

# EASTERN ECONOMIC FORUM

2018

**The Far East**  
Expanding the range  
of possibilities

**32**

**Ilya Lagutenko:**  
Vladivostok is a city  
with unlimited potential

**144**

**Delectable dishes**  
Making Goubuli stuffed  
buns for the President

**160**



more than **300** destinations  
more than **60** countries\*

*\*Including regular flights of PJSC "Aeroflot",  
subsidiary airlines and "code-share" partner airlines.*



- 12** Business programme
- 18** Forum: Navigator
- 25** The 'Far East Street' exhibition
- 26** EEF 18 cultural programme
- 27** EEF 18 sporting programme
- 44** The FEFD's storehouse
- 50** Alexey Chekunkov, CEO, Far East Development Fund
- 60** Advanced special economic zones in the Russian Far East: a secret resource for Asian market growth
- 62** Federal cluster
- 66** Reasons to care about a hectare



**05**  
**FIRST PERSONS:**  
Welcome addresses by the leaders of Russia, Japan, and Mongolia



**40** **Alexander KOZLOV,**  
Minister for the Development of the Russian Far East:  
I know what to look for  
**AND WHERE TO FIND IT**



**72** **ARCHIVE:**  
The history of Orthodoxy in Japan



**46** Accelerated path to success in the FEFD

**28**  
**SPORT**  
Sensei Vasily Oshchepkov: FROM JUDO TO SAMBO



**54** **MEGAPROJECTS**  
The Trans-Siberian: the longest railway line in the world



**34** **GEOPOLITICS**  
Asia-Pacific as a new zone for global market growth



**144**  
**Ilya LAGUTENKO:**  
There's no other city like it in the country

- 76** Hiroshige Sekō, Japanese Minister of Economy, Trade, and Industry
- 80** Sergey Luzyanin, Professor, Director of the Institute of Far Eastern Studies of the Russian Academy of Sciences
- 84** Zhou Liqun, General Manager, China Chengtong International Investment
- 86** Kim Jongkwon, General Director, Korea Trade-Investment Promotion Agency (KOTRA)



**102** **ROOT SYSTEM**  
Viktor Tsoi's two 'blood types'

- 88** Shigeru Murayama, President, Japan Association for Trade with Russia and the Newly Independent States (ROTOBO)
- 94** Andrey Sharonov, President, Moscow School of Management SKOLKOVO
- 98** **GIRL POWER:**  
Anna Tsivileva, Kolmar  
Daria Ustyuzhanina, TimePad  
Natalya Kaspersky, InfoWatch  
Marina Domracheva, 3D Smile



**128** **SCIENCE AND SHOW**  
The World Ocean on Russky Island



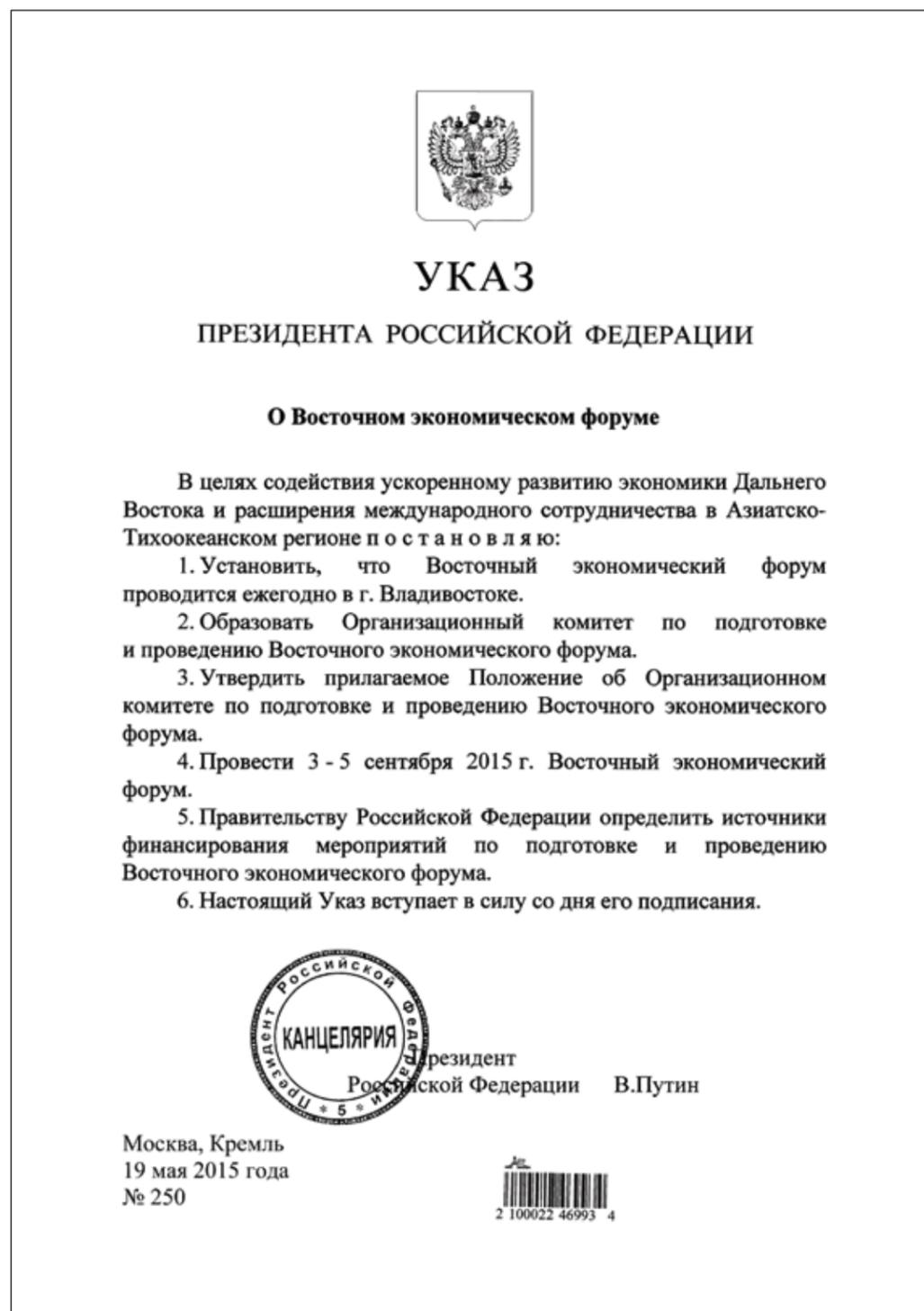
**110** **EEF SAILING REGATTA**

- 106** How the Far East's Gazinsky made his mark on international football
- 120** **STARTUP:**  
The university as a regional economic powerhouse
- 124** Alexander Galitsky, founder of venture fund Almaz Capital

- 126** Dmitry Dyrmovsky, General Director, Speech Technology Centre
- 134** **ROSCONGRESS** Social Platform
- 138** The 'Made in Russia' national brand
- 140** The Russian Convention Bureau
- 148** Vitaly Verkeenko: A European city with an Asian mentality and a profoundly Russian soul
- 150** Vladimir Mamontov: Crossing the bridges of my memory
- 152** The top 12 sights in the Primorye Region capital and surrounding area
- 156** **BIG DIFFERENCE:**  
This is Vladik, baby!



**160** **VIP DINING**  
All the President's Goubuli



The history of the Eastern Economic Forum began with this decree



## To participants and guests of the 4th Eastern Economic Forum

Friends,

I cordially welcome all participants and guests of the Eastern Economic Forum, which is being held in Vladivostok for the fourth time.

Over the years, the Forum has become an important and popular venue for face-to-face dialogue between politicians and public figures, business executives and experts. This year, delegations from more than 60 countries across the world will be taking part.

The theme of this year's event, The Far East: Expanding the Range of Possibilities, reflects our aspiration to see Russia more closely integrated into the economic network of the huge Asia-Pacific region. In order to support business initiatives in the Russian Far East, we have established advanced special economic zones that offer significant incentives to companies wishing to launch new production facilities. We have also created a port area with a special

customs and tax regime, Vladivostok Free Port. We are implementing large-scale social, infrastructure, education, and research programmes and projects aimed at supporting exports and technological modernization. All this opens up a wide range of opportunities for partnerships, trade, and long-term capital investment, as well as for adopting modern and effective forms and models of cooperation, including within the framework of such multilateral organizations as the Eurasian Economic Union, the Shanghai Cooperation Organisation, and the Asia-Pacific Economic Cooperation forum.

I am confident that the ideas discussed during the Forum will contribute to business growth in the Far East and to deeper mutually beneficial cooperation between Russia and the Asia-Pacific region.

I sincerely wish you a productive and successful Forum and all the best!

Vladimir Putin



## To all those participating in the Eastern Economic Forum

I would like to offer my sincere congratulations on the occasion of the 4th Eastern Economic Forum.

Vladivostok has long been an international city and home to an important Russian port. It is developing as an economic centre that is open to the fast-growing Asia-Pacific region. The Eastern Economic Forum brings together business people from several dozen countries around the world to discuss the future of the Russian Far East, and the vital role that this Forum is playing in that development needs no explanation for those who have attended the event.

I myself have attended the Eastern Economic Forum for three consecutive years, and on each occasion I get a strong sense not only of the shape of new business in this area, but also of the vitality of people-to-people exchanges. At last year's Forum I met young Japanese and Russian students with high aspirations, and I was deeply impressed by one Russian student who informed me of her goal to "strive to become a bridge between Japan and Russia." As a result of the efforts of these young people to open up the future, I am confident that the city will become a bridge that connects the people of the Asia-Pacific region, including Japan and Russia.

Cooperation in the Russian Far East is one of the pillars of the eight-point cooperation plan that I proposed, and Japan has been collaborating with Russia in order to contribute to the development of the region. At the end of last year a development concept for Vladivostok proposed by a Japanese

design company was incorporated into the city's master plan, and specific work will move ahead in the future. In addition, Hokuto Rehabilitation Centre, which opened in May, treated 462 people in June, the limit of its current capacity. The centre gives a genuine sense of the advanced nature of Japan's rehabilitation technologies. Furthermore, we are constantly seeing new outcomes that are leading directly to lifestyle improvements for Russian citizens, including the establishment of greenhouse facilities that make it possible to harvest fresh vegetables even in winter and the construction of clean and light-filled wooden homes.

This year is "Japan Year in Russia" and "Russia Year in Japan", during which a large number of events are being held. In June, the Japanese training barque *Kaiwo Maru* docked in the port of Vladivostok and exchanges took place between Japanese and Russian maritime students. Following on from last year, the Kano Jigoro judo tournament will also be held in Vladivostok. I am pleased to see that exchanges between Japan and Russia are expanding in a broad range of fields.

I hope that the Eastern Economic Forum this year will once again serve as a venue for active discussion about the future of the Asia-Pacific region, including the Russian Far East, and that it will give rise to projects and ideas that will realize diverse cooperation.

Shinzō Abe  
Prime Minister of Japan



## Dear Forum participants and guests

Today, as the countries of the world have begun to work towards developing more productive economic cooperation by utilizing their competitive advantages, I am pleased that the Russian Federation holds the Eastern Economic Forum on an annual basis and that the scope of this event is expanding every year, along with the calibre of its participants.

I am delighted to be taking part in this event for the second time, since the stable development of friendly relations and cooperation with the Russian Federation, as well as active participation in regional cooperation and integration processes, are priorities for Mongolia's foreign policy.

The Russian Far East is a developing region that is geographically close to Mongolia. Ample opportunities are available for developing mutually beneficial regional cooperation in all areas.

Implementing projects that will connect Mongolia's infrastructure to that of Russia and China is of particular importance for increasing the competitiveness of Mongolian goods in the markets of neighbouring and other countries and improving the investment environment. It also opens up opportunities to create short and profitable transit

transport corridors linking both our neighbours and Asia with Europe through our country. We actively cooperate with our neighbouring countries in this area.

Although Mongolia faces certain challenges and difficulties due to its lack of access to the sea, its location between two large and rapidly developing markets provides us with great opportunities. Along with the implementation of many projects on a bilateral basis, we are also working on the Mongolia–Russia–China Economic Corridor Development Programme to take full advantage of the opportunity to connect two major nations and two parts of the world.

Our country signed the Economic Partnership Agreement with Japan in 2016, and we are considering a free trade agreement with the Republic of Korea. Mongolia has also reached agreements with the People's Republic of China and the Eurasian Economic Union to begin assessing the expediency of concluding a free trade agreement.

I am confident that the Fourth Eastern Economic Forum will contribute to the development of bilateral and multilateral relations and will give a boost to regional integration.

I hope that we will all enjoy a successful and productive Forum!

Khaltmaa Battulga  
President of Mongolia



## Dear participants and guests of the 4th Eastern Economic Forum

The Russian Far East has huge economic potential. More than half of the timber resources of the entire Asia-Pacific region, more than a third of its freshwater supplies, 27% of its gas, and 17% of its oil are concentrated in the more than six million square kilometres of the Russian Far East. Our region has abundant gold deposits, and its seas are well stocked with fish. The longest railway lines in the world run across the Far East, and the shortest route by sea from Northeast Asia to Europe also passes through the region.

Developing this fantastically valuable territory is a priority of the national policy which our President, Vladimir Putin, is currently pursuing. My task is to offer you a detailed presentation of the competitive advantages of the Russian Far East. The first significant steps have already been taken.

First, a new economic model for the development of the Far East has been enshrined in current legislation. More than 30 laws have been passed to create a competitive environment for pursuing investment projects in the region.

Second, special economic zones have been created in the Far East where taxes are the lowest in Russia and administrative procedures are quick and painless. These include our advanced special economic zones and Vladivostok Free Port.

Third, the state can now offer investors a developed infrastructure. A business based in a Far Eastern advanced special economic zone will know exactly when they will be connected to mains water, gas, and electricity, and can be confident that access roads to their factory will be in place.

Fourth, we have created a support system for investors based on best practice from around the world. We work with every investor individually and provide assistance at every stage of a project. The state has a vested interest in ensuring that investing in the development of the Far East is profitable. This is our aim in organizing Investor Days, which are held regularly in the region, and setting up meetings between businesses and senior government officials.

Fifth, we have taken a vital step towards making the Far East as accessible as possible for our foreign partners: since August 2017, citizens of 18 nations have been permitted to enter our region on an electronic visa. As things stand, more than 30,000 visas have been granted, and this figure is increasing every day.

As a result of all this, over the past four years the Russian Far East has attracted more than RUB 3.8 trillion in investment, and 1,375 projects are at various stages of implementation. By 2025, more than 127,000 jobs will have been created. In 2017, 30% of foreign investment in Russia went to the regions of the Far East.

At the same time, there is clearly still much to be done. We will continue to work on creating a welcoming environment for business in the Far East, supporting investors' projects, and finding new ways to meet the challenges ahead of us. I intend to discuss all of these questions with the business community at the 4th Eastern Economic Forum.

I look forward to seeing you at the biggest event in Russia's East.

Yury Trutnev  
Deputy Prime Minister of the Russian Federation  
and Presidential Plenipotentiary Envoy to the Far Eastern Federal District



DAVOS  
RUSSIA HOUSE  
2019

21-25  
January



## RUSSIA HOUSE IN DAVOS

is the country's official residence for the duration of the World Economic Forum and serves as a platform for discussion and centre of Russian culture

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 ROSCONGRESS



In this issue, we would like to show EEF participants and guests several wildlife photos from the Far East taken by our own Russian photographers, who, in the search for outstanding and stunning photos, often spend several months on expeditions in the most remote corners of the Kamchatka Peninsula, Magadan Region, Khabarovsk, Primorsky Territory and other regions in the Far East of Russia

In the photo: **A bear fishing during the fishing season**

Photo location: **Kamchatka Peninsula**

Photographer: **SERGEY GORSHKOV**

A recipient of numerous awards, including Wildlife Photographer of the Year. Many of his photos are unrivalled across the globe. He is famous for his wildlife shots taken on the Kamchatka Peninsula, in Africa, and in the Far North. His work has been published by National Geographic, GEO, and BBC Wildlife, among others



EEf 2017 plenary session: 'The Russian Far East: Creating a New Reality'

## BUSINESS PROGRAMME\*

### TOOLS TO SUPPORT INVESTORS: NEXT STEPS

#### Advanced Special Economic Zones and Vladivostok Free Port: The Present and the Future

The number of advanced special economic zone (ASEZ) and Free Port residents has almost tripled in the course of the last year (from 454 to 1,200), indicating increased interest and readiness on the part of the business community to develop entrepreneurship in the Russian Far East. Although the results achieved by the ASEZ and Vladivostok Free Port regimes have been impressive, however, there remains a clear need to increase competitiveness in the international arena and improve existing tools. Practice has shown that a number of incentives are either inapplicable or not in demand, and that existing support measures are insufficient for implementing projects. What needs to be done in order to increase the competitiveness of incentive regimes, both within the country and at an international level?

#### Supporting High-Tech Projects in the Far East

High-tech products account for less than 15% of the Russian Far East's GRP. Meanwhile, the Far Eastern Federal District remains fifth for innovative development among Russia's federal districts, and is failing to attract investment in high-tech projects from direct investment and venture capital funds. How can a competitive ecosystem be established for developing innovation and high-tech projects in the Russian Far East which is equivalent in scale to those found in other Asia-Pacific countries?

#### An Investment Breakthrough for the Regions of the Far Eastern Federal District: What Next?

##### And also:

- Protecting Investors' Rights in the Far East
- The Far East as a Financial and Offshore Centre
- Targeted Infrastructure Support for Business: What's Next?
- The National Project to Develop SMEs: What Will Be Done in the Far East?
- Features of the Vladivostok Free Port Customs Administration

The 2018 Russian Regional Investment Climate Index shows that Russia's Far Eastern regions have produced some impressive results, including an increase in the total number of points across the whole Index, which was 1.5 times better the national average, Khabarovsk Territory featuring among the top 20 regions for the first time, and Sakhalin Region appearing among the top three growth regions and demonstrating the most dynamic trajectory of all regions in the federal district. How can collaboration be developed between regional governments, regional departments of federal executive bodies, and business associations in order to keep improving the investment climate in the Far Eastern Federal District?

\* Information is valid as at 20 August 2018

### INDUSTRY PRIORITIES IN THE FAR EAST

- Integration of the Far Eastern Agriculture Sector into the Food Industry System of the Asia-Pacific Region
- Mining and Processing Solid Minerals: The Traditional Industries Today and Tomorrow
- The Fishing Industry: New Challenges
- Oil and Gas Processing: Creating a New Industry Cluster
- Port Infrastructure: New Opportunities for Investors
- Developing Tourism: The Cluster Approach
- Mariculture: The First Steps of a New Industry
- Improving Legislation on Geological Prospecting: Subsoil Users Speak
- Agricultural Logistics in the Russian Far East: A Driver of Agroindustrial Growth
- Russian Jewellery Industry: Potential and Prospects for Development



Guests of the Forum

### BUSINESS DIALOGUE Russia–China

Russian–Chinese relations have steadily improved over the past year: the volume of foreign trade between Russia's Far Eastern regions and the People's Republic of China in 2017 amounted to USD 7.7 billion, 28.3% more than in the same period last year. Chinese companies are carrying out more than 40 investment projects in the Russian Far East, eight of which were launched in 2018. However, the full potential of Russian–Chinese trade, as well as economic and investment cooperation, has still not been achieved. What conditions need to be in place to foster trade and economic cooperation and attract Chinese investment?

#### Russia–Republic of Korea

The strategy of the President of the Republic of Korea Moon Jae-in on cooperating with regions to the north is intended to create the necessary conditions to encourage Russian–Korean trade, economic, and investment cooperation in the Russian Far East. At present, eight investment projects that are partly funded by the Republic of Korea (to the tune of over USD 50 million in total) are being pursued under the new mechanisms for developing the Russian Far East. South Korean companies are discussing the possibility

of funding and carrying out promising new projects worth a total USD 1.1 billion. The implementation of the 'Nine Bridges' partnership concept should give a new impetus to the growth of trade and investment cooperation between the regions of the Russian Far East and the Republic of Korea. Which areas are the most promising for jumpstarting Russian–Korean business dialogue?

#### Russia–Japan

Thanks to the joint measures that have been taken over the past year, the Russian Far East has developed much closer relationships with the Japanese business community, and there is every reason to expect that projects will move to the practical implementation stage in the coming year. In the Far East, 14 investment projects involving Japan are being implemented. On 27 April, during the St. Petersburg International Economic Forum, an agreement was signed to create a joint Russian–Japanese platform to support Japanese investments in the Russian Far East. The platform is accompanied by eight projects with total investment of more than USD 120 million. What support has the Russian Government provided for the projects that are being implemented? Will the platform act as a successful tool for attracting Japanese capital to the Far East?

##### And also:

- Russia–India
- Russia–Middle East
- Russia–Europe
- Russia–ASEAN

### IMPROVING LIVING CONDITIONS

#### The Smart City: From Theory to Practice

The modern city is changing how its residents live, creating an environment for development, and providing a place where people can achieve their creative and intellectual potential. The appearance and comfort of our cities and towns have become important competitive factors in attracting and retaining the active part of the population, namely young professionals. In order to compete for human capital, the cities of the Russian Far East must, in one way or another, change their approach to development strategies. The integrated and phased introduction of 'smart' solutions in all areas of urban life will help to reduce utility costs, optimize resource consumption, make cities affordable and convenient for people, and attract investors. What is a 'smart city'? What mechanisms need to be developed in order to make cities smarter and attract investors?



(From left to right) Alexander Karelin, a member of the State Duma Committee for International Affairs, Anton Kobaykov, Advisor to the President of the Russian Federation, and Yuri Trutnev, Deputy Prime Minister of the Russian Federation and Presidential Plenipotentiary Representative to the Far Eastern Federal District



Prime Minister of Japan Shinzō Abe



President of the Republic of South Korea Moon Jae-in



Discussions at the Eastern Economic Forum

#### And also:

- National Projects: What Will Be Done in the Far East?
- The Far Eastern Hectare: From Granting to Developing
- The Future of the Labour Market in the Far East: New Strategies for Employers
- From the Funding of Social Services to the Achievement of Social Impacts
- The Role of Cultural Institutions in Developing Strategic Russian Regions
- Talent 2035
- Healthy Life Expectancy in the Russian Far East
- Parents, Children, and Changing Technology: The Limits of Control and Potential for Development
- The Contribution of Female Innovators and Business Leaders to Shaping the Economy of the Future
- The Forces Driving Change in Society: How to Create Effective Social Communication
- Genetic Engineering: A Boon to the Economy or a Threat to Life?

### THE GLOBAL FAR EAST: INTERNATIONAL PROJECTS FOR COOPERATION Transport Corridors in the Russian East: New Competitive Advantages for the Asia-Pacific Region

A range of projects are being implemented in the Russian Far East today which will impact upon the future of logistics in Northeast Asia. The Russian Far East offers the shortest routes from east to west, with the Trans-Siberian Railway providing a transportation solution that is a third faster than the available alternatives. The projects include the modernization of the Baikal–Amur Mainline and Trans-Siberian railway, international transport corridors in Primorsky Territory, the Northern Sea Route, and border crossing points in Amur Region and the Jewish Autonomous Region. Discussions are in progress on the construction of a

bridge to Sakhalin Island and a high-speed mainline linking Harbin and Vladivostok. How can investment be attracted from the Asia-Pacific region into global logistics projects in the Russian Far East?

#### The New Asian Geopolitics and Political Economy: Opportunities for Russia

Valdai Club Session

The rise of China and India is changing the entire world geopolitics. Previously, these countries were objects of competition and receivers of ideas and technologies, but now they are becoming the sources of expansion and entering competition with the traditional leaders. How does this change the future of today's world? Can Russia capitalize on this tectonic shift? How will sanctions and trade wars influence the long-term strategies of China and India? What can Russia offer the new world geopolitics?

#### Towards the Pacific Ocean: People, History, Ideology, Education. Rediscovering an Identity

TV Debates of Russia 24 and the Valdai Discussion Club

Russia's pivot east has long been perceived as a technological move, if not a technical process. The discussion centres around developing economic ties and integrating Russia into regional manufacturing, sales, and technology chains. But the ideological dimension of this pivot is no less important. The Russian elite and Russian society should come to believe that the relationship with Asia is a serious and long-term shift. The essence of this new phase lies in consolidating technological achievements and reflecting on the new policy in the context of the domestic perception of Pacific Russia's role in the country's development and international standing.

#### The World Ocean: A Boundless Resource

The World Ocean represents a seemingly boundless resource that no one has yet fully quantified. The oceans contain biological resources, extractable mineral resources and energy. Water itself is also a resource provided by the World Ocean. Seawater contains about 75 chemical elements, and once it has been desalinated, it can become the vital resource we need to sustain us. At the same time, the state of the ocean's aquatic biological resource reserves and the question of how they can be effectively managed are becoming increasingly important. This question is relevant not only to the challenge of

providing the population with high-quality food products, but also to ensuring that many industries and agribusinesses are supplied with the raw materials they need. The problems of the World Ocean will be the problems of future human civilization. They require concerted international measures to coordinate the use of its resources. How can we learn how to properly evaluate these resources and to use them correctly?

#### A Modern Integration Framework for the Asia-Pacific Region and Beyond: Eurasian Economic Union Approaches

As protectionist sentiments are on the rise and trade conflicts escalating, countries in the Asia-Pacific region and beyond are still trying to adhere to the principles of joint economic development through economic integration. The slowing rate of growth in the number of concluded agreements in recent years can be explained by a number of factors: there is a shift to better quality integration processes; existing agreements are being expanded to cover new areas; and agreements are being concluded with a greater number of participants in a bid to align and improve the rules of the game. A number of events have confirmed this trend: the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was based on the Trans-Pacific Partnership project; the completion of negotiations on the agreement to create a free trade area (FTA) between the EU and Japan; and the launch of negotiations between the EU and Australia as well as New Zealand. What line of conduct should the Eurasian Economic Union pursue: enhance an open

trade policy to counter protectionism or, on the contrary, close sensitive markets to prevent them from being flooded with overproduced global goods?

#### The Far East as a Centre of Economic Cooperation with the Asia-Pacific Region (APR): A Dialogue Between Business and Government

The Russian Federation is interested both in increasing the share of Russian investment in the rapidly developing economies of the Asia-Pacific region and in attracting Asian investment to Russia. At the present time, significant progress has been made in such areas of investment partnership as energy, transport, agriculture, information technology, and industry. However, at the same time there are a number of barriers that impede Russia from maximizing the potential of this cooperation. These include technical barriers, differences between the regulatory environments, the lack of extensive experience in cooperation and relevant information, and a shortage of financial resources and effective mechanisms for supporting exports. Session participants will discuss the difficulties and opportunities that exist on the path to diversifying

and strengthening trade and investment flows in the Asia-Pacific region.

#### Energy Cooperation in Northeast Asia

The unbalanced distribution of energy resources in Northeast Asia in the context of rapid growth in demand implies the need to ensure an adequate level of supply, which will stimulate the economic growth of energy importing countries. The geographical proximity of Russia, China, Mongolia, and North and South Korea to one another may lead to mutually beneficial cooperation in Northeast Asia, and the development of trade in energy resources. Keeping in mind the realities of the modern world, the heads of scientific institutes and academies and the heads of international organizations and associations will discuss the possibilities of establishing multilateral scientific and technological cooperation in the field of energy, with the aim of ensuring energy security in Northeast Asia, and will identify potential mechanisms for intensifying cooperation in the region. What will the energy trends of the future be in Northeast Asia? What is the role of the Russian energy sector in Northeast Asia? ❁

#### And also:

- Russia and the Koreans: A New Space for Economic Cooperation?
- An International Medical Cluster in Vladivostok: Taking the First Steps
- World Sport Today: A View from the Asia-Pacific Region in the Run-Up to Tokyo 2020
- Solving Challenges in Russian–Chinese Communications: Myths and Reality
- Cross-Border Electronic Trade between Russia and China: Belt and Road in the Digital Dimension
- Outposts of Science. Creating the Future Today

OFFICIAL CAR  
OF THE FORUM.  
GENESIS G90



# Forum: NAVIGATOR\*

## LOCATION AND DATE

**Far Eastern Federal University (FEFU)**

📅 10 September 2018 (EEF starting day)  
11–13 September 2018 (EEF main events)  
🕒 from 08:00 to 20:00  
📍 Ajax, Russky Island, Vladivostok



### INFORMATION CENTRE

Tel.: +7 (499) 7000 111  
Email: [info@forumvostok.ru](mailto:info@forumvostok.ru)  
[forumvostok.ru](http://forumvostok.ru)

Participants are kindly requested to arrive at the Forum venue 30–40 minutes before the start of an event.  
The journey time from the city centre to the Forum venue is approximately half an hour (depending on the traffic).



## INFORMATION AND SERVICES POINTS

At information and services points you can obtain information on the Forum programme, available services, and directions around the EEF venue and other sites.

### EEF information and services points are located:

- At the World Trade Center Moscow

- At Vladivostok International Airport
- In Accreditation Centre 1 (building M1)
- At the Forum venue (A2, A3, A4, A5, A6, B5, B6, C6)

### The information and services points at the Forum venue also offer the following services:

- Copying, scanning, and printing of documents

- Copying and writing information to electronic media
- Distribution of EEF 2018 information materials
- Subscription to or cancellation of the Viber or text message notification service for EEF 2018 participants

## PARTICIPANT ACCREDITATION

The main events on the Eastern Economic Forum business programme and a number of cultural and sporting programme events may only be accessed with an accreditation badge.

**Accreditation badges are personalized and may not be transferred to third parties.**

**Participants should carry their badge and their passport (or another identity document) with them at all times during the Forum.**

If your accreditation badge is lost or damaged, go to any accreditation stand or Help Desk, or call +7 (499) 7000 111.

Badges may be collected from an accreditation point in Moscow or Vladivostok, either in person (upon presentation of a passport) or by power of attorney.

### If a participant's badge is collected by a third party using a power of attorney, the authorized person must present:

- A document confirming their identity (a passport)
- An original standard power of attorney form\*
- A list of all participants whose badges the proxy is collecting
- Copies of the passports of participants whose badges the proxy is collecting\*\*

\* A power of attorney form can be found in the 'Participant accreditation' section at [forumvostok.ru](http://forumvostok.ru).

\*\* Copies of passports will be returned once badges have been issued.



## ACCREDITATION POINT OPERATING HOURS

Accreditation point	Address	Date	Time
<b>MOSCOW</b>			
Roscongress Foundation Accreditation Centre at the World Trade Center Moscow	Entrance No. 7, ground floor, 12, Krasnopresnenskaya Nab.	29 August 30–31 August, 3–7 September 8–9 September 10 September	12:00–19:00 10:00–19:00 10:00–18:00 10:00–20:00
<b>VLADIVOSTOK</b>			
Accreditation Centre 1	M1, FEFU	1–8 September 9 September 10–12 September 13 September	10:00–19:00 10:00–23:59 24 hours 00:00–22:00
Vladivostok International Airport	41, Ulitsa Vladimira Saybelya, Artem	7–12 September	07:00–23:00
Vladivostok Marine Terminal	1, Nizhneportovaya Ulitsa	9–12 September	10:00–20:00
Lotte Hotel Vladivostok	29, Semenovskaya Ulitsa	7–12 September	10:00–20:00

**Accreditation officers will check registration details to ensure that they are accurate and up to-date before issuing badges. In the event of any discrepancies, it will not be possible to issue badges on that day.**

## ACCREDITATION OF PERSONAL VEHICLES

During the Forum and the Forum preparation period, vehicular access to the Forum venue will be granted only to vehicles with an EEF 2018 transport pass. There may also be limited vehicular access to Vladivostok International Airport, EEF official hotels, and various cultural and sporting programme venues.

Once applied for, driver and vehicle accreditation badges can be collected from Accreditation Centre 1, either in person (upon presentation of a passport) or by power of attorney. The power of attorney form is available to download in the 'Accreditation of personal vehicle' section at [forumvostok.ru](http://forumvostok.ru).

Accreditation point	Date	Time
Accreditation Centre 1 (M1, FEFU)	28 August – 8 September	10:00–19:00
	9 September	10:00–23:59
	10–12 September	24 hours
	13 September	00:00–22:00

\* This information is valid as at 20 August 2018. Detailed information about the Forum can be found on the official website [forumvostok.ru](http://forumvostok.ru).



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Official hashtag of the Forum:  
#EEF2018

FINANCIAL SERVICES

Participants can pay the participation fee and the cost of any additional services provided by the Roscongress Foundation at the financial services stand at the FEFU venue. The financial services stand also issues closing documents. Cash and bank cards are accepted for payment. **A 5.5% commission fee is charged when paying for participation and services at Forum financial services stands.**

Location	Date	Time
	10 September	09:00-20:00
Accreditation Centre 1 (M1, FEFU)	11-12 September	08:00-20:00
	13 September	08:00-15:00

PARTICIPANT BAG

Participant bags can be collected either in person (upon presentation of a participant badge) or by power of attorney. **The authorized person must present:**

- A document confirming their identity (a passport)
- An original standard power of attorney form\*
- Badges or electronic tickets for all participants whose bags the third party is collecting

\* A power of attorney form can be found in the 'Participant bag' section at [www.forumvostok.ru](http://www.forumvostok.ru). Please note that a third party acting on a power of attorney may collect participant bags only if they have a badge with access to the zone of business programme events.

Location	Date	Time
	11-12 September	08:00-20:00
A2	13 September	08:00-18:00

INTERNET

Internet access is available free of charge at the Forum venue.

Network name: **EEF2018** Authorization via **Badge ID** (six digits) and **Passcode** Password: **eef-2018** (four next digits) listed on your badge.

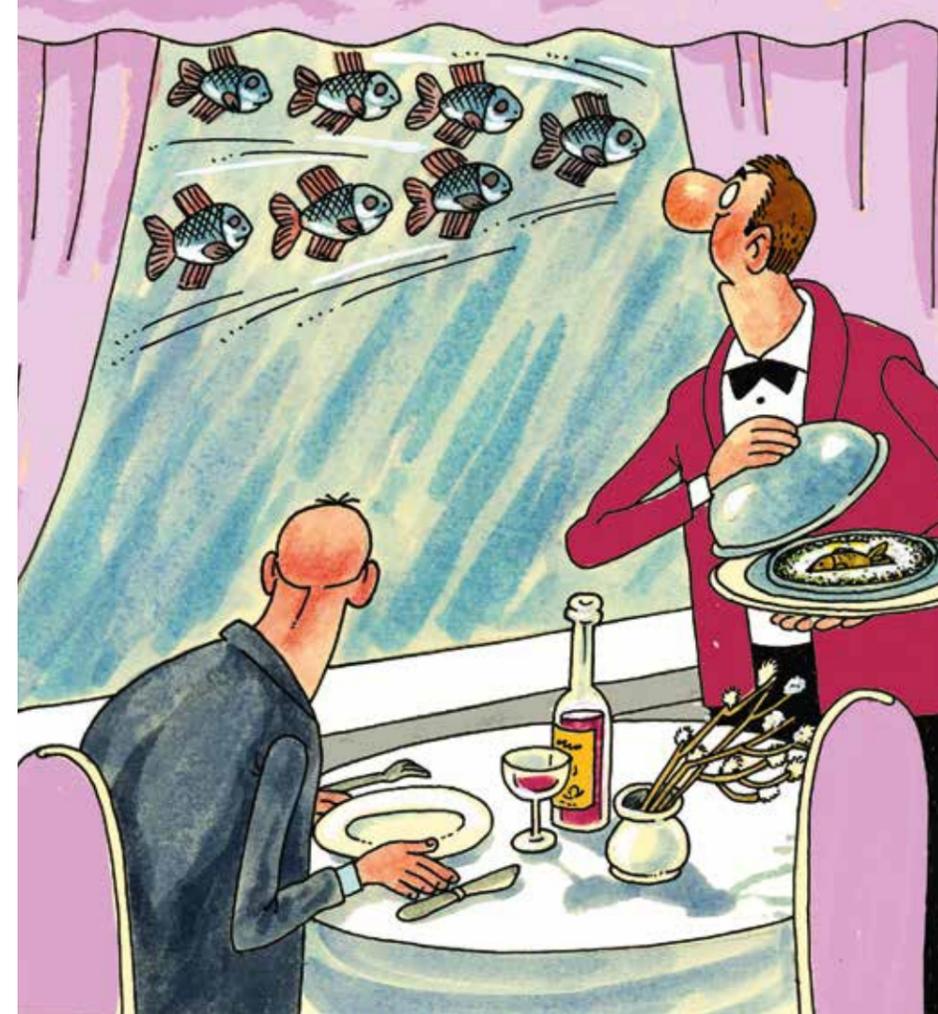
MOBILE APP

The Eastern Economic Forum mobile app is the best way to get the latest information about EEF and learn about the services offered at the Forum.

**The mobile app can be downloaded in the App Store and Google Play (keyword: 'eef 2018').**

All of the app's functions and features are fully available after you enter your personal web office login and password.

- Key app functions:**
- Get information about the Forum programme
  - View video broadcasts of business events
  - Exchange messages with other participants
  - Schedule meetings
  - Create a personal schedule to attend Forum events
  - Get information on transport services
  - Navigate the Forum venue



You must try the local fish while in Vladivostok

BROADCASTS OF FORUM EVENTS

The plenary session and other Forum events will be broadcast live on TV screens located throughout the Forum venue. In addition to session feeds, the TV screens will also display information that will help participants navigate through the Forum: announcements about sessions, changes to the

programme, the schedule for upcoming events, notices regarding the cultural programme, the latest news and photographs, and much more.

For online broadcasts of business programme events and the broadcast archive, see: [forumvostok.ru](http://forumvostok.ru), 'Programme' section

VIBER OR TEXT NOTIFICATIONS

A free Viber or text notification service allows participants to receive short messages providing information on Forum events, participant services, and changes to the programme.

The service may be activated or deactivated in the personal web office at [forumvostok.ru](http://forumvostok.ru), by contacting the Forum information centre on +7 (499) 7000 111, or at the Forum information and services points.

ROSCONGRESS & GOVERNORS' CLUB

Level 4, building A  
 10 September, 09:00-20:00;  
11-13 September, 08:00-20:00

The Roscongress Foundation is pleased to present the Roscongress & Governors' Club – a new space for communication at the Eastern Economic Forum (EEF). The Roscongress & Governors' Club is specially equipped to provide a comfortable and relaxed atmosphere in which Roscongress Club members and the heads of Russian regions can network.

Access: Roscongress Club card holders and heads of Russia's regions and those accompanying them, in accordance with the regulations.

**Roscongress & Governors' Club areas at EEF 2018:**

**The Main Lounge** offers an informal environment for discussions with partners. It is also an area for relaxation, where you can enjoy a gourmet catering service and follow online broadcasts of events from the EEF 2018 business programme.

**The Presentation Area** is a multifunctional space designed to host presentations at the highest level, as well as awards ceremonies and entertainment and charity events.

**Roscongress & Governors' Club partner meeting rooms** provide specially equipped spaces for meetings between groups of 6-10 individuals.

**The VIP Lounge** is an exclusive, restricted-access business area ideal for holding meetings at any level, or simply for taking some time out from a busy day at EEF 2018. Visitors to the VIP Lounge can take advantage of the Congress Attaché concierge service, whose specialists will help you to solve work-related issues and make the most of your leisure time.



ACCOMMODATION

For any queries regarding accommodation, participants may contact the Roscongress Foundation Hotel Booking Team:

+7 (499) 7000 111  
 booking@forumvostok.ru

Media representatives should contact:  
 mediabooking@forumvostok.ru

Requests will be accepted until 25 August 2018.

VLADIVOSTOK HOTELS:

- 🏠 Lotte Hotel Vladivostok 5\*
- 🏠 Astoria 4\*
- 🏠 AZIMUT Hotel Vladivostok 4\*
- 🏠 Tigre De Cristal 4\*
- 🏠 Villa Arte 4\*
- 🏠 Acfes-Seiyo 3\*
- 🏠 A-HOTEL Amur Bay Vladivostok 3\*
- 🏠 Arbat-Vladivostok 3\*
- 🏠 Aurora Park Hotel 3\*
- 🏠 Avanta 3\*
- 🏠 Equator 3\*
- 🏠 Gavan 3\*
- 🏠 Marine Wave 3\*
- 🏠 Mayak 3\*
- 🏠 Meridian 3\*
- 🏠 Primorye 3\*
- 🏠 Rial Hotel 3\*
- 🏠 Sibirskoye Podvorye 3\*
- 🏠 Slavyanskaya 3\*
- 🏠 Story Hotel 3\*



- 🏠 Sunrise Apartments 3\*
- 🏠 Teplo Hotel 3\*
- 🏠 Venice 3\*
- 🏠 Versailles 3\*
- 🏠 Vlad Motor Inn 3\*
- 🏠 Zhemchuzhina 3\*
- 🏠 Cruise Liner Costa neoRomantica
- 🏠 Russky Island hotels:
- 🏠 FEFU 3\* – hotel buildings 1–5
- 🏠 FEFU 3\* – hotel buildings 7–8

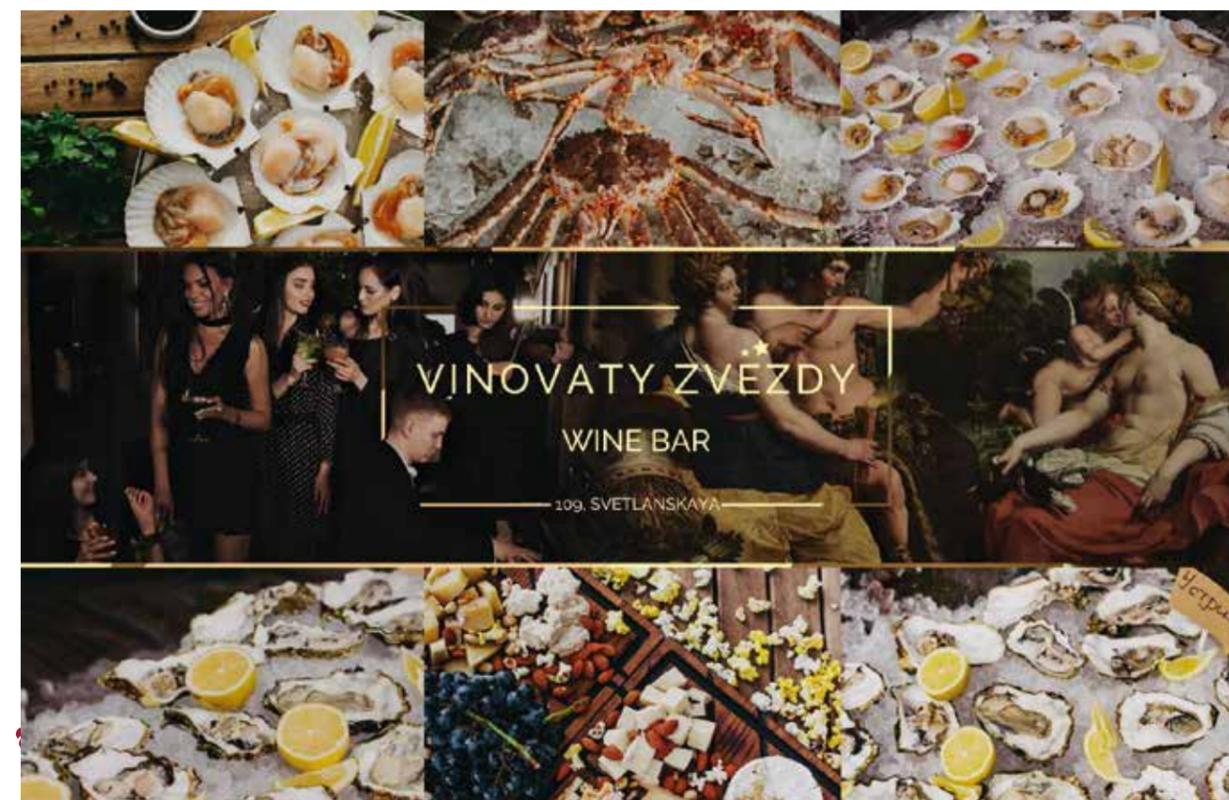
COFFEE AND LIGHT REFRESHMENTS

Name	Location	Time
Coffee break area	B6	08:00–19:00 (11–13 September)
	B7	
Café for participants	B5 (opposite conference hall 3)	

CAFÉS AND RESTAURANTS (PAYMENT REQUIRED)

Name	Location	Time	Catering format
Panorama restaurant	A12	11:30–17:00 (10–13 September)	Set menu
Deck 12 restaurant		08:00–21:00 (10–13 September)	
Polina café	FEFU campus	08:00–20:00	À la carte
East Sea restaurant	Parking area near building B	12:00–21:00 (10 September)	
No. 1 Coffee Place café	A6 B5 C6	08:00–18:00 (10–13 September)	Tea, coffee, snacks, and desserts
Pryanik café	D5	08:30–18:00 (10–13 September)	
Don Gofree café	D7	08:00–18:00 (10–13 September)	

For a list of recommended Vladivostok restaurants (meals and services will be charged at menu prices), see: [forumvostok.ru](http://forumvostok.ru), 'Vladivostok restaurants' section



TRANSPORT SERVICES

FORUM SHUTTLES

During the Forum, regular free shuttle buses will run from the official hotels, city centre and Vladivostok International Airport to the Forum venue and back, as well as around the FEFU campus.

SHUTTLE ROUTES 11-13 SEPTEMBER

OFFICIAL HOTELS

	<p><b>ROUTE 1.1. ZOLOTY ROG</b>                  Lotte Hotel Vladivostok (former Hotel Hyundai), Astoria, AZIMUT Hotel Vladivostok, Avanta, A-HOTEL Amur Bay Vladivostok, Zhemchuzhina, Primorye, Meridian, Equator, Sunrise Apartments, Slavyanskaya, Gavan, Sibirskoye Podvorye, Arbat-Vladivostok, Marine Wave, Versailles, Teplo Hotel, Cruise Liner Costa neoRomantica</p>	<p>to FEFU: 08:00-13:00</p> <p>to hotels: 15:00-20:00</p> <p>Interval: 30 minutes</p>
	<p><b>ROUTE 1.2. VTORAYA RECHKA</b>                  Acfes-Seiyo, Rial Hotel</p>	
	<p><b>ROUTE 1.3. SEDANKA</b>                  Story Hotel, Aurora Park Hotel, Vlad Motor Inn</p>	<p>to FEFU: 07:00, 08:00, 09:00</p>
	<p><b>ROUTE 1.4. ARTEM</b>                  Villa Arte, Venice</p>	<p>to hotels: 18:00, 19:00, 20:00</p>
	<p><b>ROUTE 1.5. MURAVYINAYA BUKHTA</b>                  Tigre De Cristal, Mayak</p>	

CITY CENTRE

	<p>←→ 22, Svetlanskaya Ulitsa</p>	<p>08:00-20:00</p> <p>Interval: 30 minutes</p>
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АЭРОПОРТ

	<p>←→ </p>	<p>24 hours</p> <p>Interval: 60 minutes</p>
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FEFU CAMPUS

<p><b>ROUTE 4.1.</b>                  Building A (level 6), building G, hotel buildings 1-8</p>	<p>07:00-22:00</p> <p>Interval: 15 minutes</p>
<p><b>ROUTE 4.2.</b>                  Hotel buildings 1-8, building G, building A, hotel buildings 9-11, 'Far East Street' exhibition</p>	<p>22:00-07:00</p> <p>Interval: 30 minutes</p>

**The free shuttle bus timetable and intervals are subject to change. You should enquire about exact shuttle departure times and places from Forum personnel at the airport, hotels and Forum event sites.**



# All of the Far East on one street!

The 'Far East Street' exhibition, a traditional part of the Eastern Economic Forum, will take place on 11-16 September in Vladivostok.

Russia's Far East covers an area of more than 6 million square kilometres. The climate, natural surroundings, and culture vary enormously from region to region. It might seem that it's impossible to get to know the Far East all at once, but there is a way! Forum participants and guests visiting Vladivostok will be able to see all nine regions of the Far East in one street, the 'Far East Street'.

The exhibition will stretch for more than a kilometre along the seafront of Ajax Bay, just a few steps from the main campus building of the Far Eastern Federal University. Each region of the Far Eastern Federal District will present its own large-scale exhibition, showcasing the features which make it unique, as well as its economic opportunities and achievements, tourism potential, and cultural traditions.

Modern interactive technology will allow visitors to immerse themselves completely in the world of each region. In previous years, visitors to the exhibition have been able to try their hand at being a Magadan gold miner or a Kamchatka dog sled driver, experience the latest sports simulators for skiers, peek into the traditional homes of the indigenous peoples of the North, hear whales sing, stroke an Amur tiger, help to assemble a modern airliner, sit in the cockpit of the latest helicopter, attend an international traditional mas-wrestling tournament, and see a historical stadium.



The 'Far East Street' provides an opportunity to learn about the diverse culture of local people

This year, visitors can look forward to an even more diverse exhibition. A walk along the embankment will create some unforgettable memories and, happily, work up an appetite. It's certainly worth trying Far Eastern delicacies: Pacific salmon from Kamchatka, huge Sakhalin oysters and prawns, sea urchins, scallops, and scrumptious Yakutian cold cuts served straight from the freezer! As in previous years, the 'Far East Street' exhibition will host the Fish Market. Representatives of major Far Eastern fish companies will hold master classes on cooking crab and scallop, and prepare exquisite dishes from Far Eastern seafood.

There will be a particular focus on the preservation of the Far Eastern Federal

District's unique ecology. An eco-trail following the outline of the Far Eastern Federal District will introduce guests to the natural environment of each region. Inaccessible areas of natural beauty will be featured in a panoramic 3D cinema. For those who prefer real tours over virtual experiences, representatives from nature reserves and national parks in the Russian Far East will be on hand to select and book tourist trips.

