

Kaliningrad slide package for a foreign investor



October 2013
Mikhail Belokon



Turun yliopisto
University of Turku



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1. General information

a) Geographical location

Federal district:

North-Western

Size:

75th out of 83 regions in Russia in terms of area, (15 100 km²),
about half the size of Belgium

Time zone:

Moscow -1, GMT +2

Border with:

Lithuania and Poland

Distances from Kaliningrad to some European capitals:

Vilnius (350 km), Riga (390 km),
Warsaw (400 km), Berlin (600 km),
Stockholm (650 km), Helsinki (660 km),
Copenhagen (680 km), Oslo (850 km)

Government of Kaliningrad Oblast,
www.geobytes.com

1. General information

b) Basic facts

Inhabitants: 954 700 (beginning of 2013)

Largest towns:

Kaliningrad	441 400
Sovetsk	41 800
Chernyahovsk	38 600
Baltiysk	32 800

Share of urban population:
77%

Main industries:

Food industry (fishing), fuel industry,
machine building and metal industry

Natural resources:

90% of world's amber reserves, some oil, brown coal, peat, rock salt, mineral water services



1. General information

c) Population and labour force

	2009	2010	2011	2012	2013
Population (thousands)	938	940	944	951	954
Population change from previous year (%)	0,1	0,2	0,4	0,7	0,3
Unemployment (thousands)	55	55	49	39	34
Level of unemployment (ILO definition, %)	10,7	10,6	9,2	7,4	6,4
Development of labour force (economically active population), thousands	516	516	527	524	525

Kaliningradstat 2013, author's calculations

2. Regional economy

a) The Kaliningrad region in the Russian economy in 2013

Basic facts (of the Russian total)

Area	0,1 %
Population	0,7 %

Economy

GDP	0,4 %
Economically active population	0,7 %
Industrial production	0,9 %
Retail trade	0,5 %

External economic relations

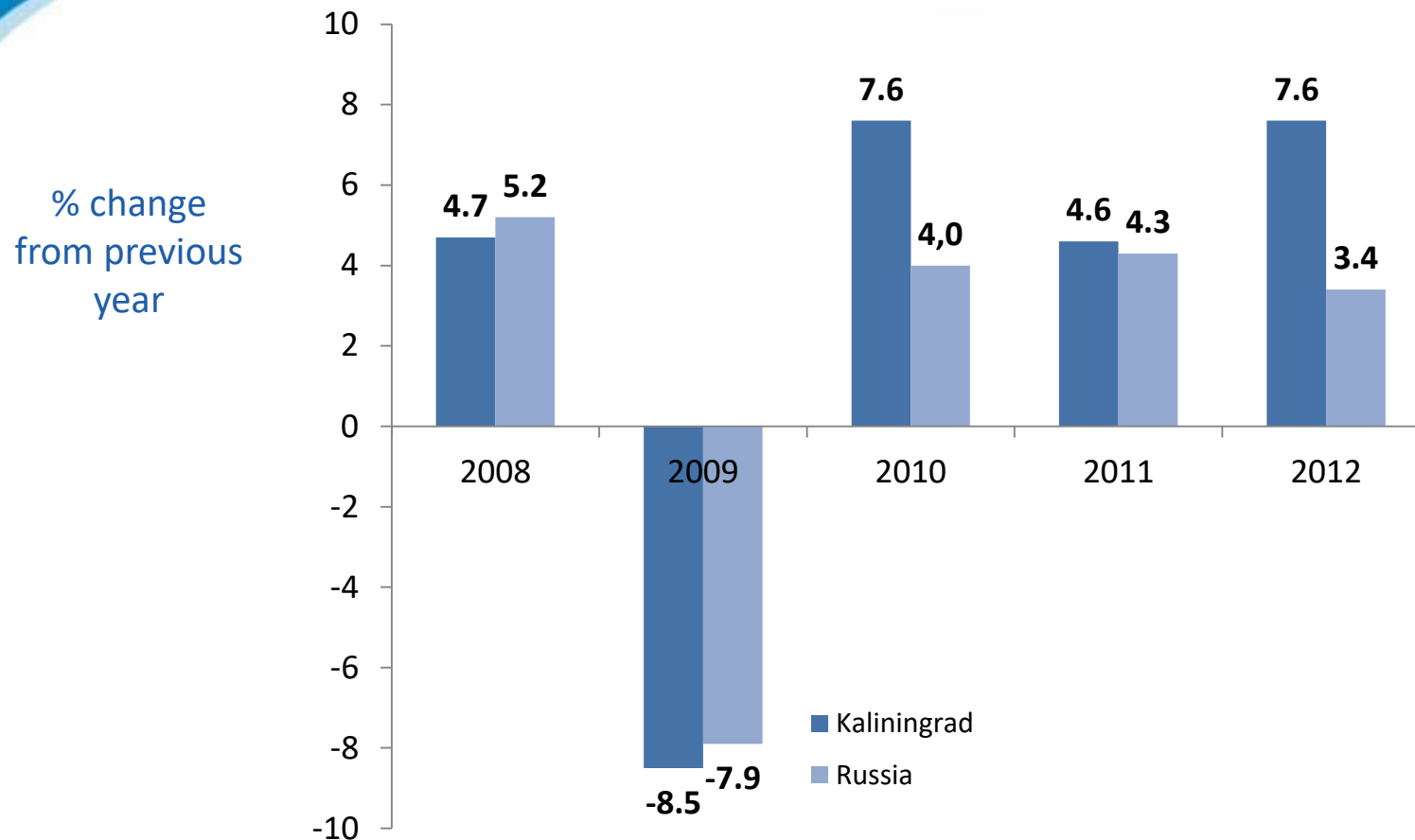
Exports	0,4 %
Imports	3,9 %
Foreign direct investment	1,4 %



Kaliningradstat 2013

2. Regional economy

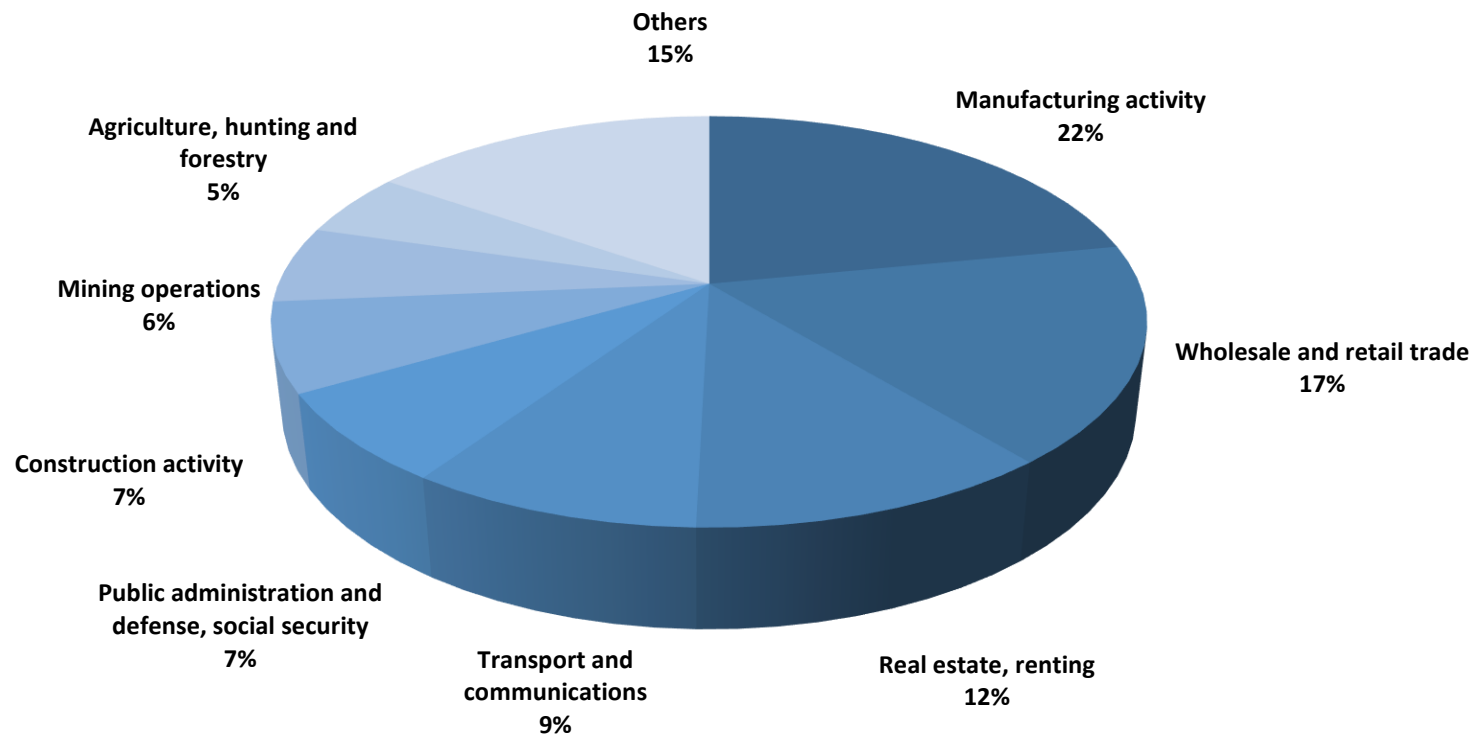
b) Regional GDP development



Kaliningradstat 2013,
Ministry of Finance of the Russian Federation
Author's calculations

2. Regional economy

c) Structure of regional GDP in 2012



Kaliningradstat 2013,
Ministry of Finance of the Russian Federation
Author's calculations

2. Regional economy

d) Investment potential ranking (out of 83 Russian regions)

