Restoring the Economic Power of Russia through OFDI Expansion

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ABSTRACT
When enterprises enter a new country they face the challenge to develop their acquisition and distribution systems. In this way modern management concepts are exported. Today, managers of multinational companies are more specialized in segmenting their activities and in finding optimal location for increasingly specialized forms of activity being able to adopt their products to local markets. These technological and managerial efforts have been extended by political that provided a larger opening than in previously closed economies. FDI is one of the most efficient means by which emerging markets become integrated to the global economy while FDI provides capital, technology and management know-how required by the restructuring of firms in the host economies. The propose of the paper is to analyze the growing importance of OFDIs from emerging markets underlining the fact that, in recent years, middle and low income countries, such as Brazil, China, India, Nigeria, Malaysia, Russia and South Africa, have become important in the global geography of capital flows. From among the BRIC countries, our paper will provide insights into the Russian economy, focusing on its goal of becoming a major outward investing country on a global scale. The expansion of Russian corporations to abroad, and particularly to Europe, raised many questions regarding the motivations behind their internationalization and led to a common acknowledged belief that they were tools of regaining political hegemony rather than pure economic entities. Given the complexity of the subject, the main objective of our paper is to explore trends for Russian OFDI and their impact upon the new balance of the global economic power.

KEYWORDS: *BRIC countries, emerging markets, FDI flows, Russian multinationals*.

JEL CLASSIFICATION: *F20, F21, F23*

INTRODUCTION

The growing importance of Outward Foreign Investments (OFDI) from emerging markets has broken the traditional pattern of the advanced economies conducting FDI flows towards developing or low-income countries. The unprecedented expansion of multinational companies (MNCs) from so-called BRIC countries has received a great deal of attention in the international business literature during recent years (Iliescu & Dinu, 2011; Mathews, 2006, Utter, 2011). The four BRIC countries which make up the group – Brazil, Russia, India and China - are not yet among the most developed countries of the world, but the potential of these emerging economies, assessed from the point of view of the geographical

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area and population, of the economic growth rate, of the military forces and political influences, confer them the status of future great powers of the Globe.

Foreign direct investments (FDIs), as one of the important forms of capital flows, represent an essential part of international economic integration allowing the promotion of products more widely on international markets. FDIs are also important funding alternatives for investment and valuable tools for company development. FDI is in fact the financial investment that enables the investor to gain a significant degree of influence on the management of the affiliate.

FDI occurs when a firm invests directly in facilities to produce and/or market a product in a foreign country. FDI data are usually reported in terms of stocks and flows. *FDI flow* refers to amount of FDI over a period of time, usually one year (new investments made during the reference period), while *FDI stock* represents the total accumulated value of foreign owned assets at a given point of time.

If we want to define inward FDI and outward FDI we might say that they depend on the direction of flow of money. *Inward FDI* occurs when foreign capital is invested in local resources, while *outward FDI* represents direct investment abroad.

1. THE NEW GEOGRAPHY OF FDI FLOWS

Capital flows have existed for a long time, so financial globalization is not a new phenomenon, but today's depth is outstanding. However, until the 1970s, when the world witnessed the beginning of a new wave of financial integration, only few countries have participated. Towards the 1990s we can talk about a highly integrated world economy with a growing participation of a wide range of developing counties in the global financial system.

Traditionally, FDI flows have been a phenomenon of the developed economies. Until the 1980s, more than 90% of global outward FDI (OFDI) arose from developed countries. However, outward foreign direct investments from developing countries and transition economies have intensified in the last decade, reaching a record high in 2010, both in absolute terms and as a share of the global total. In 2010, among the top-20 investors six were from developing and transition economies from South, East and South-East Asia and Latin America (Figure 1).

Lately, large state-owned enterprises from Brazil, Russia, India and China have gained ground as significant investors as the result of rapid economic growth in this countries and strong motivations to acquire strategic assets abroad.

Even if literature generally is focused on the impact of outward FDI from developed countries into recipient developing countries and less on the growing phenomenon of outward FDI from the developing countries themselves into developed or into other developing countries, there are however a number of studies in this respect.

Thus, Depetris Chauvin (2011), in his recent research from SKOLKOVO Institute for Emerging Market Studies (SIEMS), presents an overview of new trends in global capital flows pointing out the emergence of new trends of cross border financial and trade flows.

