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Ballmer Vows Millions for Skolkovo

By Olga Razumovskaya

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Microsoft CEO Steve Ballmer signed off on a plan Monday to join the government's Skolkovo innovation hub, which could see the U.S. software giant investing "tens of millions of dollars" in the project and nascent Russian tech ventures.

Ballmer signed a memorandum of understanding with billionaire Viktor Vekselberg, whom President Dmitry Medvedev has tasked with overseeing the project and attracting big-name foreign investors. U.S. hardware giant Cisco Systems agreed in June to invest $1 billion over a decade in the project.

“The timing could not be better,” Ballmer told a room full of reporters, referring to Microsoft's decision to come to Skolkovo. “The opportunities are fantastic. That's why we're here.”

Microsoft is aware of the skeptics who want to "look for the downside" and the obstacles to investing in Russia, but Ballmer said he was undeterred.

“Mostly I see the upside,” he said.

The Seattle-based IT giant intends to make five major contributions to Skolkovo, all of which will bring “tens of millions of dollars a year” to the project, Ballmer said.

Microsoft will expand its program to support innovation startups, offering 100 new Russian companies anywhere from $50,000 to $500,000 to get off the ground, said Nikolai Pryanishnikov, head of Microsoft Russia.

An expert committee from Microsoft and “representatives of various Russian seed investment funds” will select the startups, Ballmer said. Pryanishnikov said technology and the business plan would be the primary criteria in the selection process.

Ballmer promised not to take away from venture capitalists.

“We're not trying to pick winners and losers here. We're just trying to support people,” Ballmer said.

Microsoft will also start a research and development center at Skolkovo to work on mathematics-heavy technical computing. The company may use Russian firms as subcontractors and sell the end product outside of Russia.

"We are establishing a software development R&D center in Skolkovo and it will be the focal point for managing the development of Microsoft's global products based upon expertise that we hire and people we employ here in Russia," Ballmer said.

Under the agreement with Skolkovo, Microsoft will also do joint research with local universities, create a center for access to IT, and participate in the creation of a technological university at Skolkovo. Microsoft also promised to offer additional IT internships, including at Microsoft's research center in Cambridge, England.

The initiatives will require “tens of millions of dollars” over several years, Ballmer said.

“Skolkovo is really a clear sign that the Russian government understands that the future belongs to those countries that commit to building economies based on innovation and new ideas, which certainly is the heart and soul of Microsoft and of the information technology industry,” Ballmer said.

“The jeweled crown that we would want [Skolkovo] to be would have been impossible without Microsoft,” Vekselberg said.

The Skolkovo Development Foundation is planning to announce additional deals soon, including in energy efficiency, he said.

“The IT sector arouses great interest for objective reasons,” Vekselberg said, noting in particular Russians' strong education in mathematics.

Microsoft's entry to Skolkovo comes only weeks after the departure of a Silicon Valley trade mission led by California Governor Arnold Schwarzenegger, who called the country a “gold mine” for foreign investment.

The software maker has faced its share of challenges in Russia, primarily involving rampant piracy.

Microsoft said in May that employees posing as customers found illegal software at 22 percent of 3,000 randomly selected stores in 53 cities across the country.

In September, the company announced that it was issuing a temporary license to pirated versions of its software — including the dominant Windows operating system and office staples such as Word and Excel — to Russian nongovernmental organizations and independent media to prevent politically motivated piracy crackdowns.

Microsoft also agreed this year to open more of its highly sensitive source code, including for Windows 7, to Russia's intelligence services over security concerns, Vedomosti reported. The business daily has also reported that the government is planning to develop a Russian-built operating system to run on state computers.

“Honestly speaking, when we're talking about software companies, these investments are artificial ... since the money you're spending goes to give out salaries and purchase servers,” Alexei Krivoshapko, a director at Prosperity Capital Management, told The Moscow Times.

“When we're talking about purchasing startups, then, yes, this is serious money. As for the rest, this is kopeks, a drop in the bucket. Microsoft only does a small percentage of its business in Russia,” he said. “This is just another case of political yes-manship. You wanted innovations, you got it.”

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