	2011	2012
Ranking of investment potential	31	29
Labour potential	40	37
Consumption potential	55	56
Production potential	37	38
Financial potential	53	58
Institutional potential	16	19
Innovation potential	64	47
Infrastructure potential	4	4
Natural resource potential	28	28
Tourism potential	29	30
Ranking of investment risk	42	33

1 = best

RA Expert 2013

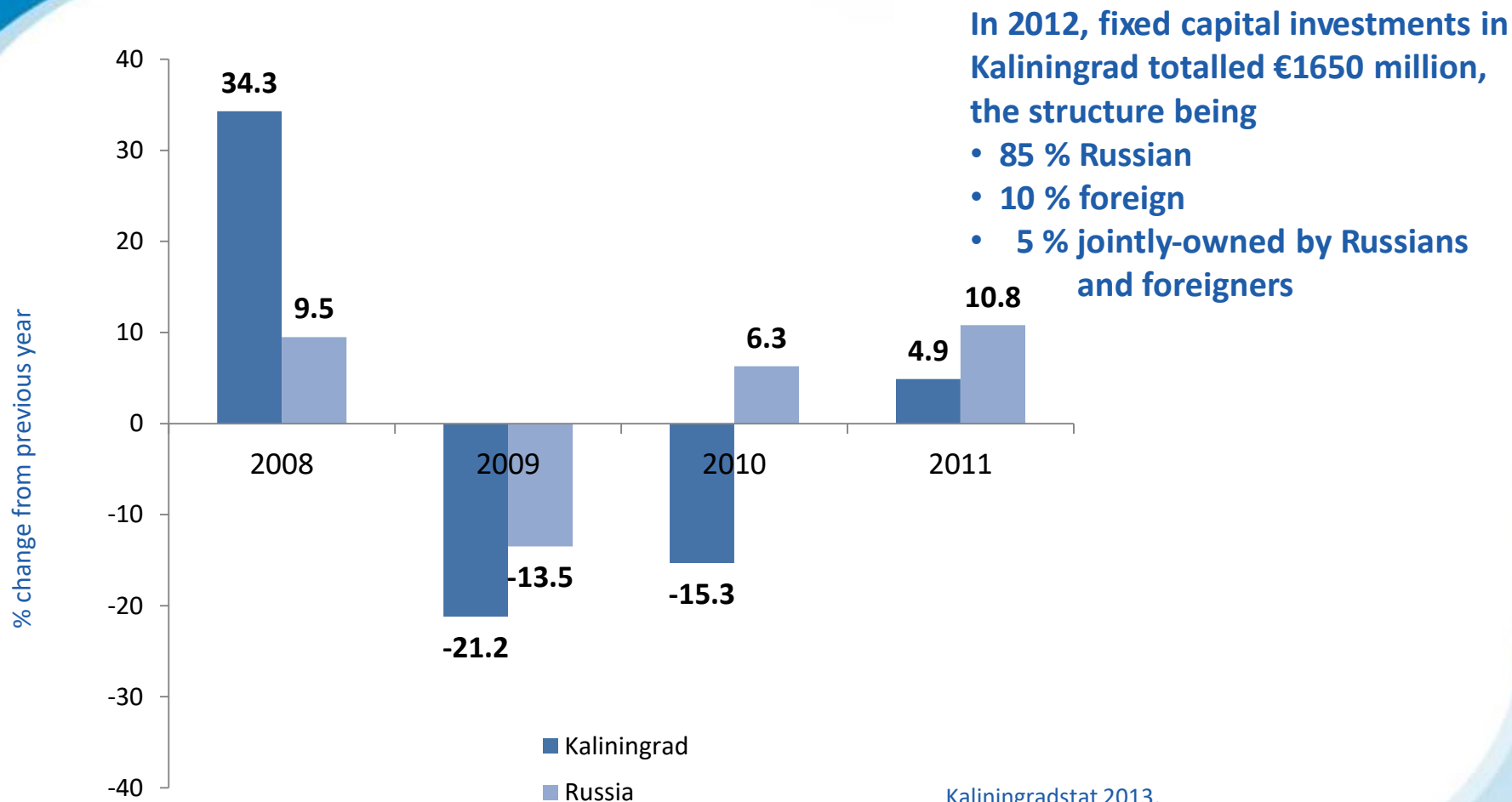


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2. Regional economy

e) Development of investment in fixed capital

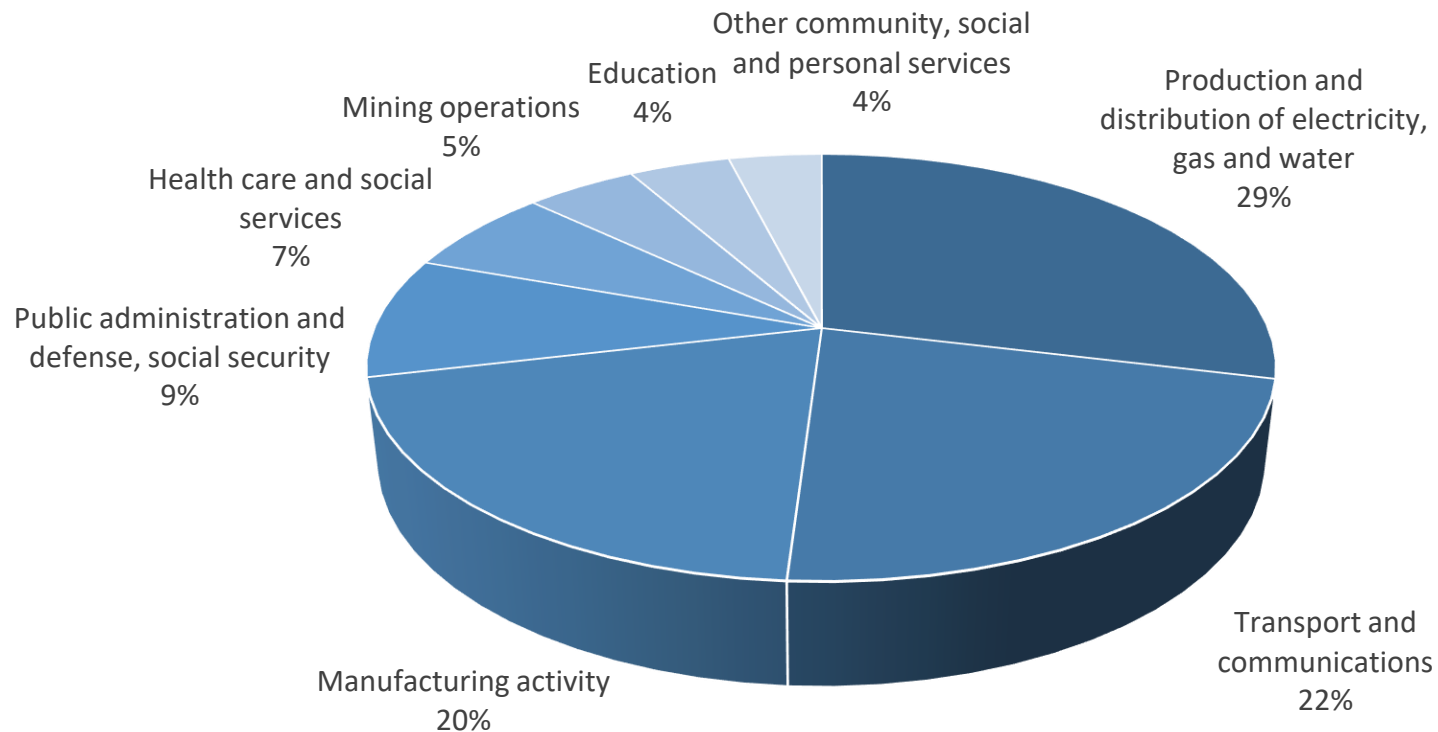


Kaliningradstat 2013,
Ministry of Finance of the Russian Federation
Author's calculations



2. Regional economy

f) Investments into fixed capital by sectors in 2012



Kaliningradstat 2013,
Ministry of Finance of the Russian Federation
Author's calculations

2. Regional economy

g) Transport infrastructure

Highway density 300 km/1000 sq. km

- The density of the road network is nearly 10 times higher than on average in Russia

Main airport about 10 km north of Kaliningrad

- Direct flights to Moscow, St. Petersburg, Warsaw, Berlin, Copenhagen and Riga

Major sea ports in Kaliningrad, Baltiysk and Pionersky

- Russia's only ice free ports in the Baltic Sea
- Total port capacity including inland river ports 33,4 million tonnes
- 40 km long Kaliningrad sea canal

Railway density 375/10 000 sq. km

- Direct connections to Lithuania and Poland, and further on to various countries

Some construction projects

- Construction of deep-water port complex, cross-border stations and 700 km of modern roads, modernisation of railroad between Kaliningrad and Baltiysk

