



# Kaliningrad slide package for a foreign investor



Kari Liuhto, Artur Usanov, Senja Peltonen  
5 April, 2007

# Contents

1.	General information	3
2.	Regional economy	6
3.	Prosperity and consumption	20
4.	External economic relations	24
5.	Special zones in Kaliningrad	35
6.	Additional information	38



# 1. General information

## a) Geographical facts

### Federal district:

Northwestern

### Size:

The smallest region of Russia (15 100 km<sup>2</sup>),  
about half the size of Belgium

### Time zone:

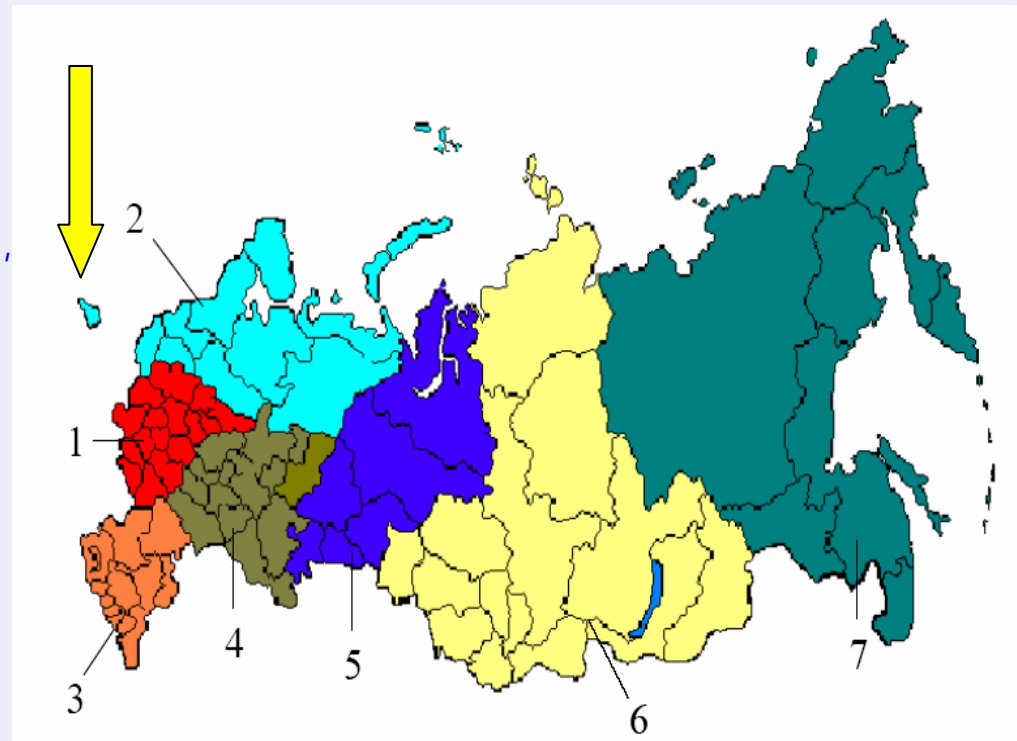
Moscow -1, GMT +2

### 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)



# 1. General information

## b) Basic facts

### Largest towns:

Kaliningrad	(425 600)
Sovetsk	(43 400)
Chernyahovsk	(42 400)
Baltiysk	(33 300)
Gusev	(28 100)

### Share of urban population:

77 %

### Main industries:

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

### Natural resources:

90 % of world amber reserves, oil, brown coal, peat, rock salt, mineral water reserves

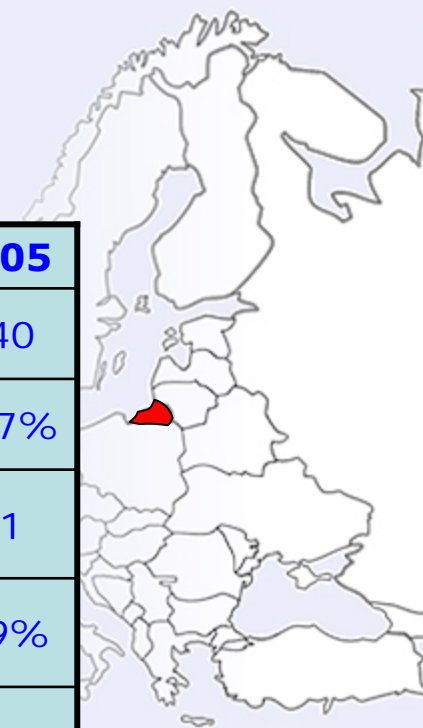


# 1. General information

## c) Labour force and population

- A highly-skilled labour force:
  - People with higher education 28 %
  - People with secondary vocational training 39 %

	2000	2001	2002	2003	2004	2005
<b>Population, thousands</b>	947	943	955	950	945	940
<b>Population growth</b>	-1.9%	-3.5%	-2.9%	-5.2%	-4.9%	-4.7%
<b>Unemployment, thousands (ILO)</b>	75	43	41	36	31	31
<b>Level of unemployment (ILO)</b>	15.6%	10.6%	7.5%	6.4%	5.9%	5.9%
<b>Development of labour force (economically active population), thousands</b>	n/a	445.1	487.5	504.5	501.9	518.9



Sources: Kaliningradstat (2005,2006&2007), Kaliningrad Regional Development Agency (2006)

# 2. Regional economy

## a) Kaliningrad region in Russian economy in 2005

### Basic facts (of the Russian total)

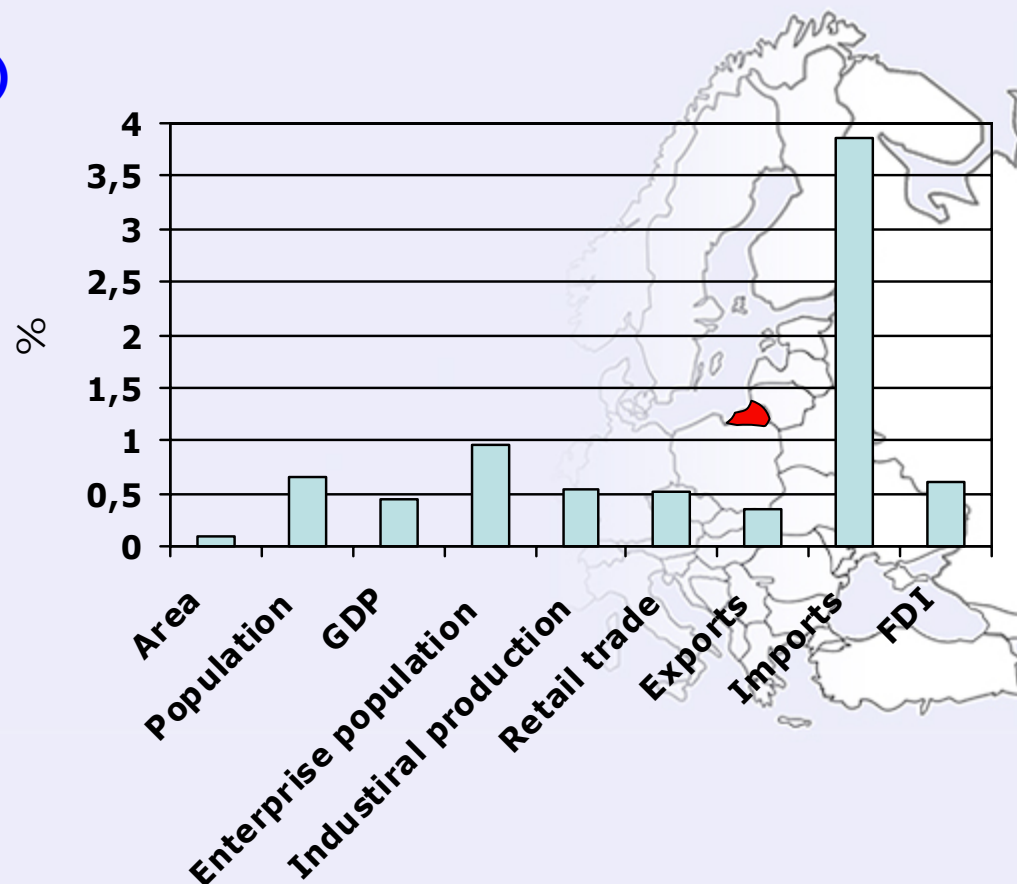
Area	0.1 %
Population	0.7 %

### Economy

GDP	0.5 % <sup>*)</sup>
Enterprise population	1.0 %
Industrial production	0.5 % <sup>*)</sup>
Retail trade	0.5 %

