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Determinants of Russian Firms' Merger and Acquisition Activities

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Abstract

This study explores the economic, geographical, cultural and institutional factors that have driven the cross border Merger and Acquisition activities by Russian transnational corporations during the 1999-2013 period. We find that market-seeking stands out as a significant motive of the Russian firms' merger and acquisition activities, followed by natural resources and efficiency seeking. Russian firms prefer acquiring assets in nearby economies of the former Soviet Union. Moreover, home and host institutions seem to play a minor role in asset acquisition decisions.

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1. Introduction

In today's globalizing economy, the role of foreign direct investments is being increasingly recognized. Although Outward Foreign Direct Investments (OFDI) from developed countries have been examined in business literature for decades (e.g. Artige and Nicolini 2005; Baumann 1975; Billington 1999; Blomstrom and Lipsey 1991) there is still room for further analysis of merger and acquisition (M&As) activities of companies from emerging and developing economies. These activities are said to help investing firms increase their revenues and profits, acquire strategic assets and gain access to raw materials, and improve market reach (UNCTAD 2007). They have become an indispensible strategic tool for acquiring access to resources abroad such as raw materials, energy, skilled labour, technology and know-how (De Beule and Den Bulcke, 2012). While investing abroad, which host-country factors do emerging country transnational corporations (TNCs) consider? What are the motives behind the decision to acquire assets abroad? Whether the home or the host-country specific factors exert more influence?

We address these questions by examining annual foreign M&As activities of Russian corporations for the 1999-2013 period. Russia is an interesting case study as the country's outward foreign investments rose substantially from an average of $14.2 billion during the pre-crisis period (1999 – 2007) to a post crisis (2008 – 2013) level of $60.4 billion (UNCTAD 2014). This is despite the fact that Russia was initially the worst hit of all G-20 countries during the global financial crisis, with GDP falling by a hefty 7.9% year-on- year in 2009 (WDI, 2013). The divergent behaviour of Russian investments therefore requires attention.

In this study, we analyze various home and host country economic, geographical, cultural and institutional factors that determine Russian firms' foreign investments. The contribution of this study is two-fold. First, although the role of weak home institutions is discussed in several studies (e.g. Filippov 2012; Zashev 2004; Volchek 2013; Volchek et al. 2013), no comprehensive empirical analysis has so far been carried out to gauge the institutional factors driving Russian firms' internationalization patterns. In this study, we use a detailed dataset of worldwide Merger and Acquisition (M&As) activities of Russian firms to analyze the significance of various home and host-country institutional factors in determining Russian M&As. Secondly, we estimate the strength of various investment motives and examine the effect the 2008 global financial crisis had on the investment behaviour of Russian firms. We find that market-seeking stands out as an important motive of the Russian firms' M&As activities followed by natural resources and efficiency seeking. Home and host institutions, however, seem to play a minor role.

2. Theoretical background

According to Dunning's Eclectic paradigm, firms need to possess ownership, location and internationalization (henceforth OLI) advantages in order to invest abroad (Dunning and Norman 1979; Dunning 1988). Ownership advantages such as firm's size, product differentiation, brand name etc. are a firm's internal strengths (Barney 1991; Wernerfelt 1984; Penrose 1959). Firms require these advantages to reduce risk (Rugman and Li, 2007) and to compete with local firms, which are more familiar with domestic market conditions, language, law, economic and political situation (Caves 1971). Firm specific advantages are acquired at home in the presence of helpful factors such as home country business environment, market size, and education and training facilities. The higher the level of specific advantages a country holds, the higher the probability

that firms will attain ownership advantages and be able to exploit them by investing in overseas markets (Dunning 1980; Lall 1982). In other words, the home country's institutional and macro-economic environments enable firms to internationalize (Kojima 1973, 1975, 1978).

Internationalization advantages occur in the presence of transactional costs and possibilities of market failure (Coase 1937). Markets for intermediate goods are imperfect, risky and highly uncertain (Buckley and Casson; 1976, 2002) leading to higher transaction and bargaining costs. These uncertainties push firms to internationalize and in turn reach better price and output decisions (Hymer 1976).

