



Kaliningrad slide package for a foreign investor



February 2009
Markus Hägerström

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The Pan-European Institute assumes no responsibility for the
completeness or accuracy of the information.

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 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, Wikipedia,

1. General information

b) Basic facts (2008)

Inhabitants:

937 400

Largest towns:

Kaliningrad 422 400

Sovetsk 42 700

Chernyahovsk 41 100

Baltiysk 33 300

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, oil, brown coal, peat,
Rock salt, mineral water services



1. Basic information

c) Population and labour force

	2004	2005	2006	2007
Population (thousands)	945	940	937	937
Population change %	-4,9	-4,7	-2,5	-
Unemployment, thousands (ILO)	31	31	23	18
Level of unemployment (ILO) %	5,9	5,9	4,5	3,4
Development of labour force (economically active population), thousands	502	519	490	500

ILO = International Labour Organization

Kaliningradstat 2007 & 2008, author's calculation

2. Regional economy

a) Kaliningrad region in Russian economy 2007

Basic facts (of the Russian total)

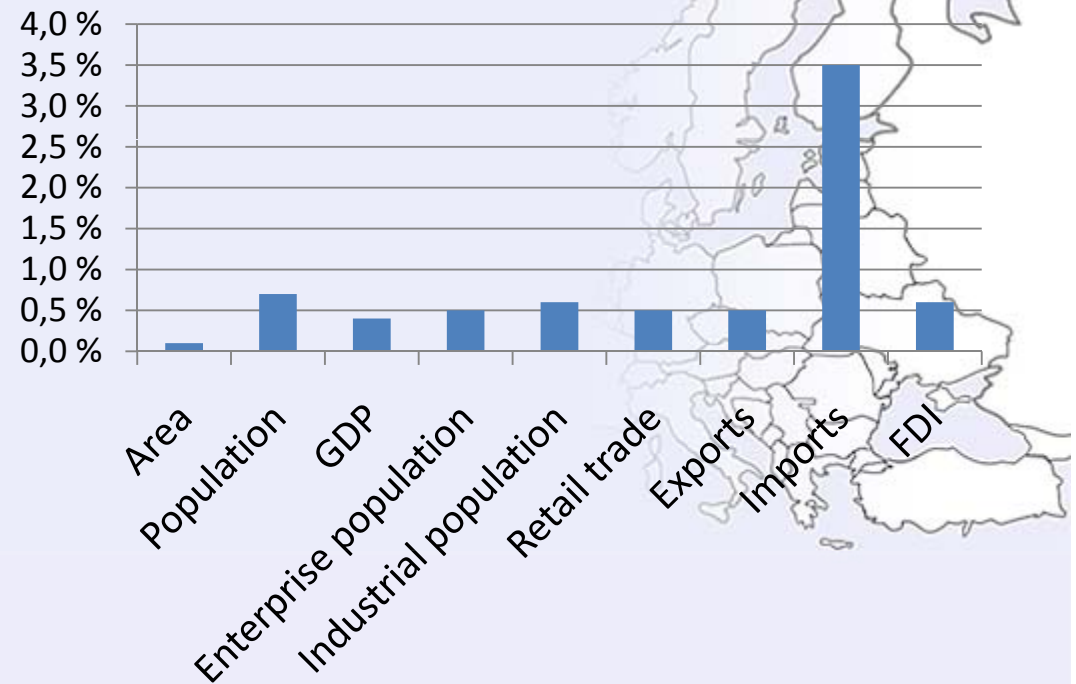
Area	0,1 %
Population	0,7 %

Economy

GDP	0,4 %
Enterprise population	0,5 %
Industrial production	0,6 %
Retail trade	0,5 %

External economic relations

Exports	0,5 %
Imports	3,5 %
Foreign direct investment	0,6 %



Kaliningradstat 2007 & 2008

2. Regional economy

b) Economic growth - GDP



*2008 estimate

Kaliningradstat 2008, Rosstat



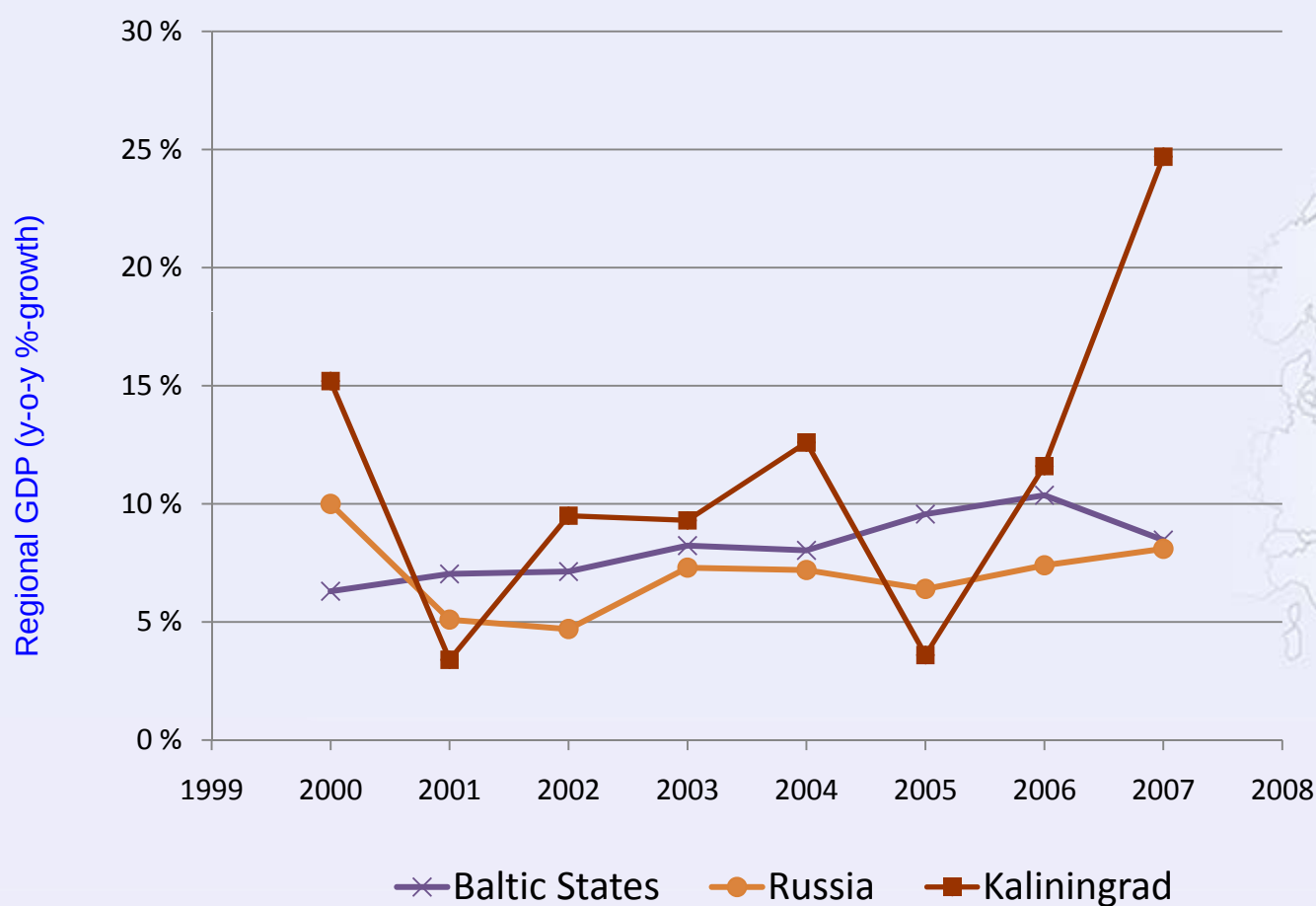
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www.tse.fi/pei/

2. Regional economy

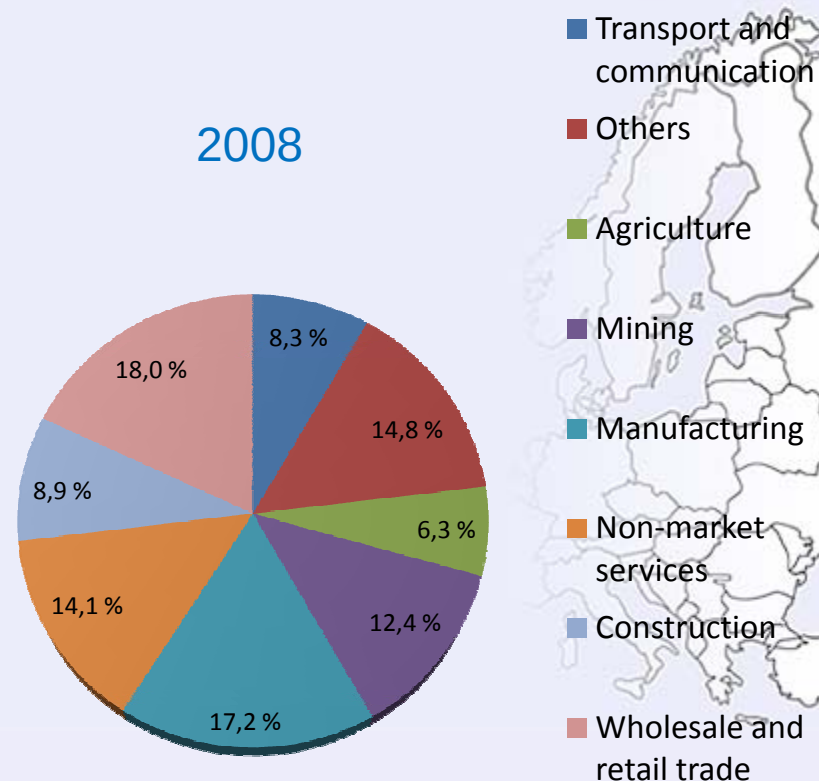
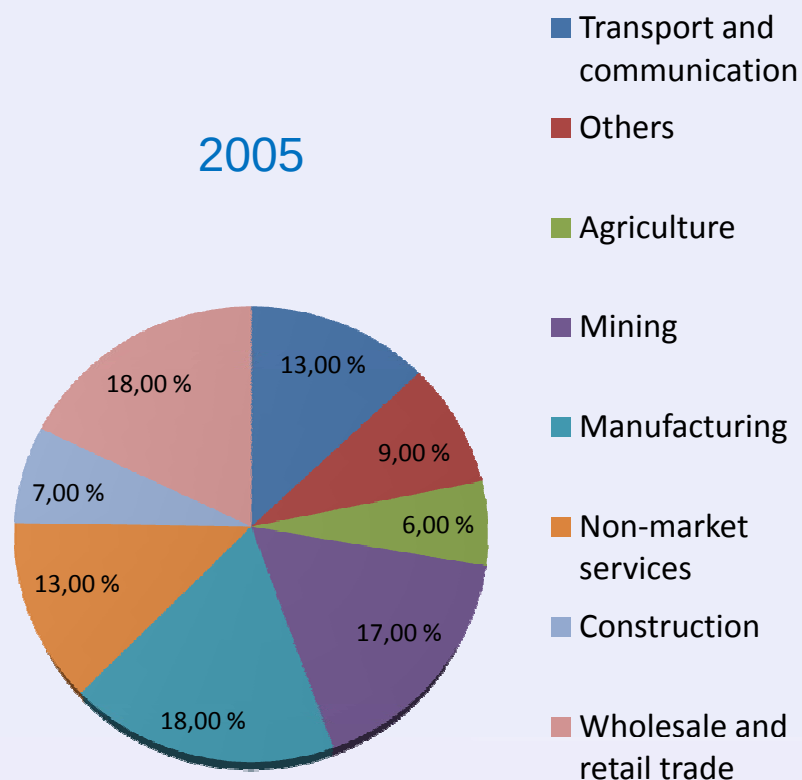
b) Economic growth - GDP



