

Russians Go West

KHRISTINA NARIZHNAJA



MOSCOW—A seven-story cube of glass, concrete, and solar panels rises out of a grassy field on the outskirts of Moscow. Dubbed “the Hypercube,” it’s the first completed building of the Skolkovo Innovation Center, intended to serve as Russia’s version of Silicon Valley. In less than two years, throngs

of creative workers are expected to fill the Hypercube’s offices, ice rink, and nearby cafes. The original plan even provided for a weather-controlled dome rising over the complex, though it was eventually deemed too expensive and scrapped.

The Skolkovo Fund president, billionaire Viktor Vekselberg, hopes the project

will stop the brain drain of the nation's most talented individuals. "Many of our leading scientists and specialists work abroad and not in Russia. With the face of Skolkovo, let's put an additional buffer, a barrier to this process," he said in 2011.

Today, 850 companies operate in the unfinished Skolkovo Innovation Center. The Skolkovo Institute of Science and Technology, still under construction, has sent its first class of 20 master's students to colleges abroad to gain experience. Skolkovo is a small step that shows Russia recognizes the problem. But the outflow of "brains" has not been contained, nor will it be anytime soon.

Although the economy is growing, an accelerating number of elite Russians are leaving the country. The total number of Russian emigrants hardly compares to the hundreds of thousands who left in the aftermath of the USSR's collapse in 1991, but the tens of thousands leaving today are entrepreneurs, writers, and scientists. Any family that can afford it is likely to send their children to study abroad, hoping they'll find work and settle outside of Russia.

No matter how many technology villages the government builds, there will never be enough if the country's social fabric remains weak. Emigration is a measure of how well the Kremlin is addressing the needs and desires of its people. In the Soviet years, this metric was less effective since few were allowed to leave. Now, with relatively open borders, the ebbs and flows of those who can afford to leave track closely with the effectiveness of the Putin regime.

People leave when they perceive societies have failed or seem likely to do so, when citizens don't feel like stakeholders in the future of their country. Modern buildings, no matter how big or comfortable, will not create a dynamic economy—only the nation's best and brightest working in a free and open environment can do that. High oil prices can conceal deep economic problems, and Russia's 4.3 percent annual GDP growth rate isn't fooling its citizens. Emigration of top talent is the crucial index of a country's current social mood and an important indicator of future economic potential. And right now, Russia is failing.

While the total number of Russians who leave for good remains relatively small, the profile of the typical emigrant has changed. When the Soviet Union dissolved, the most common emigrant was a poor, unskilled young man. Today, it is a well-off professional, says Anton Nossik, a high-tech entrepreneur and emigration expert. "People who have it good are starting to leave," Nossik says.

According to Russia's Federal Statistics Service, the number of emigrants peaked at 145,720 in 2000. By 2009, that number had eased off to 32,458, but it has been creeping back up ever since, reaching 36,774 in 2011. Over 1.25 million Russians have left the country from 2000 to 2010 according to Sergei Stepashin, the head of Russia's Audit Chamber. Even more striking is the number of those who say they would leave if they could. One out of every five Russians wants to leave their country, according to a June 2012 survey by the Levada Center, an independent pollster.

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Almost a third of Russian urbanites want to emigrate, according to a survey by Romir, another independent pollster.

"Conversations these days start and end with the topic of emigration," says Masha Gessen, a journalist and author of the Putin biography *The Man Without a Face*. "Where are you going? Should we all go together? Israel, Australia, America, Britain, Western Europe ... What is the first step? What, you have not made plans yet? Do you at least have a valid visa? This is the banter with which people sit down for supper," she says.

THE RICH THRIVE

Only hard-line patriots never think of leaving. "There is no feeling that life is improving," says Dmitry Oreshkin, a senior political researcher at Moscow's Institute of Geography. "In the 1990s, there was a feeling of democracy, [a hope] that Russia was becoming a normal European country. But now it's different. There is more potential for the individual in the West." A recent Moscow State Pedagogical University poll shows that 80 percent of graduates of elite Moscow high schools would like to study abroad, at least temporarily. Another poll by Russian newspaper *Rossiskaya Gazeta* claims that only 9 percent of parents say their children will continue to study in Russia and almost 70 percent of parents would like their children to study and work abroad.

