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1. Introduction

There is a growing body of literature that deals with outward foreign direct investment (OFDI) from Russia and the international activities of Russian multinational enterprises (MNEs). However, despite the significant public attention devoted to Russia, and relatively widespread fears of Russian capital, there is very little academic research on the presence of Russian capital in Central and East Europe. Only a few studies have examined in detail the entire region or even parts of it (Pelto et al., 2004; Weiner, 2006; Chetverikova, 2010; Kalotay et al., 2014). Moreover, only a few CEE country studies have been conducted, including studies on Bulgaria (Zashev, 2005a), Hungary (Weiner, 2011a, 2011b, 2013), Poland (Liuhto, 2002; Runiewicz, 2005), Latvia (Zashev, 2005b) and Lithuania (Zashev, 2004). Although Hungary is among the exceptions, an English-language study has yet to be published.

This paper has two main purposes. The first is to review what the various official statistics tell us about Russian FDI in Hungary (Section 2). The other is to arrive at a more comprehensive understanding of major Russian FDI projects in Hungary, by analysing company data in meticulous detail (Section 3). In these case studies, we consider the main characteristics of Russian investments in Hungary, including, among other things, (1) the industries targeted by Russian investors; (2) the way in which Russian investors enter the market (greenfield projects, acquisitions or joint ventures); (3) the motivations behind investment decisions; (4) the failure or success of investment projects; (5) the ownership structures of the investing entities (with special attention to potential links to the Russian government); (6) the Russian share in the investment; (7) the role of indirect FDI/trans-shipment (investment through a third country). We investigate whether the top Russian non-financial MNEs (Table 1[2]) are present in

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[2] The tables can be found after the References section.

Hungary, and whether there are significant FDI projects on the horizon. We only briefly touch on the prevailing Hungarian attitude towards Russian investments.[3]

2. What do the statistics say about Russian FDI in Hungary?

The central banks of both Hungary and Russia (MNB and CBR, respectively) and the Russian Federal State Statistics Service (Rosstat) provide data on the actual size of Russian FDI in Hungary:

– the MNB has provided data on Russian FDI flows into Hungary since 2001, and on Russian stocks in Hungary since the end of 2001.[4]
– the CBR presents comparable data on Russian FDI flows into and stocks in Hungary since 2007 and the end of 2009, respectively.
– Rosstat circulates a limited selection of data.[5]

These statistical data sets show that

(1) Russian FDI plays a limited role in Hungary, and Hungary is not an important destination for Russian FDI in Central and Eastern Europe. This provides a contrast to the fact that Russia is a key player among the countries with the highest share of Hungarian imports of goods on account of its shipments of oil and gas (it occupies a stable position in second or third place, depending on whether the principle applied is "country of origin" or "country of departure"); and
(2) the statistical data mainly reflect the activities of two players, the Rakhimkulov family (i.e. Megdet Rakhimkulov and his sons, Ruslan Rakhimkulov and Timur Rakhimkulov) and of Surgutneftegaz, Russia's third-largest oil producer.

According to the CBR, at the end of 2013 Hungary's share in total Russian outward FDI stock was only 0.07 percent, putting Hungary in 11th place among the Central and East European countries, with only USD 316 million (Table 2; CBR, 2014). Only five CEE countries ranked behind Hungary.[6] At the end of both 2009 and 2010, a totally different situation was observed, as Russian FDI stocks in Hungary had surged. According to the CBR, Russian FDI stock in Hungary reached USD 2.3 billion and USD 2.2

[3] Also, in this paper, we will not provide an overview of Russian OFDI and MNEs. We have already done so in Kalotay et al. (2014).

[4] The MNB has started to publish data in line with the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6 methodology). The old methodology is called BPM5 (i.e. the fifth edition of the IMF's Balance of Payments and International Investment Position Manual). See MNB (2014g, 2014h).

[5] Because of the limited availability of data, we will not deal with data from Rosstat here.

[6] The MNB, by contrast, recorded negative values of Russian FDI stock in Hungary at the end of 2013 (Tables 5 and 6; MNB, 2015d, 2015e). The value is negative because one of the three main components of FDI, intra-company loans, are in the negative range. The fact that a foreign affiliate acts as a net creditor of the parent company is a common financial measure by MNEs looking for optimizing their resources and taxes (Kalotay et al., 2014).

billion in 2009 and 2010, respectively.[7] These figures are connected to Surgutneftegaz's 21.2 percent stake in the Hungarian oil and gas company Mol. Acquired in 2009, and subsequently sold in 2011, this stake is considered the single largest item of Russian FDI in Hungary. The deal was highly significant for both countries.

From the Russian point of view, it presents evidence that even during the financial and economic crisis of 2008/2009, there were still very large Russian OFDIs registered:

– The Surgutneftegaz deal occupied the sixth and seventh places among the top outward merger and acquisition (M&A) transactions from Russia between 2007 and 2009 and between 2007 and 2010, respectively (Kuznetsov et al., 2011; Kuznetsov, 2011).
– CBR data shows that in 2009 Hungary was the seventh largest recipient of FDI flows from Russia (CBR, 2015b). At the end of both 2009 and 2010, in terms of the stock of Russian FDI, Hungary ranked first among the CEE countries, ahead of Bulgaria, Lithuania, the Czech Republic and Montenegro. Despite these regional rankings, however, stock data from the CBR suggests that at the end of 2009 and 2010, Hungary took only the 17th and 19th places among the most attractive Russian FDI destinations in the world, with respective shares of 0.75 and 0.61 percent (CBR, 2014).

Looking at this from the Hungarian perspective: Although in 2009 Russia was among the largest investors in Hungary (without special purpose entities or SPEs and using BPM5 methodology: in the category "equity capital" – first place; in "equity capital and reinvested earnings" – second place; in "equity capital, reinvested earnings and other capital" – third place) (MNB, 2014c[8]),[9] the one strong year did not have a major impact in terms of its low share in the overall FDI stock in Hungary: with a 1.6 percent share of total FDI stock, it was still only in 11th place in the ranking of countries with FDI in Hungary (also excluding SPEs and using BPM5 methodology) (MNB, 2014a[10]).[11] With the help of the MNB, we looked at what the Hungarian statistics really indicate.[12] Quarterly data reported by the MNB on Russian FDI in Hungary between 2001 and

[7] The MNB, by contrast, calculated lower figures regardless of whether it included SPEs or not, and regardless of whether it used BPM5 or BPM6 methodology (see the explanation below and the respective figures in Tables 4–6; MNB, 2014a, 2014b, 2015d, 2015e).
[8] For the figures according to the BPM6 methodology, see MNB (2015a, 2015b).
[9] Including SPEs, Russia was ranked fourth, fifth and fifth, respectively (BPM5 methodology, MNB, 2014d). For the figures according to the BPM6 methodology, see MNB (2015c).
[10] For the figures according to the BPM6 methodology, see MNB (2015e).
[11] If SPEs are included, Russia's share is even much smaller (0.6%) and even much further back (16th) in the ranking (BPM5 methodology, MNB, 2014b). For the figures according to the BPM6 methodology, see MNB (2015d).
[12] The following paragraphs are based on several personal communications with two anonymous MNB experts (these took place between March and May 2012).

2014[13] (only equity capital) clearly show that meaningful transactions only transpired in three quarters of three different years,[14] including (1) the second quarter of 2008 (EUR -677.4 million), (2) the second quarter of 2009 (EUR 789.7 million) and (3) the third quarter of 2011 (EUR -1,860.8 million). These numbers are the same with or without SPEs.

The data provided for these three quarters reflect only a single transaction in each of these quarters, including one relating to the Rakhimkulovs and two connected to Surgutneftegaz.

– The first transaction is connected to Kafijat Investment and Asset Management Zrt., which used to be Megdet Rakhimkulov's large family business (see the details below in Section 3.1). The MNB informed us that according to the information found in the Complex Céghírek, a business registration database of companies in Hungary, from April 2008 onwards Kafijat had Cyprus-based owners. This change of ownership was recorded in the balance of payments. According to CompLex Céghírek, the ownership stakes of Megdet Rakhimkulov, Ruslan Rakhimkulov and Timur Rakhimkulov were discontinued on 30 April 2008, while on the same day the Cyprus-based AWB Consulting Services Ltd. and Charing Investments Ltd., i.e. the companies of the Rakhimkulov brothers, acquired Kafijat.[15] At the general meeting held on 30 April 2008, due to divestment, Kafijat's share capital was reduced substantially, from HUF 98.45 billion to HUF 10.45 billion, with effect from 30 April 2008, and huge dividends were paid (Complex Céghírek; HVG, 2007, 2008a, 2008b). The capital reduction is linked to the investors from Cyprus.[16; 17]
– The second and the third balances are linked to the acquisition and sale of shares in Mol. But the figures that the MNB published for 2009 are far below the EUR 1.4 billion amount that was publicly disseminated. According to the MNB, the reason for this difference is that Mol was involved in the transaction as a third party (i.e. Mol's shares were acquired and then sold, and the company itself was neither a buyer nor

[13] Quarterly data for the years between 2001 and 2013 were produced according to the BPM5 methodology. The MNB published quarterly data according to the BPM6 methodology only for 2014. For quarterly data, see Tables 8 and 9 (BPM5 methodology: MNB, 2014e, 2014f; BPM6 methodology: MNB, 2015f, 2015g). For annual data, see Tables 11–13 (BPM5 methodology: MNB, 2014c, 2014d; BPM6 methodology: MNB, 2015a, 2015b, 2015c).

[14] As Table 9 indicates, a relatively large amount of Russian FDI was received in the last quarter of 2014. However, if we do not only exclude SPS but also capital in transit and the restructuring of asset portfolios, then this amount will be much lower. Capital in transit means that Hungarian companies receive capital or a loan from one member of a group of companies, which they transfer to another foreign member of the group at very short notice. Capital in transit distorts the economic interpretation of data on foreign direct investment (MNB, 2011). The restructuring of multinational companies' asset portfolios (financial restructuring) may also sharply increase the FDI inflow and outflow data of a given period without any foreign funds entering the country in net terms (MNB, 2013).

[15] In 2014, Ruslan Rakhimkulov and Timur Rakhimkulov became Kafijat's direct owners. AWB Consulting Services Ltd. and Charing Investments Ltd. are now Kafijat's subsidiaries.

[16] Source: personal communication with the MNB (9 March 2012).

[17] The ownership change was announced and recorded in April 2008, while the capital reduction was registered in July 2008 (eBeszámoló).

a seller), so the acquisition transaction was not accounted on the basis of the value that was reported in the press, but was instead calculated on the basis of the stock price multiplier (note that Surgutneftegaz paid double the market price) because "Mol as the data provider was not aware of the figure that appeared in the press".[18]

The flow data for 2007 (Tables 11–13; MNB, 2014c, 2014d, 2015a, 2015b, 2015c) does not tell us why the stock figures (Tables 4–6; MNB, 2014a, 2014b, 2015d, 2015e) increased dramatically from the end of 2006 (amounting to EUR 17.1 million without SPEs and to EUR 19.4 million with SPEs) through the end of 2007 (amounting to EUR 697.3 million without SPEs and to EUR 699.8 million with SPEs).[19] The MNB said that the increase in the stock of Russian FDI was linked to Kafijat and its owner, who had changed his residency status during that year: Megdet Rakhimkulov, who had been a Hungarian investor, turned into a Russian investor (in other words, he moved back to Russia in 2007), thus the Russian FDI stock increased without any transactions.[20; 21]

These data, however, do not capture the whole picture about Russian FDI in Hungary. The main problem is that in many cases investments are routed through a third country (indirect FDI, trans-shipment). One does not necessarily need to think of this third-country company as a special purpose entity (including/or a holding company; see Dippelsman, 2004), which can be either offshore or not, with the corresponding taxation, regulatory and confidentiality benefits (Tavakoli, 2003; IMF, 2004). It has happened, for example, that a foreign manufacturing company with a Hungarian subsidiary was taken over by Russian owners (specifically, Austria's Vogel & Noot, which also has subsidiaries in Hungary, among other countries, was sold to the Russians, see Section 3.7).

