

IT in Asia Pacific

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Key IT Issues

- **Pricing:** region has shortage of cash
- **High System Availability:** important requirement
- **Infrastructure:** Most countries not yet fully on board with Internet: IT penetration still low in most Asian countries
- **Culture**
 - Some Asian companies prefer a conservative approach to doing business
 - Electronic commerce creates channel conflicts
 - As with Europe, privacy and cross-country issues abound but are not yet widely recognized
 - Local vs. International Vendors
- **Services Outsourcing**
 - Shortage of both in-house services talent and Y2K readiness

Key IT Issues (continued)

Many struggling companies and governments hope smart IT decisions now will help solve their overall problems.

.....too little, too late?
maybe short-term; but not long-term.....

Economic Crisis Impacts on IT Markets

- Short-Term
 - Reduced IT growth rates overall for the region
 - No impact for countries with less than 20% currency devaluation
 - No impact on some multinationals with home bases elsewhere
 - Software piracy, already rampant, may increase
 - User companies are looking for lowest-cost IT solutions

Economic Crisis Impacts on IT Market (continued)

- Longer-Term
 - IDC predicts selective recovery for the region in 1999-2000
 - Total region recovery in three years

IT Vendor Responses

- Overall not yet adequate to assist these countries
- Some vendors are extending credit and proposing creative financing
- Some are selling in US dollars where possible
- Selected vendors are increasingly offering packaged, turn-key solutions such as IBM's AS/400, especially to small and medium-size businesses.
- External providers of IT services are using their staffs to compensate for many customers' shortages of skilled in-house technicians.
- Local channels of distribution will be radically consolidated.

IT Vendor Responses (continued)

What this region really needs is vendor assistance in preparing for Y2K and planning their future IT infrastructures

Asia Pacific Crisis Background

- Many countries did not invest in IT at the time appropriate to handle the economic growth spurts
- Set currency value prices (“pegs”) fell
 - “Over” and “Under” regulated financial sectors
 - Many currencies then devalued vs. US dollar
 - Much currency left the region (invested in US stocks, for example)

Asia Pacific Crisis Background (continued)

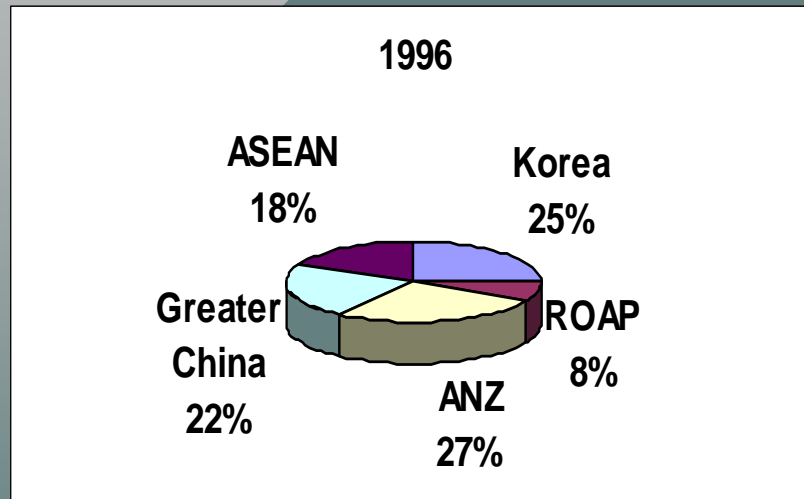
- Countries went into debt “floating” currency in attempts to stimulate their economies
 - Debt repayment now an issue

“Most economies have not even begun to grapple with restructuring their battered corporations, a huge challenge involving sensitive issues of foreign ownership and disenfranchising the well-connected.”

