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Sochi as an International Business Partner. The Vision From Inside¹ Julia M. Malova² Ludmila A. Beloslutzeva¹ Sochi State University, Russia

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Abstract. Today the city of Sochi is a center of increasing economic activities not only for Russians but also for foreign investors. This article attempts to analyze how investment projects can be successfully implemented. The comparative analysis determines the level of hosting economic events and their impact on the internal infrastructure of the city.

Keywords: Sochi city economy; the Olympic Games 2014; the International Investment Forum Sochi; projects implementation; the comparative analysis; the vision of changes.

Introduction. Sochi is the so called Summer Capital of Russia, this is because the summer activities play a remarkable role to the economy of the city and the country as a whole. In light of recent and upcoming events, there is great improvement in the infrastructure of the city. These remarkable changes can be seen daily.

Discussion. Sochi is a city in the south-west of the Russian Federation and a part of the Krasnodar region. Today the Krasnodar region is a leader in terms of the development of key economic activities. All the main Russian sea-resorts are located in the Krasnodar region, but the city of Sochi accounts for a high percentage of visitors. It has a unique combination of subtropical climatic conditions by the Black Sea coast and the snow peak of the Caucasus Mountains creates a natural-and-climatic conditions. This has accounted for the city of Sochi to be Russia's leading resort, welcoming about three to four million tourists each year. Tourism and trading plays great parts in Sochi's economy but other economic activities are not successful in the region. The business structures aren't changing, poorly organized and with a population of about 400 000 residents, there is increasing need for economic development. Most of the populations about 55% are engaged in medium and small forms of touristic and restaurant business, hotel and retail trade. There are more than 35 000 companies of small and medium sizes involved in business activities in the city that is 73% of all economic entities. (Including 10 473 small firms, 23 medium ones and 24 676 individual entrepreneurs) [1].

Sochi is the city to host the 2014 Winter Olympic Games [2]. The creation of the required infrastructure for the Winter Games is of great interest to the place. This makes Sochi the subject of great interest and attraction in terms of investment and project implementation.

Due to a lot of funds being channeled into the development of the city, Sochi will become one of the *best of* Russian cities with outstanding infrastructures. In 2011 it was formally recognized the only resort in Russia for all seasons that makes it even more appealing to people. Both Russian and foreign investors are interested in investing in the development of the city, but to succeed in business some economic and political activities must be created. Organization of important events is impossible without professional coordination and organizers. The administration of the Krasnodar Region and Sochi City are taking care of this. The main task is for the creation of favorable conditions for the development of free enterprises and business infrastructure in accordance to international trade traditions, rules and regulations just to name a few. Today more than 250 enterprises are members of the "*Chamber of Commerce and Industry of Sochi*". [3]. Under the patronage of this organization was established two major companies "SOUD-Sochi Exhibitions"[4.] and "Sochi-Expo"[5.]. They have a wealth of experience in organizing specialized

exhibitions that contribute to domestic and foreign enterprises in promoting products and services. These companies make great benefit by promoting of business contacts

Increased attention to the city is confirmed by the numerous international economic forums constantly taking place in the city. *"The International Investment Forum Sochi"* is the largest economic forum of all and has become a traditional. It is one of the three main economic forums held in Russia. Its primary goal is to improve the investment climate and facilitate the establishment of contacts between the Russian regions and the representatives of domestic and overseas businesses. In addition, it is a platform where many regions and businesses can present their products and projects.

Despite the economic downturn, the forum has continued to bring billions of rubles in investments. Its success can be evaluated and analyzed with the data in the table 1 below [6].

	2007	2008	2009	2010	2011	2012
The total amount of participants	10000	8400	8000	8000	8200	7300
The total amount of countries	36	40	27	32	47	40
Number of signed agreements	132	253	177	179	295	244
The total value of agreements (billion rubles)	455	253	351	295	429,5	344

Table 1. Sochi's International Investment Forum

In 2007 when the city of Sochi was recognized to be the Capital of the Olympic Games 2014, it also became the host city to several international forums. Many forums were often held in the city of Krasnodar named "Kuban". With the approaching Winter Games in 2014 there is more interest on the forum and it's a good indicator for the ranking of business events.

It's compared to the *St. Petersburg International Economic Forum (SPIEF)*, an annual International Conference on Economics and Businesses, and it's the leading economic forum in Russia.

