

## **The economy and geography of the Kaliningrad Oblast**

The Kaliningrad Oblast is the utmost western oblast of the Russian Federation completely separated from the mainland territory by land borders of foreign states and international sea waters. The maximum extent of the Oblast from the east to the west is 205km, and from the north to the south – 108km.

**The total area** of the Kaliningrad Oblast is 15,100km<sup>2</sup>.

**The average annual number of the population of the year 2014** is 966,036.

**The population density** is 64.06 people per a km<sup>2</sup>.

As of 01/01/2015, 968,900 people live in the Kaliningrad Oblast, of whom 454,900 are male (47%) and 514,000 are female (53%).

The share of urban population is 77.7 %, or 752,500 people. 216,400 people (22.3%) reside in rural areas in the Kaliningrad Oblast.

According to age, the population is split up as follows: working-age population – 573,700 (59.2%), under working-age – 162,100 (16.7%), and over working-age – 233,100 (24%).

The number of the economically active population is 528,800.

By the beginning of 2015, the recorded unemployment had been steadily decreasing from the maximal number of 20,600 (as of June 2009) to 5,730 people by the beginning of 2015 (i.e. an almost fourfold drop). However, in connection with a decline in the economic activity in the region, in the first half of the year 2015 the number of persons having an official status of unemployed increased to 7,233, the unemployment rate grew from 1.1% to 1.4% of the economically active population.

The coefficient of labour market tension (the number of the unemployed per one vacancy) increased from 0.6 to 1.3 from the beginning of 2015.

The index of the general unemployment rate (calculated by the ILO methodology) also grew from 5.1% to 6.2%. At the same time, the number of vacancies decreased by more than 33.4% (by 3,173 units) and amounted to 6,319 units (as of January 1, 2015 - 9,492 vacancies).

### **The educational level of the population**

During the population census of 2010, there were recorded 809,054 persons at the age of 15 and older. The trend data of the educational level of the population of the age of 15 and over are as follows:

	Per 1000 persons who indicated their educational level	
	2002	2010
The population aged 15 and older who indicated their educational level:	1000	1000
vocational education		
higher	179	250
of which postgraduate education	3	5
undergraduate education	31	46
secondary	316	346
primary		44
general education		
secondary (complete)	246	172
basic	164	98

	Per 1000 persons who indicated their educational level	
	2002	2010
primary	58	39
Having no primary general education	6	5

A considerable advantage of the Kaliningrad Oblast is its geographic position. A flight from the Oblast to major economic centres of Western Europe takes only a few hours, and at the same time the region opens up access to the Russian market.

**The distance** to Moscow is 1289 km;  
to the closest regional center of Russia – Pskov – is 800km,  
to Vilnius – 350km,  
to Riga – 390km,  
to Warsaw – 400km,  
to Berlin – 600km,  
to Stockholm – 650km,  
to Copenhagen – 680km,  
to Oslo – 850km.

**The Oblast's centre** is the city of Kaliningrad

The largest towns:	The population as of January 1, 2015, thousand people
Kaliningrad	453.5
Sovetsk	41.2
Chernyakhovsk	37.5
Baltiisk	33.1
Gusev	28.5

### **Climate and natural resources**

The climate of the Kaliningrad Oblast is transitional from maritime to moderate continental. It rains 185 days a year on average, and it snows approximately 55 days annually; the weather can be cloudy for 60 days, and the sun shines for 68 days on average. The average annual precipitation is 700mm; its highest amount could reach 1100mm, and the lowest - 400mm. The precipitation rate is higher than that of evaporation which results in temporary abundant overmoisturization and has an adverse impact on lands. The maximum air temperature in summer is 22 - 26° C, and the minimum temperature in winter is from -18° to -23°C.

The vegetative cover of the Oblast is classified as a forest area, the sub-area of mixed coniferous-broad leaved forests. 18% of the territory is covered with forests. The soils are primarily podzolic, largely cultivated.

The longest rivers are as follows: the Pregolya – 123km, and the Neman – 115km. There are 38 lakes in the Oblast with the total area of 10ha and over. The

largest lake is Vishtynetskoe (17.8km<sup>2</sup>) with the maximum depth of 54m.

In the Oblast's there are several hundreds of marshes with the total area of over 1000km<sup>2</sup> mainly located in interstream areas and in the Pregolya valley. They are of grave significance in terms of water protection and water-control; some of them are used for the removal of peat.

The Oblast has a limited amount of mineral resources, but they still play a certain role in the economy of the region. On its territory, there is the only in the world commercial deposit of amber with over 90% of its world reserves. Among mineral resources, in the first instance, should be considered the reserves of high-quality oil, peat, construction materials (sands, clay, gravel, and boulders), drinking and medicinal water, and salts. There is an industry for extracting and processing these raw products (with the exception of oil and salt).

The Kaliningrad Oblast boasts its resort towns – Svetlogorsk, Zelenogradsk and Pionersky with numerous health spas and medical centers on the coast of the Baltic Sea. Unique landscapes of the coastal-maritime sand flats with large dunes and dune ridges on the Curonian and Vistula (Baltic) Spits are comprised of both sand beaches and park pine forests and pine-birch forests. With a view to protecting the environment on the Spit, the State Nature Reserve "Curonian Spit" was established.

The sandy Curonian Spit was inscribed on the UNESCO World Heritage List and is one of the main tourist attractions in the region.

### **The history**

The Kaliningrad Oblast is one of the most unique regions in the Russian Federation. Before World War II, the region was part of East Prussia. In the aftermath of WWII, in July 1945, one third of the area of East Prussia (its north part) was transferred to the USSR by the decision of the Potsdam Conference.

In 1946, Königsberg — the main town of the Oblast — was renamed Kaliningrad, as well as the Oblast. The Kaliningrad Oblast can justifiably take pride in its remarkable and colorful background since this territory has always been at the intersection of the European history.

## **THE TERRITORIAL ORGANIZATION AND GOVERNANCE STRUCTURE**

The Oblast is comprised of 11 municipal districts and 11 urban districts. The city of Kaliningrad is the largest municipality in the Oblast, its administrative capital where approximately 46.9% of the whole of the Oblast's population reside.

The Oblast is governed by the following:

The Kaliningrad Regional Duma — the legislative (representational) branch of power;

The Governor of the Kaliningrad Oblast and the Government of the Oblast — the executive branch;

Courts of the Russian Federation in the Oblast — the judicial branch.

The executive governance in the Oblast is performed by the Government of the Kaliningrad Oblast headed by the Governor.

The Kaliningrad Regional Duma is a standing legislative (representational) body of the regional Government. The Regional Duma is comprised of 40 members.

## **THE RESULTS OF THE SOCIO-ECONOMIC DEVELOPMENT OF THE KALININGRAD OBLAST IN 2014**

According to the rate of the gross regional product, the Kaliningrad Oblast is designated as a medium-developed region being an Oblast with a high share of mechanical engineering.

The gross regional product of the Kaliningrad Oblast in 2013 amounted to 277.4 billion rubles which in comparable prices is 101% as against the rate of the year 2012.

The makeup of the gross regional product in 2013 was as follows:

<b>No</b>	<b>Economic activity</b>	<b>GRP share</b>
1	Manufacturing	22.9%
2	Real estate operations, rental and service supply	16.7%
3	Wholesale and retail trade; repairs of motor vehicles, motorcycles, household goods and personal appliances	14.0%
4	Government control and military security; compulsory social support	8.4%
5	Transport and communications	8.1%
6	Construction	5.7%

The socio-economic situation of the Oblast as of year-end 2014 featured an improvement of most indices, with the exception of a high inflation rate and a reduction in capital investment.

The industrial-production growth amounted to 8.7% which was achieved owing to an increase in manufacturing activities by 11.2%.

An increase in manufacturing activities was recorded in the production of electrical equipment, electronic devices and optical equipment by 42.6%, in pulp and paper manufacturing - by 24.7%, in wood processing and production of wooden goods - by 20.2%, in metallurgical production and manufacturing of finished metal products - by 15.6%, in manufacture of other non-metallic mineral products - by 13.8%, in production of vehicles and machinery - by 7.1%, in textile and garment manufacture - by 5.7%, in production of rubber and plastic products - by 1%, and in other kinds of manufacture - by 17.4%. A decrease against the previous year was registered in foodstuffs production, including beverages and

tobacco - by 0.7%, in machinery and equipment manufacture - by 2.8%, in production of leather, leather goods and manufacture of footwear - by 8.3%, and in chemical industry - by 18.1 %.

