

Google Apps Challenging Microsoft In Business

By QUENTIN HARDY

SAN FRANCISCO — It has taken years, but Google seems to be cutting into Microsoft's stronghold — businesses.

Google's software for businesses, Google Apps, consists of applications for document writing, collaboration, and text and video communications — all cloud-based, so that none of the software is on an office worker's computer. Google has been promoting the idea for more than six years, and it seemed that it was going to appeal mostly to small businesses and tech start-ups.

But the notion is catching on with larger enterprises. In the last year Google has scored an impressive string of wins, including at the Swiss drug maker Hoffmann-La Roche, where over 80,000 employees use the package, and at the Interior Department, where 90,000 use it.

One big reason is price. Google charges \$50 a year for each person using its product, a price that has not changed since it made its commercial debut, even though Google has added features. In

Price is one reason cloud-based software is gaining acceptance.

2012, for example, Google added the ability to work on a computer not connected to the Internet, as well as security and data management that comply with more stringent European standards. That made it much easier to sell the product to multinationals and companies in Europe.

Many companies that sell software over the cloud add features without raising prices, but also break from traditional industry practice by rarely offering discounts from the list price.

Microsoft's Office suite of software, which does not include e-mail, is installed on a desktop PC or laptop. In 2013, the list price for businesses will be \$400 per computer, but many companies pay half that after negotiating a volume deal.

At the same time, Microsoft has built its business on raising prices for extra features and services. The 2013 version of Office, for example, costs up to \$50 more than its predecessor.

"Google is getting traction" on Microsoft, said Melissa Webster, an analyst with IDC. "Its 'good enough' product has become pretty good. It looks like 2013 is going to be the year for content and collaboration in the cloud."

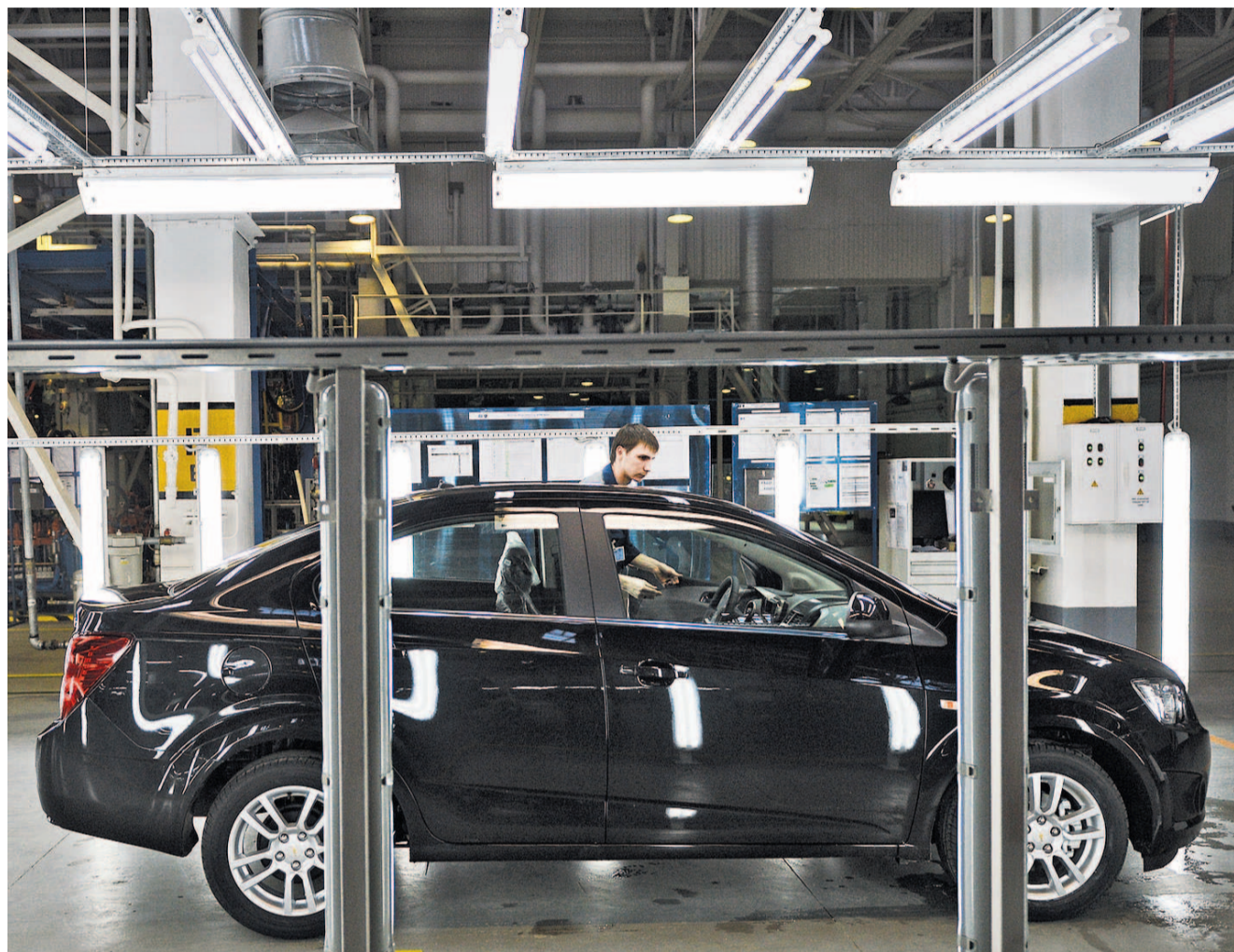
Microsoft has also jumped on the office-in-the-cloud trend. In June 2011, it released Office 365, and now offers its software in both a cloud version and a hybrid

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Eduardo Porter, whose Economic Scene column normally appears on this page, is on vacation.

