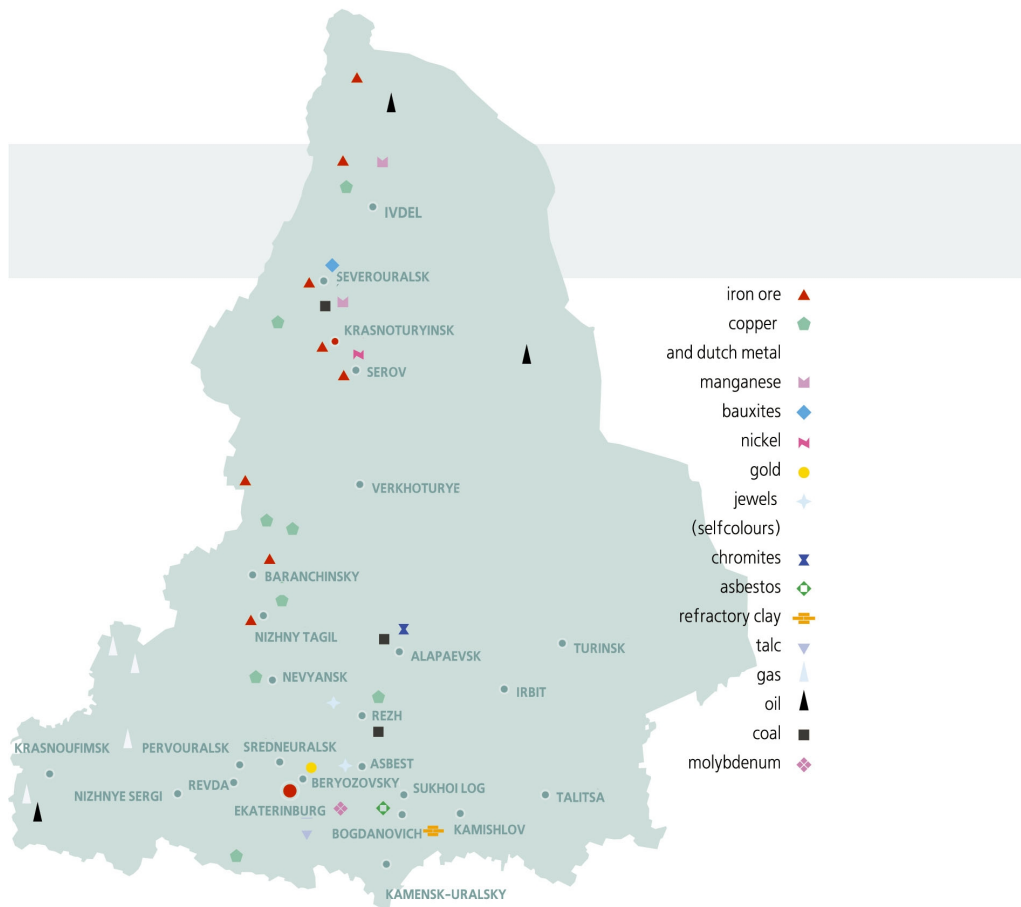


Sverdlovsk Region: Profile



Geography

Sverdlovsk region is situated at the boarder of Europe and Asia, at the junction of two large physical-geographical complexes. Its area is 194,8 thousand sq. km (1,1% of the Russian Federation area, that is 20th place in RF). The western part of the region lies mainly on the eastern slopes of the low Ural Mountains, their heights range from 700-800 up to 1569 m (Konzhakovsky Kamen mountain). Extreme southwest of the region is situated on the hilly Foreurals, and the eastern part of the region borders with West-Siberian Plain. The region is mainly covered with taiga. In the mountain part of the area prevail coniferous trees and the plain is mostly covered with pine forests with birch and aspen forests and forest-steppes in the south. The soils of the region are typical for forest and forest-steppe zones. The southern part of the region is well-developed, while the northern part is poorly populated and barely changed. The biggest rivers of the region are Tura, Tchusovaya, Sosva, Iset. 173 fresh water springs were found which can provide 1 408 thousand m3 of potable water per day that significantly increases water resources. Forests and numerous water sources create favorable conditions for development of tourism. Furthermore, national parks Pripyshminskiye Bory, reserves Visimsky and Denezhkin Kamen' are situated on the territory of the region. More than 1900 different kinds of plants grow within the bounds of the region and nearly 212 species of various animals and birds could be found here. The region borders with Tyumen, Kurgan, Tchelyabinsk, Perm Regions and Bashkir and Komi Republics.

The center of Sverdlovsk Region is Ekaterinburg that is 1667 km far from Moscow.

Climate. Sverdlovsk region is situated in temperate climate zone. The region's climate is continental. Average temperature in January is $-13,5^{\circ}\text{C}$ below zero. Average temperature in July is $+20,9^{\circ}\text{C}$. Annual amount of precipitation is 500 mm.

Population. The region's population consists of nearly 90 nationalities. The majority of the population are Russians (88,7%). There are also Tatars (3,9%), Ukrainians (1,8%), Bashkirs (0,9%), Germans (0,7%), Mari (0,7%), Byelorussians (0,6%), Udmurts (0,5%), Chuvashes (0,3%), the Mordvinians (0,3%) etc. The density of the regional population is 23 person per 1 sq. km. The total population amounts to 4 489,8 thousand (that is 3,1% of Russian Federation and the fifth place in RF).

Resources potential of the region

Raw material resources. Sverdlovsk region is the richest in Russia in terms of mineral resources supply and ranks second in Russia regarding industrial production volume.

Sverdlovsk region is situated in Ural, a mountain country with ancient mineral wealth and rejuvenated relief. Vast Ural metallogenic belt is one of the biggest in the world. Ural is Russia's richest region in terms of mineral resources reserves. More than 12 000 mineral deposits have been found here. Almost all elements of Mendeleev's periodical system can be found within the region. The supplies of majority of them are vast enough to start profitable exploitation on industrial scale. The variety of mineral resources of Sverdlovsk region includes iron, nickel, chromium, manganese and copper. The region is rich in gold, platinum, asbestos, and bauxite. The most famous deposits are: Katchkanarskoye, Kytlymskoye, Vysimskoye (iron ore), Krasnouralsk, Kirovgrad and Middle Ural groups (copper ore), Bogoslovsky, North-Sosvinsky, Bulanash-Yolkinsky fields (coal), Bazhenovskoye (asbestos), Shabrovskoye (talc) and Berezovskoye (gold).

Sverdlovsk region extracts 82% of fire-clay, 70% of bauxite, 74% of asbestos, 21% of iron ores, 98% of vanadium, 8% of copper, 14% of nickel in Russia's total balance of raw materials. Prospecting for oil and gas in the region is at its initial stage. Oil-and-gas fields are situated southwest and north-east of Sverdlovsk region.

Forest resources. Almost 80% of Sverdlovsk region territory is covered with forest. The total area of Sverdlovsk region timberland amounts to 16 million hectares, 63,5% of all timberland is covered by pine-tree forests (pinery and fir-wood).

Timber industry is mainly developed in northern and north-eastern parts of the region. Age structure of Sverdlovsk region forests is unequal. The most important trees for timber industry are pine-tree and birch. They occupy correspondingly 36,8% and 31,2% of all timberland.

Only 35% of timber is processed due to insufficient processing base in the region. Among mainly western buyers of timber and production of timber industry, there is rather a great demand for semi-finished and finished products.

In 2000-2004 due to the means of regional budget it became possible to restore forests on the area of more than 85 thousand hectares, using also the method of planting forest crops of especially valuable kinds (pines, fir-trees, cedar) on the area of more than 40 thousand hectares, in forest farms more than 200 million pieces of seedlings and saplings of pine, fir-tree, larch and cedar have been grown, on the area of more than 150 thousand hectares care felling among young trees have been carried out, which promoted faster formation of especially valuable coniferous plantations.

Water resources. Reservoir storages are the main source of water supply in the region. Subsurface water total reserves amount to 1460 thousand sq. m per day but its utilization is still insignificant. They constitute reserves envisaging further development. On the territory of Sverdlovsk region there are 15 very promising mineral water deposits (fields), which could be used for sanatorium-and-spa treatment as a source of therapeutic table water.

Timely reproduction of water using system of Sverdlovsk region which includes more than 400 ponds, will allow to keep favorable and habitual environment for the population of Sverdlovsk

region. Preservation of city and rural reservoirs allows to keep the established level of subsoil waters and makes it possible for the population to use the surface water resources for the purposes of different domestic-usage needs, amateur fishing, recreation etc.

Despite the big potential of hunting and fishing industries (65 thousand hectares of lakes good for fishing, 35 thousand hectares of ponds and reservoirs, 5 thousand hectares of rivers and 12 million hectares of forests) the opportunities of these industries are still not used in full measure.

Land resources. Timberland amounts to 69,9%, built-up areas — 3,6%; lands occupied by industrial enterprises, transportation industry, communication and other facilities — 2,2%; nature conservation areas — 0,5%; water resources inventory lands — 0,5%; lands in reserve — 1,9% of Sverdlovsk region territory. Cultivable lands come to 21,4%. Agricultural areas being the part of cultivable lands occupy 13,6% of the region's territory.

