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**ECONOMIC COMMISSION FOR EUROPE**

COMMITTEE FOR TRADE, INDUSTRY AND  
ENTERPRISE DEVELOPMENT

WORKING PARTY ON INDUSTRY AND ENTERPRISE DEVELOPMENT

Team of Specialists on Internet Enterprise Development

**Seminar on Fostering Internet Enterprise Development by  
Governments and by Large Companies through Subcontracting**

Brussels, Belgium, 5 October 2004

Information Notice No. 1\*

Introduction

1. The key mission of the United Nations Economic Commission for Europe (UNECE) is fostering economic cooperation in its region. The UNECE region consists of 55 countries and covers the whole of Europe, North America, and Israel. Relatively recent changes in the structure of national economies and sources of economic growth, driven by the rapid advances and diffusion of information and communication technologies (ICT), have also reshaped the prerequisites and nature of such economic cooperation. It has become clear that ICT play a key role not only in structural change but also in opening new growth avenues and in supporting desirable rates of economic growth, productivity and employment in the UNECE region.

2. The widespread use of ICT has become a cornerstone of economic growth both in developed and emerging market economies. After two decades characterised by considerable, and sometimes revolutionary, technological advances in new technologies for computing, telecommunication and related industries, the knowledge-based economy has emerged in particular in the most advanced countries. Some of its key ICT components relate to the

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\* This document was submitted late due to the need for extensive consultations.

introduction and subsequently dramatic rise in the use of Internet, fast development of the software industry accompanied by rapid development in the processing capacity of personal computers. There is solid evidence that the considerable advances in ICT have contributed decisively to productivity growth and economic growth as a whole, in particular in the advanced economies.

3. While progress in ICT has reinvigorated several key national economies in the UNECE region, in particular of the United States of America and selected countries of the European Union, it has also reshaped the nature of the business sector in multiple ways. First of all, it has altered the economics of location and time, reducing previously pronounced disadvantages of remoteness for numerous business activities. Secondly, it has significantly reduced the cost and time of communication, effectively bringing those costs down to practically zero in many cases. Combined with the parallel dramatic decrease in the marginal cost of international transport, the progress in and increasing use of ICT has exerted pressure on established business models in many industries and businesses. Thirdly, the nature of product and factor markets has changed, leading to intensified competition, downward pressure on prices and the removal of a number of barriers to entry. In addition, in some industries, rapid adoption of ICT has led to a reduction in the minimum optimal size of firms. While these pressures, leading both to unavoidable corporate restructuring but also to a spectre of attractive business opportunities, have been felt across-the-board, they have influenced the service industry perhaps more than other economic activities. A vigorous and sometimes flourishing entrepreneurship wave in many segments of the service industry is a reliable indicator of benefits associated with a proper reaction to the aforementioned structural and market pressures.

4. UNECE governments have also reshaped their way of operation in the last 10 to 15 years, relying on advances in the use of ICT. Large handling of information, one of the key functions of governments, has become much easier and faster leading to higher transparency, lower costs and more fact-based decision-making. The introduction and continuous upgrade of ICT has generated tangible benefits for many governments both on the revenue and expenditure sides. The tax assessment and collection process has been speeded up while, at the same time, the planning, execution and control of expenditures and investments has become easier, more transparent, and above all more competitive. The governments are, in addition, increasingly using or considering incorporating ICT into the heart of the political process including decision-making and voting.

5. UNECE governments also purchase vast amounts of goods and services for all kinds of purposes. Military procurements, health and education services, investment services as well as construction services are only some of the key items on their purchasing lists. The governments increasingly rely on ICT to acquire and monitor the provision of those services. To match the challenge of working at the same pace as the governments and to have an appropriate interface with their key client, the service providers have also ventured heavily into adopting ICT. They have developed a vast array of applications both for the bidding phase as well as for the provision of services. This process has transformed the way in which a number of professions are exercised, leading for example in the health area to remote-control surgery and on-line diagnostics.

6. The increasing use and complexity of ICT in particular in advanced market economies assumes continuous equipment upgrade as well as education and training. A strong growth of fixed investments and private consumption in the 1990s provided support for continuous upgrade. This process can be very costly, and corresponding productivity, cost and income gains should flow from it. While those economies have successfully managed to balance the revenue and expenditure sides of the introduction and permanent upgrade of ICT, some emerging market economies (previously labelled economies in transition) have yet to work out how to take full advantage of the ICT age, including an appropriate cost-benefit ratio.

