The Continuing Boom in the Russian Economy and The Changes in the Russian Market Entry Modes and Export Channel Strategies of Japanese Companies (Part I)

Eiko Tomiyama

1 . INTRODUCTION

A great number of transition economies around the world are interesting from the perspective of future trade. Japan is a country highly dependent on international trade due to its limited size. This has led to a high concentration of internationalised companies in relation to the country's size. Exporting into emerging markets is common practice for many Japanese manufacturers. An emerging market can be defined as a market that satisfies the following conditions: a rapid pace of economic development, government policies favouring economic liberalization and the adoption of a free-market system (Arnold & Quelch, 1998). The principal impediments in emerging markets appear to be environmental uncertainties and the lack of strong legal frameworks, which have given rise to a significant increase in opportunism and rent-shifting. Emerging markets include transition economies such as Russia and the newly democratised post-communist nations, China, India, and other developing countries (Johansson, 2000).

Russia is one of the transition economies of the former Soviet Union that is a particularly interesting market for Japanese companies, due to its proximity, size, natural resources, and anticipated economic growth. Additionally, the Russian economy is becoming more stable both financially and politically. Russia's GDP demonstrated significant growth in 2003, increasing 7.3% on the previous year and achieving positive growth for the fifth year in succession since 1999. Against the background of the stabilization of the political and economic situation under the Putin administration and the Russian economy's shift to the market system, the employment and income environment has improved and individual consumption has continued to exhibit strong growth, with a consumption boom taking place in large cities in particular.

At the same time, foreign direct investment (FDI) in Russia is relatively low considering the scale of the economy. According to UNCTAD's *World Investment Report 2003*, cumulative FDI in Russia was $2.26 trillion as of the end of 2002, accounting for just 0.3% of total FDI across the globe ($712.24 trillion). Furthermore, according to Goscomstat (State Committee of the Russian Federation on Statistics), FDI in Russia was $26.231 billion, of which Japan accounted for just 5 % ($1.35 billion). Thus, it cannot be said that Japanese companies are active in the field of FDI.

However, Japanese companies are upgrading their export strategy *vis-à-vis* Russia. Japanese exports to Russia demonstrated sustained growth from $480.7 million in 1999, reaching $1,762.3 million in 2003. In spite of the threat of conflict and chaos, the remarkable economic growth that has been taking place in Russia of late provides Japanese firms with a sizeable incentive to enter this market. The choice of entry mode depends on the risk a company is prepared to take and the desired degree of control of intermediaries (Hill, Hwang & Kim, 1990).

This paper will analyse how Japanese companies have changed their modes of entry, opting for indirect exports or direct exports (via independent intermediaries or via sales subsidiaries). These three modes of entry have been selected for the present study due to the frequency of their use by Japanese exporters in Russia. The purpose of this paper is to gain a deeper understanding of changing entry strategies and modes used when Japanese firms enter the Russian market.

The scope of this paper is limited to Japanese companies entering the Russian market, with Russia being chosen as the subject because it is one of the largest transition economies in the world. This paper is intended as a contribution to the limited literature available on independent intermediary channels and sales subsidiaries in the Russian market.

2 . REVIEW OF RELEVANT LITERATURE

2 . 1 The Export Option

Due to the economic insecurities in emerging markets that arise from transition-related crises, many Western companies favour a more traditional approach to these markets, starting with exports and imports (Springer, 1995: 81-82). These strategies are distinguished by the degree of investment and the risk-investment potential.

Most companies conduct their initial internationalisation through exports. Exporting is the simplest way of entering overseas markets, since the level of commitment and risk is minimised when the level of investment is low. Exports can further be divided into indirect and direct exports. Indirect exports involve the use of home country agencies (trading companies) to introduce the product to the foreign market. Direct exports involve the firm itself contacting the overseas buyers, be they independent agents and distributors or the firm's own subsidiaries (Johansson, 2000: 126-127).

Indirect exports

The simplest way to manage the firm's export business is to employ external specialists. The advantage of indirect exports is that the firm avoids the overhead costs and administrative burden involved in managing its own export affairs. The disadvantage is that the skills and know-how developed through experiences abroad are accumulated outside the firm, not within it (Johansson, 2000: 134).

