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QUARTERLY PROGRAM PERFORMANCE REPORT

FIRST QUARTER, 1993

INTERNATIONAL EXECUTIVE SERVICE CORPS

**MULTIPLE BUSINESS SERVICES &
DEFENSE INDUSTRY CONVERSION**

**THE NEWLY INDEPENDENT STATES OF THE
FORMER SOVIET UNION**

COOPERATIVE AGREEMENT NO. CCS-0001-A-00-2002-00

COOPERATIVE AGREEMENT NO. CCS-0005-A-00-2015-00

I. EXECUTIVE SUMMARY

The Governor of Nizhny Novgorod, Russia, Boris Nemtsov, in a statement prepared for a U.S. Congressional delegation, stated that "the kind of help we value most are the skills and technologies of living and working in a market economy." Nizhny Novgorod, Russia has received both traditional IESC Multiple Business Services (Technical Assistance projects and Trade and Investment Services) and an IESC Defense Industry Conversion program. The city has witnessed the effectiveness of a concentrated effort to train management and workers and to prepare enterprises for privatization and competition in a free market. IESC is increasingly capable of applying this type of effort throughout the Newly Independent States of the Former Soviet Union (NIS).

Through Cooperative Agreements NO. CCS-0001-A-00-2002-00 and NO. CCS-0005-A-00-2015-00 IESC has been providing enterprises throughout the NIS with an integrated package of business services to support USAID's development activities in the NIS. The IESC program offers the combined resources of its traditional technical and managerial assistance program and its trade and investment services program to enterprises throughout the NIS that are either undergoing or that will undergo restructuring and privatization. The IESC approach also provides a mechanism to promote mutually beneficial coventures between enterprises in the NIS and Western firms through its Field Support infrastructure in the U.S.

The progress reports for IESC's traditional program and its defense industry conversion program are being combined in this report. These activities have been complementary to date and they are intertwined by default. By having permanent teams of highly experienced American business persons on location in the NIS and by sending targeted Volunteers for traditional technical assistance projects, many opportunities for Western businesses have been identified and the Stamford-based Project Officers have received much of their program activity as a result of their efforts. In addition, the defense conversion sites expand the net of activity for IESC representation and multiply the effective range of IESC's development programs.

To date, IESC has provided services to 303 enterprises and institutes throughout the NIS and has provided information and support to 183 U.S. companies. IESC Volunteers have contributed 2064.5 days of service, with an estimated value of greater than \$1 million. These figures are detailed in a chart attached hereto (Attachment 1).

II. INTRODUCTION

This progress report includes all IESC activity in the NIS from January 1 through March 31, 1993.

In the first quarter of 1993, IESC expanded and strengthened its infrastructure throughout the NIS. IESC has been placing its Volunteer Executives throughout the NIS and developing projects to benefit private sector development and increase trade and investment relations between the American business community and enterprises in the NIS.

From March 15-18, IESC personnel from seven cities in the NIS (including the Country Directors, the defense industry conversion team from Kharkiv and IESC's Country Representatives) and from Stamford Headquarters held a workshop in Kyiv, Ukraine to develop a coherent strategy for IESC's programs throughout the NIS and to increase the effectiveness of IESC program activity.

III. PROGRAM ACTIVITY HIGHLIGHTS - Multiple Business Services Projects

In the first quarter of 1993, IESC accepted 42 projects in 5 countries of the NIS, started 16 new projects and completed seven. Since inception of IESC programs in the NIS under the above-named cooperative agreements, IESC has accepted 116 projects throughout the NIS and has started 42. Project summaries that for several completed projects are attached hereto (Attachment 2).

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A. Russia

Fifteen projects were accepted in Russia during the first quarter of 1993. Seven projects were started and two were completed. In one project that is underway, IESC sent two Volunteers to assist in plans for an \$8 billion USD building project of multi-story office buildings that contain first-class hotels, an international currency exchange, stock and commodity exchanges, trade centers, and retail and residential areas. In Russia, IESC has accepted a total of 45 projects, started fourteen and completed seven.

In two separate projects, IESC Volunteers provided an analysis of the defense conversion potential in the Tomsk region of Russia and advised on the improvement of the management of social services and public administration. The Volunteer analyzing defense conversion potential visited eight enterprises in the Tomsk region and began the process of providing the senior management of each enterprise with the requirements of a market economy. The Volunteer advising on the public administration of social services began assisting the Tomsk Regional Government in its efforts to provide a social infrastructure in place of the former centralized state.

In another project, an IESC Volunteer assisted in the transformation of a spin-off company from a large conglomerate in Saratov, Russia to a joint stock corporation under Russian law. The IESC Volunteer obtained financing for the company and developed a comprehensive prospectus for raising capital both in Russia and in the West. The IESC Volunteer made recommendations on the installation of a communications satellite system in the Saratov region, lectured at local enterprises and institutes on the market economy and prepared quality tests based on international standards for enterprises in the region. The work of this Volunteer in the Saratov region laid the groundwork for continued activities with several of the enterprises that received assistance during this VE's time in Saratov (a total of about 6 months on two separate projects).

B. Ukraine

IESC accepted 21 projects in Ukraine during the first quarter of 1993. Seven projects were started and two were completed. IESC has accepted a total of 51 projects in Ukraine, has started nineteen and has completed thirteen.

One IESC Volunteer was requested by a private Ukrainian television organization to restructure its management, prepare qualified specialists for commercial broadcasting and educate the client about the business practices of Western commercial television studios. The Volunteer created an organizational table, established systems for scheduling and program logging, and developed plans to provide comprehensive advertising packages to prospective clients. According to IESC Country Director for Ukraine, Don Wynnyczok, "it was readily apparent that the administrators of this organization saw their role in the market place and the social structure of Ukraine in a whole new way."

In another project, an IESC Volunteer assisted in the development of a business curriculum, devised methods for instruction of micro and macroeconomics and organized demonstrative lectures for the staff of an institute specializing in trade and economics. In addition, the Volunteer coordinated plans for the creation of a partnership between an American University and the institute which will facilitate faculty transfers, U.S. industry internships and the donation of computer equipment and instructional material.

C. Central Asia

IESC accepted three new projects in Central Asia during the first quarter of 1993. The total number of projects accepted in the region is seven. IESC expects to start most of these projects in April and May 1993. The defense conversion program started in late March 1993 and is discussed below.

D. Other Republics

IESC has accepted seven projects in Armenia and two in Moldova. One of these projects, a request for a Volunteer to organize a curriculum and assist in the management of the first private school in Moldova that teaches English as a second language, began in March 1993.

IV. PROGRAM ACTIVITY HIGHLIGHTS - Trade and Investment Services

To date, IESC has provided services to 303 enterprises and institutes throughout the NIS and has provided information and support to 183 U.S. companies in its attempts to forge mutually beneficial business linkages. In the first quarter of 1993, services were provided to 166 Russian and 72 American/Western companies and institutes (See Attachment 1). In the past quarter, trade and investment staff defined their reporting practices and streamlined their operations to provide rapid and effective responses to clients in the NIS and in the West. Some of the trade and investment services program highlights are described below.

A. Russia

IESC's Project Officer for Russia West, Miranda Morrison, is working with several U.S. companies and institutions to find investment partners in one of the largest real estate development programs ever planned in Moscow, estimated at \$8 billion. IESC has provided U.S. companies and institutions with information on the master plan for development and construction and the financial data with regard to the project. A request will be made to the U.S. Trade and Development Program to provide funds for an initial feasibility study.

The Project Officer for Russia Central, Dafna Tapiero, has provided extensive support to the defense conversion teams located in Nizhny Novgorod and Yekaterinberg, Russia. She has been supported in this activity by Andrew Wolff, Defense Industry Conversion Field Representative. These activities have resulted in two transactions: one involving a U.S. communications equipment company which sold \$160,000 worth of SKD technology to a Russian enterprise and is expecting future joint efforts; and a purchase by an American company of trial pre-production parts from a Russian instrument plant which may lead to further production orders. In addition, profiles of fifteen defense enterprises have been forwarded to the U.S. Department of Commerce for publication in "The Russian Defense Business Directory."

A number of other trade and investment activities are at or near the point of leading to transactions in Central Russia. In many cases, a significant dialogue has been established between the U.S. and Russian enterprise. One U.S. oil company is currently examining titanium bars from a Russian enterprise for use in its equipment for deep water oil exploration. A U.S. bicycle manufacturer has also entered into a dialogue with a Russian supplier of titanium. In another activity, a U.S. importer of metal toys is reviewing the products of a Russian manufacturer of metal collectible toys for sale in U.S. and Western markets.

B. Ukraine

The Project Officer for Ukraine, Christa Capozzola, has provided extensive support to the defense conversion teams located in Kharkiv, Ukraine. She has been supported in this activity by Laura Hoover, Field Representative for Ukraine. This activity has resulted in an American manufacturer of patented disposable syringes planning a trip to Ukraine to meet with a client of the defense conversion resident advisors in Kharkiv to evaluate the potential for a licensing and distribution agreement. Three major U.S. firms have committed to visiting a world class cryogenics institute in Ukraine to develop engineering and basic research subcontracting arrangements. An American smelting company has also planned a trip to Ukraine in May to evaluate the facilities of one of the Kharkiv defense conversion team's clients.

IESC program staff recently presented IESC multiple business services to 40 enterprise directors enrolled in the CIS Managers Program at The Fuqua School of Business, Duke University. In addition, IESC has been actively promoting investment opportunities in Ukraine through the databases and publications of the Overseas Private Investment Corporation and the U.S. Department of Congress.

C. Central Asia

IESC Project Officer for Central Asia, Theresa Weber, and IESC staff in Almaty assisted an American manufacturer in receiving a \$2 million down payment for a state of the art earthquake simulator it sold to a Kazakh research and design institute. In January 1993, IESC assisted in arranging a business trip to Almaty for the Project Director of the American manufacturer. IESC has maintained close contact with both companies and has served as a vital communication link between them.

In another activity, IESC staff facilitated the exchange of information between one of the largest American agribusiness companies and the Kazakh Ministry of Agriculture. IESC provided the American company with information on rapeseed production that was previously unavailable. During a meeting with the Chief Expert on rapeseed production in the Ministry of Agriculture to obtain this information, IESC staff learned that the Kazakhs are looking for better equipment and sophisticated techniques for each stage of rapeseed production. IESC staff has forwarded information on the agribusiness company and an affiliate to the Ministry, which is currently looking for foreign partners.

A dialogue between an American company that represents major suppliers of equipment in the oil and gas industry and the only enterprise in Kazakhstan that manufactures diamond drilling tools for oil extraction was initiated through IESC. IESC arranged for a visit by the American company to visit the Kazakh plant and introduced them to the Kazakh Geological Board. In addition, IESC staff provided the American company with laws and regulations governing extractive industries in Kazakhstan.

V. PROGRAM ACTIVITY HIGHLIGHTS - Defense Industry Conversion

Since much of the technical assistance projects and trade and investment leads result from the defense conversion activities, this section will highlight the activities on-location of the defense conversion resident advisors. Attached to this report (Attachment 3) is a series of charts which exemplify the wide scope of activities that have been taken by the defense conversion advisors in each location (not including Almaty due to arrival date in late March).

A. Almaty, Kazakhstan

IESC Defense Conversion Advisor for Kazakhstan, Clifford Lyddon, arrived in Almaty on March 27, 1993. In his first week, contact was made with the U.S. Ambassador to Kazakhstan, William Courtney, U.S. AID personnel responsible for Central Asia, representatives of American and other Western companies, top Kazakh governmental officials and the leadership of Kazakhstan's largest military production conglomerate formed for the purpose of resolving the complicated issues of defense conversion and privatization.

B. Kharkiv, Ukraine

The Kharkiv Defense Conversion team has recently prepared company profiles/descriptions for the following Ukrainian enterprises for inclusion in the Department of Commerce's "Ukraine Business Directory."

Atomenergoproekt
Autokraz
Autoshamp

B. Verkin Institute for Low Temperature Physics and Engineering
Electroyazmash
Hartron
Izyum Instrument Making Plant
Kharkiv Aviation
Kharkiv Design Experimental Board on Automation
Kharkiv Electric Apparatus Works
Kharkiv Polytechnical Institute
Kupyansk Foundry
Malyshev Mechanical Engineering Group
Monolit Production Amalgamation
P.A. Kharkiv's Engine Building Plant
Plant 48
SIA Metrology
Scientific Research Institute of Technology
Ukrainian Academy of Sciences - Radio Astronomy Institute

IESC intends to place a third long-term defense conversion resident advisor in the city of Kyiv. In a series of meetings held in Kyiv between IESC Vice President for the NIS, Richard Shriver, IESC Operations Manager for Defense Conversion, Lewis Madanick and Minister Antonov of the Ministry of Engineering Military Industrial Complex and Conversion of Ukraine a need was identified for a long term advisor to assist the ministry meet its mandates for privatization efforts. AID's representative in Kyiv, Amy Nolan Osborn, has been fully informed of these discussions.

C. Nizhny Novgorod, Russia

In a report presented to a U.S. Congressional delegation that visited Nizhny Novgorod in April 1993, the Nizhny Novgorod defense industry conversion resident advisors reported that they have worked with more than 30 defense conversion enterprises and identified several others that they feel are receptive to assistance. The defense conversion advisors estimated that they have penetrated about 80% of the defense related enterprises in the Nizhny Novgorod region. They also reported having many contacts with enterprises in non-defense related fields, many of which have promising technologies, services, or other products. In their presentation, the Volunteers highlighted and explained in depth the capacities of four plants that they consider to have the best potential for conversion of military production to civilian lines. When asked what programs are the most effective for delivering assistance to the NIS, the resident advisors stressed the need for any assistance to be part of a sustained and long-term presence on-location that focuses on private sector to private sector contacts.

In order to achieve maximum impact, the resident advisors have targeted fifteen clients which are of critical economic importance to the region and which may have marketable products and processes. The resident advisors have worked with these plants to develop detailed prospecti, to be prepared for presentation to Western enterprises and review by IESC Volunteer industry experts in the U.S. the companies profiled are as follows:

Arzamas Instrument Production Plant
Diesel Plant (Digitali Revolutsi Disel Works)
Kadishev Pavlovsk Mechanical Plant
Lazur Sormovsky Plant
Lenin TV Plant
Nizhegorodsky Radio Measuring Equipment
Nizhny Novgorod Computer and informatics Plant
Nizhny Novgorod Machine Building Works
Popov plant
Teploobmenik Industrial Association

V.I. Ulianov Works
Zavod Frunze Factory

Three of the fifteen factories designated have not been reviewed at the end of March 1993 and detailed prospecti has been created for the following five additional enterprises:

Arzamas Radio Components Plant
Central Design Establishment Lazurit
Central Kydrofoil Design Bureau
Experimental Design Bureau of Machine Building
Research and Development Institute of Measuring

All of these detailed prospecti have been forwarded to the Department of Commerce for inclusion in their "BI&NIS" and "Russian Defense Business Directory." Several of the profiles are attached to this report (Attachment 4).

