



# Foreign direct investment in Russia

A survey of CEOs, 2008



# About the survey

***This study of the investment climate in Russia is conducted annually by the Foreign Investment Advisory Council to the Chairman of the Russian government (FIAC). The 2008 survey of executives on foreign investment in Russia is the fourth of its kind.***

***The survey was commissioned by FIAC and was conducted by Rainbow Insight.***

***The survey aims to provide a brief summary of the opinions of company executives on issues related to foreign investment in Russia in 2008.***

This is the fourth year in which the Foreign Investment Advisory Council (FIAC) has commissioned research on the investment climate in Russia. The primary goal of FIAC's Image of Russia Working Group, which coordinates this project, is to form an objective picture of how foreign investors perceive Russia, the main issues they see as unresolved, the positive aspects of doing business in Russia, and what needs to be done to improve the investment climate.

This year, for the first time, we have departed from the standard list of questions and forms and applied a research technique used by major international forums. We surveyed executives of foreign companies in direct and telephone interviews involving over 50 chief executives and board members of companies doing business in Russia, as well as some only planning to undertake projects in Russia. It is now clear that we have obtained very interesting material that will help us better understand how Russia is perceived by foreign investors.

The research was conducted by Rainbow Insight, a company that consults on doing business in international markets and investment projects. Rainbow Insight specialists have worked for many years with the World Economic Forum and other international organizations that develop analytical materials and surveys on the development of the global economy and business community.

The results cast a positive light on the changes taking place in Russia. Those who took part in the study say that Russia has achieved a great deal, though more needs to be done. The survey's main conclusion is that investors see excellent prospects for their business in Russia. I hope that all who look at this publication will find the results interesting and useful. We plan to continue this initiative and project in the future.

Karl Johansson  
FIAC foreign participants coordinator



# Contents

Introduction - FDI in Russia . . . . .	2
Presentation of the survey and contents . . . . .	3
Survey analysis . . . . .	4
Key findings	
Detailed analysis	
Annex 1: Questionnaire submitted to CEOs . . . . .	11
Annex 2: List of participating companies . . . . .	12

# Introduction – FDI in Russia

At the end of 2007, Russia's cumulative volume of foreign direct investment (FDI) amounted to US\$103 billion (according to Rosstat data<sup>1</sup>). Last year Russia received US\$27.8 billion in FDI, twice that of the previous year. In just a few years, Russia has become one of the largest recipients of FDI.

**Table 1: Russia's FDI inflows 2004-2007 (US\$ billion)**

	2004	2005	2006	2007
<b>Total</b>	<b>9.4</b>	<b>13.1</b>	<b>13.7</b>	<b>27.8</b>

Sources: Rosstat, Alfa Bank <sup>1</sup>

Two Russian particularities exist with respect to FDI:

- ▶ Foreign investment goes predominantly into the commodity extraction sector. Between 2004 and 2007, FDI in the resource-based sector was US\$26.4 billion, or 40% of the aggregate inflow in the same period.

- ▶ The majority of FDI (60-70%) comes from just two countries – the Netherlands and Cyprus – suggesting this represents, to a certain extent, a repatriation of Russian capital parked abroad along with real FDI. It is, however, a sign of confidence in the Russian economy.

**Table 2: Russia's FDI by country of origin 2004-2007 (%)**

	2004	2005	2006	2007
Netherlands	36.9	54.5	28.5	46.9
Cyprus	28.5	11.7	27.7	20.9
Germany	4.5	4.2	4.6	4.2
United States	4.4	2.9	2.9	2.3
UK	2.0	4.7	4.1	3.3
Others	23.7	22.0	32.2	21.0

Sources: Rosstat, Alfa Bank

<sup>1</sup> Analysis of data in the framework of the current survey has been conducted since 2004. The survey makes use of various methodologies for FDI data. Priority has been given to Rosstat data.



# Presentation of the survey and contents

This is the fourth annual FIAC survey, conducted against the background of the strengthening Russian economy and further integration into the world economic community. While a majority of countries are suffering (or about to suffer) from the worsening conditions in the global economy, Russia is doing better than most. Russia now boasts a US\$1.3 trillion economy, foreign currency reserves approaching US\$500 billion and a Stabilization Fund exceeding US\$150 billion. Annual growth of real incomes has been in the double digits for several years, and GDP per capita has risen from less than US\$2,000 in 1998 to US\$9,000 today (at current exchange rates). Natural resources account for 80% of Russian exports. Oil revenues are fanning a major consumption boom, making Russia the sixth largest market in Europe. Over the past few years, disposable income and retail trade have been growing twice as fast as GDP.

