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Betreff: Diary from a Taiwanese business delegation, part I
Absendedatum: Wed, 25 Nov 1998 19:33:44 +0400

AIDC Fact finding mission to Russia and Uzbekistan

organised by Henrik Konarkowski, Executive Director Aviastar Asia Corporation

History:

In 1996, United Interiors International (UII) was asked to develop an interior for the Tupolev TU-204 aircraft. I had joined United Interiors International, a US LLC company, registered in Winston-Salem, North Carolina in 1995 and bought 17% of the company, mostly paying for it with services, such as advertising of UII in the Moscow Airshow Catalogue and the Aviation Directory. Later I acquired another 3% for cash. Today I am owning 25% of the company.

At the time we worked with a disgusting pig named Nikolai Kachalov, who was the Deputy Director General of the Ulyanovsk Aircraft Plant AVIASTAR. He through some strange people had found a Taiwanese young man who seemingly had a lot of money: Lin Hsin. Lin Hsin was to finance a big project of aircraft manufacturing and sales/lease with Aviastar. United Interiors was to deliver all the western style interiors.

In November 1996 UII was invited to participate with a large Aviastar/Tupolev delegation financed by Lin Hsin's company "Aviastar Asia Corporation" in the China Airshow in the Southern Chinese town of Zhuhai. Dieter Lantin, the majority owner and President of UII delegated me to participate, as long as there would occur no cost to the company. I therefore took a lot of advertising materials, boards, several hundreds of my directories, a thousand of Moscow Airshow programs and my wife and flew aboard the TU-204 aircraft to China.

After a week of less successful show and a huge hotel bill for 60 delegates, Lin Hsin understood that with Kachalov and the larger part of the Russian delegation he will always only have cost but they will never be able to help him in making any sale. Actually most of them did not know how to behave at all in the presence of potential clients and were just - sorry to say so - pigs.

Lin Hsin asked therefore me - the only non-Russian in the delegation - to come with him for another week to meet some clients. I agreed, and while my wife was flying back home on the TU-204 on a flight that almost ended in catastrophy with both radar monitors not working during heavy fog and

Vnukovo airport not allowing the aircraft to land (eventually the aircraft flew to Ulyanovsk the factory's airport where customs arrested all the interior of the aircraft and a load of computers Kachalov was trying to smuggle into the country), I went on to Xiamen in East China with Lin Hsin, his brother and business partner to meet some clients interesting in buying a Russian aircraft or helicopter carrier to install an off-shore casino near China. I also went on to Taiwan with them where we agreed that I will organise a trip for them to Moscow in winter.

They arrived in Moscow shortly before Christmas and made me work through 24th and 25th of December that year. However I signed a first agreement with them on 25th, so I did not mind that much. Actually during those days we spent most time on some projects to finance/buy and lease a satellite. Turned out however that the Russians who wanted to sell the satellite to Lin Hsin did not own the one intended for sale, but actually tried to sell one that belonged to Turkey. Lin Hsin had a Russian for him working in Taiwan at that time who assisted him with this deal. However it was me - assisted by Igor Afanassiev who proved that Lin was about to be cheated. This Russian (another Sergei) became my rival then but later left the company to work for a competitor. However he only left after not having received salary for more than half a year. (in 1998) Lin Hsin paid at the beginning of 1997 immediately the 25,000 we had agreed on to EBP and I believed this will be a fruitful assignment. Already April had not been paid when I travelled to Taiwan again in May. After meeting and lecturing there for a week or ten days rather, I left Taiwan with a title of resident Director and a budget for the Moscow operations. It was for the Moscow Airshow in August 97 when money should have come, but did not. However I did not mind so much at that time, because I was promised a 5% commission in a contract to sell 10 helicopters to Taiwan, earning myself some 2 million!!!!

When the deal turned sour, after another trip to Taiwan to the Taiwan Aviation Exhibition TATE and Lin's trip with me to Kazan and Ulyanovsk I was left with little to nothing. However hope was nourished by Lin Hsin many times over and at last I was promised a large amount of cash money to be handed to me at the Singapore Airshow in February 1998. So I bought the ticket and came and had many fruitful meetings yet again, however no money. Being invited to come to Taiwan again from Singapore to pick up the money there I declined and flew back home, now waiting and expecting payment day by day.

However the Singapore Airshow when we started a new business direction. We had several meetings with the Aerospace Industrial Development Corporation or AIDC of Taiwan, namely with a guy named Paul Yang, who I showed around all the Russian stands and translated meetings with Beriev Design Bureau and Kazan Helicopter Plant. We did not know at this moment how important that guy was going to become within his company.

I met again with him during the ILA Berlin Air Show in May - again Lin Hsin did not come due to being ashamed that he still had not paid me. It was not until September 98 and the Farnborough Airshow that some cash was handed, although only 25% of the expected. This already was after I had taken out a large loan with Deutsche Bank to buy UES shares after Katya had tipped me off that her boss at Credit Suisse was buying. Those stocks and also others I bought with the money from Lin Hsin in an attempt to save bad money with good, dropped by as much as 95%. (and partly had to be sold later at a bad rate to cover life expenses)

But Farnborough was to be remembered for our meeting with the Chairman of AIDC. I had brought a beautiful wooden soldier for him from Russia and invited him to come to visit several aircraft plants there. Before that he had already received an invitation by the Saratov Aircraft Plant to come to Russian and sit a whole week in Saratov. Paul Yang however had meanwhile become Director for civil aircraft projects and was leading the negotiations with Bombardier - who are willing to buy 45% of stock of AIDC and install joint production of their business jets. Paul convince the chairman that my offer to show 10 different plant within a week was much more attractive than sitting for a week in Saratov.