In March 1993, an IESC Volunteer began a supplemental defense conversion project with the Scientific Institute of Measuring Systems to evaluate their NIIS processes and circuits in microelectronics and identify American/Western companies which might have an interest in their technology. The Volunteer prepared a slide presentation, which highlights the enterprises capabilities, to be used as a sales tools in developing new markets for their products.

D. Yekaterinberg, Russia

The Defense Industry Conversion program began operations in Yekaterinberg with the arrival of C. Gordon Murphy in November 1992. Mr. Murphy was joined by Peter Rose in January 1993.

The defense team in Yekaterinberg has been working closely with the Uralmash enterprise, which is the largest enterprise in Yekaterinberg and has already undergone several stages of the privatization process. Another company that they are assisting in the privatization process is the United Turbo Motor Works. The basic outline of these privatization plans includes breaking the large conglomerate into smaller operations and converting to the production of consumer goods. The IESC Defense Conversion team has provided advice on the proper distribution on ownership, the transitional Board of Directors and other issues concerning the leadership of the new enterprises, and various stockholder-related issues. The advisors are concentrating on the marketing problems that these enterprises face as they attempt to compete in the free market. Through supplemental IESC project activity and the Trade and Investment Services program, IESC expects to assist these enterprises through turbulent economic transformation.

IESC Volunteer, Peter Rose, who is a noted expert in laser technologies, has gained entrance to and won the respect of the leaders of several of the most advanced research institutes throughout the Sverdlovsk region. At one institute, Mr. Rose, has gone into extensive detail concerning cold fusion experiments and has been a point of contact between the Institute and the Electric Power Research Institute in the U.S. In several laser optical plants, Mr. Rose has made several academic contributions and assisted in various meetings held by the Russian Institutes and foreign institutes studying the same technologies. In addition, Mr. Rose has been a steady source of trade information by obtaining many journals in the laser technology field.

VI. STAFFING CONSIDERATIONS

A. Multiple Business Services Program

1. Management and Field Support

Vice President

Richard H. Shriver (80%)

Project Officer (Central Asia)	Theresa Weber
Project Officer (Russia Central)	Dafna Tapiero
Project Officer (Russia West)	Miranda Morrison
Project Officer (Ukraine)	Christa Capozzola
Field Representative (Ukraine)	Laura Hoover

1. Country Directors

Almaty, Kazakhstan	- Susan Johnson
Kyiv, Ukraine	- Don Wynnyczok
Yekaterinberg, Russia	- Walter Ousterman

2. Country Representatives

Donetsk, Ukraine	- Anatoly Derminer
Kharkiv, Ukraine	- Anatoly Yarokh
Kishinev, Moldova	- Luda Fomenko
Lviv, Ukraine	- Wendy Jagerson
Moscow, Russia	- Olga Afanasyeva
Novosibirsk, Russia	- Tatiana Shevluga
St. Petersburg, Russia	- Cheryl Ann Sigsbee and Viktor Konovalenko
Saratov, Russia	- Michael Sokolovsky
Tblisi, Georgia	- Koba Arabuli
Yerevan, Armenia	- Nancy Najarian

B. Defense Industry Conversion Program

1. Management and Field Support

Vice President	- Richard H. Shriver (20%)
Operations Manager	- Lewis Madanick
Field Representative	- Andrew Wolff

2. Defense Conversion Sites

Almaty, Kazakhstan	- Clifford Lyddon
Kharkiv, Ukraine	- William Flemming, Nick Supron and Art Morgan
Nizhny Novgorod, Russia	- Joseph Karoly and Joseph Walls
Yekaterinberg, Russia	- C. Gordon Murphy and Peter Rose

In the first quarter of 1993 Koba Arabuli was appointed a Country Representative in Tblisi, Georgia and Tatiana Shevluga was appointed as a Country Representative in Novosibirsk, Russia, following a trip made to that city by IESC Country Director for Russia, Walter Ousterman and the Project Officer for that Russia Central, Dafna Tapiero.

Immediate plans include opening an office in Moscow and one in Vladivostok. Numerous IESC personnel have been to Moscow and made preliminary arrangements for starting a Country Director Office in Moscow. IESC is considering placing Field Representative Andrew Wolff in Moscow in the near future to provide support to a Country Director office in that city. In February 1993, IESC Field Representative, Laura Hoover, traveled to the Russian Far East and established firm relationships with the local and regional governments and enterprises in preparation for the start of a Country Director office in Vladivostok. In addition, two IESC projects have been developed and are expected to start shortly in the Russian Far East.

In Central Asia, Country Director, Susan Johnson (based in Almaty) and the Project Officer for Central Asia, Theresa Weber, made an initial visit to Kyrgyzstan. Ms. Johnson visited Uzbekistan in January 1993. The purpose of these visits was to introduce IESC and its programs to the U.S. Embassy and local government officials and to develop initial projects and contacts with enterprises and institutions. Field Representatives are planned for Tashkent, Uzbekistan and Bishkek, Kyrgyzstan.

VI. FINANCIAL CONSIDERATIONS

The traditional IESC program in the NIS started with the signing of Cooperative Agreement CCS-0001-A-00-2002-00, dated February 4, 1992. The initial funding for this program was \$500,000 for the period February 4, 1992 through January 31, 1993. Modification 1 to this Cooperative Agreement, dated September 25, 1992, obligated an additional amount of \$3,389,000 for a total obligated amount of 3,839,000 for the time period February 4, 1992 through January 31, 1993.

IESC's Defense Industry Conversion program is governed by Cooperative Agreement No. CCS-0005-A-00-2015-00, dated May 6, 1992. The initial amount obligated for year-long defense conversion activities in Kharkiv, Ukraine and Nizhny Novgorod Russia was \$1,000,000 and covered allowable program expenditures for the period March 6, 1992 through May 31, 1993. Amendment 1 to this Cooperative Agreement, dated September 30, 1992, obligated an additional \$538,000 to expand IESC's defense conversion activities to the cities of Yekaterinberg, Russia and Almaty, Kazakhstan. The period of the Cooperative Agreement was not extended in Amendment 1.

During the first quarter of 1993, total estimated expenses for IESC activities under Cooperative Agreement No. CCS-0001-A-00-2002-00 are \$227,400. Field Support expenses have been estimated at \$50,900, Country Director expenses are estimated at \$45,700 and Project expenses are estimated at \$130,800. Total expenditures for this program to date are estimated at \$757,500, with total Field Support expenses of \$254,400, total Country Director expenses of \$228,600 and total Project expenses of \$274,500.

During the first quarter of 1993, total estimated expenses for IESC activities under Cooperative Agreement No. CCS-0005-A-00-2015-00 are \$89,600. Field Support expenses have been estimated at \$36,400, Defense Conversion team expenses are estimated at \$29,200 and Project expenses are estimated at \$24,000. Total expenditures for this program to date are estimated at \$363,900, with total Field Support expenses of \$181,900, total Defense Conversion team expenses of \$146,000 and total Project expenses are of \$36,000.

The budget details described herein are attached to this report (Attachment 5).

VIII. CONCLUSION

IESC is prepared to increase its impact throughout the NIS. When Country Representatives are appointed for Kyrgyzstan and Uzbekistan, IESC will have an infrastructure in eight of the twelve former Soviet Republics. With this infrastructure IESC can effectively deliver its Multiple Business Services program and its defense conversion program and meet other challenges posed by the revolutionary economic transformation in the NIS and the enormous problems involved in the privatization and restructuring process.

With its strong infrastructure established throughout the NIS, IESC has noticed an increased demand for its services throughout the NIS and the Western business community. In the next quarter, IESC expects a rapid increase in project activity throughout the NIS, which will feature concentrated efforts with multiple IESC activities in regions that can successfully integrate IESC's services.

ATTACHMENT 1

INTERNATIONAL EXECUTIVE SERVICE CORPS

TRADE AND INVESTMENT SERVICES PROGRAM ACTIVITIES - NIS

NIS Enterprises and Institutes Assisted

U.S. Enterprises and Institutes Assisted

<u>NIS Enterprises and Institutes Assisted</u>			<u>U.S. Enterprises and Institutes Assisted</u>		
	1st Quarter '93	Cumulative		1st Quarter '93	Cumulative
Russia	100	186	Russia	41	98
Ukraine	20	56	Ukraine	14	60
Central Asia	<u>46</u>	<u>61</u>	Central Asia	<u>17</u>	<u>25</u>
TOTAL	166	303	TOTAL	72	183



INTERNATIONAL EXECUTIVE SERVICE CORPS

VOLUNTEER CONTRIBUTION

Volunteer Days of Service

	1st Quarter '93	Estimated Value	Cumulative	Estimated Value
Russia	512.5	\$208,534	787.5	\$399,863
Ukraine	560	\$399,863	1270	\$651,510
Central Asia	<u>7</u>	<u>\$3,591</u>	<u>7</u>	<u>\$3,591</u>
TOTAL	1079.5	\$611,988	2064.5	\$1,054,964



INTERNATIONAL EXECUTIVE SERVICE CORPS

PROGRAM ACTIVITIES (PROJECTS) - NIS

FIRST QUARTER '93

CUMULATIVE

	Acceptances	Starts	Complete	Acceptances	Starts	Complete
Russia	15	7	2	49	19	13
Ukraine	21	7	5	51	21	13
Central Asia	3	1	0	7	1	0
Other	3	1	0	9	1	0
TOTAL	42	16	7	116	42	26



ATTACHMENT 2

STARTED: January 13, 1992
COMPLETED: February 18, 1992

CLIENT; ASSISTANCE REQUESTED:

Dobrodiy Production and Construction Association
Kharkov, Ukraine

The client is a manufacturing, wholesale, and retail cooperative specializing in the construction of new buildings and the repair and restoration of old buildings. They also produce consumer goods (mainly kitchen equipment).

OBJECTIVE: To develop a large-scale, single-family building operation using American designs and equipment.

EMPLOYEES: 1,500

IESC VOLUNTEER EXECUTIVE:

Paul F. Murray
Osterville, Massachusetts

VE Murray has 20 years of experience in the home construction business, having built single-family houses in Colorado, California, and France. He has also been instrumental in the start-up of residential construction projects, and has had recent business dealings in the former Soviet Union.

IESC ASSISTANCE RENDERED:

Upon arrival, VE Murray was informed that in Ukraine, single houses were currently built by owners themselves with small lots allocated by the government. State construction companies cannot build enough apartments to meet the needs of the people (there is a 15-year waiting list). Hence, private companies such as Dobrodiy have been formed from state companies. Currently, they only build apartments for government clients, but wish to expand into single-family houses.

VE Murray was asked to review all existing conditions, business practices, and projects to enable Dobrodiy to implement American techniques. He found that the Ukrainian business systems had been operating in a manner similar to the U.S. in the 1930's, with a severe lack of technological and communication aids. Consequently, he rendered the following assistance:

- Converted two American single-family house plans to the metric system, made design suggestions, and left many additional floor plans for local use.
- Suggested that it was currently impractical to build timber frame houses as no wood could be moved from Russia to Ukraine due to political problems and they lacked a saw mill. At present, he recommended the continued use of locally available materials.
- Consulted with the client and local administrative and political officials regarding three test homes to be built in suburban Kharkov (to be finished in 1992).

In addition to his assistance to Dobrodiy, VE Murray also spent a tremendous amount of time promoting IESC within the NIS. He held 38 meetings with subcontractors, government officials, military plant managers, and other firms that desired IESC assistance or joint venture partners. He gave two newspaper interviews, wrote four articles, and conducted two television programs on Ukrainian state T.V. The VE also spoke with CNN in Moscow, and wrote a series of articles regarding the conversion of military facilities to market-oriented business enterprises. Further, he arranged for a joint venture operation with an American shipping company, Pacific Cargoes, Washington, DC, and passed along local requests for ABLE assistance, a saw mill, and other American construction materials and equipment.

The VE also held meetings with the following officials: 1) The president of the Scientific Union of the Kharkov region (SUKHAR), who informed the VE that 70% of industrial production in Kharkov was military. As the SUKHAR president expressed his concern over the scientists having to convert along with the military plants to civilian production, the VE promised to forward a proposal and a floppy disc from SUKHAR to Apple Computers so that they could do programming and research over the electronic mail network. 2) Two majors from the Ministry of Defense regarding his proposal to convert military schools to business schools, as well as numerous government officials.

The client commented, "Thanks to Dr. Murray's assistance, our association will be able to build American-style family houses in the near future. His advice will help us restructure our association, speed up decision making, and increase the motivation of our employees. Furthermore, he helpfully introduced us to many important aspects of a market economy, such as large-scale production, management, banking and marketing."

HAYES 6/10/92 PUBLICITY PERMITTED RCTR: BERMAN CODE "0"
1919E

REVISION

STARTED: April 17, 1992

COMPLETED: May 17, 1992

CLIENT: ASSISTANCE REQUESTED:

NS Crosstrade Co.
Novorossiysk, Ukraine

The client, founded in January 1992 and based at Port of Novorossiysk on the Black Sea, is engaged in the transportation of cargo and passengers by sea.

OBJECTIVE: Overall, to organize the new transportation company so that it can operate according to accepted principles in developed countries. Specifically, to advise on company structure, operating principles, interaction with various foreign and domestic companies, and the organization of international transportation.

EMPLOYEES: n/a

IESC VOLUNTEER EXECUTIVE:

Lloyd Yates
Mill Valley, California

VE Yates worked with the **Matson Navigation Co.** from 1957 to 1982. His responsibilities included research and development; operational analysis of containerization; and the development of physical plans for equipment, shipyards and computer systems for converting Matson from a conventional shipping service to container shipping. From 1949 to 1957, he was involved with the operations research office at **Johns Hopkins University** from where he received his PhD. VE Yates also served as project leader in hydrofoil studies in 1949 and taught the principles of aeronautical engineering at **Ohio State University**.

