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THE FAR EAST:
Creating a New Reality



To participants and guests of Third Eastern Economic Forum

I would like to extend my warm greetings to all participants and guests of the Third Eastern Economic Forum in Vladivostok.

The Russian Far East's proximity to the large and rapidly growing Asia-Pacific market, its wealth of resources and unspoilt natural environment, and the unparalleled transport, logistics and industrial potential to be found here are all attracting increasing international attention. This is confirmed by the growing number of Forum participants: officials, business leaders, scientists, and experts from a variety of countries.

Russia is faced with an ambitious target: to provide the best possible conditions for doing business in the Far East, to launch new manufacturing capabilities, and to create additional jobs. It is with this objective in mind that advanced special economic zones have been set up, offering tax incentives, simplified government regulation and oversight, and extensive infrastructure. More than 700 Russian and foreign companies are already taking advantage of these benefits, working on a range of highly promising projects in the Far East. We expect the number of such initiatives to increase as a result of this Forum.

Russia's Far Eastern strategy is based on openness to collaboration and an interest in promoting the broadest possible international cooperation. As such, the theme of working together within multilateral structures such as the Eurasian Economic Community, the Shanghai Cooperation Organisation, ASEAN, and APEC takes up, by tradition, an important part of the Forum's agenda. I am confident that your discussions will facilitate the development of effective models for combining various integration processes, and will help us to move further towards creating a Greater Eurasian partnership.

I wish you all the best and a successful and productive Forum.

Vladimir PUTIN



Dear participants of the Eastern Economic Forum,

The third Eastern Economic Forum, which is being held here in Vladivostok, a leading city in the Asia-Pacific region, presents a great opportunity to discuss the region's future. As Prime Minister of Japan, I am very pleased to see the Eastern Economic Forum being held with such grandeur, and to be able to attend once again this year.

Vladivostok has enormous potential as a gateway linking Eurasia and the Asia-Pacific region. The city has a rich history and has seen the mixing of many different peoples and cultures. The Eastern Economic Forum provides an opportunity to discuss the development of the Far East fostered through links with the Asia-Pacific region, which is a powerful driver of the global economy. The event is attracting ever greater attention as a major international forum in East Asia and the number of participants is also growing. Further development of the region requires the creation of favorable business conditions that enable growth in all countries, including Japan and Russia. To that end, this forum, which brings together so many business people under one roof and draws on their great wisdom, is

extremely significant.

Japan has for many years contributed to a broad range of economic development in the Asia-Pacific region, and as a responsible member of this region Japan will continue to promote various forms of cooperation. As part of this, Japan is aiming to increase the potential of Japan and Russia, and to strengthen mutual trust, by adeptly combining Russia's economic and social needs with Japan's areas of expertise. For this purpose, I presented President Putin with an eight-point cooperation plan last year, which is now being realized with steady results. Japan advances further visible cooperation in the daily lives of Russian citizens, such as extending the healthy life expectancy of Russian people using Japan's medical technology, undertaking urban development projects that shape the future of Vladivostok in a manner befitting of a gateway to the Asia-Pacific region, and turning the Far East into a major export base. As announced last year, I would like to confirm the progress in the cooperation plan with President Putin at the annual Eastern Economic Forum and deepen Japan-Russian cooperation. I look forward to participating in the discussions of the forum, and hope that this forum will continue to produce significant results in advancing regional and bilateral cooperation by providing a venue for fruitful and future-oriented discussions.

Shinzo ABE
Prime Minister of Japan

安倍晋三



Dear Forum participants and guests,

The first Eastern Economic Forum was held in Vladivostok in 2015. Over the intervening three years, it has become the largest platform in the international arena for discussing strategies to develop political, economic, and cultural links between Russia and the countries of the Asia-Pacific region.

The Forum affords us an opportunity to present the work we do, and to explain that the Russian Far East is a reliable, safe, and profitable place to do business. That is why centre stage at this year's third Eastern Economic Forum will be given to projects that have already been implemented by Russian and foreign investors. The main speakers in our discussions will likewise be entrepreneurs who are creating real businesses and new jobs.

So far, 15 federal laws aimed at developing the Russian Far East have been adopted. A demographic policy for the Russian Far East has been approved for the first time. A comprehensive plan to develop the city of Komsomolsk-on-Amur is being implemented. A full range of essential cultural, sporting, and social infrastructure will be built in the city. We are creating a Far East Fund for the Development and

Implementation of Cutting-Edge Technology.

Seventeen advanced special economic zones have been established, together with Vladivostok Free Port. Fourteen investment projects are receiving state infrastructure support. Work continues on the 'Far Eastern hectare' initiative, and much-needed legislation has been adopted to launch a mechanism to bring energy tariffs into alignment and to introduce special simplified procedures for foreign citizens wishing to enter the Russian Far East. A full range of major investment projects is now at the implementation stage: more than 750 projects have been announced, and are expected to create 100,000 new jobs. By the end of the year, 85 new companies will have been established, providing 5,500 new jobs.

I am certain that this Forum will assist us in our search for new ways to achieve economic growth in the Russian Far East and expand international cooperation in the Asia-Pacific region.

I would like to wish all participants and guests a productive and successful Forum.

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

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“In the 20 years since its founding, the St. Petersburg International Economic Forum has grown into a platform for the discussion of strategic issues and challenges. This conversation is all the more important today in a world going through a major transformation, where profound changes are affecting practically every sphere of life.”

Vladimir Putin

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ALL THE INFORMATION
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FORUM: BUSINESS PROGRAMME

ECONOMIC POLICY IN RUSSIA'S EAST: WHAT'S NEXT?

Advanced Special Economic Zones 2.0.

The View from Investors. Since 2015, the Far East has set up 17 advanced special economic zones (ASEZs) in which more than 300 investment projects are being implemented and 20 new production facilities have been created. How do investors rate the effectiveness of the ASEZ programme and its influence on the economic viability of projects? What changes should be made to ASEZs to increase profitability and reduce the risk to investors?

Vladivostok Free Port: Successes and Challenges. Putting Our Heads Together.

The sea ports of the Russian Far East connect Russia with the countries of the Asia-Pacific region. Vladivostok Free Port was established to create globally competitive conditions for their development. What is its effect on the economics of new enterprises? Extending the free port regime to all ports and airports in the Russian Far East: a necessary step?

Support for Major Investment Projects. What Now?

Fourteen investors have already used the mechanism of targeted state infrastructure support. Has it lived up to their expectations? How will it function going forward?

The 'Far Eastern Hectare': Initial Experiences.

2016 saw the launch of a programme allocating free land in the Russian Far East. More than 25,000 people have already become participants in the programme. Why are people taking land in the Russian Far East, and what do they plan to do with it? What improvements must be made to the 'Far Eastern hectare' law and the online applications system (надальнийвосток.рф)?

Lowering Energy Tariffs: The Impact on Projects.

A programme to lower energy tariffs in the Russian Far East was launched on 1 July this year. What effect will this produce for businesses in the Russian Far East? Can we expect growth in investment? Could this experience of reducing energy tariffs be applied to other kinds of business costs in the Russian Far East?

Small and Medium-Sized Businesses. Everything for Growth!

New conditions for doing business in the Russian Far East, ASEZs, and the Free Port are increasingly attracting the interest of small companies. What can the government do to help small businesses in the Russian Far East access the large Asia-Pacific market?

The Investment Climate in the Regions of the Russian Far East. Investors Comment on Changes.

In the opinion of entrepreneurs, what positive and negative changes have taken place in the regions of the Russian Far East over the past year? What are the major needs from business with respect to the regional authorities right now? How do investors rate the effectiveness of local governors' teams?

Entrepreneurship in the Russian Far East. Risks and Solutions.

The level of pressure on business from administrations and regulatory bodies is a significant factor in the global competitiveness of regions. What risks do investors in the Russian Far East see in working with the government? How well protected do they feel?



Investments by State Companies. A Focus on Russia's Far East.

In accordance with a Russian Government directive, 40 Russian state-owned companies are prioritizing their work in the Russian Far East. Where and in what in the Russian Far East are state-owned companies planning to invest? And what support are they counting on? How can a multiplier effect be achieved that will accelerate growth in the Russian Far East?

And also:

- Protecting Investments and Creditors' Rights in the Russian Far East: Strategic Changes
- Financing Innovation as a Driver of Economic Growth in the Russian Far East
- Women Empowerment for Growth and Development



DOING BUSINESS IN THE RUSSIAN FAR EAST

Chemical Utilization of Oil and Gas in the Russian Far East: A New Business Niche?

Twenty-seven percent of gas reserves and 17% of oil reserves in the Asia-Pacific region are concentrated in the Russian Far East. The level of development of known oil and gas deposits is extremely low and does not exceed 12%. Is the Russian Far East a competitive location for the development of the gas- and petrochemical industry? What gas- and petrochemical facilities are the most attractive for localization in the Russian Far East?

Agricultural Investment. Feeding the Asia-Pacific Region.

The Russian Far East is located closer than any other region of the country to the largest and fastest growing market of the Asia-Pacific region, which has a population 20 times the size of Russia's and 470 times larger than that of the macro-region. What food products for the Asia-Pacific region could be produced the most advantageously in the Russian Far East? What steps must be taken to transform the Russian Far East into a key supplier to the highly competitive Asia-Pacific foodstuffs market?

Russky Island: The Onset of Creating a New Centre for International Cooperation and Cutting-Edge Technologies in the Asia-Pacific Region.

In 2017 the Russian Government adopted a programme for the development of Russky Island as a centre for international collaboration and cutting-edge technologies in the Asia-Pacific region. What investment projects could be implemented on Russky Island? What conditions should the government create on the island in order to attract investment from cutting-edge technology companies?

Coal and Logistics: Export Potential.

A full range of major coal extraction and enrichment projects has now been launched in the Far East. However, there is a need to modernize railway networks and optimize transportation tariffs, which are creating bottlenecks within the sector. What is the potential for increasing the effectiveness of investment in coal extraction by developing logistics? What are the prospects for coal exports in the Russian Far East?

Gold. A New Chapter in the Gold Rush.

Thirty percent of gold deposits in the Asia-Pacific region are located in the Russian Far East. What gold deposits and investment projects for gold extraction are in need of Russian and foreign investors? How can the government assist in establishing the infrastructure required for the development of new gold deposits? What initiatives must be created to ensure the flow of capital into the projects of junior companies?

Forests and Timber Processing: From Timber to Pulp and Paper Factories.

The Russian Far East is home to 51% of forest resources in the Asia-Pacific region. Vnesheconombank has announced the creation of a forestry cluster in the Russian Far East, and in 2017 a major Chinese investor declared its interest in constructing a pulp mill. In which regions of the Russian Far East would investment in forestry bring the most gain? How can the share of deep processing enterprises be increased?

Investment Fish Quotas. Where and How to Invest in Processing and Shipbuilding.

In 2017, the Russian Government launched a fishing quota mechanism, under which fisheries are obliged to build either new fishing vessels in Russian shipyards or new seafood processing plants. A competition for investment projects has also been announced. How can a company become a participant in the competition and what aquatic bioresources can investors expect to get? What are the economics of investment projects for seafood processing in the Russian Far East?

Mariculture: Establishing a New Sector in the Russian Far East.

More than 2 million hectares of the marine area of the Russian Far East are suitable for the cultivation of mariculture products which are especially valuable and sought-after on Asia-Pacific markets. In 2017 the Russian Government introduced new procedures for making marine areas in the Russian Far East available to marine farmers. In which regions of the Seas of Japan and Okhotsk can marine aquaculture be developed? What supportive measures is the government making available for marine farmers?

Airports. A New List of Projects.

A full range of private investment projects to modernize airports is being implemented in the Russian Far East. The most successful of these is Vladivostok International Airport. What plans exist for airport development in Russia's Far East? What mechanisms are there for attracting investors to these projects?

Vladivostok, City of Diamonds: The Start of Gem-Cutting.

The Russian Far East is a global leader in rough diamond production with 81% of the diamond deposits present in the Asia-Pacific region. However, nearly every rough diamond mined is exported and cut in another country. In 2016, the Eurasian Diamond Centre was opened in Vladivostok. Alrosa has announced the start of a programme to provide financial assistance to diamond cutters. How will it work? Could Russian diamonds as an international brand provide a competitive advantage for Russian diamond cutters?



Sea Ports: In Good Hands. The Russian Far Eastern coastline is home to 32 trade and fishing seaports, as well as 300 small ports and port facilities. Technical standards do not conform to modern requirements, however. What plans exist for their development? Which ports in the Russian Far East offer the most interesting investment opportunities? What economic impact have new customs clearance regulations in the Free Port of Vladivostok had on seaports?

Russia's Digital Far East: Finding Partners. As a neighbour of Asia-Pacific countries which are leaders in the global economy, the Russian Far East has the opportunity to be first among Russian regions in attracting new technological solutions and laying a foundation for Russia's future development. In what sectors could a digital cluster in the Russian Far East be competitive, what partners are needed in order to create it, and how can they be attracted?

Tourism. An Economy Based on Unique Experiences. Every year more than 170 million tourists from China, Japan, and South Korea travel abroad, where they spend more than USD 250 billion collectively. The Russian Far East possesses a unique selection of recreational resources capable of attracting a significant part of the tourist flow from the Asia-Pacific region. How do investor support mechanisms in the tourism sector of the Russian Far East operate? What further steps can the government take to develop incoming and domestic tourism?

And also:

- **How Can We Ensure an Inflow of Private Investment into Developing the Infrastructure of Russia's Far East?**
- **Specially Protected Natural Areas – Opportunities for the State and Business**

WE ARE NEIGHBOURS: EARNING THROUGH COOPERATION

'Russia's Gateway to Asia': the Role of the Russian Far East in Asia-Pacific Integration Initiatives. Asia today is growing ever more self-reliant, and, accordingly, more closed-off externally and more open and competitive internally as a market. Other EAEU countries can gain access to this market via the Russian Far East. What needs does the Russian Far East have with respect to integration processes in the Asia-Pacific region? How far are the sides prepared to go on the question of creating a free trade zone? To what extent would this be in the interests of the Russian Far East?

The Export Potential of the Russian Far East. Meeting Growing Demand in the Asia-Pacific Region. The Russian Far East not only competes with national Asian producers, but also with companies from the USA and Europe who have already been exporting to these markets for some time. How can a support system for exports from the Russian Far East be formed? What are the most effective channels for promoting export-oriented goods produced in the Russian Far East? What role could be played by electronic platforms?



Competitive Customs Regulation: Best Practices in the Asia-Pacific Region. Russia has taken unprecedented steps in recent years to implement specialized regulations targeted at the development of the Russian Far East. Many of the practices being applied in terms of customs procedures in the advanced special economic zones and in the Free Port of Vladivostok are unique for Russia. What practical results have been achieved? What next steps should be taken to improve customs regulation mechanisms?

Connecting Europe and Asia. International Transport Corridors in the Russian Far East. An important project for realizing the transit potential of the Russian Far East is the development of the international transport corridors 'Primorye 1' and 'Primorye 2', linking the north-eastern provinces of China with ports in the south of Primorsky Territory. The potential total cargo base of these is estimated at around 45 million tonnes annually. When and under what conditions will the construction of new infrastructure for the international transport corridors begin? How will support for investors from both countries be realized as investment projects for the development of transport corridors are implemented?

Smart Energy: Balancing Demand with Capacity. New Projects. The major revolutionary breakthroughs of the last 300 years have been possible thanks to the discovery of new kinds of fuel. But today the development of IT and technology is creating colossal opportunities for increasing energy efficiency, which in terms of their scale are comparable with a new energy revolution. What is the present demand from the world economy for new energy technologies? What impact will big data, machine learning and other 'smart' technologies have on this highly traditional sector of the economy? Could the Russian Far East become a 'smart' energy hub for the Asia-Pacific region?

The Potential of the Northern Sea Route. From Words to Actions. The Northern Sea Route is the shortest sea route from Asia to Europe, and experts estimate that by 2050 it will be passable for non-ice reinforced vessels all year round. Taking this into consideration, it is strategically advisable at this point to begin developing the Northern Sea Route. How can participation in the joint development of the Northern Sea Route be made attractive to China, Japan, and South Korea? How can competitive conditions for container cargo transit via the Northern Sea Route be ensured?

Healthcare Investment in the Asia-Pacific Region: The Economic and Social Impact. In investing in healthcare, business is interested in returns, and the government in extending the life expectancy of its citizens, as well as their working lives, and accelerating the pace of economic growth. How is a balance between the interests of the private sector and the state ensured in healthcare in Asia-Pacific region countries? What are the key trends in healthcare development in the Asia-Pacific region? How can the Russian Far East make use of the advantages of Asia-Pacific healthcare systems for its own development?

Competitive Law and the International Arbitration Centre in the Russian Far East. The examples of Hong Kong and Singapore show how important the presence of systems of competition law and independent centres of arbitration is. Could the Free Port of Vladivostok repeat the successes of these Asian phenomena? And if so, how can this be achieved? Could it be possible to establish an Asian axis of arbitration linking Vladivostok, Beijing, Hong Kong and Singapore?

New Technologies in the Asia-Pacific Financial Sector. How Blockchain is Transforming Reality. Perhaps nowhere more than in the financial sector do trust and the availability of intermediary chains play such a crucial role. Blockchain technology is potentially able to replace both, and to increase drastically the productivity in the sector. What role can Russia and its Far East play in the development of blockchain technology?

Partnership for Greater Eurasia: Expanding a Future-Oriented Joint Development Space. Ensuring synergy rather than competition between Eurasian projects could advance the interests of all the continent's nations. This is exactly the idea of the Eurasian Economic Partnership (EEP), or Greater Eurasia: building a space for joint development by creating an economic relations system that takes account of the interests of all of its participants. How and by what means can the EEP be created? What benefits can the establishment of the EEP bring to the region's countries?

Logistics in Russia and Asia-Pacific Interconnect under China's Belt and Road Initiative. China is moving its Belt and Road initiative from a framework discussion phase to tangible projects, establishing the preconditions for the development of routes across Russia. Sino-Russian cooperation in this area is supported

by the two countries' heads of state. How should Russia make the most of the opportunities presented by China's Belt and Road initiative? What steps need to be taken by the Chinese and Russian governments in the near future to create conditions that will foster increased cooperation in this area?



And also:

- **Bilateral and Multilateral Space Cooperation in the Asia-Pacific Region**
- **The Asian Energy Ring. Are Politicians and Energy Companies Ready?**
- **Bonds as a Means of Attracting Finance**
- **Increasing Academic Mobility in the Asia-Pacific Region**
- **The Fight Against Social Inequality and Polarization in Countries of the Asia-Pacific Region**
- **Pandemic Preparedness as a Condition of Sustainable Economic Growth in the Asia-Pacific Region**
- **TV Debates of Russia 24 and the Valdai Discussion Club. Russia's Pivot to the East: Outcomes and New Goals**
- **Valdai Club Session. New Opportunities for Cooperation in Asia: the Russia-China-Japan-US Quadrangle**
- **Seminar on Global Services in the Intellectual Property Sector**



THE RUSSIAN FAR EAST: CREATING A NEW QUALITY OF LIFE BY RESPONDING TO CHALLENGES

Creating 100,000 New Jobs. Challenges and Solutions. By 2025, 100,000 new jobs will have been created at new enterprises in the Russian Far East, and 70% of them will be for qualified specialists. It will be impossible to fill these positions using only the region's existing workforce, however. The government has proposed a programme to attract specialists from other regions. Labour mobility programme 2.0: how will the new measures stimulate migration to the region? Job rotation – a potential way to lay down roots?

Comprehensive Development of Cities. Initial Plans: Komsomolsk-on-Amur, Svobodny. Initial experience relating to comprehensive urban development in the Russian Far East comes in the form of long-term plans to develop the towns of Komsomolsk-on-Amur (Khabarovsk Territory) and Svobodny (Amur Region). What have been the initial results of applying this new approach? In which other towns in the Russian Far East will urban development be prioritized as a task of federal importance?

Solutions from Russian State Companies. The Far Eastern Priority. State companies, which along with generating profit are solving the challenge of improving the quality of life of inhabitants of the Russian Far East, are making a significant contribution to forward-looking development in the Russian Far East. Such companies include Aeroflot, the Agency for Housing Mortgage Lending, and Rostelecom. What are these and other state companies doing to accelerate development in the region?

Developing Borderland Territories in the Russian East: Opportunities and Challenges. Their geostrategic location and existing economic potential of their natural environment make the border regions of the Russian Far East stand out as the most attractive regions for investment and economic activity. With limited local budgets, how can authorities keep pace with economic processes while ensuring that the local population, the incoming workforce and visitors to the border regions have access to high-quality infrastructure and public services in a timely manner? What steps need to be taken to activate cross-border cooperation?

Integrated Development in the Russian Far East: Creating a Comfortable Living Environment. Concentrating resources in 'growth points', measures to reduce imbalances in quality of life, achieving more equal levels of socioeconomic development, and overcoming the limitations of infrastructure are the main challenges when it comes to formulating integrated development plans for the nine regions of the Russian Far East. What needs to be done now in order to create a safe and comfortable living space for human potential to be fully realized within the regions of the Russian Far East?

Talent in the Russian Far East: To Import or Nurture? In Russia, a range of strategic programmes are being implemented to develop talent for participation in efforts to upgrade the country's scientific and technological base. The Russian Far East should not remain on the sidelines as solutions to these challenges are put into effect since it is a territory of great challenges. What role could the Russian Far East play in global competition for talent?

The Development of Human Capital as a Critical Factor in Successfully Modernizing Single-Industry Towns. The Russian Government first began implementing its priority programme to promote the integrated development of single-industry towns in July 2016. The programme encompasses 319 cities in 60 regions of the Russian Federation. Which best regional and international practices for developing human capital could be of use in single-industry towns? How are single-industry town teams working with social communities? Who are the leaders of change in these new times?

Environmental Consequences of Emergency Situations: Topical Problems and How to Solve Them. Russia's Ministry of Emergency Situations is taking active steps to implement a set of measures aimed at improving day-to-day safety for the population and businesses alike, including in the event of emergencies with environmental consequences. How does effective coordination between different ministries and agencies result in mitigating the environmental impact of natural disasters? What is the role of international cooperation in this regard?



The City of the Future: Strategies for Development. Vladivostok is set to become a leading force in the development of the Russian Far East's transport and infrastructure sector. The prerequisites are already in place for this to happen, however achieving this objective requires drawing up a strategic development document – one which will facilitate finding a balance between the needs of the city's residents, local government, regional businesses, and major corporations. What changes can Vladivostok expect? What specific features affect urban planning in Russia?

And also:

- **Healthcare for People. What Will Be Done?**
- **Housing and Utilities. What Will Be Done?**
- **Education. What Will Be Done?**
- **Culture and Art. What Will Be Done?**
- **Sport. What Will Be Done?**



BUSINESS DIALOGUE

Russia–ASEAN. This year marks the launch of a range of projects in the Russian Far East that are being implemented with the participation of companies from ASEAN member states – in machine building, agriculture, timber processing, transport, and tourism. To ensure their success implementation, unprecedented conditions have been put in place to ensure the highest level of convenience. The Far East could become a springboard for building cooperation between Russia and ASEAN countries. How can investors from several ASEAN countries be brought together for a single project? What incentive measures are needed to strengthen their trust? Which sectors feature the most promising projects for working together?

Russia–China. Eighty percent of investment in the Russian Far East from the Asia-Pacific region over the last two years has come from Chinese companies. Altogether, more than 20 investment projects, with a total investment value of over USD 3 billion, are being implemented in the macro-region with the participation of Chinese capital. Which projects have

already demonstrated their viability and which ones are in the early phase? What are the obstacles to their implementation? What mechanisms could become additional drivers of growth for the flow of investment into the Russian Far East from China? What effects can businesses in both countries expect from the launch of the new cross-border corridors?

Russia–Japan. One year on from the launch of joint work on an eight-point plan for economic cooperation proposed by Japanese Prime Minister Shinzō Abe, it is possible to speak of a significant uptick in cooperation between businesses in the two countries. Discussions on joint investment projects in the oil and gas sector, agriculture, healthcare, and infrastructure have entered the practical stage. Many of these projects are connected with the Russian Far East. What projects are already being implemented by Japanese companies in the region? How can their confidence be strengthened? Which sectors are the most promising? What improvements are required in each sector from a regulatory point of view?

Russia–Republic of Korea. The majority of Korean projects are

concentrated in the seafood and agro-industrial sectors. At the same time, such projects account for less than 1% of foreign investment into the Russian Far East from Asia-Pacific countries in the last two years. What is obstructing the flow of Korean investment into the Russian Far East? What experience can South Korea draw on in the Russian Far East to improve the investment climate? Are Russian and Korean businesses interested in implementing megaprojects such as the development of the Northern Sea Route and the creation of an Asian energy ring?

Russia–India. Both countries are ready to work together to increase their trade and economic cooperation. In 2017, India made its first investments in the Russian Far East outside the oil and gas sector. A number of Indian companies are at an advanced stage of decision-making about investing in machine building and oil and gas extraction. What projects are Indian companies already implementing in the Russian Far East, and what is the key to their success? What mechanisms and solutions could act as a catalyst for the growth of Indian investment in the Russian Far East and mutual trade?



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 6–7 September
 from 08:00 to 20:00

Please note that Forum venue will be open from 08:00 on 5 September. You 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 30 minutes.

PARTICIPANT ACCREDITATION

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

The badge is personalized and may not be transferred to third parties. You must carry your badge as well as your passport (or another identity document) with you at all times during the Forum.

You must present your badge for verification upon request by security service officials.

Badges can be collected in person by presenting an identity document (passport) or by a third party using a power of attorney.

The badge may be collected at the accreditation point in Moscow or Vladivostok.

To avoid complications with the access to the Forum venue we advise collecting your accreditation badge before the start of the Forum events.

Participant bag can be collected in building A (level 2) from 5 to 7 September.

PICKING UP A PARTICIPANT BADGE BY A PROXY

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

- Authorized person's passport
- Original standard power of attorney*
- List of participants
- Copies of participants' passports**

* The power of attorney form, as well as an example of how to fill it out, is available to download in the Accreditation section of the Forum website.
 ** Copies of the participants' passports will be returned upon collecting the badges.

TRANSPORT ACCREDITATION

During the Forum and the Forum preparation period, the vehicular access to the Forum venue is limited. There may also be limited vehicular access to Vladivostok International Airport, official hotels and various cultural and sporting programme venues.

Where restrictions are introduced, access will only be granted to vehicles with an EEF 2017 transport pass.

Once applied for, driver and vehicle accreditation badges

can be collected in person upon presentation of a passport or by power of attorney from Accreditation Centre 1 (building M, FEFU). The power of attorney form, as well as an example of how to fill it out, is available to download in the Accreditation section of the Forum website.

To collect transport passes and drivers' accreditation badges copies of the drivers' passports must be presented. Copies of the passports will be returned once the badges have been issued.

| Venue | Address | Date | Working hours |
|------------------------|--|-------------------------|---------------|
| Accreditation Centre 1 | Building M, FEFU, Ajax, Vladivostok, Russky Island | 23 August – 2 September | 10:00–19:00 |
| | | 3 September | 10:00–24:00 |
| | | 4–7 September | 24 hours |

ACCREDITATION POINT HOURS OF OPERATION

| Venue | Address | Date | Working hours |
|-----------------------------------|---|-------------------------|--|
| MOSCOW | | | |
| World Trade Center Moscow | Entrance 7, 12, Krasnopresnenskaya nab. | 28 August – 4 September | 09:00–20:00 (Mon – Fri), 10:00–18:00 (Sat – Sun) |
| | | 5 September | 09:00–12:00 |
| VLADIVOSTOK | | | |
| Accreditation Centre 1 | Building M, FEFU, Ajax, Russky Island | 23 August– 2 September | 10:00–19:00 |
| | | 3 September | 10:00–24:00 |
| | | 4–7 September | 24 hours |
| Vladivostok International Airport | 45, Portovaya Ulitsa, Artem | 1–6 September | 07:00–23:00 |
| Hotel Hyundai | 29, Semenovskaya Ulitsa | 1–6 September | 08:00–23:00 |

* Information is valid as at 20 August, 2017. The latest information about the Forum can be found on the official website www.forumvostok.ru



FINANCIAL SERVICES

Participants can pay the participation fee and the cost of any additional services in cash or with a bank card at the Forum financial services stand at Accreditation Centre 1 (building M, FEFU).

A 5.5% commission fee is charged when paying for participation and services at Forum financial services stands.

The financial services stands will also provide participants and representatives of payer organizations with original copies of contracts, work completion statements and invoices signed by the Roscongress Foundation. Documents can be picked up at Accreditation Centre 1.

Forum financial services stands operating hours

| | |
|---------------|-------------|
| 4 September | 08:00–19:00 |
| 5–6 September | 08:00–20:00 |
| 7 September | 08:00–17:00 |

THE ROSCONGRESS LOUNGE

The Roscongress Lounge is a special business networking area provided by the Eastern Economic Forum operator, the Roscongress Foundation.

The Roscongress Foundation (previously the SPIEF Foundation) has been regularly holding business events in Russia and abroad since 1997, creating favourable conditions for economic cooperation between the business and political elites of Russia and other countries.

Visitors to this area can learn about all the opportunities available for participants in the events and projects carried out by the Roscongress Foundation: the St. Petersburg International Economic Forum, the International Financial Congress, the Eastern Economic Forum, the World Festival of Youth and Students, the Russian Investment Forum, the International Arctic Forum, and others. Visitors who are interested may apply to take part in these events or to organize congress events at any level.

Renting meeting spaces in the Roscongress Lounge

For the convenience and comfort of its guests, the Lounge is equipped with meeting spaces which can be booked in advance, and a coffee break area. It will also screen broadcasts of key EEF 2017 events.

Meeting spaces in the Roscongress Lounge are available for rent for 20–30 minutes. If you wish to rent meeting spaces, please go to the Roscongress Lounge administrator's stand (level 4, building A).

This service is provided free of charge, subject to availability when booking.



INTERNET

For the convenience of participants, complimentary high-speed Internet access is available at the Forum venue. This service is available free of charge to Forum participants and guests and can be accessed in all buildings of the EEF business programme events on the FEFU campus, as well as in the Accreditation Centre 1 and the press centre.

Network name: **EEF2017**

Password: **eef-2017**

BROADCASTS OF FORUM EVENTS

Live video broadcasts of the plenary session and other Forum events will be displayed on TV screens located throughout the Forum venue and in the press centre. In addition to session broadcasts, 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. Footage of Forum business programme events will also be broadcast live in the Programme section of the official Forum website, www.forumvostok.ru. A broadcast archive will be available in the Programme section of the Forum website at www.forumvostok.ru, where you will be able to search by date and event title. Video material can be watched in full or by section.

SOCIAL MEDIA



Official hashtag of the Forum:
#EEF2017



The mobile app for the Eastern Economic Forum is the best way to get the latest information about EEF and learn about services offered at the forum. It can be downloaded in the App Store and Google Play (search term "eef 2017").

The app is a tool that participants can use to plan their work and communication at the Forum.

Key app functions:

- information about the Forum programme
- view video broadcasts of business events
- exchange messages with other participants
 - schedule meetings
- create a personal schedule to attend business, cultural, and sporting events
 - information on transport services
 - navigate the Forum venue

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

INFORMATION SERVICES

Information and services points

EEF information and services points are located in building A (levels 2, 3, 4, 5 and 6), building B (levels 5 and 6) and building C (level 6) of the EEF venue, in the Accreditation Centre 1 (building M), and at Vladivostok International Airport.

At information and services points you can obtain information on the Forum's business, cultural and sporting programmes,

available services, and directions around the EEF venue and other sites.

Additionally, the information and services points at the Forum venue also offer the following services:

- Copying and printing of documents
- Copying and writing information to electronic media
- Distribution of EEF 2017 information materials
- Subscription to or

cancellation of the text message notification service for EEF 2017 participants

Service stands at the EEF venue:

- Cultural and sporting programme
- Congress Attaché concierge service
- Taxi booking and transport services
- Theatre ticket and guided tour booking
- Russian Post
- Mobile device charging

- Luggage room
- Lost property office

Text message notification service

The text message notification service allows participants to receive short messages providing information on business and cultural programme events, participant services, and changes to the official EEF 2017 programme. This service is activated automatically for the

mobile phone number indicated during registration on the official EEF website. You may apply for this service to be activated or deactivated at the EEF information and services points or by telephone on **+7 (499) 7000 111**. This service is provided free of charge.

For additional information, please contact EEF information centre.

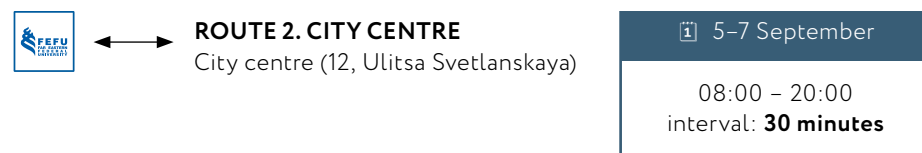
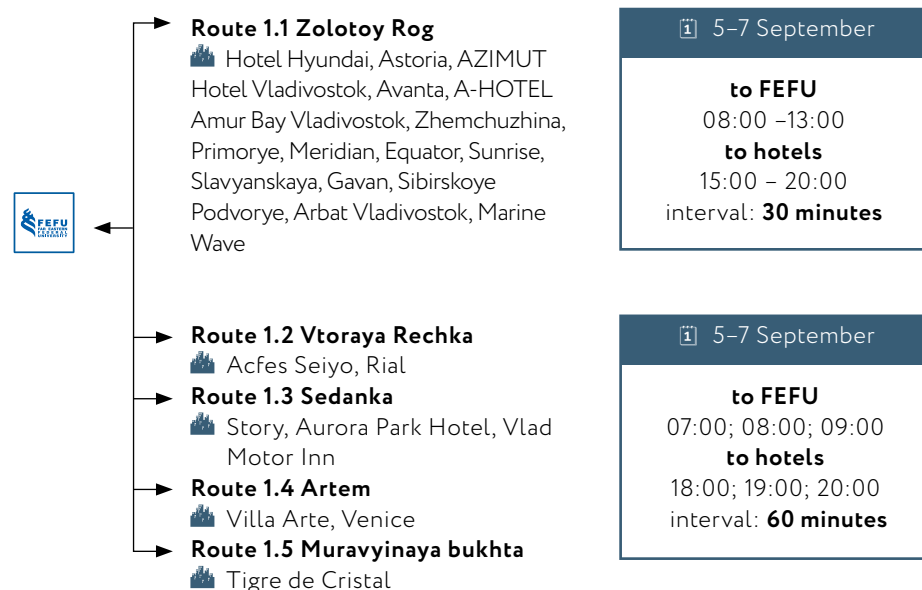
Tel.: **+7 (499) 7000 111**

Email: info@forumvostok.ru

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 FEFU territory.

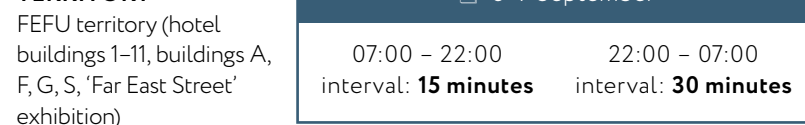
ROUTE 1. OFFICIAL HOTELS



ROUTE 3. VLADIVOSTOK INTERNATIONAL AIRPORT



ROUTE 4. FEFU TERRITORY



Please note: The free shuttle bus timetable and intervals might be changed. You should enquire about exact shuttle departure times and places from Forum personnel at the airport, hotels and Forum event sites. Please allow plenty of time for your journey.



TAXI BOOKING

You can book a taxi by contacting one of the city's taxi companies.

Official accredited taxi company of the Forum: PrimAvtoLine

Tel.: **+7 (423) 244 4444,**
+7 (423) 255 5555,
+7 (800) 555 4409.

Passenger pick-up and drop-off points are located on University Avenue, close to the EEF 2017 venue's security checkpoint and the FEFU hotel complex.

Please note that only official accredited Forum taxis will be allowed onto the FEFU site.























You can book an official accredited taxi at the EEF 2017 transport services stands at Vladivostok International Airport.

There will be transport services stands at the Forum venue on level 6 of building A, level 6 of building B and in the Accreditation Centre 1 (building M).



DINING AT THE FORUM VENUE

| Name | Location | Hours | Dining format |
|--|---|---------------|--|
| Cafes offering light snacks (free of charge) | | | |
| Café for participants | Building B, level 5, opposite conference hall 3 | | |
| Networking area | Building B, level 6 | 08:00 – 19:00 | Coffee break |
| Networking area | Building B, level 7 | | |
| Paid cafes and restaurants offering hot meals | | | |
| Panorama Restaurant | Building A, level 12 | 11:30 – 18:00 | Set menu |
| Onego restaurant | Building A, level 12 | 08:00 – 21:00 | A la carte service |
| Polina Café | FEFU campus, University Promenade | 10:00 – 20:00 | A la carte service |
| STAR COFFEE Café | Building A, level 8 | 08:00 – 21:00 | Tea, coffee, salads, hot meals, desserts |
| Paid cafes at the Forum venue | | | |
| No. 1 Coffee Place Café | Building B, level 5 Building C, level 6 Building D, level 4 | | |
| Coffee City Café | Building C, level 5 | 08:00 – 20:00 | Tea, coffee, snacks, desserts |
| Pryanik Café | Building D, level 5 | | |

HOTELS IN VLADIVOSTOK

-  Hotel Hyundai 5*
-  Astoria 4*
-  AZIMUT Hotel Vladivostok 4*
-  Tigre De Cristal 4*
-  Villa Arte 4*
-  Aurora Park Hotel 4*
-  Primorye 3*
-  Zhemchuzhina 3*
-  Meridian 3*
-  Arbat-Vladivostok 3*
-  Gavan 3*
-  Acfes Seiyo 3*
-  A-HOTEL Amur Bay Vladivostok 3*
-  Slavyanskaya 3*
-  Equator 3*
-  Avanta 3*
-  Rial 3*
-  Sunrise 3*
-  Vlad Motor Inn 3*
-  Story 3*
-  Venice 3*
-  Sibirskoye Podvorye 3*

On Russky Island

-  FEFU 3* – hotel buildings 1–5
-  FEFU 3* – hotel buildings 6–8

If you would like assistance in booking accommodation, please email your request to booking@forumvostok.ru, or telephone **+7 (499) 7000 111**, specifying your preferred hotel, dates of stay, the full names of guests, and the number of rooms required. Media representatives should email mediabooking@forumvostok.ru. Booking requests will be accepted until 25 August 2017.

FORUM: SPORTING PROGRAMME

Far Eastern Corporate Games

📅 2 September 2017
🏟️ Olympiets Sports Complex
(Vladivostok, 2, Batareynaya
Ulitsa)
🕒 09:00–17:00

The EEF World Sports Forum

**Business Programme:
reception and
sporting programme
presentation,
plenary session**
📅 5 September 2017
🏟️ FEFU Campus (Vladivostok,
Russky
Island, Ajax)

Gala hockey match between Team EEF and Team Primorsky Territory Administration

📅 5 September 2017
🏟️ Polyus Ice Arena
(Vladivostok, 26V, Ulitsa
Ovchinnikova)
🕒 19:00–22:00

Charity run in aid of the Amur tiger and Siberian leopard

📅 6 September 2017
🏟️ School No. 5 (Vladivostok,
Russky Island, Kanal village)
🕒 06:30–09:00

Gala basketball match between Team EEF and Team Primorsky Territory Administration

📅 6 September 2017
🏟️ Olympiets Sports Centre
(Vladivostok, 2, Batareynaya
Ulitsa)
🕒 19:00–21:00

Annual International Vladivostok Jigoro Kano Junior Judo Tournament for under 21s

📅 6–7 September 2017
🏟️ Fetisov Arena (Vladivostok,
284, Ulitsa Makovskogo)
🕒 13:00–18:00 and 12:00–18:30

Tennis tournament for the Roscongress Foundation Cup

📅 7 September 2017
🏟️ The Tennis House
(Vladivostok, 7/2, Ulitsa
Kaplunova)
🕒 19:00–22:00

Sailing regatta

📅 6–7 September 2017
🏟️ Russky Island, Ajax Bay
🕒 6 September:
11:00–14:00
7 September:
12:00–16:00



FORUM: EXHIBITIONS

The EEF 2017 exhibition space will feature specific advanced special economic zones, investment projects as well as measures taken by the federal and regional authorities to develop the socioeconomic, demographic, and investment potential of the Far Eastern Federal District.

• The **'Far East Development' exhibition** presents mechanisms for companies to enter the Far Eastern Federal District (advanced special economic zones, Free Port of Vladivostok), investment opportunities, activities, and the objectives of development

institutions as well as ongoing and promising investment projects.

📍 level 6, building A

• The **'Welcome to the Far East!' exhibition** presents key industries of the Far Eastern Federal District, the international cooperation policy, industry investment opportunities and preferences as well as the mega-projects of the macro-region.

📍 level 5, building B

• The **EEF partner networking areas and EEF media partner studios** expand the Forum space and allow for a visualization of the status and achievements of EEF 2017 partner companies.

📍 levels 3,4 and 5, building A; level 6, building B; level 6, building C

• The **All-Russian nature festival 'Primeval Russia' (jointly with SUEK)** demonstrates the work of Russia's best photographers who present Russian nature in all its diversity: picturesque landscapes and unique portraits of wild animals.

📍 level 5, building C

• The **TASS photo exhibition (jointly with SUEK)**. Siberian Coal Energy Company (SUEK) and Russian News Agency TASS present a photo exhibition that tells the story of the coal industry in the Far East. The history of the development of deposits, modern mining equipment, and fantastic landscapes in unique photographs showing the coal industry's enormous resource potential and massive role in the country's economy.

📍 level 6, passage between buildings A and C

• The **photo exhibition to mark the 60th anniversary of the Russia-China Friendship Association** is organized by the RCFA jointly with TASS. The exhibition will feature more than 40 works – both from famous photo correspondents around the country as well as a number of unique photos from the Association's archive showing numerous memorable moments of Russian-Chinese relations from the second half of the last century to the present day.

