

BISNIS Bulletin



Facilitating
Commercial Success in Eurasia

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Azeri Oil and Gas Shifts into High Gear

by Michael A. Lally and Bakhtiyar Mamedov

In 2003, energy investment in Azerbaijan will move into high gear with construction of the Baku-Tbilisi-Ceyhan pipeline, the third phase of development of the Azeri-Chirag-Guneshli (ACG) oil field, and the development of the Shah Deniz gas field and pipeline. Industry experts suggest that Caspian reserves as a whole may approach those of the North Sea, with virtually every major international oil company investing in Azerbaijan. While drilling results over the past few years have disappointed analysts and operators alike, British Petroleum (BP) and its consortium partners have embarked on major spending that will put Azerbaijan on the world energy map. To develop this potential, the Azeri government has put in place more than 20 production sharing agreements (PSAs) with international oil consortia. These PSAs have provided a solid foundation for foreign investment in oil and gas-related sectors of the economy, and they mean big business for U.S. suppliers. Over \$10 billion in energy-related business opportunities are expected during the next 6-36 months in Azerbaijan and the Caucasus. More than 90 U.S. companies—a 20 percent increase since 2000—are now resident in Baku, recognizing that the oil business is developing rapidly.

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Sakhalin Oil Projects Bring Multisector Opportunities

by Elena Sabirova

The largest foreign investment projects in Russia today are actually taking place not in Moscow, but on Sakhalin Island at the far eastern end of the country. Seven oil and gas development projects, and related pipelines and infrastructure, are being planned to take advantage of the enormous subsoil hydrocarbon resources off Sakhalin in the Sea of Okhotsk. (Information on the consortia developing the projects and projected investment is available at <http://bisnis.doc.gov/bisnis/isa/020702projectchart.htm>.) Numerous opportunities for subcontracting of goods and services in a large variety of sectors will be available due to the two commercial projects, and U.S. companies should start to think of how to position themselves.

For the two major projects currently under way, Sakhalin-1 and Sakhalin-2, there is a compulsory prequalification procedure for suppliers and contractors. The procedure involves formal provision of company information to the consortia, followed by a qualification process, and placement of company information in a database. Prequalified companies can then seek to bid and negotiate for

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The program features presentations and analysis on the following key areas: Political and Economic Developments, Debt and Equity Capital Markets, New Issue Markets, Ratings, Russian Banking, Corporate Governance, Private Equity, Foreign Direct Investment, and Money Management.

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202-482-4655
202-482-2293 (fax)
bisnis@ita.doc.gov

To call BISNIS toll free, dial
1-800-USA-TRADE (872-8723)
press 4 and then press 7
or visit the BISNIS Online website at
<http://bisnis.doc.gov>

DIRECTOR Trevor Gunn
trevor_gunn@ita.doc.gov

DEPUTY DIRECTOR Tanya Shuster
tanya_shuster@ita.doc.gov

MANAGING EDITOR Ellen S. House
ellen_house@ita.doc.gov

ASSISTANT EDITOR Melissa Walters

CONTRIBUTORS Michael Considine, Todd
Crossett, Trevor Gunn, Ellen House,
Michael Lally, Michael Malloy, Bakhtiyar
Mamedov, Elena Sabirova, Wesley
Schwalje, James Warlick

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BISNIS Director's Message: Russian Banking and Trade Finance Advance

by Trevor Gunn, Director, BISNIS

The Russian banking industry continues on a path of positive, albeit slow, change toward acting like traditional western style financial institutions. In the post-1998-crisis environment, private banks in Russia are looking to alter two distinct elements of past behavior. First, financial institutions in Russia have traditionally loaned money only to a very small, preferred customer base. Often this client base represented state run enterprises or companies in which the banks had some ownership stake. Second, and somewhat as a result of this loan pattern, Russian private banks have suffered from being undercapitalized. Now, in an effort to increase their competitiveness, Russian banks are looking at ways to bridge the gap in services, offering credit to more customers and to improve capitalization.

One way that Russian banks are seeking to expand their client base is to attract new foreign commercial clients for trade finance transactions. Since the fall off in 1998, exports to Russia, particularly from the United States, have been on a steady rise. Each year, the number of U.S. firms entering the potentially lucrative Russian market climbs. Leading Russian financial institutions such as AlfaBank, MDM Financial Group and AvtoBank, to name a few, are eager to attract these U.S. companies as potential long-term customers.