Administrative structure

The Government of Sverdlovsk region undertook district division in 1997. Administrative—territorial areas forming the part of a certain district have similar climate and natural conditions, resource potential, industry development level, social infrastructure development level, transport accessibility, financial possibilities and size of the population.

A large amount of minerals on its territory and the development of mining and metallurgical complex and logging industry can characterize the Northern district. Manganese and chrome resources are significant not only for Ural, but in some cases for the whole of Russia. Newly-opened coalfields are of great importance.

The geographical position of the Northern district, especially of its northeastern part becomes very favorable, since it lies on the way of fuel and energy supplies from Siberia, and machinery and food products in the opposite direction.

The Gornozavodskoy district is an industrial territory. The plants of the Gornozavodskoy district produce 1/3 of Sverdlovsk region industrial output. The development of the district is determined by the group of plants of mining and metallurgical type and by the plants of the industries connected with metallurgical complex, such as power industry, machine-building and metal working. The development of the Gornozavodskoy district is connected with utilization of the potential of the chemical-timber complex, light industry and also defense industry complex.

The Eastern district is an agrarian-industrial territory and it occupies the leading place in Sverdlovsk region regarding agricultural production level. The development of the agricultural complex is connected with the establishment of a few agro industrial centers: in Irbit area — grain and mixed fodder manufacturing, in Kamyshlov area — poultry keeping products manufacturing, in Irbit, Kamyshlov, Turinsk, Alapaevsk areas — meat and milk products manufacturing.

The development of other branches of industry (ferrous metallurgy, machine-building, fuel industry, logging, woodworking, pulp and paper industries) is connected with the reconstruction of the functioning plants and the development of new mineral sources.

The Western district is an industrial-agrarian territory, where the industrial production is supplemented with relatively developed agro-industrial complex. The district has an advanced transportation system, has a favorable geographical position as a transport passage between central Russia and Siberia.

Strengthening of social orientation of the district economy is connected with the development of food, light industries and social infrastructure. Western district has a lot of geographical and climatic resources; there are more than 100 natural places for sightseeing, 10 landscape reserves and natural parks. The district possesses a well-developed infrastructure for establishing recreation zones and expansion of tourist business.

The Southern district is an industrial-agrarian territory. Large metallurgical and defense industry plants are located here. The power industry development prospects are determined by the construction of the power-generating unit № 4 with the reactor BN-800 on the base of the functioning Beloyarsk nuclear power plant. Other important activities in this branch of industry are the reconstruction and technical re-equipment of the state regional power plant in Reftinsk and the heat station in Krasnogorsk. The agriculture of the district is oriented on the producing of potato, vegetables, grain and poultry meat.

The city of Ekaterinburg possesses a huge industrial, labor and scientific potential. One third of the region population lives here. The industrial complex traditionally prevails in the economy structure of Ekaterinburg. 22% of the industrial production capital assets of the region are concentrated, 19% of industrial productive labor force of Sverdlovsk region is employed here, and 20% of industrial output of the region is produced in Ekaterinburg. 233 large and middle-sized industrial enterprises are located within the boundaries of Ekaterinburg.

Ekaterinburg occupies an important place in the trade and financial sphere of Sverdlovsk region. More than 60% of retail trade turnover of the region accounts for Ekaterinburg. The main part of financial intermediaries, insurance companies and other subjects of market infrastructure are concentrated here.

The peculiarity of Ekaterinburg is a high concentration of academic and branch institutes, institutes of higher education, and also research and development organizations. The total number of employees in the sphere of science and scientific service amounts to 16 thousand people.

Ekaterinburg is a large-scale international traffic center, it has a developed network of railway, air and automobile transport communications. Routes of the federal importance go through Ekaterinburg. Its geographical position makes it possible to extend the International transport corridor №2 (Berlin – Warsaw – Minsk – Moscow – N. Novgorod – Ekaterinburg – Transsib) to the capital of Sverdlovsk region. Ekaterinburg is a main connecting-link between The European part of Russia and oil-and-gas bearing areas of Siberia.

Social and economical development

In 1999—2000 work has been performed on creation of a strategic document, determining the long-term perspective of socio-economic development of the region – Scheme of development and distribution of productive forces of Sverdlovsk region for the period up to the year of 2015 (hereinafter referred to as Scheme of development).

The Scheme of development was highly appraised by the scientists and experts of the international level during discussions at the Presidium of the Russian Academy of sciences and in a number of competent scientific organizations.

For the first time in the newest Russian practice, inter-regional branch and territorial priorities of development were determined, main parameters of development and distribution of productive forces in general and in separate branches and municipal formations for medium-term period and for long-term perspective were defined.

Gross regional product

Sverdlovsk region is one of the largest and most developed regions of Russia. Its share makes up to 3,1% of the population and 2,5% of the total gross product of the country. The average growth of GRP of the region for the last three years is higher than average in Russia, in the nearest three years high rates of growth are also expected – about 7-8% a year.

Industry

Rich and various natural resources served as a base for constructing on the region territory a powerful and diversified industrial production. Huge metallurgical and mechanical engineering works, scientific-technical institutes, laboratories and pilot-design offices are concentrated here. The industrial potential of the region holds one of the leading places among all Russian regions.

Industrial complex is undoubtedly the key sector of the regional economy. Metallurgy. Main metallurgy products are cast iron, steel, steel pipes, blister and refined copper, aluminum, titanium, nickel, rolled ferrous and non-ferrous products, ferroalloys. The region produces 10,4% of all Russian ferrous metals rolled stock, 31,7% of steel pipes, 12,6% of iron ore, 14,3% of aluminum rolled stock, about 8,3% of primary aluminum, the main share of aluminum foil, 35,4% of refined copper, 11% — cast iron, 12% — steel. More than 40% of metallurgy complex production is exported.

Undoubtedly, metallurgical complex is playing the leading part in the industrial development of the region. The perspectives of development of ferrous metallurgy in Sverdlovsk region are explained by stable demand for metal rolled stock at the internal market and high demand at the external market.

Such plants as Nizhni Tagil metallurgical works (EvrazHolding), Sinarski and Seversky pipe manufacturing plants (Pipe Metallurgical Company), Uralelectromed (Ural Mining and Smelting Company), Bogoslovski and Ural aluminum plants (Siberian-Ural Aluminum Company), and also Serovski ferroalloys plant (Kermas Ltd.), VIZ-Stal (Dufferco), Pervouralsk Novotrubni Plant are well known both in Russia and abroad.

Verkhnesaldinsk Metallurgy Industrial Corporation (VSMPO) is leading in producing titanium. It is the main supplier of titanium production for American company Boeing and European corporation Airbus.

Mechanical engineering. The main prerequisites for the development of mechanical engineering complex of Sverdlovsk region are:

- advantageous economic-geographical location of the region, availability of developed transport connections
- developed source of raw materials
- presence of highly-qualified staff, wide network of academic and branch institutes
- high need for the production of the regional mechanical engineering complex
- development and realization of the system of measures of serious state support for the mechanical engineering.

The “Scheme of development and distribution of productive forces of Sverdlovsk region for the period up to 2015” includes solution of the following tasks:

- fundamental increase of technical level and quality of machine engineering production;
- technical re-equipment and reconstruction of machine building production on the base of introduction of the newest techniques and principally new technological processes;
- forming the system of continuous education and increasing the quality of training labor resources;
- speeding-up renewal of the main funds;
- deepening of specialization, widening of cooperation and integration of production;
- transition to production of systems and complexes of machines.

Mechanical engineering of the Middle Ural is a base for development of the powerful Ural regional production system: today it provides about 20% of the total industrial output of large and medium enterprises. Mechanical engineering is oriented at the output of chemical, oil-field, metallurgical and electrotechnical production.

Mechanical engineering complex includes enterprises of seven sub-branches, and the largest specific weight in the production volume of the branch belongs to four sub-branches: heavy, power and mining mechanical engineering — 33,6%, electrotechnical industry and instrument-making —

22,8%, transport mechanical engineering — 18,9%, oil-gas and chemical machine building — 10,7%.

More than 2/3 of facilities for metallurgical plants of Russia and CIS — agglomeration, continuous casting, press-forging, rolling mill and other equipment — are produced by enterprises of Sverdlovsk region.

One enterprise of Sverdlovsk region, «Uralvagonzavod» plant in Nizhny Tagil produces almost 90% of Russian railway trucks.

Moreover, almost 30% of Russian steam— and gas turbines, 21% of large electric machines, 16% of power transformers are produced in Sverdlovsk region.

Chemical industry complex is represented in Sverdlovsk region by chemical, petrochemical, medical and microbiological branches of industries, where more than 22 thousand employees work. At present time, 183 enterprises work in chemical and petrochemical industry of the region. Their share in total industrial production amounts to 2,5%. Chemical industry enterprises of Sverdlovsk region are well known both in Russia and all over the world.

Plants of military-industrial establishment constitute the most perspective branches of domestic industry — aircraft construction and rocket production, nuclear-power engineering, metallurgy and special chemistry, radio industry and instrument making.