### External economic relations

Exports	0.4 %
Imports	3.9 %
Foreign direct investment	0.6 %

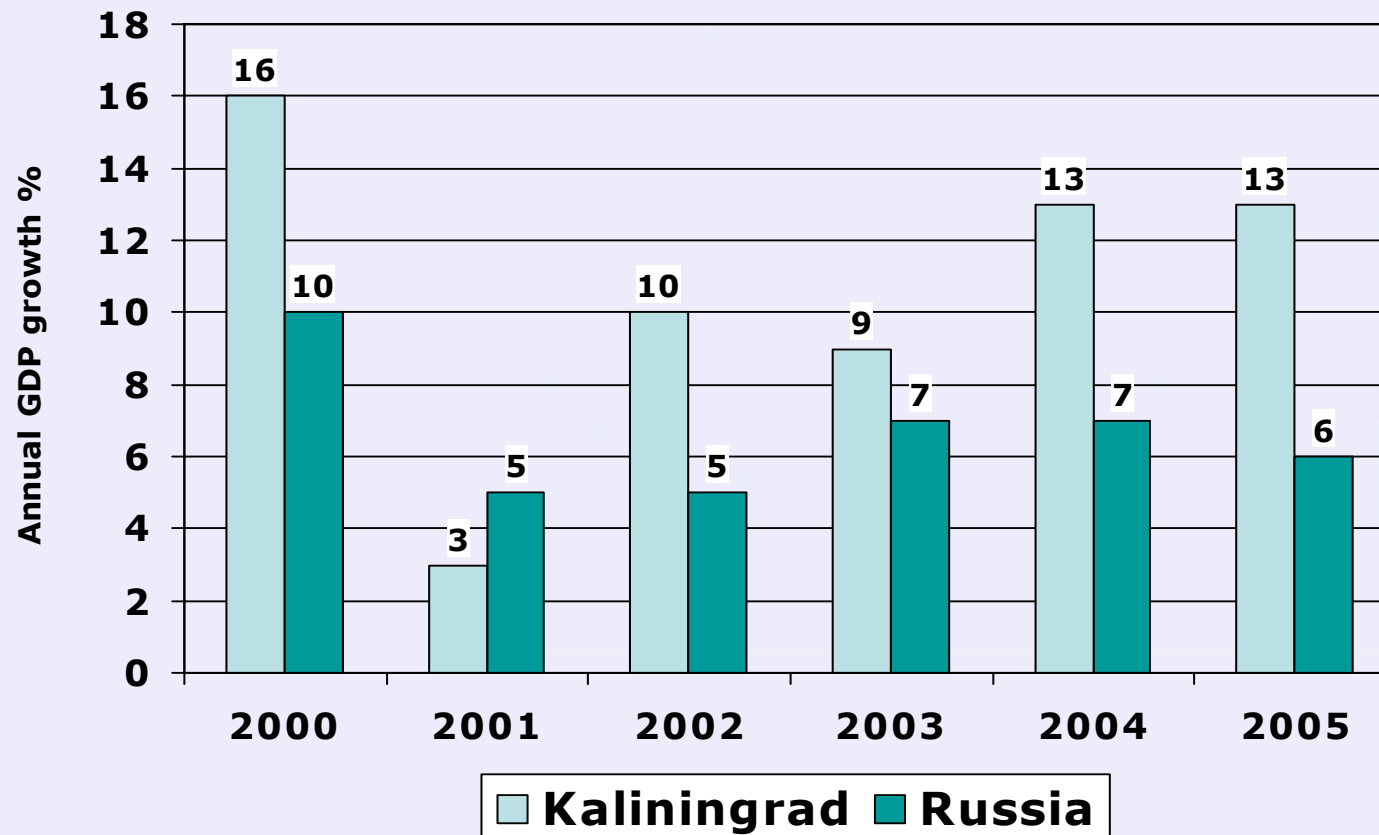


<sup>\*)</sup> in 2004

Source: Goskomstat (2006&2007)

# 2. Regional economy

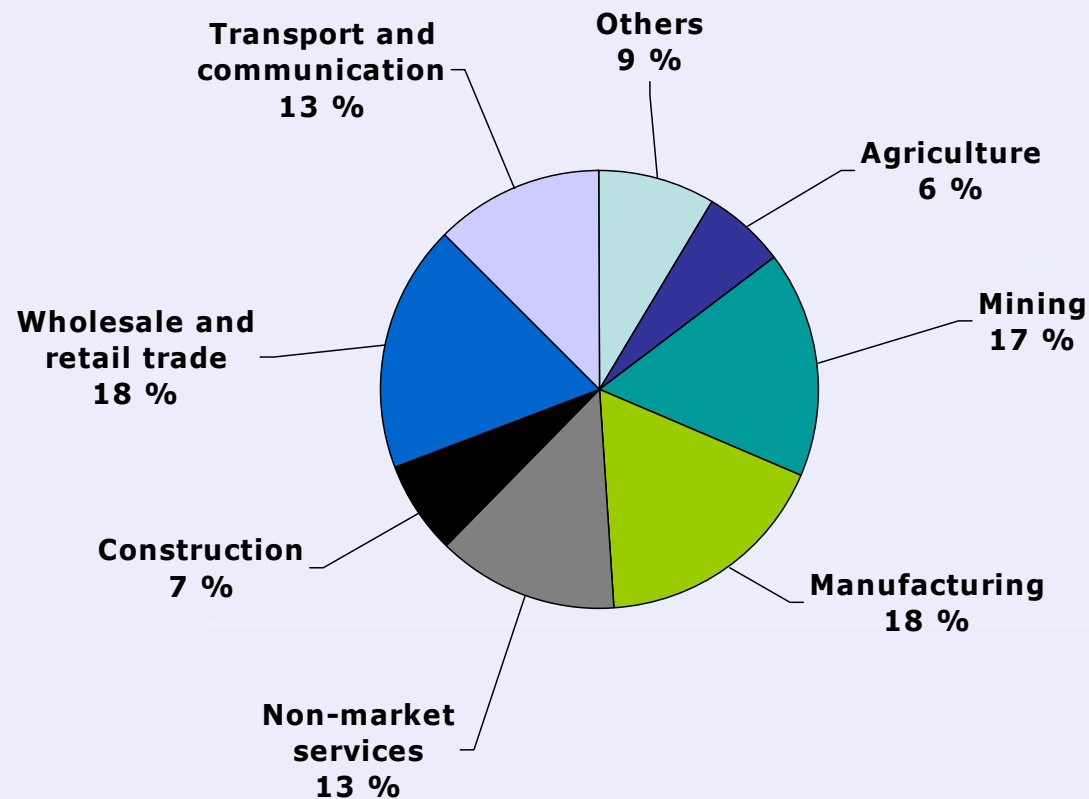
## b) Economic growth - GDP



Source: Goskomstat (2003&2006), Bank of Finland (2007)

# 2. Regional economy

## c) Structure of gross domestic product in 2005



Source: Kaliningradstat (2006)

# 2. Regional economy

## d) Investment potential ranking

Out of 88 Russian regions, 1 = best potential

	2004-2005	2005-2006
<b>Ranking of investment potential</b>	<b>33</b>	<b>27</b>
Labour potential	45	47
Consumption potential	56	54
Production potential	47	39
Financial potential	50	44
Institutional potential	18	13
Innovation potential	52	60
Infrastructure potential	3	3
Natural resource potential	40	40
Tourism potential	20	24
<b>Ranking of investment risk</b>	<b>14</b>	<b>13</b>



Source: Expert RA (2006)

# 2. Regional economy

## e) Development of investment

### Investment in fixed capital

	2000	2002	2004	2006
<b>Total, USD million</b>	162	246	658	837 <sup>*)</sup>
<b>Real change (in constant prices)</b>	64.5%	22.2%	14.9%	0.4% <sup>*)</sup>
<b>Annual foreign investment inflow, USD million</b>	19.1	47.7	61.9	80.8
<b>Foreign investment/ Total investment</b>	11.8%	19.4%	9.4%	...



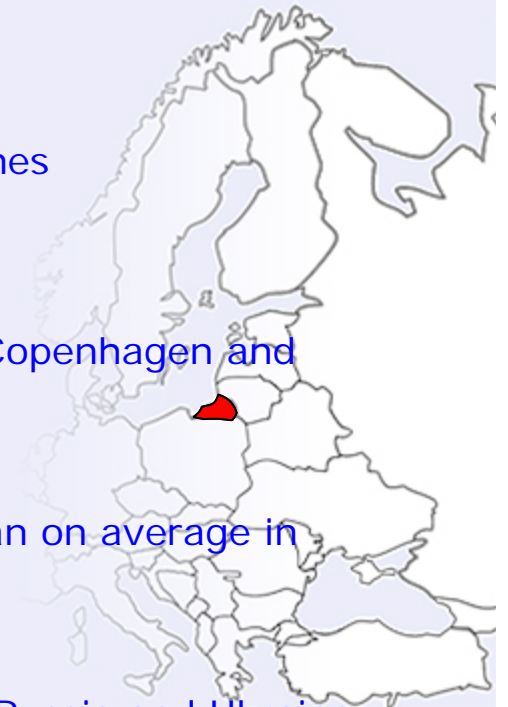
<sup>\*)</sup> Jan - Nov 2006

Sources: Rosstat (2006), Kaliningradstat (2006&2007), Kaliningrad Oblkomstat (2005), authors' calculation

# 2. Regional economy

## f) 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 from Moscow, St. Petersburg, Warsaw, Berlin, Copenhagen and Riga
- Highway density 300 km / 1 000 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



Sources: Baltic Business Club (2006), BMW Foundation Herbert Quandt (2006)