2. Regional economy

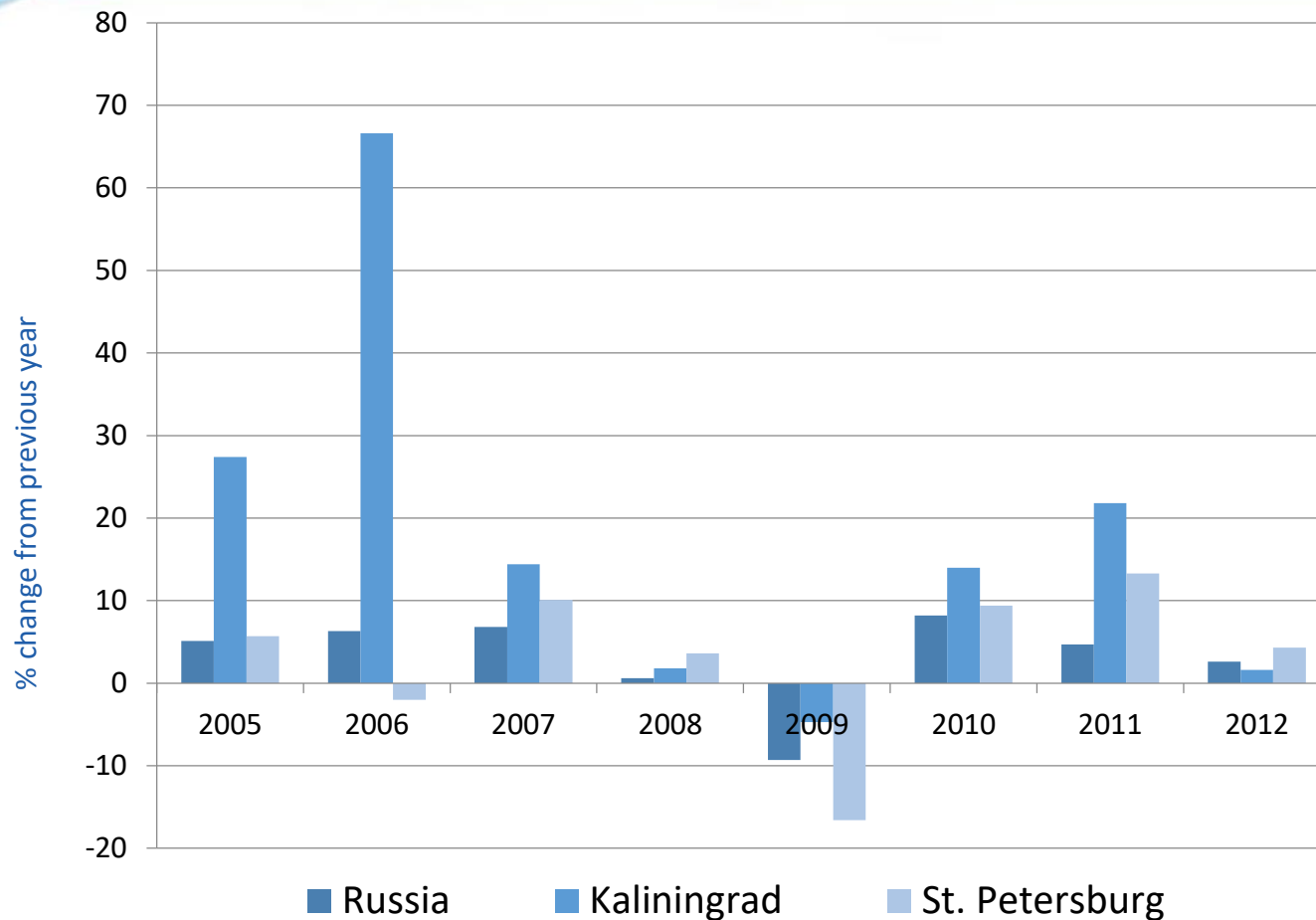
h) Development of transport volumes

	2008	2009	2010	2011	2012
Cargo handling in the port of Kaliningrad (million tonnes)	15,4	12,4	13,8	13,4	12,7
Cargo traffic by rail (million tonnes)	18,5	12,7	15,5	14,7	13,4
Passenger traffic by air (million people)	0,6	0,6	0,6	0,5	0,6

Kaliningradstat 2013

2. Regional economy

i) Development of industrial production



Kaliningradstat 2013,
Ministry of Finance of the Russian Federation
Author's calculations

2. Regional economy

j) Development of industrial production 2011-2012

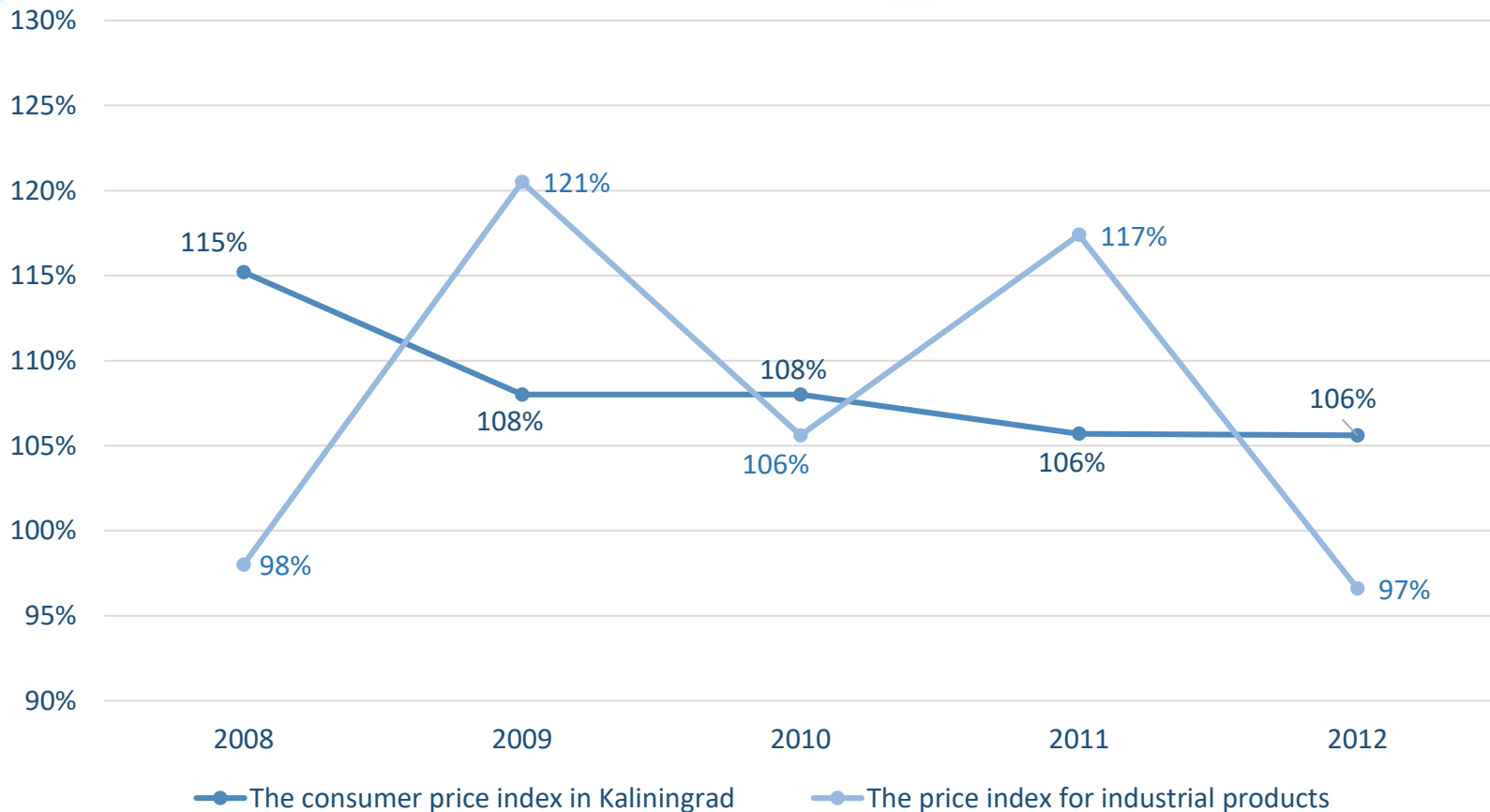
Changes in industrial production by sector, % y-o-y

	2011	2012
Construction	-13,4	9,4
Electrical and optical equipment	1,3	35,6
Electricity, gas and water	18,5	38,8
Food products, beverages and tobacco	5,6	2,8
Machinery and equipment	49,9	-4,1
Mining	-4,1	-8,8
Pulp and paper, publishing and printing	3,7	12,2
Timber and wood products	46,4	24
Transport vehicles	31,2	17



2. Regional economy

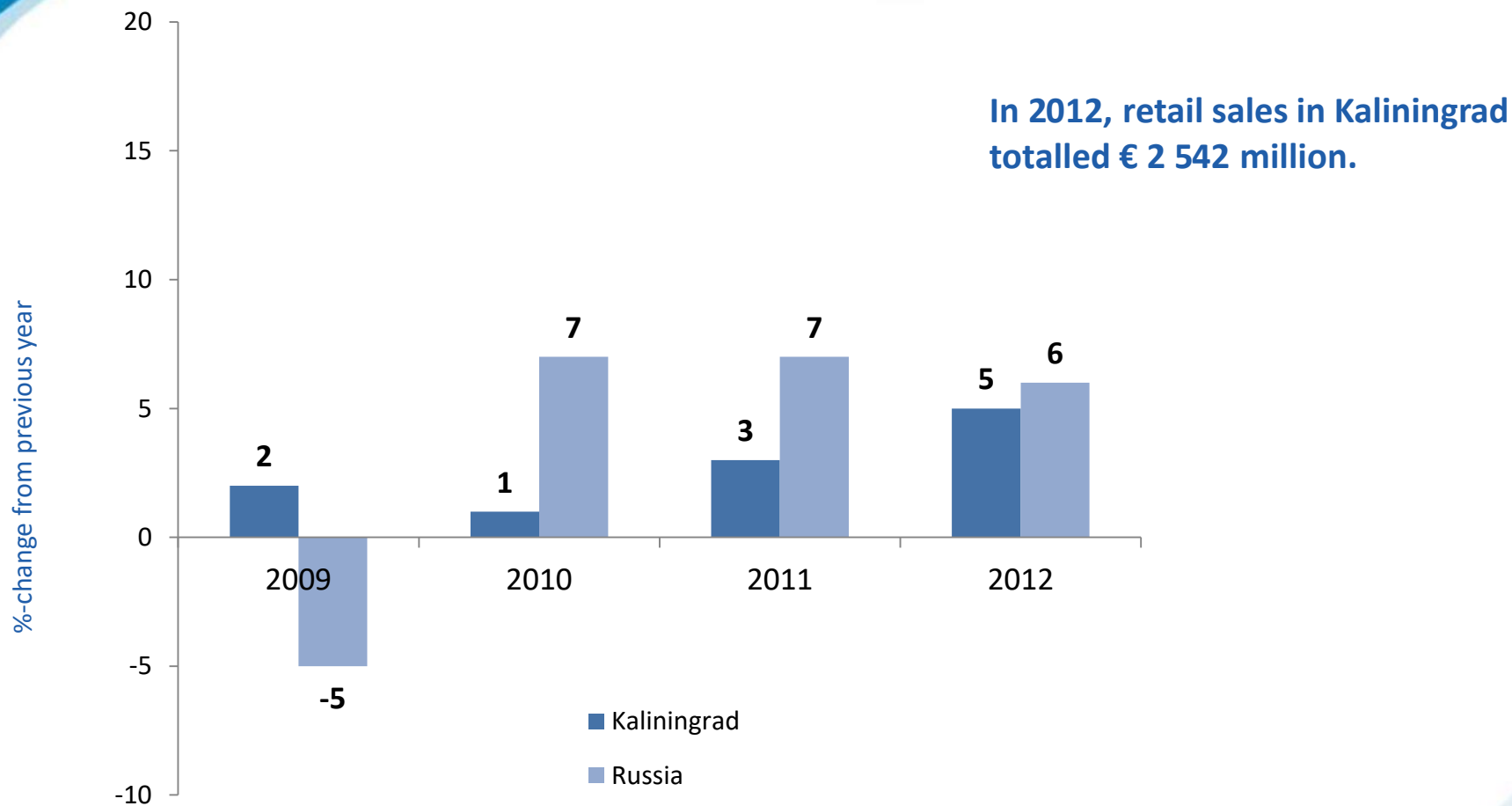
k) Development of prices (% , end of the year, 2007 = 100%)