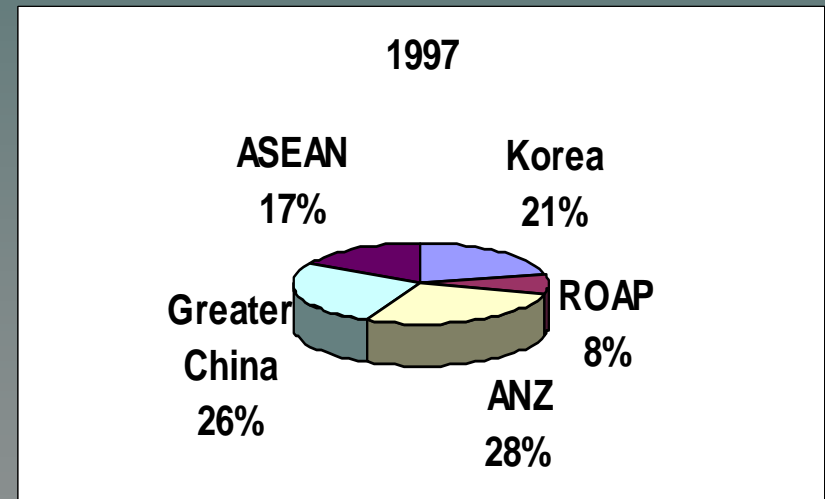
Asia Pacific Crisis Background (continued)

- Japan is a separate issue
 - World economic leader
 - Sponsor of many other Asia Pacific businesses
 - Recently, Japan led the charge to bail out local banks with Government money
 - Now in trouble: affecting the region and the world

Asia Pacific IT Market Size by Geography (excluding Japan)



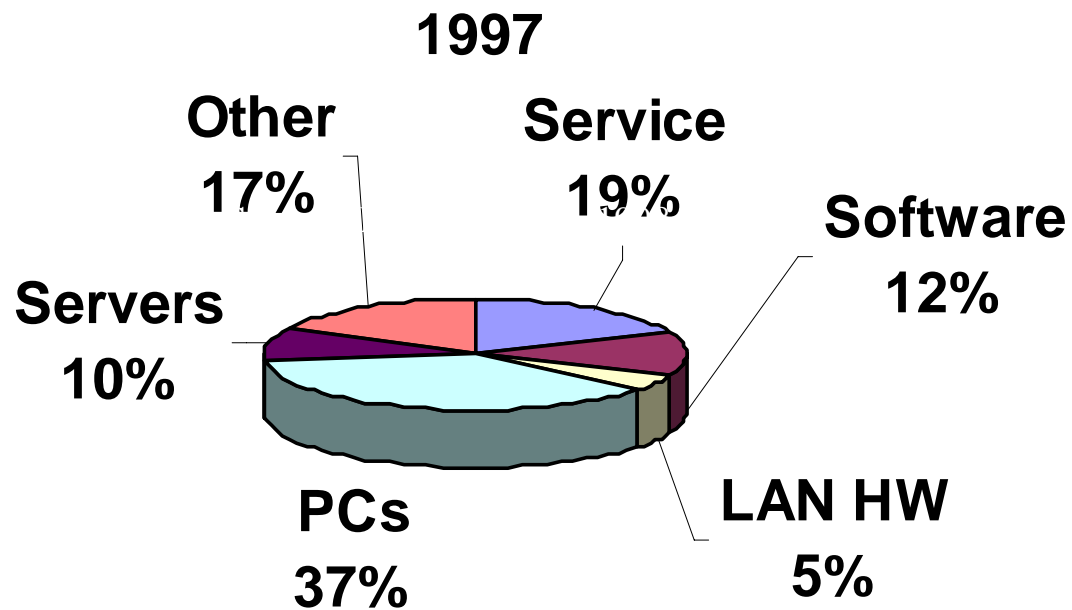
Total = \$45,692 million U.S. \$



Total = \$50,267 million U.S. \$

Year-on-year growth: 10%

Asia Pacific IT Market Size by Product



Total = \$50,276 million U.S. \$

IT Spending Changes

Asia/Pacific's Projected IT Spending for 1998 Before and After the Region's Economy Soured