Locational advantages, in contrast relate to host countries, such as large markets, natural resources or political stability. The decision of whether a firm would prefer to cover an overseas market through trade, franchising or FDI is based on these location advantages (Rugman and Verbeke 2001). Firms move from one region (or country) to another if they perceive their activities in the region to be comparatively less productive (Porter 1990).

Dunning's OLI paradigm does not account for home specific variables 'H'. These 'H' factors include home specific advantages such as governmental support as well as challenges such as the business environment. The drivers of FDI outflows can be said to be due to differences in availability of resources between the home and host country, with both push and pull factors having an influence (UNCTAD 2005; Anwar 2009). These differences can be either country or firm-specific. Push factors pertain to saturated domestic market, business environment or resource unavailability, while pull factors consist of host country location advantages (Anwar et al. 2008; Anwar and Mughal 2013).

3. Outward foreign investments by Russian firms

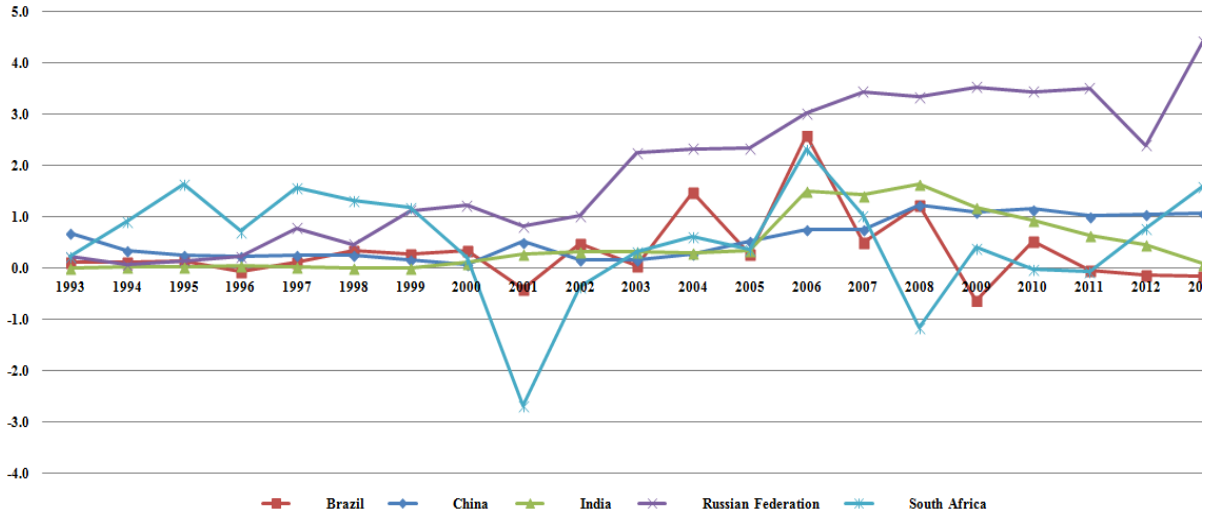
During the 2000s, Russia emerged as an important player in the global economy. Several Russian conglomerates from energy, banking, industrial and retail emerged on the international investment scene, and today, Russia boasts seven corporations in the Global 500 list (Fortune 2014). Two of them, Gazprom and Lukoil, rank among the World's 50 biggest firms.

Since the mid-2000s, internationalization amongst Russian firms has increased. Several Russian corporations, particularly those involved in the extraction of natural resources, are cash rich and have sought to acquire foreign assets. Both major Russian state-owned enterprises and private corporations are active in acquiring assets through mergers and acquisitions, usually seeking downstream markets (Kalotay 2010). Russian firms such as Lukoil, Gazprom, Inter RAO, and Novolipetsk Steel have used their access to Russia's vast natural resource endowments to build a strong international presence in refining, rolling, transportation and distribution activities (Skolkovo Research 2009; UNCTAD 2005).

As shown in figure 1, Russian Federation is currently the largest outward investor among emerging economies with investment flows in 2013 equalling 4.4% of the national output, surpassing China, Brazil and India (UNCTAD 2014). Most of the Russian firms' investment projects (in terms of mergers and acquisitions) have been in financial, consumer products, natural resources and energy sectors, with investments in the primary sector accounting for over half of the total volume. In recent years, several Russian TNCs have sought access to natural resources and strategic assets. For instance, Gazprombank acquired an Austrian firm Centrex

Europe Energy & Gas AG for $ 212 million; ARMZ Uranium Holding Co. acquired the Australian firm Mantra Resources Limited for $925 million, while another Russian firm ARMZ Uranium Holding Co acquired the Canadian firm Uranium One Inc. for $ 1.31 billion.