The 'Far East Street' exhibition will be open to participants and guests of the Fourth Eastern Economic Forum from 11 to 13 September. On the three following days, including 16 September, anyone who is interested in visiting the entire Far East without leaving Vladivostok may visit. ❁



# EEF 2018 CULTURAL PROGRAMME

## Points of Intersection

11–13 September  
10:00–19:00  
Artetage exhibition halls  
25, Ulitsa Fokina, Vladivostok  
Admission is free.

An exhibition of Moscow artists Anatoly Vlasov, Olga Dushechkina, Larisa Kucherenko, Alexey Mironov, Vladimir Potemkin, and Vladimir Fomichev. The project is curated by the experienced artist and inspiration behind the Artist's Workshop art school in Moscow, Larisa Kucherenko.

## The Great Karl: The Works of Karl Bryullov and His Students from the Collection of the Russian Museum

11–12 September  
11:00–19:00  
13 September  
12:00–21:00  
Primorye State Art Gallery  
12, Ulitsa Aleutskaya, Vladivostok  
Admission on presentation of EEF 2018 badge (note that participants must pay for guided tours and other additional services separately). This exhibition from the State Russian Museum will stun in its scope and generosity: 50 works by perhaps the most splendid Russian artist of the nineteenth century, Karl Bryullov (1799–1852), alongside 20 vibrant works by his students and contemporaries. Vladivostok is in for a treat!

## An Hour of Silent Cinema

13 September  
18:30–19:30  
'Far East Street' exhibition main stage, FEFU Campus, Russky Island  
Admission is free for all EEF 2018 participants.  
A screening of Dziga Vertov's 1929 silent film *Man with a Movie Camera*

accompanied by the Jazz Quartet Classic ensemble. Be transported back a hundred years to a time when cinema was carried primarily by means of music.

## Open Air Cinema

11–13 September  
19:30–23:30  
FEFU Campus, Russky Island  
Admission is free for all EEF 2018 participants.  
The open air cinema will screen Russian live-action and animated films released between 2016 and 2018.

## Historic Milestones on the Map of Russia, from the Collection of the Moscow Kremlin Museums

13 September  
10:00–19:00  
Arseniev State Museum of Primorsky Region  
20, Ulitsa Svetlanskaya, Vladivostok  
Admission on presentation of EEF 2018 badge (note that participants must pay for guided tours and other additional services separately). This collaboration between the Moscow Kremlin Museums and the Arseniev State Museum of Primorsky Region examines the phenomenon of Russia as the world's largest nation state, a status which it has maintained for over three hundred years.

## Open Ocean Halls: Pacific Time

10–13 September  
10:00–19:00  
City Museum  
6, Ulitsa Petra Velikogo, Vladivostok  
Admission on presentation of EEF 2018 badge (note that participants must pay for guided tours and other additional services separately). Cities by the ocean follow their own rhythm. Time and space are perceived differently here, in a way that cannot

be counted in seconds or kilometres. 'Open Ocean Halls: Pacific Time' is a tale of the rhythm of Vladivostok, a rhythm that has been lived, is lived, and will be lived for generations.

## Graphic Art: Cherkasov, Ivankin, Mashanov

11–13 September  
9:00–19:00  
Artists Union of Russia Primorye exhibition halls  
14a, Ulitsa Aleutskaya, Vladivostok  
Admission is free.

A joint celebration of the Days of Peace in the Pacific from Russia's leading graphic artists forming part of the 'I Sing, Fatherland' event series. The project was created as a means to unite the artistic space in Russia.

Forum participants will also have a chance to enjoy various concert programmes, exhibitions, and evening events.



Akady Gursky

# EEF 2018 SPORTING PROGRAMME

## Roscongress Sport Games: Far Eastern Corporate Games

8 September  
09:00–17:00  
Olympiots Sports Complex, 2, Ulitsa Batareynaya, Vladivostok  
Dynamo Stadium, 1, Ulitsa Admirala Fokina

## Roscongress Cup: Gala Hockey Match between Team EEF and Team Primorsky Territory Administration

11 September  
17:00–19:00  
Polyus Ice Arena, 26V, Ulitsa Ovchinnikova, Vladivostok

## Friendly International Football Match between Luch-Energiya FC (Vladivostok) and Yanbian Funde FC (Yanji)

11 September  
19:00–21:00  
Dynamo Stadium, 13, Zapadnaya Ulitsa, Vladivostok

## Roscongress Cup: Tennis Tournament

12 September  
07:00–08:30  
FEFU tennis courts, Russky Island

## Roscongress Cup: Platu 25 Class Regatta

12 September  
10:00–18:00  
Ajax Bay, Russky Island



EEF 2017. President of the International Judo Federation Marius Wieser, Japanese Prime Minister Shinzō Abe, Russian President Vladimir Putin, and Mongolian President Khaltmaagiin Battulga (from left to right in the background) at the International Jigoro Kano Judo Championship

Mikhail Merel, TASS

## FIRST-PERSON



Georgy Bryusov,  
Deputy CEO of  
the Roscongress  
Foundation,  
Head of the  
Organizing  
Committee's  
Tournament  
Working Group

– The debut tournament held a year ago was highly rated in terms of the sports component and the level of organization by both participants and the President of the International Judo Federation (IJF) Marius Wieser, and has secured its place in the IJF calendar. This year, participants were drawn from an even wider geographical area, with teams from Russia, Japan, and Mongolia joined by teams from China and South Korea. This time the tournament will be held in the entertaining new 'wall-on-wall' format that will be used at the Olympics starting with Tokyo 2020. Participants will live and train at the FEFU campus and will be able to learn about the culture and traditions of the Russian Far East. All this demonstrates that the International Jigoro Kano Tournament has established itself as a communications platform for expanding dialogue between countries and joint activities in the field of sports. A now traditional master class given by the legends of judo for local boys and girls will serve as the tournament's legacy for Primorsky Territory.

## Annual International Jigoro Kano Junior (U18) Judo Tournament in Vladivostok under the auspices of President of the Russian Federation Vladimir Putin and Prime Minister of Japan Shinzō Abe

12 September  
09:00–23:00  
Fetisov Arena, 284, Ulitsa Makovskogo, Vladivostok

## International Mas-Wrestling Tournament

12 September  
10:00–17:00  
13 September  
10:00–13:00  
Sakha Republic (Yakutia) Pavilion, Far East Street, Russky Island

## Roscongress Cup: Platu 25 Class Regatta

13 September  
10:00–18:00  
Ajax Bay, Russky Island

## And:

- A maritime robotics competition
- Olympic Patrol
- An international tall ships regatta



Memorial to commemorate the founder of the Soviet school of judo, Vasily Oshchepkov, and his teachers in Vladivostok

# Sensei Vasily Oshchepkov: FROM JUDO TO SAMBO

A Russian intelligence officer 'posted' to Japan as an eleven-year-old boy, a Japanese serviceman, an officer in the White Army under Kolchak, then a member of the Red Army, and later a Soviet secret agent in Japan... This is not a description of a character from a Hollywood script, but excerpts from the biography of a real person: Vasily Oshchepkov. And the most important secret he brought back with him from the Land of the Rising Sun was the martial art of judo: a practice which the intelligence officer was responsible for turning into the Russian sambo, the art of self-defence without weapons.

Text: Viktor ALEKSEEV

## The son of convicts on the island prison of Sakhalin

Vasily Oshchepkov had a very difficult start in life. He was born in one of the outer circles of hell, the convict prison that was the island of Sakhalin, in December 1892 (or January 1893, using the Gregorian calendar). We know little about his parents. His mother, Maria Semenovna Oshchepkova, spent 18 years in penal servitude after being sent to Sakhalin for committing a serious crime. The labour camp archives contain only one mention of her, noting that she was given 60 lashes for evading corrective labour. Vasily was considered to be an illegitimate child, as his parents were in a civil marriage and

Vasily took his mother's surname. Maria died in 1904, when her son Vasily was eight years old.

His father, Sergey Zakharovich Plisak, was a joiner at the camp; he died two years before Maria, in 1902. They had no family to speak of. The prison administration did not actually try to prevent marriages (including civil marriages) between exiled convicts. Newly-created 'families', especially once children had been born, were classed as resident exiles, and so allowed to leave the camp barracks. The civil marriage between Vasily Oshchepkov's parents, which granted them their 'freedom', would last only a little while.

There was little to distinguish customs in the convict settlement on Sakhalin from the criminal norms of the barracks. This is how Anton Chekhov described them in his book *Sakhalin Island*: "Exploiting foreigners and new arrivals, selling hard liquor on the black market, lending money at very high interest rates, staking large bets on the outcomes of card games – this is how the men spend their time." As for young unmarried women, they "sold their bodies".

There were few children, and they abided by the same semi-criminal rules as the rest. Their vicious fights were both a source of entertainment and a struggle for survival. In the nineteenth and twentieth centuries, this was precisely the sort of environment that produced many of the world's greatest fighters.

## A Japanese national and student at a Tokyo seminary

Losing both your mother and your father in this environment was an unenviable fate. But Vasily Oshchepkov had a stroke of good fortune where the Russian Empire's luck had failed. After Russia's defeat in the Russo-Japanese war of 1905, South Sakhalin passed to Japan, and the teenage Vasily rather unexpectedly became a subject of the Land of the Rising Sun. After two years, he was sent to Japan, to the island of Honshu, where, from September 1907, he studied at a seminary run by the Orthodox mission in Japan, headed by Bishop Nicholas of Japan (who would later be canonized).

Bishop Nicholas was a man like no other. Over the half-century of his apostolic service in the Land of the Rising Sun, 33,000 people were baptized. This Russian priest enjoyed so much respect from the Japanese that he was permitted to build a chapel in Tokyo and open a seminary to prepare the local inhabitants to become



Vasily Oshchepkov wearing a judo kimono

“Word was that the ‘Russian bear’ (as Vasily was called in Japan) was put to use as a challenging opponent for young Japanese warriors-in-training to spar with

clergymen. It was on the threshold of this seminary, with a crowd of Japanese boys, that the Russian teenager Vasily Oshchepkov found himself after leaving Sakhalin in 1907.

## First martial arts lessons – and a first taste of success on the tatami

To Vasily's surprise, future clergymen were not only given a religious and secular education, they were also taught the martial art of judo (meaning 'the gentle way' or 'the agile way'). Even the locals knew very little of judo at the time, as it had come into being only at the end of the nineteenth century. Moreover, the art of judo was intended for promoting spiritual development and good health rather than for combat. At that time, judo was becoming an obligatory component of a boy's education in Japan, just as karate later would.

But judo is fundamentally a martial art, and inevitably has a competitive element: combat. We don't know how Vasily understood the spiritual side of judo, but his experience of fighting on Sakhalin certainly stood him in good stead when it came to becoming a successful

judoka. The boy's abilities were soon recognized by none other than the creator of judo, the legendary Japanese master Jigoro Kano, who accepted Oshchepkov into his school of Kodokan judo in 1911. Vasily left the seminary in Kyoto and moved to Tokyo, having undergone a gruelling examination. Word was that the 'Russian bear' (as Vasily was called in Japan) was put to use as a challenging opponent for young Japanese warriors-in-training to spar with. At the same time, the 'bear' himself was still in training, and with the best teachers in Japan.

After two years, in June 1913, Oshchepkov was recognized as a judo master, receiving his black belt (first dan); after four years, he was a second-dan black belt. This was an incredible outcome: up until this point, Japanese masters had not taken fighters of other nationalities seriously. Oshchepkov had turned out to be stronger than many Japanese fighters, and had shown what was considered to be real mastery of judo in Japan at the time. He was the first Russian and only the fourth foreigner to win a black belt in Kodokan judo.

**Returning to his native land and working for the secret services**

When Oshchepkov returned to his homeland in 1914, then, he was no longer a downtrodden teenager, but a specialist with rare skills and a decent grasp of Japanese and English. However, it was his knowledge of this new Japanese form of combat that was of most use to him in his homeland, and summer 1914 saw the birth of the Russian tradition of judo.

Oshchepkov organized classes in Japanese combat at Vladivostok's sports club, where he taught around 50 pupils. The popularity of martial arts grew quickly, particularly after Russian teams had begun to compete with Japanese sportsmen and sailors.



Oshchepkov demonstrates sambo techniques



The front page of the *Physical Culture and Sports* newspaper dedicated to judo, 1930

Vasily Oshchepkov's sporting career was progressing nicely until the Japanese occupation of the Far East (1918–1925). At that point, the military took note of his many talents. Oshchepkov was enrolled

in Kolchak's anti-Bolshevik army and posted to the Japanese Office of Military Communications.

Later, when the Red Army took the place of Kolchak's forces, they also turned their attention to Oshchepkov: after all, they had their own secret services. So, during the Japanese occupation of the Russian Far East, Vasily became a film distributor on Sakhalin. Showing silent films with live music, he would listen to what his audience were saying and ask them questions. In this way, he gathered information about the Japanese military contingent on the island. His knowledge of Japanese came in useful here.

Oshchepkov's feats in gathering intelligence on Sakhalin were noticed by the Red Army's intelligence services, and he was once again sent to Japan, this



Oshchepkov in Japan. Photo taken in the early 1920s

time as a secret agent. For cover, he spent most of his time continuing to work as a film distributor and practising judo. As Russian reports noted, he "uncovered valuable and, on occasion, extremely valuable information."

**Teaching hand-to-hand combat in the capital of Soviet Russia**

In the meantime, Oshchepkov's fame had gone before him all the way to Moscow, where he was known as a martial arts master with skills unequalled anywhere in Russia. In any case, Oshchepkov was transferred to Moscow expressly to instruct Red Army soldiers in hand-to-hand combat. This was an extraordinary decision. Until this point, in both the Imperial and the new proletarian army, soldiers (special forces aside) had been trained only in the use of bayonets.

Oshchepkov began his career as a Red Army sensei with a show, staging a martial arts demonstration at the Central House of the Red Army – an unusual move at the time. During the demonstration, a number of strong and well-armed fighters attacked the black belt at once from all sides. With little effort, Oshchepkov scattered them across the stage. Clearly, though, the fighters were not going to give in easily: they were getting angry and trying in earnest to attack their 'enemy'. But next to Oshchepkov, they looked like little boys about to get a beating. The result of this was the organization of hand-to-hand combat courses for the commanders of the Moscow garrison in 1929 – and the creation of what was really the first school of judo in the USSR.

The school was immediately oversubscribed, and the Red Army soldiers were the envy of the town. Oshchepkov would go on to organize judo lessons for the police, various sports clubs, and the Institute of Physical Education.

**Integrating national combat techniques: from Japanese judo to Soviet sambo**

True, the form of judo Oshchepkov was teaching was not quite the judo he had studied as a Russian boy in Japan. A pragmatic man, Oshchepkov was not interested in developing the ethical elements of judo; rather, he wanted to make it as effective a form of combat as possible. And so he did what many a sensei before him had done: he brought together the best of all that he had learned. He integrated techniques from boxing, freestyle wrestling, and

the national combat systems used by the various peoples of the USSR. Here, his work as a teacher at the Central State Institute of Physical Education came in handy: he picked up national combat techniques from his own students there. In this way, judo was augmented with elements of the various martial arts that were most effective in combat situations.

“He did what many senseis before him had done: he brought together the best of all that he had learned. He integrated techniques from boxing, freestyle wrestling, and the national combat systems used by the various peoples of the USSR

In 1933, Oshchepkov edited a book on the principles of self-defence, which included techniques taken from American collegiate wrestling and Greco-Roman wrestling. However, it was not theory that decided the fate of this new type of martial art, but its practical effectiveness. Donn F. Draeger, a seventh-dan black belt, would later say: "Fighters with four to six months' training in sambo could take on fourth-dan black belts who would have taken years to get to that level."

This was the beginning of the new, applied form of combat which is known today by the abbreviation sambo (*samooborona bez oruzhiya*, or 'self-defence without weapons').

**The tragic demise of a great fighter**

The creator of this new type of martial art was not, however, to survive the dark years of Stalin's repressions. In October 1937, Vasily Oshchepkov was arrested on suspicion of spying for Japan and died exactly ten days later of a heart attack.

He was rehabilitated only in 1957, thanks to his wife's efforts. Today, a street in an estate in the Novomoskovsky district of Russia's capital city bears his name; martial arts tournaments are held in his honour and clubs are named after him. And in September 2012, during the Asia-Pacific Economic Cooperation summit, a memorial to the great fighter was unveiled. 🌸



Vasily Oshchepkov with his students. Vladivostok, 1914



In the photo: **Sockeye salmon spawning**  
Photo location: **Kamchatka Peninsula**  
Photographer: **SERGEY GORSHKOV**

# The Far East



“ But Donald Trump’s victory in the presidential elections on an anti-globalist platform of restoring America’s industrial greatness broke the system. Our clear and comprehensible world crumbled, and black became white

The share of global GDP held by the world’s 16 leading economies (the G7 countries, Australia, Denmark, Austria, Belgium, the Netherlands, Norway, Finland, Sweden, and Switzerland) had gradually been falling before the millennium, but then virtually collapsed. In the 30 years leading up to 2000, their collective share dropped from 76% to 71%, whereas in the 13 years since it has plummeted to 53%. Global economic growth in the 21st century has been driven exclusively by trends in developing markets.

#### The transfer of wealth from West to East

This phenomenon has been termed ‘the transfer of wealth from West to East’. Experts identify two factors facilitating this ‘transfer’.

The first comprises demographics and a cheap workforce, which created the Asian industrial boom, growth in the prosperity of the population, and increased levels of consumption. In 1980, the share of the global population represented by the countries of Europe, the USA, Japan, Australia, and New Zealand stood at 24%, compared with 18% in 2009. By 2025, it is predicted that this share will fall to 16% (based on calculations which do not take into account China’s decision to allow families to have a second child). With respect to domestic consumption levels, in 2010 developing markets outstripped the USA for the first time in modern history, and this gap is set to keep growing.

The second factor is a sharp increase in the cost of raw materials (primarily hydrocarbons), which is facilitating the rise of resource-rich countries (including Russia and Iran). Over the 100-year period preceding this increase, which also began in 2000, raw materials prices had been falling by an average of 0.7% annually. In 1999, oil prices stood at

## Asia-Pacific as a new zone for global market growth

The global economy is disintegrating into two separate projects: the West and the East. Sanctions have prevented Western investment from accessing the Eastern zone, capital has been frozen on the stock market, and global growth has been blocked. The economic imbalance has turned into a political crisis, and has led to a deterioration in international relations. The search is on for a new identity beyond the borders of nation states. Financial globalization (the Western project) requires a uniform standard for decision-making, whereas industrial globalization (the Eastern project) requires the joining together of diverse interests on the basis of agreements.

Text: Leonid KRUTAKOV

“The idea of a future that would be distinct from the present is so inaccessible to our traditional way of thinking and acting that we, or at least the majority of us, categorically resist any opportunity to implement it.”

John Maynard Keynes, English economist and one of the founders of macroeconomics

#### Transforming the world at a global level

Until 8 November 2016, protectionism was considered an indisputable world evil. Within the Western values system, it ranked worse than political dictatorship and totalitarianism (Chile, Saudi Arabia). ‘Economic nationalism’ was recognized as the major obstacle on the path to global market growth. But Donald Trump’s victory in the presidential elections on an anti-globalist platform of restoring

America’s industrial greatness broke the system. Our clear and comprehensible world crumbled, and black became white.

We unexpectedly discovered that economic protectionism would become the content and driving force of American foreign policy. It became clear that it is not only developing and developed countries (East and West) that view the future differently. The West itself is now beset with disagreements. As British Prime Minister Theresa May announced in the immediate aftermath of the Brexit referendum, London will in the future be making all decisions based on its own national interests, without taking into consideration what is amenable to Europe as a whole.

These protectionist manoeuvres on the part of the USA and the UK will only have come as a surprise to the casual observer, however. The first signs of a global shift in the trajectory of world economic development were visible as far back as 2000.

USD 14–15 per barrel, compared with USD 135 in 2008. This growth was facilitated by the transfer of labour-intensive and harmful production from developed countries to Southeast Asia (primarily to China), which assumed the main costs involved in the rising prices. Today, developed countries spend 8–10% of their GDP on energy, versus 20–25% in developing countries.

Both factors ('deflationary development' and 'the resource boost') have been analysed in detail. Far less attention has been devoted to the third, no less significant factor in the growth of developing economies: the consolidated political management which has permitted countries in the Asia-Pacific region to concentrate their efforts on narrow breakthrough areas regardless of short-term market conditions and achieve rapid results in a highly mobilized way.

“As British Prime Minister Theresa May announced in the immediate aftermath of the Brexit referendum, London will in the future be making all decisions based on its own national interests, without taking into consideration what is amenable to Europe as a whole

It isn't the depth of this economic transformation that is astonishing, however, so much as the speed at which it has taken place. It took Great Britain 155 years to double its per capita GDP with an initial population of 9 million people. The USA and Germany, each of which began with populations numbering in the several tens of millions, took between 30 to 60 years to do the same. India and China, each with populations of around 1.3 billion doubled their per capita GDP in just 15 years.

Political consolidation has been the key competitive advantage for developing countries in the battle for economic leadership. This isn't just a matter of rapid growth in the influence of state corporations, through whose mutual penetration China, Russia, and India have linked their programmes for security, economic development, and access to energy resources. This is about the ability

to change the structure of global savings and investments in a centralized way.

### Drang nach Westen

Between 2000 and 2008, the investment landscape of the global economy underwent cardinal changes. The level of investment by national state funds in developing economies outstripped the resources allocated by the IMF and the World Bank combined. The total amount of wealth accumulated in sovereign funds reached USD 3 trillion. If it hadn't been for the crisis, the volume of state funds would today exceed global currency reserves, at USD 12–15 trillion (around 20% of global capital).

Prior to the crisis, China, which in the space of 20 years had become the 'factory of the world', had established colossal gold and foreign exchange reserves totalling USD 3.8 trillion (at a time when the US Federal Reserve System held USD 12 billion in reserves). In autumn 2007, China created the China Investment Corporation (CIC) to manage the country's currency reserves and diversify investments while gradually reducing its dollar assets, with an initial share capital of USD 200 billion.

The CIC was issued with three key objectives. The first of these was to expand the share capital of transnational corporations with the goal of acquiring new technologies and taking over global brands. The second was to launch Chinese brands on the global market. The third was to get involved in strategic oil and gas projects.

In political terms, these constituted just one objective – to liberate the Chinese economy from its dependence on exports. At that point, the deflationary effect of low wages was already exhausted. China had begun to lag behind its neighbours (Vietnam, Indonesia, Taiwan, and Malaysia) in terms of foreign investment growth rates.

Immediately prior to 2008, the situation in the global supply chain was such that, if nothing changed, the Asia-Pacific economy would very quickly exceed the potential of the 'united West'. According to PricewaterhouseCoopers, the top ten global economies in 2050 would have been as follows: 1) China, 2) India, 3) the USA, 4) Indonesia, 5) Brazil, 6) Mexico, 7) Japan, 8) Russia, 9) Nigeria, 10) Germany.

At the time of the crisis, US internal markets were directly dependent on Chinese investment. Pre-millennium, the majority of Chinese investment (59%) went to developed countries (primarily

the USA and Canada), whereas post-millennium, priorities shifted towards Africa and Latin America.

The present level of Chinese investment in the USA is now at the same level as China's investment in the Virgin Islands. Through offshore companies, China invests in economies throughout the world, which may have been one of the reasons for cleaning up offshore markets on the pretext of fighting corruption.

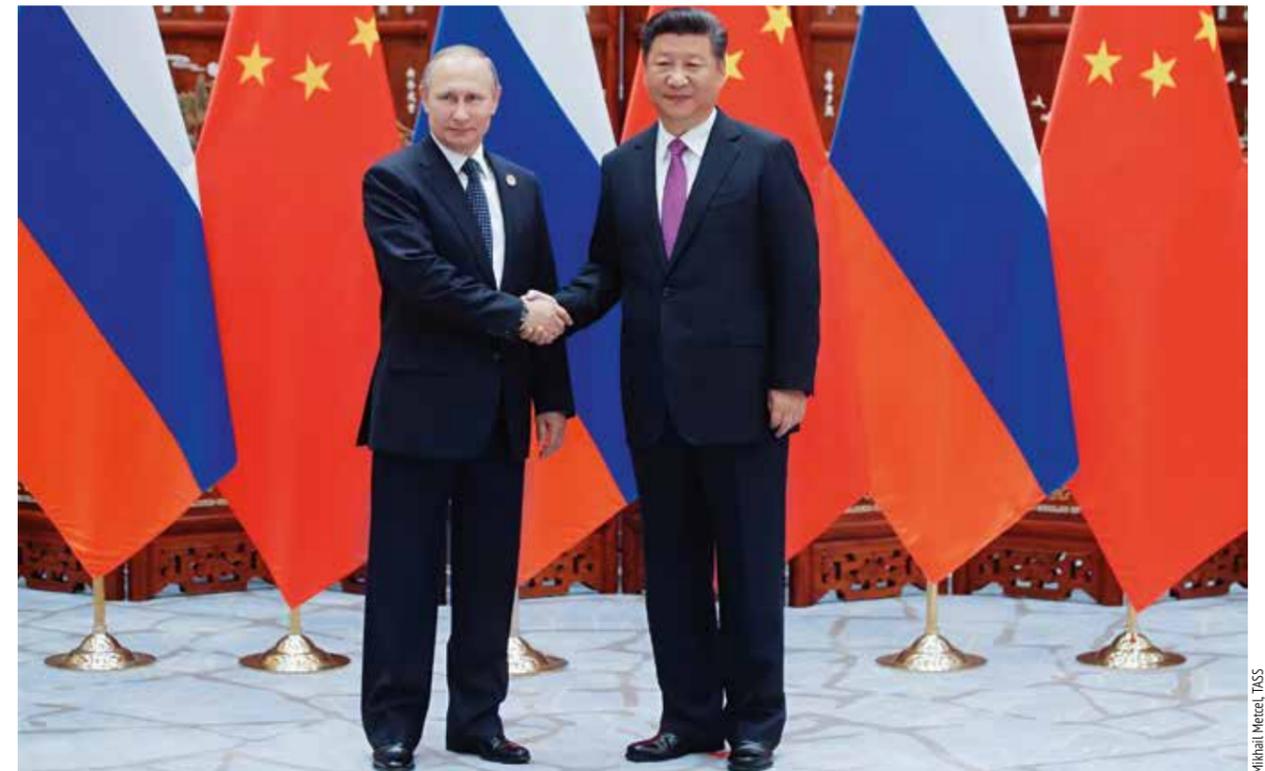
### An intentional imbalance

Modelling carried out by the World Bank has shown that, if it retains open access to the financial market, China will contribute more than 30% of global economic growth by 2025. The contributions of China and India to global growth are two times greater than those of the USA and EU. The threat of losing not only the initiative, but also operative control over the global economy forced the USA to remind market participants who holds the key to 'shared' financial institutions.

A programme of quantitative easing was launched, and, with a single move, the US Federal Reserve System devalued the reserves accumulated by developing countries. According to balance data provided by the Federal Reserve, around USD 4 trillion was printed over the course of five years. And according to the Government Accountability Office, off-balance sheet issues guaranteed by commercial banks, including foreign ones, now exceed USD 15 trillion.

In essence, the reserves of developing countries have been confiscated, and non-tariff practices for limiting investment have been expanded (through sanctions and campaigns to restrict offshore activities). Global savings have been 'transitioned' into the US jurisdiction.

“Post-election bacchanalia in the USA and disarray in Europe have revealed the full horror of the 'united West's' political class when faced with the threat of the world being rearranged according to new (unknown and incomprehensible) conditions



Official visit of the Russian President to China. This handshake between Vladimir Putin and Xi Jinping heralded a dynamic improvement in Russian-Chinese relations

In 2014, following the completion of quantitative easing programmes, Chinese reserves stood at the pre-crisis level of USD 3.8 trillion, whilst US federal reserves had increased from USD 12 billion to USD 2 trillion, with an overall balance of USD 3.7 trillion.

As time passes, it is becoming possible to say that the 2008 financial crisis was the consequence of structural changes to the economy, rather than their cause. The global market was consciously and deliberately unbalanced, the West refusing to finance the alternative political strategies of the East. The failure immediately prior to the crisis of the Doha Round of WTO negotiations, during which the USA attempted to force the denationalization of Chinese, Indian, and Brazilian capital markets, heralded the end of a unipolar world.

Today, the West is stuffed with 'new' money, which it is unable to transform into development programmes. This money is inflating domestic capitalization and blocking an independent Western industrial project, while investment in manufacturing and resource-rich countries (Asia-Pacific, the Middle East, and Russia) which could serve as a driver of global growth is obstructed.

In the five years following the crisis, America's Dow Jones more than doubled in size, Japan's Nikkei grew by a factor

of 2.5, and Germany's DAX tripled. Only China's stock market failed to grow, maintaining zero returns alongside a GDP growth rate of over 7%. During the same period, Russia's stock market has shrunk threefold, even though oil prices have soared and GDP growth rates have exceeded the global average.

At one time, the unified project for financial globalization was in alignment. The old global economic model is now in need of change, and the new America has been kept from the public amid talk of national priorities. Trump's victory has shown that the project for big democratization is at an end, and post-election bacchanalia in the USA and disarray in Europe have revealed the full horror of the 'united West's' political class when faced with the threat of the world being rearranged according to new (unknown and incomprehensible) conditions.

### A perfect match

On 17 June 2016 (nearly six months before Trump's victory), Vladimir Putin, in his address to the St. Petersburg International Economic Forum (SPIEF), announced the creation of a 'broad integrative approach' involving the Eurasian Economic Union (EAEU), the Shanghai Cooperation Organisation (SCO), and the countries of the CIS.

A week later in Tashkent, the leaders of the countries taking part in the SCO summit announced the accession to the organization of India and Pakistan by the end of the year, as well as their unanimous support for China's Belt and Road initiative. Two days later, Vladimir Putin commenced a large-scale visit to China.

“China is not simply transitioning to an internal investment growth mechanism, however; it also wants to make its domestic market a source of growth for the entire region. This will require diversification of the Asia-Pacific economy

During this visit, Moscow and Beijing set out their priorities: to establish a just and rational world order (a global agenda), to strengthen security and strategic cooperation (in the military and technology spheres), and to create a unified transport system and hydrocarbons market (spatial unification

via infrastructure). More than 30 major contracts were signed, covering scientific and technological developments and transport and energy projects.

In China, the Russian President's visit was described as a 'turning point', which indicated a mutual departure from a policy of 'non-alignment'. In an interview with news agency Xinhua on the outcomes of his visit, Putin said that describing Russian-Chinese relations as strategic cooperation no longer went far enough, and that 'a comprehensive partnership' was now the appropriate term.

A union between the 'factory of the world' and 'the resource base of the world'

“The most important thing for Russia is to understand this mechanism thoroughly and to make it a system in which it can realize its own interests without becoming a 'raw materials appendage' once more. This time, to Asia

based on intergovernmental cooperation lays the foundation for a new global project on the one hand and, on the other, returns the world to its former (Westphalian) format of mutual relations.

Unlike the financial market (or Western project), which is based only on the circulation of paper, production assembly (the Eastern project) requires the physical availability of people, technology, warehouses, workshops, logistics, and raw materials. What is called the national dimension of the economy, in contrast to the global dimension (digital or virtual), is burdened with social programmes and obligations that do not always coincide with market motivations.

At the heart of today's political crisis and trade wars is a clash of interests between those who control capital assets and those who possess claims to them. The ideologies and principles behind the financial and industrial approaches to creating a new value chain are diametrically opposed.

The incompatibility of the Western and Eastern approaches to the future must be carefully noted. Some see the future in terms of intergovernmental relations (the Peace of Westphalia and



The potential energy of Asia-Pacific countries is every bit as powerful as Pacific Ocean waves

Yalta Agreement), whereby the fulfilment of obligations is guaranteed by a broad web of supranational agreements. Others seek to remove the constitutive role of the state (the new 'Washington Consensus').

What is important to understand is that competition between countries has never ceased. Initial attempts to conceal national strategies behind the commercial interests of private companies were mistaken. The attempt to deceive competitors also laid the foundations for the crisis of trust which has led to the division of globalization into two independent projects.

The political divorce will be followed by the separation of industrial projects from the financial risk management system. This isn't just about two versions of the market. It is about the creation of new socioeconomic formats, which is why politics is moving to occupy a leading

position in relation to economics. We need to know now who will be answering tomorrow (in 20–30 years' time) for the obligations that we accept today.

#### A window into Asia

What is special about the era that the world is now entering smoothly? Primarily, this is a new era of regionalization, and of the rearrangement of financial institutions, not by themselves, but in conjunction with social and industrial policy.

The Asia-Pacific region is one of the world's most backward regions when it comes to levels of internal integration. As the McKinsey Global Institute (MGI) notes, no one country in the world enjoys the 'simultaneous presence of all factors required to resume growth'. There are several reasons for the lack of unity in the Asia-Pacific region, but two are key.

The first is due to the external dimension of problems arising from the 'historical' attitude of the West to domination, which refers to its refusal to admit the emergence of alternative centres of power. This was manifested in the conquest of India and the opium wars in China. It has been pursued in the presentation of artificial contradictions and the creation of additional confrontation zones (for example North and South Korea, as well as Taiwan and China).

The second originates from ongoing internal problems. These include the multitude of mutual territorial claims in the South China Sea (the region's key communication channel). Another is the historical rivalry between India and China, and the latter's lack of a direct outlet to the Indian Ocean. Finally, there is the banal fear of Chinese power among

the other Asia-Pacific countries, which is dictating the search for an external arbitrator – especially in issues of security.

The creation of the SCO is removing the majority of the integration problems in the Asia-Pacific region.

Firstly, Russia is becoming a secondary centre of regional power, which is alleviating fears of possible Chinese expansion. Secondly, Russia and its energy resources are providing a solution to one of the region's most systemic problems by making it less dependent on hydrocarbon supplies from the Persian Gulf (according to the Asian Development Bank, by 2050 the region will be 90% dependent on oil imports). Thirdly, Russia is a country in which the interests of such diverse nations as China, Japan, South Korea, India, and Vietnam are at play.

The SCO represents a historic opportunity for the Asia-Pacific region. The era of Asian development under the aegis of the 'industrial offshoring' of the Western economy is coming to an end. Following the 2008 crisis and quantitative easing programmes, it has become clear that sovereign development on the basis of a 'foreign' institutional environment is impossible.

Between 2008 and 2017, the bond market for Chinese non-financial companies grew from USD 69 billion to USD 2 trillion. Beijing is now transitioning its economy to a domestic investment mechanism. The share of foreign capital in all investment in China was 2% last year (compared with 28.6% in 1996), versus 60% of China's own funds. Almost 80% of credit is provided by state banks and in the state sector. The share of foreign participation in China's industrial production is steadily falling (from its 2003 peak of 35.9%). At the same time, the share of joint ventures with 100% foreign participation is rising (at more than 80% of all joint ventures).

These last figures may appear paradoxical: foreign participation in production is falling, whilst the number of entirely foreign joint ventures is rising. In fact, it is completely logical. China takes 'Chinese' money from joint ventures and creates 100% 'Chinese' companies, which compete with the joint ventures on quality and price of goods on the foreign market, thus lowering the profits of the foreign companies from Chinese exports.

China is not simply transitioning to an internal investment growth mechanism, however; it also wants to make its domestic market a source of growth for the entire region. This will require diversification of the Asia-Pacific economy and its development to full cycle (resources, production, and consumption). The production pyramid will be topped off not by a trade or investment regime, but by agreement between all participants in the process of creating a development model (or lifestyle).

Without Russia, this new model for Asia-Pacific development will not be possible. A mechanism has now been launched that carries enormous momentum. To stop it will be very difficult. The most important thing for Russia is to understand this mechanism thoroughly and to make it a system in which it can realize its own interests without becoming a 'raw materials appendage' once more. This time, to Asia. 🌸

Igor Orlinovsky

# Minister for the Development of the Russian Far East Alexander KOZLOV: I know what to look for and where to find it



Text: Andrey VANDENKO, TASS – especially for the EEF magazine

## It's easier to manage from the centre – that's a fact

– You're a relatively recent arrival to Moscow, Mr Kozlov, but perhaps you already know which building is the capital's tallest? After all, this is a fact known to more people than just native Muscovites.

– Do you mean the tallest building in the literal architectural sense or the highest in terms of decision-making authority? If you are talking about the Kremlin, then I can confirm that I've visited it and attended meetings there.

– I'm actually referring to an old Soviet joke. Nothing is higher than the KGB headquarters building on the Lubyanka: from there you can see Kolyma in any weather... Of course, since the advent of your Ministry, the joke has become dated. It would seem that you can see even further from your building at 14 Burdenko.

– Let's just clarify that our department was not created for the purpose of winning a competition about who has the best view of the remote corners of the country.

– Do you think it's right that the organization that concerns itself with the affairs of these corners of the country is not a local agency on the ground in Yakutia, say, or Kamchatka, but rather based in Moscow?

– Decisions must be made expediently and effectively. It is probably wrong to invest so much significance in a name and to adhere to geographical principles. Decisions should be made with an eye to solving the problems facing the Ministry. We play an active role in the lawmaking process and seek to attract investment to the region. We look for different sources of funding, both from the state budget and outside it (I have in mind investment by state corporations as well as major Russian and foreign investors). The Russian Far East is attractive because it borders the Asia-Pacific region. However, the embassies of, let's say, Japan, South Korea, and China (and all the others) are not located there, but in Moscow. The Ministry of Foreign Affairs, the State Duma, and the Federation Council are also located in the capital, and we work with them on a regular basis. Yes, you can

see a lot from a distance, but it's better to consider important details from a local vantage point.

It is right that the Ministry is located in the capital. In my opinion, everything is arranged logically. This location is also beneficial for advancing the regional agenda. The laws that are enacted here are implemented there. The funds that are allocated for projects in the Far East go there.

And we maintain a constant presence in these places. We do this to ensure that we have a correct basis for our decision-making and to obtain first-hand information. This allows us to reduce the risk of possible errors before making a final decision.

– You didn't mention logistics. To get from one Far Eastern region to another, you often have to fly through Moscow.

– This is a separate topic that we can discuss. It's easier to manage from the centre – that's a fact.

I recently met with the Japanese Ambassador and discussed a specific project in Amur Region. In order for us to have this discussion, he didn't have to go to Blagoveshchensk and I didn't have to go to Tokyo. The same is true of everything else.

The Ministry does not control the regions. After all, they have their own governors or heads of the republics. They are responsible for everything that happens in their respective regions. We're not trying to stick our noses in someone else's business. We're trying to help. We are drafting laws that will create new jobs, solve social issues, and make life simpler for investors. Therefore, to draw an analogy with the organization of the military, it would be better to think of ourselves as different service branches that are able to act together.

## You have to live in the time zone where you are located

– Which time do you set your watch by? We are meeting at the beginning of the business day, but it's already evening in Magadan. Which time zone do you use for scheduling purposes?

– You have to live in the time zone where you are located. We are not constantly focused on the time. We work on legislation on Mondays, and we do project work on Tuesdays. On Wednesdays we check whether enough funds have been raised, and we listen to

reports from development institutions, which allow us to gain an insight into how particular areas are developing. On Thursdays we have our weekly briefing, in which the heads of regions take part via teleconference.

Of course, we stay in constant touch with each other. Just before this interview I talked with the Governor of Primorsky Territory, and we discussed current issues. The Governor of Sakhalin called the day before yesterday to warn me that he was flying to Iturup for four days, since the mobile phone coverage on the Kuril Islands is spotty.

When I worked in Blagoveshchensk, people from Moscow would call at inopportune times if circumstances so demanded. That's the normal state of affairs! I can't imagine another way of doing it.

You need to realize that the earlier the head of the region receives information, the more time he has to respond to it correctly and to prevent or correct negative consequences. This is what we are concerned about, not ensuring that subordinate officials do their superiors' bidding.

– Then let me ask: how do you divide your time between Moscow and the provinces? How much time do you spend in each place?

– Look: during the first two months of my tenure, I spent four weeks in the Russian Far East, trying to visit as many areas as possible: Kolyma, Yakutia, Amur Region, the Jewish Autonomous Region, Khabarovsk Territory, Kamchatka...

My year is divided into cycles. State funding proposals are drafted in July and August. Before this can be done, it is necessary to check the situation in the regions. This fieldwork allows us to plan and know which proposals we need to advocate on 6 September before the Ministry of Finance's budget commission.

“During my time as Mayor of Blagoveshchensk, I oversaw the opening of four kindergartens. Each time I got tremendous pleasure when I, together with the builders, handed over the keys to the principal. Then we would have tea and cake with the teachers...”

If I'm persuasive, then I'll secure funding for next year.

The next stage is to monitor how the allocated state funds are spent. It makes no sense to look at construction sites during the winter. Everything is hidden under a blanket of snow. Hence, the next period of scheduled trips will be delayed until the spring.

In addition, there are events and functions that we must attend, including the EEF among a number of others. International activity is another important topic. So this is how we schedule the calendar for the year.

Here's an example. We have communicated our priorities to the Ministry of Transport. Minister Yevgeny Dietrich wrote a series of instructions. I met with Mr Dietrich, and we made some slight adjustments to the plans.

It's much simpler when you have some understanding of what you're talking about. So this is how the system works. This is how it should work.

### It's terribly expensive to fly vegetables to Magadan or Anadyr!

– Since we are on the topic of transport... Is the Sakhalin Bridge project going to be built?

– We have been instructed on this matter by the President. That means that we are going to build the bridge. However, we can't put the cart before the horse. First, we need to figure out the sources of funding, wait for a concrete engineering proposal to be drafted, and decide on the deadlines and contractors.

The fact that global infrastructure projects in the Russian Far East are needed is not even a discussion. But I am not saying that we should forget about building a smaller bridge over some anonymous stream in a village lost in the taiga. For the residents of such a settlement, a modest wooden bridge is no less significant than the Sakhalin span.

Megaprojects give a powerful impetus to the development of the region. They require support, ranging from cement and

fittings factories, where the concrete will be mixed and the metal will be cast, to the food services that are needed to feed the construction workers.

When I was Governor, we began to build a bridge across the Amur River to China. I said to my colleagues: "Why are you focusing on the cost? Figure in the revenue from the severance tax. Estimate how many people will receive work for years to come."

The construction site for the bridge drew in several cities. Work on the project not only began, it kicked into high gear.

– So in the end you were able to build the bridge?

– There is about a year and a half left on the project. We'll get it done.

– Your Ministry was established in 2012. At that time you worked in Blagoveshchensk, where you held various positions at the regional level. You became Governor in 2015. Back then did you feel that the Ministry that you now head could do some good for the region?

– How can I explain it? The Ministry set many important and necessary processes in motion. However, federal officials were not always sufficiently clear about the kind of result they wanted to achieve, and the Governor's staff encounters and solves problems that are somewhat different. They are more local and specific. Meanwhile, the people who are on the ground are the ones responsible for carrying out tasks. They must understand what is expected of them and, most importantly, why.

The various levels of government must be aligned in such a way that people understand why the legislative process is necessary and how it will affect their lives. For example, the Ministry is overseeing the construction of 193 social infrastructure facilities. This is a big deal! We are using federal funds to purchase KAMAZ vehicles and other equipment, as well as to build kindergartens and schools... We were able to secure nearly RUB 6 billion in additional funding for these projects in the Russian Far East. That's great!

Every state programme is currently required to include a section about the Far East. Previously, many ideas did not find their way into plans; they got lost during the drafting process due to trivial reasons. This can no longer happen. Recently, we worked out a programme with the Federal Agency for Tourism. The agency's head, Oleg Safonov, called me: "Your staff are refusing to sign it!" I told him: "We'll

look into it right now." It turned out that Kamchatka had been put off until 2021. Kamchatka, of all places! We asked that it be moved up the schedule. They fixed it...

In other words, the Ministry is still functioning as a project office. Back when I used to work at a factory, I was taught: the plan is only 50% of the success. The second half is executing it.

For me, the key issue right now is finding specialists who are capable of leading projects from start to finish. This applies to everything – advanced special economic zones (ASEZs), funding, drafting legislation... Some of the processes are hampered by the lack of a regulatory framework, whereas others are stalled by underfunding. In some places we simply need to remove red tape. To accomplish this, we need people with specific skills: construction workers, lawyers, economists, and tax specialists.

Take ASEZs, for example. They have accepted over 1,000 residents, and another 300 have submitted applications. Roads are being constructed, utility services are being extended, and infrastructure is being built. This activity deserves closer examination. We need people to monitor the execution and observance of deadlines, and they must be competent officials. In order to move the process forward from two sides, we need the assistance of the governors' teams. Investor activity is frequently region-specific. Let's say that the responsible local actors did not install gas lines or electricity, and the farmer was not able to start using his greenhouse. As a result he suffered losses, and local residents had no access to fresh tomatoes or cucumbers. And it's terribly expensive to fly vegetables to Magadan or Anadyr! The question is not even social, but political.

### There's no such thing as superfluous knowledge, only learning that you've not yet put to use

– And have you claimed a free land plot under the Far Eastern Hectare programme, Mr Kozlov?

– No, I haven't. If you take a land plot, you have to work it. Continuously. If, after a full day of work, the Governor told his wife that he was heading out to his hectare, I think she'd propose that he stay there.

– Nevertheless, you have set a personal example for improving the demographic situation in the Russian Far East.

– Yes, my daughter Alisa is six months old, and I'm proud to say that her birthplace is recorded as Blagoveshchensk. I myself come from Yuzhno-Sakhalinsk...

– You are educated in two fields: law and mining. Which has been more valuable for your role as Minister?

– As you know, there's no such thing as superfluous knowledge, only learning that you've not yet put to use. Of course, for the sake of fairness it should be noted that I did not complete my studies at the Far Eastern Federal University, but I did receive a degree in law from the Academy of Entrepreneurship of the Government of Moscow 15 years ago. That's my background.

Now to address your question. There's a good saying: a sensible lawyer always knows where to find what he is looking for. And a mining engineer knows where to dig. Everything should be clear, specific, and transparent. Then you can demand a result.

Communication is another important part of the Ministry's activities. We value the ability to listen to each other and to the regions.

I have long understood that no detail of my work is too small. And the global scope of a project is not determined by the amount of money that has been invested in it. Or rather, it is not determined by this factor alone. During my time as Governor of Amur Region, I oversaw the opening of four kindergartens. You know, each time I got tremendous pleasure when I, together with the builders, handed over the keys to the principal. Then we would have tea and cake with the teachers... I felt a certain euphoria that I had taken part in a good deed that had brought concrete benefits to people.

My grandmother lives in a village in Amur Region called Raychikhinsk. Once, she was showing me pictures from the middle of the last century, where you can see how poor the place looked. There were no pavements, and there were only direction signs, no actual roads. The only standing houses were those built after the Second World War. Then the region began to actively extract brown coal, and they opened a plant with two open pit mines (Severo-Vostochny and Yerkovetsky). After that the city changed for the better and flourished.

A new period of decline set in during the 1990s.

As Governor, I launched a three-year programme to reconstruct, repair, and improve the streets and courtyards in the region, including in Raychikhinsk. The



In Blagoveshchensk, Alexander Kozlov served as mayor and governor

installed and updated pavements will now be able to provide ten to fifteen years of service. After that, a new regional head will take office, who will also focus on updating the infrastructure using other, more modern technologies, which will surely be developed.

We must remember: we are not the first and not the last, but only the present link in the chain of people who inhabit the Earth. And we should not be shy about getting our hands dirty and examining things on the ground. We must make every effort to ensure that every penny goes where it will bring the maximum benefit. At the national level, there is a need to forge the links together.

Several years ago I brought then Minister of Agriculture Alexander Tkachev to the Agrarian University in Blagoveshchensk. I would be happy to show you around as well. It has a beautiful and historic red brick building from the Tsarist period, though it has been left to fall into disrepair. Mr Tkachev has dozens of specialized universities across the country. There are so many that it would be hard to list them all. I say: they do not take that much money to run if you support and maintain them.

We now have a new Minister of Agriculture, and I'm no longer a governor. However, federal funds were allocated to the university in 2018, and repairs are currently ongoing. The renovated building

will really add to Blagoveshchensk's beauty. That's the trick!

– The EEF will, in fact, be your debut at the national level. It will be a test of whether the many links have actually been forged together.

– I'm not a magician. Nothing can be done in an instant. At this stage I see my task as launching the process of implementing previously adopted decisions and developing a decision-making procedure that will not undermine the plans for the Far East that have been proposed by the country's leadership. We need amendments to laws, monitoring of spending, and to determine which facilities are feasible and necessary...

The Forum is a place to look back over the results of the work that has been completed during the last year. We need to verify which of the tasks that were announced in September 2017 were carried out and which were not. In the case of the latter, we need to know why they were not completed. This process provides a way of reconciling and scheduling tasks. We met, and we discussed, analysed, adjusted, and identified tasks. That's how we made headway.

Let me remind you that the Far East occupies 36% of Russian territory. The region's contribution to the Russian economy should be comparable in scale. It's the only way! 🌸

# The FEFD's storehouse

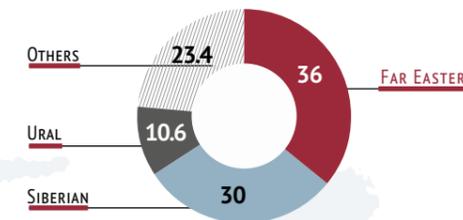
The Far Eastern Federal District (FEFD) is truly Russia's treasure trove, offering ideal internal and external conditions for investors. The district comprises regions that are unique in many respects, with vast reserves of biological and mineral resources. Major markets in the Asia-Pacific region are located nearby.



