

Eastern Europe: The next silicon valley?

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One key to driving healthier economies in the countries of Eastern Europe, particularly in the former Soviet republics, could be significant investments in Web 2.0 development. Could Eastern Europe foster its own Silicon Valley?

UNITED NATIONS (BetaNews) - The Soviet Union had its own technology capital once, though you might be surprised to learn it wasn't located in the Russian Republic.

"Belarus was regarded as the 'Silicon Valley' of the former Soviet Union, manufacturing over 50 percent of the computers and components in the former USSR." said Sergei A. Rachkov, deputy permanent representative, Permanent Mission of the Republic of Belarus. "Nowadays, [the] software and IT services sector is one of the most successful and fastest growing industries in Belarus."

Rachkov spoke on Wednesday before an audience at an UN conference in New York entitled, "The UN Meets Web 2.0 and ICT Entrepreneurs."

Although India's success story garners a lot of attention, countries in Eastern Europe are also turning to IT as a way to upgrade their economies. During the UN's Web 2.0 conference, representatives of Hungary, Belarus, and Croatia talked up government and private sector initiatives that have helped to lure the likes of Microsoft, IBM, Cisco and SAP to either outsource services from or set up shop on Eastern European turf.

Like Rachkov, Dunja Jurica of Croatia and Dr. Janos Harskuti of Hungary also pointed to highly educated workforces, relatively low cost structures compared to other countries, and reliable government support as some of the advantages they're enjoying as they grow IT businesses in their counties, even though their levels of IT industry penetration vary from one country to the next.

Indian technologists Prahbat Sharma and Lalit Dhingra recounted how IT's contribution to the Indian economy has doubled from about \$25 billion in 2002 to [more than \\$50 billion in 2008](#).

"It is very intimidating to speak after India," conceded Croatia's Jurica, who took to the podium just after Sharma and Dhingra stepped down. "Croatia is very small."

Jurica is chairwoman of the board for Croatia's Information Systems and Information Technologies Support Agency, and is all too intimately familiar with both the geographical and geopolitical obstacles her country faces. Once part of Yugoslavia, Croatia is "a very long country with 285 islands" which has now become a "multi-party parliamentary democracy," she explained. Her country has "1,300 IT companies with 10,000 employees (and) 140 telecom companies with 13,000 employees," she said.

A member of the World Trade Organization (WTO), and also a non-permanent member of the UN Security Council, Croatia hopes to join both NATO and the European Union (EU) over the next couple of years.

Although most of the IT companies are small "niche" software development houses, larger employers in Croatia include two geographic information systems (GIS) companies -- Geofoto and GISdata -- as well as Recro, IN2, and M San Group.

North American and European countries with substantial investments in Croatia include IBM, Microsoft, Oracle, Hewlett-Packard, Ericsson, SAP, Cisco Systems, and Siemens, according to Jurica.

One recent deployment in Croatia won an award at a Cisco conference in Barcelona, Spain for "best distance learning" application. The application is designed to make "staying on the islands" a more appealing prospect for families with young children who are concerned over educational opportunities, she told the attendees.

The country has been putting in a big effort over the past few years to "simplify all the things that IT has to do with government," according to Jurica. One such initiative, dubbed the "eCroatia Program," has components that include eGovernment, eEducation, and eJustice.

Another initiative, HitroReax, "looks at redundancies to simplify administrative procedures" for electronic business. "Different ministries have (followed) different approaches," she elaborated.

The government is also building a public information government portal called MojaUprava. "Everybody knows, 'I should first go to the portal,'" Jurica said. "It is based on best practices in the UK and Hong Kong."

Dr. Janos Harskuti told attendees the story of Web 2.0 development in his native Hungary. An IT engineer earning \$55,000 in Hungary would net \$130,000 in Germany, for example, according to Dr. Harskuti, who is consul for Financial and Commercial Affairs at the Republic of Hungary's Consulate-General.

Over the past few years, IBM, SAP, Cisco, Getronics, and India-based TaTa have all set up facilities in Hungary, Harskuti said. A facility opened by Cisco and Getronics in Budapest has grown from 110 employees at first to 500 today.

"I commend Hungary. I lived there for many years," said Peter Kellner, founder and managing director of Richmond Management LLC, when investors on hand at the UN event were asked by Xigi, Inc. CEO Gary Bolles, moderator of the panel, for questions and comments. Kellner also said, though, that he thinks Hungary and Croatia both face some challenges in generating substantial private investment from abroad due to remaining issues around IT "scale."

Meanwhile, Rachkov said that, back in 2005, Belarus set up a High Technologies Park "by the decree of the President of Belarus." Since then, about 40 domestic and foreign companies -- including software developers and exporters -- have become residents of the park, Rachkov said.

Rachkov cited Belarus companies IBA Group and EPAM Systems as two of "the largest and most established European IT outsourcing providers based east of Germany."

These and other companies in Belarus "have world-class project management infrastructure [and] certification, and [they] successfully serve world-renowned clients, including IBM, Colgate-Palmolive, Samsung, Siemens, Alcatel, British Telecom, Ford-Union, and Microsoft," according to the Belarusian official.