# 2. Regional economy

## g) Transport volumes

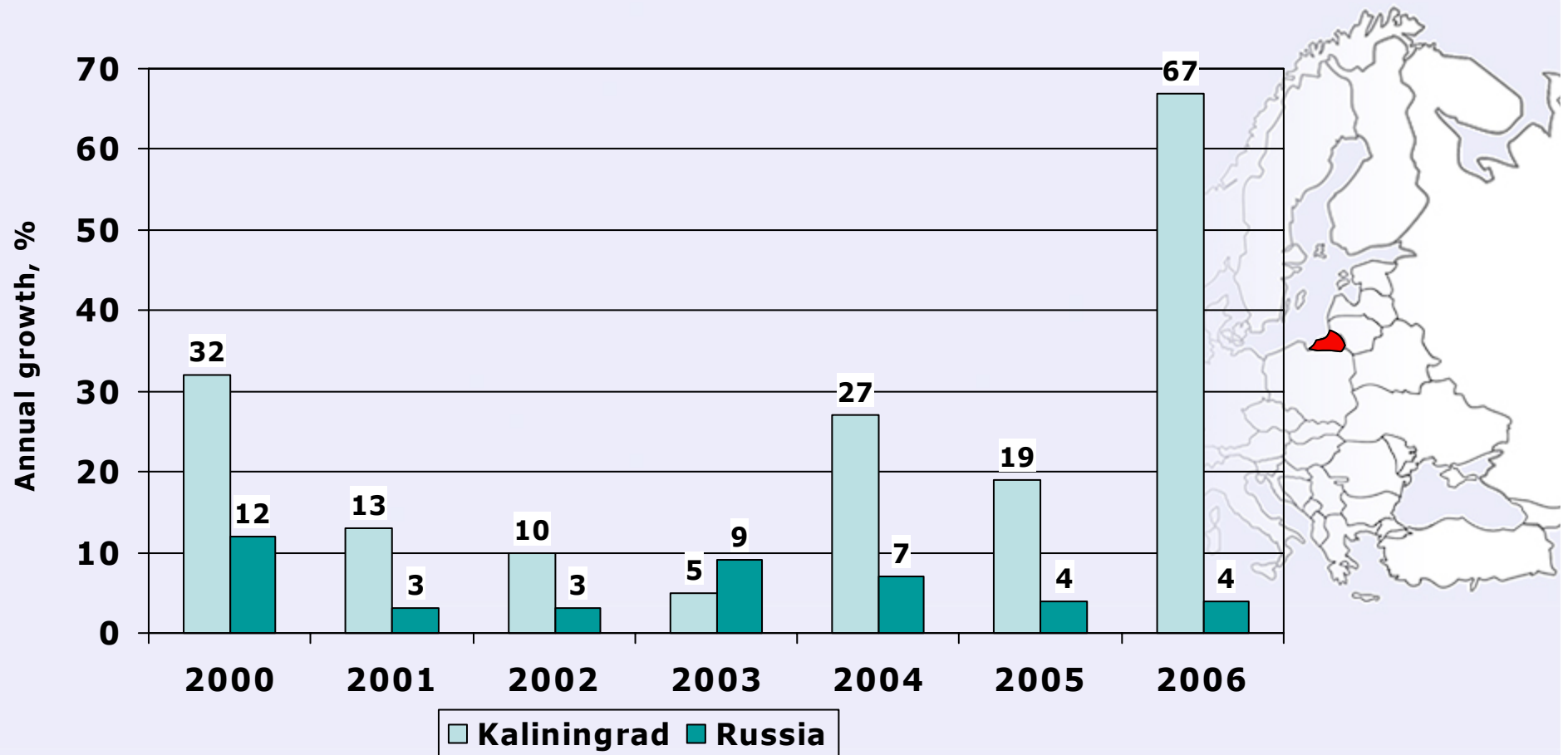
	2003	2004	2005
<b>Total, thousand tonnes transported</b>	3042	3365	3102
<b>Rail transport</b>	2043	2059	2176
<b>Road transport</b>	151	375	925
<b>Air transport</b>	1	1	1



Source: Kaliningradstat (2004,2005&2006)

# 2. Regional economy

## h) Development of industrial production



Source: Economic Monitoring (2005&2006), Baltic Rim Economies 2007

# 2. Regional economy

## i) Development of industrial production

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

	2003	2004	2005	2006
<b>Total</b>	7.8	44.0	4.6	40.6
<b>Food, including beverages and tobacco</b>	23.9	48.0	17.0	-16.6
<b>Textile and apparel</b>	6.6	-22.5	21.0	14.6
<b>Wood processing and wood products</b>	34.2	44.3	104.5	-22.8
<b>Pulp and paper, printing</b>	0.5	0.9	-20.5	-47.6
<b>TV production</b>	...	176	62.1	-11.0
<b>Transportation equipment</b>	14.2	72.6	12.4	150.0



Source: Kaliningradstat (2006)

# 2. Regional economy

## j) Price changes

	2000	2002	2004	2006
<b>Producer prices in Kaliningrad</b>	27.7%	23.8%	8.8%	0.5%
<b>Consumer prices in Kaliningrad</b>	17.5%	9.8%	11.7%	7.9%
<b>Consumer prices in Russia</b>	20.2%	15.1%	11.7%	9.0%



Source: Kaliningradstat (2004&2006)

# 2. Regional economy

## k) Development of retail trade

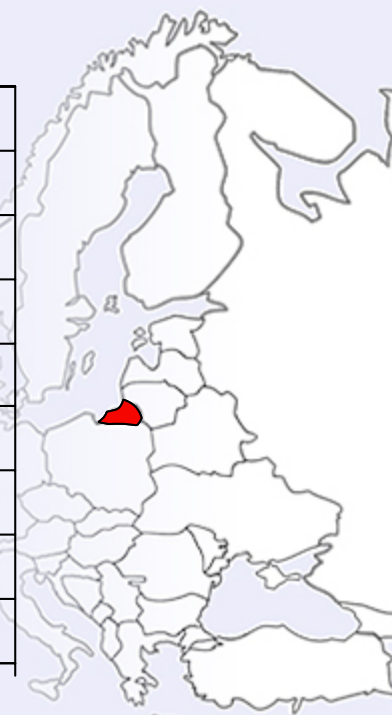
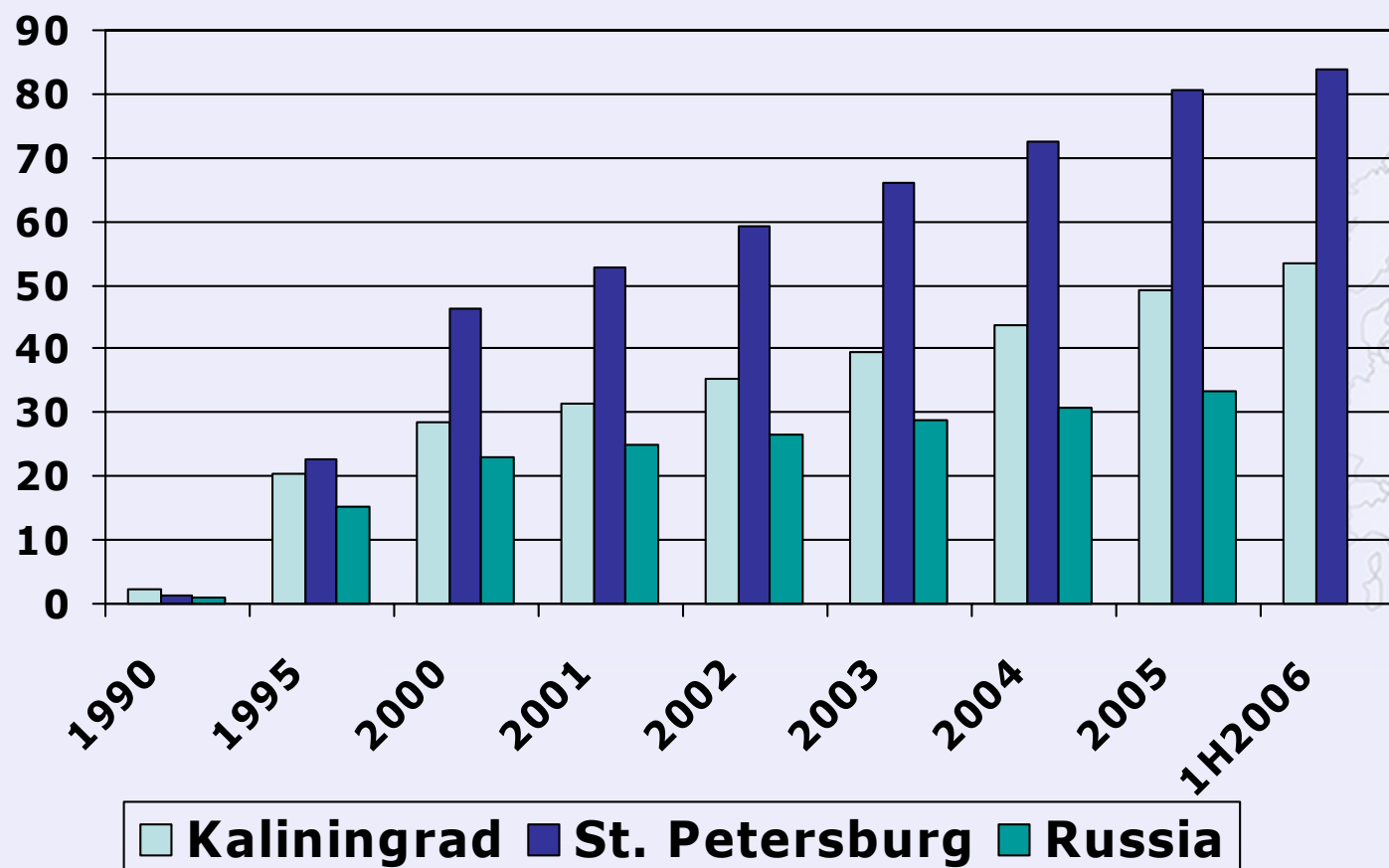
	2000	2002	2004	2006
<b>Retail sales, USD million</b>	497	564	999	1692
<b>Kaliningrad region</b>	5.1%	0.8%	15.1%	16.1%
<b>Russia</b>	8.8%	9.2%	12.5%	13.0%