Furthermore, there are two other problems that must be addressed when executing searches in the Hungarian company registration database on companies with Russian owners. First, "cascading investments" (i.e. "multi-layered structures")[22] may hide the nationality of the ultimate owners. This refers to companies that are set up or acquired in Hungary by Russian interests but are registered as Hungarian companies. The second problem is that joint-stock companies ("rt." in Hungarian) are not required to disclose their ownership structure in Hungary.[23] There is information about share ownership in the documents kept by the courts of registry and in the companies' financial statements, but not every joint-stock company discloses this information in the register of companies.

[18] Source: personal communication with the MNB (9 March 2012).
[19] The figures are the same using either BPM5 or BPM6 methodology.
[20] Source: personal communication with the MNB (9 March 2012).
[21] At the end of 2007, Megdet Rakhimkulov was a 98.3 percent owner, while Timur Rakhimkulov and Ruslan Rakhimkulov held 0.85 percent each. According to official statements dated 18 September 2006 and 25 May 2007, Megdet Rakhimkulov's share amounted to 71.44 percent, while Timur Rakhimkulov and Ruslan Rakhimkulov had a share of 14.28 percent each.
[22] These expressions are used by Indian sources.
[23] Opten, a company information service provider, helped to interpret the data (personal communications, April 2012).

In 2015, 118 companies in the MNB's registry were noted as having Russian FDI stock (compared to 103 in 2012).[24] But the small and thus omitted items do not substantially distort the numbers.

Citing unnamed Russian sources – but essentially just reiterating information that had already been circulated by its predecessor, ITD Hungary –, the Hungarian Investment and Trade Agency (HITA) claimed that over 2,000 joint ventures with Russian ownership were operating in Hungary.[25] The Russian trade representation in Hungary also has information about some 2,000 companies with Russian shareholders, mainly small and medium-sized enterprises (Hancz, 2012; Hvg.hu, 2012).[26] We cannot provide more accurate data because of indirect FDI, "cascading investments" and problems related to the disclosure of ownership of joint-stock companies.[27]

In his presentations delivered in both October 2009 and February 2010, György Gilyán, then Hungary's ambassador to Russia, said Russian direct investment capital had mainly preferred the real estate, commercial, financial, energy and infrastructure-related industries in Hungary (Gilyán, 2009, 2010).

3. Case studies of Russian investment

3.1. The Rakhimkulov family

Since he has played a significant role in Hungary right from the start – both as a top Russian investor on his own account and as a representative of Gazprom-related interests –, Megdet Rakhimkulov, a former Gazprom official, is undoubtedly an ideal starting point for tracing Russian investors and investment in Hungary. Though he was listed as Hungary's richest businessman in 2005 by the Hungarian daily Népszabadság, Rakhimkulov's fortune was insufficient to secure such a prominent place in Russia, let alone worldwide. Nevertheless, the total wealth of the Rakhimkulov family can be considered very significant.[28] Also, Megdet Rakhimkulov was recognised as one of the most influential foreigners in Hungary (Haszon, 2008). He used to say that the yardstick

[24] 118 companies submit reports to the MNB. Source: personal communication with the MNB (12 June 2015).

[25] The particular websites are no longer available. HITA's legal successor is the Hungarian Investment Promotion Agency (HIPA) established in 2014.

[26] In this regard, Gábor Reppa, a Hungarian expert, told the author that it was almost certain that there were no Russian statistical databases that kept track of the international operations of companies with Russian ownership stakes because according to Russian law it is not obligatory for Russians to notify an authority when a company was set up abroad. The number of Russian-interest companies operating in Hungary can be calculated by using the Complex Céghírek company registration database of businesses in Hungary. Official state documents also rely on this database, and HITA and the Trade Representation of Russia (via HITA) are using these state documents (personal communication, 5 June 2013).

[27] Though, Opten, for example, has a more sophisticated database.

[28] Based on the lists of the Russian Finans and the American Forbes magazines.

whereby he decided that his investment had been a success and it was time to withdraw was the point where the company reached a 50 percent profit margin.

The General Banking and Trust (ÁÉB) was a crown jewel among the Rakhimkulov family assets. ÁÉB was acquired in 1996 by Gazprombank (then controlled by the gas giant Gazprom[29]), and was gradually taken over by the Rakhimkulovs' family company, the Hungarian-registered Kafijat, and its London-based subsidiary, Firthlion Ltd.[30] Megdet Rakhimkulov became ÁÉB's president in 1996, and then the company's president and CEO in 1997.

Incorporated in 1997, Kafijat was used to acquire direct or indirect stakes in Hungarian companies. A number of companies merged into Kafijat, and, finally, at the end of 2007, so did ÁÉB[31] (see the details in Section 3.5). The significance of Kafijat was highlighted by the fact that in 2008 the company had amassed the sixth largest net income (after-tax profit) among Hungarian-registered companies (HVG, 2010).

ÁÉB and other Russian-interest companies also held stakes in Zalakerámia, Hungary's largest tile manufacturer; this investment was tainted by scandals.[32] However, the major scandals took place surrounding the deals concerning Hungary's petrochemical manufacturers BorsodChem and TVK, as well as the aforementioned oil and gas corporation Mol (see the details in Section 3.3). Megdet Rakhimkulov appeared in every case. Moreover, in the mid-2000s, the Rakhimkulov family was reported as the largest shareholder in BorsodChem. The Rakhimkulov family also held stakes in Antenna Hungária Rt., Hungary's terrestrial broadcaster, and still owns the largest share in Hungary's leading retail bank, OTP Bank Nyrt., with a roughly 9 percent stake. In 2002, Megdet Rakhimkulov resigned from the position of the chairman of the board of directors of Panrusgáz (then Panrusgáz Hungarian–Russian Gas Industry Rt., now Panrusgáz Gas Trading Zrt.), an intermediary company for Russian gas imports delivered to the successor of Hungarian gas incumbent E.ON Natural Gas Trade Zrt., Hungarian Gas Trade Zrt., a subsidiary of Hungary's state-owned MVM Hungarian Electricity Zrt. Timur Rakhimkulov, a minority shareholder, was intended to be the majority owner of Business Telecom Nyrt., or BTel, a Hungarian telecom provider, via his Hungarian-registered company SkillInvest Kft. BTel is in a very difficult position. Previously, SkillInvest had been identified as BTel's saviour, but ultimately it emerged that it would not perform a capital increase of nearly HUF 1 billion, claiming at the end of 2014 that

[29] Gazprom has not had control over Gazprombank for many years. Gazprom currently has a 35.54 percent stake in the company (Gazprom, n.a.).

[30] Sources suggest Firthlion is now owned in equal parts by AWB Consulting Services Ltd. and Charing Investments Ltd. (Check Business, n.a.; DueDil, n.a.). (See these two companies above in Section 2.)

[31] At that time ÁÉB was called ÁÉB Investment Zrt. and Kafijat was operating under the name Kafijat Investment and Asset Management Zrt.

[32] At the end of 2004, Megdet Rakhimkulov pointed out that in the previous 5-6 years they had only acquired Zalakerámia, and they were only present as financial investors in other companies. Rakhimkulov claimed that the unprofitable Zalakerámia had begun to yield profits within a year (Figyelő, 2004).

not all the necessary information had been available. This is the latest scandal to hit the Rakhimkulovs. The Rakhimkulov family has faced several scandals concerning their activities in Hungary.

3.2. Gas

Although a new gas market situation – as evidenced by gas oversupply, the emerging role of market-based gas pricing and the possibility of buying gas more cheaply than provided by the oil product-linked contracts[33] – began to unfold in Continental Europe at the end of 2008, Russian gas still has a decisive role in Hungary's gas industry, and Russia remains the single largest gas supplier to Hungary. On the other hand, Hungary is among the Gazprom group's largest customers in the CEE region. Yet despite the significance of Russian gas in Hungary's gas imports, as well as plans to expand into Hungary, state-controlled Gazprom still plays a limited role as an investor, and the issue of the unbundling of transmission assets under the Third Energy Package for an internal gas and electricity market in the EU further limits its abilities. Both in the case of the oil and gas industries in Hungary, Russian oil and gas companies found themselves unable to control the entire value chain from wellhead to final customer. Gazprom's main ownership interest in Hungary is Panrusgáz. In addition, Gazprom also has stakes in two gas traders. The other plans and projects have all failed.

3.2.1. Gas import intermediation

Established in 1994, Panrusgáz is the first link in the chain of Russian gas imports. Panrusgáz sells all the gas it imports to Hungarian Gas Trade. The Russian shareholders of Panrusgáz are Gazprom Export, a company fully owned by Gazprom which serves as its export arm (it owns 40 percent of the shares), and the Hungarian-registered gas trader Centrex Hungary Zrt. (which holds 10 percent of Panrusgáz shares). Centrex Hungary is an affiliate of the Gazprombank-controlled and Vienna-based Centrex Europe Energy & Gas AG. Centrex Hungary bought Interprokom's 10 percent stake in Panrusgáz in the autumn of 2006 (Világgazdaság, 2006). Currently, Gazprom Export has two long-term gas supply contracts with Hungary, including the major one with Hungarian Gas Trade through Panrusgáz (signed in 1996 for the period 1996–2015[34]), and a small contract with Centrex Hungary (concluded in 2007 for the period 2008–2028). Originally, it was intended that Panrusgáz would also help with the exports of Hungarian products to Russia. Panrusgáz was forced to pay the Hungarian state significant amounts in the form of a "crisis tax"[35], prompting the company in December 2010 to ask the Hungarian energy regulator to revoke its gas trading licence, which the Hungarian Energy Office did in February 2011. Consequently, the Hungarian partner (first E.ON

[33] Due to declining oil prices, however, Russian oil product-linked gas prices could become very competitive in the second half of 2015. (Transportation costs should also be considered when comparing hub prices with Russian oil product-linked gas prices at a given delivery point.)

[34] No new long-term gas supply contract will be signed for a while, because unused gas will be available in the following years.

[35] The crisis taxes were introduced in 2010 and were phased out at the end of 2012.

Natural Gas Trade and then, between September 2011 and June 2013, Germany's E.ON Ruhrgas AG, and now E.ON Natural Gas Trade's successor, Hungarian Gas Trade) has been taking the gas abroad from Panrusgáz, with new delivery points, including Baumgarten (Austria) and Beregovo (Ukraine) (B. Horváth, 2011; Magyar Energiahivatal, 2011).

3.2.2. Gas traders

Among Hungarian gas traders, three have Russian owners and, as previously mentioned, Gazprom has stakes in two of these three.

1. One of them is the above-mentioned Centrex Hungary, which was incorporated in 2004.
2. Established in 2010, the second company is the Russo–German WIEE Hungary Kft., which received a gas trading license in Hungary in February 2011. Its ultimate owners are Gazprom and the BASF Group's Wintershall of Germany.[36]
3. MET Hungary Zrt. is a third trader, an obscure company that generates huge amounts of cash and is partially owned by Russian interests. MET Hungary (formerly Mol Energy Trade Kft. and then Mol Energy Trade Zrt.) was set up in 2007 by Mol, and became half-owned by the Belize-based Normeston Trading Ltd. in late 2009. In 2012, Normeston's stake was sold to RP Explorer Liquid Fund Ltd., a company registered in the Cayman Islands. The only information that has so far been released is that Normeston is or was owned by a Russian national (European Commission, 2009). The Hungarian watchdog NGO Atlatszo.hu speculated that Rakhimkulov was behind Normeston (Sarkadi Nagy, 2013). After much speculation, it turned out in early 2015 that the current Russian owner of MET Hungary is Ilya Trubnikov, a Russian–Canadian citizen, with a 12.7 percent stake (Magyari, 2015).

A recent Russian plan was to invest in liquefied natural gas (LNG) and compressed natural gas (CNG) filling stations in Hungary.[37] In October 2014, Gazprom Export said that its first filling station could open in 2015 or 2016. In Hungary, this market is very small, and it offers minor opportunities at best (B. Horváth, 2014).

3.2.3. Gas pipeline, storage and hub: A list of unsuccessful projects

Gazprom's other plans and projects in Hungary involve failures. After the failures of the BorsodChem and TVK transactions, Gazprom obtained no interest in Mol's gas business, and neither underground gas storages nor gas pipelines have been built.[38]

It seemed that after the partial sale of Mol's gas business, Gazprom would be able to acquire positions in Hungary. In the middle of the 2000s, E.ON Ruhrgas acquired the

[36] The owner of WIEE Hungary is the Swiss-registered Wintershall Erdgas Handelshaus Zug AG (WIEE), a subsidiary of the German gas trader Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH). WIEH is the joint venture of Gazprom and Wintershall.