Direct exports

Direct exports have an advantage over indirect exports in terms of the control over operations that it affords the producer. With direct exports, the firm has a more direct influence over marketing efforts in the foreign market. The firm also learns how to operate abroad. Without involvement in the day-to-day operation of overseas business, the firm will not generate much in-house knowledge (Johansson, 2000: 134 -135).

Sales subsidiaries vs. independent intermediaries

Companies opting for direct exports have to choose between establishing a sales subsidiary and employing independent intermediaries. The latter option involves employing an agent who manages sales and administration and is paid through fees and commissions, and a local distributor who supplies the product to the market and adds a mark-up to the cost. Investing in a wholly owned sales subsidiary is a bigger commitment and requires more resources than the use of independent agents. Where the potential market is large, the firm would generally be better off with more central control of operations, including marketing activities (Johansson, 2000 : 135).

Exporting via sales subsidiaries gives the exporter hierarchical control of the whole export operation, including marketing activities. The exporter will therefore normally invest more of its capabilities — both financially and in terms of human resources — in carrying out these operations than in independent export channels. This is thought to lead to a more intensive communication process and higher levels of asset specificity in the relations between the channel intermediary and the exporter, raising the stakes of the latter. Commitment is regarded as a kind of investment. Since the investment, in terms of financial outlays, organizational adaptation and managerial commitment, is generally higher in the case of the sales subsidiary, the exporter is more committed to an integrated channel member than to a non-integrated one. Hierarchical control gives the exporter greater marketing control in sales subsidiary relations than in agency relations (Solberg & Nes, 2002).

Hierarchical control gives rise to a Vertical Marketing System. This is an organised, structured and unified distribution channel system in which the producer and intermediaries (wholesalers and retailers) work closely together to facilitate the smooth flow of goods and services from producer to end-user. When the export market grows rapidly, exporters shift to a hierarchical structure in order to reduce costs and gain control over their channels (Li, 2002).

2 . 2 Internalisation / Transaction Cost Analysis

Decisions on modes of entering foreign markets have been studied by numerous researchers over the last two decades. In particular, since Buckley and Casson's (1976) introduction of the internalisation argument based on transaction cost theory, a number of papers have discussed whether or not foreign operations should be integrated (Anderson & Gatignon, 1986; Madhok, 1997). The discussion has largely focused on integrated versus independent foreign business operations. Transaction cost analysis (TCA) predicts that, under the circumstances of high asset specificity and high uncertainty, the exporter will seek to internalise the transaction with the local channel member in order to reduce transaction costs connected to curbing opportunism. Buckley et al. (1990) have widened the application of internalisation theory to the non-production functions of stocktaking, distribution, generating customers and transport; in this way the work is brought closer to that of channel researchers, who have applied transaction cost analysis to explain the choice between the internalisation of marketing and distribution functions and the employment of external agents and intermediaries (Wheeler, Jones & Young, 1996). Although TCA has been widely accepted as being powerful in explaining entry modes, it is limited in that it considers only the minimization of costs and not the creation of value (Madhok, 1997).

The issue of investing in their own sales subsidiary, rather than contracting an independent channel intermediary, is critical for many exporters. The resources needed to undertake such investments often exceed internal capabilities. In accordance with the findings of researchers focusing on incremental internationalisation (Johanson & Vahlne, 1977; Johanson, J. & Wiedersheim-Paul, F., 1975, etc.), integrating the next channel member involves a larger part of the organisation and calls for greater management capabilities than is the case with independent modes of entry. A step-by-step approach — with the company first going through an independent intermediary and then carrying out investment itself at a later stage — is therefore called for in many cases, even though other arguments (for instance, the need for control) would speak in favour of an integrated model (Solberg & Nes, 2002).

According to the internalisation / transaction cost model, the foreign manufacturer would move from distributors to sales subsidiaries when it is more economical to internalise transactions. Reasons include the desire to obtain economies of scale, to achieve control through ownership of the channel, and to protect knowledge-intensive assets including technology, servicing know-how and transaction-specific knowledge in the sales force. Internalisation is possible where the technology is relatively new or specialized, has wide applicability, where the market is large enough to support scale economies and where competition is either limited or oligopolistic.