Through trade financing, the banking sector looks to diversify its business in two important ways. Direct lending with U.S. companies for trade finance will continue to grow. More U.S. firms have developed a long-term interest with substantial investments in Russia. As a result, it becomes increasingly important to localize banking services. In the past two years, there has been a significant increase in bank loans for large equipment purchases for industries related to oil and gas, heavy manufacturing, and agribusiness. For the U.S. company that has developed long-term partnerships in Russia, having the ability to finance trade transactions beyond the traditional Letter of Credit can now be effectively accomplished.

Another important development is that relationships between certain private Russian banks and U.S. government supported lending agencies, such as U.S. Export-Import Bank and Overseas Private Investment Corporation, have improved and expanded. Both of these U.S. institutions have spent significant time identifying private sector banks in Russia that they are willing to work with on trade finance loans and guarantees. U.S. firms can access trade financing in conjunction with their Russian counterparts, utilizing Russian bank financing, guaranteed through one of these U.S. agencies. In addition, some U.S. banks have begun to look at direct trade finance opportunities in Russia. BISNIS has recognized an increasing interest by some local and regional U.S. banks during recent outreach programs around the United States that would work directly with U.S. companies or perhaps with their Russian banking partners. It has become apparent to many U.S. banks that more U.S. firms are involved in long-term relationships in Russia and require a host of banking services to support their operations.

Where does this leave U.S. companies doing business or considering entry to the Russian market? The continued changes in Russian private sector banking mean more options for U.S. firms. It would only be natural for those with continuing relationships in Russia, working closely with Russian partners, to seek local banking resources to help finance transactions and develop new investment initiatives. At a time when the U.S. economy has seen some retrenchment, trade finance makes sense in order for U.S. firms to not lose out on the lucrative opportunities in Russia today. Institutions like EximBank and OPIC would like to see more U.S. companies take advantage of their lending and guarantee programs to increase U.S. exports to Russia. Clearly, there is a level of risk tolerance in the Russian banking system now that allows more options in developing trade finance strategies.

The developments occurring in the Russian banking system will help to make the market more attractive to U.S. companies. The Russian government continues to push for further reforms in the banking industry. A major initiative by the Russian government is to support the development of SMEs in the country. Russian banks, seeing the significant role U.S. firms will play in this sector's development, are developing trade finance programs to support this initiative. In addition, this year should see further progress on issues such as deposit insurance, which will help increase the public trust in the overall system. Competition among Russian banks will continue to strengthen; competition that is healthy and will bring banks more in line to western standards and offer U.S. firms in Russia more options and services to support continued success in this important emerging market.

Follow the Oil Money in 2003–2004

Given the extensive energy investment in Azerbaijan, U.S. firms can “follow the oil money” to potential sales. U.S. suppliers should divide the market into the offshore exploration, production, and service businesses, as well as onshore infrastructure and pipelines. BP is the operator in the Azerbaijan International Operating Company (oil) and the Shah Deniz consortium (gas), and the major player on the Azeri energy scene. In September 2002, McDermott was awarded additional contracts for ACG Phase Two, to include fabrication of the West Azeri and East Azeri topside decks to support drilling facilities, living quarters, power generation facilities, and other process equipment and facilities. Total expenditure for ACG Phase Three, to be tendered in 2003, is estimated at \$3.6 billion. Shah Deniz, also expected to be sanctioned in 2003, will result in investment of more than \$2 billion on offshore platforms, drilling services, well casing, maintenance, and other works. Companies such as **Caspian Wireline Services** and **Caspian Oil Services** have shown that small and medium-sized U.S. firms can operate successfully in this challenging business environment. BP, on behalf of its consortium partners, maintains an excellent website for its Baku-based Enterprise Center, www.ecbaku.com, which includes tips on working with BP, registering a U.S. firm as a pre-qualified supplier, and future tenders on which U.S. firms can bid.

The Baku-Tbilisi-Ceyhan (BTC) oil pipeline, officially approved in September 2002, is scheduled to load first oil in 2005 with a capacity of 1 million barrels a day. In August 2002, CCC, a Greece-based construction and project management firm, won a tender for laying pipe and construction of the Azeri and Georgian portions of the pipeline. Subcontracting for some of this work is currently under way. Shah Deniz pipeline construction will begin once the offshore gas project has been officially approved, and this may also present opportunities for U.S. sub-suppliers. An Azeri firm, Azertrans, has existing tanker offload and rail facilities in Baku. In early 2003, Azertrans will open a second tanker offload and railcar facility near Sangachal, about 45 kilometers south of Baku. Large-scale construction, particularly pre-fabricated housing and warehousing for the oil and gas industry, is being or will be bid. While all of these major projects have procurements already secured or under way, the year 2003 will bring further opportunities for U.S. suppliers.