Figure 1: Selected emerging markets outward foreign direct investments outflows % of GDP, 1993-2013



Source: UNCTAD (2014)

Russian overseas investments are mainly concentrated in the OECD countries as well as East European and the former Soviet Republics. As the Uppsala model would predict, the former Soviet Republics were initially the Russian firms' major investment destinations. These investments mainly looked for access to natural resources (for example Lukoil's operations in Azerbaijan or the Russian steel maker Mechel's investments in Kazakhstan), or meant to capture the target countries consumer markets (for example Mobile TeleSystems' investments in Ukraine's and other former Soviet Republics' telecommunication networks, or the electricity producer and supplier RAO UES's operations in Armenia, Georgia, Moldova and Ukraine). However, preference for these Commonwealth of Independent States (CIS) countries has been waning of late. Unlike the pre-2008 financial crisis period when ten of these states figured in Russian firms' top 25 investment destinations, only five featured in the post-crisis period. East European countries in particular are attracting higher investment flows from Russia. Among other BRICS countries, only China features in top 25 destinations for Russian M&As, while Western Europe and North America still remain major recipients. Nevertheless, investments in countries such as Cyprus and Luxembourg, the Netherlands and even the United Kingdom are sometimes used for round tripping or re-investment in the domestic economy in order to benefit from investment incentives granted to foreign investors (Kuznetsov 2010; Filippov 2008).

Most Russian TNCs are large exporters and consequently rely on exports receipts to finance their foreign investments (Kuznetsov and Chetverikova 2009). Owing to that, Russian TNCs were badly hit at the onset of the 2008 financial crisis as prices for their exports commodities fell sharply. Corporate debt of Russian firms rose to close to $110 billion and firms like Rusal, Norilsk Nickel, TMK and Sistema faced financial difficulties due to high debt

repayments (Andreff 2013). Several major corporations received financial support from the state-owned Bank for Development and Foreign Economic Affairs VEB (Filippov 2011). The role of Russian government in the country's corporate sector also increased. Although Russian OFDI stock fell in 2008, foreign investments (especially those by state-owned Russian corporations) have since rebounded, and in 2012, Russia's investment stock was 12% larger in comparison to levels before the 2008 financial crisis.

4. Data and methodology

We employ S&P Capital database (2015) to analyze investment motives of Russian TNCs. This database provides worldwide data on mergers and acquisitions (M&As) along with equity participation, state ownership and firm's ownership advantages such as firm age, number of employees, R&D expenditures and sales. The database provides the total number of M&As deals and the amounts invested. For the purpose of analysis, all M&As deals which are in progress or cancelled are excluded from the dataset. We include a host of variables pertaining to the economic, institutional and geographical conditions of both the home and the host countries to represent the push and pull factors. Push factors include home country's economic activity and official exchange rate, while Pull factors include host country market size, number of patents issued, abundance of natural resources, and cost of doing business. We also add a dummy indicator 'fincrisis2008' which takes the value of one for the period from 2008 onwards and zero prior to it.

