

Toward Korea-Belarus Cooperation in the ICT Sector

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Belarus's Economic Trends and Relations with Korea

Belarus was impacted by the 2011 euro-zone crisis following the 2008 global financial crisis. The economy grew a mere 1.5% in 2012, down from 5.5% in 2011. The sluggish economic growth is likely to continue for the time being as the global economy is expected to recover slowly. Besides external shocks, the Belarusian economy has a series of internal problems to overcome, namely, high inflation, decrease in Belarusian Ruble, and trade imbalance. Specifically, inflation rates recorded over 50% in 2011 and 2012. The currency significantly depreciated to 1/4 of the 2008 level. Still, the economy's weak fundamentals are driving down the currency value further. The size of trade imbalance is not huge, yet its continuity is posing threats to the economy under the recent

slowdown.

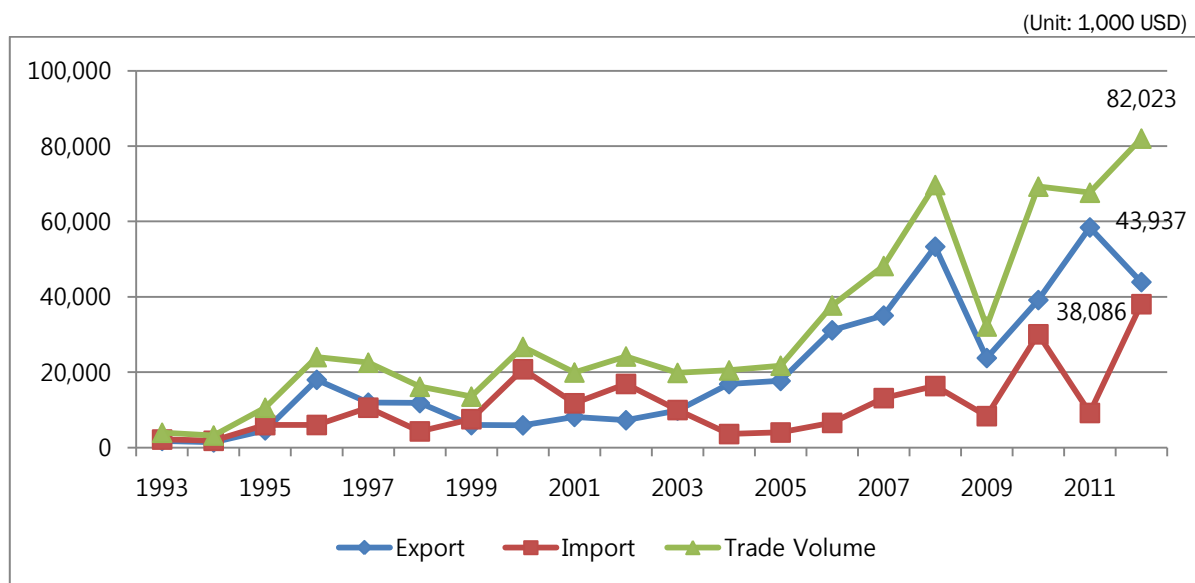
However, the economic condition of Belarus is not solely pessimistic. Belarus's GDP per capita in 2012 stood at USD 6,739. This surges to USD 15,479 when converted to PPP terms. The gap is the biggest among the members of the Commonwealth of Independent States(CIS). This can be interpreted that the living standards in Belarus are underestimated compared to that of other members of the CIS. In addition, the government has been making utmost efforts to attract FDI by improving domestic investment climate. Encouragingly, there are visible results that Belarus ranked 58th among 185 nations and was evaluated as one of the most progressed countries since 2005 in "Doing Business 2013."

The main characteristics of the Belarusian

economy were inherited from the Soviet era: a strong government sector and a firm base in the heavy industry. The structure of the economy is similar to those of other industrial countries. That is, agriculture and forestry, manufacturing, and services accounted for 8%, 32%, and 50% of GDP respectively in 2012. The country's major trade partners are Russia, EU27, Ukraine, China and Brazil. Belarus exports mainly (processed) minerals, chemicals, rubbers, machines

and agricultural products. Major imports are (raw) minerals, metals, machines, chemicals and rubbers. Belarus and Korea established diplomatic relations in 1992. However, there has been little development in both diplomatic and economic cooperation. Desirably, the total trade volume of the two economies is showing increasing tendency especially in the 2000s (Figure 1). However, there is no direct investment reported.

Figure 1. Korea-Belarus Trade Trends (1993-2012)



Note: On Korean side

Source: KITA Statistics (Accessed: 2013.07.09).

The ICT Sector in Belarus

Major Features and Structure

The ICT sector in Belarus is still in its formation, yet achieving an eye-catching development since 2000. It existed previously but in the underground economy. The Belarusian government has been trying to legalize the industry since 2006 in order to regulate the sector and make it contribute to the economy. The efforts produced a tangible result that in 2010 its official share in GDP recorded 0.5%. However, the statistics are not believed to be reliable.