It's Not Just Oil...

Azerbaijan has more to offer outside the oil and gas sector. The best non-energy prospects for U.S. firms are in agribusiness, food processing and packaging, IT/telecommunications, con-

UPCOMING EVENTS

The CIS Oil and Gas Summit: Russia, Caspian and Central Asia

March 31–April 2, 2003
London, United Kingdom

Organized by:
The Energy Exchange Ltd.

For more information, visit
www.theenergyexchange.co.uk

Investing in Azerbaijan: Gateway to the NIS

May 7–9, 2003
Baku, Azerbaijan

Sponsored by:
International Finance Corporation, Swiss State
Secretariat for Economic Affairs, Swiss
Organization for Facilitating Investment), Azerbaijan
Ministry of Economic Development

For more information, visit
www.invest-in-azerbaijan.com

Caspian Oil and Gas 2003

June 3–6, 2003
Baku, Azerbaijan

Organized by:
CaspianEvents Ltd.

For more information, visit
www.caspianoilgas.co.uk

struction, and medical equipment. Agriculture is Azerbaijan's second-largest sector after energy, with opportunities in value-added processing and packaging. A construction boom is taking place in Baku, Azerbaijan's capital of 3 million. Residential, and to a lesser extent, commercial construction significantly increased in 2002, and this activity is likely to continue in 2003. Telecoms/IT equipment suppliers will see a growing market in Azerbaijan in 2003. However, continued delays in the planned privatization of Aztelecom assets will limit large-scale sales in the immediate future. Baku's small but growing middle class is increasing demand for quality health-care services, resulting in opportunities for U.S. equipment suppliers to state-sponsored and private polyclinics.

Getting Started

Doing business in Azerbaijan requires patience, fortitude, and a long-term view. There are many challenges to operating a business in this emerging market, although some problems are simplified by working under a PSA and its attendant privileges. Preparation, flexibility, and networking are some of the keys to getting things done in Azerbaijan. It is also important to develop a strong cadre of local talent to expand your expertise in the market. The following steps are recommended for market entry:

- ◆ Research the market at www.bisnis.doc.gov and www.buyusa.gov/azerbaijan. The U.S.-Azerbaijan Chamber of Commerce (www.usacc.org) and the American Chamber of Commerce in Azerbaijan (www.amchamaz.org) are also excellent resources.
- ◆ Register for the January 2003 Caspian Basin Energy Conference in New Orleans as well as other relevant conferences and trade shows (see box on p. 4).
- ◆ Go to www.ecbaku.com and register as a potential supplier.
- ◆ Follow up with business counseling with the U.S. Commercial Service (CS) in Baku and take advantage of CS programs, such as the Gold Key Executive Appointment Service, which helps U.S. firms identify strong, reliable local partners.

Michael A. Lally is commercial attaché for the U.S. Commercial Service at the U.S. embassy in Baku. Bakhtiyar Mamedov is the BISNIS representative in Baku.



\$1.5 Million in SABIT Grants Available to Facilitate Public-Private Partnerships with Eurasia

The Department of Commerce's **Special American Business Internship Training Program (SABIT)** is pleased to announce that its 2003 funding round will open in December. SABIT funding helps to defray the costs of training mid- to senior-level managers, scientists, and engineers from the former Soviet Union by providing funds to cover roundtrip international airfare, per diem, and up to a \$750 per month housing allowance. The program is ideally suited for small and medium-sized businesses that are new-to-market exporters or first-time exporters looking to establish long-term relationships with potential customers, distributors, and partners.

Although the application process is fairly simple, following some basic guidelines can greatly improve a company's application.

Be Thorough

SABIT requires that a grant proposal address five substantive points: (1) training objectives, (2) host company commitment to the intern's return to his home country, (3) work plan activities, (4) profile of the proposed intern, and (5) background on the industry sector and the company applicant. In addition, certain "bureaucratic" issues must be addressed, including adequacy of the company's financial resources, provision of emergency medical insurance, record of performance in agreements and grants with the federal government, and completion of three Standard Forms. Grant applications should be no longer than 15 pages.

