

A STRATEGY TO PERSUADE UKRAINE TO RECOGNIZE INTERNATIONAL AGRIBUSINESS CERTIFICATES

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SCENARIO

For the purpose of this project, I assume the fictitious role of vice president of government relations for Selco Machinery International (SMI).

SMI already holds a majority of the U.S. share of the Ukrainian agricultural machinery market. However, the total U.S. share is only five percent, and the Ukrainian market offers tremendous growth potential.

Accordingly, SMI's marketing division has decided that the company should attempt to increase its market share in Ukraine. The marketing division has also noted that Ukraine's product certification requirements will be a major obstacle to meeting this goal.

I have been tasked to figure out how to facilitate the export of Selco's products into Ukraine, specifically how to persuade Ukraine to liberalize its standards and certification system.

The attached proposal will be presented to Selco Machinery's Board of Directors for approval.

EXECUTIVE SUMMARY

A Strategy to Persuade Ukraine to Recognize International Agribusiness Certificates

Ukraine does not recognize international agribusiness certificates. To enter the Ukrainian market, all products must be re-certified under Ukrainian national standards. This re-certification process is expensive and time-consuming; it acts as a non-tariff trade barrier and impedes Selco's ability to increase its market share in the country. On its tractor line alone, Selco would save \$60,000 each year by not having to pay the high cost of Ukrainian re-certification.

To facilitate Selco's ability to increase its market share and profitability in Ukraine, the Ukrainian Parliament must be persuaded to recognize international agribusiness certificates (including machinery, seed, and agrochemicals). The following paper lays out a comprehensive strategy, involving the United States, Ukraine, and other countries, for pushing the Ukrainian Parliament toward this goal.

Background

Many of Ukraine's standards are outdated and do not meet international standards; others are remarkably similar to international standards. In general, they are overly complex, often in ways that do not contribute to public safety. Nonetheless, Derstandart (Ukraine's State Committee for Standardization, Metrology, and Certification - DSTU) requires all products to be re-certified with a Ukrainian "stamp of conformity."

Ukraine's deviation from international standards and certification norms not only makes it difficult for foreign investors to do business in Ukraine but also hurts the Ukrainian manufacturing base by protecting companies that are not equipped to compete in international markets.

Ukraine's standards and certification regime has impeded exports and imports for years. The collapse of the Soviet Union and subsequent increase in foreign businesses in Ukraine have only magnified the problems associated with Ukraine's standards and certification system. As Ukraine continues its integration into world markets, difficulties will only worsen. Ukraine's acceptance of international standards will only help the country attract investment and sell its own products abroad.

Commercial Interest

Ukraine's agribusiness sector is one of the fastest growing sectors in the country. As a result, there is enormous demand for dependable farm machinery, which the country's unreliable manufacturing base can not fulfill. The potential to increase Selco's market share is immense.

SMI has already made significant contributions to the growth of the Ukrainian agribusiness sector. In 1996, Selco made one of the largest combine sales in Ukrainian history. In 1998, SMI sold \$80 million of agricultural machinery in Ukraine.

If Selco is successful in persuading Ukraine to accept international standards, it will save close to \$150,000 per year in re-certification fees. It will also save time and company resources-resources that now must be committed to jumping through the hoops of the re-certification process but could be re-channeled into increasing sales in Ukraine.

Strategy

To mobilize support and build consensus in the Ukrainian Parliament for recognizing international certifications, SMI should follow a dual-track strategy, forming the Ukrainian Agribusiness Coalition (UAC) in the Ukraine and the American Agribusiness Coalition (AAC) in the United States.

The American Agribusiness Coalition. The AAC will work to ensure that the U.S. government pushes the Ukrainian Parliament toward recognizing international certifications. It will be comprised of American companies that do business in Ukraine, selected American agribusiness associations, and U.S. labor unions. The AAC will

concentrate its efforts on pressuring the U.S. government to support the AAC's and the UAC's efforts in Ukraine. Proposed actions for the AAC are:

· Lobby the U.S. Congress to:

1. Put pressure on the Gore/Kuchma Commission to address the certification issue.
2. Create a standards working group in Ukraine.
3. Allocate USAID money to educate and train officials and businesspeople in Ukraine on international standards and certification issues.
4. Introduce and pass a formal resolution in Congress in support of future work in the area of certification.

· Convince the U.S. Department of Commerce, the U.S. Trade Representative, the U.S. State Department, the U.S. Department of Agriculture, and the U.S. Congress to address the issue.

The Ukrainian Agribusiness Coalition. The UAC, made up of foreign agribusiness companies operating in Ukraine, Ukrainian businesses, and other Ukrainian officials and organizations, will mobilize to educate the Ukrainian public and government of the benefits and importance of a liberalized certification system. The UAC will be responsible for proposing the certification decree to the Ukrainian Parliament and developing a strategy to get the decree passed through the Parliament (see Appendix A). Proposed actions for the UAC are:

- Build support in the Ukrainian Parliament (Vakhovna Rada) by identifying and lobbying key members who will support recognition of international certificates. These supportive members will also be encouraged to champion the issue with members who currently do not support such recognition.
- Educate Ukrainian businesses and the community (through media, seminars, conferences, trade shows) on international certification and its benefits and these constituents to put pressure on VR deputies.
- Devise a plan to include Derstandard, Ukraine's certification agency, in the UAC's efforts in an attempt to convince the organization to support these efforts.
- Mobilize support among all Ukrainian allies that currently support international standards and certification (e.g., President Kuchma and the State Committee for Entrepreneurs).

ANALYSIS OF THE ISSUE

Since the collapse of the Soviet Union, Ukraine has slowly begun liberalizing its trade regime. In 1992, Western governments began offering consultation and aid money to facilitate the liberalization process and help Ukraine conform to international trade rules.

· The United States, through the U.S. Agency for International Development (U.S. AID), is funding a number of different programs designed to support liberalizing efforts in the

Ukrainian government.

