

MONITORING OF MUTUAL INVESTMENTS IN THE CIS

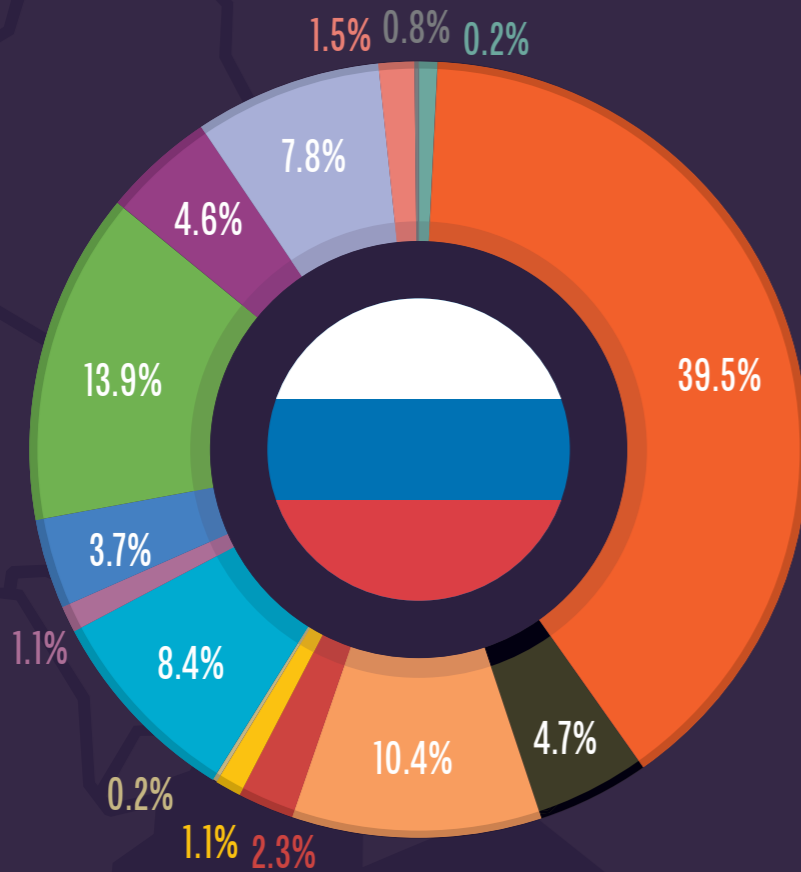
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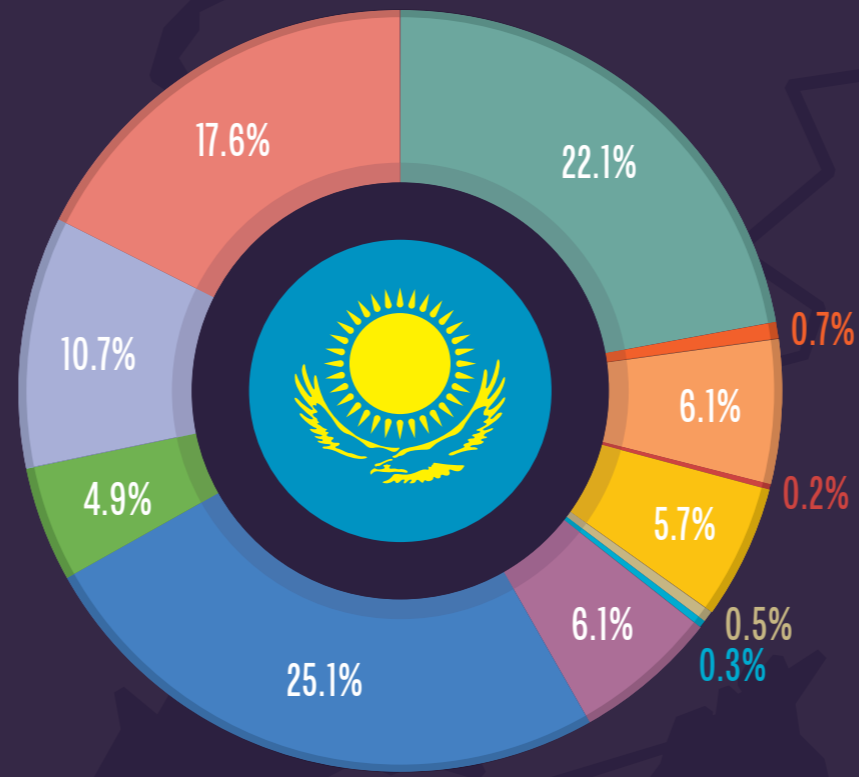


Sectoral Structure of FDI Stock

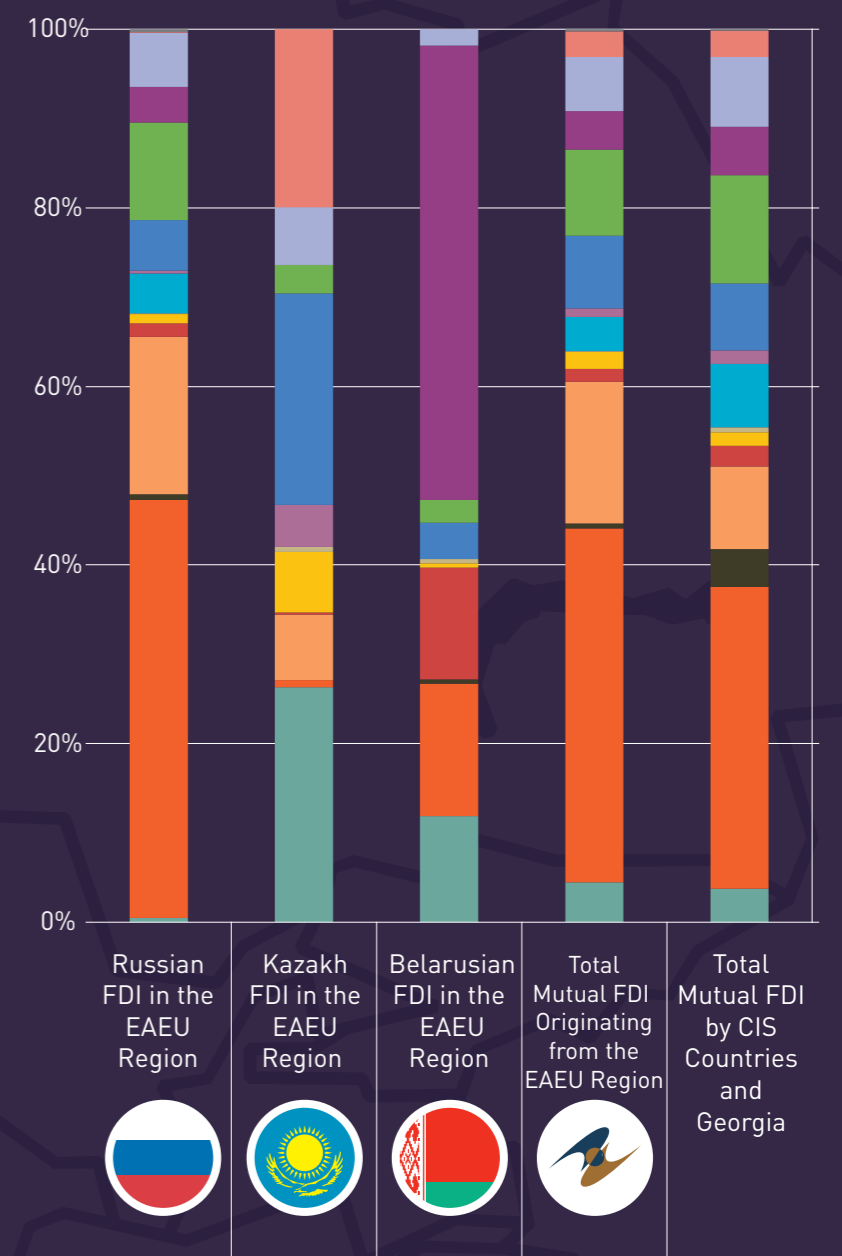
Sectoral Structure of **Russian** FDI Stock in CIS Countries and Georgia at the End of 2014



Sectoral Structure of **Kazakh** FDI Stock in CIS Countries and Georgia at the End of 2014



Comparison of MIM CIS Database Stock and EAEU Region Mutual FDI Aggregated Sectoral Structure at the End of 2014



- Agriculture and Food Products
- Construction
- Oil and Gas
- Transportation
- Ferrous Metals
- Communication and IT
- Non-Ferrous Metals
- Wholesale and Retail Trade
- Mechanical Engineering
- Finance
- Chemical
- Tourism
- Other Industries
- Other Services
- Infrastructure Networks

MONITORING OF MUTUAL INVESTMENTS IN CIS COUNTRIES 2015

Report 32



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This report is the sixth in a series of publications presenting the findings of a permanent research project concerned with the monitoring of mutual direct investments in CIS countries and Georgia. The project is being implemented by the EDB Center for Integration Studies in fruitful partnership with the Institute of World Economy and International Relations of the Russian Academy of Sciences since 2012.

The report contains detailed information on the scope, dynamics, geographical, and sectoral structure of mutual investments in CIS countries and Georgia at the end of 2014. Updated figures are provided for 2011 -2014 mutual direct investments indices for all significant investment pairs in the Post-Soviet area. Special effort has been made to thoroughly analyze mutual direct investments of companies representing member states of the Eurasian Economic Union.

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ACRONYMS AND ABBREVIATIONS

CBR — Central Bank of Russia

CDN — Commodity Distribution Network

DIM-Eurasia — monitoring of direct investments by Russia, Belarus, Kazakhstan, and Ukraine in Europe and East Asia, not including the CIS and Georgia

EAEU — Eurasian Economic Union

EAEU Region — territory of Belarus, Russia, Kazakhstan, Armenia (member of the Union since 2015), and Kyrgyzstan (completing accession formalities at the time of writing of this report), countries comprising the EAEU

EDB — Eurasian Development Bank

FDI — Foreign Direct Investments

GDP — Gross Domestic Product

IT — Information Technologies

MDII — Mutual Direct Investments Index

MIM CIS — monitoring of mutual investments in CIS countries and Georgia

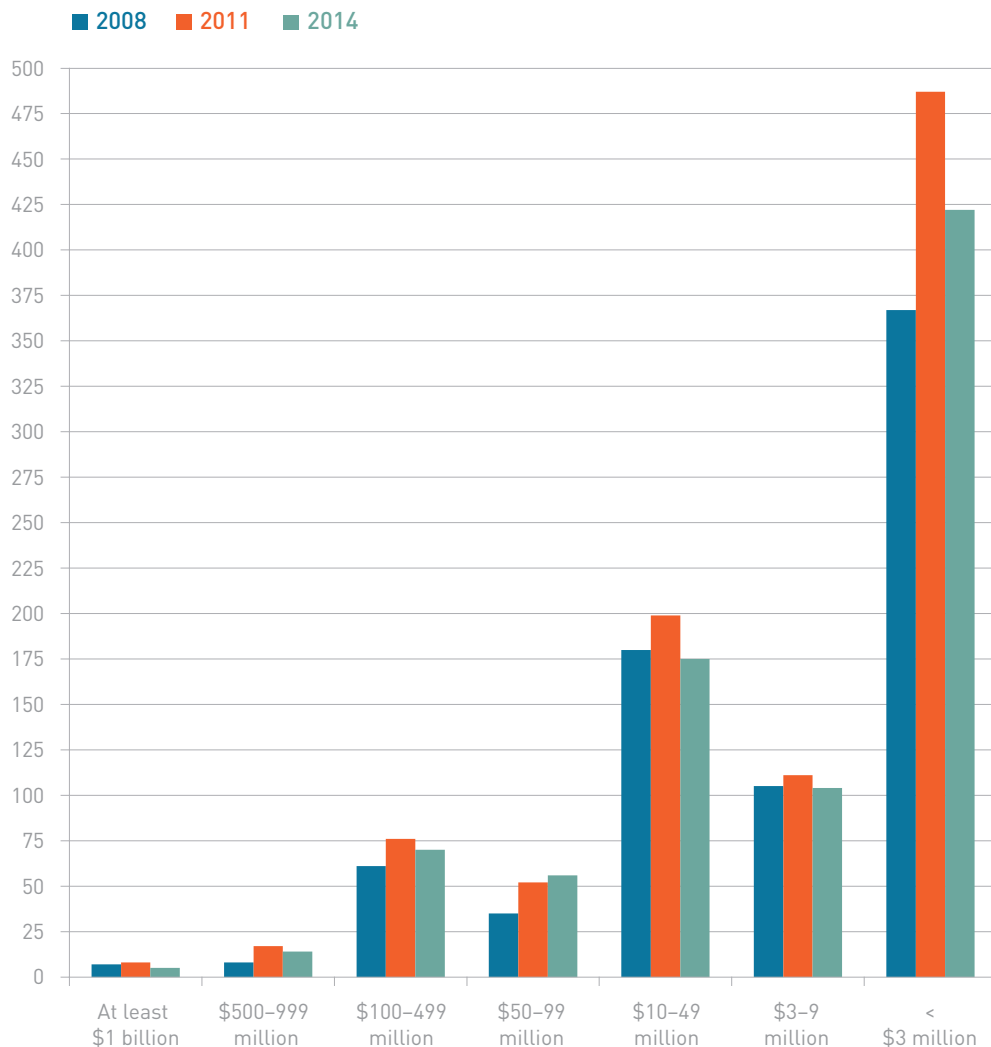
RAS IMEMO — Institute of World Economy and International Relations of the Russian Academy of Sciences

RSCI — Russian Science Citation Index

TNC — Transnational Corporation

Summary

- **The CIS and Georgia Mutual Direct Investments Monitoring Database has been maintained since 2011 and, as of July 2015, contains diverse information obtained from open sources with respect to 1,143 investment deals** executed in the region since the early 1990s (including some terminated projects). The MIM CIS Database is fundamentally different from official statistical publications in that it records actual locations of investments, including those made through offshore structures and other “trans-shipping destinations.”
- Total FDI stock value of the CIS countries and Georgia mutual **at the end of 2014 amounted to \$45.3 billion**. Having displayed sustainable growth for a number of years, in 2013 the FDI value began to decrease. By the end of 2013, the decline reached \$4.5 billion (-8%), while **in 2014 the political crisis in Ukraine precipitated yet another nosedive by \$6.3 billion (-12%)**.
- **At the end of 2014, information on non-zero mutual investment stocks was available for 886 projects from a total of more than 1,100 projects in the MIM CIS Database**. Only 5 projects featured \$1+ billion stocks, all of them implemented by Russian investors. Projects with capital investments ranging from \$500 million to \$999 million were also associated with the largest CIS country – 12 of those were implemented by Russian investors, while 2 were realized by Kazakh investors in Russia. The country breakdown for the 70 FDI projects with capital investments ranging from \$100 million to \$499 million was more diversified. Over the six-year observation period, the MIM CIS Database has expanded, but not by much, as lately the overall number of projects has been shrinking.
- **Russia dominates not only in the number of projects, but also in absolute mutual FDI value**. Russian investors account for 84% of mutual FDI in the region, while Russia itself has attracted almost 9% of mutual FDI, including 55% of total FDI by CIS countries and Georgia (excluding Russia). Kazakhstan is the second-largest participant in mutual investment flows, with 9% of exported mutual investments and 20% of imported mutual investments. Another notable FDI source is Azerbaijan, while Ukrainian and Belarusian FDI origination is rather modest. Overall, at the end of 2014 the Top Five accounted for 99.7% of total mutual FDI stock. Ukraine remains the largest mutual FDI recipient, albeit with a smaller share than before (22.5% vs. 31.9% at the end of 2013), with Belarus also making it into the Top Three (18.4%). The percentage share of the Recipient Top Five is considerably less than that of the Investor Top Five – 78.3%. Only Turkmenistan is all but excluded from mutual FDI flows.
- **The scope of mutual FDI in the Post-Soviet area, based on the information in the MIM CIS Database, is noticeably different from that reported by official national and international statistical agencies**. A good illustration of that point is provided by cross-country FDI geographical structure benchmarking performed by the IMF.



Distribution of MIM
CIS Database Pro-
jects by Stock Value

On the one hand, a sizeable chunk of mutual FDI is channeled through Cyprus and Caribbean offshore zones. On the other hand, the MIM CIS Database does not record small projects. The largest discrepancies are noted with respect to Russia. Official CBR statistics dealing with investment presence of Russian businesses in Ukraine and Kazakhstan are the most understated.

