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Russia's emerging multinational companies amidst the global economic crisis

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RUSSIA'S EMERGING MULTINATIONAL COMPANIES AMIDST THE GLOBAL ECONOMIC CRISIS

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Abstract:

Internationalisation of Russian companies has become a distinctive phenomenon and has drawn attention of scholars, practitioners and policy-makers alike. Newly emerged Russian companies have extended their presence from the nearest former Soviet republics to the advanced markets of Western Europe and Northern America. As most companies in the world, in 2008-2010, Russian multinationals faced the global economic meltdown. Despite the broad interest in this topic, its scholarly examination remains limited so far. This is precisely the objective of the paper. It analyses the impact, effects and consequences of the global economic crisis on international activities and internationalisation strategies of emerging Russian multinationals. The study combines quantitative and qualitative methods. Available secondary data from international financial and business databases and reviews is used. To broaden the insight gained through these quantitative analyses, the paper also present qualitative data – several practical examples of Russian multinationals' responses to the crisis. Further, the interplay between foreign expansion and the Russian government's policies is explored. A number of conclusions are derived.

Key words: global crisis, outward foreign direct investment, acquisitions, strategy, emerging multinationals, Russia, corporate governance

JEL: F01, F21, F23, G01, G34

1. Introduction

The financial crisis of 2007-2010 that was triggered by a liquidity shortfall in the U.S. banking system has resulted in the collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. The crisis is considered by many to be the worst economic downturn since the Great Depression of the 1930s. It has led to the failure of multinational companies and key businesses, decline in consumer wealth, and a significant drop in economic activity worldwide.

As the crisis unfolded globally, its impact became pronounced both for developed and emerging economies. Consequently, the global downturn has impacted both western multinational companies and 'emerging multinationals' – multinational companies originating from emerging economies. Many multinationals have had to deal with falling demand and tightening access to loans. In the same fashion, the crisis has negatively impacted the internationalisation plans of emerging multinationals lacking finances for further expansion.

In spite of the negative effect of the crisis on emerging economies and emerging multinationals, it is often argued that the main drivers of the global economic growth will be the emerging economies. The Economist Intelligence Unit predicts recovery of the global economy in 2011 with the world economic growth of around 3 per cent, at the same time, the economic growth in developed economies will constitute only slightly above 1 per cent. On the other hand, emerging economies will witness a 7 per cent growth (The Economist, 2010). Likewise, the world might see an accelerated growth of emerging multinationals. Specifically in the times of crisis, distressed assets from western companies, or whole business units became attractive targets for acquisition. Volvo's acquisition by Chinese automaker Geely provides an illustrative example. In 2009, amidst the economic downturn, Geely Holding Group announced that it was close to an agreement to acquire Volvo Cars from Ford Motor Company; and a $1.8 billion deal was signed on 28 March 2010.

Many scholarly studies, policy reports and practitioner-oriented publications have sought to examine various facets of the global crisis, both from macro- and micro-economic perspectives. Several studies have examined the impact of the economic crisis on emerging multinationals. Yet, this subject remains an under-researched area, and this paper aims to contribute to it. The study focuses on emerging Russian multinationals. Prior to the global downturn, these companies, many of whom operate in the natural resources sector, had benefited greatly from staggering natural-resource commodity prices and had extended their foreign presence from the neighbouring republics to advanced western economies. Their responses to the global economic crisis, however, have been mixed, from contraction to even further expansion. This is the objective of the paper – to trace internationalisation strategies of emerging Russian multinationals and to analyse impact of the global financial crisis on these strategies.

The study combines quantitative and qualitative methods. Available data from international financial and business databases is used. To broaden the insight gained through these quantitative analyses, the paper also present qualitative data – several practical examples of Russian multinationals' responses to the crisis.

The paper is structured as follows. Section 2 reviews the relevant literature on the topics of emerging multinationals and effects of crisis on internationalisation paths of these companies. Section 3 provides a background of the study; it portrays the effect of the crisis on the Russian economy and the policy responses of the Russian government. Section 4 analyses effects of the crisis on Russian multinationals and reactions of these companies to the crisis. Finally, Section 5 draws main conclusions of the study, provides managerial and policy implications and outlines directions for further research.

2. Theoretical background

This section provides a brief overview of the concept of the emerging multinationals and studies of responses of multinational companies to the economic crisis.

2.1. Emerging multinationals

The academic literature on multinational companies originating from emerging markets has grown explosively in the recent years. Further, several edited volumes have been published on the topic of outward FDI from emerging economies and emerging multinationals (e.g. Goldstein and Shaw, 2007; Benito and Narula, 2007; Ramamurti and Singh, 2008; Sauvant *et al*, 2010). Several special journal issues have appeared, including the special issue of Industrial and Corporate Change (volume 18, issue 2) on the Internationalisation of Chinese and Indian Firms: Trends, Motivations and Strategy, and the special issue of the International Journal on Emerging Markets (volume 5, issue 3/4) on Emerging Multinationals. 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).

Child and Rodriguez (2005) among the first authors examined internationalisation of Chinese firms and raised a question whether the existing theory of MNC should be revised. Likewise, Buckley et al (2007) studied the determinants of Chinese outward FDI. Gammeltoft (2008) provided a comparative analysis of outward FDI from BRICS countries. Andreff (2007) focussed on the emerging economies from economies in transition. The study of Mathews (2006) covered emerging Asian multinationals. Mathews (2006) argues that 'new', emerging multinationals adopt a different perspective to the resources accessed through internationalisation, relying on 'linkage, leverage and learning' of international resources rather adopting the eclectic OLI (Ownership, Locational, Internalisation) paradigm by Dunning (1981).

The 'eclectic paradigm' originally proposed by John Dunning (1981) represent the most influential approach to study the international activities of multinational companies and can be considered as the mainstream in the theory of internationalisation of firms. This eclectic paradigm can be considered as an 'envelope' for the existing theories of internationalisation, with the addition of a new attention to the locational choice of investments (Dunning, 2000). In its essence, the eclectic paradigm postulates that the decision of firms to expand their activities abroad via FDI can be explained by three different advantages. Ownership (O) advantage represents the ownership of specific resources to be exploited externally. Location (L) advantage depends on the characteristics of the host country and opportunities it offers. Internalisation (I) advantage depends on the opportunity to internalise firm-specific advantages rather than to exploit them on the markets through other transactions.

Dunning (2006) acknowledged deficiencies of the Ownership advantages of emerging multinationals by arguing that emerging multinationals internationalise via a two-stage model: first, by investing in more advanced economies 'to access or to augment, rather than exploit their ownership advantages', and the nature of the second stage of internationalisation would follow the logic of OLI paradigm. Narula (2010) argues that firms engaging in strategic asset-seeking are primarily seeking learning opportunities rather than seeking to invest for strategic purposes in specific assets. This is in line with the claim that emerging multinational companies internationalise in order to enhance their ownership advantages. In the same vein, Goldstein (2007: 81) argues, *'If they invest abroad, it is not on the basis of 'O', and the* *parameters that determine the degree of 'I' in their foreign operations are different'*. These firms internationalise in order to get access to the strategic resources abroad they need.

Another fundamental contribution by John Dunning (1993) is a widely used typology of motivations drawing FDI. They are: (1) resources-seeking investments aimed at accessing unique resources specific to foreign locations (e.g. natural resources), (2) market-seeking investments aimed at entering new markets, (3) efficiency-seeking investments pursuing an efficient specialisation of firms, and (4) strategic asset-seeking investments aimed at augmenting the set of proprietary resources of firms.

The key precondition to become engaged in foreign investments is that a firm must possess some unique competitive advantage, or firm-specific advantages (FSA). The multinational company needs to build on some type of FSA that, at the simplest level, is nonlocation-bound, i.e., easily transferable across borders as an intermediate product. It can be either a functional, production-related proprietary asset, typically technological, manufacturing or marketing know-how, or an organisational capability to efficiently coordinate and control the multinational company's asset base. Hence, the FSA concept covers a very broad set of unique company strengths (competencies and capabilities). The importance of FSA transfer to explain performance of the multinational company has become a pivotal in the international business literature (Rugman and Verbeke, 2001). Also, Alan Rugman identifies country specific advantages (CSA). The CSAs are the location-bound, exogenous factors in a multinational company's home-market. The CSAs result from the home country's economic and institutional environments, such as labour force, factor endowments, government policies, national culture, productive reputation, or institutional framework. In fact, both FSA and CSA can be related to the O and L advantages of the OLI framework.

Specifically, in the case of emerging multinationals, drawing upon the Dunning's typology of FDI motives, UNCTAD (2006) identify resource-seeking, market-seeking and efficiency-seeking factors as the main reasons for outward FDI from emerging countries to the emerging / developing countries. On the contrary, strategic asset-seeking motives are dominant for outward FDI from emerging economies to developed countries. Reflecting on CSA, the domestic environment may be an important advantage for emerging multinationals, such as the low cost of factors (Barnard, 2008; Cuervo-Cazurra, 2007) and the monopolistic power at home (Andreff, 2002). The CSA may serve as a push factor; for instance, home country government policies may create a favourable framework for outward FDI.

In the context of emerging multinationals, the main focus has been placed on China and India, and Brazil. Russian companies have received less attention. Yet, a stream of literature focusing on emerging Russian multinationals can be identified (e.g. Bulatov, 2001; Crane et al., 2005; Heinrich, 2003, 2006; Kalotay, 2002, 2004, 2005, 2007, 2008; Kets de Vries *et al*, 2004; Vahtra and Liuhto, 2006; Filippov, 2010). Besides, Moscow School of Management 'Skolkovo' published a number of analytical reports on the international expansion of Russian companies.