International exhibition of armament and defense technology RUSSIAN EXPO ARMS facilitates to extend the number of military-industrial establishment plants trade partners.

Timber industry. Productive potential of Sverdlovsk region timber industry is among ten biggest among Russian regions. At present timber industry comprises 95 big and medium-sized plants. The region has well-equipped sawmills, veneer mills and tile producing enterprises, pulp-and-paper mills, hydrolytic and resin industry works. Ural region produces one fifth of total Russian output of veneer, 15% of wood chipboards, and 10% of paper. Export-oriented goods are manufactured by 10 enterprises. More than 70% of veneer and one third of plank timber is exported abroad.

Light, food and perfumery industry. Regional light industry structure is characterized by the prevailing of clothing industry and knitting sub-industries producing textiles, yarns and carpets. Light industry is one of the oldest branches of industrial production of Sverdlovsk region. Together with solution of an important social task — providing the population of the region with living essential goods, the enterprises of this branch supply production for state power structures and other branches of industry. Traditionally this branch has been effective, highly profitable and quickly repaid. In general, light industry production is characterized by the tendency of reduction of volumes and nomenclature and high wear out of equipment.

The leader among fragrance industry enterprises has always been Ural enterprise «Concern «Kalina». The concern made fundamental changes in its activity and chose new strategy — mass promotion of its own brands.

The leading enterprises of the regional food industry are «Irbit dairy factory», «Ekaterinburg dairy factory № 1», «Fat stock industrial complex» (Rusagro) and Confectionary union «SladCo» (United Confectioneries). Ekaterinburg meat packing plant (YMK) is among ten leading Russian producers of meat and sausages.

Electric power engineering

Electric power engineering accounting for 10,5% in industry structure of Sverdlovsk Region satisfies all needs of economic complex and housing-municipal economy of the region for electric and heat power. The region ranks one of the first places in Russia by production and consumption of electric and heat energy.

18 electric power stations with total capacity of 9000 MW operate in the region. The main manufacturer of electric and heat power is Open Joint-stock Company «Sverdlovenergo». It controls

12 heat power stations. The largest of electric power stations are Reftinskaya state district electric power station, Verchne-Tagilskaya state district electric power station, and Sredneural'skaya state district electric power station. Electric power stations are united in Sverdlovsk Region power system; its centralized electrical network completely covers the Region territory. Up to 2015 it is planned to invest about 83 billion rubles into electric power engineering of Sverdlovsk region, out of which 32 billion rubles will be spent for the reconstruction of electric networks, 31 billion rubles — for construction of the fourth power-generating unit of Beloyarskaya Atomic power plant, 20 billion rubles will be spent for construction of a new heat and power plant near Serov in the north of the region.

Sverdlovsk region is characterized by dependence on energy supply: about 97% of power resources are received from neighbouring regions. Coal for «Sverdlovenego» is supplied by Ekibastuz coal deposit (Kazakhstan), black and brown coal for public power system is transported mainly from Eastern Siberia (Kuznetsk, Khakassiya and others), natural gas (Sverdlovsk region is the second largest natural gas consumer in Russia after Moscow) comes from Tyumen region.

Sverdlovsk region consumes 30 million tons of equivalent fuel per year. Natural gas amounts to 53% of the total energy budget, solid fuel — 42%, liquid fuel — 5%.

Beloyarskaya Atomic Power Plant named after I. V. Kurchatov (BAES) is situated in Sverdlovsk Region; its development is seen one of the perspective sources of widening power sources for the Region.

Construction complex and housing-municipal economy

Manufacture of construction materials in Sverdlovsk region entered a new stage: after the crisis of 1998 the situation gradually became stable and the foundation was laid for steady rise in this sphere. At present time the construction industry in Sverdlovsk region is on the rise. First of all it is linked with the increase of population purchasing capacity and as a consequence, demand for housing, secondly — with growing needs of business for commercial and industrial real estate (offices, commercial premises, hotels, production buildings, storage facilities etc.).

The revival of the housing construction market created economical pre-conditions for technological renewal of the industry. Technological break-through in building sector contributed to 10% cost saving in construction.

Housing and communal services of Sverdlovsk region comprise more than 90 million square meters of living area. The Governor's decree «Development of house building in Sverdlovsk region» stipulates building of 10 million square meters of housing until 2010.

Transportation and communication

The main strategic direction of international transit traffic development is the extension of the corridor from European countries via Trans-Siberian Railway to Far East and states of South-East Asia, China and Japan. The shortest railway routes to the countries of Central Asia go exactly through Ekaterinburg that will undoubtedly increase international transit cargo traffic.

Airport «Koltzovo» is the biggest international airport in Ural region. Domestic airport «Uktus» links Ekaterinburg with regional towns and towns of neighbouring regions.

Increase of investment attractiveness of Ural region, growth of business activity, further development of external economic links promote steady rise of air transport traffic. In 2004 airport Koltzovo started the reconstruction and modernization of its operating air terminal facilities.

The bulk of international traffic falls at aircraft of Ural Airlines. Company Lufthansa is an operator of the international airline Frankfurt-Ekaterinburg. In 2004 British Airways opened London-

Ekaterinburg flight. In the context of expanding its activity, Czech Airlines started servicing of additional flight Ekaterinburg-Prague.

In 2005 Sverdlovsk railway celebrated its 127-anniversary. The railway is servicing Sverdlovsk, Perm, Tyumen regions, Yamalo-Nenetsky and Chanti-Mansiysk autonomous okrugs. Today Sverdlovsk railway, route miles of which within the boundaries of Sverdlovsk region amount to 3 347 km, is one of three largest Russian railways concerning freight turnover and passenger traffic.

High growth rates of industrial production and customer demand contribute to the development of transport-logistic infrastructure in the region.

Highway system amounts to 11 250 km. The main thruways of the region are motorways Ekaterinburg-Perm (Western direction), Ekaterinburg-Chelyabinsk (Southern direction), Ekaterinburg-Tyumen (Eastern direction) and Ekaterinburg-Serov (Northern direction). Annually about 300 km of highways is being constructed and 500 km is being upgraded in Sverdlovsk region.

The market of transport lease in Ekaterinburg only arises. The leading position here takes taxi. At the same time, the companies specializing in private transportations started to develop a trend related to servicing juridical persons. In the beginning of 2003 the largest European company "Eurocar" opened its representation office in Ekaterinburg. Since 2002 in Ekaterinburg has been working the representation of Hertz company.

Communication. Sverdlovsk region has one of the most updated systems of telecommunication in Russian Federation. Ekaterinburg has Russia biggest long-distance exchange and facilities for international telephone and telegraphic communication with digital linear routs of optical fiber lines that come from Trans-Siberian line Moscow-Khabarovsk.

Financial sphere

As for 2005, 122 credit institutions have been operating on the territory of Sverdlovsk region: 29 credit organizations, including 27 commercial banks and 2 non-bank organizations, 26 branch offices of regional banks, 67 branch offices of banks from other regions of the country, including the network of the Urals bank of Sbergatelny bank of the Russian Federation, represented by 42 departments. Such leading Russian banks as Vneshtorgbank, Promstroybank, Gazprombank, Alpha-Bank, MDM-bank and others are operating through their regional representations.

The Urals Bank of Russian Sberbank represents in the Urals region one of the largest networks of bank system of the country.

Five Sverdlovsk region local banks are holding leading positions in the rating of Russian lending institutions: Severnaya Kazna, Ural Bank for Reconstruction and Development, Uralvneshtorgbank, SKB Bank, Uraltransbank.

There is a further process of consolidation of regional banks activity, banks fusions.

International financial and credit companies extend the geography of their activities opening representative offices on the territory of Sverdlovsk region. The most important of them is European Bank for Reconstruction and Development. The policy of this leading European bank is aimed not only at making long-term loans and opening back-up lines but is directed at contribution in share capital of enterprises.

17 branch-offices of Moscow banks operate in Sverdlovsk region. In 2004 and beginning of 2005, the following large banks, including foreign ones, have registered their representation in the region: Reiffeisenbank (Austria), KMB-bank (instead of a representation which existed before, a branch office was open), Moscow Bank for Reconstruction and Development, bank "Renaissance Capital", Deltabank, Rosbank, commercial bank "Bars" (Kazan).

Priority sources of financial resources attraction of Sverdlovsk region lending institutions are population bank deposits, budgetary funds and accounts of big industrial enterprises.

Regional stock market comprises more than 45 professional participants of Russian Central Stock-exchange with licenses granted by Russian Federal Commission for financial markets.

Ural Chamber of Commerce and Industry, commodity exchange successfully operate in Sverdlovsk region.

46 insurance companies and 61 branches of other regions insurance enterprises have been registered in the region. The main classes of insurance for the majority of regional companies are: property insurance for both legal and natural persons and voluntary medical insurance.

In April 2004 the consulting company «Ernst & Young» opened the representation office in Ekaterinburg. This branch will render auditor services to the enterprises of the Ural region.

Science, technologies, innovations

Sverdlovsk Region is one of the largest scientific centers in Russian Federation.

