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Mr. Alexander Galushka: "A FEIEA representative office will be opened in Seoul"

Results of the working visit of the head of the Ministry for Development of the Russian Far East to the Republic of Korea

In early November, the Russian Minister for Development of the Russian Far East, Mr. Alexander Galushka, conducted a working visit to the Republic of Korea. A number of meetings were held with the heads of ministries and committees of the Republic during the visit in Seoul. Particular importance was paid to negotiations with the directors of large Korean companies, and the opening of a FEIEA representative office in Seoul was announced.

The first working meeting was held between the head of the Ministry for Development of the Russian Far East and representatives of the Korean government – the Minister of Trade, Industry and Energy of the Republic of Korea, Mr. Paik Un-Gyu, and Minister of Maritime Affairs and Fisheries Mr. Kim Yong-Jun. The issue that was discussed at the meeting concerned the implementation of the Nine Bridges program, which was identified at the Third East Economic Forum.

According to Mr. Galushka, the Russian Federation has prepared an optimal plan of action for the implementation of this initiative in the Far Eastern Federal District. Both parties have to determine the specific steps to increase trade and investment cooperation in the Far East for the next four years and to begin implementing the plan.

The main theme in the bilateral negotiations was an increase in investment by South Korean businesses in the Far East. Today, more than 900 investment projects are successfully being implemented in the Far Eastern Federal District, of which only nine are being implemented with the participation of capital from the Republic of Korea, with a total investment of USD 434 million (8.2% of foreign investment).

"We must support specific investment projects implemented by Korean companies in the Far East"

"We must support specific investment projects implemented by Korean companies in the Far East. One of these is the construction of the fish processing complex at Cape Nazimova in Vladivostok. In terms of capital, the Russian Federation is prepared to provide a property complex on the cape owned by the federal government, which includes land and piers, jointly with the Korean partners of the company," said the head of the Ministry for Development of the Russian Far East.

Following the meeting, a memorandum on cooperation between the Ministry of Russia for Far East Development and the Ministry of Maritime Affairs and Fisheries of the Republic of Korea was signed.

The announcement of the opening of a FEIEA representative office in Seoul was a significant moment.

"We will open a representative office in the first half of next year and it will be a single point of contact for working with Korean businesses. This is a very convenient format for investors, when there is no need to go to different offices. Everything will be in one place for the investor," said Mr. Galushka.
A Russian delegation headed by Russian Prime Minister Dmitry Medvedev made an official visit to Beijing from October 31 to November 2. A number of agreements on cooperation in the energy and agriculture sectors were signed during the meeting between the heads of government of Russia and China. Plenipotentiary representative of the President of Russia in the Far Eastern Federal District Yuri Trutnev and the Minister of the Russian Federation for Development of the Russian Far East Alexander Galushka also held talks with Chinese investors.

The results of the work of the Intergovernmental Russian-Chinese Committee on Cooperation between the Russian Far East and Northeastern China, headed by the deputy prime ministers of the two countries, Mr. Trutnev and Mr. Wang Yang, were reviewed during the visit.

Projects on the construction and improvement of cross-border infrastructure were an important aspect in the negotiations with Chinese businessmen. Thus, issues of investment by Chinese partners in the international transport corridors (ITC) between Northeastern China and the south of the Far East were widely discussed.

"This is a crucial step for future investment. These proposals require detailed development. The reason for this step was that these projects are politically supported. It is obvious that they are economically sound and profitable. Then we need to get into the specifics as much as possible. We agreed on this. We are talking about investments of USD 5 billion," said Mr. Galushka.

China Communications Construction Company is going to implement a project for ITC development. In particular, it plans to build and modernize transport infrastructure facilities to arrange transit of up to 45 million tons of cargo from the provinces of Heilongjiang and Jilin through the ports of the south of Primorye Territory.

Leonid Petukhov, Managing Director of FEIEA, and Shi Feng, Secretary of the China National Forest Products Industry Association
A working meeting between Trutnev, Deputy Prime Minister and Plenipotentiary Representative of the Russian President in the Far Eastern Federal District, with Zhu Bixin, President of the Chinese corporation China Chengtong Holdings Group

The focus is on the development of cross-border infrastructure

The territory’s tourist and recreational potential. This is another investment of about USD 200 million,” said the head of the Ministry of Russia for Far East Development.

A project focusing on the localization of agricultural production was also discussed during negotiations with Zhang Xiaoya, the chairman of Zhong Ding Dairy Farming Co. Ltd. According to Mr. Galushka, the investor is going to invest in the establishment of a breeding complex in the Ussuri District of the Primorye Territory.

“He has already set up a small production facility for 1,000 cows, and wants to expand it to 10,000 heads, and in the future – up to 50,000 heads. During the negotiations we discussed specific issues around expanding production. The total investment is more than USD 300 million,” commented the Minister.

The Chinese side is also showing great interest in localizing the production of timber and processing industries in the Far East. Leonid Petukhov, Managing Director of the Far East Investment and Export Agency (FEIEA), Shi Feng, Secretary of the China National Forest Products Industry Association, and Su Ming, the Chairman of the Russian-Chinese Timber Industry Union, discussed prospects for the establishment of a Russian-Chinese exchange for the sale and purchase of timber.

“The Russian side has suggested establishing an exchange in Russia, where timber will be bought and sold officially. All timber purchased on this exchange will be certified, and timber bought otherwise will be considered contraband,” said FEIEA Managing Director Leonid Petukhov.

Chinese partners have reacted positively to this proposal. The parties have agreed to consider this issue in more detail and to propose the project for approval to the government authorities of the two countries.

Mr. Li Keqiang, Premier of the State Council of the People’s Republic of China (during a joint press conference with Dmitry Medvedev, Prime Minister of the Russian Federation):

“... Last year, Mr. Medvedev and I in St. Petersburg expressed our hopes and intentions of strengthening cooperation in medium and small business, as well as in the development of the Russian Far East. As we already have a very solid foundation in the traditional spheres for Chinese-Russian cooperation, which is being further developed, for example, in the energy, aviation and space sectors, it is important for us to continue to expand new areas of cooperation. We are talking about the importance of using the efficiency, capacity and advantages of large joint projects. And it is no less important to show the advantages, flexibility of cooperation between small and medium-sized businesses through cooperation between small and medium-sized businesses. We can thereby achieve complementary cooperation, form new growth areas and, on this basis, perform tasks and achieve even greater results that will exceed our expectations.

I think that the Far East is a very large territory with great potential for the future development of Russia. We believe that China’s greatest advantage is domestic demand, and that the western and middle regions of China have even greater potential for development. If we succeed in strengthening cooperation in the Russian Far East, we can create and expand a new space for the further development of cooperation.

During the talks, we have already reached new agreements and a new understanding on cooperation in the Russian Far East. We are going to increase Chinese investment in the development of the Far East. We are ready to import more Russian energy. We have a mutually beneficial cooperation.”
THE YEAR OF THE HECTARE

“The government’s job is to help people in the Far East feel better, more confident and comfortable,” says Sergey Kachayev, Deputy Head of the Ministry for Development of the Russian Far East. “There are many innovative measures among those implemented, such as the “far eastern hectare,” a methodology for the comprehensive socio-economic development of the territories, and other interesting mechanisms.”

