Russia is the largest country in the world, which, coupled with rich natural resources and the high educational level of its population, creates extremely favourable conditions for developing its economic potential.

A great number of reforms, both legislative and social, have been undertaken in Russia in recent years.

As a result, the country’s living standards and business environment have substantially improved in the last ten years. Since 1999, average annual GDP growth has been 6.7% in real terms, with personal income increasing by 8.8% annually.

The Russian Government is focused on building a diversified economy, moving industry toward a more innovative manner of development and increasing direct investment in the economy. The authorities are carrying out comprehensive measures to improve the investment climate in Russia. This includes simplifying the tax and customs legislation, regulations on migration of labour force, and lowering the administrative and bureaucratic barriers.

There are numerous programmes aimed at upgrading the power sector, professional education and personnel training systems, and supporting the top-priority industries (automotive, pharmaceutical, defence, power generation, construction materials etc.).

“Investor confidence is a factor of innovative development and successful upgrades to the economy in this country. Russia needs a true investment boom. Our essential objective is to create desirable conditions for investors.”

Dmitry Medvedev
President of the Russian Federation
June 18, 2010
LOCATION
OF SPECIAL ECONOMIC ZONES
OF THE RUSSIAN FEDERATION
Sovetskaya Haven

Baikal Haven SEZ

Baikal Gates SEZ

Russky Island SEZ

Sovetskaya Haven

INDUSTRIAL SEZ

SEZ FOR TOURISM AND RECREATION

SEZ FOR INNOVATION

PORT SEZ
Investment is a key driver of economic development. Governments are committed to creating new tools for raising investment, and Russia is no exception.

Special economic zones (SEZ) are based in Russian regions that offer unique advantages to investors. To promote high-tech industries, the state creates very favourable conditions for SEZ residents. Special treatment includes the following advantages:

- Relations with governmental regulatory authorities become as simple and transparent as possible due to the ‘One Stop Shop’ system
- Investors enjoy state-built infrastructure for business development, which reduces costs of launching new production facilities
- The free customs area status implies major customs privileges
- A number of tax benefits are offered

SIMPLIFIED RELATIONS WITH GOVERNMENTAL AGENCIES

To establish a most favourable environment and reduce bureaucratic obstacles, the ‘One Stop Shop’ administrative treatment applies in all SEZs.

Representatives of various agencies have their windows in the same room located in a business centre. These regulators can include the Ministry Natural Resources and Ecology of the Russian Federation, the Federal Registration Service, the Federal Migration Service, the Pension Fund etc.—this list is made on a case-by-case basis depending on investors’ needs.

This system allows residents to stay within the SEZ whenever they have to deal with governmental agencies, e.g. to obtain a construction permit or file financial statements.

READY-MADE INFRASTRUCTURE

The infrastructure of special economic zones is funded by the federal budget. About $1.6 bn have been invested in infrastructure creation so far.

- Utilities: an investor is provided with the required area of land with all utility connections (heating, power, gas, water, and telecom cables) already in place. Ready-made infrastructure enables investors to slash the costs of establishing new enterprises and to save time.
- Customs: customs posts are open 24 hours a day, reducing the time for clearance of goods or equipment imported to the SEZs, which essentially operate as free customs areas.
- Business: modern business centres, conference rooms, bank offices, equipped office buildings, restaurants, fitness centres – all the amenities necessary to ensure pleasant working conditions are provided.
- Transport and logistics: SEZs proactively build roads, logistic centres and container yards. Industrial zone residents have immediate access to railroads.

DISCOUNTS FOR LAND ACQUISITION AND OFFICE LEASE

One of the privileges granted to SEZ residents is the option to buy land at discounted prices. According to federal law, an investor has the right to purchase land lying under the buildings and structures existing upon it, upon commissioning of the facilities. Pending commissioning, investors take the plot on lease at a preferential rate that averages 2% of the land’s cadastral value.

Investors may also lease office premises in business centres and engineering buildings in the SEZ at discounted rates.
CUSTOMS PREFERENCES

The free customs treatment established in SEZs creates advantageous conditions for technology-intensive enterprises, which often require importing expensive equipment and components from outside of the country. Foreign goods (equipment, raw materials, components, construction materials) imported into SEZs are exempt from customs duties, taxes and non-tariff regulation. Goods produced within the Customs union (Russia, Kazakhstan and Belarus) are imported into SEZs are also exempt from export duties, any exclusions and limitations. Untill the 1st of January, 2017 SEZ investors* are allowed to import their products, which were manufactured within the SEZ using imported raw materials, into the territory of the Customs Union free from duties and taxes conditional upon sufficient processing of the goods. There is also an option of choosing the customs duty rate to be applied, i.e. the rate for raw materials or the rate for finished goods.