[37] CNG is primarily used by passenger cars, while LNG is good for trucks and other large vehicles.

[38] However, there were pipeline plans already in the 1990s.

wholesale, marketing and trading unit Mol Natural Gas Supply Rt. (subsequently renamed E.ON Natural Gas Trade), the storage unit Mol Natural Gas Storage Rt. (subsequently renamed E.ON Natural Gas Storage) and half of Panrusgáz. Under the 2006 swap agreement between E.ON and Gazprom, Gazprom was to receive 50 percent minus one vote in both E.ON Natural Gas Storage and E.ON Natural Gas Trade, as well as 25 percent plus one vote in the electricity provider E.ON Hungaria Energy Zrt. (and, in addition to these, it was also due to receive EUR 1.2 billion) in exchange for a 25 percent minus one vote in the Yuzhno-Russkoye field located in Western Siberia. Ultimately, the deal was concluded without involving Hungarian ownership.

In Hungary's gas industry, Hungarian state-owned power company MVM has become established as the main player in no time. By purchasing E.ON Natural Gas Storage and E.ON Natural Gas Trade, MVM has emerged both as the largest gas trader and commercial gas storage company. Also, MVM had previously gained a foothold in Hungary's gas transmission[39] and took E.ON's place in Panrusgáz.

Gazprom's joint projects with Mol in Hungary did not turn out to be fruitful. Their two joint ventures, SEP Company Consulting Kft. and Pusztaföldvár Gas Storage Zrt., went into voluntary liquidation and were deleted from the registry in 2014 and 2012, respectively.

In 2006, Mol and Gazprom set up the SEP Company to examine the possibilities of extending the trans-Black Sea Blue Stream gas pipeline (running from Russia to Turkey), as well as the construction of underground gas storage facilities and the creation of a gas trading hub in Hungary, but none of the ideas were implemented.

As for the trans-Black Sea gas pipeline, in early 2008 an intergovernmental agreement was signed between Hungary and Russia for the Hungarian section of South Stream, though not for the corresponding section of Blue Stream.[40] Moreover, instead of Mol, the Hungarian state-run Hungarian Development Bank (MFB) Zrt. was selected as the Hungarian partner in the venture. But the joint venture (South Stream Hungary Zrt.) was only registered in March 2010. MVM bought up MFB's stake in 2012.[41] The European onshore sections of South Stream were subject to the Third Gas Directive, so the problems of third-party access, transportation tariffs and unbundling should have been resolved. It has been known since the very beginning that the intergovernmental agreements on South Stream will not comply with the Third Gas Directive. And the

[39] This new transmission system operator (TSO) is called Hungarian Gas Transit Zrt. In the autumn of 2014, the stakes held by MVM Hungarian Electricity Zrt. (49.983%) and MFB Invest Zrt. (49.983%) were acquired by Hungarian National Asset Management (MNV) Zrt. Hungary's interior ministry was appointed to exercise ownership rights on behalf of the state until 2020.

[40] South Stream was planned to come ashore on the Bulgarian coast and would thus have avoided both Ukraine and Turkey.

[41] However, SEP Company had some role in South Stream's preliminary studies.

European onshore sections did not apply to the respective national energy regulators for exemptions from the above provisions of the Directive.[42] The European Commission required the concerned South Stream countries to either renegotiate or cancel their intergovernmental agreements.[43] Finally, Russia unexpectedly abandoned the South Stream project on 1 December 2014. In place of South Stream, Russia has proposed to build an undersea pipeline to Turkey (which is neither an EU member nor an Energy Community Contracting Party), with the same capacity as South Stream (dubbed Turkish Stream by Turkey).

Regarding the joint project of Mol and Gazprom to construct an underground gas storage facility, after the abandonment of the project the joint venture Pusztaföldvár Gas Storage, which had originally been registered in early 2010, was placed under voluntary liquidation in October 2011. According to the Hungarian economic daily Világgazdaság, Mol revised its cost estimates for the project, and as they exceeded the original figures by an order of two, the new numbers proved too high (Világgazdaság, 2011b). In March 2009, at the time when the contract to set up the joint venture was signed, Mol had planned to construct a facility with a capacity of 1.3 billion cubic meters, which was expected to start operating around 2012-2013 (Mol, 2009). E.ON Natural Gas Storage claimed that measured by its gas consumption, Hungary was a great power in terms of gas storage, and the total gas storage capacity demonstrated that there was no need for further expansion (gáz.áram, 2011). It is fairly common for Gazprom to offer its partners a storage project.

In 2014, there were reports in the media that the Hungarian government planned to sell gas storage facilities to Gazprom, but the government denied this assertion (Kósa, 2014). After President Putin's visit to Hungary at the beginning of 2015, the Hungarian Prime Minister said that Hungary had expected Putin to ask for a stake in the Hungarian gas storage facilities, but ultimately Putin had not done so. In any case, no ownership stakes would have been made available for sale (Hvg.hu, 2015b).

Already in the 1990s Gazprom had been present, albeit indirectly, in Hungary's regional gas distribution. Milford Holdings Ltd., a company registered in Ireland, held a 19.91 percent stake in South Lowlands Gas Distribution (Dégáz) Rt., while Undall International Ltd., registered in the British Virgin Islands, acquired a 12.93 percent stake in North-Transdanubian Gas Distribution (Égáz) Rt. Both foreign investing companies were considered to belong to Gazprom's sphere of interest. Ultimately, these shares probably ended up with Mol. Subsequently, Milford became known for its role in the hostile takeover attempt of BorsodChem (Fn24, 1997; Napi Gazdaság, 2000; Origó, 2000b; Magyar Hírlap, 2000c).

[42] According to Article 36(6) of 2009/73/EC, major new gas infrastructure may be exempted from these provisions.
[43] An interview with Katya Yafimava by RT (RT, 2014a).

3.3. Petrochemical market

Since 2003, Gazprom has no stake in either BorsodChem or TVK, despite its previous plans and acquisitions in this area, i.e. the controversial hostile takeovers of 2000–2002, which featured the use of Milford and Sibur International Ltd. and also involved the help of Megdet Rakhimkulov.

The supply chain that links TVK, Mol and BorsodChem is as follows. TVK's olefin plants convert naphtha, diesel and liquefied gases purchased from Mol into ethylene and propylene to be processed into polyethylene and polypropylene in TVK's polymer plants. A part of TVK's ethylene is sold to BorsodChem. The cracking co-products of TVK's olefin plants are used by Mol (TVK, 2014). TVK owns the ethylene pipeline connecting TVK and the Hungary/Ukraine border (which originates from the Ukrainian chemicals producer Oriana), while the link between TVK and BorsodChem is owned by BorsodChem (GVH, 2001).

The takeover story began in early September 2000, when it turned out that Milford had increased its stake in BorsodChem to 24.8 percent. Although Milford's ownership structure was not disclosed, market players were all aware that Milford had been acting on behalf of Gazprom. Gazprom, however, strongly denied this assumption (Magyar Hírlap, 2000c; Magyar Tőkepiac, 2000). At that time, BorsodChem was TVK's largest shareholder. By acquiring BorsodChem, Gazprom would have controlled both companies. This would have been contrary to the interests of Mol (Magyar Hírlap, 2000b). Consequently, Mol and BorsodChem responded immediately and, through a variety of transactions, Mol became the largest shareholder of TVK, and as a result, BorsodChem's share in TVK fell by half. Before the official announcement of these transactions, Milford admitted that the company was part of Gazprom's sphere of interest (Magyar Hírlap, 2000d). The Russian side reacted menacingly to the planned Hungarian actions. Megdet Rakhimkulov, Milford's representative, suggested Russia would be forced to reconsider its food and drug imports from Hungary if the issue was not resolved (Karnitschnig, 2000). Rakhimkulov claimed that the ethylene pipeline had been one of the main reasons Gazprom become involved in BorsodChem, noting that the goal was the "creation of a pan-European ethylene pipeline that would include Russia, Ukraine, Hungary and some other European countries" (The Moscow Times, 2000). But in October 2000, it was not Gazprom but Lukoil that won a tender to purchase a 50 percent stake in Oriana (Jagger, 2000). In December 2000, Lukoil and Oriana established a joint venture, Lukor (Gurtovoy, 2007). Still, in October 2000, Sibur took an option to purchase Milford's stake. Reportedly, Gazprom already controlled Sibur, but Sibur was not a Gazprom subsidiary (Magyar Hírlap, 2000a). It was only later that Gazprom acquired a 51 percent control of Sibur's shares. In early 2001, Milford's stake was bought by Hungary's CIB Bank. Founded by Heinrich Pecina and registered in Vienna, VCP Vienna Capital Partners Unternehmensberatungs AG and its subsidiaries also appeared on the scene. VCP stressed that it had no direct or indirect ownership links to Russian companies (Molnár, 2000). VCP acquired a controlling stake in BorsodChem already in 2001, but Mol prevented the Austrian company from achieving such a position in TVK. In June 2001, Sibur took over the shares that had been temporarily held by CIB Bank (GVH, 2001). In 2002, it was again Milford's turn to take ownership of that package, but, finally, Milford unloaded its stake in BorsodChem in 2003. For a while, MDM Bank in Moscow was also one of the owners of BorsodChem. According to MDM Bank, it bought the shares at the request of Gazprom, and so did VCP (Origó, 2000a; Novolodskaya, 2000). Sibur and hence Gazprom as well were more interested in the acquisition of TVK than in buying BorsodChem. In and of itself, BorsodChem was not that interesting for Gazprom (Hlavay, 2001). In the end, VCP stopped controlling BorsodChem in 2004. The Rakhimkulov family got out of BorsodChem in December 2006.[44] However, the story of TVK ended only in 2007, when Mol acquired a package of 31.56 percent of the company's shares from a subsidiary of VCP.

3.4. Oil

Investment in Hungary's oil industry has also included plenty of failed efforts, including those of Yukos, Surgutneftegaz, Lukoil and Gazprom Neft.

Yukos. Unlike the oil company Lukoil, the now defunct Russian oil producer Yukos did not have a retail business in Hungary. Yukos was present in Hungary through its representation and Orion Electronics Kft., a company engaged in business activities outside of Yukos' core activities. Before the company was destroyed and its assets were appropriated, Yukos, a private company, was the most important oil producer in Russia in 2003 (Shearman & Sterling, 2014). Its main production unit was Yuganskneftegaz. In 2003, Mol concluded a major long-term oil supply contract with Yukos. Thus the Yukos situation directly affected Mol, which signed a contract with Lukoil in early 2005. Yukos' representation for the Central and East European region was located in Budapest. Yukos was actively promoting the integration of the Druzhba and Adria crude oil pipelines. The name Yuganskneftegaz did not first come up during the confiscation of Yukos' assets in the 2000s. For a little while after its privatization (from 1992 to 1993), today's Orion Electronics, which provides electronics manufacturing and marketing and distribution services, was called Yuganskneftegaz Electronics Kft., and, from 1993 to 1997, it was operating under the name of Yuganskorionneftegaz Electronics Kft. The company has been under Singaporean control since 1997. In Orion Electronics, Yukos was replaced by Rosneft, which absorbed most of Yukos' assets and thus became Russia's largest oil producer, the state oil champion.

Lukoil. Lukoil, Russia's second-largest oil producer (and the largest privately-owned oil producer), began to be active in Hungary at the turn of 2003/2004. It already had a Hungarian presence before that time, however, through its trade representation and

[44] In April 2007, Hungary's financial-market regulator PSZÁF fined Megdet Rakhimkulov HUF 250 million for insider trading concerning the July 2006 call option agreement regarding BorsodChem shares.