Vekselberg's own children, Irina and Alexander, studied at Yale University. Business tycoon Roman Abramovich's daughter, Anna, is studying at Westminster University in London. Fertilizer magnate Dmitry Rybolovlev bought his

daughter, Yekaterina, a legal a resident of Monaco, an \$88 million crash pad in New York, where she can stay on breaks from studying at Harvard's Extension School in Cambridge. Both billionaire Sergei Plastinin and mining mogul Sergei Anisimov bought their daughters multi-million dollar apartments in New York City.

Russia's first president, Boris Yeltsin, was the first government official to scandalize Russians by sending his grandchild, Boris, to study at an exclusive British school in 1996. Others followed. Kirov region governor Nikita Belykh sent his son to study in England, and former Moscow mayor Yuri Luzhkov sent his children to study in London, allegedly to protect them after he was fired in 2010. There are even reports that Putin's daughters, Mariya, 27, and Yekaterina, 25, are living

abroad. The trend is so common that a new bill forcing government officials to educate their children inside Russia is under review in the Duma. Vyacheslav Lysakov, the author of the bill, is confident the bill will become law after Putin announced his support for it. But if the bill does become law, Oreshkin says, it will likely be redrafted to include loopholes so officials can get around it. Ironically, Duma deputy speaker Sergei Zheleznyak, a vocal patriot and supporter of the bill, sent his daughters to study in England and Switzerland.

NOT JUST BILLIONAIRES

Studying abroad is no longer the exclusive privilege of billionaires. Professionals with annual salaries of \$100,000 are sending their children abroad. All Nossik's friends

FACED WITH THE CRIMINAL CHAOS AND STAGGERING POVERTY OF THE 1990S, RUSSIANS LEFT THEIR NEW DEMOCRACY BY THE HUNDREDS OF THOUSANDS.

either sent their children to study abroad or are preparing to send their children to a foreign school. His five-year-old son lives in the seaside Indian town of Goa with his mother. In just a few years, the boy will begin school. But it won't be in Moscow with its deteriorating education system, pollution, and other urban ills. Nossik says he can relate to the officials that send their children abroad. "They don't want their children to live in this system that they built," Nossik says. "I don't see anything bad in that. They just want the best for their children."

Faced with the criminal chaos and staggering poverty of the 1990s, Russians left their new democracy by the hundreds of thousands. But in the first eight years of the new millennium, the outflow slowed; some even began to return. Over the last 12 years, economic growth, fueled by oil revenue, has raised salaries and living standards. Along with the returning emigres, capital began flowing back into the country. But now the mood has shifted again, especially among the best educated. Capital outflows reached a record high of \$80 billion in 2011 after a wave of protests set off by widespread allegations of rigging in that year's parliamentary elections. While such outflows have slowed in 2012 to \$56.8 billion, according to the Central Bank, the number is still the fourth highest amount of capital flight since the breakup of the USSR. Lysakov's bill restricting education abroad includes clauses prohibiting or limiting officials from having foreign bank accounts or owning property abroad. Another similar bill is also under review in the Duma. Only a few Duma deputies openly oppose the bills, but that does not mean the bills are widely supported. In January, Putin submitted a bill to the Duma that would allow officials to have bank accounts abroad, but only

in Russian banks, as long they declare it. Since Putin's United Russia party controls the Duma, it will likely become law. "They have to make it appear as though they are fighting corruption," Oreshkin says.

LIVING HIGH ABROAD

It's not news that Russian elites live abroad. Even Vekselberg, who bankrolled Skolkovo Center, lives in Switzerland with his family. Billionaire and Chelsea Football Club owner Roman Abramovich lives in London. Gennady Timchenko, an energy businessman and good friend of Putin, lives in Switzerland. Writer Boris Akunin began spending more time in his house on the French Riviera since Putin took office.

The way Russians emigrate today has changed considerably since the Soviet era and the 1990s when people left the country forever, severing all ties to Russia. Today, many keep residences in Russia where they continue to make money but live abroad with their families. "You have another nest but don't give anything up here either," Nossik says. "The world is global. You live where you like."