The most significant kind of activity within manufacturing is the "Manufacture of vehicles and machinery" which as of the year-end 2014 came to 57.1% of the total volume of shipped goods of manufacturing.

The index of production for the "Extraction of minerals" sector amounted to 91.8%.

The development of onshore oilfields in the Kaliningrad Oblast has been going on for a long period of time, in connection with which the ceiling level of crude production has already been exhausted and every year the extraction is reported to decrease.

However, by now 25 prospecting sites have been identified on the onshore territory of the Kaliningrad Oblast with initial oil in-place of 5.5ml tons and on the Baltic Sea continental shelf - 6 sites with 65ml tons of prospective oil. The sites are not being developed.

There has been a trend towards an increase in the volume of works aimed at geology study, prospecting and extraction of nonmetallic construction materials (sand-and-gravel materials and mortar sands).

The index of production and distribution of electric power, gas and water in 2014 came to 99.3%.

The production of electric power at the generating facilities in the Kaliningrad Oblast in 2014 amounted to 6.5 billion kWh (101.1% against the level of 2013).

The chief generating company of the Oblast is the branch "Kaliningrad TPP-2" of the OJSC "INTER RAO - Elektrogeneratsia".

32 electric grid companies are operating on the Oblast's territory: the largest of them is OJSC "Yantarenergo".

The scope of executed construction works grew by 17.6%; an increase in the residential construction came to 75.7%.

The farming sector output in 2014 went up by 9.1% and amounted to 24,785ml rubles, including crop production – 13399.7ml rubles or 113.7% as against the level of the year 2013, and animal products – 11385.3ml rubles or 104.0% against 2013.

The investment in fixed capital in 2014 amounted to 58.5 billion rubles or 81.8% against the level of the relevant period of the previous year.

The biggest volume of investment went to transport and communications (32.7%), production and distribution of electric power, gas and water (13.9%), manufacturing (8.8%), and mineral production (8.8%).

The amount of investment from bank credits and borrowed money from other organisations in current prices went down more than twofold. The value of borrowed resources of enterprises has increased as a result of shutting down external capital markets that lowered the banks' resource base.

The continued geopolitical tension and unfavorable consequences of the economic sanctions imposed by the Russian Federation on the import of certain kinds of agricultural raw materials and ready foods, as well as weakening of ruble conducted a spurt in inflation (in December as against December of the previous year, the consumer price index came to 115.6%).

The growth of real disposable cash earnings of the population at the yearend was 2.7%.

The average monthly nominal accrued wages at large, medium-sized and small enterprises in 2014 amounted to 26,952 rubles, and compared to 2013 they grew by 7.5%. The actual earnings calculated taking into consideration the consumer price index in 2014 dropped by 1.7% against the year 2013.

The labour market featured stability. The number of the economically active population in 2014 was on average 528.8 thousand, or 54.9% of the total number of the Oblast's population. The rate of registered unemployment came to 1.1%.

For several years there has been a steady improvement in demographic indices in the Kaliningrad Oblast. In 2014, the birthrate continued to grow in the Oblast, the fertility rate per 1000 of the population amounted to 12.7 (in 2013 the figure was 12.5). The death rate per 1000 of the population was slightly higher than the rate of the previous year - 13.3 (in 2013 the figure was 13.2). Accordingly, the natural population decline per 1000 came to 0.6 (in 2013 – 0.7).

## **THE SOCIO-ECONOMIC DEVELOPMENT OF THE KALININGRAD OBLAST IN THE FIRST SIX MONTHS OF 2015**

In the first six months of the year 2015, the socio-economic situation in the Oblast as against the first half of the previous year somewhat worsened.

In January-June 2015, the socio-economic situation of the Oblast showed a decline in the output of industry and construction.

At the same time, there was an increase in residential construction, farming sector and paid services rendered to the population.

The rate of inflation remained unchanged in the Oblast. The consumer price index in June 2015 came to 106.5% as against December 2014, and an increase in food prices since the beginning of the year amounted to 8.3%.

An increase in prices in the region exerted a negative influence on the trend of actual earnings. The actual earnings in January-June 2015 dropped by 10.9%. At the same time, the real incomes of people kept growing.

In January-June 2015, the industrial production index within all kinds of activities came to 87.5%.

The index of manufacturing activities in January-June 2015 amounted to 86.5%.

The growth of manufacturing activities is recorded in chemical production at 28.8%, in metallurgical production and the manufacturing of finished metal products - at 10.1%, in wood processing and fabrication of woodware - at 7.7%.

Similar to the relevant period of the year 2014 was the production of leather, leather goods and footwear manufacturing, as well as pulp and paper production; publishing and printing activities. A significant decline in the first six months of 2015 was seen in manufacturing machinery and equipment by 47.9%, in fabrication of electrical equipment, electronic and optical equipment by 30.1%, in production of vehicles and machinery by 18.1%, in other producing operations by 15.7%, in textile and garment manufacture by 14.4%, in food production including beverages and tobacco by 5.7%, in manufacture of other non-metallic mineral products by 2%, and in production of rubber and plastic products by 0.8%.

The index of production for the activity "Extraction of minerals" came to 92.8%. A drop in the index was affected by a decrease in the extraction of fuel and energy resources (oil) by 7.8%. An increase in output in the extraction of solid minerals amounted to 0.9%.

The index of production and distribution of electric power, gas and water in the first six months of the year 2015 as against the comparable period of 2014 amounted to 94.4%.

The first half of the year 2015 saw a further decrease in investment. The investment in fixed capital as against the first six months of 2014 amounted to 98.3%.

The volume of works performed within the activity "Construction" in January-June 2015 against the level of the comparable period of the previous year amounted to 93.3%.

In the first half of the year 2015, organisations of all forms of ownership built 1,528 residential houses, or 7,098 apartments with the total area of 593.9 thousand square meters which is 30.4% higher than the rate of the first six months of the year 2014.

Private developers constructed 1,392 apartment blocks with the total area of 254.0 thousand square meters, or 42.8% of the total volume of housing accommodations commissioned in the first six months of 2015.

A drop in the consumer demand resulted in a decrease in the retail turnover. In the first half of the year 2015, the retail sales volume amounted to 70.8 billion rubles which in comparable prices is 2.4% lower than the figure of the relevant period of 2014, of which a drop in non-food goods was 3.6%, and in foods – by 1.1%.

The pattern of retail turnover saw a growth in the relative share of foodstuffs - 51.3%, and that of non-food goods – 48.7% (in the first half of the year 2014 – 48.3% and 51.7% respectively).

In the first half of the year 2015, the gross index of production of farm output came to 110.5% against the similar period of the year 2014. Within this period of 2015, farms of all categories produced livestock and poultry for slaughter

(in live weight) in the amount of 33.3 thousand tons (a 5.2% increase), milk – 84.4 thousand tons (a 13% growth), and eggs – 98.9 ml units (a 16.4% rise).

The real incomes of people (the incomes adjusted for consumer price index) against the level of January-June of the year 2014 amounted to 102.6%.

Straight-line average money income in the first half of the year 2015 amounted to 22975.8 rubles per month, and as against January-June 2014 increased by 18.3% (in real terms remained at the rate of the first six months of 2014).

The average monthly nominal accrued wage at large, medium-sized and small enterprises in January-June 2015 amounted to 27538.5 rubles, and as against the comparable period of 2014 it increased by 5.4% in nominal terms. The actual earnings calculated taking into consideration the consumer price index in the first six months of 2015 dropped by 10.9% against the figure of January-June 2014.