Table 1: Variable description

Variables	Explanation	Expected Sign	Data Source
count	Number of M&As		S&P Capital IQ Database (2014)
lgdpcon	Log of GDP constant (2005)	+	World Bank Development Indicators (2014)
oresex	ratio of ore and metals exports to total host country merchandise exports	+	World Bank Development Indicators (2014)
lpatents	Log of number of patents issued by the host country	+	World Bank Development Indicators (2014)
startupcost	Cost of business start-up procedures (% of GNI per capita)	-	World Bank Development Indicators (2014)
lhgdpcon	Russian GDP constant (2005)	-/+	World Bank Development Indicators (2014)
lrexrate	Log of Russian Rouble official annual average exchange rate (with respect to US$)	-	World Bank Development Indicators (2014)
fincrisis2008	FC = 1 if year >= 2008 ; otherwise 0	-	
cis	CIS =1 if Russian investment is in Commonwealth of Independent States; otherwise 0	+	United Nations (2013)
ldistance	Log of distance (most populated cities, km)	-	CEPII Database (2013)
oecd	OECD = 1 if investment destination is an OECD country; otherwise 0	-	OECD (2013)
comlang_et~o	1 if a language is spoken by at least 9% of the population in both countries; otherwise 0	+	CEPII Database (2013)
expergdp	Exports of goods and services (% of GDP) in the host country	+	World Bank Governance Indicators (2014)
governance	Index for Good Governance (host country)	+	World Bank Governance Indicators (2014)
polstability	Index for Political Stability (host country)	+	World Bank Governance Indicators (2014)
regulatory	Index for Regulatory Quality (host country)	+	World Bank Governance Indicators (2014)
ruleoflaw	Index for Rule of Law (host country)	+	World Bank Governance Indicators (2014)
hgovernance	Index for Good Governance (home country)	-	World Bank Governance Indicators (2014)
hpolstability	Index for Political Stability (home country)	-	World Bank Governance Indicators (2014)
hregulatory	Index for Regulatory Quality (home country)	-	World Bank Governance Indicators (2014)
hruleoflaw	Index for Rule of Law (home country)	-	World Bank Governance Indicators (2014)

All monetary values are in constant (2005) US$ prices.

Geographical proximity and cultural affinity with the host country can also facilitate foreign investments. Russian investments have traditionally targeted countries of the former USSR and the communist bloc, many of which share linguistic, colonial or ethnic ties with the Russian Federation. We include a dummy variable 'CIS' that takes the value of one if the country hosting Russian M&As belongs to the Commonwealth of Independent States, the group of countries consisting of former Soviet Republics. Subsequently, our parsimonious baseline specification can be given as:

$$count = f(lgdpcon_{i,t}, oresex_{i,t}, lpatent_{i,t}, startupc_{i,t}, lhgdpcon_{i,t}, lrexr_{i,t}, finc_{i,t}, cis_{i,t}) \ldots\ldots\ldots (1)$$

In equation (1), *'i'* represents the host country and *'t'* the year in which the merger or acquisition took place. Definitions of the selected variables and their sources are given in Table 1 along with the signs for their expected association with Russian TNCs' M&As. The selected variables help distinguishing between the four investment motives that determine Russian M&As. Host per capita output relates to the market seeking motive, while host country cost of starting a new business refers to the efficiency motive. Shares of ores exports in the host country's merchandise exports receipts and number of patents issued annually are taken as proxies for resource and asset-seeking motives respectively.

Table 2: Summary Statistics

Estimation sample xtnbreg Number of obs = 561

Variable	Mean	Std. Dev.	Min	Max
Count	1.65	3.08	0.00	25.00
lgdpcon	25.53	1.88	20.55	30.29
oresex	6.86	11.33	0.00	82.23
lpatents	7.50	1.86	2.08	13.13
startupcost	14.71	26.97	0.00	232.40
lhgdpcon	27.37	0.21	26.97	27.61
lrexrate	4.62	0.11	4.22	4.94
fincris~2008	0.40	0.49	0.00	1.00
cis	0.07	0.26	0.00	1.00
ldistance	8.18	0.61	7.31	9.50
oecd	0.49	0.50	0.00	1.00
comlang_off	0.02	0.13	0.00	1.00
expergdp	53.78	38.00	9.06	233.35
governance	0.63	1.07	-2.26	2.43
polstability	0.28	0.88	-2.37	1.67
regulatory	0.58	1.02	-2.53	2.20
ruleoflaw	0.50	1.03	-1.54	2.00
hgovernance	-0.49	0.15	-0.77	-0.34
hpolstabil~y	-1.05	0.22	-1.46	-0.76
hregulatory	-0.35	0.12	-0.56	-0.11
hruleoflaw	-0.91	0.10	-1.13	-0.74

In addition to the aforementioned variables, we alternately include other indicators of geographical and cultural closeness. Similarly, we include a measure of trade ties between Russia and the host countries. The decision of whether, how much and where to invest can also be driven by institutional factors such as home and host levels of governance, rule of law, regulatory environment and political stability. Private Russian firms are thought to have transferred capital to offshore locations such as Cyprus during the 1990s to hedge against

Russia's unstable political environment and economic volatility (Filippov 2008). Although political stability has returned, corruption is still rampant in Russia, and the country consistently ranks low on global indices of corruption perception and economic freedom (Index of Economic Freedom 2012; Transparency International 2010).

