EAST RUSSIA ECONOMIC AGENDA

In 2017, FEIEA attracted 61 new investment projects

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Positive attitudes, Russians on the Far East

Success story: Window to business

Official bulletin of the Ministry for the Development of the Russian Far East. This document was prepared by the Autonomous Non-Profit Organization Far East Investment and Export Agency. Distributed by subscription. Reference to the source is required when using these materials.
All Far East on one web-site

News. Information. Services

nadv.ru
Information on all the newly introduced enterprises in the Far East is now available on the single portal for all things Far East, NaDV.ru (a special project). Each project is presented as a separate card with the name of the enterprise, the opening month, the size of the investments already made, and the jobs created. The system of special filters likewise allows for the necessary parameters to be selected and projects to be classified in terms of year, territory, investment instruments and other parameters.

"A lot has been said about launching new enterprises, but there wasn’t a unified site where information could be obtained about them. We decided to fill this gap and gather all the information on all such projects in one place. The main objective is to present the information in a convenient and clear form. The project is also accessible as a mobile version for reader convenience," said NaDV.ru project manager Alexander Okhrimenko.

As each new enterprise is opened, information on the portal will be updated.

‘By the end of 2017, information on more than 80 new enterprises will be entered. Each month there will be more such enterprises. It is very important that data on each of them is available, as each project realized is its own success story,’ said Alexander Galushka, the Minister of the Russian Federation for Far East Development.

According to the Ministry of Economic Development of the Russian Federation, more than 1,000 investment projects amounting to RUB 3.7 trillion have been declared in the Far East.

NaDV.ru is a consolidated service and information portal on all things Far East. The website contains news, references, services and other information on issues concerning the Far Eastern Federal District.

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The NaDV.ru project was presented at a special stand as part of the business program of the Far East Days in Moscow.
Far East Days in Moscow

The Far East Days were held for the first time in Moscow on December 8—16. As part of the federal project, cultural, exhibition and business events were held. From December 8—13, Moscow’s residents and guests had the opportunity to visit the Far Eastern Fair on Tverskaya Square. The main event of the business program was the exhibition at the Expocentre on December 14—16, where visitors learned more about the Far Eastern Hectare Program, and vacancies in the Far Eastern region. The key achievements in the social and economic development of the Far East were presented for representatives of the Russian and foreign business community.

On December 11, the Far Eastern Express theme train was put into circulation in the Moscow metro on the Tagansko-Krasnopresnenskaya line. It will run along the purple line for two months. Yuri Trutnev, Plenipotentiary of the President in the Far Eastern Federal District, Alexander Galushka, Head of the Ministry of the Russian Federation for the Development of the Far East, Viktor Kozlovsky, Head of the Moscow Metro, Vyacheslav Shport and Roman Kopin, Governors of the Khabarovsk Territory and the Chukotka Autonomous Area and Yegor Borisov, Head of the Republic of Sakha (Yakutia) attended the ceremony of the train’s first ride.

“I want more Muscovites to know that there is a Russian Far East, and that it’s developing rapidly. Today, 26% of foreign investments in Russia are focused in the Far East,” said Yuri Trutnev, Plenipotentiary of the President in the Far Eastern Federal District, at the launch ceremony.
In the photo zone of the Kamchatka Territory, guests enjoyed meeting real Huskies.

Magadan Region invited event participants to try on national Even clothing.

At the exhibition, the regions prepared special photo zones for the event’s guests. Sakhalin Region presented the Mountain Air Ski Resort.

The restaurant area was the most popular among Muscovites, where people were enthusiastic about trying Far Eastern delicacies. The biggest line was for crab burgers at the Kamchatka pavilion.
EASTERN RUSSIA ECONOMIC AGENDA

Vyacheslav Shport, Governor of the Khabarovsk Territory (on the right):

Ilya Chukalin, Director General of the Presidential Grants Foundation, Sergei Gabestro, Chairman of the Public Council under the Ministry of the Russian Federation for the Development of the Far East, Artur Niyazmetov, Deputy Minister of the Russian Federation for the Development of the Far East, Maxim Topilin, Minister of Labor and Social Protection of the Russian Federation

Visitors of the exhibition learned about the advantages of work and promising vacancies in the 20 largest enterprises of the Far East
Yuri Trutnev, Plenipotentiary of the President in the Far Eastern Federal District, during the tour of the Far East Days exhibition

As part of the business program there was a meeting of the Valdai discussion club. Participants in the session "Russia's turn towards the East: The Next Decade" discussed prospects for Russia's trade and economic development in light of a reorientation towards the East.

Several directions for development of the Far Eastern Federal District Russia will concentrate on in the next 10 years were highlighted at the session. These focus primarily on the creation of greater economic freedom for businesses, improving the quality of life in the Far East, as well as the quality of education, health, sports and culture to a level higher than the Russian average. A package of draft laws that create additional incentives for business development has also been prepared, including the extension of a simplified tax regime to 2035, and a simplified procedure for obtaining citizenship for investors.

Participants also discussed the development of economic relations with Asian and EU countries.
The survey showed that the development potential of the Far East in the respondents’ perception is the highest in comparison with other regions. It also demonstrates the best growth in the dynamics of a positive assessment of social and economic development. In comparison with 2016, the increase in this indicator was 3% of the total number of respondents.