The audiences of the both Forums are the same: heads of states, political leaders and the heads of Major Russian and foreign companies. However, there are a lot of significant differences. The main one is project orientation: *"The International Investment Forum Sochi"* is aimed at regional development and *"St. Petersburg International Economic Forum"* covers interests of the whole country. But every year more and more regions of Russia take part in Forum Sochi [7].

	2007	2008	2009	2010	2011	2012
The total amount of participants	8000	2300	3500	4200	4700	5347
The total amount of countries	76	74	73	87	96	77
Number of signed agreements	13	17	14	47	50	84
The total value of agreements (billion rubles)	337,5	336	225	338	200	500

Table 2. St. Petersburg's International Economic Forum.

Based on the above tables are the following comparative charts.

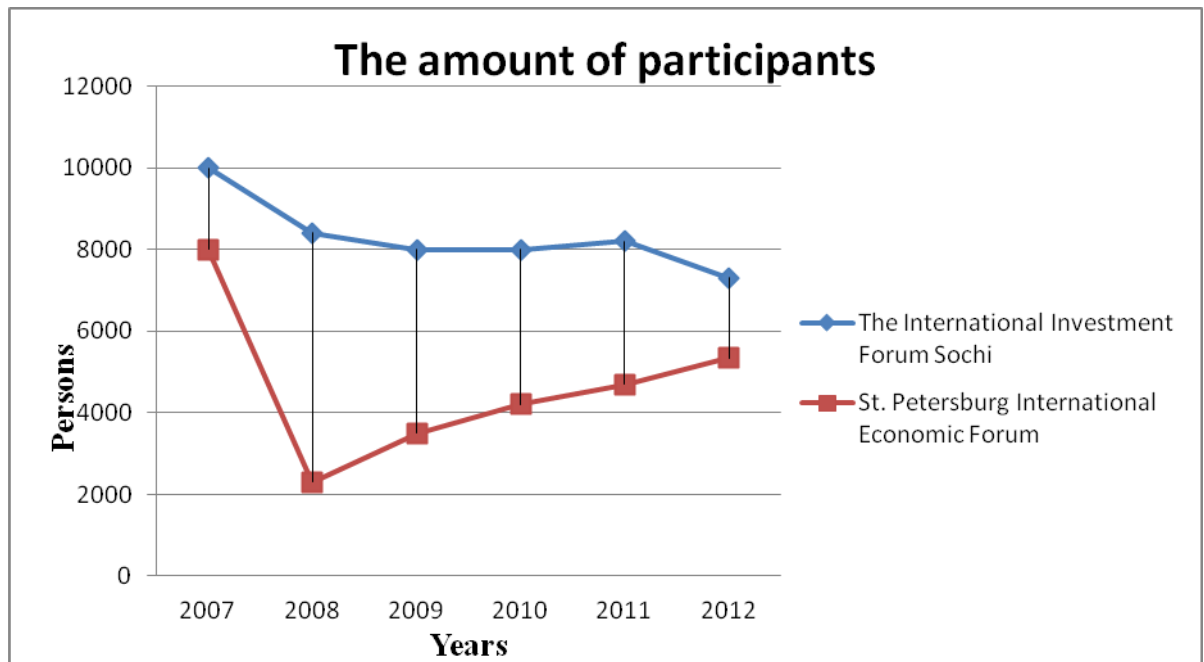


Chart 1. The amount of participants.

