BSR Policy Briefing series 6/2018

Foreign economic relations of the Kaliningrad region

Some recommendations for policymakers

By Vitaliy Zhdanov, Vladimir Kuzin and Mikhail Pliukhin

CENTRUM BALTICUM

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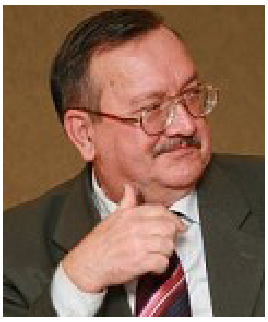

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Summary

The Kaliningrad region is one of Russia's smallest regions in terms of its area and population. It is the westernmost territory of Russia. The region is separated from the mainland of the Russian Federation by at least two independent states. Due to its geographical location and special features, this region receives special attention from the federal center. The main mechanisms for the development of the territory are the special tax regime of the Kaliningrad special economic zone and the Federal State Development Program of the Kaliningrad region.

In the period 1993-2010, due to its convenient geographical location, the economy of the Kaliningrad region was largely oriented towards close foreign economic interaction with nearby European states. However, later, as political tensions between Russia and the EU have increased, the Kaliningrad region began to transform its foreign economic relations. As shown in this report, this process has received a great deal of intensity after 2014.

At the moment, the economic and social development of the Kaliningrad region is entirely determined by the processes and trends typical for the Russian Federation as a whole. On the other hand, the region's proximity to the EU and previously developed multilateral ties are very significant. The report considers possible scenarios for the foreign economic relations of the Kaliningrad region in the medium-term.

In the rapidly changing external environment, new opportunities and new threats are constantly arising for the Kaliningrad region, including tensions in the relations between Russia and the West. Obviously, the Kaliningrad region can in the current difficult situation become both a region of successful good-neighborly cooperation and a kind of 'besieged fortress' with all the attendant unpleasant consequences.

Undoubtedly, the federal administration of Russia will provide significant and unconditional assistance to its westernmost territory in resolving the newly emerging acute socio-economic problems.

Keywords

Kaliningrad region, foreign trade, international cooperation, regional development, special economic zone.

1. The Kaliningrad region in 2018

Historical review

Many problems of the Kaliningrad region development[1] are related to historical reasons. The Kaliningrad region is formed from the northern part (1/3) of the territory of the former East Prussia, annexed to the Soviet Union by decision of Potsdam (1945)[2]. The borders of the region are fixed in the final act of the Conference on Security and Cooperation in Europe (1975), adopted in Helsinki, and finally settled by the Treaty on Good-Neighborliness, Partnership and Cooperation between the USSR and the Federal Republic of Germany (1990).

The difficulties of the post-war period due the restoration of the infrastructure of the territory slowed down the economic development of the region, which, moreover, was a Soviet military post in the West.

Until 1956, the Kaliningrad region was a closed territory: the entrance to the region was carried out only on the basis of special permits. After 1956, the region became a territory with regulated visits for citizens from other regions of the Soviet Union but remained a closed territorial entity for foreign citizens. And only in 1989 the Kaliningrad region opened itself to visitors, both citizens of the USSR and other states.

By the beginning of market reforms in USSR, the economic potential of the Kaliningrad region was similar to an average level of development in the Soviet Union. Specialization of the region was built around engineering, defense-industrial complex, agriculture (meat and dairy cattle breeding) and fishing industry, focused on expeditionary ocean fishing.

After the independence of Lithuania from the USSR in 1991, the region first became a Soviet exclave, and after the collapse of the Soviet Union, a Russian exclave[3], a territory of Russia surrounded by foreign states: in the south the region borders on the Republic of Poland, and in the east and north - with the Republic of Lithuania (Figure 1). In the west, the coast of the region is washed by the waters of the Baltic Sea, which forms two gulfs: the Curonian Gulf (the Russian part is 1,300 km2) and the Kaliningrad (Vistula) Gulf (the Russian section is 500 km2). These gulfs are separated from the sea by the Curonian Spit (48 km belongs to Russia) and the Baltic (Vistula) oblique (its Russian part is 65 km).

1 The territory of the Kaliningrad region is small (15,100 km^2). The region's current population is around 986,300. The Kaliningrad region covers 0.77% of the land area of the Russian Federation and 0.67% of its population.

2 Under the rule of Empress Elizabeth Petrovna, East Prussia in 1758 - 1762 was a part of the Russian Empire.

3 From a formal point of view, the Kaliningrad region is a semi-exclave, because it has a free access to the Baltic Sea. The territory is geographically divided from the mainland for the third time: 1) in 1701-1772, East Prussia was a part of the Kingdom of Prussia and separated from the main territory of the country by the territory of the Polish-Lithuanian Commonwealth; 2) after the First World War in 1918-1939, the Free State of Prussia in Germany was separated from the main part of the country by the territory of Poland; and 3) at present, the Kaliningrad region is separated from the Russian proper by at least two independent states.

Figure 1. Location of the Kaliningrad Region of the Russian Federation

The distance is straight from the border of the Kaliningrad region:

- to the nearest border of the main part of Russia is 420 km;
- to Moscow 1,289 km;
- to the nearest regional center of Russia, namely Pskov, 800 km,
- to Vilnius (Lithuania) 350 km,
- to Riga (Latvia) 390 km,
- to Warsaw (Poland) 400 km,
- to Berlin (Germany) 600 km,
- to Stockholm (Sweden) 650 km,
- to Copenhagen (Denmark) 680 km.

It is interesting to note that Kaliningrad is located west of Warsaw.

Rail and road transport communication with the Russian mainland from / in the Kaliningrad region is carried out, at least through the territories of two independent states with observance of all border and customs formalities:

1) Eastern direction (the main route): Kaliningrad region - Lithuania - Belarus - Russia (Smolensk or Pskov region);

2) Northern direction (the secondary route): Kaliningrad region - Lithuania - Latvia - Russia (Pskov region);

3) Southern direction (a rarely used route): Kaliningrad region - Poland - Ukraine - Russia (Rostov region or Krasnodar region).

The main problem for the Kaliningrad region is the provision of unimpeded transit of cargo and passengers by land transport to and from the Russian mainland[4].

There were three factors that determined the problems in the economic development of the Kaliningrad region. The first, common for all regions of Russia, is the transition from a planned system to a market. The second factor is the separation of the region from the main territory of the country. The third factor is a large share jf the industries in the region's economy, whose output declined under in conditions.

Without radical modernization, up to 90% of the production capacities of the regional economy turned out to be superfluous or ineffective in the market realities. Modernization of the regional economy could be carried out only by attracting significant financial resources, private and public. The federal budget in the early post-Soviet period could not assume such a burden, and private investments applied to the conditions of this territory needed additional stimulation. Therefore, the adaptation of the economy of the Kaliningrad region to the post-Soviet conditions was painful.

The separation of the Kaliningrad region from the Russia mainland causes the emergence of significant additional transactional costs. Kaliningrad entrepreneurs and consumers, being a part of the Russian economic system, bear, like all Russians, ubiquitous, 'standard' for the country transaction costs. But in the Kaliningrad region, in contrast to other subjects of the Russian Federation, in the interaction with the regions of Russia, there are additional transaction costs, as an example: the cost of customs clearance of manufactured goods when it is sent to the territory of Russia, a disproportionate increase in the cost and time of transportation of goods to / from Russia through the territories of other countries[5].

The total amount of additional transaction costs of the Kaliningrad region in 2014 is estimated at not less than 332.8 million Euros[6]. In the gross added value for the region, the share of additional costs of economic entities was about 8.2%. The additional expenses of the population of the Kaliningrad region make up 5.6% of the final consumption level of the households in the region[7]. With the current structure of the regional economy, these specific indicators can be considered standard additional transaction costs of the Kaliningrad region, affecting important macroeconomic indicators of the territory.

In the world practice, special governance regimes (special economic zones) and measures of state support for the population and business are applied to such isolated territories.

4 In July 1993, for example, Lithuania introduced a number of restrictions that prevent the transit of Russian cargo to the territory of the region: compulsory policing of cargo (at the expense of the carrier), and a large transit pledge. The government of Russia had to make considerable efforts to eliminate this discriminatory practice. Currently, the tariffs for the transport of goods by rail on the Lithuanian territory in the direction of Kaliningrad are 5-6 times higher than in the direction of the Lithuanian port of Klaipeda. As a result, there is an obvious redistribution of cargo in favor of the ports of the Baltic States. On the territory of Belarus, there are also problems with the Kaliningrad transit. Starting from December 2014, 29 vehicles detained from the customs posts of the Republic of Belarus carrying goods from Kaliningrad region to the rest of the Russian Federation, in particular TV sets and microwave ovens. The forced unloading and export outside the customs posts and warehouses of products belonging to Kaliningrad companies was made without presentation of formal claims. The total value of the confiscated cargo is 3.5 million Euros. At the same time, representatives of companies are not presented any documents proving the legality of the actions being taken by the Belarusian side. Currently, the Court of the Eurasian Economic Union has accepted a complaint from the Russian side on the illegality of the actions of the Belarusian customs. Railway freight tariffs on Belarusian sites in the direction of the Kaliningrad region are also twice as high as the average Russian ones.

5 It should be noted that even during the period of East Prussia German businessmen also paid attention to the significant additional costs of doing business in this territory. Before the World War I, up to 40% of all chemical and metalworking enterprises in Germany were concentrated in Prussia, whose products were sold primarily in the domestic market of Germany. In the archives of F. von Thyssen, the largest German industrialist, calculations of production costs caused by the need to transport goods and raw materials through the Polish customs in the early 1930s were preserved. von Thyssen believed that the share of Polish customs duties in the value of goods from Prussia is more than 15%. Because of the 'Danzig Corridor' only Feregnite Schtalwerke (the German steel industry monopoly controlled by the von Thyssen family) lost tens of millions marks of profit per year. According to von Thiessen's estimates, by the mid-1940s, due to high production costs, the collapse of the entire German steel industry could have been expected - French competitors would have driven German metallurgists out of the German domestic market (not to mention foreign markets).

6 Zhdanov V.P., Plyukhin M.YU. Dopolnitel'nyye tranzaktsionnyye izderzhki ekonomiki i naseleniya Kaliningradskoy oblasti Rossii. - // Ekonomicheskaya politika, №2, 2017. S.180 – 207.

7 Ibid.

Measures of the Federal Government of Russia

The Federal Government took measures to support and ensure development through institutional reforms for the Kaliningrad region[8]. In different years, the following tools were used to support the development of exclave territory:

- Decree of the Government от еру Free Economic Zone (FEZ) 'Yantar' in 1991;

- Federal Law on the Special Economic Zone (SEZ) in the Kaliningrad Region in 1996;

- The Federal Target Program for the Development of the Kaliningrad Region in 1997;

- New version of the Federal Target Program for the Development of the Kaliningrad Region in 2001;

- Second edition of the Federal Law on the Special Economic Zone (SEZ) in the Kaliningrad Region in 2006;

- State Program 'Social and Economic Development of the Kaliningrad Region until 2020';

- The end of the transition period of the SEZ regime in the Kaliningrad region, the introduction of a mechanism for compensation of customs privileges, the reduction of administrative barriers in 2016;

- Third edition of the Federal Law on the Special Economic Zone (SEZ) in the Kaliningrad region in 2017.

The Federal Government's actions in relation to the development of the Kaliningrad region were largely carried out by the trial and error method due to a lack of experience in support of the separated territories in post-Soviet Russia[9]. This is confirmed by the chronology of institutional changes from 1991 to the present in relation to the Kaliningrad region, given in Appendix 1[10]. Appendix 1 shows that in a number of cases, regulatory measures against the Kaliningrad region were introduced, and later canceled or substantially refined. It has now became obvious that only the timely measures taken by the federal center in relation to the region prevented the region from reaching the full socio-economic collapse.

Initially, the bulk of the concessions granted to the region were made by customs preferences, namely duty-free imports of consumer goods and raw materials, materials and semi-finished products for industrial processing in the Kaliningrad region. But gradually the tools and volumes of support of the region by the state began to change significantly. So, if at an early stage, almost all entrepreneurs and the whole population of the region could use measures of state support, starting from 2000, support measures began to be substantially limited and more targeted. Mechanisms for quoting imports of goods into the SEZ territory, regulation of determining the level of added value, lists of 'simple operations' during processing, introducing the qualification 'volume of investments' for obtaining the status of a resident of the SEZ, the procedure for recording and regulating goods transported by individuals by rail and air transport from Kaliningrad region to the main territory of Russia.

The model of the socio-economic development in the Kaliningrad region, based on customs preferences for the region and the integration of Kaliningrad assembly plants into transnational value chains, on this basis, ceased to correspond to changes in the country and the world in a strategic perspective at the turn of 2010. Accordingly, in the Kaliningrad SEZ regime, customs preferences were replaced with tax breaks for residents of the SEZ. It should be noted that in the second and third editions of the Federal Law on the Special Economic Zone (SEZ) in the Kaliningrad Region, the emphasis was not on customs privileges, but on granting tax benefits to business entities that carry out investment projects in the region.

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8 Here, we refer to institutional reforms related to the change in the legal regime of the Kaliningrad region, as well as the application in the region of new comprehensive mechanisms for regulating the economy.