The efforts of the federal authorities to develop the eastern macroregion were also noticed by the scientific. Vladimir Putin, President of Russia, was quite clear in stating that “the rise of the Far East is our national priority throughout the entire twenty-first century.” The seriousness of intentions towards the eastern territories was confirmed by the creation in 2012 of a separate federal body – the Ministry for the Development of the Russian Far East. It coordinates all state programs, and works to create conditions for attracting investments to the Far East. Therefore, it is not surprising that 42% of respondents associate the development of the Far East with the president of the country, and 41% believe that the government actively supports the implementation of state programs in the region.

During the survey, the Russian Public Opinion Research Center’s specialists recorded an increase in the awareness of Russians about large-scale projects currently being implemented in the Far East. Thus, in comparison with 2016, the number of people who know about the creation of the Free Port of Vladivostok increased by 3% (from 28 to 31), and the number of citizens who know about the Far Eastern Hectare Program increased by 14% (from 48 to 62). It is also interesting to note that 20% of the total number of respondents considered the prospect of obtaining a hectare in the Far East appealing, and the greatest interest in land in the east of the country was shown by residents of the Northwestern Federal District, where 29% are ready to consider the possibility of obtaining a Far Eastern hectare.

The potential for the development of entrepreneurship in the Far East also demonstrates positive dynamics, where 30% of respondents positively assessed the possibility of opening their own business in the region. In 2016, this figure was just 24%. It is possible that one of the factors affect-
ing the desire to do business in the region is its proximity to the countries of South-East Asia. This advantage was named by 24% of the respondents as a perk making life in the Far East more appealing. In comparison with last year, this indicator grew by 7 points. Among other advantages, such criteria as "Infrastructure development" (growth from 6 to 10 points), "Opportunity for sports and cultural leisure" (from 7 to 9 points), "Affordable housing" (from 20 to 24 points) and " Favorable environmental conditions" (from 22 to 25 points) all witnessed growth.

According to the last criterion, the Far East is compared with other regions of the country. 44% of their residents believe that environmental safety in the Far East is better than where they live. 28% believe that this is a relationship between people, and 24% of respondents decided that the conditions for creating a family in the Far East are better than in their home regions.

All the above data logically reflects respondent opinions on the possibility of rest and work in the Far East. Thus, 44% of the surveyed Russians are ready to visit the region for travel purposes, where 24% are considering working in one of its enterprises.

High salaries is the most appealing reason for respondents considering moving to the Far East. This option was chosen by 28%. At the same time, 45% are ready to consider the possibility of employment in the Far Eastern enterprises with wages ranging from RUB 50,000 to 100,000. Among respondents between the ages of 18 and 24, this figure was 62%. At the same time, 42% of respondents do not know that people moving to the Far East are in any way supported by various programs, even though the share of awareness of Russians who know or have heard about support programs has increased by 10% compared to last year (from 47 to 57).

Perhaps the most optimistic results were provided by the final question of sociologists. They asked: "In your opinion, can the Far East become one of the most developed and prosperous territories of the country?" 53% of the respondents answered that in 15–20 years, this territory could potentially become one of the most prosperous, and 11% believe that the Far East is already one of the most developed regions today. The youth of the Far Eastern Federal District also agree with the opinion of the residents of other constituent subjects: 42% of young people believe that in the future, the Far East has excellent prospects, and 25% think that these prospects are already being realized today.
A RESIDENT OF THE FREE PORT OF VLADIVOSTOK LAUNCHES ENVIRONMENTALLY FRIENDLY PRODUCTION

ECO PAK launches production of biodegradable polyethylene bags and expanded polystyrene trays. The project involves the construction of both production and warehouse facilities. The investment amounts to approximately RUB 22 million.

According to Denis Sobolevsky, Director General of ECO PAK, these products have an important advantage, as they are absolutely safe for the environment and do not require special conditions to be recycled. Such an enterprise will not only improve the ecology of the Far Eastern region, but also contribute to the development of the non-resource-based sector of the economy.

KAMCHATSKAYA MELNITSA EXPANDS COMPOUND FEED PRODUCTION

Kamchatskaya Melnitsa JSC, a resident of the Kamchatka ASEZ, recently launched a silo at its plant for compound feed production. This concludes the first modernization stage of the only enterprise on the peninsula providing agricultural producers compound feeds of their own production.

With the launch of the new facility, the enterprise intends to increase the production of compound feed for all types of farm animals and poultry. Due to high demand, the plant’s production volumes have been increased from 1,000 to 2,300 tons per month. The products are oriented not only towards the large enterprises of the region, but also to citizens maintaining their own private farms.

The company also plans to resume production of flour in the region, and to start preparing design specifications and estimates for the modernization of the mill complex.

CORE INDUSTRY PLANS TO FORCE OUT THE IMPORT OF CARDANOL WITH ITS OWN PRODUCTS

Core Industry, a resident of the Free Port of Vladivostok engaged in cashew nut processing and packing in the Far East, has entered into a new stage of non-waste production. According to Maxim Korenev, Director General of the enterprise, in addition to the packaging of standard and premium nuts, the production of oil for the food and cosmetic industry will be launched in the near future.

“The shell of cashew nut contains an acid, which when pressed is converted into cardanol,” explained Maxim Korenev. “This substance is 100% imported into Russia and used as a binder for the production of varnishes, paints, and plastics. At the moment, equipment for its production has already been installed. The oilcake left after pressing can be formed into fuel pellets, thus making production entirely waste-free.”

The amount of capital investments in the project amount to RUB 5.8 million.

