

Russia is not an attractive place for foreign corporations not working in the natural resource sector because the economy is not diversified, companies are vulnerable to corruption and renationalization, and Russia does not have a strong record of dealing with economic crises.

Russia is not an attractive place for foreign corporations not working in the natural resource sector because the economy is not diversified. According to Jordan Bachman, there is no substantial diversification in the economy because of failed efforts and due to oil and gas prices. First Putin has made many promises about diversification, privatization, and raising employment opportunities; however, nothing came of those promises (Guriev 2016). Currently, the Russian economy relies on the oil and gas industry so heavily that when the oil and gas industry is affected negatively, it brings down the whole economy. One can see this trend in the 2008 and 2014 crises. In 2008, oil fell 80%, causing the GDP to drop about 8% which was the highest of any country affected by the crisis (Guriev 2011). It shows how even though the crisis originated in the U.S., the Russian economy is susceptible whenever oil and gas prices are affected. In 2014, Russia brought about a crisis with their annexation of Crimea that led to sanctions while at the same time oil prices again dropped (Guriev 2016). This cause the further economic crisis to an economy that had not recovered from the 2008 crisis. The Russian economy is not diversified because of how reliant it is on gas and oil prices. Any negative change in price can have large economic ramifications, affecting the whole Russian economy. This does not provide a welcome environment for investing in the Russian economy.

Russia is not an attractive place for foreign countries to invest due to its vulnerability to corruption and renationalization. The corruption in Russia impedes investment, while Putin threatens the rule of law with renationalization. According to Aiden O'Toole, Russia is vulnerable to corruption because of the predatory aspect of the government. Similarly, Manuel Wallick's argument that property rights under Putin have become less secure than they were in the 1990s because the threat of the government has increased and offers no recourse. Both of these arguments corruption can impede a business's property rights as Putin has renationalized property rights through consolidating companies based on the government law as seen fit to Putin. Even though formal legal institutions are better than in the '90s, corruption and infringed property rights have led to an increase in sized assets, fines, unlawful arrests of businesspeople, and more (Gans Morse 2012). It provides a warning to any company looking to invest in Russia as the current investment climate has tightened. Additionally, in order to not have your property rights infringed upon, foreign investors may be pressured to be compliant with Putin's increasing political authoritarianism otherwise you and your business may get crushed. Overall, corruption raises significant costs for the private sector, hurting profit margins, making Russia not an attractive place for foreign countries to invest.

Finally, Russia is not an attractive place for foreign investment because they do not have a strong record of dealing with economic crises. Aniko Springsteel claimed that Russia's poor economic record can be seen cyclically through 1998, 2008, and 2014. Through each of these economic crises, no deep level reforms were made to address corruption, sensitivity to oil prices, and mishandled finances supposed to be going to the welfare system. Putin got lucky when he came to office and rode the wave of high oil prices after the 1998 crisis, but without the deep level reforms (McFaul 1998). However, when the 2008 crisis came and then 2014 before the economy had recovered from 2008, it highlighted the structural problems. Russia visibly showed the world its incompetency in handling economic crises with the bailout of Rosneft by printing money and just giving it to the company. These conditions are not favorable to any business looking to invest in Russia.

Overall, with the possibility of Russia's oil output slowing all of these issues can be made worse if no major structural reforms are made for diversification, preventing corruption, protecting property rights, and managing crises (Hobson 2016). Russia is not an attractive place for foreign companies to invest in.