9 For Russia, the Kaliningrad Region has become a kind of experimental platform for practicing certain mechanisms for state regulation of the development of its complex territories: first, with regard to regulating foreign economic activity, then - when developing the free customs zone regimes (the order of origin of goods, quotas, the 'Grandfather clause'), further - ensuring the stability of economic conditions (calculations of the tax burden and mechanisms for compensation of customs preferences). Many of the Kaliningrad experience were further used in the development of the Federal Law on SEZ (2005) and the creation of legislation of the European-Asian Economic Community (EAEC).

10 It should be noted that in Appendix 1 we only quote 27 legal acts of the Russian Federation at the interstate, federal and departmental level that led to institutional changes and a significant change in the conditions of governance in the territory of the Kaliningrad region. In total, as of the beginning of 2018, there are about 260 documents in the databases of legal information, in the name of which the Kaliningrad region is mentioned. So, according to the Kaliningrad region, 10 special federal laws were adopted, a larger number only for the Republic of Crimea (25) and Moscow (13). This can be considered a significant indicator of the attention of the federal center to the problems of this Russian exclave.

The main innovations of the third edition of the law on the Special Economic Zone (SEZ) in the Kaliningrad Region (2017):

- Extension of the validity period of the Kaliningrad SEZ until 2045;

- The SEZ includes the territorial sea of the Russian Federation;

- The minimum amount of investments in the form of capital investments for SEZ residents in the priority sectors is reduced;

- The procedure for entering and leaving the territory of the region has been simplified; specifics of the stay of foreigners and stateless persons in the region have been determined;

- Social contributions have been reduced when residents create SEZs with new jobs up to 7.6% (regularly 30%); and

- For agricultural and construction equipment in the region, a recycling fee has been canceled.

Conditionally, in the post-Soviet development of the Kaliningrad region, the following stages can be distinguished:

- Stage 1 (1990 - 1992): a recession due the disruption of production cooperation in the former Soviet Union.

- Stage 2 (1993 - 1995): continuation of the recession, region's adaptation to the exclave position within the framework of the Yantar FEZ regime (focus on the livelihood and orientation of the region's economy for export), the search for a rational model for the development of the Kaliningrad region.

- Stage 3 (1996 - 1998): continuation of recession, introduction of the Federal Law on the Special Economic Zone in the Kaliningrad Region (focus on the free customs zone regime), the formation of production cooperation and capacity within the new development paradigm - SEZ of the Kaliningrad region.

- Stage 4 (1999 - 2007): intensive development within the specialization of the Kaliningrad region in the production of consumer goods for the Russian market. Introduction of the 2nd edition of the law on the Kaliningrad SEZ (exit from the free customs zone regime, emphasis on tax incentives).

- Phase 5 (2008 - 2016): the crisis manifestations related to the global financial crisis of 2008[11], the sanctions and protective economic measures[12], the disruption of industrial cooperation with the EU countries in certain areas. Search for a new paradigm for the development of the Russian exclave.

- Stage 6 (starting from 2017): adaptation of the territory to the regime of sanctions, adoption of the 3rd edition of the Federal Law on the Special Economic Zone in the Kaliningrad region, development of the region in new institutional conditions.

In recent times, the following significant factors appear in the Kaliningrad region:

- Transformation the world economy;

- The continuation of mutual sanctions imposed by the EU and Russia;

- The deterioration of the relations between Russia and the EU in the short and medium-term, causing the complication of the conditions for the acquisition of raw materials and components from European suppliers;

11 As manifestations of these crises one can name the acute phase of the financial crisis (2008-2009): the mortgage crisis in the USA, the collapse of a number of financial institutions related to the mortgage market, such as the investment bank Lehman Brothers in 2008, the decline in world trade in 2009 by 11.9%.

12 In March 2014, Russia recognized the results of the general referendum, supported the unilateral declaration of the independence of the Republic of Crimea from Ukraine and adopted it into its state. The United States, the European Union, Australia, New Zealand and Canada introduced the first package of restrictive measures to freeze assets and introduced visa restrictions for persons included in special lists (the USA and EU), as well as the ban on companies that have imposed sanctions to maintain business relations with individuals and organizations included in the lists (these lists have been expanded later on). On July 30, 2015, Albania, Georgia, Iceland, Liechtenstein, Montenegro and Ukraine officially joined the extended anti-Russian sanctions. On August 6, 2014, President Vladimir Putin signed a decree 'On the application of certain special economic measures to ensure the security of the Russian Federation' according to which until August 6, 2015, it was banned importing into the Russian Federation from states that imposed economic sanctions against Russian individuals and legal entities, certain types of agricultural products, raw materials and foodstuffs, this decree was subsequently extended until December 31, 2017. In pursuance of the president's instructions, the government of the Russian Federation established a list of goods for which imports were embargoed, which was also extended until December 31, 2018.

- Manifestations of the crisis in the real sector of the economy[13] (and, accordingly, the state budget) of the Russian Federation;

- Increasing competition between the Russian regions for the location of production and participation in federal programs;

- A moderate decrease in the attention of the federal center to the Kaliningrad region's problems. The complex impact of these factors complicates the life support and socio-economic development of the Kaliningrad region since the global financial crisis that began in 2008.

The development of the Kaliningrad economy

The authors analyze various economic indicators in Appendix 2 (tables 2.1 - 2.4). A relative success in the economic development of the Kaliningrad region in comparison with its neighbors can be observed. Thus, in the 12-year time series (2006[14] - 2017), the Kaliningrad Region demonstrates:

- 2nd place on annual growth rates of gross regional product (GRP) among the regions of the North-West Federal District (104.7%);

- 1st place on annual growth rates of GDP/GRP compared to countries in the Baltic Sea region (4.7%);

- 1st place on annual growth rates of industrial production in the regions of the North-West Federal District (110.7%); and

- 7th place at the annual growth rates of investments in fixed assets among the regions of the North-Western Federal District (101.9%)[15].

Table 1 shows the development of the regional economy of Kaliningrad for the period 2006 - 2017. The Kaliningrad region's GRP in comparable prices has increased by 65.7% over the past 12 years. The migration growth of the population objectively shows the attractiveness of the Russian exclave[16]. However, the development of the region is not sustainable yet. In Table 1, the 'disastrous' years, namely 2009 and 2015, for the Kaliningrad region are distinctly marked. These recessions are clearly related to the crises, which took place in Russia as a whole in 2008 and 2014[17]. At the same time, the relatively long decline in attracting investments in fixed assets in 2013-2016 is due to the protracted discussion of the provisions of the third edition of the Federal Law on the Special Economic Zone in the Kaliningrad Region.

It is noticeable that the decline in the Kaliningrad region is usually deeper than the national average, and in turn the increase is sharper. This is determined by the existing specialization of the region in the production of final consumer goods oriented to the Russian market. Table 2 indicates the annual economic change in the Kaliningrad region for the period 2006 - 2017, which shows a generally stable development of the Kaliningrad region.

13 The real sector of the economy is a set of industries that produce tangible and intangible goods and services, with the exception of financial and credit and exchange transactions that are related to the financial sector of the economy.

14 The year 2006 was chosen by the authors as a reference point, as it is the year of the commencement of the second edition of the Federal Law on the Special Economic Zone in the Kaliningrad Region. Another benchmark is the year 2014, when the sanctions between Russia and the West were introduced.

15 The relatively low rank of the Kaliningrad region in terms of investment growth among the regions of the North-West Federal District can be explained by the failure in attracting investments in 2013-2016. Two main reasons for modest investment were: 1) the complex geopolitical situation of the region; and 2) a protracted discussion of the provisions of the third edition of the Federal Law on the Special Economic zone in the Kaliningrad region.

16 Migration to the Kaliningrad region originates mainly from other regions of Russia and former Soviet republics. Migration growth for the recent period from 2012 to 2017 was 51882 people. They were formed at the expense of visitors from the CIS countries (57.6%) other regions of Russia (40.6%), and other foreign countries (1.8%). According to published data, Kazakhstan ranks first in the number of settlers, followed by Ukraine in second place after 2014. Migration procedures were simplified for Ukrainians.

17 See footnotes 10 and 11.

Table 1. The main macroeconomic indicators of the Kaliningrad region

			Years											
			2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Population size (beginning of year)		-000	939.9	937.4	937.4	937.4	941.9	941.8	946.8	954.8	963.1	968.9	976.4	986.3
		%	99.6	99.7	100.0	100.0	100.5	100.0	100.5	100.8	100.9	100.6	100.8	101.0
Migration	growth	number of people	4,009	4,276	3,722	3,387	3,307	6,428	8,702	8,976	6,441	7,938	9,145	9,128
	arrived		14,361	13,825	13,892	13,125	14,230	23,620	18,394	21,155	20,073	22,341	38,283	41,122
	left		10,352	9,549	10,170	9,738	10,923	17,192	9,692	12,179	13,632	14,403	29,138	31,994
Gross regional product (GRP)		bln RUR	103.2	143.9	179.3	169.5	195.7	241.0	265.3	275.9	314.1	328.8	383.1	n.d.
		%	115.3	119.9	104.7	91.5	107.6	104.6	104.7	101.0	104.6	98.5	102.2	n.d.
Industrial production		mln RUR	106,265	164,536	193,985	157,168	216,767	275,795	325,691	339,318	419,357	422,287	424,136	446,949
		%	166.6	114.4	101.8	95.3	116.0	150.1	101.9	99.1	109.9	92.2	100.9	106.7
Agricultural production		mln RUR	11,276	10,442	15,135	16,132	16,717	18,529	19,900	20,800	25,300	30,200	31,072.6	31,434.3
		%	98.3	92.6	144.9	106.6	103.6	110.8	107.3	104.5	112.0	119.4	102.9	101.2
Investments in fixed assets	total:	mln RUR	32,596	46,192	70,811	60,463	55,877	63,171	71,757	68,702	63,716	69,015	89,462	188,900
		%	92.4	122.9	134.3	78.8	84.7	104.9	106.3	88.9	89.1	96.3	115.5	125.5
	- budget	mln RUR	5,657.4	5,924.3	11,334.0	13,040.6	7,930.6	15,618.7	13,636.3	19,262.8	21,467.1	26,666.5	25,462.3	n.d.
		weight %	17.4	12.8	16.0	21.6	14.2	24.7	19.0	28.0	33.7	38.6	28.5	n.d.
	- foreign	mln USD	80.8	298.8	376.0	112.2	206.5	310.3	344.4	187.4	130.0	137.8	152.6	n.d.
		%	107.3	3.7 times	125.8	29.8	184.0	150.3	111.0	87.8	0.3	9.6 times	3.0 times	n.d.
Accumulated foreign investment		mln USD	212.2	528.6	724.0	642.6	724.2	941.0	1,001.0	864.8	n.d.	n.d.	n.d.	n.d.
Unemployment rate (annual average)		%	4.4	3.4	8.6	10.9	10.3	9.1	7.4	5.6	5.4	5.7	6.0	5.2
Foreign trade turnover (goods and services)		mln USD	8,205.7	13,487.9	11,207.4	6,249.6	9,027.7	12,169.9	14,547.9	14,332.2	19,362.8	10,708.8	7,044.0	8,469.1
		%	132.4	164.4	83.1	55.8	144.5	134.8	119.5	98.5	135.1	55.3	65.8	120.2
- exports		mln USD	2,690.4	5,268.9	1,323.0	817.6	846.5	1,552.0	2,148.7	1,835.1	3,583.2	2,741.9	1,238.3	1,227.8
- imports		mln USD	5,515.3	8,219.0	9,884.4	5,432.0	8,181.2	10,617.9	12,399.2	12,497.1	15,779.6	7,966.9	5,806.6	7,056.2

Sources: Official website of the Federal State Statistics Service of the Russian Federation http://www.gks.ru/,
Official site of the Government of the Kaliningrad region https://gov39.ru/,
Territorial body of the Federal State Statistics Service in the Kaliningrad region.

Note: * - there is no data since the form 1-Invest "DATA ON INVESTMENT IN RUSSIA ABROAD ABROAD AND INVESTMENT FROM RUSSIA ABROAD" was no longer valid from the report for January-March 2014 by order of Rosstat of September 25. 2013 N 382.

Table 2. A comparison of the economic change in various periods

Weighted average (annual change)	Periods			Notes
	2006 – 2014	2014 – 2017	2006 – 2017	
Population growth	1.0031	1.0080	1.0044	Accelerating growth.
- Migration growth / year (number)	5,472	8,737	6,288	Accelerating growth.
Gross regional product (GRP)	1.0571	1.0033	1.0471	Growth: active until 2014, thereafter an insignificant growth.
Industrial production (processing industries)	1.1520	0.9823	1.1070	Active growth until 2014, thereafter a slight decline.
Agricultural production	1.0946	1.0778	1.0900	Steady growth.
Investments in fixed assets	0.98679	1.1176	1.019	Stagnation, in recent years a sharp increase.
Unemployment rate	7.2	5.6	6.8	Steady downward trend.
Foreign trade turnover (goods and services)	1.1180	0.7535	1.0041	Active growth until 2014, thereafter a sharp decline.

Institutional changes and external factors throughout 2006 - 2017 largely transformed the structure of the Kaliningrad economy (Table 3). At the moment, it seems that there are good prospects for development in the Kaliningrad region in the following segments:

- Agriculture in connection with the rules of special economic measures (so-called 'antisanctions');

- Fisheries and aquaculture in the framework of the current state priorities for the development of maritime activities;

- Processing industries in connection with the adoption of a new version of the law on the Kaliningrad SEZ in late 2017;

- A number of services (transport and communications, hospitality, real estate transactions, renting, provision of services, etc.). It should be noted the high potential of regional energy and transport infrastructure, which creates good prerequisites for the diversified development of the region's economy as a whole.