Kaliningradstat 2008, Rosstat, author's calculations

2. Regional economy

c) Structure of gross domestic product in 2005 & 2008



Kaliningradstat 2006 & 2008

2. Regional economy

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

	2005-2006	2007-2008
Ranking of investment potential	32	30
Labour potential	48	47
Consumption potential	52	51
Production potential	32	19
Financial potential	43	44
Institutional potential	11	12
Innovation potential	41	62
Infrastructure potential	3	4
Natural resource potential	37	40
Tourism potential	23	23
Ranking of investment risk	3	5

RA Expert 2008

2. Regional economy

e) Development of investment

Investment in fixed capital

	2002	2004	2006	2008
Total, USD million	246	658	928	1338*
Real change (in constant prices) %	64,5	22,2	41,1	44,1*
Annual foreign investment inflow, USD million	47,7	61,9	80,8	308,4*
Foreign investment/ Total investment %	11,8	19,4	12,1	23,0*

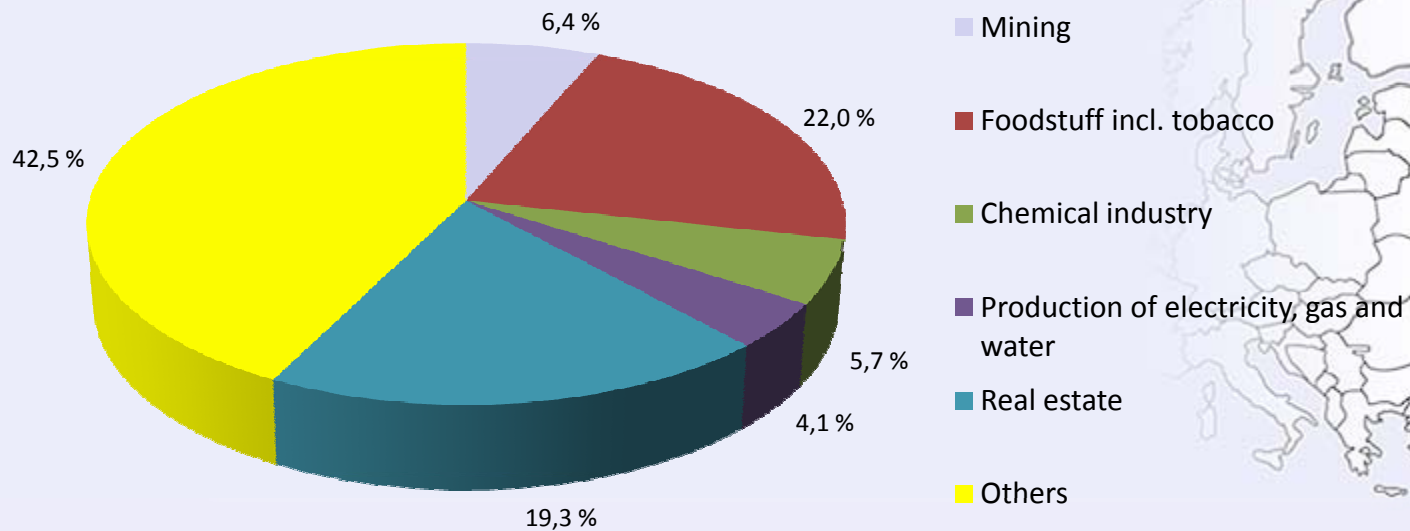
*1 USD = 35.7175 RUB

Kaliningradstat 2006 - 2008, author's calculation

2. Regional economy

f) Investments into fixed capital by sector 2008

*January-September 2008



Kaliningradstat 2008

2. Regional economy

g) Transport infrastructure

- 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 15 million tonnes
 - 40 km long Kaliningrad sea canal
- Main airport about 10 km north of Kaliningrad
 - Direct flights to Moscow, St. Petersburg, Warsaw, Berlin, Copenhagen and Riga
- Highway density 300 km/1000 sq. km
 - The density of the road network is nearly 10 times higher than on average in Russia
- Railway density 375/10 000 sq. km
 - Connections to Belarus, Germany, Latvia, Lithuania, Poland, Russia and Ukraine
- 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

Government of Kaliningrad Oblast

2. Regional economy

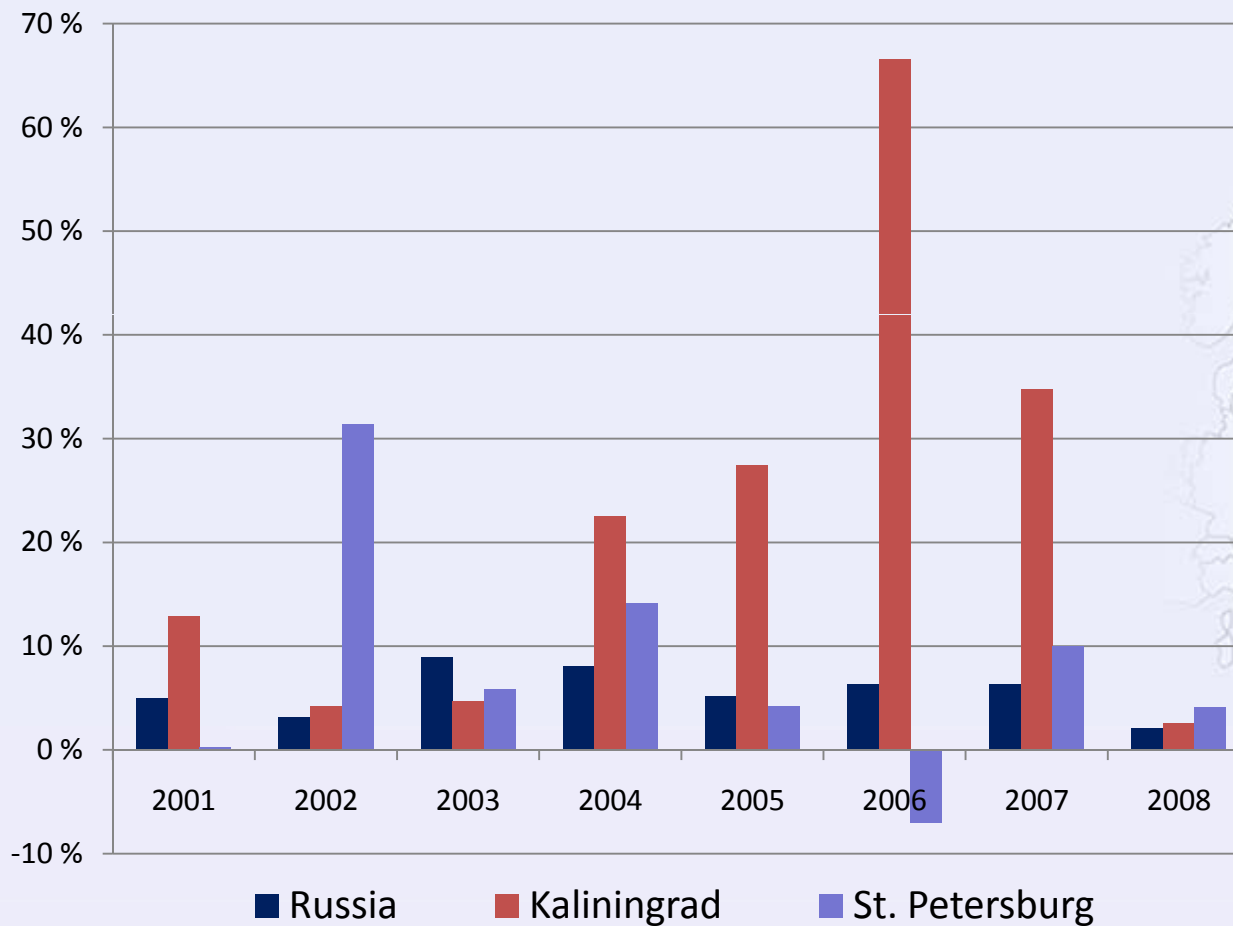
h) Transport volumes

	2004	2005	2006	2007	2008
Total, thousand tonnes transported	3365	3102	3626	3046	3107
Rail transport	2043	2176	2004	-	-
Road transport	151	925	751	764	1047
Sea transport	38,4	26,4	28,3	-	-
Air transport	1,0	1,0	1,0	1,1	2,9