The study shows that, in recent years, middle and low income countries, such as Brazil, China, India, Nigeria, Malaysia, Russia and South Africa, have become important in the global geography of capital flows. Thus, the BRICs (Brazil, Russia, India, and China) and some emerging countries, including Malaysia and South Africa, have created this new trend of the South as a source of FDIs while Europe remains the largest regional destination for the majority of them (Figure 2).

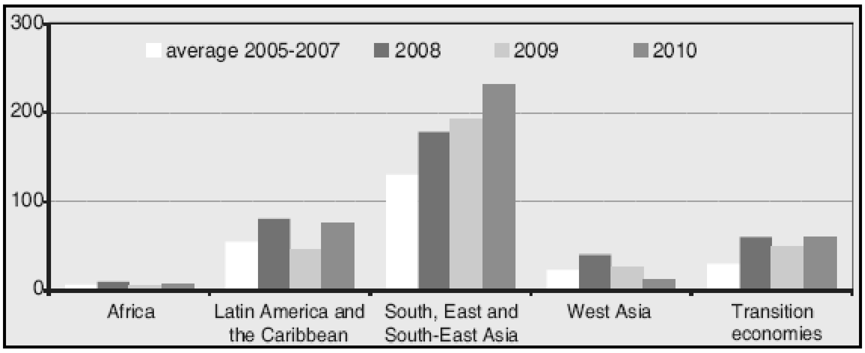

Figure 1. FDI outflows from developing and transition economies, by region (Billion USD)
Source: UNCTAD, World Investment Report 2011

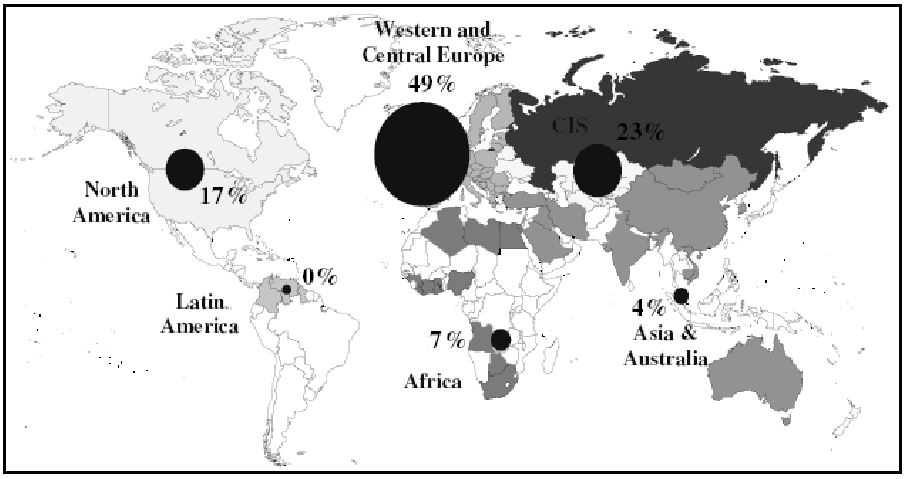

Figure 2. Geographical distribution of foreign assets of Russian MNEs listed, 2008
Source: Institute of World Economy and International Relations of Russian Academy of Sciences and Vale Columbia Centre on Sustainable International Investment (IMEMO-VCC) survey of Russian multinationals

Sauvant, Maschek and McAllister (2009) state in their work that the global environment for OFDI is changing rapidly. Various factors, such as the continuing liberalization of FDI regimes worldwide, competition among firms from all parts of the world and technological and logistical advancements, influence and support global OFDI flows from both developed and emerging markets. Although in 2008 the world financial and economic crisis had a strongly negative impact in particular on OFDI flows from developed countries, capital flows from developing countries still rose in 2008 (Table 1).

Table 1. OFDI flows by region and major economy, 2007-2008 (Billion USD)

Region/economy	FDI outflows		
	2007	2008	Change (%)
World	***2,146.5***	***1,857.7***	***-13.5***
Developed economies	***1,809.5***	***1,506.5***	***-16.7***
Europe	1,270.5	944.5	-25.7
United States	378.4	311.8	-17.6
Japan	73.5	128.0	74.1
Developing economies	***285.5***	***292.7***	***2.5***

Source: Sauvant, K.; Maschek, W.; McAllister, G., Foreign Direct Investment by Emerging Market Multinational Enterprises, the Impact of the Financial Crisis and Recession and Challenges Ahead, OECD, Global Forum on International Investment, 7-8 December 2009

The importance of transition economies as investors has significantly increased over the last decade. The crisis drew attention to the importance of developing and transition economies, especially the emerging markets of Brazil, India, China and the Russian Federation (BRICs) (UNCTAD, 2011b). Developing economies increased further in importance in 2010, both as recipients of FDI and as outward investors.

