

# Bannana in Russia

*Commercializing  
Transformational  
Technologies*

**Martti Vallila**

Copyright © 2013 Martti Vallila

All rights reserved.

ISBN-10: 1484817753

ISBN-13: 978-1484817759

## DEDICATION

For Rose and Olli  
a powerful combination  
of spirit, energy and intellect  
destined for independent development

## ACKNOWLEDGMENTS

Everyone named in this book has made a contribution to its existence. Most of the names are real. Inspiration for the book came from friends who listened to my many "Russian stories" and convinced me there were enough of them to fill more than an I-pad of notes, from which this book was born.

Having dedicated this first "Bannana book" to my parents, I use this space to thank Dominique, my wife, who lived the adventure, and Kristine and Sofia, our precious daughters, whose successes have given me the confidence to live my dream.

They have connected me to extended families in Boston, and given me sons-in-law Alex and Chris, and grandchildren, a second generation of Vallila's born in the "new world" of America.

IBM colleagues Bob Hernquist and Joe Orzano read early proofs and provided welcome suggestions; So did Paul Zelinsky and Alan Stevenson. Dennis Wishnie provided housing in San Francisco, where this book was completed.

## **Table of Contents**

1. Forward
2. Russia's Moment of Truth
3. Before Becoming Bannana
4. Leningrad on a Whim
5. FOXX Oy USA
6. Wild Flowers and Yoyos
7. Business for Russia
8. American Furnishings International
9. The Collapse of 1998
10. Akademgorodok, Tomsk
11. Nuclear Cities
12. Tatarstan
13. Vladivostok
14. Buddha Biopharma
15. Finland's Comparative Advantage
16. Ulyanovsk
17. Nizhny Novgorod
18. Silicon Valley
19. Travel in Russia
20. Conclusion

## FORWARD



A work in progress

I write this forward to my first "Bannana book" in 2015 in St. Petersburg. Russia-US relations are in the toilet. The economies of Russia and Finland are suffering as a result. I am deeply saddened by what I see around me. The ruble is trading at 74 to 1 euro making life very affordable for me but very expensive for Russians who are being fed an alternative universe by their media. The blame for their loss in purchasing power is placed squarely on the US. Sanctions have been imposed following the passage of the Magnitsky Act, driven through the congress by Bill Browder, founder of Hermitage Capital and author of "Red Notice". That legislation, preventing the travel of targeted members of Putin's inner circle, initiated an escalating confrontation between Russia and the West that included events in Ukraine now in dispute. What is indisputable is that relations between Russia and America were better during

times described in this book.

It is perhaps more important than ever that this first "Bannana book" be read in English (and why not in Russian?) so as to be understandable to citizens of both countries and perhaps contribute to the rebuilding of relations now under attack. (I believe that Russia and America are destined to be *partners as the common enemy of civilization, radical Islamic terror*, emerges as the true threat to civilized life.) When I started this book Dmitry Medvedev was president of the Russian Federation (a placeholder for Vladimir Putin, as it turned out) and there was hope that Russia would continue its connection to the West through its technology. Medvedev visited Silicon Valley at the invitation of AmBar, the organization of Russian-speaking graduates of the Stanford Business School that was pioneering the introduction of Russian technologies in the world's center of innovation.

Medvedev's visit to Silicon Valley was followed by a visit to Moscow by a delegation led by Arnold Schwarzenegger, California's superstar governor. Skolkovo was started outside of Moscow with the stated goal of becoming a "Russian version of Silicon Valley". Agreements were signed between Skolkovo and MIT. It seemed that cooperation in high technology between Russia and the US was on a path to success, to a bright future, in which brilliant Russian ideas would be actualized by links with western commercialization mechanisms.

\*\*\*

Innovation is a "bottom up", not a "top down", process. It begins with a brilliant idea that must first be protected (with patents) and then nurtured in what George Gilder calls "low entropy" rule-of-law environments able to provide complimentary

technologies and to thus support value creation through collaboration. Invention cannot be dictated. New ideas are initially resisted by vested interests, protectors of the current order.

Events took a dangerous turn when Vladimir Putin was returned to power in a disputed election that brought hundreds of thousands into the streets of Moscow and St. Petersburg. The adoption of Russian orphans by American families was outlawed. Offices of western NGOs were closed. Opposing media was silenced. Skolkovo was investigated for corruption. The American CEO, Steve Geiger, resigned.

America became the villain Putin needed to reassert his authority and control. The Olympics in Sochi were followed by an invasion of Crimea and then eastern Ukraine. Putin's popularity soared, from a low point following his disputed "reelection", to over 80% as the protector of Russian interests in a world that was shocked by the violation of borders guaranteed by Helsinki accords, signed in 1976.

As described in chapter 3 I was unexpectedly in Helsinki that summer of 1976 and shook the hand of my president, Gerald Ford, and immediately after, the hand of Leonid Brezhnev. I was 26 and had no idea I was destined to follow the footsteps of my diplomatic father Olli Vallila, who helped negotiate postwar reparation agreements between Finland and Russia that brought economic development to both countries. Russia entered my life forever in 1991 when, on a whim, my family found itself on the Kuznetsov steaming from Helsinki to Leningrad at the moment the Soviet Union was imploding. I hoped Finland would play a leading role in modernizing Russia. The Internet was emerging, making physical location irrelevant,



and opening up new possibilities for collaboration.

What happened to me in Finland is told in other "Bannana books". Here I describe my discovery of the world's largest country and my belief that it represents a source of potential "transformational technologies" that deserve to be introduced to the world. The most mature of these technologies is a potential treatment, and prevention, of Alzheimer's (and other age-related neurological ailments), described in chapter 14. Pomytkin's invention is waiting to be released into a Western world in desperate need of an effective treatment, as its aging population benefits from medical technology that lengthens their lives. The fact that the solution will come from Russia, a place where lives have not been similarly lengthened, is ironic, and tragic.

When I first visited Moscow in 1994 it was hard to find a restaurant open after nine o'clock. Only the recently opened McDonalds and Burger Kings offered inexpensive (exotic) meals till midnight. I discovered Night Flight, the legendary nightclub, through its kitchen, learning later that it was *the* place Russian women went to meet western men. There was little traffic in the streets. "Customer service" was a little understood, foreign idea.

USAID organized exchanges brought young, English-speaking Russians to American homes and businesses to give them first-hand looks at what life was like in a country described, at the time, as the enemy. Readers of this book will gain an understanding of the true source of American strength, its people. Ordinary American families who had never met a Russian opened up their homes and businesses, eager to share experiences that might prove useful in helping a closed society enter a new world not divided by an iron curtain. This message of people-to-people

communication becomes even more important at a time the governments of our countries are driving us apart.

American and Finnish bureaucracies frustrated my efforts to obtain funding for the business model I believe is needed to commercialize Russian technologies in Western markets. I had limited exposure to bureaucracies in Russia, preferring to work directly with scientists.

\*\*\*



The new Mariinski stage

Much has happened in the years since I began this book. I have become a grandfather, twice. It is impossible to imagine the streets of Moscow not clogged with automobiles. The Hermitage has a renovated section devoted to impressionists that displays these treasures in a setting as glorious as the works, with natural light filling space once occupied by imperial horse guards. The Mariinsky Theater has a second building in which it hosts spectacles. St. Petersburg is a low-profile stunning tourist destination.



Russia remains a work in progress. I continue to believe Russia's development is linked to effective integration into the increasingly connected global village, powered by the energy and inventiveness of its people, and not limited to the hydrocarbons under its soil. Russia's future will be determined by contributions its citizens are destined to make to this interconnected world, not the reconstruction of an alternate universe.

It has been my privilege to have witnessed, and participated in, Russia's opening, to have seen the transformation of her cities and earned the trust of some of her cleverest citizens. I offer this book as a contribution to building a rapprochement I believe is inevitable between the peoples of these two countries who have much in common and who have never fought a "hot war".

## RUSSIA'S MOMENT OF TRUTH



Kremlin at nightfall

Why such a title for this book about my twenty plus years of travel in an immense, complex country during a time of historic changes? In the Cyrillic alphabet V is represented by a в, L's appear as л's, so Vallila looks like "валлила" when written in Russian.

My story begins in 1991, when I first visited a Russia just beginning to open to western goods. Finland was a major gateway in, for consumer products previously either unknown in Russia, or available only to the select few with access to hard currency stores. General Secretary Gorbachev's election, in 1985, signaled the beginning of a new era for Russia. A member of a younger generation than his predecessors, he was the first Russian leader who questioned the effectiveness of the Soviet system in delivering the promises of a Communist state to its population.

Aware that people in the West were living in material comfort unimaginable to ordinary Russians, he instituted policies of "openness" and "restructuring", intended to correct the Soviet system. Gorbachev's policies of "glasnost" and "perestroika" made available, to ordinary citizens, items previously considered exotic delicacies. One of the previously forbidden fruits provided, via Finland, were bananas. Purchased in one's and two's, and often offered as gifts, bananas became a very profitable item for those in the trade. According to official statistics, in 1992 Finland was Europe's leading (re)exporter of bananas.

During my early visits I witnessed the growth of consumer choice in St. Petersburg and Moscow. Now, all manner of western goods are available in shopping malls throughout the vast country. Life for Russians has been transformed forever.

A key question emerges: does Russia remain a "banana republic" of the north, with oil and gas its bananas, or does Russia open itself to the west via its science? Can Finland act as a gateway for Russian science to world markets? I see a long isolated Russia as a treasure trove of potentially disruptive (in the positive sense of that word) solutions to global problems. China and India have a mercantile tradition and are engaged in the global economy, initially as providers of low cost labor and imitation, now connected by a diaspora that has rooted itself in the farthest reaches of the planet.

The Russian diaspora began when refuseniks (Jews and others wanting to leave) were allowed to immigrate and grew to include many of its cleverest citizens, who left mother Russia behind and focused on succeeding in their new locations rather than building links to the mother ship.

The Soviet Union's attempt to offer an alternative to capitalism lowered an iron curtain of secrecy over science that was driven by ideology and military needs. Soviet scientists pursued man's biggest questions without regard to commercial pressures. They were free to discover, but lacked outlets for their work beyond academic journals (in which their work was given away).



The dream of an “alternate society” no longer exists. The veil of secrecy may be lifting, but

personal habits, and fears, are deep seated. The inventor with a potentially world-changing idea does not know what to do. He understands that capitalism offers the promise of reward, but does not trust the Russian government to protect his interests. In today's Russia success is too often rewarded by confiscation.

In this book I describe the opportunity Russian science represents and illustrate, with examples, a business model developed over more than twenty years of wrestling with the potential, and challenges, of that opportunity. There has been talk about the need to diversify Russia's economy at the highest levels. During his brief presidency Medvedev promoted a plan to develop a "Russian Silicon Valley" near Moscow, in Skolkovo, as a top priority. Putin's return to power turned attention to Skolkovo's alleged problems with "corruption".

There is debate on the efficacy of any top-down method to promote innovation, little disagreement that the modernization of the Russian economy is a desired goal. Techno-parks and innovation centers in Siberia, Kazan, St. Petersburg, and elsewhere, are evidence of an interest in modernization that has taken root, especially among the young. Success in modernization is, however, linked to *effective connection to the global village*.

Russia's future can take many forms, and remains a work in process. Will integration into the European community be encouraged, or will the need to "protect" Russia from outsiders prevail? That question, posed in 2012 as I began this book, remains relevant. 2012 was an election year that brought citizens into the streets. Billionaire Mikhail Prokhorov, running on a platform of integration, got 8% of the official vote, finishing third behind

Putin's party, United Russia, and the Communists. There was considerable skepticism with the size of Putin's victory (63.6%).

The blogger Alexei Navalny emerged as the leader of an Internet-driven movement that took the world stage. His strategy of buying shares in Russian companies, and going to remote locations (where shareholder meetings were often held) to ask embarrassing questions, uncovered activity that supported an accusation that Putin's party was a party "of crooks and thieves". Navalny's call for protests following the election brought thousands of professionals, beneficiaries of the fruits of Russia's economic progress, into the streets of Moscow and St. Petersburg, expressing a desire for something more than the "stability" Putin had delivered.

Putin responded with strong actions against internal and external "enemies" that were met with little reaction in the West. His popularity soared. Anti-American nationalism threatened to cocoon Russia into a self-imposed web of nostalgia, while Russian forces engaged in "disruptions" of a classical sort. How to inspire the emergence of the butterfly of innovation, from a cocoon of paranoia, trapped inside a bear?

\*\*\*

I argue that the commercialization of Russian "element technologies" require their protection (via patents) and validation in Western venues, as prerequisites to their connection to complimentary technologies and their eventual marketing and distribution by internationally integrated networks.

In this book I explain how Russians with potentially "transformational technologies" can first protect them in trusted western "safe havens", and then launch them into the outside world, benefiting



both themselves and that outside world. I have witnessed Russia benefit from glasnost and perestroika. The resulting wealth is feeding a new confidence. What direction this confidence takes is a key question, at this moment of truth.

Russia has a reputation as a home to intellectual property outlaws, a source of pirated software, the world's leading "black box" of hacking expertise. The government's dealings with foreign entities has featured a changing of the rules of the game after the signing of agreements, its business culture is known for bullying behavior on the part of majority owners, under the protection of opaque laws.

In this wilderness I have discovered potentially world-changing technologies, at a time connecting them to the global village is not only possible, but necessary, in order to actualize their value. Chapter 13 tells the story of Buddha Biopharma, a Finnish company developing a nasal compound that promises an effective treatment (and prevention!) of Alzheimer's disease, an ailment that threatens to bankrupt the West. The solution will come from a country with a limited Alzheimer's problem, given the short life expectancy of Russians.

Chapter 12 tells the story of a multi-value chip design, with a history as a Soviet alternative to the binary digital world, that went nowhere when first invented, but could hold the key to extending Moore's Law on silicon, given the multi-processor architectures of a new generation of chips.

Other potentially "transformational technologies" from locations across the vast country, in various stages of development, are described. All may not succeed but their potential is real. What inventions await inspiration and guidance from "success

stories" ignited by a trusted business model, only time will reveal.

Russian inventors need help from trusted foreign partners. Building that trust takes time, and requires behavior that earns the trust. That trust must be repaid with "success stories".

\*\*\*

In this first "Bannana book" I tell the story of how I began a journey that changed, and energized, my life. It describes my travels throughout Russia, into formerly "closed" nuclear cities, of impossible to replicate stays in historic hotels, many now demolished, of my attempts to develop business in the evolving landscape of a constantly surprising country, and of my friendships with many of its wonderful people. It has not been an easy journey. More than once I found myself on the verge of financial disaster, wondering how to escape the collapse of a journey into uncharted waters, with a family on board.

The story of how I survived attacks from vested interests is told in "Bannana in the Legal Gulag; Exposing Trickery and Manipulation" and in "Bannana's Crime and Punishment; 'Justice' in Finland". The story of how I prevailed is told in "Bannana in Boston; Fortune after All". Interest in my story will increase with the launch of some of the technologies described herein. Success was anticipated as I wrote this book. The story of the beginning of the journey that has made everything possible is told here.

I was a small fish, swimming in big waters, during turbulent times; an American optimist (modern day Don Quixote?) shielded from harsh realities by a limited ability to speak the language. Will this personal journey provide insights useful to Russians? To Finns? To Americans?

Will pressures from the world's increasing integration bring Russians to accept trusted outside help, in bringing their technologies into the outside world? Once this question is answered, another question emerges: Is Finland ready to play to its strengths, and overcome stigmas, to grab this opportunity? On this question, as on the Russian ones, the jury is still out.

\*\*\*

"Success stories" in the private sector, supported by enabling state authorities, represent the way forward. The understanding of an appropriate business model, and examples of its successful execution, are necessary elements of this path. This book tells stories that I hope are instructive. Most names are true. Events are depicted as I remember them. I have made nothing up. My goal is to tell an important story, via anecdote, and perhaps to plant some seeds into fertile minds.

**Business lessons.** The book tells the story of the many difficulties and frustrations faced in the establishment of any new business, using examples from my experience. At the conclusion of each chapter I mention thoughts that these experiences suggest to me in "business lessons".

The first "business lesson" is the need to persevere if you have an idea that you believe in.

One thing is certain: it will not be easy getting there, and the path you end up taking will be quite different from the one you imagine.

The key is to have a clear long-term goal, confidence that it is worthwhile, and then to make the personal commitment to take the actions needed to start the journey.



## **BEFORE BECOMING BANNANA**

My role in this drama may well have been forged by the circumstances of my birth. My father, Olli Vallila, was a Finnish diplomat in Prague, in 1948, when he met Ružena Tvardek who was to become the second of three wives. The first and third were Finnish women, Ružena his exotic adventure.

Ružena was the daughter of a well-to-do coal mining family from Ostrava. For her it was also a second marriage. Her first, to the son of another good Czech family, was cut short by the tragic death, in infancy, of a son infected by the bite of an insect, in post-war Prague. The death poisoned the marriage, and ignited a spirit of adventure in

her. Life in the comfort of a bourgeois family in occupied Czechoslovakia was not in her future.

She met Olli at a garden party in Oujest, at the Tvardek country home, 100 km south of Prague. She was twenty-four, a beauty, he a handsome diplomat, sixteen years older, traveling between Prague and Warsaw, negotiating post-war commercial agreements representing Finland. My mother spoke no Finnish, he no Czech. French, the language of diplomacy and love, was their common tongue. I was born in 1949, my sister Marja, thirteen months later, in Prague. In 1952 Olli was transferred to Belgrade where I learned Serbian from playmates. (My Serbian was the best in the family). In 1954 my father served as Finland's representative to the General Agreement on Trade and Tariffs (GATT) talks in Geneva. I remember those days as the highpoint of the marriage between my parents.

We lived in a large house with a gigantic garden over looking Lake Geneva. One day when playing in the garden I discovered, under a tall tree, a cat that did not move. I ran to the house and brought my mother to the discovery. Realizing that I was experiencing my first confrontation with death, Rose explained that the cat would not move again. We buried the cat, conducting a solemn ceremony at the gravesite. I understood death to be a sad event.

Soon after, there was the announcement of another death, the death of a man: Stalin. The flag outside our diplomatic residence was flown at half-mast. Inside, there was the drinking of champagne.

“Why is the death of this man the cause of celebration when the death of the cat had been such a sad occasion?” Rose recalls my asking.

“This man was a very important man, not a good man,” Rose said. “Dědeček (grandfather) and babička (grandmother) are not with us because of him”.

“Now that he is dead, will babička and dědeček come?” I asked.

“Things are more complicated,” Rose was forced to explain. “Although this bad man is gone, there are others who keep dědeček and babička from us.”

Several days later the Czech communist President Gottwald died (after attending Stalin's funeral). This event inspired a repetition of the diplomatic two-step, the flag outside at half-mast, and champagne served inside. Rose explained that Gottwald was another bad man who had died and recalls my question: “now that this bad man is gone, will the grandparents come?”

Years later Rose enjoyed telling the story that, for more than a week following Gottwald's death the first question I asked was whether another bad man had died so that dědeček and babička could be with us.

The marriage between Olli and Rose did not last. Both were strong willed, Olli a Finnish patriot, Rose determined to see her children grow up in America. Another of her favorite childhood stories recalled the time I met a stranger on a boat, started speaking to him in Czech and, sensing lack of understanding, switched first to Finnish, then to French, all without result, and in frustration exclaimed: "this man speaks no languages"! She was determined to give her children the American dream.

In 1956, Rose, Marja and I, "three musketeers", set off for America on a cargo ship from Helsinki.

Rose was fluent in Czech, French and German but spoke little English. We settled in Washington DC, Rose figuring the capital was a place where her international background would be appreciated, her accented English understood. DC was not as hectic as NY, and closer to Europe than her other favorite US city, San Francisco. She started as a real estate agent in the Georgetown office of J.C. Chatel, a Frenchman.

Once settled in the US, Rose took a trip back to Europe and crossed into East Berlin to visit with dědeček, who was allowed to travel there. They took public transportation together, to West Berlin, from where, with only a toothbrush in his pocket, he left Czechoslovakia forever. He joined us in DC. It took many years and help from the Red Cross to also bring babička to America.

English became my 5th language. Marja and I spent hours watching our flickering black and white TV that first summer. Television proved to be an ideal language-training tool, shows like "the price is right" enlarged our vocabularies, tantalized our imaginations. Math was easy. I struggled with English, especially spelling, with the pronunciation of "e's" and "i's" reversed from what I had been taught.

I fought my way to acceptance on the fields of Georgetown playground, learning "American" football and baseball. When first offering me the chance to catch, behind the plate, my mates neglected to mention that the position came with a mask. I agreed to step behind the plate without protection (having never seen the game played) demonstrating, in retrospect, both ignorance and "sisu"...a Finnish word describing a national characteristic that is a mix of stubbornness, and perseverance, in the face of overwhelming odds.

Rose and her children became US citizens in 1961. From the day we landed in America I was destined to not spend more than three months of accumulated time, over the rest of my life, with my father. He stayed in Finland, continued a life there I knew little about. Rose raised Marja and me selling real estate in Georgetown, becoming one of that profession's finest representatives in that exclusive village. Once Rose sold you a house, you never dealt with anyone else. I recall my mother telling me to study hard "because the Russians surely were."

I did, in public schools, finishing at Western High (which looked like the White House to me the first time I passed it). Now renamed Duke Ellington School for the Performing Arts, Western was indeed a special place. It was the one truly integrated DC public school, with a student body divided roughly 40% black, 40% white and 20% "other". (Wilson, up Wisconsin Avenue, was 90% white, and the rest of the system was more than 95% black.) Since many residents of Georgetown were not sending their kids to public schools the building had excess capacity. Western was designated an open school, allowing anyone from anywhere in the District to attend.

Here was a naturally integrated school filled with bussing of the public kind, thanks to DC Transit. Western provided a precious social experience to those fortunate to study there. Many came from the 16<sup>th</sup> St. section of NW, epicenter of DC's emerging black middle class. Some drove all the way across town from Anacostia. I was able to walk there. I suspect no one from Western had ever gone to Stanford, across the country, in far away California. Stanford was not well known in the east back then, certainly not to me. The only



reason I applied was that a good friend of Rose's suggested that I give it a try.

I had little idea what I was getting myself into. My first transcontinental flight was to San Francisco in 1967 to check things out. Sleeping on a couch at a frat house I noticed there were skis in many closets. I could not imagine why. California was, in my mind, a surfing place. At the start of each quarter I visited lots of classes that looked interesting, ended up going to those that had good teachers. This strategy got me out of math into things I had never heard of. I ended up majoring in anthropology because the major accepted courses from multiple disciplines. The focus of my studies was California. California of the late 60's, no less!

My Finnish and Czech were forgotten, save for an occasional phrase, my French barely alive. Stanford had a language requirement that I did not want to waste precious class time fulfilling. I developed a plan. During the summer prior to my junior year Marja and I were travelling to Europe together. Always gifted in languages, Marja continued the study of French in college while developing as an artist. She was enrolled that summer in a one-month art course in Paris. I arranged an apartment there for us. (A professor of mine at Stanford needed someone to collect his mail in a place in the 15th arrondissement he was vacating for the time we would be there.)

Marja and I made a deal. In return for finding the apartment I asked that, starting from our first European day together, she would speak to me only in French. I figured this way, over time, her excellent French would somehow infect me and I would be able to return to Stanford at summer's end and pass out of the language requirement by taking some tests.

Marja went to class and I wandered around Paris. When we were together Marja patiently corrected my atrocious grammar and added words to my vocabulary. We were making progress. At the end of the month I told her that I thought that I was beginning to dream in French. From Paris we flew together to Helsinki to visit Olli, who we had not seen in eight years. We stayed in the log summer cottage Marjukkala, built in 1948 in the outskirts of Helsinki when the area was a wilderness. (Rose's nose for real estate recognized the value of a waterfront site close to Finland's capital.)



Marjukkala in summer

By 1969 the birch forest behind Marjukkala was filling with housing, and a bus linked Jollas, the section of Helsinki where Marjukkala was located, with downtown. Marjukkala was unique. Finnish country houses are typically built in the woods, with a small sauna at the seaside. Inspired by Austrian-Swiss mountain houses, Rose designed

a two-story log house with a second floor porch overlooking the sea, and a sauna on the first floor. As children Marja and I visited Finland only in summer, during visits home from diplomatic posts. Marjukkala was a magical place with blueberries, mushrooms and fish.

That summer we both had a lot of catching up to do with Olli. I struggled, muzzled by my secret commitment to speak only French. At the end of a week we were Olli's guests in a visit he had organized to Stockholm site of the annual summer athletic competition between Finland and Sweden. We took the overnight ferry, famous for its tax-free liquor and all night music. Late that night, in the disco, I switched into English for the first time. After listening to me for a few moments, Olli's face lit up.

"Tu sais, en Anglais tu est bien. En Français tu est un idiot." ("You know, in English you are all right. In French you are an idiot!")

From that moment, for the few remaining days I had with him, I spoke to my father in English. Upon returning to Stanford I took a combination of written and oral tests required to determine placement into (or out of) language classes. After speaking for an hour with the teaching assistant who had examined the results of my written test, the TA admitted he did not know what to do with me. Addressing my grammatical deficiencies would require placement in a class so basic that I would feel out of place, given my verbal dexterity.

My dilemma was resolved by the Vietnam war. That year (1970) campus chaos closed Stanford early, and resulted in many reforms, including the dropping of the language requirement.

Marja and I travelled next to Prague (speaking French) where we stayed with an uncle and aunt.

They were living in a small portion of a house they had owned prior to the “redistribution” of property that was a consequence of Soviet occupation. The portion left to them was small, adequate for an aging couple. Marja and I slept in the living room, converted into a bedroom for our visit.

I recall watching a black and white TV program about American Indian reservations. One did not need to understand Czech to realize the film was intended to provide an unflattering picture of life in America. When it came time for Marja and I to continue our travels, to Germany, Pavel, their son, said that he had to go there on business and would be happy to offer us a ride. On departure day Pavel arrived with a small car and, handing me the keys, asked if I would like to drive.



Preparing to drive across the Iron Curtain

I realized that the most exciting moment of this trip was about to happen. I had recently gotten my license, and the prospect of testing my skills on European roads was the granting of a wish I did

not dare imagine. I nonchalantly took his keys, thinking that Pavel had no idea of the risk he was taking.

Pavel squeezed into the back, sharing the seat with a small overnight bag. Our trip got off to a rough start as I massacred the clutch, stopping the engine several times. (Pavel remained patient as his car lurched back and forth). My confidence rose once we got on the two-lane highway through the Czech countryside. At the Czech-German border Marja and I provided our passports and Pavel presented his documents. We were waved through. Years later I learned that Pavel used this occasion to leave Czechoslovakia forever. Instead of a toothbrush (like dědeček), he would start a new life in Germany with the contents of his overnight bag.

That summer trip with Marja not only restarted my French, but reminded me of my European roots. I hoped that my future would somehow involve international work. I harbored a notion that I needed to train myself for something that would, one day, reveal itself. International would be a part of my professional calling, I knew, but how, in what, I had no idea.

\*\*\*

One of Rose's most precious gifts to me was the lack of any of the pressure that I saw descending onto many of my classmates, brilliantly illustrated by Mike Nichols' classic, "The Graduate". Rose had advised me to enjoy myself at college, "the freest time of your life". I explored the mountains around Lake Tahoe on skis, and took every opportunity to travel in the wonderland that I considered California to be. As graduation approached I knew staying in school was not for

me. How to continue my interest in anthropology and cultivate international wanderlust?

Biking across the Stanford campus one afternoon late in senior year I ran into Dwight Clark, founder of Volunteers in Asia (VIA). VIA got started by providing summer jobs as English instructors to students interested in a Hong Kong experience. Rooftop schools there needed native English speakers. Dwight had little trouble finding volunteers. Thanks to Dwight's skills in cultivating relations and his super human ability to recall names, VIA grew from teaching on Hong Kong rooftops to providing one and two year teaching posts throughout Asia. Dwight regularly visited dorms as part of his recruitment effort. I remember being intrigued when he had spoken at Grove House, where I lived my sophomore year.

Seeing him at a moment when the only thing I was certain of is that I did not wish to continue in school, I asked if there were any openings. Dwight explained that the application process was closed. However, a two-year teaching position in social sciences in the Philippines had recently opened up, thanks to a late cancellation. Would I be interested? Interested indeed! Not long after that talk I was on my way to Marawi City in the hills of Mindanao, the large island that dominates the southern Philippines, as a faculty member of Mindanao State University (MSU), established to help integrate the Moslem and Christian communities of Mindanao.

Here was a chance to see Asia without carrying a weapon, and to try my hand at teaching. Those eighteen months (I returned early because MSU was closed after the declaration of martial law in December of 1972) provided many stories for telling in another place ("Bannana's Near Death

Experiences"). Returning to the US in late 1972 I was both confused and sick with hepatitis, caught (I suspect) while being given a booster shot of gamma globulin with a large needle lifted from a sterilizing tray. I was speaking a Filipino version of English, raising my voice at the end of phrases. Topping my salary at MSU would present no problem. At the 12 to 1 exchange rate between the peso and the dollar, my monthly salary of 800 pesos, sufficient to support normal life in Mindanao, translated into \$60.

I got a job on the railroad, a perfect platform for rediscovering the US, and for several months rotated through on-board jobs on the overnight Amtrak train from DC to Montreal. Promotion into the Amtrak sales organization brought me to Chicago where I called on travel agents on the south side, selling them on train travel at a time Amtrak and the railroads were figuring out details of a complex relationship. Highlights from that time included promoting the idea of train travel to ski destinations, a European habit I thought right for Chicago, given the location of serious mountains an overnight train ride away; befriending members of the Chicago Symphony Orchestra while accompanying them on the private train Amtrak arranged between Chicago and Milwaukee for ten annual performances there; calling on Muhammad Speaks, the newspaper of the Nation of Islam, and closing a "package express" account for the weekly delivery of the paper to cities on Amtrak routes where the service competed with bus rates. Entering the offices of Muhammad Speaks required being frisked. The additional work I brought to Amtrak made me no friends in the baggage area of Union Station.

Key benefit of the job was the right to travel by train anywhere. I would talk my way into the engine on the great western trains, listen to stories of engineers, and take photos that I used to illustrate talks. I found selling rail travel to travel agents who made most of their money feeding airlines to be work with little measurable result, beyond the challenges one constructed for oneself, a not unexpected characteristic of a quasi government organization.

One day, out of the blue, I received a letter from my father. Finland had been chosen as host nation for the 1975 Conference for Security and Co-operation in Europe (CSCE), the greatest collection of world leaders since the Congress of Vienna in 1814. Olli wanted to share this moment of Finnish history with me. Round trip air tickets were included in his letter. He was serious.

I found myself a few days later on a Finnair flight to Helsinki. I had not seen my father since 1969, the year of our Stockholm boat ride. Finland was enjoying its place in the sun. The radio proudly announced the arrival of dignitaries from all corners of the world. The police force of the entire country was mobilized. Officers uniformed in blue and grey stood almost shoulder to shoulder along the streets of Helsinki. General Secretary Brezhnev made a point by arriving by train from Moscow to this moment of triumph.

The CSCE summit was widely criticized at the time as a sign of western capitulation, given its recognition of Europe's post war borders as "permanent" in exchange for the promise of "freer" communication, and movement, between East and West of information and people. Few could have imagined how this trickle of exchanges became a flood, supported by technologies that were not yet



invented, leading eventually to the disintegration of the Warsaw Pact and of the Soviet Union.

Pirkko, my father's wife, still worked with the Finnish Foreign Ministry and was able to arrange three invitations to the conference's garden party at Kalastajatorppa, or "Fisherman's Cottage", an elegant site in western Helsinki. There we joined very select company. On the lawn adjacent to a waterfront patrolled by police boats strolled an unprecedented collection of the world's VIP's, drinks in hand. I recognized Harold Wilson of Great Britain, Valerie Giscard d'Estaing of France, Makarios of Cyprus, a tall menacing figure in black robes, Palme of Sweden, with his brilliant blue eyes.

I could have approached any of them, if I had wanted, for small talk. I was, instead, content to stand and observe, looking for faces I recognized, and trying not to look too out of place. I was neither a waiter nor a security guard, just a young man about to take steps into geopolitical space. In this scattered moving collection of VIP's I noticing an open space, cleared by a circle of security personnel, in the middle of which I recognized President Gerald Ford listening intently, and nodding agreement, as a shorter Henry Kissinger was bending his ear. I announced myself to one of the guards manning this security perimeter, explaining that I was an American Finn wanting to welcome "my President" to Finland. He told me to be still, to wait.

Moments later I was waved into the center of an invisible inner circle and stood, face to face, with President Ford. (Mr. Kissinger had disappeared.) I explained my story about being a Finn-American proud to be visiting my father on this special occasion, and that he (Mr. Ford) should be very

grateful for the wonderful weather, not always so reliable in Finland.

"You shouldn't have told me that," joked the President, "I have every reason to believe that all summer days in Helsinki are beautiful" he quipped.

Our awkward exchange lasted a few more moments, and ended with a firm handshake. I was shown my way out of the circle as suddenly, and politely, as I had been invited in.

I hoped that I had behaved properly.

Shortly thereafter I sensed a commotion at the top of the stairs leading down to the garden where I stood. Who could be arriving to warrant such attention in this illustrious company? General Secretary Brezhnev appeared, his presence announced by a phalanx of security with wires in their ears. Brezhnev's boys parted the crowd, cleared the stairway for Brezhnev's slow decent.

Comrade Brezhnev carefully navigated each step. As he approached, I found myself near the base of the stairs in the front row, with only security men separating me from Mr. Brezhnev who, as he passed, instinctively shook the hand I extended in his direction at just the right moment!

My right hand had touched nothing since shaking President Ford's hand moments earlier.

Unbelievable!

I did not know then that my father, early in his diplomatic career, negotiated post war "reparation agreements" between Finland and Russia. I would learn this in 2002 from a photo in Helsingin Sanomat (next page) in which Olli Vallila was identified as the young man in a white suit standing between much older ministers.



I had no idea that my life would later find its way back to this geopolitical arena. I knew only that my father had achieved his goal of sharing with me this very special moment in Finnish history, and that circumstance had provided me with an unforgettable memory.

\*\*\*

A conversation with Rose during a train ride to Boston later that summer was a catalyst for action in my professional life. How long did I plan to continue my current activities, she asked pointedly? We agreed that a job at Amtrak had its limitations for an aspiring internationalist. I answered that I was looking at continuing my education not full time (I had had enough of that) but at night, in the MBA program at the University of Chicago. She thought that was a good idea. I applied and was accepted.

In the middle of the first quarter I scheduled a meeting with Richard Thain, director of placement. One of the first questions he asked was how long I

had been part of the graduate school of business family. When I explained that I had just started and needed his help to find something more relevant to my international interests he said that he usually worked with students who were further into their MBA. Nonetheless, he recognized my predicament and offered to review and circulate my resume. This resulted in several interviews, including one with International Business Machines (IBM).

During my interview with a marketing manager in downtown Chicago (IBM used field managers, not personnel staff, to interview candidates) I expressed particular interest in the first word in the company name. I was told no one could make any promises but if I did well "in the field", in Chicago, anything was possible. I started at IBM as a marketing trainee in the newly formed General Systems Division, created to sell small computers to first time users, on January 1, 1977. What I was learning at night, the disciplines of the "Chicago school", was making sense. My transition to serious life was in full swing, in more ways than one.

I was married on the Friday of the week I started with IBM (1-7-77) to Parisian-born Dominique, who I had met three months earlier in Rehoboth Beach, Delaware during a Labor Day weekend visit to DC. She appeared at the moment I was about to try a water skiing slalom course for the first time, ever, agreed to be an observer in the boat, and later told me that my repeated efforts to get through the course impressed her.

I couldn't take my eyes off her. That weekend we experienced a "coup de foudre" (lightning strike). Dominique had flown from Paris to Washington to visit her family on a visitor's visa.

Her visit was extended by our decision to marry. I received, immediately, a week off from IBM for this "once in a lifetime" occasion. (One week of work, one week off. Not a bad start to my serious professional life.)

The next time Dominique set foot in France was in the company of our first child, Kristine, born in August 1978. Kristine was two when we managed to organize a trip to Europe to show her off to relatives in France, Vienna, Prague and Helsinki. We rented a car in Luxembourg after flying there



Reading a wedding poem

on Icelandic from Chicago. Dominique had never been behind "the iron curtain". While staying with her mother and stepfather, then living in Vienna, we went to the Czech embassy to get the only visas we would need during our visit. (Vienna was a popular place to acquire Czech visas.)

We found a crowd in the consular section of the embassy and got into a line at the end of which we were provided the application form. After filling it in I handed it, along with my US passport, to the uniformed official and was given a number in return, advised that we could go for lunch and return in several hours, as our number would be called in the afternoon. As we were on our way out I thought I heard my number being called. Sure enough, I was being asked by intercom to come immediately to the interview room. Dominique had a worried look on her face. The man behind the desk addressed me in Czech. I explained that, unfortunately, I did not speak the language. He pointed to my US passport. It says birthplace: Prague. I explained that I had left as a small boy.

"Do you have any education in Czechoslovakia?"

"No."

"OK. Come back this afternoon."

We received our visa for a five-day visit and were required to change, simultaneously, an amount of money determined by the length of our stay at the official rate of 5 crowns for each dollar.

As we approached the Austrian-Czech border by car the next day Kristine was sleeping in the back seat in a box-like container that was the removable portion of an ingeniously designed baby carriage. Her box-bed with handles could easily be disconnected from the undercarriage and wheels, and carried into restaurants.

Kristine was both an energetic child and good sleeper. The simply designed portable contraption was a perfect fit for our lifestyle. It allowed us to take Kristine along everywhere, as was our habit, and provided her with the perfect place to crash, when that time came. It also seemed designed for the back seat of our compact car. As we approached the Czech border I saw, first, low fences, then higher ones, topped with barbed wire, then guardhouses atop still higher stilts, some distance from the road, in the forest. The guardhouses held guns aimed and fired automatically, by sensor, I learned later. This precaution had been put in place to eliminate the chance that guards firing at fleeing persons might miss their targets.

Our documents were in order. We were allowed in, our first destination being Bratislava. As soon as we were in the country we were offered the chance to exchange money at the rate of around 25 crowns to the dollar by just about everyone. The waiter at any restaurant would take our order and then ask if we wanted to exchange money. (At the "unofficial" rate life was very affordable.) After a three-day visit to Bratislava we drove to Prague on a four lane paved highway of top quality devoid of any traffic. I started counting cars going in the opposite direction. During a typical ten-minute stretch, I might count two.

I was asking myself why such a good road had so little traffic (was it built for troop movements?) when suddenly two policemen appeared, standing in the road. They signaled for us to stop. We were carefully examined. What is the bundle in the back? "Our sleeping child." A fine was issued (no seatbelt) that had to be settled immediately, in cash. We went on to Prague and parked on

Wenceslas Square, the cobblestoned sloping heart of the city with the statue of Prince Wenceslas in its center. At the base of this statue Jan Palach set fire to himself in 1968, protesting the Russian invasion that put an end to "Prague spring". Careful examination of the columns at the front of the National Museum, at the top of the square, revealed marks left by tank shells in 68, never repaired, covered in dust.

We strolled the square window-shopping. There was not much merchandise to attract our attention (the most interesting windows belonged to restaurants and hotels). Returning to our car an hour later, we found two policemen attracted by the only automobile with foreign license plates. We were issued a ticket that again required immediate settlement, for an infraction that was not explained. On the day of our departure I had some crowns left and used them to buy chocolates (it was illegal to carry Czech crowns out of Czechoslovakia), only to discover, at the boarder that, as we had spent two nights that were unaccounted for by hotel receipts (we had stayed with family), resulting in another fine, to be paid in crowns that I was forced to buy at the "official rate".

I explained to the woman changing the money that I had just bought chocolates with my last crowns.

"What a system," she shrugged.

Dominique was relieved when we exited Czechoslovakia. Kristine was sleeping.



### **Business Lessons:**

- When young do things that interest you. (Steve Jobs agrees. See his 2005 Stanford commencement address about "connecting dots" available on You Tube.)
- Diverse experiences build "comparative advantage".
- Look inside yourself for areas of "comparative advantage".
- The iron curtain separated families, forced ingenious solutions.
- Now that the curtain has disappeared, an awareness of its existence may constitute a "comparative advantage".

## LENINGRAD ON A WHIM



Peter the Great

IBM was a perfect place to work while completing my MBA. The University of Chicago provided economic theory. IBM provided case studies on the pavements of Chicago. I was fortunate to be hired by the General Systems Division (GSD) of IBM. Dominant in the world of "main frame" computing and typewriters, IBM recognized the emergence of a market for mini-computers. Training in Atlanta introduced aspiring systems engineers and salesmen to the fundamentals of data processing and business.

We were prepared for the challenge of explaining to business owners using paper records why they should trust their key assets to an electronic device they did not understand, and were afraid of. Two and three week stints in Atlanta were part of IBM's year-long training program that was otherwise spent working with experienced local

colleagues. I introduced one of my first mentors to contacts I had made at the Chicago Symphony when with Amtrak. He ended up selling them a computer. As I gained confidence I started to make "cold calls" on my own. To my surprise one of these calls, on Old World Tiles (a business importing Portuguese tiles owned by a currency trader at the Chicago Board of Trade), resulted in an order. As compensation for my "closing" a System 32 (a desk sized, mostly empty, computer costing \$25,000) I was given the privilege of the ringing the "order bell" outside the branch manager's corner office.

Additional payment was not possible because I was not yet on quota. Once on quota I began to experience the pressures of performing up to measured goals, a concept totally absent at Amtrak.

I had the best possible job as a "new account" rep in downtown Chicago, able to call on anyone I wanted. (In those days I could walk into office buildings without having to identify myself to security.) Compensation was a combination salary, sales plan bonuses, and accelerators, in addition to the ringing of bells.

I had the strength of support from the "IBM pyramid" behind me. That support was often the key differentiator against less-trusted competition. I was at the point of the IBM support spear, privileged to access world class resources ready to follow through on commitments I was making, to top executives addressing their key concerns. And IBM delivered on promises I made (most of the time). My belief, that the best jobs in organizations are found at the bottom and the top (not in the middle), stems from this time.

After five years as a "top performer" on quota (five clubs, one golden circle) I asked about going international and IBM obliged, sending me to White Plains NY. My staff job in E/ME/A (the European, Middle East, Africa division) made me an internal expert in "character sets" at a time this area was a buzz of activity.

Data processing and word processing were "converging". This convergence caused problems for languages outside the comfort zone of 27 upper and lower case English characters around which the data processing world had developed. The introduction of a word processing application onto a computer was no big deal in the English language. In the rest of the world it caused an earthquake. Character sets containing all accent combinations required to write a diverse group of European languages needed to be implemented across multiple IBM platforms, each burdened with distinct "character set" skeletons.

Things got even more complex when considering the exotic requirements of Hebrew and Arabic, written from right to left, with the exception of their numbers, which are written from left to right.

Expertise learned in New York got me to Paris, when IBM announced a reorganization that placed most of the countries using exotic character sets in a newly formed Areas Division headquartered in France. The timing was perfect. Our daughters were able to begin their schooling in their mother's language. They soon realized an entire country spoke it! After three years in Paris it was time to return to home base. My internal "card" still belonged to Chicago, a place I had left for a two-year staff job that transformed into a five-year adventure.

Keeping my eye on the international ball, and calculating that telecommunications was a part of the business destined to grow, I accepted a chance to join IBM's newly formed Global Network Support office in Research Triangle Park, North Carolina. Not knowing about telecommunications was not a hindrance. (I was not the only IBM'er with a profile short on telecommunications given a chance to "widen" their horizons.)

The transition from an office with a 28th story view of Paris to one in Raleigh with no windows was dramatic. After two years in a French public school Kristine shifted to an international school so she was used to both alphabets when we got to Raleigh. Younger sister Sofia spent her Paris years in an international kindergarten so she had little problem with the transition. Dominique found a job teaching in the Alliance Francaise sponsored program that was designed to keep overseas French-speaking kids (many from IBM families) up to speed with the curriculum they would face upon returning to the France.

The decision to resettle in North Carolina introduced us to the state that would be our home for the next ten years, provide both girls with great public school educations, including undergraduate degrees from UNC Chapel Hill, and midwife my transition from the comfort and stability of IBM into the unknown. That journey was launched the summer of 1991, our fourth year in North Carolina. We decided to visit Finland. My father had passed away. Pirkko made Marjukkala available to us. I wanted the kids to know more about their Nordic roots.

Once we got there Dominique asked whether it would be possible to visit Russia. Russia is not a country that you go to on a whim I answered, but

agreed to visit a travel agency to demonstrate my point. The agent informed me that we were in luck. There was a Russian boat departing Helsinki for Leningrad the next day. The Kuznetsov had one available compartment, suitable for four. More importantly, as we would be sleeping on board, and eating all of our meals on the ship, no visas were required.



Sofia and Kristine drinking on board

The next day we found ourselves on the deck of the Kuznetsov departing Helsinki, at sunset. To celebrate the start of our voyage I ordered vodkas, and soft drinks, from a young man circulating among the crowd on the outdoor deck. Moments later he returned with two glasses of Stolichnaya and cokes. I gave him a 100 FM note for the 40 FM bill. He gestured that he did not have change. I motioned to him that we would stay on deck to await his return and offered a toast to celebrate the start of an unexpected Russian adventure.

The ship moved past Suomenlinna, the fortress guarding the harbor of Helsinki, into the open sea. The breeze picked up as we found open water. We agreed it was time to go into our cabin. More than 30 minutes had passed with no sign of our waiter. We would seek him out, while exploring the ship. We descended a staircase, passed by a pool of brownish water. I spotted him around a corner. He seemed surprised to see me, fumbled through his pocket to produce a 50 FM note. I motioned that this was enough for change.

We found our cabin and settled in for the night, kids in the top bunks, parents below. A porthole between bunks provided a link to the sea. A midnight sun made viewing through it late into the night possible, but I fell into a deep sleep.

The ship's intercom woke us in the morning with Russian music, and an announcement in English reminded us to fill out carefully and completely the customs declaration forms we had been provided at boarding, being sure to list all valuables and precious metals. I wondered if I should list the gold caps of my back teeth and our wedding rings.

Through the porthole I spied rusting ships and idle cranes far into the horizon. Only we were moving. An occasional collection of smoking workers observed the passing of our ship. Once we docked, Kuznetsov passengers were offered buses for in-town excursions speaking Finnish or English. We climbed onto the English speaking one and were greeted by Alex, microphone in hand, who announced that he had "spent six months in UCLA".

In spite of what we had been told, it would not be necessary to eat all meals on the ship. Anyone wanting to sample Leningrad's cuisine should announce themselves. He would be happy to

arrange lunch in a local restaurant. We could pay Alex in Finn marks or dollars, he would pay the restaurant in rubles. (A Russian entrepreneur.)

The bus took us from the harbor into the center of Leningrad, onto Nevsky Prospekt, the city's greatest street. One could see people standing in queues outside shops. It was difficult to tell what was being sold, as few windows displayed goods. I thought of stories about Russian women standing in line for anything available, knowing they could resell anything they did not want for themselves. A few shop windows displayed photos of luxury fashion products, jewelry, and perfume. Hints of an outside world were beginning to sprout.



Outdoor flower stall

As we toured the city I was struck by the immense scale of everything, the breadth of the Neva River, the length of the bridges spanning it, the size of the columns outside the maritime museum, the size of the parks. We drove past the spot where Rasputin was killed, Alex explaining



that he was first shot, survived that blow, and was finally drowned when forced beneath the ice of the Neva, past where Raskolnikov committed the crime documented by Dostoevsky.

Our bus stopped for photos at the statue of Peter the Great, on horseback. Alex told of how the will of the well-travelled (seven-foot tall) giant Emperor forced the creation of his masterpiece from swampland.



He spoke of the World War II siege lasting almost 900 days, how more than a million and a half starved to death, how an equal number were evacuated, how the city managed to survive with the help of a lifeline of support allowed by the Finns, commanded by Mannerheim, over frozen Lake Ladoga, permitting some food to penetrate a blockade imposed by the Germans, allies of the Finns. (Balancing the interests of neighbors has long been a characteristic of Finnish diplomacy.)

After the war Finland ceded Karelia, a portion of Finland containing its second largest city, Viipuri, and the Saimaa canal, gateway to central Finland's lakes, to Russia. No foreign soil could be within artillery range of Leningrad, Stalin insisted.

Urho Kekkonen, head of the delegation and later President of Finland for 25 years, insisted that the treaty of friendship and cooperation include a clause stating that Finland had to explicitly request Russian "help" before it was provided. Stalin agreed. (The Finns have never asked.)

Kekkonen's policy of accommodating the needs of his large neighbor was labeled "Finlandization" a term with negative connotation, suggesting a strong dose of self-censorship. Anyone observing the economic and political development of a vibrant, free Finland, next to a closed, increasingly ossified Soviet Union, since the war's end, must acknowledge the benefits this policy delivered to Finland. The payment of war reparations worth \$226,500,000, at 1938 prices, to the Soviet Union forced the diversification and modernization of Finnish industry. New factories forged steel to build ships, locomotives and power stations for delivery to Stalin. Reliance on pulp and paper ended. Finland turned hardship to its long-term advantage.



Ice fishermen on the Neva

During the Cold War Finland established itself as a gateway for trade between the dollar and the ruble zones, its central bank managing a clearing account that allowed for the trade of Russian natural resources for western products. This trade made the Soviet Union Finland's largest trading partner. Finland's rails are the only ones in Europe with Russian width (Finland was a Russian protectorate when they were built). This, among other factors, makes Finland a natural logistical gateway to Russia. A map of post-war Europe showed Finland as the only country bordering directly on the Soviet Union practicing free elections.

\*\*\*



Catherine the Great statue

Alex's tour bus left us in Alexander Park, off Nevsky Prospekt, in the center of the city, so that we could explore, on foot, what we had seen through bus windows. That small, by Leningrad standards, park is dominated by a statue of Catherine the Great, in its center. Artists were displaying their works outside the iron fence that surrounded it. We circled the square, examining watercolors, oil paintings, portraits and caricatures, before setting off along Russia's most famous street in the direction of the golden dome of St. Isaac's Cathedral. The sidewalk was crowded. Careful not to lose contact with one another, the four of us soon crossed one of Leningrad's many canals.

A shop displaying a military cap in the window caught my eye. We entered. Various military items were visible on shelves behind the counter. I got the attention of a clerk motioning that I wanted to try a hat.

"Niet niet", she said, making me understand that I could not buy anything, as I was not a member of the Russian military. Our exchange was observed by a young man, who snuggled up to me, pointed into a large brown paper bag at his side, and said: "Mister, you want hat, I have. Belts also." I could see a hat protruding from his bag. Two worlds in parallel, I thought. "Official procedures", followed by the woman on one side of the counter, were being openly violated by an early participant in the emerging cottage industry of individual initiative, where "anything goes". Nevsky Prospekt was an eclectic mix of stores offering luxury goods and fish stores one could smell from a distance.



Hermitage from the Neva

I sensed I was witnessing a Russia undergoing a profound transformation, from a country where people had money but little to buy, to one where goods were beginning to appear, challenging all to figure ways of earning sufficient amounts to afford them. This dynamic was sure to inject energy into

the system. The services industry, non-existent in Communist times, was finding early expression in those bag carrying entrepreneurs and would grow to create millions of jobs that were unimaginable to the citizens of Leningrad at that time. (As an outsider I could see outlines of what would happen.)

We visited the Hermitage. I was prepared for the masterpieces on its walls, surprised by the gold on the staircases, astonished by the SCALE of the place. The courtyard behind the Hermitage could hold three football fields, to put it in western terms.



Behind the Hermitage

Inside the Hermitage we were asked to put on shoe coverings of transparent blue plastic (to protect the wooden floors) and viewed unprotected ancient masterpieces exposed to the whims of humidity and weather conditions (a breeze occasionally moved the heavy curtains covering open windows). The rooms were crowded, each under the surveillance of a babushka.

"All money is going to Moscow", was the answer provided to my question of why these treasures were being exposed to humidity.

Just off Nevsky Prospekt we wandered into a building that looked from the outside like a church in need of repair. Inside, a bi-wing airplane with skis for runners was hanging from the ceiling, and a stuffed polar bear was climbing where an altar once might have stood. Wall paintings depicting arctic scenes, and a red flag above a display commemorating early explorers, completed the redecoration of this house of worship into a museum of arctic exploration.



Polar bear in a former church

We attended a ballet performance in a hall with many empty seats. The performance by young

dancers was of high quality, the orchestra, live, the audience local, with many children. At intermission I ordered several small sandwiches of salmon and salami, glasses of Russian champagne and received a handful of rubles in return for payment of almost nothing in Finn marks (in an exchange with no middleman).

On the second day of our visit Alex and his bus took us to Peterhof, Peter the Great's spectacular summer palace 20km outside of town. The fountains, inspired by those at Versailles and fed by natural springs, claim the technical novelty of not requiring any pumps, using gravity and the difference in elevation between upper and lower gardens to achieve the pressure required to drive them. The grounds and fountains were in serious need of attention. There was no shortage of gold on the walls, ornate doors and stairwells of the palaces.



Peterhof panorama



For the trip back to Leningrad we joined Alex on a space-ship looking hydrofoil boat that must have traveled at over 40 km an hour once it reached a plane. Russian champagne on board cost almost nothing. I had paid Alex for the boat ride in hard currency. I could only guess what the ride cost the locals. (In many Russian historical sites, including Peterhof, Russians pay about 10% of the price charged tourists.)



Rocket boats

At the conclusion of the second day I was smitten, certain I was witnessing early clues to big changes about to emerge. I faced my own moment of truth. There was a captivating energy, innocence, and disorganization about the place.