This survey was conducted between the end of March and mid-May 2008. The 51 participating CEOs and top senior executives were primarily sourced from global companies with major investment in the Russian Federation. The survey also included business leaders from specific global companies aspiring to increase their current investment position in the country but, for a variety of reasons, had not yet done so. In addition, a few private individuals were also interviewed on the strength of the very substantial sums of money they had invested in Russia in recent years (sometimes in the range of several hundred million).

Twelve respondents were subsequently interviewed face-to-face in order to gain more insight about specific aspects of the survey. Another 24 people were interviewed on the phone.

Around 20 individuals who do not qualify as direct investors (portfolio investors, investment bankers, chief economists of banks) were also interviewed and asked to give their opinion about Russia and its investment climate. It is important to note that the substance of these interviews has not been incorporated in this report, nor their numerical responses computed. They merely serve as a reference point used to put the CEO survey into perspective and to identify possible development patterns and changes.

Even though not all respondents were willing to disclose the amount their company has invested in Russia to date, the aggregate value of the investments participants were ready to reveal amounted to an FDI inflow of US\$78.4 billion, equivalent to 40 per cent of the total FDI inflow registered in Russia at the end of last year.<sup>2</sup>

The results of the survey are anonymous. Some quotes have been incorporated in the analysis of the survey, but no specific attributions made.

<sup>2</sup> The ratio is calculated based on the CBR methodology to account for the fact that several banks and insurers took part in the survey and agreed to disclose the amount they had invested in Russia.

# Survey analysis

## Key findings

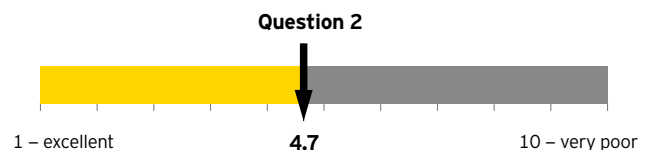
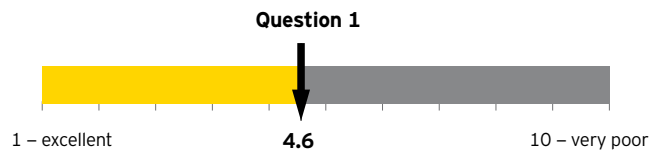
- ▶ Senior business executives have a rather positive impression of the Russian investment climate (significantly more so than that conveyed by most of the Western media).
- ▶ Senior business executives believe that the overall situation in Russia will improve over the years to come, with a positive impact on FDI.
- ▶ A considerable amount of FDI is directed to the resource sector, but strong macro fundamentals and an ongoing consumer boom suggest that FDI flows to banking, real estate and retail will continue to increase.
- ▶ To a substantial extent, positive and general impressions with regard to FDI can be correlated with the nature (strategic or not) of the sector in which the investment takes place (as expected, strategic sectors are perceived as being more complicated than non-strategic sectors).
- ▶ Some considerable doubts remain about the rule of law in Russia. No consensus emerged among participants in the survey with respect to its future development. Some felt that corruption is taking on greater proportions.

## Detailed analysis

### Questions 1 and 2: Judging the climate for FDI both overall and in particular industries

On a scale of 1 to 10, the average response is 4.6 on question 1 and 4.7 on question 2. This average, however, disguises a great deal of variance amongst respondents (a recurring issue in this CEO survey). When analyzing the individual responses and assessing the results of Q1 against Q2, a significant pattern emerges: the closer a particular industry is to the strategic resource sector, the greater the disconnect that exists between the responses given to Q1 and those given to Q2 and vice versa.

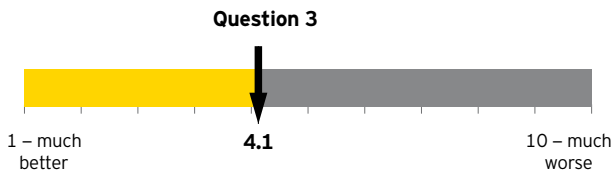
In practice, this means that industries with no link to the strategic resource sector have a much more positive appreciation of FDI than those with an exposure to the strategic resource sector. As we will see later in the report, this should come as no surprise: recently, life for foreign companies invested in the resource sector has been tougher than for those with no (or less) exposure to that sector.