Answer the "Why" Questions

The most important questions to address in the application include: Why does the applicant want the grant? How will the taxpayer-provided funding be spent in accordance with SABIT's mandate to provide substantive managerial training to those from Eurasia? Will interns be able to effectively utilize the training upon return to their home countries? Companies should also be specific when describing goals and desired outcomes.

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contracts and subcontracts. Major criteria for selection are safety, environmental compliance, quality, cost, scheduling, and Russian content. Inclusion in databases is essential for consideration of a company even before appropriate contracts are announced. In addition, oil consortia encourage bidders to contact engineering, procurement, and construction (EPC) companies and major contractors directly. For example, the director of the Amur Shipyard, which holds the contract to build the Orlan Platform for Sakhalin-1, emphasized that the plant is eager to find new partners, but would only consider companies that have been pre-qualified.

All the Sakhalin projects by terms of their production-sharing agreements (PSAs) are required to contract with Russian companies, whenever possible. This target is zealously promoted by the Russian side. However, a Russian partner for the purpose of the projects can be found not only on Sakhalin but also in other regions of the Russian Far East, and a potential or existing partnership with any Russian parties is sufficient.

Available opportunities include pipeline projects, residential and industrial construction, transport and logistics, and a wide variety of services for employees and the companies themselves, including training, insurance, banking, health care, inspection and certification, and other types consulting. The Web sites of two major consortia offer information about current developments, potential opportunities, and much more (for Sakhalin-1, visit www.sakhalin1.ru and Sakhalin-2 www.sakhalinenergy.com) SIGOLD, a major trade show for companies interested in contracting opportunities, took place on Sakhalin in August 2002. See www.bisnis.doc.gov/bisnis/isa/021022SakhTradeShow.htm. Another good source of information on Sakhalin oil project developments are the publications of the Pacific Russia Information Group, visit www.rfeoilgas.com.

Other consortia developing Sakhalin oil projects, such as BP and Petrosakh (operated by Russia's Alfa-Eco), have different bidding procedures. Petrosakh tends to send bidding invitations to companies already active in the local market in specific fields. In order to apply to bid for BP contracts, it is necessary to visit BP's Yuzhno-Sakhalinsk office. It is critical to visit the island and eventually establish a presence there in order to be successful in future bidding for upcoming projects.

Elena Sabirova is the BISNIS representative on Sakhalin Island.

For more information on Sakhalin Island, visit BISNIS Online at www.bisnis.doc.gov/sakhalin.cfm.

BISNIS Interview: How and Why to Look at Sakhalin Island?

Sakhalin Island is a bastion of new development for the Russian oil and gas industry, with total investment expected to exceed \$100 billion over the next 40 years. However, it is a challenging business environment, and the question remains: Should your company get involved with Sakhalin projects?

Todd Crossett, co-founder and partner of Sakhalin-Alaska Group, LLC (www.sakhalin-alaska.com), has been working the island since 1996 and has witnessed tremendous change since his arrival. A cornerstone of his business is facilitating development of joint ventures between Western companies and Russian firms. Sakhalin-Alaska also provides project management, strategic planning, logistics, Russian regulatory (permitting, certification, licensing, and compliance) assistance, business agent and representation services, and more. In an interview with BISNIS Trade Specialist for Sakhalin Marianne Drain, Todd provides some insight into why companies should be looking at Sakhalin and how they can gain footholds.

Why should U.S. companies be looking at Sakhalin for business opportunities?

Sakhalin Island is a catalyst for long-term economic development not only in the Russian Far East, but also for Russia in general. The Sakhalin Shelf is well positioned geographically, with easy access to the Pacific Rim and relatively good transportation options. Additionally, this is a unique opportunity to do business in Russia, because it is possible to contract through



A Kenworth truck being delivered to the Sakhalin-1 project.

Photo courtesy of PACCAR Inc. (www.paccar.com).

international companies, thereby taking on less risk while getting in on the ground floor of Russian business. The business environment on Sakhalin is uniquely progressive—the local government is largely supportive of foreign business, and there is a great deal of international traffic and assistance available for companies wanting to do business here.

What is the current status of the oil projects, and how does this affect U.S. companies that want to participate?