IESC ASSISTANCE RENDERED:

Prior to embarking on this project, VE Yates compiled a number of American and international reference materials covering such topics as standard shipping procedures, contracts, terminology, management organization, economics, and a list of all U.S. steamship companies serving in the Baltic and Black Sea areas, to assist the client in attaining a strong comprehension of Western business organization and management techniques.

Upon arrival, the VE found that the newly-formed company was relatively well-organized and already had a number of good contacts with a state-owned steamship company. Consequently, VE Yates rendered the following assistance:

- Developed a concrete organizational structure based on the client's business objectives, defined the objectives and responsibilities of each department, and provided a chart to illustrate department interrelationships.
- Forecasted staff requirements, annual salary costs and demonstrated an accounting system for them.
- Projected annual overhead costs, and recommended capital investment in additional office and communications equipment (i.e. personal computers, additional telephone lines), as well as the hiring of an English-speaking office manager.
- Identified/recommended potential foreign partners as well as possible CIS oil producers seeking export contracts, provided model letters of solicitation, and assisted in making initial contacts.
- Reviewed business plans with Crosstrade founders and associates and estimated the potential for charter operations.
- Organized the use of a personal computer for business correspondence.

VE Yates felt that Novorossiysk may soon become a major regional port, and noted that the client is also seeking to acquire a passenger ship. He commented that client relations were excellent throughout the duration of this project.

The Executive Director of NS Crosstrade Co., **Victor Shubenkov**, commented, "I would like to express our deep gratitude to VE Yates for his help and advice in organizing the structure of the company, the main principles of operation, and cooperation with various companies inside the country and abroad, etc. His help and advice were very useful to us. I would also like to express my deep gratitude to IESC for sending Mr. Yates to help our company. We believe that you have given us good prospects for a successful start of our new steamship company."

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REVISION

STARTED: April 17, 1992

COMPLETED: May 17, 1992

CLIENT; ASSISTANCE REQUESTED:

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Novorossiysk, Ukraine

The client, founded in January 1992 and based at Port of Novorossiysk on the Black Sea, is engaged in the transportation of cargo and passengers by sea.

OBJECTIVE: Overall, to organize the new transportation company so that it can operate according to accepted principles in developed countries. Specifically, to advise on company structure, operating principles, interaction with various foreign and domestic companies, and the organization of international transportation.

EMPLOYEES: n/a

IESC VOLUNTEER EXECUTIVE:

Lloyd Yates
Mill Valley, California

VE Yates worked with the **Matson Navigation Co.** from 1957 to 1982. His responsibilities included research and development; operational analysis of containerization; and the development of physical plans for equipment, shipyards and computer systems for converting Matson from a conventional shipping service to container shipping. From 1949 to 1957, he was involved with the operations research office at **Johns Hopkins University** from where he received his PhD. VE Yates also served as project leader in hydrofoil studies in 1949 and taught the principles of aeronautical engineering at **Ohio State University**.

IESC ASSISTANCE RENDERED:

Prior to embarking on this project, VE Yates compiled a number of American and international reference materials covering such topics as standard shipping procedures, contracts, terminology, management organization, economics, and a list of all U.S. steamship companies serving in the Baltic and Black Sea areas, to assist the client in attaining a strong comprehension of Western business organization and management techniques.

Upon arrival, the VE found that the newly-formed company was relatively well-organized and already had a number of good contacts with a state-owned steamship company. Consequently, VE Yates rendered the following assistance:

- Developed a concrete organizational structure based on the client's business objectives, defined the objectives and responsibilities of each department, and provided a chart to illustrate department interrelationships.
- Forecasted staff requirements, annual salary costs and demonstrated an accounting system for them.
- Projected annual overhead costs, and recommended capital investment in additional office and communications equipment (i.e. personal computers, additional telephone lines), as well as the hiring of an English-speaking office manager.
- Identified/recommended potential foreign partners as well as possible CIS oil producers seeking export contracts, provided model letters of solicitation, and assisted in making initial contacts.
- Reviewed business plans with Crosstrade founders and associates and estimated the potential for charter operations.
- Organized the use of a personal computer for business correspondence.

VE Yates felt that Novorossiysk may soon become a major regional port, and noted that the client is also seeking to acquire a passenger ship. He commented that client relations were excellent throughout the duration of this project.

The Executive Director of NS Crosstrade Co., Victor Shubenkov, commented, "I would like to express our deep gratitude to VE Yates for his help and advice in organizing the structure of the company, the main principles of operation, and cooperation with various companies inside the country and abroad, etc. His help and advice were very useful to us. I would also like to express my deep gratitude to IESC for sending Mr. Yates to help our company. We believe that you have given us good prospects for a successful start of our new steamship company."

REVISION

STARTED: April 17, 1992

COMPLETED: May 17, 1992

CLIENT: ASSISTANCE REQUESTED:

NS Crosstrade Co.
Novorossiysk, Ukraine

The client, founded in January 1992 and based at Port of Novorossiysk on the Black Sea, is engaged in the transportation of cargo and passengers by sea.

OBJECTIVE: Overall, to organize the new transportation company so that it can operate according to accepted principles in developed countries. Specifically, to advise on company structure, operating principles, interaction with various foreign and domestic companies, and the organization of international transportation.

EMPLOYEES: n/a

IESC VOLUNTEER EXECUTIVE:

Lloyd Yates
Mill Valley, California

VE Yates worked with the **Matson Navigation Co.** from 1957 to 1982. His responsibilities included research and development; operational analysis of containerization; and the development of physical plans for equipment, shipyards and computer systems for converting Matson from a conventional shipping service to container shipping. From 1949 to 1957, he was involved with the operations research office at **Johns Hopkins University** from where he received his PhD. VE Yates also served as project leader in hydrofoil studies in 1949 and taught the principles of aeronautical engineering at **Ohio State University**.

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D R A F T

SUMMARY OF IESC PROJECT 22217

STARTED: October 9, 1992
COMPLETED: November 20, 1992

CLIENT; ASSISTANCE REQUESTED:

Tlumach District of Ivano-Frankivske Region
Ivano-Frankivske, Ukraine

The client is a provincial government body providing services including economic planning to its populace.

OBJECTIVE: The Tlumach District has requested the assistance of a community planner knowledgeable in raising revenue and promoting local agricultural products.

EMPLOYEES: n/a

IESC VOLUNTEER EXECUTIVE:

Ferris S. Owen
Newark, Ohio

VE Owen has over 25 years of domestic and international experience in the economic development of agricultural areas. He is particularly experienced in the planning and development of supply and marketing systems supportive to improved agricultural efficiency and economics. He served as president of a potato farm for 25 years, during which he was selected for the first agricultural delegation exchange with the USSR (1955), served as president of the Ohio Vegetable and Potato Growers Association and the president of the Ohio Farm Bureau Federation. After retiring from the farm, he worked with the Cooperative League of the U.S.A. (CLUSA), where he served as director of international programs and vice president. In these capacities, VE Owen administered all international agricultural programs in 25 Latin American, African and Asian countries. In recent years, he has remained active as a consultant in the field of agricultural cooperatives with primary focus on long range planning and analysis of cooperative systems.

IESC ASSISTANCE RENDERED:

2653 E

STARTED: June 11, 1992
COMPLETED: July 10, 1992

CLIENT; ASSISTANCE REQUESTED:

Kharkov Radio and Television Centre
Kharkov, Ukraine

The client is a state-owned enterprise which owns and operates three television studios and two transportable television stations.

OBJECTIVE: They have requested IJSC assistance in the development of an exchange of television programs with foreign television stations; to initiate an advertising department to bring in revenues independent of the state; and with the overall privatization of the television station.

EMPLOYEES: 200

IJSC VOLUNTEER EXECUTIVE:

Homer Lane
Phoenix, Arizona

VE Lane spent his entire 38-year career in the broadcasting industry. Prior to his retirement, he worked as station manager of KOOL-TV, a station affiliated with CBS, in Phoenix, Arizona. He also served as the general manager, executive vice president and treasurer of the parent company which owned several radio and television stations in Arizona, but his primary responsibility remained managing KOOL-TV. He has been a member of several broadcasting committees and has a highly respected, national reputation. This was VE Lane's second project for IJSC.

IJSC ASSISTANCE RENDERED:

In compliance with the client's requests, VE Lane rendered the following assistance:

- Organized and completed an audience research project in which more than 500 interviews were conducted.
- Drafted and explained his suggestions for the restructuring of the client's organizational chart.
- Suggested that the station offer translation dubbing services as payment for its license to broadcast.
- Initiated both local and international sales efforts with the person newly appointed to oversee international sales, research and promotion.
- Established systems and procedures for scheduling and billing.
- Suggested rates at which commercial time should be offered for sale.
- Made contact with a U.S. firm to represent Kharkov TV in the U.S., Canada, and Western Europe.
- Initiated surveys to determine western products sold in Kharkov as a basis for a list of target clients in the U.S. and Western Europe, as well as a survey to target local, potential TV advertisers.
- Contacted CNN to negotiate re-transmittal of CNN broadcasts by Kharkov TV.
- Suggested changes in local news broadcasts.
- Explained the functions of TV journalism in a free society.

The VE noted that the only problem he encountered during this project was the poor telephone system, which made it difficult to communicate with his contacts in the U.S.

Country Director Wynnyczok commented, "VE Lane's comments were written one day before the client received two very interesting contract proposals which put a more positive spin on the outcome of the project. The day VE Lane departed, the client received several phone calls from TV stations as far away as LVIV (clear across the Ukraine) who had already heard of the client's success. The client commented, 'Great work has been done. We would like to have another visit of such an expert in two or three months.'"

STARTED: August 26, 1992
COMPLETED: November 13, 1992

CLIENT; ASSISTANCE REQUESTED:

Kyiv Institute of Light Industry Technology
Kyiv, Ukraine

The client offers graduate and undergraduate instruction in manufacturing engineering, management and economics. They wish to create a Business Development and Information Center, an independent organization to be housed within the Institute, to serve U.S. businesses seeking to do business in Ukraine. They will provide information on the legal framework, banking and regulatory issues in Ukraine, and promote Ukraine as an important trade and investment partner. The Center will also assist Ukrainian businesses in presenting business offers to U.S. firms.

OBJECTIVE: To assist the president of the Institute to develop a start-up plan for the center, covering organizational and program issues as well as physical plant requirements. Also, to assist in preparing proposals to U.S. funding sources (government, foundation and corporate) for start-up and operating financing.

EMPLOYEES: 1,800

IESC VOLUNTEER EXECUTIVE:

Alfred Sadewic
Lake Oswego, Oregon

VE Sadewic has served on the board of directors of the Portland, Oregon/Kharbarovsk sister-city organization with responsibility for trade development. He also served on the board of directors of Synotech, Inc., a Moscow-based intermediary in trade and development between the U.S. and the former Soviet Union from 1988 to 1991. Prior to this, he formed his own consulting business in 1984, specializing in overseas contracts and joint ventures. In addition to his specialized experience in foreign joint-ventures and investment, VE Sadewic spent several years as an engineer and executive with the Willamette Company.

IESC ASSISTANCE RENDERED:

VE Sadewic embarked on this project believing that he was to help set up an chamber of commerce-type organization in the Ukraine, but after spending a week with the client, he gained a more accurate view of what the client wished to achieve. Once he understood their needs, he set to preparing a business plan for a joint-venture between the client and a well-connected, American, business consulting firm. The company thus formed, Ukrainian American International (UAI), would facilitate Western investment in Ukraine, help to connect Ukrainian and American companies interested in doing business together, and develop a database of Ukrainian companies, laws, and other information pertinent to the formation of joint-ventures and foreign investment. In short, the UAI would serve as a business development and on-going consulting firm.

The business plan developed by the VE delineated the corporate structure of the organization, outlined its present and future objectives, and explained how some special conditions apply to Ukrainian businesses when they engage in the privatization process with foreign partners. VE Sadewic promised to further develop the business plan upon his return to the U.S.

In addition to the development of a business plan, the client had requested that the VE provide contacts with some private businesses, foundations, and government agencies which may provide funding (4.2 million USD was needed) for the construction of a building on the the Institute's grounds. The VE noted that businesses would be unlikely to provide funding, but that he would help to bring the client into contact with foundations who might.

Country Director Wynnyczok commented, "From the wrong premises and people (all academics totally unfamiliar with business in every sense of the word), VE Sadewic has created an organization which is already functioning as a business development center with the U.S. Commercial Service at the U.S. Embassy, USAID's clients, and numerous Ukrainian and foreign business entities. An unqualified success. The client added, 'VE Sadewic swiftly turned general ideas into an organized plan for a business development and consulting firm.'"

REIMER 2/21/93
2662E

PUBLICITY PERMITTED

RCTR: MOYER

CODE "0"

SUMMARY OF IESC PROJECT 23101

STARTED: October 28, 1992
COMPLETED: November 20, 1992

CLIENT; ASSISTANCE REQUESTED:

Kyiv Department of Transcarpathian Joint-Stock Commercial Bank (LISBANK)
Kyiv, Ukraine

Since its establishment in 1991, the client has become a leading financial institution in Ukraine. They are now working to reach the same level of quality and efficiency as provided by Western banking institutions.

OBJECTIVE: To assist in installing and implementing a computerized banking system.

EMPLOYEES: 22

IESC VOLUNTEER EXECUTIVE:

Elden S. Eichhorn
Edina, Minnesota

For 19 years, VE Eichhorn was vice president of **First Bank System**, where his responsibilities included the development of procedures and the integration of systems into a computer environment. Prior to this, he worked for the **Archer, Daniels Midland Company**, where he was responsible for the development of their computer system. He also worked for **International Business Machines (IBM)**, where he was responsible for installation and maintenance of office computer systems. **This was his tenth IESC project.**

IESC ASSISTANCE RENDERED:

Upon arrival, VE Eichhorn found out that the bank had only three small personal computers at its disposal. He stressed the importance of computerized information systems and controls to a growing bank, and determined that the client would benefit most from assistance in planning. Consequently, he reviewed the bank's information systems and other related control systems with regard to systems development, computer operations, and application controls. In addition to making recommendations to improve the client's information systems, he prepared reports on the following topics:

- Organizational structure.
- Banking information resources.
- Disaster and recovery.
- Systems development policies, procedures and standards.
- Review of present banking systems.
- Information systems planning.
- Mid-sized computer planning.

Country Director Wyanyczok commented, "A qualified success. Although the client was not prepared for and did not know what to expect from VE Eichhorn, it was obvious that the VE was able to impart information in the early stage of the client's development, which should help the client avoid some of the most basic pitfalls and thus save the client innumerable problems which the client otherwise would surely have experienced. The client added, 'We are highly satisfied with Mr. Eichhorn's work on the project. The reports he prepared will promote further development and evaluation of the bank's new computer system.'"

