



THE IMPACT OF ECONOMIC GROWTH FACTORS ON THE DYNAMICS OF
FDI IN RUSSIA (2015–2024)

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Abstract: *Between 2015 and 2024, Foreign Direct Investment (FDI) inflows to Russia have experienced profound transformations driven by macroeconomic adjustments, geopolitical shocks, and global commodity cycles. Using data from UNCTAD's World Investment Reports (2018–2025) and the Bank of Russia, this paper explores FDI trends, sectoral allocation, and the influence of economic growth factors on investment dynamics. The results show that prior to 2022, Russia's FDI was dominated by Western capital, while the post-2022 environment has been marked by a significant shift toward Asia, the Middle East, and the Global South. The research highlights structural dependence on resource extraction, a decline in greenfield investments, and a growing reliance on joint ventures as a risk-mitigation strategy.*

Keywords: *FDI, Russia, sanctions, economic growth, joint ventures, reinvestment, energy, logistics.*

Introduction: Foreign Direct Investment (FDI) represents one of the most significant indicators of a country's integration into the global economy. For Russia, the evolution of FDI reflects both domestic macroeconomic stability and the external geopolitical environment. The imposition of sanctions following the 2014 Crimean crisis, the global oil price shocks, and subsequent policy responses shaped Russia's attractiveness to foreign investors throughout the 2015–2024 period.

This paper aims to examine the relationship between economic growth factors and the dynamics of FDI inflows to Russia, identifying key sectoral patterns, investment mechanisms, and the structural changes triggered by geopolitical events.

Theoretical Framework and Literature Review

Theoretical and empirical research on FDI has long emphasized its role in fostering technology transfer, employment, and productivity growth. Dunning's Eclectic Paradigm (OLI model) explains FDI decisions based on ownership, location, and internalization advantages. In Russia's case, economic and institutional factors—such as energy dependence, regulatory risk, and infrastructure development—play critical roles. Studies by the IMF (2020), UNCTAD (2022), and various scholars highlight that FDI inflows to emerging markets are highly sensitive to macroeconomic stability, political risk, and global commodity cycles. For Russia, the interplay of these factors has been particularly evident, with energy exports and geopolitical alignment determining capital inflows and outflows.



Methodology and Data Sources

The study employs a qualitative-quantitative approach using secondary data from UNCTAD's World Investment Reports (2018–2025), the Bank of Russia, and IMF macroeconomic indicators. Data on FDI inflows (in USD billions) between 2015 and 2024 are analyzed alongside key macroeconomic trends such as GDP growth, oil price fluctuations, and sanctions intensity. The analysis focuses on sectoral distribution, investment instruments, and the geographic origin of capital.

FDI Trends in Russia (2015–2024)

Table 1 presents annual FDI inflows based on UNCTAD data.