- **Despite the large number of projects in the MIM CIS Database, Russia's high performance indicators are attributable to just a few companies.** At the same time, it is Russian TNCs that dominate among other countries' TNCs. **The Russian Top Three – Gazprom, LUKOIL, and VimpelCom – account for almost 38%.** They are also the most diverse geographically – their subsidiaries have no presence in only three or four countries of the region.

MONITORING OF MUTUAL INVESTMENTS IN CIS COUNTRIES

 Mutual FDI Scope
at the End of 2014
(MIM CIS Data)

FDI Recipient	Investor Countries' FDI Stock, \$ billion						
	Russia	Kazakhstan	Azerbaijan	Ukraine	Belarus	Georgia	All 12 Countries
Azerbaijan	1.38	-	X	-	0.02	-	1.40
Armenia	3.05	0.01	-	-	0.00	-	3.06
Belarus	8.28	0.03	-	0.01	X	0.01	8.33
Georgia	0.45	0.41	1.35	0.18	0.00	X	2.40
Kazakhstan	9.07	X	0.00	-	0.05	-	9.12
Kyrgyzstan	0.66	0.67	-	-	0.00	-	1.33
Moldova	0.43	-	-	0.07	0.02	-	0.52
Russia	X	2.86	0.06	0.58	0.38	0.03	3.92
Tajikistan	1.02	0.07	-	-	-	-	1.09
Turkmenistan	0.02	-	-	0.00	0.00	-	0.02
Uzbekistan	3.77	0.08	-	0.00	0.00	-	3.88
Ukraine	9.88	0.10	0.14	X	0.05	0.03	10.20
Total	37.99	4.22	1.56	0.83	0.52	0.07	45.27

- Destabilization of the economic and political situation in Ukraine remains one of the main factors contributing to the slump of total mutual direct investments in the CIS.** In relative terms, the maximum decline of investments in Ukraine in 2013–2014 was registered for Kazakhstan and Georgia – by almost 50% and 52%, respectively (mostly in 2014 in the case of Kazakhstan, and in 2013 in the case of Georgia).

 Russian FDI
Stock in the Re-
gion in 2008–2014
(Comparison of
CBR and MIM CIS
Data)

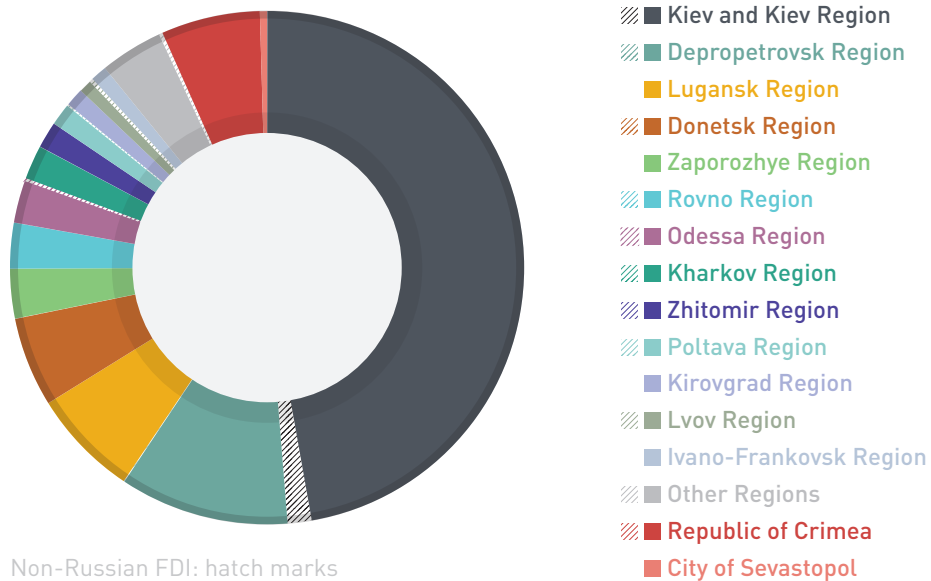
Country	Year-End Russian FDI Stock Data, \$ billion																				
	2008			2009			2010			2011			2012			2013			2014		
	MIM CIS	MIM CIS	CBR	MIM CIS	MIM CIS	CBR	MIM CIS	MIM CIS	CBR	MIM CIS	MIM CIS	CBR	MIM CIS	MIM CIS	CBR	MIM CIS	MIM CIS	CBR			
Ukraine	12.0	12.6	4.2	14.5		4.3	15.7		4.5	17.4		5.5	16.1		6.0	9.9					
Kazakhstan	8.3	9.7	1.7	9.3		2.0	10.1		2.6	10.2		2.5	8.7		2.8	9.1					
Belarus	3.5	4.6	5.7	5.9		5.7	8.0		4.7	8.4		3.9	8.3		4.1	8.3					
Uzbekistan	2.4	2.9	0.8	2.9		1.0	3.6		0.9	4.3		0.3	4.0		0.3	3.8					
Armenia	1.9	2.0	1.5	2.2		1.8	2.4		1.4	2.6		1.6	2.8		1.4	3.0					
Azerbaijan	1.2	1.2	0.1	1.3		0.0	1.4		0.1	1.4		0.1	1.4		0.2	1.4					
Tajikistan	0.3	0.7	0.2	0.8		0.3	0.9		0.6	1.0		0.6	1.0		0.6	1.0					
Kyrgyzstan	0.4	0.4	0.1	0.6		0.1	0.6		0.1	0.7		0.2	0.7		0.2	0.6					
Moldova	0.5	0.5	0.3	0.5		0.4	0.6		0.4	0.6		0.6	0.4		0.5	0.4					
Turkmenistan	0.0	0.0	0.3	0.0		0.2	0.0		0.0	0.0		0.0	0.0		0.0	0.0					
<i>Total CIS</i>	30.5	34.6	14.9	38.0		15.8	43.3		15.3	46.6		15.3	43.3		16.1	37.5					
Georgia	0.2	0.3	0.3	0.3		0.3	0.4		0.2	0.4		0.4	0.5		0.5	0.4					

Company	Country	Main Recipient Sector of the Company's FDI	FDI Stock, \$ billion	Countries in the Region with Subsidiaries	Main Recipient Country in the Region	Share of That Country, %	Leading Investor Companies in the MIM CIS Database at the End of 2014
Gazprom	Russia	Oil and Gas	7.16	8	Belarus	71	
LUKOIL	Russia	Oil and Gas	6.54	7	Kazakhstan	46	
VimpelCom	Russia	Communications and IT	3.33	8	Ukraine	43	
Atomenergoprom	Russia	Non-Ferrous Metals	1.74	3	Kazakhstan	93	
VEB	Russia	Ferrous Metals	1.62	2	Ukraine	93	
MTS	Russia	Communications and IT	1.46	5	Belarus	54	
VS Energy	Russia	Infrastructure Networks	1.27	1	Ukraine	100	
INTER RAO UES	Russia	Infrastructure Networks	1.26	6	Tajikistan	44	
Rosneft	Russia	Oil and Gas	1.11	2	Ukraine	96	
SOCAR	Azerbaijan	Oil and Gas	0.94	2	Georgia	85	
Ivolga-Holding	Kazakhstan	Agriculture and Food Products	0.89	1	Russia	100	
Verny Capital	Kazakhstan	Tourism	0.87	2	Russia	81	
Polymetal	Russia	Non-Ferrous Metals	0.76	1	Kazakhstan	100	
Transneft	Russia	Transportation	0.75	2	Belarus	80	
Energy Standard	Russia	Infrastructure Networks	0.73	1	Ukraine	100	

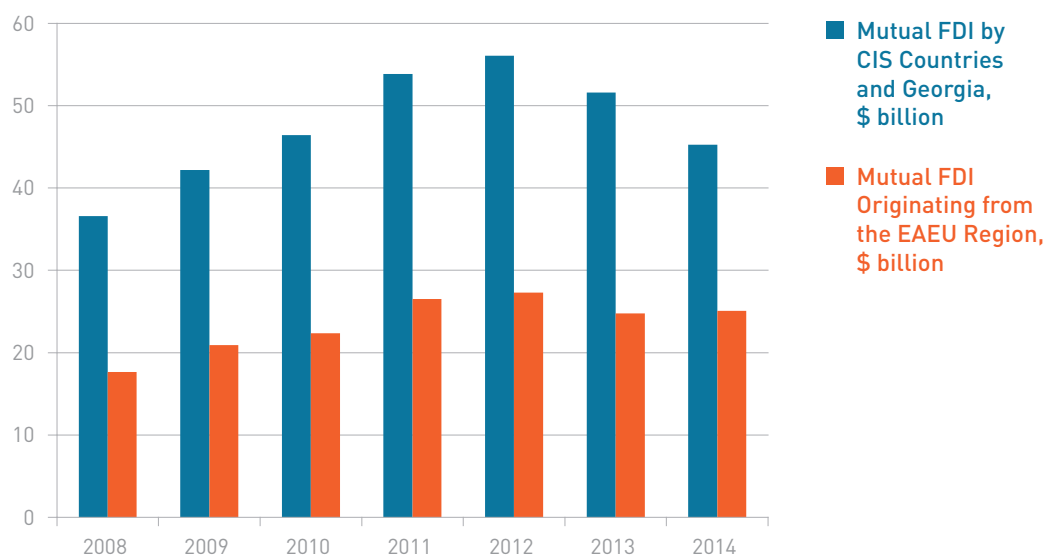
In absolute terms, the highest decline (by \$7.5 billion over two years, including by \$6.2 billion in 2014) was posted by Russia (in relative terms, investments went down by 43%, including by 39% in 2014). Growth was recorded only for Azerbaijani FDI in Ukraine, but increased by merely \$36 million over two years.

- **The lion's share of the decline in Russian investors' FDI stock value in Ukraine is due to asset impairment**, with investments in the Crimea and Sevastopol (which acceded to Russia in the spring of 2014) barely topping \$1 billion. Only 13% of the 2014 reduction can be ascribed to the sale of Russian subsidiaries or their confiscation/liquidation by Ukrainian authorities.
- **More than a dozen Ukrainian regions each account for more than 1% of FDI by CIS countries and Georgia, with Russian TNCs, until recently, boasting the highest geographical diversification.** More than 40% of direct capital investments were concentrated at facilities situated in Kiev and Kiev Region, or companies with nationwide operations and headquarters in Kiev. The second-largest Ukrainian FDI recipient, mainly from Russia, is Dnepropetrovsk Region. At the end of 2013, Lugansk and Donetsk Regions, now engulfed by civil war, made it to the Top Five of FDI recipients.

Distribution of FDI Stock of CIS Countries and Georgia, by Ukrainian Regions at the End of 2013



- There has been no massive exodus of Russian investors from Ukraine to date. However, in most cases this can be explained by the lack of opportunities to dispose of assets at a profit during the crisis, rather than by the Russian TNCs' desire to keep their chunk of the Ukrainian market. **As regards prospects for the next three or four years, Russian investors' interest in Ukrainian assets will hardly rebound, even if relations between Russia and Ukraine gradually get back to normal.** The only possible source of FDI stock growth is appreciation of surviving assets which may materialize if the Ukrainian economy recovers and the hryvnia strengthens against the dollar.
- **In 2014 mutual FDI in the EAEU Region increased from \$24.8 billion to \$25.1 billion, despite devaluation of national currencies.** As a result, the contribution of mutual FDI in the EAEU Region to total mutual direct investments by CIS countries and Georgia went up from 48% in 2013 to 55.4% in 2014. It should be noted, though, that adverse economic conditions in the Former Soviet Union could not have failed to affect the absolute value of mutual FDI in the EAEU Region, with 2012 having been the peak year.
- **Russia and Kazakhstan are the most active mutual investment players in the EAEU Region.** At the end of 2014, Russia accounted for 84% of outward FDI stock and 13% of inward FDI. For Kazakhstan, those indicators stood at 14% and 36%, respectively. Meanwhile, the share of mutual investment connections between Russia and Kazakhstan soared to 47.6%. Russia and Belarus made up another important investment pair, with massive capital cross-currents (34.5%). Other notable investment flows included Russia's investments in Armenia and Kyrgyzstan, and Kazakhstan's investments in Armenia.
- **The leading mutual FDI sectors in the EAEU Region are Oil and Gas, Non-Fer-**



Comparison of MIM CIS Database Stock and EAEU Mutual FDI Dynamics in 2008–2014

rous Metals. Their combined share is considerably higher than that in mutual investments by CIS countries and Georgia – at the end of 2014 those indicators stood at 39.7% vs. 33.9%, respectively, for Oil and Gas, and at 15.8% vs. 9.3%, respectively, for Non-Ferrous Metals. By contrast, the shares of mutual FDI in Communications and IT, Finance, and Infrastructure Networks in the EAEU Region are lower than in the whole Post-Soviet area (9.6% vs. 12.1%, 6.0% vs. 7.8%, and 3.8% vs. 7.1%, respectively).

- **Mutual Direct Investments Index (MDII) measurements show that the closest investment interaction in the Former Soviet Union since 2013 can be observed in the Azerbaijan-Georgia pair, with MDII increasing from year to year.** That pair is followed by the Russia-Kazakhstan and Russia-Belarus pairs. Interaction in the Kazakhstan-Belarus, Kazakhstan-Kyrgyzstan, and Russia-Armenia investment pairs is also expanding. The MDII reading for the Russia-Ukraine pair, earlier an undisputed leader, went down to the 4th position in the rating, losing more than half of its value in 2014. A notable decline of the index was also registered for the Kazakhstan-Ukraine

Recipient Country	Investor Countries' FDI Stock, \$ million					Total
	Russia	Kazakhstan	Belarus	Armenia	Kyrgyzstan	
Russia	X	2,858	379	3	0	3,240
Kazakhstan	9,067	X	54	1	0	9,122
Belarus	8,279	25	X	11	3	8,318
Armenia	3,045	9	3	X	0	3,057
Kyrgyzstan	655	672	2	0	X	1,329
Total	21,046	3,564	438	15	3	25,066

Mutual Direct Investments by Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan at the End of 2014 (MIM CIS Data)

Comparison of MIM CIS Database Stock and EAEU Region MDI Aggregated Sectoral Structure at the End of 2014



pair. At the same time, in 2014 Ukraine’s MDII readings vis-à-vis other countries actually increased instead of suffering any serious decrease, primarily due to the statistical base effect (because of the political crisis, curtailment of investment projects in the country is accompanied by a rapid GDP decline, i.e., the national economy is also contracting). In the Russia-Georgia investment pair – which in 2011 was rated No. 6 – MDII in 2014 descended into the subzero area.

- **Apparently, in the years to come, transformation will affect the structure of mutual direct investments related not only to Ukraine, but also to the countries of the EAEU Region.** The point is that deepening Eurasian integration opens up new corporate interaction vistas, enabling “second echelon” investors (which represent a wide gamut of economic sectors) to intensify formation of cross-border value creation chains.

FDI Leader in the Investment Pair	Second Country in the Investment Pair	Value of Mutual FDI at the End of 2014, \$ million	2011 MDII	2012 MDII	2013 MDII	2014 MDII	CIS Countries and Georgia, Mutual Direct Investments Indices (MDII) in 2011–2014
Azerbaijan	Georgia	1,352	14.31	15.58	16.88	17.15	
Russia	Kazakhstan	11,925	15.10	13.41	9.26	9.87	
Russia	Belarus	8,658	9.66	9.04	8.42	8.22	
Russia	Ukraine	10,455	16.43	17.53	14.17	6.74	
Russia	Uzbekistan	3,781	3.40	3.85	3.46	3.30	
Kazakhstan	Kyrgyzstan	672	2.83	3.19	3.29	3.26	
Russia	Armenia	3,048	2.21	2.26	2.36	2.77	
Ukraine	Georgia	209	2.86	2.63	2.03	2.42	
Kazakhstan	Georgia	409	1.99	1.86	1.68	1.82	
Russia	Azerbaijan	1,442	1.36	1.25	1.22	1.34	
Ukraine	Moldova	76	0.69	0.64	0.74	1.01	
Azerbaijan	Ukraine	142	0.37	0.60	0.61	0.89	
Armenia	Georgia	15	0.47	0.79	0.77	0.66	
Belarus	Kazakhstan	79	0.62	0.60	0.47	0.59	
Russia	Tajikistan	1,015	0.65	0.59	0.56	0.56	
Belarus	Ukraine	56	0.48	0.51	0.41	0.50	
Kyrgyzstan	Uzbekistan	33	0.64	0.57	0.51	0.47	
Armenia	Belarus	14	0.05	0.48	0.41	0.42	
Russia	Kyrgyzstan	655	0.39	0.44	0.40	0.36	
Russia	Georgia	476	3.01	0.21	0.04	- 0.31	

Introduction

In late 2011, the Center for Integration Studies, in partnership with a research team of the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences (RAS), commenced monitoring of mutual direct investments by CIS countries and Georgia (EDB CIS, 2012, and subsequent reports). Over the course of less than four years, there emerged a detailed database featuring direct investments in the territory of the Former Soviet Union. The database is eagerly sought both by researchers (the RSCI system already has several dozen references to publications featuring MIM CIS) and by the business community, whose members more and more often display interest in acquiring useful supplementary information and analyses based on MIM CIS data. Another equally important deliverable produced by those involved in the creation and expansion of the MIM CIS project was development of a special methodology that can be used to assess FDI in post-socialist countries. Its foundations were laid in the mid-2000s in the course of implementation of various research projects run by RAS IMEMO and headed by A.V. Kuznetsov (for example: Kuznetsov, ed., 2010; Kuznetsov, 2013). However, it took its final shape in EDB-financed projects, including the gradual expansion of the MIM CIS project onto the entire territory of Eurasia, by designing the DIM-Eurasia Database (EDB CIS, 2014b).