2 . 3 The Internationalisation Model

According to the internationalisation process proposed by the Upscale School (Johansson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1997), which develops in four stages according to an establishment chain: no regular export activities; exports via agents; exports via a sales subsidiary; and production via foreign subsidiaries. Existing studies of the internationalisation process of firms suggest that they proceed — consistently and gradually — to develop their international activities. This incremental movement through various stages of learning and commitment has undergone substantial scrutiny (Erramilli & Rao, 1990; Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Juul & Walters, 1987; Sullivan & Bauerschmidt, 1990; Cavusgil, 1980 etc.).[1] According to this behaviouralist model, the firm would make additional incremental resource commitments as it gained experience from current activities. Comparing the internalisation/ transaction cost and internationalisation model, there is a fundamental difference between the assumption of rational decision making in the former and the behavioural responses to uncertainty avoidance in the latter.

The critical factors in the internationalisation model are lack of knowledge of the foreign market and an absence of established relationships with customers and other parties. It is argued that, unless these constraints are included in an assessment of internalisation costs and benefits, the internalisation / transaction cost paradigm cannot explain the shifts in mode which are demonstrated by the internationalisation model. Even if transaction costs are high in the early stages of internationalisation — as they might be for technologically complex products — the company might be unwilling to move beyond agency arrangements because of its lack of knowledge of the market and network relationships (Wheeler, Jones & Young, 1996).

3 . PROBLEMS FACING COMPANIES ENTERING TRANSITION COUNTRIES

When a company is entering international markets there are dissimilarities in the economic, political, legal and cultural environments that act as incentives for, as well as obstacles to, successful expansion. These dissimilarities are especially large in transition economies, like Russia (Johansson, 2000).

First of all, in several transition economies there are problems with economic, political and legal factors such as high interest rates, the rate of exchange, high inflation, an unstable government, excessive bureaucratic power and poor banking and court systems (Bartley & Minor, 1994; Annelise, 1995). Policies initiated have failed to take into consideration a number of constraints which are due to the communist legacy: a highly concentrated and outmoded industrial structure and a lack of financial infrastructure and a sound banking system, not to mention the absence of a functional legal code (Geib & Pfaff, 1999). There are contradictory laws, and several laws do not function at all in practice. The chaotic and anarchic political and economic environment in which business has been conducted in Russia for the past decade has created great uncertainty about what constitutes ethical business practice (Groth & Roberts, 2001). Corruption, taking such forms as bribery and extortion, is common in Russia (Annelise, 1995).

Corruption

Corruption is a serious problem for economies in transition. It retards the development of institutions conducive to economic growth. In this sense, it introduces inertia into transition dynamics. Generally, corruption is a deep-rooted socio-economic problem in developing economies everywhere in the world (Goorha, 2000). As Barnes et al. (1997) argue, Russians know that making use of '*blat*' (profitable connections) is wrong, but due to the socio-political climate of the communist system, it continues in the chaos of Russia's emerging capitalist economy. Making use of *blat* has been so pervasive within Russian society as a whole that it could also be considered a norm of the business community, and thus ethical. *Blat* has long been a well-defined norm and accepted as almost inevitable, given the lack of freedom and opportunity under oppressive political regimes (Puffer, 1999). Kuznetsova & Kuznetsov (1999) also argued that there has been no tradition of the law being applied equally and universally. Personal contacts and networking remain a significant factor in determining business success or failure and in engendering corruption in Russia (Kuznetsova & Kuznetsov, 1999: 66).

A particular problem is the fact that Russian customs officers do not treat foreign and Russian companies in the same way during the customs clearance of household electrical appliances. Russian firms bribe the customs officers so that they will be charged a lower rate of duty. Radaev, a notable Russian socio-economist, has pointed out that all Russian politicians are involved in this situation and that the problem has not been resolved at all (Radaev, 2002, 2003). Russia's Customs Act was revised in January 2004 and imported cars are now clearing customs in accordance with the official regulations. However, the situation with regard to household electrical appliances remains the same, and it is the only field in which improvements are yet to be seen. [2]

Taxation & Bureaucracy

Tax legislation is contradictory and full of loopholes, and many collectors work beyond the law in Russia. Russia has about 200 different levies, most of which hardly reap any revenue but create red tape for businesses. The taxman collects as much as he dares, taking a lot from small enterprises without political connections and little from big, powerful companies. Although there has been an urgent need for root and branch tax reform for years, it has been blocked by influential businessmen who now pay little or no taxes. An ordinary Russian firm is inspected almost daily by one of the 67 different government agencies engaged in business supervision. These agencies' real interest lies in extorting bribes (Ålund 1999).

