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Tatiana Popova

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Bank of Finland
Institute for Economies in Transition (BOFIT)

PO Box 160
FIN-00101 Helsinki
Phone: +358 9 183 2268
Fax: +358 9 183 2294
bofit@bof.fi
www.bof.fi/bofit

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Tatyana Popova¹

Financial-Industrial Groups (FIGs) and Their Roles in the Russian Economy

Abstract

The article provides an overall review of different aspects of financial-industrial groups (FIGs) in Russia. The review first explores the developments during the Russian economic reform that lead to the emergence of FIGs, highlights the legal basis and actual reasons for creating them, and gives an assessment of various elements of the state's policy to promote FIGs. The article further provides aggregate information on and a full register of FIGs created along the official path, and characterises some of the large de facto FIGs that were formed outside official policies and procedures. A judgement to focus the state's FIG policy is also given.

Keywords: financial-industrial groups, FIGs, Russian banks, Russian industry, restructuring, oligarchs

¹ International Fund for Social and Economic Reforms, Moscow. The article has been edited by Vesa Korhonen, Bank of Finland Institute for Economies in Transition.

1 Russian FIGs come in many forms

Recent years have witnessed the birth and expansion of groupings of Russian companies involving a bank and one or several industrial enterprises. Such relationships, known as financial-industrial groups (FIGs), have often been based on equity ownership, sometimes cross-ownership arrangements, whereby the participants seek to combine their financial and industrial capital, managerial know how and influence on the market or the authorities to achieve some mutual advantage. But the interests may also be rather unilateral. In some cases, a bank has simply been set up by the industrial enterprise to gain independence from outside creditors. In other cases, banks may have taken stakes in industrial enterprises to participate in corporate governance, guide investments in production, benefit from increases in asset values, or strip assets.

Russian authorities have developed their own official concepts and expectations for FIGs. For them, a FIG is something that may help alleviate problems confronted during Russian economic reform such as flaws of privatization, drops in investment and collapse of economic ties with other ex-Soviet countries. To apply for and receive a status of a FIG in the official registers, the participants do not necessarily have to engage in ownership relations.

Official promotional policies create expectations of concessions which are another important motive for banks and industrial enterprises to form FIGs. As an official FIG, however, the grouping becomes subject to regulations which it might otherwise avoid.

Thus, the definition of a FIG in Russia depends on who is defining. But both government-induced and market-driven FIGs have become quite important factors in shaping development of the Russian economy.

2 Financial-industrial integration rooted in Russian circumstances of transition

Economic transition has created special kinds of financial-industrial integration (FII) in Russia. The following realities deserve note:

- Russia's large industrial enterprises originate from the Soviet era.
- Managers of industrial enterprises have been unable to adjust to market conditions in their approaches to distribution and sales on domestic and external markets.
- Russia's financial capital and institutions have operated in imperfect and fragmented financial markets. However, the need to combine financial and industrial capital for investments and to restructure enterprises and the economy remains.
- Businessmen expect concessions from the state on the basis of an "official" label and the reputation that comes with it.
- Bureaucrats tend to preserve bureaucratic structures.

It has been rather widely noted that especially in 1990-1992 Russian merchant capitalism, which involved commodity exchange, trading, smuggling and corruption, created the first new large-scale properties. The properties grew as financial markets evolved, and lead to a phoenix of financial capitalism on the ruins of socialist industry. At the same time, questions were ignored of whether those financial resources were channelled into long-term productive investments; or whether FII in Russia was based on real needs and thus effective, or based less on efficiency motives and aimed more at gaining concessions from the authorities.

Current forms of FII pursued in Russia have their background in privatization, the structural crisis and investment policies of the state. Formally, privatization in Russia proceeded quickly, with the number of privatized enterprises rising to over 110,000 enterprises by the end of 1994. By mid-1997 about 130 000 enterprises (over half of state-owned enterprises) had been privatized. Most of them were rather small enter-

prises involved in trade and services. Only about one fifth of all privatized enterprises were industrial.

Unfortunately, Russia's privatization did not create responsible proprietors willing to re-tool technologies, modernize production, manufacture competitive products and manage their enterprises more efficiently. Decisions to privatize were essentially guided by social and political goals. Voucher privatization, the preferred approach, produced a spectacular rate of privatization on paper but ruled out individual approaches to privatized facilities. Large industrial enterprises were transformed into open joint-stock companies. Due to the large number of new owners, including voucher holders and labour collectives, ownership and control was scattered and unmanageable. This prevented the emergence of core firms with clearly identifiable owners. While workers acquired most of the small firms in trade and services, the state retained controlling blocks of shares in many formally "privatized" industrial firms. Many efforts to privatize by selling enterprises through offerings have also yielded meagre results in terms of the number of shares sold and proceeds received, and far below the targets.

Privatization and FII did not go hand in hand, though banks have had the right to become owners of enterprises without limitations. Many banks were attracted to invest in financial assets which have yielded large profits. At first it was foreign exchange as the rouble was falling and later on federal Treasury bills (especially short-term GKO) which had high interest rates.

Yet the dearth of proprietors willing to make the necessary investments eventually forced the government to look for new approaches to privatization, in particular, shares-against-loan auctions organized for interested banks in 1995 and 1996. This official step to combine privatization and FII was not well received; few shares-against-loan deals were ever concluded between the state and banks.

The future of privatization and investments in Russia depends to a great extent on the success of FII since basically banks should still be the main potential buyers of enterprises and main sources of investments. The success of FII, in turn, depends on the stability of state policy of privatization and investments, without ill-

considered and sudden changes (for example, re-nationalization of assets, revision of the outcome of shares-against-loan auctions or changing the rules for investors). State investment policy has been oriented to the transmission of funds from the financial sector to industrial investments, and for that purpose the Russian state has opted to regulate FII.

A special need for investments stems from various structural problems which burden Russia's economy. These include the large share of capital goods production, outdated fixed assets, output of low-quality, non-competitive products, over-concentration of production in large enterprises and idle capacity.

In Russia the government has chosen to promote FII. In this task, the state faces (or at least should face) some basic questions:

- Is stimulation of FII an effective way to resolve structural problems?
- If the state does not control FII, could that lead to further monopolization of the economy?
- Will concessions given to FIGs imply a risk that some FIGs may eventually prove inefficient but capable of lobbying and conserving the structural disproportions?

The government's structural policy has not provided much guidance. It has merely referred to structural reforms as a painful process that involves winding up of unprofitable or outdated industries; to the need to identify effective enterprises ("points of growth"); to guaranteed state demand for particular goods and services; and to financing of state projects and programmes.