Stavrochem Chemical Trading Kft., a wholesaler of chemical products. Lukoil became involved in the Hungarian motor fuels retail and wholesale market in 2004. Its Hungarian subsidiary, Lukoil Downstream Hungary Kft., launched its activities in the area of diesel fuels wholesale in March 2004. This was followed by entry into the fuel retail market in June 2004, where the company began its activities by leasing and operating 15 Hungarian filling stations of AVA Mineralölhandel AG (formerly Avanti) (GVH, 2005).[44] Lukoil's network of filling stations was built by acquiring independently operated, Avanti and Jet filling stations (the latter had belonged to the US company ConocoPhillips), as well as by greenfield investment. But Lukoil's ambitious expansion plans in Hungary failed to materialize. Before selling its filling stations at the end of 2014, Lukoil, through its Dutch-based subsidiary, had a network of only 75 filling stations in Hungary – a small figure when compared to the total of almost 1,700 filling stations operating in Hungary. Lukoil ranked sixth in terms of the numbers of filling stations, behind Mol, Shell, Agip, OMV and Avia (Major, 2013). According to data from Lukoil, the company controlled 6 percent of the retail market in Hungary in 2013 (Lukoil, 2013, 2014). Examining the Hungarian retail gasoline market for the period 2007–2008, Farkas et al. (2009) found that the prices of the vertically integrated Lukoil had been among the lowest in Hungary, and Lukoil may potentially have been the greatest source of competitive pressure on the market. Meanwhile, vertically integrated Mol and OMV were selling fuel at higher-than-average prices. The motor fuels sold by Lukoil Hungary Kft. were supplied both from Hungary's Mol Duna Refinery and Romania's Petrotel-Lukoil Refinery (Világgazdaság, 2011a).[46] Due to the "crisis tax" in Hungary, Lukoil Hungary returned its wholesale fuel licence in 2010 (Marnitz, 2010), but returned to the market at a later point in time (B. Horváth, 2013). In 2014, Lukoil decided to withdraw from the Central European region. Lukoil argues the selling off its European assets helps the company better focus on Russian projects (RT, 2014b). But analysts believe the EU and US sanctions have certainly contributed to this decision. Such assessments notwithstanding, among the Russian oil and gas companies that have been operating in Hungary thus far, the sanctions imposed by the EU only affect Gazprom Neft. In the meanwhile, US sanctions hit Gazprom, Gazprom Neft, Lukoil and Surgutneftegaz as well (U.S. Department of the Treasury, 2014a, 2014b; Council Regulation, 2014a, 2014b). Lukoil's Hungarian and Slovakian filling stations were acquired by Norm Benzinkút Kft., which is registered in Hungary but also has some connections to Russia.[47]

[45] Lukoil Hungary Kft. was established after Nekom Commercial Kft. merged into Lukoil Downstream Hungary Kft. in 2005. Nekom was established by AVA AG in 2004 in order to sell its filling stations.

[46] Fuels from the Romanian refinery comply with the Euro 5 standards (Lukoil, 2011). However, a Hungarian expert told this author that even at their peak, the amounts arriving from Romania were minor (personal communication, 14 May 2015).

[47] It is a joint venture between IMFA Petroleum Kft. (created by a former Hungarian representative of Yukos) and the above-mentioned Belize-based Normeston.

Surgutneftegaz. Surgutneftegaz's stake in Mol was bought from Austria's OMV oil company, which had been stuck with its share package acquired in 2007. A portion of the Mol shares held by OMV came from the Rakhimkulov family. The Rakhimkulov family sold a part of their stakes in Mol to VCP, the company which had an important role in transactions involving BorsodChem and TVK.VCP in turn passed the shares to OMV. In October 2007, shortly after the Rakhimkulov–VCP–OMV transactions, the Hungarian parliament approved the 'Lex-Mol' legislation, aimed at preventing a hostile takeover bid.[48] Finally, in March 2009, OMV's stake in Mol was sold to Surgutneftegaz for EUR 1.4 billion (USD 1.8 billion), double the market price.[49] With its 21.2 percent stake, Surgutneftegaz emerged as the largest shareholder in Mol. The fact that Surgutneftegaz picked Mol as the target of its first OFDI is also interesting. The purpose of the acquisition was unclear, and the ownership structure of Surgutneftegaz has not been made public either. Mol chairman and CEO Zsolt Hernádi did not describe the transaction as a hostile takeover (in contrast to OMV's action), but the Russian company was only considered a financial investor (HVG.hu, 2009a), and Mol did everything possible to keep Surgutneftegaz away from exercising its ownership rights,[50] prompting the latter to resell its stake to the Hungarian state. The agreement between the Hungarian state and Surgutneftegaz to buy back the stake in Mol triggered speculation whether the transaction was part of a package deal between the Russian and Hungarian governments.[51] Now, it appears that this was not the case.

Due to the failure of Surgutneftegaz, there are no Russian companies with shareholdings in the Visegrád countries' refinery industry. In Central and Eastern Europe, three Russian companies have oil refineries, including those of Lukoil (in Romania and Bulgaria), Zarubezhneft (in Bosnia's Serb-dominated Republika Srpska) and Gazprom Neft (in Serbia).

[48] Lajos Bokros, Hungary's former finance minister, claimed that that was a brutal attempt by the state to protect private interests. His remarks were aimed at Hungary's business oligarchs and the politicians who receive political donations from such oligarchs (Wagstyl and Thomas, 2007).

[49] Those who argue that Surgutneftegaz paid twice the market price for Mol's shares tend to forget that at that time the company's share price was very low.

[50] Consequently, Surgutneftegaz launched five lawsuits against Mol (Mol, 2011, p. 157).

[51] This allegation was supported by the fact that the sale of shares in Mol can be treated as a special case. A similar, but not identical, case occurred only in the context of the Slovak gas transporter SPP. The cases of TVK and BorsodChem in Hungary belonged to a different category. In the case of SPP, Gazprom did not exercise its option to buy a stake in SPP, and decided to build a bypass pipeline linking Russia and Germany under the Baltic Sea. Back then, this was known as the North European Gas Pipeline (NEGP), but now it is known as Nord Stream (IEA, 2006, p. 148). Nord Stream Lines 1 and 2 began operating in November 2011 and October 2012, respectively. The case of Yukos was also different. Acquired in 2002, the main foreign assets of Yukos were the shareholdings in Lithuania's Mazeikiu Nafta AB oil company and Slovakia's oil transporter Transpetrol. The purchase of the 53.7 percent interest in Mazeikiu Nafta was executed by Yukos in two steps for a total of USD 160 million. Subsequently, Yukos' stake was purchased in 2006 by Poland's PKN Orlen oil company for USD 1.492 billion from the Dutch-registered Yukos International UK B.V. As for Transpetrol, during a privatisation process Yukos took over a 49 percent stake in the company for USD 74 million. In 2009, the Slovakian state bought it back for USD 240 million, also from Yukos International UK B.V.

Gazprom Neft. Natural-resource-seeking Russian FDI has also appeared in Hungary. Gazprom Neft, Gazprom's oil arm and Russia's fourth-largest crude producer, has an indirect presence in Hungary via Serbia's NIS oil company, the majority of which is owned by Gazprom Neft. NIS has taken part in part in exploration projects in Hungary with the Hungarian subsidiaries of Canadia's Falcon Oil & Gas (TXM Oil and Gas Exploration Kft.) and Austria's Rohöl-Aufsuchungs Aktiengesellschaft or RAG (RAG Hungary Kft.). Registered in Hungary in 2011, NIS subsidiary Pannon Naftagas Kft. represents NIS' interests in Hungary (Gazprom Neft, 2013). In 2014, NIS bought half of RAG Kiha Kft., a subsidiary of RAG via RAG Hungary Kft., which owns an exploration licence. NIS and Falcon's project in exploring for unconventional gas in the Makó Trough has been unsuccessful. According to the Canadian company, NIS has not complied with the agreement (Ádám, 2015).

3.5. Banking

In Hungary, there have only been two Russian-owned banks, including, in the past, ÁÉB (which was first owned by Gazprombank and later by the Rakhimkulov family), and, now, the subsidiary of Sberbank. ÁÉB passed into Russian ownership through privatization in 1996, while Sberbank entered the Hungarian market as part of a regional acquisition in 2012. The Rakhimkulov family's stake in OTP Bank is also important to mention. Besides these, Russian bank have only been present in Hungary through representative offices.

ÁÉB. According to Megdet Rakhimkulov, at that time Gazprom identified Hungary and Mol as a strategic country and a strategic partner, respectively. Several large-scale international projects between Russia and Hungary were agreed upon at the governmental level. Gazprom thus purchased ÁÉB, which, as Rakhimkulov claimed, was practically teetering on the edge of bankruptcy. But in the end, thus Rakhimkulov, Gazprom's new management changed its investment strategy for Hungary and the region and ultimately lost its interest in ÁÉB (Figyelő, 2004). Gazprombank pulled out of ÁÉB in 2005, when Kafijat Trading and Consulting Kft. held a 74.48 percent stake in the bank. The remaining 25.52 percent stake was acquired by Kafijat's Firthlion Ltd. After that, commercial banking business was not pursued for long. In March 2007, it was decided that it would only provide investment services (Hvg.hu, 2007). But already in 2007, ÁÉB, which was already operating under the name ÁÉB Investment Zrt., merged into Kafijat (Origó, 2007). ÁÉB was the eighth largest bank in Hungary (New Europe, 2003). At the end of 2005, ÁÉB had a total of only 17 branches (in Budapest and other Hungarian cities) (Világgazdaság, 2005). Previously, about 70 percent of ÁÉB's operations had been devoted to Gazprom and Gazprombank. In 2004, this proportion accounted for only about 8-10 percent, but a large part of the operations were still linked to Russian clients. At that time, ÁÉB's most important Hungarian customers were BorsodChem Rt., Mol Rt., Matáv Rt. (now Magyar Telekom) and DKG-East Rt. (now OT Industries–DKG Machine Manufacturing Zrt.). Besides Gazprom and Gazprombank, significant Russian partners included the MDM Group, Zenit Bank and the Nikoil financial group (currently Uralsib). ÁÉB served more than 30,000 clients, 70 percent of which were households, while 30 percent were corporate (Simon and Szép, 2004). ÁÉB branches were taken over by Hungarian Volksbank Zrt., which was a subsidiary of the Austrian Volksbank.

Sberbank. In 2012, Sberbank, which is Russia's largest lender and is controlled by the CBR, became the owner of Volksbank International AG (though the transaction did not include the Romanian subsidiary). With this deal, Sberbank expanded beyond the former Soviet Union. There is a trace of historical continuity apparent in the fact that some of these Hungarian branches were previously owned by ÁÉB. According to the press, Hungary's OTP Bank was also interested in acquiring the Volksbank company. Sberbank operates 43 branches in Hungary (including 16 in Budapest), but has not reached a share of 5 percent in most segments. The aim is to ensure that as a universal bank, Sberbank will have a market share of more than 5 percent in all important segments of Hungarian banking by 2018 (Palkó, 2014). Once again, this marks an area where an investment in a specific sector was driven by the desire to find new markets. The primary objective of Sberbank's Hungarian subsidiary, Sberbank Hungary Zrt., is to provide comprehensive services to Russian private and corporate clients, and to enhance trade between the Central and East European countries and the Commonwealth of Independent States (Sberbank, n.a.). However, the Hungarian subsidiary has not proved to be a successful investment for Sberbank. Though the company's losses diminished year after year, press reports suggest that Moscow leaders were not altogether satisfied with the prevailing state of affairs at the bank. Lawsuits related to loans denominated in foreign currencies have also caused significant losses resulting from measures taken by Sberbank Hungary's predecessor (Szakonyi, 2015). Currently, the Hungarian banking industry is facing legal obligations to issue loanholders refunds in the context of loans denominated in foreign currencies, which were very popular before the economic crisis, but have proved a burden since exchange rates have depreciated markedly.[52] In 2014, the media suggested that Sberbank would withdraw from Hungary, but the bank denied that allegation (Reidl, 2014). In February 2015, the media learned that the Hungarian government would buy Sberbank's Hungarian branches (Szakonyi, 2015). Also, in February 2015, a Czech newspaper said that Sberbank was preparing to sell its Slovak and Hungarian operations (Reuters, 2015).

Representative offices of Russian banks. There are currently two Russian banks that are operating representative offices in Hungary, including Baltiyskiy Bank (since 1994) and Vneshekonombank (State Corporation "Bank for Development and Foreign Economic Affairs" or VEB) (since 2001). Rossiyskiy Kredit Bank closed its representative office in 2008.

[52] Refund obligations concern unfair unilateral contract changes and exchange-rate margins (Gergely et al., 2014).

