

# Kaliningrad slide package for a foreign investor



January 2011  
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# Contents

1.	General information	3
2.	Regional economy	6
3.	Prosperity and consumption	19
4.	External economic relations	21
5.	Special economic zones in Kaliningrad	31
6.	Additional information	34

The information in this document is compiled from a variety of sources. 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:

75<sup>th</sup> out of 83 regions in Russia in terms of area, (15 100 km<sup>2</sup>),  
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](http://www.geobytes.com)

# 1. General information

## b) Basic facts

Inhabitants: 937 900 (beginning of 2010)

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. General information

## c) Population and labour force

	2005	2006	2007	2008	2009
Population (thousands)	945	940	937	937	937
Population change from previous year (%)	-4,9	-5,4	-2,7	0,0	0,0
Unemployment (thousands)	31	23	18	47	56
Level of unemployment (ILO definition, %)	5,9	4,5	3,4	8,7	10,8
Development of labour force (economically active population), thousands	519	490	500	537	516

Kaliningradstat 2010, author's calculations

# 2. Regional economy

## a) The Kaliningrad region in the Russian economy in 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 %

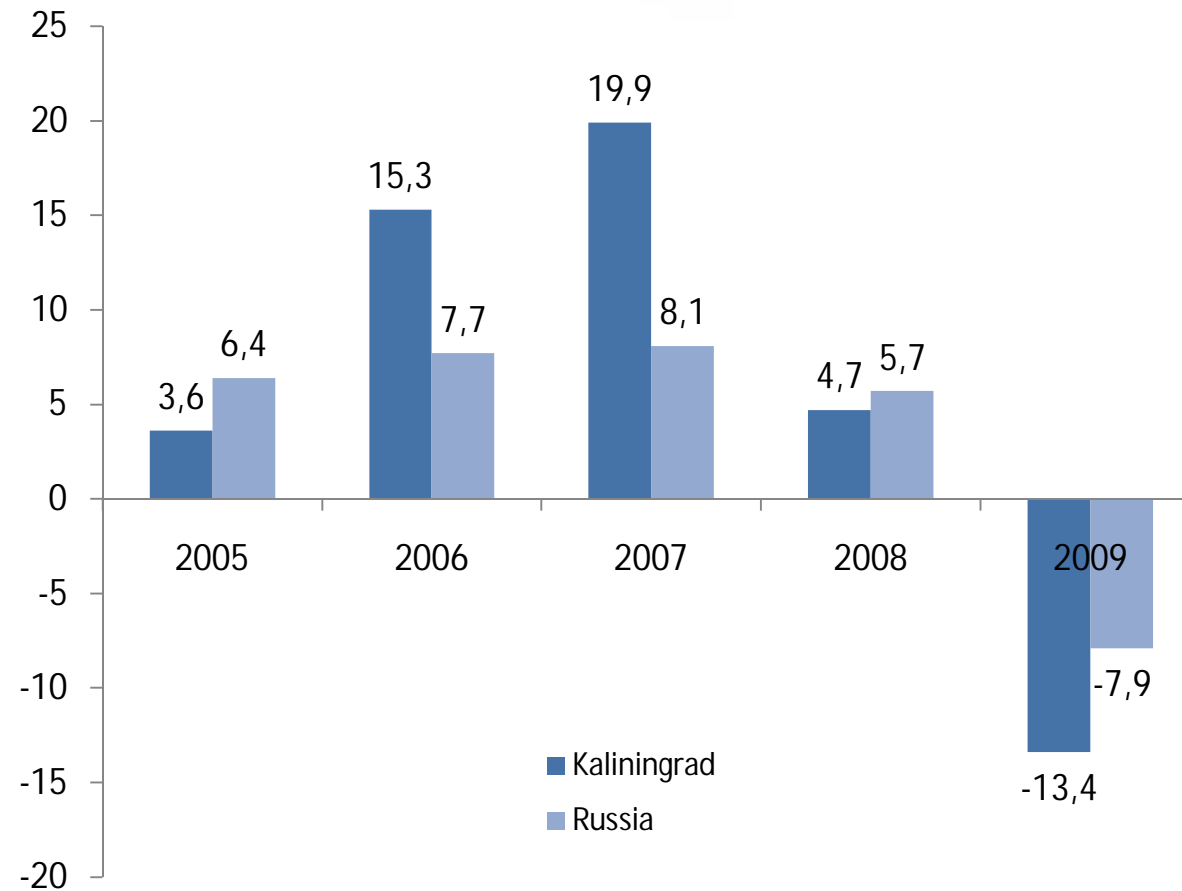


Kaliningradstat 2007 & 2008

# 2. Regional economy

## b) Regional GDP development

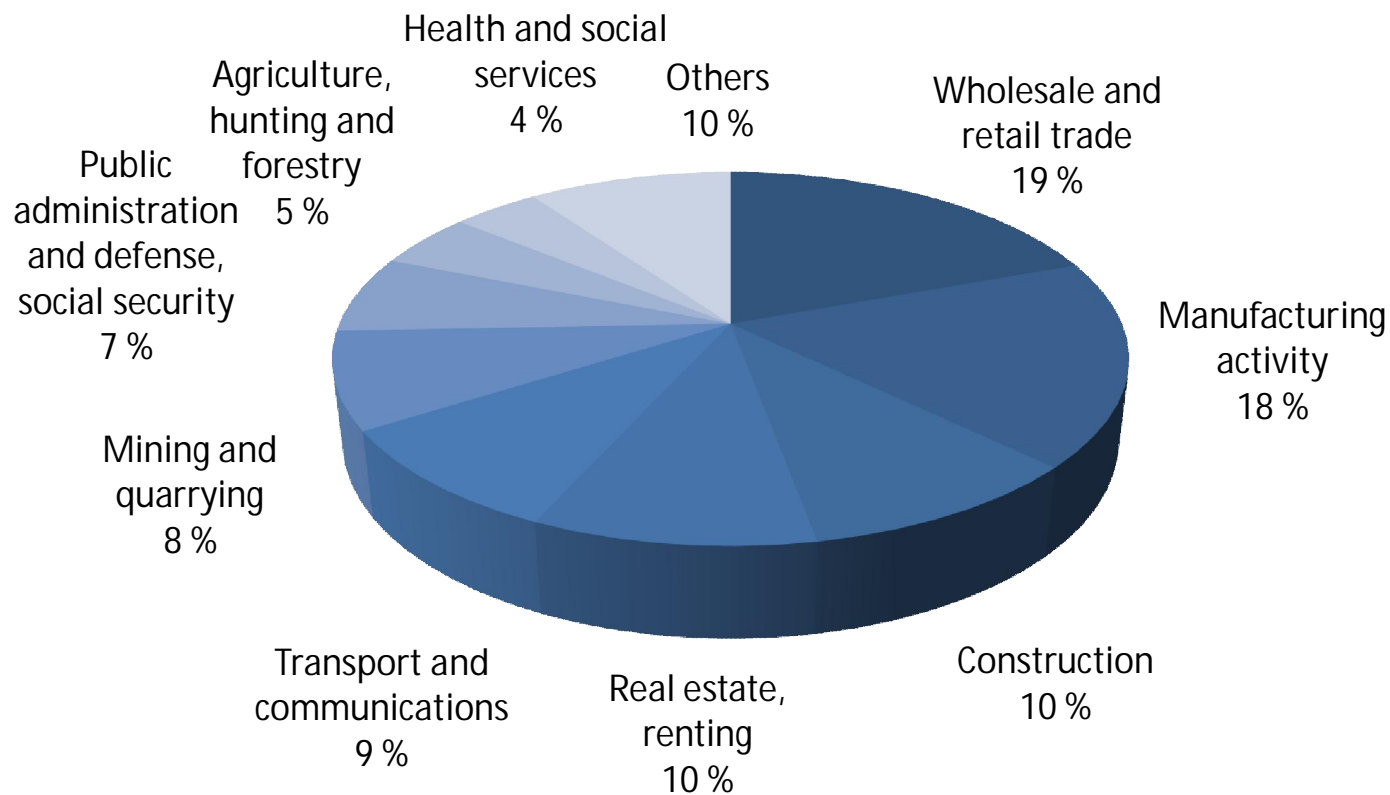
%-change  
from previous  
year



Kaliningrad's Ministry of Economy 2010,  
Rosstat (for reference see HSE Biannual  
review on Kaliningrad 6/2010)