VOSTOKPROMSNAST STARTS THE SUPPLY OF FISHING PRODUCTS MADE OF CAPRON

Vostokpromsnast (Nakhodka), a resident of the Free Port of Vladivostok, recently began supplying capron nets to fishermen from Primorye, Kamchatka, Khabarovsk and Sakhalin. The company manufactures industrial fishing nets from threads of its own production, purchasing its raw materials in Kursk from the leading Russian supplier of polyamide fiber.
The total investment in the project exceeds RUB 20 million.

For the start of production, a facility with an area of 3,000 m² was repaired, and eight twisting machines for the production of threads, four netting machines and stringing equipment were purchased. The enterprise produces up to 25 tons of finished goods per month. In the future, the company plans to launch the production of rope made of polyethylene.

**FLOATING PLANT FOR THE PRODUCTION OF FISH OIL AND FLOUR SET TO LAUNCH IN THE FREE PORT OF VLADIVOSTOK**

Production of fish flour and oil made from Far Eastern sardine will be organized in the northwestern part of the Pacific Ocean on a special vessel equipped with modern processing equipment. PIK, a Sakhalin company and resident of the Free Port of Vladivostok, is set to implement the project worth a total of RUB 886.7 million. The launch of the plant will create 40 new jobs.

The company plans to equip its own ship with a freezer and production line capable of processing 12 tons of products per hour. When processing fish obtained from suppliers directly in the sea, a special installation will automatically divide the fractions to prepare and dry the flour, and separate the oil from the water. The flour is intended for use mainly in agriculture and mariculture, and the fish oil will be supplied to pharmaceutical production for further processing.

**ASEZ RESIDENT SENDS STAFF FOR TRAINING IN JAPAN**

MAZDA SOLLERS Manufacturing Rus has sent its specialists for training in Japan. According to Dmitry Kudinov, Director General of the company, in 2018 120 people will be trained in Japan at the engine plant in Hiroshima.

MAZDA SOLLERS Manufacturing Rus became a Nadezhinskaya ASEZ resident in September 2017, and is currently constructing a plant for Mazda SkyActiv-G engine production. Company goals for the project involve reaching a production capacity of 50,000 engines per year, and RUB 3 billion will be invested in the project, along with the creation of 150 jobs. To improve employee skills, they will be trained at the company’s training center in Vladivostok and at the Mazda Motor Corporation factory in Japan.

**NEW RESIDENTS OF ASEZ AND THE FREE PORT OF VLADIVOSTOK TO BE ENGAGED IN MARICULTURE AND GOLD MINING**

Far East Development Corporation recently signed new agreements on investment activities in the Free Port of Vladivostok and ASEZ. The total amount of investments from new residents tops RUB 4.9 billion. The full implementation of all investment projects will create 1,092 new jobs.

In particular, the development of marine hydrobionts is now the largest project within the Free Port of Vladivostok. Marine Aquaculture HE XIAN will grow scallops, trepang and sea urchin in the Lazovsky district of Primorye Territory. Agreements on the construction of residential and commercial real estate have been entered into with Region, Aurora, ECE and VladStroyGroup. Complexes for the storage of goods and equipment will be built by PlasticDV LLC and Russian Transport Group LLC as Free Port of Vladivostok residents. Meridian will build a warehouse for grain storage, while the SKIF construction company is slated to construct the agricultural complex. The construction of the gold mining enterprise at the Polyanka deposit is also planned to be implemented by NGK Resurs, a resident of the Nikolayevsk ASEZ.
EASTERN RUSSIA ECONOMIC AGENDA

NEWS ABOUT ASEZ AND THE FREE PORT OF VLADIVOSTOK RESIDENTS

A new 192-apartment house now stands tall in the neighborhood of the Zeleny Ugol housing estate, with 185 apartments allocated to participants of the program. Vostochny LUCH’s project provides for the construction of three multi-storey panel houses. The second and third houses are planned to be commissioned by the end of 2018. In total, 576 Primorye families will soon be able to celebrate their housewarming parties. The project’s cost exceeds RUB 1.4 billion.

KOLMAR GROUP INVESTS USD 1 BILLION IN YAKUTIAN PRODUCTION

Kolmar Group, an anchor resident of the Yuzhnaya Yakutia ASEZ, invested approximately USD 1 billion in new production facilities. According to Anna Tsivileva, Deputy Director General of Colmar Group of Companies, now the enterprises employ 3,000 people. “By 2021, when we start another enrichment plant, 7,000 people will be employed at our enterprise,” said Anna Tsivileva.

According to Kolmar’s representative, the company compensates flights for visiting specialists, and pays for their education and rest. “Recently we signed an agreement on the possibility to be treated, be under care and receive medical examinations at the medical institutions of Russian Railways, which are located in Krasnoyarsk, Irkutsk, Khabarovsk, and Novosibirsk. This is important for people,” said Anna Tsivileva.

Kolmar Group includes the Denisovsky Mining and Processing Plant and the Inaglinsky Mining and Processing Plant located in Yakutia, as well as KSL, which specializes in international trade.

THE FIRST HOUSE IN PRIMORYE IS COMMISSIONED UNDER THE HOUSING FOR RUSSIAN FAMILIES PROGRAM

Vostochny LUCH, a resident of the Free Port of Vladivostok, commissioned in Vladivostok the first house built in the Primorye Territory under the Housing for Russian Families federal program. According to Alexey Isakov, Deputy Director for Development of Vostochny LUCH LLC, all apartments have either two or three rooms, with balconies. The cost per square meter of housing spaces for the participants of the Housing for Russian Families program is RUB 35,000.