*Applied to investors registered before the 1st of January, 2012 only

TAX PREFERENCES

All SEZ residents enjoy a set of legally guaranteed privileges. Enterprises registered in an SEZ receive a 4.5% discount on the corporate profit tax: the Russian corporate tax rate averages 20%, whereas SEZ residents pay 15.5 - 16%. Investors are granted a tax holiday in respect of corporate property tax (the tax rate averages 2.2% in Russia). SEZ residents are also exempt from the land tax (about 1.5%). Investors are allowed a holiday on transport tax (depending on engine power and region, the tax rate may range from ca. $0.4 to ca. $5.4/h.p.). An additional tax advantage is provided to residents of innovation SEZs – such companies pay salary related taxes at a lower rate than in the rest of Russia. The duration of the tax holidays is five to ten years depending on region. The Russian Federation guarantees to SEZ investors that they will be protected against any unfavourable changes in tax law.

ACCELERATED DEPRECIATION OPTION

Residents of industrial SEZs and SEZs for tourism and recreation are entitled to apply accelerated depreciation of fixed assets by setting a multiplier (max. 2).
TYPES OF SPECIAL ECONOMIC ZONES

INDUSTRIAL SEZs
Extensive territories in Russia’s key industrial regions offer proximity to raw materials and easy access to infrastructure and major transportation routes. Installation of manufacturing facilities in an SEZ can make products more competitive on the Russian market due to reduced costs.

SEZs FOR INNOVATION
The SEZs located in historical science towns and research parks provide great opportunities for R&D activities. The combination of state preferences, a qualified workforce and the growing demand for science-intensive products make innovation zones highly attractive for venture funds and also for developers and manufacturers of high-tech products.

SEZs FOR TOURISM AND RECREATION
Located in Russia’s most picturesque and popular destinations, these SEZs offer favourable conditions for tourism, sports, recreation and other activities.

PORT SEZ
Located in close proximity to main transport thoroughfares, port SEZs are intended for ship-building, ship repairing, and logistic operations and may also serve as a basis for new routes.
INDUSTRIAL SEZ

Industrial SEZs are located in Russia’s most economically developed regions where most industries are concentrated. These areas are rich in transport infrastructure, natural resources, and skilled workforce.
Alabuga SEZ
Republic of Tatarstan

The Alabuga SEZ is located in the heart of the Volga Automotive Cluster represented by AvtoVAZ, GAZ, Sollers, KAMAZ and other manufacturers. Moreover, the area is also known for its petrochemical industry, with giants like Nizhnekamskneftekhim, Kazanorgsintez, Ufakhimprom and Salavatnefteorgsintez producing the entire range of polymers.

Priority industries:
- Motor vehicles and components
- Petrochemicals
- Construction materials
- Consumer goods

SEZ area: 1,997.34 ha.
Total infrastructure investment: over US$670 million.

Lipetsk SEZ
Lipetsk Region

The Lipetsk SEZ is situated in European Russia, in the very heart of a major metal-processing region. It is here that large volumes of steel and ferrous metal products are manufactured. In addition, Lipetsk enterprises manufacture refrigerators and other home appliances. Novolipetsk Steel (NLMK), one of the world’s largest fully-integrated steel companies, is a stone’s throw from the SEZ.

Priority industries:
- Finished metal products
- Mechanical engineering
- Vehicles, machines and components
- Construction materials

SEZ area: 1,024.34 ha.
Total infrastructure investment: over US$600 million.
Already spent: over US$180 million.

Togliatti SEZ
Samara Region

Togliatti SEZ is situated near major car makers (AvtoVAZ, GAZ and others). The Samara Region also has a well developed chemical industry represented by TogliattiAzot (ammonia), KuybishevAzot (mineral fertilizers) and TogliattiKauchuk (synthetic rubber).

Priority industries:
- Motor vehicles and components
- Construction materials
- FMCG

SEZ area: 660 ha.
Total infrastructure investment: over US$263 million.

Titanium Valley SEZ
Sverdlovsk Region

Sverdlovsk Region is one of the most densely populated and industrially developed areas in the Urals. It is also one of the largest transport and logistics hubs in Russia. The region’s rich natural resource base makes it attractive for the wide variety of businesses. The world’s leading titanium producer “VSMPO – AVISMA” is located next to the SEZ borders.

Priority industries:
- Aircraft engineering and shipbuilding
- Motor vehicles
- Equipment engineering
- Chemicals

SEZ area: 721 ha.
Total infrastructure investment: over US$340 million.
SEZ FOR INNOVATION

SEZs for innovation are situated in major Russian scientific centres, with high research and development potential.

Advantages for residents:
- Access to Russia’s rapidly developing IT and R&D market
- Skilled workforce
- Strong potential for cooperation with R&D centres
- Business incubators for start-up projects.
Zelenograd SEZ
Moscow
Zelenograd is a recognized centre of the Russian electronic industry. The district is known for its agglomeration of research and production companies with high scientific potential and modern technologies.