- The United States created the Gore/Kuchma Trade Commission in an attempt to negotiate trade and economic reforms.
- The U.S. National Institute of Standards and Technology (NIST) is negotiating with Ukraine to liberalize its telecommunications and medical devices sectors.
- The American Chamber of Commerce in Kyiv is also doing work to promote a liberalized standards and certification regime.
- The European Union (EU) has given aid money to DSTU to begin the process of assisting Ukraine in harmonizing its standards with those of the EU.
- The EU's Technical Assistance for the Commonwealth of Independent States (TACIS) is working in Ukraine and offering assistance in the area of economic and trade reform.

Despite this assistance, the Ukrainian system of standards and certification has changed very little over the past eight years. Certification reforms are often met with contempt; they are seen as Western ideas that threaten the Ukrainian way of life and an income source for the country.

The frustration the West faces as it tries to promote reform in Ukraine can be attributed, at least in part, to the country's experiences under Soviet rule. It has only known authoritarian, dictatorial forms of government, and the importance of protecting the "Motherland" along with a strong sense of nationalism has been engrained in its citizens. Moreover, because Ukraine, like other former Soviet countries, was isolated from the West for hundreds of years, there exists a mistrust and suspicion of western ideas and intentions. Ukrainians tend to look at life in the short-run. Many never had to plan for the future because it was already decided for them. Even since the breakup of the Soviet Union, many still continue to focus only on the present and how they will survive; they tend to look for quick fixes.

These characteristics foster a suspicious sentiment towards reform. Other reasons for protecting the certification regime include:

- A desire to protect the Ukrainian market from an influx of cheap imports that could put Ukrainian companies out of business.
- A distrust of international standards and their quality.
- A desire to protect the current flow of revenue that comes from the certification regime.
- The country's lack of a cohesive economic and foreign policy goal/objective.

These arguments can be countered in a strategy to persuade the Ukrainian government and the Ukrainian public to recognize international certification as follows:

- International certificates are based on the highest safety and quality standards.
- The cost of high certification fees in Ukraine is benefiting a few and costing consumers a great deal.
- Some of Ukraine's national standards are similar to the international standard; it should not be necessary for importers to re-certify a product a second time under the same standard.
- Countries that liberalize their trading regime, including their certification and standards systems, have higher GDPs, lower unemployment, and are typically more successful than

those with closed systems.

- Ukraine benefits from foreign business and investment growth because foreign businesses employ a large number of Ukrainians. The current certification system, however, makes it difficult for these companies to continue to grow.
- Opening markets will also benefit Ukrainian businesses that need to improve their standards in order to export.

Convincing the Ukrainian government to recognize international agribusiness certificates will be difficult, but not impossible. Ukraine does have some incentive to liberalize its trading regime.

- Ukraine wants to continue to receive USAID money. (The United States gave \$119 million dollars in USAID money to Ukraine in 1998.)
- Ukraine wants to receive IMF loans.
- Certain factions of the Ukrainian government want Ukraine to join the WTO, which will require recognition of international certifications.
- Certain factions of the Ukrainian government want to join the European Union, and this, in turn, requires WTO membership.

BACKGROUND PAPER:

U.S., UKRAINE, AND INTERNATIONAL CERTIFICATION

I. Introduction

International standards and certifications ensure that all products meet high, harmonized standards, and they facilitate world trade by enabling products to move more freely across borders. The World Trade Organization seeks harmonization of all standards and certification procedures in order to promote safe products and eliminate unnecessary trade barriers.

The world's certification and standards regimes are complicated and constantly changing as countries join international standards bodies and as new international certification organizations and standards are created.

Ukraine has its own standards and procedures of certification and does not recognize international certificates. Therefore all goods coming into Ukraine must be certified under Ukrainian national standards.

II. Standards and Certification Vocabulary

The following terms are used to describe international standards and certification regimes:

Standards - documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose.

Standards Body - a body that researches, develops, and writes standards. Such bodies usually have worldwide membership.

Regulatory Body - a governmental body authorized to enforce standards, regulations, or other legislation.

Certification Body - a body that audits and certifies whether a product or an environmental or quality system conforms to a standard.

Certificate - a document issued by a certification body that states a product has passed all testing and meets a particular standard.

Standards Institute - a country's own standards and certification body. Often this is a private body but both domestic and foreign governments recognize it. Such institutes are members of international standards bodies; they represent their country's interests in these international bodies and have the authority to decide whether to recognize a particular international standard. (The American National Standards Institute represents the United States.)

Testing Laboratories and Auditing Bodies (third party) - bodies that offer independent conformity assessment services to verify that products, services, or systems measure up to a particular standard. These bodies may perform these services under a mandate to a regulatory authority or as a commercial activity.

III. International Standards and Certification

International standards bodies create international standards. These bodies are made up of members from many different countries, and all members participate in the formulation of any given standard. Certification bodies use these standards to certify products and issue a certification document. Some standards bodies may also issue certification documents.

Acceptance of international certificates facilitates the movement of products across borders by eliminating the need to re-certify a product in each country to which it is exported. Many countries that recognize international standards and certificates simply require proof of the international certification when a product enters the country.

Agribusiness companies use international certifications to facilitate the import of products to countries all over the world. Selco uses many international and highly recognized certifications. Selco follows the highest standards in order to supply a high quality product.

A number of international standards bodies create standards. Three of the most widely recognized in the world arena are the International Standardization Organization (ISO), the International Electrotechnical Commission (IEC), and the International Telecommunications Union (ITU). ISO, the main body, is discussed below. The ITU and the IEC follow similar structural frameworks.

International Organization for Standardization (ISO)

The International Organization for Standardization (ISO) consists of one standards body from each of its 130 member countries. ISO is the largest source of voluntary technical standards; it develops international standards over almost the entire range of technology.