Outward FDI from developing and transition economies reached 388 billion USD in 2010, representing an increase of 21% relative to 2009. Their share in global outflows became 29%, up from 16% the year prior to the financial crisis (2007). Outflows from the Hong Kong (China) and China increased by more than 10 billion USD each. FDI outflows from transition economies grew by 24%, reaching a record 61 billion USD. Most of the outward FDI projects were carried out by Russian TNCs and TNCs from Kazakhstan.

The relative and absolute economic importance of emerging economies is expected to continue to rise for the foreseeable future.

2. RUSSIA'S DRIVE FOR REGAINING GLOBAL ECONOMIC POWER

In 2003, the institutional investment group of Goldman Sachs released a research report that introduced a new and catchy acronym - "*BRICs economies*" - using the capital letters of the names of the following emerging countries expected to reach the fastest growth rate in the world by 2050: *Brazil, Russia, India and China.* The four BRIC countries which make up the group were not among the most developed countries of the world, but the potential of these emerging economies, measured from the point of view of the geographical area and population, of the economic growth pace, of the military forces and political influences, conferred them the status of future great powers of the Globe.

Over the last few years, the now famous BRIC acronym became closely associated - but not quite synonymous - with the concept of "emerging economies". Thus, there are plenty of examples of other acronyms that followed – BRICS (BRIC + South Africa), BRICSAM (BRICS + South Africa + ASEAN Countries + ASEAN Countries + Mexico), as well as BIC or RIC (depending on which country is considered the weakest constituent among the

BRICs) (Renard, 2009). Beyond these theoretical and practical attempts of BRICs enlargements or abridgements, the recent developments that we have witnessed during the global economic crisis showed that the four BRICs have maintained their steady rise in the global rankings of emerging economies. Hence, we can attest that against the global downturn, the "BRIC mechanism" still works.

The literature of the last years, which is very rich in statistical data regarding the climbing up of BRICs on the international business stage, can only emphasize the previous assertion: the BRIC countries had in 2010 a cumulative share of 40% in the total population of the Globe, almost 18% in the total GDP (compared with a share of 19% for the US), 16% in the international trade and 40% in the global foreign exchange reserves. Yet, the IMF prognosis reveals that in 2015, the BRICs share in the world GDP (21.6%) will rival that of US (22%) (Table 2 and Figure 3).

Being developed as a resource-based economy, Russia had always held a vital role within the global energy supply system. In fact, the economic rise of Russia at the beginning of the 21st century was considered to be triggered by the oil prices increasing trend as well as by the reinforcement of the Russian state and its domination over the massive amount of natural resources within the boundaries of this country. In the early 2000s, the Russian companies began to undertake internationalisation strategies.

Table 2. BRICs in the Global Economy, 1991-2015 [1]

Indicator	1991-1994	2000-2004	2005-2009	2015
(In percent of world total; period average)				
Population				
BRICs	44.7	43.6	42.8	41.8
Other EMEs[2]	23.1	23.2	23.6	23.9
United States	4.8	4.7	4.6	4.5
Euro Area	5.6	5.1	4.9	4.6
GDP[3]				
BRICs	5.8	8.5	13.1	21.6
Other EMEs	10.6	10.8	13.3	15.4
United States	26.2	30.6	25.6	22.0
Euro Area	24.8	21.3	22.0	16.6
Exports				
BRICs	4.2	7.9	12.4	20.1
Other EMEs	13.0	15.8	18.6	18.3
United States	13.3	12.0	9.7	9.6
Euro Area	34.7	30.9	29.1	23.0
Imports				
BRICs	4.0	7.0	10.5	18.8
Other EMEs	14.4	14.8	17.2	18.0
United States	14.6	17.1	14.1	12.3
Euro Area	34.0	29.5	28.5	21.9

Source: IMF and World Economic Outlook, October 2010

Note: [1] WEO Projections for 2015; [2] Emerging market economies excluding BRICs; [3] At market exchange rates

It was the favourable evolution of oil prices that enabled the Russian Government to reimburse its debts, to raise the standard of living for its people but also to develop its military forces. It was stated that Russia has made a real "leap forward" and once again, has turned to the status of a redoubtable world power (Petar & Bandov, 2011).