## **FOREIGN TRADE IN THE KALININGRAD OBLAST IN 2014**

The Kaliningrad Oblast foreign trade totals (thousand US dollars)

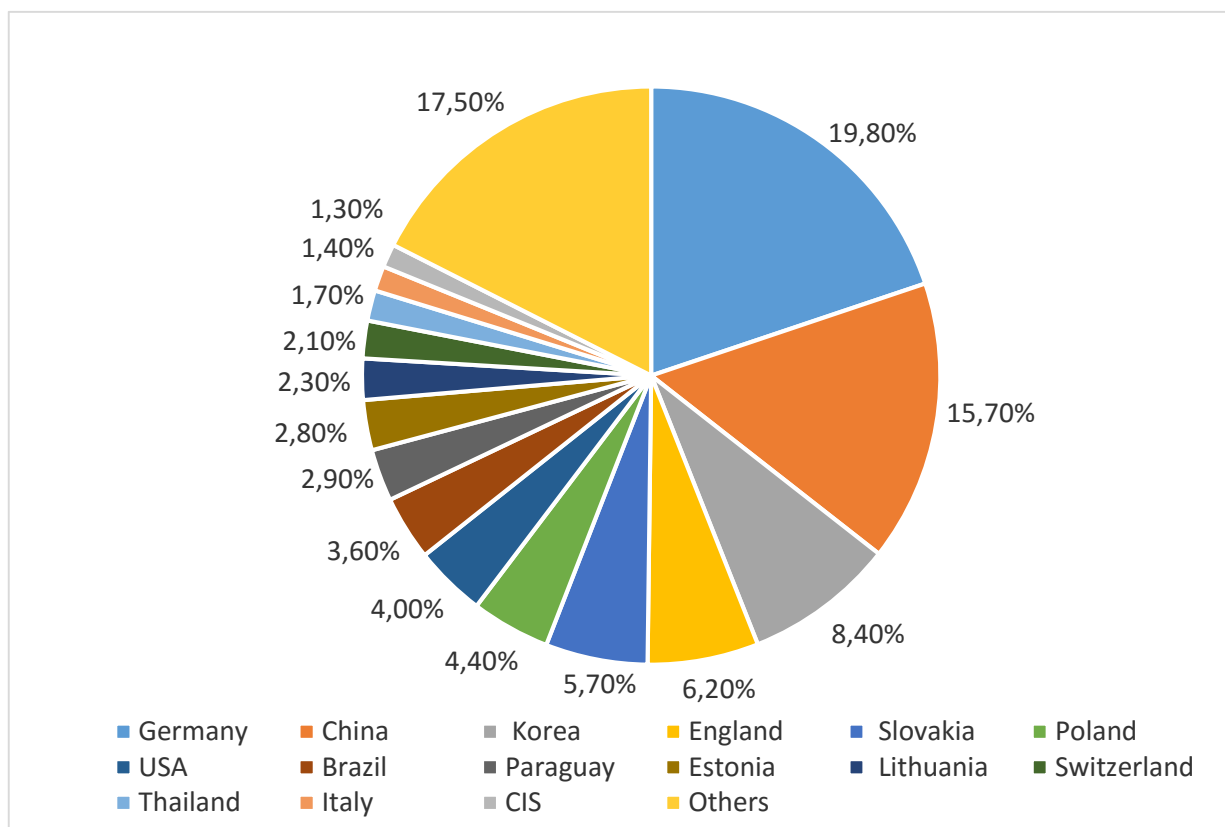
Indices	2014	Share in foreign trade turnover 2014	Change in 2014 against 2013
<b>Goods turnover</b>	<b>19 362 812</b>	<b>100%</b>	<b>142.2%</b>
Export	3 583 168	19%	<b>2.4 times increase</b>
Import	15 779 644	81%	<b>130.1%</b>
Balance	-12 196 476		

The foreign trade turnover in the Kaliningrad Oblast in 2014 amounted to 19 362.8ml US dollars, and as against the year 2013 there was a rise by 42.2%, with exports having increased 2.4 times and imports having risen by 30.1%.

The Kaliningrad Oblast is an import-orientated territorial entity of the RF, the import of goods amounts to 81.5% of the total turnover of commodities of the Kaliningrad Oblast.

The breakdown of foreign trade turnover by contractor countries is as follows:





The geographic focus of goods turnover remains the same, the share of the far-abroad countries in the commodity turnover in the period of January-December 2014 amounted to 98.7%. Foreign trade operators in the Kaliningrad Oblast executed commerce with 148 countries.

In 2014, the top three partner countries were Germany, China, and the Republic of Korea; their aggregate relative share came to 43.9% of the foreign trade turnover of the Kaliningrad Oblast.

### Export of goods from the Kaliningrad Oblast

Export operations in the Kaliningrad Oblast are oriented toward the far-abroad countries market. In 2014, the total value of export supplies to far-abroad countries amounted to 97.6% of the total value of exports.

The breakdown of exports of the Kaliningrad Oblast by contractor countries in January-December 2014 is as follows:

Contractor country	Export, thousand US dollars	Relative share in export	Main commodities
<b>Total export</b>	<b>3 583 168</b>	<b>100.0%</b>	
<b>CIS countries (8 countries)</b>	<b>83 057</b>	<b>2.3%</b>	
Uzbekistan	32 610	0.9%	by-products of soybean oil and meal
Ukraine	32 358	0.9%	compound fertilizer
Other CIS countries	18 089	0.5%	
<b>Far-abroad countries (97 countries)</b>	<b>3 500 112</b>	<b>97.7%</b>	
Germany	2 193 603	62.7%	machinery, electrical equipment

Norway	164 882	4.7%	rape oil
Poland	130 404	3.7%	by-products of soybean oil and meal
Algeria	129 018	3.7%	soy oil
Lithuania	94 727	2.7%	by-products of soybean oil and meal, compound fertilizer
Morocco	70 533	2.0%	soy oil, wheat
India	64 105	1.8%	spare products sets
Denmark	54 470	1.6%	soy oil, by-products of soybean oil and meal
Tunisia	52 876	1.5%	soy oil, barley
Finland	49 222	1.4%	by-products of soybean oil and meal, soy oil
Other far-abroad countries	496 272	11.9%	

### Export commodity structure (thousand US dollars)

Customs tariff number	Name of goods	Export in 2014	Share in export in 2014	Change in 2014 against 2013
<b>01-24</b>	Food products and raw produce for their manufacturing	1 032 628	28.8%	157.3%
<b>25-27</b>	Mineral commodities	89 484	2.5%	81.4%
<b>27</b>	Fuel and energy commodities	89 423	2.5%	90.5%
<b>28-40</b>	Chemical industry output	68 165	1.9%	85.0%
<b>41-43</b>	Rawhide, furs, articles from them	9 349	0.3%	64.3%
<b>44-49</b>	Timber, paper and articles from them	42 545	1.2%	131.5%
<b>50-67</b>	Textiles, textile products, footwear	21 683	0.6%	102.5%
<b>72-83</b>	Metals and metal goods	74 807	2.1%	97.3%
<b>84-90</b>	Machinery, hardware, vehicles	2 228 195	62.2%	4.6 times rise
<b>68-71, 91-97</b>	Other commodities	16 312	0.5%	95.3%
	<b>Total</b>	<b>3 583 168</b>	<b>100.0%</b>	<b>2.4 times increase</b>

### Largest exporter enterprises in 2014

Name of enterprise
LLC "GEVITA"
LLC "ILAPION"
LLC Trading Company "SODRUZHESTVO"
CJSC "SODRUZHESTVO-SOYA"
LLC "BALTSERVIS"
OJSC "Baltic shipbuilding yard "YANTAR"
CJSC "AGROPRODUCT"
LLC "KONSOLKOR"
LLC "PALIUS"
LLC "ARVI NPK"
LLC "PALIUS"

### Import of goods to the Kaliningrad Oblast

Goods are imported to the Kaliningrad Oblast primarily from the far-abroad countries. In 2014, the total value of import deliveries from the far-abroad countries amounted to 98.7% of the total value of imports.