📍 level 6, passage between buildings A and C

'FAR EAST STREET' EXHIBITION

The 'Far East Street' exhibition will be held for the third time at EEF 2017.

The exhibition visitors will get to know the results of the new economic policy in the Far East, try the fish products of the Kamchatka advanced special economic zone, view a sample of graphite produced

in the Amur-Khinganskaya advanced special economic zone, and taste honey products made by one of the first recipients of the Far East hectare. Using virtual reality technology, you can find yourself among the snow slopes of the Mountain Air complex or see the beauty of the Lena Pillars natural park. The exhibition guests can expect a magnificent concert programme, a show on a waterfall, the 'Beauty of the Far East' competition, and master classes on the applied art of the indigenous peoples of the North.

The **Fish Market** that EEF participants love so much will open its doors again, offering the opportunity to taste real Far Eastern delicacies such as Japanese scallops, Kamchatka crab, Magadan shrimp, and much more.

Representatives of the **Republic of Korea** and the **Republic of India** will take part in the exhibition for the first time in 2017.

FORUM: CULTURAL PROGRAMME

RECEPTION GIVEN BY THE GOVERNOR OF PRIMORSKY TERRITORY

Guests at the reception will have an opportunity to network with business partners in an informal setting and make new contacts. Classical music will be performed throughout the evening by the Chamber Ensemble of the Pacific Symphony Orchestra, led by Honoured Artist of Russia Anatoly Smirnov. The programme for the concert, entitled 'Velvet Season', will be complemented by the coastal surroundings and the sounds

of the Pacific Ocean. Eastern Economic Forum participants will enjoy the comforts of an open-air lounge, perfect for meetings and business discussions.

- 📅 5 September 2017
- 🕒 19:00 – 22:00
- 🏠 FEFU Campus, Polina Café, University Promenade
- ➡ Premium Package participants may attend the event by invitation. You can find detailed information in your personal web office.

Welcome cocktails on behalf of the Chairman of the Eastern Economic Forum 2017 Organizing Committee

- 📅 6 September 2017
- 🕒 Guest arrival time: 19.30
- 🏠 SUPRA restaurant, 1B, Ulitsa Admirala Fokina, Vladivostok
- ➡ Entry to the event is by invitation from the Organizing Committee

Guests at the evening reception will include Russian and international government officials, some of the Forum's key speakers and moderators, and heads of major corporations. The programme includes pop and jazz performances by vocal and instrumental groups.

A True Celebration of Song – national karaoke with the Turetsky Choir.

A Concert on Vladivostok's Main Square for city visitors and residents.

- 📅 6 September 2017
- 🕒 18:00 – 20:30
- 🏠 Vladivostok, Ploshchad Bortsam za Vlast Sovetov na Dalnem Vostoke
- ➡ Admission free

A concert for local residents and visitors will be held on Vladivostok's main square. The audience will have an opportunity to accompany the Turetsky Choir singing songs beloved by many generations of Russians. The project was awarded the Tate Prize of the Russian Federation in February 2017. The Celebration of Song in Vladivostok has already become a popular tradition; this will be the second time the event has taken place.

Before the Turetsky Choir make their appearance, event guests will be treated to a **concert programme performed by the group 'What Men Sing About'**. The group provides a creative fusion of the best vocal talents Vladivostok has to offer, featuring winners of regional and national competitions and festivals and a wide range of Soviet and Russian pop classics. The performers will delight the audience with their

VLADIVOSTOK MUSEUMS

During the Forum, participants may visit the following Vladivostok museums free of charge (by showing their EEf 2017 participant badge):

- Far Eastern Federal University Education and Research Museum;
- Primorye State Art Gallery;
- Arseniev State Museum of Primorsky Region;
- ArtEtazh Gallery.

youthful energy and emotionally charged renditions.

Concert by the Moscow Soloists Chamber Orchestra conducted by Yuri Bashmet

- 📅 6 September 2017
- 🕒 19:30 – 21:00
- 🏠 Great Hall, Primorsky Stage of the Mariinsky Theatre, 20, Fastovskaya Ulitsa, Vladivostok

➡ Premium Package participants may attend the event by invitation. You can find detailed information in your personal web office

A concert by the Moscow Soloists Chamber Orchestra conducted by Artistic Director Yuri Bashmet and featuring young soloists from the All-Russia Youth Symphony Orchestra. The programme includes works by Mozart, Tchaikovsky, Bruch, Rossini, and Sarasate.

Concert by fusion group Indian Ocean

- 📅 7 September 2017
- 🕒 18:00 – 20:30
- 🏠 Vladivostok, Ploshchad Bortsam za Vlast Sovetov na Dalnem Vostoke

➡ Admission free
Indian Ocean are a fusion group from Delhi, India, formed in 1990. The group achieved fame with their third album, Kandisa, and, since the beginning of the century, they have

travelled and performed on every continent and in many Indian cities.

Indian Ocean's performance will be preceded by a **concert programme presented by Vladivostok group COIN**, a team of musicians united by a passion for performing quality cover versions of popular foreign songs. The genres covered by COIN range from pop-rock and hard rock to popular melodies of the 1980s. The group's live performances are always guaranteed to be filled with energy, dynamism and drive. The group's front man is Alexander Pstyga, a finalist in the Novaya Zvezda (New Star) TV music competition.

Concert programme presented by the Pacific Symphony Orchestra and soloists from the Primorsky Regional Philharmonic

- 📅 8 September 2017
- 🕒 18:00 – 19:00
- 🏠 Vladivostok, Ploshchad Bortsam za Vlast Sovetov na Dalnem Vostoke
- ➡ Admission free

The Pacific Symphony Orchestra is Primorsky Territory's leading musical ensemble, with a history spanning 82 years. This impressive longevity makes it the musical 'calling card' of the region. The concert programme will feature some of the most vibrant and recognizable works in the classical repertoire.

Ballet: Sleeping Beauty

- 📅 7–8 September 2017
- 🕒 19:00 – 22:20
- 🏠 Stage of the Mariinsky Theatre, Vladivostok, 20, Fastovskaya Ulitsa

➡ A ticket is required to attend this event; tickets can be purchased via your personal web office.

The price of these tickets is not included in the package.

This vibrant and monumental production of Tchaikovsky's ballet, based on Konstantin Sergeyev's version of Marius Petipa's classic choreography, has been adapted for the Primorsky Stage by Eldar Aliev and features sets and costumes designed by Vyacheslav Okunev. The ballet will be performed as part of the 'Russian Seasons' programme, in anticipation of the Year of Russian-Japanese Cultural Exchange. The production will feature dancers from Japan.

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INVESTORS CHOOSE the Far East

MINISTER FOR
THE DEVELOPMENT
OF THE RUSSIAN FAR EAST
ALEXANDER GALUSHKA
SPEAKS ABOUT THE
STEPS THE GOVERNMENT
HAS TAKEN TO DEVELOP
BUSINESS IN THE REGION



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PILLARS OF A SUCCESSFUL ECONOMY – stability and predictability

HANG LANG GROUP CEO
RONNIE CHAN SPEAKS ABOUT
THE IMPORTANCE OF RUSSIA'S
FAR EAST IN THE NEW SILK ROAD

BIG CHALLENGES for a big region

THE RAPIDLY GROWING ECONOMIES OF THE ASIA-PACIFIC REGION LARGELY PREDETERMINE THE DEVELOPMENT OF WORLD CIVILIZATION, ENCOUNTERING A WIDE RANGE OF BIG CHALLENGES. ACTING RECTOR OF FAR EASTERN FEDERAL UNIVERSITY **NIKITA ANISIMOV** TALKS ABOUT THE ROLE OF SCIENCE IN THE SEARCH FOR ANSWERS TO THESE QUESTIONS

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“RIGHT BEFORE OUR EYES, SOMETHING HAS HAPPENED

THAT proved
impossible

for a long time –

Russia has made a real step towards
the East”

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CHAIRMAN OF THE BOARD OF THE FOUNDATION FOR
DEVELOPMENT AND SUPPORT OF THE VALDAI DISCUSSION CLUB
ANDREY BYSTRITSKIY TALKS ABOUT THE RELATIONS OF LEADING
SUPERPOWERS IN THE ASIA-PACIFIC REGION, THE NORTH KOREA
FACTOR, AND THE DEVELOPMENT LOGIC OF EURASIA





INVESTORS CHOOSE the Far East

ALEXANDER GALUSHKA, RUSSIAN MINISTER FOR THE DEVELOPMENT OF THE RUSSIAN FAR EAST, TALKS ABOUT LIFTING ADMINISTRATIVE BARRIERS, INNOVATIVE LAW, AND FOREIGN INVESTORS.

The region's geographic proximity to the leading economies of the Asia-Pacific region is not in itself a guarantee of successful development, which requires easy accessibility from a logistics perspective. Two factors play a key role here: a developed cross-border infrastructure and a free market. Today, while Russia is an active participant in all of the processes under way in the Asia-Pacific region, demonstrating the highest rate of development in recent decades, the Far East is still lacking in modern infrastructure, including cross-border infrastructure: highways, railways and new ports handling a cargo turnover of more than a hundred million tonnes.

What needs to be done to achieve this? It is vital to reach the point where the income tax rate in the region not exceeding 11%, do not exceed in South Korea, insurance contributions does do not exceed 10%, as in Japan, and the time taken to obtain a construction permit is 26 days or less, as in the USA.

What has already been done to address these issues? Extensive efforts are being made at all levels in the Far East – from the very top of government down to regional and local authorities – to rearrange the entire system for managing and collaborating with with foreign partners, and to create a new economic model for the region. The aim here is to make the Far East a competitive and fully-fledged partner of the leading Asian economies: Japan, South Korea, China, India, Singapore, and others. And significant work has already gone into achieving this.

– First, we have introduced a number of innovative laws supporting the Far East's accelerated development. These have enabled the appearance of new 'growth points': 18 advanced special economic zones meeting the needs of the region's economy. The special Vladivostok Free Port regime is in force at the largest sea ports and adjoining areas, which are crossed by major transport routes. Here investors enjoy income, land and

property tax incentives, and reduced insurance contribution rates. Each investor has an opportunity to take advantage of the free customs zone regime including duty and tax-free import, storage and consumption of foreign goods. In addition, investors operating in advanced special economic zones gain access to ready-made infrastructure.

– Second, the state has started expanding the Far East's infrastructure capacity. The scale of construction of electricity transmission lines, roads, water, heat and gas supply lines all over the region is unprecedented since Soviet times.

– Third, maximum emphasis has been focused on developing the cross-border logistics infrastructure. Jointly with our Chinese partners, we have started building bridges in key areas – in the Amur and Jewish Autonomous Regions – and modernizing the Primorye-1 and Primorye-2 international transport corridors.

– Fourth, an investor support institution network operating in 'single window' mode has been created. This is a project support information system which allows investors to access support by simply sending a message from their personal account. In future, we are going to develop it as a single integrated portal where investors will not only be able to obtain



// The development of logistics infrastructure is one of the key priorities for state investment

// *We have introduced a number of innovative laws supporting the Far East's accelerated development*

information support, but also contact the relevant tax and oversight authorities. This information system is also used by the agencies helping foreign entrepreneurs successfully implement their projects in the Far East. For instance, the Far East Investment and Export Agency, in conjunction with the Japan Bank

for International Cooperation, has created a company to support Japanese investors who have decided to invest in the Far East. A similar Russian and Chinese company has been set up and the Far East Investment and Export Agency also has representative offices in Harbin and Beijing. The investment



// The construction of Russia's largest natural gas processing plant began in Amur Region

agency Korea Eximbank and the Korea Trade-Investment Promotion Agency have reached an agreement to establish a centre for supporting Korean investors. A division of the Indian investment promotion agency will soon be opened for Indian businesses in the Russian Far East.

– Fifth, we have eliminated one of the key factors hindering economic growth – high energy tariffs, which had significantly exceeded the Russian national average for a long time. Now, Far Eastern enterprises pay the same price for electricity as businesses in the rest of Russia, on average.

– Sixth, a vital step has been taken to open up the Far East to foreign investors as much as possible. For the first time in Russia's history, an electronic visa has been introduced within the Vladivostok Free Port area. Visitors can obtain one without even leaving home.

What has all this achieved? Owing to the new support tools, the current volume of investment in the Far East is about RUB 3.5 trillion, in more than 800 new projects – plants, factories, agroindustrial complexes, logistics and tourism centres. Of these, more than 300 are already under construction and 86 new enterprises are scheduled to open by the end of the year.

Major projects are being implemented all over the region. For instance, in Amur Region, we

// The scale of construction of electricity transmission lines, roads, water, heat and gas supply lines all over the region is unprecedented since Soviet times

have started building the biggest natural gas processing plant in the country, with a capacity of up to 42 billion cubic metres a year. No projects of such a scale have been implemented in our country for more than 50 years. Construction work will be divided into six stages, and the foundations have already been laid. Russian President Vladimir Putin, who launched this project at the beginning of August, gave a very precise description of its importance for the social and economic development of the region.

Another large-scale project – a mining and processing plant at the Natalkinskoe gold field in Magadan Region – is being prepared for launch, representing an investment of more than RUB 96 billion.

Merci Trade agricultural holding is successfully implementing projects in Primorsky Territory. The company has already put into operation a pig farm for 83,000 animals and is

completing construction of an animal feed mill and an elevator complex. In total, the holding is constructing six such complexes with a total capacity of 540,000 animals.

At the same time, it is perfectly evident that the potential for cooperation between the Far East and the neighbouring countries of the Asia-Pacific region is very high. We are ready to offer our partners competitive conditions and to work to improve them. We will continue reducing the tax burden on businesses and taking steps to eliminate administrative barriers and obstacles preventing the development of logistics and free trade between the Russian Far East and Japan, Korea, China, and other Asia-Pacific countries.

All these projects and initiatives will be reflected in the programme of the third Eastern Economic Forum. We look forward to seeing our partners and are always open for dialogue and cooperation. ❀



// Bureyskaya HPP supplies growing demand from the region's economy for electricity



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PILLARS OF A SUCCESSFUL ECONOMY – stability and predictability

RONNIE CHAN, CHAIRMAN OF HANG LUNG GROUP, ONE OF THE LARGEST PROPERTY DEVELOPMENT COMPANIES IN HONG KONG, TALKS ABOUT WHY STABILITY IS MORE IMPORTANT THAN THE LEGAL SYSTEM, AND ABOUT THE ROLE OF THE RUSSIAN FAR EAST IN THE NEW SILK ROAD INITIATIVE.

The Russian Far East may be considered the last economic frontier for mankind. It is rich in natural resources although challenging to develop. As such, international participation may be desirable if not necessary. The convening of the Eastern Economic Forum with the presence of Russia's President Putin is a strong signal to the world that the country may be considering exactly that. For this Forum, we the overseas participants have our host to thank.

Of all nations on earth, Russia has by far the largest landmass. Due to forces of nature, its development was limited, but scientific and technological advancements have in recent years made it possible. If the small country of Israel can make the hot desert bloom, so can Russia make its Far East – indeed the entire cold Siberia-blossom.

Human history is full of examples of fast economic development – Western Europe in the late 19th century, North America in the early 20th century, Japan and the Four Asian Tigers of South Korea, Taiwan, Hong Kong and Singapore in the decades after World War II. Then came China of the past 30 years. Economic development is today more a science than an art. It is duplicable as long as certain principles are adhered to. That also means that if a place does not develop, there are few others to blame, for it can be done.

The question is how. In recent decades, massive amount of capital has been accumulated in many parts of the world – Japan, Western Europe, the U.S. and China, just to name a few. In the cases of Japan and the West, money is mostly controlled by individuals and corporates. In the case of China, even the government is cash-rich. The capital market, in particular in London, New York City and Hong Kong, can easily be tapped as long as the storyline is right. The likes of Asian Infrastructure Investment Bank (AIIB) make capital more readily available, for infrastructure development must be among the first projects.

It is said in the West that rule of law is indispensable for economic development. It is nice to have but

not a requirement at the beginning stage of growth. A relatively corruption-free environment is useful but again it is not an absolute necessity. They can come later. Experiences of post-World War II Japan, Korea and Southeast Asia, all bear out these facts.

That said, certain conditions must exist in order to attract respectable businessmen. Successful economies of East Asia all have two characteristics – stability and predictability. The social and macroeconomic conditions must be stable. Policies can gradually improve over time but abrupt reversals should be avoided unless they are clearly wrong. By predictability, I refer to the operating environment for businesses, i.e. the microeconomic conditions. When a blue button is pressed, blue light always comes on; when a yellow button is pushed, yellow light always turns on. The presence of these two conditions will to a good extent mitigate risks for businesses.

Four years ago, President Xi Jinping enunciated the Belt & Road Initiative (BRI) or if you will, the New



Successful economies of East Asia all have two characteristics – stability and predictability

Silk Road by land and sea. It is an effort that no single country alone can undertake. It is an open and inclusive system for all to play. Two thousand years ago, globalization started there anchored by the Roman Empire to the West and the prosperous Han Dynasty of China in the East. Yet, the huge landmass in between, once thriving, is today one of the least globalized parts of the world. That spells great commercial opportunities for all of us. What is important at this stage is not who raised the subject, for sooner or later, someone for whatever reason will come up with a similar idea. What is important is who will today take advantage of it. Anyone who does not do so will only disadvantage himself.

Together with Japan, Korea, Indonesia and China, the Russian Far East is the easterly starting point of this initiative. Given size, geography

and history, no one can doubt that Russia must be a critical part of the multinational effort which will take decades to play out. Equally sure is the fact that it is already beginning to bear tangible economic fruits. Pakistan is one such case. One of their former Prime Ministers told me not long ago that some US\$40 billion were being invested in their ports, highways and railroads, among other projects.

On final analysis, economic development for all will be but one of the benefits of closer economic cooperation. It should help maintain peace in the region. Cultural interaction between people will improve mutual understanding which may prove to be the greatest dividend of this collective effort. The present Eastern Economic Forum is an important part of that process, and I wish it every success. 🌸

“RIGHT BEFORE OUR EYES, SOMETHING HAS HAPPENED THAT proved impossible for a long time – Russia has made a real step towards the East”



ANDREY BYSTRITSKIY, CHAIRMAN OF THE BOARD OF THE FOUNDATION FOR DEVELOPMENT AND SUPPORT OF THE VALDAI DISCUSSION CLUB, TALKS ABOUT RELATIONS AMONG THE LEADING ASIA-PACIFIC COUNTRIES, THE NORTH KOREA FACTOR, AND WHAT THE DEVELOPMENT OF EURASIA MEANS.

The Valdai Club session at the Eastern Economic Forum is devoted to relations within the Russia–China–Japan–USA quadrangle. What role does each of these countries play in this configuration?

Each country plays a unique role. Firstly, these are all independent states. Each has its own logic, traditions, and history of relations. Some confrontations are evident. There is obvious economic rivalry between the USA and China.



// The Minister of Industry and Trade of the Russian Federation Denis Manturov (on the left) and the managing Director of Commercial Aircraft Corporation of China Ltd, the Russian-Chinese project of a passenger plane

Relations between the USA and Russia are clearly complicated, certainly at the moment. A difficult discussion is under way regarding the consequences of territorial delimitations following the Second World War. So each country has its own role to play.

At the same time, the United States is indisputably one of the main technological powers. Russia has a fairly well-educated population, huge resources, and is geographically located such that many trade routes have no option but to pass through it. Japan is known for technology, hard work, and perseverance. China is the

world's leading economy. How will relations between them develop? There is no question that all of these countries need one another. They all want to trade with one another and to develop the region, not least since the Eurasian region is comparatively peaceful. Of course, that does not mean that there have never been conflicts. On the contrary, they have been plentiful – one need only recall the Second World War. There are some tensions today, too. But, on the whole, development is on the cards.

What brings these four countries together? And what divides

them? To what extent can these differences be overcome?

We are witnessing an interesting situation. Economically, all of these countries are interested in more or less intensive cooperation. Of course, there is competition and jostling for markets but, on the whole, there is much more scope for cooperation than for confrontation. Yet it turns out that primarily political issues and political competition are a powerful force that has an adverse impact on the development of economic relations. Contrary to the traditional Marxist approach of an economic base and political superstructure, it has turned out that the political aspect is more of a hindrance than a help to the economy. The two things need to be reconciled. Incidentally, what is happening in the United States – the internal political struggle in that country – is largely a battle between economics and politics. The future that will change the world is meeting resistance from

// Primarily political issues and political competition are a powerful force that has an adverse impact on the development of economic relations

// The whole point of developing Eurasia was to link Eurasia with Western Europe on one side and the Far East on the other

the elite, which does not want to withdraw.

How has US policy in the Asia-Pacific region changed under Trump? What are the implications for Russia?

Trump has not been in power long enough for any substantial changes to be seen, although we can already draw some conclusions. First of all, Trump torpedoed the Trans-Pacific Partnership. This is the most significant step he has taken so far. Whether or not it was a smart move is hard to say. It does not exactly make things easier for Russia, but to some extent it gives Russia more of a free hand. The Russian leadership has said directly that, although Trump rejects this form of globalization, there is no getting away from globalization in some form – it is a necessary condition for world development. The question is what form globalization will take. I think that Trump and his allies and advisers are in the process of hammering out a policy, and it will not be an easy task. There are several incredibly dangerous challenges which are undermining this policy to some extent, above all North Korea. We can see how events are developing. God forbid that all this leads to real clashes. In any case, we are hearing loud rhetoric about “fire and fury” and “we’ll strike your bases” that no one has uttered in a long time. The problem is that words have a magical power of their own. As Jürgen Habermas wrote in his time, there exists a kind of preferable definition when we name something; we can, in so doing, evoke something that did not exist before. There is a dangerous trend here. I think the USA has some hard thinking to do to work out its policy and make up its mind as to what it is going to do. The country has many problems and the entire US

elite is deep in thought about what is happening.

How much of a risk does the North Korea factor present for the wellbeing of the Asia-Pacific region?

It is a serious problem that has been growing before our eyes. North Korea’s position is clear. It is a rogue country strongly disliked by everybody. A country with a bad reputation and, many say, a population which does not enjoy a very good standard of living. It is hard to know because there is so much fake news, many conflicting reports. But the signs are that things are not all that good there. The country built a nuclear weapon to protect its elite. And it’s working. If North Korea did not have nuclear warheads and a ballistic missile capability, it would be all over by now, in spite of the incredible prowess of the North Korean commandos, who are said to be able to catch squirrels in the woods with their teeth. Or maybe it’s all lies.

Of course, it’s a big problem. Big countries – Russia, China, the USA – have learned to interact somehow. They have considerable experience. Even when conflicts arise, there is a general understanding of how things stand; there are agreements on mutual monitoring. There are even some treaties. But here the situation is not under control and this frightens everyone. The fact that there are differences of approach about how to resolve the situation is another issue. Some prefer to offer a carrot; others favour the stick. This topic is not on the agenda for our session at the Eastern Economic Forum but, in general, the big four in the Asia-Pacific region should consider how to act in concert over the North Korea issue. A solution must be found because the situation carries an element of risk.

Let’s return to the topic of the session. How do you assess Russia’s progress in developing the Far East and integrating it into the Asia-Pacific region’s overall economic agenda? What is motivating this process? And what is holding it back?

A lot has been said about this. On the whole, the policy is a success. Could it have been still more successful? Perhaps. The Valdai Club has been working on this problem for quite a while and, over the past few years, we have been writing regularly about Eurasia, issuing the reports Towards a Great Ocean 1, 2, 3, 4, and 5. Right before our eyes, in just a few years, something has happened that proved impossible for a long time – Russia has made a real step towards the East.

Let me say straight away that we do not think that Russia should oppose the West, quite the contrary. We should support each other. This is the official Russian position. When globalization was discussed, Russia said that the whole point of developing Eurasia was to link Eurasia with Western Europe on one side and the Far East on the other. Everything must communicate and interact.

Russia has undoubtedly made several extremely important steps in that direction: it has brought about a real change in the situation, become very much a part of it and achieved some concrete results. There are many obstacles, above all infrastructure, communications, and legal regulation. There are many issues but they are not insuperable and there are prospects. Barring a massive change in current policy, Russia may achieve a great deal in the future and everything will be okay. This is not going to happen automatically. But, on the whole, I would say that we have had some successes and they are obvious.

In Soviet times, China was thought of as a junior brother to the USSR. The situation has since changed. How equal is the relationship between Russia and China today? What is the outlook for the development of this relationship?



// One of the projects in the economic belt of the silk road will be the construction of HSR "Moscow-Kazan"

I think that the relationship between Russia and China is equal from every point of view, especially considering the characters of the leaders and the mood of the Russian and Chinese elites. It cannot be anything but equal. Of course, like any equal relationship, it is marked by certain contradictions. Indeed, it is not all that easy to agree the interests of a vast number of different Russian and Chinese regions, considering the different situations in the Russian and Chinese economies, and so on.

The key issue is not equality but development prospects and formulae. The most significant forms of development have to do with the Silk Road Economic Belt, the space that is being developed. What is the underlying idea here? It is to see the Eurasian Economic Union led by Russia and Kazakhstan and other countries propose a framework, a matrix for mutually beneficial development of Chinese business and Chinese investments. Creating a framework for all of these relationships is no easy task. It entails prolonged and arduous procedures

relating to regulation and so on. A lot of questions have to be answered. But the goal is clear.

If we want to link the colossal Western European and Far Eastern markets by transport routes, this is sure to involve development of the infrastructure around all sorts of related enterprises and the emergence not only of latitudinal corridors from West to East or from East to West, but also corridors from North to South. This would benefit Russia a great deal and it would be good for China, too. Any close cooperation involves a lot of argument and friction. That is natural. The question is how such disputes are resolved. I think that, so far, both sides have the possibility and the time and the will to resolve the inevitable

arguments that arise in a rational way that promotes development. We are seeing that this development is taking place.

China’s economy is slowing down. It is no longer a cheap global workshop, as a result of the government’s policy of stimulating internal consumption. What does this mean for Russia and for the Russian Far East in particular?

That’s a tough question. China has lived through some hard times, of course. Until recently, it was considered to be a poor, backward country. Now it is not so poor and certainly not backward. Does it have problems? Yes, lots. There are a lot of people in China. No one knows

// We needn’t worry about Chinese expansion because the Chinese have clearly not yet developed their own country



// Indonesia is one of the most promising economies in Asia (photo sea port of Jakarta)

exactly how many, but there are a lot. They have room for development because by no means all Chinese people live well. A large proportion lives poorly. I have often been told by my Chinese colleagues that we needn't worry about Chinese expansion because the Chinese have clearly not yet developed their own country. The coastal zone is booming, but everything to the West is in a less splendid situation. China will change in the near future.

It is well known that, long ago, China was a very arrogant country. One of the problems in the development of Russia-China relations in Tsarist times, in the seventeenth and eighteenth centuries, was that the Chinese rulers, the Manchu Dynasty at the time, demanded such a show of obsequiousness that any tsar who sent his ambassador would be vexed that the ambassador had to kneel, pledge loyalty, and satisfy all sorts of other whims. This impeded relations. At the

end of the day, excessive arrogance landed China in a lot of trouble.

Today, China is developing very rapidly and in a much more considered way than before. It is trying to strike a balance of sorts. Yes, it has its own interests, but it is not eager to pursue an aggressive policy. It is not anxious to see a unipolar world, on the contrary, in fact. But nor does it want to see the world sink into chaos. The world's leading players must keep their finger on the pulse. No one, including China, wants to see a wayward country brandishing its nukes right, left, and centre. Nobody wants that.

Nobody knows the future. So far, the outlook is very positive. Even the occasional spats between China and America are accompanied by a lot of friendly gestures, so it is hard to say how the situation will develop. China has problems with Japan. In a way, Japan is China's rival. China and Russia have problems with other East Asian countries. There is vast Indonesia;

there are various developing countries with huge populations. Not as huge as China, but huge all the same. There is India, which is in many ways comparable to China. It is not as strong economically, but it is developing fast. All this makes for a complicated situation. But when was it ever not complicated?

Japan has talked about possible joint development of the South Kurils on an extraterritorial basis. Is that acceptable to Russia? To what extent does the Kuril issue divide or unite Russia and Japan?

Of course this issue divides our countries. Our approaches are different. Russia proposes developing relations while leaving the Kuril issue aside. I cannot speak for the Russian Government, but I am almost certain that Russia will not budge on the issue of sovereignty over the islands. Russia will support economic collaboration and joint projects, but this should not undermine the sovereignty, integrity, and independence of Russia.

What other countries, besides China and Japan, could become Russia's priority partners in the Asia-Pacific region and why?

South Korea, as an economically developed country, and Vietnam are already becoming our priority partners. The whole of Southeast Asia is interested in an independent relationship with Russia and Russia is interested, too. We're talking about Thailand, Indonesia, even Myanmar and far away Australia. It's good for everybody. The more trade, the more joint business that is done, the better people live. The more money, the more goods, the more prosperity. There are many areas in which cooperation can be developed. We have the entertainment economy: Russian cinema and Russian multimedia are in demand. China, owing to its importance, territory, the size of its economy, and the amount of resources it possesses, is, of course, the number one partner. But other countries are growing fast. They need technologies, support, relations, markets, and so on. 🌸



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BIG CHALLENGES for a big region

THE RAPIDLY GROWING ASIA-PACIFIC ECONOMIES ARE LARGELY DETERMINING THE DEVELOPMENT OF GLOBAL CIVILIZATION TODAY, WHILE FACING A VARIETY OF MAJOR CHALLENGES. ACTING PRESIDENT OF THE FAR EASTERN FEDERAL UNIVERSITY (FEFU) **NIKITA ANISIMOV** TALKS ABOUT THE ROLE OF SCIENCE IN RESPONDING TO THOSE CHALLENGES.

Universities have historically been the centres where humanity's intellectual capacity has been concentrated. Their primary objective is to preserve and reproduce culture, and to develop long-term strategies for transforming the world. Those strategies have evolved over time – from Bologna University serving as the creator and custodian of the legal system to Humboldt University's role as a driver of technological progress. Yet, throughout history, universities have been the ones to tackle the biggest problems faced by our civilization.

Since the early reports published by the Club of Rome in the second half of the twentieth century, the scientific community has focused on socioeconomic issues resulting from the convergence of the natural and manmade worlds. Those issues include the problems of ecology, climate change, demographics, and human health, the depletion of natural resources, the exploration of new spaces (outer space, the World Ocean, the Arctic), and the transition to a digital economy and associated cybersecurity issues.

The role of Russian science in resolving these global issues is difficult to overstate. It is not by chance that the Russian Scientific and Technological Development Strategy approved by Russian Presidential Decree in December 2016 is aimed specifically at analysing the 'big challenges'. The FEFU is striving to become an active participant in this process on a global scale. As an academic outpost of the country in the fast-developing Asian-Pacific region, we are building contacts with leading universities and research centres in Japan, South Korea, China, and other Asian countries. We understand that the only way for a modern Russian university to become truly competitive in the international arena is to engage in global research networks, 'big science' and 'big challenges'.

THE CHALLENGES OF NEW SPACES

The Pacific Ocean is the biggest ocean on Earth with an area of around 179 million square kilometres, approximately half the area of the World Ocean. The significance of the Pacific Ocean for economies in the Asia-Pacific region is huge. It is the key source of bioresources: fish, seafood, and seaweed. These make up a substantial part of the diet of people living in Asia-Pacific countries. In the medium term, use of these resources remains a more economically viable and efficient way to ensure food security than developing aquaculture. The Pacific Ocean could be used for alternative power generation: floating solar and tidal power plants, onshore wind-powered generators for cooling the data centres where enormous volumes of information are stored and automatically processed. Moreover, there is a high chance that major data centres will be moved offshore in the medium term. For instance, Microsoft is already testing its first underwater data storage and processing centre called Leona Philpot.

Despite the increased attention focused on alternative energy sources, fossil fuels, i.e., hydrocarbons, will remain the main source of power for both vehicles and thermal power stations over the next 20–30 years. In this context, the development of oil and gas fields in the Pacific shelf using submersible production units also continues to be a priority area of economic activity in the region.

The ocean is not just a provider of economic resources, but also a vast expanse of water which harbours both opportunities and threats for the huge population of the Asia-Pacific region. Destructive typhoons and storms, which will



// A number of promising developments are being developed on the basis of the FEFU laboratories

only grow in frequency with global warming, threaten major cities in the region and the sophisticated infrastructure of the technological world. Apart from the direct threat posed by high waves and coastal flooding to human life, there is a risk that power stations and water supply systems will be destroyed, that farmland will be laid to waste, and that outbreaks of disease will occur amidst the unsanitary conditions resulting from a catastrophe. The Fukushima 1 Nuclear Power Plant accident has demonstrated the vulnerability of technological civilization in the face of natural calamities. In this sense, one of the key long-term objectives of countries in the Asia-Pacific region is to develop reliable tools for weather and seismic risk forecasting, early identification, and warning.

Today, the FEFU laboratories and the institutes of the Far Eastern Branch of the Russian Academy of Sciences are working

on a whole range of promising projects, including designing engineering facilities for Arctic field infrastructure, creating underwater telecommunications systems, developing ergonomic manufacturing of marine vessel parts and components, as well as reliable marine engineering. Our partners in these projects include both plants based in the Russian Far East (Dalpribor, Zvezda-DSME etc.) and leading national high-tech companies (Morinformsystem-Agat and Transas Group). The University is a member of the University of the Arctic (UArctic) network, and manages the Centre for Research into the Legal Status of the Arctic and Asia-Pacific Marine Space. On 30 May 2017, the Russian Government approved the Russky Island Development Concept, which envisages, among other things, creation of a marine bio- and technopark to promote the intensive development of marine aquaculture on Russia's Far Eastern coast.

At the same time, it is clear that Asia-Pacific countries are interested in developing their space industry. More and more governments and private companies are seeking to gain access to space, since it is critical for delivering their economic goals. Russia retains its dominance in the segment of payload delivery into orbit. This is being reinforced

// *The development of oil and gas fields in the Pacific shelf using submersible production units also continues to be a priority area of economic activity in the region*

Ocean. Lead countries for catching fish

| Country | 2014 tonnes | 2015 tonnes | Variation 2014-2015 |
|----------------------------|-------------|-------------|---------------------|
| China | 14.811.390 | 15.341.000 | 3.4% |
| Indonesia | 6.016.525 | 6.028.260 | 0.2% |
| United States of America | 4.954.467 | 5.019.399 | 1.3% |
| Peru | 3.548.689 | 4.786.551 | 34.9% |
| Russian Federation | 4.004.242 | 4.172.073 | 4.2% |
| India | 3.727.088 | 3.497.284 | -6.2% |
| Japan | 3.610.892 | 3.427.300 | -5.1% |
| Viet Nam | 2.513.833 | 2.607.214 | 3.7% |
| Norway | 2.301.376 | 2.293.290 | -0.4% |
| Philippines | 2.082.763 | 1.948.136 | -4.2% |
| Chile | 2.175.486 | 1.786.633 | -17.9% |
| Korea, Republic of | 1.727.329 | 1.639.860 | -5.1% |
| Thailand | 1.488.280 | 1.496.450 | 0.5% |
| Malaysia | 1.458.126 | 1.486.050 | 1.9% |
| Morocco | 1.350.147 | 1.349.637 | 0.0% |
| Iceland | 1.076.558 | 1.317.148 | 22.3% |
| Mexico | 1.396.176 | 1.315.787 | -5.8% |
| Myanmar | 1.118.020 F | 1.090.060 F | -2.5% |
| Taiwan (Province of China) | 1.068.381 | 987.767 | -7.5% |
| Spain | 1.055.496 | 967.240 | -8.4% |
| Denmark | 745.019 | 868.892 | 16.6% |
| Canada | 835.196 | 823.155 | -1.4% |
| Argentina | 815.355 | 795.415 | -2.4% |
| Total 23 major countries | 63.830.834 | 65.017.601 | 1.9% |
| Total other 172 countries | 15.973.728 | 16.147.084 | 1.1% |
| World total | 79.804.562 | 81.164.685 | 1.7% |
| Share 23 major countries | 80.0% | 80.1% | |

Source: Food and Agriculture Organization of United Nations

with the establishment of new infrastructure in the Far East. The first launch pad at Vostochny Cosmodrome was completed in 2016 and the first carrier rocket was launched on 28 April 2016. The new urban district of Tsiolkovsky will become the support city for Vostochny. International experience shows that cosmodrome satellite cities offer potential for creating fully-fledged aerospace clusters and developing associated industries: component manufacture, R&D, tourism, maintenance services, etc.

Today, most of the value-added is created not in the launch segment but in services using orbital satellite constellations: satellite television, voice communications, Internet, navigation, and Earth remote sensing. In the long term, it will be critical for

Russia to create the conditions that will encourage new companies to emerge in those segments and attract manufacturers from abroad.

Actions are being taken to develop private astronautics in Russia as part of the National Technology Initiative – a state programme for supporting Russian companies entering new high-tech markets. For instance, the FEPU has initiated an international competition to develop and launch micro-satellites (the NTI Sputnik Challenge). The global aerospace market is valued at around USD 335 billion and is growing by approximately 5% a year, with the state segment accounting for about a quarter of it. The remaining space in the sector is occupied by private companies, which not only provide

end services but are also changing our vision of the entire industry.

ENVIRONMENTAL AND HEALTHCARE CHALLENGES

Almost 4 billion people currently live in the Asia-Pacific region and this number is constantly growing. Accelerated economic growth is leading to improved living standards – a better quality of healthcare, mass immunization, and effective emergency care are driving down child mortality and mortality from infectious diseases. On the other hand, most countries in the Asia-Pacific region are experiencing demographic change, with an increasing share of elderly people in the total population. This factor, coupled with the rise in life expectancy, results in a growing number of patients with cardiovascular, oncological, and neurodegenerative diseases, limiting the age until which people are able to work. This entails some serious socioeconomic risks.

In order to respond to these healthcare challenges, the FEPU is developing its School of Biomedicine and Medical Centre on Russky Island, and embarking on major international projects. One example is a project aimed at developing hadron therapy, including the establishment of a PET Centre and a Proton Therapy Centre (PTC). Hadron therapy is an organ-saving cancer treatment technology that raises five-year survival rates and the quality of life of cancer patients up to and including complete recovery. The principal technology involves the use of accelerating beams of heavy particles – carbon protons and ions. Heavy particles attack cancerous cells at the set depth defined by the power of the beam, while leaving tissue almost entirely intact. This technology is so far unavailable in Russia. The FEPU is the only Russian university that, thanks to its geopolitical location, is able to arrange cooperation with leading Japanese organizations in this field – the National Institute of Radiological Sciences, Hitachi, Mitsubishi, and Sumitomo.



Almost 4 billion people currently live in the Asia-Pacific region and this number is constantly growing

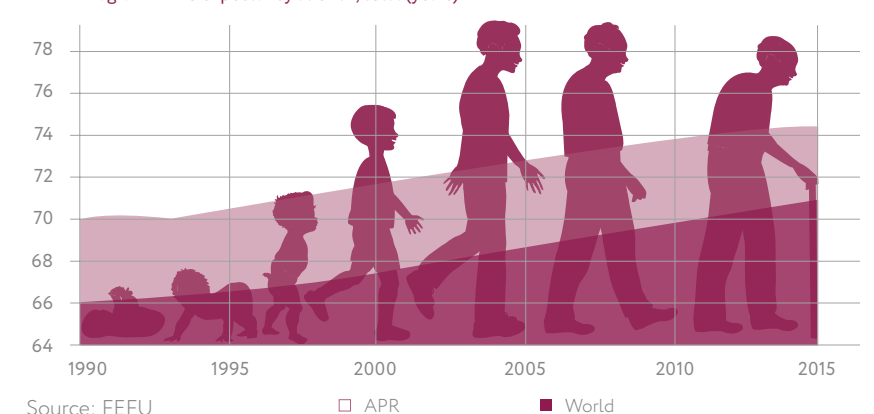
The downside of the rapid economic development of the Asia-Pacific region has been an extensive deterioration in the environmental situation. Atmospheric pollution is contributing to global climate change and a local deterioration in air quality in major cities, as well as increased mortality from cardiovascular diseases and cancer. Pollution of the lithosphere is resulting in soil erosion, and the acidification and alkalization of farmland. As a consequence, yields are going down, as is production of organic foodstuffs, and countries with large populations are experiencing food crises. Pollution of the hydrosphere is causing the death of marine populations, loss of biodiversity, the destruction of marine biological communities and

– again – food crises in countries where seafood forms a substantial proportion of the diet.

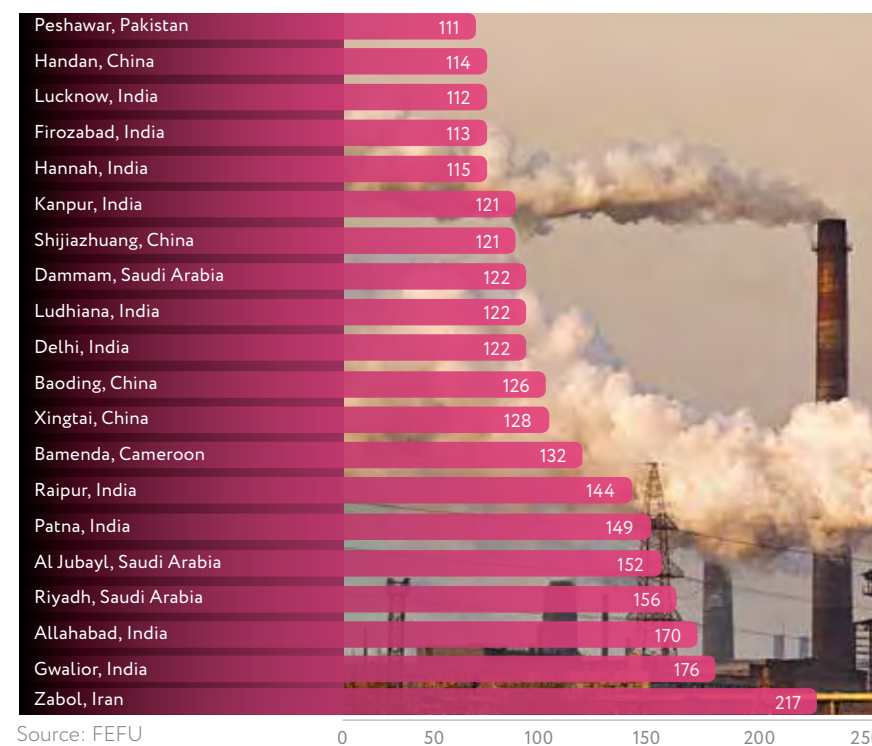
To respond to these challenges, in 2016 the FEPU initiated interdisciplinary research to conduct

a systemic analysis of global models and regional environmental monitoring. The research is aimed at preserving ecosystems and improving environmental management. The project is being implemented under the direction of leading scientist Professor Riccardo Valentini from the University of Tuscia (Italy) at the Far Eastern Climate Smart Lab. At the same time, the University is raising the issue of the future of modern cities by examining the composition of nano- and micro-particles in

Diagram 1. Life expectancy at birth, total (years)



20 most polluted cities in the world
The average annual concentration of solid particles with a diameter of less than 2.5 µm (PM2.5) (µg / m³) in 2016



the atmosphere and the actual pollution sources – from vehicle exhaust systems to galvanizing and welding shops at industrial plants. The project was launched in 2015 at the FEFU Nanocentre under the leadership of the then President of the Federation of European Toxicologists and European Societies of Toxicology (Eurotox) and Foreign Member of the Russian Academy of Sciences Aristidis Tsatsakis.

