

Russia taps geek power for growth

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Russian President Dmitry Medvedev (L) talks with US Vice President Joe Biden during their meeting in his residence, outside Moscow on March 9. US-Russia trade has yet to live up to the reset in political ties but US firms believe Russia's human resources can soon do for high-tech engineering what India did to the IT sector two decades ago.

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Vice President [Joe Biden](#) this week lamented on a visit to [Moscow](#) that annual trade between the two countries was equivalent to just a few days of commerce with neighbours Canada and Mexico.

But executives at some of North America's biggest companies are grasping onto a vision of a 24-hour production cycle in which Russian engineers zip their drafts to board room executives in Europe and the

United States.

The US aerospace and defence behemoth Boeing now has a \$27 billion plan in place to purchase Russian parts and R&D services -- with much of the focus placed on the latter.

"[Russia](#) has the opportunity no smaller than India had 25 years ago to help the world develop engineering," said Boeing Russia President Sergei Kravchenko.

"We know this can be done because [India](#) did it with IT," he told a Moscow investment forum in which Biden delivered the closing address.

Boeing's plans nicely complement President Dmitry Medvedev's ambition of powering Russian growth through research and innovation.

The US firm has a place in the suburban Moscow Skolkovo project that forms the hub of Medvedev's dream of an innovation-based future and speaks highly of Russia's continued ability to produce fresh talent.

Not everyone is ready to place quite such a large bet on a country whose business climate is still frosty and whose customs laws -- for now at least -- are often subject to political whim.

But even companies with roots closer to the minerals and other resources that have provided much of the country's wealth since the Soviet era said what they really wanted to tap was Russia's brainpower.

"Far beyond oil and gas, the real potential in Russia is human capital," said Dow Chemical Company's Russia General Manager Marco Blagovic.

Biden spent much of this week's two-day visit pushing a trade agenda

that could finally make Russia into a meaningful business partner for the United States.

US statistics paint a grim picture showing trade between the two sides reaching just \$31.7 billion last year -- less than four percent of Russia's total.

"The value of the goods that cross the United States' border with Canada and Mexico every few days exceeds the annual value of our trade with Russia," Biden lamented.

"We've got to do better. We've got to do better."

Russia's current engineering advantage is twofold: its massive pool of workers was not only trained by some of the world's most qualified Soviet-era professors but also costs employers a fraction of their Western counterparts.

"Closer cooperation will allow American companies to benefit from greater access to Russia's deep pool of talent of engineers, mathematicians and computer scientists," said Biden.

But its profound drawbacks include an alien corporate culture whose uncompetitive practices once suited Communist Party bosses but seem incomprehensible to Western partners expecting firm schedules and sharp ideas.

"Even the simple things like weekly company reports written in a human language that anyone can understand -- that did not exist before," said TMK steel company Senior Vice President Vladimir Shmatovich.

Trade should theoretically swell once Russia joins the World Trade Organisation after 17 years of trying and brings down its barriers to

foreign technologies and know-how.

Global firms are eagerly awaiting that day because it will allow them to cash in on the enormous construction boom sweeping Russia ahead of the 2014 Winter Olympic Games in Sochi and the 2018 World Cup.

"Russia has a huge need to grow infrastructure and modernise. And this creates opportunities for many countries," Dow's Blagovic said.

Yet executives said the long-term benefits of international companies coming to Russia may far outweigh the immediate gains.

The big hope is that Russian companies -- experienced in building such high-tech equipment as unconventional pipes and advanced military hardware -- will simply become indispensable once supported by Western business savvy.

The level of technological innovation would then work its way down the ladder to more everyday items such as appliances and cars.

The potential has excited Boeing executives and they are certain that their plans have complete Kremlin support.

"This is the story of world engineering and Russia can play a big role," the Boeing Russia president said.

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