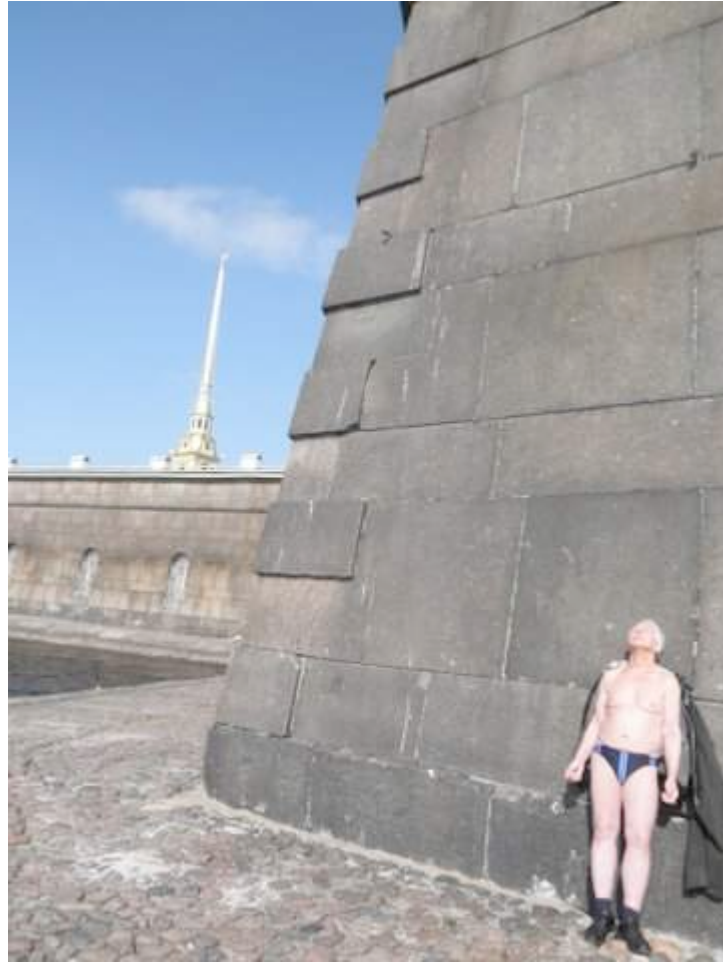
The most important story of the next twenty years will be lived in this place, I thought. What to do? Observe from a distance, or jump in? My fifteen-year IBM anniversary was approaching, providing me with vested pension rights upon retirement. Never considering myself an IBM "lifer", my

decision was easy. On the boat back to Helsinki I made up my mind. If I passed this chance up, I would regret it forever. I would leap, fulfilling some intended destiny. I just had no idea of what that destiny was, or how I would reach it.



Nevsky Prospekt

News upon our return to the US was that Gorbachev had just returned to Moscow from "imprisonment" in his Black Sea vacation home, and was being confronted by Yeltsin. The Soviet Union disappeared the next month, replaced by the Commonwealth of Independent States, or CIS. Leningrad voted to change its name back to St. Petersburg. Russia was living historic days. My instincts were being affirmed. I would now have to figure out how to leverage my strengths. What strengths? I had a Finnish name and was blessed with *sisu*, a combination of determined persistence and potentially wreck-less hard-headedness introduced to the reader in the previous chapter.



Searching for sun in early spring

I declared for the severance package being offered to IBM'ers as part of a major restructuring. I was entering the prime of my life, determined to spend it working with Russia, via Finland. Historic times were on the horizon. Opportunities were there for the taking. Action was needed. The moment I had been preparing for was at hand. The retirement package provided some cash for

years served, giving me a cushion to start with. The rest would take care of itself, so I hoped.

Looking back on that moment I realize how oblivious I was to the huge risks involved. Leaving the security of IBM at a time when my oldest daughter was four years away from college, her younger sister just entering middle school, qualifies as a serious mid-life crisis. IBM had brought me to Raleigh from where I (as part of the "iceberg") flew to destinations around the US supporting teams addressing international telecom issues. I was more familiar with the road from my home to the airport than I was with downtown.

My decision to leave IBM was thus a plunge into a local business environment I knew little about. It was a question of answering destiny's call. Having survived the years that followed I am grateful for having had the blind courage to take this "leap of faith". The Vallila's are stronger for having lived the adventure. And the best is yet to come.

### **Business Lessons:**

- If you have a strong well-informed instinct about an opportunity, go for it.
- Large companies are excellent training grounds.
- Don't stay in any one job there too long.
- An outside perspective provides potentially valuable insights.
- The top and bottom of organizations is where the action is.
- Turbulence offers promise.
- Opportunities exist in the middle of any exchange.

## FOXX OY USA, A LEAP OF FAITH



Will and I make the paper

At the World Trade Center of Research Triangle Park (RTP), the most international venue in the Triangle, I met Will Cardwell, a Davidson graduate who had just returned, with his Finnish wife Janna, from two years of graduate study at the Helsinki School of Economics to pursue a PhD at the University of North Carolina.

A tall fellow with southern charm and the discipline of a graduate student, Will made a strong impression. I sensed intelligence, honesty, a hint of awkwardness explaining thoughts. We spoke about Finland, about Russia. Our world-views were complementary. So were our skill sets.

In Helsinki Will had taught seminars on finance for FOXX OY, a Finnish company pioneering trade missions into Russia by Finnish businesspeople looking for contacts in the emerging Russian economy. He knew accounting and was ready to keep the books for a new business. I would be responsible for promoting it. We would develop it around the theme of Finland's role as a practical, knowledgeable gateway into Russia.

Why not open FOXX Oy USA? We contacted "father fox" Dr. Osmo Kettunen, (ketu means fox in Finnish). He agreed to wire starting working capital of \$5,000 for the business. Osmo recognized the benefit to his profile in Helsinki of having a branch in the US. Our idea was simple: Finns would be sold as trusted guides into the Russian wilderness to Americans curious to explore this last frontier. We just had to get the word out. Surely business would follow.

We needed a brochure to describe the structured negotiation process developed by FOXX. Participant companies described their interests in forms provided, FOXX identified negotiating partners utilizing networks in Moscow and St. Petersburg, provided background training on the particularities of "Russian business" before accompanying participants on trade missions. Each participant was promised a translator and eight or more introductions to "screened" potential business partners during two days of negotiations in Russia. We designed a brochure describing this process that featured three flags, the US flag on the left, the Russian flag on the right, the clear blue cross at the center of the Finnish flag connecting them. We wanted to use the brand new Russian flag, featuring red, white and blue horizontal stripes. The flag was so new examples

were hard to find. We relied on Tanya, the third member of our team, director of languages and expert on "all things Russian". You can imagine our disappointment when we discovered, after the first printing of our brochure, that the flag's stripes were displayed in the wrong order!

This was not a major problem. Few people in North Carolina (or anywhere) were familiar with the new flag. More challenging was the question of how we would find clients for our first "trade mission" to Moscow, via Helsinki. We decided to hold a seminar on Russian business at the World Trade Center. Our problem was that my brief visit to Leningrad described in the previous chapter was the only "experience" either of us had with the place. Neither Will nor I had ever been to Moscow.

Answering questions about the place, never having been there, required all the sales skills IBM had taught me. Attendance at that seminar was below our low expectations. I decided to do what I had done with success in downtown Chicago selling computers, and to make "cold calls" on prospects. (A cold call is an unannounced approach to someone who does not yet realize that he is a customer.)

Cold calling potential computer buyers representing IBM was a far cry from cold calling "good ol' boys" in North Carolina offering them the prospect of an "inside" Finnish track to business opportunities in an emerging Russia, a country many would have difficulty locating on a map. As an IBM rep I could rely on a formidable support network. Any question could be addressed by accessing portions of the "IBM iceberg". When asked a question with respect to the FOXX "trade missions", I made the answer up. We created policies as they were needed.



We priced the missions using economy class air fares negotiated with Finnair. (We were frugal and assumed this would be the case with our clients.) When asked by Bob Barker, my first serious prospect, for the price of the mission to Moscow with first class travel, I could not answer. I promised to get back to him. During my drive back to Raleigh from Fuquay-Varina, where Bob ran a company selling supplies to the US prison system, I contemplated the possibility that I had met the man who might just become our first customer. He had asked about price, a sure buying signal. When I got back to Bob with the package price, including first class air travel, he said he was "in".

The only remaining problem to confirming his participation in our mission, I explained, was that FOXX needed a critical mass of at least six. He was the first. Bob called Jonny, who managed a company manufacturing kitchen equipment, and Patricia, founder of a company manufacturing skin care products for private labels. They trusted Bob's business judgment, and agreed to join. We were half way to the needed number.

Art and his girlfriend, a businesswomen, joined some weeks later. They both went representing several companies, and to enjoy one-another's company. I counted them as two companies. The tipping point was Ray, who I recruited from Atlanta by phone. He was manager at a major US aluminum company intrigued by the potential of our approach to the world's largest producer of aluminum. Before departure we added Fedel, international business manager in a Raleigh-based, electronics manufacturing company.

Osmo sent names of negotiating partners for each company just prior to departure. There was

little detail aside from the name of the organization.

Will and I flew in coach, our clients in 1st class, from Raleigh to JFK, where Tatiana conducted an introductory session on tips for doing business in Russia in the Finnair first class lounge, explaining Russian phrases and personal habits. One example: don't shake hands with women unless they initiate the process. Participants viewed a video on Finland produced by Maurice Talbot, one of many travelogues he had done for North Carolina public TV. (Maurice was the husband of Jatta, the travel agent responsible for arranging our Finnair tickets.)

Jatta managed to set FOXX up as a business account and arranged for this account to receive all the frequent flyer miles of the delegates in what in retrospect was the savviest business move of our project. FOXX OY USA earned little revenue, given what we were obliged to pay our Finnish parent, but we got lots of airline mileage. Father FOXX conducted his orientation program the next day to jet-lagged travelers in Helsinki, delivering lessons in formal Germanic style, using short, direct words. His rimmed glasses, square jaw, short light hair and tight smile communicated discipline. When meeting anyone for the first time Osmo clicked his heels. Osmo provided practical advice: "just start talking. Show concrete examples of your product. Be prepared to deal with small, new organizations without backgrounds. Request payment in advance for any shipments."

The next morning we flew to Moscow and were met by FOXX partner Andrei and a bus we did not come close to filling. I was curious for my first look at the capital of a country I had committed my future to. As the road from Sheremetyevo merged

with the main road that would take us to Moscow, Osmo pointed out three giant iron crosses that mark the point where, during WW2, the German advance was halted with the furious sacrifice of thousands. (The crosses are now obscured by a pedestrian overpass leading to an IKEA store.)



Osmo on the bus with his USA tie

In 1993, there was little to distract the eye from this stark memorial. The traffic on the road into Moscow was light. As we approached the center of the city, long grey buildings appeared on both sides of the street. A drizzling rain obscured views through muddy windows. Few elements of the passing scene attracted attention. Drab buildings lined streets filled with smoke-belching trucks. Russia was providing first impressions consistent with expectation. I recall the red carnations in the middle of a long table in the room where we met the Russians with whom we would be negotiating for the first time. Floor length burgundy curtains blocked the yellow light of Tverskaya Street. The

Russians were seated on one side of the table as we entered the room. We took our seats on the opposite side.

We listened to short speeches of welcome translated into English, and observed curious looks from a collection of heavy faces, examining this first group of Americans brought them by FOXX. The men wore dark suits, many of the women knit sweaters. Osmo, wearing an American-flag tie, thanked our hosts and invited the Americans to talk. Several members of the delegation expressed their happiness to be in Moscow, and wished for productive talks. We were then driven further down Tverskaya, turned left where this most famous of Moscow streets dead-ends (at the Kremlin), and drove up Teatre Street, past the monolithic Duma building that occupied an entire block. We passed the fountain in front of the Bolshoi Theater on the left, a statue of Karl Marx on the right, and turned left again, onto a side street containing the small, ornate, Savoy Hotel (recently refurbished by a Finnish company). The interior of the Savoy was as impressive as its exterior. A photo of James Baker hung on the wall of the reception area. As we were being checked in I recall thinking that this was indeed a proper venue for this "first class" delegation. (Will and I were sharing a room to economize.)

After refreshing themselves, and changing into formal attire, the delegation was driven to the Restaurant Prague, at the base of old Arbat Street, for the welcome reception. Delegates, translators, and Russians mingled while sipping champagne, vodka, or soft drinks eating from an assembly of salads, cold cuts, fish, fruits and meats.



Welcoming reception at restaurant Prague

Flower arrangements decorated every table. Delegates took Osmo's advice to "just start talking", and before long there was a buzz, both in the air and in my head. Jet lag was setting in. When the trip back to the hotel was announced I

sensed that all were grateful for the approaching night of sleep.

I woke early the next day, shortly after sunrise, and decided to take my first stroll in Moscow. I could not have chosen a better place from which to start my exploration of Russia. Turning right I reached a main street, recognized the red brick walls of the Kremlin across the street. Atop an incline of the road, on my left, was a large traffic circle at the center of which I could see the empty pedestal that I suspected (correctly) had once supported the statue of former KGB chief Dzerzhinsk. There was silence. No cars, few people. Moscow was sleeping. On that quiet morning I discovered places now familiar to me. Walking past Lubyanka prison I explored the small streets surrounding the Kremlin, reached the Moscow River, and found my way back.

I will never again see them in tranquility. The streets through which I walked that morning have been transformed. Restaurants and shops, renovated churches, buildings with new facades now seem always full of traffic. That morning, at 9am, an occasional vehicle passed as I returned to the Savoy for breakfast. Around ten Andrei appeared, ready to accompany us to the negotiation location.

He had a proud grin on his face and announced that I was welcome into his new car. As I got into the passenger seat he asked me to fasten my seat belt, an "option" he had insisted on. As he drove he explained that he had not yet been able to install another "option", the rear view mirror. I could see he was right.

We drove in this "executive car", followed by the bus carrying the delegation, along the Moscow River. Smoke was spewing from tall brick stacks.

Andrei, talking non-stop while driving with no rear view mirror, explained that he entered "business" after being expelled from his institute for drawing a caricature of Lenin. He had no choice. Now he was happy. Things were going great.

As he drove I spied groups of men huddled in conversation on sidewalks in front of ochre colored walls, many patterned with cracks or large blocks of missing stucco. Few shops. Streetcars jammed with passengers looked as if they might date from wartime. Kiosks, their glass walls displaying cigarettes, juices, women's hosiery, toiletries, gum, and beer could be seen on sidewalks. (Kiosks subsequently spread to all space around metro stations and underground crossings and sold items as large as refrigerators.) The basements of some residential apartment buildings appeared to contain shops, judging from what could be seen from street-level windows.

We entered an ordinary looking building and were ushered into a large hall arranged with clusters of individual tables and chairs. Each table had a vase with red carnations. The piano at the end of the hall was covered, the curtain on the stage behind it, closed. This was now a "business hall". Each delegate set up a table with samples or brochures and waited, along with the assigned translator, the arrival of the first wave of Russian "negotiation partners". Bob's table was filled with personal care items: toothpaste, soap, deodorant, sneakers.

He was as interested in what he could find *in* Russia to fill his supply network, as he was in selling the low cost items he acquired around the globe into Russia. (The invention that had helped establish Bob's company in the US prison market was a fishnet bag into which a prisoner's clothes

could be placed, for washing without anyone having to directly handle the contents.) Bob was most impressed by a product he saw during a company visit (outside the negotiating sessions): a camera at the end of a tube easily maneuvered under a vehicle. He thought this contraption could have commercial value in America.



Bob Barker and his table of offerings

Patricia brought samples of shampoo and skin treatment formulations she was manufacturing for others, hoping to find a direct outlet in Russia for her products. She signed an agreement during her visit and sent a pallet of product on credit to her new Russian partner. She encountered difficulties with Russian customs when her shipment, which included sun lotions, was held up and missed the summer season. She later learned that all her products would require testing by the Russian Academy of Medical Science before they could be sold.



Other delegates described their companies and products with the aid of presentation materials. The translators familiarized themselves with the material, needed little help to get conversations going after the first or second meeting. Osmo hosted a de-brief at the end of a full day, in the Savoy's ornate bar lounge. Participants expressed satisfaction. Osmo was also pleased. It was after 9pm when our discussions concluded and Bob, Jonny and I went out looking for some dinner. This proved to be a challenge.

At that time of night, in Moscow, there was no place to eat in public, except McDonald's and a recently opened Pizza Hut. (This is hard for anyone who has visited recently, or Russians born since this time, to believe.) Our cab driver knew of a place we could feast our eyes, as well as our stomachs, and took us to Night Flight, then in its early days on route to becoming a legend, the place where unattached Russian women went to meet western men. Bob paid my \$20 admission. We entered, after checking our coats, one of the freest, most vibrant, markets in Moscow.

On the way to the upstairs restaurant we ran into a blond doing her best imitation, and it was not a bad one, of Marilyn Monroe, complete with red lipstick and dress. We invited her to dinner. Her English was good enough to joke in. The bar downstairs, and adjacent dance floor, was a mass of pressing, moving, flesh, mostly female. After a drink, I squeezed onto the dance floor, following a brunette. Time whizzed by. I had to go. She appeared disappointed.

A second day of meetings ended with an official farewell featuring vodka toasts in front of black and white photos of scientists somehow connected with the facility we had been using, and

blue illustrations of industrial and scientific projects explained in Cyrillic hieroglyphics.

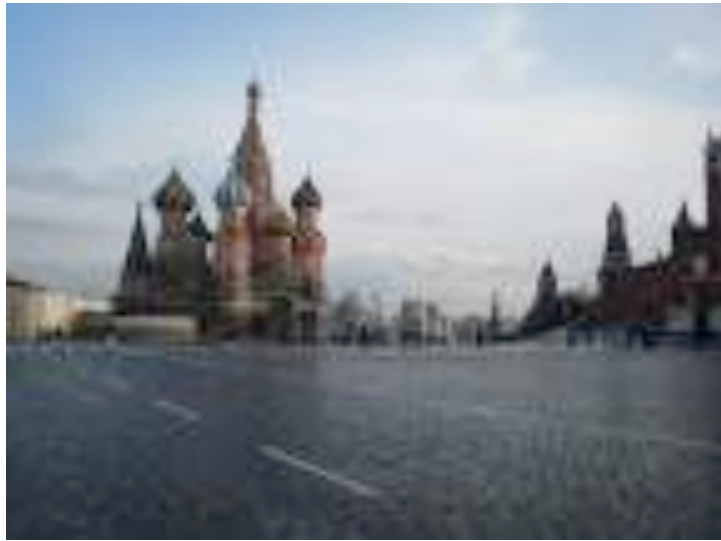


Farewell toasts at the end of negotiations

The talks had been useful. Many open questions remained to be resolved. All of the Russians wanted and needed credit. How to extend credit to unknown persons representing un-checkable entities? There was only trust. Trust in the individual person. The western party was advised to require cash prior to the shipment of any goods. Shipments would take three or four weeks by container from the US.

Cash was king in Russia and the US dollar the king of cash. Some Russians had plenty of it. Osmo explained that there were more top-end Mercedes in Moscow than in any other city in the world, often purchased with a suitcase of cash. Part of the sizzle of the FOXX pitch was a promise of access to this wild market. Russia was in need of everything. Some had the money to pay. The trick was finding them.

Many of the Russian teams consisted of women, either exclusively, or in dominant roles. (Women seemed to be seizing the opportunity of open markets more rapidly than men.) Some spoke hesitant English, most communicated through the translators, typically young students. The most basic question, "tell me something about your company or organization," would prompt all manner of response. All companies were recently formed. In many cases they were collections of individuals with common pasts, often colleagues in an institute. Old structures had collapsed. Personal networks provided a base for new initiatives. Physicists and mathematicians were trying their hand at business. How many of these "negotiation partners" were phantom entities, created to insure a program for every delegate, I had no way of knowing.



Red Square

Our program did not allow time for tourism but, following-up on that early morning walk, I had a

chance to return to Red Square on departure day. From the center of an immense space on a hill in the heart of this huge city, I could see into the distance in all directions. No skyscrapers back then. The tallest structures were the smokestacks of factories located just across the river from Red Square. Golden cupolas sprouted from behind the Kremlin's red brick walls, fronted by evergreens. Lenin's tomb dominated that side of the square. A pair of guards in green and gold uniforms, holding rifles, stood in stiff attention, on each side of a red and black marble mausoleum. Photographers, and sellers of war medals and stamps, mixed with passersby, many taking their own pictures.

Directly across Red Square from the Kremlin was another massive structure, the world's first shopping mall: GUM (Main Department Store) with large windows opening to the square. The white three-story building (built 1890-3) filled the entire length of the square, offering a dramatic contrast to impenetrable brick walls on the opposite side.



GUM at Christmas

On one side of Red Square, one can only wonder what goes on behind high walls. On the other, GUM's large windows invite you to look. I found GUM's inside impressive. Bathed in light from a ceiling consisting of two half cylinders of glass panels, suspended in an iron lattice as long as three football fields, the engineering marvel provided natural light that would be the envy of any art gallery in the world to a few shoppers strolling the cavernous space inside.



GUM interior

While the building was impressive, what was available inside was not. I walked three floors of long corridors lined with closed doors. It was impossible to tell what was going on inside. Prime

retail space was lying fallow in a palace of underutilized potential. I needed to make a call (this was 1993 BC, Before Cell phones) to the hotel informing my colleagues that I was running late. I knocked on a door with no sign on the 3rd floor, and walked into what looked like a tailor shop; "sorry, no phone". I tried several other offices, in vain.

No one at the Savoy noticed my absence.

\*\*\*

Red Square and its environs are transformed. Christ Church, destroyed by Stalin because of the danger it posed as a viewing site into the Kremlin, is rebuilt on its original site. One still wonders what goes on inside the Kremlin's walls. Outside, the changes could not be more striking.

Lenin's tomb remains, but his guards have moved. They watch over an eternal flame and a monument to the Unknown Soldier just outside the Kremlin's walls.



The Unknown Soldier flame

This is where crowds now gather, where weddings are celebrated, where flowers are left during important days. Just opposite this new center of attraction are fountains and gardens of a public space I have seen take shape.



The fountains illustrate scenes from Russia's fairy tales: a golden fish, talking foxes, wolves and cranes. On hot summer days young boys dive into the water of the fountain pools from the pedestrian walkway above. Numerous cafes and restaurants (including McDonald's) along this walkway offer a



variety of public experiences unimaginable in 1993. Inside, underneath a park, is a modern shopping mall, today full not only of food outlets, and retail shops offering all manner of goods, but shoppers able to afford at least a look.



The crowds now fill the Manege

When first built, the Manege was a white elephant, a massive underground mall with goods, but with few persons bothering to pass through. The purchasing power of Muscovites has caught up with the place. Shopping "palaces" are now found throughout Moscow and the rest of Russia.

GUM's retail space is today occupied by the world's finest brands, its rents rumored to be among the priciest retail space on the planet, and sales from its shops said to be among the highest per square foot in the world. Cost conscious Muscovites can shop in one of the many mega malls that populate the outskirts of the city, hosting Auchan, Stockman's, IKEA.





New Moscow emerging

In October 1993 I accompanied a businessman to Moscow during the days of confrontation between Yeltsin and the parliament, housed in the "Russian White House". We arrived in Helsinki just in time to watch tanks firing at this White House on TV's at the bar of the Helsinki Intercontinental Hotel. Osmo placed a call to Andrei, in Moscow, to see if our visit should be cancelled. "Of course not." he responded. Meetings had been organized. Everything being shown on the world's TV screens was "localized" with no effect on FOXX operations.

We flew the next day into a city with military vehicles and trucks full of soldiers moving on the streets, but otherwise operating in normal fashion. That evening after our negotiating sessions Andrei drove me near the White House where I was able to retrieve a spent bullet casing and a fragment of white marble the tank shells had dislodged, as souvenirs.



The side of the Moscow Hotel facing the Duma



Demonstrators surround Marx statue next door

\*\*\*

Screening participants for missions provided other memories. I invited a potential participant on a trade mission into my backyard in "inside the belt line" Raleigh to demonstrate his company's product: a device resembling a shoulder held

rocket launcher capable of rapidly, and accurately, spreading gas along the ground. When he pulled the trigger of his "invention", Marcel sent thick smoke into most of the neighborhood. (He ended up not signing up for any mission.)

Whether any business resulted from our trade missions I shall never know. Business people had every reason to continue discussions on their own. The FOXX operation did not enforce or encourage on-going participation by us.

Osmo was clearly happy with his operation in Finland where he had excellent contacts at the Ministry of Foreign Trade. In 1995 FOXX received the "company of the year" award from the Ministry. I have a framed letter from Al Gore congratulating us on this achievement. (Gore's signature, probably not of his pen, faded some years ago.)

\*\*\*

FOXX Oy USA was not a sustainable operation. I would have to find other mechanisms and partners. Our initiative had fulfilled its role. It provided an introduction to Russia via Finland and multiple introductions in Finland.

Articles published in local and, in one case, a national magazine, describing the FOXX formula had failed to ignite the bonfire of interest in Russia I had expected.

Why not try directly representing American companies in Russia?

**Business Lessons:**

- Take steps in a right direction.
- Not to reach the great goal, just to start.
- Learn lessons from those first steps.
- Business interests of cooperating parties should be aligned.
- Divergent goals are a recipe for dissolution.
- Hopes must be tested against realities.

## WILD FLOWERS AND YO-YOS



The troupe with NC Governor Hunt

My youngest daughter Sofia's interest in ballet provided me an opportunity to mix business with pleasure. The Lehman ballet company, of which Sofia was a member, was invited to St. Petersburg in the summer of 1994 to train with young dancers of the Vaganova ballet school. Participants would also get a chance to perform in venues associated with the Goodwill Games. I agreed to go as a chaperon figuring this would be a chance to travel to Russia independent of FOXX and promote products that I believed had potential in the Russian market.

I had noticed flower stalls near metro stations in both Moscow and St. Petersburg selling mostly roses and carnations. Could Russia benefit from the introduction of unknown American flowers? I talked a company in Colorado into sending a shipment of western "wild flowers", available through their network, to St Petersburg to coincide

with our Goodwill Games visit. Once they had agreed I made contact with Russians expressing an interest to import them. We agreed to meet in Helsinki to discuss logistics.



Having been told by a leading US yo-yo manufacturer that sale of yo-yos has historically been strong in places, and times, of economic hardship, and not having seen any in Russia, I talked them into sending me several cases, promising to work yo-yos into routines Sofia's

troupe would be choreographing in preparation for their Goodwill Game performances.

Terry Lehman agreed to this plan, recognizing it as an "artistic challenge". In the middle of a traditional dance number, selected girls were instructed to pull yo-yos from their outfits and demonstrate a few tricks, as others continued dancing in the background, and then to launch sample yo-yos into the audience. Sofia mastered several classic maneuvers, then taught them to her fellow dancers. She later explained to me that the yo-yo routines were the most nerve-racking moments for all of the girls. They were accustomed to learning, and performing, modern dance. Controlling a yoyo, an entirely different challenge.

The company sent us sufficient numbers of yo-yos to support any number of performances we would plan. I considered throwing sample yo-yos into whatever audience would be watching to be a brilliant product placement strategy, in a culturally sensitive setting.

I arrived in Helsinki several days ahead of the troupe's scheduled arrival in St. Petersburg and met with two Russians who claimed they could truck flowers from Helsinki to St. Petersburg to avoid the "complications" of Russian airport arrival. I had negotiated rates from Denver to Helsinki on Finnair. We spoke about the costs of transferring the flowers onto vehicles for the border crossing and agreed to follow-up talks in St. Petersburg. I noticed that one of the young Russians was missing half a finger.



Finland Station

I took the train to St. Petersburg one day prior to the arrival of the dance troop. Yuri, our Russian ballet tour contact, met me at Finland Station. He and his girlfriend drove me to their apartment in the outskirts of the city for dinner, after which he dropped me at the institute where our delegation would be staying.

Terry Lehman had negotiated reasonable rates for her group at an institute that would be earning revenue additional to its normal business. I remember Yuri pointing out a metro stop as he drove me, late at night, to my St. Petersburg "home". We agreed to meet at 9am. the next morning.

Still jet lagged from my recent trip from America, I got up early and decided to take a walk prior to meeting Yuri. I had two hours for local exploration. I gave my key to the lady guarding the front door and walked down the front stairs. Looking first left, then right, I saw nothing but rows of ten-story



white apartment buildings. I walked to the nearest corner and discovered a similar view in the new directions now visible. I was evidently in the middle of a planned residential neighborhood.



Planned neighborhoods

I have confidence in my sense of direction, developed during years of wandering unfamiliar territory. I started to walk in a randomly chosen direction, certain that my internal grid would, subconsciously, keep track of my path and guide me back when time came to return "home". The next hour was spent walking incredibly long blocks, consistent with the oversized scale of all things in St. Petersburg. The monotony of identical ten-story buildings was broken by the occasional grocery store, or shop window, on a ground floor.

I called on my "sixth sense" a full hour prior to my meeting, followed its guidance and realized, suddenly, that, having not found what I expected, where I expected it to be, I was completely lost, with no knowledge of the name of the institute

where I was staying. It was not a regular hotel, I knew that, but I had not made a note of the institute's name. Handing that key to the woman at the exit had been an unthinking error, due to jet lag (or perhaps the drinks of the previous evening).

I vaguely remembered the metro station Yuri had pointed out. I tried to get the attention of passing Russians, now everywhere, moving in a morning rush, but was handicapped by the fact that I didn't know exactly what to say, or ask for. I must have appeared like a mumbling idiot to those taking the time to acknowledge my existence. Hearing me say "hotel", and taking pity on my panicking condition, someone offered directions to a hotel. I followed them, and found a nondescript building with a few flags in front, and English speakers inside. This was, indeed, a local hotel.

"I am staying at an institute around here. Don't know the name. Can't remember where it is, no documents," I explained feebly to the receptionist.

Fortunately I had some money in my pocket and was able to talk a young man in the lobby into driving me in the direction of the nearest metro. There are two he explained. I picked one, and we headed there. I looked for anything familiar. We reached a metro stop I did not recognize. We turned and went towards the other one. Some moments later I began to recognize things, my "sixth sense" kicked in and, following my directions, we drove to the institute where Yuri was waiting, worried. I was a half hour late, but alive. I explained my adventure.

The average stop of the St. Petersburg metro serves a half million people, which qualifies in many countries as a medium sized city, and equals the population of Wyoming. Whereas the

Moscow metro provides highly efficient transport within the city (with its many stations and interlocking lines), the St. Petersburg metro appears designed primarily to transport masses into and out of the city from populated clusters on its outskirts. There are relatively few metro stops in the city center and distances between stations are St. Petersburg scale. (Travel within the city is done by tram or bus instead.)

Yuri and I found the bus we would be taking to the airport to pick up the delegation. I explained that I needed to get a shipment of flowers that I hoped had arrived the day before. At the airport I found the official with information on where my flowers were and paid a "fee" for their release. After the kids and other chaperons boarded the bus, it drove to another part of the airport, the cargo section, where I presented stamped documents. Two crates of flowers were released to me. It was very hot inside the warehouse. I did not want to think about the condition of the flowers I would find inside. I was pleased they were in our possession. The long boxes fit snugly into the aisle of our bus, as we drove on to the institute.

Thirty jet-lagged young dancers, wearing travel outfits including T-shirts contributed by sponsoring organizations, dozed around the flowers. That day they wore the shirts of a gymnastic studio. The next, it would be shirts from a pizza business located not far from Lehman's. The girls planned to exchange their shirts for gifts they expected from their Russian counterparts following joint performances.

When I unpacked the flower crates in my room I was disheartened. The flowers were drooping from the sauna they had been subjected to in the baggage room. My exotic flower collection was not

in good shape. I filled the bathtub in my bathroom, thankfully a classic deep iron one, with water and, with the help of other chaperons invited to my room for the occasion, the flowers were unpacked, sorted, and soaked. This caring process seemed to have rejuvenating effects. The healthiest were arranged into bouquets that could be given, in addition to the shirts, during the exchanges we knew were coming.

Unfortunately these samples would be of little help in demonstrating the quality of American "wild flowers". The maids cleaning my room must have been startled to find, in the bathtub, hundreds of flowers too sick to make it into bouquets. The next morning I was informed that the parents of one of our Russian hosts had been called that night, and told that if this was not the *last* flower shipment from the US they would be *killed*. The shipment had apparently caught the attention of some powerful forces. Flowers are a cash business. The mafia controls this kind of business in Russia.

I realized that I was in over my head. I kept this sobering news to myself, telling those who had informed me of this threat that I had no intention of causing them any problems. I informed the "wild flower" company that the Russian market was too wild for their product.

\*\*\*

Yo-yo's would have to rescue me. The troupe was invited to perform in some unusual venues. The first performance was on a basketball court in the Olympic Stadium, prior to the opening game of the women's basketball tournament. After a final practice of the "walk the dog" maneuver outside the bus that had brought us our young ballerinas were ushered into courtside seats.

A speaker on a makeshift podium at one end of the court was announcing the ceremonial opening of the tournament.

"That man speaking, he is the one running the whole show", said Yuri.

"What's his name?" I asked.

"Putin," said Yuri.

What a curious (and easy to remember) name, I thought. ("putain," means "whore" in French.)

As Mayor Sobchak's right hand man, Vladimir Putin handled Goodwill Games negotiations with sponsor Ted Turner. When Yeltsin pulled Putin's name out of his hat in 2000 I thought back to that day and to the man with that curious name.



One of Putin's accomplishments during his first stint as president of Russia was to win the 2014 Winter Olympics for Sochi. Sochi was not the favorite going into the final round. Putin personally lobbied all members of the Olympic committee "at the last possible moment".

After these talks Sochi emerged the surprise choice. Putin's last minute work is recognized as having been decisive. Experience working with Ted Turner in 1994 may have been useful training for this success.

\*\*\*

Our ballerinas performed magnificently on the basketball court, seamlessly integrated yo-yos into their routine. When the girls started throwing yo-yos into the audience there was shock, then a scramble for the surprises. I thought the spectacle would give yo-yos exposure when broadcast to the audience viewing the event live on Russian television. (I later viewed a rebroadcast of the ceremony on a TV inside a trailer and learned the broadcast had apparently cut to advertising during our dance performance.)

Yo-yo's *were* a big hit with sailors on the cruiser on which the girls performed the following day. It was "fleet week" in St. Petersburg and Yuri had arranged for a performance on board one of the many navy ships participating. The weather was perfect. Routines designed for a broad stage were modified to fit onto the ship's narrow deck on the fly by the troupe. When it came time to throw the yo-yos the girls found a curious, and athletic, audience of young men scrambling for their favors. Some sailors tried to mimic motions they had seen moments before on their new toys. I did not, however, hold out much hope of convincing the Russian navy to purchase any.)

As part of our program we visited the circus. To visit a Russian circus is to experience what I think a circus, at its core, should be: a high wire act without nets. Bears, porcupines and other wild creatures were paraded, some on leashes, others not, in front of spectators they could almost touch,

barely under the control of their handlers. The acrobats, jugglers and clowns were world class. During intermission Sofia spotted a vendor selling...yo-yos. She didn't have the heart to tell me until after she and some of her ballerina friends had discussed it.

Another performance was arranged for the troupe in a summer camp for Russian children in the forests north of St. Petersburg, on the road to Helsinki. We travelled there with our training hosts, girls from the Vaganova program. Our ballerinas alternated their performances with those of the Russian school. Camp kids were delighted by an unexpected shower of yo-yos, and scrambled for souvenirs. I was astonished not by the flying objects (having learned to anticipate the launch moment) but by the sophistication of the choreography, and the modernity of the outfits, of the Vaganova dancers, and of the music they danced to.

There was sharp contrast in the shapes of the ballerinas in the two ensembles. At Lehman all girls willing to dance were accepted and included. To enter the Vaganova Academy of Russian ballet one had to be of certain size and shape. These dancers had been selected from candidates across Russia. Watching the young beauties confidently execute precise movements made it possible to imagine many of them on the stage of the Mariinsky in a few years.

We toured the summer camp's facilities. Young laughter could be heard in the birch forest surrounding the camp's sparse concrete buildings. I spotted kids in small boats on a lake learning to sail or row without adult supervision and recall thinking that a similar situation is impossible to imagine in America, given the threat of litigation.

These children were being given the most precious gift of all, the freedom to explore, risks included.

Our surviving wild flowers were very much appreciated each time they were presented, the girls returned with treasured memories of friendships with young dancers and lessons on technique from legendary teachers.

I had learned some lessons too. Perhaps direct representation of American products in Russia was not the answer.

**Business Lessons:**

- Operate where you have knowledge.
- Failures teach important lessons.
- Beware of partners with missing fingers.
- Putin is trusted with important tasks.



## **BUSINESS FOR RUSSIA OFFICIAL RECOGNITION**



Pioneers from Siberia

I looked for additional uses for my developing Russian expertise. Along with structured trade missions FOXX had experience training Russians in Helsinki. Will Cardwell taught the finance module and had experience with FOXX's "know how-show how" approach. Russians didn't need theories; they needed exposure to western practice, "seeing was believing". Marketing and finance were topics of particular interest, concepts unknown to persons in a command economy.

We learned that Charlotte, North Carolina had been selected as a pilot in a new US Information Agency's (USIA) "Business for Russia" program, agreed to by Clinton and Yeltsin at a Seattle summit. "Business for Russia" would bring English speaking Russian entrepreneurs to cities across the US, house them with host families, and place them for one-month internships in American

companies. This struck us as a good fit for the FOXX approach, tried and tested with Russians.

I contacted the USIA office in DC thinking some of the FOXX curriculum might be of use during an orientation program I understood all participants would experience prior to going to ten host cities. Connected to the co-coordinator of the program by phone, I started to explain FOXX's experience working with Russians. She interrupted me to say, "I'm sorry, there is nothing we can do for you."

"But madam," I responded, "I am calling because I have something for you!"

This earned me an invitation, at my expense, to DC, where I was shown the proposed curriculum for the orientation, about to be sent to all participants. I saw no module on marketing, no module on finance and suggested these options be added to their list. When the questionnaires were returned, marketing and finance emerged as the two top choices.

This earned me an invitation, on their dime, to come to DC to conduct the marketing module. I used material, in English and Russian, from the FOXX collection. Recognition from Uncle Sam! The marketing module was among the most heavily attended. Feedback on our material was positive. The return to my old hometown had gone well. Could we leverage our new visibility in the corridors of power into a higher profile in North Carolina?

Will and I plotted to bring a group to Raleigh for the next round. We learned that applications were being solicited in a desire to expand the program. To file an application we needed a local sponsor. I approached Margaret Dockery, head of the IVC, the International Visitors Council, who agreed to be our partner if FOXX would commit to do the

work of contacting families and companies willing to host young Russians.

Our proposal was accepted by Business for Russia headquarters. I was provided a list of cities from which potential participants would be selected. When I showed the list to Ilya, a Russian friend, he pointed out Novosibirsk, telling me it was the key to Siberia and near Akademgorodok. Akademgorodok, literally "academy town", was Russia's greatest concentration of researchers, placed there by Stalin in the 50's to insure security and advance the development of the vast region.

Akademgorodok looked like a good fit for Research Triangle Park. The Business for Russia chiefs accommodated our wishes. Our group of nine candidates was selected and screened by IREX, the organization in Russia responsible for identifying participants for western exchanges. Prior US-Russia exchanges were academic, with selected scholars visiting hosting universities. Business for Russia presented IREX with a new challenge: finding young English speakers "entrepreneurs" interested in business. IREX had done a good job. The two women and seven men sent to us were from their mid-twenties to their mid-thirties, with interesting profiles.

\*\*\*

Profiles of the participants in the first Business for Russia RTP program, and a description of the companies that hosted each is below:

Maria worked in Russia for a private transport company organizing rail and truck transport, insurance and customs regulations. She spent time in the Raleigh office of a national trucking firm.

Tatiana owned a business importing leather goods from Turkey. She rotated between an

upscale store in Raleigh selling outdoor clothing and equipment, and a Durham luxury retail outlet for women's accessories.

Yuri was director of a company importing integrated circuits. He was placed in a Raleigh family-owned business manufacturing electronic components on subcontract to larger firms.

Sergey M. was director of a private company distributing threads, cloth, buttons, zippers and other supplies to the sewing industry. He spent his internship at a North Hills franchise outlet selling Bernina sewing machines.

Alex was head of the sales department for a company manufacturing PC based photo scanners. He was hosted by a Raleigh business providing office process consulting.

Ivan worked for a developer of software for handwriting recognition. He spent time at the manufacturing facility of an international electronics firm's Triangle plant.

Valentine owned his own consulting business specializing in management and organizational services. He interned at New View, a publisher of self-help, and new age psychology, books.

Sergey S. worked for a company specializing in the preparation of business plans. He was placed at SAS, largest privately held software company in the US.

Evgueni was general director of a company manufacturing diagnostic kits for blood analysis. He spent his time at the Chapel Hill blood analysis lab of a major US multinational.

\*\*\*

Only in America. A program asking companies to host strangers, invite them into homes, with nothing promised beyond international friendships,

and contacts in a distant place. It was my job to find individuals and firms ready to host interns.

I knew from my IBM days to call at the top. Once I got through to persons in charge, I often found someone intrigued by the chance to pass on knowledge, and help a country recently described as the enemy.

The first company to agree was SAS Institute, a fixture in the Triangle and great local reference. They wanted Sergey S. because of his interest in programming and software development. Two SAS families agreed to share the home stay.



Mike Shook of Strategic Technologies

Over the next month I found business and family homes to match the interests of all participants so when I drove a van to DC with Tatiana in mid-October to meet the delegates I felt we were ready. We drove our visitors to Raleigh, stopping in Richmond to tour the capital of Virginia.

Our program included a two-day orientation during which selected persons were invited to speak in areas of relevant expertise. We asked a

Chapel Hill professor to explain the culture of the south, a Research Triangle Park executive to describe the founding of RTP. Doc Hamm, president of a small high tech company, spoke about his experiences starting many different businesses and received top marks on the evaluations collected at the conclusion of the orientation program.

We distributed copies of a homegrown "toolkit" Will, Tatiana and I had developed from FOXX materials: a workbook with key business topics, left side in English, right side in Russian, designed to allow participants to make notes on key concepts once they started their internships, illustrating them with examples from their particular businesses. (We thought providing structure to the program would be helpful and were piloting material we hoped might be of interest to the entire program, if proven successful.)

The interns met their home hosts at a reception at the Velvet Cloak Inn, a Raleigh hotel with deep southern roots. The reception at poolside broke the ice and families took "their Russian" home. The next day, each intern arrived at their host's company. I called that evening and learned that the first day had gone without a hitch.

\*\*\*

Each week featured one group activity that brought participants together for a topic of common interest. IBM agreed to conduct its one-day "team building" program for our group. The program is one IBM specialists had run for years, inside the company, and for customers.

Teams are given a problem, challenged to discuss and compare solutions, reach consensus, and then to act. Little direction is given up front on

how to proceed. IBM "experts" observe the group dynamics set off by their instructions.



Trying to solve the rope problem

The problem was described to us indoors, in a room equipped with flip charts and planning accessories. The group was asked to contrive a mechanism for pouring water from one can into another, using only ropes and rubber bands. The two cans (one empty, the other full) would be placed on grass, inside a circle defined by a rope. Crossing that rope and touching either can by hand was prohibited. Only ropes, or rubber bands, manipulated by persons remaining outside the rope circle, could operate within the circle.

Sufficient quantities of ropes and elastic bands would be made available to implement any strategies developed, the facilitators promised. Two flip stands with blank sheets of paper stood in the front of the room to assist in the documentation of any plans. Participants were encouraged to discuss and compare various plans on paper. Our group expressed immediate desire to go outside, to the site, to observe the specifics

of the problem. (Was this impatience with "planning" a sign of skepticism from persons exposed to a litany of "five year plans"?)

Once outside, the nine divided themselves into doers and observers. The doers formed several subgroups, each improvising, communicating amongst themselves, and across subgroup, in gesture and rapid Russian. The observers drifted quietly to the outskirts of this frenzied activity. It was impossible for anyone ignorant of Russian to comprehend the action. I suspect that someone conversant in the language would have been equally dumfounded.

IBM specialists approached several of the observers and whispered words of advice, injecting a dynamic whose ripple effect they were there to document. The confused activity resulted in an inelegant solution: ropes were attached from various angles, by different teams, around the can filled with water. The ropes were then pulled, tightening their grip sufficiently to allow a controlled, precarious lifting of the can containing the water, its slow, awkwardly guided pouring into the target empty can. There was spillage, but undeniably success was achieved. All shouted self-congratulation.

During the debrief, indoors, at the conclusion of the exercise, IBM facilitators asked several of the observers why they had not shared the advice they had been given on the sidelines with those actively participating. The IBM experts heard a response they had never encountered in their many years of conducting such sessions. The observers had not shared the advice because they suspected it of being "disinformation"!

The incident highlights characteristics that I have observed among Russians: chaos, disorder, the



emergence of an acceptable result "at the last possible moment"; distrust among colleagues, suspicion of any information from outside.

\*\*\*

Strategic Technologies was a strong supporter of the Business for Russia program. Founder Mike Shook spent several years as back-up safety with the Washington Redskins, then decided to go into business and did so methodically, studying the market penetration of distributors of SUN micro-systems across the United States. He found a market opening in the emerging southeast and found investors ready to support his formation of a company.

Mike had grown Strategic Technologies ahead of projections and gained a growing customer base along the emerging I-85 high-tech corridor. Mike operated Strategic Technologies with the help of his air force pilot father Ed, featured annually at Strategic Technology retreats during which employees were solicited to provide input. Ed Shook led the brainstorming sessions and was expert at drawing out conclusions. (A wonderful example of father and son working together.)

Mike was proud to share his successes. In addition to hosting an intern, Mike conducted a daylong seminar for all participants (as IBM had done) during which he had department heads from throughout the company speak to the group about their operations. During his talk I recall Mike emphasizing the importance of differentiating your product from the competition. Yuri K. taped the entire session at Strategic Technologies. Some years later when I visited his home in Obninsk Yuri showed me that tape and explained that his daughter considered Mike a family friend because she had seen him so many times.

\*\*\*

The Raleigh Rotary Club extended an invitation to have one of our delegates speak to their weekly meeting. I asked Maria. She fell sick on the appointed day. Serguei S. volunteered to fill in. He turned out to be a great choice. His English was easily understandable, and he communicated an ease with people across language and culture. I was to learn later that Sergey was a master networker. Born in the mountains of Kyrgyzstan, son of a Russian geologist whose work took him to some of the Soviet Union's highest mountains and remote locations, Sergey lived in stone houses and mountain camps in youth. Identified as a person with unusual mathematical aptitude by the Soviet Union's net of exams, he was selected to live in Akedemgorodok.



Serguei speaking at SAS

One of his early memories there was meeting the visiting US astronaut James Collins, one of the few men to have walked on the moon. He met his wife, Olga, in Akademgorodok and they had a daughter and son, both following the academic

tradition of their parents. Sergey's life was firmly rooted in mathematics but, like many Russians in the early 90's, he was exploring the world of business. Sergey started by doing market studies for companies in Novosibirsk. Sergey's natural gregariousness was a clear asset. His habit of keeping the co-ordinates of many people in a notebook became important in the world now opening to him. Sergey was to become my main guide in Siberia and a friend.

That day at the Raleigh Rotary Club he spoke about Siberia and about his experiences at SAS. He marveled that the company had a campus designed to provide employees every reason to stay: well appointed workplaces, free meals in spacious cafeterias graced with piano music, exercise rooms for those wishing to work out during lunch hour, medical services on site. SAS was delivering to its employees the communist promise!

That rotary speech marked a turning point in Sergey's life. Upon his return to Siberia, Sergey decided to join an existing Club in Novosibirsk, then established a Rotary in Akademgorodok. This led to official positions in Rotary International, a placement in Brazil with Rotarians for his daughter, many hosting exchanges and official visits to Alaska (Rotary's regional partner for Siberia) and attendance at Rotary conferences throughout the US.

Our collaboration started with Sergey's agreement at the conclusion of his visit to my remark that it would be important to create a user group for the many Business for Russia (BfR) alumni, returning with special knowledge and treasured memories. He agreed on the importance of cultivating these memories, and of the potential

of a user group to incubate ideas growing from the application of BfR experiences to a very different, and rapidly evolving, Russian context. Much of this incubation happened in the banya, as self-selecting BfR alumni started taking weekly steam baths to which I was invited whenever in town. Through Sergey's network I met other BfR alumni. He seemed to know everyone in Akademgorodok, almost everyone in Novosibirsk.

Sergey was able to arrange high-level meetings with academic and political chiefs in both cities, and to serve as my translator during our talks. He became increasingly familiar with the terminology and steps of technology commercialization, as my own thinking in this area developed. Many graduates of the BfR program moved from Akademgorodok, (some leaving Russia forever). Sergey stayed. His wife Olga developed a thriving business distributing women's skin care products via a multi level marketing company, his son is attending the school for gifted mathematicians that brought him to Siberia.

\*\*\*

The most successful person, business-wise, to emerge among BfR alumni in Siberia, as far as I know, is Yuri G. I met Yuri at the orientation session I held in Akademgorodok after our first group's return. My idea was to prepare the second group by showing them videos, testimonials prepared at job sites by participants in the first group, describing in their own words, from their perspectives, what they had learned. (The filming project was financed by the generosity of one of the host families and resulted in an archive that offers a rather unique record of the times. Located in my basement, its potential unfulfilled.)

BfR participants heading to other US cities were invited to attend my orientation. Yuri, scheduled to go to Detroit, asked at the conclusion of the meeting if he could switch his BfR internship to Raleigh. Here was a man of initiative, a Siberian with glimmering blue eyes, blond hair, trimmed beard, and perpetual smile. I promised to look into it, saying "anything is possible in America."



Yuri, his wife and Serguei

His request for transfer was accepted and I arranged for Yuri to spend time at Duke Power. Upon returning to Siberia he proceeded to build his company into the largest manufacturer, and installer, of towers carrying electric lines in Russia. His company exports to CIS countries, and China, and is expanding into the Middle East. In the early days of business Yuri's customers had little cash and paid in barter. He asked me to find a customer in Finland for significant quantities of coal received as payment. I contacted persons in Finland who

might have been interested. This effort achieved no result, but Yuri's company grew nevertheless.

Cash is no longer a problem for Yuri or his customers. He has become one of the largest taxpayers in the Novosibirsk region. We joke that now, "anything is possible also in Russia". He and his wife occupy an apartment in one of the upper floors of the high-rise tower being built in the center of Novosibirsk. He is also building a house in the Czech Republic. Sergey the academic jokes that Yuri became a "local oligarch". The sharp contrasts that have always been part of Russia are very much alive among BfR alumni.

\*\*\*

Tatiana, one of two women in the first group, was its tallest member. Her smile was big and sincere. There was intensity in her look suggesting a sharp intelligence. Her English was not strong enough to fully communicate it. Tatiana ran a business selling, year-round, in the outdoor market in Novosibirsk, goods purchased in Turkey. Siberia's outdoor markets require reassembly of the stand each morning, its packing each night, often in harsh conditions. After spending a week at an upscale women's retail shop in Durham, she remarked on how little the owners needed to work, arriving at ten, and closing at seven, in the comfort of a shopping mall. In Novosibirsk she started work before sunrise and did not stop until long after it set.

Her business and home hosts all spoke of her quick mind, her aggressive questions, her energy. Tatiana was a natural promoter. When she took her turn on video she glowed on camera, speaking with confidence and handled samples to illustrate points made with an ease that would be the envy of any actress. This made her the star of "on the

job interview" tapes. Once the tapes were translated, and I could understand what Tatiana had improvised, her performance became even more impressive. She pointed out what a good promotional idea it was to put the name of one's business on a shopping bag, displaying a sample bag to the camera while rolling her eyes, smiling seductively.

Another star of the tapes was Sergey M. Founder of a company selling buttons, threads and other sewing accessories, Sergey spent his internship at Raleigh's Bernina sewing machine store. In addition to selling Bernina products, the store had a sewing club for customers. Sergey, a handsome young man of twenty-five, was invited to speak at one of the club's evening sessions, and charmed the ladies with his tales of operating a business in a Siberian territory "twice the size of western Europe". He was impressed by the originality of quilts of North Carolina craftsmen he discovered through the sewing club. Ready for any adventure (like most program participants) Sergey accepted an invitation to attend a trade show in Atlanta. Upon returning, he expressed fascination with an event demonstrating American business culture: friendly, open competition, among fierce competitors on "a playing field of respect and shared information". (Not a bad description of the play by the rules mentality that governs American business.)

In Russia, business competition has a harder edge, he volunteered. Perhaps his presentation in front of the sewing club was good preparation for his video performance. Whatever the reason, Sergey delivered once the camera started rolling. To prepare for the taping I asked participants to make notes describe key lessons they had gained

during their internships. Most ended up speaking to me, without notes, in a language they knew I did not understand, answering questions posed in English for capture by a camera positioned behind me. Sergey's extemporaneous comments required little editing.

After participating in BfR, Sergey decided to expand his business by providing custom sewing services, a decision that resulted in his employing many seamstresses. Sergey had a new car, his wife a fur coat, when I saw him next. I heard later that his business suffered in the crash of 98.

\*\*\*

In preparing business hosts for their role in BfR I suggested that quality control be an area that interns be exposed to, as this was a problem in many Russian enterprises. It was my habit to call the business owner, after a day or two, to see how things were going. When I called the owner of the family-owned components manufacturer to ask how everything was going with Yuri K., the husky former mariner interning at his company, the host answered that Yuri was, indeed, a very clever guy. He had placed Yuri in the quality control section of the manufacturing line, as I had suggested. While there Yuri observed a large number of chips failing quality control. After microscopically examining the design of the chip he thought that he found a flaw causing interference: two wires too close to one-another. Rick called the Fortune-500 company, source of the design, advising them of Yuri's analysis. They conducted their own and found that Yuri was right.

Shortly after returning to Russia Yuri decided to leave technology and start a promotion company, in Obninsk, with his wife Julia, who left her job as a schoolteacher. They built the company into a



leading provider of trade show materials for local companies, and the regional administration. Yuri pointed out a banner of their design, strung over the highway, as we approached Obninsk during one of my visits years later.

Julia took over the promotion business and Yuri next partnered with a friend to start a business that imported high tech equipment and software from Europe to support the booming construction business in Obninsk and Moscow. Their company began working with partners in Greece, Germany and France.

\*\*\*

While administering the Business for Russia program I met another young Russian who, while not part of the program, became a key contact for me. Nick Poluektov, a physicist by training, was a journalist for Kommersant, Russia's leading business paper (its Wall Street Journal) when we met. Articulate in English, Nick was able to express business ideas in simple words. At Kommersant he wrote a business series featuring stories of emerging Russian companies that took him around the country. He and some partners formed a software company doing customized programming.