VIRTUAL SPACE AND CYBERSECURITY

The popularity of information technology is growing both globally and in the Asia-Pacific region: as of March 2017, over 30% of Internet users (more than 1.5 billion people) were residents of China, the USA, Indonesia, Vietnam, South Korea,

Thailand, the Philippines, Russia, and Japan. In the twenty-first century, the centre of the global economy is increasingly shifting towards Asia. Labour costs in China and other Asia-Pacific nations are growing and altering the competitive strategies of all countries. In 30–40 years, the region will make a full transition from servicing the 'assembly' needs of Western countries to developing its own high-tech products. At the same time, we are witnessing the rampant development of 'virtual economies' in the Asia-Pacific region: the economies of social networks and gaming universes that are becoming the main pastime for a large section of the population.

The FEFU was the first Russian university to introduce a master's programme in virtual reality technology and game development.

This educational programme is being implemented as part of the Cyber Russia project approved by Russian President Vladimir Putin at the 26 July 2017 meeting of the Supervisory Board of the Agency for Strategic Initiatives. Students on the FEFU master's programme will study game design, development of user scenarios, and operation of virtual, augmented, and mixed reality devices. The project will result in the production of market-ready commercial products developed at the request of educational institutions, commercial companies and corporations, and the establishment of startups on Asia-Pacific markets.

Unfortunately, the informatization of most spheres of the economy is accompanied by a parallel increase in cybercrime. Computer viruses can be used to disable industrial equipment, disrupt the operation of power grids, undermine utility systems, seize control of transport hubs, trace people, gain access to weapons, and steal electronic money, including to finance terrorism. The ability to counter cyber-attacks is critical to sustainable economic and political development. Cybersecurity has to be ensured both at the level of individual enterprises and organizations, and at that of the entire state. Understanding this, the FEFU and Kaspersky Lab are opening a specialized educational centre on Russky Island for joint implementation of training and research programmes in the field of cybersecurity. The main goal of this partnership is to create a favourable environment to nurture talent for the high-tech industry.

CHALLENGES FACING RUSSIA'S TECHNOLOGICAL LEADERSHIP

In the modern world, a country's competitiveness is largely determined by its activity on new technological markets. At the 3 September 2016 plenary session of the second Eastern Economic Forum, Vladimir Putin called for setting up "a system to support startups, including through venture financing" on Russky Island. On 30 May 2017, the Russian Government adopted Resolution No. 1134-r approving the Russky Island Development Concept.



// FEFU takes active steps to develop technological entrepreneurship and create a "startup conveyor"

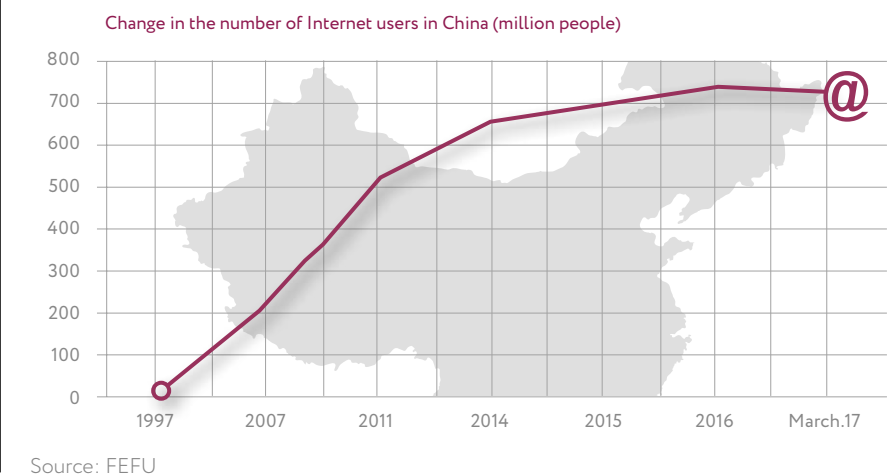
The document envisages assigning the status of advanced special socioeconomic zone to the island and setting up a technology and innovation park close to the FEFU campus, where a dynamic, innovative environment will be created and maintained.

The FEFU is taking proactive steps to develop high-tech entrepreneurship and create a 'startup conveyor' on the island. The University is supporting the work of the Far Eastern Branch of the Skolkovo Foundation and Technology Transfer Centre (in partnership with RUSNANO), and implementing cooperation agreements with the Fund for Assistance to Small Innovative Enterprises (the Bortnik Fund), the Internet Initiatives Development Fund (IIDF) and Kaspersky Lab. In 2017, the University became the regional operator of GenerationS, the Russian federal accelerator for technology startups, in which RVC is a general partner. A series of measures to develop the IT community and support high-tech entrepreneurship is being

implemented in cooperation with the Agency for the Development of Human Capital in the Far East. The University is undertaking systemic work aimed at localizing the most successful Russian technology startups on Russky Island. Agreements have been signed to set up joint labs and launch a pilot route for the first Russian driverless bus, known as Matrëshka, and a pilot automated farming plot with the company Aurora-Robotics. Both companies are

members of the National Technology Initiative's AutoNet task force.

Establishment of the Russky Technopark, which aims to support Russian technology startups in the Asia-Pacific region, will be a critical step in meeting the challenges of technological leadership. Our goal is to make state support tools available to startups and to facilitate contact with leading Russian and foreign technology companies through the annual Eastern Economic Forum. 🌐



// Labour costs in China and other
Asia-Pacific nations are growing
and altering the competitive strategies
of all countries

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“THIS IS THE STATUS QUO,
the investor should take into
account”

EY RUSSIA MANAGING PARTNER **ALEXANDER IVLEV**
DWELLS ON THE PROS AND CONS OF THE RUSSIAN
FAR EAST FROM THE POINT OF VIEW OF INVESTORS



**“THE REC’S
GLOBAL OBJECTIVE**
is to shape a favourable
framework for further
growth of Russian exports”

HEAD OF THE RUSSIAN EXPORT CENTRE (REC)
GROUP EOF COMPANIES **PETR FRADKOV** TALKS
ABOUT THE IMPLEMENTATION OF STATE
PROGRAMMES TO SUPPORT NON-ENERGY
EXPORTS

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CITIES OF THE FUTURE. Development strategies

AHML GENERAL DIRECTOR **ALEXANDER PLUTNIK**, NIKKEN SEKKEI EXECUTIVE OFFICER
FADI JABRI, AND STRELKA KB PARTNER **ALEXEI MURATOV** TALK ABOUT THE CONCEPT
OF "SMART" MEGA-CITIES AND VLADIVOSTOK'S ROLE AS A REGIONAL CENTRE IN EDUCATION,
INNOVATIVE ECONOMY, AND TOURISM



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**“RUSSIA-
JAPAN
RELATIONS**
likely
to gravitate
towards
a perfect
tandem”



HEAD OF THE JAPAN ASSOCIATION FOR TRADE
WITH RUSSIA & THE NIS (ROTOBO) REPRESENTATIVE
OFFICE **SAITO DAISUKE** ON THE APPEAL CRITERIA
FOR RUSSIAN REGIONAL PROJECTS HOPING
TO RAISE FOREIGN INVESTMENT

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**TURNING
to the East**

ANALYTICAL CREDIT RATING
AGENCY GENERAL DIRECTOR
EKATERINA TROFIMOVA TALKS
ABOUT GROWTH IN FOREIGN TRADE
WITH ASIAN COUNTRIES AND THE
LONG-TERM NATURE OF THIS TREND



TURNING to the East

AFTER ALL THE CONVULSIONS THAT HIT THE RUSSIAN ECONOMY TWO TO THREE YEARS AGO, FOREIGN TRADE WITH ASIAN COUNTRIES IS SHOWING CONFIDENT GROWTH. HOW LONG WILL THIS TREND LAST?

Ekaterina TROFIMOVA,
General Director,
Analytical Credit Rating Agency
(ACRA)

The shock caused by falling energy prices and the devaluation of the rouble in 2014–2015 led to the Russian economy becoming increasingly closed and a reduction in foreign trade. The ratio of the value of exports and imports to Russia's GDP dropped from 38% in 2013 to 35% in 2016. Yet, against the backdrop of this overall decline, economic ties with Asian countries proved the most resilient. As a result, their share in the structure of Russia's foreign trade over the same period grew significantly – from 30% to 35%. This positive trend was observed both in imports (which rose from 34% to 38%) and in exports of domestic goods to Asia (increasing from 28% to 33%).

China has been and remains Russia's biggest partner in this region. In 2013, it accounted for 11.3% of exports; by 2016, this had risen to 15.4%. Imports of Chinese goods also increased – from 16.8% to 20.9%.

In 2017, according to ACRA forecasts, Russia's foreign trade with Asian countries will grow by 7.2% to reach USD 175 billion. Largely as a consequence of this, by the end of the year, the volume of foreign trade operations might not exceed the pre-crisis level but will at least almost match it, amounting to nearly 37% of the country's GDP.

What is behind such growth? First of all, the fast-paced trend in Asian economies, which need Russian resources. The main contribution to the development of eastbound exports has been made by the mining and metals industries. Their share in Asian exports increased in monetary terms from 8.8% in 2013 to 10% in 2016. In the medium term, this trend will continue. The Russian metallurgy sector is interested in the Asian market owing to the prospect of high margins. Asian investors, in turn, are readily increasing their stakes in the

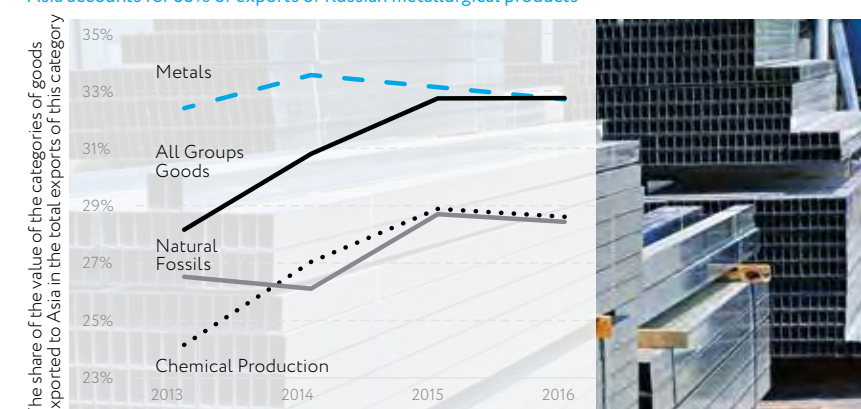
capital of Russian companies. In the first half of 2017, for instance, Chinese company Fosun acquired 10% of Polyus, Russia's biggest gold mining company, for USD 887 million, while Beijing Enterprises acquired 20% of Verkhnechonskneftegaz (a Rosneft subsidiary) for USD 1.1 billion.

Hydrocarbons are another export driver. By 2016, Russia was already outstripping Saudi Arabia in oil exports to China and is unlikely to retreat from its leading position in the context of rapid growth in demand for 'black gold' among Asian consumers.

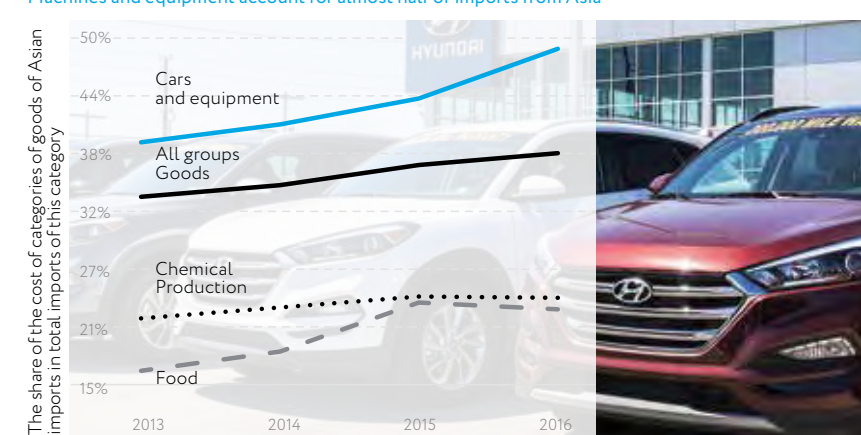
Nearly all export projects under way in the gas sector are now also focused on the Asian market. For example, Yamal LNG's shareholders include, besides Russia's NOVATEK and France's Total, China National Petroleum Corporation (CNPC) and the Silk Road Fund. In addition, the major Power of Siberia gas pipeline is currently being built by Gazprom, also with CNPC. Yet, given the amount of work involved and the complexity of these projects, eastbound gas exports are not expected to begin until the 2020s.

By that time, the situation on the market might change, but not necessarily for the better. The main brake on further growth of Russian exports to Asia will be a slowdown in China's economy. The ACRA predicts that in 2017, our eastern partner's GDP will increase by 5.6%, but that by 2021, this growth rate will drop to 4%, compared with an average of 6.8% in 2014–2016. The reasons for this slowdown are a reduction in the size of the workforce and structural reforms in the economy aimed at stimulating domestic consumption. Yet, even after correcting for this scenario, the Chinese economy will develop faster than the global

Asia accounts for 33% of exports of Russian metallurgical products



Machines and equipment account for almost half of imports from Asia



Source: FCS, ACRA calculations

economy and Asia will remain the most dynamic region in the world.

As for imports, demand for goods from Asia is generated by Russian consumers transferring to cheaper products following the devaluation of the rouble. The fastest growing categories have been cars and equipment, which, in 2016, accounted for almost half (49%) of all imports from Asia. For reference, in 2013, this figure was 39%. The supply of consumer goods, primarily food products, has also increased. The share of Asian clothing manufacturers in the structure of Russian imports has, on

the other hand, fallen from 67.2% in 2013 to 61% in 2016, owing to the consolidation of the rouble exchange rate and continued stabilization of the Russian economy.

According to our forecast, the share of goods from Asian countries in Russian imports will continue to grow, albeit at a slower rate than currently, mainly owing to the strengthening of the rouble. Thus, in our base scenario, it could reach around 39–40% by the beginning of 2021. The biggest increase in Asian imports will occur given a negative scenario, if oil prices and Russia's nominal GDP drop significantly. In this situation, goods from Asia will supersede similar products from other regions owing to their lower prices. Demand for such products has proved more elastic, meaning that it is more sensitive to price fluctuations. Yet there is good news, too: domestic producers would also benefit from such a scenario, alongside their Asian counterparts. 🌱

// *The share of goods from Asian countries in Russian imports will continue to grow, albeit at a slower rate than currently, mainly owing to the strengthening of the rouble*

“THIS IS THE STATUS QUO, the investor should take into account”



UNIQUE GEOGRAPHICAL LOCATION – AND NO INFRASTRUCTURE. ADVANCED SPECIAL ECONOMIC ZONES – AND LACK OF CAREFULLY PREPARED PROJECTS.
ALEXANDER IVLEV,
EY RUSSIA MANAGING PARTNER,
DWELLS ON THE PROS AND CONS OF THE RUSSIAN FAR EAST FROM THE POINT OF VIEW OF INVESTORS.

Which specifics of the Russian Far East should be taken into account when establishing and developing ASEZs?

For three years running, the Far East has held one of the top places in Russia as a magnet for foreign direct investment (FDI). The figures speak for themselves. For instance, according to the Central Bank, in 2014, FDI net inflow into the Far Eastern regions was 5 billion USD (23% of Russia's total); in 2015, this indicator was 7 billion USD, and in 2016, 10.4 billion USD, or 31% of Russia's total. Curiously, in 2011, when Russia attracted a record 55 billion USD, the Far East accounted only for 950 million USD, or less than 2%. We can see that the order of magnitude has changed, which means the efforts to create a favourable climate are bearing fruit. Probably, this year, we may count on even more impressive dynamics of foreign investments.

The appeal of the Far Eastern Federal District is primarily due to its unique geographical location, which allows for direct work with a large number of rapidly developing markets in Asia Pacific. On the other hand, the huge distances and frequent lack of direct communication lines between the principal development centres often impede the process. This is why ASEZs are the perfect way to develop the region. Today, these zones already have a major potential and it is their growth, establishment of attractive socioeconomic sites, that could be

used as the development driver for the entire region.

The key thing for ASEZ development is the possibility of quickly building the infrastructure. The majority of the currently established ASEZ are “greenfields,” i.e., undeveloped land plots without utilities and infrastructure. Most regions of the Russian Far East are characterized by a low density of power grids, roadways and railways. The second characteristic is a natural population decline and a dearth of qualified manpower.

How efficient are Far Eastern ASEZs compared with similar projects in other Russian regions?

The efficiency of an ASEZ is best assessed by looking at the private investments to budgetary spending ratio. According to the Ministry for the Development of the Russian Far East, today's efficiency of budgetary spending on ASEZs infrastructure is 1:20, i.e. 20 roubles of private investments per 1 rouble of budgetary spending. Absolute figures are also impressive: the volume of investments by ASEZ residents has reached 1.4 trillion roubles, and residents of the Free Port of Vladivostok have invested 376 billion roubles and created 94,000 jobs. As Alexander Galushka noted, “75% of those investments are non-resource based.”

ASEZs may be compared to special economic zones (SEZs). Their starting conditions are greatly different, since most SEZs are located in European Russia with different population density and infrastructure accessibility. However, the Audit Chamber's 2013 audit demonstrated that only 11 out of 27 SEZs that operated at the moment could be termed “provisionally effective.” Budgetary monies there often



// The port infrastructure of the region is one of the most interesting objects for investing

went unused, and the building of infrastructure fell significantly behind schedule.

On the whole, I think it's still too early for assessments: we need to give it three to five years before the economic effect becomes visible.

Is Russia capable of creating attractive conditions for foreign investors?

Certainly. The Far East Development Fund, ASEZs, the Free Port of Vladivostok, the Ministry for the Development of the Russian Far East, i.e. a special executive body in charge of the entire region's development. These are all signs of the state's comprehensive approach to resolving the regional issues. Besides, the statistics of attracting investments and of the investment projects I mentioned already demonstrates results.

Could we single out special groups of investors interested in the Russian Far East?

The range of potential investors and of their interests is very broad; it is hard to name a group of investors with no interest in the Russian Far East at all. We communicate with both Russian and foreign companies, and not only from Asia Pacific, on investing in the region. There are both strategic and financial investors. Local actors also exhibit significant interest.

On the whole, the appeal the Russian Far East holds for investors is many-faceted, but, if we need to single out three main factors, I would name the huge natural resource stocks (exploitable minerals, fish and seafood, timber, etc.); the state's special attention and support at least in the mid-term prospect; location in the Asia Pacific macro-region.

Based on their own vision of the combination of these factors and based on their individual preferences, investors determine those growth points they are prepared to invest in. Producing and processing exploitable minerals, mariculture, aviation industry, tourism, logistics – these are but a few examples.

Naturally, many Asian companies come to the Russian Far East. Primarily, we see interested investors from Japan, China, and South Korea. In the Primorye Territory alone, we have now over 20 enterprises with South Korean capital of over 2 billion roubles in investments. The Korean

// *The efficiency of an ASEZ is best assessed by looking at the private investments to budgetary spending ratio*



// In Primorye there will be capacities for the production of Chinese trucks FAW

business sees promise in developing Primorye's port infrastructure and in fish processing.

We can also see the interest shift toward major infrastructural projects. Despite the long time it takes to recoup investments, infrastructure development may become an important economic growth driver in the regions of the Russian Far East. For instance, talks are now underway for Chinese investors to enter the construction of Primorye-1 and Primorye-2 international transportation corridors (ITCs). The project's concept entails the construction of wharves, maritime terminals, power grid, transportation, and roadway infrastructure facilities. As Vladimir Miklushesky, Governor of the Primorye Territory says, the Chinese exhibit a significant interest since "these transportation corridors are intended primarily for cargo transit from and to China. It is well known that China's northwestern provinces are landlocked."

In June 2018, Nizhneleninskoye-Tongjiang (China) railway bridge will be put into service, said Alexander

Levintal, Governor of the Jewish Autonomous Region. China began constructing its part of the bridge (about 1.8 km long) back in February 2014 and has essentially completed it. Russia still has to build 310 meters. The preliminary cost of construction for Russia is 9 billion roubles; however, the cost may increase due to the construction of a logistics park.

What are the pros and cons for investing in the Russian Far East?

Pros are primarily the strategic aspects: proximity to the world's largest consumer markets in China and Japan, Indonesia and Korea; key trade routes; accessible natural resources, including biological ones: fish, Kamchatka crab, sea cucumber, which allows for unique sea-farming projects.

There are financial pros as well: for the first five years, ASEZ residents do not pay profit, property, and land taxes; payments to non-budgetary funds are cut from 30 to 7.6%; ASEZs offer free customs zone regime when

foreign goods are brought to an ASEZ and used there without paying customs duties.

As for problems: the overall investment appeal could be improved, as could be regulation and administration, same as in any Russian region. However, I would not say that the sea recons, this is the status quo investor should take into account.

In this case, what should the authorities and business do to change the status quo?

I would separate areas that need working on. Attracting investments means not only improving regulatory climate and legislation or instituting incentives. At the basic level, investors lack investments projects that are properly structured to fit their requirements. This is the major obstacle for investments. Professional investors have their requirements for the contents and presentation of information required to make a decision. It applies to a project's financing and economics, taxation and legal aspects, personnel requirements,

and independent confirmation of the information provided by a company with appropriate reputation. Projects with independently compiled, slapdash marketing, with mistakes in the financial model, with unsettled legal issues (for instance, documents for the land plot), with unconfirmed promises instead of documentation on utilities infrastructure, etc. force investors either to spend time and money on re-working the projector to pass up on such opportunities altogether. In addition, businesses should take a comprehensive view of projects, they should participate in developing social infrastructure in the vicinity of their sites.

In addition, the very system of attracting and servicing investors is not yet completed. There are glitches, particularly at those points where the purviews of various administrations, ministries, and agencies overlap. Decisions made at the federal level or at the level of a head of region should enjoy full support down the line, from regional and municipal officials. Administrative barriers are still there: power grid connection, property registration, obtaining construction permits.

For the last few years, the Far Eastern region did not make the Top-20 of the National Rating of Investment Climate in the Russian Federation compiled by the Agency for Strategic Initiatives. This rating takes into account the quality of public services offered to businesses, the effectiveness of development institutions, infrastructure accessibility, and other criteria. Improvements introduced in these areas may make it easier for businesses to work and to serve as the foundation for a future increase in investments.

Finally, there should be clear that developing any new investment area, particularly such relatively unusual and vast as the Russian Far East, requires time. If the projects launched today demonstrate good results and if the state exhibits a capacity for steadily creating comprehensible and favorable working conditions, the influx of investments may increase significantly. 🌱

Where foreign investors invest



• AUTOMOTIVE INDUSTRY

Sumotori Company Group (Russia) and First Automotive Works (FAW) (China) are starting to produce the Chinese brand's trucks in Primorye. In December 2016, their joint venture Yubo-Sumotori concluded a residency agreement with the Free Port of Vladivostok.

Sumotori also registered Prometheus with Arai Shoji Co., Ltd. (Japan). In summer 2018, they will start constructing an electric car manufacturing plant in Primorye.



• AGRICULTURE

Taiyuan Company, resident of the Free Port of Vladivostok, is building a 6 billion rouble agro industrial cluster in the Shkotovsky District in the Primorye Territory.

Hokkaido Corporation from Japan's most northern island has built the first stage of a greenhouse complex in Yakutia and intends to transition to the second stage. When establishing a vegetable-producing center, the company used cutting-edge technologies for growing vegetables in a cold climate.

Evergreen, Russia-Japan venture, also built the first stage of a greenhouse complex in Khabarovsk and decided to construct stages two and three. Upon completion, the complex will have the over all area of 10 hectares. Evergreen, with manufacturing sited in Avangard Industrial Park, is the first foreign resident of Khabarovsk ASEZ.



• WOOD-PROCESSING INDUSTRY

Iida Group Holdings became a co-investor in the wood-processing plant in Komsomolsk ASEZ in the Primorye Territory. Its products will be mainly geared toward the Japanese market.



• INFRASTRUCTURE PROJECTS

A Japanese consortium headed by Sojitz started preparing legal paperwork to join the project for constructing and operating an airport terminal in Khabarovsk Airport. It is going to be a new domestic terminal with the area of about 26,000 sq.m. and the capacity of 3 million people annually. Investors and Khabarovsk Airport will manage jointly both the new terminal and the existing international terminal. The construction will start in 2017, with investments estimated at 6.5 billion roubles.

Hebei Port Group (China) intends to invest in Primorye's port infrastructure, in particular, in developing Vostochny Port and Commercial Port of Vladivostok. The company's assets include the ports of Qingdao, Caofeidian, Huangge, and about 40 small ports in Bohai Gulf.

“THE REC’S GLOBAL OBJECTIVE is to shape a favourable framework for further growth of Russian exports”



IN THE LAST FEW MONTHS, NON-OIL AND GAS EXPORTS HAVE BEEN SHOWING POSITIVE MOMENTUM. EXPORTS HAVE GROWN IN TERMS OF BOTH VOLUME AND VALUE, WITH THEIR STRUCTURE MORE DIVERSIFIED. HEAD OF THE RUSSIAN EXPORT CENTER (REC) GROUP, **PETR FRADKOV** SPEAKS ABOUT THE PROGRESS MADE AND THE OUTLOOK FOR PROMOTING EXPORTS.

Mr. Fradkov, global experience shows that export-orientated economies are the most successful, especially when it comes to supplies of high-added-value products. What efforts is our state making in order to form a new, export-orientated economy?

In recent years, Russia has indeed applied every effort to break away from the “oil and gas” model and form a framework for developing export-orientated production facilities. The Russian Export Center is the coordinating HQ for this work. REC specialists are ready to provide data about the general procedure for export operations and about foreign markets; to facilitate the search for partners, structure an export project; to offer support in negotiations with the involvement, where necessary, of insurance and financial tools by EXIAR and Eximbank of Russia,

which are parts of our Group. We also organize foreign business missions, provide support in handling certification, licensing and intellectual property protection issues, give advice on customs processing, taxation, etc.

Our numerous clients include representatives of various industries: mechanical engineering, agribusiness, IT, chemical and pharmaceutical industries, and many more. Our customers work with consumers in Asia, the CIS, Africa, South America and Europe. Importantly, the REC works with big business and exporting SMEs. Naturally, the objectives and capacities of such companies differ. Smaller exporters are mostly interested in non-financial support in seeking partners, analyzing foreign markets, exporting educational services. Bigger players, on the other hand, mostly look for financial and insurance support.

In 2016, the REC Group provided support for almost USD 9 billion worth of exports. What targets are you pursuing in 2017?

In late 2016, our work to support non-oil and gas exports reached a new level, as the Project Office of the Government of the Russian Federation identified international cooperation and exports as priority activities. The REC performs the coordinating function in this project, which, on the one hand, has enabled us to expand its potential. On the other hand, we need to achieve ambitious performance targets. This year, we are supposed to involve 6,500 new companies in export activities and support export supplies worth at least USD 20 billion.

Notably, the REC’s global objective is to shape a favourable framework for further growth of Russian exports. This work is based on



// Among REC clients are representatives of a wide range of industries, including agricultural machinery

two priorities: first, we facilitate the removal of bottlenecks and, second, we form a healthy business climate and work with exporters. Our mission is gradually to modify the way Russian entrepreneurs think, as they often refuse to believe that they are capable of entering foreign markets. The world of today is globalized, and business cannot grow without being included in world trade processes.

Mr. Fradkov, in recent years, Russian exports had dropped but, starting in late 2016, export volume has resumed its growth. How can you account for this? Can we rely on further growth of non-oil and gas exports?

Prior to the second half of 2016, the fall in the volume of Russian exports was mostly due to the general global

situation, the deceleration of the key economies, and the lowering of prices of core products. The process has reversed, though, as trade on the key markets has recovered and prices have been showing gradual growth. Russian exports too have shown positive momentum. Supplies of non-oil and gas non-energy products have been growing in terms of both value and volume. In the first six months of 2017, non-oil and gas non-energy exports amounted to USD 57.2 billion, according to our estimates, which represents a 19% growth over the same period in 2016.

In the first half of the year, exports of metal products went up by 32% year-on-year, of precious metals and stones by 28%, of glass, ceramics and articles made of stone by 26%. Food exports increased by more than 20%, and those of wood and paper products, by 16%. According to our estimates, positive trends will continue and we can expect good results at the end of the year.

One of Russia’s current priorities is cooperation with Asian buyers. What projects is the REC pursuing with the Asia-Pacific Region?

// *This year, we are supposed to involve 6,500 new companies in export activities and support export supplies worth at least USD 20 billion*



// One of the REC projects is related to the promotion of Russian food products to the Chinese market

Naturally, we are actively cooperating with China. For instance, we have projects to promote electronic trade – specifically, we are working with the Alibaba Group. We are also promoting supplies of Russian food to the Chinese market. To this end, we organize Russian Gastro Week tasting sessions in Chinese cities on a regular basis and, in the autumn, we plan to open permanent pavilions with Russian products. Furthermore, we have projects to promote new logistics solutions for Russian exporters. A new railway route to China was opened in April 2017. The first export container train left for China in early June and, prior to that, separate containers had been shipped using transit trains.

We are aware that it is important to approach markets not covered by Russian export supplies. For instance,

we can work more actively with Indonesia: this year, we are planning to open a foreign representative office of the REC there. Japan is another important export destination. We are currently working out ways to join the Japanese Rakuten electronic trading platform and cooperate with the Japanese organization for promoting foreign trade in order to search for potential buyers of Russian-made products.

As part of the Eastern Economic Forum, we emphasize the development of the Russian Far East. What is your opinion about the export potential of the Far Eastern Federal District?

The Russian Far East is becoming a key center of socioeconomic

development of the entire country and we must do our best to ensure its successful integration into the rapidly developing Asia-Pacific Region. Fast-growing economies, innovation-based production and major commodity flows are close to it. Moreover, we see the interest of our Asian partners in Russian goods.

The region is doing a lot to promote exports. New growth points are being created: priority development areas, the Free Port of Vladivostok, investment projects, the Far East Development Fund. These are not mere plans anymore – this is our reality.

This year, we signed a cooperation agreement with the Far East Investment and Export Agency on the sidelines of SPIEF 2017, and we hope this work will enable us to organize support for export-orientated entities in the Russian Far East.

The REC also operates a regional office in Vladivostok, where businesses can enjoy support for any aspect of their export activities. 🌐

// *The Russian Far East is becoming a key centre of socioeconomic development of the entire country*



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Advertising. The developer of LLC ST-Towers. The project declaration is on the site www.nevatowers.ru. * According to Savills Russia, March 2017.

CITIES OF THE FUTURE.

Development strategies

Developing the urban environment and improving quality of life are the priority objectives for all Russian cities today. The Urban Environment Quality Index developed by the AHML and Strelka KB makes it possible to assess the level of comfort found in a city and provide an understanding of what it lacks in order to make a qualitative leap forward. At the Eastern Economic Forum, the AHML will present a concept for the development of Vladivostok, seeking to make the city a regional centre in terms of education, innovative economy, and tourism.



Alexander PLUTNIK,
General Director, Agency for Housing
Mortgage Lending

Why has the idea of a comfortable urban environment become so relevant in different cities today?

The urban environment must meet the requirements of the new economy and create the infrastructure needed to realize human potential. At a meeting of the State Council in May 2016, Russian President Vladimir Putin gave instructions to draft standards for the development of a comfortable urban environment. Today, the Ministry of Construction, the AHML, and Strelka KB are working on standards which will be based on individuals and their social needs – decent living conditions and opportunities for work and recreation.

What will these standards look like?

What we are talking about is flexible rules for urban planning regulation and leading cities around the world

have long taken different approaches to this. We need to design solutions which will enable a variety of attractive and comfortable residential areas to be built, rather than a series of identical areas. The rules will take into account the historical and cultural features of each city, as well as the local climate. This will enable the local authorities to systematically and sensibly improve the urban environment.

In December 2016, the Unified Housing Sector Development Institute (established by AHML) and the Japanese company Nikken Sekkei signed an agreement to develop a master plan for Vladivostok with the aim of altering the structure of the city to make it 'smart' and compact.



Fadi JABRI,
Executive Officer, NIKKEN SEKKEI:

What global urban development practices can be applied in Russia, and specifically in Vladivostok?

Modern urban planning practices combine the experience of many countries, including Japan, the United States, the United Kingdom, and Germany. We studied all the pros and cons of the territory of Vladivostok at great length, and based on this analysis we applied comprehensive methodologies and technologies. Vladivostok's geopolitical position, at the crossroads of air and sea routes, its beautiful coastline, and its historical and cultural values offer enormous potential for making it one of the world's most developed

cities, a great place to live and somewhere which appeals to tourists.

The comprehensive development of Russky Island is one of the focuses of the joint programme between the Unified Housing Sector Development Institute (established by AHML) and Strelka KB. Strelka KB is drawing up a master plan for a residential area on the island that takes into account all aspects of an 'ideal area'.



Alexei MURATOV,
Partner, Strelka KB

What should a 'city of the future' look like?

The structure of a 'City of the Future' is quite traditional. Experts have reached a consensus on this issue that has been confirmed by the decisions and documents of international organizations, in particular UN-Habitat and the OECD. Everyone agrees that the most sustainable and viable model is a mid-rise, compact building in a fairly small cluster with a reasonable dense road network – a building where residential functions are combined with services and business. The AHML together with Strelka KB and with the support of the Russian Ministry of Construction, is currently developing a standard for integrated regional development – a methodological guide that contains a full range of urban, architectural, and management solutions to increase the compactness and diversity of our cities. This standard will form the basis for the Strategy for Urban Development in Russia. 🌱



RUSSIAN FLEET SPECIALIZED FOR CARRIAGE OF HEAVY, OUTRAGED AND FLOATING CARGOES

Gudzon Shipping Company was founded in 2003.

All of the company's vessels operate under the Russian flag and specialize in the transportation of heavy, oversized cargo, medium-tonnage vessels, and floating facilities. The company's vessels are unmatched in Russia, unique in terms of their functionality, fitted with equipment required to transport dangerous goods of all classes, including explosive and radioactive substances, and have all the necessary documents to meet the requirements of international and Russian legislation concerning merchant shipping.



The company's shipping area is not limited to the Asia-Pacific region. Gudzon ships goods from the European part of Russia both via the Northern Sea Route and through the Indian Ocean to ports and sea terminals in the Russian Far East, Kamchatka, and Chukotka Autonomous District.

The vessels have their own cargo equipment that can handle loads weighing up to 500 tonnes. This enables the company to deliver and unload heavy cargoes in all ports and sea terminals in the Russian Far Eastern region that do not have capacity for transshipment of heavy cargo.

The relatively low draught of vessels allows for harbour unloading in hard-to-reach and shallow-water sea terminals and river mouths. The ice class of our vessels, assigned in accordance with the Rules of the Russian Maritime Register of Shipping, means that they can travel to Arctic latitudes and deliver goods to various points in the Russian Arctic.

In January 2017, the cranes of the specialized vessel Bogatyr loaded heavy pontoons weighing up to 400 tonnes each for the first time in the history of the Vladivostok port. The vessel's capabilities enable it to handle freight weighing up to 500 tonnes.



Gudzon Group owns a unique semi-submersible vessel, the Neptune.

The vessel has tonnage of 4,700 tonnes and is capable of taking on medium-tonnage vessels, submarines, and other floating facilities

from the water through submersion and subsequent surfacing. This loading method is performed by taking on ballast in the vessel's tanks, after which the floating facility or vessel enters the cargo space above the submerged cargo deck and the vessel then rolls back the ballast and floats up, securing the cargo in the hold. The ship is then ready for its voyage. Since the vessel can carry cargo with an open stern ramp and with the hold covers retracted, the length and height of the objects placed on the deck are not limited by the vessel's length or the height of its hold.

In order to load heavy onshore objects, the vessel is equipped with a ramp that has an allowable maximum load of up to 3,000 tonnes. To perform this operation, the vessel moors with its stern to the berth, the ramp is lowered, and the object is placed aboard the ship on special mobile platforms or on its own.

One of the advantages of such a vessel is its low draught, which even when fully loaded is only 4.5 metres, thus allowing the vessel to deliver freight to virtually all inaccessible shallow sea and river terminals in Russia,

and even to navigate the channels of navigable rivers. Neptune is the first and so far the only vessel in the Russian fleet with such capabilities.

In 2016, Gudzon Shipping Company carried out a truly unique operation. The company was tasked with delivering a transformer weighing 135 tonnes from the European part of Russia to Magadan for a power station under construction. In solving this unconventional logistical problem, Gudzon developed an optimal route for transportation by road, rail, and sea, which facilitated the process of modernizing port facilities in Vladivostok and Magadan since the unloading plan required reinforcing berths and preparing sites at berths for the placement of cargo no closer than 14 metres from the edge of the berthing line. The necessary building materials for this were also delivered to the port of Magadan in addition to the transformer.

As well as shipping, Gudzon also offers its clients brokerage, chartering, logistics, and storage services for various types of cargo, along with a full range of maintenance services.



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RUSSIA–JAPAN RELATIONS

likely to gravitate towards a “perfect tandem”

HEAD OF THE JAPAN ASSOCIATION FOR TRADE WITH RUSSIA & THE NIS (ROTOBO) REPRESENTATIVE OFFICE
SAITO DAISUKE ON THE HOPES JAPANESE BUSINESS SETS ON RUSSIA AND APPEAL CRITERIA FOR RUSSIAN REGIONAL PROJECTS HOPING TO RAISE FOREIGN INVESTMENT.



Saito DAISUKE,

Head of the representative office of the Japan Association for Trade with Russia and the Newly Independent States (ROTOBO)

What is your assessment of the current relations between Russia and Japan? Have you seen any changes?

There is an evident positive trend: ever since Japan's Prime Minister Shinzo Abe proposed an eight-point cooperation plan to President Vladimir Putin in May 2016, Russia and Japan had signed some 1000 agreements by the time of Abe's visit to Russia in April 2017. The next step is to translate the

agreements into real business deals. Additional targets also include creating business contacts in healthcare and IT.

Looking back, we can say that the Russia–Japan relations have been developing in a cyclical manner, alternating between growing closer, declining and being renewed again. In truth, Russians are very friendly, while the Japanese are often guarded and circumspect. Today, we see an apprehensive view of Russia being replaced by hope and we need as many positive examples as possible to propel the trend forward. I mean the 1000 agreements I mentioned and other projects. In this case, the number of Japanese businesses considering expansion on to the Russian market will increase.

Is the Russian economy out of the woods yet, or can you still see signs of a continuing crisis?

I believe Russia has already come out of the recession, this being confirmed, among other things, by this trend towards recovering the mutual trade turnover. According to statistics from Japan's Finance Ministry, in 2016, Japan's exports to Russia totalled a modest USD 5.1 billion, while imports from Russia were at USD 11.3 billion, putting the aggregate trade turnover at USD 16.4 billion, which is only half the

2013 level. Yet, from January to June 2017, trade already reached USD 10.24 billion, up 35.7% from the same period last year.

The trend towards more Japanese companies pulling out of Russia has also slowed down. At this point, some 350 Japanese businesses operate in Russia, with 195 of them running a representative office in Moscow (they are all part of the Japan Business Club) – seven companies more than in 2016. Some 60 Japanese companies operate in the Far East, and their number is also set to grow.

Do you think investing in Russia, specifically – in Russia's Far East, is promising?

Japanese companies were never of the opinion that Russia offers “tough terms” or that the Far East is “unfit for business”: they were always looking for business opportunities. It is important to understand, however, that you will be the one bearing all the risks, without any expectations of the government or public organizations pitching in with support measures.

On the other hand, if the question is whether it is easy to do business in Russia, there is no clear answer. Although, in the past ten years, the business environment has improved greatly, convoluted administrative



// Japanese cars assembling at the Mazda Sollers Manufacturing Rus plant in Vladivostok

procedures and real estate operations are still an obstacle. We are hoping that Russia will continue its efforts to improve its investment and business climate.

What latest Russian–Japanese projects come to your mind?

Apart from the already traditional energy and automotive industries, Japanese companies have, of late, been showing increasing interest in new investment areas, including healthcare, agriculture and town planning. The general idea behind it is “to invest in those spheres in Russia that need injections”, or, more specifically, “if Russia has difficulties in certain spheres, let us look for solutions together.” For instance, Arkray has expanded the capacity of its plant based in the Moscow Region by adding medical laboratory reagents to its production line. The Hokkaido Corporation operating in Yakutia has set up greenhouse equipment and

started growing vegetables. Another Hokkaido-based company has opened a chain of izakayas, Japanese gastropubs, across Vladivostok. Needless to say, they all had viable business plans and expect a profit.

What should we do to make Russia's investment climate more attractive?