# 2. Regional economy

## c) Structure of regional GDP in 2008





## 2. Regional economy

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

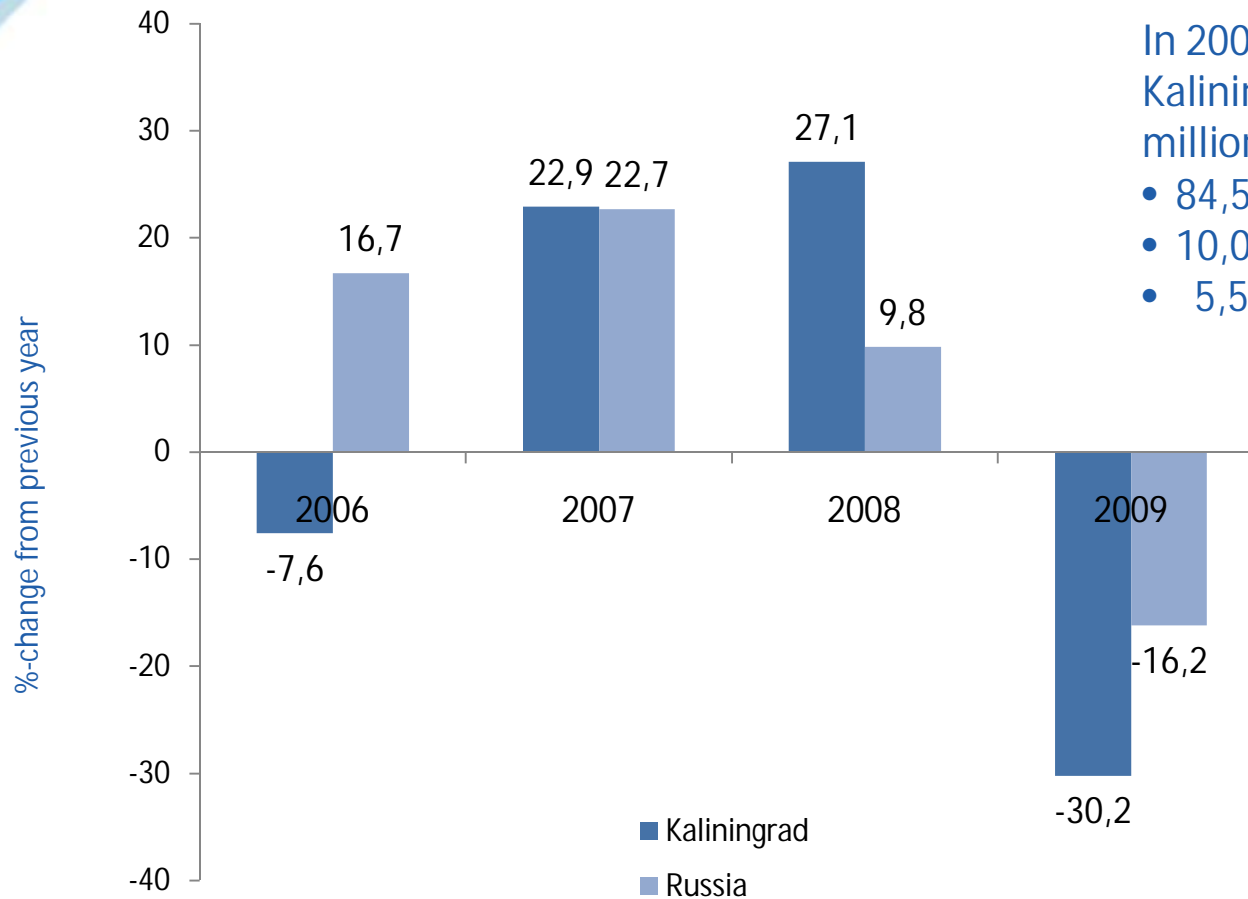
	2005-2006	2009-2010
Ranking of investment potential	32	31
Labour potential	48	51
Consumption potential	52	48
Production potential	32	32
Financial potential	43	48
Institutional potential	11	20
Innovation potential	41	63
Infrastructure potential	3	4
Natural resource potential	37	35
Tourism potential	23	30
Ranking of investment risk	13	76

1 = best

RA Expert 2010

# 2. Regional economy

## e) Development of investment in fixed capital



In 2009, fixed capital investments in Kaliningrad totalled USD 1 531 million\*, the structure being

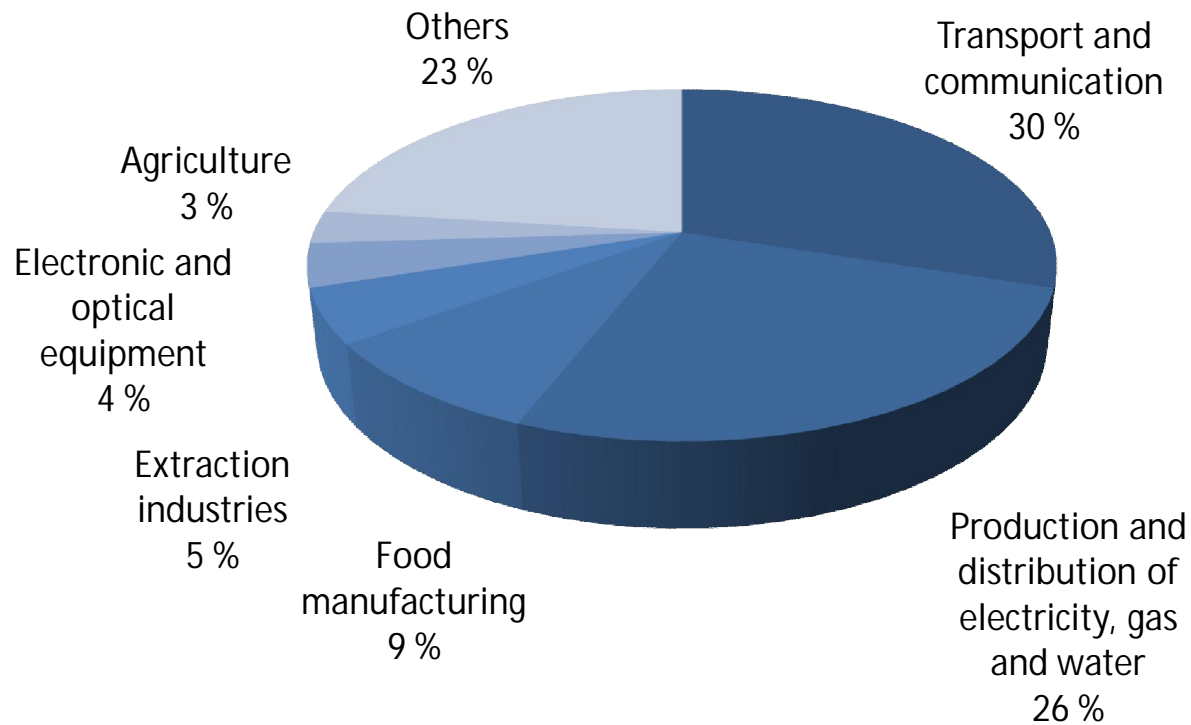
- 84,5 % Russian
- 10,0 % foreign
- 5,5 % joint Russian and foreign

\*1 USD = 35.0172 RUB

Kaliningradstat 2009 & 2010, Rosstat 2010 (for reference see HSE Biannual review on Kaliningrad 6/2010)

# 2. Regional economy

## f) Investments into fixed capital by sectors in 2009



Data for large and medium sized companies

Kaliningradstat 2009 & 2010 (for reference see HSE Biannual review on Kaliningrad 6/2010)