These papers have examined various facets of Russian companies' internationalisation trajectories, such as first attempts to reconnect with former Soviet trade and production networks, to expand into the 'near-abroad' of the Commonwealth of Independent States (CIS), and to search out resources or assets to enhance or compliment domestic production. Several studies addressed the export strategies of Russian multinationals, taking into account the impact of foreign partners' presence, turnover of senior management, product development strategies on export intensity and so on.

The studies on the internationalisation paths and strategies of Russian companies suggest that the motivation of their internationalisation does not always fall into the traditional four categories outlined by Dunning (1988) – market-seeking, resource-seeking, efficiency-seeking and strategic assets-seeking. Among other factors of internationalisation are 'push' factors, such as unstable economic situation at the home base, i.e. a "system escape" motivation (Bulatov, 1998). This proposition is corroborated by the Index of Economic Freedom, annually compiled by The Wall Street Journal and The Heritage Foundation. It has consistently placed Russia at the bottom of its list; and in the 2011 edition, Russia was ranked 143th (out of 179 countries), below other key emerging economies – Brazil (113), India (124), China (135). Besides, political considerations are often cited as drivers of the internationalisation of (state-owned) Russian companies. Liuhto and Vahtra (2007) proposed a typology of Russian multinationals on the basis of the ownership structures and the level of state involvement in their operations. The focus on ownership structure and the state involvement provide a strong indication about an important role of the Russian state in the internationalisation strategies of many Russian companies. Russia's economic and institutional environments, such as labour force, factor endowments, government policies and institutional framework can be seen not only from a negative perspective, but from a positive one too, as they represent CSA for many Russian companies too, especially for the state-owned ones.

2.2. Multinational companies and the economic crisis

The current global economic crisis became an object of scholarly analysis. Several studies adopted a macroeconomics perspective. For example, Dejuan et al (2011) studied the impact of the crisis on the global economy on a macro-level; Forrest and Yip (2011) investigated the impact of the crisis on households. Other publications sought to study the financial side of the crisis (Gup, 2010; Allen, 2009). Gray (2009) investigated financial contagion in the EU – mechanisms of spill over of the crisis to the national currencies of 8 EU member states, not part of the Eurozone. Shabri Abd Majid and Hj Kassim (2009) studied the impact of the crisis on the emerging equity markets, with particular reference to Asia. Several studies were devoted to the regulatory responses of national governments to the crisis (Goodhart, 2009; Green et al, 2011). Desai (2010) offered a macro-economic overview of the financial crisis' dynamics in Russia and policy responses.

Regarding the impact of the crisis on FDI and multinational companies, several studies emerged. Enderwick (2009) studied how exposure to the dynamic conditions of emerging markets can contribute to strategic adaptation and international competitiveness of western multinationals. Six differentiated strategies are identified; and illustrations are drawn primarily from the global automobile industry. Filippov and Kalotay (2011, forthcoming) investigated responses of multinational companies to the crisis in the context of new EU member states, both in terms of new FDI inflows and response strategies of already established foreign subsidiaries of multinational companies. Pradhan (2009) provided an overview of the dynamics of Indian outward FDI in the period of the economic recession, showing a decline in the investment and expansionary activity.

Sauvant et al (2010) present an analysis of outward FDI by four BRIC economies and the impact of the financial crisis and recession. The crisis affects the ability of emerging multinationals to invest abroad. This difficulty is further accentuated by declining earnings, weakening balance sheets and the need for deleveraging. As a consequence, a number of emerging multinationals already had to divest themselves of foreign affiliates or repatriate a larger share of their foreign earnings. However, state-owned multinationals in countries with high foreign currency reserves remain in a position to expand abroad. Crisis provides a good moment for them as asset prices in a number of potential host counties are low or in distress.

In terms of policy responses, Sauvant et al (2010) warn about the rise of FDI protectionism that may make it more difficult for emerging multinational to expand their international production networks. A deepening crisis may well lead to more FDI protectionism and discourage investments from emerging markets though.

The impact of the crisis on emerging multinationals is also regarded within the framework of the Emerging Market Global Players project, a collaborative effort led by the Vale Columbia Centre bringing together researchers on FDI to produce annual reports identifying the top multinationals from each of a number of emerging markets. Presently it includes reports on ten countries (Argentina, Brazil, China, India, Israel, Korea, Mexico, Russia, Slovenia and Turkey) covering some 200 emerging multinationals.

Specifically in the case of Russia, the interplay between the global economic crisis and the internationalisation of Russian companies was raised by Skolkovo Research (2009). An analytical report published in May 2009 presented an analysis the crisis adjustment of Russian multinationals, in comparison with their Chinese counterparts. The report noted a decrease in investment activity as the expansion of Russian multinationals had been stifled by the lack of external financing. The most severely affected were companies engaged in scale-seeking expansion (in metals/mining sector); in contrast companies involved in downstream integration (in oil and gas sector) were not hit hard. Expansion of Russian companies into the emerging markets was slowing but had not stopped. Amidst the crisis, in early 2009, the prospects looked mixed. Access to financing and the protectionism (of host governments) seemed as the two most evident challenges.

Due to the novelty of the research topic, currently the stream of literature on the interplay of the international expansion of emerging multinationals and their (post-)crisis adjustments is only being shaped. The extant body of literature remains inconclusive regarding specific responses and strategic choices of emerging multinationals, and particularly, Russian companies.

3. The impact of the global financial crisis on Russia

This section provides an overview of the effects of the global economic crisis on the Russian economy as well as policy responses by the Russian government.

3.1. Crisis in Russia

The decade between the 1998 Russian economic crisis and the current global economic crisis was characterised by Russia’s growing economy and improvement in living standards. The country enjoyed rapid increase in its GDP and growth of foreign exchanges reserves. The Russian government paid off its sovereign debt (including the inherited Soviet debt). One of the reasons of this economic performance was the national currency devaluation carried out in the course of the 1998 crisis; and further the growth of economy was facilitated by political stability. Among the external factors, high world prices on commodities, specifically, on oil and gas, were key to the economic growth. It is at the 2000s that domestic Russian companies began pursuing internationalisation strategies.

The financial downfall in the US and the following global chain reaction has had strong impact on Russia’s economy. Russia’s export-oriented commodities faced a situation where demand and prices fell; oil prices fell sharply from nearly $100 in 2008 to $62 in 2009 per barrel. Russian stock market plummeted and the value of Russian companies had been wiped off. Similarly, Russia's foreign reserves fell sharply as the Central Bank of Russia adopted a policy of gradual devaluation of the national currency.

The crisis exposed internal weaknesses of the Russian economy such as the weak banking system, causing a liquidity crisis in the country. Banks raised interest rates for loans, and as a result, the access of Russian companies both to domestic and foreign credit became reduced and complicated. Not to say that many banks even went bankrupt themselves. The decline in the economic activity has inevitably adversely affected Russia's economic growth. In the first half of 2009, when Russia was hit hardest by the crisis, its GDP fell by 10.4% compared to the same period in the previous year, and industrial production dropped by nearly 15%. This economic performance affected the federal budget as the deficit was recorded for the first time in ten years.

Foreign investors pulled billions of dollars out of Russia; and the inflow of FDI decreased as the consequence of the suppressed investing activity of the global business. Table 1 presents an overview of Russia's FDI and cross-border M&A statistics for the years 2007-2009, as reported by UNCTAD. In the pre-crisis year of 2007, the annual inward FDI inflow in Russia constituted $ 55 billion, or 20.2% of the gross fixed capital formation (GFCF). In 2009 this amount decreased to $ 38.7 billion, or 14.7% of GFCF. The year 2009 witnessed global decline in FDI activity and as many other countries Russia became hit by the global liquidity crisis. Regarding the outward FDI from Russia, the amount has remained relatively stable – $ 45.9 billion in 2007, $ 56 billion in 2008, and $ 46 billion in 2009, that is respectively 16.8%, 15.2% and 17.4% of GFCF. The statics on outward FDI should be considered with caution. It represents only approximation to the real activity of Russian multinational companies. It might be argued that a certain part of these investments relate to 'capital flight' rather than genuine investment projects abroad. In terms of FDI stocks, 2009 showed some increase in the amount of accumulated inward and outward FDI stocks, compare to 2008, however, the level of 2007 was never achieved.

Russian companies became less engaged in cross-border M&As, both sales and purchases. In 2009, cross-border M&A, purchases, i.e. acquisitions of foreign assets by Russian residents constituted the amount of $ 7.6 billion, in contrast to $ 18.5 billion in 2007. Likewise, the value of sales dropped to $ 5 billion in 2009 in contrast to $ 22.5 billion in 2007.

Table 1 Russia's FDI and cross-border M&A statistics, 2007-2009

Indicator	2007	2008	2009
FDI flows			
Inward FDI flows, mln $	55 073	75 461	38 722
Inward FDI flows, percentage of GFCF	20.2	20.4	14.7
Outward FDI flows, mln $	45 916	56 091	46 057
Outward FDI flows, percentage of GFCF	16.8	15.2	17.4
FDI stocks			
Inward FDI stocks, mln $	491 232	213 734	252 456
Outward FDI stocks, mln $	370 161	202 837	248 894
Inward FDI stocks, percentage of GDP	38.2	12.7	20.3
Outward FDI stocks, percentage of GDP	28.8	12.1	20.1
Cross-border M&A			
Cross-border M&A, sales (net), mln $	22 529	13 507	5 079
Cross-border M&A, purchases (net), mln $	18 598	16 634	7 599

Source: UNCTAD, 2010

3.2. Policy responses

The Russian government reacted vigorously to the crisis. The principal objectives of the government's anti-crisis programme were to maintain the banking sector's financial liquidity, stimulate internal demand, alleviate the negative impacts on society and support the key domestic enterprises. More specifically, antirecessionary measures of the Russian government could be provisionally divided into the following categories: (1) expansion of access to financial resources for business companies; (2) provision of incentives to expand domestic demand; (3) reduction in tax and administrative burdens on businesses; (4) support of small and medium-sized enterprises; and (5) development of the labour market (Gurvich et al, 2010).

