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

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

Russian multinationals continue their outward expansion in spite of the global crisis

EMBARGO: The contents of this press release must not be quoted or summarized in the print, broadcast or electronic media before December 2, 2009, 3:00 p.m. Moscow; 12 p.m. GMT and 7 a.m. New York.

Press contacts:

Moscow: Alexey Kuznetsov, Head of the Center for European Studies, IMEMO, 7-499-128-0991, kuznetsov@imemo.ru
New York: Vishwas P. Govitrikar, Global Coordinator, EMGP Project, 1-347-350-6935, vpgovitrikar@gmail.com

Moscow and New York, December 2, 2009 – Several years ago Russia became one of the leading outward foreign direct investors in the world and the foreign assets of Russian multinational enterprises (MNEs) began to grow very rapidly. As the results of the survey released jointly today by the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences, Moscow, and the Vale Columbia Center on Sustainable International Investment (VCC) at Columbia University in New York show, Russian non-financial MNEs continue to remain significant actors on the world stage in spite of the global crisis that began in 2007.

The survey results released today identify the 20 top Russian multinationals and rank them on the basis of their *foreign* assets. In 2008, these firms jointly accounted for:

- USD 118 billion in foreign assets
- USD 266 billion in foreign sales
- 190,000 in employees abroad

The leading company on the list is the largest Russian private-sector firm LUKOIL (extraction of oil & gas / refined petroleum products and chemicals / petroleum products retail), which accounted for 20% of the foreign assets on the list. It is followed by Gazprom (extraction of oil & gas / gas distribution / electricity production) with 18% of the foreign assets, and then by Severstal and Evraz (both in the steel industry). In general, companies in the oil & gas, steel, and non-ferrous metals sectors control the majority of Russian foreign assets, although firms in many other Russian industries (including telecommunication, transport, electricity, machinery and chemicals) have also begun investing abroad.

A number of features of Russian investment abroad stand out in the report. First of all, despite a significant decrease in their *total* assets, the 20 listed Russian MNEs showed some growth in *foreign* assets even during the global crisis. Moreover, they began significant *domestic* staff reductions even before the peak of the crisis in 2009, but their *foreign* employment grew not only in 2007 but also in 2008.

Next, the usual distinction between state-owned and private companies can be misleading in the context of Russian MNEs. Among state-controlled firms, one can find both effective and market-oriented companies and clumsy giants that could hardly function without state backing. Similarly, among privately owned firms, there are both dynamic business groups and rent-seeking empires of the oligarchs. Although nowadays it is mainly the classic MNEs that dominate among leading Russian multinationals, some companies with significant foreign assets do have features of other types (successors of Soviet MNEs, pseudo-MNEs and so on).

The motives of Russian outward investment also vary significantly. The typical outward FDI motives of Russian MNEs are the search for markets and resources. Their investment can also be strategic-assets-seeking but it is rarely efficiency-seeking. Sometimes, it is driven as well by image-building or insurance motives. The rapid growth of Russian assets abroad is powered mainly by cross-border acquisitions of large companies in steel and non-ferrous metal industries. There are also some significant greenfield projects in various industries but brownfield investments are more popular.

Nowadays some Russian MNEs have affiliates almost all over the world. Nevertheless, the effects of neighbourhood and cultural ties are still evident in the geographical distribution of Russian assets abroad. At the end of 2008, Russian MNEs on the list had 49% of their foreign assets in Western and Central Europe. The share of the CIS was 23% and the share of North America was 17%.

The survey was conducted by the IMEMO team in the framework of the Emerging Market Global Players Project, a collaborative effort led by the Vale Columbia Center on Sustainable International Investment. It brings together researchers on foreign direct investment from leading institutions in emerging markets to generate annual ranking lists of emerging market MNEs. Ranking lists for a number of countries have already been released. Visit http://vcc.columbia.edu/projects/#Emerging for further information, or contact vcc@law.columbia.edu.

The report on the survey results is available at http://www.imemo.ru and http://vcc.columbia.edu/projects/#Emerging . **The contents of the report must not be quoted or summarized in the print, broadcast or electronic media before December 2, 2009, 3:00 p.m. Moscow; 12 p.m. GMT and 7 a.m. New York.**

For further details about the survey as well as about the IMEMO and the Vale Columbia Center, visit http://www.imemo.ru or http://vcc.columbia.edu.