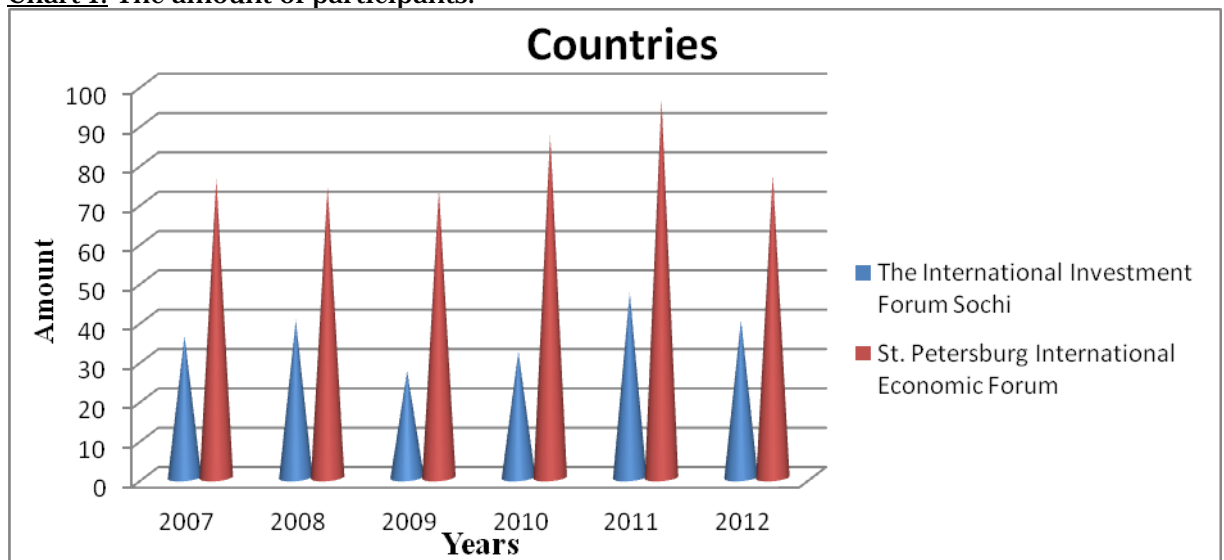


Chart 2. The amount of countries.

Despite the high amount of total participants in the Sochi Forum, the foreign participation is low. This results to a small market, weaker competition for potential partners and a low rate of international activities. This is obvious disadvantages that must be eliminated. The task for future progress of Sochi is to achieve the level of development for world famous economic events. Today we have real facts demonstrating the prosperity of the "International Investment Forum Sochi". Due to the Forum and the activities of the Krasnodar Region, Sochi is getting many opportunities for business ideas to be implemented and thus the acceleration projects. It brings billions of rubles to the economy of the entire region.

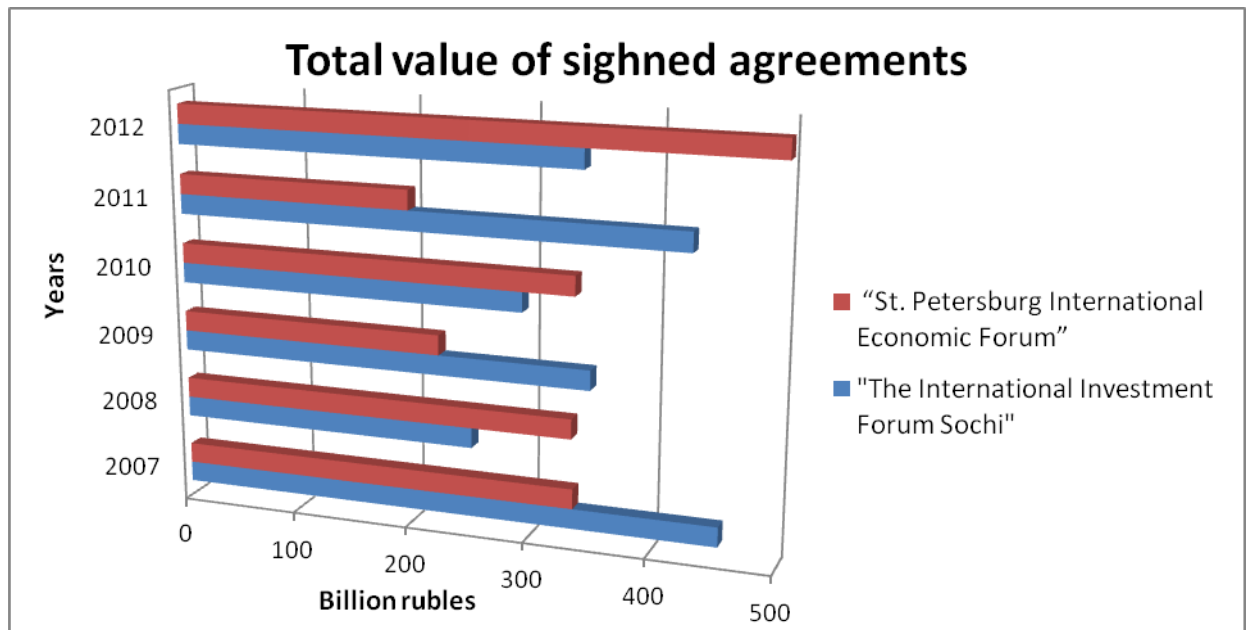


Chart 3. Total value of signed agreements.