At the end of 2008, the Russian government resolutely carried out a number of measures. Firstly, urgent financial help was provided to the largest Russian companies. This help was offered through the state corporation 'Bank for Development and Foreign Economic Affairs', known in Russian as Vneshekonombank (VEB), an institution used by the Russian government to support and develop the Russian economy, to manage Russian state debts and pension funds. VEB granted loans to Russian borrowers for refinancing their foreign loans, with their assets based on the Russian territory as collateral. Between October 27 and December 1, 2008, nine large companies were supported by VEB, for a total amount of \$9.78 trillion.

Secondly, tax burden on businesses was reduced. The corporate profit tax was lowered from 24% to 20%; depreciation premiums for certain types of fixed assets were increased from 10% to 30%; and the maximum level of interest rates was increased on liabilities recognised as costs. Besides, procedural changes were made in the calculation of certain taxes to alleviate a shortage of funds, e.g. companies were given the right to deduct VAT from advances. Thirdly, policy measures were taken to protect domestic markets, such as increases in customs duties on imports, and introduction of preferential prices for Russian suppliers of goods to state and municipal entities (Gurvich et al, 2010).

Wiśniewska et al (2010) enlist several main characteristics of the anti-crisis policy conducted by the Russian government. The policy was characterised by the arbitrary selection of beneficiary sectors and enterprises, often based on political decisions and unclear criteria. A related point is the lack of transparency. Initially, the terms of foreign debt refinancing were defined quite precisely, i.e. state aid was to be offered only to those Russian companies or their foreign subsidiaries whose activities are of significant importance for the economies of the respective regions or strategic branches of industry. However, subsequently the procedure was made secret, and no official information was disclosed. As mentioned, strategic branches of industry were supported, meaning that the aid was extended to the traditional sectors of the economy, including the raw materials sector; the machine-building industry, especially the automotive industry; as well as agriculture, construction and air and rail transport. The aid was directed towards big businesses (that received more than 60% of total assistance), while small businesses received only around 5% of total public aid.

The policy was of compensatory nature, i.e. the measures undertaken were aimed at mitigating losses, and the current situation was conserved, and no instruments were implemented to motivate companies to pursue more active policies, diversify production or seek new markets. That was the non-conditionality principle of the policy – the government set practically no requirements for the aid beneficiaries. Overall, the design of the policy was rushed by the pressure of time, and powerful lobbying by various interest groups. And last but not least, a typically Russian characteristics can be applied to this specific policy too – ineffective implementation of approved normative acts (Wiśniewska et al, 2010).

Despite all possible inefficiencies of the anti-crisis policy measures, they managed to largely contain and neutralise the most adverse crisis manifestations of the crisis have been largely contained and neutralised.

4. Impact of the global financial crisis on emerging Russian multinationals

In this section I examine various facets of Russian companies' response to the crisis. I start with an exploration of Russian companies' financial performance. This statistics will provide background to the analysis of foreign acquisitions and foreign divestments. This quantitative analysis is further supported by qualitative analysis of several cases across various industries. Analysis of Russian initial public offerings (IPO) abroad will follow.

4.1. Financial performance

In order to provide context to the analysis of foreign acquisitions and divestments, this section gives insights into financial performance of major Russian companies, relying on a study by the German agency Handelsblatt Research (Table 2). The study reports financial performance of the 500 largest European companies. The global economic slowdown is shown evidently, as in 2009 the revenues of these 500 companies fell by 9.6% on average; and their net profit declined by 26%, in comparison to 2008.

This rating of 500 largest European companies includes some 30 Russian companies. Virtually all of these companies are multinationals as they have distinctive presence abroad, with the minor exception of power generating company Mosenergo, retail chain Magnit, etc. Therefore, the list is a good indication of financial performance of Russian multinationals in 2009. Similar to their Western counterparts, most resource-based companies (in the oil and gas, steel and minerals sectors) sustained decline in the revenue in 2009. However, they managed to maintain a high, double-digit, level of profitability. While Russia's largest company Gazprom suffered a decline of 18.2% in its revenue in 2009, its profitability stood at the 26.1%. Overall, the profitability of Russian companies on average constituted 13.7% (Handelsblatt Research, 2010). Most German companies in the rating even before the crisis reached only half of this amount. Gazprom, Surgutneftegaz, Transneft, Norilsk Nickel and Roshydro reported profitability of over 25%, the highest among other companies in the rating. At the same time, companies in steel industry (Severstal, Evraz, TMK) and automotive sector (AvtoVAZ and GAZ Auto) have been adversely hit by the crisis, and posted negative net profit and negative profitability.

Competitive advantages allowing Russian companies to occupy positions in ratings of the leading European companies are multifaceted. On the domestic market they include, inter alia, natural resource base, low energy prices, dominant (quasi-monopolistic) market positions, low labour costs, and last but not least, strong governmental support and aid. These factors suggest that major Russian multinational companies were in state to advance their expansion into foreign markets in the crisis period.

Table 2 Russian companies in the rating of the top 500 largest European companies, 2009

Rating	Company	Sector	Revenue € mln	Revenue Change to 2008, %	Net profit € mln	Net profit Change to 2008, %	Profitability %
12	Gazprom	Oil and gas	67 806	-18,2	17 673	1,0	26,1
23	Lukoil	Oil and gas	49 654	-2,4	5 118	-5,0	10,3
57	Rosneft Oil	Oil and gas	25 325	-8,5	4 755	-27,4	18,8
61	TNK-BP	Oil and gas	24 124	-9,3	3 452	-8,2	14,3
106	Gazpromneft	Oil and gas	14 758	-33,9	2 199	-31,8	14,9
114	Surgutneftegaz	Oil and gas	13 584	-21,1	3 451	48,8	25,4
118	Sistema	Telecom	13 015	12,8	1 141	>100	8,8
164	Severstal	Steel	9 529	-27,8	-757	-	-7,9
168	IDGC	Supplier	9 299	3,7	260	22,8	2,8
177	Tatneft	Oil and gas	8 629	-17,5	1 233	>100	14,3
197	MMC Norilsk Nickel	Minerals	7 302	-23,6	1 906	-	26,1
203	MTS	Telecom	7 064	17,0	722	-36,5	10,2
210	Evraz	Steel	6 783	-43,5	-868	-	-12,8
224	Transneft	Oil and gas	6 478	4,7	1 661	-0,9	25,6
227	X 5 Retail	Retail	6 363	29,3	121	-	1,9
228	Vimpelcom	Telecom	6 353	6,6	803	>100	12,6
245	Rusal	Minerals	5 871	-36,5	590	-	10,1
284	AvtoVAZ	Automotive	4 525	-13,4	-574	-	-12,7
288	Novolipetsk Steel (NLMK)	Steel	4 482	-35,0	157	-88,3	3,5
306	Mechel	Steel	4 138	-29,4	53	-92,1	1,3
312	GAZ Auto	Automotive	4 015	-5,7	-225	-	-5,6
317	Magnit	Retail	3 908	24,1	201	81,7	5,1
327	Magnitogorsk Iron & Steel	Steel	3 709	-40,3	169	-73,3	4,6
394	Bashneft	Oil and gas	2 872	1,9	256	-30,0	8,9
416	Aeroflot	Airlines	2 718	0,6	33	-84,7	1,2
431	Rushydro	Power generation	2 621	3,3	695	-	26,5
441	Mosenergo	Power generation	2 590	15,9	38	-21,3	1,5
457	Salavatnefteorgsintez	Chemicals	2 471	-8,6	135	22,0	5,4
461	Slavneft	Oil and gas	2 460	-8,6	219	-43,1	8,9
474	TMK	Steel	2 402	-28,3	-225	-	-9,4

Source: Handelsblatt Research, 2010

4.2. Foreign acquisitions

The section uses the data provided by Zephyr database (managed by Bureau van Dijk), one of the most comprehensive and authoritative databases on deal information, containing data on IPO, private equity and venture capital deals. The period between 01/01/2000 and 01/01/2011 is defined for analysis, to show a more long-term trend of internationalisation, with particular attention to the crisis stage of 2008-2011. In total, 18 026 completed M&A and joint venture deals are recorded for the whole period. Apart from international acquisitions, they include intra-Russian deals, management buy-out deals, deals where bidders are undisclosed, an acquirer is a governmental entity or a physical person. A prime example of such deal would be acquisition of the UK-based Chelsea Football Club Ltd by the Russian national Mr Roman Abramovich in 2003. More recently, in April 2010, an unnamed Russian individual acquired the 100% stake in the Spanish manufacturer of jewellery Carrera y Carrera S.A. for an unidentified amount.

After removing these entries, as well as 146 joint venture deals, I obtain 770 deals. These are acquisitions by Russian companies of stakes in foreign companies (minority stakes, increases in stakes, majority stakes and 100% acquisitions). ‘A Russian company’ is defined as a legal entity registered / incorporated on the Russian territory under the Russian jurisdiction; it ranges from SMEs to well-established Russian multinationals. On the side of acquisition targets, it should be noted that although technically these deals involve acquisition of foreign (non-Russian) companies, these entities are not always 'foreign' per se. These can be firms established according to the host country's regulations and jurisdiction but either partially-owned or controlled by Russian firms or individuals.