At this point, we can see Russian regional governments striving increasingly to attract Japanese companies to build plants in their regions. They are taking proactive steps to do so. Yet investment potential presentations vary very little from region to region, and their contents fall short of actually drawing in potential investors. It is vital to stress those aspects that make region stand out from the other regions.

Such aspects might include improved personnel training and information support systems (the possibility of communicating in different languages, “one-stop-shop”

and non-stop services, support for foreign workers in their everyday life); infrastructure development (airports, ports, roads, improving utility services); price competitiveness (labour, utility, rental costs); convenient logistics (improving logistics and warehousing systems, opportunities to offer simplified customs procedures), etc.

What can Russian business learn from the Japanese, and vice versa?

We all know that Russia is rich in resources that we don't have in Japan. On the other hand, we often forget that Russia is Japan's neighbour, it is very close. It is natural for neighbouring states to complement and enrich each other in what the other is lacking. The process is mutually beneficial. I believe that Russians and Japanese need to get to know each other better. I am positive that, if Russians understood how the Japanese mind and mentality work, and if the Japanese had more contacts with Russians, the mutually complementary relations with Russia could evolve into a “perfect tandem.” I strongly believe that it is quite possible to establish strong economic ties between our two countries, along the lines of what Japan has with the USA and South Korea, or what Russia has with China and Germany. 🌸

// Japanese companies were never of the opinion that Russia offers “tough terms” or that the Far East is “unfit for business”

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THREE MAIN THINGS: how entrepreneurs from Vladivostok set up a national chain

BUSINESSMEN FROM THE PRIMORYE
CAPITAL SHARE THEIR EXPERIENCE
BUILDING A COMPANY WITH TURNOVER
OF RUB 135 BLN PER YEAR

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ABOVE THE MARKET: how the Vladivostok airport will develop

A RUSSIAN-SINGAPOREAN CONSORTIUM
THAT TOOK OVER THE PRIMORYE AIRPORT
PLANS TO TRIPLE PASSENGER TURNOVER
IN THE NEXT FEW YEARS

“EXPANDING SALES MARKETS offers enormous potential for business growth”

DEPUTY HEAD OF
PROMSVYAZBANK'S
CORPORATE UNIT **ALEXANDER
MESHCHERYAKOV** SPEAKS ABOUT
TOOLS TO SUPPORT EXPORT
OPPORTUNITIES AND RUSSIAN
COMPANIES

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SPACE starts here

INSYSTEMS CEO **EVGENY VIRTSER**
SPEAKS ABOUT THE COMPANY'S
PARTICIPATION IN MAJOR
ENGINEERING PROJECTS IN
THE FAR EAST

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A BIG catch

THE DOBROFLOT GROUP
REVIVES THE LEGENDARY
SOVIET BRAND IVASI HERRING

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MAJOR bidding

ST. PETERSBURG
INTERNATIONAL
MERCANTILE EXCHANGE
PRESIDENT **ALEXEY
RYBNIKOV** ON
NEW COMMODITY
INSTRUMENTS

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RUSSIA IS AMONG THE MOST significant markets for Hyundai

HYUNDAI MOTOR CIS
MANAGING DIRECTOR

ALEXEY KALITSEV SPEAKS ABOUT THE IMPORTANCE
OF RUSSIA FOR THE BUSINESS OF HYUNDAI MOTOR,
THE FUTURE OF THE AUTOMOTIVE MARKET, AND THE
ADVANTAGES OF BUYING CARS UNDER A GOVERNMENT-
SPONSORED INCENTIVE PROGRAMME

A BIG catch

FISHERMEN IN THE RUSSIAN FAR EAST ARE REVIVING 'IVASI HERRING' – A LEGENDARY SOVIET-ERA BRAND THAT WAS CONSIDERED TO BE THE HEALTHIEST AND MOST DELICIOUS OF THE CHEAPER KINDS OF FISH. ALL THAT REMAINS IS TO MAKE IT THE MOST ACCESSIBLE, TOO.



Vyacheslav PEREVERZEV,

Journalist

Canned pilchards, popularly known as 'ivasi herring', used to be one of the best-known Soviet food brands, along with Alyonka chocolate, 'Doctor's' sausage, and Buratino soda. "A fish that can prevent heart attacks" went the conventional wisdom. Rich in Omega 3, ivasi herring is a special kind of fish indeed. Over the centuries that it has been harvested, it has appeared in huge quantities only to completely and inexplicably vanish for decades. The catch last peaked in the 1980s,

when the maximum annual catch globally reached 4.5 million tonnes. To put this into perspective, the pollock catch at that time was just 3 million tonnes. The next wave of rapid population growth started in 2015 and is expected to last until the 2030s.

Among other special objectives on a national scale, the Federal Agency for Fishery (Rosrybolovstvo) has tasked fishermen in the Russian Far East with developing production of new and promising catches – ivasi herring and mackerel. So far, only one enterprise – Dobroflot Group – has answered the call. The reason is quite simple: developing such production requires fisheries to invest heavily and expend substantial organizational efforts. More importantly,

embarking on the harvesting of new bioresources, building new vessels, or manufacturing and marketing new, highly processed products all entail significant risks.

Headquartered in Vladivostok, Dobroflot Group spent three years carefully studying the migration of ivasi herring schools and preparing to launch fishing operations. It took the company's specialists 18 months just to manufacture a purse seine. The result was a net which was more than a kilometre long and 200 metres high, with a dry weight of around 40 tonnes. The Vsevolod Sibirtsev floating base was also upgraded. The vessel is one of the world's two biggest surviving floating factories and its dimensions are nothing short of stunning: 179.3

metres in length, 45 metres high from the keel to the tip of the mast, and displacement of around 26,000 tonnes. It accommodates equipment capable of manufacturing canned and preserved ivasi herring products according to recipes that consumers know and love from back in Soviet times. The Vsevolod Sibirtsev can process 650 tonnes of fish a day. Apart from its formidable production capacity, the floating base boasts comfortable living quarters for 600 crew, featuring everything from Wi-Fi to a gym, a seawater swimming pool, a medical centre, and even a cinema. After scheduled spring repairs, a real Orthodox church was opened on board.

In May 2017, the residents of Vladivostok were treated to the impressive sight of the Vsevolod Sibirtsev setting sail to spend another ten months at sea. Primorsky Territory Deputy Governor Denis Bochkarev was on hand to say farewell to the fishermen in person, noting that Dobroflot's operations "have brought nothing but good things to the Primorsky Territory economy and have created jobs." He added: "I wish you a successful fishing season. May the sea be good to you."

Today, the Vsevolod Sibirtsev's fleet is actively fishing for ivasi herring in the Pacific near the South Kuril Islands. During the first week and a half, more than 1,000 tonnes were harvested and processed. "Ivasi herring make for a very affordable product. If our production capacity recovers, the price of fish products for Russian consumers will drop considerably. It will be the most delicious kind of fish produced in Russia, and the cheapest", Dobroflot CEO Alexander Yefremov said.

What is more, by operating in a new and promising open fishing area of the World Ocean, on mass fish migration routes, Dobroflot is working



to establish a historic precedent for securing national fishing quotas for Russia. Interestingly, ivasi herring are followed to Far Eastern waters by other kinds of fish normally found in southern seas. Nets constantly bring in tuna, marlin, and other exotic species of marine fauna, which in and of themselves could become a promising target for industrial and amateur fishing alike.

The development of the Northern Sea Route is yet another project of national importance that will help to reduce the cost of fish products and thus make them more affordable for consumers. This project is all the more important in light of the recent ban on imports of Norwegian salmon, which has caused retail prices of salmon to skyrocket. Meanwhile, according to Dobroflot's estimates, shipping fish via the shorter, albeit more dangerous, Northern Sea Route would cut logistics costs and delivery times by as much as 20%. "Russian market prices could be quite reasonable today if the exorbitant transport and logistics costs were reduced", believes Alexander Yefremov.

In the summer of 2015, after an almost ten-year hiatus, the company restarted delivery of fish from the Far East to central Russia, from the Sea of Okhotsk to the Barents Sea. Specialized ice-class freight vessels with poetic names like Garmoniya, Simfoniya, and Progress were purchased for that project. Demand for salmon from international buyers is invariably strong, yet Dobroflot has decided to sell all of its catch domestically, becoming an active participant in the import substitution programme. Since early August 2017, another cargo ship carrying Kamchatka fish has been making its way through the ice towards the port of Arkhangelsk, meaning that wild Far Eastern salmon will soon become more accessible for consumers in central Russia.

Dobroflot Group has created a complete life-cycle product chain, enabling it to accumulate value-added at each step of the process and producing a synergy effect by eliminating the 'grey zone' in fish pricing that has for so long eluded the authorities who study pricing policy on Russia's domestic market. Russia's largest onshore and offshore fish processing facilities, proprietary onshore fish transshipment infrastructure, a logistics hub, refrigeration facilities, a tin can factory, and a ship repair yard help the company to cut costs so that it can offer stable and attractive prices for its finished products. 🌱

// Dobroflot Group has created a complete life-cycle product chain, enabling it to accumulate value-added at each step of the process and producing a synergy effect

SPACE starts here

BUSINESS IN THE FAR EAST, WHICH FOR INSYSTEMS STARTED WITH REGIONAL PROJECTS FOR MAJOR CORPORATE CUSTOMERS, HAS GRADUALLY BECOME ONE OF THE COMPANY'S KEY AREAS OF ACTIVITY. TODAY, INSYSTEMS IS IMPLEMENTING HIGHLY COMPLEX ENGINEERING PROJECTS IN THE FIELDS OF ENERGY, SHIPBUILDING, OIL AND GAS, AND SPACE TECHNOLOGY IN THE REGION.

Maxim SOKOLOV,

Journalist

The first successful launch of Soyuz-2.1a, a carrier rocket which placed three satellites into orbit, took place on 28 April 2016 from Vostochny Cosmodrome. This historic event was made possible by the efforts of numerous participants, including INSYSTEMS, an engineering company that is part of LANIT Group, which designed and constructed 37 engineering and IT systems for the Cosmodrome. The enormous infrastructure responsible for supplying the Cosmodrome's key facilities – the carrier rocket assembly and testing complex, the power generation plant, the refrigeration plant with a capacity of 8.5 megawatts, and the fuelling and neutralization station – includes 443 ventilation plants, about 700 power cabinets and automation cabinets, 1,400 kilometres of cable lines, and more than 130 kilometres of pipelines.

"The Russian Far East is a key development area for us today", says Evgeny Virtser, CEO at INSYSTEMS. "The projects implemented in the Far East account for about one third of our business and this share will certainly grow in the future."

INSYSTEMS entered the Far Eastern market almost as soon as it was established, about 20 years ago. At first, the company was involved in designing and creating engineering systems for regional projects operated by its major corporate customers – the Central Bank of the Russian Federation, Sberbank, the Federal Treasury, Gazprom, Rosneft, and Alfa-Bank.

Today, INSYSTEMS participates in the construction of large-scale integrated facilities with highly complex engineering infrastructure. Besides the Vostochny Cosmodrome, the company's Far Eastern portfolio includes such facilities as Yakutsk State District Power Plant 2, Amur Gas Processing Plant, and Zvezda

Shipyard. For certain projects, including Rusagro agricultural facilities in Primorsky Territory, site facilities for the Chayandinskoye field, the Power of Siberia gas pipeline, and the Primorye Wholesale and Distribution Centre, the company acts as general contractor on a turnkey basis.

It goes without saying that construction in the Far East presents its own specific challenges. These include remoteness from the central part of Russia, which influences component delivery time, as well as the low population density, making it impossible to find all the necessary specialist staff locally. Yet these difficulties are not insurmountable if a comprehensive approach is adopted. And, although INSYSTEMS still brings in specialists 'from the mainland', the situation is gradually changing. This process is facilitated by cooperation with the Far Eastern Federal University and other universities and specialized secondary colleges. To provide customers with even more flexible technical solutions, INSYSTEMS, jointly with the Legrand Group, opened an industrial facility in



// Evgeny VIRTSEER,
CEO at INSYSTEMS

the product to be used in a project, it is necessary to work with design institutes, with construction workers, and with customers. A domestic company can, evidently, do this better and more easily than a foreign one", he explains.

"When the project was still in the planning stages, we held negotiations with several Western manufacturers", he recalls. "We were trying to figure out which of them it would be better to cooperate with and with which specific products

// *In the engineering industry, win companies that either have unique expertise or, all other things being equal, are close to the end customer, that are pushing ahead in the engineering industry*

Vladivostok in spring 2017. The facility currently produces uninterruptible power supplies.

According to Evgeny Virtser, it is the companies that either have unique expertise or, all other things being equal, are close to the end customer, that are pushing ahead in the engineering industry. In this context, it is not just physical proximity, but also the flexibility of solutions offered that matters. "Customers do not buy equipment or materials blindly. For

we should start manufacturing. After all, the range of engineering equipment used is very wide and it was critical not to make a mistake at the very beginning." The Legrand Group is a long-standing partner of INSYSTEMS, with whom we have implemented several dozen major projects in Russia. Legrand already has experience of setting up production of uninterruptible power supplies at the company's plant in Ulyanovsk. In turn, INSYSTEMS

has knowledge of the Far Eastern region's specific features and market demand. These factors, supported by the mutual interest of the partners, were key to implementing the project successfully in record time. It took just 14 months from the first meeting and discussion of the plans to the launch of production.

The enterprise is a resident of Vladivostok Free Port, which opens up huge opportunities for increasing production capacity and expanding the product range. However, Evgeny Virtser admits that the project would have been implemented anyway – so attractive is the Far Eastern region for the company: "We are watching the Svobodny advanced special economic zone with great interest. At the moment, having a presence in this district of the Amur Region is very important to us. The Cosmodrome, the Amur Gas Processing Plant, the Amur Gas Chemical Complex, and related infrastructure facilities are located there. Incidentally, we've been operating a ventilation system component manufacturing facility in Svobodny for three years now. At first, its purpose was to meet our own needs during work at the Cosmodrome, but it is still operating. We stand ready to develop this site to embrace other areas of activity."

INSYSTEMS production facilities are intended to satisfy not only the company's internal needs, but also those of other market participants. At the launch stage of the joint project with Legrand, a condition that the enterprise's products be sold through all sales channels available to the partners was a key one. "Today, there's a 99% chance that any consumer from Siberia or the Far East who wants to buy a Legrand uninterruptible power supply will get a product made at our facility. This opens up great opportunities for our customers to implement their own projects of varying levels of complexity", Evgeny Virtser says. "Our key position is this: we are serious about the Russian Far East and we are here for the long haul. We are interested in expanding our own company, and in helping to develop this harsh but beautiful land!" 🌱



“Expanding sales markets offer ENORMOUS POTENTIAL FOR BUSINESS GROWTH”

PROMSVYAZBANK IS ONE OF THE LEADING PLAYERS ON THE RUSSIAN MARKET FOR SUPPORTING FOREIGN ECONOMIC TRANSACTIONS. WE TALKED TO DEPUTY HEAD OF PROMSVYAZBANK'S CORPORATE UNIT **ALEXANDER MESHCHERYAKOV** ABOUT THE REAL TOOLS AVAILABLE TO SUPPORT EXPORTERS AND THE COMPETITIVENESS OF DOMESTIC COMPANIES ON GLOBAL MARKETS.

Alexander, exports amounted to USD 109.9 billion in January–April 2017 compared with USD 84.2 billion in the same period of last year (according to Federal Customs Service data). How do you explain such an impressive change given that Russian exports have declined in value terms over the last two years?

Several key factors are worth noting here. First, the dramatic drop in prices for key Russian export commodities – copper, aluminium, steel, and oil – on global markets has come to a halt. Second, more and more companies from the non-commodity sector are entering the international market. This is clearly visible from the example of our client base. Another important point is that numerous effective state support programmes to help businesses enter foreign markets have emerged.

What export support programmes are being created at the state level? Can they be described as effective?

Today, the Russian model for supporting exports is working just

as well as the Western European model. In recent years, the Russian Export Center (REC) has proposed numerous interesting programmes that are reducing the cost of entering new markets. These aren't just financial tools. For example, the REC helps Russian exporters of technology products to obtain certification of their equipment abroad. There is also which reimburses logistics costs for the machine-building industry.

Tell us about your clients in the Russian Far East. What industries do they represent and what are their interests in terms of entering foreign markets?

The Russian Far East's geographical proximity to countries in the Asia-Pacific region offers broad prospects in terms of business development and export potential. As a rule, all companies are interested in diversifying their sales markets, given the current macroeconomic environment, as this provides greater business stability and a higher degree of comfort in terms of planning financial flows. Clients in this region are no exception. The bank's Far Eastern clients represent such sectors as fishing and agriculture. A substantial proportion of clients engage in foreign trade activities due to the consistently high consumer demand from Asia-Pacific countries, and the well-developed business environment and infrastructure.

Far Eastern businesses are currently focused on setting up manufacturing with export potential. What financial tools do banks have that are capable of supporting this trend?

Products for exporters can be divided into two parts. The first is

pre-export financing. This can be provided both in the form of a loan to enable the manufacture and delivery of products abroad and as a guarantee limit – guarantees for the return of an advance or the execution of a contract, among others. The second is the financing of sales for enterprises that initially manufacture products and work with deferred payment.

Here, exporters face two nuances: the risk of non-payment by customers and the diversion of working capital. In some cases, partners should take advantage of international factoring – financing based on the assignment of receivables. We usually offer this tool for fairly small exports that are measured in the hundreds of thousands up to several million dollars. In this case, the factoring bank takes over the foreign buyer's debt after the products are delivered to the buyer. Having purchased this debt, the bank subsequently undertakes all interaction with the buyer (except for product quality issues), and the exporter can continue operations without diverting current assets.

In the case of a large and complex contract, then it makes more sense to use a loan for the buyer provided by a bank in the country where the goods are manufactured.

Is this advantageous for foreign buyers given the high cost of liabilities held with Russian banks?

Prior to early 2017, this was a very significant restriction. But, as I said above, the government has taken several steps to improve the situation for exporters. This year, the Ministry of Economic Development launched a programme to subsidize interest rates on loans from commercial

banks to foreign companies buying products from our exporters. Under this programme, an interest rate of up to 3% per annum in foreign currency can be subsidized for a period of up to three years. The main result is that financing in European and Russian banks has become almost the same for these terms. This tool enhances the competitiveness of Russian products on global markets. The programme has been launched for three years, but if it proves to be genuinely successful, we hope that it will be extended.

How do companies benefit from starting to export? What mistakes do Russian companies make when taking their first steps onto the international market?

In my view, the biggest mistake is not utilizing the opportunities for growth that exporting provides. Above all, exporting reduces a business's dependence on the domestic market. When the domestic market is growing steadily, nobody has any problems. Recent events in the economy, however, have shown that domestic demand is extremely unstable. We have seen that companies with excellent products have rapidly lost revenue due to diminished demand on the domestic market. We have a client for whom sales on other markets represented about 20% of their business at the time problems appeared in the Russian economy. This company felt itself to be in a very comfortable position, even during the deepest recession in 2014–2015.

On the other hand, many small producers of agricultural products have proven in recent years that expanding sales markets offer enormous potential for growth, primarily due to the difference in prices on our market and on other markets. And this is not even for an average business. Among our clients in the agro-industrial sector, there are exporters with revenue of one billion or even several hundred million roubles per year. But they are already beginning to export. 🌱

// *In my view, the biggest mistake is not utilizing the opportunities for growth that exporting provides*

RUSSIA IS AMONG THE MOST significant markets for Hyundai

WE SPOKE TO HYUNDAI MOTOR CIS MANAGING DIRECTOR **ALEXEY KALITSEV** ABOUT THE IMPORTANCE OF RUSSIA FOR HYUNDAI MOTOR'S BUSINESS, THE FUTURE OF THE AUTOMOTIVE MARKET, AND THE ADVANTAGES OF BUYING A CAR UNDER A GOVERNMENT-SPONSORED INCENTIVE PROGRAMME.



How could South Korea's experience be applied in the Russian Far East to improve the investment climate and boost economic growth? What is holding back Korean investment in the region?

Based on our company's experience, it's clear that business is booming in the Far East, which is considered to be a region offering genuine prospects. We were among the first to set up official dealerships in Vladivostok, Blagoveshchensk, and Yakutsk, and we are planning to maintain our growth. What's more, we have special programmes tailored specifically to the Russian Far East. For instance, in July we launched a special car recycling

programme in Vladivostok, Yakutsk, Blagoveshchensk, and Yuzhno-Sakhalinsk. Any car owner can bring their vehicle to an official Hyundai dealership in the participating cities in exchange for an additional discount on one of our models. Under the programme, dealers in the participating cities will offer RUB 100,000 towards a new Hyundai Solaris, Hyundai Creta, or Hyundai Elantra; RUB 120,000 towards a Tucson; and RUB 150,000 towards a Santa Fe or Grand Santa Fe.

Our total investment in Russia as a whole, taking into account our suppliers and a new factory, has amounted to around USD 1.5 billion, which makes us the biggest Korean investor in the country.

How important is the Russian market for Hyundai? How big a share of your company's business does it represent?

Clearly, Russia is among the most significant markets for Hyundai Motor, ranking fifth globally by sales volume. We have our own factory in Russia and all of the necessary infrastructure. This also illustrates the unique character of this market.

Russia's automotive market has embarked on a gradual

recovery following several years of contraction. According to AEB data, sales rose 6% in the first half of 2017, before surging 15% in June and July. Why are Russians buying cars again? Is this a temporary blip or a long-term trend?

The government incentive programme has had an important role to play. The key factors include declining interest rates and an increase in the maximum value of cars eligible for purchase at a subsidized rate under the government programme. This has expanded the range of qualifying models.

According to our estimates, up to 55% of retail car sales were financed in the second quarter of 2017, with 91% of loans being issued under the government incentive programme.

We are expecting further growth in car financing under the new government incentive programmes 'My First Car' and 'Our Family Car', as certain categories of customer now have an excellent opportunity to finance a car purchase on attractive terms: they enjoy a subsidized interest rate and the government adds 10% to the down payment.

Speaking of trends, we have noted a shift in customer

preferences towards products with a guaranteed residual value, which makes it possible to considerably reduce monthly payments. More than 60% of all of Hyundai's financed sales are made under the START programme.

In the middle of 2016, when the outlook for Russia's automotive market was far from clear, you launched production of the relatively inexpensive Hyundai Creta, on the one hand, and of the Genesis premium saloon, on the other. What were your expectations in both cases?

Before launching the Hyundai Creta, we had set ourselves the task of expanding our SUV range. We believe that this segment has huge potential in Russia, a country of crossovers and all-wheel drive vehicles. I can say with confidence that our calculations were right on the mark here. SUVs account for almost 50% of Hyundai's sales in Russia, while the Hyundai Creta has now been the best-selling crossover on the Russian market for months. For our part, we will strive to keep this success story going by constantly expanding the range of trims and options available for our best seller. The fully upgraded 2018 Hyundai Creta has just hit our showrooms. Even entry-level versions now offer power steering, the vehicle stability management system, and powered and heated wing mirrors as standard.

As far as the Genesis launch is concerned, the premium segment was struggling back then, as it is now. You'd think it would make sense to stick with what we already have. Yet we see this as a challenge, pure and simple. Among other



things, our confidence stems from the fact that the Genesis brand offers extremely competitive value for money, in addition to superb quality and a wide range of options.

What about Hyundai's future plans for Russia?

In terms of new models, the Hyundai Sonata executive saloon will return to the Russian market this September, while it's the end of the line for the Hyundai i40, which has been all but sold out by our dealerships.

The Genesis brand is also expecting an addition to its range of models: the G70 mid-size saloon will be launched before the end of the year. Like other Genesis models on the Russian market, the G70 will feature all-wheel drive. We believe

this is a very important feature and a sizeable advantage for us in the fight for a top spot in the premium segment, which is known for its conservative consumer tastes.

Since, as I mentioned earlier, car loan products are largely driving sales right now, we will be moving towards improving and refreshing our financing programmes. We expect to increase the share of sales financed through Hyundai Finance from the current 40% to 60% by the end of this year.

We are also actively developing the channels through which we communicate with our customers, both existing and prospective. We try to make sure that these communications are useful to them. That's why, in July 2017, we officially launched a unique loyalty programme called Hyundai World, which makes car ownership more enjoyable, significantly simplifies car operation and maintenance, and allows customers to earn bonus points for membership in the programme, which can be exchanged for valuable gifts. What's more, you don't even have to own a car to qualify for membership. Just sign up on the mir.hyundai.ru website and fill out a personal profile. 🌱

// **We are expecting further growth in car financing under the new government incentive programmes 'My First Car' and 'Our Family Car'**

MAJOR bidding

ALEXEY RYBNIKOV, PRESIDENT OF ST. PETERSBURG INTERNATIONAL MERCANTILE EXCHANGE, TALKS OF NEW COMMODITY TRADING INSTRUMENTS AND HOW TO TURN RUSSIAN URALS INTO A BENCHMARK OIL.



Joint Stock Company St. Petersburg International Mercantile Exchange was founded in 2008 as a specialized platform for Russian commodities trading, so it will celebrate its tenth anniversary next year. SPIMEX approaches this date not only as the biggest Russian commodity exchange, but also as the most dynamically developing one.

Today, its annual turnover exceeds 600 billion RUB in commodity sections alone, with nearly 2 thousand companies taking part in the trading. SPIMEX intends to maintain the growth dynamics it has demonstrated throughout these years. To make this happen, it continues to set the most ambitious goals for itself. They include turning Russian export oil Urals into a price standard, launching exchange trades on new markets, developing the Institute of Commodity Delivery Operator, and more.

Today's most developed and active stock market is the petroleum products market. In 2016, SPIMEX sold 17.2 million tonnes of fuel. This is 7.8% more than a year earlier. Among the traders are the biggest oil and trading companies and end-users. The Exchange sells up to 20% of petroleum products supplied to the domestic market, so one in five cars in Russia is apparently fills up with fuel sold on SPIMEX.

The growth in liquidity of exchange trades in petroleum products has enabled both formation of representative exchange indices and launch of derivative instrument trades – deliverable futures for petrol and diesel fuel – on their basis. Last year's most popular deal was the futures contract for Petrol Regular 92 index.

SPIMEX is simultaneously implementing two ambitious projects on the small wholesale market for petroleum products. One of them is development of petroleum product exchange trade from bulk plants of Rosneft and Nenets Oil Company, located in different regions. 18 trade companies of Rosneft and 4 trade companies of Nenets Oil Company are taking part in the project. As a result, the volume of exchange sales on small wholesale bases has increased seven-fold.



// Every fifth car refueling in Russia is carried out by fuel sold at the St. Petersburg International Mercantile Exchange

In addition, a project for exchange trades in small wholesale fuel lots from the linear operating dispatcher station of Transneft is in progress. Transneft will act as the Commodity Delivery Operator (CDO), keep commodity accounts, and account for the transfer of proprietary rights for the fuel in its storage. Trading from the linear operating dispatcher station enables quick sale and purchase of the fuel stored by the CDO and its pumping via the petroleum product main pipeline system owned by Transneft. In the long term, traders will be able to leverage great new opportunities for business optimization processes both in the field of logistics (through swap transactions) and in use of various financial instruments, e.g., REPO transactions for short-term loans secured by fuel stored by the CDO.

An even bigger project is being implemented by SPIMEX on the oil market. In November 2016, trading

was launched in deliverable futures for Russian export oil Urals on an FOB Primorsk basis. The project is intended to lay the foundations for a new pricing mechanism for the Russian export oil through direct market pricing, and it was supported both by regulators – the Ministry of Energy, the Federal Antimonopoly Service, the Bank of Russia – and by oil companies. Major international traders also demonstrated their interest in the project. In the first half of 2017, 3.2 thousand exchange agreements amounting to 3.2 million barrels of oil to a sum of 160.8 million USD were concluded on the deliverable futures contract trades for Urals. Today, the Urals price is tied to the cost of the North Sea oil Brent. The launch of Urals futures trading with the growth of trade liquidity in the coming years will make Urals a benchmark oil, with the price formed on the Russian stock exchange.

SPIMEX demonstrates notable achievements on the crude oil market as well. Over the year, more than 2.5 million tonnes of this commodity category have been sold on the Exchange's trading platforms. Most of the trades took place during tender procedures on the Torg-i electronic trading platform.

SPIMEX is proceeding with active development of the gas market, not only by increasing sales volumes, but also by offering its customers new contracts and services. Over the past year, the volume of the Exchange's trades in gas exceeded 16 billion cubic metres. Most of it was sold with delivery "for next month". With the trade liquidity growth, the Exchange launched a contract with delivery "for a day ahead". Additionally, customers got an opportunity to purchase fuel with delivery on a specific day. By the end of 2017, it is also planned to launch exchange trading in gas for delivery on the second to seventh month, actually offering market participants an exchange alternative to long-term contracts.

In accordance with instructions from Russian President Vladimir Putin, SPIMEX is successfully developing exchange trade in timber, which is

// *Our ambition is to turn the Russian export oil brand Urals into a price standard*



// The volume of timber sales in the section "Timber and building materials", as well as on the trading platform "Torg-i", over the past year grew by 7.5 times

especially important for development of the Far Eastern region, famous for its rich wood resources. Over the past year, the volume of wood trade in the section "Timber and Construction Materials" and on the Torg-i trading platform has grown by 7.5-fold, reaching 638 thousand cubic metres. The trading volume of timber in the exchange and over-the-counter segment in RUB in the first half of 2017 thus reached around 270 million RUB and in physical terms – 368.6 thousand cubic metres, which is 31% more compared year-on-year. By the end of July 2017, the Exchange had already sold 438 thousand cubic metres, and by the end of the current year the total volume of trade in

timber is expected to exceed 1 million cubic metres.

SPIMEX is continuing its work to introduce new products to exchange trades. By the end of this year, it is planned to start exchange trade in mineral fertilizers. Test trades will be held this December, while the market will begin its full-scale operation in 2018. The Exchange plans to launch trading in cement and the possibility of starting exchange trades in power-station coal is under consideration.

One of the areas of SPIMEX activity is organization of procurement procedures in accordance with Federal Law 223-FS "On Procurement of Goods, Works and Services by Certain

Legal Entities". Last year, TEK-Torg, a subsidiary structure of SPIMEX, increased trading volume from 637 billion to 1.1 trillion RUB, ranking first among electronic trading platforms in trading volume.

Besides infrastructure and trades organizing services, SPIMEX offers market participants other commercial products, like pricing information. An exchange is not only an infrastructure, it is also a tool providing transparent market pricing and forming representative indicators of the market price. Information about the market prices of goods on a certain basis is a commodity in itself in demand. So far, SPIMEX is the leader in providing pricing information on the Russian oil and petroleum products market. SPIMEX partners in distributing pricing information are such agencies as Bloomberg, Reuters, and Argus. SPIMEX pricing information, in accordance with the current legislation, is also used by the regulators for antimonopoly and tax control. 🌿

// *An exchange is not only an infrastructure, it is also a tool providing transparent market pricing*



The "Made in Russia" national brand is the first government-sponsored global communications project for promoting Russia's manufacturing, export, cultural and tourism potential and human capital



The "Made in Russia" national brand concept consists in promotion of all sectors of our economy. It may serve as an umbrella for successful implementation of all of the initiatives proposed to date, such as The Year of Entrepreneurship, The Year of the Theatre, The Year of People's Unity, etc. We will also be able, in the all-important election year, to develop a unified national communications strategy for promoting Russia's manufacturing, export, cultural, tourism and human capital and for raising public awareness of the achievements and successes in those areas in order to involve our society actively in all sectors of the economy.

Agency for Strategic Initiatives New Project Promotion Director
Svetlana Chupsheva on the 2018 "Made in Russia" Year



Country promotion and creation of national brands have been among the key trends in 2016-2017, yet they have also revealed the lack of a common approach among federal government agencies, development institutions and businesses on how to promote the "Made in Russia" brand and Russia's image. It is to implement such an approach, while taking into account the interests of all stakeholders, that we have proposed to establish a national communications strategy for promoting Russia's manufacturing, export, cultural, tourism and human capital.

Roscongress Foundation Director
Alexander Stuglev on the national communications strategy



A national brand aggregator, such as the "Made in Russia" campaign, is expected to harmonize all points of view, strike the correct balance between the practical (the "Made in Russia" national brand aggregator) and semantic (national, regional, export, tourism, cultural and other brands) components, and implement a national communications strategy to ensure public marketing funds are spent correctly.

Mikhail Sadchenkov, Roscongress Foundation, Made in Russia Project Manager



I thought the idea and concept behind the "Made in Russia" national brand were interesting enough to be included in Nation Brand, the first global national branding textbook.

Dr. Keith Dinnie (PhD), Senior Lecturer in Branding at Middlesex University Business School, London, UK

www.madeinrussia.ru

Project participation applications from companies

madeinrussia.gov.ru

Expert Council participation applications

pr@madeinrussia.ru

Applications from general partners and industry partners



THREE MAIN THINGS: how entrepreneurs from Vladivostok set up a national chain

Kirill SLEPTSOV,
Journalist

BUSINESS IN RUSSIA TRADITIONALLY DEVELOPS FROM WEST TO EAST: NATIONAL COMPANIES FROM THE EUROPEAN PART OF THE COUNTRY OPEN REPRESENTATIVE OFFICES BEYOND THE URALS AND THEN EXPAND TO THE FAR EAST. THE COMPANY DNS, WHICH IS HEADQUARTERED IN VLADIVOSTOK, IS BUCKING THIS TREND, AND IS NOW THE LEADING HOME APPLIANCE AND ELECTRONICS RETAIL CHAIN IN THE COUNTRY.

How did a small computer store that opened 20 years ago in Vladivostok transform into a vast national chain stretching all the way to Kaliningrad? Analytics firm Infoline estimated the revenue of DNS at RUB 135 billion in 2016. In the non-food retail sector, only M.Video saw higher earnings, with RUB 161.7 billion.

"The secret to our success is that we worked", one of the founders of DNS, Konstantin Bogdanenko, says with a smile. "It's a joke, but not a joke", he explains. "DNS is not an investment business. We do not have a single person whose only interest in the business is money. All of our shareholders work within the company. And for them, the goal was to make DNS the largest in the country."

The company has ten founders, and all but one of them have been working together for almost a quarter of a century, since the early 1990s. They started out designing computer networks and assembling computers for companies in Vladivostok.

Oddly enough, it was the crisis of 1998 that compelled them to open their first store, when all their corporate clients suddenly disappeared. Ordinary people, on the other hand, still wanted to buy cheap computers. The group of friends, all programmers, then decided to go back to school to learn about retail, rented premises, and opened a small store under the banner DNS, the abbreviation for the English 'digital network systems'.

They assembled computers and computer components – which, incidentally, they purchased not from China, but from Russian distributors in Moscow – right there in their store. That proved to be more profitable until the company reached such a scale that it was able to independently purchase large quantities of goods abroad. But DNS did not grow quickly. The market was huge and undeveloped, so this group of friends soon turned their thoughts to opening new stores outside their native Vladivostok.

// *Smart retailing is based on three main things: having stores in convenient locations, a sufficient quantity of goods available in stores, and good prices*

As they entered new cities, DNS employed colourful, unconventional promotional campaigns. For example, a bright orange armoured reconnaissance vehicle bearing the inscription 'cybertank' appeared on the streets of Siberian cities in 2009–2010. The armoured vehicle was part of a show called 'Kill your damn monitor': to the public's delight, it crushed old computer monitors, and their owners received a discount on new ones at DNS.

There were also night-time sales offering eye-poppingly low prices, which resulted in actual storming of stores and immediately caught the attention of the local press and television channels.

Such marketing activities ended in 2012, when the DNS chain spread throughout the country, including Moscow, where the other national retailers, M.Video and Eldorado, were traditionally strong. "At the stage when we were expanding and introducing the brand to the market, we used viral marketing with active communities disseminating information about us. Now the main objective is to make a device's journey from the conveyor belt to the consumer's apartment as short as possible", says Konstantin Bogdanenko. He believes that smart retailing is based on three main things: having stores in convenient locations, a sufficient quantity of goods available in stores, and good prices.

This is accomplished by increasing the chain's density and improving its efficiency. Today, DNS has around 1,300 stores stretching from Vladivostok to Kaliningrad, with a range of goods exceeding 100,000 items. They are all managed from ten independent regional offices, each of which has

its own distribution centre. Regional managers have extensive authority. This allows DNS, despite its national scale, to remain a dynamic company able to react very quickly to market changes. At the same time, given the size of the chain, vendors are prepared to offer competitive prices in order to get their products on its shelves.

DNS is also a manufacturer itself, producing hardware under the DEXP brand. The company's assembly facilities are located in Novosibirsk and the town of Staraya Kupavna near Moscow. Some products are custom made at factories in China. DEXP-label equipment is sold only in DNS stores and currently accounts for about 20% of the company's revenue.

Another significant line of business is online sales. Several years ago, the company even began developing a parallel chain of electronic discounters called TechnoPoint. These are large warehouse stores, where you can pick up orders previously placed online or via electronic terminals. After testing out the format, the company's executives later decided to merge the businesses, and TechnoPoint outlets are now being opened under the DNS umbrella brand.

Meanwhile, the contribution of online sales to the retailer's revenue is estimated at tens of percent, and this share continues to grow. "It's a convenient way to order goods. People can choose from a wide range of products that they are interested in and be sure that they will be available in the store", explains Bogdanenko. "This is why DNS exists – to make hardware accessible and affordable." 🌱

ABOVE THE MARKET: how the Vladivostok airport will develop

VLADIVOSTOK INTERNATIONAL AIRPORT RANKED AS ONE OF THE FASTEST GROWING IN SIBERIA AND THE RUSSIAN FAR EAST DURING THE FIRST HALF OF THIS YEAR. ITS NEW OWNERS, A CONSORTIUM OF BASIC ELEMENT, THE RUSSIAN DIRECT INVESTMENT FUND, AND SINGAPORE-BASED OPERATOR CHANGI, ARE PLANNING TO TRIPLE PASSENGER TRAFFIC OVER THE NEXT FEW YEARS.



The Vladivostok International Airport acquisition deal was announced in February 2017. A consortium of investors comprising Oleg Deripaska's Basic Element, the Russian Direct Investment Fund (RDIF), and leading global airport operator Changi Airports International (CAI) acquired 52.16% of Vladivostok International Airport and 100% of Terminal

Vladivostok from its previous owner, Sheremetyevo.

The consortium has secured a very attractive asset, at least compared to, say, Khabarovsk, where a modern terminal is yet to be built (construction is scheduled for 2017–2025). At Vladivostok, on the other hand, a new 47,500-square-metre air terminal complex has already been completed, with an annual capacity

of up to 3.5 million passengers. To put this into perspective, the airport served just 1.8 million passengers in 2016. That's why the first thing the new owners did was to focus on increasing passenger traffic.

Projections suggest that traffic will rise to 2 million passengers in 2017, a feasible target given that more than 1.17 million had already used the airport's services during the first seven

months of the year, an 18% increase over the same period in 2016. In the medium term, the air gateway to Vladivostok expects to handle a total of 5 million passengers annually. To achieve that, growth in international traffic will need to reach double digits.

"We are planning to build up the airport's traffic by expanding its route network and increasing tourist flows, including from the Asia-Pacific region", Managing Director for Aviation at Basic Element Alexey Vasilchenko said. "We are counting on Changi's expertise and capabilities in Asia and on our own experience of operating airports in Krasnodar Territory."

Changi is the operator of the airport known under the same name in Singapore, one of Asia's largest airline hubs. A poll of tourists carried out by UK consultancy Skytrax ranked it as the world's best airport for the fourth time in 2016 according to a poll of tourists. Experience with Krasnodar Territory airports has been acquired through the Russian-Singapore joint venture BasEl Aero, established in 2012 by Basic Element, Changi, and Sberbank to manage airports in region.

These airports saw increases in passenger traffic of 14% in 2015–2016, an order of magnitude higher than average performance in the industry. According to the Federal Air Transport Agency, the increase in the number of passengers served by Russian airports between 2014 and 2016 was just 1.4%, taking the total to 160 million people. Sochi Airport, however, delivered growth of almost 30%, buoyed by a favourable political and economic climate. It exceeded the psychological barrier of 5 million passengers a year for the first time

*// In the medium term,
the air gateway to Vladivostok
expects to handle a total of 5 million
passengers annually*

in its history, thus becoming one of Russia's top five airports.

Besides sharing the same owners, the airports in Vladivostok and Sochi also both operate under the 'open skies' regime, meaning that there are no limitations on international travel in terms of the number of authorized airlines or flights. In other words, they are open to any international airline no matter what intergovernmental air transportation agreements its home country may have with Russia.

State-sponsored Far East development programmes, such as giving Vladivostok the status of a free port, could also give a boost to the Russian-Singaporean consortium. For instance, international visitors planning to spend up to eight days in the city now only need an e-visa, which is much easier to obtain than a regular one – all you need to do is apply through a dedicated website. Besides, tax, customs, and investment incentives are turning Vladivostok into an attractive place to do business. More than 300 companies are now residents of Vladivostok Free Port. All of this is naturally encouraging air travel. Yet achieving the goal of 5 million passengers will require serious effort from the airport's owners and its management.

"The infrastructure at Vladivostok Airport will be streamlined over

the next couple of years", Alexey Vasilchenko promised. "We will considerably expand the technology and retail opportunities available to our customers: retail spaces will expand, and new shops and service points will be added. The airport will join the Airports Council International (ACI) and will be using international standards to assess passenger service quality."