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Agrokhim DV builds the first warehouse complex for agricultural chemistry in the Far East

In the Amur Region, Agrokhim DV, a resident of the Priamurskaya ASEZ, is completing construction of a unique logistics complex for storing pesticides and agrochemicals. This will help meet all the need of the Amur Region in terms of storing agricultural chemicals. The logistics complex is designed to include two warehouses: one for summer, and another for winter storage for 800 tons of one-time storage each with an annual turnover of up to 3,000 tons.

The warehouse complex will meet the most modern world environmental standards. The cost of compliance with environmental norms and regulations in the project is approximately RUB 50 million with a total project cost of about RUB 100 million. Thus, 30% of the territory of the complex is allocated for landscaping.

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Profidez-DV, at the request of the Emergency Management Department for the Primorsky Territory, has created a modern import-substitution agent to eliminate persistent pathogenic viruses, bacteria, and fungi. Deliveries of the special agent will begin in 2018.

The plant for the production of modern disinfectants, cleaning products, and detergents was also put into operation in 2017 on the site of the Avangard Industrial Park in the Khabarovsk ASEZ. The enterprise has already formed a production program for 2018 and plans to provide large medical institutions and departments of the Far East with products for a total of about RUB 70 million.

The product line of Profidez-DV LLC has more than 30 products, with plans for future expansion. At further stages of development, the company will build its own production site, and access to the markets of APR countries will be considered by 2022.

**ENERGY SPECIALISTS TO BUY GAS FROM A RESIDENT OF THE ASEZ**

Chukotenergo will allocate RUB 2.765 billion to purchase gas from Sibneft-Chukotka, a resident of the Beringovskaya ASEZ. The fuel will be purchased for the Anadyr TPP and Anadyr gas-fired TPP for ten years. The total volume of purchased gas will be 545 million cubic meters, including 45 million cubic meters in 2018 and 50 million cubic meters each subsequent year.

Sibneft-Chukotka annually produces 25–30 million cubic meters of gas, and in the near future, the production volume will be increased for the needs of Chukotenergo. Within the framework of the Beringovsky ASEZ, the company is currently building a gas pipeline network. The announced investment amount in the project is RUB 202 million. In the first three years from the moment of joining the ASEZ, the investment volume will be RUB 122 million.

**RESIDENT OF THE MOUNTAIN AIR ASEZ TO INVEST RUB 604 MILLION IN THE CONSTRUCTION OF HOTELS**

Sakhalin Chalet plans to build a hotel complex of 26 Alpine-style houses with apartments ranging from 40 to 120 m² in the area of the Gorny Vozdukh (Mountain Air) mountain-skiing complex. The project is implemented within the framework of the Gorny Vozdukh ASEZ, and is estimated at RUB 604 million.

The total building area will be 9,000 m². The project also includes a 400 m² club house with a fitness center, swimming pool, and lounge area for guests of the Gorny Vozdukh mountain resort. The complex will be located in close proximity to the ski slopes, 10 minutes from the lower station of the ski lifts. It is assumed that the hotels will be at least four-star, and the project is designed to create at least 50 jobs.
In 2017, FEIEA attracted 61 new investment projects

The Far East Investment and Export Agency (FEIEA) currently supports 750 investment projects being implemented in the Far East. According to the organization’s general director, Leonid Petukhov, the "youngest" of the federal development institutes of the Far Eastern Federal District is currently working on more than 13 priority sectors. These include mining and forestry, medicine and pharmaceutics, engineering, fisheries and aquaculture, agriculture, electricity, transport and logistics, petrochemicals, and tourism.

Last year, FEIEA attracted 61 investment projects with a total investment value of RUB 330 billion. There are also 150 new projects under development, the implementation of which is estimated at RUB 2.8 trillion.

One of the most important aspects of FEIEA's efforts is the establishment of working contacts with businessmen in APR countries. At the end of November, the Korean Investor Support Center was launched in Vladivostok. Now, just by calling the new “hotline,” Korean businessmen can ask anything they want on issues they're interested in. An agreement with the Japanese Bank for International Cooperation (JBIC) was also signed earlier to create a platform for supporting Japanese investments in the Far Eastern Federal District. The Agency has reached an agreement with the China Overseas Development Association (CODA) to establish a Center to attract Chinese investment to the Far East.

FEIEA representative offices are already operating in China (Beijing, Harbin, Shanghai), and in the first half of 2018 representative offices are slated to open in Seoul and Tokyo.

The agency helps investors implement projects in the Far East. FEIEA attracts residents to the ASEZ and Free Port of Vladivostok, consults them, helps find project partners, and provides support during their implementation.
The Agency for Human Capital Development in the Russian Far East (AHCD RFE) provides enterprises of the region, or residents of the ASEZ, Free Port of Vladivostok and investment projects, with qualified personnel, and is responsible for the information and methodological support of the Far Eastern Hectare Program.

Projects as Land Plots in Exchange for Houses, and fully-integrated sales support including a series of measures aimed at supporting the sale of products manufactured as part of the Far Eastern Hectare program. It also features support for cooperation among program participants, the creation of the Far Eastern Hectare brand and the unified Hectare Online trading platform, said Valentin Timakov, Director General of the AHCD RFE Autonomous Non-Profit Organization.

Efforts continue to engage qualified personnel in the production facilities of Russia’s easternmost regions, including residents of the ASEZ and Free Port of Vladivostok. This year, with the assistance of the Agency, 4,220 people were employed by Far Eastern investors (since the beginning of AHCD RFE’s operations, this figure is 8,280 specialists).