Kaliningradstat 2006 - 2008

2. Regional economy

i) Development of industrial production 2001-2008



Kaliningradstat 2007 & 2008, Rosstat



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2. Regional economy

j) Development of industrial production 2007-2008

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

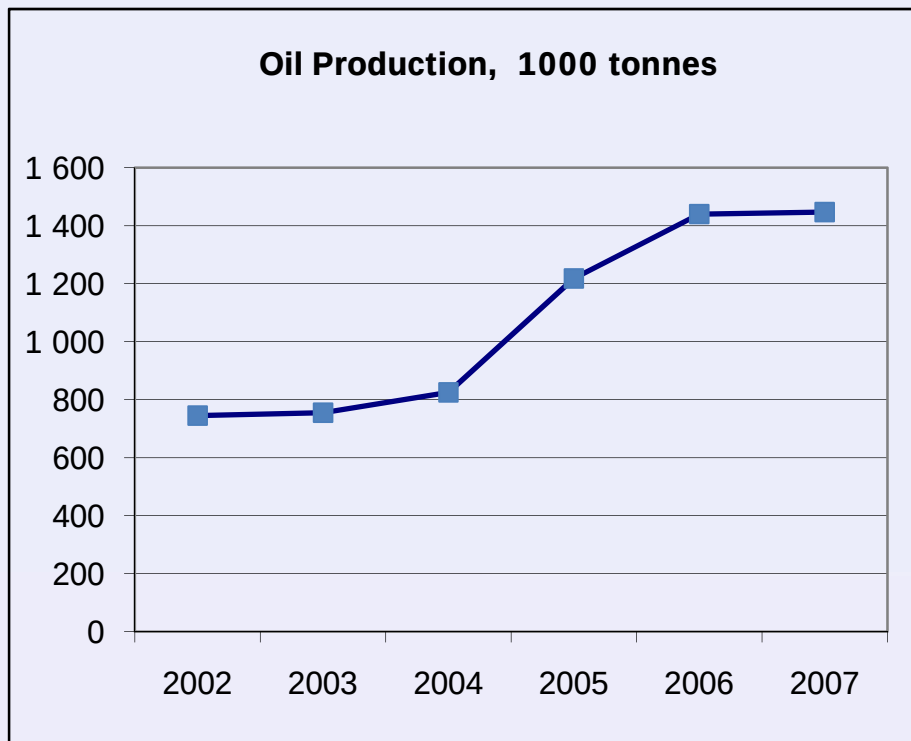
	2007	2008
Industrial production	40,3	2,5
• <i>Mining</i>	21,0	- 0,7
• <i>Manufacturing</i>	93,7	5,5
• <i>Utilities</i>	0,3	2,9
Construction	9,8	34,9
Retail trade	17,9	12,1

Kaliningradstat 2007-2009

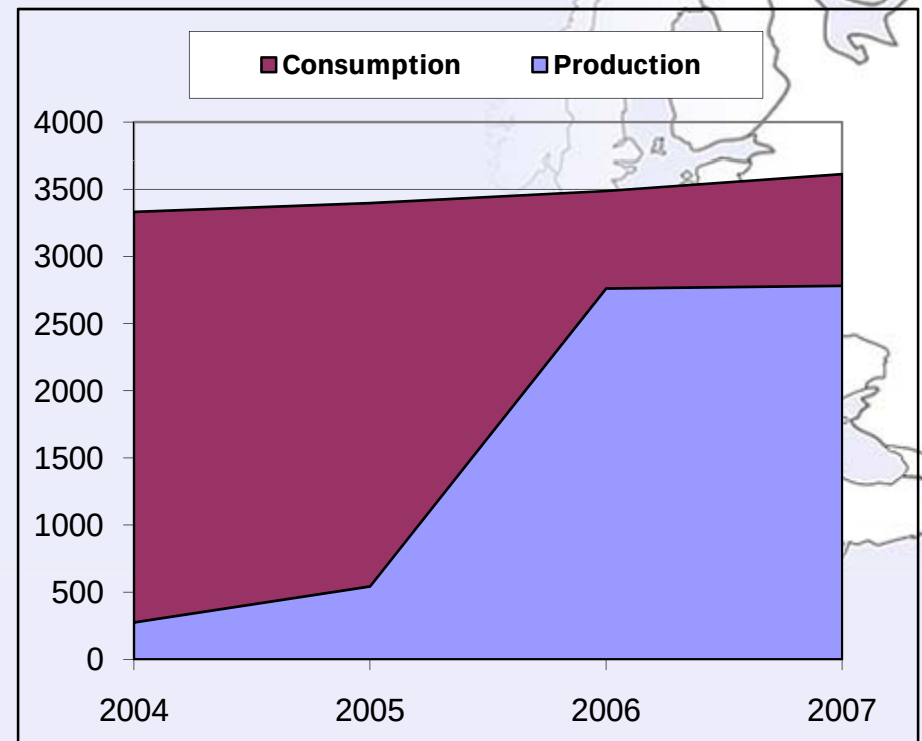
2. Regional economy

k) Oil & Electricity

OIL



ELECTRICITY



Kaliningradstat 2007 & 2008, author's calculation



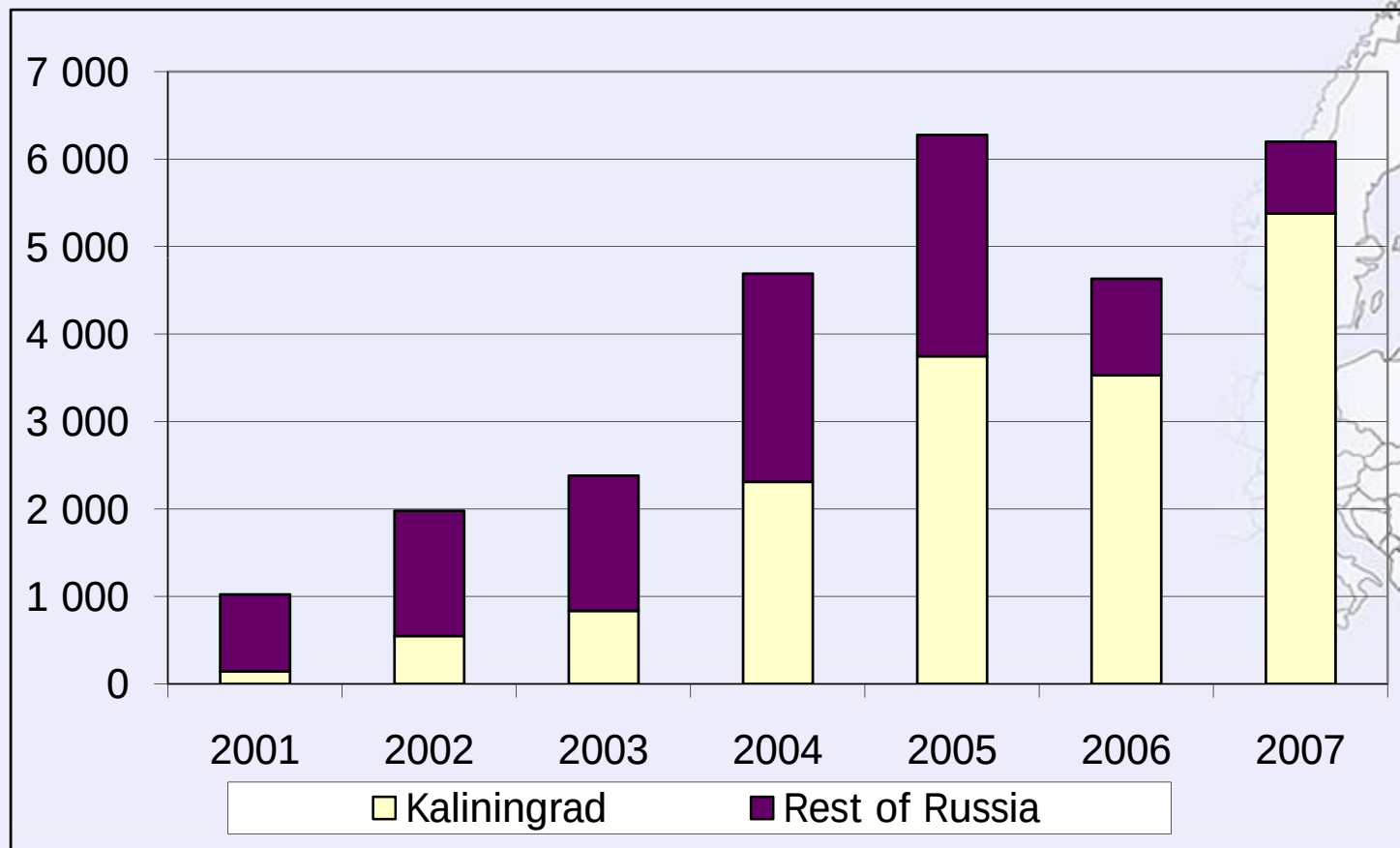
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2. Regional economy

I) TV production in Kaliningrad



Kaliningradstat 2007 & 2008 , author's calculation



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2. Regional economy

m) Price changes %

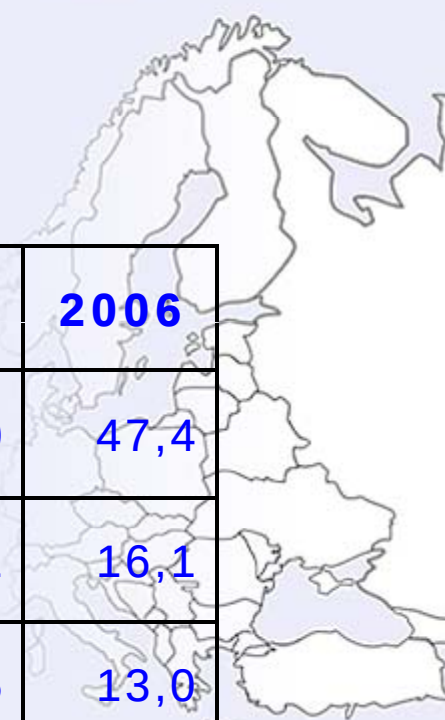
	2002	2004	2006	2007	2008
Producer prices in Kaliningrad	23,8	8,8	0,5	-2,0	-2,0*
Consumer prices in Kaliningrad	9,8	11,7	7,9	11,2	12,1
Consumer prices in Russia	15,1	11,7	9,7	9,0	14,0