The new methodology made it possible to attain several important objectives:

- It overcame imperfections of official statistics produced by a number of countries (including, first and foremost, statistical data published by the CBR, but also by other central/national banks and statistical agencies of CIS countries), which rely on formal asset registration data (including offshore registrations) — availability of actual asset location records made it possible to obtain a true-to-life snapshot of the sectoral structure and dynamics of mutual FDI in the Former Soviet Union and to measure the contribution made by (primarily) Russian businesses, among other foreign investors, to total investments (EDB CIS, 2014a);
- Improvements were proposed to existing IMF and OECD methodologies (*Benchmark Definition of Foreign Direct Investment*) to enable indirect assessment of direct investments in countries with underdeveloped stock markets and inferior corporate reporting (EDB CIS, 2013);
- Econometrists received access to adequate statistics, while RAS IMEMO developed a Mutual Direct Investments Index to research mutual FDI flows between CIS and Eurasian countries (Kuznetsov, Kvashnin, 2014).

That methodology, along with specific applied conclusions — notably, back in mid-2013 it was clearly demonstrated that Ukraine was divided not only along cultural and linguistic lines, but also by investment contacts, with Russian TNCs concentrating in the East, in the Crimea, and in Kiev — assured international recognition of the MIM CIS project. Thus, in 2013 and 2014 the University of Pennsylvania, which regularly reviews activities of more than 6,000 think tanks throughout the world, included the

English-language version of the *Monitoring of Mutual Investments in CIS Countries* brochure in the Top 50 analytical publications developed by such think tanks (McGann, 2015, p. 122). The corresponding rating has been presented, with UN support, each January for eight consecutive years.

This report builds on previous research jointly conducted by RAS IMEMO and EDB CIS. Its first part focuses on the impact of the Ukrainian crisis on mutual direct investments by CIS countries and Georgia. It also provides, as usual, adjusted MIM CIS Database records for previous years and up-to-date data on sectoral and geographical structure and dynamics of mutual investments in the region. The second part features a detailed review of mutual investments in the EAEU Region.

1. Mutual Investments in the CIS at the End of 2014

The MIM CIS Database includes all projects that involve FDI from CIS countries and Georgia to the Post-Soviet area, with values in excess of \$3 million. It also covers a number of smaller projects, to gain a better understanding of the country and sectoral make-up of mutual investments (in particular, investments by investors from smaller countries and investments in the services market segment). To ascertain the regional FDI structure in large and medium-sized CIS countries, homogenous investments made by a company in different regions (other administrative or territorial units) are recorded as separate projects. For example, all petrol filling stations or network retail outlets of the same investor in the same region of Belarus or Kazakhstan are classified as one project. As a result, the MIM CIS Database contains records of about 1,100 projects, producing a detailed picture of the scope, dynamics, and various structural parameters of mutual direct investments by CIS countries and Georgia in 2008–2014.

To expedite the collection of investment statistics, MIM CIS, using a proprietary capital investments measurement methodology, operates as fast as, or sometimes even faster than, official statistical agencies. Identification of actual asset locations (i.e., tracking FDI channeled into CIS countries through offshore areas) in many instances produces a more reliable picture than that provided, for example, by the CBR with respect to Russia. It is true that inability to assure full coverage of numerous small investment projects in countries where such projects are numerically prevalent sometimes leads to an understatement of the scope of capital investments presented in the MIM CIS Database. For that reason, in the future we intend to fine-tune our assessment of capital investments by complementing the MIM CIS Database with records reflecting small investment projects on an aggregated basis.

1.1. General Description of the MIM CIS Database

At the end of 2014, information on non-zero mutual investment stocks was available for 886 projects from a total of more than 1,000 projects included in the MIM CIS Database. The remaining 170+ projects previously in the database were terminated or resold to national investors, while 11 projects changed owners and became the property of third-country TNCs. Russian investments in the Republic of Crimea and the City of Sevastopol (22 projects in the database), Abkhazia (3 projects), and South Ossetia (3 projects) present a special case.

The number of extra-large and large projects in the MIM CIS Database is rather modest – there are only 89 projects with aggregate FDI stock values equal to or greater than \$100 million (see Figure 1). At the end of 2014, only five projects featured \$1+ billion stocks, all of them implemented by Russian investors. Projects with capital investments ranging from \$500 million to \$999 million were also associated with the largest CIS country – 12 of those were by Russian investors, while 2 were realized by Kazakh inves-

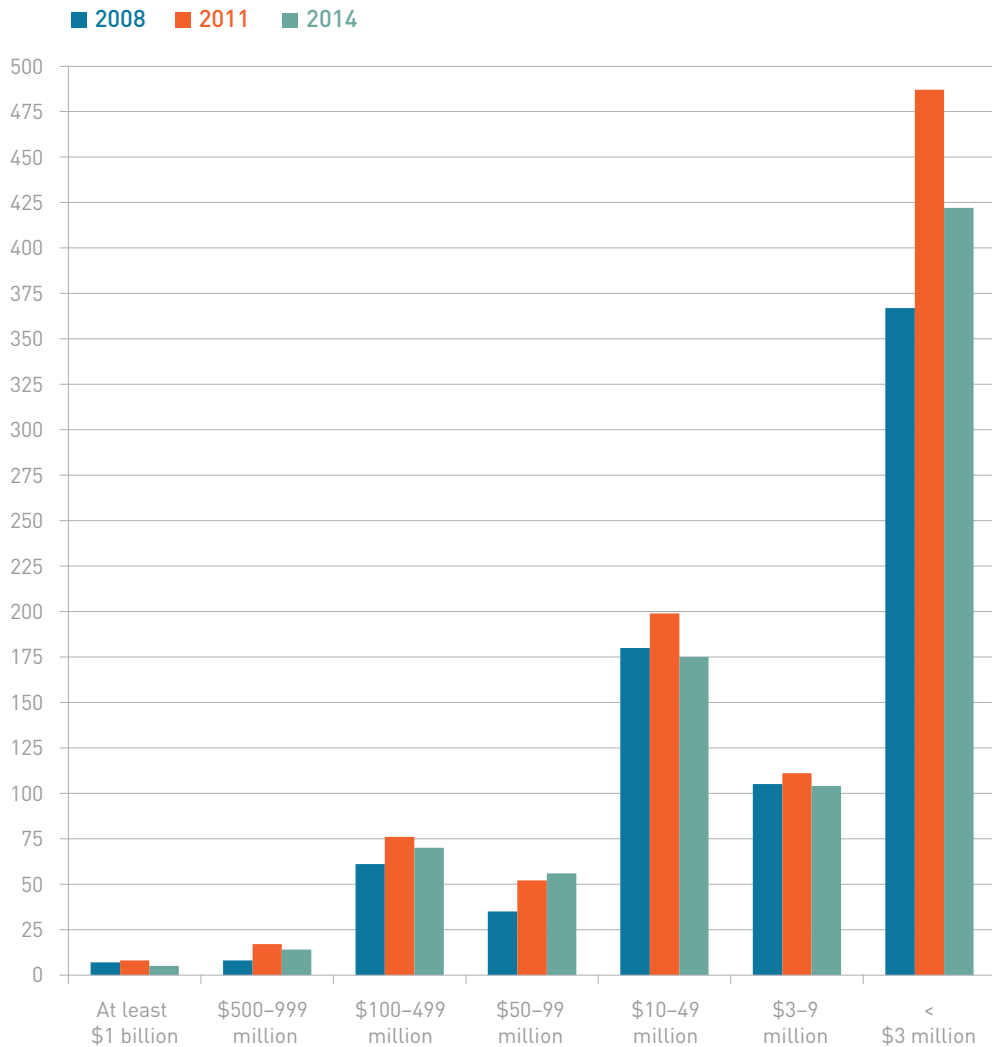


Figure 1. Distribution of MIM CIS Database Projects by Stock Value

tors in Russia. The country breakdown for the 70 FDI projects with capital investments ranging from \$100 million to \$499 million was more diversified. Thus, alongside 55 projects by Russian companies in various CIS countries, there are 4 Azerbaijani projects in Georgia, 4 Kazakh projects in Russia, 3 Kazakh projects in Kyrgyzstan, and 2 Ukrainian projects in Russia, as well as projects implemented by Ukrainian and Kazakh investors in Georgia.

The sectoral structure of large and extra-large projects is quite diverse, although Oil and Gas naturally takes the lead (for example, that sector accounts for 3 out of 5 projects with FDI values of more than \$1 billion, and 4 out of 14 projects with FDI values ranging from \$500 million to \$999 million). Communications and IT is also represented by a considerable number of mutual capital investment projects (in particular, there is one project with FDI valued at more than \$1 billion and 3 projects with FDI values rang-

ing from \$500 million to \$999 million). Other notable sectors include Ferrous Metals, Non-Ferrous Metals, Agriculture and Food Products, Transportation and Tourism, Infrastructure Networks, and Finance.

Over the six-year observation period, the MIM CIS Database has expanded, but not by much, as lately the number of projects has been shrinking. Thus, at the end of 2008, the number of recorded projects with non-zero FDI stocks was 763; at the end of 2011—950; and at the end of 2014—886. In other words, over six years, the number of such projects in the database increased by 16% — up by almost 25% during the first half and down by 7% during the second half of the period.

During the same time (2008–2014), the number of projects with values of at least \$100 million increased from 76 to 89, or 17%. It should be noted, though, that at the end of 2011 there were 101 such projects. However, even at the end of 2008, the number of extra-large projects was higher than now — seven projects with capital investments exceeding \$1 billion. All three projects that left the category were Russian — one metallurgy project was resold to a Turkish investor, and in two telecommunication projects, FDI stock values contracted due to depreciation in a saturated market where further expansion of infrastructure was no longer necessary. Over six years, the number of medium-sized projects (with capital investment stocks ranging from \$10 million to \$99 million) recorded in the MIM CIS Database increased from 215 to 230, or 7%. At the end of 2011, that indicator (251 projects) was also higher than at the end of 2014 (see Figure 1).

Even though smaller projects in the MIM CIS Database are numerically prevalent, they do not represent all subsidiaries of companies from CIS countries and Georgia with FDI values of less than \$3 million. For example, according to the Rosstat, at the end of 2013, the number of enterprises with equity participations by investors from CIS countries exceeded 6,300 (Rosstat, 2014, p. 321). Based on CBR data, aggregate FDI stocks of those countries in Russia reached only \$2.5 billion (CBR, 2014). Accordingly, average investments per project amounted to \$0.4 million. For 3,230 enterprises with Belarusian equity participation, that indicator stood at \$128,000; for 1,635 enterprises with Ukrainian equity participation, at \$230,000; for 620 enterprises with Uzbek equity participation, at \$204,000; and for 14 enterprises with Turkmen equity participation, at only \$214,000. The highest average indicators were registered for 542 enterprises with Kazakh equity participation and for 177 enterprises with Armenian equity participation — \$1.9 million and \$1.4 million, respectively. However, even that was below the statistical threshold for mandatory inclusion in the MIM CIS Database. For 198 enterprises with Azerbaijani equity participation, average investments per project reached \$0.8 million; for 128 enterprises with Moldovan equity participation, \$0.5 million; for 110 enterprises with Kyrgyz equity participation, \$1.5 million; and for 49 enterprises with Tajik equity participation, \$0.6 million.

Russia dominates not only in terms of the number of projects, but also in absolute mutual FDI value (see Table 1). On the whole, at the end of 2014, the aggregate value of mutual FDI by CIS countries and Georgia exceeded \$45 billion. Russian investors accounted for 84% of mutual FDI in the region, while Russia itself attracted almost 9% of mutual FDI, including 55% of FDI stock originating from CIS countries and

1. MUTUAL INVESTMENTS IN THE CIS AT THE END OF 2014

FDI Recipient	Investor Countries FDI Stock, \$ billion						All 12 Countries
	Russia	Kazakhstan	Azerbaijan	Ukraine	Belarus	Georgia	
Azerbaijan	1.38	-	X	-	0.02	-	1.40
Armenia	3.05	0.01	-	-	0.00	-	3.06
Belarus	8.28	0.03	-	0.01	X	0.01	8.33
Georgia	0.45	0.41	1.35	0.18	0.00	X	2.40
Kazakhstan	9.07	X	0.00	-	0.05	-	9.12
Kyrgyzstan	0.66	0.67	-	-	0.00	-	1.33
Moldova	0.43	-	-	0.07	0.02	-	0.52
Russia	X	2.86	0.06	0.58	0.38	0.03	3.92
Tajikistan	1.02	0.07	-	-	-	-	1.09
Turkmenistan	0.02	-	-	0.00	0.00	-	0.02
Uzbekistan	3.77	0.08	-	0.00	0.00	-	3.88
Ukraine	9.88	0.10	0.14	X	0.05	0.03	10.20
Total	37.99	4.22	1.56	0.83	0.52	0.07	45.27

Table 1. Mutual FDI Scope at the End of 2014 (MIM CIS Data)

Georgia (excluding Russia). Kazakhstan is the second-largest participant in mutual investment flows, with 9% of exported mutual investments and 20% of imported mutual investments. Another notable FDI source is Azerbaijan, while Ukrainian and Belarusian FDI origination is rather modest. Overall, at the end of 2014, the Top Five accounted for 99.7% of total mutual FDI stock. Before B. Ivanishvili terminated his investment projects in Russia in early 2012, Georgia also was a major source of capital investments.

Ukraine remains the largest mutual FDI recipient, albeit with a smaller share than before (22.5% vs. 31.9% in late 2013), with Belarus also making it into the Top Three (18.4%). The percentage share of the Recipient Top Five is considerably less than that of the Investor Top Five – 78.3%. Only Turkmenistan is all but excluded from mutual FDI flows.

The scope of mutual FDI in the Post-Soviet area, based on the information contained in the MIM CIS Database, is noticeably different from that shown by official national and international statistics. A good illustration of that point is provided by cross-country FDI geographical structure benchmarking performed by the IMF (IMF, 2014), primarily using national statistical data on the value of imported FDI stocks. On the one hand, a sizeable chunk of mutual FDI is channeled through Cyprus and Caribbean off-shore zones. On the other hand, the MIM CIS Database does not record small projects (see Table 2).