Regarding points of growth, the government policy has referred to enterprises and branches that are capable of surviving without state support. Branches or industries that might require active state support (industrial policy) have not been identified. The problem of this approach may be embedded in the difference between a transition economy and market economy. Under market economy conditions, it is probably right to consider surviving enterprises competitive. However, in Russian conditions the survival of enterprises may not be determined exclusively by economic conditions. Many Russian industrial enterprises are unprofitable not

because they produce bad products, but for example due to non-paying clients, including the state. Thus, it is important that the government takes a more active role both in creating normal economic conditions and in defining national priorities.

3 The legal and rational bases for officially promoted FIGs

Russia's legislation currently covers two corporate forms of FII, official financial-industrial groups (FIGs) and holding companies. Their official definitions laid down in legislation and regulations are rather general. A holding company is defined as an enterprise, in any organizational and legal form, that possesses controlling blocks of shares of other enterprises.² FIG is defined as either a) a group of enterprises and other organizations that pool their capital³, or b) a complex of legal entities that function as main or subsidiary companies, consolidate all or part of their assets and aim at technological and economic integration to carry out investments.⁴

Under these very broad and vague legislative definitions of FIGs, practically any corporate association may be considered a FIG and anyone may create a company that comes under the definition both of a holding company and a FIG. For example, if a FIG's central company holds controlling shares of other enterprises, it will also be considered a holding company. However, for a holding company to qualify as a FIG, it must be registered in a special order. The legislation makes FIGs more preferable to companies, first of all because the regulations do not foresee concessions to holding companies.

² Temporary Regulation on Holding Companies formed as a result of transformation from state-owned enterprises into joint-stock companies, November 1992.

³ Regulation on Financial-industrial Groups and the Procedure of Their Establishment, December 1993.

⁴ Federal Law on Financial-industrial Groups, November 1995.

The goals of forming FIGs are numerous. An official view (again very general) is that "A FIG is formed with a view to bringing together material and financial resources of its participants to increase the competitiveness and efficiency of production, establishing rational technological and cooperative relations, building up export potential, speeding up the advancement of science and technology, conversion of defence industries and attraction of investments".⁵

Participants in a FIG pursue different explicit interests. The state seeks to overcome the adverse trends in the country's economy and raise efficiency. Enterprises do their best to maintain their capacity to survive in new conditions and enhance the competitiveness of their products. Banks wish to diversify and better utilize their financial resources. These interests do not necessarily conflict.

However, implicit interests pursued by a participant may come at the expense of other parties. The state looks for new actors to undertake the role of investors, managers as well as liquidators of bankrupt enterprises. Enterprises may seek "a FIG roof" to milk the government or banks for current survival, e.g. funds for operational costs such as wages. Banks may seek to profit from exploiting state property within a FIG framework as FIGs provide them with a unique way of acquiring or managing shares of industrial enterprises (though acquisition can still be a tough game with unknown opponents and the normal commercial risks of acquisition naturally cannot be avoided).

The state sees FIGs as a panacea for economic diseases, it promises concessions to FIG participants. For industrial enterprises and banks, the appellation FIG gives access to state promotion. One result may be the creation of inefficient FIGs incapable of achieving the official goals set out for it by the state. At the same time, enterprises and banks may create unofficial FIGs when they have no serious interests in state promotion.

Thus, while the dominance of interests in forming FIGs in Russia can vary considerably,

⁵ Programme for promoting the formation of FIGs, January 1995.

basic types of FIGs can be identified (see table 2).

Table 1 **Legislative characteristics of FIGs and holding companies**

	Holding company	FIG
Principle of Formation	<p>Registration upon announcement</p> <p>Branch limitations: trade, material-technical supply, agriculture, catering, transportation (excluding railway, pipeline and international transportation)</p> <p>A holding company cannot succeed to state concerns and similar corporations.</p> <p>In some cases permission is needed from the State Committee on Anti-monopoly Policy.</p>	<p>Permission (preference for those FIGs that are of importance to the state)</p> <p>Evaluation by specialist federal authorities</p>
Method of formation	<ol style="list-style-type: none"> 1. Reorganization of large privatised enterprises 2. Consolidation of a block of shares of legally independent enterprises 3. Establishment of new joint-stock companies 	<ol style="list-style-type: none"> 1. Voluntary creation by participants or the acquisition by a participant of shares of other participants 2. Creation under a government decision 3. Creation on the basis of inter-state agreements
Concessions by the state	Not provided	Provided

Table 2 **Classification of FIGs**

	FIGs seeking concessions	State FIGs	Conglomerate FIGs	Banking FIGs
Initiator of forming a FIG	Inefficient industrial enterprises	The state	Efficient industrial conglomerates	Financial institutions (banks)
The main motive for creating a FIG	Receiving concessions from the state	Integration of Russian industry into the other CIS countries	Expansion of spheres of influence and power of industrial conglomerates	Profit through a more diversified use of financial resources and exploitation of state property; ownership and control of companies
Status of FIG	Official	Official	Usually unofficial	Unofficial and official

4 State policy and the official FIGs

As other spheres of the economy, FII in Russia is subject to the fundamental question of whether the state should interfere in a process where basically private economic operators create new structures such as FIGs. In principle, FII should be possible without state participation, apart from the normal functions of controlling e.g. the conformity of FIGs with antimonopoly legislation. There is no convincing proof anywhere that special laws that regulate a phenomenon such as FII automatically promote investments and economic growth, and interest in such laws rather appears in countries in a deep financial crisis.

In Russia, the most active supporters of such regulation are found in industrial circles. The form of thought that virtually everything requires separate regulations is inherited from the Soviet planned-economy culture. A source of the legislation on FIGs is the idea of having a law on industrial groups, without involving the banks in anything else than the technical transfer of money.

However, the starting point in this article is more the fact that since the state is interested in FII in Russia, it is not pursuing a policy of non-interference but tries to regulate FIGs into existence in order to solve problems relating to privatization, investments and structural crisis. Thus, quite a number of legislative and normative acts on the formation and functioning of FIGs have been adopted in Russia (see annex 1)⁶. The most important points are briefly reviewed below.

⁶ The most important acts that regulate the creation of FIGs, are a Presidential decree on the establishment of FIGs, December 1993 (referred to in the text as Decree-1993), a regulation on FIGs and the procedure of their establishment (Regulation-1993), the programme for promoting the formation of FIGs (Programme-1995), the federal Law on FIGs (Law-1995) and a Presidential decree on measures for stimulating the formation and functioning of FIGs (Decree-1996).

Principles of forming FIGs

The principles of forming FIGs were laid down in the government "Programme-1995". Its long list of principles, many of which are unsubstantiated, infeasible or loosely formulated, includes two aspects that deserve attention. First, the creation of FIGs should not obstruct the antimonopoly principle. This should, as a norm, result in at least three FIGs per sectoral branch in a regional market or take place in markets where competitors already exist (exceptions include arms production and production of strategic raw materials).