At this very time, the Russian Aviation Consortium approached me. They had been part of the 1996 delegation to China and now remembered about Aviastar Asia Corporation. Although ownership and management had changed, they found me and asked if the project was still alive. Background was that Vladimir Zhirinovsky was planning an unconcessioned trip to Taiwan with a delegation of Duma deputies. The trip was sponsored by the owner of the Russian Aviation Consortium, a young Dagestani guy named Suleiman. He was impressed by my knowledge and connections to Taiwan and invited me to participate the trip and help with the preparations. So I did, and when Zhirinovsky and Suleiman met with the President of Taiwan, the Secretary General of the ruling KMT party, the Minister of Finance, Deputy Minister of Transport, and the Chairman of Taiwan's flag carrier China Airlines they were using background material and business proposals researched by Lin Hsin and formulated by me. Actually without my papers they would have had nothing at all to propose.

Lin Hsin also was smart and brought the whole delegation to his hometown in the South of Taiwan for photo shooting of all his business partners with Zhirinovsky and a visit at AIDC's Aero-engine factory. In another smart move, we had the AIDC delegation to Russia invited by Zhirinovsky so that their Visa said "GosDuma" as the inviting party.

Conspiracy:

Competitors are everywhere and some even appear when reading about your success in the newspaper.

Chinese in particular are very inventive in this. In 1997, after we had

signed the deal to sell 10 helicopters to Taiwan (the deal in which I should have earned 2 Mio. Dollars commission), some Chinese from London called to the Kazan Helicopter Plant and claimed that this deal was the result of their advertising and marketing for several years (of which nobody ever knew) and that they were entitled to a commission now. So anyway, some Chinese who had migrated to Taiwan as a child and later to California started dealing with the Saratov Aircraft Plant. He promised the Director of the Plant that a high level delegation from AIDC would come to Saratov and stay there for 10 days - enough time to make them drunk and invest 300 Mio. Dollars in a project of a flying saucer or flying wing, an aircraft "for the 21st century" (???) AIDC had been interested to go to Russia and were thinking seriously about this invitation, when of course at the Farnborough Airshow in September I proposed to them a one week tour to see "everything". Although my proposed trip seemed too much to realise in a week, the other trip really sounded boring. So eventually my invitation was accepted.

That is when the other guy started to conspire against me and my Taiwanese partners. Dirty letters about my partner and his bad business were sent to Taiwan's Foreign Ministry and their representation on Moscow. They even conspired with the Russian Foreign Ministry and Taiwan's Pseudo-Ambassador was cited to the Ministry of Foreign Affairs - for the first time since his appointment two years before - only to be told that I was a dangerous foreigner and that they should work only with Saratov Plant and only with Russians and if they would not invest in Saratov that would be very bad for any diplomatic relation. So the circles went on and the chairman of AIDC was called by the Minister of Economy at the Airport in Taipei two hours before the flight and asked by the Minister to postpone his trip if possible. Even during a several hour stop-over in Bangkok with my business partner he felt very uneasy and was very close to taking a plane back to Taiwan.

On arrival in Moscow their aircraft was early 40 minutes - that's why I was a bit late and could not catch them for the VIP arrival. Anyway there were already two guys from the Taiwanese "embassy" starting to talk them out of their trip and go to Saratov instead.

I had asked the Russian Aviation Consortium to help me with the delegation - and they did BIG TIME. My friend Isakov had me picked up by his driver in a Mercedes S-320 at 5 o'clock in the morning. At the airport were waiting two Mercedes S-600 and a SAAB for the luggage!

We drove into town with blue turning alarm light on the cars and alarm horns, not stopping at any red traffic light and driving in the middle special lane, formerly reserved for the Party. We were at the hotel 25 minutes before the "embassy" car.

We checked them into the Metropole. We had a very special rate for them - which cost me 1,500 Dollars in cash to get this rate, money which of course

was paid without any invoice and which I could not claim back.

Day One. Saturday.

At nine o'clock we gathered in the lobby, ready to rock 'n roll. And so we started the day by driving to Zhukovsky - the aviation town near Moscow where also the Moscow Airshow is held. We drove in a FORD mini-Bus, given to us with a driver by East Line, a cargo airline whose Director is my friend. They did not charge me - but also still did not pay a charge of 10,000 Dollars for advertising open since August.

We had an appointment at Tsagi, the Central Aero - Hydrodynamical Institute of Russia. The Institute has 58 wind-tunnels. If it switched on all wind-tunnels and equipment it would use twice as much electrical energy as the city of Moscow!!! The Institute is more of a town than some Campus. A James Bond movie would find great scenery with an alarm system and mine field reminding of the German-German border and a 60 year old full size wind-tunnel where real aircraft can be tested. It was the biggest in the world for over 50 years. Also the museum of the Institute was very impressive.

Of course the financing today is low and most money they make today working for western companies, including Boeing, Lockheed and all the big ones. Since it was a Saturday I paid 300 US Dollars in bonuses for the eight people that came to work especially because of our delegation.

After the Institute we drove to the Airforce Museum in Monino. Nobody had ever been there and the museum is inside a closed army town. So we had difficulties finding it. We had called earlier and were told we had to be there by 2 pm or they were closed. Since we drove around them for 40 minutes we arrived only at 2:15. Luckily we found open gates at the Open Air museum and were impressed by some 150-200 aircraft standing in the open, well sorted by Design Bureau.

