



<input checked="" type="checkbox"/>	Master's thesis
<input type="checkbox"/>	Licentiate's thesis
<input type="checkbox"/>	Doctor's thesis

Subject	International Business	Date	13.12.2010
Author(s)	Mira Virtanen	Student number	
		Number of pages	107
Title	Russian special economic zones as targets for foreign direct investment		
Supervisor(s)	D.Sc. (Econ.), Ph.D. Kari Liuhto M.Soc.Sc. Stefan Ehrstedt		

Abstract

Special economic zones (SEZs) have been used in many countries to attract foreign investors. The current special economic zones in Russia were created to help to decrease the country's dependency on natural resources and diversify the economy. Foreign investors were also welcomed to become residents of these zones. Yet, it has been questioned whether the zones offer anything for foreign companies. Consequently, the objective of this research was to assess the potential of special economic zones in Russia from foreign companies' point of view. The research objective was approached by studying how the Russian SEZs facilitate FDI and by determining how the SEZs in Russia differ from the zones in other countries in terms of incentives, activities and results. The theory chapter discusses the importance of location in relation to FDI from various perspectives. The data in this research was collected from various secondary sources and through four expert interviews.

According to the main findings of the study, foreign companies' interest towards SEZs has been very modest, which indicates that the incentives and other benefits offered for residents of the zones are insignificant. Furthermore, the lack of FDI may reduce the interest of foreign companies to invest in the SEZs, although the presence of Russian residents could also be beneficial for some foreign companies.

The main concerns about the future of the zones are related to inadequate planning, unrealistic targets and the level of commitment in the long run. SEZs have not been able to convince foreign investors of the possibilities of the zones and the number of foreign companies in the zones is very modest. Some of the zones have not even been able to attract domestic companies. Therefore, the future of the SEZs depends on how soon the zones attract investments, especially of foreign origin.

The success of the zones is also dependent on the general economic and political development of Russia. Bad experiences of foreign companies in Russia discourage FDI generally. Thus, special economic zones do not generate positive results if the other policies in the country are not enhanced.

To conclude, in the case of Russian SEZs, the factors of an attractive business environment exist in theory, but the all the promises have not been executed to fulfil the needs of foreign investors. Benefits offered in the zones are insignificant and they can only be seen as a short-term bonus for the residents. Moreover, if a company has enough bargaining power and it can negotiate its own terms with regional authorities of the chosen location, the special conditions offered by the SEZs lose their meaning.

Key words	foreign direct investment, location, special economic zone, Russia
Further information	