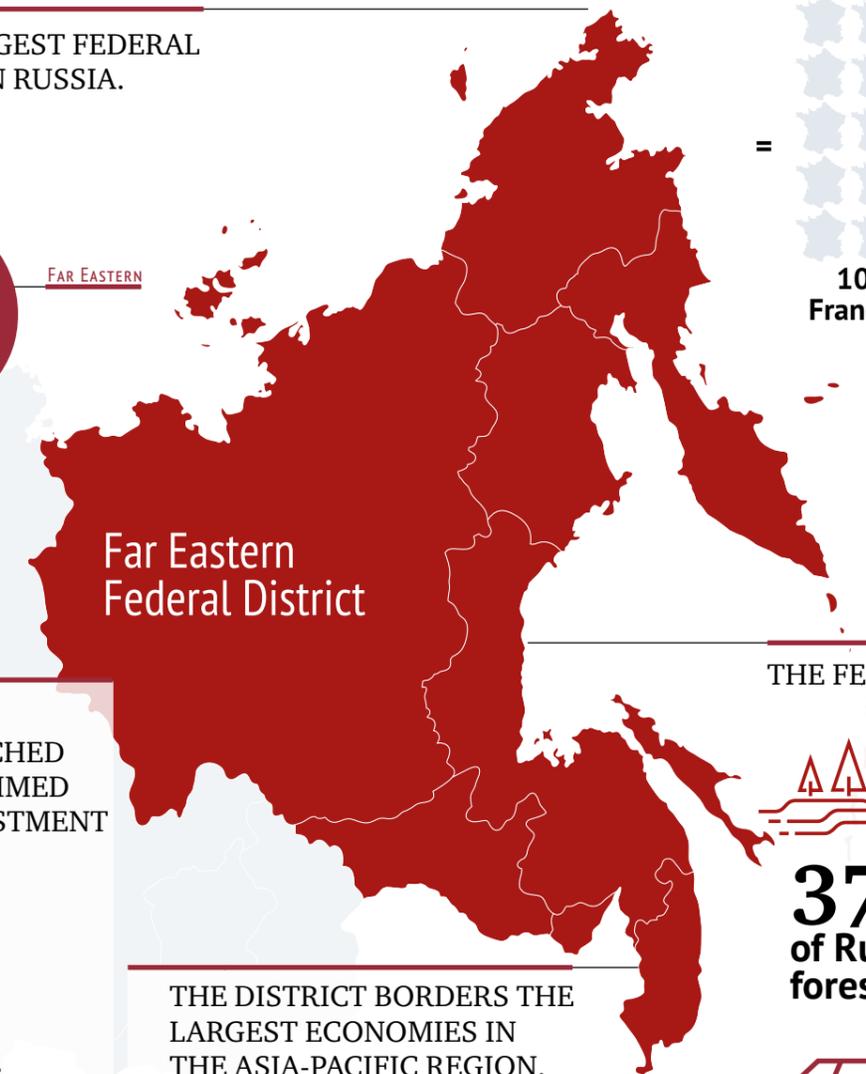
Material by Vladislav Kovalenko

THE FEFD IS THE LARGEST FEDERAL DISTRICT\* BY AREA IN RUSSIA.

Area, % of the total area of the Russian Federation



Source: Rosstat  
\*here and below, cities of federal significance are excluded



Far Eastern Federal District

THE FEFD HAS:

IN RECENT YEARS, THE GOVERNMENT HAS LAUNCHED SEVERAL PROGRAMMES AIMED AT INCREASING THE INVESTMENT ATTRACTIVENESS OF THE DISTRICT.  
IN THE FEFD:

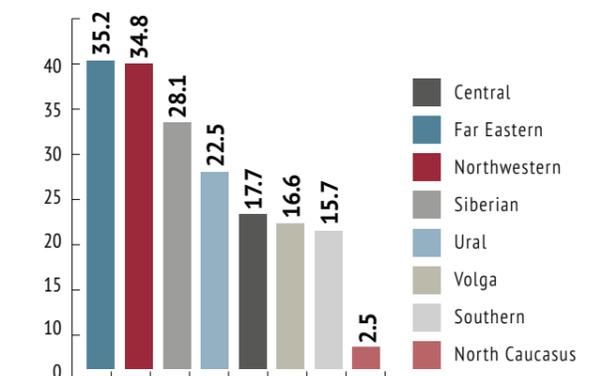
**18** advanced special economic zones (ASEZs) have been set up

**34.000** electronic visas have been issued to citizens of 18 states

**40.200** plots have been allocated through the 'Far Eastern Hectare' programme

THE DISTRICT BORDERS THE LARGEST ECONOMIES IN THE ASIA-PACIFIC REGION, OFFERING ATTRACTIVE CONSUMER MARKETS.

Share of exports in GRP by district, the FEFD holds second place



Source: Rosstat, calculations provided by the Eastern Economic Forum

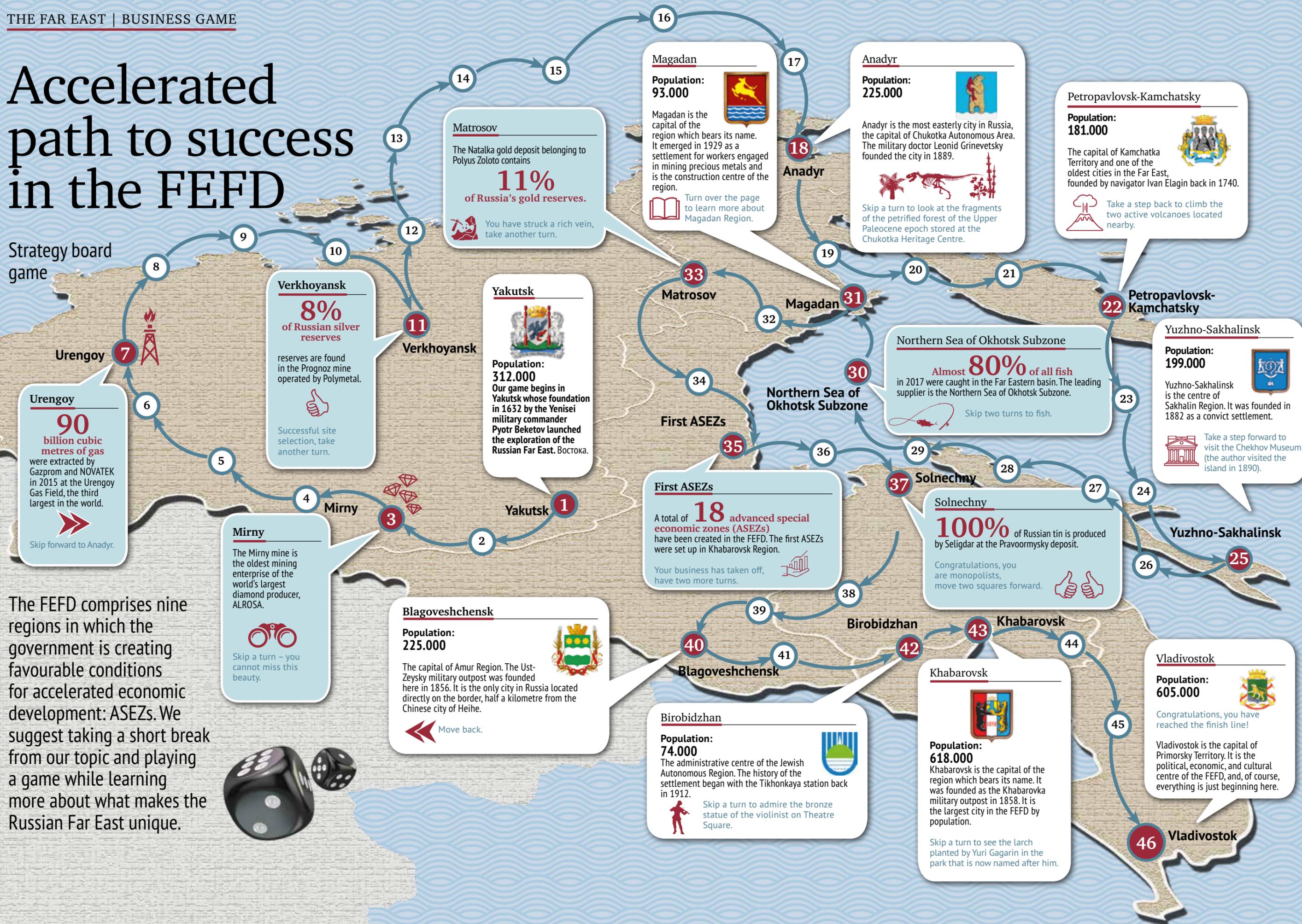
**37%** of Russia's forests

**70%** of its diamond stocks

**1/4** of its gold reserves

# Accelerated path to success in the FEFD

Strategy board game



**Urengoy**  
**90 billion cubic metres of gas** were extracted by Gazprom and NOVATEK in 2015 at the Urengoy Gas Field, the third largest in the world.  
 Skip forward to Anadyr.

**Verkhoyansk**  
**8% of Russian silver reserves** are found in the Prognoz mine operated by Polymetal.  
 Successful site selection, take another turn.

**Mirny**  
 The Mirny mine is the oldest mining enterprise of the world's largest diamond producer, ALROSA.  
 Skip a turn - you cannot miss this beauty.

**Matrosov**  
 The Natalka gold deposit belonging to Polyus Zoloto contains **11% of Russia's gold reserves**.  
 You have struck a rich vein, take another turn.

**Yakutsk**  
 Population: **312.000**  
 Our game begins in Yakutsk whose foundation in 1632 by the Yenisei military commander Pyotr Beketov launched the exploration of the Russian Far East. Восток.

**Blagoveshchensk**  
 Population: **225.000**  
 The capital of Amur Region. The Ust-Zeysky military outpost was founded here in 1856. It is the only city in Russia located directly on the border, half a kilometre from the Chinese city of Heihe.  
 Move back.

**Birobidzhan**  
 Population: **74.000**  
 The administrative centre of the Jewish Autonomous Region. The history of the settlement began with the Tikhonkaya station back in 1912.  
 Skip a turn to admire the bronze statue of the violinist on Theatre Square.

**First ASEZs**  
 A total of **18 advanced special economic zones (ASEZs)** have been created in the FEFD. The first ASEZs were set up in Khabarovsk Region.  
 Your business has taken off, have two more turns.

**Magadan**  
 Population: **93.000**  
 Magadan is the capital of the region which bears its name. It emerged in 1929 as a settlement for workers engaged in mining precious metals and is the construction centre of the region.  
 Turn over the page to learn more about Magadan Region.

**Anadyr**  
 Population: **225.000**  
 Anadyr is the most easterly city in Russia, the capital of Chukotka Autonomous Area. The military doctor Leonid Grinevetsky founded the city in 1889.  
 Skip a turn to look at the fragments of the petrified forest of the Upper Paleocene epoch stored at the Chukotka Heritage Centre.

**Petropavlovsk-Kamchatsky**  
 Population: **181.000**  
 The capital of Kamchatka Territory and one of the oldest cities in the Far East, founded by navigator Ivan Elagin back in 1740.  
 Take a step back to climb the two active volcanoes located nearby.

**Northern Sea of Okhotsk Subzone**  
 Almost **80% of all fish** in 2017 were caught in the Far Eastern basin. The leading supplier is the Northern Sea of Okhotsk Subzone.  
 Skip two turns to fish.

**Solnechny**  
**100%** of Russian tin is produced by Seligdar at the Pravoomysky deposit.  
 Congratulations, you are monopolists, move two squares forward.

**Yuzhno-Sakhalinsk**  
 Population: **199.000**  
 Yuzhno-Sakhalinsk is the centre of Sakhalin Region. It was founded in 1882 as a convict settlement.  
 Take a step forward to visit the Chekhov Museum (the author visited the island in 1890).

**Vladivostok**  
 Population: **605.000**  
 Congratulations, you have reached the finish line!  
 Vladivostok is the capital of Primorsky Territory. It is the political, economic, and cultural centre of the FEFD, and, of course, everything is just beginning here.

**Khabarovsk**  
 Population: **618.000**  
 Khabarovsk is the capital of the region which bears its name. It was founded as the Khabarovka military outpost in 1858. It is the largest city in the FEFD by population.  
 Skip a turn to see the larch planted by Yuri Gagarin in the park that is now named after him.

The FEFD comprises nine regions in which the government is creating favourable conditions for accelerated economic development: ASEZs. We suggest taking a short break from our topic and playing a game while learning more about what makes the Russian Far East unique.



Cape Island, Magadan Region

# Magadan: delayed start with high potential

Experts estimate Kolyma mineral reserves at USD 3.3 trillion, which is ten times the annual budget of the Russian Federation. Today, Magadan Region not only has huge resource reserves, it also offers special economic conditions for investors and an energy industry ready to serve new enterprises.

and modern technologies to the regions of the Russian East, adopting concrete decisions on the launch of breakthrough investment projects, and creating new advanced special economic zones (ASEZs).

Twelve priority national programmes are currently being implemented across all areas of the economy in Russia. President Vladimir Putin has set the task of ensuring that Russia's economic growth rates exceed global rates to enable the country to take fifth place among the world's leading economies by 2024.

A working group charged with making preparations for the meeting of the Presidium of the State Council for the Development of the Far East, which I chair, has made proposals for the implementation of national programmes in the eastern regions of our country. Being aware of the attention that the federal government devotes to the development of the Far East, I am confident that our proposals will receive support.

We are working to set up the Kolyma ASEZ. This will bring together the most promising projects in the energy, fishing, tourism, and mining sectors in Magadan Region.

Kolyma is rightly known as the golden heart of Russia. Magadan Region ranks among the top ten regions in terms of mineral reserves. It is the country's leading region for silver mining and in second place for gold mining. Like the entire Russian Far East, our northern region is famous for the unique beauty of its natural landscapes and has everything it needs for accelerated socioeconomic development.

We will be proudly showcasing our achievements on at the 'Far East Street' exhibition. The business community will be offered detailed information regarding investment opportunities as well as the benefits and incentives available to investors through the Magadan Region Special Economic Zone regime.

A unique exhibition of gold nuggets and a chance to learn how mining companies operate await. Enjoy a virtual immersion into the waters of the Sea of Okhotsk, pan for grains of alluvial gold using old-fashioned gold panning techniques, and experience the original culture of the indigenous peoples of Kolyma.

Join us at the Magadan Region exhibition on the 'Far East Street'!



**Governor's greeting**  
Sergey Nosov  
Acting Governor of Magadan Region

Dear friends,  
I have no doubt that the 4th Eastern Economic Forum will become an important platform for communication between government leaders and the business community, the outcomes of which will include attracting investment

## 6 reasons to invest in Magadan Region:



**The region's energy sector is booming.** There are two hydroelectric power stations in the region – Kolyma and Ust-Srednekanskaya. The capacities of both stations reach 1,500 MW. The development strategy for the next seven years entails construction of high-voltage lines:

- **Ust-Omchug – Novaya – Omchak** for businesses in Tenkin District that are developing fields in the Yano-Kolyma gold-mining province
- **Orotukan – Seymchan** for the municipal energy sector and development of zinc, lead, and copper deposits in Srednekansky District
- **Omsukchan – Peschanka** for connection of the Bilibino District in Chukotka to the Kolyma power system

**The Kolyma Special Economic Zone provides special conditions for doing business in Magadan Region.**



**126 participants**

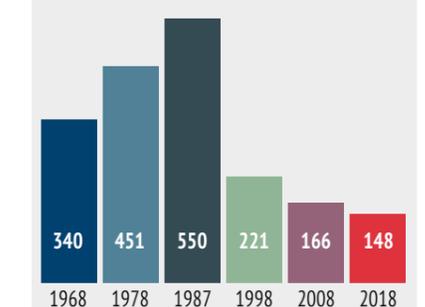
are currently involved in the Magadan Region SEZ

Residents enjoy customs and tax incentives. In particular, the SEZ offers exemptions from corporate profit tax, and the mineral extraction tax as well as import duties and payments. Russian President Vladimir Putin has extended the operation of the Kolyma SEZ until 2025.



**The development potential of the region is enormous.**

**Population of Magadan Region over the past 50 years (thousands)**



**The fishing industry can attract both tourists and investors.**



**USD 80 million**

The export of crustaceans and frozen fish accounts for USD 80 million earned by Magadan Region from foreign exports, which is even higher than the proceeds from the sale of silver.

Belarus, China, Korea, Japan, and 35 regions of Russia purchase fish and fish products. Commercial invertebrates (crabs, whelks, shrimp, squid, sea urchins), along with pollock, herring, cod, and capelin represent the bulk of the demand for fish products. The rivers of the Sea of Okhotsk basins are the largest spawning grounds for Pacific salmon, including chum salmon, pink salmon, coho salmon, and sockeye salmon.



**Private investment in 20 approved projects is up to RUB 215 billion.**

There are plans to attract federal and regional funding to create social, transport, and electric grid infrastructure. For example, the Magadan agglomeration expects to modernize four vocational education institutions, carry out major repairs on the children's regional hospital, and build swimming pools.

The single-industry economy of Kolyma did not present a problem in the mid-twentieth century, but the 21st century requires drastic changes. The outflow of people has resulted in a current permanent population of 148,000 (75% of whom live in the regional centre). Manual labourers are worth their weight in gold today – migrant workers account for 25% of the labour force. The roads are in need of repair, the energy sector – of consumers, and the resources – of investors. The points at which pressure can be applied have not been chosen correctly. Magadan Region's delayed start has resulted in the accumulation of potential. It's time to realize it.

**Infrastructure connects the region's businesses to key consumers:**

**2,000 km**

length of the Kolyma federal highway that connects the Sea of Okhotsk coast with Yakutia

**2,300 km**

length of the future Kolyma – Omsukchan – Omolon – Anadyr road, construction on which began in 2012

**60 km**

of roads a year are expected to undergo major repairs carried out by the regional government with support from the federal budget

**1 million tonnes per year**

the volume of cargo handled by the Magadan Sea Trading Port



**400,000 passengers**

passed through Magadan Airport in 2017





The exquisite beauty of the Far East's natural environment reflects its enormous potential for tourism

# Alexey Chekunkov: “Development institutes help the state make a pinpoint pass to business”

The Far East Development Fund (FEDF) is a key newsmaker when it comes to the regional economic agenda. The Fund's investments include major infrastructure projects and programmes to support small and medium-sized enterprises, agriculture, and high-tech solutions. **FEDF CEO Alexey Chekunkov** discusses four areas of potential in the Russian Far East, the preferences of Asian consumers, and the magic of the speculative market.



Alexey Chekunkov,  
CEO, Far East Development Fund

Text: Dmitry KRYUKOV

## “We need entrepreneurial wizards”

– What trump cards do you hold in negotiations? How do you hook investors?

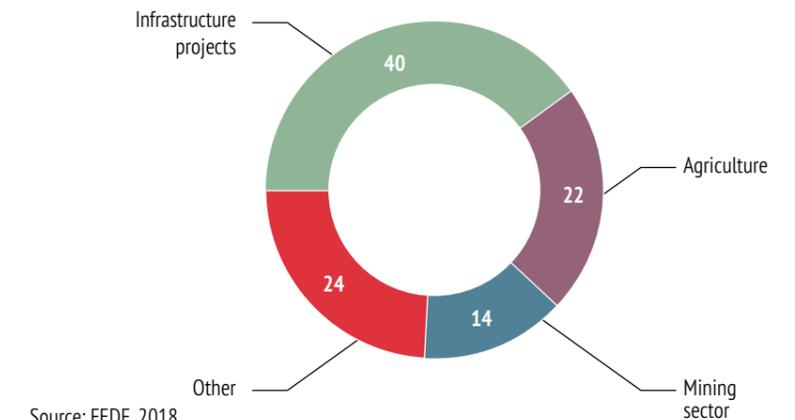
– There is a law of physics which states that the most massive bodies exert the strongest gravitational pull. From an economic point of view, the most massive bodies are in Asia: China, Japan, and Korea. In contrast, the Russian Far East is not an economically massive body, even though it is physically enormous. Herein lies the opportunity. Everything that helps to connect the Russian Far East with the Asia-Pacific regional economy has huge potential.

This means mainly the commodities that Russia trades with Asia: hydrocarbons, precious metals, coal, lumber, and organic resources...

Then there is potential in logistics. Take the Belt and Road Initiative, for example. Currently, 90% of Chinese exports essentially pass through the Strait of Malacca, which is controlled by an American military base. There is total dependence on a single route. So China's goal is to create a wide overland channel via which it can move goods to Europe. This will require the construction of a huge number of roads and railways, and an energy infrastructure.

The third vital aspect is what I call “food and water”. Over two billion people live in Asia, not counting India. Rapid economic growth in China has disturbed the food balance. The soil has been aggressively cultivated, and industry has grown without regard for environmental issues. As a result, in a nation of 1.5 billion people, there's not enough land to till. The Russian Far East has millions of hectares perfect for crop farming. In the south, along the Chinese border, wheat, soy, and an amazing coastal rice variety grow wonderfully. We simply need to support exports properly, and develop integrated projects, in which, for example, some production will be located in Asia, with processing in Russia. Why is it profitable to export drinking water to China or Korea from France, but not from the Russian Far East? The Primorsky Territory is closer. Finally, but very importantly, there is the economy of lasting impressions, tourism. These places

## FEDF investment (%)



Source: FEDF, 2018

are beautiful and European in spirit. There's nowhere else like them in Asia. I've seen the reactions of my Asian colleagues, people who have seen a great deal, when they first lay eyes on Russky Island in Vladivostok. And so few of them have been to Kamchatka yet! Tourism is also a market worth billions.

– Given all that, what are we lacking when it comes to realizing this potential: investment or properly designed projects?

– Imagine that you and I are talking about interesting literature. What are we lacking there? Paper, letters, or writers? Money is the paper. It can always be found for a worthy endeavour. The Chinese banking system has double the assets of the US banking system and something like 25 times the assets of the Russian system. Trillion-dollar figures are no longer surprising for many projects in Asia.

The projects are the letters. Specific people dream them up. So the most important precondition, the catalyst, is the entrepreneurship factor. We need wizards who can conjure up a real-life business from an abstract theory, something that requires enormous amounts of effort and commitment.

At the national level, we need to

concentrate efforts on supporting talented entrepreneurs and developing management technologies. Our eastern partners serve as good examples for us here. China was once called the world's factory. People thought that clever Americans invented Apple phones in California, and the Chinese just assembled them in their cramped dormitories for paltry salaries. But that's not the case. Now we have Xiaomi, HTC, and Lenovo. Or look at the Koreans. Who would deny, today, that Samsung is a world-class company? And what about Korean car manufacturers? Over the past 20 years, these countries have managed to create world-class consumer brands. Russia can do the same.

– Which sectors might see breakthroughs?

– Agriculture, for one. Here, companies can increase their capitalization by a factor of ten. Rusagro is currently building a major pig farming complex in the Far East. For now, it is counting on domestic demand. Six million people can eat 77,000 tonnes of pork, but the market is fairly saturated. However, as soon as the eastern markets open up, they will be in place with production capacity at the ready. Or Amura-



**RUB 27.4 billion**

invested by the FEDF in projects worth a total of over RUB 166 billion, as of July 2018



**Approximately 36% of FEDF investment**

goes to projects in advanced special economic zones (ASEZ) or Vladivostok Free Port



Sergey Savitskiy/FASS

There is already a base for the development of high-tech enterprises in the Far East: the assembly of the Sukhoi Superjet aircraft, for example...

grosentr, the leading soy producing enterprise.

Asia is very selective when it comes to imports. They see themselves as producers of goods for the world, but consumers of their own, tasty domestic products. Japanese rice is eight times more expensive than global brands, but that is what they choose. Every American CEO has dreamed of conquering Asia. In the 1970s, they liked to say that if every Chinese person drank one can of Coca-Cola, they'd be USD 1.5 billion richer. But that never happened.

**– Why do you think we'll succeed in teaching the Chinese to drink Russian Coca-Cola?**

– There is an unprecedented trade war underway in the world. We do not know where it will lead. Many companies may close up shop, unable to pay back their loans, and some banks may collapse. Under these conditions, it is unwise for neighbouring countries to keep their markets closed to one another. This is an opportunity for us. We must take advantage of it as a country, particularly at the Eastern Economic Forum. We must strengthen Russia's position and expand our exports. It is interesting, complicated work. Our president always discusses open markets when he meets the leaders of Chi-

annual interest rate, which is on average half as expensive as the banks. But if something goes wrong, we must have an understanding about how we will get our money back. Even if an asteroid lands on a project, our portfolio remains balanced, and the Fund can return every invested rouble to the government with a return, even if only a small one.

**– How much money should every rouble you invest earn for the economy?**

– There are three parameters: how much they generate in taxes, how much for the GRP, and how many productive jobs are created. There is no one single metric. A high-tech project might only create ten jobs, but those will all be brilliant programmers who will change the world. A thousand jobs at an oil refinery bring in several billion dollars to the GRP.

A development institute is not supposed to strive for maximum profits. Our goal is for every invested rouble to expand the volume of the new economy. Here is one example. A couple of years ago, Yury Trutnev and I met in Vietnam with the owner of TH Group, the country's biggest producer of dairy products. As a result of that meeting, she invested RUB 1 billion in the Russian Far East to develop dairy farming. It is absolutely a world-class company. Businesses like these bring better diversity and higher quality to the economic business landscape of the Far East.

**– In spring 2018, a Russian-Japanese investment platform was launched. Could you explain the need for that project? And are there plans to create similar platforms with other Asian partners?**

– We don't have plans with other countries. This is a thoroughly Japanese story, but it is extremely important for them. Prime Minister Shinzō Abe is always emphasizing that point in meetings. The platform enjoys the comprehensive support of the Japan Bank for International Cooperation (JBIC). Essentially, it is a consulting company with a very narrow mandate focused on advising Japanese companies about how they can develop projects in the Russian Far East. Every Japanese company understands that it offers a 'single window' to help resolve all sorts of issues, that can raise their concerns at any level necessary, up to

na, Japan, and Korea. It's a vital part of any negotiation.

**“Our strategy is to support powerhouse projects”**

**– Under what conditions does the FEDF get involved in a project?**

– We are a development institute. Our strategy is to support powerhouse projects. If one of those turns out to be successful, dozens more will follow. At the same time, the FEDF has a fundamental obligation not to lose money. In 2011, after the financial crisis, there was unfettered growth in investment. When I took over as FEDF director in 2014, Vladimir Putin made a memorable statement in an address to the Council of the Federation: “Many development institutes have become a dumping ground for bad debts.” This is not a problem afflicting only Russia, actually. There are plenty of examples around the world in which the road to hell has been paved with good intentions. Private businesses do not take on problematic projects. Government officials are left to solve those problems using government funds – and end up getting into trouble.

We are a conservative investor. We need strong partners. We hand out money for an extended term at a 5%

## BACKGROUND

### Key FEDF projects

Construction of a vertically-integrated pig farming cluster in the Mikhailovskaya ASEZ (Primorsky Territory).

Fund investment: **RUB 5 billion**  
Total investment: **RUB 24.5 billion**

Housing for employees of the Zvezda shipbuilding complex in the Bolshoi Kamen ASEZ (Primorsky Territory).

Fund investment: **RUB 3.3 billion**  
Dom.rf investment: **RUB 7.7 billion**

Shaft for mining metallurgical coal and an ore-dressing plant with capacity of 4 million tonnes per year in Yuzhnaya Yakutia ASEZ.

Fund investment: **RUB 4 billion**  
Private investment: up to **RUB 17.2 billion**

First trans-border railway bridge from Nizhneleninskoye to Tongjiang (Jewish Autonomous Region).

Fund investment: **RUB 2.5 billion**  
Private investment: **RUB 7.5 billion**

New passenger terminal at Khabarovsk Airport with a capacity of 3.4 million passengers per year, and airport-related infrastructure.

Fund investment: **RUB 2 billion**  
Private investment: **RUB 2.9 billion**

Advanced soy processing plant in Belogorsk ASEZ (Amur Region) with a processing capacity of 240,000 tonnes per year.

Fund investment: **RUB 1.75 billion**  
Private investment: **RUB 3.36 billion**

Infrastructure for Sakhalinsk State District Power Plant 2.

Fund investment: **RUB 5 billion**  
Private investment: **RUB 41.3 billion**

Two car and rail ferries at Amur Shipbuilding Factory for use at the Vanino-Kholmsk ferry crossing.

Fund investment: **RUB 4.3 billion**  
Ministry of Transport investment: **RUB 5.6 billion**

and including the Presidential Plenipotentiary Envoy to the Far Eastern Federal District. The Japanese themselves wrote the platform's business plan, and it is very ambitious: financing 35 projects with RUB 83 billion of 'smart' investment over five years. Right now the platform is running ten projects. I personally believe in this model, be-

cause it has already proven successful in other countries: India and Myanmar.

**“I'd like Russian entrepreneurs to have the ability to sell their dreams”**

**– How are you addressing recapitalization of the Fund?**

– Naturally, we don't have enough money for the full slate of projects we are considering. The Prime Minister has taken the decision to add RUB 11 billion to the Fund. Normally, the FEDF can invest around RUB 20 billion per year, and we will continue to work at that pace.

**– The Fund for the Development and Commercialization of Advanced Technology which you recently launched with Rusnano and RVC – is that an attempt at venture financing?**

– The President has issued instructions to increase the share of high-tech businesses in the Far Eastern economy. There is already a framework there for us to flesh out. Aircraft assembly for the Sukhoi Superjet, the Vostochny Cosmodrome, United Shipbuilding Corporation, modern lumber industry technologies... But how have we approached this task? Dictating the creation of a venture fund is risky. So we called our project the Fund for the Development and Commercialization of Advanced Technology. The word 'commercialization' is very important here. Up to 90% of the fund will go towards commercializing existing products that have a client base and have proven their ability to perform. This includes promoting them in foreign markets, drawing on Rusnano's experience and cooperation with Asian partners. But there will be a small amount of seed funding as well.

**– You've spoken about the possibility of creating a 'crypto valley' in Vladivostok. What is the background for that project?**

– The authorities in different countries have different attitudes towards blockchain technologies. Meanwhile, the business world has already created projects worth hundreds of billions of dollars in the sector, and entrepreneurs are searching for the most accommodating jurisdictions. I believe that our proximity to Asian markets and Vladivostok's special status gives it quite high

potential as a platform for blockchain development. We have surveyed market interest, and it is very high. But for now, government agencies are taking a conservative approach.

**– A good investor provides not just money, but also know-how and connections. How does the FEDF make itself useful to business?**

– We are an ideal local partner, forging contacts on the ground and accelerating project implementation, while significantly reducing risks. We spend a great deal of time in the Russian regions, so we know this area well, right down to the mobile phone numbers of every deputy mayor and director of a regional enterprise. It's also vitally important that we do not merely advise, but also invest our own money. We are motivated to fight tooth and nail for these projects. All sorts of difficulties can arise. To draw an analogy with the recent World Cup, even the most gifted footballer cannot score a goal on his own. A good passing game is essential. Development institutes help the state make a pinpoint pass to business.

**– The 2018 World Cup is over. The Eastern Economic Forum lies ahead. What are your expectations for the event?**

– Every year, the Forum seems to achieve perfection, and yet each subsequent Forum is better than the one before. I think that China will play a big role at EEF 2018. We have been working for a long time to create a 'Generational Fund' with our Chinese partners for investment within the Belt and Road Initiative. This fund will be different from many similar platforms that have been announced in that it was created from the outset by private investors: two major entrepreneurs investing a billion dollars each. Only later was it joined by traditional, big companies such as China Gold, China Construction, and others. We hope that the first deals that will bring large-scale Chinese investment to the Russian Far East will be announced at EEF. They can be measured in the tens of billions of dollars, so the FEDF is acting more as a content supplier than as an investor in these projects. That is, we attract the billions by investing our own experience and knowledge. That is exactly the development impact we are striving to achieve. 🌸



The photo depicts the laying of rails during construction of the Baikal-Amur railway

# The Trans-Siberian: the longest railway line in the world\*

The Russian Far East's main problem is its distance from the more developed western regions of Russia, while its main advantage is its proximity to the countries of the Pacific Rim. This means that most projects in the Russian Far East have something to do with transport links connecting East and West.

Text: Viktor ILYINYKH

## A road from the mainland to Sakhalin

The first great step forward in this respect was the Trans-Siberian, which, at a length of 9,288 kilometres, is the longest railway line in the world. The main section of the line is around 7,000 kilometres long and was built between 1891 and 1916. Thanks to the Trans-Siberian Railway, travel between St. Petersburg and Vladivostok became a matter of weeks, not months.

Later, the Baikal-Amur Mainline, the most ambitious of all Soviet projects, provided another overground route across the country. A more recent example would be the construction of the Amur federal highway, which is 2,165

kilometres long and links Chita with Khabarovsk.

Other ambitious plans have been made for the Far East, but have not yet become a reality. Still, they are not forgotten. From time to time, these files are rescued from the archives and dust-

“From time to time, these files are rescued from the archives and dusted down for their potential to be pondered once again. Similar plans will also be debated in one way or another in the margins of the Eastern Economic Forum 2018

ed off for their potential to be pondered once again. Similar plans will also be debated in one way or another in the margins of the Eastern Economic Forum 2018.

## A road from the mainland to Sakhalin

For instance, one of the topics of conversation during both official sessions and behind-the-scenes discussion at EEF 2018 will be the idea of building a rail link to the island of Sakhalin. In many respects, this idea is of strategic significance for the region. Although no final decision on the project has yet been taken, engineers are already preparing documentation for the bridge and calculating its total cost. Work could begin in 2021 and be completed in five years.

## Stalin's tunnel

The idea of a rail link between Sakhalin and the mainland was considered by none other than Joseph Stalin at a meeting of the Soviet Council of Ministers in 1949. By May 1950, three possibilities had been researched: a bridge, a ferry, and a tunnel. At that time, building a tunnel underneath the Gulf of Tartary was seen to be the most economical option. On 5 May 1950, the USSR Council of Ministers therefore issued a resolution on the building of the tunnel. The intention was to have trains running through it as early as 1954–1955. Work began in 1951, but continued for only two years.

By the beginning of 1953, more than 27,000 people had contributed to building the railway, laying 120 kilometres of track in the process, and the tunnel



During construction of the Trans-Siberian, the longest railway line in the world (9,288 km)

“The idea of a rail link between Sakhalin and the mainland was considered by none other than Joseph Stalin at a meeting of the Soviet Council of Ministers in 1949. By May 1950, three possibilities had been researched: a bridge, a ferry, and a tunnel

itself was being cut into the ground... However, after Stalin's death, work on the railway ground to a halt.

The Russian Far East experienced a very difficult year in 1953. After the death of the 'Leader of the Peoples', almost all of the projects begun on Stalin's initiative were abandoned, including those related to energy, downstream industries, and the region's transport network. Work on the Baikal-Amur Mainline, the Amur-Yakutsk-Magadan Mainline, and others was also terminated.

## Brezhnev's bridge

Still, the idea of connecting Sakhalin to the mainland resurfaced from time to time. During the 1970s and the early 1980s, the Ministry of Transport proposed that the project be resumed. It was suggested that a bridge might be built instead of a tunnel. The usual arguments were put forward: the need to open up the economy of the USSR and the necessity of development in the Russian Far East. After the fall of the USSR, the Russian Minister of Transport, Nikolay



Who knows, perhaps this type of bridge will connect Sakhalin in Russia with Hokkaido in Japan

\* Paraphrased line from a famous Soviet song about the construction of the Baikal-Amur Mainline.



Far Eastern diggers investigate the remains of the Stalin-era tunnel to Sakhalin

Aksyonenko, made the same proposal in 1999, but no final decision was taken.

The next time the topic of a bridge connecting Sakhalin and the mainland was raised was during the Q&A TV programme *Direct Line with Vladimir Putin*. Answering a question about the likelihood of the project coming to fruition, President Putin noted that all the economic and geopolitical arguments would need to be weighed up.

These words set the next stage of the project in motion. Unsurprisingly, the project has won strong support in Sakhalin. Governor Oleg Kozhemyako believes that linking the island and the mainland will allow Russia to harness the potential of Sakhalin's five ice-free ports and expand the country's export and transit options.

It is expected that the Russian Government, after weighing the arguments for and against, will come to a reasoned decision on whether to go ahead with the project in December this year.

### Linking Sakhalin in Russia to Hokkaido in Japan

The idea of building a tunnel from Russia to Japan as a continuation of the route between Sakhalin and the mainland first surfaced in 1999, championed

by the then Minister of Transport Nikolay Aksyonenko.

The Department of Railways' thinking was clear: building two railway lines at once in order to connect European Russia to Sakhalin and then Sakhalin to Japan would create a unique transport corridor. It would halve the distance trains had to travel between Japan and Europe and mean that freight could be transported three times faster than is possible by sea.

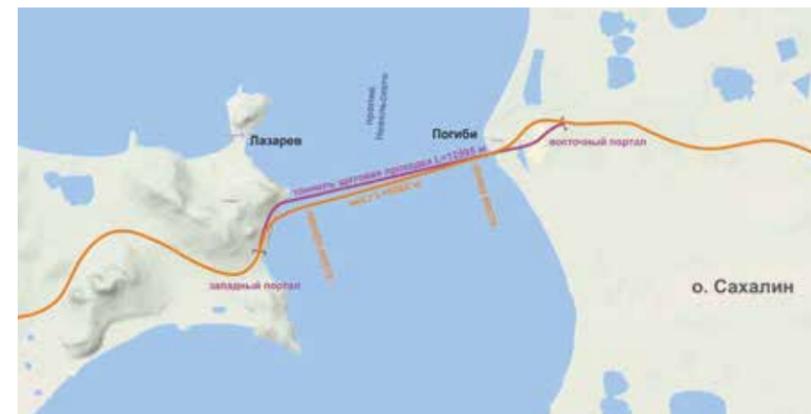
For Sakhalin, the project has the potential to stimulate an influx of foreign investment, create new jobs, and slash the cost of products and materials delivered to the island, which would improve the islanders' quality of life.

“Building two railway lines at once in order to connect European Russia to Sakhalin and then Sakhalin to Hokkaido would create a unique transport corridor, halving the distance trains have to travel between Japan and Europe

But the project has not yet reached the stage of financial calculations or making the case for investment. The reason for this is no mystery: since the end of the Second World War, numerous political questions affecting the relationship between Russia and Japan have remained unresolved. If the Russian Government does indeed decide to go ahead with a bridge or tunnel to Sakhalin, then discussion of a Japanese extension to the line will inevitably begin again.

### A tunnel from Chukotka to Alaska

The idea of linking the coasts of Russia and Alaska is more than a century old. Back in 1890, the Governor of the State of Colorado, William Gilpin, was the first to propose the idea of a railway joining the two continents, which were then linked only by a ferry. A joint stock company, the Trans-Alaska-Siberian Railway Company, was even created to implement the project, but the Imperial Government refused to grant land for the construction of the railway. Tsar Nicholas II later approved the project, but the First World War and the Russian Revolution meant that the project could not be carried through.



A map from the Sakhalin Tunnel project documentation

Throughout the twentieth century, the project was repeatedly evaluated and almost always found to be entirely realistic. After all, at its shortest, the distance between the coastlines of the two continents across the Bering Strait is only 84 kilometres, and even in the last century, it would have been technically possible to build a 100-kilometre tunnel.

The lack of railway lines in the vicinity of the Strait was more of an issue: there were (and are) no such lines on either the Russian side or the American side. Taking the lack of existing track near the Strait into account, the resulting railway line could end up about 6,000 kilometres long. This is why the cost of building a tunnel and the railway tracks leading up to it has generally been estimated at hundreds of billions of dollars, and expected to take approximately 15 years.

Nevertheless, both the Russians and the Americans have taken the project entirely seriously, both in this century and in the previous one.

In 1996, the United States included the tunnel on a list of priority programmes to be considered by the Committee for Asia-Pacific Cooperation. At that time, specialists from both Russia and America were busy analysing the possibility of putting the idea into practice, and the plan found favour in Russia among the Ministry of Economic Development, members of the Federation Council, and a number of other agencies.

In 2007, a link between the two continents even received a mention in a document approved by the Russian Government, *A Development Strategy for Rail Transport in the Russian Federation to 2030*. A cost of around USD 100 billion was given in the document. Unfortunately, economic and political crises have repeatedly stood in the way of the project.

### From the two Koreas to Europe via the Trans-Siberian Railway

The Trans-Korean Mainline project and the possibility of linking it with the Trans-Siberian Railway remain up in the air, largely because of political complications. How can we talk of a trans-continental route when rail links between the two halves of the Korean peninsula were severed as a result of the war in 1953?

“There are two options for extending the Trans-Korean Mainline to link the Korean peninsula with Europe: the eastern route, from South Korea through North Korea and Russia, and the western route, whereby the railway line between the two Koreas and Russia would pass through China

Talks on reviving the project began in earnest after the first Inter-Korean Summit in Pyongyang in 2000. In 2003, the peninsula's railways were in fact reconnected, but the political crisis which followed, connected with Pyongyang's development of nuclear weapons, threw a spanner in the works once again.

There are two possibilities for a railway line from Korea to Europe. The eastern option would provide a rail link between South Korea, North Korea, Russia, and the countries of Europe. If this option were chosen, the Trans-Korean Mainline would link directly with the Trans-Siberian Railway via the Russian towns of Khasan and Ussuriysk. There is

also a western option, whereby the route between South Korea, North Korea, Russia, and Europe would also take in China. In this case, the Trans-Korean Mainline would meet the Trans-Siberian Railway only at one point, in the city of Chita.

The first option is obviously more advantageous for Russia, since it would maximize use of the Trans-Siberian Railway, but China has persistently lobbied for the second option, for obvious reasons.

As things stand, the 'eastern route' is looking more likely. Pyongyang favours it, and in 2008–2014, Russian Railways reconstructed a 54-kilometre stretch of track from the Russian town of Khasan to the North Korean port of Rason.

In 2018, the North and South Korean heads of state once again reached an agreement to reintroduce rail links between the north and south of the peninsula. Russia has quickly become a key player in this process – a process turning what was a failed political project into a reality. Senior executives at Russian Railways have already estimated the cost of linking the Trans-Siberian Railway and the Korean Mainline at USD 3–4 million and the duration of the project at between three and five years.

Various other projects with varying degrees of originality and ambition have also been planned for the Far East at one point or another, but not come to fruition. Then again, Vladivostok's bridge, the Vostochny Cosmodrome, and the Amur highway, all of which now grace Russian banknotes, seemed more like dreams than potential realities in the not very distant past... ❁



Amur highway



Development of the power grids by the Federal Grid Company is meeting the Far East's growing electricity requirements

# Growth infrastructure

Developing the main electrical grid in the Russian Far East is one of the priorities of the Federal Grid Company's investment policy. Since 2009, the company has spent over RUB 155 billion on implementing various projects in the region, and it will have invested at least RUB 37.5 billion of additional funds by 2020. There are plans to put into operation more than 1,900 MVA of additional transformer capacity and 2,200 kilometres of new power transmission lines.

Text: Valery KARPOV

After taking office, President Vladimir Putin signed a decree outlining the strategic directions for Russia's development over the next six years. The government has been instructed to develop a comprehensive plan for modernization and expansion of critical infrastructure. Ensuring a stable supply of electricity to consumers in the Far East is one of the tasks that has been set.

The Federal Grid Company, which operates Russia's main electrical grids, is a key participant in this process. Since 2009, the supply of power by the largest power plant in the Far East (Bureyskaya HPP) has been ensured, construction of the 500 kV ring has been completed, resulting in the elimination of the energy deficit in the south of Primorsky Territory, and the infrastructure for the development of the Eastern Siberia-Pacific Ocean (ESPO) oil pipeline system and increased exports of electricity to

China has been created. In addition, hundreds of measures to ensure a reliable supply of electricity to various social and industrial facilities have been implemented. In total, around 3,700 MVA of additional transformer capacity have been put into operation along with 4,300 kilometres of transmission lines.

Today, the largest of the Federal Grid Company's projects in the Far East is connected with the Baikal-Amur Mainline (BAM) and the Trans-Siberian. The President has asked for a 50% increase in their capacity, which requires the development of an external power supply system for the railways. The Federal Grid Company will build 21 facilities to support the BAM and the Trans-Siberian, including over 1,200 kilometres of transmission lines in the Far East along with an additional 830 MVA of transformer capacity.

“Today, the largest of the Federal Grid Company's projects in the Far East is connected with the Baikal-Amur Mainline (BAM) and the Trans-Siberian. The President has asked for a 50% increase in their capacity, which requires the development of an external power supply system for the railways

In 2018, one of the important stages of the project will be completed – the construction of the high-voltage 'Komsomolskaya – Selikhino – Vanino' 220 kV transmission line. It is a complex structure, stretching almost 390 kilometres along the Sikhote-Alin mountain system and the valleys of the rivers flowing into the Sea of Okhotsk. However, this power line is necessary not only for the development of the BAM, but also for supplying electricity to the growing port zones of Vanino and Sovetskaya Gavan. The Federal Grid Company has already doubled the capacity of the key energy transit element, the Vanino 220 kV substation.

There are specific problems in the Far East associated with the fact that a number of power sectors operate in an isolated mode. This creates high risks as there is no technical option to transfer

electricity from other regions when a local failure occurs. In 2018, the Federal Grid Company will commission infrastructure that will enable the central power sector of the Republic of Sakha (Yakutia) to be connected to the Unified National Electrical Grid. This will significantly improve the reliability of electricity supply to consumers in the Republic, including the ESPO pumping stations. In addition, construction of the facilities that will resolve the problem of an isolated western power sector in the Republic is underway.

One of the tools for socioeconomic development in the Russian Far East is the establishment of advanced special economic zones (ASEZs), whose residents enjoy tax benefits and simplified regulation. According to data from the Ministry for the Development of the Russian Far East, investment in the fixed capital of the region grew by 17% in 2017, against a Russian average of 4.4%. Over half of this came from investment by ASEZ and Free Port residents, confirming the effectiveness of these tools. Creating modern infrastructure for these zones is key to ensuring their subsequent successful operation.

The Federal Grid Company has already put into operation the 220 kV Zvezda substation in Primorsky Territory, built to supply power to the ship-building complex Zvezda, an anchor resident of the Bolshoy Kamen ASEZ. Reconstruction of the 220 kV Parus substation has been completed. It supplies energy to the site bearing the same name in the Komsomolsk ASEZ in Khabarovsk Territory, where an aircraft production centre is currently under

construction. A set of projects related to supplying three other Far Eastern ASEZs, i.e. Khabarovsk (Rakitnoye site), Nadezhdinskaya, and Mikhailovskiy, with electricity will be completed this year. The residents of these ASEZs include polymer processors, logistics companies, and food industry enterprises. Furthermore, the next stage in the provision of energy to the Bolshoy Kamen ASEZ will be completed.

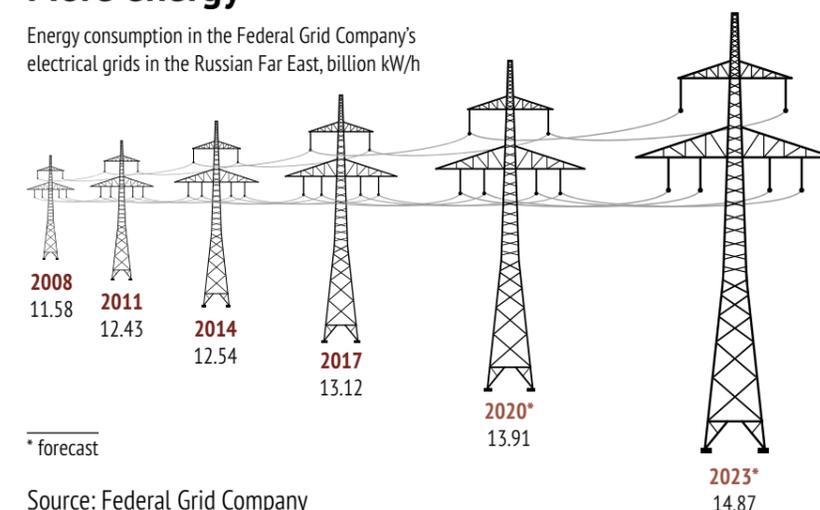
In the near future, the Federal Grid Company is planning to implement projects that will enable the organization of an external power supply system for the Power of Siberia gas trunkline and the Amur Gas Pipeline. This will be the largest in Russia and one of the world's largest enterprises for processing natural gas. It will be the anchor resident of the new Svobodniy ASEZ.

In addition, development of the infrastructure necessary for the implementation of other significant Far Eastern projects continues. The development of electrical grids to increase the volume of oil transported throughout the entire ESPO system, as well as to support the new capacities of Albynsky Rudnik, which is developing a large deposit of precious metals in Amur Region, is among the largest projects.

Abundant natural resources and proximity to the Asia-Pacific region provide unique opportunities to develop the Russian Far East. New network infrastructure introduced by the Federal Grid Company not only improves the reliability of the supply of electricity to consumers, but also contributes to improving the investment climate and the socioeconomic situation of the region. 🌱

## More energy

Energy consumption in the Federal Grid Company's electrical grids in the Russian Far East, billion kW/h



Source: Federal Grid Company

## BACKGROUND

### Development of Federal Grid Company electricity grids by 2020

At least **2,200 kilometres** of new power transmission lines  
**7 new** high-voltage substations  
**1,900 MVA** of new transformer capacity  
 At least RUB **37.5 billion** in investment between 2018 and 2020

### Five major Federal Grid Company projects



External power supply system for the Baikal-Amur Mainline and Trans-Siberian Railway to increase capacity to **180 million** tonnes a year  
**1,232 kilometres** of power transmission lines  
**827 MVA** of capacity



Connection of isolated central power district in Yakutia to Eastern Unified Electrical Grid  
**757 kilometres** of power transmission lines  
**440 MVA** of capacity



Power supply for ASEZ residents  
**41 kilometres** of power transmission lines  
**378 MVA** of capacity



External power supply system for the ESPO oil pipeline to increase capacity to **90 million** tonnes a year, and for the Power of Siberia gas pipeline  
**475 kilometres** of power transmission lines  
**304 MVA** of capacity



Power supply for Albynsky Rudnik, which is developing a precious metals deposit  
**174 kilometres** of power transmission lines  
**63 MVA** of capacity



# Advanced special economic zones in the Russian Far East: a secret resource for Asian market growth

Back in December 2013, Russian President Vladimir Putin defined the development of the Russian Far East as a national priority for the 21st century. That was the beginning of the latest chapter in the history of the region, which, since the Tsarist era, has been seen as not just Russia's window onto Asia, but as the key to the formation of the entire Eurasian space.

