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RUSSIAN PROTECTIONISM AND THE STRATEGIC SECTORS LAW

BY WILLIAM E. POMERANZ*

A perennial cloud seems to hang over the topic of Russia and international trade. Therefore, as Russia contemplates tough economic times ahead, and the growing risk of protectionism, I want to begin on an overall upbeat note. For all of the obstacles to foreign investment in Russia—and they are considerable and will be discussed below—Russia nevertheless has stood out as a relatively good destination for foreign goods and services for most of the past decade. Foreign direct investment (“FDI”) jumped from \$2.4 billion in 2001 to \$36.1 billion in 2007.¹ Similarly, the value of Russian imports increased from \$53.8 billion in 2001 to \$225.3 billion in 2007.² Critics may argue that the FDI numbers could have been even better if Russia addressed certain fundamental structural deficiencies

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1. U.S.–Russia Business Council, Russian Economic Indicators, <https://www.usrbc.org/resources/Russianeconomicindicators> (last visited Nov. 29, 2009).

2. *Id.*

(corruption, unclear laws, lack of infrastructure, etc.). Nevertheless, the above statistics testify to the growing attractiveness of the Russian market just prior to the 2008 financial crisis.

Another piece of relatively good news is that, at least rhetorically, Russia did not call for protectionism in the immediate aftermath of the 2008 financial crash.³ In January 2009 at the Davos summit, Prime Minister Putin struck most of the right notes: “The leaders of the world’s largest economies agreed during the November 2008 G20 summit not to create barriers hindering global trade and capital flows. Russia shares these principles.”⁴ Putin proceeded to reject financial populism and excessive state interventionism as possible solutions to Russia’s economic woes, adding that Russia should not repeat the mistaken policies of the Soviet Union.⁵

Yet despite voicing the right sentiments, Russia nevertheless remains vulnerable to renegeing on its foreign trade commitments and moving toward protectionism. In August 2008, for example, Prime Minister Putin first suggested that Russia was considering going back on some of its World Trade Organization (“WTO”) commitments, most notably in the area of agriculture.⁶ This statement carried major economic consequences, since agricultural subsidies have been a major stumbling block in Russia’s seemingly

3. See Stephen Sestanovich, *Russia and the Global Economic Crisis*, COUNCIL ON FOREIGN REL., Nov. 25, 2008, <http://www.cfr.org/publication/17844/> (contrasting Russia’s protectionist response to the 1998 economic crisis with the current leadership’s emphasis on greater participation in the global economy).

4. Vladimir Putin, Russ. Prime Minister, Speech at the Opening Ceremony of the World Economic Forum (Jan. 28, 2009), available at http://www.weforum.org/pdf/AM_2009/OpeningAddress_VladimirPutin.pdf.

5. See *id.* (arguing that the Soviet Union’s policy of complete economic intervention made its economy “totally uncompetitive”).

6. See Anna Smolchenko, *Putin Eyes Retreat on WTO Accords*, MOSCOW TIMES, Aug. 26, 2008 (reporting that Putin has publicly stated that Russia will not sacrifice its own economic interests in favor of expedited WTO accession); see also David Tarr, *Russian WTO Accession: What Has Been Accomplished, What Can Be Expected* 8-9 (World Bank Dev. Res. Group Trade Team, Policy Res. Working Paper No. 4428, 2007), available at http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/12/04/000158349_20071204105142/Rendered/PDF/wps4428.pdf (offering a brief history of Russia’s WTO accession process and asserting that agricultural subsidies remain a particular point of contention).

eternal (sixteen years and counting) quest to join the WTO.⁷ Putin's statement, in turn, most likely was provoked by the comments of then-U.S. Secretary of Commerce Carlos Gutierrez, who suggested that Russia's WTO accession was at risk in light of the August 2008 Russia-Georgia crisis.⁸

As the above exchange suggests, international trade remains a highly politicized issue for Russia, subject to the whims of external events. Moreover, despite the overall encouraging trends and statistics, Russia has not been hesitant to resort to both tariff and non-tariff barriers to defend domestic industries. In 2008, for example, Russia imposed tariffs to limit the import of foreign cars in an attempt to protect the country's flagging automobile sector, as well as export tariffs on timber to promote the domestic timber industry.⁹ As for non-tariff barriers, Russian inspectors are notorious for restricting U.S. poultry imports based on various existing (and non-existing) health and safety grounds.¹⁰ Major international energy projects also have stalled while Russian authorities investigated highly technical violations of Russia's environmental laws.¹¹

