

## Medvedev to tour Silicon Valley, seek investors

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President Dmitry Medvedev chairs a meeting at the Gorki presidential residence outside Moscow, Monday, June 21, 2010. Medvedev ordered the state-controlled gas monopoly Monday to cut gas supplies to ex-Soviet neighbor Belarus over its debt for Russian natural gas supplies. The order follows Medvedev's warning to Belarus last week to start paying off the \$200 million debt to Gazprom or face cuts. Belarus has challenged the Russian claim and refused to pay. (AP Photo/RIA Novosti, Vladimir Rodionov, Presidential Press service)

(AP) -- Russia's Dmitry Medvedev visits Silicon Valley for the first time on Wednesday, eager to reinvent his country's outmoded, oil-dependent economy - and lure talent and money from the high-tech capital.

Two years into his presidency, the 44-year-old, tech-savvy Kremlin chief still lives in the shadow of his predecessor Prime Minister Vladimir Putin, but that hasn't stopped him from strenuously pursuing pet projects, the most grandiose of which is the creation of Russia's own [Silicon Valley](#) outside Moscow.

But to succeed, Medvedev knows he needs to attract some of the best minds and investors in the United States to a project that many Russian businessmen are already skeptical about.

"The future of our country, and its competitiveness on international markets, to a large degree depends upon the results of cooperating with foreign companies and universities," the Russian president told an international business forum in St. Petersburg last week.

While in California, Medvedev will meet Gov. Arnold Schwarzenegger and [Google](#) CEO [Eric Schmidt](#), and give a speech at Stanford University. He will then fly to Washington to meet President [Barack Obama](#), and from there the two will go to Toronto for the G-8 and G-20 summits.

But it is the front leg of the trip that has deep personal significance for Medvedev, who wants to refashion Russia from a raw materials supplier into a high-tech, intellectual oasis where innovation thrives.

Since the Soviet Union dissolved nearly two decades ago, thousands of Russia's brightest minds emigrated to work in scientific centers in the U.S., Britain and Israel. Now Russia's leadership wants to entice them back and keep ambitious minds at home.

In four months the Kremlin has lavished an "innograd" - or innovation city - project with budget allocations of hundreds of millions of dollars, attracted entrepreneurs and scientists, and last week in St. Petersburg

secured a promise from Silicon Valley's own [Cisco Systems](#) Inc. to participate in the ambitious venture.

However, despite numerous tax breaks - companies are expected to enjoy an unprecedented 10-year grace period - potential investors are likely to share the same concerns as many Russian businessmen: that the project will be nothing more than a huge real estate project.

"I'm sure they will build everything that's needed, but I doubt there will be any innovations or ideas there because the government glosses over the details," said Yaroslav Petrichkovsky, director of Elvees, a microchip producer and safety systems designer. "Like in other cases, they decided everything by themselves."

The promise of immense state investments - \$500 million alone has been budgeted next year - and unprecedented tax benefits have prompted many to dub Skolkovo an enormous black hole, considering that special tax zones in Russia often have been a magnet for murky capital while producing little value.

High-tech businesses have long asked for financing for research and tax breaks, but they have tended to encounter risk-adverse bureaucrats wary of venture capital and failure. Analysts warn that without genuine reform of Russia's tremendous state machine, a mega-project like Skolkovo will be doomed before it ever gets off the ground.

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Associated Press writer Gary Peach contributed to this report.

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