



The Flag of Krasnodar Region

# KRASNODAR REGION



Coat of arms of Krasnodar Region

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# 1. Information About Krasnodar Region

## Geography

Krasnodar Region is the southernmost region of Russia. The Krasnodar Region area is about 76 thousand square kilometers or 0.4% of total territory of Russia. Its size is comparable to size of such European countries as Czech Republic and Ireland and it is bigger than Switzerland and Belgium or Denmark and Holland all together. Krasnodar Region is situated on the latitude of Northern Italy and Southern France. The area has very favorable soil and climate conditions. The Black sea also provides strategic transport points to Eurasia's biggest markets.



The Kuban land possesses more than 60 minerals. There are 68 oil-fields. Annually 1.7- 1.9 million tons of oil and more than 2 billion cubic meters of natural gas are being taken. The largest in Europe basin of fresh water is located in Krasnodar Region.

Salubrious Mediterranean type of climate, warm seas, unique natural mineral springs and meditative mud brought the Kuban land a fame of environmentally clean and popular tourist region of Russia.

## Demographics

Population: 5,125,221. The population of Krasnodar Region is concentrated in the Kuban River drainage basin, which used to be traditional Kuban Cossack land. The Kuban Cossacks are now generally considered to be ethnic Russians, even though they are still an important minority in their own right in this area. Other notable ethnic groups include the Armenians (mostly Christian Hamsheni) who have lived in the region since at least the 18th century. The latest Census counted thirty-three ethnic groups of more than two thousand persons each, making this federal subject one of the most multicultural in Russia.

## Authorities

Main authorities for small and medium enterprises support and innovational development of Krasnodar region are Department of investments and project support, Regional Council for Entrepreneurship, Centers for Promotion of Small Enterprise Development. In Krasnodar Region acts a powerful legislation system for small and medium enterprises development and support.

## 2. Economy potential

The Krasnodar Territory is a wonderful place to live and work. According to the Russian agency Expert, in 2006 the Krasnodar Territory was among the 6 regions of Russia (St. Petersburg,

Moscow Region, Moscow, Sverdlovsk Region, Khanty-Mansiyisk Autonomous Area) with the best investment potential and moderate investment risk.

In 2007, the region's GRP stood at 598.7 billion roubles. Over the last three years, its GRP has grown faster than the Russian average. The share of the Krasnodar Territory's regional product in Russia's GDP is about 2%, the positive dynamics of the GRP being driven by the growing output of goods and services in the main sectors of the economy. Agriculture accounts for 16.5% of the GRP.

Transport and communications account for 18.5% of the GRP, industry for more than 17%, agriculture and trade for at least 13% each, and construction for 11%.

### **3. Main industries.**

The basis of industrial production edges are about 850 large and medium-sized and more than 3.5 thousand small businesses.

Regional legislation ensures transparency of investment process, the stability of the legal protection of investors' rights as the owner and provides favorable conditions for the functioning of enterprises during the period of the investment project.

Some of the figures, describing the investment attractiveness of the Krasnodar Territory - more than 750 enterprises with foreign capital successfully carry out their activities in the province. Companies set up with foreign participants from more than seventy countries around the world.

In the chemical complex of Krasnodar region carry out their activities more than 800 large, medium and small enterprises. Positive dynamics of the industry ensured the growth of production of critical products - fertilizers, paint products, chemical fibers and yarns, molded rubber products, rubber conveyor belts, synthetic resins and plastics, pipes and other products.

Mechanical engineering and metal processing industries of Krasnodar Region are over 1200 rail enterprises, the agricultural, chemical and petroleum engineering, electrical engineering, machine tool, and defense industries, instrument making and repairing machinery and equipment, as well as small businesses with a total strength of about 50 thousand people. Of the total industrial production in Krasnodar Region share of mechanical engineering and metal is about 10 per cent.

Lumber industry occupies an important place in the economy of Krasnodar region, as well as the forest is one of the most important wealth of Krasnodar region. In the industry operates more than 600 companies. Manufacture of furniture and wood processing in the Krasnodar region has significant growth potential.

