

Reply to Roxie on Russian Investment

Barbara Dorn

20 March 2014

As promised, here is a link to the document which contains the tables I showed you at the last London local meeting - the whole document is worth reading:

[http://www.vcc.columbia.edu/files/vale/documents/EMGP-Russia-Report-2011a-Final for publication-21 Jun 11.pdf](http://www.vcc.columbia.edu/files/vale/documents/EMGP-Russia-Report-2011a-Final%20for%20publication-21%20Jun%2011.pdf)

I found this while looking for data to respond to the challenge in your document 'Note on Skype and Russia then and now':

"if a parallel could be proven today – that Russia is pumping value out of neo colonies – I would be convinced to re-evaluate my position. But so far, I don't feel that theimps have provided this evidence. I think there is a simple reason for this – it doesn't match the reality today as far as I know."

The document above, including the appendices, provides a lot of empirical data about Russia's outward investments, based on the large transnational corporations (TNCs) (Lukoil and Gazprom being the largest and best known) and shows that their investments are significant, widespread, and not just about selling oil and gas but involvement in other areas of the energy sector (combinationism, in Lenin's words, and in fact these big Russian TNCs bear a close resemblance to the cartels and monopolies Lenin describes in *Imperialism*). Where the tables show value gained or increases in the value of foreign asset holdings you can see that these investments are overall profitable right now, not just investment for the realisation of future profit. (Of course, every imperialist bourgeoisie makes *long-term* foreign investments with little immediate prospect of big returns, and those should not be disqualified as examples of capital export - but you made a particular challenge about seeing profits right now.)

As well as this information about individual companies, I also looked at the FDI figures for Russia cited on the UNCTAD website (<http://unctadstat.unctad.org>, a standard source used by bourgeois economists) and found some material that might be of interest. But first a few general points:

At the London local it was suggested that I was changing focus to look at statistics, which I disputed, saying that economic statistics such as FDI were part of the totality we were looking at and should be viewed alongside Russia's political and military role in the world. Statistics, of course, are only as good as the way they are interpreted and both Josh [Decker] and Dave [Watts] have made some excellent points in their latest documents about the difficulty in measuring FDI and that it only partially correlates with the Marxist category of capital export to realise surplus value. But you wanted statistics, so here they are. Quantitative measures of FDI are an important part, if only a part, of the whole picture.

You and other non-imp comrades have put some emphasis on **net FDI**, the difference between inward and outward FDI from all sources. It has been argued that if total outward FDI is greater than total inward FDI, then that is an indication that a country can be considered imperialist. In his recent

document Josh has pointed out that not all imperialist countries will or do experience this (though an imperialist country will over the long-run extract surplus value *from its neo-colonies*). Lenin and Trotsky did not require an imperialist country to have a total positive net FDI, and nor did we in the IEC approved document on Tsarist Russia, which notes that Russia's outward investment was "dwarfed" by inward investment from richer imperialists. The argument in that document for Tsarist Russia's imperialist status was its significant investment in and exploitation of weaker countries, regardless of the mathematical relationship between total inward and outward FDI.

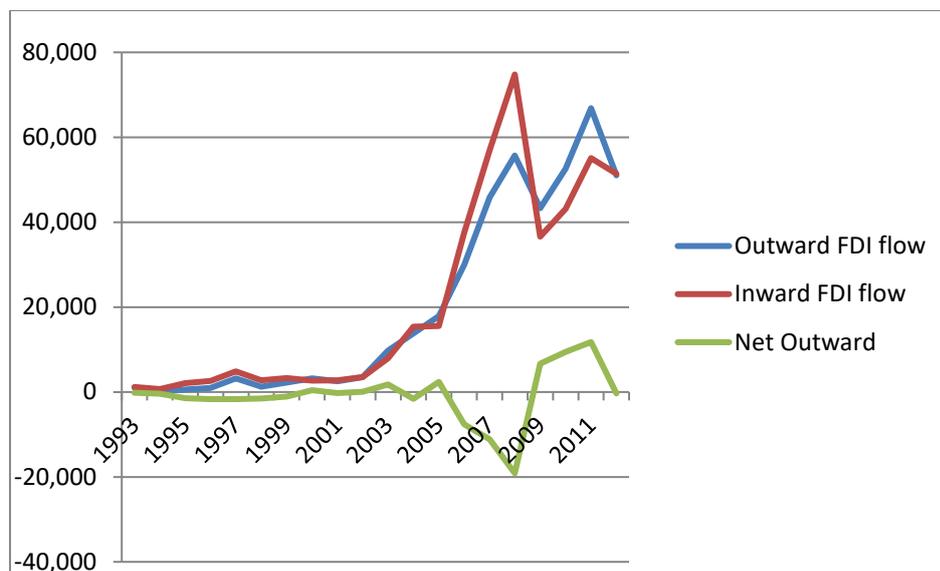
Nevertheless, there have been assertions from non-imps that Russia falls into the category of a net importer of FDI, and is therefore a subordinate country. In fact, Russia not only has significant and increasing outward investment, but over the past few years its net FDI flow has changed from being inward to being outward.