Putin's announcement in September 2011 that he would run again for president and nominate then-president Dmitry Medvedev for prime minister escalated the desire of many Russians to leave. After the "castling" of Putin and Medvedev, the theme of emigration arose by popular demand, says Nossik, who taught seminars on emigration at City Class, a Moscow school that provides courses on everything from business to health to entertainment. Every class, with about 80 spots each, always filled quickly. In addition to advice for those planning to leave, Nossik's seminars included debates on whether or not emigration was a good idea. But for Nossik, after the first 100 days of Putin's latest term as president, there was no

HITTING THE ROAD

ST. PETERSBURG, Russia—Olja Voronenko is a shy 16-year-old violinist with a passion for music. She spends her days playing music, reading, and attending tutoring sessions instead of high school classes—an effort to accommodate her demanding practice schedule.

While Olja has few close friends, the bonds with her parents and her brother Dima, who just started college, are unmissable. So when Olja announced in 2011 she needed to leave Russia to pursue music, it was not a decision that had been made lightly. “I hope to move to France and apply to a good orchestra,” she says, “because I think I have more opportunities away from Russia.”

Yet, this is not even the most immediate motive behind her push to emigrate. Right now, she cannot travel freely with her instrument. When her family takes vacations abroad, Olja’s parents do not allow her to bring her violin. Border guards often question anyone with an instrument as to whether it was stolen.

“Even if you have documents, they won’t let you [travel with your instrument] until you pay bribes,” she says.

Once Olja is a professional musician, the ability to travel abroad freely will be a financial necessity. St. Petersburg ranks among the most expensive cities in Europe, so the salary Olja would make as an orchestra member would be difficult, if not impossible, to live on. Olja explains that if she were to play in a first-class Russian orchestra, she would earn about 63,000 rubles

a month, or \$2,000. At the same time, her violin teacher’s daughter, who plays in a French orchestra, earns four times as much.

Eventually, Olja hopes she, her parents, and her brother will be able to move to France together, though this will prove difficult. Her brother, like all young men, is required to serve in the Russian military, and her parents have to care for her aging grandparents. So for now, Olja is left with the most difficult decision of her life: leave her family or abandon her dream of a professional music career.



—Hallie Golden

arguing about whether to leave or not. Nossik cancelled his August seminar and told people they should cut and run. *Vlast*, a Russian word that means power overlaid with corruption, appears ingrained in Russian society for at least another quarter century, Nossik says.

LEAVE OR REVOLT

Talented young people are faced with two options—emigrate or fight the system, Oreshkin says. The ambitious, who want to realize their professional goals, leave. Those who don't, fight. But fighting the system is keeping a generation of professionals from career development. Scientists, who should be performing valuable research, instead take to the streets in protest alongside artists who should be painting, sculpting, or writing. But there is no other way. The brightest young people devote their energies and talents to battling election fraud, attending sit-ins and protests, not tending to business. "It's a citizen's obligation. You write texts, declarations," Oreshkin says.

In the wake of waves of protests that swept Russia after alleged fraud in the 2011 elections and Putin's victory in the 2012 presidential election, Putin passed a score of repressive measures restricting non-governmental agencies, the Internet, and the media. Members of the punk band Pussy Riot were jailed for two years after performing an anti-Putin song in Moscow's Christ the Savior Cathedral. Opposition leader Alexei Navalny faces up to 10 years in prison after embezzlement charges, which are widely seen as politically motivated. Another opposition activist, Sergei Udaltsov, has been put under house arrest and faces similar jail time if found guilty of starting



Dmitry Medvedev meets with Russian ex-patriots in Silicon Valley.

mass riots. Russia's Investigative Committee charged Udaltsov after a pro-Kremlin documentary allegedly showed him meeting with Georgian politicians to plan a coup.

The political protests have inspired some young people to work toward changing the system, rather than emigrating. Among those wanting to stay and improve Russia are Andrei Guryanov, the editor of *Slon.ru*, a popular business-themed online magazine, and his staff, including Vera Kichanova, a 20-year-old who recently won a seat in her Moscow district's municipal council. Indeed, the CEO of *Slon.ru* is Maxim Kashulinsky, the former editor of *Forbes Russia*, whose predecessor at the magazine, Paul Klebnikov, was gunned down in the streets of Moscow in 2004 after reporting on Chechnya's and Russia's elites. Those who want to stay and fight the system are typically young, well-educated, and tech savvy. Guryanov hopes more people will join the fight for a better future in Russia.

