Journal of East-West Business
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/wjeb20

Russia's Foreign Direct Investments in New EU Member States

Kaarel Kilvits [a], Alari Purju [b] & Sirje Pädam [c]
[a] Economic Policy and Head of Public Economy Department, Tallinn University of Technology, Faculty of Economics and Business Administration
[b] Estonian Business School and Research Associate, Tallinn University of Technology
[c] Tallinn University of Technology and Research Associate, Inregia AB
Published online: 22 Sep 2008.

Russia's Foreign Direct Investments in New EU Member States: The Case of the Baltic States

Kaarel Kilvits
Alari Purju
Sirje Pädam

SUMMARY. Russia's FDI in the Baltic States has been increasing over the last two to three years. The EU membership of the Baltic States and access to the EU market, accompanied by available sources for investment as a result of economic growth in Russia, have been the main reasons for that increase. At the same time, FDI from Russia have been met with suspicion in the Baltic States. Two main reasons for trying to avoid Russian investments have been the fear of losing control over the vital aspects of the economy and sometimes unclear sources of investment. A case study depicts problems and developments in an Estonian natural gas company with Russia's FDI, Eesti Gaas.

Kaarel Kilvits is Professor of Economic Policy and Head of Public Economy Department, Tallinn University of Technology, Faculty of Economics and Business Administration. Alari Purju is Professor of Economics, Estonian Business School and Research Associate, Tallinn University of Technology. Sirje Pädam is PhD Candidate and Research Associate, Tallinn University of Technology and Research Associate, Inregia AB.

[Haworth co-indexing entry note]: "Russia's Foreign Direct Investments in New EU Member States: The Case of the Baltic States." Kilvits, Kaarel, Alari Purju, and Sirje Pädam. Co-published simultaneously in *Journal of East-West Business* (The Haworth Press, Inc.) Vol. 11, No. 3/4, 2005, pp. 61-73; and: *Expansion or Exodus: Why Do Russian Corporations Invest Abroad?* (ed: Kari Liuhto) The Haworth Press, Inc., 2005, pp. 61-73. Single or multiple copies of this article are available for a fee from The Haworth Document Delivery Service [1-800-HAWORTH, 9:00 a.m. - 5:00 p.m. (EST). E-mail address: docdelivery@haworthpress.com].

Available online at http://www.haworthpress.com/web/JEB

doi:10.1300/J097v11n03_05

KEYWORDS. Russian investments in the Baltic States, Eesti Gaas

INTRODUCTION

The Baltic States regained independence from the Soviet Union in 1991. A strong factor driving their politics and economies has been integration with the West and drifting away from Russia. That policy paid off in the membership of the European Union and the NATO. Foreign direct investments from the EU and USA have been seen as an important factor of the integration process due to additional financial resources for investment and for making modern technologies available. The politicians in the Baltic States observed the potential investments not only in terms of their economic value but also for their political impact. In the light of candidacy for the EU and NATO membership it was considered important that priority should be given to investments from the EU and USA. Until the mid-1990s, the majority of the FDI went into privatized companies. As politicians constituted a major part of the boards of privatization agencies it was quite easy to realize those political preferences. Afterwards the situation changed because more greenfield investments were made and investment decisions were made by private companies.

At the same time, the relationship with Russia was not without problems. The political relationships of Estonia and Latvia with Russia were damaged by the fact that the Russian Parliament did not ratify the border agreement. The formal cause, as it was presented by the Russian side, has been poor treatment of Russian speaking minorities in those countries.[1] That has been an obstacle to signing trade agreements. Estonia and Latvia did not have the status of the Most Favored Nation (MFN), which caused double tariffs on exports from those countries to Russia. That regime was adopted only together with the EU membership of the Baltic States in May 2004, within the framework of political agreements between the EU and Russia.[2]

Lithuania did not have such an obstacle, partly due to the much smaller proportion of the Russian-speaking minority.[3] A bilateral trade agreement between Lithuania and Russia was signed in November 1993 and came into force in 1995, giving both countries the MFN status. That meant lower customs tariffs for the Lithuanian exports to Russia in comparison with Estonia and Latvia.