Table 2 gives summary statistics of the selected variables. The dependent variable is a count variable for Russian M&As in a given country for each year with values ranging from zero to 25. The variable shows signs of overdispersion with variance five times the variable mean. The useable dataset is a panel of 53 countries spanning the 1999 – 2013 period with 561 observations. The list of countries is shown in Table A-1 in the appendix. Given the count nature of the dependent variable coupled with overdispersion and a relatively large number of observations and panels, the use of Random-effects Negative Binomial overdispersion model is warranted (Hilbe 2011). Likelihood-ratio (LR) test, which compares the panel estimator with the pooled estimator, shows the panel estimator to be significantly different from the pooled estimator (Prob>=chi bar2 = 0.000). The Hausman test (1978) suggests that the random-effects model provides better estimations than the fixed-effect model.

Table 3: Location Determinants of Russian Cross Border M&As

	Baseline Model	Distance	OECD	Common Language	Exports to GDP Ratio
	1	2	3	4	5
VARIABLES	count	count	count	count	count
lgdpcon	0.497***	0.520***	0.463***	0.496***	0.525***
	(0.0971)	(0.0984)	(0.106)	(0.0974)	(0.101)
oresex	0.0328**	0.0396***	0.0325**	0.0326**	0.0354**
	(0.0147)	(0.0141)	(0.0145)	(0.0149)	(0.0149)
lpatents	-0.265***	-0.213***	-0.258***	-0.265***	-0.270***
	(0.0779)	(0.0804)	(0.0782)	(0.0780)	(0.0791)
startupcost	-0.0170***	-0.0151***	-0.0160***	-0.0169***	-0.0161***
	(0.00603)	(0.00584)	(0.00607)	(0.00605)	(0.00606)
lhgdpcon	-0.0914	-0.0503	-0.0933	-0.0948	-0.0837
	(0.211)	(0.212)	(0.211)	(0.214)	(0.212)
lrexrate	-1.596**	-1.361*	-1.643**	-1.595**	-1.568**
	(0.782)	(0.787)	(0.783)	(0.783)	(0.789)
fincrisis2008	0.0813	0.0816	0.0913	0.0808	0.0743
	(0.106)	(0.104)	(0.107)	(0.106)	(0.106)
cis	1.570***	1.303***	1.676***	1.551***	1.581***
	(0.386)	(0.405)	(0.404)	(0.437)	(0.389)
ldistance		-0.543**			
		(0.247)			
oecd			0.228		
			(0.301)		
comlang_off				0.0696	
				(0.761)	
expergdp					0.00376
					(0.00312)
Constant	-0.451	0.660	0.466	-0.346	-1.693
	(7.024)	(7.042)	(7.117)	(7.112)	(7.113)
Observations	561	561	561	561	561
Number of id	53	53	53	53	53

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

5. Findings

Table 3 shows results for various model specifications. Column 1 gives results for the baseline specification. Indicators for host country GDP, natural resource abundance and business cost are statistically significant with expected signs. This suggests a strong influence of locational factors on M&As deals by Russian TNCs. However, home-country economic activity does not have a significant association with the number of Russian cross border M&As. These findings shed light on the possible motives behind the M&As activities of Russian firms. A strong positive association of host GDP per capita with Russian firms' cross border M&As suggests the importance of capturing foreign markets for Russian TNCs. As discussed in Section 3, many overseas investments by Russian firms in OECD, CIS and other countries have sought to acquire a higher share in foreign markets through downstream integration and bypassing import quotas. A negative relationship between M&As and the cost of doing business in the host country suggests the presence of efficiency motives. Conducive business environment epitomized by low costs encourage investments by firms looking for cost-saving means of production.