4 . METHODS

This study employed a qualitative, longitudinal methodology. Qualitative and longitudinal research offers important benefits. The study used a multiple case comparison design. Comparison of multiple cases provides a variety of viewpoints to check for consistency and agreement, and thus helps to overcome the problem of the absence of strict quantitative data (Ragin, 1987). It should be noted that the generalization of multiple case comparisons is based on an analytical rationale rather than a statistical one. When we discover a certain logic and confirm that such logic works in both different and similar contexts, we have reason to believe that the logic is applicable to a wider population (Yin, 1994).

This study used the Russian market as the research field and examined 11 Japanese manufacturers' strategies and behaviour in the Russian market. The Russian market was used as the research setting because the market was and is one of the most important emerging markets and was characterized by high contextual velocity. This velocity resulted from inconsistent government policies, uncertain market demand and competition, a weak regulatory regime, underdeveloped factor markets, and dramatic events. The high contextual velocity in Russia is typical of emerging markets. A total of 11 cases were examined, with three data sources being used: semi-structured interviews with managers handling the Russian business affairs of Japanese manufacturers, website questionnaires and secondary sources.

Data analysis took place as follows. At the first step, within-case data were analysed. In each individual case a chronology was developed, focusing on how the exporter initiated and expanded its exports into Russia. Each case was divided into two stages. The first stage was the market entry stage when the manufacturer's products were introduced to the market. The second stage was the market penetration stage when the manufacturer been operating in the market for about three to five years and had developed a reasonable degree of knowledge about the market. Then the channel structure was observed in order to determine whether or not changes took place throughout the two stages were observed and the causes of these changes or the reasons for the lack thereof were identified. In the second stage, cross-case patterns were developed. Similarities and differences between cases in terms of channel structure patterns were listed, with cases being categorized into groups based on their similarities and differences.

5. RESULTS

Four different export channel strategy patterns emerged from the 11 cases and were accordingly classified into four groups (Table 1).[3]

Table 1

Company	Main products in the Russian market, perspective on the Russian market, plans for the future	Market entry stage	Market penetration stage

Case 1 Honda Motor Co., Ltd.	Cars, motorcycles Rapid growth is anticipated in the Russian car market in the future.	Representative office established in Moscow in 1992, with cars being exported to Russia from Japan and the US via 10 Russian designated agents.	Honda established its sales subsidiary Honda Motor RUS LLC on 18th April 2004, with the company's designated agents becoming authorised dealers. This sales subsidiary imports automobiles to Russia directly, not via agents.
Case 2 Amada Co., Ltd.	Machine tools Amada plans to increase its sales to Russia from more than ¥400 million in 2002 to around ¥1.4 billion in 2005.	Amada's German-based subsidiary Amada GmbH undertook direct sales to Russia. In some areas of Russia, Amada used trading companies as agents and conducted sales via those agents, as this makes sales activities more efficient.	A Russian-based subsidiary, Amada O.O.O., was established in Moscow on 25th September 2003, with 100% equity participation on the part of Amada's German-based subsidiary Amada GmbH. It exports to Russia the products manufactured in its French production bases. In some areas it still uses trading companies as agents.
Case 3 Mitsubishi Heavy Industries, Ltd.	Compressors, printing machinery, injection moulding machines, machine tools, air conditioners Along with the USA and China, Russia is one of the most important strategic markets. There are risks, but it will grow in the future. The company plans to build up the representative	Representative office established in Moscow. Agents were allocated to specific products, such as forklift trucks, generators and machine tools, with products being sold to Russia via these agents.	Mitsubishi Heavy Industries plans to increase the number of agents for machine tools and air conditioners, in order to stimulate demand.

	office gradually and increase sales from around ¥3 billion in 2003 to ¥30 billion by 2008.		
Case 4 Fanuc Ltd.	Robots and related products, factory automation products, injection moulding machines, computer numerical control (CNC) system technologies Given expanding demand for the processing of automotive parts, the company plans to focus on sales of CNC devices for machine tools, injection moulding machinery and robots for use in production.	Indirect exports via Mitsui Trading Co in the former USSR.	Sales subsidiary (Fanuc Mitsui Automation CIS LLC) jointly established by FANUC and Mitsui & Co., Ltd. The joint venture will sell and service Fanuc products in the CIS, including Russia. The company was formally founded in January 2003, with its office in Moscow employing six members of staff, including two Japanese. This sales subsidiary imports CNC to Russia directly, not via agents.
Case 5 Yokogawa Electric Corporation	Plant regulation and control systems, industrial instruments, measuring instruments The attraction of the Russian market lies in the fact that it has many plants for the primary processing and refining of natural resources; however, most of these were	Rather than using a local agent, Yokogawa Electric just set up a representative office in Moscow, with all export business being conducted via Japanese trading companies (indirect exports).	In 1997, Yokogawa Electric established Yokogawa Electric Ltd., a Russian-incorporated sales subsidiary, conducting direct imports itself. In parallel with this, it uses ten Russian agents, as it would otherwise be impossible to conduct business effectively in areas a long way from Moscow.