I tried to develop interest in their services as part of America's focus anticipating Y2K problems as the turn of the century approached. (Programs that used only two digits for a year, caused worry as to what would happen when 19(99) turned to 00. Russians, expert at reverse engineering western technology, were able to sniff out possible Y2K problems in undocumented "legacy" applications, often the most troublesome elements of any data center's inventory of programs that were being audited for potential problems.

Nick ultimately achieved commercial success in a field far removed from technology. He and two partners started a company distributing a brand of liquor, "Russian moonshine". They found a source in southern Russia and built a distribution network. Nick has written a book "Moonshine" telling the story of how three young Russians were able to build a business from scratch in the "new Russia". I encouraged Nick to consider translating his book into English. It tells a story lost among headlines on corruption and other unsavory characteristics of the Russian business environment. Along with starting his company Nick got married and started a family. In the front cover of the Russian version of his book, presented me as a gift that I treasure, is the inscription "to my friend Martti, a man with whom I took my first steps in business."

\*\*\*

Twenty six young Russians discovered Research Triangle Park, its people, and its companies, over the course of a year and a half during which we hosted three groups of BfR "pioneers", two from Novosibirsk, one from Obninsk. Many participants met "their first Russian". Both business and home hosts were delighted by their experiences.

Our only "loss" was Ivan. After an internship with an electronics manufacturer he vanished from his hotel room on the night before his plane was departing DC. I asked about what happened with the family left behind, in Novosibirsk, and learned that, years later they joined him in the US. Over the 3-year administration of Business for Russia a few other participants were "lost", a small number considering the hundreds of participants.

At the end of the Raleigh's role in the program participating companies and families were invited by the IVC to a reception in the historic governor's

mansion in the heart of old Raleigh, not far from the State capital. I will never forget that evening, seeing many North Carolinians with memories of "their Russian" gathering to share stories in that majestic setting, thinking back to how it had all started with the hope that we could find someone to sponsor our application to participate in Business for Russia.

\*\*\*

I offer the following observations and hopes from my experience with BfR. Russians and Americans share an easy informality, in contrasted to more formal Europeans. Country size explains, perhaps, a common "swagger". A belief in the necessity of self-reliance, born of a suspicion of government, has deep roots in each culture.

The Russians began with an instinctive defense of the way things were done at home but I sensed that, over time, genuine curiosity about how things worked in the US emerged. An alliance between the people of these two continental countries seemed quite possible at the time of these exchanges.

I am distressed to observe the growth of anti-American sentiment in Russia. There is talk of a renewed Cold War. The prospect of a return to confrontation is unworthy of the spirit of the people of these two great nations.

\*\*\*

While administering the Business for Russia program I initiated links with some of the Research Triangle's best-known institutions, its universities.

The University of North Carolina at Chapel Hill is a beacon of learning not only in North Carolina but throughout the southeast. Chapel Hill has a "sister city" relationship with the southern Russian city of Saratov, on the Volga River. I was invited to attend

one of their "sister city" meetings. There I met Vladimir, a graduate student in linguistics. His red hair and fair complexion were the mark of a Tatar. His English was excellent, his phraseology elliptical. He resembled a wizard.

Vladimir told me about a businessman he knew in Kazan, capital of Tatarstan, who knew the director of Aviastar, a large aviation plant. Vladimir explained that his friend might be able to arrange a consulting engagement for me with Aviastar. I could work a visit to Ulyanovsk, home of Aviastar (and birthplace of Lenin) into my next Russian trip. Some days later I received by fax an official invitation signed by R. Kovazin, managing director, Aviastar.

When I departed for Moscow some weeks later I also carried a letter of support from the Russian ambassador to the US, Yuri Vorentsev, supporting the idea of a trade mission sponsored by North Carolina's Department of Commerce. The Department was evaluating the FOXX formula and network as a way to bring North Carolina companies into contact with Russian partners. (I had introduced myself to the ambassador during his visit to RTP.) My visa from the agency in DC I had paid to prepare it arrived on the day prior to departure, during an ice storm that threatened to close down the Raleigh-Durham airport. I was relieved to have gotten it "at the last possible moment".

The next morning I checked my bags at Raleigh-Durham International all the way to Moscow, via New York and Helsinki. I would arrive in Helsinki early Sunday and not leave until that evening, giving me time to visit with my cousin Kari. I had gotten to know Kari, oldest son of my half-brother Eero (Olli's son from his first marriage), during a

previous visit to Finland. Eero and I were estranged. Kari had taken the initiative to reach out to his American uncle. Kari met me at the Helsinki airport. We drove to his house where we opened some beers and started catching up. After a while he asked to see my travel documents and I gave him the package. After a few minutes he asked whether I had looked at the material. I admitted that I had not, having been grateful to get the package barely in time.

"I think you have a problem," he said. "The visa is for two days from now."

"How could that be?" I asked, astonished.

Sure enough. The visa authorized entry in two days time; a mistake on the part of the visa service. What to do? Kari advised that I stay overnight in Helsinki and visit the Russian embassy in the morning. I explained that my bags were checked through, and I was scheduled to meet someone in Moscow the next day. I would try my luck at getting on the Finnair that evening. After all what could anyone do once I was there? He agreed to return me to the airport.

The Finnair attendant examined my passport, glancing quickly at the visa, and let me on board. My seat companion was from Moscow, returning after a business trip. He was being met by a driver and offered to drive me into town after learning where I was staying. I thought I had solved the problem of arriving late at night and having to rely on gypsy cabs with dangerous reputations. When I passed my documents to the young woman behind the glass booth at customs, she looked down, then said "Sir you have a problem, with your visa".

I feigned shock, explained that if there was any error it was certainly not mine, but that of the visa

service. I had a room at the Moscow Hotel waiting. They could check.

“Not possible.”

This matter required the authority of a counsel and there was none present. There would be one at the airport in the morning. I was granted permission to enter Russia long enough to retrieve my bag, the only one still on the turning belt. I returned, with bag, to the custody of my airport handlers and was taken to an area where I spied staff monitoring screens surveying all areas of the airport. I popped my head into a well-lit room full of women.

The women, manning the night shift, turned their heads in my direction. They could see that the green coat I was carrying was my only blanket for the night I was facing on the cold floor. There was some discussion, after which one of the ladies brought me a cot I could unfold, and sleep on. I found the Finlandia vodka purchased at duty-free in Helsinki, opened it, and shared it with her and her colleagues. The next morning I was pleased to find both hot and cold water in the washroom where I prepared for my meeting with the counsel. He arrived at nine, sharp, slowly examined my documents, and explained that I had "a problem". Entry into the Russian Federation was not authorized until the next day. I could spend another night at the airport or pay an additional \$150 to have the visa "modified".

As much as I had enjoyed my evening, I had no desire to spend another night in Sheremetyevo, I explained. He was not amused, or impressed, until I thought to find the letter on Russian embassy stationary signed by ambassador Vorentsev. When I fished it out, his attitude changed. His

posture straightened. "I will return in a few moments", he said.

"Would you please add Ulyanovsk to the list of cities?" I requested with confidence. (The fax from Aviastar had arrived after I had sent my visa request to DC.)

Moments later he returned with my passport full of all necessary stamps. I had permission to visit Ulyanovsk. Released into early morning, I decided to see if I could manage to take public transport into town. I changed dollars for rubles at an airport exchange and, carrying my heavy luggage filled with clothing and product samples, exited the terminal. The sun was rising, a light snow was falling, slush filled the street. I was directed towards a stop where in a few moments appeared a yellow bus. I climbed into the back, spreading my bags across empty seats, and tried (without success) to see through the frost on the windows as we drove on.

After a while the bus stopped and everyone got off. I understood that we had reached the metro. I summoned energy to navigate the crowd, slush, with bags in both hands. I followed the crowd through a maze of kiosks to the entrance of the red line, marked with a giant red M. After buying my token I got on in what I figured was the direction to the center of town. Navigating the metro without an understanding of Cyrillic becomes an exercise in pattern recognition. Each metro platform designates all stops, reachable in each direction, on a panel in the middle of the station. In any outlying station, the longest list of stops is a safe bet as indicating the direction into town.

I soon found myself standing in the middle of a crowded metro compartment next to a soldier in

uniform. I ask him what stop for the Moscow Hotel. He seemed to understand. After a few stops he uttered a phrase I sensed he had quietly been practicing: "next stop, yours". I did not know it at the time but I was exiting into one of Moscow's many stations where three lines intersect. A dirty long corridor of white marble led to moving stairs. Signs indicated directions. They were of little help to me. I decided on a direction at random, hoping my journey to the surface would not be a long one.



The moving wooden stairs ended at the opening of what seemed an endless corridor lined with white tiles. People were passing me as I struggled to carry/drag my bags. I stopped frequently to catch my breath. I reached more moving stairs, certain that these would carry me to the surface given their length, but found, instead, a final barrier, a short corridor leading to marble stairs that did not move. After another rest I tackled these and popped up across the street from a massive structure.



I asked a passerby where the "Moscow Hotel" was and he pointed to the huge grey building across the street. I crossed the street above ground, dodging traffic, and opened a large wooden door of a hairdresser parlor. My mention of the word "hotel" prompted a woman to walk me through their shop to the other side where I exited through a door that opened into a cavernous hall where sparrows were flying. No hint of any hotel registration desk. Another woman, observing from afar and guessing what I might be looking for, caught my attention, pointed around a corner. I followed her instructions and found myself in a small room, with several women standing behind a tall counter, and behind them a re-assuring sign: Intourist. Now dripping wet, I approached the counter announcing my name.

"Ah yes, Mr. Vallila. We have been waiting for you. Where were you yesterday?"

She did not really want to know, I assured her.

I received my computer printed hotel card, with "Bannina" written on it, and was on my way to the elevator bay when I spotted Eric and Jeff, the two persons I was scheduled to meet, wandering aimlessly through the cavernous lobby seeking registration. Eric and Jeff had hosted Valentine in their Carrboro based publishing company, New View, and had become sufficiently intrigued by his descriptions of Russia that they decided to visit the place themselves. Fred felt that Russia might become an interesting market for New View's "new age" self help books. Jatta, my travel agent, made their air and hotel reservations. My plan had been to arrive a day earlier and be of help to them during the three days they planned to spend in Moscow before continuing on to Saratov, where they had additional meetings scheduled.

As it turned out I arrived at the Moscow Hotel only moments before, just in time to establish myself as an "expert". Were they ever happy to see me! They had taken a taxi from the airport but had spent ten minutes wandering around the building they had been assured was the Moscow Hotel. (Moscow was not designed to accommodate the stranger back then.) Fred, Jeff and I spent the days in Moscow visiting publishers, intellectuals, and restaurants. That visit to Russia proved to be Fred's last. He found the business climate difficult to understand, and the market for his books too uncertain to spend the time and funds required to gain any foothold. They stay in touch with Valentine who has immigrated to Canada, via e-mail.

Some days later I flew to Ulyanovsk to meet Ildar, Vladimir's business contact. He, Vladimir, and a chauffeur were at the airport. Ildar was also Tatar (Ildar means star in the Tatar language) but otherwise a contrast to the intellectual Vladimir. Ildar's hair was brown, his physique rotund, his approach businesslike. He was dressed in a sharp dark green suit, with matching silk tie and scarf.

Ildar spoke little English, relying on Vladimir, the wizard, to translate his short phrases. We drove to a small hotel, which was a converted section of a massive apartment building, part of a residential complex of apartment buildings that stretched as far as one could see. My room was Spartan. A small bed, table, chair, TV, bathroom with hand shower connected to the faucet that also served the sink, plastic shower curtain, no place to put toiletries, or hand towels, the toilet in a separate, tiny room. I imagined this setup replicated in the interiors of the apartments I could

see from my window in all directions, and in millions of apartments throughout Russia.

After freshening up we were driven to the Aviastar plant and stopped at the security gate, where we were asked for identity documents that were taken into an office. Our van was checked, inside and under, while our documents passed their inspection. Once inside the fence we drove past rows of five story buildings to a curious looking top-heavy structure, the executive tower. From outside, the top floor looked like a glass box balancing on a concrete stem. Inside, I slipped, almost falling, on the polished red marble floor, on my way to the elevator. Aside from our small party the place was deserted.

Raphael Kovazin was waiting in his 6th floor penthouse. He was tall, thin, greeted me with a crushing handshake. His nose had marks of blows received in youth, when he was boxing champion (I would later learn). His eyes suggested that he was not finished fighting; today's battles were in business. Raphael spoke no English. Vodka was brought in by an attractive young lady, and served into crystal glasses. (I would later discover Raphael's ability to consume prolific amounts of it.) On this first evening we exchanged toasts. Raphael spoke of Aviastar's need to develop new production. Orders for airplanes had vanished. The next day I was taken to huge hanger like buildings in which small quantities of heaters, refrigerators, and furniture were apparently being built. There was not much activity, just collections of modest amounts of inventory, in various stages of production that seemed out of place in the cavernous buildings we walked through. I was allowed into a "secret" hanger containing two partially assembled Ruslan An-124s, the largest

cargo planes in existence. Aviastar was in need of engines for these planes, Raphael explained. They were in talks with Rolls Royce. Could I help?



In front of an unfinished Ruslan

We walked through the belly of one of the planes into a cockpit lacking electronics. The overall picture was of a massive plant, essentially idle, half-finished giant airplanes hibernating, and small pockets of disconnected activity. Raphael wanted advice on how to "diversify". It was hard to know where to begin. I talked about producing something different from what was currently available by changing the fabric on the furniture the plant was producing for instance differentiating it from the bland product I had seen in the retail outlets I had been shown.

My goal was to gain Raphael's confidence, to convince him that I had ideas that might prove useful, that he could trust. I could not pretend to have enough knowledge about Aviastar to offer anything beyond concepts that might prove

helpful. During these exchanges Raphael would occasionally stop, fix me in his gaze, then nod approval. I felt I was making progress. Returning from Ulyanovsk, I felt I had made a friend of the general director of Aviastar and had properly supported Ildar in this initiative.

\*\*\*

I was booked back in the Moscow Hotel that night, this time into a room on the 10th (top) floor. I presented my hotel card to the key lady and was given a bulky key in return.

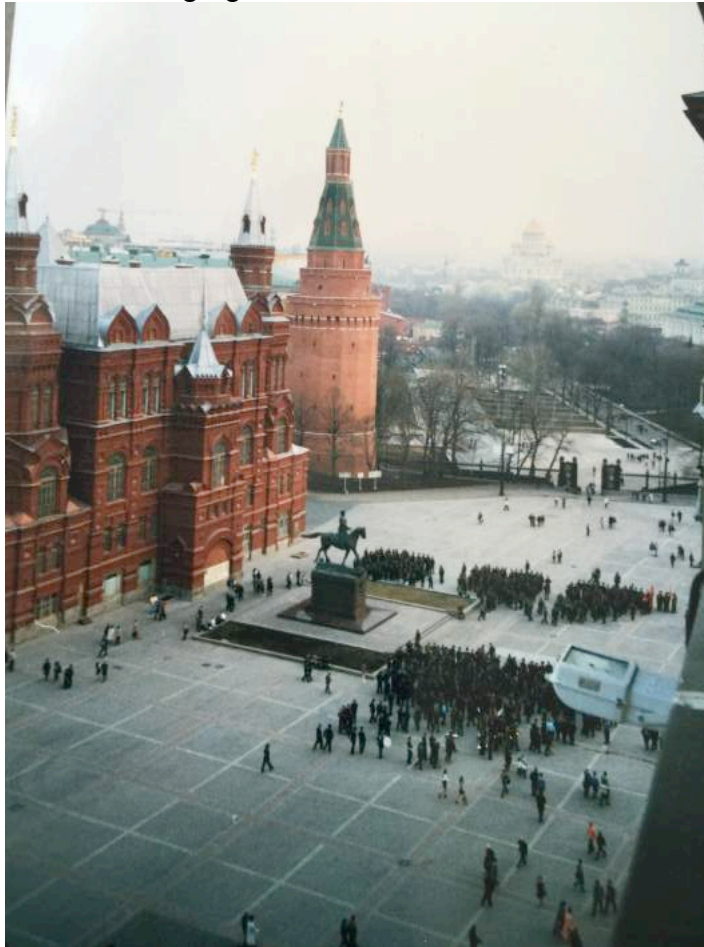


View of Red Square from the 10th floor

Opening the dark brown door of my room I was amazed to see, on the far side of the room, ceiling to floor windows. I approached them, opened the curtains, and found myself looking into the Kremlin and Red Square. One of the glass panels was a door that opened onto a porch. A light snow was falling.

Below me was the best possible view of Moscow. I plugged in, and turned on, the TV and

was astonished to find a live broadcast of the Super Bowl game between the Dallas Cowboys and the "Peetsburg" Steelers on a local channel. I sat back to watch. Anytime I turned my glance from the Super Bowl to the window, I could see lightly falling snow and the bright red star on top of one of the Kremlin's towers. The world was, indeed, changing.



The view looking to the river

\*\*\*

The tenth floor odd-numbered side of the Moscow Hotel became my residence of choice until the hotel closed for destruction and eventual resurrection. I insisted on the side overlooking the Kremlin, willing to wait till a room became available. Once inside, my first action was to start filling the deep iron tub with hot water, letting the initial rusty water run out, then clogging the tub with plastic stopper. (There is no better way to unwind from an overnight train ride than to submerge oneself in a hot Russian tub.)



Zhukov statue facing the Moscow Hotel

Legend has it that two designs for the Moscow Hotel were presented to Stalin and that he signed them both. Not knowing what to do and terrified to return for clarification the builders decided to construct half the hotel according to each plan. Yeltsin stayed in the Moscow Hotel when he moved to Moscow, from Yekaterinburg, to take charge of the administration of the city, and later,

when he was challenging Gorbachev for control of the country.

The original hotel was demolished and it took forever for the construction that took over the site to produce a replacement, designed to replicate the original. Keeping track of progress, or the lack thereof, was easy, given the hotel's central location. Why it took so long for a new hotel to open in such a strategic location was beyond my ability to comprehend. For 60 dollars per night one could stand on the porch, look over the Kremlin walls directly into Red Square, and observe constantly changing activity below. At night I would occasionally shine the red laser light of a pointer onto the pavement below and watch as passersby reacted.



New hotel emerging behind hats



Once, I was leaving after a five-day stay very early in the morning. When asking to pay my bill with a credit card the evening before departure, I was informed that the desk handling credit cards was closed. "You stay here often, just pay next time."

A month later I received a phone call in North Carolina from the Moscow Hotel asking when I would be returning. Before being demolished the hotel installed an electronic card system that blocked access to any room for which prepayment had not been received. In this, as in many areas, I saw a lurch from one extreme to the other.

A new hotel finally opened for business in 2014. The architects preserved the exterior of the historic design, including the implementation of two competing proposals, clearly visible as one looks at the hotel from the gate next to the tomb of the Unknown Soldier.

The project experienced high profile scandals during the years the building remained wrapped in construction nets. The only thing that has proven to be as predicted: the best views in Moscow are no longer available for \$60 per night.

**Business Lessons:**

- Forming alliances with existing structures provides credibility not possible if working alone.
- Successful government programs tap into the volunteering spirit of Americans.
- Russians and Americans are more alike than their governments recognize, or admit.

## AMERICAN FURNISHINGS INTERNATIONAL, REAL BUSINESS



Ildar (from right), Chuck, Kovazin and Lenin

The Business for Russia program provided me with a context for meeting local Triangle business people. While with IBM I dealt almost exclusively with other IBM'ers. My job was primarily internal, supporting other IBM'ers around the world. My customer contacts were with customers throughout the United States.

In starting a business I left the comfort of a recognized organization and entered, for the first time local business culture. FOXX OY USA was a complete mystery to locals. Our affiliation with the International Visitor's Center was a key first step into this culture. Would the Business for Russia program provide another step?

As previously mentioned the most popular speaker at the orientation sessions we conducted at the start of each BfR program was Doc Hamm.

His rather small frame and southern charm masked a steel will. Doc had not completed his studies at UNC Chapel Hill, choosing, instead the lessons of the “school of hard knocks”, where he had found success.

Doc was a born entrepreneur. His company, Silent Power, was attempting to commercialize a NASA technology with the potential of providing noiseless generation of electricity. In previous lives Doc had been a motorcycle racer, a bar owner, a financial consultant, and a printer.

Silent Power, funded by a wealthy investor, employed six engineers adapting NASA's quiet technology for use in small outdoor generators. Doc and his wife Nicky hosted Tatiana at their home during the first internship. Doc spoke to each group during orientation sessions, answering their questions with humor, and real world examples that resonated with his audience.



Doc, Margaret and Chuck toasting AFI

Doc was smitten by the Russians he met, starting with Tatiana, and became intrigued by the business opportunities Russia promised. He and Nicky travelled to Siberia where they stayed with Tatiana's family. He visited furniture stores in Siberia, and Moscow, and came back with the idea of starting a company, American Furnishings International (AFI), to explore the possibility of exporting furniture from North Carolina (furniture capital of America) to Russia. He asked Chuck, a furniture "insider" from a North Carolina furniture family, to join him, and me, as equal partners.

I jumped at this opportunity to start a business with experienced locals. I was the Russia specialist, Chuck arranged meetings with furniture executives, and Doc spoke about the opportunities he saw in Russia, a part of the world then beyond the radar of most American furniture companies. AFI sought agreements to represent, exclusively, furniture manufacturers. I was able to bring AFI a potential first customer, Ildar from Kazan. Following our meeting in Ulyanovsk, Ildar decided to visit Raleigh. He became interested in American furniture. We took him to showrooms in and around High Point, site of the annual furniture mart. He selected enough items that he thought would sell in Tatarstan to fill a 20-foot container.

On the essential question of financing Ildar said that he was ready to pay up front, and followed through on his word by wiring the funds, which got AFI running. Ildar took a leap of faith of his own, trusting the furniture would arrive and find buyers. The container took a month to get to Kazan. Its content was examined by experts charged with choosing the furniture for a new luxury hotel being built by the Kazan city administration. The experts

were impressed. AFI won a chance to bid on that job.

The hotel project was the responsibility of the Kazan administration. AFI negotiated with Tatars. Tatars are in charge in Tatarstan, designated a semi-autonomous Republic within Russia. Kazan, the Tatar capital once rivaled Moscow for power. St. Basil's Cathedral in Red Square was built to honor the victory of the Moscow Rus over the Kazan Tatars. Tatars have money thanks to oil on their territory and a resourcefulness that has made Tatarstan one of Russia's most entrepreneurial regions. Ildar arranged meetings for Doc and me with the mayor of Kazan, and other key players. All were Tatar men. When visiting the construction site of the hotel I could not help noticing that all heavy work was done exclusively by women.



Women doing all the manual work

The chief architect and designer on the hotel project was Ivan, whose previous work included the Tatar parliament and opera buildings. He was

famous for his genius and impulsiveness. A dark complexioned Tatar, with a deep voice and artistic air of authority, he was understood to be key to winning the deal.

Ivan's agreement to travel to the US following our meetings with him in Kazan was a coup. He agreed to examine samples from potential suppliers of furniture. Ivan did not bring drawings or blueprints to America. They were in his head. In answer to questions Ivan would begin sketching, from memory, the composition of any room, the proposed layout of the reception and dining areas, the floor plan for any part of the hotel. These renditions were of high quality and contributed to the favorable impression our project made.



The Wizard translating for Ivan

Following meetings with several potential suppliers, Stanley Furniture was chosen. Items were selected from their catalogue. AFI negotiated a place in line in their production schedule. The Kazan hotel also needed custom wooden doors.

Chuck found a North Carolina company ready to do this custom work. AFI submitted a bid and was selected. Negotiations on the timing of deliveries, via Finland, and pre-payments took several months. Ildar's client proved to be reliable. Containers of furniture and doors began to make their way to Kazan. AFI was making serious money, able to pay its owners. For the first time since leaving IBM I put some money in the bank.

AFI made inroads in Moscow. Through a personal connection Doc was introduced, at the last possible moment, to the Russian company working with Marriott on furnishing two Moscow hotels. Unlike the seat of the pants style witnessed in Kazan, Mospromstroi was highly professional. The Italians had the inside track on the business due to their long track record of furniture deliveries to Russia. We convinced the key decision makers to visit American of Martinsville, premier supplier of US made custom hotel furniture.

Large hotel projects are typically custom jobs with each hotel wanting to create its own "look". The Russian architects presented their concept with sketches, American of Martinsville specialists responded with advice and a bid that put us in the game. The promise of getting financing through the Overseas Private Investment Corporation, (OPIC), designed to support the export of US products, may have tipped the decision in our favor. AFI had to overcome a Russian preference for solid wood furniture by explaining that not only is laminated furniture, manufactured in layers, economical, it has proven to be more durable, less likely to be warped by temperature changes, than solid wood. We submitted the loan request to OPIC in plenty of time but getting approval of the package proved to be a nightmare. Consideration



of our application was delayed, from one "monthly meeting" to the next, by bureaucrats with no understanding, or concern, about production schedules at Stanley, or construction schedules in Moscow.

Each time we called to inquire when our application would be considered we were told that the workload of the department was so great, the staff so undermanned, that nothing could be promised. OPIC staff seemed to spend most of their time explaining why they were unable to make a decision, to an endless constituency that kept asking. Why not just decide? (The process, not the result, is the point.) As the deadline for paying American of Martinsville in advance of production of the custom furniture approached, our customer had to arrange a bridge loan from a Russian source so as not to jeopardize the entire project. This allowed deliveries of furniture to proceed as scheduled. (The bridge loan was repaid when OPIC finally got around to approving our application. Without this external lifeline this OPIC success story would have been a disaster.)

AFI utilized another element of the government's support of overseas commerce that proved more helpful. We contacted the Trade Development Agency to fund a study examining the viability of manufacturing office furniture in Russia utilizing US made equipment. Aviastar agreed to be our Russian partner in the application. AFI believed that the market for office furniture was destined to grow and that in an increasingly cost sensitive market, local production would offer significant advantages. TDA approved our proposal. First step was a "market survey" to determine what style of office furniture would be most desired by the Russian consumer. I was given the names of

several companies in Moscow specializing in "market surveys". The first company I visited referenced work they were doing for some of Russia's top politicians and referenced results in political polls as examples of their work. Questions about the methodologies they employed were met with very general answers. I left that meeting thinking that we had been speaking past one another, unable to establish common language.

Not so with Sergei Sibirtsev, owner of the second company I visited. Sergey was tall, quick witted, and confident. His open smile suggested foreign influence. He had spent several years in the US studying market research at UCLA and had returned to Moscow to practice a craft that was, he explained, "unknown" in Russia. As we toured his facility, which featured an interview room where persons could be observed from behind one-way glass, he explained that "market research" firms in Russia created results from surveys that were questionnaires from persons paid to fill them out.

Sibirtsev was expert in the science of showing a product to a group, posing questions, observing and filming their comments, later analyzing the material for conclusions and recommendations. His business was booming as Western firms were customizing their approach to the Russian market. He was a clear choice to do our work. At an unforgettable meeting at the Avistar office in Moscow Sergey tried to explain his market analysis methodology to Kovazin and colleagues from Russia's industrial heartland. It was as if he was talking metaphysics.



Sibirtsev and Kovazin shake hands

"Just tell us what to produce!" they demanded.

After the session I asked Sergey whether he felt he had made any progress. He shook his head, all too aware of how unfamiliar the concepts he was describing were to people with a Soviet past. He very seldom spoke with Russian firms. He thanked me for providing him a "unique experience".

As another part of the TDA study, we invited Kovazin and his engineer to North Carolina to visit furniture plants so they could see first-hand the assembly and finishing process. They were confident that, given the right equipment, Aviastar could do the job. After visiting North Carolina and Virginia factories I drove Raphael, Sergei (the engineer) and the wizard (translator) in a small van rented for the occasion to DC for a day of tourism prior to their return to Moscow. We started the day with breakfast at a Dupont Circle cafe during which Raphael had two screwdrivers. They refused to bring him a third when he asked for it.

We drove around the city's monuments and decided to stop to visit Lincoln. It is not easy to park, in his vicinity, unless you are a bus, or handicapped. We were a van, not intending to stay long, so I felt comfortable leaving our "bus" at curbside. The view from Lincoln's feet of the reflecting pool and Washington Monument was spectacular, and appreciated. The group wanted to visit the Viet Nam memorial nearby, and then the Korean War memorial. I was worried that we were overstaying what I had calculated would be a short stop. Sure enough as we were returning to where we had left the van I spotted three policemen standing around it. What to do? I told Vladimir to explain to Raphael that he and I needed to lift much smaller Serguei up into our arms, and walk towards the van, carrying him between us, in a make shift invalid carrier. Sergei let his legs swing freely. As our awkward caravan became visible to them I saw the police retreat. They observed, from a distance, as we loaded Serguei carefully into the front seat, so as not to inflict further damage to his legs.

We stopped for lunch at the Hawk & Dove where Raphael had another couple of vodkas before being cut off by the waiter. After lunch we did some shopping for souvenirs in the malls across from the Pentagon before returning to the hotel. It was Sunday so liquor stores were closed. Raphael needed a bottle to take to his room for a nightcap. We talked the hotel bar into selling one to us. In his room we ate homemade sandwiches as Rafael drank most of the bottle. I have never seen a human being consume so much alcohol in such a short time, with seemingly little effect. (I would have many a late night meal with sandwiches and

toasts with Rafael and confidants in the US and in Russia.)

\*\*\*

I have been told that Finns took “designated drinkers” to Russian negotiations. The designated drinker's job was to keep up with their Russian hosts while other members of the delegation focused on the business at hand. I have undergone many vodka interrogations (more than I can remember). Why? I have nothing to hide.

Heavy drinking was not a ritual among most of the people I worked with. The reason was not only because my focus shifted to inventors but also because there has been a dramatic transition between generations. The toast remains an important element of any Russian social occasion but the demands of a market economy have accomplished what Gorbachev attempted, unsuccessfully, to do by dictate: reduce the role of alcohol in Russia. There *has* been a changing of the guard in Russia, a generation made obsolete. Only fresh minds are able to compete in the modern world. Today's Russia is in the hands of a young generation in more profound way than is the case in China, Europe, even the US. Dmitry Medvedev, the young former president, was 35 when he was named head of Gazprom. Russia is in fit condition to enter the new world.

\*\*\*

On a subsequent visit to Moscow Raphael offered to contribute to our market research by taking me to an organization he said could provide statistics on the amount of Russian office furniture sold in each of the past several years. (Such information was ordinarily not available.)

I found myself in the corridor of a dimly lit building. Outside the elevator bay I spied a list of

what appeared to be names two pages long and asked Rafael what it was. He explained it was a list of employees waiting for low cost apartments. The name at the bottom of the list had been added recently. How "old" was the name at the top of the list? "Four years" I was told.

We were disappointed to discover that the information we were seeking on furniture sales was not available. The hotel project in Kazan ended along with AFI's other initiatives in 1998 with the collapse of the ruble described in the following chapter.

### **Business Lessons:**

- Business requires trust and co-operation among persons of complementary skill.
- Locate persons with complementary skills and provide something they need.
- Decision-making in government is driven by perverse agendas.
- Nothing beats cash flow.
- "Market research" is mystery in a command economy.

## **THE COLLAPSE OF 1998; RUSSIA'S TURNING POINT**

After the meeting in Moscow where I witnessed the confrontation between Kovazin, representative of Russia's past, and Serguei Sibirtsev, a shaman of the black art of market research, I had another memorable meeting with Serguei. We ate in an Uzbek restaurant in Moscow in the middle of the week the Russian economy collapsed in August of 1998. Sergei explained that he had spent the past two days sending urgent faxes to all of his customers asking them please NOT to pay him.

The central bank was closed, no one had any idea when it would reopen and, most importantly, no one knew what the dollar-ruble exchange rate would be when it finally did. Sergey's invoices to his western customers were in rubles, calculated at a six-rubles for one-dollar exchange rate. When the ruble started trading again, more than two weeks later, it opened at twenty-four to the dollar. Its value was slashed by a factor of four! Savings in rubles were wiped out. Governments have fallen in countries when the currency was devalued by less than half (Indonesia in 1997, for example). What was the reaction in Russia? Thousands went into the streets of Moscow, to party.

"Moscow Day", scheduled at summer's end was celebrated on time. Mayor Yuri Luzhkov toned down the festivities, but no matter. Red Square, bridges across the Moscow River, were full of people drinking, joking, dancing to live and recorded music.

I observed the happenings first from my perch in the Moscow Hotel before going down to join the fun.



Celebrating "Moscow Days" 1998

How could Russians party at a moment when the country had no government (the Prime Minister had resigned), no a judicial system (the Supreme Court was dismissed), no banking system, I asked.

"Compared to what Russia has experienced in the past, this was nothing", I was told more than once.

President Bill Clinton, accompanied by Hillary, flew into Moscow during the middle of the week. His arrival was item four or five on that evening's news broadcast. Yeltsin sent Chernomyrdin out to the airport to greet the Clintons. Nobody could think of what to do with the wandering President in the middle of his own "Monica crisis", desperate to appear "presidential". Clinton addressed students at Moscow State University but was otherwise largely ignored. More important matters were occupying the attention of Russians. President Prodi of Italy had the good sense to cancel his trip



to Russia scheduled for the week after Clinton's visit.

I flew at the end of that week to Novosibirsk and saw a cartoon in the local paper there that captured the moment: Clinton and Yeltsin, two invalids, each with one crutch, holding the other up with the other hand. The caption said "not far to go." When I asked Sergey (my Siberian guide) where I might get some rubles for my dollars he took me to money changers hanging around the post office in central Akademgorodok who were offering a rate (25:1) pretty close to where it ended up. No bank would open for another two weeks.

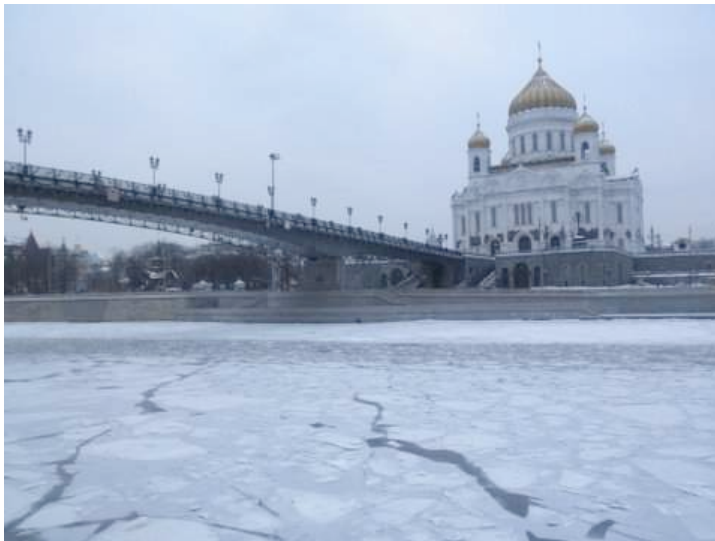


Without money

The local joke was that this did not create many problems because no one in Siberia had any dollars. In retrospect this period of chaos marked the moment of the start of the next transformation of the Russian economy, from one powered by an overvalued ruble, able to import goods and introduce Russians to what was available, a world

unimaginable prior to the first transformation in 1990, into an economy that would locally produce goods to meet ever rising expectations.

The crisis pushed Russian industry into producing, with increasing efficiencies, goods Russians were educated to expect. The internal market began operating according to Adam Smith's invisible hand, with a "Russian touch": a heavy dose of control and protection money. While the boom in the price of oil was responsible for a large part of Russia's economic strength the application of market forces to the distribution of resourced also played a crucial role.



Chilly days for the new Christ Cathedral

The collapse of the ruble closed AFI's export business. At six rubles to one dollar Russians could import western furniture. At twenty-four to one this became impossible. Our TDA study was on the right track, but the chaos that followed the collapse of 1998 created uncertainties that dampened business activity for years. Expats fled

Russia. They were no longer affordable and increasingly irrelevant. The energy that was such an important characteristic of Moscow life vanished. Russia was thrown into a new period of crisis from which it would certainly recover but how, and when? No one knew.

The collapse forced the closing of AFI and coincided with my decision to move, from North Carolina to San Francisco, and to change the name of my company from FOXX OY USA to Virtual Pro Inc. Sofia was graduating from high school to attend Carolina where she joined her older sister Kristine. I wanted to return to the part of the country I had discovered through college. I learned about a business incubator in San Ramon, in the East Bay, that had a profile that made it a perfect place for Virtual Pro.

TELCOT Institute was the brainchild of Dr. Alex Bordetsky, a brilliant Russian who had left Russia years earlier. TELCOT provided students at California State University-Hayward the chance to work on leading edge telecommunications projects sponsored by some of the many telecom companies moving into the east bay. I was drawn to TELCOT's rare combination: Russians with knowledge of leading edge telecommunications technologies and with standing earned in the local high tech community. Prototypes could be tested in networks featuring emerging ultra-fast communication technologies. TELCOT was a recognized connector between students and industry. It could become a connector between the US and technologies from Russia.

Dr. Bordetsky had recruited a colleague from Chelyabinsk, Dr. Eugene Bourakov, to join him. Eugene was a computer specialist. A perfect team to work with. I had always been intrigued by the

potential of Russian technology in the West. I knew that the effective connection of Russian technologies to the West demanded a "gear box" or "translator", persons capable of understanding both sides of a very wide divide.



Bourakov and Bordetsky at TELCOT

TELCOT fit the bill. Virtual Pro would try to connect this competence with potential partners in Russia, linking these distant worlds by using the emerging telecommunications technologies in which TELCOT was expert.

**Business Lessons:**

- Change opens the way for new solutions.
- Effectively addressing new circumstances and realities is key.
- Exchange rates between currencies define the rules of the trade game.
- Uncertainty is paralyzing.

## **AKADEMGORODOK, TOMSK; UNPOLISHED SIBERIAN TREASURES**



Center of Novosibirsk

How to find Russian partners, providers of technology of potential interest to the West? After the first Business for Russia group had returned to Novosibirsk I planned a visit to Siberia to prepare future participants, using tapes filmed with the first group.

Jatta made reservations for me on a flight to Moscow, and then on a flight, a few days later, from Moscow to Novosibirsk. I e-mailed flight details to Valentine who was planning to fly to Moscow in order to accompany me to Novosibirsk. He e-mailed back a few days later asking me to confirm details of my Moscow-Novosibirsk flight. He was having trouble finding it at the ticket offices he was visiting. I repeated my flight information. Valentine finally found an office able to ticket him on that flight. When we met in Moscow a month later and took the flight from Sheremetyevo we

found ourselves on an almost empty plane. There were no more than seven or eight passengers on our five hours flight on a plane with a capacity of close to two hundred, with a crew of six, not counting pilots. When I asked one of the stewardesses whether the flight was always so crowded she said “no, not always.”



Valentine with plenty of room

I later learned this daily flight was apparently a "ghost flight", visible only to foreign reservation systems. The Russian internal air system was not yet subject to the pressures of a market economy. (Most internal Russian flights I have been on recently are full.) The flight brought me to Siberia for my first visit in January. Temperature was a relatively mild 15 below. The cold air hit me as I exited the plane. The metal handrails of the stairway leading to the tarmac were ice covered. As I prepared to take a photo of the scene, a man in uniform motioned not to. Fumes were rising from all living things. A bus with frosted windows

and open doors waited below, offering refuge. Its doors squeaked shut once our small group stepped onboard. An orange sun was rising in the flat horizon. We took a circuitous route across a tarmac containing few other planes. There was lots of standing room on the bus. I gripped onto whatever was handy to stay upright as we swerved our way to a small beige building, where I understood our luggage would be delivered. I walked into a dimly lit space filled with metal needing a paint job.



Boarding an Ilyushin-76

There was little improvement in temperature; fumes were still visible around every person. After longer than our light load warranted, the conveyor belt cranked to life and my bag appeared, among others, many wrapped in plastic. I was asked by a person in uniform at the door to produce a baggage check whose number was carefully compared to the ticket on the bag I was escorting. (The habit of verifying each piece of luggage

continues in Siberia and much of Russia. It disappeared years ago in Moscow.)

Valentine and I exited the arrival building into an open space, a sea of fur hats of all colors and shapes, fumes rising skyward from their midst. The audacity of Siberian fur hats is a first signal of the independence of the region. In Moscow one finds hats of fur but they are mostly black or grey. Some look pricey, many are utilitarian, from army stock, simple in design: front flap folded back, side flaps available for ear covering.



Hat on a high wire



In Siberia, all is possible! Exploding halos of fur, of assorted colors, with streaks of white, are as likely found on the head of a muscular male, as on a petite female. In her case she may also be wearing a matching coat. Giant ear-flaps jut straight out, unless tied down during particularly severe weather. And the tails! I have never seen a tail on a fur hat in Moscow. In Siberia I have seen hats with two tails. (Hats with tails are worn only by women.)

Valentine and I were met at the airport by Sergey who takes pride in never having to wear a hat. (He uses a headband in severe conditions.) Sergey drove us through the checkpoint at the airport exit and onto the icy road in the direction of town. The sun was now yellow, and above the horizon, among distant clouds. We saw few cars in either direction during our 20 km trip. Trees were bare. We crossed the great Ob River, driving on the locks that have harnessed its power and created above them, to the south, the Ob Sea. Like all Siberian rivers, the Ob flows north.

A decision to cross the Ob by rail at Novosibirsk, made a hundred years ago, transformed a sleepy town into what is today Russia's third largest city, the transport hub of Siberia, Russia's Chicago. We were traveling not to Novosibirsk, the big industrial center of 1.2 million, but to the formerly closed town of Akademgorodok 20 km south. "Academy city" moved Russia's researchers deep into Siberia protecting them from bombers and purges. Academician Lavrentyev famously proclaimed that the "future of Russia would be determined in Siberia", a slogan that appears at roadside on the approach to town. Talented students throughout the Soviet Union (like Sergey) were identified by exams, and invited to join researchers there.

Leading mathematicians, physicists, and chemists were allowed to continue research in an environment of intellectual inquiry far from Moscow's political intrigues. Institutes and private homes were constructed among Siberian birches and pines.



Flats and playground

Akademgorodok's pristine lifestyle is now much in demand as many of the newly rich in nearby Novosibirsk seek an escape from the rapid urban development that is transforming the area. On my first visit I saw deep snow everywhere, green tops of what could only be sidewalk benches, barely visible, as I walked past, along paths into hard snow made by others. Snow still hanging onto the evergreens suggested recent storms.

Sergey and I snaked through snow banks to the institute where he worked, a grey five story structure with grey windows, granite stairs with missing elements, a double set of wooden doors

(to keep the cold from entering). Inside the door, guarding a turnstile through which we had to pass was an older woman to whom Sergey said something that got me in. We walked up concrete stairs in a stairwell that was lit by natural light coming from glass blocks, then down a long corridor that was not, then up another set of stairs, down another long corridors, around a corner, into a meeting with Akademician Alekseev.

His wood paneled office featured the classic Russian arrangement of big desk with a long thin table leading to it, chairs on each side, where visitors are invited to sit. We were met at the door by a rotund, white haired-man who looked strong and frail at the same time.

Akademician is a title reserved for a few at the top of the Institute hierarchy. Alexeev had invited several colleagues to join us. Sergey, after briefly describing his North Carolina days, served as interpreter. I spoke of my company's interest to represent the programming resources of the Institute in the western market. Akademician Alekseev spoke of cosmic physics. I sensed a chasm between the work he was describing and the demands of a commercial market. Serguei did his best to bridge the linguistic and conceptual distance between us, explaining how his time in the US had opened his eyes. I felt trust building.

During that visit Sergey introduced me to many colleagues. A born networker, Sergey often consulted a well-worn black book of notes and contacts. He had prepared my visit with care. As we walked the corridors, shifting between well lit and darker sections, he provided background sketches of the various persons to whom I tried to explain what I was intending to do. The fact that I did not, myself, have a clear answer to this simple

question did not affect the seriousness with which my comments were considered or the respect I was shown.



Akademician Alexeev (2nd from right)



Winter contours

A lasting memory of this first visit that I must include here was the dismal state of the toilets. Even when given access to "special facilities" reserved for persons of status, entering them made me want to minimize any interaction. (I am pleased to report that in this area, as in many others, there has been dramatic progress in Russia.)

\*\*\*

Shortly after returning from my first Siberian visit I had a chance to test the capabilities of Russian mathematicians that Sergey was boasting about. The daughter of John Sall, co-founder of SAS, was a member of the Lehman ballet troop. (She had travelled with Sofia to the Goodwill Games.) He hosted a Christmas party at his home for the cast and family members, after Lehman had performed the Nutcracker at SAS as part of holiday performances throughout Raleigh. His spacious home, on a large private estate, could easily be imagined as a setting for the ballet.

During the evening I introduced myself to John and asked whether he would be interested in identifying a problem that was stumping his programmers. I told him that I wanted to send such a problem to Siberia, to see if my Russian partners would be able to find a unique approach. He told me that, as the one in charge of SAS's "skunk works" he was the right person to ask. Several weeks later John sent me a statistical sampling problem involving the processing of very large matrices that I forwarded to Sergey.

About a month later Sergey sent back the description of an approach to solving the problem which was so novel, and promising, that SAS was ready to sign an agreement to have whoever had conceived it develop supporting code. I drew up

an agreement (my first) that included a payment to author, Yuri B., and the institute. The modest commission I added for my services was less important to me than the fact that the power of Siberian capabilities had been proven, and that I had demonstrated an ability to develop some real business to the Siberians. Yuri delivered the code as promised and was subsequently invited by SAS to speak at one of their conferences in Dallas. He declined an invitation to do additional work for SAS. He was making good money distributing agricultural seeds to farmers in the Novosibirsk region. Providing the solution to the problem posed was a challenge met.

His father was a well-known mathematician and Yuri had demonstrated similar qualities, but the idea that such algorithms could be protected, and that he might profit commercially from licensing them, was of little interest.

The success of this project enhanced my standing with Academician Alekseev. During my next visit Alekseev's successor as head of the Institute of Computational Mathematics and Mathematical Geophysics, Siberian Division, Russian Academy of Sciences, Boris Mikhailenko and I signed an agreement giving Virtual Pro exclusive rights to represent the Institute in the western market. I was shown LIDA, a library of computational algorithms developed by the Institute, and agreed to try to obtain copy-write protection. I placed an inventory of the Institute's algorithms on the Virtual Pro web site, then residing on a Russian server.

The fundamental problem was that the Institute's description of their work was impossible for any outsider to comprehend. Alekseev claimed to be doing pioneering work on the interpretation of

seismic signals, useful in the exploration of new deposits of oil and gas reserves, and suggested this as an area of potential commercial interest. I agreed to represent the Institute at an upcoming European Association of Geoscientists & Engineers conference in Helsinki where industry leaders would be investigating new technologies. Sergey joined me at the conference, which turned into a dry hole.

The Russian material proved undecipherable, even to specialists. It had been developed in a scientific world disconnected from any application framework. Whatever technical capabilities existed in the Institute would remain unknown, and unappreciated, until results could be explained and demonstrated in a language and setting that companies understood. I was confronting an insurmountable chasm between potential supplier and customer, with no one in a position, or with interest, to close it.

\*\*\*

The Internet provided Akademgorodok with enabling technology: a direct link to the outside world. One company, NovoSoft, was exploiting this opportunity by marketing the capabilities of Russian programmers over the Internet via spam. Established by an American with an office in Texas NovoSoft built an expanding collection of Siberian programmers, organized to address small programming jobs coming in from all over the world. NovoSoft's hook was the relatively low price of programmers in Siberia. NovoSoft was able to keep growing to meet expanding demand because there were many talented people looking for jobs. NovoSoft's footprint expanded. At its peak, NovoSoft occupied several floors inside the Institute, transforming large sections into rooms

with modern work cubicles. This continued for years until the NovoSoft model suffered from an inherent weakness: with only remote support available (no local representation) few of the small, competitively priced jobs grew into larger, long term-projects with profit margins sufficient to support the growth of the business.

The weaknesses of the "spamming model" proved impossible to correct. Competitors who developed local presence, near customers, won the follow-up business of clients who may have initiated outsourcing by using NovoSoft first. Some years later, after NovoSoft's demise, Academician Alekseev's son Alex attempted to organize IT companies in Akademgorodok into a "Silicon Valley of the Taiga". Promotion of this concept proved a challenge for the same reason. There was a limit to how much business could be done without permanent contact at customer locations.

\*\*\*

The success of the off-shore programming model, pioneered by India, stems partially from the fact that Indians are familiar with English. Many Russians are as well. The *differentiating* element of the Indian IT success is, in my opinion, the role of the *Indian diaspora*, consisting of thousands of well-educated Indians in decision-making positions throughout western IT organizations. These immigrants never lost their connection with "home base". By comparison, once hired by western companies most Russians leave Russia "behind".

This may be changing. Russians educated in some of the top business schools in the US are being lured back by the superior salaries and challenges available there. AmBar, an association founded by Russian graduates of the Stanford School of Business, developed into a leader in an



emerging ecosystem of Russian technology entrepreneurs. The actions of the Russian diaspora will be critical to the evolution of the Russian IT business.



In the course of numerous visits to Siberia I have had memorable banyas, and debates, with Business for Russia alumni. We discuss events as we observed them (there is always something happening in Russia), the Siberians as permanent residents, me as a visitor.

Nikolai, physicist and potato farmer, is one of my favorite Siberians. He lived and worked with a potato farmer in New Hampshire during his BfR internship. A physicist by training, stocky Nikolai has a nose and aptitude for drinks, jokes, and business. He has made a living for years farming potatoes on leased land renting military conscripts during harvest time. This seasonal work does not take up much time. He fills his days with research and political discussion. Nikolai resents how the

oligarchs have taken wealth and power in the new Russia. "I hate these people!"



Putin's strong-armed tactics against Yukos oil's founder Mikhail Khodorkovsky, Russia's richest man before being sent to a Siberian prison, had wide support. Konstantine, a geologist I met at the Helsinki conference provided me a different picture. Working at Yukos was like "a breath of fresh air" when compared to conditions elsewhere in the Russian oil business. He found Yukos to be an operation run with modern methods. At the time of its seizure (in 2003), Yukos was Russia's most productive and profitable company. After Yukos' takeover Konstantine (considered one of Russia's top geologists) went to work for TNK-BP, a joint venture between Russian oligarchs supported by the Kremlin and British Petroleum. During a visit in 2008 Kostya and I agreed to meet for lunch on old Arbat, not far from the TNK-BP office.

Usually punctual, he arrived late, explaining that he had been prevented from leaving by the police

who, that morning, had initiated a search of TNK-BP offices. That investigation eventually resulted in the replacement of the British management. (Kostya thus witnessed a government takeover of a second oil company, up close and personal.)

\*\*\*



Ballet in Novosibirsk

Siberians think big. The stage of the theater in the center of Novosibirsk is the largest in Russia. They think nothing of driving for a weekend of skiing in the Altai Mountains, 550 kilometers to the south. I went Siberian skiing with Sergey and Yuri. We drove at high speed on roads with bumps and pot marks in a caravan of two cars, consisting of Yuri's upscale Toyota, and the Russian Lada Sergey and I were in, that broke down, thankfully not too far from a town. We were fortunate to find a repair shop still open on a Friday afternoon, and willing to take up our cause. Once the Lada was hoisted by hydraulic lift into a position where it could be properly examined from below, the entire

party joined the local crew voicing opinions on what should be done.

All Russian men have first-hand experience fixing automobiles, and all offered suggestions on what might be the problem. (My mind's eye contrasted the scene with visits to an American garage where the customer is kept at great distance from where the work is done.) After an animated discussion achieved sufficient consensus, three of us were sent into town to purchase a part from a shop that was also still, thankfully, open. In another gift of providence the small shop had the needed tube in stock. It was inserted into the Lada in an operation witnessed by all, and we continued our journey, which ended late at night in a guesthouse next to a river.

The next morning we went skiing at a resort consisting of a hill, a wooden shack where it was possible to rent skis and boots, and a single "ski lift", an iron cable to which skiers attached themselves using a metal clamp-hook tied by rope around one's waist. (Sochi 2014 this was not.) Descending the hill was far less challenging than mastering the task of hooking onto and more importantly *unhooking* from the constantly moving cable, so as not to be pulled into the turning wheel that constituted the top of the lift. An unforgettable day of skiing!

\*\*\*

On a subsequent visit to Akademgorodok I was informed by Sergey that a visiting delegation from China was completing a two-week visit to new techno park facilities housing Siberian companies developing innovative technologies. I was invited to attend the farewell meeting. The head of the Chinese delegation addressed the assembled group of thirty or so persons, thanking them for the

hospitality the Chinese had received, and invited the Siberians to Beijing next year. While his comments were being translated into Russian, Sergey was providing me with a whispered translation of main points into English. I joked that if Sergey wanted my help, should the proposed trip actually happen, he could count on it.

About six months later, in early 2000, I received an official invitation from the Chinese government providing me with the documentation I needed to obtain a visa to join the Siberians who would be flying to Beijing from Novosibirsk. I would join them from San Francisco. Sergey explained that he and wife Olga were participants in the delegation, Olga as representative of the business interests of a manufacturer of farm tools designed in Akademgorodok. He would represent, with my help, the interests of the computational center.

I bought my ticket and flew in early July to Beijing for my first visit to main land China. (I had spent two days in Hong Kong on my way to the Philippines.) Olga was at the Beijing airport to greet me but gave me the disappointing news that Sergey had been replaced, at the last moment, by a political person. My reason for being in the delegation had thus vanished. I felt uncomfortable sitting among the Russian delegates that afternoon in a large hall, decorated with Russian and Chinese flags, listening to the official welcome in Chinese, being translated into Russian. (Olga provided me some idea of what was being said.)

I approached the head of the Russian delegation after formalities were completed and introduced myself, explaining that I was pleased to be a member of his delegation. "You are not a member of my delegation!" he replied. I was on my own. After being included in the opening meeting during

which the Siberians were introduced to locals with a potential interest in their products or technologies I would have to fend for myself. I had a place at group meals but there would be no official meetings for me.