Source: Kaliningradstat (2007), Rosstat (2006), authors' calculation

## 2. Regional economy

### 1) Number of enterprises and organisations per 1000 inhabitants



Source: Goskomstat (2007), Kaliningradstat (2006&2007), authors' calculation

# 2. Regional economy

## m) Largest companies in 2005

- 1. OAO PSZ Yantar**  
– shipyard – [http://www.shipyard-yantar.ru/ru\\_news\\_view.php?id=34](http://www.shipyard-yantar.ru/ru_news_view.php?id=34)
- 2. ZAO Avtotor**  
– car assembly – <http://www.avtotor.ru/>
- 3. OOO Lukoil Kaliningradmorneft (a subsidiary of Lukoil)**  
– oil business – <http://www.lukoil-kmn.com/>
- 4. OOO Kaliningrad nefteprodukt (a subsidiary of Surgutneftegaz)**  
– oil and natural gas business – <http://www.surgutneftegas.ru/>
- 5. OAO Baltkran**  
– production of container handling equipment – <http://www.baltkran.ru/>
- 6. ZAO Gaz-oil (a subsidiary of Gazprom)**  
– natural gas business – <http://www.gasoil.kalg.ru/>
- 7. OAO Kvarts**  
– electronics – <http://www.quadrini.ru/>
- 8. OAO Moloko**  
– dairy products – <http://www.moloko.vitebsk.by/>
- 9. Associaciya Kaliningradskih proizvoditeley mebeli**  
– furniture production – <http://www.akm39.ru/>
- 10. OAO Telebalt**  
– electronics – <http://www.telebalt.ru/>



Information may change

# 2. Regional economy

## m) Largest companies in 2005

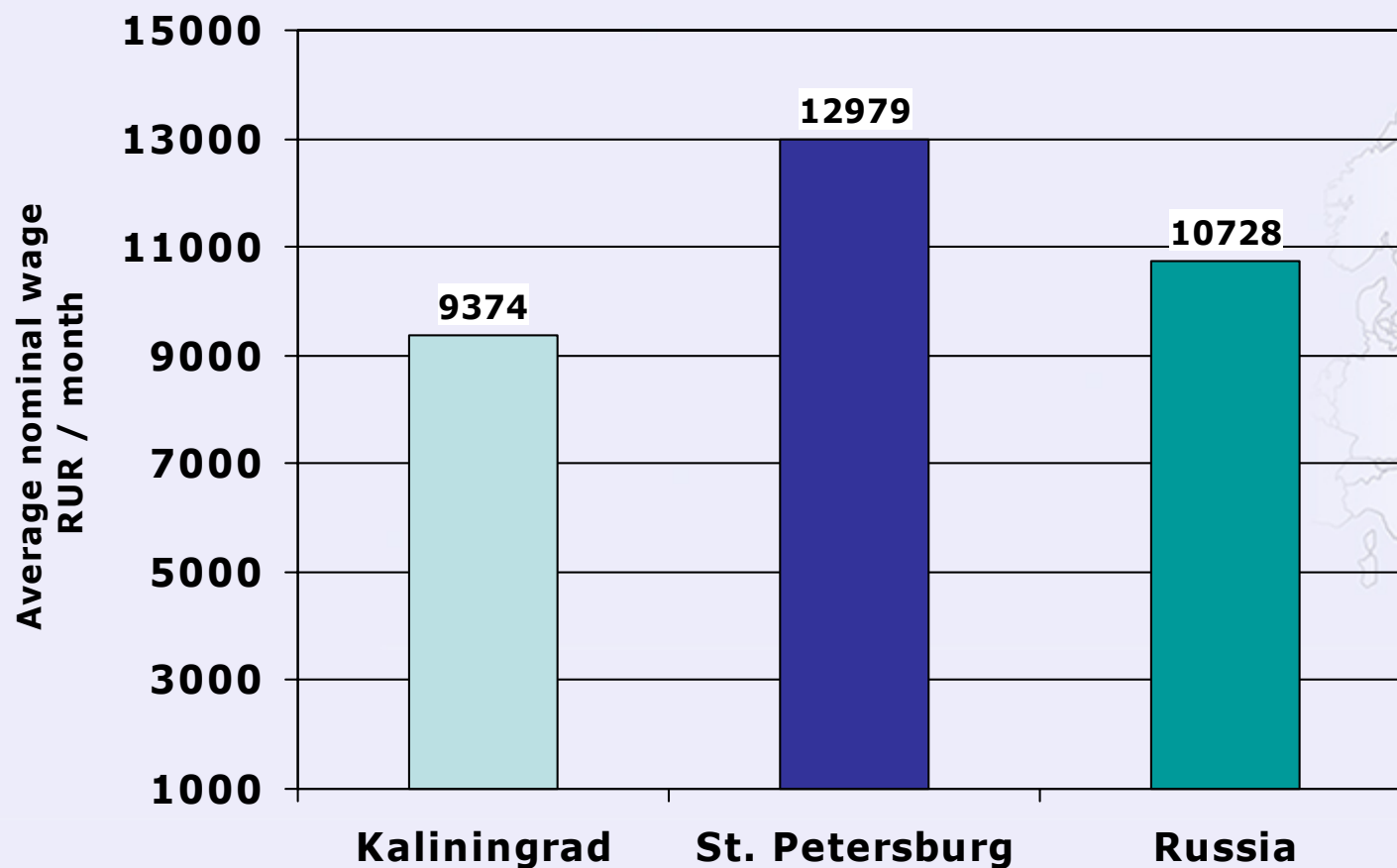
- 11. Filial Akcionernyi Kommercheskii Bank BIN-Kaliningrad**  
– banking – <http://www.bin-bank.ru/>
- 12. Balttekstil**  
– textile industry – <http://www.balttextil.ru/>
- 13. OOO Nemansky tsellylozno-bumazny kombinat**  
– cellulose and paper production – <http://www.szlk.ru/>
- 14. Kaliningradgazavtomatika**  
– production of appliances for gas industry – <http://www.gazavtomatika.ru/>
- 15. Associaciya Myasopererabotchikov**  
– meat processing – no internet site found
- 16. Produkty pitanya**  
– foodstuffs – <http://www.ppitania.ru/>
- 17. OAO Yantarenergo (a subsidiary of RAO UES)**  
– electrical energy – <http://www.yantene.ru/yantenergo/ao.shtml>
- 18. OAO KRK Zapryba**  
– fishing industry – no internet site found
- 19. OAO Zapadnoe parohodstvo**  
– transport – <http://www.nwsc.spb.ru/>
- 20. OAO Sudohodnaya kompaniya RefTransFlot**  
– shipping industry – no internet site found