From among the BRICs, our paper will provide insights into the Russian economy, focusing on the dramatic evolutions that determined the successive changeovers of the country from the position of "super power" via "super problem" to the new status of "great power" (Petar & Bandov, 2011). After almost two decades from the Soviet Union falling apart, Russia embarked in 1991 on a period of transition from a command economy to a free market economy. The adoption of the new Constitution in 1993 was followed by the Government's efforts towards rebuilding a strong economy, removing corruption and improving citizens' living standards. Despite the negative influences induced by the Asian crisis, the Russian economy recovered between 1999 and 2005, when a notable increase in GDP of approximately 6.5% was registered. In 2006-2008, before the emergence of the world economic crisis, Russia continued to mark high economic growth rates: 7.7% in 2006, 8.1% in 2007 and 5.6% in 2008 (Mihăilescu & Ciorăşteanu, 2011).

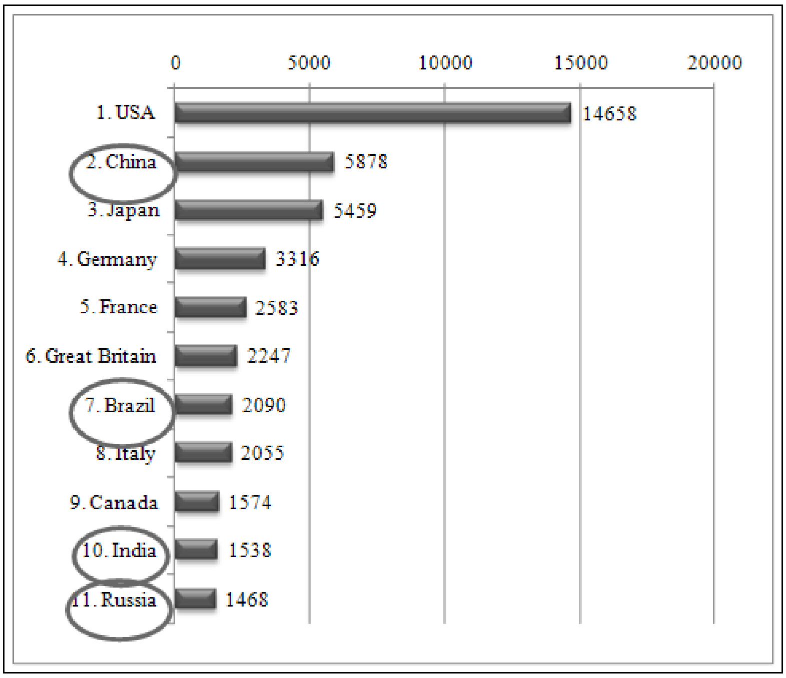

Figure 3. The BRICs' ranking among the world economies, taking into consideration the GDP at current prices in 2010 (values expressed in billion US dollars)

Source: Oehler-Sincai, I.M. (2011). The Strategic Character of the Cooperation Relationship between the EU and the BRIC Countries, Romanian Journal of European Affairs, Vol. 11, No.2, 2011, p. 32

Nevertheless, the global economic crisis has had a keen impact on Russian economy. Russia's export-oriented products had to confront unprecedented and difficult circumstances: the demand and the prices dropped, oil prices also plunged sharply (from nearly $100 per barrel in 2008 to $ 62 per barrel in 2009), the unemployment rate registered an alarming peak, the Russian stock market had fallen causing a dramatic undervaluation of Russian companies (Filippov, 2011). Furthermore, the liquidity crisis, the bankruptcy of several banks, as well as the massive withdrawal of funds from foreign investors has inevitably bore upon the country's growth rate.

Thus, at the end of 2009, when Russia has been severely hit by the crisis, its GDP fell by 7.9% compared to the same period in the previous year, exports dropped by 4.7% and the unemployment rate has reached the level of 7.3% (Table 3).

