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EXPORT AND FDI STRATEGY OF RUSSIAN FIRMS IN CEE REGION: HOME AND HOST COUNTRY DETERMINANTS PERSPECTIVE

Master's Thesis by the 2nd year student

Concentration - Management:

Artem Zolotarev

Research advisor:

Andrey Panibratov, Professor

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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АННОТАЦИЯ

Автор	Золотарев Артем Сергеевич
Название ВКР	Стратегии экспорта и прямых инвестиций российских фирм в Центральной и Восточной Европе: детерминанты страны происхождения и зарубежной страны
Образовательная программа	Менеджмент
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Научный руководитель	Доктор экономических наук, доцент, А. Ю. Панибратов
Описание цели, задач и основных результатов	Целью работы является анализ влияния политических отношений на объем экспорта и прямых иностранных инвестиций российских МНК в страны Центральной и Восточной Европы. Задачами работы являются количественное определение уровня воздействия изменения политических отношений на объемы экспорта и ПИИ, также сравнение интенсивности влияния политических факторов на объемы экспорта и ПИИ, выявление пробелов в существующей литературе в сфере интернационализации российских МНК. Основным результатом работы является определение характера воздействия политических отношений между Россией и странами ЦВЕ на объемы экспорта, а также создание модели для определения такого влияния на экспорт и ПИИ в других регионах.
Ключевые слова	Интернационализация, Россия, МНК, ЦВЕ, экспорт, ПИИ, политические факторы

ABSTRACT

Master Student's Name	Artem Zolotarev
Master Thesis Title	Export and FDI Strategy of Russian Firms in CEE Region: Home and Host Country Determinants Perspective
Educational Program	Management
Main Field of Study	Management
Year	2018
Academic Advisor's Name	Andrey Panibratov, Professor
Description of the Goals, Tasks and Main Results	The aim of this research is to analyze the influence of political factors on the volumes of export and FDI by Russian MNCs in the CEE region. The goals of this research consist in quantifiably determining the level of influence of changes in political relations on the volumes of export and FDI, comparing this influence across export and FDI modes of entry, and identifying gaps in the existing research in the sphere of internationalization of Russian MNCs. The main result of this research lies in determining the nature of influence of political relations between Russian and the countries of the CEE region on export volumes, as well as creating a model for quantifying such influence on export and FDI in other regions.
Key words	Internationalization, Russia, MNC, CEE, export, FDI, political factors

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INTRODUCTION

The region of Central and Eastern Europe has always been of high priority to Russia and its companies due to geographic proximity and close political and economic, if not cultural, relations. Partly for this reason there are many Russian multinational companies operating in the CEE region, which we define based on shared socialist past stretching from after World War II and until early 1990-s. (i.e. Poland, Hungary, Czech republic, Slovakia, Latvia, Lithuania, Estonia, Serbia, Montenegro, Albania, Croatia, Bosnia and Herzegovina, FYR Macedonia, Bulgaria, Romania and Slovenia).

Oil & gas, mining and banking sector enterprises are the ones with the largest presence among Russian MNCs (multinational corporations) in the region (e.g. Gazprom, Lukoil, Rosneft, Sberbank, VTB, etc.). These companies have to operate in a very complex region comprising 16 states and, thus, devise and adapt their strategy based on changing economic and political environment in each country.

Not much is known about the topic of what strategy to choose in a particular country within the CEE region partly because both Russia and CEE countries have been transformed into capitalist markets relatively recently. Partly this topic is new and not very well-researched because the region is considered geographically small and fragmented. In spite of all these facts, CEE states cooperate with Russian firms in the process of global value chain creation and are strategically important (Gorecka & Szalucka, 2016). For all these reasons, it is essential to understand what key factors determining the entry strategy of Russian companies in the region are and whether these factors are directly connected to a host and home country political relations.

It needs to be acknowledged that a wide range of factors affects a company's decision to enter foreign markets. Economic attractiveness of a country, its geographical position, strategic course of the company deciding on internationalization and other factors play a part in the decision-making process. However, we believe that politics and bilateral relations are especially important when we look at Russian multinational corporations' decision to internationalize. This is true because such companies usually have ties with the government or at least are perceived to do so., Therefore, in this thesis I am going to explore how political conditions determine entry.

The work has both theoretical and practical significance. Theoretically, it is important to understand what are the potential strategies for entering and operating in this kind of markets. As far as the practical side is concerned, this work could be used as a guide to evaluating the

feasibility of a particular strategy for this region and each country in particular taking into account the level of political connections.

The object of this research is Russian multinational corporations; the subject of this research is the political factors that determine export and FDI volumes of Russian companies in the CEE region.

The main aim of this paper lies in understanding the relationship between political factors that are bound to play a role in the internationalization strategy and entry mode choice of Russian multinationals in all regions, CEE included. The analysis allows to study how political factors work together with other factors, such as economic, cultural, and geographic, to determine the strategy.

There are three major objectives of this paper. First, we aim to address the gap in the existing literature to create a multidimensional empirical framework that would allow to measure the relationship between political relations within certain regions or certain countries with the volumes of export and FDI allocated from one place to another. In order to devise this model we employ the logic of previous research to identify the most important variables and factors that also play a role in internationalization and entry mode choice. This framework may potentially be useful in improving the knowledge in the behavior of Russian multinational companies when it comes to allocating resources within a particular region, or between adjacent regions.

Secondly, we aim at finding out what particular factors are significant and are taken into account by Russian multinationals when they take a decision to venture abroad with a certain entry mode. In order to better describe why some particular factors are important, while other are not, we need to understand the decision-making process of Russian companies, the context they operate in, and the context of host countries, recipients of export and FDI. We argue, also based on previous research, that for Russian multinationals the decision-making process differs from those of companies from non-emerging industrialized companies, as they take into account not solely commercial interests when internationalizing due to the fact that many of them have significant state indirect or direct control.

Thirdly, we want to compare the factors among themselves in how they influence the choice of internationalization mode. We would argue that different factors have different impact on FDI or export choice due to commercial and strategic considerations. Therefore, it would be preferable to tell how the share of export and FDI by a particular company in a particular region or country is formed, why some countries mostly receive export from Russian MNCs and some

receive the combination of both export and significant foreign direct investment represented by mergers and acquisitions, or even greenfield investments.

When making this research we used the existing literature in the sphere of internationalization and entry mode choice with the focus on Russia and CEE and political factors influencing internationalization. Besides that, we used publicly available databases to acquire the data for analysis (e.g. World Bank database, UNCTAD statistics).

Our theoretical chapter consists of three parts that aim to cover the existing up-to-date theories, concepts and inconsistencies in the research of internationalization with a particular focus on Russian multinational corporations and Central and Eastern European countries.

In the first part we describe the theoretical underpinnings of internationalization strategies of companies and what major finding we can get based on these theories. It needs to be stated that all the existing theories are undergoing adjustment to changing environment. To be able to understand the process of internationalization, researchers employ qualitative and quantitative studies to classify firms by the methods and stages of their internationalization From this part we can make conclusions about how Russia and CEE region's companies are different or similar in the way they approach internationalization.

In the second part of the theoretical chapter we focus on exactly to internationalization modes – export and FDI strategy, and study the main differences among these two entry choices and what is the range of factors that influences both of them. In this particular part we want to connect the existing knowledge of factors that influence internationalization and the process of decision-making by companies; also, how this process is affected by unique institutions of emerging countries, Russia in particular. This is important to understand because both Russia and CEE countries have a heritage of socialist institutions and still have some remnants of the previous system.

Lastly, we focus on the political factors and the existing research in the sphere of how political relations internationalization. We spot a clear research gap when it comes to the quantifiable model of measuring how politics and other factors work together to determine export and FDI volumes. Moreover, the find that the majority of researchers come to always describe Russian companies in the context of political influence at home, and this gives us ground to believe that, despite the fact that for companies from industrialized countries, economic factors often outweigh all others, for Russian MNCs political relations is something that always needs to be considered.

The remaining part of the work is dedicated to describing the approach towards analyzing the data, the data itself and the findings. We make conclusions providing some contributions to the existing theory and giving some recommendations that could be used in practice. We also provide the limitation of this research and possible ideas for future research.

CHAPTER 1. THEORETICAL UNDERPINNINGS OF THE RESEARCH

Overview

Since our research will focus on explaining the behavior of Russian multinational corporations in the region of Central and Eastern Europe, we need to explain what MNCs are.

A multinational corporation is a dominant type of company in the global economy. If we define multinational as a company that has assets or employees in more than one country, then, we get that in the world there are more than 50,000 companies that belong to this category. These corporations control approximately half a million subsidiaries around the world. Although some of them are relatively small employing less than 250 workers, others have more than 250 thousand employees spreading across more than 100 countries. The 500 most important multinationals monopolize the 25 percent of the world income and almost half of the trade in the planet. The multinationals control most of the technology and receive, in return, around 80 percent of the world's royalties. The multinationals are growing in relation to the size of the planet's economy and, currently, they are three times more relevant than 20 years ago. Plus 85% of the multinationals are based in rich countries of Western Europe, the United States, Canada, Australia and Japan. However, in the past twenty years, new multinationals have appeared in countries like South Korea, Taiwan, Spain, Mexico, Argentina, Brazil and Russia.

Multinationals exist because there are conditions outside of their home country that allow them to do business in a more profitable way. To fully understand the economic principles that underlie the operations of multinationals it is essential to distinguish between vertical and horizontal expansion abroad. Vertical expansion occurs when a company establishes its assets and its employees beyond its borders for the purpose of securing the supply of raw materials or inputs (vertical expansion backwards), or the distribution and sale of goods and services (vertical expansion forward).

Horizontal expansion occurs when a company establishes a distribution plant or service away from its national market with the aim of selling in that market, but without abandoning the production of that good or service in its country of origin. The strengths underlying the vertical and horizontal expansion are different.

Now that we understand what are the main characteristics of multinational corporations are, we move on to the subject matter of this research and proceed with analyzing the existing research in the sphere of internationalization.

To better understand how political relations determine the entry strategy and the volumes companies commit of either of the modes of internationalization we aim to analyze the existing literature and articles in the sphere of internationalization strategies of multinational companies. We also want to stress the fact that in every issue we will try to focus on the modern up-to-date research so as to produce the most relevant results. To be able to cover the topic holistically we will look at literature covering the following spheres:

- internationalization strategy of global multinational corporations and the theories that exist in this sphere with the focus on the Central and Eastern European region;
- the dilemma of choosing the internationalization mode and considerations connected with this decision;
- the peculiarities of internationalization of Russian companies as a whole, with a particular focus on Central and Eastern Europe.

Furthermore, since the goal of the paper is to identify whether political relations between countries influence the choice of internationalization strategy of Russian companies in the CEE, we will look at the following things: what are the tools for assessing the influence of politics on trade, economics and investment, and what is the most appropriate mode of internationalization in this particular region and for what companies.

Internationalization is a very complex phenomenon and many authors have tried to grasp it in their research and academic papers. Many theories have been put forward so as to explain the underlying factors that stipulate a firm's internationalization. We want to study them in order to understand companies' thinking and considerations when venturing abroad.

Recent internationalization findings based on fundamental theories

One of the first and the most important theories of this kind is Uppsala model of internationalization (Johanson & Vahlne, 1977). Its main postulates claim that internationalization is a complex process that entails incremental adjustment to fluid global environment and acquiring knowledge and expertise in other markets. It also states that firms internationalize in stages as it is crucial to hedge against the risks of entering new markets and gain knowledge about new countries gradually. As is shown on the scheme below, Johanson and Vahlne view the phenomenon in terms of state and change aspects. State aspects imply commitment to spending resources and conducting activities abroad, while change aspects deal with gaining knowledge and committing to taking decisions.
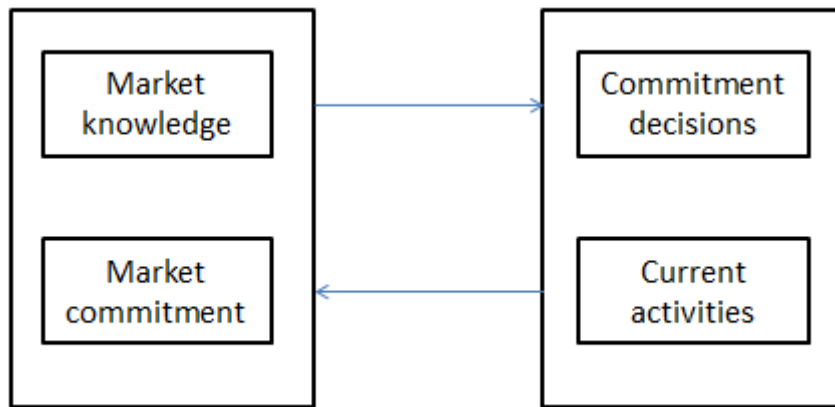
Figure 1: Uppsala Model (Johanson & Vahlne, 1977)

When trying to grasp the underlying reasons for internationalization, the authors also mention a so-called physic distance. By this, they mean cultural differences, geography, language, etc. The more distance the countries are in terms of their physic distance, the less likely the companies domiciled in one of them are to enter the other one (Johanson & Vahlne, 1977).

Despite the fact that Uppsala model is still considered to be quite modern, it has many drawbacks. For example, physic distance does not take into account legal and competitive environment, even though they are very important for firms' internationalization. Moreover, a lot of companies actually skip some of the stages that are supposed to be obligatory for the complete internationalization of a firm by the followers of Uppsala model (Pignatti, 2009).