After some time however we were detected as foreigners who had not been to the Museum yet - therefore also not paid the entrance fee yet. The Director of the Museum came and got upset, that he was not informed about such an important delegation including the former Chief of the Taiwanese Air Force. Only when he received 100 Dollars as entrance fee he could calm down. He showed us a marvellous museum inside with some of the oldest Russian/Soviet aircraft, uniforms, weapons exhibited, but also engines and models from the beginnings of aviation in other countries. A very well sorted and kept museum. When we then went outside again, everybody was very impressed by the variety of Russian aircraft, including the biggest helicopter in the world, the TU-144 "Concordsky" and the latest SU-37. Just amazing: Of course before leaving we had to pay more for every Photo and even more for the Video camera:

If they only would advertise their museum they could get hundreds of paying visitors every weekend:

Back at the Hotel, I had to cancel the VIP-Box in the Bolshoi Theatre that I had booked for the whole group, because the "ambassador" of Taiwan had invited the delegation to dinner. Remembering the evening in Taipei when their Foreign Ministry had invited us to dinner (in a strange place serving a "Mongolian Barbecue" or something - anyway they paid only 8 USD per person with the result that 6 people got food-poisoned and could not sleep the whole night - I had been one of those six) I called the restaurant and asked how much was their most expensive second plate. The answer (11 Dollars) did not increase my wish to participate. However I sent Lin Hsin and his assistant to the Theatre and had the delegation driven to the restaurant by the two 600s, after having had a discussion that if the ambassador invites we maybe should have him provide the transport too - a confrontational idea, that I ended. Anyway, late but however I made it there. Turned out to be a nice Club-style restaurant with dishes and cups in knight-style metal. Being the only non-Chinese speaker I was a bit bored and happily surprised when the dinner was lifted only half an hour after my arrival - and still I had managed to drink more white wine than anyone else:

I gave them one 600 and the 320 and took myself the other 600 to be driven home with the alarm light on - believe me with all those traffic jams in Moscow you could get used to such travel.

Leaves to mention that a meeting at 17:30 at the hotel did not happen, because the people from the town of Kirov did not find the Hotel.

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Betreff: Diary, part II
Absendedatum: Thu, 26 Nov 1998 11:24:26 +0400

Day Two. Sunday.

The meeting took place at 8:30 the next day. The only guy of five who had been in the hotel Saturday was half an hour late this time - still stinking of Vodka like the earlier evening. They had brought posters and a small aircraft model with them. Their leader is a Designer who used to work with the Yakovlev and Sukhoi Design Bureaux in the 70's and 80's and in the late 80's was maybe the first Soviet citizen to create something on his own in the aviation sector - the Aero-M Design Bureau having been frustrated with Soviet Policy on aviation where high-up politicians made decisions on which aircraft had to be built and where - not looking at technical inventions from designers or needs of a then non-existent market. With him he brought some guys from Kirov - a military town in the North. There is a military factory "AVITEC" that used to produce missiles and should - to the will of this group - produce their aircraft, a twin engined turbo-prop aircraft for 9 passengers, intended to replace the AN-2, flying since the 1950's. They are looking for some 20-25 million Dollars for the project for realisation. The main result of our meeting was to have shocked the Taiwanese: They had agreed to develop a similar but weaker and single-engined aircraft with the Czech Republic. Of told 64 million Dollars cost the Taiwanese had paid 32 million with the aircraft having a higher sales price then the proposed Russian project and not a single one sold yet.

After this meeting we went for a walk around Manege, Red Square, Kremlin, GUM and went for Dinner at the Kempinski. From there we went by our FORD Bus to the Cathedral Christ the Saviour and to the University, from where you have a great view on Moscow. Isakov, Lin Hsin and me drove in the Mercedes from Kempinski on to discuss the strategy for the evening dinner and discussion with the Russian Aviation Consortium. After buying lots of souvenirs on Sparrow Hills, we went on to Old Arbat only to buy more souvenirs and finally took the way back to the hotel, when it got dark.

In the evening we were picked up by all the Mercedeses to drive to Barvikhiya, a small town just outside Moscow, where Yeltsin is usually in hospital, but conveniently also has a datcha, as has Chubais and all the other gangsters and businessmen.

We went to a private Club there and had decent Russian food. We probably could have had such food somewhere else for 5% of the charge, but the Taiwanese and their ambassador - who I had invited were impressed. On the way back, the host himself - Suleiman sat at the wheel of his brand-new

Jaguar with the Chairman and me in the car and drove 190 km/h into Moscow with all the Mercedeses behind us. Of course he had drunk a lot, but the General did not show a sign of being afraid and did not buckle up but play with his fingers on his knee according to the loud music played. He was very impressed when we drove at midnight into the closed Victory park and guards opened up everywhere for us. They went to sleep with the impression that my friends are real oligarchs and gentlemen - since they had not started any concrete business talk, according to my asking.

I was sitting with Isakov until late killing some more wine and discussing the future.

Day Three. Monday.

Business started. We left the hotel at 8:30 and drove to the Ilyushin Design Bureau. Arriving there exactly in time at 9, nobody met us and I had to first call them to come out. They made a good presentation in their business center. They did not quite focus on the projects that I had asked them too, but they made a good impression. We were not asked to an audience with the General Designer, but shown the Museum. The Taiwanese became humble in front of the achievements of Ilyushin and the numbers of 60,000 built aircraft. Also they liked the professionalism and that most charts were in English and we did not need any translations.

We had lunch in the Aerostar Hotel - buffet. The Ilyushin people were modest and did not join us.

At 2 we arrived at the Yakovlev Design Bureau. I had worked with them in 1992/3 as the first assignment in Russia. Vice President Gurtovoy showed us around the Museum - very impressive! And we were introduced to all the new projects they were pursuing.

Fortunately the responsible designer for their fighter aircraft trainer spoke English which we found out after I had translated already for 45 minutes and could not manage all the technical terms. Originally I had booked a professor teaching Chinese at the University to translate - but he had fallen ill, his replacement was fired by Lin Hsin after Saturday, since he could not do the technical terms. So I became in addition to tour guide, chief cook and bottle washer also the interpreter (Russian-English), which increased my stress, but also gave me 100% power over the direction of the talks.