Information may change

# 3. Prosperity and consumption

## a) Average nominal wage in 2006

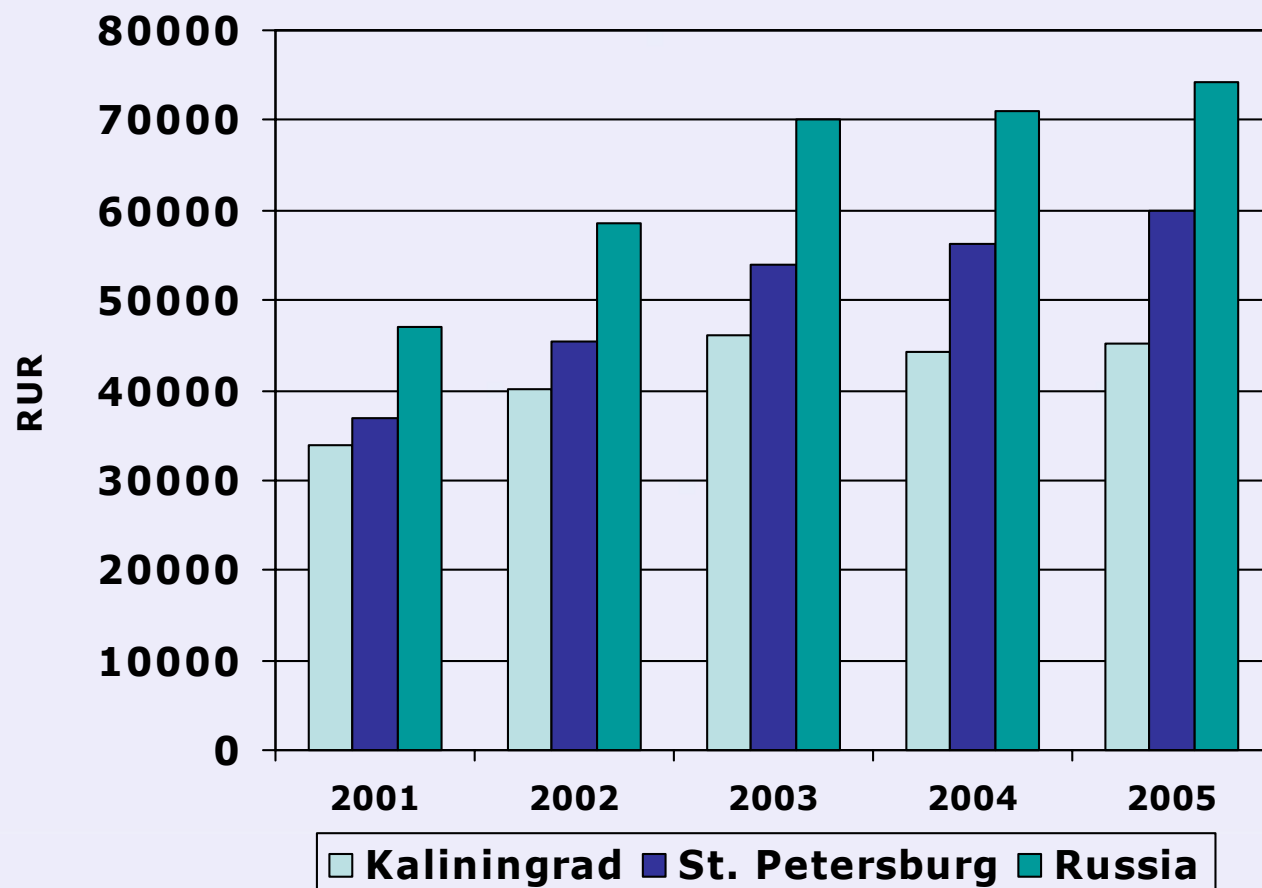


1 USD = 27,22 RUR  
(period average 2006)

Source: Goskomstat (2007)

# 3. Prosperity and consumption

## b) Average size of private person's deposits in the Savings Bank of Russia

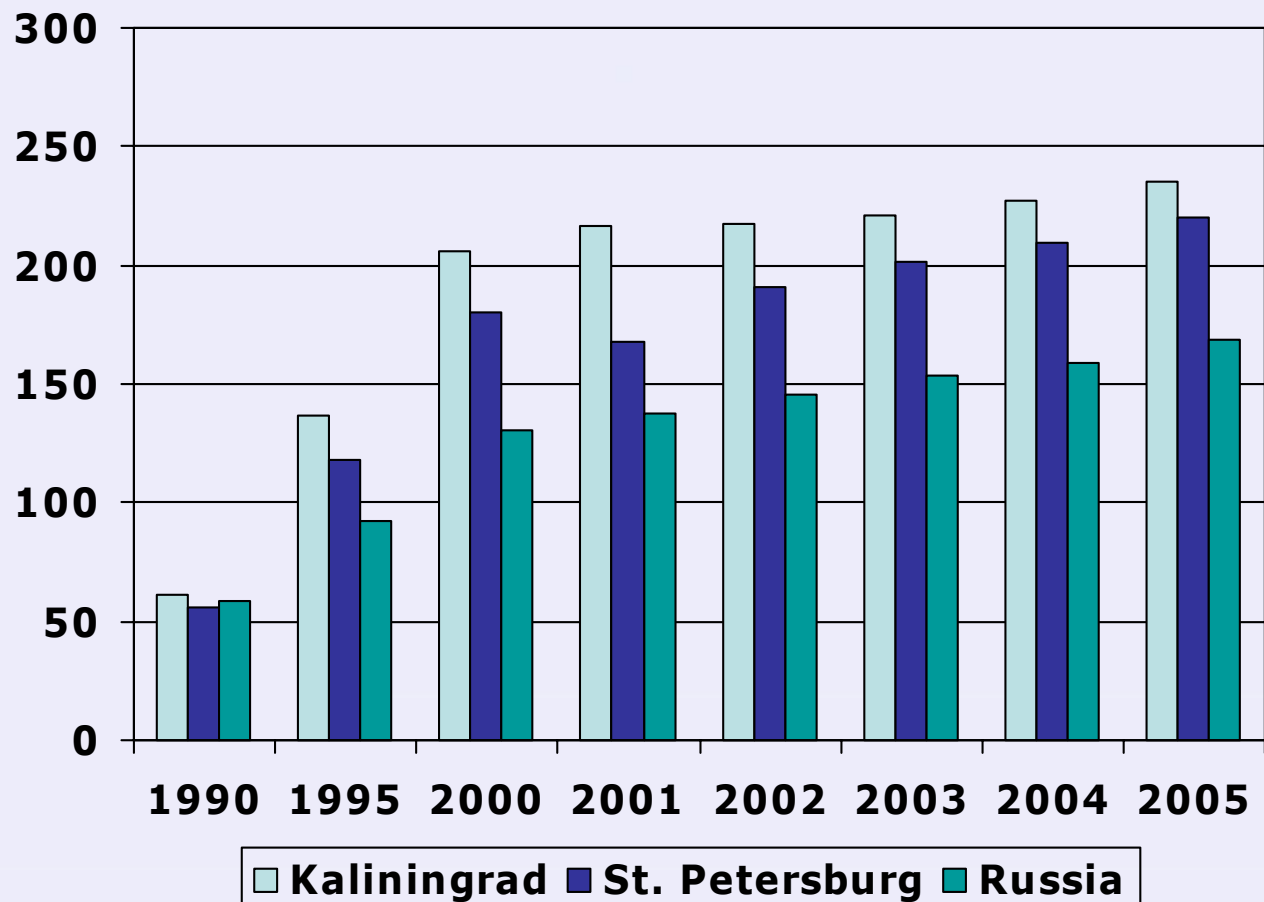


1 USD = 28,29 RUR  
(period average 2005)

Source: Goskomstat (2007)

# 3. Prosperity and consumption

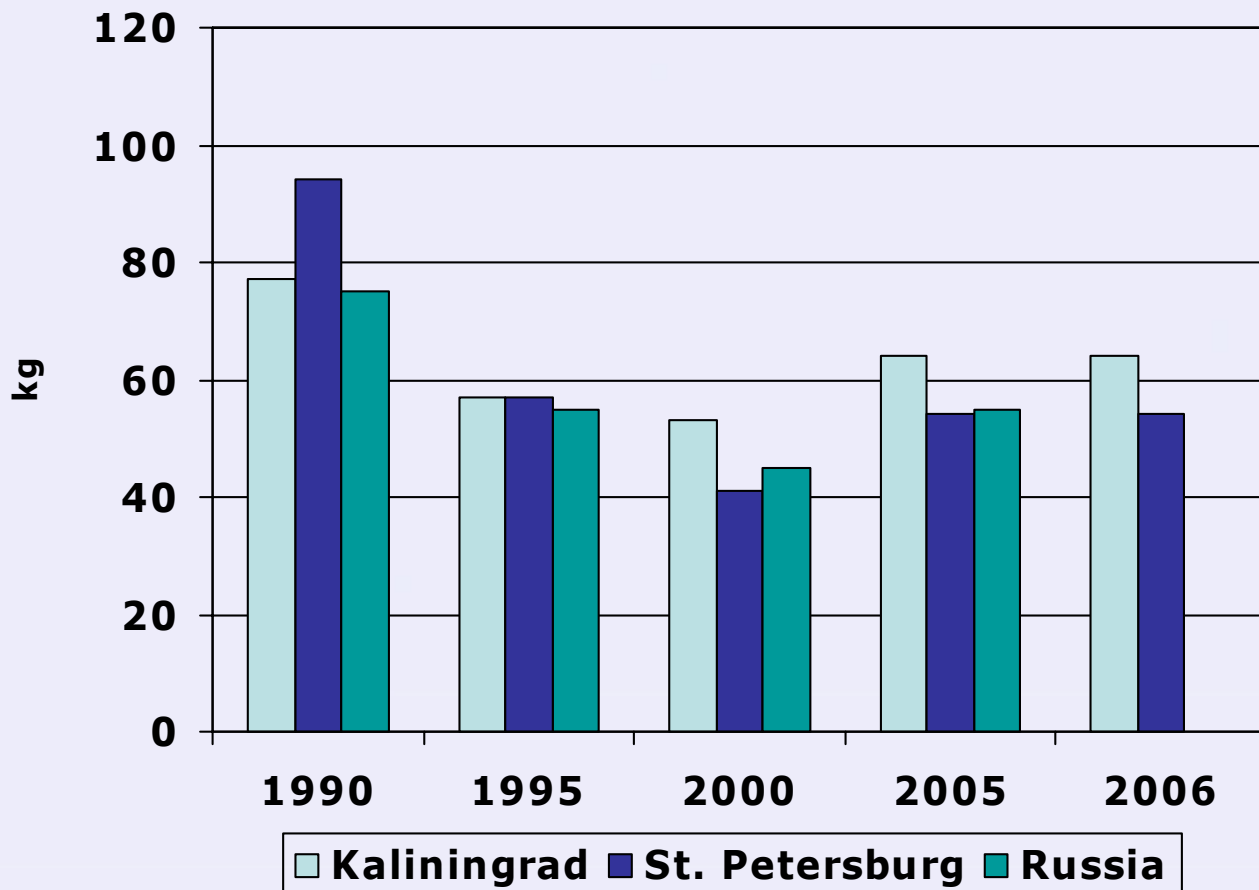
## c) Number of passenger cars per 1000 persons



Source: Goskomstat (2007)

# 3. Prosperity and consumption

## d) Meat and meat product consumption per capita



Source: Goskomstat (2007), Kaliningradstat (2007)