ISO is a non-governmental organization that was established in 1947. Its mission is to promote the development of standards and related activities in the world with goals of facilitating the international exchange of goods and services and developing cooperation in the spheres of intellectual, scientific, technological, and economic activity.

ISO standards are developed according to the following principles:

- Consensus - The views of all interests are taken into account including manufacturers, vendors, users, consumer groups, testing laboratories, governments, engineering professions and research organizations. The goal is to develop solutions that satisfy industries and customers around the world.
- Voluntary - International standardization is market-driven and therefore based on voluntary involvement of all interests in the marketplace.

ISO's work results in international agreements that are published as international standards. ISO is a non-governmental organization, and the standards it develops are voluntary. However, a certain percentage of its standards - mainly those concerned with health, safety and the environment - have been adopted in some countries as part of their regulatory framework.

The need for a standard is usually identified by an industry sector that communicates this need to a national member body. The latter proposes the new work item to ISO as a whole. Once the need for an international standard has been recognized and formally agreed, there are three main phases in the ISO standards development process:

- The first phase involves definition of the technical scope of the future standard. This phase is usually carried out in working groups that comprise technical experts from countries interested in the subject matter.
- During a second phase, countries negotiate the detailed specifications for the standard. This is the consensus-building phase.
- The final phase comprises the formal approval of a draft international standard (the acceptance criteria stipulate approval by two-thirds of the ISO members that have participated actively in the standards development process, and approval by 75 percent of all members that vote), following which the agreed text is published as an ISO international standard.

ISO's work has resulted in over 11,500 international standards (see ISO web site).

Other International Standards Bodies

ISO identifies a number of international standards bodies that specialize in specific fields. Their focus is issue, sector, or product-specific. For example, the International Electrotechnical Commission develops international electrotechnical standards, and the World Health Organization develops health-related standards.

Standards bodies research, develop, and write standards-they do not certify the product. "Certifying bodies" are responsible for issuing a certification document. There are many certifying bodies located around the world.

International standards are developed in technical committees or commissions comprised of experts representing governments, industrial and professional associations, trade unions, consumers and research bodies.

All of these standards bodies have accepted the Code of Good Practice which follows the rules of preparation, adoption, and application of standards according to the "Technical Barriers to Trade Agreement " (see Appendix B) in the World Trade Organization (WTO). These bodies respect the principle of non-discrimination; standards must not create any unnecessary barriers to international trade. International certification bodies that certify agribusiness products include:

- The Organization for Economic Cooperation and Development (OECD), which develops standards for chemical testing, good laboratory practices, seeds, and tractor testing;
- The Collaborative International Pesticides Analytical Council, Ltd. (CIPAC), which develops standard analytical methods for pesticides formulation; and
- The International Seed Trade Association (ISTA), which develops standards for seed certification processes.

Many companies use the ISO 9000 family of standards. These are management system standards, not product standards. Facility processes are inspected for quality and then can receive certification. ISO 9000 categories include, for example:

- ISO 9001: 1994 Quality systems - Model for quality assurance in design, development, production, installation, and servicing.
- ISO 9002: 1994 Quality systems - Model for quality assurance in production, installation, and servicing.

IV. The U.S. Standards and Certification System

A number of agencies within the United States regulate standards and certification. The United States requires certification for products that affect health and safety (e.g., electrical products, food, and pharmaceuticals). All other products do not require certification, although adherence to voluntary standards can help a manufacturer differentiate its products in the market.

A product that requires mandatory certification is certified by the appropriate agency. For example, the Food and Drug Administration certifies food products and pharmaceuticals.

As a member of many international certification organizations, the United States participates in the creation of numerous international standards and certification processes.

American National Standards Institute (ANSI)

The American National Standards Institute (ANSI) serves as administrator and coordinator for private sector voluntary standardization systems. Founded in 1918 by five engineering societies and three government agencies, the Institute remains a private, nonprofit membership organization supported by a diverse constituency of private and public sector organizations.

ANSI's primary goal is to enhance the global competitiveness of U.S. business and the American quality of life by promoting and facilitating voluntary consensus standards and conformity assessment systems and promoting their integrity. The Institute represents the interests of its nearly 1,400 members (companies, organizations, government agencies, and institutions) through its headquarters in New York City and its satellite office in Washington, D.C.

ANSI does not itself develop American National Standards. It facilitates development by establishing consensus among qualified groups. The Institute ensures that its guiding principles, consensus, due process, and openness are followed by the more than 175 distinct entities currently accredited under one of ANSI's three methods of accreditation (organization, committee or canvass). ANSI-accredited developers are committed to supporting the development of national and, in many cases, international standards that address the critical trends of technological innovation, marketplace globalization and regulatory reform.

National Institute of Standards and Technology (NIST)

The National Institute of Standards and Technology (NIST), formerly the National Bureau of Standards (NBS), was established by Congress in 1901 to support industry, commerce, scientific institutions, and all branches of government. For nearly 100 years the NIST/NBS laboratories have worked with industry and government to advance measurement science and develop standards.

An agency of the U.S. Department of Commerce's Technology Administration, NIST's primary mission is to promote U.S. economic growth by working with industry to develop and apply technology, measurements, and standards.

NIST has four major programs designed to help U.S. companies succeed. Each one provides appropriate assistance or incentives for overcoming obstacles that can undermine industrial competitiveness. The programs are:

- measurement and standards laboratories that provide technical leadership and help U.S. industries to continually improve their products and services;
- the highly competitive Advanced Technology Program that provides cost-shared awards to industry for development of high-risk, enabling technologies with broad economic potential;
- the grassroots Manufacturing Extension Partnership that has a nationwide network of local centers offering technical and business assistance to smaller manufacturers; and
- a highly visible quality outreach program associated with the Malcolm Baldrige National Quality Award that recognizes continuous improvements in quality management by U.S. manufacturers and service companies.