However, **for this thesis the postulates of Uppsala model will be important as they provide useful theoretical background for why firms choose to internationalize and what determines such activity.** We need to bear in mind the fact that companies do tend to follow some particular stages of internationalization and that there are certain objective reasons that stipulate companies' choice of foreign market.

Now we will look at the most important findings which were made based on using Uppsala model postulates and gain insights into CEE firms' internationalization activity and the peculiarities of the companies domiciled in this region.

Some recent research concentrates on the idea of how the speed of internationalization, how quickly companies go through the stages highlighted by the Uppsala model, and the choice of geography where to internationalize, influence emerging markets' firm performance. It turns

out that there is a U-shaped relationship between internationalization speed and firm performance. If companies choose slow to medium speed of internationalization, the companies' performance turns out positive, if the companies internationalize at a faster pace, the influence on performance is negative. However, it is critical to point out that once firms are geographically very diversified in terms of their direct investments and exports, the effects of speed on performance indicators (ROA and ROE) are flattened out. Lastly, consistent with the postulates of the Uppsala model, we discover that if firms have a lot of experience in internationalization and if they are big, the speed also stops to be an important factor (Mohr & Batsakis, 2017). Therefore, we see that companies choosing medium speed of internationalization should reap tangible benefits from their outward foreign activity.

As far as geographic diversification is concerned, it is critical to mention the finding that the more diversified a company's product portfolio is, the less geographically diverse its internationalization markets will be. This is important for understanding the operations and internationalization behavior of Russian multinationals. When we analyze their foreign exporting and FDI activity, we need to bear in mind the level of their product diversification and how this potentially could impact their export and FDI volumes. According to the findings of Mohr & Batsakis (2017), largest Russian MNCs should have comparatively higher level of geographic diversification because most of them specialize in selling and producing several varieties of a mineral resource.

Further we need to consider some older findings, but which are relevant especially to Russian and the CEE context taking their unique socialist past. For CEE firms the degree of internationalization is positively related to a firm's age and size (Mockaitis et al., 2006). This conclusion was based on the study of firms from Lithuania, which is a part of a CEE region. It turns out that young Lithuanian companies usually skip some stages of internationalization because these firms tend to be smaller, lack sufficient knowledge and expertise to successfully internationalize, and therefore they cannot have access to many resources and are forced to skip some stages rather than choose a gradual approach. It is also interesting to note that some Baltic firms are more likely to venture to neighboring countries when skipping some stages, but also more likely to have a gradual approach towards committing resources spent on foreign markets when choosing some distant locations (Vissak et al., 2007).

Moreover, even though Balkan states and the countries of the so-called "Visegrad Four" (Hungary, Slovakia, Czech republic and Poland) are not such big markets as some other countries located further distance-wise, the companies domiciled in Slovakia and the Balkans were more likely to enter neighboring states, rather than more-developed distant markets. (Jaklic

& Svetlicic, 2003), (Ferencikova, 2014). Consequently, geographical distance does play a role in the choice of a location and influences the approach towards the general strategy for internationalization.

Secondly, using Uppsala model postulates there appears new research in how stereotypes and perceptions play a part in export and FDI volumes. To be precise, it was proven that Russian MNEs' investments in the Balkans are influenced by stereotypes about the region, which indirectly affects the amount and the mode of investments (Jaklic & Svetlicic, 2016). Western Balkans region and CEE as a whole are often seen as a uniform region by many authors and companies rather than a complex congregation of states that for a long period of time has been at odds with one another and therefore has formed firm perceptions about their neighbors. The former fact is often overlooked for the reasons of simplifying. In this work we will follow the same strategy aggregating the results for the whole region, but we will try to apply country-specific context when deciphering the results.

Aggressivity, nationalism and selfishness are one of the top negative stereotypes that are identified to be possessed by foreigner when thinking about the Balkan region. More positive (or less negative) stereotypes about a host country correspond to more intensive investment, however, the relationships are 'disparate and bilaterally highly asymmetric' (Jaklic & Svetlicic, 2016). The stereotypes, it turns out, themselves are affected once the host country has received the investment, with this investment being perceived differently according to initially held stereotypes.

According to the interviews conducted with managers, stereotypes are taken into account when an investment decision is to be taken. Managers tend to be affected by stereotypes more if they choose the direct mode of investment, as opposed to just exporting. (Jaklic and Svetlicic, 2016)

Therefore, it is important to consider in our research the stereotypes that Russian multinationals might have about CEE countries, especially the Balkan states, because it brings some important factors for our consideration when discussing the results and possible implications.

Thirdly, based on Uppsala model it turns out that GDP per capita and share of trade significantly and positively influenced FDI inflows in the CEE region, and, on the contrary, inflation rate and GDP growth rate turned out non-significant (Kurtovic et al., 2014). These findings show that overall economic development of a country plays a big role in evaluating the

investment decision while the rate of growth and inflation rate do not, possibly because these indicators are seen as transient and, thus, non-representative.

From our side, we can state that macroeconomic indicators could be secondary to political relationships in the case of Russian and Central and Eastern Europe, so we believe that our work will be a good complement to the research in the sphere of how economic and political factors combine to influence internationalization.

After the Uppsala model, there followed other researches in the sphere of internationalization. We also will strive to look at these **fundamental theories through the prism of modern research related to Russia and the CEE region.**

"Another way to analyze a firm's internationalization using a process approach is to use the network as a starting point, since this approach provides an appropriate framework for understanding firms as embedded actors in business network" (Johanson & Mattsson, 1993). This quote very well explains the so-called network approach to internationalization, whereby firms choose to go abroad when they have relevant networks to enter new markets. Firms that lack partners in those markets will face great challenges and are far less likely to succeed. Johanson & Vahlne (2009) decided to incorporate this view in their Uppsala model and claimed that knowledge opportunities and relationships are two indispensable parameters for internationalization.
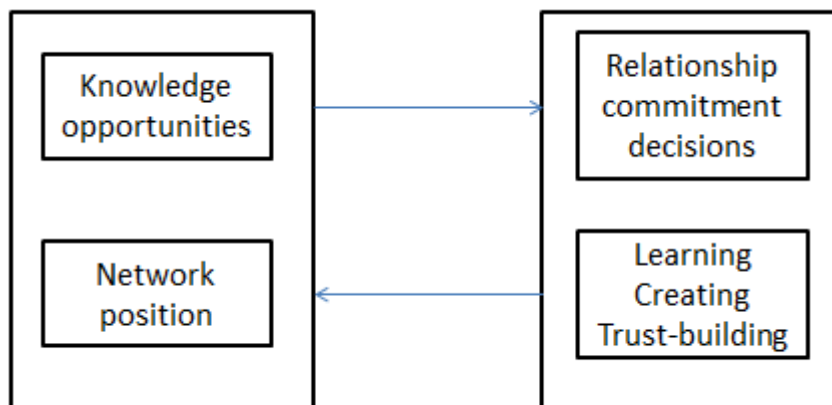

Figure 2: The business network internationalization process model (*Johanson & Vahlne, 2009)*

Currently there is a trend in research in the sphere of how firms use networks to work together on different projects, thus affecting the entry mode choice. "Business networks are complex adaptive systems of interacting firms and other types of organizations" (Chandra &

Wilkinson, 2017) Different authors describe up to seven types of networks that firms and organizations can create, some of which are aimed at sharing knowledge about different markets and countries. Some of the ways organization can cooperate to increase the chances of successful internationalization are sharing information about specific format of interactions in different business environments, ability to benchmark behavior and performance across the wide range of the whole network, ability to anticipate the necessary changes need to better adopt to a different environment.

Firms that are too small and lack resources often struggle to enter more developed foreign markets; there is evidence that some such firms succeed in their undertaking when forming strategic partnerships and alliances with companies domiciled in host countries (Chandra & Wilkinson, 2017).

However, as the focus of our research are large Russian MNCs; these finding do not necessarily apply to our research because they have already amassed enough resources. Nevertheless, Russian small and medium enterprises do seem to follow similar pattern of behavior. It turns out that there were some companies that were able to survive after their creation solely due to internationalization and forming alliances abroad. (Thurner et al., 2015). It happened because they engaged in international cooperation with foreign firms, mostly German ones. By gaining access to knowledge, distribution channels, know-how, client and supplier network and funding these Russian firms were able to gain competitive advantage and successfully re-enter the Russian market.

Therefore, we see that in order to complete successful internationalization it is important for companies, both Russian and international, to have networks in a host country.

It is also interesting to point out that networks play an important role especially for emerging markets' companies. We see that networks can be obtained in different ways: via strategic partnerships and alliances, via connections on a high level, and also via direct people-to-people contacts in corporations.

It was proven that Chinese companies are eagerly attracting the so-called returnees back to China from abroad. Returnees are Chinese nationals who went to work in Western countries. It turns out that companies that actively encourage hiring Chinese citizens who have had some experience in the Western world perform better (Fu et al., 2017). One of the explanation of this is that they gained some unique valuable knowledge; another valid explanation lies in the fact that these returnees have amassed important networks, people and groups abroad, who they can contact and get pieces of advice on different professional issues. This is a manifestation of

networks internationalization theory in practice. This also highlights the fact that networks theory is relevant when it comes to emerging markets. Moreover, it turns out that the higher the number or returnees working in strategic positions in a company, the greater is the company's volume of outward FDI (Fu et al., 2017).

From it, it follows logically that, the reason why companies decide to build trust, relationships and maintain contacts is because by doing it, they can leverage the resources of other firms and organizations and overcome the challenges mounted on them by their size, lack of resources, or the fear of entering new markets (Gabrielsson & Gabrielsson, 2013).

The importance of these findings for our work lies in the fact that we should not only focus on tangible parameters of internationalization that can be easily measured and observed, but also some interactions and connections between Russian firms and institution within the host countries that could be part of supporting network for Russian MNCs for internationalization. However, it should be noted that, perhaps, not many Russian companies are creating obvious joint ventures with the CEE counterparts due to lack of expertise, experience and funding in these countries. But it could be the case that some companies of that region might be trying to achieve partnerships with Russian enterprises (both large and medium) to gain expertise in particular fields where Russian corporations have expert knowledge (most probably, resource-based sphere). Moreover, some less obvious and non-obvious forms of cooperation could be present, that are harder to spot, but that can play an important role in internationalization process.

New developments in internationalization theories

Based on the postulates of the Uppsala model and the network model there emerged other adjacent theories explaining different aspects of firms' internationalization, such as resource-based view (Peng, 2001), born global internationalization theory (Persinger et al., 2011), institution-based theory (Peng et al., 2009).

. However, we will focus on the most recent theories that gained traction due to changes currently taking place in the global corporate and economic environment.

The above-mentioned born-global theory gained more importance recently. It used to be only applied to firms that went international to overcome home market constraints and limitations. But apparently the theory has wider implications today. Due to decreasing mineral resources prices, the economies of many emerging countries dependent on oil and other minerals went into recession (e.g. Brazil, Russia, Turkey). This steep fall in the domestic demand caused by recession led to declining profitability and margins in many emerging markets' companies.

They could not seek growth at home because they would have to wait until the recession ends, which could have proven to be fatal for many corporations. Therefore, many of them, facing unfavorable conditions at home, decided to venture abroad. (Carneiro et al., 2018). The necessary condition, though, for such an endeavor is having the so-called "organizational slack", which is defined as operational, managerial and financial resources that are not currently employed, and thus can be used for different projects.

It was proven that managers were driven by the desire to keep such metrics as ROI, revenue and profit growth and margins intact when deciding whether to venture abroad in times of economic crisis. Since the economic hardships at home were bound to cause those to slump, the decision favored going to places where there was not crisis or where it was not as severe. These new finding precipitated by the phenomena in global economic environment add to the existing research by stating that firms venture abroad not solely for efficiency-seeking or resource-seeking purposes (Carneiro et al., 2018).

It is therefore not surprising that there is increasing interest to research in the idea of organization slack, what constitutes it and how companies can leverage it for internationalization purposes and for overcoming crises.

One of the other new trends in studying the internationalization strategy is connecting how CSR influences internationalization choice of multinational and medium-sized companies. It turns out that many firms, especially when talking about global operations, adapt their sales, operations, and other business aspects when internationalizing according to the CSR needs connected with their business in the region where they are internationalizing (Uzhegova et al., 2018). Based on studying the activities of Russian MNCs in the CEE region, we can state that the largest of them (namely, Gazprom and Lukoil) actively participate in CSR activities in the countries they operate in. Nevertheless, we did not find any evidence that any special considerations were made with regards to operations and sales due to CSR activities. It seems that CSR activities is seen by them as mostly a duty to be performed in local communities. It could also be a part of formal and informal agreements between host country institutions and corporate exeutives.

Lastly, institution-based theory tries to integrate resource-based view and industry view with all the institutions that surround a firm and play a part in its internationalization (Peng et al., 2009). This theory is considered to be especially useful when looking at the internationalization of emerging markets' firms as they come from environment where institutions are not strong, so they either become more orderly and global by following the rules of institutions of other

countries, or actually contribute to the deterioration of institutions in the countries where they operate. Now we will look at some important findings about Russian MNCs that are derived using the institutional theory.

Importantly for our paper, some contagious business ethics prevalent in Russian multinational companies might spill over to a host country (Zashev, 2006). There is a widely held belief that the majority of Russian multinationals use unclean business models to increase their business potential abroad, therefore there could be an effect of potential spread of this kind of practices to the countries of the CEE region. To illustrate such worrying issue the researcher focused on the case of Lukoil. The article was written in 2005, soon after 10 new member states (all from Central and Eastern Europe) joined the European Union. Despite the fact that it was written more than ten years ago, it is still topical as some countries (Montenegro, FYR Macedonia, Albania) in the region are waiting to become new member states of the most deeply integrated bloc in the world.