SUMMARY OF IESC PROJECT 23106

STARTED: October 29, 1992
COMPLETED: November 16, 1992

CLIENT; ASSISTANCE REQUESTED:

Solomenskoye Branch of Shareholders Bank (INKO)
Kyiv, Ukraine

The client carries out normal banking operations.

OBJECTIVE: The bank has requested assistance in establishing U.S. dollar, Deutsch mark and French franc accounts with foreign banks so that INKO customers may make commercial transactions with Western Europe and North America; training employees in international monetary transactions; determining which foreign banks to affiliate with and preparing documentation for affiliation; and organizing the bank according to Western standards.

EMPLOYEES: 4

IESC VOLUNTEER EXECUTIVE:

R. Geoffrey Bardsley
Stamford, Connecticut

VE Bardsley retired as the president and CEO of Industrial Indemnity Financial Corporation, a subsidiary of Xerox Corporation concerned with the issuance of various types of financial guarantees. Prior to being appointed president of their subsidiary, the VE held several senior financial management positions with Xerox, where he was responsible for the company's banking relationships in the U.S. and abroad, as well as for investments, borrowings, cash management, and foreign exchange. He began his career with the Bank of England, and spent 18 years with various international banks in London and New York.

IESC ASSISTANCE RENDERED:

Upon arrival, VE Bardsley found that the client was a new branch of INKO bank, established in May 1992 by an untrained, five-person staff. Due to the branch's recent establishment and inexperience in operating independently in the international banking arena, the VE and the client agreed that the VE should review the basic principles of international banking rather than attempt to establish independent relationships with foreign banks.

Consequently, VE Bardsley provided the client with detailed, printed descriptions of the following aspects of international banking:

- The mechanics of international monetary transfers, commercial letters of credit and documentary collections.
- Procedures for opening a foreign bank account, including a schematic diagram. He also drafted a sample letter that the client can use to establish accounts with foreign banks.
- Descriptions of inter-bank exchanges of credit information in the U.S., and the credit information made available for German commercial banks by the German central bank.
- Import/export and investment operations.
- The operation of foreign exchange markets in other countries.

Additionally, the VE analyzed a proposal by a client of INKO Bank, for the establishment of a joint venture commercial bank, and provided the client with his written findings and recommendations. He also advised two more of the bank's clients on financial matters and procedures to establish a channel for payments covering Ukrainian imports of technical equipment from the U.S.

While much helpful information was passed on to the client, this project can be considered only partially successful as the original project objectives were unrealistic given the client's lack of experience in international banking.

Country Director Wynnyczok commented, "VE Bardsley's ability to overcome obstacles saved this project by making the client aware of the real international banking world and its pitfalls and modus operandi. The client added, 'VE Bardsley rendered a great assistance to the Solomenskoye branch of INKO bank in providing information about the banking operations under the conditions of a market economy.'"

REIMER 1/27/93 PUBLICITY NOT PERMITTED RCTR: LOEWKOWITZ CODE "7*"

*Partially successful due to miscellaneous reasons explained above.

05/76E

SUMMARY OF IESC PROJECT 23248

STARTED: January 12, 1993

COMPLETED: February 8, 1993

CLIENT; ASSISTANCE REQUESTED:

"UTAR" TV Corporation

Kyiv, Ukraine

The client, founded in 1991, is Ukraine's only private TV corporation, an enterprise which is particularly important to the development of economic reforms within the newly independent state.

OBJECTIVE: They have requested assistance in the following areas: preparation of qualified specialists for commercial and advertising broadcasting, restructuring the management of the broadcast studio, and learning about the work of Western TV companies.

EMPLOYEES: 167

IESC VOLUNTEER EXECUTIVE:

Homer Lane

Phoenix, Arizona

VE Lane spent his entire 38-year career in the broadcasting industry. Prior to his retirement, he worked as station manager of KOOL-TV, a station affiliated with CBS, in Phoenix, Arizona. He also served as the general manager, executive vice president and treasurer of the parent company which owned several radio and television stations in Arizona, but his primary responsibility remained managing KOOL-TV. He has been a member of several broadcasting committees and is highly respected, with a national reputation. This was VE Lane's fourth project for IESC.

IESC ASSISTANCE RENDERED:

VE Lane provided the following assistance:

- Created an organizational table for a staff of 39 to operate a full-service, commercial TV station.
- Designed an audience research questionnaire to determine the size and composition of various audiences, and the relative popularity of the station.
- Established a system for scheduling, program logging, and commercial announcements to facilitate billing procedure.
- Developed plans for contacting prospective advertisers and presenting pre-planned campaigns including production of announcements and programs at "package" prices.
- Assisted in organizing the staff to produce a daily news broadcast.
- Facilitated contact with American and European television stations and cable systems operators.
- Completed an evaluation of UTAR, and developed a comprehensive plan for the future.

Country Director Wynnyczok commented, "It was readily apparent that the administrators of this organization saw their role in the market place and the social structure of Ukraine in a whole new (Western/U.S.) way. The success of this project rests with the fact that they accepted this new approach to their industry and began to implement that which they could... Television's contribution to a free market economy and more independent political expression is unabashedly obvious to Western minds in as much as commercials, news programs, or political/economic commentary is a daily event. Expansion of TV capabilities and functions in this direction in Ukraine will enhance all sectors of this market and social structure. The client added, 'Mr. Lane trained our personnel, assisted in the organization of a new TV station structure, developed a new policy for company advertising, and drew-up contracts on the production of advertising.'"

SUMMARY OF IESC PROJECT 23694

STARTED: March 5, 1993
COMPLETED: March 31, 1993

CLIENT; ASSISTANCE REQUESTED:

Kyiv Trade and Economics Institute (KT&EI)
Kyiv, Ukraine

The Institute trains individuals to work in trade, food distribution, and hotels and tourist complexes. They wish to adopt new approaches for training specialists who will be able to implement market reforms in Ukraine.

OBJECTIVE: The Institute has requested assistance in developing a new curriculum, working out new methods for instruction in micro and macroeconomics, and to organize demonstrative, "game" lectures for the Institute's staff and students.

EMPLOYEES: 400

IESC VOLUNTEER EXECUTIVE:

Vernon M. Buehler
Logan, Utah

VE Buehler spent 21 years as a professor at the **Utah State University's College of Business**. He retired in 1989 as assistant dean of the College of Business. In this capacity, he was responsible for creating nationally recognized business academic seminars featuring speakers including Nobel Laureates. The courses he taught dealt with management of quality, productivity, human resources, world trade, information systems, banking and accounting. He began his career as a professor at the **Industrial College of the Armed Forces** in Washington D.C., and served as a colonel in the **U.S. Army**. **This was his second project for IESC.**

IESC ASSISTANCE RENDERED:

VE Buehler contacted the client before the project started and collected several books and pamphlets which were donated by U.S. businesses for KT&EI's library. During the project, he provided the following assistance:

- Provided and explained the following: a 9-page model of a U.S. undergraduate business curriculum; outlines and new texts for 14 core and required business courses as well as several other texts and journals donated by U.S. firms; and computer assisted simulation software for exercises in macroeconomics, management, marketing, accounting, and strategic management.
- Held three meetings each with the rector and pro-rector to coordinate the curriculum and related matters. Also discussed details in separate meetings with the faculties of each department.
- Delivered nine 90-minute lectures on macroeconomics, and three 50-minute lectures on understanding American business to students and faculty. This included the instruction of competing, 5-person, student teams on management and macroeconomics simulation exercises.
- Coordinated plans for creating a two-year partnership between Utah State University (USU) and KT&EI, which would be funded under a proposal which will be submitted to USIA by USU in April, 1993. The proposal required input from KT&EI including a rector's letter and the resumes of the English-speaking faculty. If approved. the proposal will fund the exchange of faculties and U.S. industry internships, and provide for the donation of computer software/hardware, books, curriculum development, use of new instructional technologies, and the translation of four books per year.

Country Director **Wynnyczok** commented, "This was really a successful project. Both the client and the VE were more than satisfied with the work which has been done. The client added, 'Professor Buehler did an excellent job of introducing computer-assisted simulation software into KT&EI's curriculum. We are also extremely grateful for the donation of books to the KT&EI library... Professor Buehler's lectures were very successful both in content and in introducing to students the American style of teaching these subjects.'"

24

STARTED: August 8, 1992
COMPLETED: September 8, 1992

CLIENT: ASSISTANCE REQUESTED:

"Friends" Tourist Company
Moscow, Russia

This start-up company is interested in operating a tour service.

OBJECTIVE: The VE has been asked to assist with the organization of an efficiently managed tourist company, examine proposed tours and services and make recommendations to maximize the potential for successful tourist activity, locate potential sources of foreign investment, assist with promotion and effective marketing for the tourist activity, and to oversee the development of a video promotion for the tour.

EMPLOYEES: 25

IESC VOLUNTEER EXECUTIVE:

Raymond Dayan
Stamford, Connecticut

For 20 years, VE Dayan was chief operating and chief financial officer for the **American Institute for Foreign Study (A.I.F.S.)**. A.I.F.S. arranges foreign student exchange and travel, and operates 50 "English as a Second Language Centers" in the U.S. and abroad. In this capacity, VE Dayan designed, marketed, and operated a broad range of academic and cultural programs overseas and developed successful inter-relationships with U.S. and European universities. **This was his second IESC project.**

IESC ASSISTANCE RENDERED:

VE Dayan's primary objective was to analyze the start-up operations of the tour company and make appropriate recommendations. He noted that the client company, (consisting of six partners), was interested in providing travel services to Westerners; mainly adventure trips including hiking, mountaineering, horseback riding, and sailing on the Baikal, etc. Their business plan indicated that the tourists would be accompanied by a few of the partners who were experts in all facets of outdoor sporting activities. In addition, lodging, itineraries, and meals would all be incorporated into the tour package.

VE Dayan reviewed each facet of the client's comprehensive plan of action. In doing so, he travelled with the partners to each attraction/proposed tour location, in order to assess first-hand, the conditions by which the Western tourists would be confronted. After inspecting the available lodging facilities, he recommended several modifications in order to achieve higher standards of lodging (standards to which Westerners are accustomed), i.e. hot water, better communication systems, and transportation options. He also advised on itineraries and overall service requirements for Western tourists. VE Dayan reported that the client has great potential for a successful tour operation, especially since the Russian topography and scenery is so beautiful. Nonetheless, the VE felt that the company required at least one-year of lead-time to develop tours, promotion, and arrangements before providing services. He anticipated that they would be ready for operation by the spring of 1993. In the interim, **VE Dayan proposed that a USVE project could provide the necessary follow-up to this portion of the project. (USVE project, 23463, has since been started.)**

Additionally, VE Dayan proposed introducing the client's tourist service to U.S. tour operators for promotion and sales purposes, and provided the names of several possible investment contacts. The VE also drafted a letter which he planned to send to his many contacts in the U.S. on behalf of the client. **The foreign investment letter was referred to Trade and Investment Services for follow-up.**

Regarding the video promotion, VE Dayan filmed each of the areas visited, not only for marketing purposes, but also to document his memorable trip. He estimated that the client's production costs for the video would be \$5,000 USD plus VHS copies and transcribing to PAL/SECAM.

The client added, "I consider the project to be of extreme value and would like to thank the whole IESC staff. During the travel, the video filming was made, with the comments of the VE regarding each proposed tour, and recommendations on improving the existing potential. We highly appreciate the VE's patience in experiencing the rather difficult conditions of this or that itinerary, as well as his friendly treatment of the company and staff."

STARTED: September 5, 1992
COMPLETED: October 2, 1992

CLIENT: ASSISTANCE REQUESTED:

Saratov Economics Institute
Saratov, Russia

The client is a part of the state institute of higher education. They are involved in research and development, and train specialists in numerous different areas of economics.

OBJECTIVE: They have requested the assistance of a VE to conduct lectures in business, marketing, social psychology and interaction, and case studies. Also, to consult with teaching staff and students on business-related problems, provide educational materials (books, videotapes etc.), and to provide expertise on administration/organization of an institute of higher education.

EMPLOYEES: N/A

IESC VOLUNTEER EXECUTIVE:

George A. Wiltsee
Acton, Massachusetts

VE Wiltsee is currently an administrator with the **Harvard Business School**. He has 20-years experience in directing their executive education programs, aimed at senior and advanced managers with 10 to 30 years experience. He also has 21-years experience in senior management with **Proctor and Gamble**, and was president and chief administrative officer of **Daniels, Head, and Associates**, a group insurance administration for professional associates.

IESC ASSISTANCE RENDERED:

Prior to commencing this project in Saratov, VE Wiltsee studied some Russian language, and met with various associates familiar with the teaching, business and economic environment in Russia. Upon arrival at the institute, he found that the staff and students of the institute were very open and friendly, and many were able to converse freely in English.

The VE provided no fewer than two lectures daily to students and staff, concerning business administration in a market economy. His topics included: marketing strategy, market research, advertising, promotion, new product development, organization and growth of a successful corporation, entrepreneurship, privatization based on the CSFR model, setting stock values, and individual investment decisions. In addition, he conducted a number of lengthy discussions on all aspects of Western business schools. VE Wiltsee held a number of informal question and answer sessions, and involved students in a variety of discussions, using materials from Harvard and the European Foundation for Entrepreneurial Research.

The VE also provided consulting services to staff and students, and offered to provide lectures to the Saratov business community, though the lack of time prevented the latter from occurring. To assist their educational endeavors, he provided the client with numerous textbooks and educational materials such as copies and reprints from Harvard Business Review, and The Economist; American books on economics, politics, business English, financial management, accounting texts, and a large collection of materials on entrepreneurship.

Additionally, the VE held several meetings with the institute's rector and other officials, and commented to them on the following three areas which he feels are currently of great immediate opportunity:

- Executive education would provide a significant source of income for the institute as well as assistance in privatization for many experienced business managers.
- Russians trained in the West are an excellent resource for businesses and the institute.
- A placement office for students would provide employment and community service opportunities for recently graduated students.

VE Wiltsee also met with an official from the Academy of the National Economy in Moscow to discuss the feasibility of a training program for Russian teachers.

The client commented, "The VE/client relations were really wonderful due to the special character of VE Wiltsee, who with all his experience really seemed to understand all we needed from him. Russia urgently needs aid from developed Western countries in learning business matters and to operate the market economy. He was very flexible and helpful, and addressed a wide range of problems. Mrs. Wiltsee was also of great help: she understood and efficiently explained many of the problems' subtleties based on her own experience in small business."

