

Yulia Makrushina

The Ural State University, Russia

Open Society Institute HESP/Academic Fellowship Program

Makrushina@yahoo.com

Social embeddedness of Foreign Direct Investment in the structure of business networks in Russia

Since legal and ideological barriers to the inflow of foreign direct investment (FDI) were eliminated in the 1990s in Russia foreigners have become interested in the emerging market. However, the impact they have on the structure of regional business networks, which still possess soviet characteristics in the content of links, has not been revealed.

In the study I question the impact foreign direct investment may have on the structure of business and social networks. The notion of social embeddedness of the investment is considered as one that may reinforce possible change FDI imposes on the local market. The interplay of structures of business and conceptions of control developed in the study are described as the mechanisms of influence. However, it is supposed in the study that FDI does not influence the structural characteristics of networks in Russia. The only possible object of change for FDI is the content of links within local networks.

The empirical data based on the analysis of interviews with regional representatives of multinational companies in Russia supports the suggestion about restricted impact of FDI. It is found out that responsibility of networks creation and maintenance is given to local representatives and rigid forms of control are imposed only on the content of links. The interplay of structures of business and conceptions of control has been elaborated and two kinds of the interplay are found to be significant for the capability to introduce change. The content of links possessing some characteristics common to previous stages of the society's existence is described as the main object of change.

Different roles of the notion of social embeddedness and interplay of the structures of business and conceptions of control for the possible impact of FDI have been revealed and reconsidered.