– Sergey Valerievich, in the Far East, 2017

is the “year of the hectare”. The option became available to all Russians in February, and the first harvest has already matured on the first Far Eastern hectares, which were acquired a year ago. What are your results as of the end of the year?

– The total number of applications for Far Eastern hectares is approaching 105,000. More than 31,000 of these applications have been granted, the applicants have received the land and begun to develop their plots. About 8,000 applications have already been approved by authorized bodies, and these land plots will also be provided to the applicants in the next month and a half. So we hope that about 40,000 land plots will be physically in use by citizens by the New Year.

In August, amendments to the legislation were adopted, which made significant adjustments to the process of coordinating the applications of citizens. Now, even if the land plot for which an application is submitted overlaps on another – this is not a cause for refusal, rather, we have the obligation to offer the citizen options for changing the boundaries or changing the location of the land plot. Also, the authorized body can offer a citizen a choice of plots that have already been entered in the cadastral register. Our objective is to get to a zero refusal rate.

– What lands are most in demand among citizens?

– As expected, we see the greatest demand for land in the Primorye Territory. More than 41,000 applications have been submitted for plots there. The most popular areas are those located on the coast: The Shkotovsky and Khasansky districts. The Republic of Sakha (Yakutia) is in second place in terms of applications. Over 18,000 citizens have expressed a desire to obtain land there. The Khabarovsk Territory is in third place with 15,000 applications. The Khabarovsk Territory has granted the largest number of “hectares”: citizens have already received over 7,000 plots for use there.

– What is your assessment of these results?

– Over the year and 5 months of the project, we have learned, in general, how to grant land plots. I will remind you that this is a completely new mechanism for our country. We have also resolved a fair number of organizational and technological issues. A number of barriers that hampered the process were eliminated in August through an amendment to the law making the necessary adjustments.

But the success of the project depends not only on the simple provision of land at the request of citizens. Our main goal is to create conditions for people to develop the land, build on it, develop businesses and earn money. We have several challenges to resolve in the near future. The first is to increase the supply of land by reducing those areas that are now off-limits.

The second thing we must do is help citizens select land plots. Those infrastructure objects that already exist, and those that are planned for construction, should appear in the information system. It will be necessary to help citizens in determining the uses of land. In particular, we should disclose the types of permitted use of neighboring land plots, so that people can learn about their future neighbors.

The third task is to reduce the length of the land issuance process by speeding up the consideration of applications and provision of plots. It currently takes 45 days on average, while the guideline period is 30 days. We need to bring them in line with the guideline period, and to reduce wait times in the future.

Finally, the fourth key task is to help citizens in the development of land plots. For this, it is necessary to develop a set of measures to support citizens. Many measures are already in operation, but they must be more carefully adapted to the recipients of Far Eastern hectares.

LOANS AND COOPERATIVES INCREASE THE EFFICIENCY OF HECTARES

– Tell, to what extent are citizens willing to invest? Is it possible to somehow evaluate activity, for example, through loans issued and support provided?

– As of now, over a thousand land plot users have received some support measures. More precisely, 1,065 people have received a total of nearly RUB 150 million. A specialized Pochta Bank loan product has been available since May. In that time, 860 applications have been registered, and more than 200 of them have already been approved.

– Does Pochta Bank provide commercial loans?
The loan product issued by this bank has a fairly good outlook. In essence, it is a loan of up to RUB 600,000, through which specific goods and services are paid. The borrower must meet minimum requirements, and the rate, for a consumer loan, is very low. The main objective of Pochta Bank currently is to form a network of those companies selling goods and providing services to recipients of the Far East hectare. You need a large, extensive network of suppliers to have a significant effect.

Will specialized financial products for business be developed?

Yes, they are already in development. In early October, SME Bank prepared a specialized loan product for small and medium businesses operating in the Far Eastern hectare. Funds are provided within this product for both working capital and investment in fixed assets. The maximum rate is 10.6%, and the average rate is 9.5-9.9%. These rates are very reasonable compared to the bank rates available for small and medium businesses in ordinary commercial banks. Until the end of the year, the limit for this product is RUB 100 million.

Also, as demand increases from hectare recipients, we will involve the Far East Development Fund and its program for lending to small and medium-sized businesses in partnership with Sberbank. Loan availability is currently greater than demand. Our task is to inform people and demonstrate the profitability of using loan resources for the development of the Far East hectare. We are also ready, if necessary, to modernize loan products and adapt to the needs of businesses.

WHY PEOPLE LEAVE THE FAR EAST

The hectare program is one of the key measures aimed at retaining the local population in the Far East and attracting new residents from Central Russia and abroad. And how clear are the real reasons for people leaving the region?

The economy of the Far East in 2016 (there are no statistics yet for 2017) has grown 1.8 times from the level of 1996. Migration out of the region is four times lower than at the end of the 1990s, but has, unfortunately, not stopped. In August, we completed another survey of the population of the Far East together with VTsIOM. This survey once again showed the reasons driving people to leave the region. There are four main reasons. First, people aren’t satisfied with the development of infrastructure. Second, they aren’t happy with the level of salaries in the region. The third factor is the high cost of living and high prices for products and services. And the fourth widespread reason is the severe climate. These four reasons form the mood that you’re asking about. Citizens in different regions give different weight to these factors, but they are at the top of the list everywhere.

Well, we can agree that it’s useless to fight against the climate.

We see two key tasks that will help to reduce the migration trend, and reduce and stop the outflow in the future. First, creating jobs and raising wages. Second, developing the social sphere. Many measures have already been taken to complete the first task, including using new mechanisms for the priority development of the Far East – I mean economic regimes such as Advanced Special Economic Zone, the Free Port of Vladivostok, etc. Thanks to initiatives for the implementation of investment projects totaling over RUB 3 trillion, new jobs have been created and will be created. By 2020, over 60,000 new jobs will be created, and by 2025 – more than 100,000.

The Job Bank operated by the Agency for Human Capital Development in the Russian Far East currently has 9,000 offers. At the same time, from 2016 to today, the ARCH has already employed more than 8,500 people.

FOCUS ON GROWTH AREAS

The second task you mentioned is the development of the social sphere. What approaches are used here?

There is the obvious fact – we understand that it is difficult to find all at once the resources to address all the problems of the social sphere in the territory of the Far East. Therefore, we are concentrating our efforts on the rapid development of centers of economic growth, that is, those areas where investment projects are being implemented and new jobs created, where there are some prospects. Those areas that become centers of attraction for the population. Accordingly, social infrastructure should be changed first of all in these areas.

What means do you see for creating such targeted effects?

Here we have several mechanisms. The first mechanism is special sections in state programs. These are programs of the Ministry of Health, the Ministry of Education, the Ministry of Culture and other agencies. Work is being done, specific facilities included in these special facilities, and the funding for them has been identified. The second source is regional programs. We try to direct the resources the regions have to the most acute problems. In addition, we in the government are looking for additional sources to finance the development of the social sphere of the Far East. These funds in the amount of RUB 35 billion were allocated in the draft budget for 2018.

There was an interesting initiative to create a new instrument, in which investors who invested their money in social infrastructure were exempt from a corresponding amount of taxes.

The president gave the corresponding instruction after EEF III. The mechanism is being developed together with the Ministry of Finance. This is a significant resource: a number of investors have already stated their readiness to build social infrastructure in the places where they are implementing investment projects, provided that these expenses will be compensated by tax benefits. The mechanism may be implemented as soon as 2019.