# 4. External economic relations

## a) Development of foreign trade

In USD million

	2000	2001	2002	2003	2004	2005	1H2006
<b>Exports of goods</b>	475	455	471	574	1 175	1 826	1 357
<b>Imports of goods</b>	875	1 047	1 610	2 142	3 133	4 077	2 016
<b>Sales of Kaliningrad goods to the mainland Russia</b>	424	619	759	1 118	1 802	...	1 193

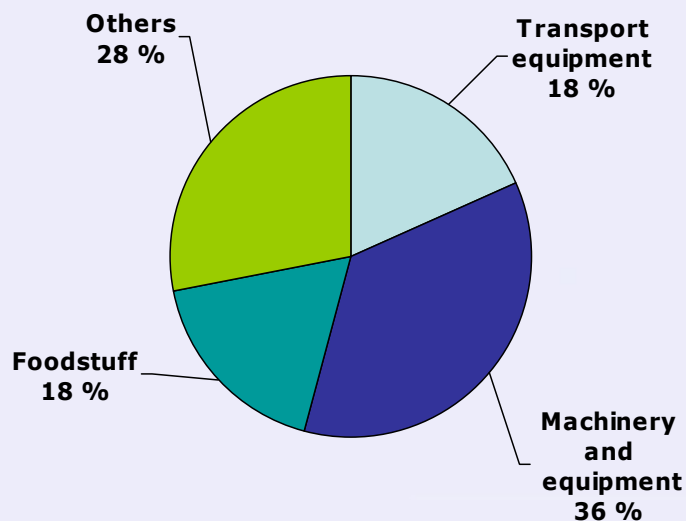


Source: Kaliningradstat (2004&2006), Northwest Customs Service (2005&2006), Kaliningrad Oblkomstat (2004)

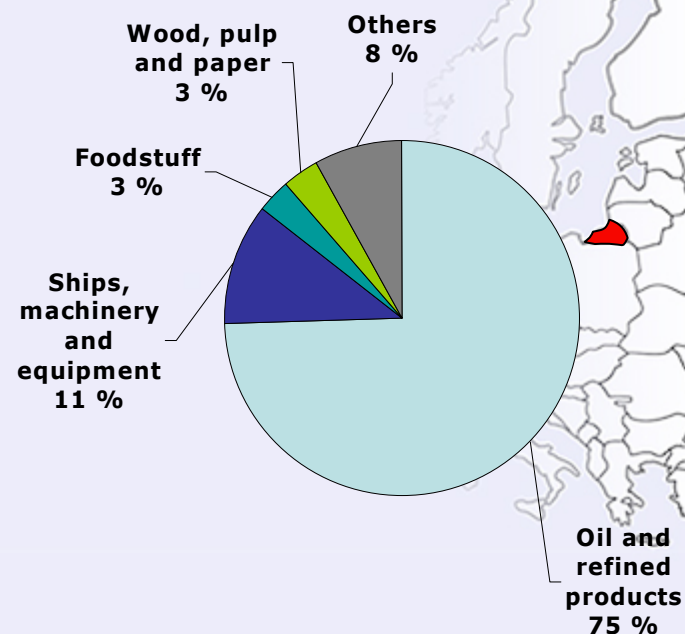
# 4. External economic relations

## b) Foreign trade structure in 2006

Structure of imports to the Kaliningrad region



Structure of exports from the Kaliningrad region



Source: Northwest Customs Service (2007)

# 4. External economic relations

## c) Foreign trade by countries in 2006

In USD million

	<b>Total</b>	<b>Exports</b>	<b>Imports</b>
<b>Germany</b>	1028.5	162.0	866.5
<b>China</b>	714.6	1.4	713.2
<b>Poland</b>	678.6	88.6	590.0
<b>Netherlands</b>	634.2	461.7	172.5
<b>Latvia</b>	493.8	462.2	31.6
<b>Lithuania</b>	398.4	87.8	310.6
<b>USA</b>	264.0	35.3	228.7
<b>Belgium</b>	240.5	148.3	92.2
<b>Denmark</b>	224.7	143.7	81.0
<b>France</b>	199.3	34.9	164.4
<b>Finland</b>	171.0	133.8	37.2
<b>Sweden</b>	163.1	89.0	74.1
<b>Italy</b>	152.8	6.6	146.2
<b>Korea</b>	...	...	334.0



Kaliningradstat (2007)

# 4. External economic relations

## d) Largest foreign traders in 2006 (in terms of turnover)

- **Some main exporters**

- OOO Lukoil-Kaliningradmorneft, Oil sector

- OOO Lukoil, Oil sector

- OOO LLK International (subsidiary of Lukoil), Refined oil products

- ZAO Gala-Form, Oil products

- OOO TNK-BP Holding, Oil sector

- **Some main importers**

- ZAO Avtotor, Automobiles

- OOO Telebalt, TV and home electronics

- OOO Baltmixt, TV and home electronics

- OOO Radioimport-R, TV and home electronics

- OOO Tovary Budushego, TV and home electronics



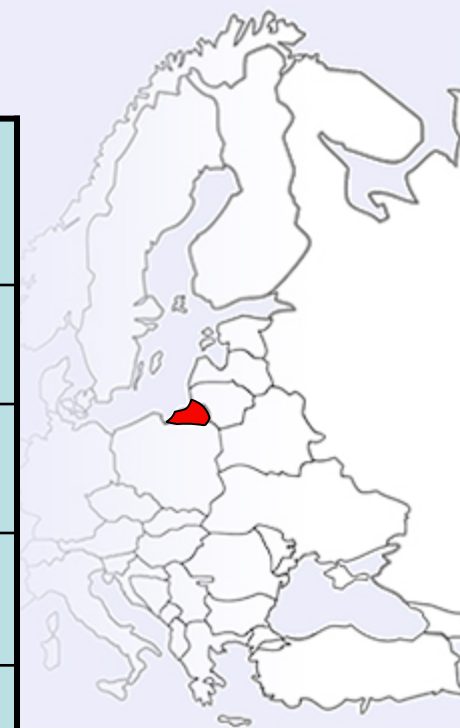
Sources: North-West Customs Service (2007)

# 4. External economic relations

## e) Development of foreign investment

In USD million

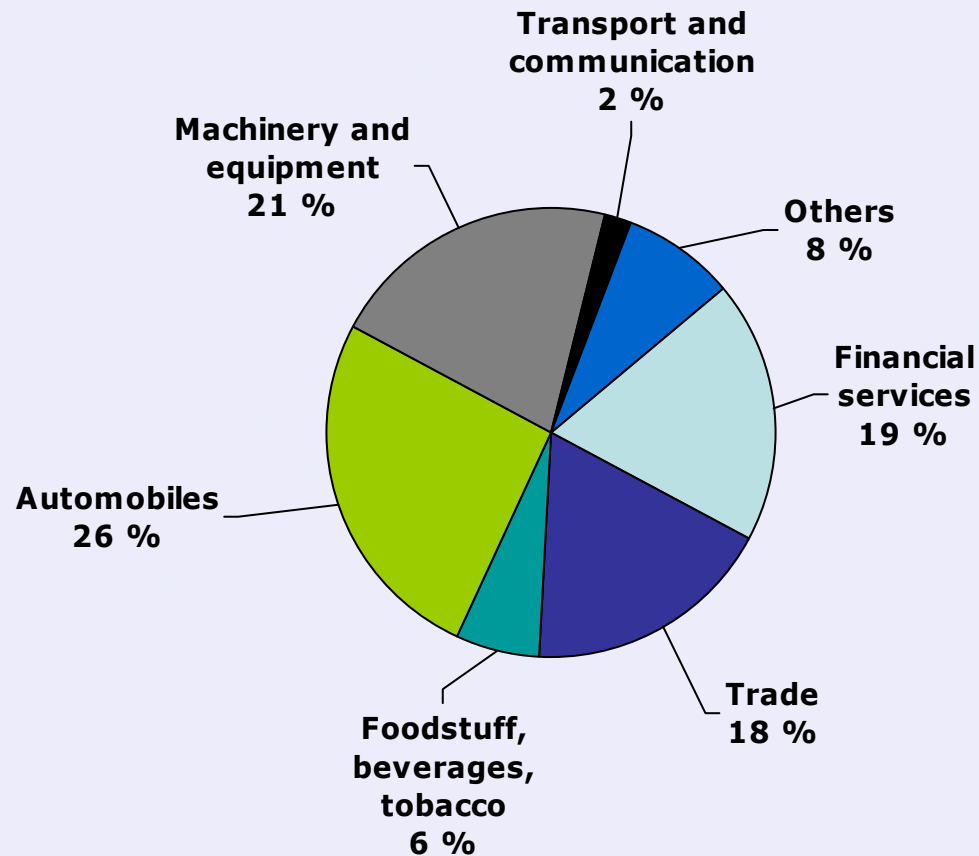
	2000	2002	2004	2006	Total stock as of 31.12.2006
<b>Total foreign investment</b>	19.1	47.7	61.9	80.8	244.3
<b>Direct investment</b>	6.6	5.9	22.4	21.2	108.0
<b>Portfolio investment</b>	0.0	0.0	4.9	22.2	33.9
<b>Other investments – trade credits and loans</b>	12.5	41.8	34.6	37.4	102.4