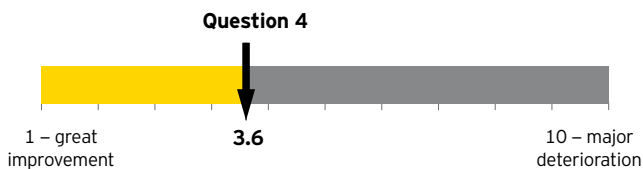
**Question 3: Improvement or deterioration of the FDI climate over the past five years**

The average respondent score is 4.1, a good result, although a small number of CEOs indicated a deterioration. Again, this average conceals substantial variability in the individual responses. While, at 4.1, the climate for foreign investment is considered by a majority of the respondents as having slightly improved, the average is weighted down by a few executives who estimate that the climate has substantially deteriorated over the course of the past five years.



**Question 4: Improvement or deterioration of the FDI climate over the next 10 years**

The average respondent score is 3.6. In general, expectations about the climate for foreign investment are positive. As we will see later in the survey, the results are in line with similar bullishness expressed by respondents about Russia in general.



Most of the interviews took place at the beginning of May, just before President Putin signed the Strategic Industries Bill, which regulates foreign investment. The new law, which had been under consideration for three years, identifies 42 strategic sectors (compared to 16 in 2005) in which foreign investors have to seek special permission before investing. Foreign private investors desiring to take more than 50% in the bulk of the 42 strategic sectors will have to seek permission from a commission chaired by the Prime Minister of the Russian Federation. For foreign state-controlled investors, the threshold will be 25%. There is a (substantial) exception for the extraction industries where the limitations are stricter, at 10% and 5% respectively.

A substantial number of interviewees thought this law represents “a step in the right direction,” while observing that “everything will depend on implementation.” The law on strategic industries is generally perceived as a good thing insofar as it offers much greater clarity on where FDI is or is not allowed. Forty-two sectors may seem a lot, but several executives said that the law is part of a much larger and increasing trend of global protectionism. Some made an explicit reference to the fact that similar laws exist elsewhere and are clearly destined to hamper foreign investment.

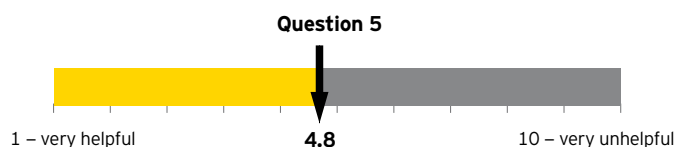
It was mentioned that in September 2007 the Japanese government widened a law on foreign investment in sectors having a strategic economic and security impact (including power generation, nuclear power and aerospace). When they don't exist, governments often use other measures to regulate foreign investors (e.g., the French government's reaction to rumors of Danone's acquisition of another foreign company). Several respondents alluded to the fact that, increasingly, developed countries block foreign takeovers on grounds that have little to do with national security. In the period during which the interviews took place, examples such as the Japanese refusal to have the UK Children's Investment Fund take a bigger stake in the energy company J-Power were mentioned several times in the course of the survey.

<sup>3</sup> Government Commission on Foreign Investment in the Russian Federation, headed by the Prime Minister of the Russian Federation.



### Question 5: Relevant government agencies and officials' attitude with respect to FDI

The average score is 4.8, but it is difficult to interpret this particular result. Again, variance around the average masks a remarkable diversity of opinions. Some individuals felt that the Russian officials they were dealing with were very helpful while others felt the complete opposite. No pattern emerged from the set of responses, with one exception: the greater the political support at the governmental level, the easier it is to invest.



In the course of several interviews, senior executives said that the dialogue with Russia remains influenced by the fact that Western partners of Russian companies had not always acted in good faith in the 1990s. As a result, Russia is redressing the balance in relations with representatives of foreign capital by strengthening its own influence. One respondent said: "All the companies that experience big problems with Russian officials are companies which have gotten used to doing only what they themselves believe is necessary."