V. The Ukrainian Standards and Certification System - Derstandard (DSTU)

Derstandard (The State Committee for Standardization, Metrology, and Certification - DSTU) governs Ukraine's standardization and certification processes. DSTU was established in 1991 after the breakup of the Soviet Union. It evolved from the USSR State Committee of Standards. Derstandard (DSTU) requires that the majority of all products be certified under Ukrainian national standards.

Key DSTU officials include:

- Tatiana Kisalova, Head
- Yuriy Ruban, 1st Deputy
- Evgeniy Vereshaga, Deputy
- Oleg Velichko, Deputy
- Leonid Vitki, Head of System Analysis & Coordination Board
- Tetyana Zakharyugina, Head of International Cooperation Department
- Boris Ugarov, Director, Ukrainian Institute of Standardization, Certification, and Information
- Mikhail Bukharovskiy, Ukrainian Center for Standardization, Metrology and Certification
- Volodymir Eremenko, Head of Department
- Oleg Andrievsky, Head of Department
- Tetyana Mashovets, Head of the Standardization and Certification Department: Information Technology, Communication and Classification

Derstandard's organizational structure is shown in Appendix C.

Despite DSTU officials' claims that DSTU is committed to recognizing international standards and using standards the European Union recognizes, there have been few changes in the system since its creation in 1991.

Most of DSTU's documents, regulations, and publications can be found in one small, discreet bookstore. The procedure for getting information or publications in this store is time consuming and confusing. Getting help from a bookstore employee is near impossible, and nothing is automated or computerized.

According to outside sources, the certification of foreign goods in Ukraine accounts for the majority of income derived from certifications. DSTU receives 80 percent of total certification proceeds. The remaining 20 percent goes to the government.

DSTU has received assistance from a number of international institutions. The EU's Technical Assistance to the Commonwealth of Independent States (TACIS) worked with DSTU in 1994 to translate standards and certification texts into Ukrainian and provided training for DSTU officials on the EU's certification regime (CEN/CENELEC).

While DSTU is exploring various international standards commitments, i.e., implementing European standards, signing agreements with the United States, Mongolia, Austria, Chile, and joining the European accreditation organization (EAL & EAC), it has yet to make any serious commitments.

Certification Process in Ukraine

According to the Department of Commerce, a 1994 Ukrainian governmental decree imposed compulsory certification requirements for goods imported into Ukraine. The decree specifies a list of goods subject to certification and regulates certification procedures. Certificates may be one of two types: (a) a Certificate of Acceptance of a foreign certification issued by a Ukrainian certifying agency, or (b) a Conformance Certificate issued by a Ukrainian agency upon certification of goods.

This decree states that certificates issued by foreign certification authorities are to be recognized in Ukraine only to the extent provided in international treaties to which Ukraine is party, and Ukraine and the United States have not signed any intergovernmental agreements on product certification. In May 1994, the Ukrainian State Committee on Standards, Certification, and Metrology (Derstandard) signed a Memorandum of Understanding with the U.S. Department of Commerce's National Institute of Standards and Technology. This is simply part of the U.S. Government's overall effort to harmonize the Ukrainian standards/certification regime with its own, thereby potentially increasing U.S. companies' competitive advantages in the Ukrainian market. NIST is currently participating in work to negotiate bilaterally with Ukraine in the medical devices, telecommunications, and oil and gas equipment sectors.

To apply for certification, the following documents must be submitted to the Ukrainian-certifying agency:

- An application stating that the company wishes to certify imported products
- A certificate of conformance
- Standards (technical conditions) of production and the procedures for certification
- A certificate of accreditation from the testing laboratory
- A protocol/summary of test results
- A certificate of quality control
- A certificate of origin (manufacturing)

Derstandard has created a network of 93 certifying bodies and testing laboratories (centers), located throughout Ukraine. Each center is responsible for testing a particular item. For example, only the Lviv-based Electroncert Center issues certificates for TV sets and VCR's, while certificates for radio communication equipment must be obtained from a center in Sevastopol. However, companies seeking testing must first contact Derstandard, as they make the ultimate determination on certification.

On July 1, 1996, Derstandard adopted as the Ukrainian national standard the ISO-9000 series for production systems certification. Based on these standards, Ukrainian certification bodies can evaluate the quality of a production system rather than the quality of a single product. DSTU does not recognize other ISO-9000 certificates at this time. Only DSTU can certify a plant.

STRATEGY PAPER

Selco Machinery International (SMI) has formulated a dual track strategy to help push Ukraine toward recognizing international agribusiness certifications. The U.S. strategy

will be carried out by the American Agribusiness Coalition (AAC), and the Ukrainian strategy will be carried out by the Ukrainian Agribusiness Coalition (UAC).

· The American Agribusiness Coalition (AAC), comprised of all American agribusiness companies doing business in Ukraine, a select number of American agribusiness associations, and U.S. labor unions will build support in the United States. Specifically, AAC will target the U.S. Congress, State Department (USSD), Department of Commerce (DOC), Trade Representative (USTR), and Department of Agriculture (USDA).

· The Ukrainian Agribusiness Coalition (UAC) will build support throughout Ukraine, specifically in the Ukrainian Parliament (Vakhovna Rada), for legislation that recognizes international agribusiness certificates.

It will be essential to build broad, diverse coalitions that address the full range of political and commercial interests involved in this issue (see Appendix D). American companies should not isolate themselves and attempt to build the coalitions themselves. Ukraine is a very nationalistic country with many fears about the West trying to take advantage of it. The more people and organizations involved in the coalitions, the more powerful they will be. The more diverse the coalitions, the more legitimate the cause will be in Ukrainian eyes.

A limited number of foreign agricultural machinery companies operate in Ukraine. Accordingly, the coalitions will benefit from the support of companies outside this sector, including seed companies, agrochemical companies, agriculture associations, and international agriculture organizations.