HAYES 12/04/92 PUBLICITY PERMITTED
2405E

RCTR: Aasen

CODE "0"

20

CLIENT: ASSISTANCE REQUESTED:
"MODUL"

STARTED: April 15, 1992

COMPLETED: May 15, 1992

Saratov, Russia

"MODUL" is a small spin-off operation which resulted from the privatization of a large conglomerate. The client designs and manufactures a series of multi-functional precision "technological modules" (machining and measuring centers) which perform a number of functions in the manufacture of components for computers and aircraft, etc. They have the capability of producing up to 50 technological modules per year. Presently, the client is involved with limited prototype production of a high quality coordinate measuring machine on which they have several patented features. This activity has necessitated the expansion of the operation's production and marketing capabilities. As a result, "MODUL" has been converted into a closely held corporation, LAPIK, AO under current Russian law. OBJECTIVE: To assist with the transformation of a loose partnership into a joint stock corporation under Russian law, obtain financing for staff organization, introduce production schedules, and locate investments to finance further design development. Also, to restructure the company, organize foreign sales, and provide information on appropriate components for their modules and the means by which they could be delivered, as well as information regarding international standards for software.

EMPLOYEES: 51

IESC VOLUNTEER EXECUTIVE:

James Fulton

Carona Del Mar, California

VE Fulton has extensive experience with high technology and line management in the electronics, optics, and measurement fields. He has been employed in various capacities by **Grumman Aerospace Corp., Hughes Aircraft Electro-Optical and Data Group, and Hughes Micro-Electronics Group.** VE Fulton speaks basic Russian and has recently completed a self-arranged project with the **Soviet Academy of Sciences** in Moscow.

IESC ASSISTANCE RENDERED:

Saratov is a major military-industrial complex which has been closed to foreigners since 1938. VE Fulton toured the client's facilities and the surrounding industrial area. He found that the client had a good product, but little or no practical experience in any of the major aspects of Western-style business operation or management. Consequently, he set up instructional meetings, provided background material, and presented four lectures at the Saratov Economic Institute on "Business."

To aid with the company's structural transformation, VE Fulton provided a detailed Western-style business plan from which he developed a profit and loss statement compatible with both Western "generally accepted accounting principles" and Russian state accounting law (this was put onto a Lotus floppy disc for future IESC reference). This plan also included a complex outline for corporate structure, current customer lists, and possible customer lists (including the Russian Ministry of Science, which has provided some funding as they consider this technology critical.)

The VE also developed a comprehensive prospectus for raising capital both in Russia and the West. This included a business plan for a world-wide family of three companies including: Lapik, AO in Russia; and its subsidiaries, **Lapik, Inc. in California;** and **Lapik, OY in Finland.** It also forecasted the company's potential growth in terms of market share and position, provided a thorough product line description, a financial analysis with plans and projections, and a list of patents, as well as information on growth strategy, company structure, the principals' responsibilities, and technical performance.

VE Fulton was also swamped by requests for assistance from local businesses and therefore: edited marketing materials for the local company **TECAP;** discussed economic policy with a local aircraft company which employs 30,000; advised on foreign trade expansion with **CAZ and TECAP;** and recommended the implementation of a satellite telecommunications system with **SOUINTEL,** the Russian telecommunications joint-venture with **GTE.** From these activities, he has generated four additional requests for IESC assistance.

This project was shortened by one week so that VE Fulton could travel with the Russian Trade Delegation to the USA/Russia Trade Summit in Washington in mid-June.

The client commented, "VE Fulton was very helpful in the stabilization of the atmosphere around our organization and with the establishment of efficient contacts with different external structures. Had it not been for IESC assistance, we would have gotten only about R.18 million in financing. VE Fulton's business plan has enabled us to get an investment of R.40-60 million."

HAYES 7/24/92 PUBLICITY PERMITTED RCTR: BALAS

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STARTED: July 29, 1992
COMPLETED: August 29, 1992

CLIENT; ASSISTANCE REQUESTED:

Stellar Company Limited
Moscow, Russia

The client is a commodities broker and entrepreneur that is attempting to start-up a trucking business.

OBJECTIVE: To organize an effective transport/trucking enterprise, assist with the promotion of Stellar's services in world markets, and devise a strategic business plan for future growth.

EMPLOYEES: 14

IESC VOLUNTEER EXECUTIVE:

Paul Shawver
Cedar Rapids, Indiana

For the past 25 years, VE Shawver managed a previously bankrupt trucking company which he helped transform into a successful national carrier. During that time, he was responsible for fleet control and labor relations, establishing budgets and measurements systems, designing and implementing accounting systems, and monitoring purchases and stock operations.

IESC ASSISTANCE RENDERED:

Prior to travelling to Russia, the VE commenced this project by contacting **Ryder Systems, Young and Rubicam, Heartland Express, the Chicago Board of Trade, and the Chicago Mercantile Exchange**, to obtain information that would be useful for the start-up of the client's trucking operation.

Upon arrival, VE Shawver undertook the first task which dealt with the brokerage of freight loads to foreign trucking companies. He found that a large number of foreign trucks were transporting loads to Russia, but returning to their destinations empty. Consequently, the VE developed a new strategy which set the revenue per kilometer low enough to attract Russian shippers, yet high enough so that foreign trucking companies could not pass up the opportunity to do business with the client's new transport company. He also assisted the client in preparing a survey to send to foreign trucking companies that might be interested in using Stellar's services.

With regard to the actual start-up of Stellar's trucking operation, VE Shawver provided the following assistance:

- Rendered a profit and loss statement projection.
- Developed an employment application form for all applicants, and a special addendum form for truck drivers
- Outlined an organization chart and job responsibility descriptions for key positions, with a detailed description of the drivers' responsibilities.
- Instituted a daily dispatch sheet for recording load pick-up and delivery information.
- Established plans for the operating territory, terminal and maintenance shop location, manpower and other important operating details.

In addition to the original objectives, the client also asked VE Shawver to assist them with the start-up of a disposable syringe business. While Stellar had already completed some of the early planning for this enterprise with a Spanish pharmaceutical manufacturer, they were in need of further assistance for locating additional financing sources. Consequently, VE Shawver contacted the U.S. embassy attache and obtained the names of four banking institutions, with the hope of securing funding for the remaining 15% of their start-up costs. From these names, he determined that **International Finance Corporation (IFC)** would be the best source. VE Shawver organized a presentation and became the client's spokesman. When IFC expressed strong interest in the client's proposal, the VE assisted in the preparation of a second written proposal for IFC.

VE Shawver feels that the client is a true entrepreneur who has the capability to manage several different businesses once the development work has been completed. In addition, the client was very pleased and felt that the VE accomplished even more than what the proposed work plan stated.

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SUMMARY OF IESC PROJECT 22761

STARTED: July 28, 1992
COMPLETED: October 9, 1992

CLIENT; ASSISTANCE REQUESTED:

Lapik, AO
Saratov, Russia

Lapik designs and manufactures a series of multifunctional precision technological modules for measuring, polishing, milling, boring, grinding and a number of other functions. They have recently broken-off from Modul, a larger company for whom VE Fulton has completed a previous project (22202). OBJECTIVE: The client has requested VE James Fulton to assist them in the areas of finance, marketing, corporate organization, stock ownership, capital creation, and certification.

EMPLOYEES: 60

IESC VOLUNTEER EXECUTIVE:

James T. Fulton
Corona del Mar, California

VE Fulton has extensive experience with high technology and line management in the electronics, optics, and measurement fields. He has been employed in various capacities by **Grumman Aerospace Corp., Hughes Aircraft Electro-Optical and Data Group, and Hughes Micro-Electronics Group.** VE Fulton speaks basic Russian and has recently completed a privately-arranged project with the Soviet Academy of Sciences in Moscow. **This was his second project for IESC.**

IESC ASSISTANCE RENDERED:

The purpose of this project was to assist the client, a small division which broke off from a larger company, to become a viable supplier of precision machine tools. He noted that the client had made considerable progress despite the worldwide economic slowdown and runaway inflation in Russia.

VE Fulton commenced the project by introducing the new marketing manager to the concept of market research, and advising him to engage in more aggressive customer pursuit. He also stressed to the engineering department the importance of machine testing and preparing excellent quality test samples.

During the second month of his visit, VE Fulton placed heavy emphasis on completing the manufacture of the latest coordinate measuring machine at the Saratov Aviation Plant. "Completion" would entail evaluating the capability of the machine and defining an operator interface which is more user-oriented than the current text-oriented computer display which requires instructions to be written in Fortran. To this end, he developed some test documents which would aid the client in properly evaluating the machine in compliance with the requirements set by the International Standards Organization.

During the project, VE Fulton also met with businessmen from other companies to answer their questions about marketing products in the U.S. He returned to the U.S. with a number of small products for which he planned to attempt to find distributors. While in Saratov, he remained in contact with the newly-opened **Peace Corps** office, with whom he shared his contacts and materials. Additionally, he gave a lecture on wholesaling at the local university, and observed the tremendous need for basic management training programs.

SUMMARY OF IESC PROJECT 22612

STARTED: November 2, 1992
COMPLETED: December 22, 1992

CLIENT; ASSISTANCE REQUESTED:

Epicentr - NN
Nizhny Novgorod, Russia

Epicenter provides research, analysis, and consulting services in the areas of macroeconomics, taxation policy, privatization, conversion of military enterprises to civilian operations, and other areas of economic reform.

OBJECTIVE: The client has requested advice and assistance in two areas:

- The privatization of large and medium-sized, state-owned enterprises through the creation of public corporations.
- The valuation, audit, and analysis of businesses to assess their future growth potential, as well as the assessment of the risk and earnings potential of stocks and other securities.

EMPLOYEES: 10

IESC VOLUNTEER EXECUTIVE:

Mario A. Camps
Miami Beach, Florida

VE Camps has extensive experience as an international management consultant. For 27 years prior to his retirement, he was associated with **Finan-Boi, S.A.**, an international consulting firm located in Miami, Florida. As managing director for Latin America and as a member of the policy committee, he was involved in a broad range of corporate finance activities providing financing, advisory and consulting services, and maintaining relationships with a variety of Finan-Boi's major corporate clients. His consulting experience covers financial analysis, financial management, capital structuring, strategic planning, restructuring and corporate reorganization. VE Camps began his career in Cuba as a member of the National Economic Council in charge of the analysis of public debt and financial institutions. Early in his career, he was also associated with **Argentaria S.A.** of Argentina as director of the underwriting and research department.

IESC ASSISTANCE RENDERED:

During the course of this project, VE Camps trained the two principal officers of Epicentr in valuation, credit analysis, financial analysis, risk analysis, and the privatization process, and taught them to prepare and use a business plan. He also taught them how to originate clients, and reviewed with the client the types of consulting services that they were prepared to offer their customers. At the end of the project, VE Camps provided the client with a manual of instructions to be used as a training manual and reference guide following his departure.

The VE noted in the final report that the client still needs a great deal of assistance in the practical application of a business plan as well as in financial analysis and valuations. He felt that they must also be trained in evaluation and diagnosis, as it is necessary to determine the "sicknesses" of an enterprise and how to treat them before restructuring the business. VE Camps suggested that additional IESC projects would be necessary to train the client in underwriting and to apply the basic principles of a capital market to the unique circumstances in Nizhny Novgorod and the rest of Russia. Further, he provided IESC with a list of steps he felt would be necessary to incubate private enterprise in the Nizhny Novgorod region.

The client commented, "We are very satisfied with the help of Mr. Camps, whose work educating and advising us was very useful."

SUMMARY OF IESC PROJECT 22880

STARTED: December 7, 1992
COMPLETED: December 16, 1992

CLIENT; ASSISTANCE REQUESTED:

Tomsk Region Administration
Tomsk, Russia

The client is a governmental organization which is responsible for the administration of the Tomsk region. Tomsk was a major production site of the Soviet military-industrial complex and is one of the largest cities in Siberia. Defense orders from the central government have all but stopped, and thousands of workers will be unemployed unless local enterprises can convert to a civilian product line.

OBJECTIVE: To provide an analysis of the client's prospects for defense conversion and privatization, specifically by conducting a study on world markets, location of trade partners, joint venture options, and the development of private industrial structures.

EMPLOYEES: N/A

IESC VOLUNTEER EXECUTIVE:

Charles A. Orem
Sherborn, Massachusetts

VE Orem served as chief executive officer of the **Bird Johnson Co.**, a medium-sized producer of marine propulsion and hydraulic systems. As CEO of this growing business, VE Orem was constantly involved in the review and development of strategic business plans and directly responsible for marketing in the U.S. and abroad. In 1970, he joined **Babcock and Wilcox Company** as director of corporate planning and development. At Babcock and Wilcox, the VE's responsibilities included the development of new businesses, mergers, acquisitions, industrial engineering, management information systems, corporate business planning, and general management and administration. **This was VE Orem's second IESC project.**

IESC ASSISTANCE RENDERED:

VE Orem visited the eight Tomsk enterprises which are candidates for conversion and met with the directors of each to review their respective histories and plans for conversion. He found that the defense enterprises had begun to pursue the production of commercial products to offset the decline in defense work, but the new commercial products had been selected on the basis of what the firm could manufacture instead of whether the products could be marketed successfully. Due to the great diversity of products being manufactured by each enterprise, efficiency was lost and product costs increased, precluding the realization of any financial benefit.

Additionally, their bookkeeping systems did not include a full accounting of all costs of the enterprise. In particular, there appeared to be no provision to amortize debt or to accumulate interest on outstanding debt. Other factors which the client must address before undergoing full conversion include the lack of marketing strategies within the enterprises, delays in transfer of funds from banks to the enterprises, and the inadequacy of the Russian land transportation system, which has caused delivery problems.

Upon completion of his analysis, VE Orem concluded that an in-depth study of each of the eight Tomsk conversion enterprises should be made to identify those products which can be manufactured to meet market demand at a cost low enough to ensure profitability. He suggested that all the directors and senior managers of each enterprise be provided with an opportunity to learn the basic concepts and requirements of the "market-driven" economy. Furthermore, VE Orem and the client agreed that in order to be more beneficial to the client, future IESC projects should be aimed at analyzing the products and market for a single enterprise.