	built in the 1960s and 70s, so it is expected that there will be new investment and demand for replacement equipment.		
Case 6 Komatsu Ltd.	Construction machinery The Russian market is a major focus of attention for Komatsu, which is now mainly working on enhancing sales of large-scale equipment and expanding into the provincial areas of Russia.	Sales conducted through Komatsu's representative office in Russia, via trading companies.	In August 2003, the Moscow branch of Komatsu CIS (head office in Tokyo) was established with 100% equity participation on the part of Komatsu Ltd. and a capital fund of ¥200 million. It also continues to do business via trading companies; these trading companies generally handle bulk orders by governments of CIS countries and formerly state-owned businesses, with even the individual clients tending to be extremely large companies. In addition, the products themselves are the larger models that Komatsu manufactures. The Moscow branch of Komatsu CIS handles the sales and marketing of smaller products aimed at the ordinary consumer market in Russia's cities, which has been stimulated by urban economic development.
Case 7 Matsushita	Electronic components,	Matsushita Electric Industrial's Moscow	In 1997, Matsushita Electric Industrial

Electric Industrial Co., Ltd.	consumer electronic goods, home appliances, factory automation equipment, information and communications equipment, and housing-related products In terms of its growth rate, the momentum of sales in Russia is second only to China. For the company as a whole, Russia is one of its most important markets around the globe. In the autumn of 2004, Matsushita Electric Industrial will establish a new market research company and development centre in Moscow; the latter will employ Russian researchers and incorporate state-of-the-art technology from Russia. The company plans to double sales to ¥100 billion from the current level by 2006.	representative office was established in 1986, with exports to Russia being conducted via trading companies.	established its sales subsidiary Panasonic CIS Ltd. in Finland, in order to sell Panasonic products to the CIS countries. Panasonic CIS does business with around 50 Russian offshore companies, which then sell the products to Russian companies that import them to Russia. The company wishes to establish a Russian sales subsidiary in order to enable it to fine-tune its sales activities more easily. However, the state of the customs system in Russia is such there is no uniform rate, with costs varying depending on who passes through customs checkpoints and the time when they do so. Until a uniform mechanism is put in place, the company will be unable to establish a sales subsidiary in Russia.
Case 8 Canon Inc.	Photocopiers, computer peripherals, business systems,	In 1975, Canon began to export its products to the Soviet Union via trading companies.	In 1995, Canon set up a Moscow branch of Canon North-East OY, its Finnish subsidiary, and began

	cameras, optical products For Canon, Russia is a vast market with good prospects for the future.		direct exports to the former Soviet Union. Canon went on to organize its own network of dealers throughout the former Soviet Union. It was considered too big a risk for Canon to establish a subsidiary in Russia. The company claimed that it could not predict how corporate tax would change because the law system in Russia was so volatile. Subsidiaries have to abide by local law and the risk arising from the changeable legal environment in Russia outweighed any potential benefits. Moreover, the advantage of establishing subsidiaries is that the company is directly involved with the product right up to its sale to the end user. However, in Russia, if a Moscow-based Canon subsidiary were to import Canon products directly to Russia, without using local distributors, it would be unable to compete with those Canon's products imported by independent local distributors. Consequently Canon established its sales subsidiary in Finland, rather than in Russia.
Case 9 Ricoh	Photocopiers Russia is one of	Ricoh entered the former Soviet Union in	In October 1997, in collaboration with Mitsui