To begin with, it turns out that business environment and the work ethics might in fact be damaging to a country it operates in. When analyzing the peculiarities of Lukoil operations in Bulgaria, the author looks at primary and secondary stakeholders involved in Lukoil operations in Bulgaria that could be affected by the damaging work ethics. The author mentions a wide range of scandals where Lukoil management was implicated, as well as the fact that despite employing many Bulgarian citizens, all the positions in the top are occupied by Russians. (Zashev, 2006) Therefore, such perceptions could hinder Russian MNCs from effectively expanding their volumes of investment.

However, this very same author concludes that the main concerns related to dealing with Russian companies identified were not confirmed based on the case of Lukoil's operations in Bulgaria. Its link to the Russian government is strong, but it was not blatantly used or manifested during its operations in Bulgaria. No direct evidence of bribery or blatant corruption was identified, and the company is transparent, at least by both Russian and Bulgarian standards. Furthermore, Lukoil is a model international investor that truly cares about the host country and its citizens, and, therefore, its operations in Bulgaria ought to be encouraged. (Zashev, 2006)

Some of the more modern findings also confirm that the problem with contagious business practices and detrimental business ethics prevalent in Russian multinational companies remain. It turns out that even in largest MNCs accounting fraud and wage misreporting are still a case, even though large Russian MNCs are much more transparent and "clean" than privately held smaller companies (Braguinskiy & Mityakov, 2015). The authors claim that it is not always

clear how contractors (suppliers, intermediaries) are chosen by Russian MNCs when operating abroad. Yet, the effect of reversed spillover was noted by the researchers, who say that once a company enters a more stringent environment in terms of regulations, it is likely to improve its transparency.

Consequently, when analyzing internationalization processes it is also crucial to explore how a company was founded, what are its strengths and what is the institutional framework surrounding this company. Since we will look at the CEE region and Russia, the postulates of institutional theory will be of utmost importance to us as both the CEE and Russia can be considered emerging economies by at least some classifications. Both of the regions are equal in the fact that their market institutions are very young, even though during the latest thirty years some CEE countries have managed to reach quite a high level of institutional transparency and rule of law order.

Having studied major internationalization theories, we can make several important conclusions. First, internationalization is a multi-faceted process that can happen in different ways and stages. Secondly, Russian and CEE firms are not different with regards to the findings of Uppsala and network models. Thirdly, perceptions about host and home country company's culture and their institutional framework play a very big for emerging markets' firms.

Internationalization modes: fundamentals and new key findings

In the following part of this literature review we will cover the question of different internationalization modes, what are the factors that the companies consider when they decide to go abroad and what their decision-making process consists of.

There are two major modes of internationalization of a firm. These are equity and non-equity types, with the latter one comprising export and contractual agreement, while the former includes joint ventures and creating wholly owned subsidiaries. Wholly owned subsidiaries, in their turn, can be created by the means of greenfield investment or through mergers and acquisitions. Both greenfield investment and M&A deals fall within the category of FDI. Each type and subtype of internationalization has their own advantages and disadvantages. We will take a closer look at exporting and FDI, as these two modes are of particular importance for this paper. Among the advantages of exporting are better protection of intellectual property and goodwill, better control over selection of foreign markets and increased flexibility. At the same time exporting does not allow closer contact with the foreign market and requires more information. It also takes longer to deliver goods to market. In case of FDI, the clear benefit is

that it provides full control over the subsidiary and enables a company to maintain close contact with its customers and other stakeholders. At the same time, greenfield projects require high initial investment, and therefore entail a higher degree of risk. To add to that, problems related to integration and cohesion between different parts of business may arise (Peng, 2008).

It needs to be stated that internationalization theories described above partly cover the topic of the choice of entry mode. For example, Johanson & Vahnle (2009) analyzed entry mode and its choice from the perspective of an enterprise and its objectives when describing their Uppsala model of internationalization. However, their research is limited to a certain set of factors, and they do not account for many other factors that definitely influence internationalization choice (exporting or FDI) as well. As in this paper we will mostly focus on the political ties between a home and host country, it is important to see whether there already have been any attempts to connect host country environment and internationalization mode choice.

Indeed, there is research on internationalization modes with regard to host country and selection field; to be precise, there is a lot of research into distinct factors that could play a role in the choice of the mode of entry: some of these factors are federal, state and local laws and regulations; legal, financial and economic forces; technological development and infrastructure; cultural differences and business ethics; environmental protection and demographic issues (Jaworski & el-Ansari, 2014). Geographic and cultural proximity is also analyzed with regards to the choice of mode of entry (Deutschmann, 2014). However, these authors do not give a clear framework that would analyze host country specific factors or pay special attention to the political factor.

Now we need to understand how firms choose one of the two ways of internationalization. It is stated that firms with higher productivity levels tend to opt for FDI, while less productive companies choose to export. Besides that, there are three factors that are more likely to correspond with higher exports relative to FDI sales. They are lower trade frictions, higher economies of scale and greater within-industry dispersion of firm size. (Helpman, 2004) It is important to be aware of these factors when analyzing companies' decisions to enter a particular country with a particular mode.

Trade unions also play a big role in a firm's decision whether to invest in a subsidiary or export. The degree of unionization is important because it influences the impact that the entry of a foreign player will have on the wage (Mukherjee, 2008). Therefore, this effect should be

considered. The latter findings are especially important for capital-intensive companies that operate large plants with a lot of labor, which is true for most of the Russian MNCs.

According to some more recent research in the sphere of entry mode choice, it is crucial to understand as many parameters as possible that are taken into account when a firm defines its entry mode. They are size and growth of the market, political risk and risk environment, economic and market infrastructure, trade barriers and regulations, product feature, company's management. (Menkinoski, 2016) We need to note, however, that while it is useful to identify as many parameters for choosing a country to enter, this approach does not help in determining a mode of entry because the list will probably be never exhaustive; moreover, such approach does not give clear metrics and criteria by which we can compare these characteristics among different countries and even among themselves (i.e. how one of them influences the entry mode choice relative to the other).

Lastly, in 90 per cent of the cases firms that choose FDI entry have exported to that country already, while the opposite is not true (Conconi, 2016). The author attributes this to the factor of uncertainty. This fact is extremely important for us as in this paper we will try to separate the countries for which both export and FDI strategy are chosen and countries with prevalence of either FDI or export. To deeper understand how the factor of uncertainty may impact firms let us turn to fundamental research in this sphere with regards to internationalization.

Some authors claim that uncertainty is the key variable for choosing the internationalization mode (Kulkarni, 2001). There is a framework for choosing the type of entry based on the type of uncertainty. According to this framework there exist three types of uncertainty: primary uncertainty, competitive uncertainty and behavioral uncertainty. The first one concerns macroeconomic and political factors present in the host country; the second one is about microeconomic factors that stipulate the market in this country, they may include big number of competitors, necessity for heavy investment in capital expenditures); the third one is behavioral uncertainty which is concerned with the transaction itself (be it, a license agreement or direct investment). The more specialized a product is the higher is the bilateral dependence on the parts of the two transaction parties.

Kulkarni (2001) proposes a model whereby we can tell the probability that a company operating in low, medium or high level of three types of uncertainty will choose this or that entry-mode strategy. For example, a company operating in intensive primary and competitive uncertainty, but low behavioral uncertainty will most likely choose licensing. This is important

for our research because the factor of political uncertainty is clearly identified as one of the variables that affect entry mode choice, and there is acknowledgement that this kind of uncertainty can have different degrees.

The second important question raised in Mr. Kulkarni's article is about the preference for risk in multinational companies. He asserts that the difference in risk preference among various firms, other things being equal, determines the mode of internationalization. He links the preference to risk mostly to national-level factors claiming that 'proximity to power' and other characteristics specific for a particular nation, undoubtedly impact the preference for risk for a company, as well.

This is extremely crucial for our paper for several reasons. First of all, we need to be aware of the fact that whenever Russian MNCs choose to internationalize, they are affected not solely by some objective factors but also by the factors that influence them on a subconscious level, mostly preference for risk. As far as Russian companies and Russian culture are concerned, we can claim that they are quite risk-averse, therefore this fact definitely plays a role in determining the choice of internationalization mode.

Having realized how uncertainty is important in the internationalization, we can better interpret recently made findings of Conconi (2016). It is stressed that export and FDI are usually considered to be substitutes to each other by many companies; for this reason, companies decide to prod the ground with a less riskier entry mode first before substituting it with FDI. We believe that these findings are especially relevant to markets with high level of uncertain market conditions, or primary uncertainty according to Kulkarni. We can say that some of the CEE countries can definitely be classified into countries with uncertain market conditions (most Balkan states).

Some authors, however, state that the decision to venture abroad is influenced by a wide range of factors that are extremely difficult and close to impossible to enumerate, and that may vary from one case to another (Gorecka & Szalucka, 2008). This fact was proven by a multi-factor model of Gorecka and Szalucka, which is interesting because it analyzes a wide range of factors (approximately, one hundred), ranging from social and political to geographical and cultural. Interestingly, the study was conducted on a sample of Polish firms, which means that these findings are more than relevant to our research. Canabal & Write III (2013) name over 200 different variables possibly affecting a chosen strategy, naming MNCs' international experience, cultural distance, risk, firm size, host restriction/host policies (host country variables), R&D intensity, host country experience, industry competition/concentration, size of operation/scale

and advertising intensity among them. These findings raise important considerations about how to account for a wide range of variables that can potentially have an impact on the internationalization choice.

It is important to mention that the industry where a company is operating may directly impact its entry mode choice and internationalization patterns. Recently there has been a lot of research in the area of how a particular industry plays a part in the internationalization process.

Andreu et. al (2017) take the example of hotel industry to illustrate that for this particular sector of the economy there are some factors that have special significance, while some other factors are relatively unimportant. To be precise, cultural distance, host market attractiveness, firm international experience, intangibility of the services offered by hotels abroad together with firm size and the number of tourists travelling to a particular country have a significant impact on the entry mode choice.

Moreover, recent research suggests that not only the industry where a company operates impacts entry choice mode, but also the type of ownership. By the type of ownership not only state and non-state ownership is implied, which we will look at later in the paper, but also family ownership, institutional ownership (i.e. firms with large presence of fund capital). It turns out that the type of ownership affects entry mode choice due to different risk preference among the people in leadership positions (Xu et al., 2017). To be precise, family-owned firms are reluctant to contribute a lot of resources at initial stages of internationalization and are not willing to cede much control to outsiders. That leads to most of them preferring export strategy at the initial stages of internationalization. Once export strategy has proven to be successful, they may try to venture outwards with FDI, which is in line with the research of Conconi (2016).

As far as institutional types of ownership are concerned, institution investors that have a say in the decision-making process of a firm are more risk-neutral as the responsibilities are usually diluted. For this reason, they are more willing to commit large amounts of financial resources and cede sufficient amount of control to establish wholly owned subsidiaries (Xu et al., 2017).

Among the new trends present in the literature we can mention studies that focus on particular types of entry into emerging markets. In this paper we will not focus on franchising mode of entry, however, it needs to be stated that this could be a viable mode of entry taking into account its low riskiness. Recent research proves that one of the main drivers why companies choose this type of internationalization mode in emerging markets are geographic distance, host

country's market potential, unemployment rate, political stability, and the efficiency of contract enforcement (Baena & Cervino, 2015).

Having studied the literature on the entry mode choice, we can conclude that a wide range of factors stipulate how a company decides on its internationalization. These factors can be grouped, and the former groups can be broken down into sub-groups (e.g. types of uncertainty). Besides that, these factors are not equal in any given case (depending on the type of industry, type of ownership), and are formed on different levels (corporate, cultural, national).

Understanding export – FDI relationship

In the previous section we have focused on the factors behind the entry mode choice, how they can be grouped. As in this paper we will analyze the volumes of export and FDI, we need to understand whether there is research in the area of what affects the share of export and FDI, or whether there exists such a relationship at all.

It turns out that there is a range of theoretical and empirical studies that have explored the relationship between FDI and export in the last few decades. Theoretically, there are two types of relations between export and external FDI: one is complementary and the other is a substitute. Each one found an empirical basis. We will now look at the most important arguments in favor of each of the views.

The arguments in favor of substitution are as follows:

1) The production life cycle can be divided into three stages that develop from the introduction of a new product, through product maturity and product standardization. In this model, it is believed that with the maturity of the product, the firm chooses to manufacture products in different places to achieve different goals. The relationship between trade and FDI alternates with the cycle phases, respectively, which can be reflected in the internationalization process as it expands into the international arena. Manufacturing firms are likely to take additional steps to serve unknown foreign markets. They do this by exporting primarily until they have accumulated sufficient experience and have acquired the necessary knowledge to manage a direct venture abroad. This is because exports require less investment in sunk costs than FDI and are the least risky way to serve unknown markets. In this context, the theory of internationalization processes argues that FDI replaces exports only when higher fixed costs of foreign production can offset external transaction costs of exports. FDI is not a substitute for exports at a time when there is sufficient experience and

knowledge to manage a direct subsidiary, but the higher fixed costs of foreign production have not yet offset external transaction costs (Bouras & Raggad, 2015).

2) The OLI paradigm suggests that firms tend to replace exports from their country or import from a host country when they invest abroad. Multinational corporations use their ownership advantages by controlling certain assets in assisting their foreign subsidiaries to reduce costs and generate profits. Many large corporations also invest in subsidiaries that produce intermediate products. These MNEs take advantage of the benefits of internalization and tend to replace the export of resources from the country of origin (Bouras & Raggad, 2015).

