bn)
19	Gazprom	Oil & Gas Operations	81.76	23.30	201.72	306.79
108	Lukoil Holding	Oil & Gas Operations	54.11	7.69	47.88	62.25
151	UES of Russia	Utilities	34.00	3.17	58.48	47.09
165	Sberbank	Banking	14.75	3.15	131.70	71.88
170	Rosneft	Oil & Gas Operations	21.96	3.63	46.68	77.94
235	Surgutneftegas	Oil & Gas Operations	19.01	2.93	32.65	32.94
252	TNK-BP Holding	Oil & Gas Operations	22.77	6.58	21.71	27.82
314	MMC Norilsk Nickel	Materials	11.93	6.19	16.28	51.45
413	Severstal	Materials	12.76	1.21	18.78	26.20
506	VTB Bank	Banking	4.44	1.17	52.31	25.89
524	Sistema JSFC	Telecommunications Services	11.16	0.84	20.06	15.34
606	Transneft	Oil & Gas Operations	7.69	1.96	21.87	8.15
635	Novolipetsk Steel	Materials	6.21	2.12	8.72	28.77
652	Tatneft	Oil & Gas Operations	8.54	1.13	12.12	13.49
798	VimpelCom	Telecommunications Services	5.00	0.83	8.44	20.35
835	Magnitogorsk Iron & Steel	Materials	6.60	1.46	5.68	13.18
1003	Mechel	Materials	4.54	0.62	4.61	18.11
1182	Novatek	Oil & Gas Operations	1.85	0.53	3.19	23.08
1207	Polyus Gold	Materials	0.75	1.19	3.64	9.63
1391	Baltika Brewery	Food Drink & Tobacco	3.21	0.57	2.82	7.59
1402	TMK	Materials	3.48	0.45	3.53	7.86
1508	PIK Group	Diversified Financials	1.60	0.31	2.49	13.00
1531	Slavneft Megioneft	Oil & Gas Operations	4.01	0.81	2.51	3.54
1555	Moscow Municipal Bank	Banking	1.28	0.21	14.52	6.29
1586	Avtovaz	Consumer Durables	6.77	0.13	6.65	4.90
1687	Uralkali	Chemicals	0.85	0.13	1.26	17.22

1867	Bashneft	Oil & Gas Operations	3.80	0.44	2.94	2.37
1891	RosBank	Banking	1.42	0.14	11.16	5.10
	TOTAL Russia-28		356.25	72.89	764.4	948.22

Annex 2

Russian companies in global rankings

Company	Industry	BCG 100	Fortune 500	Forbes 2000	Skolkovo Top 25
Acron	Agri-chemical				+
Alliance Oil	Oil & Gas Operations				+
Alrosa	Materials				+
Avtovaz	Consumer Durables			+	
Baltika Brewery	Food Drink & Tobacco			+	
Bashneft	Oil & Gas Operations			+	
ChTPZ (Arkley Capital)	Materials				+
Eurochem	Agri-chemical				+
Euroset	Retails				+
Evraz	Materials				+
FESCO	Transport				+
GAZ	Manufacturing				+
Gazprom	Oil & Gas Operations	+	+	+	+
Lukoil Holding	Oil & Gas Operations	+	+	+	+
Magnitogorsk Iron & Steel	Materials			+	
Mechel	Materials			+	+
MMC Norilsk Nickel	Materials	+		+	+
Moscow Municipal Bank	Banking			+	
Novatek	Oil & Gas Operations			+	
Novolipetsk Steel	Materials			+	+
Novoship	Transport				+
OMZ	Manufacturing				+
PIK Group	Diversified Financials			+	
Polyus Gold	Materials			+	
PriSco	Transport				+
RAO UES of Russia	Utilities / Electricity	+		+	+
RosBank	Banking			+	
Rosneft	Oil & Gas Operations		+	+	
Rusal	Materials	+			+

Sberbank	Banking			+	
Severstal	Materials			+	+
Sistema JSFC	Telecommunications Services			+	+
Slavneft Megioneft	Oil & Gas Operations			+	
Sovcomflot	Transport				+
Surgutneftegas	Oil & Gas Operations		+	+	
Tatneft	Oil & Gas Operations			+	
TMK	Materials			+	+
TNK-BP Holding	Oil & Gas Operations			+	+
Transneft	Oil & Gas Operations			+	
Uralkali	Chemicals			+	
VimpelCom	Telecommunications Services			+	+
VTB Bank	Banking			+	