# 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 15 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

Government of Kaliningrad Oblast 2008

# 2. Regional economy

## h) Development of transport volumes

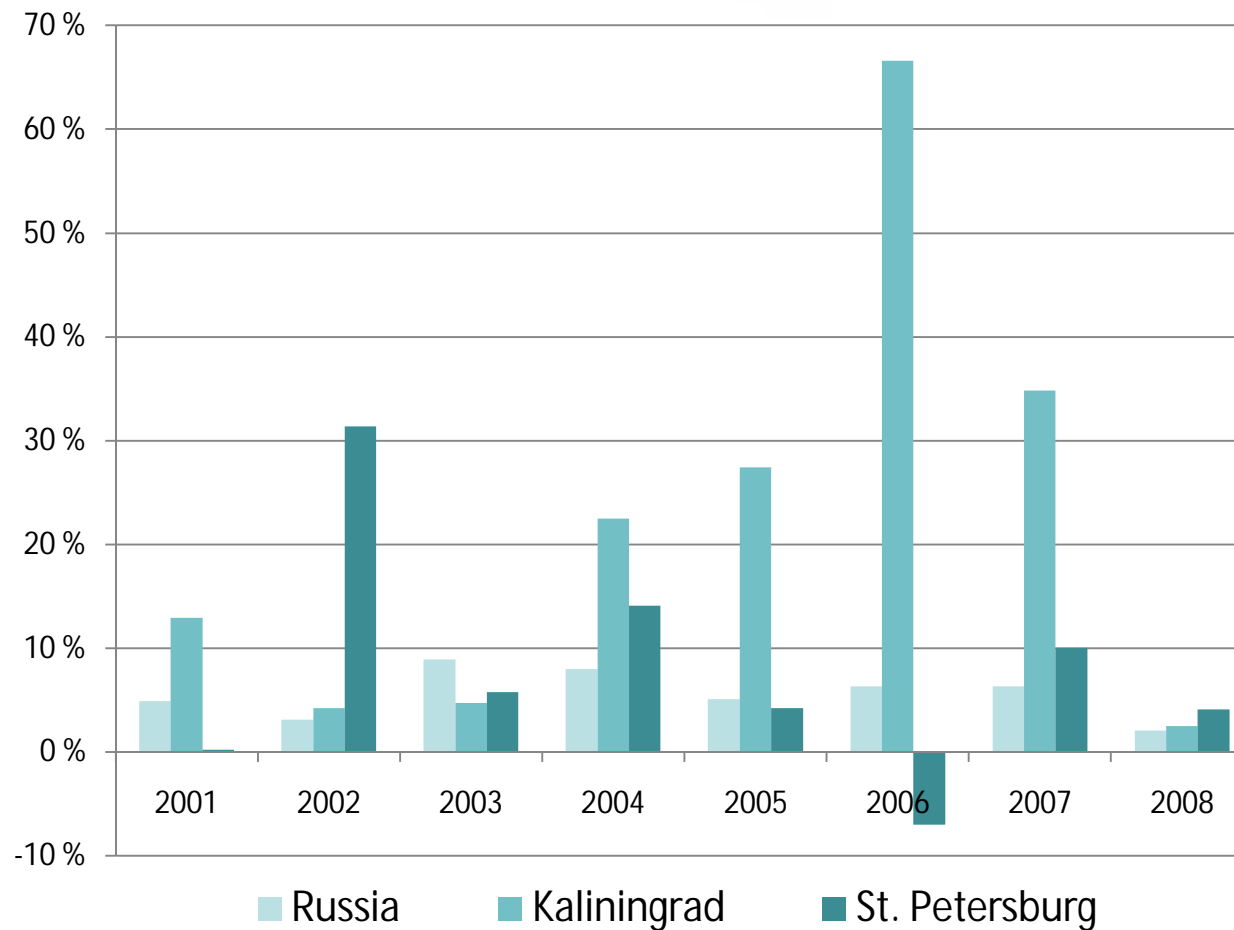
	2005	2006	2007	2008	2009*
Cargo handling in the port of Kaliningrad (million tonnes)	14,6	15,2	15,6	15,4	12,0
Cargo traffic by rail (million tonnes)	18,4	19,1	19,4	18,5	12,2
Passenger traffic by air (million people)	1,0	1,7	1,8	2,9	-

\*estimates

Invest in Kaliningrad 2010

# 2. Regional economy

## i) Development of industrial production



Kaliningradstat 2007 & 2008, Rosstat

# 2. Regional economy

## j) Development of industrial production 2008-2009

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

	2008	2009
Construction	-3,9	-11,7
Electrical and optical equipment	-16,0	-69,5
Electricity, gas and water	2,7	-7,2
Food products, beverages and tobacco	0,1	-11,0
Machinery	12,6	-57,9
Mining	-0,4	-5,7
Pulp and paper, publishing and printing	-21,8	-61,9
Timber and wood products	-10,0	-23,0
Transport vehicles	4,5	-44,3

КАЛИНИНГРАДСКАЯ ОБЛАСТЬ В ЦИФРАХ 2010,  
Kaliningradstat

## 2. Regional economy

k) Development of prices (% , end of the year)

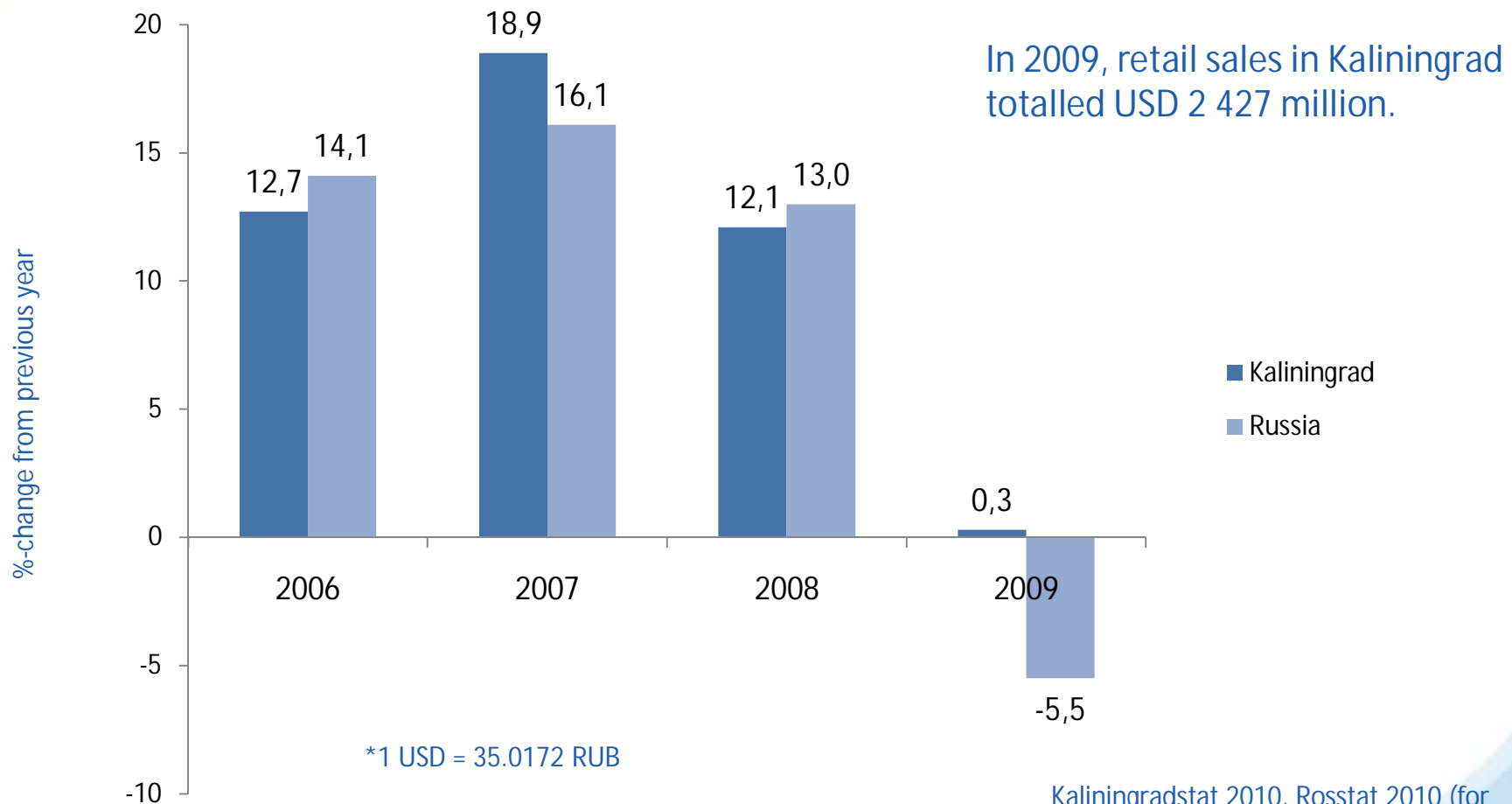
	2005	2006	2007	2008	2009
Producer prices in Kaliningrad	11,2	0,5	15,8	-2,0	20,5
Consumer prices in Kaliningrad	11,1	7,9	11,2	15,2	8,0
Consumer prices in Russia	10,9	9,0	11,9	13,3	8,8

Kaliningradstat 2009 & 2010 (for reference see  
HSE Biannual review on Kaliningrad 6/2010)



# 2. Regional economy

## I) Development of retail trade



Kaliningradstat 2010, Rosstat 2010 (for reference see HSE Biannual review on Kaliningrad 6/2010)

