Fears of increased IT competition from accession countries are exaggerated, says report

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A report by a Singapore-based IT company International Data Group (IDG) has addressed the speculation in the present member states on the impact that enlargement will have on the Union's economic and business climate. According to IDG, 'some companies [are] looking forward to fresh opportunities and others fear that they will have to scramble against the mounting competition.'

The report asserts that it is the bigger countries, namely France, Germany and the UK, that are the most concerned that jobs and investments will move to lower-cost Eastern Europe. This is especially the case in key growth areas such as information technology and telecommunications. Analysts, however, says this fear is over-blown.

'Changes have already been happening and they have little to do with the enlargement of the EU,' explained Andrea Di Maio, a research executive for an IT company.

Indeed, especially in IT, companies have already started moving operations to more cost-effective countries such as China and India. Similarly, so-called 'nearshoring', whereby businesses invest in lower-cost neighbouring countries, has already happened. Scandinavian businesses, for example, have already recognised the Baltic states, with their similar culture, high levels of education, and high rate of technology services development and penetration, as an opportunity to be seized.

'When Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia officially join the EU on Saturday, there will be no thunder and lightening marking massive change in how business is done in Europe, instead transitions already under way will become formalised,' said Mr Di Maio.

IDG warns that while the accession countries will at first benefit from the fact that they offer 'larger EU markets a geographically close, lower-cost manufacturing and services alternative with a similar culture, they need to quickly position themselves with specialised skills', if they do not want to loose out to China and India.

Furthermore, states the report, 'Europe overall still has a way to go before it is truly competitive in terms of creating an information society [...]. In fact, a majority of European countries fail to match the US on competitiveness, when judged by criteria such as developing centres of innovation and research and development and building network industries.

'While the EU expansion certainly offers IT market opportunities such

as [...] new customer pools, and added investment, significant growth will take time, especially when considering the momentum of Asian rivals and the strength and experience of the U.S.'

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