When compared with all areas of the country, the St. Petersburg Forum has a total competitive value of signed agreements. The chart also shows that every year leadership has been changing. So we can conclude that the average amount of funds is the same, but in St. Petersburg they are spent on development of the regions and in Sochi it's just a local modernization which is advantageous for the Sochi region.

Despite the success of the events, the signed agreements do not indicate the success of projects. Here we examine some examples.

"Federation Island"

The most notorious and ambitious project was the "Federation Island" - an investment project for the creation a seaside resort by the Black Sea coast of Sochi. The 6.2 billion\$ project was announced at the International Investment Forum Sochi 2007 and was approved by President Vladimir Putin. Agreement on cooperation for the project was signed by the administration of the Krasnodar region, JSC "M-Industry" and the investor of the project like "Allied Business Consultants" (United Arab Emirates). [8].

This project was suspended because of the protests of environmentalists and the lack of legal support connected with the creation of artificial islands, thus the future implementation of the project is uncertain. However the attraction to new projects has suddenly become unfavorable for potential investors. [9].

"Mandarin"

The unique project of a cultural-sports complex in the open air "Mandarin" was adopted within the International Investment Forum Sochi 2009 and estimated at 370 million rubles. Today the construction works are at a final stage and the approximate dates for the inauguration is scheduled for the autumn of this year.

The project is been realized by the Russian company "Expo". This complex will be included to the latest achievements in the field of recreation and entertainment for all ages. The key object of "Mandarin" will be a unique show created by the Australian company "Laservision". Architectural component of the project was designed by the American architectural firm "Jerde Partnership". As co-author of the project was also the engagement of the best designers of some local companies "Adlerproektcenter" and "Gor-project". [10], [11].

"Disneyland Sochi"

This project of a park was firstly presented at the Investment Forum Sochi-2010. Last year the decision for the construction of the "Sochi Park" was approved by the Russian Government regional development programs, thus preparatory works will begin as soon as possible. "Sochi Park" is expected to be a unique place of entertainment. [12], [13].

There are also numerous bright projects:

- The residential complex "Royal Park" (2008)
- Mixed-use complex with apartments "Actor Galaxy" (1st quarter of 2013.)
- Project hotel "Hyatt Regency" (end of 2013).

All projects are carried out in partnership with international companies. This is a great advantage for the international cooperation of Russian and foreign companies. Businessmen invaluablely exchange experience with each other and completed projects will become a tangible legacy for the city. Annually the Sochi Forum has become an impetus for the further development of the city.

Despite all the economical advantages the effect of the forum on the social, environmental and touristic life of the city cannot be ignored. Huge changes cause a lot of negative disturbances; people are dissatisfied with construction of skyscrapers on the territory of parks, the closure of public beaches and the endless traffic jams. They are huge inconveniences with continuous construction works that prevent people from resting. But the majority of citizens understand that these are temporal. An inevitable problem connected with the Sochi's infrastructure is its restructuring. Of course, today the city looks like a huge construction site, but at the same time, it gradually turns into a real metropolitan city. A newly restored town's economy will soon become for its citizens a generous legacy of the Olympic Games. We will have modern buildings instead of dilapidated ones, multi-level road junctions instead of multi-kilometer traffic jams etc.

Conclusion. Sochi has great perspectives on becoming a first-class year round international resort. That is why the development of its international business partners is important and requires good research which is an essential part of large-scale planning. We are witnessing a unique process of the city's transformation and have to understand what consequences it will have. To do these we should evaluate current situations and take into account its positive and negative outcome. Proper assessment will help to avoid future worries, only then can we have the power to manage the present and future changes.

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Сочи, как международный бизнес-партнер. Взгляд изнутри

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Аннотация. Сегодня город Сочи – центр повышенного экономического внимания не только российских, но и иностранных инвесторов. В статье проделана попытка анализа способов реализации инвестиционных проектов, определения уровня проводимых мероприятий и их влияния на внутреннюю инфраструктуру города.

Ключевые слова: экономика Сочи; Олимпийские игры 2014; Международный инвестиционный форум Сочи; реализация проектов; сравнительный анализ; восприятие перемен.