Priority industries:
- Micro-electronics
- Optical electronics
- Nanotechnology
- Information technology
- Biotechnology

SEZ area: 150.3 ha.
Total infrastructure investment: over US$1 billion.

St. Petersburg SEZ
St. Petersburg
St. Petersburg is a centre of precision instruments and electronics industries, which are built upon a solid scientific base with numerous research centres, think tanks, affiliated institutes of the Russian Academy of Sciences, and academic institutions.

Priority industries:
- Information technology and telecommunications
- Medical technology
- Nanotechnology
- Precision instruments industry

SEZ area: 129 ha.
Total infrastructure investment: over US$500 million.

Dubna SEZ
Moscow Region
Dubna is a recognized centre of science and the headquarters of the United Institute for Nuclear Research, Space Communications Centre, the Lomonosov Nuclear Physics Research Institute, and other specialised institutions.

Priority industries:
- Software
- Information technology and telecommunications
- Nanotechnology
- Nuclear technology
- Biotechnology

SEZ area: 187.7 ha.
Total infrastructure investment: over US$605 million.
Already spent: over US$270 million.

Tomsk SEZ
Tomsk Region
Tomsk is one of country’s oldest educational and scientific centres and the cradle of Russian nanotechnologies. It boasts the highest number of researchers holding doctoral degrees.

Priority industries:
- IT and electronics
- Medicine and biotechnology
- Nanotechnology and nanomaterials
- Resource saving technologies

SEZ area: 207 ha.
Total infrastructure investment: over US$680 million.
Already spent: over US$200 million.
SEZ FOR TOURISM AND RECREATION

Situated in the most picturesque and sought-after regions touristic SEZs offer favorable conditions for developing beaches and resorts, ecological and adventure tourism, and extreme sports. Investors get access to rapidly growing market of internal tourism in Russia.
Curonian Spit SEZ
Kaliningrad Region
Located in Russia's westernmost exclave, the Curonian Spit is a sand peninsula that separates the salt-water Baltic Sea from the fresh-water Curonian Lagoon. This national park is a unique tourist site with inimitably beautiful landscapes, in which pine forests interleave with snow-white quartz sand beaches and dunes. The climate is favourable for holiday-making from May to November. 450,000 tourists visited the Curonian Spit in 2009.

The Turquoise Katun SEZ
Altai Territory
The Altai Region incorporates the entire variety of Siberian nature, from mirror-like lakes and white-water rivers to dry steppes and valleys and from virgin boreal forest to Alpine meadows and glaciered mountain peaks. The Altai Territory is rich in curative mineral springs. Thousands of tourists come here every year.

Altai Valley SEZ
Republic of Altai
The Republic of Altai is a wonderful mountainous area, which is multifaceted, versatile and extremely beautiful. The purest air, magnificent mountains, and numerous rivers, lakes and waterfalls are favourable for developing all types of tourism.

Grand Spa Yutsa SEZ
Stavropol Territory
The Stavropol Region has long been famous for its mineral waters and peloids. Salubrious natural resources make it the best spa resort in Russia. The area has a great potential for hospitality and health industries.

Russky Island SEZ
Primorye Territory
The Primorye Region attracts tourists with its natural bays and diverse beaches. Abundance of vegetation, proximity to Japan, potential for marina construction and sea tour business make the island a lucky site for tourist facilities. The island will host an APEC summit in 2012.

Baikal Gates SEZ
Irkutsk Region
Baikal Haven SEZ
Republic of Buryatia
Lake Baikal is the deepest and oldest lake on the planet, and the biggest natural fresh water reservoir. The water surface area is 31,722 sq. km, which is roughly equal to the area of such countries as Belgium, the Netherlands, or Denmark. According to scientists, the lake originated 25 to 35 million years ago. Its depth is 1,642 m. Baikal water is extremely pure and saturated with oxygen; its transparency reaches to 40 metres. Lake Baikal is surrounded by Siberian boreal forests, mountain ridges and steppes. The region is favourable for developing all types of tourism. Located in the geographical centre of Russia, Lake Baikal is annually visited by more than 800,000 tourists from all over the world.

North Caucasus Touristic Cluster
Karachay - Cherkess Republic
Krasnodar Region
Kabardino – Balkar Republic
Republic of North Ossetia-Alania
Republic of Dagestan
Republic of Adygea
North Caucasus is one of the most popular touristic and recreational areas. It hosts millions of tourists from Russia and other countries annually. Various climatic and landscape conditions allow for both seasonal (mountain skiing and snowboarding, etc.) and all-the-year-round resorts.
PORT SEZ

Port SEZs are situated in close proximity to global marine trade routes and air corridors. Such location provides access to rapidly growing market of logistic services both in the Far east and Central Russia. Major businesses for development are aircraft and ship conversion, seaport operations, MRO, shipbuilding, logistics, airspace component production, etc.
Ulyanovsk Vostochny SEZ
Ulyanovsk Region

- Close proximity to transport corridors that handle 19% of global air traffic
- Access to the foreign-manufactured aircraft maintenance and repair market
- Access to a developed air transport infrastructure
- Access to skilled workforce
- Existing aircraft component manufacturers
- World’s second longest runway.