– In 1995, Baltiyskiy Bank was on the verge of buying the Hungarian–Israeli Leumi Credit Bank, but ultimately this transaction was never concluded (Magyar Hírlap, 1995). Baltiyskiy Bank was founded in St. Petersburg in 1989, and, as a result of a bailout, it has belonged to Russia's largest private bank, Alfa Bank, since 2014.
– State-owned VEB will play a special role in Hungary. The extension of the nuclear power plant near Paks, located some 100 kilometres south of Budapest in Central Hungary, is not an FDI issue and is highly controversial. According to the intergovernmental agreement signed in January 2014, Russia's Rosatom State Atomic Energy Corporation will expand the Hungarian power plant. According to the loan agreement of April 2014, the Russians will provide an intergovernmental loan of up to EUR 10 billion to Hungary for the design, construction and commission of the future fifth and sixth blocks. VEB will act as an agent for the Russian government.
– The privately-owned Rossiyskiy Kredit Bank had a representative office in Budapest between 1997 and 1999, and another in Győr, in the Western part of Hungary, between 1997 and 2008. Rossiyskiy Kredit Bank played a significant role in granting loans for the export of Hungarian Ikarus buses to Russia and in organizing syndicated loans.

Among the abovementioned Russian banks, Gazprombank, Sberbank and Vnesheconombank were targets of sanctions imposed by the EU and the US.

3.6. Metallurgy

There is a strong indirect Russian presence in Hungarian metallurgy. For a long time, there had been no Russian metallurgical interest in Hungary, which was once obsessed with the notion of being the country of iron and steel. In the 2000s, Russian metallurgical companies were paying considerable attention to acquisition opportunities in Hungary, but no results were reported.

– At the end of 2003, Russia's Severstal steel and mining company lost the tender for the privatisation of Dunaferr Danube Ironworks Rt. in Dunaújváros (situated some 70 kilometres south from Budapest). Severstal was focusing on the American Rouge Steel Company, which was more important to the Russian company because acquiring American Rouge Steel allowed it to become a steel supplier for US auto industry multinationals (Fn24, 2003). The consortium of (1) Ukraine's Industrial Union of Donbass (ISD), (2) Ukraine's ISD-controlled Alchevsk Metallurgical Plant, (3) the Swiss Duferco International Trading Holding Ltd. and (4) the Liechtenstein-registered Kundax AG won the tender (Dunaferr, 2003), but, in fact, Dunaferr was first taken over by Kundax AG, a project company set up by ISD (and Alchevsk Metallurgical Plant) and Duferco to handle acquisitions. Subsequently, in 2007, the stake was eventually turned over to the Cyprus-based Steelhold Ltd. (GVH, 2004a, 2004b; Dunaferr, 2007).[53] The change occurred in late 2009, when Russian investors obtained a stake of 50 percent plus two shares in the metallurgical assets of ISD (Olearchyk,

[53] These transactions clearly show the limitations of official statistical recording.

2010; Rusmergers.com, 2010).[54] As a result of this deal, Russian investors ultimately became involved in the metallurgical industry in the cities of Dunaújváros and Diósgyőr (the latter is part of the Northern Hungarian city of Miskolc). Various media sources mention Russian Vneshekonombank as the largest owner of ISD and ISD Dunaferr Danube Ironworks Zrt. (Dunaferr magazin, 2013; Ábrahám, 2013).[55] But in the official documents VEB only notes that it has helped a number of Russian investors to purchase ISD and that it supports Russian investors that had purchased ISD in the past (VEB, 2013a, 2013b). A Ukrainian source said in 2012 that the owners were still unknown, and that top managers from VEB were only placed into leading positions at ISD and its subsidiaries in 2011 (Troshina, 2012). The Hungarian economic weekly HVG wrote in August 2014 that Steelhold's stake was transferred from Vneshekonombank to the 60 percent Russian state-owned VTB Bank (Csabai and Vitéz, 2014). Sanctions imposed by the EU and the US are affecting both Vneshekonombank and VTB Bank. Due to the permanent crisis of Hungarian iron and steel, ISD's engagement seems to carry high risks. It was announced in 2013 that as part of a cost optimisation program, ISD Dunaferr was looking to cut staff by 1,500. Reacting to this news, the Hungarian government offered to buy ISD Dunaferr from VEB, but the offer was refused. At the time of the takeover, ISD presumably needed Dunaferr because of Hungary's rolling mill capacity and the access to the EU market. But the EU market has been losing its significance.[56]

– In Diósgyőr, there had been no production since December 2008. The metallurgy in Diósgyőr moved from one liquidation to another. Back in the 1980s, 16,000 people had been working at the plant, while in 1991 this figure fell to 11,000 and dropped to only 1,500 in 2002. When production ceased in spring 2004, 1,200 workplaces were made redundant (Origó, 2004). Despite expressing its interest in April 2004, Evraz, Russia's steel holding, did not want to acquire ownership of the respective company in Diósgyőr, which is called DAM Steel Rt. In 2004, DAM Steel's assets were transferred to Dunaferr's beneficiary, Európahíd 2003 Kft., which had been established by Ukrainian and Hungarian individuals but belonged to Dunaferr/ISD. Still, in 2004 Európahíd 2003 changed its name to DAM 2004 Kft. In 2006, DAM 2004 was taken over by a company (Reeferway Ltd.) listed in the British Virgin Islands, which is affiliated with ISD. However, in 2009 DAM 2004 was once again under liquidation. In 2010, the liquidator sold the assets of Diósgyőr metallurgy to Öko-Ferr Kft., which belongs to ISD Dunaferr's ISD Power Kft. Several investors have expressed interest in DAM's assets since then, but none of these declarations of interests has progressed into the contract preparation phase (Leszák, 2012).
– Mechel Service Hungary Kft., an affiliate of the Russian mining and metals company Mechel, has decided to limit its local engagement to selling Mechel's steel products

[54] According to an ISD statement, one of its new owners is Swiss-based steel trader Carbofer, which is itself co-owned by Russian businessman Alexander Katunin (Olearchyk, 2010).
[55] Another Hungarian source mentions VEB as a company that comprises the Russian owners of ISD Dunaferr (Hvg.hu, 2014).
[56] Interviews with András Deák and Zoltán Borbély by Vs.hu (Lebhardt, 2014).

to Hungarian customers. Mechel Service Hungary was registered in 2010 with headquarters in Budapest and a share capital of only HUF 500,000. Mechel is controlled by its chairman of the board of directors, Igor Zyuzin. Mechel Service Hungary is owned by Mechel through the Dutch-based Mechel Service Global B.V., a subsidiary founded in 2009 which specialises in selling Mechel's rolled products.

3.7. Machinery

There have been a few Russian capital-related projects in Hungary's machinery worth mentioning.

1. In 2008, Ganz Machinery Works Holding Zrt. started a joint venture with its Russian state-owned partner Transportno-Tekhnologicheskoye Mashinostroyeniye (TTM), which is owned by Atomenergomash. The company created by the two partners is called Ganz Engineering and Energetics Machinery Kft. In 2010, TTM was replaced by Tsentralnoye Konstruktorskoye Byuro Mashinostroyeniya (TsKBM). TsKBM is also owned by Atomenergomash, which is owned by Atomenergoprom, an affiliate of Rosatom. TsKBM is a 51 percent owner of the joint venture. Ganz Engineering and Energetics Machinery is involved, among other things, in the manufacture and installation of hydromachines, nuclear power station machinery and oil drilling equipment. The company has unique knowledge and experience in Central Europe in planning and manufacturing small-series products. Its high-capacity power plant pumps are also in demand in the Russian and Ukrainian nuclear industry (Ganz, n.a.).
2. A Russian group (Concern Tractor Plants/Agromash Holding B.V.[57]) took over Austria's Vogel & Noot in 2009, including its two Hungarian agricultural machinery factories. One of them (Vogel & Noot Mezőgépgyár Kft.) produces ploughs in the city of Mosonmagyaróvár, close to Austria and Slovakia; the other one (Vogel & Noot Talajtechnika Kft.), located in the city of Törökszentmiklós in Central Hungary, produces cultivators, compact disc harrows, subsoilers, packer and rollers. Production in Mosonmagyaróvár began in 1993, while in Törökszentmiklós it started in 2008.
3. Established in 1990, Uraltrak Kft. (formerly called Mátracselex Kft.) is the only official Hungarian dealer of Russia's Chelyabinsk Tractor Plant–Uraltrak; its site is located in a village northeast of Budapest.[58] Chelyabinsk Tractor Plant is involved in the engineering and production of industrial tractors and engines (Uraltrak, n.a.). Chelyabinsk Tractor Plant is owned by the Russian state-owned tank and railway car manufacturer Uralvagonzavod.

[57] Concern Tractor Plants (CTP), the previous parent company, is now part of Machinery & Industrial Group N.V. (M&IG; initially it was operating under the name of Concern Tractor Plants N.V.), which is registered in the Netherlands and has become the holding company for the former. However, the group is managed by CTP, which has its headquarters in Russia. The Dutch-registered Agromash Holding B.V. also belongs to M&IG. M&IG is a leading manufacturer of earthmoving machinery. In 2010, through a debt restructuring, Vneshekonombank acquired 100 percent of M&IG shares but did not obtain control over the company. Most of the shares had been held by Mikhail Bolotin.

[58] Gábor Reppa drew our attention to this company.

4. After its privatisation in 1993, for a long time the Russians continuously held shares in DKG-East Oil and Gas Equipment Manufacturing Zrt. (and its predecessors), a manufacturer of equipment for the oil, gas and petrochemical industries. It was only a long time after 1993 that Russian ownership interest in the company, which is now called OT Industries–DKG Machine Manufacturing Zrt., ceased. Meanwhile, not only have the owners of the company changed but so have the target markets of its products. Various companies with Russian interests, including Gazprom and Interprokom, ÁÉB, Firthlion, Saturley Holdings Ltd. and Invest-Bond, were also among its owners (Csabai, 2007). As far as individual owners are concerned, Megdet Rakhimkulov is also among the previous owners (HVG, 2006).

3.8. Logistics and transportation

Hungary's non-energy/utility and non-telecom infrastructure-related industries have also been at the forefront of Russian investors' interest, though on the whole their investment efforts have not been successful thus far.

– Magnit, Russia's largest grocery retailer by revenue and number of stores, announced its plans for Eastern Hungary in December 2013.[59] Finally, despite the crisis in Ukraine, it seemed in May 2014 that the project to build a logistics centre and a transport department with a fleet of 1,000 trucks in Eastern Hungary was greenlighted; it would have created over 2,000 jobs.[60] But in August 2014 the project was put on hold, probably due to the war situation in Ukraine and the Russian embargo. Investment plans had raised serious concerns among Hungarian carriers who had predicted the losses of thousands of jobs in Hungary. The company would employ Hungarian drivers who would drive vehicles with Hungarian license plates. Hungary's geographic location and the agricultural base might have played a role in the investment decision. A great advantage of the Záhony area in Northeastern Hungary at the Hungarian–Ukrainian border is that it has broad-gauge lines. Poland was also in competition for the logistics centre. Trucks carrying products to Magnit from Western Europe are currently going to Russia via Belarus. Part of the food supplies would come from Hungary, which is not a novelty, since in 2012 and 2013 Magnit had bought food products from Hungary in the value of EUR 12 million (HUF 3.6 billion) (Origó, 2014; Szakonyi, 2014). Some of the Magnit owners and managers were already present in the Hungarian market, through their involvement in two vineyard and winery companies (Monte Tokaj Kft. and Winexport Kft.) (Batka, 2014; Hvg.hu, 2015c).
– The issue of Záhony has always been at the forefront of Russo–Hungarian relations, but thus far it has proved a failure. Záhony is in competition with Slovakia and Poland. Registered in 2003, Transzkontinentális Logisztika Hungary Rt. aimed at setting up and operating an international warehouse and logistics centre in Záhony (Menedzsment Fórum, 2004). But after its liquidation (which began in 2006), the company was struck from the register in 2008.

[59] Sergei Galitsky is the founder and largest shareholder of Magnit.
[60] In December 2013, 1,500 new jobs were mentioned as a possibility (Hvg.hu, 2013).