7. See Mike Moore, Director-General, WTO, Speech at High Level Round Table on "Russia, the International Economy and the World Trade Organization" (Mar. 30, 2001), available at http://www.wto.org/english/news_e/spmm_e/spmm_56_e.htm (acknowledging positive Russian efforts to modernize its legislation and enforcement structure for agricultural subsidies but noting that Russia is currently not in compliance with WTO requirements for membership). See generally Bogdan Lissovlik & Yaroslav Lissovlik, *Russia and the WTO: The "Gravity" of Outsider Status* 39 (IMF Working Paper WP/04/159, 2004), available at <http://www.imf.org/external/pubs/ft/wp/2004/wp04159.pdf> (presenting a timeline of Russian WTO accession, from Russia's initial request for accession in 1993 up to the status of negotiations in 2004).

8. See Smolchenko, *supra* note 6 (indicating that Russia's First Deputy Prime Minister Igor Shuvalov believed Gutierrez was contradicting his earlier vow to support Russia's WTO accession).

9. See Nikolaus von Twickel, *Trade Spats, Visas to Top EU Talks*, MOSCOW TIMES, Feb. 4, 2009 (reporting that Russian protectionist trade practices in certain sectors, including the automotive and timber industries, have jeopardized WTO negotiations and trade talks with the E.U.).

10. See, e.g., *Restrictions on Imports to Aid Poultry Plants*, MOSCOW TIMES, Mar. 23, 2009 (suggesting that efforts to restrict the importation of U.S. poultry due to purported traces of antibiotics may positively affect Russia's domestic poultry industry).

11. See Andrew Kramer, *A Mix of Oil and Environmentalism*, N.Y. TIMES, Oct. 6, 2006, at C1, available at <http://www.nytimes.com/2006/10/06/business/world-business/06sakhalin.html?scp=1&sq=Kramer&st=nyt> (reporting that industry

Thus, Russia's actual record often fails to follow its rhetoric on international trade. In particular, the passage of the Law on Foreign Investment in Strategic Sectors ("Strategic Sectors Law") in 2008 raised the specter of increased Russian protectionism.¹² This law represented one of Putin's last official acts as president and came into force on May 7, 2008, literally the day that President Medvedev took the oath of office.¹³ The Strategic Sectors Law establishes certain procedures for foreign investors—and groups that include a foreign investor—that possess an equity interest in a business "of strategic importance for national defense and state security, and (or) consummate transactions to gain majority interest in the equity" of such entities.¹⁴ The law covers an expansive list of so-designated "key" industries, including: aviation, mining, encryption, nuclear development, space, arms production, telecommunications, fishing, certain types of publishing activities, and television and radio broadcast media covering half the country.¹⁵ In total, the Strategic Sectors Law recognizes forty-two types of activities as being of strategic importance to national defense and state security.¹⁶

It must be emphasized that foreign companies are not necessarily prohibited under this statute from purchasing an equity interest in these strategic companies; however, they first must undergo a national security review set forth in the Strategic Sectors Law before

analysts believe Russia's selective enforcement of environmental policies is designed to force the renegotiation of pricey energy contracts made in the 1990s).

12. Federal'nyi zakon ot 29 apreliia 2008 goda N 57-FZ "O poriadke osyshchestvleniia inostrannykh investitsii v khoziaistvennye obshchestva, imeiushchie strategicheskoe znachenie dlia obespecheniia oborony strany i bezopasnosti gosudarstva," ROSSIISKAIA GAZETA [Ros. Gaz.] [Russian newspaper] May 7, 2008, art. 2 [hereinafter Strategic Sectors Law], available at <http://www.rg.ru/2008/05/07/investicii-fz-dok.html> (English translation available at <http://www.fas.gov.ru/english/legislation/20300.shtml>); see also Toby Gati, *Russia's New Law on Foreign Investment in Strategic Sectors and the Role of State Corporations in the Russian Economy* 12-13, 21 (Oct. 1, 2008), http://www.akin.gump.com/files/upload/Foreign_Investment%20in%20Russian%20Strategic%20Sectors%20-%20by%20Toby%20T.%20Gati.pdf (asserting that the Strategic Sectors Law is reflective of Russia's "general wariness towards foreign investment").

