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Why Russia's High Tech Is California Dreaming

By Alexei Bayer

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I recently attended the annual Global Technology Symposium. Although held in Menlo Park, California, the worldwide hub of venture capital companies, and organized by Silicon Valley insiders, it had a strong Russian component. Russian Venture Company, the government-run fund, was a key backer, while Rusnano and the Skolkovo project were sponsors. Russians were prominent among attendees, and a Russia Day opened the event.

In a small way, it was a rerun of last year's visit by a California high-tech delegation to Moscow. Even though neither then-Governor Arnold Schwarzenegger nor President Dmitry Medvedev was present this time, there were numerous Russian government employees and prominent U.S. venture capitalists, including legendary Silicon Valley investors Bill Draper and Pitch Johnson.

Russian officials talked about the important role government can play in shaping the entrepreneurial culture in Russia, but they admitted that private money was needed to make

innovation a success. They emphasized the importance of early stage investment in technology startups by experienced private investors, mentoring entrepreneurs and giving them professional advice. The sooner the government gets out of the venture capital business — and private capital gets in — the better it would be for the Russian high-tech industry. Rusnano and Skolkovo even announced that they had opened an office on in Menlo Park to attract U.S. venture capital.

They said all the right things and sounded quite proud of themselves for learning their lines. But all they talked about was promoting Russian innovations and high tech. U.S. investors, meanwhile, never once said the word "American." They talked about the private sector and Silicon Valley, not strictly U.S. entrepreneurs, industry or innovation. They praised Russia's scientific establishment and education system, but they mentioned India, China and Israel in the same breath. A technology company used as a case study at the symposium was started by scientists in Cambridge, England. It now has a factory in Germany and plans to build another one in Russia, using Rusnano investment.

The high-tech industry began in California, but it has transcended U.S. borders. It relies on ideas, entrepreneurial skills, managerial talent and capital without regard for its origins. Research and manufacturing follow the logic of business decisions, not national interests. The best thing Russia can do to promote innovation is to abandon its misplaced national ambitions and integrate into the world economy promptly and seamlessly. It needs to improve its legal protections for investors and entrepreneurs and restrain its bureaucrats and siloviki raiders. Recent initiatives by Medvedev to separate state-owned companies from the government by barring top-level bureaucrats from serving on their boards of directors is a step in the right direction, but many more will need to follow.

As for entrepreneurs, there are plenty of them in Russia, and they need no government involvement. Once there is a healthy business climate, private money from around the world will rush in to back their projects. Until that happens, however, they will want to leave Russia and join many of their countrymen already living and working in California. For them, the most inspiring words at the symposium were probably uttered by Tim Draper, founder of venture capital firm Draper Fisher Jurvetson and a third-generation high-tech investor. He started his remarks by rattling off a list of a half-dozen successful high-tech firms in the United States and asking what they had in common.

"They all had founders born outside the United States," he said.

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