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# You Can’t Innovate by Decree

By Ian Pryde

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Eminent Western speakers put forward seemingly logical ideas on modernization and what Russia needs to do to modernize at the Global Policy Forum, which was held in Yaroslavl on Thursday and Friday. But most of them were not Russia experts as such and were thus naively overoptimistic on the country’s willingness and ability to implement change.

Applying Western logic to Russia is a risky business since things here are often the opposite of how things happen in the West. Will this modernization effort be any different from numerous others in Russia’s history?

The problem has always been implementation. Russia has been modernizing on and off since Peter the Great founded St. Petersburg in 1703. Periodically aware of the huge developmental gap with the West, it has never caught up.

As Russian history has shown, Western-style reforms invariably get blown off course by exogenous or endogenous shocks that necessitate short-term crisis management. After that, a conservative reaction sets in because of the fear of losing power after reform attempts fail

and are discredited by the people.

Most Russian reform efforts are reactive and short-term, rather than proactive and structural. The result is a country that for centuries has been scraping along the bottom and failing to fulfill its colossal potential.

The government's strong modernization campaign is concentrating on high technology, and yet it has not even plucked the low-

hanging fruit that would do so much to improve the country's low productivity, such as radically cutting the number of bureaucrats and amount of red tape.

The Kremlin also has a poor understanding of science, technology and innovation, hence its piecemeal policies on modernization. "Innovation by decree" is one of the least effective models for modernization.

Nor does the Russian government seem aware that the failure rate of new products six months after being introduced in developed markets can be as high as 90 percent — and this is in the West. Imagine how much harder it will be in Russia.

Even if Russia develops a new, innovative product, it has to market it. Marketing is hardly Russia's strong point, as the country's appalling image testifies.

Western research shows that companies are the source of most innovation, but most major Russian companies are either "national champions" in sectors such as energy and metals, or else Western derivatives, such as banking and retail. Most lack the research capacity and entrepreneurship of their Western and Japanese counterparts. And yet President Dmitry Medvedev and Prime Minister Vladimir Putin expect such companies to drive innovation forward to overcome Russia's backwardness.

Russia's mismanaged and misdirected policies are holding back the country's development, but the government refuses to delegate to the right people and take on board qualified advice, whether from its own or outside experts.

Its tone-deaf approach stands in marked contrast to China's more authoritarian, and yet far more flexible, leadership. It remains to be seen whether this will change in a meaningful sense.

Ian Pryde is CEO of Eurasia Strategy & Communications in Moscow.

*The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.*

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