At 5 we went to see GosNIIAS, the State Institute for Aviation Systems, the Institute which is integrating Russian software with western avionics systems for the Ilyushin IL-96 and other aircraft. All talk was held in English and again very impressive - of course in the West this work of avionics integration is done by the aircraft manufacturers themselves, but the Russian way of concentrating it in one Institute may have benefits, at least if who have - like in Russia - many airframe designers/manufacturers.

At 7 we arrived at the elite closed Club MONOLIT. I had booked the banquet room and it was marvellously set. When I saw more and more people coming and the amount of appetisers, I cancelled the main dishes (and still ended up paying just above 2,000 Dollars for the evening with 30 guests). The evening was marvellous. I as the Executive Director of the Aviation Business Club was the host, Chairman Tsai the guest of honour. Present was again the Taiwanese ambassador, a member of the Duma of Zhirinovsky's fraction, the rep of Israel Aircraft Industry, Deputy Director of GosNIIAS, President and Vice President of Yakovlev, 3 guys from Pratt & Whitney (2 aviation, 1 space propulsion), 2 guys from Sikorsky ("a Russian company which temporarily relocated to the US"), Allied Signals Gen. Manager, and many more.

The Chairman had prepared a speech and his own personal translator was going to translate. After about 15 minutes of everybody staring at everyone else and barely holding laughter, Lin Hsin stood up and replaced him, starting to translate into English instead of Russian and one of the Pratt guys translating further. The Chinese just translated absolute nonsense. This was of course a big embarrassment for the Chairman initially but it was smoothened and strengthened our position a lot. To be honest - his speech was weak anyway and he really had nothing to say. I gave them a medal to remember 75 years of civil aviation in Russia and all in all we had a great evening - I even took back home all the many leftovers for Alya.

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Absendedatum: Thu, 26 Nov 1998 22:45:36 +0400

I was happy that the Monday was over and we finally would leave Moscow to other destinations where not I had to organise everything but where plants that we visited were to organise the local trips. I had been shocked on Friday, just before their arrival when first Tupolev and later Sukhoi cancelled their meetings with AIDC for reasons that they could not get the clearance with the security agencies in time. I received the cancellations on Friday within 20 minutes and also was told on the phone by Lin Hsin about the conspiracy. I almost believed this was the end and now every 20 minutes another plant would cancel. But luckily no more cancellations. Only on Monday evening again strangely neither Ilyushin, nor Tupolev, nor Sukhoi showed up to the dinner although all had promised. I may never find out if this was the conspiracy work of YAK against me or happened by chance.

Day Four. Tuesday.

We again had to leave early. Dima picked me up at 6. We drove to the Metropol and loaded the Bus and Dima's Jeep with luggage and people and left for Vnukovo Airport. This was like the first day of serious winter in Russia, temperatures had dropped dramatically and heavy snow was on. So we were delayed initially, which was good, because Isakov was late for the plane. We were sitting in the VIP check-in and were waiting for any news. Obviously the people at the airport of the Aircraft Plant in Voronezh were still sleeping and we could not get clearing from them, so also would not be allowed to start from Moscow. Eventually the pilot decided to get clearing from another airport close and change direction mid-air. This worked.

I had chartered a YAK-40 from YAK-Service, a daughter company of Yakovlev, chartering their aircraft. We had 2 VIP seats with a table between and three VIPs to sit on a Diwan, just enough for the AIDC directors. All the others were sitting in the back on normal Russian economy class seats. However the service by stewardess Natasha and food and drink supply was good. All together we paid 17,000 Dollars to fly five days around the CIS, not too bad anyway with up to 11 passengers.

We arrived in Voronezh and three Deputy Directors met us at the runway. We were shown the final assembly hall of Ilyushin IL-96 aircraft. We saw an almost ready aircraft for Yeltsin (or whoever will come after), an IL-96-300 with Russian PS-90 engines ready for delivery to Domodedovo Airlines, and a Chinese IL-86 which was there for overhaul. After the plant visit we had a historical and business presentation and all were given a

nice book about the plant and their aircraft. The welcome was nice and no concrete hopes were raised. A nice lunch with the very good Vodka from Voronezh finished our visit.

Then we went on with our plane to the most terrifying visit. We went to Saratov.

I had worked with Saratov in 1993 and visited many times. Already then the Director of the Saratov plant had been responsible that our contract with Austria's GiroCredit Mergers and Acquisition Bank (who I then represented in Russia) fell apart. He was the one who had wanted himself to organise the whole delegation and keep them for 10 days.

After landing we were shuffled into a YAK-42 aircraft that was waiting for us with running engines and took off immediately after boarding. We flew some manoeuvres around the town and the chairman declined to fly himself. After this show, they had organised the next show: a YAK-54 sports aircraft flown by the European champion of Aerobatics. He was making his loops while we were almost blown away by heavy winds.

Then we drove by bus to the nearby factory. Actually it wasn't so close, because instead of driving the (very bad) road directly linking the airfield and the plant we drove a much better road around. In the factory's main hangar was a big exhibition set up. Seemingly it also was the 60s anniversary of the plant - but I did not find out if it was that day or if that exhibition was arranged especially for us. We were shown and took pictures with the flying saucer, missiles, the plant had produced in the 80's, a vertical take-off fighter and were invited inside a VIP Yak-42 aircraft.

Then we were invited to the office of the Director General, Alexander Ermishin.