Cyprus is very popular among Russian businesses thanks to its highly developed financial infrastructure and legislation facilitating tax optimisation and offshore business operations. In Cyprus, for example, affiliates of the shareholders of the oil and gas company Itera, Norilsk Nickel, Rostelekom, the railway operator Globaltrans, automaker KamAZ, electric company TGK-4, investment company Troika Dialog and others are registered. Many Russian brokers carry out operations on the Russian stock market through their Cypriote offices. The Russian Federal Financial Markets Service, the Russian financial regulator, had always intended to stop or at least minimise this practice. The global economic crisis acted as a trigger, and in November 2008, the Russian regulator signed a memorandum of mutual understanding with the Commission on Securities and Stock Operations of Cyprus. The agreement created a base to ensure transparent regulation of financial institutes, as the Russian Federal Financial Markets Service seeks to obtain information on real ownership of Russian companies registered in Cyprus (Kommersant, 2008).

In the following analysis, the number of deals is used, not their amounts, as the values are not readily available for all deals, hence it would hinder comparative analysis. As the data shows (Table 3), since 2000, Russian companies have been increasingly involved in foreign acquisitions. The amount of these deals had been steadily rising – from just 16 in 2000 to 119 in 2008. In fact, the year 2008 became a turning point. The amount decreased slightly in 2009, and even further fell in 2010, to 70 deals, the level of 2005.

Table 3 Number of acquisition deals by Russian companies, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	**16**	**28**	**35**	**53**	**60**	**70**	**103**	**114**	**119**	**102**	**70**
CIS	6	10	16	25	34	30	35	29	32	35	28
EU	8	12	17	18	17	28	41	50	56	44	31
Non-EU Europe		3		4		2	7	3	5	6	1
Northern America	2	3		1	2	2	5	10	11	9	5
Africa			1	1	4	1		1	4		
Latin America					1		1			4	1
Asia and Australia			1	3	1	5	3	5	8		2
Offshores				1	1	2	10	9	3	2	1
Unidentified					1		1	7		2	1

Source: Zephyr database

The geography of Russian corporate expansion is diverse. Russian companies feel at ease in their traditional markets – former Soviet republics, now the members of the CIS. Within this grouping, the major share belongs to Ukraine, followed by Kazakhstan and Belarus, traditional Russia's trading partners. In parallel, Russian companies expand their presence in the European Union. Within the EU, the lion's share is taken by Cyprus due to the aforementioned reasons. Other leaders in the EU are The Netherlands, the UK, Italy, Germany and France in Western Europe, and Romania, Latvia and Czech Republic in Eastern Europe. Among non-EU European countries, Switzerland is the prime target for Russian acquisitions.

The Northern American market, consisting of USA and Canada, represents another attractive destination for Russian companies for a variety of motives and reasons. Further, It is notable that Russian companies acquire legal entities in a number of offshore locations, such as Bermuda, British Virgin Islands, Cayman Islands, etc. Companies acquired in offshore locations and Cyprus may serve as subsidiaries of Russian multinationals, and assets elsewhere might be bought through them later on.

According to the data, the number of acquisition deals decreased in the crisis years of 2008-2010, from 119 in 2008 to 70 in 2010. Yet, the expansion did not stop. In total, 291 deals are recorded in 2008-2010 (Table 4). The analysis shows a great variety of deals. Companies, operating in various industries, from mining, oil and gas to telecommunications, biotechnologies and banking, were involved in the deals. Likewise, acquirers themselves represent a very heterogeneous group. They range from medium-sized regional enterprises with limited foreign presence, to 'real' multinationals like Gazprom, TNK-BP, VTB Bank, etc. Besides, various holding companies and investment funds are active in foreign acquisitions. Such diversity though is not an inherent characteristic of the crisis period alone. Similarly, it was present the entire 2000s period.

It can be seen that despite the crisis, Russian companies continued their foreign expansion, driven by a number of motives, such as resource-, market-, efficiency- and asset-seeking. Russian companies have been acquiring infrastructural assets (gas distribution networks, electricity transmission and energy generation) in the CIS and Eastern Europe. Manufacturing assets have been purchased on almost all continents. Moreover, Russian financial institutions have strengthened their positions; banks acquired stakes in foreign financial institutions and Russian stock exchanges RTS and MICEX extended its control over financial infrastructure in Ukraine and Kazakhstan.

Russian companies continue seeking advanced technology in the west, particularly in Western Europe. In many cases, they acquire a 100% ownership of medium-sized technology-intensive manufacturing companies. In certain instances, complete acquisition is not seen as necessary; as even a minority stake may provide access to superior know-how. An example is the Human Stem Cell Institute, a Russian biotechnology company; amidst the crisis, in August 2009, it acquired a minority stake of 25.01% in Germany's developer of treatments for cancer Symbiotec GmbH for € 1 million. The intention is to learn from Symbiotec's expertise and knowledge.

On the other hand, some Russian companies used the opportunities offered by the crisis to increase their stake in their foreign assets. In November 2010, the Russian railway equipment manufacturer MTZ Transmash increased its stake in the engine manufacturer Wartsila TMH Diesel Engine, based in The Netherlands, from 50% to 100%. In July 2008, the Russian mobile telecommunication provider MTS increased its minority stake of 10% in the Dutch holding company Cezanne BV to 75%.

The crisis should have led to decreased liquidity and forced companies to be cautions regarding their foreign investments. Nonetheless, some companies continued foreign expansion, and even acquired non-core assets. For example, in December 2008, Russia's North West Oil Group Inc. acquired a 100% stake in Spain's Hotel Los Monteros sl. for € 115 million. Similarly, in May 2010, the Russian private equity investment company services Onexim Group bought an 80% stake in the US professional basketball team operator New Jersey Nets, for € 158.3 million.

Last but not least, the influence of the Russian government has strengthened. The state-owned investment vehicle VEB bank has become a distinctive actor on foreign markets in the crisis years, specifically in the CIS markets, both directly and indirectly.

Table 4 Summary of acquisition deals by Russian companies in the years 2008-2010

Country / Region	No	Main industries	Acquirers – Russian multinationals
CIS	**95**		
Armenia	6	Electricity transmission, gas distribution, banking	Gazprom, Rosneftegaz, Gazprombank, Russian Railways
Azerbaijan	2	Banking, brewery	VTB Bank, Baltika
Belarus	18	Banking, insurance, oil and gas, telecommunications	Gazprom, Svyaznoy, VEB Bank, Sberbank, RESO group
Georgia	4	Banking	VTB Bank
Kazakhstan	21	Banking and finances, uranium mining telecommunications, electric manufacturing, pipe manufacturing, food and beverages	RTS Stock exchange, VTB Bank, Severstal, TMK, PIK Group, Beeline, Sibirskii Bereg
Moldova	1	Energy (hydroelectric power plant)	InterRAO EES
Ukraine	42	Banking, insurance and investments, oil and gas, food and beverages, steel / metal manufacturing, R&D, aircraft / spacecraft, pharmaceuticals	Bank of Moscow, Alfa-Bank, VEB, Bank Petrokommerts, MICEX and RTS, Troika Investment, TNK-BP, Gazprom, VSMPO, Sibirskii Bereg
Uzbekistan	1	Pump-power equipment manufacturing	Uralelektrotyazhmash-Uralgidromash
EU	**131**		
Austria	6	Hotels, machinery, oil and gas, Avionics, agricultural, chemical and motor vehicle parts manufacturing	Azimut Hotels, Sibur Holding, Lukoil, Traktornye Zavody
Belgium	4	Iron and steel manufacturing, retail	Boston NV, Severstal, Magnitogorsk Metallurgy Combinat
Cyprus	41	Asset management, investment services, auditing, mobile telecommunications, pharmaceuticals, coal and iron ore mining, construction management	KAMAZ, Sberbank, mechel, MTS, UFG Asset Management, Gazprombank, PIK Group, MMK, InterRAO EES, Farmstandart, Uralsib
Czech Republic	6	Aircraft manufacturing, water turbines manufacturing, engineering	OMZ, UGMK, Tyazhmash
Denmark	4	Car and machinery manufacturing	AvtoVAZ, Agromashholding
Estonia	3	Banking, chemical manufacturing	Bank of Moscow, Acron
Finland	4	Banking, machinery manufacturing	Onexim Group, VTB Bank
France	4	Locomotive part manufacturing, chemical manufacturing, alcoholic beverages	SVL group, Uralvagonzavod, Uralkhim
Germany	8	Chemical and nuclear technology, chemical manufacturing, timber products manufacturing, gas distribution, biotechnology	Gazprom, Ilim Timber Industry, Atomstroieksport, Concern Traktornye Zavody
Hungary	2	Oil and gas production, airlines	Surgutneftegaz, VEB Bank
Ireland	1	Oil and gas exploration and production	Centrofervel Ltd
Italy	8	Steel manufacturing, machinery manufacturing, oil and gas refining	Severstal, Gazprom Neft, Sibirskii Agrarnyi Holding, Kosmos Association
Latvia	3	Pharmaceuticals, steel manufacturing, ceramic tile manufacturing	Severstal, Farmstandart, SU-155 Group
Netherlands	18	Engine manufacturing, mobile telecommunications, petroleum refining, investment holding, investment services	MTZ Transmash, Mechel, Lukoil, Baring Vostok Capital, MTS, St.Petersburg Sea Port
Portugal	1	Banking and investment	VTB Bank
Romania	4	Steel and metal manufacturing, software	Lyuksoft, Mechel, Severstal
Slovakia	2	Freight transportation, refractory materials manufacturing	Transkonteiner, Combinat Magnezit
Spain	2	Ventilation equipment, hotels	Interskol, North-Western Oil Group
United Kingdom	10	Mineral, oil and gas exploration and production, telecommunications, financials, ISP, gold mining	Gazprom Neft, Mechel, Millhouse, Renaissance Capital, Comstar