I approached one of the young ladies providing Chinese to Russian translation and asked how I could meet young people who spoke English. Her boyfriend was a student at Tsinghua University (the MIT of China). She promised to see if he was interested. A cell call arranged a meeting the following morning for me with Yu and several colleagues, anxious to practice spoken English. We met in a student teahouse on the well-manicured Tsinghua campus. I was struck by the difficulty Yu and his three friends had verbalizing English. Accustomed to meeting well-educated Russians and discovering that their English was often of very high quality, I was expecting to find the same situation in China. Instead, I found persons comfortable reading the language, but having great difficulty speaking it. (I am told this has changed, but report impressions from 2000.)

Yu and his friends took me for a tour of the campus and showed me many new buildings, including a brand new department of economic studies. I visited several small companies located in rooms on campus and sensed incredible energy. The students explained how difficult it was to obtain entry into Tsinghua and how, as only children, they felt a tremendous responsibility to succeed once there.

For the evening meal our Chinese hosts arranged a banquet hall of large round tables in the center of which were placed rotating serving platforms. We took our places, the Russians and Chinese mixing easily, and then took turns

sampling the dishes and soups brought to each table and placed on the rotating platform from which they were taken onto individual plates by chopstick or spoon. (Olga lost count when the number of separate dishes reached twenty-five.) Russians and Chinese both like to toast to health, to friendship, to women. I found the sweet rice wine preferred by the Chinese less appealing than vodka. (Appropriate. I was, after all, a member of the Russian delegation.)

As the evening progressed our Chinese hosts began leading the group in karaoke sessions singing lines, many from American songs, displayed like running stock quotes at the base of strategically placed screens filling with images choreographed to match the words, or melody, of the selected music. I was grateful to be included in the part of the program where I suspect the most candid communication between people was taking place. The proud Siberians spoke of the great spectacle of Beijing, its modern buildings, the wealth. (Keeping in mind the condition of their facilities in Novosibirsk it was not hard to imagine a silent desire for some of whatever it would take to create similar conditions in Russia.)

Released from business obligations I had time to do sight seeing. With assistance from the hotel I commandeered a taxi that drove me to the nearest portion of the Great Wall, a two-hour drive from Beijing. The driver deposited me at Badaling Gate and promised that I would find him there at the end of my day. I spent the day walking up and down the steep steps of the Great Wall, evidently built before there were any building codes, in stifling heat, and found my taxi where promised. On the way back to Beijing we stopped at the Summer Palace where I bought some souvenir

paintings and observed the ancient practice of kite flying on the banks of the lake surrounding the Palace.

As the sun set my unforgettable day ended in an outdoor restaurant just outside the gates of the Summer Palace singing “I left my heart in San Francisco”, “Sweet Caroline” and a few other classics, as a crowd gathered outside the fence of the bar where I stopped for refreshment after my day full of exercise. Two laborers sitting at the next table began a discussion with me in hand signals and, after a few beers, started the karaoke system that seems omnipresent in China.

On my last day in Beijing I decided to pay a visit to Chairman Mao, lying in state at one end of Tiananmen Square. (I wanted to compare the Chinese presentation with what I seen during several visits to Lenin.) I hailed a taxi and we idled in the suffocating traffic for so long that by the time we reached Tiananmen Square Mao was no longer accepting visitors. The cab driver explained that Mao sees visitors only in the morning. Visits end at noon. (Something for my next visit.)

\*\*\*

These days it is not possible to plan a viewing of Lenin in his mausoleum in Red Square. A line at the entrance to Red Square nearest the flame of the Unknown Soldier is the only signal I know that indicates when Lenin is accepting visitors. There appears to be no set time for such viewings, and they are becoming less and less frequent, as far as I can tell.

My first meeting with Lenin occurred during an early visit to Moscow. I was returning to the Moscow Hotel around midday and saw that a line had formed in the appropriate place. I decided not to pass up this chance. After standing in a slow



moving line and being checked for weapons and cameras by guards who demonstrated an uncanny ability to find cameras among many of the persons in front of me (who were sent on their way), I followed the line of permitted guests, past graves of revolutionaries marked by plaques (I recognized Stalin and John Reed) in the red Kremlin wall, around the corner of the mausoleum, down stairs into Lenin's tomb.

The slow moving line was observed from all directions by guards posted ever few meters. Lenin appeared suddenly as I turned a corner, his yellow, bald head emerging from a black suit, a yellow hand lying at his side. (Russia's finest scientists continue to develop methods for the preservation of the icon. I visited Lenin again several years later, to accompany Yuri who had never been, in spite of having grown up in Obninsk, not far from Moscow. The line had formed as we were passing by Red Square and I asked him if he was interested.

"OK". As we were descending the stairs Yuri joked that he would rather be visiting Claudia Shiffer, a remark that elicited strong words of reprimand from the guards.

\*\*\*

On my fourth visit to Akademgorodok Sergey introduced me to Victor Vertoprakhov, a Siberian talent like Yuri (the mathematician who had solved the SAS puzzle). Unlike Yuri, Victor *was* interested in commercial success.

A chain smoker with quick, nervous eyes, Victor explained that he had an idea developed on his own: an optical element capable of transforming information, directly and immediately, from a wave front of light into digital representation (in a computer) and back. Victor explained that one of

many applications could be high-speed 3D quality control measurement. In the other direction, from digital representation in a computer to wave front generation, the invention can, theoretically, "paint" holographic images in thin air. I agreed to fund a US patent to cover the technology in exchange for an equal share of any business generated.

US patent 6476943, assigned to Virtual Pro listing Victor as inventor, was submitted in February of 1999 and issued in November 2002. This first experience filing a US patent application provided useful lessons and credibility in the eyes of other Russian inventors I would meet. Victor built a simple version of his optical element that qualified as a "proof of principle" but needed help to construct a complex implementation. Before attracting an investor, an industrially interesting application needed to be identified, and supporting software written.

The potentially broad applicability of his element technology made finding an initial commercial application challenging. Our agreement to share equally any profits generated failed to address a key question: who would be in charge of a company to which the patent would be assigned. Victor was not ready to give up control. We were at a business impasse.

In 2001 Victor and his wife moved to Singapore and he stopped smoking. Years later, after witnessing the progress I was achieving with other inventors described in subsequent chapters, he agreed to form Optical Element Pte. in Singapore.

Optical Element was, literally, a classic example of an "element technology" requiring insertion into an existing framework (that it improves) in order to achieve commercial success. Obtaining patent protection was only a first step on a long road.

\*\*\*



Tomsk city center

Novosibirsk and Akademgorodok provided my initial introduction to Siberian intellectual resources. Later, I discover an older source of Siberian treasures: Tomsk. Two hundred and seventy kilometers north of Novosibirsk, Tomsk was settled three hundred years earlier, for reasons explained by geography. The building of the Trans-Siberian railroad put Novosibirsk on the map in 1897. Czar Boris Gudonov established Tomsk in 1604 at the edge of his empire. A fort was built by Cossacks as protection against Kirghis bandits on a hill overlooking a bend in the Tom River. Gold was discovered nearby in 1830.

I discovered Tomsk in California, in late 2009, when I met two representatives of its innovation ecosystem, Alexander Uvarov and Gennady Kobzev, from Tomsk State University of Control Systems and Radio-electronics, TUSUR, at the Silicon Valley Open Door (SVOD) conference. They were in the Valley exploring its innovation

terrain as part of a visit organized by USIA. We hit it off and I was invited to Tomsk in early 2010.

I visited in mid-January during a warm spell, between cold waves that had recently, and were expected soon, to produce -35 and below. -16 was flashing on the roadside panel as Pavel, the driver bringing me from Akademgorodok, and I crossed the bridge over the Tom River. I was welcomed first by Gennady, who met me at the hotel, and moments later by Alexander, who hopped into the back seat of the car he had sent to fetch me.

Pavel drove us to an impressive looking ochre colored building with ornate columns, the basement of which housed the restaurant where we would have a first meal. Menus were only in Russian. I left the choice of dishes to my friends. We were joined by Yuri, a teacher and business owner; a "promoter" with an irreverent sense of humor. These three Tomsk natives provided me with a brief history of Siberia's oldest, and most important, city. I suspected a healthy rivalry had developed between Tomsk and Novosibirsk similar to the one between Moscow and St. Petersburg, or New York and Boston.



Alex and Gennady

Protected by Czar Godunov's fort, early settlers developed the abundant natural resources surrounding it, first lumber and furs, then minerals, and later oil and gas. This wealth created numerous millionaires and a desire to develop the relatively unexplored field of technology commercialization. In this task Tomsk relied on the intellectual resources cultivated in its six universities, each with strong reputations and traditions. A higher proportion of Tomsk residents are students (120,000 out of 500,000) than in any other city in Russia. Alexander and Gennady's visit to the US was but one indication of concrete steps Tomsk is taking to mine its brains.



Speaking in Tomsk

I would be speaking the next day to students whose companies resided in the business incubator established and run by TUSUR. Visits to individual companies were being arranged. I am accustomed to things falling into place at the last possible moment in Russia. My presentation the

next day at the center was well attended and videoed by Yuri. I sensed my English was being understood but there was a reluctance to speak.

I recognized a face in the crowd, Dmitry, who had been in Boston and California as part of the Tomsk TUSUR delegation pitching his 3D imaging technology, and asked him a question. This got some discussion going. Dmitry's invention is an algorithm that can build a 3D image of any object by interpreting multiple photos of the object, taken from various angles. He had formed a company, 3DBin, in both Tomsk and California, and applied for a US patent.

The commercial potential of the technology was clear. By automating a process that requires labor-intensive artwork by specialists, 3DBin technology promises dramatic cost savings and targets the need for high quality three-dimensional representation in cyber-space.

Dmity's presentations in the US attracted the interest of some of the investors present. His idea was to offer the development of 3D images as a service, via the Internet, to anyone wishing to develop quality visualizations for use in e-commerce. He was considering approaching the leading Chinese e-commerce site, Alibaba, with the technology. My comment to him: stop. So far you have done everything right: formed mirror companies, inside and outside of Russia, and applied for international patents. Going to China could be a serious mistake.

Today's China is not a safe place to introduce transformational technology. It is the most dangerous place to do it. Why? Because the risks of having your technology copied and distributed into global markets is high. Why not approach potential western partners with a patent protected

"element technology" ready for integration into existing product families, via licensing, with the goal of establishing the industry standard? 3DBin's timing looked right. Avatar had brought 3D moviemaking into the mainstream. 3D video games were taking over that industry. The world appeared ready for 3D visualization across digital platforms. The stakes in this game are high, with the winner possibly establishing "the standard".

3DBin was only one of many companies housed in TUSUR's innovation incubator, a beehive of activity, young people behind computer screens, moving between offices in glass enclosures. Here action seemed to match the bold talk I had heard from the Tomsk delegation in Silicon Valley. I was taken to the main office of "Tomsk-California" on the first floor of the building. Programmers were working on jobs for clients in the US. A sister office located in Silicon Valley provided the essential local customer contact that is the key to cultivating and growing the remote IT business. ("Tomsk-California" was addressing the problem that had destroyed NovoSoft, a clear sign of progress.)

The head of "Tomsk-California" had attempted to join Alexander and Gennady on their Silicon Valley pioneering visit but had been denied a visa. We joked about the small minds of bureaucrats the world over.

Company visits in Tomsk, arranged at the last possible moment, proved to be as impressive as the incubator activity. At EleSy, a company with over eleven hundred employees, I was shown facilities that design, manufacture and support homegrown electronic monitoring devices used by their main customer, Transneft, by 34-year old CEO Dmitry. (An example of young leadership.)

He showed me a map of the pipeline being built to link Tomsk oil to the east (China) full of red and blue flags. Blue indicated completed monitoring stations and red, those planned. I recognized this pipeline as being the one famously moved away from Lake Baikal after a comment by Putin about potential environmental risks.



Dmitry and map

Dmitry smiled when I asked him to point to Lake Baikal on the map. (I could now see how large a diversion has been inspired by Putin's remark.)

In addition to producing equipment of its own design, EleSy "localizes" products under license from a German company. When I asked about the possibility of taking some technology developed by EleSy into western markets Dmitry mentioned a low temperature coating developed in a local version of akademgorodok as a candidate.

I was taken to Plasma Cleaning, a company developing low temperature plasma technology



with potential application in disinfecting fabric, water, and numerous surfaces and materials, and met CEO Anatoly. The technology underlying Anatoly's devices, prototypes of which lined one wall of his office, came from the adjacent akademgorodok. He was considering various business models and partners for taking his inventions to the west. He mentioned manufacturing in China and/or working with a business development organization in Spain. I asked him if he had patents in place. "Not yet", he answered.

"Be careful", I advised. "You have not made any mistakes, but act prudently, step by step."

Tomsk Oblast is blessed with large oil fields, in its north. Yukos corporate headquarters was next to the regional administration building. That Yukos building still features a Yukos spike and star on its roof and is occupied by the regional court, symbol of the legal system that put Khodorkovsky in jail.



Former Yukos building

Russian "justice" is not subtle in its declaration that the state rules. Khodorkovsky was arrested at Tomsk airfield in 2003 and spent ten years in prison before being "pardoned" by Putin as his sentence was expiring, just before the Sochi Olympics. From his new home in Switzerland he broke his silence (and promise to Putin to stay out of politics) and called for a "European choice" for Russia.

How his call for a society based on the rule of law will be heard in a country being wrapped in a cocoon of misinformation, only time will tell.



War Memorial

The building of "bottom up" links in the process of commercializing science that solves problems important to all of humanity is a way forward that speaks to a desire for more than "stability" by the agents of change who must lead the way.

Much has evolved in Siberia since my first visit. Modern telecommunications infrastructures enable the connection of classically distant places, like

the Siberian gulag. But advanced communication infrastructures, lacking something to communicate and entities to communicate with, are of limited benefit. How Siberia's intellectual centers will become integrated into Russia's "Silicon Valley" project, and/or the rest of the planet, remains to be seen.



Timeless winter scene

In my opinion, key to fulfilling Lavrentyev's vision for Siberia is connecting these remote resources to foreign partners, step by step, with pioneering "success stories" that employ a business model protecting the interests of all. In the meantime the Siberians will survive, as they always have.

This chapter concludes with an explanation of what I believe are steps that can, and must, be taken to birth "success stories". It is a journey I started by financing Vertoprakhov's patent, a leap of faith driven by a belief that "someone must be first" (the theme of my web site).



Old style business

\*\*\*



Proper protection of intellectual property in a "safe haven" (a place with a tradition of honoring such protection) is a necessary first step. Without it no investor will step forward to fund next steps. This notion, second nature to westerners, is met with skepticism by Russians only recently exposed to private ownership of apartments, and of land. (How can an idea be "owned"?)

Once reliable patent protection is obtained the challenge of technology commercialization shifts to identifying commercially interesting applications and forging partnerships with providers of complementary knowledge, proving the superiority of the resulting collaboration in trusted venues. None simple tasks, all requiring funds.

When ownership of an idea is with a private person, or private company, in Russia, the initial step in protecting it is to apply for a Russian patent. Filing a Russian patent is not expensive. But one must be aware of the risks of taking this step. The market for any new technology is primarily outside of Russia. Applying for and receiving a Russian patent may prevent protection of the idea in the West. Unless the inventor files a PCT application within one year of filing a Russian patent the priority date established by the Russian filing is lost, as is any claim to novelty. The publication of a Russian patent is equivalent to the publication of an academic article. It places the information in the public domain, unprotected.

A PCT application preserves the right to file "national patents" outside the country of origin, for one and one half years following the PCT filing. Where one chooses to file "national patents" depends on the nature of the technology, and the markets for the product.

If the product can be produced locally, at relatively low cost (a pharmaceutical formulation, for example), it is important to protect it in markets likely to encourage local knockoffs. In industries requiring massive manufacturing investments, and dominated by global providers, like electronics or semiconductors, it is sufficient to protect the idea in major markets. A Japanese electronics company can be sued in the US if a single one of its products, incorporating a technology protected by a US patent, is sold in the US. A US patent creates a negotiating "barrier to entry" position with Japanese, as well as American, companies.

The Russian patent process, while approaching the western one in form, is still different with respect to content. Russian patents tend to be detailed engineering drawings. Western patents make broad claims using detailed examples as "preferred embodiments".

Converting the language of a patent filed in Russia into PCT format involves more than a translation of the text. It requires "re-engineering" the claims to protect other uses of the technology.

There is an additional complexity with respect to Russian intellectual property. Ownership of ideas developed at institutes is the subject to conflicting interpretations, and changing rules. The debate continues on the rights of the inventor and the institute a question not likely to be settled any time soon. This essentially "internal" debate ignores the truly important commercialization issue: how to make the technology *accessible* to western partners, thereby generating revenue for both inventor and institute.

All owners of a technology inside Russia have an interest to establish a business entity outside, in which stakeholders in the technology have an

equity interest. The foreign company can then be assigned the IP rights to the technology. This entity becomes the legal platform able to license the technology to western partners.

The majority of patent activity since Russia opened in the 90's has been on behalf of western firms protecting their IP in the emerging Russian market. There have been few PCT applications filed in Russia, protecting Russian technology in the West. This is not because Russia lacks original ideas with commercial potential. It is due, in my view, to a general lack of understanding of the process, and few examples of success.

Perhaps this book can play a role in increasing the number of PCT applications filed by Russians. Many ideas, with commercial potential, remain in the minds of their inventors, awaiting a trusted path to the outside world.

## **Business Lessons:**

- Patent protection is a necessary first step in commercialization, but not sufficient.
- Ideas must be protected in target markets.
- Early mistakes risk invalidating subsequent steps.
- Patent protection is impossible if the idea is "in the public domain".
- Technology must be explained in understandable terms in trusted settings.
- Business structures must credibly protect the long-term interests of all parties.
- Direct customer contact cements long term business.
- China exposes partners to IP theft.
- Lead by example.



## **CLOSED NUCLEAR CITIES OF SAROV AND SNEZHINSK**

(no photos)

As is the case with all Russian centers of research and development, Tomsk has a nearby "closed" nuclear city Seversk, still off limits to outsiders. These "closed cities" attracted some of Russia's cleverest minds and, with the collapse of the Soviet Union, much of the West's attention.

Providing these highly educated citizens with continued employment at a time when Russian state support was in peril, to minimize the risk that any would depart to work for "darker forces", was the rationale for the creation of numerous bureaucracies whose job was to funnel payments to persons in these places. The International Science and Technology Center (ISTC) operated from an office staffed with expats from contributing countries: the EU, Norway, Japan and the US, in south Moscow. The US congress authorized funding of an organization with similar goals, the Nuclear Cities Initiative (NCI).

My participation in USIA's Business for Russia program provided me an introduction to the office within the State Department administering the NCI program. "Would Virtual Pro be interested in assessing the commercial potential of technology developed in a closed nuclear city", I was asked by program manager, Jennifer Brush. Of course! The ISTC interfaced with MinAtom, the Russian entity running Russia's "closed nuclear cities". The ISTC in Moscow had identified the company NeurOK as one of their stars. NeurOK was based on artificial intelligence algorithms partially developed in Snezhinsk, the super secret facility not on any maps just south of Chelyabinsk. There,

many of Russia's nuclear weapons were built after being designed in the other super secret city of Sarov (not far from Nizhny Novgorod) where Andrei Sakharov worked. These two facilities were the crown jewels of Russia's extensive secret network of nuclear labs. Their employees represented the top tier of Russian intelligentsia recruited from throughout the Soviet Union with the promise of good salaries and working conditions. There was a catch. Once in they were considered "infected" with secret knowledge. They could never leave.

Following the advice of ISTC experts, NeurOK had packaged its powerful algorithms into an end product called Semantic Explorer, able to interpret any written language and draw a semantic map of content, multiple layers deep, by subject, of all articles during any period, for any publication. Semantic Explorer could, for example, "read" six months of the New York Times, or Le Monde, and paint a picture of the topics most often covered during the period, illustrating relative frequency of mentioned topics via overlapping, labeled, circles of various sizes. Following ISTC advice NeurOK established an office in the US to solicit private investors, with no success. I met both Serge Shumsky, author of many of NeurOK's algorithms, and Vadim Asadov, his Moscow State University colleague who was providing financing for the start-up at John Barleycorn pub in Moscow. In addition to being a NeurOK cofounder Serge was vice president of Russia's artificial intelligence society. He looked younger than his 50 years. An impish grin frequently filled his wide face as we talked.

Vadim was younger, of darker hair and humor. His hair was tied back in a knot and his black T-

shirt had a Russian joke on it. They provided me a brief history of their company, copies of glossy brochures describing Semantic Explorer, and details of the underlying algorithms that I promised to share with my TELCOT partners in California.

Serge explained that the Snezhinsk community was divided almost equally between "hawks" and "doves". The "hawks" wanted nothing to do with westerners. "Doves" like him were interested to link with, and learn from, outside experts. The initiative Serge had shown by contacting the ISTC for commercialization help resulted in his being asked to leave Snezhinsk. The recommendations had not produced any results. He was ready for fresh advice on how to proceed. After studying Semantic Explorer's algorithms Alex Bordetsky understood they were, indeed, powerful. He believed they could be used to increase the efficiencies of telecommunications networks, an application area never considered by NeurOK's founders. The report Virtual Pro delivered to the State Department offered advice dramatically different from what NeurOK had been previously told.

Forget trying to build an end product. Instead, consider your technology to be a computational engine ready for insertion into an existing system. Don't bother trying to build a product for a market you don't understand. NeurOK had imagined a market that didn't exist for Semantic Explorer. If TELCOT could demonstrate the superior performance of NeurOK's algorithms in routing calls over complex networks, first in trusted test beds and later in parallel trials against existing technologies, we were confident that customers, willing to license the technology could be found.

This practical advice made sense to Serge. We began to earn his trust.

\*\*\*

It is unlikely that any Russian company, much less one housed in a closed city, could conceive of, and subsequently develop, an end-product able to compete with entrenched players, even if they stumble on a market. Be content to present your superior technology as an "element" ready for insertion, as a component, into a system the technology can credibly improve. Superiority of the technology is fundamental (without it there is no business) but not sufficient. The technology must be made understandable. This can best be done within existing frameworks with strategic partners.

How to identify the application and identify potential partners? That is a proper and much needed role of government organizations. Not only was this advice contrary to what the Russians had been getting; the approach required Russians to overcome a tendency that comes naturally to them: to want to do it all. Russia has been in the business of creating alternative universes. Technical pride also leads to a belief that "all must be transformed." Such advice can lead to wild goose chases. And Russians *have* been subject to many wild goose chases when it comes to advice from "western experts".

Demonstrating the superiority of an "element technology", in terms understandable to a western customer, and the identification of commercial partners able to participate in such evaluations, and fund follow-up work *is* an appropriate use of government assistance. There is little at this early stage of technology evaluation and differentiation to incentivize participation of private companies. This *is* the place for public/private alliances driven

by motives of public good. If done properly such government action will lead to self-sustaining growth once companies form the development partnerships that are a likely result of successful initial experiences.

Virtual Pro recommended this approach in the report delivered to the State Department in fulfillment of our contract. Far more important than the modest payment were contacts this project provided to Virtual Pro, in both the US and Russia. Dr. Bordetsky and I proposed a pilot Technology Transfer and Innovation Center (TTIC), volunteering TELCOT as the US partner, as a project deserving funding from NCI. We had no problem getting serious attention from the Russian side, obtaining letters of support from B. Voronin, Director of the Sarov Open Computing Center (SOCC). Virtual Pro joined the United States Industry Coalitio, a collection of companies, large and small, involved in Russia, and submitted the TTIC proposal to both the Department of Energy's NCI office, and to the Nunn-Lugar inspired Nuclear Threat Initiative (NTI) organization.

I was invited to present the TTIC business model in Sarov in June of 2002 at the 6th International Workshop "Super-computations and Computer Simulation" organized by RFNC-VNIIEF (The Russian Federal Nuclear Center All-Russia Scientific Research Institute of Experimental Physics) in a letter signed by R.I. Ilkaev, "Chairman of Organizing Committee". Here was a chance to do something revolutionary. I figured the best way to make the point that emerging telecom capabilities made it possible for remote Russian resources to work with western partners would be to link Alex, by satellite, to Sarov and allow him to speak, in Russian, to conference attendees. A

plan was developed with the support of experts from Lawrence Livermore. (Virtual Pro was joining some impressive company.)

I learned that what I was proposing had never been done before, and could not be tested in advance. We would have to pull it off first time, "at the last possible moment". (This did not concern me.) Getting permission to enter a closed city requires the submission of documents at least thirty days in advance. Permission is whimsically given, subject to the political winds of the moment. My application was included in a package with those of four specialists from Lawrence Livermore Labs also invited to the conference. We received an official invitation signed by Dr. V. Rogachev, Head of International Center Collaboration. The doors opened.

I agreed to meet the Livermore participants in Moscow at the Kazan train station the evening of the departure of the overnight train that would take us to Sarov. I travelled to Moscow several days in advance and stayed in AST, a small hotel near Fili Park that became my favorite after the Moscow Hotel closed for demolition. The Livermore participants stayed in the five-star Marriot Aurora (furnished by AFI) near the Bolshoi Theater. They promised to bring my train ticket to the Kazan station. I arrived at the station an hour before scheduled departure armed with knowledge of the number of my train. The number did not appear on the departure board. (This was, after all, a train to a "secret closed city".)

I asked around and was informed of the track number by a man in a railroad uniform. I found a train on the designated track being boarded and placed myself in a position on the platform where I would be clearly visible to my Livermore

colleagues. As departure time approached I got nervous. No hint of them. I verified with the attendant of the coach nearest to me that the train was indeed going to Sarov. She nodded in the affirmative. I explained that I was waiting for companions who were bringing my ticket. She allowed me to place my luggage onto the train. (A key step had been taken.) No sign of any Americans. I hopped onto the train just before it started moving, explaining that I would look for my friends on the train. There was little the attendant could do but agree to watch my bag as I headed in the direction the train was traveling, looking into each compartment as I passed it. Near the end of the second wagon I walked through I saw Dale Nielson, head of the Livermore delegation, sitting alone in a compartment.

"Dale, where were you? I was looking for you. I just barely managed to talk my way on. What a relief to see you! Do you have my ticket?"

Dale explained that my ticket was in the hands of the travel agent who had been looking for me at the base of the train platform. They had left my ticket with her, boarded the train early. He invited me to stay in his compartment for the overnight journey. Arrangements would be made to get the ticket to me after our arrival in Sarov. Sharing Dale's compartment gave me the opportunity to explain our TTIC proposal to him and hopefully gain his support. Dale was head of Lawrence Livermore's Russian program. I had often heard his name mentioned. Here was a chance to get to know him personally. I learned that Dale spoke not only Russian, but also Finnish, having learned it during his time there as a Mormon missionary.

Getting him on our side would surely increase our chances of getting funding. Dale listened

politely to my pitch as we rumbled to Sarov in the dark. Early the next morning our train stopped outside fences topped with barbed wire. We could see a red dirt road and, behind, an impenetrable forest of evergreens. There was a gate opening in the fence. A car was waiting, for us. (We would not have to sit on the train for the hours it would take to be searched thoroughly before being allowed entrance.) We were getting the "VIP treatment".

Our car stopped at the checkpoint at the fence opening. Our documents were examined and our names checked against a list. All was in order. A metal barrier jutting from the red dirt, blocking any possibility of entrance, suddenly disappeared into the roadbed and our car proceeded on a dirt road through a mile or so of thick forest before suddenly achieving open space where this most secret of cities became visible. A collection of four story buildings lined both sides of the road we were on, now paved. Our guide, in the front seat, pointed in the direction of the research facilities where we were "forbidden to go". The car drove in the opposite direction, into the residential area, where researchers and their families were housed.

We soon reached a building that looked very much like the others, and revealed itself to be a hotel where we would be housed for three nights. Inside, in the reception area, I noticed a large ball of green jade circling in perpetual motion above a thin film of water that levitated this obviously heavy object: a high tech fountain. We were given keys to our rooms. I found mine to be clean and Spartan, reminiscent of facilities in IBM training centers. The delegation had time to rest and freshen up prior to our first official event, a welcome dinner in the apartment of Oleg, researcher and chess champion of Sarov. At six



we were driven there by minibus. Oleg welcomed us into his apartment. At his side, smiling, stood his wife Olga. She kept quiet, evidently not comfortable in English.

Oleg's stylish horn-rim glasses with yellow lenses brought attention to the blondness of his hair. He was wearing white socks and no shoes. It is customary to remove ones shoes when entering a Russian apartment. We were excused from taking ours off. Our delegation of six was met by an equal number of Russians already inside. A large table, with plates containing an assortment of salads, meats, slices of fish, open-faced sandwiches, and drinks, almost completely filled the small living room of Oleg's modest flat. A collection of every chair in the house, some simple, others bulky, and a sofa, surrounded the table making it a challenge to maneuver into the positions assigned to each of us. The Americans were seated at one side of the table, our hosts on the other, and around the sides.

As we wiggled and squeezed into our seats my attention was drawn to a distinguished looking older man sitting three places to my right. He had an air of authority about him. Once we were all seated Oleg went around the table introducing the Russians present. The man I had noticed was one of a few men still alive who knew the founders of Sarov personally. When glasses were being filled for Oleg's welcoming toast I indicated a preference for vodka over cognac. The man next to me filled my glass. I noticed the distinguished older man had chosen cognac.

Protocol called for Dale to make the next toast and to introduce the members of his delegation. He did, but with water in his glass. He explained that, as a Mormon, he did not drink alcohol. (I

recall wondered how the fact that America's official representative did not drink affected the private thoughts of our Russian counterparts.) Dale's toast took a curious turn when, near the end, he said "and watch out for Mr. Vallila. He has managed to get to Sarov without a train ticket." There was some laughter as this comment was translated.

After glasses had been filled a couple of times the distinguished man I had noticed motioned that he wanted to speak. He started slowly, pausing frequently to allow his words to be translated, and shared recollections of some of Sarov's founding fathers, including the brilliant physicist Khariton. Stalin considered Khariton to be such a valuable person that he was forbidden to fly. Stalin provided Khariton a private rail car and ordered that Khariton could have it hitched to any train in the Soviet Union for transport anywhere without payment. "So you see Mr. Vallila is not the first to arrive in Sarov without a ticket."

I was moved by this sincere gesture of welcome.

My head was still spinning the next morning at breakfast as I thought about the presentation I was due to give in a couple of hours. I did not have much to worry about. If all went according to plan there would really not be much for me to do but to introduce Dr. Bordetsky coming across via satellite. (I was confident of his arrival at the last possible moment.)

The first speaker that morning spoke about recent simulations of nuclear explosions conducted by the Sarov lab and illustrated his talk with graphs and images that were impossible for me to comprehend. I overheard Doug, a member of our delegation and Livermore bomb design expert, whisper to Dale that he was surprised at

the amount of information being presented in public on this most sensitive of subjects.

There was a break prior to my presentation. A large white screen appeared at the front of the hall ready to display, via projection, to an audience of over one hundred, whatever would come across to the computer running the program expected to connect us to California. I mounted the stage and was gratified to see Alex and Eugene materialize just in time for my talk. I started by making a reference to the surprise advancement of the American team in the 2002 World Cup tournament that was being followed in Russia with as much attention as in the rest of Europe. This brought spontaneous applause both before, and after, being translated. Off the hook to do much more, I brought in Alex to explain our belief Russian "engines" could be successfully introduced into western application environments, using our proposed TTIC network and technologies we were demonstrating.



What multitude of impressions our broadcast must have inspired in the private thoughts of this audience of researchers (a mix of "hawks" and "doves") working in this "closed city"? Questions following the video presentation from California suggested skepticism concerning our motives. Where and how had I met Alex? What was my background? (Any relation to James Bond?) I explained TELCOT's role as an incubator for emerging technologies in Silicon Valley's East Bay and how TELCOT could be a partner with Sarov in the identification of commercial projects and partners.

I learned that our presentation had been recorded and asked if I could obtain a copy. I was told that my request would be reviewed. It would not be possible for me to leave Sarov with it but the question remained open. Several months later a delegation from Sarov visited California as part of the irregular schedule of visits between Russian and US weapons labs. I hosting them in my San Francisco home and was presented with a copy of the video (available now on You Tube.) I know that our broadcast was the first EVER live public transmission into Sarov from the US. Given subsequent events that saw relations between the two countries deteriorate I suspect a considerable amount of time will pass before there is another.

Our movements in Sarov were controlled. We were told not to go beyond the conference center and the living quarters next door, where we were housed. Going anywhere without the company of a "handler" was strictly forbidden. (My request to view transmissions of world cup matches in the privacy of my room was granted.) At the conclusion of the first day's program Dale requested permission to show his colleagues, all

first time visitors, the wooden house where Andrei Sakharov lived while doing his seminal work. We followed Dale through a small park to a simple wooden house marked with a simple plank, its garden overgrown.

\*\*\*

Sakharov designed the Russian hydrogen bomb intuitively, aided by a team of mathematicians who verified calculations Sakharov made in his head on slide rulers. There was unimaginable tension when it came time to test the validity of Sakharov's theoretical design. The test bomb did explode, releasing quantities of radioactivity into the atmosphere that Sakharov had predicted with precision. The success of Sakharov's design was celebrated at a meeting of the highest levels of the Soviet hierarchy. Legend has it that Sakharov made a toast at this gathering of top brass, wishing that all of his future designs would work, and that the explosions would always be inspired by a search for peace. A general got up and responded with a vulgar story about a man praying to an icon before joining his wife in bed, wishing for power and wisdom.

"You supply the power let me supply the wisdom" shouted the wife, according to the toaster. There was a robust chorus of laughter. Sakharov had been humiliated, put in his place. It was his job to design weapons. Others would determine when and how they would be used. Sakharov was shaken. He saw potential catastrophe for the human race. Sakharov wrote a paper on the need for "convergence" between the Soviet system and that of the West, fearing that if this did not occur it was highly probable that humanity would destroy itself, using his weapons!

He calculated the long-term effects, in deaths of innocents, caused by the release of radioactive elements into the atmosphere. He forwarded the paper to the politburo where it elicited shock. Sakharov was ordered to stop all such writing, not to share these thoughts with anyone.

"Too late", he answered. He had already provided a copy to a colleague who smuggled it to the West where it was published. The paper caused a sensation and is credited with inspiring the worldwide movement that led, eventually, to the ban on the atmospheric testing of nuclear weapons. I consider Sakharov to be the most courageous man of his generation. It is one thing to speak truth to power. What it took for Sakharov to raise his voice from the bowels of a totalitarian military state is impossible to comprehend.

As a consequence of his actions Sakharov was exiled, forced to live in virtual solitary confinement in Gorky (now Nizhny Novgorod) for most of his remaining years. Several autobiographies were seized and destroyed by the KGB. He restarted numerous times, completing the version that was ultimately published the day before he died. One can find a museum dedicated to Sakharov's work and legacy in Moscow near the ring road, housed in a building in a small park near the Moscow River. His statue is prominently displayed in the Russian Embassy in Washington DC, and his name appears on the small street in front of the Russian consulate on 16th street. His dream of convergence remains unfulfilled.

\*\*\*

At the conclusion of the conference participants visited the Sarov bomb museum where, among photos, documents and displays, suspended from the ceiling, hung a replica of the largest bomb ever

to be exploded in the atmosphere. We were told a bomb twice its size was on the drawing board when the treaty outlawing atmospheric testing went into effect. We then visited Sarov's original claim to fame, the underground monastery of St. Seraphim, one of Russia's best-known saints. (For centuries Sarov was a much-visited holy site, made secret relatively recently to accomplish its atomic work.)

\*\*\*

My visit to Sarov for that conference was my first, but not my last. I was invited back in 2003. The Sarov Open Computing Center (SOCC) was ready to be TELCOT's partner. Nick Poluektov and I drove there from Moscow in his car. As we were presenting our documents to security I recall observing a truck carrying what looked like a load of sand entering in a parallel lane being mounted by security men who probed the pile of dirt with metal rods. Once on the premises I was asked to move from Nick's car into a taxi where I met the "handler" who would be responsible for observing my movements during the day. We then drove in this caravan to the hotel where we spent the night. This was a different hotel from the one I stayed in on my first visit, close to a newly established open zone intended to host companies expected to emerge with help from foreign partners.

I learned later that a member of the computer center spent the night on a couch in the hall of the hotel, asked to do so by security, to insure we did not wander from our rooms. (Had the center not volunteered one of its own to provide this service the center would have been charged a fee they were not prepared to pay.) After a good rest (exploring Sarov at night was not on our agenda), the next morning Nick and I were shown facilities

"inside the fence" being prepared as a techno park ready to house new companies. The building of facilities is typically the first (sometimes the only) step taken in any "modernization" initiative.

More difficult is agreement on a business model that makes mutually beneficial exchange real. Our TTIC proposal had gained the interest of the Russian side. Nick and I discussed its implementation with managers of the center. We were introduced to technologies that might qualify as pilot projects, "element technologies" that might benefit from integration, and testing, in TELCOT's facilities, under the guidance of industrial partners.

I received a follow-up letter signed by Alexander Ryabov, Director of the Sarov Open Computing Center (SOCC) naming Virtual Pro as exclusive representative of the SOCC and flew to California where I went through Lawrence Livermore's version of security clearance (a high tech scan of fingerprints and face), before meeting with persons there. The TTIC model was discussed, as was the commercial potential of some of Sarov's technologies. First steps were being taken.

\*\*\*

The Technology Transfer and Innovation Center (TTIC) model was designed to address what Alex and I understood to be key impediments to the effective integration of the resources of the two sides. The Russian TTIC would inventory capabilities and manage work teams. It would connect with the US TTIC (TELCOT) with interactive technologies allowing for collaborative work. Key to making the TTIC on the American side work was "hybrid Russians" like Alex and Eugene, capable of bridging the two worlds. They combined deep understanding of the internal operations of complex western telecom networks



with an ability to comprehend the potential use of powerful Russian computational "elements". Our project would tap into dormant capabilities.

My TELCOT colleagues were confident that we could work with sister TTIC's in Russia to formulate effective methodologies by combining existing knowledge with what we would learn in pilot projects. Once proven successful, the model could be replicated in various industries and locations, giving birth to projects that will survive on their own. A western customer could rely on the TTIC's to provide Russia-specific and telecommunication capabilities they lacked. The TTIC network would identify commercially viable projects and provide ongoing support as needed. We were getting all the needed support on the Russian side. We only needed funding from one of the many US organizations with the stated mission of supporting such activity to start a pilot TTIC. I kept the ISTC in Moscow updated on my activities hoping they would lend support to our model.

Their office was located in south Moscow, far down the red line, in a Soviet era building. The lobby was decorated with the flags of the nations providing funding for its operation: Japan, Norway, the US, and the EU. I visited one day to close an accounting issue dating back to the Sarov visit with Livermore colleagues described earlier, and to explain our TTIC project. After registering at the front desk I waited to be accompanied to the floor and room of my host, the newly appointed German director. The small elevator climbed, in jerky movements, to the top floor, where my guide and I exited into a long dimly-lit wood paneled corridor with offices on either side. I was shown into a secretarial office, separated from the office of the director by a closed door.

I had an opportunity to discuss my accounting issue with the director's assistant. My request for reimbursement of my (very modest) expenses for the Sarov trip had been refused because the ISTC required *originals* of all receipts, not the copies I had submitted. I would have to locate the originals in the US, and mail them to Russia, a process that would take several more weeks. When I expressed reluctance to trust these precious originals to the mail service, I was told there was simply no alternative. My meeting with the director and several of his colleagues started an hour late, due to a last minute meeting with an important Russian official that ran past its intended time. Once we got started the director was interrupted by a cell call that he chose to continue, in German, for what must have been over fifteen minutes about what sounded like a personal matter. (I was certainly not receiving the VIP treatment.)

The dynamics of the private sector seemed totally absent from the place. Was I there only to provide amusement for the staff of well-intentioned organizations, with my hopes and visions? There seemed to be no end to the process of requesting funding from a maze of groups, all missioned with a noble (and politically correct) goal. Never a "yes", never a "no", just endless meetings and submissions, for review by "experts" on both sides of the Atlantic, in cozy, if not comfortable, offices. I traveled to DC to meet with officials from the Nunn-Lugar Nuclear Threat Initiative (NTI) office and with Department of Energy officials in L'Enfant Plaza. Meetings filled with sincere expressions of interest, and requests for more details of what we had in mind.

After one such meeting, late in the afternoon, over a drink I asked a trusted NCI staff member

how quickly could we expect to get funding, if our proposal was finally judged worthy of support. I was told "a year, at best". Soon after I was told that the NTI office was not funding any more pilot projects because the stock price of Ted Turner's contribution of AOL shares funding the operation was so low. What nonsense. I was wasting my time raising expectations on the Russian side, while providing amusement to administrators of non-proliferation programs on the American side.

The conclusion I draw from my experience with the bureaucracy constructed to prevent the proliferation of nuclear technologies is that it spent most of its money on itself. Whatever ended up in Russia was distributed with little interest in getting anything done, other than providing sustenance to a chosen few. By the time TELCOT was closed in 2004 due to budget cuts caused by California's fiscal crisis I had reached the conclusion that this small fish would not survive in these politically charged waters.

\*\*\*

NeurOK Software has survived, and grown, as a private company, moving its operation to Troisk, 30 km south of Moscow. Oleg, my host in Sarov years earlier, managed twenty-five programmers there before opening a US office in Atlanta, Georgia. NeurOK became a reliable supplier of software first to Exxon-Mobile, then a growing list of American customers. They are well positioned for partnerships with global IT service companies (like IBM), able to introduce NeurOK's capabilities to customers who may benefit from NeurOK's world class machine-learning algorithms ("specialized elements") integrated into solutions to much larger tasks.

\*\*\*

Russian programming resources remain, by and large, hidden jewels. The mathematical tradition nurtured in Russian education is a source of immense potential wealth. The success of Russians abroad is testimony to their capabilities in any environment. Linking such resources in Russia *effectively* to the global village depends on the ability of private firms to successfully integrate themselves, via strategic partnerships, into niche markets in the West. Boeing, Intel, Microsoft, Google (among others) have established operations in Russia, often for tackling their most complex tasks. These large companies import their organization and management skills into Russia, and hire Russian talent. Russian IT professionals wanting to export their expertise face complex challenges.

Initiative rests today in the hands of a new generation of Russians, many educated in Silicon Valley. Russian speaking graduates of Stanford Business School formed AmBar, the largest organization of Russian-speaking high tech professionals in the US, and sponsor of annual Silicon Valley Open Door (SVOD) conferences, a leading forum presenting Russian IT capabilities. Russian speaking entrepreneurs are forming companies in the Valley, developing marketing and customer support organizations in the US and sending the programming work to Russia. These "change agents" are destined to play key roles in linking the two countries and shaping the direction of "convergence", Sakharov's dream.

**Business Lessons:**

- Knowledge of markets is essential to product development.
- Those with a foot in two worlds can lead the way.
- Superior "elements" create negotiating leverage for licensing.
- Small companies are in a disadvantage dealing with government.
- Persons in government lack backgrounds to properly evaluate business.
- Process often trumps results.
- Align yourself with the trusted, and try to contribute something unique.

## TATARSTAN; AN INTERIOR ISLAND OF ISLAMIC TOLERANCE



Airport welcome in Kazan

Officially designated the "semi-autonomous republic" of Tatarstan, this place warrants mention in any book about Russia. I have written about Ildar, key to AFI's furniture business, in chapter 7. Here I wish to speak about this special part of Russia. As the train from Moscow approaches Kazan, 800 kilometers to the east, the white Tatar Kremlin becomes visible. Significantly smaller than its Moscow counterpart, the silhouette includes onion domes, the characteristic of Russian churches, and the spires of Islam. While Moscow was celebrating an 850-th anniversary, in 2006, Kazan recognized its 1000-th birthday.

Tatarstan has modernized an ancient culture, protected a language, managed to preserve a remarkable number (by Russian standards) of buildings, and demonstrate an entrepreneurial flair for business, in a nest of tolerant Islam. How

Tatarstan's uniqueness has managed to survive periods of Russian history when much else in Russia was obliterated is a tale deserving the attention of historians. (There must be lessons in this history for a world experiencing turmoil almost everywhere else Islam meets the West.)

Much credit is given to Mintimer Shaimiev, the long-serving president of Tatarstan, who remained omnipresent on Tatar TV (even after transferring power to chosen successor, Rustam Minnikhanov in 2009). Yeltsin famously gave Tatarstan "all the freedom it could swallow" in the early 90's. When Putin took much of it back, Shaimiev somehow managed to preserve his alternate power base, evidence of a cunning understanding of how to steer his ship through turbulent times. (Tatarstan announced a techno park project second in size only to the one in Skolkovo.) Shaimiev's vision of Islam, where tolerance of those practicing other religions is celebrated, stands in contrast to the never-ending conflict in Chechnya. There is surely more to this story than the vision of this remarkable man.

I recall being struck on my first visit to Kazan, in 1995, by the many old buildings, of both plaster and wood, in downtown. Entire neighborhoods were "preserved", not renovated, but simply saved from destruction. (Much renovation has occurred since.) The number of log houses, as well as the complexity of window carvings, in Kazan is matched only in Tomsk (in my experience).



Old homes "preserved"

Our meetings with city officials in 1996 made it clear that in Tatarstan, Tatars are in charge. We met no non-Tatar in a position of power. At the same time, the Tatars demonstrated a comfortable tolerance of others. Conversations shifted easily from melodic Tatar into Russian, and back. Green is Tatarstan's color. In summer gently rolling hills are a mix of timber and endless fields of grain. It is easy to imagine why, in this blessed place a thousand years ago, man decided to settle and farm. Great agricultural fortunes were made, and invested in the creation of centers of learning. Kazan State University was established in 1804 and includes Lenin and Tolstoy as prominent alumni. (Lenin never graduated.)





Tatar countryside

Tatarstan also has oil. It is considered the third wealthiest area of Russia (in competition with Tomsk), after Moscow and St. Petersburg, its wealth based largely on the resourcefulness of its population. Ildar's business initiative was my first experience of it. Ildar introduced me not only to business in Tatarstan, but also to its countryside and traditions.

\*\*\*

During an early visit to Kazan in connection with AFI's furniture business, I was invited by Ildar to join him at the traditional Tatar wedding of a relative. We drove for about two hours out of Kazan at high speed on paved roads before turning onto a dirt road, in the direction of the village that was the home of the bride. We moved much more slowly on this dry, bumpy road for another half hour, to reach a point where it was necessary to transfer to off-road vehicles. Several were waiting for us at the spot the dry road ended

and the mud started. Ildar introduced me to others in the wedding party at this transfer point.

Once transferred to waiting cars, the wedding party became a caravan of bobbing Toyotas in a sea of mud the likes of which I had never seen. We proceeded slowly, as if on a turbulent sea. I hung onto anything available to keep my head from striking the canvas roof of our jeep. It took many minutes to reach the bride's village.

"Only man and horse can farm here", I thought. Any invading army would be swallowed. Progressing like ships, we reached a village of wooden houses, and stopped just outside of the bride's home, surrounded by a high wooden fence built from thin, tightly bound, sticks. The groom, dressed in a suit, got out of the front vehicle and exchanged words in Tatar with other young men manning an entrance gate. There was laughter. The groom began to chop wood, sang a song, then answered "riddles" posed by the bride's relatives (explained Ildar). When this part of a marriage ritual dating back centuries was completed in a manner acceptable to the bride's family, the wedding party was invited inside the home. To avoid falling into mud we had to maintain balance on a wobbly bridge of flat parallel planks, our road through a gate now open.

The bride's parents had prepared a light meal to accompany the heavy toasting that began almost immediately. After several rounds in a room too small to hold everyone who wanted in, the wedding party, now consisting of the relatives from both families, retraced steps (in a more wobbly state of mind) on the wavering planks exiting the bride's wooden fortress. As I watched the groom, dressed in white, gather his bride, also dressed in white, into his arms for the journey on shifting

planks atop mud to the waiting car (a journey this couple managed without getting a spot of mud on that white dress), I thought that I was, perhaps, witnessing the practical reason for the evolution of the tradition of carrying brides "across thresholds".

The wedding party, now consisting of fifty or so, squeezed into normal cars at the transfer point to continue the journey to the groom's village. On the way we stopped in front of a two-story cement building, inside of which an official registered the marriage into Russian civil records. (This was the only "state element" of an otherwise Tatar process.) I was one of few guests allowed inside the room where the signing of documents, in Russian, occurred. The trip to the groom's village took us over some paved roads, and then back to dirt. These dry roads posed no problem for Ildar, or any of the other drivers (bumpy but passable). Seeing the groom's home, a large yellow stucco structure that emerged from behind a low stucco wall, its many windows full of light, made me think that this bride was "marrying well".

Ildar explained that we would take a banya, only him and me, his "honored guest". He led me to a section of the house prepared for us. We undressed, washed ourselves, and then entered a room of very hot air containing two wooden benches and a corner heater. Ildar and I chatted about the ceremony so far. Perspiration helped clear my head. When we both "had had enough" (I can't recall which one of us was first to admit it) we showered and dressed, feeling totally refreshed.

I was embarrassed to discover, upon entering the large room where over two hundred persons were seated at tables surrounding a large open space, that we had kept them all waiting while Ildar and I had been leisurely enjoying our banya.

Our arrival ignited the wedding feast, Tatar style! Guests began to sample fare from tables loaded with Tatar treats, many sweet. Toasting started. Word games and pranks (initiated by tasks described on pieces of paper chosen from a bowl), none of which I understood in word but was able to follow in spirit, got everyone involved. At what I thought was an appropriate moment I offered my congratulations to the bride and groom in much appreciated English. The meal flowed naturally into dance as music started. First, a very young girl in a brightly colored outfit of red, green, and gold sang a song, accompanied by musicians playing string instruments I had never seen. She was followed by older vocalists, more traditional songs, followed by modern, recorded, disco music. Couples moved into the central space to dance. The party moved outside, with couples turning on the dry dirt under a black sky filled with distant stars in the courtyard in front of the building where Ildar and I had taken our banya. This unforgettable visit deep into the countryside ended with Ildar somehow managing to drive back to Kazan as I slept in the back seat.

\*\*\*

An ancient jewel in the rich Tatar countryside is the historic city of Elabuga, 230 km to the west of Kazan, at the junction of the Kama and Volga Rivers. Renovation of an ancient fortress ("tower at devil's fort") built on high ground outside of town revealed artifacts dating back to the first century AD. Merchants ruled and earned fortunes that were invested in planting seeds of learning and religious diversity. Elabuga State Pedagogical University was established in 1898. The Cathedral of the Miraculous Icon Savior was built between 1808 and 1816. The Church of the Intercession of

God also dates from this period. They share the skyline with the minarets of mosques. The cathedrals are being restored after ransacking during Soviet times. Many of the mosques are new. Elabuga is emerging as a tourist destination. Its refurbished cathedrals and mosques are joined as attractions by a downtown of recently renovated brightly painted buildings containing restaurants and shops in one of the most colorful pedestrian neighborhoods I have found. The refurbishment has been driven by the initiative of a few strong willed citizens, I learned, when asking about this most unusual site.



Kamaz town

Elabuga is the home of one of Russia's most famous painters, Shishkin, son of one of Elaboga's wealthy families. The family home, a museum with a spectacular view of the countryside, is where he painted many of his masterpieces depicting the Russian countryside and forests, and famously, its bears. I discovered Elabuga when visiting the

nearby industrial city of Naberezhnye Chelny, home of Kamaz, once the *only* manufacturer of trucks in the *entire Soviet Union*. The town was a matrix of wide avenues, trolley cars, rows of identical grey six-story buildings in a residential area separated from the industrial zone containing the seemingly endless Kamaz plant.

Things were changing. Modern "shopping palaces" built of glass and metal broke rows of bleak Soviet structures. New red brick two-story private homes, many complete, were barely visible behind high concrete walls, in the outskirts of town, housing those rich enough to have made the move from communal apartments into personal enclaves.



Homes of "new Russians"

The giant Kama River had been dammed to harness its power for industrial production. Locks allowed the passing of ships. A train track topped the dam, paralleling a two-way road used by cars and trucks. Watchtowers guarded approaches to

the bridge/dam complex from both directions. I was reminded of the identical configuration of dam, road, railroad and locks in Bratsk, the small Siberian town near Novosibirsk where the river is the Ob. (Given the Soviet central planning system I would bet the same design was used.)

I was in Neberezhnye Chelny to visit not giant Kamaz (going through a transformation aided by foreigners, many of them German), but to visit the workshop of Rinat Akmaletdinov chief designer of a new line of exercise and rehabilitation equipment being developed by his company, Heywus. I had met Rinat, and partner Evgeni, at the St. Petersburg Venture Fair when Evgeni approached me after my talk, gushing enthusiasm but lacking sufficient English to express it. Evgeni invited me to visit their booth, where Rinat was demonstrating one of Heywus's prototypes. He shared Evgeni's intensity and lack of English skills. (Rinat's upper body suggested he was a frequent exerciser.) In our awkward exchanges I learned that Rinat had discovered, and patented (in Russia), the design of a mechanism that eliminated stress to muscles normally inflicted by exercise equipment. Heywus prototypes were being tested by athletes and were producing great results. I was prepared to accept the idea that Russians may have special knowledge in the field of physical training, given the attention paid to this in Soviet times.

Rinat described another use of his equipment that was being evaluated, the rehabilitation of limbs following an injury, and then mentioned a potential "hot button" for the western market: Rinat believed that his "stress free" equipment could be used by athletes of "any age". If true, this would qualify Heywus equipment as "transformational". Imagine the opportunity to build brand loyalty as

the exclusive provider of a young athlete's early gym equipment. I thought that Rinat's claims deserved further investigation. He and Evgeni also passed the other litmus test that I apply to any potential partner. They exhibited personal integrity and gushed with enthusiasm.

"Any international patents?" I asked. "No, only in Russia", was their answer. (The point during my talk about the need to protect Russian technology outside of Russia for the world market is what had caught Evgeni's attention.) Heywus founders believed in the potential of their equipment in the international market and understood that, unless Heywus took actions that I described, this potential would be lost. We agreed in principle to begin working together. In our next meeting, in Moscow, I met the third member of Heywus, Dr. Fedor Shemuratov, a distinguished looking older gentleman who had the physique of an athlete and a reputation as one of Russia's top trainers from "the old school". I was shown copies of articles in the Russian press that discussed the promise of Heywus' technology. As we discussed, with the help of a translator Rinat had brought to our meeting the details of the MOU (memorandum of understanding) that would be the basis of any new company, I was struck by the concern Rinat had about losing control of rights to "his baby". He clearly believed he had something special. His reluctance helped cement my interest.