Secondly, the role of the state is emphasized in certain conditions. The state will promote and assist the formation and functioning of FIGs whose investment projects correspond with socio-economic policy goals and priorities. The forms of support may be different and are determined in an agreement between a FIG and federal authorities, which may have harmful consequences as it opens the way for granting state support on a case-by-case basis. The Programme also refers to non-market methods of consolidating a FIG's shares, if the state wishes to retain control of certain enterprises.

Priority areas for FIGs

Programme-1995 also attempts to set forth priority areas for FIGs. The priorities cover a full range of general socio-economic goals, and in the regional dimension they emphasize more or less all options including ties with the other CIS countries. Following those guidelines, FIGs may in fact be set up in any sphere of the economy and by any method. The Programme is more specific with regard to industrial branches, but ends up in enumerating a large number of priority areas covering various industries.

Limitations to forming FIGs

For three years, from 1993 to the end of 1995, the creation of FIGs in Russia was subject to

numerous limitations.⁷ Paradoxically, the aim of the state was to encourage FIGs but the regulations in fact discouraged them. Most of these limitations were abolished by Law-1995.

Currently, there are essentially two limitations on FIGs:

- As a natural element, antimonopoly restrictions apply to FIGs. Large FIGs are not allowed to exert monopoly influence in local markets or limit access to such markets by other (including foreign) economic operators. Competitors in certain markets cannot integrate into a FIG based on an export cartel, if such integration substantially limits competition in the domestic market (Programme-1995).
- While FIGs may include commercial and non-commercial organizations, including foreign organizations, participation in more than one FIG is forbidden (Law-1995). This has been the main obstacle to the creation of FIGs in the official order.

⁷ The creation of a FIG was forbidden if certain limits of ownership were exceeded. For example, an enterprise could not acquire blocks of shares of other FIG participants or receive them for trust management if the share of the state was more than 25 % of the statutory fund of the enterprise. Also forbidden was cross-ownership of shares between FIG participants. Banks and other credit organizations were not allowed to possess more than 10 % of the shares of any FIG participant or to invest more than 10 % of their assets in the shares of the FIG participants.

The establishment of a FIG required the assent of the State Committees of Industrial Policy, Property and Antimonopoly Policy and the leadership of regional executive bodies when the FIG was considered large (in terms of the number of employees of a FIG participant (not to exceed 25 000), the dominant position of the participant in republican or local markets, the number of participants in a FIG (not to exceed 20) or the number of employees of all FIG participants (not to exceed 100 000). Acquisition by the FIG of shares of participants in another FIG was not allowed (Regulation-1993).

State stimulation of FIGs

Basically, the state's approach to stimulation of FIGs is administrative discretion. Groupings of industrial and financial companies willing to register as FIGs and whom the authorities are willing to register, will (at least in principle) receive state support. Different forms of state support have been provided for in the regulations:

- The state could transfer blocks of shares, temporarily owned by the state, of participants in a FIG to the FIG or its participant for commercial or trust management (if the FIG or its participant meet certain requirements of the privatization law). The state could also offset the debt of an enterprise on certain conditions and grant state guarantees for loans, basically for investments (Decree-1993).
- Participants in an international FIG could receive concessions on customs tariffs on goods which cross the frontier within the framework of the FIG's activity (Law-1995).
- Participants in a FIG who produce goods or services could be recognised as a consolidated group of taxpayers with consolidated accounting (Law-1995)
- Participants in a FIG could receive the right to define the period of amortization of equipment and accumulate the funds for the FIG's activity. The state could also grant investment credits and other financial support for the FIG's projects (Law-1995).
- The central bank could provide banks that participate and invest in FIGs lower reserve requirements and change other rules in order to increase investments (Law-1995).
- The government could financially support FIGs that participate in federal programs. In 1996 this was to happen within the limits of expenditures foreseen in the federal budget. From 1997 the government was required to foresee means for financing state promotion of FIGs in its draft budgets in accordance with annual priorities of industrial and social policy (Decree-1996).
- The government could concentrate property in central companies of FIGs by transferring blocks of shares of FIG participants owned

by the state to the central companies for trust management. It could also provide state enterprises that participate in FIGs with a right to bring immovable state-owned property under their authority as their contributions into the statutory fund of central companies, or lease or give as collateral such property to the central companies (Decree-1996).

The procedure of forming FIGs

FIGs can be established on a voluntary basis by its participants or by any participant who consolidates the block of shares after acquiring shares of other participants. On that basis, a joint-stock company can be established, or the blocks of shares of the participants can be transferred for trust management to one of the participants. The government eventually defines the volume of shares acquired or transferred. A possibility also exists of forming FIGs by a government decision or on the basis of inter-state agreements (Regulation-1993).

A FIG can be formed around an industrial enterprise, research organization, bank or trade firm (Program-1995). However, to qualify as a FIG, participation by a producer of goods or services and a credit organization is compulsory (Law-1995). FIGs that include legal entities in other CIS countries are registered as transnational FIGs. If the FIG is based on an intergovernmental agreement, the FIG is conferred the status of an international FIG (Law-1995).

Drawing up the plan for forming a FIG is laborious and includes the preparation of a feasibility study and a large pool of other documents. Various federal and regional authorities must review the documents, and this lengthy procedure may be further subject to bureaucratic delays. In the end the Russian government must decide on the creation of a FIG.⁸

⁸ All plans for the creation of FIGs are submitted to the Government by the State Committee of Industrial Policy and the State Property Committee, and before that the plans are subject to evaluation by the Ministry of Economy, Ministry of Finance, the State Committee of Antimonopoly Policy and regional bodies (Decree-1993).

Assessment of state policy on FIGs

The choice of forms and methods of state policy for promoting FIGs in Russia should be determined by two factors, the priorities set for FIGs and the price to be paid for state support. The options perceived by the state include four elements, i.e. pooling the participants' resources and establishing new economic relations; investments for modernization of production; restructuring the economy; and restoring economic relations destroyed after the collapse of the USSR.

The first option requires no state support nor state interference in voluntary action taken by enterprises, and only calls for anti-monopoly policy. This option is certainly the cheapest but will not permit the attainment of the state's goals of overcoming the investment and structural crises.

In the second option aimed at investments, privileges are provided to all FIGs because a condition for a FIG status are investment projects. In this case, the FIG either becomes too costly for the budget (if the privileges granted are to be effective enough), or the enterprise is denied the incentives to continue with the complex process of FIG registration. At the moment, the government pursues this option without offering any substantial privileges - only promises for the future. Eventually, the state will have to make a choice: grant extensive privileges that run counter to monetary stabilization in Russia or admit the promises cannot be realized, thereby discouraging official registration of FIGs.