Kaliningradstat 2013

2. Regional economy

1) Development of retail trade



Kaliningradstat 2013, Rosstat 2013



2. Regional economy

m) Main enterprises of the Kaliningrad Oblast

Name	Area	Website
Lukoil Kaliningradmorneft	Oil	http://www.lukoil-kmn.com/
Kaliningrad Amber Factory	Amber	http://www.ambercombine.ru/
Arvi NPK	Fertilizers	http://www.arvinpk.ru
Factory JBI-2	Construction materials	http://www.zhbi2.ru
Sovietskiy Pulp & Paper Mill	Pulp and paper production	http://www.sovpaper.ru/
Lesobalt	Woodworking	http://www.lesobalt.ru/
Moloko	Dairy industry	http://www.aomoloko.com/
CTS	Digital television systems	http://www.dtv.s.ru/
Sodruzhestvo	Agricultural products	http://www.sodrugestvo.ru
Metarus	Metal packaging	http://www.metarus.ru/

2. Regional economy

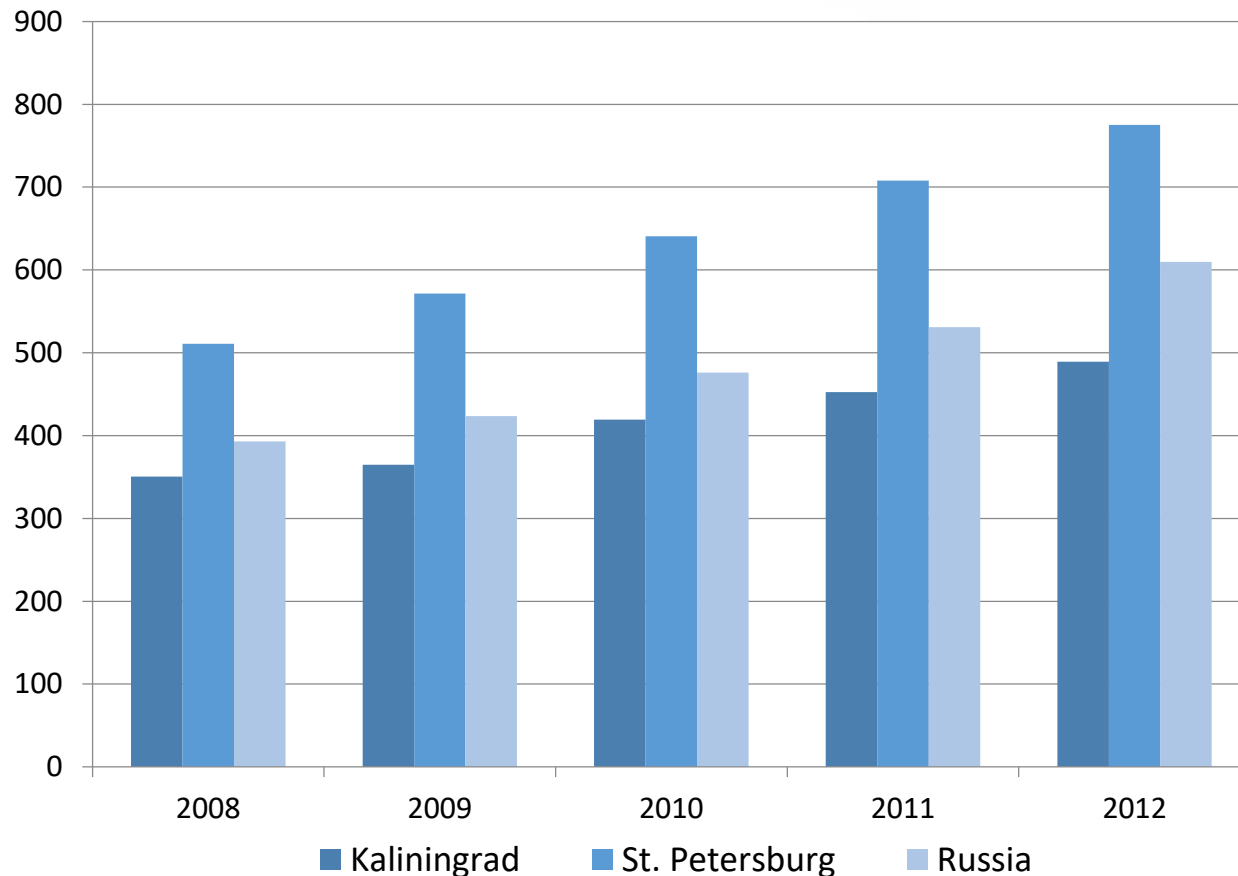
n) Distribution of enterprises and organisations by ownership

	2009	2010	2011	2012	2013
State- and municipal-owned	2 636	2 646	2 308	2 272	2 213
Other public organisations	2 389	2 307	1 624	1 599	1 573
Private	42 937	45 722	43 954	44 611	43 690
Public–private ownership	590	630	366	355	328
Foreign	1 637	1 745	1 651	1 637	1 515
Jointly-owned by Russian and foreign	1 522	1 604	1 518	1 537	1 526
Total	51 711	54 654	51 421	52 011	50 845