# 2. Regional economy

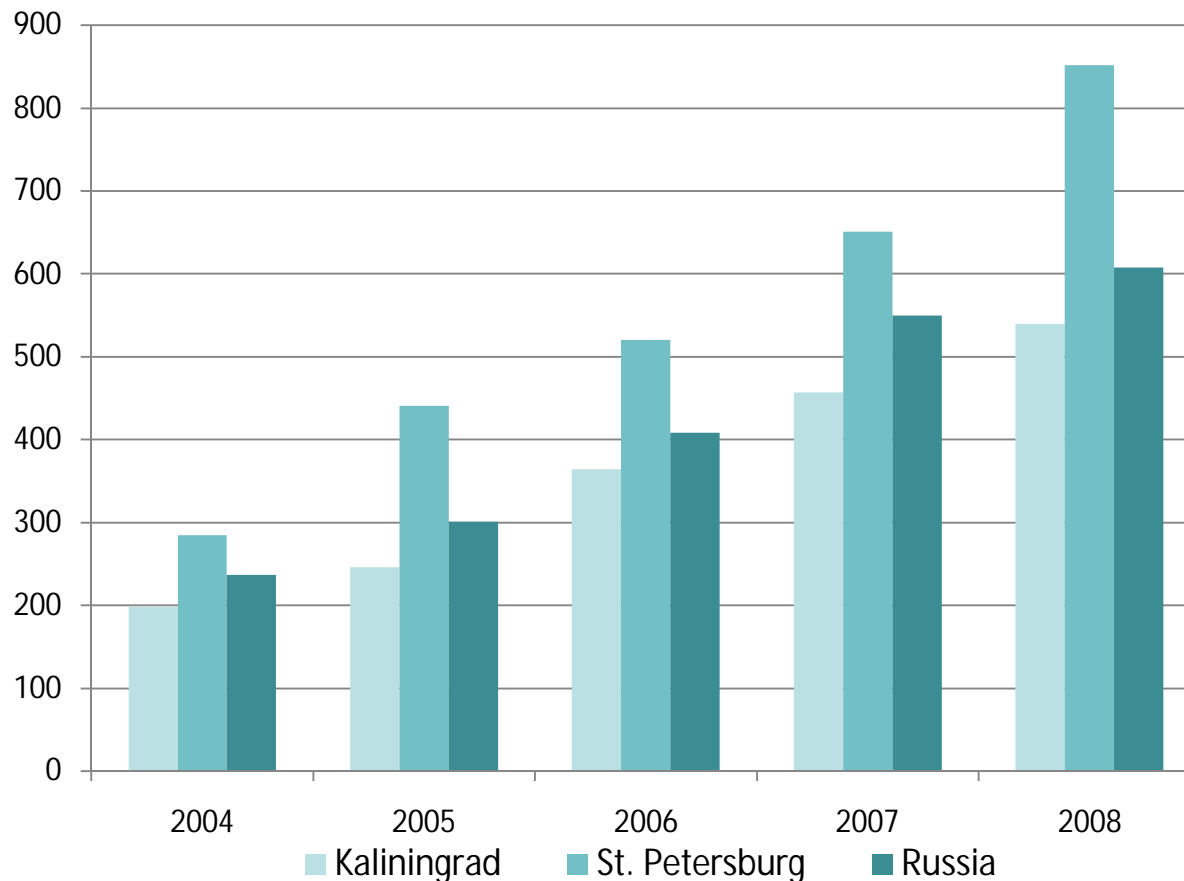
## m) 10 largest companies in terms of sales in 2007

1. AOZ Avtotor  
Car Assembly (<http://www.avtotor.ru>)
2. OAO 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. OAO Yantarenergo (a subsidiary of RAO UES)  
Electrical energy (<http://www.yantene.ru/>)
6. OOO Don Kihot  
Gambling (No Internet site found)
7. KD Avia Airline  
Transport (<http://www.en.airport-kaliningrad.ru/>)
8. OOO Victoria Baltia  
Retailing (<http://www.victoria-group.ru>)
9. Rosneft  
Petroleum business (<http://www.rosneft.ru>)
10. OOO Vitsjunai-Rus  
Fishing (<http://www.vici.lt>)

Expert Northwest 2008

# 3. Prosperity and consumption

## a) Development of gross average wages, USD



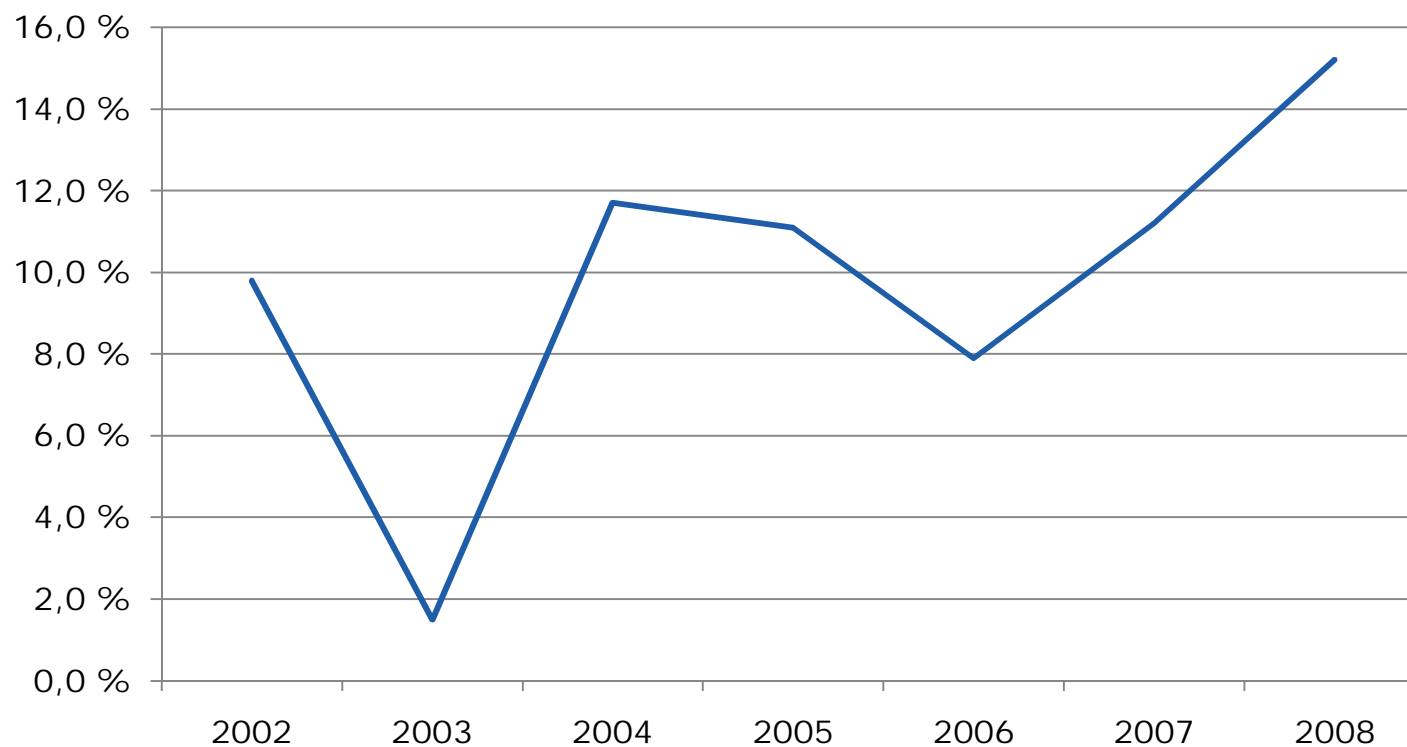
(1-11/2008)

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

# 3. Prosperity and consumption

## b) Inflation development

Inflation (CPI, end of period, y-o-y %-change)