Vladivostok Airport served almost 250,000 travellers in July 2017, 15% more than in July last year. International flights posted the strongest growth, rising 34% year-on-year to 82,000 passengers. Many more people have been flying from Vladivostok to Seoul, Harbin, Tokyo, Busan, Sanya, Cam Ranh, Changchun, and Osaka. In late July 2017, China Southern Airlines inaugurated flights to a new destination, China's Shenyang, while Tianjin Airlines resumed twice weekly flights between Vladivostok and Tianjin. Thus, compared with last year, passenger traffic to Japan rose by more than 90%, to South-East Asia by 66%, to South Korea by 51%, and to China by 9%. Intraregional flights within Primorsky Territory also increased, with passenger traffic more than doubling in July 2017. If sustained, this pace of growth will bring the 5 million mark within reach. 🌱



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THE FOUNDATION of an innovative economy

FEDERAL SERVICE FOR
INTELLECTUAL PROPERTY
DIRECTOR **GRIGORY IVLIYEV**
SPEAKS ABOUT THE STEPS
RUSSIA NEEDS TO TAKE
TO ACHIEVE TECHNOLOGICAL
LEADERSHIP



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BLOCKCHAIN cuts costs considerably

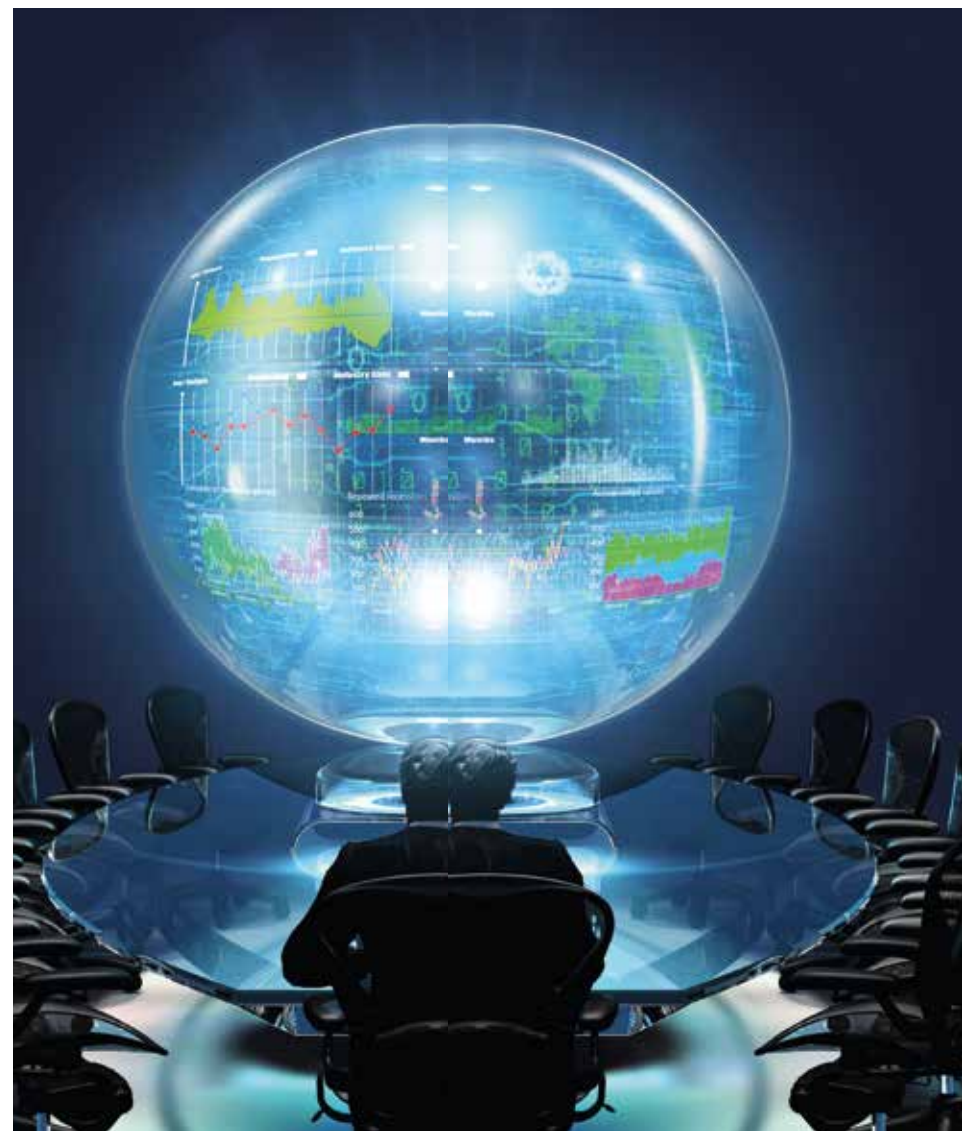
SBERBANK SENIOR VICE-PRESIDENT
AND HEAD OF SBERBANK CIB **IGOR BULANTSEV**
ANALYSES THE ADVANTAGES AND LIMITATIONS
OF BREAKTHROUGH TECHNOLOGIES
AND TOOLS



QUANTUM protection

NIELS BOHR INSTITUTE (DENMARK)
PROFESSOR **EUGENE POLZIK** SPEAKS
ABOUT WHICH TECHNOLOGIES
WILL HELP ENSURE RELIABLE DATA
PROTECTION IN THE COMING ERA
OF QUANTUM COMPUTERS'

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DIGITALIZATION as an opportunity

HEAD OF THE ASI PROJECT CENTRE
FOR THE INTEGRATION
OF THE NTI AND DIGITAL
ECONOMY PROGRAMME **RUSLAN
KARMANNY** TALKS ABOUT HOW
DIGITALIZATION IS BECOMING
A SYNONYM FOR AN EFFECTIVE
ECONOMY

“BLOCKCHAIN OFFERS BUSINESSES AND GOVERNMENTS a convenient environment for communication by cutting out intermediaries”

UNIVERSA PLATFORM FOUNDER
AND TECHNOLOGY INVESTOR
ALEXANDER BORODICH SPEAKS
ABOUT WHAT POTENTIAL BLOCKCHAIN
TECHNOLOGY OFFERS TODAY

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THE FOUNDATION of an innovative economy

THE EXPLOSIVE GROWTH OF ASIAN ECONOMIES IS A RESULT OF THEIR ATTENTION TO THE ISSUES OF INTELLECTUAL PROPERTY AND COMMERCIALIZING SCIENTIFIC INVENTIONS. WHAT MEASURES SHOULD RUSSIA TAKE TO ACHIEVE TECHNOLOGICAL LEADERSHIP?



Grigory IVLIYEV,

*Head of the Federal Service
for Intellectual Property
(Rospatent)*

Russia's focus on innovative development is an absolutely justified step in the context of the global trend towards the expansion of the knowledge economy. Industrial capacity and access to raw materials are no longer the key factors; rather, it is intangible assets which are the main sources of profit. This primarily means technologies, trademarks, software developments, and services. Each of these types of asset needs competent legal protection, which not only allows companies to protect their designs and stay ahead of the competition, but also enables the country as a whole to become a technology leader. This is the task that has been set by President Vladimir Putin.

Most of the world's advanced economies are implementing their own programmes and strategies in the field of intellectual property. Such experience exists in China, Germany, the United States, and a number of other countries. When China adopted this kind of strategy, it achieved tangible and visible results within the first year – a boost in the patent activity of the population which continues today. China literally broke into the elite ranks of innovator countries. According to the Xinhua News Agency, based on information from the State Intellectual Property Office of the People's Republic of China, in the first half of 2017 alone, China received 565,000 invention patent applications, a 6.1% increase compared with the same period last year. The country issued 209,000 patents, with 160,000 granted to Chinese inventors. Japan updates its intellectual property strategy annually, and the country's Prime Minister is actively involved.

The World Intellectual Property Organization (WIPO) explicitly recommends adopting similar programmes to encourage invention which, in turn, leads to positive changes in the economy.



// According to WIPO data for 2015, Russia held the 6th place in the world in terms of the number of patents in the field of 3D printing

Despite respectable indicators in this area, patent activity in Russia has been stagnant for a number of years. For example, according to WIPO data for 2015, the country was sixth in the world in terms of the number of patents in the field of 3D printing, thirteenth in nanotechnologies, and fourteenth in the field of robotics. At the same time, the number of applications and the number of patents issued remain at approximately the same level: in 2014, 41,600 applications were submitted and 33,950 patents were granted; in 2015, these figures were 45,517 and 34,706, respectively, and in 2016 – 41,587 and 33,536, respectively.

Trademarks are treated quite differently by Russian entrepreneurs, as they understand that they are critical for business development: last year, the number of such applications increased by 21%. But none of these figures can be considered exactly impressive, either at the Russian or international levels. This was noted even by Choi Donggyou,

then Commissioner of the Korean Intellectual Property Office (KIPO), an honorary guest at Rospatent's international conference. He believes that Russia's place in the global innovation rankings and the country's statistical indicators, with which foreign colleagues are familiar, do not reflect the enormous scientific, research, and technological potential of the nation. This means that, in devising, inventing, and exploring, Russia does not convert the results of its intellectual activity into patents or technologies, which are the basis of an innovative economy. Russia is depriving itself not only of legal protection for the products of its intellectual activity, but also of the opportunity to earn money by licensing certain technologies on domestic and foreign markets.

In May this year, Reuters published a ranking of the world's top 100 most innovative universities, and there was not a single Russian university or research centre on the list. At the same time, Russia, again according

to Reuters, is one of the top five economies in Europe. That is, had Russian universities used the potential of the domestic market alone, it would have secured them a place in the world ranking of innovative universities. This is a demonstrative indicator of the fact that, when it engages in research, science in Russia limits itself exclusively to publication or formal reporting. The results obtained are not passed on to business for subsequent commercialization. Yet this could significantly increase opportunities for funding science itself. A person's intellectual capital is not transferred into the capital of an organization. Russia itself creates the risk of scientists becoming interested in moving abroad, where the results of their research will be used in a way that takes account of the researcher's financial interests. This makes technology transfer from Russia 'cheaper'.

At the St. Petersburg International Economic Forum section organized by the National Association for Technology Transfer, one of the speakers said that "there were no patents" in the USSR. Yet, in the Soviet Union, great attention was paid to patenting, licensing of technologies, and training of specialists in the field of intellectual property. According

// *In devising, inventing,
and exploring, Russia does not
convert the results of its intellectual
activity into patents or technologies*

to the Russian State Academy of Intellectual Property (RGAIS), which is subordinate to Rospatent, during the greatest boom in science and the technology industry in the country (1960–1980), about 15,000 professionals completed their qualifications or underwent advanced training in the field of intellectual property each year. In 2016, only 198 specialists and 28 postgraduate students graduated from the Academy. Additional education, advanced training, and professional re-training programmes were taken by 1,586 people, which is significantly less than in Soviet times. This is very alarming considering the cardinal change in the structure of the world economy and fiercer global competition in high-tech

industries from bioengineering to nanotechnology.

China, with the outstanding indicators noted above, in many respects copied the experience of the Soviet Central Institute for Advanced Training of Executives and Specialists in the Field of Patent Work (CPIK). Annually, this CPIK analogue provides education to about 30,000 people, half of them civil servants and the other half – members of the business community.

When visiting Russia, representatives of China's patent offices note that basic knowledge of patent law, legal protection for intellectual products, and intellectual property management are acquired while still at school. This is not just at specialized scientific and technical

lyceums, but in general education schools too. In Russia, the fact that a fourteen-year-old schoolgirl from Yakutia obtained a patent was a real sensation. So intellectual property education should be a fundamental part of a strategy aimed at achieving future results.

Another challenging point is that, in Russia today, competence in the field of intellectual property is spread across different ministries and departments, and, with the exception of Rospatent, none of them include intellectual property issues among their priorities. This prevents the authorities from developing a coherent policy, so they cannot react promptly to needs arising in the field of intellectual property. The authorities and expert and professional community have not yet managed to find common ground in defining the purposes and guidelines for the sector's development on which efforts might be focused. The very process of discussing the strategy will enable Russia to overcome these gaps by presenting the various views that could serve as the basis for a unified approach to the framework of this necessary document.

The outcome of the intellectual property strategy should be the creation of a system of local acts and services in scientific or educational organizations that will encourage the commercialization of intellectual property. This process should be transparent and beneficial for the researcher, allowing the inventor to engage more actively in science. As a result, high-tech domestic products with high value-added will emerge on the markets.

At the Rospatent international conference mentioned above, Viacheslav Pershukov, Deputy Director General for Innovation Management at ROSATOM, stated that no negotiations with foreign governments and no foreign tenders were conducted today without discussion of intellectual property issues. During the 60-year life cycle of one unit, ROSATOM will receive significant royalties for use of intellectual property – benefits they did not even think of as a monopoly holder on the domestic market.



// Kudankulam NPP in India, built by Rosatom. During the life cycle, which is 60 years, the company will receive royalties for the use of intellectual property

That is why the Russian Export Center, working with Rospatent, has developed programmes to support foreign patenting, which provide full compensation of patenting expenses and reimburse 70% of the costs of preparing documents for the appropriate procedure. These are important but still very specific measures. Systemic, large-scale, planned transformations within a framework to be defined in the strategy are needed to achieve cardinal change.

Along with supporting technological entrepreneurship, Russia should not ignore such areas as copyright and neighbouring rights, as well as means of individualization, such as trademarks, appellations of origin, and geographical indications. The use of items protected by copyright and neighbouring rights makes a significant contribution to gross national product, while means of individualization are an important tool in market relations, a major component of the value-added of any product or service. In this respect, it is worth recalling the regularly published rankings of the world's largest brands. Yet even on a small scale, the value of one's own trademark, the basis for the company's

reputation, the emotional component, and consumers' perception of quality, can be a business's main intangible asset, more important than production lines, storage facilities, or raw material reserves.

When balancing existing patents, the overwhelming majority of patent holders that are legal entities assess them in terms of fees paid to register an invention, utility model, or industrial design. They do not consider the costs incurred during the invention's development, the cost of the resources necessary for R&D, or other means directly or indirectly invested in the process that results in a patent being obtained. Owners are simply not aware that the development process can also be included in the value, so they underestimate the value of assets. This has a negative effect on the company's valuation by banks and makes it an underdog in terms of capitalization. This is especially noticeable in comparison with Western companies.

The intellectual property strategy should be a document that sets out priority measures to launch active use of financial instruments in the field of intellectual property. These might include development of lending

where intangible assets are used as security, consideration of intangible assets in the capitalization of companies, and an insurance market for intellectual property.

The strategy should provide for the development of advanced tools for deep patent analysis and evaluation of R&D performance. Today, only the Project Office of the Federal Institute of Industrial Property (FIPS) can offer such a vital toolkit. And this is another huge gap to be bridged, since, otherwise, a large number of decisions concerning the choice of research areas are taken blindly. Such projects often require multi-million-dollar investments. As a result, domestic developers have to be content with playing catch-up or concentrate resources in areas with extremely low productivity and narrow prospects.

In view of all this, it should be noted that the task set by the Russian President of shifting the country's economy from the production and raw materials model onto the path of innovative development is not unattainable. But the solution is directly related to development in the field of intellectual property – the foundation of any innovative economy. 🌱



Quantum protection

THE QUANTUM COMPUTER, WHICH IS PROJECTED TO EMERGE IN THREE TO FIVE YEARS, IS EXPECTED TO MAKE CURRENT TRADITIONAL INFORMATION ENCRYPTION METHODS VULNERABLE. FUTURE TECHNOLOGIES WILL BE REQUIRED TO ENSURE ABSOLUTE DATA RELIABILITY AND THESE SOLUTIONS ARE BEING DEVELOPED NOW, INCLUDING QUANTUM CRYPTOGRAPHY AND QUANTUM TELEPORTATION.

The impact of technological advancement on the economy is becoming increasingly profound by the year. Quantum technologies are one of the most promising areas, especially for the promotion of medicine and information technologies.

What is the main difference between quantum technologies and traditional conventional technologies? It lies in the ability to manage intricate quantum systems at the level of separate atoms, ions or photons. It appears that development of a new generation of computing devices, information protection products and high-accuracy sensors calls for solutions to control microscopic objects.

The operation of conventional computers is based on quantum-mechanical principles that do not require control of individual quantum systems. Further progress of computing technologies is associated primarily with miniaturization of elementary structural elements of computers – transistors. If classical computers keep developing according to Moore's law, the dimensions of a transistor will be comparable to those of an atom. In such a computer, elementary elements will have to be described using quantum mechanics, rather than classical physics. It turns out that, owing to quantum physics phenomena, such a computer is extremely effective, for instance, in addressing prime factor decomposition problems.

The interest in this mathematical problem can be attributed to the fact that a huge proportion of confidential information transmitted via open channels is encrypted using the so-called encryption algorithm with a public key. For example, this is the way data is encrypted when you buy something online using your credit card or use a popular messenger. The reliability of this encryption method is based on the assumption that prime factor decomposition of very big numbers is a problem beyond the capacity of contemporary computers. Yet a quantum processor will deal with

QUANTUM CRYPTOGRAPHY

There are two approaches to creating attack-proof information protection products with the help of quantum computers: quantum cryptography and post-quantum cryptography. The former enables two communicating parties to get a private key for encryption, its security guaranteed by physical laws. This technology has already been commercialized.

Post-quantum cryptography envisages transfer to cryptographic algorithms, in which neither classical, nor quantum effective algorithms are known to address the inverse problem. Contenders for post-quantum schemes include such methods as hash function-based or error correction code-based cryptography, etc. Even so, as of today, there are no post-quantum cryptography standards and in-depth mathematical investigation of existing solutions is required, along with implementation. The only way to ensure long-term security in the future is, therefore, quantum cryptography, because its reliability is based on fundamental natural laws, rather than the complexity of some mathematical problem.

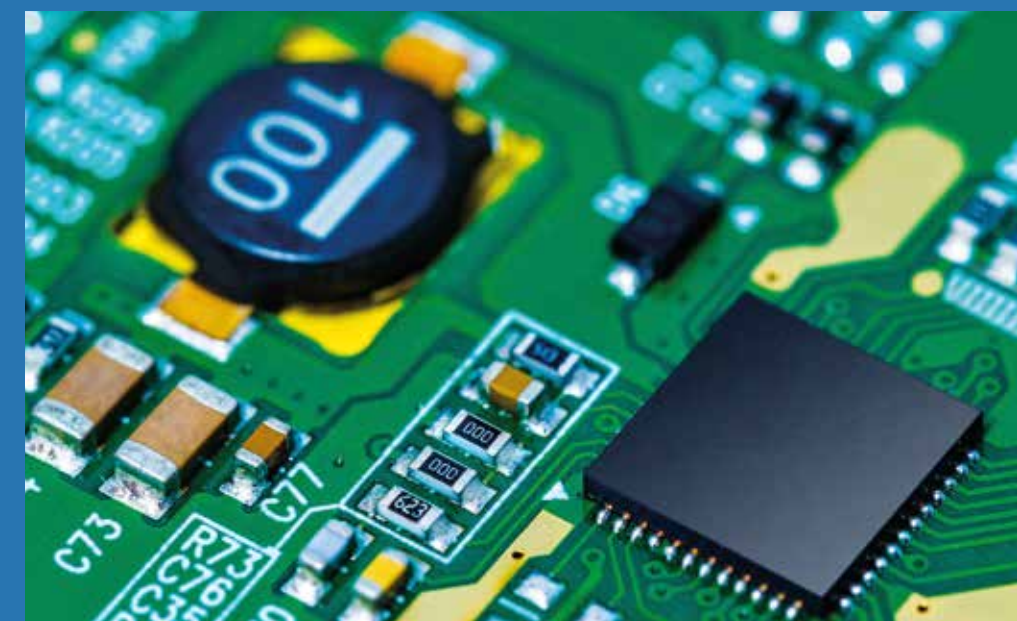


Alexei FEDOROV,
Russian Quantum Centre



Ruslan YUNUSOV,
Russian Quantum Centre

// According to Moore's law, by 2020, the size of transistors will equal the atomic ones



Comprehensive development of this technology combining applied research and fundamental studies is of strategic importance for ensuring protection of the interests of business, society and the state.

A fundamental difference of quantum cryptography from conventional communications is that information is transmitted via elementary light particles – photons. Its protection is ensured by the fact that even the most sensitive tool will inevitably change the state of a photon. Consequently, if someone tries to “eavesdrop” on a data flow transmitted via a quantum channel, they will inevitably distort the message and thus be compromised. Multiple repetitions of the photon creation procedure and measurement of their quantum states will enable parties involved in communications to have a private key for encryption. In practice, encryption can take the form of a one-time pad (OTP) and exchange of keys will be a lot more frequent than in existing systems,

so maximum protection will be ensured.

Various research teams in leading universities, specialized scientific centres and commercial companies are currently working on developing quantum cryptography solutions. Foreign companies – including ID Quantique (Switzerland), SeQureNet (France), and Austrian Institute of Technology (Austria) – are busy seeking to commercialize quantum cryptography. Use of quantum cryptography gained wide popularity during the federal elections in Switzerland and 2010 FIFA World Cup in South Africa.

In Russia, quantum cryptography research is conducted by the Russian Quantum Centre, ITMO University and Moscow State University. Instrumental for the transition by a technology from a laboratory to real life is use of the existing infrastructure for quantum key distribution – fibre-optic communication lines in big

cities. A team of researchers from the Russian Quantum Centre conducted such an experiment in May 2016. In 2017, an experimental quantum communications network was developed to demonstrate the operation of a quantum-secured blockchain – a new blockchain architecture that is resistant to attacks by quantum computers.

Against the backdrop of the general interest of the state and commercial companies in quantum technologies, quantum cryptography should be emphasized, because it is a current technology. Its potential can be exploited to the full in creating quantum communications networks. In some cities, such as Geneva, Vienna, Tokyo, Calgary, Boston, and Beijing, networks of this kind have already been established. In addition to intracity networks, infrastructure (trunk) quantum networks are being established, for instance, between Beijing and Shanghai in China.

As of today, quantum cryptography is not a commonplace phenomenon. The main deterrents are the rate of generation of quantum keys and the distance. In major cities, quantum cryptography is being implemented using fibre lines. A typical length of a communication line is 10 to 80 kilometres.

Quantum cryptography can also be implemented on an Earth-satellite basis in open space. This scheme will make it possible for quantum cryptography to evolve into a global information security system. Chinese researchers are conducting a series of quantum cryptography experiments: they have launched the QUESS satellite and shared the first QKD results. A Japanese research team has used a micro-satellite to study QKD.

An alternative way to overcome the limitation of quantum cryptography is quantum repeaters. The task is a scientific challenge as the technology is based on the phenomenon of quantum teleportation.

it effortlessly. This fact is a serious threat to information security.

There is no full-scale operational quantum computer as of today but the forecasts are increasingly optimistic. Specialists believe a quantum computer will emerge in three to five years, so it is time we thought about the safety of data storage in the era of quantum devices.

QUANTUM TELEPORTATION

One of the best-known tricks of quantum physics is quantum teleportation, which allows information about a quantum system to be transmitted without recording it anywhere using classical conventional means.

In order to implement quantum teleportation, so-called “entangled” quantum states are used. The scenario is as follows: imagine we need to teleport, say, one atom of a substance. This atom has a certain spin direction (intrinsic particle momentum), which we do not know. The objective is to transmit the spin direction, say, to Mars. Two more atoms are required for this: one is placed next to the source atom, and the other one is sent to Mars. The two must be created in an entangled state. This means that the direction of their respective spins, albeit unknown to us, will be opposite, whatever the direction of the source atom – this is the geometric sense of entangled states in an atom. After that, special measurements are conducted on one of these entangled spins and the source spin, and the result of the measurement can be transmitted from Earth to Mars by phone or any other classic means of communication. Depending on the measurement result, the spin of the dispatched atom is modified. Consequently, the quantum state of the source atom is teleported to Mars.

Obviously, quantum teleportation is not science fiction but a real microcosm process. Successful experiments are being conducted in laboratories using various physical systems, such as photons and assemblies of atoms.

The problem that remains unresolved is that transmission processes with the help of quantum teleportation, which have been conducted experimentally are, unfortunately, imperfect. They appear to be more effective than any classical method in the transmission of the spin direction, but what we refer to as “transmission performance” is not 100% perfect. It remains between 80% and 90% in most experiments. It seems a fine result, but imagine: if you need to teleport the state of ten atoms, and a 10% error is made in each, there will be nothing good left. Further research is needed to promote quantum teleportation.

In addition to improvement of transmission performance, an increase in the distance over which quantum states can be teleported is another important task. From this perspective, of major interest are the recent experiments by a Chinese team to distribute entangled light particles to a distance of more than 1,200 kilometres with the help of the QUESS satellite project – an order of magnitude longer than in previous experiments. Such experiments uncover exciting possibilities for implementing quantum teleportation and quantum cryptography on a global scale.

Why is China so keen on quantum teleportation? Development of this technology is required for some advanced applications, such as increasing the distance of key generation in quantum cryptography, which is its main limiting factor. To this end, it is necessary to create quantum repeaters based on quantum teleportation. Transmission of quantum keys to 1,000 kilometres can thus be achieved by applying 100-kilometre intermediate links, which will store transmitted quantum



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Niels Bohr Institute, University
of Copenhagen, Copenhagen,
Denmark

states and teleport them further. Promotion of quantum teleportation and quantum repeater solutions will create a scalable information security system to neutralize the imminent threat posed by the advent of the quantum computer.

Active quantum cryptography research is underway in Russia and quantum teleportation experiments are being conducted. Specifically, a team of researchers from the Russian Quantum Centre have recently demonstrated hybrid teleportation of quantum states that makes use of the transfer of states with various degrees of freedom. Experiments are also underway to create basic technologies of quantum repeaters. It is safe to say that, in terms of protection against quantum computers, Russia is currently involved in the quantum technology race. Nevertheless, to ensure further progress, the state and business should pay close attention to quantum technologies and comprehensive support programmes for the most advanced technologies are called for. 🌱

// The launch of the Chinese satellite QUESS



// *The Russian Quantum Centre
have recently demonstrated hybrid
teleportation of quantum states
that makes use of the transfer of states
with various degrees of freedom*

BLOCKCHAIN cuts costs considerably

THE WORLD IS BEING SWEEPED BY A CRYPTOCURRENCY BOOM TRIGGERED BY BLOCKCHAIN TECHNOLOGY. YET THE BLOCKCHAIN POTENTIAL IS MUCH GREATER. **IGOR BULANTSEV**, SBERBANK SENIOR VICE-PRESIDENT AND HEAD OF SBERBANK CIB, ANALYSES THE ADVANTAGES AND LIMITATIONS OF THESE BREAKTHROUGH TECHNOLOGIES AND TOOLS.



BLOCKCHAIN AND THE CRYPTOECONOMY

Let us start by agreeing what the terms "blockchain" and "cryptoeconomy" mean. A blockchain is a distributed ledger technology that ensures the fulfilment of obligations by various parties. The blockchain technology potential goes far beyond financial tools and cryptoeconomy. In turn, cryptoassets are a new class of digital assets, values and property based on the blockchain.

The blockchain's advantage is the possibility of transferring information or values without intermediaries, i.e., directly between the parties. This is what makes the technology revolutionary: it liberates the world from intermediaries and connects "digital economy" participants directly with one another. Moreover, the principle of distributed information storage and verification ensures trust between the parties. At the same time, blockchain greatly reduces the costs of verifying operations, as well as the time for their performance.

Cryptocurrencies and cryptoassets are a new property class of the "digital economy". They form a certain niche while complementing existing financial instruments. This economic segment is barely regulated today. Adoption of clear rules of the game will attract institutional investors into the sector, which will stimulate market growth.

WHAT THE LAW SAYS

As for blockchain application in Russia, there are no legal obstacles to using it in this country. Yet improving certain legislative documents, such as amending the legislation on digital signatures, would considerably increase the rate at which the technology penetrates the economy. All parties to deals must share the same understanding of the terminology (such as "hash", "smart contract", "token", etc.).

To develop the technology internationally, countries will need to harmonise their electronic document management and digital signature mechanisms.

As far as cryptocurrencies and cryptoassets are concerned, there are different definitions and rules for their regulation, recording and taxation in different countries of the world. This is holding back the development of this economic sector.

BLOCKCHAIN AND CYBERCRIME

Much has been written lately about theft of large sums of money stored using blockchain. This is not entirely true and it is not the fault of the technology itself. The thefts took place not because of blockchain issues but because of programming errors.

The root cause is that developers create and launch new software very quickly, without thoroughly checking the systems for vulnerabilities. Cybersecurity requires a systemic approach and a lot of time to identify, analyse and consider large numbers of factors.

Unfortunately, a lot of blockchain solutions have so far been "half-baked". So, if there is no possibility to conduct a serious audit of a solution, it is better to be very cautious about trusting the system with large sums of money.

IN SEARCH OF A STANDARD

The first project of the Russian Central Bank, which involves Sberbank, is based on the Ethereum platform. We are also interested in other platforms in terms of their functions: for instance, Exonum, Hyperledger Fabric, or Quorum, and we are considering various options for their application. We believe that the future lies not with a specific platform, but with common standards that will unify approaches and help the technology develop and spread.

That is why the bank is experimenting with various platforms and developing relations with developers and consortia.

(AFT, Hyperledger, Enterprise Ethereum Alliance).

// *We believe that the future lies not with a specific platform, but with common standards that will unify approaches and help the technology develop and spread*

WHAT IS ON THE HORIZON?

We can see a big potential for the technology's development in various economic sectors and are working actively with our bank's clients to introduce

blockchain-based solution. Sberbank's portfolio includes around 20 projects using the blockchain, such as factoring for M.Video, trade financing for Severstal, and document management for the Federal Antimonopoly Service.

Within a seven-year horizon, blockchain use will do much to harmonize and accelerate financial market transactions and make them cheaper. New financial services will arise as part of the digital economy and financial instruments based on the blockchain will establish their own niche. 🌱



Cryptoeconomics in numbers

2008 is considered to be the year of birth of bitcoin, the most popular crypto currency in the world. Then the programmer Satoshi Nakamoto (to reveal his identity so far failed) published on the Internet a brief description of the algorithm for the work of the blockade.

60 billion dollars reached the capitalization of bitcoin in August 2017.

More than **200 crypto-currencies** are in the world today.

16 billion dollars earned miners (people whose computers make payments in exchange for crypto currency) for nine years due to calculations and commissions from transactions.

About **70% of crypto-currency farms** are in China.

24 billion dollars is the capitalization of the world's second crypto currency Ethereum, created by a Canadian programmer of Russian origin, Vitalik Buterin.

“BLOCKCHAIN OFFERS BUSINESSES AND GOVERNMENTS a convenient environment for communication by cutting out intermediaries”

THE DIGITAL TRANSFORMATION ERA HAS TAKEN THE INTERACTION BETWEEN BUSINESS AND GOVERNMENT TO A WHOLE NEW LEVEL. TO ACHIEVE SUBSTANTIAL PROGRESS IN DEVELOPMENT OF THE NATIONAL ECONOMY, MODERN COMMUNICATIONS TECHNOLOGY AND TOOLS ARE NEEDED.

ALEXANDER BORODICH, A TECH INVESTOR AND FOUNDER OF THE UNIVERSA BLOCKCHAIN PLATFORM FOR THE REAL ECONOMIC SECTOR, SPEAKS ABOUT THE PROMISE THE BLOCKCHAIN TECHNOLOGY OFFERS IN THAT AREA.



Alexander, please describe briefly what the blockchain technology is all about and what its advantages are.

The idea behind blockchain is simple and easy to understand – it's an enormous distributed database consisting of a multitude of peers that operate the same forgery-proof data. No data placed in a blockchain can be deleted or modified, which makes it ideally suited to maintaining all kinds of ledgers.

Blockchain offers businesses and government agencies a convenient environment for communication by cutting out intermediaries (such as document exchange operators / banks / clearing houses), resulting in substantially lower costs. Use of participants' network hubs helps avoid reserving equipment and speeds up document exchange, which also becomes more transparent. What's more, service development costs can be minimized by using open standards and interfaces, with no need for additional equipment purchases or designing new custom software solutions.

In what areas can governments use blockchain?

Clearly, the financial sector is the main beneficiary of blockchain, as its stakeholders require real-time payment protection and a secure environment for negotiating contracts. Yet the technology holds great promise for the government services sector as well. A number of projects can be implemented on a national scale using blockchain technology. These mainly include all



kinds of register of property rights, contracts or transactions between individuals or companies.

Blockchain may be useful for holding all sorts of votes, elections or censuses, managing a unified e-passport database, establishing a secure inter-agency document exchange or managing pension savings. The technology guarantees that any input data remains unchanged, so it's a perfect fit for various tenders, contests or auctions. Not only that, it makes a large number of processes transparent, as participants can see any changes in the status of smart contracts.

The government can, therefore,

better control financial and data flows across systems inside the country.

What other economic changes might blockchain bring?

A big plus of blockchain technology is that it can decentralize various systems and remove a large number of redundant institutions and entities from the world as we know it. For instance, clearing houses may become obsolete in finance, while notaries may find themselves useless in the realm of law.

Blockchain may bring radical changes to the monetary policy landscape. For example, this technology platform could serve as a basis for issuing a single "crypto rouble" to ensure full government control over any cash flows. In other words, using blockchain could take the fight against corruption to a whole new level. Relations between business and government will become more efficient and transparent too, making it possible to fulfil any urgent real-economy tasks swiftly. 🌱

// The financial sector is the main beneficiary of blockchain, as its stakeholders require real-time payment protection and a secure environment for negotiating contracts

DIGITIZATION as an opportunity

IN THE MODERN WORLD, WHERE MATHEMATICAL MODELS PROVE MORE ACCURATE THAN EXPERT PREDICTIONS AND FREELANCE DEVELOPERS SOLVE PROBLEMS BETTER THAN SPECIALISTS, DIGITIZATION IS BECOMING SYNONYMOUS WITH AN EFFICIENT ECONOMY



Ruslan KARMANNY,

*Head of the ASI Project Centre
for NTI Integration
and the Digital Economy
Programme*

MODELS MORE ACCURATE THAN EXPERTS

According to the Digital Economy programme adopted by the government, "data in digital format are a key production factor in all spheres of socioeconomic activity. This improves the competitiveness of the country and the quality of life of its citizens, and ensures economic growth and national sovereignty."

So it would seem that organizations and companies should transform their operations to make sure that data handling becomes a key business process. What is data handling? Making decisions based on data? Let us try and examine these processes, which seem boring at first glance, using some fascinating examples, and answer the question of why data handling requires special skills not often possessed by managers and executives.

People use the data collected during a process to describe the world and the patterns that exist in this world, as seen by the observer. Even the ancient Greeks understood that creating some sort of mathematical model built on simple rules would be a perfect opportunity to comprehend the world. They used such a method to describe the movement of the planets or celestial bodies, which – unlike the stars – were travelling through the sky. If the position of the planet in the sky predicted by

Ptolemy had coincided with reality, we would not have had Newton's theory, Einstein's theory of relativity, or quantum mechanics. Every new model described the world more accurately than the previous one, yet not perfectly. A striving for perfection has determined the progress of natural sciences over the last 2,000 years.

In the digital economy, the opportunities for digital modelling are increasing exponentially. For instance, Prof. Erik Brynjolfsson from MIT joined forces with Professor Lynn Wu from the Wharton School of Business to construct a model for predicting property prices based on user enquiries registered in Google Trends. The academics made predictions for all 50 US states and compared their results with the forecasts of the National Association of Realtors and closed deals. The model predicted prices 23.6% better than the experts, on average.

Professor of Sociology Chris Snijders questioned the practicality of procuring IT equipment via the in-house IT function. He gained access to the procurement database of 5,200 Danish companies and constructed a mathematical model that predicts the probability of meeting budgets, getting supplies on time, and being satisfied with the results. In the end,

he offered his services to predict the outcomes of various sizes of deal in different segments of the economy and asked procurement managers to provide their own projections. Even highly ranking specialists were unable to keep up with the sociologist's model in terms of prediction accuracy – in their own industries as well as other sectors.

A mathematical model also turned out to be more successful in predicting the quality and price of wine from Bordeaux. The essential variables were just four openly available weather parameters. Expert forecasts seemed like mere background noise compared to the model's predictions.

In yet another study, a team of teachers from MIT tried to predict which students would be given tenure at prestigious universities. They used historical data on early student publications, citing schemes, and network theory approaches to predict which students would produce the most influential and significant theses. The results were somewhat curious. The prediction produced by the model corresponded with nominating committee decisions in 70% of cases. In the remaining 30% of cases, the model, as a rule, picked out students

// Virtual reality, big data, 3D-printing and other elements of the digital economy are actively penetrating into the most diverse spheres of society



// Unless Russian companies and organizations learn to work with data, the digitization process will remain superficial

who subsequently made more significant publications than those to whom the commission assigned tenure. The model simply failed to take into consideration all the peculiarities of human relations.

It pains me a little to give examples of successful foreign scientists only. But unless Russian companies and organizations learn to work with data, the digitization process will remain superficial. About a month ago, companies, universities, and research organizations were invited to produce a list of end-to-end technology competency centres as part of the Digital Economy programme. Across the currently popular areas of big data, artificial intelligence, and distributed registers, there were no less than 30, 20, and 15 companies, respectively. But only one company – Boeing Russia – was working with mathematical modelling technology. Meanwhile, it is obvious to any practising data science specialist that it is impossible to

create value in big data or AI projects without relevant models.

SELF-SUSTAINING PLATFORMS

Digital platforms are the most suitable structures for data collection. Platforms are extremely sophisticated systems, although we, as users, usually perceive them merely as well-written smartphone applications. Every platform has its own network of producers and customers. A platform's basic technology should be user-friendly enough to establish a loyal customer base, while complicated data processing systems with AI elements ensure the most efficient match between buyer and seller.

Developing the Russian digital economy is impossible without the emergence of national platforms. It usually takes at least 5–7 years for a platform to mature, yet all successful examples share the same important feature – the system can function unassisted. In view of the accelerating technological revolution, it is quite

difficult to predict what devices we will be using to communicate with one another and get information in five years' time. Most likely, it will not be the smartphone and mobile apps we are used to.

If the Digital Economy programme had been launched five years ago, when messengers were the most innovative vehicles, it would have been advisable to develop a platform for new business on that basis. Nowadays, messengers, for instance in China, can perform almost all smartphone functions, including money transfers and shopping. So, when designing a platform for the future today, it would probably be a good idea to focus on the crypto-economy and distributed registers. As for the interface, it would be best to wait for new trends on the VR/AR and IoT markets.

The state can give the programme a significant boost by considering the 'government as a platform' approach. An engaging design, reducing barriers to experimentation and optimization within established standards, open API, data accessibility as a motivator to attract new participants – these are just the obvious benefits of such an approach that has the potential to set a positive example for public corporations and large business.



// Automation of production, Norilsk Nickel

Where can we get the expertise and competencies to implement these ideas from? Russia has professional teams that have automated major holdings, such as SUEK, Rosatom, and Norilsk Nickel. Usually, their first objective was to set up a project office and make sure the team members started using electronic communication between themselves in the environment they were developing. The next task was to set up electronic interaction between other company employees. In the case of digitization (not to be confused with automation), it is practical to start the process of developing a platform by formalizing business processes and analysing operating model efficiency.

There are companies in Russia that have enjoyed great success in realizing the potential of import substitution in business process automation. I am primarily, of course, talking about Boris Nuraliev's 1C. Given the interest from major customers and the modifications made to cloud services, this platform could serve as a powerful driver for the digitization of competency centres, project offices, and other management bodies of organizations involved in the Digital Economy programme. It would be

amazing if a firm operating in the digital economy could create some sort of Russian version of Salesforce – a CRM market leader that has digitized the marketing function for B2C companies.

THE WISDOM OF THE CROWD

I would like to conclude by describing one more phenomenon of the digital economy that Russia needs to master as soon as possible: the wisdom of the crowd. Several years ago, the Israeli Medical Health Centre studied a very important issue – the formation of the body's immune response by white blood cells to fight antigens that are continuously produced by the organism and constantly evolving. Mathematically, this problem was narrowed down to the search for efficient combinations of 100 or more white blood cell DNA portions that form the immune response, a set of 1030 options. That's a pretty big number. The popular MegaBlast algorithm created by the American Health Institute produced 1 million segments in 4.5 hours with 72% accuracy. The Israeli institute idAb model provided 77% accuracy in 48 minutes.

The researchers decided to turn to Topcoder – a well-known online

computational problem-solving platform. Its ecosystem includes approximately 400,000 software developers. According to the competition terms, the combination of speed and quality of generated DNA portions was assessed. The competition lasted for two weeks and 122 people took part, submitting a total of 654 solutions. Around half the participants were students; none were scientists or computational biologists. Only five contestants said they had prior experience in the field of biology or anything related to it. About 30 solutions were better than MegaBlast, 16 were better than idAb. Eight applications achieved 80% accuracy, which the applicants considered to be the theoretical maximum for the data array provided.

The opening of the NASA library is yet another impressive example of the work of collective intelligence. We could spend a long time analysing why the external developers processing the data turned out to be in the top quartile, better than the specialized researchers who had dedicated their lives to this work. This and many other 'wisdom of the crowd' use cases have opened a new chapter in research which employs digital interaction on the Internet.

Just think how much time and resources this process would need if it were to be conducted offline: announcing a contest (2–3 months), ensuring compliance with the rules for taking part (organizing committee of 15–20 people), reviewing and assessing applications (2–3 months), the budget... The prize paid to the winners of the contest to identify the best white blood cell immune response was USD 6,000. Everyone was happy; judging by the comments, all the participants felt that they were winners.

Given the widespread interest in the Digital Economy programme that has been announced and its high status, it is important to ensure that new approaches are applied. Apart from the significant economic impact, it is also an opportunity to involve 10,000–20,000 talented individuals, whose skills are not currently being used by similar firms in the 'old' economy. 🌱

// The theme of the digital economy is being discussed today at a variety of venues



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A HECTARE to help

PARTICIPANTS
IN THE 'FAR EASTERN
HECTARE' PROGRAMME
TALK ABOUT WHAT IT'S
LIKE TO LIVE
OFF THE LAND
AND RISK CHANGING
YOUR LIFE

GOALS OF USING "FAR EASTERN HECTARES"

39%

Construction
of individual
houses

9%

Entrepreneurship

23%

Agriculture



Source: Minskostokrazvitiya

FAR, yet hospitable

FEDERAL AGENCY FOR TOURISM DIRECTOR
OLEG SAFONOV SPEAKS ABOUT THE PROSPECTS
FOR REGIONAL TOURISM AND STATE MEASURES
TO DEVELOP IT

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114

RIA RATING:

labour market index
in the Russian regions –
2016 results

A HECTARE to help

A SERIAL ENTREPRENEUR, A FATHER OF EIGHT, A FARMER OF 30 YEARS – ALL WERE GIVEN A CHANCE TO REALIZE THEIR DREAMS AND DO WHAT THEY LOVE THANKS TO THE 'FAR EASTERN HECTARE' PROGRAMME LAUNCHED BY THE MINISTRY FOR THE DEVELOPMENT OF THE RUSSIAN FAR EAST IN 2016.