The economies of the Baltic States could see economic advantages in linkages with Russia. The primary energy resources and raw materials from Russia are important for the Baltic States. The Baltic Sea ports have been an important transit channel for Russian exports to the EU and other countries. Under these circumstances, investments that accompany and support that trade might be a reasonable economic step. However, FDI from Russia have been met with suspicion in the Baltic States. The two main reasons for trying to avoid Russian investments have been the fear of losing control over the vital aspects of the economy and sometimes unclear source of investment.

The political and economic development in Russia has supported those fears. Russia has been recently transformed from an economy with steadily declining output and chronic macroeconomic instability to a dynamic economy with macroeconomic stability. The concentration of power into hands of the central government and an increasing state control over the economy is another aspect of recent changes in Russia.

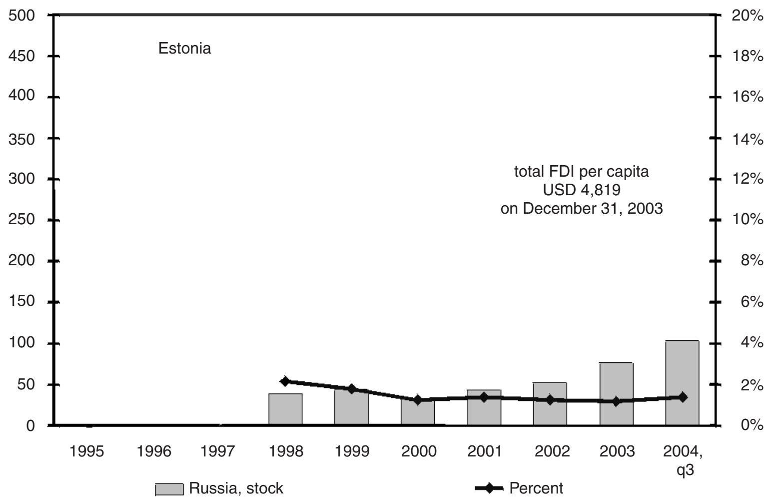
The article covers the main trends of FDI from Russia to the Baltic States. The official statistical figures will be the main source of information. Several other countries have been considered as a secondary source of investment from Russia when subsidiaries of Russian companies registered there invested into the Baltic States. The paper ends with a case study of the natural gas transportation and distribution company *Eesti Gaas*.

