

Advanced Special Economic Zones and Vladivostok Free Port: The Present and the Future

CONCLUSIONS

Most Investment Projects of the Far East are Implemented in ASEZs

"Over three years we have 18 ASEZs, and the VFP regime is extended to 22 municipalities. <...> To date, the figures are as follows: 1,166 residents, 306 in ASEZs and 860 in VFP. Residents invested 267 billion roubles, and the total of investment is to reach 2.8 trillion roubles. <...> The mechanism is in demand," Sergey Tyrtsev, First Deputy Minister of the Russian Federation for the Far East Development.

"We are now facing the fact that 1,338 projects are currently being implemented in ASEZs, <...> which is more than 97% of the Far East investment projects. We are ready to outsource some services from small and medium-sized enterprises, <...> which, among other things, will reduce the burden of supervision," Denis Tikhonov, General Director of the Corporation for Far East Development.

Tax regime of the Vladivostok Free Port works for business

"The tax regime here is close to ideal, <...> our data shows that it allowed us to reduce the payback period of our investments by three years," Sergey Kolesnikov, President of TechnoNICOL Corporation.

"We are happy with both the Free Port regime and the advanced economic zone," Denis Sarana, Member of the Boards of Directors of JSC 'Vladivostok Sea Fishing Port'.

"So far we have one project in VFP, <...> and we are happy to take advantage of all available preferences," Yevgeny Virtser, General Director of INSYSTEMS.

"The groundwork is set, <...> now our task is to jointly develop this groundwork with various build-ups," Dmitry Kudinov, General Director of Mazda Sollers Manufacturing Rus.

PROBLEMS

Lack of a systemic approach to developing the Far East

"We need to state our vision for the Far Eastern Federal District, <...> what we want to have in each region," Nikolay Kharitonov, Chairman of the Committee for Regional Policy and Issues of the North and Far East, State Duma of the Federal Assembly of the Russian Federation.

“For me, the main issue of these regimes is that they are designed to fence off a small territory and create a micro-paradise there, <...> but we still go beyond this regime and face <...> the customs and transport,” Dmitry Alexeev, General Director of DNS.

High costs of export logistics

“In the Far East, unit rates per kilometre of transportation are higher than in the central part of Russia, by about 25–30%. <...> We export our products not only from Khabarovsk, but also from Vyborg. So, the price of delivery from Vyborg to Singapore is lower, although it takes longer,” Sergey Kolesnikov, President of TechnoNICOL Corporation.

Obtaining tax preferences is complicated

“The challenge for business is to take advantage of tax preferences <...> and it derives the state of the opportunities <...> to provide the investors with the option to invest profits,” Irina Olkhovskaya, First Deputy General Director – Commercial Director of Port Management Company.

The current number of customs points is not enough

“There are issues with customs, especially with the placement of customs points on a certain territory. Many argue that the price of placing such a customs point is about as much as all other benefits that they attain in this zone,” Boris Titov, Presidential Commissioner of the Russian Federation for the Protection of Entrepreneurs’ Rights.

Difficulties with hooking into the infrastructure

“This issue is not regulated by the VFP benefits. <...> The relevant energy ministry should cooperate with the Corporation for the Development of the Far East on these issues,” Vladimir Valter, Chief Executive Officer of Terminal Seroglazka.

SOLUTIONS

Government participation in business coordination

“Lacking a rational industrial and macroeconomic policy of the government, the market shall not regulate itself; it is always a more complicated process. Therefore, governments of the countries around the world assist <...> in coordinating business operations, setting up the terms,” Boris Titov, Presidential Commissioner of the Russian Federation for the Protection of Entrepreneurs’ Rights.

ASEZ systematization

“There are over 430 kinds of territorial support regimes in the Russian Federation. <...> Even though each of these institutions is sufficiently

developed, <...> the similarity of support tools often confuses both investors and operating residents. <...> In the future, they (support tools) <...> could be more customized and adapt to the types of operations that a certain resident plans to implement,” Vadim Zhivulin, Deputy Minister of Economic Development of the Russian Federation.

Coordination of ASEZ projects with national projects

“The next step in developing ASEZ is their coordination with priority national projects. In other words, the ASEZ foundation, taxes, customs regime, human resources – the basics – should develop in further industrial superstructures if we want to get world class projects,” Aleksey Kozlov, Managing Director of SIBUR.

Development of industrial clusters based on ASEZ

“We have reached the next qualitative stage, when it is possible not only to give terms to individual investors, <..> but to proceed to developing clusters, i.e. the government <...> is also concerned how to coordinate investors to solve a single business problem,” Boris Titov, Presidential Commissioner of the Russian Federation for the Protection of Entrepreneurs’ Rights.

Optimizing tax regime

“We propose to change the applicability of the preferential property tax rate of 0% for ASEZ residents not from the moment of their registration, but from the moment the facility is commissioned,” Anna Tsivileva, Chairman of the Board of Directors, Kolmar Group.

Setting up favourable terms of business loans

“We would like to see the improvement of terms for business loans,” Anna Tsivileva, Chairman of the Board of Directors, Kolmar Group.

“Affordable financing is a key factor <...> and if there is an option to subsidize the interest rate on loans to 1% <...> it would be great,” Denis Gros, Executive Director of Avangard Industrial Park LLC.

Lowering social burden on ASEZ residents

“Also, there is a heavy social burden on companies. We all understand the development of the Far East <...> requires workforce, people. <...> There is a proposal to include ASEZ residents in the workforce mobility programme, which is supposed to enable us to attract employees, establish a reduced rate for mortgages or first payment deferral for ASEZ residents, as well as to allocate special discounts for travelling by air or train,” Anna Tsivileva, Chairman of the Board of Directors, Kolmar Group.