

stars insights: 16 July 2020

## The High Potential Player in Waiting



*Flying from Moscow to Vladivostok means an eight hours domestic flight in a wide-body jet. No wonder the Russians call this region the “Far East”. But coming from Beijing, Shanghai, Seoul, Tokyo or even Hong Kong, Vladivostok is a short trip destination. The Vladivostok area therefore has the potential to become a surprising player at the northern end of Asia’s powerful Pacific coastal region, the world’s new “Westcoast”, writes **Thomas SEVCIK**, Co-Founder of frontier strategist arthesia, who spends his time in and between Zurich, Los Angeles and Hong Kong.*

Consulting the atlas reveals many interesting things: Vladivostok can be seen as the northernmost city of a powerful, heavily populated and highly industrious East Asia Pacific coast. What Vancouver or Seattle are for the North American Westcoast is Vladivostok for its counterpart – with surprisingly nice features: it boasts a natural, normally ice-free port and is located on the same latitude as the Côte d’Azur, meaning lots of sunshine and moderate (albeit not Mediterranean) climate. This sounds like a huge potential. But next to nothing has happened so far.

Since Putin took over power in Russia, Vladivostok has been quite high up on his agenda. The federal government gave the city and region development tools such as special economic zones (mostly around low taxation and less restrictions for export-oriented industries) and hosted the 2012 Asia-Pacific Economic Cooperation (APEC) summit on a newly developed island just opposite the city centre. There it also established the prestigious, high-budget Far Eastern Federal University (FEFU). But three challenges remained: first of all Russia is – despite its “federalism” – a centralistic state with Moscow as its undisputed centre. Viewed from Moscow, Vladivostok is far away. In true federalism, this would not matter. In Russian reality it matters a lot. This leads to the second point: young and ambitious Russians normally seek opportunities not in the “wild east” of the Pacific region but in the capital or even abroad. And lastly, Russia’s problems

with Japan (territorial disputes over some islands) and until recently with China (geopolitical; plus fear of sinification in Russia's eastern regions) made Vladivostok a city at the end of the (long) road. Add to this the usual Russian bureaucracy and the region's traditional low population (Greater Vladivostok has only 800'000 inhabitants) and the reasons why this potential has been untapped so far become clear. But this could now change.

Vladivostok is one of the most interesting and promising cities in Asia at this moment. A positive perfect storm could propel this city into a surprisingly exciting player. Relations between Russia and China have seen a substantial improvement recently. Within Russia there is renewed interest in Vladivostok and the Far East region both in political and economic as well as in cultural and educational circles. The FEPU is having a second coming as an advanced, open and well-endowed top institution while interesting arts and creative projects are popping up in Vladivostok. Tourism in this hilly city with a look and vibe similar to San Francisco could become big once transit-visa-schemes will be in place. Vladivostok's relatively low population number does not need to be a problem (when Dubai embarked on its global hub strategy the city had less than 500'000 inhabitants). Now key strategic actors from Moscow such as strategists, financiers and entrepreneurs start to have a more progressive look at how to develop and position Vladivostok; including how to develop a really cool special economic zone – borrowing from the Shenzhen model rather than from a banal tax-free-port type of solution. And finally, young Russians start to understand that Vladivostok is far from (and probably freer than) Moscow but close to the growth areas of China and East Asia. For some this is a kind of Russia's "Westcoast"-in-the-making. History is on Vladivostok's side. With the completion of the Trans-Siberian Railway in the beginning of the 20th century Vladivostok became a premier trading hub with an international community meaning openness and a global view is in its DNA. Its city core was created by planners from Stuttgart, giving it a very European feel. In fact, Vladivostok is geopolitically and culturally (not geographically) the only "European" city on the Asia Pacific coast; an *Europe on the Pacific* so to say – next to the hottest growth area.

Vladivostok is also a huge opportunity for an open-minded Europe and Europeans to participate in the East Asia Pacific coast mega story. It could be a particular area to reinstall, revisit and in some respect reset the difficult relationship between Western Europe and Russia. Relations are indeed at an all-time low. Russia's annexation of Crimea and its deliberate acts of destabilization are hugely problematic; but Western Europe's partially broken promises of limited NATO-enlargement and a blatant show of arrogance towards Russia on many occasions did not help either. So why not concentrate on future areas of real-world and real-results collaboration? Vladivostok could be one of them. What if Europe could co-develop and participate in a sophisticated, Shenzhen-like special zone around Vladivostok? What if Western European countries collaborate in R&D projects with FEPU and other top-notch Russian research institutions in areas such as energy, maritime tech, green tech, food, biotech? What about a closer cultural and creative cooperation with a culture still similar in terms of history, religion, habits and values while based on the promising Asian Pacific coast? A side effect is to secure access to and representation on the important and dynamic north-eastern Pacific coast should relations between Europe and China become problematic.

Switzerland and Germany in particular could lead the way with appropriate platforms: both countries have a high reputation in Russia but are so far too much focused on the

European part of Russia. Private equity and real frontier entrepreneurs could seek opportunities in East Asia's northernmost Pacific coast city.

Vladivostok will never be a Hong Kong or a Shanghai – but it has the potential to be a surprising powerhouse for dedicated sectors and lifestyles. Seattle or Vancouver are the smallest of the North American Westcoast cities, but in many interesting fields the most successful ones. Looking at the China and East Asia success stories Vladivostok is an unusual bet, but as we all know: the most overlooked ones often turn out to be really cool winners. Vladivostok in Russian means “*Master the East*”. While it won't master the new “Westcoast”, Vladivostok could become a surprisingly exciting player in a future already dubbed as the Pacific century.



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