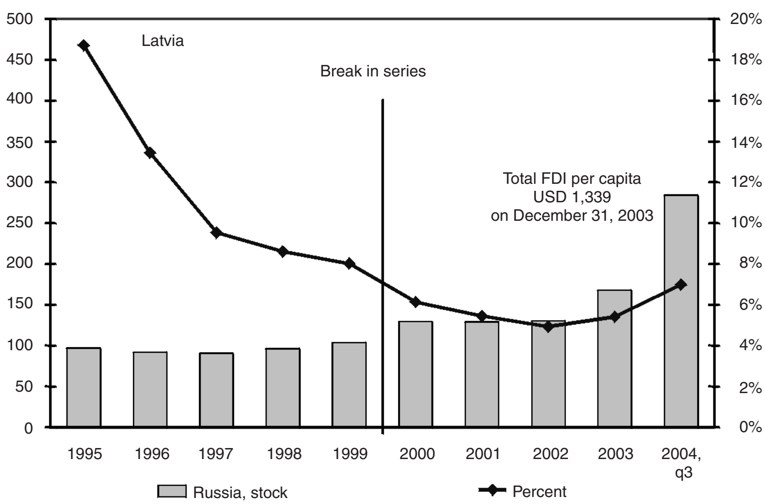
RUSSIA'S OUTWARD FDI IN THE BALTIC STATES: A STATISTICAL OVERVIEW

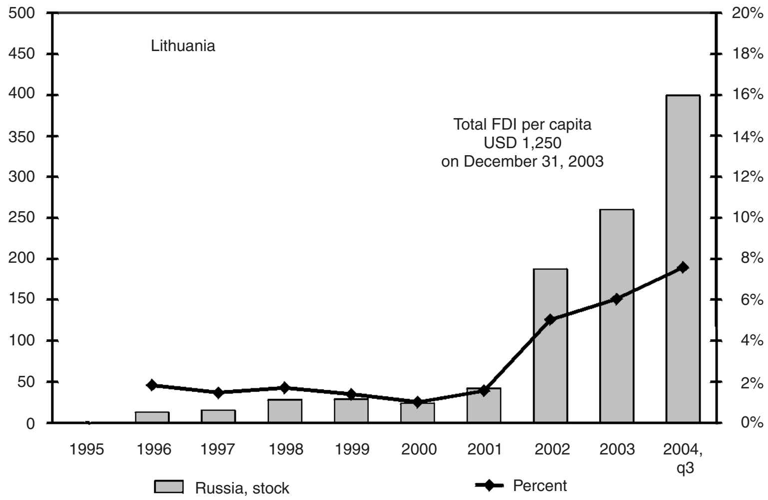
Estonia and Latvia differ from Lithuania, as they received a considerable amount of Russia's FDI early in the 1990s. In 1994, FDI inflow from Russia made up 15% of Estonia's inward FDI. However, after 1994 Russia's FDI into Estonia did not increase until 1999. In Latvia, the Russian FDI stock peaked in 1995 when it was close to 19% of the total stock of foreign direct investments into Latvia. These differences in FDI inflows most probably mirror the timing and ideology of privatization (Frydman et al., 1995). Judging from the data on the stock of Russia's direct investments, all three Baltic economies have experienced an increase in Russia's direct investments over the past two to three years. The most significant growth of Russia's investments concerns Lithuania (see Figure 1).

Russia's outward foreign direct investments affect mostly large enterprises in the sector of natural resources or transportation (*World Investment Directory*, 2003). This structure is detectable also in the Baltic States, as Russian investments to a substantial degree comprise investments into the energy sector and transit shipment infrastruc-

FIGURE 1. Russia's FDI Stock in the Baltic States (Left Axis: USD Million; Right Axis: Russia as Percentages of Total Stock)







Sources: Authors' calculations, the Bank of Estonia, *www.eestipank.info*, Statistical Office of Latvia, the Central Bank of Latvia and the Central Bank of Lithuania.

ture.[4] A significant part of Russia's FDI stock into Lithuania involved manufacturing industry (at the end of September 2004), which was mostly spent on refining petroleum. Approximately 30% had been invested in the energy sector and 6% in services. About half of the service sector investments involved trade and repairs, a somewhat smaller share had been provided to transport and communications.

Russia's investments accounted for 5% of the Latvian FDI stock at the end of 2003 (see Table 1). The equivalent figure for Lithuania was 6%. In the Estonian economy, Russia's investments made up only 1% of the stock of FDI. These figures suggest a low penetration rate of Russian foreign direct investments in the Baltic countries. However, it is generally believed and shown by different sources of information that the economic influence of Russia is stronger. In the case of Estonia, experts estimate that Russian investments make up 5-7% of the stock of FDI, several times more than the official figure. The same is true in Latvia and Lithuania.[5]

CASE STUDY: EESTI GAAS

The ownership structures of the gas companies in the Baltic States and Finland are quite similar. The main supplier is a minor shareholder

TABLE 1. Russia as a Foreign Investor and Trade Partner for the Baltic States (Russia's Share in Percent)

	FDI stock			Imports			Exports		
	Estonia	Latvia	Lithuania	Estonia	Latvia	Lithuania	Estonia	Latvia	Lithuania
2000	1.2	6.1	1.0	8.5	11.6	27.2	2.4	4.2	6.1
2003	1.2	5.4	6.0	8.6	8.7	22.7	3.9	5.4	8.9

Note: Trade according to special trading system.
Sources: Central Banks and the Foreign Trade–Estonia, Latvia, Lithuania, 2001, 2003.

together with a large international Western company who provides know-how, financial resources for restructuring and access to already existing or perspective networks. We describe here the developments of *Eesti Gaas*, but there are a lot of similarities also in all the other gas companies in the Baltic States. The main sources of information for the case study were annual reports of the gas companies and an interview with advisor to *Eesti Gaas*, Arvi Hamburg (see Table 2).

The state enterprise *Eesti Gaas* was founded in 1990. State enterprise was an intermediary form of ownership in order to remove enterprises from direct ministry control when waiting for privatization. *Eesti Gaas* was the first enterprise in the energy sector that was transformed into a state enterprise. There are two circumstances that explain why *Eesti Gaas* was the first. The ministry in Moscow disappeared as a result of administrative reforms in Moscow and the local companies gained independence. The second factor is that Aarne Saar, who still is the managing director of *Eesti Gaas*, was a strong leader. In 1992, the State Enterprise *Eesti Gaas* was ready for privatization. The actual privatization was carried out by the then Ministry of Industry and Power Engineering, not the Estonian Privatization Agency.