Priorities are concentrated in the training of qualified personnel. The main focus is not to prepare specialists of disappearing professions, but rather personnel that will be in demand on the labor market, thus the education system must correspond to the needs of the economy. In response, AHCD RFE developed the concept of a system for advanced education in the Far East, and presented it at EEF 2017. The main principles of the system are the use of reliable predictions for staffing requirements, an orientation on business, involvement of an employer in the process of staff training, action learning and the flexibility of educational programs.

Over the past year, the number of residents of the ASEZ and Free Port of Vladivostok has increased threefold.

Far East Development Corporation in 2017 signed 359 new agreements with residents of Advanced Special Economic Zones and the Free Port of Vladivostok. The total volume of investments under agreements with residents of the ASEZ and Free Port of Vladivostok now amounted to RUB 2.1 trillion.

The most important task of the FEDC is the comprehensive support of projects for residents of the ASEZ and Free Port of Vladivostok, the provision of new enterprises with land plots and the necessary infrastructure. At the request of the residents, the Corporation helps to resolve issues related to the technological connection to power networks, water, heat and gas supply systems. “Today we practically live on construction sites, helping residents build new enterprises and supervising the construction of the necessary infrastructure to get things done right,” Denis Tikhonov said.

For the needs of small and medium-sized businesses, infrastructure facilities are planned for development in the Advanced Special Economic Zones, with their number depending on the demand of investors.

To date, more than 6,500 new jobs have already been created by residents of the ASEZ, and about 1,900 by residents of the Free Port of Vladivostok.

The Far East Development Corporation helps creates the ideal conditions for doing business in the Far East, brings out the competitive advantages of the Far Eastern region, and creates new business areas in the territories of its presence, claiming leadership positions on the scale of countries in the Asia-Pacific region.
In December 2017, the Nikolaevsk ASEZ was expanded in an effort to provide more benefits and support for NGK Resurs gold mining.

As a result of the joint work of the Ministry for the Development of the Far East, Far East Development Corporation JSC and regional authorities, in less than two months the full set of documents was prepared, including the list of activities permissible for residents of the ASEZ. Resurs received its status as a resident of the ASEZ on December 15.

According to Valery Guminsky, Director General of Resurs, the company’s management was amazed by the efficiency of the FEDC’s operations.

“We’ve received help in organizational aspects across the board. I’ve worked in Yakutia, Altai, and Transbaikal, and I can say that in the Far East, ideal conditions...
Before 2012, the license for development of the Polyanka deposit was owned by Nizhneamurskaya Mining Company LLC, which received its gold extraction permit in 2011. However, a year later the company was sold to NGK Resurs LLC, and the license was transferred to a new owner.

Investors plan to invest more than RUB 3 billion in the project, of which more than RUB 2.5 billion will be invested in the construction of the production complex.

“We’re going to construct facilities for the new enterprise by ourselves,” said Valery Guminsky. “If we hire a contractor, the project will cost several times more – about RUB 8 billion.”

First of all, housing facilities for employees will be constructed. In early 2018, construction of the ore mining and processing mill, crushing and grading complex and laboratory are set to begin. According to Valery Guminsky, the enterprise has already constructed at its own expense a road to enable year-round transport connection with Polyanka.

Investors expect to start production in less than a year.

“We plan to get the first cast gold bar from the Polyanka deposit on October 20, when Khabarovsk Territory will celebrate its 80th anniversary,” says Valery Guminsky.

Initially, the enterprise will create 260 jobs, and after reaching its projected capacity, this figure will jump to 500.

After becoming a resident of the Nikolaevo ASEZ, NGK Resurs has received not only tax benefits, but also government support in developing the necessary infrastructure. As of today, one of the most pressing issues for the enterprise is connection to the gas pipeline.

“We will install an autonomous power plant with a capacity of 2.5 MW,” explains Valery Guminsky. “But this will consume simply a massive amount of diesel fuel. The issue is that this fuel is prohibitively expensive, with prices reaching RUB 64 per liter (including the RUB 14 we need to pay for the delivery of the fuel by road to the deposit). Delivery of the fuel by sea costs between RUB 4 to 6 per liter. However, the power plant can also consume natural gas, which only costs RUB 6 per kilogram. Nevertheless, in any event we first need to connect to the gas pipeline near the deposit. The FEDC is helping us in this matter.”

NGK Resurs also plans to perform additional exploratory works in the area of the Polyanka deposit for a total cost of approximately RUB 330 million.

“We’ve confirmed certain reserves, but we believe that this isn’t the limit for this deposit,” explained the head of the enterprise. “Therefore, we plan to invest in additional exploration. In addition, there are also two other prospective ore deposits – Zolotaya Gorka and Sberegatelny. We plan to invest about RUB 100 million in prospect evaluation drilling in these areas.

In 2017, there was a clear trend towards an increase in the extraction of ore gold in this region. According to the regional Ministry of Natural Resources, the enterprises of the Khabarovsk Territory are likely to extract more than 22 tons of this precious metal by the end of the year. The current record – 21.1 tons of gold – dates back to 2004. According to Nikolai Ischuk, Head of the Subsoil Resources Management Department of the Ministry of Natural Resources of the Khabarovsk Territorial, during 10 months of 2017, the increase in the extraction of ore gold amounted to 22.9%.

The following enterprises (part of Polymetal Group) are still leaders in the extraction of ore gold in the region: Resursy Albazino and Svetloe. Mnogovershinnoe, owned by Russdragmet Group and Amur Zoloto, which is part of the Russian Platina Group, also managed to achieve a significant increase in production.