As of April 10, 2018, 170 enterprises are included in the single register of residents of the SEZ of the Kaliningrad region. 28 of them have been included in the register during January-April 2018[18] (Appendix 3). The total volume of the announced investments is about 1,3 billion Euros, and the projected number of employees at enterprises-residents of the SEZ will be more than 29,000 thousand people. The largest number of organizations registered as residents carries out investment projects in the manufacturing sectors of the economy, transport, as well as in real estate transactions, leasing and in the provision of services.

18 During the year 2017, 25 projects were included as the residents of the Kaliningrad SEZ.

Table 3. The structure of the gross regional product of the Kaliningrad region

Types of economic activity	Year: 2006 mln RUR	2006 %	2014 mln RUR	2014 %	2016 mln RUR	2016 %	Note
Total	**103,138.7**	**100.0**	**314,088.3**	**100.0**	**383,079.2**	**100.0**	
Agriculture, hunting and forestry	6,719.5	6.52	14,916.0	4.75	18,431.2	4.8	Decline until 2014, thereafter constancy. In the medium-term growth is projected.
Fishery	2,356.78	2.29	4,142.2	1.32	6,747.8	1.8	Decline until 2014, thereafter growth. In the medium-term growth is assumed.
Mining	13,145.5	12.75	10,610.2	3.38	11,997.5	3.1	A sharp decline until 2014 (reduction in oil production), thereafter constancy. In the medium-term a decline is projected.
Processing production	14,569.9	14.13	84,243.4	26.82	89,731.1	23.5	Increase until 2014, thereafter constancy. In the future a moderate growth is forecasted.
Production and distribution of electricity, gas and water	2,344.1	2.27	9,697.0	3.09	13,391.3	3.5	Increase until 2014, thereafter a moderate growth. In the future, constancy is projected.
Construction	5,714.3	5.54	17,263.6	5.50	23,026.2	6.0	Constancy until 2014, thereafter a moderate growth. The moderate growth presumably continues in the future.
Wholesale and retail trade; repair of motor vehicles, motorcycles, household equipment and preferential use	19,991.1	19.38	44,407.1	14.14	48,626.6	12.7	Reduction until 2014, thereafter constancy. The constancy continues in the future.
Hotels and restaurants	1,398.1	1.36	3,262.2	1.04	3,514.0	0.9	Reduction until 2014, thereafter constancy. In the future, moderate growth is projected.
Transport and communication	10,975.7	10.64	26,689.7	8.50	40,729.8	10.6	Reduction until 2014, thereafter constancy. In the future, moderate growth is assumed.
Financial activities	198.4	0.19	899.2	0.29	1,450.5	0.4	Moderate growth until 2014. The moderate growth has continued also thereafter, and it is assumed to continue at the same path.
Real estate transactions, rental and service provision	8,443.5	8.19	42,627.8	13.57	65,518.1	17.1	Increase until 2014. In the future, a moderate growth is projected.
State management and military security; social insurance	8,027.4	7.78	24,699.8	7.86	24,852.9	6.5	Stabilization until 2014, thereafter a reduction. In the future, constancy is assumed.
Education	3,866.3	3.75	10,871.8	3.46	12,056.4	3.1	Constancy until 2014, thereafter reduction. In the future, constancy is projected.
Healthcare and social services	4,259.6	4.13	15,318.3	4.88	16,763.1	4.4	Increase until 2014, thereafter constancy. In the future, a moderate growth is forecasted.
Provision of other municipal, social and personal services	1,128.6	1.09	4,437.3	1.41	6,242.7	1.6	Increase until 2014, thereafter moderate growth. The moderate growth is projected to continue.
Household	n.d.	-	2.7	0.0009	0	0	

Source: Federal State Statistics Service for the Kaliningrad region. Authors' analysis.

One of the six officially authorized gambling zones in the Russian Federation is located in the Kaliningrad region. It is called the gambling zone 'Yantarnaya'[19]. The gaming zone is located on the coast of the Baltic Sea near the village of Kulikovo, Zelenogradsky district. The area of the zone is 10 hectares. The infrastructure of the zone is currently at the development stage. The first objective of the gambling zone, i.e. the slot machine hall, was opened on April 8, 2016.

Some aspects of the development of the Kaliningrad region show the ranks of the region in national ratings. The Kaliningrad region was on the 10th place among 85 Russian regions in terms of quality of life in 2017[20]. The rating was calculated by using 72 socio-economic indicators.

The Kaliningrad region ranks high in several ratings in Russia. For example, it holds the 1st position in the share of employed in individual and small businesses, the 5th place in the availability of cars per capita, the 6th place in turnover of small and microenterprises, individual entrepreneurs per inhabitant, the 9th place in the modernity of educational organizations, the 10th place in home improvement and a number of visits to museums per capita, and the 11th place in the inward migration. Furthermore, it is on the 13th place in the rating of the Russian regions for investment attractiveness in 2017[21]. Similarly, it is on the 13th place in the rating of the Russian regions on the tourism development in 2017[22]. The group "Good position" (places 20 to 38) in the rating of Russian regions in 2017 on the regulatory impact assessment by regions[23]. The Kaliningrad region is on the 43rd place in the rating of the socio-economic situation. Furthermore, in 2016 the Kaliningrad region positioned 52nd in terms of governance effectiveness and its debt load[24].

On the other hand, the Kaliningrad region ranks low, when some other indicators are analyzed, such as a number of people engaged in physical education (73rd place), the share of utility networks requiring replacement (74th place), the share of the region's own revenues in the consolidated budget revenues (77th place), and the number of medical personnel (84th place).

As a whole, the federal center has fulfilled its task of creating the conditions for the sustainable development of the Kaliningrad region, i.e. a small[25] but a mobile new economy has been created. The structure of the Kaliningrad region's economy currently corresponds more to market conditions than the economies of several other Russian regions.

2. Foreign economic activities of the Kaliningrad region

The peculiarity of the region is the stable negative balance of its foreign trade since 1997. The deficit can be explained by two main factors: 1) the use of the Kaliningrad region as a convenient gateway for the imports of goods to Russia and 2) the Kaliningrad SEZ in the production of consumer goods using imported raw materials, materials, components and semi-finished products for the purpose of selling this end product in the vast Russian market.

Table 4 summarizes the indicators of foreign economic activity of the Kaliningrad region over the past 12 years (2006 - 2017). A significant decline in the foreign trade turnover in 2009 and 2015 is noticeable, while the last decline was dragged on until 2017, which can be explained by the introduction of mutual sanctions by the European Union and Russia. These actions have negatively affected the industrial cooperation of Kaliningrad enterprises with European companies. Table 5 shows the average rates of change in the external economic turnover of the Kaliningrad region for the analyzed time periods.

19 Russia's five other authorized gambling zones are 1) Azov-City located in the Krasnodar Territory, 2) Siberian Coin (Altai Territory), 3) Primorye (Primorsky Krai), 4) Krasnaya Polyana (Sochi), and 5) Crimea (the southern coast of the peninsula of Crimea).

20 The agency RIA Novosti, http://basetop.ru/reyting-regionov-rossii-po-urovnyu-kachestvu-zhizni-2017/

21 National Rating Agency:
http://www.ra national.ru/sites/default/files/analitic_article/Инвестрегионы%202017.pdf

22 https://www.mkrf.ru/press/news/reyting-subektov-rossiyskoy-federatsii-po-razvitiyu20171006160552/

23 Ministry of Economic Development of Russia: http://economy.gov.ru/minec/about/structure/depRegulatingInfluence/201727121

24 Rating Agency RIA Rating Media Group MIA Russia Today http://vid1.rian.ru/ig/ratings/rating_regions_2017.pdf
The Agency for Political and Economic Communications (APEK) and the Laboratory for Regional Policy Studies of the National Research University Higher School of Economics (HSE):
https://regnum.ru/ uploads/docs/2017/12/19/regnum_file_1513682275989534.pdf
Rating Agency RIA Rating Media Group MIA Russia Today: http://riarating.ru/infografika/20170302/630057267.html

