

A GAIN FROM THE BRAIN DRAIN?

THE MOTHERLAND OF VANISHING TALENTS

Stepan Pachikov
SPECIAL TO RBTH



I'm often asked by my Western colleagues, "Is Russia the motherland of talent?" This comes as no surprise given the number of talented Russian developers working for Western I.T. companies.

Even if you discount Google co-founder Sergei Brin and PayPal founder Max Levchin, who left the Soviet Union as children when their parents decided to emigrate and did not make this move on their own volition, there are thousands of Russian computer specialists who have chosen to go and live in the United States. These include Arkady Borkovsky, who heads the Yandex R&D Center in California, and Eugene Veselov, a leading programmer for Microsoft. Parascript, a leading developer of handwriting recognition solutions for mail and checks, still employs mostly Russian engineers at its headquarters in Boulder, Colorado.

I have never come across comparative talent statistics by country, and I don't believe that Russia supplies more immigrant talent than other countries; however, many have felt this way. In answer to my colleagues' questions, I normally provide the following explanation.

First of all, Russia was under the sway of an ideology-driven dictatorship throughout most of the 20th century. All intelligent people realized that, in order to minimize the ideological imprint on their lives, they should avoid studying history, philosophy, law, literary studies and politics and, instead, engage in pure science — mathematics, astronomy, physics or chemistry.

Yet ideology played havoc even with exact sciences, including biology, genetics and cybernetics. One of the most prominent botanists and geneticists of the 20th century, Nikolai Vavilov, was executed during Stalin's Great Purge. Soviet genetics was ruined and most Soviet geneticists died in the gulag. The notion of bourgeois pseudoscience, which was applied at the time to cybernetics and genetics, became a com-

mon term. In the 1930s, there was an attempt to brand probability theory as a pseudoscience, but it was saved by the ingenuity of the preeminent mathematician Andrei Kolmogorov, founder of complexity theory.

Most intelligent people understood, therefore, the danger inherent in the humanities and focused on the small range of exact sciences, creating the illusion of "extraordinarily talented Russian scientists and engineers."

Talented young Russians understand that their chances of success in their own country are limited in all areas.

After Scientific Communism was abolished in 1990 and the indoctrination of society collapsed, talented young Russians hurried into fields such as business, banking, law and finance. And, on the flip side, Russian science lost much of its lifeblood. The policies of post-Soviet Russian authorities have marginalized education and science in

state financing and, more important, in the public eye. Contemporary Russia has made it prestigious to be a banker, stockbroker, restaurateur or TV presenter, but not a scientist.

There are no indications that Russian science will recover any time soon. And when it finally does so, will there be any demand for it in the world?

Talented young Russians interested in science are asking themselves the same question. They understand that their chances of success in their own country are limited in virtually all areas, since the Russian economy today is driven by oil and gas, not innovation.

Young Russians are also impeded by the mediocrity of the political system and the Russian authorities in general — the existing vertical of power is essentially feudal: the closer you find yourself to the authorities, the more opportunities, power and money you have. As the great actress and philanthropist Chulpan Khamatova put it, "In this country, you can't live the way you ought to."

The future of the I.T. industry in Russia is vague because the authorities today only need people capable of pumping oil and servicing those who pump oil. They plan to buy the rest, including new talent.

Stepan Pachikov founded the first Moscow computer club with Garry Kasparov. He is also the founder of the ParaGraph and Evernote companies. He lives in New York.

LEAVE HOME, BUT DON'T STAY AWAY FOREVER

Oleg Alekseev
SPECIAL TO RBTH



The brain drain is only part of the process known as migration. According to surveys by the All-Russian Center for Public Opinion Research (VTsIOM), more than 20 percent of Russians want to go abroad. This is most clearly expressed in the younger generation, but the desire to leave exists even among people of retirement age. By no means do all of them go, but the very fact that 20 percent of the population is prepared to leave the country at the earliest opportunity says that Russia does have a drain of people in general and brains in particular. There are many reasons for this, the most common being the difficulty of self-fulfillment; corruption; the difficult social environment; and the more difficult climate.

Some of these problems could be solved by internal migration, but this is poorly developed in Russia. There is a major lack of infrastructure in the regions, and there is a higher-than-usual degree of centralization of the economy. In many smaller cities, it is

difficult to find a suitable apartment; there is a lack of restaurants, theaters and clubs; and — most important — salaries are often several times lower than in Moscow or St. Petersburg. As a result, it can be easier to move abroad than to a Russian regional center.