The breakdown of imports value in the Kaliningrad Oblast by contractor countries in 2014 is as follows:

Contractor country	Import, thousand US dollars	Relative share in imports	Main commodities
<b>Total import</b>	<b>15 779 644</b>	<b>100.0%</b>	
<i>CIS countries (8 countries)</i>	<i>176 832</i>	<i>1.1%</i>	
Ukraine	164 940	1.0%	ferrous metals, soy beans
Other CIS countries	11 892	0.1%	
<i>Far-abroad countries (131 countries)</i>	<i>15 602 812</i>	<i>98.9%</i>	
China	3 040 780	19.3%	rolled steel products, electrical equipment, machinery and parts
Germany	1 636 093	10.4%	components for vehicle assembly, electrical equipment and their parts, machinery and mechanicals
Republic of Korea	1 630 287	10.3%	components for vehicle assembly, machinery and parts
United Kingdom	1 173 926	7.4%	components for vehicle assembly, paper
Slovakia	1 088 154	6.9%	components for vehicle assembly
United States of America	767 101	4.9%	soy beans, food products, components for vehicle assembly
Poland	726 990	4.6%	components for vehicle assembly, components for electrical equipment
Brazil	679 873	4.3%	soy beans, meat
Paraguay	569 681	3.6%	soy beans, meat
Estonia	548 093	3.5%	mini CD-disks, clothes
Other far-abroad countries	3 741 834	23.7%	

### Imports commodity structure (thousand US dollars)

Customs tariff number	Name of goods	Import in 2014	Share in import in 2014	Change in 2014 against 2013
<b>01-24</b>	Food products and raw produce for their manufacturing	2 848 762	18.0%	104.4%
<b>25-27</b>	Mineral commodities	85 270	0.5%	87.9%
<b>27</b>	Fuel and energy commodities	7 850	0.05%	97.4%
<b>28-40</b>	Chemical industry output	681 399	4.3%	96.0%
<b>41-43</b>	Rawhide, furs, articles from them	37 440	0.2%	92.2%
<b>44-49</b>	Timber, paper and articles from them	435 848	2.8%	139.5%
<b>50-67</b>	Textiles, textile products, footwear	396 389	2.5%	130.4%
<b>72-83</b>	Metals and metal goods	1 022 821	6.5%	176.3%
<b>84-90</b>	Machinery, hardware, vehicles	9 583 857	60.7%	141.3%
<b>68-71, 91-97</b>	Other commodities	687 857	4.4%	121.3%
	<b>Total</b>	<b>15 779 644</b>	<b>100.0%</b>	<b>130.1%</b>

## Largest importer enterprises in 2014

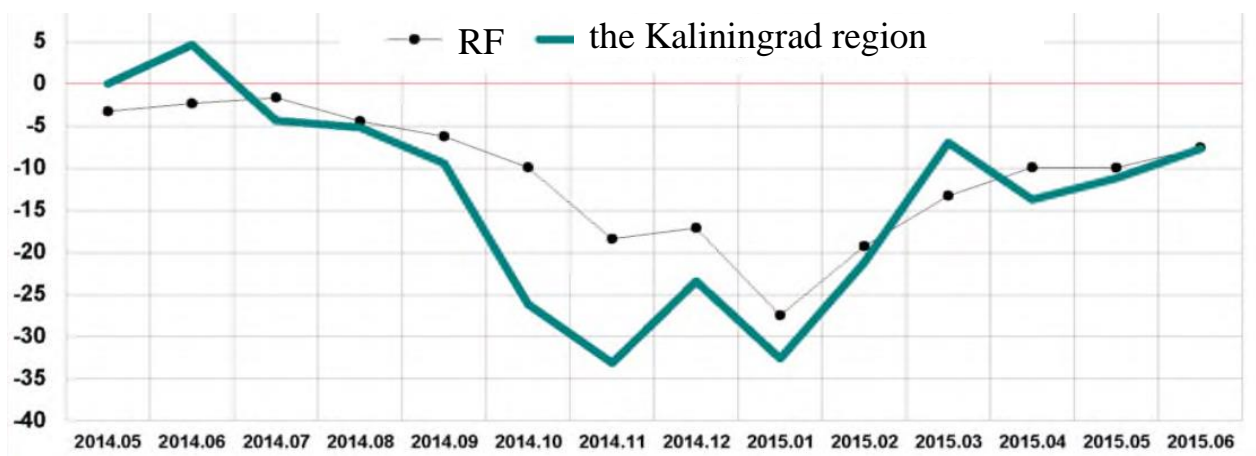
Name of enterprise
LLC "AVTOTOR-TERMINAL"
LLC "BALTSERVIS"
LLC "DV TRANSPORT"
LLC "SLEITER 2000"
CJSC "AVTOTOR"
LLC "KONSOLKOR"
LLC "PALIUS"
LLC "ELLADA INTERTRADE"
CJSC "AVTOTOR -MANAGEMENT"
LLC "MAO FAN"

## MANUFACTURING INDUSTRY

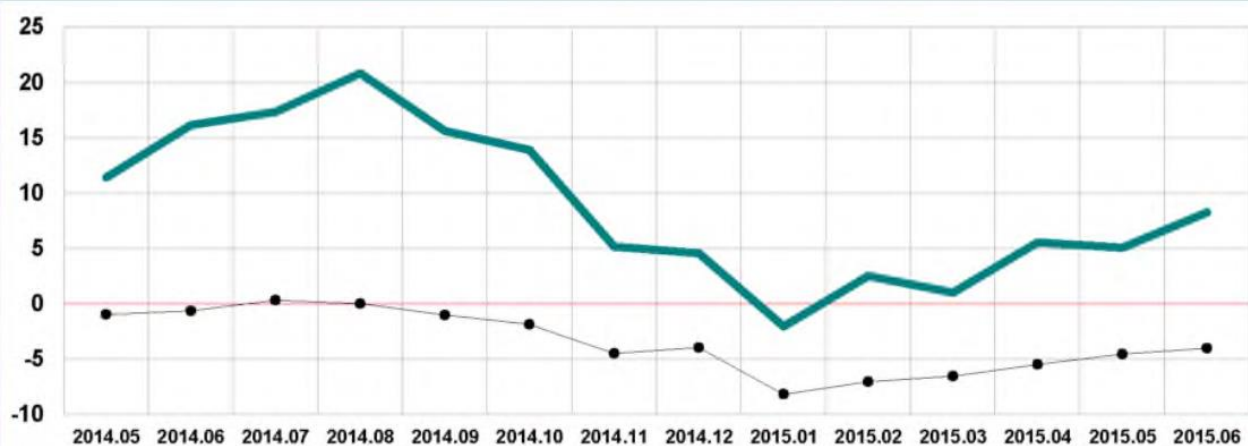
According to the estimates of enterprises which participated in the survey of the Bank of Russia (194 enterprises) in June 2015, the development of the situation per totality of economic activities performed by organisations in the Kaliningrad Oblast featured the following trends:

- the process of worsening of the economic conditions in the region slowed. The number of survey respondents who noted negative changes of the situation reduced. However, most of the surveyed enterprises (80.9%) mentioned the situation maintaining at the level of the previous month;
- the economic conditions at enterprises improved. The share of survey participants who assessed them as good grew from 13.2% to 14.9%, and the number of negative estimations dropped. The majority of respondents (78.4%) described the economic situation at their enterprise as acceptable.

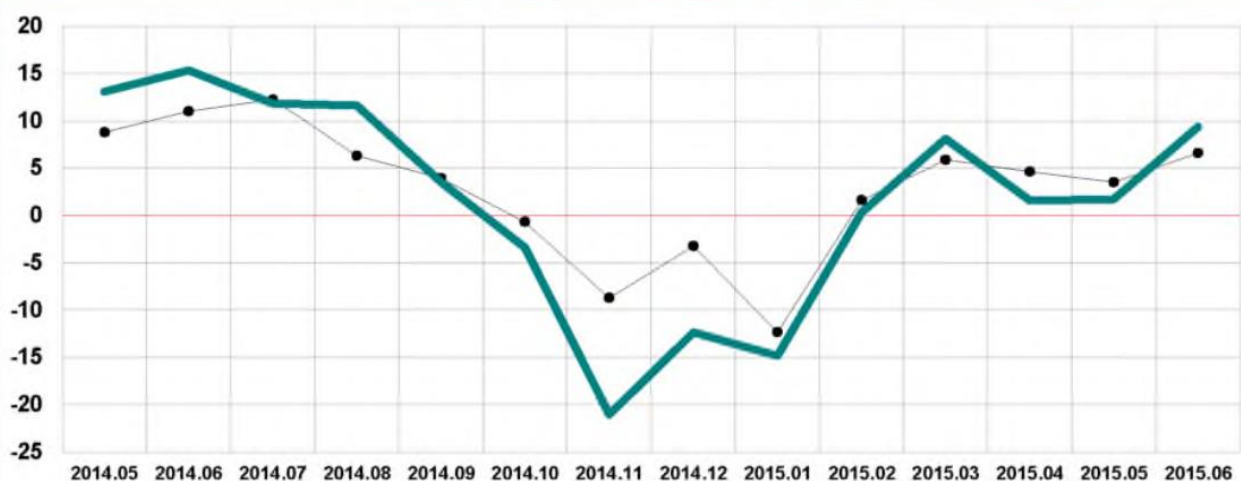
### Economic conditions



## Economic position of enterprises



## Indicator of business climate of the Bank of Russia



*\*Here and elsewhere the figures show the value of balance of answers calculated as a difference between the shares of "more" answers (increased, improved etc.) and "less" answers (dropped, worsened, etc.) in percentages to the sum of proportion of exact answers (more, less, has not changed). The fine line corresponds to the values of balance of answers in Russia on the whole and the thickened line regards the region.*

*\*\* The indicator of business climate change of the Bank of Russia is built according to the methodology of IFO Institute (Germany) and shows the actual as well as expected changes in the sphere of production and demand that are determined on the basis of estimates of enterprises - participants of the monitoring conducted by the Bank of Russia.*

The result figures of the industrial production index of the first five months of the year 2015 as against the comparable period of the previous year in the Kaliningrad Oblast amount to 85.4%, and the average rate of the index for the Russian Federation is 95.9%.