	Ricoh's major markets. Although it experienced some anxiety, Ricoh was generally hopeful about its prospects when it first entered the Russian market.	1984, conducting indirect exports via Sumitomo Shoji Ltd. From 1989, Ricoh began exporting through Mitsui Bussan Ltd., continuing to do business with public corporations of the former Soviet Union through this company until 1992. Subsequently, due to the collapse of the state monopoly on foreign trade, Ricoh began to export copying machines to the Russian market through Mitsui Bussan Ltd., via a Russian distributor.	Bussan Ltd., Ricoh established its sales subsidiary Mitsui-Ricoh CIS Ltd. Mitsui-Ricoh CIS conducts its imports via a Russian distributor, because such distributors have already bribed customs officers to cut customs duties for them. However, Mitsui-Ricoh CIS does not believe that this "special relationship" between its local distributors and Russia's customs officers will last forever. It would be too late to establish a local sales subsidiary once this "grey" customs clearance system is abolished, so it has established a sales subsidiary to build marketing channels.
Case 10 Olympus Corporation	Endoscopes Russia is one of Olympus's major markets.	Olympus formerly exported endoscopes to the USSR via trading companies. In 1992 it established a joint venture with a Russian company to sell endoscopes in the Russian market.	In 1993, Olympus established its sales subsidiary Olympus Moscow LLC. The company deals with the passage of its products through official customs channels itself. These products are then sold at a fixed price to end users via its agents in Russia.
Case 11 Daikin Industries, Ltd.	Air conditioners Russia is a very important market for Daikin. With regard to the scale of the market, Russia was in third place in terms of	A Russia team was established within Daikin Europe N.V. Daikin has many agents in Russia, who conducts sales and sales promotion activities.	Sales to Russia via agents are continuing, but Daikin is currently considering establishing a representative office in the future, as well. It may also establish a joint venture with an agent.

	the number of small household air conditioning units sold in Europe in 2002, after Italy in first place, with one million units, and Spain in second place with 600,000-650,000 units. Russia will be extremely attractive as a market for small household air conditioning units in the future.		Daikin Europe N.V. now exports to Russia the products manufactured by Daikin Thailand, with agents importing them from Daikin Europe N.V.

Notes

1 See Shama (2000).

2 H. Mizuno, Chief Sales Director, Combined Transport Team, Keihin Export Office, Kintetsu Express Co., *Physical Distribution in Russia: Revisions of Customs Statutes and Changes in Rail Transport*, Workshop on the Regional Economy of the Russian Far East, held by JETRO on 22nd January 2004, http://www.jetro.go.jp/se/j/russia/pocket/p20040319.html (accessed on April 22, 2004).

3 Part 2 of this paper will be published next year in this journal.

References

Anderson, E. & Gatignon, H. 1986, Modes of Foreign Entry: A Transaction Cost Analysis and Propositions, *Journal of International Business Studies*, Vol. 17, No. 3 , pp. 1-26.

Annelise, A.,1995, The Red Mafia: A Legacy of Communism, In Edward P.Lazear (ed.), *Economic Transitions in Eastern Europe and Russia: Realities of Reform*, Stanford, Hoover Institution Press, http://andrsn.stanford.edu/Other/redmaf.html (accessed on May 20, 2004).

Arnold, D. & Quelch, J., 1998, New Strategies in Emerging Economics, *Sloan Management Review*, Vol. 40, No.1, pp. 7-20.

Åslund , A., 1999, Russia's Collapse, *Foreign Affairs*, Vol.78, No. 5 .

Barnes, J.W., Crook, M.H. & Stafford, E.R., 1997, Why Our Russian Alliances Fail?, *Long Range Planning*, Vol. 30, No. 4 , pp. 540-550.

Bartley, D.L. & Minor, S.M., 1994, Why Would a Company Want to Enter a Joint Venture in the Former Soviet Union or Eastern Europe?, *Journal of Product and Brand Management*, Vol. 3, No. 2 , pp. 28-36.

Buckley, P.J., & Casson, M., 1976, *The Future of International Enterprise*, London, Mcmillan and New York: Holms Meyer.

Buckley, P.J., Pass, C.L. & Prescott, K., 1990, Foreign Market Servicing by Multinationals: An Integrated Treatment, *International Marketing Review*, Vol. 7 , No. 4 , pp. 25-40.

Cavusgil, S.T., 1980, On the Internationalization Process of Firms, *European Research*, Nov., pp. 3-22.

Erramilli, M.K. & Rao, C.P., 1990, Choice of Foreign Market Entry Modes by Service Firms: Role of Market Knowledge, *Management International Review*, Vol. 30, pp. 135-150.