But this does not mean young émigré scientists need live abroad forever.

Science, like most other areas of life, works according to the clan

A researcher or athlete is a person of the world who lives and works where he is offered the best conditions.

principle. A young scientist who goes abroad relies primarily on the support of the diaspora. In the 20th century, Japan successfully implemented a model of development of science through a global diaspora. After World War II, Japanese scientists left for many countries. After becoming established there and doing various research projects, they began

to invite their young compatriots to join them. In scientific circles, work is done on a project basis: an employee is invited to work on a specific project; after it is finished, the person is without a job, unless invited for follow-up research. As a result, young Japanese people, having worked for several years on projects in the United States or Europe and having gained foreign experience, returned to their country and continued their careers, once suitable conditions had been created for them there.

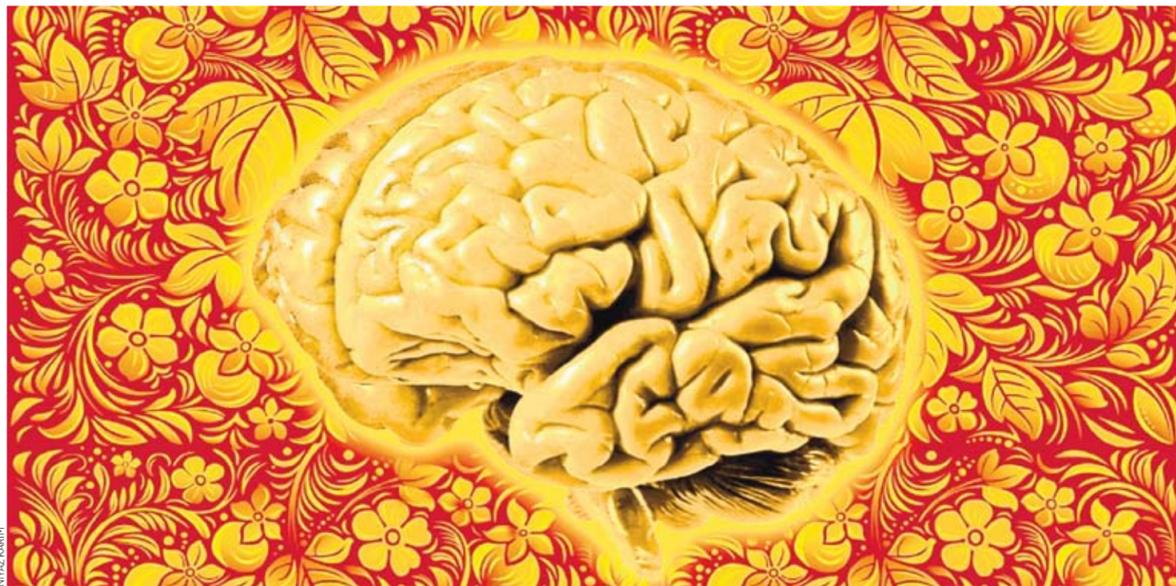
A similar model can be implemented in Russia. There is no point in forever trying to get scientists who left to return. We can offer them participation in specific projects, on which they would work here for three to five years. A first-rate researcher or athlete is a person of the world who lives and works where he is offered the best conditions. From a financial point of view, the Russian market is quite competitive. In recent years there has been clear demand for research from major corporations, primarily in the raw materials industry, machine building and metallurgy.

Representatives of the Russian diaspora in Europe and the United States say that there is interest in working in Russia. There are many reasons for this. The most common is the possibility of self-fulfillment. Early in their careers, many of them indeed found it more comfortable and easier to work abroad, but there are hidden barriers that are almost impossible to overcome. It is not yet possible even to imagine a Russian in Europe or the United States being the head of a national laboratory or university. These are strategic posts, which are not entrusted to a foreigner; however talented he may be. And many Russians are hampered by this "ceiling," finding they cannot continue to develop. No such limitation would exist for them in Russia.

There is another reason: many remain nostalgic, with memories of their homeland, and want to work in the country where they grew up. This is especially true of successful first-generation immigrants.

It is impossible to stop the brain drain; migration is an organic process in the scientific world. But Russia needs to change the dynamic — not only selling minds, but also buying them.

Oleg Alekseev is vice president and chief operating officer for education and research at the Skolkovo Foundation.