HOW IS THE 'FAR EASTERN HECTARE' PROGRAMME IMPLEMENTED



98.9 thousand
Applications filed under the programme



26.4 thousand
Land plots given for use



13%
Applications for the provision of free land plots (12.5 thousand) come from groups of citizens

Source: Ministry for the Development of the Russian Far East

// Alexander Pushkarenko

two hectares – for himself and for his son, both next to their home. In the future, he would like to acquire 10 hectares, one for each family member. Milk is now in high demand, he says, since there are only three large farms supplying dairy products to the entire region and most people do not keep cows.

Apart from the government, the farmers have received strong support from family and, of course, from their children. The eldest, aged 11 and 10, are a great help around the place and look after their younger siblings.

"I think it would be stupid not to take what's being freely given. Even if you eventually decide against going big, you have nothing to lose", Alexander believes. "The programme is a huge help. You can build a house, set up an apiary, some want to breed geese – so here's the land, take it!" The only regret this father of eight has is that he didn't claim the land sooner. He always thought he could get into farming.

A VILLAGE REBORN

It is said that, in its heyday, the village of Tatakan, first founded by displaced old believers who resettled in the Arkhara District of Amur Region, had up to a hundred households. However, it gradually fell into decline. By the 1970s,



Semyon KUDRYAVTSEV,

Journalist

CHILDREN, GRANTS, AND MILK

Alexander Pushkarenko, 32, from the village of Bochkarevka in the Seryshevsky District of Amur Region, has a modest home and a big family: his wife Anastasia, five sons, and three

adopted daughters. When they were expecting their fifth child, they were hoping for a daughter, but were already thinking of adopting a girl, Alexander says. When they started looking to adopt, they decided to take two sisters at once, since one girl might find it too hard to be the only one among five boys. Eventually, the Pushkarenkos became adoptive parents to three girls.

In autumn 2016, the big family was among the first to claim their

free hectare in the Russian Far East. At the same time, the novice farmers completed their business plan and received a grant under the programme launched in the Amur River basin in 2012 and jointly financed by federal and regional budgets. The Pushkarenkos used the money to expand their holding to 19 cows, including 13 milkers. Yet the couple have far more ambitious plans: over the next five years, they want to increase

the total number of dairy cows to 100, with half of them producing milk, and even begin producing dairy products. "Ideally, we would like to go beyond just selling milk; we would like to set up our own processing line producing packaged milk, yoghurts, and butter", Alexander explains.

To make these plans a reality, they will need more land, because a dairy farm needs pasture. So far, Pushkarenko has only applied for

// Vadim Ostroverkh



only five or six abandoned houses from the previous century remained, and the village disappeared from geographical maps. Now, almost fifty years later, there is new hope for Tatakan.

Farmer Vadim Ostroverkh says he enjoys an outdoor lifestyle, and loves exploring beautiful landscapes with his friends, by boat or in off-road vehicles. As it happens, his trips often take him through Tatakan. Its woods are rich in Korean pine, referred to as cedar in the Far East, and the name of the village itself derives from the Evenk word taktakan meaning 'cedar' or 'cedar river'.

"I've always wanted to build a holiday home here, with an apiary next to it", Vadim says. "It is a truly amazing fishing and hunting spot." So, when he heard on the news that the Arkhara District was listed as one of the pilot regions for the 'Far Eastern Hectare' programme, Vadim wasted no time and filed his application. A month later he

became one of the first owners of a free hectare.

A solid foundation he found on the plot was a nice bonus, and Ostroverkh used it to build a house. Further plans include an apiary or a small farm in addition to his main household some 80 kilometres from Tatakan. "I'm still thinking, there's time, I am still young – 43", the farmer smiles.

All in all, 12 hectares have already been allocated in Tatakan. People are planning to farm the land, restore the old houses or build new ones, and take up bee keeping. This area is rich in unique wild plants, so some plan to start harvesting medicinal herbs. According to Ostroverkh, his neighbours who have claimed hectares include people from villages 25–30 kilometres from Tatakan. They bring their cattle to pasture here for the summer season before returning home in the autumn.

At the moment, Tatakan would make a challenging permanent residence: there is no electricity, no communications, no Internet connection. If the number of local participants in the free hectare programme reaches 20, however, the government promises to help with the necessary infrastructure. Vadim Ostroverkh takes a philosophical attitude. He did not come to Tatakan to enjoy the comforts of civilization. For him, the village that is now experiencing a revival is a place to rest and recharge his batteries.

FIVE HUNTERS' HOTEL

Bogdan Durkalets applied for his free hectare the day after the programme was launched. The procedure was simple and only took 40 minutes, Bogdan recalls. He is a natural born entrepreneur, selling special machinery, running a café and a beauty salon. Another childhood dream of his was to build a holiday resort to celebrate the pristine natural beauty of the Russian Far East. He can now make his dream come true with the help of the 'Far Eastern Hectare' programme.

Boris Durkalets was allocated a hectare on the shores of Pyat Okhotnikov (Five Hunters') Bay in the Shkotovsky District of Primorsky Territory, where he already had a plot. He was born in Artem, a city 80

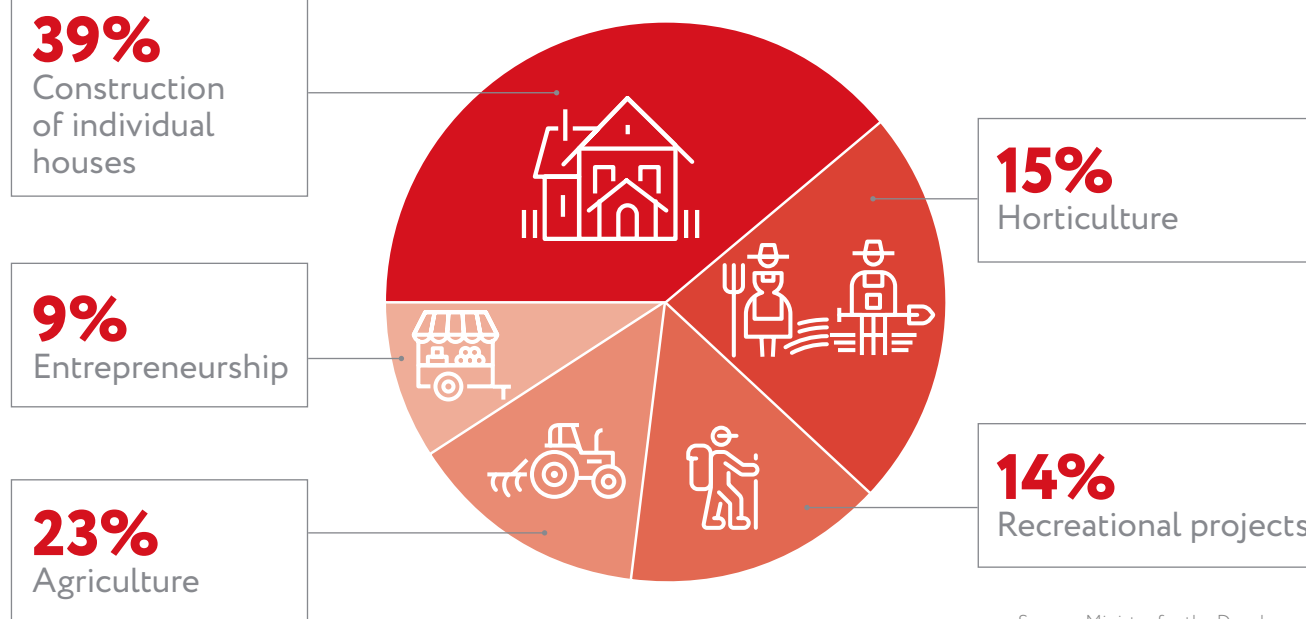
// Bogdan Durkalets



kilometres away, and he first set eyes on the bay when he came to meet his future parents-in-law. He fell in love with the place, so much so that he decided to stay. He bought a plot of land and started to build a house. His only issue was that the locals did not seem to care about preserving the natural beauty of the place. The shore soon became a dumping ground. For two years, Bogdan tried to reason with his irresponsible neighbours, but it was in vain.

When he acquired his hectare, he levelled the plot, set up a fence, and cleaned the beach. To do that, he had to remove a layer of soil, so deep was the waste. "We hauled away two full truckloads of waste. Unfortunately, such an attitude is quite common on derelict land, or plots that don't belong to anyone. In the future, we will bring back sand and pebbles and restore the beach to its natural beauty", the entrepreneur says.

GOALS OF USING "FAR EASTERN HECTARES"



Source: Ministry for the Development of the Russian Far East

The first facility to be built for the resort – a small two-storey hotel with six rooms – will open as early as this season. It will be a perfect place to take a break from the city hustle and bustle and enjoy some fishing. The aspiring hotelier is intending to focus primarily on domestic tourists, although the surrounding area is also likely to attract foreign visitors from China and Korea.

Further plans include building 15 more cottages out of natural wood, so Bogdan has already bought timber processing equipment and drying chambers. He estimates that he will have covered the cost once the seventh cottage is complete. Later, the businessman aims to process timber for external customers. "If it works out – great, if not – I've not lost anything", he reckons. Yet it seems that there is likely to be demand for construction materials. Bogdan's example alone has inspired a lot of his acquaintances to claim their own hectares.

"The 'Far Eastern Hectare' programme is a great help for businesses", Bogdan says with confidence. "Land prices are very high in Primorsky Territory and there are only so many things you can do without land. If I get a permit, I will build a pier for smaller boats, a childhood dream of mine. I love travelling by water. So far, this type of activity has not been included on

the list of permitted activities for the land plots, but it's a very relevant issue for Primorsky Territory with its 1,500-kilometre coastline, which could be used wisely to great benefit."

RIGHTFUL OWNER

By the time he acquired his Far Eastern hectare, farmer Boris Rudakov from Amur Region had already been running a large smallholding: a herd of 120 cows and 50 horses. His cows produce seven tonnes of milk every month, with the bulk of it bought up by the Khladokombinat dairy in Blagoveshchensk. Horses, however, are a hobby dating back many years, when the farmer's son, then three, asked his father for a horse, and Boris's friends brought him one.

Rudakov is a driver by profession but has been farming for over 30 years. He started with a couple of beehives he liked to tend to after work. He then moved on to breeding various domestic animals – poultry, goats, sheep, but not for sale – for his own use. He also had a cow – a wedding gift from the collective farm. Boris and his wife Nina got married when they were both 18. In the late 1990s, according to the farmer, he got his 'chance'.

It was a difficult time: many farms went bankrupt. One such failing farm posted an ad announcing that it was selling its pedigree cattle stock. This

// Boris Rudakov



is how Boris Rudakov came to buy his first Hereford cow at a price ten times below market value – at the time, heifers cost RUB 180,000 each. After a month, he took the money he had made from selling milk and, adding to this sum his modest savings, he went out and bought more Hereford cows. He spent a huge amount – more than the value of his truck – but he got his money's worth.

Of course, it was not just luck; it was also hard work beginning every day before dawn. According to Boris Rudakov, he and his wife have only been on holiday once since then: in 2016,

HECTARES FOUND THEIR OWNERS

The 'Far Eastern Hectare' programme launched on 1 June 2016, initially for residents of the Far Eastern Federal District and subsequently for all Russian citizens, has received a huge response from the population. According to the Ministry for the Development of the Russian Far East, nearly 100,000 people have so far expressed their interest and submitted an application to take part in the programme. This is not surprising.

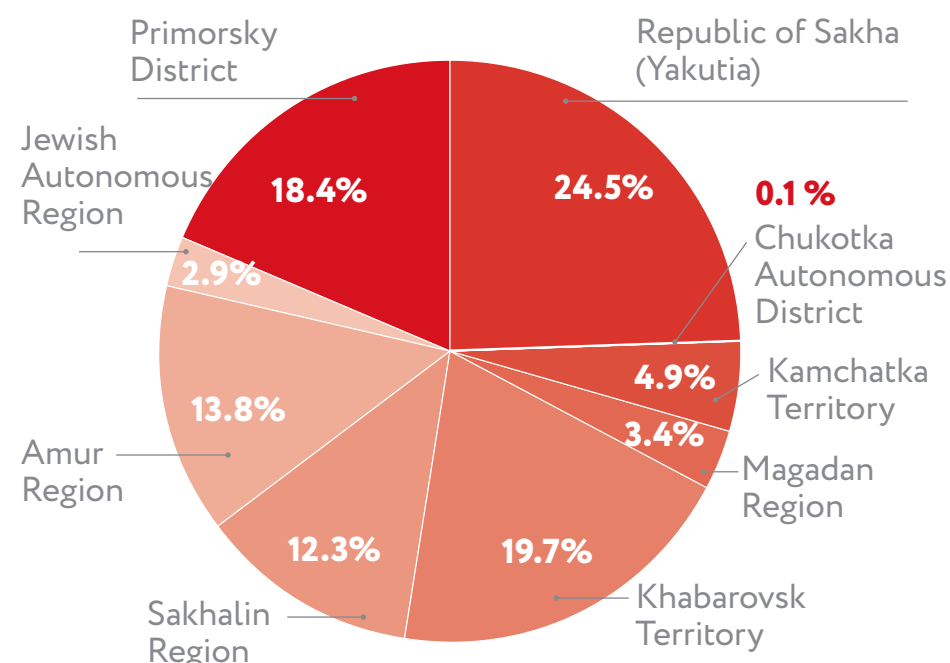
According to the statistics, more than half of hectare recipients plan to use their plots to build their own homes and grow vegetables. There are also those with more ambitious goals, however. About a quarter of programme participants intend to engage in real farming on their plots. Nearly one in six applicants plans to develop recreational projects, on the assumption that the natural beauty of the Far East will attract tourists. One in ten wants to use the plot for other business projects.

To make it easier for the hectare recipients to decide on their future course of action, the Agency for the Development of Human Capital in the Far East has drawn up some model business plans. The choice of projects is vast, depending on an individual's interests and available funds: from RUB 600,000 to start a berry growing operation to RUB 33.5 million for building a children's camp.

The authorities are particularly interested in people registering collective applications. The law states that if people register at least 20 hectares in one place, the state will provide the necessary infrastructure. On the one hand, this entails a cost. On the other hand, it is a guarantee that the land will be used, which means that the programme will achieve its goal. In early 2017, collective petitions accounted for only 7% of all applications, but their share has now almost doubled, to 13%.

"The 'Far Eastern Hectare' programme has been under way for more than a year and is showing impressive results", says Valentin Timakov, General Director of the Agency for the Development of Human Capital in the Far East. "Tens of thousands of hectares in the Far East have found owners. Citizens are already making their dreams come true in the Far East; they are coming together and creating new settlements."

DISTRIBUTION OF THE NUMBER OF APPLICATIONS BY REGIONS OF THE FAR EASTERN FEDERAL DISTRICT



Source: Ministry for the Development of the Russian Far East

they treated themselves to a 10-day trip, leaving their children in charge, but were worried the whole time.

Until recently, the Rudakovs had another serious concern: when their farm began to thrive, they, without any fraudulent intent, had to keep their cows and horses on municipal land. The village was almost deserted back then and no one cared about farmland. However, what if the situation changed and they were forced from the land?

As soon as they heard about the 'Far Eastern Hectare' programme on television, the Rudakovs decided to claim the land lawfully. In February 2017, Boris became the legal owner of the land he had farmed for almost 30 years. Later, his son obtained another hectare, where they built a winter cattle barn.

"It is so good that they gave the hectares to us. We are now confident about our future", Boris says. Until recently, he always used his own money to expand, and never took out a single loan. Now, he plans to apply for a subsidized loan for 'Far Eastern Hectare' programme participants to develop his business further. 🌱



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TOURISM COULD BECOME A MAJOR DRIVER OF SOCIAL AND ECONOMIC DEVELOPMENT IN THE RUSSIAN FAR EAST. THE REGION'S POTENTIAL IN THIS SECTOR IS HUGE BUT AS YET UNDISCOVERED. THE STATE AND BUSINESS MUST JOIN FORCES TO REALIZE IT.



Oleg SAFONOV,

Head of the Federal Agency
for Tourism

AIMING HIGHER

The Russian Far East is a diverse and exciting region which is of strategic importance to the country. The Far Eastern Federal District occupies more than a third of the nation's territory. The natural and economic potential of those vast areas is supported by their unique ecosystems, including some sites included on the UNESCO World Heritage List, such as the volcanoes of Kamchatka, Central Sikhote-Alin in Primorsky Territory, the Lena Pillars in the Republic of Sakha (Yakutia), Wrangel Island in the Chukotka Autonomous District, rare and non-ferrous metal deposits, coal, oil, timber, marine bioresources, and vast tracts of usable land. The Russian Far East is home to well-known plants and factories, mining companies, R&D

institutions, space research facilities, such as the Vostochny Cosmodrome, agricultural enterprises, fisheries, and much more.

Even so, making effective use of the region's recreational resources remains a critical task if sustainable social and economic development is to be achieved. The richness and diversity of the Russian Far East present extensive opportunities for developing all sorts of tourism, including cultural, educational, active, and extreme options, rural and food-based trips, cruises, skiing, environmentally friendly holidays, opportunities to engage with local people, etc.

For instance, the climate in the south of Primorsky Territory puts the region on a par with resorts in Crimea or the Caucasus. Healing springs and large deposits

of therapeutic mud are found in abundance there. The bathing season on the coast lasts four months, from July until late September, while the season for sailing and rowing is even longer. Kamchatka and the Kuril Islands are unique for their landscapes and healing thermal springs.

Many residents of European Russia and even parts of Siberia dream of visiting the Russian Far East, making it a very promising area for domestic tourism. What is more,

its geographical position favours it as an international destination, too. Its neighbours include some fast growing economies, including China, Japan, the Republic of Korea, Singapore, and Malaysia. Visitors also come from farther afield: the Middle East, Europe, and the Americas.

The figures offer evidence of the growing interest expressed by tourists. In 2015, 2.7 million tourists, including 2.1 million Russians, visited the Far Eastern Federal District, 25% more than in 2014. In 2016, the total tourist influx to the Russian Far East reached 3.6 million, a further 35% increase over 2015.

Currently, some 70% of all visitors travel to Primorsky Territory. More than 3 million people visited the territory last year, including approximately 2.5 million Russians and 568,000 foreigners – altogether 50% more than in 2015.

Most foreign visitors to Primorsky Territory have traditionally come from Asia. Yet last year saw some shifts in the structure of inbound tourism, as the number of tourists from Germany, as well as Australia and Oceania, surged 150%.

Increased demand for travel to Primorsky Territory in 2017 was particularly noticeable in Japan and South Korea. The latter sent 35,700 visitors in the first half of the year, up 80% on the same period last year, while 7,200 came from the former – an increase of nearly 150%.

That said, other regions of the Far Eastern Federal District are also capable of attracting tourists. For example, Khabarovsk Territory welcomed 582,000 tourists in 2016, including 40,000 foreigners. Sakhalin Region reported a substantial rise in tourist numbers in 2016 – up 60% to 165,000. Amur Region was visited by 142,000 travellers, 16% more than

the year before, while 536,000 visited Khabarovsk Territory (+13% compared with the year before last).

Despite the positive trend, however, it must be acknowledged that the tourism potential of the Russian Far East has not yet been fully realized. Take Iceland, for example: with a population of just over 300,000, it welcomes 6.5 million tourists annually. Kamchatka, with a comparable population, gets some 200,000 visitors a year.

Tourism accounts for around 1–2% of the Far Eastern regions' gross regional product, compared with a national average of 3.4%. There is ample room for the Far East to grow.

BRIDGES AND HARBOURS

Improving accessibility and developing the transport infrastructure in the Russian Far East is the focus of the state's attention. The macroregion's transport system has been feeling increasing pressure. For example, passenger traffic through Vladivostok Airport rose 18% in the first half of 2017 to 937,000; international travel increased 40% to 337,000. Khabarovsk Airport served 887,500 passengers, including 168,000 on international flights. Total passenger volume increased 8.9% year-on-year, rising by as much as 45% for international destinations. Petropavlovsk-Kamchatsky Airport saw its passenger traffic grow 7% to more than 263,000, with international travel almost doubling.

Upgrading airport infrastructure in the Russian Far East has become an increasingly urgent task. Immediate plans call for modernization of the airports in Yuzhno-Sakhalinsk, Petropavlovsk-Kamchatsky, and Khabarovsk. Expanding the network of international flights will be of significant importance. Currently, only the airports in Vladivostok, Khabarovsk, Yakutsk, and Yuzhno-Sakhalinsk have regular links to foreign countries.

Opportunities for foreign tourists to enter Russia's Far East

// In 2016, the total tourist influx to the Russian Far East reached 2.6 million, a further 25% increase over 2015



// A cruise liner in the port of Vladivostok

by land will expand markedly once construction of the cross-border road bridge linking Blagoveshchensk on the Russian side with Heihe in China's Heilongjiang province is completed. It is scheduled to open in 2019. Russian and Chinese citizens will be able to cross the border in their own cars. The project also envisages a cross-border cable car, something that has never been seen at the Russian border before. A railway bridge under construction between Nizhneleninskoye, a town in the Jewish Autonomous Region, and China's Tongjiang will provide yet another international overland gateway to the Russian Far East.

Visa policy is crucial to improving tourist access to the Russian Far East. Unprecedented efforts to ease visa restrictions are currently under way in the region. From 1 August this year, citizens of a number of countries have been able to obtain e-visas valid for up to eight days. All it takes to get an e-visa is to fill out an application form on a dedicated website. International travellers can enter Russia on e-visas across a maritime border point in Vladivostok and via Vladivostok International Airport. More e-visa border crossings are scheduled to open in Primorsky Territory

on 1 January 2018, as well as in Kamchatka and Sakhalin. A number of new vehicle and marine crossings are being contemplated.

Foreigners can also take advantage of a simplified visa regime by arriving in Vladivostok as part of an organized tour group on a cruise ship. More than 3 million holidaymakers bound for Alaska cruise along the Far Eastern coast every year. If infrastructure limitations on handling cruise ships could be overcome, they would be able to call at Russia's Far Eastern ports, increasing the macroregion's tourism revenue.

OPEN TO ALL CULTURES

Tourists expect a reasonable level of services and a wide range of opportunities for travel and recreation. This is the second most important task for developing Far East tourism. In this respect, active inclusion of the Far Eastern regions in the Russian Hospitality comprehensive loyalty programme would seem to be especially important. The components of this programme include China Friendly, a well-established project to create welcoming conditions for Chinese visitors to Russia, HalalFriendly for visitors from Muslim countries,

KosherFriendly for practising Jewish visitors, and some other projects geared to various cultural or religious groups. Once fully implemented, the programme should ensure that Russia offers a welcoming environment for tourists of all cultural and religious backgrounds.

Developing interregional tourist routes that allow visitors to take in several Far Eastern regions as part of a single trip will also help. Russia's Eastern Ring, a project which combines the Far Eastern and Baikal regions into a single route, is one measure aimed at achieving this.

In this respect, the introduction of sales of charter flight-based package tours to the Russian Far East is very important. Many meetings and negotiations with industry players have been held. On a positive note, tour operators see a future in this, and specific plans have already been made to release such tour packages onto the market for sale.

The hotel situation varies greatly among the regions of the Far Eastern Federal District. While Primorsky Territory offers 25,000 beds in shared accommodation facilities, Magadan Region and Chukotka Autonomous District have just a few hundred.

Hotel rooms in the Far East need not only to be increased in number, but upgraded as well. Hotels and boarding houses must meet the demands of today's tourists and be competitive with the accommodation options available in other tourist destinations.

ROLE OF THE STATE

State support for the tourism and travel industry must play a substantial role in resolving the above issues and, accordingly, in developing tourism in the Russian Far East. A law was recently passed establishing a zero-rate corporate tax between 1 January 2018 and 31 December 2022 for organizations involved in tourism and recreational activities in the Far Eastern Federal District, provided they generate at least 90% of their profits from this activity.

The advanced special economic zone (ASEZ) system offers another mechanism for supporting the tourism and travel industry in the

// For organizations involved in tourism and recreational activities in the Russian Far East a zero-rate corporate tax will be introduced

macroregion. Two of the 17 ASEZs already established in the Russian Far East specialize in tourism and recreation: Gorny Vozdukh on Sakhalin and Kamchatka in the territory of the same name.

These incentives encourage the construction of new hotels and the upgrading of existing ones, as well as the establishment of tourist bases, leading in turn to a reduction in the cost of services.

If the goals of infrastructure development, improving transport availability in the macroregion, establishing a competitive Far Eastern regional tourism product, and effectively promoting it on the domestic and international

travel markets can be achieved, the Russian Far East could be transformed into a popular tourist destination offering visitors a wide range of attractive and affordable recreation options and a high standard of tourism services.

Realizing this scenario is very important for the sustainable social and economic development of the Far Eastern regions: tourism gives a boost to 53 other sectors of the economy that contribute to creating tourist products. It also helps small and medium-sized businesses to grow, improves local living standards, and smooths out imbalances in regional development. 🌸




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LABOUR MARKET INDEX IN THE RUSSIAN REGIONS – 2016 RESULTS

| No. | Constituent entity of the Russian Federation | Labour market index in 2016 | Labour market index in 2015 | Labour market index in 2014 |
|-----|--|-----------------------------|-----------------------------|-----------------------------|
| 1 | Moscow | 88,8 | 87,2 | 89,4 |
| 2 | St. Petersburg | 85,2 | 83,6 | 86,1 |
| 3 | Moscow Region | 78,1 | 78,4 | 83,4 |
| 4 | Khanty-Mansi Autonomous District-Yugra | 71,4 | 71,7 | 74,7 |
| 5 | Republic of Татарстан | 67,3 | 66,3 | 70,5 |
| 6 | Leningrad Region | 63,9 | 63,1 | 67,6 |
| 7 | Yamalo-Nenets Autonomous District | 63,8 | 61,9 | 63,0 |
| 8 | Tyumen Region | 63,5 | 63,5 | 69,1 |
| 9 | Sakhalin Region | 63,3 | 63,6 | 61,3 |
| 10 | Krasnoyarsk Territory | 62,4 | 60,7 | 65,7 |
| 11 | Nizhny Novgorod Region | 62,2 | 62,5 | 66,9 |
| 12 | Tula Region | 60,9 | 60,6 | 65,4 |
| 13 | Republic of Bashkortostan | 60,3 | 60,5 | 66,8 |
| 14 | Sverdlovsk Region | 60,2 | 61,4 | 65,6 |
| 15 | Samara Region | 59,4 | 60,4 | 63,5 |
| 16 | Chelyabinsk Region | 58,6 | 60,5 | 65,1 |
| 17 | Belgorod Region | 58,4 | 57,9 | 59,5 |
| 18 | Voronezh Region | 58,1 | 57,0 | 62,4 |
| 19 | Khabarovsk Territory | 58,0 | 54,3 | 56,7 |
| 20 | Republic of Sakha (Yakutia) | 58,0 | 58,8 | 62,4 |
| 21 | Penza Region | 57,1 | 55,1 | 61,3 |
| 22 | Kaluga Region | 56,8 | 57,5 | 62,0 |
| 23 | Irkutsk Region | 56,4 | 58,5 | 61,0 |
| 24 | Novosibirsk Region | 56,2 | 58,2 | 64,6 |
| 25 | Tomsk Region | 56,0 | 56,2 | 59,7 |
| 26 | Lipetsk Region | 55,9 | 51,6 | 54,6 |
| 27 | Ryazan Region | 55,9 | 53,7 | 59,4 |
| 28 | Perm Territory | 55,7 | 55,0 | 60,2 |
| 29 | Omsk Region | 55,6 | 59,6 | 62,4 |
| 30 | Krasnodar Territory | 55,3 | 55,7 | 62,5 |

“In 2016, despite the first signs of recovery, the Russian economy continued to be influenced by crisis factors, which were bound to affect the labour market both within the country as a whole and regionally. Most regions saw a decline in the value of the labour market index calculated by RIA Rating. At the same time, though, there were positive dynamics as the number of regions with a growing index increased. In 2016, the index increased in 28 regions versus five regions in 2015. The recent trend of the economy entering a positive trajectory creates grounds to forecast an improvement in the labour market situation and an increase in the number of regions with positive dynamics in the 2017 index.”

About the rating compilation methodology:

The methodology used to calculate the labour market index is based on the aggregated values of nine indicators, which allow for comprehensively assessing the state of this sector in the region. The indicators describe: the level of wages, employment, working conditions as well as the capacity of the labour market. The regional labour market index can vary from 1 to a maximum of –100.

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**“THE EAST
SHALL BE
governed from
here!”**

VLADIVOSTOK
AS DESCRIBED BY EMINENT
TRAVELLERS, STATESMEN AND
LITERARY FIGURES

**JOY AMID
failure**

HOW THE FAR EAST EXPERIENCED
THE CRIMEAN WAR UNDER
THE RUSSIAN FLAG. HISTORY
OF THE FAMOUS DEFENCE
OF PETROPAVLOVSK

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BRIDGE as a symbol

THE BRIDGE TO RUSSKY ISLAND ERECTED
IN VLADIVOSTOK FOR THE 2012 APEC
SUMMIT HAS BECOME A SYMBOL
OF THE PRIMORSKY CAPITAL OVER 5 YEARS.
IT'S NO COINCIDENCE THAT THE BRIDGE
WILL APPEAR ON NEW 2,000 ROUBLE
RUSSIAN BANKNOTES

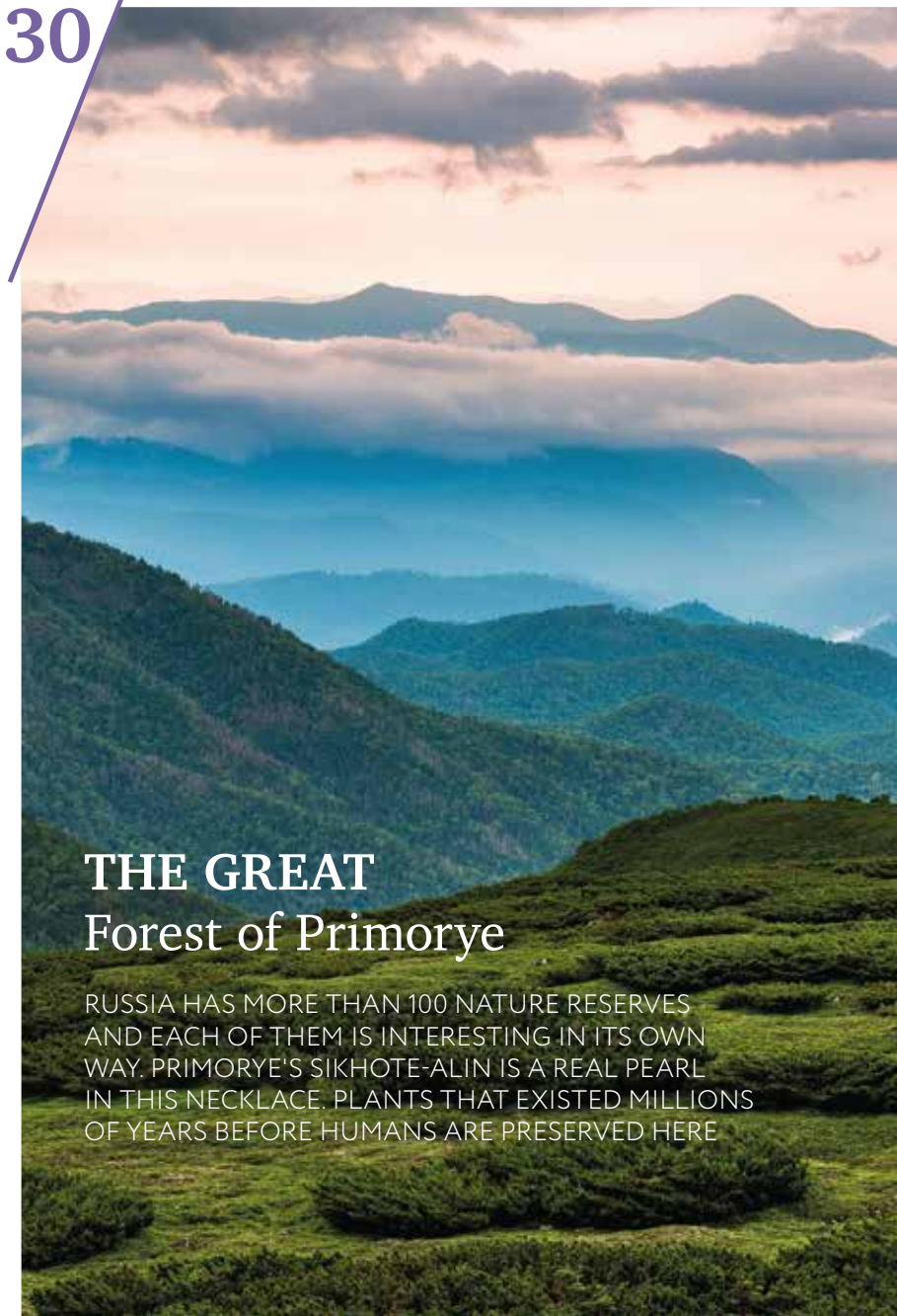
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**A FAR EASTERN
cocktail**

CABBAGE SOUP FROM SEAWEED,
DUMPLINGS WITH RED DEER
MEAT, PILAF WITH MUSSELS, CRAB
OLIVIER AND KAMCHATBURGER –
THE CUISINE OF VLADIVOSTOK.
A REAL FUSION OF
GASTRONOMIC CULTURES FROM
PRODUCTS CAUGHT
AT SEA AND IN THE TAIGA

130



**THE GREAT
Forest of Primorye**

RUSSIA HAS MORE THAN 100 NATURE RESERVES
AND EACH OF THEM IS INTERESTING IN ITS OWN
WAY. PRIMORYE'S SIKHOTE-ALIN IS A REAL PEARL
IN THIS NECKLACE. PLANTS THAT EXISTED MILLIONS
OF YEARS BEFORE HUMANS ARE PRESERVED HERE

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**THE RICHES
of the Golden
Empire**

THE MOHE, KINGDOM
OF BALHAE, AND JIN EMPIRE.
DISTANT PAGES
IN THE HISTORY
OF PRIMORSKY LANDS

THE RICHES of the Golden Empire

PRIMORYE IS A PLACE WITH UNIQUE HISTORY AND CULTURE. IT HAS PRESERVED FOR US TRACES OF ANCIENT ORIENTAL CIVILIZATIONS. WARRIORS AND POETS, CRAFTSMEN AND INVENTORS – THOSE WERE THE PEOPLE WHO INHABITED THESE LANDS.



Olga MIKHAILOVA,

journalist

When Primorye's ancient peoples are mentioned, the first that come to mind are the Jurchen, ancestors of today's Udege, the indigenous inhabitants of the lands. The Jurchen founded an Empire that they bluntly called the Golden Empire, without being too modest about it. They were skilled warriors, they invented their own writing system, they were interested in arts, and they built cities. Yet, in fairness, it should be mentioned that the Jurchen absorbed the culture and customs of people who had inhabited the Far East before them.

THEY CAME FROM THE AMUR

Among their ancestors were the Mohe, a people who arrived from South Manchuria. Historians believe that the name of these tribes stems from the word "muke" meaning water. This hypothesis is borne out by the fact that the Mohe lived mostly close to rivers, on the banks of the Amur and its tributaries.

The Mohe were born hunters and warriors. One Chinese dynastic chronicle says they made short bows (up to one metre long) and smeared their arrows with snake venom they collected in the autumn, the best time for such work. "When poisons

are brewed, vapours of the poisonous potion alone may kill a man", the chronicler wrote. The Mohe were also excellent farmers, herdsmen and craftsmen. They knew pottery and weaving, they did bone carving and metalwork.

Russia's largest Mohe landmark was found accidentally in 1966, when schoolchildren from the village of Mikhailovka stumbled across a Mohe settlement on the River Zavityaya. The fortress is fairly large as it occupies about a hectare; it is round in plan and protected with a rampart and a moat. In the settlement's houses (these dwellings were similar to dugouts), archaeologists found various tools, iron arrowheads and knives, ironclad plates, goat horns and deer antlers bearing signs of carving and ceramics. Historians date this settlement to 1st century c.e. In Europe, this was the time when the Romans founded London on the British Isles.

Chinese chronicles state that the Mohe had seven tribal unions that could put for war a big army of up to 150,000, although both the numbers of the Mohe and the area they inhabited are not known precisely. Scholars are continuing their work and, just a few years ago, a Mohe settlement dated 4th–6th centuries c.e. was found on the banks of the River Partizanskaya. Scholars believe it could have been a fortress, a small settlement protected with three rows of fortifications.

// The monument of the Jurchen era in Ussuriysk



// The decline of the Golden Empire started in the 12th century, when it attracted the attention of the Mongol state

POET WARS

The Mohe played an important role in the history of Asia. They lived along the borders of the ancient Korean state Goguryeo, which, since the late 6th century, engaged in fierce wars with China, united under the Sui dynasty after a long period of internecine warfare. It was a lengthy struggle. China made several attempts to conquer Goguryeo, but failed. The inglorious war led to popular riots, and the Sui dynasty fell. Only the new Tang Empire, united by the Li dynasty, conquered Goguryeo. However, that bloody history ended only in 668, when the Chinese captured and plundered Korea's capital Pyongyang.

Those Koreans who did not wish to submit to their conquerors fled north, to the Mohe lands, and several decades later the alliance of several peoples gave rise to the Balhae Kingdom. In its heyday in the 8th–9th centuries, it spanned the lands of Primorye, Manchuria, and the north of the Korean Peninsula. De jure, Balhae was China's vassal; de facto, it was an independent state. For instance, it never responded to its suzerain's demands for aid in China's wars with its neighbours. Moreover, Balhae was

actively developing its foreign ties and gradually became a recognized centre of trade, culture and learning. Balhae sent envoys to Japan and, at the receptions held for the Balhae envoys, the parties not only engaged in business negotiations, as we would say today, but held poetry tournaments. Another interesting fact: Balhae considered education so important that members of the nobility were forbidden to marry before completing their education.

Balhae had a very interesting structure: it had five capitals, and the entire territory was divided into 15 regions. Their exact locations are still debated but it is currently believed that the Suifen region, so named after the ancient name of the River Razdolnaya, spanned the south of Primorye. Today, Ussuriisk stands where Suifen's administrative centre used to be, and archaeologists have discovered a large number of ancient artifacts there.

Even so, Russia's most famous Balhae monument is off to the south, a short distance from the Kraskino hamlet in the Khasansky District of Primorye. Pallady Kafarov, one of the founders of Russian sinology, believed this was the location of the

port from which envoys sailed to Japan. The settlement is shaped like a pentagon, effectively protected by a moat and walls. A broad street runs from its southern gates. It used to have palaces and temples, the remains of which were found, although the buildings themselves had been destroyed over the centuries, partly because local peasants used the ancient stones to build their houses.

A GOLDEN EMPIRE IN EVERY SENSE

The Balhae Kingdom flourished for about two centuries; it was Primorye's first fully-fledged state. However, in the early 10th century, the Khitan, a nomadic people who lived on lands that are today part of Mongolia conquered Balhae and made it part of the Liao Empire.

Approximately at the same time, the Jurchen, descendants of the Mohe and other peoples from the Amur region, appeared on the world stage. Initially, there were many tribes but, subsequently, the tribes began to form alliances; that development concerned the Khitan, who declared war on their disobedient vassals. Surprising, they suffered defeat at the hands of the Jurchen. Historians believe it happened mostly due to arrogant Emperor Liao's mistakes, since his soldiers were poorly trained and lightly armed.

In 1115, Aguda, the chief of the Jurchen, announced the foundation of his own state named Jin, literally, gold. The Jurchen conquered both the lands of the Khitan and the entire north of China. In its heyday, the Golden State spanned huge territories from the Korean Peninsula to Manchuria. Like Balhae, the Jin Empire had five capitals. The Jurchen inherited other traditions from their predecessors, too.

The Jin Empire had excellent metal craftsmen working with non-ferrous metals, potters, woodworkers, and tanners. Jurchen armourers were true innovators: the first mentions of fire weapons come from the history of the Golden Empire. In the 1970s, in the Nadezhdinskoye District of Primorye, archaeologists discovered a settlement they named Ananyevskoye after the nearby river. They found

remains of over a hundred buildings, items made of various metals (gold, silver, bronze, iron, lead), stone, wood, clay and glass. Yet the main sensation was the earliest metal gunpowder shell: a five-kilo cast-iron ellipsis from which metal spikes with triangular heads protruded. This amazing find is currently exhibited in Vladivostok, in the Museum of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East.

The culture of the people of the Golden State deserves a special mention. People of Balhae used Chinese characters, but the Jurchen created their own syllabic writing system. Hela, the third emperor of the Jin Dynasty, is credited with this invention. Archaeological finds show that not only rich people, but also average craftsmen were literate: their stamps bore their names. Jurchen bronze mirrors prove that the Jin Empire had well-developed applied

arts; Primorye museums hold about a hundred such mirrors. They are richly decorated with various narrative pictures and are exquisitely beautiful but, unfortunately, they fascinate not only archaeologists, but illegal diggers as well.

Artifacts made by the Jurchen can be found across all Primorye. Sometimes discoveries are accidental. For instance, in 2010, archaeologists found a mediaeval burial in the Partizansky District when a power line was being constructed. There are many monuments in Ussuriisk, since it had been the site of one of the administrative centres of the Golden Empire, and the Jurchen often settled where old Balhae cities used to be. One of the main monuments is Krasny Yar settlement, with its ramparts that stretched for many kilometres; archaeologists also found artifacts that allowed them to reconstruct the armour of a Jurchen warrior.

