

Russia told to innovate or be left behind

February 3 2010, By NATALIYA VASILYEVA , AP Business Writer

(AP) -- Russia is 30 to 40 years behind developed economies in the technology sector and will lag further unless it innovates, Anatoly Chubais, the architect of the 1990s privatizations, warned Wednesday.

The former finance minister, who now runs the state-owned corporation for the development of the nascent high-tech sector, gave a sobering assessment of Russia's present and future.

"We have to admit: We have fallen very far behind," he said at a Moscow investment forum. "Not to understand this would be a very grave historic and political mistake."

To make up for Russia's slow development, the government must hammer out a long-term growth strategy and develop new technologies by investing abundant oil and gas revenues, Chubais said.

"We're now facing a dilemma that can be summed up as 'innovate or degrade.'"

Chubais oversaw the murky transition of property formerly belonging to the state to private hands after the Soviet collapse. He currently serves as director general of Rosnano, a state-run corporation which promotes and finances hi-tech projects created in 2007. Rosnano plans to invest some 310 billion rubles (\$10.4 billion) in various domestic ventures this year.

Speaking more broadly on the Kremlin's initiative to modernize the economy, Chubais said the country had "excellent opportunities" to do

this but admitted the path was not quite clear.

"Everyone talks about [modernization](#) from morning till night," he said.

"But no one's got a comprehensive and applicable solution so far. The main goal today is for the business and intellectual elites to work out this solution."

Chubais noted that most Russian hi-tech startups are few and unsuccessful because they lack financing and means to turn scientists' ideas into products.

Others at Wednesday's conference said the problem lies deeper - in Russia's lack of a qualified high-tech labor force and the absence of a productive and dynamic environment.

"One needs to think how to train better managers," said Elie Wurtman, an Israeli managing partner of the Benchmark Capital venture capital firm that counts social networking Web site Twitter and auction portal eBay among its investments.

The government needs to ask "how do you create an environment which is friendly to entrepreneurs, a tax regime which allows people to succeed and be motivated by their success?" he said.

Russia is facing its severest economic downturn in a decade as gross domestic product declined by 7.9 percent last year. While the country's currency and stock markets have stabilized, local companies still say that borrowing is expensive and largely unavailable.

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