It was clear from the start that the strategy was to find a strategic investor and to sell 100% of the shares to private owners. *Gaz de France* was an interested buyer in the beginning, but when the first shares were sold in 1994 the firm was not among the investors. During the first wave of privatization, *Gazprom* acquired 30% and *Ruhrgas* 15% of the shares and the Estonian State kept a 39% stake of *Eesti Gaas*. The second wave of privatization took place in 1996-1999, during which the Estonian state sold all its shares. In 1996, discussions began about selling some 20% of the state shares of which one part would be sold to a strategic investor and the rest to the public for privatization vouchers.

TABLE 2. The Ownership Structure of Gas Companies in Lithuania, Latvia, Estonia and Finland (Percent)

Name of the company	Lithuania: Lietuvos Dujos	Latvia: Latvijas Gaze	Estonia: Eesti Gaas	Finland: Gasum
OAO Gazprom	37.1	25.0	37.0	25.0
E.ON Ruhrgas International AG	38.9	47.1	33.6	20.0
Itera Latvija		25.0	9.7	
Fortum			17.7	31.0
State ownership	17.7			24.0
Other shareholders	6.3	2.8	1.9	

Source: Enterprise information from annual reports 2003 and homepages accessed in January 2005.

However, it took time to agree about the sales due to the different views between the two foreign owners of *Eesti Gaas*. *Ruhrgas* was interested in increasing its share, but not *Gazprom*. In December 1996, the Estonian Privatization Agency decided to offer 29% of the shares of *Eesti Gaas* for sales: 12% to the public for privatization vouchers and 17% as pre-emptive rights to *Gazprom* and *Ruhrgas*, the remaining 10% was kept by the Estonian State until a strategic investor was found. *Ruhrgas* increased their share to 21%. *Gazprom* intended to use its pre-emptive right in order to increase the share to 41%. At the end of September 1998, Finnish *Neste* (later *Fortum*) bought the Estonian state shares and became the holder of 10% of *Eesti Gaas*. By this time the Estonian state still owned 11% of the shares that were intended for *Gazprom*.

However, in November 1998, it was decided that *Ruhrgas* would be given the right to buy the remaining part of state ownership because *Gazprom* was not allowed to make any foreign investments due to the difficult economic situation during the aftermaths of the Russian crises. In January 1999, the deal was settled. *Ruhrgas* became the owner of 32%, *Gazprom* retained 30% and *Neste* 10%. Small shareholders owned 27%. Two months later, in March 1999, *Itera Latvija* acquired almost 10% of *Eesti Gaas* by buying shares from the investment fund Baltic Republics Fund. Since then three of the owners–*Gazprom, Ruhrgas* and *Fortum*–have increased their shares by buying from small shareholders (Annual Reports of Eesti Gaas, 1996-2003).

As a contrast to other privatization cases there was no wish from *Gazprom* to become a majority owner. During the first wave of the privatization process, the director of *Levtransgaz* (*Levtransgaz* is a 100% owned subsidiary of *Gazprom*) visited Estonia as a representative for *Gazprom*. His view was that *Gazprom* should be in the circle of owners, but should have a role of learning and showing. After the first wave of privatization there were three owners with almost equal control (*Gazprom*, *Ruhrgas* and the Estonian State).

The two large private owners have divided the areas of responsibility: *Gazprom* is responsible for purchases and *Ruhrgas* for distribution and sales. Currently there is no permanent presence of either company in Estonia. Until 1997, representatives from both *Gazprom* and *Ruhrgas* belonged to the company management. However, in Latvia and Lithuania there are still representatives from *Gazprom* and *Ruhrgas* in the firm management. But in the Estonian case, owners have seen no need to be located in Estonia because as owners they have automatic access to information. The owner influence is channeled via the board of directors. Ever since the beginning, the decisions of the board have been based on consensus, first between the three large owners and later between the five large owners.

There have been discussions among the new owners of *Ruhrgas* (*Ruhrgas* was taken over by *E.ON* in 2003) to establish a representation in Estonia.[6] If *E.ON* opens a representation, it is very probable that also *Gazprom* creates its presence. Although different companies, there is cross ownership between *E.ON Ruhrgas* and *Gazprom*. In December 1998, *Ruhrgas* acquired a 3% stake in *OAO Gazprom*. After that *Ruhrgas* has increased its investment several times and currently holds 6% of the shares in *Gazprom* either directly or indirectly. Since 2000, the Chairman of the Board of *Ruhrgas,* Dr. Burckhard Bergmann, is the first and still the sole foreign representative to be elected into the Board of Directors of *Gazprom* (Annual Reports of E.ON Ruhrgas and Gazprom, 2003).