I. U.S. Domestic Strategy - The AAC

AAC Logistics

The AAC will be comprised of the following members:

U.S. Company Members U.S. Associations U.S. Labor Unions
SMI Agricultural Chemical Producers AFL-CIO
Company A Agribusiness Coalition UAW
Company C American Seed Trade Association
Company M American Association for
Company P Manufacturing Engineers
Company CC
Company GG
Company N

Core Members

Eight U.S. companies will be the core members of the AAC in the United States. Their dues will support efforts of both the AAC and the UAC. A steering committee will be responsible for guiding the coalition and will take a leadership role in lobbying congressional representatives, participating in a lobby day in Washington, participating in AAC meetings, and supplying the AAC with updated information on its progress in Washington.

Supporting Members

American agribusiness associations and labor unions will be asked to testify before Congress, provide workers to hold a demonstration or picket in Washington, provide research and analysis of Ukraine's agricultural markets, and make telephone calls and write letters in an effort to lobby members of congress.

Staff

The AAC will hire one full-time staff person for approximately one year (may possibly be extended) to coordinate the efforts of the coalition. This staff person will be responsible for organizing AAC meetings, writing a monthly AAC newsletter to update members on the coalition's progress, coordinating the work of all U.S. companies, and acting as a liaison between the AAC and the UAC.

Dues

The core members will pay dues to the AAC. All expenses will be shared and will come from one account. The dues will be paid initially on the creation of the AAC.

The American Agribusiness Coalition (AAC) will carry out a legislative and media strategy in the United States designed to urge the U.S. government to put pressure on Ukraine to recognize international agribusiness certifications. The AAC must convince the U.S. government that Ukraine is a symbolic case-that convincing Ukraine to reduce trade barriers will help pave the way for other former Soviet Republics, including Russia, to do the same.

The AAC will apply to the United States Agency for International Development for funding for its work in Ukraine. These initial funds will be used to create educational materials for the lobbying effort. The AAC will also ask the U.S. Congress to appropriate funds for a program to educate Ukrainians about international certification.

AAC Legislative Strategy

The legislative strategy is designed to convince the U.S. Congress and Administration that promoting reform of Ukraine's standards and certification regime should be given top priority; it is vital to American business interests in Ukraine and the future of Ukraine's economy.

The AAC, with the help of the international coalition, will prepare the following documentation to present to the U.S. Congress, United States Trade Representative, State Department, Department of Agriculture, Department of Commerce, and other U.S. government agencies:

- Lobbying packet that includes a white paper and dear colleague letter (see Appendix F and E).
- Macroeconomic report on the current situation in Ukraine.
- Market share report on the benefits of convincing Ukraine to recognize international

certification, including how such recognition will effect American business in Ukraine and American jobs in the U.S.

Lobbying the Congress

1st Approach: All domestic coalition members will participate in lobbying their congressional representatives (see Appendix G). Lobbying activities will include:

- Meeting with members of Congress and their staffs to set out the AAC's goals
- Writing letters and making telephone calls to the members of Congress and their staff
- Giving testimony before Congress, CEOs of companies, and union and association presidents (Appendix H)
- Convincing members of Congress to write a "Dear Colleague" letter to other members
- Identifying members of Congress who might be willing to introduce a resolution stating that the U.S. government will prioritize the standards and certification issue in Ukraine and back it financially

2nd Approach: Each coalition member will also be responsible for lobbying the following influential congressional committee members:

HOUSE

- Tom Bliley - Chairman, House Committee on Commerce
- W.J. Tauzin - Chairman, House Subcommittee on Telecommunications, Trade, and Consumer Protection
- Bill Archer - Chairman, House Committee on Ways and Means
- Philip Crane - Chairman, House Subcommittee on Trade
- C.W. Bill Young - Chairman, House Committee on Appropriations
- Harold Rogers - Chairman, House Subcommittee on Commerce, Justice, State, and the Judiciary
- Sonny Callahan - Chairman, House Subcommittee on Foreign Operations, Export Financing, and Related Programs
- Larry Combest - Chairman, House Committee on Agriculture
- Benjamin Gilman, Chairman, House International Relations Committee
- Ileana Ros-Lehtinen - Chairman, House Subcommittee on International Economic Policy and Trade
- Dennis Hastert - Chairman, House Government Reform and Oversight Subcommittee on National Security, International Affairs, and Criminal Justice

SENATE

- Judd Gregg - Chairman, Senate Appropriations Committee - Subcommittee on Commerce, Justice, State, and Judiciary
- Jesse Helms - Chairman, Senate Foreign Relations Committee

3rd Approach: The coalition will work together as a group to lobby in Washington. The AAC will plan a lobby day in Washington for each coalition member to meet with 15 members of Congress and leave a lobbying packet with each member.

Lobbying USTR, USSD, DOC, and the USDA

1st Approach: Coalition members will work together as a group to lobby USTR, the USSD, the USDA, the DOC, and other mentioned agencies by presenting the above mentioned reports and making phone calls and visits to the following people:

USTR- Executive Office of the President, Charlene Barshevsky, Trade Representative, William Daley, Jr., Liaison, Ukraine Desk, Jim Sanford or Kathy Novelli

DOC- Ukraine Desk, Christine Lucyk, Market Access and Compliance, Frank Vargo, Assistant Secretary

USDA- Ukraine Desk, Susan Philips

USSD- Coordinator for Business Affairs, Marshal Adair, Senior Coordinator Economic and Business Affairs, Alan Larson, Assistant Secretary

Economic, Business, and Agriculture, Stuart Eizenstat, Under Secretary

Trade Policy and Reforms, David Marchik

USTDA- J. Joseph Grandmaison, Director

2nd Approach: Coalition members can lobby the above listed agencies by sending letters, meeting with officials, or phoning. (The 1st approach is recommended.)