7. Emerging market economies are facing a very different situation with regard to ICT use. First of all, the emergence and spread of ICT in those countries coincided with a difficult transition process characterised by output decline, increasing unemployment, sometimes the collapse of key industrial enterprises and a rapid deterioration of economic activity in provincial areas. In this framework, it is understandable that the “new” EU member states (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) are still considerably behind the 15 “old” EU member states. At the same time, the slowest progress in the adoption of ICT has been recorded in central Asia and the Caucasus as well as some countries in southeast Europe. Fortunately, emerging market economies are not only consumers and users of ICT but also participants, albeit to a very small extent, in its creation and production. Their participation is very heavily skewed towards software production as compared to hardware production.

8. To avoid widening the ICT gap, emerging market economies are considering various policies and measures. While the first group of policies and measures should deal with the broad economic environment, the second group needs to focus on the ICT sector itself. There is a general understanding that the lagging countries would benefit from a better business and investment climate including improved transparency, stricter implementation of laws and reduced bureaucracy. In addition, ICT-related growth could be fostered by a stronger and more diversified financial sector and improved public and private governance. Regarding industry itself, the countries might contemplate the following key measures: enhance access, lower costs, improve local content, increase investment in education, open and liberalize those markets and perhaps take measures to facilitate market formation. In fact, the recent experience in emerging market economies in the UNECE region confirms that a better performance in the ICT sectors was achieved where markets were liberalized with a significant presence of the private sector.

9. The increasing subcontracting and outsourcing by the large ICT companies should be added to the aforementioned moving industry picture. While the transformation of this highly concentrated industry mostly operating in advanced market economies into a more global business entities might create certain threats to employment in home countries, at the same time it opens up considerable opportunities. These opportunities apply equally to advanced and emerging market economies. The key opportunity in advanced markets has to do with the provision of higher value-added products and services. Labour cost differentials are, at the same time, the key driver of outsourcing to emerging market economies. Subcontracting and outsourcing within ICT is heavily focused on administration, support, help desk and business processes and applications. On the other hand, the subcontracting and outsourcing of system and architecture planning and research and development have been fairly rare. As a whole this restructuring trend in the ICT industry has created tangible benefits for both groups of countries and has added to the growth and spread of Internet enterprise development in the UNECE

region. Given the insufficient level of maturity of their Internet enterprise development, emerging market economies should adopt appropriate policies and take concrete measures to reinforce this key sector.

### Mandate of the Team of Specialists

10. The on-going market-driven structural changes in the UNECE region, as already described, have been among the overreaching forces driving the global economy and the economies of the UNECE region. In this process, investments in information technology are seen as the key for achieving increased productivity in the global economy and reducing costs in particular in the manufacturing and service sectors. The Internet has received a major portion of those information technology investments, with key productivity improvements, cost reductions and enhancements in market access, for all parties involved in this vital information and business tool and media, still to be materialized. In this framework, sustainable Internet enterprise development has proved to be the precondition for the continuation of the strong economic growth and job creation in the whole UNECE region. UNECE member countries have therefore requested the UNECE to promote the impact of ICT on economic growth in the region and promote Internet enterprise development through encouraging the adoption and implementation of e-Business standards. In cooperation with key governments the UNECE established in 2000 the Team of Specialists on Internet Enterprise Development (TSIED).

### Expected achievements

11. The UNECE Team of Specialists on Internet Enterprise Development (TSIED) aims to achieve the following three key goals:

- Assessment of capacity and e-gaps in using information technology for economic growth and development among various UNECE member countries;
- Furthering of e-Business standards and in particular those developed through open processes, such as those standards developed and endorsed by organizations such as UN/CEFACT, ISO and OASIS, along with other open standards; and
- Implementation of projects within emerging market/transition economies that aid governments in developing information society initiatives that enhance economic development.

12. The TSIED intends to organize educational seminars; research and assessment of e-capacity and e-gaps in using information technology for individual UNECE countries, in particular of economies in transition; develop best e-practices for UNECE governments; and facilitate and execute related pilot projects to demonstrate these best practices.

### Purpose and scope of the Seminar

13. In the framework of its new programme of work launched in 2004 and the underlying ICT trends in the UNECE region, the TSIED will organize a Seminar on Fostering Internet Enterprise Development by Governments and by Large Companies through Subcontracting, to be held on 5 October in the Hotel Crowne Plaza, Brussels, Belgium. The event will be divided into two sessions: "The Role of Government in fostering Internet enterprise development" and

“Development of small and medium-sized enterprises (SMEs) through subcontracting to large companies in the information and communication technology sector”.

14. The main purpose of the Seminar is to identify and review the most important issues related to the role of governments and large international ICT companies in promoting Internet enterprise development in the UNECE region. The identification and assessment of these issues will serve as the focal point for the further development, refinement and implementation of the TSIED programme of work with a tangible impact on ICT trends in the UNECE region. It could also serve as the reflection and evaluation point for governments involved in improving the policy and regulatory settings in this key industry. At the same time, the event will be structured in such a way that an effective interface could emerge among policy makers in UNECE governments, large international ICT companies and SMEs.