* December 2008 to December 2007

Euromonitor 2009, Kaliningradstat 2008

2. Regional economy

n) Development of retail trade



	2000	2002	2004	2006
Retail sales, USD billion, constant prices	13,9	15,8	28,0	47,4
Kaliningrad region %	5,1	0,8	15,1	16,1
Russia %	8,8	9,2	12,5	13,0

1 USD = 35.0172 RUB

Kaliningradstat 2007



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2. Regional economy

o) 10 Largest companies in October, 2008

(In terms of sales in 2007)

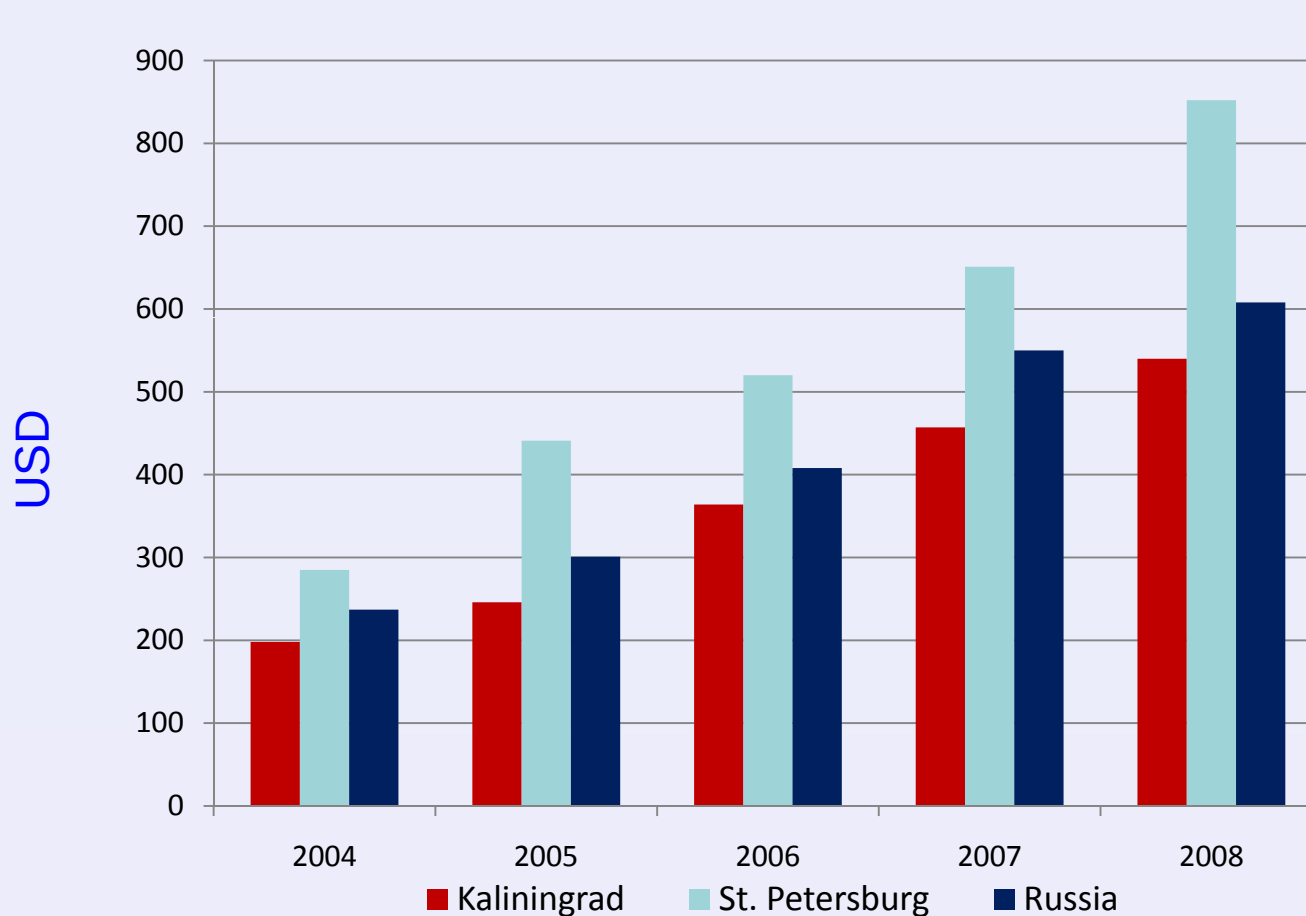
1. **AOZ Avtotor**
Car Assembly – <http://www.avtotor.ru>
2. **OOO Telebalt**
Electronics – <http://www.telebalt.ru>
3. **Baltmikst**
Car assembly – No Internet site found
4. **OOO Lukoil Kaliningradmorneft (a subsidiary of Lukoil)**
Oil business – <http://www.lukoil-kmn.com>
5. **OOO Yantarenergo (a subsidiary of RAO UES)**
Electrical energy <http://www.yantene.ru/yantenergo/ao.shtml>
6. **OOO Don Kihot**
Gambling – No Internet site found
7. **KD Avia Airline**
Transport – <http://www.kdavia.eu>
8. **OOO Victoria Baltia**
Retailing – <http://www.victoria-group.ru>
9. **Ros & Neft**
Wholesale – <http://www.rosneft.ru>
10. **OOO Vitsjunai-Rus**
Fishing - <http://www.vici.lt>



Expert Northwest 2008

3. Prosperity and consumption

a) Gross average wage 2004-2008

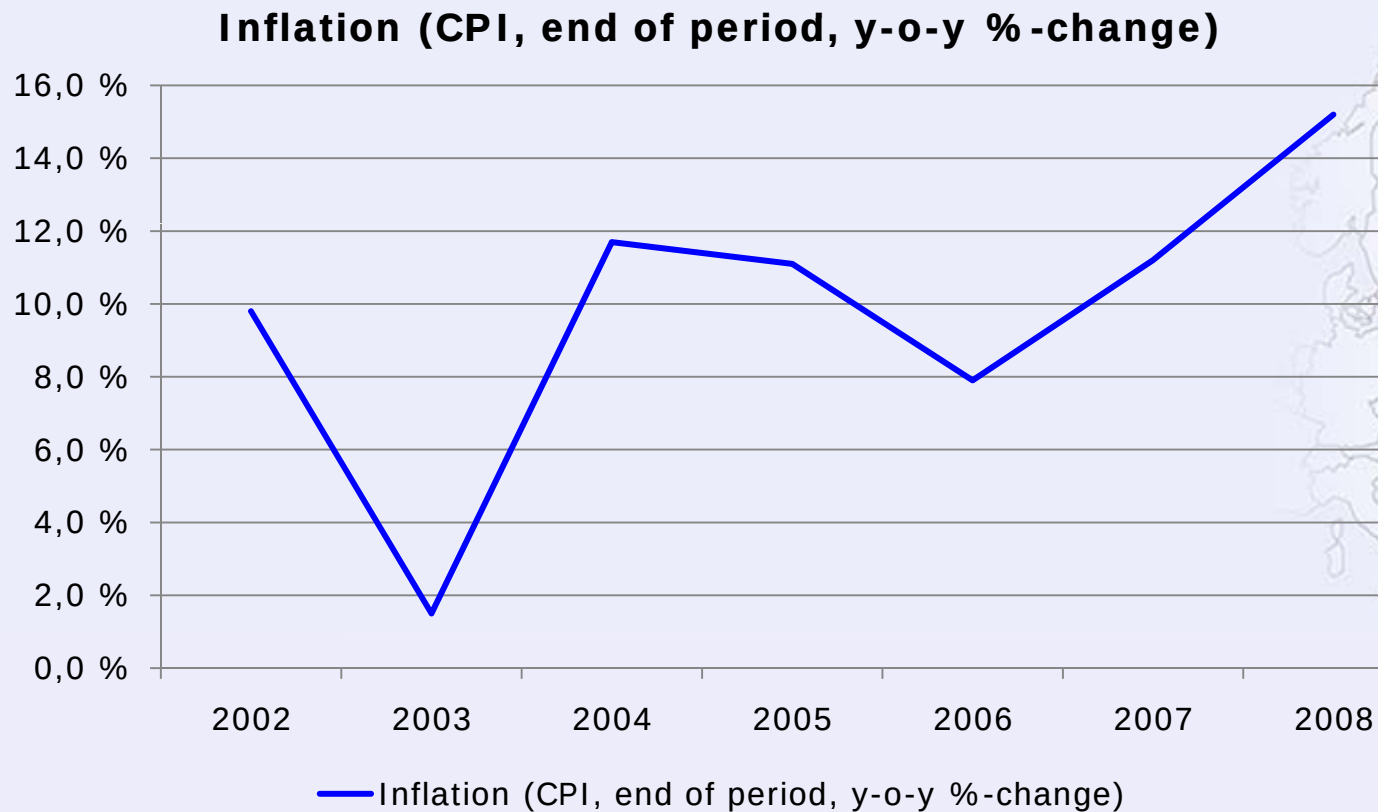


1 USD = 35.0172 RUB
1-11/2008

Bofit, Rosstat, Central Bank of Russia, Kaliningradstat 2007 & 2008

3. Prosperity and consumption

b) Inflation 2002-2008



*12/2008

Kaliningradstat 2008, Rosstat, Central Bank of Russia, Bofit, author's calculation



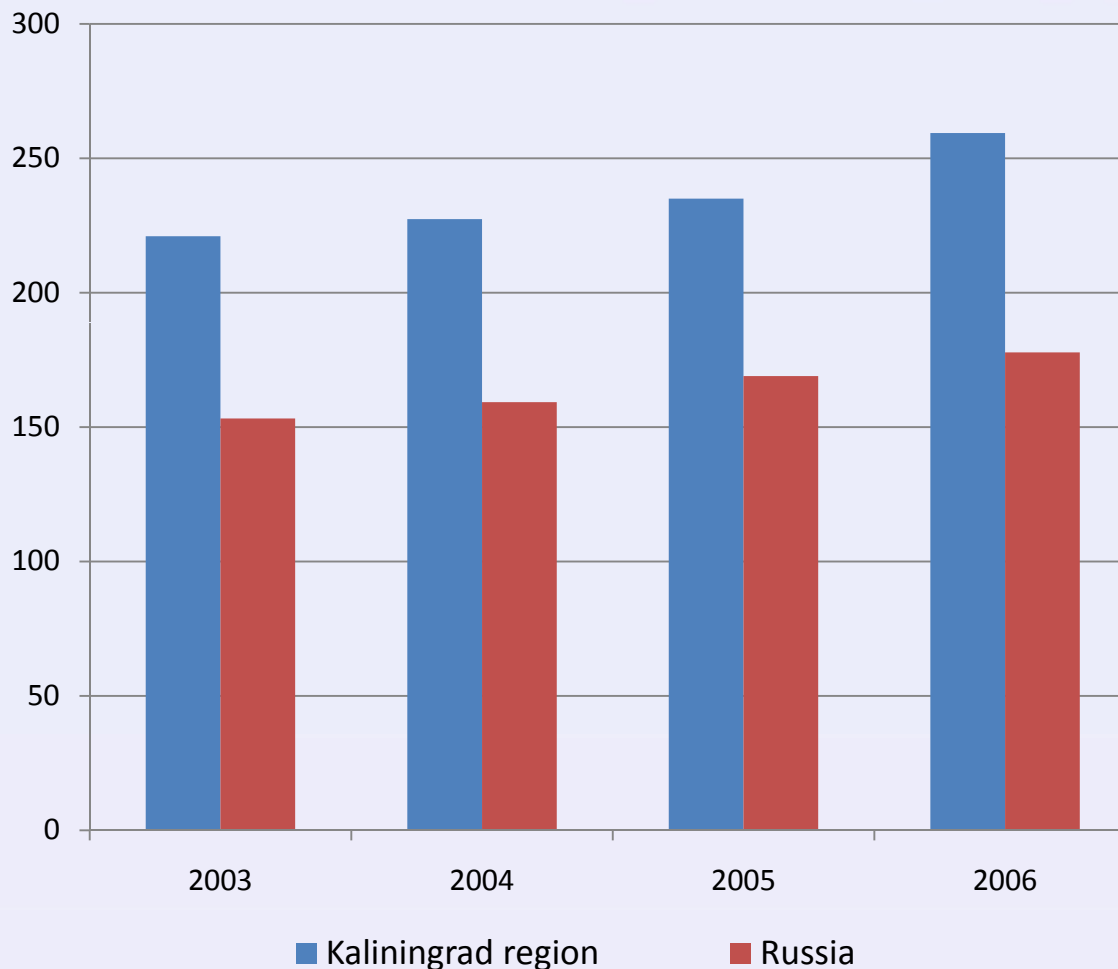
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3. Prosperity and consumption

c) Number of passenger cars per 1000 persons



Kaliningradstat 2008

4. External economic relations

a) Development of foreign trade

USD million

	2003	2004	2005	2006	2007	2008
Exports of goods (Current prices)	574	1 175	1 826	2 550	5 020	1 052
Imports of goods	2 142	3 133	4 077	5 373	7 821	7 577
Sales of Kaliningrad goods to the mainland Russia	1 118	1 802	2 361	3 105	5 339	2 863 (H1/2008)

* 2008 includes January-September

Kaliningradstat 2007 & 2008, Rosstat, Central Bank of Russia



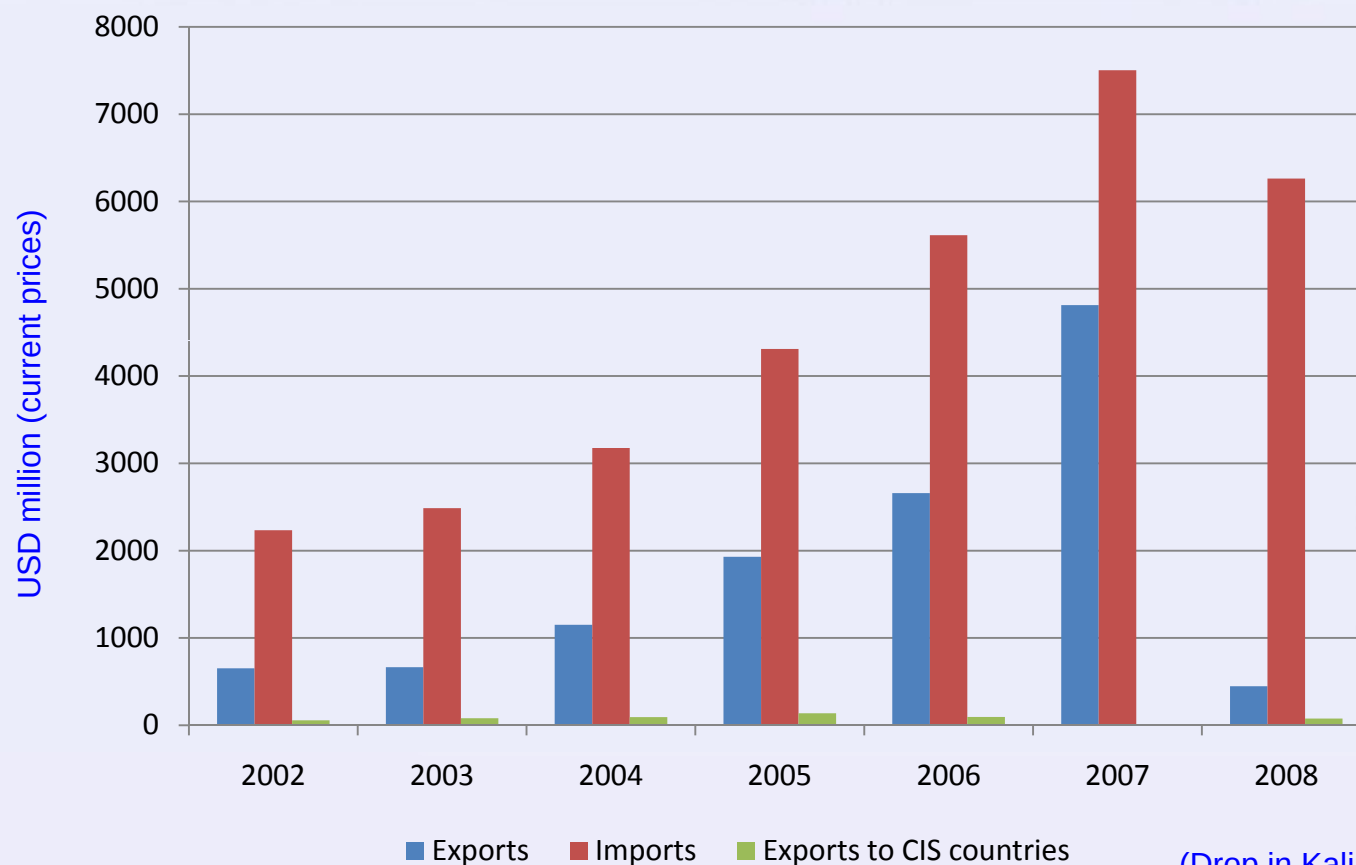
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4. External economic relations

b) Exports/ imports 2002-2008



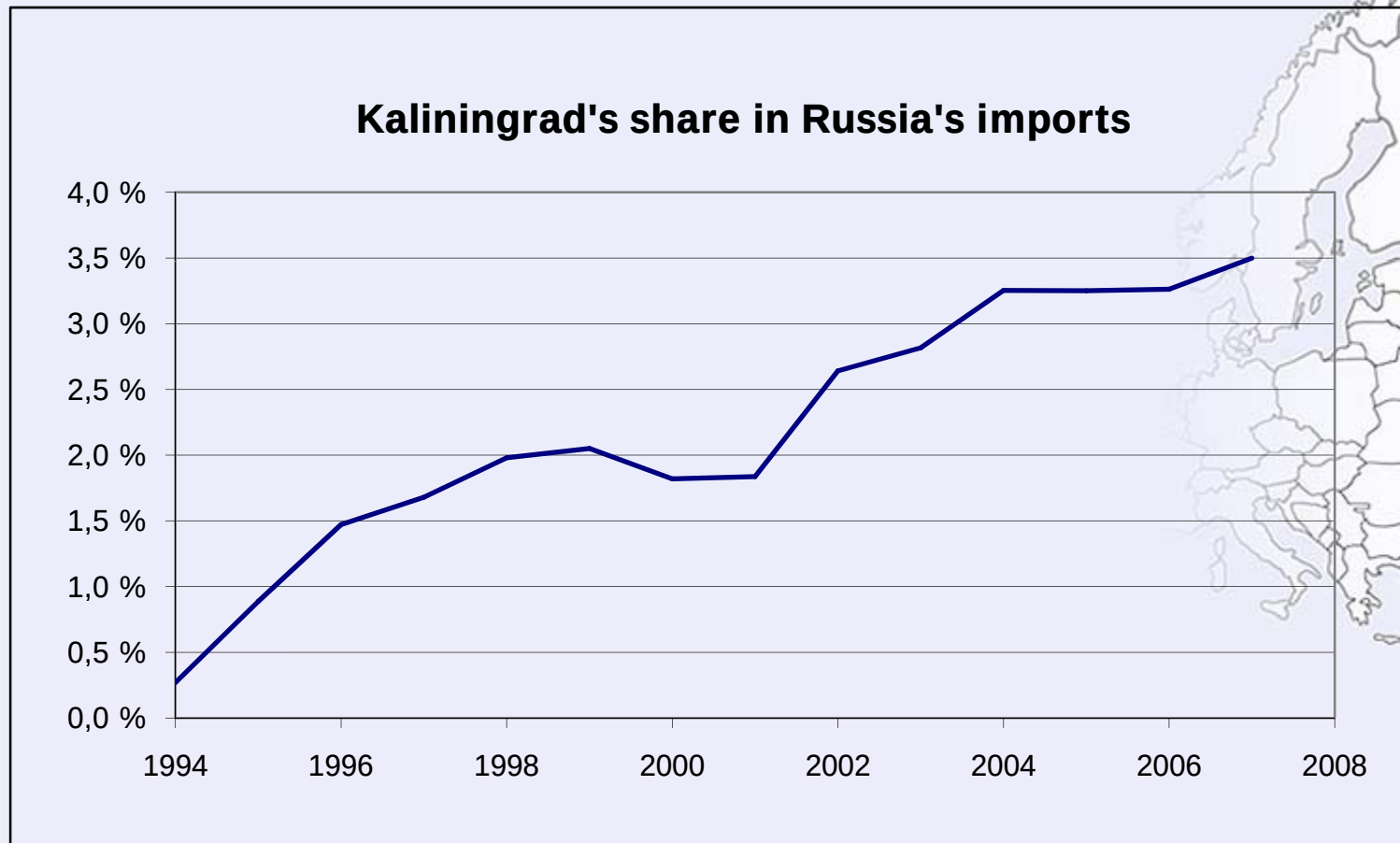
(Drop in Kaliningrad's exports in 2008 mainly due to the changes in statistical rules for export origins)

EUR 1 = USD 1,31299
*January-September 2008

Kaliningradstat 2007 & 2008, Rosstat, author's calculation

4. External economic relations

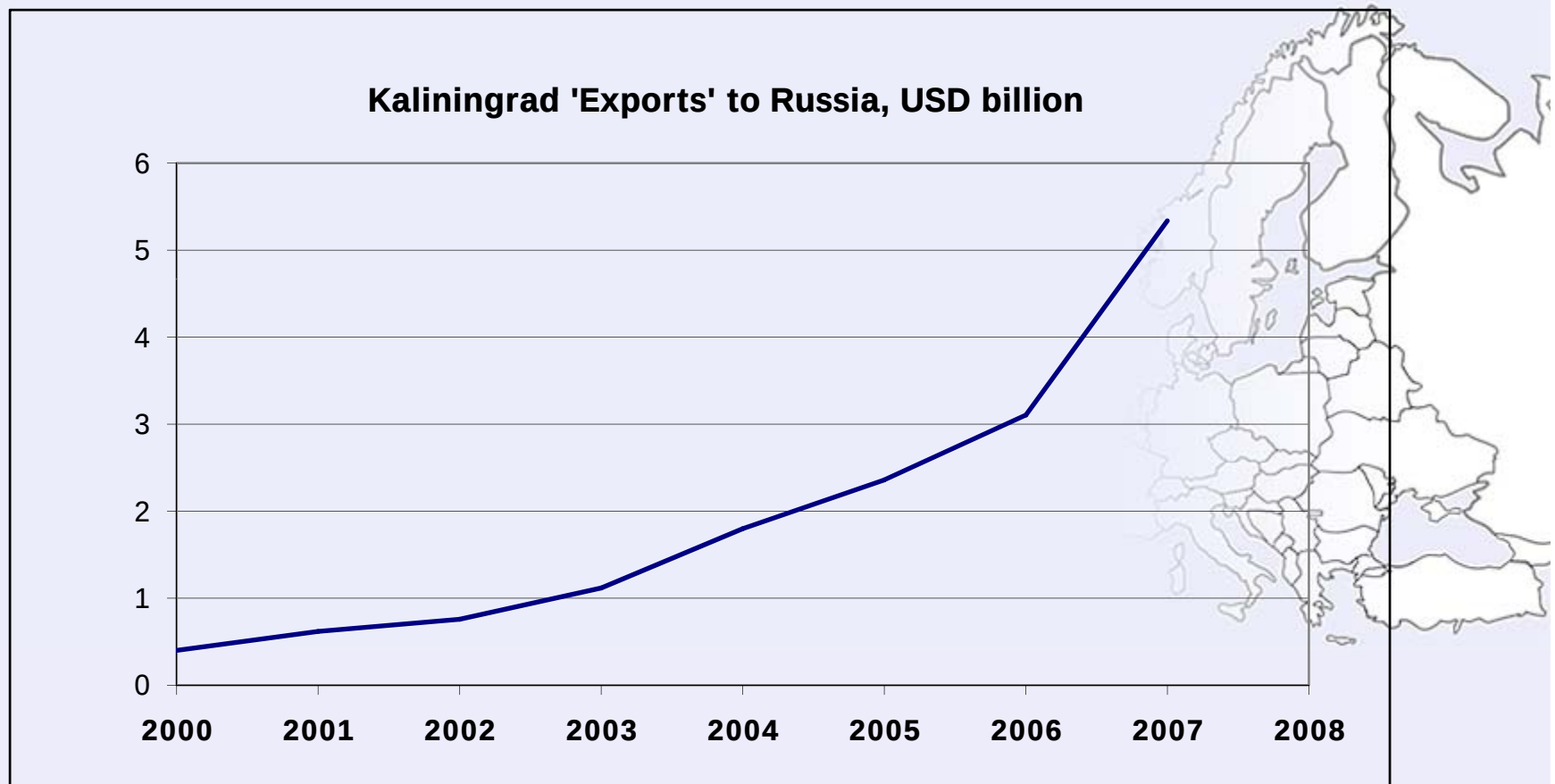
c) Imports



Kaliningradstat 2007 & 2008

4. External economic relations

d) Sales to Russia



Kaliningradstat 2007 & 2008

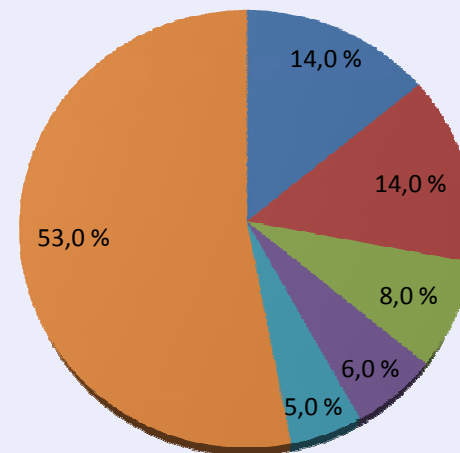
4. External economic relations

e) Foreign trade turnover by country 2008

*January-
September 2008

USD bln

	Total	Exports	Imports
China	1089,7	2,2	1087,5
Germany	1067,3	58,4	1008,9
Poland	641,0	49,1	591,9
United States	430,7	1,7	429,0
Brazil	423,2	0,0	423,2
Slovakia	374,7	9,4	365,3
Lithuania	291,9	90,0	201,9
Taiwan (China)	232,0	0,1	231,9
CIS-countries	187,7	77,4	110,3
France	180,7	7,5	173,2

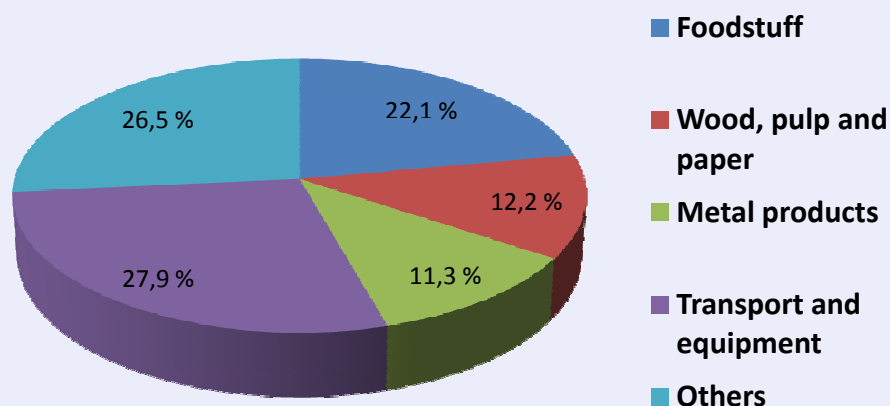


Kaliningradstat 2008

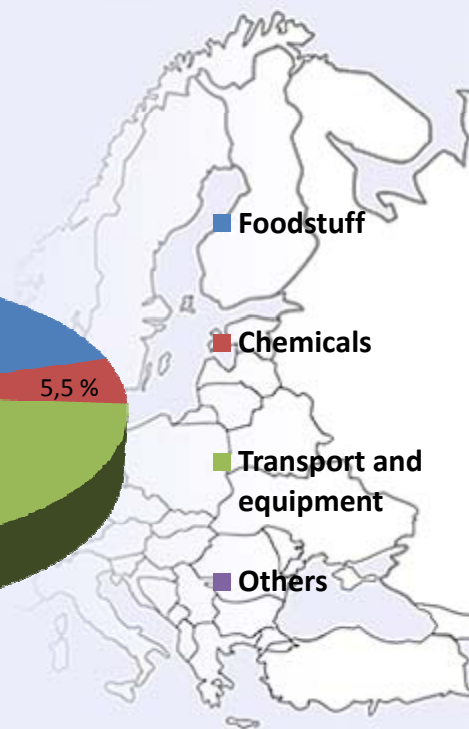
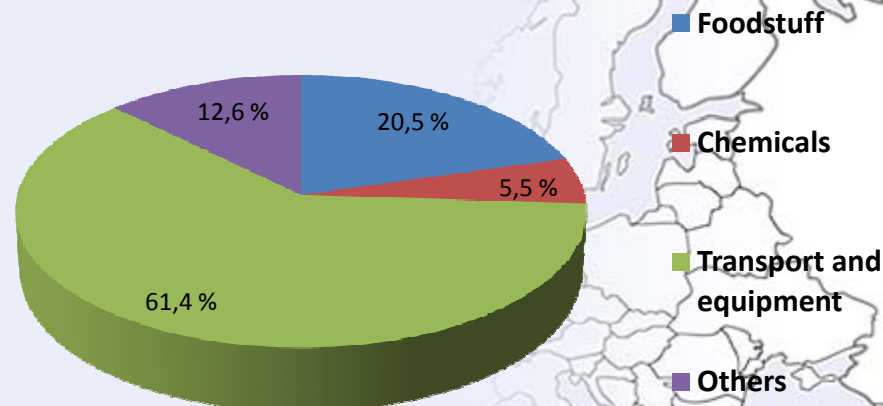
4. External economic relations

f) Foreign trade structure in 2008 (Jan-Sept.)

Exports



Imports



*Imports from Belarus not included

Goskomstat 2008

4. External economic relations

g) Development of foreign direct investment

USD mln

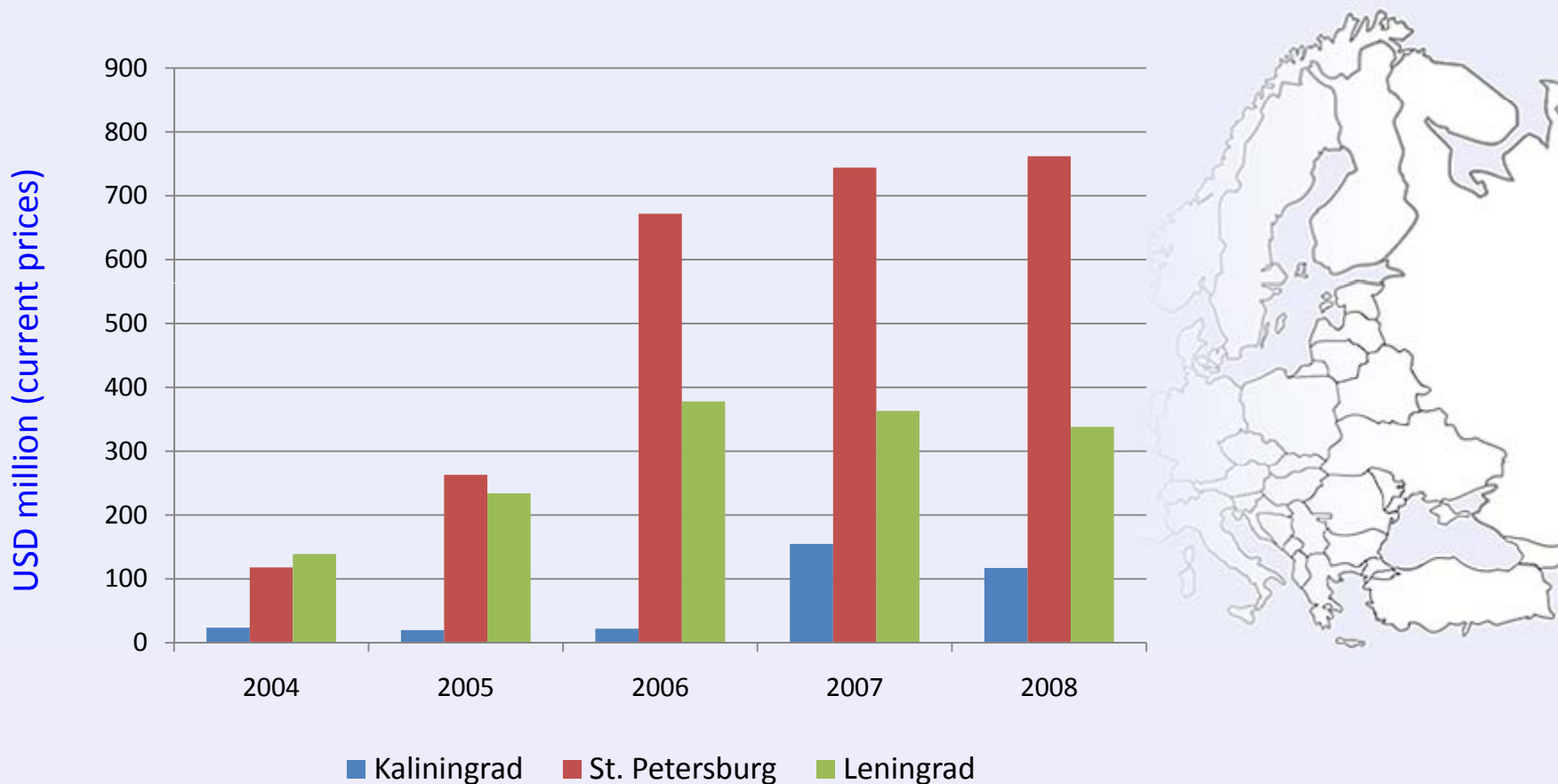
	2002	2004	2006	2008	Total stock as of 31.12.2007
Total foreign investment	47,7	61,9	80,8	308,4*	532,9*
Direct investment	5,9	22,4	21,2	135,7*	311,6*
Portfolio investment	0,0	4,9	22,2	33,4*	80,5*
Other investments – trade credits and loans	41,8	34,6	37,4	139,2*	140,8*

*2008 January-September

Kaliningradstat 2008

4. External economic relations

h) Annual FDI inflow

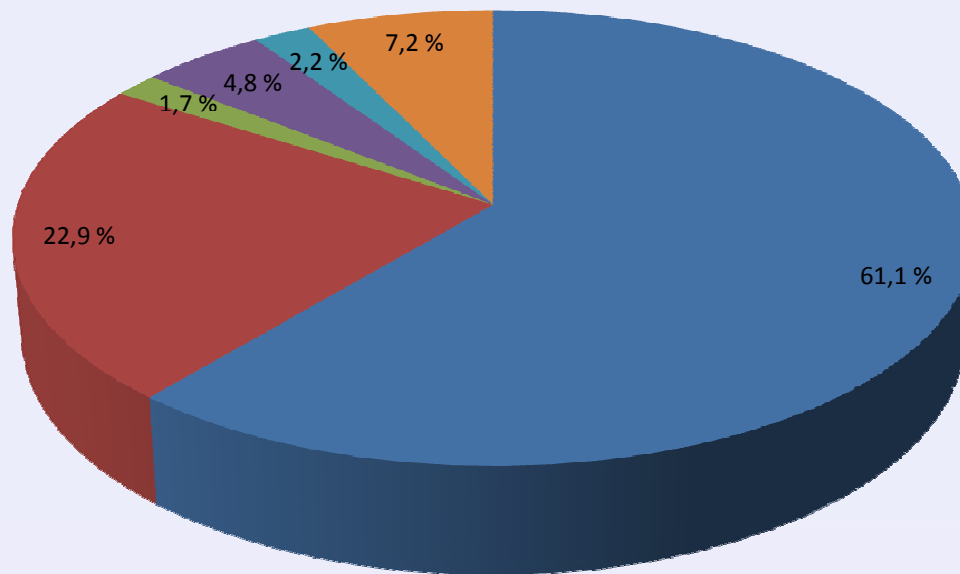


Rosstat, Kaliningradstat 2007 & 2008

4. External economic relations

i) Foreign investments into Kaliningrad in 2008

January-September 2008



- Foodstuff incl. tobacco
- Financing
- Transport
- Automobiles
- Metal sector
- Others

Kaliningradstat 2008



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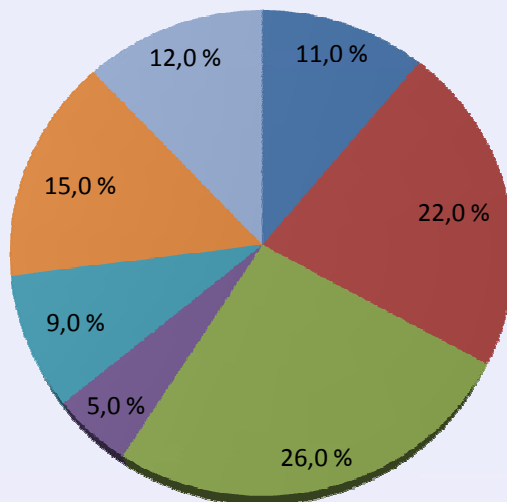


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4. External economic relations

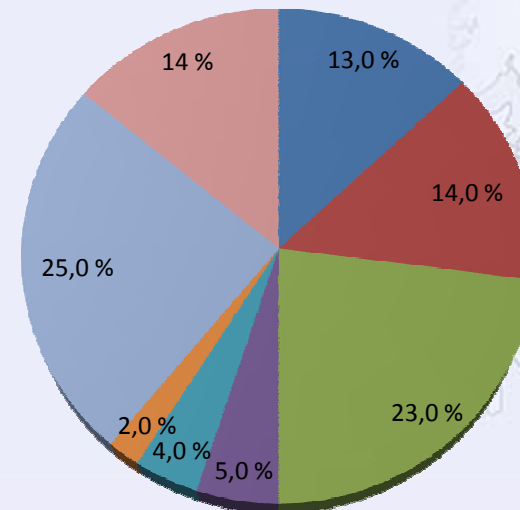
j) Foreign investment by country of origin in 2006 & 2008

2006



■ Cyprus
■ Lithuania
■ Netherlands
■ United Kingdom
■ Poland
■ Switzerland
■ Others

2008 (Jan-Sept.)