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"If more people will say that they want to change the situation, a strong civic society will gradually grow up," he says.

Individuals like Guryanov, however, are still a minority. Andrew Ryvkin, 30, is a columnist for the Russian version of *GQ* magazine. As a child in the early 1990s, he moved to Boston with his mother. At 19, he returned to Russia after his affluent father bought him an apartment in St. Petersburg, where he studied history. Ryvkin loved the glamour, excitement, and beautiful women of Russia. After graduation, he briefly worked as a teacher, but soon a friend helped him land a job writing for "Honest Monday," one of the most popular political shows on Russian TV at the time. It's easy to advance and earn a high salary in Russia for those motivated enough, but professionalism is hard to find, Ryvkin says. Top journalists have restrictions on what they can say, and businessmen have to hire security to protect their wealth. Abramovich, the oligarch and football club owner, is said to have 40 security guards. Now, Ryvkin is planning to emigrate to the United States and sees no signs of progress, or even hope, in Russia. As soon as a person wants to develop himself professionally, insurmountable obstacles arise. "In Russia, we see progress only in entertainment, but I can't live in a restaurant," he says. "There are nice restaurants, art exhibits, but 20 meters down the road you can meet a troop of OMON [Russia's riot police]."

POLICY PUSHES PEOPLE OUT

A host of failures by the current Kremlin administration is responsible for the exodus of Russia's most promising and capable talents. The nation's education system, for all its ideological rigidity, used to be one of the world's best. But since the collapse of the Soviet Union, the system has declined.

Next September, secondary schools will start charging students for all but the most basic subjects. A reform law passed with the support of the ruling United Russia party provides, without fees, two hours per week apiece of Russian, English, mathematics, and physical education as well as an hour of history. Fees must be paid for all additional subjects, costing families an average of about \$200 per month. The law has sparked public outrage since the average income outside Moscow is \$300 to \$500 per month, putting all but a skeleton of an education system out of reach for most Russians. Other policies that persuade Russians to emigrate include cutbacks in government spending on health care and infrastructure, coupled with new restrictions on non-governmental agencies, the Internet, and media. Doctors in government-funded public health care facilities and public school teachers receive notoriously low pay. Doctors want their salaries raised by 70 percent, while teachers are seeking 60 percent increases, according to an August survey by the Federal Statistics Service. The average monthly salary for scientists is about 20,000 rubles (\$634) per month. Scientists must look for side jobs and grants, which are very hard to come by. "Most people are ruled by salaries," Oreshkin says. "Our specialists can make much more in Canada or the U.S. You can count the amount of young academics on your fingers. We cannot offer them competitive conditions."

About 70,000 specialists left to work abroad in 2011, according to a Federal Migration Service statement earlier this year. Sergei Uchaikin is a senior scientist researching cryogenics at D-Wave Systems in Burnaby, a Canadian city near Vancouver. He left Russia for a job in Germany in 1996, when there were few opportunities for scientists in Russia. He continues

to work abroad and has no plans to return. Although science in Russia is improving, he says, many youths who came to work with him abandoned science for more profitable careers once they returned to Russia because of low salaries and lack of research funding.

Corruption and poor law enforcement are also large factors in pushing professionals out of Russia. Even Skolkovo became embroiled in a fraud scandal in February when news broke of an investigation into an embezzlement scheme involving the financial director of the innovation hub's fund. Anti-corruption watchdog Transparency International Corruption Index ranks Russia 133rd out of 174 countries and found that extortion by officials is an increasingly common form of graft. A small-time official with a few connections or rubles can influence the police or the courts to force individuals to hand over half their shares in a business. "The main law in Russia is the constitution, and it's the first law that is ignored," Nossik says.