15. The Seminar is expected to provide a productive and objective platform for the exchange of knowledge, experience, and ideas among the key government and industry players in this part of the high-tech business. The considerable progress achieved in the exchange of knowledge and experience and the established substantial level of mutual understanding in the TSIED support the expectation that the Seminar will deepen the scope of the work and benefit all participating countries and companies.

16. During the Seminar an additional emphasis will be put on the potential policy and corporate responses with regard to the promotion of Internet enterprise development in emerging market economies. Several key issues in this challenging area will be addressed, such as the creation of a more favourable investment climate, involvement of the domestic financial sector and the industry, respect of the rule of law, software and hardware supply, intellectual property rights and competition with large software and hardware vendors from outside the UNECE region.

17. In the spirit of the expected achievements, structure and the targeted audience of the TSIED, the Seminar is organized in close cooperation with the Organization for the Advancement of Structured Information Standards (OASIS), a not-for-profit, global information and communication technology consortium that drives the development, convergence and adoption of e-business standards. OASIS, headquartered in Boston (USA), will hold on 4-5 October its Technical Committee Meetings followed on 6 October by the OASIS Adoption Forum entitled “Implementing e-Business Open Standards for End Users and Public Administration”. Both events will take place in the same location as the UNECE Seminar. It is expected that the UNECE Seminar could benefit from the presence and expertise of a large number of executives from OASIS members, all high-tech companies, who could either attend the event or contributed to its work.

### Participation

18. Targeted participants for this Seminar are the TSIED members and other interested senior officials from UNECE governments as well as senior executives of the high-tech companies from the UNECE region. Invitations will be also extended to selected international organisations and appropriate individual experts and major international information and communication technology companies headquartered outside of the UNECE area.

Provisional programme

19. Under the guidance of the TSIED Bureau, the UNECE secretariat has developed a provisional programme for the Seminar. Apart from registered speakers, participants will be invited to comment on relevant topics regarding the state of ICT policy and regulation in their countries as well as on the practices of the key international high-tech companies in this area. Seminar participants are invited to prepare brief reviews on these topics regarding the situation in their country, preferably with one or two Power Point slides.

20. Interested executives, experts and officials are invited to submit their proposals to the UNECE secretariat for presentations on the topics indicated in the programme as well as on the closing morning and afternoon panel discussions. The proposals should be received by 20 August and a brief outline of the proposed presentation should be sent to the UNECE secretariat by 15 September 2004 at the latest.

Tuesday 5 October

9.00 – 10.00	Registration
10.00 - 10.15	Welcome and brief introduction, by Mr. George Kowalski, Director, Industrial Restructuring, Energy and Enterprise Development Division, UNECE
10.15 - 10.30	Developments in information and communication technology in the UNECE region and the TSIED role in it, by Mr. Patrick Gannon, President and CEO, OASIS, Boston, USA, and Chairman, TSIED, UNECE
Session I	The Role of Government in Fostering Internet Enterprise Development (IED) Chairman: Mr. John Borrás, Director, Technology Policy, e-Government Unit, Cabinet Office, London, United Kingdom (t.b.c); Vice-Chairmen: Mr. Istvan Erényi, Head, Department of EU Integration, Ministry of Information and Telecommunication, Budapest, Hungary and Mr. Georgi Stoev, Executive Director, Chamber of Commerce and Industry, Sofia, Bulgaria (t.b.c.)
10.30 - 10.50	Setting a favourable policy and regulatory framework for Internet enterprise development: achievements and challenges in advanced market economies
10.50 – 11.10	A corporate assessment of the IED policies and regulation in advanced market economies: present and future
11.10 – 11.25	Coffee Break