Although it was made clear that we go for dinner later, the table there was set as if this already was dinner. And everybody of course had to drink Vodka. The setting was surrealistic, reminded me of Stalin's purges or the Nuremberg trials:

We sat on the right side of a long oval table, Ermishin at the head, I next to him on the right as translator. On his left, across from our delegation Ermishin's advisors - none of them working at his plant, rather one Tatar from Moscow and Jack Lee, the California Chinese. Behind Ermishin, without table, sitting on small chairs were about 20 of his deputies and middle management. It was a showcase. Ermishin wanted to run the show to show all his staff that he is the king saving the plant.

We were told about their great projects, namely the 300 Mio. Dollar Flying saucers, but also a technology park, where they would together with other Saratov plants invent hi-tech projects which then with Taiwanese money could be implemented at factories in Russia and Taiwan. This is when my delegation started to feel uncomfortable. They tried to make clear that

they had not come to commit themselves to any concrete projects. Then Ermishin's advisor started his talk: We had visited you in Taiwan three years ago and given you our proposals. (In reality only one from our delegation had met with them at the time and the chairman was still serving as commander of the airforce back then) They had left some brochures then and now were waiting for a ready commitment on a huge investment project. They really expected the Taiwanese to commit. Obviously Jack Lee had told them for months, that he had everything under control and that AIDC would invest big times.

Then a discussion in Chinese started and went on for 7-8 minutes between Jack Lee, the chairman and the other AIDC directors. When some Russians got impatient, Ermishin shut them up to let Jack Lee continue. He still believed Jack will do it for him and get the money, whereas the discussion for long had turned another way and Jack Lee had been badly humiliated by the chairman. Finally Jack Lee had to say loudly to Ermishin that they had not come to make any decisions. Anyway Ermishin to save his face with his staff asked the chairman repeatedly for some 15 minute tete a tete meeting later.

After this almost scandalous meeting, we were driven through all of Saratov to a hotel at the other end of town at the banks of the Volga. After some break to get fresh we were invited to dinner in the hotel and promised some show.

The dinner went okay in the beginning. Food was decent and nice girls were serving.

Things started to take a turn when the show began - a strip show of course. A Vice President of AIDC had been fired not long ago for taking clients to some place similar, and now the chairman - tired from the travel had to endure this.

However this was not the worst yet - and then some did enjoy it:

The worst was the private meeting which had to come at some time. Of course it was not tete a tete. Ermishin had both his stupid advisor in his cheap Soviet made black "silk" shirt and Jack Lee, the bastard with him. The chairman took three directors with him.

The conversation took some 25 minutes and Ermishin came back raising his fist in victory - for a moment I believed this gesture. But soon I found out reality, when Paul, sitting next to me pushed the memory photographs that everybody had received from the table in disgust.

At the beginning of the conversation Ermishin's advisor had made clear that they wanted to talk directly and that I and Lin Hsin should not be involved. The chairman accepted as long as Saratov would leave Jack Lee out of it. Then Ermishin's advisor produced some 250 page business plan for hi-tech co-operation between the Republic of China, Taiwan and Saratov. Paul declined to accept the plan, because it was addressed to Taiwan, not

to AIDC. He said: send it to our ambassador or change the first page. When he (the believed future general manager) was told by the Tatar: "I don't trust you, I only trust your chairman", he had found an enemy. They went on telling about their great political connections in Russia and that if AIDC would decline to invest into their projects First Deputy Prime Minister (Communist Myaslukov) would take bad actions against Taiwan. After receiving such threats, AIDC was almost ready to leave Saratov And Russia on the spot. Actually the chairman and Paul did not find any sleep that night. I was called by them to receive a delicate mission: They were very angered and did not want to accept the invitation for the hotel, stating that as a state company they could not be invited by a private business, except for dinner.

I tried to bring my case in front of Ermishin - through YAK's Vice President Gurtovoy who was still with us. Ermishin smashed the request saying: "Ya mushina - I am a real man" and that he would pay for them in any case. (Having paid through the bank on a special deal, he anyway got the room Very cheap) Then he and the Tatar started to attack me. Who I was (he knows me for six years!!!!), who had asked me to fly to Farnborough (this is my business, stupid!), who had asked me to talk to AIDC, that I had ruined their business they had prepared for three years (no follow-up at all), that I had stolen the delegation from them, that they wanted to come for ten days, that they would destroy my business in Moscow, etc. The claims turned scurrilous. After having arranged such a reception for our delegation during the day, they suddenly claimed not to having been informed at all about their coming. That I had been asked to fax them a power of attorney (which I had done) that they never received - later they remembered even the date on it. Even Gurtovoy got attacked massively. He had known about this delegation and not informed Ermishin, on who's side he was (after 38 years in the design bureau he had to endure such a question). The funniest was that Ermishin complained that there was no Tel. Nr. Given on my Fax and he had to look me up in the Aviation Directory - which was send to him by courier together with my business card!

Nobody slept well that night (anyway the beds were like for children) everybody felt horrified and threatened, except Lin Hsin who had opted to avoid the direct confrontation with Jack Lee at the dinner and had stayed in his room to get a full rest.

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Absendedatum: Fri, 27 Nov 1998 14:32:38 +0400

Day Five. Wednesday.

When we were woken up the next morning at 6 o'clock most were very quick to leave this town as fast as possible. The insult was big for Gurtovoy: Ermishin asked him to sit in our Bus - with the foreigners, treating him like a traitor - unbelievable.