Source: EastRussia.ru
Abridged version.
A LOGISTICS CENTER AND LIVESTOCK COMPLEX WILL APPEAR IN THE SAKHALIN ASEZ

The Russian government has approved the expansion of the Yuzhnaya ASEZ to implement new livestock and logistics projects, which will attract more than 4.7 billion rubles of investment and create more than 150 jobs.

The Yuzhnaya ASEZ has been extended to implement the second phase of the project by Green Agro-Sakhalin, a current ASEZ resident. Construction is planned of a livestock complex for a 1,900-head dairy herd, a meat processing workshop, and premises for keeping and fattening bulls. The project will be completed by 2019.

A potential ASEZ resident, Agro-Logistik, plans to build a logistics complex that will include hangar-type warehouses for storing 100 units of agricultural machinery and spare parts for it, as well as warehouses with an area of about 15,000 square meters for hay and packed haylage. The value of such warehouse services will amount to no less than 50 million rubles a year. The investor is going to complete construction in 2018.

THE FIRST ENTERPRISE HAS BEEN LAUNCHED IN THE AMURO-KHINGANSKAYA ASEZ

The first enterprise within the Amuro-Khinganskaya ASEZ has been launched in Birobidzhan. This is OOO BirZM, which launched production of “seamless” sandwich panels of 22,500 sq. meters per year. The first orders for sandwich panels are intended for use in the construction of large facilities in the Jewish Autonomous Region, and deliveries of sandwich panels are planned to to the Amur Region and other regions.

The production of metal structures with a total volume of 30,000 tons a year, as well as production of small-scale agricultural machinery, will also be launched in the same ASEZ area. The total investment volume will amount to 1.5 billion rubles. About 200 jobs will be created here in the future. After three workshops are launched at full capacity, tax payments to budgets at all levels of government may amount to about 100 million rubles a year.

THE INVESTOR LAUNCHED A LOGISTICS PROJECT IN THE FREE PORT OF VLADIVOSTOK

The Far Eastern Transport Company launched, as a resident of the Free Port of Vladivostok, an investment project in the city of Artem, in the Primorye Territory. The launch of this project created 50 new jobs in the region.

The company delivers construction materials by vehicular transport — cement, crushed stone, gravel, sand and other non-metallic materials. Project implementation requires the resident to acquire the necessary special equipment — truck tractors and semi-trailers. The total investment in the project will amount to more than 18 million rubles. The assembled fleet of vehicles enables the transport of construction cargo throughout the Primorye Territory and to other Far East regions.

THE NIKOLAYEVSK ASEZ WILL LAUNCH ITS OWN SHIP REPAIR CENTER BY 2023

By 2023, the Nikolayevsk ASEZ in the Khabarovsk Territory will have a ship repair center, which is expected to be built by Nikolayevskaya Ship Repair Company (NSC), an ASEZ resident.

According to Yevgeny Lee, CEO and owner of OOO NSC, the ship repair center project in the Lower Amur is being implemented using the resources of the non-operational Nikolayevsk shipbuilding plant. By 2023, the capacity of the new enterprise is slated for expansion to 50 repaired ships per year.

As of now, 10 applications in the amount of 5.1 billion rubles have been submitted for investment projects in the Nikolayevsk ASEZ. Three projects have already been launched, with a volume of private investment of 362 million rubles.

A PRIAMURSKAYA ASEZ RESIDENT WILL PRODUCE BIOFERTILIZERS

The production of biofertilizers will begin in the Amur Region in 2018. Bisolbi-Blagoveshchensk, a Priamurskaya ASEZ resident, has begun preparing the site for construction. The total investment in the project will be 28.5 million rubles, and 19 jobs will be created.
According to Victor Yesin, CEO of the company, the company previously sold microbiological products in cooperation with VNIISKhM (All-Russian Scientific Research Institute of Agricultural Microbiology) (St. Petersburg). “The products are liquid and difficult to deliver due to the long distance. The products also have some storage and transportation requirements: they cannot be frozen, overcooled, or stored in direct sunlight. And we decided to organize on-site production using existing technology,” Victor Yesin explained.

The investor plans to supply the products to the markets of the Far Eastern regions, Irkutsk and Chita Regions, the Republic of Buryatia, and later it expects to enter the markets of the Asia-Pacific region. The project is scheduled for completion in fall 2018.

A MODERN SPORTS COMPLEX WILL BE BUILT BY FORWARD COMPANY

Forward Company is implementing an investment project as a resident of the Free Port of Vladivostok to create a tourist and sports complex in Vladivostok.

Infrastructure will be created for a full range of recreation services for young athletes over an area of more than 41,000 square meters. The investor plans to build a hotel with 20 rooms, a multi-purpose stadium with volleyball, basketball, and tennis facilities; an field with an artificial surface for training and competitions, with stadium stands comprising 1,300 seats, a children’s playground with recreational equipment, and the necessary administrative buildings.

Investment in the project will amount to more than 60 million rubles. The tourist and sports complex will create over 20 jobs.

THE GORNY VOZDUKH ASEZ HAS BEEN EXPANDED TO IMPLEMENT FURTHER PROJECTS

The Russian government has issued a resolution on expanding the boundaries of the Gorny Vozdukh ASEZ in Sakhalin Region for the purposes of two sports, recreation and tourism projects with a total investment of more than 3.8 billion rubles, and which would create more than 270 jobs.

GRANAT WILL CREATE AN AVIATION TRAINING CENTER

As a resident of the Free Port of Vladivostok, Granat is implementing an investment project to create an aviation training center in Artem, the Primorye Territory.

The investment project implemented by the resident includes aviation infrastructure for the basing and technical and ground services for civilian aircraft. The project will result in a complex of hangars and an aviation training center near the Vladivostok airport facility.

A potential ASEZ resident, Olympus, will build a modern sports and training complex in Sakhalin on the foundation of the existing Vostok recreational center. Athletes at different levels of training and students of sports schools will be able to train and live here. The complex will be able to accommodate 250 people at the same time. The investor plans to invest more than 2.4 billion rubles in the project, and create about 60 jobs.

Green Solution is implementing a project for the construction of a spa complex with a 300-visitor capacity, using geothermal water for Japanese-style bathing facilities near hot springs (onsen) with an area of 5,000 square meters. Total investment in the project will amount to 1.3 billion rubles, and more than 200 jobs will be created.

ASEZ resident Gorny Vozdukh plans to build a recreational center equipped with Japanese-style onsen bathing facilities.

An aviation training center will be built near the Vladivostok airport facility.
and facilities to organize training processes: specialized training classes, aviation simulators, and maintenance premises. The investor shall acquire the necessary equipment and flight simulators to launch the project. About 114 million rubles will be invested in the project.

A FREE PORT OF VLADIVOSTOK RESIDENT WILL LAUNCH PRODUCTION OF SEAFOOD SNACKS

As a resident of the Free Port of Vladivostok, Nomura will create a salted and dried seafood enterprise in Vladivostok. The resident will acquire the necessary modern equipment for the project. Investment in the project will amount to 6 mln rubles. The project will create over 20 jobs in the region.

The total output of finished products at the launch of the enterprise will be 20-25 tons per month, with a further full production capacity of up to 50 tons per month.

Raw materials for production will be purchased from local fishing companies. The launch is scheduled for Q2 2018. The resident’s products will be delivered to sales points in the macroregion and the country, and labelled “Made in the Primorye Territory”.