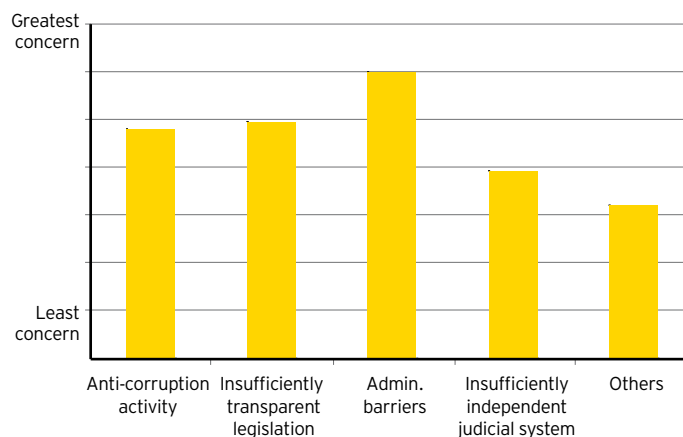
### Question 6: Major concerns with doing business in Russia

No consensus emerged from responses to question 6. Four among the six concerns (namely: corruption, insufficient legislative transparency, administrative barriers, and lack of judicial independence) are intertwined and part of a broader picture called the "rule of law." Clearly, this still represents a major – if not the greatest – concern of foreign investors doing business in Russia. The fault line lies between those who think this is a major drag on their activities and those who believe it to be (easily) manageable. Both camps provided plenty of evidence to corroborate their views, but no patterns could be discerned (i.e., a particular industry, region or country being more susceptible than another to corruption). A few participants mentioned what they perceive as the relatively new risk of their Russian competitors engineering legal cases against them (or their Russian subsidiaries).

The extent to which infrastructure is now clearly perceived as a major bottleneck was quite telling. This is particularly so for companies whose business depends upon the easy movement of goods from A to B. Concerns about infrastructure are not new, but several respondents said they were "very" or "extremely" concerned about the worsening state of Russian infrastructure (in particular physical

infrastructure) and expressed doubts that the Russian government is effectively tackling the issue. Even if infrastructure spending was to rise to about US\$600 billion over the next few years (the Russian government recently committed to invest US\$570 billion in 2010–2015), several Survey participants doubted that this would be sufficient to address the issue.

### Major concerns with doing business in Russia<sup>4</sup>



In the category "others," the concerns most often mentioned were:

- ▶ Political interference in business (a problem close to administrative barriers)
- ▶ Arbitrariness in the application of the law (a problem close to the insufficient transparency regarding legislation)
- ▶ Complexity of the tax system (this was mentioned by four executives as being one of their greatest concerns. "There is no country in the world where taxation is as complex as in Russia," was mentioned in the survey. "It's so complex that it's almost impossible to do everything properly. The authorities will always find a way to hit you if they want.")
- ▶ The lack of skilled staff (we address this important issue later in the report).

Even though Survey participants represent large global companies invested in many countries around the world, several indicated that the difficulties SMEs face in registering constitutes a major constraint in terms of future growth (and economic diversification). President Medvedev indicated in an address on May 14 that reforming the state's relationship with small and medium enterprises should be a priority, and a set of measures was announced. One CEO said: "Monitoring how this goes would be a good test of the government's willingness to implement serious structural reforms."

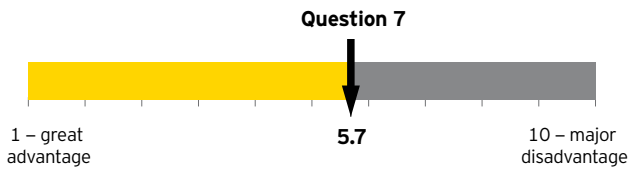
<sup>4</sup> In answering questions 6, 8 and 9, some respondents indicated that the possible answers were correlated, thus making it difficult to choose between them. In several other cases, respondents did not have an opinion. Therefore the length of the bar graph reflects the prevailing opinions among the respondents' answers.





**Question 7: Advantage or disadvantage of being a foreign investor operating in Russia**

The average score of respondents is 5.7. In general, foreign companies feel their possibilities are limited compared with Russian firms operating in the same line of business. This result is in line with the general trend of greater protectionism or national preference mentioned in other parts of this survey.



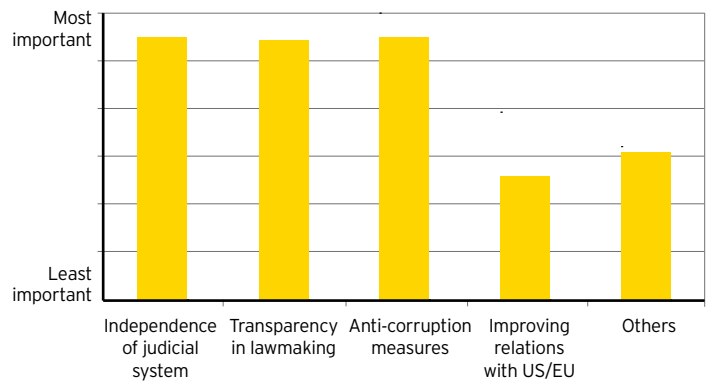
As with previous questions, this arithmetic mean dissimulates some substantial variance around the average. There are some sectors (mostly in the sphere of the so-called strategic industries) in which foreign investors are at a clear disadvantage compared to their Russian counterparts, but there are also a few non-strategic sectors in which specific management skills, greater productivity or superior technology guarantee a sustained competitive advantage over Russian companies.

**Question 8: Steps that the Russian government should take to encourage FDI**

Predictably, the major steps interviewees thought the new Russian government should take are those that address the concerns delineated in question 6. The promotion of judicial independence, measures to bring greater transparency to the legislative process, and the fight against corruption – all these rank as the most important, priority measures.

An interesting point emerged during the interviews. Several respondents indicated that in the future FDI will be made on terms set by the Russian government and its agencies.

**Steps that the Russian government should take to encourage FDI**



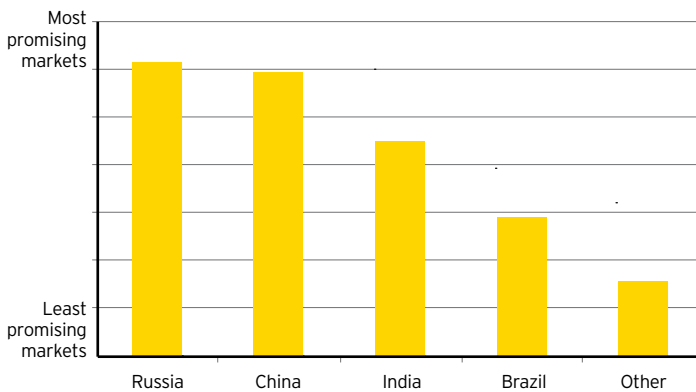
**Question 9: Most promising markets**

It comes as no surprise that the Russian market is considered to be very promising for a set of different industries. It has now become one of the fastest growing markets in the world. This is most obvious first and foremost in the resource-based/energy sector. In other sectors (in particular, banking, retail and automotive), Russia stands out as one of the largest European markets, with critical needs across the spectrum. One respondent summed it up by saying: "Russia needs many things and there is money to make that a reality."

Many respondents noted the growing role played by China in Russia's economy. China is not currently a leading importer of Russian goods, but the Chinese economic situation affects price dynamics on many world markets for goods and resources. Cooperation on trade between Russia and China and its role is bound to grow. At the same time, respondents warn that dependence on demand from only one country should not raise business risks in the case of a sharp decline.

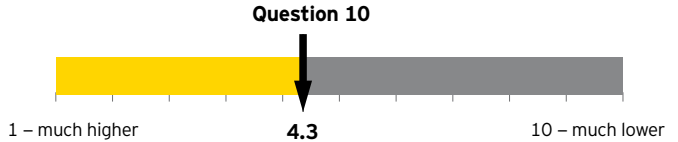
In the course of the interviews, several individuals stressed the importance of so-called reverse globalization and indicated that Russian companies plan to make a record number of acquisitions in 2008. By focusing on FDI in Russia, we are missing the much bigger and newer picture about Russian FDI abroad. In many respects, this can be viewed as the flip side of the coin, since to a significant degree discussions on FDI in Russia and Russian FDI abroad will center on the notion of reciprocity and asset swaps. To put things into perspective, consider the following: by mid-April of this year, 50 Russian overseas acquisitions were declared, valued at an aggregate of US\$13 billion (up from US\$3.4 billion for 33 deals for a comparable period last year). This tremendous growth in M&A activity by Russian companies (which, like FDI, had totaled less than US\$2 billion in 2003) is fueled by solid domestic growth against weak global conditions, high commodity prices and a stronger ruble.

**Most promising markets**



**Question 10: Russia's return on investment**

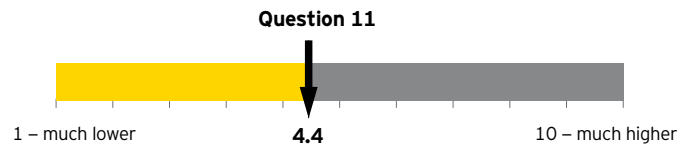
The average score given by respondents is 4.3. In general, Russia's return on investment is higher than in other developing countries, and in fact much higher when one discounts the investments in the resource-based sector, whose returns are negatively impacted by very high tax rates.



In most cases, high returns are justified by high barriers to entry in the Russian market, but most respondents say these high returns may decrease over the coming years as global competition increases.

**Question 11: Comparison of the risks ex ante**

The average score is 4.4. In general, foreign investors felt that the risks associated with operating on the Russian market were lower than those they anticipated when they entered the Russian market. To a large extent, this result illustrates the disconnect that exists between the image of Russia portrayed abroad (most often, negative due to the Western media), and the perception of foreigners with a good knowledge of the country, highlighting once again Russia's need to improve its image abroad. One respondent said: "Russia's image is bad, but the reality on the ground is so different!"



**Question 12: Reconsidering investment in Russia**

Among the 51 respondents, only one said he would not have entered the country if given a chance to reconsider his investment. In light of the fact that several companies which took part in the survey have had a rather tough time with their investment in the country, this simply shows that Russia is a country "too important (or too big) to ignore."



### Question 13: Doing things differently

A majority of survey participants responded by saying that they wouldn't have done anything different. Two key observations emerge from question 13. First, working with the right Russian partner is in most cases an absolute prerequisite for success. Second, it is essential to be embedded as much as possible in the local culture, which can best be achieved by employing as many local employees as possible and fewer expatriates.

Interviewees provided plenty of examples as to why selecting the right Russian partner is key (and the failure to do so often "a recipe for disaster"). The need to rely to a greater extent on Russian employees is hampered by severe problems. Indeed, talent acquisition and retention is becoming one of the largest operational issues that executives face when investing in Russia. A majority of respondents indicated that recruiting talented managers and/or people with the necessary technical skills has become one of the toughest challenges for foreign companies investing in Russia. As companies expand, in many cases they face a continued worsening of the human resource situation. The rapid growth of the domestic economy has created a fiercely competitive business environment, which, in turn, is driving rapid cost increases. At the moment, the demand for skilled, qualified staff still outstrips supply, and this key operational constraint shows no sign of easing in the near term. Several individuals indicated that salaries for Russian managers are rising at about 10% per year.

This acute problem is compounded by the demographic deficit Russia is currently experiencing. Even though Russia's population patterns are unmistakably European (low birth rates, immigration tensions and aging population), its demographic profile differs in two important respects:

1. Russia's health and mortality indicators are significantly worse than the rest of Europe.
2. Russia is experiencing a period of depopulation (the Russian population has dropped from 149 million in 1992 to 142 million at the start of 2008).

Most executives believe that the Russian authorities are very much aware of the severity of the problem, and on several occasions President Medvedev has indicated that conditions will be created in Russia in order to restore population growth.

According to demographic projections, between 2005 and 2030, Western Europe's working age population is projected to shrink by 7%, compared to staggering 19% for Russia. Russia's excess mortality, they claimed, threatens to straitjacket productivity and development for many years to come.

### Question 14: Investing in the regions

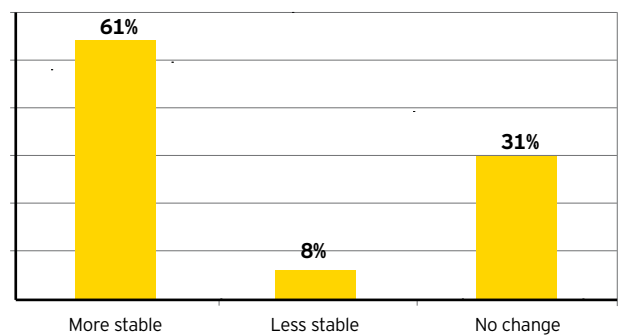
The purpose of this question was to test the assumption that the regional authorities play a key role in attracting (or deterring) foreign direct investment. There are many factors at play and it is therefore difficult to isolate a particular variable (i.e., the regional governor). However, the interviews provided plenty of anecdotal evidence that a positive correlation exists between large volumes of FDI and the level of encouragement by the regional authorities (and vice versa). Among others, the regions of Vladimir, Kaluga, Samara were often referred as regions in which "FDI was easy thanks to the support of the regional authorities." A few respondents went as far as opining that the quality of the relationship with the regional authorities has now become more important for them than the quality of the relationship with the federal authorities.