The scientific staff of Sverdlovsk Region is represented in the following way: 12 academicians of Russian Academy of Sciences, 31 Correspondent Members of Russian Academy of Sciences, about 1.000 Doctors of Sciences and more than 5.000 of Masters of Sciences.

There are more than 30 higher educational institutions in Sverdlovsk Region. Integral part of institutes' activities is research: Federal and regional programs are implemented, fundamental and applied research is carried out, monographs, training aids are published, regional, Russian and international science-applied conferences, seminars and meetings are held.

The scientific activity of Sverdlovsk region is presented by Ural Branch of Russian Academy of Sciences. It is a multi-activity research complex, incorporating 22 scientific institutions that won all-Russian and international recognition. The institutions are performing research works of all scientific directions. The results of these researches have not only domestic but universal importance.

In the sphere of science of materials the research works cover such area of scientific exploration as laser-induced heating and steel structure. The chemical-technological studies resulted in the development of fundamentals of melted saline physical chemistry and electrochemistry. Fundamental and applied researches in the field of organic chemistry, which serves as a basis for producing medicinal preparations, gained a world-wide recognition. On the basis of multi-component metallurgical and slag systems exploration, new energy— and resource-saving environmentally appropriate technologies of ferrous and non-ferrous metals ore processing were developed. In the sphere of applied physics researches encompass a wide range of directions in physics of metals and semiconductors, thermal physics, high-temperature superconductivity and low-temperature plasma.

Organization of the so-called technopolises and technoparks (innovation business incubators) became a promising way of integration of science and production. Notion should be made of Technopark «Uralsky». During 2 years of its existence more than 12 hundred entrepreneurs and managers were trained, certification tests of products of 65 small enterprises were carried out, layouts of products of small enterprises at 16 Russian and 9 foreign exhibitions were presented. Technopark «Zarechny» includes business incubator (organization providing favorable conditions for development of small enterprises of high technology business), Entrepreneurship Support Fund, Information Center, Marketing Center, Training-Advisory Center and Exhibition Center. There are six technoparks in Sverdlovsk region. Non-commercial partnership «Innovation-technological Center «Academitchesky» now successfully develops.

Engineering-technological Center «Berezovsky» is now at the development phase. The center unites about 15 organizations of different forms of property. It includes Administration of municipal formation “the city of Berezovsky”, institutes and universities, production enterprises, pilot plants etc.

Four technological centers have been recently founded within military-industrial establishment of Sverdlovsk region: sheet-processing (on the basis of Ural Technological Research Institute), high-precision mechanoprocessing (Instrument-making Plant), producing of printed circuit boards (NPO "October"), machine-tool construction (OKB «Novator»). Similar centers are planned to open in blanking production, foundry, forging, stamping and electroplating industries. The centers are in fact engineering companies: they develop advanced technologies for customers, render «turnkey» services, work out and implement schemes of lease financing, train personnel, co-ordinate enterprises' technological partnership.

Small-scale business

Development of small-scale business is acknowledged to be one of the most important conditions of formation of market relations in the region.

About 50 business-associations and 31 municipal fund of support of small-scale business act in Sverdlovsk region.

The share of small-scale enterprises constitutes 12% of the total volume of produced goods and rendered services in the region.

Specific weight of average-list quantity of workers of small-scale enterprises in the total quantity of working population of the region makes up to 14%.

About 20 programs of supporting private business are working in the region nowadays. Credits are apportioned through the local representations of the European bank for reconstruction and development, KMB Bank, Urals banking Union and other credit organizations.

Human resources and education

The population came to 4 448,1 thousand (urban population — 88%, rural population — 12%), density of population — 23,05 per 1 sq. km.

There are 140 institutions for primary professional education in the region with about 60 thousand students. Students density in these institutions amounts to 131 per 10000, that is 30% higher than All-Russian index.

There are 90 state and municipal institutions of secondary professional education in Sverdlovsk region. 4200 staff lecturers teach different subjects in these institutions. The number of superior and first category teachers amounts to 70%. About 50 technical schools and colleges of Sverdlovsk region have traditional for Ural economy professional orientation and prepare specialists in such areas as mining, metallurgy, mechanical engineering, metal-working, power engineering, construction industries and other sectors of economy.

18 State and 13 private higher educational establishments of Sverdlovsk region provide higher professional education. The number of branches and representations of higher professional educational establishments is increasing. The number of students has exceeded the level of 169,3 thousand and continues to increase. The Ural State Technical University (UGTU-UPI) counts 29 300 students, the Ural State Pedagogical University — 15 100 students and the Ural State University named after A.M. Gorky — 14 500 students.

Institutes of Sverdlovsk Region have close links both with establishments of higher professional education and academic institutes of Russian Federation, and with universities of USA, Germany, UK, France, and China. The collaboration includes: invitation of specialists for conducting lessons and seminars and students' probation abroad.

Great attention is paid to business education, to training specialists in private business activity in modern market conditions. The successful example is the Institute of management and market within UGTU-UPI. Besides, in September 2002 started the project of establishing of Russian-

American Institute of economics and business in Ural State University named after A.M. Gorky (RAMEK-UrGU) where students can get business education that corresponds to the highest world standards.

Public health

176 hospitals, 29 dispensaries, 36 outpatient clinics and polyclinics, 37 dental clinics, 83 ambulance stations, 6 blood transfusion stations, 815 medical assistant's and obstetric stations, 15 sanatoriums, 9 children's homes, 5 preventive treatment centers and regional catastrophe medicine center are operating nowadays in Sverdlovsk region.

Ural State Medical Academy, the Regional medicine college with a department of raising the skill level, the Regional Pharmaceutical College and 10 municipal medical colleges and schools represent the educational base for health care in Sverdlovsk region. The professional standard of medical staff is high: 129 Doctors of medical science and 435 Candidates of medical science are working in the Medical Academy and other research institutes of the region.

More than 20 enterprises of Sverdlovsk region produce medical purposes goods. They conduct scientific researches in the sphere of medical instruments making and medical products producing more than 150 items of goods. Among regional key enterprises which produce medical equipment are: The Ural optical and mechanical plant, the Ural instrument-making plant, Trade mechanical engineering plant, "Vector — Medical systems". These plants produce high-technology equipment for newborn children resuscitation, artificial lung ventilation apparatuses, cardiologic monitors and other sophisticated equipment.

The Government of the region supports the development of high tech medical care technologies.

The following programs are implementing in the region now:

«Cardiologic Surgery» program helps to carry out about 2,5 thousand heart operations annually, to develop new diagnostic and medical technologies.

The «Oncological Hematology» program is directed at providing people suffering from malignant blood disease with medicines, it has become possible to reach the 70% of illnesses course remission in a number of diseases. In 2000 a new diagnostic oncological center was put into operation. It helped to carry out one of the most important tasks: application of modern technologies to checking up and treating of the cancerous growths on the worldwide level. Every year more than 50 thousand people are examined and about 4,5 thousand of complicated operations are performed.

Culture

Sverdlovsk Region has a rich history of culture and art. Today Sverdlovsk region organically enters the world cultural space due to the development of arts, theatre, architecture, music, literature and national art crafts.

The center of tourism and cultural heritages of Sverdlovsk region Verhotourie is an architectural pearl of the Ural. The city was founded in 1598 by the blessing of Tzar Fedor Ioannovich. Already in 1600 there existed "The Great Guests house", where people traded different goods from Russia, China, Siberia, and Germany. In 1604 the first Monastery named after Saint Nikolai and Saint Martyrs Boris and Gleb was built. Therefore, in 1622 the Pokrovskiy Nunnery was established. From the beginning of the XVII century Verhotourie has become a center of pilgrimage to the Urals. In accordance with the order of Peter the Great in 1703 on the territory of Kremlin the Sviato-Troizkii cathedral was built, magnificent interior decoration of which was almost impossible to find even in Moscow.

Today the Preobrazhenski Temple was revived in the former capital of Urals, as well as superior's, brotherly and guests' houses and icon-bookstore, workshops. In 1991 the Pokrovskiy Nunnery and

Novo-Pokrovskaya Church were restored. The Governor of the Sverdlovsk region Mr. Edward Rossel personally rendered huge support to the restoration of memorials of Verhotourie and transformation of the city into cultural center of the Middle Urals.

“Temple on the Blood” today is a symbol of repentance and reconciliation. The temple was built on the place of the former Ipatievskiy house, where in 1918 the members of the last Tzar Romanov’s family were assassinated.

Ekaterinburg is the city with the strong art traditions. Great artists such as Vitaliy Volovich, Misha Brusilovskiy, German Metelev, Mikhail Sazhaev are supporting great prestige of the city in this area. In addition, sculptors Nikolay Erzya and Ernst Neizvestniy together with many other famous architects have contributed to the city’s image which reached the status of the Russian art center. Today the city has many museums, galleries, exhibitions and theaters.

Ekaterinburg Art Museum owns one of the biggest in Russia collection of the Kasli’s Metal Art Crafts, which is a traditional art trend in Ural. This museum room is famous all around the world, because of its exceptionality. Large section of the museum’s exposition is occupied by masterpieces of Russian sculptures, paintings and drawings. The collection of Russian avant-garde trend is located in the section of the 20th century arts. Ekaterinburg Art Museum often takes part in various international projects.