Lobbying Goals

The overall goal of lobbying is to convince members of congress and the administration to do the following:

- Put pressure on the Gore/Kuchma Commission to prioritize certification and negotiate an agreement with Kuchma to support recognition of international agribusiness certificates.
- Convince the Gore/Kuchma Commission to form a Standards Working Group, similar to the one in Russia, to deal specifically with standards and certification reform.
- Introduce and pass a formal resolution in Congress in support of future work in the area of certification in Ukraine.
- Increase USAID money to support training and education in international certification issues. Education efforts will include:
 - organizing conferences and meetings in Ukraine on international certification issues
 - preparing training material for conferences and meetings
 - inviting certification experts to meet with Ukrainian officials in Ukraine
 - sending Ukrainian officials to seminars and conferences abroad, (Europe, U.S.)
 - providing translation of all important documentation in Ukrainian
 - researching and following progress of reform in the certification area

AAC Media Strategy

The media strategy will support and help carry out the goals of the legislative strategy. It focuses on gaining attention on Capitol Hill. The issue of certification in Ukraine will not be very interesting to the American public, but it can become interesting if it is linked to American jobs.

1st Approach: The coalition will be responsible for doing the following:

Fee Media Coverage

- Meet with newspaper editorial boards to give information about Ukraine's restrictive market and what the U.S. should do about it.
- Write op-ed piece for the New York Times, Washington Post, and Financial Times.
- Hold press conferences to report that the United States gave \$119 million in USAID money to Ukraine in 1998, but is not demanding that simple reform measures be implemented.

Paid Media Coverage

- Write a New York Times op-ed page advertisement

2nd Approach: The coalition should seek national media coverage of the link between the certification problem in Ukraine and American jobs. The story should:

- Show how Ukraine's antiquated certification system limits U.S. companies' abilities to export to Ukraine and how, in turn, this limit both the number of units produced in the United States and the number of workers needed and hired in American plants.
- Show how American aid (provided by U.S. tax dollars) sits at the Ukrainian border for months because of the country's corrupt certification system.

The story should be presented at a press conference/demonstration in front of the Ukrainian Embassy in Washington that includes union workers, other company employees, and association members.

II. Ukrainian Strategy - The UAC

UAC Logistics

The Ukrainian Agribusiness Coalition (UAC) will be comprised of the following members:

American Companies

(The eight companies listed in the domestic strategy)

Foreign Companies

Company H Norway

Company Z Czechoslovakia

Company R German

Company F Hungary

Company U Italy

Company X German

Company Y Italy

Company Q Swiss

Company E France

Company I Hungary

Company W Germany

Company T Yugoslavia

Company V United Kingdom

American Organizations in Ukraine
Citizen's Network for Foreign Affairs
Alliance for Enterprise Development
American Chamber of Commerce

American Government Offices
United States Department of Commerce Foreign Commercial Service
United States Trade and Development Agency
United States Agency for International Development

Possible Ukrainian Coalition Members

Agencies - National Agency of Ukraine for Development and European Integration,
Director
Businesses - Entrepreneurs, business owners
Associations - Ukrainian Chamber of Commerce, Ukrainian Farmer's Association,
Ukrainian Grain Association, Ukrainian League of Entrepreneurs
Academicians - Universities, researchers, economists

Core Members

American, foreign, and Ukrainian companies will all participate as core members of the UAC. However, it will be crucial to ensure that the Ukrainian members be solid, equal participants in the coalition's work.

Ukrainians are extremely nationalistic and very suspicious of Western companies' intentions in their country. A strong Ukrainian contingent in the coalition will help counterbalance these sentiments and help legitimize the efforts of the UAC. The foreign and American members will play a large role in the behind-the-scenes planning and organization of efforts, but the Ukrainians will have to be the public spokesmen for the UAC.

Core members will be dues paying members. The fee schedule for paying dues will slide according to each company's worth, and core members will lead the UAC steering committee.

Ukrainian Supporting Members

These members will be the voice and the face of the coalition. Ukrainian members should take a large role in building the coalition and planning and organizing its efforts. These supporting members will offer in-kind services to the coalition. They will attend meetings with officials, lead training seminars, and lobby the VR. Again, it is important to include influential Ukrainian businesspeople, officials, and academicians in the UAC.

American Supporting Members

American supporting members will be the American organizations and American government offices in Ukraine. These members will provide in-kind services to the UAC including but not limited to fax, email and phones access. American supporting members

will also provide research and analysis of the Ukrainian market and participate as needed in training and education programs for the Ukrainian public.

Staff

The UAC will hire one full-time Ukrainian staff person to organize the efforts of the UAC. This person will coordinate all work between the coalition members, write a monthly newsletter on the progress of the coalition, and coordinate all meetings, training sessions, dinners, and travel arrangements.

UAC Legislative Strategy

The Ukrainian Agribusiness Coalition (UAC) will carry out a legislative, media, and negotiating strategy in Ukraine. The coalition's goal will be to persuade the Ukrainian government to recognize international agribusiness certificates.

The UAC will have to overcome four obstacles in order to achieve its goal:

- Ukraine's desire to protect its market from an influx of imports that may put Ukrainian companies out of business.
- Suspicion and lack of trust of the West.
- Ukrainian doubt concerning the quality of international standards.
- Ukraine's desire to protect the current flow of revenue provided by the certification regime.

These obstacles will be countered with arguments that convey the following messages:

- International certificates are of the highest safety and quality standards.
- The cost of high certification fees in Ukraine is benefiting a few and costing consumers a great deal.
- Some of Ukraine's national standards are already similar to international standards, so adopting the international standard should pose no safety threat to Ukrainian consumers.
- Countries that liberalize their trade regimes, including their certification and standards systems, have higher GDPs, lower unemployment, and are typically more successful than those that have closed systems.
- Ukraine's agricultural sector employs a large number of Ukrainians, and the current certification system makes it difficult for this sector to continue to grow.
- Import competition also benefits Ukrainian businesses that wish to export abroad.

