Sixth Open Innovations Moscow International Forum

The theme of the plenary session is, Digital Economy. Society. Business. State.

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The Open Innovations International Forum for Innovative Development was first held in Moscow back in 2012. It is organised by the Ministry of Economic Development, the Moscow Government, RUSNANO's Fund for Infrastructure and Educational Programmes, the Russian Venture Company, the Innovation Support Fund, the Skolkovo Foundation, and Vnesheconombank.

The forum's format includes three days each covering a specific area. The first day's agenda was digital transformation of conventional companies and industries as well as the revolution in management technology. The second day will be devoted to changes in the public administration system entailed by the global digitalisation. The third day will cover the social aspects of the digital economy.

Plenary session

Excerpt from the transcript:

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Dmitry Medvedev: Mr Bettel, ladies and gentlemen,

Welcome to Skolkovo and to the sixth Open Innovations forum. This year's topic is the digital economy. Now I would like to share some of my assessments of what is happening.

The digital economy today is already a given and it is not imposed by a government order or at the initiative of individual entrepreneurs. This is what surrounds us in the literal and figurative senses. Smartphones, mobile internet, social networking, e-commerce, and electronic payments are all part of our modern lifestyle. Data processing helps predict consumer behaviour, and even to build new business models that transform entire markets, something that was difficult to imagine even 10-15 years ago.

Some say that data is like new oil. Anyone who learns how to turn data into useful solutions, wins and vice versa, those who don't catch onto these opportunities lag behind, and maybe even forever. This is true of individual companies, whole sectors, as well as countries. Competitions are now of planetary scale.

Of course, the competition is now global. Almost everybody can feel the consequences. Firstly, people themselves, secondly, traditional companies (I mean companies that are successful in traditional economic sectors) and thirdly, states. I will speak about these three components in more detail.

The first is people's ability to adapt to the new technological wave. We've done a lot to make the digital culture familiar in our country, but at the same time this task is more difficult for us than for many other countries. Russia sits quite high in various international rankings. For example, during

a period of just five years, we have risen by 36 positions according to the Networked Readiness Index.

According to our statistics, 75 percent of households have access to the internet plus the fact that we have the highest number of internet users in Europe. More than half state-service clients have chosen online technology. However, we, of course, should not forget the so-called analogue Russia: the digital inequality of the regions and far-away locations without high-speed access to the internet. We should also take into account the generation gap. This is a problem we have here, but it also exists in other countries too.

The digital transformation changes the labour market a lot. The demand on those who specialise in big data analysis, mathematic modelling, financial technology and cybersecurity will increase. On the other hand, jobs associated with routine and processing of typical information may suffer the most damage. We have to think how we can help people adapt to the new situation. The transformation already involves all levels of the educational system.

New requirements are in place at all levels, beginning from schools. Of course, we support talented children who are doing well in ICT and maths, we help teachers update their skills as well, we will also develop a system of mathematical and engineering education, and obviously we do have world class experts in computer programming as well as cryptography. However, we are not making the most of our intellectual potential to advance our economy, our ideas are poorly translated into ready commercial technology. We have no shortage when it comes to inventors but we don't have enough accomplished business projects. This is undoubtedly our weak point. Many foreign engineering and IT-companies, including those in Silicon Valley, employ a lot of our compatriots. Our goal is to encourage young talents to realise their potential here.

This is the reason we set up Skolkovo at the time, where we are now, and there should be many more such centres with concentrated IQ. This is our principled policy supported by a newly adopted law on innovative science and technology centres. We build such innovative complexes, centres. I recently signed a resolution to open a new innovation cluster in the Pushkin District of St Petersburg. It will have research centres, labs, education units, accommodation, innovative industries, and a new campus for the St Petersburg National Research University of Information Technologies, Mechanics and Optics. This is one of our country's best universities in this area, and its team was a seven-time winner of the world programming championship this year.

The second set of issues that I would like to discuss is whether our companies are ready for the digital change. After all, digitalisation doesn't just change our way of life, but it also changes how we work, as I said before, in traditional industries, such as energy, transport, and engineering. New civilian airliners like the Sukhoi Superjet 100 or the MS-21 have already been digitised. The engineering offices exchange paperless documentation. Digitisation allows us to use new technical solutions. The airlines can immediately plan their maintenance service, and streamline the loading of their fleet. To do this, we recently adopted the Digital Economy

Programme and a management system for it. A dialogue was initiated between the state and businesses across five areas: regulations, cadres, training, forming research competences and technical capacities, information infrastructure and security. For each of them, competence centres and working groups have been identified.

Of course, we won't accomplish all this just by giving orders; it wouldn't work. Digitalisation is a matter of the competitiveness of the business itself. In the final analysis, the business itself is interested in this. Start-ups that were obscure only recently are now able to dislodge solid, serious players from the market (this happens in all countries), by offering a better business model, and promoting their platform solution.

In the coming years, many dynamic digital companies will spring up. There is great potential for this. It can be achieved quickly and at relatively low cost. I'm referring to transport and logistics services, healthcare, education, financial technologies, smart urban environment, modern agricultural production, and other areas.

We will take remote areas, hospitals, and schools online. In addition, in the near future we will start creating a fifth generation mobile communication network. This is a fairly difficult undertaking considering that it requires considerable expense. But in any case, this will speed up the development of high-tech companies. We will continue to create conditions for them to attract investment, and for venture funds that are willing to support Russian start-ups.

Finally, the third issue that I would like to focus on is whether the state itself is ready for such a transformation.

Of course, addressing this objective in a country as vast as Russia is a challenge, but it's an interesting proposition nonetheless.

Digitalisation changes approaches to public administration and legal regulation. There are a number of issues with intellectual rights, the protection of personal information which is related to the cross-border nature of the vast majority of services, when it is sometimes impossible to trace the jurisdiction and rules by which such companies operate.

As IoT technologies develop, a question arises as to whether our critical infrastructure and people's everyday life in general are, in fact, ready for this. Are we ready to accept the fact that this kind of activity will be controlled from the outside, including through foreign digital platforms. It is, indeed, a problem for the state as well as for the individuals.

New technologies, such as blockchain, for example, are capable of radically changing legal operations related to data count and confirmation based on contracts. Due to their nature, they cannot belong to an individual country or a group of countries.

At the same time, any transformation causes much foam, which is also being discussed. A boom on the crypto currency market and other blockchain-based

initiatives might, in case there are no clear-cut rules, generate quite serious risks for which decentralised players, let alone anonymous players, cannot be responsible.

The speed of technological changes requires more flexibility from regulators. There should be fewer barriers, including regulatory barriers. We should assess new regulatory standards from the point of view of digitalisation tasks. Regulatory activity as we can already see today will lag behind technological progress. That does not mean, however, that there should be no regulation. Moreover, many ideas do not stand the test of the market and simply evaporate or disappear. That’s normal. The world has already gained experience in this sphere. For example, the creation of separate pilot platforms free of excessive requirements. This approach makes it possible to test technological solutions within a fairly narrow scope. By and large, we were guided by this approach when we were creating the Skolkovo centre.

Colleagues! In conclusion, I would like to say that we have the potential to guarantee digital sovereignty, but we do not intend to shut ourselves up and build a kind of digital kolkhoz, if you will. The capacity of the Russian market is limited anyway. We will promote our products on global markets, but we would like to work together with international partners. It is important to create a trusting environment even today, though this is not always easy, as you know, due to well-known reasons. But we are open and I hope that this dialogue will continue here and at other discussion platforms.

Let me once again welcome you to Open Innovations. Thank you for your attention.

More to be posted soon…