Text: Leonid KRUTAKOV

## Great transit opportunities and a huge resource base

In addition to transit (the Northern Sea Route, the Trans-Siberian Railway, and the Baikal-Amur Mainline), the Far East has many competitive advantages, primarily in the form of natural resources. A total of 81% of all diamonds in the Asia-Pacific region, 51%

of forests, 37% of fresh water, 33% of aquatic biological resources, 32% of gold, 27% of gas, and 17% of oil are concentrated in the Far East of Russia, as well as globally significant deposits of coal, uranium, tin, and polymetals.

“The rapid transformation of the Asia-Pacific region into a major global factory has again put the issue of Russia's presence in Asia on the agenda. It has required the launch of special programmes to develop the region”,

said Deputy Minister for the Development of the Russian Far East, Alexander Krutikov. “The Asia-Pacific region accounts for 59% of the world's GDP and 50% of foreign direct investment. The region is the world's largest importer of goods and services, with total revenue of more than USD 8 trillion.”

The resource superiority of the Russian Far East over the other countries of the Asia-Pacific region creates, on the one hand, opportunities

for growth (the roll-out of new, large-scale production plants), while on the other hand, it embodies a key risk (becoming nothing more than a raw materials supplier to Asia).

The phenomenon of the Asian ‘global factory’ is built on the principle of ‘industrial offshoring’, based on cheap labour. Foreign capital was offered a preferential investment regime, with the proviso that most of the output would be exported to investor countries. It is no coincidence that last year, the US trade deficit with China came to USD 375 billion.

A whole network of such ‘offshore companies’ has been deployed in the Asia-Pacific region. In India, there are 345 special economic zones, and in China, there are 253 areas offering a preferential investment regime. In Vietnam, as of the beginning of 2017, 437 regions with a preferential regime for investment and entrepreneurial activity had been established. It was vital to create the conditions for investing in future growth areas in Russian Asia that were at least equal to other countries in the region.

## Advanced regional development

On 24 October 2013, the first meeting of the Government Commission on the Far East was held, at which the model for the development of the region was approved: advanced special economic zones (ASEZs); Vladivostok Free Port; infrastructure support for investment projects; reduction of electricity tariffs for industrial consumers; the Eastern Economic Forum; electronic visas for foreign citizens visiting Vladivostok; and investment quotas for fishing.

“Over 1,300 new investment projects have been initiated, representing total investment of RUB 3.8 trillion. Of these, 953 projects with investment worth a total of RUB 3.15 trillion and resulting in the creation of 120,000 new jobs are being set up on the basis of agreements”, says Nikolay Zapryagayev, Director of the Department for the Development of ASEZs and Vladivostok Free Port at the Far East Development Corporation. “Investors from India, Singapore, Australia, China, Japan, and the Republic of Korea are coming to us, even if they are being cautious.”

In the advanced special economic zones and Vladivostok Free Port, one of the lowest tax burdens on investors in the Asia-Pacific region has

## RUB 2,267 billions

will be invested in 267 projects, which are being carried out in 18 ASEZs in the Far East

been created. On joining the preferential regime, the tax burden will be no higher than 4.5%, and over 13 years of project implementation it will average out at 16.76%. According to this indicator, the Far East is second only to Malaysia, where the level of the tax burden at entry point is 3.3%, and 7.47–9.4% over 13 years.

Today, 267 projects are being implemented in the Far Eastern ASEZs, and 680 more within Vladivostok Free Port. One of the results of applying the new model of advanced development for the Far East is the macroeconomic data for the previous year: the industrial production index of the region exceeded average Russian levels, and industrial growth was 2.2%; growth in investment in fixed assets was 17.1%; the Far East accounted for 30% of foreign direct investment into the economy of the Russian Federation; construction increased by 9.2%, and agricultural production by 8.2%.

As Nikolay Zapryagayev points out, the growth of the Far Eastern economy in terms of the region's domestic market has almost been exhausted. Around 6 million inhabitants cannot bring about an increase in production, so it is vital to slot into the value-added chain of the ‘world factory’.

## Increase in surplus value

Reserves for extending the processing of raw exports in the region do exist. Of 2.5 million tonnes of fish products, more than 80% are products with low added value, while 90% of exports are still frozen fish. Meanwhile, more than

2 million hectares of the Far East's waters are suitable for cultivating marine culture products which are in demand in Asia-Pacific markets.

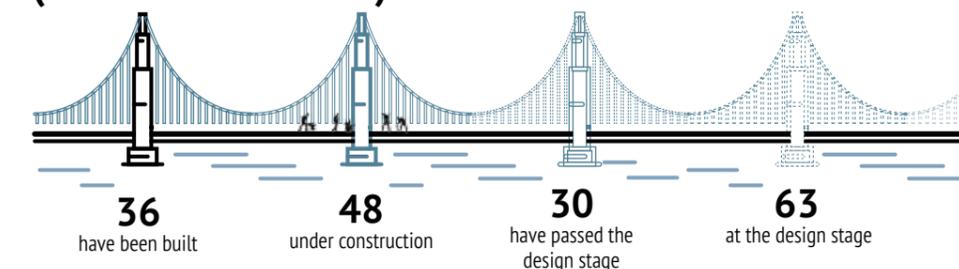
Last year, the Russian Government approved a ‘package’ of interconnected laws and regulations covering the distribution of investment quotas. As a result, quotas for the production of aquatic bio-resources were fixed in exchange for investment obligations to build ten fish processing plants and nine fishing vessels at Russian shipyards. Total investment will amount to RUB 53.4 billion.

Last year, production of round timber in the Far East increased by 6.5% compared to 2016 (from 12 million to 12.75 million m<sup>3</sup>), and the output from advanced processing was 5.1 million m<sup>3</sup>. Processed products make up 28% of timber exports. The estimated annual cut in the Far East is 91.5 million m<sup>3</sup> of timber. The level of its current development is barely 17.5%.

Two resolutions were adopted by the Russian Government on timber tariff quotas and customs duties in December last year. Quotas are granted to companies that export processed products made from Far Eastern timber. Within the quotas established in 2007, the customs duty on round timber will be 6.5%. Outside the established quotas, the duty rate for round timber will increase to 40% in January next year, and to 80% in January 2021.

China's reorientation towards developing the market in favour of domestic consumption (‘Asia for Asia’), announced by Xi Jinping at the recent congress of the Central Committee of the Communist Party of China, opens up a historical window of opportunity for the Far East in particular, and for Russia as a whole. This is a chance not to be missed. ❁

## Infrastructure for investors in the Far East (number of facilities)



Source: ERDC



Installation of large-capacity equipment at the Amur Gas Processing Plant

# Federal cluster

The biggest gas processing and gas chemical cluster in the country is being created in Amur Region, and will give new impetus to the development of the Russian Far East. Gazprom is building the Amur Gas Processing Plant and SIBUR is currently working on another production facility, the Amur Gas Chemical Complex.

Text: Andrey SERGEEV

## Gazprom is building Russia's biggest gas processing plant

The Amur Gas Processing Plant will be among the world's largest natural gas processing facilities, and the biggest in Russia. Its estimated capacity is 42 billion cubic metres of gas per year.

The plant will consist of six production trains, and commissioning of the first two is planned for 2021. In addition to natural gas, the plant's commercial output will include ethane, propane, butane, pentane-hexane fraction, and

helium. The ethane extracted will serve as raw material for the gas chemical complex currently being developed by SIBUR. This material is the basis for manufacturing products for the automotive, construction, food, transport, and many other industries.

## SIBUR starts basic design work for gas chemical complex

After signing the main agreement for the supply of ethane with Gazprom in May 2018, SIBUR started basic design work, and by mid-2019, it may reach a final investment decision on the project.

“ More than 4,000 highly skilled jobs and over 5,000 jobs in related industries will be created in the city of Svobodny

To date, the configuration of the project, and the content and capacity of the plants have been determined.

These projects will make a significant contribution to the development of Amur Region and the entire Russian Far East.

They are resource-intensive and actively involve local producers of services and products. They have already created jobs for more than 1,000 people living in the region. The commissioning of two plants in the city of Svobodny will result in more than 4,000 highly skilled jobs and over 5,000 jobs in related industries being created.

Svobodny's social infrastructure will also be improved. New housing infrastructure and social facilities will be built, and the city's central streets and the Svobodny-Blagoveshchensk highway will undergo comprehensive

“ The investor and commissioner for the Amur Gas Processing Plant construction project is Gazprom Pererabotka Blagoveshchensk (part of Gazprom Group). The construction will be managed by NIPIGAZ, the leading Russian design, supply, and construction management centre (part of SIBUR Group)

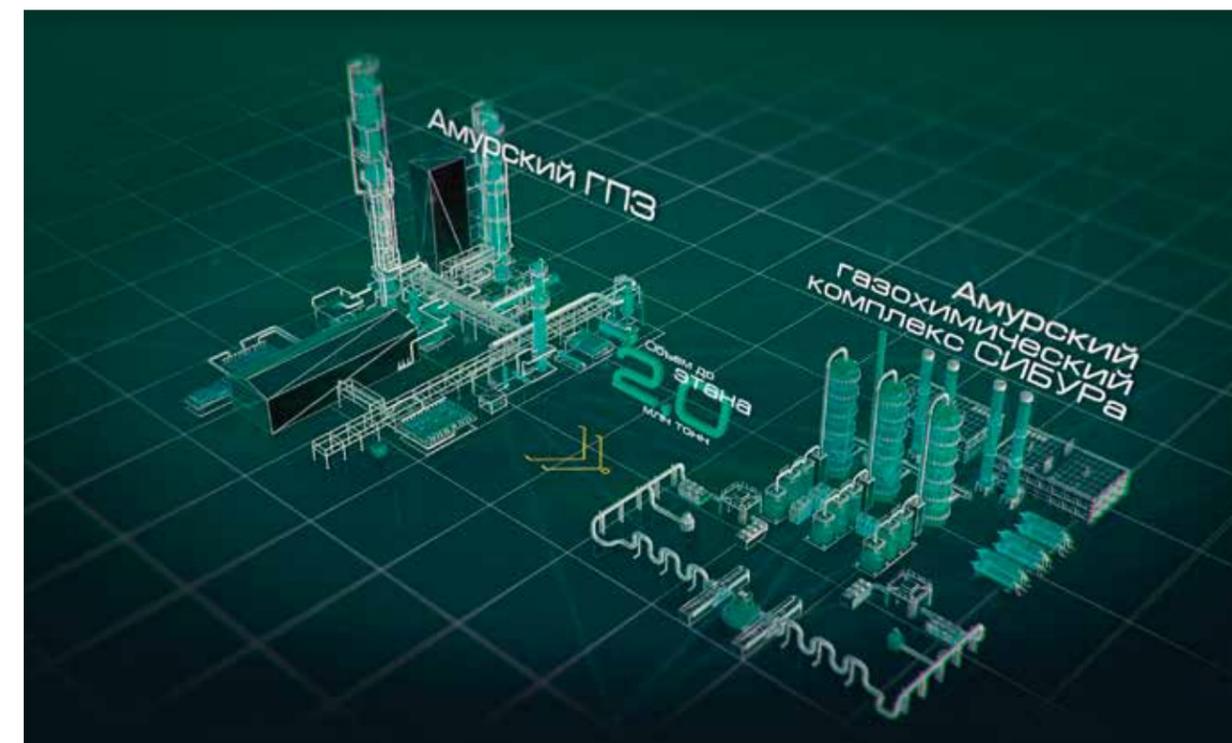


St. Petersburg, 25 May 2018. Valery Golubev, Deputy Chairman of the Management Committee at Gazprom, and Dmitry Konov, Chairman of the Management Board at SIBUR, signed an agreement on the supply of ethane fraction from the Amur Gas Processing Plant to SIBUR's planned Amur Gas Chemical Complex

renovation. Not only will the face of the city change, but also the quality of life within it.

Attracting highly qualified specialists to Amur Region will lead to an im-

provement in the quality of education and the creation of a suitable environment in which to develop the workforce within the region and in the Far East as a whole 🌱



Gazprom's Amur Gas Processing Plant will supply raw materials to SIBUR's Amur Gas Chemical Complex

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# Reasons to care about a hectare

Text: Irina KHRYAEVA



On 1 June 2016, the Far Eastern Hectare programme, a Russian initiative offering the chance to obtain a plot of land in the Russian Far East of up to one hectare – for free – was launched. The programme has been running for just over two years now, during which 120,000 people from all over Russia have exercised their right to land. They have come up with all sorts of different ideas about what to do with it, from running dog sledding trips to growing tropical fruit in Kamchatka or building a shopping and leisure centre. Below is a selection of some of the most unusual ways people are making their hectare their own.

## Treasure island

Muscovite Narek Oganissian is now the owner of an entire uninhabited island, on which he is planning to create a pirate adventure tourist attraction

The more Narek Oganissian learns about the Russian Far East, the more convinced he becomes of how underappreciated it is, with more than 6 million square kilometres of exquisite natural environment unspoilt by civilization. Just next door are the most densely-populated and economically vibrant countries in the world: China, Japan, and South Korea. “I see enormous potential for the development of agriculture and tourism, and eco-tourism especially, since its neighbouring countries have some major environmental problems. The Russian Far East is simply destined for economic success”, Oganissian says confidently.

He expects to achieve commercial success himself on the island of Chakmut, which he has obtained through the Far Eastern Hectare programme. The island is located in the northern part of the Gulf of Tartary, between Sakhalin and Kharabovsk Territory.

“It’s very rare for the population to be offered things for free, and especially plots of land, on an official basis at state level”, the lucky owner of the uninhabited island says in amazement. “Where else can you sit down at your computer one evening, select a plot of land on a map, and be granted ownership

of a piece of the planet for free three weeks later?”

Chakmut will entice tourists not only with its pristine setting, but also with adventure quests. Visitors to the island will follow a ‘treasure map’, completing various tasks and solving riddles as they go. The most successful will be rewarded at the end with treasure, in the form of investment coins or an artefact that can be exchanged for a cash reward on offer.

Narek Oganissian also promises a grand prize of RUB 1 million. In the initial stage, he will establish the prize fund using his own money. The entrepreneur anticipates that a similar amount will come from the first round of investments in the project. The money will be used to purchase inflatable boats, life jackets, and container homes, and to pay for construction, one-off partner services, consumables, and ongoing operating costs.

Lovers of the pirate life have proven themselves to be in plentiful supply as well, with 3,500 requests to take part arriving in the space of seven months. The first media reports on the project were written on 18 December 2017, followed by a second wave between April and May 2018. Requests sent to the website [chakmut.ru](http://chakmut.ru) and to [nakrayzemli.ru](http://nakrayzemli.ru) (a shared website run by hectare-owners hoping to develop tourism on



Narek Oganissian

plots obtained under the Far Eastern Hectare programme) show no sign of slowing down. Potential partners are also showing an interest. “A lot of people are getting in touch with me to offer their assistance and services”, Narek says. He plans to welcome his first customers before the end of the summer season, although the quest has yet to be built.

One of the most recent requests came from a group of co-workers planning their own kind of corporate adventure: living on an uninhabited island.



## Pineapples from Kamchatka

An engineer from Petropavlovsk-Kamchatsky is treating tourists to tropical fruits



Alexey Zhuchkov is no ordinary Joe. A qualified electronic engineer and a specialist road traffic accident investigator, Alexey spends his evenings working in his own workshop. During the day, he is the director of the Kamchatka Regional Puppet Theatre. He has been working in the arts since his time in the army, where he served in the early 2000s as Assistant Director of the Armed Forces Concert Ensemble in the Northeast of the Russian Federation.

Alexey explains his interest in the Far Eastern Hectare programme partly as the result of having to be constantly on the lookout for ways to earn money, and partly as chance. “In 2016, a friend of mine asked me to design and build an automatic climate control and lighting system for his greenhouse. I agreed. We ended up with this incredibly advanced super-greenhouse, with automatic lighting, automatic temperature and humidity regulation, automatic irrigation... Once that was set up, all my friend had to do was pop in occasionally to check everything was working. Now he feeds me tomatoes and cucumbers. Very tasty ones, too. That got me thinking: if I could do that for a friend, why not for myself? And at that very time, FZ-119, the law granting everyone land in the Far East, was being passed. Everything came together”, says the entrepreneur.

On his hectare, Alexey decided to create an agritourism site. Nothing unusual in that, but Alexey is not the sort of person who gets involved in an average project. He would provide traditional tourist facilities and

services, to be sure: accommodation (five prefabs, each for four people), a barbeque area, Kamchatkan herbal tea, and tours of Kamchatka’s beauty spots. But, more unusually, he would also treat his guests to pineapple and other tropical fruits grown right here, next to the geysers and volcanoes, in special greenhouses.

Describing his project, Alexey tells us, “Tourist infrastructure in Kamchatka has been improving recently. People are flooding in, and you can see things are progressing. I’m essentially offering what my competitors are offering, but I have something that makes me stand out: the tropical fruits, and a site powered by green energy.” He believes that his use of alternative energy sources for power and heating could become a local attraction in itself.

The site is heated by water. Using solar panels, a hydrogen generator (or electrolyser), water traps, non-return valves, and other equipment, water is split into hydrogen and oxygen. The hydrogen is then burned in a boiler. “The mix of hydrogen and oxygen is explosive, so I’ll be paying particular heed to safety”, the engineer assures us. “I’ll be putting the heating module together myself.”

According to his calculations, using alternative energy sources will bring the cost of production down considerably. A kilo of high-quality tomatoes costs RUB 500–800 in Kamchatka, while Chinese tomatoes can be bought for RUB 200. The challenge Alexey has set himself is to grow quality produce that can be sold at something close to Chinese prices. But he won’t be selling his fruit and vegetables to his guests alone: educational institutions, for instance, might also buy them.

Currently, RUB 3 million have been invested in the project. Some of the equipment and building materials have been bought, and contracts are in place for the generator, the foundations, and the electrical connection. A government subsidy awarded to Alexey by the Kamchatka Centre for Entrepreneurship to build the greenhouse complex accounts for RUB 2 million of this investment. The plan is to attract around RUB 12 million overall. One of Alexey’s acquaintances has already stepped up to invest in the construction of a campsite.

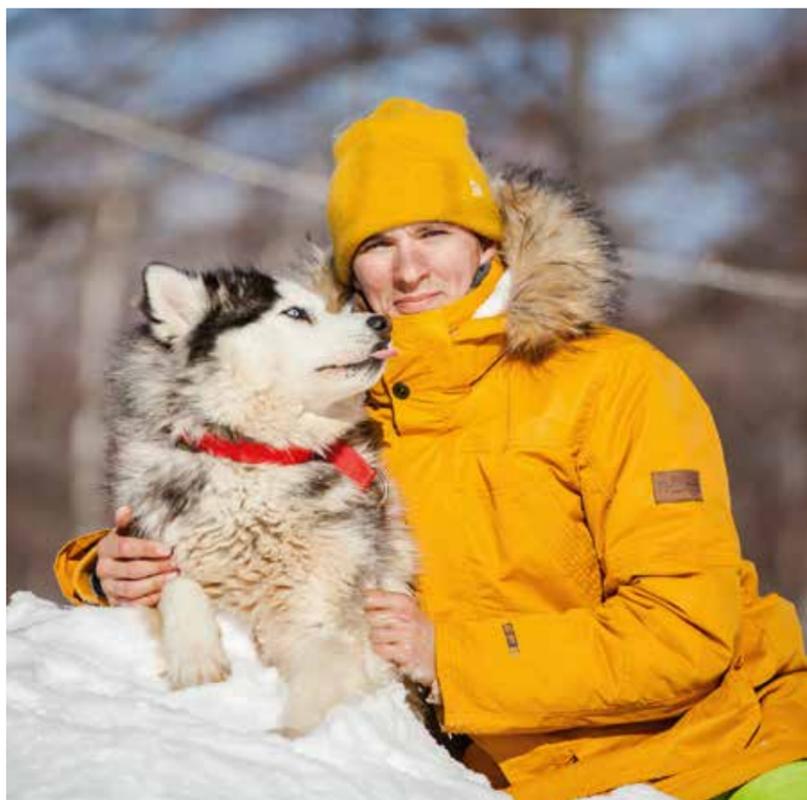
Alexey believes that, in order for the project to be a success, everything on the site needs to be up and running, both the tourist facilities and the agricultural production. Then, the site could make as much as RUB 3 million a year. Once you’ve seen just how absorbed Alexey is by his project, however, it’s hard to say whether this is more a commercial venture or a creative one.



Alexey will grow lemons and pineapples here, on the territory of geysers and volcanoes, in special greenhouses

## Harnessing a hectare

How a tale of lost love became the start of one man's life's work



There are plenty of people willing to take pictures with Alexey Tkachenko's huskies

“Do you want to hear a romantic story?” asks Alexey Tkachenko. “I had a girlfriend who really wanted a dog, so I gave her a Siberian husky as a gift. She left; the dog didn’t.” Five years later, Alexey has 28 huskies – and soon, he’ll have 36.

He started off as a dog sledder, becoming the best musher in Sakhalin, the mushing champion of the town of Yuzhno-Sakhalinsk, and a multi-award-winning master of the sport. “I started off practising in town with two dogs, and then moved to my own plot on the community land”, Alexey tells us. Then, his passion evolved into something bigger. Alexey became hooked on this unusual sport and left his job. Soon after, the Far Eastern Hectare project came along.

Together with his father, Alexey acquired two nearby plots of land in the village of Novoye in the Krasov district. He began by making the first plot habitable, building a small house, a Siberian yurt, and indoor and outdoor kitchens, and buying the machinery and equipment he

would need. Investment in the project amounted to RUB 2–3 million.

Before becoming a *kayur*, or dog sledder, Alexey had gone through a number of professions: he had been a chef, a builder, worked in advertising... Now all of this experience is coming in handy. “You see, it’s not enough just to love dogs. You have to understand how to get things done, too”, explains the entrepreneur. “The jobs I used to do – building, advertising, cooking – have helped to give me a sense of how best to organize projects, build things, and get initiatives off the ground.”

Six months before the launch, Alexey began spending time talking about his project on social media, putting up photos of himself and the dogs. “After all that, our local journalist noticed me, and then other reporters approached me too”, he says. He was also helped by some sporting friends, who spread the word about his project.

Aina-Tour was officially launched on 4 January 2018, and immediately caused a stir. “I was getting groups coming, generally seven or eight people. They’d got

themselves together; I hadn’t organized anything in particular”, says Alexey in surprise. He found himself booked up throughout the winter.

Guests were offered a trip out with the dogs and a dog musher, with Alexey himself acting as tour guide and photographer. “I show them the dogs and we all get to know each other. The dogs go very fluffy in the winter. I give the visitors instructions: what they can do, what they can’t, which dogs they can touch and how, that sort of thing”, the entrepreneur explains. “Then, we harness up a team of dogs and set off. If someone gets cold, they can always go inside and warm up, eat a few of our little pancakes and drink tea with homemade honey or jam. The others join them later. If guests let us know beforehand, we can cook them traditional Northern Russian meals.” There is no dog sledding in the summer, but Alexey has set up a photography zone and organizes dog sledding photo sessions. He also leads excursions and takes tourists hiking with the dogs.

In the winter, during high season, tourists from more than 20 countries went on Aina-Tour excursions, mostly Russians and expats working in the oil and gas industry on Sakhalin. However, in the near future, Alexey is hoping to start attracting ordinary tourists too, as well as schoolchildren and children on summer camp. He plans to open a base on the second plot of land which will provide enough space for 20–25 people to visit at once, rather than the 8–10 who can be accommodated now. Moreover, the second plot is in a better location, not far from where the cruise ships stop. “I’ll want to tailor it for them and come up with something interesting to offer. But that will be when I’ve got things up to a European standard”, decides Alexey.

It won’t be easy. Alexey himself calls his project “very complex”. For instance, bad weather can throw a spanner in the works: last winter, Sakhalin had heavy snowfall for a month, with snowdrifts of up to three metres, meaning that sledding tracks had to be cleared over and over again. But the entrepreneur is not daunted. “I wanted the business to take off so that I wouldn’t have to go back to work”, he laughs. “I started from absolutely nothing, set a goal for myself, and now I’m going for it.”

## Moscow – Pozhiga – Moscow

An economist from Moscow will be growing asparagus in Primorye and selling it in the capital. Why is this a profitable plan?

An economist from Moscow will be growing asparagus in Primorye and selling it in the capital. Why is this a profitable plan?

Nikita Kovrizhin came up with his business idea after a trip to the USA four years ago. While he was there, the economist, who is originally from the Far East (his family are from Amur Region and lived in Primorye for a long time), tried some asparagus. In America, asparagus was consistently in demand, and was sold on every street corner. But, back in Russia, Nikita found that only a few large retailers were selling asparagus, and for crazy prices: RUB 1,400 a kilo. Soon, the Far Eastern Hectare programme was announced. “I started thinking about taking up the state’s offer as soon as the programme was first widely advertised in the media”, remembers Nikita.

Together with his wife, he applied for three hectares for his family in the village of Pozhiga, about 300 kilometres from Vladivostok and 120 kilometres from the regional centre and its local airport. There were three things to be said for this particular choice. First of all, a survey has shown that the composition of the soil in Pozhiga is substantially better than is needed to grow asparagus. Secondly, the site is located on the floodplain of the Malinovka River, and is surrounded on all sides by clean fresh water. It is also sufficiently elevated: perfect for asparagus. The fact that he can only reach his land by wading across a

stream in wellingtons does not faze him. Finally, his parents live relatively close by, about two hours’ drive away; they keep an eye on the plot, and on the hired worker from the next village who does the weeding and checks up on the plants. When the time comes to harvest the asparagus, Nikita intends to hire another seven workers. Nikita himself makes flying visits to the Far East, spending around three months there in total, at times when the asparagus needs the most attention.

Being an economist, Nikita has it all worked out. According to him, certain varieties of asparagus (Mary Washington and High Yield) are low-maintenance and grow very well in the extreme continental climate of the Dalnerechensky region of Primorye. Winters here bring a great deal of snow, but summers are warm, so temperatures vary between -30 and +30°C. “The most important thing is to ensure the crop has enough water and is weeded”, notes Nikita.

Asparagus can take up to three years to produce a harvest. “If you plant nothing but asparagus, you end up with a three-year gap. That’s the time it takes for the asparagus to mature after the last crop has been planted and harvested”, explains Nikita. To avoid this issue, he has planted asparagus in only one of his three hectares. He uses the rest of the site to grow grains such as barley and maize, which will end up as animal fodder: he has already come to an agreement with one of the region’s



Nikita Kovrizhin

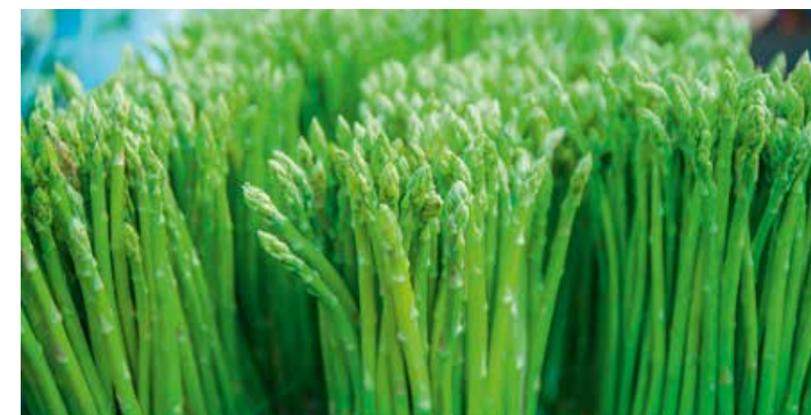
agricultural organizations. However, Nikita assures us that he is planning to gradually increase the amount of asparagus growing on his land.

An estimated RUB 5 million have been invested in the project. Some of this was spent on heavy machinery to set up extra flood defences on the site. Nikita is using only his own savings to fund the project. He does not intend to take out loans, as this would increase the cost of production, and his main aim is to keep this figure down without compromising on quality.

According to Nikita’s calculations, even taking logistics costs into account, asparagus from Pozhiga will cost no more than RUB 800. “This is my estimate of the average price it will go for in shops. The simple fact that no major investment was needed keeps the price down, and if you take exchange rates into account, the cost of labour in rural Russia is practically the same as in China”, he says.

But then, asparagus from Pozhiga will be of better quality than the Asian asparagus which tends to be sold in Moscow, promises Nikita. “There’s no point arguing about which varieties taste better, because taste is a personal thing. But when we grow asparagus here, we don’t use any chemicals to speed up the maturing process or increase the yield. We don’t need to, because the asparagus is growing on a former agricultural field that has lain fallow for more than five years”, he explains.

He is also hoping that his business’s image will play a role: “For instance, would you rather buy Chinese clothing or Russian clothing, if they cost the same? You’d probably go with the second option.” Although the first harvest of asparagus will not be ready until 2020, one chain of greengrocers in Moscow has already agreed to sell asparagus from Primorye.



The first crop of asparagus from Nikita Kovrizhin is expected only in 2020

## A gift to the town

A businessman from Sakhalin has decided to build a shopping and leisure centre on his Far Eastern hectare



Sergey Krylov

In the town of Okha, 849 kilometres from Yuzhno-Sakhalinsk, there is not a single shopping centre. “And why should there be?” any investor might think. On 1 January 2018, there were 20,715 people living in Okha – and one of them decided that, in fact, a shopping and leisure centre would be just the ticket.

Sergey Krylov had spent most of his life working for various companies in Okha, but in 2010, he started his own business, working as a builder and decorator. “We started small: won a few contracts, earned a bit of money, invested in equipment and materials, and carried on working – until this programme, Far Eastern Hectare, appeared”, Sergey tells us.

He was initially sceptical about the state initiative, but after a few months, he visited the programme’s website and saw that not a single application had been made for land in Okha: absolutely nobody was interested in the town. Then, Sergey resolved to act: he registered, sent off the paperwork via his council one-stop shop, “to avoid dealing with bureaucrats as much as possible”, and by the end of October 2016, he was the proud owner of a Far Eastern hectare. By May 2017, construction of a shopping and leisure centre on the site was already underway.

“What you have to understand is that Okha is a small town that people are leaving in droves. By now, several

generations of children have grown up in Okha who have never been to the cinema and don’t even know what a cinema is”, says Sergey sadly. “Your average investor wouldn’t invest in this town. You’re not going to make a lot of money, but we in Okha had been tossing around the idea of building a shopping and leisure centre, because we actually live here. I’d call it a social project. A gift to the town, if you like.”

The town is short of places where people can simply meet, sit with their friends, or play with their children, and Sakhalin’s harsh climate means a stroll in the fresh air is not always the most appealing prospect. A 1,400m<sup>2</sup> shopping and leisure centre should fill this gap.

According to Sergey, the building is already almost 90% completed, and it’s now the finishing touches that are underway. The centre is due to open

in autumn 2018. The ground floor will house retail outlets, while the first floor will be given over to children’s entertainment. This is how Sergey describes his vision for the centre: “There will be a few little shops, perhaps some small stalls with stuff for children, a pet shop. There’ll be a playground and some cafés. Somewhere where you can go and just sit and have a break, like we said.”

Sergey estimates that RUB 50–70 million have been invested in the project, both his own capital and contributions from his partners. “In all honesty, I haven’t totted up how much people have invested so far. I don’t want to jinx it. Let’s get the project launched and the centre open first, and then we’ll work out the final figure”, he says.

Sadly, though, there will be no cinema. “I’m not a serious enough entrepreneur to invest money in a cinema”, says Sergey apologetically. “If the regional or municipal authorities helped me – a sort of socio-commercial partnership – then the project might get off the ground. A modern cinema, with decent sound and image quality”, he adds, a dreamy look in his eye.. ❀



Sergey Krylov’s shopping and leisure centre will be the only one in Okha

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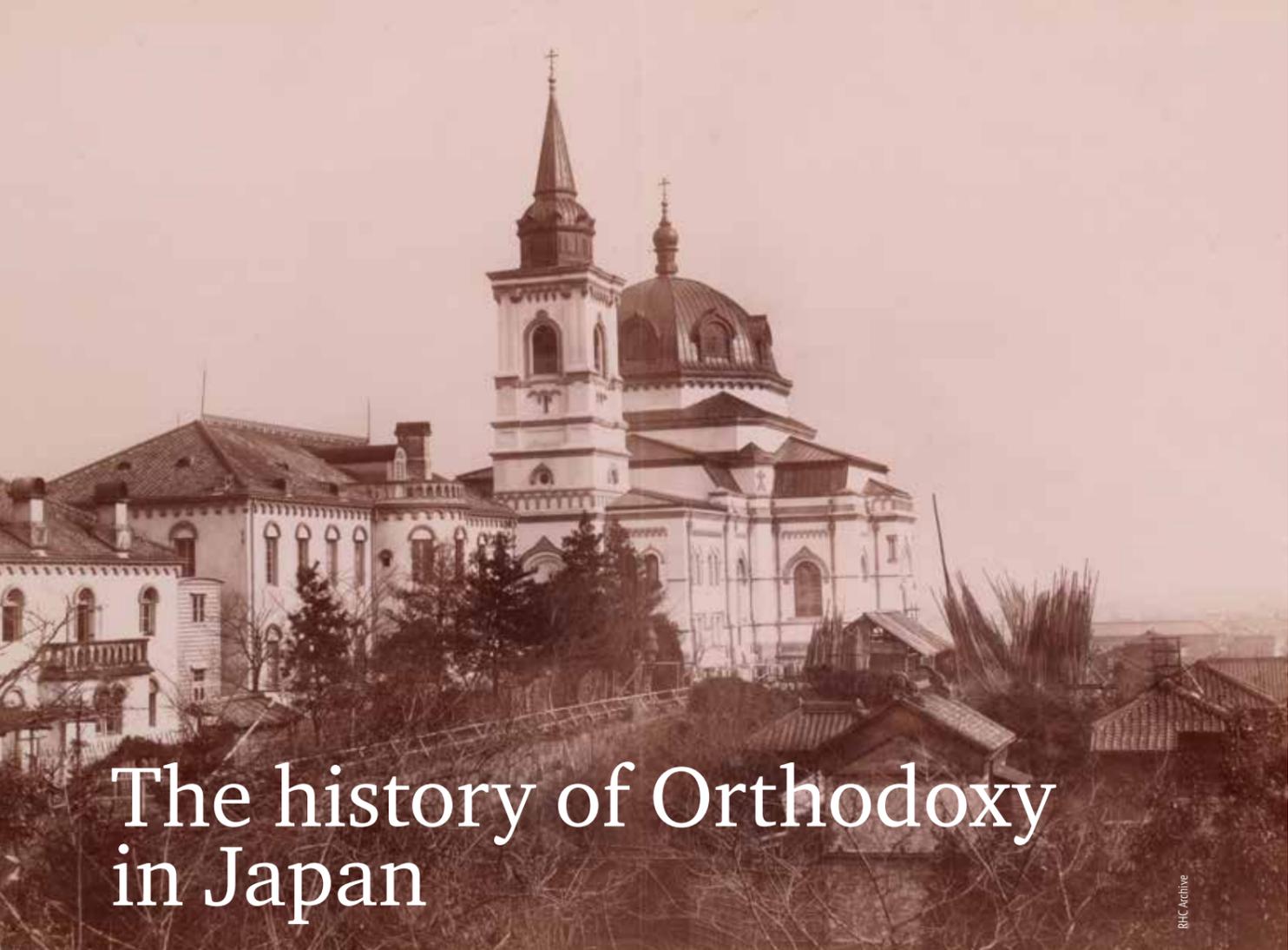
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# The history of Orthodoxy in Japan

There is a gorgeous cathedral in the centre of Tokyo. It is known as Nikorai-do, i.e. Nicholas' Cathedral

In 2018, the Year of Russia in Japan and the Year of Japan in Russia will be celebrated. As part of the programme of events for this bilateral year of exchange, and also bearing in mind the planned meeting of the countries' leaders in the margins of the Eastern Economic Forum in September, the Russian Historical Society is staging an exhibition devoted to the history of Russian-Japanese relations from the first official contacts in the late eighteenth century to the present day.

Text: Tatiana FILIPPOVA

It is a fascinating and all-embracing exhibition. We have decided to talk about just one theme today: the establishment of an Orthodox mission in Japan and its spiritual father Archbishop Nicholas of Japan...

## An Orthodox cathedral against the background of Tokyo's skyscrapers

In the very centre of Tokyo is a cathedral which looks majestic even against the background of the modern skyscrapers. The majority of the Japanese capital's residents know it simply as 'Nikorai-do', i.e. 'Nicholas' Cathedral'. The Orthodox Cathedral of the Resurrection,

built and consecrated in 1891, was the tallest building in Tokyo at that time.

Father Nicholas, a missionary who was a graduate of the St. Petersburg Theological Academy, arrived in Japan in 1861, when he was just 25 years old. At that time, under the shogunate regime,

In the last years of his life Father Nicholas was elevated to the office of Archbishop of Tokyo and All Japan. He was canonized in 1970



RHC Archive



Archbishop Nicholas of Japan

preaching Christianity in Japan was forbidden on pain of death. However, the Meiji Restoration changed the ideological, moral, and cultural foundations of society. The ban on preaching Christianity was lifted. Having started his mission in secret, Father Nicholas now began to preach openly and, at the same time, to study Japan, its traditions, the social morals, and the psychology of the nation in earnest. He studied Japanese language and classical literature, so penetrating the spiritual world and cultural specifics of his future flock...

## Russian missionary Nicholas of Japan

Father Nicholas' mission was successful. Thanks to his great enthusiasm, strong character, and the

Father Nicholas passed away in 1912. By the time of his death he had converted 42,281 people in Japan to the Orthodox faith

moral and financial support from Russia, many Japanese people converted to the Orthodox faith. Coming from a mysterious neighbouring country, he literally subjugated those Japanese who wished to save their souls. Father Nicholas spent the entire Meiji period in Japan, proving himself to be a strong and honest man in the eyes of his Japanese contemporaries. He passed away in 1912.

By the time of his death he had converted 42,281 people in Japan to the Orthodox faith.

The success of Father Nicholas' mission in Japan is explained not only by the fact that he arrived in the country at a time of great change in society, but also by the fact that he was able to graft Orthodox teaching on to traditional Japanese values, employing enormous tact, caution and delicacy.

If one reads his works, his basic idea becomes clear: the faith of Orthodox Christianity does not contradict the morality of Confucianism. One of Father Nicholas' best-known pronouncements was: "When Russians accepted Christianity from Greece, Greek Orthodoxy became Russian Orthodoxy. Russian Orthodoxy should also become Japanese in Japan."

In the last years of his life Father Nicholas was elevated to the office of Archbishop of Tokyo and All Japan. He was canonized in 1970.

The Cathedral of the Resurrection of Christ in Tokyo is now a visible symbol of the Japanese Autonomous Orthodox Church, just as it was in Archbishop Nicholas' lifetime. Today the Japanese Orthodox Church is alive and well. Many parishioners are descendants of the first believers. They all love Russian literature, admire our culture, and study our history. And the very existence of the Japanese Autonomous Orthodox Church demonstrates the keen ability of the Japanese to grasp the spiritual values of other nations and cultures. ✿



Japanese Orthodox priests

RHC Archive



In the photo: **A whale slaps its tail in greeting**

Photo location: **The Sea of Okhotsk**

Photographer: **IGOR OLKHOVSKY**

A famous wildlife photographer and explorer from the Far East, an organiser of unique expeditions in remote places of the Khabarovsk Krai and neighbouring regions of the Far East, a photographer and publisher of photoalbums showing the beautiful flora and fauna of the Khabarovsk Territory



# Russians can feel for themselves how life is changing for the better

**Japanese Minister of Economy, Trade, and Industry Hiroshige Sekō** is the man directly responsible for developing economic relations between Japan and Russia. As a frequent visitor to our country, he shares his views on the prospects for economic cooperation with the Russian Far East, and on Japan's priorities in the region



Hiroshige Sekō, Minister of Economy, Trade, and Industry

## The 8-Point Cooperation Plan is being updated as we speak

– 2018 has been designated a 'crossover year' for Russia and Japan. What does this mean for economic relations between the two countries?

– This is the first year in the history of Japanese–Russian relations to be declared both the Year of Russia in Japan and the Year of Japan in Russia. The plans for this 'crossover year' were announced as one of the outcomes of Russian President Vladimir Putin's visit to Japan in December 2016 as part of efforts to expand humanitarian contacts. The aim of the year is to achieve a deeper mutual understanding between our two peoples, through fundamental expansion of people-to-people interaction. The Japan–Russia Year encompasses a wide range of areas beyond culture alone. Economic issues in particular have been identified as an important area for cooperation.

As part of the Year of Japan in Russia, Japan took part in the St. Petersburg International Economic Forum as a guest country in May 2018. I myself participated in the Forum, alongside Japanese Prime

“ Thanks to advanced special economic zones (ASEZs) and the Vladivostok Free Port regime, a number of Japanese companies active in the Russian Far East are enjoying a range of incentives, including tax benefits. Their assessment of efforts on the Russian side is positive

Minister Shinzō Abe. In the course of the Japanese–Russian business dialogue, the leaders of both countries and leading business executives were able to engage in an open exchange of opinions on how to realize the potential of bilateral economic relations.

In addition to this, other important events are being held which are contributing to the implementation of the Eight-Point Cooperation Plan, including the opening of Hokuto Rehabilitation Centre in Vladivostok, launch ceremony of a new production line at a Takeda Pharmaceuticals' plant in Yaroslavl,

and business seminars devoted to urban planning in Russia. I hope that the events of the Year of Japan in Russia and the Year of Russia in Japan will activate exchanges in the economic field and thus strengthen Japanese–Russian economic relations.

–What is the status of these relations at the moment?

– The Eight-Point Cooperation Plan is being materialized. The plan was proposed by Japanese Prime Minister Shinzō Abe at a summit meeting which took place in May 2016 in Sochi. The main purpose of the plan is to use Japanese technology and experience that allow Russian citizens to feel for themselves how their lives are changing for the better. For example, significant results have been achieved in extending healthy life expectancy and in creating a pleasant urban environment, including by reducing traffic congestion. These achievements make a direct contribution to the enhancing of the living standards of Russian citizens.

During the meeting in May this year, the two leaders welcomed plans for around 130 projects created by private companies. Tangible actions have already begun on approximately half of these.

Work is also progressing on the creation of financing systems which will provide support for the Cooperation Plan, including a joint investment mechanism from the Japan Bank for International Cooperation (JBIC) and the Russian Direct Investment Fund.

## BACKGROUND

### Hokuto Rehabilitation Centre

The creation of a rehabilitation centre in Primorsky Territory was first discussed at the Second Eastern Economic Forum in 2016. The Hokuto Centre opened less than two years later, on 16 May 2018, as one of the projects under a Japan–Russia economic cooperation plan. Investors in the project include the JGC Corporation and Hokuto Social Medical Corporation. The medical facility specializes in patient rehabilitation following major injuries, surgical procedures, and strokes. Alongside traditional methods such as manual therapy, the facility also makes use of the latest developments, including exoskeletons and modern fitness equipment. The facility is able to receive around 100 patients every day.

“ It would be good to see the Russian Government and business representatives continuing to work on improving the investment climate, and also on providing more information about the Russian market and its points of attraction

As the minister responsible, I have been endeavouring to demonstrate as many concrete results as possible from the Cooperation Plan, including new projects at the East Economic Forum. I would also like to make it more ambitious still, including with respect to the themes to be discussed at the Forum.

**Japan's priorities: agriculture, forestry, fishing, infrastructure, and energy**

–What do you think about the changes taking place in the Russian Far East? How do Japanese companies and investors assess these changes?

– Thanks to advanced special economic zones (ASEZs) and the Vladivostok Free Port regime, a number of Japanese companies active in the Russian Far East are enjoying a range of incentives, including tax benefits. Their assessment of efforts on the Russian side is positive.

At the same time, Japanese companies do not currently have sufficient information about business and systems in the Russian Far East. In March this year, a presentation was held in Tokyo with the aim of facilitating investment in the Russian Far East. More than 130 people attended and frankly exchanged their opinions. I also welcome the opening a Tokyo Office of the Far East Investment and Export Agency. I expect the Russian side to be more active in providing information to Japanese companies and investors.

The Japanese Government is placing a great deal of emphasis on cooperation in three areas: developing agriculture, forestry and fishing in the Russian Far East; improving infrastructure to create an export base; and developing energy. In February this year, JBIC created a company in the Russian Far East with the purpose of promoting joint Japanese–Russian investment in the region. Contracts have already been concluded with Japanese

companies to provide mediation and advice with associated procedures. In July this year, a joint delegation of government officials and business representatives visited Primorsky Territory and Amur Region to discuss cooperation in the agricultural sector. In addition will continue to support efforts to expand cooperation in the Russian Far East.

**– What projects in the energy sector are of the most interest to Japanese players?**

– Considering Russia’s enormous resource potential and geographical proximity cooperation in the energy sector is important for diversifying the sources of Japanese energy imports

Russia, with its enormous resource reserves.

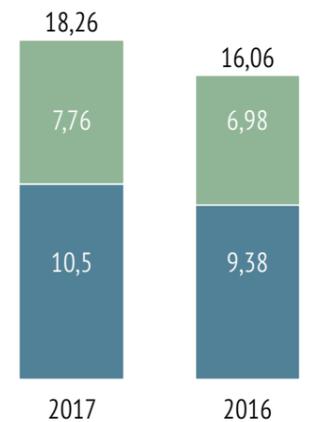
There are a multitude of Russian oil and gas projects in which Japanese companies are very interested. For example, the Sakhalin-1 and Sakhalin-2 projects are producing crude oil and LNG. Negotiations are taking place as part of the Sakhalin-2 project to expand the third stage of an LNG plant. Japanese companies have also contributed to building a plant in the Yamal LNG project which I also inspected at the end of April. The plant was launched at the end of last year. Negotiations between Russia and Japanese companies are also in progress on a project to build an LNG transshipment terminal on Kamchatka, as well as on the Arctic LNG-2 project.

**More information is needed about the Russian market**

– In an interview with Tatsuo Yasunaga, the President and CEO of Mitsui and Co., in the St. Petersburg International Economic Forum magazine, noted that approximately 200–300 Japanese companies are presently active in Russia, whereas there are 32,000 Japanese companies doing business in China. What can Russia do to attract Japanese small and medium-sized businesses?

– Small and medium-sized businesses have been taken into account in the Eight-Point Cooperation Plan. Japan is supporting Japanese small and medium-sized companies doing business in Russia using the small and medium-sized business platform created in 2016. This includes helping them to take part in exhibitions held in Russia, including Innoprom, as well as sending corporate missions and organizing business matching between Japanese and Russian companies. As a result of these efforts, Japanese companies have begun doing business in such sectors as Japanese cuisine and services, in Russia.

**Trade volume between Russia and Japan (USD billion)**



Legend:   
■ Russia's import from Japan   
■ Russia's export to Japan

Source: Russian Federal Customs Service

On the other hand, Japanese companies are still saying that they do not receive enough information about the Russian market and Russian companies. They also have concerns about the instability of the Russian legal system and complex procedures associated with investment. I would like to ask the Russian Government and business representatives to continue to work on improving the investment climate and also to provide more information about the Russian market and its attractiveness.

**– Japan is a global leader in the technology sector. Russia is also devoting considerable efforts to developing its digital economy. Does Japan have any experience and approaches which Russia can adopt?**

– As part of efforts to strengthen cooperation between our two countries in the digital economy, I signed a joint declaration on cooperation in the digital economy with Minister of Economic Development and Special Representative of the President of the Russian Federation for Trade and Economic Cooperation with Japan Maxim Oreshkin in September last year, following which we developed a joint plan of action in May this year. We are using various meetings and events to work on a number of joint projects together.

As part of the Eight-Point Cooperation Plan, Japanese companies in possession of highly advanced technologies are working on further improving the lives

“As part of the Eight-Point Cooperation Plan, Japanese companies in possession of highly advanced technologies are working on further improving the lives of Russian citizens via a number of digital projects, including systems to assist with remote medical diagnosis...”

of Russian citizens via a number of digital projects, including systems to assist with remote medical diagnosis and the implementation of high-tech traffic light systems.

Japan enjoys advantages in the manufacturing sector of the economy based on its wide-ranging technological capabilities. As Digitalization and the Internet of Things, and artificial intelligence are expanding, Japan is working to improve competitiveness in this way, and is promoting the concept of Connected Industries, which aims to create new values and solve social challenges by linking different kinds of

activity, companies, people, machines, and other facilities, and at the same time, to my knowledge, Russia, where a Digital Economy in the Russian Federation programme is being promoted, is home to world-class artificial intelligence developers. The country possesses significant technological capabilities in the fields of software and information security.