13. Strategic Sectors Law, *supra* note 12.

14. *Id.* art. 1.

15. *Id.* art. 6.

16. *Id.*

consummating such a transaction.¹⁷ To summarize, the following purchase thresholds and related requirements trigger a mandatory review. Foreign companies are required to undergo a security review of the transaction where they are seeking: (1) to purchase a “controlling interest” (usually more than fifty percent) in a business operating in a strategic industry; (2) the right to select the single executive body of a company and/or at least half of the members of a collegial executive body; or (3) to otherwise transfer the rights to control the company’s decisions.¹⁸ For certain industries owning rights to natural resources (i.e., companies holding so-designated “subsoil plots of federal significance”), a ten percent equity purchase triggers a review.¹⁹ In addition, for a foreign government-controlled entity, approval is required if the proposed transaction will result in the right to manage, either directly or indirectly, twenty-five percent of the strategic company.²⁰

If a foreign transaction meets one of the above criteria, or any other acquisition condition articulated under the Strategic Sectors Law, then a foreign investor must follow the application process set forth in the statute to obtain final approval of the transaction.²¹ Numerous materials are required for this process, including the founding documents of the petitioner, a description of the petitioner’s main activities over the past two years, and a draft business plan.²²

All these materials are ultimately collected by the Federal Anti-Monopoly Service and reviewed by the Commission for Foreign

17. *Id.* arts. 1, 7.

18. *Id.* arts. 7.1.1(a)-(b), 7.1.6.

19. *Id.* art. 7.1.2; *see also* Baker & McKenzie, *Russia Enacts New Law on Foreign Investments in Strategic Areas* (June 2008), <http://www.bakernet.com/BakerNet/Locations/Europe+Middle+East/Offices/Russia/Press+Releases/RussiaForeignInvestmentsJun08.htm> (last visited Dec. 1, 2009) (acknowledging that additional ownership restrictions are placed on companies developing natural resource deposits on the Russian continental shelf).

20. Strategic Sectors Law, *supra* note 12, art. 7.1.5 (reducing the requisite percentage to five percent where the foreign government-controlled entity seeks direct or indirect control of the strategic company through ownership of voting shares).

21. *Id.* art. 8.

22. *Id.* art. 8.2.1 – 8.2.11. The Strategic Sectors Law also provides that when entities are unsure if their ownership or control levels trigger the national security review, they may send an enquiry to “the authorized body” in order to determine whether a review is required. *Id.* art. 8.6.

Investment Control (“Commission”), headed by the Russian prime minister. Thus, it may be more than coincidence that Putin signed the Strategic Sectors Law in April 2008 as president and then, a few months later, found himself in charge of the law’s chief decision-making body.²³ In theory, the entire review process should take no longer than three months from the time that a petition is registered, although in certain “exceptional” circumstances, this time period may be extended an additional three months.²⁴ Failure to follow the designated approval process will result in the nullification of any acquisition.²⁵

Russia, of course, is by no means the only country that takes into account national security considerations when reviewing foreign investments. The U.S. Department of Treasury’s Committee on Foreign Investment in the United States (“CFIUS”) regularly reviews foreign acquisitions of U.S. companies that may have national security implications.²⁶ CFIUS successfully maintained a low-profile until its controversial approval in 2006 of an acquisition by Dubai Ports World (a United Arab Emirates company) of several major U.S. seaports.²⁷ The uproar surrounding this proposed transaction, and the potential national security ramifications of a Middle East company operating major port facilities in the United States, ultimately resulted in the withdrawal of Dubai Ports World’s offer. Moreover, in the aftermath of this controversy, Congress introduced several changes to the CFIUS process under the Foreign Investment and National Security Act of 2007 (“FINSA”). Pursuant to FINSA, the director of national intelligence now serves as a non-voting, *ex officio* member of CFIUS.²⁸ The scope of national security reviews

23. See Christopher Kenneth, *Putin to Play a Decisive Role in the Strategic Sectors Law Enforcement*, RUSS. CORP. WORLD, Nov. 2008, at 11-12, available at <http://www.trcw.ru/en/articles/detail.php?ID=398> (suggesting “that Putin will have the final say in deciding the candidacies of the strategic foreign investors deemed eligible to invest” not only per the requirements of the Strategic Sectors Law, but also in connection with what Russia deems to be of importance to its national security when it applies the law).