25 GRP of the Kaliningrad region is 0.55% of the GDP of the Russian Federation as a whole.

Table 4. The foreign economic activity of the Kaliningrad region

			Years											
			2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Foreign trade turnover (goods and services)		mln USD	**7,918.4**	**13,487.9**	**11,207.4**	**6,249.6**	**9,027.7**	**12,169.9**	**14,547.9**	**14,332.2**	**19,328.1**	**10,708.8**	**7,044.0**	**8,469.1**
		%	**132.4**	**164.4**	**83.1**	**55.8**	**144.5**	**134.8**	**119.5**	**98.5**	**135.1**	**55.3**	**65.8**	**120.2**
- exports	**Total**	mln	**2,690.4**	**5,268.9**	**1,323.0**	**817.6**	**846.5**	**1,552.0**	**2,148.7**	**1,835.1**	**3,583.2**	**2,741.9**	**1,238.3**	**1,227.8**
	goods	USD	2,545.7	5,119.5	1,121.5	718.8	716.8	1,379.6	1,948.6	1,600.0	3,638.2	2,690.4	1,191.2	1,128.7
- imports	**Total**	mln	**5,515.3**	**8,219.0**	**9,884.4**	**5,432.0**	**8,181.2**	**10,617.9**	**12,399.2**	**12,497.1**	**15,779.6**	**7,966.9**	**5,806.6**	**7,056.2**
	goods	USD	5,372.7	7,952.2	9,620.0	5,326.9	8,076.8	10,469.4	12,251.4	12,356.7	15,689.6	7,810.5	5,414.7	7,005.1
CIS	**Total**	mln	**265.0**	**375.6**	**713.5**	**323.3**	**358.2**	**311.0**	**370.8**	**694.4**	**259.9**	**219.0**	**211.5**	**199.5**
	exports	USD	96.2	156.6	467.5	178.7	103.2	127.2	141.2	175.0	83.1	107.0	82.7	69.7
	imports		172.8	219.0	246.0	144.6	255.0	183.8	229.6	519.4	176.8	109.0	128.8	129.8
Some selected countries														
Germany	**Total**	mln	**1,048.5**	**1,539.5**	**1,417.1**	**764.4**	**1,502.9**	**2,082.8**	**2,410.6**	**2,082.8**	**3,791.8**	**2,124.5**	**628.4**	**701.6**
	exports	USD	162.0	482.3	97.1	58.1	92.3	161.4	117.9	161.4	2,171.5	1,559.4	76.0	59.6
	imports		866.5	1,057.2	1,320.6	706.3	1,410.6	1,921.4	2,292.7	1,921.4	1,620.3	566.1	552.4	642.0
Poland	**Total**	mln	**678.6**	**770.5**	**805.2**	**432.9**	**721.6**	**847.7**	**865.8**	**857.7**	**852.1**	**551.2**	**423.4**	**441.0**
	exports	USD	88.6	103.6	63.3	47.7	36.4	52.9	47.7	52.9	129.3	116.8	70.1	52.8
	imports		590.0	666.9	741.9	385.2	685.2	794.8	818.1	794.8	722.8	434.4	353.3	388.2
Lithuania	**Total**	mln	**398.4**	**512.7**	**410.5**	**387.5**	**264.2**	**429.6**	**431.0**	**419.6**	**448.4**	**232.6**	**188.6**	**166.0**
	exports	USD	87.8	195.9	153.3	109.2	58.3	164.9	148.2	164.9	94.3	92.8	75.7	48.5
	imports		310.6	316.8	257.2	278.3	205.9	254.7	282.8	254.7	354.1	139.8	112.9	117.5
Latvia	**Total**	mln	**493.8**	**855.5**	**94.2**	**53.0**	**66.1**	**75.0**	**96.8**	**91.0**	**108.2**	**49.1**	**46.2**	**50.0**
	exports	USD	462.2	805.2	32.0	21.9	15.9	16.0	35.8	16.0	31.1	14.8	13.6	10.0
	imports		31.6	50.3	62.2	31.1	50.2	59.0	61.0	75.0	77.1	34.4	32.6	40.0
Estonia	**Total**	mln	**70.5**	**110.5**	**18.6**	**14.2**	**9.9**	**21.4**	**22.8**	**20.4**	**56.3**	**9.3**	**6.9**	**6.6**
	exports	USD	58.3	52.8	3.4	10.0	1.3	3.9	7.7	8.7	1.5	1.8	0.9	1.2
	imports		12.2	17.7	15.2	4.2	8.5	17.5	15.1	11.7	54.8	7.5	6.0	5.4
Finland	**Total**	mln	**171.0**	**364.5**	**79.3**	**34.6**	**55.5**	**69.1**	**78.7**	**69.1**	**162.5**	**63.0**	**43.8**	**75.4**
	exports	USD	133.8	316.9	9.1	8.0	6.8	6.8	12.5	6.8	48.5	16.3	31.5	25.3
	imports		37.2	47.6	70.2	26.6	48.7	62.3	66.2	62.3	114.0	46.7	12.3	50.1
Italy	**Total**	mln	**152.8**	**212.0**	**200.1**	**129.5**	**142.7**	**198.3**	**194.4**	**198.3**	**265.4**	**110.1**	**90.3**	**100.6**
	exports	USD	6.6	12.6	4.7	10.1	3.8	14.5	8.6	14.5	5.1	3.7	4.9	4.4
	imports		146.2	199.4	195.4	119.4	138.9	183.8	185.8	183.8	260.3	106.4	85.4	96.2
Canada	**Total**	mln	**57.0**	**38.2**	**68.5**	**67.3**	**83.8**	**77.6**	**95.3**	**77.6**	**53.2**	**5.7**	**16.8**	**17.1**
	exports	USD	2.9	2.0	7.6	1.2	3.0	0.3	0.2	0.3	2.8	1.9	1.1	0.1
	imports		54.1	36.2	60.9	66.1	80.8	77.3	95.1	77.3	51.4	3.8	15.7	17.0
USA	**Total**	mln	**264.0**	**495.6**	**587.9**	**279.5**	**360.2**	**636.7**	**815.6**	**632.1**	**760.4**	**536.2**	**401.6**	**396.0**
	exports	USD	35.3	11.2	2.8	2.6	3.1	4.6	2.8	4.8	9.0	17.3	13.2	**27.7**
	imports		228.7	484.4	585.1	276.9	357.1	632.1	812.8	632.1	751.4	518.9	388.4	**368.3**
China	**Total**	mln	**714.6**	**1,519.2**	**1,298.9**	**475.9**	**905.4**	**966.2**	**1,370.7**	**965.3**	**3,036.3**	**2,163.5**	**767.9**	**843.6**
	exports	USD	1.4	13.3	2.3	2.3	0.5	1.0	1.8	0.1	1.1	25.1	51.6	115.4
	imports		713.2	1,505.9	1,296.6	473.6	904.9	965.2	1,368.9	965.2	3,035.2	2,138.4	716.4	728.2
South Korea	**Total**	mln	**334.4**	**669.7**	**1,030.9**	**287.6**	**823.7**	**1,346.7**	**1,782.3**	**1,346.7**	**1,629.7**	**505.9**	**627.1**	**1,250.9**
	exports	USD	0.4	0.6	0.2	0.6	0.6	5.0	174.0	5.0	0.0	1.0	3.6	2.4
	imports		334.0	669.1	1,030.7	287.0	823.1	1,341.7	1,609.3	1,341.7	1,629.7	504.9	623.5	1,248.5
Netherlands	**Total**	mln	**634.2**	**1,763.9**	**234.5**	**186.4**	**255.8**	**416.3**	**448.8**	**416.3**	**208.4**	**149.8**	**137.8**	**152.8**
	exports	USD	461.7	1,561.4	17.1	33.7	41.3	112.7	147.0	112.7	43.5	56.9	46.5	42.0
	imports		172.5	202.5	217.4	152.7	214.5	303.6	301.8	303.6	164.9	92.9	91.3	110.8
Sweden	**Total**	mln	**163.1**	**306.2**	**160.8**	**70.5**	**106.7**	**229.3**	**128.7**	**229.2**	**707.3**	**61.7**	**53.0**	**67.1**
	exports	USD	89.0	193.5	14.0	6.4	18.8	116.7	24.6	116.6	40.7	20.5	23.1	32.7
	imports		74.1	112.7	146.8	64.1	87.9	112.6	104.1	112.6	666.6	31.2	29.9	34.4
Slovakia	**Total**	mln	**26.6**	**199.2**	**489.5**	**499.9**	**826.6**	**1,050.7**	**1,235.5**	**1,050.4**	**1,087.0**	**589.3**	**450.9**	**687.9**
	exports	USD	5.6	2.3	9.9	5.7	9.1	11.9	6.8	11.8	6.5	7.1	7.0	6.1
	imports		21.0	196.9	479.6	494.2	817.5	1,038.6	1,228.7	1,038.6	1,080.5	582.2	443.9	681.8
France	**Total**	mln	**199.3**	**249.7**	**236.1**	**161.0**	**254.0**	**252.6**	**251.8**	**252.6**	**148.8**	**102.7**	**112.7**	**90.1**
	exports	USD	34.9	43.3	7.7	15.5	77.1	84.7	77.0	84.7	24.2	11.0	49.2	32.8
	imports		164.4	206.4	228.4	145.5	176.9	167.9	174.8	167.9	124.6	91.7	63.5	57.3
Brazil	**Total**	mln	**163.5**	**221.4**	**524.0**	**340.7**	**381.5**	**261.6**	**281.8**	**261.7**	**692.6**	**519.0**	**619.9**	**726.9**
	exports	USD	23.3	15.7	-	0.3	0.5	0.2	0.0	0.3	162.5	17.8	7.7	3.8
	imports		140.2	205.7	524.0	340.4	381.0	261.4	281.8	261.4	93.2	501.2	612.2	723.1
Norway	**Total**	mln	**106.7**	**133.3**	**88.5**	**77.6**	**145.5**	**258.4**	**278.0**	**264.4**	**255.7**	**149.4**	**296.5**	**225.5**
	exports	USD	84.9	78.2	5.1	16.3	16.7	31.2	78.1	37.2	162.5	129.8	155.0	173.1
	imports		21.8	55.1	83.4	61.3	128.8	227.2	199.9	227.2	93.2	19.6	141.5	51.4

Source: Kaliningrad Regional Customs:
http://koblt.customs.ru/index.php?option=com_content&view=section&id=6&Itemid=9

Table 5. The development of the annual foreign trade turnover of the Kaliningrad region by countries

Countries	Periods			Notes
	2006 – 2014	2014 – 2017	2006 – 2017	
CIS	**0.9976**	**0.9156**	**0.9745**	Moderate decline.
Selected countries				
Germany	**1.1719**	**0.5730**	**0.9641**	Active growth until 2014, thereafter a sharp decline.
Poland	**1.0282**	**0.8043**	**0.9616**	Growth until 2014, thereafter a decline.
Lithuania	**1.0137**	**0.7203**	**0.9235**	Growth until 2014, thereafter a sharp decline.
Latvia	**0.8272**	**0.7731**	**0.8121**	Continuous decline
Estonia	**0.9723**	**0.4894**	**0.8063**	Moderate decline until 2014, thereafter a sharp decline.
Finland	**0.9936**	**0.7742**	**0.9283**	Moderate decline.
Italy	**1.0715**	**0.7237**	**0.9627**	Steady growth until 2014, thereafter a rapid decline.
Canada	**0.9914**	**0.6850**	**0.6694**	Slow decline.
USA	**1.1414**	**0.8045**	**1.0375**	Steady growth until 2014, thereafter a decline.
China	**1.1982**	**0.6525**	**1.0152**	Steady growth until 2014, thereafter a sharp decline.
South Korea	**1.2189**	**1.9767**	**1.3907**	Active growth.
Netherlands	**0.8701**	**0.9017**	**0.8786**	Decline.
Sweden	**1.2013**	**0.4561**	**0.9224**	Steady growth until 2014, thereafter a sharp decline.
Slovakia	**1.5901**	**0.8585**	**1.3441**	Active growth until 2014, thereafter a decline.
France	**0.9641**	**0.8460**	**0.9304**	Moderate decline.
Brazil	**1.1978**	**1.0162**	**1.1453**	Active growth.
Norway	**1.1154**	**0.8819**	**1.0704**	Growth until 2014, thereafter a decline.

Note: A red color means a decrease of more than 10%, and correspondingly, a green color signifies an increase of more than 7%.

During the past 12 years, the composition of the leading countries in the Kaliningrad region's foreign trade has essentially changed (Table 6).

Table 6. Leading countries in terms of their share in the foreign trade turnover of the Kaliningrad region

Rank	Years					
	2006		2014		2017	
	Country	%	Country	%	Country	%
1.	Germany	13.4	China	19.4	South Korea	15.0
2.	China	9.3	South Korea	10.4	China	10.1
3.	Poland	8.9	Germany	10.3	Brazil	8.6
4.	Netherlands	8.3	United Kingdom	7.5	Germany	8.5
5.	Latvia	6.5	Slovakia	6.9	Slovakia	8.2
6.	Lithuania	4.8	USA	4.8	Poland	5.3
7.	South Korea	4.4	Poland	4.6	USA	4.7
8.	USA	3.5	Brazil	4.3	Paraguay	4.4
9.	Belgium	3.1	Paraguay	3.6	Czech Republic	2.9
10.	Denmark	2.9	Estonia	3.5	Norway	2.7
11.	France	2.6	Lithuania	2.3	Algeria	2.2
12.	Malta	2.5	Switzerland	2.5	Lithuania	2.0
13.	Finland	2.2	Thailand	2.1		
14.	Brazil	2.1				
Total		**74.5**		**82.2**		**74.8**
Countries now in the EU		55.3		37.6		29.6

Note: The authors have included in the table all the countries with a turnover exceeding 2.0% of the total foreign trade turnover of the Kaliningrad region.

The following trends have emerged in the foreign trade activity of the Kaliningrad region over the past 12 years.

1. In 2017, foreign trade operations in the Kaliningrad region were carried out by 3,279 organizations.

2. The prevalence of imports over exports (imports amount to 85.0% of the total foreign trade turnover of the Kaliningrad region).

3. Non-CIS countries accounted for 97.6% of the value of goods turnover. The CIS countries represented 2.4% of the trade turnover of the Kaliningrad region. The largest turnover was with Uzbekistan, Ukraine, Belarus and Kazakhstan.

4. A gradual decrease in the foreign trade with the CIS countries (a decline average of 2.6% per year).

5. Decrease in the volume of trade operations of the region with the countries closest to the region, occurring with a varying intensity; Estonia (the rate of annual decrease is 19.4% on average), Latvia (18.8%), Lithuania (7.7%), Finland (7.2%), Poland (3.8%), and Germany (3.6%).

6. The sanctions and retaliatory trade restrictions led to a collapse in the foreign trade turnover of the Kaliningrad region. The main drop occurred in the following countries:

- - Sweden: in 2006-2015, the annual growth was 20.1%, and starting from 2015, the annual decrease was on average 54.4% (difference - 74.4 percentage points);
- - Germany: until 2015, the annual growth was 17.2%, and thereafter the decline has been an average 43.7% (difference: 60.9 percentage points);
- - China: until 2015, the annual growth was 19.8%, but starting from 2015, the annual reduction has been an average of 34.8% (difference - 54.6 percentage points). And the decline in the trade with China has occurred even if there are no trade sanctions between China and Russia.

7. During the period 2006-2017, the following countries either maintained or increased their trade with the Kaliningrad region: South Korea (annual growth was + 39.1%), Slovakia (+ 34.4%), Brazil (+ 14.5%) and Norway (+ 7.0%). In Slovakia, there is a large enterprise of the concern KIA, from which, in the framework of cooperation, components for assembling cars are received. With Norway, there was cooperation in the fishing industry complex, and fishing gear was delivered there.

8. In the Kaliningrad region, there is a trend towards a decrease in trade with the countries of the European Union, caused by the sanctions and the restrictions imposed in response to them.

9. Distant countries, such as Algeria, Brazil, Paraguay, and South Korea, have increased their share in the foreign trade of the Kaliningrad region. These countries did not impose sanctions on Russia and there are no restrictions on the import of goods from them.

10. The main export items from the Kaliningrad region are food products and agricultural raw materials (71.3%), mineral products (7.3%) and metals (6.4%). Food product include cereals, oilseeds, legumes, meat semi-finished products. Mineral products and metals on the territory of the region are not produced, but are only transshipped through it.

11. In turn, the main import goods to the Kaliningrad region consists of machinery, equipment and vehicles (48.6%), foodstuffs and agricultural raw materials (27.6%) and chemical products (7.0%).

The existing specialization of the Kaliningrad region in the Russian economic landscape is basically the production of final goods on the domestic consumer market of the country. To date, the region has formed a limited chain of large-scale international production cooperation in the areas of:

1. Large-scale assembly of cars (Group of companies Avtotor. The direction of sales of the final products is 100% market of the Russian Federation[26].
2. Processing soybeans and other oilseeds: Joint-Stock Company SODRUZHESTVO-SOYA. The direction of sales of final products is 80% of the market of the Russian Federation.

In the medium-term, the following major industries may potentially be formed on the territory of the Kaliningrad region:

1. Full cycle car factory: At the end of 2017, the Russian subsidiary of the BMW Group created in Kaliningrad a subsidiary called BMW Rusland Automotive. In February 2018, it became known that the company BMW applied to the Ministry of Industry and Trade for the construction of a full-cycle car factory in the industrial park Khrabrovo near Kaliningrad. During the course of 2018, the automobile producer expects to sign a special investment contract for the construction of a plant between BMW, Avtotor, the Ministry of Industry and Trade of the Russian Federation and the Government of the Kaliningrad Region. The new mechanism implies support for foreign and domestic industrial producers with a guarantee of unchanged tax conditions in exchange for a guarantee of investment from the business side. Under favorable conditions, the plant can be completed in two years, and by the beginning of 2021, the plant may start to localize the production of motor vehicles.
2. Aviation hub along the East-West line on the basis of the reconstructed Khrabrovo airport. Such a hub has already been implemented by the regional airline KD avia, which operated from 2002 to 2009, but went bankrupt.
3. A high-tech shipyard within the framework of the government program of increasing the capacities of domestic shipbuilding.
4. Transport and logistics hub along the East-West line, possibly to be included in the general concept of the Great Silk Road. The region is included in the new railway line China-Europe-China[27].
5. Kaliningrad nuclear power plant under the revised project. This first project of Rossatom. focused on attracting to the construction of private investors. In connection with the expected decommissioning of coal-fired generation stations in Europe[28], this project may become in demand.