Table 4 (cont.) Summary of acquisition deals by Russian companies in the years 2008-2010

Non-EU Europe	**12**		
Montenegro	2	Oil and gas, hotels	Lukoil, Korston Group
Norway	1	Banking	Turris
Serbia	3	Banking, bus manufacturing	Gazprom Neft, Tehnika Servis
Switzerland	6	Logistics, locomotive manufacturing, pumps and compressors manufacturing, banking services	Mechel, Gazprombank, Renova
Northern America	**25**		
USA	22	Oil and gas, steel manufacturing, computer and software, land and sea launch services	Energia Overseas, Onexim Group,Severstal, Gazprom Neft, Investment company Troika, Mechel, Almaz Capital, Severstal, TMK
Canada	3	Potassium mining services, gold exploration, residential building construction	Severstal, Akron, Growth Technologies
Asia	**10**		
Israel	2	Engineering, internet technologies	Yandex, IST Group
Cambodia, China, Hong Kong, India, Mongolia, Taiwan	8	Mobile telecommunication services, railways operator, computer manufacturing, cathode blocks manufacturing, turbine manufacturing	United Company Russian Aluminium, Novorossiysk Sea Trade Port, Sistema, Silovye Machiny, Vympel (Beeline), Russian Railways, Rover Computers
Latin America	**5**		
Brazil, Colombia, Panama, Peru	5	Helicopter transport services, mechanical engineering, electric machinery, equipment for power stations	Airline YutAir, Tyazhmash, Silovye Mashiny
Africa	**4**		
Ghana, Seychelles, South Africa, Zambia	4	Building materials, securities brokerage	Renaissance Capital, Brikor Ltd
Offshores	**6**		
Bermuda, British Virgin Islands, Marshall Islands	6	Investment banking services, offshore lifeboat vessels construction services	Onexim Group, Bashneft,Vympel (Beeline)
Other	**3**		
Country unknown	3	Investment services, telecommunications	Nafta Moskva, Megafon, Investment Company Finam

Source: compiled by author based on Zephyr database (Bureau van Dijk)

4.3. Foreign divestments

It expected that the global crisis have had a moderating effect on expansion abroad. In additional to putting their expansion plans on halt, companies may even divest, to dispose of their assets abroad. While a company may divest its assets at home, I intentionally analyse only divestments abroad in order to analyse the effect of the crisis on foreign activities of Russian multinationals. The Zephyr database is used to track all deals in which a Russian company (not an individual or a governmental body) acted as a vendor, and a target was located elsewhere than Russia. For the period of 2008-2010 only 27 entries meeting these criteria are retrieved – 6 deals in 2008, 13 in 2009 and 8 in 2010 (Table 5).

Two main regions of these deals are the CIS and the EU. In the CIS, Ukraine and Kazakhstan were countries of most targets; and in fact it reflects the geography of acquisitions by Russian companies. In the EU, Latvia, Estonia and Austria can be highlighted. Deals with offshore companies were recorded too. Two prime examples are here. Firstly, in January 2009, Roman Abramovich's asset management fund Millhouse LLC sold the 31.25% stake in Primerod International Ltd based in British Virgin Islands to another entity registered in the same country. In December 2010, Gazprom sold its investment holding ZGG Cayman Holding registered in Cayman Islands for € 2 billion, by doing so, it effectively sold its 9.4% stake in the Russian gas producer Novatek. Novatek is the largest independent natural gas producer, and second-largest in Russia overall after Gazprom.

Regarding the sectoral composition, there was a great variety – oil and gas, uranium mining, perfumes and cosmetics retail, food and beverages production, banking and insurance services, etc.

As the data show, several Russian companies sold minority stakes, stakes in non-core assets, etc. Mirax Group, one of the leading Russian construction services companies, involved in the construction of the business district Moscow-City, faced with liquidity problems and had to sell a 100% stake in a hotel in Turkey for €190 million in February 2010. Another company, the cosmetics retailer Arbat Prestizh had to sell its foreign assets as it had gone bankrupt, on grounds unrelated to the global economic crisis. Its top management faced tax fraud charges in 2008, and the company ceased to exist in 2010.

Some deals seeming as pure divestments represented corporate consolidation. In August 2010, the Russian beer manufacturer Baltika Breweries sold 100% of its wholly owned Kazakhstani subsidiary Baltika-Almata for an undisclosed amount. This deal in fact represented integration of companies within the Carlsberg Group (the owner of Baltika). This deal completed the process of the integration of Baltika Breweries and Derbes Breweries within the Carlsberg Group on the territory of Kazakhstan. Likewise, the sale of a stake in Kazakhstan's Karatau uranium mine by Atomredmetzoloto in December 2009 represented an organisational and corporate restructuring.

Overall, no general trend can be recorder and an overall conclusion derived. It might well be that many of these deals would have occurred in any case, even in a non-crisis period.

Table 5 Divestment deals by Russian companies in 2008-2010

Date	Vendor	Industry	Target	Country of target	Country of acquirer	Stake, %	Value, € 000
2008							
17-10-2008	Arbat Prestizh	Perfumes and cosmetics retailer	Arbat Prestizh's 31 perfume and cosmetics stores in Ukraine	Ukraine	Ukraine	100	n.a.
31-07-2008	N-Trans	Sea port operator	Vopak EOS AS	Estonia	The Netherlands	15	n.a.
30-06-2008	Paterson-Invest	Land and supermarket estate operation services	Paterson's 3 Kiev-based supermarkets	Ukraine	Ukraine	100	n.a.
21-05-2008	Lukoil	Oil and gas	Lukoil' 54 gas stations in Poland	Poland	Poland	100	n.a.
05-05-2008	Gazprom Media	Media services	Mediatopprim Ltd	Moldova	USA	100	n.a.
15-04-2008	Nakhodka Re	Reinsurance services	Pasifik Oushen SK	Ukraine	USA	100	634.20
2009							
28-12-2009	TMK	Metallurgy	NS Group Inc.	USA	USA	51	n.a.
15-12-2009	Atomredmetzoloto	Uranium mining services	The Karatau Uranium Mine	Kazakhstan	The Netherlands	50	301 050.03
11-12-2009	Stock Exchange RTS	Stock exchange	Ukrainian Stock Exchange	Ukraine	Ukraine	9	n.a.
06-11-2009	Rolf GK	Car dealer	FF Sheffe BV	The Netherlands	Japan	40	48 408.31
06-11-2009	Bryansk Machine-building factory	Machinery manufacturer	Luganskteplovoz Holding Company	Ukraine	Ukraine	76	n.a.
28-10-2009	AvtoVAZ	Car manufacturer	Delta Motor Group OY	Finland	UK	n.a.	n.a.
12-08-2009	Managing company Estar	Steel manufacturer holding company	Donetsk electrometallurgy factory	Ukraine	Ukraine	100	706 800.00
11-08-2009	Gidromashservis	Electric engine manufacturer	NPO Gidromash	Ukraine	Ukraine	99.53	n.a.
07-05-2009	Antanta PIO Global Investment Group	Investment holding company	PIO Hlobal Ukrayina, Asset Management Company	Ukraine	Ukraine	100	n.a.
30-04-2009	Basic Element	Asset investment management holding	Strabag SE	Austria	Austria	25	493 620.00
20-03-2009	Nutritek	Baby food, diary food producer	Agro PIIM AS	Estonia	Estonia	100	n.a.
29-01-2009	Veritas SPA	Multi-utility services	Veritas Energia SRL	Italy	Italy	51	1 300.00
13-01-2009	Millhouse LLC	Asset management	Primerod International Ltd	British Virgin Islands	British Virgin Islands	31.25	n.a.

Table 5 (Cont.) Divestment deals by Russian companies in 2008-2010

2010							
20-12-2010	Gazprom	Oil and gas	ZGG Cayman Holding	Cayman Islands	Ireland	100	2 146 080.65
29-10-2010	Farmstandart	Medical manufacturing / pharmaceuticals	Grindeks AS	Latvia	Latvia	11.381	9 840 64
06-08-2010	Baltika	Beer manufacturer	Baltika-Almata	Kazakhstan	Kazakhstan	100	n.a.
08-07-2010	Petrovsky Bank	Banking services	IEFK Banka AD	Bosnia-Herzegovina	Bosnia-Herzegovina	99	6 544.54
12-05-2010	Ingosstrakh	Insurance services	Garant Versicherungs-AG	Austria	Belgium	33	n.a.
18-03-2010	Russian Alcohol Group	Alcohol manufacturer	Ushba Distillery	Georgia	Georgia	100	3 640.28
24-02-2010	Mirax Group	Construction services	Sungate Port Royal De Luxe Resort Hotel	Turkey	Turkey	100	190 000.00
19-02-2010	Kavitatsionnye Tekhnologii	Financial leasing services	Dnepropetrovsk factory for repair and building of passenger rail wagons ‘Dneprovagonremstroy’	Ukraine	Ukraine	96.12	n.a.

Source: compiled by author based on Zephyr database (Bureau van Dijk)

4.4. Sectoral analysis and cases

Previous sub-sections outlined the overall picture of Russian companies' foreign acquisitions and divestments. While there are generic responses of the emerging Russian multinationals to the global crisis, sectoral idiosyncrasies are strongly pronounced too. I further analyse sectoral differences more in-depth, using relevant examples, with a focus on their expansion or contraction abroad. Table 6 briefly summarises key deals discussed in this section.