- 11.25 - 11.45 Policy and strategies at governmental level for closing the information and communication technology gap: opportunities and risks for Governments in emerging markets and transition economies
- 11.45 - 12.05 What Governments of emerging markets and economies in transition could do to promote the IED: a corporate view
- 12.05 - 12.25 A country example of building a consistent strategy and policy for buoyant IED in emerging markets and economies in transition: expectations and results
- 12.30 - 13.00 Panel: Identifying and implementing the best policies for IED promotion, Chairman: Mr. John Borrás
- 13.00 – 15.00 Lunch Break
- Session II The Business Repository Project of the TSIED
- 15.00 - 15.30 The Business Repository Project of the TSIED, Outline and current status, by David Petraitis, European Representative, OASIS
- Session III Development of SME's through subcontracting to large companies in the information and communication technology sector
- Chairman: Mr. Andrey Korotkov, Senior Vice President, Chief Information Officer, Vneshtorgbank, Moscow, Russian Federation (t.b.c); Vice-Chairmen: Two representatives from major international ICT Companies
- 15.30 - 15.50 Subcontracting in the information and communication technology sector: rationale, practices and opportunities in the UNECE region
- 15.50 - 16.10 Offshore outsourcing: a global shift in the information technology business and its relevance for the UNECE region. Mr. Georg Erber, Department of Information Society and Competition, German Institute for Economic Research, Berlin, Germany
- 16.10 - 16.30 Concepts and challenges of subcontracting: a large international high-tech company
- 16.30 - 16.50 Models and challenges of subcontracting in the information and communication technology sector: SMEs' experience
- 16.50 - 17.00 Coffee Break
- 17.00 - 17.15 Handling legal aspects of outsourcing in the information technology business: role of on-line dispute resolutions, by Mr. Graham Ross MD, TheClaimRoom.com Ltd, Warrington, United Kingdom

- 17.15 - 17.30 Comparative analysis of best practices and sectors for information and communication technology outsourcing: software versus hardware
- 17.30 - 17.45 Panel: Chairman: Mr. Andrey Korotkov (t.b.c.)
- 17.45 – 18.00 Concluding remarks and closure, by Mr. George Kowalski and Mr. Patrick Gannon

Note: Programme and titles of individual presentations and the names of speakers are subject to change and will be refined in due course.

### Organizational matters

The official language of the meeting will be English. There will be no interpretation into other languages. To obtain maximum benefit from the Course, therefore, participants should be comfortable with the English language or have an accompanying translator.

The Seminar will take place in the Mondrian Room of the Crowne Plaza Brussels City Centre Hotel, Rue Gineste 3. 1210 Brussels, telephone +32 2 203 62 00, fax: +32 2 203 55 55. A special hotel rate for single occupancy, including breakfast, is offered to all Seminar participants, of 100 euros on Saturday and Sunday and 145 euros from Monday to Friday, both excluding VAT and taxes. To benefit from the preferential hotel rates, Seminar participants are requested to reserve their room directly and before 21 August 2004 and to identify themselves as participants in the OASIS-organized events. After this date, a higher hotel rate might apply.

All participants are expected to cover their travel and lodging cost. In case of selected participants from economies in transition, the TSIED would be ready to consider providing limited financial assistance to attend the Seminar. All enquiries and requested should be directed as early as possible to Ms. Marina Dolgova and Mr. Rolf Traeger, UNECE secretariat in Geneva, Switzerland (contact details are given below).

For assistance with all visa enquiries for Belgium, please contact Ms. Marina Dolgova or Mr. Rolf Traeger, UNECE secretariat (contact details given below).

Interested participants are invited to complete and return the attached registration form, preferably by E-mail.

Mr. Rolf Traeger  
Secretary to the TSIED  
Industrial Restructuring, Energy and  
Enterprise Development Division  
UN Economic Commission for Europe  
CH-1211 Geneva 10  
Switzerland  
Tel 41 22 917 5771  
Fax 41 22 917 0178  
E-mail [rolf.traeger@unece.org](mailto:rolf.traeger@unece.org)

Ms. Marina Dolgova  
Secretary  
Industrial Restructuring, Energy and  
Enterprise Development Division  
UN Economic Commission for Europe  
CH-1211 Geneva 10  
Switzerland  
Tel 41 22 917 1964  
Fax 41 22 917 0178  
E-mail [marina.dolgova@unece.org](mailto:marina.dolgova@unece.org)



ANNEX  
REGISTRATION FORM

This form should be completed and returned as soon as possible, but not later than 15 September 2004 to:

Mr. Rolf Traeger  
Secretary to the TSIED  
Industrial Restructuring, Energy and  
Enterprise Development Division  
UN Economic Commission for Europe  
CH-1211 Geneva 10  
Switzerland  
Tel 41 22 917 5771  
Fax 41 22 917 0178  
E-mail [rolf.traeger@unece.org](mailto:rolf.traeger@unece.org)

Ms. Marina Dolgova  
Secretary  
Industrial Restructuring, Energy and  
Enterprise Development Division  
UN Economic Commission for Europe  
CH-1211 Geneva 10  
Switzerland  
Tel 41 22 917 1964  
Fax 41 22 917 0178  
E-mail [marina.dolgova@unece.org](mailto:marina.dolgova@unece.org)

(Please type or write in block capitals in English)

Family name (Mr., Ms., or Mrs): .....

First name: .....

Nationality: .....

Professional position: .....

Representing government or  
international organization or company: .....

Professional address: .....

.....

Telephone (please include country and city codes): .....

Telefax (please include country and city codes): .....

E-mail address:.....