As far as the state does not have enough funds to support FIGs more generally (as in option 2) a possible choice would be to provide favours only to those FIGs that assist in economic restructuring and creating a common economic area within the framework of the CIS (options 3 and 4).

When preparing the legal basis for FII, the government has succeeded in excluding the most expensive proposals by the industry. The set of concessions laid down has not become attractive enough for producers who feel that their interests were sacrificed to the interests of large banks.

Banking circles have also criticised the law on FIGs and the Duma, since the limitation to participate in one FIG only has been retained. This has slowed the formation of officially regis-

tered FIGs. State promotion of FIGs has been unsuccessful from the viewpoint of banks, because the list of official methods of state stimulation actually push other forms of stimulation outside the legislative framework. Banking circles have stressed that they basically need equal negotiating positions with the state, because, in their opinion, the regulations have not solved the problem of property relations in FIGs. For example, transferring blocks of shares temporarily owned by the state for commercial or trust management makes the banks dependent on the state but does not allow them to exert the rights and duties of a proprietor. Another unpleasant surprise has been the requirement that existing FIGs have had to reregister themselves.

Thus, state policy on FIGs has satisfied neither industrial enterprises nor banks. Though Decree-1996 introduced the possibility of new concessions to official FIGs, they remained unfulfilled promises. The state policy has been burdened by multiple principles, priorities and restrictions, often formulated rather vaguely (see annex 3). While the state has tried to meddle in all problems in the creation of FIGs, the state has not had the organizational and financial means for the real promotion of FIGs.

5 The importance of FIGs in the Russian economy

5.1 FIGs evolved along different paths

One particularly Russian consequence of rather inefficient state promotion of FIGs is the emergence of official and unofficial FIGs. Official FIGs only represent a small part of all FIGs, because hundreds of de facto FIGs have tried to avoid the label. About 80 % of the 2,600 banks registered in Russia during 1992-96 were created jointly by industrial, trading, investment and insurance companies and function as united teams. Such pocket banks not only finance the enterprises that own the banks but also accumulate funds for them, work out investment projects and take part in management. Experience has taught bankers and producers not to believe in promises by the state and know the difficulty of organising economic activity in an official alli-

ance with a bankrupt state. Entrepreneurs prefer to act independently and escape the attention of administrative bodies, e.g. tax authorities, and the media.

The state has generally failed to deliver concessions promised to FIGs. The exceptions include two official FIGs that received shares temporarily owned by the state for trust management. Only one FIG received a state order for the creation of a federal foodstuff reserve and one FIG won a competition for three projects carried out by the Ministry of Economy. Since the state is the major debtor in Russia and short of funds, the money granted for support to FIGs was minimal. Thus, formal recognition as a FIG hardly seems worth the bother to its proprietors. Further, some official FIGs that have tried to get their small debt to the budget offset have failed, while some unofficial FIG have succeeded. Some official FIGs have attempted to receive shares of their daughter companies for trust management and failed, while Moscow banks have succeeded far better in taking control of large companies through auctions.

The creation of a relatively small number of large financial-industrial alliances with interests in many branches has been practically the only real method of directing investments into possible points of growth, which has been largely based on evaluations by banks. Many unofficial FIGs learnt to mobilise funds within their groupings that cover financial, investment, insurance, trading and leasing firms as well as pension funds. Large banks have preferred participation in FIGs (most often unofficial) instead of giving credit to the industry, and foreign investors prefer to co-operate with unofficial FIGs.

The most successful cases are to be found among the newer FIGs with banks as their centres. They have managed the groupings through cross-ownership of subsidiaries, trust agreements and agent agreements, credits and direct investments, depository and clearing centres as well as various service units. It is unclear as to whether the FIGs would increase the efficiency of the Russian economy and could help overcome the investment and structural crises, or would actually worsen the situation through inefficient investment policy (such as that conducted by certain pocket banks.)

The establishment of the Association of Russian FIGs in January 1996 increased the alarm felt by authorities over excessive influence of large capital on the Russian political leadership. The Association united both officially registered FIGs and unofficial FIGs, and has provided a platform for lobbying. The official work by the state has been more geared to the CIS context and has aimed at a convention on transnational corporations. However, their establishment has become more difficult, because the recent years have created differences in legislation, taxation as well as the social and political situation in individual CIS countries.

Overall, the state has had difficulties in promoting FIGs while losing control of FIGs that could monopolize certain aspects of the Russian economy.

5.2 More official FIGs

The first official registration of a FIG took place in 1993 and in 1994 there were six officially registered FIGs, and 21 in 1995. This number grew to 75 by January 1998 though this was not quite up to the expectations set by the Russian authorities in charge of industry (the State Committee of Industrial Policy had set its expectations at 150 to 170 registrations by the end 1997).

The officially registered FIGs produced about 2 % of the Russian GDP in 1995. In 1996, this share grew to 10%.⁹ There are two noteworthy features. First, according to statistics the official FIGs employ almost 30% of all employees in the Russian industry, but produce a much smaller share of total industrial production. Second, their share of industrial production is smaller than their estimated share of Russian GDP. Some further data on FIGs registered up to 1996 and autumn 1997 is contained in Table 3. A list of 62 FIGs registered by January 1998 is provided in Annex 2.

Official FIGs are concentrated in a few regions. At the beginning of 1997, almost 40% of them were located in Moscow and most of the rest in the Urals region and Siberia. While most FIGs declare in their applications that they cover

a diversified range of industrial activity, in practice it is difficult to determine the branch orientation of FIGs. Most official FIGs have been initiated by industrial enterprises in search of concessions from the state. About one-fifth of the official FIGs have been formed on the initiative of banks and only one FIG on a state initiative.

5.3 Large unofficial FIGs

Information on unofficial FIGs in Russia is obviously difficult to obtain, so we limit this overview to some significant and characteristic examples. The half dozen FIGs we consider, however, have controlled Russian oil, gas and metal industries and brought in the bulk of the country's hard currency earnings (table 4)¹⁰. They became the symbols of Russian capitalism and through their networks of companies they have controlled huge amounts of assets and employ millions of people. They have had close links to politicians and other people in the government circles and used their contacts to gain special privileges such as tax concessions, exemptions from customs duties and other protectionist measures against foreign competitors.

Consider, for an example, Menatep which was ranked among the half dozen largest private banks in Russia. It has run a very diversified FIG and controlled more than 20 companies in various industries with 150 000 employees. The pearl in the group has been Yukos, Russia's third largest oil company (in terms of revenues), with its market capitalization at USD 5-10 billion in autumn 1997. In December 1995, Menatep and its bank allies acquired 78% of Yukos for just USD 350 million in a loan-for-shares auction.