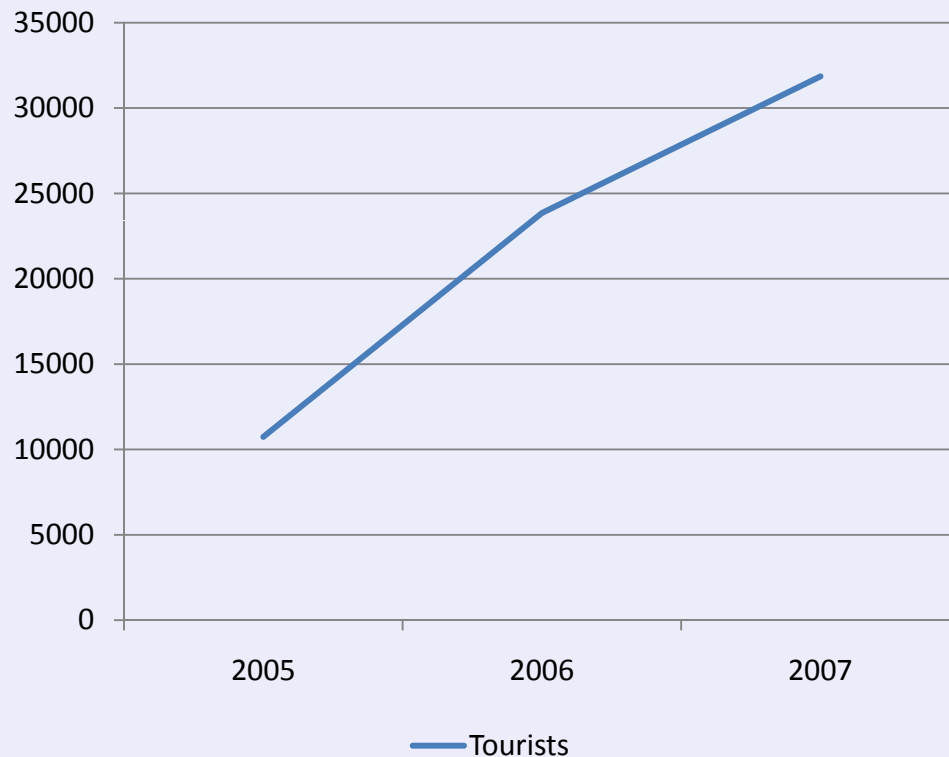
■ Cyprus
■ Denmark
■ Poland
■ United Kingdom
■ Switzerland
■ Portugal
■ United States

Kaliningradstat 2007 & 2008

4. External economic relations

k) Tourism

Tourism 2005-2007

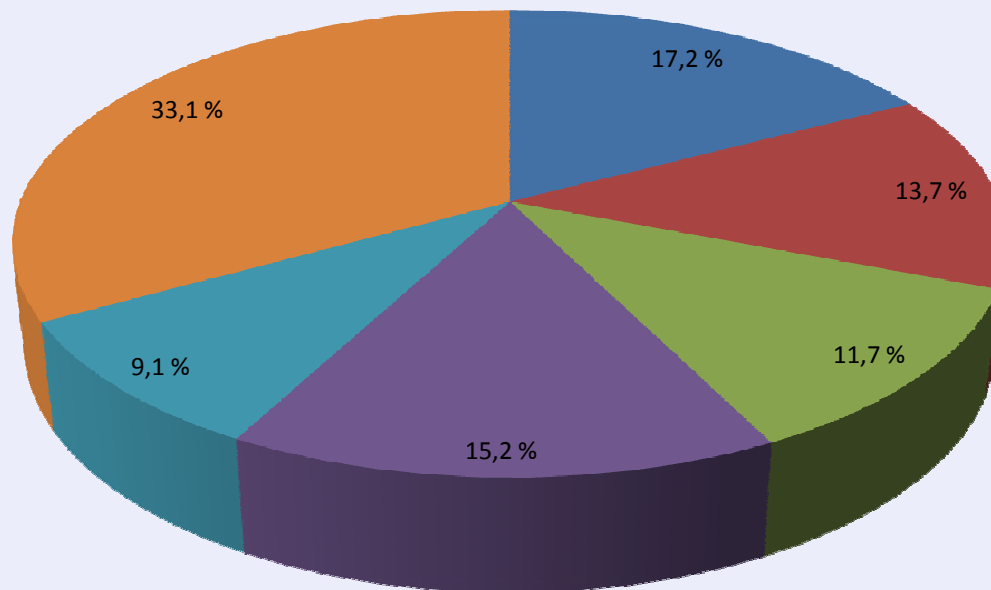


- 148 km of seashore, largely with sandy beaches
- Existing sanatorium and spa capacities and health-related facilities in the coastal resorts
- The Curonian Spit and some other natural attractions

KRCS, Kaliningradstat 2007

4. External economic relations

1) Distribution of tourists by countries 2007



*Tourism supply for tourist companies

Kaliningradstat 2007 & 2008

5. Special zones in Kaliningrad

a) Kaliningrad Special Economic Zones: Overview

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 4,4 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

REDA 2008, Liuhto 2008

5. Special zones in Kaliningrad

b) Largest residents in new SEZ in terms of their planned investments (Total investments 32,4 billion RUR)

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



Government of Kaliningrad Oblast

5. Special zones in Kaliningrad

c) Special zones for tourism & recreation and for gaming

- The Federal Ministry of Economic Development and Trade approved from 7 regions, including the Kaliningrad region to create special zones for tourism and recreation
 - The special zone for tourism and recreation in Kaliningrad is planned to be set up on the Curonian Spit with the focus on environmental and recreational tourism
 - Federal government will invest in the infrastructure of the SEZ 1,5 billion RUR
 - The zone will grant its residents tax holidays and concessions for profit, property and payroll taxes
 - Use accelerated depreciation of fixed assets for profit tax calculations
 - Property tax holiday (0 % tax) for 5 years for property located in the zone
 - Land tax holiday (0 % tax) for 5 years
- In December 2006, president Putin signed a federal law ordering all gambling companies in the Russian Federation to be relocated into 4 gaming zones by July of 2009
 - One of these four zones will be created in the Kaliningrad region
 - The introduction of a gaming zone will have a profound effects on tourism, jobs, income level, image, infrastructure and growth in other sectors in the Kaliningrad region

Federal Agency for Management of
Special Economic Zones

6. Additional information

a) Some banks

- Bank Moskvvy filial
 - <http://www.mmbank.ru> ; tel. +7 (4012) 05-4022
- Evropejsky
 - <http://www.icbe.ru> ; tel. +7 (4012) 57-3900
- Investbank
 - <http://www.investbank.ru> ; tel. +7 (4012) 35-1440
- Kaliningradsky (Alfa-Bank filial)
 - <http://www.alfabank.com> ; tel. +7 (4012) 55-1605
- Vneshtorgbank filial
 - <http://www.vtb.ru/rus/web.html?l=1> ; tel. +7 (4012) 43-1195
- Swdbank
 - <http://www.swedbank.ru/eng/> ; tel. +8 (800) 100-6363
- Raiffeisen bank
 - <http://klgd.raiffeisen.ru/en/> ; tel. +8 (800) 700-9100



Information may change



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6. Additional information

b) Business supporting services

- Association of International Experts on the Development of the Kaliningrad Region
 - <http://www.kaliningradexpert.org/>
- The Baltic Business Club
 - <http://www.bdk.ru/> ; tel. +7 (4012) 72-8085
- Foreign Investors Association in the Kaliningrad Region
 - <http://www.fiak.biz/> ; tel. +7 (4012) 59-2678
- Kaliningrad Chamber of Commerce and Industry
 - <http://www.kaliningrad-cci.ru/en/index.html> ; tel. +7 (4012) 95-68-01
- Kaliningrad Regional Development Agency
 - <http://www.kaliningrad-rda.org/en/development/> ; tel. +7 (0112) 53-0863

Information may change

6. Additional information

c) Some authorities

- **The Regional Government of Kaliningrad**
 - <http://www.gov39.ru/>
 - **Georgy Boos** – Governor of Kaliningrad ; Tel. +7 (4012) 59-9001
- **The Kaliningrad Oblast Duma Russia**
 - <http://duma.kaliningrad.org/data/eng/structure.htm> ; Tel. + 7 (0112) 22-8439
- **Kaliningrad City Hall**
 - <http://www.klgd.ru/en/city/economy/> ;
 - Foreign Relations Department ; Tel. +7 (0112) 21-5395
- **Kaliningrad Chamber of Commerce and Industry (CCI)**
 - <http://www.kaliningrad-cci.ru> ; Tel. +7 (0112) 21-5507
- **Customs Authorities**
 - <http://www.klgd.ru/en/city/economy/customs.php> ; Tel. + 7 (0112) 21-8588



Information may change



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6. Additional information

d) Consulates and European Commission's Delegation

- **Some consulates:**

- **Denmark:**

- <http://www.ambmoskva.um.dk/en/menu/ConsularServices/consulates+in+ruusia/>

- Tel. + 7 (4012) 71-6053

- **Germany:**

- http://www.konsulate.de/info/info_deutsches_konsulat_kaliningrad_russland.php

- Tel. +7 (4012) 92-0230

- **Italy:**

- http://www.ambmosca.esteri.it/Ambasciata_Mosca/Menu/Ambasciata/La_rete_consolare/

- Tel. +7 (4012) 53-24-32

- **Lithuania:**

- <http://www.urm.lt/> ; Tel. +7 (40161) 3-81-65

- **Poland:**

- <http://www.kaliningradkg.polemb.net> ; Tel. +7 (4012) 97-6400

- **Sweden:**

- <http://www.swedenabroad.com/> ; Tel. +7 (4012) 95-9400

- **European Commissions's Delegation**

- <http://www.delrus.cec.eu> ; Tel. + 7 (4012) 71-6799

Information may change

6. Additional information

e) Some hotels

- **Hotel Shkiperskaya**
 - Located in Kaliningrad
 - <http://www.skipperhotel.ru>
- **Hotel Kaliningrad**
 - Located in Kaliningrad
 - <http://www.hotel.kaliningrad.ru/eng/kaliningrad/>
- **Hotel Grand Palace**
 - Located in Svetlogorsk
 - <http://www.grandhotel.ru/hotel/?lang=en>
- **Triumph-Palace Hotel**
 - Located in Kaliningrad
 - <http://www.triumph-palace.ru/>
- **Heliopark Kaiserhoff**
 - Located in Kaliningrad
 - <http://www.heliopark.ru>



Information may change

6. Additional information

e) Some useful links

- Baltic Rim Economies: <http://www.tse.fi/EN/units/specialunits/pei/economicmonitoring/bre/Pages/default.aspx>
- Electronic Publications of the Pan-European Institute: <http://www.tse.fi/EN/units/specialunits/pei/publications/Pages/default.aspx>
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