There are two measures of FDI - flow and stock. This is the UNCTAD definition:

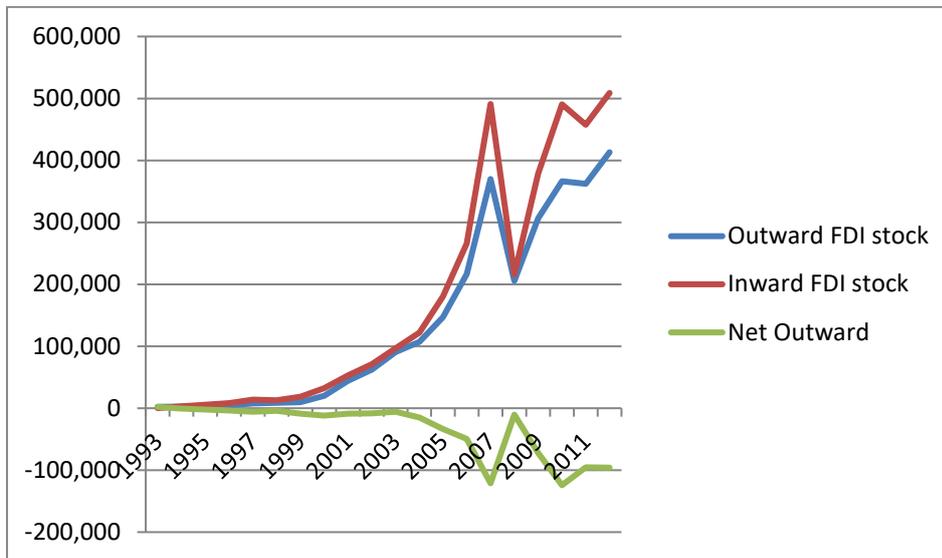
<http://unctad.org/en/Pages/DIAE/FDI%20Statistics/Sources-and-Definitions.aspx>. As I understand it, what this boils down to is that **FDI flow** records the amount of investment carried out in a particular year, while **FDI stock** records the cumulative amount year on year, based on assets and the fruit of past investments. In the case of Russia, which has only become imperialist during the past decade, we would expect the stock figures to be low as they include the time when Russia was reeling from counter-revolution and could not be described as imperialist. FDI flow is a better measure of the recent trend, since it is not burdened by low accumulation rates from the past. The figures that you and HaPe [Breitman] were citing at the previous local meeting were FDI stock figures, which showed net inward investment (although it also showed substantial and increasing amounts of outward investment, again fulfilling the criteria we established for Tsarist Russia).

FDI flow, the measure of investment in a particular year, records a different story: that there was a substantial increase in investments in and out of Russia beginning about a decade ago, and since 2009 FDI flow has moved into the black.