The industries of the Kaliningrad Oblast where a decline in manufacturing is also going on against the background of lowering general federal indices are as follows:

No. in sequence	Type of economic activity	Industrial production index January-May 2015 as against the comparable period of 2014	
		The Kaliningrad Oblast (%)	The Russian Federation (%)
1	Textile and garment manufacture	82.0	80.8
2	Production of rubber and plastics articles	97.1	97.4
3	Machinery and equipment manufacture	46.6	86.8
4	Production of electrical equipment, electronic and optical equipment	68.4	93.6
5	Manufacture of vehicles and machinery	80.5	83.9

The industries of the Kaliningrad Oblast where an increase in output is going on against the background of lowering general federal indices are as follows:

No. in sequence	Type of economic activity	Industrial production index January-May 2015 as against the comparable period of 2014	
		The Kaliningrad Oblast (%)	The Russian Federation (%)
1	Wood processing and woodware manufacture	86.3	97.8
2	Pulp and paper production; publishing and printing activities	104.4	84.1
3	Chemical industry	125.9	106.3
4	Metallurgical production and manufacture of finished metal products	111.0	94.3
5	Manufactured products not included in the other groups, other produce (including furniture production)	-	89.3

## **Priority areas of the development of industry in the Kaliningrad Oblast**

### **Automobile manufacture**

The prospects of development of the area are based on the plans of the management of the "AVTOTOR" group of companies to establish by the year 2020 a full profile cluster of automobile manufacture facilities with the total production capacity of 250,000 cars a year on the basis of joint ventures in the Kaliningrad Oblast.

### **Shipbuilding and ship repair**

The benefits of locating shipbuilding and ship repairing industry in the Kaliningrad Oblast are based on historical traditions of shipbuilding in the region,

the presence of ice-free ports, and the proximity to European shipbuilding centres. The sector of shipbuilding and ship repairs in the Kaliningrad Oblast is represented by over 10 organizations and contributes significantly to the development of the economy of the region. Strategically the feasibility of the industry in the Kaliningrad Oblast depends of the work of the OJSC "Baltic Shipbuilding Yard "Yantar" — an enterprise which executes defense orders for the construction of ships.

#### **Manufacture of electrical equipment, electronic and optical equipment**

The prospects of development of this type of activity in the Kaliningrad Oblast are connected with the implementation on the territory of Gusev municipal district of the project "The territory of scientific and technical development – Technopolis GS" stipulating the establishment of a cluster of radioelectronic industry, a new pole of innovative development of a federal level. On the area of over 220ha, it is planned to construct a network of organizations producing sophisticated electronic equipment, a number of service companies, apartment blocks, social and business infrastructure facilities. Today, over 2000 new jobs have been created within the implementation of the project.

#### **Food production**

In accordance with the conducted analysis of the conditions, potential and prospective product markets for food industry, a list of growth options was produced which includes the establishment in the Kaliningrad Oblast of a number of new and modernization of existing facilities for processing meat, fish, rape, grain crops, vegetables and fruits.

Priority is given to the creation and development of production chains working in the area of processing with domestic raw produce and oriented towards foreign markets.

Taking into consideration advanced processing of crop products, a gradual transition of meat-processing organizations to processing domestic raw produce, one can anticipate a 3.5 times increase in production by the year 2020 and a rise in the share of GRP in food production from 6% to 7%.

#### **Chemical industry (including pharmaceutical production)**

The prospect of development of chemical industry is related to the scheduled establishment in the Kaliningrad Oblast of a biochemical cluster based on the implementation in the long run of a package of investment projects which provide for the establishment of several innovative biochemical production facilities, new infrastructure facilities, a transport and logistics centre with a comprehensive port complex as a key pillar.

In the pharmaceutical production sector, a number of long-range investment projects are implemented aimed at the organization of the manufacture of ready-to-use medicinal drugs, devices for blood supply service, medical devices and materials for their production, medical plastic packaging, and pharmaceutical drugs caps.

## **The manufacture of other non-metallic mineral products (construction materials including composite materials, structures and articles with their use)**

The resource potential of the Kaliningrad Oblast for the organization of exploitation and production of composite materials on the basis of chemical industry output, manufacture of rubber and plastics articles, and also reserves of commonly occurring mineral resources is estimated as sufficient.

In the development of the construction materials sector of manufacturing, among the priority areas the following are determined: manufacture of wall materials and production of prefabricated reinforced concrete.

### **Amber processing**

Over 90% of explored world reserves of amber are concentrated on the territory of the Kaliningrad Oblast. More than 300 enterprises and private entrepreneurs run operations in the sphere of amber business in the Kaliningrad Oblast. The Government of the Kaliningrad Oblast is realizing the programme of development of amber sector aimed at increasing the volumes of internal amber processing and attainment of the share of over 70% of the world market of articles containing amber.

### **Furniture production**

In the Kaliningrad Oblast, approximately 200 organizations and private entrepreneurs with no separate legal identity are involved in furniture manufacture, with more than 10,000 people employed in the industry. The competitive advantage of the sector is achieved by the completion of modernization at the majority of production facilities, by the use of foreign designer developments in furniture manufacture, imported components and latest technologies.

## **Industrial parks in the Kaliningrad Oblast**

Currently within the implementation of the State Programme of the Russian Federation "The socio-economic development of the Kaliningrad Oblast till the year 2020" two industrial parks are being established in the Kaliningrad Oblast – "Chernyakhovsk" and "Hrabrovo". In addition to this, four private industrial parks are operating on the territory of the Kaliningrad Oblast, namely: "Ecobaltic", "Technopolis GS", "Balttehprom", and "Danor".

The industrial park "Hrabrovo" is located in the municipal entity "Zelenogradsk district". Its total area is 271.6ha. Land parcels are owned by the OJSC "Corporation of development of the Kaliningrad Oblast".

The distance to the city of Kaliningrad is 20km. The duration of the project is 2013 – 2017. The period of designing is from 2013 until 2016, and the building phase is 2014 – 2017. The initial cost of the engineering infrastructure construction is 5 132.76ml rubles.

The profile of the industrial park is as follows: small- and medium-scale machinery manufacturing (including production of component parts for the automobile manufacture and shipbuilding clusters); biopharmaceutics and



production of medicinal preparations; innovative enterprises and enterprises of nano-industry.

The industrial park "Chernyakhovsk" is situated in the municipal entity "Chernyakhovsk urban district". Its total area is 1,200ha. The distance to the city of Kaliningrad is 80km.

The duration of the project is 2014 – 2018. The period of designing is from 2014 until 2016, and the building phase is 2015-2018. The initial cost of the engineering infrastructure construction (of phase one) is 7 717.36ml rubles.

The profile of the industrial park is as follows: transport and logistics; production of construction materials; small- and medium-scale machinery manufacturing; and glass industry.

#### **Brief information on private industrial parks:**

<b>№</b>	<b>Name of the organization / industrial park</b>	<b>Brief description</b>
1.	Industrial park <i>Ecobaltic</i>	The profile of the industrial park is pharmaceutical production (including manufacture of sterile packaging – medicine bottles, tubes etc.). The information about the park is available in the geographic information system of industrial parks (GISIP).
2.	Industrial park <i>Danor</i>	The project is implemented on the ground plot (12.9ha owned by the management company of the industrial park – LLC "Technoservice") located in Gurievsk district, the Kaliningrad Oblast, to the west of the Lugovaya-Novaya station, in close proximity to all the necessary communications and resources (gas, electricity, railway, etc.).
3.	Industrial park <i>Technopolis GS</i>	At <i>Technopolis GS</i> an industrial estate was established comprising of six different production facilities: ranging from microelectronics and radioelectronic industry to nanotechnologies and innovative house construction. The industrial estate is comprised of the following: GS Nanotech (OJSC "GS Nanotech") — a centre for development and production of microelectronic output. The production capacity is 10ml microchips a year. OJSC "Scientific development and production center "Digital television systems" — the largest in East Europe production facilities for manufacture of receivers and innovative site for contract manufacturing; LLC "Prankor" – an enterprise for the production of satellite aerials and cabinets; LLC "First carton factory" — an enterprise producing a wide range of packaging and other output of corrugated cardboard; LLC "Integrated homebuilding factory "Belyi klyuch" – a manufacturer of customized comfortable and cheap cottages using three-dimensional module technology.
4.	Industrial park <i>Balttehprom</i>	Manufacture of polyethylenterephthalate (PETPh) of Eköpet trademark meant for the production of PET bottles and jars, food packing materials, and also different articles for engineering and household use.