Geib, Peter & Pfaff, Lucie, 1999, Strategic Management in Central and Eastern Europe, Strategic Management in Central and Eastern Europe, *Journal of East-West Business*, Vol. 5 , No. 4 . pp. 53-67.

Goorha, P., 2000, Corruption: Theory and Evidence through Economies in Transition, *International Journal of Social Economics*, Vol. 27, No.12, pp. 1180-1204.

Groth, J.C. & Roberts, A.A., 2001, Legal Foundations: Prescription for Emerging and Transition Economies, *European Business Review*, Vol.13, No. 5, pp. 297-306.

Hill, C. W. L., Hwang, P. & Kim, C., 1990, An Eclectic Theory of the Choice of International Entry Mode, *Strategic Management Journal*, Vol. 11, No. 2 , pp. 117-128.

Japan Association for Trade with Russia & Central-Eastern Europe (ROTOBO), 2003, *Roshia Touou Boueki Chousa Geppo* (Monthly Research Report on Trade with Russia and Central-Eastern Europe), April 2003 (in Japanese).

Japan External Trade Organization (JETRO), 2003, *Jetoro Sensaa* (JETRO Sensor), July 2003 (in Japanese).

Johanson, J. & Wiedersheim-Paul, F., 1975, The Internationalization of the Firm: Four Swedish Cases, *Journal of Management*, Vol.12, No. 3 , pp. 305-322.

Johanson, J. & Vahlne, J-E., 1977, The International Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitment, *Journal of International Business Studies*, Vol. 8 , No. 1 , pp. 23-32.

Johansson, J.K., 2000, *Global Marketing*, 2 nd ed., Irwin McGraw-Hill, Burr Ridge, IL.

Juul, M. & Walters, P., 1987, The Internationalization of Norwegian Firms: A Study of the UK Experience, *Management International Review*, Vol. 27, No. 1 , pp. 58-66.

Kuznetsova O. & Kuznetsov A., 1999, Why Is the Progress of Marketisation Slow in Russia?, *Journal of East-West Business*, Vol. 5, No. 1 / 2, pp. 57-73.

Li, L.,2002, Western Exporting Manufacturers' Channel Structure in Emerging Markets, *Industrial Management & Data Systems* ,Vol.102, No. 9 , pp. 483-492.

Madhok, A., 1997, Cost, Value and Foreign Market Entry Mode : The Transaction and the Firm, *Strategic Management Journal*, Vol.18, No. 1 , pp. 39-61.

Nihon Keizai Shimbun (Nikkei), 5 th July 2003, 23rd August 2003, 22nd April 2004, 27th June 2004 editions (in Japanese).

Puffer, Sheila M., 1999, Questionable Business Practices in Russia: Ethical Guidelines from Integrative Social Contracts Theory, *Journal of East-West Business*, Vol. 5, No. 4. pp. 23-36.

Radaev V. 2002, Rossijskij Biznes: Na Puti k Legalizatsii? *Voprosy Ekonomiki* No.1, 2002 (in Russian).

Radaev V. 2003, Izmeueine Konkurentnoj Situatsii na Rossijskikh Rynkakh (na Primereroznichnykh Setej) *Voprosy Ekonomiki* No. 7, 2003 (in Russian).

Ragin, C.C., 1987, *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*, University of California Press, Berkeley, CA.

Springer R., 1995, Market Entry and Marketing Strategies for Eastern Europe, *Journal of East-West Business*, Vol. 1 , No. 3, pp. 67-104.

Solberg, C.A. & Nes, E.B., 2002, Exporter Trust, Commitment and Marketing Control in Integrated and Independent Export Channels, *International Business Review*, Vol.11, No. 4 , pp. 385-405.

Sullivan, D. & Bauerschmidt, A., 1990, Incremental Internationalization: A Test of Johanson and Vahlne's Thesis, *Management International Review*, Vol. 30, No. 1, pp. 48-64.

UNCTAD, *World Investment* Report 2003.

Volkov, V., 2004, The Russian Economy: Current Situation and Middle-term Prospects, The Ministry of Economic Development and Trade, the Russian Federation (mimeo).

Wheeler, C., Jones, M. & Young, S.,1996, Market Entry Modes and Channels of Distribution in the UK Machine Tool Industry, *European Journal of Marketing*, 1996, Vol. 30, No. 4.

Yin, R.K., 1994, *Case Study Research: Design and Methods*, 2nd ed., Sage, Beverly Hills, CA.