Kaliningradstat 2013, Rosstat 2013

3. Prosperity and consumption

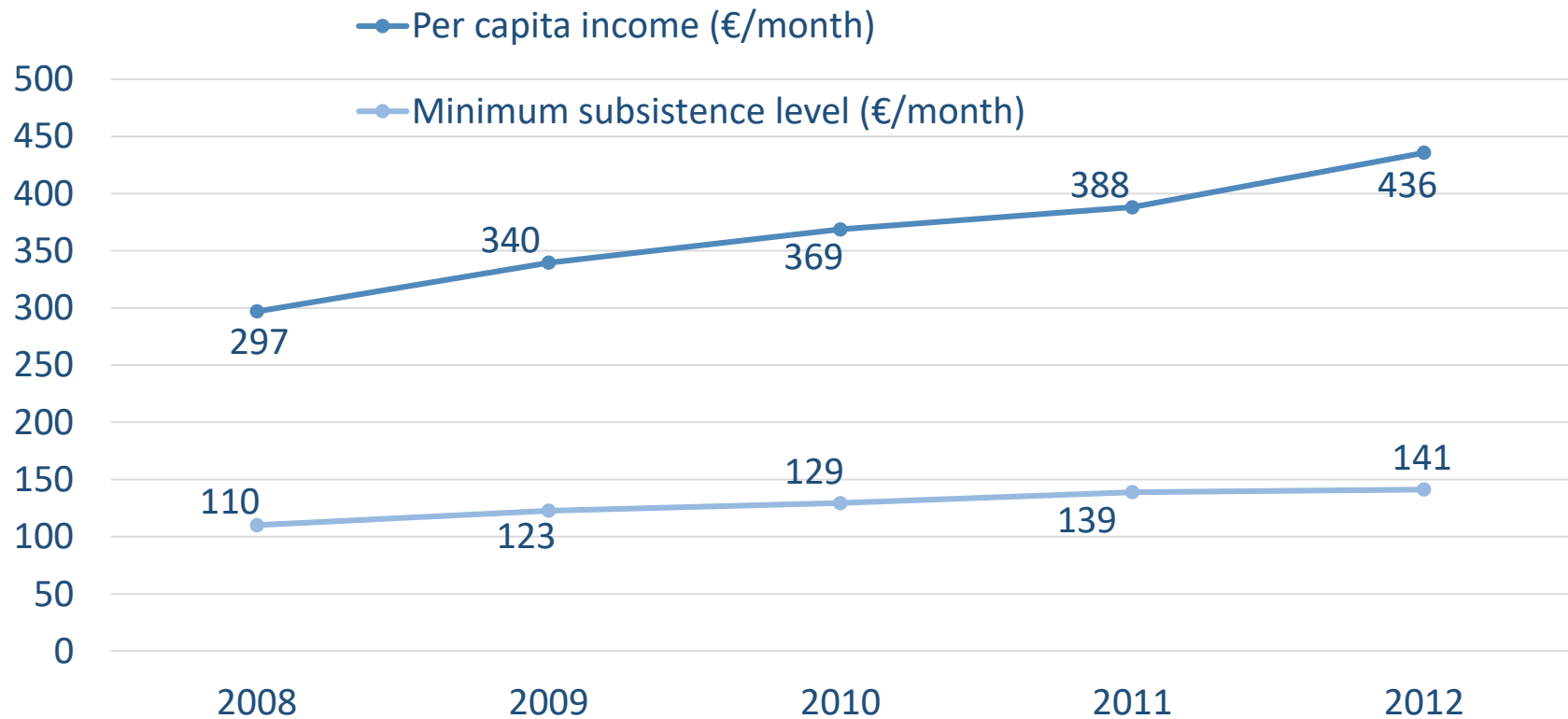
a) Development of average wages, €



Kaliningradstat 2013, Rosstat 2013
Author's calculations

3. Prosperity and consumption

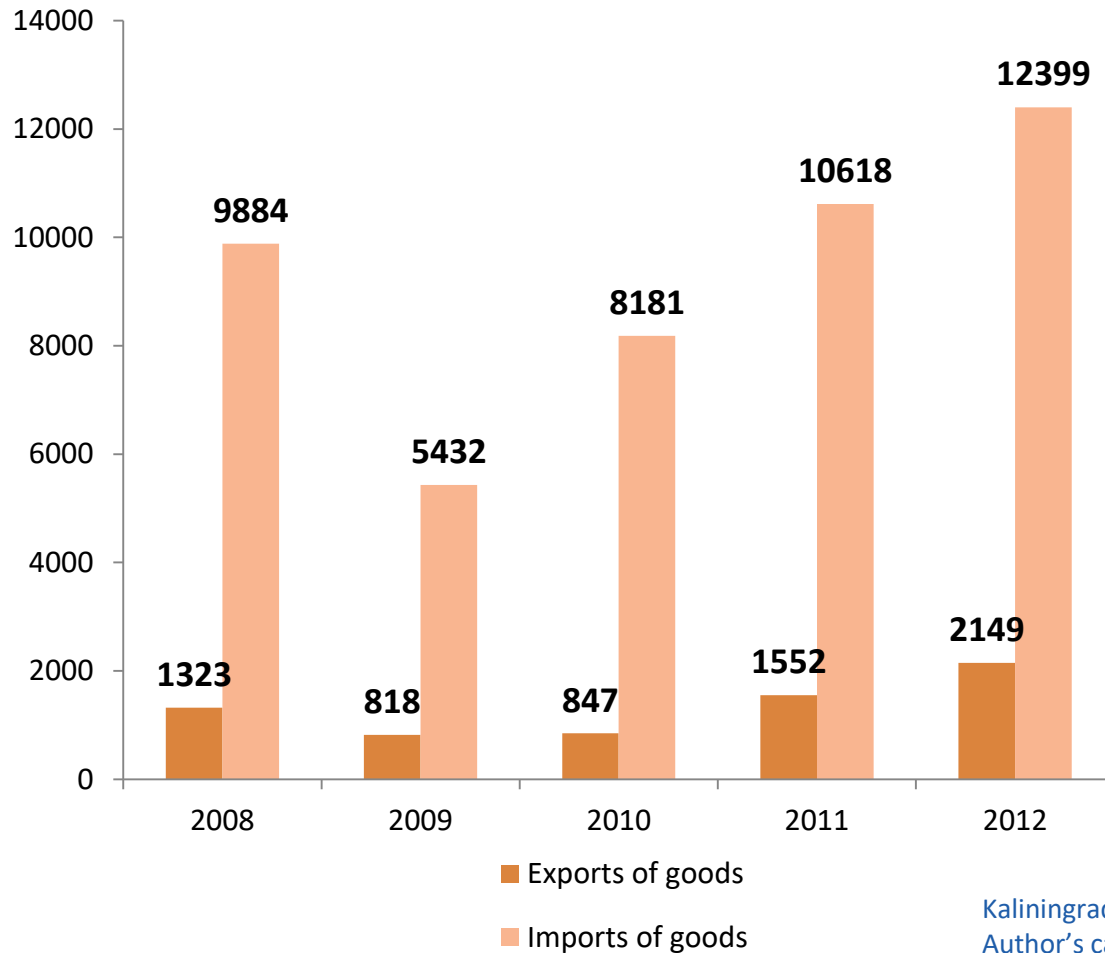
b) Main socio-economic indicators of living standards



Kaliningradstat 2013, Rosstat 2013

4. External economic relations

a) Foreign trade, USD million



Kaliningradstat 2013, Rosstat 2013
Author's calculations

4. External economic relations

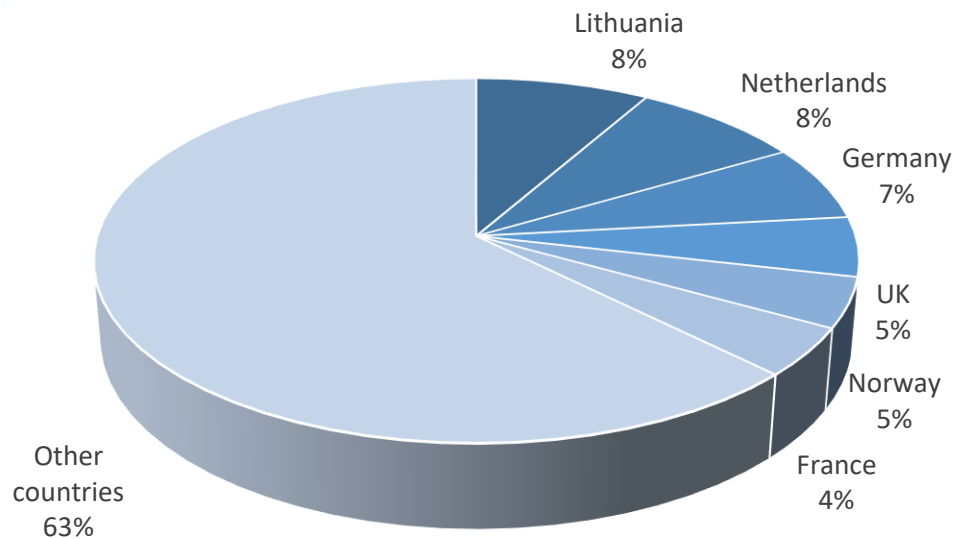
b) Imports



Kaliningradstat 2013, Rosstat 2013
Author's calculations

4. External economic relations

c) Exports



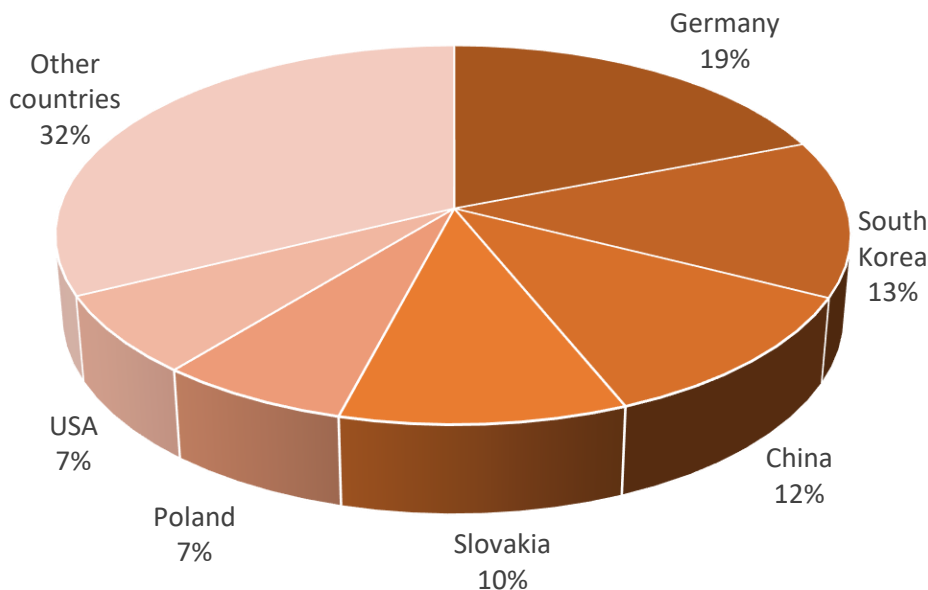
	2008	2009	2010	2011	2012
Belgium	0,1	18,7	9,3	89,7	57,2
Denmark	33,8	18,6	18,2	80,8	43,9
Finland	9,1	8,0	6,8	6,8	12,5
France	7,7	15,5	77,1	84,7	77,0
Germany	97,1	58,1	92,3	161,7	117,9
Latvia	32,0	21,9	15,9	16,0	35,9
Lithuania	153,3	109,2	58,3	165,0	148,2
Netherlands	17,1	33,7	41,3	112,7	147,0
Norway	5,1	16,3	16,7	42,4	78,7
Poland	63,3	47,7	36,4	52,9	47,8
Spain	29,5	10,5	24,9	35,3	11,1
Sweden	14,0	6,4	18,8	116,6	24,6
UK	10,2	32,4	61,7	99,3	93,7
Other countries	181,7	116,0	106,7	158,6	878,0
Total	654,0	540,1	613,6	1 252,4	1 807,4