I cannot imagine what they spoke about when they were flying together in Ermishin's YAK-40 to Moscow that same morning. Probably Gurtovoy had to sit in the luggage compartment:

Ermishin came into our plane to farewell the chairman and to ensure that if there was the need he was ready to come to any place - maybe London or Paris to meet again with the chairman. He did not say goodbye to me and we were happy when we were in the air. The flight to Kazan International Airport was about 90 minutes. Nobody expected us there, because of a mix-up. Air Traffic Control had told our plane was flying empty. No big deal. We just walked the few metres from the plane to the terminal and waited in a stiff and ice cold wind for the gate to be unlocked. Our bus from Kazan Helicopter Plant had been waiting already for an hour, but everything turned out fine and mood started to improve when we drove towards Kazan, the capital of Tatarstan, passed their Kremlin and the Kazan Aircraft Plant to the Helicopter Plant.

The Director General was on vacation and the Marketing Director on a sales trip to Central America, so we had the Deputy Marketing Director as a guide - the Taiwanese appreciated this low-key treatment after the overdose from Saratov.

We were shown the complete technological process of blades manufacturing, as well as final helicopter assembly. There were quite a few helicopters there, mostly for third world destinations. We also were shown their future generation helicopters as mock-ups and the training center for pilots and technicians. Then we were shown the latest military helicopter on the flight field, readily assembled for export. This was particularly interesting, because our chairman is poised to become the Minister of Defence of Taiwan - and who knows maybe the political situation may change in some years, and Taiwan is in need to buy 500 (!!!) military transport helicopters.

Also we were shown and invited into the latest VIP helicopter. Marvellous seats that had been delivered thanks to help from United Interiors, Liesegang television sets and a great overall impression. Thinking about the price - a mere 5 million Dollars, it's almost a cheap vehicle to VIP's to get around. To finish up our visit at Kazan, they flew us back to the

airport by an older VIP model. A bit loud, but very enjoyable!

We had lunch on the plane and everybody tried to catch up with some sleep during the 2:20 hours flight to the Urals. We arrived a little later than planned in Ekaterinburg. Also it had snowed heavily. That's why the domestic airport refused our landing and we had to land at the International Airport which later proved a mistake.

The people from Verkhnyaya Salda were waiting for us with two mini-buses. I changed 2,000 Dollars in Rubles at the airport to pay for the hotel and another helicopter, since in the Urals no \$ payments would be accepted. Vlad - the Taiwan manager of the Verkhnyaya Salda Metallurgical Production Association (VSMPO), the world's biggest producer of Titanium sat with me and we discussed the schedule on a 3,5 hours drive through snowbound Ural mountains. Late we arrived at a restaurant, that -like everything else in Salda - belongs to VSMPO. We had a nice rural dinner with chicken wings and home-brewed beer! Very nice > This evening was the first time I really relaxed on this trip. The whole restaurant was in light wood - just a very cosy place.

We drove another 20 minutes through deep snow to our hotel, but had to get close together in only one mini-bus, after the second one got a flat tire. The hotel was newly build with all furniture imported from Germany and the Queen size mattresses were a dream after the terrible hotel from Saratov. I made some calls to Moscow to find out if Ilyushin also had been forced by the Ministry of Foreign Affairs and was calmed when they told me there had been nothing like it.

Day Six. Thursday.

We had decided with Vlad (his real name is Vladlen which stands for Vladimir Lenin) to give them some extra time in the morning after the stress of the past days and we got to breakfast only at 8:30. Most took a walk around the forest at the hotel which really looked like a place from the fairy-tails. We left late, because I had to wait until the hotel had got information on exact cost for long distance telephony, they would not let me over-pay and drove through snow-covered villages to the main city and plant. The tour program started at the museum and the story was so similar to all the stories of the aviation plants we had visited before: The plant had been constructed in the early thirties (Lenin's industrialisation: The Soviet Union needs a great fleet of aircraft) in Moscow. Equipment was imported from the leader of technology at that time: Germany, under special credit agreements. In 1941 when Nazi-Germany attacked the Union the plant was evacuated to the Urals and within only ten weeks from starting detaching in Moscow started first production in the Urals. After three months already 7,500 tons of Aluminium production was achieved. The humongous size of this achievement is un-comprehensible. Later the biggest forging presses in the world were installed at the plant

and it was involved in all the Soviet space, nuclear ship building and super-sonic aircraft projects. Among many orders received also the Birmingham Torch and an honours from President Clinton who had visited the plant - a supplier to Boeing - as well as Germany's Minister of Economy. The tour through the production complex on two different sites was impressive in itself and also showed that in the unlikely event of another conventional war, Russia is still ready to bring up output of production of Titanium, twice bigger than the rest of the world could produce together. Today's production of VSMPO is of course small in comparison to before. Before Gorbachev's stopping of the space program and Perestroika's stopping of aviation production, VSMPO put out more than 100,000 tons of Titanium alloys a year, all for domestic supply. Now they are happy to produce some 20,000 tons a years and have a 97% export quota on this. At least they actively worked on marketing exports and deliver their products today to all the leading aerospace companies in the US, Britain, France and Germany, and many others. Most other plants in the Urals, the formerly biggest Metallurgical region in the world, just stand still.

No good day without a setback: In the final meeting, the Director of purchasing of AIDC asked Vlad how to proceed further, if they had an agent on Taiwan, and Vlad answered to contact him directly - and I totally surprise translated it this way. This of course was Lin Hsin's fault who had not prepared well enough and had let me believe AIDC will go through AAC to order. This almost killed my day - all my work I had put into this delegation seemed to be worthless and they seemed to take me for granted and for a fool. I thought about cancelling our meetings in Tashkent:

In the afternoon we left VSMPO and flew by a simple Mi-8 helicopter to Ekaterinburg's domestic airport from where we were transferred by bus to the International Airport where our aircraft was parked. (1,000 Dollars for a 1 hour flight, but the crew had to fly 1 hour to pick us up, too).

