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## Russia

### No iPhones? No problem in Russia and China

In the Soviet days, Russians asked their American friends to bring blue jeans, rock records and other Western goods into the country. Today, Russians can buy almost anything they want here—but they are still begging for one item: Apple’s slick iPhone. The new iPhone went on sale in 22 countries July 11 and will soon be released in more than 70 nations. Officially, Russia and China are still on hold—neither last year’s original iPhone nor the updated model has been launched in those countries because Apple is still negotiating with mobile service providers. And yet analysts estimate that only the United States has more iPhone users than Russia and China.

In both countries, the device enjoys super-exclusive status, thanks to a thriving market for “unlocked” iPhones adapted for local use. Even Russian President Dmitry Medvedev has been using one. Moscow and Beijing has become an iPhone trader’s paradise. Russian Web sites were offering the new 3G iPhone for about \$1,200, six times the \$199 base price in the United States. Even Apple’s first –edition 8-gigabyte iPhone was going for almost as much at Moscow’s Gorbushka electronics market,

though Moscow iPhone owners said a skilled bargain hunter could find one for about \$755. “They are being brought in suitcases,” said Eldar Murtazin of Moscow’s Mobile Research Group. “No one is paying any sort of customs fees.” Murtazin estimates that 400,000 iPhones have been brought into Russia since the first model was released in June 2007. China is believed to have at least twice as many. Once unlocked, the flashy gadgets are good to go—although the new iPhones can’t max out on their Internet connectivity in many cities in Russia and mainland China because of the absence of “3G” high speed networks.

Apple did not comment on the use of its phones in places like Russia or China, although Chief Executive Steve Jobs has said the company expects to sign contracts with Russian and Chinese providers this year.



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## Asia

### Tapping the PC's unused power

NComputing CEO, Stephen Dukker, believes has what the world is looking for: The People's PC. But not really a PC. The chairman and chief executive of NComputing in Redwood City is pursuing a computer revolution with a small box that turns low-cost desktop computers into servers that feed dozens of work stations. In tech parlance, it's called "thin client" technology – devices that have no processing power and store information on servers. NComputing's "virtualization" software taps into unused capacity in high-performance PCs and disperses that power to up to 30 other terminals. NComputing expects to sell 1 million "seats" – the thin box that connects a monitor, keyboard and a mouse to a nearby PC – this year at a cost of just \$70 each. Dukker and others in the developmental aid field see NComputing as a relatively inexpensive way to connect the poorest pockets of the world to the Internet. The start-up has 14 offices around the globe that provide tech help to create an ecosystem to support the devices – a critical component in narrowing the global digital divide. "If you depend on governments to do this, you will fail," Dukker said.

The company's model for the developing world competes with that of the non-profit One Laptop Per Child project, which grabbed headlines by declaring it could make a \$100 laptop. The machines now sell closer to \$200, though OLPC founder Nicholas Negroponte maintains the price for mini-laptops could drop to \$75 by 2010. So far, about 600,000 have been ordered globally, which 85,000 shipped to U.S. consumers, according to Negroponte. Dukker, a 30-year veteran in computer manufacturing who founded eMachines, said the OLPC price does not include the costs of transportation and support needed to service computer networks. There are many developing regions where the most basic infrastructure doesn't exist. "OLPC is a wonderful device, but it trivializes what PC companies do," he said. "It's the equivalent of HP saying, 'We are selling a PC for \$200, but you have to pick it up in China,'" Many companies, from Intel to Asus in Taiwan, hope to sell low-cost laptops to the developing world. Intel predicts

more than 50 million mini-computers will be sold globally by 2011. But IDC analyst Bob O'Donnell doesn't think the laptops, which are still too pricey for many in the developing world, will gain traction. "I think the growth will be more muted," he said. NComputing, which does not disclose its revenue, is profitable Dukker said. The company has partnerships with numerous international non-profit groups, including U.S. based Save the Children, Ateliers Sans Frontiers in France, Bangladesh-based BRAC, the Organization for American States, UNESCO and the Azim Premji Foundation, founded by the chairman of the information technology giant Wipro in India.

In aNComputing's addition to being inexpensive out of the box, technology costs a lot less to operate and maintain than traditional PCs. The company says its devices are at least 95 percent more energy efficient than computers. Dukker believes the time for his model has arrived in today's era of fast Internet service, a growing acceptance of "cloud" computing, in which material is stored on servers, and increasing pressure on companies to be green by using less power. With \$40 million in venture backing, NComputing hopes to expand its reach to corporate America at a time of growing interest in centralized computer systems. "This is a solution for the United States," he said. But the company faces a host of challenges, including how to deal with software licenses, said Gartner analyst Federica Troni. Its system allows several users to tap into one PC or server using a single copy of the operating system. In emerging markets, Microsoft offers a special licenses, but not in the United States. The company also must deal with tough competition from entrenched thin-client competitors, such as San Jose-based Wyse Technology.

NComputing has, though, made its mark in providing high-quality computing to the overseas masses. Fifty percent of its business comes from poor countries. "We may be the first company in the history of IT that has built itself in a sustainable, profitable company based on serving the underdeveloped world before we became a big hit in the developed world," Dukker said.



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