The UAC will prepare the following documentation to support its cause:

- A report on the current macroeconomic situation in Ukraine.
- A report showing the macroeconomic benefits of trade liberalization, including the benefits of recognizing international certificates. This will include an analysis of the benefits other countries have derived from opening their markets (e.g. Poland, Estonia, Latvia, Romania, Slovakia, Moldavia, etc.).
- Informational materials articulating the high quality of international standards and

certification.

- A price analysis of how much redundant certification costs Ukrainian consumers.

The coalition will focus its efforts around the four obstacles listed above and will work on five different levels: the VR, the Ukrainian business community, members of the State Committee of Entrepreneurs, Derstandard officials, and President Kuchma.

Level 1: Parliament. Coalition members will need first to identify key influential members of Parliament. Three parties that have promoted Western reforms in the past are the Reform and Order Party, the People's Democratic Party, and the Rukh Party. Coalition members will then:

- Meet with VR officials.
- Phone VR officials.
- Write letters to VR officials (See Appendix J).
- Invite officials to receptions and dinners.
- Send key officials to training/conference sessions in Kyiv.
- Hold a meeting in Europe to discuss international certification (Geneva, Brussels).
- Send Ukrainian representatives to international standards bodies to show them that international certification procedures are sound and reliable.
- Send key officials to train and meet with officials in the U.S.
- Hold events, meetings, and seminars in Crimea.

Level 2: The Business Community. The coalition will work to educate Ukrainian business leaders concerning the benefits international certification. Coalition members will:

- Target key, influential business people in Ukraine, as well as Ukrainian buyers and distributors.
- Target key opponents and attempt to include them in the UAC's efforts.
- Hold conferences/training seminars in Kyiv
- Send business community representatives to visit international standards bodies.
- Lobby for support from the Ukrainian business community.
- Hold meetings with these key business players.
- Write letters to key players.
- Hold receptions for officials in Kyiv.
- Organize an agribusiness trade show to advertise high quality, foreign products.

Level 3: The State Committee of Entrepreneurs (SCE). To assist the SCE in its efforts toward gaining Ukrainian acceptance of international certifications, the coalition will:

- Convince the SCE to introduce the certification decree to the VR.
- Help the SCE research and produce translated international certification training materials.
- Aid Kushel, SCE's head, in building her popularity in Ukraine by helping her hold her own weekly press conferences, publish articles in journals and newspapers, and present herself well in radio interviews.

- Encourage Kushel to use her position to educate the public on the benefits of international certification.

Level 4: Derstandard. The coalition will attempt to lobby its main opponent, the DSTU. In order to convince Derstandard to accept international standards, it will:

- Conduct training seminars for the staff, showing how open trade will also benefit them.
- Send a group of Derstandard employees to Geneva, Brussels, and the United States to learn more about international certification.
- Send Ukrainian representatives to international standardization bodies to see how certification is carried out.
- Investigate and write a complete study of what other incentives might help convince Derstandard, Kisalova, and other key DSTU figures to accept international certifications for agribusiness products. This research should answer the following questions:

1. What is DSTU's/Kisalova's power based on?
2. What is the history of DSTU's/Kisalova's power?
3. Is there anyone else supporting DSTU's/Kisalova's? Who are their allies?
4. What elite, influential supporters does DSTU/Kisalova have?
5. How do they keep these allies satisfied?
6. Who are their enemies?
7. What is DSTU's/Kisalova's relationship with Kuchma and the VR?
8. How is the system financially structured?
9. How much money does DSTU/Kisalova make?
10. Why is this system good for Kisalova and her supporters?
11. What are Kisalova's strengths and weaknesses?
12. What do Kisalova and her colleagues see in the future of DSTU?

Level 5: The President. In order to gain support from President Leonid Kuchma, the coalition will:

- Provide Kuchma with evidence of the benefits to be derived from opening Ukraine's markets and recognizing international certifications.
- Build a coalition of influential Ukrainian business people to support Kuchma's efforts. Such support will make it easy for Kuchma to come out in favor of international certifications because Ukrainians need to see that this is a Ukrainian rather than a foreign or American issue.

UAC Media Strategy

The media strategy is designed to create a climate in which the legislative strategy can work. Ukrainians read newspapers and magazines, watch television, and listen to the radio very often; it is easy to reach most of the public. Moreover, the certification issue affects all Ukrainians, so the general public is likely to show at least some interest in it.

The media strategy will attack two of the obstacles facing the UAC: the concerns about increased consumer costs and the safety and quality of international standards. The strategy will focus on showing how consumers will save money if international

certifications are recognized. It will also drive home the fact that international standards are reliable and safe; they are often more stringent than Ukrainian national standards.

Specifically, the coalition will:

- Hold weekly press conferences with Alexandra Kushel leading discussions on economic and trade reform issues, including standardization and certification issues.
- Publish and discuss macroeconomic research reports in journals and newspapers showing how liberalized trade benefits countries' GDP, etc.
- Publish articles on the current certification system that reveal how many of the Ukrainian national standards are less stringent than or similar to international standards (see Appendix K).
- Publish reports showing how double certification requirements increase consumer costs.
- Book radio interviews for Kushel and other leading officials on the issue of certification and the benefits of open trade and a liberalized certification system.
- Get television news coverage of relevant meetings, press conferences, etc.
- Bring agriculture workers to the VR to demonstrate in favor of international standards.

Negotiating Strategy

There will be three distinct occasions for negotiation: 1) the Gore/Kuchma Trade Commission negotiation, 2) negotiations with potential Ukrainian coalition members, and 3) negotiations with VR members.

A. Gore/Kuchma Trade Commission Negotiation

One of the key goals of the AAC in the United States will be to convince Vice President Gore and the Department of Commerce to give the certification issue priority in the Gore/Kuchma Commission talks. Gore visits Ukraine once or twice a year to discuss trade and economic reforms in Ukraine. The issue of certification has been on the agenda for over two years. The AAC and UAC want certification to take top priority in Gore/Kuchma negotiations. The AAC and UAC can give Gore support in negotiating with Kuchma on this issue by providing him with the following information.