The industrial parks are also financed from the "Federal target programme of development of the Kaliningrad Oblast for the period till the year 2020" approved by the Resolution of the Government of the Russian Federation of April 15, 2014 No. 311 "On the approval of the state programme of the Russian Federation "Socio-economic development of the Kaliningrad Oblast till the year 2020".

## **POWER-GENERATING SECTOR**

In recent years, a whole number of measures aimed at ensuring energy security of the region have been implemented in the Kaliningrad Oblast. The decree of the Government of the Russian Federation of August 25, 2014 No.1623-p established an action plan (a road map) "On ensuring energy provision in the Kaliningrad Oblast and an interconnected power system of the North-West of Russia".

A gas and coal blueprint was taken as a basis for the prospective development of the electrical power system of the Kaliningrad Oblast till the year 2020 which involves a construction of thermal power plants in the towns of Kaliningrad, Gusev, Svetly and Sovetsk.

The scheduled period of actions implementation is 2014-2017.

The realization of the action plan will ensure a reliable electric power supply to consumers, energy security and socio-economic development of the power network of the Kaliningrad Oblast.

## **FARMING INDUSTRY AND FISHERIES**

The agricultural lands in the Oblast occupy the area of 802,300 hectares, but a considerable farming potential is not fully implemented. Favorable climatic conditions, a lasting growing season (160-180 days), sufficient humidity and fertile soils create a solid basis for an ongoing development of the farming industry. The land productivity for growing natural forage is one of the highest in the Russian Federation.

The main sectors of the agro-industrial complex of the Kaliningrad Oblast are crop farming (grain crops, rape, potatoes, vegetables, and forage crops), livestock production (beef and dairy farming, poultry, sheep), fishing industry and fur farming.

The development of the agro-industrial complex is one of the priority areas of the Oblast's advancing, and the regional policy in the sphere is aimed at supporting investment. The local authorities do whatever is necessary to enhance the sector's profitability.

The most convincing evidence of the achieved positive results is a sustainable growth of production of the main kinds of agricultural output – grain, meat and milk.

The farming sector output comprising all the agricultural producers in 2014 in actual prices amounted to 24.8 billion rubles or 109.1 % as against the figure of the year 2013 (with the RF index of production of 103.7 %, and that of the North-West Federal District - 104.3 %), including crop production - 13.4 billion rubles or 113.7 % against 2013, and animal products - 11.4 billion rubles or 104.0 % as against the year 2013.

As concerns the yield of grains and pulse crops in 2014, the Kaliningrad Oblast ranked first in the North-West Federal District and seventh in the Russian Federation.

Today, 91,500ha of lands of agricultural designation, which are regional and state non-delineated and municipal property, can be leased out.

The fishing industry in the Kaliningrad Oblast is a key industry in the Russian Federation since the geographic position of the region is particularly favorable in terms of accessibility of various marine living resources.

The growth prospects for the fishing industry are bright both regarding fish catching and its processing. Several large fish canning plants are operating in the Oblast supplying their produce both to Russian and foreign markets. Today, every fourth tin of fish produced in Russia originates from the Kaliningrad Oblast.

## **TRANSPORT**

Transport has traditionally been a key pillar of the economy of the Kaliningrad Oblast generating 7-8% of the regional GDP, but what is more important is that the presence of a relatively powerful and a well-developed transport infrastructure strengthens transport and logistic profile of the Oblast as a whole.

The Oblast's transportation industry is comprised of three major parts – railway transport, ports and road transport, while the significance of airline services is increasing.

### **Road transport**

Approximately 1,400 Kaliningrad enterprises with the total fleet comprising of about 8,200 load carrier vehicles are involved in commercial relations between Russia and EU. An on-going fleet renewal promotes a rise in the number of vehicles complying with the European standards.

### **Railway transport**

The proximity to European countries and the presence of an ice-free port determine the significance of Kaliningrad railway for the business activities in the region. The Oblast has a consolidated railway network and considerable possibilities for freight handling along the branch line east-west (from the Lithuanian border to the coast and ports). The presence of narrow gauge sections from Kaliningrad and Chernyakhovsk as far as Poland (in the countries of the former USSR railways have broad-gauge lines) makes the Oblast unique in Russia and offers additional opportunities for cargo handling.

### **Port**

The Sea Port Kaliningrad is the westernmost ice-free port of Russia featuring an advantageous geographical location – not more than 600km from the capital cities and ports of Poland, Germany, Denmark, Sweden, and the Baltic states. Branches of two trans-European transport corridors run through it – of the 1st (VIA Hanseatica) and the 9th.

The port is connected with the Baltic Sea by the Kaliningrad seaway canal with the length of 4km.

The canal features the following:

On the section of the canal from the entry pierheads in Baltiisk as far as station No. 222 (terminal of the CJSC "Sodruzhestvo-Soya", 23km): the width is 80m, the depth is 10.5m, and the admittible canal draught is 9.4m. The section dimensions allow for passing vessels with the length of 205m and cargo carrying capacity of up to 30,000 tons.

On the section of the canal from station No. 222 to the terminals in Kaliningrad (20km): the width is 50m, the depth is 9m, and the admittible canal draught is 8m. The section dimensions allow for passing vessels with the length of 170m and cargo carrying capacity of up to 16,000 tons.

On the 15km long berthing line, approximately 20 stevedoring companies offer their services for transshipment of different cargos with design capacities for handling up to 39ml tons annually. Currently, only 35 % of the total port capacities are exploited.

The Port of Kaliningrad is linked by container lines with St. Petersburg, ports of the Netherlands, England, Germany, Belgium, Finland, Denmark and the Baltic States, by ferry lines with St. Petersburg, Ust-Luga and Sassnitz (Germany). In Kaliningrad, there are offices of container operators, such as Maersk, MSC, CMA CGM, Unifeeder of the ferry operator DFDS LISCO. Cruise ships call at the port (up to 10 vessel calls a year).

The primary nomenclature of freight handled by the port complex of the region is comprised of the following: crude oil and petroleum products, coal, coke, timber freight and timber processing cargos (sawn wood, plywood, cellulose, paper), ferrous metals, ferrous alloys, mineral fertilizers (liquid, in bulk and packaged), refrigerated cargos (meat, fish, oil, fruits), grain, containerized cargos and rolling machinery.

A railway ferry complex was built and is operating in the town of Baltiisk.

The design capacity of the railway ferry complex (hereafter – RWFC) in the town of Baltiisk is 123,600 waggons or 5.3ml tons of cargo a year.

While transporting goods by railways involving RWFC, payment of carriage charges is made according to domestic rate, additional fees are charged for passing the maritime section: the cost of sea freight and port charges (waggon spotting/picking, rolling-on/rolling-out and anchoring/releasing) are collected in rubles. Taking into account the above-said, consignors/consignees do not bear additional cost loading in connection with changes in the world currencies rates.

At present, on the line Ust-Luga – Baltiisk three ferry boats are operating: 2 ferry boats of "Rider" type (oil ship "Ambal" and oil ship "Baltiisk") and one ferry boat of "Mukran-103" type (oil ship "Petersburg").

Taking into consideration foreign-exchange fluctuations that have been going on since the end of the year 2014, the differences in rates for transporting freight by ferry and railway services resulted in the reorientation of freight traffic from land railway transport to ferry.

The actual cargo turnover of the RWFC for the year 2014 amounted to 1.56ml tons or 17,700 waggons. In 2015, a freight turnover increase is expected to be 1.8ml tons with the current ferry production.