Since 1996, when the Sakhalin-1 and 2 production sharing agreements were signed, people have speculated about an impending boom—always next year, next year—and there were several companies that came to Sakhalin with the expectation of the “boom” without concrete knowledge of the project timelines, and as a result many companies have come and gone. Although there have been some setbacks, in general, the projects are on target and have hit most of the original project milestones. The projects are moving ahead. Sakhalin-1, particularly, which hit major setbacks in the late 1990s, is now moving forward very quickly with the oil portion of the project. Production is scheduled to commence in 2005. Several major contracts have been released over the past several months. Gas pipelines to Japan and/or China are under consideration, and markets for those projects are being explored.

Sakhalin-2's economics are based upon integrated oil and gas development, and the consortium continues to seek a buyer for liquefied natural gas (LNG) in order to launch the planned full-scale development project. Regardless, it has continued to maintain forward momentum and to produce oil on a seasonal basis, which it has done since 1999.

The challenge is that things are now moving very quickly, and if you don't already have a presence on the island, you are behind. Moreover, there is a very steep learning curve, and resources—such as Russian partners, personnel, and facilities—are being quickly snapped up. The competition is heating up, and the cost of doing business is increasing. The business and legal environment in Russia, though stabilizing, still changes rapidly. It is critical to quickly gain an understanding of that operating environment and stay abreast of new developments in order to succeed. It is important to work with people who know the local environment and how to identify solutions. Form strong alliances with knowledgeable partners and advisors you can trust. Patience and sufficient preparation are also key. It takes time to test and develop partnerships and to identify and smooth out bumps in the road. When partnerships are formed too quickly or without ongoing interaction and communication, it can

turn out that goals and expectations are not sufficiently aligned and problems result within the partnership.

What are the Russian content requirements, and how do they affect a company's entry strategy?

A major issue for everyone is that of coping with the Russian content requirements for equipment and services that are written into the production-sharing agreements (PSAs), which govern each of the Sakhalin-1 and 2 oil projects. Each project has its own working description of, and differing philosophies on, Russian content. Moreover, these are changing all of the time in relation to the Russian political and regulatory scene as well as project parameters and strategies. As a result, the proper approach for contractors is always changing. In general, U.S. companies that create a formal partnership with a Russian entity and/or legally register in Russia will be more competitive in the eyes of the contractors and will stand a better chance of winning contracts. However, companies should consider a number of issues relevant to their lines of business, Sakhalin clientele, and Sakhalin business plans. It is imperative, then, that companies identify the issues and options to create strategic plans specific to their Russian operations in terms of Russian content and how their companies are set up and registered. Company registration is integrated into everything that a company does, and the wrong choice can put a company down the wrong path in terms of cash flow, taxes, and VAT—in some cases, making the company uncompetitive. It is a complex issue, and there isn't always one clear answer. There certainly is not a universal solution. The right move for a construction company is going to be very different than from a supplier. A wide range of regulatory issues need to be understood, and it's important to work with someone who knows these well.

What are the keys for small and medium-sized U.S. companies to capitalize on opportunities?

It has always been important to be on the island—more and more decisions are being made there than ever before as major contractors are moving in and working from there. It is also very important to visit the headquarters of project operators and key contractors because many key decisions are also made off the island. Each project has a very different management structure, and as engineering, procurement, and construction (EPC) contracts are awarded, the decision-making responsibilities for any given piece of the project continue to change. It is critical to understand what the opportunities are, who the decision-makers are, where they are located, and what the timelines are.

The best opportunities will be for those who are in the game

early, linked with partners, and can identify the right niche within the big contracts that have been awarded to international companies. Small companies can ride on the shirttails of a larger company so long as they have the financial ability to get set up, make contacts, get in with a good Russian partner and maintain a presence. There is advantage in being flexible and adaptable because the Russian market is very dynamic. Enterprising small and medium-sized companies with strong local capabilities should be able to find a niche with development of this size. There will always be a need for local support. For example, fabrication work done off-site for platforms and modules will require ongoing repairs and onsite assembly, which invariably involves unforeseen incompatibilities and complications. Health care is strained and not even close to what will be required. Also, there will soon be a strong need for workforce training across the board. These are greenfield projects, so just about any service you see walking down the street in places like Aberdeen or Anchorage will be needed. Many opportunities for smaller companies will lie in subcontracting to the majors or larger contractors.

Can you give an example of companies that you have helped succeed on Sakhalin?

We have worked with a number and wide variety of companies from the United States, Europe, and Asia. I can pick some diverse examples. One example is an engineering and oil field services company from Alaska that got in early with a local presence and partners, and put itself in a position to compete strongly for opportunities and to hold its own with much larger international players. We provided A-to-Z assistance to the company in the first couple of years as it made the move to the island, including business planning, partner search, setup, infrastructure research, licensing, hiring, government relations, and marketing in landing initial contract work.