The largest discrepancies are noted with respect to Russia, the key source of mutual FDI in the Former Soviet Union (see Table 3). In its official statistical publications, the CBR makes the most significant understatements concerning investment presence of Russian business in Ukraine (\$10 billion, a 2.7-fold discrepancy at the end of 2013) and Kazakhstan (almost \$6 billion, a 3.1-fold discrepancy at the end of 2013). In the case of

MONITORING OF MUTUAL INVESTMENTS IN CIS COUNTRIES

Table 2. Comparison of IMF and MIM CIS Data on FDI Stock in Certain Post-Soviet Countries at the End of 2013

Investor Country		FDI Stock, \$ million							
		Azerbaijan	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Moldova	Russia	Ukraine
Russia	IMF	687	2,561	9,816	2,035	196	787	X	4,498
	MIM	1,382	2,847	8,268	8,722	740	410	X	16,088
Kazakhstan	IMF	45	9	26	X	181	-2	1,047	273
	MIM	0	11	24	X	714	0	2,936	187
Ukraine	IMF	23	1	71	13	1	43	373	X
	MIM	0	0	5	0	0	73	802	X
Belarus	IMF	3	0	X	28	2	3	390	198
	MIM	15	3	X	51	2	15	440	51
Azerbaijan	IMF	X	0	33	76	0	-11	168	287
	MIM	X	0	0	1	0	0	45	118
Georgia	IMF	31	0	1	2	0	0	6	13
	MIM	0	0	8	0	0	0	30	34
Armenia	IMF	0	X	10	-10	0	1	145	34
	MIM	0	X	10	1	0	0	3	0
<i>Memorandum: most popular offshore territories for trans-shipping FDI in CIS</i>									
Cyprus	IMF	37	219	2,168	1,546	43	205	183,276	21,963
Bahama Islands	IMF	3	0	1	-104	1	0	31,937	80
Bermuda Islands	IMF	1	0	0	606	0	3	30,415	18
British Virgin Islands	IMF	82	75	20	4,738	39	58	18,925	1,168

Uzbekistan and Azerbaijan, the absolute difference is smaller, but in qualitative terms, the presentation by the CBR of the real situation with Russian investment presence is even worse, as these important recipients of Russian capital are portrayed as countries which are not attractive for Russian FDI.

There are many specific examples of Russian companies acquiring in CIS countries subsidiaries controlled through offshore entities. Some of the more striking examples include LUKOIL investing into production of raw materials through Lukoil Overseas (the company was registered in the British Virgin Islands back in 1997, and its head office has been situated in the United Arab Emirates since 2013, even though the Russian TNC intends to shed its offshore assets); and VimpelCom, whose foreign subsidiaries operating in the Former Soviet Union since 2009 have been controlled by VimpelCom Ltd. (registered in the Bermuda Islands with a head office in the Netherlands), and a number of metallurgical companies.

Based on the information contained in the MIM CIS Database that can be compared with UNCTAD data published in June 2015 (UNCTAD, 2015, p. A10), we come to the

1. MUTUAL INVESTMENTS IN THE CIS AT THE END OF 2014

Country	Year-End Data, \$ billion											
	2008	2009	2010	2011	2012	2013	2014					
	MIM CIS	MIM CIS	CBR	MIM CIS	CBR	MIM CIS	CBR	MIM CIS	CBR	MIM CIS	CBR	MIM CIS
Ukraine	12.0	12.6	4.2	14.5	4.3	15.7	4.5	17.4	5.5	16.1	6.0	9.9
Kazakhstan	8.3	9.7	1.7	9.3	2.0	10.1	2.6	10.2	2.5	8.7	2.8	9.1
Belarus	3.5	4.6	5.7	5.9	5.7	8.0	4.7	8.4	3.9	8.3	4.1	8.3
Uzbekistan	2.4	2.9	0.8	2.9	1.0	3.6	0.9	4.3	0.3	4.0	0.3	3.8
Armenia	1.9	2.0	1.5	2.2	1.8	2.4	1.4	2.6	1.6	2.8	1.4	3.0
Azerbaijan	1.2	1.2	0.1	1.3	0.0	1.4	0.1	1.4	0.1	1.4	0.2	1.4
Tajikistan	0.3	0.7	0.2	0.8	0.3	0.9	0.6	1.0	0.6	1.0	0.6	1.0
Kyrgyzstan	0.4	0.4	0.1	0.6	0.1	0.6	0.1	0.7	0.2	0.7	0.2	0.6
Moldova	0.5	0.5	0.3	0.5	0.4	0.6	0.4	0.6	0.6	0.4	0.5	0.4
Turkmenistan	0.0	0.0	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Total CIS</i>	30.5	34.6	<i>14.9</i>	38.0	<i>15.8</i>	43.3	<i>15.3</i>	46.6	<i>15.3</i>	43.3	<i>16.1</i>	37.5
Georgia	0.2	0.3	0.3	0.3	0.3	0.4	0.2	0.4	0.4	0.5	0.5	0.4

Table 3. Russian FDI Stock in the Region in 2008–2014 (Comparison of CBR and MIM CIS Data)

Note: Some of the previously published MIM CIS indicators have been adjusted following a review of the latest corporate financial statements.

conclusion that at the end of 2014, the largest proportion of Russian companies in the total FDI stock of all the countries was in Tajikistan (54%), Armenia (52%), Belarus (47%), and Uzbekistan (42%). Turkmenistan (<1%) and Georgia (<4%) were on the opposite end of the continuum. The figures for key Russian FDI recipients in the region (in absolute terms) – Kazakhstan and Ukraine – were in the middle of the range: Russia's share in total FDI stocks amounted to only 7% and 15%, respectively. In Kyrgyzstan, the share of Russian FDI was 19%; in Moldova, 12%; and in Azerbaijan, 8%.

Despite the large number of projects in the MIM CIS Database, Russia's high performance indicators are attributable to just a few companies. At the same time, it is Russian TNCs that dominate among other countries' TNCs (see Table 4).

The Russian Top Three – Gazprom, LUKOIL, and VimpelCom – account for almost 38%. They are also the most diverse geographically – their subsidiaries have no presence in only three or four countries of the region. In that respect, out of all major investors, only Inter RAO UES comes close to them with production subsidiaries in six countries of the region. At the same time, that electric power company has the least percentage share in the key recipient country (only 44%).

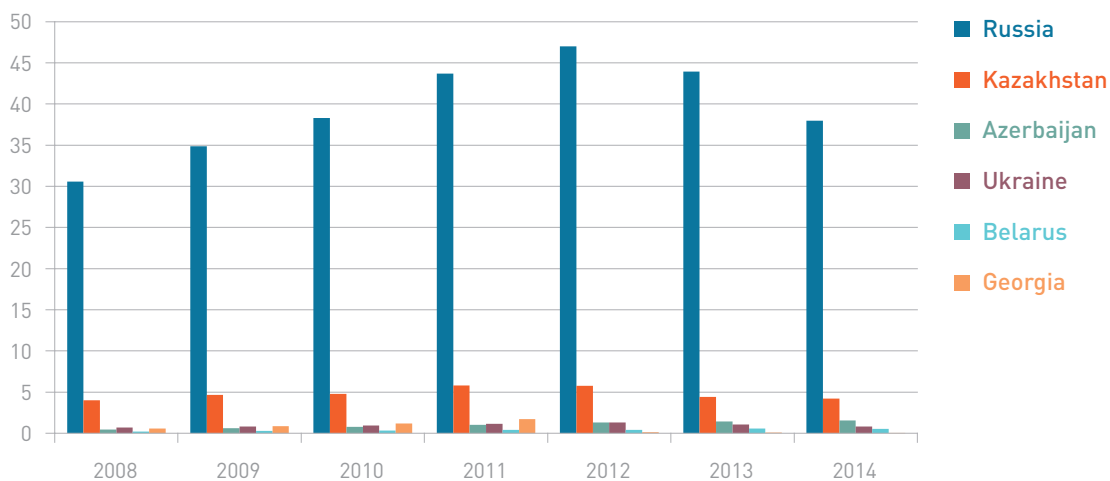
On the whole, the 15 leading investor companies account for \$30.43 billion of mutual FDI by CIS countries and Georgia, i.e., for 2/3 of their total value. The Azerbaijani SOCAR holds only the 10th position in the FDI stock rating. It is followed by two companies from Kazakhstan – Ivolga-Holding and Verna Capital. Like many Russian companies, they operate in one or two countries, which makes their FDI performance indicators unstable. In particular, the domination of investments in Ukraine by

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Table 4. Top 15 Investor Companies in the MIM CIS Database at the End of 2014

Company	Country	Main Recipient Sector of the Company's FDI	FDI Stock, \$ billion	Countries in the Region with Active Subsidiaries	Main Recipient Country in the Region	Share of That Country, %
Gazprom	Russia	Oil and Gas	7.16	8	Belarus	71
LUKOIL	Russia	Oil and Gas	6.54	7	Kazakhstan	46
VimpelCom	Russia	Communications and IT	3.33	8	Ukraine	43
Atomenergoprom	Russia	Non-Ferrous Metals	1.74	3	Kazakhstan	93
VEB	Russia	Ferrous Metals	1.62	2	Ukraine	93
MTS	Russia	Communications and IT	1.46	5	Belarus	54
VS Energy	Russia	Infrastructure Networks	1.27	1	Ukraine	100
INTER RAO UES	Russia	Infrastructure Networks	1.26	6	Tajikistan	44
Rosneft	Russia	Oil and Gas	1.11	2	Ukraine	96
SOCAR	Azerbaijan	Oil and Gas	0.94	2	Georgia	85
Ivolga-Holding	Kazakhstan	Agriculture and Food Products	0.89	1	Russia	100
Verny Capital	Kazakhstan	Tourism	0.87	2	Russia	81
Polymetal	Russia	Non-Ferrous Metals	0.76	1	Kazakhstan	100
Transneft	Russia	Transportation	0.75	2	Belarus	80
Energy Standard	Russia	Infrastructure Networks	0.73	1	Ukraine	100

Figure 2. Russian, Kazakh, Ukrainian, Belarusian, Azerbaijani, and Georgian FDI Stock in the Region in 2008–2014, \$ billion.



many Russian TNCs resulted in Evraz, RUSAL, Sberbank, and VTB leaving the list of leaders as it stood in 2013, while VS Energy and Energy Standard's ratings sustained a major slump.

On the whole, the 2014 crisis in Ukraine led to a reduction of the value of mutual FDI in the region by more than 12%. In 2014 the value of FDI stocks in the countries of the region, excluding Ukraine, went down by 0.1%, while FDI into Ukraine by CIS countries and Georgia decreased by 38%.

Inasmuch as the investment climate in Ukraine had started to deteriorate before the coup d'état in February 2014, in 2013 the value of mutual FDI had already gone down by a hefty 8% (see Figure 2). Ukraine itself, as an FDI source, descended to 4th position in 2012.

1.2. Impact of the Crisis in Ukraine on Mutual Investments in the CIS

There is no doubt that the epic political confrontation in Ukraine around the future integration vector of the country (which ended with a coup d'état in February 2014) had an adverse effect on the value of its FDI stock.

Destabilization of the economic and political situation in Ukraine remains one of the main factors contributing to the slump of all mutual direct investments in the CIS. The maximum relative decline of investments in Ukraine in 2013–2014 was registered for Kazakhstan and Georgia – by almost 50% and 52%, respectively (mostly in 2014 in the case of Kazakhstan, and in 2013 in the case of Georgia). In absolute terms, the greatest decline (by \$7.5 billion over two years, including by \$6.2 billion in 2014) was posted by Russia (in relative terms, investments went down by 43%, including by 39% in 2014). Growth was recorded only for Azerbaijani FDI in Ukraine, but it increased by merely \$36 million over two years.

The data on the extent of reduction of direct investments are still preliminary and subject to adjustment which, apparently, will reveal an even greater decline. This can be attributed to several factors.

First, at the time of preparation of this report, not all companies with Russian equity participation had published their annual statements, and some of those are sizeable enterprises, such as Kievstar and Zhitomiroblenergo. Clearly, the twofold devaluation of the Ukrainian national currency alone is enough to decimate the value, in dollar terms, of most companies that are particularly oriented toward the domestic market. At the same time, the actual extent of impairment is contingent upon too many factors (recession-driven contraction of demand, need to implement EU technical standards, etc.).

Second, there is a vast group of investment projects for which open, reliable information is not available in principle, while expert assessment is hindered both by the general lack of transparency of investments and by sharp fluctuation of market conditions caused by the economic slump in Ukraine and the uncertainty of its political prospects.

Third, even if the real value of an asset is known, it may be meaningless in practical terms because, due to the ongoing political tensions between Russia and Ukraine, the very existence of Russian investments has a negative effect on pricing. In other words, potential

buyers, well aware that Russian business in the country finds itself in dire straits, demand a discount for “Russian origin” and, as a result, mergers and acquisitions are priced below market value.

Finally, it is difficult, if at all possible, to fully account for the effect of military hostilities because of which many facilities with Russian equity participation are standing idle, while some have been completely destroyed. Thus, combat operations have inflicted major damage on the Rosneft-owned Lisichansk Oil Refinery (the company’s representatives estimated the damage at \$140 million).

The assumption that the real reduction of Russian FDI will prove to be even worse than anticipated is further borne out by the fact that, according to official statistical data published by Goskomstat Ukrainy, their 2014 year-end value went down by 37% (Goskomstat Ukrainy, 2015). An extrapolation of that figure onto MIM CIS statistics shows that, after the unavoidable adjustment, the value of Russian direct investment stock in Ukraine may “subside” to \$9 billion.

The lion’s share of the decline in Russian investors’ FDI stock value last year is due to asset impairment, with investments in the Republic of Crimea and Sevastopol (which acceded to Russia in the spring of 2014) barely topping \$1 billion.

Only \$564 million (13%) of total reduction can be ascribed to the sale of companies with Russian equity participation or their confiscation/liquidation by Ukrainian authorities. The bulk of that amount represents only one deal – the sale by LUKOIL of a ramified network of 420 petrol filling stations and six oil depots to AMIC Energy, an obscure Austrian company (the deal is valued at approximately \$250–300 million). Other Russian owners that have shed their Ukrainian assets include the insurance company Rosgosstrakh (its Ukrainian subsidiary Providna was sold to a “group of West European investors,” information about which is even more scarce than about AMIC Energy), the restaurant company Rosinter, and a number of other companies whose aggregate Ukrainian asset value does not exceed \$30 million.

Metallurgical companies also announced a possible sale of their Ukrainian subsidiaries. For example, Severstal was ready to sell Dneprometiz (manufacturer of industrial and construction metalware) for \$20–30 million, but at the time of preparation of this report the facility still belonged to its Russian owners.

Therefore, there has been no massive exodus of Russian investors from Ukraine to date. However, in most cases this can be explained by the lack of opportunities to dispose of assets at a profit during the crisis, rather than by the Russian companies’ desire to keep their chunk of the Ukrainian market. When choosing between selling off their businesses at a huge discount and adapting to new realities, most Russian companies opt in favor of the latter, hoping that, with time, the situation will get back to normal. Interestingly, all Ukrainian subsidiaries of Russian banks continue their operations, even though some of them have been forced to revise their business models. Thus, Sberbank of Russia has indefinitely suspended new lending, while VTB (Ukraine) has embarked on a campaign to reduce the number of its branches and offices, although, according to A. Kostin, head of the bank’s parent company, nobody is talking about closing the bank, at least for the time being. Even the bank with the politically incorrect name of Russian Standard is

still running; however, when faced with a boycott initiated by Ukrainian consumers of financial services, it rebranded its subsidiary that is now operating as Forward Bank and using, as its logotype, a red square with blue and yellow stripes in the middle. It should be noted that not only banks, but also companies operating in other segments, are trying to conceal their origin in an attempt to fend off growing anti-Russian sentiments. For example, Rosneft, which inherited an extensive network of petrol filling stations from TNK-BP, has resolved to refrain from using its own brand, and is now working under different names (with Formula being the brand most aggressively promoted over the last several months).

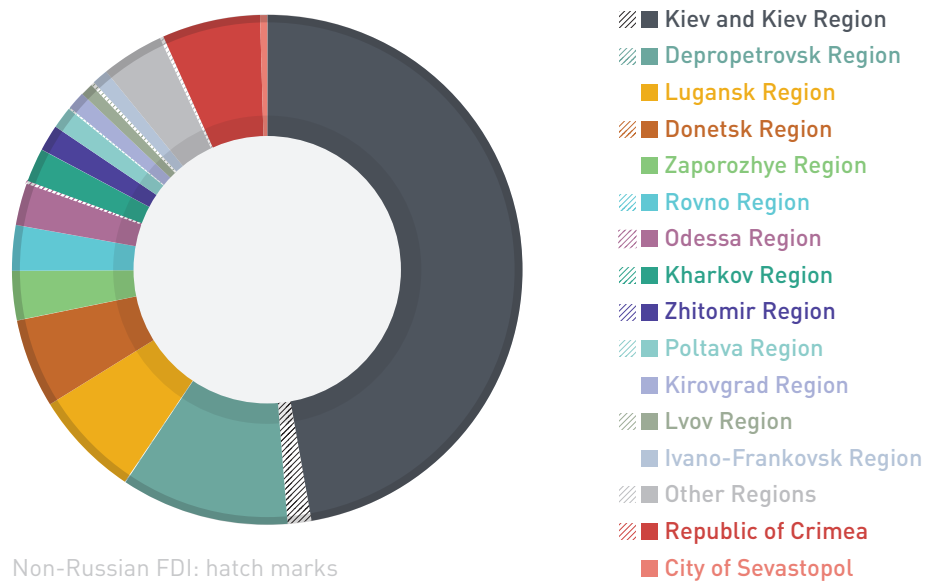
The destiny of companies with Russian equity participation will largely depend on whether, and to what extent, their managers are able to find a common language with the new elites – not only with the Kiev authorities, but also with influential business groups which to a large degree control the Ukrainian regions where Russia has critical economic interests. In 2015 the mass media carried numerous articles about new attempts to confiscate Russian assets in Ukraine. One can expect that many Russian investors, seeking to protect their business from the persistent threat of nationalization, will resort to increasingly complicated asset management schemes, acting through offshores and/or consortia with Ukrainian companies and entrepreneurs. Significantly, K. Grigorishin, one of the largest Russian players in the Ukrainian market, manages a number of regional power network companies jointly with I. Kolomoysky, an oligarch and ex-chairman of Dnepropetrovsk Regional State Administration (he held that position from March 2014 to March 2015).