⁹ Larionov (1997), Makarevich (1997).

¹⁰ Brady and Galuszka (1996).

Table 3 Data on officially registered FIGs in Russia

	February 1996	January 1997	January 1998
Number of official FIGs	30	46	75
Number of enterprises and organizations in the official FIGs			
- non-financial	274	about 600	1150
- financial	69	over 100	160
Employees working in the FIGs			
- number	2.5 million	Over 3 million	5 million
- % of all employees in industry	15%	Over 18%	Almost 30%
Capital			
- consolidated	RUR 200 billion (USD 42 million)		
- in the central companies of the FIGs		RUR 342 billion (USD 60 million)	
Annual production			
- value, RUR billion	RUR 26-50 trillion (estimates for 1995)	over RUR 100 trillion (1996)	
- % of total industrial production	2.5-5 %	over 7 %	
Summary volume of finance	RUR 17 trillion		RUR 65 trillion
Number of employees in a FIG	3 000 – 300 000		
Number of participants in a FIG	6 - 40		8 – 60
State ownership	0 - 25 %		

Sources: Larionov (1997), Makarevich (1997), Batchikov and Petrov (1997), Vinslav (1997a) and (1997b), Association of Russian FIGs.

Table 4 Major unofficial FIGs

	Characterization
ONEXIMBANK (banking FIG)	Owns 38% of Norilsk Nickel, 26% of jet-engine maker Perm Motors, 26% of car manufacturer Zil; holdings in oil, metallurgy, and real estate businesses.
MENATEP (banking FIG)	Diversified conglomerate owning 78% of the oil company Yukos; controlling shares in plastics, metallurgy, textiles, chemicals, and food processing companies.
ALFA (banking FIG)	Interests in the Moscow region; real estate, securities trading, cement, candy and chemical industries; 40% stake in Tyumen Oil Company
MOST GROUP (banking FIG)	Active in Moscow region. Involved in banking, real estate, construction, the independent television network NTV, and the daily newspaper Today (Segodnya).
GAZPROM, LUKOIL, IMPERIAL BANK (conglomerate FIGs)	Powerful, but loose, alliance of Russia's gas monopoly, Russia's largest oil company and their jointly owned bank. Definite export clout: Gazprom supplies gas to Europe, Lukoil has oil deals in Libya and the Persian Gulf.

Since 1993, several former Soviet trade organizations with plenty of funds were brought together for the creation of Oneximbank whose assets made it one of the biggest banks in Russia (second to fourth depending on ranking method). The bank bought control of 30 companies. Oneximbank has owned almost 40% of Norilsk Nickel, the world's largest producer of nickel and platinum and the twelfth biggest company in Russia based on revenues. Norilsk Nickel whose market capitalization ran between USD 0.5-1.5 billion in autumn 1997 was also acquired in a loan-for-shares deal in December 1995. Oneximbank's plans for and influence on Norilsk Nickel resulted in dismissals among the top leaders of the nickel producer, which was another mark of the new elite of bankers and business people taking over the traditional industrial managers.

By far the most unique case, and an example of an old unofficial conglomerate FIG is Gazprom. It has retained the role of a natural monopolist that provides 94% of gas extraction in Russia, as well as the role of a state within a state. Gazprom's capital and labour have been accumulated over tens of years, for example, an

estimated USD 40 billion was invested in the construction of gas pipelines alone in the 1970s and 1980s.

Gazprom covers 38 enterprises involved in gas extraction, processing and transportation and owns controlling blocks of shares in 23 companies in various sectors of the economy. Gazprom enterprises employ close to 400,000 people and measured by revenue Gazprom is the second largest company in Russia. During autumn 1997 Gazprom's market capitalization ranged between USD 25 and 35 billion. In addition, the concern has acquired shares in more than 100 Russian companies, and Gazprom and its subsidiaries have established thousands of enterprises in Russia as well as abroad, e.g. in Hungary and Germany.

Conversion of Gazprom into a joint-stock company was made in 1992.¹¹ Part of its equity

¹¹ A Presidential Decree of November 1992 stipulated that 40% of the shares were to be placed in federal ownership for three years (in 1996 this period was prolonged), another 15% would be distributed under a closed subscription among the personnel of

capital is out in the market at a value that is certainly below the true market value of the asset. The shares are attractive, and their first appearance in the secondary market resulted in purchase quotations only. Gazprom has demonstrated unwillingness to deal with potential buyers of large blocks of its shares.

One of the main areas of Gazprom's activity is exports. Annual foreign exchange earnings from gas exports to non-CIS countries equalled close to USD 10 billion in 1996, which has made up for payment arrears by Gazprom's clients in Russia and the other CIS countries as well as the artificially low domestic prices on gas. Currently about 15% of gas exported by Gazprom to Europe is delivered to users by Gazprom itself. The enterprise has made efforts to expand its own network of companies that sell gas to end-users, mainly in Germany, Austria and Central and East European countries, in order to receive more of the final retail price on gas deliveries. In Hungary, Gazprom has acquired a bank.

Gazprom is traditionally a strong lobbyist. For many years, it received considerable tax concessions from the state. In 1995, the IMF pressured the Government to eliminate the concessions.

No doubt, central companies of unofficial FIGs are regulating the process of FII in Russia more successfully than the government.

6 State regulation of FIGs needs focus

The future of FIGs in Russia depends on whether the state can make regulation more effective throughout the whole chain of policy decisions (annex 4). The approach to state policy outlined here differs from the one currently practised.

State regulation should be narrowed and

focus on antimonopoly control of the establishment and functioning of FIGs, in particular unofficial FIGs, and abolishing most of the existing restrictions. The state should also leave the principle that stresses permission to establish FIGs and give up the complex procedure of evaluation and registration, and move over to the principle of registration upon announcement if the intention is to avoid parallel creation of official and unofficial FIGs. To the extent that privileges would be granted to FIGs, the prerequisites for establishment should be clearly tied up to raise interest among potential participants. A proper check of the feasibility of their investment projects is also needed. Initiatives by the state and concessions may further be needed for the creation of a few FIGs on the basis of government decree. Such FIGs could provide a powerful stimulus for enhancing economic restructuring in areas approved within programmes of structural policy, and in the case of transnational FIGs, within the CIS.

In any case, assuming that economic reforms in Russia will be pursued, the creation of unofficial FIGs may be expected to continue. At the same time, some existing FIGs may face liquidation for economic reasons. Future success or failure of a concrete FIG depends on its nature. An illustrative assessment is given in Table 5.