A NADEZHDISKAYA ASEZ RESIDENT IS BUILDING AN ENGINE MANUFACTURING PLANT

MAZDA SOLLERS Manufacturing Rus (a Nadezhdinskaya ASEZ resident) has begun construction of an engine manufacturing plant.

The new production complex will manufacture SkyActiv-G Mazda engines, including the assembly and mechanical treatment of the engine’s base component.

Company goals for the project involve reaching a production capacity of 50,000 engines a year. Three billion rubles will be invested in the project, and more than 150 jobs will be created. To improve the skills of employees, they will be trained at the company’s training center in Vladivostok and at the Mazda Motor Corporation factory in Japan.

IN 2018, DV-ENGINEERING WILL START PRODUCTION OF EQUIPMENT FOR VENTILATION SYSTEMS

A Free Port of Vladivostok resident, DV-ENGINEERING, plans to launch production of equipment for ventilation systems in early 2018.

According to the CEO of INSYSTEMS (the parent company of DV-ENGINEERING), they produce uninterruptible power supplies together with the European company Legrand. The production of ventilation system equipment will begin in Q1 2018. The production of cooling machines and equipment for air conditioning systems is planned by the end of next year.

INSYSTEMS has already launched three production facilities in the Far East: in Amur Region, in Khabarovsk and in Vladivostok. The project employs 1,100 people, and that number is expected to increase to 2,000 next year.

A FREE PORT OF VLADIVOSTOK RESIDENT WILL RECONSTRUCT AN AGAR PLANT

The Sakhalin company DV Alliance, a Free Port of Vladivostok resident, plans to reconstruct an agar plant in the city of Korsakov, in the Sakhalin Region.

The previous agar plant was founded in 1953. Production was suspended in 2009.

The company is now preparing design specifications and estimates for the reconstruction of the plant. Repairs are planned on the disposal facilities, the boiler room, the production building where the smelting shop is located, and the administrative buildings. At the same time, modern equipment is being sought to modernize the production line, in practice actually replacing it. Japanese and Chinese companies may be the suppliers. The volume of investment is estimated at 800 million rubles. This amount also includes the purchase of fishing vessels and the construction of workshops in the southern Kuriles for the preliminary preparation of raw materials.
A POLLOCK ROE PROCESSING PLANT HAS ATTRACTED FOREIGN INVESTORS

OYANG SEAFOOD is planning to build the pollock roe processing plant in the Nadezhinskaya ASEZ. The relevant agreement was signed by the investor with the Far East Development Corporation. Investment in the project will amount to 77 million rubles.

The construction of the production complex will start next year and will be completed in Q1 2020 as planned. The products of this Primorye Territory plant will be exported to Asia-Pacific countries, and will also be available to Russian consumers. The Investor plans to purchase raw materials for production directly from the Far East fishing companies fishing in the Pacific Ocean and the Sea of Okhotsk.

A FREE PORT OF VLADIVOSTOK RESIDENT HAS LAUNCHED PRODUCTION OF CORRUGATED CARDBOARD

In early November, Ussuriysky Industrial Park will relaunch production of corrugated cardboard and corrugated cardboard packaging during the first stage of a project for the comprehensive modernization of the Ussuri Cardboard and Paper Mill in the Primorye Territory. The next step is the modernization of cardboard and paper production to increase the output of paper products and expand sales markets, including export activities.

Private investment in the project for the comprehensive modernization of production facilities will total over 2.7 bn rubles. The investor has already invested over 1 bn rubles in the project at the first stage of modernization.

CONSTRUCTION HAS BEGUN ON THE TERMINATOR PLANT IN THE PRIMORYE TERRITORY

Construction has begun on a plant for the recycling and detailed processing of automobiles in the Nadezhdinskaya ASEZ. This is a joint initiative developed by the Sumatori Group, Japanese company Arai Shoji Co., Ltd., and Royal AutoParts.

“The detailed automobile processing plant will separate the spare parts of vehicles in a ‘smart’ way; some parts will be exported, others will be recycled. The project ‘terminates’ old vehicles, transforming them into a new condition, which is where the project name came from: TerminaTOR,” Vitaly Verkeyenko, Sumatori Group CEO, explained.

The plant facilities have 24,000 square meters for receiving, storing, separating and recycling vehicles. Total investment will exceed 300 m rubles.

Investment in the modernization of the Ussuri Cardboard and Paper Mill has already amounted to 1 billion rubles.
In a market of fluctuating prices, the success of the export-oriented company depends not only on product quality, but also on product cost. Reducing costs and increasing volumes is the key goal of the ambitious project of the East Mining Company Limited (EMCO) on Sakhalin. The company is prepared to spend several hundred million dollars to build a 28 km conveyor to deliver coal to the port. EMCO President Oleg Misevra speaks about business development in Sakhalin, cooperation with Japanese companies and how to effectively use preferential treatment in the Far East.

— The extent to which any exporting company achieves its goal depends on, among other things, the global market. Mr. Misevra, do you believe EMCO to be capable of achieving all its plans, and will it help the market situation?

— The market is working in our favor so far. We can’t exactly call it an up market, but it’s not a down market, either. Let’s just say that coal prices suit us very well. They probably grew 30% from last year. On the other hand, last year the price dropped considerably, almost reaching a critically low level. Our main competitors, enterprises from Indonesia, reduced production by 80 million tons compared to 2015, when the country produced about 380-400 million tons per year. We, on the other hand, increased both extraction and delivery volumes. It is important that we can save money on railway transportation, which is a large share in the cost of coal supplied to Asia through ports in the Far East. The price factor certainly affects us too: the enterprise is developing, and requires investments, which are impossible without profit. Now the market is regaining ground, indicators are good, and we are confidently moving forward.

— Can you give a general forecast on the market?

— Forecasts are pointless. The economy unfortunately now depends on the geopolitical situation. There is a tendency to “demonize” coal, although I believe that this is the cheapest power source after water, and modern cleaning technologies mean the minimization of negative environmental consequences. Yes, Europe is cutting coal power plants. But Asia is starting to build coal-based power plants again. China has, of course, suspended the process, but it has no demand for it anymore, anyway — the economic situation is growing less rapidly. We sell coal to many countries, including the Philippines, India, and Taiwan; our sales markets are growing.

— What makes your product competitive?

— Price and quality. For example, in Indonesia coal contains more sulfur. Burning coal makes this an important factor from an environmental point of view. Our coal also has a low contamination level — we put special magnets on the conveyor to catch contamination. Another advantage is price. We are closer than Indonesia to the main Asian markets – Korea, China, Japan, and even the Philippines, so our coal is cheaper to deliver.

— So the estimated indicators are achievable?

— If nothing unexpected happens, we will fulfill the plan. We are even confident of exceeding estimated indicators. The delivery target for 2017 is 4.5 mln t, and the extraction target is 4 mln t. The delivery target will be probably exceeded by up to 5 mln t. We are certain to extract 4 mln t, and have a new target output of 4.5 mln t. Stripping and cost results are as expected. You could say that this year is a rather productive one for the company.

— This means that the 10–12 mln t target for 2018–2020 aren’t far off?