One can forecast, with a high degree of certainty, that in 2015–2016 Russian investments will continue to shrink. At the same time, the question of whether Russian assets will start to be sold off at distress prices, or Russian investors will continue to maintain their current wait-and-see stance, remains open. The answer to that question is directly linked to both political factors (the state of Russian-Ukrainian relations) and economic ones (the depth of recession in Ukraine). Besides, the rate of withdrawal of direct Russian capital investments will vary greatly in different sectors and industries. MIM CIS data show that to date that process has mostly affected Wholesale and Retail Trade (petrol filling station networks, retail outlets), the undisputed leader in terms of the number of terminated projects, although it should be noted that investor flight from this segment had started before the onset of the current crisis. In other key sectors (Finance, Communications and IT, Ferrous Metals), Russian business still retains relatively strong positions. Moreover, it is entirely possible that, at certain stages, the inflow of capital investments into those sectors will increase. In particular, Russian banks will apparently have to resort to massive financial injections to recapitalize their Ukrainian subsidiaries.

As regards mid-term prospects (the next three or four years), Russian investors' interest in Ukrainian assets will hardly rebound, even if relations between Russia and Ukraine gradually return to normal. The only possible source of FDI stock growth is appreciation of surviving assets which may materialize if the Ukrainian economy recovers and the hryvnia strengthens against the dollar.

Most direct capital investments (more than 48.7% at the end of 2013, and 44.4% at the

Figure 3. Distribution of FDI Stock of CIS Countries and Georgia, by Ukrainian Regions at the End of 2013



end of 2014) were concentrated at facilities in Kiev and Kiev Region, or companies with nationwide operations and headquarters in Kiev (see Figure 4). The second-largest FDI recipient in Ukraine, primarily regarding Russian investments, is Dnepropetrovsk Region (10.7% at the end of 2013, and almost 15% at the end of 2014).

At the end of 2013, Lugansk and Donetsk Regions, now engulfed by war, were in the Recipient Top Five (6.8% and 5.7%, respectively) and, due to their impressive industrial potential, even at the end of 2014 remained significant FDI recipients. More than a dozen Ukrainian regions each account for more than 1% of FDI by CIS countries and Georgia, with Russian TNCs, until recently, boasting the highest geographical diversification rates. In the west of Ukraine, Rovno Region for a long time remained the largest FDI recipient, but in 2015 Prikarpat-Zapadtrans, a subsidiary of the Russian Transneft, was confiscated. Investment projects initiated by Igor Yakovlev (Eldorado retail network) and LUKOIL (petrol filling stations) had been terminated even before that.

As for investors from other CIS countries and Georgia, they were almost unaffected by either the referenda in the Crimea and Sevastopol or the civil war in Lugansk and Donetsk Regions, as at the end of 2013, aggregate investments made by CIS countries (excluding Russia) in those regions stood at about \$4 million. Nevertheless, all investors from post-Soviet countries operating in Ukraine have to deal with an extremely volatile business environment. This is due to the fact that in Ukraine, the success or failure of most business groups has been traditionally dependent on how close they are to the government. However, after the coup d'état, the Ukrainian political landscape is shaped not only by confrontation among various local parties, but also by external political factors, which even further complicates an already complex situation, particularly in the light of the fact that Ukrainian business groups themselves have invested abroad.

In the second half of 2014 and beginning of 2015, the discourse related to interaction

between Russian and Ukrainian business in an environment of mounting tensions in bilateral relations was dominated by the relocation of some Ukrainian enterprises to the Russian Federation and the Republic of Belarus. Inasmuch as transfer of production capacities to foreign countries, even when it involves removal of previously purchased equipment rather than merely cash investments, should be categorized as direct investments, MIM CIS experts started to monitor Russian and Ukrainian information sources separately in an attempt to identify such cases. Their inclusion in the database was contingent upon compliance with the following criteria:

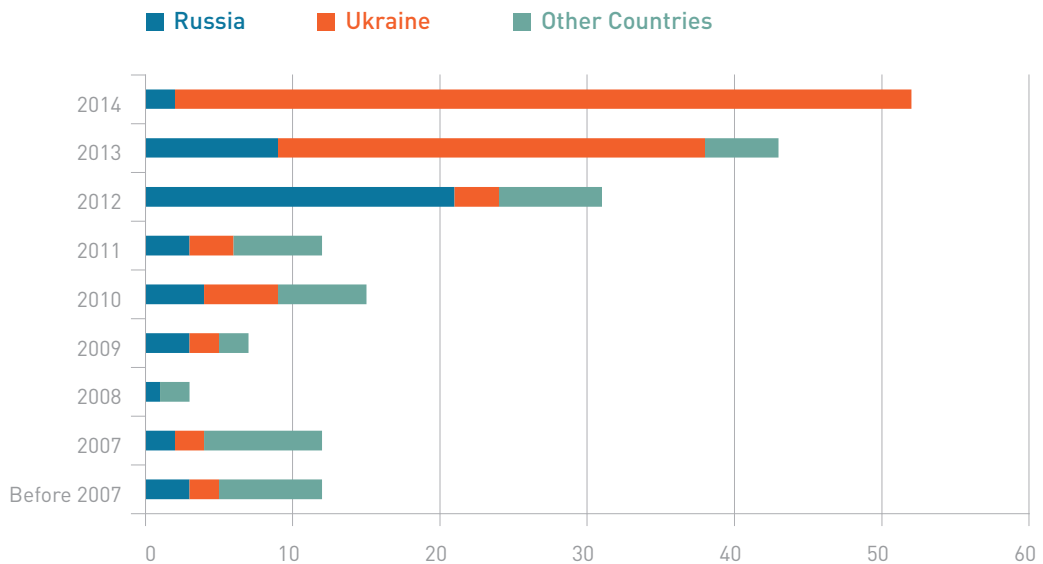
- Verifiable confirmation that the relocation of the enterprise in question did take place;
- The long-term nature of the relocation (in other words, the move had to have been caused by the owner's strategic decision to develop business in Russia, rather than by the need to temporarily evacuate the enterprise pending cessation of military hostilities);
- Ownership of the controlling stake by individuals retaining Ukrainian citizenship.

Because of the economic crisis and devaluation of the hryvnia, in most cases we were unable to estimate the value of relocated assets. Meanwhile, in some cases Ukrainian owners have announced their intention to invest in the expansion of production in Russia.

The most critical problem is verification of the reliability of available information. If we are to believe Ukrainian mass media, virtually all major facilities located in the territory of the unrecognized Lugansk and Donetsk People's Republics (LPR and DPR) have already been relocated, or are in the process of being relocated to the Russian Federation. Thus, an article in *Forbes Ukraine* gave an account of the alleged dismantling in LPR and DPR of five large plants, most of which work for the military industrial complex. The author of the article hypothesized that the Ukrainian facilities were moved by the trucks used by Russian humanitarian convoys, and accused Russia of "industrial plunder" (Grebenik, 2014). No proof was found to substantiate any of the allegations made in the article, but speculations regarding illegal relocation of the production facilities were widely disseminated by the Ukrainian media and became an element of a propaganda campaign against Russia. Unfortunately, Russian publications are also full of unverified information taken from Ukrainian sources.

At the time of preparation of this report, we were able to verify reports on relocation to Russia of only 3 out of the 16 facilities mentioned by public information sources. Two other companies did announce plans to concentrate their business operations in Russia, but those plans are still under discussion. Notably, none of those companies are part of the military industrial complex. Most of them are civil mechanical engineering plants; moreover, some had developed plans to partially relocate their facilities to Russia – which remains their main market – even before the commencement of military hostilities in the east of Ukraine. Thus, the management of Lugansk Electrical Machine Engineering Plant (LEMEP), which moved to Kamensk-Shakhtinsky (Rostov Region), had started planning for relocation back in 2012, as both material supplies and end users of the plant's products are situated in Russia (Ionova, 2015). Two other plants already relocated to Russia – Lugansk Mechanical Engineer-43 and Locomotive-Service (both small

Figure 4. Termination of Investment Projects in the MIM CIS Database, by Year



enterprises with a staff of 23 and 40 people, respectively) — are also linked to Russia, but their owners hope to expand production in both countries after military hostilities are over.

As for the Republic of Belarus, the only significant deal for which we have reliable information was closed in 2012, when Motor Sich, a Zaporozhye-based manufacturer of airplane engines, purchased the controlling stake in Orsha Aircraft Repair Plant in the Vitebsk Region. It is entirely possible that the role of that subsidiary (and, accordingly, investments into its further development), as the only point of entry to the markets of member countries of the Customs Union, will only grow under the conditions of Ukrainian authorities' cessation of military and technical cooperation with Russia. The question whether other Ukrainian companies will follow suit remains open.

Therefore, as of now it is premature to speak about a “great migration of factories” from Ukraine to Russia. So far there have been few relocations of relatively small enterprises which have little, if any, effect on the overall statistics of Russian-Ukrainian investment relations. This does not mean, though, that with time Ukrainian entrepreneurs will not be more interested in doing business in Russia. The aforementioned LEMEP and two other companies that have registered their subsidiaries in the Maslovsky Industrial Park (Voronezh Region) — the Marshal Pipeline Valves Plant in Lugansk and Poly Pack — intend to invest in the Russian economy RUB 470 million, RUB 500 million, and RUB 1,530 million, respectively (i. e., about \$50 million in total). However, as regards the latter two companies, instead of complete relocation, we are probably dealing with an attempt to penetrate a new regional market, while keeping the main facilities on the home turf. Implementation of those and possibly other similar projects will depend both on the operation of “expellant” factors (continued tensions in the east of Ukraine, decline of the Ukrainian economy) and on demand for their products in the neighboring countries.

It is also apparent that most medium-sized and small production companies do not have sufficient resources to take root in foreign soil, so access to credit will become a key success factor.

Finally, it is necessary to take note of situations when Ukrainian FDI in Russia is cut for political reasons. Such projects are few and far between. Roshen, a company operating in Russia and owned by P. Poroshenko, President of Ukraine, is now at the center of a series of scandals provoked by its alleged failure to pay taxes. However, in April 2015 the company announced that it is starting installation of two additional production lines at its facility in Lipetsk. One can hypothesize that these legal problems are being used by the owner as a pretext to avoid delivering on his election promise to sell his business after he has assumed presidential office.

Only Privat Group, owned by I. Kolomoysky, lost its banking network in Russia. However, Moscomprivatbank was purchased at the highest possible price; besides, Privat Group also lost its Georgian assets – in early 2015 the local Tao Bank was sold to the Bank of Georgia.

Still, developments in Ukraine have undoubtedly contributed to the spike in the number of terminated projects (see Figure 4). Furthermore, previous dynamics could have been attributable to the projects' "life cycle," as the number of new projects peaked in 2006–2008; besides, over the three years from 2003 to 2005, there were more acquisitions and more projects started "from scratch" than in 2009–2011 (EDB CIS, 2014a).

1.3. Sectoral Structure of Mutual Direct Investments in CIS Countries and Georgia

Beside FDI scope and dynamics, to properly assess investment connections between CIS countries and Georgia, it is necessary to undertake a detailed review of the FDI sectoral structure. To enable such review, we have developed a proprietary two-level classification (15 sectors, more than 80 industries) which is also used for the DIM-Eurasia project. As the two databases evolved, the classification was subject to minor adjustments and was supplemented with several new industries; thus, in this report we have added a new industry – Processing of Fish Products – to the Agriculture and Food Products sector, because in 2013, Santa-Bremor, a Belarus-German joint venture, acquired for \$50 million a fish cannery in Noginsk (Moscow Region) (see Table 5).

Wholesale and retail trade facilities, especially those making up Commodity Distribution Networks, enjoy numerical dominance, but most of these projects have insignificant FDI values. On the other hand, Fuel, for example, is represented by only 33 projects, but has the highest FDI value.

With Russia accounting for 84% of exported mutual FDI, it is Russian capital investments that determine the overall sectoral structure of mutual FDI in CIS countries and Georgia. In that connection, it appears reasonable to consider separately the structure of FDI by Russia – and by Kazakhstan, the second-largest investor country in the region. In section 2.1 we also present the general sectoral structure of all mutual FDI by CIS countries and Georgia, in comparison with mutual FDI originating from the EAEU Region.

MONITORING OF MUTUAL INVESTMENTS IN CIS COUNTRIES

Table 5. Sectors and Branches Used in the MIM CIS and DIM-Eurasia Databases

Sector	Industry	Number of Projects with Non-Zero FDI Stocks Included in the MIM CIS Database at the End of 2014
Agriculture and Food Products	Crop Farming, Including Elevators	11 (3*)
	Processing of Crop-Farming Products	9
	Production of Bakery and Confectionery Goods	6 (1*)
	Fisheries	Only DIM-Eurasia
	Processing of Fish Products	1
	Cattle Breeding and Meat Processing	2
	Production of Dairy Products	4 (2*)
	Production of Juices and Mineral Waters	12
	Production of Beer	Only DIM-Eurasia
	Production of Alcoholic Beverages	11
	Production of Cigarettes	2
	Oil and Gas	Production of Crude Oil and Natural Gas
Oil Refining		2
Oilfield Services		2
Gas Processing		1
Transportation and Sale of Gas		7
Production of Coal		1
Production of Biofuels		Only DIM-Eurasia
Ferrous Metals	Production of Iron Ore	1
	Production of Coke	1 (1*)
	Production of Cast Iron, Steel and Rolled Stock	6 (1*)
	Production of Cast Iron and Steel Pipes	3
	Production of Finished Metal Products	5
	Collection and Processing of Scrap Metal	Only DIM-Eurasia
Non-Ferrous Metals	Production of Non-Ferrous Metal Ore	13 (3*)
	Production and Beneficiation of Gold	6 (2*)
	Production and Beneficiation of Uranium Ore	7 (1*)
	Production of Non-Ferrous Metals	3 (2*)
Mechanical Engineering	Manufacture of Agricultural Equipment	4
	Manufacture of Passenger Motor Vehicles and Trucks	5
	Manufacture of Vehicles (excluding Motor Vehicles)	10
	Manufacture of Machines and Equipment	7
	Manufacture of Electric and Electronic Equipment	12
	Manufacture of Medical Equipment	1
	Manufacture of Weapons	1

1. MUTUAL INVESTMENTS IN THE CIS AT THE END OF 2014

Sector	Industry	Number of Projects with Non-Zero FDI Stocks Included in the MIM CIS Database at the End of 2014
Chemical	Basic Chemistry	Only DIM-Eurasia
	Petroleum and Basic Organic Synthesis Chemistry	5
	Production of Plastic Products, including Polymer Pipes	7
	Production of Mineral Fertilizers	4
	Production of Perfumery and Cosmetics	Only DIM-Eurasia
	Production of Paints and Varnishes	1
	Pharmaceutical Production and Biotechnologies	2
Other Industries	Production of Glass	2
	Production of Pulp and Paper	Only DIM-Eurasia
	Wood Processing and Production of Woodworks	1
	Production of Furniture	2
	Production of Food Packaging	1
	Manufacture of Garments	4
	Manufacture of Fur Products	1
Infrastructure Networks	Production of Electric Power	28
	Gas Networks and Utilities	2
Construction	Production of Cement and Reinforced Concrete Structures	16
	Production of Refractory Materials	1
	Production of Insulation and Roofing Materials	4
	Production of Other Construction Materials	2
	Construction and Development	5
Transportation	Air Transport	9
	Railway Transport	11 (1*)
	Port Facilities and Sea Transport	3 (1*)
	Warehousing and Logistics	7
	Trunk Pipelines	4
Communications and IT	Telecommunications (Telephone and Internet)	24
	Development of Software and System Integration	29
	Mass Media and Advertising	24

Sector	Industry	Number of Projects with Non-Zero FDI Stocks Included in the MIM CIS Database at the End of 2014
Wholesale and Retail Trade	Chain Stores	38
	Petrol Filling Station Networks	49
	Commodity Distribution Networks	269
	Wholesale Trade in Raw Materials and Semi-Finished Products	13
	Wholesale Trade in Finished Products	14 (6*)
	Retail Trade in Gas	Only DIM-Eurasia
	Retail Trade in Finished Products	Only DIM-Eurasia
Finance	Banking	47
	Insurance	16
	Real Estate (Excluding Construction)	Only DIM-Eurasia
	Other Financial Services	8
Tourism	Hotel Business	17
	Restaurant Business	6
	Tour Operators and Tourism Agencies	2
Other Services	Education	31
	Repairs	7 (6*)
	Gaming Business	8

* Bracketed figures indicate the number of projects that concurrently represent two industries.