Sports

Sverdlovsk region plays a great role in Russian sport life. The most important thing that proves high level of physical culture and sport development is the fact that since 1952 the athletes of Sverdlovsk region have participated in all summer and winter Olympic Games. Also, good achievements of our athletes in many Russian National and International tournaments are the evidence of high development of all kinds of sports.

The sports facilities of Sverdlovsk region comprise 94 stadiums, 1581 gyms, 106 swimming pools, 166 skiing resorts, 266 shooting galleries, and 9 artificial ice sports arenas.

The visit card of in Sverdlovsk region is female volleyball team “Uralochka”. The volleyball club has prepared 15 Olympic Champions. In fact, the players of this club many times became Champions of the World, of European and Russian National Championships.

Basketball club “UGMK“ was found in 1938. The Club won 11 times the title of champion of Russia and was also the prize-winner of European League.

Tourism

There are more than 250 traveling agencies sharing tourism market of Sverdlovsk region. Every year this number is increasing due to Moscow operators who have forced their way to Sverdlovsk region. Ural Tourist Association, which affiliates 30 tourist operators, has been functioning in Ekaterinburg since 1996. They offer wide specter of domestic and foreign tourist directions. The most popular tours are to Turkey, Egypt, Spain, Russia and Croatia. Annually more than 50 thousand tourists from Sverdlovsk region spent their vacations abroad. The number of foreigners visiting the region is also increasing.

Domestic and foreign tourism are the most promising trend of Sverdlovsk region traveling agencies activity. Favorable geographical location of Sverdlovsk region at the boarder-line between Europe and Asia contributes to the development of tourist industry. On the territory of the city one can find all architectural styles pertaining to XVIII-XIX centuries. Foreign specialists particularly take interest in architectural models of constructivism. Temple-on-Blood, Ganina Yama — the place of the last Russian Emperor assassination and burial are important historical points of interest in

Sverdlovsk region. Temple complex in Verhotourie is one of the most popular directions of tourist trips.

According to Russian Ministry of Culture information center Sverdlovsk region museums hold the third place in Russian federation after Moscow and Saint Petersburg in respect of quantity, funds, number of exhibitions and visitors. The most important museums are located in Ekaterinburg.

Tourist companies are widening their range of services on the territory of Sverdlovsk region. New tourist trip «Yeltsin's Places» comprises visiting the house of first Russian President, walking along corridors of former Communist Party regional committee and Ural State Technical University which the first Russian president had graduated.

Investment policy of Sverdlovsk region

International investment activity in Sverdlovsk region

Both Russian analysts and international rating agencies mark investment appeal of industrial Sverdlovsk region. On December 2005 the company "Standard & Poor's" declared about raising the long term credit rate of Sverdlovsk Region from level "B+" up to level "BB-" with Stable forecast.

The change of rate reflects growth and diversification of the region economy, maintenance of positive budgeting activities. By the estimations of experts it is expected that the region will provide for timely and fully fulfillment of its guarantees' commitments.

Ministry of economics and labor of Sverdlovsk region keeps the «List of investment requests from organizations of Sverdlovsk region» both in Russian and in English, which is located at the official site in Internet at the address: <http://www.midural.ru/minek/Invest/reestr.htm>, and at the investment page <http://www.midural.ru/minek/Invest/Invest.html> there is an album «List of investment projects, approved by the legislative and normative acts of Sverdlovsk region».

The major factors providing investment appeal of Sverdlovsk region are:

- favorable geographical position on the border of Europe and Asia, affinity of capacious commodity markets;
- advanced transportation infrastructure and communications;
- rich natural resources;
- powerful industrial complex and developed banking sector;
- availability of large holding structures and successful functioning of small-scale business sector;
- high scientific potential and educational level of the population;
- highly qualified labor sources;
- high financial indexes of the region;
- low debt level;
- growth rates of economy;
- relative political stability, characterized by a consensus between executive and legislative branches of power;
- consistent politics in economy, finances and management of the debt, characterized by principles of balanced budget, financing of capital expenses from the region's own means;
- organizational and financial support of investment projects, guarantees of safety of business on the part of executive authorities.

– the increase in investment appeal of Sverdlovsk region is promoted by implemented reforms, one of the directions of which was the reforming of property relations. Today the share of the enterprises and the organizations of non-governmental sector makes more than 90%.

The first experience of cooperation with foreign investors falls to the late eighties when first joint ventures appeared in Sverdlovsk region. In the course of nineties the amount of the enterprises with the foreign capital on the territory of Sverdlovsk region grew very fast. At present about 400 organizations with foreign investments from 64 countries are operating on the territory of the region. The majority of acting organizations are founded by investors from Cyprus, Germany, USA and Great Britain. In Sverdlovsk region such world famous companies, as PHILIPS, ABB, NATIONAL OILWELL, DUFERCO, LUFTHANSA, COCA-COLA, PEPSI, HENKEI, WRENGLEY'S, FORD, AUDI, VOLVO and others are represented.

Since 1999, 4,4 billion \$US of foreign investments have been invested into the economy of Sverdlovsk region.

The volume of incoming foreign investments in 2005 amounted to 1.1 billion \$ US and increased by 2.1 as compared to 2004 (516.8 million \$ US).

In 2005 in the total volume of foreign investments the highest specific weight fell to other investments (trade and other credits) 1079 million \$ US, on the 2nd place — direct investments 13.3 million \$ US, then — portfolio ones (shares) 1.3 million \$ US. More than 957 million \$ US were invested in metallurgy.

The most active investing countries, which were making considerable investments into the regional economy in 2005 are: the Netherlands (425.3 million \$ US), Austria (155.5 million \$ US), Germany (125.7 million \$ US), Cyprus (110.5 million \$ US), France (60 million \$ US).

Large-scale projects with participation of foreign capital are being realized today in Sverdlovsk region:

- Great Eurasian University which is created on the base of integration of existing in Sverdlovsk region higher educational establishments' and scientific potential, qualitative renewal of educational-laboratory, scientific, experimental and data bases, formation of conditions for educational, scientific and innovation activity.

- In 2005 works have been continued on practical implementation of measures aimed at increasing the volumes of air transportations in the framework of Concept of creation of transportation-logistic junction (HAB), including: construction of new international passenger terminal with the total area of 15 400 sq. m with capacity of up to 600 passengers per hour and the total construction cost 700 million rubles; improving the conditions of service for passengers; reconstruction of "Liner" hotel and others.

- construction of "Euro-Asian international transportation-logistic center", the first phase of which will cost about 90 million \$;

- construction of "Ekaterinburg-City" — 400 thousand sq. m of office and residential area in a complex of four buildings. The total cost of project amounts to 200 million \$.

- construction of megamall "IKEA" in Ekaterinburg;

- construction of "Hyatt" hotel with the cost of 75 million \$ US.

- development of mountain-skiing centers.

- Development program of Open Joint-stock Company "Nizhni Tagil metallurgical works", developed for the period up to the year of 2009 is going on, it is a part of "Conceptual program for development of enterprises of the metallurgical company Limited Liability Company "EurazHolding". According to this program, measures on reconstruction of blast-furnace production and reconstruction of oxygen-converter works are being carried out at "Nizhni Tagil metallurgical works" together with the company Voest-Alpine Industrieanlagenbau (Austria). Measures on reconstruction of wheel-band and rail-girder workshops, reconstruction of power supply facilities of

the plant are also being implemented. Altogether it is planned to invest for these purposes about 500 million US \$.

- At present the Open Joint-stock Company «Metallurgical plant named after A.K. Serov» together with company Danieli (Italy) is carrying out reconstruction of steel-smelting production. In the framework of the second stage of reconstructing the steel-smelting production, work on design of all its facilities is being actively carried out: 80-ton electric furnace, vacuumator, oxygen station, water treatment station, section of charge preparation, rod-cutting machine. The total amount of investments for realization of all measures of the second stage of reconstruction of steel-smelting production is estimated to be approximately 50 million EURO.

- Reconstruction of steel-smelting and rolling production at the grounds of Closed Joint-stock Company “Nizhneserginskiy hardware-metallurgical plant” is going on. The project of reconstruction of steel-smelting production foresees replacement of physically worn-out and morally outdated open-hearth mill by new electric steel smelting production. The project of reconstruction of rolling production foresees reconstruction of rolled wire manufacturing and reconstruction of profiled iron production. Equipment of leading European companies such as SMS Demag, Danieli, VAI-Fuchs will be installed during reconstruction. It is planned to assign more than 500 million rubles for the reconstruction of rolled stock production (development of wire-producing line and profiled iron). Implementation of this project will allow to create an efficiently working enterprise, balanced in production volumes, production quality, technological rationality and ecological safety, to increase the level of competitiveness of the enterprise at the domestic as well as at the external market due to manufacturing of high-quality production and minimizing of production costs.