— When we set 10 mln t as a target we meant the year of 2020. Now we are planning to increase output: we are aiming at 14 mln t and thinking of bringing the output up to 20 mln t a year. I can assure you that the company’s output will already be 8 mln t by 2018. This is twice as much as the target figures for 2017. We are also planning to deliver 8 mln t next year, therefore, delivery output will also increase — by about 80% from the expected actual figures for this year.

— When you talk about investment, do you mean the main conveyor for coal delivery and a new marine terminal, or is that the next step? At what stage are these projects?

— In the near future LenmorNII project will start designing the port. As for conveyor design — we have determined the route and will proceed with survey activities soon. We are planning to complete the design by the end of next year. We
are like pioneers here — there is no room for error in this complex process. Construction will take nearly two years; the projects will be implemented by 2020. By 2021, I think that we will have already reached full design capacity, with only some technical issues potentially unresolved.

— Will the conveyor or significantly reduce the cost of coal delivery to the port?
— Our main points of focus in implementing the project are economic and environmental issues. Road transport is rather expensive. We pay $4–5 per ton. The conveyor will allow us to lower the cost to below $1. Conveyor operation costs are significantly reduced due to the law on balancing power tariffs in the Far East, which was adopted at the request of President Vladimir Putin and has already been implemented. It turns out that we gain $3–4 per ton. Based on a transportation volume of 10 mln t per year, the conveyor alone will save us at least $30 mln a year.

— Will port modernization also reduce the cost of transshipment?
— This project should help us to ship the volumes I mentioned — 18-20 million tons are quite feasible in the foreseeable future. The new port will be built 500 meters away from the old one and will have significantly lower costs for transshipment — it will handle dock rather than off-shore shipment.

— Since neither of the two projects, the conveyor and the port, have been developed so far, is it too early to talk about the amount of capital expenditures?
— According to our calculations, CAPEX for the conveyor will be within $120-200 million. This is certainly a rough estimate: we have an approximate understanding of the equipment cost, but the cost of construction and installation works has not been calculated. It cannot be determined without surveying. Investments in the port are about $250 million more.

— This raises two questions: who will finance the project, and who will be our project partners?
— At the Eastern Economic Forum, we signed a memorandum of understanding with the Japanese company Marubeni. This concerned construction of the conveyor and the port. We consider Marubeni to be a possible counterparty. Their partner is Nippon Conveyor, which was already building conveyors measuring 100 km in length in 1977. As for financing, we are thinking about Japan Bank for International Cooperation (JBIC), which is ready to issue a long-term loan for the deal. However, there are some technical difficulties: JBIC is a state bank that is not very willing to issue loans directly to commercial entities. Therefore, we may ask for help from Russian banks or a Japanese company that will take a loan from JBIC, and then give it to us, or will act as a construction operator.

— Is this a traditional way of working with Japanese partners? For example, is it the same with Sojitz?
— According to the agreements reached at the Eastern Economic Forum, Sojitz finances reconstruction of the reloading facility, which is critical for increasing transshipment volumes. In April we concluded a reconstruction contract with the manufacturer, the Italian company Bedeschi. This will make it possible to load Panamax class vessels and increase volumes and speed of loading. Next year, we plan to reach about 50-60,000 tons per day — this is actually double the current 30-35,000 tons per day. In cooperation with Sojitz and the Sakhalin Region Development Corporation we built six vessels that will deliver coal from the shore to the reloading facility. We are in talks on further investments, including the acquisition of Japanese technology.

— Do you use credit?
— Of course. With the negative rate of the Central Bank of Japan, this is the cheapest money today in the world today. Let us suppose that when JBIC finances projects for a period of ten years, the first five years of the loan will have a zero rate, and 1% for the second five years. This is a virtually interest-free loan compared to the conditions offered in Russia.

— It turns out, with a high degree of probability, that the partner for the port and conveyor will be one and the same?
— This should be a single mechanism. If it is built by two counterparties, there will be inevitable work coordination issues. We plan to build the port and the conveyor into a single complex. Moreover, a new “subsidiary” company has even been established already for these purposes, which will deal with two projects at once — without breaking this chain. The principle is simple: coal should be delivered from coal mine to ship without any intermediate steps.

— Will this new company attempt to claim the status of a free port resident within the Uglegorsk District, and, accordingly, gain some benefits?
— We are ready to be covered by these free port conditions as regards the construction of the conveyor and the new port, and later, their operation. We need those benefits at both stages. The free port enables the import of equipment without any customs duties. Most importantly, in the long term, such conditions will help us to accumulate funds to repay investments due to the profit tax, which is set at a zero rate for residents for the first five years.

— Do the development institutions of the Far East help in any other way?
— We are grateful to the government because they support the business, which is really prospering, in every way. Plenipotentiary Envoy Yury Trutnev, the Ministry for Development of the Russian Far East, headed by Alexander Galushka, Governor Oleg Kozhemyako — everybody helps. We also try to advance. For example, we expect to repay ahead of schedule the loan granted to us by the Sakhalin Region Development Corporation at the privileged rate of 5% a year with the support of the authorities. We only took 1 billion rubles and understand that we are ready to pay this money back so that it can be used somewhere in another part of the region to develop some other business. And we can work with commercial banks, too.

**FACTS AND OPINIONS**

The market is currently regaining ground after its decline. The indicators are good, and we are confidently moving forward.

Projects financed by JBIC have a zero rate the first five years, and 1% for the second five years.

Source: EastRussia

Abridged version
**Invest and Plow**

Agriculture in the Far East is becoming more and more attractive for investment.

*As estimated by The Russian Grain Union, in 2017 Russia will have a record harvest. According to information from the Ministry of Agriculture, as of October 25, grain and grain legume crops have been threshed from 45.1 mln ha, or 95.8% of the harvested area. 134.5 million tons have been obtained. The same time the year before, the harvest was 118.5 million tons. “Russia has once again become one of the main agricultural countries in the world. That’s great,” Prime Minister Dmitry Medvedev said in October. The Russian Far East is keeping pace with the nationwide trend.*

**IN SEVERE CONDITIONS**

The severe climate makes a considerable part of the Far Eastern Federal District not very suitable for agriculture. However, the southern part of the macroregion is quite promising in terms of industrial development, and most agricultural products of the Far East are produced there. Needless to say, that harsh weather requires adjustments to be made. For example, in the last 10 days of October this year, snowfalls made harvesting more difficult in Amur Region. At that time, only a little more than 41% of soy crops had been harvested – 391,300 out of 951,000 ha had been threshed. At the same time the previous year, agricultural producers had reached 563,500 ha when they stopped working. On average, agricultural workers harvested 15.7 centners per ha, and a year before the crop yield was 12 centners.

Great importance is attached to the Advanced Special Economic Zone (ASEZ) that enables each region to use its competitive advantages in industry. At the current time, three Far Eastern ASEZs have agricultural specializations. Two of them are situated in the Primorye Territory (Mikhailovsky ASEZ) and in the Amur Region (Belogorsk ASEZ) – the most promising regions in terms of agricultural development. Another agrarian ASEZ, Yuzhnaya, was established in the Sakhalin Region with a recent focus on agribusiness development and financing, and also on resolving the problem of the island region’s self-sufficiency.