An important indicator of foreign economic activity is the number of foreign investors in the Kaliningrad region. The number of foreign enterprises and organizations registered in the Kaliningrad region as of 01.03. 2018 – 1795, joint venture - 1397. Out of these foreign-owned organizations or joint ventures, about 600 are operating in the real sector of the economy (Table 7).

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26 Since March 2018, Avtotor started its deliveries to Belarus (Hyundai Santa Fe Premium and Hyundai Elantra). The first batch of cars produced at the Kaliningrad plant was delivered to a Hyundai distributor.

27 http://www.klg.aif.ru/auto/details/v_kaliningrad_pribyvaet_pervyy_sostav_proekta_novyy_shelkovyy_put

28 The Paris Agreement is an agreement under the United Nations Framework Convention on Climate Change, which regulates measures to reduce carbon dioxide in the atmosphere from 2020.

Table 7. A number of operating enterprises with foreign capital in the Kaliningrad region

Rank	Years					
	2006		2014		2017	
	Country	Number	Country	Number	Country	Number
Total		559		553		500
1.	Lithuania	157	Germany	61	Lithuania	63
2.	Germany	106	Lithuania	57	Cyprus	48
3.	Poland	79	Cyprus	56	Netherlands	42
4.	Latvia	29	Netherlands	37	Poland	21
5.	Cyprus	29	Belarus	30	Belarus	19
6.	Belarus	26	Latvia	28	United Kingdom	18
7.	Netherlands	18	United Kingdom	24	Germany	16
8.	Sweden	15	Virgin Islands	11	Denmark	14
9.	Italy	14	Ukraine	8	Virgin Islands	11
10.	Virgin Islands	14	USA	3	Latvia	11
Countries now in the EU		418		263		237

Source: Federal State Statistics Service for the Kaliningrad Region.

According to Nesvetailova A. – University of London, City Political Economy Research Centre (CITYPERC), London, United Kingdom, a significant part of foreign investment is the funds of Russian entrepreneurs returned to Russia under a foreign flag. Due to the peculiarities of the legal regime of individual countries and the desire of Russian entrepreneurs to obtain more acceptable institutional conditions for investment through Cyprus, the Virgin Islands, the Netherlands and other countries are common.

Lithuania is a long-standing, traditional investor in the real sector of the economy of the Kaliningrad region. There were 194 enterprises with the Lithuanian capital in the region. However, out of these enterprises, just 63 continue to operate. Major Lithuanian investment projects in the region include the fish processing enterprise Vichyunay-Rus (total Lithuanian investment: USD 7 million), Kaliningradskiy Delikates meat processing plant (USD 5 million), the confectionery shop Novaya Ruta (USD 3 million), Chernyakhovsk plant for the production of complex chemical fertilizers (240,000 tons per year), the production and commercial complex LORRI Invest and several others.

Table 8. Foreign direct investments in the Kaliningrad region (invested foreign capital, reinvestment of income, debt instruments; USD million)

Year	Balance	Received	Withdrawn
2011	123	195	72
2012	26	167	142
2013	-25	187	211
2014	-11	130	141
2015	26	138	112
2016	41	153	112
January-March, 2017	-2	38	40

Source: Central Bank of Russia: http://www.cbr.ru/statistics/?PrtId=svs

The total amount of accumulated foreign direct investment in the economy of the Kaliningrad region at the end of September 2017 was USD 418 million, while the total investments by Kaliningrad enterprises to foreign countries was about USD 281 million (Table 9 and Table 10).

Table 9. Inward foreign direct investments in the Kaliningrad region (USD million)

	At the end of the period			
	2014	2015	2016	9/2017
Total	**431**	**386**	**479**	**418**
EU	385	338	424	413
APEC countries	14	13	14	48
CIS countries	30	32	40	43

Source: Central Bank of Russia: http://www.cbr.ru/statistics/?PrtId=svs

Table 10. Outward direct investments from the Kaliningrad region (USD million)

	At the end of the period			
	2014	2015	2016	9/2017
Total	**179**	**168**	**279**	**281**
EU	149	142	250	253
APEC countries	13	13	13	13
CIS countries	14	10	12	11

Source: Central Bank of Russia: http://www.cbr.ru/statistics/?PrtId=svs

It is possible that a significant part of direct investment from the Kaliningrad region abroad is ultimately returned to the Kaliningrad region under a foreign flag, i.e. as a foreign investment.

It can be stated that the Kaliningrad region has active foreign economic relations with the prevalence of import operations. The complication of relations between Russia and the West has already led to a significant reduction in the foreign economic turnover and a change in the structure of foreign trade. In particular, the complicated relations have led to a significant trade reduction between the Kaliningrad region and its immediate neighbors.

3. Future scenarios of the Kaliningrad region

Any scenarios for the possible development of the Kaliningrad region are completely determined by the development factors of the Russian Federation as a whole. Therefore, when considering the prospects for the development of the region, the authors proceeded from the following all-Russian trends:

1. Most experts believe that the recession connected with the introduction of mutual sanctions has already come to an end in Russia. An acute phase has been overcome from the breakdown of the existing foreign economic relations. There is an adaptation of the majority of enterprises as a whole to the changed conditions. In many cases, new chains of international production cooperation have been formed.

2. President Vladimir Putin was re-elected for the next term with a very large share of voters[29]. In his message to the Federal Assembly on 01.03.2018. President Putin proposed: "... to launch a large-scale program of spatial development of Russia, including the development of cities and other human settlements, and at least double the costs for these purposes in the next six years." This statement means the emergence of a new paradigm for the country's economic and social development. It is assumed that this strategic line aimed at internal development / improvement of the Russian space, which has a significant multiplier effect, will contribute to improving the living standards of the population, developing infrastructure, improving the conditions for doing business in the country.

3. In the sphere of international economic relations, it should be noted that the sharp aggravation of international relations between Russia and the West has significantly poisoned the atmosphere of interaction between the parties in many spheres. Russian and European companies have suffered significant losses, but as a result of sanctions, Russian business began to intensively develop import substitution. According to experts, as Director of the Carnegie Moscow Center Dmitri Trenin, or Chairman of the Presidium of the non-governmental organization "Council for Foreign and Defense Policy", editor-in-chief of the magazine "Russia in Global Politics" Fedor Lukyanov in the medium-term, there is no prospect of any significant improvement in the relations between the Russian Federation and the European Union, and especially with the United Kingdom and the main Atlantic partner, the United States. This is determined primarily by the circumstances inside the western community itself, by its unwillingness to take into account the interests of the Russian Federation. Under these conditions, Russia is compellingly expanding the space previously for a relatively stable economic and political interaction with the West by turning eastward, primarily with China, India, Japan, South Korea, the Eurasian Economic Union member states, the The Shanghai Cooperation Organization, and ASEAN, and includes incentive mechanisms to support accelerated import substitution.

4. The Russian Federation and the European Union (and more narrowly, the Euro area) remain important trading partners in the medium-term, but the further escalation of the sanctions regime by the West jeopardizes the dynamics of mutual foreign trade[30]. At the same time, in Russia, after the recovery from 2017 of economic growth, according Alexei Kudrin, or Evgeny Yasin, there was an opinion that there are no significant threats from the EU to the Russian economy, or these threats are minimal.

Possible future scenarios

For the Kaliningrad region, foreign trade relations with closely located European states have been traditionally convenient and effective. However, the emergence of political tension and the introduction of reciprocal sanctions between Russia and the West in 2014 brought unexpected complications for the Kaliningrad business in the existing cooperative ties. Many companies in the region in a short time were forced to seek new sources of raw materials and semi-finished products. By the end of 2017, the process of adaptation of the Kaliningrad economy to the changed conditions has been completed as a whole.

The federal center provided the necessary level of support to the regional economy. Some examples of these support mechanisms are as follows: subsidizing the rail transit of goods through the territory of other countries, subsidizing the transportation of passengers by air, supporting the regional labor market, developing transport and energy infrastructure, and adopting the third edition of the Federal Law on the Special Economic Zone in Kaliningrad region.

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29 For Putin, 76.7% of the votes were cast at 65.7% of voter's turnout (http://www.cikrf.ru/analog/prezidentskiye-vybory-2018/itogi-golosovaniya/).

30 Sanctions have become more selective, but it is still extremely difficult to estimate their exact impact. Often, sanctions are weaker than planned, because the private sector of the economy is used to working on the brink of legality, and illegal actors easily find workarounds as, for example, it happened with the Siemens turbines, which got to the Crimea bypassing the sanctions.

In the medium-term (some 5 years ahead), much of the foreign economic relations of the Kaliningrad region will depend on the following factors[31]:

1. The state of the economy of the Russian Federation as a whole.

The options for changing this factor in the medium-term along the "Russia-West" line:

- Improvement - **RF+** (the level of probability of implementation of this option is high[32]);

- Minor changes - **RF0** (average probability);

- Deterioration - **RF-** (low probability).

2. The level of tension in international relations along the Russia-West line.

Variants of the second factor change:

- Improvement - **RW+** (low probability);

- Minor changes - **RW0** (average probability[33]);

- Deterioration - **RW-** (low probability).

Accordingly, the following 9 combinations of the main factors affecting the external economic activity and orientation of economic entities of the Kaliningrad region are distinguished:

1) RF +; RW +; - (probability above average);

2) RF +; RW 0; - (high probability);

3) RF +; RW -; - (average probability);

4) RF0; RW +; - (probability below average);

5) RF0; RW 0; - (average probability);

6) RF0; RW -; - (probability below average);

7) RF-; RW +; - (probability below average);

8) RF-; RW 0; - (probability below average);

9) RF-; RW -; - (low probability).

31 Are given in decreasing order of influence.

32 The estimates given in brackets reflect the authors' opinions.

33 The increased likelihood of the implementation of this particular option relative to others is explained by the following considerations: the European Union will continue to change rapidly, will be immersed in its own transformation problems, and in the medium-term will try to withstand the Atlantic solidarity line. For external partners, which include Russia, Europe in the coming years will be seen as a trustworthy partner immersed in its problems.

Table 11. A description of possible future scenarios of foreign economic activity of the Kaliningrad region in the medium-term

Scenario	Typical features of the scenario
1. Double pull (RF+ & RW+; probability is slightly higher than average)	With the improvement of relations along the line «Russia-West» for the Kaliningrad region, there are additional opportunities for business interaction with Western companies with the orientation: - To the market of the countries of the Eurasian Economic Union (organization of multi-country tourism [Kaliningrad - countries of the Baltic Sea region], practical implementation of the 'contact territory' model, joint participation in the development of recreational zones in the Kaliningrad region, etc.); - To the market of European countries (production of environmentally friendly agricultural products in the Kaliningrad region, deployment of energy-intensive industries, etc.). Preserving to a limited extent the tendency to expand economic cooperation with Southeast Asia and other regions of the world.
2. The scenario most likely for the Kaliningrad region (RF+ & RW0; high probability)	Continuation of the trend towards expansion of economic cooperation with Southeast Asia and other regions of the world (integration into production cooperation chains, new transport and logistics schemes, etc.). Preservation of economic ties with the EU regions at the level established by the end of 2017.
3. Multidirectional influence (RF + & RW-; average probability)	Acceleration of the capacity increase of the ferry service along the Kaliningrad-Ust-Luga route, the development of the mechanisms for subsidizing ferry traffic, expansion of economic cooperation with South-East Asia, other regions of the world, offering new partners comfortable conditions for doing business within the framework of the mechanisms of the Kaliningrad SEZ. Continuation of the gradual reduction of economic ties with the European Union.
4. Expansion of the interaction with the EU (RF0 & RW+; probability below average)	It basically corresponds to Scenario 1 «Double pull». As agreed with the federal center, special instruments can be proposed and implemented that support the expansion of economic cooperation between the Kaliningrad region and the EU regions (reduction of legal barriers, including those related to technical regulation, harmonization of standards, etc.).
5. Uncertainty (RF0 & RW0; average probability)	Continuation of the trend towards expansion of economic cooperation with Southeast Asia and other regions of the world (integration into production cooperation chains, new transport and logistics schemes). Preservation of economic ties with the EU regions at the level established by the end of 2017.
6. Outskirts of Russia (RF0 & RW-; probability below average**)**	It basically corresponds to Scenario 3 «Multidirectional influence».
7. The EU as a significant factor for accelerating the development of the region (RF0 & RW+; probability below average)	It basically corresponds to Scenario 4 «Expansion of the interaction with the EU».
8. Stagnation (RF- & RW0; probability below average)	It basically corresponds to Scenario 5 «Uncertainty».

Scenario	Typical features of the scenario
9. Double periphery (RF- & RW-; low probability)	Expansion and subsidizing of the ferry service along the Kaliningrad-Ust-Luga route. Expansion of economic cooperation with Southeast Asia, other regions of the world. Reduction of economic relations with the European Union. Increased attention to the patterns of activation of the mobilization potential of the regional economy, self-reliance.

Naturally, the scenarios presented in Table 11 are of a probabilistic nature and they reflect only the most general trends. Much depends on specific conditions, newly concluded intergovernmental agreements, initiatives of economic entities, etc. In the rapidly changing external environment, new opportunities and new threats are constantly arising for the Kaliningrad region. Undoubtedly, the federal center will provide significant and unconditional assistance to its westernmost territory in resolving the newly emerging acute social and economic problems.