- In 2005 Closed Joint-stock Company JV “Katur-Invest” put into operation new production of copper un-insulated flexible wires (strands) — a product of further processing of copper rolled wire. The contract for delivery of necessary equipment was concluded in April 2004 with the company Niehoff (Germany), which delivered a 16-thread line of medium wire-drawing and six machines of double twisting with the ability to produce wires with cross-section from 0,5 up to 6,0 sq. mm. The rated capacity of production of copper un-insulated flexible wires is 3 thousand tons per year. Investments into organization of the new production made up to about 1,5 million EURO.

- Open Joint-stock Company “Seversky pipe manufacturing plant” together with its German partner SMS Demag carries out modernization of steel-smelting production.

- German company SMS Meer carries out equipment delivery for the Open Joint-stock Company “Sinarsky pipe manufacturing plant” in the framework of main production reconstruction.

- Company Marcegaglia (Italy) carries out equipment delivery for the line producing refrigerator pipes for the Open Joint-stock Company “Pervouralsk Novotrubni Plant”.

- Finnish company Outokumpu carries out delivery of technological equipment for copper electrolysis plant of Open Joint-stock Company “Uralelectromed”.

- Open Joint-stock Company “Ural foil” together with the German company “Ahenbach” carries out reconstruction of production on the base of equipment modernization of companies “Kamf” and “Ahenbach”.

Besides that, Ministry of economics and labor of Sverdlovsk region keeps the “List of investment requests from organizations of Sverdlovsk region” both in Russian and in English, which is located at the official site in Internet at the address: <http://www.midural.ru/minek/Invest/reestr.htm>, and at the investment page <http://www.midural.ru/minek/Invest/Invest.html> there is an album “List of investment projects, approved by the legislative and normative acts of Sverdlovsk region”.

Legislative conditions for foreign investors on the territory of Sverdlovsk region are determined by the following legal acts:

- Federal law dated February 25, 1999 № 39-FZ (ed. dated 22.08.2004) “Investment activity in Russian Federation, performed in the form of capital investments”;

- Federal law dated July 9, 1999 № 160-FZ (ed. dated 08.12.2003) “Foreign investments in Russian Federation”;
- RSFSR law dated June 26, 1991 № 1488-1 (ed. dated 10.01.2003) “Investment activity in RSFSR”;
- Law of Sverdlovsk region dated December 5, 1994 № 13-OZ (ed. dated 27.12.2004) “Charter of Sverdlovsk region”;
- Law of Sverdlovsk region dated April 14, 1997 № 20-OZ (ed. dated 22.11.2004) “State support of small-scale business in Sverdlovsk region”;
- Law of Sverdlovsk region dated December 28, 2001 № 92-OZ (ed. dated 25.10.2004) “State purposeful programs of Sverdlovsk region”;
- Decree of the Governor of Sverdlovsk region dated August 31, 2000 № 510-UG (ed. dated 06.10.2004) “Consultative council on foreign investments in Sverdlovsk region” (with the clause about Consultative council);
- Regulation of the Government of Sverdlovsk region dated 26.09.2001 № 646-PP (ed. dated 02.04.2004 № 223-PP and 07.06.2004 № 450-PP) “Regional investment program “Structural reconstruction of the production base of construction industry enterprises of Sverdlovsk region for 2001-2005”;
- Regulation of the Government of Sverdlovsk region dated 30.10.2001 № 704-PP (ed. dated 31.07.2003 № 478-PP, 16.06.2004 № 515-PP, 14.07.2004 № 657-PP, 31.12.2004 № 1196-PP) “Regional investment program “Development of pharmaceutical industry of Sverdlovsk region for 2002-2005”;
- Regulation of the Government of Sverdlovsk region dated 16.01.2002 № 21-PP (ed. dated 18.06.2004 № 526-PP) “Regional investment program “Stabilization and development of timber industrial complex of Sverdlovsk region for 2002-2005”;
- Regulation of the Government of Sverdlovsk region dated 22.07.2002 № 898-PP “Plan of measures for increasing the output of high-tech production of civil purpose at the enterprises of defense-industrial complex of Sverdlovsk region up to 2005”;
- Regulation of the Government of Sverdlovsk region dated 25.12.2002 № 1452-PP (ed. dated 16.04.2004 № 281-PP) “Measures for increasing the output of new kinds of production on the base of technical re-equipment of mechanical engineering complex enterprises of Sverdlovsk region up to 2005”;
- Regulation of the Government of Sverdlovsk region dated 22.08.2003 № 527-PP “Regional investment program “Processing of technogenous formations of Sverdlovsk region” for 2004-2010”;
- Regulation of the Government of Sverdlovsk region dated 21.04.2004 № 297-PP “Plan of measures for technical re-equipment of state unitary polygraphic enterprises of Sverdlovsk region for 2004-2007”;
- Regulation of the Government of Sverdlovsk region dated 14.09.2004 № 849-PP “Regional address investment program for 2005”;
- Regulation of the Government of Sverdlovsk region dated 03.07.2002 № 545-PP “Granting investment tax credits to juridical persons”;
- Regulation of the Government of Sverdlovsk region dated 18.03.2005 № 210-PP “Creation of the Council on matters of interaction with credit organizations” (with Clause);
- Regulation of the Government of Sverdlovsk region dated 06.08.2002 № 1145-PP “Approval of the clause about rendering state guarantees of Sverdlovsk region” (with Clause);
- Regulation of the Government of Sverdlovsk region dated 15.07.2002 № 705-PP “The order of granting budget credits to juridical persons”;
- Regulation of the Regional Duma of Legislative Assembly of Sverdlovsk region dated 03.03.1998 № 620 “Statement about the State competition commission of Sverdlovsk region on selection of investment projects and programs”;

- Order of Ministry of finance of Sverdlovsk region dated 24.05.2000 № 19 “Approval of order for organization of work on granting postponement, installment payment, tax credit, investment tax credit on payment of federal, regional and municipal taxes and dues, and also penalties, subjected to be taken into the regional, local budgets”;
- Regulation of the Mayor of Ekaterinburg dated 06.11.2002 № 1198 “Conduction of continuously acting competition of investment projects” (with the Clause about continuously acting competition of investment projects);
- Regulation of the Mayor of Ekaterinburg dated 01.10.2001 № 1138 “Investment Committee”;
- Regulation of the Mayor of Ekaterinburg dated 30.12.1999 № 1414 “Approval of “Statement about expertise of investment projects in the administration of Ekaterinburg”.

Tax Legislation

Tax legislation covers on the one hand tax remissions sphere, on the other hand — other investment activity promotion measures, for instance investment tax credit.

Subjects of Russian Federation and local authorities are given the right to grant tax remissions to investors and special categories of taxpayers who are paying taxes directly to the regional and local budgets.

At present time, discounts on the following taxes may increase the investment appeal of a project:

- organizations profit tax
- organizations property tax
- land-tax

Organizations profit tax is a federal tax, the order of calculation and payment of which is regulated by chapter 25 of the same name of RF Tax Code.

Up to 2005 according to item 1, article 284 of RF Tax Code, the rate of profit tax was determined in the amount of 24% and was distributed between the budgets of different levels in the following way:

- into federal budget — 5%;
- into regional budget — 17%;
- into local budget — 2%.

But starting from 2005, distribution of the rate of profit tax among budgets has changed: now 6,5% will go to the federal budget, 17,5% — into regional budget, at the same time indicated tax rate can be reduced by the laws of RF subjects down to 13,5%.

Organization property tax is a regional tax, established by article 21 of the Russian Federation law from 27.12.1991 № 2118-1 “The basis of the Russian federation tax system” and by chapter 30 of RF Tax Code.

The amount of tax rate, valid at present time, and the list of additional discounts on property tax for individual categories of taxpayers are established by the Law of Sverdlovsk region № 35-OZ from 27.11.2003 “The establishment of enterprise property tax in Sverdlovsk region”. In accordance with above mentioned law, standard rate of the tax in the amount of 2,2% is applied to the participants of the investment projects.

Land-tax is a local tax, established by article 21 of the Law of Russian Federation from 27.12.1991 № 2118-1 “The basis of the Russian Federation tax system” and by the Law of Russian Federation from 11.10.1991 № 1738-1 “The land charge”. Federal law dated 20.08.2004 № 116-FZ introduced changes into the RF Law “The land charge” which establishes tax rates for land lots, bought for housing construction. Now it will be more profitable for taxpayers to complete housing construction, including individual one, faster. Land tax for land lots on which housing construction is held, is established in double amount for 3 years, and in case if during this period the construction is not completed — four times the amount.

After completion of construction and state registration of rights for the built real estate, a single tax rate is established. If construction is completed before expiry of three-year period, the taxpayer will get back the amount exceeding one-time amount of tax.

At present time land-tax is distributable between regional and local budgets in such manner, that 50% of the tax sums are to be included in the regional budget.

Valid amounts of average rates and the list of additional regional discounts for individual categories of taxpayers are established by the law of Sverdlovsk region № 23-OZ from 16.10.1995 “The land charge on the territory of Sverdlovsk region” (in the edition of the Law of Sverdlovsk region № 37-OZ from 27.11.2003).