– On top of these initiatives, both Slovakia and Hungary raised the idea of building a broad-gauge railway through their countries, but no progress has been made.
– The history of Malév Hungarian Airlines Zrt. is another story of failure. Malév was under Russian control for three years.[61] Owned by Boris Abramovich, Magdolna Költő and Kálmán Kiss, AirBridge Zrt. became the 99.95 percent owner of Malév in April 2007. The Russian partner had promised funding and passengers. The basic concept was to bring passengers headed from Asia to Europe to Budapest, and transferring them to flights operated by Malév which would bring them to their European destinations. But at the end of the day, the privatization commitment was not met, and the restructuring of Malév failed to even commence (Gépnarancs, 2012). After the bankruptcy of companies belonging to the Russian airline alliance AiRUnion, controlled by the Abramovich brothers, Boris Abramovich's 49.5 percent stake was taken over by Vneshekonombank in 2009 (while as a result of taking over Kálmán Kiss's stake, Magdolna Költő's stake in AirBridge increased to 50.5 percent, i.e. Malév always remained "Hungarian airlines"). Malév was renationalised in 2010 and finally went bankrupt in 2012. However, VEB still holds a claim to roughly EUR 110 million, and Russia continues to insist on the repayment of this debt (Hvg.hu, 2015a; Fóti, 2015).

3.9. Real estate and Russians living in Hungary

The presence of Russian players in Hungary's real estate market is a visible phenomenon, though according to the Moscow-based real estate agency Gordon Rock, Hungary is not among the top 15 destinations for residential real estate purchases by Russians. Rankings for 2008, 2009 and 2010 show that the main target market was Bulgaria. Three other countries in Central and Eastern Europe, Montenegro (No. 3), the Czech Republic (No. 5) and Latvia (No. 7), were on the 2010 list. In 2009, Latvia was not yet among the top 15 destinations (Gordon Rock, 2010; Metrosfera, n.a.).

In 2013, Russian citizens claimed first place among non-EU foreigners buying residential real estate in Hungary. EU citizens, by contrast, are no longer obligated to obtain permits. The five-year period of derogation, which had allowed Hungary to impose such a requirement on EU citizens, ended on 1 May 2009. In 2013, 1,365 foreigners, including 510 Russians, 165 Chinese and 109 Ukrainians, were granted permits to acquire a total of 1,267 real estates. Among permits issued to Russians in 2013, Zala County in the country westernmost region was the most attractive destination (with 283 permits), followed by Budapest (132). Data for the period between 2007 and 2013 show the growing number of Russian residential real estate owners in Zala County, with special attention to the spa city of Hévíz (Ingatlanmenedzser.hu, 2009; Világgazdaság, 2009; Pénzcentrum, 2011; Napi.hu, 2014).

In early May 2015, it was announced that the only five-star hotel in Hévíz, the 232-room Lotus Therme Hotel & Spa, had passed into Russian ownership. The operator of

[61] However, Malév's predecessor was the Hungarian–Soviet Maszovlet Rt., which was set up in 1946.

the hotel remained the same, however. Incorporated in April 2015 and headquartered in Budapest, the new owner is AEG Ingatlanhasznosító Zrt., which is represented by three Russian individuals but is owned by the Cottian Property Ltd. registered in Cyprus. One of the persons authorised to represent AEG Ingatlanhasznosító is Alexandr Baranov, a co-owner of 1000 Út Kft., a leading inbound travel agency, which was registered in Hungary in 2001 (Szalma Baksi, 2015).

An example for the presence of Russians in Hungarian spa areas is a thermal bath in the city of Nagybajom in Somogy County, which was acquired by Timax Kft. in 2008. The latter was founded in 1997 and is owned by two individuals. It is also a story of failure. News reports in January 2012 said that the planned investment would not materialise (F. Szarka, 2008, 2012; Körtési, 2012). The thermal bath and the land plot went up for sale.

Hungary is interesting for Russian tourists primarily because of medical tourism. Reportedly, some 70 percent of Russian tourists participate in organized trips. However, the number of Russian tourists arriving in Hungary may fall in 2015 due to the Russian–Ukrainian conflict and the Russian ruble crisis (Napi Gazdaság Online, 2015). Central Statistical Office (KSH), the number of Russian citizens residing in Hungary at the beginning of 2014 was only 3,657 (Table 14; KSH, 2014). The editor-in-chief of Hungary's Russian-language newspaper Rossiyskiy Kurier claims that the real number is well above 20,000, while the number of Russian-speaking people living in Hungary is between 50,000 and 100,000 (Bendarzsevszkij, 2011). According to the Hungarian census of 2011, 13,337 persons had indicated that they are Russian, which marked an increase over the figure of 5,512 in 2001 (KSH, n.a.). Recently, many Russians became Hungarian citizens by abusing the system for obtaining Hungarian citizenship through the simplified naturalisation process (Szalai, 2015). Regarding the Hungarian residence permit bonds, media sources in Hungary argue that Chinese are by far the greatest buyers (Bors, 2015).

Gábor Reppa, a Hungarian expert, told the author that in his experience, the creation of a large number of small and medium-sized companies with Russian capital was, in large part, a result of the fact that it was much simpler for an executive officer/owner of an operating company to obtain a visa for an extended state (type "D"). Moreover, if the company did actual business, then they could request a residence permit. This aspect has been more prevalent since the introduction of the Schengen visa.[62] Before entering the EU in 2004, Hungary imposed visa requirements on Russian citizens in June 2001, while Poland, by contrast, waited until the last minute to introduce a visa regime (it was done with effect from October 2003).

[62] Personal communication, 5 June 2013. However, he now believes that the process described above is not that active, though it does exist (personal communication, 11 May 2015).

3.10. Other industries and companies

In addition to the industries analysed here, Russian companies operate in a wide variety of industries in Hungary. Two examples are as follows:

– The result of Russo–Hungarian cooperation in nanotechnology is the establishment of the company Nanovo Kft. The joint venture was created by two Russian private companies and Hungary's Miskolc Holding Municipality Asset Management Corporation Zrt. in Miskolc in 2007. In 2009, the latter sold its 50 percent stake to a private company, Lenbiz Kft., based in the Hungarian city of Szeged in Southern Hungary.[63] The headquarters of Nanovo also moved from Miskolc to Szeged. The company's share capital was reduced to only HUF 500,000, down from HUF 50 million previously. The successful and well-known project of Nanovo is linked to Eurotex Kft., a textile company with a site in the city of Hódmez?vásárhely in South-East Hungary, whose products are treated with colloidal silver.
– Another relatively widely known Russian-owned company is LIT Budapest Kft. Incorporated in 2006, LIT Budapest deals with disinfection technologies, including the use of UV in the treatment of drinking water, wastewater, technological water and water for swimming pools and spas. The company's main activities include the sale and installation of equipment, maintenance and servicing (LIT Budapest, n.a.). Founded in 1991, LIT is a among the world's top three developers and manufacturers of UV systems for water, air and surface disinfection (LIT, n.a.).

4. Summary and conclusions

Russian FDI in Hungary attracted most attention at the turn of the century (due to the acquisitions of shares in BorsodChem and TVK by Gazprom) and at the beginning of the 2010s (due to the acquisition of shares in Mol by Surgutneftegaz). In both cases, Russian attempts ultimately proved to unsuccessful, and thus became examples of legitimate fears of Russian capital.

As it was limited to the end of both 2009 and 2010, Hungary's leading position – in statistical terms – in Central and Eastern Europe in terms of attracting Russian FDI proved to be temporary, and was only due to the Surgutneftegaz deal. Statistics offer limited help in getting a real picture of Russian FDI in Hungary. In many cases, indirect FDI was observed. Consequently, the size and variety of Russian presence can only be estimated by analysing company and media sources in meticulous detail. But although the presence of Russian investors in Hungary is more significant than official statistics indicate, the overall picture does not change much. Not only do the official statistics say that Russian FDI plays a limited role in Hungary, but company data also suggest this. Our research shows that among the top 20 non-financial Russian MNEs, only a

[63] Currently based in Békéscsaba, a city in Southeast Hungary, Lenbiz Kft. is under liquidation.

few companies are active investors in Hungary. Several large Russian companies are being targeted by the EU and US sanctions.

We have found that the motivations behind Russian FDI in Hungary are complex. Among other things, natural-resource-seeking FDI also appeared, such as in the case of Serbia's Russian-controlled NIS, which is performing hydrocarbon exploration. Russian oil and gas companies aim at controlling the entire value chain from production to the end user (i.e. to vertically integrate their businesses), but the EU's Third Energy Package works in ways that runs counter to such expectations.

Company data and our case studies demonstrate that the activities of Russian investors in Hungary analysed here were paved with failures. These have been evident in both divestments and unrealised plans. Kalotay et al. (2014) suggest that a low share of Russian investment in the Visegrád countries may be referred to as business opportunities that the Russian parties failed to exploit. Our case studies confirm this assumption in the case of Hungary.

In recent years, the investment climate in Hungary has been unfavourable. It is clear that the controversial "crisis tax" has negatively affected Russian players. However, the so-called "Robin Hood" tax is still a (now larger) burden on energy firms. And a new tax on public utility pipelines and cables was also introduced.

When the issue of the Surgutneftegaz deal was finally concluded, this meant that Russo–Hungarian relations were relieved of a serious burden. In fact, ultimately the deal did not turn out to be disadvantageous for Surgutneftegaz: they bought the stake for EUR 1.4 billion and sold it for EUR 1.88 billion. Nonetheless, the case left its mark on Russian high politics (at least for a while). Not only did Vladimir Putin publicly discuss the transaction in November 2010 (Origo, 2010), but he also wrote about it in one of his articles published before the presidential election of February 2012. However, at that time, he only referred to the case without mentioning names (i.e. he wrote about Russians being deprived of their ownership rights), concluding that it was necessary to strengthen the economic and political support of Russian companies in foreign markets (Putin, 2012[64]). The latter is not a new idea. Nor is it a novel idea, however, that improving transparency would certainly reduce fears of Russian investment; and, incidentally, such apprehensions are not limited to Central and Eastern Europe.

As for future Russian investments, FDI projects that are similar in scope to the Surgutneftegaz deal are not likely in Hungary in the near future. However, some investments are still on the horizon, though they are accompanied by uncertainty. The largest project involving OFDI, but also other types of transactions, could have been the construction of the Hungarian section of South Stream. Another significant FDI project

[64] Nyilas (2012) drew our attention to this article.

whose future is unclear is that of Magnit. Finally, the extension of the nuclear power plant near Paks is not an FDI project, but it is economically very significant.

Efforts to monitor and track Russian FDI remain an important task, particularly because of the sensitivity of the issue under the current geopolitical circumstances.

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Tables

Table 1. The top 20 Russian non-financial multinational enterprises, by foreign assets, end of year, 2011 (Millions of dollars)

Rank	Name	One or two main industries (% of state ownership)	Status	Foreign assets
1	Lukoil	Oil & gas extraction / refineries	Listed	29,159
2	Gazprom	Oil & gas extraction / gas distribution	Listed (State – 50.002%)	21,767
3	Evraz	Iron & steel / mining of metal ores and coals	Listed (only abroad)	8,210
4	Mechel	Iron & steel / mining of metal ores and coals	Listed	6,365
5	Sovcomflot	Sea transport	Unlisted (State – 100%)	5,838
6	Sistema	Conglomerate	Listed	5,207
7	Severstal	Iron & steel / mining of metal ores and coals	Listed	5,194
8	UC RUSAL	Non-ferrous metals / mining of metal ores	Listed	4,611
9	NLMK	Iron & steel / mining of metal ores	Listed	4,226
10	Atomredmetzoloto	Mining of uranium ores	Unlisted (State – 100%)	3,731
11	TNK-BP	Oil & gas extraction / refineries	Listed	2,940
12	TMK	Metal tubes	Listed	2,394
13	MMK	Iron & steel / mining of metal ores and coals	Listed	2,101
14	Norilsk Nickel	Non-ferrous metals / mining of metal ores	Listed	1,968
15	Zarubezhneft	Oil extraction / refineries	Unlisted (State – 100%)	1,834
16	NordGold	Mining of gold ores	Listed (only abroad)	1,695
17	Inter RAO UES	Electricity production and supply	Listed (State – 60.2%)	1,433
18	Rosneft	Oil & gas extraction / refineries	Listed (State – 75.2%)	1,045
19	FESCO	Sea and railway transportation	Listed	747
20	Acron	Agrochemicals	Listed	721
			Total	**111,186**

Source: Kuznetsov (2013).