SUMMARY OF IESC PROJECT 22882

STARTED: December 7, 1992.
COMPLETED: December 20, 1992

CLIENT; ASSISTANCE REQUESTED:

Tomsk Region Administration
Tomsk, Russia

The client is a governmental organization which is responsible for the administration of the Tomsk region in Russia. Tomsk was a major production site of the Soviet military-industrial complex and is one of the largest cities in Siberia. OBJECTIVE: To advise on the improvement of the client's public administration and management of social services by evaluating the client's unemployment, public education and healthcare programs.

EMPLOYEES: N/A

IESC VOLUNTEER EXECUTIVE:

Ralph L. Bryant
Ft. Collins, Colorado

VE Bryant has had a 30-year career in planning and development, organization and operation, and budget and control positions with state and municipal governments in Arizona, Colorado, Missouri and Washington. He has held corresponding memberships and officerships in numerous professional societies and in several charitable organizations. He has also served as a consultant and a guest speaker. This was VE Bryant's second IESC project.

IESC ASSISTANCE RENDERED:

Upon arrival in Russia, VE Bryant found that there were several problems within the Tomsk Region's administration of social services. He observed the threat of impending strikes by the teachers and doctors of the region, as well as a strong lobby in Moscow that will not allow pension funds to be used for social services. Additionally, VE Bryant assessed several programs and made the following conclusions:

- Retirement and Pension Benefits: There was no verification of eligibility for receiving benefits. Also, the client did not have any method for handling the impact of massive inflation on such programs.
- Health Insurance: Prospective insurance enterprises would only insure those who are employed, hence no insurance was available to the elderly. There were also problems in establishing insurance mechanisms and in licensing physicians. Additionally, the medical system had very obsolete equipment which it could not afford to replace.
- Housing: Construction was limited because of rent controls which make building new homes financially unattractive. Housing demands could not be satisfied.
- Unemployment Services: Unemployment benefits were determined by a fixed minimum set by the National Congress, but employment services only accomodated those who worked within government agencies.
- Regional Government: There were difficulties in organization, estimating, budgeting and planning. They also had questions of autonomy in relation to the major science/medical institutes directly funded by Moscow, as they must be included in the Tomsk Region medical services plan.

VE Bryant concluded that there are many challenges and problems in moving from 70 years under Moscow's control to any kind of decentralized operation. Moscow has determined that only about 20% of the economy in Tomsk can be privatized. The extent of privatization and the success with which it is effected will have direct impact on employment, income level, and regional government involvement in many areas. VE Bryant found that the new organization and proposals in health, education, etc. to be logical and compatible with what might develop in the U.S. under the same circumstances.

Consequently, he felt that the client would definitely benefit from any further assistance which IESC could provide. He recommended that a top official of the social services leadership in Tomsk spend a few weeks in the U.S. in order to study and work with state and local social services agencies. In addition, the VE suggested that U.S. agencies such as the American Public Welfare Association and the American Public Health Association be contacted to provide the client with more specific knowledge.

SUMMARY OF IESC PROJECT 23220

STARTED: November 9, 1992
COMPLETED: November 29, 1992

CLIENT; ASSISTANCE REQUESTED:

Computer School/Department of Education and Science
Nizhny Novgorod, Russia

The client is a secondary school which teaches students computer skills and economics.

OBJECTIVE: To establish and organize a regional Junior Achievement center, give lessons to student groups, and demonstrate new instruction methods to teachers.

EMPLOYEES: N/A

IESC VOLUNTEER EXECUTIVE:

Peter V. Curcio
Wilmington, Delaware

VE Curcio has spent his entire career with the **Junior Achievement** organization. From 1979 to 1981, he served as president of J.A. North Central Ohio, and from 1981 to 1984 he was the regional director of J.A. Warren/Youngstown Ohio. VE Curcio was subsequently promoted to the position of president of the J.A. Philadelphia region. As such, his responsibilities included the direction of programs in business basics, the Kindergarten through sixth-grade programs, applied economics, fund-raising, and general management. In the seven years he was president of the Pennsylvania operation, VE Curcio expanded its program size by 650%.

IESC ASSISTANCE RENDERED:

Upon arrival in Russia, VE Curcio found the current economic climate and the general attitude towards free enterprise to be very poor. Applied economics was being taught by teachers who had never participated in a private enterprise system. At first, the concept of free enterprise and privatization did not appear to be desirable to most of the students he addressed. However, the VE observed that by the end of the project, both students and teachers held positive attitudes toward the J.A. program.

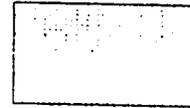
VE Curcio took the following steps to establish a J.A. program in Nizhny Novgorod:

- Enhanced the applied economics program by organizing a course plan.
- Consulted with teachers on their instruction methods and provided materials which they utilized to the fullest extent.
- Provided practical experience relevant to J.A. and the private enterprise system.
- Suggested the use of business consultants to aid in teaching.
- Visited state and local departments of education and government to spread the image of J.A. and the accomplishments in Nizhny Novgorod.
- Participated in television and newspaper interviews to further publicize the Junior Achievement program.
- Planned the establishment of a separate J.A. operation, as well as its funding, budget, and a work-plan for the first year of activity.

VE Curcio felt that they had made tremendous progress in their efforts to communicate J.A. and privatization information. He noted that teachers, students, education and government officials were impressed by the operation, and added that the business community will become increasingly involved as the Russian economy grows. The VE agreed to continue his assistance upon his return to the U.S. through the International Office of Junior Achievement.

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ATTACHMENT 3

EnterpriseMajor Product Line(s)U.S. Firms Contacted**Defense Plants**

Plant 48	Railway equipment and building structures	KIC International, Transisco, Teledyne GmbH, Command Technology Inc., Dana Corporation, Prefab Int'l, KDT Industries, United Refining and Smelting Co.
Izyum Instrument Plant	Surveying and optical equipment	
Monolit Production Amalgamation	Advanced microelectronics and medical equipment	Raytheon, Bose, JBL International, Teledyne GmbH, Hadco Corp., McIntosh, Carver International, Zenith Hirsh Houck Labs, Products Group International, Hughes Aircraft, Beckman Instruments, Lyons Marketing, Becton Dickinson, Harman International Industries, Circuits Processing Technology Inc. Texas Instruments, United Refin. and Smelting Co., American Food Companies, Harris Corp, TechRep
Hartron Research and Production Association	Computerized control systems for space and commercial applications	Raytheon Industries, Digital Equipment Corp., Harris Corp., Booz Allen Hamilton, Int'l Hobby Corp. Litton Industries
Malyshev Tank Plant	Transport and other heavy vehicles, foundry	Belarus Machinery, inc., KDT Industries, Eaton Corp., TITA International
Kharkiv Electrical Apparatus Works	Space heaters, zippers, computer power packs and other electric devices	GTE, New Era Trading Co., Commander Int'l
Arsenal	Advanced optical plant	
Electrotyazhmash	Preliminary visit	
Kommunar	Preliminary visit	
Kharkiv Aviation Plant	Military aviation technology	
Kharkiv Plant of Electrical Equipment	Preliminary visit	
Kharkiv Lenin Komsomol Aviation Production Association	Aircraft production	
Kharkiv Proton Production Association	Preliminary visit	
Kupyansk Foundry	Iron and steel castings	
Kharkiv Hammer and Sickle Plant	Prototype design engines	

Design Bureaus

Kharkiv Experimental Design Bureau for Automatic Equipment	Liquid, vapor and gas analyzers	Bright Star Industries, Enment Corp. Honeywell Inc.
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Research Institutes

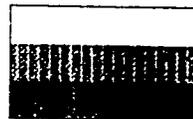
B . Verkin Institute of Low Temperature Physics	Cryogenic turbogenerators, medical instruments and space material research	TRW, Bell Labs, Martin Marietta, Lockheed Batelle, Boeing, Essex Industries, General Atomics SAIC, British Oxygen, United Technologies Lawrence Livermore Labs
Kharkiv Institute of Science and Technology	Preliminary visit	
Kharkiv Institute for Radio and Electronics	Radio and electronic design	
Scientific Institute of the Technology of Machine Building	Vacuum plasma deposition, explosive hard surfacing, equipment impulse stamps	

Non-Defense

Kharkiv Tractor Plant	Tractors and other agricultural vehicles	
Kharkiv Airport Enterprise	Airport functions	
Sochi Company	Preliminary visit	
Donetskugol Mine	Mining	
Engineering Center "Conversia"	Science and business conferences	
Fortuna	Food Dehydration Equip.	Oregon Freeze Dry
Krystal	Industrial Sapphire Crystals	Saphikon, Sapphire Engineering Inc., Kappler Crystal optics, Union Carbide
Autoshtamp	Dairy and Grain Processing Equip., Consumer Appliances	Food Processing Mach. and Supplies Ass'n, A&B Process Systems, Chester-Jensen Ibberson International, Inc.
Autokraz	Heavy duty trucks	
Inis	Castings and forgings, industrial engineering	
Chugaev Fuel Equip. Plant	Diesel pumps and injectors	

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INTERNATIONAL EXECUTIVE SERVICE CORPS DEFENSE CONVERSION ACTIVITIES - NIZHNY NOVGOROD, RUSSIA



<u>Enterprise</u>	<u>Major Product Line(s)</u>	<u>U.S. Firms Contacted</u>
<i>Defense Plants</i>		
Popov Communications	Aircraft radio communications	Transworld Communications, Harris Corp., AT&T
Arzamas Instrument Production Plant	Aircraft components and gyroscopes	Sauer-Sundstrand
Arzamas 16	Nuclear research laboratory	
Krasnoe Sormovo	Ships, submarines and titanium technology	MTS Systems Corp., Exxon, Mcdermott, Dresser Industries
GAZ	Trucks and automobiles	KIC, Ingersoll-Rand, Cummins Engine Co., John Deere
Polyot Research and Production	Airborne radio communications	National Cancer Institute, US Coast Guard, Harris Corp.
Lenin TV Factory	Television and air traffic control systems	Zenith, Emerson, Hazeltine, UNISYS, RCA, Thomson
Pavlovo Machine Works	Air tools	Allied Signal
Pavlovo Mechinstrument	Aircraft hydraulics	Ingersoll-Rand
Ordzhonikidze Aircraft (Gorky)	Aircraft technology	Boeing
Gidromash	Aircraft components and landing gear	Boeing
Normal Production Association	Aircraft titanium fasteners	Vanguard, Boeing, Fairchild, Progressive Technologies, Semco, Southco
Transal Engineering	Air cushion airplane	US Marine, FAA
Teploobmenik	Aircraft components	Hamilton Standard, Boeing
Nizhny Novgorod Machine Building Works	Artillery products and buses	Dresser Industries, Texstream, Lincoln Electronics
Lazur	Missile guidance products	Peavey Electronics, Thomson
Borogorodsky Machine Building Works	Marine engines	
Frunze Factory	Instrumentation and radio equipment	Hewlett-Packard, Ingersoll Rand
Nizhegorodsky Radio Measuring Equipment	Radio frequency measuring systems	
Radio Relay Equipment Plant	Radio and communication technology	
V.I. Ulianov Works	Heating elements	Digital Equipment Company, Conair Corporation, Cooper Industries
Computer Systems and Information	Electronic Services	Digital Equipment Company, Computerland, Fancy Electronics
Volga Experimental	Shipbuilding, hydroplanes	
Electromash	Electric equipment for aircraft	
Dvigital Diesel Works	Large stationary diesel engines	

INTERNATIONAL EXECUTIVE SERVICE CORPS DEFENSE CONVERSION ACTIVITIES - NIZHNY NOVGOROD, RUSSIA

Design Bureaus

Lazurit Design Bureau	Submarine design and titanium molding	INTEC Engineering, Exxon, Marconi, Starfire Technologies, Lufkin Industries, MTS Systems Corporation
Experimental Design Bureau of Machining	Machining	Westinghouse
Polytechnic Institute	Design of amphibious vehicles	GMI Engineering and Management Institute
TECOM	Seal design	CRS, Hycon
Design Bureau of Measuring Instruments	Measuring Instruments	
Scientific Research and Institute of Measuring Systems	Computer equipment and remote monitoring systems	Concord, Scientific Research Laboratories, Inc. Dresser Industries

Research Institutes

Institute of Applied Physics	Nuclear technologies and anti-missile defense systems	
Radio Physics Research Institute	Radio and microwave technologies	
T-E-Ch All Union Scientific Institute	High technology engineering	
Resource Savings Institute	Waste management	
Research Institute of Metal and Organic Chemistry	Metal and chemical compounds	
Polycom	Radio electronics research and physics	

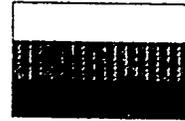
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INTERNATIONAL EXECUTIVE SERVICE CORPS DEFENSE CONVERSION ACTIVITIES - NIZHNY NOVGOROD, RUSSIA

Non-Defense

Balakhna Pulp and Paper Mill	Paper products and newsprint	Boise Cascade, Mead Corp., US Pulp and Newsprint
Mibus	Utilization of industrial waste	Conagra
Ledys	Microwave drying equipment	Litton Industries
Nizhgorodsky Dom	Property Development	Holiday Inn, Stetson, Supervalu, McHugh Construction
Nizhgorosky Bankirski Dom	Banking	Core States Financial, Financial Institutions Marketing Association
Electron	Computer switching equipment	Digital Equipment Corp.
Inochim	Industrial chemicals	MMAR Commodities
Building Industry	Pre-mixed cement	Ash Grove, Sackrete
Vneshservice	Credit reporting	Dunn & Bradstreet
NIKA	Various consumer products	
Nizhgorodskaya Yarmarka	Business center	Trade Show Weekly
Elf-Hitong	Banking	
EpiCenter	Economic forecasting and reporting	
Merkury	Preliminary visit	
Nizhny Novgorod Podvorye	Preliminary visit	
Polymer Drainage Fuel Company	Preliminary visit	
Research and Production Corp	Preliminary visit	
ERA Enterprises	Preliminary visit	
Science and Production Association	Preliminary visit	

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EnterpriseMajor Product Line(s)U.S. Firms Contacted***Defense Plants***

RadioApparatura	Radio receivers/microelectronics	
Urals Fine Mechanics Plant	Marine inertial compasses, food processors	
Uralmash	Mining/metal working equipment	
Urals Electro-Mechanical Plant	Communications systems, CD players	Istra (Siemens)
Nevianski Mechanical Plant	Artillery/rockets	
Isset Plant	Defense electronics	
Neywa (October) Plant	Airborne radio altimeters	
Rezhevsky Cutting Plant	Artillery shells, Metal working	
Uraltransmash	Self-propelled artillery, rocket launchers, minelayers	
Automatika	Apparatus and automation design (highly classified activity)	
Optical-Mechanical Plant	Military gunsights, Laser range finders, Navigation equipment	
United Turbo Motors	Diesel engines (for tanks)	
Magnet/Small Motor Enterprise	Small motors, Development of magnets	
Plant #404	Aircraft engines (maintenance)	
Scientific and Production Association Corpus	Machining and casting of metals, motors	
Urals MicroElectronics Center	Microelectronics	

Design Bureaus

Ural Design Bureau "Start"	Mobile rocket and ballistic missile launchers	
Design Bureau for Laser Equipment and Tech.	Laser development	

Research Institutes

Institute of High Temperature Electrochemistry	Cold fusion research	Electric Power Research Institute
Institute of Physics and Applied Mathematics	Development and exploitation of magnets	
Institute of Metal Physics	Development and exploitation of magnets	
Technomag Co. Ltd.	Development and exploitation of magnets	
Ural State University		
Ural Academy of Sciences	Laser technologies	Lawrence Livermore Labs
Ural Polytechnic Institute	Laser technologies	
Institute of Electrophysics	Laser technologies	
Institute of Metallurgy	Thermodynamics, Kinetics, X-ray spectroscopy	Armco

Non-Defense

Urals Chamber of Commerce		
Intot	Computer software, scientific innovation	Ideation, GTI Electronics
Ural Silverware Company	Unique silverware designs	

ATTACHMENT 4

POPOV PLANT

EXECUTIVE OVERVIEW

Airborne and ground radio communications equipment form the backbone of this organization. They have been, and continue to be, an approved supplier to the military and commercial aircraft industry. The quality and performance of this equipment are considered world class.