Kaliningradstat 2013, Rosstat 2013

Author's calculations

4. External economic relations

d) Imports



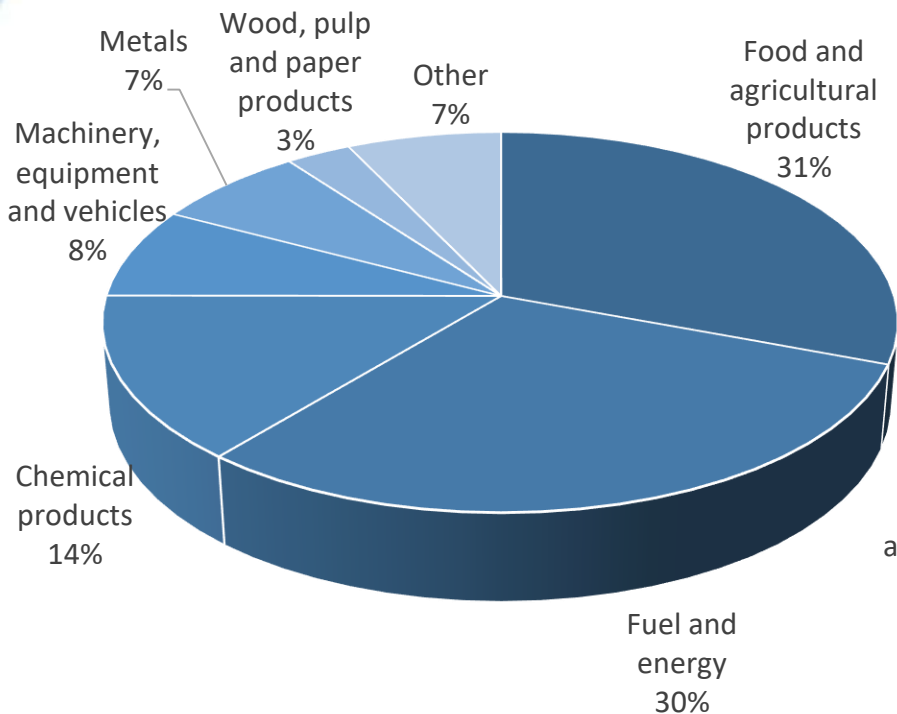
	2008	2009	2010	2011	2012
Belgium	-	34	59	91	132
Brazil	524	340	381	261	282
China	1 297	474	905	965	1 369
France	228	146	177	168	175
Germany	1 321	706	1 411	1 922	2 294
Italy	195	119	139	184	187
Lithuania	257	278	206	255	283
Netherlands	217	153	215	304	302
Norway	83	61	129	231	206
Poland	742	385	685	795	819
Slovakia	480	494	818	1 039	1 229
South Korea	1 031	287	823	1 342	1 609
Spain	140	55	78	139	169
USA	585	277	357	645	819
Other countries	2 273	1 373	1 441	1 946	2 148
Total	9 374	5 182	7 822	10 286	12 022



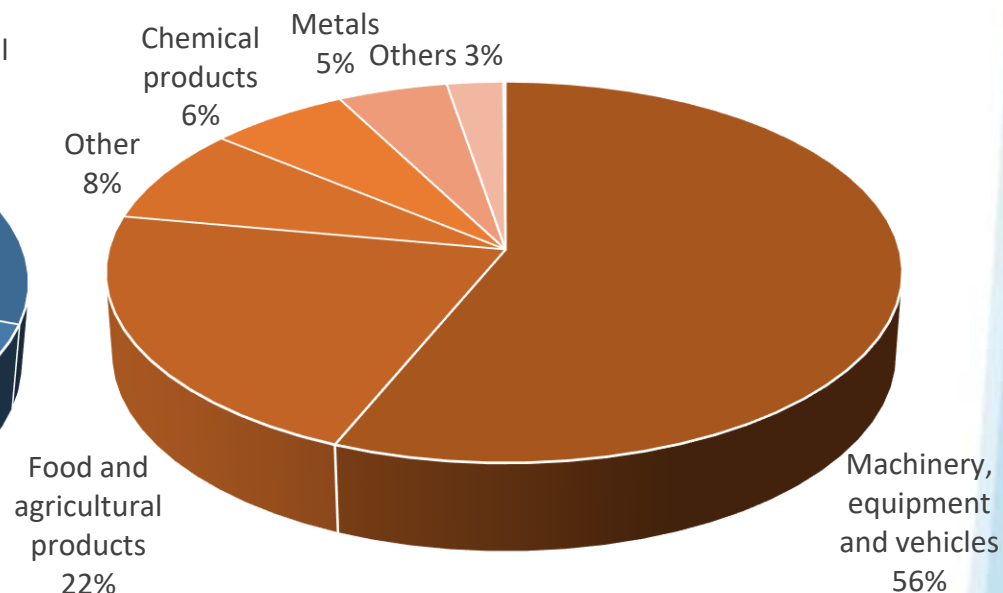
4. External economic relations

e) Foreign trade structure in 2011

Export structure (2011)

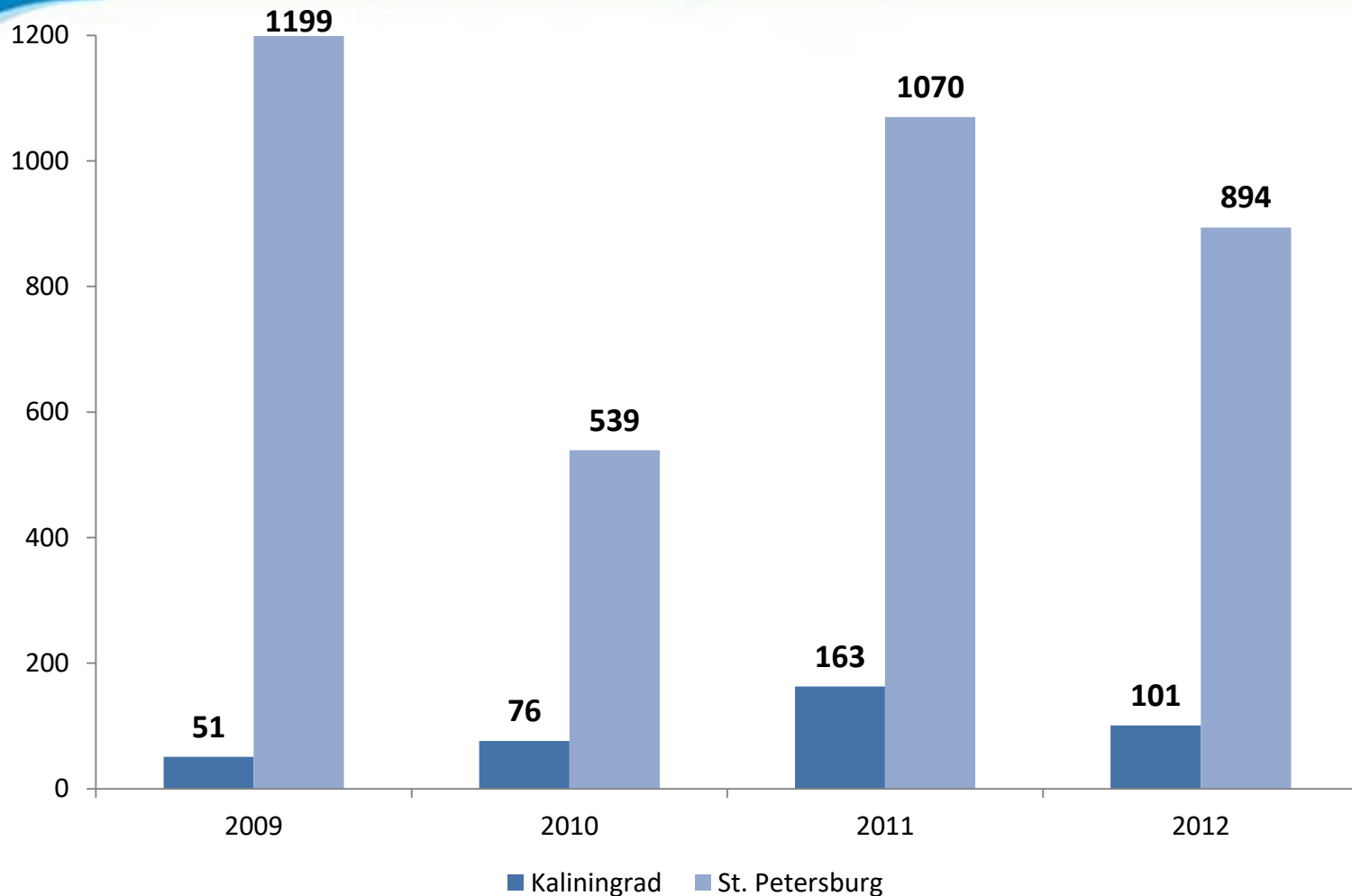


Import structure (2011)