There is also evidence of complementary relationship between export and FDI:

1) FDI leads to increased exports of capital goods from the home country, with technologically advanced countries investing in the main sector of resource-rich countries. Investments are made due to differences in factors, habitat and production conditions. Such investment leads to vertical integration of production between developed and developing countries, with labour-intensive production in developing countries and capital-intensive production between developing and developed countries (Cardomone & Scoppola, 2012).

2) FDI from a relatively unprofitable industry in an investment country, which is potentially a relatively profitable industry in the host country, will help to modernize the industrial structure on both sides and thus accelerate trade between the two countries. When investments are made in sectors where the country of origin has a comparative advantage, exports and FDI will, on the contrary, substitute. (Cardomone & Scoppola, 2012).

So, we see that the research in the sphere of export and FDI share that a company decides to commit to a foreign market is abundant, but contradictory; there appear new studies that aim to correctly pin down this relationship, but so far there is no one clear framework for that.

Russian companies in CEE and the impact of politics

Now that we understand the modes of internationalization and what could be the rationale behind choosing either of them or their combination, we will elaborate on the political factors that affect entry mode choice, and for that we will delve into existing research in the sphere of investment and exporting in the CEE region, Russian companies' investment in the CEE and, overall, how politics plays a part in global economic environment.

There is plenty of research done with regards to influence of politics on the firms' behavior and international economic activity. First of all, it seems intuitive, but it is important to say that violence and wars have negative impact on trade (Blomberg & Hess, 2006). Wars and interstate violence, even though they are geographically constrained and last for a relatively short period of time, bring much more harm than enacting tariffs and breaking bilateral trade agreements.

In the case of wars the impact on trade and FDI is obvious, however, it is much more difficult to spot when countries are not at war; they maintain diplomatic relations, at the same time they have their differences on the international arena. It turns out bilateral trade significantly decreases when the relationships between any two given countries are suffering from some non-military disputes (Michaels & Zhi, 2010). Therefore, for our research and discussions it is crucial to understand the political nitty-gritty between Russia and the countries of the CEE region.

In order to assess how political relationships influence economic ties on a country and company level we need to understand how to measure the level of political ties. Kashcheeva & Tsui (2012) use the data on the way countries vote in the United Nations to use it as a variable indicating the so-called political distance, meaning how close or far the countries are in terms of the opinions they hold on the international arena. Moreover, UN votes are a reliable instrument for measuring political connectedness, because usually countries vote along alliances and unions they are part of; to add to that, it is a suitable method for research because it provides researchers with ample time-series data (Dreher & Sturm, 2012)

Another interesting method for assessing the level of political connectedness is using the number of bilateral meetings (Shirole, 2011). In this research Shirole uses the number of bilateral meetings between the representatives of different ministries, mostly transport ministry, to evaluate whether it helped foster signing agreements between the US and India in the transport sphere. In their work they come to a conclusion that the establishment of the Association of Transportation Professionals of Indian Origin (ATPIO) stimulated bilateral meetings that played an important part in building rapport between the two parties.

Then, we need to analyze the reason for internationalization of Russian companies. We need to understand the underlying considerations that are happening within the Russian multinationals when they decide to venture abroad, since, as we saw from previous research, internal processes play a part in entry mode choice.

A turning point in investment activity of Russian companies is pointed to the early 2000-s (Panibrantov et al., 2016) when the outflow of Russian FDIs exceeded $50 bn, with metallurgy and oil & gas companies making up the largest share of this amount. Several factors are listed that stipulate the reasons of internationalization of Russian MNCs (avoiding risk in domestic markets, necessity to have affiliates abroad to conduct exporting and importing operations, access to natural and human resources) and it is pointed out that often Russian companies follow irregular patterns of internationalization, which is in line with the research of Driga & Dura (2009). Whereas usually companies expand abroad gradually by creating joint ventures or establishing contractual operations, many Russian companies (e.g. Gazprom) leapfrog several stages and follow different paths.

Outward expansion is crucial both for the companies themselves and the Russian economy as a whole (Vahtra & Liuhto, 2003). Corporations venture outwards because they rightly (according to Vahtra & Liuhto) believe that it is the most effective method of changing and adapting to global and regional challenges, based on the study of oil and banking sector in Russia.

Since large Russian multinationals have historically been an instrument of Russian foreign policy, today internationalization by them is often seen as politically motivated. At the same time, host countries welcome mostly those companies that are least regarded to have any connections with the Russian state. It also needs to be mentioned that often Russian companies act differently in different regions, so for our work it will be important to understand whether there is any political motives behind this or that company's decision to enter foreign markets, CEE region, in particular.

As far as the CEE region is concerned, different authors mention Gazprom (present in almost all the Southeast Europe), Lukoil (with large operations all over CEE) and OMZ (mostly, Romania) as one of the most active in the CEE region. They suppose that Gazprom's actions are always seen as politically-tied because of its close affiliation with the Russian state, whereas Lukoil and OMZ are seen as less so. Nevertheless, it is necessary to point out that the scale of presence in a country may also play a role in the perception, as local players struggle with Gazprom's dominance whereas Lukoil and OMZ are relatively small on these markets (Weiner, 2017).

Therefore, some authors state that internationalization of Russian multinational firms is at least partly stipulated by Russia's drive to regain global economic power (Driga & Dura, 2011).

They notice the growing amount of Russian outward investment in the 2000-s and draw readers' attention to the geographic breakdown of Russian FDIs. First of all, sometimes Russian FDI go to places that are not popular global FDI destinations, such as Serbia, Bulgaria, Montenegro, which means that the motives of Russian companies for internationalization are slightly different from those of other countries' companies. Besides that, it is not a rare occasion that several countries appear among the leading hosts for Russian FDI due to the activities of just one company (Surgutneftegaz in Hungary, Zarubezhneft in Bosnia and Herzegovina).

Russian companies that are operating in the sphere of natural resources (oil, gas, metallurgy) are spearheading the internationalization efforts of Russian multinational corporations. The reason this conclusion is made is because Russian companies are key players in Eastern Europe, but only as far as resource-based industries are concerned.

In yet another article by Dura & Driga the authors recognize the growing global clout of Russian multinational corporations and note their transformation from regional dominance to leading global positions. What is even more important, in this article Dura & Driga draw some common features of Russian globalized multinationals, such as their tendency to invest primarily in the neighboring countries (mainly, CIS, Eastern and Southeast Europe), their mode of entry and their managerial style. As far as the latter is concerned, the authors make interesting conclusions about the origins of unique managerial style in Russian companies that they tend to convey as they expand abroad. They link it to Soviet path and abrupt transformation from planned economy to a market one. By doing this, they give us an answer to the nature of managerial culture of Russian companies, which plays an important role in entry mode choice, as confirmed by previous research (Levary & Wan, 1999).

We also studied some more modern research as regards the behavior of Russian multinationals abroad with the focus on the CEE. It turns out that the findings we just described still hold for today (Weiner, 2017). Several things have to be noted, however. The author points out that sanctions have considerably altered the perception of Russian internationalization efforts in Europe. This was manifested not only in increased restrictions for Russian businesses, but also, in general, harsher feelings towards Russian companies' trying to do business in this region. There is also growing research as regards the positive and negative push and pull factors of Russian multinationals to venture abroad. For example, it is noted that as the foreign environment is becoming ever more hostile towards Russian OFDI, the Russian government is increasing its open and overt support for both state-owned and big private corporations, through mainly tax breaks (Weiner, 2017).

The understanding of how governments in emerging markets influence the internationalization of multinational corporations and what is the scale of this influence in Russia, in particular, is particularly important for our paper.

All kinds of political influence can be segmented in four parts depending on the level of interest of the Russian state in this industry or a company: high interest with the form of direct incentives (subsidies, supervision of nationwide projects), low interest leading to legislation, simplifying procedures and cutting red tape, high government control characterized by direct incentives and direct legislative interference (decrees, regulation of prices and tariffs, etc.) and low control characterized by selective preferences in licenses and tenders, etc. (Panibratov, 2016).

It is noted that many Russian multinationals do not strive to achieve sustainable competitive advantage due to extensive government support that orders them when to internationalize and when to concentrate on the domestic market. Because of easy access to cheap capital these companies often fail to modernize and implement innovative practices.

At the same time, Russian companies that do not get state support find themselves at a disadvantage and, thus, find it harder to remain competitive in the global markets. Nevertheless, this very fact stimulates them to work on creating a competitive advantage.

Moreover, sanctions, which have become a long-term phenomenon, will play a crucial role in determining the future vector of government involvement with possibly more privatizations. This is especially true taking into account the fact that the majority of the companies hit by Western sanctions are those companies that are most active in their internationalization efforts (Panibratov, 2016).

It is also important to be aware of such term as the liability of foreignness that weighs especially heavily on Russian MNCs. The sources of this liability of foreignness mostly stem from the mode of internationalization and degree of state control over a company. Using these two metrics we can compare the degree of obstacles that Russian companies can face, for example, Rosneft and Gazprom are two most 'problematic' companies in this respect.

The reason this research is valuable for our work is that it is important to take into account the phenomenon of liability of foreignness when analyzing entry strategies of Russian companies in the CEE region; moreover, it is crucial to understand what companies bear this liability the most, as it can significantly influence their mode of entry and post-entry strategy.

The difference between the nature of Russian companies is also important to take into account as some companies are directly owned by the Russian government (e.g. Rosneft and Gazprom), while others are influenced by the Russian state in a more indirect way (e.g. Sberbank and Lukoil) (Weiner, 2017). Therefore, political considerations inside these companies could be different as ownership is bound to play a major role in internationalization decisions.

There is clear evidence that state-owned firms in Russia prefer to export abroad, rather than invest abroad. This is most probably linked to host country concerns and considerations (Sawant et al., 2017). Furthermore, it is important to distinguish between the companies that are operating in natural-resources industries, and the ones which are not (although all the largest ones can be classified in the first category). There are findings that prove that if a company belongs to natural-resources sectors and has political connections (high degree of state control), the effects on higher export volumes are increased (Sawant, et al., 2018).

Internationalization does bring tangible benefits in terms of rising labor productivity and improved profitability for Russian multinationals. (Vaatanen et al., 2014) However, the effects on profits tend to manifest themselves gradually; these effects are not visible in the early stages after entry, which differentiates Russian MNCs from many Western counterparts. This fact is important to bear in mind because it is a peculiarity of Russian MNCs and it is important to not attribute internationalization efforts of some companies due to political factors because there were no immediate effect on profits, it could be that they would manifest later.

Some of the recent research also suggests that the political capital that firms have influences the mode of internationalization and manifests itself across the geographies. Political capital can be segmented into relational political capital and knowledge political capital, with the latter meaning having connection to important political actors who can be of assistance, and the former representing the firm's own findings and expertise, as well as experience in dealing and operating in foreign markets. Importantly, it turns out that the more knowledge a company has a about foreign markets, the more likely it is to use FDI and diminish its exports in this regions (Sawant et al., 2017).

The major consideration that all the authors draw special attention to is whether the aim of internationalization of Russian multinational companies in the world, CEE region included, is commercial or strategic, or the combination of both; and if it is the combination, then what is the share of consideration given to the commercial aspect, and the share given to the strategic aspect of expanding Russian influence (Jirusek & Vicek, 2015). Historically big Russian companies have played a dual role. Not only did they produce goods and satisfied consumer needs, but they

also were the source of hard currency and were a leverage for maintaining the order in the socialist bloc. They could pressure foreign governments into accepting political decisions by abusing their monopolistic power. Despite the change of the economic model, the people in charge of these enterprises have mostly stayed the same, or appointed by the Russian political elite, so it is logical to assume that the considerations when taking the decision to internationalize would remain focused not solely on commercial interests of the firm.

The clear differential between Russian MNCs and their American and European counterparts with regards to behavior in Central and Eastern European markets is that the latter ones tend to use methods to win tenders that are not considered to be fair. For example, they provide discounts, offer prices that are lower than the market ones, subsidize financing of different infrastructure projects, waive certain provisions of contractual agreements that are deemed indispensable by Western firms, and overall offer broad financial and economic benefits associated with closer ties with Russia. Another reason for such strong dependence on the Russian exports is connected with the existence of well-developed transportation infrastructure between former Socialist bloc countries. This infrastructure includes mostly pipelines and servicing facilities.

Consequently, having analyzed the existing literature on the reasons of internationalization of Russian MNCs in CEE and globally we can make several conclusions. First of all, Russian MNCs' venturing abroad is always viewed with at least some degree of skepticism as there are reasons to suggest that they may pursue not solely commercial interests. Secondly, Russian MNCs are different in the amount of resources they possess, in the amount of state control and the burden of liability of foreignness. Thirdly, all authors attribute at least a part of their research when talking about internationalization of Russian MNCs to the political factor.

The former point is extremely important for our research. As we saw in the literature, there are a great many factors that could play a part in a company's decision to internationalize. So, it is telling to see that all internationalization cases involve at least a small share of influence of political factor. This is a major fact that we noticed with regard to Russian MNCs. Therefore, political relationships between Russia as a state and the countries that Russian companies are venturing into are important because they seem to play a role in the entry mode choice.

Research Gap

Having studied the existing literature, we can say that many papers have been written on the modes of internationalization and what drives it, however, we see that some regions have

been overlooked, which is a case in point with Central and Eastern Europe, especially when we look at the research in the activity of Russian MNCs in this region. This lack of research could be due to the fact that in many cases companies do not share their export and FDI figures to a particular region or to the fact that CEE region is considered small and unattractive. This fact gives us a unique opportunity to analyze the behavior of Russian companies in the CEE region using the macroeconomic data because the majority of investment and export from Russia to this region is coming from Russian multinational corporations.