**LOCAL SOUTHERN COLOR**

The Primorye Territory is an agribusiness leader in the Far East; it is now trying to launch efficient meat-and-dairy livestock breeding. The main Far Eastern agriculture industry ASEZ, Mikhailovsky, is located there, and specializes in large-scale agricultural production, detailed processing and logistics centers in the Mikhailovka, Spassk, and Chernigovka Districts. This ASEZ also has an advantageous location in relative proximity to regional transport routes (the federal highway, Trans-Siberian Railway, the railway border crossing with China, an airport, and major seaports). After setting up ASEZ regimes, the Far East managed for the first time to attract major Russian agriholdings to develop dairy and pig farms there. For example, Rusagro, the leading Russian agriholding, and a major Far Eastern company, Mercy Trade, operate as Mikhailovsky ASEZ residents.

There are plans to establish an export-oriented agro-logistics hub with food and fish processors, and feed producers in another Primorsky ASEZ, Nadezhdinskaya. Likewise, small husbandry businesses in the province also receive support in project implementation. In particular, regional
FACTS AND OPINIONS

EASTERN RUSSIA ECONOMIC AGENDA
OCTOBER 2017

authorities subsidize the development of agricultural consumer cooperatives, farmers are given grants to set up and develop small farm businesses and family farms, and subsidies are allocated to reimburse the costs of purchasing machinery, equipment, and livestock.

THE QUEEN OF AMUR FIELDS
One of the Far Eastern agricultural regions, the Amur Region, specializes in soy cultivation. Three residents are currently registered at the Belogorsk ASEZ. Overall, the Belogorsk ASEZ is not as large-scale as the Primorsky ASEZ, but it relies on manufacturing. For example, in this ASEZ, a value-added soy processor is under construction by Amuragrocenter. Its phase 1 was launched this spring, with 120,000–140,000 tons of product expected by year-end. Phase 2 is being designed, for the processing and output of 10,000 tons of soybean isolates per year. Project phases 3 and 4 are possible in the future.

The small Jewish Autonomous Region is also promising from the perspective of agro-industrial complex, with its logistic advantages allowing for the implementation of successful Russian-Chinese projects, and overall there is a noticeable presence of Chinese businesses in agriculture. A number of projects are planned for implementation in the Amuro-Khinganskaya ASEZ. For example, Sodruzhestvo is considering the possibility of locating a soy value-added processing plant in cooperation with the Chinese Joybay Agricultural Holding Limited.

MILK AND GREENHOUSES
A series of promising projects in the industry may be implemented in the Khabarovsk Territory with its agricultural specialization (dairy production, sugar production and greenhouse vegetable production). At the same time, Rusagro Holding is planning to expand its geographic footprint in the FEFD by investing in agriculture in the Khabarovsk Territory. At the Khabarovsk ASEZ, a greenhouse complex built by JGC Evergreen (Japan) on 2.5 ha was also opened last year for vegetable, salad crop and herb cultivation.

Under the economic policy of the new Sakhalin Region government, agribusiness is prioritized and supported, in particular because of the need to ensure food security in this island region. The industry’s prospects on Sakhalin are confirmed by the arrival of major agricultural holdings, resulting in the planned launch of several meat and dairy plants in the Yuzhnaya ASEZ.

ISOLATED BUT NOT HUNGRY
As remote and very isolated areas, the Kamchatka Territory, Chukotka Autonomous Area, Republic of Sakha (Yakutia), and Magadan Region are giving special emphasis to the development of their own agricultural production. The Kamchatka Territory is considering a grain farmer support program to reduce its dependence on grain supplies from other regions. This measure, contributing to forage reserve expansion, may also increase the region’s livestock production. In 2016, major regional projects like the first Kamchatka broiler meat plant and a project for the construction of a Kamchatksky pig farm were implemented in the region with support from its government. The Magadan Region managed to restore poultry production, with an incubator commissioned and construction completed on the fourth poultry farm complex last year.

Meanwhile, small private agrarian farms are interested in a unique program, the Far Eastern Hectare, launched in June 2016 and allowing Russian citizens to receive at no cost a plot of 1 ha in one of the Far Eastern regions. The establishment of small farms on such plots will help, first of all, to solve the regional issues of supplying people with local products.

Also, growth prospects for private farmers on the granted land will increase as cooperation programs develop in the region. Today, one in ten applications for plots is done by a group. “Citizens see an opportunity to receive additional profit from cooperation in land reclamation in the Far East, as it means the reduction of costs for procurement, as well as maintenance of technical facilities and infrastructure, and an opportunity to cooperate with large buyers due to combining production volumes,” says the Agency for Human Capital Development in the Russian Far East. The agency is planning to establish the Center for Cooperation Support on Far Eastern Lands and is preparing training events, webinars, expert consultations, and special guidance manuals.

Both large players and farmers are interested in agriculture in the Far East

State-of-the-art greenhouse complexes are in high demand in the Far East. Some projects are being implemented in the Advanced Special Economic Zones
Hyundai Corporation has been operating in Russia for many years. But now the company has announced the launch of several projects in Russia’s Far East. Can you tell us the reason for the increased interest in this region?

– I consider that government policy is important for finding and developing business.

It should be noted that the Russian government is continuing its government policy for development in the Far East.

In addition, since the establishment of the government of President Moon Jae-in of Korea, we are spurring economic cooperation between Russia and Korea.

As a part of this effort, our government established the North Korean Economic Cooperation Committee in Korea.

I believe that we should carry out business to build business infrastructure together with the above policy in the Far East region.

– At the Eastern Economic Forum, an agreement was signed with Hevel on the construction of a hybrid solar-diesel energy complex in Russia’s Far East. What does Hyundai provide? Technology? Financing? What is your interest?

– The signing of a contract for energy modernization with the Hevel Company at the Eastern Economic Forum is a collaboration to understand the local characteristics of the Yakutia area and to provide total solutions including adaptive technologies.

It is my wish to apply success stories to the Kamchatka, Chukotka and Sakhalin regions with low population density and geographical similarities, such as Yakutia area.

– With the Hyundai Corporation’s participation, plans are to build a factory for the production of LED lighting. Could you please share some details? Where will it be built? What demand will the company focus on?

– In relative to LED lightning equipment manufacture construction project,
as it is already known, HYUNDAI Corporation has signed agreement with Russian partner, LED-STROY company, and Korean partner, Kigrid company.

Our Russian partner is a resident of Nadezhdinskii ASEZ, due to this fact we are considering that territory as a potential one for construction. But at the same time we face the issue that we have to find a solution how to make our future JV a resident of Nadezhdinskii ASEZ.

Jointly with Korean partner, who is a Korean LED lighting producer, actually specializing in industrial sector. So in plans to bring their technology of special LED for street lighting, sports infrastructure and etc. But now we on the stage of Russian lighting market deep analysing, and it is difficult to determine exact kind of lighting product.

However the main point for active development of this project is to be sure in demands on future product, for that reason the guarantee on government orders should be, especially in first time of production.

– What other projects is the Hyundai Corporation considering in Russia’s Far East?

– Including the energy modernization project mentioned above, we established a joint venture company with the Russian Far East Shipbuilding Repair Center (FESRC) in September, 2016 (2nd Eastern Economic Forum) and made a foundation for the implementation of LOCAL CONTENTS.

We intend to continue our interest and cooperation in the energy business and modernization projects of the Russian government.

– How do you assess the competitiveness of the investment and business conditions that are created in Russia’s Far East in accordance with the new legislation on advanced special economic zones and the Free Port of Vladivostok?

– In order to attract and develop the investment of project business partners, I think that direct investment including indirect support (tax benefits, long-term site provision, etc.) is necessary.