The UNU-MERIT WORKING Paper Series

- 2008-01 *Science, Technology and Development: Emerging concepts and visions* by Luc Soete
- 2008-02 *Reframing technical change: Livestock Fodder Scarcity Revisited as Innovation Capacity Scarcity. Part 1. A Review of Historical and Recent Experiences* by Andy Hall, Rasheed Sulaiman V., Mona Dhamankar, Peter Bezkorowajnyj & Leela Prasad
- 2008-03 *Reframing technical change: Livestock Fodder Scarcity Revisited as Innovation Capacity Scarcity. Part 2. A Framework for Analysis* by Andy Hall, Rasheed Sulaiman, V. and Peter Bezkorowajnyj
- 2008-04 *Reframing technical change: Livestock Fodder Scarcity Revisited as Innovation Capacity Scarcity. Part 3. Tools for Diagnosis and Institutional Change in Innovation Systems* by Andy Hall, Rasheed Sulaiman and Peter Bezkorowajnyj
- 2008-05 *Is Inter-Firm Labor Mobility a Channel of Knowledge Spillovers? Evidence from a Linked Employer-Employee Panel* by Mika Maliranta, Pierre Mohnen & Petri Rouvinen
- 2008-06 *Financial Constraints and Other Obstacles: Are they a Threat to Innovation Activity?* By P. Mohnen, F.C. Palm, S. Schim van der Loeff and A. Tiwari
- 2008-07 *Knowledge-based productivity in 'low-tech' industries: evidence from firms in developing countries* by Micheline Goedhuys, Norbert Janz and Pierre Mohnen
- 2008-08 *The Voyage of the Beagle in Innovation Systems Land. Explorations on Sectors, Innovation, Heterogeneity and Selection* by Martin Srholec & Bart Verspagen
- 2008-09 *Crafting Firm Competencies to Improve Innovative Performance* by Boris Lokshin, Anita van Gils & Eva Bauer
- 2008-10 *The Economics and Psychology of Personality Traits* by Lex Borghans, Angela Lee Duckworth, James J. Heckman & Bas ter Weel
- 2008-11 *Embedding Research in Society: Development Assistance Options for Supporting Agricultural Innovation in a Global Knowledge Economy* by Andy Hall
- 2008-12 *Playing in Invisible Markets: Innovations in the Market for Toilets to Harness the Economic Power of the Poor* by Shyama V. Ramani
- 2008-13 *Explaining Success and Failure in Development* by Adam Szirmai
- 2008-14 *Running The Marathon* by William Cowan, Robin Cowan and Patrick Llerena
- 2008-15 *Productivity effects of innovation, stress and social relations* by Rifka Weehuizen, Bulat Sanditov and Robin Cowan
- 2008-16 *Entrepreneurship and Innovation Strategies in ICT SMEs in Enlarged Europe (EU25)* by Kaushalesh Lal and Theo Dunnewijk

- 2008-17 *Knowledge Transfers between Canadian Business Enterprises and Universities: Does Distance Matter?* By Julio M. Rosa & Pierre Mohnen
- 2008-18 *Multinationals are Multicultural Units: Some Indications from a Cross-Cultural Study* by Nantawan Noi Kwanjai & J. Friso den Hertog
- 2008-19 *The Innovativeness of Foreign Firms in China* by Branka Urem, Ludovico Alcorta and Tongliang An
- 2008-20 *Beyond the emission market: Kyoto and the international expansion of waste management firms* by Ionara Costa, Asel Doranova and Geert-Jan Eenhoorn
- 2008-21 *The 'making of' national giants: technology and governments shaping the international expansion of oil companies from Brazil and China* by Flavia Carvalho and Andrea Goldstein
- 2008-22 *If the Alliance Fits . . . : Innovation and Network Dynamics* by Robin Cowan & Nicolas Jonard
- 2008-23 *Facing the Trial of Internationalizing Clinical Trials to Developing Countries: With Some Evidence from Mexico* by Fernando Santiago-Rodriguez
- 2008-24 *Serving low-income markets: Rethinking Multinational Corporations' Strategies* by Shuan SadreGhazi and Geert Duysters
- 2008-25 *A percolation model of eco-innovation diffusion: the relationship between diffusion, learning economies and subsidies* by Simona Cantono and Gerald Silverberg
- 2008-26 *New Europe's Promise for Life Sciences* by Sergey Filippov and Kálmán Kalotay
- 2008-27 *A closer look at the relationship between life expectancy and economic growth* by Théophile T. Azomahou, Raouf Boucekkine, Bity Diene
- 2008-28 *Regional Capital Inputs in Chinese Industry and Manufacturing, 1978-2003* by Lili Wang & Adam Szirmai
- 2008-29 *Worker remittances and government behaviour in the receiving countries* by Thomas Ziesemer
- 2008-30 *Strategic motivations for Sino-Western alliances: a comparative analysis of Chinese and Western alliance formation drivers* by Tina Saebi & Qinqin Dong
- 2008-31 *Changing Configuration of Alternative Energy Systems* by Radhika Bhuyan and Lynn Mytelka
- 2008-32 *Promoting clean technologies: The energy market structure crucially matters* by Théophile T. Azomahou, Raouf Boucekkine, Phu Nguyen-Van
- 2008-33 *Local Knowledge Spillovers, Innovation and Economic Performance in Developing Countries: A discussion of alternative specifications* by Effie Kesidou and Adam Szirmai