In today's world of Russian FIGs, formal rules and practice differ. In particular, the same enterprise or bank may simultaneously participate in one official and several unofficial FIGs, which complicates the analysis. The noise around FIGs in Russia is in many respects due to peculiarities in the economic mentality that still prevails, maintaining the desire to find a panacea for all problems. Earlier such a role was attached to privatization, then to FIGs. Instead, the state in particular should regard FIGs as a normal economic phenomenon.

the enterprise and 10% would be acquired by Gazprom itself for subsequent sale at cash auctions. One third of the shares were sold at voucher auctions in 61 regions of Russia.

Table 5 Types of FIGs and their future prospects

	FIGs seeking concessions	State FIGs (for restructuring, and international FIGs)	Conglomerate FIGs	Banking FIGs
Examples	Sokol, Sibir, Yedinstvo (official FIGs)	International FIG Interros (official FIG)	Gazprom (unofficial FIG)	Menatep, Onexim-bank (unofficial FIGs), Eksokhim (official FIG)
Advantages	Common concessions, little opportunity of additional concessions	Common and additional concessions	Enterprises who are natural monopolists in the centre of FIGs; diversified activity; efficient financial structures.	Potential participants (enterprises) selected on the basis of economic efficiency
Shortcomings	Weakness of participants (from both the industry and finance)	Shortage of funds in the state budget	Conservation of dependence on the state (considerable blocks of shares are often state property)	Vulnerable in the event of a bank's crisis; chance of a revision of loan-for-shares auctions
Assessment	Minimum chances of survival	Majority of FIGs have temporary character	Prospects for success	Good chances if created by reliable banks

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Annex 1 Normative documents which regulate official FIGs in Russia

- 1 Decision of the Government of RF on the provision of an Inter-departmental committee for the promotion of organisation of joint stock industrial companies and Financial-industrial Groups (25 August 1993).
- 2 Presidential Decree of the Russian Federation On the Establishment of Financial-industrial Groups in the Russian Federation (5 December 1993, N2096).
- 3 Regulation on Financial-industrial Groups and the Procedure of Their Establishment (approved by the Presidential Decree N2096).
- 4 Agreement on production, commercial, credit, finance, insurance and mixed transnational amalgamation by CIS countries (15 April 1994).
- 5 Decision of the Government of RF on the procedure of appraisal of the formation programme of Financial-industrial Groups taken into government's deliberation (23 May 1994).
- 6 Decision of the Government of RF on the approval of provisions on the procedure of registration of Financial-industrial Groups submitted for consideration of the Government of RF (19 June 1994).
- 7 A letter of the State Committee on Property Management concerning some criteria regulating the creation of Financial-industrial Groups and Holding Companies (17 October 1994).
- 8 Presidential Decree on drawing up the measures of government support to the creation and activity of Financial-industrial Groups based on the Financial-industrial Group Interros (28 October 1994).
- 9 A draft on Financial-industrial Groups: State Committee of RF for Industrial Policy (29 October 1994).
- 10 Presidential Decree on the creation of Financial-industrial Group participating in the joint stock companies AvtoVAZ and KamAZ (2 November 1994).
- 11 Decision of the Government of RF on signing the agreement between the Government of RF and the Byelorussian government on the basic principles of the creation of Financial-industrial Groups (30 December 1994).
- 12 Decision of the Government of RF on conclusion of agreement between the Government of RF and the Ukrainian government on the basic principles of the creation of Russian-Ukrainian Financial-industrial Groups (30 December 1994).
- 13 Recommendation of the Inter-departmental committee for the promotion of organization of joint stock industrial companies and Financial-industrial Groups (11 January 1995).
- 14 Programme for the promotion of the formation of FIGs (approved by the Government Decree of the Russian Federation, 16 January 1995, N48).
- 15 Decision of the Government of RF on the conclusion of an agreement between the Government of RF and the Ukrainian government for the creation of the FIG Mezhdunarodnye aviamotory (24 February 1995)
- 16 Decision of the Government of RF on the conclusion of an agreement between the Government of RF and the Ukrainian government on the creation of the FIG Transnatsionalnaya alyuminievaya kompaniya (18 March 1995).
- 17 Decision of the Government of RF on the conclusion of an agreement between the Government of RF and the Kazakh government on measures for the creation of the Transnational FIG Sokol (17 April 1995).
- 18 Presidential Decree on the FIG Rossiiskii aviatsionnyi konsortsium (18 May 1995).
- 19 Decision of the Government of RF on the International FIG Interros (10 July 1995).
- 20 Decision of the Government of RF on the conclusion of an agreement between the Government of RF and the Tadzhik government on the basic principles for the creation of FIGs (18 September 1995).

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- 21 Federal Law On Financial-industrial Groups (approved by the State Duma on 27 October 1995 and by the Council of Federation on 15 November 1995)
 - 22 Decision of the Government of RF on the representative federal state body for state regulation of the creation, activity and liquidation of FIGs (28 February 1996).
 - 23 Presidential Decree of the Russian Federation On Measures for the Stimulation of the Formation and Activity of FIGs (1 April 1996, N 443).

Annex 2

Table **List of 62 official FIGs in the FIG Register of the Russian Federation as of January 1998¹²**

	Number of participants	Number of employees	Financial institutions	Lines of activity
1. Uralskie Zavody (Izhevsk)	20	46000	Bank Axion, Euro-Asian Insurance Company, Euro-Asian Bank, Central Investment Fund (all Izhevsk)	Telecommunication equipment, communication systems, medical equipment, equipment for the energy and fuel complex (EFC) and agroindustrial complex (AIC), building materials
2. Sokol (Voronezh)	22	81000	Banks Kursk-prombank, Voronezh, Energiya (Voronezh)	Equipment and parts for car industry, EFC, AIC; construction industry, radioelectronics and agricultural products
3. Dragotsennosti Urala (Yekaterinburg)	9	3200	Banks Zoloto-Platina-Bank (Yekaterinburg) and Lanta bank (Moscow), Investment company Standart-invest (Yekaterinburg)	Extraction of precious metals and stones, production of jewellery
4. Rushim (Moscow)	21	86000	Bank Rossiyskiy kredit (Moscow), Russian insurance centre (Moscow), Komintek Ltd.	Chemical industry, AIC, machine building, foodstuffs, light industry; consumer goods
5. Sibir (Novosibirsk)	18	48100	Promradtekhbank	Manufacturing of electronic equipment, medical and agricultural products, mini plants for household waste processing, construction
6. Obedinennaya gornometallurgicheskaya kompaniya	9	97860	Bank sodeistviya privatizatsii (Chelyabinsk)	Ferrous metallurgy; extraction and production of iron ore; manufacturing, processing and distribution of metal products
7. Skorostnoi flot (Moscow)	18	25000	Germes Soyuz (Moscow), Germes Tsentr (Moscow), Investment Company Germes Neva (St. Petersburg)	Design and construction of high-speed ships for export; international network of repair shops and shipping companies
8. Obedinennaya promyshlennostroitel'naya kompaniya (Ryazan)	21	10600	Stankobank (Ryazan), Chekovyi investment fund, Insurance company SIF (Ryazan), Kurs-I (Ryazan)	Construction and repair for civil use; production of building materials, leather goods and fish products; transportation

¹² Finansovo-promyshlennyye gruppy (1995), *Ekonomika i zhizn*, 24 December 1995, *Finansovye Izvestiya* 22 January 1998.