Table 3. The Evolution of the Main Macroeconomic Indicators of Russia between 2007 and 2012 (Annual Percentage Change)

Indicator	2009		Annual Percentage Change					
	Bn RUB Current prices	% GDP	2007	2008	2009	2010*	2011*	2012*
GDP	39,063.6	100.0	8.1	5.6	-7.9	3.5	3.8	4.0
Private consumption	21,317.8	54.6	13.8	10.7	-7.6	4.1	4.3	4.5
Public consumption	7,867.3	20.1	3.7	2.9	2.0	2.2	1.9	2.1
Grossed fixed capital formation	8,387.5	21.5	21.1	10.4	-15.7	5.9	4.3	7.8
of which: equipment	3,140.9	8.0	-	-	-	5.0	0.9	8.0
Export volume	10,847.1	27.8	6.3	0.6	-4.7	5.1	4.9	4.5
Import volume	7,960.5	20.4	26.6	15.2	-30.4	11.6	7.7	6.9
Unemployment rate (a)			5.7	7.0	7.3	8.2	7.9	7.7

Source: European Commission, European Economic Forecast, Autumn, 2009, p.178
Note: (a) as % of total labour force; * predicted values

Table 4. The SWOT Analysis of Russia

Strengths	Weaknesses
The abundance of natural resources, especially oil and gas The dependence of neighbouring countries of Russian gas, oil and pipelines Great military forces Highly educated workforce	Low competitiveness of Russian economy Dependence on gas and oil exports and their prices on the world market Shrinking and aging population
Opportunities	**Threats**
More significant role in the world arms market Increase in energy resources prices Weaknesses of the neighboring states, CIS members	Difficult struggle against crisis, raising concerns about the long-term growth trend Decrease of energy resources prices Geopolitical pressure from the West

Source: Petar K. and Bandov, G. (2011). The Contemporary Role and the Perspectives of BRIC States in the World Order, Electronic Journal of Political Science Studies, June 2011, Vol. 2, No.2

Table 4 synthesizes the reference points of the SWOT analysis regarding Russia as BRIC state.

Up to date researches made by Goldman Sachs analysts (Wilson et al., 2010; Wilson et al., 2011) showed that the BRICs have moved forward the ladder of the global economic upsurge, in line with earliest prognosis which were initially set up in 2003 and last and then revised in 2008. This trend was intensified by the global slump, which caused a remarkable reshuffling of countries according to their economic size, evaluated in terms of US-Dollar Denominated GDP.

Table 5 shows a "BRIC-heavy top ten", with a Russian economy surpassing Canada and Spain in 2012, despite the negative effects on the economic growth induced by the crisis.

Table 5. BRICs Move Up – USD Denominated GDP Rankings

	2007	**2008**	**2009**	**2010**	**2011**	**2012**
1	USA	USA	USA	USA	USA	USA
2	Japan	Japan	Japan	China	China	China
3	China	China	China	Japan	Japan	Japan
4	Germany	Germany	Germany	Germany	Germany	Germany
5	UK	France	France	France	France	France
6	France	UK	UK	UK	UK	UK
7	Italy	Italy	Italy	Brazil	Brazil	Brazil
8	Spain	Russia	Brazil	Italy	Italy	Italy
9	Canada	Spain	Spain	India	India	India
10	Brazil	Brazil	India	Canada	Russia	Russia
11	Russia	Canada	Canada	Russia	Canada	Canada
12	India	India	Russia	Spain	Spain	Spain
13	Korea	Mexico	Australia	Australia	Australia	Australia
14	Mexico	Australia	Mexico	Mexico	Mexico	Korea
15	Australia	Korea	Korea	Korea	Korea	Mexico

Source: Wilson, D., Burgi, C. and Carloson, S. (2011). *The BRICs Remain in the Fast Lane*, BRICs Monthly, No. 11/06, June.

Table 6. Timeline for BRICs to Overtake G6 – 2003 vs 2008 Projections

	France	**Germany**	**Italy**	**Japan**	**UK**	**US**
Brazil 03	2031	2036	2025	-	2036	-
Brazil 08	2027	2029	2020	2034	2038	-
China 03	2004	2007	2000	2016	2005	2041
China 08	2006	2008	2004	2010	2006	2027
India 03	2019	2023	2016	2032	2022	-
India 08	2021	2024	2017	2027	2023	-
Russia 03	2024	2028	2018	-	2027	-
Russia 08	2024	2029	2017	2037	2027	-

Source: O'Neill, J. and Stupnytska, A. (2009). The Long-Term Outlook for the BRICs and N-11 Post Crisis, Global Economics Paper, No. 192, Goldman Sachs Commodities and Strategies Research, p. 23

Considering the difficulties faced by the Russian Government when trying to counteract the effects of the economic crisis and the apparent tendency of economic performances to slowdown after the reference year 2009, there were some experts who raised the issue regarding Russia's affiliation to BRIC states. However, in their research report "*The Long-Term Outlook for the BRICs and N-11 Post Crisis*", analysts Goldman Sachs, Jim O'Neill and Ana Stupnytska argue that Russia deserves its BRIC status as this country performed better than many experts realised.

