

RUSSIA

A PLAGUE OF DISJOINTED VENTURES

Many partnerships from the Gorbachev era are at odds

In the seventh-floor corridor of Moscow's Radisson-Slavjanskaya Hotel, Paul E. Tatum hoists an electric drill and announces: "It's time." As his 10 bodyguards watch, the president of Americom Business Centers, which owns a 40% stake in the hotel, sets to work. He puffs and sweats as he buzzes away at the new lock that his estranged Russian partners have installed to keep him out of his office. Forty minutes later, Tatum, who is wearing a bulletproof vest under his dress shirt, breaks through. But the victory is fleeting. The Russians soon shut off his power.

So went the latest round in what is perhaps the sourest of foreign joint ventures in Russia. The Russian partners, an arm of the Moscow city government, claim the joint venture owes them about \$7 million in back rent, while Radisson Hotels International says Tatum owes \$300,000 in personal debt. Tatum says room service and other items were part of his deal, and the Russians are trying to push him aside now that the complex is churning out \$50 million in annual revenues. "It's part of the creeping re-nationalization that's going on throughout Russia," he says.

NEW DEAL. Although his predicament is extreme and many say he's a publicity hound, Tatum may have a point. A number of joint ventures launched in the glamor of the Gorbachev years are on the rocks. That's not to say all foreign deals are going down the drain. Multinationals such as Mars, Coca-Cola, and Procter & Gamble are doing quite well. But they're big and got started later when Russian authorities allowed foreigners other ways to set up shop.

By contrast, joint ventures were the only options for pioneers, including many entrepreneurs and small companies. Most were built on high hopes,

shaky laws, and naivete. By far the biggest complaint among foreigners is that once their joint venture gets running and turns a profit, the Russian side suddenly wants a controlling interest or total ownership. "Usually, the Russian partner was to bring market access, and the U.S. partner brought the capital and knowhow. But after four or five years, the Russians realize, this isn't so hard," says Peter Charow, ex-



POWER PLAY Once a venture turns a profit, foreigners say, Russians want a new deal

ecutive director of the American Chamber of Commerce in Moscow.

That sort of learning curve seems to be working against Seattle-based Radio Page. The paging service operator entered into a joint venture with the Moscow Public Telephone Network and another Russian company in 1992. Together, they built a system of telephone pagers in the Moscow region,

with Radio Page getting a 51% stake.

At first, the partners worked well together, says Radio Page President Lawrence P. Childs. Revenues soon hit \$5 million a year, and the venture expected to make \$1 million this year. The arrangement started unraveling six months ago, however, when some executives on the Russian side sought control. Things got meaner three months ago when the Russians threatened to pull the critical radio frequencies if they didn't get their way. Moscow Public Telephone won't comment until a shareholders meeting in June.

Other American ventures have been plagued by all sorts of strong-arm tactics, but Tatum's case seems to be the most bizarre. He got started in 1990 with help from the late H. R. "Bob" Haldeman of Watergate fame, who worked in the hotel business following his jail term. The current local partner is the Moscow City Property Committee, which manages and privatizes state-owned assets in the capital.

Tatum had problems from the start, but things got a lot worse last summer when his Russian partner tried to evict him forcibly from the Radisson-Slavjanskaya—where President Clinton stayed during the 1994 summit. The main activity of Tatum's company, which is based in Irvine, Calif., is the Moscow venture. It manages several floors of offices in the hotel.

"UNWORKABLE." Tatum claims that the Russian partner and Radisson are scheming to dump Americom so the hotel can be sold off. The Russians do have a plan to sell the hotel for \$60 million, with Radisson retaining the management contract. Umar Dzhabrailov, the venture's first deputy general director, says the matter could be cleared up if Tatum's Americom company pays the debt Dzhabrailov says it owes.

Meanwhile, Radisson has prevailed in a lawsuit in Minnesota to dissolve the joint venture, and Tatum has counterattacked by seeking arbitration in Sweden. Says John Norlander, president of the Minneapolis-based Radisson Hotel Corp.: "Mr. Tatum has made the partnership between Radisson and Americom unworkable and has put the joint venture at risk."

A lot of this controversy over joint ventures will probably die down as the deals themselves become less common. But Tatum's experience suggests that the Russian market is still only for the thick-skinned.

By Peter Galuszka in Moscow, with Susan Chandler in Chicago