We can observe that some Russian companies primarily export to the Central and Eastern European market, while some companies also input significant amount of FDI in the region. Why this is happening is important to understand and it is a focus of research of many papers that we studied. From existing research we saw that political factors are bound to play a role in a decision of entry mode choice by Russian MNCs (Liuhto, 2006).

While there is a lot of research globally into how economic factors influence companies' rationale of venturing abroad and how politics can play a part in MNCs' considerations to internationalize, the research of how exactly political relations shape FDI and export by Russian companies is limited to qualitative assessments and case studies. Therefore, we see a gap in research in the area of how exactly political relations shape the volume and FDI of Russian companies in the CEE region. Moreover, if there is a clear link between political relations and the volume of export and FDI, we would like to understand whether political relationships between Russia and CEE countries affect export or FDI more, because as we saw from previous research different entry mode choices may be related to different sets of factors (Weiner, 2017). There is equivalent research when it comes to economic factors – whether some economic factors are more related to exporting vs FDI, but the political relations' different influence on FDI and export for CEE when it comes to Russian companies is yet to be explored.

Therefore, this research would close the gap in the entry mode choice theory when it comes to quantitative assessment of political relations' influence on FDI and export in the context of both home and host countries being emerging economies. This is important to understand because several authors mentioned that institutions (including political ones) are extremely important in emerging markets' companies, so by discovering this connection we would foster the understanding of whether and how political institutions affect FDI and export in emerging economies.

Summarizing the first chapter of this thesis, we need to state the major finding and theoretical frameworks that we managed to observe. There is growing research in the sphere of

internationalization of corporations and their entry mode choice. There are some fundamental theories but more and more relevant and up-to-date finding are made on the basis of these theories, especially regarding the stages of internationalization and what lies behind certain patterns of behavior at different internationalization stages. Also, despite great amount of research in the sphere of entry mode choice, there are still unexplained phenomena in why firms choose different share of FDI and export.

Having studied the literature in Russian companies' internationalization in the CEE regions, we found that different factors may play a role of varying degree depending on the size of the firm, its ownership, the internationalization pattern, etc. However, all authors mention political factors as definitely influencing internationalization.

Political factors are also non-uniform in their essence because they have many aspects such internal political reason and external political influence. We resume that there are studies classifying firms according to different degrees of state control, according to the industry they operate in. Lastly, we discovered that there are already existing methods of research the political factors' influence on FDI and export, both qualitative and quantitative. The majority of the methods deal with a particular set of countries and companies with a focus on a particular industry or region. We also find that regression analysis is one of the mostly used methods for research in this sphere.

CHAPTER 2. RESEARCH DESIGN

Research Problem

Therefore, there are two research questions that we would like to answer:

a) How political relations between host and home country shape the amount of export and FDI over time (from entry until now)?

b) Whether and to which extent political relations between Russia and CEE region influence FDI volumes more (or less) than export volumes?

To answer these questions we will need to analyze the following areas:

- How did Russian companies enter this market previously and whether this entry was successful
- What were the level of political connections at the time of entry and whether two given countries' relations were in a bad or good state
- What could be the reason for success or failure of some Russian companies' undertakings in the Eastern European market

Methodology and data

In order to conduct the research we will employ both qualitative and quantitative methods of analysis. First of all, we will use case study method to gain understanding of the operations and entry of Russian multinational corporations in the Central and Eastern European region. For that we will study secondary data such as companies' reports, databases containing information on export and FDI activity and also databases containing the information on UN voting history records.

As far as the quantitative part of the research is concerned, pooled ordinary least squares regression and fixed effects model will be used to see whether the discrepancy in UN voting by the CEE countries has an impact on the mode of internationalization of Russian MNCs in the CEE region.

In statistics, a fixed-effects model is a statistical model that represents the quantities observed in the explanatory variables that are treated as if the quantities were non-random. This is in contrast to the random effects model and the mixed model in which all or some of the explanatory variables are treated as if they were derived from random causes. In panel data

analysis, the fixed-effect estimator (also known as the "within" estimator) is used to refer to an estimator for the coefficients in the regression model. If we assume fixed effects, we imply that the effects of time are independent for each entity that is possibly correlated with the regressors. This model serves to control unobservable heterogeneity, particularly when it is constant over time and is correlated with independent variables. This constant can be eliminated from the data through differentiation, for example, having a first difference with which the model components invariable over time will be eliminated.

We choose discrepancy in UN voting and as independent variables for regression modeling because they proved to be good indicators of the level of political connectedness and the level of bilateral relations between the countries. Since we want to measure the impact of political relations on the mode of entry, this variable seems to be ideal. The political distance is calculated by observing the differences in voting patterns of Russian and each one of the sixteen countries of the Central and Eastern Europe.

For dependent variables, we will have the data on FDI and export for each country for each year starting from the year 2000. All the variables described above are continuous scale variable, so we should not have any difficulties in using linear regressions and fixed effects model.

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	0,14	3,28	0,03	3,21	1,47	1,05	4,93	3,37	2,40	0,01	0,00	11,78	2,37	3,89	0,16
2008	0,18	4,78	0,13	7,25	0,95	1,79	9,15	4,54	7,90	0,06	0,09	20,19	4,17	6,47	0,31
2009	0,05	2,19	0,14	4,44	0,89	0,68	3,83	2,61	3,64	0,00	0,06	12,50	1,56	2,98	0,04
2010	0,05	3,30	0,32	3,50	1,54	0,91	5,13	2,26	5,54	0,02	0,03	14,22	1,75	3,49	0,12
2011	0,06	3,31	0,57	4,11	2,61	0,86	6,61	5,80	6,81	0,04	0,07	21,19	1,41	5,66	0,16
2012	0,09	4,23	0,55	3,45	3,47	0,36	5,90	3,87	8,24	0,02	0,03	19,75	1,83	5,10	0,17
2013	0,05	1,77	0,61	4,32	3,75	1,34	5,46	4,88	9,84	0,00	0,02	19,41	1,60	5,17	0,15
2014	0,08	1,31	0,49	3,54	3,50	1,52	4,85	3,64	12,49	0,06	0,03	15,76	1,37	4,33	0,34
2015	0,07	1,66	0,18	2,22	2,01	0,99	2,32	2,30	6,70	0,06	0,03	9,51	1,68	2,61	0,11
2016	0,06	2,32	0,06	2,69	2,04	0,58	2,65	2,51	4,84	0,05	0,02	9,10	1,85	2,50	0,18

Table 1. Export, mln USD (UNCTAD)

In the above table we can see the data for export variables that we will use as dependent variables. The data (table 1) was retrieved from UNCTAD statistics database, which is considered to be of the most trustworthy sources of statistics in the sphere of international trade. Since the region consists of fifteen countries that are very different in their geographic size and the size of the economy, it is natural that some of the countries' variable for the amount of Russian export in these countries will differ significantly.

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	0	336	233	-11	-5	112	-103	314	50			-335	-1		7
2008	0	441	254	319	29	75	542	57	166	0	173	-50	25	29	9
2009	0	231	92	32	109	9	1299	5	11	0	90	-94	-1	-3	21
2010	0	319	94	360	21	23	48	49	147	0	117	-2	196	11	3
2011	0	522	104	337	30	103	2724	66	328	1	160	30	96	19	10
2012	0	716	149	265	85	31	67	28	348	3	185	-2	-1	49	18
2013	1	554	78	340	120	71	155	46	568	1	173	73	101	32	29
2014	4	308	123	277	149	111	67	-66	513	3	187	31	-1	28	101
2015	0	48	15	24	64	19	12	3	-22	0	31	55	1	12	7
2016	0	12	38	56	27	24	9	15	151	14	60	20	0	0	18

Table 2. FDI, mln USD (Central Bank of Russia)

The other dependent variable is the amount of FDI Russian MNCs invest in each of the CEE countries. The data was retrieved from the databases of the Central Bank of Russia, which is an authoritative sources of statistics on Russian residents' operations abroad. From the data (table 2) we can see even greater deviations among the measures because the recipients of Russian FDI in CEE are different in the size of their economy and therefore the attractiveness of their economies of investment. We also see large deviations within each country, which can be attributed to the fact that some years were market with major investments, or divestments, on the contrary. Negative signs are also present due to divestments.

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	0,45	0,51	0,53	0,53	0,50	0,50	0,50	0,49	0,47	0,50	0,52	0,47	0,48	0,49	0,47
2008	0,55	0,53	0,49	0,55	0,54	0,52	0,54	0,54	0,53	0,53	0,53	0,55	0,53	0,53	0,53
2009	0,58	0,59	0,56	0,60	0,57	0,58	0,59	0,57	0,55	0,58	0,56	0,60	0,58	0,58	0,57
2010	0,48	0,54	0,51	0,52	0,53	0,49	0,48	0,52	0,52	0,48	0,50	0,54	0,52	0,50	0,52
2011	0,55	0,55	0,54	0,54	0,54	0,58	0,53	0,54	0,55	0,53	0,52	0,54	0,57	0,54	0,51
2012	0,63	0,64	0,64	0,61	0,59	0,62	0,59	0,59	0,59	0,64	0,61	0,60	0,60	0,60	0,61
2013	0,64	0,63	0,65	0,62	0,61	0,64	0,60	0,62	0,60	0,63	0,62	0,63	0,63	0,62	0,62
2014	0,64	0,68	0,65	0,67	0,62	0,62	0,67	0,65	0,62	0,81	0,67	0,65	0,65	0,64	0,65
2015	0,67	0,67	0,69	0,68	0,63	0,66	0,65	0,65	0,63	0,73	0,69	0,63	0,65	0,67	0,67
2016	0,71	0,70	0,70	0,67	0,66	0,68	0,67	0,67	0,64	1,27	0,68	0,64	0,67	0,66	0,67

Table 3. Political distance (UN voting records)

Our independent variable is the measure for political distance. It is retrieved from the UN voting records, which is a database of all the UN voting sessions in major UN bodies from 1946 until today. From the data (table 3) we can observe that all figures are relatively close to one another, with some measures moderately fluctuating within the ten-year period.

We also understand that solely political considerations cannot influence a company's decision to venture abroad by any of the modes, so we need to account for other reasons of entry and take them into account and insert into our model. In their famous work, Buckley et al. (2007) describe four distinct factors that play a role in a company's decision to internationalize. They are market-seeking FDI (size of the market), natural resource endowment (having access to scarce natural resources), asset-seeking FDI (acquiring information and technology), and efficiency-seeking FDI (higher productivity). In our work we agree with the findings of the above mentioned researchers and take these factors as control variables for our model, thus allowing the model more abilities to explain the FDI and export with political differences.

On the basis of the same paper we derive the variables that can be used to represent the above mentioned factors. Host country GDP is a good and possibly the best indicator of a country's market size, as it measures all the products and services consumed and produced in a country. For the factor of asset-seeking FDI we take the measure of research and development spending as a share of GDP as it generally shows us how much innovation and knowledge a country produces. Natural resource endowment can be measure by how much of this type of products a country exports, therefore we take the measure called the share of mineral and ore exports. Lastly, the measure of productivity and efficiency is the most tricky as it is a very broad and hard-to-quantify phenomenon influenced by many factors. However, we settle upon using the gross yearly salary of a country to measure this efficiency. We believe that in theory the growth of productivity in the economy will be associated with the growth of salaries.

Theoretical justification	Proxy	Expected sign	Type of variable	Data source
Political factor	Political distance	-	Independent	UN Voting Data
n/a	FDI from Russian to each country	n/a	Dependent	Central Bank of Russia, Central banks of CEE countries
n/a	Export from Russia to each country	n/a	Dependent	UNCTAD
Market-seeking	Host country GDP	+	Control	World Bank

Asset-seeking	Research and Development Spend as % of GDP	+	Control	World Bank
Resource-seeking	Share of mineral and ore exports	+	Control	World Bank
Efficiency gains-seeking	Gross yearly salary	+	Control	OECD, UNECE

Table 4. Variables used in research

The control variables were retrieved from authoritative sources, such as the World Bank database, OECD and UNECE statistical repositories. These data can be found in the appendix. It is necessary to state that, unlike the FDI variable, all the control variables seem normal, if accounted for the differences in the geographic size and the size of their economies.

The general model equation for our fixed effects regression is the following:

$$y_{it} = \alpha + x_{it}\beta_1 + \varepsilon_{it},$$

where y_{it} is the dependent variable observed for one country *i* at time *t;*

α is the unobserved time-invariant individual effect;

ε is the error term;

x_{it} is the regressor matrix;

β_1 is an independent parameter.

Or specifically for export:

$$LEXP = \alpha + Ldist\beta_1 + LGDP\beta_2 + LSAL\beta_3 + Lres\beta_4 + LRD\beta_5 + \varepsilon_{it},$$

where LEXP is a log-linearized variable for export;

Ldist is a log-linearized measure of political distance;

LGDP is a log-linearized variable for host country GDP;

LSAL is a log-linearized variable for annual salary;

Lres is a log-linearized value for share of mineral and ore exports in total export;

LRD is a log-linearized share of R&D spending in GDP.

And specifically for FDI:

LFDI = α + Ldistβ₁ + LGDPβ₂+ LSALβ₃+ Lresβ₄+ LRDβ₅ + ε_{it},

where LFDI is a log-linearized variable for FDI

       As in any linear regression, we will have to test whether the assumptions needed for conducting linear regression hold. These assumptions are heteroscedasticity, multivariate normality of data, absence of multicollinearity and lack of auto-correlations.