Here is a graph of Russia FDI flow over the past 20 years (based on data from <http://unctadstat.unctad.org>, in attached spreadsheet):



And this for FDI stock over the same period:

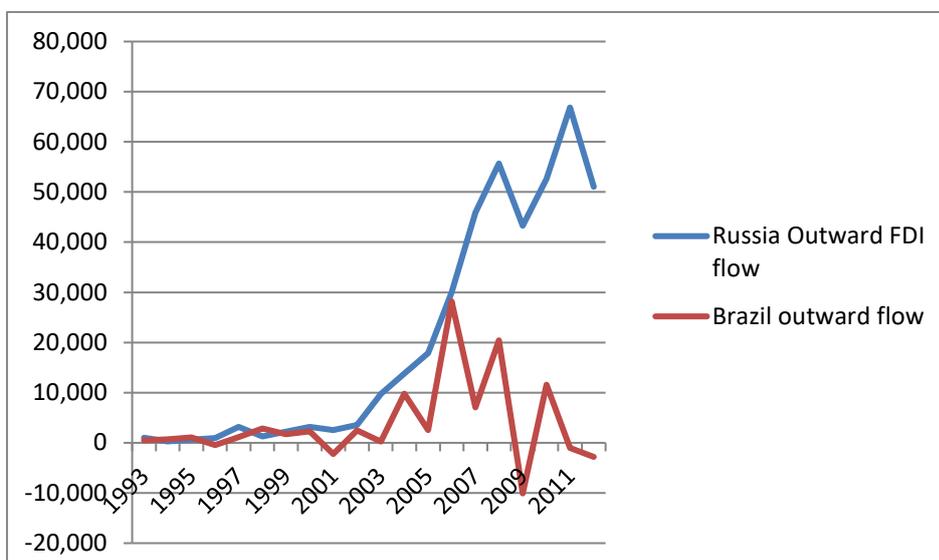


Even the stock figures show a dramatic increase in Russian outward investment over the past decade.

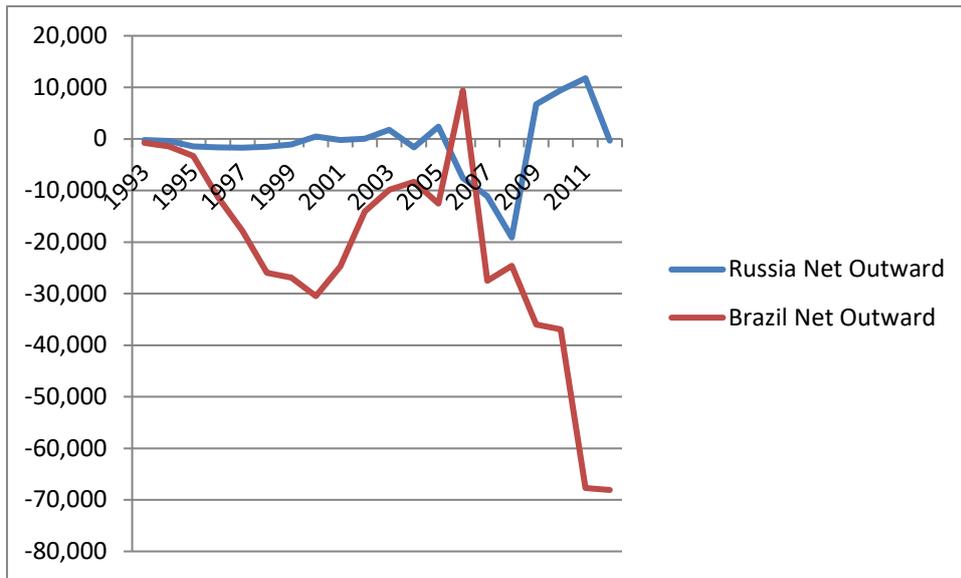
It has been suggested that this increase in outward investment is related to the rise in oil and natural gas prices (since similar increases were seen in some other oil-exporting countries). This is undoubtedly true, but I'm not sure I see the significance of that if Russia's ruling class has leveraged the massive profits from its natural resource oligopolies to extend and significantly deepen its foreign investments, cementing its status as an independent exploiter of weaker countries.

By way of comparison, here are some graphs comparing Russia and Brazil, showing that despite some (not unexpected) numeric similarities between a weak imperialist economy and arguably the strongest non-imperialist, when it comes to foreign investment they are in different leagues.

First, outward investment:



And net FDI:



This economic data is part of an overall picture that has seen Russia playing an increasing role on the world stage as one of the powerful countries competing for resources, markets and influence, over *exactly the same period* - the past decade and particularly since the war in Georgia when we began our debate. If it wasn't clear then that Russia has become an imperialist power, it is now.