Thus, its average growth performance has been a little below 5% (the rate of growth that Goldman Sachs' analysts presumed for Russia in 2003), even if we take into consideration the critical year 2009. Although Russia's growth could go down to smaller levels than expected, Jim O'Neill and Ana Stupnytska give proof of the fact Russia may still grow enough to surpass Japan and become the fifth largest economy in the world by 2050 – a development that they were not able to predict in 2003 (O'Neill & Stupnytska, 2009) (Table 6).

3. OUTWARD FOREIGN DIRECT INVESTMENT FROM RUSSIA

Among the top 20 most promising investor countries nearly half were developing and transition economies. Of these, China occupies the 2nd position in the global ranking, while India is ranked 6th and the Russian Federation 9th. Figure 4 presents this ranking developed after the number of times that the country is mentioned as top investor in their respective countries by respondent investment promotion agencies (IPAs).

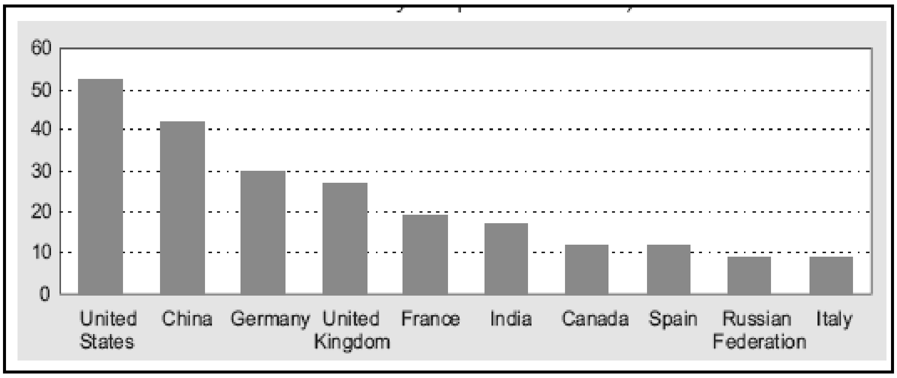

Figure 4. The most promising investor-countries for the next three years ahead according to IPAs

Source: UNCTAD, World Investment Prospects Survey 2010-2012

According to the World Investment Report 2011, in 2010 six developing and transition economies were among the top 20 investors (Figure 5). This trend is conformed also by UNCTAD's World Investment Prospects Survey 2011-2013 which states that developing and transition economies (especially China and the Russian Federation) are becoming important investors. This tendency is likely to continue in the near future.

In the next part of the paper, a special focus is given to outward FDI from Russia, pointing out the outward expansion of Russian multinationals in recent years.

Over the last years, the Russian Federation has become a major outward investing country on a global scale. According to data from the United Nations Conference on Trade and Development (UNCTAD), registered outward foreign direct investment stock of the Russian Federation's increased from 2 billion USD in 1993 to 370 billion USD in 2007, making it one of the most important source economy of investments worldwide and the largest among emerging economies, ahead of Hong Kong, Brazil, China, India and South Africa (Table 7).