Table 2. Russian FDI stock in the CEE countries,[a] according to data provided by the Central Bank of Russia, end of year, 2009–2013 (Millions of dollars)

Rank[b]	2009		2010		2011		2012		2013	
	Country	Value	Country	Value	Country	Value	Country	Value	Country	Value
1	Hungary	2,266	Hungary	2,230	Bulgaria	2,439	Bulgaria	2,854	Latvia	3,062
2	Bulgaria	1,586	Bulgaria	1,884	Serbia	1,488	Serbia	1,784	Bulgaria	2,870
3	Lithuania	1,380	Lithuania	1,420	Lithuania	1,444	Czech Rep.	1,598	Czech Rep.	1,842
4	Montenegro	1,339	Czech Rep.	1,192	Czech Rep.	1,309	Lithuania	1,335	Serbia	1,788
5	Czech Rep.	1,336	Montenegro	896	Montenegro	935	Montenegro	1,109	Lithuania	1,411
6	Poland	596	Bosnia & H.	678	Latvia	704	Latvia	941	Montenegro	1,232
7	Estonia	589	Serbia	623	Bosnia & H.	561	Bosnia & H.	725	Bosnia & H.	877
8	Bosnia & H.	541	Poland	581	Poland	545	Poland	589	Poland	618
9	Latvia	535	Latvia	473	Croatia	250	Croatia	355	Estonia	412
10	Serbia	394	Romania	258	Hungary	228	Estonia	276	Croatia	399
11	Croatia	206	Croatia	226	Estonia	220	Romania	138	Hungary	316
12	Romania	63	Estonia	149	Romania	147	Hungary	107	Slovakia	117
13	Slovakia	48	Slovenia	59	Slovenia	64	Slovakia	78	Slovenia	72
14	Slovenia	14	Slovakia	52	Slovakia	59	Slovenia	45	Romania	36
15	Albania	–	Albania	–	Albania	–	Macedonia	1	Albania	2
16	Macedonia	–	Macedonia	–	Macedonia	–	Albania	1	Macedonia	1

[a] Excluding the CIS and Georgia.
[b] In descending order.
Source: Own compilation based on CBR (2014).

Table 3. Russian FDI flows to the CEE countries,[a] according to data provided by the Central Bank of Hungary, net, 2007 – Q3 2014 (Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	Q1–Q3 2014
Albania	0	0	0	0	0	0	1	3
Bosnia and Herzegovina	1	55	287	94	104	149	78	121
Bulgaria	125	441	261	319	522	716	554	244
Croatia	95	75	13	23	103	31	71	65
Czech Republic	248	319	142	360	337	265	340	303
Estonia	13	29	11	21	30	85	130	100
Hungary	51	542	1,789	48	-2,724	67	155	43
Latvia	79	166	78	147	328	348	568	402
Lithuania	57	57	64	49	66	28	46	-95
Macedonia	0	0	0	0	1	3	1	3
Montenegro	188	173	85	117	160	185	173	141
Poland	28	-50	13	-2	30	-2	73	17
Romania	1	25	39	196	-96	-1	-101	1
Serbia	44	11	609	208	372	63	-39	-32
Slovakia	13	29	7	11	19	49	32	18
Slovenia	49	9	2	3	10	18	29	59

[a] Excluding the CIS and Georgia.
Source: Own compilation based on CBR (2015b).

Table 4. Russian FDI stock in Hungary, according to data provided by the Central Bank of Hungary, BPM5 methodology,[a] end of year, 2001–2012 (Millions of euros)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excluding SPEs												
Total	NA	NA	NA	NA	NA	NA	NA	-210.3	1,128.5	1,516.9	-70.2	-96.4
Equity capital and reinvested earnings	64.1	67.7	74.1	94.7	-5.2	17.1	697.3	24.7	1,396.8	1,660.4	19.9	26.7
Other capital	NA	NA	NA	NA	NA	NA	NA	-235.0	-268.3	-143.5	-90.1	-123.0
Including SPEs												
Total	NA	NA	NA	NA	NA	19.4	699.8	-447.8	1,130.0	1,514.4	-74.7	-102.1
Equity capital and reinvested earnings	NA	NA	NA	NA	NA	19.4	699.8	26.3	1,398.3	1,662.0	19.6	28.6
Other capital	NA	NA	NA	NA	NA	NA	NA	-474.1	-268.3	-147.6	-94.2	-130.7

NA – Not available.
[a] See MNB (2014g).
Source: Own compilation based on MNB (2014a, 2014b).

Table 5. Russian FDI stock in Hungary, according to data provided by the Central Bank of Hungary, BPM6 methodology,[a] end of year, 2001–2013 (Millions of euros)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excluding SPEs													
Total	NA	NA	NA	NA	NA	NA	NA	-210.3	1,128.5	1,516.9	-70.2	-95.9	-57.4
Equity	64.1	67.7	74.1	94.7	-5.2	17.1	697.3	24.7	1,396.8	1,660.4	19.9	26.7	35.6
Debt instruments	NA	NA	NA	NA	NA	NA	NA	-235.0	-268.3	-143.5	-90.1	-122.5	-92.9
Including SPEs													
Total	NA	NA	NA	NA	NA	NA	NA	-447.8	1,130.0	1,514.4	-74.7	-101.7	-71.3
Equity	NA	NA	NA	NA	NA	19.4	699.8	26.3	1,398.3	1,662.0	19.6	28.6	37.5
Debt instruments	NA	NA	NA	NA	NA	NA	NA	-474.1	-268.3	-147.6	-94.2	-130.2	-108.8

NA – Not available.[a] See MNB (2014h).
Source: Own compilation based on MNB (2015d, 2015e).

Table 6. Russian FDI stock in Hungary, according to data provided by the Central Bank of Hungary, BPM6 methodology,[a] detailed breakdown, end of year, 2008–2013 (Millions of euros)

Year	Total	Equity			Debt instruments				
		Total	Excluding fellows	Between fellow[b]	Total	Assets		Liabilities	
						Excluding fellows	Between fellows[b]	Excluding fellows	Between fellows[b]
Excluding SPEs									
2008	-210.3	24.7	24.7	0.0	-235.0	0.0	241.2	0.0	6.3
2009	1,128.5	1,396.8	1,396.8	0.0	-268.3	0.0	274.1	0.0	5.9
2010	1,516.9	1,660.4	1,660.4	0.0	-143.5	0.0	155.4	1.5	10.5
2011	-70.2	19.9	19.9	0.0	-90.1	0.0	108.0	5.0	12.9
2012	-95.9	26.7	26.7	0.0	-122.5	8.0	131.7	0.0	17.1
2013	-57.4	35.6	37.3	-1.7	-92.9	0.0	101.7	5.6	3.1
Including SPEs									
2008	-447.8	26.3	26.3	0.0	-474.1	0.0	480.3	0.0	6.3
2009	1,130.0	1,398.3	1,398.3	0.0	-268.3	0.0	274.1	0.0	5.9
2010	1,514.4	1,662.0	1,662.0	0.0	-147.6	0.0	160.1	1.5	11.1
2011	-74.7	19.6	19.6	0.0	-94.2	0.0	112.7	5.0	13.5
2012	-101.7	28.6	28.6	0.0	-130.2	8.0	140.0	0.0	17.7
2013	-71.3	37.5	39.2	-1.7	-108.8	0.0	118.1	5.6	3.7

[a] See MNB (2014h).
[b] Ultimate controlling parent is non-resident.
Source: Own compilation based on MNB (2015d, 2015e).

Table 7. Russian FDI stock in Hungary, according to the Central Bank of Russia, end of year, 2009–2013 (Millions of dollars)

2009			2010			2011			2012			2013		
Total	**Equity**	**Debt**	**Total**	**Equity**	**Debt instruments**	**Total**	**Equity**	**Debt instruments**	**Total**	**Equity**	**Debt Instruments**	**Total**	**Equity**	**Debt instruments**
2,266	2,266	–	2,230	2,192	39	228	228	–	106	65	41	316	253	63

Source: CBR (2014).

Table 8. Russian FDI flows into Hungary, according to the Central Bank of Hungary, BPM5 methodology,[a] quarterly data, 2007–2012 (Millions of euros)

	2007				2008				2009				2010			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Excluding SPEs																
Total, net	-5.5	-7.7	-53.9	-7.8	-47.3	-664.3	-69.8	34.0	24.0	778.9	0.3	98.1	74.0	140.5	-55.3	110.7
Credit	-4.0	-5.6	-8.2	-7.7	34.0	74.2	46.0	54.4	86.1	879.5	66.5	127.6	116.2	183.5	72.2	137.6
Debit	1.5	2.1	45.8	0.1	81.2	738.6	115.8	20.4	62.1	100.6	66.3	29.5	42.2	43.0	127.5	26.9
Equity, net	0.2	0.5	-0.2	0.7	0.00	-677.4	0.00	5.8	-4.3	789.7	-0.1	-0.1	0.3	0.3	0.3	0.3
Credit	0.3	0.6	0.1	0.7	0.00	0.00	0.00	5.8	0.00	789.8	0.00	0.00	0.3	0.3	5.8	0.3
Debit	0.1	0.1	0.2	0.00	0.00	677.4	0.00	0.00	4.3	0.1	0.1	0.1	0.00	0.00	5.5	0.00
Other capital, net	2.1	2.1	-45.4	0.1	-48.9	12.5	-71.7	26.5	29.4	-45.4	-40.4	57.5	45.1	112.2	-84.1	80.2
Credit	3.0	2.1	0.1	0.2	32.4	72.5	44.1	46.8	87.2	51.0	25.8	86.9	87.3	153.5	37.9	107.1
Debit	0.9	0.1	45.5	0.1	81.2	60.0	115.8	20.4	57.8	96.4	66.1	29.4	42.2	41.3	122.0	26.9
Including SPEs																
Total, net	-16.1	7.8	-77.4	-19.0	-66.9	-681.8	-96.8	17.6	287.6	778.9	0.3	98.1	76.9	138.8	-55.6	111.0
Credit	-4.0	22.2	-8.2	-7.7	34.0	74.3	46.0	56.4	361.1	879.5	66.5	127.6	119.1	183.5	72.2	138.0
Debit	12.1	14.3	69.2	11.3	100.9	756.1	142.8	38.8	73.5	100.6	66.3	29.5	42.2	44.8	127.8	27.0
Equity, net	0.2	27.7	-0.2	0.5	0.00	-677.4	0.00	5.8	-4.3	789.7	-0.1	-0.1	0.3	0.3	0.3	0.3
Credit	0.3	27.8	0.1	0.7	0.00	0.00	0.00	5.8	0.0	789.8	0.0	0.0	0.3	0.3	5.8	0.3
Debit	0.1	0.1	0.2	0.2	0.00	677.4	0.00	0.00	4.3	0.1	0.1	0.1	0.00	0.00	5.5	0.00
Other capital, net	-8.6	-9.6	-68.9	-10.9	-68.6	-5.0	-98.7	10.0	292.9	-45.4	-40.4	57.5	48.0	110.5	-84.4	80.5
Credit	3.0	2.7	0.1	0.2	32.4	72.5	44.1	48.8	362.1	51.0	25.8	86.9	90.2	153.5	37.9	107.5
Debit	11.6	12.3	69.0	11.1	100.9	77.5	142.8	38.8	69.2	96.4	66.1	29.4	42.2	43.0	122.3	27.0

(Table continued)

Table 8 (continued). Russian FDI flows into Hungary, according to data provided by the Central Bank of Hungary, BPM5 methodology,[a] quarterly data, 2007–2012 (Millions of euros)

	2011				2012				2013s			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Excluding SPEs												
Total, net	-10.1	61.1	-1,848.6	-3.9	4.8	-4.7	-35.1	11.1	NA	NA	NA	NA
Credit	50.2	119.6	41.3	32.3	39.7	34.8	26.2	41.5	NA	NA	NA	NA
Debit	60.3	58.6	1,890.0	36.3	34.8	39.5	61.3	30.4	48.1	41.7	57.4	51.6
Equity, net	1.3	1.2	-1,860.8	1.3	0.00	0.00	0.00	0.00	0.00	6.4	0.00	6.3
Credit	1.3	1.2	1.2	1.3	0.00	0.00	0.00	0.00	0.00	6.4	0.00	6.3
Debit	0.00	0.00	1,862.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other capital, net	-13.7	57.2	9.6	-7.7	3.5	-6.1	-36.6	9.5	-19.3	21.0	-24.9	28.4
Credit	46.6	115.8	37.5	28.6	38.4	33.4	24.7	39.9	28.8	55.4	32.5	80.0
Debit	60.3	58.6	27.9	36.3	34.8	39.5	61.3	30.4	48.1	34.4	57.4	51.6
Including SPEs												
Total, net	-10.1	61.0	-1,848.6	-3.9	4.9	-4.7	-37.6	10.2	NA	NA	NA	NA
Credit	50.3	119.6	41.3	32.7	39.7	34.8	26.2	41.6	NA	NA	NA	NA
Debit	60.4	58.6	1,890.0	36.6	34.8	39.5	63.8	31.4	NA	NA	NA	NA
Equity, net	1.3	1.2	-1,860.8	1.3	0.00	0.00	0.00	0.00	0.00	6.4	0.00	6.3
Credit	1.3	1.2	1.2	1.3	0.00	0.00	0.00	0.00	0.00	6.4	0.00	6.3
Debit	0.00	0.00	1,862.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other capital, net	-13.8	57.2	9.6	-7.7	3.5	-6.1	-39.1	8.5	-20.6	20.2	-26.3	23.5
Credit	46.6	115.8	37.5	28.9	38.4	33.4	24.7	39.9	31.6	55.4	32.5	80.0
Debit	60.4	58.6	27.9	36.6	34.8	39.5	63.8	31.4	52.2	35.2	58.8	56.5

NA – Not available.[a] See MNB (2014g).
Source: Own compilation based on MNB (2014e, 2014f).

