



Your Partner for Success in the Former Soviet Union

By Tanner Johnson

Special American Business Internship Training Program, Market Access and Compliance

The former Soviet Union has a number of positive distinguishing characteristics for U.S. business partners: a highly educated work force, an increasing number of businesspeople who have studied and worked abroad, and a growing acceptance of international accounting standards and general business practices.

Despite these positive developments, exporting and establishing commercial relationships in the former Soviet Union are often tricky propositions. Customs laws are unclear and their enforcement can be spotty, regulations can be confusing, corruption is endemic among low- and middle-level officials, and the infrastructure is often substandard.

With the proper preparation, however, these countries offer a largely untapped market to U.S. exporters. Perhaps the best way to take advantage of commercial opportunities in this underdeveloped region is to utilize a trusted local partner who possesses experience dealing with the barriers to entry in a particular market, and who can give an American partner a realistic view of what to expect when setting up joint ventures, exporting goods and services, founding representative offices, or establishing distributorships. Such a partner in the region can facilitate the resolution of problems that may arise with customs, shipping, local, regional and federal officials, registration of new businesses or products, transportation, and legal questions.

CREATING CONNECTIONS

Although there are many ways to find partners, one of the most cost-effective ways to “test drive” potential partners and receive

timely, first-person business information from most of the former Soviet Union (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan) is to utilize the SABIT Grant Program. Every year, SABIT offers grants to U.S. companies and organizations interested in exploring commercial and scientific relationships with representatives from institutions located in these countries (“interns”). By providing a training program for a manager or scientist from this region, the host organization gains the opportunity to start, or further develop, a relationship with a partner that can help them navigate this part of the world.

A SABIT grant reimburses a host organization the cost of a round-trip international airfare for a participant from his or her home country to the United States, housing costs up to \$750 per month (depending on a market survey), and a per diem to the intern in the amount of \$34. The host company must pay these costs up front, and then apply for reimbursement. Costs above these stated limits are the responsibility of the host company. The majority of host companies host an individual for three to six months, thereby giving both parties the chance to establish and evaluate a deeper relationship. Additionally, companies can apply to host multiple interns, although

SABIT reserves the right to limit the total number of trainees for one grant award, in the interests of fairness.

SABIT grants have repeatedly shown themselves to be a highly effective way to succeed in markets of the former Soviet Union. Some of the recent successes that U.S. companies have had with the help of SABIT include the following:

- Vaughn and Melton, a Tennessee-based company specializing in engineering and architectural services, has established representation with SABIT alumni Olga and Aleksei Blokhin of the Sotrudnik, a firm in Petropavlovsk-Kamchatka, Russia. Sotrudnik will contribute marketing, engineering support, and client relations services under the terms of the agreement, covering Vaughn and Melton’s activities in the Russian Far East.
- A past participant in SABIT’s grant program sold \$410,000 worth of American automobiles in Almaty, Kazakhstan in 2002. Tatyana Usatova, who was hosted by SAITCO, a Virginia-based automotive retailer, established an ongoing business relationship with SAITCO while in the United States.
- Astronautics Corporation of America (Milwaukee, Wis.) was recently awarded a contract to supply Boeing’s 777 airliners with electronic flight bay displays. Through a joint venture between Astronautics and Electroavtomatika in St. Petersburg, Russia, established with Russian SABIT grant program alumni who trained in the United States at Astronautics, a major part



Five interns from Kazakhstan trained with Taurus Service, in Belleville, Pa., learning about agribusiness in the United States.

Photo
courtesy of
SABIT.

of the software and design for this project was completed. Boeing has contracted for 300 of these systems, worth \$15 million dollars, which will be installed in airplanes exported to KLM Airlines.

How does an interested organization apply? Interested organizations should watch to see when the funding round opens, in the *Federal Register*, or by visiting the SABIT Web site (www.mac.doc.gov/sabit). The organization should then complete an application, and send it to the SABIT office in Washington, D.C. The application can be found and downloaded on SABIT's Web site, or a hard copy can be sent to you from SABIT. Full instructions on applying are included with the application packet.

There are several important regulations for interested organizations to consider before applying for a SABIT grant:

- Interns must be mid- to upper-level managers (typically, with a minimum of three years of managerial experience).
- The SABIT office in Washington, D.C., must approve all interns before their arrival in the United States. In part, this is done by having potential

interns fill out the SABIT Intern Application after a company has been awarded a grant.

- Companies can apply for a SABIT grant with a given individual in mind, but they may also apply and have SABIT assist them in finding someone to participate after being awarded a SABIT grant.
- Reimbursable expenses are strictly outlined in the *Federal Register* notice. SABIT is not liable for any additional expenses incurred by the company.
- Interns, as a general rule, may not be students enrolled in a university program.

Applicants should remember that the evaluation process could be complex; it might take several months from the time an application is submitted until the actual award notification is received. This can be due to a number of factors, including the number of applications received, technology transfer considerations, and the complexity of the applications received. Certain more technical industry sectors, such as telecommunications, IT, and chemicals, are more prone to experience delays due to technology transfer and licensing concerns,

and such organizations should factor this into their planning when applying for SABIT grants.

If awarded a SABIT grant, an organization has one year from the start of the award to complete its proposed training program. A program officer in Washington, D.C., will be assigned to the grant company to help them with the program regulations and facilitate the grant.

Organizations in all industries that have a serious interest in doing business in the former Soviet Union should consider submitting a SABIT grant application. For additional information on the SABIT grant program, phone (202) 482-0073, visit www.mac.doc.gov/sabit, or e-mail sabitapply@ita.doc.gov. ■