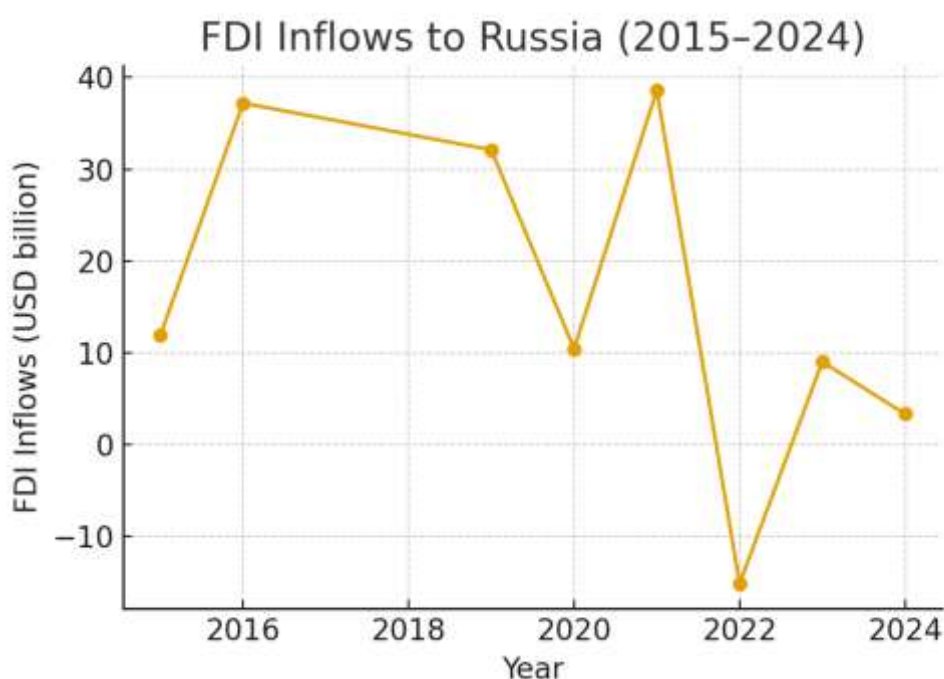


Figure 1: Trends in Foreign Direct Investment inflows to Russia, 2015–2024 (UNCTAD, 2025).

Sectoral Dynamics of FDI

The sectoral distribution of FDI in Russia highlights a significant structural imbalance. Resource extraction, including oil, gas, and mining, has consistently attracted the largest share of foreign capital. From 2015 to 2019, favorable global demand and stable legal frameworks sustained inflows from major Western energy companies. The pandemic temporarily slowed investments in 2020, but high commodity prices in 2021 led to a brief rebound.

After 2022, the departure of Western firms reshaped the investment landscape. Chinese, Indian, and Middle Eastern investors emerged as primary participants, often under long-term supply and joint venture arrangements. Meanwhile, manufacturing and high-technology industries suffered sharp declines due to sanctions and restricted access to advanced technologies.



Geographic Reorientation of Investment Sources

Before 2022, Russia's FDI was dominated by capital from the European Union, the United States, and offshore jurisdictions such as Cyprus and Luxembourg. These flows provided not only funding but also managerial expertise and technology transfer. However, the imposition of sanctions in 2022 led to a mass withdrawal of Western companies and the redirection of investment toward Asia and the Middle East. China has become the most significant investor, focusing on energy infrastructure, manufacturing partnerships, and Arctic logistics routes. India's participation centers on oil and petrochemical cooperation, while the United Arab Emirates, Qatar, and Saudi Arabia have expanded their presence in real estate and logistics. This reorientation represents a shift toward a multipolar global investment framework.

Evolution of Investment Instruments

The structure of FDI inflows to Russia has changed dramatically since 2022. Before that year, the composition was balanced across greenfield projects ($\approx 35\%$), reinvested earnings ($\approx 20\%$), joint ventures ($\approx 25\%$), and mergers and acquisitions ($\approx 20\%$). After 2022, greenfield projects collapsed to around 10%, while joint ventures surged to approximately 40% as investors sought risk-sharing mechanisms. Reinvested earnings increased to 35%, indicating cautious capital recycling within existing operations. These transformations reflect heightened political and financial risks, as well as investors' strategic adaptation to regulatory constraints.

Discussion and Policy Implications

The findings suggest that Russia's FDI dynamics over the past decade have become more concentrated, regionalized, and risk-averse. While resource extraction remains the backbone of foreign investment, diversification into manufacturing, technology, and services has weakened. To restore balanced FDI inflows, policymakers should prioritize institutional stability, transparent regulatory practices, and incentives for innovation-driven sectors. Furthermore, strengthening trade corridors such as the Northern Sea Route and the Trans-Caspian corridor will enhance logistical efficiency and attract infrastructure-related capital. Collaboration with non-Western partners can sustain short-term stability, but long-term growth will depend on technological upgrading and the ability to integrate into global value chains under new geopolitical realities.

Conclusion

The decade between 2015 and 2024 demonstrates how deeply economic growth factors and geopolitical shifts influence FDI in Russia. Sanctions, market volatility, and strategic realignment have transformed the investment landscape from a diversified, globally integrated model to one centered on regional partnerships and resource dependence. While new capital from Asia and the Middle East offers continuity, it lacks the technological sophistication of pre-2022 Western investment. The future trajectory of Russia's FDI will depend on its ability to foster institutional resilience, attract high-quality





investments, and leverage strategic partnerships for sustainable development.

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