RUSSIA NEEDS A POST-INDUSTRIAL REVOLUTION

Alexei Moiseev
SPECIAL TO RBTH



In order to follow through on its promises to the people, the Russian government needs to take a serious look at the country's economy and make the changes necessary for sustainable long-term growth.

Over the last six months, the Russian government has been concentrating on winning elections — from United Russia maintaining its majority in the State Duma to Prime Minister Vladimir Putin returning to the presidency. Now, in order to justify its resounding mandate, the political establishment has to turn its attention to delivering sustainable and long-term economic growth for the Russian people.

Recent levels of capital flight suggest that investors are not entirely convinced of the government's current economic strategy, which centers around expanding and diversifying the manufacturing base. It is time to accelerate Russia's transition to a post-industrial economy in which high-value knowledge and service industries play a larger role.

As a middle-income country with a large public sector to support, Russia has neither low labor costs nor low taxes. Although Chinese labor costs are rising, they are still a third of those in Russia, which gives the Chinese a massive advantage in the global marketplace for manufactured goods.

The government has attempted to erode the Chinese advantage by subsidizing industries and erecting high tariff barriers. While this may be politically popular, it simply delays the necessary productivity and management reforms that would help Russian industry become more competitive. It also keeps capi-

tal and labor tied up in unprofitable ventures, when it could be put to better use creating the profitable industries of tomorrow.

If the government wishes to base the country's future economy on manufacturing, it is going to have to oversee a massive increase in productivity in a very short time. The current policy of subsidy and trade protectionism actively works against that.

In recent years, the Russian government has attempted to overcome its structural problems by using fiscal and monetary tools to stimulate domestic demand, a tactic it has in common with many developed countries. But this has only worked to boost inflation and increase reliance on imported goods. It has not addressed the fundamental problem, which is that labor in Rus-

sia is too expensive to produce low-quality, cheap goods.

Some have called for a wholesale reindustrialization of the country so it can compete with China. This would be theoretically possible with major macroeconomic and institutional reforms, including significant government intervention in the economy. How-

ever, current rates of capital flight demonstrate that Russian investors are nervous about such prospects. Therefore, they cannot be relied on to underwrite a major reindustrialization.

But this is not inherently discouraging. The real prize lies not in low-value, high-volume manufacturing, but in a post-industrial economy based on high-value knowledge industries.

To achieve this, the Russian government needs to ensure that all sectors have an equal chance to thrive. This means developing policies such as creating a natural resources tax, cutting subsidies and trade protection for weaker sectors, and reducing regulatory and tax barriers for new businesses.

The government also needs to ensure that investors can deploy their capital without fear of fu-

ture arbitrary government confiscations. This means that private property rights need to be taken seriously and upheld by the courts. The legal system needs to be fair and transparent, and properly separated from the government. Other areas of priority reform should be ensuring competitiveness and transparency for government investment and spending, and ensuring that monetary and fiscal policy is more consistent. These moves would go a long way toward reversing the corruption that has been holding back the economy.

On top of this, the labor force needs to upgrade its skills to compete in the knowledge economy of the 21st century. Labor also needs to become more mobile, so people can move from areas of unemployment to take advantage of new opportunities.

If the policy mix is correct, there is no reason that Russian businesses and investors cannot modernize the economy themselves from the bottom up, with strategic help and investment from the government where appropriate.

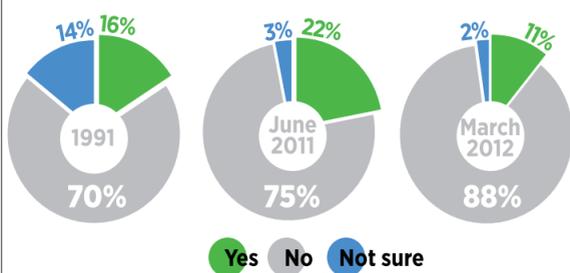
The government has made a good start by investing in modern transport and communications infrastructure and funding the Skolkovo Innovation Center. In 2012, it should build on these initiatives in order to continue the path towards modernization.

Alexei Moiseev is head of macroeconomic analysis at V.T.B. Capital.

THE POLLS

Unpack Your Bags ...

WHEN ASKED IF THEY WOULD LIKE TO LIVE ABROAD PERMANENTLY, RUSSIANS SAID...



The desire to emigrate from Russia is at a record low despite a turbulent election season marked by a rise in protests, according to state-run pollster VTsIOM. However, the drive to

leave is the highest among the young and the supporters of political hopeful Mikhail Prokhorov, a presidential candidate who led demonstrations.

RIA Novosti

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