9. Nosta-Truby-Gaz (Novotroitsk, Orenburg region)	6	59100	Banks Inkombank (Moscow) and Nosta (Novotroitsk)	Production of cast iron, steel, sheet and sorted rolls, stripes, steel tubes for oil pipelines, including those of northern type; consumers goods
10. Vostochno-Sibirskaya Gruppya (Irkutsk)	26	107800	Financial-industrial company, Vostochno-Sibirskiyi kommercheskiy bank (both Irkutsk)	Development of oil and gas deposits, production of electricity and heating, chemical and oil products, packing materials, household chemicals, consumer goods
11. Nizhegorodskye avtomobili (Nizhnii Novgorod)	40	241200	Banks: Avto-GAZ-Bank (N. Novgorod), Avtobank (Moscow), NBD (N. Novgorod), ASM-Kliring-Bank (Moscow), insurance companies Kontinent-Polis (Moscow), Rosgosstrakh-Polis (N. Novgorod) and Kallisto (Zhukovskiyi, Moscow region)	Manufacturing of trucks and cars, diesel and petrol engines, refrigerator trailers, caterpillar protractors, rubber products, glass products, consumer goods
12. Svyatogor (Chelyabinsk)	14	49745	Banks Rossiiskiyi kredit and Avtobank, Investment-financial group (all Moscow)	Manufacturing of caterpillar tractors, pipepackers, equipment for oil extraction, assembly equipment
13. Primorye (Vladivostok)	21	19726	Promstroibank (Moscow), Agroprombank (Vladivostok), Evrobank (Vladivostok), Insurance company PrimASTRO-VAZ (Vladivostok)	Civil and industrial construction; constructions, products and materials for construction; construction of social and cultural facilities; soil amelioration, ore extraction, AIC
14. Magnitogorskaya stal (Magnitogorsk)	27	264000	Promstroibank (Moscow), AvtoVAZbank (Togliatti), Tveruniversalbank, Insurance company SKM (Magnitogorsk)	Manufacturing of metal products, cross-breeding products and tubes; extraction and concentration of iron ore; procurement and processing of scrap; construction and assembly works; car manufacturing; metallurgy, drilling and excavator equipment
15. Eksohim (Moscow)	22	54800	Menatep Bank (Moscow)	Production of chemical materials and consumer goods
16. AtomRudMet (Moscow)	13	90500	Stail-bank, Insurance company Trig (both Moscow)	Electricity production, extraction and concentration of iron ore, production of metal products, building materials, steel pipes and thermal energy equipment

17. Volzhsko-Kamskaya FIG (Moscow)	3	23100		Truck and car manufacturing
18. Evrozoloto (Moscow)	7	3000	Impeks-Bank (Moscow)	Processing of minerals and recyclable resources, scrap of precious metals, production of precious metals and jewellery
19. Tulskii promyshlennik (Tula)	18	39000	Banks Tul'skiy Promyshlennik and Evrokosmos, insurance company Garant	Manufacturing of products for machine building, agricultural and metal products
20. Yedinstvo (Perm)	18	30000	Bank YUVENTA, pension fund Sozidanie	Equipment for EFC and AIC; processing of agricultural products; consumer goods
21. Doninvest (Rostov-na-Donu)	6	10032	Bank Doninvest	Car manufacturing, products for agricultural machine building and defence industry
22. International FIG Interros (Moscow)	24	306000	Banks Mezhdunarodnaya finansovaya kompaniya and ONEXIM BANK, pension fund Interros-Dostoinstvo (all Moscow)	Production and export of chemical fertilizers (ammonophos), aluminium, section rolled products, nickel, copper, foodstuffs and consumer goods
23. Zhilische (Moscow)	13	21634	Bank Kontakt, development fund of the central Russian region, Republican development fund of housing construction	Housing construction, products for housing construction
24. Rossiiskii aviatsionnyi konsortsiy (Moscow)	8	71350	Promstroibank (Moscow)	Manufacturing and maintenance of aviation equipment
25. Prompribor (Moscow)	22	25400	Bank Biznes (Moscow)	Development and manufacturing of equipment for industrial control and regulation of technological processes
26. Metalloindustriya (Voronezh)	13	206700	Interbank (Moscow)	Extraction and concentration of iron ore; production of ferrous metallurgy products, machine-building, electricity, consumer goods, agricultural products
27. Soyuzagroprom (Voronezh)	40	24800	Voronezh regional branch of Agroprombank, Bank Voronezh, Voronezh branch of Sberbank, Joint-Stock bank for the development of agriculture and reinvestment (Moscow)	Manufacturing, processing, purchase and delivery of agricultural products
28. Gormash-Invest (St. Petersburg)	7	7300	Grossinvestbank (Moscow), Russian Financial Corporation (Moscow)	Manufacturing of self moving mining machines

29. Morskaya Tekhnika (St. Petersburg)	6	114000	Inkombank (Moscow)	Development and manufacture of naval equipment, non-nuclear shipbuilding
30. Sibagromash Transnational FIG (Rubtsovsk, Altaiskii krayi)	31	3835	Altay-Business-Bank (Rubtsovsk), Profit Bank (Moscow), Special Investment Fund "Sibirskaya Zemlya" (Barnaul)	Manufacturing of thermal and other energy, steel moulding, construction units industry and construction materials, soil processing equipment, agricultural production, light and food stuffs industries goods, service
31. Belovskaya (Belovo) Kemerovskaya oblast	17		Agroprombank Commercial Division (Belovo)	Manufacturing, processing and distribution of agricultural goods, coal production, construction, knitwear production
32. Trechgorka (Moscow)	18	3860	"Chondynka" (Moscow) Legabank (Moscow) Insurance Company "Profit" (Moscow) Special Housing, Investment Fund of Social Protection "Zhiltovarisch" (Moscow) Chakass Investment Fund (Abvakan) International Non-State Pension Fund (Kirov)	Weaving and clothing production, manufacturing and distribution of food stuff, organization of house building
33. Zerno-Muka-Chleb (Moscow)	8	2200	Russian Corn Bank "Chlebobank"	Production and distribution of flour, grain, pasta goods, corn goods, meal and confectionery production
34. Kamenskaya Agropromyshlennaya Finansovaya Gruppy (Kamenka, Penzenskaya oblast)	31	9950	Agroprombank Regional Office (Penza)	Manufacturing and processing of agricultural goods
35. Rossa-Prim (Ryazan)	12	28370	Priovneshtorgbank (Ryazan), Ryazan Investment and Manufacturing Company (Ryazan)	Manufacturing of radio electronic complicated units, machine building, communication, medical equipment, alternative energy sources and units
36. Konsortsium Russkiy Tekstil (Moscow)	8	7500	Trust and Investment Bank (Moscow)	Manufacturing of textiles, viscose, cotton, flaxen, silk and mixed types of yarn, fabric, knitwear and clothing production
37. Transnatsionalnaya aluminiyevaya kompaniya TaNAKO (Krasnoyarsk)	8	46780	Metalex (Krasnoyarsk) Medistal Insurance Company (Krasnoyarsk)	Organization of production and penetrated processing of aluminium