Another is the City of Yuzhno-Sakhalinsk Diagnostic Center, which we assisted in securing a contract to provide health care for Sakhalin Energy's Russian nationals.

A third example is a European marine survey and modeling company, which we assisted in coordinating logistics, HSE (health, safety, and environmental) planning, and obtaining federal and local permits to carry out on- and offshore surveys.

What is the golden rule for doing business on Sakhalin?

Do your homework, make good decisions and commit for the long term. You need to collect good information and to understand the business environment, contracting opportunities and what's required. There is the tendency, especially on the part

of American companies, to jump in and not invest the time and resources in properly researching the situation and their potential partners, which will always end up costing more in the end. It is imperative that you take your commitment to the area seriously by making this initial investment. Risk always accompanies ignorance. If you understand the environment, you can mitigate a great deal of risk.

Todd Crossett can be reached via email at tcrossett@sakhalin-alaska.com.

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Focus on the Work Plan

The work plan is by far the most important piece of the grant application. Applicants should take the time to develop this section and provide a realistic work plan describing the training program to be provided including the intern's duties and responsibilities. Although it may seem to be a daunting task, once a company has determined exactly why it wants to provide training, everyday activities should become clear and the week-by-week outline will practically write itself.

The work plan should include an explanation of specific duties and tasks the intern will undertake. If the general description of a day's training is "sales and marketing," an appropriate task for the interns may be to shadow a marketing manager and develop strategies to be presented at a staff meeting by the intern. Thus, the intern would learn about marketing techniques and apply the new skills in a practical manner. If the training program description includes industry-specific terminology, definitions should be provided.

Pay Attention to Detail

There are no tricks that guarantee a company's grant-writing success. Reviewers seek a realistic and practical work plan/proposal that is clearly written. Attention to detail in the proposal is important, as a panelist may feel that if small details are overlooked, the training program will be similarly inferior. "Application lacks detail" is a common notation on many of the grant applications that have failed.

Visit www.mac.doc.gov/sabit to download an application and to explore the innovative approaches that SABIT offers to organizations interested in exploring Eurasian market development opportunities.

Legal Corner: The Shifting Sands of Licensing in Russia

by Michael Malloy

This is an excerpt from "Ten Considerations for a Tough Market," published in Capital Perspective (Moscow) in June 2002. The full article is at <http://bisnis.doc.gov/bisnis/country/rusfed.cfm>.

One of the issues that makes Russia a tough market for investors is the confusion surrounding licensing of activities. A major player in the Russian market exclaimed to me once that it seemed that one needed a special license even to breathe in Russia. Licensing is one of the most vexing problems for foreign investors for four basic reasons: (1) it can be difficult to determine whether a specific activity requires a license, (2) regulation often overlaps between authorities, (3) rules keep changing, and (4) management of companies often do not give adequate or early consideration to licensing issues.

Most of the rules for licensing of activities are set forth in Russia's Law on Licensing of 2001. However, there are exceptions in that law for banks and credit institutions and for some other activities for which the licensing rules exist in other laws. Aside from these exceptions, the licensing law seeks to set forth the exclusive list of activities for which licenses are required. However, that list is not entirely clear, so it can be difficult to determine whether a license is required for a certain activity or set of activities. Regulations are also published for certain activities, but even these regulations may not provide conclusive information. Ultimately, the best way to tell whether a specific activity is subject to a license is to first look at the law and regulations, and then pay a visit to the relevant authorities. In many cases, the actual practice of the licensing authorities differs from what one might expect from reading the law or regulations alone. Moreover, since the granting of a license is often a relationship-based endeavor, it is important to establish a positive relationship with the relevant authorities from the start, so a visit to them will be helpful in a number of ways.

Overlap of regulatory authority can occur between levels of government as well as between ministries. While changes to the Licensing Law have placed the lion's share of licensing authority in the hands of federal ministries and agencies, when it comes to most licenses for undertaking specific activities, regional and

local authorities still have significant permitting and licensing authority for various aspects of projects. Therefore, one should always check at all levels of government to ensure that all issues for licensing, permitting, and similar requirements are covered.