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At the Tapir-ECO plant, there are several sieves at the exit of a small production line that looks like an inverted letter L, through which rubber “crumbs” of different sizes are poured into sacks. The previously filled sacks are stacked near the line. Nearby, we can also see raw materials in the form of old car tires. A young man stands “at the exit” of the production line, while there is a woman “at the entrance.” That is, this is the entire staff. It’s hard to believe that Tapir-ECO can process up to 3,500 tons of tires per year!

According to CEO Stanislav Kuzema, this production line is still in its testing stage. It was launched on May 30, and production began in June “as a kind of test round.” Workers are still in fact being trained, and the equipment has to be periodically stopped and re-configured. Nevertheless, all documents for obtaining a license for recycling tires are ready to be sent off to Moscow. The Head of Tapir-ECO hopes that permission will be received by February of next year.

“Today we collect rubber at dumps and motor depots,” explains Stanislav Kuzema. “In fact, tires aren’t currently recycled anywhere in Komsomolsk-on-Amur. We’re actually collecting materials that nobody needs. From a certain perspective this is a positive thing, as we have raw materials. But on the other hand, recycling should be paid, because this is also work: for example, the delivery of solid household waste to a landfill is always paid for. However, we have not received a license yet, and as a result, we cannot accept payment. Therefore, we are currently recycling at our own expense.

According to the Head of the company, even the license won’t automatically provide the company with raw materials.

Undoubtedly, enterprises have a need to recycle old tires. However, half of these rubber products aren’t recycled in any way. They are either disposed of in unauthorized landfills, or “clutter up” the territory of such enterprises, and are then ultimately transported to unauthorized landfills outside the city or somewhere else, as authorized landfills cannot accept tires by law. Landfill sites of course try to circumvent these restrictions by using storage contracts or licenses obtained by other enterprises. As a
result, used rubber material accumulates, and is just left sitting there. And everyone turns a blind eye to this for one simple reason: there isn’t a single company in our city that has the right to officially recycle rubber. The closest specialized enterprise — Briz LLC — is located in Khabarovsk,” said Stanislav Kuzema.

In this context, the business idea of the owners of Tapir-ECO looks like a win-win situation. The Company invested about RUB 15 million in the acquisition and pre-commissioning of an industrial plant for the processing of old tires, and now the time has come to reap the benefits and earn dividends. But in fact, everything is much more complicated, as is the case with any other manufacturing enterprise.

Most enterprises that are potential sources of raw materials for Tapir-ECO are simply not ready to pay for the disposal of tires. On the contrary, they themselves require the recycler to pay for these raw materials. “This problem has not been solved yet, and there is certainly only one way out — the supervisory authorities must introduce more stringent control over the disposal of rubber,” said Stanislav Kuzema.

The cost of disposal is not large: if the price is around RUB 3 per kilogram, then the owner will have to pay only RUB 150 for the disposal of a truck wheel. Tapir-ECO is only trying to obtain a license to become a part of the circulation system of solid domestic waste, which is to be managed by a regional operator distributing waste in this RF subject when such an operator is established. “We do not claim that all waste should be brought to us,” Stanislav Kuzema points out. “We only want to get our specific type of waste, which cannot otherwise be taken to a landfill site or waste sorting station by law. Our further relations with the operator will be contractual.”

The supply of raw materials under this project is described as follows. The first source will be the city landfill currently storing 1,500 tons of tires. The second source will be shipping companies and tire shops. In addition, ownerless tires will also be collected. At the same time, the recycler is ready to provide for the disposal of old tires belonging to enterprises for a fee of RUB 1,000–2,000 per ton. The landfill charges RUB 966 per ton.

The second main task for any business is to ensure sales. Today, the enterprise produces small quantities of rubber crumb, however, it already has customers in other cities and even other regions, for example, in Khabarovsk and Sakhalin. In addition, Tapir-ECO also supplies rubber tiles to Khabarovsk Territory. Nevertheless, trauma-safe coatings are produced in small quantities, as the rubber crumb production line produces five times more than is needed to produce rubber coatings.

From this point of view, the main limiting factor is the state of the local market. The population of Komsomolsk-on-Amur is small, and its purchasing power is low. Not all residents can afford to construct a new trauma-safe playground in the courtyard of an apartment building, or a path or front porch for a private residence.

According to Tapir-ECO, many children’s playgrounds in Komsomolsk-on-Amur are in need of modernization: a significant number of playgrounds are covered with sand, but eventually the sand is trampled down, polluted, blown away by the wind or washed off with water, and the surface becomes dangerous. According to Stanislav Kuzema’s calculations, a children’s playground of 100 m² can be covered with a rubber coating produced by Tapir-ECO worth RUB 150,000–200,000. He is confident that this is an affordable solution for management companies: if we suppose that there are 100 apartments in an apartment building, then prices will be RUB 200 per apartment.

The Head of Tapir-ECO confirms that the authorities support the Company’s investor. For example, the Komsomolsk-on-Amur Investment and Development Agency, owned by the municipality, helped the Company submit all the documents required for obtaining ASEZ resident status, and the new enterprise was able to “settle” in the Amurlitmath’s territory, as well as obtain the right to claim tax benefits. The Agency also helped Tapir-ECO obtain the status of a priority project at the local level, and present the project at a meeting of the Investment Council under the Head of Komsomolsk-on-Amur, which facilitated interaction with all municipal officials.

Investor ideas also strike a chord with the regional authorities. “We are actively communicating with the Ministry of Foreign Economic Relations in order to promote our products in foreign markets,” he said.

However, like any other businessman, Stanislav Kuzema has many questions for the officials responsible for mechanisms designed to help develop the Far East.

