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State Mulls Attracting Foreign Investment to Special Zones

By Anatoly Medetsky

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The government is considering making its special economic zones focus on attracting foreign investors.

When Ulyanovsk region Governor Sergei Morozov brought up the proposal at a Cabinet meeting Thursday, two key ministers said they fully supported it.

Special Economic Zones, the state-owned company that develops and manages the zones, now invites both local and international businesses to set up research and production units there.

Japanese tire maker Yokohama and Danish insulation materials producer Rockwool are some of the foreign companies that now operate in the zones. U.S.-based industrial conglomerate 3M looks to open its plant in one of them, named Alabuga, in 2014.

"We are proposing to go back to the original idea of special economic zones as territories that are able to compete for investors with foreign countries, rather than with other developing areas inside the country," Morozov said. "We may have to restructure the state company, the Special Economic Zones, to that end in order to shift its focus toward attracting foreign investors."

Economic Development Minister Andrei Belousov and Finance Minister Anton Siluanov both sounded positive about the change. Belousov said his ministry was already preparing proposals that would amend the status of the zones.

Siluanov said, "I agree with the colleagues that we could opt to primarily attract foreign companies there."

The Cabinet met as the festive atmosphere of the coming holidays was permeating the halls of power. A giant artificial fir-tree towered in the backyard of the Cabinet building, while a man ferried in through the security checkpoint paper bags with what appeared to be New Year's gifts. Some of the bags sat unattended in the hallway on the ground floor and boxes with pricey Louis Roederer champagne peeked out from the ones that were striped black-and-yellow, not unlike the Beeline logo.

The Cabinet also approved a plan to spend 90.6 billion rubles ($2.9 billion) on the judicial system over the next eight years.

Of the total, 64.5 billion rubles will go toward buying, constructing and renovating courthouses and court marshal offices.

The second biggest spending item, worth 9 billion rubles, includes IT systems for things like video conferencing and, as a bid to increase transparency, public broadcasting of court hearings.

The measure seeks to make it "really worth while for our companies to litigate in our jurisdiction rather than run around various other countries, subordinating their contracts to foreign courts," Medvedev said.

Also, the Cabinet heard a report on the progress of the measures to raise the country's position in the World Bank's annual Doing Business ranking.

Belousov said the effort to make it easier for businesses to connect to the electricity grid was the most successful so far. The measures that were scheduled to speed up the issuance of construction permits and customs clearance procedures either didn't happen or worked poorly, he said.

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