#### Transport

The Krasnodar region is the prime sea gateway to the Russian Federation. It is known as the "southern gateway" to Russia. Overall, the Krasnodar region provides some 40% of all Russian port cargo handling capacity. The regional port infrastructure is focused on export capacity, primarily of bulk



dry and liquid cargoes with some 95% of cargoes handled for export. The region is the exit point for much Russian- and Caspian-originated oil and natural gas products. The two oil terminal ports of Novorossiysk and Toapse are connected to the Russian pipeline systems. In addition, oil from the Tengiz field in Kazakhstan is transported by the new Caspian Pipeline Consortium (CPC) pipeline to a terminal near Novorossiysk. Work is beginning on the Blue Stream pipeline to transport Russian natural gas to Turkey under the Black Sea, which will traverse the region. Further oil and gas infrastructure facilities are likely to be developed in the region.

There are eight commercial seaports along the Black and Azov Sea coasts. Together, these ports handle 68.6 million tons of cargo, both liquid and dry.

Novorossiysk has the largest port in the Russian Federation in terms of cargo throughput, handling over 52 million tons per year. With its oil terminal accounting for a significant tonnage of liquid crude, other major terminal facilities handle timber, general cargo, building materials, vegetable oils, fertilizers, coal, and metals. The port is the base for a number of international cargo management and logistics companies, such as LaRoute and Petrak Limited. In addition, companies such as Chevron Neftegaz Inc have offices in this city.

### Agriculture



With the highest quality soils and blessed by a favorable climate, the Krasnodar region has always been the principal “breadbasket” of the Russian Federation. It has 3% of all ploughed lands in Russia. It also has Russia’s only specialized agricultural university. The region produces approximately 6% of meat and dairy products, 10% of all-Russian grain, 30% of fruit production, 60% of oilseed production, 90% of rice production and 97% of wine production. On each agricultural indicator, it is always in the top few, often leading the

pack. The agricultural significance of the region has only truly emerged with the break-up of the Soviet Union and the consequential “expatriation” of the large agricultural belts of the Ukraine and Kazakhstan in particular. That significance has not led to rapid agricultural development.

The growth in the agricultural economy is still emerging after an initial spurt in 1999 caused exclusively by the 1998 economic collapse. The strain of a decade or more of acute agricultural depression is quickly noticeable. Old farm machinery is cannibalized for spare parts, and old farm buildings are patched up to improve or provide temporary on-farm storage facilities. Some crop-spraying aircrafts are in action again, buzzing around the Kuban fields like angry hornets on a summer’s day after a decade of enforced idleness. In the summer of 2000, the fields were better planted, the crops denser packed, more of the marginalized land areas under cultivation again, and the harvest “buzz” stronger than at any time over the past decade or more. In the period 1996-1998, 74% of agricultural companies were unprofitable, while in 2000 that figure was down to 25%.

There is a mood of cautious optimism in this sector for the first time in many years. The caution is justified as investment in capital stock is just 2% of the total volume of investment in the country. The exploitation of the region's true agricultural potential has a long way to go.

Given the strength of the prime agricultural sector of the Krasnodar regional economy, unsurprisingly over 43% of the food processing industry of the Russian Federation is located in the region, linked to the primary producers. With canned and bottled products, wines, spirits, vegetable oils, fruits, meat and poultry, fish (freshwater and seawater), juices, vegetables, pickles and spices, the spectrum of this industrial sector in the region is impressive. Food processing represents over 50% of the total industrial base of the region and is the largest employment sector of the regional economy.

### Tourism

The Krasnodar region contains the only concentrated resort sector in the Russian Federation. Stretching in particular along the Black Sea coast from Sochi to Anapa and beyond, the resort facilities are concentrated along some 400 kilometers of picturesque coastline with a mountain backdrop of the West Caucasus chain. The subtropical microclimate of the region, the famed beauty of the Sochi hinterland, and the sandy beaches of Anapa are well-known and extremely popular national tourist destinations. To cater for high demand the region is home to 25% of all registered hotels and resorts in Russia.



The last decade has seen a fairly rapid transformation of resort complexes from Soviet-style workers holiday camps and sanatoria to more family-oriented hotels spanning the range of accommodation necessary along any major tourist resort coast.

This broad sector is starting to be recognized as a sector of opportunity for international business. Attracting a high percentage of Russia's emerging middle class with a propensity to spend on vacations, a number of Greek and Turkish companies have invested in hotel and other vacation developments along the Black Sea coast. Other investors have been large national organizations such as Gazprom, which has developed four-star hotels and aqua parks along the coast. The US hotel group Radisson has ventured with a local company to operate the Radisson-Lazurna five-star hotel in Sochi. The pick-up in tourism is extending to the Azov Sea coast also, particularly the beach resorts near Yeisk.