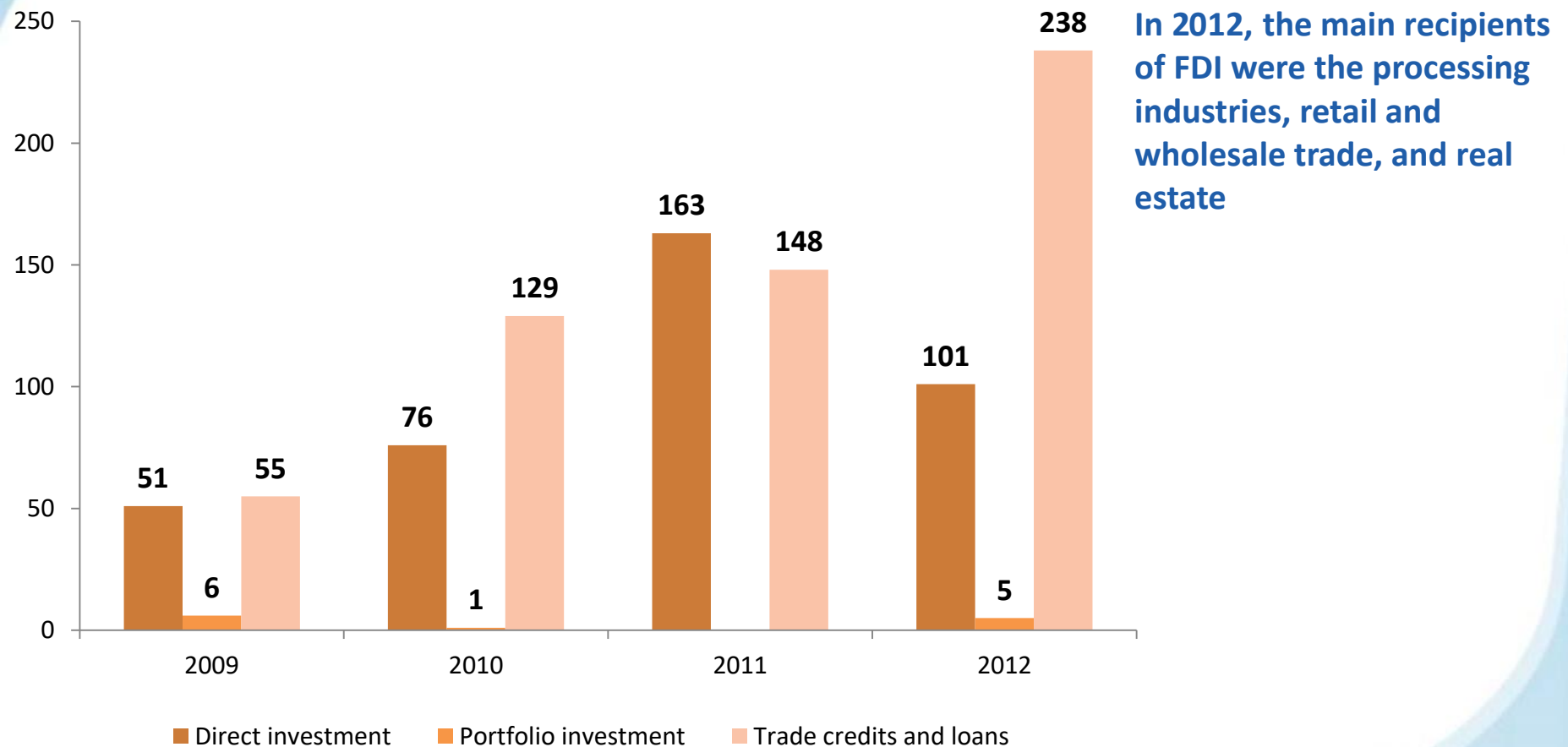
4. External economic relations

f) Development of FDI inflow, USD million



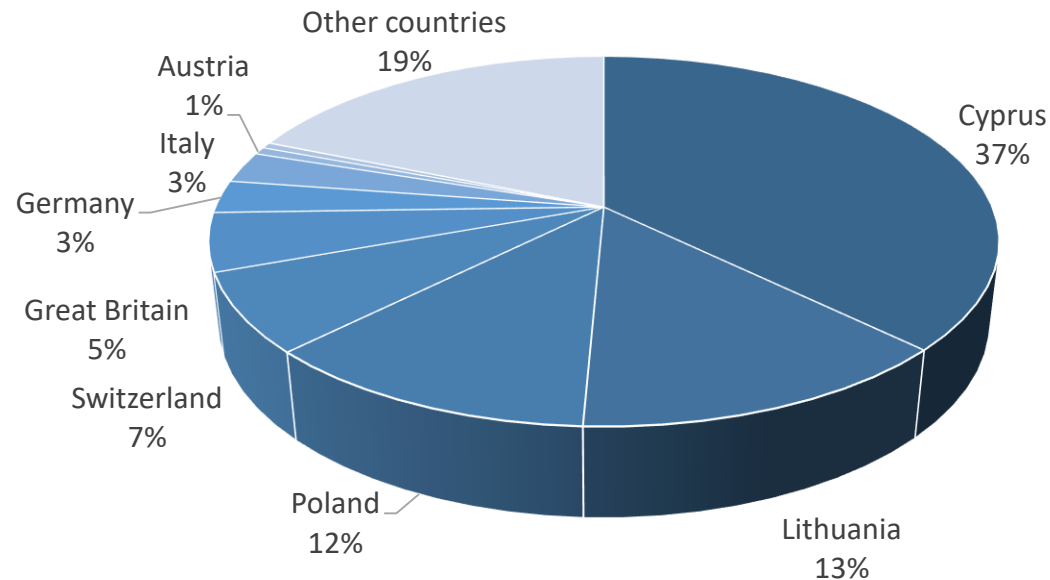
4. External economic relations

g) Foreign investments into Kaliningrad, USD million



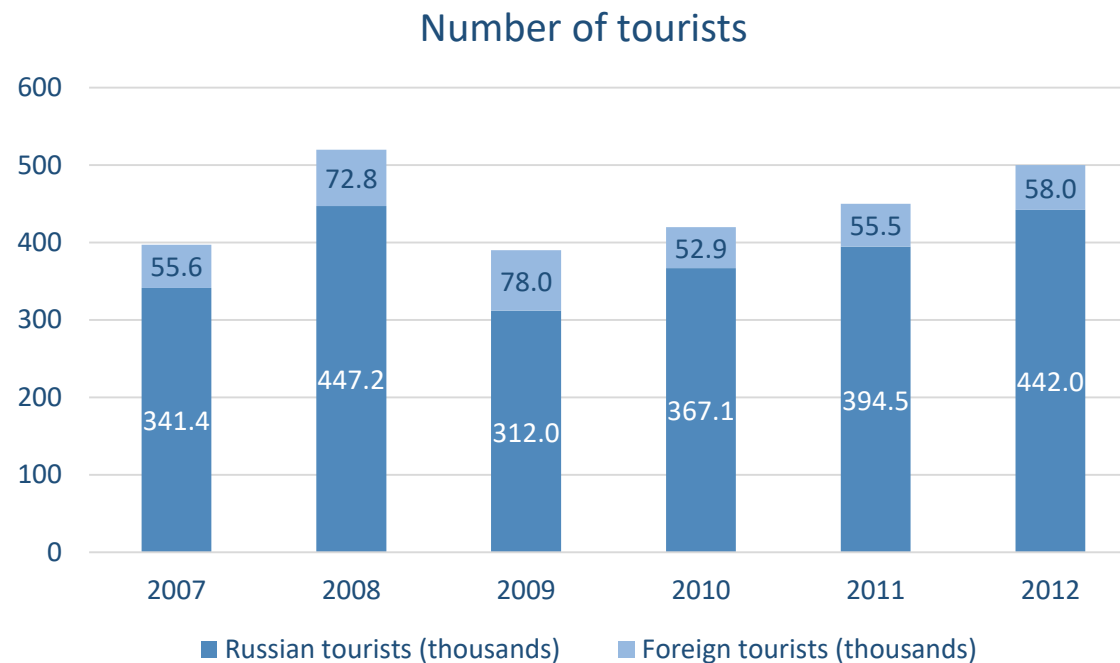
4. External economic relations

h) Foreign investment by country of origin in 2012



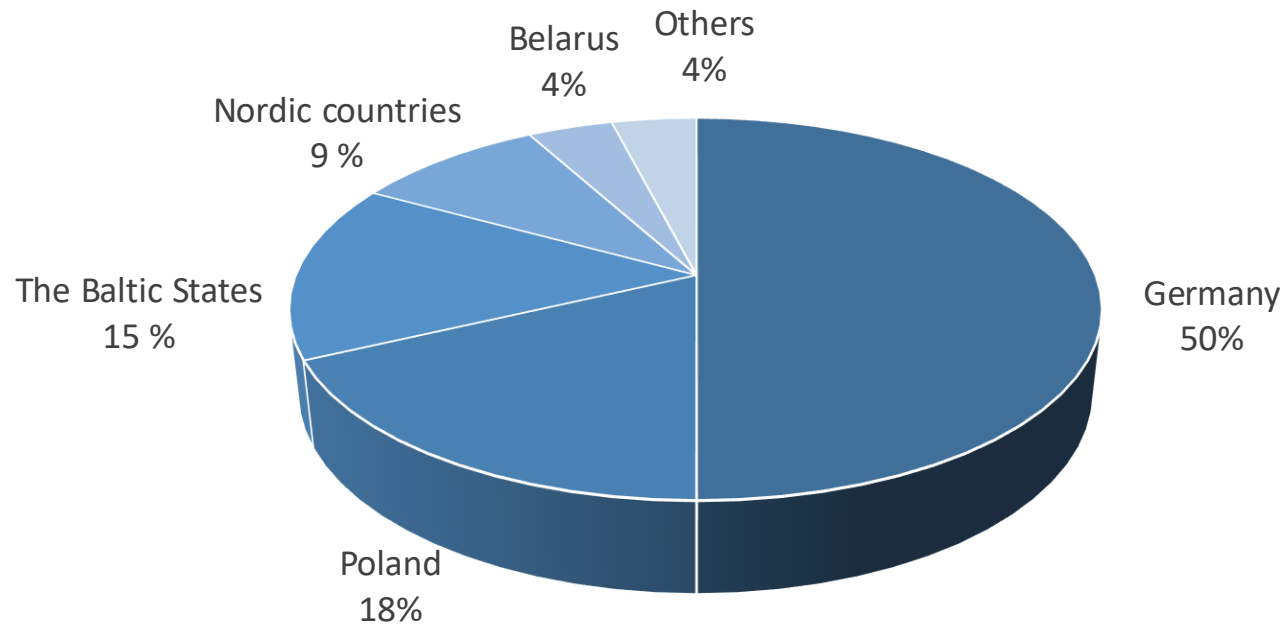
4. External economic relations

i) Foreign visitors



4. External economic relations

j) Distribution of foreign visitors by country of origin in 2012



5. Special economic zones in Kaliningrad

a) Overview of Kaliningrad special economic zones

Old SEZ based on customs benefits (1996)