I would need a "gearbox" person to complete the commercialization team for HeywusUSA the name I proposed for our venture. (How had Rinat come up with Heywus? "In a dream.") I needed someone with Russian background, now working in the west, with expert knowledge of the state of the art in physical fitness technology. On my next



visit to Chicago I told Bob, an IBM colleague who maintained contact and interest in my various Russian initiatives, about my need and was told he thought he had just the guy. Sergey, a physical trainer Bob had known for years at the East Bank club had an excellent reputation, was in high demand and seldom lost a client. We met at the East Bank. I showed Sergey the material in Russian describing Heywus equipment and he recognized its uniqueness and potential. He understood the possibility of targeting an absolutely new market: exercise equipment for the very young, assuring me that nothing is currently available for this group. I invited Sergey to join the company I decided that moment to form. He agreed. We had the needed core of HeywusUSA.

HeywusUSA was formed in 2009 as a Delaware LLC, with a Chicago address. I asked Kolster (my IP firm in Finland) to examine Heywus' Russian patents and to suggest what proprietary "know how" could be protected. Rinat spoke of undocumented ideas that could be the basis for new patents and help overcome the fact that some of his technology was beyond the time limit for international protection. I explained to Rinat that HeywusUSA could, with Sergey's help, try to replicate results obtained in Russia, perhaps at the East Bank club, using prototypes built by Rinat and shipped to Chicago. If results proved encouraging, his designs would need to be modified to accommodate the tastes of western consumers for sleek looking equipment. Expertise would be needed to make the end product attractive. This expertise could also be applied to help refine, and differentiate, equipment produced by Heywus in Naberezhnye Chelny for the Russian market. The Kamaz brand, synonymous

in Russia with powerful, reliable trucks, could be seen as having synergy with a line of new powerful Russian-made fitness and rehabilitation equipment. This project died when Rinat failed to follow through on his promise to provide additional requested material to support the development of the necessary IP. I closed the company.

\*\*\*

I became a regular visitor to Kazan as a presenter at its annual RVCA sponsored Venture Fair. In July of 2008 I was invited to participate as a panel member in a "master class". For the occasion I prepared a power point and asked Nick Poluektov to provide the corresponding Russian text. That presentation became my standard pitch and has been repeated in Kazan, Novosibirsk, Tomsk, St. Petersburg and Moscow.



Entertainment at the Kazan Venture Fair

In the audience during the "master class" in Kazan was David Tsiteladze editor of the magazine "The Angel Investor". He invited me to

contribute an article to the August edition of his magazine. I was pleased and honored to comply. Here was a chance to explain my business model to a targeted Russian audience. My input, translated into Russian, appeared in issue No.4 in 2008. (It, and the standard pitch, are available, in English and Russian, on my website. Angel Investor subsequently published a second article "Smart Money" (also on the site). I am proud to be considered a regular on Albina Nikkonen's Venture Fair road show circuit and remain on the lookout for transformational technologies, being a firm believer that you never know, from one day to the next, what opportunities one will encounter in Russia.

At Kazan's 2010 venture fair Tatarstan's new president, Rustam Minnikhanov, appeared in a casual sports outfit at the participant's reception held the evening prior to the fair, and mixed easily with the surprised crowd. Next morning he opened the fair with a speech of welcome to a hall filled to capacity and later toured the exhibition booths. I was speaking with two physicists at one of the booths when the president's entourage (cameras, security, hangers-on) and Albina approached.

"And who are you?" the president inquired in good English.

"Martti Vallila from Finland and America," I responded, to this engaged top executive.



President Minnikhanov

It is fitting that Kazan, leading city in the entrepreneurial Republic of Tatarstan, provided both my first commercial trade project (AFI's hotel business) and the forum that pioneered the power point pitch that has become my tool in explaining the business model for the commercialization of transformational technologies from Russia. As interest in a modernization of the Russian economy grows, Tatarstan is, I believe, destined to play a leading role.

**Business Lessons:**

- Respect and tolerance builds partnerships.
- Common purpose brings people of different talent together.
- Best businesses address unmet needs.
- Product packaging is key to perception.

## **VLADIVOSTOK, A DISTANT LAB; ORIGINAL HOME OF FUZZY CHIP**



Vendors selling Pacific souvenirs

It has been my privilege to discover Russia from its European west to its distant far east. TELCOT had a telecommunications pilot project with the Vladivostok State University of Economics and Service. Alex Bordetsky arranged for my first visit there to discuss our TTIC business model and gauge any interest they might have to participate. It was my chance to see a city I had imagined for many years from across the Pacific, in San Francisco.

Vladivostok has the reputation of being “the San Francisco of Russia”, a comparison first made publicly by Nikita Khrushchev, and in many ways, it is. First, of course, are its many hills. No cable cars climbing halfway to the stars in Vladivostok, however. Locals climb its steep hills, and navigate unfinished sidewalks, as best they can. The

balance required of women in high heels is joked as responsible for producing good ballerinas. In summer the terrain is challenging. In winter it can be treacherous. The people of Vladivostok learn about hardship early; as children, their first steps are often on slippery slopes.

On the waterfront miniature motorized plastic cars zip in all directions, driven by children of any age. Parents are not asked to sign any waivers before giving their youngsters control of cars able to move on pavement and, in winter, on the ice, at speeds that astonished this observer, if not the kids or their parents. During a recent visit I had to jump out of the way of a seemingly out-of-control vehicle in the hands of a driver surely no older than 4 or 5. Early risk taking is not of the Silicon Valley kind. It is needed to survive. Difficulty builds strength. The women of Vladivostok are said to have the strongest, and prettiest, legs in Russia.

In winter the icy hills present real challenges, even for off-road vehicles, the car of choice. The narrow sloping roads make the plowing of snow off of them difficult. As a consequence, many of the steepest roads remain covered with ice. Ice-covered mounds of snow, along most streets open to traffic, must be mounted by any car wishing to carve out a parking space, creating a visual disorder that includes a waterfront of unfinished structures. Drivers in Vladivostok face another complication. Most cars there have the steering wheel on the "English" (right) side of the compartment, built for roads following the British convention. (Most cars in Vladivostok come from nearby Japan, where the roads follow British convention.) Russia's roads follow European convention, requiring drivers to stay on the right side of the road (most of the time). Most

Vladivostok drivers are navigating its tricky terrain from the "wrong" side of the car.

The importing of cars from Japan and Korea is big business in Vladivostok. When tariffs were raised in 2009 on such imports, in an attempt to protect Russia's domestic car industry, riots broke out. These were the first instance of spontaneous civil disturbances in the "new Russia". (Troops from other regions were brought in to establish "order".)

\*\*\*

In Novosibirsk, the geographic middle of Russia, an examination of the mix of "European side" cars and "Asian side" cars is instructive. All buses, and most other vehicles used in public transport, as well as old cars of Russian production, are driven from the "European" side. The mix among modern imports is very different. I counted five or six (at least) "Asian side" cars for every "European side" car during a walk against traffic on the long bridge spanning the Ob. Is this a signal of the shifting of economic power within Russia (and the rest of the world) from west to east? In the car business, at least, the dynamic has clearly shifted east. "Asian side" cars remain rare in St. Petersburg and Moscow, their numbers augmented by the occasional British-built Rolls Royce. St. Petersburg is a local manufacturer and assembler of European models.

\*\*\*

Vladivostok seems on a wavelength separate from the rest of Russia (as San Francisco from the rest of America). In the Russian case, Vladivostok offers a picture into the past. Insulated by the vast Siberian tundra from the pressures of modernization that have entered Russia from the west, a simplicity reminiscent of my first visit to



Leningrad appeared somehow preserved in this isolated coastal city of 600,000 people. An isolated coastal city seems a contradiction in terms. This is explained by Vladivostok's not so distant past as a "closed city", home Russia's Pacific fleet, requiring special permission to visit. Since opening influence has come not from the west but from the east. Koreans and Chinese are everywhere. The construction boom visible for years in Moscow, St. Petersburg, Novosibirsk, Kazan and other cities of western Russia came late to Vladivostok, and was driven by the hosting of the APEC (Asia-Pacific Economic Cooperation) summit in September 2012.

Since the time of my first visit "temporary" road construction forced my drivers off partially paved roads, onto dirt and back, and made the 55 km drive from the airport to downtown into a two-hour bronco ride. Choking traffic jammed this mix of paved and unpaved roads, all day long, making it impossible to predict travel times, even between places not far apart. (The contrast with Moscow, where it is possible to get anywhere in predicted time, by metro, during non-rush hour, is dramatic.) The giant hills of Vladivostok remain visible, their mammoth contours dwarfing the six or seven story Soviet concrete structures that cluster among them. During my early visits I marveled at how the dramatic geography had not (yet) been tamed. Over the years I witnessed the progress of Putin's Sochi-like infrastructure makeover.

The twenty-story monolith housing the regional administration that towers over the harbor was a lone skyscraper when I first arrived. In that harbor three grand black iron statues look out to the sea: in the center, a sea captain, on each side, a grouping of young soldiers/comrades.



Motor bikes

Behind these statues I found a submarine museum housed in an actual (retired) submarine. Behind the submarine, on a hillside cemetery, lay red marble slabs, etched with columns of names of fallen mariners, an eternal flame burning in their midst. Inside the submarine I spied displays illustrating the development of this technology in Russia. Visiting the museum required crawling through the narrow portals separating sections of the sub. Near the exit, behind glass, were miniature models of Russia's latest subs, including a replica of the ill-fated Kursk.



Among torpedoes

Restaurant menus are printed in Russian only. Few people speak English. On one visit I found myself the only customer in a Japanese restaurant located on the main street at the harbor. Three young waitresses, dressed in red and white sailor-like outfits, huddled at a counter not far from the table where I had been seated, watching my every move. When I signaled my interest to order they approached as a group, giggling nervously, suggesting that dealing with an English speaker was a rare event. The sushi I ordered from photos on the menu was excellent. Fresh.

Vladivostok's wild side immediately confronts the visitor, not just in the form of the bumpy ride on the road from the airport, or the breeze that always seems to be blowing. Many waterfront structures remain unfinished, metal skeletons overlooking a bay where rusting ships have found permanent rest. In winter the port of Vladivostok freezes. Ice breakers remain stuck in 40 cm thick "winter mud"

that transforms the harbor into a giant ice rink, and ice fisherman's paradise. The freeze suffocates Vladivostok's sea-based businesses. Construction is forced into slow motion.



Winter panorama

Talk of building a bridge linking the mainland to Russky Island, as part of Vladivostok's preparation to host the APEC summit, had turned into action by the time of my visit in 2010. Giant concrete columns sprouted into the skyline. Locals explained that much of the money allocated for construction had "disappeared" during previous years, and that it was difficult to believe that the columns would hold a bridge any time soon, certainly not in time for the summit. (They were proven wrong. Anything is possible in Russia!) As the spring of 2011 approached I witnessed the pace of construction speeding up. My flight from Moscow was full of Uzbeks, brought in to do heavy lifting. (I counted less than a handful of women

among over 250 passengers on a packed Ilyushin). The road from the airport to town was so clogged that Vadim, sent to meet me, took a route new to me, which led to a scenic coastal road. We stopped among a collection of cars around a spring where locals gathered to collect its water into containers.

Vadim was a professional driver and spoke enough English to fill me in on the car scene. Four wheel-drive vehicles are almost mandatory. Used models cost over thirty five thousand dollars. Much cheaper than apartments, they represent a middle class family's first investment. More people are able to afford this necessity of active life, he mused, resulting in gridlock that was getting worse. As we reached downtown I spotted a futuristic triangular glass home of some "new Russian" near the top of a hill. Ostentatious homes appear to be rarer in Vladivostok than in Russia's western cities but the few I could see looked more architecturally daring. They certainly have views. We drove past the modest state museum that celebrates the Siberian white tiger (found exclusively in the nearby forest) and a Vladivostok native known the world over, Yule Brynner.

Near the water was the train station where the trans-Siberian railroad ends, seven time zones distant from Moscow. The Russian railroad system simplifies travel by running throughout the country according to "Moscow time". This means that the departure time on every ticket, throughout Russia, no matter where you board, refers to Moscow, not local, time. Perfectly logical to anyone brought up with the rule. (Heaven help the outsider.) As the dynamic in the rest of the world is moving towards Asia many residents of Vladivostok are fleeing to

other parts of Russia where employment opportunities are better. Vladivostok seems isolated from the energy that is invigorating its neighbors. Perhaps the APEC summit will change this. More likely, unfinished bridges and roads will remind participants of the size of the challenge when considering the connection of this distant laboratory to the rest of the world.

Update: I wrote the above paragraphs in the summer of 2011. Returning to Vladivostok in October 2012, a month after APEC, I was shocked to find not only a new airport, linked to downtown by rail, but no sign of Victor, my host. When he finally arrived he explained that his daughter, Irina, had driven to the old airport where my previous flights from Moscow had landed. The "bronco ride" road was now a fresh three-lane highway (in each direction) on which we zipped towards town in light traffic. I noticed abandoned cars on both sides of the asphalt. Irina explained that the recent opening of the road was celebrated by "high speed nonsense" that was proving to be a bonanza for the police. As we approached Vladivostok, I could see a *second* new highway from the airport to town, much of it built over water, including a 4km bridge, on our right.

Irina drove us through town on this new paved magic carpet (crowded with cars going in the opposite direction on a Friday) to the far side of Vladivostok, where I recognized the columns that had prompted my earlier skepticism holding up a spectacular new suspension bridge (the longest single span bridge in the world). I attempted to capture the incredible view of the harbor below on my iPhone as we crossed this "golden bridge" at high speed, while mumbling words of amazement from the back seat.



One of three new bridges pierce the skyline

Our surreal journey continued. Irina approached a *third* new bridge, this one suspended by cables painted in the three colors of the Russian flag (red, white and blue), linking the mainland to Russky Island. We crossed while I continued to film. On Russky Island Irina pointed out new facilities built to house the APEC conference that were in the process of being converted into a campus that will house 50,000 students of a new Far East Federal University. It seems there is no limit to what can be done in Russia "at the last possible moment".

\*\*\*

During my first visit to Vladivostok, in 1999, I was hosted by rector Gennady Lazarev, initiator of Vladivostok State University of Economy and Service's vision of itself as an "agent of change". The university's facilities were being improved with money from students who were paying tuition. (Paying for education was, in the late 90's,

considered "revolutionary".) The university was having success attracting students to its modern facilities, offering scholarships to the particularly gifted.

Rector Lazerev arranged a fishing expedition for me on the weekend of that first visit, on his boat. As we sailed into the bay my companions pointed out coastlines on either side of "great security", safe harbor for the Russian Pacific fleet. I could see no military boats. We anchored near Russky Island, put lines in the water and started to drink vodka, with toasts. I don't recall anyone catching a fish. We then motored to a place near shore, anchored, and used a small boat to reach land, where we went about the Russian ritual of preparing sachlich. Sachlich parties follow well-established rituals. A place is chosen in a clearing, frequently a spot where previous sachlichs have left their mark. A simple hearth is constructed using stones or bricks that are invariably around. The nearby forest is scurried for wood. Branches are broken off and surroundings are scavenged for anything flammable. The search builds teamwork. The resulting material is stacked in the center of the recently built hearth and started with a healthy dose of flammable fluid. Pieces of pork, beef, onion, tomatoes and peppers are pierced and put on skewers for cooking, while the party chases vodka toasts with beer. ("Vodka without beer is a waste of money, also the reverse", is a phrase I have heard more than once.) The third toast is to women.





A sachlich gathering in summer

Sachlich toasts incubate friendship and trust. Camaraderie initially developed during the search for wood is forged around the fire. The seemingly haphazard ritual provides an opportunity for guests to reveal themselves. Strangers are carefully observed. The vodka-beer mix loosens tongues; toasts provide moments for the expression of sincere thoughts. (Use them wisely.) I have had sachlichs when the fire both cooked the meat and provided crucial warmth. On Russky Island that day we had superb conditions, a clear sky, with a light breeze. The sachlich was great. I was told that we were feasting in an area not so long ago considered such a top security zone that special authorization was required even for locals. The idea of inviting a foreigner there was "unthinkable". I got so playful that when the time to go back to the mother ship came, I decided to forgo the boat ride and jumped into the water to swim there, and made it.

Near the end of that first visit to Vladivostok rector Lazerev invited me into his large office. He spoke of the university's interest in working with TELCOT. He told me about a recent visit that President Putin had paid to Vladivostok, and to his university. He brought out the visitor's book and showed me Putin's signature under the handwritten phrase "high technology is the future of Russia." It was an honor to add my name to that signature book.

By 2011 Lazerev's university had more than six hundred foreign students, most from China, in its modern dorms. The campus included a hotel with modern furnishings, WIFI, BBC on the TV and an excellent restaurant on the top (7th) floor. The hotel was one of the few places in Vladivostok where my US visa card was accepted. In the restaurant, only cash. Rector Lazerev's vision continues to take shape. I was invited to talk at a high school for "gifted students" connected with his university. Over fifty youngsters crammed into a classroom on a Saturday morning. I spoke about the responsibility they had as "gifted students" during this period of change to lead, and then delivered a compressed version of my standard talk, illustrating the need for intellectual property protection with an example from medicine (described in the next chapter).

"Doesn't the patent system make products too expensive for people? Wouldn't it be better to distribute generically manufactured drugs that most can afford?" asked a particularly alert young man. This gave me a chance to explain how the patent process provides incentives for the creation of medicines that would simply never exist without it. He followed up with another question, and wanted to ask a third, as I was being told it was

past time to depart for the next event on my schedule, a radio interview for a local station. When I mentioned this student to the principal of the school as I was leaving, she was certain that it was Artur, "who will be attending Harvard next year." It was. Artur subsequently sent me an email that was further evidence of his aggressive curiosity and intent to be a dynamic agent of change, signing his note as being from the "patriot of a country, not a state."

\*\*\*

Nothing developed from that first Vladivostok visit as TELCOT closed in San Ramon. Several years later I had a chance to reconnect with Vladivostok thanks to a chance meeting at the St. Petersburg Venture Capital Fair in 2007.

I was about to leave the fair, having participated in a panel discussion and toured many of the exhibits in my capacity as "judge", when Pavel, head of the Grant Thornton office in St. Petersburg, with whom I had struck up a friendship after he approached me at the conclusion of my earlier talk, told me that there was a booth that I must visit. Pavel explained that no one appeared to be paying attention to a group that had, in his opinion, possibly the most interesting technology at the fair, from the point of view of international markets. I followed him upstairs and was introduced to three persons sitting alone at a table. Behind them some sheets of paper explaining their technology was pasted to a wall that also contained some official looking certificates with official stamps. There was certainly nothing distinctive, or striking, about the manner in which this booth had been prepared.



Albina Nikkonen, founder of RVCA

Nobody spoke English so Pavel volunteered as interpreter. The dominant person in the group was the man who rose to greet me. The first thing I noticed about Viktor Olexenko, the inventor, was the intensity in his blue eyes. He wore a formal blue suit, exuded a friendly informality. I sensed sincere gratitude for the attention I was paying, and a deep confidence in the technology he began to explain. Viktor said that he has developed a new kind of electronic circuit that could form the basis of a computer chip capable of supporting "fuzzy logic". What is fuzzy logic? Today's world is automated by digital computers allowing only two conditions. This binary constraint limits a computer's storage, and computational capabilities, as well as the ability to simulate the real world. The world is not binary. Attempts to describe it given only two alternatives are fraught with error and inaccuracy. Viktor's circuit, he claimed, is able to recognize three, nine (perhaps more) conditions.

Viktor had an issued Russian patent covering his technology (a copy was displayed on the wall of the booth) but had no international protection. He had not considered this option. I explained to him the risks of his position. This got his attention. I was intrigued enough by Viktor as a person, and by his enthusiastic (via translation) description of his work (it was recipient of the highest prizes), that I decided to see for myself where this possibly "transformational technology" was hatched. We agreed that I should visit as soon as convenient, which turned out to be in December of 2007.

A driver met me at the Vladivostok airport and drove me on the "bronco road" into the center of town to the Versailles Hotel. A four story 3 star hotel, the Versailles fits in with Vladivostok's many incongruities. With ornate crystal chandeliers, stained glass windows, wide marble staircase and a 3rd floor ballroom-like dining area, the Versailles suggests grand époque opulence. The wooden panels lining the corridors leading to the rooms reminded me of the 10th floor of my old favorite, the Moscow Hotel. A real key, rather than a magnetic card, opened the door. No deep tub however. Instead, a modern shower and king sized bed. Attached to the side of the night table, next to the bed, I notice a flashlight suggesting the electric service might not be entirely reliable. I never managed to turn on the TV that appeared to be a relic from an earlier era.

The Versailles did not accept payment by credit card (even as late as 2011) or foreign currency, only in Russian rubles available from a machine in a bank across the street. The green fiber carpets on the floor of each of its two elevators contained the day of the week, written in both Russian and English. (They were changed every day.) Viktor

came to the Versailles that evening, with a translator, for dinner in the grand dining hall. We were the only customers. On his broad shoulders he wore a dark blue blazer decorated with rows of colorful medals. He explained they were "civilian medals" earned as a "mariner".



Breakfast at the Versailles

We had met in Russia's western sea city, St. Petersburg, now we were in his sea city. Viktor's complexion was dark, even in winter. A sparkle came to his eye every time he spoke about his invention. We examined the menu. I was asked for my preference and thought, we are near the sea, so fish. When all had ordered meals I was asked the question "and to drink?"

I sensed immediately that I had made the right call when I enthusiastically proposed "vodka."

We met the next day at Viktor's office with translation provided by two students, neither of them professionals. Viktor showed me a prototype of his circuit. Communication was awkward across

this language barrier, now that we had no vodka to lubricate understanding. I had an idea. "What time is it in California", I asked? When informed that it was 8pm, I suggested trying to call my former colleague at TELCOT, Eugene Bourakov, on his mobile. Not only did I reach Eugene in Carmel, but he was near his computer, equipped with Skype. Viktor also had Skype and soon we were conferencing across the Pacific, at no charge. Now we were (really) talking.

Viktor and Eugene shared two common languages, Russian and electronics. I was able to sit back and watch my credibility soar as Viktor could see that, in California, I had a partner with whom he was comfortable. Eugene raised a key issue: the challenge of introducing any new technology into a well-entrenched world. How to convert and move data between a binary and a ternary (three-condition) world? Viktor explained that he and his group were developing programs that accomplished such tasks. That conference call set the stage for the possibility of real co-operation. I told Viktor that I wanted to meet the attorney who had prepared his Russian patent. Within an hour she arrived. In limited English, Tatiana exuded a professionalism that made me comfortable. That evening at the Versailles I opened an e-mail from Eugene stating his positive impression of the day's talk. He would be willing to participate in a company, to act as the necessary "gear box" between Viktor and the outside world. I had the makings of Fuzzy Chip, a name that came to mind for this project.

Talks the next day resulted in a draft protocol describing a proposed basis of Fuzzy Chip. I promised to have the text of Viktor's filed Russian patent examined by experts in Finland and to have

it redone in a western structure, transformed and enlarged, with focus on a broad set of claims. I was ready to form a company in Finland, the US, or elsewhere, that protected everyone's interest. My condition: Viktor would have to give up control of his technology to a trusted business partner. I explained that once Fuzzy Chip was formed we would have a platform from which to approach technology development partners and investors.



Dr. Olexenko in his Vladivostok lab

The development of Viktor's ideas would require any investor to take unavoidable technology risks. I was proposing a way of reducing the business risk associated with any technology from Russia, due to Russia's opaque business climate and reputation of constantly changing regulations. Viktor was concerned with how his interest would be protected, once he gave a foreign company rights to his patented technology. (Russians have good reason to be suspicious of arrangements where they are asked to rely on legal mechanisms



to protect their rights, all too aware of the shoddy treatment given to minority shareholders in Russian companies.)

I left Vladivostok after that first meeting in 2007 having planted some seeds, and carrying with me the crude prototype developed by Viktor, to take to Eugene. I understood this to be a sign of trust from Viktor. The three potential founders of Fuzzy Chip signed a nondisclosure agreement and began communication via Skype. Aware that time was running short with respect to the one year deadline from his Russian patent filing, I agreed to finance the development of a PCT application. Viktor signed the paperwork needed to attach his Russian filing and priority date to my PCT application. We had agreed to take initial steps together, but Viktor was not (yet) ready to give up control. It is easy to understand why. An inventor's idea is his "baby". Viktor was confronting an existential choice. Would he insist on keeping "100% of nothing" or was he ready to take a leap of faith and trust a partner to bring complimentary resources to the project? There was no alternative, I explained.

It took two years from the date of our first meeting for Viktor to reach his decision. In the meantime Kolster, my patent firm in Finland, developed the English text and filed a PCT application, assigning it temporarily to Virtual Pro, my consulting company. Viktor was impressed by the text of the PCT application. He could see that my intervention was adding value to his invention. Within a year Kolster communicated highly unusual news: the PCT patent was accepted "without modification". Seven claims were found "novel" with "clear industrial application" by both US and European authorities. Viktor was, in fact,

proposing an absolutely new approach. My hunch about his technology being "transformational" was turning out to be true. We signed a Memorandum of Understanding to form Fuzzy Chip on January 18, 2010. Viktor introduced, as a witness to that agreement, a lawyer with international business experience. He had made the existential decision to proceed with me as a trusted partner, to give up control.



Ice fishermen

The Vladivostok harbor was closed by thick ice during the particularly cold winter of 2009-10. Ice fishermen waited patiently with lines in each hand for a strike. As I walked among them taking photos I wondered if we had broken the ice in technology co-operation between Vladivostok and the West with Fuzzy Chip?

\*\*\*

There is renewed interest in "fuzzy logic" as the digital world expands into the full range of human activity. Companies in Japan have studied its

potential for years. Active work in the field was limited in the West by skepticism partially fed by reaction to the choice of the term "fuzzy logic", and belief that probability theory adequately addresses the challenge of replicating fuzzy thinking in machines. Today, in diverse fields like robotics and medical sensing, there is awareness of the potential of "fuzzy logic". A circuit able to recognize three, nine, perhaps more, conditions has application beyond the world of "fuzzy logic". Computations are theoretically more rapid, data storage is more efficient, and power utilization is lower, in any chip able to incorporate non-binary logic.

Olexenko was part of the Soviet team that built the world's first ternary computer, the Setun, at Moscow State University in the 60's and 70's. That project went nowhere because the rest of the world remained digital. Knowledge developed in that ternary world was of limited use, until now, when "system-on-a-chip" architectures enable the co-residence of multiple processors on a single chip. Conventional CMOS chip manufacturing is reaching scales (20 nanometers) that threaten to limit silicon's future as a platform, absent some breakthrough. The introduction of multi-value logic can dramatically lengthen the relevance of silicon. It is not an exaggeration to say that Olexenko's invention may offer a key to extending "Moore's Law" (an observation made by Gordon Moore, co-founder of Intel, that computational power doubles every two years) on silicon, giving scientists more time to discover silicon's eventual replacement.

What does this suggest? Fuzzy Chip's patents may cover key elements of future generations of chips needed to address the demands for fast and error-free computations on increasingly complex

multimedia platforms, the fastest growing segment in electronics.

\*\*\*

Singapore emerged as our location of choice for "Fuzzy Chip" given its location not far from Vladivostok, its stated desire to attract and support companies based on "fundamental patents", its world class FAB chip design facilities, and low tax rates. (Finland disqualified itself for reasons explained in the next chapters.)



Singapore's Marina Bay

I planned an initial visit to Singapore on my way to Russia in February 2011. In Finland I qualify as a "local", thanks to my Finnish passport. In Singapore I would need a citizen of Singapore, or a permanent resident, as a founding member of any company I hoped to establish there. How to find such a partner? I had not used my Chicago connections since getting the placement director's help in finding my IBM job (described in chapter 2). Aware that the renamed Chicago Booth School

of Business had its Asian executive management program headquarters in Singapore, I contacted the Booth alumni office in Chicago. Encouraged by that office to send them an email describing my needs for forwarding through their network, I was soon contacted by Linda Eunson of the Singapore campus. She promised to circulate my need for someone familiar with fuzzy logic. When I landed in Singapore in late January Linda had helped arrange meetings with three alumni. Among them I found a perfect candidate, Eric La Fosse, a Frenchman married to a woman from Singapore. Eric answered my call for assistance with a resume that included experience with Motorola on a project involving software-based fuzzy logic control of DVD drives. An expert in nanotec, Eric's note included an impressive reference to Russia: he had been selected by Singapore authorities to brief Rusnano's chief, Anatoli Chubias, during a recent visit to Singapore.

Eric mentioned his experience as consultant to Singapore's Economic Development Board (EDB), the key government organization charged with attracting companies with new technologies. Eric confirmed that chip design and prototype development are areas of strength in Singapore. We discussed steps that could be taken, after forming a company, to attract government participation. I left Singapore confident I had found my needed partner after only two days. Eric sent an impressive set of observations and questions to me as I travelled in Russia on my way to see Viktor. Having studied material describing Olexenko's invention, Eric suggested numerous potential application areas that I was happy to share with Viktor when I landed in Vladivostok, two weeks after my meetings with Eric in Singapore.

Viktor recognized the relevance of Eric's comments and explained he understood which patterns would need to be etched into each of the 10 to 12 layers of quartz in order to produce a first stage prototype of his chip. Viktor expressed appreciation of the drawings developed by Kolster describing his circuit. (Viktor noticed the Finns had included details that he had left out of the Russian patent, not wanting that filing to reveal all of his secrets.) Amplifiers utilizing Viktor's circuitry (built in Russia) need less power, have a smaller footprint, and are otherwise superior to alternatives. An initial application of his technology may be as a component in miniature autonomous medical probes. Viktor believes his designs will reduce power consumption, and physical footprint, each, by a factor of ten, and improve processing power, by a factor of three. Cheaper, faster, better....a classic formula for success.



Raffles among high rises

Fuzzy Chip Pte. was established in Singapore during my return visit, after the talks with Viktor in Vladivostok. Eric became an equity stakeholder and arranged a meeting with key staff from the Economic Development Board, on the 28th floor of Raffles Center, overlooking the heart of the city, during which we explained to them the opportunity for Singapore to establish itself as a gateway for transformational Russian technologies, proposing Fuzzy Chip as a "success story" candidate. From that meeting at Raffles Center Eric and I hurried by metro to a meeting with Jessica Bu, the person who had helped Eric form another company months earlier. Her office, JessWorld, in the International Business Park, seven metro stops from downtown, had the look of an efficient operation.

Eric had provided me with a copy of standard founding documents, developed by Jessica for his company, before our meeting. After greeting us with a broad, open smile, and directing us to chairs along a long table, Jessica cut to the chase, summarizing easy to understand requirements for doing what we wanted to do. Eric qualified as a "local contact", she was ready to provide an office. I showed her a copy of Viktor's Russian passport, gave her the choice between my Finnish or American one, and responded that I wanted the company to be named "Fuzzy Chip" to her final key question.

With a package that included my US passport Jessica rushed off to make copies, returned in a few minutes with good news: the name was available, and reserved. We connected from Jessica's office, via Skype, to Viktor in Vladivostok for our first "company meeting". Eric and Jessica saw images of Viktor and his wife, Valentina, in

their apartment, Valentina providing a rough translation to Victor of our remarks. Eric could see the importance of what was happening, for Viktor. His baby was being born. I sensed immediate good chemistry all around. Valentina and Victor had some difficulty understanding Eric's "French English", but a spirit of mutual admiration and trust was evident. Jessica's energy was on display for all to see.

Fuzzy Chip was indeed launched. Eric and I signed, where instructed to, by Jessica, on the documents she produced. She scanned the signed signature pages and emailed them to me, for forwarding to Viktor, who was instructed to print out the two pages, sign next to his printed name, scan the result, and send it back to JessWorld. (I would get his signature on originals during my next visit to Russia.) All needed paperwork to establish a company in Singapore was done within two hours. Jessica explained that I could open a bank account in the company's name with any amount, and advised using a local bank whose fees were lower (zero for the first six months) than those of branches of global players. I promised I would attend to this soon after my arrival in San Francisco, confident that I had found not only a partner with key technical and business attributes in Eric, but also the administrator/accountant for our new company.

An hour later I had an email from the accounting and corporate regulatory authority (ACRA) informing me that the name "Fuzzy Chip, Pte. Ltd." was reserved for 60 days and advising that I could now proceed to incorporate the company. Eric explained this would happen three or four days after Jessica's receipt of Viktor's email attaching the signed two pages. Singapore's reputation as



an efficient, transparent business hub was lived up to. Fuzzy Chip's first year of operation was completed in late 2012. The company was valued at 20 million Singapore dollars in reports to the government, based on the estimated valuation of Dr. Olexenko's issued US and European patents. More patents are in development, and talks with investors and industrial partners are in progress.

Next steps in the validation of Fuzzy Chip's technology would involve the modeling of circuits and chip designs on state-of-the-art tools adapted to incorporate multi-value logic. Tools can make simulations at previously unheard of economies just as new chip architectures were opening up the possibility of communicating results from multi-value logic calculations on one of the chip's processors to the binary world using the binary processors of the same chip. Advances in technology gave new life to designs conceived years ago.

\*\*\*

What business lessons does the Fuzzy Chip example suggest? A "Chinese wall" must be built between Russia, ruled by Russian law, and markets outside of Russia, accessible via trusted safe havens beyond the reach of Russian authorities. Credible protection of intellectual property in a safe haven is fundamental to the building of a negotiating position with western companies in a position to provide complimentary technologies, and access to the global village.

There is another benefit to the building of this "Chinese wall". Inside of Russia, there is always the possibility that ownership of an invention will be disputed. Unseen players may emerge to make a case they have some rights to the technology. The debate on the respective rights of the

inventor, and Institutes, continues inside Russia. This debate is focused on internal questions of ownership, and is not expected to end any time soon. Russian entities that have claims over research that has the potential of practical application in international markets have reason to consider the creation of foreign entities, and to participate in them as equity stakeholders, for the purpose of adapting and introducing their technologies to western markets. For them the choice is similar to the one faced by the inventor. Do they want "100% of nothing" or are they ready to participate in a foreign entity they do not control?

Russian Institutes are earning very little (if anything) from foreign partners. Accepting equity stakes in foreign companies that are assigned rights outside of Russia to their inventions opens up this source of revenue. Such a step requires "revolutionary" thinking, and should be considered by architects of Skolkovo. In addition to producing revenue this model establishes a basis for links with western industrial partners and insight into what areas of research have value. Such knowledge may become the most valuable aspect of this approach. Skolkovo's focus is on inbound projects, inviting foreign companies to establish facilities near Moscow in a place relatively free of the burdens of unknowable risks associated with operating in the rest of Russia. Time will tell if this initiative gains the trust of the foreign community and, more importantly, the trust of Russians with good ideas.

Until such trust is earned any modernization effort should encourage outbound projects that provide credible protection of inventions in safe havens outside of Russia. Suggesting that a

government encourage the establishment of private entities outside its territory sounds preposterous. But upon reflection, the suggestion follows logically from the premise that Skolkovo's favorable conditions include protection from legislation in other parts of Russia. This admission (that a zone exempt from Russian law attracts foreign participation) is tacit recognition of the fact that credible protection of intellectual property exists today only *outside* Russia.

Until and unless this promise of protection gains credibility over time and Skolkovo earns the trust of Russian inventors, the model described here fills a need. Private business must take the initiative and drive the integration of Russian technologies into the global market. The Russian government has reason to see such initiatives succeed. Innovation commercialization begins with the establishment of entrepreneurial companies. Russia has many entrepreneurs but few entrepreneurial companies. Enough said.

May Vladivostok, blessed with its APEC driven makeover, incubate a "bottom up" approach to innovation commercialization. Fuzzy Chip is ready to be seen as a "success story".

**Business Lessons:**

- Russian technology needs integration into the outside world to reach its potential.
- This truth confronts fears that must be overcome with trust, step by step.
- External developments create new opportunities for dormant technologies.
- Remote location enables experimentation.
- Technology validation outside of Russia is key.
- A goal inspires action.

## BUDDHA BIOPHARMA LIGHT AT THE END OF THE TUNNEL



With Pomytkin and Yrjanheikki in Kuopio

A leap of faith deserves to be answered. The answer may take longer than hoped, and arrive in unimagined form. The answer to my leap into the uncharted sea of Russian technology occurred in 2006. I was having dinner with Serge Shumsky, co-founder of NeurOK (see chapter 10), at Da Cicco, a favorite Italian restaurant of his, when he mentioned there was a "genius" I should meet.

"Any person you think is a genius I definitely want to meet"! I answered. In addition to being the brains behind NeurOK, Serge was vice president of Russia's artificial intelligence society, a field in which Russian strength is acknowledged. (No idiot himself.)

\*\*\*

Soviet ideology supported the power of science. Intellectual enclaves recruited the most talented,

provided them amenities not available to ordinary citizens, and insulated them from political purges during Stalin's time. The complex interactions of the human body were studied from unique, secret perspectives. The collapse of the Soviet Union provided western drug companies an opportunity to explore the territory as both a new market and as a source of medical discoveries. One Russian introduced to many westerners was Igor Pomytkin, the man I was about to meet.

Proficient in English and a scientific polyglot, Dr. Pomytkin took advantage of these interactions to gain an understanding of how the western system works, keeping to himself thoughts that awaited release. At the top of Russia's educational pyramid one finds persons with knowledge across many disciplines. Dr. Pomytkin, a graduate of Moscow State University, is knowledgeable in mathematics, biology, and physiology. (A Russian colleague described him as a "poet" in chemistry.)

In the field of biotech the integration of insights from various emerging disciplines is recognized as essential to progress and a reason the promise of biotech is taking a long time to emerge. The west's tendency to specialize is instrumental in advancing discoveries within disciplines, guiding a promising idea through many stages of test, development and integration, into practice, by effectively coordinating the activities of many. At this the west has undisputed leadership. The patent system is designed to provide incentives for investment in the development of technologies. Researchers protect (hide) their intellectual property from colleagues. The ideas become the property of the organizations for which the researchers work.

Is there a downside to increasing specialization? Does the patent system enforce a self-inflicted inhibition with respect to collaboration with others in the field? A Russian researcher with experience living in the west told me that Russian academies, given their lack of interest in commercialization, fostered cross-discipline collaboration among researchers he did not observe among western colleagues. A polyglot like Pomytkin flourished in that world of open access and was able to go as deeply as he wished into any area of interest.

The education Pomytkin received as a result of his interactions with western companies gave him the confidence, and knowledge, to file numerous patents at a time when few in Russia were doing so.

\*\*\*

The day after hearing about him from Shumsky I met Igor Pomytkin in Serge's south Moscow office. Introduced to me as a biochemist by Serge Igor corrected his friend: "actually, I am a specialist in physical chemical processes". Like Serge, Igor looked younger than his fifty years. Igor and Serge brought me into the informal intimacy of their rapport, punctuated with jokes in Russian and English. An easy smile and informal, humble manner offered little hint of a powerful intellect. That changed once Igor began to speak. In precise if sometimes awkward English Igor started explaining his science, filling a white board on the wall with diagrams of a double feedback loop (electric-like) to describe his understanding of the biological processes that occurs inside of neurons.

His key discovery: a relationship exists between mitochondrial respiration that produces spikes of hydrogen peroxide ( $H_2O_2$ ), a cell's source of energy, and the activation of the insulin

receptors in neurons, controlling their ability to process insulin. *A breakdown in cerebral insulin receptor signaling is the root cause not only of Alzheimer's but many age-related neurological ailments.*

Put simply, as we age neural mitochondria lose energy and reach a point when neurons become unable to process insulin properly. Collections of plaque found in Alzheimer's patients are one result of this degeneration. How to treat, or prevent, the condition? "Feed" the mitochondria enhancing its ability to produce H<sub>2</sub>O<sub>2</sub>, increasing the sensitivity of the insulin receptors in the neurons.

Concentrations of dicholine salt of succinate acid have been found to control mitochondrial respiration. Delivering that compound past the blood-brain barrier on a proprietary small molecule had been achieved by Pomytkin in mouse and rat studies in Russia, explained Igor. If replicated in humans, the nasal delivery of the compound to the brain promises a "natural" way of preventing the onset of Alzheimer's. Based on his studies taking the compound for five days would begin a two-month virtuous molecular cycle at the end of which another five-day dose would be recommended.

His inventions, protected by issued patents, included the composition and formulation of the small molecule that delivered this salt to the brain. He was getting encouraging results in tests he was conducting on a subcontracting basis. No Institute or lab had any claim to the intellectual property. When I asked him how he had financed the research and patent applications Igor explained that he was supported by a Russian investor, a younger Moscow State University graduate.



Here was the answer to my leap of faith. An English speaking genius with a protected "transformational technology" supported by a local investor looking for a mechanism for introducing his science to the world. I explained to Igor that as long as he remained in Russia results he published would be questioned. No western company would license technology from a Russian entity. Igor explained that he had extensive experience working with Western pharma commercialization experts, having been introduced to many of them in the early days of perestroika when they searched the former Soviet landscape for new medicines. This experience had given him a foundation from which he was able to judge my words. I was earning his trust.

We recognized that our viewpoints, and goals, were similar. I explained that his credibility problems (in western eyes) would be solved by replicating his animal work in Finland, a trusted transparent environment and home to many CRO (contract research organizations) doing work for global giants. Forming a company in Finland and assigning his patents to it would eliminate the business risk associated with Russian entities. We agreed to form Buddha Biopharma OY Ltd. a name I proposed when Igor explained that, during meditation, a monk's breathing invokes, naturally, an effect in the brain similar to what he believed his active substance, dicholine succinate, induces when delivered to the brain. (A Google search found a Buddha Pharma in Katmandu, eliminating that name as an option.)

Buddha Biopharma was established in 2007 as a Finnish company with equity distributed among the founders, Dr. Pomytkin, myself, and financial supporter Pavel Verteletesky, in proportions of

41/10/49, respectively. Verteletsky was obligated to continue to finance the company, or have his 49% shares diluted, in case an additional investor was needed. Pomytkin and Verteletsky were obligated to assign all present and future "related patents" to a company that I would run, as managing director. I asked Kolster, an intellectual property firm in Helsinki with expertise in biotech, to evaluate the patents written by Pomytkin and filed by a Russian firm. Kolster verified their strength.

My first meeting in Finland was with pharma specialists at Tekes (see [www.tekes.fi](http://www.tekes.fi)), Finland's government fund missioned with supporting start-ups with promising technologies. (Tekes provides grants requiring no dilution of equity and loans that must be repaid only after the achievement of commercial success to companies meeting their criteria.) Tekes pharma specialists suggested I contact Cerebricon, a CRO with expertise in preclinical neurological studies located in Kuopio, Finland's "medical city". Igor and I flew to Kuopio and met Cerebricon's young CEO and founder, Dr. Juha Yrjanheikki. There was immediate rapport among us. Juha's Phd. was from Stanford. He demonstrated that he spoke Igor's language by asking highly relevant questions when Igor began an explanation of his ideas.

We agreed on two initial studies that would replicate Igor's rat work in Finland and extend it to transgenic mice (bio-engineered mutants). Results were encouraging. Igor was not surprised. Juha understood how rare the good indications our compound was eliciting were. (CRO's are often forced to explain to their clients that they have been unable to replicate positive results claimed in company internal studies.) In spite of remarkable

results Tekes rejected our application. I called Juha asking him if the person at Tekes reviewing our application had contacted him and was told: "No. If they had, I would have told them that they are idiots not to support your application, given the positive results I was seeing."

How could an organization whose top priority, as stated on their website, was "human wellness" *not* support a promising treatment for Alzheimer's? The rejection made no sense. The fact the Tekes reviewer had not bothered to contact Juha to inquire about the studies he was being asked to consider funding suggested to me that forces beyond science might be at play. As a company consisting of two Russians and one Finn who didn't speak Finnish, Buddha Biopharma did not fit the standard profile of the Tekes applicant pool.

Part of what I was attempting to do in Finland, by bringing Pomytkin there, was to expand the country's thinking in an area I considered to be a comparative advantage. I hoped this initiative would be welcomed. When it was not I did not lose faith, figuring that once Finnish experts gained an understanding of what Pomytkin was doing they would help turn the tide. During the next year I arranged for Pomytkin to meet Finland's leading Alzheimer's researchers and academics: Mart Saarma of Helsinki University, Hilikka Soininen of Kuopio University, Tapani Keranen of Turku University, among others. All recognized Pomytkin as a theoretician of the highest level. Saarma invited Pomytkin to spend a day with specialists at the Institute of Biotechnology that he directed.



Pomytkin with Saarma at Helsinki University

Buddha Biopharma submitted a second Tekes application in 2008 prepared with the help of Cerebricon specialists covering the cost of three more rat studies and proposing that preclinical work on toxicology and compound formulation according to international standards be done in Finland. Encouraging results from the early studies and testimonials from Finnish experts supported the second application. When asked by Tekes reviewers: "What's in it for Finland?" I answered that along with a promising treatment for Alzheimer's (a disease effecting more than five thousand Finns) Dr. Pomytkin's work could constitute the basis for a new drug development platform (neuronal insulin resistance) and result in the growth of world-class research expertise in Kuopio and high paying jobs.

I pointed out that Buddha Biopharma was also an example of something with even broader economic implications for Finland: earning a

reputation as a country with expertise in the commercialization of Russian technologies into the global market. If Finland was recognized, by Russians and the international community, as a place promising Russian ideas could be launched other fields of research, and jobs, would result on all sides of the border. During the next year I made this case to Tekes board members as well as key "public servants" in the Ministry of Employment and Industry, and the Foreign Ministry. A unique aspect of Finland's business culture is the ease with which one can approach almost anyone, if one has an interesting story and a Finnish name.

Getting support for our project as a "success story" was a no-brainer, I thought. Finland had featured its "innovation culture" during its presidency of the EU. Here was an opportunity to take this initiative to a world stage. I was doing what I could to midwife this journey. A visit to Research Triangle Park provided me the chance to introduce Pomytkin's science to Dr. Warren Strittmatter, head of Duke's neuroscience department. He was impressed enough by what he learned that he volunteered a letter of support and possible future introduction to key persons at Glaxo Smith Klein, headquartered nearby. I arranged for Pomytkin to present a poster in Chicago, at the 2008 Alzheimer's conference there during his first US visit. We were subsequently invited to present at BioBusiness conferences in Geneva, and Zurich, and met representatives of numerous pharma companies. All expressed interest in Pomytkin's work.

Buddha Biopharma's strategy was to incubate the company in Finland, do as much preclinical work as possible there, and obtain support in the European Union from its Finnish base. Support in

Finland was assumed. I calculated that Alzheimer's treatment costs Finnish taxpayers 100 million Euro a year (the annual estimated cost of supporting each of Finland's 5,000 patients is 20,000 euro). Our compound addresses an even more prevalent Finnish condition: depression.

While Pomytkin's science was being recognized and validated, Verteletsky was proving to be less than reliable in his promise to transfer funds from Russia into Buddha Biopharma's Sampo account. He spoke no English, did not have email, and was essentially invisible, leaving all contact with me to Pomytkin. I reminded Igor repeatedly that it was essential to have significant funds in the Sampo account, for Tekes to match, in advance of their consideration of Buddha Biopharma's second application. (I had run the company on a shoestring, not drawing any salary, paying for subcontracted services as funds trickled in.) Contacts at Tekes suggested comfort with the science but concern with the "business side" of the company. As the review date approached I travelled to Moscow to sign a "loan agreement" on behalf of the company that Verteletsky insisted was needed by his bank before any transfer could be made. The first "loan agreement" was deemed insufficient once I had signed it and I returned urgently to Moscow to sign a second agreement, drafted by Verteletsky's bank, with Russian the controlling language.

This frenzy of activity resulted in the transfer of 600K Euro "at the last possible moment", days before Tekes rejected our second application in late 2009. I was astonished by the decision, announced only in the Finnish language. Tekes claimed to be un-persuaded by the "business case" presented in our application. (A monkey

could make a business case for an effective treatment of Alzheimer's.) In hindsight my American optimism may have blinded me to the scars inflicted on the Finnish psyche by their neighbor. Perhaps the audacity of presenting myself as a Finn while not speaking the language, and offering Finns advice on what to do with Russia, struck the Finns the wrong way.

Buddha Biopharma reacted to this absurdity by modifying its plans, signing agreements to have the compound manufactured in Germany. Authorities in Kazakhstan agreed that Pomytkin could conduct phase one and two clinical trials on humans there. Kazakhstan recognized preclinical work done in Russia along with results obtained in Finland. Pomytkin delivered the keynote address at Kazakhstan's first neuroscience conference in Astana, Kazakhstan's new capital, in the summer of 2009. Igor and I travelled there together and were astonished to see the ultra modern buildings sprouting, in Oz-like fashion, in the midst of a horse-dominated wilderness.



When I asked Igor if the neuroscience center in Astana had the modern equipment needed for tracing medication delivery to the brain his answer was:

"Look around. Anything they don't already have, they will get." Kazakhstan's mineral wealth makes such boasts realistic. The challenge for Buddha Biopharma, is to obtain international acceptance of any results obtained there. Trials require not only equipment able to prove delivery of the compound to predicted areas of the brain, but certification that they have been conducted according to internationally recognized protocols. I tried to keep Finland in the game by finding a company in Kuopio, Medfiles, with specialization in conducting clinical trials in Eastern Europe and the Baltics. Pomytkin and I travelled to Kuopio and met with Medfiles CEO Tuija Keinonen to discuss their possible involvement in the Kazakhstan trials.

Following that meeting Tuija asked one of her staff to work with me on the preparation of a third Tekes application that covered Medfiles' support of the trials in Kazakhstan and extending them to include Finland. Just as things looked as if Buddha Biopharma had survived the first two Tekes rejections and was on a positive trajectory, a cloud described in the next chapter entered the picture. The payment of back salary to myself (once sufficient funds were finally available in Finland) started a dispute that remains unresolved.

In the meantime phase one and two clinical trials continue, in Kazakhstan, in secret. Once these trials prove the safety of the compound on humans, and promise efficacy by proving that the compound gets to desired areas of the brain, Buddha Biopharma will be in position to license, or sell, to a global giant able to conduct phase three



trials. Big pharma is looking for the next "blockbuster drug". Why are the business prospects for our compound so good? It promises to improve the functioning of healthy brains! Too good to be true? Only idiots, who wish to remain idiots, would not be interested in a nasal spray that, taken for five days every two months keeps thinking sharp and prevents Alzheimer's.

Why are scientific prospects so encouraging? Dicholine succinate, the salt Buddha Biopharma delivers to the brain, is a metabolite present in the body. It is thus unlikely to produce dangerous side effects. (Side effects not identified until late in expensive phase three clinical trials are a main reason biotech investments are considered so risky.) Dicholine succinate has been administered to Russians for many years in the form of Mexidol, a medicine used to treat aging disorders. Mexidol, in tablet or ampoule form (for injection), can be found in pharmacies throughout Russia. Pomytkin says the tablet form is a waste of money because it is digested, with no effect. If Mexidol enters the bloodstream by injection (in the thighs, five days in a row, on alternate sides), it has proven helpful in keeping veins looking young, for example. Annual sales equivalent to twenty million dollars (at 400 rubles for five ampoules) testifies to the popularity of the medication, primarily with women. (It was in studying the reasons for Mexidol's effectiveness that Dr. Pomytkin discovered the relationship between dysfunction in mitochondrial respiration and insulin processing.) Both Pomytkin and I are confident enough of the compound's safety that we have administered it, nasally, to ourselves. I have been using Mexidol since 2007.

Among Pomytkin's inventive breakthroughs was successfully addressing the challenge of delivering

the metabolite to the brain by getting it across the blood-brain barrier attached to a small molecule. The composition of that molecule, and the delivery mechanism, are patent protected and represent key assets of the company. Once the business dispute that is clouding progress is resolved the main challenge in getting our compound rapidly into the market may be the intransigence of vested interests. Is the search for a treatment of Alzheimer's, a goal fueling conferences, the raising and spending of vast amounts of money supporting research, careers all dedicated to the absolute necessity of finding a solution, ready to accept one?

When a solution is found they will be out of business. Put out of work by the solitary work of a Russian genius. The good news: there has been significant progress made in identifying genetically "high risk" individuals, likely to get Alzheimer's by sixty (15 % of the population). This progress is the result of a sharing of results from the many (unsuccessful) clinical trials taking place around the world. The bad news: nothing has yet been found that works with this population, (or with anyone) so why would anyone even want to know? Finding something to give to "high risk" persons has become a top priority of all governments. We believe our compound can compliment other medications being tested so its rapid deployment is possible, given the will.

Readers interested in knowing more about Pomytkin's work are invited to read peer reviewed papers on [www.marttivalilla.com/portfolio](http://www.marttivalilla.com/portfolio). A comparison of Pomytkin's approach to existing knowledge is included in the appendixes of both "Bannana's Crime and Punishment" and "Bannana in Boston", books that tell the story of how my

disputes continued. My leap of faith was answered when I was introduced to Pomytkin in 2006. I could not possibly have imagined the events that unfolded as a result. As I complete this book I wait for results from Kazakhstan to be discovered, confident they will do what our studies in Finland did: validate the promise of Pomytkin's approach.

Financial pressures on governments currently committed to supporting the long term care of an increasing number of persons who are losing their minds give them every reason to accelerate the recognition of this light at the end of the Alzheimer tunnel, and support its rapid deployment to high risk persons. There are currently an estimated 4.5 million cases of Alzheimer's in the US, 5.4 million in the European Union, five thousand in Finland. These figures are expected to more than double by 2040. The current annual costs of caring for a single patient in Finland is in excess of 20,000 euro. Multiplying these sums for the European Union and America, and projecting them forward, makes it clear that Alzheimer's threatens to bankrupt the social systems of western countries. The annual cost of supporting ten million Alzheimer's patients is 2 followed by eleven zeros euro.

Surely a business case exists, understandable even to Tekes.

**Business Lessons:**

- The cure for Alzheimer's may come from a country where it is least in demand.
- Russian technology owners must assess its potential in the global market.
- A global market changes the map of risks and rewards of technology.
- Co-ordination of disparate resources can dramatically reduce costs.
- Vested interests can be expected to be the last to yield to new truth.