“We do not regret that we are located in the Amurlitmath,” he said. “But of course, our own territory would be more comfortable for us. Today, we pay about RUB 500,000 each quarter to rent premises. Of course, these funds could instead be spent on production development. But what does it mean to build your infrastructure? Capital construction is a huge commitment associated with large investments. We would gladly move to another ASEZ site — Parus — despite the fact that there is no noticeable activity there, if we were given the opportunity to pay gradually. But we were not provided with such mechanisms.”

However, the businessman also encourages others to “stay realistic” in terms of assessing the actions of the authorities.

“Perhaps we expected more effective support in certain issues, for example: each resident has the right to benefits in the form of a VAT refund. But it is very difficult to prove your right to a refund when communicating with the tax authorities if you are a newly established enterprise. From this point of view, interactions with customs bodies is much more understandable. Nevertheless, the current level of support is enough for us. And we hope that these preferences will play a positive role when we significantly increase our production volumes. At the moment, we aren’t producing volumes large enough to fully appreciate the benefits available,” said Stanislav Kuzema.

The municipal authorities are well aware of all the problems of the Investor. According to Yevgeny Korshikov, the First Deputy Head of Komsomolsk-on-Amur, changes concerning the use of rubber coatings were made to the municipal regulations for the improvement of courtyards. In addition, experts are also studying the possibilities of using rubber crumb as an asphalt pavement.

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**The Company invested about RUB 15 million in the acquisition and pre-commissioning of an industrial plant for the processing of old tires.**

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Long-burning boilers

SakhaLiepsnele helps Yakutia residents cut their fuel costs

Yakutia sees its future not only with the extraction and transportation of raw commodities, but also with the establishment of high-tech enterprises currently located in the Kangalassy Industrial Park ASEZ.

The extreme North with its climatic features and long winter become a "trump card" for initiators of business projects. For example, in 2015 the SakhaLiepsnele company began to promote the idea of using continuous burning boilers. In 2016, they were assigned resident status by Kangalassy Industrial Park ASEZ. They have since implemented an investment project with the participation of the Yakutia Venture Company and Lithuanian company Vakaro Rasa (Sakhaliepsnele is the exclusive representative of Vakaro Rasa in Yakutia). Investment in the project amounted to RUB 35 million.

Only 92 of about 600 settlements in the Republic of Sakha are provided with natural gas (only 10 of 36 districts), so the issue of heat supply for residential and social facilities is extremely acute: for almost seven months a year, the inhabitants of Yakutia are forced to heat their homes in a traditional way.

SakhaLiepsnele did not have to "reinvent the wheel," they only needed to adapt the existing idea to regional features. "The principle of operation is quite simple: combustion is directed from the top down, and adjustable air supply allows us to set the fuel combustion rate and temperature in the boiler. The lower the temperature, the slower the fuel burns," said Igor Zhirkov, the Company's technical director who showed us the neat boilers installed in the plant. "Customers who installed our boilers have already been able to cut fuel costs (wood, coal) by a factor of 2 to 2.5 times. At 50 degrees below zero, one batch of wood was enough for 18 hours, and one batch of coal was enough for two days. Previously, they used to burn the same quantity of fuel in 1.5–2 hours."

Colleagues from the Northeastern Federal University Teplokomfort, a small innovative enterprise engaged in housing improvements, helped them evaluate the profitability and practical benefits of the project. For the average rural resident, this was a real invention. The desire of consumers and enterprises to save money contributed to the promotion of this idea in the first years, and the company sold about 700 boilers of different types and capacities. Now these boilers heat almost all areas of Yakutia, which for more than 50 years have not been connected to the gas supply network. Yet the manufacturers of these boilers were able to provide such coverage in just three years.

SakhaLiepsnele cooperates with a Lithuanian company. They signed an agreement on the use of the patent, and obtained the right to sell boilers on the territory of the Republic. Within two years, company specialists made changes to the design by increasing the thickness of the inner wall, and also modifying the air distributor and fire bars. These adjustments help take into account the specifics of Yakutian fuel.

The young Yakut businessmen behind this project have a dream: they want ordinary citizens, for example veterans and families with many children, to become participants in state subsidy programs and install boilers in their homes for free. "You need large investments to supply entire villages with gas. Thus, continuous burning boilers have the potential to become an efficient and cost-effective option, as gas won't be any cheaper in the near future," SakhaLiepsnele representatives said.

They are now actively preparing to enter the markets of neighboring regions with similar climatic conditions. This summer, the Sakhaliepsnele company sent their first delivery to Kirghizia.

Kangalassy Industrial Park ASEZ was established based on the RF Government Regulation of August 21, 2015. The Far East Development Corporation has received 23 applications to obtain ASEZ residential status. The total amount of private investments following these requests exceeds RUB 5 billion, and over 1,000 jobs are expected to be created.
Window to business

Tyoply Krai now controls 20% of the dual-pane window production market in Yakutsk

Developing business based on experience that has already tested our entrepreneurial spirit for strength is ultimately a much simpler task than starting it all from scratch. Plus there’s another bonus at work here: strong support from governmental programs. Tyoply Krai, a resident of the Yakutian Kangalassy ASEQ, has successfully taken over the market thanks to the needs of northerners for ‘warmth and comfort’ all the year round.

It all started with Okna Yakutska (Windows of Yakutsk) campaign, when a team of talented young people decided to start selling and mounting prefabricated window modules delivered from Novosibirsk. At that time, only five people worked for the company. The business was growing fast, as was the competition, since Yakutsk was entering the era of so-called ‘European windows.’ In just 18 months, the number of employees jumped to 30, and the company realized they might get stuck at that level. That was the moment when the idea of first creating their own window manufacturing line dawned on them.

