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Apple CEO Advises Medvedev to Change Russian Mentality

By Olga Razumovskaya

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President Dmitry Medvedev and Apple CEO Steve Jobs checking out an iPhone 4 on Wednesday at the company's headquarters in Cupertino, California. **Dmitry Astakhov**

President Dmitry Medvedev left California's Silicon Valley with a brand-new iPhone 4 and a bit of advice from Apple CEO Steve Jobs: Change Russians' mentality.

Medvedev, who toured the U.S. cradle of innovation to get tips and drum up support for his modernization drive, also won a pledge from Cisco Systems to invest $1 billion as a tenant in Skolkovo, the Kremlin's version of Silicon Valley outside Moscow.

But with a business culture where corruption and bureaucracy are rampant, Russia poses a huge risk for U.S. companies, said the U.S. congresswoman whose California district includes Silicon Valley.

"I think American investors should have serious concerns about corruption in Russia," Anna

Eshoo, a Democratic member of the House of Representatives, told The Moscow Times.

Medvedev himself acknowledged that Russia had a way to go before it could boast a competitive, innovative economy.

"Unfortunately for us, venture capitalism is not going so well so far," Medvedev said Wednesday during a meeting with Stanford University officials, including former Secretaries of State Condoleezza Rice and George Shultz, according to the Stanford Report.

"No one wants to run the risk," he said. "It's a problem of culture, as Steve Jobs told me today. We need to change the mentality."

Medvedev met with Jobs at Apple's headquarters in Cupertino, California, where the legendary CEO presented him with an iPhone 4 an hour before it went on sale in the United States.

Medvedev did not elaborate on his conversation with Jobs, who co-founded Apple in 1976 and returned in 1996 to revive it into a technology powerhouse by promoting a corporate culture where workers are enthusiastic about their work and encouraged to improve the world.

Medvedev also did not say how he might use Jobs' advice. But his actions with his new iPhone could speak volumes.

Under anti-corruption rules backed by Medvedev, government officials are only allowed to accept gifts that cost less than 3,000 rubles ($100), and iPhone 4 pre-orders in Russian online shops range from 85,000 to 95,000 rubles ($2,700 to $3,000).

The phone, which will not go on sale in Russia before this fall, retails for up to $600 in the United States.

A Kremlin spokeswoman said Thursday that the iPhone was a personal gift to Medvedev so he could do with it as he pleased. Reminded of the gift rules, she said the restrictions applied to gifts accepted in private.

"This is different because the iPhone is a gift presented to the president officially in an open setting," she said.

Medvedev, who already owns an older iPhone model, used the new phone during the meeting with Jobs to make a video call to his economic aide Arkady Dvorkovich, who was accompanying him on a tour of Silicon Valley, RIA-Novosti reported.

Medvedev also got advice from other U.S. business executives and a group of Russian expats working in Silicon Valley.

Cisco, a world leader in computer-networking equipment, seemed to have bought into Medvedev's pitch for Skolkovo, with a proposed 10-year tax holiday.

"We will partner with many of the Russian companies," Cisco CEO John Chambers said at a meeting with Medvedev at the company's headquarters.

The company will build offices in Skolkovo, including a second global headquarters for emerging technology, and invest $1 billion into research in business development over 10 years, Cisco said in a statement.

Stas Khirman, a board member of the American Business Association of Russian Professionals, a nonprofit organization of Russian-speaking entrepreneurs based in Silicon Valley, said Skolkovo should not try to compete against Silicon Valley but instead focus on areas where it could excel, like the science-intense, mathematics-heavy fields of cloud computing, and image and parallels processing.

"You need to find your own niche, an area of expertise where Skolkovo can succeed, and then Skolkovo will bring a lot of money," he said by telephone Thursday.

Entrepreneurs with his group met with Medvedev at a local restaurant Wednesday.

Despite the smiles and handshakes, some people voiced caution about Russia.

"American businesses are able to flourish with a host country when there is a commitment to the rule of law and transparency," said Eshoo, the congresswoman.

"Silicon Valley has been successful largely because of its open and collaborative environment," she said. "Investors have a clear set of rules and can predict the risk to their investments."

It is an "absurdity" to present Russia as a safe place for investment, said William Browder, a U.S.-British businessman who once ran the biggest foreign investment fund in Russia but was barred entry from the country on national security grounds in 2005.

"You cannot just chant words like 'modernization' and hope that all the problems will just disappear," Browder said by telephone from London. "The Russian government has to take serious actions against corrupt vested interests, and there is no indication that is happening."

Medvedev no doubt hoped for a warmer reception in Washington, where he wound up his three-day U.S. visit Thursday with talks with President Barack Obama and a meeting with a group of CEOs.

In California, Medvedev found kind words at the headquarters of Twitter, the microblogging service where he opened Twitter accounts in Russian (@KremlinRussia) and English (@KremlinRussia_E).

"Russia is a huge country, and we feel that Twitter as a source of communication can be very interesting for Russian people," Twitter co-founder Evan Williams said, adding that Twitter would be interested in expanding in Russia. He did not elaborate.

Medvedev typed out his first Twitter message in the presence of Williams and company co-founder Biz Stone: "Hi everyone! I'm on Twitter, and this is my first message."

As many Twitter users have learned, Medvedev found that it is hard to write an error-free tweet. His first Russian-language tweet contained a typo, an extraneous "6" after the word "my."

Medvedev used a subsequent tweet to direct attention back to the purpose of his U.S. trip. "Russia will continue to do its best to remain a predictable business partner for everyone — the Russian people and our foreign partners," Medvedev tweeted.

Staff writer Natalya Krainova contributed to this report.

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