Regions identified as being more difficult were singled out for a variety of reasons, but principally because, in the opinion of respondents, the high volume of FDI has complicated the situation and problems associated with the poor quality of infrastructure made investing in these regions particularly challenging.

### Question 15: Russia's stability

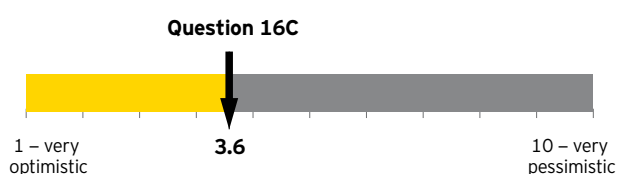
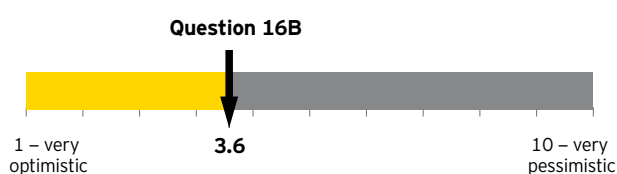
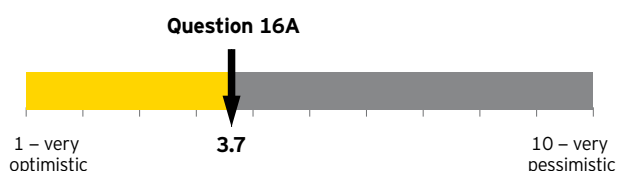
A very strong majority of respondents believe that Russia will be more stable (61%) or as stable (31%) as it is today. Only 8% of respondents fear that the Russia of tomorrow will be less stable than the Russia of today. The reasons are to be found in some of the responses to the next set of questions.

#### Russia's stability



### Question 16: Optimism (or pessimism) about Russia's future

The average scores are 3.7 in the short term, 3.6 in the medium term and 3.6 in the long term. Indeed, a distinct majority of respondents expressed optimism about the future of Russia, and in equal measure across different time horizons (short, medium and long term).



This general bullishness about Russia's prospects is in no way a consensus, for the average masks certain pessimistic statements. For the sake of simplicity, we have summarized below the arguments of the optimists and pessimists, irrespective of the number of opinions expressed for each. The bullet points capture verbatim statements made by participants on their questionnaires and in subsequent interviews.

### Arguments of the optimists (in decreasing order of relevance and irrespective of the time horizon):

- ▶ Russia has an impressive track record in terms of macroeconomic stability. There are no signals that in the future the direction of policies may change (a judgment corroborated if one looks at the composition of the new government of Prime Minister Putin).
- ▶ Commitments to reform are evident, both in the presidential administration and in the government. President Medvedev and Prime Minister Putin understand where the bottlenecks exist, have the necessary resources available, have a plan and the means to execute it.
- ▶ Political stability is guaranteed in the foreseeable future. The current organization of the power structure is effective.
- ▶ President Medvedev will advocate for the rule of law, or against what he has called "legal nihilism" (his interview in the Financial Times of March 24 was commended by several respondents).
- ▶ Russia is a huge and wealthy country with a well-educated population and a lot of potential. It possesses a large resource base for further successful development.

### Arguments of the pessimists (in decreasing order of relevance and irrespective of the time horizon):

- ▶ Domestic stability is a significant issue.
- ▶ With the observed accelerating levels of inflation over the last year and a half, economic and political risks are surging. President Medvedev and Prime Minister Putin face hard choices in light of the fact that much-needed tariff increases (in particular to fund investments in infrastructure) will likely fuel inflation.
- ▶ The diversification of the economy remains very limited. Russia reinvests only a small part of its commodities profits in other sectors. The influx of petrodollars into the country and the manner of their distribution have thus far not led to the expected growth of production in the manufacturing industries.
- ▶ The fast appreciation of the ruble in real terms also weakens the position of domestic manufacturers.
- ▶ The outlook for the energy sector is not good. Gas output has leveled off and oil production will peak by 2010. New fields cannot be tapped without Western technologies. The oil and gas sector is hindered by market players' commitment to extensive development.
- ▶ Demographics are a very negative issue in the long term.

Both scenarios were discussed actively during interviews, but all agreed upon one fact – Russia has very good prospects.