Anticipating the decline in military orders, Popov has diversified by broadening their radio communications line, introducing a medical equipment line, and offering selected consumer products.

They are well aware of the need to expand their marketing effort and are working on a program to address the deficiency, including actively seeking domestic distributors and expansion of their direct sales force.

In anticipation of privatization (joint stock status), they are aggressively moving ahead with new product plans and organizational restructuring (particularly in marketing) to assure a viable position in a growing Russian market. Their only constraint is capital.

ENTERPRISE PROFILE

POPOV PLANT

General

Address: 100, Internationalnaya
603600 Nizhny Novgorod, Russia

Telephone: (8312) 44-41-06

Fax: (8312) 42-61-74

General Director: Stanislav I. Vopilkin

Enterprise Currently associated with State Committee of Industries, Department of Radio Communications. Has applied to reorganize as a joint stock company.

Major Product Lines: Descriptive brochures are available on request.

<u>Product</u>	<u>Model</u>	<u>Military/Commercial</u>
Aircraft intercom	AIM	M/C
Antenna Amplifier (TV)		C
Biological Active Generator	BAS	C
Components		
Attenuator		M/C
Generator		M/C
High Frequency Amplifier		M/C
Low-Pass Filter		M/C
Noise Suppressor		M/C
RC Filter		M/C
Squarer		M/C
Video Amplifier		M/C
FM Receiver	Orion RS-201	C
Homing Radio Station	PAR-11	M
Magniter	AMT-02	C
Magniter	AMT-1	C
Mobile Communicating Center	P-986	M
MW Radio Station	P-846-M1	M
Ophthalmology Laser	Laser Shower	C
Portable Radio Stn (Walkie- Talkie)	Radius-N	C
Power Supply (12V, 17A)	B-21-KLN	M/C

Radio Telephone Extender	RAUT	C
Radio-electronic Game	Mosaic	C
Radio Station	P-864	M
Strobe Light	Mirage-3	C
SW Radio Station	Yadro-I	M
SW Radio Station	Yadro-II	M
SW Transceiver	Kashtan	M
SW Transceiver	Shirota-Y	M/C
SW Transceiver	Kristall	M/C
SW Transceiver	Kristall-N	M/C
Taximeter	TAE-LK	C
TV Tuner	CK-M-24-2C	C
UHF Therapeutics	UHF-30-2	C

Military Production:

A major product is airborne and ground short wave radios, considered world class in quality and performance. Military orders represented 82% of volume in 1990, reduced to 50% currently

Structure:

General Director



Departments

- ◆ Chief Engineer
- ◆ Manufacturing - Military/Commercial Products
- ◆ Manufacturing - Consumer Products
- ◆ Quality
- ◆ Foreign Affairs/Marketing
- ◆ Economics/Finance/Planning
- ◆ Commercial/Logistics
- ◆ Capital Construction (Plant & Services)
- ◆ Personnel
- ◆ Social Services
- ◆ Food Procurement

General Director is comfortable with an 11:1 span; but indicated structure may change when it is a joint stock company.

Third Party Activity:

Have negotiated a license agreement with Transworld, Escondito, CA, to produce selected radio equipment; expected to start in first quarter 1993.

Facilities:

They have two locations, with plants and all machinery leased from the government. The main plant, in Nizhny Novgorod, has 100,000 sq. meters on 17 hectares. The second, located about 65 km away, has 16,000 sq. meters on 6 hectares. Both locations have rail spurs.

Persommel:

Employees at both locations total 7780: 1500 are technical; 208 quality; 457 administrative; production workers comprise the balance.

Engineering

Polyot Research and Production Association designs their military and commercial aircraft radio equipment. Also, there are two independent design bureaus (located in the plant) that provide product designs. Working off a contract, they are charged with producing one viable product design in one to three years. In-house engineering designs simple consumer products and is responsible for upgrading existing products.

Marketing

They are still adjusting to a market-driven economy. Military and commercial radio communication equipment is produced under firm contracts with little or no marketing effort on the part of Popov. Other commercial and consumer products are generated through exhibits, direct mail, and ads, including the AMA "Global Management" publication.

The Sales department is small (5-6 people), and while they do have 6 export distributors, a domestic distributor program has not been established. The Marketing/Merchandising/Sales program is currently being studied.

A breakdown of the 1992 is as follows:

Russia	87%
CIS	6%
Outside CIS	7%

Pricing is the responsibility of a special planning group in the Economics/Finance organization; the basis is product cost. New products are generated through market studies conducted by the Foreign Trade/Marketing function and recommendations from Design Institutes. Products are withdrawn from market when no longer salable or profitable.

Their largest demand product is currently a channel selector for color TV sets. One million units were sold in 1992, and 1993 sales have been projected at two million. The volume is limited by component supply.

Manufacturing

Operations include: assembly, plating, machining, thermal treatment plastic molding, welding, aluminum soldering in salt solutions, thin film processing, powder metallurgy ceramics, glass processing for components, wood processing. The last item was initially for packaging of manufactured products but is being converted to production of door and window frames for the building industry.

Their ability to produce printed circuit boards with modern West European processing equipment is considered state-of-the-art. The PC board facility is operating at 40% of capacity, while the remainder of the factory is running at approximately 80%.

Popov operates with one union, Radio Electronic Workers. Because of their lease status, a Workers' Council does not exist. In lieu, there is a form of Board of Directors that has authority over the enterprise and its management.

Finance

Cash flow is a major problem across most of the industry in Russia. Like many enterprises, Popov has a problem with receivable collections, which is forcing them to enter the debt market.

Quarterly and annual reports are issued to comply with government and tax regulations; daily sales, production and cash flow reports are prepared; monthly operating statements are provided to management.

Industrial Engineering determines standard material and labor costs by using product design specifications and flow charts. Overhead rates, based on projected expense spending, are determined and expense is allocated via these rates. From a cursory view, they appear to come closest to a process cost accounting system we have seen so far in our studies.

Specific products can be segregated both physically and financially.

Quality

Process quality and final test are conducted. Quality Control has authority (and has exercised it) to shut down lines for poor quality.

Activity maintains physical/chemical labs and performs incoming material inspection.

Purchasing

Activity employs eighty people to negotiate cash and barter transactions. Currently, they are having supply problems with components sourced in the CIS (particularly Ukraine) because of political and currency issues.

ARZAMAS INSTRUMENT PRODUCTION PLANT

EXECUTIVE OVERVIEW

Arzamas is a major manufacturer of precision mechanical and electromechanical products, employing 13,500 people in a 2000,000 sq. meter facility on 60 hectares. They have a broad line of electromechanical products and medical equipment. There is also a consumer line of tape recorders. Military production, primarily gyroscopes, is currently 3%, down from 93% in 1990.

Arzamas cooperates with approximately 20 design bureaus and institutes, but about 30% of their engineering design bureaus for medical equipment, flowmeters, metal casting, plastics, tooling, and assembly equipment.

The organizational structure is streamlined and utilizes the "product manager" approach. Decision-making is far enough down in the structure to be effective. Separation of product lines can be easily accomplished to accommodate joint ventures in any major product sea.

There are domestic and export marketing functions in place, and some basic market analysis is performed; the latter capability will grow with time and training. With a sales force of 40 employees, sales are currently 50% through distribution and 50% direct.

Their factory cost system consists of material and labor standards based on industry norms and in-house standards established by their industrial engineers. They are comfortable with their knowledge of unit cost. Standard quarterly reports are issued to meet state requirements; weekly internal reports are issued to monitor enterprise performance. They are capable of financially segregating product lines.

Manufacturing is vertically integrated; capabilities consist of foundry operations, plastic processing, heat treatment, coatings, welding, machining, and assembly/test. The enterprise is not adverse to shutting down operations/processes if cost justified.

The quality activity reports to engineering, operating as an independent agent. A high level of quality appears to exist.

The management is acutely aware of the issues facing them and realistic about their programs to cope with the conversion issues. They are structured for success.

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ENTERPRISE PROFILE

ARZAMAS INSTRUMENT PRODUCTION

General

Address: 60722 Arzamas

Telephone: (8314) 72-71-21

Fax: (8314) 72-46-68

General Director: Yury P. Startsev

Enterprise State-owned by Committee for Conversion Industries and Rosaviaprom, which represents all aviation-related industries. Making application for joint stock company (open), 51% employee, 49% state, latter portion available for future auction or sale of shares.

Major Product Lines:

Flowmeters--liquid and gas
Hydraulic relief valves
Gas meters--dynamic turbine type
Microprocessors to control tower cranes
Consumer products--tape recorders
Medical equipment including:
 Analyzers to measure immune deficiency (proprietary)
 Auricular systems for oncological disease diagnosis (proprietary)
 Diagnostic systems for maxillary sinusitis
 Dental drills
 Ultrasonic scanners
 Bioelectric stimulators

Military Production: Gyroscopes (93% of production 1990, 3% currently).

Structure: Current detailed organization chart available.

General Director



Departments

- ◆ Engineering
- ◆ Production and Marketing
- ◆ Commercial
- ◆ Personnel

◆ Social Services

Very efficient organizational structure. Well defined areas of responsibility; span of control highly manageable. Major product supported by functional staff activities. Major businesses/segments are separable.

Third Party Activity:

Currently negotiating three joint ventures with:

- ◆ Hungarian Company on joint production gas analyzers for automotive market.
- ◆ A Turkish company on joint production gas analyzers for assembly of color TV sets from Turkish components (barter arrangement likely); sets to be sold in Russian/Turkish market.
- ◆ Schlumberger on opening a branch 100km from Moscow.
- ◆ Precision parts supplier to Sauer Sundstrand, Ames, Iowa.
- ◆ Actively seeking additional JV or parts/equipment sale opportunities.

Facilities:

200,00 sq. meter facility on 60 hectares, located about 90km for Nizhny Novgorod.

Personnel:

Total employees: 13,500; Engineering/clerical 2,500; Management 780; Service employees-2,500; Workers 7,720

Engineering

In-house is responsible for 30% of design/development, 70% through approximately 20 outside design institutes, such as:

- ♦ Arzamas R&D Bureau--magnetic recorders, flowmeters.
- ♦ Moscow Research Institute--gas meters.
- ♦ Moscow Research Institute Teplopribor--sensors/detectors.
- ♦ Arzamas 16--nuclear research.

Actively seeking additional institute/design bureaus to broaden product line.

Marketing

Has both domestic and export marketing functions, with 40 employees in marketing, 40 in sales. Product formerly marketed through a now disbanded State-owned distribution organization. Other channels have been established with 50% of sales through distribution, 50% direct; focus is primarily of Russian and CIS markets.

The need for market research and development is recognized and programs are planned for the future, but the enterprise is not qualified to conduct such a program at this time.

New product recommendations flow through marketing and engineering via customer contacts and examination of designs in bureaus/institutes. Decision on new product introduction rests with the General Director and his staff, including product managers. They are well aware of competition in each major product line.

Marketing controls Finished Goods Inventory and prepares schedules on manufacturing; some schedules are based on forecast sales on some product lines, others on firm orders.

Competitive pricing is set by the Planning & Economic Department (Finance) with input from Marketing (domestic/export). Competitors by major product line are:

Avionics	4/5
Tape recorders	Approx. 15
Ultrasound	5
Industrial gas meters	2
Crane controls	3
Heat meter	3

Manufacturing

There is high level of vertical integration but they are not locked into it. Make/buy evaluations are made; unprofitable operations are halted. There are approximately 8,000 suppliers. All electronic components are sourced outside.

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Standard cost for material and labor is used; some operations are prescribed by industry norms, others, internally by Industrial Engineering. Variance from standard is reported.

Workers are represented by the Aviation Industry Trade Union and the Standard Workers Council; labor relations are reported to be good.

Material Control and Broadloads (finished unit scheduling) are the responsibility of the Planning & Economic Section (Finance). Production schedules (parts) are done in the manufacturing activities.

Manufacturing operations cover the following areas:

Foundry:

- ◆ Aluminum alloys die, permanent mold, sand casting
- ◆ Steel casting
- ◆ Cold aluminum alloys stamping
- ◆ Liquid aluminum alloys stamping
- ◆ Brass die casting

Plastic processing:

- ◆ Heat molding
- ◆ Casting
- ◆ Rubber parts caking

Heat treatment:

- ◆ Vacuum on various metals/alloys
- ◆ On shield medium
- ◆ On furnaces/shaft furnaces/salt tubs

Coating:

- ◆ Protective and decorative
- ◆ Paint and precious metal

PCB production:

- ◆ Photochemical process
- ◆ Double-side PCB's (positive method)
- ◆ Multi-film semiconductors

Welding:

- ♦ Argon-arc, laser, gas, electronic beam
- ♦ Electronic resistance spot welding

Machining:

- ♦ Wide range of metal cutting machines
- ♦ Lathes/millers, CC drilling
- ♦ Russian and foreign-made centers
- ♦ Electroerosion machine
- ♦ Grinding/coordinate grinding equipment
- ♦ Cold stamping (punching, bending, drawing, molding, extrusion)

Assembly/test:

- ♦ Wide range of equipment for control of electronic appliances
- ♦ Wide range of equipment for production of electromechanical products, including rotator, vibration testing, shock sands, temperature chambers, etc
- ♦ Capability of potting parts in compounds.
- ♦ Capability of filling components with gases/liquids
- ♦ High precision control of tightness
- ♦ Capability of magnetization and demagnetization of permanent magnets
- ♦ Soldering technology, including wave soldering
- ♦ Fabrication of glass/metal assemblies

They are currently installing IBM PC's on factory floor to get more timely production information.