The sectoral structures of Russian and Kazakh FDI are vastly different (for comparison, see Figure 5 and Figure 6). Almost 40% of all Russian capital investments are directed into Oil and Gas, while in Kazakhstan, even though the country has its own oil, gas, and coal industries, export of capital in that sector is almost non-existent. The same is true for Ferrous Metals, which account for almost 5% of Russian FDI in CIS countries and Georgia.

The second-largest recipient sector of Russian FDI is Communications and IT (almost 14%); it also plays a prominent role in Kazakh FDI (almost 5%). The third-largest sector in terms of Russian investment stock – Non-Ferrous Metals – also accounts for a significant share of total Kazakh FDI. On the other hand, Kazakhstan has a much stronger presence than Russia in Agriculture and Food Products, Transportation, and Tourism. It should be noted, though, that its leadership in those sectors is largely related to investments in real properties – land, airports, and hotels.

On the whole, the sectoral structure of FDI is rather diversified, with domination of Russia's traditional specialization industries, which testifies to a high degree of internationalization of Russian business and emergence in the country of full-fledged TNCs. At the same time, there is a certain bias in favor of investments in real properties in the

1. MUTUAL INVESTMENTS IN THE CIS AT THE END OF 2014

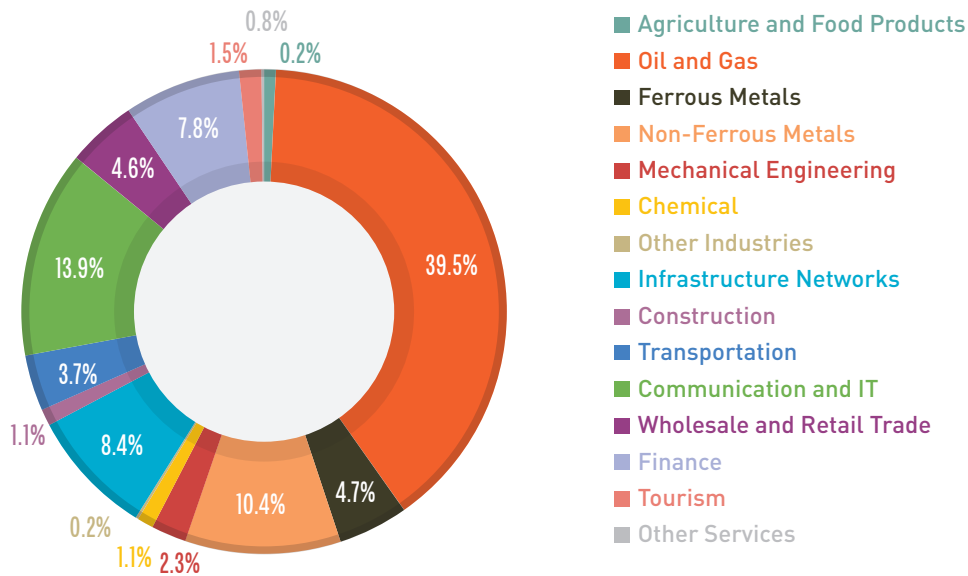


Figure 5. Sectoral Structure of Russian FDI Stock in CIS Countries and Georgia at the End of 2014

export of capital from Kazakhstan, while formally its FDI structure is also quite diverse. As for FDI in the Post-Soviet area by other CIS countries, their sectoral structure is characterized by weak diversification. For example, out of more than \$1.5 billion of Azerbaijani FDI stocks in CIS countries and Georgia, 56.6% is attributable to capital investments in railway transport. They are represented by SOCAR investments in an export terminal and capital investments in a project in Georgia implemented jointly with ZAO

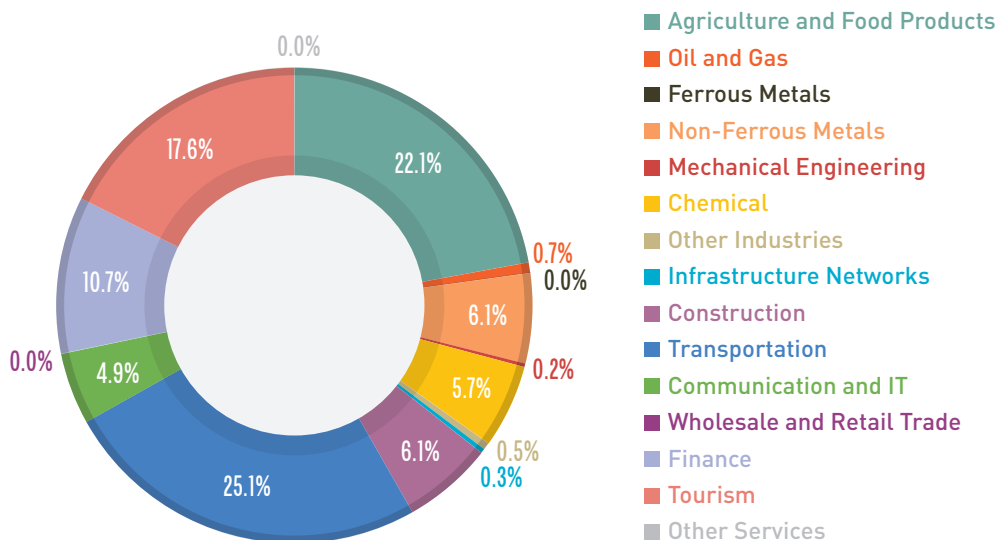


Figure 6. Sectoral Structure of Kazakh FDI Stock in CIS Countries and Georgia at the End of 2014

Azerbaijani Railways and the State Oil Fund of Azerbaijan. Inasmuch as out of 22 Azerbaijani investment projects included in the MIM CIS Database, 12 are owned by the state oil and gas giant SOCAR, it is only natural to expect high shares of Petrol Filling Station Networks (almost 22% of all Azerbaijani FDI) and Transportation and Sale of Gas (13%). Investments by another important investor – Belarus – are also concentrated in one industry: Commodity Distribution Networks that represent Wholesale and Retail Trade account for 51% of FDI stock in the Post-Soviet area originating from that country (see section 2.3 for additional information on that type of investment). At the same time, industries assigned to other sectors also play a notable role in the structure of Belarus FDI, namely, Mechanical Engineering and Oil and Gas (12% each), Agriculture and Food Products (9%), and Transportation (7%).

As noted above, Ukrainian investors are now going through a difficult period, and in the immediate future Ukrainian FDI structure may undergo considerable transformations. In the meantime, at the end of 2014 about 35% of FDI in the territory of the Post-Soviet area by Ukraine was in Agriculture and Food Products (this is the highest indicator in the Top Five of direct investment exporters in the CIS). The second place is occupied by another sector of Ukrainian foreign economic specialization – Ferrous Metals.

Even more changes may occur in the structure of mutual FDI attracted by Ukraine, which remains the leading recipient of such investments. At the end of 2014, the share of Communications and IT (primarily Telecommunications) in FDI stocks in Ukraine originating from CIS countries and Georgia amounted to 19.6%. The shares of Ferrous Metals and Finance (primarily Banking) were 16% and 15.6%, respectively. Those were followed by Infrastructure Networks and Wholesale and Retail Trade, with 14.5% and 8.9%, respectively. The share of Mechanical Engineering was only 5.3% – that sector gave way to Fuel (6.4%). Notably, against the background of FDI reduction in absolute terms, relative shares of most sectors (compared to the end of 2013) changed only by several percentage points. The largest reduction was registered in Tourism – in 2014 the share of that sector in FDI made in Ukraine by CIS countries and Georgia (in reality, almost exclusively by Russia) decreased from 8.1% to 3.8%, mostly due to the statistical base effect following accession of the Crimea to the Russian Federation. Finance also sustained major losses due to devaluation of the hryvnia (by almost 4 percentage points). For comparison: the structure of Kazakhstan's inward FDI from other CIS countries (which is comparable to that of Ukraine in the overall value of mutual investment stocks) is much less diversified. At the end of 2014, more than 41% of such investments could be attributed to Fuel, and another 29.6% to Non-Ferrous Metals. A notable role was also played by several service sectors – Communications and IT (8.6%), Finance (4.9%), and Wholesale and Retail Trade (3.4%).

The structure of attracted capital investments of the third-largest recipient of mutual FDI – Belarus – was dominated by Oil and Gas (primarily due to Gazprom's Transportation and Sale of Gas project) with almost 2/3 of total investments. Other major contributors include Communications and IT (9.8%), Finance (8.2%), Transportation (7.4%), and Wholesale and Retail Trade (5.4%).

Apparently, in the years to come transformation will affect the structure of mutual direct investments related not only to Ukraine, but also to the EAEU Region. The point is that deepening Eurasian integration opens up new corporate interaction vistas, enabling “second echelon” investors (which represent a wide gamut of economic sectors) to intensify formation of cross-border value creation chains. This is primarily true for Russian FDI in all partner countries and, to a lesser extent, for Kazakh capital investments in Kyrgyzstan and Russia, and Belarusian investments in Russia. As for Armenia and Kyrgyzstan, there is no reason to anticipate any significant upsurge of foreign investment activity from companies operating in those countries.

2. Mutual Investments in the EAEU Region

The long-term nature of direct investments and the relative complexity of running foreign subsidiaries in the context of contractual relations with foreign partners make investment connections less responsive (in comparison, for example, to foreign trade) to formal integration decisions. Accordingly, it would be a mistake to assume that creation of the EAEU will immediately affect the dynamics of mutual FDI, especially against the background of relatively unsuccessful previous attempts to deepen economic integration in the Former Soviet Union, even when adjusted for other historical and foreign policy factors prevalent in 1990s and early 2000s (Chufrin, 2013). Nevertheless, investors are capable of rapidly reacting to certain political decisions; however, such reactions can only be negative – infelicitous government actions leading to a sharp deterioration in the investment climate can provoke massive capital flight within a very short time. Apparently, no such catastrophic scenario is in sight for the five countries in the EAEU Region.

2.1. Significance of EAEU Creation for Mutual Investments in the CIS

In 2014 mutual FDI in the EAEU Region increased from \$24.8 billion to \$25.1 billion, despite devaluation of national currencies. As a result, the contribution of mutual FDI in the EAEU Region to total mutual direct investments by CIS countries and Georgia went up from 48% in 2013 to 55.4% in 2014. And that, despite the fact that in 2008–2013 (i. e., before the Ukrainian crisis) the share of the EAEU Region never broke the 2% ceiling. It should be noted, though, that adverse economic conditions in the Post-Soviet area could not have failed to affect the absolute value of mutual FDI in the EAEU Region, with 2012 having been the peak year (see Figure 7).

Russia and Kazakhstan are the most active mutual investment players in the EAEU Region. At the end of 2014, Russia accounted for 84% of total outward FDI (which is consistent with its share in the Post-Soviet area) and 13% of total inward FDI (the figure is slightly higher, but in that respect Russia is still far behind both Kazakhstan and Belarus). For Kazakhstan, those indicators stood at 14% and 36%, respectively. Meanwhile, the share of mutual investment connections between Russia and Kazakhstan soared to 47.6%. Russia and Belarus made up another important investment pair with massive capital cross-currents (34.5%). Other notable investment flows included Russia's investments in Armenia and Kyrgyzstan, and Kazakhstan's investments in Armenia (see Table 6).

The leading mutual FDI sectors in the EAEU Region are Fuel and Non-Ferrous Metals. Their combined share is considerably higher than that in mutual investments by CIS countries and Georgia – at the end of 2014 those indicators stood at 39.7% vs. 33.9% and 15.8% vs. 9.3%, respectively. At the same time, the shares of mutual FDI in Communications and IT, Finance, and Infrastructure Networks in the EAEU Region are lower

2. MUTUAL INVESTMENTS IN THE EAEU REGION

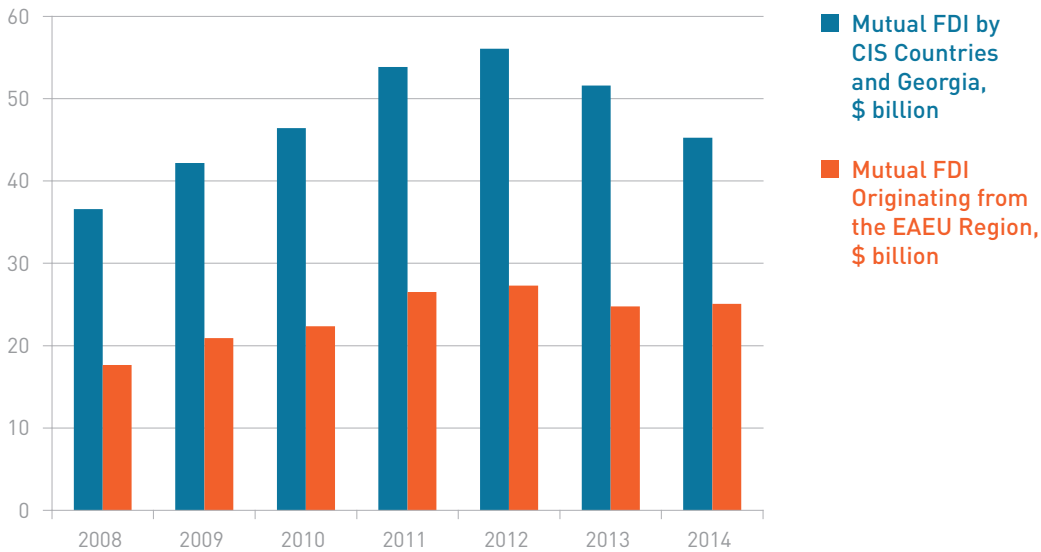


Figure 7. Comparison of MIM CIS Database Stock and EAEU Mutual FDI Dynamics in 2008–2014

than on the whole in the Post-Soviet area – 9.6% vs. 12.1%, 6.0% vs. 7.8%, and 3.8% vs. 7.1%, respectively.

Inasmuch as Kazakhstan and Belarus have elevated capital export values in Agriculture and Food Products (at the end of 2014, they stood at 26.3% and 11.9% of those two countries' total FDI in the EAEU Region, respectively), the share of that sector in total EAEU Region mutual investments is also higher than the CIS average – 4.4% vs. 3.7%. The same is true for Transportation, which accounts for 23.7% of Kazakh FDI in the EAEU Region: the share of that sector in total EAEU Region mutual investments is 8.2%, while its share in total mutual investments by CIS countries and Georgia is only 7.5%. At the same time, despite the fact that more than half of all Belarusian EAEU Region FDI is represented by Wholesale and Retail Trade, the share of that sector in total mutual investments by EAEU Region countries is less than in total mutual FDI by CIS countries and Georgia – at the end of 2014, the two indicators stood at 4.3% and 5.4%, respectively.

Another aspect of mutual FDI research in the region is related to the use of a proprie-

Recipient Country	Investor Countries' FDI Stock, \$ million					Total
	Russia	Kazakhstan	Belarus	Armenia	Kyrgyzstan	
Russia	X	2,858	379	3	0	3,240
Kazakhstan	9,067	X	54	1	0	9,122
Belarus	8,279	25	X	11	3	8,318
Armenia	3,045	9	3	X	0	3,057
Kyrgyzstan	655	672	2	0	X	1,329
Total	21,046	3,564	438	15	3	25,066

Table 6. Mutual Direct Investments by Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan at the End of 2014 (MIM CIS Data)

Figure 8. Comparison of MIM CIS Database Stock and EAEU Region Mutual FDI Aggregated Sectoral Structure at the End of 2014



tary index which factors in not only the dynamics and structure of capital investments, but also the scale of individual economies of CIS countries and Georgia. That makes possible an assessment of the extent of investment cohesion of post-Soviet countries.