SEZ area: 120 ha (with subsequent expansion up to 640 ha).
Total infrastructure investment: over US$35 million.

Sovetskaya Haven
Khabarovsk Region

- Access to the Tartar Strait, the only natural shelter that protects ships from any wind direction
- Proximity to global trade routes
- Access to the Baikal–Amur Mainline, a transfer point on the West/East transit corridor
- Access to a high-speed transit route that reaches the Pacific Coast of the U.S. and Canada

SEZ area: 290 ha (with further expansion to 450 ha).
Total infrastructure investment: more than US$130 million.

Murmansk SEZ
Murmansk Region

- Access to the Northern and Transarctic transport corridors
- Proximity to the Arctic gas and oil deposits.

SEZ area: 3,050 ha
INVESTORS

Over 250 resident investors are registered in Russia’s special economic zones. These include such global giants as Yokohama, Isuzu, Air Liquide, Bekaert, Rockwool, Sisecam, Saint Gobain, Hayat Holding and others.

More than 6,000 new jobs were created in all SEZs; total capex exceeded US$1 billion. Products worth US$1.2 billion were manufactured. The Russian Federation invested more than US$1.6 billion in the SEZs.

“It is a critical project for us. We invest significant funds and I am sure we will be successful and achieve high sales. My optimism relies on mutual assistance and mutual understanding.”

Shinichi Suzuki
Managing Corporate Officer, Yokohama

“We get an effect that proves SEZ arrangements operate very well.”

Ilvir Sattarov
CEO, P-D Tatneft-Alabuga Steklovolokno

“Alabuga SEZ is a showpiece of how SEZs are organised in Russia.”

Dominique Bertoncini
General Manager, Air Liquide Russia

“I can only say that so far the Tatarstan Government and the SEZ administration have been highly professional and have delivered everything they have promised.”

Nick Vince
Managing Director, Rockwool Russia
“The SEZ may become a cornerstone of Russian economic growth by providing the advantage of infrastructure cost savings coupled with administrative and tax privileges. The established infrastructure allowed us to launch production quickly.”

Adil Shirinov  
CEO, Sollers Elabuga

“SEZs are the most suitable places for doing business in Russia.”

Onur Güven  
Development Director, Kastamonu Entegre (Hayat Holding)

“There is a fair play here, in special economic zone Lipetsk: all necessary infrastructures are built, land plot areas are apportioned almost free of charge. Besides, perfect conditions are created in Lipetsk region for investors.”

Vittorio Torrembini  
Director General, Mondial Group East

“The special economic zone in Tomsk mostly means two things for us: state-of-the-art infrastructure for doing business and a new level of communications.”

Vladimir Sosnin  
Director, Contek Soft
GOVERNING BODIES

Ministry of economic development of the Russian Federation makes decisions on the key policy issues dealing with creation and regulation of the SEZs. 24 existing zones along with the ones in progress are controlled by the Special Economic Zones managing company. SEZ JSC was established in 2006 and is wholly controlled by the state.

Since the adoption of the SEZ Law in 2005 and until 2010, the Company managed the construction of infrastructure. Since 2010 the Company is also responsible for attracting investors, administrating land plots and assisting resident investors.

Over 250 investors from 18 countries have come to SEZ, and this process is gaining momentum.

Dealing with major Russian and foreign investors or medium-size companies, the SEZ managing company has become a world-class expert in developing and managing special economic zones.

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Prior to his appointment Igor Kosov worked as a Director at investment banking arm of ING where he supervised bank’s largest multinational and Russian clients.
Igor Kosov possesses 15+ years of experience in managing projects development for major private, public and state-owned companies.
Mr Kosov graduated with honours from the Department of Economics of the People’s Friendship University of Russia.
He holds degrees in “Economy and management in domestic environment” and “Economy and management in international environment”.
He has also studied Finance Management at the Calvin College (USA).

Before taking his current position Alexander Temkin worked as a Director of Renaissance Assets Management and was responsible for managing its distressed assets business.
Mr Temkin has extensive experience in business and finance management and investment analysis.
He held various positions in PricewaterhouseCoopers during his 11 years with the company, including 2 years in the London office. He was a Director of the Moscow PWC office at the time he left the company in 2007.
Mr Temkin graduated with honours from the Department of Economics of the Moscow State University and holds a Master’s degree in Economics from the University of Washington (Seattle, USA).