

<div style="text-align: center;">  <p>Annex Bulletin 2010-12 September 17, 2010</p> <p><i>A partially OPEN edition</i></p> </div>	<p style="text-align: center;">Recent... HEADLINES</p> <p>Do As I Say Not As I Do - Analysis of HP CEO Mark Hurd's demise</p> <p>A Mixed Bag of Goodies - Analysis of IBM second quarter business results</p>
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<p style="text-align: center;">Updated 9/19/10, 10:00AM HIT</p> <p style="text-align: center;"><i>IBM, Bharti Airtel Expand Their Operations in Africa</i></p> <h2 style="text-align: center;">"Black Continent:" Biggest "White Space"</h2> <p style="text-align: center;"><i>Message "Out of Africa" to Rest of World: "Come Hither!";</i></p> <p style="text-align: center;"><i>Africa - Next China, India?</i></p> <p>HAIKU, Maui, Sep 17 – There are not many "white spaces" (unexplored areas) left in an increasingly globalized world. Nor are there many major press conferences held in Africa. The fact that IBM and Bharti Airtel chairmen chose to make their unprecedented joint announcement this morning out of Kenya speaks volumes about the importance they attach to the "Black Continent." And no wonder. Africa is the biggest "white space" left on the globe. But not for long...</p> <p>"There are huge opportunities throughout Africa to transform how people communicate and how communities interact," said Sunil Mittal, Bharti Airtel's chairman. "Delivering on that opportunity through affordable mobile communications for everyone is our focus."</p> <p>IBM's chairman and CEO, Sam Palmisano echoed Mittal's optimism.</p> <p>"We see our strategic relationship with Bharti Airtel as a powerful example of building a smarter planet," he said in a statement. "We have achieved great success together in India, and now we are bringing that model to Africa."</p> <p>IBM and Bharti Airtel relationship started in 2004, when India's leading mobile communications provider tapped IBM to run the IT and applications for its entire Indian network. The new agreement will extend a deep relationship between IBM and Bharti Airtel that has seen explosive growth in India – from six million subscribers in 2004, to more than 140 million today, and from \$750 million to over \$3 billion in value.</p>	<p>Big Blue Rains Honey on Wall Street - Analysis of IBM 2Q10 business results</p> <p>As Good As It Gets Still Not Good Enough - IBM 1Q10 results analysis</p> <p>Between Rock and Hard Place - Analysis of PC users' current choices</p> <p>Steady, As She Goes - Update to 5-yr forecast for IBM</p> <p>HP, Capgemini Send Mixed Signals - Analysis of latest quarterly business results</p> <p>IBM Delivers... - Analysis of IBM's fourth quarter business results</p> <p>Big Blue Poised for Growth Again - "State of the Union"-type analysis of IBM performance</p> <p>Rally of Hope over Fact Continues - Analysis of Top IT Cos 2009 performances</p> <p>Broken Windows, Broken Promises - "State of the Union"-type analysis of current PC/Windows quality</p> <p>A Shrinking Giant - Analysis of HP's fourth fiscal quarter business</p>



IBM and Bharti have not disclosed the value of the new deal. But some reports in the Indian press suggest the 10-year contract will be worth at least \$1.5 billion (see [The Economic Times of India](#), Sep 18). Bharti Airtel plans to replicate the success of its relationship with IBM by lowering the barrier to entry for the people of Africa to own a mobile device, like that rickshaw driver pedaling under a giant poster in India (above right).

Bharti has a goal of bringing affordable mobile services to remote locations in Africa. IBM's voice-enabled Internet technology can help such a vision come true. It is particularly compelling for populations with little or no literacy, visual impairments, or with lack access to PCs. The technology allows users to access and share information simply by talking over an existing telephone.

A Win-Win Deal for IBM, Bharti

Bharti has recently expanded into Africa with the \$10.7 billion-acquisition of Zain, a leading African telco. IBM has been in Africa for over 50 years, and has invested over \$300 million so far in that market. Under the new agreement, IBM will be laying the groundwork for all of the underlying technologies that power Bharti Airtel's mobile communications network spanning 16 African countries.

As part of Big Blue's long range plan, the percentage of IBM's revenue to come emerging markets, such as Africa, is expected to increase from 19% to 25% by 2015. That's equivalent of adding \$1 billion per year in incremental revenues. The Bharti deal will go a long way toward making that goal plausible.

IBM edged out HP in a close fight to win the new Bharti deal. Accenture, Wipro and Tech Mahindra, also made it into the initial shortlist, but did not make the cut, according to reports from the Indian press.

"This will be the first of the many strategic partnerships in Africa," said Manoj Kohli, chief executive of Bharti's international operations told the ETI. "In the next quarter, there will be many more exciting announcements of partnerships we will have in Africa. These partnerships will help us replicate the magic we have created in India," Kohli said.

Key to Deal: NOT to Be Pioneer!

You know what key is to these kinds of pioneering deals? The key is NOT to be a pioneer. It takes hundreds of big firms to build a national infrastructure. And they all must wash ashore more or less at the same time. Otherwise, there may be shortage of this or that material or service.

What happened in China is an example of it. China would never have become the "world's factory" had not so many of the western technologies and services been transferred there at about the same time (early 1990s).

And if that's a key to building *national* economic framework, you can imagine how much more important it is for a *continental* infrastructure, such as in Africa. Nevertheless, IBM and Bharti should be commended for their courage to be among the first to take a leap.

Another underlying motivation for being among the first is CHEAPER labor in Africa (as it once was in China, and later in India, the Philippines and in Eastern Europe). So a

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legitimate question to be asked is - **Is Africa (going to be) another India, China?**

And the answer is, "you betcha." It's just a matter of time. And education. Massive education of its work force. So cheaper labor will be a very long term benefit. But then, IBM has demonstrated lately that it thinks and acts based on a long-range vision.

So Big Blue and Bharti are broadcasting a new message "out of Africa": "Come hither!" The "Black Continent" is the biggest "white space" left in the world.

Now we have to wait and see how many other major multinationals will follow.

Happy bargain hunting!

Bob Djurdjevic

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