Sources: Kaliningradstat (2003,2006&2007), authors' calculation

# 4. External economic relations

## f) Foreign investment into Kaliningrad by sectors in 2006

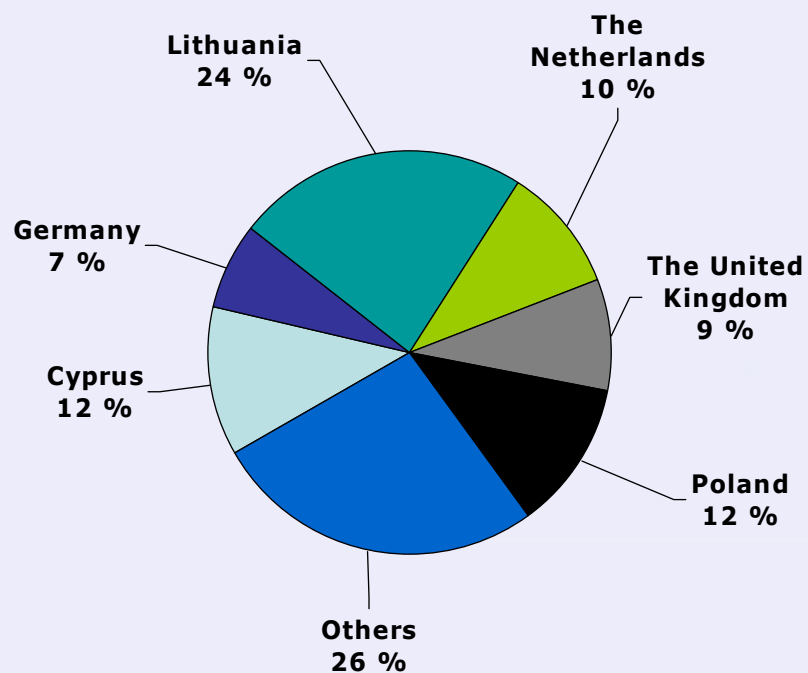


Source: Kaliningrad statistics (2007)

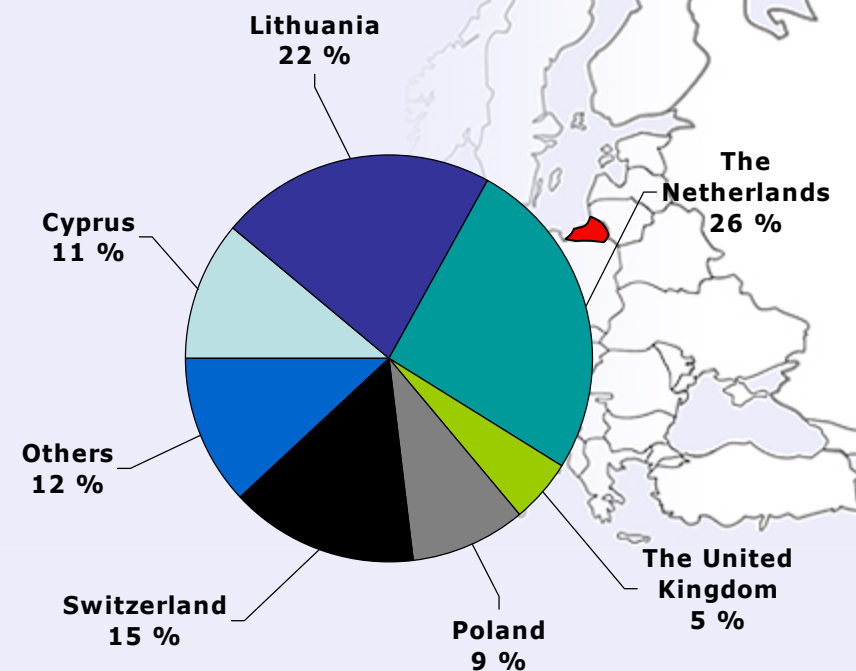
# 4. External economic relations

## g) Main foreign investor countries

Foreign investment stock as of the beginning of 2006



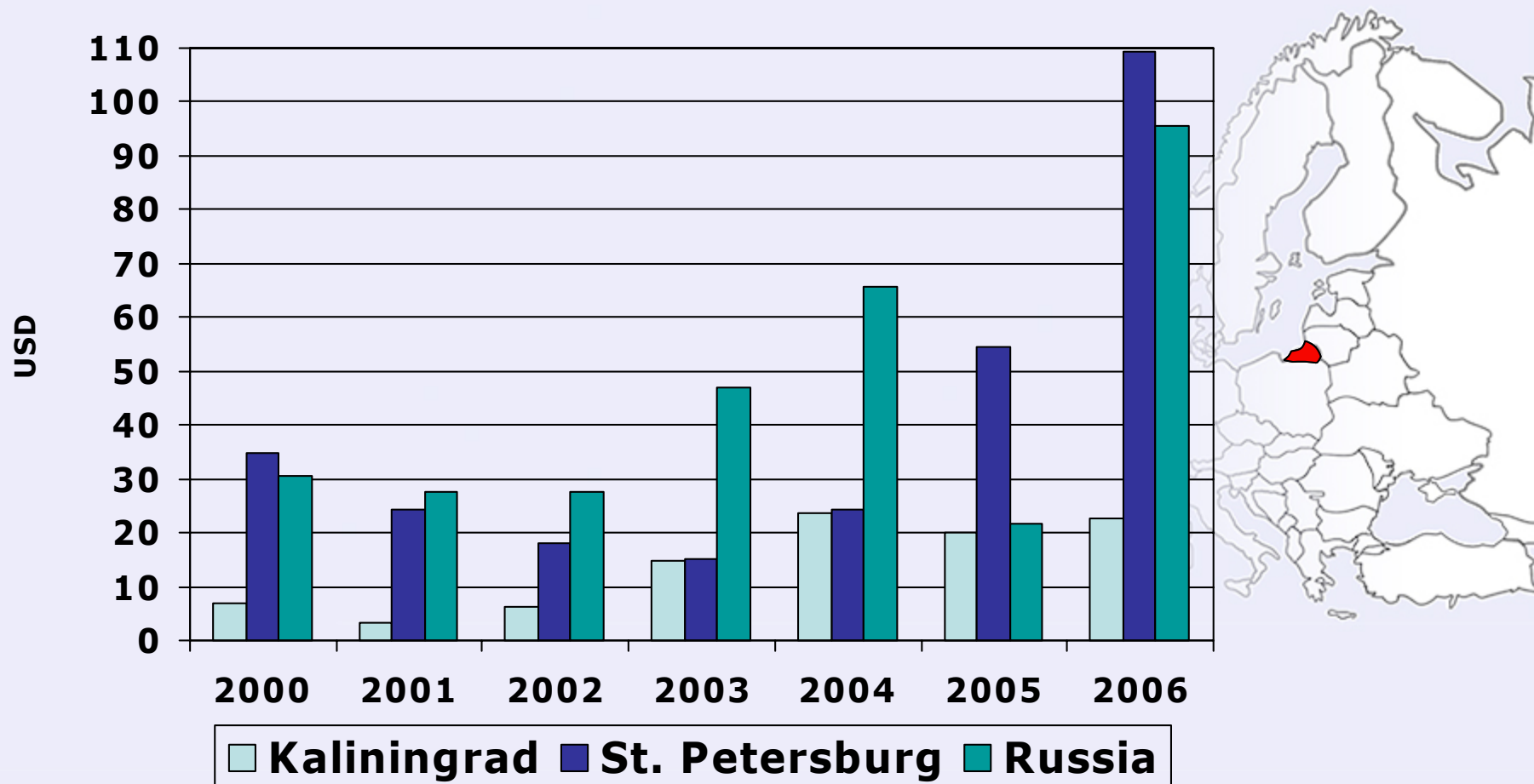
Foreign investment inflow in 2006



Source: Kaliningrad statistics (2007)

# 4. External economic relations

## h) Foreign direct investment inflows per capita



Sources: Goskomstat (2006), Kaliningradstat (2006&2007), Petrostat (2006), authors' calculation

# 4. External economic relations

i) Largest foreign investors by industry  
(large and medium-sized enterprises Jan-Sep 2006)

Industry	Percentage of total
Mining (mainly oil)	33.6%
Manufacturing, incl. food manufacturing	22.1% 16.7%
Utilities	3.4%
Construction	2.3%
Transport and communication	19.8%
Others	18.8%



Sources: Kaliningradstat (2007)