24. Strategic Sectors Law, *supra* note 12, art. 11.4.

25. *Id.* art. 15.1.

26. 31 C.F.R. §§ 800.101, 800.203 (2008).

27. See Douglas Holtz-Eakin, *You Can’t Be CFIUS*, WALL ST. J., Jul. 13, 2006, at A8 (suggesting the issuance of an executive order increasing CFIUS’ transparency and cooperation with Congress).

28. 50 U.S.C. app. § 2170(b)(4)(D) (2007) (restricting the Director’s ability to

has also expanded to cover transactions affecting critical infrastructure, including energy transactions.²⁹

As the U.S. experience demonstrates, Russia clearly is not unique in weighing the national security implications associated with foreign investment. The first informal reports regarding the Strategic Sectors Law's implementation remain rather inconclusive. The Russian newspaper *Vedomosti* reported that, as of February 5, 2009 the Federal Anti-Monopoly Service had received forty-five applications, of which two had been approved.³⁰ The applications covered such industries as space equipment building, natural resources, and transport, although no detailed information was provided.

What cannot be quantified, of course, is how many deals have been put on hold—or abandoned—as a result of this legislation. Not surprisingly, the overall reaction among foreign investors to the implementation of the Strategic Sectors Law has been mixed. On the positive side, the law clarified what had been a very muddled picture as to how the Russian government would proceed with transactions in the so-designated strategic sector. Defined procedures now exist that, at least in theory, should make the process more straightforward. The problem, of course, is that Russia has established an expensive, time consuming, document intensive, and still less-than-transparent process that may end up discouraging, rather than promoting, foreign investment.³¹ Moreover, a huge uproar among

make policy decisions except with respect to whether a transaction constitutes a national security threat).

29. See 50 U.S.C. app. § 2170(f)(6) (2007); see also 31 C.F.R. § 800.203 (defining “critical infrastructure” as “a system or asset, whether physical or virtual, so vital to the United States that the incapacity or destruction of the particular system or asset . . . would have a debilitating impact on national security”).

30. See Dmitry Kaz'min, *Zakryt lazeiki*, VEDOMOSTI, Feb. 5, 2009 (indicating that the Federal Anti-Monopoly Service plans to limit the ability of other governmental agencies to submit comments in order to streamline the petitioning process); see also Laura M. Brank & Daria Litvinova, *The Impact of the Strategic Sectors Law: Six Months In*, AMCHAM NEWS, Jan.-Feb. 2009, at 23, 24, available at http://www.amchamnews.ru/issue85/impact_law (asserting that the two transactions approved by the Federal Anti-Monopoly Service provided little insight into the way the commission will actually apply the Strategic Sectors Law).

31. See Dmitry Dmitriev & Anna Bogacheva, *The Strategic Sectors Law – The First Year of Enforcement*, RUSS. BUS. WATCH, 2009, available at <https://www.usrbc.org/pics/Image/RBW/Spring2009/PDF/Legal1.pdf> (suspecting

foreign investors would undoubtedly ensue if the Russian government began to actively use the Strategic Sectors Law to reject foreign investment.

Of course, at the top of this regulatory pyramid now sits Prime Minister Putin in his capacity as Chairman of the Commission for Foreign Investment Control. How he chooses to exercise his new powers overseeing foreign investment in the national defense and strategic sectors—and how western businesses respond to his ultimate oversight—remains one of the great unknown variables in the implementation of this law. Putin did announce on February 5, 2009 his desire to close certain loopholes in the Strategic Sectors Law.³² Putin specifically expressed his concern that “gaps” in the law allow “some of our economic entities to circumvent the law’s provisions and evade clearance for deals with strategic assets.”³³ At the same time, the Federal Anti-Monopoly Service discussed possible changes to the law, most notably an amendment increasing the Commission’s authority to request supplemental materials from applicants.³⁴

But, in addition to closing these loopholes, Putin also discussed the possibility of simplifying the application procedures for “good faith” investors, as well as the need to reach out to foreign investors.³⁵ Putin noted the challenges ahead in terms of attracting foreign investment to Russia: “A rather intense rivalry for investment resources will unfold in the period of post-crisis development and recovery. . . . And our task is to work actively on creating the most favorable conditions for bringing this investment into our economy.”³⁶

that potential foreign investors have underestimated the difficulty of meeting the Strategic Sectors Law’s informational and timing requirements).