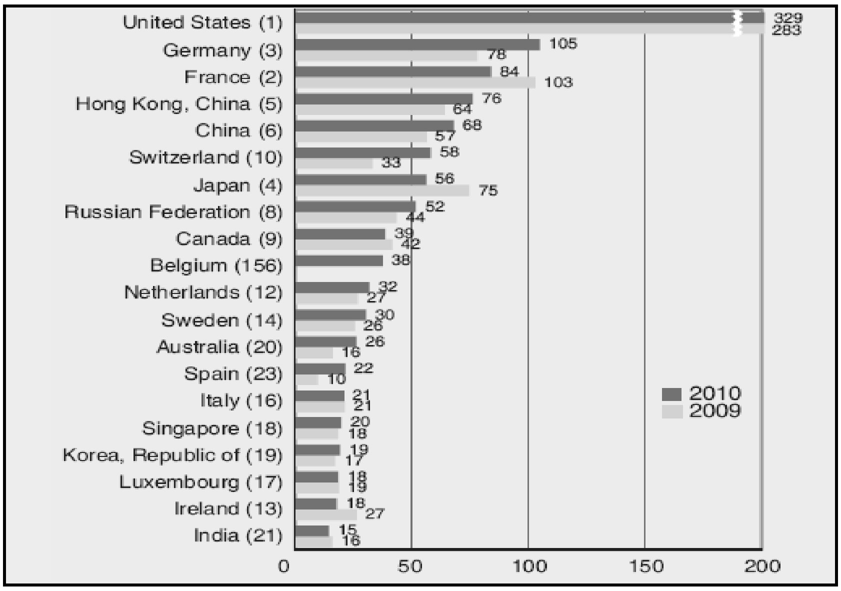

Figure 5. Global FDI outflows, top 20 home economies, 2009-2010 (Billions USD)
Source: UNCTAD, World Investment Report 2011

Table 7. Outward FDI stock, 2000-2010 (Billion USD)

Economy	2000	2005	2007	2008	2009	2010
China	28	57	96	148	230	298
Russia	20	147	370	206	303	369
India	2	10	44	63	79	92

Source: UNCTAD's FDI/TNC database

With the onset of a major financial crisis in the second half of 2008, which affected the Russian economy deeply, outward investments from the country have dropped in 2008 regaining a positive trend not long after. *The statistics from the Bank of Russia* (there are two official sources for FDI statistics in Russia: the Bank of Russia and the Federal State Statistics Service – Rosstat; the Bank of Russia estimates FDI figures by using balance of payments data and includes all forms of FDI; its statistics are the source for the FDI data for Russia in UNCTAD's FDI database; Rosstat collects data from companies and publishes detailed information since 2005) *show that Russian outward FDI stock reached a value of 303 billion USD at the end of 2009* (Table 8), *reaching 369 billion USD at the end of 2010,* *which means Russian OFDI stock became 18 times larger than in 2000* (Figure 6). By comparison, global OFDI stock has increased only by 156% during 2000-2010.

As far as outward FDI flows from Russia are concerned, we can say that they remained relatively stable during 2007-2010 (Table 9), recording, in average, a value of 49.2 billion USD (45.9 billion USD in 2007, 55.5 billion USD in 2008, 43.6 billion USD in 2009 and 51.7 billion USD in 2010). Thus, Russia has been ranked 7th in terms of OFDI flows in 2009, although that year was the most difficult for the Russian economy during the recent downturn.

Table 8. Geographical distribution of Russian outward FDI stock in 2009 (Million USD)

Region	2009
World	**303,464**
Developed economies	**239,574**
Europe	217,930
North America	10,773
Other	10,871
Developing economies	**47,935**
Africa	1,278
Asia and Oceania	5,089
Latin America and Caribbean	41,568
Transition economies	**15,955**

Source: Bank of Russia database, http://www.cbr.ru/eng/statistics

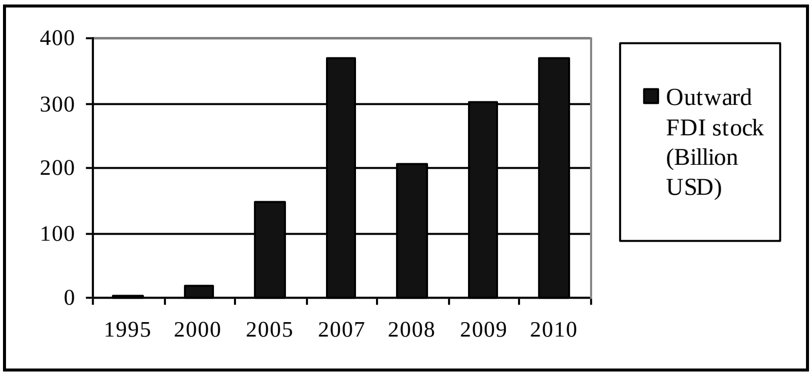

Figure 6. Russian outward FDI stock (Billion USD)
Source: based on data from Bank of Russia database, http://www.cbr.ru/eng/statistics

Table 9. Outward FDI flows, 2002-2010 (Billion USD)