38. Russkaya mehovaya korporatsiya (Moscow)	9	1470	Montazhspecbank Construction Bureau (Moscow)	Purveyance and processing of pelts and leather; raw, semi-products of fur and leather
39. FIG of heavy and energetic machine building Tyazhmash (Moscow)	19	445000	Central-European Bank (Moscow) International Association Elex (Moscow)	Manufacturing of machines for fuel and energy, mining and metallurgy industries
40. Transnatsional FIG Tocshnost (Moscow)	21	545000	Arsenal (Moscow) Rossiiskiy Kredit (Moscow) Insurance Company RK-garant (Moscow) Investment Company Novotex (Moscow) Special Insurance Company Vityaz-C (Moscow)	Development and manufacturing of special and civil equipment
41. Spetsialnoye transportnoye mashinostroyeniye (Moscow)	23	72000	Arsenal (Moscow) Voенно-Strakhovaya Kompaniya (Moscow)	Modernization and manufacturing of special types of equipment, manufacturing of civil products of heavy and transport machine building, including those for oil and gas industries
42. Vyatka-Les-Invest (Kirov)	12	3200	Triumf (Kirov) Regional Investment Company Rezervy (Kirov)	Manufacturing of timber, sawing and forest exploitation materials, printing products
43. Centr-Region (Ryazan)	34	31100	Municipal Commercial Bank named after S. Zhivago (Ryazan) Kombainbank (Ryazan) Insurance Company ASKO-Ryazan (Ryazan)	Manufacturing of food stuff products, complex construction, trade
44. Interchimprom (Moscow)	9	14428	Investment and Financial Company Interchiminvest (Moscow) Strategiya (Moscow) Polarnaya Zvesda (Moscow)	Manufacturing of technical products and large-scale goods, all types of cargo transportation
45. Tekstilnyi holding Yakovlevskiy (Ivanovo)	13	11925	European Trading Bank	Manufacturing of textile products, investment, marketing and financial services
46. Volzhskaya kompaniya (Nizhniy Novgorod)	6	118200	Alfa-Bank (Moscow) Onexim Bank (Moscow)	Production and distribution of petrochemical products
47. Transnational FIG Slavyanskaya Bumaga (Moscow)	20	38700	Polinkombank (Chernigov) Tserich (Moscow) Inrikos (Moscow) Novator (Moscow)	Raw processing for pulp and paper products, chemicals, fibre production

48. Aramidy i Tekhnologii (Moscow)	15	5700	Ural Commercial Bank of Foreign Trade (Ekaterinburg) Ofiterskaya Strakhovaya Kompaniya (Moscow)	Foreign trade, unique producer of super high-durability, thermo-proofed fibres
49. Avangard (Moscow)	15	5700	Kredobank (Moscow)	Development, creation and manufacturing of new materials and technological processes, special equipment
50. Transnational FIG Aerofin (Moscow)	20	23850	Gagarinskiy (Moscow) Financial Company Pantor (Moscow) Information and insurance company Evro-Polis (Moscow)	Cargo and passenger transportation, aviation equipment manufacturing and repair
51. Vtormetinvest (Moscow)	9	15220	Promradtekhbank (Moscow)	Industrial utilization of armament, military and civil technique, creation of new industrial and technological base of depreciated military equipment
52. Aviko-M (Moscow)	15	17093	Natsionalnyi Kredit (Moscow) Effektkredit (Moscow) Era-Service-Bank (Moscow)	Development and production of multifunctional aircraft engine aircraft, general aviation
53. Rosstro (St. Petersburg)	28	5219	SKD-Bank (Samara)	Realization of housing and other construction development program
54. Dvigateli NK (Samara)	11	39617	St. Petersburg Mortgage Bank (St. Petersburg)	Development and production of aircraft engines
55. Oboronitelnye Sistemy (Moscow)	15	32736	Baltoneximbank (St. Petersburg)	Development, production and service care of anti-aircraft defence systems
56. Dalniy Vostok (Vladivostok)	15	16231	Dalmestbank (Vladivostok) Rosgorstrakh-Primorye (Vladivostok)	Civil shipbuilding and repair of all types of vessels
57. Niva Chernozemya (Novgorod)	4	10500	SBS-Agro (Moscow)	Manufacturing and distribution of mineral fertilizer
58. Demidovskiy Stil (Tula)	12	48790	Tula Regional Bank (Tula)	Manufacturing and distribution of products by means of goods processing, coal mining and raw and mineral resources
59. Korporatsiya Glavsreduralproduct (Ekaterinburg)	18	8130	Sverdlsochbank (Ekaterinburg) Severnaya Kazna (Ekaterinburg)	Formation of regional food fund, deliveries of corn and other foodstuffs, manufacturing of flour mill and bakery products

60. Kuzbass (Kemerovo)	29	71390	Kuzbassprombank (Kemerovo) Kuzbassugolbank (Kemerovo)	Coal mining and distribution of coal mining products, export, low-cost production of energy
61. Optronika (Moscow)	30	78745	Belkom (Moscow) Petrovka (Moscow) Voenno-Meditsinskaya Strakhovaya Kompaniya	Electronic optics equipment, military and weapons systems
62. Kompaniya Elbrus (Moscow)	8	5696	Kredit-Impex Bank (Moscow) Ingosstrakh KBR (Nalchik)	Mining and production of tungsten anhydride and molybdenum concentrate

According to FIG association of the Russian Federation, the following nine industrial associations were included in the FIG Register as of spring 1998: Soyuzprominvest, Rusoprom, Exobiotekh, Rossiyskiy Almaznyi Soyuz, Neftekhimprom (Krasnozavodsk), APEK (St. Petersburg), Kontur (Novgorod), Sreduralstroyi (Yekaterinburg), SAPI (Yakutsk).

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