A critical issue for gas companies is how to secure supplies. Uncertainty is due either to fluctuations in demand or uncertain supply. Owing to the underground natural gas storage in Incukalns, Latvia, the supplies to Estonia are not vulnerable against short-term interruptions in supplies from Russia. Estonia also prepares for high demand periods by storing natural gas for the winter period in the Incukalns natural gas storage area. If the supplies from Russia fail, then Estonia will be provided with supplies from Incukalns for one year.

During the history of *Eesti Gaas*, Estonia has signed long-term, usually 5-year agreements with *Gazprom*. The current agreement was signed in 2000 and will be renegotiated in 2006. The content of the agreement includes the conditions of supply and clauses about consequences if there is interruption. The price consists of two parts: a base price and a fluctuating part. The latter varies with the world market price of oil. When setting the price level, *Gazprom* follows the prices of consumer goods and of Estonian shale oil. Sales prices also include costs of pipeline transport and storage costs paid to Incukalns.

Households in Estonia pay less for natural gas than households in Germany, which partly depends on shorter distance of pipeline distribution. However, Estonian households also pay less than Finnish households, because *Gazprom* takes into consideration the purchasing power. For large customers, making up 96% of the sales, *Eesti Gaas* offers two contract alternatives: (a) the price is pegged to the oil prices of the past 6 months, or (b) the price is pegged to the oil price of the previous month. Only 4% of the sales are to household customers whose price is fixed and accepted by the Estonian Energy Inspection. Under the current price construction, *Eesti Gaas* takes a risk that the price contracts may lead to a situation where revenues from gas sales are smaller than the purchasing costs. However, owing to increasing oil prices in recent years, the annual revenues have been about one billion EEK, the profit 100 million and investments in the range of 70-80 million.

Imports of natural gas have been liberalized. There are two requirements for those who wish to become importers: (1) measurability on the border and (2) there must be a contract with *Eesti Gaas,* i.e., the body responsible for the system. Currently there are two gas importers in Estonia–*Eesti Gaas* and *Nitrofert*. The latter produces fertilizers from natural gas.

Perhaps one could argue that it was not inescapable to include *Gazprom* among the owners of *Eesti Gaas*. But on the other hand, it is favorable. So far, the corporate culture of *Gazprom* has been that of a business organization. Because of the merger with *Rosneft* (100% state ownership), the share of Russian state ownership in *Gazprom* has increased. In 2005, the Russian State has announced that it will increase its share in *Gazprom* from 38% to 51%. *Gazprom* may therefore begin to act more like a Russian state enterprise. However, another political factor may influence Estonia more. Russia and the European Union are involved in an energy dialogue. Prices of energy are on the agenda and one issue under discussion is the price of natural gas. It is not improbable that Russia and the EU will agree that the price of natural gas will be equal throughout Europe.

Estonia and *Eesti Gaas* are not involved in the plans to build the Nordic Gas Pipeline, but the owners of *Eesti Gaas* are. The realization of the new gas pipeline project has been decided on the highest political level between the EU and Russia who signed an energy agreement in 2003. The agreement foresees a uniform distribution system in Europe and aims at security of supplies. The project is mainly political, because the market potential is small for those areas which will receive gas via the new pipeline. According to the plans, the new pipeline will run on the bottom of the Baltic Sea from Vyborg to Rostock. However, there are also plans to build a gas pipeline between Finland and Estonia. A feasibility study was initiated in late 2001. The project was launched by the Finns and involves a 90-kilometer gas pipeline under the Gulf of Finland. In future, the Finnish-Estonian pipeline can be connected to the Nordic gas pipeline.

The plan is that the Finnish partner will build the pipeline to the Estonian coastline. The Estonian responsibility begins from the first compressor station on the Estonian soil. *Gasum*, the Finnish gas company, points out that a pipeline connection between Finland and Estonia will pave the way for using Latvia's underground gas storage facilities for the benefit of Finnish needs (Chief executive officer's review in Gasum's Annual Report, 2003).