       Summarizing the second chapter, we need to state that, first of all, we managed to create a model that would holistically take into consideration major factors influencing internationalization and out main independent variable, political relationships. Secondly, we managed to find all the necessary data and variables for our research from the databases; we were able to justify the validity of these variables with the existing research, thus, proving that these variables can in fact act as control variables for our model.

CHAPTER 3. RESULTS OF DATA ANALYSIS

Data Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Distance	248	,36111	,81081	,5340289	,09629475
Export	247	2047,98	21194164,33	2609216,9251	3531316,51368
FDI	209	-1363,00	2724,00	79,7847	266,01559
GDP_host	247	3632043907,98	545075908846,00	767159027506,124	106754034058,66728
resources	247	1,07	37,86	6,4371	7,25365
RD_of_GDP	246	,00000	2,58000	,7653332	,51472548
Salary	241	1114,80	34965,00	15097,3029	8180,01893
Valid N (listwise)	201				

Table 5. Descriptive Statistics

Before doing regressions we conducted the descriptive statistics to better understand our data. In table 1 we see the minimums, maximums, means and standard deviations for all of our variables. It is worth noting that the number for GDP of a host country and export are large and have considerable standard deviation between them. This is explained by considerable differences among the CEE countries in terms of size of their economies. The indicator for political distance varies between 0,36 and 0,81, which is line with the meaning standing behind this indicator. It should not be below 0 or above 1, as it shows us how, on average, the countries' votes diverge or, on the contrary, were similar. The data on the amount of FDI has a relatively low standard deviation, especially when compared to export. The minimal measure is negative, which means that in some of the years the FDI was actually negative with Russia. The indicator for the country's endowment with resources fluctuates between 1% and 38%; this is quite a big difference; however, it is explained by the fact that some CEE countries' economies and exports are highly dependent on the extraction of mineral resources (e.g. Bosnia and Herzegovina), whereas other countries have considerably diversified their economy. There does not seem to be anything extraordinary about the data on the salary and research and development as per cent of GDP.

Because some of the variables are represented by number with a big number of digits, and some are just percentages, we want to transform our data. This will make our data look more

normal and allow us to work with these data. Therefore, we choose logarithmic transformation as the most suitable one for this purpose.

We also tested the data for homoscedasticity and normality, as these are key assumptions for running a linear regression. Homoscedasticity is a homogeneous variability in the values of observations, expressed in the relative stability, homogeneity of variance of the random error of the regression model. It is a mandatory precondition for applying the least squares method, which can only be used for homoscedastic observations. We tested it both graphically and using statistically significant tests. The results of the graphic analysis can be seen in figure 3. The histograms for both log-linearized export and log-linearized FDI resemble a normal distribution curve; the p-p plot illustrates us that the dots are centered on the diagonal, which also indicated heteroscedasticity. Lastly, on the scatterplots we see no apparent clusters of dots. The Lagrangian multiplier and Koenker test also confirmed these findings.
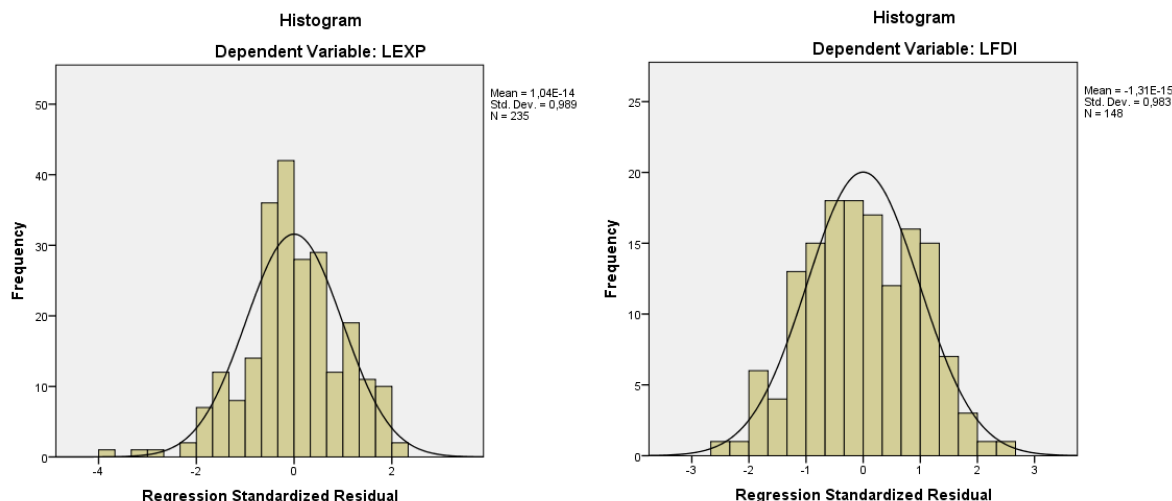

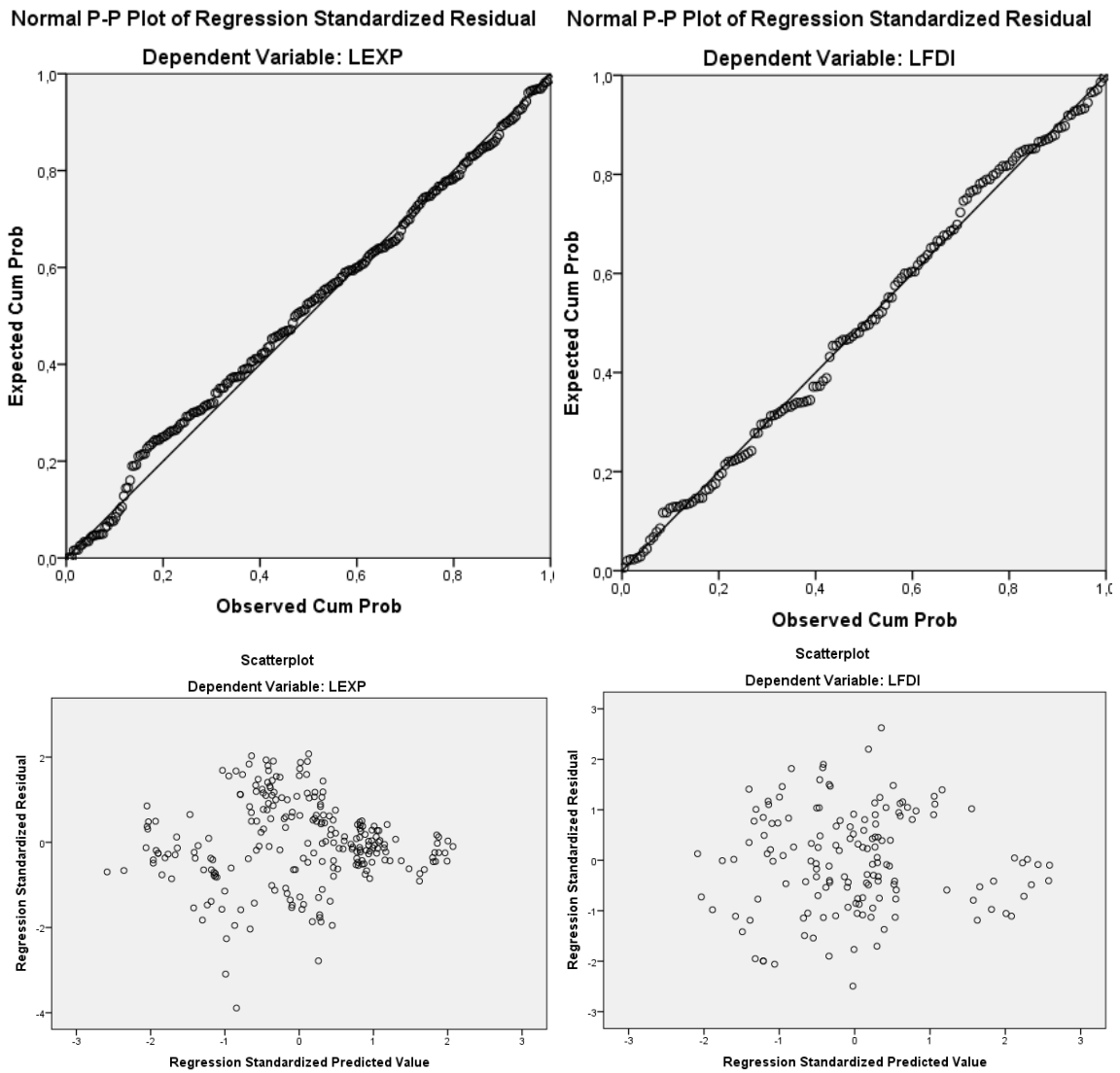*Figure 3. Frequency of distribution of dependent variables*

Figure 4. Heteroscedasticity indicators for dependent variables

Moreover, before running regressions we need to make sure that there is no multicollinearity between our independent variables. Multicollinearity is a phenomenon in which one predictor variable in a model with multiple regression can be linearly predicted in others with a significant degree of accuracy. In this situation, estimates of multiple regression coefficients may change with an error in response to small changes in the model or data. Multicollinearity does not ensure the predictive power or reliability of the model as a whole, at least in the sample data set; this only affects calculations with respect to individual predictors. That is, a multidimensional regression model with collinear predictors can indicate how well the entire beam of predictors predicts a variable result, but it cannot give reliable results about any particular predictor nor about which predictors are redundant with respect to others.

We used two methods to make sure there is no multicollinearity in our model. First of all, we examined Pearson correlation between all the independent variables that we use. It should be

worrying if a correlation coefficient exceeds 0,7 or -0,7. Looking at the table 3 we see that there is only one measure that is close to that (Research and Development as a share of GDP and the yearly gross salary. These two factors could indeed be connected as GDP growth contributes to changing salaries, however, since the coefficient does not exceed 0,7, we will still use both the parameters for our model.

		FDI	Distance	LSAL	Resource	RD_of_GDP	LGDPhst
Pearson Correlation	FDI	1,000	,070	,011	,076	,062	,048
	Distance	,070	1,000	-,141	,121	-,003	-,042
	LSAL	,011	-,141	1,000	-,399	,691	,474
	resources	,076	,121	-,399	1,000	-,360	-,474
	RD_of_GDP	,062	-,003	,691	-,360	1,000	,340
	LGDPhst	,048	-,042	,474	-,474	,340	1,000
Sig. (1-tailed)	FDI	.	,163	,437	,141	,190	,252
	Distance	,163	.	,023	,043	,483	,275
	LSAL	,437	,023	.	,000	,000	,000
	resources	,141	,043	,000	.	,000	,000
	RD_of_GDP	,190	,483	,000	,000	.	,000
	LGDPhst	,252	,275	,000	,000	,000	.
N	FDI	201	201	201	201	201	201
	Distance	201	201	201	201	201	201
	LSAL	201	201	201	201	201	201
	resources	201	201	201	201	201	201
	RD_of_GDP	201	201	201	201	201	201
	LGDPhst	201	201	201	201	201	201

Table 6. Correlations

Multicollinearity is the presence of a linear relationship between the explanatory variables (factors) of the regression model. There is such a phenomenon as complete collinearity, which means the presence of functional (identical) linear dependence and partial or simply multicollinearity - the presence of a strong correlation between the factors.

Full or partial collinearity leads to uncertainty in the parameters in the linear regression model, regardless of the estimation methods. Another way to check multicollinearity is by looking at variance inflation factors. These generally should not be higher than 3. Our data meets this criterion. (table 7)

		Collinearity Statistics				Collinearity Statistics	
Model		Tolerance	VIF	Model		Tolerance	VIF
1	LSAL	,469	2,134	1	LSAL	,518	1,930
	resources	,758	1,319		resources	,824	1,214
	RD_of_GDP	,522	1,915		RD_of_GDP	,514	1,945
	LGDPhst	,671	1,490		Distance	,963	1,038

Table 7. Multicollinearity diagnostics

Export and FDI dependence on political factors

The fixed effects model for export produced significant results. Whenever there is a p-value (the value in brackets) falls below 0,05 the results can be considered to be significant. In the table below (table 8) we can see that the measure for p-value for pooled ordinary least squares model (POLS) for export variables (LEXP) is 0,000, indicating the high value for significance; likewise, the p-value for fixed effects model is 0,000. We would underline that fixed effects model is a much more precise fit for our research because it takes into considerations the fact that all the measures are not taken at random moments, but are fixed time-wise.

	POLS	Fixed effects
FDI	0,4685 (0,439)	0,839 (0,775)
Export	0,3203 (0,000)	0,317 (0,000)

Table 8. Aggregated results for POLS and fixed effects model

In the fixed effects model for the LEXP (log-linearized variable for export) we can observe that the corrected model, the intercept, the value for log-linearized share of ore and mineral as a share of total exports, host country GDP and political distance are significant. Therefore, we can conclude that the whole model is valid for political distance influence on export. The F-value shows us by how much the model is improved if we include all the variables in comparison to if we only had the intercept. The R-squared measure for this model is 0,82, which means that this model (all the variables in it) should explain 82% of variance in the dependent variables. This can be perceived as rather a high number, but we need to understand that some of the variables proved to be insignificant, so the measure for R-squared is probably lower.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	707,814[a]	126	5,618	0,317	,000
Intercept	13,926	1	13,926	9,387	,003
LSAL	,052	1	,052	,035	,852
LRDGDP	,011	1	,011	,008	,931
Lres	10,582	1	10,582	7,133	,009
LGDPhst	127,654	1	127,654	86,048	,000
Distance	175,853	122	1,441	,972	,045
Error	155,770	105	1,484		
Total	44412,430	232			
Corrected Total	863,583	231			

a. R Squared = ,820 (Adjusted R Squared = ,603)

Table 9. Between-subjects effect of fixed effects for export variable

In the fixed effects model for the LFDI (log-linearized variable for foreign direct investment) we can observe that all the model, as well as the stand-alone variables are insignificant, since their p-value is well above the 0,05 level.

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	212,154[a]	89	2,384	,839	,775
Intercept	6,658	1	6,658	2,343	,131
LSAL	1,951	1	1,951	,687	,411
LRDGDP	1,616	1	1,616	,569	,454
Lres	5,747	1	5,747	2,023	,160
LGDPhst	11,458	1	11,458	4,033	,049
Distance	172,937	85	2,035	,716	,921
Error	164,799	58	2,841		
Total	2462,446	148			
Corrected Total	376,953	147			

a. R Squared = ,563 (Adjusted R Squared = -,108)

Table 11. Between-subjects effect of fixed model for FDI variable

After having conducted the analysis, we got uniform results for both export and FDI variables. It turned out that political distance, when accounted for the control variables, significantly influences export variables. This was confirmed by both types of regressions, pooled ordinary least squares (POLS) and fixed effects (table 6). However, we could not prove

any significant relationship between foreign direct investment and political distance. This fact was also proven by both types of regressions. It is also necessary to mention that in the export model the control variables that turned out significant were resource endowment and host country GDP. In the FDI model none of the control variables were significant rendering the whole model insignificant as well.

So, for the overall model we can conclude that political factors do influence a company's decision to internationalize using export type of entry; when companies decide to use FDI mode political factors (or at least political distance) cannot explain it on the 2000-2016 CEE sample.

We can suggest multiple reasons why it happens this way. First of all, CEE region is quite small and relatively unstable, and not too many companies choose to put FDI there; therefore we could not spot any clear pattern among companies that invest in CEE markets. This problem translates into the problem with the data on FDI which seems to fluctuate too much. Since overall the amount of FDI is not great, even a relatively small merger or acquisition, or investment leads to a spike in the data, which influences the data greatly, while the investment itself does not necessarily have to be significant enough to be dependent on political relationships. Moreover, a lot of companies operating in the Central and Eastern European markets operate there via foreign subsidiaries and affiliates, such as Cypriot, German, Austrian companies (Weiner, 2017). Consequently, even if some major investments from de-facto Russian companies occur in the region, they are not counted as "Russian", but rather pertaining to the host country of that affiliate. And again, since the market is quite small, these investments by de-facto Russian but de-jure international companies could render our model for FDI insignificant.

On the contrary, the situation with exporting is different. Since we know for sure where the goods are coming from we can correctly assign this value to a particular country. And it turns out that the more distant the political distance is, the more likely Russian companies are to export to the Eastern European market. This is contrary to what we expected to get from the model, because it would seem more intuitive for exports to rise when political relationships are on a good level, or are improving.

Furthermore, another reason why political distance significantly influences exporting and not FDI could lie in the fact that the volume of export is something that a company can manipulate. It can decrease or increase it by offering price discounts or other benefits. Taking into account the fact that the majority of Russian exports in CEE are mineral resources and oil, these products can be manipulated into slightly higher or lower quantities depending on the price

and other conditions, since it is a very vibrant market. Mohr & Batsakis (2017) mentioned it in their research when contemplating how lowly diversified mineral exporting companies can play on the spot market. On the contrary, a company cannot easily manipulate its amount of FDI in a country. If it already invested money, it might be cumbersome to divest from there because of legal and reputational challenges. To add to that, FDI amounts are not as easily manipulated by a company because FDI usually comes in large unbreakable amounts. For example, when a company decides to acquire some asset or invest in some innovation abroad, it involves some concrete sum of money that is unlikely to fluctuate over time. Whatever happens to political relationships, it is hard for a company to "slightly" divest, or "slightly" decrease its level of commitment.

Discussion

Now we should explain why political distance positively, contrary to the expected negative sign, affects the volumes of export. Two reasons could give a clear explanation to this fact.

First of all, as large multinational companies are often seen as acting with at least some influence of the Russian state, it is possible that by increasing the volume of export in times of deteriorating political relationships, these companies want to have more leverage on a given country in the CEE, to force it to act in a more friendly way or drop some practices that are considered anti-Russian (Jirusek & Vicek, 2015). This can be achieved by showing to political elites of a state and corporate leaders that the amount of export going to the region is so great that these companies need to admit their dependence on a particular product and not risk losing it. This conclusion would be in line with the research of the characteristic behavior of Russian MNCs that act not solely out of commercial interest, but also pursue long-term strategic goals for the Russian state.

This is a very important finding and it needs to be considered within the developments of networks theory, and business networks, in particular. In order to achieve the above-mentioned maneuvers companies, including Russian MNCs, need to possess a wide range of connections, both political and corporate, in host countries to be able to switch from one client to another for the threat to be credible. Without these networks, the process might take too long. Therefore, our research complements that of Chandra & Wilkinson (2017) who claim that complex business networks can be used for a variety of purposes. We provide a vivid empirical example of how such networks can be employed to alter export volumes.

The example of the above-mentioned practices could be some actions of Gazprom. For example, in 2007, during political turmoil in Russian-Lithuanian relations, Gazprom actually increased its natural gas exports to the country, just as the Russian government was undisguisedly making statements about the dependence of Lithuania on Russian gas import, implying that Lithuania should stop criticizing Russian foreign politics or risk its energy security (Jirusek & Vicek, 2015).

Before moving on to discussing the next point, we need to say a few words about the role of the Russian state in the Russian economy, as the above-mentioned findings require a broader context to be able to explain them, to grasp the idea how big Russian corporations are inseparable from the Russian political mechanism.

At the stage of the formation of a market economy in the transition period, which all the CEE countries were undergoing in late 1980s and 1990s, the role of the state as a regulator of economic processes increases. In the transition period without the active participation of the state, it is impossible to successfully create a new system of property relations and various types of entrepreneurship inherent in a mixed economy, the formation of a financial (including stock) market, labor market and market infrastructure is impossible without a firm hand of the state. The necessity of creating market institutions coupled with traditionally socialist institutions created the ground for extremely strong role of the Russian government in the corporate world.

Currently, state participation in the activities of the company has two forms. On the one hand, the state provides subsidies to the private sector, tax exemptions, creates incentives for certain sectors to grow and become more competitive. On the other hand, the state has a stake in the capital of many companies from different industries, especially natural-resources export-oriented companies. The second form is very attractive and lucrative for many rent-seekers because it further entrenches the role of the state in the economy and allows for, often illegal, acquiring money by different beneficiaries.

Russian state is rapidly increasing its presence in the economy. The contribution of the state and state-owned companies in GDP grew to 70% in 2015 from 35% in 2005, according to Russian Federal Anti-Monopoly Service. The number of state and municipal unitary enterprises has tripled in three years: they are still being created in markets with developed competition, where the use of administrative resources and budgetary financing is a serious threat. At the same time, the number of regional and municipal unitary enterprises has sharply increased - they are the main enemies of competition in local markets (Bulatova & Abelguzin, 2015).

Accordingly, when the state has big stake and managerial position in big companies, it is bound to exert influence on the corporate decisions and tilt them towards what is important for the state rather than for the commercial interest of a company. This analysis supports our first main conclusion.

Secondly, it is possible that improving political relationship reorient part of the export towards FDI, and therefore lead to decreasing export volumes. It would seem logical because that is exactly what we saw in the case of Gazprom in Serbia after the purchase of NIS company. This significant FDI investment led to a great decrease in the amount of oil & gas export of Gazprom to Serbia because NIS, now a part of Gazprom, but domiciled in Serbia, is the actual seller now. Unfortunately, for the above mentioned reasons our regression for FDI did not produce significant results, so we cannot claim it for sure, yet some of the cases point in this direction.

To provide more ground for the above-mentioned conclusion, we can state research that does find unidirectional causality between exports and FDI (Mahmoodi, 2011). However, the author concedes that the relationship between FDI and export is too complex to be described and explained solely by the economic factors which were taken into account.

Moreover, from the studied literature (Bouras & Raggad, 2015) we can claim that in this particular case the effect of substitution of export with FDI could be attributed to the fact that some Russian companies (e.g. Gazprom) have acquired some necessary amount of knowledge and expertise in the Eastern European market and created necessary framework (Chandra & Wilkinson, 2017), which allows them to use the favorable time of improving political relations to increase their level of commitment to a region or country. Similarly, this finding is in line with Conconi (2016) and Sawant et al. (2017) who maintain that FDI is most frequently preceded with export, with the former substituting the latter.

Thirdly, it could be that deterioration or improvement of relations with CEE countries is usually accompanied by similar tendencies in other regions, e.g. Belarus and Ukraine, Western Europe, Middle East and Central Asia. It means that even though the political distance between Russia and CEE is decreasing (i.e. relations are improving), this very measure can go in the same direction for other regions where Russian MNCs are exporting. So, taking into account the ease of redirecting export, Russian MNCs could actually increase their volumes of export to places where political relations are improving with a greater measure and with bigger intensity that in the CEE. Thus, it is definitely a limitation of our research that we focused solely on Central and Eastern European countries, because by overlooking other adjacent reasons, we might have

missed out on some important finding and dependencies that are not visible on a sample of the CEE states.

This can also be proven with an example. In 2010-2012, when the relations with the West and CEE regions seemed to be improving, Russian mining companies were actively increasing their exports to Western European countries (namely, the Netherlands and Germany) who were buying the goods for slightly higher prices; the volumes to CEE dropped a little because they did not have urgent need for the product and were not ready to buy so much for higher prices (Jirusek & Vicek, 2015).

It is also important to dwell upon the fact that resource endowment and host country GDP turned out significant, whereas R&D as a share of GDP and gross salary measures did not.

Host country GDP is quite easy to explain and this measure usually turns significant in similar studies of export and trade relations (Kurtovic et al., 2014). It is most probably due to the fact that expanding economy increases a country's demand for resources and allows its firms to buy more as they have more money because of expanding economy. The causal relation of these two variables has been proven many times and seems very intuitive.

As far as resource endowment variable is concerned with regard to export, the explanation is more problematic. According to our model, larger measure for resource endowment is significantly and positively related to larger volumes of export. The explanation that we can provide based on the studied literature consists in the fact that countries with bigger resource endowment are more likely to have plants that process different natural minerals (e.g. plants that produce aluminum products out of pure aluminum, etc.) because vertical integration creates additional value for the economy and the country as a whole. Therefore, it could be the case that these countries export mineral resources for their own factories that process different ores and minerals. A study of the Balkan metal production mills shows that a lot of them have more production capacity than actually extracted on the territory of those countries, which forces them to export raw materials from other states, Russia being one of them (Jirusek & Vicek, 2015).

To add to that, resource endowment could be significant because deterioration of political relations could correspond with deteriorating economic situation in Russia, leading it to increase its outward exporting activity to compensate for domestic losses due to falling demand (Carneiro, 2018). If this is true, it could help explain emerging markets' natural-resources focused companies' behavior in times of the economic crisis that Carneiro was analyzing. We could thus prove that this particular type of internationalization mostly concerns export mode.

The fact that R&D as a share of GDP turned out non-significant most probably confirms the fact that the majority of Russian MNCs' exports consist of mineral resources and are not related to the knowledge intensity level of a country (Vaatanen et al., 2009). Similar explanation can be given with regards to gross salary variable. The nature of Russian exports is that the products imported are not usually related to high-tech industries or innovation activities.

The theoretical significance of our research consists in several important points. First of all, we managed to incorporate political relations (through political distance) in a model with mostly economic control variables that can predict export volumes (and, possibly in other regions, FDI volumes). This model fits in nicely with other models that are devoted to explaining how political factors stipulate export and FDI, e.g. model of uncertainty of Kulkarni (2001) and multi-factor model of Gorecka & Szalucka (2016). The significance of our model lies in the fact that it helps to quantify the political and economic factors that influence export. Moreover, it potentially allows to quantify the different impact of factors on export versus FDI volumes, which adds to the existing models.

Secondly, our findings give theoretical justification to some of the actions of Russian MNCs that were described in literature (e.g. Vahtra & Liuhto, 2006; Jirusek & Visek, 2015). In their work they were describing Russian global multinationals (mainly, Gazprom and Rosatom) taking some steps that could not be justified, such as decreasing exports in time of good political relations. Our research and findings helps and puts these facts into a framework that can be quantitatively described and justified based on common behavioral patterns of Russian MNCs. Thus, our research adds to the understanding of behavior of emerging markets' multinational corporations, reaffirming that their actions are tied to political processes of a home country.

However, it is also important to list three major limitations of our research. First, the sample of CEE region is a good fit for research due to its size and relatively small differences within the countries, but, as we mentioned above, it would be interesting to see similar results for Western Europe or globally. Secondly, our research explain the volumes of export, but does not answer the question of when companies choose exporting, and when they prefer to combine export with FDI; in order to answer this question, it is necessary to collect more microdata from companies, which might be hard taking into account the fact that it is not obligatory to share FDI volumes by direction even for listed companies. Thirdly, FDI volumes remain unexplained by our model, so there could be more suitable control variables or better measures of political relations.

Managerial implications

As far as practical implications are concerned, we believe three major things can be learnt from this research. First of all, it is known that many managers in strategic departments struggle to make forecasts for the future as regards the political situation on foreign markets; it is a hard task taking into account that it requires a lot of expertise and background knowledge to delve deep into the political relations between the host and home country. Our model, however, allows these managers to study the trends of political relations based on a simple measure of political distance; this measure is very easy to calculate and it is available in public sources. Therefore, when justifying future focus or, on the contrary, shift of focus from one country to another managers can make use of political distance value that functions well as independent variable.