## FINLAND'S POTENTIAL COMPARATIVE ADVANTAGE



The land of the midnight sun

Finland, a country of five million with a long boarder and history with Russia, is blessed with few natural resources and must rely on the resourcefulness of her people to create wealth. Finland is in a position to provide what Russia needs: trusted, transparent access to the world market; links to industrial partners; incubation of promising technologies and the development of prototypes. Finland played the lucrative role of "middleman" between the dollar and ruble zone in the days of the Cold War, when the Soviet Union was Finland's largest trading partner.

With the collapse not only of the trade, but the partner itself, Finland executed an about face, linking itself to the EU, becoming an early gateway into the "new Russia" as she opened to western goods. The stage is set for the next phase: a

leading role in the diversification of the Russian economy and its effective connection to the global market. In 2005 SITRA, the state technology investment fund, published a report entitled "from trade to partnership" in recognition of the opportunities of this transition. While heading the European Union presidency in 2007, Finland proposed innovation as the primary theme of its term, recognizing Europe's need to become "more innovative", claiming bragging rights in this area thanks to the success of Nokia, at the time the world's leader in the manufacture of cell phones.

With its relatively small population there is typically one place to take any question, and that person is easily located, and contacted by mobile phone. Finnish business culture is forged in the sauna, and in a web of relations built over years that ties together most people at the top. Finnish women protested their exclusion from this "sauna culture", claiming that a female's need to preserve appearances represented a local version of a "glass ceiling". The two-term presidency by Tarja Halonen pierced that ceiling, but a popular saying, "Finland is not a country, it is a country club", captures the fact that everyone of consequence reads the same paper (Helsingin Saunomat), and the reality that professional people know almost everyone else in their field. Quiet, reserved Finland is in position to be a "gear-box" between mysteriously complex Russia and the world.

Access to the country club that runs the country is still reserved for members of the tribe. Twenty years ago one found only Finns in Finland. I recall buying some tiles from a hardware supplier and being charged based on my own count of how many were loaded into the vehicle I was driving. This web of trust is being shaken to its core.

Finland's population is increasingly mixed. Black children of Somalian refugees can be heard joking in Finnish on the trams. A political party of "True Finns" emerged in the late 90's in reaction to this opening, and grew to become the third largest party in the parliament. In the early days of glasnost shops catering to visiting Russians along the boarder limited the number allowed in at any time, so as to control the shoplifting. Today Russians are purchasing much of the high-end real estate along that boarder, and elsewhere in Finland. The transformation of a homogeneous, close-knit society, into a melting pot has proven to be a challenge. On a personal level the Buddha Biopharma success story I imagined and hoped to build turned into a surreal journey through the legal system.

When authorized to establish the company in Finland one of my first steps was to open a bank account into which to deposit Buddha Biopharma's initial capital of ten thousand euro. I went to the international operations office of Nordea, Finland's largest bank, armed with my Finnish passport, and copies of the passports of my two Russian partners. The head of international operations examined my paperwork and explained that the bank could not open an account for the company because Verteletsky's passport had expired. How this detail affected the passport's purpose of verifying identity was not explained. I overcome this bump in the road by going to Sampo Bank, where they were happy to open an account.

There was no alternative to Tekes, the organization missioned with funding companies with promising technologies in "strategic areas", one of which is human health. My trust in these representations was shattered when, as described

in the previous chapter, Tekes refused funding for Buddha Biopharma not once, but twice, even after acknowledging that top experts in Finland had confirmed the promise of our science. The reason, delivered in Finnish in a communication that would make Kafka smile, was lack of a "business case".

There is certainly a market for *any* medication that proves its effectiveness treating Alzheimer's. Big pharma is increasingly reliant on startups to take the risk of developing and testing new compounds, waiting to buy those that show promise. Buddha Biopharma articulated an exit strategy of selling to big pharma, referencing the three quarters of a billion dollars offered in 2008 by Pfizer to Dimebon, a Russian company that had positive indications that a compound they were testing as an antihistamine in phase one and two trials may have delayed the progression of Alzheimer's in some of the 166 patients involved. Pfizer's offer, a combination of stock and cash, with the payment of half a billion dollars contingent on the meeting of milestones, was announced at the Chicago Alzheimer conference at which Pomytkin had a poster. Pomytkin was familiar with Dimebon and predicted their compound would fail in phase three trials. In this he was proven correct.

Finland's largest pharma company, Orion, was not a realistic partner for launching a worldwide blockbuster drug. The pharma industry in Finland should recognize its comparative advantage as an intermediary, a place Russian compounds can be formulated according to international standards, and tested on animals, and humans, after which those that survive are sold to US, British or Swiss global giants for phase three trials and global distribution. That is what we proposed, and what Tekes rejected. Did we not have enough



involvement from members of the Finnish tribe to qualify for support?

I am left to believe the spirit of a kremlin is alive and well, in Helsinki.

\*\*\*

Prototyping a promising technology in a commercially interesting application area with a knowledgeable trusted partner is a key step in the commercialization process. VTT of Finland (see [www.vtt.fi](http://www.vtt.fi)) is the largest technology center in Europe specialized in moving technologies from academia into industry, and the market. VTT has deep, trusted industrial relations across the globe with companies, and access to them through Finland's network of Finnnode offices. In April of 2009 the government of Finland published "The Russia Action Plan", its first publication dealing with Russia since the collapse of the Soviet Union. Close co-operation in the field of innovation was a main theme of this paper, which delivered its message in general terms.

While lobbying government VIPs for their support of our second Tekes application (after our first had been rejected) I was encouraged by Antti Valle of the Ministry of Industry and Employment to develop a report describing how the vision described in the action plan could be brought to life, concretely. Here was an opportunity to make explicit the importance of pioneering "success stories". A key recommendation of Virtual Pro's report was that VTT, or a partner organization, should develop an appropriately staffed "front end" mechanism responsible for receiving descriptions of promising Russian innovations and routing them through its network of experts to obtain an opinion on whether a "candidate technology" addresses an area of significant commercial interest. If the

answer is positive then Russian owners of the technology have justification to finance the protection of intellectual property outside of Russia and take other steps described in this book, one of which is the establishment of a company outside of Russia.

Finland is in a position of comparative advantage to win this business and become the location of choice for the establishment of the resulting companies. As a recognized intermediary to the global market for Russian science, Finland would gain many high tech jobs. I was prepared to provide any advice I could on how this idea could be implemented, the first step being, of course, the funding of Buddha Biopharma. Instead of taking me up on this offer (no attempt to contact me was made after the delivery of the report), the ministry paid other experts to examine its options going forward. The resulting study did a good job of identifying core challenges: the departure of the pillars of Finland's current economy, pulp, paper and Nokia, to low cost overseas production sites closer to markets; an insularity in Finland that contrasted to increased EU integration on the part of its Nordic neighbors; lack of an entrepreneurial culture; lack of a growing services industry. At its conclusion the report did not offer any solutions other than a reorganization of some ministries.

The most shocking thing to me was that the report barely mentioned Russia, Finland's source of comparative advantage vis-a-vis the EU, and the potential answer to Finland's future economic growth! From my point of view the international trust that Finland has built provides an ideal platform from which to launch many services growing from a role as a technical and business

gateway for Russian entrepreneurs. How is Finland addressing this opportunity?

Virtual Pro's report to the Ministry of Employment and Industry identifying this specific role for VTT has been ignored. No official response to the report was received, nor any request for meetings from VTT, or anyone else. Subsequent comments in the Finnish press by a Tekes spokesman (in an article mentioned below) indicated that Tekes found my commercialization proposal problematic because it required "continued government funding". The comment was not only false (the purpose of any funding would be to solicit and encourage the participation of private firms), it signaled a basic misunderstanding of the ideas contained in the report. Having made little progress with Tekes, or the ministry, or VTT, I decided to try to get my message directly to the public, via the press. It is, after all, the public that is suffering from Alzheimer's and has interest in accelerating its cure and prevention.



The first article in Finland was published in the small town of Savonlinna's local paper. Savonlinna was hosting a business meeting in conjunction with its world famous opera festival. A local reporter and I got into a conversation about my hopes for Buddha Biopharma, and Finland, and the frustrations I was experiencing. Our talk resulted in an article published July 14, 2009. The headline "Suomi on portti venäläisille ideoille" translates roughly to "Finland as door to Russian ideas." Our Alzheimer project was detailed in the fine print. I appeared in Finland's top business weekly, featured as "business person of the week" (March 5, 2010 issue # 8) and then in the Kuopio paper on April 10. (Kuopio is Finland's medical city, home of Cerebricon, and where our pre-clinical trials were done.) The Kuopio headline announced: "Uusi idea torjua Alzheimer," "New idea to prevent Alzheimer's". (English translations of these articles are on my web site.)



In front of Mannerheim's statue

The photo accompanying the Kuopio article includes the statue of Field General Mannerheim (leader of Finland's forces during the Winter War with Russia) on a horse in front of the modern art museum. Mannerheim did not speak perfect Finnish, having been trained as a military officer in Russia, then mastering the German language prior to leading the Finns against both countries. His foreign perspectives proved valuable to Finland in its time of crisis.

Perhaps it is time for Finland to recognize advice from another "outsider". Word about our promising treatment and prevention of Alzheimer's is now in the public domain. What interest it generates remains to be seen. Perhaps public awareness will catalyze progress, or, alternately, a desire to shoot the messenger.

\*\*\*

What happened after our second application was rejected? I was astonished by the illogical decision. Verteletsky had, at the last possible moment, transferred 600,000 euro into Buddha Biopharma's account evidencing his commitment to provide funding we were asking Tekes to match. Pomytkin was more than disappointed. He said "to hell with Finland. We will continue our work elsewhere".

Relevant authorities in Kazakhstan accepted all preclinical work he had done in Russia and agreed to provide Buddha Biopharma the chance that all biotech start-ups aspire to, but few achieve, the right to test their compound on humans. (Less than one in five thousand compounds considered promising makes it all the way from testing to the market, according to Harvard professor Gary Pisano in his book "Science Business".)

These agreements were finalized during the visit Pomytkin and I made to Astana in July of 2009. He was assured that medical facilities there already had most of the MRI equipment needed to trace delivery of the Buddha Biopharma compound to predicted regions of the brain. Anything missing would be acquired. Pomytkin made plans to formulate his compound in Germany, for delivery to Kazakhstan. The only thing missing was expertise in Kazakhstan on how clinical trials are properly conducted, according to internationally recognized protocols.



Medfiles meeting

Here was a final chance to tap into an area of expertise, and comparative advantage, of Finland. I found MedFiles, a company headquartered in Kuopio, with extensive experience conducting clinical trials in Eastern Europe, and an office in Estonia run by a Russian-speaking manager. Pomytkin and I flew to Kuopio to meet MedFiles CEO Tuija Keinonen. With her staff's help we

developed a third Tekes application. Pomytkin joined me for a first face-to-face meeting at Tekes headquarters with a new bio team that included persons from Kuopio familiar with our project. I was confident that the stage was finally set for support, given lobbying efforts in the press and with "public servants" with interest in developing Russian commercialization projects. With funds finally in the bank account I was able to pay all outstanding invoices, including a back salary to myself that had been documented in all Tekes applications (90K Euro per year).

In our board meeting in Moscow in December of 2009 I presented Pomytkin and Verteletsky, who I was meeting personally for only the third time, with the year's results, including these disbursements. Verteletsky expressed surprise at my salary withdrawals. I explained that we had discussed the salary in 2006 negotiations, that it had been documented in accompanying emails, included in all Tekes budgets prepared with Pomytkin's help, and was a normal element of the operating budget that I was authorized to administer. During a follow-up meeting with Pomytkin in Helsinki in early 2010, Kare Kotiranta, Buddha Biopharma's accountant presented him with an explanation that the salary was in the mid-range of payments to CEOs of similar companies. At that same meeting Pomytkin was presented with the financials for 2009 to review, in order to close the books.

A month and a half later, in late March, I took a cell call from Pomytkin and Verteletsky in Chicago. During the call I was informed that I was being dismissed from my managing director position. I was instructed to terminate the third Tekes application. These actions violated basic elements of the founding agreements of Buddha Biopharma.

I could not be dismissed without some evidence of a "dereliction of duties to BB...that is supported by a neutral third party"; I had a right to a salary; terminating a third Tekes application required the unanimous agreement of the board, which included me.

I informed Pomytkin that I considered these acts "material breaches" of contractual obligations documented in the Partnership Agreement we had all signed, in Moscow, on December 12, 2006. I would, if forced to do so, invoke the arbitration clause of that agreement. I was forced to do so, and initiated the arbitration process with the assistance of Peltonen, Ruukonen & Itainen Oy, referred to me by Kolster, who had no expertise in such matters. I explained to them that I considered this to be a rather "simple case". I was listed as an employee (the only employee) of Buddha Biopharma, for the years 2007 through 2009, and drew no salary. As money trickled in from Verteletsky I had used it to pay Cerebricon, Kolster, and other business expenses. My efforts representing Buddha Biopharma in Finland were hampered by Verteletsky's unwillingness to live up to his financing commitments. Peltonen agreed to take the case, asking for an advance payment of twenty thousand euro. I developed the claims for the arbitration with the assistance of Hilppa Rautpalo who told me that, as a 10% stakeholder, I (just) had the right to invoke the protections provided to minority shareholders by Finland's company laws. (Hilppa explained that if I had less than a 10% equity stake in Buddha Biopharma I would not qualify for the protection of minority shareholders rights, an area of pride in Finnish jurisprudence, and a stark contrast to Russian law where minority shareholders can be ignored.)



We continued our collaboration electronically when I returned to the US. After a few iterations I was confident that the text of our filing accurately described multiple material breaches in proper legal language and authorized Peltonen to submit it to the chamber of commerce of Finland, the venue designated for dispute resolution in our Shareholder Agreement. Hilppa introduced me to their "arbitration specialist", Jussi Savonen. Jussi joined our meeting and began expressing opinions about the case, suggesting I open a parallel procedure in the Helsinki District Court. From his comments I got the impression that he was not familiar with the facts of the case, unlike Hilppa. Jussi admitted he had not read any of the material. (This did not make a positive impression.) I was skeptical about the need for opening another case.

"It will be simple, inexpensive, and limit your liability to Finland," he explained. I answered that I was interested in getting a quick resolution through arbitration as the company had to clear up internal disputes in advance of getting results in Kazakhstan which would hopefully lead to negotiations with big pharma. Big negotiation, which should be led by me, not by Pomytkin, a scientist, and certainly not Verteletsky, a reclusive, elusive Russian investor (whose methods of operation I was increasingly suspicious of). I left Finland unconvinced about the need of opening a District Court case. Hilppa submitted the case for arbitration, requesting a neutral arbitrator, not from Russia, Finland or the US, with strong English skills (the arbitration would be conducted in English), and experience with start-ups.

She continued pressing Jussi's suggestion to open a parallel case in the District Court during phone calls that followed my visit. Reluctantly, I

agreed to this advice. In March of 2011 Hilppa called to announce that an arbitrator had been nominated, a Swede, and that she was leaving the firm to take another job. All documentation would be transferred to Jussi Savonen. She would introduce me to her replacements in a subsequent call. I expressed concern with having to educate someone new on details of the case. Hilppa had sent me invoices that, when added to the money sent by Peltonen to the chamber of commerce to initiate the arbitration, exceeded my deposit. Wanting to stay in good stead with my lawyers, I wired an additional ten thousand dollars, calculating that this would keep me in the black. I was not anxious to spend a fortune on this "simple case."

I arrived in Helsinki on May 7 intent on speeding up the arbitration with assistance of a new team. My meeting with Jussi, Jukka and Pia (Hilppa's two "replacements") was scheduled for May 17. The day before that meeting I received, from my legal team, respondent's counterclaims to our filing in the District Court, a lengthy document in Finnish. (The Finnish court system operates exclusively in Finnish or Swedish, the country's two official languages.) I recognized only the English phrases that had been inserted. They appeared to support my side of the case. Respondent's writ, developed by their law firm, Juridia, included numerous emails from me to Pomytkin mentioning the very salary I had later paid myself. In our meeting I pointed out those emails and asked if they constituted a basis for a "summary judgment" that would save the court considerable time and money. Here was proof I had insisted on a salary, in addition to 10% stake

in the company, as compensation for establishing and operating Buddha Biopharma.

The salary was included in all company budgets I subsequently developed, with Pomytkin's active, and Verteletsky's silent participation. How could it be any clearer? I expected to receive, within days of that meeting, a draft of Peltonen's proposed response, in English for my review before they submitted the Finnish version to the District Court.

We joked that, hopefully, the Swedish arbitrator would not be influenced by the recent humiliation of the Swedish hockey team at the hands of the Finns 6-1 in the World Championship final in Bratislava that Jussi mentioned he had personally attended. Near the end of our meeting Jussi brought up the question of "unpaid invoices" and I explained that, according to my calculations, I was paid up, assuming that my deposit of twenty thousand euro was applied. I asked for an accounting of charges, and payments, to verify this fact. A week later I had no input on either subject but Jussi informed me that a police investigation had been opened. I was accused of "aggravated embezzlement", a charge with a potential penalty of from four months to four years in prison. Jussi's email included the name of the police investigator involved in the case and explained that I had the right to a lawyer in any meeting with the police. Peltonen would represent me, but only if unpaid charges (still not specified) were settled.

I was on my way to Lappeenranta that day, May 24, to attend the EU-Russia innovation summit. I called the police inspector from the conference explaining that I would be in Helsinki that Friday and asked if we could meet that day, as I was leaving for Russia on Sunday. He agreed to see

me. I went alone, figuring truth needs no attorney. My meeting with the police inspector (who spoke good English) produced a report in Finnish that I presumed captured the key points I had recently made in my meetings with Peltonen and repeated to him. At the conclusion of our two-hour talk I asked how long it would take for the prosecutor to decide whether to pursue his case and was told "not long". (The decision to go ahead with a prosecution was announced February 2013, 21 months later, after my case was transferred from the prosecutor I met to a second, who I never saw, and then to a third, who announced the decision.)

Just prior to departure for Russia (on May 28) I received an email from Savonen verifying that current billed charges totaled a little over 18K euro and demanding immediate payment, or Peltonen would cease all work on my behalf, as my deposit of 20K would only be applied to a "final payment". On June 3 I was informed, by Pia, of "impending deadlines" in the District Court case of June 16, and in the arbitration of June 8, and of the fact that if I failed to respond to the District Court by the deadlines I risked losing "without a consideration of the merits of the case"!

When I asked, again, for the draft, in English, of a response to the District Court that would have to be filed in Finnish, I was told that it did not yet exist. *Incredible*. I concluded that efforts at the firm representing me seemed focused on charges, not results, that I was being bled of resources in a forest of legal procedure, in which I was effectively blind. An analogy that came into mind was the "motti" or "pocket" strategy Mannerheim employed during the Winter War, of allowing Russian troops to penetrate the forests of central Finland, then killing them off, with the help of mother nature, as

they huddled in frozen "mottis" in unfamiliar territory, during the historically cold winter of 1939-40. (The strategy is still taught in military schools.)

I sent Savonen an email from the overnight train to Moscow stating that given the service I had received from his firm I had no choice but to close my account with Peltonen, allowing him to apply my advance as a "final payment", and asked him to arrange for all materials related to my case in Peltonen's possession to be made available to me for pickup, upon my return to Helsinki from Russia on June 14.

I cut my ties to Peltonen with no idea of what I would do next. Would I meet a fate similar to that of Stalin's invaders? Such thoughts were in my mind as I flew from Moscow, across the breadth of Russia, to Vladivostok for a meeting with Viktor Olexenko concerning Fuzzy Chip. I was looking forward to a long anticipated chance to ride the eastern section of the trans-Siberia railway, on my way from Vladivostok to Novosibirsk, where I was scheduled to speak at a venture fair. These plans had been made before my Helsinki visit and could not be changed. In Vladivostok I got Olexenko's signature on patent filing documents and on June 4 I boarded a "local" in Vladivostok, to start an unforgettable four-day trip to Novosibirsk (described in chapter 18) during which I was isolated from all communication. Upon arrival in Novosibirsk I checked for messages on the hotel computer and found one from the arbitrator explaining that a response was needed by June 8 (that very day) with respect to his competency and a requested "stay" in the case filed by my "previous counsel". I understood "stay" to mean delay. Using the computer at the registration desk of the hotel (the only way of reaching the Internet)

I sent an immediate answer, explaining that I had just gotten off a four-day train ride, had read his note and requested an extension to file a response to the arbitrator's request until my arrival in Finland June 14. I asked for an explanation, in ordinary language, of the issues that I would be answering from Siberia without the aid of counsel.

The arbitrator accepted my delay request and explained that my counsel (Peltonen) had asked that the arbitration be delayed pending resolution in the District Court case and police investigation! My counsel, challenging the competence of the arbitrator to proceed, and claiming priority for the District Court case he insisted on launching, was delaying the consideration of my "simple case" for who knew how long. What the hell? I smelled a rat.

I told the arbitrator I considered him competent to proceed. I preferred the option of presenting my case in English, following-up on writs that Hilppa and I had developed together, to the presentation of my case in a language, and process, I did not understand. (I felt confident representing my own interests in the arbitration, sure that the facts, once understood, would support my case.) Finding representation I could trust and afford in the District Court case on short notice was my main concern when I returned to Finland. I picked up the package Savonen had left for me, first thing on the morning of June 14, my first day back, asked for directions on where to find the District Court, and went straight there, not knowing what else to do. In the lobby of the court, housed in a former brewery, I asked a clerk whether there was anything equivalent to a public defender's office in Finland where I might get help for an urgent situation that would take time to explain. I was

pointed in the direction of a building around the corner and advised to go to the third floor.

Following instructions I found my way to a brightly lit waiting area, took a number and, when mine came up, approached a young woman on the other side of a thick plate of glass who told me, after listening to the start of my tale, that there was nothing her office could do.

"Do you have a supervisor?" I asked.

"Are you saying that you will not leave until you see a supervisor?"

"Exactly."

The clerk left for some minutes, and returned with the news that her boss would see me. Moments after settling into a seat to celebrate this breakthrough, I was approached by a woman in her 50's who invited me to follow her into a large office. I noticed many mementos and photographs on the shelves behind a large desk. Liisa Vehmas, manager of legal aid introduced herself, asked me to sit at a small round table near her desk where she joined me and listened as I compressed my story, looking for reactions to guide its telling. Her poker face did not yield many clues. The first hint that I had reached a sympathetic ear was when she interrupted me, walked behind her desk to make a call, spoke to someone in Finnish, then turned and wrote the name of a law firm on a piece of paper, explained that they were specialists in employment matters, she had just spoken to the owner. They might be able to take on my case on short notice.

As I left the office of this guardian angel she mentioned she had lectured in Singapore, China and Russia, and had been recognized as "lawyer of the year" in Finland in 2010. I felt I was in good hands. What happened next is detailed in

"Bannana's Crime and Punishment; Justice in Finland", and beyond the scope of this book. Both my civil and criminal cases were submitted to the Supreme Court of Finland. I received a short note in Finnish saying my appeals were not recognized. In hindsight I believe that my own lawyer was given the task of drawing me into the forest of legal procedure intended to bleed and suffocate me.

Judgments in both the civil and criminal cases acknowledged an employee's right to salary in Finnish case law as the "default condition" even when there is no explicit employment contract (the case here), while ruling against me. Absurd. Finland's collective response to my initiative in bringing a potential treatment for Alzheimer's and a much needed "success story" to my father's country, in a spasm of American optimism, looked a lot like "shooting the messenger".

\*\*\*

The arbitrator's award, announced in April of 2012, completed the execution. (The award is included in the appendix of "Bannana in the Legal Gulag".) The arbitrator ruled against me, finding I had "materially breached" my obligations to the company by paying myself a salary! His ruling had the effect of forcing me out of the company that I had established and managed for over three years. The arbitrator ignored three breaches well documented in briefs prepared with Hilppa's help. He agreed with the other side's representation that the Partnership Agreement was "cancelled and superseded" by a Shareholder Agreement that listed the Partnership Agreement as its appendix A. Absurd.

The arbitrator prevented me from introducing a fourth "material breach" during the arbitration



(something explicitly allowed by the rules) having to do with the admitted non-assignment of "related patents" by Pomytkin and Verteletsky, discovered during the arbitration ruling that considering a fourth breach would have "unduly delayed" the announcement of any award. Absurd.

Buddha Biopharma ceased operations in Finland. Work on compound formulation continued beyond my view elsewhere. Clinical trials began in Kazakhstan in secret. Treatment given to Buddha Biopharma in Finland will become a scandal one day when the world discovers Pomytkin's genius as a scientist. As a businessman he revealed himself to be untrustworthy.

Will public awareness of Tekes' malfeasance benefit Finland? Will Finland transform self-awareness to its benefit as it did in the case of war reparations negotiated by my father?

Time will tell.

**Business Lessons:**

- Trusted neighbors make (potentially) excellent "gear boxes".
- The small should not be afraid to "think big" where they have comparative advantage.
- Where there is big money be alert to the smell of a rat.
- Look forward with optimism, not backwards in fear.

## **VIRTUAL VENTURE VALLEY BORN IN ULYANOVSK TO IGNITE THE WORLD**



VVV pioneers

I met Vadim Kotelnikov on October 21, 2010 waiting to get on a charter bus in Rostov on Don. We were both there to participate in Albina Nikkonen's Russian Venture Capital Association (RVCA) roadshow, he for the first time, me as a regular. It was my first visit to this city, located where the great southern flowing Don meets the Asov Sea, colonized by humans as far back as archeology is able to look. Remains of the ancient city of Taganrog going back to the late Bronze, early Iron Age are nearby. Vadim and I started a conversation as we waited for instructions from Albina to board the 40-passenger bus that would take us from the hotel where fair participants were housed to the conference center on the other end of the city. This large, tall man with penetrating eyes, graying hair and easy going manner put me immediately at ease.

His English was of a non-Russian variety. I could not place it. Vadim explained that he had left Russia in 1992 on a temporary three-month United Nations sponsored project in India that turned into a fifteen-year stay during which he began to develop material he was evidently anxious to show me. Once on the bus he began pulling colored charts from his briefcase that spoke of e-coaching in fields of "happiness and success." I was struck by their simplicity, clarity and audacity.

"The World's #1 Source of Inspiration and Innovation" announced a multi-colored page describing users of Ten3 Business e-Coach. Impressive statistics were provided in an easy to understand format: customers in ninety plus countries, users among some of the world's largest enterprises (IBM, Nokia, Intel, Goldman Sachs, KPMG) – almost unbelievable. Another chart revealed the base of Vadim's approach: "Success Secret of Ten3 Business e-Coach: East-West Synergy"; the sweet spot of convergence incorporating leading elements of Western (innovation, speed), Eastern (continuous improvement, balance), and Russian (systems thinking, creativity) thinking.

I pulled out my I-Pad, went quickly through the presentation I would make later that day. It struck a chord with Vadim. This master of synergies had no difficulty seeing the relevance my pitch on commercialization of transformational technologies from Russia had for the material he had developed over the past eight years. When we got to the conference center we continued our talk in a room scheduled to host some breakout sessions of the conference. Refreshments in the form of bottled water and snacks occupied a side table. We cleared enough space on the table so

that Vadim could open his laptop and continue to navigate through what seemed like an endless series of charts, all well done, all delivering messages that resonated. I offered reactions to many of the screens, occasionally suggesting a change as to wording or content. Time was short. The opening ceremony was about to start. My final comment before we parted: "if this is real it might be of interest to Facebook and Google. I live in San Francisco and may be able to help you."

We exchanged business cards, Vadim's a visually appealing blue, yellow and white combination announcing "Innovation unlimited!" and listing a web site [www.1000ventures.com](http://www.1000ventures.com) among other information. As I walked in the direction of the central area where a gathering crowd of persons and cameras suggested the opening ceremony would take place I wondered whether what I had just seen was real. Rostov was rolling out the VIP treatment. This was Rostov's second RVCA event. Governor Vasily Golubev was there, accompanied by many local bigwigs I did not recognize and some from Moscow I did (minister of education & science Andrey Fursenko, Yan Ryazantsev director of the Russian Venture Company). Albina was the only woman on stage.

Words of welcome were exchanged. Short speeches in Russian with key terms borrowed from English made the drift possible for me to understand: innovation, venture funds, and talk of Skolkovo, the Russian Silicon Valley. The first session of the conference brought selected bigwigs into the main hall where they sat around a table. The audience was seated around in 360-degree fashion. I was given earphones connected to translators in a glass booth providing

simultaneous renditions in English to what was being discussed.

Blessed is the role of simultaneous translators. I have observed the challenge translators face from different perspectives. When I sit in the audience listening to English speaking "experts" being simultaneously translated into Russian I often wonder what the Russians are being told since much of what I hear makes no sense (to me) in English.

On this occasion I listened via headphone to Rostov's pride in the production and agricultural capabilities of its local industries. There was great interest in the injection of "modernization" that this conference represented. When it came to the discussion of innovation I got a queasy feeling that innovative ideas were being treated like commodities: "sell high" was a phrase that emerged from the translator. I thought to myself that innovation is not something bought and sold like a commodity. It is something requiring cultivation, with value built in stages. It was difficult for me to discern an overall theme to this executive exchange. The chief who made most sense (to me) was a bank president who described the benefits his bank was experiencing as a result of recent competition/collaboration with foreign partners that was driving improved internal processes.

The session in which I was a participant, along with three colleagues from Finland, was held later in the main hall due to the translation infrastructure that was available only in that place. Our session was not nearly as well attended as the session featuring the bigwigs. We Finns were almost talking to one another with only a small audience wearing headphones listening in on: "Practicum

Russia-Finland tandem - a way to global market." Most fair participants were either visiting exhibits of listening to Russian speakers in a nearby session in Don Hall titled "Business Angels In Russia - Invisible Front." I understood why there was more interest in a session promising angel investments than one in which Finns were promoting capabilities without a clear explanation of how these capabilities are relevant to today's Russia. I would have preferred giving my business model presentation to the other audience as the business model explains the role of Russian angels as first supporters of promising Russian start-ups.

\*\*\*

Albina Nikkonen's expanding network of venture fairs (conducted in Irkutsk and Rostov for the first time in 2010 and annually in Kazan, Novosibirsk, Moscow and St. Petersburg) was making an increasingly prominent place on its programs for my business model's description and explanation. In June 2010 in Novosibirsk I had been given a full half-hour on the program, alone. The time passed quickly and included vigorous discussion. Several months earlier, in Kazan, it had been my privilege to participate on a panel chaired by Evgeny Zeitsev, a leading venture capitalist with Russian roots from Silicon Valley. interest, particularly among the young in the audience. These RVCA sponsored "grass roots" initiatives are an emerging source of innovations that will drive an awareness of Russian possibilities in Silicon Valley and elsewhere. (I met the individuals who became partners in HeywusUSA and Fuzzy Chip at RVCA events.) Another emerging trend is the serious interest on the part of private persons to

invest in new technologies evidenced by the investors attending these conferences.



On Zeitsev's (left) panel

That discussion prompted a similar level of The first investor in Russian technology should be Russian. (A foreign investor is unlikely to consider a project with no local financial backing.) This is the role of Russian "smart money", public and private. The Russian investor has interest to support the establishment of a company and take other steps described here that provide the business structure necessary to solicit the interest and participation of foreign "smart money".

The garages and barns where Silicon Valley's founding companies were hatched have their equivalents in the Siberian forest, the labs of Nizhny Novgorod, the converted facilities in Vladivostok, today liberated from isolation by telecommunications technologies.





Siberian garages

The necessity of physical proximity, a condition imposed by many of the early venture capitalists on their investments, has disappeared, thanks to these same technologies. Inventor and investor now both have access to global virtual networks.

\*\*\*

I did not cross paths again with Vadim until the next morning when he found me and explained succinctly, "I have slept on our conversation, consulted my subconscious mind and decided to accept your offer to work together."

OK! A decider. I explained that as a first step we draft a memorandum of understanding that would document the essence of the agreement that was emerging in our talks. I offered to draft a version for his review. He mentioned that he was preparing to launch his next venture, a Virtual Venture Valley, in Ulyanovsk in late November and was surprised to learn that I knew key facts about Ulyanovsk (including *the* key fact that it was the birthplace of Lenin) and that I had visited it

years ago, at Ildar's invitation (see chapter 7). I told Vadim the Aviastar story, explaining that it was documented in the book I was writing. Checking my calendar I realized that I was scheduled back in Russia in early December (to attend a Marchmont conference in Tomsk). I was ready to do what I could to support his effort. Circumstances were pointing in collaborative directions. We agreed to continue our communications via the Internet. He asked me to record a two-minute video on my vision of the Virtual Venture Valley. I did, in San Francisco with the skyline of the city as a backdrop.

In this first attempt at solo home recording the first takes were acceptable enough to warrant posting on You Tube as a way of sending them to Vadim. (This broadcast and several others are available on the site.) The theme of the video was that when Silicon Valley was established, proximity to world-class researchers (Stanford, Berkeley), entrepreneurs, investors and a west coast mentality of risk taking were essential. Silicon Valley gave birth to angels and venture capitalists ready to plow spectacular earnings back into new risky ventures. Results changed the world, giving birth to the Internet, among many other things. A recurring theme in Silicon Valley is the reality of "creative destruction". Start-ups bring life to technologies that end up cannibalizing existing standards and vested interests. By creating the Internet Silicon Valley planted seeds for the creative destruction of its classical model of proximity. What will emerge on the global scene?

The Internet's omnipresence enables the birth of a Virtual Venture Valley (VVV). Can a cloud based virtual valley of networked persons, sharing interest in innovation and happiness, expand to all

corners of the globe? I recognized the potential of increasing both the value and effectiveness of what Vadim had built if it were put in the hands of global giants like Facebook or Google. His worldwide list of users might be of interest to these companies, always on the lookout for applications drawing "eyeballs".

\*\*\*

The idea of launching VVV in Ulyanovsk, birthplace of the Russian revolution, seemed perfect. Vadim suggested we could sign our MOU at the launch. I booked a flight on Delta that delivered me to Moscow's Sheremetyevo airport on the morning of Nov. 24, in time for me to travel across town and join Vadim at Vnukovo airport, southwest of Moscow, for the flight to Ulyanovsk, scheduled to depart at 19.20. The schedule had the added advantage of getting me out of the US one day ahead of the Thanksgiving rush. The Delta flight from San Francisco to JFK in the early morning of Nov. 24 had plenty of room, allowing me the luxury of sleeping across three economy class seats. (It doesn't get better than that.) The connecting flight to Moscow was full.

Vadim had explained that traveling together to Ulyanovsk a day ahead of the conference would allow planning time with one of his trainers who was arriving from Singapore and would also be on our Ulyanovsk flight. The new terminal at Vnukovo was an eye opener. Having witnessed the modernizations of Moscow's Domodedovo and Sheryemetova terminals over the past years should have prepared me for the futuristic departure terminal I discovered at this airport, better known for its VIP government traffic via a terminal hidden behind security gates. A second surprise was Vadim's trainer: Ikrimaah, a black

man in white robes (of his own design and manufacture, I was to learn.) Ikrimaah had a fascinating personal story. Born in Jamaica, a convert to Islam in his 40's, he was now in his 50's, living in Singapore as a citizen. He had discovered Vadim's innovation ecosystem on the web some years ago, submerged himself in it for five days, exploring its many elements. His conclusion: "Great material."

This Internet journey led to a second conversion. He decided to become a coach and to take on the personal task of interpreting Vadim's vision for Islam. This was his first trip to Russia. We began by speaking of Bob Marley. I learned that Ikrimaah does not allow photos when I asked for permission to indulge my hobby. His Islamic beliefs also lead him to follow a very strict dietary routine that would prove challenging to our hosts in Ulyanovsk. His exposure to Russia so far had been a view of the city from inside a car caught up in Moscow traffic. I gave him my rules of thumb concerning Russia: you never know, from one moment to the next, what will happen; be prepared for anything. (Seeing him at the airport was a perfect example.) Things usually happen at the last possible moment. The three of us were seated in row 13 of the small Russian jet with a Gazprom logo on the tail that we entered from behind. This allowed our conversation to continue. By the time we landed we were friends.

Our young hosts, Serguei and Alexander, met us at the small Ulyanovsk airport. My bag was placed in one car for direct transport to the hotel. We squeezed into another vehicle for a journey to a restaurant. The first place we stopped was already closed. A second stop, at a place I recognized as Ukrainian, was successful. The menu was written

only in Russian. I ordered lamb. Ikrimaah ordered two servings of fish to be packaged for transport to the hotel where he would eat them later, alone.

This created an awkward moment as the staff tried to understand this request, translated by Vadim. No problem. The lamb was good. The conversation over beer was instructive. Serguei understood some English, Alexander very little. Vadim was a busy intermediary. Serguei explained that he and some friends decided to get on board the "innovation bandwagon" they saw gaining momentum in Russia, and do it from the bottom up, by creating their "Innvotel". This is how real innovation starts, "from the bottom up", I acknowledged. I was getting a little sleepy. We were eating on nearly the opposite side of the world from San Francisco. The time difference between Silicon Valley and Ulyanovsk was 11 hours, with Ulyanovsk that far ahead. I had left California at 6.30 am two days ago; it was time to get some sleep. My bag was waiting for me at the Volga Hotel. Registration required patience as the receptionist insisted on taking multiple copies of my passport, visa, and entry card (a paper required of non-Russians consisting of two identical forms repeating information from the passport and visa, half of which is taken by officials at entry, the remaining part stamped by any hotel visited and presented at departure). She counted each of the stamp in my currently issued multiple entry visas – to what purpose?

Ikrimaah was subjected to the same process simplified, as he had only a single entry and exit visa. (His meal was undoubtedly cold when he got around to eating it.) The Volga observed the "key lady" system I had first encountered years ago in the Moscow Hotel. The receptionist provided a

card, which was then exchanged for a key on the appropriate floor. (I had not encountered it in a long time.) My VIP suite was huge, with a bedroom and separate meeting room, not to mention a bathroom, and separate toilet stall not connected to the bathroom. (It was necessary to exit the bathroom, walk through the bedroom into the meeting room, to access the toilet.) I had difficulty finding the light switch. (It was tucked behind an armoire that had been placed in front of the switch.)

I fell asleep without much effort moments after landing in the big bed. The next morning, when preparing to shower I couldn't find any towels. I went to see the key lady signaling this problem through gesture (she spoke no English). She understood my problem, marched confidently into my suite and pulled three towels from inside a closet drawer. The idea of placing towels in the bathroom was either not considered or, for some reason, had been dismissed. (Surely I was not the first to be confounded.) At breakfast in the dinner restaurant of the Volga, opened especially for this occasion, as our party was too large to be accommodated in the breakfast room, the service was more consistent with the leisurely pace of an evening meal than the demands of a morning wake-up. I showed a collection of stamped coupons (received the night before at registration) at the entrance to a young woman who clipped, with scissors, the portion needed for this breakfast from my meal package before allowing me in.

Identical meals of hot dog and what looked like porridge were in place at each of about twenty prepared places. I joined a man I recognized from previous conferences who reciprocated my acknowledgement. He had started on his meal

and was waiting for water. I motioned to two young ladies, one of whom had collected my coupon, that I needed coffee. Getting it delivered took what seemed forever. Vadim and a man I did not recognize joined us.

"And this is Martti," Vadim mentioned to his companion as they sat down.

"Now that you know my name what is yours?" I asked.

"Vladimir," he answered.

Something about his manner suggested that he was used to being recognized. Indeed he was. Dr. Vladimir Kvint, author of twenty books (including the NYT best seller "The Barefoot Shoemaker"), professor at the Moscow State University school of economics, and chairman of RMJM architects & master planners, was a man with a high profile. Among his firm's many projects: the controversial glass Gazprom tower in St. Petersburg destined to be the tallest building in Europe.

"Is this finally approved?" I asked (referring to the tower) once I understood whom I was speaking with.

"Of course," he asserted. "The foundation is being prepared. I have explained to Putin that there was great controversy a century ago when the plans for Trinity Cathedral were proposed. There is always controversy where there is a need for decisions." I liked this guy. Now residing half time in New York, half time in Moscow, (having been called back by Putin), teaching in the US in addition to his MSU duties, father of two daughters, a regular visitor to *our* oval office, he continued "my daughters could not believe how often I visited Bush, so I asked one day for a photo that the president was happy to supply." Vladimir

Kvint was a man of power. (Vadim was collecting some impressive souls around him.)

A bus took the delegation across a long bridge across the Sviyaga River. As we approached the conference facility driving through a compound of "new Russian" homes I had grown accustomed to seeing around many cities, Dr. Kvint (in the seat next to me) remarked: "behind each of these houses is corruption. My response to anyone who asks for payment is "this": he put a thumb between his index finger and the middle one of a clenched fist.



Attention from the media

We entered the hall to meet media attention. Reporters from TV asked to interview me. They also gathered around Ikrimaah who later explained that prohibition to being photographed was "temporarily suspended". (Allah would accept the fact that he did not want to be photographed.) The governor originally scheduled to be present sent his first deputy. The deputy's speech was translated, for both Ikrimaah and me (we sat next to one another to facilitate the process).





Translators at work

Ikrimaah's translator was Andre, an engaging young man with a master's degree who had spent two summers in Ocean City, Maryland cleaning carpets while mastering the language. Andre worked his way into being considered a family member by a boss who called him "commie" occasionally.

"How come you are cleaning carpets with a master's degree?" his American friends would ask.

"That's Russia," was his answer. I am quite certain that Andre has a bright future in the "new Russia" given his enthusiasm, language skills and the beautiful girl who shares his spirit. They were in Ocean City this past summer, guests of his "American father", Andre explained.

When he was finished with his remarks, I approached the governor's stand-in, introduced myself, and mentioned that, years ago, I had been to Ulyanovsk, to Aviastar, and had met with General Director Kovasyn. I recalled discussions about Aviastar's interest in western engines and

electronics, suggesting it would be interesting for me to revisit the Aviastar plant during this visit.

"Just a minute," he said. He placed a call on his cell, spoke for a moment, then informed my translator that Aviastar was now part of Russian Air Technologies. Any visits required the approval of authorities in Moscow, with a minimum of three days notice. I learned that Aviastar was converting old Boeing passenger aircraft into cargo planes. Vadim was on the podium next, explaining his vision for the Virtual Venture Valley, illustrating his talk with slides familiar to me, and a map with red dots showing locations from where participants to this launch were traveling. Ikrimaah and I were foreign guests. Also expected was Rahul Patwardan, managing director of Indiacco, the giant innovation park in India located in Maharashtra, the province of which Mumbai is the capital. An agreement was already in place for Indiacco to be VVV's representative in India. Dr. Patwardan was forced to cancel his participation, at the last minute, but his signature was displayed on a slide confirming his agreement.

The next slide mentioned me as VVV's US partner and told of the MOU that would soon be signed. Being treated on a par with India's leading innovation center was a signal of confidence, a "leap of faith" by Vadim. Traveling furthest from *within* Russia was a delegation from the Vladivostok State University of Economy and Service, the university I had visited years ago at rector Lazerev's invitation (see chapter 12) headed by Galina Maltseva. (What a small world the innovation ecosystem was turning out to be.) I introduced myself to Galina, mentioned rector Lazerev, and was immediately taken into her confidence. I also mentioned Alex Bordetsky and

learned that the university was involved in a pilot telecom project with Alex, now at the Naval Post Graduate School in Monterrey, California. (I would certainly reconnect with him upon my return to California.) The university now had twenty-eight thousand students, Galina explained, its campus expanded and modernized. Vadim was planning to work with this beacon of change in Russia's Far East to customize his offerings to the requirements of an innovation-dedicated university.

It was my turn to speak after Vadim. I was told to keep my remarks in the opening session short. I would have a chance to give my standard pitch later in the day. I spoke of the challenge of a new model of Silicon Valley, untethered from the requirements of physical proximity, being launched in this historical city (Lenin's birthplace) on America's Thanksgiving Day. Dr. Kvint spoke next, opening the session of substantial presentations.



Vladimir Kvint

He was followed by Mikhail Rogachev another man I did not know. I found both presentations

insightful, in translation. At the conclusion of his talk I asked Mikhail if he had an English variant of the foils he used and was told no the targeted audience was Russian. He agreed to send the Russian version that arrived moments later. I learned that Mikhail was executive director of ONEXIM, Mikhail Prokhorov's investment company. I *did* know who Mikhail Prokhorov was: one of Russia's richest men, a sportsman and most eligible bachelor, and new owner of the New York Nets basketball team. I joked with Mikhail over lunch that, in making the Nets purchase, this successful oligarch who rose from a start on the factory floor of a Siberian company to control the Russian aluminum market was facing his most difficult challenge to date. (Surpassed later by his interest to become president of Russia.)

Next on the program was our young host Serguei. He was basking in the attention that his project was generating. His short stocky frame generated energy understandable in any language. I learned from Vadim that Sergei had started as a military man and, after ten years, decided to explore, in Vadim's words, the "blue waters" of innovation rather than the "red waters" of shark infested business competition. He and several partners invested personal money into their modern facility, committing themselves to creating an island of innovation, "Innvotel", for inventors of all ages, in the center Ulyanovsk. Support was promised by the local administration. (Vadim told me later that Serguei waited for weeks for promised payments.)

Innvotel was alive with activity. Photos of world famous entrepreneurs Bill Gates, Steve Jobs, Walt Disney, Coco Chanel, others, were displayed on the walls of the front room, next to those of

President Medvedev, Prime Minister Putin and the governor. On an adjacent wall hung pictures drawn by children. A nearby classroom was dedicated to teaching youngsters about business and innovation.

Serguei's five-year-old son Daniel took an immediate liking to my I-Pad when he saw it for the first time in his life. He approached me in a half run (a sign of his energy), gave me a high-five hand shake, and immediately began manipulating the icons on my I-Pad. As I watched in amazement he stumbled onto functions I was unfamiliar with, saying "escape" (perhaps the only word in English he knew) quietly, as he moved from one function to another. Here was a kid totally comfortable with technology, providing evidence of Steve Jobs' genius: the creation of an interface exciting to a child. I gave my new friend a model of a San Francisco cable car. (Vadim had suggested that I bring some symbols from California to offer as gifts. Four cable cars from Chinatown were small enough to fit in my luggage.) Daniel's eyes lit up when he saw the bright colors. He immediately found the working bell.

The second cable car was presented to Innvotel. Serguei asked me to sign its roof with magic marker then placed it among other mementos from around the world on the long table in his office. The third was for Ikrimaah, the fourth for Vadim, when we parted in Moscow. Ikrimaah was ready to welcome me in Singapore the following year. Vadim was looking forward to our next meeting, following my trip to Tomsk.

The launch of the Virtual Venture Valley was big local and national news. Press and TV reports were picked up by TASS. Vadim had certainly

accomplished his goal of bringing together a core group of supporters, and beginning the generation of some buzz. Participants of the Virtual Venture Valley launch gathered for photos at the conclusion of this historic conference in the central hall of the facility where it was held. Serguei provided all participants with a memento, a desktop business card holder made of amber, displaying VVV. One of the innovations that sprang spontaneously from discussions among participants was a VVV hand symbol: open hand facing skyward, with the thumb folded into the palm, the remaining four fingers spread open to form VVV.

I pledged my new friends to take the project to the next level, by approaching Facebook and Google after forming a US company. Had the launch in Ulyanovsk met my expectations? Yes. There was more to come.

\*\*\*

Vladimir Kvint invited me to speak to his master class at Moscow State University the following Monday after first hosting me in his Moscow RMJM office. He offered by SMS message to send a car to fetch me from my Moscow hotel for our four pm meeting. I explained that I preferred to find it myself, by metro and foot. I discovered a section of the Moscow unfamiliar to me, exited the metro at Baumanskaya and walked along a street with trolley tracks, turned left when the tracks did, onto Radio Street towards a bridge crossing a small tributary of the Moscow River. I was early for our meeting and decided to proceed across the bridge to take some photos. Heavy traffic clogged the roads on either side of the river. On the right bank of the river stood the five-story building with the address I was seeking. As I approached it I

noticed the profile of a man plastered in a prominent position on the external wall of the building. (One sees such tributes to historical residents throughout Moscow.) I snapped a photo before entering the building and announcing myself to security.

I was ten minutes early, with time to warm up from the walk, and prepare for my meeting. I removed my shapka, the fur hat that had kept my head, and the rest of me, warm during my walk. Assisted by a mirror in the art deco waiting area I combed my hair and encountered ice crystals that had formed among hairs on the back of my neck below the shapka line. They were melting. The sweat on my shirt was drying. When it came time to ride the elevator to Vladimir's top floor office, I felt presentable. Vladimir welcomed me and suggested I begin my visit by viewing videos of some of RMJM's projects in a glass cubicle in the middle of an otherwise open space with many desks and young people scurrying around them. I was joined, in the cubicle, by some of his young team while Vladimir attended to last minute duties.

We spoke as I watched images of the "marriage tower" soon to rise in the middle of Moscow City. Inspired by former mayor Lushkov's wife (no longer a participant in the project due to her husband's recent replacement) the twisting tower of glass (suggesting male-female inter-connection) is destined to dominate the Moscow skyline when completed. A typical "Russian size" project, two hundred marriages will be accommodated simultaneously in facilities on its lower floors.

The controversial Gasprom tower, scheduled to rise in St. Petersburg, was another of the many spectacular projects I was shown. I gained the respect of Vladimir's deputies when I correctly

identified their accents. (They were Oxford graduates.) The high quality brochure I was given listing RMJM global projects left no doubt that I was dealing with not only Russia's leading master planning firm, but one of the world's. When he joined me Vladimir explained that his office occupies the space previously used by legendary aircraft designer Tupolov, whose profile I had observed in stucco on the street level. We visited that office briefly before going downstairs to Vladimir's white car for the drive to MSU.

The driver did a professional job of navigating through traffic as Vladimir and I continued our talks in the back seat. As we passed the Kremlin and the site of the old Rossia Hotel, demolished years ago and not yet replaced, I asked how Norman Foster's project (I recalled reading that Foster had won an international competition) was going.

"You are misinformed. Foster is out. I threw him out," Vladimir corrected me nonchalantly. He took a call on his cell and afterwards shared his frustration at all the officials constantly wanting payoffs, repeating the fist gesture to me.

I was welcomed into Vladimir's other universe, Moscow State University's school of economics. His recently initiated masters program in planning (the first in Russia) occupied an entire building. His office was not as large as the one we had recently departed, but otherwise impressive. A photo with George Bush in the oval office was but one of a collection of shots with global movers and shakers. Kofi Annan, the King of Norway, many others. Vladimir introduced me to his master class, providing a brief sketch of my educational and professional background. I thought back to my evening classes at the University of Chicago MBA



program when our professors would occasionally bring visitors for lectures. Art Laffer's surprise visit one evening was particularly memorable. Now I was now doing "a Laffer" at MSU, to a top class, at the invitation of a top man.

The two and a half hours went by in a wink. I started with comments for the occasion before shifting into the standard pitch I had delivered in Ulyanovsk, and solicited questions. Vladimir participated actively throughout, providing commentary in Russian that I half understood. I could sense the deep bond that he had with his students. Here was a group literally responsible for planning the future direction of the country. I told them what an exciting time it was, seen from the outside. They should welcome the responsibilities this opportunity afforded them. I was driven to my hotel by a student who was earning his way through MSU doing IT work, but expressed a passion for fashion design. "Go with your passion" I advised him. It may not mean as much money right now but you will not regret it, and if you do something you love chances are you will become a leader in the field.

\*\*\*

My Russian visit had already produced unexpected results, and I had not yet visited Tomsk, the original reason for the scheduling of the trip. A frost descended from the north onto Moscow bringing temperatures to -20. My shapka, packed in anticipation of Siberia, proved useful during that week in Moscow.

My evenings were filled by live performances, for which Moscow may rival London, and have the widest offerings of quality on the planet, due to a combination of abundant talent and a disconnect from economic constraints in the pursuit of art. I

found my way to the ticket office of the Helikon Opera, a small theater tucked in a space on Arbat, and purchased tickets for two performances based on dates. (I had discovered this treasure in the Moscow Times on a previous trip and had treated myself to an unforgettable performance of the opera Rasputin on what seemed an absurdly small stage.) I filled the remaining free night with a ticket for a ballet at the legendary Stanislavsky and Nemirovich-Danchenko Musical Theater, near Pushkin Square.

The first Helikom performance was a musical, Bach's Bauernkantate, performed by a man and woman, and supported by string orchestra, staged in the room where intermission refreshments are served during performances in the main theater, upstairs. I was in an even smaller venue, finding my seat just in time. (I had waited upstairs expecting the doors to the main stage to open, descending just prior to the scheduled 7 pm start of the performance.) The Bauernkantate revolved around beer and romance. A mug of beer was served to all twenty-four of us in the audience prior to the start of the show, placed by staff on top of the white columns that separated us from the portion of the floor used by the two singers. Everyone had, literally, a front row seat. (I could not imagine how the ticket price of 500r could possibly cover both the beer and the one-act performance.) Our glasses were refilled, and our shoes polished, during the performance by those "on stage".

I imagined that this piece of chamber music must have been presented during Bach's lifetime in similar fashion: an intimate performance full of sexually charged banter with singers mixing easily with the audience. Viewed in Moscow, on a snowy

night, for the price of two beers at the Cantina! My next Helikom performance was in the larger theater upstairs: a performance of Stravinski's second (and last) opera, Lady Macbeth of Mtsensk District, a suggestive piece that rubbed Stalin the wrong way, resulting in Stravinski's banishment from the Soviet stage. That night the provocations, sexual, musical and political, of the long banned opera were free to fill the small theater, and did.



Lady Macbeth at Helikom

My neighbor, a pretty teacher of voice, was impressed by the vigorous work of the conductor, who we observed up close from row three. There were no more than three hundred fifty seats in the eleven rows of this miniature theater. With a live orchestra of over fifty, and performers on stage exceeding that number, the audience-to-performer ratio was an astonishing three to one! The Helikon was housed in this temporary location until it finds a home in a theater that will hopefully provide a

more sustainable economic model. (In the meantime it offered an incredibly intimate opera experience.) I was expecting to see a ballet at Nemirovich-Danchenko but was informed by the woman at the door that my ticket was for the previous evening. (I had been confused by the way dates were printed on the ticket.) I had an unused ticket from the day before. Surely there was a spare seat to accommodate me? I pleaded. She handed me over to security. Three big young men with bald heads and no understanding of English surrounded me and accompanied me to a secluded area telling me to "wait" while they communicated over walkie talkie about "an Americanski". I was still waiting as final seating calls were being broadcast. Getting increasingly frustrated by the silent treatment the security guards imposed I raised my voice: "exactly what are we-you waiting for?"