That New-Market Smell

Russia's Desire for Cars Grows, and Foreign Makers Take Notice



JAMES HILL FOR THE NEW YORK TIMES

A worker checks a new General Motors Aveo at a factory in Russia. G.M. is investing \$1 billion to meet rising demand.

By ANDREW E. KRAMER

NIZHNY NOVGOROD, Russia — Sleek and glistening, the General Motors sedans creep off the assembly line here. They are as new as cars can get. And so is the assembly line, where the first test cars emerged this month.

Even as G.M. is scaling back elsewhere in Europe, the company is ramping up production in Russia, a country that is becoming a bright spot for G.M. and much of the rest of the automotive industry.

Trickle-down oil wealth and the spread of easily accessible auto financing are lifting sales, which rose by 40 percent in the first half of this year compared with the same period a year ago. G.M., Ford, Volkswagen, Nissan and Renault are all opening new plants, or intend to do so soon.

The new G.M. line in this picturesque town, an old center of the Russian car industry on the Volga River, will manufacture 30,000 Aveo sedans a year. Cars, held up on jacks, move along

the assembly line and end up in a brilliantly illuminated inspection room, where every inch is carefully examined; the factory is trying to get defects down to G.M. standards. If all goes well, production will start in January.

The site is one of half a dozen facilities that G.M. runs in Russia, where the Detroit carmaker intends to invest \$1 billion over the next five years. The money is a good bet today, analysts of the Russian market say, for the same reason that politics here recently got a jolt with street protests: the Russian middle class is rising, and becoming a force in both commerce and public life.

"I would put Russia in the same breath as China," Timothy E. Lee, the head of G.M.'s international division, said at a groundbreaking ceremony for a plant in St. Petersburg last summer, which will make midprice sedans.

Russians are snatching up foreign-branded cars. The Hyundai Solaris was the best-selling vehicle in Russia last year. And

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Taiwan Textile Makers Create a High-Tech Niche

By LIN YANG

TAIPEI — Jason Chen knows how it feels when globalization threatens a family business.

In 1992, he went to mainland China to find inexpensive raw materials for his garment and blanket business in Taiwan, following his competitors in the textile industry as they rushed to the mainland for free land, inexpensive labor and loose environmental regulations.

But when a shipment of cloth he bought proved to be defective, his client rejected his garments and he lost about \$100,000. It was enough to push him to take matters into his own hands, and he founded Singtex Industrial to focus on developing higher-value, waterproof synthetic cloth.



JUSTIN GUARIGLIA FOR THE INTERNATIONAL HERALD TRIBUNE

"When you go cheap, you have no good quality control," he said. "Many of us went to China for a new, sweet beginning but tasted only bitterness in the end."

Singtex's story parallels the transformation of the textile industry in Taiwan over the last two decades. Once the main pillar of Taiwan's economic development, textiles have given

Singtex Industries, which helped generate Taiwan's textile sector revival, uses special processes to make fabrics for athletic clothing.

way to high-technology gadgets and components. Fabric mills and garment factories moved offshore during the last 20 years to focus on lower costs and higher volumes.

Yet the industry has re-emerged over the last 15 years, with companies spinning out a plethora of high-technology fabrics that are being snapped up by European and North American brands. Those materials are used in products like ski jackets, sports jerseys, outdoor

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Fiscal Cutoff Gradually Morphs Into Horizon

By NELSON D. SCHWARTZ

Quick action by President Obama and Congress could still help the economy escape the full impact of hundreds of billions in tax increases and automatic spending cuts set to take effect shortly after the last minutes of 2012 tick away next week. But if the deadlock in Washington persists much longer than a few weeks, the consequences will quickly mount, economists warn.

Until late last week, most observers had expected the president and Congressional Republicans to come up with at least a short-term compromise before the year-end deadline. But the failure of Speaker John A. Boehner to win support for tax increases on the wealthiest Americans from fellow House Republicans has forced many economic observers to reconsider what might happen if political leaders remain deadlocked into 2013.

Wall Street is still betting on a quick deal, but that confidence is misplaced, said Julia Coronado, chief North American economist at BNP Paribas. "Markets have

Economists give odds on what will happen, and when.

been incredibly complacent about this," she said. If a compromise cannot be found by Jan. 1, she said, "the markets will take that hard."

Some hits — like a two percentage point increase in payroll taxes and the end of unemployment benefits for more than two million jobless Americans — would be felt right away. But other effects, like tens of billions in automatic spending cuts, to include both military and other programs, would be spread out between now and the end of the 2013 fiscal year in September. These could quickly be reversed if a compromise is found.

Similarly, the expiration of Bush-era tax cuts on Jan. 1 would not have a major impact on consumers if Congress quickly agreed to extend them for all but the wealthiest Americans in early 2013, as is widely expected.

Other probable changes, like a jump in taxes on capital gains and dividends, would most likely be felt over a broader period rather than as an immediate blow to the economy.

In the meantime, more observers are contemplating what the impact will be if Washington ignores the year-end deadline and waits until January or February to act.

"It's still possible they will work something out by the end of the year, but the probability seems reasonably high that we may go into January with no agreement," said Dean Maki, chief United States economist at Barclays Capital. "But the longer

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