32. Anatoly Medetsky, *Putin Wants Loopholes Closed*, MOSCOW TIMES, Feb. 5, 2009.

33. *Id.*

34. See Kaz’min, *supra* note 30 (discussing also amendments to the Strategic Sectors Law that would close loopholes that allow subsidiaries of foreign companies to bypass the law).

35. See Medetsky, *supra* note 32 (recognizing that simplified procedures are one method of attracting additional foreign investment).

36. *Id.*

It remains unclear to what extent foreign companies, including foreign companies owned by Russians, are exploiting loopholes in the Strategic Sectors Law. Foreign companies theoretically can exercise “control” over a strategic asset even without meeting the law’s equity threshold or definition of control, for example, via secret shareholder agreements. Moreover, offshore transactions between two foreign companies where the seller owns or otherwise “controls” a Russian strategic asset theoretically now require a strategic review under the Strategic Sectors Law as well. Foreign companies finding themselves in such a predicament will have to weigh several options; they can either avail themselves of the existing review procedures, ignore the law and run the risk of getting caught, or simply abandon the deal.

One can only speculate how the 2008 global economic crisis will affect the Strategic Sectors Law and any possible resurgence in Russian protectionism. Many of Russia’s strategic industries would now seemingly welcome international investment, so it would clearly be to Russia’s economic disadvantage to discourage foreign investment via the strict enforcement of Strategic Sectors Law.³⁷ Russia’s First Deputy Prime Minister, Igor Shuvalov, also indicated in March 2009 that the Russian government would no longer immediately oppose the purchase of Russian debt by foreign companies in certain strategic sector industries.³⁸ While Shuvalov never explicitly referred to the Strategic Sectors Law, his statement seemed to give a green light for investing in Russia’s strategic industries.³⁹

37. See Annie Ferris-Rotman, *Crisis May Open Doors to West*, MOSCOW TIMES, Feb. 4, 2009 (indicating that Russia’s willingness to accept foreign investment in the energy sector, as demonstrated by an Indian company’s takeover of the “Russia-focused” Imperial Energy company, surprised most investors).

38. See Renata Iambaeva et al., *Inostrantsev vziali v dolg*, KOMMERS., Mar. 20, 2009, available at <http://www.kommersant.ru/doc.aspx?DocsID=1140652> (reporting that the administration views foreign investment as an alternative to a government rescue).

39. On September 15, 2009 presidential aide Arkady Dvorkovich announced that Russia intends to adjust its laws to make foreign investment easier in strategic sectors. *Kremlin: Russia to Ease Investment Rules*, REUTERS, Sept. 15, 2009, available at <http://www.reuters.com/article/RussiaInvestment09/idUSTRE58E5U520090915>.

While Russia—at least in its public statements—appears to appreciate the negative economic consequences of protectionism, it is only beginning to understand the political ramifications of such a policy. Russia's unparalleled growth from 2001 through 2007 resulted in an upsurge of imports, most notably, in the automobile sector.⁴⁰ Thus, when the Russian government imposed import tariffs on automobiles in 2008 to protect the domestic industry,⁴¹ demonstrations erupted throughout the country. One of the loudest protests occurred in Vladivostok in December 2008.⁴² It turns out that the economy of the Russian Far East was highly dependent on the import of automobiles from Japan, and numerous local businesses were involved in the repair and service of these vehicles. As a result, motorists took to the streets in Vladivostok, demanding the removal of these tariffs. Some protesters also voiced political demands, and the Kremlin ultimately became so concerned that it flew Moscow riot police to Vladivostok to quash the demonstrations.⁴³

But while the protests in Vladivostok and other regions clearly rattled the Kremlin, they failed to persuade the Russian government to change course; used car imports subsequently fell by ninety-five percent in the first quarter of 2009 as a result of the new tariffs.⁴⁴

40. See Adam Gallagher & Yuri Shumilov, *Overview of the Russian Restructuring Market: A Time of Change*, 28 AM. BANKR. INST. J. 28, 28 (Feb 2009) (noting that since the 1998 financial crisis, Russia has averaged a seven percent annual growth rate); see also *Russian Automobile Market Shows Rapid Growth*, RNCOS, May 28, 2007, <http://www.rncos.com/Blog/2007/05/Russian-Automobile-Market-Shows-Rapid-Growth.html> (last visited Dec. 1, 2009) (reporting a sixty-three percent increase in sales of foreign cars in 2006, and attributing the growing demand to a swelling middle class and greater disposable income among consumers).