The decline of the Golden Empire started in the 13th century, when it attracted the attention of the Mongol state. Genghis Khan's first major military campaign was to defeat the Jin Empire, and it launched the succession of his great victories. The war was preceded by long preparations; its significance is evidenced by the fact that the Great Khan personally led his army into the decisive battle. The Golden Empire could not withstand the Mongols' onslaught. At first, it split into several states and the Eastern Xia state emerged in Primorye. Initially, it even succeeded in preserving its independence. Yet, in two decades, everything was over: the Mongols conquered the Jurchen Empire entirely. Jurchen cities that absorbed the legacy of the Mohe and Balhae could not regain their former glory and, today, historians are painstakingly restoring the relics of that amazing era. 🌸

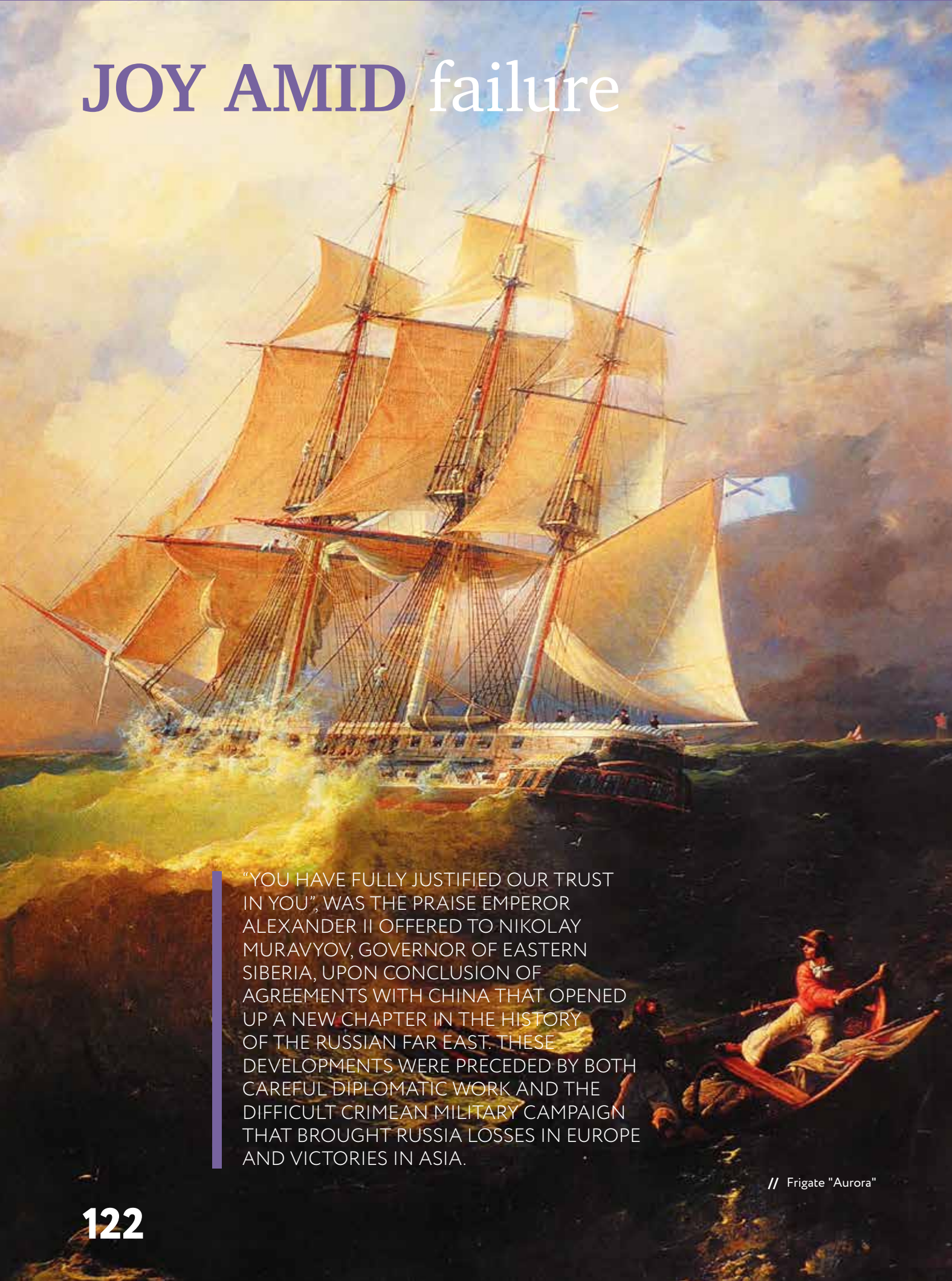


// The battle of the Mongols and Jurchens in miniature "Jami at-tavarih" – a historical chronicle compiled by the heirs of Genghis Khan

// In 1234, Aizong, the last emperor of Jin, committed suicide in order to escape capture by the Mongols



JOY AMID failure



"YOU HAVE FULLY JUSTIFIED OUR TRUST IN YOU", WAS THE PRAISE EMPEROR ALEXANDER II OFFERED TO NIKOLAY MURAVYOV, GOVERNOR OF EASTERN SIBERIA, UPON CONCLUSION OF AGREEMENTS WITH CHINA THAT OPENED UP A NEW CHAPTER IN THE HISTORY OF THE RUSSIAN FAR EAST. THESE DEVELOPMENTS WERE PRECEDED BY BOTH CAREFUL DIPLOMATIC WORK AND THE DIFFICULT CRIMEAN MILITARY CAMPAIGN THAT BROUGHT RUSSIA LOSSES IN EUROPE AND VICTORIES IN ASIA.

// Frigate "Aurora"

Anton SOBCHENKO,
journalist

The Crimean War of 1853–1856 was a harsh trial for the Russian Empire and the most shameful defeat suffered by the Romanov dynasty. It is remembered not only for its consequences which undermined Russia's international status – primarily the prohibition on the presence of its naval fleet in the Black Sea, in effect for a decade and a half – but also for the unprecedented number of casualties, and for the scale of the coalition that opposed Russia, comprising Britain, France, the Ottoman Empire, and the Kingdom of Sardinia.

Although it became known to historians as the Crimean War after the place where the main battles were fought, war was waged along almost the entire length of Russia's borders, affecting even the Far East. As strange as it may sound, the war actually had a positive effect in the Russian Far East. It served as the first test of how tightly bound this region was to Russia and became a catalyst for further development of the Far East.

THE AURORA'S ACT OF BRAVERY

The Russian Empire expanded to the shores of the Pacific Ocean back in the seventeenth century but for a long time, the Far East 'enjoyed' the position of an outpost of a huge country and attention was not exactly lavished on it. Regular communication with the Empire's centre was difficult; the region lived its own life isolated from the hustle and bustle of the capital and the intricate web of global politics.



// So today looks Avachinskaya Bay – the main battle site

The situation began to change in the nineteenth century. Asia – China, diminishing under the Qing dynasty, Korea, and Japan in its self-imposed isolation – was attracting increasingly intensive colonial and commercial interest on the part of the European powers. St. Petersburg closely followed the activities of Britain and France, attempting to assess the dangers Russia's Far East might face in the event of large-scale hostilities.

As part of the Emperor's Asian policy, in 1852 Russia sent Vice-Admiral Evfimiy Putyatin on a mission to Japan on the illustrious frigate Pallada, celebrated by the writer Ivan Goncharov. The mission resulted in the signature of the first ever Russia-Japan friendship

treaty. In August 1853, the frigate Aurora left Kronstadt. Her captain, Ivan Izylmetyev, was ordered to join Putyatin's mission; separately, he was informed that he might have to go into battle against British or French vessels.

The international situation was heating up. War was about to break out. A lone Russian ship could become easy prey. Having travelled an incredible distance across the Atlantic, with a port of call in Rio de Janeiro, and then rounded Cape Horn, the frigate was blocked in the Peruvian port of El Callao by British and French ships. While Admiral David Price and Admiral Auguste Febvrier-Despointes of thus far 'friendly' ships held receptions in honour of the Russian captain, the latter was seeking ways to escape their intrusive attentions.

He succeeded on 14 April 1854, when, under cover of fog, the Aurora broke through the blockade. After 66 days and 9,000 nautical miles (a record non-stop voyage for that time), the Aurora docked at Petropavlovsk-Kamchatsky. There,

// *The Crimean War after the place where the main battles were fought, war was waged along almost the entire length of Russia's borders*

Vasily Zavoyko, military governor of Kamchatka, informed Izylmetyev that Russia had declared war on Britain and France and that the enemy had decided to blockade Russia's ports on the Pacific, news graciously passed to Russia by the American Consul and by Kamehameha III, King of Hawaii, who sent it via American whalers.

Nikolay Muravyov, Governor of Eastern Siberia, had become concerned with reinforcing the defence capabilities of Petropavlovsk back in 1849. Yet the work had not been completed and the port faced a serious threat from the enemy, who enjoyed superiority in the region. The Aurora's arrival was very timely; part of her crew went ashore to bolster the garrison; her starboard cannon were used to hastily assemble seven artillery batteries that covered the city from the sea. The Aurora herself and the Dvina brigantine, which arrived later, turned their port sides to the haven's mouth.

A RAY OF LIGHT

The Crimean War was lost but it remained forever in the national memory as a treasure trove of examples of Russian soldiers' heroic endurance. The defence of Petropavlovsk was one such example. Historian Yevgeny Tarle

called it "a ray of light" in the darkness of defeat.

The forces were not evenly matched. To repel an attack, the city had just under 1,000 soldiers and 67 cannon. On 29 August 1854, the admirals whom the Aurora had given the slip in El Callao arrived on the Far Eastern shores with their ships. The united British–French fleet comprised six vessels (including a manoeuvrable steamer, a novelty at the time), 216 cannon and 2,700 crewmen, 500 of them troopers.

On 30 August, having agreed a plan, the allies began preparing to storm the city and putting their ships in position but their preparations were overshadowed by the death of British Rear Admiral Price. One version claims he shot himself accidentally, another that he committed suicide. Historians believe that the Aurora's escape from El Callao was the trigger for Price's death, since her arrival in Petropavlovsk significantly strengthened the city's defences. Distressed by his failure to carry out his orders, Price did what he did.

Whatever the true story, command passed to his French counterpart, Admiral Febvrier-Despointes. On 1 September, the allies made their first assault on the

city. A fierce bombardment from the sea destroyed some of the coastal artillery batteries and allowed the troopers to land; even so, they failed to capitalize on their advantage. Another, more intense assault was launched on 5 September. The battle at Nikolaeva Hill lasted over two hours, yet the enemy once again failed to breach the Russian defence. Having suffered losses of up to 400 men, the troopers retreated ignominiously. The fleet weighed anchor and withdrew from Avacha Bay. Petropavlovsk had withstood the assault.

Only in November 1854 did St. Petersburg learn of these developments. Emperor Nicolas I was very moved by the news. Prince Dmitry Maksutov, who had fought at Petropavlovsk and brought the Emperor the good tidings, received a promotion and was awarded the Order of St George (Maksutov would go on to serve as the last Russian governor of Alaska). Russian newspapers triumphantly reported the victory. The foreign press ridiculed the joint British–French fleet in cartoons and mocked its commanders. On the way to its new station, the enemy fleet lost Rear Admiral Febvrier-Despointes,

who died off the coast of Peru. It is generally believed that the Admiral died of nervous strain caused by the defeat, which the allies' supremacy in numbers and technology made particularly bitter.

THE ROAD EAST

Despite the successful outcome of the battle, the Siberian Governorate decided to evacuate Petropavlovsk and its entire population in order to avoid another siege. This proved to be a wise decision: less than a year later, a huge fleet sailed to the shores of Kamchatka but had to confine itself to a pointed, but meaningless bombardment of an empty city.

Chasing the residents of Petropavlovsk was also useless. The British and French did not know the coastal lie of the land; they did not even know that Sakhalin was an island and that the Amur was navigable. That afforded the evacuees a chance to hide at the mouth of the river, where they built the city of Nikolayevsk, the future capital of Primorye Region (today it is an administrative centre in Khabarovsk Territory).

Against the background of the failures suffered in the Crimean campaign in Europe, which concluded with the humiliating Treaty of Paris, Russia defended its claims to an active role in Asia. The Russian Empire was rapidly building its presence in the Far East. In order to create international legal foundations for developing its holdings and securing advantages in cross-border trade, an agreement with China was required.

The status of the two empires had changed significantly since 1689, when the first ever Russia–China treaty was concluded in Nerchinsk. Russia was gaining strength, whereas



// Monument to Muravyov-Amursky in Khabarovsk on the face of a 5,000-rouble banknote

China, weakened by the Taiping Rebellion and the Opium Wars, was waning. The most painful and, at the same time, most pressing issue was to delimit the two countries' border along the Amur and the Ussuri.

Having ascended to the throne in 1855, Alexander II confirmed Nikolay Muravyov's authority to conduct negotiations with China; the Emperor disregarded the concern loudly voiced by Chancellor Count Karl Nesselrode that China was hardly likely to agree to cede any lands without a war. In 1858, taking advantage of the failures of Qing's China, Nikolay Muravyov signed the Treaty of Aigun, gaining the entire right bank of the Amur for Russia. For that treaty, Muravyov was granted the title of Count Amursky and the rank of General of the Infantry. The other lands (the Amur's left bank and the lands from its confluence with the Ussuri) were granted to Russia in perpetuity in

the Treaty of Tianjin (confirmed by the 1860 Convention of Peking).

The Russian Far East was developing rapidly. Back in 1856, Blagoveshchensk was founded, becoming Russia's main stronghold on the Amur. In 1858, construction began on Khabarovsk, the informal capital of the entire region. A long time was spent seeking a convenient harbour on the Pacific that would allow year-round deployment of the naval fleet and would be close to the main Pacific trade routes. Zolotoy Rog Bay was chosen and Vladivostok was founded there in 1860. In 1871, the main base of the Siberian Military Fleet and the headquarters of Primorye's Governor were moved there from Nikolayevsk-on-Amur. Vladivostok also rapidly developed into a major trade centre; almost immediately, it gained the status of a free port, thereby attracting entrepreneurs from Russia and from other countries.

The logic of the Eastern expansion demanded that the state maintain its tangible and ubiquitous presence along its distant borders. The victory in Petropavlovsk facilitated this, remaining one of the glorious pages in the history of the Russian military, a source of joy amid the failures of the Crimean War. 🌸

// Ship cannons at the artillery batteries of Petropavlovsk



// *The logic of the Eastern expansion demanded that the state maintain its tangible and ubiquitous presence along its distant borders*

“THE EAST SHALL BE governed from here!”

VLADIVOSTOK AS DESCRIBED
BY EMINENT TRAVELLERS, STATESMEN
AND LITERARY FIGURES

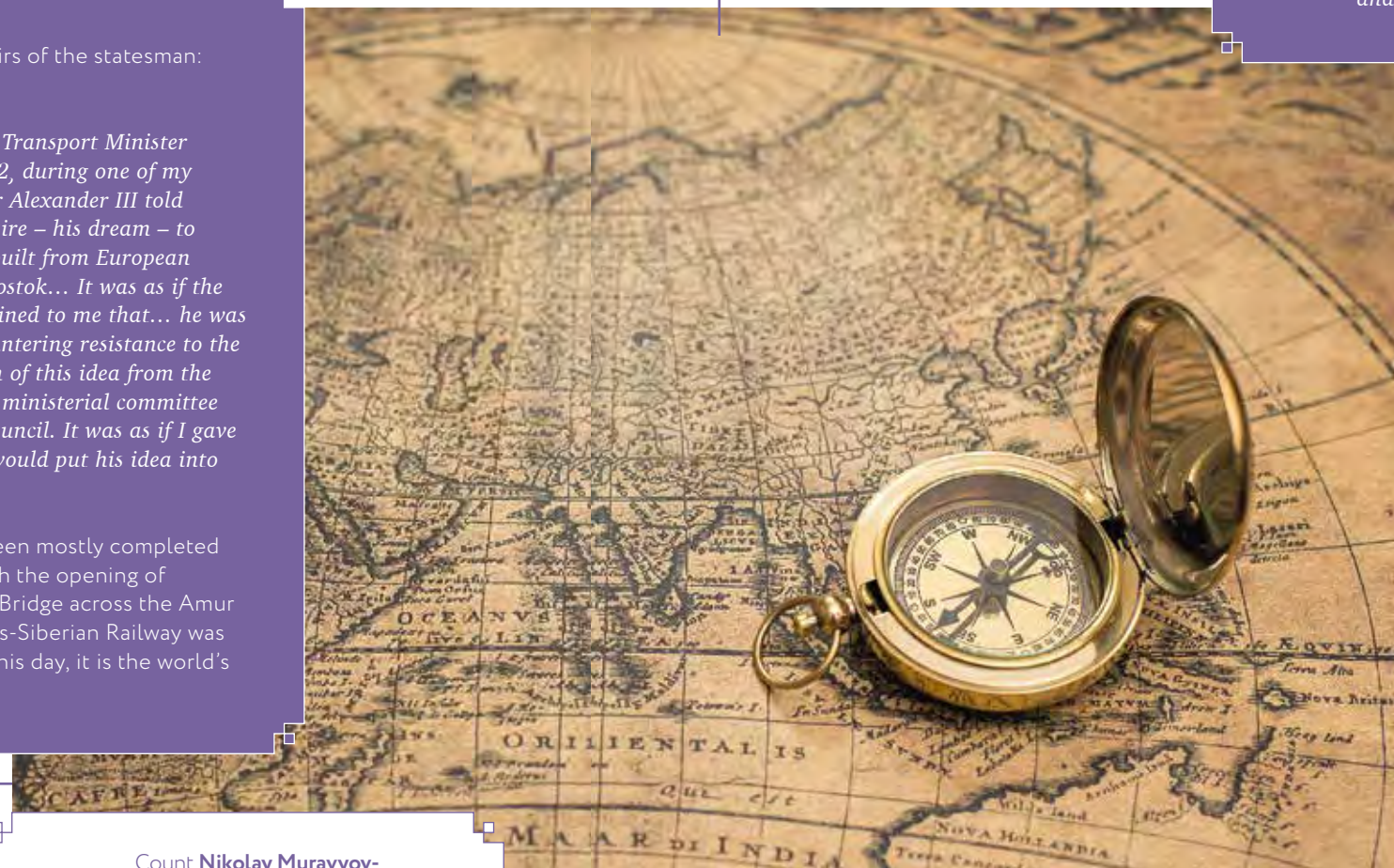
Vladivostok was founded in 1860 in the harbour the Chinese called Haishenwai (“sea-cucumber bay”) and the British called Port May. It first served as the Russian Empire’s military outpost in the East. Soon, Vladivostok was granted the status of a free port (porto franco). Russian settlers and Western traders were drawn to the city, as were people from China, Korea and Japan... The cultural code of Vladivostok (“Russia’s wondrous impasse”, as the poet Ivan Elagin called it) was influenced by both geography and history. This is a city that lives at a crossroads of governing forces: it is a city of the north and of the south, a city that is both Asian and European, a city both military (it is home to the main base of Russia’s Pacific Fleet) and peaceful. During the hundred and fifty years of its history, it has been visited by numerous famous people. Needless to say, the charm of this amazing city made an impression on each and every one of them.



From the memoirs of the statesman:
Sergey Witte:

“When I became Transport Minister in February 1892, during one of my reports, Emperor Alexander III told me about his desire – his dream – to have a railway built from European Russia to Vladivostok... It was as if the Emperor complained to me that... he was constantly encountering resistance to the quick realization of this idea from the ministers on the ministerial committee and the State Council. It was as if I gave him my word I would put his idea into practice.”

The work had been mostly completed by 1905 and, with the opening of the Khabarovsk Bridge across the Amur in 1916, the Trans-Siberian Railway was completed. To this day, it is the world’s longest railway.



Major General **Alexey Shoshin**, who built the defences of Vladivostok’s fortress, said:

“The idea of bolstering the defences of the fortress is guided by the motto: ‘the Russians are here to stay!’.”



The explorer **Nikolay Przhevalsky**, who had explored Primorye in 1867–1869, noted:

“Vladivostok stretches for over a versta [approximately a kilometre] along the northern coast of Zolotoy Rog Bay, which is deep, wide and surrounded by mountains on all sides, so it is extremely convenient for docking ships. In addition to the army barracks... it has about 50 government-owned and private buildings and about twenty Chinese fangzis [traditional homes]. The number of residents, including the military and aside from the Chinese, is up to 500 people.”



Anton Chekhov visited Vladivostok in 1890 when returning from Sakhalin. Fourteen years later, in a letter to the writer Boris Lazarevsky, he shared his pleasant memories of that visit,

“When I was in Vladivostok, the weather was wonderful and warm, even though it was October. A real live whale was swimming in the bay and splashed the water with its huge tail. In short, my impression was a terrific one... Life in Vladivostok, at least in peacetime, is European in style, and far from dull... If you are a hunter, all the talk is about hunting tigers! And such delicious fish! Along the entire coast, there are large, delicious oysters.”



Count **Nikolay Muravyov-Amursky**, Governor General of Eastern Siberia, who surveyed the coasts of Zolotoy Rog Bay from the America steam corvette in 1859, decided to found a military post there and came up with a name for it: Vladivostok (meaning “to govern the East”), based on the name “Vladikavkaz” (“to govern the Caucasus”),

“A splendid port! The East shall be governed from here!”



Another world-famous explorer, the Norwegian Polar explorer **Fridtjof Nansen**, visited Vladivostok in 1913:

“The view of the city from the sea is magnificent; it would be difficult to imagine Vladivostok being noticeably inferior to any other city in this regard. It is a terraced city, and is greatly reminiscent of Naples. There is no Vesuvius in the background, but there is a wonderful harbour and beautiful islands ... On every island, on every cape, wherever you look, you see fortresses, strongholds and cannons.”



The writer **Alexander Fadeyev** described Vladivostok at the time of the Civil War in his novel *The Last of the Udege*:

“The bay was packed full of merchant and military vessels, sailing ships, and steamers. Rowing boats, Chinese sampans, and small barges shuttled between them... In the mountains, in the so-called Rotten Corner and on Cape Churkin, fires thawing out the ground were burning day and night: new houses, barracks and living quarters for the military, hospitals, and prisoners were being built. Day and night, icebreakers rasped through the ice on the bay; clouds of black, orange, and pink smoke hung over the bay. Wharves and train stations thundered with military equipment being loaded and unloaded. Powerful foreign vessels sailed away loaded with Siberian ore, timber, fish; a dry, piercing, freezing wind from Verkhoyansk sent in their wake rusty thunderclouds of sand and gritstone from the mountains.”



From **Alexander Tvardovsky's** poem *Distance after Distance*:

*"So different – and yet
Like a younger brother
To an elder brother,
Sharing appearance and blood
Vladivostok and Leningrad."*

On 20 November 1922, soon after Vladivostok was seized by the army of the Far Eastern Republic and then joined the Russian Soviet Federative Socialist Republic, **Vladimir Lenin**, Chairman of the Council of People's Commissars, said at the plenary assembly of the Moscow Soviet of People's Deputies:

"You know how long the Civil War has lasted, how much it has taken. And now, the capture of Vladivostok has shown us all (Vladivostok is far away, yet is our city still) that there exists an overall momentum in our direction, in the direction of our conquests. Both there and here we have the RSFSR. This momentum has rid us of our civil enemies and of our foreign enemies."



Nikita Khrushchev, General Secretary of the Central Committee of the Communist Party of the Soviet Union, was the first leader of the country to visit Vladivostok. His 1959 visit was memorable for city residents because of the slogan:

*"This will
be our
Soviet San
Francisco!"*



Curiously, **Ilya Ehrenburg** made the same comparison back in 1923 in his novel *Trust D.E. The Story of Europe's Demise*:

"...As for Vladivostok, in about 20 years, it will rival San Francisco..."



The writer **Sergey Dovlatov** had never been to Vladivostok but, in the collection of stories *Ours: A Russian Family Album*, he described the city where his grandfather and father lived in the first half of the 20th century:

"Vladivostok was a city of theatre, it was like Odessa. Foreign sailors made trouble in the port's restaurants. African music was playing in the city gardens. Fops in acid-green trousers sauntered down Svetlanka, the city's main street. Patrons in coffee houses discussed the latest suicide committed due to unrequited love."



From the book *My East* by **Ilya Lagutenko**, frontman of legendary Russian rock group Mumiy Troll and honorary citizen of Vladivostok:

"When I was a child in Vladivostok, there was a silly joke that the closest night club was in Tokyo. Japanese long-wave radio broadcasts were my guides in the world of popular music... Leaving Vladivostok is also apparently a purely Vladivostok thing. Each person here is a ship. Sometimes the ship comes back, sometimes the ship leaves flying a new flag. Sometimes, the ship is sold for scrap." Lagutenko wrote several songs about Vladivostok, in particular, the city's unofficial anthem "Vladivostok 2000" released on the 1997 album Morskaya.

The poet **Pavel Vasilyev** described Vladivostok in 1929 thus:

"The sweet, wine-like smell of weeds decaying on the shore mix with the smell of smoke and wet swollen trees. The trees clamber up the slopes, up, up, following the houses that climb ever higher. The sunset, heavy and plump, like a huge red jellyfish, is rocking gently above Amur Bay. The street is racing up one of the hills; at its end, you can see a wide strip of sea. ... Vladivostok is reminiscent... of a huge dying fire, a heap of blue and red lights."



Since 1958, Vladivostok has been home to the main base of the Pacific Fleet and the city was off-limits for foreign citizens, although Soviet citizens could obtain a special pass to visit it. The singer and poet **Vladimir Vysotsky** visited Vladivostok in 1971, although, back in 1967, he sang:

*"They opened the country's farthest nook,
Where even awards fail to entice visitors,
Vladivostok's port is open to visits,
And Paris, too, but I need not go there!"*



In fact, it would be another 25 years before Vladivostok became open to visitors, after President of the RSFSR **Boris Yeltsin** issued a decree entitled

"On opening the city of Vladivostok to visits by foreign citizens" (signed on 20 September 1991, entered into force on 1 January 1992).



The explorer and scout **Vladimir Arsenyev** arrived in Vladivostok in 1900. He wrote about city:

"Vladivostok is on a similar latitude to Naples, yet has an average annual temperature of 5°C, the same as on the Lofoten Islands off the coast of Norway... The flora in the Amur basin is particularly interesting, particularly as three types converge here: Manchuria's from the south, Dauria's from the west, and the Okhota's from the north. The first is sub-tropical, the second is continental, and the third is sub-arctic."

Alexander Mikhailov, People's Artist of Russia, who played Vasily in the famous film *Love and Pigeons* was a sailor in the Pacific in the 1960s; later, he studied in Vladivostok at the Institute of Arts:

"My first memories of Vladivostok are always reverent. This was a delight unlike anything else. The first thing I will remember forever is the smell of the sea and the seaweed..."



THE GREAT Forest of Primorye

RUSSIA HAS MORE THAN 100 NATURE RESERVES, EACH INTERESTING IN ITS OWN WAY. SIKHOTE-ALIN IN THE PRIMORSKY TERRITORY IS A REAL GEM. IT STILL HAS PLANTS THAT EXISTED MILLIONS OF YEARS BEFORE MAN, AND SCIENTISTS KEEP FINDING EVER NEW TYPES OF ANIMAL.

Sikhote-Alin means 'the land of mountain ridges, rapid and clean rivers' in Manchu. And, indeed, anyone lucky enough to visit this place gets a sense of pristine natural beauty. Vladimir Arsenyev, author of the famous story *Dersu Uzala*, described these 'velvety' mountains as The Great Forest. Arsenyev was one of the pioneers who discovered the beauty of the Russian Far East: he went on several expeditions there and used his travel notes as the basis for his books, which won him popularity both in his own country and abroad.

The best season when Sikhote-Alin attracts the largest number of tourists is now – from July through November. The most difficult ramble on foot is the 56-kilometre Arsenyev Path. It literally follows in the footsteps of part of the explorer's path and takes five days. The longest route is 95 kilometres and leads to Kabany Klyuch (Wild Hog's Spring) area. It is the only place in mainland Russia where you can find white Fori rhododendron flowers, a tropical relict bush, a survival of the flora of millions of years ago. There are also some less challenging routes for children and elderly people.

In planning your trip, study all the opportunities and pick the most interesting. A good way to start your acquaintance with Sikhote-Alin is to look at the photographs made by Evgeny Tabalykin, himself a native of Sakhalin. Initially, he became interested in nature in his own neck of the woods. However, after visiting the Sikhote-Alin preserve, he decided to move to Primorye. "The magnificence and austere beauty of the Sikhote-Alin taiga leaves no-one cold. I became imbued with the spirit of local nature", he says.



// Cormorants at Cape Northern



// Amur tiger, the master of the coastal taiga



// Kekur 'Gate', the shore of the Sea of Japan

// View from Mount Gluhomanka

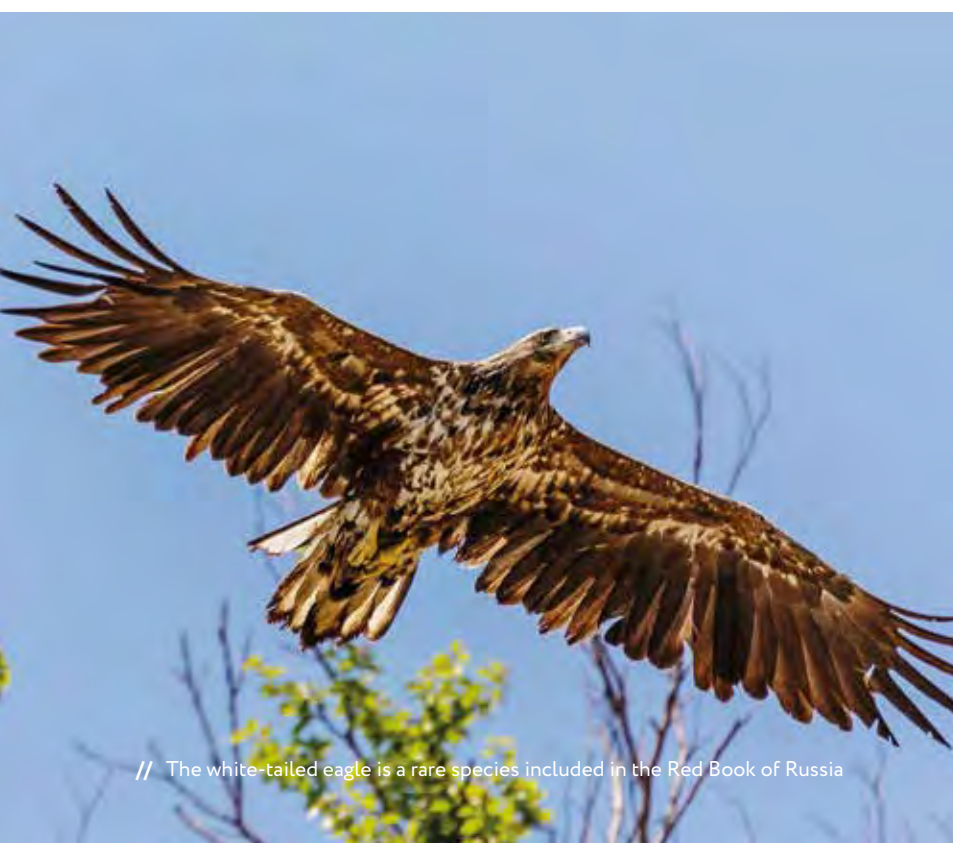


// Water and ice create incredible beauty cosmic images

Evgeny Tabalykin has been working in the preserve for three years now. During this time, many people have been able to look at Sikhote-Alin through his camera lens: he often exhibits his works in the Far East and in other Russian regions, for example, in the Moscow Darwin Museum project. His works have been shown on the Japanese TBS channel and on the European Viasat Nature programmes devoted to Sikhote-Alin.

The hallmark of the preserve is the Amur tiger, one of the most eagerly photographed species. The Prymorye Preserve is the largest habitat of the species in our country. Initially, it was created for a very different purpose, to restore the sable fox population, which was all but exterminated in the first half of the 20th century. This is one of a vast number of Red Book animals. It is a truly pristine land: since 1979, Sikhote-Alin has been part of the World Biosphere Reserve network and, in 2001, it was included on the UNESCO list of World Natural Heritage. 🌿

Photo
Evgeny TABALYKIN



// The white-tailed eagle is a rare species included in the Red Book of Russia



// Rhododendron Fori - Relict tropical shrub



// Seashore fog

BRIDGE as a Symbol

THE BRIDGE BUILT TO RUSSKY ISLAND IN VLADIVOSTOK FOR THE APEC 2012 SUMMIT HAS BECOME A SYMBOL OF THE PRIMORYE CAPITAL IN JUST FIVE YEARS. NO WONDER IT IS GOING TO APPEAR ON THE NEW RUSSIAN RUB 2,000 BANKNOTES.



Pavel USOV,

journalist

THE CROWN OF BRIDGE-BUILDING ART

The magnificent architectural structure connecting the capital of Primorye with Russky Island is simply striking in its combination of power and grace. This is a real gem of Vladivostok. It is particularly impressive in the dark, when floodlit, and all the structures sparkle and shimmer with different colours. The bridge is almost 1.9 km long, and 3.1 km including trestles. Its pylons are higher than the Eiffel Tower, and the length of all the cable stays is 54 km. The distance between the span structure and the water surface is at least 70 metres, which enables even ocean vessels to pass unobstructed under the bridge.

According to specialists, during the design phase, the best world experience was taken into account and the latest scientific developments were applied and, during the construction phase, the latest technologies in bridge-construction were used. So there can be no doubt about the structure's reliability and durability.

Leading design bureaux submitted ten architectural and engineering

projects for the tender. The winner was an original design of a cable-stayed bridge. The French scientists who developed the cable-stayed system offered a special steel composition capable of withstanding temperatures from minus 40 to plus 40 degrees. In addition, the need for increased aerodynamic stability and local features of navigation, complex seismic, geological, and climatic conditions were also taken into account.

SK MOST and NPO Mostovik performed the construction works. Some of the infrastructure, e.g., the power supply and illumination, was done by specialists from MT Elektro. Construction was launched in August 2008 and, in under four years, in April 2012, the 1,104 metre central span connected the bridge crossing.

Many things were new for Russian bridge builders during this project's implementation. "Before this, in Russia there had been no experience of building pylons with a height of over 300 metres, no experience of drilling wells with a diameter of more than two metres in the open sea, installing a panel weighing up to 380 tonnes and a 580-metre-long cable", recalls Alexei Baranov, who at that time was head of the Vladivostok branch of SK MOST. For everyone, according to Alexei, from ordinary workers to department managers, erection of the bridge was a real test.



43.5 months
taken to build the bridge



265.5 thousand cubic metres
of high-quality concrete mixture used in the construction



23.000 tonnes
weights the main metal beam of the central span

SYMBOLIC BANKNOTE

The bridge to Russky Island appeals not only to residents of Primorye. The unique bridge crossing won the nation-wide vote, beating more than 5,000 other sights in our country. Banknotes with the face value of RUB 2,000 bearing its image are expected to appear before the end of the year.

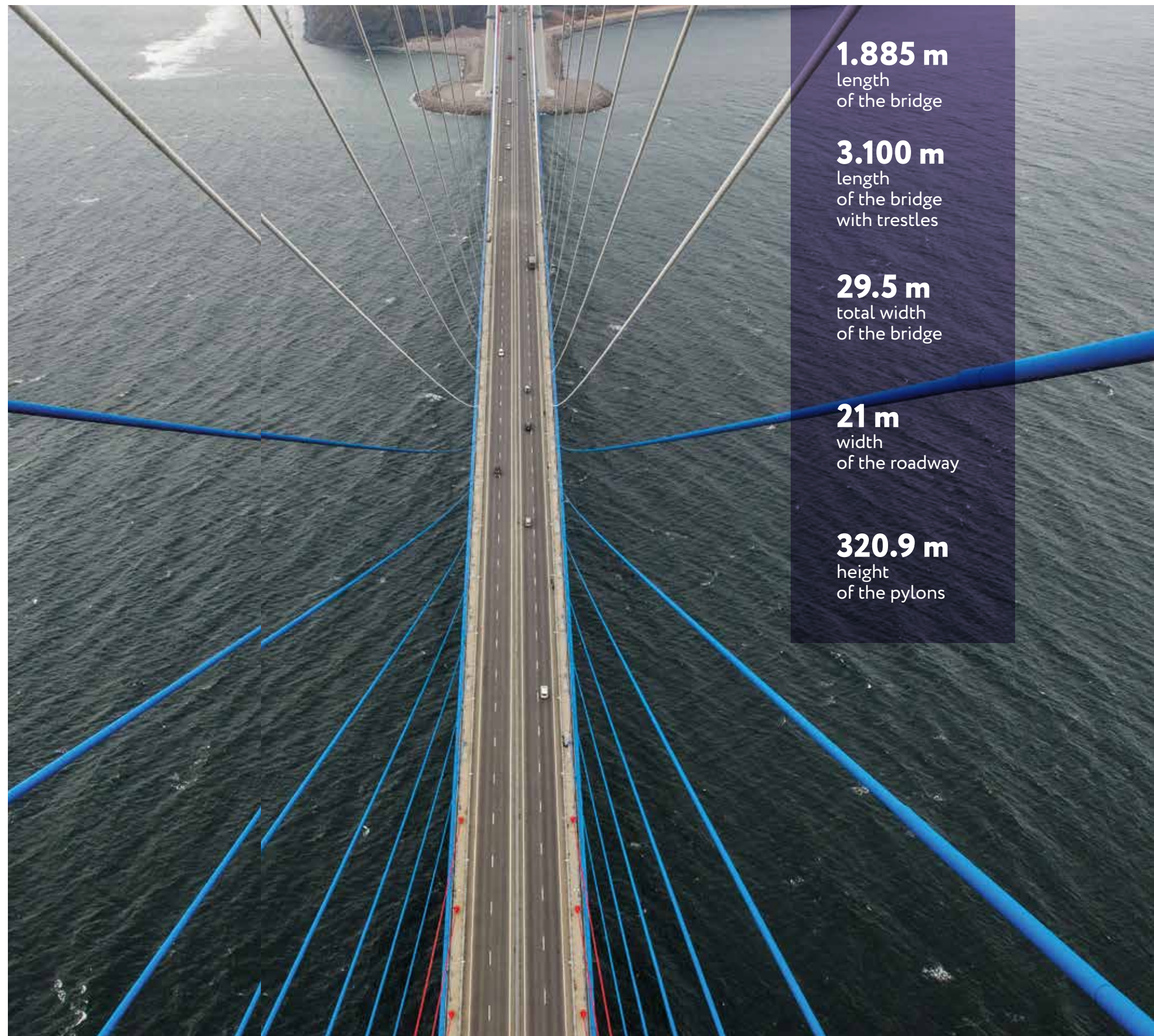
For high riggers and welders – work at a height of up to 324 metres; for crane operators – the need to work with literally surgical precision; for those who delivered machinery and cargo in the tough icy conditions – an invaluable experience unlikely to be

obtained elsewhere. Although the bridge was erected in an extremely short time, special attention was paid to the safety of its operation. More than 1,300 sensors integrated into a complex automated monitoring system perform real-time control of all the parameters of the cable stays and the state of the span structure state (taking the direction and speed of the wind, precipitation, humidity, traffic density, etc. into consideration). In a severe storm, vehicles are not permitted to use the bridge.

THE ISLAND: YESTERDAY AND TODAY

Thanks to the opening of the bridge, change has also come to Russky Island. Since the early 20th century, its main purpose has been defence of Vladivostok. It housed primarily naval military units. In the 1990s, most of them were closed down. As a result, the infrastructure began to deteriorate, as did transport connections between the island and the city. Ferry passenger ships grew

// *In Russia there had been
no experience of building pylons
with a height of over 200 metres*



1.885 m
length
of the bridge

3.100 m
length
of the bridge
with trestles

29.5 m
total width
of the bridge

21 m
width
of the roadway

320.9 m
height
of the pylons



// "Primorsky Oceanarium" – another visiting card of the Russky Island

SUMMARY

Modern day Russky Island is mostly associated with the Far Eastern Federal University, located near Maly Ajax Bay. A total of 30 thousand students from 76 regions of Russia and a number of countries of the Asia-Pacific region study at the FEPU. Almost half of the foreign students are from China: they study languages, economics and engineering.

The Primorsky Oceanarium Scientific and Educational Complex is another attraction of the island. The building, with an area equal to five football pitches, resembles a slightly opened white shellfish. The main tank, with a 70-metre underwater tunnel, is located in the left wing. The right wing is occupied by a dolphinarium with a swimming pool arena and stands for 800 seats.

In addition, it has 135 aquaria with representatives of all the world oceans.

// *Now discussions are being held regarding the possibility of erecting another bridge – from Russky Island to the neighbouring island of Elena*

old, their frequency being greatly dependent on the weather.

Everything changed with the start of preparations for the APEC summit. It was then that further prospects for the island's development were announced, and it should become a growth point for the entire Far Eastern region.

Today, it hosts large-scale Russian and international events in various spheres, from sports to investment activities. For example, in September 2015, the 1st Eastern Economic Forum on Russky Island gathered more than 2,500 participants from 32 countries. Within the scope of the Forum, Primorye Territory signed 22 business agreements envisaging investments of up to RUB 100 billion. The next summit was even more respectable in terms of its participants: 3,500 guests from 56 countries. Primorye concluded 59 agreements, with the

value of contracts rising to nearly RUB 200 billion.

Some weight is given to certain investment projects by the Russky bridge itself. For example, on the Nazimov peninsula, located close to the bridge, it is planned to open a fish processing and sale complex, as well as a market, cafés and restaurants. According to Vladimir Miklushevsky, Head of Primorye, the Nazimov peninsula is a good place to attract investors. All the necessary infrastructure is already in place here.