In this report, the original Mutual Direct Investments Index for CIS countries and Georgia (EDB CIS, 2013; EDB CIS, 2014a; Kuznetsov, Kvashnin, 2014) has been expanded to include new statistical data, and now presents results for four years (see Table 7). The proposed Mutual Direct Investments Index (MDII) assesses bilateral investment connections in the Post-Soviet area using the following parameters:

- 1) Total value of mutual investments;
- 2) Direction of investment flows (two-way or one-way);
- 3) Scale of economy of each investor country;
- 4) Dynamic of investments over the last three years.

MDII is calculated according to the following formula:

2. MUTUAL INVESTMENTS IN THE EAEU REGION

FDI Leader in the Investment Pair	Second Country in the Investment Pair	Value of Mutual FDI at the End of 2014, \$ million	2011 MDII	2012 MDII	2013 MDII	2014 MDII
Azerbaijan	Georgia	1,352	14.31	15.58	16.88	17.15
Russia	Kazakhstan	11,925	15.10	13.41	9.26	9.87
Russia	Belarus	8,658	9.66	9.04	8.42	8.22
Russia	Ukraine	10,455	16.43	17.53	14.17	6.74
Russia	Uzbekistan	3,781	3.40	3.85	3.46	3.30
Kazakhstan	Kyrgyzstan	672	2.83	3.19	3.29	3.26
Russia	Armenia	3,048	2.21	2.26	2.36	2.77
Ukraine	Georgia	209	2.86	2.63	2.03	2.42
Kazakhstan	Georgia	409	1.99	1.86	1.68	1.82
Russia	Azerbaijan	1,442	1.36	1.25	1.22	1.34
Ukraine	Moldova	76	0.69	0.64	0.74	1.01
Azerbaijan	Ukraine	142	0.37	0.60	0.61	0.89
Armenia	Georgia	15	0.47	0.79	0.77	0.66
Belarus	Kazakhstan	79	0.62	0.60	0.47	0.59
Russia	Tajikistan	1,015	0.65	0.59	0.56	0.56
Belarus	Ukraine	56	0.48	0.51	0.41	0.50
Kyrgyzstan	Uzbekistan	33	0.64	0.57	0.51	0.47
Armenia	Belarus	14	0.05	0.48	0.41	0.42
Russia	Kyrgyzstan	655	0.39	0.44	0.40	0.36
Kazakhstan	Tajikistan	71	0.52	0.49	0.29	0.32
Russia	Moldova	429	0.49	0.46	0.26	0.31
Kazakhstan	Uzbekistan	80	0.40	0.35	0.31	0.30
Belarus	Moldova	15	0.08	0.28	0.25	0.24
Georgia	Belarus	9	0.25	0.19	0.15	0.19
Kazakhstan	Ukraine	96	0.64	0.50	0.44	0.14
Belarus	Kyrgyzstan	5	0.15	0.15	0.13	0.12
Belarus	Azerbaijan	15	0.12	0.11	0.11	0.10
Kazakhstan	Armenia	10	0.11	0.10	0.09	0.07
Kyrgyzstan	Tajikistan	1	0.08	0.07	0.06	0.06
Russia	Georgia	476	3.01	0.21	0.04	- 0.31

Table 7. CIS Countries and Georgia, Mutual Direct Investments Indices (MDII) in 2011–2014

Note: Pairs in the EAEU Region are marked by bold italics.

$$I = (A + B + 0.5(A - A' + B - B')) : (GDP_A + GDP_B) \cdot 1000k,$$

where

$$k = \sqrt{(\ln A)^2 + 3(\ln B)^2} \div \sqrt{(\ln A)^2};$$

I – Mutual Direct Investments Index;

A – FDI stock of Country A in Country B at the end of the year under review;

B – FDI stock of Country B in Country A at the end of the year under review;

$A > B$;

A' – FDI stock of Country A in Country B three years earlier;

B' – FDI stock of Country B in Country A three years earlier;

GDP_A – GDP of Country A in the year under review (source – World Bank, 2015);

GDP_B – GDP of Country B in the year under review (source – World Bank, 2015).

From the formula, it is clear that the index is based on the ratio of direct investment stock to GDP – which is traditional for FDI analysis. Using that ratio, experts assess the role of all foreign businesses in the recipient economy (or the significance of foreign subsidiaries for the national business in the study of capital exports). Introduction of the k coefficient into the MDII formula can be cause for debate. One can see that k can assume values ranging from 1 to 2; in other words, in some cases MDII can go up. This is done to assign more weight to the lesser partner in the investment pair (the partner with smaller capital investments) so as to avoid excessive emphasis on the pairs with obvious domination of one party. In addition to that, logarithms are introduced to better reflect the mutual nature of investments, given that in the CIS there are countries with very disparate economic weights. To that end, all A s and B s with zero values are assumed to be equal to 1. Compared to last year's report (EDB CIS, 2014a, p. 11), we have recalculated MDII values for 2011–2013 to incorporate adjusted data on a number of deals. However, in the overwhelming majority of cases, that did not affect the overall picture of major mutual investment trends.

The MDII analysis reveals that since 2013, the closest investment interaction in the Former Soviet Union is observed in the Azerbaijan-Georgia pair, where MDII has been increasing from year to year. That pair is followed by the Russia-Kazakhstan and Russia-Belarus pairs; however, mutual investments within the integration nucleus of the Customs Union (and now within the EAEU) generally increase more slowly than the economies of their member states. That said, the weakest connection in this trio – that between Kazakhstan and Belarus – has begun to strengthen, as integration efforts are becoming increasingly vigorous. Interaction in the Kazakhstan-Kyrgyzstan and Russia-Armenia investment pairs is also expanding.

The MDII reading for the Russia-Ukraine pair, earlier an undisputed leader, went down to 4th position in the rating, losing more than half of its value in 2014. A notable decline of the index was also registered for the Kazakhstan-Ukraine pair. At the same time, in 2014 Ukraine's MDII readings vis-à-vis other countries increased due to the statistical base effect (because of the political crisis, curtailment of investment projects in the country is being accompanied by a rapid GDP decline, i.e., the national economy is also contracting). In the Russia-Georgia investment pair – which in 2011 was rated No. 6 – MDII in 2014 descended into the subzero area.

2. MUTUAL INVESTMENTS IN THE EAEU REGION

Investor	Country	Company/Project	Project Acquisition/Kick-Off Year	FDI Stock, \$ million
Gazprom	Belarus	Gazprom transgaz Belarus	2007	5,000
LUKOIL	Kazakhstan	Mineral extraction projects in the west of the country	2004	3,000
MTS	Belarus	Mobile TeleSystems (49%)	2002	793
VimpelCom	Kazakhstan	Car-Tel (75%)	2004	706
Polymetal	Kazakhstan	Kyzyl Oil Mining Project	2014	619
Gazprom	Armenia	ArmRosgazprom	2002	600
Transneft	Belarus	Zapad-Transnefteprodukt	1990	600
Atomenergoprom (ARMZ)	Kazakhstan	Akbastau (25.7%, uranium mine)	2006	591
Slavneft	Belarus	Mozyr Oil Refinery (42.6%)	1994	500
Atomenergoprom (ARMZ)	Kazakhstan	Betpak Dala (36%, uranium mines)	2009	451
Gazprom	Armenia	5 th Block of Razdan Thermal Power Plant	2006	436
Russian Federation and CPC Company	Kazakhstan	Kazakh section of Caspian Pipeline Consortium (31%)	1999	350
Gazprom	Kazakhstan	KazRosGaz (50%)	2002	342
Atomenergoprom (ARMZ)	Kazakhstan	Karatau (25.7%, uranium mine)	2009	314
Russian Railways	Armenia	South Caucasian Railway	2008	298

Table 8. Top 15 Russian Investment Projects in Kazakhstan, Belarus, Armenia, and Kyrgyzstan in the MIM CIS Database at the End of 2014

2.2. Distinguishing Features of Russian Direct Investments in EAEU Countries

The EAEU countries probably offer Russian investors the most favorable conditions for foreign operations. The deepening formal integration, without any doubt, is a critical positive factor in addition to the common historical and economic past, territorial proximity, and linguistic affinity which, in their totality, assure a high level of awareness of the specifics of doing business in the relevant countries. As a result, the structure of Russian FDI in the countries of the EAEU Region is particularly diverse. First and foremost, Kazakhstan and Belarus are preferred investment destinations for many Russian companies which – at least for the time being – stop short of going beyond this geographical range in most production areas, including those with high added value.

By the same token, at the end of 2014, the 10 largest projects implemented by Russian investors in Kazakhstan, Belarus, Armenia, and Kyrgyzstan accounted for more than 60% of Russian FDI stock in the EAEU Region (see Table 8). Many large-scale projects are associated with capital investments in various engineering infrastructure facilities in such sectors as oil and gas transit (primarily Gazprom and Transneft in Belarus), mobile telephone communications (MTS in Belarus and VimpelCom in Kazakhstan), and development of railroad transport (primarily Russian Railways in Armenia). Quite a few

Russian investment projects are concentrated in production and processing of minerals. As can be seen from the table, these large-scale projects have been implemented by Russian TNCs throughout the market reform period – starting when title to the transit export pipeline was assigned to the RSFSR in 1990. Many projects started in the 2000s are still receiving considerable additional capital infusions. A good example is Russian Railways investments in modernization of the Armenian transportation system. Having signed a 30-year concession contract with Armenian Railways, the Russian transportation giant undertook to invest more than \$0.5 billion in Armenia.

Naturally, we are most interested in Russian projects with large-scale capital investments in 2014, i.e., when the Customs Union among Belarus, Russia, and Kazakhstan became the foundation for further integration in the EAEU format. The largest deal closed in 2014 was for the acquisition by Polymetal for \$619 million of the Kyzyl gold mining project in East Kazakh Region. One of the most important greenfield projects is also associated with Non-Ferrous Metals – Neva-Rus, a Russian company, decided to build in 2013–2015 in Armenia (which had recently acceded to the EAEU) two mining and beneficiation plants in Syunik Region, investing more than \$100 million per year.

2.3. Distinguishing Features of Direct Investments of Other EAEU Member States

Kazakhstan stands apart from all the other EAEU countries – the scale of the projects implemented by its companies and funds, primarily in Russia and Kyrgyzstan, is comparable to the scale of Russian investment projects in the EAEU Region (see Table 9).

One of the distinctive features of Belarusian FDI is that foreign projects are dominated by small enterprises making up commodity distribution networks. One of the few exceptions is Yangpur, an oil company purchased in October 2013 for \$110 million in Yamal-Nenets Autonomous District. However, by the end of 2014, that enterprise's asset value (which is recorded in Russian rubles) and, accordingly, the value of its FDI stock, decreased (in dollar terms) to \$64 million, due to devaluation of the ruble.

When the MIM CIS Database was started, it was clear that the majority of Belarusian investment projects would be below the selected \$3 million threshold (to be included in the database, projects must have values exceeding that threshold). It was decided, by way of exception, to pay special attention to small projects originating from Belarus, whose authorities actively developed commodity distribution networks (CDNs) abroad in the 2000s, as part of a strategy designed to support national exporters. The funds funneled into creation of numerous subsidiaries that were engaged in promotion and sale (and in some cases assembly) of Belarusian products were, in the aggregate, quite substantial.

According to the data published by the Ministry of Trade of the Republic of Belarus for 2013, there were 287 CDN entities with Belarusian equity participation registered in CIS countries and Georgia, including 218 entities in Russia (Ministry of Trade of the Republic of Belarus, 2014). In the early 2000s, CDN development proceeded with two readily discernible trends: on the one hand, the overall number of commodity distribution entities was growing; on the other, more and more companies established abroad were being liquidated, which testified to the substandard efficiency of the Belarusian export promotion system.

2. MUTUAL INVESTMENTS IN THE EAEU REGION

Investor	FDI Recipient Country	Company/Project	Project Acquisition/Kick-Off Year	FDI Stock, \$ million
Verny Capital	Russia	Ritz-Carlton Hotel, Moscow	2004	700
Ivolga-Holding	Russia	Agricultural enterprises in Kursk Region	2003	600
KazMunaiGaz	Russia	Share in the Caspian Pipeline Consortium (in the territory of Russia)	1999	350
Meridian-Capital	Russia	8% in the Tolmachovo Airport (Novaport)	2012	272
Kazakhmys	Kyrgyzstan	Bozymchak Gold and Copper Field	2008	250
I. Shkolnik	Russia	Orsknefteorgsintez	2011	241
Ivolga-Holding	Russia	Orenburg-Ivolga	2003	200
Verny Capital	Kyrgyzstan	Stake in Sky Mobile (28.5%)	2008	109
<i>Belorusneft (Belarus)</i>	<i>Russia</i>	<i>Yangpur</i>	<i>2013</i>	<i>64</i>
<i>Multi-Group (Armenia)</i>	<i>Belarus</i>	<i>Joint Brandy Production in Minsk</i>	<i>2012</i>	<i>10</i>
<i>Private Individuals (Kyrgyzstan)</i>	<i>Belarus</i>	<i>74.3% stake in Gomelcable</i>	<i>2004</i>	<i>3</i>

Table 9. Largest Kazakhstan Investment Projects in EAEU Region vs. Top Projects from Belarus, Armenia, and Kyrgyzstan in the MIM CIS Database at the End of 2014

CDN deficiencies stemmed directly from the planned economy system created in Belarus: decisions authorizing establishment of new companies were made by fiat, often without proper analysis of the markets to which Belarusian products were supplied. This led to overstocking: CDN entities with Belarusian equity participation were forced to procure more goods than they could sell (Kvashnin, 2013, p. 47). Inasmuch as government bodies and agencies had to report ongoing CDN expansion in accordance with government-approved plans, many registered companies existed only on paper. In November 2012, A. Lukashenko, President of the Republic of Belarus, acknowledged that those entities were characterized by poor financial discipline and lack of competent pricing policies, and that Belarusian products were often supplied to foreign markets through channels bypassing their own distribution networks.

Another problem also emerged: CDN entities were increasingly used for corrupt practices. In April 2015, the General Procurator's Office of the Republic of Belarus initiated criminal proceedings against officials supplying goods to non-existent companies or fly-by-night operations. It should also be noted that even statistical data published by the National Bank of the Republic of Belarus show that Belarusian exporters have accumulated massive receivables due to inability of commodity distribution companies to sell Belarusian products on foreign markets. Thus, from the beginning of 2011 to the end of 2013, total Belarusian FDI stock in CIS countries (excluding Georgia) increased 3.4 times, while FDI classified under "Debt Instruments" increased 15 times (National Bank of the Republic of Belarus, 2014). The bulk of those receivables can be attributed to CDNs of large Belarusian state-controlled industrial companies, such as MAZ, BelAZ, and MTZ.

That revealed the long-overdue need to reform the existing export promotion system. Such reform was carried out in 2013, when the task of coordinating development of Belarusian CDNs in foreign countries was assigned to the Ministry of Foreign Affairs, which, from then on, had an obligation to support exporters through foreign representative offices of the Republic of Belarus. Pursuant to the new version of *Regulations on Belarusian CDNs in Foreign Countries*, the Ministry of Foreign Affairs also had to:

- Maintain a register of proprietary CDN entities;
- Acting in accordance with established procedure, update and publish on its official website a classification of supply categories for products subject to mandatory registration in connection with their exportation;
- At least twice a year, discuss the most critical issues related to development of proprietary CDNs at the meetings of the Interdepartmental Council for the Development of Export under the Council of Ministers of the Republic of Belarus (Ministry of Foreign Affairs of the Republic of Belarus, 2013).

However, even now, one and a half years after the launch of the CDN reform, the updated register of CDN entities with Belarusian equity participation has not been published. The delay is probably related to the fact that an audit of existing foreign entities has taken longer than expected. Indeed, there is virtually no information for two out of every three commodity distribution companies included in the latest version of the register (July 31, 2013), which may well mean that they have failed to complete their assigned tasks. It is also noteworthy that the information portal Export.by, created by the National Marketing and Pricing Center to provide informational support to Belarusian exporters, contains only a small fraction of CDN entities with Belarusian equity participation.