41. Michael Schwartz & Clifford J. Levy, *As Economy Sinks, Russians Protest*, N.Y. TIMES, Feb. 1, 2009, at A10, available at <http://www.nytimes.com/2009/02/01/world/europe/01russia.html?scp=1&sq=MichaelSchwartzandProtest&st=cse>.

42. See *id.* (indicating that officials violently put down the protest).

43. See *id.* (noting that the government's forceful response was widely condemned); see also Vladimir Ryzhkov, *Opinion, Putin's Biggest New Year's Wish*, ST. PETERSBURG TIMES, Dec. 26, 2008, available at http://www.sptimes.ru/index.php?action_id=2&story_id=27939 (acknowledging that the protests in Vladivostok precipitated additional political demands, which included demands for Putin's resignation, the end of media censorship, and the reinstatement of the previous presidential term limits).

44. See *Challenge to New Car Tariffs Rejected*, MOSCOW TIMES, May 22, 2009

Other protectionist clouds loom on the horizon as well. Most notably, Russia's unexpected decision in June 2009 to resubmit its application to the WTO as part of a loosely based "customs union" with Kazakhstan and Belarus means that WTO accession, which requires Russia to lower tariffs and open major sectors of its economy to foreign competition, appears years away.⁴⁵

The Strategic Sectors Law represents another variable in judging Russia's overall commitment to open markets. Ironically, it has been a Russian company that appears to have become the most entangled in the tentacles of the legislation. In June 2009, the Commission for Foreign Investment Control put off Basic Element's (owned by Oleg Deripaska) purchase of the Russian oil company RussNeft.⁴⁶ The transaction was delayed primarily because of the buyer's complicated corporate structure involving almost 100 offshore companies. Vice-Premier Igor Sechin seemed slightly bemused that legislation designed to review foreign investment had instead ensnared a Russian investor.⁴⁷ But while Sechin was pleased that Basic Element had followed the demands of the Strategic Sectors Law, he still voiced his preference that the final purchaser be a registered Russian company.⁴⁸

The prospect of growing protectionism—whether through the Strategic Sectors Law, a retreat from WTO commitments, or other tariff and non-tariff measures—remains high in Russia, despite all statements to the contrary. Indeed, the uncertainty surrounding

(stating that used car imports decreased from 120,300 in the first quarter of 2008 to 4,929 in the first quarter of 2009); *Car Import Tariffs Won't Be Changed*, MOSCOW TIMES, Aug. 21, 2009 (reporting that a government committee has extended the existing car tariffs until at least May 2010).

45. Aleksei Shapovalov et al., *VTO Polychila Optovoe Predlozhenie*, KOMMERS., June 19, 2009, available at <http://www.kommersant.ru/doc.aspx?DocsID=1189454>.

46. See Denis Rebrov, "*Russneft*" *dlia russkikh*, KOMMERS., June 8, 2009, available at <http://www.kommersant.ru/doc.aspx?DocsID=1184916> (reporting that the Federal Anti-Monopoly Service has not submitted a final decision on Basic Element's application to purchase RussNeft because of incomplete documentation).

47. *Id.*

48. *Id.*; see also Elena Mazneva & Alena Chehel, *Slozhno pokupaete*, VEDOMOSTI, June 9, 2009, at B2 (informing that the Director of the Federal Anti-Monopoly Service echoes Sechin's concerns about the nationality of final purchasers).

Russia's general commitment to open markets represents one of (admittedly) several reasons why FDI declined by some forty-five percent during the first six months of 2009.⁴⁹ But as this article demonstrates, it is not simply Russia's economic growth that is threatened by a further retreat from free trade. Any additional protectionist measures would hold considerable risks for the Russian government, testing the country's already strained relations with its international trading partners and potentially creating new tensions in Russian domestic politics as well.

49. See Alex Nicholson & Paul Abelsky, *Foreign Investment Declines 45% in HI*, MOSCOW TIMES, Aug. 24, 2009 (attributing the decrease in FDI also to unfavorable credit markets and uncertainties in the Russian and global financial markets).