I had ordered the helicopter to Salda not to waist another 3,5 hours on the road and not to arrive too late in Tashkent - still an almost 4 hours flight. But the customs and security guards at the airport ate up all the time I had saved with the helicopter. It was just horrible. First we were driven by a bus to our plane to pick up all the luggage we had in there and to hand-carry it to the terminal for inspection. The first guys checked all our bags with the x-ray on any valuables and everybody had to describe all his belongings and open many bags. Then every single bag had to be weighted and noted on some chart. Then x-ray again, this time for security reasons. And the exact same questions about the same things. Then immigration. Seemingly we were the first ever foreigners to leave from Ekaterinburg to Tashkent. (which is impossible, because there was a regular flight the same day)

A problem was that part of the delegation was to return to Moscow from Tashkent and I argued with the officers for half an hour how to proceed. I convinced them eventually that they had not to close the Russian visa, but only to make a stamp in the passports. After this seemingly endless controls we finally were allowed to our plane and left Russia, over-flying

Kazakhstan to Uzbekistan.

Landing in Tashkent at 10:30 pm, we were met by two buses and a team of seven representatives of Uzbekistan Airways, including a member of the Board of Directors, ordered as welcoming committee by my friend the Director General of the Airline, Arslan Ruzmetov.

Shortly before landing, Lin Hsin had the idea to keep the YAK-40 in Tashkent. Originally it was planned to let it go back to Moscow and for Hsin, Douglas and me to return to Moscow by regular Uzbekistan Airways service to Moscow, after we send AIDC on another flight of Uzbekistan to Kuala Lumpur. Although I was against, Hsin pushed his opinion through and now I had to put all these new problems on the shoulder of my friend Svetlana Mischenko of Uzbekistan Airways who now had to book the hotel for the crew, get them transport, order the parking with airport authorities, etc.. We booked into the Uzbekistan Hotel, where she had got a great deal for me: If paying cash I got the 120 Dollars deluxe room for only 65, this way AIDC paid even for the crew.

We had a late night discussion with Paul Yang in my room about AIDC's going direct with VSMPO and how in future we could avoid embarrassing moments and he assured us that everything would go okay with the future business.

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by pinochet.cityline.ru (8.9.1/t/08-Oct-1998) with ESMTP id RAA08769
for <HCK@server386.swp.extern.lrz-muenchen.de>; Wed, 2 Dec 1998 17:23:2
Message-Id: <199812021423.RAA08769@pinochet.cityline.ru>
From: "Henrik A.E.Konarkowski" <tgaacrus@cityline.ru>
To: "Huck, Burkhardt" <HCK@server386.swp.extern.lrz-muenchen.de>
Subject: Diary, part V
Date: Wed, 2 Dec 1998 17:16:24 +0400
X-MSMail-Priority: Normal
X-Priority: 3
X-Mailer: Microsoft Internet Mail 4.70.1154
MIME-Version: 1.0
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Content-Transfer-Encoding: 8bit
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Day Seven. Friday

We got up after a cold night. Like in many Asian hotels, the air-conditioning was on the whole night. Also the windows were slightly open and could not be closed because the handles were off (probably to prevent people from jumping out - or from stealing the handles) and there was loud music played on the street all night.

So the chairman was tired - so was I.

In the morning we went to the Aircraft Repair Plant No. 243 in Tashkent. It belongs to the Airline now. It repairs Il-62 long-haul aircraft and recently received certification to also execute C-checks on Airbus 310 aircraft. They had just finished the first c-check, which they claimed cost the airline only half of what they had spent on a c-check executed by Lufthansa Technik.

We went through the whole complex, looking at the different repair shops: engines, APU's, galleys, seats, landing gear, avionics, the big hangars for taking off the engines and for the paint jobs.

I had believed this visit was a courtesy visit more than anything else, but turned out that the Taiwanese became very interested in the plant, on the one hand as a good place for an investment - taking the possible market of western aircraft overhaul in the region, on the other hand for a future technology transfer to Taiwan, to build up an

overhaul

center there.

At 11 we left the repair plant for the aircraft plant.

deciding to buy their tickets back to Kuala Lumpur in the hotel. So we only left at 10:45.

Unfortunately now he wasted all the time we had planned for some city-sightseeing and a quick tour through the Bazaar. So we went to the Airport to pass through VIP check-in for our regional flight. My friend Ruzmetov had given us tickets to fly to Khiva one of the ancient towns of Uzbekistan. We flew a British made Regional Jet RJ-85, a four engined monster, taking us the 750 km from Tashkent to Urgench in just 1:10 hour. In Urgench we were met like (?) Super VIP's: The Director of the Airport and his two Deputies all were standing at the plane after landing to meet us. Then we were brought in a special building - obviously the old terminal, which now had been replaced by a very modern one. The old terminal, now being used for VIP service was built in the old Uzbeki style with a lot of ornaments. We were asked to have a bite and as you can imagine we were fed fully with huge portions of Uzbek Plov, rice with meat, curry and sundries. A lot of Vodka, Cognac and sweet red wine also was consumed, which brought us into a good mood to visit Khiva. We had to drive some 65 km to this old town which used to be the capital of an enormous empire once. (Well, actually the old empire's capital is not located in Uzbekistan today and called differently) We were shown the 2,500 years old town by a local guide, a sad young woman, divorced with a child who was so thoughtful, thinking about her future and so happy and immensely grateful for our tips. Two Chinese fell in love with her during the day! But none to take her home: In old Khiva, I was the one who had to do things that had to be done and no-one else wanted to do - like climb the 120 metres Minaret or ride a Camel (or Dromedar). The town is a museum, although still 3,000 people actually live there - like in 1001 night. The young boys, rubbing on brass lamps to get them shiny resembled Aladdin and every moment I expected the big ghost to appear.