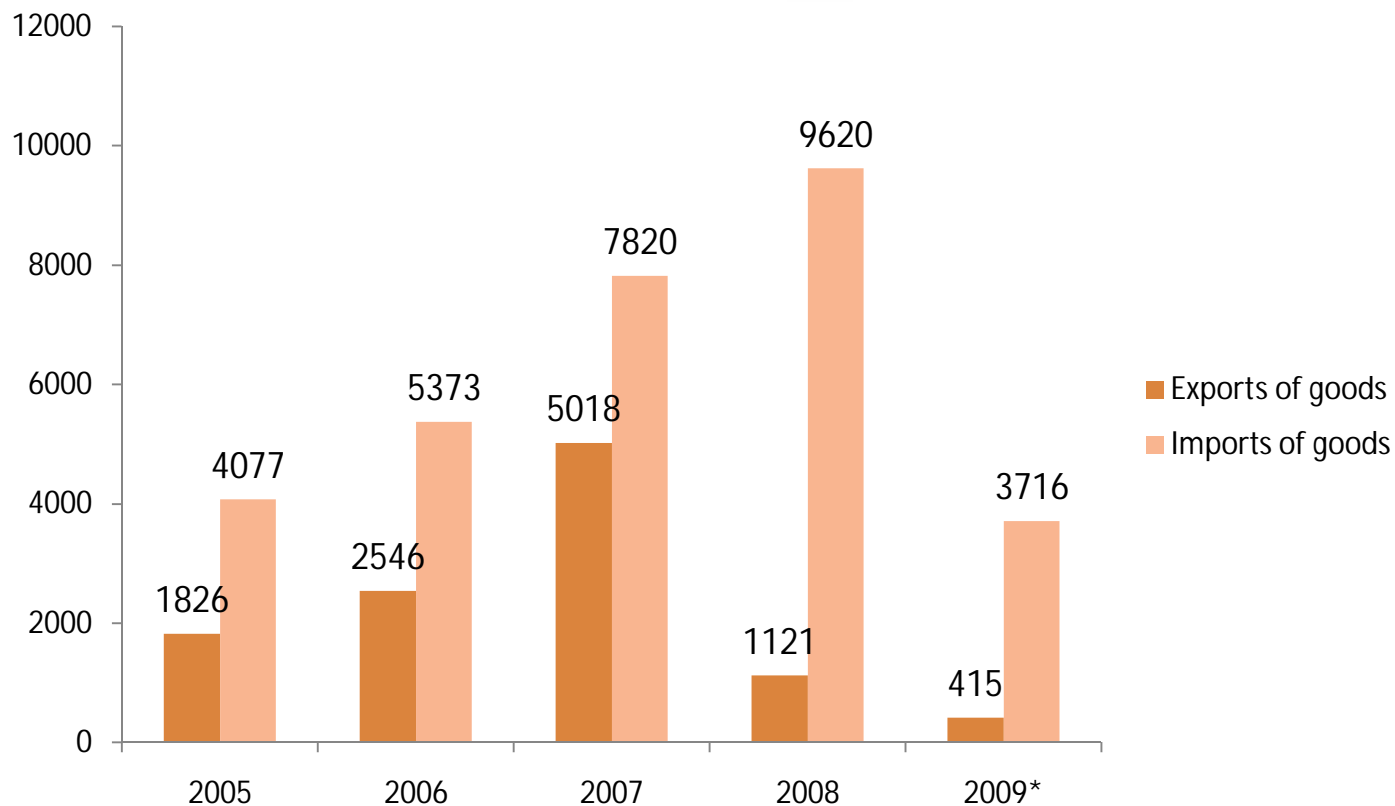


\*12/2008

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

# 4. External economic relations

## a) Exports & imports, USD million



\* January-September

Kaliningradstat 2009 & 2010, Rosstat 2010 (for reference see HSE Biannual review on Kaliningrad 6/2010)

# 4. External economic relations

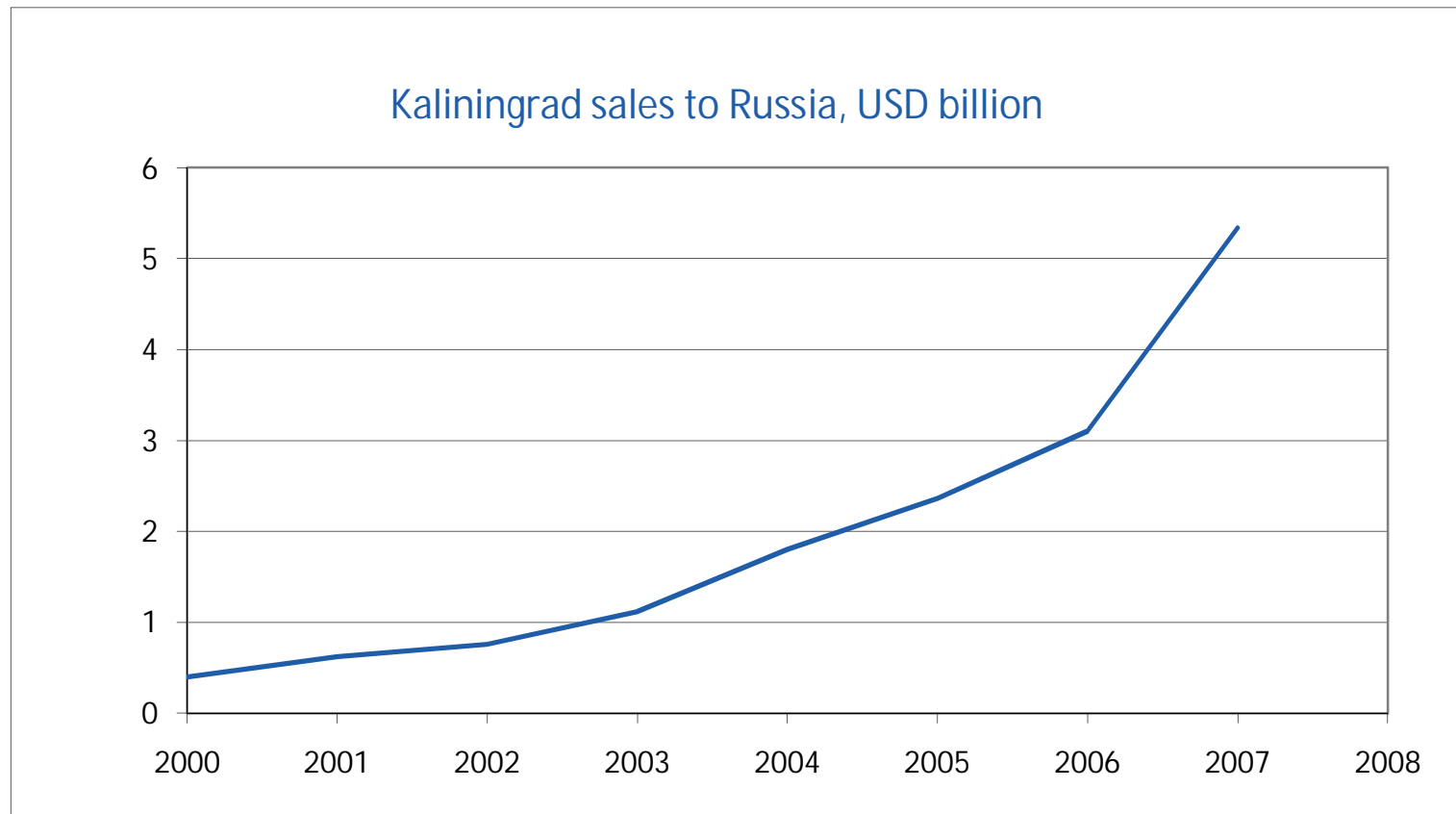
## b) Imports



Kaliningradstat 2007 & 2008

# 4. External economic relations

## c) Sales to Russia



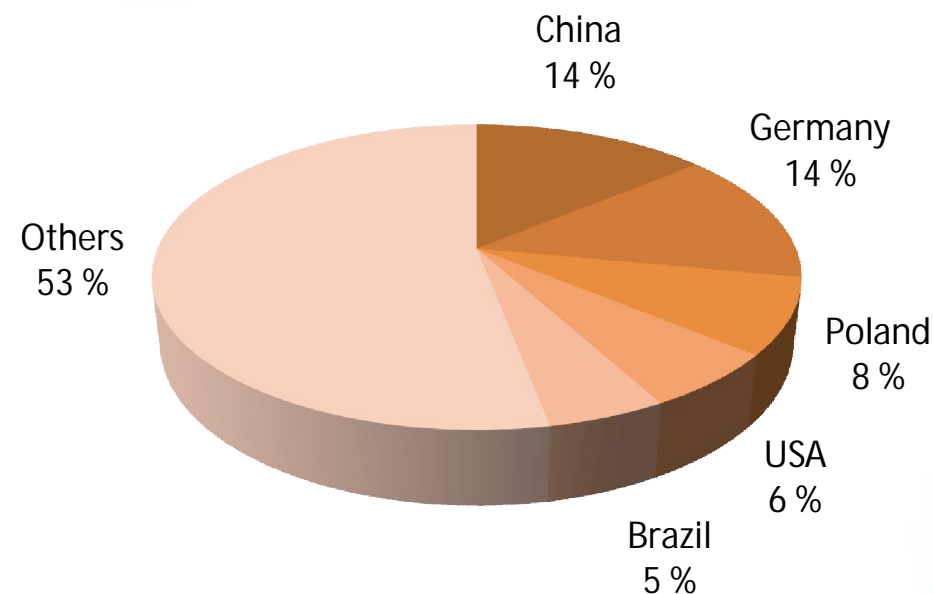
Kaliningradstat 2007 & 2008

# 4. External economic relations

## d) Foreign trade turnover by country in 2008\*

USD million

	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	232,0	0,1	231,9
CIS countries	187,7	77,4	110,3
France	180,7	7,5	173,2



In 2009, Kaliningrad's foreign trade turnover was 44,2 % lower than in 2008, totalling USD 6249,6 million.

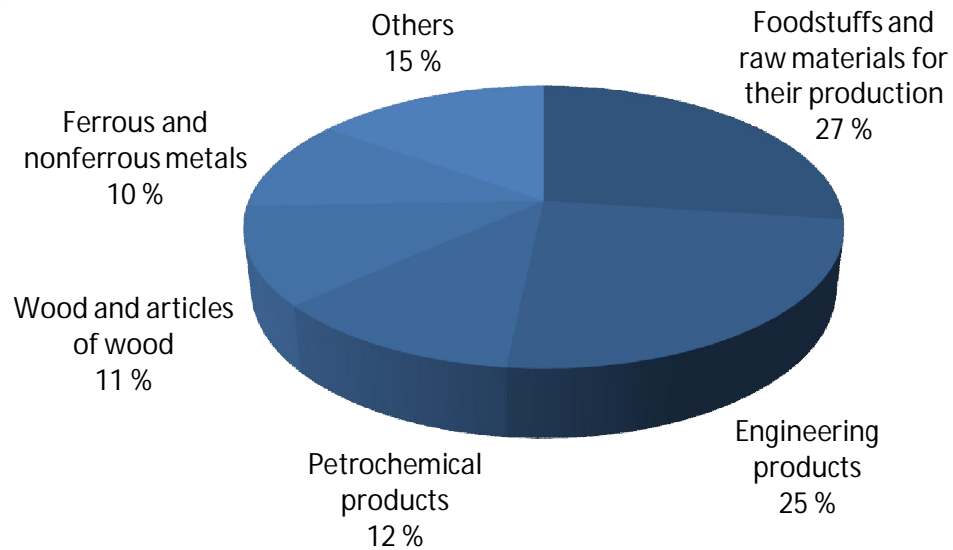
\*January-September



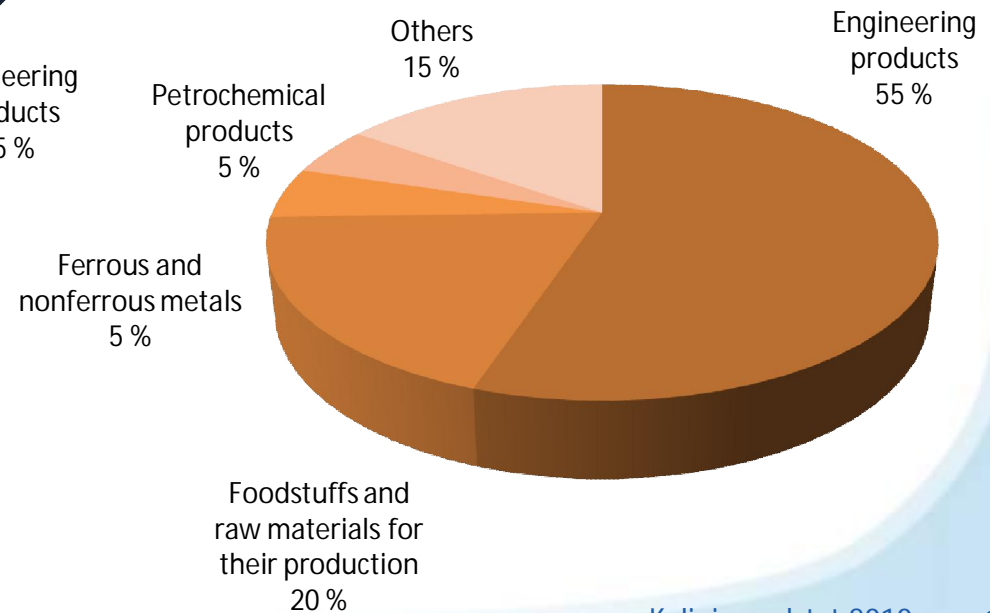
# 4. External economic relations

## e) Foreign trade structure in 2008

### Exports

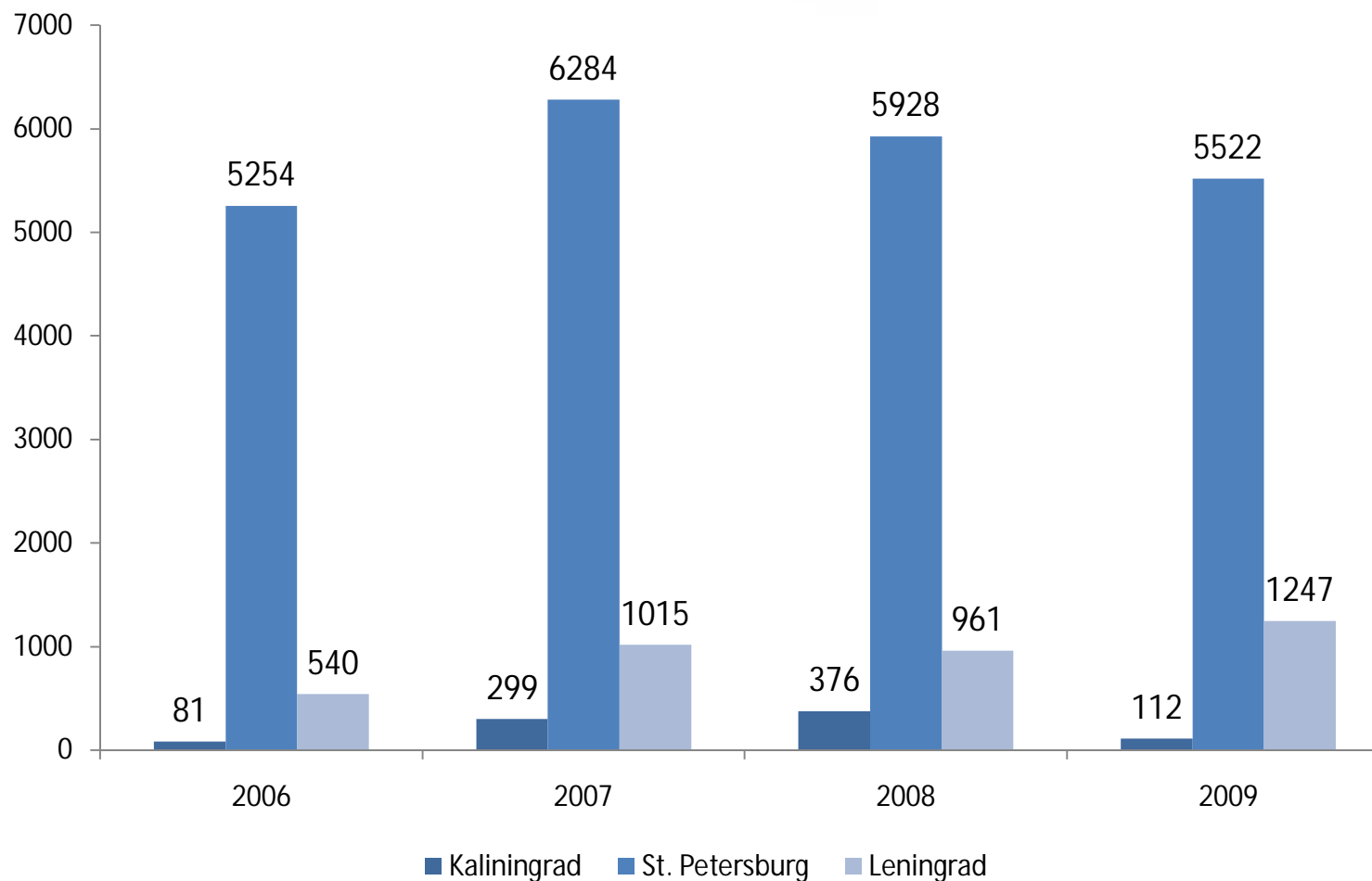


### Imports



# 4. External economic relations

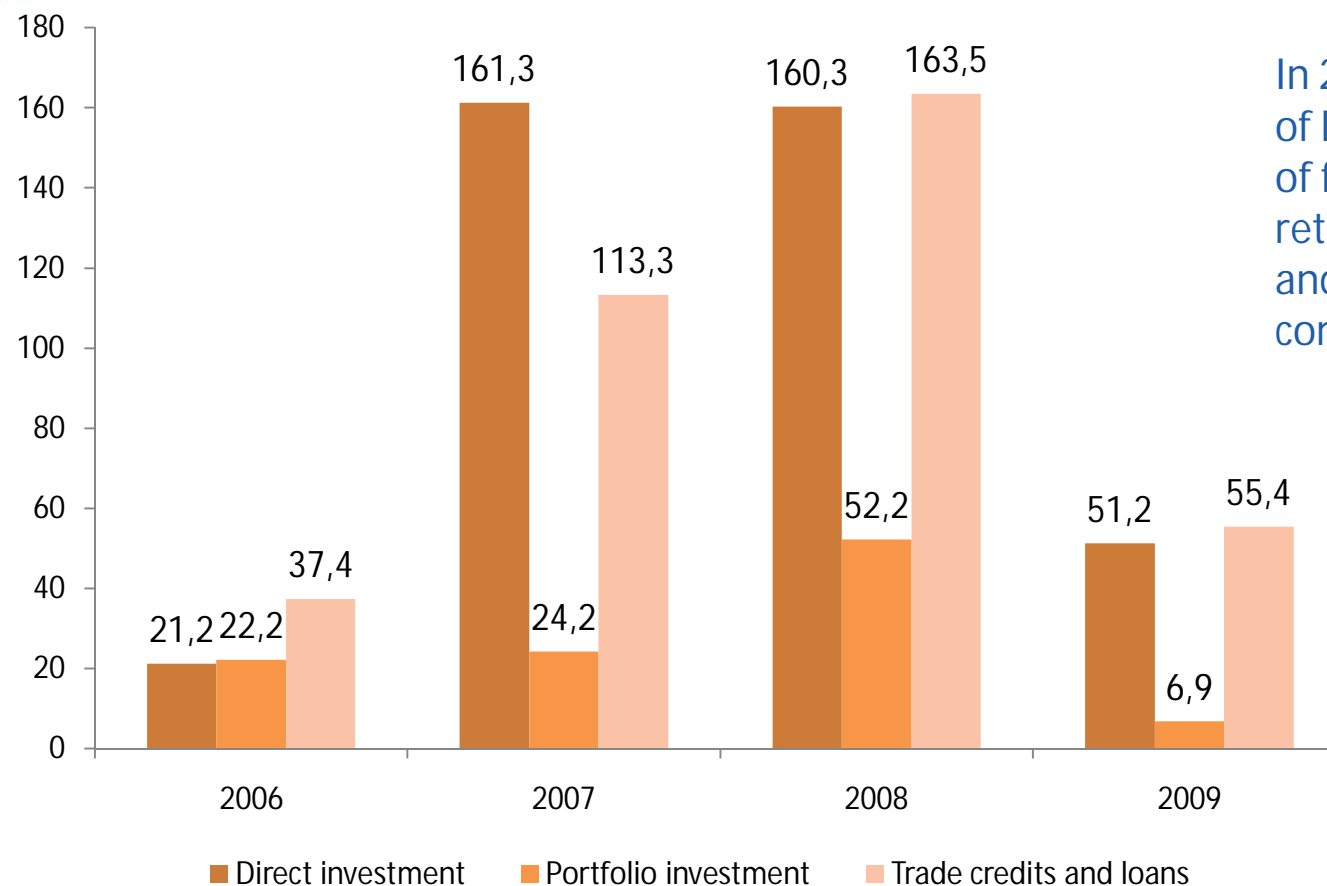
## f) Development of FDI inflow, USD million



Kaliningradstat 2009 & 2010, Petrostat 2010

# 4. External economic relations

## g) Foreign investments into Kaliningrad in 2008 (USD million)

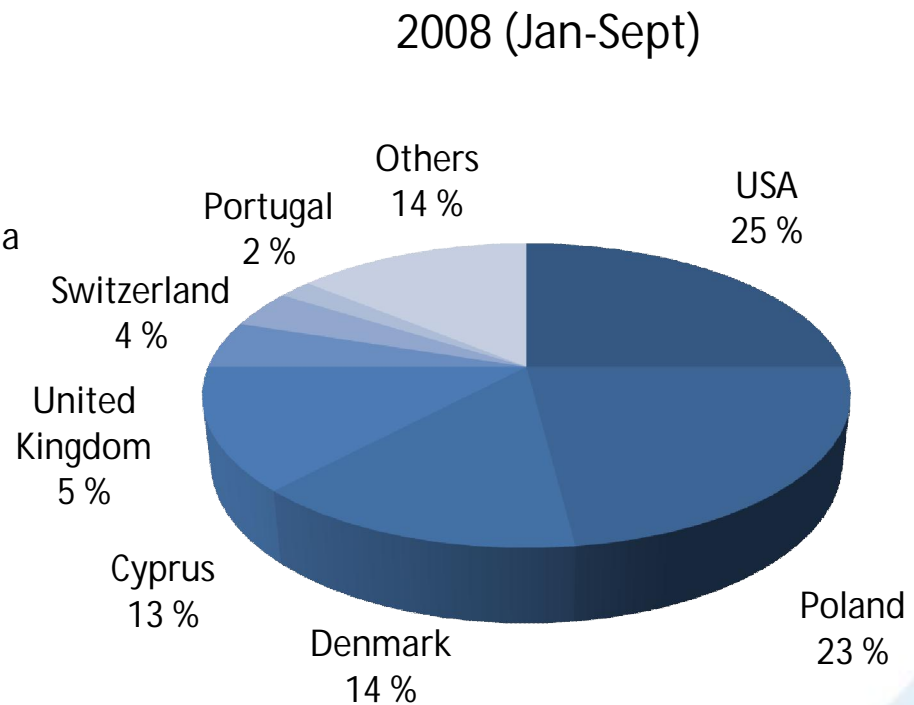
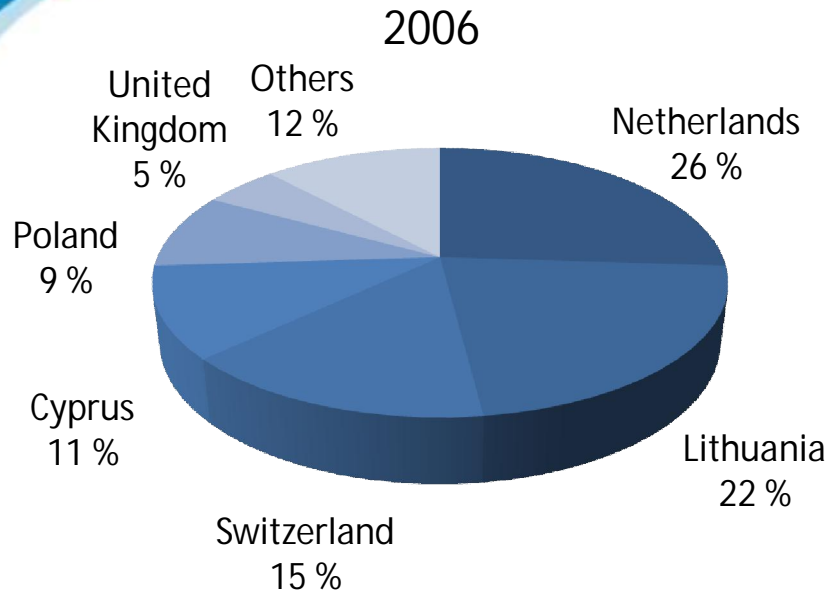


In 2009, the main recipients of FDI were the production of fabricated metal products, retail and wholesale trade, and transport and communication.

Kaliningradstat 2009 & 2010  
(for reference see HSE Biannual  
review on Kaliningrad 6/2010)

# 4. External economic relations

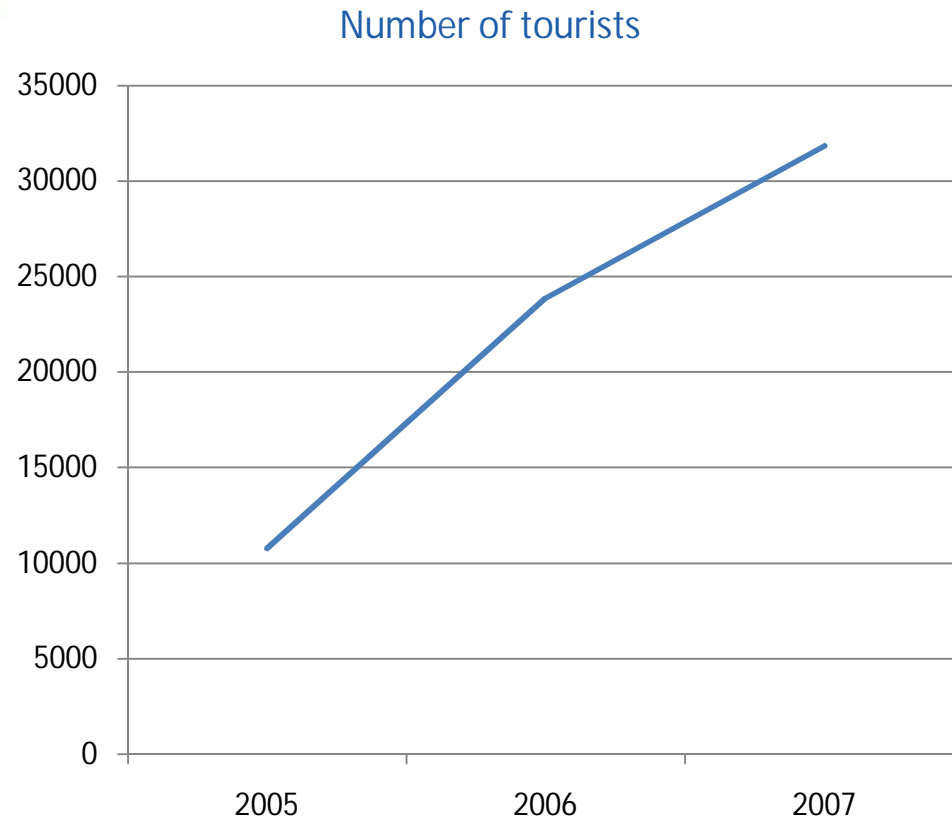
## h) Foreign investment by country of origin in 2006 & 2008



Kaliningradstat 2007 & 2008

# 4. External economic relations

## i) Foreign visitors

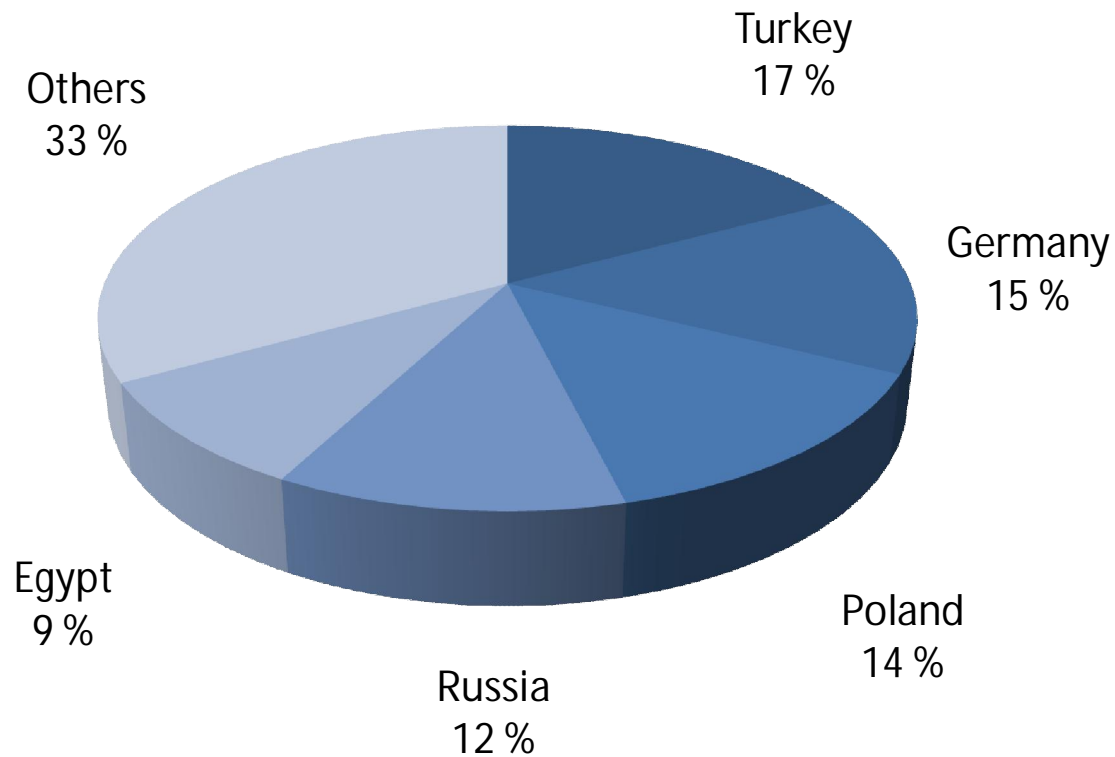


- 148 km of seashore, largely with sandy beaches
- Existing sanatorium and spa capacities and health-related facilities in the coastal resorts
- The Curonian Spit and some other natural attractions

KRCS, Kaliningradstat 2007

# 4. External economic relations

j) Distribution of foreign visitors by countries in 2007\*



\*Tourism supply for tourist companies

Kaliningradstat 2007 & 2008

# 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

REDA 2008, Liuhto 2008

# 5. Special economic zones in Kaliningrad

## b) Largest residents in new SEZ in terms of their planned investments

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 Projejkovo 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 billion (USD 0,9 billion) are registered in the SEZ.



# 5. Special economic zones in Kaliningrad

## c) Special zones for tourism & recreation and for gaming

- The special economic zone for tourism and recreation in Kaliningrad is located on the Curonian Spit National Park with the focus on environmental and recreational tourism
  - The Curonian Spit benefits from good climatic conditions, picturesque and diverse nature, broad sandy beaches, clean sea water, high dunes and the unique Swan Lake
  - 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, called Yantarnaya, is located in the Kaliningrad region
  - Deluxe hotels with entertainment and gambling facilities are to be built to the Yantarnaya complex

# 6. Additional information

## a) Some banks

Bank Moskvyy 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. +8-800-200-70-71

Kaliningradsky (Alfa-Bank filial)

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

Vneshtorgbank filial

<http://www.vtb.com> tel. +7 (4012) 43-1195

Swedbank

<http://www.swedbank.ru/eng/> tel. +8 (800) 100-6363

Raiffeisen bank

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

Information subject to changes

# 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/en/> tel. +8 (4012) 70-25-57

Foreign Investors Association in the Kaliningrad Region

<http://www.fiak.biz/> tel. +7 (4012) 59-2678

Guide to investment in Kaliningrad region

<http://economy.gov39.ru/en/> tel. +7 (4012) 599 319

Invest in Kaliningrad

<http://investinkaliningrad.ru/en/index.php> tel. +7 4012 599 319

Kaliningrad Chamber of Commerce and Industry

<http://eng.kaliningrad-cci.ru/> tel. +7 (4012) 95-68-01

Kaliningrad Regional Economic Development Agency

<http://en.kaliningrad-rda.org/> tel. (+7 4012) 53 08 51

Information subject to changes

# 6. 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://duma.kaliningrad.org/data/eng/structure.htm> Tel. +7(4012) 91-84-38

Kaliningrad City Hall

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

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

Information subject to changes

# 6. Additional information

## d) Consulates and European Commission's Delegation

Denmark: Tel. + 7 (4012) 71-6053

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

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

[http://www.konsulate.de/info/info\\_deutsches\\_konsulat\\_kaliningrad\\_russland.php](http://www.konsulate.de/info/info_deutsches_konsulat_kaliningrad_russland.php)

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

[http://www.ambmosca.esteri.it/Ambasciata\\_Mosca/Menu/Ambasciata/La\\_rete\\_consolare/](http://www.ambmosca.esteri.it/Ambasciata_Mosca/Menu/Ambasciata/La_rete_consolare/)

Lithuania: Tel. +74012 95 76 88

<http://www.urm.lt/>

Poland: Tel. (+7 4012) 976 440

<http://www.kaliningradkg.polemb.net>

Sweden: Tel. +7-495-937 92 00

<http://www.swedenabroad.com/>

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

[http://ec.europa.eu/delegations/russia/index\\_en.htm](http://ec.europa.eu/delegations/russia/index_en.htm)

Information subject to changes

# 6. Additional information

## e) Some hotels in Kaliningrad

Hotel Kaliningrad

+8 (4012) 35 05 31

<http://www.hotel.kaliningrad.ru/eng/kaliningrad/>

Triumph-Palace Hotel

+8 (4012) 777733

<http://www.triumph-palace.ru/>

Hotel Shkiperskaya

+7 (4012) 592-000

<http://www.skipperhotel.ru>

Heliopark Kaiserhoff

+7 (495) 937-5545

<http://www.heliopark.ru>

Information subject to changes

# 6. Additional information

## f) 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>

Portal to the Emerging Eastern Markets and Finland:

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

Rusgate: <http://www.rusgate.com>

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>