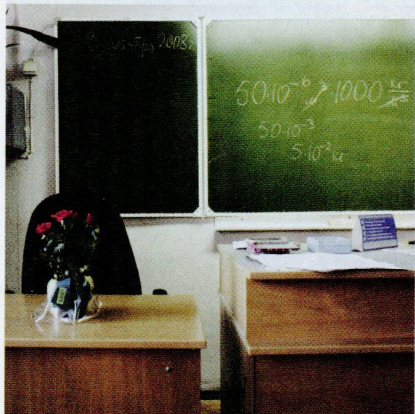


## Medvedev wants to liberate Russia from what he calls its 'humiliating' reliance



fell by nearly 50 percent, and with them investment in science fell from 6 percent of GDP to just 1.5 percent, where it stagnates today. The brain drain began in the 1970s as educated Soviet Jews—like the parents of young Sergey Brin, who went on to become a co-inventor of Google—headed to the free West. By the turn of the century it had robbed Russia of more than a half million of its most talented people. Putin and Medvedev both believe that the state can solve Russia's problems—but while Putin sees the bureaucracy as the source of his power, Medvedev sees it as a corrupt obstacle to creating a post-oil economy.

Skolkovo is the centerpiece of Medvedev's drive to create a new kind of economy. A nondescript Soviet-era suburb 40 kilometers outside Moscow, Skolkovo is already home to Russia's leading business school, which is (crucially) private but receives some state research money. The new innovation city is inspired by the relationship between Stanford University and Silicon Valley, or the Massachusetts Institute of Technology and the Route 128 tech firms outside Boston: a place where academic brains can find the private and government money they need to launch startup companies. The new Skolkovo will be "a real city of the future," says oil baron Viktor Vekselberg, Russia's 10th-richest man and Medvedev's choice to organize the business side of Skolkovo, selecting the best

ideas for the state to back as startups. Construction is already underway on a 300-hectare plot that will be protected by walls and gates. If all goes as planned, by 2014 the new city will house 30,000 to 40,000 people. Viktor Ustinov, one of Russia's top physicists and a former pupil of Alferov's, says Skolkovo will be a "Russian Silicon Valley" devoted to innovation in communications and biomedicine, as well as in space, nuclear, and information technologies. According to Vladislav Surkov, the Kremlin's chief ideologue, "Only the best people will go there, and they will be carefully protected... The best people will be given the very best conditions."

Many nations have also tried to build their own Silicon Valleys. But Medvedev, however belatedly, has declared that the project is Russia's last best hope. His 2008 blueprint for the Russian economy, called "Strategy 2020," calls for the tech sector to make up 15 percent of exports, or 8 to 10 percent of GDP, by 2020. Currently it's about 1.1 percent of GDP, and much of that is in military hardware. So Medvedev is pumping billions in state funds into projects including Skolkovo, the world's biggest nanotechnology-investment fund, and a program designed to lure Russian émigrés and their companies back to the homeland. Medvedev has sent top officials on the road to drum up money for innovation bonds, and earmarked more

than \$10 billion for tech investment. That lags behind others—China has allocated \$26 billion toward tech investment for 2010 alone—but is nonetheless a sign of seriousness.

Skolkovo's main chance of success is that its businesses will be protected from rapacious state bureaucrats and police. Today the subsidies and special privileges that the Soviet state once lavished on science and business projects have given way to plain theft. In a recent PricewaterhouseCoopers survey of global economic crimes, 71 percent of Russian enterprises reported being the target of such abuses by police or bureaucrats in 2009 (the worst of 33 countries in the study). Medvedev himself has publicly blasted Russia's culture of state corruption and has attempted to seal off Skolkovo, which will have simplified laws on businesses, a simpler visa regime, tax benefits, and no thieving bureaucrats. "We would create not just a new city but a new person who would live there—there will be no space for corruption in our city," says Vekselberg. "Somebody has to show an example of how Russia can change. We have to start killing the dragon [of corruption] inside ourselves."

But the trend lines are running against Smart Russia. In a couple of decades the cream of the Soviet intelligentsia will be dead, leaving behind a rotten education system. Most of Russia's traditional