Secondly, for companies with limited capacities in terms of production and manufacturing, an important strategic decision has to be taken about what markets to concentrate on. This decision is easier to make when the choice is between geographically distant markets, or markets with significantly different levels of development and consumption of a particular product. However, this decision is much harder when one has to deal with a set of countries located relatively close to each other, similar in their level of development and market size. Consequently, our model demonstrates them the strategy and general pattern of major Russian MNCs by simply observing the pattern of voting divergence in the UN bodies.

Thirdly, understanding the link between political relationships and the volume of export can give companies important information when conducting competitors' analysis. Russian MNCs are competing for the market share in the Eastern European region and, as it was pointed out in many papers, have varying degree of formal and informal state influence. Bearing in mind our model and tracking the level of political relationships, companies with a smaller degree of state control can better anticipate the behavior of those companies that will be used to leverage their market power for political reasons.

Summarizing the practical implications, it has to be said that managers of Russian companies and policymakers in the CEE are shown the complexity of factors that influence the decision of entry mode choice and allocation of resources. These findings are also useful for those managers who are planning to work in Russia or CEE, or themselves come from emerging, possibly post-communist economies, where the institutional frameworks of doing business and corporate ethics are somewhat similar.

In the third chapter the main findings and the results of the model were presented and analyzed.

First, we provided the description of the data that we were working with. We found it important because the model itself is one of the main outcomes of our research, therefore, it is critical that all the variables can be used for the above-mentioned method. We thoroughly describe all the statistics that need to be conducted prior to the research itself for the model to yield significant results.

After that, we provided the most important outputs of the pooled ordinary least squares and fixed effects regression model for a reader to easily navigate in our findings. Based on the findings, we concluded that political relations between Russia and the CEE region's countries significantly influence export volumes, while they cannot predict the FDI volumes. We then give potential reasons of why the model for FDI did not work.

Further, we give a detailed description of the findings for each of the variables, both independent and control ones. We tie the results of our model to existing literature in the sphere of internationalization and political factors' influence on entry mode choice. We confirm several prior findings that export can probably be used by big Russian multinationals as a tool for exerting political influence on host countries' governments mainly due to ease of manipulating export volumes.

We also posit that FDI volumes can act as a substitute for exports in times of improving political relations as measured by political distance. This sounds very intuitive and is proven by some research. At the same time, from other research we see that the share between FDI and export and this share's transformations needs to be studies more thoroughly as it is more complex that it seems.

We then proceeded with analyzing the effects the control variables had on our model and what these effects could be attributed to. It turned out that host country GDP and mineral resources endowment significantly determine the volumes of export.

At the end of the third chapter we conclude with the analysis of theoretical contribution of this paper, managerial implications, limitations of the research and further direction of research.

CONCLUSION

This paper is one of the first attempts to explain the behavior of export and FDI of Russian multinational corporations in the region of Central and Eastern Europe. Our motivation was to test to which extent political relations and political institutions as a whole determine emerging countries' companies' behavior on foreign markets. We had two research questions: a) How political relations between host and home country shape the amount of export and FDI over time (from entry until now)?; b) Whether and to which extent political relations between Russia and CEE region influence FDI volumes more (or less) than export volumes?

We developed a model that draws on the body of theory created before, but allows for testing of new hypotheses such as what is the share of political and economic factors when it comes to explaining the volumes of export. This is done using publicly available macroeconomic data and data on the voting in the United Nations and employing a range of main and control variables. It is clear advantage of our research that this model can be replicated in other regions and with different host and home countries because all the variable can be easily found in publicly available databases.

In terms of our main variables, we find an unconventional and counterintuitive result for political distance's influence on export. We infer from the existing literature that the institutional environment could have strongly shaped the volumes of Russian MNCs' exports, leading to significant increases in the amount of exports when political distance increases. This suggests that Russian firms do not perceive or behave towards risk in a similar way to Western or non-emerging industrialized countries' companies. In accordance to existing research, we can attribute it to the ease of redirecting export volumes to more attractive locations and to desire to commit more resources to riskier modes of entry (such as FDI) in times of good relations.

Therefore, we answer our first research question; however, we also acknowledge that the CEE region is very specific in terms of its relationships with Russian firms, therefore, we believe that we received a correct answer for the CEE region, although further research needs to be made in order to generalize these findings for all geographies. By answering this question we close the gap in existing research with regards to Russian companies's export vs FDI internationalization choice in the CEE, and thereby help explain how Russian MNCs' decision-making is affected by political events and international relations developments.

Unfortunately, we cannot compare the influence of political relations on export and FDI due to insignificant results of our model on FDI, however, we propose a model that could prove

significant on other regions, where Russian MNCs' behavior is less chaotic and follows a more regular pattern.

We also find that host country GDP and resource endowment significantly impacts the volumes of export, with the latter finding being very challenging to explain, but we can attribute it to the increased demand for raw materials for processing plants in countries with higher ore and mineral exports. Also, this finding could be a proof of Russian companies' desire to increase exports in new regions due to lack of demand on the main markets.

Our study of Russian outward FDI and export offers the opportunity to examine how a country with distinctive home country institutions fits into the pattern of institution-based theory of internationalization. Russian firms that deal with the counterparts from CEE may expect to deal with somewhat similar institutions because of common history of communist institutions and administrative economy, however some of the CEE countries' institutions came to closely resemble those of the Western states, and some still are far behind in their development. With further development of formal and informal institutions both in Russia and lagging countries of the CEE, some changes in the patterns of exporting and investing can be envisaged, contingent upon the changes that will take place. For the present, Russian MNCs undoubtedly present a marked contrast with regard to their export behavior, at least in the CEE.

Our research has implications for firms in countries with similar institutions from emerging markets (namely, China, India). Indirect or direct state control over firms may shift the locations of exporting and investing by such firms to places that cannot be predicted by general FDI and export theory, because such firms are guided not solely by commercial interest.

Our work serves as an important step towards solving the conundrum of the share of FDI and exports given to a particular region by a particular company. Currently there are conflicting views when it comes to correlations between export and FDI share; some believe that one substitutes the other, so believe vice versa. There are studies supporting each of the points of view; different explanations are used to justify the findings. For understanding that, it is necessary to see how different set of factors influence both export and FDI, because it is probably true that it is this relationship, including the ones with the political factor, that will decide whether different entry modes complement or substitute each other. Thus, our research is one of the blocks in the direction of discovering the export-FDI connection in the context of numerous factors whose importance may vary depending on the host and home country environment.

Consequently, to continue research in thus sphere the issue that requires further investigation is whether Russian multinational corporations, as representatives of emerging markets' economies, actually change the share of FDI and export in a particular region or country due to changing political conditions, and, if yes, in what direction that change takes place. These findings would close the gap in the area of bilateral international relations' influence on the share of export and FDI in the context of emerging economies.

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APPENDIXES

Appendix A

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	13,56	17,82	15,31	1,91	3,19	4,59	1,70	2,05	3,50	4,57	31,00	4,52	5,22	2,78	5,14
2008	32,63	16,76	12,91	1,90	4,11	4,29	1,56	1,73	4,18	4,00	32,00	3,93	4,75	2,45	4,12
2009	9,56	15,06	9,49	1,74	2,19	3,63	1,17	1,07	2,79	3,05	33,00	3,65	3,61	2,36	3,27
2010	12,83	16,93	12,23	2,13	3,09	4,51	1,59	1,44	3,72	7,38	33,00	4,70	4,24	3,03	4,38
2011	11,90	18,82	12,89	2,17	2,81	5,19	1,89	1,78	4,56	5,90	29,90	5,04	4,14	3,00	4,70
2012	10,91	17,23	12,56	2,33	2,87	5,29	1,74	1,51	3,57	6,23	31,60	4,85	3,80	3,12	4,54
2013	9,78	16,01	10,15	2,19	2,29	4,48	1,68	1,36	3,14	6,27	32,00	4,19	3,24	2,23	4,37
2014	4,58	14,72	9,03	2,05	2,01	3,73	1,48	1,36	2,85	5,12	33,00	4,02	2,68	2,26	4,18
2015	7,55	14,06	7,72	1,60	1,78	2,84	1,40	1,30	2,00	4,64	31,00	3,61	2,36	2,08	4,20
2016	8,81	11,58	6,28	1,35	1,74	2,81	1,16	1,27	1,72	3,91	31,70	3,04	2,02	1,73	4,30

Table 1. Ore and mineral share of exports, % (World Bank)

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	10,70	44,77	15,78	189,23	22,24	60,09	139,85	39,74	30,90	8,34	0,00	429,25	171,54	86,30	48,11
2008	12,88	54,41	19,11	235,72	24,19	70,48	158,00	47,85	35,60	9,91	4,55	533,82	208,18	100,32	55,59
2009	12,04	51,88	17,61	206,18	19,65	62,70	130,59	37,44	26,17	9,40	4,16	440,35	167,42	88,95	50,24
2010	11,93	50,61	17,18	207,48	19,49	59,67	130,92	37,12	23,76	9,41	4,14	479,26	168,00	89,50	48,01
2011	12,89	57,42	18,64	227,95	23,17	62,24	140,78	43,48	28,22	10,49	4,54	528,73	185,36	98,18	51,29
2012	12,32	53,90	17,23	207,38	23,04	56,49	127,86	42,85	28,12	9,75	4,09	500,28	171,66	93,41	46,35
2013	12,78	55,76	18,18	209,40	25,14	57,77	135,22	46,47	30,31	10,82	4,46	524,20	191,55	98,48	48,12
2014	13,23	56,73	18,56	207,82	26,22	57,08	140,12	48,55	31,42	11,36	4,59	545,08	199,49	100,95	49,90
2015	11,34	50,20	16,21	186,83	22,57	48,92	122,88	41,40	27,01	10,05	4,05	477,28	177,91	87,50	43,07
2016	11,86	53,24	16,91	195,31	23,34	50,71	125,82	42,74	27,57	10,90	4,37	471,36	187,59	89,77	44,71

Table 2. Host country GDP, $ bn (World Bank)

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	0,09	0,43	0,03	1.302	1.068	0,79	0.956	0,80	0.553	0,17	1,15	0.561	0.520	0.448	1.423
2008	0,15	0,45	0,02	1.239	1.259	0,88	0.979	0,79	0.581	0,22	1,00	0.599	0.568	0.462	1.625
2009	0,16	0,50	0,02	1.294	1.395	0,84	1.132	0,83	0.452	0,20	0,70	0.660	0.461	0.473	1.816
2010	0,17	0,56	0,33	1.336	1.581	0,74	1.139	0,78	0.610	0,22	0,38	0.720	0.452	0.616	2.057
2011	0,20	0,53	0,30	1.555	2.306	0,75	1.188	0,90	0.696	0,22	0,31	0.745	0.493	0.663	2.423
2012	0,50	0,60	0,27	1.782	2.122	0,75	1.263	0,90	0.664	0,33	0,35	0.880	0.482	0.804	2.573
2013	0,40	0,63	0,32	1.899	1.722	0,81	1.388	0,95	0.610	0,44	0,37	0.870	0.386	0.823	2.580
2014	0,50	0,79	0,26	1.972	1.450	0,79	1.353	1,03	0.687	0,52	0,36	0.940	0.382	0.880	2.366
2015	0,40	0,96	0,22	1.929	1.488	0,85	1.364	1,04	0.624	0,44	0,38	1.003	0.488	1.175	2.196
2016	0,30	0,80	0,15	1.678	1.281	0,82	1.206	0,77	0.442	0,40	0,30	0,95	0.484	0.789	2.002

Table 3. R&D spending as share of GDP, % (World Bank)

	ALB	BUL	BIH	CZE	EST	HRV	HUN	LTH	LAT	MAC	MNE	POL	ROM	SVK	SLO
2007	3,63	0,00	8,01	21,58	20,99	15,79	21,64	20,75	19,52	6,49	8,17	21,71	6,95	20,20	32,34
2008	4,90	4,86	10,00	21,54	21,20	18,43	21,92	21,08	20,13	7,56	10,75	22,91	8,28	20,42	32,72
2009	4,56	5,15	10,26	21,50	20,41	17,58	21,13	18,41	18,16	8,17	10,76	22,86	7,49	21,12	33,06
2010	4,02	5,25	9,89	22,00	20,23	16,75	21,18	18,49	17,51	7,82	11,37	23,50	7,31	22,04	34,05
2011	4,34	5,95	10,84	22,31	19,32	17,50	21,12	18,98	16,88	8,31	12,06	23,52	8,01	21,81	34,00
2012	4,18	5,80	10,17	22,27	19,82	16,14	20,42	19,32	17,60	7,68	11,21	23,26	7,38	21,57	33,04
2013	4,20	6,31	10,52	22,03	19,95	16,69	20,45	20,11	18,44	8,03	11,57	23,55	8,08	21,76	32,89
2014	4,25	6,66	10,50	22,50	20,79	16,61	20,39	20,99	19,63	8,10	11,53	24,03	8,47	22,15	33,44
2015	3,64	6,00	8,77	23,00	22,44	14,08	20,67	22,22	21,11	6,95	9,65	24,60	7,67	22,92	34,15
2016	3,70	6,45	8,83	23,72	23,62	13,67	21,71	22,95	22,39	7,08	9,98	25,92	8,54	23,51	34,97

Table 4. Gross yearly salary, $ thousand (OECD, UNECE)