The current trend of water and energy companies is diversification. Water and sewage and heat distribution enterprises become involved in gas sales. For *Eesti Gaas* the diversification trend implies a need to get involved in other businesses than natural gas. In the future, *Eesti Gaas* may be one of 30 companies that sell gas in Estonia. In the Baltic market, a new entity–*Baltic Connector*–will be established as a result of an agreement between the gas companies in Estonia, Latvia, Finland, Russia and Lithuania (Lithuania probably not in the first wave because of Kaliningrad) to co-operate in gas transportation.

In the case of *Eesti Gaas,* the Russian investor has acted as a business partner, which may be due to various circumstances. The most obvious one is that *Gazprom's* corporate culture is business-oriented. However, there are other explanations connected to Estonia's role in the gas market. Comparing *Eesti Gaas* with *Mazeikiu Nafta,* or the Baltic companies and ports forwarding Russian transit shipments, it becomes evident that Estonia does not have a strategic role in the gas market. Instead Estonia represents a small sales market, since there is no transhipment of gas and only little refinement. These circumstances can be expected to continue in the future. The future markets in Germany and other countries in the European mainland will be reached via the Nordic Gas pipeline that will be built on the sea bottom between Vyborg and Rostock. Another explanation why gas has not been used as a political tool is that a cut in the supplies takes effect only after a time lag, which makes such threats relatively inefficient.

Recent changes in the ownership of *Eesti Gaas* point at two directions. The fact that both *E.ON Ruhrgas* and *Gazprom* have become diversified–*Ruhrgas* towards electricity and water, and *Gazprom* towards oil–will be significant for the new challenges of diversification lying ahead of *Eesti Gaas*. The know-how for entering the business of water, sewage and heating can be acquired internally. However, the increase in state ownership in *Gazprom* may affect *Eesti Gaas* in another way if the corporate culture of *Gazprom* changes, making *Gazprom* an owner, which to a larger degree takes political matters into account.

CONCLUSIONS

A strong factor driving the Baltic States' politics and economies has been integration with the West and drifting away from Russia. The FDI from the EU and USA have been seen as an important factor of integration, due to additional financial resources for investment and making modern technologies available.

The primary energy resources and raw materials from Russia are important for the Baltic States. The investments that accompany and support that trade could be a reasonable economic step. At the same time, FDI from Russia has been met with suspicion in the Baltic States. The two main reasons for trying to avoid Russian investments have been the fear of losing control over the vital aspects of the economy and sometimes an unclear source of investments.

The share of Russia's foreign direct investment stock was 5% in Latvia, 6% in Lithuania and 1% in Estonia of the total stock of FDI. These figures suggest a low penetration rate of Russian foreign direct investments in the Baltic countries. According to indirect estimates, the amount of FDI with Russia's background is larger, up to 3-4 times the official figures.

Russia's outward foreign direct investments concern mostly large enterprises in the sector of natural resources and transportation. This structure is detectable also in the Baltic economies, as Russian investments to a substantial degree comprise investments into the energy sector and transit shipment infrastructure.

The gas companies in the Baltic States and Finland are one example of FDI from Russia. The main supplier, *Gazprom,* has been a minor shareholder together with a large international Western company, providing know-how, financial resources for restructuring and access to already existing or future networks.

The Russian investor has acted as a business partner in the case of *Eesti Gaas*, which can be explained by different circumstances. *Gazprom's* corporate culture is business oriented. There are also other explanations connected to Estonia's role in the gas market. Comparing *Eesti Gaas* with *Mazeikiu Nafta,* or the Baltic companies and ports forwarding Russian transit shipments, it becomes evident that Estonia does not have a strategic role in the gas market. The supplies to Estonia are not vulnerable to short-term interruptions in supplies from Russia due to the underground natural gas storage in Incukalns, Latvia.

Russia's FDI into the Baltic States can be considered as a feature of internationalization of economies in the Baltic Sea region. A possible linkage to power politics and government interventions through FDI depends on the future political and economic developments in the region, Russia's development being the main factor.

NOTES

1. The EU membership of Estonia and Latvia meant that treatment of minorities should meet the requirements fixed as one of the so-called Copenhagen criteria.