- 2008-34 *Wage effects of R&D tax incentives: Evidence from the Netherlands* by Boris Lokshin and Pierre Mohnen
- 2008-35 *Cross-border Investment and Economic Integration: The Case of Guangdong Province and Hong Kong SAR* by Naubahar Shari and Can Huang
- 2008-36 *Radical versus non-radical inventions* by Wilfred Schoenmakers, Geert Duysters & Wim Vanhaverbeke
- 2008-37 *Localized Innovation, Localized Diffusion and the Environment: An Analysis of CO₂ Emission Reductions by Passenger Cars, 2000-2007* by Bart Los and Bart Verspagen
- 2008-38 *The economic impact of AIDS in sub-Saharan Africa* by Théophile T. Azomahou, Raouf Boucekine, Bity Diene
- 2008-39 *Further results on bias in dynamic unbalanced panel data models with an application to firm R&D investment* by Boris Lokshin
- 2008-40 *A multilevel analysis of innovation in developing countries* by Martin Srholec
- 2008-41 *Experimentation with strategy and the evolution of dynamic capability in the Indian Pharmaceutical Sector* by Suma Athreye, Dinar Kale & Shyama V. Ramani
- 2008-42 *The Impact of Social Capital on Crime: Evidence from the Netherlands* by I.Semih Akcomak and Bas ter Weel
- 2008-43 *Portrait of an Odd-Eyed Cat: Cultural Crossing as a Trademark for a Dutch-Thai Strategic Alliance* by Nantawan Noi Kwanjai & J Friso den Hertog
- 2008-44 *The challenge of measuring innovation in emerging economies' firms: a proposal of a new set of indicators on innovation* by Luciana Manhães Marins
- 2008-45 *Intra-firm Technology Transfer and R&D in Foreign Affiliates: Substitutes or Complements? Evidence from Japanese Multinational Firms* by Rene Belderbos, Banri Ito, Ryuhei Wakasugi
- 2008-46 *To Be or Not to Be at the BOP: A One-North-Many-Souths Model with Subsistence and Luxury Goods* by Adriaan van Zon and Tobias Schmidt
- 2008-47 *Habit Formation, Information Exchange and the Social Geography of Demand* by Zakaria Babutsidze and Robin Cowan
- 2008-48 *Agenda Disputes and Strategic Venue Preferences: The Doha Crisis and Europe's Flight to Regionalism* by Francisco P. Toro
- 2008-49 *The determinants of the outward foreign direct investment of China and India: Whither the home country?* by Paz Estrella Tolentino
- 2008-50 *Comparing Chinese and the Indian Software MNCs: Domestic and Export Market Strategies and their Interplay* by Jorge Niosi and F. Ted Tschang

- 2008-51 *Internationalising to create Firm Specific Advantages: Leapfrogging strategies of U.S. Pharmaceutical firms in the 1930s and 1940s & Indian Pharmaceutical firms in the 1990s and 2000s* by Suma Athreye and Andrew Godley
- 2008-52 *Internationalization and Technological Catching Up of Emerging Multinationals: A Case Study of China's Haier Group* by Geert Duysters, Jojo Jacob and Charmianne Lemmens
- 2008-53 *India's Outward Foreign Direct Investments in Steel Industry in a Chinese Comparative Perspective* by Nagesh Kumar and Alka Chadha
- 2008-54 *Internationalization Trajectories – a cross country comparison: Are Large Chinese and Indian Companies different?* By Fabienne Fortanier and Rob van Tulder
- 2008-55 *Europeanisation strategy of Chinese companies: It's perils and promises* by Sergey Filippov and Tina Saebi
- 2008-56 *Public capital, income distribution and growth* by Yoseph Yilma Getachew
- 2008-57 *Growth with Endogenous Migration Hump and the Multiple, Dynamically Interacting Effects of Aid in Poor Developing Countries* by Thomas Ziesemer
- 2008-58 *Nanotechnology Publications and Patents: A Review of Social Science Studies and Search Strategies* by Can Huang, Ad Notten and Nico Rasters
- 2008-59 *When a good science base is not enough to create competitive industries: Lock-in and inertia in Russian systems of innovation* by Rajneesh Narula and Irina Jormanainen
- 2008-60 *Alliance block composition patterns in the microelectronics industry* by Geert Duysters & Charmianne Lemmens
- 2008-61 *FDI and Innovation as Drivers of Export Behaviour: Firm-level Evidence from East Asia* by Ganeshan Wignaraja
- 2008-62 *Russia's Emerging Multinationals: Trends and Issues* by Sergey Filippov