Table 6 Overview of deals concluded in the crisis period, 2008-2010

Industry	Russian company	Expansion	Contraction
Oil and gas	Lukoil	TRN (Netherlands)	
Steel	Severstal	Lucchini (Italy) & Crew Gold (UK)	
Metallurgy	Mechel	Bluestone (USA)	
Automotive	Basic Element		Magna Int. (Canada)
Construction	Basic Element		Hochtief (Germany)
Construction	Basic Element	Strabag (Austria)	Strabag (Austria)
Engineering	Renova	Oerlikon (Switzerland) & Sulzer (Switzerland)	
Financials	VEB	Prominvestbank (Ukraine) & Belvnesheconombank (Belarus)	
Internet	DST	ICQ & Facebook (USA)	

Oil and gas companies

Initially, the oil and gas sector was hardest hit by the crisis (leading to the substantial fall of energy prices). However, the policy measures undertaken by the Russian government helped mitigate the adverse effect of the crisis. Firstly, Russian oil companies earned considerable amounts as a result of the national currency devaluation (since most contracts were nominated in foreign currencies). Additionally, anti-crisis policy measures in the form of tax breaks added billions of profit. It can be said that the negative effects of the crisis for the Russian oil and gas companies ceased to exist at the beginning of 2009, and it is mainly due to the rise of oil prices. A recent report by Moody's Investor Services confirms that the financial robustness of the Russian oil and gas companies during the economic downturn was sustained by the policy measures such as the devaluation of the Russian national currency and changes in the tax system. Besides, cost cutting actions and access to funding boosted the companies' resilience to the problems (Moody's, 2010). The agency's forecast for the Russian oil and gas companies is positive; and Moody's overall outlook for the sector is stable due to the rising demand for oil and gas globally.

Boosted by the rising revenues, Russian oil and gas multinationals have continued their foreign expansion. On 1 September 2009, Russian private oil company Lukoil completed the purchase of Dow Chemicals' 45% stake in the Dutch refinery Total Raffinaderij Nederland (TRN). The value of the deal, excluding crude oil and products inventory, was $600 million, in line with an agreement reached between Lukoil and Total in June 2008. TRN is located in the Vlissingen Oost harbour area in the south-western part of the Netherlands. This is one of world's largest oil and oil-product trading hubs (Amsterdam-Rotterdam-Antwerp) benefiting from access to the well-established infrastructure, including Maasvlakte Olie Terminal, in which TRN owns a 22% share. Prior to the acquisition, Lukoil was already a major supplier to TRN from its Timan-Pechora fields. Lukoil's press release emphasises that 'these advantages enable Lukoil to strengthen its positions in North Western Europe and increase efficiency of its trading operations. The company will also be able to use TRN to supply and further develop its retail presence in Western Europe. The acquisition of a share in TRN represents another milestone in Lukoil's strategy to acquire world-class refining assets located in direct proximity to end-user markets' (Lukoil, 2009).

The stake became available for purchase because Dow Chemicals was acting under pressure to sell assets quickly and cut costs and manpower in order to repay debts in the US. On the other hand, Lukoil reported a net cash reserve of $3.2 billion at that time, resources available to finance acquisitions abroad. The price paid by Lukoil for the 45% stake is a deeply discounted valuation, due to the global economic downturn; therefore Lukoil acquired this asset on the cheap, an opportunity created by the crisis (Socor, 2009). In fact, this is not the first Lukoil's acquisition in Europe. Several years ago Lukoil had embarked on a strategy to acquire stakes in refineries and retail marketing networks in the European Union. It acquired refineries in Bulgaria and Romania prior to accession of these countries into the European Union. However attempts to buy assets in other countries (UK, Germany, Spain, Lithuania, the Czech Republic) were unsuccessful. The assets were too expensive to acquire. As the global oil prices started to fall in the second half of 2008, assets lost in value too. At this moment Lukoil realised its first major acquisition in Western Europe. It bought a 49% stake, with an option to expand it later, in the Italian ERG group's ISAB refinery in Sicily.

Steel industry

Russian steel industry is dependent both on foreign markets and domestic construction and automobile industries. The first sign of the crisis in the sector were reported at the end of September 2008. Magnitogorsk Iron and Steel Works laid off large numbers of its workers and reduced output. Likewise, drops in production (both at home and overseas) and layoffs (or decreases in wages) were reported for Severstal and Evraz Group. Overall, substantial decline in production and output in raw material industries; automobile and tool-making industries was recorded in Russia; and hence prices on aluminium and nickel plummeted to a break-even point.

The industry appealed to the state aid and relied on the government funds through VTB loans in the framework of the anti-crisis policy measures. VTB issued a 10 billion roubles emergency loan to Evraz to finance its current tax payments; also, a 5 billion roubles loan was issued to TMK. In its investment report, Moody's Investor Services forecasts slow recovery of domestic demand in Russia, which will continue to limit the growth prospects of Russian steel industry. While some signs of prospects are seen as the demand for steel increases globally, domestic demand is important for steel producers' long-term stability and growth prospects (Moody's, 2010).

Despite this industry's downfall, companies did not stop their international expansion. Severstal, a Russian steel manufacturer, has also been hit by the crisis, but returned to profit in the third quarter of 2009 thanks to a strong performance at its domestic mills. Even before that, it continued corporate consolidation. In November 2008 it acquired a 100% stake in Severstal Belgium Holding and increased its stake from 49.23% to 51.25% in Severstal US Holdings in December 2009. In March 2010, the company increased its stake in the Italian steel manufacturer Lucchini SpA, from 79.8% to 100%, paying some € 100 million. And in May 2010, it increased its stake in another foreign affiliate – Canada's High River Gold Mines Ltd, from 50.1% to 68.86% having paid € 92.5 million.

Severstal first acquired a stake in Lucchini back in 2005. Lucchini has a network of domestic and international facilities, possesses a wide product range and the integral cycle technology. Following this original deal, Severstal acquired 79.8% and the Lucchini family retained a minority stake of 20.2%. As the crisis unfolded, Lucchini started posting negative earning. On one hand, the situation offered the Lucchini family to sell its remaining stake in the loss-making company. On the other hand, Severstal acquired the stake for a lower prices (as it is speculated, Severstal paid € 100 million instead of € 160 million. Following the transaction Severstal now owns 100% of Lucchini SpA; however, as the company remains loss making and the prospects for Severstal on the European steel market are bleak, the Russian multinational is looking for a strategic buyer.

Financial problems in another foreign company allowed Severstal to expand to West Africa. In February 2010, Severstal acquired, through its subsidiary Bluecone Ltd, ownership and control of 15.71% of shares in Crew Gold, a London-based gold mining company, holding major assets in Guinea, West Africa. This transaction effectively raised Severstal's ownership to 19.79% (Severstal, 2010). This acquisition followed a corporate restructuring at Crew Gold in response to financial difficulties. In June 2010, Severstal became a control shareholder and, after acquiring a 43.21% stake from another shareholder, Endeavour Financial Corporation, Severstal became a 93.38% shareholder. The final step was done on 10 January 2011, when Nord Gold N.V., a Dutch subsidiary of Severstal acquired a remaining 6.62% stake in Crew Gold. Following this transaction Severstal has become a 100% shareholder (Severstal, 2011).

Metallurgy

The metallurgy faced problems similar to the steel industry as aforementioned. The Russian extraction and metallurgic concern Mechel represents a relevant case in point. At the beginning of the crisis, the majority of the company's debt was current/short-term. To enable the company to continue operations, Mechel started restructuring of its debt into payable in the long-term. Several financing deals were concluded – 15 billion roubles (approximately $560 million) in December 2008 by VTB Bank, $1 billion in February 2009 by Gazprombank, refinancing of $2.6 billion in July 2009, and an agreement with VTB Bank to prolong its 15 billion roubles loan for another 3 years.

It is at this adverse period, Mechel signed and closed an agreement and acquired a foreign company. On April 22, 2009, Mechel's press-release reported an acquisition of 100% shares and interests of a number of U.S. entities, together 'Bluestone', privately-held West Virginia-based coal businesses engaged in the mining, processing and sale of premium quality hard coking coal. The deal amount to $436 million paid in cash, approximately 83.3 million preferred shares, plus the assumption of approximately $132 million of net debt (Mechel, 2009).

Commenting on the deal, Mechel's CEO emphasised the strategic nature of this acquisition, 'The addition of Bluestone's production assets and large, high-quality coking coal reserves and resources establishes Mechel as one of the largest producers of coking coal in the world... Following the closing, we expect … a more diversified asset base, including a strong foothold in North America and enhanced European, American and Asian sales channels' (Mechel, 2009). In other words, Mechel expects to continue to serve Bluestone's existing customer base, primarily in Northern America and Europe.

Automotive industry

At the beginning of the crisis, the Russian automotive sector faced declining demand due to general uncertainty among consumers and a collapse in auto loan programmes. The sector had always enjoyed favourable conditions due to Russia's high tariffs on imports in cars. As part of the anti-crisis measures, the government further increased these tariffs.

GAZ and KAMAZ were the first auto makers to declare production cuts in September-October 2008. The financial difficulties forced KAMAZ to request a state-backed loan and a private loan from Citigroup. KAMAZ was the target of acquisition by Daimler AG; and in December 2008 the deal was realised, as Daimler AG acquired the first 10% in KAMAZ stock. AvtoVAZ disclosed emergency measures on 16 October 2008. The company requested a government-backed interest-free loan of $ 1 billion through VTB.