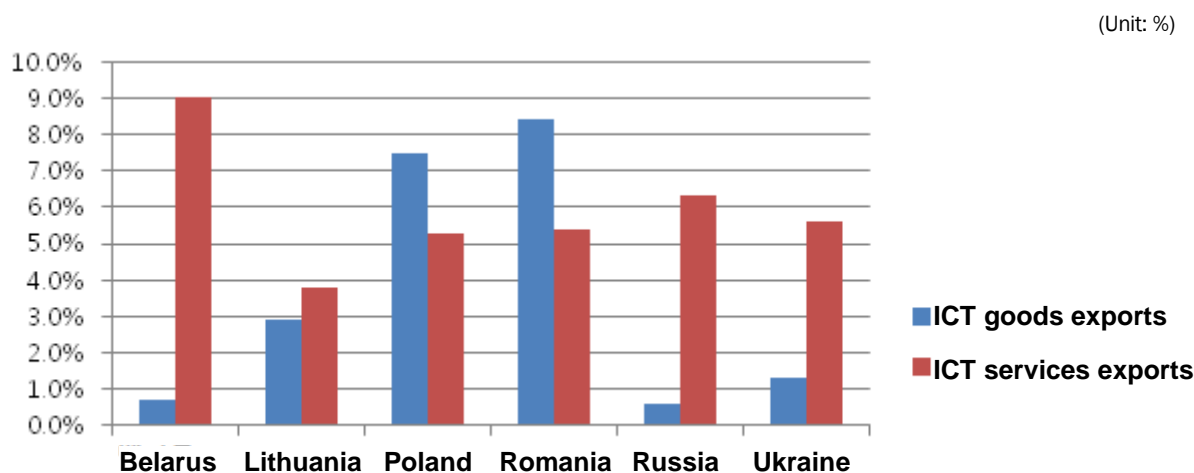
Experts estimate that the ICT sector accounts for 4-5% of GDP. Meanwhile, Belarus's ICT base is highly evaluated internationally. It ranked 48th in IT infrastructure and 46th in ICT development index in 2012 among over 150 countries and was one of 10 most progressed nations for the past four years.

The ICT sector of Belarus can be divided into four subsectors: IT products and services(33%); hardware production, installation and repair(29%); communications services(10%); and hardware trade and rent(28%). The structure implies that services in the ICT sector seem to

play an important role in Belarus. Figure 2 displays that Belarus is specializing in ICT services. In other words, Belarus's ICT is relative-

ly competitive in the services subsector compared to the goods.

Figure 2. Share of ICT Goods and Services in Belarus's Total Export Structure (2009)



Source: IFC&WB(2012), Участие частного сектора для эффективного управления в Беларуси: инвестиции и рост в секторе ИКТ на основе государственно-частного диалога, р. 6.

ICT Development Policy and International Cooperation

The Belarusian government emphasized the significance of the ICT sector in the early years, noticing the possible impact of the ICT industry in the economy. This was often revealed in government documents including the “National Sustainable Development Strategy up to the year 2020(2004)” and the “Strategy of Innovative Development of the Republic of Belarus.” Informatization of the country began with the “e-Belarus” program since 2003. There were 100 different projects with 111 billion Belarusian rubles (some USD 55.7 million budget, calculated with end-year exchange rate in 2002) under the “e-Belarus” program. In addition, Belarus’s policies for the ICT industry are the “Strategy for Information Society Development in Belarus until 2015” and the “National Program Accelerated Development of Services in Information and Communication Technologies on the 2011 – 2015 years.” The latter specifies the government’s plan with 9 subprojects,

namely, national information and communication infrastructure, e-government, e-health, e-employment and social protection, e-learning and human capital development, formation of national content, e-customs, security of ICT and digital trust and the development of export-oriented IT industry.

Currently, the ICT sector receives active supports from the government especially through the Hightech Park project. This is one of the most successful government projects and was planned to be expanded by 2013. Hightech Park is a special economic zone. It provides physical space and financial benefits to domestic and international ICT companies. The Park plays a critical role in attracting foreign direct investment and fostering international cooperation. A number of foreign companies have already settled or are interested in opening their offices in the Park. Besides, educational organizations are participating in development of the ICT sector through international cooperation. The Belarusian State University of Informatics

and Radioelectronics, the Belarusian State Technological University, the Belarusian State University, and the United Institute of Informatics Problems have launched either joint researches or training programs for (perspective) ICT specialists.

Table 1. SWOT Analysis of the ICT industry in Belarus

Strength	Weakness
Good Reputation of Belarusian IT companies Relatively Developed Infrastructure High Level of Education and Expertise Low Cost and Wages Various Tax Benefits	Lack in the Number of Specialists Limited Domestic Market Highly Dependent on Outsourcing Projects Limited English Proficiency Lack of Management Skills Lack of Investment Capital
Opportunities	Risks
Government Support Establishing New Training and Education Centers Ongoing ICT Infrastructure Modernization projects Business Center for ICT Companies Availability of Retraining of IT Specialists	Global Economic Slow-down

Source: Organized by the author with reference to Юнитер(2013), IT-Рынок, Январь 2013, p. 14.

Table 1 provides the SWOT analysis of the ICT industry in Belarus based on the findings in the study. That is, Belarus exhibits competitiveness in the IT services and software sectors thanks to its quality ICT personnel. Relatively low wages and costs are another strong point. The government's support and plans to construct ICT infrastructure can lead to development of the industry and establishment of international cooperation. However, more number of specialists with language and management skills should be nurtured in order for the indus-

try to become a growth engine of the economy and to be more competitive in the global market.

Suggestions for Korea-Belarus Cooperation in the ICT Sector

The study suggests policy recommendations for cooperation in the ICT between Korea and Belarus as follows. First, since the government plays a big role in Belarus's economy, inter-governmental cooperation needs to come ahead. An MOU between the two governments or collaboration among government organizations can be a way to start. Korea's knowledge sharing program (KSP) can engage not only government-related bodies, but also private companies particularly in establishing cooperation in the ICT sector. Second, conducting joint researches between ICT organizations can be an easy way to create and strengthen cooperation because the Belarusian government promotes joint ICT researches with foreign institutes. Selecting the ICT sector as a strategic cooperation field and providing incentives to promising ICT convergence projects can help attract attention of academics and specialists from both countries. Third, holding investment forums or ICT start-up contests can create a network among companies, investors and ICT personnel in the two countries. Particularly, programming contests for innovative ideas or start-ups can aid Korean companies in finding eligible partners or specialist from Belarus. **KIEP**