

A Ukrainian brain drain

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One morning in March, Dimitri Simerazhko looked up from breakfast to see tanks rolling by his apartment in Sevastapol, on the Crimean peninsula. He turned from the window and Skyped his business partner, Sergei Dubograev, in Virginia. The two of them had co-founded a startup called Pinxter that makes phone apps to track the online popularity of brands. “I told him that this Ukraine situation has become, uh, uh, uh—O.K., let’s say it’s become a little bit weird. Maybe tomorrow the army comes and takes my computers, or the border closes. I am one hundred per cent Ukrainian, but I am in Crimea, and it’s time to leave.”

Ukraine’s per-capita G.D.P. is less than four thousand dollars, and its economy is dominated by wheat and coal. But it has also been a hub of engineering expertise since it was part of the Soviet Union. Ukraine’s mineral deposits allowed for heavy industrialization after the Second World War; eventually, its factories were producing aircrafts, gas turbines, and steel. Meanwhile, its Black Sea shore made it ideal for Soviet-era shipbuilding. That expertise equipped Ukraine to incubate a thriving information-technology industry after it gained independence in the early nineties. Today, it has a larger I.T. outsourcing industry than any other country in Eastern or Central Europe; in 2013, Ukraine’s four thousand I.T. companies had combined revenue of more than two billion dollars.

Elizabeth Krukova, a lawyer at National Capital Legal Services, a Virginia firm specializing in helping Ukrainian companies to apply for U.S. visas for their employees, told me that, at the beginning of this year, she received one inquiry per month from Ukrainian technology companies looking to move their staffs to the U.S.; now, she receives two or three per week. “Technology people have concerns besides their safety,” she said. Among the more minor ones, some Ukrainian technologists worry that the geopolitical tumult could raise their taxes. Since early 2013, Ukraine has offered a special deal to software companies: a flat five per cent corporate-tax rate, compared with rates of about eighteen per cent for other companies.

Even before the middle of March, when Russia annexed Crimea, Pinxter’s Ukrainian operation was becoming onerous and increasingly costly to run. Stores were emptying of food. Many A.T.M.s stopped dispensing cash. Local banks were closing without notice. Dubograev and Simerazhko also felt that the situation in Ukraine had begun to threaten their professional credibility. “We’re V.C. investment backed and have large American partners,”

Dubograev said. (Pinxter is currently backed by angel investors like Cal Simmons, a travel-industry mogul, but expects to close a round of venture-capital funding soon.) “Our customers are in the United States. We really can’t miss deadlines, and we have to work within the budget we have.”

Dubograev, who is twenty-five years old, was born in Belarus but has lived in the U.S. for most of his life. He agreed with Simerazhko that Pinxter’s software engineers needed to relocate fast. But how quickly could the company’s six other Ukrainian employees—Pinxter’s entire software-development team—emigrate, and to which country? “The best-case scenario was all our employees come to the U.S.,” Dubograev said. “But how do we arrange for visas when we don’t know if they should have Ukrainian or Russian passports?”

Within days, Pinxter had sold its small office, and its Ukrainian employees—all under the age of twenty-nine, but most married with children—had scattered to Kiev and Ukraine’s western fringes. Simerazhko packed a North Face duffel bag and flew to Egypt. He was disappointed with what he found. “Some Ukrainian programmers have located there, but Egypt is for cheap alcohol and the Red Sea; the Internet is terrible,” he said. So on the advice of Ukrainian friends in the tech industry, he and his girlfriend boarded a flight to Thailand. “Right now I’m in Phuket, and it’s very good for Internet,” Simerazhko told me via Skype. “Also very good for people and food and, especially, fruit.” He has decided that Phuket is the place for Ukraine’s besieged and splintering tech industry to regroup. He has found that it is already a destination for Ukrainian techies and is trying to get his own employees to follow him. He rented a one-bedroom apartment for seven hundred dollars—“the same price in Crimea but the quality is better”—and a motorbike to scour the area for a villa that can house the rest of his team. “When I got to Bangkok, I rode the subway, and I felt like I could see the future,” he told me.

Other Ukrainian techies have been popping up in neighboring Poland, Latvia, and Russia, where many Ukrainians have family and business ties. The Ukrainian company 4A Games, which makes a popular computer game set in a post-apocalyptic Moscow, announced, on May 12th, that it had suddenly moved its Kiev headquarters and its entire management team to Malta.

The universities in the city of Kharkiv—just a few miles from Ukraine’s northeast border with Russia—trained many of the Soviet engineers who ran all those steel mills and shipbuilding plants. Later, those institutions focussed on teaching information-technology skills. So although tech is broadly dispersed across Ukraine, the eastern regions around Kharkiv—many of which, like Crimea, have been beset by separatist movements—have been especially booming information-technology hubs. Kharkiv is now the country’s second-biggest outsourcing market, after Kiev, and home to about two hundred technology companies.

Some companies in those eastern areas are looking to Ukraine's more stable western regions. Last week, DataArt, a New York custom software company with five offices employing five hundred software developers in Ukraine, opened a new office in the Western Ukrainian city of Lviv. "I think it's important to keep in mind that people move about for different reasons," Alexei Miller, a managing partner at the company, told me. "I don't see the tech industry cratering. There can be a parallel universe where the country can be in shambles, but the I.T. industry could still go on strong." Miller said that his company's expansion is in part recognition that Ukrainian techies are looking to relocate to Western Ukraine, but he still predicted that most software engineers in the Eastern regions will stay put. And if political or financial mayhem disrupts the work in Eastern Ukraine? Miller was dismissive. "People don't make life decisions based on whether their local bank branch closes for a few months," he said.

Meanwhile, scouting for relocation sites in Thailand, Simerazhko conceded, "There's trouble on the streets here, too. But it's a softer revolution than in Ukraine."