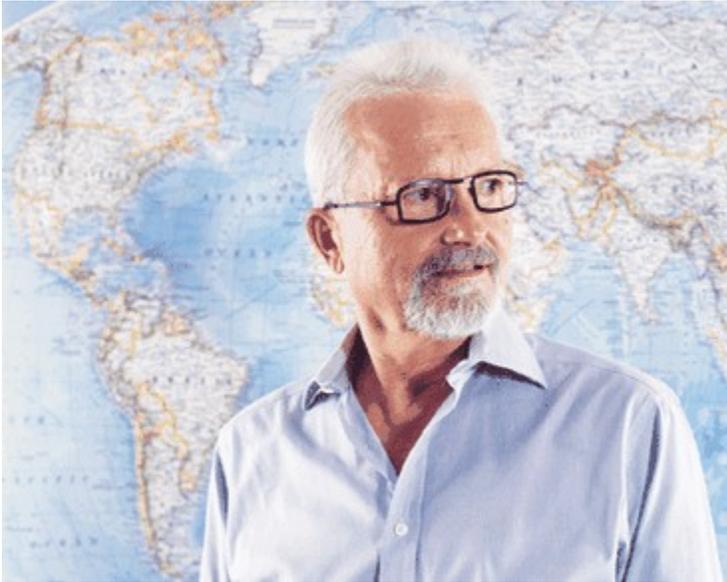


The darker side of development

By: Mark Scheffler August 13, 2007



Peter Schauer is at home in Malawi, Libya, Myanmar, Afghanistan, Kazakhstan and other remote markets. Photo: Andreas Larsson

When thinking of ideal places for business, few would choose countries with zero infrastructure that are roamed by gun-runners and ruled by corrupt "presidents for life."

Yet it's in these "frontier" markets that Peter Schauer has carved his business niche. His Chicago-based shipping logistics company, Orion Marine Corp., is nearing \$10 million in revenue, up 15% from last year. He has some 250 clients, including big names like Caterpillar Inc., Deere & Co. and the U.S. military.

Boosted by globalization, Brazil, Russia, India and China — the so-called Bric countries — have in many ways catapulted beyond "emerging market" status to join the ranks of the developed world.

Now some companies looking to find a niche or cost advantage are focusing on frontier markets, countries in sub-Saharan Africa and in former Soviet states with high risk and the potential for high returns.

"I am looking for the niches that are farther away and more difficult to reach and where those people I'm working for have neither the expertise nor the contacts," says Mr. Schauer, who for

nearly 30 years has gone places others can't, won't or don't even know exist. Shipping rice to Malawi. Running furniture to Myanmar. Getting supplies into Afghanistan. Moving shipments in the newly opened Libyan harbors. The list goes on.

"It's easy to bring cargo from, say, Mobile, Ala., to a Soviet port. It's moving it to its final destination when the trouble starts," Mr. Schauer says. He specializes in "that last 2,000 miles," the terrain that cargo has to travel either by water, land or rail to get where it's going.

Some of the destinations he ships to are literally off the map. In the mid-'90s, after the fall of the Iron Curtain, he was hired by the U.S. military to transport equipment and Caterpillar-built trucks to assist in the destruction of the former Soviet Union's nuclear arsenal. There was only one problem: The nuke sites were closely guarded military secrets. "Maps from that time were distorted to hide the spots."

Mr. Schauer, 66, had to rely on grid coordinates alone to reach his destination. Luckily, he says, the Soviets built the rail infrastructure to allowed him to access the locations by train.

GROUND-FLOOR OPPORTUNITY

So, what is the business rationale for planting a stake in an under-the-radar and often-unruly continent like, say, Africa?

"There are a number of advantages," says Stephen Hayes, president of the Washington, D.C.-based Corporate Council on Africa, which fosters commercial ties between the United States and Africa. "There's a huge market — 900 million people on the continent."

Plus it's a ground-floor opportunity. "You can get in now for much less and build the business from there."

Take Botswana in the southeast. The country offers duty- and quota-free access to the U.S. and European Union markets. Its business practices and institutions, meanwhile, are healthy. Botswana ranks third in Africa, after South Africa and Mauritius, on the World Economic Forum's 2006-07 Global Competitive Index, which measures transparency, infrastructure and reliability of institutions, among other factors.

There are also rich opportunities, Mr. Hayes says, to work in a supporting role for big multinational energy companies that are often required by host countries to help build infrastructure or enhance amenities if they want exploration contracts. "That's a major way to get in," Mr. Hayes says. "They don't want to get into all these businesses, so they'll subcontract." He cites services such as construction and hospitality.

ANARCHIC CONDITIONS

But in most frontier markets, expect to find pathetic infrastructure and anarchic ground conditions. Mr. Schauer approaches this diplomatically.

"You're not just landing in Karachi (Pakistan) and saying, 'Let's have a meeting.' You sit together, you sip the tea, you talk about weather and politics. Then you come round and talk about the business."

Money helps, too. Mr. Schauer calls himself the "Cadillac" of the industry because his prices are higher.

"I pay my agent; my agent gives me a bill," he says. "I know that a portion of that is going to facilitate, because I know the cargo of my competition will lie in a port for ever and ever until it has been cleared."

"And," he adds, "my cargo is moving."

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