I was confronted by cold stares from a part of Russia I do not often experience and felt the muffling influence of such force. A well-dressed man appeared, suddenly, walking briskly in my direction. His face was open.

"Sir, I have this ticket for the ballet. I understand I have made a mistake", I addressed him.

"Do you like opera?" he asked.

"Yes!"

"Come in, then," he waved with authority whispering something to an older woman who took charge, walked quickly with me to the coat check area and, from there, showed me to a door at the end of a long corridor. She motioned me to go in. I entered a room full of upholstered red chairs. Confused, I turned back. She signaled that I should go to the door at the other end of the room. It opened to reveal a red curtain, which opened to

an ornate box almost on stage, with eight chairs, only two of which were occupied, by a young couple. By pantomime I asked permission to sit in the front corner seat and was waived a welcome.



In Stalin's chair

The opera started just as I sat down. Not just any opera. This was Tchaikovsky's masterpiece Eugene Onegin. I was so close to the singers that I was convinced Tatiana was looking directly at me when singing her arias. At intermission I asked my neighbors whether they spoke English. "A little."

"Normal," I responded and started to tell, in slow English, the story of how I had gotten into my seat in this special box, so late. The ice was broken. The young man continued, "you know who used to sit often in that chair?"

"Who?"

"Stalin. Either in that chair, or the one right across," he pointed to the VIP lodge on the other side of the orchestra that was underneath us.



The view from there

"How is it that you are here?" I asked.

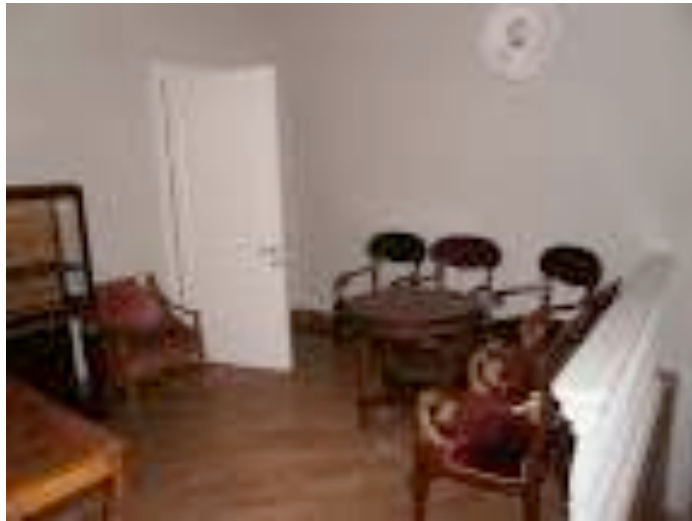
"I very much enjoy Eugene Ogenin," replied the young man.

"I mean in this box."

"We are relatives of Stalin," he joked.

I had been taking photos and asked if I could take theirs. He politely declined. At the end of the performance I asked my friend to take a photo of me in the adjacent room with red chairs, which he did as I sat in the middle chair. I noted how unusual a room just off the stage was to my eye and my new friend volunteered a comment that will forever be seared in my memory:

"This room was for Stalin's victims. Stalin believed that a man's last moments on earth should be pleasant."



For Stalin's victims

\*\*\*

By the time I left for Tomsk the temperature in Moscow was back up to -7. Suspecting that the frost had moved east (in the direction of Siberia) I was surprised to find the temperature in Tomsk warmer than Moscow at -6, on the first day of my visit. (Many flights from Moscow to Siberia are short red-eyes, departing Moscow near midnight and arriving three/four hours later in the early morning three time zones later, necessitating a nap on arrival morning.) The sun was just rising as our S7 jet landed in Tomsk.

Yuri Lirmak from TUSUR had promised to meet me. He was there and so was Nikolay Badulin, president of the Siberian business angel network. I first met Nikolay in Boston, in late 2009, when he was a member of a Russian delegation visiting both Boston and the Silicon Valley Open Door (SVOD) conference. He invited me to a banya in his home during my next visit to Tomsk and phoned Kendrick White, founder of Marchmont, in

the middle of the night after our banya. (Kendrick, in Nizhney Novgorod, was accustomed to receiving calls from Nikolay at all hours.)

Nikolay's English was spotty his manner rough and engaging. Tall, thin, and dark he invokes thoughts of Rasputin. He insisted to Yuri that he be the one to drive me to my hotel. During our car trip Nikolay mentioned an upcoming innovation forum in Krasnoyarsk, Siberia next February. I made a mental note. February was looking like the right time for my next Russian visit, starting with Vladivostok and going west. (This would be reinforced by events in the coming days.) He took me to the Sport Hotel for a brief rest. Registration required the production of documentation from my Ulyanovsk and Moscow hotels that were copied.

Yuri, instructor of English in TUSUR's innovation center, invited me to speak to some of his students about anything on my mind. Native speakers of English are rare in Tomsk. He taped my remarks for future use. Reviewing the CD later in his home I observed a habit of punctuating a pause by saying "OK" and made a mental note to eliminate this from future talks. During my talk I noticed the piercing gaze of a young man who approached me at its conclusion seeking advice for his start up company developing software for the Russian version of geodesic positioning systems.

The young man, Gleb, then told me he was ready to lead a student team that would translate Bannana into Russian. (I had mentioned my book during my talk.) This commitment was announced the next day on the TUSUR web site. They would start right after the New Year holidays. Bravo!

\*\*\*



That was not the only surprise of the visit. While driving me from the TUSUR innovation center to where the Marchmont conference would be held, Nikolay phoned a friend who, he explained, was head of Tomsk's leading pharmaceutical company, passing his mobile to me in mid conversation. The man at the other end of the line introduced himself as "Ben" in understandable English. After listening to my explanation of how I had formed a company in Finland (Buddha Biopharma) we agreed that I should visit his facilities. "Ben" (Veniamin) Khazanov fetched me at my hotel the next morning and drove me to the special economic zone on the edge of town where his fifty-person company, IPHAR, was located. On the way there I learned that he had participated in the Business for Russia program, spending a month in Ohio.

"A great country America, a place where animals are not afraid of humans." He recalled stopping in a campground for lunch on a drive from Niagara Falls to Chicago and being first observed and then approached by a raccoon. The raccoon took the food Ben offered from his hands with its hands. Astonishing. Soon other members of the raccoon family approached, all evidently unafraid of human contact. This was impossible to imagine in Russia he explained.

Two dogs guarded Ben's plant. They barked as I approached. They would not bark at my departure, he predicted. I would then be known. We walked with care up the stairs of a building that was in the midst of reconstruction, avoiding fresh paint on the walls, cognizant of the lack of any railings.



Ben and his dog

"We will finish this work in several months," he said. His office provided a sanctuary where, over coffee, I was able to explain my efforts on behalf of Buddha Biopharma. I took Benjamin through the presentation I would be making later in the day at the conference using my iPad and accessed additional material from my web site using the computer on his desk. Dr. Pomytkin's publications and poster were understandable to him, a mitochondria specialist. I could feel I was gaining his trust. He offered to take me around the building to other offices filled with people and files, and inventory. I learned that IPHAR was developing unique (not yet patented) molecules able to treat ulcer without side effects and inflammation, via a proprietary process and platform.

"Not only should you patent the molecules internationally, you should consider patenting the platform," I advised, echoing words I had heard from Pomytkin.

Ben was interested in the expertise that Finnish specialists could bring not only to the PCT patent process but also to future clinical trials that he was preparing to conduct in Russia. Perhaps I had found a company understandable to Finnish funding mechanisms. I learned that IPHAR was supported by the Bortnik Fund (a pioneer in Russian start-ups) and seen as a company with a track record of international business. IPHAR had been doing contract work for a Belgian distributor of nutritional supplements demonstrating an ability to adjust when EU requirements forced the replacement of an ingredient identified as possibly dangerous with an alternative. Near the end of our meeting Ben called Vladimir Gornik, his scientific partner in Moscow. I could understand that he was reviewing the day's events and suggesting to Vladimir that I was offering them a path to business that he was ready to support. Ben was coaxing Vladimir to meet me in Moscow. Prof. Gornik explained that he did not have a "proper office" in Moscow.

"No problem. I am ready to meet in a coffee shop or restaurant." Ben gave me Vladimir's home number, which I promised to call upon arrival on Friday. I would have two days in Moscow prior to returning to San Francisco. There was enough time to finalize my two new projects, VVV with Vadim, and now IPHAR with Prof. Gornik. Ben provided me with what I would need to open a company in Finland, a copy of his Russian passport. He alerted Vladimir to bring a copy of his passport to our meeting. As we left his office walking through the snow to his car, there was no sound from the dogs. I was, indeed, recognized as a friend of IPHAR.

I was ready to give Finland another chance, with an established Russian company known to Brussels. Developing a MOU with Ben would be a next step. Our talks had developed its outline. I needed to meet Prof. Gornik, confident I would not be disappointed.

\*\*\*

Kendrick's Marchmont conference in Tomsk was the best one of the year. He had found a strong local sponsor, Tomsk Polytechnic University's Institute of Engineering Entrepreneurship, and an effective advocate, its director Stepan Khachin, whose father was a successful inventor (of a medical instrument capable of breaking up and extracting gall stones). We celebrated the Tomsk success listening to jazz and toasting in the club the Underground. A taxi fetched me at 4.30 am the next morning at the Sport Hotel for the 7am flight back to Moscow. Temperature was -38.



With Dr. Gornik

I phoned Dr. Gornik upon arrival in Moscow (-2) and we agreed to meet at 2 pm at Dobryninskaya metro, near to the McDonald's, my local office. We walked to the sushi restaurant nearby. Vladimir had never had sushi or used chopsticks. This did not keep him from trying something new, at 70.

He explained that he was busy working on his 13th book. I told him that I was hoping to complete my first. He gave me a copy of his Russian passport soon after we sat down. Prof. Gornik reminded me of my father; silver hair, formal dark suit and manner, impish smile, a quiet intelligence. Ben had prepared him to like me and I could see he was not disappointed. Near the end of our one-hour meeting he said that he was ready to work with me. I was certainly ready to work with him.

We asked our waiter to take some photos and Vladimir insisted on paying the bill. As we parted at the metro, he to go home and me to return to my office, I realized that I now had a new company to add to my portfolio. It would take some months, and a visit to Finland once the draft MOU that I would send to Ben soon after my SF return would be finalized. I was confident I had reached real understanding with my new partners. Now it was a matter of execution. My other priority for my last day in Moscow was to visit Vadim once more in his apartment and to sign the MOU whose contents we had finalized in Ulyanovsk. We met at Yugo-Zapadnaya metro, bought some things to eat from his favorite store, and returned to his flat, which was full of buddhas.



Vadim among buddhas

He was ready to consider Tomsk a place to customize existing VVV curriculum to meet the needs of an innovation university. Vladivostok was on board as a pilot for students in the world of "street smarts". Tomsk, with its six universities many focused on advanced technologies, could be a test bed for adapting the curriculum to innovation in the hard sciences.

We signed our MOU with Vadim's wife Irina as witness. VVV was launched in Ulyanovsk home of Lenin, on Thanksgiving Day. I would bring it to Silicon Valley from where it might ignite the world.

**Business lessons:**

- Kindred spirits attract one another.
- It does not take long for like minds to find common interest.
- The mixing of multiple inputs, from different perspectives, can ignite innovation.
- Passion is a key driver.
- All animals, including humans, have a sixth sense, able to recognize good, unafraid to trust it.

## **NIZHNY NOVGOROD, HOME OF MARCHMONT CAPITAL**



Kendrick White's panel of experts

Nizhny Novgorod, fifth largest city in Russia, historical trade center of the Russian Empire since the mid-19th century, has been at the forefront of modernization movements in the "new Russia". In the early 90's its leader, Boris Nemtsov, instituted reforms and was considered a rising star, perhaps destined for the presidency after Yeltsin. It is ironic that this city is one of the last I discovered. Only in late June 2011 did I have a reason to go there to participate in a Marchmont conference at the invitation of Kendrick White its pioneering founder. I had participated in Marchmont conferences in St. Petersburg, Kazan, Tomsk and Perm but this was special because Nizhny Novgorod is where Kendrick discovered Russia, as a Peace Corps volunteer in 1992, where he founded Marchmont, in 2005, and where he found a wife.



My visit started inauspiciously. I purchased an overnight ticket at Kazan station on the morning of June 25, crossing the street from where I had arrived on the overnight train from Helsinki. After securing my ticket for Nizhny, I went downstairs with my luggage to check it in for the day, first changing into shorts and T-shirt for my day in +25 Moscow, leaving my envelope of hundred dollar bills with my suit, taking a few rubles for spending money.

I did my business at McDonald's, connecting via Bee Line, and met Vadim Kotelnikov. We had lunch at the Japanese restaurant next door (where I had met professor Gornik), and spoke about the need for a customized presentation of his content for presentation to Google or Facebook. I had been asking him for this since our Rostov meeting and subsequent signing of our MOU. In his follow-up communications Vadim had sent me elements of his world that he felt were appropriate for these target companies to consider, but no "front end" to reflect the analysis that had emerged in our talks. We believed that Google and Facebook might be interested in introducing users to Vadim's content as an enhancement to their experience since the material had demonstrated international traction in categories like "innovation, inspiration, creativity". Getting the attention of these big boys required focus. He promised to adapt the material.

Our meeting ended with Vadim rushing to a meeting that he felt might open the door to inner sanctums of Medvedev's team pushing innovation. I descended into the metro intent on reaching Pushkin's statue, from where I wanted to begin a day's journey through Moscow. My photo taking stroll began there, continued down Tvesrkaya to Red Square (along the road I took for the first time

with the bus of RTP business people when all around was grey), where I turned right, around the Kremlin walls, across the Moscow River, then through a park surrounding a fountain, another bridge, and past the Tretyakov Gallery. A walk I have made many times, in all seasons, that never disappoints. I have witnessed Moscow bloom with commercial development unthinkable at the time of my first visit. The flowers outside the Kremlin were in full bloom that hot day and well watered. Women in dresses with flower patterns were sitting on benches occupied two weeks earlier by the many police brought into the area to control disturbances that might occur around celebration of Russia's "birthday" on June 12.



Kremlin in summer

My walk ended, as it often does, with a metro ride to the base of Tverskaya, across the street from the Moscow Hotel (still under construction) at the Cantina, where I was recognized by regulars and invited to drink and eat at their outdoor table.

The music was just starting inside when I had to leave to recoup my luggage from storage in the basement of Kazan station and find my train to Nizhny Novgorod. As I waited for the track to be announced for #25 I thought back to the train I had boarded years ago at this station, without a ticket, for the secret closed city of Sarov (see chapter 10).

Kazan station is bustling with people at all hours. Merchants, families, carts, and animals crossing in all directions under a glass roof that protects against weather and echoes train departure and arrival announcements. It has always struck me as the most exotic of Moscow's many stations due to a combination of the large open area, with no seating, and the eclectic population drawn to it by the Asian destinations in Russia's far east that it serves. Track 2 was announced for #25. I walked halfway down the platform before discovering my reading glasses were missing. What could have happened? I retraced my steps, hoping to find them on the platform, or on the ground next to a newsstand where I had stood while waiting for the track announcement. No luck. I would leave Moscow without glasses. These had sentimental value, having been purchased in Vladivostok earlier in my visit. They would be replaced with a souvenir from Nizhny Novgorod.

I walked the length of the train to reach compartment 12 showed my ticket and passport to the attendant, found the compartment containing bed #15 (a lower bunk) where I was joined, soon after, by a young man who introduced himself to me as Vasily. I put my bag under the table, hung my jacket, moist from the sweat of my walk, on one of the hangers and exited, along with Vasily,

for a few moments, as we had some time prior to the 11.42 pm departure. He smoked a cigarette. I took a couple of night shots of the station. Just prior to departure we were joined by two young men, who quietly undressed, and climbed to fill the upper bunks. I was already in bed, getting an early start on a night during which I hoped to get some sleep, as my previous night on the train from Helsinki had not been a restful one. Our train was scheduled to arrive in Nizhny Novgorod before 6am. The early sunrise prepared me for it. When I was organizing my things I padded the pocket of my hanging jacket and discovered that the pocket containing my wallet was empty!

Oh no. How could this be? I looked across to Vasiliy, who stared back. He pointed down to my computer bag, stored under the bed. Perhaps it was there, he suggested in sign language. I transformed from trusting soul into panic, into blind accusation. I closed the compartment door, started to address my compartment mates in a stream of conscious dialogue, how much of which they understood I had no way of knowing. They opened their bags showing me that my wallet was not inside. The process was embarrassingly futile for all. (If there was a thief among us he certainly had the wherewithal to have hidden his prize where I would not find it.)

Getting a confession by appealing to the thief's sympathy was an absurd hope. Someone could have snatched the wallet from its place while Vasiliy and I were on the platform, I realized. Or on the platform as my jacket hung on the handle of my luggage, before I had entered the car. The sleeping car attendant, who approached once I had reopened the door, asked if I had the wallet when I presented him my ticket and passport upon

entry to his carriage. I said yes, but I was not sure. There was little he could do. He spoke in Russian. My compartment mates translated, "He says this is the first time such a thing has EVER happened." I did not believe this for an instant.

The conversation in our compartment became friendlier. I exchanged business cards with Sasha who spoke the best English. He worked for a company selling fastener equipment. "That's life," we agreed.

"I am an idiot!" I admitted. We left not friends, but not enemies either. I did a mental inventory of what had been in that wallet. About one hundred euro, taken from a cash machine in Helsinki prior to departure, some small dollar bills remaining from America (I had exchanged the sole hundred dollar bill in the wallet for rubles in Moscow to buy my train ticket to Nizhny Novgorod, my remaining hundreds were in my luggage), credit cards from the US, my Sampo banking card, California driver's license, Finnish ID card, medical card recently received from the facility in North Beach where I enrolled prior to departure, a metro card with one ride remaining.

Not a disaster. But a major pain in the ass. I would have to cancel the cards via the Internet and get replacements for all other ID cards, a time consuming process. Did I have enough cash to see me through a week in Russia that I was just beginning? The hotel in Nizhny Novgorod was not yet paid for, train tickets to buy from Nizhny Novgorod to St. Petersburg and from there to Helsinki. The hotel in St. Petersburg was thankfully prepaid. How much cash did I have? I opened my luggage and found the envelope I had tossed in (thank heaven) along with my suit in the

Kazan station. It contained six one hundred dollar bills. It would be a close call.

I arrived in Nizhny Novgorod with my passport, a little cash, and blind. (I had my early morning work cut out for me.) I was not on the Marchmont program until a day-two panel so I had time. I spied a McDonald's across the street from the train station, an obvious starting point. I arrived 15 minutes before the 7am opening and, instead of being turned away, was allowed in. I went to the second floor rest room where I was able to shave and change into business clothing.

This McDonald's had no Internet connection. I spent my last two hundred rubles on breakfast and devised my strategy. I would have to find change for four of my hundreds (surely enough for the train ticket to St. Petersburg). I had looked in the train station and had found no money changing kiosks. Scanning the area around the station from both the second floor of the McDonald's and during a walk in the neighborhood offered no hint of the neon signs indicating the presence of moneychangers, prominent in Moscow, especially around train stations. Walking in the direction I understood to be the city center I passed a pharmacy and made a mental note that I could return there for reading glasses once I had some cash. Asking around for moneychangers yielded advice that sent me in numerous directions, all dead-ends. I asked where I might find a bank, knowing that banker's hours would delay any exchange till at least nine. It was still a little before eight.

A man who spoke enough English to understand my question pointed to a grey building across the street explaining that was Sperbank. I crossed the street confirmed from the sign outside that it would

open at nine and sat down on the curb nearby, pulled out my I-Pad on which I started to write this chapter. (The letters that appeared on the virtual keyboard were large enough for me to see.) Events were fresh in my mind, I had an hour and Nizhny Novgorod certainly deserved a chapter in my "Bannana book". By nine others had gathered at the entrance. I had lost my place at the front, as they squeezed past while I sat on the stair ledge concentrating on my I-Pad screen. The bank's doors opened. I entered, dragging my luggage and was instructed to go to the second floor by the security guard. She agreed to look after luggage that I was happy to leave with her.

It took about ten minutes for someone to appear at the other side of the blinds in the "money changing" room but when she did all four Ben Franklins I gave her passed visual inspection and technical examination by the machine into which they were inserted. I was rewarded with over eleven thousand rubles. I was on my way.

I went back to the train station and found a counter where tickets were being sold. The woman asked a colleague for assistance in English and the three of us began an exploration of options. There was a train leaving the next day, arriving the following morning in St. Petersburg. How much? It was difficult for me to see the figures she wrote down on a piece of paper without my glasses.

"I need the smallest price," I explained. She entered something onto a calculator with a large display: 4560 rubles for a "coupette"; only upper ones were available. What times for departure and arrival? Departure 18.00 on June 30 arrival in St. Petersburg 10am on July 1. "OK," I answered

relieved to discover this ticket would not consume my entire store of cash.

Next I went back to the pharmacy and was informed that they did not carry reading glasses (unlike the one in Vladivostok where I had procured the pair lost). I asked if they carried Mexidol, the magic medicine that I would not leave Russia without, and was told they did for three hundred fifty rubles (450r in Moscow). I bought one pack (with unlimited funds I would have gotten two) and, following the pharmacist's directions, crossed the street to enter a grey building that had been converted into a shopping mall.

There a woman near the entrance pointed me in a direction where I soon found an optic stall selling reading glasses. The second pair I sampled seemed more helpful than the first. Four hundred fifty rubles bought me sight. I was now able to look onto my I-Pad and find the name of the hotel where the conference was taking place and transfer it onto a piece of paper for presentation to a taxi driver: the Oka Grand Hotel at 27 Gagarin Boulevard. The driver did not need the address. The name was sufficient. It will be five hundred rubles.

"OK let's go." He signaled me to buckle my seat belt saying "police", one of the few English words I suspected he knew. We soon passed a policeman who was examining the crawling early morning traffic. My driver cut off his engine at long stops, saying "police" again with a laugh. We soon drove across what was evidently a great river (the Oka) on a long bridge. I poked my camera out the window but got mostly railing. The driver moved to the lane closest to the railing to give me a better angle. I made a mental note: I wanted to see this river later, up close.



We arrived at Oka Grand Hotel. Not as grand as the river but impressive. The reception area was ultra modern, furnished mostly in white; three receptionists stood behind polished glass topped counters. The one I approached found my reservation and gave me my arrival package that included a breakfast card and the code for Internet service. I gave her my passport and explained that I had no credit cards, as my wallet had disappeared on the train from Moscow. I was too early to get into my room, available at noon. I asked if I could connect via WIFI in the lobby in order to cancel my cards via the Internet. No problem. The bellhop helped move my bag to an area near a long couch upholstered in white leather near an electric outlet into which I plugged my computer. The connection worked and I spent the next hour logging into my Bank of America account, sending them a message to which I got an almost immediate response, acknowledging that my message had been received. Just what the doctor ordered! (The SIM card in my phone was not connecting, making it impossible to call the 800 number indicated on the bank website.)

I was put at ease; it was only 11.30. The bellhop agreed to take me to my 7th floor room early. There I took my first shower in three days. Going back downstairs, now truly refreshed, I followed Marchmont signs to the registration area, found a preprinted badge with Bannina written on it, and was given the welcome package that included the program schedule. I walked into a room where a session was in progress and noticed Kendrick on stage with three other people, two of whom I recognized. There was an empty seat in the front row that I took, and found myself sitting next to Svetlana, Kendrick's assistant.

"Ah, Martti, glad to see you! How are you?"

"I am alive!" This has become my standard response to this question. I then whispered that my arrival had not been "so simple", providing a quick sketch of recent events and telling her that they had inspired me to begin a new chapter of my book. I then sat back and listened to what was being discussed in Russian.

"Is there any translation?" I asked Svetlana.

"No you are the only American here," she answered, and quickly corrected herself, "along with Kendrick."

Kendrick was comfortably participating in the discussion, having learned Russian thanks to immersion in Nizhny Novgorod and marriage to a local who I was looking forward to meeting. At the first break I joined other participants in sampling local finger food on outdoor tables. I recognized David Tsiteladze, publisher of Angel Investor magazine, approached him with the story of my arrival.

"Do you have money?" he asked. "Don't hesitate...."

"Actually, I would be most grateful if someone could pay my hotel here with a credit card."

"How much is it?" I recalled that it was five thousand four hundred rubles. David put his two cell numbers on a piece of paper. One was already in my mobile. "Call me if you have any trouble".

I decided not to return for the remainder of the afternoon's program, as it would be conducted in Russian, and instead to use the time to explore. Weather wise, I faced a great day. I asked a young receptionist at the front desk for a map and instructions on how to get to the center of town, by bus. She wrote the numbers of seven different

busses that all went in the direction of a square she also wrote in Russian, telling me that I could catch all of those busses across the main street, Gagarin Avenue, and advising that the square would be a good place to start a walk. I caught the first bus that matched her list, #19, letting two others not on her list pass. I paid thirteen rubles to the woman collecting fares and settled into an empty seat on the last row that provided a good view and was close to an exit. We travelled for about ten minutes along busy streets moving quickly in mid-day traffic.

I noticed that the bus was circling a rather large square, showed the piece of paper on which my destination was written, to my neighbor, and was told that I was indeed where I wanted to go. I was able to jump off the bus just as it was starting to depart from my stop. In the distance, uphill, stood a thin black statue. I would begin my exploration of Nizhny Novgorod by discovering who this person was. Not Lenin I could tell. As I approached a woman was passing by. "Who is that?"

"Maxim Gorky", she replied with pride. The writer born in Nizhny Novgorod in 1868 had the city named after him during his lifetime (he died in 1936) in the years 1932 to 1990. His tall presence dominated the narrow sloping park at the base of his statue. The red and yellow flowers growing in the central gardens were in serious need of water.

\*\*\*

Gorky was "closed" during Soviet times due to the many military facilities in the area. Andrei Sakharov was exiled in Gorky in the years 1980-1986 to prevent any contact with foreigners. The city regained its pre-Soviet name at the time it shed its status as a "closed city" in the opening days of "new Russia" in 1990, a year before my

first visit to what was still then called Leningrad. Intel opened its first Russian office in Nizhny Novgorod in the early 90's. The city is a hub of IT expertise. It also has a strong industrial base with numerous auto, ship and aircraft manufacturing facilities. Located at the convergence of two of Russia's great rivers, and a railway crossing point between west-east and north-south lines, Nizhny Novgorod has always been the transportation hub of the entire region.

\*\*\*

I took some photos of Gorky's statue, then proceeded downhill onto a large pedestrian street, at the end of which I could see what could only be a tower of the local kremlin. I was about to walk down one of the great streets of Russia, Bolshaya Pokrovskaya, in a category with Nevsky Prospekt in St. Petersburg, and Old Arbat and Tverskaya in Moscow. Restaurants, shops, theaters, museums, persons offering all manner of visual entertainment passed my view and were captured by my pocket Olympus. My battery ran out just as I reached the base of Bolshaya Pokrovskaya, near the immense red brick kremlin walls. This kremlin, completed in 1511, was an outpost of the Moscovites during their battles with the Tatars of Kazan. I looked into the horizon and saw what first looked like an endless sea but was a sea of green, a forest.



Artist capturing the kremlin wall and the Strelka

As I approached the statue of World War II hero pilot Valery Chkalov at the base of this street I saw the great river Volga below me, separating the city from the forest sea. On the left the massive red brick walls of the kremlin followed the contour of the hill towards the river. I could see the point of convergence of the Volga and the Oka. I walked down the longest and steepest stairway (the Chkalov staircase) I have so far encountered in Russia, or anywhere else for that matter. The stairs, built by German prisoners of war, remain in good condition. At their base I stopped for a local beer costing sixty rubles at a cafe overlooking the meeting of the two rivers. After a brief rest I decided to follow the waterfront, staking out territory to which I was hoping to return the next morning with charged batteries in my Olympus.



Birds in front of Nevsky Cathedral

Waterfronts are seldom visually disappointing. The Oka was no exception. Blue and white boats were docked at piers that seemed in the process of being constructed. Blue aluminum barriers blocked direct views of the water from much of the roadway along which I walked but I saw that boat-side access was possible from another route.

I decided to follow a street that climbed the hill along the other side of the kremlin, figuring that I had seen enough to decide where I wanted to begin the next day's excursion and not wanting to miss the "forchette" reception where food and drink would support the networking that brought most people to Marchmont conferences. The program was just finishing as I reentered the hotel and I spotted Kendrick being interviewed by a striking looking blond. I waited my turn for his attention. It came soon enough.

"Hey Martti! It's great to see you in Nizhny Novgorod. How are things?" Kendrick asked with a broad smile.

"I am alive!" When I explained that this was my first visit to Nizhny Novgorod he was surprised, aware of the many other places I had visited over the years. "Well now you will have a chance to meet my wife Lena. She is around."

I did not begin the story of my eventful arrival until we were all sitting at a table with glasses of wine joined by Natasha from Veronesh with whom I had started chatting, attracted by a combination of red hair and green eyes.

"The good news in all of this" I offered, "is that I have decided to write a new chapter for Bannana titled "Nizhny Novgorod home of Marchmont Capital Partners". I already have five pages of material and I haven't even started on the conference."

Kendrick deserves recognition for the ecosystem that his pioneering efforts have constructed, best evidenced by his web site, one of the most visited Russia-oriented sites covering investment and industrial activity across Russia. I brought him up to date with respect to Buddha Biopharma and Fuzzy Chip. He was astonished at how much the Finnish law firm had required as an advance payment and agreed that the subsequent events I described looked fishy. I was more enthusiastic in describing the recent formation of Fuzzy Chip in Singapore.

I had started my involvement with Marchmont as a strong advocate of Finland. I was now getting increasingly skeptical. (As with pickpockets you live and learn.) Natasha expressed interest to see the city center and I offered to guide her, armed with my list of buses and a little spending money, now that David had come to my rescue. We took the # 17 to where I had gotten off earlier. With no time to charge my batteries her cell phone was the

only instrument available to record our walk downhill to the river. The evening light was perfect for pictures, the red sunset accenting her striking features. We stopped at a cafe where I ordered pork sachlich and beer and she had a strawberry desert. The bill was a reasonable thousand rubles.

When it was time to return we found the bus stop where #17 was listed on the side of the street suggesting that it would retrace the path we had taken earlier, only to discover that our bus made a turn back down in the direction of the river. We had been counting our change, confident that together we had the thirty rubles required. (I had a few 500 and 1000 ruble notes that were not going to be of any use on a bus.) Before giving our money to the collector we got off at the next station and looked for a bus stop going in the opposite direction. None was in site. We were at the riverfront at a stoplight where cars stopped before making a right turn. One car had an open window and I leaned in, started to speak in English, Natasha joined in Russian. Our multilingual pleadings attracted the sympathy of the driver. Natasha explained where we were staying. How much to drive us there?

Two hundred rubles. "OK let's go."

I was comfortably within my budget. Natasha told the driver about the conference we were attending. When he learned that I was from California he said something about marrying a local girl and moving to Nizhny Novgorod. He was evidently a patriot of his city.

"Actually that's what Kendrick White, founder of Marchmont, has done," remarked Natasha. She then directed the driver to drop her off at the hotel she was staying, not far from the Grand Hotel Oka, waved me goodbye with a promise to attend



my session the next day. Our driver continued to the place I was beginning to consider my local home. I pulled out a 500 ruble note. He had no change and trusted me to disappear into the hotel and return with exact payment. I fell asleep in the large bed without difficulty after first plugging my camera battery into the recharger.

The panel I was participating in the next morning was not scheduled to start until 12.15 so I figured that I had the entire morning to document this fascinating and important place. The hotel restaurant opened for breakfast at 7am and I was there, fortifying myself with a hearty meal and lots of juice. By 7.45 I was at the bus stop. I stayed on as the bus I had boarded passed Gorky's statue, taking interior shots of the driver and passengers who were at first resistant, then welcoming. The driver stopped the bus in just the right spot for a picture of a golden domed church without my having to ask, before dropping to the river. I wanted to get off before he would cross the bridge. He understood. I had fortunately chosen a bus that went exactly where I wanted to start my morning walk.

With morning light I documented the arrival and departure of several boats against the dramatic backdrop of the giant yellow Saint Alexander Nevsky Cathedral at the Strelka, meeting place of the Volga and the Oka. I ended up at the cafe where I had stopped for a beer the day before. I ordered another. The woman remembered me. We chatted, she in Russian me in English. I thought I understood that she worked indoors in the Moscow metro in a previous life and was now happy to occupy this very special place outdoors overlooking the Strelka, its never-ending scenery of passing commerce and tourism.



"You should see this place at sunset!" she said. I told her that I had, the day before, from above. I knew I had made a friend when she came out with a plate full of small river fish and showed me how to eat them. My efforts at preparing them for consumption proved so clumsy that I asked her to open the last three, watching as she removed their skin and extracted their tiny skeletons after which she offered them to me. She proved to be an excellent photographer when she took a couple of photos of me eating, at her insistence. I ordered a second beer to wash down the fish and salty aftertaste. After finishing this river snack I began the climb of the long winding stairs that I had descended the day before. On the way up I passed a young artist painting a watercolor of the kremlin, Russian tourists taking photos of the dramatic setting beneath them, and took a few myself.

The scene at the top of the stairs was not as memorable as the previous evening's (with the

sun setting behind Natasha's red hair) but still breathtaking. On the left, the red walls of the kremlin and beyond the Oka joining the Volga. On the right, the Volga, continuing its journey south, towards the Caspian Sea. Ships of various shapes and lengths were traveling in all directions. Gulls were surveying the scene for scraps left by humans. The scene was being documented by what appeared to be an art class, students seated around the oval surrounding the dominating statue of Chkalov, sketching it, the kremlin and the countryside from various perspectives.

I crossed the street and walked in the direction of Bolshova Pokrovskaya stopping at a small park where another statue provided an interesting perspective for shots of the kremlin towards which it cast a long shadow. The battery in my camera ran out in almost the same spot as it had the day before. Fate had allowed me to complete this circle at the heart of Nizhny Novgorod but was permitting no second chances to capture Bolshova Pokrovskaya photographically. I would have to be content with first impressions. I walked crisply uphill to catch a bus that got me to the hotel in time to shower and dress for the panel that was the official reason for my visit.

Kendrick was moderator and first presenter. I find his Russian possible to follow given his habit of including an occasional English phrase, and my agreement with what he preaches: the need for Russia to develop an economy based on innovation, to examine the examples of Israel, the US, Taiwan, Finland, Singapore; the importance of small business and IP protection.

The focus of much of Kendrick's current efforts is the establishment of "proof of concept" centers in Russia where inventions can be validated and

integrated into test beds and frameworks. There is synergy between this idea and the Technology Transfer and Innovation Centers (TTIC) model that TELCOT was proposing years earlier (see chapter 10). Whereas our proposal in 2002 fell on deaf ears in the US there was, I was told, momentum around Kendrick's initiative in Russia. Skolkovo, Rusnano, and the RVCA were aware of it, and promising support. Key to success will, in my opinion, involve tying "proof of concept centers" in Russia to foreign entities, via robust telecom links.

He asked me to speak next, introducing me as a "business angel" and mentioning the companies I had founded. A translator started to repeat my remarks in Russian. I asked for a show of hands of how many in the predominantly young audience understood English. When the great majority raised their hands I decided to continue in English only, given the time constraint of 10 to 12 minutes. I went quickly through the slides of my standard presentation. Several questions ignited a lively discussion.

My characterization of Russia as a "black box" was challenged. "Well I live outside of Russia and can assure you that it's the perception today, and it's perception that counts", I answered. Several persons in the audience expressed frustration at the never-ending "proposal process" for those seeking funding from various Russian entities offering support (a representative of the Russian Venture Capital Fund was on the panel). I thought back to my frustrations with the process in the US.

I was impressed by the quality of the debate and the intensity of opinions being expressed. This generation of young Russians was demonstrating an aggressive interest in finding answers to commercialization questions. The debate was

conducted in a language unknown to Russians when I first visited the research labs of Siberia in 1995. There seemed to be agreement that Russia cannot succeed alone. There was a desire to seek help, but from where? There was frustration with existing mechanisms. The moment was ripe for a few "success stories".

\*\*\*

Years later, in 2016, Kendrick found himself in the middle of an international firestorm when he was dismissed from his position at the university because he was an American. This was only one of many symptoms in the deterioration in relations between Russia and America.

Links to trusted external partners outside of Russia are, in my opinion, an essential element of commercialization initiatives that aspire to be more than money distribution mechanisms. A key to success is finding and cooperating with partners who understand what problems need solving, and which approaches promise valuable results. It is impossible for researchers inside of Russia to understand this alone. They have their visions and hopes, but need connections and trusted relations with global players to launch them into the interconnected world.

Russian owners of innovative technologies must protect them before engaging in dialogs with potential western partners. Nothing pleases an inventor more than speaking about his ideas. And nothing is more dangerous from the perspective of having ideas appropriated without compensation (stolen).

Hence the need for Russians, with innovative ideas, to protect them, outside of Russia, and then assign them to a company outside of Russia. This step both reduces the business risk of any partner

interested in licensing the technology and protects the rights of the owners of the technology in mature legal systems where there is precedent for such protection.

\*\*\*

I took a bus to the train station in plenty of time for my 6pm departure (fifteen rubles instead of five hundred) benefitting from recently acquired local intelligence. Assigned again to compartment 12, this time in bed 16, an upper bunk, I kept a close eye on my possessions. Three thousand remaining rubles and two \$100 bills proved to be (just) enough to support me for two days in St. Petersburg and get me to Helsinki. Upon arrival in Helsinki I visited Sampo first thing on Monday July 4, thankfully not a holiday in Finland. When ordering a new card I was informed that my account had a negative balance, having been drained by withdrawals from cash machines in Moscow!

The mystery of where my wallet was taken was solved. My compartment mates were innocent. Someone had lifted my wallet before my departure in Kazan station and had somehow managed to withdraw more than fourteen hundred euro without knowing the four-digit code needed for machine withdrawals. My account had a -123 euro balance. I had four euro in my possession and was not flying to San Francisco until July 6. I explained to Sinna, the Sampo employee confronted with my story that I was in need of walking around money. She told me to first file a police report, which I did, before noon. I returned armed with a report written in Finnish. She filled in an application for an immediate line of credit of five hundred euro that she said would be approved when her supervisor returned from lunch. This would give me access to

three hundred seventy five euro (my "debt" of 123 euro would first be deducted) at the only place in Helsinki where Sampo dispensed cash, their office in the central rail station. She agreed to SMS me once approval was in place.

I went with another copy of the police report to the office providing replacements of missing, or stolen, ID cards, found the corridor and steps leading to the second floor full of people standing, (all seats already taken) on this Monday morning. I got a number (#113) from the dispensing machine and waited my turn among the motley mix of old and new natives waiting to be served. At fifteen before two I got an SMS from Sinna telling me that the credit was in my account. I departed the slow moving line (the counter was only at #86) for a quick trip via tram to the Sampo train station office where I got into a much faster moving line (my number was reached after no more than five minutes) and withdrew three hundred euro.

Flush with new wealth I stopped in the rail station restaurant, poured myself a salmon soup costing six euro and was informed that I could get the entire lunch special, including soup, meat, potatoes and a salad plus coffee for eight euro. Things were indeed looking up. When I got back to the office handling ID's I was distressed to see the number 125 flashing in neon. I approached the next free counter with my 113, and the young man asked where I had been.

"I had to go and get money."

He took pity, agreeing to handle me, read the police report, took a copy of my passport, had me sign within the designated space in black ink and asked for a photo.

"Isn't the one on file good enough?"

"No. It is two years old. We need one no more than six months old."

He gave me directions to a place around the corner promising that I would not have to wait in line upon my return if I paid the fifty one euro fee. He explained that the ID card could be sent to my San Francisco address when it would be ready in a couple of weeks. I found the photo shop where a Russian woman took two pictures asking me to close my mouth so as to fit the required "biometric format" and five minutes later gave me four black and white photos for sixteen euro. I noticed the shots on the computer screen she used to edit were in color.

"Why black & white?"

"Color is eighteen euro".

She was evidently tuned into my need to economize without me saying a word. In these shots I looked younger than in the earlier photo. Perhaps it was the Mexidol, perhaps the result of following a dream, or maybe the photographer. I was not complaining or looking back.

\*\*\*

Seven months later the Sampo account had not yet been replenished. The bank sent me a letter in Finnish that I did not understand. I addressed this matter on my next visit to Finland in February 2012. Upon my arrival the bank manager provided me a translation of the bank's posture: my wallet *must* have contained my pin code as there was "no way" my account could have been drained without it.

Wrong. My pin code was not in my wallet. I was certain. This was no ordinary theft but the work of professionals.

"I am sure that I am not the only one who has reported the professional hacking of your secure



Master Card by Russians," I declared, confident that Russian technical ingenuity, of which I had become familiar, was being applied for nefarious purposes. His silence spoke volumes. He promised to fax this "new information" to appropriate authorities.

Maybe by the time you read this book the missing balance will have been returned to my account. (Unlikely. Sampo transferred the case to their law department, changed names to Danske Bank, and continued sending me dunning notices for their "advance", which remained unpaid.)

And the District Court case and police investigation dismissed. (Wrong. I was found guilty in both cases, initiating an appeals process described in other Bannana books that is still not completed.)

It will take longer for Russia to emerge from its reputation as a "black box". (This prediction has proven to be correct.)

**Business Lessons:**

- Friends will appear when needed, if you have planted enough seeds.
- Gatherings of like-minded build momentum, a powerful force.
- Tight budgets force useful disciplines.
- Be careful in train stations.

## **ENTERING SILICON VALLEY WITH HELIBLANKET AND ITUMBA**

Any story about innovation, entrepreneurship and transformational technology must include Silicon Valley. Silicon Valley is the place Skolkovo wants to replicate. It is the place where many of the technologies that have interconnected and changed the world have been conceived, have matured, been transformed into companies that are the movers and shakers of technology. Google, Apple, and Facebook, to name a few, are flush with cash and looking for the next "big thing".

It is the place my academic awakening occurred when as an "easterner" from the District of Columbia public school system I was fortunate to have thought of applying to Stanford (then not well known on the east coast), getting accepted, and subsequently getting infected by what makes California tick. It is where my business journey now matures. I have had to wait to have strong arrows in my quiver before entering Silicon Valley in search of strategic partners for companies based on technologies found in Russia, and for support of the business model described in this book.

Do not enter "the Valley" uninformed or unprepared. And the timing must be right for an idea to catch fire. The timing seemed right. The Valley was looking for the next big thing. Telecommunications had shrunk the planet making its remotest places accessible. Was Russia a BIG enough next thing? The Soviet threat was important to the growth of Silicon Valley, as defense dollars flowed there during the Cold War in search of technology that would

create advantage. Today's threats come from many places. Advanced technologies remain a key weapon.

The Naval Post Graduate School in Monterey is where much of the electronics in the war on terror, and military initiatives involving situational awareness, are developed. Today's military is piggy backing on electronic advancements being developed at warp speed to meet the ever changing needs of a competitive marketplace to create communication capabilities relevant for military and intelligence applications across civilian platforms. Someone has to tie independent platforms and protocols into useful networks. Eugene Bourakov was an electronics wizard at the center of much of this activity. I met Eugene in 1998 at TELCOT, the San Ramon California based telecommunications incubator and home of my consulting company Virtual Pro. (See chapter 10).

Eugene came to the United States from Chelyabinsk, the big industrial city in the Urals that is not far from the "secret nuclear city" of Snezhinsk, where the first Soviet atomic bomb was built (after being designed in Sarov). TELCOT closed during the California budget crisis of 1998 and founder Alex Bordetsky moved from the East Bay to Carmel, winning an appointment to a professorship at the Naval Post Graduate School (NPS). Eugene joined Alex there and began applying his expertise in cutting edge civilian platforms to military challenges. Eugene's work is reflected in numerous patents assigned to Uncle Sam. He and Alex have become US citizens via naturalization. Back in TELCOT days I told Eugene that if he ever developed an idea not connected with work that he felt might have

commercial potential, to keep me in mind. Eugene assisted me in my early talks with Viktor Olexenko that resulted in the formation of Fuzzy Chip (see chapter 12) and followed my advice by filing for a Russian patent for an idea that he did not fully disclose to me until the moment in 2011 when he decided it was time to take further action, and invite me as a partner into a company we would form together. Eugene's idea involved the novel use of an ultra thin fireproof fabric developed for the space program by Lockheed Martin. Such a fabric, if woven into a super light blanket large enough to spread over a forest fire (250 yards by 250 yards) could, in Eugene's opinion, extinguish wildfires by smothering them.

The blanket could be dropped over wildfires by helicopters, or drones, soon after the fires were detected. Eugene had filed a Russian patent. He wanted help converting that filing into a US patent. I agreed to help, using my Finnish experts at Kolster. Tapio Akras worked on the project before departing for summer vacation in 2011. Eugene and I agreed on the name HeliBlanket for our new company. Eugene was shown the fireproof "nano silk" by a manager in Lockheed Martin's space division during the manager's visit to NPS. Seeing it ignited Eugene's imagination. We agreed that the next step to business, once the patent was in place, was to get Lockheed Martin's support. It took a considerable amount of time and effort to penetrate the Lockheed Martin "system".

First HeliBlanket needed a vendor number, a process that involved background and credit checks. Eugene and I were then invited to a Lockheed Martin sponsored small business seminar in Santa Clara and given tips on how to build a "one pager" for circulation within Lockheed

Martin. I was subsequently invited to participate in a webcast on how to do business with Lockheed Martin, then contacted by a manager from a center for innovation. We were advised to find a "customer" ready to act as a test partner for the development phase of the project. I contacted the Missoula Technology and Development Center, home of the legendary "smoke jumpers".

There our idea was met with initial skepticism. During talks with firefighting experts I was encouraged when learning that our approach addresses key problems with existing wild fire suppression technology: flat wing airplanes have difficulty flying in the turbulent air swirling around large fires, and retardant now being dropped on wildfires is environmentally dangerous, prohibiting its use near streams. Helicopters, whether manned or drones, are more stable in "fire air" than airplanes, suffocating a fire is environmentally benign. The HeliBlanket is reusable once refolded, practically indestructible, and able to protect high-risk structures by covering them with a fireproof tent. The fact this application of Lockheed Martin's material is patent protected provides negotiating leverage for a small company with a brilliant idea, in a conversation with a global giant.

\*\*\*

HeliBlanket was not Eugene's only commercial idea. I sensed that there was something else on his mind as we executed commercialization steps for HeliBlanket: an MOU outlining our respective ownership stakes and responsibilities, agreed to dilution and conflict resolution rules, the formation of a Delaware based limited liability company to which the patent, issued in Eugene's name, would be reassigned. Eugene told me about another idea

that had been building in his mind for years, one that he and his son had written a draft patent application for, one that Eugene had built a working model of: iTumba.

What was iTumba? The name is derived from the Russian word "tumba" for kiosk or a public place where messages are posted. Eugene's idea was to fill the electronic equivalent of kiosks destined to populate the planet, flat screens in public places, with emotionally laden, targeted messages, text (in Twitter sized bites), photos, or short videos, created by anyone linked to iTumba. Messages would display when the "target" approaches the designated screen, the screen "sensing" the location of the target via cell phone or other tracker. Public messages could be sent to individually targeted locations ready for display, awaiting the arrival of the "target", or for display on a schedule, or in response to the proximity of individuals "sensed" as having profiles of interest. Displaying individually constructed digital content, iTumba screens would become outlets for public expression. The resulting panorama of digital images could be expected to attract "eyeballs" of not only "targeted" individuals but also of the curious, an advertiser's dream. The iTumba platform would give advertisers a digital palette on which to present their goods.

Targeted ad campaigns could combine content of general interest (appearing on iTumba screens) with the delivery of personalized messages, sent from a proprietary iTumba transmitter to handsets of targeted passers-by, delivering discount coupons, for example, to draw them into a store. The iTumba platform had the potential to grow into a standard for distributing public content into the global digital public square. (There is a tendency

for a winner to dominate any new platform. Think about Microsoft on the PC, Apple on the I-Pad/I-Phone, Facebook in social media, Google in search.)

The idea immediately appealed to me, knowing that Eugene was fully capable of developing all of the code needed to bring his vision to life. We signed an MOU that formalized my role as his partner, and co-founder, of iTumba. Kolster modified Eugene's draft into language informed by experts used to working with Nokia in the spring of 2011. He was impressed with the result. This patent was the commercial foundation of iTumba on which a team needed to launch this potentially "big idea" could be developed. A key challenge was finding a partner with access and control of public screens. Another challenge was the need to launch the idea in an appropriately sized test market. iTumba's value would be truly recognized and validated with a partner able to promote and implement the idea in scale. (The idea cannot be effectively tested with a small number of screens.)

Telecom carriers were obvious potential partners. So were manufacturers of handsets. So were Google, Facebook and Apple, each looking to enlarge their presence in the public digital space and showing keen interest in the field of "location based analysis" technology (algorithms that identify "targets" based on "sensing"). Most of us carry handsets. Our movements are being tracked. These movements create profiles. These profiles provide targets for individually delivered customized content. The enabling technology (flat screens, handsets, digital content creators) is pervasive.

Today's flat screens present content broadcast to them, one to many, a modern version of George



Orwell's "big brother". Technology exists enabling the conversion of this conversation into a two-way exchange, and the opening of the public square to individual expression. iTumba provides the cross platform technology needed to make it happen. Silicon Valley is not easy for an outsider to penetrate. It is not a place where unsolicited phone calls get returned. A great idea must find sponsorship in the local ecosystem. I connected with the Plug and Play Tech Center in Sunnyvale, a leading high-tech incubator with an international focus, alive with activity orchestrated by founder Saeed Amidi.

Companies affiliated with Plug and Play have their profiles circulated to investors and industrial partners. Deal flow sessions bring investors, industrial partners and start-ups together for 20-minute private meetings. Where there is chemistry and mutual interest there is follow-up. Plug and play looked like the perfect place in Silicon Valley from which to launch a new Russian sputnik. I met "super angel" Ron Conway at a Plug and Play public session, sent him iTumba material that I also dropped off at Google and Facebook. My initiatives in support of his ideas ended when Eugene backed out of the MOU's he had signed with me. I moved from California to Boston where I continued Russian technology promotion activities as described in "Bannana in Boston; Fortune after All".

That fortune was made possible by the "leap of faith" that decision represented, and is beyond the scope of this book. I end this chapter noting that Silicon Valley is a tough place to crack, even with strong arrows in one's quiver. Phone calls and emails are not returned nor acknowledged. Communication is one way.

The conferences I attended with Russian themes lacked an overall model, customized to Russian realities, to orient and position talks that were seldom Russia-specific. A Russia-specific model *is* needed to address unique challenges as political currents take the relationship of Russia to the world in different directions. Those with transformational ideas will need a trusted way to make them real.

Let what I have written here be considered as input on the shape of that model. Launching success stories with wide ripples is next.

**Business Lessons:**

- Early supporters will surface in new roles.
- Timing is everything.
- Patents provide negotiating leverage.
- Prepare for what you hope will happen, to happen.

## TRAVEL IN RUSSIA



The previous chapters in this book have told of the challenges facing Russians attempting to commercialize their technologies in the West. It has introduced the reader to some of Russia's cities that may harbor such inventions, providing examples. Here I turn to stories prompted by the challenge of getting from place to place in Russia, and getting in and out.

### Getting in

Getting into Russia is no simple process. It requires a visa, obtained by invitation from either a hotel or tour, for a tourist visa, or business invitation, for a business visa, proof of insurance coverage, and an AIDS test. Within these broad categories there are nuances and changing regulations. It is my good fortune to have both an American passport, thanks to naturalization in 1960, and a Finnish passport, given me under a

program that recognized persons with Finnish fathers. I have learned to use my Finnish passport for my Russian visits.

The cost of a multiple entry one-year Russian visa for Finns is 35 euro. The cost for US citizens in the Russian consulate in Helsinki for the equivalent is 257 euro. This special rate for Finns recognizes the large volume of traffic in both directions on the Finnish-Russian border. Obtaining a Russian visa anywhere (I have obtained them in San Francisco, Paris, Riga, and Helsinki) requires standing in line. An exception to this process is sending required material by mail to an agency. I did this from North Carolina. This procedure was more expensive and not nearly as much fun as dealing directly with official channels. Do not arrive at the consular building any later than 10am or risk not getting in before the noon closing time. Visa issuing is morning work.

In Helsinki there are always people waiting an hour before the opening time of 9 outside an iron gate on a quiet side street behind the imposing Russian Embassy on Tehtenkatu Street (the street on which my father and Pirkko had their in-city apartment). Most visa requesters are Russian speakers and have little problem understanding commands emanating from an intercom near an iron gate that is unlocked remotely by someone inside the building. That unseen person releases the electric lock of the gate at times of his choosing. It is possible to speak to the intercom to explain circumstances that may warrant an immediate opening of the gate. As a non-Russian speaker I make friends during my time in line so when I get close there are usually persons around me willing to assist in any needed conversation.