The direct investment mentioned can be seen in two major areas (equity investment and distribution (sales) of Russian private companies + equity investment and technology investment by foreign companies.

In order to carry out sustainable business in the future, it is necessary to ensure the reliability and sustainability of the project by investing in equity, including indirect support from the Russian government.

In order to support the Far East Development Fund, I think that the financial support should be simplified by arranging the integration window.

– How do you assess the potential for development of a high-tech segment in the Far East’s economy? What is your advice for fellow investors from Russia and other countries?

– I think the potential for high-tech development in the Far East is endless.

Cooperation with local businesses is important for unlocking and developing unlimited potential.

Due to the nature of high-tech business, mid to long-term business plans and thorough preparation are required.

In other words, we must understand the localization policy declared by the Russian government and prepare for the direction of business.

In conclusion, let me suggest that support from Russian government in form guarantees on future orders can make more effective the development of manufacturing facilities construction projects in Far East. Also for more effective development of Far East region and business cooperation between Russia and Asian countries such as Republic of Korea I think for Russian Government would be better to have advisers with experience in business in both countries and clear understanding of culture and special aspect of business dealings.
The investor that previously supplied grain for poultry feed to Komsomolskaya Poultry Farm bought the enterprise from the Khabarovsk Territory in 2009. Amurzerno at that time stated that production would be reconstructed, and through all those years, the capacity was gradually expanded. About 300 million rubles were invested over seven years in the modernization of the enterprise. The final stage, the reconstruction of one of the poultry houses, cost the investor 60 million rubles.

The workshop was opened in the middle of October. During those years the egg-laying flock increased from 25,000 - 76,000. Labor productivity tripled. In 2012, 317 workers met production needs for a volume of 60 million eggs per year, and now 120 workers oversee the production of 100 million eggs, and with the total capacity of a new workshop, the farm will produce 116 million eggs per year. ‘In November, we should get 700,000 eggs from this workshop, in December – 1.8 million eggs and in January and February – more than two million eggs,’ Natalia Makarova, Operations Director of the poultry farm, said.

The restored production is completely automated. It is managed with the use of a computer containing parameters for microclimate, feeding, and water consumption. The egg-laying hens in the poultry house are Dutch. The investor believes that the loan obtained by the enterprise for the modernization project in 2012 can be repaid by January 2018. When a new egg production workshop of the other largest supplier, the Khabarovsk Poultry Farm, is launched in 2018, demand in the Khabarovsk Territory for this product will be 90% covered, and by 2019 – 100% covered. Amurzerno says that in November, products of the farm in Komsomolsk-on-Amur will be sold in Khabarovsk’s largest chains under a new brand - 'Chamomile Field.'

The hen egg industry is one of the most profitable, so the government has stopped supporting it at the federal level. But the reconstruction project of the poultry farm in Komsomolsk-on-Amur has received support in another way. This spring, the boundaries of the Komsomolsk Advanced Special Economic Zone were adjusted specially for several food producers in Komsomolsk-on-Amur. It enabled the enterprise to declare the investment project and obtain ASEZ resident status, with the corresponding privileges.

This is important for Far Eastern producers, as the macroregion is under strong pressure from Siberian egg producers, which have an oversupply of this product, and it is difficult for the local producers to compete with the Siberians without support. The administration of the Khabarovsk Territory also subsidizes the poultry farm in terms of the compensation of interest rates on loans.

Initially, the investor intends to use the profit exempt from taxation for reinvestment. In particular, starting next year the poultry farm will increase the average salary by 12.5%, although it is already the highest in the industry.

In addition, the enterprise owner plans to establish production of a product with a higher added value than hen eggs have. Amurzerno representatives recently found out in negotiations in Japan that a potato salad with eggs is very popular in the Land of the Rising Sun. ‘The Japanese partners are currently working on the idea of launching culinary production in the Khabarovsk Territory: potatoes, carrots and other vegetables grow in the region, and we can supply eggs,’ summarized the investor.
Three companies, part of the Flagman Group, will invest in the project at the same time. OOO Flagman is modernizing the complex by extending the trail length by 32 km, reconditioning the lifts and equipping it with an artificial snow system. Investment will amount to 440 mln rubles, and some necessary land plot documents are being prepared. OOO Extreme Service will build a spa complex next to a lake which is already being used, designed for 70 visits an hour, and including a coffee-bar and a wedding village. OOO GLK Kholdomi will build a five-star hotel with 20 rooms at the top of the mountain. The Vysota 652 coffee-bar is the only facility in operation so far at the upper station of the active cable railroad.

In May of this year, Kholdomi ski complex facilities were included into the Komsomolsk ASEZ. The state intends to invest at least 205.6 million rubles in infrastructure. The Flagman Group, owned by local entrepreneur Vitaly Burlakov, which owns the ski complex, is prepared to invest nearly 842 million rubles in modernization of the complex. Kholdomi is now being actively developed in preparation for the next ski season.

The resort receives benefits

With support from the government, the Kholdomi ski complex will be able to receive 4 times more visitors

It is less than an hour’s drive from Komsomolsk-on-Amur to the complex, which is only 5.5 km away from the village of Solnechny. There are seven trails down, 10 km long, with a maximum length of 2.4 km, and maximum vertical drop of 410 m. The complex capacity per season is 60,000 guests, which can be accommodated in cottages and the hotel. There are two lifts to get to the top: a chair lift with a 700-person capacity an hour and a drag lift with a capacity of 1,000 persons an hour. After it is modernized, the ski complex will be able to receive visitors at 22 new trails, the vertical drop is expected to be increased up to 520 m, slope length — up to 3.5 km, lift capacity — up to 3,700 persons an hour.

The complex is already quite popular, not only among the residents of the nearby Komsomolsk-on-Amur and Khabarovsk, who travel here for weekends and holidays, but also among Far East residents in general. A special flight has been launched from Vladivostok to transport tourists to Kholdomi. But infrastructure is still in need of improvement — the attractive wooden houses are often filled to capacity, and the lift takes only two people in the gondola and does not reach the very top.

Kholdomi sought funds from the government to support construction of networks, primarily. According to preliminary estimates, the water supply from the well in the lower area of the complex to the upper area will cost 111.96 million rubles, a 2.5-kilometer gas pipeline from the Gorny village and a new boiler-room will cost 40.3 million rubles, and a new 3-megawatt power transmission line — 34 million rubles more. The regional budget is to finance the first facility, the federal budget — the gas pipeline and the energy infrastructure, Vitaly Burlakov, Head of the Flagman Group, explains. “Today “road maps” for the construction of infrastructure have been developed.” The water supply and power lines should be commissioned by December 31, 2017, and the gas pipeline is planned to be built next year. Based upon these time periods, we planned to implement the gondola lift and snowmaking system by late December”, Vitaly Burlakov explains.

He also believes that the extension of the Free Port regime to the Khurba airport will significantly increase the flow of foreign tourists. “This is the key task for today. We have China here next to us — a huge territory with a lot of potential tourists. Since the Chinese are already familiar with ski complexes in China, then the principle “I want to go and see” should work. And the Free Port regime can provide invaluable assistance here and stimulate an additional flow of tourists,” Vitaly Burlakov says. Owners of the Kholdomi ski complex and the Gorny Vozdush Sakhalin complex are considering the concept of jointly promoting a single ski-pass zone. Residents think this will also significantly increase the flow of tourists. After having been modernized, the ski complex will be able to receive up to 240,000 tourists all year round.
INVESTMENT PASSPORT:
Jewish Autonomous Region

**Main Indicators**

*Area of the Jewish Autonomous Region:*
36,271 sq. km.