‘Entering the market with the same old technologies means being just like everyone else, with no opportunities for differentiation. That’s why we decided to implement a modern technology known as ‘warm windows’ (or ‘tyoply krai’ in Russian).’ This technology includes just two basic elements, glass and special-purpose tape, which helped run the process significantly faster. Making a single dual-pane window takes as little as five minutes,” says Nyurgustan Ivanov, CEO of Tyoply Krai Ltd.

In 2016, the company became a resident of Kangalassy Industrial Park and received investments of RUB 35 million. In November 2017, Tyoply Krai launched its production facility on the Kapitonovka site. The entire batch of production equipment was delivered and installed in a timely manner, and manufacturing began shortly after.

During the course of implementing the project, the company also extended their product line. The ‘resident bonus’ that the company received enabled them to launch two innovative business lines – the manufacturing of sandwich panels and metal structures. Sandwich panel manufacturing has currently achieved its planned capacity, and the production of metal structures is also expected to achieve its targets by 2018. ‘For the purposes of constructing a large production facility, we had to purchase over 3,000 m² of materials. But the purchase and delivery costs were so tremendous that we thought: why can’t we just do this ourselves? That’s how our new business lines came to be,’ says Nyurgustan Ivanov.

When we just started, our production capacity was relatively limited, with only 150–200 dual-pane windows per month. Yet the company might have developed in a completely different way if Yakutia Technopark never took it under their wing. The Technopark’s opportunities helped us purchase state-of-the-art equipment and deploy innovative production technologies, which allowed us to take over 20% of the dual-pane windows manufacturing market in the Republic’s capital.

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

**COTTON (LIQUID) WALLPAPER FACTORY**

**REGION:** Primorye Territory  
**INDUSTRY:** Services  
**INVESTMENT VOLUME:** RUB 6.3 million  
**NUMBER OF JOBS:** 26  
**PROJECT DESCRIPTION:** transfer of the existing wallpaper production line from Thailand to Russia, equipment upgrade, purchasing new machines and the introduction of innovative machines and equipment. The foundation of a construction and finishing company in Vladivostok to provide eco-friendly home improvement services based on the company's own materials produced.

**OSB BOARD FACTORY**

**REGION:** Primorye Territory  
**INDUSTRY:** wood conversion  
**INVESTMENT VOLUME:** RUB 178.5 million  
**NUMBER OF JOBS:** 36  
**PROJECT DESCRIPTION:** establishment of an OSB board factory with a production capacity of 30,000 cub. m/year. This material has the best strength profile with a lower prime cost, and can replace plywood as the major component in framing constructions.

**ONSHORE FISH PROCESSING FACTORY**

**REGION:** Kamchatka Territory  
**INDUSTRY:** fishery and aquaculture  
**INVESTMENT VOLUME:** RUB 661 million  
**NUMBER OF JOBS:** 302  
**PROJECT DESCRIPTION:** implementation of the project is expected to facilitate the renovation and upgrading of fishing vessels, improve the quality of industrial fish yielded, increase advanced fish processing revenue, increase sales volumes and also extend the product line.

**HOTHOUSE AND NURSERY GARDEN**

**REGION:** Primorye Territory  
**INDUSTRY:** agriculture  
**INVESTMENT VOLUME:** RUB 36 million  
**NUMBER OF JOBS:** 34  
**PROJECT DESCRIPTION:** creation of a forest nursery in Ussuriysk for growing high-quality bare root or root-balled planting material with an enhanced genetic background.
PRODUCTION AND WAREHOUSE COMPLEX FOR COAL COMMINUTION, SORTING AND PACKAGING

**REGION:** Primorye Territory  
**INDUSTRY:** Logistics  
**INVESTMENT VOLUME:** RUB 16.2 million  
**NUMBER OF JOBS:** 11  
**PROJECT DESCRIPTION:** entering and gaining strong positions in the production and sales of the high-quality power plant packaged coal market in Asia. The key aspect of the project is supplying an inexpensive yet high-quality product that complies with the responsible consumption guidelines adopted in APAC countries (Japan, Republic of Korea).

MULTI-FACETED CULTURAL CENTER AND FAMILY LEISURE PARK

**REGION:** Primorye Territory  
**INDUSTRY:** tourism  
**INVESTMENT VOLUME:** RUB 692 billion  
**NUMBER OF JOBS:** 68  
**PROJECT DESCRIPTION:** Comprehensive investment project for the construction of the largest modern cultural center and leisure park with a total area of 7,580 m² in Vladivostok.

SMW LANDFILL

**REGION:** Chukotka Autonomous Region  
**INDUSTRY:** services  
**INVESTMENT VOLUME:** RUB 17 million  
**NUMBER OF JOBS:** 8  
**PROJECT DESCRIPTION:** increasing the level of reliability and improvement of the quality of municipal waste recycling services; long-term planning of infrastructure development after the construction of a new municipal waste recycling facility.

NATURAL MARBLE PROCESSING PLANT

**REGION:** Primorye Territory  
**INDUSTRY:** manufacturing  
**INVESTMENT VOLUME:** RUB 499.8 million  
**NUMBER OF JOBS:** 50  
**PROJECT DESCRIPTION:** technology intensive marble processing. Production facilities and equipment will include pit-run machines and mechanisms, comminution and sorting facility, coal grounding facility and a finished products warehouse.
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