

RUSSIAN IT POTENTIAL FOR APEC DEVELOPMENT

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Introduction

Globalization at its current state is mostly driven by the information flow, where the business process is becoming mostly electronic. Proper information at the right place is becoming most valuable asset and product of information economy. It has become ubiquitous adoption of IT even for most traditional and low tech businesses as a vital part of their ability to deliver goods and services. To rapidly increasing number of companies IT is both an important source of competitive advantage and growing part of products they offer. Hi-tech area is worth about \$3000 billion now, while to 2010 is expected to triple. At the same time, traditional economy wouldn't exceed 30% growth rate to that time.

With the increasing take-up of e-business and the delivery of services on line by governments, economies are becoming highly dependent on the Internet. In this new virtual world, physical borders between economies are of little consequence and it is this realization which prompts the need for a collaborative approach across all Internet-enabled economies to counter growing possibilities and challenges coming hand to hand in this new reality. To keep pace with growing competitiveness of the global economy, to realize growth potential of APEC economies, we have to define clear rules and establish firm infrastructure enabling steady and outstripping development.

ICT Challenges

While local and international legislation harmonization over the region is still the biggest issue preventing rapid cross border e-business development another hazard of cyber criminal activity grows is getting more and more critical increasing risks and destructing information space. No doubt we can say that protection of Internet systems in the Asia-Pacific region is critical to the region's political and economic stability and security.

Attacks on the Internet are increasing in frequency, sophistication and scale. They come in the form online fraud, viruses, worms, trojans and denial of service attacks, and other malicious code. Another threat of information noise in the mostly annoying form of spamming is overwhelming the Internet. About 70% of the total traffic in the world is in the spam domain spoiling tremendously communications and business processes.

Recognizing the threat, APEC Leaders have defined the eAPEC strategy and counter-terrorism action plan that is in progress now in the form of enrolling coordinating centers CERTs (Computer Emergency Response Team) or CSIRTs (Computer Security Incident Response Team). However, the coordination is fragmented or missing yet and only few economies have established these. Also, those that protect us from these threats are locked in an evolutionary struggle against those that perform the attacks. Safety, security and reliability of the internet is dependant upon early detection of criminal activity and precautionous law enforcement measures.

However, this requires a balancing of such fundamental rights as the right of individuals to privacy of communications and the right of individuals to be protected against criminal activities.

Another critical issue is in the digital divide among APEC economies in e-business enrollment practice and possibilities. The gap of e-Readiness is tremendous for example between Vietnam and Taiwan or Russia and United States. To Push forward businesses' digitalization, in order to establish sound foundation for achieving 2015/2020 APEC comprehensive paperless environment being ratified at APEC ministries meeting last year, APEC e-Commerce Business Alliance is created. The first Forum is held June 16 2004 in China. The mission of the forum and Alliance as its task force is to create a better environment for e-Commerce development in APEC members, and to advance dialogue between developed and developing countries on how to utilize information technology involving e-Commerce to achieve sustainable development of business. As actually, SMBs growth defines ability of steady economic development, benefits promotion and technology availability to this segment is a key to success. While large business already enjoys many flavors of B2C, B2B e-commerce, it's also limited in the fluency while his international and local outsourcing and subcontracting partners lacking B2B adoption.

To achieve the goal at the regional level, we clearly have at its first stage to define Multilateral Investment Rules with a further regional business credit system establishment. This could be done via intensive institutional infrastructure development in local economies enabling effective risk management via tight collaboration with the government to harmonize legislation, financial institutions and NGO's, facilitating direct interactions and technology provisions for SMBs.

While there's a good set of Business Registers in the region, there's still lack of contemporary document exchange facilities among international traders, weak acceptance of advanced Universal Description Discovery & Integration Protocol helping automate match making and optimized business transactions. The goods and services in the pathfinders have to be supplemented with an Electronic Certificate of Origin.

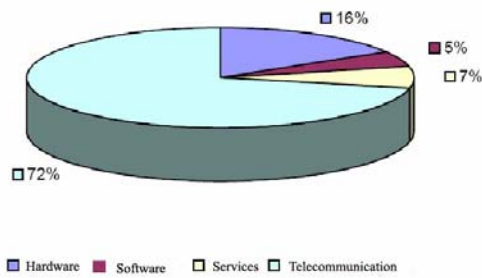
Obviously, the biggest slowdown in electronic trade is impeded by the traditional customs procedures and other paper interactions with the government services. Economies have to undertake appropriate efforts in adoption local and cross border Digital Signature Certification Centers to provide authoritative and legitimate trade docflow digitalization.

This is a short list of mostly important challenges vital to all APEC economies that could be met only in a joint collaborative effort enabling new achievements in region development. To guess an idea of what kind of contribution Russia can provide, we'll have to get through this brief information.

