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DIGITAL BUSINESS THE INTERNET

## Macedonia hopes to escape tangled web

The Balkan state has unjustly acquired a poor reputation for internet abuses, says **Stephen Pritchard**

With just over 2m inhabitants and independent only since 1991, the Former Yugoslav Republic of Macedonia is one of Europe's younger and smaller states.

But the country has ambition enough. The European Union granted it EU candidate status in December 2005. Business leaders in the country want to boost economic, and especially, export performance. Macedonia's main industries include wine, cheese, textile production and tourism.

However, the IT industry is increasingly important, with software development and out-sourcing showing rapid growth.

"There is a good education system in Macedonia and engineering is valued as a profession, so there is an opportunity to grow the IT business," says John Mennel, a consultant at Booz Allen Hamilton, who has been working with the US agency USAid on a number of projects in the country.

And Macedonia has succeeded in boosting its IT infrastructure significantly in the past few years. The country claims one of the most comprehensive wireless broadband networks anywhere in the world, with coverage of 100 percent of the population. Another initiative has connected the country's schools.

For the business community, however, better internet access only solved part of the problem. Although it was easier to go online, companies were finding that they could not use key internet services, such as registering domain names, using credit card clearing services or eBay or Skype.

The reason is Macedonia's poor reputation for IT

security. A study by VeriSign, the security vendor, suggested that 100 per cent of online transactions originating in Macedonia were potentially suspicious.

The result is that international e-commerce companies' security departments placed Macedonia on unofficial "blacklists", blocking transactions from the country or preventing local residents from registering on key internet sites.

This reputation is largely unjustified, according to those who have worked in the country.

"We found that every transaction from the Macedonian IP (internet address) space had been flagged as possibly fraudulent, although in fact none of them were," says Ryan Kalember, an executive with VeriSign in Europe.

"Without having a policy, multinationals have blocked every transaction coming from Macedonia – or at least, if they could see that it came from there."

Without doubt, Macedonia has had problems with IT security, as have its Balkan neighbours. "There are fraud patterns associated with geographic domains and even with particular geographies," says Jay Heiser, are search vice-president and security specialist at analysts Gartner. "It is a pretty good indicator of risk."

The idea that Macedonia is a hotbed of online fraud, however, might be overstating matters. The problem is more that because so few transactions originate in the country, fraudulent ones stand out.

"Any fraudulent transaction looks like a large percentage of traffic, and there have been botnet attacks

(via collections of compromised PCs) out of Macedonia run by people from Bulgaria, Serbia and Romania," says Booz Allen Hamilton's Mr Mennel.

And changing perceptions among large international internet companies would be hard for Macedonian businesses to achieve on their own. The country is a small market: just under 400,000 Macedonians are estimated to use the internet. "Many international companies don't think that Macedonia is large enough to bother with," says VeriSign's Mr Kalember.

The answer has been for Macedonians to act to improve their own online reputation. USAid, working with VeriSign and Commercialna Banka, based in Skopje, is issuing secure identity tokens to its customers. The deployment could potentially cover 10,000 users, mostly in business.

As importantly, the consortium has persuaded some international internet companies to accept transactions from Macedonians who use the VeriSign system, known as VIP. The VIP system provides a number of ways that internet users can authenticate themselves, including tokens, one-time codes generated on a mobile phone, and by connecting to a call centre.

In Macedonia, the project team has gained the support of a number of online services, including eBay and PayPal, which will accept transactions from Macedonians using the secure ID tokens. The cost of the tokens themselves is being subsidised by USAid.

The system should remove some of the practical barriers

to Macedonian companies trading on the net – and so help to boost the country's economic prospects.

"In 2004, when Macedonia got on the blacklists, we were no longer able to use services we had already paid for, such as (domain) registrars that had already collected money from Macedonian customers, and which cut us off from managing our domains," says Marta Tomovska, chief executive of Unet, one of the country's largest internet service providers. "Today, we cannot open accounts with some of the biggest e-commerce sites."

She hopes that if Macedonia can increase its percentage of "non-risky" transactions, more international companies will be willing to deal with businesses there over the net.

"The proactive approach of this project shows the willingness of Macedonia to fight fraud and will lead to a positive perception of Macedonians doing "clean" business internationally," says Ms Tomovska.

The authentication project is being developed along with other initiatives that should serve to improve Macedonia's image in the wider internet community. "We have put together some policy changes with the country's five largest ISPs," says Mr Mennel.

"We are also working with the Ministry of Justice and ISPs to drive down the actual fraud rate. But if we can drive up the value of legitimate e-commerce, that will also lessen fraud as the percentage of total transactions. And it will also make the country more attractive as a market."