Japan and Russia have potential here to establish mutually beneficial relations, and to achieve new economic growth and cooperation by making use of their existing advantages in these areas. I would like to continue working on strengthening cooperation on digital economy projects. 🌸

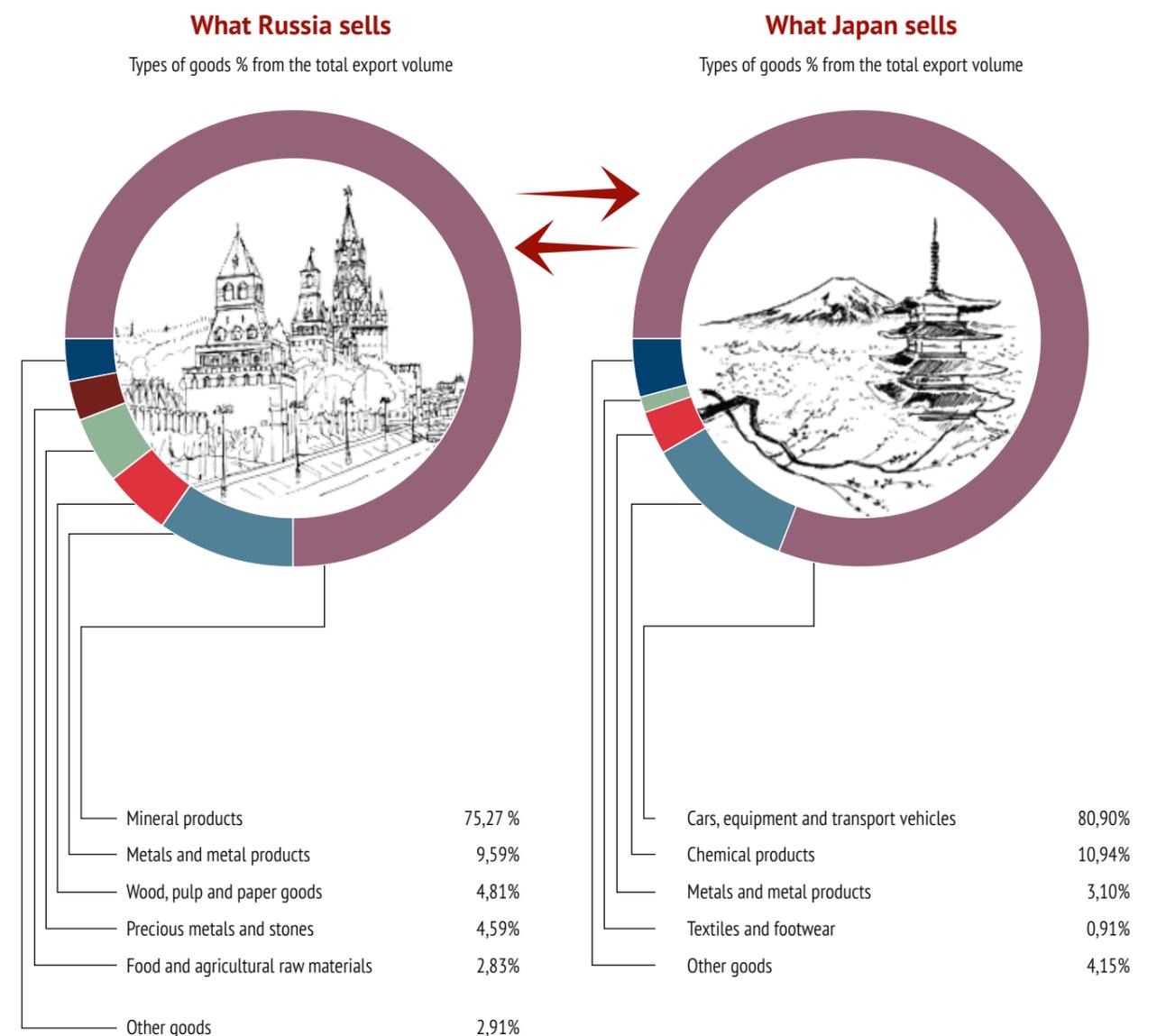
“There are a multitude of Russian oil and gas projects in which Japanese companies are very interested. Two examples are the Sakhalin-1 and Sakhalin-2 projects. Negotiations are taking place as part of the Sakhalin-2 project to expand the third stage of an LNG plant

and ensuring stable supplies. As Prime Minister Abe noted in his address at the St. Petersburg International Economic Forum, we envisage the development of mutually beneficial relations between Japan, which is the world’s largest importer of LNG and possesses extensive experience in shaping markets and developing pricing mechanisms, and



Minister Hiroshige Sekō inspecting Yamal LNG

**Export between Russia and Japan**



Source: Russian Federal Customs Service

Text: Irina KHRYAEVA

**Impossible to say which country is senior partner**

– How important are Russia and China for each other, economically speaking? Is it possible to label one of them the ‘younger brother’?

– Based on the current state of Russian–Chinese strategic cooperation, in which the economy plays a very important part, it is impossible to say exactly which is the senior partner and which the junior. We are talking about a relationship between two great powers, each of which has its own unique advantages in certain areas, providing a balance of about 50/50. For example, in the military–strategic sphere, in space, in nuclear power, and in creating one-of-a-kind military aviation engines, Russia has set a bar that China has not yet reached and is unlikely to attain in the near future. On the other hand, China’s purchasing power parity today is greater than that of the US. That is, it can be said that, in comparison, both the US and the European Union are China’s juniors.

**– In which areas in particular do our countries need each other?**

– Russia is an important supplier for China. Of course, this includes energy, but it’s not just about oil and gas pipeline megaprojects. There are also new ground-breaking projects for the production of liquefied natural gas (Yamal LNG). There is also active cooperation in the construction of future high-speed railways. Other areas of collaboration have emerged: space exploration, the development of nuclear energy, and the supply of certain types of agro-industrial products.

In turn, advanced high-quality technologies are arriving in Russia from China. China is also important for us as a potential investor in future projects. For example, advanced special economic zones in the Russian Far East have proved very attractive to Chinese investors.

Our countries are, after all, neighbours along the great Amur River (Heilongjiang). New roads have been built. The Nizhneleninskoye–Tongjiang railway bridge will open soon. Moreover, while in 2000

economic cooperation was mainly to be found in border areas, today that’s not the case at all. For example, the Volga–Yangtze project was started in 2013 to establish cooperation between the Volga Federal District and regions in the upper and middle reaches of the Yangtze River. The bilateral years (2018–2019) of Russian–Chinese interregional cooperation are designed to give cooperation a boost by linking Russian regions and Chinese provinces with hundreds of contracts and projects of various types.

At the Eastern Economic Forum, the focus is not on major state projects, but on interregional cooperation and

“We are talking about a relationship between two great powers, each of which has its own unique advantages in certain areas, providing a balance of about 50/50

the development of new priorities and sectors. It is no coincidence that this year President of the People’s Republic of China, Chairman and General Secretary of the CPC Central Committee Comrade Xi Jinping will come to Vladivostok. Both he and Vladimir Putin attach great importance to qualitatively changing their trade and economic agenda so that it is not reduced to two or three megaprojects, but covers thousands of undertakings.

**What the US–China confrontation on the global market means for Russia**

– Nevertheless, despite our political rapprochement, the United States remains China’s largest economic partner...

– Under Hu Jintao, China really believed that, for the sake of economic development, it was important to refrain from any, even the slightest, confrontation with the United States. In the last three or four years, this position has undergone radical change. For China, money and the economy are fine and all, but the main national interest lies in confronting

**BACKGROUND****Increase in trade**

Trade between Russia and China from January to April 2018 increased 27.3% when compared to the same period last year, reaching USD 31.1 billion, according to statistics from the General Administration of Customs of China. Of these, China exported USD 13.9 billion in goods and services and Russia exported USD 17.2 billion. And these numbers will grow. The Chinese Ministry of Commerce has announced that, by the end of the year, trade between Russia and China could rise to a historic high of USD 100 billion. The Russian Ministry of Economic Development agrees with this assessment.

the global hegemony of the US, which is the main threat. Moreover, it was the Americans who officially labelled China and Russia their main opponents.

Trump’s protectionist moves are only the first steps to which China will respond, and trade turnover will decline somewhat, while still being substantial – almost USD 700 billion. Donald Trump is introducing tariff sanctions because the Chinese sell USD 370 billion more in goods to the US than the US sells to China. Surprisingly, the structure of Chinese exports is made up of electronics and machinery equipment. The largest American export is soy. This is the result of a skilful Chinese policy, and it will take the American president more than one blow to knock it out. The country faces a long and exhausting struggle.

**– Can Russia benefit from this confrontation?**

– The Chinese have not yet used their main weapon; it is very dangerous and double-edged. I’m talking about the money invested by the Chinese Government in American securities, a total of USD 1.1 trillion. Logically, they will gradually and carefully discard assets and transfer money to other investment projects and securities. For Russia this opens up an enormous market: even if a tenth of this trillion is invested in Russian projects, it will be an entirely new investment resource. And the Chinese really have no place else to go: Europe doesn’t trust them very



The new Russian-Chinese passenger aircraft

# Russia and China need each other

## to create a new world

More and more, Russia and China are declaring joint interests in politics, the economy, technological development... Is the relationship more of a partnership or a competition? Why is it so hard for us to negotiate with the Chinese? To find the answers to these questions, we talked to **Dr Sergey Luzyanin, Professor, Director of the Institute of Far Eastern Studies of the Russian Academy of Sciences**, and author of the book *Russia and China: Creating a New World*.



Dr Sergey Luzyanin, Professor, Director of the Institute of Far Eastern Studies of the Russian Academy of Sciences



Wang Kai/ZUMAPRESS

The Russian-Chinese EXPO in Khrabrino Sea port of Yamal SPG in Sabetta at South Tambej gas field at the shore of the Gulf of Ob

much, and Russia is close by and more similar politically. Our countries have a common rival – the United States. This is not said out loud, but Xi Jinping and Vladimir Putin are aware that neither Russia nor China will be able to stand up to the Americans alone.

**Our countries' strategic interests in this respect fully coincide**

– Your words suggest that a new geopolitical union is growing to confront the West?

– Our countries' strategic long-term interests in this respect fully coincide. However, Moscow and Beijing do not want to return to the classical alliance between Stalin and Mao Zedong, either. In general, the era of classical military alliances has passed. Today, cooperation in the format of strategic partnership is more common. We support each other in the Security Council; we

have a shared position on Syria and the Korean Peninsula. The meeting in Singapore between Kim Jong-un

“ Russian–Chinese cooperation has reached the global level. The Chinese have Belt and Road initiative, and Russia has the Eurasian Economic Union and the Shanghai Cooperation Organisation. These projects need to be combined

and Donald Trump was worked out by Beijing and Moscow two or three months before the meeting. Although the US President took all the credit, in fact, the North Korean leader flew to

consult with Xi Jinping twice and met with Sergey Lavrov twice [Minister of Foreign Affairs of Russia – Ed.] before the meeting.

Russian–Chinese cooperation has reached the global level. The Chinese have the Belt and Road initiative, and Russia has the Eurasian Economic Union and the Shanghai Cooperation Organisation. These projects need to be combined. The leaders of these associations believe that this enormous area – Eurasia – should not be American. Although even here a problem arises: the Chinese would like to adapt it to suit their projects and Russia wants it for theirs. Kazakhstan also has its own interests. Consensus is very important here. Negotiations with China are always extremely difficult.

– Why do you think that is?  
– The fact is that, in the thousand-year-old mentality of China, the concept of absolute equality and

compromise has not been laid down. Over 5,000 years, 12 empires and 14 dynasties have been built on subordination and hierarchy, and this remains in their subconscious. Therefore, it is easier to reach a compromise with Europeans, whereas the Chinese perceive compromise as a defeat. That's why negotiations on large oil and gas projects have been taking 15 years. Agreements were reached in the end, but it took an incredible amount of effort, literally blood and sweat.

– How much is our relationship influenced by the sanctions imposed on Russia by the US and the EU?

– China is an integral part of the international financial system. Moreover, Xi Jinping has declared a policy of openness and transparency in the financial and economic sphere: no isolation or protectionism. Consequently, Chinese companies cannot ignore the sanctions imposed on our country. However, at the same time, entrepreneurs use their 'Chinese' tricks, which are difficult to prove in Western courts. Basically, Chinese business is on our side, although it observes the sanctions imposed by the West.



**38 framework agreements**

have been concluded between Russian regions and the Yangtze provinces within the format of Volga–Yangtze as of July 2018. These agreements cover trade, economic, scientific, technical, and humanitarian cooperation. The Republic of Bashkortostan, the Republic of Mordovia, the Chuvash Republic, and Samara Region made the most use of the project, each concluding four agreements. On the Chinese side, Sichuan, Anhui, Hubei, and Chongqing were the most active participants.



Vladimir Shtromov/TASS

Sea port of Yamal SPG in Sabetta at South Tambej gas field at the shore of the Gulf of Ob

**Demographic expansion is not needed to benefit economically**

– What other difficulties do Russian companies face when entering the Chinese market?

– One of the main problems is that Russian entrepreneurs believe that, once the contract is signed and the goods have crossed the border, that's it, the work is finished. In fact, that's just the beginning, because in China, Russian products lose their name: large Chinese companies immediately appropriate them for themselves and distribute them through their dealer networks. Thus, in terms of its PR and image, Russia is disappearing. We need our own dealer network in China to bring Russian goods to the Asian consumer.

Another big set of problems is associated with a poor knowledge of China's legal system. Russian state corporations know the law perfectly well, but most medium and small businesses, which have a fount of unused resources, can only hope for a chance. We have begun to develop a road map to explain the main problems that an entrepreneur may face in China, but for now the demand is limited. We need a more ambitious and systematic approach.

– Returning to the interests of China in the Russian Far East,

“ We need our own dealer network in China to bring Russian goods to the Asian consumer

**how realistic is the scenario of a Chinese demographic expansion in Russia?**

– This is an old myth that arose in the 1990s. Then there really was an uncontrolled flow of Chinese immigrants, not to the Far East itself, actually, but in transit to Moscow, St. Petersburg, and further on to Europe. And even then, the figures, as counted by sociologists, did not exceed 450,000–600,000 people a year. Now, the situation has changed drastically. First, rigid quotas for foreigners were introduced. Second, after the scandalous closing of the Cherkizovsky Market in Moscow, where billions were in circulation, the spontaneous shadow market of Chinese products was completely destroyed.

As for the Far East itself, you couldn't get the Chinese to move there if you tried. They live in their own country and conduct their own business, why should they leave? Demographic expansion is not needed to benefit economically. ❁

# Russia–China Year of Regional Cooperation set to bear fruit

At the Eastern Economic Forum, new growth areas will be found for regional cooperation between Northeastern China and the Russian Far East, which will become a powerful driving force for trade and for the economies of both countries – believes **General Manager of China Chengtong International Investment Zhou Liqun**, who is also Chairman of the Union of Chinese Entrepreneurs in Russia, Head of Representation at the Centre for Trade Development and Investment Management in Europe, and President of the Greenwood International Trade Centre.



Zhou Liqun, General Manager of China Chengtong International Investment

Text: Tatiana BIBIKOVA

## Russia has changed a great deal within the last decade

– When did you first visit Russia? What, in your view, are the three most important changes to have taken place since that time?

– I came to Russia to study in the late 1980s, and have witnessed the development of your country over the last 30 years. Several significant changes have taken place during this period. Firstly, people's quality of life has steadily improved (which the re-election of President Putin only goes to confirm). Secondly, there has also been a degree of improvement in the business environment: corruption has been brought under control, the structure of the market and legislative base have been improved, and investor confidence in Russia on the part of Chinese business has grown steadily. And thirdly, Russian–Chinese relations have reached a historic peak.

– China's trade turnover with Russia is approximately USD 80 billion. Where do you see areas for growth?

– In my view, Russia and China should work first and foremost on

strengthening cooperation to develop production capacity. Both countries have strong and complementary areas of activity, including mechanical engineering, producing transport equipment, extracting and processing raw materials, and manufacturing finished products. Secondly, Russia and China should expand financial cooperation and bring together finance and production. Thirdly, we need to foster small and medium-sized businesses, of which there are many, and which are a key force in the growth of trade and economic cooperation.

“ With the support of Chengtong Holdings Group, we are engaged in preparations to create a Russian–Chinese fund for developing industrial cooperation worth USD 5 billion

## You haven't stood still amid sanctions

– To what extent are Western sanctions against Russia affecting trade?

– Western sanctions have taken a toll on the investment climate in Russia as well. This isn't just affecting domestic companies; levels of confidence with regard to investing in Russia have also fallen substantially among companies with foreign capital.

Russia hasn't simply stood still: an import substitution programme has been adopted, aimed at stimulating industrial development and innovation domestically. China has supported Russia steadfastly during this time. Our countries have taken a further step towards strengthening business cooperation.

## The yuan has become an international reserve currency

– You have said that Russia and China need to transition to dealing in their national currencies. How realistic would it be to implement this plan?

– The yuan has recently become an international reserve currency, and also a settlement currency in many countries. In 2014, our countries concluded a bilateral currency

“ China and Russia are neighbouring states that share a common border that is 4,300 kilometres long and together have a population of more than 1.5 billion people. Our countries have a fantastic basis for cooperation

swap agreement for CNY 150 billion (RUB 815 billion), but from the point of view of effectiveness the liquidity of the currency was insufficient, and fell short of expectations. The rapid development of trade and economic cooperation between Russia and China has been accompanied by a significant increase in the quantity of settlement transactions. In order to reduce our dependence on the value of the US dollar and the cost of transactions, it is vital that we expand the scale of our transactions in local currency further still, and that we build and perfect a direct settlement system. Implementation of these plans is inevitable in the context of trade and economic cooperation between Russia and China.

## The statistics refute pessimistic statements

– There exists a view that, although Russia and China are actively making declarations about cooperation, in reality projects are developing extremely slowly. Can the work of the Union of Chinese Entrepreneurs in Russia and of China Chengtong International Investment, both of which you lead, refute this thesis?

– The statistics on trade and economic cooperation between Russia and China refute it entirely. And as for China Chengtong International Investment, we have already been working closely with Russia for 20 years, and have invested at various times in the construction of the 'Friendship' trading house, in two major logistics and warehouse centres, and also in China's largest foreign investment project – the Greenwood International Trade Centre.

In November 2017, China Chengtong International increased its investment. We began construction on the second stage of Greenwood. Total investment in the project has now

reached USD 220 million. We plan to have finished construction and launched the centre by 2020.

## – What other projects or sectors in Russia interest you?

– We are actively studying innovative financial methods. With the support of Chengtong Holdings Group, we are engaged in preparations to create a Russian–Chinese fund for developing industrial cooperation worth USD 5 billion. We are devoting special attention to such areas as infrastructure construction, mechanical engineering, agriculture, innovative technologies, and building industrial parks.

## Chinese investment in pulp and paper mill construction in the Russian Far East

– What point has been reached so far in discussions on the construction of pulp and paper mills in Russia, and in the Far East and Amur in particular?

– According to preliminary estimates, investment in the project will total USD 145 million, which will be used to build modern pulp and paper mills with a production capacity of 500,000 tonnes per year. There are also plans to extend these, and to build an industrial park with the ability to process wood and industrial chemical products.

On 28 November 2017, a Memorandum of Understanding on a Project to Build a Pulp and Paper Mill in Khabarovsk Territory was signed. Preliminary research has already been carried out on supplies of raw materials, transportation of the finished product, human resources, environmental protection, associated legislation and regulations, and design solutions. Site selection and consultations are progressing according to plan.

## The Russian Far East holds special significance

– How interested are Chinese companies in the Russian Far East in general?

– The Russian Far East holds special significance for us compared with Russia's other regions, given its geographical location as well as the fact that it has clearly complementary production structures and a wealth of natural resources. The last few years have seen our two countries cooperate actively in such areas as building

infrastructure and expanding trade and investment, which has allowed us to achieve certain successes. I believe that the Russia–China Year of Regional Cooperation will result in local Chinese authorities and companies investing more in the Russian Far East.

– One of the key problems when it comes to cooperation between Russian and Chinese businesses at the 'region-province' level is a lack of knowledge of business legislation. What work is being done in this area?

– Russian companies planning to invest in China need to know the laws 'On Chinese–Foreign Joint Ventures', 'On Chinese–Foreign Cooperative Joint Ventures', and 'The Law of the People's Republic of China on Foreign Ventures'.

“ We began construction on the second stage of Greenwood. Total investment in the project has now reached USD 220 million. We plan to have finished construction and launched the centre

Joint conferences need to be held in all areas and at all levels to explain poorly understood issues, discuss existing trade and economic issues in China and Russia, and settle issues using intergovernmental working mechanisms. It is also important to develop the role of platforms like Greenwood and the Union of Chinese Entrepreneurs in Russia, and to take concrete steps to provide services to Russian and Chinese businesses.

– What is your key objective at the upcoming Forum?

– I believe that the Forum will yield new growth areas for cooperation, and that discussions on regional collaboration between Northeastern China and the Russian Far East will help make this a powerful driving force for trade and for the economies of both countries. ✿

# From the World Cup to a gas pipeline across North Korea

What can be done to increase the flow of goods and investment between Russia and South Korea?

Text: Irina KHRYAEVA



Kim Jong-kwon, General Director of the Korea Trade-Investment Promotion Agency (KOTRA)

Relations between Russia and South Korea are looking up. In 2017, trade between the two countries increased by a record 41% to USD 19 billion. **Kim Jong-kwon, General Director of the Korea Trade-Investment Promotion Agency (KOTRA)**, tells us about the potential for economic cooperation and the main issue with the Russian Far East's advanced special economic zones (ASEZs).

– South Korea is actively investing in other countries' economies, but less than 1% of this investment is going to Russia. Why such a modest figure?

– It's true that, between 1989 and 2016, South Korea invested around USD 2.5 billion in Russian manufacturing, which was just 0.72% of South Korea's total foreign investment. However, what you need to understand is that Korea

historically and culturally prefers Western countries. Most Koreans get their information about Russia from the West and from America, and this information is often incorrect. It's a real problem. That said, the situation is starting to change. The change of government in South Korea last year has allowed us to take some important steps towards expanding cooperation with Russia and the number of Korean business leaders who are interested in investing in Russian companies has dramatically increased due to Russian

## BACKGROUND

### About KOTRA

KOTRA has 127 overseas offices all over the world and 10 offices in the CIS. KOTRA opened an office in Moscow as early as 1989, during the Soviet era. It went on to open offices in St. Petersburg, Vladivostok, and Novosibirsk.

activities such as the policies being pursued in the Far East. They are keen to invest in electronics, mechanical engineering, the food industry, and other sectors. I think the level of investment is going to increase.

– What do you think about the steps Russia is set to take in response in the near future? The creation of ASEZs in the Far East, for instance?

– The investment climate in Russia is changing very quickly, and for the better. According to the Doing Business rankings compiled by the World Bank every year, Russia has made a real leap forward and is now 35th in the world for ease of doing business. This makes Russia much more attractive than even China, which is 78th.

As far as the attractiveness of the Far Eastern ASEZs is concerned, I'm afraid the problem of low population density is making itself felt. Japan, China, and Korea want to work with Russia's eastern regions, but there's less of a market there: trade mostly has to go through Moscow, St. Petersburg, or other large cities. It's the west of Russia that Korean companies are attracted to because of its developed business infrastructure and extensive consumer markets.

On the other hand, during last year's Eastern Economic Forum, the Export-Import Bank of Korea and the Far East Development Fund signed a cooperation agreement, according to which South Korea will invest RUB 2 billion in projects across the Russian Far East over the next three years. Initiatives like these are intended to significantly improve the situation.

– When the President of South Korea, Moon Jae-in, visited Russia in June 2018, he suggested increasing bilateral trade between Russia and South Korea by 50%, bringing it to USD 30 billion by 2020. Are there prerequisites for this increase?

– Of course. During 2014–2016, trade between Russia and Korea stagnated. In 2017, we saw the beginning of efforts to improve the situation: last year, trade between our countries was worth almost USD 19 billion. Russia needs to ensure its market has the necessary equipment and technology, and this is where South Korea could become a reliable long-term partner. Since an agreement to remove visa restrictions was signed in 2014, the number of Korean tourists

visiting Russia has been increasing, and the World Cup, hosted by Russia, really sparked Koreans' interest. These factors also have an impact on trade. Moreover, trade could increase many times over if Korea and Russia were to sign a free trade agreement. I believe Korea should be importing more energy resources from Russia. If the relationship between North and South Korea is improved and gas begins to be supplied across North Korean territory, then we might well be able to reach the figure that was stated, or at least get close.

– You mean the project to build a gas pipeline from Russia to South Korea across North Korea? How realistic is that?

– Relations between North and South Korea are changing quite significantly. North Korea is changing its policies, as the recent meeting between Kim Jong-un and Donald Trump demonstrated. However, North Korea is still facing sanctions and remains in what is essentially economic isolation. If joint projects allow us to import Russian gas through North Korea to South Korea, that would have a very beneficial impact on trade and other areas of cooperation between our three countries. Cooperation with Russia would also allow North Korea to enter European markets, for instance. That would be very good to see. Still, this is a political issue, and I'm afraid I can't tell you how long it will take to resolve it.

– Would the question of creating a free trade zone between Korea and the Eurasian Economic Union be easier to resolve?

– Creating such a free trade zone would certainly stimulate trade between our countries. However, as I understand it, Russia's main aim at the moment is to promote its own industry and domestic manufacturing. This would be quite a challenge if the country were

to act as part of an economic union – the Eurasian Economic Union, in this case. Our government has recently offered to begin talks with Russia specifically, to discuss investment and areas of mutual interest. In this way, we will move forward sector by sector, country by country, gradually entering the markets of members of the Eurasian Economic Union.

– In an interview, you mentioned that KOTRA sends 200 entrepreneurs from Russia to Korea every year and vice versa. What line of business are they in?

– They are not necessarily representatives of any particular sectors; they work in all parts of the economy. However, KOTRA's main interest is in collaborating with small and medium-sized enterprises. Large companies with a sizeable network of subsidiaries and all the professionals they need can do everything for themselves. Our aim is to organize as many meetings as possible between businesspeople. For instance, many business events are held in Korea, at both the government and regional level, which we advertise and promote.

– What changes are you seeing in terms of the requirements of Russian companies wanting to begin doing business in Korea, and vice versa?

– Things are moving in the right direction. Nowadays, many sectors of the economy are coming together and wanting to work in tandem. One of the prerequisites for successful development is ensuring that the technologies our countries use can be integrated. When it comes to the fourth industrial revolution, Russia possesses certain advantages: it is scientifically and technologically advanced, and has a highly-qualified workforce. Korea, on the other hand, knows how to commercialize technologies. What we are trying to do is bring together these sectors and the companies who work within them. 🌸



Trade between Russia and South Korea increased

**by 41%**

in 2017 to USD 19 billion



According to the Ministry of Economic Development,

**more than 50%**

of South Korean investment in Russia goes to the Central Federal District. The next most attractive area is the Northwestern Federal District, with 27%. The Far Eastern Federal District receives 14%



# A View from the Land of the Rising Sun

Shigeru Murayama, the President of the Japan Association for Trade with Russia and the Newly Independent States (ROTOBO), talks about how to iron out economic fluctuations, increase the competitive attractiveness of the Far Eastern advanced special economic zones (ASEZs), and introduce high-tech Japanese developments to Russia.



Shigeru Murayama, the President of the Japan Association for Trade with Russia and the Newly Independent States (ROTOBO)

## Implementation of Cooperation Plan will benefit business and society

– How is the Eight-Point Cooperation Plan which Japanese Prime Minister Shinzō Abe proposed to Russian President Vladimir Putin being implemented?

– Since Prime Minister Abe presented this plan to President Putin in Sochi in May 2016, over 130 agreements and memoranda concerning Japanese–Russian projects have been concluded. More than half of these are specific in nature and are currently underway, as far as I know.

The subheading of the Cooperation Plan – ‘for innovative reforms in the industry and economy of Russia as a leading country with favourable living conditions’ – highlights the fact that it is not just Russian or Japanese

“From the perspective of the Japanese business community, we hope that the dialogue between the USA and Russia will be resumed, and that all of the problems complicating the relationship between them, including sanctions, will be resolved

businesses that will benefit, but also Russian society as a whole. The plan aims to improve the quality of life of Russians, and its purpose is to diversify and modernize Russian industry.

“By intensively developing urban areas, primarily Vladivostok, and creating appealing living and working conditions, it will, in my opinion, be possible to attract people to the region and establish a market of 1–1.5 million people

Specific examples of cooperation include the establishment of the Japanese Project Promotion Vehicle in the Far East (JPPV) by the Japan Bank for International Cooperation (JBIC) in cooperation with Russian partners, and the opening of a medical rehabilitation centre in Vladivostok by Hokuto Social Medical Corporation together with JGC Corporation. These are projects that have already been implemented.

The development of the business relationship between Japan and Russia still faces various obstacles, including those related to communication, i.e. the language barrier and lack of information support. Under these conditions, it is very important for government agencies in Japan and Russia to support and incentivize business.

## We hope to see better infrastructure and an improved investment environment

– There is a widespread opinion that the volume of trade between Russia and Japan does not match the real capabilities of the two countries’ economies. Would you agree with this?

– It has been correctly suggested that foreign trade between Japan and Russia does not live up to the true potential of both countries. The reason lies in the structure of Japanese–Russian trade, which is currently characterized by imports of raw materials (oil, LNG, and coal) to Japan from Russia and exports of finished products (for example, cars) in the opposite direction.

Obviously, this kind of trading structure dominated the old era, before globalization processes took over the entire global economy. In addition,

trade in goods such as cars and oil depend to a significant extent on world commodity prices and other fluctuations in the economy. Indeed, trade between Japan and Russia saw several sharp drops, for example in 2009 and 2015. In other words, the format of our trade relationship is very outdated and has a very unstable structure.

### – How can this be fixed?

– It is important to support the promotion of Japanese manufacturing companies in Russia, the development of joint manufacturing networks across the two countries, and the expansion of trade in intermediate goods. Something similar happened after the signing of the Plaza Agreement in 1985, when, against the backdrop of a rising yen, many Japanese companies moved their production facilities abroad, particularly to other Asian countries. As a result, extensive production networks – global value chains – gradually developed between Japan and the countries concerned. The trade in intermediate goods essential to various production processes, such as spare parts, expanded.

Here, we hope to see a further increase in the efforts of Russian federal and local authorities to develop better infrastructure, improve the investment environment, further strengthen investment incentives, and so on.

## Three conditions that will accelerate the development of ASEZs in the Far East

– Do the changes underway in the Russian Far East correspond to your expectations?

The economic development of the Russian Far East, a region located geographically close to Japan, can exert a huge positive influence on Japanese companies conducting business with Russia. The governments of our countries pay special attention to cooperation in the Far East. The Japanese business community highly appreciates the Russian Government’s ambitious policy with respect to the development of the Far East – for example the creation of ASEZs and the free port system — that has been accelerated in recent years.

I would suggest here that it is important to consider observing three

## BACKGROUND

### What did Shinzō Abe propose to Vladimir Putin?

The Cooperation Plan between Russia and Japan covers collaboration in eight areas:

- 1) Healthcare and increasing life expectancy
- 2) Modernizing the urban environment
- 3) Developing cooperation in the SME sector
- 4) Power engineering
- 5) Diversifying industry and increasing productivity
- 6) Developing industrial operations and export activities in the Russian Far East
- 7) Exchanging advanced technologies
- 8) Intensifying people-to-people exchanges

conditions that will enable ASEZs in the Far East to succeed.

Firstly, reducing costs. Thus far, conditions in the Russian Far East have hampered the manufacturing of products capable of competing in international markets in terms of price. I’m talking about the high costs associated with logistics and communications as well as the relatively expensive labour. It is important to improve infrastructure and maintain the current rouble exchange rate in order to achieve a reduction in these costs, including staff-related costs.

Secondly, ensuring a concentration of industrial enterprises. Companies, as a rule, are attracted to places where related industries have converged. This helps to reduce transport and communication costs as well as other unavoidable costs associated with business. In this respect, the concentration of industrial enterprises in ASEZs in the Russian Far East is still insufficient, and this makes it difficult to attract Japanese companies when compared with the special economic zones of other countries. The advantage the Russian Far East has is its abundance of valuable natural resources. It would therefore be prudent to create clusters of processing industries, for example petrochemicals, and attract related industries on this basis.

Thirdly, the availability of markets. The products and services created in the ASEZs need a consumer market. Despite the fact that ASEZs seem to be encouraged to attract ex-

port-oriented industries, it is dangerous to rely solely on exports. The fact is that rising oil prices and the strengthening of the rouble will decrease the competitiveness of Russian products. In this regard, it remains essential to ensure constant domestic demand.

Ensuring population growth throughout the Russian Far East is not an easy task. However, by intensively developing local urban areas, primarily Vladivostok, and creating appealing living and working conditions, it will, in my opinion, be possible to attract people to the region and establish a market of 1–1.5 million people. This is fully in line with the new concept of the ‘spatial development of Russia’ and the ‘cities of the future’, which President Putin spoke about at SPIEF 2018 and the 8th Urban Forum recently held in Moscow.

**– Apart from the listed risk factors, how strong is the impact of sanctions?**

– From my perspective as President of ROTOBO, I can say that we are against the economic sanctions as they impede transactions on the free market. Yes, Japan joined the sanctions against Russia. However, the content of Japanese sanctions can be described as ‘light’, and they really have no significant impact on the business conducted between the two countries. It seems to me that Russian officials hold the same opinion.

However, the impact of the US sanctions on Japanese–Russian business is relatively strong. For example, the sanctions list announced by the US Government on 6 April this year includes the leading Russian aluminium company. Russia accounts for approximately 15% of Japanese aluminium imports. This share will be reduced to almost zero on 23 October when the sanctions come into force and this will have a relatively significant impact on Japanese industry, particularly the automotive industry. The sanctions will complicate settlements in dollars and they provide for second-level sanctions imposed by the United States on Japanese companies that continue to do business in defiance of the sanctions.

On 16 July, US President Donald Trump and Russian President Vladimir Putin held a bilateral meeting in Helsinki, a year after their previous meeting. From the perspective

of the Japanese business community, we hope that the dialogue between the USA and Russia will be resumed, and that all of the problems complicating the relationship between them, including sanctions, will be resolved.

**The need to attract Japanese SMEs possessing advanced technologies and know-how to Russia**

**– Generally, when economic relations are discussed, we talk about large investment projects. How are small and medium-sized Japanese businesses doing in Russia?**

– Indeed, the main business exchanges between Japan and Russia have so far involved large companies. The line of products manufactured by Japanese small and medium-sized enterprises is relatively narrow. However, there are many such SMEs that have developed world-class and even unique technologies. In the future, we hope to see Japanese SMEs that possess these advanced technologies and know-how conducting business with Russia.

“**The main business exchanges between Japan and Russia have so far involved large companies. There is a need to expand the line of products manufactured by Japanese small and medium-sized enterprises**

**– What is hindering the development of small but high-tech companies?**

– Their weakness is that they usually face limitations in terms of staff, time, and funds. Accordingly, there is a limit to what they can achieve on their own and they need support from the government and public agencies. Last year’s INNOPROM 2017 was attended by a large number of Japanese small and medium-sized enterprises, and ROTOBO, in conjunction with JETRO [Japan External Trade Organization – Ed.], organized ‘Business Matching between Japa-

nese and Russian SMEs’ to support the movement of these enterprises towards Russia. I think it is important to continue these attempts.

Furthermore, for companies located in the coastal prefectures close to the Sea of Japan – areas such as Hokkaido, Niigata, Toyama, and Tottori – Russia, lying literally on the other shore, can become an important business partner. Efforts to revitalize Japanese–Russian exchanges at the regional level, especially in the Far East, are important.

**Together we can find new ways to cooperate in the digital reality**

**– Which technologies implemented in Japan would be particularly useful in Russia?**

– The formation of a super-smart society and the creation of new values based on digital technologies are currently being promoted in Japan as part of the ‘Society 5.0, Related Industries’ concept. In Russia, the ‘Digital Economy’ government programme was adopted in 2017. The digitalization of industry and society is a prerequisite for survival in a rapidly changing global economy. Neither Japan nor Russia will be able to survive if they miss this wave. In September 2017, the countries signed a joint statement on cooperation in the digital economy, and adopted a joint action plan for cooperation in this field in May this year. The Japanese business community, probably much like the Russian business community, supports this initiative.

The practical cooperation between Japan and Russia in this area is currently developing in three main areas. The first aims to improve labour productivity and competitiveness through digitalization of the production sector. The second involves the creation of smart cities and the formation of a favourable urban environment. Finally, the third area entails the use of digital technologies in medicine.

I hope that we will be able to find new ways to live and cooperate in the digital reality together by combining the know-how and technological solutions of Japanese companies with the excellent human resources and industrial infrastructure to be found in Russia. ❁



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Photo location: **Shantar Islands**  
Photographer: **IGOR OLKHOVSKY**

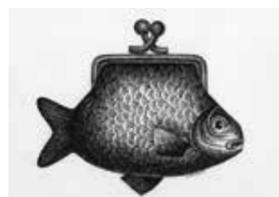
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# Personality



# Fish look for deeper water and people look for the fish

While small and medium-sized businesses are the foundation of developed economies, in Russia they still play a relatively modest role. **Andrey Sharonov, President of Moscow School of Management SKOLKOVO**, talks about how Russians view entrepreneurship – and what entrepreneurs think about the government, what separates a leader from a boss, and why businesses shouldn't operate 'in factory mode'.



Roman Peshkov

## We are strongly oriented towards government

– One of the major topics discussed at the Eastern Economic Forum is developing entrepreneurship. How should it be developed, in your opinion?

– There's one figure that's pretty hard to argue with – the share of small business in GDP. In Russia, this figure is around 20%. And throughout the entire history of the new Russia, since entrepreneurialism was legalized here, it has not risen above 25%. Developed countries create approximately half of their national wealth through small and medium-sized companies, with a figure of 50%, on average. And the share of SMEs in Chinese GDP, for example, is 61%.

If somebody only weighs half as much as the average person their age, that means that something isn't right. It's the same with undeveloped entrepreneurship. It's just a medical fact.

Delving further into the problem, if you look at the structure of small business, you'll see that we have very few high-tech companies – the kind that work at the interface of manufacturing and science (as in Germany, for example). This is the second layer of our problem with undeveloped entrepreneurship.

### – What can be done to create more entrepreneurs?

– A year ago, we conducted two independent studies in collaboration with the Russian Public Opinion Research Center (VCIOM) on attitudes towards entrepreneurship in Russia. We asked our own graduates and student entrepreneurs what support they would like to receive from the state. Three kinds of expectations were identified. The first related to financial support, including reduced taxes and increased access to loans and subsidies. The second was an independent judiciary. The third was a reduction in the number of audits.

To my mind, making these changes will have an incentivizing effect on those who are presently just thinking about becoming entrepreneurs.

One recent study showed a solid trend. Young people increasingly prefer to seek out government positions and posts in state corporations, looking for jobs as tax inspectors, police officers, Gazprom employees, and so on. Choices like these are a reflection of what we see

around us every day, the stories that we read in the media and hear on the radio. We need to engage in a certain kind of propaganda – telling people how to get started and what mistakes to avoid, and making people understand that entrepreneurs are respected and supported by the government.

### – Is it right to rely so much on the government?

– Obviously, there's a degree of sink or swim involved and people need to be able to help themselves, but Russia is very much a statist country. We are strongly oriented towards government, and government is responsible for the regulatory environment in any country. Another important thing that entrepreneurs expect from the government is stability.

### – What do you mean exactly?

– That we shouldn't keep changing the rules of the game so rapidly. Imagine you operate a railway and offer transport and travel services. You manage carriages, to put it crudely. You've sold everything you had and bought three not very new, but perfectly good carriages that are 15 years old, and now want to use them to earn money. You've written a business plan. The carriages take a long time to pay for themselves – between 18 and 30 years. But suddenly, Russian Railways decide to write off carriages older than a certain age, because they could be a safety hazard, although yesterday they weren't. You couldn't have known this when you bought your carriages. You had an asset that you invested your money into, and then you read in the paper that you no longer have the asset, it's now scrap.

## The specifics of the Russian Far East

– Are there specific problems associated with developing entrepreneurialism in the Russian Far East?

– I haven't lived there myself, but what I hear from people who have lived there and who travel there is that large numbers of people are leaving, and moving instead to countries in East and Southeast Asia, or in many cases to Central Russia. Unfortunately, it's the most able people who are leaving.

### – How can the outflow of people from the region be stopped?

– My football coach used to say: "Fish look for deeper water, and people look

for the fish." The same can be applied to the Russian Far East, I think. The region has some disadvantages due to its remoteness from the rest of Russia. The administrative burden on the Russian Far East is two and a half times the national average. The reason is that strategic security is the priority, rather than entrepreneurial freedom and the investment climate. With respect to the number of supervisory measures affecting entrepreneurs, the situation is worse than the Russian average. But there should also be some obvious advantages there so that people will still stay.

And there are advantages. There's the proximity to the Asia-Pacific region. Two billion people live within a three-hour flight of Vladivostok. This means a huge market, supply and demand, and economic activity. Last but not least, it also means culture.

“Developed countries create approximately half of their national wealth through small and medium-sized companies, with a figure of 50%, on average. And the share of SMEs in Chinese GDP, for example, is 61%”

But there needs to be additional infrastructure to enable the region to become part of this enormous melting pot, participate in the distribution of labour, and reap the benefits.

This can be so much more than just trading in natural resources. Agriculture, logistics, clean water and air, education – ours is no worse. We have things to offer that will make people want to live there.

### – What do you think about One Belt, One Road initiative?

– It looks like it will become an opportunity for a large number of economic agents to get involved in projects oriented primarily towards trade between China and Southeast Asia on the one hand and Europe and the Middle East on the other. Experts have already counted USD 900 billion in investment in projects mentioned in the context of the initiative. Russia occupies a geographically favourable position here, as part of the 'silk road', and the



Moscow School of Management SKOLKOVO

investment capabilities of the Chinese are far above those of Russians in terms of the amount of capital involved.

– Tell us about your involvement in the project.

– One Belt, One Road initiative is addressed directly by our joint programme with Hong Kong University of Science and Technology (HKUST). It is no secret that the countries of Eurasia are key to the implementation of China’s initiative. Our programme has the direct objective of preparing a new generation of Eurasian business leaders. It takes the form of an Executive MBA programme that ends in the award of a double diploma. It will be offered in several countries. Modules will be taught in Russia, China, Kazakhstan, Armenia, Israel, Switzerland, and the USA. Israel boasts the best culture for cultivating startups. Switzerland has made a name for itself in the high-tech sector. The USA is the ‘Mecca’ of innovation. As for the other countries, they are part of that same ‘silk road’. We believe that this will be an extremely effective international programme, and note the considerable interest of our partner – HKUST Business School’s Executive MBA has been rated number one eight times by the *Financial Times*.

**The most important thing for factories is to manufacture goods, and the most important thing for companies is to sell them**

– And what can entrepreneurs learn at SKOLKOVO Business School?  
 – A colleague of mine from the school recently conducted a study – she was looking at the differences in management approaches between Russian and Chinese entrepreneurs. The Chinese progress quickly to the marketing and sales phase, before they have a good working model. They aren’t afraid to enter the market with an average-quality product, planning to simultaneously master the market

“When it comes to bosses, we’re fine. We’ve got a lot of them and they’re all great. But leadership is something a little different. Leadership is when you convince people to consider a job or project or goal that is important to you as their own

and work to improve quality. Our entrepreneurs, on the other hand, believe that they aren’t yet good enough to enter the market, and so lose the advantage.

A long time ago, when I was still very young, an American entrepreneur asked me what the difference was between a factory and a company. I answered that I didn’t know. He told me that the most important thing for factories was to manufacture goods, and the most important thing for companies was to sell them. Our entrepreneurs very often operate in factory mode. They’ve made something, and that’s important, but sales and negotiations are the real challenge. Blabbering away all day – what kind of work is that, you might ask? The thing is that if you keep your mouth closed, you might lose your job!

I’m simplifying a bit, but this is very important. People overvalue hard skills and strongly undervalue soft skills – negotiating, leadership, and emotional intelligence.

– What skills are we most lacking? Surely there’s no problem when it comes to leadership?

– When it comes to bosses, we’re fine. We’ve got a lot of them and they’re all great. But leadership is something

a little different. Leadership is when you convince people to consider a job or project or goal that is important to you as their own. If you’re successful, then your colleagues will work in a way that even a lot of money might not persuade them to. That’s leadership.

– So entrepreneurs aren’t appreciating the importance...

– ...of working with people to create a corporate culture. Peter Drucker put it well: “(Corporate) culture eats strategy for breakfast”. If you spit and stub cigarettes out on the wall, it’s at the very least extremely difficult to talk about respect for clients and staff. If that’s the sort of corporate culture you have, then whatever strategy you might come up with, it won’t catch on among the group. That’s why it’s important to start not with the strategy, but with eradicating this culture.

– Can a lack of soft skills be described as the most significant shortcoming among entrepreneurs?

– I think so, yes. Once again, it goes back to our statist society. We still have the primacy of the collective over the individual, and of the government over society. We swear out loud that this isn’t



Andrey Sharonov with his students

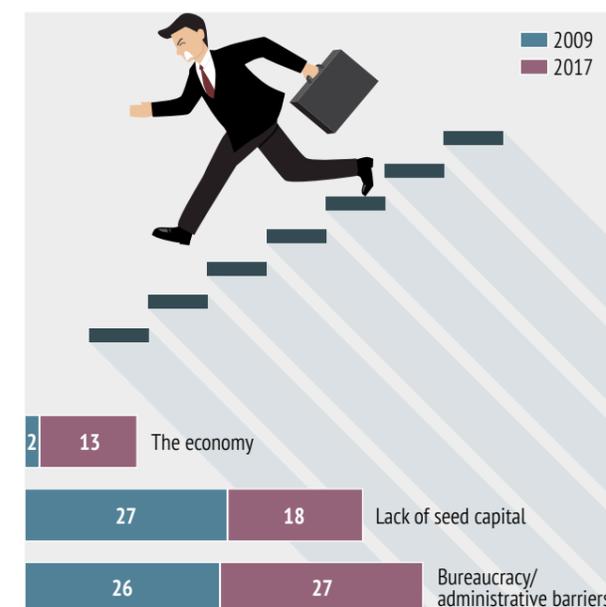
so, and reject it on a rational level. That is our ‘strategy’. But at a subconscious level we are heirs to the ideology of the early twentieth century – to the period of collectivization and industrialization in which every person was a cog. That is our ‘corporate culture’.

We believe that the product is more important than the corporate environment, and that individual people have no value. If we can’t see eye-to-

eye with somebody, then we fire them! But as founder of the World Economic Forum Klaus Schwab says, we are slowly entering an era of ‘talentism’, in which the highest value is represented not by capital or the means of production, but by talent. And it is this that corporations and capital will be fighting for. Everything else is easy enough to obtain, but human brains that can come up with original solutions are a rarity. 🌸

**What gets in the way of starting a business in Russia?**

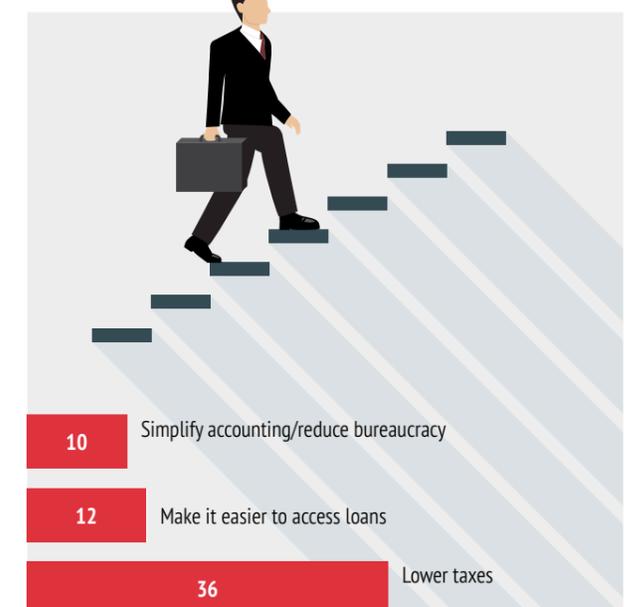
(% of those asked)



Source: SKOLKOVO Business School and VCIOM

**What needs to be done to support entrepreneurialism in Russia?**

(% of those asked)



Source: data from a SKOLKOVO Business School survey

# GIRL POWER

## How to do business in Russia if you're not a man

### Anna Tsivileva, Kolmar: "Mine is not a Cinderella story"



"We have been abandoned and left alone, and I will need your help" said Deputy CEO Anna Tsivileva as she addressed her staff at Kolmar, a coal mining company, in February 2018. The reason for the speech was a change of management: the company's CEO, Tsivileva's husband, was leaving to become Acting Governor of Kemerovo Region.

Kolmar, previously Neryungriugol, now combines underground and open-pit mines for the extraction of premium grades of coking coal. The company also has two ore-dressing plants, a power transmission line, a railway line, and a terminal under construction on Muchke Bay in Khabarovsk Territory. Anna Tsivileva owns 70% of the shares. The media wrote that when her husband left the company, he made her a generous gift in the form of shares. However, Tsivileva says, "In fact, mine is not a Cinderella story. We both earned the 'gift' through hard work." When her husband became a shareholder in 2012 and started managing, restoring, and expanding the coal com-

pany, Anna Tsivileva already had a successful career thanks to her medical and financial education.

The Tsivilevs spent more and more of their evenings discussing the new business. In 2014, when Russia was gripped by the currency crisis, coal prices fell sharply, and production dropped almost twofold. Kolmar was on the verge of bankruptcy.

The hired foreign consultants' advice was to flood the unfinished mine in Neryungri and write off the costs. "We had a choice: to say goodbye to the company or to mobilize and start doing something", said Anna. "We chose the second option although Kolmar didn't even have the money to pay wages back then and the general director had to forego a salary for the first year."

At the same time, the company was faced with the need to finish building a mine, since underground mining is a more reliable method for extracting coal of stable quality. As Anna explains, "In addition, we took the decision to build three coal beneficiation plants so that we could produce concentrate, which is much more valuable than unbeneficiated coking coal."

#### THE STORY IN FIGURES

<b>2014</b>
<b>Employees: 1,200 people</b>
<b>Revenue: RUB 1.2 billion</b>
<b>Production volume: 0.8 million tonnes</b>
<b>2017</b>
<b>Employees: 3,500 people</b>
<b>Revenue: RUB 6 billion</b>
<b>Production volume: 6.5 million tonnes</b>

The first enrichment plant, Ignalina-1, with a production capacity of 2 million tonnes, was launched in May 2016. The second enrichment plant, Denisovka, with a production capacity of 6 million tonnes, was erected by May 2018.

Anna continues: "We realized that our coal was superior to Australian coal in a number of respects, so I focused on finding clients in the Asia-Pacific region. There were a lot of demanding business trips. My colleagues and I flew to Japan, and just a day later we went on to South Korea. The next stop was Vietnam. We were constantly changing time zones. Sometimes I couldn't even remember what country I was in when I woke up."