4. Conclusions and recommendations

1. The Kaliningrad region is one of the smallest in terms of area territory of the Russian Federation and the westernmost territory of Russia. Only few know that Kaliningrad is located west of Warsaw.

2. The Kaliningrad region is separated from the main territory of the Russian Federation by at least two independent states.

3. The geopolitical position of the Kaliningrad region is objectively complex and multifaceted.

   A. The territory is very complex in terms of governance organization, in view of its separation from the main part of Russia.

   B. The point of entry of the Russian Federation into the markets of the EU and the Eurasian Economic Union (EAEC).

   C. To some extent, the Kaliningrad region is still the experimental territory of Russia. Innovations worked in the region in many cases pass to the normative practice of the Russian Federation as a whole.

4. The economic and social development of the Kaliningrad region is determined by the processes and trends characteristic of the Russian Federation as a whole. Starting in 2014, Russia pursues a policy of total import substitution. The purpose of which is to minimize and limit any influence from outside on its international position. Accordingly, in the Kaliningrad region at the beginning of 2018, the trends of support for import substitution are also taking place.

5. Measures to support the population and economy of the Kaliningrad region from the federal center have been ongoing since 1990. As the main instruments supporting the development of the Kaliningrad region, the Russian Government has determined the gradual introduction in the region of the first free economic zone (FEZ) and then the Special Economic Zone (SEZ), the adoption of the Federal Target Program (FTP) for the development of the Kaliningrad region, and further the State Program 'Socially economic development of the Kaliningrad region until 2020', the reduction of administrative barriers, and finally the mechanism for compensating customs benefits.

6. Russia and the EU (and more narrowly, the Euro area) remain important trading partners, but the further escalation of the EU sanctions regime is quite dangerous for the development of foreign trade[34]. In Russia, after the recovery of economic growth in 2017, it is considered that there are no economic threats from the European Union or they are minimal.

34 On March 12, 2018, the EU Council extended the duration of restrictive measures in connection with actions that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, for another six months, until September 15, 2018. These measures include asset freezing and travel restrictions. Restrictive measures continue to be applied to 150 individuals and 38 organizations.

7. There is a noticeable loss of investment attractiveness by the Kaliningrad region starting from 2013, in view of the factors that have arisen in recent years, further complicating the socio-economic development of the Kaliningrad region. These include, among other things, the introduction of mutual sanctions and the complication of the conditions for industrial cooperation of enterprises in the Kaliningrad region with European suppliers of components, as well as the prolonged discussion of the new version of the law on the Kaliningrad SEZ.

8. The adoption in late 2017 of a new (third) edition of the Federal Law on the Kaliningrad SEZ significantly increases the investment attractiveness and business conditions in the exclave region of Russia. The reduced amount of insurance premiums, electronic visas, subsidies to compensate for business losses due to the cancellation of customs privileges, the abolition of the collection fee for agricultural machinery, and machinery for road works, which is imported into the territory of the Kaliningrad region, agricultural machinery, etc., and a number of other proposals , including a reduction in the terms of construction and environmental expertise, are factors that increase the investment attractiveness of the region. The Russian Federation is ready to provide all-round assistance to its westernmost territory in addressing the newly emerging acute socio-economic problems.

9. Over the past 25 years, a positive experience of multilateral cooperation with the European Union states has been gained in the Kaliningrad region. The resulting temporary tension along the Russia-West line should not go into a chronic form and turn the Kaliningrad region into an object for possible mutual provocations.

Appendices

Appendix 1.

Institutional innovations affecting the development of the Kaliningrad region of the Russian Federation in the period 1991 – 2017

№	Date	Contents of the change	Normative document
1.	25.09.1991	Introduction of the regime of FEZ «Yantar» in the Kaliningrad region: the Regulations for the Free Economic Zone «Yantar» in the Kaliningrad region were approved and the management authority of the free economic zone «Yantar» was determined.	Decree of the Council of Ministers of the Russian Federation No. 497 «On Priority Measures for the Development of Free Economic Zones in the Kaliningrad and Chita Regions».
2.	01.01.1992	Actual abolition of tax benefits for the joint venture in the free economic zone "Yantar"[1].	Law of the Russian Federation «On the Basics of the Tax System».
3.	04.06.1992	The regime of FEZ «Yantar» for the joint venture in the Kaliningrad region was restored.	Decree of the President of the Russian Federation No. 548 «On some measures for the development of free economic zones (FEZ) in the territory of the Russian Federation».
4.	23.12.1992	The regime of customs privileges has been confirmed. The foreign economic regime of specialization of the region is determined, focused on the export of products produced in the region.	Decree of the President of the Russian Federation No. 1625 «On Providing Foreign Economic Conditions for the Development of the Kaliningrad Region».
5.	21.05.1993	The operation of customs privileges in the Kaliningrad region has been abolished.	Law of the Russian Federation No. 5003-1 «On Customs Tariff».
6.	07.07.1993	Customs privileges have been restored, foreseen. Decree of the President of the Russian Federation of December 23. 1992 No. 1625 «On ensuring external environmental conditions for the development of the Kaliningrad region».	Decree of the Supreme Council of the Russian Federation No. 5343-1 «On Making Addenda to the Decree of the RF Armed Forces» On the Enactment of the Law of the Russian Federation «On Customs Tariff».
7.	07.12.1993	Tax exemptions have been added to the foreign economic and customs support mechanisms of the region's enterprises.	Decree of the President of the Russian Federation No. 2117 «On the Kaliningrad Region». Fast. Government of the Russian Federation No. 531 «On Urgent Measures to Stabilize the Economic Situation in the Kaliningrad Region».
8.	01.02.1995	Cancellation of customs and tax benefits in the framework of the unification of Russian legislation.	The Law of the Russian Federation "On the financing of state expenditures from the federal budget in 1Q. 1995 «.
9.	06.03.1995	The customs regime envisaged for the region by the Decree of the President of the Russian Federation No. 2117 of 07.12.93, was repealed from May 15, 1995.	Decree of the President of the Russian Federation No. 244 «On recognition as invalid and on cancellation of decisions of the President of the Russian Federation in terms of granting customs privileges».
10.	12.04.1995	When admission to the federal budget, import and export customs duties, VAT and special tax are transferred to business entities of the Kalinin-grad region at a rate of 100% and starting from May 16, 1995 at a rate of 75%.	The procedure for compensation of losses of participants in the foreign trade activities of the Kaliningrad Region. arising in connection with the adoption of Presidential Decree No. 244 of 06.03.1995.

№	Date	Contents of the change	Normative document
11.	22.01.1996	The economic and legal regime of the SEZ is established in the region - the customs regime of a free customs zone with established features.	Law of the Russian Federation No. 13-FZ «On the Special Economic Zone in the Kaliningrad Region».
12.	29.09.1997	Commissioning of the Federal Special Program for the Development of the Special Economic Zone in the Kaliningrad Region for 1998-2005.	Decree of the Government of the Russian Federation No. 1259 «On the Federal Targeted Program for the Development of the Special Economic Zone in the Kaliningrad Region for 1998-2005».
13.	27.12.2000	Abolition of customs privileges when importing goods into Russia.	Order of the State Customs Committee of Russia No. 01-99 / 1405 «On the application of Part II of the Tax Code of the Russian Federation when placing goods under tax regimes».
14.	01.02.2001	Restoring customs privileges when importing goods to Russia.	Order of the State Customs Committee of Russia from No. 112 «On recognition of the act of the State Customs Committee of Russia has lost its force».
15.	07.12.2001	Approval of the new Federal target program for the development of the Kaliningrad region for the period until 2010.	Decree of the Government of the Russian Federation from No. 866 «On the Federal Target Program for the Development of the Kaliningrad Region for the Period Until 2010».
16.	30.12.2001	Cancellation of tax incentives for the import of excisable goods to the territory of the SEZ.	Federal Law No. 194-FZ «On the Federal Budget for 2002», Appendix 17, item 22.
17.	24.12.2002	Abolition of customs privileges for excisable goods.	Federal Law «On the Federal Budget for 2003» No. 176-FZ, Appendix 20, item 23.
18.	25.02.2004	The introduction of restrictions on the import of goods to the territory of the SEZ through the use of quota mechanisms.	Decree of the Government of the Russian Federation No. 106 «On Amending the Post. Government of the Russian Federation of July 14, 2000 No. 526 «.
19.	10.01.2006	Replacement of preferential treatment of Free Custom Zone for a preferential tax regime. Introduction of the 10-year transition period.	Federal Law No. 16-FZ «On the Special Economic Zone in the Kaliningrad Region» and on Amending Certain Legislative Acts of the Russian Federation».
20.	30.03.2006	The introduction of restrictions for duty-free import of goods produced in the SEZ, on the territory of Russia by introducing a mechanism of criteria for sufficient processing.	Decree of the Government of the Russian Federation No. 171 «On Approval of the Rules for the Application of Criteria for Sufficient Processing ...».
21.	03.02.2007	Creation of a special economic zone of a tourist-recreational type in the territory of the Zelenogradsky district of the Kaliningrad region.	Decree of the Government of the Russian Federation No. 73 «On the establishment of a special economic zone of a tourist-recreational type in the territory of the Zelenograd-Gradsky District of the Kaliningrad Region».
22.	24.05.2007	Clarification of the criteria for the origin of goods from the SEZ.	Decree of the Government of the Russian Federation No. 317 «On introducing changes to the list of simple assembly and other operations. the implementation of which does not significantly change the state of the goods.».

№	Date	Contents of the change	Normative document
23.	27.11.2009	Introduction of restrictions of the SEZ regime in the Kaliningrad region, connected with the Eurasian Economic Community. Determination of the peculiarities of the movement of goods between the territory of the SEZ in the Kaliningrad region and the rest of the customs territory of the Union through the territories of states that are not members of the Union and the specific application of the customs procedure of the STZ in the Kaliningrad SEZ.	Decision of the Interstate Council of the Eurasian Economic Community No. 17 «On the Agreement on the Customs Code of the Customs Union».
24.	29.11.2015	A compensation mechanism has been introduced. Determination of the procedure for providing funds from the federal budget for the creation and maintenance of jobs, import substitution and localization of assembly production, as well as improving the economic and social living conditions in the Kaliningrad region.	Decree of the Government of the Russian Federation No. 1275 «On the provision of other interbudgetary transfers from the federal budget to the Kaliningrad Oblast budget to provide support to legal entities operating in the Kaliningrad Region and SEZ Residents in the Kaliningrad Region».
25.	11.03.2016	Reduction of the minimum necessary threshold of investments required to obtain the status of a resident of the SEZ in the Kaliningrad Region.	Federal Law No. 70-FZ «On Amending Art. 4 of the Federal Law «On the Special Economic Zone in the Kaliningrad Region and on Amending Certain Legislative Acts of the Russian Federation».
26.	30.03.2016	The end of the transition period. Delay of VAT payment for 180 days, synchronization of payment of customs and tax VAT.	Federal Law No. 72-FZ «On Amendments to Part 2 of the Tax Code of the Russian Federation as regards the completion of the procedure for a free customs zone on the territory of a special economic zone in the Kaliningrad Region».
27.	05.12.2017	Introduction of the third edition of the Federal Law «On the Special Economic Zone in the Kaliningrad Region and on Amending Certain Legislative Acts of the Russian Federation».	Federal Law No. 393-FZ «On Amendments to Certain Legislative Acts of the Russian Federation on the Issues of Social and Economic Development of the Kaliningrad Region».

Appendix 2.

Table 2.1. Gross regional product in North-West Federal District (% to the previous year)

	Years											Weighted averages	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2006-2016	Rank
Russia total	108.3	108.3	105.7	92.4	104.6	105.4	103.1	101.8	101.3	99.4	100.8	102.7	-
North-Western Federal District, including:	107.7	109.0	104.7	94.9	104.4	106.1	103.8	100.3	100.9	101.5	101.7	103.1	-
Arhangelsk region	107.2	112.2	100.0	102.2	100.8	101.7	100.6	101.1	102.0	103.3	102.6	103.0	**6**
Kaliningrad region	115.3	119.9	104.7	91.5	107.6	104.6	104.7	101.0	104.6	98.5	102.2	**104.7**	**2**
The Republic of Karelia	105.1	108.5	95.4	87.6	104.4	102.2	101.5	100.7	100.1	100.4	100.1	100.4	**10**
Komi Republic	108.6	99.6	103.3	98.5	102.6	105.7	101.8	96.7	95.7	98.3	98.5	100.8	**9**
Leningrad region	111.2	106.3	105.3	99.6	105.4	106.5	106.2	98.6	100.2	104.6	101.8	104.1	**3**
Murmansk region	102.7	102.2	99.8	91.2	99.4	99.8	100.5	100.8	101.3	101.2	100.6	99.9	**11**
Nenets Autonomous Area	114.6	118.7	86.7	122.6	95.9	88.7	94.9	99.4	103.6	109.3	108.6	103.4	**5**
Novgorod region	104.0	105.5	108.2	98.9	102.3	103.7	108.4	101.9	105.2	102.2	101.6	103.8	**4**
Pskov region	104.9	105.6	103.1	93.8	105.6	106.5	100.1	100.5	99.5	98.0	100.7	101.6	**7**
Saint Petersburg	108.3	113.1	109.3	94.3	105.5	108.3	104.3	101.8	101.0	101.4	102.3	104.8	**1**
Vologda Region	104.8	105.1	96.7	87.1	105.7	106.9	104.8	95.7	103.0	101.3	100.1	100.9	**8**

Sources: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts/ as of 21.03. 2018.
Calculations of authors.