Another motive for investment by Russian TNCs seems to be acquiring access to foreign natural resources, both to facilitate home industrial production and to exploit host countries' mineral wealth using the firms' technical knowhow. This motive can be deduced from the significant positive association between M&As and the host country's shares of commodities in merchandise exports. In contrast, there is evidence for a lower preference for acquiring strategic assets by Russian firms, as the number of patent applications in the host country during a given year, which reflects the presence of high tech assets in the host country, shows a significant negative association with Russian M&As. The use of the proportion of a host country GDP allocated to Research and Development as an alternative measure of the country's strategic asset endowment does not alter the finding (result not shown). Although acquisition of technology and R&D intensive units has been an important policy objective for some Russian TNCs (UNCTAD 2005; Filippov 2010; Kuznetsov 2010a), for instance acquisitions by conglomerates Renova and Severstal in Europe and North America, this trend is apparently not dominant among the Russian multinationals as a whole. Another finding is that Russian M&As transactions appear to increase in response to depreciation of the Russian Ruble, suggesting that Russian corporations take currency depreciation as a sign of upcoming economic volatility, thereby seeking new home for their capital.

The dummy for the 2008 financial crisis is insignificant; indicating that all things being equal, the crisis did not significantly affected the number of annual cross border M&As deals by Russian TNCs. In contrast, the CIS dummy shows a strong significant association with M&As count, confirming Russian firms' preference for investing in Russia's near abroad. This preference is also reflected in the significant negative association with geographical distance (Table 3 Column 2), suggesting that ceteris paribus, Russian TNCs acquire more assets in the nearby CIS countries than in the developed economies of North America and Western Europe. This observation is also reflected in the statistically insignificant coefficient for the OECD dummy (Table 3 Column 3). The common language dummy used as an indicator of cultural affinity is, though positively associated, also insignificant (Table 3 Column 4). The share of a host country's exports going to Russia likewise shows an insignificant relationship with M&As

transactions, implying that reinforcing or benefiting from existing trade ties between the two countries is not Russian TNCs' major concern when deciding about asset acquisitions.

Table 4: Host country institutional Determinants of Russian M&As

	Governance	Political Stability	Regulatory	Rule of Law
	1	2	3	4
VARIABLES	count	count	count	count
lgdpcon	0.473***	0.481***	0.469***	0.456***
	(0.100)	(0.0974)	(0.0997)	(0.0991)
oresex	0.0317**	0.0320**	0.0304**	0.0318**
	(0.0146)	(0.0146)	(0.0147)	(0.0143)
lpatents	-0.261***	-0.258***	-0.259***	-0.269***
	(0.0776)	(0.0781)	(0.0777)	(0.0778)
startupcost	-0.0154**	-0.0154**	-0.0144**	-0.0133**
	(0.00652)	(0.00647)	(0.00672)	(0.00640)
lhgdpcon	-0.0946	-0.0876	-0.118	-0.155
	(0.212)	(0.212)	(0.213)	(0.216)
lrexrate	-1.566**	-1.510*	-1.532**	-1.552**
	(0.782)	(0.785)	(0.780)	(0.779)
fincrisis2008	0.0951	0.0886	0.101	0.107
	(0.108)	(0.107)	(0.109)	(0.107)
cis	1.694***	1.605***	1.756***	1.887***
	(0.442)	(0.392)	(0.448)	(0.443)
governance	0.0861			
	(0.144)			
polstability		0.0797		
		(0.125)		
regulatory			0.128	
			(0.157)	
ruleoflaw				0.210
				(0.152)
Constant	-0.0243	-0.650	0.514	1.942
	(7.044)	(7.028)	(7.092)	(7.209)
Observations	557	556	557	558
Number of id	53	53	53	53

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Tables 4 and 5 show the role of host and home country institutional indicators on Russian cross border M&As. Host- and home- country institutional factors mostly appear with expected positive and negative signs respectively. However, the indicators are mostly insignificant, suggesting that factors defining institutional environment such as quality of governance, regulations, political stability and rule of law do not substantially enter into the equation when deciding about acquiring foreign assets. The relationship between home country rule of law and M&As is however significant, which suggests that improving crime and law enforcement situation in Russia is, ceteris paribus, associated with fewer cross border M&As by Russian firms.