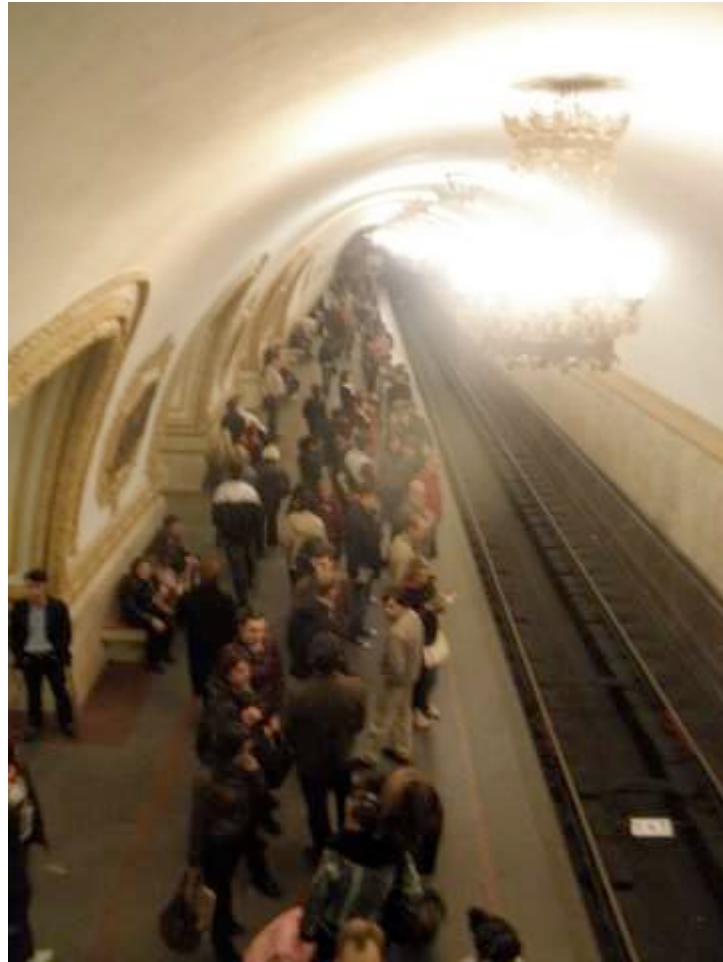
Once past this barrier of language I walk on a grey tiled path, up some stairs to a heavy door that must be pulled open to reveal a security machine that always goes off as I pass through. Perhaps the machine is set off by metal in my artificial hips, or by the computer I am carrying. The guard behind thick glass on the other side of the machine looks up at the sound of the alarm, not much bothered by it. I notice the machine goes off almost every time anyone walks through it into the visa processing room.

A form must be filled out listing any previously used aliases and visits to Russia, and all intended destinations. Proof of insurance, two photos, and copy of the invitation must be attached. Adherence to the AIDS test requirement varies. During early visits it did not exist. Once imposed the requirement caused additional cost and confusion. On one occasion proof that I had submitted to having the test taken at a medical institute in downtown Helsinki was sufficient, never mind the result. Recently this requirement has been ignored. I do not know if it is still an official part of the process. It is advisable to check the current status of visa requirements. Visas are normally issued in five days, requiring a second visit to the consulate with proof that payment has been made to the account designated on the voucher given during the first visit. The process can be expedited at additional cost.

The above process in Helsinki was changed in 2010. Russian visas are now issued by an agency located, not in the embassy annex, but near the shopping area of Kampi. The application is now filed out on line, using terminals inside a bank-like facility. The process begins with a number from a machine, like most things in Helsinki. After filling a

recent application and leaving, I received a call on my cell to summon me back for some needed detail! (The process had been outsourced to a private business and was demonstrating a level of service unthinkable in the days of the voice behind the iron gate.)

### **Train and metro**



Moscow metro station

As a former trainman I prefer this mode of travel whenever possible. The train from Helsinki to Moscow, the Tolstoy, departs Helsinki at 6.25 pm, arrives 8.30 am the next morning in the center of Moscow, close to two other train stations, from where one can connect to the overnight train to Kazan, for example, or the metro that opens up all of Moscow. The train from Moscow departs at 10.30 pm, arrives in Helsinki at 1pm the next afternoon, making it possible to spend a full day in Moscow before returning to Helsinki. There is no better way to make the journey between these two capitals, as Brezhnev understood in 1975.

Cab fare from Sheremetyevo to downtown Moscow in traffic can cost approximately half the price of a second-class train ticket on the overnight train. (At age sixty I became eligible for 30% discount on the Russian railroad.)



Captain of the bar car

By train you arrive refreshed and probably with memories from the restaurant car or conversations



with compartment companions. I have met a translator who was there for many of the key East-West negotiations of the Cold War, a world champion sky diver, a priest who asked to be moved from our compartment when he realized there was a female included, a theater director, English language teachers, lawyers, many young men traveling to drive cars back into Russia from Finland, and countless other fascinating types moving in both directions.

I recognize the staff in the restaurant car and they recognize me. The dining car has been upgraded from individual booths on either side the length of the entire car (classic), to a split design with a section of booths occupying half the car, and a bar and single chairs in the other half, beneath a TV that blares musical videos when turned on. I prefer the older model. The menu contains dinner items and breakfast fare, the food is good, and can be paid for with either euros or rubles. One can also obtain change between euros and rubles from the purser, who also provides cash back for VAT refunds upon presentation of appropriate paperwork for purchases made in Finland that leave the country unopened.

In years past great attention was paid to the custom forms distributed by the attendants in each car. It was advisable to list hard currency brought into Russia, as this justified any hard currency one might be carrying on the way out. Today the same documents are distributed but passengers are told it is not necessary to fill them out, unless one has something particular to declare. Train travel in Russia is usually on time. (On "Moscow time" throughout the country.) The Helsinki to Moscow train that I have taken countless times has only

been late once. In late 2009 I boarded the Tolstoy in Helsinki about six hours before a bomb derailed the high speed Nevsky Express, traveling from St. Petersburg to Moscow. That terrorist attack killed seventeen and caused the rerouting of our train, scheduled to use the same track, through countryside I had never before seen.

Fellow passengers in the dining car where I went to pass the time explained we were sitting on a siding in the Russian village called "bottom," the very place Alexander II's train was standing when he was forced to abdicate in 1917. There, where the Russian monarchy "hit bottom" we passed a quiet afternoon consuming the free meal provided by the Russian Railway to compensate us for our inconvenience. We finally reached Moscow at 7pm on Saturday evening, rather than the scheduled 8am, late by eleven hours.

Arrival in Moscow means a walk on the platform leading to Leningradsky Station during which taxi drivers approach, each suggesting his services. There is no reason to choose one over another. No reason not to continue, as most Russians do, into the metro. The Moscow metro deserves its reputation as a masterwork of communism. With traffic clogging Moscow streets it is the best way of getting around town.

It is best to avoid the morning and evening rush hours. During these periods it gets really crowded. Whereas it is possible to estimate with considerable accuracy how much time is needed to reach any location during off hours, given that a metro usually arrives every three minutes, during rush hour predicting travel time is made impossible by bottlenecks at escalators that back crowds up into slow moving masses at transfer points.



Many transfer points have at least three escalators allowing for the adjustment of the middle one in response to traffic. Traffic is diligently observed by attendants in booths at the top and bottom of each moving stairway. (Many Russians earn a living standing or sitting, "observing".) Some of the stairways are incredibly long. The metro, designed by Stalin to serve also as a bomb shelter, is dug deep. The mosaic designs and sculptures in many stations qualify as first rate art. New stations are being opened, others are being refurbished, steel escalators are replacing wooden predecessors.

Payment is now universally by paper card in Moscow (tokens are still used in St. Petersburg and Novosibirsk) purchased from women inside ticket windows. Any number of rides can be put on the card. Each trip through the turnstile reduces the number that flashes on turnstile monitors indicating the number of rides left. Widows, no matter what their age, and the old, ride free. Traveling in the metro shows that, in this largest of

all countries, full of vast open spaces, Russians live in close contact with their countrymen. There is no heating system in the metro. Engineers calculated that human warmth was sufficient to generate needed heat in winter. There is no air conditioning in summer, other than open windows. I have arrived at mid-summer meetings in a dripping wet shirt.

On one very cold winter day I had attached the earflaps of my shapka under my chin to protect my ears. Upon entering the warmth of the compartment and sitting down I wanted to remove the bundle of fur from the top of my head. One problem. The knot on the string under my chin, attaching the earflaps, held tight. I struggled awkwardly to untie it, providing entertainment to amused compartment mates. Observing my struggle up close for several minutes my pretty neighbor took pity and, with dexterous use of long fingernails, released me from my heat. As metro doors open those exiting the cars rush through openings provided by those waiting their turn to enter. Once all wanting off are able to exit the direction of flow is reversed. During heavy traffic all waiting are unable to enter. Another train is only minutes away, the precise time of arrival displayed in numbers on overhead displays.

Walking to either end of any platform often provides a better chance at a comfortable ride as first and last cars tend to be less crowded than middle ones. 1am closing time enforces last rounds in many nightspots. Maneuvering without Cyrillic understanding is a pattern recognition challenge. Clues surround you. Colored maps are omnipresent in cars and in stations, often with names written in Cyrillic and Latin alphabets. A distinct color identifies each line.

Note of caution: a station has several names, depending on what line one considers. The circle (brown) line links them all as it makes its never-ending circular voyage. According to legend this brown circle line was added after Stalin left a circular mark created by an upside down coffee cup on the metro master plans brought to him for approval. The cobweb of coverage makes it possible to reach any point within Moscow with at most one transfer within fifteen minutes. Outside of the ring many lines go above ground. There is relatively little begging on the Moscow metro and considerable entrepreneurship. I have seen sellers of sewing needles, artificial lighters, magazines, etc. make their pitch during non-rush hours, often demonstrating the product in the middle of the car. Bless their initiative, I think to myself. After a hip operation I traveled the Moscow metro on crutches and was offered a seat in every car I entered.

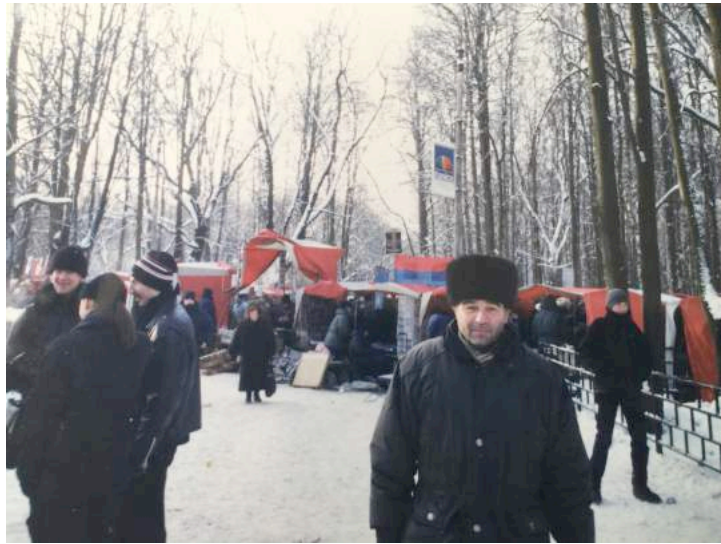


Metro stations are popular and practical meeting points. It is important to specify a specific location at a station for any rendezvous, as there are often numerous exits. Picking a combination of a line, a direction, and one end of the train is a reliable method. So is an agreement to meet in the middle of a station. All other strategies are, take my word for it, fraught with complications. I have waited at one exit while the person I am meeting has stood at the other on more occasions than I will admit to. (Thank heaven for cell phones.) I remember how confusing the metro was to me when I first plunged in. But plunge in I did. Over time I have become familiar with its patterns, its stations and wandering dogs, grateful that I took the initial risk, refusing to remain above ground in the isolation of a taxi. Rewards await the brave.

\*\*\*

Travelers going into Russia some years ago were asked about any brochures or product samples being brought in. Bags were examined. On the way out passengers were asked about foreign currency and objects of art. I made the acquaintance of a painter, Nikolai Kuzmin, after seeing some of his paintings in an exhibition.

He invited me to his studio and I brought along my friend Tsurkov, a physicist, to act as translator. We ate pickles, sausages and freshly picked apples from his garden and viewed his impressionistic works. I expressed admiration of four paintings that he set aside, but explained that I was at the end of my visit and didn't have funds to buy them on this visit.



Vladimir Tsurkov in an outdoor market

"No problem", he replied. "Why don't you take them. You are traveling by train which makes the transport convenient and you can pay me later when you return to Moscow."

How could I refuse? There was a catch. I would need proper documentation for the boarder. Nikolai prepared descriptions of his works on a sheet of paper in pencil and packed the paintings in brown paper and string. He gave me photos of each work that would hopefully satisfy authorities. Should there be a problem I could contact Luba, his daughter, who spoke English. He provided me her number hoping I would not need it. At the boarder I was asked by Russian customs officials to unpack the carefully protected paintings and, to my horror, when papers and photos Nikolai were examined, they were determined to be insufficient. My paintings would be taken off the train. Would I ever see them again? The sleeping car attendant in our carriage observed, first my frustration at having to unpack the parcels, and then panic

when I was told they would be taken from me. I sensed sympathy in her look. I asked her if she spoke English. She did. I explained that the artist was ready to provide additional document support. I would call his daughter. When would she be taking her next trip to Helsinki? In three days. Would she be willing to be designated my official representative in any negotiations intended to release the paintings? She agreed!

I prepared a sheet of paper designating her as my official representative, signed it and phoned Luba with the terrible news, explaining that I had found a sympathetic sleeping car attendant ready to help. Luba promised that she and her father would visit the office in Moscow responsible for providing official export documents for works of art the next day. I felt sick when I saw my four paintings taken off the train, thinking I would not see them again.



Two of Kuzmin's paintings on Marjukkala porch



Three days later I went to the Helsinki station. Imagine my joy when I recognized the attendant and, in answer to my question as to whether she had my paintings, she said yes! Luba later explained that she and her father had gone to the office with photos of the paintings, pleaded their case with officials, explaining the circumstances involved, and paid an amount determined by a valuation made by an expert after examining the photos. They were then given papers they took to the station and passed to my guardian angel sleeping car attendant. I gave the attendant a well-deserved tip for this exceptional service.

I paid Nikolai for his paintings and the "export fee" on my next visit. I returned often to his studio with Tsurkov for pickles, sandwiches, tea, vodka, and more paintings.



Kuzmin posing with his finished work

One winter day Nikolai offered to do my portrait in a location of my choosing. I told him that I had just the place in mind, the porch of the Moscow

Hotel overlooking Red Square. He arrived the next day with an empty canvass, paints, and the palette knife he uses instead of brushes, and set to work outside, with bare hands, in temperatures that made me uncomfortable when he asked me to sit for an hour. I observed from the warmth of my hotel room through ceiling to floor windows as he repainted what I considered to be perfectly acceptable abstract renditions of the Kremlin several times, before settling on what became the final version. He then added my face to produce a combination landscape and portrait that today hangs above my work desk, and graces the cover of this book.

\*\*\*

Any account of travel in Russia by train should include a story about what I believe is universally considered the grandest train-ride on earth: the legendary trans-Siberian crossing. What is there to rival it? Without doubt the longest train ride in a single country (it takes seven days to cross from Moscow to Vladivostok) through some of the least inhabited geography on the planet, much of it accessible only by rail. As a former trainman I always harbored a wish of one day making the voyage. My chance came in June of 2011. I needed to go to Vladivostok to obtain Viktor's signature on Fuzzy Chip documents after which I was scheduled to speak at the Siberian venture fair in Novosibirsk on June 9-10.

I checked plane and train schedules between Vladivostok and Novosibirsk in California. Flying would require going from Vladivostok to Moscow, then back to Novosibirsk. (There are twice a week direct flights between Vladivostok and Novosibirsk by Vladivostok Air I learned later, but these were not "visible" to me via the Internet.) The Internet

explained that the fabled train #1 departs Vladivostok every other day, takes four days to reach Novosibirsk. I made reservations to fly from Moscow to Vladivostok on June 2 figuring I would buy my train ticket to Novosibirsk once I got to Vladivostok. I explained to Viktor, via his lovely translator Irina, when we met on June 3 that a first order of business for me was to purchase a train ticket, the purpose of which was to get me to Novosibirsk no later than the evening of June 8. We drove in Irina's car to the train station where she discovered that train #1, departing on June 5, wouldn't get to Novosibirsk until June 9. There was a train leaving on June 4, #7 a "local", that would arrive on June 8. Unfortunately there were no tickets available. What to do?

The ticket seller suggested that if we returned after 10pm perhaps some space would be released. In the meantime (it was 8pm) I was advised to purchase a ticket on #1 using my Visa card for seventeen thousand rubles (around six hundred dollars). Viktor, Irina and I then went to a restaurant not far from the station where she explained to Viktor the contents of the document I was asking him to sign. After her explanation, Viktor signed. We were back at the station shortly after 10pm and were rewarded with great news. A place was available, in second class, at a cost of only twelve thousand rubles. I grabbed the place and the five-thousand ruble note given to me as a refund. Train #7 was not going all the way to Moscow, only to Novosibirsk. No problem. Perfect in fact.

I arrived at the station the next evening thirty minutes before scheduled departure at 10.30pm and purchased a large plastic bottle of ice tea flavored with raspberry breaking the 5000r note for

train expenses. The sun was setting as I boarded wagon 12 found, bed #9, a lower bunk, in a compartment containing four beds, upper and lower on each side of a narrow space containing a table. (First class compartments have two beds.) My first compartment mates were a young couple, Roman and Kristine, going somewhere we would get to the next day, returning home from a weekend vacation spent on the water. They spoke just enough English to explain this to me. In the corridor I spied a well-dressed young woman looking out the window. I was examining a map of our journey posted on the wall showing the many stops our train would be making with what must have been a puzzling look.

"May I help you?" she asked, gently.

Certainly. We started talking in the corridor. Her name was Natalia. She was a lawyer working in Vladivostok on her way to visit her family in a town we would reach the next day, where she and her brother grew up. They both went to Vladivostok for education. Her brother studied Chinese and was in Beijing. We continued our talk in her compartment where she was, for the moment, alone. I brought in my I-Pad and began explaining the business model for commercialization of Russian science. My enthusiasm was such that a neighbor from the adjacent compartment poked her head in asking us to be quiet. I continued in whispers, Natalia leaning closer to view my I-Pad. She was not married but had a boyfriend. Worked on civil matters. I explained that I spend a lot of money with lawyers, mostly on getting patent protection for inventor partners. Our private talk was interrupted at the next stop, as three persons appeared to fill her compartment. I returned quietly to my compartment and opened my bedding,

taking cotton linens out of the plastic bag provided by the sleeping car attendant, and unrolling the mattress curled on the empty top bunk, trying not to wake my compartment mates. It was 2am Vladivostok time.

Early the next morning I needed to go to the rest room at the end of the compartment. How to open the door? I fidgeted with the steel handle in every direction, first gently, then with strength. Nothing worked. The handle did not move. I had no choice but to tap Roman, sleeping in the lower bunk, on his toe, waking him up long enough to get him to lean forward and open the sliding door by applying pressure, at the correct angle, to the silver knob, moving it easily to the left. Encouraged by my triumph I continued in the direction of the restaurant car, one compartment away. The door was open but the staff not yet on duty. I learned that the restaurant opens at 8. I was there about an hour early. My pleadings for a cup of coffee, conveyed in sign language, went unheeded at first. After sitting at a table facing the direction of our travel, with my back turned to three persons eating their breakfast for what seemed forever, the youngest of the group, a plump short girl, brought me a cup of coffee. I would have to wait for my juice.

"Spaziba!, can I see a menu?" I opened my palms as if opening a book. It was brought to me. Nowhere on the menu, in Russian or English, did I find anything for breakfast. When it came time to order I made a clucking sound, waving my arms, suggesting (I hoped) a hen, eggs, receiving nothing but a blank stare in response. I decided on a bowl of solyanka, the classic Russian meat soup, which proved to be quite good. I remained the only person in the restaurant car for most of

the morning as we passed through countryside full of trees, mostly birch, enveloped in morning fog. I passed the time reading a book I had purchased in Helsinki in anticipation of this journey, Max Hastings' six hundred page "Finest Years, Churchill as Warlord". We stopped for over 10 minutes in Khabarovsk, the main administrative city of the Far East, at around 11am. At 11.30 I headed back to my compartment wanting to invite Natalia for lunch. I knocked on her compartment, found her sitting on the bench that had been the lower bunk bed.



"I really don't want to eat," she said. When I explained that I needed some help communicating in the restaurant car she said, "OK, I will help you."

After we sat down I asked about the possibility of having eggs for breakfast. "It is possible", she explained, after questioning the staff, but not on the menu. (She was making a much-appreciated contribution to a breakfast that I would not have the pleasure of sharing with her.) For lunch I

ordered a schnitzel, boiled potatoes, and salad. She ordered coffee.

After our pleasant meal I walked her back to her compartment and found mine filled by three young men. Roman and Kristine had evidently gotten off at one of the several stops the train had made in the meantime. My new mates were soldiers. They had tucked my large luggage, left by me under the table, into the small space under my bunk, giving our compartment much needed space. We would be together for several days, I learned from Sasha who spoke the best English. I explained that I was returning to the more spacious dining. They nodded. Natalia left the train when we stopped at around 4 pm. She waved goodbye from the platform where she had met her father. I promised to email the photos I had taken in the restaurant to the address she gave me. Her father had driven 1 1/2 hours from their village of thirty thousand across the Amur River from China. As evening approached the train began to climb, the track following a narrow river. I thought of train rides years ago through Montana and took photos through the restaurant window for as long as light permitted. I made significant progress through Hasting's book that evening in the dining car, returning to my compartment late, finding the soldiers asleep.

The next morning I woke at dawn, as did my compartment mates. We exchanged "dobre utras" (good morning) and some chit-chat, after which I went to the restaurant car where I was, again, the first customer, and ordered eggs (by referencing Natalia's comments) which were brought to me in easy over condition, along with coffee and juice, with what appeared to be a smile. The staff was getting used to my presence, their attitude having

shifted from annoyance with my incomprehensible demands, to amusement at my habit of wanting to photograph things, inside and outside the train, my scurrying from side to side of their car, my pulling back of white curtains, keeping them open using vases of plastic flowers on each table, shooting passing scenery on both sides.



Grazing animals watch us pass

The train would occasionally stop for 10 minutes, giving smokers time to lite up, and anyone who wanted to, to stretch their legs. Shops resembling kiosks offered items for sale. I understood why I had the dining car to myself. Economy conscious locals were purchasing food and drink at these facilities, consuming them in their compartments. I used these stops to capture, without the distortion of unwashed window glass the countryside and to frame fellow passengers, crew, and locals with my Olympus. The sleeping car attendants observed my wanderings with curious amusement, observed my daring in straying a block or more away from



the track, or climbing the stairs of metal rail yard overpasses in search of angles and shots. What could possibly be of such interest? He must be a spy, perhaps an idiot.



A biker, framed by the hills

With their help I never came close to missing a departure, as they waved me back, becoming willing accomplices to whatever I was up to. Some stops were so brief that I was not allowed off. Barely enough time to off-load and take on passengers and exchange gossip with the orange clad railroad workers or ever-present police. At others passengers had time to replenish their provisions of food and drink and stretch their legs.

A photo star emerged: a year-and-a-half old little girl who smiled at me during our first meeting in the doorway of the sleeping car that I passed on my way to the dining car. I stopped, enchanted by her open look, and took a photo that I showed her. I saw her on my way back. She remembered me, calling me "uncle" in Russian, explained her proud

father. I took a second photo that she was curious to see.



The star of the car

At most subsequent stops I found her outside, in the arms of one of her doting parents, or on top of the plastic car they took out to provide an outlet for her energy, or just running around. This exceptionally alert young spirit will forever be a part of my memories of this unique journey, memories aided by a treasure chest of photos. One day she may be a leader of this country.



Rail-side stores provide rest stop economies

As we continued in rolling hills full of trees, I observed horses grazing along the tracks, oblivious to our passing. The river we were following was small, filled with brown water with traces of white swirls, suggesting industrial sludge from some unseen factory. We passed what looked like an abandoned prison in the middle of nowhere. Further on we passed through a town consisting of gigantic gas containers, and railhead, where the transfer of this gas onto railcars was evidently the main activity. We were traveling often in untouched nature. The second morning an early drizzle was transformed to sunshine, birches were joined by thick evergreens as we continued our gradual ascent. Goats replaced horses and cows alongside tracks unprotected by fences. Near noon we stopped in the mountain town of Amazar. One of the attendants who had been observing me from a distance approached me in the restaurant car. He announced his name as Victor. He had

been drinking. He squeezed into the seat next to me and started our talk by motioning to the book I was reading.

"It's about Churchill" I explained, "and Stalin and the war".

Taking the book from my hands he leafed through its pages, stopped in the photo sections and pointed to a picture of a captured Russian soldier. He had found the single shot of a comrade among all the big wigs otherwise included. Our loud exchange opened a more general conversation with a group sitting at a nearby table, able to communicate in English. Finally there was animation in the restaurant car similar to what I have experienced on shorter train rides. A German couple entered and sat down. They were on their way to Lake Baikal, which we would reach the next day. They were on a journey from Frankfurt, via Seoul, where their traveling companions had been forced to abandon the trip when their passports and Russian visas were stolen in a fast food restaurant. (It was impossible to get a replacement visa for Russia in less than two weeks, so they were forced to return to Germany.)

After a couple of beers I decided to take a Churchillian afternoon nap and returned to my compartment. I asked my compartment mates what time the next day would we get to Baikal, to Irkutsk? They understood. After consulting the map in the corridor Sasha returned to explain that the train would travel for three or four hours along the lake before reaching Baikal in late afternoon.

When I woke up from my nap I noticed that we were in high country. Few trees. The rolling green hills contained clusters of two story dark brown wooden homes, many with windows surrounded by elaborately carved shutters painted in light

blue, tin roofs shimmering reflected light. Small gardens defined by wooden fences butted against one another. Roads were mostly of dirt, many containing puddles from a recent rain.



The train slowed down. We stopped at a station dominated by a pink and white concrete building with wide columns, floor to ceiling windows, and a silver coated statue in its place of honor of someone who was certainly not Lenin.

"Who is that", I asked as I exited to take photos.

The poet Karymskaya, after whom the village is named, who born there, I was told. This was an extended stop. After taking photos of passengers taking photos of themselves in front of this statue, I wandered in the direction of a side road where locals were selling breads, fruits and sausages displayed on picnic tables covered with colorful plastic. Many of the faces were Mongol, men crouched in low sitting positions keeping their backsides only inches from the concrete surface of the train platform.



The surrounding countryside reminded me of Wyoming. As we continued our journey we joined what was evidently a great river, the Amur. Wide and shallow at first, judging from the occasional fishermen that I spotted knee-deep over thirty yards from its banks, the river increased in speed of current and depth as we continued to climb. My phone received a message welcoming me to China.

As the sun set, I captured the drama and beauty of this wild country digitally, in fading light. We crossed the great Amur, continuing on its left bank as daylight disappeared.



Crossing the Amur

I returned to my compartment where I found my mates in conversation. As I sat down among the paratroopers the captain asked, "do you want vodka?"

"OK" I answered.

He produced a one liter bottle with a blue label pointing to the name: "Baikal" and poured servings into two silver cups, one of which he offered to me. He then proposed a toast to peace. I looked out the window at the high mountains to our south, barely visible in the distance, said that America was Russia's friend. Any real danger came from that direction, from "Kitai", the word in Russian for China. He understood, couldn't tell if he agreed. He poured another set of shots that we chased with water. The vodka was smooth, first rate. I



offered a toast to women with the third round that brought him to standing position in the middle of our compartment. I joined him.

"To women!"

It was time for sleep. Bright sunshine woke me in the morning from a deep sleep. Outside the window I could see that we were leaving a large collection of houses. Not a small village like those experienced the previous day, but a city composed of wooden houses stretching as far as one could see. We were in Ulan Ude, a highly populated part of this vast highland.

I made my way to the restaurant car, again opening their day. There was no particular rush to serve me but in good time the waitress arrived, greeted me cheerily, and brought me coffee and juice. Having tasted her eggs the day before, I decided on schnitzel. The cook scurried back from the table where he had been watching a video with the rest of the staff on a computer screen, to fix it. We stopped around noon at a large city, a mix of wooden houses and large white concrete industrial buildings where I said a final goodbye to my little starlet, giving her father my card with email. He promised to send a new email address to which I could send the photos of his precious daughter.

"She is from my second wife", he explained, adding that he had two grown children from the first. There was a fifteen-year difference between him and this second wife. I could see how grateful he was for what this second marriage had given him. When I returned to my compartment I noticed that my soldier companions were gone, replaced by two women, one young then the other. (The Russian railroad appears to have a world-class reservation system, judging by how efficiently the spaces in my compartment were handled.) As we



started to speak I asked if they were mother and daughter and learned that they were colleagues, on their way to Tomsk for a conference.

"I know Tomsk very well", I said recovering from my faux pas, pulling out my computer from which I fetched some photos of Tomsk taken the previous winter, and before. As I lay down for a brief rest I noticed that the bottle of "Baikal", with several shots still left, was tucked under the table, a parting gift from my paratrooper friends that today holds a place of honor among my souvenirs.



The moment all trans-Siberian passengers anticipate with relish appeared suddenly. I looked out the right window of the restaurant car and there it was, Lake Baikal, largest fresh water lake in the world, containing 1/5th of the world's fresh water. I had just been thinking of how the forested countryside resembled Switzerland, with mountain villages and riverside dachas visible on each side of our track, when at 3pm Vladivostok time (I had not changed my watch to local or Moscow time)

this wonder of nature appeared before me (for a second time).

Years before I had visited Baikal briefly as part of a Rotary club visit to Irkutsk. I was astonished then to learn that there are no roads around the lake. The only ways to explore it are boat or train (and in winter by car, on ice). I watched the mostly uninhabited countryside of birches, green grass dotted with yellow and orange spring flowers zip by, as the mountains on the other side of this giant expanse of water, visible at the start, disappeared as the lake widened into an inland sea. Much of the time the train track ran next to the water, allowing me to take photos that did not adequately document what I was seeing. I switched to filming mode on my Olympus and took several clips that came closer to capturing what must be seen live to fully appreciate.

The water's edge showed traces of human presence; strands of concrete barriers lined much of the waterfront and occasionally extended into it. Scant collections of wooden houses with tin roofs appeared, linked by gravel and dirt roads. Railroad paraphernalia, wooden electric towers, blue relay stations, and concrete platforms were occasional reminders of man's presence. An off-road vehicle could be seen parked waterside, a few persons walking, flashed by. Iron bridges took us across fast flowing streams that fed mountain water into the lake. At such intersections of waters the calm surface was disturbed by hints of turbulence. It did not take Baikal long to swallow the rushing water into its immense depth. From the windows on the left side of the compartment I spied the majestic distant mountains that fed these streams, their tops still holding snow. Words do not do justice to nature's simple beauty when left alone.



Distant snow-laden mountains

After two hours we approached the Baykalsk paper mill, the largest concentration of human activity within who knows how many miles. Large electric power lines cut through the forest, two tall chimneys rose from beyond the barriers that separated this facility (briefly closed by Putin in response to protests from environmentalists and subsequently re-opened) from prying eyes.

At fifteen minutes of six (Vladivostok time) we pulled into Babushkin, a small town at the southern base of the lake, for a stop long enough only to consider the purchase of smoked fish and other local delicacies, thrust forward to the curious in the space between railcars by enterprising vendors who swarmed these spots of commerce. I went for photos, returned with two omul, packed in a plastic bag, bought for 200r.



Vendors offering smoked omul

I ordered a beer with which to wash down my eight-inch souvenirs, peeling back their blackened silver skin to reveal white meat that lifted easily from its supporting skeleton. I interrupted this meal to document our steep ascent from the lake as we made our climb in the direction of Irkutsk. On this side of Baikal the mountains rose more steeply, the countryside becoming truly Swiss-like. We passed pristine villages that filled the space they carved among heavily forested, steep mountains,

both before reaching Irkutsk, where we made a long stop, and after. Night fell. The mountains were still there in the morning. (What scenery we must have passed through that night.) Inspired by the thought, I took a photo of a sleeping Olga in the upper bunk. She woke up and smiled, leading to even better shots.



Olga awake

I went again to the restaurant car where all understood that this would be our last morning together. I finished my Churchill book as the landscape began to flatten. We approached the giant industrial city of Krasnoyarsk, familiar to me from a previous visit to their business fair. During our extended stop I attracted the attention of a policeman (whose picture I took as he was checking the papers of someone else who had attracted his attention) who began to interrogate me. I responded by babbling in English about being a tourist and walked away.



Exchanging gossip and documents

He let me go only to confront me later, from behind, as I focused my camera in the direction of a worker driving a picturesque (to me) baggage car. I looked for sympathy to the nearby sleeping car attendant and was rewarded when she said something in Russian to this aggressive cop that finally got him off my tail. I jumped back onto the train. I sensed those around me, observing, were not accustomed to seeing anyone with such a seemingly cavalier attitude towards "authority".

Olga and her older workmate left the train for another that would take them to Tomsk. I would send photos to the e-mail she wrote down on a piece of paper torn from her notebook. The remainder of the trip to Novosibirsk passed through rather flat countryside that I remembered from the previous winter, beautiful, but not as spectacular as what we had left behind. We arrived on time in Novosibirsk. It was 10.21 "local time", 7.21 "Moscow time", "2.21am next day" Vladivostok time. Conclusion: If you have seven days by all means take the trans-Siberian all the way across. If you want to experience its most spectacular gifts, fly to Krasnoyarsk and go east.

### **Russian roads**

The condition of Russian roads is a factor in many road stories. One of the most unforgettable drives of my life was a trip with Ildar from Ulyanovsk to Kazan. It was snowing. A strong wind blew the snow off the paved road where the road rose above the open plain. Where it did not, and instead dipped into a valley, huge snow banks had been naturally built, snow on each side higher than our car. Snow on the road had forced many trucks to stop. Ildar managed to continue forward motion, slaloming from one lane to the other, barely missing trucks in a desperate attempt to maintain uphill momentum. If we were ever forced to stop there was little assurance we could regain traction.

What in the world would happen, I pondered in the back seat, in that case? We were in the middle of nowhere, with no trace of humanity other than stalled trucks. No place to spend the night. In a feat of driving reminiscent of his late night return to

Kazan from a Tatar wedding previously described, Ildar managed to keep the car moving forward and we arrived safely in Kazan.

The quality of Russian roads falls off dramatically once one leaves the vicinity of cities. I can report progress in and near cities. A new four-lane highway links Tolmashevo Airport, 25 km outside of Novosibirsk, to the center of town. What took over an hour when I first visited can be done now in twenty minutes. Another new highway seems to have inspired the construction of a new section of this booming Siberian town, with many buildings, residential and commercial, both completed and unfinished, rising on either side. It is difficult today to find pot marks in the road linking Novosibirsk with Akademgorodok. That is a route I know well, having travelled it first in 1995, when dodging potholes was local sport. Now traffic clogs this road in the direction of Novosibirsk in the morning, in the opposite direction at the end of the day. The academy city has become a desired bedroom community for the rich from Novosibirsk. High-rise apartments are sprouting among birch forests. Roads in Akademgorodok are now mostly paved. Those that are not stand out.

The greatest danger on Russian roads has always been the police. There are points of "control" everywhere roads near cities. Police have the authority to search for violations. They do so with enthusiasm and self-interest. It is easiest to settle any matter on the spot.

Enough said.

### **Air travel**

The distances in Russia are so great that sometimes flying is the only option. Russian



airlines now use Boeings and Airbuses but it is still possible to experience a unique journey on a giant Ilyushin that begins with a climb off the airport tarmac into the cargo belly prior to ascent, via narrow stairway, into an enormous passenger seating area. (Aeroflot between Moscow and Novosibirsk or Vladivostok for example.)



The plane seats over four hundred in three large compartments, with three rows of business class thirty-seven of coach. All four toilets are located at the back of the plane. Upon landing the backs of unoccupied seats slump forward as the plane decelerates. Two powerful engines under each wing propel this icon of Russian aviation. The Ilyushins are gas-guzzlers and being replaced as fleets modernize. Irrespective of the airplane, you know you are among Russians when, after landing and ignoring instructions to remain in their seats, passengers rise and open overhead racks. They are not stopped by any announcement and continue until the plane reaches the gate. I have

found fewer passengers now jump to their feet while the plane is still taxiing to the arrival gate. Progress, perhaps?



New Sheremetyevo interior

Another feature of air travel unique to Russia is control of checked baggage, once it is recovered from the arrival turnstile. Persons of authority check the number of the tag you must present, with that of the bag you are taking home. The

honor system has not yet evolved (except in Moscow). Many Russians wrap their checked bags with transparent covering, using services available in airports.

The airports themselves have undergone dramatic upgrades. Each of Moscow's three airports is now accessible by rail that connects with the metro system. All have new terminals with spectacular designs. Change in the regions has also been dramatic. Two new terminals in Novosibirsk dwarf the small building where I fetched my luggage on my first visit. More often than not planes now deliver passengers directly to terminals, eliminating the need for bus transport on the tarmac.

I took the overnight plane to Irkutsk, the city not far from the southern edge of Lake Baikal, to join Sergey at a rotary convention one summer. The rotary network was experiencing dramatic growth in Russia, providing an example of what can be accomplished by local civic initiative. Rotarians from around the world visit Russia, sharing their experiences and donations of much appreciated equipment for the handicapped. The meeting in Irkutsk was bringing Rotarians from across Russia together with Alaskan sponsors. While Sergey was occupied with rotary business I was free to travel by bus to the small town at lakeside.

The shoreline of this world famous lake was, in 2004, uncluttered by commercial development. Food, drink and souvenirs were available from rudimentary stands. Boat trips into the lake and along the shoreline were possible. I did not see any hotels. The water was freezing cold in mid-summer. I jumped in for a quick swim without the benefit of a sauna as preparation. Much of the lakeshore is accessible in summer only by boat.

(In winter meter-thick ice allows travel everywhere.) A rail line goes up one side, but not the other. There is no road circling this world treasure. Pristine nature in undisturbed condition, near a city easily flown to. Only in Russia.

The Kamchatka peninsula, in the very Far East, boasts new hotels and roads. Mother nature's wilderness there, and in other parts of Russia, will likely remain relatively untouched for years, offering unparalleled adventures for those ready to take the plunge.

### **Getting out**

I learned during a visit that it can be as tricky getting out of Russia as getting in. The evening prior to my scheduled departure by train from Moscow to Helsinki I was celebrating the 4th of July (on July 5th) at Cantina, a Mexican restaurant on Tverskaya Street I have frequented for years.

Located up the street from the Moscow Hotel, long my residence of choice, and featuring live music from a rotation of bands, Cantina has survived renovations that have transformed the neighborhood. Earlier that day I had bought my train ticket at the desk selling Helsinki tickets on the second floor of Leningratsky rail station. I had the ticket and my Finnish passport containing my Russian multiple entry visa (due to expire in two days) with me at the Cantina where a sign over the bar warns "beware of pickpockets and loose women".

I got talking with a Cuban couple sitting next to me at the bar. We joked and took photos with my camera, dancing in place to the live band not far away. Inspired by a rendition of "Guantanamera", I approached the dance floor. When I returned to

my bar stool the Cuban couple was gone. So were my passport and train ticket, from the pocket inside the jacket that I had left draped over the back of the stool.



The Cantina's out-door terrace

What an idiot! I had moved my wallet from my jacket into my pants but had neglected these items. What to do? I asked the bartender who knew me to call the police. He said that I needed to go to the police station. I said "Nyet!" I wanted to report the incident at the place of the crime, and get a written report that would presumably be useful in next steps.

He called the manager who repeated the party line. I threatened to not pay my bill, giving them another reason to call the police. We had a Mexican standoff, he blocking my exit, me repeating a desire to have the police appear. After a while I gave up. He was in his element, and big. I decided it was wiser to pay the bill, get some rest, and prepare for what promised to be an

interesting day. (I later learned from Nick that I had been correct in insisting on the arrival of police. If I had been Russian, the management would have complied. As a foreigner I had been manipulated.)



Inside the Cantina

Early the next morning I went to Leningratsky Station to the same booth where I had bought my ticket the day before. I found a different woman, who spoke little English, and reacted to my story by explaining that it was "impossible" to issue a second copy of the ticket I had bought. This was explained, in more detail, on the phone by an English speaking man she connected me to. I would have to buy another ticket. I was told that the computer system used by the ticket office did not have access to previous tickets issued for trains traveling outside the country. This information was available for domestic trains. The only remaining tickets to Helsinki were business class, costing four times what I had already paid. I

could come back later and see if some places became available in the meantime.

What the hell? It is inconceivable that a train departing Russia does not contain a manifest listing its passengers for boarder authorities to check. With respect to the stolen passport I figured I could put the American passport that was in my hotel room to emergency use. Surely I would be allowed to leave Russia carrying a valid passport and copy of the visa and stolen passport that were provided to me by the hotel. I was, after all, going to the country that would issue a replacement passport, and my visa was valid, expiring in two days.

At the hotel the receptionist was happy to provide copies of my stolen documents from their files, and a note explaining my circumstances. Armed with these documents Nick and I returned to the station several hours prior to departure time. I was psychologically prepared to buy a second ticket onto a train where I already had a place, but curious to see what we could accomplish together in negotiations. Upon arrival at the station we were informed that not only had less expensive seats not opened up, but the train was now sold out. Ridiculous. I offered to get onto the train (on which I had a reserved space) and to find this place once on board. (I had previous experience boarding Russian trains without a ticket.) I figured that the security officials, if not the reservation office, certainly had their record of who was expected to leave Russia that evening, and I was certainly on their list.

This was out of the question, we were told, and advised to go to ticket counter #1, specializing in "complex cases". I found the woman at this booth to have a positive, helpful demeanor, in contrast to

the others we had dealt with. When Nick explained my situation she advised that there was space on a Moscow-Magadan bound train to St. Petersburg, from where I could get the St. Pete to Helsinki train. Great idea. I was familiar with the Sibelius, having taken it many times. She sold me a Moscow-St. Petersburg ticket on the Magadan train that would not be leaving until 2am and arrive in St. Petersburg at 9 the next morning, giving me plenty of time to make arrangements there. I told Nick we had time to return to the sports bar near my hotel where I had watched the first two sets of the Federer-Nadal Wimbledon final. The match was halted by a rain delay. Perhaps play had resumed and Nadal had won a 3rd set so there would be nothing to see, but perhaps not.

We discovered that the match was still on. Federer had won the 3rd set in a tie-break. The combatants were near the end of the 4th set. Brilliant luck. We went on to witness what will be considered one of the greatest matches in tennis history, with Nadal prevailing 9-7 in the fifth set, as darkness threatened to halt the match. Nadal won just in time for us to rush back to the station so I could catch the Magadan bound train. The Cuban pickpockets had given me a gift. Had I taken the earlier train I would have read about the match in the newspaper. Instead, I had a treasured memory.

On the train I joined a Magadan-bound couple traveling with their young daughter. I climbed into my upper berth, from where I was woken the next morning by the sleeping car attendant who also offered coffee. Outside I saw bright sunshine. The promise of a spectacular day, in one of the world's most beautiful cities, awaited me. Thank you, Cuban thieves, for this second gift. I found myself



in an unfamiliar train station. I know the Finland Station, from where the train to Helsinki departs, and the Moscow Station. The Magadan train had stopped at a third station in St. Petersburg, one evidently used by trains that transit the city. I asked for directions to Finland Station and was directed to the metro where I would transfer to the red line. No problem. It was early morning rush hour so maneuvering was required to squeeze into the compartment dragging my luggage. I managed not only to get on but, more importantly, to get off, at the right stations. I knew precisely where to go to purchase my Helsinki ticket.

The clerk accepted my US passport and payment by credit card. The train would depart at 16.45. It was only 10am. I asked where I could leave my bags and was directed to an office where a woman agreed to charge me for only two, even though I was leaving four (two being very small packs from the venture fairs I had attended in Novosibirsk and Kazan). Another bit of good fortune. I was free to photograph St. Petersburg on a glorious July 7 day, proud of how I had managed to recover from the incident that had threatened to mar an otherwise successful visit to Russia. I was enjoying an unexpected day in St. Petersburg in brilliant sunshine! I walked the city, observing its progress. Many buildings were covered with nets suggesting on-going renovation. Many others had emerged, two hundred year old structures vibrant with new life. On the other side of the Neva River I saw the spot where Vladimir Kvint's plans called for the construction of the glass Gazprom skyscraper that would anchor a modern section of St. Petersburg, replacing a part of town containing massive Soviet style industrial buildings. (These plans have been "modified".)

This combination of renovated 18th century treasures, and modern glass city, will one day be one of the most spectacular cities in Europe. The weather changed forcing me to open the umbrella I had taken along just in case. Then back to sun. I logged into the Internet via the WI-FI service at the McDonald's on Nevsky Prospekt and learned the interview I had given to a Siberian newspaper was published.



"Brain drain" illustrated in Siberian paper

I returned to Finland Station in plenty of time to catch the Sibelius, with four hundred rubles in my pocket, and decided to celebrate the great day by purchasing a bottle of Russian champagne at the kiosk. I had one hundred seventy rubles left. Did they also have vodka? Not officially, but I was taken inside the kiosk and offered a bottle for three hundred rubles. Would they take four hundred for both? Yes. Another victory!

I was thinking about how pleasant it would be to spend the evening in Marjukkala, observing a

sunset while thinking back on this memorable visit to Russia, sipping the cold bottle of champagne when the Finnish train conductor came through my car to collect documents for the boarder. I handed him my package: US passport, copies of the stolen Finnish passport and multi-entry Russian visa inside. I brushed off his comment that I might have a problem with the Russian authorities at the boarder to Finnish melancholy.

The train stopped about an hour later at the boarder. Toilets were closed. I saw a Russian official in green uniform enter our car holding my blue American passport in hand. I raised my hand to identify myself.

"You Vallila?"

"Yes, sir," I answered.

"No visa. Get bags. You off train!"

"What? How could this be? My passport, with visa inside was stolen in Moscow. That is why I cannot give it to you. You have a copy of the valid visa. I am leaving Russia and will get a new passport in Finland."

He smiled at my delusion. There was no arguing with him. I had no visa, therefore I could not leave Russia! (Finland was ready to receive me, the conductor assured me, but I was presently in Russia, and Russian rules applied.) My astonished reactions to what I was being told must have provided an amusing spectacle to those observing my platform performance from the comfort of their seats. The train was ready to leave without me.

I had a moment to re-board, and recover my large luggage, stowed near the compartment entrance. As I did I could hear chatter relating to my difficulties. Absurd! Ridiculous! I was being prevented from leaving Russia because I was not in possession of the original of the visa that

authorized my entry into the country, due to expire in two days. I found myself alone, on the platform, totally out of rubles, with no clue as to what to do next.

Only alternative was to find my way back to St. Pete. But how? A woman in the station told me there were buses departing from a station not far away. The St. Pete bus was 850. I walked out of the train station in the direction indicated by the woman and spotted a bus with 850 in the window. A driver and woman were inside.

"Going to St. Petersburg?"

"Da."

"When?"

"In ten minutes."

They pointed to a bus stop where they would be picking up passengers.

"Can I put my bags on your bus here?"

They could sense my frustration without knowing the elements contributing to it. Taking pity they agreed, opened the luggage compartment.

"Do you take dollars? Euros?" (I did not consider asking about Visa.) Only rubles.

"How much?"

"Two hundred rubles".

This was encouraging news. (This turn of events would not cost me an arm and a leg.) I looked into my wallet and was pleased to discover dollar bills: a five and five ones. I pulled them out. The woman, in charge of tickets, agreed to accept my dollars and took nine after referencing a calculator. I was allowed to board the bus and was soon joined by several others who boarded at the stop. The bus proceeded out of town onto a two-lane road through the forest. Our driver passed many trucks, confident that ongoing traffic would move onto the shoulder in cases where he did not

complete his pass in time. This unspoken rule of this road was observed on several occasions.

Where would I stay in St. Pete? I checked my Nokia communicator and found the name and number of a hotel I had put in some years before, just in case....and phoned them, getting assurance they had room, just before our conversation was shut off due to battery outage. Now I would just have to find the Na Munchnom Hotel. I had the address: 25 Sadovaya. The bus driver and ticket woman were by this time familiar with the circumstances that had brought me into their company. The woman provided me with the address of the Finnish consulate where I would have to go next morning, and the name of the nearest metro station.

"They will help you", she assured.

The bus stopped at the outskirts of St. Pete at what turned out to be the end of the blue line. A young woman offered to help me find the station and paid for my fare of two tickets (one for me and one for my luggage), refusing my offer of my last remaining dollar. I showed her the address of the hotel and she remarked that the blue line had a stop named "Sadovaya". Things were looking up. She got off the metro two stops later, wishing me good luck. I now knew where to get off.

Finding Na Munchnom, knowing its name and address, proved more of a challenge than anticipated, due to the fact that Sadovaya Street, as most streets in Russia, contains infrequent street numbers. I walked past the hotel several times (its entrance was from a side street), before finding it. Walking up to the 2nd floor entrance I explained to the woman at the desk that I was happy to have finally made it to the "most difficult to find hotel in the world". She explained that they

did, in fact, have a bed in a room with multiple beds, and that it would cost me nine hundred rubles. This was good news. The next morning I found the Finnish consulate, much easier to spot from a distance than the hotel, due to the crowds waiting outside. I walked past the queuing Russians to the front door and was given entry to the section dealing with Finns, where I met vice consul Tarvo Nieminen.

He explained that my problem could be quickly solved by the issuance of a "temporary Finnish passport" that he could issue within an hour of receiving a passport photo and five thousand and twenty rubles. A photo office across the street did my photo and the cash machine of a bank around the corner accepted my Visa card and provided enough rubles for my temporary Finnish passport, my hotel stay and bus ticket to Helsinki. (I was done with the train.) I received directions to the bus station from Tarvo and his assurance that what he provided me was sufficient to get me out of Russia. Just in case he gave me a copy, in Russian, of text explaining recent legislation that authorized exit from Russia of individuals carrying valid passports but without visas. The conductor who had thrown me off the train was either unaware of this legislation or had chosen not to apply it in my case.

Tarvo's assurances proved correct. At the boarder my "temporary passport" was examined, at length, by a woman who went to the booth next to hers, seeking advice. When she opened the passport to stamp it, I knew that I had (finally) made it out of Russia. I can hardly imagine the drama faced by a Russian carrying Russian documents wanting to exit the country.

On my next visit to Moscow I visited Cantina looking forward to its live music and wondering if I might, by chance, run into the Cubans. At the entrance the tall gatekeeper with whom I had my Mexican standoff appeared to deny me entrance. I had achieved a new status: "Persona non grata" at the place where my pockets had been picked!

I am pleased to report that things are now back to normal at Cantina. I celebrated New Year 2010 there, on the dance floor, joined by the bouncer. Such is the hope of any new year.



Cantina barman giving me the thumbs up

**Business Lessons:**

- There is no substitute for taking the plunge.
- Jumping into the unknown will cloud your vision before reopening your eyes.
- Knowledge gained in travel becomes a comparative advantage.
- Travel teaches and tests flexibility.



## **CONCLUSION: FOLLOW THE FOOTBALLER'S EXAMPLE**

A trip to Russia coincided with the Euro 2008 Championships during which a young Russian team unexpected advanced to the semi-final by beating the favored Dutch team 3-1 in a game that will be discussed for many years. It was my good luck to see the crucial qualifying match between Sweden and Russia in Helsinki. (The perfect place to observe this showdown between two ancient imperial powers.) After beating the Swedes the Russians moved into the elimination round and were considered cannon fodder for the talented Dutch, winners of their group, and thought by most experts to be the main rivals to Germany and Portugal for the 2008 crown (eventually won by Spain).

The Russians had the youngest team in the tournament, and in advancing to the elimination round had already fulfilled the hopes and promises of their Dutch coach. Their Dutch coach! The Russians decided years earlier to bring in Guus Hiddink, a man known for taking previous teams from Korea and Australia beyond what was thought to be their potential in World Cup tournaments. I watched the Russia-Netherlands match, including the spectacular 2nd overtime during which Russia scored two goals, in the departure lounge of Sheryemetev airport, before boarding the 2am flight to Novosibirsk where I would speak at the Siberian Venture Fair.

The football result gave me a perfect introduction for my remarks. The key to Russia's victory was the potent combination of Russian resources, the

strong legs of its young footballers, combined with the organization and knowledge brought in from outside. The same advice applies, in my opinion, to the successful commercialization of technology.

Russia contains elements of potentially "transformational technologies". But to transform this potential into world changing realities, Russia must be ready to work in co-operation with foreign "coaches". Russia has experienced a tumultuous twenty years, has emerged stable and confident, and faces its moment of truth: does she recoil into the "stable state" of a banana republic of oil and gas, or does she step forward, enter the global village, and contribute her considerable talents to the game of integrated human progress?

There clearly *is* a right answer.

\*\*\*

On December 2, 2010 FIFA awarded the 2018 World Cup tournament to Russia. The announcement was a shock. That day's edition of Moscow Times expressed pessimism concerning Russia's chances noting that Putin had not travelled to Zurich for last minute lobbying. Speculation was that, after a Sochi success he did not want to be associated with a disappointment.

While channel surfing in my Moscow hotel around 6pm I stumbled onto the live broadcast of the announcement ceremony. Having read the Moscow Times that morning and watching images of Prince William and David Beckham (in addition to David Cameron) in Zurich as part of the build up, I was stunned when Seth Blatter pulled a card out of the envelope that read RUSSIA. No immediate celebrating in the streets. It was -20 outside thanks to a "frost" enveloping Moscow. TV showed the Russian delegation in Zurich jumping for joy. I recognized Roman Abramovich owner of

the Chelsea football club. Spontaneous outbursts were beamed from the four hubs that will host the games: St. Petersburg, Sochi, and Kazan in addition to Moscow.

Next morning Nikolai, the doorman at my hotel was smiling. We joked about seeing each other on the day, in 2018, when the final will be played in Moscow. I imagined an injection of pride rippling through this vast country. Putin was shown on TV the next day speaking graciously from Zurich in English promising "perfect execution".

There is a long way to go, but the world is providing an invitation. How will Russia respond to this challenge to change the world?

Time will tell.



Nikolai with the first edition of Bannana

## **THE AUTHOR**

Martti Vallila was born in Prague, Czechoslovakia.  
He immigrated to Washington DC, where he learned  
English in public schools.  
Martti graduated from Stanford University in 1971 with  
a degree in anthropology.  
He earned an MBA from the University of Chicago, with  
a concentration in international business, in 1978.  
Martti lives in the Philippines where he teaches  
waterskiing.  
This is his first "Bannana book".

### **Other Bannana Books:**

Bannana in Boston  
Bannana in the Legal Gulag  
Bannana's Crime and Punishment  
Bannana's Near Death Experiences  
Bannana as Gramps  
Bannana Returns to Mindanao  
Bannana Vindicated