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Medvedev Approves Special Economic Zone for Crimea

By The Moscow Times

October 30, 2014



Dmitry Medvedev

The Cabinet on Thursday approved the establishment of a free economic zone in Crimea to attract investors to the region, which Russia annexed in March.

"Investors in the free economic zone will be freed from some taxes for a period of up to 10 years, depending on the tax category," Prime Minister Dmitry Medvedev was quoted by the TASS news agency as saying on Thursday.

He also said administrative barriers will be lowered for businesspeople willing to come to Crimea.

Russia is eager to attract foreign investment to the underdeveloped peninsula, which so far has been more of a money pit than a treasure trove for its new owners.

According to the government program for the development of Crimea until 2020, the region

will need a total of 660 billion rubles ($15.6 billion) of state funds to develop its long under-financed energy and transport infrastructure, as well as health care and education systems.

Besides these gigantic expenditures, Crimea will also need over 50 billion rubles ($1.2 billion) of additional federal budget spending per year to compensate for the financial hole in the regional budget, making it Russia's most highly subsidized region.

But even with all these subsidies, Crimea needs private investment, which Medvedev said is "currently strained for obvious reasons."

A free economic zone could potentially draw some investors to the peninsula, although the draft document has yet to be finalized by the State Duma and responsible ministries.

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