2. The EU-Russian relations are based on the EU-Russia Partnership and Cooperation Agreement (PCA). The PCA was negotiated in 1993, signed in 1994, and finally came into force in 1997. The PCA determines the main areas for cooperation, the mechanisms of political dialogue and regulates economic relations. The EU extended the PCA to all new EU members and expected the same position of Russia assuming that the PCA would automatically widen also to the new members of the EU. However, just before the enlargement, in the last days of April 2004, Russia demonstrated its unwillingness to accept that position. During the last minute negotiations, the EU and Russia managed to agree on several compromise decisions, which included reduction of tariffs on the sensitive goods to Russia, increase of quotas for the Russian exports of steel, introduced a transition period for anti-dumping regime in Central and Eastern Europe, increased quotas for nuclear materials from the acceding countries and created a free transit of goods, including energy, between Kaliningrad and the Russian mainland (EU and Russia confirm the extension of the PCA . . ., 2004).

3. The proportion of Russians in all population was 29% in Latvia, 26% in Estonia and 6% in Lithuania at the beginning of 2003 (Estonia, Latvia, Lithuania in Figures, 2004).

4. For more details, see Vahtra and Liuhto (2004) and Vahtra and Lorentz (2004).

5. For example, one of the largest enterprises in Lithuania, Mazeikiu Oil, is partly owned by Yukos in Dutch registered subsidiary. The Swiss subsidiary of Yukos has been the main intermediary for Mazeikiu Oil sales to Western Europe. See Lithuania (2004), Estonia (2004), Latvia (2004), Zashev (2004).

6. In March 2003, *Ruhrgas* was taken over by the energy group *E.ON*, one of the largest privately owned energy companies with 35 million customers in the fields of electricity, gas and water. The owners of *E.ON* are insurance companies, banks, financial enterprises, investment funds and the public. German owners dominate and about 50% of the ownership is foreign. American capital owns 17% of *E.ON*.

REFERENCES

Annual Report of Gazprom (2003).

Annual Report of Gasum (2003).

Annual Reports of Eesti Gaas (1996-2003).

Central Bank of Russia (2005): *www.cbr.ru/eng/statistics.*

EIU (2004): Estonia, Country Report, Economist Intelligence Unit, London.

EIU (2004): Latvia, Country Report, Economist Intelligence Unit, London.

EIU (2004): Lithuania, Country Report, Economist Intelligence Unit, London.

Estonia, Latvia, Lithuania. Foreign Trade 2003 (2004): Riga, Statistics Latvia.

Estonia, Latvia, Lithuania. Foreign Trade 2001 (2002): Riga, Statistics Latvia.

Estonia, Latvia, Lithuania in Figures (2004): Tallinn, Statistical Office of Estonia.

Estonian Statistics, No.8 (2004), Tallinn, Statistical Office of Estonia.

EU and Russia Confirm the Extension of the PCA to the Enlarged EU (2004): IP/04/549, Brussels, 27 April.

Frydman, R., Rapaczynski, A., Earl, J. et al., ed. (1995): The Privatisation Process in Russia, Ukraine and the Baltic States, London, Central European University Press.

Quarterly Bulletin of Balance of Payments of the Republic of Lithuania (2000, 2001, 2002, 2003, 2004): Tallinn, Central Bank of Estonia, *www.eestipank.info*

Quarterly Bulletin of Balance of Payments of the Republic of Lithuania (2000, 2001, 2002, 2003, 2004): Riga, Central Bank of Latvia, *www.bank.lv*

Quarterly Bulletin of Balance of Payments of the Republic of Lithuania (2000, 2001, 2002, 2003, 2004): Vilnius, Bank of Lithuania.

Statistical Yearbooks (2001, 2002, 2003): Riga, Statistical Office of Latvia.

Zashev, P. (2004): *Russian Investments in Lithuania-Politics, Business, Corporate Culture*, Electronic publication of Pan-European Institute, 10, *www.tukkk.fi/pei/pub.*

Vahtra, P. and K. Liuhto (2004): *Expansion or Exodus?–Foreign Operations of Russia's Largest Corporations*. Electronic Publication of Pan-European Institute, No. 8, *www.tukkk.fi/pei/pub*.

Vahtra, P. and H. Lorentz (2004): Russian Involvement in Finnish Companies–the Energy Sector in Focus, Electronic Publication of Pan-European Institute, No. 11, *www.tukkk.fi/pei/pub*.

World Investment Report (2004): The Shift Towards Services, Geneva and New York, United Nations.

World Investment Directory (2003): Volume VIII, Central and Eastern Europe 2003, Geneva and New York, United Nations.