Amount of freight handled by the region's port complex	Amount by year (ml tons)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	14.6	15.2	15.6	15.4	12.4	13.8	13.4	12.7	13.7	13.9

For more detailed information please visit [http://www.pasp.ru/port\\_kaliningrad](http://www.pasp.ru/port_kaliningrad).

### **Air transport**

Air transportation in the Kaliningrad Oblast is executed via Hrabrovo airport which is located 24km north of Kaliningrad. The airport capacity is 18 take offs/landings an hour; the passenger flow of the airport complex is 400 people an hour. In 2014, the airport carried over 1.46ml passengers. Since 2004 the modernization has been under way at Hrabrovo airport which eventually will allow to increase its traffic capacity to 32 aircrafts an hour and the passenger channel — up to 5ml passengers a year.

## **TOURISM SECTOR**

The development of the sphere of tourism and recreation is one of the base priorities of the new model of the Kaliningrad Oblast economy.

The tourism industry shows a steady annual growth which in the past years has been 12-15%. In the last year and a half, the rise of popularity of the Oblast has been considerable. In the past four years, the amount of inbound tourism flow has increased more than two-fold and exceeded 800,000 tourists as of end of the year 2014.

Investment projects are being implemented in the Kaliningrad Oblast aimed at the establishment of tourism and recreation clusters with the total amount of extra-budgetary investment of 10.3 billion rubles inclusive of 7 billion rubles for the FIFA World Football Cup 2018. By the year 2018, 21 public means of accommodation for over 1,800 rooms will be commissioned.

Tourism infrastructure is being rapidly renovated, new hotels are being put into operation (today the current hotel room capacity is over 8,400 rooms - approximately 16,100 beds), and a great variety of public catering facilities of different levels has appeared. In addition to that, cultural and historical sites are restored and develop.

A tourist information system has been established (over 150 dashboards and signs on 15 tourist trails are available with information in both Russian and English). Wi-Fi areas have been organized, and a mobile application about the Oblast's tourism potential has been launched.

In 2014, the longest in the city bicycle path was opened in Kaliningrad with the length of over 11km, and the construction of a bicycle lane "From Spit to Spit" is being designed (with the total length of 120km).

The Kaliningrad Oblast holds a special place on the map of Russia; it is called a certain bridge between the East and the West, a bridge of friendship and partnership. An advantageous location, the proximity to the sea and EU countries, a developed tourism infrastructure, and the nature reserve "Curonian Spit" make the Kaliningrad Oblast an attractive region of the Russian Federation in terms of tourism growth.

The potential available creates favorable preconditions for the development of almost all kinds of tourism.

Health resorts and medical centers in the Kaliningrad Oblast are widely known due to favorable climatic conditions ensuring the efficacy of treatment and prevention of cardiovascular, oncological and many other diseases. The main centres of wellness tourism are resorts located in the coastal area (Svetlogorsk, Zelenogradsk).

The Kaliningrad Oblast boasts a rich historical and cultural legacy which is of great interest for tourism development. This includes medieval castles, Protestant churches, fortifications and many others (over 1,500 sites).

The Kaliningrad Amber Museum is the only in Russia museum of a single mineral. There are amber specimens on display weighing more than 4kg. A considerable part of the collection is comprised of amber specimens with inclusions of insects and plant remains.

A visit to the only in the world center of commercial amber quarrying and processing where the mineral is extracted in the open pit (over 90% of the world's supply of the sunny stone is concentrated on the Oblast's territory) in the village of Yantarny is also unforgettable.

The Kaliningrad Oblast offers opportunities for business people. There are facilities for conducting business meetings, conventions, and corporate events at a number of hotels, museums, and concert halls in the Kaliningrad Oblast.

Lovers of various celebrations and festivals will be fascinated by the event calendar including the festival of arts "Baltic Seasons", an international jazz festival "Kaliningrad-City Jazz", sailing regattas, international riding competition and many others.

In 2015, a variety theatre "Amber Hall" was put into operation in the heart of the town of Svetlogorsk with the total area of 29,000m<sup>2</sup> for over 2000 seats.

"Amber Hall" offers a wide range of possibilities for organizing and conducting different events from private negotiations, small-scale business meetings and workshops to large-scale conferences, entertainment show-programmes and exhibitions. This year, the variety theatre "Amber Hall" hosted such events as the music festival of KVN humor show teams - "Crying KiViN", and an international film festival "Baltic Debuts".

The Kaliningrad Oblast is in the top ten of the most popular tourist areas of Russia along with such destinations as St. Petersburg, the Crimea, the Krasnodar

Krai resorts and others. This is confirmed by numerous rankings in which Kaliningrad has an obvious advantage in terms of value for money factor.

The Kaliningrad Oblast positions itself as a region of European type service and Russian hospitality. The focus on a high level of service supply and development of tourism infrastructure allows for competing favorably with the other Russian regions and with the closest neighbors.

## **THE SPECIAL ECONOMIC ZONE IN THE KALININGRAD OBLAST**

The Special Economic Zone in the Kaliningrad Oblast (hereinafter – the SEZ) applies to the whole territory of the Kaliningrad Oblast and stipulates a special legal treatment for conducting economic, investment and other activities. The SEZ was initially established in the Kaliningrad Oblast in 1996. In April 2006, the new Federal law No 16-FZ "On the Special Economic Zone in the Kaliningrad Oblast and on making amendments to particular acts of legislation of the Russian Federation" entered into force.

Legal entities included in the single Register of residents of the SEZ enjoy the following benefits:

- relief from tax on the profit of organizations and corporate property tax during the first six calendar years from the date of the organization's being registered as a resident of the SEZ. From the 7th till the 12th calendar years from the date of entering the Register of residents, the said taxes are paid in the amount of 50% of the rate set by the law;
- a guarantee not to apply measures increasing the tax burden of the resident;
- a facilitated order of obtaining Russian visas for the citizens of foreign states – residents' representatives;
- the invariance of rental fee for the land parcel leased out to the resident for the whole duration of effect of the leasing contract;
- the exemption from payment of import duties and VAT payable when bringing imported goods into the territory of the Kaliningrad Oblast that are entered to a customs procedure of a free customs zone.

Investment projects implemented by the SEZ residents must meet the following requirements:

- investment projects must be realized on the territory of the Kaliningrad Oblast;
- investment must be executed in the form of capital contributions;
- the capital contributions in accordance with the submitted investment project must amount to not less than 150ml rubles;
- the capital investment in the amount of not less than 150ml rubles must be executed within the period not exceeding three years from the date when a decision was made on including the legal entity into the single SEZ Register.

As of January 1, 2015 the single SEZ Register of residents in the Kaliningrad Oblast included 100. The total volume of stated investment in compliance with investment declarations amounted to 89.5 billion rubles, of which

capital contributions in the amount of 9.3 billion rubles are planned to be spent in 2015-2017.

In 2014, 16 organizations were entered into the single SEZ Register of residents in the Kaliningrad Oblast. 6 new enterprises were put into operation by the SEZ residents in 2014.

From April 1, 2016, the Government of the Kaliningrad Oblast introduced supplementary supportive measures to legal entities aimed at retention and creation of new jobs:

1) granting subsidies to legal entities and SEZ residents in the Kaliningrad Oblast after April 1, 2016. This will enhance the creation of new jobs, and improve economic and social conditions of living in the Kaliningrad Oblast;

2) recovery of expenses for railway transportation of finished goods from the Kaliningrad Oblast to Russia and raw produce and components for the manufacture of those goods from Russia to the Kaliningrad Oblast.

Besides that, currently the issue is being considered about lowering the mandatory amount of capital contributions within the investment project in compliance with the requirements for the legal entity's entering the single Register of residents of the SEZ from 150 to 50 million rubles.

## **FOREIGN CITIZENS' ADMISSION TO AND TRAINING AT EDUCATIONAL INSTITUTIONS OF THE KALININGRAD OBLAST**

Baltic State Academy of Fishing Fleet is involved in active collaboration with the countries of the Asia-Pacific Region (China, Korea, and Vietnam) aimed at training students on intramural Bachelor's, Master's and PhD courses. The Academy has a pre-university course where foreign students can take a course of the Russian language.

The Academy trains foreign students on both a contractual basis with full recovery of training costs (within all forms of training), and under budgetary appropriations of the federal budget within the allocated quota. Training foreign citizens on principal educational programs under budgetary appropriations of the federal budget within the allocated quota is executed involving payment of state academic scholarships (during the whole period of studies regardless of their academic performance) and provision of accommodation at the dormitory on terms set for the citizens of the Russian Federation whose studying is funded with budgetary appropriations of the federal budget.