The Russian automotive industry can hardly boast the presence of Russian emerging multinationals. Russian automotive companies have only limited presence abroad. Therefore the crisis did not have a sizeable effect on foreign operations. However, some Russian multinationals had to sell shares in foreign automotive companies. The example of 'Russkie Mashiny' / Russian Machines, part of the Basic Element conglomerate, is illustrative. In May 2007, Basic Element acquired 20% of shares in Canada's Magna International, the second largest auto parts maker in North America, for $1.54 billion. The Russian company aimed to get access to the advanced Western technologies, and Magna International, in its turn, secured local partner in the fast-growing auto markets. Success, however, did not last long. The shares were used as collateral for a loan, and as stock prices of Basic Element plummeted in autumn 2008, Magna's shares were sold to the loan providers.

Yet, the crisis offered an opportunity to buy foreign assets in the sector. The end of 2009 was marked by negotiations between GM, the parent company of German car manufacturer Opel and a consortium of the very same Magna International and Russian lender Sberbank. The intention of the consortium was to acquire a 55% stake in Opel (Sberbank – 35 %, Magna – 20%). The offer contemplated a total equity investment by the consortium of € 500 million over time. The primary intention of the Russian side was access to technology and know-how rather than market. German Gref, Sberbank's chief executive stated, 'If the import of technologies does not take place, it will mean that (the deal) was just a waste of time' (Reuters, 2009). On 4 November 2009, after months of painstaking negotiations, the Board of GM, the parent company of Opel, announced its intention to reject the deal and to implement a restructuring plan, keeping Opel within its corporate structure. It is speculated that the negative perception of the Russian government's involvement in the deal was one of the reasons behind its failure.

Construction

In May 2007, the Basic Element Holding acquired a 10% stake in the German construction company Hochtief Aktiengesellschaft. On 9 October 2008, Oleg Deripaska, the Russian billionaire and Basic Element's owner announced his decision to exit Hochtief due to the steep drop in its value following the decline in construction industry amidst the global crisis. The shares were transferred to Commerzbank that provided a loan for the original deal. In fact, this transaction took place less than a week after Deripaska's decision to divest a big stake the Canadian car parts maker Magna Int.

Right before the crisis, in April 2007, Basic Element acquired a 25% stake in the Austrian construction company Strabag SE, through a subsidiary company Rasperia Trading Ltd, for € 1.05 billion. As the global crisis struck and the Basic Element Holding started facing pressure in its construction projects and a lack of liquidity, it surrendered its 25% stake to the other two core shareholders in May 2009 to repay the loan taken for its original acquisition and to be able to fund to fund other activities in the wake of the global financial crisis.

However, as the Russian company began to re-emerge from the crisis, it considered re-purchasing Strabag. On 8 November 2010, Basic Element's Rasperia Trading Ltd announced an agreement with Strabag's two core shareholders to repurchase a 17 % stake in the company for € 373 million; and the transaction was completed on 30 November 2010. Furthermore, the members of the syndicate agreed to provide Rasperia with an extension of the call option for the remaining 8% until 15 July 2014. The initial option covered 25%, exactly as the stake acquired initially in 2007 (Strabag, 2010).

Engineering and high-tech

A good example in relation to engineering is acquisition of two Swiss engineering companies by the Renova Group, a large Russian conglomerate. Both investments are particularly important as they offer Russian multinational companies access to new technologies that may be used on the Russian market.

By the crisis, the Renova Group had held 27.10% in shares and 4.10% in purchase positions of Swiss engineering company Sulzer AG. Sulzer's activities include machinery, equipment, surface technology and thermal turbo machinery. Amidst the crisis, on 27 March 2009, the Renova Group announced that it had increased its shareholding to 31.20%.

Renova had already had a stake in Swiss company OC Oerlikon, the leader in the market of semiconductor and vacuum technologies, manufacturing of textile machinery and data storage technologies. Besides, the company develops innovation technologies in outer space exploration, solar energy, laser and nanotechnologies. In May 2008, Renova increased its stake to 39%, and in June 2010 it further tightened the grip by increasing its ownership up to 46.11% stake following Oerlikon's capital increase and acquisition of further shares in the Swiss company (Renova, 2010).

Financial services

The Russian financial sector was one of the first to suffer from the crisis. However, timely intervention by the Russian government could prevent escalation of the crisis in the financial sector, and consequently in other sectors of the national economy. The state-owned development bank Vnesheconombank (VEB) is one the main vehicles of the government's policy. VEB itself can be regarded not only as a government-owned corporation (100% of its shared owned the Russian government), but also as a multinational company. VEB possesses a network of representation offices in the United Kingdom, Germany, Italy, France, USA, China, India and the Republic of South Africa.

In January 2009, VEB purchased additional shares issued by Ukraine's Prominvestbank. In September 2009, VEB paid a total of $ 500 million to increase its share in the bank's charter capital to 93.84%. Prominvestbank is one of Ukraine's leading financial institutions, with an extensive branch network across Ukraine; it plays a lead role in supporting the industrial sector of Ukraine and the development of the national economy. As the crisis began to unfold, the Ukrainian bank found itself on the verge of a default; and the acquisition deal offered a chance to successfully resolve its most acute problems and to conduct a structural reorganisation (VEB, 2009). VEB is the owner of the majority stake of Belvnesheconombank, based in the Republic of Belarus. In 2009, VEB increased Belvnesheconombank's capitalisation, which enabled it to build up the volumes of financing to ensure the exports of the Russian equipment and technologies to the Belarusian market (VEB, 2009).

IT and media

Russian IT, software and media companies have been expanding over the recent years. Digital Sky Technologies (DST), an investment firm based in Moscow, is one of the main players in this sector. The company is a major investor in the Russian, CIS and Eastern European internet markets. It owns stakes in various internet companies. In May 2009, DST bought a 1.96% stake in the Facebook social media website for $ 200 million. On April 28, 2010, AOL and DST reached an agreement for DST to acquire ICQ instant messaging service for $ 187.5 million. At the beginning of January 2011, DST announced its decision to further increase its stake in Facebook, up to 10%. In this deal Facebook raises $ 50 million from DST and $ 450 million from Goldman Sachs.

4.5. Going public: foreign IPO

The Moscow Interbank Currency Exchange (MICEX), opened in 1992 at the start of the economic transition, is one of the largest universal stock exchanges in the Russian Federation and East Europe. Next to it, the Russian Trading System (RTS) is a stock market established in 1995 in Moscow, consolidating various regional trading floors into one exchange. In addition to floating on national stock exchanges, in the mid-1990s, first Russian companies began to issue stocks and bonds in IPO, and raise money through global depositary receipt (GDR) in the west; that can also be seen as a sign of internationalisation. The reasons can be different – some smaller companies seek capital to expand, other companies (particularly privately-owned) look to become publicly traded to facilitate acquisitions, diversify their equity base and enhance prestige and exposure.

The London Stock Exchange (LSE) is one of the favourite global stock exchanges among Russian companies. As of 30 November 2010, some 2 676 companies are floating on LSE, with a total capitalisation of £ 3.8 trillion. Out of them, there are none from Brazil, 5 from China and 31 from Russian and India each. Performance of Indian companies can be explained by their cultural and historical proximity to the UK. As for Russia, this number does not in fact include Russian companies incorporated abroad. X5 Retail Group N.V, a food and drug retailer, operating in Russia but incorporated in The Netherlands, is floating on LSE since 11 May 2005. Likewise, Evraz Group, one of the world's biggest vertically integrated steel production and mining businesses, with operations mainly in Russia, is registered in Luxembourg. It started floating on LSE in June 2005 as a Luxembourgian company.

Gazprom was the first to be listed on LSE, on 28 October 1996. It was shortly followed by other large oil and gas producers – Tatneft (13 December 1996) and Lukoil (7 May 1997). The next Russian company (OMZ JSC) was listed on LSE at the end of 2003. Since then, IPOs by Russian companies on LSE became a clear rising trend – 3 in 2005, 8 in 2006, and the last pre-crisis year (2007) witnessed 10 IPOs. All these companies operate in various sectors – from oil and gas, and mining, to banks and biotechnology.

As the crisis had hit, the number of IPOs by Russian companies plummeted. Only two Russian (private) companies became listed on LSE in 2008 – the food and drug retailer Magnit in April and the chemicals producer Acron in August. Acron, in fact, has postponed a float, opting instead for a placement of GDR. In 2009, at the peak of the crisis, only one Russian company proceeded with IPO. It is Rushydro, the world's second-largest hydroelectric power producer, and is Russia's largest power-generating company and the largest successor to RAO UES, a former Russian electricity monopoly. Rushydro is partly government-owned (the Russian government has a stake of 58%).

The year 2010 may be regarded a turning point. Three Russian companies (O'KEY, Mail.ru and TransContainer) became listed on LSE, all in November. These companies differ in terms of ownership and sectors. O'KEY Group is one of the largest retail chains in Russia. The funds raised on LSE will be used in part to finance the further expansion of the Group's hypermarket and supermarket footprint in Russia over the next several years. The next company is Mail.Ru Group, the largest Internet company in the Russian-speaking world and the leading Internet company in Russia, based on global monthly unique users. It operates Russia's leading e-mail service, the two largest Instant Messenger networks in Russia and Russian-language online social networking sites. Last but not least, TransContainer is an intermodal transport company based in Russia, a subsidiary of the Russian state-owned railway company.

Although LSE remains the most attractive foreign stock exchange, Russian companies have also explored other exchanges. The mobile telecommunications providers Mobile TeleSystems and Vimpel-Communications (BeeLine), the iron and steel producer Mechel and food and beverages producer Wimm-Bill-Dann Foods float on the New York Stock Exchange (NYSE). Vimpel started floating in May 2010.