The biggest Minaret was never finished. When it was build up one third of the planned height (it was planned to have been built high enough to see Mecca!) somebody told the Khan that one could see into his Harem from the Minaret. He immediately of course ordered the stop of the construction works. He was a good Khan with some 300-400 wives. Only the last one was a lazy one. He only had 54 wives - because he had fallen to the habit of smoking hashish (instead). On the way back, we had to stop for dinner with the Director of the Airport again: and then were let on the plane to Tashkent, even though one guy had lost his ticket!!! Back in Tashkent we were fed again and continued waiting for Ruzmetov - the second day. Alas he never showed up, being busy hosting the yearly conference of UNESCO and their Director General.

AIDC flew off eventually whereas we were delayed, since nobody had ordered in time the permission to fly over Kazakhstan. The Kazakhstani did not want to allow it, only when Svetlana called there herself, they finally gave their okay. The last problem occurred in Orenburg at the Kazakh-Russian boarder, where the officials at 3 am declared that Lin Hsin's and his assistant's Visa were no good any more and they could not let them into

The chairman was so exhausted that he wanted to go back to the hotel. He stayed in the bus when we went to meet the Director. The Director however was smart to send two people to pick him up. We even made him visiting the whole plant. Now this plant is really enormous. Imagine, they build the regional aircraft IL-114 and the huge transport aircraft IL-76, both in several variations. Except the engines, practically they produce EVERYTHING themselves. So you can imagine that the workshops are kilometers of kilometers. Anyway we made the main assembly lines and the huge milling machines which are working the wings, like for the Antonov AN-70, which may replace FLA. Tashkent once produced the wings for the SUPER-Aircraft Antonov AN-225, the one that transported the Russian Space Shuttle BURAN.

After touring the plant the chairman really retired to the hotel and we had lunch. After lunch we continued touring the plant, particularly processing. After short discussions, all AIDC directors left at 4 to the hotel and only AAC staid. What had happened?

TAPO had offered to sign some LOI or MoU. George of AIDC was very much in favour after what he had seen and did not see any risks. He argued: Hey look, we saw a great plant, and 20 times bigger than ours. Let's sign a MoU that we may work together on parts and wing production/development. There is no risk for us, but it manifests that we've been here. But Paul was against and decided to go the careful way all till the end, not signing anything at all.

Lin Hsin and me staid until 7:30, working on the wording of an agreement that gives AAC sales and marketing rights from TAPO. Also AAC will try to find investment and to place TAPO shares in South East Asian stockmarkets. Although Kuchеров, the Director of TAPO was not all happy with the agreement, because I had taken out timeframes and too many concrete tasks for AAC, we signed and had a nice Champagne signing ceremony. He also was happy to join us for dinner with some of his staff. So we returned to the hotel, where all AIDC was already waiting in the lobby.

After another 30 minutes of finding out a good place to go, we left to one of those Shashlik cafes, a nice place at the water - outside of course, since it was still around 20 degrees in Tashkent. However we left the place when we found they served no alcohol - Islamic laws are taking over - and left to the White Palace, a place as Kuchеров said, the Boeing people liked. It really was elegant and we drank a lot - for the first time on the trip I really got drunk with many many Cognac toasts. Food was great and we paid about 2/3 of a foot in money, making 300 \$ with an exchange rate of 280 Sum to the Dollar and the biggest bill being 100 Sum. I continued the celebration until late in the hotel and was quite content.

Last Day. Saturday.

Again Saturday - and all business seemingly done. Just relax!

We were picked up at 10 to go to the airport. AIDC delayed our leaving by

Russia. I debated with them for some 40 minutes and when I threatened that Zhirinovsky - on who's invitation we were travelling - would make a big scandal if they were not let in, they finally surrendered. This of course happened only 5 minutes past midnight in Greenwich and all our flight permissions were given for one day only - which had just finished. So again we had to wait to get a new permission - and finally got it. It was a problem that we were flying at night and on one of the big holidays - the October Revolution Day. So there was almost nobody working and for sure the boarder guards had nobody to call to find out. Turned out in our favour. We arrived at 7:30 next morning at Vnukovo airport. Nobody was there to pick us up (turned out Alya had told to Marina that we were delayed in Tashkent - and although we were delayed in Orenburg we arrived relatively early - half an hour before the Mercedes from RAC that was sent to us) so we took taxis to the hotel and home respectively. I went to bed and slept until 1 pm, when Sergei Isakov called me and asked what about his cars that were waiting at the airport since 8 am:

I slept all Saturday and then could not sleep at night. For five days to come I was deadly tired during the day, totally exhausted! At night however I was walking in trance and looking for the chairman - terrifying. This delegation really had taken all my forces, physically and mentally.

I did not meet with Lin Hsin on Sunday either. On Monday I had him over in the office and cooked a light dinner - he felt honoured. On Tuesday, we had some more meetings, namely with Suleiman in the evening, drawing up a plan to take over the whole aviation industry of Russia and to produce aircraft using just 15% of their value in cash - for salaries, while getting everything else on (Ruble!-) credit for two years, co-operating with the electricity and gas suppliers - an amazing concept, and it may work!

Douglas, who had forgotten his bag in Saratov, forgot another bag in my car and remembered when we were already late driving to the airport, so we returned and then practically flew in two of Suleiman's Mercedeses to Sheremetyevo. Finally Bye bye.

The week following the delegation I was busy sorting out the things regarding our agency contract and commission on any metal sold to AIDC. They really had asked to deal direct and I had a hell of a time to sort it out and get us in. But now things seem under control. I even went to the 80-year celebration of TsagI yesterday with Taiwan's "ambassador". Anyway the work goes on - projects are being developed and the story continues: