

Why Locate in Alaska for Projects in Russia

By Steve Borell

Alaska and Russia share a very special relationship and companies wishing to do business in the eastern half of Russia should strongly consider locating their Russia contact office in Alaska. This applies not just to mining companies and mining industry suppliers but anyone wishing to do business in Russia. In July, 1993 the Alaska Miners Association sponsored a tour of mines in the Magadan Region of the Russian Far East. I had had the sense that there was an Alaska advantage for several years and our tour confirmed this in many ways. I now estimate that this is worth at least five and possibly a ten percent advantage over having a contact office in another location.

Proximity

The first obvious reason is the close proximity of Alaska to Russia. This is important for travel and for communications. For instance, Magadan is four time zones west of Alaska. This is the same time difference between Alaska and the east coast of the U.S. We in Alaska have a four hour business day overlap with the east coast and the same with the Russian Far East. The further east one moves from Alaska, the more difficult it will be to keep good contact with a project, partner or customer in Russia.

Air travel for personnel is another area where Alaska has a distinct advantage. Magadan is about four flying hours from Anchorage and there are now regularly scheduled flights between Anchorage and Magadan, Khabarovsk and Vladivostok on both Alaska Airlines (currently during summer only) and on Aeroflot. The time lost traveling back and forth is significantly increased when one adds the various connections required when coming from Canada or the lower 48. And although a four hour jet lag is still a bother, it is far better than a six or eight hour jet lag. Additionally, there are direct flights on Aeroflot between Anchorage and Moscow.

There are also significant arguments that favor Alaska when shipping parts, supplies and products to or from the Russian Far East or Siberia. Which would you prefer: 1) shipping your parts or products through New York, where there are 10,000 customs employees in a no-man's zone covering an area of several square miles, into Moscow where there are 15,000 customs employees and a similar area, or, 2) shipping directly from Anchorage where there are 6 customs agents, whom you get to know by name after a few shipments, and into Magadan, Khabarovsk or Vladivostok where your partner similarly knows the 8 local agents by name?

Keeping tabs on the whereabouts of your shipment will be much easier from Alaska. The problems are just an extension of the problems involved in shipping to the bush and Alaskans understand that process. Also, wouldn't you prefer to track your shipment through the U.S. or Canada for most of its journey and then in Russia for the least possible time? At the very worst you

could visit the airport every day until you see that your pallet of parts is gone and call or telex your Russian partner to tell him it is on the way. Try that in New York, Seattle, Vancouver or Moscow.

It should also be noted that Alaska-based Northern Air Cargo has established cargo shipment routes between Anchorage and several Russian Cities.

Similar Conditions

On a purely technical level there are many reasons Alaska's Arctic-experienced miners, geologists, civil engineers, architects, etc., have an advantage over their counterparts from other areas of the country. When you mention discontinuous permafrost to an engineer in the lower-48 you may get a blank stare. For Alaskans such a phrase raises a series of red flags and brings to mind many additional considerations. The same can be said for design and operation in an area where the average temperature in January may be minus 32 degrees F. People who have not experienced this do not understand the implications!

For the miner, geologist and prospector, the mineral terranes of the Russian Far East in particular are similar to and an extension of those found in Alaska, the Yukon and British Columbia. The same kinds of rocks appear and one would expect to search for the same ore deposit models. Geologists acquainted with the rocks and associations in Alaska will be the obvious choice for work in Russia and conversely. Here again Alaska bush logistics, challenges and local hazards (grizzly bear) experience will be invaluable.

Benefits For Alaska Minerals Industry

The benefits for the Alaska minerals industry are many. The transfer of experience and expertise will assist both Russian and Alaskan projects. Minerals companies with a Russia contact office in Alaska will likely take interest in Alaska prospects that may come along. The knowledge they gain working on Russian ore deposits and geologic models will be readily transferable to Alaska and will increase their effectiveness in exploring for deposits in Alaska.

The mining industry in Alaska will also benefit if equipment suppliers locate their Russia contact offices in Alaska. If the suppliers are strong and have larger volumes of sales they will be able to buy in larger volumes and maintain larger stocks of spare parts. The increased stock levels will mean improved parts availability for miners in Alaska.

Companies interested in placer mining or in selling supplies to this part of the industry will find Alaska and eastern Russia to be two pages of the same book. Experience gained in either area will be of major value when doing business in the other.

Family Considerations

Do not forget spouses and families. Living in Russia will be a strain on even the strongest expatriate family. It may however be feasible for some families to live in Alaska rather than move to a remote site in Russia. Or how nice for expatriates living in Russia to be able to grab a flight to Alaska and enjoy some "America" while the manager, engineer, geologist, etc., visits the home office on business. I lived in South America for two years and my wife and I understand this aspect of foreign assignments -- and culture shock -- very clearly.

Just living in the north is another aspect of culture shock that should be recognized. Alaska experience for employees and families should reduce this hazard. There is often severe culture shock when lower 48 residents move to Alaska. It will be much easier and less traumatic if employees and their families are already accustomed to the high latitude and temperatures of Alaska. Moving a family to Russia, just as to any new culture, will become a major challenge for families and marriages. Alaska experience would help ease that transition.

Cultural Ties

An additional reason for locating the U.S. contact office for Russia in Alaska is that the Russians prefer to do business with Alaskans. They dislike the influence of Moscow just as much as we Alaskans dislike many of the influences of Washington. This helps explain why the Russians have a special kinship with Alaskans.

Another less positive but nonetheless important consideration is that the Russians seem to prefer to not do business with Asian companies, ie, Japan, Korea, China and Taiwan. Russia has had a long history of armed conflict with Asian countries and the issues are still not totally resolved. They may like the products but it appears they prefer to deal with Alaskans, even when buying products manufactured in Asia.

One must also recall that Alaska was once part of Russia and the first gold mining in the state was by the Russians in 1848 at the now famous Russian River salmon fishing stream on the Kenai Peninsula. The Alaska Commercial Company operating in Alaska today is a descendent of a Russian company and advertises as operating "Since 1867," the year Secretary Seward bought Alaska from Russia.

It is also of note that during the 70 year communist period few books written in English were allowed to be translated and widely distributed in Russia. One exception was the writing of Jack London. As a result there are all manner of lakes, roads, mountains, etc., in Russia named after London. One Alaskan mining executive working in Russia commented that so many people talked to him about the Jack London stories he had to buy a copy of London's complete works and reread the stories so he could better relate to the Russians.

Business Support Structure

There is already a significant amount of activity between Alaskan and Russian companies. As of the end of 1993 there were possibly 200 Alaskan companies of all types doing business with Russian companies. A few of these are mining ventures but most involve some form of import-export sales. Also, various agencies have protocols with their Russian counterparts to encourage cooperation between Alaskan and Russian entities.

The University of Alaska through its Office of Russian Affairs (907) 786-7718 is very active in facilitating contacts for business, research, education and cultural exchanges. Also, the American Russian Center (907) 786-4300 of the University has branches in Russia and Alaska to provide training, short-term technical assistance and act as a small business information system. Each major campus of the University (Fairbanks, Anchorage & Juneau) offers courses in Russian language, culture, history, etc. The State of Alaska's Office of International Trade (OIT) (907) 561-5585 provides support for Alaskan businesses wanting to export to Russia. OIT arranges trade missions--both to and from Russia--gathers market intelligence and contacts with the assistance of honorary representatives located in Sakhalin and Primorskii Krai. And the U.S. Department of Commerce has offices in Anchorage and several cities in eastern Russia.

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