According to article 9 of the law of Sverdlovsk region № 23-OZ, regional discounts on land-tax can be fixed in the following forms:

- exempting individual categories of taxpayers from tax
- lowering of tax rates
- introduction of an untaxed minimum of taxable base or withdrawal of specific elements of a taxation object from taxation
- special tax discounts, including tax deferral

The Government of Sverdlovsk region stimulates the establishment of high-technology enterprises, providing, on specified conditions, a tenfold decrease of the rent on land, occupied by large enterprises.

Investment tax credit serves as the most efficient instrument of investment activity stimulation. Investment tax credit represents an alteration of due date for tax payment, and during the stated period of time a taxpayer has an ability to decrease his tax payments, in specified limits, with a following stepwise paying of the sum of credit and accrued interest (as a rule, on the level of 1/2 of the Russian Federation Central Bank refinancing rate).

In particular, payment in the amount of 1/2 of the Russian Federation Central Bank refinancing rate is collected for the granting of a budget credit for investment projects implementation.

For getting budget credits, given from the regional budget, juridical persons prepare applications, submitted and considered in the order, stated by the Government of Sverdlovsk region.

The Resolution of the Government of Sverdlovsk region dated 15.07.2002 № 705-PP “Order of granting budget credits to juridical persons” determines the general procedure of credit application forwarding, the list of all documents necessary for obtaining a budget credit and the procedure of the credit granting. And the Resolution of the Government of Sverdlovsk region dated 04.08.2004 № 740-PP (with changes introduced by the Resolution of the Government of Sverdlovsk region dated 24.01.2005 № 46-PP) “Order of submitting and considering of applications for getting in 2004 budget credits by juridical persons” introduces additions.

Guarantees and mechanisms of investments protection

Bodies of the Government are obligated to ensure the stability of realization conditions for investment activity. In particular, they undertake not to apply any actions, which would force investors to bear additional expenditures, not connected with the realization of investment project. The subjects of foreign investments are given guarantees from the unfavorable change of tax legislation of Sverdlovsk region, guarantee of equal lawful protection, independent determination of forms and volumes of foreign investments, compensation of harm, and protection of classified information.

The Government of Sverdlovsk region on behalf of Sverdlovsk region can speak as guarantee (depositor) in the implementation of investment programs and projects and bear in favor of debtor

joint or subsidiary responsibility. The limits of the responsibility of the Government of the region are established in each specific case by agreement between the Government of region and debtor.

Article 29 of Law of Sverdlovsk region «About the regional budget in 2005» allows to take decisions about granting state guarantees of Sverdlovsk region and establishes the limit of assignment of state guarantees by the Government of Sverdlovsk region. The procedure of assignment of the guarantee is determined by the Government of Sverdlovsk region in the similar Clause, authorized by the Regulation of the Government of Sverdlovsk region from 06.08.2002 № 1145-PP.

For consideration of applications of juridical persons for getting state guarantees of Sverdlovsk region, on the base of the Regulation of the Government of Sverdlovsk region dated 18.03.2005 № 210-PP «Creation of a Council on matters of interaction with credit organizations», a Council on matters of interaction with credit organizations was created instead of the previously operating Interdepartmental commission on work with financial assets of the region, working on the basis of the Decision of the Government of the region from 13.05.1999 № 581-PP.

Foreign trade

Sverdlovsk region is conducting trade with 115 countries of the world. Foreign countries still remain its main trade partners, but at the same time the volume of mutual trade with the CIS countries keeps steadily growing. Leading place in commodity turnover in foreign trade of Sverdlovsk region in 2004 was taken by USA, Taiwan, the Netherlands, Kazakhstan, Germany, Turkey, Ukraine.

Sverdlovsk region is the largest export-oriented region of the Urals.

Export complex of the Middle Urals is characterized with a high level of diversification — more than 1900 participants of foreign economical activity, and also developed territorial-geographical structure: in 2004 export was conducted to 105 countries, including all developed countries of the world.

Export of metallurgical, chemical and mechanical engineering complexes production prevails in the structure of export deliveries of Sverdlovsk region. The share of these groups of goods amounts up to 90% of Sverdlovsk region export.

The region imports mainly mechanical engineering production (43.1 %, increase of specific weight by 11.5 %) and mineral products (20.2 %, including coal — 10.4 %) and also production of chemical industry (10.9 %, the share decreased by 31.6 %).

In 2004 Sverdlovsk region exported its production to 105 countries and imported from 88. More than 35% of foreign trade of the Middle Urals falls for countries of the Asian-Pacific Economic Community (Taiwan, USA, China, Japan, Korea) and India; 35% — for countries of the European Union, 16% — for leading partners from the Commonwealth of Independent States (Kazakhstan, Ukraine, Uzbekistan). Today by the volume of foreign trade turnover (6,4 billion dollars in 2004) Sverdlovsk region is among the ten leading regions of Russia. By the results of the first half year of 2005 the commodity turnover has already amounted to 3,6 billion dollars.

Based on the structure of the Ural economy and, correspondingly, upon the structure of export, production of metallurgical branch, mechanical engineering and chemical industry can be named in the first place as the «trade commodity» of Sverdlovsk region.

Although, it should be mentioned that the commodity structure of export in 2004 has undergone considerable changes. First of all it concerns metallurgy: the share of high processing production started to increase. That is, we sell not just copper or aluminum in ingots, but we offer our purchasers complex alloys, pipes, rails, titanium rolled stock. The leading metallurgical enterprises of the region, in particular plants being parts of such Groups as SUAL, UMMC, TMK, Evrazholding, are constantly increasing the share of high processing production in the total volume of manufacturing and sales.

In chemical industry the growth of export volumes is achieved due to commodities with a high intellectual constituent part. These are products of radioactive elements' processing. Fuel for nuclear power stations is produced in the Middle Urals and successfully sold abroad. In the meantime, «know-how» belongs to the Ural developers since our science is very seriously occupied with this matter.

As to the mechanical engineering branch, it is worth to point out that its production by itself is high-technological. At present, export of high-tech commodities of mechanical engineering can be considered one of strategic trends of foreign economic activity of Sverdlovsk region.

What helps the positive distinguishing of mechanical engineering production of the Middle Urals in the international markets? First of all, we can successfully compete in the sphere of power, railroad, precise mechanical engineering. All technology in the countries of CIS and many countries of Asia is designed exactly for Russian equipment, which, moreover, is constantly modernized by our producers. That is why they know and expect out production there. For example, the whole irrigation system in Central Asia and the Caucasus is built on pumps of Uralhydromash. If we talk about the electric power branch, Turbo-engine plant and Uralelectrotyazhmash supply turbines and equipment for power stations under construction to China, Tajikistan — to Nurekskaya Hydroelectric Power Station, Sangtudinskaya Hydroelectric Power Station on Vakhshskiy cascade.

Uralvagonzavod (UVZ) produces modern cisterns-containers for transportation of liquid hydrocarbons and liquefied gas, which can be shifted from the railway platform onto cars. Now such production is mostly needed in Kazakhstan, Azerbaijan and in the West. It's not by chance that Uralvagonzavod created a Joint Venture for production of cisterns in Estonia, in Akhtme city. Now Estonia is a member of the European Union and production is considered European, though it is manufactured with the help of component parts and technologies of Uralvagonzavod. In 2005 UVZ concluded a profitable contract for 100 million euro for delivery of 3,5 thousand of gondola cars for Czech company «Alta». This fact by itself is the evidence that our production is in demand in the world market.

It is obvious that today the main specialization of the Ural mechanical engineering in foreign economic field is CIS and Asia, as well as countries of the Near and Middle East, Arabian part of Africa — Algeria, Egypt, Libya, in future — Tunisia and Morocco. In spite of the fact that competition of West-European, American, Chinese and Japanese companies is strong there, our production has a number of definite advantages: high reliability, worked out technology which is applicable to local conditions, simplicity in handling. Besides, our production is in times cheaper than similar Western one, quality being adequate. That is why our leading enterprises enter these

markets not only with one-time contracts for production delivery, but also create there their fulcrums, representations and service centers. For instance, the Ural Optic and mechanical plant (UOMP) which supplies geodesic equipment. The central crossroads of capital cities practically in all CIS countries are equipped with traffic lights produced by this enterprise. Or the most up-to-date medical equipment supplied by UOMP and the Ural instrument making plant, — incubators for the new-born, devices for artificial ventilation of lungs, Ultrasonic research devices, — is in great demand in many states — former republics of the Soviet Union. Instrument making plant in cooperation with Italian firm Esaote produces modern devices for Ultrasonic research, which are much cheaper than analogues Italian ones. It is important, since many CIS countries cannot afford yet to spend huge amounts for social programs. And if our commodities are of good quality, but cheaper, then of course the choice will be done in their favor.

Sverdlovsk region is also actively establishing mutually profitable cooperation with the countries of the West. Russia is a very profitable market for sale of mechanical engineering production of the West. Germany, Italy, Great Britain and a number of other countries very actively try to get here and, on the whole, they act successfully. Only last year the commodity turnover of Sverdlovsk region with Germany grew by 60% and made up 415 million US dollars; mainly due to deliveries of German mechanical engineering production, and partially due to our deliveries of metal and metal rolled stock.

