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# **Russian Multinationals**

From regional supremacy to  
global lead

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# Foreword

Traditionally, multinational enterprises headquartered in the developed countries have been the principal actors in the world foreign direct investment market; until not so long ago, they accounted for some 90 per cent of outflows of such investments. They certainly continue to hold the leadership role. But firms headquartered in other parts of the world increasingly challenge multinational enterprises from these countries, as the former invest more and more abroad as well (Sauvant *et al.* 2010). In fact, with an average of over US\$300 billion of outflows during 2008–2009, the amount that over 20,000 emerging market multinational enterprises invested abroad on average during those years was six times the *world* average of foreign direct investment flows during the first half of the 1980s. The stock of this investment, located in host countries throughout the world, had risen to a staggering US\$3 trillion by 2009 and continues to grow. In other words, multinational enterprises from emerging markets have become full and important players in the world foreign direct investment market.

Why this development? The basic reason is that firms in emerging markets have acquired a range of ownership advantages that allow them to be successful in international markets not only through trade but also through foreign direct investment, often, in fact, following their trade routes. What is more, in a world in which competition is everywhere – through imports, inward foreign direct investment, licensing, franchising and various other forms of transborder engagement – it becomes increasingly necessary, if not imperative, for firms to assemble a portfolio of locational assets. This allows firms to have better access to markets and various tangible and intangible assets (such as technology, know-how, brand-names). This portfolio of locational assets, in turn, becomes a source of the international competitiveness of the firms engaged in outward foreign direct investment.

One of the most important new emerging home countries is the Russian Federation. Starting virtually from scratch only some 20 years ago, the stock of Russia's outward foreign direct investment had reached US\$250 billion in 2009, with flows averaging US\$50 billion during 2008–2009. While most of this investment is in natural resources – and certainly while most of the country's leading multinational enterprises are in this sector – a growing number of Russian firms in other sectors also seek to establish themselves abroad. Like their competitors

headquartered in developed countries, they have to overcome a range of issues related to the 'liability of foreignness' (foreigners operating in a foreign country), ranging from how to enter foreign markets (with understanding how to execute mergers and acquisitions successfully being a particular challenge), to managing integrated international production networks, to dealing with political and other obstacles in host countries (including the apparent rise of foreign direct investment protectionism).

Another issue, often not receiving sufficient attention in countries whose firms are newly internationalising through foreign direct investment, concerns the importance of home country policies. This is an important issue as all developed countries have a range of policy instruments in place to support the internationalisation process of 'their' multinational enterprises – ranging from providing insurance for outward foreign direct investment projects to the conclusion of bilateral investment treaties to protect the assets of 'their' firms abroad and facilitating their operations. The government of Russia will need to review its own policy in this respect to ensure that Russian multinational enterprises are not at a competitive disadvantage vis-à-vis firms headquartered in other countries.

The present volume is a valuable addition to the literature as it examines in detail the rise of Russia's multinational enterprises. It will be of interest to everyone who is interested in understanding the salient features of the international expansion of this country's firms and the forces driving and shaping this process.

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