In the light of the above findings, cross border M&As by Russian TNCs can be compared with those by TNCs of other emerging countries. TNCs from Brazil, China, India and South Africa for instance, accord high importance to host country market size (Amal and Tomio 2012; Anwar and Mughal 2015; De Beule and Den Bulcke 2012). Similarly, the natural resources potential of the host country plays a substantial positive role in attracting Russian M&As, just as it does for acquisitions by Chinese and Indian firms (Buckley et al. 2007; De Beule and Den Bulcke 2012; Kolstad and Wiig 2009). However, unlike Brazilian and Chinese firms, Russian firms appear to increase their acquisition spree in response to the depreciation of national

currency (Amal and Tomio 2012; Zhang and Daly 2011). Likewise, in contrast with Indian TNCs which cherish aspects of economic freedom of host economies such as government size, ease of foreign trade, and market regulations (Anwar and Mughal 2012), Russian firms appear to give little importance to the host country's institutional environment. In addition, Russian firms do not seem to take into account existing trade ties with the host country while making M&As deals, unlike Chinese TNCs which seem keen to invest in countries that are already a significant market for their products (Ramasamy et al. 2012).

Table 5: Home country institutional Determinants of Russian M&As

	Governance	Political Stability	Regulatory	Rule of Law
	1	2	3	4
VARIABLES	count	count	count	count
lgdpcon	0.505***	0.498***	0.495***	0.501***
	(0.0978)	(0.0973)	(0.0974)	(0.0973)
oresex	0.0326**	0.0331**	0.0329**	0.0365**
	(0.0147)	(0.0148)	(0.0147)	(0.0151)
lpatents	-0.272***	-0.265***	-0.264***	-0.268***
	(0.0784)	(0.0780)	(0.0781)	(0.0778)
startupcost	-0.0166***	-0.0171***	-0.0170***	-0.0181***
	(0.00598)	(0.00607)	(0.00603)	(0.00618)
lhgdpcon	-0.431	-0.0603	-0.0749	0.492*
	(0.327)	(0.249)	(0.228)	(0.291)
lrexrate	-1.621**	-1.590**	-1.587**	-1.593**
	(0.783)	(0.782)	(0.784)	(0.769)
fincrisis2008	0.0745	0.0836	0.0805	0.0798
	(0.106)	(0.106)	(0.106)	(0.105)
cis	1.621***	1.568***	1.564***	1.574***
	(0.390)	(0.386)	(0.387)	(0.388)
hgovernance	0.632			
	(0.465)			
hpolstability		-0.0606		
		(0.255)		
hregulatory			-0.0824	
			(0.437)	
hruleoflaw				-1.762***
				(0.614)
Constant	9.110	-1.418	-0.940	-18.03**
	(9.963)	(8.121)	(7.474)	(9.170)
Observations	561	561	561	561
Number of id	53	53	53	53

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

6. Concluding remarks

In recent years, international M&As activity by emerging country firms has outpaced that from the OECD countries. In this study, we examined one of the biggest sources of such investments from emerging countries, namely Russia. Using S&P data (2015) on cross border mergers and acquisitions of Russian firms for the 1999 – 2013 period, we analyzed the home and host country economic, geographical, cultural and institutional factors that influence M&As deals by Russian firms, and gauged the significance of various investment motives. Our findings suggest that Russian firms' M&As activities follow the Eclectic paradigm to a certain degree. Raising share in foreign markets is a major objective. Seeking access to host country's natural resources also appears to be important, as does seeking efficiency. Russian firms are keener than

other emerging market multinationals to acquire foreign assets giving low consideration to the institutional environment or existing trade ties with the target economy.

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Table 1-A: List of Countries

Armenia, Australia, Austria, Belarus, Belgium, British Virgin Islands, Bulgaria, Canada, Channel Islands, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Guinea, Hong Kong, Hungary, India, Israel, Italy, Jamaica, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Moldova, Montenegro, Netherlands, Nigeria, Norway, Oman, Peru, Poland, Portugal, Romania, Serbia, Seychelles, Singapore, Slovenia, South Korea, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, United State of America, Uzbekistan

OECD Countries:

Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Israel, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States of America

Non-OECD Countries:

Armenia, Belarus, British Virgin Islands, Bulgaria, Channel Islands, China, Croatia, Cyprus, Egypt, Georgia, Guinea, Hong Kong, India, Jamaica, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Montenegro, Nigeria, Oman, Peru, Romania, Serbia, Seychelles, Singapore, South Africa, Ukraine, Uzbekistan