Finance

Monitors and establishes standard material/labor costs; monitors expenses. Standard government-required statements issued quarterly; weekly financial status of production issued to top management, including product managers.

Has capability to financially segregate by product line.

Quality

Function includes process quality control and final test; reports to Director of Engineering. A high level of quality consciousness exists at worker level.

Other

In compliance with the Arzamas local administration, childcare pre-school institutes (kindergartens) were separated from the enterprise and transferred to the city. Deeds are also being prepared to shift their apartment buildings to municipal ownership. The enterprise will continue to operate medical clinics and collective farms.

1. 5/1

LENIN TV PLANT (NITEL)

EXECUTIVE OVERVIEW

Mobile radar/radar systems and color TV sets are the major products for this modern, well equipped enterprise.

The radar, with its high quality and reliable control circuitry, is in wide use by military and civilian air control authorities.

The radar, with its high quality and reliable control circuitry, is in wide use by military and civilian air control authorities.

The enterprise is a major supplier of color TV sets to the Russian and CIS market. Color TV saturation in Russia and CIS is relatively low at approximately 60%, indicating a significant growth opportunity. The second TV set market (small screen B&W and color) is just beginning and is at about 5% saturation. With its quality and styling image, Lenin currently commands a 25% to 30% market share and is assured of continued growth through the introduction of state-of-the-art models.

They are actively seeking new opportunities to assist in conversion from military to civilian products, and have recently introduced a VCR line and a line of small appliances.

Lenin has a competent and aggressive management, has taken positive action on privatization, and has a product/market strategy that will assure them a positive role in the emerging demand economy in Russia.

LENIN TV PLANT (NITEL)

ENTERPRISE PROFILE

General

Address: 603009 Nizhny Novgorod, Russia
37 Gargarin Avenue

Telephone: (8312) 65-19-84/69-71-91

Fax: (8312) 65-50-19

General Director: Victor S. Kipylov

Enterprise Joint stock company, 51% employee owned.

Major Product Lines:

- Radar antennae and systems
- Color and B&W TV sets
- Video cassette recorders (VCR)
- Telephone instruments
- Satellite dishes
- Other consumer products, such as coffee and tea makers, home woodworking equipment, locks, and so forth.

Military Production: Radar antennae and systems, declining from 50% in 1990 to 17% presently

Structure: Current detailed organization chart available.
General Director
█
Departments

- ◆ Engineering
- ◆ Production--TV
- ◆ Production--Electro-mechanical Plant
- ◆ Production--Radio Sub-assemblies
- ◆ Capital Construction
- ◆ Quality
- ◆ Economics/Planning
- ◆ Commercial

Third Party Activity: License agreement with Sharp to assemble VCR's, using components supplied by Sharp

Facilities:

Four industrial areas on 172.6 hectares comprising 68 buildings with a total of 200,00 sq. meters of covered space.

Personnel:

Total employees: 13,195; Engineering 2,640; Administrative 1,890; Social services 1,250; Workers 7,415

Engineering

About 80% of engineering for non-standard products is done in-house; 50% of standard consumer products is designed by outside bureaus. There is a separate design activity for TV, and all enterprise designs are patented.

Marketing

Although there are no current ties, Lenin was established in 1915 with the cooperation of Siemens (Germany) for the manufacture of telephones. They migrated into providing radios for armed vehicles and aircraft and later, into mobile radar antennae and systems, which continue to be one of their major product offerings. Having no competitors in their meter range, Lenin is the leader in this area.

Currently, the major customer for radar is civil aviation, with approximately 70% of the units of standard configuration, 30% custom. Domestic sales account for 80% of output, CIS 12% and export 8% (exporting to 51 countries). Units can meet West European standards but must be modified to meet United States standards.

Sales of radar are on a contractual basis; terms and are 30% down and balance within 10 days from delivery. Carrying costs are recovered in price, but credit rates are favorable since Lenin owns one bank and is a principal in two others.

In 1957, Lenin introduced a line of B&W TV sets; in 1967, a color line was added which has grown rapidly and profitably. They are now offering a "Fourth Generation" set with a screen size of 51cm, soon to be augmented by one with a 61cm screen. These sets have a 55 channel capability, are cable-ready, and five of the six models offered have remote control.

Current color production is 350,000 set per year. They have the facilities to produce between 500,000 to 600,000 sets but are limited by component supply (largely kinescopes). The 51cm tubes are sourced in Russia. Additional tubes of this size can be sourced outside, but the economics are prohibitive since Russian kinescope prices are approximately one third of import prices from the Pacific rim or the west. The 61cm size is sourced in Yugoslavia.

A 51cm remote color TV set sells for \$140 in Russia, but the price is rising because of increase in kinescope pricing and other components that are both domestic and export sourced.

Lenin projects their Russian market share at between 25% to 30% and their local share of 80%. they estimate that color saturation (household with color sets) is below 60%.

A market for small screen sets is emerging (currently, with about 5% saturation); Lenin produces 50,000 a year. They have a 31cm screen size B&W set and will introduce a

34cm portable B&W set in the fourth quarter of 1993. They are working on a 34cm color set that will be introduced in the second half of 1993. The small screen market is expected to be 80% color.

Lenin is working on a "Fifth Generation" set to be introduced in 1994. It will be all digital with screen sized of 51cm and 54cm. A prototype unit is in construction using chips from Phillips. The initial limiting factor will be active components, but they are aggressively seeking local suppliers.

Competition exists in the form of thirty one TV producers in Russia and the CIS. Of them, eighteen are located in Russia. At least two (Horozont in Minsk and Electron in Lviv) also have active Fifth Federation programs.

Lenin has a sales force of over seventy people. although they plan to market on a contractual basis in the radar sector, the consumer line is sold directly to retail and rental shops that sell Lenin products and other merchandise. There are now five of those shops but they are expanding. Recognizing the need for additional products to offset the drop in military orders, they have already introduced about thirty consumer products, such as: tea coffee makers, wood working equipment, telephone sets, locks, a line of parabolic antennae, and so forth.

They have entered into a license agreement with Sharp (Japan) to assemble VCR's, using components provided by Sharp. Although there are four other VCR assemblers in Russia, this is viewed as a growing and profitable market.

The future plan is to source active components in Russia and produce tape drive mechanisms and other parts in their factory providing cost advantages. The agreement with Sharp gives them this option, but capital is required and a partnership arrangement is being sought.

New products and markets are determined by analyses conducted by Design Engineering (technical feasibility), Marketing (customer acceptance/market size), the technology department (manufacturability), and the chief economist (profitability). Recommendations are reviewed and approved/rejected by the Technical Council of the enterprise, consisting of all major directors. Final decision rests with the General Director.

Manufacturing

The production facilities consist of:

- ◆ Assembly and test of transportable radar and radar systems.
- ◆ Electronic unit assembly
- ◆ Conveyerized TV assembly/test lines
- ◆ Assembly/test of other consumer products.

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These operations are supported by:

- ◆ Machine shops
- ◆ Welding
- ◆ Electroplating
- ◆ Paint coating
- ◆ Metal fabrication and cutting
- ◆ PC board assembly
- ◆ Wood processing shop
- ◆ Plastic molding

Machine tools are supplied by Russia, CIS, Germany, and Japan. Special purpose equipment is also purchased from Russia and CIS manufacturers.

There is a single trade union and a Workers' Council. Labor relations are described as cooperative.

Production capacity of TV sets is 400,000 a year comprised of 350,000 color sets and 50,000 B&W. Expansion of both lines is planned to meet the growing market.

The enterprise has about 700 suppliers. Color kinescopes are sourced in Russia (Veronesh), Lithuania, West Germany, and Finland.

Finance

Quarterly and annual reports are issued in compliance with federal legal and tax requirements. The General Director reviews daily cash flows, production results, and sales. Operating statement and balance sheets are provided monthly. Daily meetings are scheduled to review cash receipts and availability/priority of Payables.

The finished goods inventory is negligible due to sales demand.

Factory cost appears to be well defined.

Financial data is computerized.

Quality

Reports to the General Director and has the authority to shut down a line or reject a product if quality standards are not met. In addition to process QC and final test, they also perform incoming material inspection and maintain chemical and physical labs.

Other

They maintain kindergartens (day care) for 1140 children, hostels (500 beds), a resort camp, tourist camp, children's camp, stadium, sanitarium, polyclinic, vocational school, clubhouse, and a children's club.

NIZHNY NOVGOROD COMPUTER AND INFORMATICS PLANT

EXECUTIVE OVERVIEW

Nizhny Novgorod, the third largest city in Russia, is the base for an array of diversified industries, technical designing centers, and research institutes. In the past, it was one of the major centers for design and manufacture of military systems and hardware, but this segment is disappearing rapidly.

As these enterprises respond to a need to convert from military to commercial products, a large demand for modern computer hardware and software is being created. Early entry into this market can assure a major role in its growth and yield an economically viable market share.

Against this background, the Nizhny Novgorod computer and Informatics plant provides a unique platform to support this growth. Their large contract base is one demonstration of their capability as a responsive, quality service agent both inside and outside the Oblast (region).

The explosion of demand for upgrades and new state-of-the art equipment is in its infancy and will grow as the conversion process moves forward. The subject company can provide a unique marketing package of sales, both with warranty and out of warranty service.

NIZHNY NOVGOROD COMPUTER AND INFORMATICS PLANT

ENTERPRISE PROFILE

General

- Address:* 603105 Nizhny Novgorod
69 Osharskaya St., Russia
- Telephone:* (8312) 34-03-13 / 35-13-00
- Fax:* (8312) 35-02-85
- Enterprise* Currently falls under State Committee for Computers and Informatics; in process of converting to joint stock company to be registered under name of ABM Complex.
- Major Product Lines:* Repair of electronic equipment: main frame computers; PC's, copiers, fax machines, PABX.
- Military Production:* Service of Russian made IBM clones and of military equipment that represented 100% of 1990 factory volume, presents volume, almost zero.
- Structure:* Current detailed organization chart available:
- General Director
 - █
 - Departments
 - ◆ Chief Engineer
 - ◆ Production (Service)
 - ◆ Planning & Economic Dept.
 - ◆ Finance
 - ◆ Commercial Center
- Third Party Activity:*
- ◆ Direct contact with Iki for sale/service of printers.
 - ◆ Opening discussions with Selex for sale/service of printers and office copiers.
 - ◆ Actively seeking new equipment manufacturers to represent in Russian market.
- Facilities:* 5600 sq. meter facility in the city.

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Personnel:

175 employees, 75% engineers, 25% technicians; no affiliation with outside engineering design bureaus or institutes.

Marketing

Initially, they were the exclusive service agent for the military gaining experience in Russian-made IBM clones (IBM 370/380). they continue to service this equipment in State-owned and privatized enterprises, plus design bureaus and institutes.

At one time, there were eight branches, but although the present site is currently their only location the former branches can be reactivated if cost justified:

Kirov	Murom
Ivanovo	Cheboksary
Saransk	Dzerzhinsk
Ioshkarola	Arzamas

The first six are outside the Nizhny Novgorod oblast, Dzerzhinsk and Arzamas within.

Competition is spotty. They claim to be the only service bureau capable of main frame servicing. There are a few servicing dealers, but they are not a major factor.

Computer and Informatics has about 150 service contracts in force that cover quarterly inspection (preventative maintenance) and demand service. Billing takes place when service is performed rather than collection up front.

They currently service western products but are hampered by the lack of schematics, technical service data, and spare parts purchased by the Ministry were allocated across Russia. Now, privatized importers are favoring Moscow and St. Petersburg, allocating to those cities approximately 70-80% of all imported spare parts. Fortunately, Computer and Informatics has an adequate stock of Russian parts and are coping with the import availability. By utilizing reverse engineering techniques, they are sometimes capable of producing scarce parts in their shop.

There is growing demand for new and upgraded computer equipment across Russia, including medium size main frames, work stations, and PC's. There is already a steady demand for office equipment, such as printers, copiers, and fax machines. Computer and Informatics is uniquely positioned to support the demand with:

- ♦ a familiarity with specific needs, a knowledge of the type and quantity of equipment in use.
- ♦ assembly capability that could render imported products more cost effective.
- ♦ reputation in the region as a reliable, responsive, competitive, and quality service company, a unique combination in the region and beyond at this time.

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- ♦ major customer contacts with a base that is growing by recommendations from satisfied customer, ads in reference books, and some advertising on radio and TV.

The goal of the enterprise is to grow with market demand either in a joint venture with a major U.S. or European computer/office equipment company or be appointed a sales and service representative of a few selected, quality equipment manufacturer(s).

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ATTACHMENT 5

FINANCIAL CONSIDERATIONS

TRADITIONAL IESC PROGRAM

	<u>Date</u>	<u>Amount</u>
COOPERATIVE AGREEMENT CCS-0001-A-2002-00	2/4/92	500,000
Amendment 1	9/25/92	<u>3,389,000</u>
TOTAL		3,889,000

IESC EXPENSES - COOPERATIVE AGREEMENT CCS-0001-A-2002-00

	<u>1st Quarter '93</u>	<u>Cumulative Total</u>
Field Support	\$50,900	\$254,400
Country Director	45,700	228,600
Projects	<u>130,800</u>	<u>274,500</u>
TOTAL	\$227,400	\$757,500

IESC DEFENSE INDUSTRY CONVERSION PROGRAM

	<u>Date</u>	<u>Amount</u>
COOPERATIVE AGREEMENT CCS-0005-A-2015-00	5/6/92	\$1,000,000
Modification 1	9/30/92	<u>538,000</u>
TOTAL		\$1,538,000

IESC EXPENSES - COOPERATIVE AGREEMENT CCS-0005-A-2015-00

	<u>1st Quarter '93</u>	<u>Cumulative Total</u>
Field Support	\$36,400	\$181,900
Defense Conversion Teams	29,200	146,000
Projects	<u>24,000</u>	<u>36,000</u>
TOTAL	\$89,600	\$363,900

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