In the same year (January 2010), United Company Rusal, the world's second largest aluminium company, became listed on the Hong Kong Stock Exchange (HKEx). The company chose for Hong Kong as it expected to attract Chinese investors and China is the world's largest aluminium consumer. Although headquartered in Moscow, Rusal is incorporated at Jersey, Crown dependency, from where its financial Centre operates. Therefore the company is listed on HKEx as a company incorporated in Jersey, with a principal office in Hong Kong, without any reference to Russia.

Overall, regarding floating on (foreign) stock exchanges, despite improvements in the economic climate, risks are still too high for many companies. It is possible to expect some growth but only in comparison to 2008-2010. Companies may be listed in order to repay debts and to realise investment programmes because it is very hard to finance them by means of credits, since banks issue credits only for short time and under high interest rate. Besides, certain companies do not have a chance to take out a loan at all and such opportunity will hardy be available for them soon.

In this respect, some businesses lag behind expectations. For example, the state-run rail monopoly, Russian Railways, has announced a delay of its IPO until 2011 at least. In the same fashion, the iron ore and steel producer Metalloinvest has scrapped IPO plans altogether.

Table 7 Russian companies listed on LSE and NYSE (as of 30 November, 2010)

London Stock Exchange

List Date	Company	Sector	Market Capitalisation £m
2010			
12-11-2010	Transcontainer OJSC	Industrial Transportation	151.02
11-11-2010	Mail.Ru Group LTD	Company Bonds	---
05-11-2010	O'Key Group SA	Food & Drug Retailers	343.611
2009			
06-07-2009	Rushydro OJSC	Electricity	9150.89
2008			
12-08-2008	Acron JSC	Chemicals	0.59
22-04-2008	Magnit OJSC	Food & Drug Retailers	472.69
2007			
16-11-2007	LSR Group OJSC	Construction & Materials	260.87
08-11-2007	Novorossiysk Commercial Sea Port	Industrial Transportation	187.667
19-10-2007	Uralkali JSC	Banks	7371.95
04-10-2007	OGK 2	Electricity	57.95
06-06-2007	PIK Group OJSC	Real Estate Investment & Services	88.88
17-05-2007	VTB Bank JSC	Banks	21376.45
11-05-2007	Pharmastandard OJSC	Pharmaceuticals & Biotechnology	917.00
30-04-2007	Magnitogorsk Iron & Steel Works	Industrial Metals	7147.71
13-02-2007	Sitronics JSC	Technology Hardware & Equipment	15.94
12-02-2007	Polymetal OJSC	Mining	774.69
2006			
18-12-2006	Polyus Zoloto OAO	Mining	2959.26
14-11-2006	Severstal OAO	Industrial Metals	9150.15
13-11-2006	Chelyabinsk Elektrolit Zink Plant	Industrial Metals	30.72
08-11-2006	Sistema-Hals JSC	Real Estate Investment & Services	39.21
03-11-2006	TMK OAO	Industrial Metals	446.89
19-07-2006	Rosneft OJSC	Oil & Gas Producers	40705.08
15-05-2006	Cherkizovo Group (OJSC)	Food Producers	261.03
13-02-2006	Comstar United Telesystem	Fixed Line Telecommunications	1692.04
2005			
15-12-2005	Novolipetsk Iron and Steel Corp	Industrial Metals	14288.58
27-07-2005	Novatek OAO	Oil & Gas Producers	18360.73
14-02-2005	Sistema JSFC	Mobile Telecommunications	8204.12
2003			
30-09-2003	OMZ JSC	Industrial Engineering	---
1990s			
07-05-1997	Lukoil OAO	Oil & Gas Producers	60028.00
13-12-1996	Tatneft AO	Oil & Gas Producers	7210.39
28-10-1996	Gazprom OAO	Oil & Gas Producers	84584.68

Source: www.londonstockexchange.com

New York Stock Exchange

List Date	Company	Sector
07-05-2010	Mechel (ADR preferred)	Iron & Steel
16-04-2010	Vimpel-Communications	Mobile Telecommunications
29-10-2004	Mechel	Iron & Steel
08-02-2002	Wimm-Bill-Dann Foods OJSC	Food Products
30-06-2000	Mobile TeleSystems	Mobile Telecommunications

Sources: www.nyse.com

4. Conclusions

The early and mid-2000s were marked by bullish behaviour of Russian multinationals on foreign markets characterised by acquisition of assets in the former Soviet and socialist republics, as well as in Western Europe and elsewhere. The global economic crisis that erupted in the late 2007 has affected growth of Russian companies and their foreign operations of emerging Russian multinationals. The largest companies have reduced their investment programmes. Certain Russian companies have had to withdraw their investments from various projects in order to repay their debts. The paper has discussed the interplay between two parallel developments, both critically important for the global economy – the global economic crisis and the internationalisation of Russian multinational companies. Various data sources are used in order to explore the effect of the global crisis on international expansion of Russian multinationals. It is important to note that the focus of the paper lies on the international operations (internationalisation) of emerging Russian multinationals, and not their responses to the crisis on the domestic Russian market (where responses were much harsher than abroad). Several main conclusions can be formulated.

<u>Conclusion 1 General outlook</u>

The crisis has had a moderating effect on the Russian expansion abroad. Empirics described in the paper show that Russian sustained decline in its outward FDI, the amount of foreign acquisition diminished and the number of Russian companies going public on western stock exchanges decreased. This contraction, however, was not radical. In many instances, indicators returned back to the mid-2000s level.

Overall, it can be concluded that on one side some companies sustained financial loss and re-though their expansion strategy, on the other hand, the crisis offered an opportunity for acquisition of assets abroad going down in market value. After all, Russian companies have been born and grown in unstable institutional and challenging business environments, many of them have gone through the 1998 Russian financial crisis, enabling them to develop resilience to adverse economic conditions that helps them overcome the consequences of the global economic crisis.

The 1998 Russian crisis has led to reconfiguration of the Russian national economy, impacting market shares of the largest companies (banks in the first instance). In contrast, the global economic crisis has not led to dramatic changes in the structure of the Russian economy and market shares, and the current situation has been largely preserved, mainly owing to the decisive intervention of the Russian government.

<u>Conclusion 2 Russian government and state aid</u>

The Russian government has played a pro-active role to mitigate the negative effect of the crisis. State aid granted to (a select number of) Russian large and multinational companies has sustained and enhanced their competitive position. Given that oil and gas are of strategic importance to Russia, the policy-makers continue to advance the state's influence in the energy sector. Specifically, Russian oil and gas multinationals benefited greatly from these policy measures, and re-emerged from the crisis even more financial sound. In many instances, the crisis enabled the Russian government to strengthen its grip over the national economy. This can be even referred to as 'soft re-nationalisation'.

While the economic crisis has halted the foreign expansion of Russian private capital, state-owned capital strengthened its position as an investor. Companies with a controlling stake held by the Russian government (e.g. Gazprom, VTB Bank, Sberbank) continued their expansion; the state-owned entity 'Russian Development Bank' (VEB) has started playing a much more pronounced role in Russia's foreign expansion, directly and indirectly.

Conclusion 3 Sectoral differences

Russia's raw materials companies continue to be the main category of foreign investors. These companies have benefited from the state support and are presently enjoying rising commodity prices. These factors allow them to continue their expansion abroad. Likewise, financial institutions who benefited from the state aid continue internationalising. Companies in steel manufacturing sector are visible international players too.

However, new technologies are gaining prominence as the other main direction of Russian investments. Mobile telecommunications companies actively explore foreign markets, particularly, the CIS. Similarly, Russian companies in software, IT, internet technologies and media markets expand abroad. Acquisition of a stake in the social network Facebook by a Russian company is illustrative.

Conclusion 4 Divestments

The crisis has had a moderating effect on the foreign expansion of Russian multinationals too. Some companies had to divest their foreign assets. Basic Element, a diversified investment company, is a case in point. Mounting financial pressure forced Basic Element to sell the investment in the Canada-based auto-parts maker Magna a year after the acquisition deal to the bank that financed the deal. Similarly, even if Basic Element had to divest its assets (Strabag) in the wake of the crisis, it effectively restored its ownership and control in the late 2010.

As the analysis shows, several Russian companies sold minority stakes, or stakes in non-core assets, others compensated foreign divestments by acquisition elsewhere abroad (e.g. Lukoil's sale of its gas stations network in Poland and purchase of a network in Montenegro). In total, it can be concluded that the global economic crisis has not led to massive divestments of foreign assets by Russian multinationals.

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To sum up, the emergent class of Russian multinational companies has been touched by the global economic crisis. However, facilitated by the Russian government, emerging Russian multinationals have managed to withstand the blow, and improve their competitive positions and financial performance. Further recovery of the Russian economy and Russian multinationals will depend on the performance of the world's leading economies and the recovery in the emerging markets, particularly the other BRIC countries.

The literature stream on emerging multinationals has been dynamically evolving in the recent years; and it has not yet reached its maturity level. Responses of emerging multinationals to the global economic crisis are one of the aspects of this research area. This is a new and key issue to address on which the extant literature remains scant. This paper makes one of the first steps on this promising avenue of academic research by putting together empirical evidence on this topic and providing descriptive analysis of these current developments. The findings of the study broadly correspond to the propositions of Sauvant et al (2010) regarding strategic responses of emerging multinationals to the crisis. More broadly, these responses should be seen through the prism of FSA and CSA factors of Russian multinationals; and the findings indicate, the CSAs were much more pronounced in the strategic response of Russian multinationals to the crisis.

There is still a large potential for academic elaboration and theory-building, as a better understanding of this issue is a concern of scholars as well as policy makers. More specifically, Russian multinationals have become and will remain important players in the world FDI market, and the topic provides an avenue for further research.

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