Today, 70% of the coal that the company extracts and processes is exported, primarily to China, Japan, South Korea, and Vietnam. It takes coal five to seven days to travel by rail and two to three days to be shipped by sea to countries in the Asia-Pacific region. That is, it reaches buyers' ports in literally 10 days. Tsivileva adds: "This is a very short supply chain, which means we can ship both large and small lots of coal. The latter can be very convenient for small factories. This kind of flexible approach gives us an advantage over the Australian coal miners, who are forced to contend with greater distances and so need to use larger ships."

Over the four years, Kolmar's coal reserves increased from 385.5 million tonnes to 1.1 billion tonnes. Anna changed the senior management team four times.

Anna herself got so used to the new job in the Far East over the four-year period that she fell in love with those places. She is planning to develop local tourism and a separate department will be created at Kolmar specifically for this purpose. She and her husband and three children are already spending their second summer holiday in Yakutia. When friends ask why, she simply shows them pictures of the beautiful sights to be found in the region, which immediately bring an end to the questions.

Today, more and more women are successfully opening businesses in the Russian economy simply because they are interested in becoming entrepreneurs. The Eurasian Women's Forum will be held on 19–21 September in St. Petersburg. In the meantime, we decided to investigate the progress women have achieved in business on the basis of several success stories.

Text: Yulia DUDKINA, Laboratoriya Odnazhdy, especially for the EEF magazine

### Daria Ustyuzhanina, TimePad: "Being an entrepreneur means doing all the dirty work yourself"



Ten years ago, in May 2008, college students Daria Ustyuzhanina, Ludmila Pavlova, and Artem Kiselev sat down to come up with a name for their project. The friends came up with their business when all three were still students at the Higher School of Economics. At the university's Business Incubator, Ustyuzhanina and Pavlova organized lectures and seminars on entrepreneurship, and Kiselev was responsible for developing the website. Emailed newsletters, a guest database that was kept as an Excel spreadsheet, and endless pages featuring lists of participants all took a lot of time and effort to create and maintain. They needed a tool that would allow them to create lists of participants and automatically generate newsletters. "There was no such solution on the market", says Daria, "so we decided to make our own."

The new service, which was started on a shoestring budget, made their work so much easier that Ustyuzhanina and her team began to recommend it to friends. Ustyuzhanina continues: "And then it clicked in our heads: we could make this a business."

The RUB 100,000 that the three of us were able to raise was enough only for design, interfaces, a logo, and domain registration. Investment covered the next tranche of work.

In 2009, they officially announced the launch of the project. TimePad received an investment of RUB 1 million from a friend. The Foundation for Assistance to Small Innovative Enterprises in Science and Technology then awarded another RUB 1 million and the company was able to hire its first full-time programmer, but there were still no ideas for monetizing the service. Services with paid subscriptions were not particularly popular. Then a new business model was born: sell tickets for events over the Internet and collect a commission on sales.

As Ustyuzhanina recalls: "Potential clients at first thought we were crazy." But then they tried TimePad. The company secured its first 100 clients "literally through in-person demos." Its revenue in the early days was RUB 10,000 per month. At the beginning of 2010, TimePad had 500 clients; by the end of the year, this had increased to 2,000. But despite the initial successes, the atmosphere became tense. The team burned through its initial RUB 2 million investment, and it seemed that the business was about to collapse.

But, as the saying goes, the darkest hour comes before dawn. You need to have patience. First, TimePad received a small order from the Higher School of Economics, and this was enough to keep

#### THE STORY IN FIGURES:

<b>2010</b>
<b>Employees: 6</b>
<b>Clients: 2,000</b>
<b>Revenue: RUB 600,000</b>
<b>2017</b>
<b>Employees: 55</b>
<b>Clients: 120,000</b>
<b>Revenue: RUB 200 million</b>

the company going for another couple of months. The income started to flow in. A decision to launch a digest of interesting events proved key. This service proved to be popular, and it helped keep the company in business until the ticket sales model started gaining traction.

In 2011, the company managed to break even. Ustyuzhanina notes: "Suddenly we had a viable business. At this point, investors began to seek us out."

"The new service, which was started on a shoestring budget, made their work so much easier that Ustyuzhanina and her team began to recommend it to friends

In 2012, the holding company Afisha-Rambler, which launched Rambler Kassa to service large events and cinemas, invested in TimePad. According to the plan, the service would be totally bought out by the holding within several years. But in 2013, when the investor's share in TimePad had grown to 49%, a new management team with a new set of requirements took over Afisha-Rambler. The startup team managed to quickly come to an agreement with a new investor: in 2014, Target Global invested USD 1 million in the service, bought out Afisha-Rambler's share, and acquired a 50% stake in the company.

Four years later, at the beginning of 2018, the co-founder of Qiwi, Sergey Solonin, bought up shares from Target Global and TimePad's owners for USD 10 million. Ustyuzhanina, Pavlova, and Kiselev became rich, and they started working for their own company as consultants for the first time.

# Natalya Kaspersky, InfoWatch: “Money is something that you can reinvest in your business”



As a child, Natalya Kaspersky dreamed of becoming a vet, but after high school she enrolled in... the Faculty of Applied Mathematics at the Moscow Institute of Electronics and Mathematics. After she graduated, she chose a job at a design firm near her home, but she found the work to be boring. In 1994, she got a job at the computer shop attached to KAMI.

Her husband, Eugene Kaspersky, worked at the same company. His office was on the second floor of the building, where he wrote software. Natalya sold computer accessories and software on the ground floor. The store's product range included Kaspersky Antivirus – AntiViral Toolkit Pro. As Natalya explains, “it wasn't routinely promoted and it didn't sell.” It turned out that the software did not even have the required licence from the software registration agency. Natalya registered the appropriate licence and began to actively promote the antivirus software on the market. In just two years, sales increased to USD 600,000.

As Natalya explains, “I had no ambitions to become CEO.” But her husband refused the management position, and they could not find anyone else to hire for the position.

Natalya was responsible for scheduling work with distributors at the new

business. She continues: “Paradoxically, the fact that I'm not a great salesperson helped us.” Rather than selling the product herself, she tried to find people on the market who knew how to do it better. She did this without realizing that this is exactly how you build out a distribution network. The strategy worked. In 2007, the company's turnover exceeded USD 200 million. By this time, Kaspersky Lab had managed to break into international markets. In the US, it was the sixth best-selling antivirus software product, and in Germany and Austria it led the market.

In 1999, the Kasperskys divorced, but Natalya continued as the company's CEO until 2007. Over time, disagreements over how to develop their shared business emerged, so they decided to divide it: Natalya received Kaspersky Lab subsidiary InfoWatch, among other assets. InfoWatch specialized in the development of software to protect against information leaks.

InfoWatch was founded in 2003, and it was well ahead of its time. As Natalya relates: “The business grew slowly and was deeply unprofitable. When I took over this company in 2007, the situation was worse than I thought. We needed to generate demand on our own in order to put the business back on its feet. We began to collect information on data leaks that were publicized in the media. Gradually, potential clients began to show interest in this market niche.”

## THE STORY IN FIGURES:

**2012**  
Clients: 200  
Revenue: RUB 365 million

**2017**  
Employees: 500  
Clients: more than 1,000  
Revenue: more than RUB 1.5 billion”

In 2012, the company became profitable for the first time ever, and it began to grow by 60–70% per year. In 2016, sales exceeded RUB 1.5 billion. The Russian data loss prevention market is still small: Natalya estimates that it is no more than RUB 10 billion. At the same time, half of the market is currently controlled by InfoWatch.

The company's clients include state agencies, large banks (Sberbank and Alfa-Bank), oil companies (Gazprom VNIIGAZ and Transneft), and telecommunications operators (Beeline and MegaFon). InfoWatch started entering foreign markets in 2009. Since geopolitics is complicating the situation in the West, the company decided to turn east.

“At the same time, Natalya Kaspersky admits: “The more businesses I have, the more I realize how little I understand”

Now, its clients include banks in Bahrain and Kuwait Finance House. In May 2017, Natalya opened an office in Dubai, and another followed in Kuala Lumpur in September.

In 2017, *ForbesWoman* named Kaspersky one of the richest women in Russia with a fortune of USD 270 million. However, she herself is sceptical about such rankings. She considers money to be primarily a resource that can be invested in business. In 2012, she acquired a 16.8% stake in the German antivirus software developer G Data Software, and a controlling stake in the German company EgoSecure, which develops software to protect corporate information. In February 2018, InfoWatch bought an 80% stake in the HandyBank payment system. At the same time, she admits: “The more businesses I have, the more I realize how little I understand.”

# Marina Domracheva, 3D Smile: “When is ‘some day’?”



In February 2014, Marina Domracheva installed a 3D printer in her mother's apartment in Moscow, and her mother was horrified. When the device started up, it shook the floor of the apartment. However, it wasn't the printer itself that bothered her mother. She was categorically opposed to her daughter's decision to go into business instead of science. Marina's mother summed up her feelings as follows: “It's all downhill from here.”

To start her own business, Marina raised RUB 2 million. In fact, her father contributed some of the funds. By the way, it's worth mentioning that he didn't like his daughter's business idea either. “My father hoped that my business would quickly burn out and that I'd go back to a ‘normal’ job.”

In 2013, a year before the story of the 3D printer that shook the floors in her mother's apartment, Marina got into a conversation with a friend at a meeting of classmates. He wanted to straighten his teeth, and the doctor advised that he use aligners, which are transparent devices made of a special orthodontic plastic that is more comfortable and inconspicuous than braces. The American company Align Technology produced the aligners in Mexico using 3D printing technology. Customers had to wait three months, and the product cost about EUR 5,000. As Marina recalls: “A classmate asked me why no one in Russia made these aligners. I told him that I was no dentist, and that the only 3D I'd seen was at the cinema.” But after that,

Marina took a greater interest in the issue, and she began to read a lot about 3D printers and scanners. She studied programs for modelling dental alignment, and she conducted an independent study of the market. She dropped in at clinics and asked: “Hello, I'm doing market research. Can I speak to your orthodontist?” Generally speaking, the clinics helped her out. She discovered that the leading Moscow specialists were also interested in these dental aligners, but it was a very expensive service.

As Marina relates: “By the end of summer 2013, I had a marketing plan. I knew how much a 3D printer and consumables cost. I assumed that I could some day create a great business around this idea, but when is ‘some day’?”

In December 2013, she resigned from her job at a pharmaceutical company. She spent about EUR 150,000 purchasing the equipment to make the aligners. The funding came from a combination of her own savings and contributions from family members. In addition to a 3D printer, she needed a special orthodontic 3D scanner and software for modelling the alignment of teeth. To develop models of how teeth move, she needed to hire a clinical expert. As Marina recalls: “Irina Dmitrienko was one of the first Moscow orthodontists to start working with American aligners. When I first told her about my idea, she did not take it seriously. But I called again a couple of months later, and I said that the equipment was ready and that we could start working.”

Eighteen months later, Marina's company was posting nothing but losses.

## THE STORY IN FIGURES:

**2014**  
Employees: 5  
Clients: 4 physicians, 18 patients  
Revenue: RUB 700,000

**2018**  
Employees: 35  
Clients: 970 doctors, almost 2,000 patients  
Revenue: more than RUB 35.5 million

The aligners could not be sold until they were certified by the Federal Service for Surveillance in Healthcare (Roszdraznadzor). In order to gain certification, she would have to pay for a medical expert and dental technician and purchase more consumables. It was only after the company received certification that it was able to post revenue of RUB 700,000 in 2014.

And then the crisis struck. The cost of foreign consumables doubled. “2014 and 2015 were horrific. I went personally to dental clinics to try to tell the dentists about my company. In nine cases out of ten they didn't let me past the reception desk.” However, slowly but surely the client base grew and in 2015, the company made it out of the red.

“Just four years after the launch of the company, 3D Smile became the largest producer of dental aligners in Eastern Europe, producing 8,000 products per month

According to Marina: “It became easier after that. In 2017, we developed software that creates 3D anatomical models for computed tomography.” Thanks to this software, 3D Smile is already entering foreign markets, including the US, India, China, and the EU.

Just four years after the launch of the company, 3D Smile became the largest producer of dental aligners in Eastern Europe, producing 8,000 products per month. For patients, the average cost of the service is RUB 200,000–250,000. Thanks to the company's entry into international markets, Marina hopes to achieve revenue of USD 100 million by 2021. In 2016 the company became a Skolkovo resident. Now, 3D Smile has 35 full-time employees and its own laboratory, which prints the aligners using seven printers. Here, the floors no longer shake. And there is no reason to fear that the neighbours will complain. ✿

Many believe that Russian culture and Korean culture are like two different blood types: each unique and impossible to combine. But there is one real-life example where the two did indeed combine, and to great effect. The work of the cult Soviet rock musician Viktor Tsoi is a landmark in the history of Russian rock, and Tsoi himself is the result of the convergence of two lineages: Korean migrants who settled in the Primorsky region of the Russian Far East, and native Russians from Vitebsk province in the Russian Empire.



Photo from the R.M. Tsoi's archive

Text: Viktor ALEXEEV

### Maternal lineage: the Russian Gusevs

Viktor Tsoi's mother's family name, Gusev, could hardly be more Russian. The earliest surviving mention of this branch of Tsoi's family tree (or, more precisely, of Tsoi's great-great-grandfather, Aleksey Gusev) can be found in an archive in Minsk, in a record of the transfer of state land to a group of peasants from Vitebsk. Although the Gusevs lived in Little Russia, in what is now Belarus, they were natives of Great Russia: Tsoi's great-grandfather, the peasant Filimon Gusev, was born in 1880 to an indigenous Russian peasant family, although he grew up and worked the land in what is now Belarus. He was the first of the Gusevs to set foot in the Russian Far East, although not on his own initiative.

The 86th Villmanstrand Infantry Regiment, in which Filimon Gusev served, was mobilized, leaving the town of Staraya Russa near Novgorod to fight in the Russo-Japanese War. Tsoi's great-grandfather fought in 1904–1905, mostly in China and with great courage. Once the war had ended, in May 1906,

Filimon Gusev received the Cross of St. George from Tsar Nicholas II at a military inspection in Peterhof (high military honours were awarded to soldiers and others by the Russian tsars in person).

Viktor Tsoi's great-grandfather carved out the most illustrious military career possible for a peasant in the Russian Empire: he became a *podpraporshchik*, one of the highest ranks a non-commissioned officer could attain. After the revolution, as an ordinary collective farmer, Filimon Gusev was chewed up and spat out by the machine of collectivization. In the 1930s, he was arrested and sent to a forced labour camp, where he died of tuberculosis in 1939.

“Tsoi's great-grandfather fought mostly in China and with great courage. Once the war had ended, in May 1906, Filimon Gusev received the Cross of St. George from Tsar Nicholas II at a military inspection in Peterhof

### BACKGROUND

Viktor Tsoi (21.06.1962–15.08.1990) was a cult Soviet rock musician, the leader of the popular rock group Kino, a poet, a songwriter (lyrics and music), and a film actor. He was born to engineer Robert Tsoi and teacher Valentina Tsoi, whose maiden name was Guseva. He was an only child. He died tragically in a traffic accident: he collided with an Ikarus bus while behind the wheel of his car, a Moskvich-2141, on a highway near Riga in Latvia.

### Paternal lineage: the Korean Tsois

Viktor Tsoi's paternal great-grandfather, Tsoi Yon Nam, was born 13 years after Filimon Gusev, in 1893, and on the other side of the continent, in a Korean fishing village called Songjin on the coast of the Sea of Japan (now the town of Kimchaek in North Korea). However, he left his homeland at an early age, emigrating to Vladivostok with his family in 1907 when he was still a teenager.

This was most certainly not the first wave of Korean migration to Russia, nor would it be the last. In 1860, just after China had officially transferred the Primorsky region to Russia, 5,130 Koreans were already living north of Tumangan, the settlement on the border between China, Korea, and Russia. They immediately received Russian citizenship. In fact, migration from Korea to the Russian Empire and then to the USSR continued almost uninterrupted for 70 years, spanning two centuries, from 1860 to the 1930s. The stimulus for this migration was the incredible shortage of available agricultural land on the Korean Peninsula which could support a family (Korean families tended to be large). In other words, to put it simply, it was hunger and poverty that drove Koreans to emigrate to Russia. They tended to make the journey in the winter, crossing the frozen River Tumangan with their entire extended family, their belongings, and their livestock.



Viktor Tsoi with his father (in the middle), mother (right) and Russian relatives: aunt (standing at the left) and grandparents (sitting)

Picture from R. Tsoi's archive

# VIKTOR TSOI'S two 'blood types'

Photo: Valentin Sklyarov

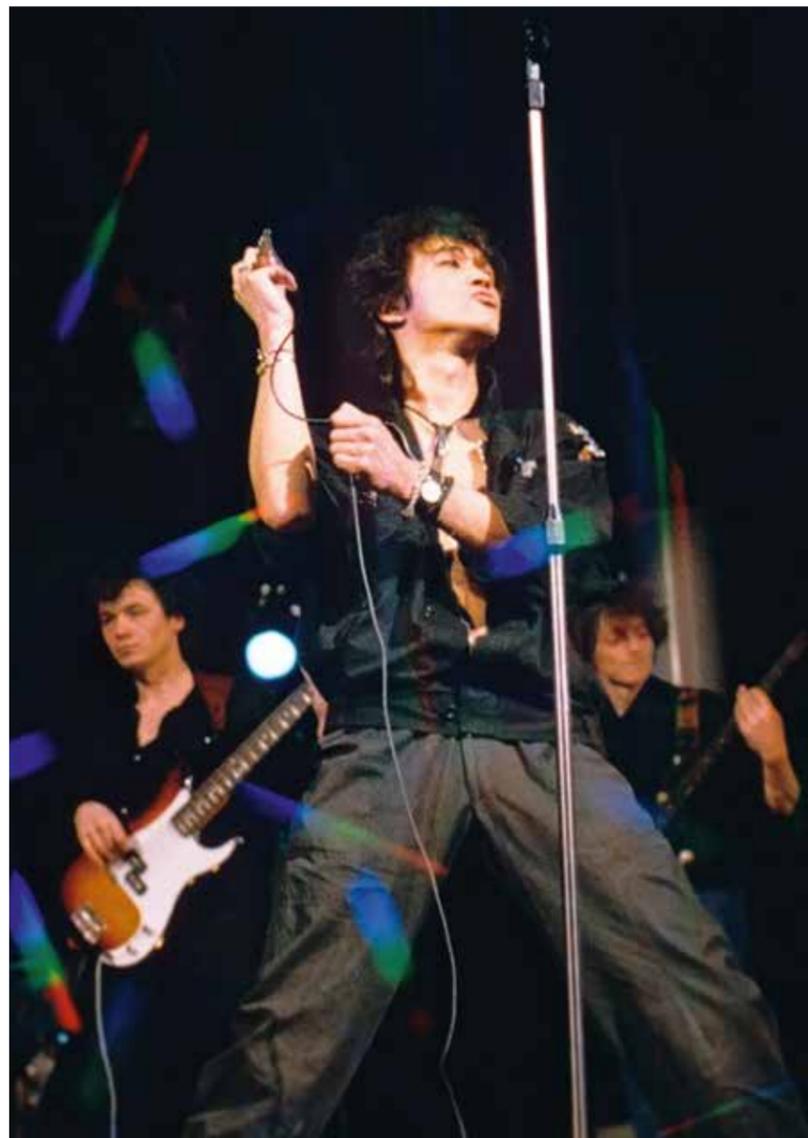


Photo: TAS

Viktor was very charismatic

Most of the migrants worked the fertile and plentiful land of the Russian Far East, but Viktor Tsoi's ancestors settled in a town. At any rate, historian Dmitry Shin, who has conducted the most in-depth study of Viktor Tsoi's genealogy, found a mention of a Tsoi Yon Nam (an unskilled labourer and Buddhist) in a list of Korean families living in Vladivostok in 1913. Viktor Tsoi's great-grandfather was registered as living in the suburb of New Korea in the capital of Primorye, in the modern-day district of Pervaya Rechka, at 13 Seoul Street. Are you surprised by these place names? You shouldn't be. At that time, Vladivostok was a multinational town consisting of a number of suburbs where different ethnic groups had settled. There were two main diasporas.

“ In 1962, they had a son, Viktor, who was to become a shining example of the merging of two families and three cultures: Russian, Korean, and Soviet. Viktor Tsoi has passed into legend as the genius working on the cusp of *perestroika* in the late 1980s who created the youth anthems of the time...

No prizes for guessing what they were, if you consider that they bequeathed names like Beijing, China, Korea, and Seoul to many of the streets and districts of Vladivostok.

Of course, the beginning of the twentieth century was not the easiest time for national diasporas in Vladivostok. Hard, unskilled labour was the lot of most migrants – but they didn't go hungry. At any rate, historians do not know of any cases where large groups of migrants returned to their homeland. Quite the opposite: they started families, had children, and their communities flourished.

**Grandfather: Maksim Petrovich Tsoi**

It was in Vladivostok that Tsoi Yon Nam met a fellow Korean who was already registered under a Russianized name, Anna Vasilyevna Yugay. They married and had two children, including, in 1914, Viktor Tsoi's grandfather, who was given two names, one Korean and one Russian (or almost Russian): Tsoi Syn Jun and Maksim Petrovich Tsoi.

Viktor Tsoi's great-grandfather and great-grandmother both died in 1917. His grandfather Tsoi Syn Jun, however, became a comparatively well-educated and distinguished figure in the new Soviet state, especially considering he was a second-generation migrant. Between 1934 and 1937, he taught the lower classes at School No. 8 in Vladivostok. In this same period, he married Kim Khe Den, another second-generation Korean migrant born in Vladivostok in 1917. One of the things that Viktor Tsoi's grandfather liked about his wife, Viktor's grandmother, was the fact that she sang in a choir (perhaps not too surprising...) which performed during Korean broadcasts on Primorye regional radio.

Incidentally, the school where Maksim Petrovich Tsoi taught became known for its talented former students. During the 1930s, the school's drama group, the Stalin Club, nurtured Yon Senen, a director honoured by the Soviet Socialist Republic of Kazakhstan for his contribution to the arts, and Tsoi Girchun and Li Genkhi, both recognized by the Soviet Socialist Republic of Uzbekistan for their cultural and artistic achievements.

**The Korean deportation**

Many ethnic Koreans attended the school. Why did they all suddenly move away to other regions of the

Soviet Union? In the USSR, before and during the Second World War, various ethnic groups were deported. Ethnic Koreans were first on the list for mass deportation with the aim of moving them further away from unrest at the border, provoked first by tensions between the USSR, Japan, and China, and then by border conflicts. The Soviet leadership considered it dangerous to have 'unreliable peoples' living on what could become the front line – and not without reason. Sources suggest that, by 1926, Korean migrants and their offspring constituted as much as a quarter of the population of Primorye, and were even a majority in some regions. The discovery by the security services of a series of cases where 'Koreans' had spied for Japan also played a role: it was thought that Japanese spies and saboteurs could easily pass as Russian Koreans.

So, on the eve of the military conflicts on Lake Khasan, the entire Korean diaspora in Primorye was sent to the Soviet Socialist Republics of Kazakhstan and Uzbekistan (which, as later became clear, was of benefit to both the workforce and the cultural life of the two republics). This was not the cruellest of deportations, however. Those subject to deportation were given a relocation allowance and permitted to take their property and small livestock with them. If they wished to return to their homeland (and almost nobody did), nobody stood in their way. So, in September and October 1937, 36,000 families, almost 171,000 people, were deported.

The Tsoi family, too, would have been in one of the carriages of the train speeding towards far-off Kazakhstan in 1937. Their second 'Russian' home was the city of Kyzyl-Orda (present-day Kyzylorda). Here, Tsoi Syn Jun graduated from the Kyzyl-Orda Pedagogical Institute.

In 1943, at the height of the war, he found himself an officer in the NKVD, working in counter-intelligence. On the NKVD's orders, he returned to the Far East, and from August 1957 to March 1958, he worked as a senior representative for the security services on Sakhalin, where many ethnic Koreans were living at the time.

Tsoi Syn Jun was awarded the *For the Victory over Germany* medal, while his wife Kim Khe Den received a second-degree Maternity Medal. Together, they raised five children; Viktor's



Photo: TAS

Viktor Tsoi with one of the icons of Leningrad rock club, Boris Grebenshikov

“ Most of the migrants worked the fertile and plentiful land of the Russian Far East, but Viktor Tsoi's ancestors settled in a town. At any rate, historian Dmitry Shin, who has conducted the most in-depth study of Viktor Tsoi's genealogy, found a mention of a Tsoi Yon Nam (an unskilled labourer and Buddhist) in a list of Korean families living in Vladivostok in 1913. Viktor Tsoi's great-grandfather was registered as living in the suburb of New Korea in the capital of Primorye, in the modern-day district of Pervaya Rechka

father, Robert Maksimovich Tsoi, was born in 1938.

**Father: Robert Maksimovich Tsoi**

Robert Tsoi studied in Leningrad, where the Russian and Korean branches of Viktor Tsoi's family tree chanced to intersect.

Viktor Tsoi's maternal grandfather, Vasily Gusev, had moved to Leningrad before the war broke out and survived the siege. He was a labourer born and bred, and worked as a blacksmith at the Young Shock Worker factory.

It was his daughter, Valentina Guseva, who Robert Tsoi happened to meet. In 1962, they had a son, Viktor, who was to become a shining example of the merging of two families and three cultures: Russian, Korean, and Soviet. Viktor Tsoi has passed into legend as the genius working on the cusp of *perestroika* in the late 1980s who created the youth anthems of the time: *Our Hearts Need Change*, *Blood Type*, and dozens of others. His songs remain popular in Russia – and, they say, in his ancestral homeland of Korea. ❁



Gazinsky scored the first goal of the 2018 FIFA World Cup with his head

# How the Far East's Gazinsky made his mark on international football

5: 

The final score as Russia secured a triumphant victory over the Saudi Arabian team in the championship's opening game

Text: Artem LOKALOV

## Encouraged by mum

– Yuri, by scoring the first goal in the first match of the 2018 World Cup, you left your mark on the history of international football. How do you feel about that?

– It was an unforgettable experience! However, it's already history...

– By the way, how did you do in history in school?

– I was a good student until I reached eighth grade. The problems started later, because I started to focus more on

football, and school took a bit of a back seat.

– I'm surprised your mother let football get in the way of school – she's a teacher, isn't she?

– Yes, my mother is a geography and biology teacher. But she always trusted me, and she was the one who got me into football when I was 6 years old. Just to play a sport. There were no plans or dreams of a professional career. When I went outside I would ask if I could play football with the boys in the yard, but they never let me. I was little. So I had to go to football school.

– You grew up without your father?

– Mum and Dad divorced when I was five. Mum did it all by herself, but my sister and I never wanted for anything.

– When a boy grows up without a father, his relationship with his coach becomes especially important, would you agree?

– Probably. My first coach was Tagir Galeev. I'm still in touch with him. During the World Cup we were constantly in touch.

## Remember your roots

– Smena, your first club, will not be playing in the professional league this season. It looks like

professional football is over in your hometown...

– Yes, first there were problems with financing, but they promised to find money for the club. And then the situation in the Vostok group changed. The League suggested that the club be based not in Komsomolsk-on-Amur, but in some other city, in Siberia. But Smena refused. And rightly so. The club plays for its fans, in their city. What's the point of players from Komsomolsk-on-Amur living and training in Tomsk or Novosibirsk?

– Do you help the Smena football school?

– You have to remember your roots. I help pay for equipment, flights, and travel. Going to competitions is especially important for Far Eastern teams.

– Recently you helped with the installation of a memorial plaque to Nikolai Starostin in Komsomolsk. The Spartak legend played here for a spell and served as a coach from 1945 to 1952. But you never played for Spartak...

– They shot a movie about Starostin in Komsomolsk, and they mentioned me in it. When his sister was interviewed, they started talking about the plaque. That's how I learned about it. There was no talk of sponsorship. I just asked how much they needed and helped out.

– Has it been a while since you've been back?

– I haven't been back in three years. After my daughter was born, there was no time. Now I see my Far Eastern friends in Krasnodar.

## Thanks to everyone for believing in us

– I heard you invited Sergey Ignashevich out here?

– We talked and I told him what there is to see and do here. Hunting, fishing, skiing...

– Ignashevich is ten years older than you. Why was it that, out of everyone on the team, you became friends with him?

– In general, I hang out with everyone. But I feel comfortable with Sergey. We talk about the games and just about life.

– There's a video of people in Khabarovsk watching the first match of the Russian national team at the World Cup in the early hours of the morning, local time, in the pouring rain. They ignored the downpour and celebrated the victory, standing knee-high in water. What kind of people live in the Far East?

– People are the same everywhere. It's just that the people there love football too, but they have fewer opportunities. It's not easy to travel to the cities where the World Cup matches were held and watch it live. But they rooted for the team, like everywhere else.

– And before that were you offended by the criticism from the same people or from journalists?

– Right before the World Cup, Artem Dzyuba said: "Before you bury us, first let

## BACKGROUND



Yuri Gazinsky is a midfielder for the Russian national football team. He was born on 20 July 1989 in Komsomolsk-on-Amur in the Russian Far East. He played in Russia's Second Division for local club Smena, followed by stints with Luch-Energiya Vladivostok and Torpedo Moscow. He now plays for Krasnodar. Gazinsky married Alexandra Ivanova, stylist for the TV show *Fashionable Sentence* in 2015, and in 2016 they had a daughter.

On 14 June 2018, Yuri scored the first goal in the game between Russia and Saudi Arabia, the first goal in the World Cup championship.

us play!" We understood that we needed results. But his absence from friendly matches was no excuse to talk and write nonsense about us. We know ourselves when things aren't going well. You have to be more patient with our game. We are people, not robots.

– You mentioned Dzyuba. He was particularly eloquent, both before and during the World Cup. Remember, before the penalty shoot-out against Croatia, he shouted to you all "I love you! I'm proud of you!"

– Of course I remember. Only there was no time to respond or to be surprised. All we could think about were the penalties.

– Fedor Smolov, your teammate from Krasnodar, failed to find the net with his penalty shot...

– The greats didn't score penalties either. Don't pin it all on Fedor.

– He was considered the most important striker on the team before the World Cup, but in the end you scored more than him.

– Fedor knows he didn't play how he would have liked to or how he was expected to. He's a strong guy and a strong footballer. He'll sort it out in the future.

– After your loss to Croatia, the whole team travelled to Sparrow Hills to meet the fans. Some players addressed the people from a podium. What would you have said if you'd been given the microphone?

– I would have thanked everyone for believing in us and for coming together to root for us. Thanks to them, it turned out to be the best tournament for Russia. 🌸



1-0! Russia leads the game! The moment of delight



RUSSIA heads towards Crimea

# Fedor Konyukhov wants TO RAISE RUSSIA 25 KM INTO THE AIR

The well-known explorer and traveller intends to soar into the stratosphere in the enormous RUSSIA hot air balloon and set a new world record.

Text: Vladislav YASHKIN  
Director of Fedor Konyukhov's Green Planet Charitable Foundation

## Who currently holds the record?

The current world record height for a hot air balloon was set in 2005 by the 67-year-old Indian pilot and businessman Vijaypat Singhania. He took off in Mumbai and reached a height of 21,027 metres in his balloon. Russian Fedor Konyukhov intends to beat that achievement by 4,000 metres!

## Whose idea was the project and how is it being taken forward?

The idea of a stratospheric flight came from the renowned Russian traveller and explorer Fedor Konyukhov. The 'Raise Russia' project is bringing together innovative Russian and foreign companies which are leaders in their fields. Specialists from Britain, Belgium, the Netherlands, Russia, the USA, and France are working on the construction of the huge air balloon.

The project is being led by Fedor Konyukhov's Green Planet Charitable

Foundation as part of the international megaproject 'Russia in Search of Ideas', run by the Archbishop Luka of Crimea Charitable Foundation with support from the Presidential Grants Foundation.

## What other aims does the project have?

The sporting aim is obvious: to reach a height of 25 kilometres and beat the world record for a hot air balloon ascent. As far as the scientific research aims are concerned, they are wide-ranging: from the study of noctilucent clouds to determining the effect of humidity in the stratosphere on weather conditions in the surface layers of the atmosphere and the possibility of restoring the ozone layer. To date, the stratosphere has been insufficiently studied. This is because helium probes, which are launched in great numbers, are at maximum heights for a very short time, while for thorough scientific research the balloon has to be at the necessary point at a given height for as long as possible.

## How is the RUSSIA hot air balloon, the largest in the world, being constructed?

An experimental prototype of this balloon with a capacity of 4,000 cubic metres was designed and constructed in Russia at the RUSBAL Research and Production Enterprise.

The unique balloon for the record flight has been commissioned from the British company Cameron Balloons. Its envelope with a capacity of 100,000 cubic metres will be the largest hot air balloon envelope in the history of world aeronautics. By way of comparison, the envelope of the RUSSIA balloon is ten times the size of the balloon in which Fedor Konyukhov and Ivan Menyailo set the world record for the longest flight – 55 hours. About eight kilometres (!) of a special fabric and 40 kilometres of thread will be used to make this gigantic envelope.

## Why is such an enormous envelope necessary?

The larger the volume of the hot air balloon, the higher it can go. For example, the Indian balloonist needed an envelope with a capacity of 65,000 cubic metres to reach a height of 21 kilometres. To reach 25 kilometres will require a balloon with a capacity of 100,000 cubic metres. Of course, it must have some unique features to enable it to fly into the stratosphere. It needs a special gondola: a hermetically sealed construction that will endure substantial reductions in pressure in order to create a liveable environment for the pilot. It needs special burners which operate in a particularly rarefied atmosphere where the oxygen content is no more than 1%.

The huge RUSSIA hot air balloon is similar to its smaller prototype in appearance only. In other respects it is massive-

## FIRST PERSON

### Fedor Konyukhov, traveller: The gondola's capsule is equipped just like a submarine

I have already seen the capsule in which I will fly. It is pressurized and will be filled with air, so I won't be wearing an oxygen mask. The capsule is equipped like a submarine.



Prototype of the RUSSIA hot air balloon

ly different, as each element has its own purpose in helping to achieve the overall aim – 'To Raise Russia'.

## How is the safety of the pilot ensured?

On the whole, a hot air balloon is one of the safest types of aircraft. However, taking into account the specifics of this record-breaking flight, in the event of a departure from the normal mode of operation a parachute system similar to those used in space-ships is in place. There is also a shock absorption system in the event of a hard landing. The pilot's capsule is also equipped for landing on water – in that case it operates like a hermetically sealed life raft.

## Where will the test flights take place?

The first flight of the RUSSIA balloon's predecessor was over the Kerch Strait, just before the opening of the Crimean Bridge, as a symbol of the physical joining of Crimea with mainland Russia. That flight did not reach any great height – just 300 metres above sea level, but the actual maximum height for that balloon is around 8,000 metres.

The balloon will also carry out flights in a number of key locations, both inside Russia and beyond. Flights are planned over Mount Elbrus (and later over Mont Blanc) and over Lake Baikal. And during the Eastern Economic Forum, the balloon will fly from Russky Island to the mainland part of Vladivostok. 🌸

“ During the Eastern Economic Forum, the balloon will fly from Russky Island to the mainland part of Vladivostok



Fedor Konyukhov inspects the gondola in which he will climb to 82,000 feet

# RAISE THE SAILS AND TAKE A PICTURE!

Several regattas will be held during the Eastern Economic Forum in Vladivostok. These include the Tallship Race, a class-A sailboat race in which multi-mast vessels from Russia, Japan, Vietnam, Indonesia, and South Korea will compete. Each Forum participant will have the chance to appreciate their majesty at the exposition, which will be presented by Russia's best marine photographers. Photography guru Yury Maslyaev shares the secrets of his trade with EEF Magazine.



Yury Maslyaev,  
marine photographer

Text: Dmitry KRYUKOV

## The sea was created by God, and sailboats by a God-given gift

The most frequent question Yury is asked at his seascape photography master classes is "How do you take such cool pictures?"

"I spend seven months at sea", he answers jokingly. Of course, experience and good optical equipment are important, but as Maslyaev notes with his usual irony, "there's a grain of a joke in every joke", and, to shoot sailboats like him, you have to love the sea and be a sailor yourself.

Yury fell in love with marine photography about 30 years ago when he was sent by the magazine *Around the World* to Petrozavodsk to photograph local craftsmen making replicas of ancient sailboats (*kochs*) from the White Sea coast. Then he sailed them himself along the Volga.

In 1992 Maslyaev ended up in Genoa, Italy, where the Atlantic regatta was launched on the 500th anniversary of the discovery of America. Seeing all the multi-mast sailboats lined up, Maslyaev instantly used up all the film he had.



Sedov barque, Russia



Krusenstern Barque

Yury Maslyaev

Yury Maslyaev

Since then he has made three voyages around the world, made the switch to digital (although he has still not completely abandoned good old film), and infected fellow photographers Alexander Klimet and Alexander Alyakrinsky with his love of seascapes. Three years ago, they formed the Marine Photographic Collection.

As Maslyaev explains, their creative manifesto is: “The sea was created by God and sailboats by a God-given gift. Our task is to show this beauty using classical photography.”

Most often, they photograph sailboats during regattas. To get the right shot, you have to sit in a boat watching the flotilla for hours and then, quickly, 15–20 minutes before it goes out into the open sea, shoot as much as you can.

It’s not easy. For example, in a storm, when even the crew dares not venture on deck, the photographer captures the fury and power of the elements. That’s the job, even if it means tying yourself to the mast...

**Pass from Nikolskaya Ulitsa in Moscow to Russky Island**

The first exhibition of the Marine Photographic Collection, ‘Aristocrats



Sailing tackle geometry

Yury Maslyaev

of the Seas’, opened in late 2016 in Moscow at the Red October Art Centre. The following year, 14 photo exhibitions were held, visited by more than 200,000 people. The works were exhibited at the Central Naval Museum of the Ministry of Defence of the Russian Federation in St. Petersburg. The exhibition was opened by Commander-in-Chief of the Russian Navy Admiral Vladimir Korolev. Appreciating their artistic value, the museum acquired the photographs for its collection.

In 2018, works by the Marine Photographic Collection were shown in Spain, at the Russian House in Barcelona and at the Teatre Tarragona. The *Kruzenshtern* barque was brought in especially for the opening of the exposition in Barcelona.

The most notable exposition was ‘The Sails of Russia: Between the Past and the Future...’ exhibition, which opened at the height of the World Cup on Nikolskaya Ulitsa, the favoured hangout spot for football fans in Moscow. In September, the Marine Photographic Collection exposition can be seen during the Eastern Economic Forum on the campus of the Far Eastern Federal University. 🌸



Pomorsky Kizh regatta of traditional vessels

Alexander Klimet



‘When *Kruzenshtern* sails make noise over my head’

Yury Maslyaev



*Kaivo Maru II* sailing ship, Japan

Yury Maslyaev

MARITIME BROTHERHOOD

**The prestigious regatta will be attended by sailboats from Russia, Japan, the Republic of Korea and Indonesia**

In September 2018, Vladivostok will welcome participants in an international sailing regatta for the first time. Ships from Russia, Japan, China, South Korea, and other countries will be taking part in the SCF Far East Tall Ships Regatta 2018, the slogan of which is ‘Maritime Brotherhood and Cooperation’.

The competition is one of the events organized as part of the Year of Russia in Japan and the Year of Japan in Russia. The arrival of the ships in Vladivostok is timed to coincide with the Fourth Eastern Economic Forum (EEF): the race will begin in the town of Yeosu in South Korea on 1 September, and end at the Russian port on 8 September. The ships will then be moored in Vladivostok for a week, until 14 September. During this time, a series of events connected with the regatta will take place across the city: local residents will have the chance to board the ships, watch the crews battle it out in sports competitions, visit the ‘Sea Village’, enjoy the

festive Parade of Sails, and, of course, watch the winners of this prestigious race receive their awards.

Six tall ships will be taking part in the regatta: the Russian ships *Nadezhda* and *Pallada* will be joined by Japan’s *Kaivo Maru* and *Ami*, the *Koreana* from South Korea, and the *Bima Suci* from Indonesia, as well as around 15 Class C and D cruising yachts from South Korea, China, South Africa, and Russia.

Traditionally, international sailing regattas are held under the patronage of the heads of participating states. The main aims of the regatta are to stimulate interest in maritime careers among young people, promote a healthy lifestyle, support maritime education, and develop international cooperation and neighbourly relations in the Asia-Pacific region.

The regatta is being organized by Sail Training International and Russia’s Sail Training Association. The principal sponsor is Sovcomflot, Russia’s largest

maritime shipping company. All the events held during the regatta are supported by the Russian Ministry of Transport and regional and municipal councils with the participation of various maritime organizations.

During EEF, a traditional Roscongress Cup regatta in Platu 25 class will take place for the third time on September 12-13 in Ayaks Bay. The competition will feature the best professionals of the Far East and other Russian regions. Among 14 teams there will be Roscongress yacht headed by Sergey Bryuzga. The path will be located in front of the campus quay of the Far Eastern Federal University, rather close to the shore so that the guests of the Forum can enjoy the competition.

All Platu 25 yachts bear symbolic names of Russian and foreign rock bands and are based at Russia’s most famous yacht club, Seven Feet, headed by Vice President of the All-Russian Sailing Federation and the Club Commander, Mikhail Yermakov.

“ **Russia, Queen of the Seas**

The era when the might of a naval power was determined by the strength of its sailing fleet has long passed, but sailboats themselves have been carefully preserved to this day. Moreover, Russia possesses the world’s largest state sailing fleet, with six vessels: *Kruzenshtern*, *Sedov*, *Nadezhda*, *Pallada*, *Mir*, and *Khersones*.



The *Sedov* against the light of the setting sun

Yury Maslyaev



Start of the Black Sea regatta

Yury Maslyaev



# Responsible business means responsible marketing



Valery Schapov,  
President, Mars Russia

The world is about to change even faster. The pace of digitization, increasing life expectancy and other global trends is accelerating, requiring a different level of corporate responsibility in solving humankind's critical problems.

## Approach to using resources of our planet

Mars is a family-owned business with more than a century of history operating worldwide and now a quarter-century in Russia. We are committed to investing in growth of our associates and in the economies of the countries where Mars operates. In order to implement these long-term plans, a steady basis must be established. An environment must be created in which people will continue to take care of their pets, care about dental health, cook, and enjoy the taste of chocolate.

The only way to achieve this is to change our approach to using the plan-

et's resources and to supporting people. One objective of Mars's global 'Sustainable in a Generation' plan is 'Nourishing Wellbeing'. As a part of the initiative, we strive to create innovations and develop marketing models which help millions of people and their pets live healthier and happy lives. The objective is to continue our efforts in the area of food safety and responsible marketing.

Many Mars initiatives have global coverage. For instance, joining efforts with the United Nations Development Programme (UNDP), Mars became a co-founder of The Lion's Share foundation, which will unite many leading com-

panies. We were the first to assume an obligation to transfer 0.5% of our global spend on advertisements where images of animals are used, to support projects to protect wildlife species in their habitats. According to the statistics, approx. 20% of advertisements globally use photographs and videos of wild animals, while 90% of the most popular wildlife species are at risk of extinction.

## Power of love for pets

Non-profit organizations are often among our partners in implementing responsible marketing projects. Cooperation with professionals ensures a greater social impact. In 2016, Mars, represented by the brand Pedigree, and the Charitable Foundation Downside Up conducted Russia's first study of occupational orientations of young men with Down's syndrome, in which they were taught to work with dogs. We were able to convince society that people with Down's syndrome (nearly 2,500 "sun babies" are born in Russia annually) can achieve success in occupations requiring interaction with pets, particularly at pet kennels. Such projects help change attitudes in society and, above all, among employers to recruiting young men with Down's syndrome.

Another initiative associated with building responsibility in children is the educational project called '1st Grade'. This Russian initiative received an award at the International Festival of Creativity, Cannes Lions 2018. The objective of the project was to help adults understand whether their children were ready to adopt a dog or not; and young participants learn how to be responsible. We carried out a 5-week course for students of a Moscow school and shot a movie based on its results. Then, we also published an online interactive course '1st Grade' on the web-site Дневник.ру. In this way, the course was made available to 7 million children and their parents. The project results exceeded our expectations! The most amazing fact was that we received many messages from grown-ups saying they were prepared to take such a course!

## Responsible generation

There is no doubt that the word 'responsibility' does not relate to domestic animals alone. Two years ago, a Wrigley environmental programme called 'Clean City Starts With You' was launched at schools in St. Petersburg, Ulyanovsk, Sochi and Moscow Region. The programme's objective is to make the behavior of the rising generation more responsible with

regard to waste. The programme is based on eco-classes for children in the second to fourth grades, which were prepared with support from experts in the field of education. The explicit plan of lessons helps teachers cultivate in students, quickly and informatively, a careful attitude to nature, and teach them how to be more responsible. In 2016, the programme was recognized as the winner of a contest of environmental projects by the St. Petersburg International Business Association in the 'Best Environmental Volunteer Project' category.

The expertise accumulated by the company means that we can develop initiatives that are useful to society, first of all in the area of education. A good example is the 'Kids Smile Russia' project which, since 2017, has been implemented together with the Russian Dental Association with support from the Wrigley Company Foundation. Children obtain free dental treatment and take part in educational master classes on oral care. The programme is intended to present a healthy smile to poor children, those living in multi-child families and in families in challenging situations, where parents have been left unemployed or the children are being brought up by a single parent, and in families with disabled children. During its first year, the programme was held in Chelyabinsk, Lipetsk and Vladivo-

stok, and by the end of 2018, it will cover three more cities in Russia.

## Healthy habits

Another example in the pet care business is the Royal Canin public awareness campaign. The brand used professional knowledge to launch a project promoting clinical checkups for pets. During autumn 2017, mobile vet stations were introduced in six Russian cities. Cat and dog owners in Moscow, St. Petersburg, Rostov, Krasnodar, Perm and Yekaterinburg could come with their pets to take advantage of free checkups and consultations from professional vets. In total, physicians examined more than 13,000 dogs and cats. It was determined that 45% of pets have problems with health that require diagnostics or therapy.

## Essentials of communication

These are a few of examples of social projects which have been implemented by Mars in Russia and globally. How about our standard marketing communications? We realize that advertising is a powerful tool for communication with our consumers. That is why we have developed and implemented a strict marketing code committing to over 50 voluntary obligations. In particular, Mars does not target our advertisements to kids under the age of 12.

We realize the important role food producers can play in resolving truly

global problems that are relevant to people around the world, such as obesity. We believe in a complex approach: we change recipes, reduce recommended portions and offer a range of products for people who follow a healthy lifestyle.

All of our food product packaging indicated the recommended GDA (Guideline Daily Amount). This is one of the best methods to help people make rational consumption choices. Our company always informs consumers on how to stick to a balanced diet using our products.

Businesses are interested in sustainable growth and wellness of people. Without this, no company will have a future, irrespective of where it specializes. I am confident that by taking the right action and encouraging all participants of the supply chain and consumers to act responsibly, we can make our world better together. 🌱

“ We realize the important role food producers can play in resolving truly global problems that are relevant to people around the world, such as obesity



People with Down's syndrome can achieve success in occupations requiring interaction with pets, particularly at pet kennels



# Rediscovering cognac

Cognac may be enjoyed on its own, or with ice. At an informal meeting with business partners, or at a cocktail party. The experience of several generations of the Hennessy cognac house proves that it's always worth being bold enough to experiment.

Text: Anton OBREZCHIKOV

## Royal ice

Cognac is one of the most exquisite representatives of the matured spirit family. The best cognacs are often synonymous with great style, and are classed in the category of expensive and very expensive hand-made goods. Perhaps that is the reason why cognac is often perceived as a 'mature' drink, requiring rituals and an extremely meditative attitude, similar, in a way, to the process of smoking large cigars: you have to devote at least an hour to it, whether you like it or not. To some extent, this is true, especially when it comes to old releases, whose ages are calculated in decades. The process of fully developing their bouquets can require a substantial amount of time. And yet this does not mean that there is no place in the world of cognac for different views and innovations.

It is believed that the cold harms cognac, and attempts to cool it strongly are considered by many to be bad form. The main argument of those who argue against cooling is that it robs the bouquet of its flavours. So it may seem all the more strange that the Hennessy cognac house promotes sales of its XO cognac (which is more prestigious than its main VS or VSOP cognacs) using a large ice cube. In fact, this original technical solution delivers 'gentle' cooling, and the process of consuming the cognac is truly unusual from a visual point of view.

The main advantage of a large, clear cube of ice, the so-called King Ice Cube, is not even that it looks very impressive, but rather that it melts very slowly, which, on the one hand, maintains the desired 'aperitif' temperature, and, on the other, despite the ice in the glass,

still allows the texture of the cognac itself to be felt, which is, fundamentally, the main reason behind it all. This ice enables the drinker to prolong the release of the taste and aroma of the cognac: as the ice melts, powerful notes of oak and spices will smoothly give way to subtle notes of flowers and ripe fruits.

The fact that a little water gets into the cognac is no cause for concern. If you talk to professional tasters of strong alcohol, you will learn that water in small amounts softens the bouquet of matured spirits, and the tasters take full advantage of this. If you are still doubting whether you should really put ice in your cognac, then you should know that in fact, a much worse crime with regards to this drink is to warm it up.

Stands with special candles are still being developed: some believe that these may help to reveal the flavours. The reality is that a good cognac does not need extra heat to release its flavours; even the heat of one's hands is superfluous, never mind a naked flame.

## A gastronomic pair

Another important trend when it comes to cognac is that it is increasingly being enjoyed as more than a digestif. Cognac served with ice in this way can be an excellent option for a more refined alternative to a cocktail, especially when you are officially invited to a cocktail party, experts at Moët Hennessy say. And cocktails featuring cognac are, ultimately, a very serious matter: the first recipes for cognac punches date back to the eighteenth century. Cognac with ice also makes a wonderful aperitif. Developing the theme of digestifs, which implies, for example, drinking with cheeses or desserts, cognac is also a great candidate for pairing with food.