Economy	2002	2003	2004	2005	2006	2007	2008	2009	2010
China	2.5	2.9	5.5	12.3	21.2	22.5	52.2	56.5	68.0
Russia	3.5	9.7	13.8	12.8	23.2	45.9	55.5	43.6	51.7
India	1.7	1.9	2.2	3.0	14.3	17.2	19.4	15.9	14.6

Source: UNCTAD's FDI/TNC database

From 2007, the Bank of Russia began to publish detailed statistics on the geographical distribution of Russian outward FDI flows in order to underline the priorities of Russian investors during the global crisis. The United States of America, together with Cyprus, the Netherlands, has become one of the most important host countries. Some small countries of the Commonwealth of Independent States (CIS) and Central and South-East Europe are also among main recipients of Russian outward FDI (Table 10).

As Kuznetsov pointed out, certain countries, such as Armenia, Belarus, Bulgaria, Latvia, Montenegro, Serbia, Uzbekistan, which are not very popular among foreign investors globally, attract significant OFDI from Russia due to cultural and language links, developed industrial chains, business contacts and other advantages of the so-called "neighbourhood effect" (Kuznetsov, 2011).

Table 10. Geographical distribution of Russian outward FDI flows in 2007-2010 (Million USD)

Region	2007	2008	2009	2010
World	**45,897**	**55,540**	**43,632**	**51,664**
Developed economies	*38,878*	*44,788*	*33,896*	*39,742*
Europe	34,923	29,401	31,252	36,727
North America	1,155	13,988	1,654	1,915
Other	2,800	1,399	990	1,100
Developing economies	*2,704*	*5,974*	*3,497*	*7,028*
Africa	74	58	69	124
Asia and Oceania	1,183	11,03	308	771
Latin America and Caribbean	1,447	4,813	3,120	6,133
Transition economies	*3,802*	*3,877*	*4,885*	*2,506*
Unspecified destinations	*513*	*901*	*1,354*	*2,388*

Source: Bank of Russia database, http://www.cbr.ru/eng/statistics

Several countries appear among the leading hosts for Russian OFDI due to the activities of just one company. Thus, almost all Russian outward FDI in Hungary has been made by Surgutneftegaz, which has bought more than 20% of MOL, the Hungarian main oil company. Another example is Zarubezhneft that has become the first Russian MNC to invest in Bosnia and Herzegovina.

CONCLUSION

Nowadays, we are witnessing a dramatic shift in the pattern of FDI. Traditionally, the economic theory claimed that investments flows should move from wealthy countries to developing or low income countries. But this rule was invalidated by the practice, as some multinationals originating from emerging countries rose from the ranks over the last years and acquired a key role in the world economy.

In line with this trend, Goldman Sachs forecasted about than ten years ago that the largest developing economies, the BRIC countries will catch up with the G7 in size by 2050. Updating this prediction, Goldman thinks now that this event will take place by 2018. The total GDP generated by the BRICs was equivalent to nearly US $ 11 trillion in 2010 while their economies followed outstanding growth rates and ascending wealth.

Being the largest land area in the world, Russia holds huge natural resources and a population recorded at 143.4 million people in 2012. The country created a total GDP of around $ 1.5 trillion in 2010, slightly larger than that of India's $1.4 trillion, but smaller than Brazil's $2.2 trillion and China's $5.7 trillion. On the energy market, Russia also has the largest gas reserves in the world and has the world's second largest oil reserves. Thereby, Russia supplies for 25% of Europe's energy and, as a matter of course, the rankings of Russian multinationals are highly populated by companies from resource-based sectors.

In terms of investments, Russia has already proved the potential to be an even bigger global performer. Thus, the Russian government set up in early 2011 a $10 billion fund, managed by Goldman Sachs, to be used in attracting foreign investment. With regard to Russia's OFDI, statistics showed a phenomenal increase, from $ 2 billion in 1993 to $ 369 billion in 2010. Russian multinationals are by far the key players of the Eastern European region in the natural resources field; that's why many authors argued that Russian OFDI from the oil, gas and metallurgy industries is spearheading the internationalization process of Russian multinationals.

ACKNOWLEDGMENTS

This paper represents a part of a larger analysis of emerging multinational companies from Russia and their impact on host European countries, being an output of the research activity carried out by authors during the international project: COST 281/ 2009 Brussels, Action IS0905 - *The Emergence of Southern Multinationals and their Impact on Europe*.

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