Business owners constantly have to pay bribes to the tax inspector, the fire safety inspector, and other government officials. All spheres require personal connections to move up professionally. Despite the government's very vocal fight, corruption continues to proliferate. In 2011, the average bribe to a low-level government official tripled from the year before to about \$8,000, according to the Interior Ministry's economic security department. Even the education system is awash with graft. One wealthy businessman, who refused to be identified for fear it might harm his business, took his children out of

Russia because those with wealthy parents often take advantage of their privileged position. His children, ranging in age from nine to 26, are growing up in America and England. "I'm really happy that my kids don't know that you can pay to get a good grade on an exam," says this co-owner of a large furniture company in Moscow, who lives in London with his family but returns to Russia for work.

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In any society, corruption stifles competition and innovation. Liberal politics with fair elections, a level playing field to run businesses, and independent courts and media need to be supported, Oreshkin says. Laws must be designed to persuade people to remain here. More money, he says, needs

to be spent on social infrastructure like hospitals, schools, housing, and roads.

WE, THE GOVERNMENT

Twenty years after the fall of the USSR, the Soviet legacy remains. "Here, the government exploits its citizens," Oreshkin says. "It's still the communist mentality, the collective. If you want to move up yourself, it's not looked at in a good way." There is still a hostile attitude toward individually attained success.

Many are forced to join political organizations to keep their jobs. In July 2011, conductor and opposition figure Mikhail Arkadyev lost his job with a philharmonic orchestra in Vladivostok. The official reason was that the contract period ran out, but Arkadyev and his supporters claim his long-standing contract was not renewed because he refused to support United Russia and join the National Front, an umbrella organization that supports Putin.

The government has mounted several feeble initiatives designed to keep educated people in the country. A \$428 million “mega-grant” program provides funding for scientific research projects. The Skolkovo Innovation Center and schools were built to foster technological innovation. The projects are baby steps, but they will change few of the fundamental problems. While Silicon Valley is the best of what America has to offer, Skolkovo is an attempt to build something that doesn’t exist in Russia—a space where companies compete in a lawful environment without bribes and a stifling bureaucracy. The recent scandal, in which a group of suspects, including financial director Kirill Lugovtsev, used fraudulent tender to steal nearly \$800,000 from the Skolkovo fund, underscores the challenges of doing business in Russia. In the last 12 years, corruption flourished under the bureaucracy of Putin’s regime, and competition has been all but killed off.

Even if Skolkovo does become a corporate oasis, it won’t be enough to stem the tide of emigration. In order for innovation and business to develop and encourage Russians to stay, policy needs to protect property—physical, financial, and intellectual. Laws need to be developed and enforced, so that there is one law for everyone—not just for ordinary citizens, but also for Putin’s friends. Until then, the government’s promises to modernize the Russian economy will be just rhetoric. “Where there is no law, there is no freedom. You don’t know what will happen tomorrow, you can’t plan,” says Valery Solovei, a professor at the prestigious Moscow State Institute of International Relations.

Given Putin’s record, no truly significant policy change is likely to arrive in the near term. Recent policies,

such as laws restricting nongovernmental organizations and the media, suggest that the government is securing an ever firmer grasp on power, rather than serving an increasingly dissatisfied population. With Europe’s dependence on Russian oil and natural gas, Western countries don’t appear to have much leverage. Rising oil prices have masked the economic underdevelopment of Russia over the last 12 years. Entrepreneurs and scientists think: Why would I want to waste my time here? So increasingly, they go west. Russian-born Nobel Prize-winning physicist Andre Geim told a Russian radio station that he would never work in Skolkovo. “I am not at all interested,” he said. “I don’t have a Russian citizenship. I am a citizen of Holland, did everyone go completely insane over there?”

People are leaving because they believe the government is not interested in listening to them. The fundamental question is how long can the Russian system run by Putin and old-line apparatchiki keep failing and remain viable? Putin and his supporters must address the core problems of graft, inefficient justice, health care, housing, and education systems. Rising oil prices can’t hide the deep structural problems with Russia’s economy. If the brain drain cripples Russia’s economy, unrest will spread, and Putin will fall. The key metric, little observed until now, is elite emigration—Russia’s best and brightest vote with their feet as they have been unable to do at the ballot box.

“The Soviet Union didn’t collapse all at once. It slowly submerged into the swamp,” Oreshkin says. “Money is leaving. Why is Akunin living in France? Why do our scientists live in the U.S.?”

The answer is all around us. ●