As one would expect anywhere, the regulation of certain activities may involve more than one authority so that different aspects of what is the same activity may involve licenses from more than one regulator. Again, the best way to sort this out is to check the rules and then discuss the matter with the relevant authorities. Many ministries work closely with consulting bureaus with experienced employees who should be able to provide useful guidance. These consulting bureaus are not parts of the ministries, but they have excellent contacts within the ministries. They will charge a fee for their assistance but, in most cases, their assistance is well worth the money spent.

Like many other aspects of Russian society, the rules for licensing have been changing for the past several years. The new licensing law came into force in the autumn of 2001, replacing the licensing law of 1998, which had replaced earlier rules set forth by the government. While it is understandable that these rules will be in flux to some degree, such frequent changes make it difficult to keep up with new requirements. The only ways to manage this situation are to keep on top of the changes either directly or through advisors and to maintain an active relationship with regulatory authorities to be able to work through any changes that arise.

The final consideration is perhaps the most important and the easiest to avoid. For some reason, licensing requirements are often not considered by a company operating in Russia until the regulated activity is already undertaken. This clearly leaves the company with a degree of exposure that usually could have been avoided. Adequate planning for an operation in Russia should include an effort by management to sort out licensing issues before any activity is undertaken. This is important because the penalties for operating without a license may include confiscation of income received from the unlicensed activity, not to mention the disruption to operations and the shadow that may be cast over a later license application.

*Michael Malloy is head of the Corporate and Commercial Law Department at the Moscow office of **Gowlings International, Inc.** He can be reached at michael.malloy@gowlings.com.*

For more information on legal, tax, and regulatory issues in Eurasia, visit <http://bisnis.doc.gov/bisnis/isa/isa-legal.cfm>.

BISNIS Interview: The Visa Process for Russian Business Partners after 9/11

U.S. Consul General Jim Warlick of the U.S. Embassy in Moscow spoke to BISNIS Bulletin Managing Editor Ellen House about visa processing to clarify the situation for U.S. companies and organizations that invite Russians to the United States for training, business development, and conferences.

Have there been any recent changes to visa procedures and requirements that expedite or impede efforts to process visas for Russian citizens to the United States?

Since the terrorist attacks of September 11, 2001, the State Department has been engaged with other U.S. government agencies in an extensive and ongoing review of visa issuing practices as they relate to the security of our borders and our nation.

Through the use of supplemental application forms and other measures, visa applications are now subject to a greater degree of scrutiny. This scrutiny means that visa applications in some instances take longer to process to conclusion than has been customary. We recognize that individual applicants may experience inconvenience and hardship if their applications take longer to process than expected. We are doing everything possible to meet the legitimate needs of prospective travelers, consistent with the priority we must attach to our security and legal responsibilities. We recommend that individuals build in ample time before their planned travel when seeking to obtain a visa.

Have there been some recent changes to devolve visa processing? Specifically, are there changes that affect people seeking visas who reside outside Moscow (and also St. Petersburg, Yekaterinburg, and Vladivostok)?

In order to better serve visa applicants and manage our workload, we have divided the map of Russia into several consular districts. Travelers are strongly encouraged to submit their applications to the embassy or consulate that serves their place of residence. A map of these districts can be found on our Website: <http://usembassy.ru>. It is important to note when applying for a visa that applicants may be required to appear for a personal interview at the embassy or consulate to which the application was submitted.

It is also possible to submit applications for nonimmigrant visas at many FedEx (Elf-91) offices throughout Russia. While applications will still need to be reviewed by a consular officer and personal appearances may be necessary, this new program provides a convenience especially for frequent travelers to the United States.

Effective November 1, 2002, we are also issuing multiple-entry visas valid for one year to most eligible Russian visa applications. The cost of these visas is just \$100, which represents the worldwide visa application fee. Multiple-entry visas valid for two years are available at a cost of \$200.

What are the most common errors that Russian citizens make when applying for a U.S. visa?

Applicants should remember to answer all questions on the application forms and to sign the forms once completed. Certain types of visas, such as those for students and exchange visitors, require additional forms as well. Visit <http://usembassy.ru> for specific application requirements.

Generally speaking, the more information we receive either at the time of application or personal appearance, the better. We are clearly interested in the purposes of travel, length of stay, employment, and family situation of visa applicants; they should be prepared to discuss these issues with a consular officer.

What is the suggested timeline for a Russian applying for a visa in order to receive documents in time for a specific trip?

Application processing times vary by season and visa type. In the case of an emergency or urgent travel, we can issue visas very quickly. However, my best advice is to apply as early as possible. The time needed for adjudication of individual cases continues to be difficult to predict, as new security procedures are refined. Visa applicants affected by these procedures are informed of the need for additional screening at the time of application and should expect substantial delays of six to eight weeks or more before a visa can be issued.