- The enterprises, which have been registered in the Kaliningrad region before April 2006, may use these customs benefits
- Foreign goods imported in the region are exempted from customs duties and taxes
- Goods exported from Kaliningrad to other regions of Russia are exempted from customs duties if:
 - The commodity classification code has changed at the level of any of the first four digits
 - The share of the added value has reached at least 30 %
- The old SEZ will function for 10 years, i.e. until the end of March 2016

New SEZ based on tax benefits (2006)

- New firms conducting a capital investment at least 150 million RUR (USD 5 million) in the region's production over 3 years may use the tax benefits
- Tax benefits offered for an investor:
 - Corporate income tax and property tax are:
 - 0 % for the first 6 years following investment
 - 50 % reduction from tax for the years 7-12 after the investment
- The law will be in force for 25 years, i.e. until the end of March 2031

5. Special economic zones in Kaliningrad

b) Main residents in new SEZ

1. **ZAO Sodrushestvo Soja** (Construction projects, storage and terminal services)
2. **OOO Alko-Nafta** (Plastic-related products)
3. **ZAO Balt Nafta** (Construction-related products to oil business)
4. **OOO Cojus-TTM** (Construction-related products)
5. **OOO Evropa-Center** (Construction project)
6. **OOO Kompanija Projehtkovo Finansirovanija** (Construction projects)
7. **OOO KonigInterbalt** (Construction projects)
8. **OOO Choversennaja Tehnika** (Construction of electronic home appliances)
9. **OOO Tehnobalt** (Construction-related products)
10. **OOO Optim** (Metal processing-related products)

More than 50 residents with the declared total investments exceeding RUR 30 million (USD 0,9 million) are registered in the SEZ.

6. Future development projects

a) The City of Kaliningrad in the rankings

Forbes

2013
Kaliningrad is the
best Russian city for
doing business

<http://www.forbes.ru/rating/30-luchshih-gorodov-dlya-biznesa-2013/2013?full=1&table=1>



2013
Kaliningrad is the
most beautiful city
in Russia

<http://top.rbc.ru/society/28/03/2013/851336.shtml>

Коммерсантъ

2013
Kaliningrad is the
best Russian city

<http://im.kommersant.ru/ISSUES.PHOTO/SF/2013/004/sgdcyuok.gif>



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6. Future development projects

b) 2018 FIFA World Cup in Kaliningrad



BIDDING NATION RUSSIA

- Kaliningrad is one of the Russian cities that will host the 2018 FIFA World Cup
- The Kaliningrad Oblast will receive funding from FIFA, as well as federal and municipal funding for implementing infrastructure projects
In total, 610 billion roubles

Projects to be implemented:

- Baltic Arena for 45000 people, which will be transformed into business cluster after the WC
- Hotels (47000 square meters) and car parks
- Residential, office and retail space
- Recreation Area (bowling, swimming pool, water park) and Tennis Academy
- 2 new bridges
- Educational and medical institutions, government agencies, policing and emergency services

6. Future development projects

c) Khrabrovo Airport

Year	Passenger traffic (million passengers)
2003	0,12
2012	1,2
2018	5 (estimated)

- Creation of an integrating hub which meets all the modern requirements
- Completion of the construction and renovation works of the terminal building by 2014
- Development of the airport (hotels, venues for conferences, malls, logistics centers, industrial parks and information and communication technologies complexes)

Value of
investment
3 billion roubles
(70 million €)



6. Future development projects

d) Russian Railways



Route

Moscow — Kaliningrad

Saint Petersburg —
Kaliningrad

Moscow — Kaliningrad

Adler — Kaliningrad

Chelyabinsk — Kaliningrad

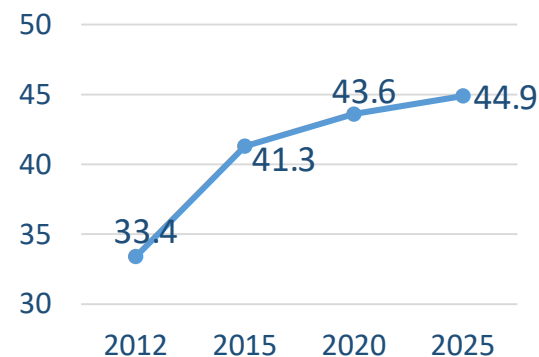
- Intermodal transport
- An additional railway line from the city centre of Kaliningrad to Khrabrovo Airport
- Aeroexpress trains
- Reduce travel times on the routes Berlin-Kaliningrad and Kaliningrad-Moscow

Duration of a trip to
Moscow after the
reconstruction
11 hours

6. Future development projects

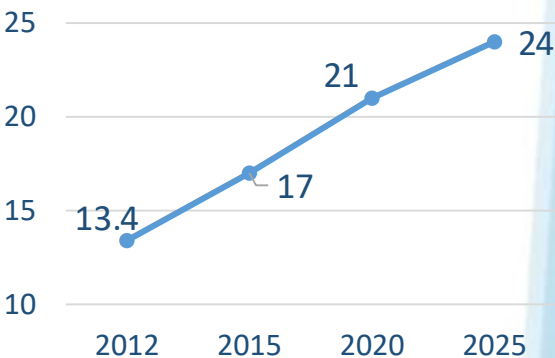
e) The port complex of Kaliningrad

Capacity of the port
(mln tonnes)



The construction of a deep-sea port hub on the peninsula of Balga for containers and bulk cargo transshipment with a total capacity of 131.5 million tonnes a year is included in the "Strategy for the development of port infrastructure of Russia up to 2030"

Throughput of the
port (mln tonnes)



Terminals:

- Oil Terminal "BaltNafta"
- Marine Terminal
- Construction of a cargo terminal
- Construction of a container terminal

Kaliningradstat 2013, Rosstat 2013

7. Additional information

a) Some banks

Evropejsky

<http://www.icbe.ru> tel. +7 (4012) 57-3900

Investbank

<http://www.investbank.ru> tel. +8-800-200-70-71

Kaliningradsky (Alfa-Bank filial)

<http://www.alfabank.com> tel. +7 (0112) 55-70-38

VTB 24

<http://www.vtb24.ru> tel. +7 (4012) 98-1028

Sberbank

<http://sberbank.ru/> tel. +7 (4012) 35-1700

Raiffeisen bank

<http://klgd.raiffeisen.ru/en/> tel. +8 (800) 700-9100

Information subject to changes

7. Additional information

b) Business supporting services

The Baltic Business Club

<http://www.bdk.ru/en/> tel. +8 (4012) 70-25-57

Foreign Investors Association in the Kaliningrad Region

<http://fias-kaliningrad.com/> tel. +7 (4012) 30-7078

The Ministry of Economy of the Kaliningrad oblast

<http://economy.gov39.ru/> tel. +7 (4012) 599 050

Invest in Kaliningrad

<http://www.investinrus.com/> tel. +7 4012 599 319

Kaliningrad Chamber of Commerce and Industry

<http://eng.kaliningrad-cci.ru/> tel. +7 (4012) 59-0650

Kaliningrad Regional Economic Development Agency

<http://en.kaliningrad-rda.org/> tel. (+7 4012) 53 08 63

Information subject to changes



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7. Additional information

c) Some authorities

The Regional Government of Kaliningrad

<http://www.gov39.ru/> Tel. +7 (4012) 59-9001

The Kaliningrad Oblast Duma Russia

<http://duma39.ru/en/> Tel. +7(4012) 91-84-38

Kaliningrad City Hall

<http://www.klgd.ru/>

Foreign Relations Department, Tel. +7 (0112) 21-5395

Information subject to changes



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7. Additional information

d) Consulates and European Commission's Delegation

Denmark: Tel. + 7 (4012) 61-69-72

<http://www.norden39.ru/>

Germany: Tel. +7 (4012) 92-0230

www.kaliningrad.diplo.de

Latvia: Tel. +7 (4012) 56-5501

<http://www.mfa.gov.lv/lv/Jaunumi/zinas/>

Lithuania: Tel. +7 (4012) 95 76 88

<http://consulate-kaliningrad.mfa.lt/>

Poland: Tel. (+7 4012) 976 440

<http://kaliningrad.msz.gov.pl/pl/>

Sweden: Tel. +7 (4012) 91-9414

www.sweden.spb.ru

European Commissions's Delegation: Tel. (+7 495) 721 20 00

http://ec.europa.eu/delegations/russia/index_en.htm

Information subject to changes

7. Additional information

e) Some hotels in Kaliningrad



Radisson Blu Hotel 4*
Pobedy Square, 10
+7(401) 2593344
radisson.ru/hotel-kaliningrad



Hotel Oberteich Lux
4*
Gogolya st., 17
+7(401) 2332244
oberteich.com/eng



Triumph Palace
Kaliningrad 4*
Bolshvitsky st., 3,
+7 (401) 2777733
triumph-palace.ru



Hotel Berlin 3*
Kievskaya Str., 17b,
+7 (401) 2569700
hotel-berlin.su

7. Additional information

f) Some useful links

Baltic Rim Economies:

<http://www.utu.fi/en/units/tse/units/PEI/BRE/Pages/home.aspx>

Electronic Publications of the Pan-European Institute:

<http://www.utu.fi/en/units/tse/units/PEI/reports/Pages/home.aspx>

Portal to the Emerging Eastern Markets and Finland:

<http://www.compiler.fi/idankaupan/palveluyritykset/>

Russian SME Resource Centre: <http://www.rcsme.ru/eng>

The Lithuania, Poland and Kaliningrad Region of Russian Federation Neighbourhood Programme:

<http://www.interreg3a.org/interregen/>

Yellow pages Kaliningrad: <http://www.yellowpages.ru>