Sverdlovsk region is conducting negotiations with the German part about production here of medical equipment, mobile, small-scale X-ray examination equipment; starting an intensive dialogue with governing bodies of leading automobile manufacturing corporations, trying to rouse their interest in the possibility of allocating assembly manufacturing of automobiles. Now we are ready to provide for all conditions for that, including taking into account the expected adoption of the federal law about technical-introduction zones, which assumes exemption from many kinds of payments and taxes. In fact, it is a question of creating free economic zones for such enterprises.

Here is one of convincing examples of how one can work: Uralvagonzavod concluded an agreement about drawing in 300 million euro from the Czech side for modernization of equipment. Conditions are very profitable — the interest is low (Russian banks participate in the project only as agents, through whom money is transferred). In Czech Republic itself, at Czech enterprises equipment has to be bought only for 40% of this amount. For the remaining 60% it is possible to purchase Russian equipment of appropriate quality. Thanks to such programs Uralvagonzavod will become an unattainable leader in Russian railway car building.

There are also problems which have to be solved in the nearest future.

Firstly, the state has to work out and introduce mechanisms of financial support of export. Similar mechanisms are successfully used in the West: preferential crediting, risk guarantee, credit and insurance agencies. With us the system of export crediting is not sufficiently developed yet. But as soon as it begins to work at full capacity and Russia starts mass issuing to the countries of CIS and Asia of commodity credits, fixed credits for purchasing of our production and starts to guarantee the risks of its enterprises, it will arouse a real boom in domestic mechanical engineering.

Secondly, it is necessary to engage in modernization of production, introduction of power-consuming machines and equipment, as well as to take measures of power saving. Especially since now there is an opportunity to use western credits.

Thirdly, it is essential to carry out new elaborations, to conduct certification by new quality systems, since entrance into the World Trade Organization (WTO) will demand application of these systems.

Leading enterprises do it. The same UOMP is introducing quality system not only for production, but for management as well. This process is very hard and expensive, but it pays for itself.

It is impossible to solve these tasks without attraction of investments. A favorable economic conjuncture has formed nowadays for capital investments into Russia: here they bring the greatest profit. In the West money does not bring this much profit, because there the rates of economic development are lower. In the USA it is a bit more than 3% per year. Of course, in absolute calculation, taking into consideration the fact that their Total Gross Product is more by 10 trillion dollars, — it is a huge amount. But capital rushes to places where it is possible to get 10% profit and more. And it is the Russian market that offers such opportunities, because in many aspects it is not mastered yet.

For drawing in credit resources and investments, the Government of Sverdlovsk region, the Ministry of international and foreign economic connections organize trips, negotiations for our and foreign entrepreneurs. They invite representatives of political and business elite from the countries of the West, organize necessary meetings on the governmental and business levels, try to follow up all these projects. They conduct negotiations with the governing bodies of leading companies and banks. They also regularly participate in different investment forums. This year the Governor Edward Rossel spoke at investment forums in London, Cannes, in the Netherlands. In Cannes keen interest arose at once: now several offers are being worked over concerning investments into the units of trade-office, hotel and logistics real estate on the territory of the region.

At present a regional law about the state support of investment activity is being prepared. Now we can operate only the part of tax incomes which go to the regional budget, — land tax, profit tax and others. A possibility of granting privileges for the investor is envisaged, it's not important whether he is foreign or Russian, by way of adopting the resolution of the government on a definite investment project.

In practice we will have to apply a principle which is used in many countries of the world, — the principle of the «unified window» for investors. According to our researches, the biggest problem encountered by the investor is getting permission for land allocation and for construction. At this point it is necessary to have very distinct interaction between federal, regional and municipal power. But since corresponding questions are often solved on municipal level, it is here that realization of this principle is necessary in first turn.

There are available objective conditions for the work of investors in Sverdlovsk region. By the rating of «Expert» magazine, our region ranks among the districts with the greatest investment attractiveness, taking the fourth place after Moscow, Moscow region and Saint-Petersburg, it is in 1B group of regions (moderate risk and high potential). While by legislative risks our region holds the place among the eighties. Adoption of the law about the state support of investment activity will change the situation for the better and the Ural industry will get additional impulse for its further development.

Russian analysts and international rating agencies mark the investment appeal of Sverdlovsk region. In December 2004, Standard & Poor's (one of the three largest global rating agencies) raised the long-term credit rating of Sverdlovsk region to investment grade, lifting "B" to "B+" (credit rating of liabilities in foreign currency: BB+ / Stable; in domestic currency: BBB- / Stable/ A-3).

The change of rating reflects diversification of the regional economy and maintenance of positive budgeting activities. According to expert estimates, the region will be able to timely fulfill its obligations towards capital commitments.

The major factors providing investment appeal of Sverdlovsk region are:

- favorable geographical position on the border of Europe and Asia;
- affinity to large commodity markets;
- advanced system of communications and transportation;
- rich natural resources;
- highly developed industrial complex and banking sector;
- presence of large holding structures and successful functioning of small-scale business sector;
- high scientific potential and educational level of the population;
- growth of economy (growth rates of Sverdlovsk region economy are notably higher than the average in the country: for the past three years the average annual growth of gross regional product amounted to 8.2 %. In 2005 the growth rates of the gross regional product are expected to remain at the same level);
- highly skilled labor resources;
- high financial indexes of the region;
- low debt level;
- organizational and financial support of investment projects, guarantees of safety of businesses on the part of executive authorities;
- relative political stability, characterized by a consensus between executive and legislative branches of power;
- consistent policies of economic, financial and debt management, characterized by principles of balanced budget, financing of capital expenses from the region's own means.

The increase in investment appeal of Sverdlovsk region is stimulated by the reforms in the field of property relations. Today the share of enterprises and organizations of non-governmental sector makes more than 90%.

Cooperation with foreign investors started in the late eighties when first joint ventures appeared in Sverdlovsk region. In the course of nineties the number of enterprises with the foreign capital operating on the territory of Sverdlovsk region increased rapidly. At present about 400 organizations of Sverdlovsk region receive foreign investments from 64 countries.

In 2004 the largest investors in the economy of Sverdlovsk region were Switzerland (22,9%), Cyprus (21,8%), the Netherlands (19,3%), Austria (5,1%), Germany (5%), France (3,9%), Great Britain (2,4%). The amount of investments from these countries consisted 415 million \$US, which is more than 80% of the total amount of all coming investments. Such companies as PHILIPS, ABB, NATIONAL OILWELL, HENKEL, DUFERCO, LUFTHANSA, COCA-COLA, PEPSI, WRENGLEY'S, FORD, AUDI, VOLVO are operating on the territory of Sverdlovsk region.

Gross capital inflows to Sverdlovsk region consist of foreign direct investment, portfolio investment and borrowing of the corporate sector. Since 1999, Sverdlovsk region received 4.4 billion \$US in foreign investments. In 2003 the volume of incoming foreign investments in dollars amounted 1317,5 million \$US and decreased by 2,7% as compared to 2002. In 2004 Sverdlovsk region received 516,8 million \$US in foreign investments. It decreased by 60,8 % in comparison to 2003. Decrease of investments in 2004 was caused by transition of metallurgical enterprises of Sverdlovsk region to the international accounting system. According to the international standards, bank credits received by an enterprise must be reflected in the territorial cross-section of their usage. Thus, it is possible to state the absence of negative tendencies in the sphere of foreign investment in the economy of Sverdlovsk region.

In 2001-2004 the largest share of accumulated foreign investments consisted of other investments (trade and other credits), with direct investments and portfolio investments following them respectively. The "other investments" consist mainly of other credits. Those are mainly short-

term credits with the lowest degree of risk. The share of other credits consisted 92,6% in 2002, 97,1% - in 2003, 66,2% - in 2004.

As far as the quantitative side of foreign investment is concerned, in 2004 75% of all foreign investments were directed to non-ferrous metallurgy. The annual volume of investments into non-ferrous industry consisted 388 million \$US. The second most appealing field of foreign investment was ferrous metallurgy – more than 92,5 million \$US in 2004. More than 7 million \$US was invested in chemical industry, 6.7 million \$US – in trade and public catering, 6 million \$US – in food industry, 4.6 million \$US – in culture and art, 1.1 million \$US – in mechanical engineering.

The Government of Sverdlovsk region annually works out a list of large-scale projects of technical and technological reequipment and reconstruction. In 2004 the list included 200 projects requiring the investment of 14,6 billion rubles. The Governor's Consulting Committee on Foreign Investment and the Investment Support Fund were established in order to coordinate the efforts of local entrepreneurs and executive bodies of state power towards attracting foreign investments into the region.

According to the Ministry of Economy and Labor of Sverdlovsk region, the total amount of internal investment in the economy of the region in 2004 increased by 15,7% in comparison to 2003 and consisted 69,5 billion rubles. However, the realization of the strategic goals of economic development of the region in 2000-2015 requires additional annual investment of 1 billion \$US.

Sverdlovsk region is in need of additional capital inflows such as foreign credits and investments, which would support the economic development of the region, as well as structural reforming and development of the home market.

A number of large-scale projects implemented in Sverdlovsk region present a desirable target for foreign investors.