The Academy can annually admit within all the areas of training up to 40 students from the Asia-Pacific Region countries both under the quota of the RF Government and on a contractual basis.

Up to 25 applicants can be admitted on the pre-university course.



## INVESTMENT PROJECTS

The Kaliningrad Oblast is offering a wide range of investment opportunities and is looking to cooperate within the implementation of the following investment projects in the region:

Investment project name	Brief description of the project																											
<p><b>The project of the regeneration of the historical centre of Kaliningrad "Heart of the City"</b></p>	<p><b>"Heart of the City"</b> is a long-term urbanistic project aiming at a comprehensive solution of the problems of the historical part of the city of Kaliningrad, the former Koenigsberg. In 2014, an unprecedented international architectural and town-planning competition "Korolevskaya gora and its surroundings" was conducted which determined the vector of the city-building development of the historical centre of Kaliningrad.</p> <p>The project "Heart of the City" stipulates the construction of buildings in a historical style of Kaliningrad and infrastructure areas:</p> <ul style="list-style-type: none"> <li>• shopping capacities, 60,000 m<sup>2</sup>.</li> <li>• hotels, 20,000 m<sup>2</sup>.</li> <li>• cafes and restaurants, 17,000 m<sup>2</sup>.</li> <li>• commercial real estate (office premises), 30,000 m<sup>2</sup>.</li> <li>• residential development, 20,000 m<sup>2</sup>.</li> <li>• administrative blocks, 3,000 m<sup>2</sup>.</li> <li>• parking areas, 30,000 m<sup>2</sup>.</li> </ul>																											
<p><b>Construction of the maritime port infrastructure at the Sea Port Kaliningrad</b></p>	<p>The Federal Targeted Programme "The development of transportation system of Russia (2010-2020)" stipulates the implementation of the project <b>"The construction of the maritime port infrastructure at the Sea Port Kaliningrad"</b> within two stages.</p> <p>Stage 1 - the construction of an international marine terminal for receiving cruise ships and cargo-and-passenger ships in the area of the town of Pionersky of the Kaliningrad Oblast.</p> <p>Stage 2 - the construction of a deepwater port in the area of the village of Yantarny, the Kaliningrad Oblast.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Core indices of the deepwater port</th> <th style="text-align: center;">Measurement unit</th> <th style="text-align: center;">Area of the village of Yantarny</th> </tr> </thead> <tbody> <tr> <td>Capacity</td> <td style="text-align: center;">ml tons</td> <td style="text-align: center;">50.3</td> </tr> <tr> <td>Vessel traffic</td> <td style="text-align: center;">vessel calls/year</td> <td style="text-align: center;">3 970</td> </tr> <tr> <td>Number of berths</td> <td style="text-align: center;">units</td> <td style="text-align: center;">37</td> </tr> <tr> <td>Berth space</td> <td style="text-align: center;">m</td> <td style="text-align: center;">7 572</td> </tr> <tr> <td>Land reclamation</td> <td style="text-align: center;">thousand m<sup>3</sup></td> <td style="text-align: center;">18 504</td> </tr> <tr> <td>Port area dredging</td> <td style="text-align: center;">thousand m<sup>3</sup></td> <td style="text-align: center;">15 780</td> </tr> <tr> <td>Approach canal dredging</td> <td style="text-align: center;">thousand m<sup>3</sup></td> <td style="text-align: center;">4 430</td> </tr> <tr> <td>Protecting structures</td> <td style="text-align: center;">m</td> <td style="text-align: center;">5 350</td> </tr> </tbody> </table>	Core indices of the deepwater port	Measurement unit	Area of the village of Yantarny	Capacity	ml tons	50.3	Vessel traffic	vessel calls/year	3 970	Number of berths	units	37	Berth space	m	7 572	Land reclamation	thousand m <sup>3</sup>	18 504	Port area dredging	thousand m <sup>3</sup>	15 780	Approach canal dredging	thousand m <sup>3</sup>	4 430	Protecting structures	m	5 350
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<p><b>Preparation for the FIFA World Football Cup 2018</b></p>	<p><b>Kaliningrad is one of 11 cities of Russia which will host matches of the FIFA World Football Cup in 2018.</b> This is viewed as an impetus to the socio-economic development of the Kaliningrad Oblast determining the main vector of the infrastructure advancing of the region for the short-term.</p> <p>The development of transport infrastructure involves the construction and reconstruction of the road network, of suburb linear facilities of transport infrastructure, modernization of airports, of railway stations, and the development of water tourism;</p> <p>Sports infrastructure – the construction of a stadium, training grounds and team bases, conducting a fan fest;</p> <p>Hotel infrastructure – construction of new accommodation facilities (hotels, recreation facilities, camp sites);</p> <p>City planning arrangements and provision of urban amenities – activities aimed at enhancing the urban environment quality.</p> <p>On Oktyabrsky island in Kaliningrad, a modern city residential estate will be built around the stadium "Baltic Arena". It is planned to construct the following facilities: shops, cafes, restaurants, centre for rowing sports, bicycle paths, a recreation park with an open-air stage, a yacht marina with berths for small size vessels, mooring berths for pleasure boats and sports facilities - tennis courts and sports grounds.</p>
<p><b>Agro-industrial complex (AIC) projects</b></p>	<p>The development of the agro-industrial complex is one of the key priorities of the regional policy.</p> <p>The state support to the AIC is rendered in the following priority areas:</p> <ul style="list-style-type: none"> <li>• Fruit production and fruit processing</li> <li>• Vegetable production in open and protected ground</li> <li>• Aquaculture</li> <li>• Dairy farming</li> </ul> <p>At present, 91,500ha of agricultural lands can be leased out. The lease price is approximately 500 rubles/ha a year.</p>
<p><b>Tourism and recreation clusters of the Kaliningrad Oblast</b></p>	<p>Tourism and recreation clusters that are being developed on the territory of the Kaliningrad Oblast are supposed to become the growth points of the region and interregional relations around which small and medium-sized businesses are developing.</p> <p>Within the project of support and development of tourism and recreational clusters in the Kaliningrad Oblast the following main areas will be implemented in 2014-2018:</p> <ol style="list-style-type: none"> <li>1. The establishment of the body of supporting infrastructure</li> <li>2. The construction of tourism infrastructure facilities</li> </ol> <p><b>Tourism and recreation clusters in the Kaliningrad Oblast:</b></p> <ul style="list-style-type: none"> <li>• "Raushen" in Svetlogorsk district;</li> <li>• "Cranz" in Zelenogradsk district;</li> <li>• "Noikuren" in Pionersky district;</li> <li>• "Palmniken" in Yantarny urban district;</li> <li>• "Pillau" in Baltiisk district;</li> <li>• "European Baikal" in Nesterov district;</li> <li>• "Koenigsberg" in the city of Kaliningrad</li> </ul>

<p><b>Spa and recreation town "Amberland" and gambling zone "Yantarnaya"</b></p>	<p><b>"Amberland"</b> is a unique spa and recreation town located along the Baltic Sea coast in the Kaliningrad Oblast.</p> <p>"Amberland" is comprised of both gambling facilities and facilities for family recreation and entertainment offering a wide range of high quality services. The project features particular functional points of attraction:</p> <ul style="list-style-type: none"> <li>• Hotel complexes.</li> <li>• Casinos.</li> <li>• Michelin-starred restaurants, bars, night clubs and concert venues.</li> <li>• Exclusive villas and apartments.</li> <li>• Promenade and an amusement park.</li> <li>• Medi SPA complexes and holiday centres.</li> <li>• Other tourism and recreation facilities.</li> </ul> <p>The core of the spa and recreation town is the gambling zone "Yantarnaya" on whose territory the project of the First integrated resort with a gambling feature is implemented.</p> <p>The area is going to be developed in a staged manner until the year 2029, the total amount of investment will be over 45 billion rubles.</p> <p>The first site is planned to be commissioned at the end of 2015.</p>
<p><b>Construction of the automotive manufacture cluster in the Kaliningrad Oblast</b></p>	<p>The project stipulates the establishment by the year 2018 of a commercial and production area of regional significance, a cluster of full profile automobile manufacture facilities in the Kaliningrad Oblast with the total capacity of 250,000 cars a year, and also the construction of facilities of supporting transport and engineering infrastructure.</p>