Appendix 2. Continued

Table 2.2. GDP growth of the Baltic Sea countries (% to the previous year)

Countries/ region	Years											Average[37]
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2000-2016
Estonia	10.3	7.7	-5.4	-14.7	2.3	7.6	4.3	1.4	2.8	1.5	1.6	**0.7**
Finland	4.1	5.2	0.7	-8.3	3.0	2.6	-1.4	-0.8	-0.6	0.3	1.4	**0.1**
Denmark	3.9	0.9	-0.5	-4.9	1.9	1.3	0.2	0.9	1.7	1.6	1.3	**0.4**
Germany	3.7	3.3	1.1	-5.6	4.1	3.7	0.5	0.5	1.6	1.7	1.9	**1.2**
Latvia	11.9	9.9	-3.6	-14.3	-3.8	6.4	4.0	2.6	2.1	2.7	2.0	**0.6**
Lithuania	7.4	11.1	2.6	-14.8	1.6	6.0	3.8	3.5	3.5	1.8	2.3	**1.9**
Norway	2.4	2.9	0.4	-1.6	0.6	1.0	2.7	1.0	1.9	1.6	1.0	**1.1**
Poland	6.2	7.0	4.2	2.8	3.6	5.0	1.6	1.4	3.3	3.8	2.7	**3.5**
Russian Federation	8.2	8.5	5.2	-7.8	4.5	4.3	3.5	1.3	0.7	- 3.0	1.5	**2.3**
including: **Kaliningrad region**	15.3	19.9	4.7	-8.5	7.6	4.6	4.7	1.0	4.6	-1.5	2.2	**4.7**
Sweden	4.7	3.4	-0.6	-5.2	6.0	2.7	-0.3	1.2	2.6	4.1	3.2	**1.7**

37. Weighted average growth rates.

Sources: http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Real_GDP_growth._2006-2016_(%25_change_compared_with_the_previous_year;_%25_per_annum)_YB17.png.

http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts/ as of 21.03. 2018.

Calculations of authors.

Appendix 2. Continued

Table 2.3. Industrial production in the North-West Federal District of the Russian Federation

Region	Year												Weighted average	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2006 - 2017	Rank
Russia total	106.3	106.8	100.6	89.3	107.3	105.0	103.4	100.4	101.7	96.6	101.1	101.0	**101.5**	
North-Western Federal District, including:	106.3	106.9	100.6	92.6	107.9	107.7	102.6	99.8	97.9	96.0	102.0	101.8	**101.6**	
Arhangelsk region	99.1	107.0	105.5	115.4	104.9	88.8	95.1	102.4	89.6	105.7	107.3	115.1	**102.7**	**-**
Arhangelsk region without Nenets Autonomous Area	…	110.1	102.2	95.5	122.0	96.5	103.7	110.0	73.1	101.9	100.6	131.1	**103.2**	**5**
Kaliningrad region	166.6	114.4	101.8	95.3	116.0	150.1	101.9	99.1	109.9	92.2	100.9	101.9	**110.7**	**1**
The Republic of Karelia	101.8	116.0	97.0	78.5	108.9	101.6	102.0	94.5	101.7	99.7	103.7	102.4	**100.3**	**10**
Komi Republic	105.0	106.3	102.9	98.3	100.8	104.4	102.1	102.4	100.5	101.6	96.0	97.0	**101.4**	**8-9**
Leningrad region	126.4	102.8	101.0	96.9	114.3	110.6	105.7	95.6	100.2	99.6	103.7	100.2	**104.4**	**2**
Murmansk region	101.5	98.2	94.6	96.5	103.2	99.5	102.7	99.8	99.8	106.8	106.6	110.9	**101.6**	**8-9**
Nenets Autonomous Area	104.8	105.2	107.7	128.1	96.5	83.9	89.3	96.5	105.9	110.2	115.3	97.2	**102.8**	**6**
Novgorod region	101.7	106.4	102.3	87.7	116.1	110.9	104.4	105.4	112.9	102.7	103.8	104.5	**104.7**	**2**
Pskov region	108.2	108.0	105.1	89.6	117.4	116.3	99.6	100.6	94.4	102.8	104.5	104.1	**103.9**	**4**
Saint Petersburg	98.0	110.1	103.6	83.4	107.8	114.6	104.7	99.6	93.6	93.0	103.9	105.5	**101.1**	**11**
Vologda Region	107.1	104.9	95.3	90.5	111.8	105.6	101.3	102.5	103.7	102.6	99.8	101.0	**102.0**	**7**

Sources: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/enterprise/industrial/# as of 21.03. 2018.
* http://www.gks.ru/free_doc/doc_2017/social/osn-12-2017.pdf

Authors' calculations.

Appendix 2. Continued

Table 2.4. Investment in fixed assets in the North-West Federal District of the Russian Federation (in comparable prices; % to the previous year)

Region	Years												Weighted average	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2006 - 2017	Rank
Russia total	117.8	123.8	109.5	86.5	106.3	110.8	106.8	100.8	98.5	89.9	99.8	104.4	**104.4**	**-**
North-Western Federal District, including:	122.3	113.2	106.0	84.5	115.5	110.0	104.0	90.6	95.7	90.8	113.4	104.5	**104.0**	**-**
The Republic of Karelia	112.7	93.0	122.6	68.1	117.5	125.3	106.5	93.5	92.9	91.7	97.3	112.1	**101.5**	**8**
Komi Republic	134.9	75.2	113.9	124.7	99.9	167.7	104.9	80.1	97.4	74.6	112.7	63.1	**100.4**	**9**
Arhangelsk region	167.7	129.2	95.2	49.8	126.4	122.0	110.5	90.2	96.3	97.4	92.6	145.0	**105.9**	**-**
Nenets Autonomous Area	2.3 times	156.4	80.1	38.4	112.2	97.1	124.7	104.1	122.2	127.8	82.6	164.7	**110.5**	**1**
Arhangelsk region without Nenets Autonomous Area								79.1	79.4	67.0	129.8	124.4	**92.6**	**11**
Vologda Region	100.5	103.8	85.9	71.5	116.1	149.4	120.7	49.3	99.0	93.3	121.6	108.3	**98.2**	**10**
Kaliningrad region	92.4	122.9	134.3	78.8	84.7	104.9	106.3	88.9	89.1	96.3	115.5	125.5	**101.9**	**7**
Leningrad region	134.9	86.6	111.0	107.7	142.5	103.9	101.0	74.8	66.1	118.4	112.5	126.0	**104.7**	**3-4**
Murmansk region	112.4	98.3	153.3	81.6	86.2	138.5	121.3	92.8	121.0	101.8	77.1	128.0	**107.0**	**2**
Novgorod region	126.3	110.2	122.9	97.9	99.8	87.0	109.6	109.8	109.0	99.2	102.7	81.2	**103.9**	**6**
Pskov region	125.8	155.6	102.6	74.0	102.6	127.4	128.4	84.5	96.9	82.8	93.1	102.3	**104.1**	**5**
Saint Petersburg	113.7	141.9	101.5	83.3	113.9	87.1	92.6	127.4	106.0	82.6	131.1	94.3	**104.7**	**3-4**

Sources: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/enterprise/investment/nonfinancial/# on 21.03. 2017.
* http://www.gks.ru/free_doc/doc_2018/social/osn-01-2018.pdf.

Authors' calculations.

Appendix 3.

New residents of the Kaliningrad SEZ (2013 - 2018)

Year 2013

In 2013, 8 high-tech industrial enterprises-SEZ residents were put into operation, namely: OOO «Infamed-Kaliningrad», OOO[35] «Gaz-Oyl», OOO «Kaliningradskiy Delikates», OOO «Sibirskiy delikates», OOO «Otechestvennyy produkt», OOO «Kaliningradskaya myasnaya kompaniya», OOO «Fabrika oboyev Prima Italiyana» and ZAO «Gersan-R». 1336 people work at the listed enterprises, of which 700 new jobs created in 2013 are registered. The number of employees at enterprises-residents of the SEZ increased in fact by 4 times in 2013, and amounted to 10,470 people.

Year 2014

In 2014, 16 organizations were included in the Unified Register of SEZ residents (OAO «Zavod ZHBI-2»-modernization and technical re-equipment, OOO «Avtobalt» - organization of machine-building production, OOO «K-Potash Servis» - investment project for the construction and operation of a cage barrel for the maintenance of the ore-dressing and processing enterprise with the reconstruction of the production and technical base at the deposit of potassium-magnesium salts of Nivenskoe-1, OOO «Myasokombinat «Yantarnyy»- production of meat and sausage products, OOO «TransAl'yans Zapad»- op OOO «PromTekhnologii» - creation of machine-building capacities for the organization of production of automobile equipment, superstructures to them and auto components, OOO «Baltmegalit" - production of building materials, OOO «Yongsan KLD» - production of automotive components, OOO «Aruna» production of polymeric packaging for household, food and pharmaceutical purposes, OOO «Tekhnoservis» - production of building materials; OOO «Fortsan-Novatsiya» - construction and operation of a multifunctional sports and fitness center;

OOO «Proizvodstvennaya kompaniya - KTK» - production of packaging and semi-finished products from lacquered and lithographed tin; OOO «ProFrost» - production of products from pork, beef, poultry meat and by-products from them; OOO «Karavell-Derbi» - production of refrigeration equipment; OAO «Kaliningradskiy vagonostroitel'nyy zavod» - the creation of an industrial park; OOO «TDS-Riteyl» - the construction of an administrative and logistics complex. The total volume of declared investments by these organizations is 255.7 million Euros.

In 2014 5 enterprises were excluded from the Register of SEZ residents, including 3 due to liquidation, according to the application - 2.

During the year 2014, six new enterprises were put into operation by SEZ residents:

OOO «Zavod metallicheskikh izdeliy» - production of cans and lids;

OOO «Nanouglerodnyye materialy» - the production of nanostructured technical activated carbon and the provision of services for the production of artificial graphite;

OOO «Fabrika oboyev «Prima Italiyana» - production of wallpaper;

ZAO «EkoMolProdukt» - production of butter;

OOO «Tekhnoservis» - production of building blocks;

OOO «Infamed K» is an organization of pharmaceutical production in Bagrationovsk.

According to the reports, for the year 2014 the enterprises listed above carried out capital investments in the amount of more than 1.7 billion rubles. 244 people work at these enterprises. The commissioning of the company "Infamed-K" for the production of the antiseptic drug "Miramistin" and other preparations on its basis lays the foundation for the development of a new industrial park "Ecobaltik" and the formation of a pharmaceutical industrialcluster in the Kaliningrad region. The managing company of the new industrial park is the resident of the Special Economic Zone in the Kaliningrad region of OOO «Baltfarmatsevtika». The creation of an industrial park «Ecobaltik" will give impetus to the development of the pharmaceutical industry and related economic activities, will increase tax revenues to the regional budget and the local budget of the municipality. It is planned to create over 1,000 jobs in the industrial park. In general, for all SEZ residents in the Kaliningrad region, the volume of investments in 2014 amounted to 6 550 million rubles. In 2014, 756 new jobs were created at enterprises-residents of the SEZ.

35 Note: OOO according Russian law is limited liability company, ZAO - closed joint-stock company, AO - joint-stock liability, OAO - open joint stock company.

The largest number of organizations registered as residents of the SEZ, carry out investment projects in the manufacturing sectors of the economy, transport, as well as in real estate transactions, leasing and provision of services. As of December 31, 2014, the volume of actual investments (taking into account the cost of land and acquired buildings / structures), carried out since the beginning of the implementation of investment projects, reached 98 105 million rubles, including 6,528 million rubles for 2014 rubles. As of December 31, 2014, 11,981 people are actually employed at enterprises-residents.

The value of goods of own production, works performed and services rendered (according to data submitted by residents to the Administration of SEZ) in the reporting period amounted to 101,573 million rubles, including the value of shipped goods of own production - 75,930 million rubles, the value executed works and rendered services - 25643 million rubles. The growth in the value of production of goods, services and work in 2014, compared with the 2013 indicator, increased by 33%.

The most significant contribution to the total volume of manufactured industrial output in 2014 was demonstrated by such enterprises-residents of the SEZ as ZAO «Sodruzhestvo-Soya», ZAO «Agroprodukt», OOO «SOYUZ-M», OOO «Miratorg Zapad», OOO «PKO «Otechestvennyy produkt».

Year 2015

Included are 8: OOO "VERA", OOO "Logistica", OOO "Servis Partner", OOO "ELLADA INTERTREYD", ZAO "AVTOTOR", "Dal'-Baltikstroy" "Dal' -Baltikstroy ", OOO "Anastasis & K "

Excluded - 2.