As a U.S. company, is there someone in the State Department, either in Russia or Washington, D.C., that I can turn to if my business partner is turned down for a visa?

It is important to remember that according to U.S. immigration law, it is the visa applicant, and not an interested third party, who must establish eligibility for the visa. The assurances of business partners, employers, or friends and family cannot form the basis for visa issuance. If a visa application is refused, the consular officer will inform the applicant of the reason for the

refusal. Most visa refusals are not permanent. Applicants may contact the consular section through our call center or via email. The call center can be reached at (095) 258-2525 or, from the United States, at (866) 487-8472. Email may be sent to *consulmo@state.gov*. Most inquiries are answered in a few working days.

U.S. companies have told us that they have heard about problems with the new FedEx/Elf processing centers. Can you comment on their role and how effective they have been? Courier intake has completely revolutionized visa processing and made the entire visa application process less arduous for travelers. Previously, applicants were required to submit their documents in person. They waited in line outside the embassy, often for hours, just to drop off their applications. Then they returned to the embassy several days later for interview.

This is no longer the case. Applicants now may utilize a number of Elf-91 courier service offices to submit visa application forms and supporting documentation. Should an interview be necessary, applicants will be provided with an interview invitation delivered by courier. Only one trip to the embassy, on the day of the interview, is required.

We are actively expanding this service to other regions of Russia and are studying ways by which we can further streamline the application process.

Russian Oil and Gas: Investment and Opportunity

February 4–5, 2003
Houston, Texas

Organized by:
Strategic Research Institute

The conference will be attended by companies involved in oil and gas production in Russia, companies looking to develop business relationships with Russian oil and gas firms, energy investors, and government organizations.

For more information,
visit www.srinstitute.com/cr244

Finance Terms in Russian

Trade Finance

Licensing (as in technology) - лицензирование

Franchising - франчайзинг

Leasing - лизинг

Irrevocable letter of credit - безотзывный аккредитив

Consignment - консигнация

30-day terms (as in delivery) - условия (поставки) в течение 30 (60) (90) дней или 30 дневный срок (60 дневный) (90 дневный)

Prepayment (as in export transaction) - предоплата

CIF (cost, insurance, freight) - СИФ (стоимость, страхование и фрахт)

FOB (free on board) - ФОБ

ExWorks (as in exporting) - поставка "с завода"

Project Finance

Direct Investment - прямые инвестиции

Insured project - застрахованный проект

Syndicated loan - синдицированный кредит

Outside funding - внепроектное (внешнее) финансирование

Venture capital - венчурный капитал

Investment fund - инвестиционный фонд

Development fund - фонд для развития

Multilateral bank - международный банк

Overseas Private Investment Corporation - Частная иностранная инвестиционная корпорация

World Bank Group - Группа всемирного банка

Asian Development Bank - Азиатский банк развития

European Bank for Reconstruction and Development - Европейский банк реконструкции и развития

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Trade Events Calendar

EnterEx 2003 Organizer: Website: Sectors:	February 18–22, 2003 E.J. Krause & Associates www.enterex.com.ua IT and telecom	Kyiv
Georgia Intl. Oil, Gas, Energy & Infrastructure Organizer: Website:	March 12–14, 2003 ITE Group Plc www.ite-exhibitions.com/og	Tbilisi
Russian Automotive Organizer: Website:	March 18–19, 2003 Adam Smith Institute www.asi-conferences.com	Moscow
TransRussia 2003 Organizer: Website: Sectors:	March 25–28, 2003 ITE Group Plc www.transportevents-ite.com Logistics and transport	Moscow
New Technologies 2003 Organizer: Email: Sectors:	March 26–29, 2003 Sakha Ministry of Foreign Relations mvs@sakhanet.ru Woodworking, food processing, mining, energy, transport, telecom	Yakutsk
WorldPaper Ukraine Organizer: Website:	April 2–5, 2003 ITE Group Plc www.ite-exhibitions.com	Kyiv

The Retail Sector in Russia & the CIS The Latest Trends, Newest Developments, and Best Opportunities

March 19–20, 2003
Moscow, Russia

Organized by: **EuroForum International**

For more information,
visit www.ef-international.co.uk

The Russian Retail Sector

April 1–2, 2003
Moscow, Russia

Organized by: **Adam Smith Institute**

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