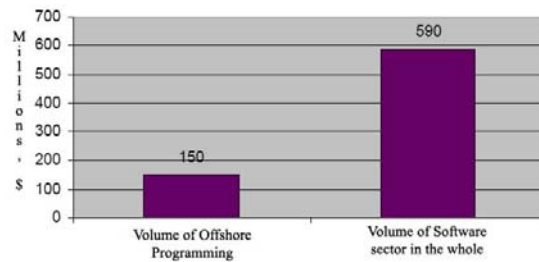
Russian IT sector Overview

Being small in overall GDP (about 4%) and occupied (Half a million people) indicators, this segment is actually the only one emerged from nonexistence in the former USSR to the most competitive and highly successful on the international software markets industry. What is really impressive that it nearly doubled during 2002 and 2003. As there's no clear methods of evaluations according to different sources it was about 12 billion \$ in 2002 and 18 billion in 2003. Software services are the smallest, however with the biggest added value.

Proportion of segments of Russian IT sector



Proportion of Software Offshore market and of Segments of Software sector

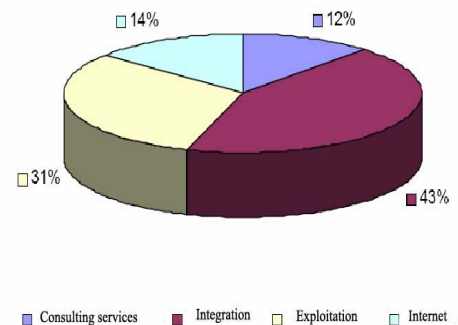


Coming to export oriented services, we have about 30% of international customers while turnover averages 600 million (300-1500 million dispersion in evaluation). If to consider that most of the cash flow is offshore in this business, realistic volume could be twice as much yielding to 300-400 million share of global market performance. IT services market estimated as 800 million\$ in 2002 over doubled in 2003 exceeding 1 billion\$ mark. The table below represents most conservative view to the performance of e-Commerce segment and forecast for this year, while the whole pie of IT- services is segmented as at the chart (2002):

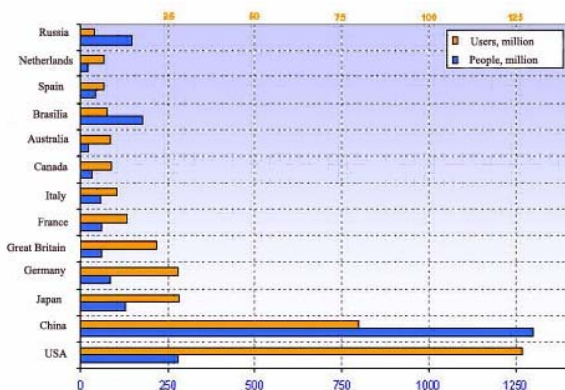
Russian e-Commerce operation turnover, m\$

	2001	2002	2003	2004 (forecast)
B2C	218,3	317,5	480,4	615,4
B2B	99	189	316,2	464,2
B2G	-	10,8	141	275

Volume of segments in sector of IT- services



Obviously we can see the results of e-Russia program accelerating e-Procurement and overall B2G, G2G service segment that started in 2002.



Another important aspect of reasonable e-Readiness of Russia is an Internet usage indicator approaching critical mark of 10% of total population of the country. Although, the obvious barrier is a low density of computers per 100 of people that is only 9 systems averagely in Russia. For comparison, below is the graph representing the usage of Internet in proportion to overall population around the globe.

Mostly active are Canadians, while other leaders of 5 are South Korea, USA, Japan and Germany.

Russian IT market is becoming more and more recognized by elite of Global IT industry. We share the second place with China after Indian offshore programming services. Russia as economy, rapidly developing and it's a good time has come to invest money here,

specifically in hi-tech areas. This is already recognized by the world leading analysts. Russia is mentioned among the most perspective countries for investments and IT outsourcing. The critical issue to handle reasonable risks is to deal with recognized and authoritative bodies like leading associations and centers, like APEC - Russia Business Cooperation Center represented by National Agency for Entrepreneurship Technological support. We, at our side, provide comprehensive support for match making, risk management and dealing with the strongest Software Development Associations like Silicon Taiga, Russoft and other to deliver full service at your site. Moreover, NAETS Intech is not solely IT concentrated, it covers innovation market of private companies and state bodies, serving as a right source of full service. We have special portal project dedicated to the Russian innovation companies market as www.technet.ru that is developing to B2B marketplace with diverse business directory and pathfinder. We'll be happy to assist you if you have a plan entering Russia or seeking for professional outsourcing services at your site.