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“ E-commerce and B2B virtually don't exist in Russia.”

—*Russian telecommunication analyst*

“ Exceptional human capital and [high] literacy rates can facilitate fast ICT sector development in Russia. The government wants every school in Russia to be connected to the Internet by 2005.”

—*Russian governmental official*

Economic downturns, political turmoil, and a lack of sufficient foreign investment dominated Russia's attention in the 1990s, leaving little room for ICT development, as reflected in the nation's sixty-first rank in overall Readiness for the Networked World. The country's vast territories, along with such constraints as poor-quality telephone lines (Ranking in Information Infrastructure micro-index: 66), especially in rural areas, and an inefficient legislative base, also make the process of national ICT development complex and challenging. Nonetheless, Russia's high literacy rate and strong academic and scientific base (Ranking in Social Capital micro-index: 38), in conjunction with sufficient foreign investment, could contribute to one of the most promising areas for long-term economic activity in Russia—the evolution of the IT and telecommunications sectors.¹

Despite the ongoing financial crisis, the telecommunications sector is one of the leading areas of growth in Russia. Internet-related companies have also been growing rapidly within the last couple of years (Ranking in Prevalence of Local Internet Start-ups: 34). However, due to the excessive cost of high-speed Internet services, broadband is limited primarily to ISPs and large corporations that can afford it (Ranking in Availability of Broadband: 68). The recent introduction of digital networks in large cities has added some new means for Internet access, though most areas are still using mostly outdated analog cables. This constraint, alongside a lack of PCs among the populace, adds to the overall low Internet penetration.

Rostelecom, the public telecommunications provider, still monopolizes international and long-distance switching and transmission (Ranking in Effect of Telecommunications Competition: 53). The popularity and development of mobile services have increased rapidly due to the poor quality and long waiting periods for

obtaining a fixed line.² The hardware industry is well developed in Russia, and local companies meet the majority of market demand. Despite the high level of software piracy, the software industry is developing, but it is mainly targeted at banking and accounting services (Ranking in Software Products Fitting Local Needs: 41). Low purchasing power among consumers is one major impediment to development of this sector.

The education sector also has a low level of ICT penetration, especially in rural areas (Ranking in Internet Access in Schools: 65). Universities and colleges are better equipped with PCs than secondary schools, though they, too, face challenges such as obsolete computers and ICT illiteracy among both teachers and students. Resource allocation varies greatly by region, with huge discrepancies in Network Access between schools in Moscow and those in rural regions. Distance education has been getting more attention and has created high hopes for reaching more rural areas.³

Where available, the Internet is used widely by NGOs, academics, and businesses. E-government is in its initial stages and is hindered by the absence of appropriate laws (Ranking in e-Government micro-index: 60). Electronic Russia 2002–2010, a US\$2.6 billion program, was approved by the Russian government and is intended to promote e-commerce and Internet use in the country.⁴ In B2B e-commerce, some see great potential for greater ICT application in fuel and energy, metallurgy, banking, consumer goods production, and trade⁵ (Ranking in e-Commerce micro-index: 57). By providing security and consumer protection for online transactions, the recently approved e-commerce law and electronic digital signature law could facilitate further e-commerce development in Russia.

Key Facts

Population	147,000,000
Rural population (% of total population) 1999	22.66 %
GDP per capita (PPP)	US\$8,213
Global Competitiveness Index Ranking, 2001–2002	63
UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample)	42
Main telephone lines per 100 inhabitants	21.82
Telephone faults per 100 main telephone lines	35.21
Internet hosts per 10,000 inhabitants	22.22
Personal computers per 100 inhabitants	4.29
Piracy rate	88.00 %
Percent of PCs connected to Internet	5.18 %
Internet users per host	9.49
Internet users per 100 inhabitants	2.11
Cell phone subscribers per 100 inhabitants	2.22
Average monthly cost for 20 hours of Internet access	US\$14.83

RANK

Networked Readiness Index **61**

Network Use component index **59**

Enabling Factors component index **63**

■ Network Access **64**

Information Infrastructure 66

Hardware, Software, and Support 62

■ Network Policy **60**

Business and Economic Environment 61

ICT Policy 59

■ Networked Society **52**

Networked Learning 71

ICT Opportunities 48

Social Capital 38

■ Networked Economy **55**

e-Commerce 57

e-Government 60

General Infrastructure 47