Cognac is an elegant drink with a complex aromatic profile, so it can be matched with a very wide variety of

gastronomic partners. Ageing in oak barrels adds flavours of vanilla, caramel, and caviar, and spices such as cinnamon, cloves, ginger, pepper, and allspice, to its bouquet. A long period of maturing adds a note of dried fruits, such as figs, dates, and prunes, and also hazelnuts, almonds, and flowers. The taste of cognac can be more or less mineral, depending on which part of the Cognac AOC it was made in. Properly conducted distillation can create an ideal balance of fruitiness and acidity in the taste. In short, there is no reason why we cannot combine cognac with food.

The secret to choosing the right combinations is not to let the strength of the alcohol obliterate the taste, and to find the right marriage of aromas and flavours in the cognac and the food. For this reason, many possible combinations involve products or dishes with a complex or vivid taste. The best examples in this regard are foie gras, pâtés, and other dishes with a deep, rich texture. The acidity and minerality of cognac will add a freshness to the 'heavy' taste of such foods.

Another option is to start from the earthy notes of the bouquet, and then the best pairing will be dishes based on mushrooms, including truffles. Due to its flawless balance of fruity notes and acidity, cognac can be a perfect accompaniment to raw or nearly-raw seafood – oysters, lobsters, sea urchins, and almost all types of molluscs, which is especially important in Vladivostok, where the cuisine is famous for its abundance of marine life. Cognac can also be an exceptional choice to enjoy with sushi and sashimi, or it can perfectly complement Asian dishes, infused with the complex aromas of spices. This may explain why the demand for good cognac in China and other Asian countries is growing steadily. 🌸



In the photo: A lion's mane jellyfish (*Cyanea capillata*, *Cyanea arctica*)  
Photo location: **On the shores of Nedorazumeniya Island in the western part of Taiu Bay (Magadan Region)**  
Photographer: **ALEXEY VORON**  
A distinctive wildlife photographer (including underwater wildlife) from Magadan Region; an explorer, free diver, and blogger



An underwater robot of the Far Eastern Federal University is tested in a pool

# 12 technologies of the future

## The university as a regional economic powerhouse

Text: Alexander ZVEREV and Maria LUKINA

The Far Eastern Federal University (FEFU) was formed by the merger of the four biggest higher education institutions in the Russian Far East, the oldest of which, the Eastern Institute, was founded in 1889. Today, the FEFU is the main centre for the development of science and technology in the region.

### Rusky Technopark

Scientific research at the FEFU takes place across nine different schools equipped with the latest research laboratories. One of the university's key priorities is to forge a better connection between science and the real sector of the economy. That is the goal of the Rusky Technopark, located on the FEFU site.

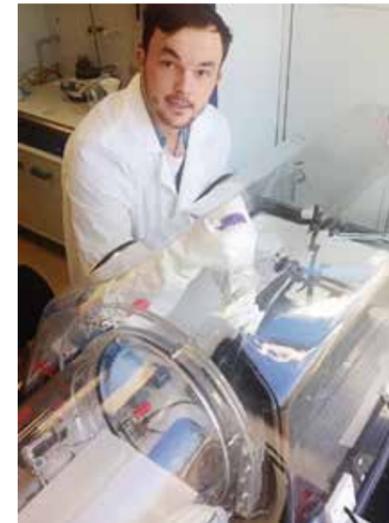
### The synchrotron of the future

In the coming years, Russky Island will become home to a synchrotron with a source of terahertz radiation. The machine will help tackle challenges in biology, quantum materials, and ultra-high speed information processing. The synchrotron will also allow researchers to examine the structure of new biopolymers discovered during studies of deep-sea organisms. This will help resolve issues in pharmacology and medicine, including oncology.

### A unique chocolate with ginseng and... gold?

FEFU researchers are taking advantage of the biodiversity of the Russian Far East to develop a fundamentally new natural product using a green technol-

“ 23,000 undergraduate and around 500 graduate students are enrolled at the FEFU. In 2018, 84 young scientists completed their graduate studies at the FEFU. Some of them already have made notable achievements in theoretical physics, biotechnology, engineering, information security, and radiation safety



Nanotechnologies are very important

ogy called supercritical fluid extraction (SFE) for the food, pharmaceuticals, and cosmetics industries. Carbon dioxide is used for the extraction process, with no organic solvents.

In the FEFU's Nanotechnology Research and Education Centre, active SFE experiments are underway which have already obtained extracts of ginseng, Amur cork, eleutherococcus, and more.

These new extracts have already been used to prepare sample batches of healthy products. For example, chocolate with ginseng and... gold, which has adaptogenic properties.

Public interest was also piqued by 'nanochocolate' supplemented with seaweed, as well as innovative en-

### FIRST PERSON

#### FEFU Rector Nikita Anisimov

"The Technopark is a mechanism for collaboration between business, education, science, government bodies, and the consumers of new technologies. Technoparks are built at universities for a reason. They provide a space where major companies can open research offices and students and scientists can locate their startups. Technoparks make it easier for them to collaborate with different foundations, development institutes, and outside parties that help new companies enter the global market. In 2017, the Technological Entrepreneurship Support Foundation was also created at the FEFU. Its objective is to gather together young entrepreneurs, while serving as a buffer between them and the bureaucratic machinery that is often set up in a way that can crush new startups without even noticing. We will be helping successful startups to enter promising global markets, including in the Asia-Pacific region.

hanced mayonnaises, marmalades, and jellies using Far Eastern ingredients.

At the DalAgro exhibition in March 2018, the School of Biomedicine showcased its achievements in food product technology. There was bread with scallops, a dessert made of actinidia, muesli with chaga mushroom extract, sausages with kelp, mayonnaise dress-



Roman Savin

Marmalades and jellied desserts made from an infusion of kelp with additives made of Far Eastern berries

ing enriched with carotenoids from ocean molluscs, bread enhanced with green seaweed, gluten-free baked goods, meat spreads, marmalades and jellied desserts made from an infusion of kelp with additives made of Far Eastern berries and an extract of the fruit of the Manchurian walnut, and more.

Food made with sea organism extracts helps to counter diabetes and pre-diabetes, lowering cholesterol. The use of extracts of Far Eastern plants and sea organisms in food production technology is protected by patents in the Russian Federation. Manufacturing standards that allow the manufacturing of these products in production-line conditions have been developed.

### New prostheses and exoskeletons

The Neurostart cluster is home to a new team developing neuro-engineering solutions. Artur Biktimirov, the FEFU Medical Centre neurosurgeon who is the mastermind behind the project, notes that future engineers and doctors have already created a functional bionic prosthetic foot and calf, an exoskeleton for the upper extremities for rehabilitative use and a system for sensitizing it, a programme for monitoring the condition of patients with Parkinson's disease, myographic data transmitters, implanted neurostimulators, and other promising inventions. The developers are led by a team of students who consult with doctors, engineers, and people dealing with health challenges.

### Battling stress

FEFU master's student Sergey Vasiltsov proposed using neurobiological feedback technology (NFB) to reduce stress. His work is based on a simple principle: an encephalograph records indicators from areas of the brain cortex responsible for concentration, self-control, and discus-



Chocolate with ginseng and... gold has adaptogenic properties



The students have already created a functional bionic prosthetic foot and calf, an exoskeleton for the upper extremities for rehabilitative use and a system for sensitizing it

sive reasoning. At the same time, the sound of rain is played through headphones. The higher the volume of worries, streams of thought, and stress, the louder the sound plays. The subject's task is to subdue his or her emotions, calm down, and reduce the volume in the headphones. Feedback enhances the subject's ability to manage stress independently. This invention can help people to train their own minds. Initial testing revealed that 15 days of daily exercises yield reliable results. After the test, all participants in the experiment reported feeling better about themselves, and experiencing a lower overall stress level.

**Research to fight cancer**

Maria Sidorova, a master's student at the FEFU School of Natural Sciences, developed a new way to synthesize organic ocean substances that fight tumours. Developing this method will allow scientists to obtain formerly unavailable compounds and study their biological potency, and may lead to the invention of next-generation medicines.

Scientists at the natural compounds synthesis laboratory are also studying the interaction of biologically active alkaloids and therapeutic targets, using computer modelling, and they are working to purposefully synthesize the most promising compounds for additional biological testing. This research may result in a new generation of medicines, including cancer drugs.

**Discovering new deep-sea organisms**

As a result of the 2016 *KuramBio II* expedition, scientists discovered almost 500 new species of previously unknown deep-sea organisms. Scientists from the FEFU School of Natural Sciences and the Far Eastern Branch of the Russian Academy of Science are studying macro- and micro-organisms from samples taken near the Kuril-Kamchatka Trench at a depth of 9,500 metres.

**Cleaning up radioactive waste and processing waste from coal combustion**

FEFU scientists have developed new nanostructured sorbents from natu-

ral materials, which will help clean up waste products generated during the repair and operation of nuclear-powered ships.

The use of nanotechnology is an important technique: when creating the sorbents, an extremely thin film forms on their surface, making them better able to purify liquids containing petroleum products.

The FEFU has developed techniques for the comprehensive recycling of bottom ash waste from power plants. Some of the products obtained from waste materials at Vladivostok and Khabarovsk power plants include purified blast-furnace slag sand and pelletized unburned carbon.

**Micro-particles in internal combustion engine exhaust gases**

When internal combustion engines run, they generate exhaust gases containing 200 different chemical compounds. A majority of those are toxic and carcinogenic to living organisms.

Pollution from the products of exhaust gases leads to increases in a whole array of respiratory illnesses, diseases of the circulatory system, and cancers.

FEFU scientists, under the leadership of prominent European toxicologist Aristides Tsatsakis, are doing experimental research on the impact of solid particles from exhaust gases on the biocenosis of the modern-day city.

They have discovered that exhaust gases from new vehicles with minimal mileage are the source of a large quantity of metallic micro- and nano-parti-



FEFU students developed a rotary windmill with a vertical axis, which can serve as a local source of electricity in a city or remote area

Roman Savin



Sound travelling under ice acts peculiarly: the signals change significantly, and there is powerful reverberation off the ice and the sea floor



Roman Savin

The experiment has utilized a pneumatic underwater acoustic projector

cles. This is caused by the grinding of engine parts and components, and by the use of catalyst systems.

Government support is extremely important to research such as this. Studying these problems will be the key to understanding future directions of development for automotive technology and will help us understand how best to use legislative tools to protect the environment.

**Rectifying environmental damage in Golden Horn Bay**

The FEFU is running a comprehensive programme to rectify the environmental damage that has built up in Golden Horn Bay in Vladivostok. To search for sunken ships and their wreckage, and for underwater cable lines placed on the surface and the near-bottom layer of the bay floor, FEFU scientists and staff worked to conduct a marine magnetic survey. Its results have already been used to generate a digital model of the floor of the bay, chart its depths, and create sonar sea-floor imagery. Eight underwater objects have been identified that require inspection by divers. Moorings and coastlines have also been examined, and 3D models made of sites that have suffered environmental damage.

**Zero-waste sewage runoff processing**

Methods currently used to sanitize sewage runoff require a great deal of space for sanitation equipment and processing sludge. This kind of sanitation equipment is expensive and has an adverse impact on the envi-

ronment. At the FEFU, engineers are developing a biogas unit to process sewage runoff using a combination of technologies for high-temperature liquid-phase oxidation and anaerobic fermentation. The unit can be used for sewage sanitation both in individual homes and entire municipalities. It produces highly valuable outputs: a biogas that can be transformed into electricity or thermal energy and water-soluble humates for agricultural use.

“FEFU scientists are developing the world's first sub-ice communications lines with colleagues from Harbin Engineering University. The project has special significance for oil and gas exploration and drilling in the Arctic

**Robotics and a windmill**

In 2017, a robotics team from the FEFU and the Far Eastern Branch of the Russian Academy of Sciences took second place in the International RoboSub Competition in San Diego. The FEFU students' unmanned craft can move in five degrees of freedom and even do a somersault. The FEFU team has won

prizes every year since 2012 in the autonomous robots category at RoboSub tournaments and at the Singapore AUV Challenge championships.

FEFU students developed a rotary windmill with a vertical axis, which can serve as a local source of electricity in a city or remote area. The windmill can operate in extreme climatic conditions in the Arctic. At a wind speed of 10 m/sec., the finished windmill has a capacity of 2,500 watts, and operates at wind speeds from 2.5 m/sec to 40 m/sec. It works with wind coming from any direction, and stays operational during gusting winds, storms, and hurricanes.

**Under-ice communications for the Arctic**

FEFU scientists are developing the world's first sub-ice communications lines with colleagues from Harbin Engineering University. The project has special significance for oil and gas exploration and drilling in the Arctic.

“Sound travelling under ice acts peculiarly: the signals change significantly, and there is powerful reverberation off the ice and the sea floor. In combining the physical methodologies of the Russian researchers with techniques for information processing from our Chinese colleagues, we will be able to make a breakthrough in Arctic exploration”, says Professor Vladimir Korochentsev, who is Head of the FEFU School of Engineering and the experiment's director.

The experiment has utilized a pneumatic underwater acoustic projector developed by Engineering School scientists which emits sound waves that spread through the water and the ice, as well as lensed reception antennae. ❁

Alexander Galitsky,  
founder of Diamond Capital:

# “Ideas themselves are worth very little”

One of the key themes of EEF 2018 is the digital economy. **Alexander Galitsky, founder of venture fund Almaz Capital** and one of the best-known entrepreneurs in the Russian IT industry, discusses whether it has become more difficult for Russian companies to break into the international market, the culture of buying innovation in Russia, and why blockchain is the future.



Text: Irina LI

– **What difficulties do Russian startups experience in accessing the global market?**

– All companies have the same difficulties, no matter which country they come from. You have to position yourself correctly and, most importantly, not make any mistakes when it comes to key people. That’s why networking in person at various forums and conferences is so important. You cannot trust the job of creating your team to artificial intelligence. Of course a robot can find potential candidates for jobs like cashiers or retail salespeople. But when specialists are required for leading posts you need to carry out a ‘manual search’ among a trusted pool. Even then you have to take into account the specific nature of each market. When we were looking for people for the American office of one of our companies Lev

Sheremetyev, a descendant of Count Sheremetyev, warned me: “Be careful when hiring Americans, because every American is, above all, great at selling himself.” And that’s very true. In Europe there is a different problem: you have to distinguish the person who is really burning with a desire to do something from the person who leaves at the end of the eight-hour working day regardless of whether there are still fires to put out.

I’m now very interested in China, since in the not too distant future it will be second in the B2B market after the USA, but I honestly fear the country because I do not understand it at all. I recently travelled around seven Chinese provinces and saw how diverse and multicultural it is. There are about 60 different nationalities in China!

– **Isn’t it true that the political situation presents additional problems?**

– Of course it has become more difficult for Russian companies. The distrust of the Russian state has undoubtedly affected business relations. But you have to learn to overcome that, grit your teeth, and

## BACKGROUND

### Three facts about Alexander Galitsky

One of the first in the world to work on Wi-Fi and VPN technologies

Key investment projects include Yandex, Parallels, Evernote, and Caprice

In investing in businesses in Russia, Europe, and the USA Alexander Galitsky has made about 200 transatlantic flights over the last quarter century

move forward – there is no other way. It is important that the world, especially technology, has become international: entire global technology and production value chains have been formed. The most valuable assets are not natural resources but people. There are clever people in Russia and we need to use this resource correctly, both in the interests of the country and to contribute to world progress.

One of the problems is that Russia has no great success stories, where somebody has launched a company and has become wealthy in a short time. Yandex and Mail.Ru are solitary examples. But there is no history of mass purchases of companies by Yandex. For example, in 2016 Google alone bought over 200 companies to guarantee its growth and its position as a technological leader. The culture of buying innovation has only just started to manifest itself in Russia; it is still far from being fully developed. And this leads to another problem: entrepreneurs are afraid of losing ownership of their company and see any startup they engage in as the last and only one in their lives. When my international partners look at Russian companies they say that all Russian entrepreneurs are greedy.

In addition, there are virtually no product management specialists in Russia. You take on one programmer, then a second – that’s all fine, but assembling a whole team is not so easy. It is as though the ‘communist cell’ mentality kicks in: work becomes a collective struggle for leadership, for sorting out the strong from the weak.

However, there are some pluses. For example, once a team has been formed it is very loyal and can survive difficult times, something that you will hardly ever find in Western companies.

– **The world is seeing a boom in cryptocurrencies. Might the ICO replace the venture industry?**

– I don’t think so. An ICO is essentially crowdfunding. Remember how popular Kickstarter was at one time for creating new gadgets? People threw lots of money at it, but then problems arose: some did not receive the goods they paid for; others did not receive what they were expecting. And the Kickstarter idea wasn’t so popular any more. In the technology business, ideas themselves are worth very little – it is only the putting of that idea into practice that is of value. An ideal ICO story would be if a well-known and successful businessman like Bill Gates or Elon Musk were to

launch a startup and conduct an ICO. Naturally many people would offer money in exchange for tokens. But the problem is that for an investor, even a professional one, it is quite difficult to assess the initial and eventual value of new tokens. And it is difficult for an entrepreneur to assess how much capital he will truly need during the five to seven years it takes to establish a company.

However, I do believe in ICO, as special systems will emerge to help investors make more measured decisions when purchasing tokens. At the moment, unfortunately, it is all built on the emotional element.

– **To broaden the discussion, what is your attitude to blockchain technology?**

– I am a great believer in blockchain technology and I see sufficient applications for it in cases where a distributed end-to-end environment of trust is required. It is probably comparable with the introduction of the IP protocol and the Internet into our lives. For example, if public money is ‘coloured’ with the number of a ‘coin’ and its movement accommodated in a blockchain environment, that will obviously help in the fight against corruption. Whichever way you look at it, blockchain is the future.

– **One of the themes of EEF 2018 is the trust economy. Uber and many**

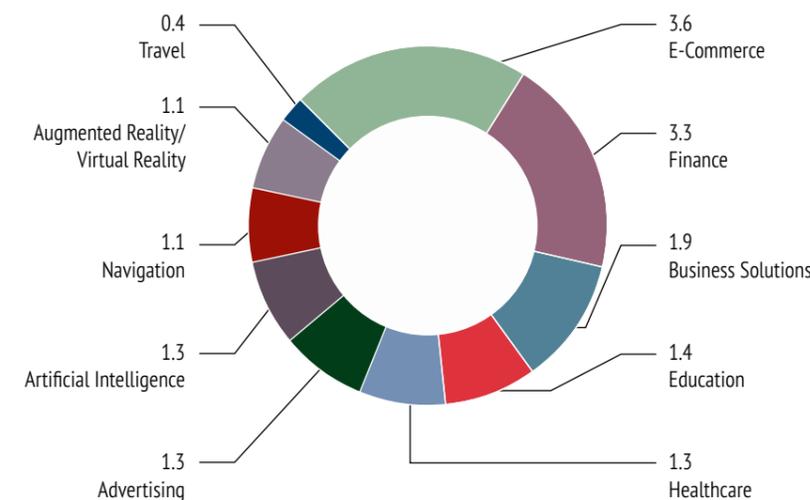
**other companies throughout the world are built on the principle of trust. Some think that the future lies in shared consumption, while others are of the opinion that this bubble will soon burst. To which of these points of view are you inclined?**

– The question is not whether Uber will die, but whether car sharing will survive. And it will. It is no longer expedient to own a car in Moscow. Even if I always travelled using Uber Black [the most expensive option – Ed.], it would still cost less than owning a Mercedes of the same class. So why do I need my own car?

It will be the same with housing. Now, you buy somewhere to live that is very expensive, but its value does not increase over time, it only falls. Previously, the spaces in which people lived saw very little improvement for decades or even centuries. Now everything is different. Children will not live in the houses their parents are building as those houses will simply grow old in technological terms in a fairly short space of time. As a result you are investing in heaven knows what. In developed countries, people do not buy property, they live in rented accommodation – near their work, for example, or their child’s school. So the bubble will not burst, because there is no bubble. It is an economic trend based on a new technological wave. 🌸

## Where venture investors are looking

Top 10 industries in terms of attracted funds



Source: IIDF



Yuzhno-Sakhalinsk was one of the first airports in Russia to introduce the Speech Technology Centre's smart track system

Photo: airportus.ru



**General Director of the Speech Technology Centre Dmitry Dyrmovsky discusses how biometrics will shape the future of aviation. The transformation is already underway, with certain smart elements being introduced at Yuzhno-Sakhalinsk and Saransk airports.**

# Smart track boarding

Text: Irina LI

**If passengers don't have to queue, they spend more time in duty free**

– How can biometrics solve problems for airports?

– We are seeing airports transform around the world in three ways. First, there is an attempt to reduce the amount of time spent on airport formalities, such as flight and baggage check-in, boarding passes, and passport and security checks. Biometrics both cut the amount of time these procedures take, and bring in money for airports: if passengers don't have to queue, they spend more time in duty free. And the more time they spend there, the more money they spend.

The second point is comfort. We've already achieved a certain comfort level, and we don't want to make any sacrifices. Everyone's used to checking in online now, for example. Throughout the world, we're all trying to use a lot less paper.

The third focus is on ensuring that cutting back on formal procedures does not come at the detriment of security. Biometrics is a threat prevention tool.

After 9/11, as we all remember, the US brought in biometric passports, and Russia followed suit a little later. Then systems known as e-gates were introduced, making it possible to cross borders without encountering a border guard. These are essentially barriers which scan your face, passport, and fingerprints, and give you an electronic entry stamp in return. Solutions like these haven't reached Russia yet, but they have already been launched in

Germany and the US. They make it possible to structure passenger flows, minimize queues, and actually increase security levels. Border guards will often just check that your documents are in order. Do you think anyone really compares you to your passport photo?

Biometric systems control every stage and exclude the human factor. Airports have been their starting point, but we can expect to see them appear at road checkpoints and seaports in the future.

“The classic method for identification is ‘I am what I have’ – documents, PINs, and so on. Biometrics work on the ‘I am what I am’ principle. It's much more difficult to falsify or steal biometric data

– Why has their starting point been airports?

– Airports bear the most responsibility with regard to security. There's an economic effect at play here, also. An airport is like a shopping centre. Their task is to maximize passenger satisfaction.

Biometric solutions are not confined to single airports, either. The International Civil Aviation Organization (ICAO) recently produced a new set of regulations governing the transfer of biometrics between airports. Say you're flying from Airport A to Airport B, and the first passes your data on to the second. When you arrive, you won't be subjected to any serious security checks, since you've already been through them all at your starting point.

– We already have e-boarding passes in Russia, which operate using QR codes. Is this not enough? We always have our smartphones on us, and it takes just seconds to scan your pass.

– Sure, but with biometrics there will come a stage when we don't need a boarding pass at all. The classic method for identification is ‘I am what I have’ – documents, PINs, and so on. Biometrics work on the ‘I am what I am’ principle. It's impossible to falsify or steal biometric data.

Smart phone identification doesn't work because you can pass that QR code

on to whomever you like. Airlines face a great financial liability for boarding the wrong person – a huge fine. In fact, airlines will even check visas before boarding passengers, because if they fly you over and you don't have a visa, they'll have to foot the bill for your flight back home.

This is the advantage of biometric systems. They benefit everyone. Airlines eliminate risks, the government improves security, and passengers receive a better quality of service.

**When it comes to security, passengers are never notified**

– We have a bright future with technology. I can see that. But what are you working on at the Speech Technology Centre?

– We're developing a solution we call smart track. It's a software platform which interfaces with airport systems, ticket reservation services, and loyalty programmes to create a complete digital profile for a passenger. As soon as you buy a ticket, your data will be stored in the ticket system. After checking in, your data enters the check-in system, and so on. We see every step, right up to boarding. As things stand, if a passenger is delayed at check-in, the airline doesn't know whether he or she has arrived at the airport. With our system, this information will be available. Cameras at the airport entrance will log each individual who enters.

– Is the government aware of the benefits of introducing your system?

– Yes, absolutely. The processes are underway, but there is a lot of bureaucratic complexity. We need a lot of coordination between the Federal Air Transport Agency, border services, and security services. So at the moment, we only have certain aspects of smart track up and running. We started with security, with the initial identification system at airport entrances. This kind of system has already been installed at Yuzhno-Sakhalinsk and Saransk airports, and is currently being introduced at Nizhny Novgorod Airport. The system identifies blacklisted passengers. The identification process is carried out discreetly upon entering the airport, without the involvement of security staff, and so it doesn't cause any additional delays.

– This raises a privacy issue: are people notified and do they agree

**with their biometric data being collected discreetly when they enter an airport?**

– When it comes to security, passengers are never notified. You might be aware you're passing through a metal detector, for instance, but you are never given an explanation of all the procedures being carried out. The authorities are under no obligation to explain how their security systems function, otherwise they would be opening the door to any and all criminals. All these measures are set out in government decrees. It's the law.

– Right, but we also have a constitution which guarantees confidentiality and transparency.

– That's true. But it's not quite so simple. Europe has adopted the General Data Protection Regulation (GDPR), for instance, which takes privacy to a new level. Information about how data is used and where it is stored is now completely transparent. But even within this law there are limitations where security issues are involved. The cameras at airport entrances do not currently store your data, but simply compare it against the blacklist.

“Biometrics is something people will gradually get used to, just as we came to realize that online check-in is more convenient and secure. Believe me, you give up a lot more of your personal data on social media

Regarding smart track as a whole, no one will force you to hand over your biometric data at check-in or boarding. There will always be alternative routes where airline staff can manually check you in and stamp your passport. If you do wish to take advantage of the new system, then you are making a conscious decision to provide biometric data and consenting to its use. So there are no contradictions.

This is something people will gradually get used to, just as we came to realize that online check-in is more convenient and secure. Believe me, you give up a lot more of your personal data on social media. 🌸

# The Ocean on Russky Island



Yes, that's right – we're not talking about an island in an ocean, but about an entire ocean, complete with its own unique underwater world, located on Russky Island. Join us on a visit to Primorsky Aquarium, which opened here just a couple of years ago.

Text: Yevgenia KUZNETSOVA

## Opened in style

This has been a far-reaching, long-awaited, and prestigious project – the opening ceremony for the aquarium was attended by three heads of state: Russian President Vladimir Putin, Japanese Prime Minister Shinzō Abe, and the former South Korean President Park Geun-hye. Acting as their 'guide' was famous biologist and member of the Russian Academy of Sciences Andrey Adrianov.

The aquarium was built on the directive of the Russian President, and has become a part of the Far Eastern Branch of the Russian Academy of Sciences. The

idea for the project came about as far back as 2004. At that time, the notion of combining science, education, and astoundingly beautiful sights under one roof seemed almost impossible to implement in reality. Today, however, it's safe to say that everything has gone swimmingly.

Similar approaches are now being actively developed in aquaria throughout the world. Everyday visitors are welcomed here to tour the exhibits and the dolphinarium, schoolgoers and students are treated to lectures, exhibitions, and seminars, and six laboratories equipped with the latest facilities carry out research. All of these areas of activity serve to complement one another. It is this multitude of projects that makes Primorsky Aquarium unique. 🌊



A bird's eye view of Primorsky Aquarium

## BY THE WAY

### A socially responsible facility

In 2018, Primorsky Aquarium received an award as a 'Socially Responsible Business'. Although it obviously isn't a business in the standard sense, the organizers of the competition felt that the efforts of the aquarium's staff and volunteers were deserving of recognition.

Throughout the academic year, the middle of the week sees this building on Russky Island fill with participants in the 'Educational Environment' programme. Pre-schoolers are accepted free of charge by the educational studio 'Seal Cubs', and children from care homes and correctional facilities are regularly invited to fun events organized by the charity 'Ocean of Hope'.



Yury Smituk / TASS

The spectator arena at Primorsky Aquarium, part of the Far Eastern Branch of the Russian Academy of Sciences



Alexander Ryumin / TASS

The underwater tunnel of Primorsky Aquarium, part of the Far Eastern Branch of the Russian Academy of Sciences, on Russky Island

## NUMBERS

The total area of the aquarium's indoor space measures over **37,000 square metres** – that's nearly **five** football pitches, making the aquarium the **third** largest in the world. Here you can find **nine** permanent exhibitions consisting of **135** tanks holding a total of **15,000 cubic metres** of water, a main tank with a **70-metre** underwater tunnel, and a dolphinarium with a pool arena and seating for **800** spectators.

**1** ...with an enormous shell on a gigantic wave



▲ In a world where few aquaria are located on islands, the employees of Primorsky Aquarium are especially proud of the building's exclusive architecture and interior design. The dolphinarium has been built to resemble a giant shell, and the aquarium itself a gigantic wave rolling onto the shell as it carries it towards the picturesque shore. Some of the tanks here are of such impressive dimensions that they had to



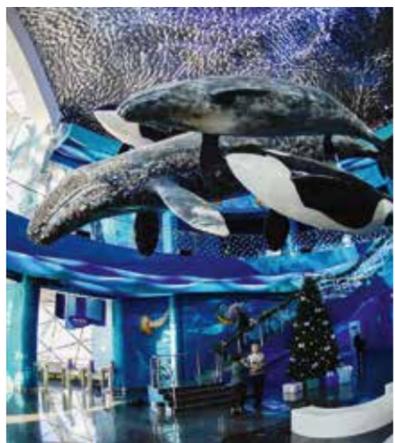
Alina Kaufman, Nina Khoreva, Alexander Khitrov

be installed before the walls and ceiling that surround them were built. The inhabitants of Vladivostok's aquarium include representatives from all of the world's oceans and climatic zones. Scientists visiting Russky Island from the USA, China, and Japan unanimously voted our aquarium among the five best in the world.

**5** ocean spots to take selfies



**2** ...with full-scale grey whales



Vary Smirnov/FASS

◀ Visitors to the aquarium are amazed most of all by the dimensions of the building and its magnificent installations filled with marine life. Guests are especially fond of the sculptures of creatures found in the waters of the Russian Far East that decorate the museum. All models reflect their real-life subject down to the finest detail, differing only in their noticeably increased size. In the hall near the main entrance, a dramatic and realistically portrayed underwater scene shows a female grey whale protecting its calf from predatory killer whales. Biologists were on hand to advise the sculptors and artists at all stages of their work, so you can rest assured that all fins, thorns, moustaches, and every other detail are just as you'd find them in the natural world.

**3** ...with a walrus during his morning exercises

▼ At the dolphinarium, visitors of all ages can reward spectacular jumps performed by bottlenose dolphins and beluga whales with their enthusiastic applause. But the undisputed star of the show is walrus Misha and his fun exercise routine, performed under the supervision of his trainer.

In the Ocean Abyss exhibition, feeding time for the sharks and rays has evolved into the gripping show Dances with Rays. Biologist divers have trained the creatures in their care to do various tricks that are practically impossible from a biological point of view, with some moves that you won't see anywhere else in the world.

And in a section devoted to Lake Baikal, you'll find three freshwater seals that have made the habitat their home. This trio are very sociable and well suited to training. In the space of only a few sessions, they were trained to twirl in the water, shake their flippers, and perform somersaults.



**4** ...with contemporaries of the dinosaurs

▼ The interest shown by visitors in horseshoe crabs and nautilus (or 'living fossils'), which lived alongside the dinosaurs, is quite understandable. Millions of years of evolution have left these creatures virtually unchanged.

The freshwater bitterling is a fish that can be found in any pond in Russia's Far East, but is unique in laying its eggs in the cavities of bivalve molluscs.

If you're passing by the Lake Khanka exhibition, make sure you don't miss the skygazer. This species of fish is difficult to keep in captivity, but scientists have succeeded in adapting this fussiest of lodgers and growing it to sizes of up to 70 centimetres.



**5** ...with participants in scientific experiments

▲ Primorsky Aquarium has become a major site for an entire series of scientific experiments in the field of biohydroacoustics. Research recently began here on the acoustic activity of beluga whales. These ocean mammals are able to hear across an astonishingly wide acoustic spectrum. Their map of the world is one that consists predominantly of sounds. Although scientists throughout the world have been recording the signals of dolphins and whales for several decades, an unambiguous 'translation' into human language has yet to be produced. Efforts to understand the language of these ocean-dwelling giants are now being made by local researchers with the help of trainers from the aquarium. The trust that exists between beluga whales and humans makes it possible to avoid

A separate exhibition is devoted to the giant octopus. Unbelievably elastic, these creatures can squeeze through openings significantly smaller than their own dimensions. The molluscs are a constant source of fascination to specialists from the world's leading aquaria.

Not long ago, the main building of the aquarium became home to Humboldt penguins – the first to settle in the Russian Far East. Aquaria are naturally the only place where we can see with our own eyes the creatures that inhabit the tropics. It's almost impossible to catch sight of *Sepiola atlantica* in the wild – they are only caught in the dark during the spring months. The fugu is also difficult to catch, and the albino cucumaria is not only rare, but also unique to local waters. Don't miss the blennius in this exhibition either: their heads that resemble faces with wide-set, astonished eyes are bound to raise a smile.

What's more, scientists say that the specimens on display in this collection are unique in their own way. Keeping and caring for each one involves its own set of challenges. Each exhibition is a complex habitat filled with creatures that are sometimes far from friendly towards one another.

placing them under stress, which ensures that the creatures' natural reactions can be observed.

The aquarium also has plans to conduct joint projects with Skolkovo resident Hydrobionica. The company's specialists are developing methods for managing the behaviour of commercial marine life. More precisely, they have been 'observing' the behaviour of mammals and attempting to imitate it with the help of modern technology. More immediate scientific projects will examine beluga whales and Japanese flying squid.

Equally interesting are recent achievements by scientists working on synthesizing the cells of marine mammals: by carrying out a special process on the biological material, researchers have managed to synthesize male and female cells from it, regardless of the sex of the donor animal participating in the experiment.

**FIRST PERSON**



**Andrey Adrianov,**  
Vice President,  
Russian Academy of Sciences;  
Director, National Scientific Centre of Marine Biology of the Far Eastern Branch of the Russian Academy of Sciences

Branch of the Russian Academy of Sciences

– The exhibitions at Primorsky Aquarium are all designed with a single scientific idea in mind. This is a journey that takes us from the very beginning, when the planet was formed, through the formation of the oceans, following all stages of life as it appeared within them, and ending with how this life is represented in the world's seas today.



**Alexander Mikhailuyuk,**  
Director, Primorsky Aquarium

– Creating a base for researching aquatic mammals in an aquarium is a very complex task. As a rule, research like this is conducted in a closed environment. As a state facility, the aquarium has initiated an open research format, which entails the creation of working groups bringing together various scientific disciplines and integrating fundamental science and applied developments on a single site.



**Marat Khaydarov,**  
Member of the Far Eastern Aquatic Life Team

– My studies are focused on the clinging jellyfish. We have prepared a scientific article on jellyfish populations together with a colleague from an American institute.

The jellyfish we have in the Sea of Japan are much closer to Atlantic than to Pacific varieties, and far from all of them are toxic. As they do not live for very long, it isn't always possible to catch them in sufficient quantities. That's why we try to breed them ourselves, overcoming all difficulties through patience and perseverance.

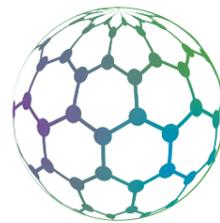


In the photo: **View of the Staritsky Peninsula and Zavyalov Island**  
Photo location: **The outskirts of the village Ola (Magadan Region)**  
Photographer: **ALEXEY VORON**



Tatyana Golikova, Deputy Prime Minister of the Government of the Russian Federation for Social Policy, at the opening of NPO Lab at SPIEF 2018

# Changes for the better



**INNOSOCIUM**  
Russian contest of social projects

Increasingly substantive discussions on Russia's future social structure are becoming the focus of national forums, and the 4th Eastern Economic Forum is no exception.

Text: Dmitry BUTRIN, Kommersant

While, a few years ago, discussion of social reforms was an add-on to the main economic agenda, now, as we embark on major new reforms of the social security system, in the light of the priorities announced via national projects for raising the Russian population's standard of living, improving the demographic situation, and creating an environment where people can live comfortably and seek personal fulfilment, a dialogue between the state and society that could become a tool to educate and jointly seek effective solutions is no less an important part of the EEF than the economy.

The Roscongress Foundation, which organizes the EEF, is a socially-oriented development institution, and so attention has always been paid to dialogue which includes representatives drawn from government, business circles, and non-profit organizations. But in 2018, the Foundation's social activity has reached a qualitatively new level and this theme is becoming a vital part of forum agendas. The Foundation's key partners in developing the social agenda have been identified, with whom large-scale projects such as the Innosocium Centre for Developing Social Communications have been planned.

The NPO Lab is the calling card of the Roscongress Social Platform at the forums. This is a unified communications

platform that brings together non-profit organizations, business, and government. At the NPO Lab, charitable foundations and non-profit organizations have the opportunity to present their social projects and the social technologies they have developed on a national stage, and to initiate and support focused discussions on topical issues. Finally, the NPO Lab is an incubator for collaboration on social issues for non-profits: the project offers all forum participants a chance to agree on cooperation and joint projects in the social sector.

On 11 September, the environmental agenda will be launched at the EEF NPO Lab. The day will feature a plenary session, 'Drivers of State Policy on Environmental Development', discussions on the

problems of preserving biodiversity in the Russian Far East and marine reserves in the region, and two themed sessions, 'Introducing Innovative Technologies to Improve Environmental Performance', connecting the Forum's economic and environmental agendas, and 'Public Initiatives as an Integral Part of Regional Development', which will also be a discussion of related issues, devoted to third sector integration strategies in the Far East in relation to other sectors.

Perhaps the main item on the NPO Lab's agenda at the Eastern Economic Forum will be a presentation of the Innosocium Centre for Developing Social Communications and the panel session 'Social Communication as a Driver of Socially Significant Change', in which the jury and experts of the Innosocium Nationwide Social Project Competition will present the programme for the contest, and the criteria for evaluation and selection. Keep in mind that the Innosocium Nationwide Social Project Competition is a Centre event, through which there are plans to support promising Russian projects, with the aim of developing and scaling them, and to identify and showcase the best international social communication projects. The winning projects in key communication competitions (Silver Archer, Silver Mercury, ADCR, and Effie), selected by the Organizing Committee in eight main categories (environment, education, active ageing, inclusive society, healthcare, women's leadership, regional development, and culture) will be presented by experts at EEF, and will become a benchmark for all contestants. It is in Vladivostok that the start of the submission period for online entries to the competition will be announced.

It is important that the start of the competition is not so much about the presentation of a ready-made form, but also discussions at EEF of how it might develop further. Addressing social issues is impossible without the participation of the corporate sector and charitable, public, and volunteer organizations. As a rule, these are the sources of innovation in social communications. The main aim of the discussion on this matter, on the second day of the EEF, is, therefore, to talk about what the particular features of effective social communication technologies in Russia are, as well as successful examples of this in Russia, to analyse the applicability of best international practices, and to assess possible strategies for all aspects of the process in modernizing social communications in Russia.

In addition, part of the 'social' agenda at the NPO Lab will involve discussions on the development of human capital in the Far East, and discussions of active ageing programmes and initiatives.

In addition, part of the NPO Lab's 'social' agenda will be devoted to discussing demographics and developing human capital in the Russian Far East, as well as the development and implementation of programmes and initiatives to promote an active lifestyle in old age. These topics require special attention in light of efforts to make the region more attractive as a place to live.

Another discussion at the NPO Lab will focus on sociocultural inclusion and an accessible environment for people with special needs in Russian society. The fact that this issue is being raised at the EEF shows the distance travelled by society in recent years. Nearly all the discussions of recent years have mainly concerned the social side of inclusion, addressing the material and social problems experienced by people with disabilities. Discussion of the cultural component of inclusion is the most important stage in the development of society: the EEF as a national forum will pioneer the discussion of this crucial issue, without which it is unlikely that society can move forward.

Another aspect of the NPO Lab is the inclusion of panel sessions and roundtables in forum business programmes which feature leading Russian and international experts and representatives drawn from government, the business community, and non-profit organizations, on global trends in philanthropy, social development in Russia, existing problems, and prospects for resolving them. These events not only enable an open and constructive dialogue between participants in Russia's social sector, but also allow an exchange of experience and views with representatives of the international community.

In one of the panel sessions that has been organized, invited experts will discuss the face of modern social communications in various countries, and how to make these a genuinely effective tool for attracting the attention of society to social challenges and teaching people socially responsible models of behaviour. The inclusion of this discussion in the Forum business programme reflects the relevance and international nature of this topic, and it can be anticipated that the results of the discussion will become a source of ideas and future initiatives for developing social communications for the Innosocium Centre.

At the initiative of the Roscongress Foundation, the EEF agenda also includes a discussion of the issue of women's full participation in the digital economy and overcoming the gender gap in technology. Discussion participants will talk about innovative solutions created by women and for women, about promoting training platforms to support female entrepreneurship, and about how the changing role of women in the digital age can facilitate economic growth and sustainable social development. It is worth remembering that during this session, Roscongress will continue its initiative to create a community of women leaders supporting social wellbeing and increasing the role of women in addressing issues of global socioeconomic development.

The third session will also address the topic of modern technologies: experts in the field will discuss their influence on the upbringing and education of children. How should society regulate the social impact of digital technologies, which the younger generation master much faster than their parents? Despite the seemingly childish nature of the question, it is one which will determine how the social landscape looks in 20–30 years. 🌸

## FIRST PERSON

**Anton Kobayakov**  
Advisor to the President  
of the Russian Federation

"The social space created by the Roscongress Foundation across Russia's largest business forums opens up a platform for social enterprises to share their plans and achievements in tackling important social issues with the broader public.

We must fully analyse and push for the best practices and social technologies which could form the basis for sustainable development and a tangible improvement in quality of life for our citizens.

The demand for and effectiveness of this social platform can be seen in its role as a catalyst for social processes involving various parts of Russian society, from the state and business community to non-profit social enterprise and volunteer activists. It also promotes a joint discussion about social change and a search for acceptable ways to achieve social development."

“ FIRST PERSON



NPO Lab venue at SPIEF 2018: Deputy Prime Minister of the Russian Government Tatyana Golikova (in the middle), CEO and Deputy CEO of the Roscongress Foundation Alexander Stuglev and Elena Marinina

It is impossible to handle these issues without correctly built communications

**Tatyana Golikova**  
Deputy Prime Minister of the Russian Federation for Social Policy

“Social development, improving quality of life, and developing integrated solutions and responses to the global challenges we face form an essential part of what the state and society must do. Yet solving all these issues is not possible without a proper communications structure to make people think both about global issues of sustainable development, and about the issues facing specific people living on our doorsteps, and to build a culture of social responsibility.

The Innosocium Centre for Developing Social Communications was created to support and develop effective mass social communication tools to inform people about important issues and opportunities for them to get involved in tackling them. It also aims to foster a culture of social inclusion. This initiative is one which addresses society’s current need to build an open and effective dialogue between all members of the social ecosystem.”

**Elena Marinina**  
Deputy CEO and Head of the Directorate for the Socio-Economic Agenda, The Roscongress Foundation

“Innosocium is essentially an infrastructure project developed by the Roscongress Foundation’s Directorate for the Socio-Economic Agenda and the Art, Science and Sport charity foundation. Its purpose is to study, support, and develop tools for mass social communication, an extremely important task in Russian society: no social reform is possible without the evolution of a culture of social inclusion and socially responsible behaviour in society. Creating a high-quality information environment is a task for society as a whole, but informing people about significant social problems and opportunities to get involved in addressing them is certainly the job of the third sector, and we need to create the infrastructure for such communications as a priority.”



**Maria Krasnikova**  
Director, Art, Science and Sport

“One of the key areas of work for the Special Sight programme is systemic support for organizations involved in raising awareness and promoting social initiatives to help visually impaired people, including through grant competitions. We hope that this contest will help to draw attention to the problems faced by the blind and visually impaired, and also raise the idea of equality for people with and without disabilities in all sections of society.”



**Anna Shabarova**  
Vice President for HR and CSR, Russian Copper Company

“The idea for our company’s partnership with the Innosocium Nationwide Social Project Competition developed partly out of our social project ‘Change your City for the Better’, which Russian Copper Company is organizing for the second year running in the cities where it operates. We are sure that we can garner some deserving projects from throughout the country which will benefit people living outside Russia’s major cities. Russian Copper Company’s experience in social initiatives could be an interesting example for socially responsible Russian business, municipalities, and urban developers. We are confident that this competition will help us to take advantage of existing tools to improve quality of life for people living in our country and will mean another step towards improving the social climate in Russia.”

The Year of Volunteering makes the perfect starting point



**Katerina Kruglova**  
Executive Director, Memory of Generations

“In 2018, the Memory of Generations charity fund took the decision to back and launch a new project jointly with the Association of Volunteer Centres called ‘Young at Heart’. The aim of the project is to develop social communication. The project is designed to bring elderly people together with a common goal as volunteers whose experience and knowledge would

enable them to help those in need, apply their knowledge in practice, and bring benefit to many. We believe that the Year of Volunteering makes the perfect starting point for projects like this, and that the Innosocium Nationwide Social Project Competition will give the project new scale and draw public attention to ‘silver volunteering’ in Russia.”

Social projects win more and more prizes



**Mikhail Simonov**  
President, Silver Mercury Festival

“In recent years, international PR contests have been awarding an increasing number of prizes to social

projects. Silver Mercury, one of the largest marketing communications contests, has gone one step further, creating two separate categories for social campaigns – one for those carried out on behalf of non-profit clients, and the other for social projects executed by commercial companies. We will be happy to share the experience of our participants with the social sector to help it grow and develop more rapidly, and help social communication to become more creative and effective, and win not only the Innosocium Nationwide Social Project Contest, but also the 2019 Silver Mercury.”

Innosocium will assist in our search for fresh ideas



**Yakov Minevich**  
Executive Secretary of the Board of Trustees for the Silver Archer national public relations award

“We are seeing an increasing number of social initiatives in our

lives in recent years. In large cities, especially, almost every single person has some kind of relationship to a charity, volunteer, or social initiative. To take social communication forward and make it more effective, we have to look outside the box, make our key messages both clear and inventive in the way they are delivered, and be present in the information fields of our target audiences. The Innosocium Nationwide Social Project Competition, which aims to find the best new methods for promoting any given social theme, will assist us in our search for fresh ideas.”

“ CONTESTS



**Alexander Alexeev**  
President, Art Directors Club Russia (ADCR)

“Every Russian contest in professional communications regularly awards prizes for the best social communication projects. Yet we have no competition that is focused on this highly topical subject. For this reason, it is only natural that the first stage of the Innosocium Nationwide Social Project Competition involves selecting the best winning projects from other leading competitions to create a unique collection of work in a contest of contests. This will raise the bar to an ambitious height for future contest participants.”

“ DEVELOPMENT



**Elena Topoleva-Soldunova**  
Director, Agency for Social Information; member of the Civic Chamber of the Russian Federation

“Until very recently, social issues such as benefits, pensions, large families, people with disabilities, and homelessness were generally seen as hopelessly boring and depressing. The reaction to media stories on social issues was one of apathy. Now, things have changed. Social issues have become exciting and trendy, and attract a lot of public interest. We are now seeing a whole spectrum of new projects, forums, fairs, conferences, and flash mobs, along with new organizations, public figures, films, and books, as well as public platforms where these issues are discussed. To find like-minded people, inspire them with new ideas, and make them into partners for your new social project, you need an effective communications infrastructure. This is where we got the idea to hold the Innosocium Nationwide Social Project Competition. We’re all really looking forward to it!”



The Far East has the potential to become the key force for promoting Russia in the Asia-Pacific region

# National and local branding as a regional development tool

Mikhail SADCHENKOV,  
General Director,  
'Made in Russia'



## Swapping hyperprofits for initiative

The challenges faced by Russia become more complex every year, requiring changes in the conceptual approach to developing economic potential. The latest round of sanctions may be restricting the growth of the Russian economy, but it is also creating the conditions for the introduction of initiatives and solutions that were previously not attempted because of the dominance of dull routine and the hyperprofits pouring into the budget from commodity sales.

In a restrictive environment, the key factors of success are consolidation, communication, and the ability to find compromises when working on state tasks and achieving strategic targets. Today these words should be a mantra for any manager, not only in the public sector but also in private business. The success of the national economy should be one of the main aims to which everyone is committed.

The development of national branding and the creation of a national communications strategy aimed at consolidating the efforts and resources of the state, business, public organizations, and individual Russians can be powerful drivers of regional development and regional business.

## A unique driving force to promote Russia on the Asia-Pacific regional market

Today it is evident that national branding, like any other tool, demands a totally new approach based on the creation of an environment which shapes the potential and conditions for growth in manufacturing, exports, tourism, culture, human capital, and investment in regional entities. These tools should not only act as conductors for the support measures offered by development institutions, but should also compensate for key competences in the field of marketing and communications.

Here, the Russian Far East is a unique region, capable of being not only an independent national brand but also the prime driving force for promoting

Russia on Asia-Pacific markets. However, it should be understood that in today's information space, the opportunities and content in a single region, even one as rich as the Far East, are insufficient to shape a powerful information agenda that is visible to end users and potential partners.

The disproportionate opportunities and potential of regions require a special approach and the development of tools that will compensate for these. This requires the consolidation of efforts as part of a single strategy, as previously mentioned. This strategy must be capable not only of helping regions which are lagging behind but also of bringing them up to the level of successful regions through dissemination of the best and most

effective practices, the use of IT to compensate for staff shortages (primarily with regard to translation into foreign languages, software development, branding, marketing and other specialities which facilitate the digitalization of work processes), an increase in regional businesses' awareness of state support measures, and also through an increase in investor awareness of state measures to support the localization and transfer of business.

## A universal aggregator

All of these goals can be achieved by the creation of the 'Made in Russia' national brand, which is based on practical and useful tools to support regions in marketing, branding, communications and IT.