# 4. External economic relations

## j) Increasing flows of tourism

Tourism, thousands

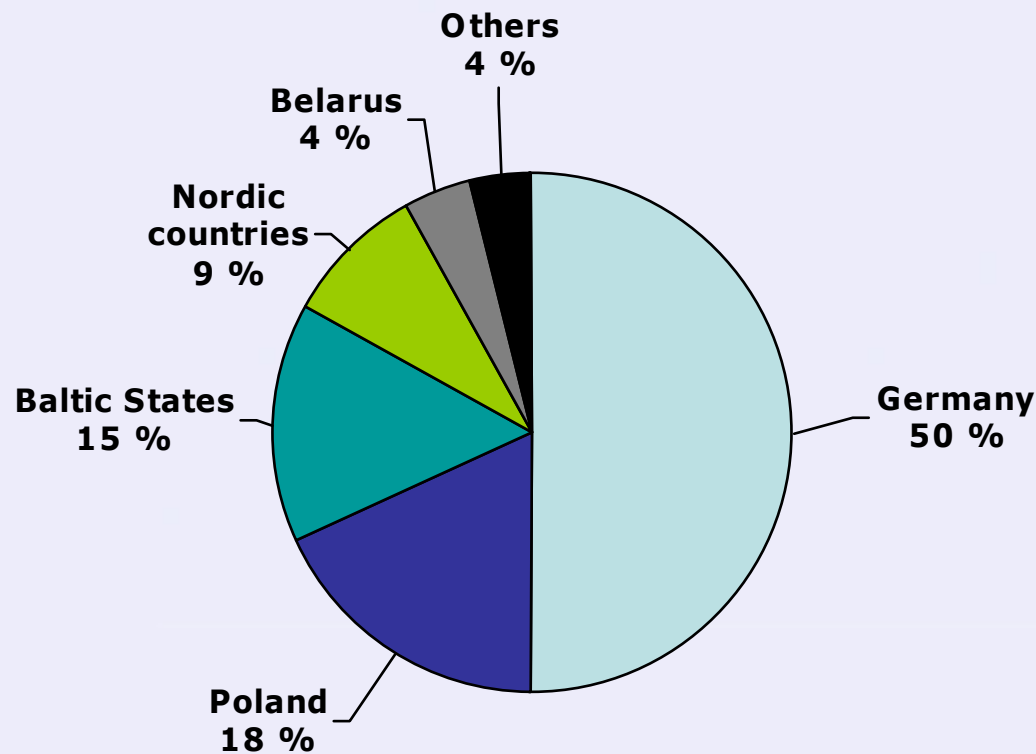
	2000	2002	2004	2006
<b>Russian visitors</b>	164	212	240	275
<b>Foreign tourists</b>	59	63	71	81
<b>Foreign tourists/ Russian visitors</b>	26%	25%	23%	23%



Sources: Kaliningrad statistics (2005), Liuhto (2005), Business Kaliningrad (2006), authors' calculation

# 4. External economic relations

## k) Distribution of foreign tourists by country/region in 2005



Source: Business Kaliningrad (2006)

# 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 5.3 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 zones in Kaliningrad

b) Largest residents in new SEZ in terms of their planned investments (million roubles)

- 1. ZAO Sodrushestvo Soja (5650)**
  - Agriculture-related products
- 2. OOO Alko-Nafta (2058)**
  - Plastic-related products
- 3. ZAO Balt Nafta (868)**
  - Construction related to oil business
- 4. ZAO TUTA STROI (787)**
  - Construction-related products
- 5. OOO Technobalt (760)**
  - Electronics-related products
- 6. OOO Evropa-Center (739)**
  - Construction project
- 7. OOO Baltkeramika (654)**
  - Construction materials-related products
- 8. OOO Baltijskije Avtomobilnije Sawodi (650)**
  - Construction project
- 9. OOO Apparel-West (649)**
  - Logistics-related products
- 10. OOO Optim (646)**
  - Metal processing-related products



# 5. Special zones in Kaliningrad

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

- The Federal Ministry of Economic Development and Trade approved applications 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



# 6. Additional information

## a) Some banks

- **Bank Moskvyy filial**  
<http://www.mmbank.ru/> ; Tel. +7 (4012) 95-4022
- **Bin-Kaliningrad (Sberbank filial)**  
<http://www.sbrf.ru/> ; Tel. +7 (4012) 46-9639
- **Evropejsky**  
<http://www.icbe.ru/> ; Tel. +7 (4012) 57-3900
- **Hansa Leasing Kaliningrad**  
<http://www.hansagroup.com> ; Tel. +7 (495) 777-6377
- **Investbank**  
<http://www.investbank.ru/> ; Tel. +7 (4012) 35-1440
- **Kaliningradsky (Alfa-Bank filial)**  
<http://www.alfabank.com/> ; Tel. +7 (4012) 55-6105
- **Vneshtorgbank filial**  
<http://www.vtb.ru/rus/web.html?l=1> ; Tel. +7 (4012) 43-1195



Information may change



# 6. Additional information

## b) Business supporting services

- **Association of International Experts on the Kaliningrad region**

<http://kaliningradexpert.org/> ; Tel. +7 (4012) 53-0864

- **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) 73-3678

- **Kaliningrad Chamber of Commerce and Industry**

<http://www.kaliningrad-cci.ru/en/index.html> ; Tel. + 7 (0112) 21-5507

- **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**

- **Georgy Boos** - Governor of Kaliningrad region ; Tel. + 7 (4012) 59-9001
- **Felix Lapin** - Regional Minister of Economy ; Tel. + 7 (0112) 59-9024
- **Mikhail Plukhin** - Minister for Territorial Development and Interaction with Municipal Authorities ; Tel +7 (4012) 59-9270
- **Igor Vlasenko** - Head of the North-West Customs Office ;  
Tel. +7 (812) 273-1619

- **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

- **Customs**

<http://www.klgd.ru/en/city/economy/customs.php> ; Tel. + 7 (0112) 45-0513



Information may change

# 6. Additional information

## d) Consulates and European Commission's Delegation

- **Some consulates:**

- **Denmark:**

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

Tel. +7 (0112) 71-6868

- **Germany:**

[http://www.konsulate.de/info/info\\_deutsches\\_konsulat\\_kaliningrad\\_rusland.php](http://www.konsulate.de/info/info_deutsches_konsulat_kaliningrad_rusland.php) ;

Tel. +7 (4012) 32-6923

- **Italy:**

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

Tel. +7 (4012) 21-9939

- **Lithuania:**

<http://www.urm.lt/> ; Tel. +7 (4012) 95-7688

- **Poland:**

<http://www.polkon-kaliningrad.ru/> ; Tel. +7 (4012) 27-3577

- **Sweden:**

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

- **European Commission's Delegation:**

[http://www.delrus.cec.eu.int/en/p\\_315.htm](http://www.delrus.cec.eu.int/en/p_315.htm) ;

Tel. +7 (4012) 71-6799



Information may change

# 6. Additional information

## e) Some hotels

- **Glamour Hotel**

located in Kaliningrad

<http://www.glamour-hotel.ru/en/villa/>

- **Hotel Comandor**

located in Kaliningrad

<http://www.comandor.gazinter.net/>

- **Hotel Grand Palace**

located in Svetlogorsk

<http://www.grandhotel.ru/hotel/?lang=en>

- **Triumph-Palace Hotel**

located in Kaliningrad

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



Information may change



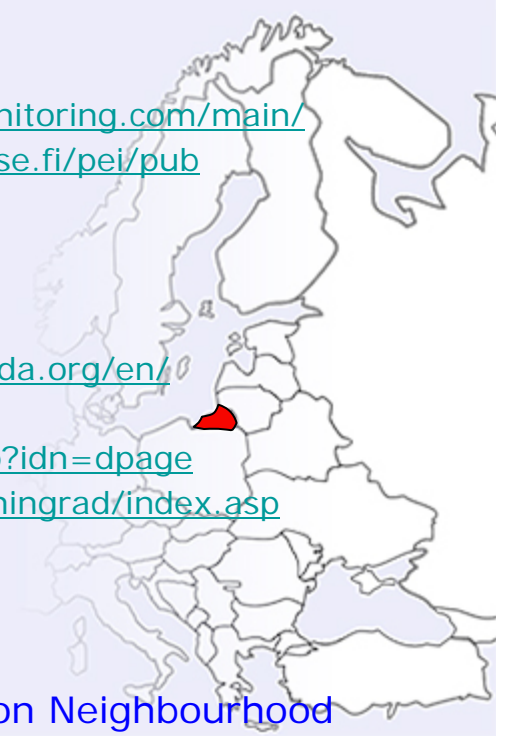
TURUN KAUPPAKORKEAKOULU  
Turku School of Economics  
PAN-EUROOPPA INSTITUUTTI



[www.tse.fi/pei/e](http://www.tse.fi/pei/e)

# 6. Additional information

- Baltic Rim Economies: <http://www.tse.fi/pei/bre/>
- Economic Monitoring in North-West Russia: <http://www.economicmonitoring.com/main/>
- Electronic Publications of the Pan-European Institute: <http://www.tse.fi/pei/pub>
- European Documentation Centre in Kaliningrad: <http://www.edc.albertina.ru/?nitem=50&artnum=6&lang=en>
- Kaliningrad City Hall: <http://www.klgd.ru/en>
- Kaliningrad in Network: <http://www.guide.kaliningrad.net/>
- Kaliningrad Regional Development Agency: <http://www.kaliningrad-rda.org/en/>
- Kaliningrad Regional Duma: <http://duma.kaliningrad.org/en.htm>
- Kaliningrad Regional Government: <http://gov.kaliningrad.ru/index.php?idn=dpage>
- Kaliningrad Tacis Local Support Office: <http://www.eucoop.ru/en/kaliningrad/index.asp>
- Portal to the Emerging Eastern Markets and Finland: [www.compiler.fi/idankaupan/palveluyritykset/](http://www.compiler.fi/idankaupan/palveluyritykset/)
- Rusgate: [www.rusgate.com](http://www.rusgate.com)
- Russian SME Resource Centre: [www.rcsme.ru/eng](http://www.rcsme.ru/eng)
- The Lithuania, Poland and Kaliningrad Region of Russian Federation Neighbourhood Programme: <http://www.interreg3a.org/interregen/>
- Yellowpages Kaliningrad: [www.yellowpages.ru](http://www.yellowpages.ru)



Information may change