An analysis of official websites of major Belarusian enterprises shows that starting in 2014, the process of creating new CDN entities has decelerated, although it would be a mistake to say that it has stopped altogether (thus, BelAZ set up two new dealerships in Russia – ZAO Shtark and OOO Belaz-Pomorje – while MAZ established OAO Oktyabrskoe in Tambov Region). More likely than not, in the future Belarusian enterprises with government equity participation will be gradually reducing investments in the expansion of foreign wholesale and retail operations, which will make it necessary to adjust the methodology currently used to maintain the MIM CIS Database. If the updated register of CDN entities is not published by the end of the year, it may be advisable to delete from the database those companies for which no operating data have been found in open sources over the last three years.

Investments from Armenia and Kyrgyzstan in EAEU countries are insignificant. The largest Armenian FDI project is joint production of brandy organized by G. Tsarukian in Belarus. The largest Kyrgyz FDI project barely clears the MIM CIS Database threshold; besides, investments in Gomelcable were made by private individuals from Kyrgyzstan jointly with Russian investors. Expansion of Eurasian integration is not likely to spur export of capital from these countries – in line with prevailing theoretical views (Dunning & Narula, 2009), in the years ahead they will have not gained the advantages enabling their involvement in cross-border capital movement in any capacity other than as recipients of inward FDI.

Conclusion

Despite the fact that the number of projects included in the MIM CIS Database is growing very slowly due to the current adverse economic conditions throughout the Post-Soviet area and the ongoing acute political crisis in Ukraine, with each passing year the monitoring of mutual investments in the region is becoming more and more detailed, opening up new opportunities for meaningful analysis. First, since the commencement of the MIM CIS project, time series have become noticeably longer, now stretching up to seven years (2008–2014). This enables more in-depth research about changes not only in mutual FDI values, but also in their sectoral structure, both for exported and imported capital investments. In addition to that, we already have Mutual Direct Investments Index (MDII) values for four years, providing insights into the intensity of cross-country investment interactions in the Post-Soviet area, subject to the partner countries' GDPs. Second, with ongoing internationalization of post-Soviet business, the quality of corporate statements is getting increasingly, and earlier rough estimates of the scope of FDI stocks in many projects are being continuously improved (in 2013, adjustment-driven increase of the total value of mutual FDI amounted to 5%, while in previous years it did not exceed 2.5%).

Further qualitative expansion of the MIM CIS Database is possible if portfolio investments in shares are added to the list of monitoring targets in addition to mutual direct investments. For example, besides the FDI, LUKOIL has made portfolio investments worth about \$1 billion for shares of companies producing crude oil and gas in CIS countries (in particular, in 1997 the Russian TNC acquired a 5% stake in a company responsible for the development of the Tenghiz field in Kazakhstan). There are also ways to maintain records of other types of mutual long-term investments originating from CIS countries and Georgia.

Another vector of MIM CIS qualitative enhancement is its gradual integration with the dynamically growing DIM-Eurasia database. First, combining corporate integration analyses in the Post-Soviet area with research into investment connections between CIS countries and other Eurasian states is becoming increasingly important, as EAEU economic activity is gaining an international dimension. Suffice it to say that DIM-Eurasia is researching, *inter alia*, Vietnam, with which at the end of May 2015 EAEU countries entered into a free trade area agreement, and China, which at the beginning of May 2015 signed a Sino-Russian statement on cooperation tying the development of the Eurasian Economic Union with the Silk Road Economic Belt.

Second, MIM CIS and DIM-Eurasia methodologies help to smooth out distortions arising when the CBR and some other central banks of CIS countries erroneously treat offshore and other “trans-shipping destinations” as the actual locations of FDI-related assets. For example, in Q4 2014 Russia posted a significant reduction of inward FDI by \$3.4 billion (CBR, 2015). Some experts interpreted that as a sign of severe impairment of Russia's investment appeal, attributable to the “war of sanctions” with western coun-

tries, negative macroeconomic developments in the national economy, etc. Those factors did play a role, but we must admit that the main driver of that change was the negative net FDI inflow from countries serving as “trans-shipping and round-tripping destinations” (Cyprus, the Netherlands, etc.). Besides, a deal-by-deal analysis has revealed the overwhelming dominance of repatriation into Russia of A. Usmanov’s largest assets, Megafon and Metalloinvest (incidentally, this conclusion is supported by an analysis of detailed CBR statistics on the structure of capital investments). In other words, a change in cross-border capital movement patterns which, on the surface, appears to be unequivocally detrimental to Russia, in reality has a “silver lining,” as it represents an obvious step towards deoffshorization of the Russian economy.

Therefore, creation of a robust database of long-term investment cross-currents embracing all post-Soviet countries and their Eurasian counterparties remains one of the ultimate objectives of the MIM CIS and DIM-Eurasia projects. Essentially, we are getting closer to creating an analog of the European Investment Monitor database maintained by Ernst & Young, based on European investment research (Ernst & Young, 2015). Gradual accumulation of the “critical mass” in our databases already enables us to proceed to formulation of fundamental conclusions regarding the nature of investment capital in former Soviet republics and identification of the key trends shaping cross-border movement of capital within the CIS and Georgia.

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Comprehensive assessment of the macroeconomic effect of different forms of intensive economic cooperation by Ukraine with the member states of the Customs Union and the Single Economic Space within the framework of the Eurasian Economic Community (EEC)

The main goal of the project is to assess a macroeconomic effect of the creation of the Customs Union and Single Economic Space of Russia, Belarus and Kazakhstan, and to determine prospects of the development of integration links between Ukraine and the CU. The project was conducted by the team of five research institutions. The results presented in the Report have been widely recognized and

become standard.

Available in Russian and English.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/ukraine/>



Studies of Regional Integration in the CIS and in Central Asia: A Literature Survey

This report, published under auspices of the EDB Centre for Integration Studies, summarizes both international studies in the area of regional integration within the former Soviet Union and Russian language materials on this issue, reviewing the research papers and publications in the area of economics, political studies, international relations and international political economy, law and area studies.

Available in Russian and English.

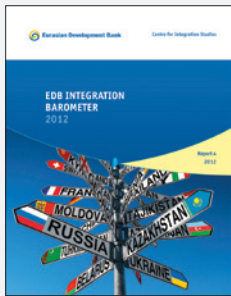
http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/CIS_CentralAsia/



Assessment of the economic, institutional and legal impact of labour migration agreements within the framework of the Single Economic Space

The project included analysis of two labour agreements that came into force on January 1, 2012 within the SES of Russia, Belarus and Kazakhstan. It analyzes their economic and social impact on labour migration processes, labour market and productivity, strengthening of the regional economic relations.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/labour_migration/



EDB integration barometer 2012

The EDB Centre for Integration Studies in cooperation with the Eurasian Monitor International Research Agency examined the approaches of population to regional integration.

Available in Russian and English

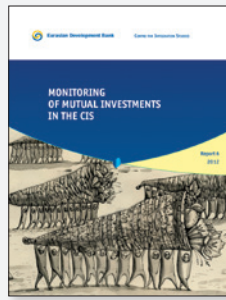
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Threats to public finances of the CIS in the light of the current global instability (in Russian)

The Report deals with the assessment of the risks for the government finances of the CIS countries in the light of current world instability. The report was conducted at the request of the Finance Ministry of the Republic of Kazakhstan, and presented at the permanent council of the CIS Finance Ministers.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/risks/>



Monitoring of Mutual Investments in the Member States of the CIS

The monitoring of mutual CIS investments provides analytical support for work conducted by state and supranational agencies on developing a suitable strategy for deepening integration processes throughout the post-Soviet space. The Centre in partnership with IMEMO (RAS) has created and is regularly updating the most comprehensive database up to date.

Available in Russian and English

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/invest_monitoring/



Customs Union and cross-border cooperation between Kazakhstan and Russia

Research on the economic effects of the development of industrial relations under the influence of the Customs Union in the border regions of Russia and Kazakhstan.

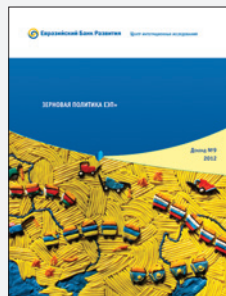
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Unified trade policy and addressing the modernization challenges of the SES

The Report presents an analysis of the key economic risks arising under the agreement by SES participants of a foreign trade policy, formulates proposals on the main thrusts of SES Common Trade Policy, and names measures for its reconciled implementation.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/trade_policy/



SES+ Grain policy

Growth in grain production is propelling Kazakhstan, Ukraine and Russia to the leadership ranks of the global grain market. The Report systematically analyzes trends in development of the grain sector and actual policies and regulations in SES countries, Ukraine and other participants of the regional grain market.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/grain_policy/



Technological Coordination and Improving Competitiveness within the SES

The report presents a number of proposals aimed at improving SES competitiveness within the international division of labour.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/technological_coordination/



The Customs Union and Neighbouring Countries: Models and Instruments for Mutually Beneficial Partnership

The report proposes a broad spectrum of approaches to the fostering of deep and pragmatic integrational interaction between the CU/SES and countries throughout the Eurasian continent.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/cu_and_neighbors/



Cross-Border Cooperation between Russia, Belarus and Ukraine

Cooperation between 27 cross-border regions of Belarus, Russia and Ukraine has significant potential; however the existing frontiers and barriers are a significant factor that fragments the region's economic space.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project16/>



Labour Migration and Human Capital of Kyrgyzstan: Impact of the Customs Union

The report focuses on the effects of Kyrgyzstan's possible accession to the Customs Union (CU) and Single Economic Space (SES) on the flows of labour resources, the volume of cash remittances, labour market conditions and professional education and training in this country.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/labor_migration_kyrgyzstan_cu/



Customs Union and Ukraine: Economic and technological cooperation in sectors and industries

The authors of the report study the issue of industrial and inter-industry links between the SES economies and Ukraine and come to a conclusion that cooperation between enterprises has been maintained in practically all segments of the processing industries, while in certain sectors of mechanical engineering this cooperation has no alternatives.

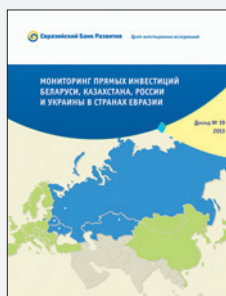
<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project18/>



Tajikistan's Accession to the Customs Union and Single Economic Space

Tajikistan's accession to the CU and the SES will have a positive economic impact on the country's economy. The Report includes a detailed economic analysis of the issue using various economic models and research methods.

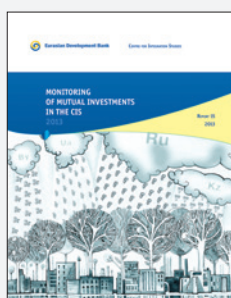
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Monitoring of direct investments of Belarus, Kazakhstan, Russia and Ukraine in Eurasia

The Eurasia FDI Monitoring project supplements another research by the EDB Centre for Integration Studies —Monitoring of Mutual Foreign Investment in the CIS Countries (CIS Mutual Investment Monitoring).

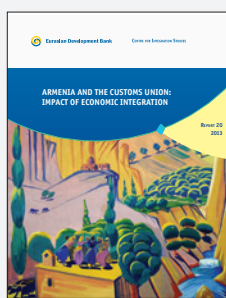
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Monitoring of Mutual Investments in the CIS

The report contains new results of the joint research project of the Centre for Integration Studies of EDB and the Institute of World Economy and International Relations of the Russian Academy of Sciences. It is aimed at the maintenance and development of the monitoring database of mutual direct investment in the CIS countries and Georgia. A general characteristic of mutual investments in the CIS at the end of 2012 is provided.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/>



Armenia and the Customs Union: Impact of Accession

This report provides the assessment of the macroeconomic impact of Armenia joining the Customs Union.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project20/>



EDB Integration Barometer – 2013

The EDB Centre for Integration Studies in cooperation with the Eurasian Monitor International Research Agency examined the approaches of population to regional integration.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/



System of Indicators of Eurasian Integration

The System of Indicators of Eurasian Integration (SIEI) is designed to become the monitoring and assessment tool for integration processes within the post-Soviet territory.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/siei/index.php?id_16=37610



Quantifying Economic Integration: of the European Union and the Eurasian Economic Union: Methodological Approaches

The objective of the project is to discuss and analyse economic integration in Eurasia, both on the continental scale “from Lisbon to Shanghai,” and in the EU-EEU dimension “from Lisbon to Vladivostok.”

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project21/>



Monitoring of direct investments of Russia, Belarus, Kazakhstan and Ukraine in Eurasia – 2014

The second report presents new results of the permanent annual project dedicated to monitoring of direct investments of Belarus, Kazakhstan, Russia and Ukraine in Eurasia. On the basis of the statistics collected during monitoring, detailed information is provided on the dynamics, actual geographical location and sectoral structure of the investments.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project24/>



Pension Mobility within the Eurasian Economic Union and the CIS

In the report the experts evaluate the prospects of implementing effective mechanisms in the region to tackle pension problems of migrant workers.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project24/>



An Assessment of the Economic Effects of Lifting Non-Tariff Barriers in the EEU

The EDB Centre for Integration Studies publishes the first comprehensive assessment of the effects of non-tariff barriers on mutual trade in the EEU and provides recommendations as to how to remove them. The report has been prepared by the Centre for Integration Studies based on a poll of 530 Russian, Kazakh and Belarusian exporters

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/index.php?id_4=47863&linked_block_id=0



EDB Integration Barometer – 2014

The results of the third research into preferences of the CIS region population with respect to various aspects of Eurasian integration suggest that the “integration core” of the Eurasian Economic Union (EEU) continues to form and crystallise.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/integration_barometer/index.php?id_16=42460



An Assessment of the Impact of Non-Tariff Barriers in the EEU: the Results of the Survey of Exporters

A large-scale poll of 530 enterprises in Belarus, Kazakhstan and Russia suggests that non-tariff barriers account 15% to 30% of the value of exports. Belarusian exporters estimate non-tariff barriers in their trade with Russia and Kazakhstan at 15% of the value of their exports, Kazakh exporters at 16% for exports to Russia and 29% for exports to Belarus, and Russian exporters at about 25% for exports to each of the two other countries.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/index.php?id_4=47864&linked_block_id=0



Monitoring of mutual CIS investments 2014

This is the fifth report on the results of the long-term research project devoted to monitoring of mutual direct investments in the CIS countries and Georgia. The current report provides detailed information on the scope and structure of mutual investments of CIS countries up to the end of 2013. The report provides information on the most important trends in the first half of 2014, including the situation in Ukraine and its impact on the Russian direct investments in the country. It also presents an analysis of the prospects for mutual direct investments of the Eurasian Economic Union countries.

http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/invest_monitoring/index.php?id_16=42737

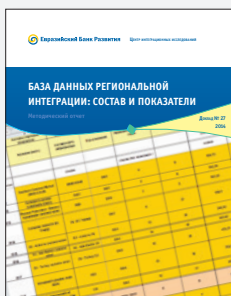


Eurasian Integration: Challenges of Transcontinental Regionalism Evgeny Vinokurov, Alexander Libman Basingtoke: Palgrave Macmillan

“Vinokurov and Libman have pulled together a tremendous range of information and insight about Eurasian economic integration. Their eminently readable book tackles an important and timely topic, which lies at the heart of global economic and political transformation in the 21st century.”

Johannes Linn, Brookings Institute

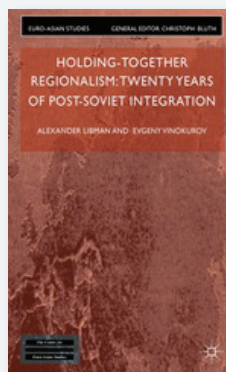
<http://eabr.org/e/research/centreCIS/monographsCIS/>



EDB Regional Integration Database

This is an applied research project, which represents the creation of a specialized regularly updated database of the most significant regional integration organisations (RIOs) and economic/trade agreements of the world.

<http://www.eabr.org/e/research/centreCIS/projectsandreportsCIS/project26/>



Holding-Together Regionalism: Twenty Years of Post-Soviet Integration (Euro-Asian Studies) Alexander Libman, Evgeny Vinokurov Basingtoke: Palgrave Macmillan

An in-depth analysis of one of the most important and complex issues of the post-Soviet era, namely the (re-)integration of this highly interconnected region. The book considers the evolution of “holding-together” groups since the collapse of the Soviet Union in 1991, looking at intergovernmental interaction and informal economic and social ties.

<http://eabr.org/e/research/centreCIS/monographsCIS/>