Table 9. Russian FDI flows into Hungary, according to data provided by the Central Bank of Hungary, BPM6 methodology,[a] quarterly data, 2014 (Millions of euros)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Excluding SPEs	18.9	0.8	16.2	408.0
Excluding SPEs as well as capital in transit and restructuring of asset portfolios	18.9	0.8	16.2	57.3

[a] See MNB (2014h).
Source: Own compilation based on MNB (2015f, 2015g).

Table 10. Russian FDI flows into Hungary, according to data provided by the Central Bank of Russia, quarterly data, net, 2007 – Q3 2014 (Millions of dollars)[a]

	2007	2008					2009					2010				
	Σ	1	2	3	4	Σ	1	2	3	4	Σ	1	2	3	4	Σ
Total	51	473	22	25	21	542	2	1,781	4	2	1,789	2	3	4	39	48
Equity	51	447	3	7	5	462	2	1,781	4	2	1,789	2	3	4	-1	8
Reinvested earnings	0	27	19	18	16	80	0	0	0	0	0	0	0	0	0	0
Debt instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40	40

	2011					2012					2013					2014			
	1	2	3	4	Σ	1	2	3	4	Σ	1	2	3	4	Σ	1	2	3	Σ
Total	-23	2	-2,713	10	-2,724	8	20	30	9	67	32	48	57	18	155	18	9	16	43
Equity	15	7	-2,713	10	-2,681	8	20	30	31	89	32	32	32	16	112	17	9	16	42
Reinvested earnings	0	-4	0	0	-4	0	0	0	-21	-21	0	0	24	0	24	0	0	0	0
Debt instruments	-38	0	0	0	-38	0	0	0	0	0	0	16	2	1	19	1	0	0	1

[a] Balance of payments data, outflows minus inflows.
Source: CBR (2015b).

Table 11. Russian FDI flows into Hungary, according to data provided by the Central Bank of Hungary, BPM5 methodology,[a] detailed breakdown, yearly data, 2001–2012 (Millions of euros)

Year	Equity capital			Reinvested earnings	Equity capital and reinvested earnings	Other capital			Total
	Increase	Decrease	Net			Liabilities, net	Assets, net	Net liabilities	
	(1)	(2)	(3) = (1) – (2)	(4)	(5) = (3) + (4)	(6)	(7)	(8) = (6) – (7)	(9) = (5) + (8)
Excluding SPEs									
2001	6.7	0.1	6.6	16.5	23.1	-1.4	0.7	-2.1	21.0
2002	0.3	7.2	-7.0	11.2	4.2	-8.5	0.5	-9.0	-4.8
2003	0.5	0.6	-0.1	12.8	12.7	0.9	0.2	0.7	13.4
2004	1.3	0.3	1.0	14.9	15.9	-2.2	-0.2	-2.0	13.9
2005	1.6	1.1	0.4	-7.3	-6.8	-0.6	0.0	-0.6	-7.4
2006	5.0	0.6	4.4	-1.0	3.4	-0.4	2.6	-3.0	0.3
2007	1.7	0.4	1.3	-35.1	-33.8	-43.0	-1.8	-41.1	-74.9
2008	5.8	677.4	-671.5	5.8	-665.7	-25.4	56.2	-81.6-	-747.3
2009	789.8	4.6	785.2	115.0	900.2	0.1	-1.0	1.1	901.3
2010	6.7	5.5	1.2	115.2	116.4	1.1	-152.3	153.4	269.9
2011	5.0	1,862.0	-1,857.0	10.0	-1,846.9	3.4	-41.9	45.3	-1,801.6
2012	0.00	0.00	0.00	6.0	6.0	-0.7	29.0	-29.7	-23.8
Including SPEs									
2006	5.0	0.6	4.4	-0.9	3.5	-2.4	28.4	-30.8	-27.4
2007	28.9	0.6	28.3	-35.0	-6.7	-50.8	47.1	-97.9	-104.6
2008	5.8	677.4	-671.5	5.8	-665.7	-25.4	136.8	-162.2	-827.9
2009	789.8	4.6	785.2	115.1	900.3	0.1	-264.5	264.6	1,164.9
2010	6.7	5.5	1.2	115.2	116.5	1.1	-153.4	154.5	271.0
2011	5.0	1,862.0	-1,857.0	10.1	-1,846.9	3.4	-41.9	45.3	-1,801.6
2012	0.00	0.00	0.00	6.0	6.0	-0.7	32.5	-33.2	-27.2

[a] See MNB (2014g).
Source: Own compilation based on MNB (2014c, 2014d).

Table 12. Russian FDI flows into Hungary, according to data provided by the Central Bank of Hungary, BPM6 methodology,[a] yearly data, net, 2001–2013 (Millions of euros)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excluding SPEs[b]													
Total	21.0	-4.8	13.4	13.9	-7.4	0.3	-74.9	-747.3	901.2	269.9	-1,801.6	-23.4	29.1
Equity	23.1	4.2	12.7	15.9	-6.8	3.4	-33.8	-665.7	900.2	116.4	-1,846.9	6.0	7.4
Debt instruments	-2.1	-9.0	0.7	-2.0	-0.6	-3.0	-41.1	-81.6	0.9	153.4	45.3	-29.3	21.7
Excluding SPEs as well as capital in transit and restructuring of asset portfolios													
Total	21.0	-4.8	13.4	13.9	-7.4	0.3	-74.9	-747.3	901.2	269.9	-1,801.6	-23.4	29.1
Equity	23.1	4.2	12.7	15.9	-6.8	3.4	-33.8	-665.7	900.2	116.4	-1,846.9	6.0	7.4
Debt instruments	-2.1	-9.0	0.7	-2.0	-0.6	-3.0	-41.1	-81.6	0.9	153.4	45.3	-29.3	21.7
Including SPEs													
Total	NA	NA	NA	NA	NA	-27.4	-104.6	-827.9	1,164.7	271.0	-1,801.6	-26.8	20.9
Equity	NA	NA	NA	NA	NA	3.5	-6.7	-665.7	900.3	116.5	-1,846.9	6.0	7.5
Debt instruments	NA	NA	NA	NA	NA	-30.8	-97.9	-162.2	264.5	154.5	45.3	-32.8	13.4

NA – Not available.[a] See MNB (2014h).
[b] As is apparent, the figures remain unchanged when capital in transit and restructuring of asset portfolios are excluded.
Source: Own compilation based on MNB (2015a, 2015b, 2015c).

Table 13. Russian FDI flows into Hungary, according to data provided by the Central Bank of Hungary, BPM6 methodology,[a] detailed breakdown, yearly data, net, 2001–2013 (Millions of euros)

Year	Total	Equity				Debt instruments, net		
		Equity other than reinvestment of earnings			Reinvested earnings			
		Total	Excluding fellows	Between fellows[b]		Total	Excluding fellows	Between fellows[b]
Excluding SPEs[c]								
2001	21.0	6.6	6.6	0.0	16.5	-2.1	-2.1	0.0
2002	-4.8	-7.0	-7.0	0.0	11.2	-9.0	-9.0	0.0
2003	13.4	-0.1	-0.1	0.0	12.8	0.7	0.7	0.0
2004	13.9	1.0	1.0	0.0	14.9	-2.0	-2.0	0.0
2005	-7.4	0.4	0.4	0.0	-7.3	-0.6	-0.6	0.0
2006	0.3	4.4	4.4	0.0	-1.0	-3.0	-3.0	0.0
2007	-74.9	1.3	1.3	0.0	-35.1	-41.1	-41.1	0.0
2008	-747.3	-671.5	-671.5	0.0	5.8	-81.6	-1.6	-80.0
2009	901.2	785.2	785.2	0.0	115.0	0.9	1.1	-0.2
2010	269.9	1.2	1.2	0.0	115.2	153.4	1.5	152.0
2011	-1,801.6	-1,857.0	-1,857.0	0.0	10.0	45.3	3.3	42.1
2012	-23.4	0.0	0.0	0.0	6.0	-29.3	-13.2	-16.1
2013	29.1	11.9	11.9	0.0	-4.5	21.7	10.5	11.2
Excluding SPEs as well as capital in transit and restructuring of asset portfolios								
2001	21.0	6.6	6.6	0.0	16.5	-2.1	-2.1	0.0
2002	-4.8	-7.0	-7.0	0.0	11.2	-9.0	-9.0	0.0
2003	13.4	-0.1	-0.1	0.0	12.8	0.7	0.7	0.0
2004	13.9	1.0	1.0	0.0	14.9	-2.0	-2.0	0.0
2005	-7.4	0.4	0.4	0.0	-7.3	-0.6	-0.6	0.0
2006	0.3	4.4	4.4	0.0	-1.0	-3.0	-3.0	0.0
2007	-74.9	1.3	1.3	0.0	-35.1	-41.1	-41.1	0.0
2008	-747.3	-671.5	-671.5	0.0	5.8	-81.6	-1.6	-80.0
2009	901.2	785.2	785.2	0.0	115.0	0.9	1.1	-0.2
2010	269.9	1.2	1.2	0.0	115.2	153.4	1.5	152.0
2011	-1,801.6	-1,857.0	-1,857.0	0.0	10.0	45.3	3.3	42.1
2012	-23.4	0.0	0.0	0.0	6.0	-29.3	-13.2	-16.1
2013	29.1	11.9	11.9	0.0	-4.5	21.7	10.5	11.2
Including SPEs								
2006	-27.4	4.4	4.4	0.0	-0.9	-30.8	-30.8	0.0
2007	-104.6	28.3	28.3	0.0	-35.0	-97.9	-97.9	0.0
2008	-827.9	-671.5	-671.5	0.0	5.8	-162.2	-1.6	-160.6

Year	Total	Equity				Debt instruments, net		
		Equity other than reinvestment of earnings			Reinvested earnings			
		Total	Excluding fellows	Between fellows[b]		Total	Excluding fellows	Between fellows[b]
2009	1,164.7	785.2	785.2	0.0	115.1	264.5	1.1	263.4
2010	271.0	1.2	1.2	0.0	115.2	154.5	1.5	153.0
2011	-1,801.6	-1,857.0	-1,857.0	0.0	10.1	45.3	3.3	42.0
2012	-26.8	0.0	0.0	0.0	6.0	-32.8	-13.2	-19.6
2013	20.9	11.9	11.9	0.0	-4.4	13.4	10.5	2.9

[a] See MNB (2014h).
[b] Ultimate controlling parent is non-resident.
[c] As is apparent, the figures remain unchanged when capital in transit and restructuring of asset portfolios are excluded.
Source: Own compilation based on MNB (2015a, 2015b, 2015c).

Table 14. Russian citizens residing in Hungary at the beginning of the year, 1995–2014

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Russian	277	1,124	1,708	2,502	2,809	3,002	1,893	2,048	1,794	2,244
Total foreigners	138,101	139,954	142,506	148,263	150,245	153,125	110,028	116,429	115,888	130,109

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Russian	2,642	2,759	2,760	2,787	2,923	3,703	3,483	2,864	3,390	3,657
Total foreigners	142,153	154,430	166,030	174,697	184,358	197,819	206,909	143,361	141,357	140,536

Source: KSH (2014).