# Annex 1: Questionnaire submitted to CEOs

## FDI in Russia – CEO survey

Answers to the survey will be treated confidentially

Whenever possible, this short survey will be complemented by interviews

1. How would you judge the climate for foreign direct investment overall in Russia today?  
(1 to 10 scale: 1 excellent - 10 very poor)
2. How would you judge the climate for foreign direct investment in your industry?  
(1 to 10 scale: 1 excellent - 10 very poor)
3. Would you say that the climate for foreign investment in Russia has gotten better or gotten worse over the past 5 years?  
(1 to 10 scale: 1 much better - 10 much worse)
4. Would you expect the climate for foreign investment in Russia to improve or to deteriorate over the next 10 years?  
(1 to 10 scale: 1 great improvement - 10 major deterioration)
5. When you decided to invest in Russia, did you find the relevant Russian government agencies and officials to be helpful or not  
(1 to 10 scale: 1 very helpful - 10 very un-helpful)
6. Please rank your major concerns with doing business in Russia, with 1 being the greatest concern:
  - ▶ Corruption
  - ▶ Lack of transparency regarding legislation
  - ▶ Administrative barriers
  - ▶ Infrastructure
  - ▶ Lack of judicial independence
  - ▶ Other (please specify)
7. In comparison with Russian firms operating in the same line of business, do you feel that foreign companies are at an advantage or disadvantage?  
(1 to 10 scale: 1 great advantage - 10 major disadvantage)
8. What are the major steps that you believe the new Russian government of President Medvedev should take to encourage foreign investment, with 1 being the most important step?
  - ▶ Promote judicial independence
  - ▶ Bring greater transparency to the legislative process
  - ▶ Fight corruption
  - ▶ Improve political and economic relations with the United States and European Union
  - ▶ Join international organizations like the OECD and World Trade Organization
  - ▶ Other (please specify)
9. As you project the growth of your business over the next 5-10 years, which of the following markets do you think is most promising?  
Please rank from 1-6 with 1 the most promising.
  - ▶ Russia
  - ▶ China
  - ▶ India
  - ▶ Brazil
  - ▶ United States
  - ▶ Other (if so, where?)
10. In aggregate, how does "Russia's return on investment" compare with other emerging markets in which your company invests?  
(1 to 10 scale: 1 much higher - 10 much lower)
11. Now that you have invested in Russia, how do you compare the risks with those you had anticipated when you entered the market?  
(1 to 10 scale: 1 much lower - 10 much higher)

12. If you were to re-consider your investment in Russia, would you still have entered the country?

- ▶ Yes
- ▶ No

13. If you were to re-consider your investment in Russia, what would you do differently?

- ▶ Choose a different Russian partner
- ▶ Invest in a different region
- ▶ Use more expatriates
- ▶ Use less expatriates
- ▶ Other (please specify)

14. Are there regions in which you find it easier or more difficult to invest and to do business? Which ones?

- ▶ Easier: \_\_\_\_\_
- ▶ More difficult: \_\_\_\_\_

15. Do you think that Russia over the next few years will be more stable or less stable than during the past few years?

- ▶ A. More stable
- ▶ Less stable
- ▶ No change

16. How optimistic are you about the future of Russia? (1 to 10 scale: 1 very optimistic - 10 very pessimistic)

- ▶ In the short term (up to 2 years)
- ▶ In the medium term (from 2 to 5 years)
- ▶ In the long term (more than 5 years)

17. How much has your company invested in Russia so far?

18. How much does your company intend to invest in Russia in the foreseeable future?

## Annex 2: List of participating companies

Alcoa  
BASF  
BHP Billiton  
Bombardier  
BP  
British American Tobacco  
Bunge  
BT  
Cargill  
Caterpillar  
The Coca-Cola Company  
Cordiant Capital  
Deutsche Bank  
EBRD  
Edifin  
Ernst & Young  
ExxonMobil

Ford Motor Company  
Hatch Corporate Finance  
Huet  
Knightsbridge Investment Fund  
KONE  
Kraft Foods  
Lafarge  
Mars  
Merrill Lynch  
METRO Group  
Metso  
Michelin  
Mitsubishi Corporation  
Nestlé  
PepsiCo Holdings  
Petro-Canada  
Procter & Gamble

Renault  
Saint-Gobain  
Schlumberger  
Scotiabank  
Siemens  
Solvay  
SocGen  
SNC Lavalin  
Stockmann  
SUN Group  
Telenor  
Tetra Pak  
Unilever  
United Technologies  
World Bank  
Zurich  
YIT