Year 2016

Included 26: OOO "Novik logistik", OOO "Polibalt", OOO "PRESSION GRUPP MENEDZHMENT - GORODSKOYe PROSTRANSTVO", OOO "Moredobycha", OOO "PK PRINTPROF", OOO "Irbis Yevropa", OOO "Kenigsberger Khandel'skontor", OOO "MAGO RUS"", OOO "Al'faprod", OOO "Zapadnaya rybnaya kompaniya", OAO "Elektrosvarka", OOO "BARS", OOO "Argos", OAO "Investitsionnyy Metallurgicheskiy Soyuz", OOO "BALTNIT"", OOO «Torgovyy dom «Zavod elektrokabel'», OOO «NPO SPETSKRAN», OOO "Voskhodyashchaya zvezda", ZAO "Kaliningradmolprodukt", OOO "Nikinvest", OOO Aystron", OOO "Agronom", OOO "AB-Market", OOO "Zavod kromki №1", OOO "MARLIZ", OOO "BSK STAL"".

Excluded - 5.

The total volume of declared investments at the end of 2016 is about 95.3 billion rubles, of which about 1.2 billion rubles are accounted for projects from 50 million rubles.

Year 2017

Since the beginning of 2017, 25 new projects have been included in the register of residents of the SEZ of the Kaliningrad region:

OOO "Elektronnyye tekhnologii" - the creation and operation of an enterprise for the production of electronic devices

OOO "Orbita I" - production of high-tech electronic products in Slavsk

OOO "Technopark" - production of household appliances and components

OOO "Varnitsa" - the construction of a plant for the production of high-quality salt and pharmaceutical components obtained in the development of the caverns of the Kaliningrad underground gas storage (UGS), as well as the development of an accompanying infrastructure

OOO "Crystal 39" - the creation and operation of a five-star hotel complex in Kaliningrad

OOO "Baltbeton" - industrial and construction park: production of commodity concrete, reinforced concrete products, Portland cement

OOO "Gruppa Ayteks" - production of soft solders of the trade mark ALPHA

AO "BalticPetFood" - establishment of an enterprise for the production of ready-made pet food

OOO “KENIG-PLATZ” - construction and operation of the hotel in Kaliningrad

OOO “Zolotaya set'”- organization of production of canned fish and fish processing

OOO “Baltiyskiy Moll”- construction and operation of the multifunctional center Baltia Mall

OOO ”BaltRybTekh” is a project of modernization and reconstruction of the enterprise for the production of meat and vegetable canned food

OOO “Kristall-Plus” - a factory for the production of sugar from sugar beet

OOO “Universal Trading Baltica” - organization of production of meat (meat) canned food

OOO “Nauchno-proizvodstvennaya korporatsiya “Novyye energeticheskiye i ekologicheskiye sistemy” - creation and operation of an enterprise for the production of power and heat equipment

OOO ”Elektronnoye mashinostroyeniye” - the creation and operation of an enterprise for the production of electronic engineering products

OOO “Mekont Invest” - organization of export-oriented production of water filtration tanks at the entrance to drainage systems

OOO “YOGNSAN KLD” - localization of the production of car components in the territory of the Kaliningrad region

OOO “Sadko”- construction of a plant for the production of reinforced concrete and silicate bricks

AO “Aeroport “Khrabrovo”- reconstruction, modernization, additional equipment and technical re-equipment of the airport Kaliningrad (Khrabrovo)

OOO “Vichunai-Rus” - modernization and technical re-equipment of the fish and seafood production enterprise

OOO “K-Potash Service” - development of a deposit of potassium salts

OOO “SaShiKo”- Acquisition and exploitation of equipment for processing acetate fiber

OOO “Til’zitskaya oboynaya manufaktura” - the organization of production for the production of wallpaper

OOO “Markisol” - Manufacture of roller blinds.

The largest project is a salt plant (OOO “Varnitsa”) in the village of Heroic Zelenogradsk urban district. Here, salt will be produced from the salt solution, which is obtained by the development of the cavities of the Kaliningrad underground gas storage. Its cost is 2.2 billion rubles. The enterprise should appear already in the II quarter. 2018. The future saltworks by the order of the Ministry of Industry and Trade of December 20, 2016 is included in the list of investment projects in priority areas of the civil industry.

Excluded - 2.

Year 2018[36]

OOO “Sistemy Neft’ i Gaz Baltiya” - production of general industrial and power engineering, complete systems and equipment for the oil refining, gas and petrochemical industries

OOO “Novik Reyl” - creation of customs-warehouse terminal and rendering of auxiliary transport services

OOO “Kaliningradskiy mukomol” - organization of production of flour and related products

AO “Bionova Rus” - construction of a plant for the production of finished products “healthy food” on the basis of cooperation with agricultural producers of fruits and berries in the Kaliningrad region

OOO “Sokhranim traditsii” - complex technical re-equipment of canning production

OOO “Sosnovka” - organization of fodder production (cultivation of fodder crops)

36 As of 01.05.2018, 28 new residents of the Kaliningrad SEZ.

OOO “Rechnoye” - construction of a veterinary and sanitary utilization plant in the Kaliningrad region

OOO “RefTerminal” - creation and operation of a logistics complex

OOO “Techno Tube” - organization of production of steel pipes, hollow profiles

OOO “Pravdinskoye svino proizvodstvo-2” - construction of a pig complex for 6000 full-cycle sows in the Kaliningrad Region

OOO “Ushakovo-Agro” - organization of grain production (growing grain and oilseeds)

OOO “Baltiyskiy produkt” - the creation of production of meat and sausage products

OOO “Zapadnaya rybnaya kompaniya” - organization of production of fish products

OOO “DIALERFAYER-KALININGRAD” - - own IT company investments in new computer equipment, software development for foreign car dealers

OAO “Zavod ZHBI-2” - creation of a new production of ready-mixed concrete and mortars within the framework of a separate subdivision “ZhBI-2 Plant”

OOO “Dzhetmiks” - development of IT company Jetmix for the purpose of organizing a full cycle of digital services

OOO “Layka intellekt” - software development in the field of AR / VR / MR and other innovative IT areas

OOO “Baltkat” - Establishment of the production of copper wire rod in the Kaliningrad region

OOO “Khoroshiy vrach” - organization of a medical clinic

OOO Factory “Lyublinskiye produkty” - enterprise for the production of ready meals (salads, cooking), meat and fish semi-finished products, sausage, bakery and confectionery products

OOO “Miratorg Logistic” - organization of international and intercity cargo transportation with rendering of related services

“ETS International” Ltd. - creation of IT company for development of specialized software for travel industry companies

OOO ”Vodnyy mir “ - organization of production of semi-finished products of high degree of readiness

OOO “Shokolat’ye D. Manzher” - production of premium chocolate sweets “Chocolatier D. Manger” in Kaliningrad

OOO “AVTOTOR-ARENA” - creation and maintenance of the activity of a sports and health complex that meets modern international standards and requirements for sports facilities

OOO “BALTIYSKAYA LESNAYA KOMPANIYA” - organization of waste-free wood processing in the Kaliningrad region

OOO ”Pervyy Med “ - the construction of a specialized medical center for modern surgical methods for the treatment and prevention of premature aging, incl. using biomedical cellular products

OOO “Ptitsevodcheskiy kompleks “Produkty pitaniya”- creation and maintenance of vertically integrated poultry and poultry processing complex

The largest of these is the Pravdinskoye Pig Production 2 project - 3.8 billion rubles.

Appendix 4.

Brief description of the Kaliningrad region's participation in the EU cross-border cooperation programs

The cross-border cooperation and technical assistance program - "Poland, Lithuania, Kaliningrad region 2004-2006" through the Interreg 3-A-TACIS

An important component of cross-border cooperation is the participation of municipalities of the Kaliningrad region in international programs that allow to attract extra-budgetary funds for solving the tasks of social and economic development. In the framework of the completed "Neighborhood" program - "Poland, Lithuania, Kaliningrad Region 2004-2006", with the participation of Kaliningrad partners, 48 projects for the amount of EUR 24.8 million were prepared and implemented, including 13 projects in the field of economy, support of NSR, agriculture (2.6 million euros), 21 projects - social development, culture, education (2.8 million euros), 8 - ecology, energy, transport (18.3 million euros), 4 - tourism (600 thousand euros) Euro). Partners in 22 projects (46% of the total number of projects implemented) were municipal entities of the Kaliningrad region.

The most significant projects of the implemented Program include:

1. Construction of the international automobile crossing point Mamonovo 2 - Gzhehotki.

   The checkpoint was built within the framework of the intergovernmental Russian-Polish Treaty on the Reconstruction of Highways and the construction of checkpoints to ensure a car connection between Kaliningrad and Elblag. 13.3 million euros was spent by the European Union, 360 million rubles by Russia. The 12-way point has a record capacity for the region - 2600 cars, 1250 trucks and 150 buses can drive through it a day. For comparison, the capacity of other border crossings linking the Kaliningrad region to Europe is no more than 2000 vehicles a day.

2. Construction of treatment facilities in Gusev

   Work on the construction of sewage treatment plants was carried out within the framework of the European project "Water purification in the Kaliningrad region", the corresponding memorandum was signed in 2006 by the regional government and the European Commission. The total cost of the project amounted to 6.5 million euros, of which EU funds - 3 million euros, regional budget funds - 3.5 million euros.

Most of the projects of this Program were focused on the development of economic and scientific and technical cooperation and support of local societies / initiatives in the field of culture. A small number of tourism projects reflect the fact that most INTERREG funds for this priority were distributed at an earlier stage of the announcement of the competitions (the announcement of the first and second competitions), so the funds were not available for organizing INTERREG-TACIS joint projects in this sphere, when Russian partners could join the projects.

The cross-border cooperation program of the European Neighborhood and Partnership Instrument) "Lithuania-Poland-Russia", implemented within the framework of the financial plan for 2007-2013.

Russia, the Republic of Lithuania and the Republic of Poland jointly participated in the implementation of the Cross-Border Cooperation Program of the European Neighborhood and Partnership Instrument Lithuania-Poland-Russia, implemented under the financial plan for 2007-2013. The agreement between the Government of the Russian Federation and the European Community on the financing and implementation of the cross-border cooperation program Lithuania-Poland-Russia was signed on November 18, 2009 in Stockholm, Sweden, ratified by the State Duma of the Russian Federation and the Federation Council of the Russian Federation and signed by the President of the Russian Federation in July 2010. The agreement entered into force on October 1, 2010.

Budget of the Program:

- EU - 132,129 million euros;
- Russian federal co-financing - 44 million euros;
- Co-financing of partners (10%).

The territory of the Lithuania-Poland-Russia Program included the following regions:

1. In the Russian Federation: Kaliningrad Region;
2. In the Republic of Lithuania: Klaipeda, Mariampol and Tauragė counties, and as adjacent territories - Alytus, Kaunas, Telšai and Shauliai counties;
3. In the Republic of Poland: the Gdansk-Gdynia-Sopot, Gdańsk, Elbląg, Olsztyn, Eltz and Bialostok-Suwalk subregions, and Slupsk, Bydgoschcz, Torun-Wloclawi, Lomzyn, Chekhanov-Plotsky and Ostrogletsko-Sedlets subregions as adjoining subregions. These subregions belong to five regions of Poland: the Pomeranian, Podlaskie, Warmino-Mazury, Kujawsko-Pomorskie and Mazowieckie voivodeships.

The program was aimed at: stimulating economic and social development on both sides of common borders; joint action to respond to common challenges and solve common problems; stimulation of cooperation at the population level. The Program area was viewed as the intersection of East-West and North-South transport axes, trade routes and tourist routes. This territory should become a cross-border region of mutual understanding between neighbors who are carrying out joint activities to develop and preserve the most important assets of the development of this territory, such as natural and cultural heritage and human capital (in particular, entrepreneurship). The assistance provided by the Program was aimed at removing obstacles to efficient cross-border cooperation and creating favorable conditions for connecting potentials across national borders and ensuring a secure social, cultural and natural environment for the local population, tourists and investors on the territory.

The priorities of the Program were:

Priority 1. Contribution to the solution of common problems and response to common challenges:

1.1 Sustainable use of nature

1.2 Development of communication links (transport accessibility and ICT)

Priority 2. Promotion of social, economic and spatial development:

2.1 Tourism development

2.2 Human development through improved social conditions, management and educational opportunities

2.3 Improving the competitiveness of SMEs and developing the labor market

2.4. Joint spatial and socio-economic planning

Within the framework of the program, the following major projects were implemented:

- "Completion of the reconstruction of the Kaliningrad-Mamonovo 2 (Novoselsovo) - the border of the Republic of Poland" (Russia) ", the budget - 9 million euros.

- "Integrated implementation and expansion of treatment facilities, water supply and wastewater networks, to reduce pollution of the Baltic Sea". Infrastructure facility on the Russian side - sewage treatment in the city of Mamonovo, budget - 5519773.44 euros.

- "Construction of sewerage networks and treatment facilities in the border areas of the Kaliningrad region and Lithuania". Infrastructure facility on the Russian side - sewage treatment plant in Slavsk, budget - 6686470.00 euros.

- "Ecological rehabilitation of the Neman river - construction of networks and treatment facilities in Neman (Russia) and in the settlements of the Jurbarkas district of Lithuania - Skirshnemune, Raudon and Veluon -" Water for Life ". Infrastructure facility on the Russian side - sewage treatment plant in the city of Neman, budget - 8,140 million euros.

"Construction of the transition between Panemune and Sovetsk with a bridge across the Neman River, the budget - 10.0 million euros.

The total number of approved projects of the Program is 53.

The main regulatory bodies of these Programs were the Joint Managing Authority and the Joint Technical Secretariat.

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