*Population:*
164,217

*GRP:*
50.7 billion rubles

*GRP per capita:*
268,000 rubles

*Investment in fixed capital:*
13 billion rubles

*As of 2015*

*Economically active population:*
84,600 people

*As of September 2015*

**PROMISING ECONOMIC SECTORS**

**Agriculture**

Core capabilities:
- 165,000 hectares of land for the cultivation of ecologically clean crop production in the region, 369,000 hectares of hayfields and pastures
- USD 100 billion - The USA import of food products into China. Every year, China imports 2.7 million tons of meat, 87 million tons of oilseeds and 32 million tons of grain crops

Investment activity:
6 investment projects with cumulative investment of about 18 bn. rub.

**Mining**

Core capabilities:
- A raw-material base (reserves) with a total value of over USD 88 billion:
  - Iron ore - 794.3 million tons (USD 65 billion)
  - Lignite - 53 million tons (USD 2.1 billion)
  - Black iron ore - 8.9 million tons (USD 17.2 billion)
  - Stannum - 145,000 tons (USD 2.9 billion)
  - Gold - 30 tons (USD 87 million)

Investment activity:
6 investment projects with a total investment of ~ 89 billion rubles.

**Transport**

Core capabilities:
- Construction of the Nizhnelenskoye-Tongjiang railway bridge by 2019 with a throughput capacity of 20 million tons. The bridge shortens the distance from the Khabarovsky Territory and the Amur Region to the northern provinces of China by 700 km
- Reconstruction of the Birobidzhan-Leninsk single-track railway line (Russian Railways JSC), increasing throughput capacity up to 20 million tons.

Investment activity:
6 investment projects with a total investment of ~ 2.8 billion rubles.

**Woodworking**

Core capabilities:
- Reserves: ~ 0.2 billion cub. m.
- Timber condition of the territory: 45%
- Logging: ~ 0.23 cub. m.

Investment activity:
3 potential investment projects with a total investment of around 7 billion rubles.

The Kimkan-Suntar Mining and Processing Plant, Jewish Autonomous Region
INVESTMENT IN PROMISING ECONOMIC SECTORS

Distance from the largest transport hubs

Distance and flight time to the nearest big cities*

Beijing (PRC) — 1,766 km / 3 hour flight
Shanghai (PRC) — 2,240 km / 3 hour flight
Tokyo (Japan) — 1,473 km / 2.5 hour flight
Seoul (S. Korea) — 1,380 km / 2 hour flight
Vladivostok — 640 km / 1.5 hour flight
Moscow — 6,142 km / 8 hour flight
Novosibirsk — 3,576 km / 5 hour flight
Krasnoyarsk — 2,942 km / 4 hour flight

* at a flight speed of 850 km/h and additional time for landing/take-off

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<th>Industry</th>
<th>Investment, billion rubles</th>
<th>Jobs, thousand people</th>
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Contacts

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This section publishes examples of investment projects being implemented in the Far East. For more information on participating in these or other projects in the region, please contact the Far East Investment and Export Agency.

**TOURIST MINI-CAMP**

**REGION:** the Kamchatka Territory  
**INDUSTRY:** Tourism  
**INVESTMENT:** 58 million rubles  
**NUMBER OF JOBS:** 17  
**PROJECT DESCRIPTION:** a long-term investment project for the construction and operation of a small tourist complex in the natural environment near the Paratunka River, for the development of sports and amateur fishing services, as well as environmental and ethnographic tourism.

**DOCKAGE FACILITIES**

**REGION:** The Khabarovsk Territory  
**INDUSTRY:** Engineering  
**INVESTMENT:** 40 million rubles  
**NUMBER OF JOBS:** 7  
**PROJECT DESCRIPTION:** the project is aimed at increasing the capacities of the shipyard in connection with the growing need for high-quality ship repair. Project plans include building a warm mechanization shop, repairing and upgrading crane beams, purchasing a Flamingo crane, overhauling slip equipment, and purchasing a cryogenic station for storing liquid oxygen.

**MULTI-PURPOSE HEALTH COMPLEX**

**REGION:** the Primorye Territory  
**INDUSTRY:** Tourism  
**INVESTMENT:** 70 million rubles  
**NUMBER OF JOBS:** 64  
**PROJECT DESCRIPTION:** The investment project is designed to create a multi-purpose recreational complex providing high-quality medical and cosmetology services. In addition to its commercial orientation, the project has an important socio-economic significance in view of offering additional jobs.

**WAREHOUSE DISTRIBUTION CENTER**

**REGION:** The Primorye Territory  
**INDUSTRY:** Logistics  
**INVESTMENT:** 6.4 million rubles  
**NUMBER OF JOBS:** 3  
**PROJECT DESCRIPTION:** the creation of a modern roadside warehouse distribution center that provides warehouses for wholesale and retail traders. Having such a center will complement the infrastructure of the area and provide a high-quality foundation for businesses. The center is located alongside the road, and the fenced area will be under 24/7 security and video surveillance.
GREENHOUSE COMPLEX WITH AN AREA OF 8 HA FOR THE YEAR-ROUND CULTIVATION OF VEGETABLES (AO SOVKHOZ TEPLICHNY JSC)

REGION: agriculture
INDUSTRY: Sakhalin Region
INVESTMENT: 637 million rubles
NUMBER OF JOBS: 80
PROJECT DESCRIPTION: plans for the implementation of this investment project include completely reconstructing the existing facility for the high-tech production of vegetables in protected soil. A modern greenhouse complex will be built for the year-round (continuous) cultivation of vegetables.

CONCRETE PRODUCTION

REGION: the Primorye Territory
INDUSTRY: Production
INVESTMENT: 85 million rubles
NUMBER OF JOBS: 26
PROJECT DESCRIPTION: the project aims to meet concrete demand in the Bolshoy Kamen municipal district. The plant is designed to be the main supplier of concrete, mortar, reinforced concrete products for large construction projects in the region, residential buildings and other construction sites in the city of Bolshoy Kamen.

SEA BIORESOURCES DEEP PROCESSING FACILITY

REGION: The Kamchatka Territory
INDUSTRY: Fishery and Aquaculture
INVESTMENT: 1.4 bn. rub.
NUMBER OF JOBS: 151
PROJECT DESCRIPTION: The creation of a complex for sea bioresource deep processing with a production capacity of 25,000 tons per year. The project is designed to process and preserve fish products and other bioresources to meet consumer needs with a high-quality, fresh and inexpensive product. All raw materials will be of natural origin and both produced by the company, and purchased from third-party suppliers.

VERTICAL-INTEGRATED AGROHOLDING FOR THE PRODUCTION OF DAIRY PRODUCTS

REGION: The Primorye Territory
INDUSTRY: Foodstuffs
INVESTMENT: 16 billion rubles
NUMBER OF JOBS: 500
PROJECT DESCRIPTION: the project involves the construction of livestock complexes for the cultivation of dairy cattle breeds with a total head count of 15,000, including 7,200 dairy cattle, and the construction of a dairy plant with a processing capacity of 300 tons of milk per day. The launch of its own retail chain is planned.
CONTACTS

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