The 'Made in Russia' brand has become a universal aggregator and a platform for providing regions with a whole range of services aimed at economic development, guaranteeing broad coverage, and attracting an additional audience consisting of potential partners and consumers. This non-standard approach transforms the national brand into a genuine development tool, guarantees results in financial terms, and makes it possible for regions to supplement it with a wide range of ideas and content based on the unique potential of our people, their achievements, and their multicultural identity. This approach is capable of becoming one of the principal elements in achieving Russia's national aims." ❁

## FIRST PERSON



Andrey Nikitin  
Governor of  
Novgorod  
Region

"The development of regional branding is an integral part of unlocking the manufacturing, export, cultural and tourism potential of any region. Our successful presentation of the 'Novgorodian Rus' brand during the 'Made in Russia' session at SPIEF 2018 has provided a firm basis for the future development of the brand. I am sure that the ideas embodied in the brand and our region's great cultural and tourism potential will have a positive influence not only on the economy but also on the general competitiveness of Novgorod Region. As one of the pilot regions of the 'Made in Russia' project, we also support and see the necessity of consolidating the efforts of regions, business, and the state to establish a single promotion strategy and vector of development, capable of improving the effectiveness of the work that is already underway."



Anton Alikhanov  
Governor of  
Kaliningrad  
Region

"We calculate that our involvement in the 'Made in Russia' project will not only be a new channel for promoting our business but will also provide real tools that will have a positive impact on economic development. Kaliningrad Region is a special region of Russia. The development of its own identity based on its geographical position and industrial and cultural potential can be used as an effective promotional tool. We also support the idea that there is a need to consolidate the efforts of the state, the regions, and business to achieve national targets in promoting Russia's manufacturing, export, cultural, and tourism potential, as well as its human capital."



Kirill Ilichev  
General Director,  
Moscow Export  
Centre

"Moscow helps to drive the development of the entire country. 'Made in Moscow' is the flagship brand of the national 'Made in Russia' brand, created on the basis of the perception of the nation as a whole. Our overall objective is to expand non-commodity exports and increase the competitiveness of Russian products. The Moscow Export Centre is already successfully proving that Moscow manufacturing can produce competitive non-commodity exports for external markets. We are delighted to see that a systemic approach to collaborative interaction between the state and business is now being discussed and we are grateful to our colleagues for their support. We are also pleased to see that work on a common national communications strategy is gathering momentum. The national interest comes first and developing its own identity will always be a priority for any nation."



Alexander  
Kocherov  
General Director,  
Gzhel Association

"Gzhel is one of Russia's most important cultural brands and is also rightly considered to be a traditional Russian folk craft. We heartily support and acknowledge the importance of the state's efforts to develop regional branding, including the registration and legal protection of trademarks according to place of origin. The folk craft industry today is underrated, but we consider that its potential, including for export, is capable not only of giving a boost to the economic potential of the regions, but also of becoming one of the most important ways of promoting Russia, preserving its originality, traditions, and culture. We are pleased to be part of the 'Made in Russia' project and to contribute to its 'soft power' for promoting our country's manufacturing, export, tourism, and cultural potential."



# Moscow outplays Oslo and Lübeck with successful bid

In July 2020, a conference of the International Planning History Society (IPHS) will take place in Moscow for the first time. One of the most respected business events in the field of urban studies, the conference is held every two years in different cities across the world. The IPHS was convinced to choose Moscow thanks to the efforts of a large team of specialists, including the Russian Convention Bureau.

Yokohama Port Opening Memorial Hall, where the decision to hold the IPHS conference in Moscow was taken at a meeting of the Society's programme

Text: Olga CHERVINSKAYA

## The architecture of business tourism

The decision to hold the IPHS conference in Moscow was taken at a meeting of the Society's programme committee in Yokohama (Japan) on 15 July 2018. This time, the theme of the event, which usually attracts as many as a thousand professionals from all over the world, will be City Space Transformation: Renovation of the Urban Environment.

In addition to the Russian capital, Lübeck in Germany and Oslo, the capital of Norway, were also in the running to host this prestigious event – but Moscow came out on top. President of the Concord Group Natalya Yevnevich, who championed the project before the international society, made no attempt to hide her joy: "I feel a great deal of satisfaction when I think about the work we did to prepare the bid, submit it, and finally present it to the IPHS Council. We have been on this journey for almost a year, and it has now come to a successful close." Concord was chosen as the operator for the IPHS conference, but, as Yevnevich says, its success was made possible by the involvement of its partners, who contributed to the project at various stages, putting forward new ideas and possibilities.

“Taking into account the IPHS's planned budget of RUB 34 million, the expected economic impact of the event in 2020 could amount to as much as RUB 129 million, with another RUB 19.6 million of anticipated tax revenue

The fundamental academic expertise needed to support the Russian bid was provided throughout by the Moscow Architectural Institute and Moscow State University. The Russian architects were able to show that the Russian capital has enjoyed some real successes in town planning and preserving its built heritage. As Dr Alexey Krasheninnikov, President of the Russian Bid Committee, Director of the Centre for Urban Studies at the Moscow Architectural Institute, and Professor in the Town Planning

Faculty, assured us: "It was precisely the way that we have preserved and then renovated architectural monuments in our city in recent years while faced with rapid transformation of the urban space which motivated the decision in favour of Moscow." Dr Krasheninnikov believes that the experience of the Centre for Urban Studies will be in demand once more when the conference's academic programme is being prepared.

Moscow State University also put forward some interesting ideas about how to vary the IPHS's traditional conference format. "For instance, we suggested an addition to the classic conference programme: a youth programme held in parallel with the main conference, including a competition for architectural projects and a youth forum", explained the Director of Moscow State University's Science Festival Leonid Gusev. "We need to broaden our horizons to hold the best possible conference!"

## Direct benefits and potential developments

The Russian Convention Bureau has also helped to broaden horizons. Supported by the Roscongress Foundation, it promotes Russia as a potential venue for events. The involvement of an organization like the Convention Bureau is a guarantee that preparations for the conference will be carried out with the utmost professionalism.

Taking into account the IPHS's planned budget of RUB 34 million, the expected economic impact of the event in 2020 could amount to as much as RUB 129 million, with another RUB 19.6 million of anticipated tax revenue. However, these direct benefits are not the only factor to be considered. International exchange stimulates many different sectors of the economy, mostly as a result of the import and export of new knowledge, technologies, and solutions, believes Alexey Kalachev, Director of the Convention Bureau. It can also lead to the construction of new urban infrastructure, as well as social, cultural, tourism, and sports facilities. All this paves the way for urban development in cities and regions. A joint session on this issue will be organized by the Convention Bureau, VEB and ASI during EEF 2018.

Of course, participating in the tender to host the IPHS conference is not the only project the Convention Bureau is working on. "We currently have eight bids in progress to hold international events for various sectors and academic

## FIRST PERSON



**Yevgeny Dridze**  
Deputy Head of the Department of External Economic and International Relations of the City of Moscow:

– Over the last few years, Moscow has become a suitable venue for hosting prestigious international conferences and exhibitions, and possesses all the infrastructure required to hold this particular conference. Many international events on various themes take place in the capital. The Department of External Economic and International Relations of the City of Moscow supports the hosting of this 2020 international conference on the history of town planning, and is happy to provide any assistance it can.



**Elena Myakotnikova**  
Corporate Director of the Agency for Strategic Initiatives to Promote New Projects:

– The theme of regional urban development is one of the topics on the Agency for Strategic Initiatives' current agenda. Regional development is a multifaceted task which involves finding solutions to many problems affecting all areas of people's lives. The Agency has developed a unique way of effectively exchanging best practice in regional development: our 'successful solutions brochure', a collection of examples of successful solutions to urgent social and economic problems in the regions. Projects which have been successfully implemented in one region are described and broken down step-by-step so they can subsequently be replicated in other regions. Our intention is to provide a fresh stimulus for regional development, including promoting the regions as venues for conferences, exhibitions, and tourism.

disciplines", says Kalachev. The Bureau is simultaneously preparing bids for more than 50 other events. If it manages to attract even a fraction of these events to Russia, that will be a real stimulus for further development. 🌸



Aleksandr Khirrov

# Vladivostok



Maria Mironova

## Ilya Lagutenko: There's no other city like it in the country

Text: Elena HANYAN

### I'm in Vladivostok several times a year

– Ilya, you were born in Vladivostok and grew up here. How do you think it differs from most major cities in Russia, and in what ways is it similar to 'mainland' towns in the rest of the country?

– Vladivostok's geography is unique. There's no other city like it in the country. It's nature's own port. On

the other hand, it's entirely like all the other regional cities in Russia in terms of its Soviet architecture.

I've also always been convinced that Vladivostok is a city with unlimited potential. This makes it like every other place in Russia as well.

– How often do you come to Vladivostok, and how is the Vladivostok of today different from the one you knew in the past?

– I come here several times a year. It's certainly different from the city I knew as a child a few decades ago. Obviously, bridges have been built that

I remember from city development plans on display in the local history museum in the 1970s – these are just amazing achievements that should also help to stimulate the city's growth.

Unfortunately, the post-*perestroika* years have had little impact on plans for architectural development. The city's transport infrastructure, housing, green spaces, and commercial facilities over the last 20 years have all seemed rather soulless, and not especially effective at meeting citizens' needs.

– Do you see Vladivostok now as being a functioning 'window into Asia', or is it a window that we're only just starting to install?

– We haven't made it to the installation phase yet. All we've been doing so far is trying to wipe the dirt out of the hole where the window needs to go. And while we've been sitting around for the last 20 years waiting for somebody to bring us a cloth, some amazing things have

been happening on the other side of it. We'd have done a lot better to simply break down the door with a shovel and get out into the fresh air to meet our neighbours.

– But Vladivostok has, essentially, become Russia's Far Eastern capital. Major summits and serious international forums (the Eastern Economic Forum in particular) are hosted here, bringing business leaders, heads of the Far Eastern Federal District regions, and relevant Russian ministers together with political leaders from China, Japan, South Korea, and other countries. What effect has this had on the city?

“ Obviously, bridges have been built that I remember from city development plans on display in the local history museum in the 1970s – these are just amazing achievements that should also help to stimulate the city's growth

– As far as summits are concerned, three days of the EEF every year certainly has the effect of causing flight and hotel prices during this time to skyrocket. What people need to think about is how these high-level events can be integrated with the lives of the people lower down the scale.

### I tried to get hold of a Far Eastern Hectare...

– You'll of course be aware that all Russians now have the opportunity to obtain a hectare of land in the Far



Natalia Rodina

Ilya Lagutenko is an unrivalled icon for several generations

East for free. Let's imagine that you decide to apply for one...

– There's no need to imagine. I tried to get hold of one. I looked for a little plot by the sea in southern Primorsky Territory using the websites. I was one of the first people to try it after it was launched, by the way. Alas, I couldn't find what I wanted. Either there must be problems with the system, or maybe everybody else got there before we did. I might have farmed razor clams in my retirement, for example. Or founded a creative residence for musicians and artists. Or a combined data centre and music

festival (laughs). But what would I do about roads, airports, electricity, and everything else? How many different people's hectares need to be joined together to sort these out?

– How often are your children in Vladivostok, and what do they do there?

– They visit every summer. They take part in every V-ROX festival with me. And they've been to the dolphinarium. We go on walks by the sea. We collect shells. We go diving in search of scallops and sea urchins. We go to places from my childhood. We sit in the courtyard of the building where I grew up and kick our feet against the tree that's still there. Not much has changed. There isn't a lot for kids to do in Vladivostok. When the weather's bad we sit at home and read. We fly to Tokyo, to KidZania. It's not far.

I never thought that Vladivostok 2000 would turn into a RUB 2,000 banknote

– What do you think about Vladivostok being chosen to go on Russia's new RUB 2,000 banknote? People are saying that it's mostly down to your famous song...

The RUB 2,000 bank note has become an illustration of Lagutenko's song *Vladivostok 2000*

– When the song *Vladivostok 2000* was written in the 1990s, I could never have imagined it appealing to anybody apart from me and my friends from the Far East. And now we sing it at every gig – with the audience singing along.

The song portrays some of the less happy realities of local life at that time, yet it's become almost the 'hymn of a generation' – well, that's the expression I keep hearing journalists use in any case. But I certainly never thought that decades later the song could be 'monetized' in quite such a way (laughs).

– Are you in favour of communicating with fans via social media?

– I don't have my own social media accounts, but our fans are already accustomed to seeing regular, updated announcements on the official Mumiy Troll pages sooner than they can find them anywhere else.



Ilya Lagutenko with his band, Mumiy Troll

“The girls listen to different kinds of music at home, and like hanging out with my fellow musicians and making music themselves. My daughters have known how everything works behind the scenes since they were little

– What can you tell us about your new album, *Vostok X Severozapad (East X Northwest)*?

– I can tell you that we laid it down in record time for us – it took just two weeks. That only compares with *Morskaya* and *Ikra (Caviar)*, but the difference was that, unlike 20 years ago, we turned up at the studio without any specific concept for the album or even any finished songs. The entire recording process is turning into something like a mix between a cross-country march and a brainstorming session. But it seems to me that we did a pretty good job of it. And we'll keep doing it that way as well.

– What did your fellow musicians from Japan make of Vladivostok?

– We come here and the musicians taking part in the festival are crazy about Vladivostok for the very same

reasons that we often don't like it – the remains of its Soviet past and its irrational infrastructure. It's a truly unique place. But what also makes an impression and provokes a reaction – and in a good way – is the irresistible spirit of adventure and inexhaustible enthusiasm of the city's locals. We didn't just take musicians and show business promoters to the festival, but also artists, photographers, and even chefs. By the way, a lot of young guys have come on the scene recently who have finally started working with local seafood. It's not just borscht and shashlik anymore, which is good news.

– You run a forum in Vladivostok for young artists. What else would you like to organize in your home city?

– V-ROX was conceived as a festival of opportunities, ideas, and discoveries – everything that the Russian Far East needs so badly. It isn't just an important social project and a stimulus for growth in the region, especially its tourist industry. It's also something that will help the region find its own cultural identity. In spite of the festival's success with its audience and its recognition in society, the last two years have seen ongoing financial difficulties. This year, my V-ROX colleagues and I have made the difficult decision to suspend the festival in the format that we have been able to offer for the last five years. But I believe in the city's creative potential and its desire to do things for real, instead of just talking about them. We already have tons of plans for 2019, including ones involving the tech industry. 🌸

Text: Sergey PAVLOV



## What to tell you about... the edge of the world?

Vladivostok is truly the edge of the world. And not just for Europeans, but also for the majority of Russians living in Western Russia, in the Urals, and even in Siberia. It takes a daunting 8–9 hours to fly here from Moscow.

If you want to travel from the Russian capital to the capital of Primorsky Territory by train, that'll mean covering 9,288 kilometres on the Trans-Siberian Railway – almost a week's journey! En route, your train will cross two continents (Europe and Asia), passing through 14 of Russia's regions, three of its territories, one autonomous region, and one autonomous district. You'll cross 15 of the Russian Federation's largest rivers, including the Volga, the Vyatka, the Kama, the Irtysh, the Ob, the Yenisei, the Oka, the Selenga, the Amur, and the Ussuri. Looking out of your window, you'll see around 90 cities as they rumble past. You'll pass through seven time zones and several climatic ones. Even Papua New Guinea is closer to Vladivostok than Moscow.

But that doesn't stop every Russian 'from the mainland' from dreaming of making the trip. And Vladivostok never fails to make an impression. Read below what various famous individuals (Russian and otherwise) visiting Vladivostok in their own eras had to say about this 'city on the edge of the world'. 🌸

“I will not quote the prices of various goods sold in Vladivostok's shops, they can be worked out by anybody who multiplies by three, and sometimes even by four, and only in rare cases by two, the amount that the item in question costs in Europe.”  
**Nikolay Przhevalsky**, Russian traveller and naturalist, 1867.

“You have a beautiful city here, even with all the hills and slopes. It is tough for large people to get around though. You need to walk with people who can keep you propped up all the time.”  
**Alexander Semchev**, Russian actor, 2014.

“And we thought that you couldn't grow anything here, and that there was nobody around apart from soldiers.”  
**Gerald Ford**, 38th President of the USA (during a visit to Vladivostok for negotiations with Leonid Brezhnev), 1974.

“I served on Russky Island. When I was on guard duty, and I was hungry, exhausted, and frozen, I'd look at your city and dream of being there!”  
**Yevgeny Grishkovetz**, writer and actor, 2013.

“Why, your climate here is better than Sochi's!”  
**Nikita Khrushchev**, political leader of the USSR, 1954.

“This place is home to beautiful and talented people who talk well about intelligent things (I've been introduced to a few of them). The streets here are like the streets in San Francisco: mountains and hills, turns and descents; here the ocean is an energetic monster, the slowest waiters work in the Montmartre café, large ships come from all corners of the Earth, they have a holiday called Day of the Tiger, and the new bridges stretch almost into space...”  
**Sergey Mayorov**, Russian journalist and television and radio presenter, 2012.

# Vladivostok's Mayor Vitaly Verkeenko: A European city with an Asian mentality and a profoundly Russian soul

Alexander Wulf / RIA Novosti

Vladivostok is welcoming guests to the Eastern Economic Forum for the fourth time. What does the capital of Russia's southeastern coast have to offer investors? **Vladivostok's Mayor Vitaly Verkeenko** talks to us about the city's history, its present-day role, and where it is headed.

Text: Julia SHATINA

## Vladivostok must become a centre of international cooperation between Russia and the Asia-Pacific region

– Vitaly, you have been Mayor of Vladivostok since 2017, and you identified international cooperation as a priority for the city from the very start. Would it be silly to ask why?

– Well, Vladivostok is home to seven consulates general and 16 honorary consulates, including some belonging to European states. No other Russian city aside from the capital can claim to enjoy so much foreign attention. It's no wonder that Vladivostok is increasingly being viewed as Russia's Pacific capital. This started out as a thought, but has since consciously been made a reality. "You could rule the East from here" were the famous words of Governor General of

“It is quite natural that Vladivostok has become the venue for Russia's second-largest presidential level forum

East Siberia Nikolay Muravyov-Amursky which gave the capital of Primorsky Territory its name (Vladivostok, or 'Ruler of the East').

Vladivostok historically developed as a multinational and multifaith city at a meeting point between cultures. It's a European city with an Asian mentality

and a profoundly Russian soul. Visitors will find a lot of interesting links with their own countries. At the beginning of the twentieth century, for example, there was a large Japanese population here, which tended to meet and socialize at the Urajio Honganji Temple. The site of the temple now features a sakura garden and a memorial symbolizing friendship between our two peoples.

Vladivostok also has a Chinese quarter – the famous Millionka district. In this labyrinth of streets you can still find the well-preserved Northern Chinese Theatre. We are planning to restore the historical buildings of Millionka and open museum exhibitions there, in order to make this quarter the nucleus of a tourism cluster in the historic centre of Vladivostok and a magnet for Chinese tourists.

It is entirely logical that Vladivostok should be the venue for Russia's second-largest forum held at presidential level. The city plays an extremely important role in the country's new eastward trajectory of development. The Asia-Pacific region of today contains the world's leading economies, and it is important for Vladivostok not only to make itself part of the associated integration processes, but also to occupy its rightful place within them.

## We value our old friends and welcome new ones

– What is being done to develop economic relations with Asian partners?

– The city has been granted some quite significant preferential arrangements, and it is important to make proper use of these. Last year, for example, we celebrated the 120th anniversary of the establishment of consular relations between Vladivostok and China. Historically, however, the city and surrounding Primorsky Territory have generally cooperated closely primarily with the bordering northeastern provinces of China. In April, a delegation from Vladivostok visited central China for the first time when Bank of China invited it to take part in the China Henan International Investment and Trade Fair with a focus on cross-border trade and investment.

Naturally, many people there had heard of Vladivostok, but few were able to point to it on a map. I hope that following the visit to the Eastern Economic Forum of our esteemed guest, leader of the People's Republic

of China Xi Jinping, our city will become the centre of attention for Chinese big business. With 2018 having been declared the Year of Interregional Cooperation, it is our task to advance cross-border trade formats.

Vladivostok also occupies a special place in Russian–Japanese relations. Cooperation between us was given a boost following the Second Eastern Economic Forum, when Prime Minister of Japan Shinzō Abe proposed to help Vladimir Putin make Vladivostok a more comfortable environment for doing business. The Japan External Trade Organization (JETRO) is examining the possibility of opening its third Russian representation here. Japanese business is also interested in pursuing large-scale projects. Convenient logistics, direct air links, and incentives for residents of Vladivostok Free Port and regional investment projects are enabling these to be implemented quickly and effectively.

We also have plans to step up cooperation with South Korea. We have reached an agreement with Mayor of Seoul Park Won-soon in particular, who himself proposed that we sign a joint declaration of friendship and cooperation between our two peoples. Vladivostok is welcoming major South Korean investors such as Lotte, a brand under which one of our best hotel complexes is now operating.

We value our old friends and welcome new ones who are ready to assist in the implementation of investment projects in Vladivostok of any kind. This city is a 'deep blue ocean' which offers extensive opportunities for growing business in any economic sector.

## In 2015 there were only a few residents of Vladivostok Free Port, and now there are around 500

– The First Eastern Economic Forum took place on Russky Island in September 2015. I expect Vladivostok has changed over the last four years.

– You could say that the city has taken a big breath, and become more lively and dynamic. The Eastern Economic Forum attracted attention from all over the world to the new preferential arrangements in place in Vladivostok, and investors appreciated the value of its new business-friendly regime. We are now seeing the opening of new manufacturing plants and the development of small and medium-sized businesses. While there



Vitaly Verkeenko became the head of Vladivostok at the age of 44

were only a few residents of Vladivostok Free Port in 2015, today there are already around 500.

Vladivostok is increasingly becoming a platform for major Russia-wide and international events. It was here that the International Far Eastern Maritime Show took place this year, with the participation of delegations and companies from Russia and 14 other countries.

Last year, Vladivostok was visited by 3.5 million of our fellow Russians. The inflow of international tourists has grown by 25% over the last four years, from 465,000 in 2015 to 620,000 in 2017, and the first half of 2018 has seen further growth of 19%. I consider tourism to be

“Vladivostok is a 'deep blue ocean' which offers extensive opportunities for growing business in any economic sector

one of our development priorities, helping to form a positive image of Vladivostok within Russia and throughout the world. I see the development of this economic sector not in terms of 'a city for tourists', but rather as 'tourism for a city'. I am also convinced that all investments begin with tourism. Investors start by coming here as guests, and assess the levels of hospitality, comfort, and security on offer before deciding whether or not to invest in any projects. That's why it's our task to make Vladivostok even more beautiful and hospitable. ❁

# Crossing the bridges of my memory

In the Vladivostok where I was born, there were no bridges. We only dreamed of them. Now there are three – each one a structure that we could never have imagined.

**Text:** Vladimir MAMONTOV, media manager and journalist, with a background firmly rooted in the Russian Far East

**T**he first, linking the De-Friz peninsula to Sedanka, is low-level. I see myself sailing across it, a schoolboy, in the little boat of my memory. Many years ago, over there on the bank, stood a tent. Leonid Leontyevich, a lame war veteran and our practical skills teacher, would bring our class here to learn orienteering. He was convinced it would be of use to us in life.

The second bridge spans Golden Horn Bay. I imagine myself as a student buying a ticket at the Maltsevsky Crossing and sailing over it. It's work experience; I've been sent to write about a social club. So I set off to the outskirts of Vladivostok, far away, to the rough Churkin district. That

“The city must become what it was destined to be. A starting point for audacious Far Eastern projects. The centre of a new Pacific economy. A global crossroads for life

was the name of that area of Vladivostok, although the peninsula itself was called Shkota. Churkin was only the very tip of it, a promontory. Such things happen: some little scrap of land bestows its name on a decent chunk of territory. A stretch of time. A quarter of a lifetime.

The third bridge goes to Russky Island – where writer Evgeny Grishkovets served in the Navy. Where our new, cutting-edge, federal university has been built. A journalist now, I sail across it in a Navy boat. The boat is painted in grey camouflage with spots of fiery red lead: the fenders, the lifebuoys. Russky Island, Popov Island, Furugelm Island – all were fortified islands. Outposts. I remember how, during perestroika in the 1980s, we protested

against the targets they were going to set up on Furugelm for naval artillery training: fantastically rare black-tailed gulls kept stubbornly nesting there. Inevitably, a few times a year, they would be bombed – but they kept coming back, again and again, to settle there. Nothing unusual about that in the Far East. Whatever happens, you keep returning to your native rivers, like the salmon, or to the nest where you were born, like the gulls.

These bridges are tall. From them, I see the city as I never saw it from aboard a boat. Many of my Far Eastern friends grumbled when the bridges were being built. The whole city was being dug up, and they were throwing serious money at the project. (Don't cry, Mum; they ought to increase your pension instead.) But now, they've stopped grumbling. Over the bridges has come new life, life which could never have been brought on a boat – it wouldn't fit. New vantage points have appeared. New supports. Thousands of students speaking different languages are studying at the new university, taught by professors who were my classmates. This is more interesting than grumbling.

When I was last in Vladivostok, I looked and looked for the house with the harpoon cannons outside it. Maybe the house isn't there; maybe they've sold the cannons off as scrap metal – in any case, I didn't find it. No sign of the whaling flotillas now, either: the *Aleut*, the *Soviet Russia*... And no whale-meat pies for five kopeks a pop either.

Oh, alright then, let the whales live. Once again, the city is transforming its fate. It's hard to imagine that Vladivostok was once a closed city, and then the murky home of 'Mouldering Corner' and its market, famous throughout Russia for selling right-hand drive cars. Now, it has its own Mariinsky Theatre, and we have the chance to remind ourselves of the old science of orientating ourselves in space and time, drilled into us long ago.

The city must become what it was destined to be. A starting point for audacious Far Eastern projects. The centre of a new Pacific economy. A global crossroads for life. ❁

## THE BRIDGES OF VLADIVOSTOK

### The NIZKOVODNY ('low-level') Bridge



(length: 4,362 metres) is a multi-span bridge joining the De-Friz peninsula to the Muravyov-Amursky peninsula in the Sedanka district.

### The ZOLOTYO ('golden') Bridge



(length: 1,388 metres) is a cable-stayed bridge across Golden Horn Bay, linking the city centre to the surrounding regions. Its pylons are 226 metres high, and its central span is 737 metres. It hangs 60 metres above the water.

### The RUSSKY ('Russian') Bridge



(length: 3,100 metres) is a cable-stayed bridge across the Eastern Bosphorus Strait, linking Russky Island with the Nazimov Peninsula. It has the longest central span of any cable-stayed bridge in the world, at 1,104 metres, and also the tallest pylons, at 324 metres. It hangs 70 metres above the water.



Ksenia Lokteva



The lighthouse is the most romantic place in Vladivostok

# The top 12 sights in the Primorsky Region capital and surrounding area

Vladivostok isn't a large city – you can drive around the entire place in just a couple of hours. But there are places where you just have to get out of your car to take a walk, or stop and look at sights that you'll undoubtedly take away with you, in your heart and your memory.



The viewing platform on Orlinaya Hill



Fortress: a unique network of defensive structures



Railway station



Marine terminal

Text: Andrey OSTROVSKY

## 1 Viewing Platform on Orlinaya Hill (3a, Aksakovskaya Ul.)

This spot is considered to be the city's mystical heart. From here, visitors can enjoy a breathtaking panorama over Golden Horn Bay and the city centre. Taking photos and videos is a must. The best time to visit is between 17:00 and 20:00, close to sunset. You can reach the viewing platform by taxi or via a number of different bus routes, but the best way to travel is on the funicular railway. Get on at the lower station (29, Ul. Pushkinskaya) to conquer a vertical climb of about 70 metres in just a few minutes, enjoying the view as it unfolds.

## 2 Vladivostok's most romantic location

There are actually around a dozen lighthouses and beacons in and around the city, including on the roofs of multi-storey buildings, but anyone in Vladivostok who mentions 'the lighthouse' is bound to be talking

about the one on Tokarevsky Spit. This is the perfect place for a few minutes' silence, skimming stones across the waves and experiencing what it's like to be at the end of the earth. Any time of day is perfect for a visit, but you can only get there by car or taxi. Address: Right at the end of Ulitsa Tokarevsky Mayak.

## 3 Transport terminals

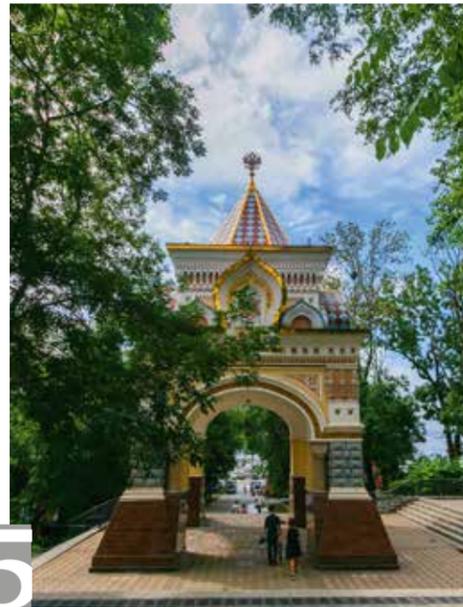
Because this is a place where the rails meet the coast, Vladivostok's railway (2, Ul. Aleutskaya) and marine (1, Ul. Nizhneportovaya) terminals are a must-see. They are located about 50 metres from one another and connected via an overpass. The first is a magical monument of Russian architecture, and the second offers an enchanting angle on Vladivostok's maritime bustle. Dozens of bus routes serve the terminals, but if you're coming from the city centre it's best to travel on foot. The perfect time for a visit is during a bright, sunny day (although a night-time visit also has its charms).

## 4 Fortress

Fourteen forts and dozens of coastal batteries. An entirely unique (there's nothing else like it in the world) network of defensive structures that is a tribute to the genius of the Russian military engineers who built them a century ago. You'd need a week to see them all (including their complex underground sections) in detail. If you're just looking for a brief impression, then the best places to visit are the Novosiltsevskaia and Pospelovskaya Batteries and Fort Pospelov. These are located near the end of the Russky Island Bridge and are relatively close to one another. The best time to visit is during the day. You can get there by any bus destined for Russky Island, or by taxi. The bridge is off-limits to pedestrians.

## 5 The Arch and Vysotsky

This ornate 'Russian-style' arch (4, Ul. Petra Velikovo) was originally erected to mark the visit of heir-to-the-throne Crown Prince Nicholas to Vladivostok on 11 May 1891. The arch was dismantled at the beginning of the Soviet era before being restored at the



Monument to Vladimir Vysotsky

Arch à la Russe

Brynner

5

9



Golden Horn Bay embankments

Amur Bay Embankment

6

7

start of the 21st century. If you climb a little higher and cross Ul. Svetlanskaya, you'll find yourself in Lazo Square with its monument to the eponymous hero of the Civil War in Russia's Far East. Another monument, to Vladimir Vysotsky, was erected next to this one just a few years ago. The highlight for visitors may well be the loudspeakers lining the square that play Vysotsky around the clock. These are great places to visit at any time of day.

stalled atop a plinth, the *Krasny Vypel* museum ship, and monuments to the first pioneers and to Alexander Solzhenitsyn. This is also a great place to take a selfie with the battleships of Russia's Pacific Fleet in the background. Any time of day is a good time to visit.

much more romantic than this. The only way to reach the embankment is on foot – it's the only way to experience it! The best time to come here is at sunset.

## 6 Golden Horn Bay embankments

Korabelnaya Embankment (at the same address) and Tsesarevich Embankment follow on from one another along the north bank of Golden Horn Bay. Here you can find a large number of monuments and memorial plaques, including to the heroic submarine S-56, which is in-

## 7 Amur Bay Embankment

This is Vladivostok's oldest embankment, although it has recently been treated to a 'restyling'. It's also a favourite spot for locals to take a walk. If someone says to you "Let's head down to the Bank!", this is where they mean. With one and a half kilometres of dedicated walking space, yachts filling the horizon, a crimson sun that sinks into Manchuria behind the distant hills of Amur Bay's opposite bank, the sea, and the company of beautiful girls, atmospheres don't get

## 8 The Glory of the Fisherman

A tiny (by modern standards) MRS (small fishing seiner) set upon a diagonal pedestal as if soaring on a wave serves as a monument to the Glory of the Fisherman (178, Ul. Kalinina). The monument is located on Goldobin Cape, which shelters Golden Horn Bay from the south. This is another viewing platform, albeit one less popular with tourists than others due to its more distant location. Don't let that put you off though, as it offers a completely unsurpassed view of central Vladivostok. The best way to make the trip here is by car. Come during daylight for the view.

## 9 Brynner

The world's only monument to Hollywood star Yul Brynner (15, Ul Aleutskaya) can be found near the house where he was born all the way back in 1920. You won't find a portrayal of Yul as the famous noble warrior of *The Magnificent Seven* fame, however, but instead as the King from *The King and I*. The latter is less well known in Russia, but this didn't stop the monument from becoming an icon of the Pacific Meridian Film Festival, held in Vladivostok every September. The best time to visit this monument is during the day.

## 10 Shamora Bay

This legendary bay, which forms part of the larger Ussuri Bay and is located about 20 kilometres from Vladivostok, is the inspiration behind the eponymous album from cult rock group Mumiy Troll. Although an attempt was made during the Soviet era to rename it Lazurnaya Bay, this

ultimately failed. Its three kilometres of broad, sandy beach make the bay a popular spot, not only during bathing season from 1 July to 30 September, but also in winter, especially because unlike Amur Bay, Ussuri Bay doesn't freeze over. The best way to get here is by taxi, and you should come at whatever time works best for you.

## 11 Botanical Gardens

Situated in the suburbs of Vladivostok (142, Ul. Makovskovo), the Botanical Garden and Institute of the Far East Branch of the Russian Academy of Sciences, although significantly adapted, is still an area of genuine Ussuri taiga. Practically all of the region's plants have been gathered together here, including those not found anywhere else. You can get here on any suburban bus route, although it's obviously quicker to drive yourself. The best time to come is during opening hours, which are between 10:00 and 19:00 during the warm season.

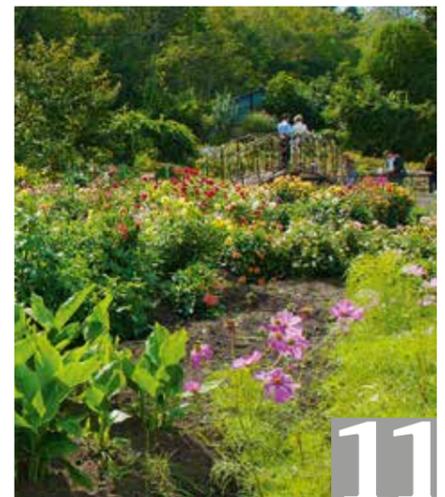
## 12 Collecting tigers

The cult creature that graces Vladivostok's coat of arms can be found in a number of incarnations around the city. If you choose to accept the mission of tickling each of them behind the ear, you'd do best to start your journey at Sports Bay – *Sportivnaya Gavan* (at the same address), where you'll find two tiger sculptures, and finish it at the Ocean Cinema (3, Ul. Naberezhnaya) and the Primorsky Stage of the Mariinsky Theatre (20, Ul. Fastovskaya), each of which is home to a fully grown tiger made of bronze. If you're hoping to see a live version of the stripy feline in its natural environment (so to speak), then you'll need to make the journey to the safari park located not far from the village of Shkotovo, about 80 kilometres from Vladivostok. It was here, a couple of years ago, before an astonished Internet audience, that the story of the relationship between Amur the tiger and Timur the donkey unfolded. You can only get here by car, and naturally you'll want to come during the day! 🐯



Shamora Bay features 3 km of sandy beaches

10



The Botanical Garden features endemic species from the Ussuri Taiga

11



A small fishing ship

8



Little tigers on Sports Bay

12

# This is Vladik, baby!

Why is the capital of Primorsky Territory different from other cities on the planet?

Text: Andrey OSTROVSKY

## Here, tigers walk along the streets instead of bears

The toponymy of Vladivostok quite clearly reflects the recent wild history of these places. One of the hills in the centre of the city is called Tigrovaya, and another – Eagle’s Nest. However, while eagles hang over the bay even today, tigers are encountered mostly on the city’s coat of arms. And yet the occasional striped

a sunset, on the opposite shore, from Peschany Peninsula, the leopards are staring in exactly the same manner at the lights of the evening city.

## The most European city in Asia

For tourists from China, Korea, and Japan, Vladivostok is the closest ‘European city’, even though the architecture here is eclectic as Russian Baroque is mixed with Lutheran Gothic, and Stalinist Empire with the Chinese style of the

“ Today, historians and political scientists seriously discuss whether it is time to transition from the archaic ‘Far East’ to the fashionable ‘Pacific Russia’

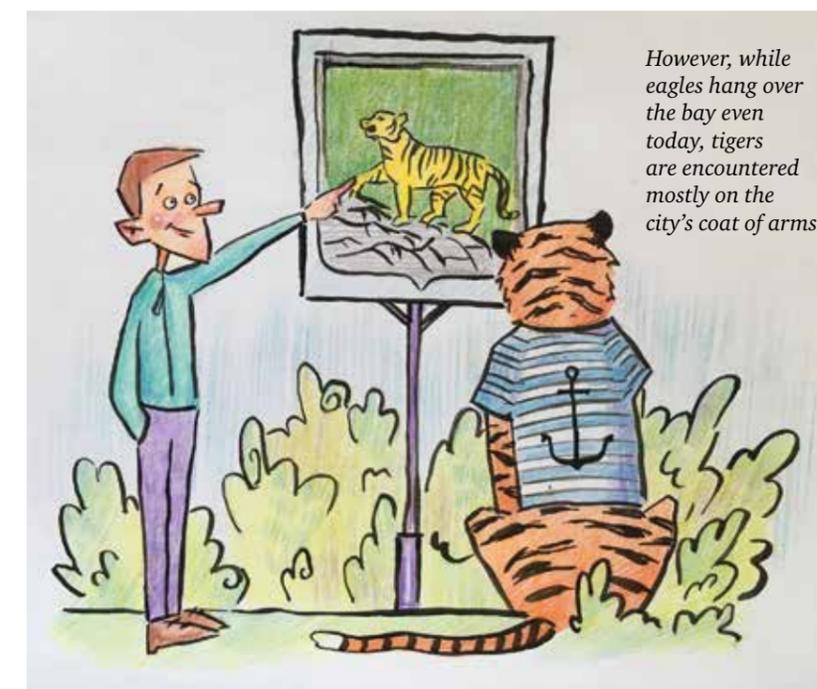
end of the Trans-Siberian Railway, where the rails abut the sea.

One of the first newspapers published here in the nineteenth century was also called *The Far Edge*. And today, historians and political scientists seriously discuss whether it is time to transition from the archaic ‘Far East’ to the fashionable ‘Pacific Russia’. They appear to refer to the same thing, but you have to agree that the meaning is quite different.

## In early summer, we breathe through gills

We know from biology lessons that it is arthropods, and particularly crustaceans, which use gills to breathe. Well, you might not believe it, but Vladivostok residents also seem to have gills. Otherwise, how would they survive in a city where humidity levels generally reach 80–90% during the summer months?

Even on the hottest day, when barometers unanimously indicate a long dry spell, native inhabitants of Vladivostok will not leave home without an umbrella! They all know that the city can be instantaneously inundated with rain or



However, while eagles hang over the bay even today, tigers are encountered mostly on the city’s coat of arms

master of the taiga may wander into the city limits once in a couple of years and be captured on film by the numerous cameras and video recorders.

Unique neighbours – Amur leopards – live on the Peschany Peninsula on the opposite shore of Amur Bay. They happen to live on land that is, on paper at least, within the city limits, as absurd as that sounds... However, they are relatively comfortable over there – a lot of effort and money have been spent on restoring the leopard population in recent years. So when you stand on an embankment in the centre of Vladivostok and watch

Millionka district. It is this patchwork of styles that creates the unique flavour of the historical centre of Vladivostok.

The symbiosis of Europe and Asia, the sea and the hills, the taiga and the ocean, the dry and the damp are all part of Vladivostok’s DNA. Hence, the changeable weather and the impetuous nature of its inhabitants. The name of the region also leaves its imprint: *Primorsky Krai* as it is known in Russian, literally meaning ‘Primorsky Edge’, is primarily perceived precisely as the edge of the Earth. And it is in fact so. It is here where you can see the last kilometre post signifying the

“ When you stand on an embankment in the centre of Vladivostok and watch a sunset, on the opposite shore, from Peschany Peninsula, the leopards are staring in exactly the same manner at the lights of the evening city

Vladivostok residents are incapable of living in a city where the sea is not visible from the window



Ksenia Lokteva

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Well, you might not believe it, but Vladivostok residents also seem to have gills. Otherwise, how would they survive in a city where humidity levels generally reach 80–90% during the summer months?

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fog at any time between the end of May and the middle of July.

The true beach season here begins in the middle of July and lasts until the end of September when the water temperature in the numerous bays surrounding the city is above 20 degrees. In August, the area is sometimes visited by devastating tropical typhoons with deceptively gentle female names. And that is when streams of water rush from the hills into the city turning low-lying streets into stormy rivers. Seasoned locals will be quick to show off: “Well, that’s nothing... I remember when ‘Judy’ came around... That was horrific!”

These misfortunes are compensated to a certain extent by the sunlight that floods Vladivostok between October and April, despite the frost and strong wind from Manchuria. That is why people from Primorsky Territory find the dark St. Petersburg winter so hard to endure. A winter trip to both capitals is perceived as a punishment.

### The Russian capital of right-hand drive

Vladivostok is the capital of right-hand drive vehicles in left-hand Russia. The city’s traffic jams are packed with Toyotas and Mazdas, Hondas and Nissans, Mitsubishi and Suzukis belching out smoke, all imported from Japan over a quarter of a century ago. For any true Vladivostok native, left-hand drive vehicles are just nonsense; this is evidenced by an ironic local joke: “A good steering wheel cannot be located on the left!”

“The true beach season here begins in the middle of July and lasts until the end of September when the water temperature in the numerous bays surrounding the city is above 20 degrees

Not for the first year, Vladivostok is battling for the right to be called the most motorized city in Russia in terms of the number of cars per capita and it always ranks among the top three. This is despite the fact that there are very few wide streets and avenues because of the complicated terrain. So a traffic jam crawling up to the sky doesn’t surprise anyone and the line from the cult song by Mumiyy Troll lead singer Ilya Lagutenko, “...a cruiser [motorcycle] looking sadly with its wheels in the sky” could only have been written by someone who grew up in Vladivostok.

### Locals can’t live anywhere without a sea view

The sea is the most important part of the city’s image. It is everywhere. Apart from the fact that Vladivostok is surrounded by water on three sides: Amur Bay to the west, Ussuriysky Bay to the east, and the Eastern Bosphorus Strait to the south, there are also inland, so to speak, bodies of water:

Golden Horn, Diomid, and Ulysses bays on the mainland, and Novik, Rynda, Vovoda, Ajax, and Paris bays on Russky Island. Ancient Greek heroes have long become a familiar part of the urban toponymy, although few names are associated directly with the myths of the Hellenes – the bays’ names were based on the warships of the Siberian naval flotilla that ploughed these waters.

The sea is happiness! Vladivostok residents are incapable of living in a city where the sea is not visible from the window. Where it is impossible to eat fresh sea cucumber, scallop, or mussels whenever you feel like it. These treats are most delicious, of course, if they are caught by the eaters themselves and consumed without undergoing any heat treatment. A good soy sauce, a little wasabi, maybe a drop of vinegar – yum! What else do you need for a feast?

In Soviet times, 60,000 Vladivostok citizens – merchant seamen, fishermen, naval personnel, border guards, and scientists – were at sea every day. And ‘day’ is a conventional unit; trips could last up to a year or more. Icebreakers headed to the Arctic from here, and whaling flotillas to the Antarctic. It was through the Vladivostok Commercial Sea Port that the majority of the lend-lease military supplies were transported.

The thing is that the sea is also home to sharks that are approaching these shores more and more often (apparently as climate change takes effect), to ruthlessly stinging clinging jellyfish, and to the legendary pufferfish, also known as fugu, the deadly yet favourite delicacy of our neighbours on the opposite shore of the Sea of Japan.

### The most open of all ‘closed cities’

In fact, from the end of World War II until the collapse of the Soviet Union, Vladivostok was a closed city. The main base of the Soviet Pacific Fleet, ship repair and defence plants

“For any true Vladivostok native, left-hand drive vehicles are just nonsense; this is evidenced by an ironic local joke: “A good steering wheel cannot be located on the left!”

“Records by the Beatles, Deep Purple, Rolling Stones, Uriah Heep, and Led Zeppelin appeared in Vladivostok earlier than in Moscow and Leningrad even during the most difficult Soviet times

gave the city the appearance of a grey outpost. However, even then Vysotsky prophetically sang “...the closed port of Vladivostok is open!”, and the ‘closed’ status was relative anyway. Thousands of citizens on ships whose home port was Vladivostok travelled across the world’s oceans docking in dozens of countries.

Given that a Soviet timber carrier could make the standard trip from Japan to its home port in just over 24 hours, it is no wonder that records by the Beatles, Deep Purple, Rolling Stones, Uriah Heep, and Led Zeppelin appeared in Vladivostok earlier than in Moscow and Leningrad even during the most difficult Soviet times.

Initially founded as a fortress and a naval base, Vladivostok has always been the country’s gateway to trade, flung open to the vast Asia-Pacific region. Before the revolution, dozens of general consulates representing foreign governments were based here. The city had free port status back in the nineteenth century, and now Vladivostok Free Port is in operation.



If you decide to walk along the ‘nabka’ (embankment), then you will more than likely meet a ‘kunya’ (a girl from China)

Ksenia Lokteva

“While walking along the ‘nabka’ (embankment) when it’s ‘zusman’ (cold) outside, it’s always nice to ‘vtarit’ (have) a cup of coffee

Philologists note that Vladivostok speech patterns are not characterized by excessive unstressed ‘o’ and ‘a’ sounds. The city is known for its fairly pure Russian language, and pater is a distinctive feature of the local speech. However, you might run into some difficulties if you don’t know the local slang.

If you decide to walk along the ‘nabka’ (embankment), then you will more than likely meet a ‘kunya’ (a girl from China) – lots of tourists visit Vladivo-

“Don’t try to compliment local residents by saying something like: “You have such beautiful mountains!” using the term ‘gory’ or worse ‘kholmi’ (mounds). In Vladivostok, they’re always ‘sopki’ (hills)!

stok from its neighbouring country. If you want to take a short cut, it is best to use ‘ochkurs’ (archways), and if you are hungry then you should drop by a ‘chifanka’ (Chinese restaurant) – inexpensive and delicious. If you’re sitting at home and someone tells you that it’s ‘zusman’ (cold) outside, wear warmer clothes. If you are offered to ‘vtarit’ (have) coffee, this isn’t an indication that you need to buy a bunch of stuff. And the offer to ‘srastit’ (join) something has no connection to anything surgical or horticultural – people want to help you find something or someone you need.

Yes! And of course, the most basic thing: don’t try to compliment local residents by saying something like: “You have such beautiful mountains!” using the term ‘gory’ or worse ‘kholmi’ (mounds). In Vladivostok, they’re always ‘sopki’ (hills)!

And the abbreviation ‘LGZ’ used in conversation simply stands for, albeit immodestly, ‘the best city on earth’. Well, do you agree? 🌸

In fact, from the end of World War II until the collapse of the Soviet Union, Vladivostok was a closed city



Ksenia Lokteva



Aleksey Druzhinin / ITASS

Our interview with Pong Kak Hou, Head Chef at favourite Vladivostok restaurant Chinese Stories, played out as a top-level negotiation in which nothing less than the secret of the delicious Goubuli stuffed buns was at stake. These are the very buns that Vladimir Putin and Chinese leader Xi Jinping tried their hand at making during the Russian President's recent visit to China.

Text: Oleg ANDREEV



Restaurant Chinese Stories

Head Chef Pong Kak Hou believes that even in China, few people know how to make goubuli

**Empress-approved**

Baozi, which is the general term for Chinese stuffed buns, can be made according to an enormous variety of recipes. The majority of these date back to the earliest history of Chinese cuisine, but this doesn't stop modern chefs from experimenting with new fillings that incorporate all kinds of ingredients.

Goubuli themselves have been made since the mid-nineteenth century. The chef who invented them lived in Tianjin, the closest port to the Chinese capital. Goubuli quickly became popular, and it wasn't long before they made their appearance at the imperial court. Upon trying them, the emperor's wife declared that, simple as they were, they were far superior to even the most sophisticated dishes.

**Write it down!**

At first glance, the recipe seems straightforward – write it down! For the dough you'll need 600g of wheat flour, 112g of sugar (that's right, Goubuli have a hint of sweetness!), 11g of yeast, and 11g of baking powder (it's vital to be accurate!). For the stuffing you'll need 600g of minced pork belly, 37g of salt, 112g of oyster sauce, 180g of sugar, 30g of sesame oil, 20g of fresh ginger, 20g of spring onions, and 300g of cooled boiled water.

This quantity of ingredients will make 15 Goubuli buns weighing about 100g each. Don't forget that each bun must have exactly 18 wrinkles at the top – any other number is strictly forbidden. All done? Now let the Goubuli rest for 10 minutes so that the yeast can do its work.

After that, they're ready to go in the steamer. This part depends on the

intensity of the steam, but the Goubuli should be ready after 5–6 minutes. No seasonings or sauces are required – they are a completely stand-alone meal.

**A rare talent, even in China**

Goubuli aren't easy to make. You have to work at it. Despite the abundance of Chinese restaurants worldwide, the buns are hard to find outside China. Even within China, few people know how to make them at home. In Chinese restaurants, this is the job of specially trained 'sculptors' and chefs. And did we mention that Goubuli have earned themselves a place on China's Intangible Cultural Heritage list?

Wondering how President Putin and Chairman Xi Jinping did when it was their turn to make Goubuli? Pong Kak Hou laughs. "I'm not brave enough to answer that question honestly!" ❀



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