The Russky bridge might not be the end of bridge construction in Vladivostok. Now discussions are being held regarding the possibility of erecting another bridge – from Russky Island to the neighbouring island of Elena. Who knows, this building may become a landmark for future generations as well. 🌿

X EURASIAN ECONOMIC FORUM IN VERONA

19–20 October 2017



Topics for discussion:

- EAEU–EU: the development of relations between the two organizations in Greater Eurasia
- Prospects for the development of the energy sector in Greater Eurasia
- Financial flows in Greater Eurasia in the international geopolitical context
- Information in service of business: unlocking the potential of digital technology and big data
- Innovation: an effective response to the economic challenges facing Greater Eurasia
- Interregional economic cooperation as the shortest route to economic growth
- Transport and infrastructure development: the economic flywheel of Greater Eurasia
- Digital technology as a catalyst for developing cooperation in Greater Eurasia

Forum participants:

Ministers from the Eurasian Economic Union, representatives of the European Commission, regional governors, government officials and politicians, ambassadors, and leaders of major corporations from participating nations.

Under the auspices of Verona City Government.

A FAR EASTERN cocktail

SHCHI MADE WITH SEAWEED RATHER THAN CABBAGE, PELMENI STUFFED WITH MANCHURIAN DEER, MUSSEL PILAF, RUSSIAN SALAD WITH CRAB, KAMCHATBURGERS... THESE ARE ALL DISHES WHICH REPRESENT VLADIVOSTOK CUISINE, A TRUE MELTING POT OF FOOD CULTURES – AND ALL BASED ON THE PRODUCE TO BE FOUND IN THE SEA AND LOCAL FOREST.

Margarita ROMANOVA,
journalist

Visiting Vladivostok for the first time, people often find it difficult to hide their surprise. It is a three-dimensional, one-of-a-kind city, sandwiched between hills and extending up their slopes, an intricate mix of various styles and epochs. Here, traditional Orthodox churches stand side by side with stone houses resembling mediaeval castles, and Soviet-era buildings jostle for position

with stylish European architecture. Forget about leisurely strolls – you'll have to conquer the steep climbs and battle the winds, which seem to blow in all directions at the same time. However, restaurants to suit any taste and budget await weary travellers at every turn. Almost every one of them offers a sea view "with compliments of the chef".

EVERYTHING AT ONCE

Vladivostok was founded as Russia's outpost on the Pacific Ocean, but it quickly transformed from a military foothold into a major commercial centre. As the money poured into these maritime

lands, so too did migrants from right across the Empire: Russians, Ukrainians, Belarusians, Balts, Moldovans, Finns, Poles... Koreans, who had already lived in the south of Primorye for hundreds of years, also settled in Vladivostok, as well as Japanese and Chinese migrants, who had previously appeared only sporadically during the seafood harvest.

European and Asian peoples met on the edge of this vast country and learned to live side by side. Their cultures and traditions mingled, and grew into the Primorye land. This is how Vladivostok's truly distinctive cuisine was born.

Needless to say, it is based on local produce. And the locality is really unique! The taiga, or forest, boasts an abundance of native Far Eastern wild plants, including magnolia vine, actinidia, pine nuts, ferns, wild garlic, mushrooms, and berries. During the hunting season, deer, Manchurian deer, and bear meat are all available.

The Sea of Japan is also home to numerous delicacies – bivalves (scallops, mussels, oysters, ark clams, Asian clams, surf clams and whelks), echinoderms (sea urchins and sea cucumbers), crustaceans (crabs, shrimp, uneven sculptured shrimp), cephalopods (squid, octopus), and seaweed (kelp). All of these riches are

// *In Far Eastern cuisine: seafood should be cooked as little as possible in order to preserve the true flavour*

freshly caught and restaurant menus change with the season.

In Vladivostok, seafood, wild plants from the taiga and meat are cooked and served in a wide variety of ways: raw and boiled, grilled until crisp or simmered in a wok, sun-dried, pickled, smoked... But there is an unspoken rule in Far Eastern cuisine: seafood should be cooked as little as possible in order to preserve the true flavour. This is how, for example, 'five-minute' sea cucumber and sea cucumber skoblyanka is prepared. Indeed, seafood is often eaten raw with various sauces or simply some lemon juice. Order oysters or sea urchin caviar, and you can be sure they were caught or harvested earlier that very same day.

And if you'd like to take some seafood home, choose vacuum packed and flash frozen products. Red caviar is best in the second half of the year: harvesting begins in July, so it will be free from preservatives and not too salty. Locals haven't bought seafood from fish markets for some time. Every inhabitant of the Far East is sure to have the phone number of their own supplier, which they will gladly share with guests.

MULTINATIONAL CUISINE

It's hard to say which cuisine has been used as the basis for local food traditions. Finding a restaurant which focuses on a single concept is difficult in Vladivostok, as chefs ingeniously juggle various cuisines. One thing is certain: you are likely to encounter a completely unexpected ingredient in even the most familiar dish.

The traditions of Ukrainian and Russian cooking are very strong in Primorye. All of the items on the menu sound familiar, but pay attention to the details. You might come across okroshka cold soup made with king crab, taiga borsch with deer meat, mushrooms and fern, or shchi with seaweed and mussels. Be bold and ask for Russian salad with crab meat, a seafood pot roast, or pelmeni stuffed with delicacies of the sea – whelks, scallops, or squid. As for mussel pilaf, various fish soups, fern with pork and vegetables – they have already become classics of Far Eastern cuisine.

// Local wines made from tart Amur grapes, healing magnolia vine, actinidia, and fantastic port wine distilled from wild plants

Traditional European dishes are popular, too: numerous restaurants offer duck confit, pizza, or pasta, for instance. But ask the chef to add a pinch of Far Eastern flavour to the dish and you'll get pasta with crab, black ravioli with red caviar and halibut, pizza topped with all kinds of seafood or king crab croquets in cheese sauce. Even fast food has its own distinct touch here – a tender crab patty topping

might be stuffed into a common burger.

The Asian imprint is evident as well: first and foremost in spicy starters whose variety impresses even Korean tourists. For instance, there's kimchi, a dish made from cabbage that is sometimes hot enough to bring tears to the eyes of an unprepared eater. Or how about hoe – fish pickled in spices? Ferns, seafood, meat, spicy carrot – any

The last of the Udegheis

Many centuries before the migrants came to Primorye, it was inhabited by the Udegheis, "the forest people", as famous traveller Vladimir Arsenyev called them. Today, the Udegheis settlements with their national traditions, religion, and cuisine remain only in the north of the territory. But you can still try the food of the indigenous peoples at cooking workshops held in Vladivostok by native Udegheis. They'll treat you to lyantsai salad with al dente potatoes shredded into small flakes, meat, and onions. Or some fungutsai – Manchurian deer meat with beans, cucumbers, and onions. Another indigenous dish is tala, or talakhon – fresh fish (lenok, grayling, pike, taimen) cut into pieces and covered with salt and pepper. Before serving, tala is usually frozen for about half an hour, resulting in a great chaser for taiga infusions.



vegetables really – or even bean sprouts are all mixed with sauce and spices in various proportions according to a Korean recipe. You end up with a hundred dishes for every occasion as a result. On the streets, you might find another Korean specialty and a genuine symbol of Far Eastern fast food – the pyeonsu, a steamed pie filled with cabbage, meat, and pepper.

The proximity of the Celestial Empire shows as well: Chinese restaurants are scattered all over Vladivostok, from so-called chifanki (small, low-budget cafés) to smart restaurants with dining halls decorated with gilded dragons. Many of them are located in old buildings in Millionka, a former Chinese district in the centre of the city, where pre-revolutionary buildings still stand.

anything you wish – from craft beer to exclusive spirits?

You should also investigate the taiga infusions made from local wild plants: viburnum, red bilberry, cranberry, sea buckthorn, or cedar cones. There are also local wines made from tart Amur grapes, healing magnolia vine, actinidia, and fantastic port wine distilled from wild plants.

After a varied and hearty lunch, you'll certainly be offered teas brewed from herbs and vines gathered in the taiga. Tea is usually drunk with Far Eastern sweet treats – chocolate with sea salt and seaweed, actinidia jam, and pine cone marmalade. Locals will argue that Ptichye Moloko sweets made at the local confectionery factory are the most delicious in the world. You should definitely try them, as they are made using natural agar-agar and the recipe has been kept secret for many years.

There's no chance that Vladivostok will leave you indifferent. With its light blue sky, deep blue sea, rich air, the wind ruffling your hair, and people from all over the world, this bustling story is going to grab you and never let you go. And you simply must taste it too, or else your impression will be incomplete. 🍷

Last but not least, no guide could fail to mention Japanese restaurants. The most popular, however, offer a Pan-Asian menu with a classic choice of Thai, Vietnamese, Indonesian, and other Asian dishes.

NOT BY BREAD ALONE

Vladivostok has always been primarily a port city. Japanese spirits have been present here since Soviet times, when the sailors brought them as contraband from foreign trips. Some restaurants still have several brands of Japanese whisky or wine on their bar menus. These are also sold by sailors and at the biggest car market in the Russian Far East, Zeleny Ugol (Green Corner), at a very low price. But are they worth trying, when any restaurant worthy of the name will serve you



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'MADE IN RUSSIA' BRAND for promoting the Far East

HEAD OF THE 'MADE IN RUSSIA' NATIONAL BRAND PROJECT (ROSCONGRESS FOUNDATION) **MIKHAIL SADCHENKOV** SPEAKS ABOUT WHETHER THE FAR EAST NEEDS A SEPARATE BRAND OR WHETHER THE REGION'S POSITIONING SUCCESSFULLY FITS INTO THE CONCEPT FOR THE NATIONAL BRAND AGGREGATOR

RUSSIAN ENERGY WEEK: taking discussion to a new level

THE 'RUSSIAN ENERGY WEEK' ENERGY EFFICIENCY AND ENERGY DEVELOPMENT INTERNATIONAL FORUM – THE MAIN EVENT IN THE ENERGY EFFICIENCY SECTOR IN RUSSIA – WILL TAKE PLACE IN MOSCOW ON 3-7 OCTOBER 2017

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SPORTING aspirations

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‘MADE IN RUSSIA’ BRAND for promoting the Far East

DOES THE FAR EAST
NEED A SEPARATE
BRAND OR DOES THE
REGION FIT NEATLY
INTO THE CONCEPT
OF THE AGGREGATE
NATIONAL BRAND?
MIKHAIL SADCHENKOV,
HEAD OF THE MADE IN
RUSSIA NATIONAL BRAND
PROJECT, REFLECTS
BELOW ON THE ISSUE.



Discussions on what the Far East brand should be, whether there is a need for it at all and what benefits would accrue from creating it have been going on for years. There is no consensus on the issue, with some advocating use of the single Russian brand for all the regions, and others arguing that, because of their unique culture and history, every region deserves a brand of its own, urging use of territory branding to bring out their strengths and ensure sustained growth of their human and investment potential. Both views are familiar reflections of the traditional argument as to what is more important in shaping a brand, general meanings or specific figures and instruments of development.

There should be no haste in answering the question, considering that today branding, like any other sphere of activity, is rapidly being developed and reappraised.

The changing culture of consumption and production calls for new ideas and approaches. One not only has to be mindful of the features of present-day society, but also be flexible enough to react promptly to new challenges, helping business develop on the domestic and external markets.

Creation of national hold-all brands, such as Made in Russia, is meant to harmonize all the different views, striking a balance between the practical (national Made in Russia aggregate brand) and semantic parts (national, territorial, export, tourist, cultural and other brands) and ensure, through a national communications strategy, the choice of the right vector in government spending on marketing.

This approach takes on added importance in light of the frequent changes in the world geopolitical situation, as well as recurring periods of global economic turbulence resulting in a dramatic rise in the competition between countries and between regions within countries. Today, competition between state support and protectionism of certain countries goes hand-in-hand with soft power in the world, which are sets of meanings promoted in the process of intercultural communication.

The sanctions imposed on Russia merely made more evident and unavoidable the economic transformation processes that will be compressed in time and held back by financial constraints. Regional policy will, therefore, be confronted with the need to develop absolutely all the instruments that can be used on the external market and to build a system and a toolkit for internal competition.

Development of communications and regional brands specifically for the Far East can be likened to creation of a transport infrastructure for promoting its own production, export, cultural, and tourist potential and human capital. Communications issues may pose a serious obstacle on this path: according to the EF EPI* rating for 2016, for instance, the Russian working population's level of proficiency in English is in the yellow (low) zone. Although Internet access and modern IT solutions can tackle complicated IT problems, they too call for adaptation and creation of an individual infrastructure for each region, where brands and companies become not just a link

in shaping an image, but a fully-fledged marketing tool as part of a single platform.

So it is impossible for a single region to implement such a project and creation of a Far East brand will not solve the national tasks of developing the economy of the whole country and, as a separate instrument, it may even increase discrepancies between regions, with resource-rich regions having an edge over others.

The only reasonable solution at this stage seems to be to build the right structure of national brands and sub-brands within the framework of the single concept of the Made in Russia aggregate brand. Russia needs out-of-the-box approaches for developing the culture of communications, branding and design.

If this single concept is to be implemented, it is extremely important that each region, ministry, government-owned company and other stakeholders be involved to the maximum. It is important to abandon the scramble to meet KPI** requirements at all costs in favour of a policy of collective interaction and of creating an environment for the growth of a new generation of interesting companies. Yes, it takes more time and effort, but the long-term benefits for the region and the country from such an approach would be much greater.

In that sense, the Far East is lucky: the export potential to Asia-Pacific countries and the wide range of available state support measures already makes a major contribution to creating a strong national brand and potential for its development within the framework of the Made in Russia aggregate brand. 🌸

// Today branding, like any other
sphere of activity,
is rapidly being developed
and reappraised

* English Proficiency Index (EF EPI) assesses the English language skills of global labour resources

** KPI means Key Performance Indicators.

IN BUSINESS MODE

THE ROSCONGRESS FOUNDATION ORGANIZES KEY FORUMS IN RUSSIA AND ABROAD. WE INVITE YOU TO ATTEND OUR UNIQUE EVENTS

ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM 2018

The 22nd St. Petersburg International Economic Forum will take place from 24–26 May, 2018 in accordance with the decision of the President of the Russian Federation. Adviser to the President of the Russian Federation, Deputy Chairman of the Organizing Committee – Executive Secretary Anton Kobyakov said: “In 2018, the St. Petersburg International Economic Forum will once again demonstrate Russia’s readiness to hold a mutually beneficial dialogue with the international community on the key issues of the global agenda concerning the economy and finances”.

THE RUSSIAN INVESTMENT FORUM 2018

The Russian Investment Forum is a traditional platform for presenting Russia’s investment and economic potential. The Forum is held with the participation of the Prime Minister of the Russian Federation Dmitry Medvedev.

RUSSIAN ENERGY WEEK 2017 INTERNATIONAL FORUM

“The ‘Russian Energy Week’ Energy Efficiency and Energy Development International Forum (hereinafter the Forum) will take place in Moscow at the Central Exhibition Hall ‘Manege’ from 4–7 October, 2017 in accordance with Decree No. 2026-r of the Government of the Russian Federation dated 27 September, 2016. The technical operator of the Forum is the Roscongress Foundation. The goal of the event is to demonstrate the prospects of the Russian fuel and energy industry and realize the potential of international cooperation.

X EURASIAN ECONOMIC FORUM IN VERONA

19–20 October 2017, Verona, Italy. Forum participants: ministers from the Eurasian Economic Union, representatives of the European Commission, regional governors, government officials and politicians, ambassadors, and leaders of major corporations from participating nations. Passes under the auspices of the municipal administration of Verona. Organizers: Association Conoscere Eurasia, the Roscongress Foundation.

FINOPOLIS 2017

5–6 October 2017, Sochi. The largest fintech event in Russia. Its mission is to support the introduction of innovative technologies into Russia’s financial sector.

THE XIX WORLD FESTIVAL OF YOUTH AND STUDENTS

On 19 January, Russian President Vladimir Putin signed the decree “On the preparation and running of 19th World Festival of Youth and Students”. The festival will take place on 14–22 October, 2017, with the main events taking place at the Sochi Olympic Park. Over 20,000 young people from 150 countries will participate.

RUSSIA HOUSE IN DAVOS

22–26 January 2018, Davos, Switzerland. As part of the upcoming World Economic Forum, the Roscongress Foundation will continue its Russia House project. For the third year in a row, Russia House will serve as the official Russian residence at the event, a platform for promoting Russian initiatives among key representatives of the international business community and high-ranking officials who will come together, as per tradition, in Davos (Switzerland) this coming January.

RUSSIAN ENERGY WEEK: taking discussion to a new level

ON 3-7 OCTOBER 2017, MOSCOW WILL HOST THE 'RUSSIAN ENERGY WEEK' ENERGY EFFICIENCY AND ENERGY DEVELOPMENT INTERNATIONAL FORUM.

Dmitriy KRUKOV,

*Head
of the Information Service
of the Roscongress
Foundation*

Russian Energy Week (REW) offers a broad range of topics for discussion. Along with aspects of the power industry, Forum participants will consider the opportunities and challenges facing other basic sectors of the economy – oil, gas, coal, and the petrochemical industry. The focus will be on new solutions and innovations. In particular, the issues of cybersecurity in the fuel

and energy complex, new methods for exploring hydrocarbon deposits, the modernization of oil refining in Russia, best practices and innovations in the coal industry, the development of transport charging infrastructure, and many other topics will be discussed.

Russian Energy Week will thus provide a single international business communications platform

covering the whole of the energy industry in Russia. This year, the Forum's theme will be 'Energy for global growth'.

The aim of the event is to demonstrate the prospects for the Russian fuel and energy industry and to realize the potential for international cooperation.

More than 8,000 representatives of federal and

regional government bodies, national and foreign energy companies, the scientific and expert community, and young people, along with about 1,000 journalists, will take part in the Forum. Participants from more than 70 countries of Europe, Asia, Australia, North America, and Latin America have been invited.

A number of significant events will also take place within the framework of Russian Energy Week, including a meeting of Global Energy prize laureates, a review of the fourth All-Russian Competition for Energy Saving and Energy Efficiency Projects (ENES 2017), and MediaTek 2017, a Russian national competition for media organizations and the press offices

*// Russian Energy Week will thus
provide a major international
business communications platform
covering the whole of the energy
industry in Russia*

of energy companies and regional administrations.

An important part of the programme will be Russian Energy Week Youth Day, dedicated to the Russian Energy Saving Festival #TogetherBrighter. More than 1,500 students and young industry specialists will take part in the Youth Day events.

The status of Russia's biggest international energy industry event is evident in the choice of venue. The main events of the Forum will be held at the Manege Central Exhibition Hall (1, Manezhnaya Ploshchad, Moscow), the largest exhibition venue in central Moscow, located in a historic building just a few minutes' walk from the Moscow Kremlin, Red Square, Alexander Garden, and the State Historical Museum.

The REW programme will also cover St. Petersburg, where the St. Petersburg International Gas Forum will be taking place from 3 to 6 October at the ExpoForum Convention and Exhibition Centre. The Forum is the country's leading platform for discussing topical issues affecting the industry. The decisions made by industry leaders following the discussions directly influence developments on the global gas market. 





FROM SOCHI and into 2030

RUSSIA WILL HOST THE 19th WORLD FESTIVAL OF YOUTH AND STUDENTS. ITS PARTICIPANTS, FROM OVER 180 COUNTRIES, WILL ASSEMBLE TO DEVELOP THE IMAGE OF THE WORLD OF THE FUTURE.

What will our planet be like in the next 10–15 years? The participants in the 19th World Festival of Youth and Students in Sochi on 14–22 October 2017 will answer this question. They will be asked to create the concept of the Earth's development up to 2030 because

the future of countries, regions and the entire world depends on the world's most active and energetic young people.

The joint work on creating an image of the future and the attempt to find solutions to the most pressing challenges the younger generation faces will undoubtedly consolidate the world's

youth community and bolster international ties and intercultural interaction. WFYS 2017 will be the greatest youth event of the year!

The 2017 Festival will be unique in that its key events will be held in the Sochi Olympic Park. Consequently, for the first time in the Festival's history, it will not be held in its host

country's capital, yet the entire country will be involved in the grand celebration. WFYS 2017 will be launched by the International Student Parade on 14 October in Moscow and some international participants will visit several Russian regions from Vladivostok to Kaliningrad.

20,000 students and young professionals who have successfully passed the competitive selection process will attend the event. The application campaign concluded on 10 June with over 120,000

applications to participate submitted by Russian and foreign young people. Aged 18–35, they are already established leaders in various areas. Half of the participants are expected to come

from Russia and half from over 180 countries from all parts of the world. Not by chance are the Festival's working languages the UN's official languages: Arabic, Chinese, English, French, Russian and Spanish.

A volunteer corps will assist in preparing the world's biggest youth event. 5,000 people from Russia and other countries, 18 and older, including silver volunteers, will be #volunteersofpeace.

Over 200 public ambassadors from Russia and other countries, including famous artists and athletes, eminent scientists, politicians, public figures and journalists will participate in preparing the festival.

The WFYS 2017 agenda includes discussions and educational events dedicated to the most topical global problems chosen bearing in mind the 17 sustainable development goals formulated by the United Nations Organization. Each day of the Festival will be dedicated to one of the planet's macroregions: America, Asia and Oceania, Europe, Middle East, and Russia as the Festival's host. The discussion programme includes such topics as "Designing the Future: Architecture and Design," "Global Politics and International Security," "Environmentalism and Entrepreneurship," "Industries 2035," "Civic Development Platform," "Peace Culture 2030," and many others.

Young filmmakers, artists, and designers will present their work. Participants from across the world will also be able to receive their "Ready for Labour and Defence" merit badges, take part in the Eco Race, and assemble a team on the football field or the hockey rink.

WFYS 2017 starts soon!

// 20,000 students and young professionals who have successfully passed the competitive selection process will attend the event.

“We speak the same language,
the language of youth!”



Irina Slutskaya,
*Russian figure skater, Deputy of the
Moscow Regional Duma*

**“What significance does the
status of an ambassador to the
19th World Festival of Youth and
Students hold for you?”**

“In 2014, I was an ambassador to the Sochi Winter Olympics. It was an incredible experience. Back then, I found myself at the world’s biggest international competition but with an unfamiliar status: not an athlete the entire Russia watches and roots for, but a person representing all the winter sports in my own country.

Now, several years later, once again I represent an event in Sochi, this time the 19th World Festival of Youth and Students. What does it mean for me? Of course, these are all entirely new experiences but, once again, it is the feelings of both responsibility and pride for becoming part of the celebration held by young and progressive people from around the world. I am glad we will all come together, people with different appearances, different religions and different worldviews. We come from different countries but we speak the same language, the language of youth.

**“What subjects from the festival’s
agenda are of particular interest to
you and why?”**

“I am very much interested in “Ecology and Health.” This is something today’s technological space sorely lacks: to stop for a moment and think about the world around us. This is the time when we must understand that the issues of the environment, ecology and health must be our priority. Our future depends on the young people’s stance on those subjects. I am particularly interested because the subject of ecology at the festival will be closely intertwined with sports. People will be able to take part in an Eco Race: anyone can try an innovative exercise bike that produces energy. You are exercising and, at the same time, you are charging your phone.

As a figure skater, I am particularly interested in the Festival’s sporting programme. Young people from all over the world will be able to take part in a mass race on the Formula One track, get the “Ready for Labour and Defence” merit badge, learn to skate and do many other things.

**“What idea would you like to
convey to the young people?”**

“I would like young people never to betray their ideas and to share those ideas with the entire world. They may be thinking they are going to the Youth Festival to showcase themselves and their achievements but, in fact, when they communicate

they consolidate this world and push it toward development. They show that they are all one planet, the planet of youth.”

**“What significance does Sochi hold
for you personally?”**

“This city hosted our Olympics, so it is especially precious for me. Sochi is an example that the world’s key winter sports event may be held in a city that has palm trees. In October this year, Sochi will prove once again that, in our difficult times, people from all continents may be united.”



“Young people means super energy.”



Egor KONCHALOVSKY,
film director

**“What significance does the status
of ambassador to the 19th World
Festival of Youth and Students hold
for you?”**

“When it was suggested to me that I become an ambassador to the Festival of Youth and Students, I was surprised but I agreed like a shot. Young people are not only the future

anyone would like to look into but super energy, too. Re-charging, filling with energy is important for a director. It is young people and their ideas that help us look at reality from various perspectives. The meeting of people from all continents in our country is important for me personally, too. It happened before, in 1957 and in 1985. The USSR hosted youth festivals, but it was a completely different country. It is all the more interesting to see what awaits us this year.”

**“What subjects from the festival’s
agenda are of particular interest to
you and why?”**

“The programme is very diverse and, naturally, I am particularly drawn to the cultural component. I know that young film directors will come to Sochi. It will be a festival within a festival. A block in the cultural programme is called just that, “Youth Film Festival.” Just imagine, directors under 35 from around the world will show their feature-length films that have already

been released. I would very much like to see them. Not even many major film festivals offer such a chance to see the whole world on the cinema screen.”

**“What idea would you like to
convey to the young people?”**

“I am convinced that no ideas need to be conveyed to the young people. They know what they want and what they live for. They dictate today’s trends. That’s what young people do.”

**“Have you been to Sochi before?
What significance does the city
hold for you?”**

“I have certainly been to Sochi. I vacationed there and I went to the Kinotavr Film Festival held in Sochi. After the 2014 Olympics, Sochi became more than a place for those who like to lounge on the beach; it became a progressive city that is attractive to foreign tourists. In October, it will also host the 20,000 participants in the 19th World Festival of Youth and Students.”



SPORTING aspirations

THE EEF SPORTING PROGRAMME HAS SIGNIFICANTLY EXPANDED IN 2017. WHAT COMPETITIONS ARE GOING TO BE HELD AS PART OF THE FORUM AND WHAT ISSUES ARE TO BE DISCUSSED?



// Russian President Vladimir Putin congratulates the champion of the 2012 Olympics Tagir Khaibulaev



Georgy BRYUSOV,

Deputy Director of the Roscongress Foundation and Head of the Sports, Entertainment and Special Programmes

TATAMI, JOGGING AND SAILING

The global status of EEF is reinforced by its sports component. The first Jigoro Kano international junior judo tournament will take place under the auspices of the Forum, supported by Russian President Vladimir Putin and Japanese Prime Minister Shinzo Abe. Russian, Japanese and Mongolian national teams will take part in the tournament.

The above countries are regarded as the global judo leaders. Considering that the generation of judoists under 21 years of age will come to the forefront by the 2020 Olympic Games, this tournament can

be seen as a parade of potential Tokyo 2020 champions.

"The Vladivostok tournament will foster the relations between the countries", President of the International Judo Federation (IJF) Marius Vizer pointed out. And this is no less significant than the substantial sports component. By the way, this competition has been included on the IJF calendar and will become a tradition.

Judoists will reside and train on the FEFU campus and will get a chance to familiarize themselves

with the traditions and culture of the local people in the Far East. The tournament itself will be hosted by the Fetisov Arena – a major concert and sports complex in the Far East.

In view of the significance of this event, its Organizing Committee is headed by the Deputy Prime Minister and Presidential Plenipotentiary Envoy to the Far Eastern Federal District Yuri Trutnev, while the former Prime Minister of Japan Yoshiro Mori is its honorary chairman. Other members of the Organizing

// *The first Jigoro Kano international junior judo tournament will take place under the auspices of the Forum, supported by Russian President Vladimir Putin and Japanese Prime Minister Shinzo Abe*

Committee include Russian Minister of Sports Pavel Kolobkov, Governor of Primorye Territory Vladimir Miklushevsky, President of the Russian Judo Federation Vasily Anisimov and representatives of the Roscongress Foundation. Vice-President of the National Union of Judo Veterans Arkady Pinchevsky is the Organizing Committee executive secretary.

EEF 2017 participants will have a chance to take part in competitions as well. The range of sports events organized as part of Roscongress economic forums already has regular participants and partners – the Rossiysky Capital and Vostochny banks.

Like to last year, the first day of EEF, 6 September, will start early in the morning with a race in support of the Russian natural symbols – the Ussurian tiger and the Far Eastern

// The first day of EEF, will start with a race in support of the symbols of Russian nature – the Ussurian tiger and the Far Eastern leopard

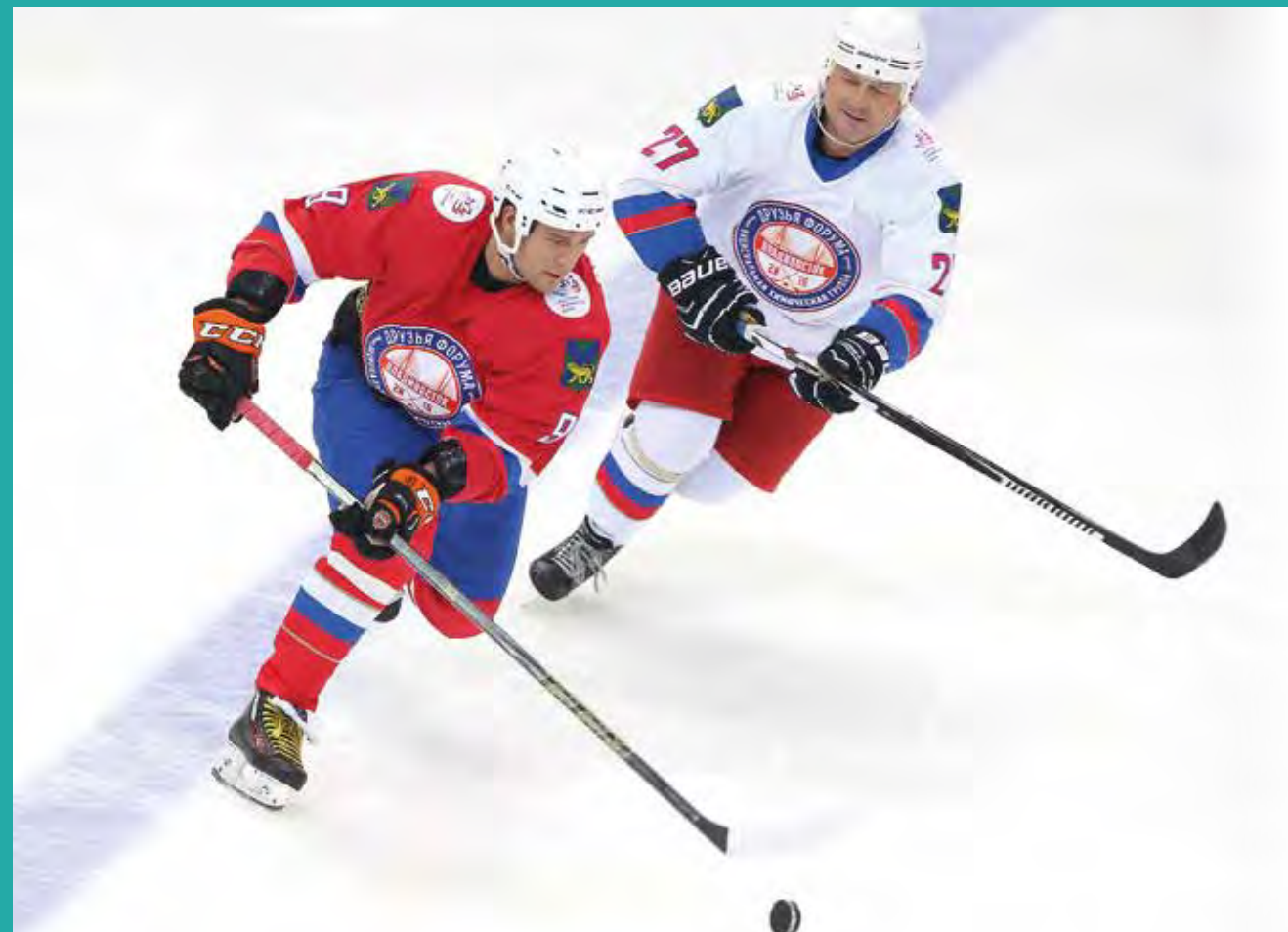
leopard. 1 km and 5 km courses have been laid on Russky Island. Last year, more than 700 EEF participants and Primorye Territory locals took part in the race. The participants registered that the run invigorated them for the entire course of the business programme. We expect an even greater interest in the race this year.

Gala basketball and hockey matches between the EEF team and the Primorye Territory Administration team, as well as a tennis tournament, have also become sports traditions at the Forum.

And the sailing regatta, in which professional crews of the Seven Feet Vladivostok Yacht Club will compete, is expected to be the most spectacular EEF event. One specific of the regatta is the musical names of the yachts. For example, last year Brigade S (name of a Russian rock band) outran Pink Floyd and Depeche Mode. Throughout the Forum, EEF participants will have a chance to observe an intriguing rivalry between fourteen Platu 25 yachts on Ajax Bay. The dramatic show will be visible from almost every point of the FEFU campus. Vladivostok is a major



// The race on the Russky island will unite the participants of the VEF and the inhabitants of Primorye



// A good tradition of the Forum is the gala match between hockey teams of the WEF and the administration of Primorsky Krai

port of the Asian Pacific Region and this regatta is intended, among other things, to highlight its significance.

THE FUTURE OF THE THREE OLYMPIC GAMES

The next three Olympic Games will be held in APR countries – winter games in South Korea and China (Pyongyang 2018 and Beijing 2022), summer games in Japan (Tokyo 2020). Sports facilities of the Sakhalin Region, Khabarovsk, Kamchatka and Primorye Territories and the Republic of Sakha (Yakutia) will be used during the Russian national teams' preparation for the 2018 winter games. That is why a session entitled 'Sport. What will be done?' has been included in the Forum business programme. How can the Olympics be used to drive development of the Far Eastern sports infrastructure and foster international cooperation? How can the sports centre concept be expanded into the setup of sports and touristic clusters, and how can their investor appeal be boosted? How can

we use sports to drive development of tourism in the Far East? These are the main topics the Minister of Sports Pavel Kolobkov, heads of Russian regions, investors, Russian sportsmen and foreign experts will discuss.

A leader of Russian swimming – three-times Olympic Games medal winner and five-times world champion Yulia Yefimova – will be present at the session. In addition, she is going to give a master class for young swimmers of the Primorye Territory. At the Jigoro Kano International Tournament, 2012 Olympics winners Tagir Khaybulaev, Arsen Galstyan and Mansur Isaev will demonstrate their technique to young judoists and give sports lessons in Vladivostok schools under the auspices of the Olympic Patrol Projects of the Russian Olympic Committee. The Russian Acrobatic Rock-and-Roll Federation is also preparing an extensive programme to present its sport. While Yakutia is going to present its national sport – mass-wrestling – at the 'Street of the Far East' exhibition.

The local population of the Primorye Territory will take an active part in the Forum as well. On 2 September, the teams of public and commercial organizations of Primorye Territory most active in sports will participate in the Eastern Corporate Games. The competitions are part of the Unified Calendar of the Russian Ministry of Sports and have been primarily supported by the Primorye Territory Physical Culture and Sports Department. Corporate games have set a trend of engaging the economically active population in sports, which is one of the key goals of the sports industry. The games foster strengthening of team spirit and establishment of business and personal contacts through sport. Besides, far from all the inhabitants of the Primorye Territory have an opportunity to participate in the panel discussions, so the sporting programme will give them a chance to join such a significant event as the Eastern Economic Forum. 🌱

PREMIUM SERVICE: How the EEF affects the services industry

THE SUCCESS OF ANY MAJOR INTERNATIONAL EVENT LARGELY DEPENDS ON THE PEOPLE WHO WORK ON THE GROUND TO MAKE IT HAPPEN. SERVICE STAFF, INCLUDING HOTEL MAIDS AND RESTAURANT OR CAFÉ WAITERS, HAVE A SPECIAL ROLE TO PLAY. THE ROSCONGRESS FOUNDATION HAS GONE ONE STEP FURTHER IN LAUNCHING PRIMORYE TERRITORY-WIDE PROGRAMME TO TRAIN STAFF FOR THE THIRD EASTERN ECONOMIC FORUM. GOING FORWARD, THE PROGRAMME WILL HELP IMPROVE LOCAL EMPLOYMENT OPPORTUNITIES AND ALLEVIATE THE SHORTAGE OF QUALITY SERVICE PERSONNEL.



Maxim YAKOVENKO,

Deputy EEF Director, Head of Roscongress Foundation Vladivostok Branch

When preparing for the Second Eastern Economic Forum in 2016, the Roscongress Foundation discovered that it was not able to recruit enough staff in Vladivostok to fill all positions and that some of the drivers and hospitality workers lacked the necessary qualifications.

Vladivostok is far from Moscow or St. Petersburg, whose vast labour pools have no problem supplying 300 or 400 waiters and 100 cooks to serve forum guests at every eatery. Over in the capital of the Maritime Territory, though, that's a challenge for the organizers. And yet the food services operator has been able to source additional staff. They had to work social media and ask local restaurateurs to lend their staff for the three days of the Forum. To make sure the EEF operations run smoothly, they even had to fly in 50 cooks and more than 100 waiters from Moscow and St. Petersburg – nothing short of an airlift operation.

Roscongress built on that experience as it geared up for the Third Eastern Economic Forum in 2017 by paying serious attention to training service staff. The task was set not only to hire temporary staff for the Forum but also to train them in service standards so that they would be able to work afterwards in the service industries all across Russia's Far East.

First of all, the relevant divisions of the Roscongress Foundation worked with contractors to determine staffing needs and requirements. The Third Forum requires more than 200 waiters, 100 cooks and 250 drivers, in addition to loaders and assorted manual workers, making up a total of 850 staff. This does not include the 500 volunteers that the Foundation has recruited and trained under a separate programme.



// To make sure the EEF operations run smoothly, they even had to fly in 50 cooks and more than 100 waiters from Moscow and St. Petersburg

Forum Organizing Committee Chairman Yuri Trutnev approved a proposal to design a specialized service staff training programme. The Maritime Territory Administration then got onboard by developing a systematic plan for EEF staff recruitment and training.

The regional authorities approached the task at hand in a comprehensive manner. Candidates were recruited not only in Vladivostok but also from across the region. They were taught service standards and awarded a qualification certificate on passing an exam. To attract applicants, the Maritime Territory Education and Science Department, the project co-manager from the region's side, ran an impressive campaign in social media and specialized colleges and placed ads on municipal buses

in Vladivostok and other cities. A certification centre was set up at one of the local colleges where selected candidates were trained. The work was conducted in close cooperation with the Roscongress Foundation, which took part in designing the curriculum and training materials.

The joint effort has resulted in around a thousand trained and certified staff being ready to start weeks ahead of the Forum. What is more, after the EEF, the waiters, cooks and drivers will be able to continue working at service establishments in Vladivostok and elsewhere in the Maritime Territory with a valuable track record of serving a major international event on their CVs. Given this success, the service staff recruitment and training programme might continue next year for a wider range of occupations. 🌱

Over
20,000
young people



have taken part
in the Roscongress
Foundation's volunteer
programme

for their travel and accommodation. For instance, students from St. Petersburg and Arkhangelsk will be involved in organizing and hosting the Eastern Economic Forum 2017. This practice provides students from Russia's Northwest with a unique opportunity to enjoy the natural beauty of the Far East, to find out what it is like to work in another region on a team with students from the other side of the country,

Ekaterina SAGADIEVA,

*Head of Volunteers for
the Roscongress Foundation*

Working with volunteers is a mutually advantageous three-way process involving beginners taking the first steps in their professions, the Roscongress Foundation and, naturally, event guests and participants.

Volunteers gain invaluable experience of working at Russia's largest forums, which are watched by the entire world. For them, it is a chance to communicate with people of various nationalities and cultures, demonstrate hospitality, practise foreign languages, learn new things, develop their leadership skills, make useful contacts and, finally, experience what it means to be part of a large team of professionals. Working at international events is often highly relevant to their future careers. The most driven volunteers who have proven their mettle receive interesting job offers and make their first forays into the professional world.

In turn, event participants, as a rule, highly value the volunteers' work and highlight the importance of their contribution to creating a welcoming and friendly atmosphere at Roscongress events.

For the volunteers to be able to demonstrate their potential, they need to be properly trained. The process takes place in several stages: general theory, lectures on business etiquette, and coaching in functional areas. These lessons give them an idea of how work is structured at the biggest forums and congresses attended by heads of state and government and top executives from leading companies. In addition to practical experience, volunteering allows students to assess their own interest in a particular area of work, helping them to focus their job search. In 2017, the Roscongress Foundation launched an internship programme for its best volunteers, enabling them to expand their knowledge and skills significantly. Volunteers frequently return to the Foundation's events with a new, higher status of team leader or administrator.

Students from event host cities form the core of the volunteer staff, but Roscongress traditionally also recruits the most enterprising volunteers from other cities and pays

FUTURE leaders

WITHOUT TALENTED AND AMBITIOUS YOUNG PEOPLE, A COUNTRY HAS NO FUTURE. THE ROSCONGRESS FOUNDATION SUBSCRIBES TO THIS VIEW AND REGULARLY INVOLVES ENGAGED YOUNG PEOPLE IN ITS EVENTS, RECRUITING VOLUNTEERS THROUGHOUT RUSSIA, FROM KALININGRAD TO VLADIVOSTOK





and to share their experience of working at other events. The young people of Primorsky Territory are also involved in this great event: in addition to students from Vladivostok universities, the EEF 2017 corps includes volunteers from Blagoveshchensk and Sakhalin.

Recently, in addition to Russia's leading universities, major businesses have also been lending their support to the development of the Roscongress Foundation's volunteer programme. Since 2017, BTC Group has been providing the volunteers' uniforms; as a gesture of appreciation,

the volunteers are allowed to keep their uniforms after the events. At the St. Petersburg International Economic Forum 2017, Mars became a partner of the volunteer corps for the first time. Volunteers were presented with gift sets and attended master classes given by leading executives from the world-famous food company. The best volunteers were offered internships with the firm. The positive experience of working with Mars will continue at the Eastern Economic Forum 2017. It is nice to know that leading Russian and global companies share the Roscongress

5,000
Russian
and foreign volunteers



will be working
at the 19th World Festival
of Youth and Students
to be held in Sochi
in October

Foundation's mission to develop the volunteer movement and our desire to invest in raising a new generation of leaders. Together, we are creating the future! 🌱

*// Volunteers gain invaluable
experience of working
at Russia's largest forums,
which are watched by the entire
world*



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