Preferred Outcome: Persuade Kuchma to agree to a timeline on the reform of the certification system.

Interests: In the upcoming negotiation, Gore will have to put additional pressure on Kuchma to not just sign a memorandum of understanding, but also sign a binding agreement that obliges Ukraine to recognize international certificates. This means Kuchma will have to put pressure on the VR to support this agreement. Kuchma has already tried and failed to introduce a decree recognizing international standards. Gore will ask him to reorganize and build support in the VR to accept a new decree. Gore can use the attached interest charts to display his knowledge of Ukrainian interests and to promote options that address these interests.

Talking Points: In negotiating with Kuchma, Gore should make the following points:

- International certificates represent the highest safety and quality standards.
- The cost of high certification fees in Ukraine is benefiting a few and costing consumers a great deal. It currently costs about \$60,000 to recertify a tractor every year. It is consumers who ultimately pay for this unnecessary burden.
- Some of Ukraine's national standards are already similar to international standards. It should not be necessary for importers to recertify a product twice under the same standard.
- Countries that liberalize their trading regime, including their certification and standards systems, have higher GDPs, lower unemployment, and are typically more successful than those which maintain closed systems.
- Ukraine benefits from the growth of foreign business and investment. Foreign businesses employ a large number of Ukrainians. Unfortunately, the current certification system is making it difficult for these companies to continue to grow.

Negotiation Tactics: Gore can use the following tactics if Kuchma will not agree to set a timeline for recognizing international certificates:

- In 1998, the United States gave \$119 million U.S. AID dollars to Ukraine to assist in developing the country's economic and trade system. Ukraine cannot expect to keep receiving money if it is not making positive changes.
- Ukraine must implement progressive economic and trade reform policies in order to receive an IMF loan. Currently, the IMF is considering not granting a loan to Ukraine because Ukraine has not implemented promised reform policies. Ukraine must facilitate the reform process, and liberalization of the certification and standards regime would be a good place to start.
- Ukraine will have to bring its certification system in line with international standards if it is to become a WTO member.
- Membership in the WTO is a prerequisite to becoming a member of the EU. The EU also requires that all members harmonize their certification and standardization regimes with those of the EU.

B. Negotiating with Potential Ukrainian Coalition Members

Founding members of the UAC members will need to recruit others to join the coalition. This will involve convincing business people, associations, and academicians that Ukraine will benefit from liberalizing its certification regime.

C. UAC Members Negotiating with VR Members

Coalition members will negotiate with members of Parliament to persuade them to recognize international certification of agribusiness certificates.

Preferred Outcome: Persuade Parliament to pass the certification decree that the State Committee of Entrepreneurs will introduce.

Interests, Talking Points, and Negotiating Tactics: The interest, talking points, and negotiation tactics are similar for both negotiations. The attached charts lay out details of the negotiations.

TIMELINE FOR AAC AND UAC ACTIONS

Note: The following dates are estimated and will be refined if Selco decides to proceed with the proposed strategy.

	DOMESTIC STRATEGY (AAC)	UKRAINIAN STRATEGY (UAC)
January 15, 1999	Begin Forming Coalition	Begin Forming Coalition
Feb. 20, 1999	Hold First Meeting/Apply for U.S. AID Money	
March 15, 1999	Prepare Briefing Materials	Hold First Meeting
March 30, 1999		Prepare Briefing Materials
April 1, 1999	Begin Lobbying	
April 20, 1999		Begin Lobbying
July 31, 1999	Obtain USAID or Other Government Monies	
August 1, 1999	Convince Gore to Prioritize Issue	
September 1, 1999		Gore/Kuchma Negotiation
January 2000		Vote on Certification Decree
March 2000	Convince USG to Form Standards Working Group and to Sign a Formal Ukrainian Resolution	

BUDGET

Selco's goal is to keep the coalition membership dues low. Selco understands that many companies doing business in Ukraine are spending a large amount to locate in Ukraine,

many are not receiving payment for their goods, and others are simply losing money. The AAC is hopeful that a substantial amount of its budget will come from a U.S. AID grant.

The budget is been broken into two parts, a domestic AAC budget, and a Ukrainian UAC budget.

Domestic Strategy - AAC

<u>Shared Costs</u>	Estimated Cost
Staff (full-time for one year, including benefits)	\$65,000.00
Office Space (provided by Selco)	\$10,000.00
Office Equipment and expense	\$ 5,000.00
Domestic Travel of Staff	
	Logistics of AAC Member Meetings \$10,000.00
<i>Optional: Paid Media</i>	
Op-ed Advertisement	\$10,000.00

Costs Covered by Individual Member Company

Member Travel costs to meetings in Washington
Lobbying efforts in Washington - visiting, phoning, faxing, writing

Total Costs to AAC Members \$100,000.00

AAC Member Dues (8 members)

\$12,500.00

Ukrainian Strategy – UAC

<u>Shared Costs</u>	Estimated Costs
Staff (full-time for one year)	\$15,000.00
Office Space	\$20,000.00
Office Equipment and expense	\$20,000.00
Dinners/Receptions	
Logistics of UAC Member Meetings	\$20,000.00

Costs Covered by USAID Money

Preparation of Training Materials
Training Seminars and Conferences in Ukraine \$300,000.00
Training Seminars Outside of Ukraine

Costs Covered by Individual Member

Member Travel Costs

Lobbying efforts in the VR - visiting, phoning, faxing, writing

Total Costs to Members	\$75,000.00
UAC Member Dues (21 members)	\$ 3,571.00

APPENDICES

- Appendix A: Text of Proposed Decree
- Appendix B: Analysis of Issue and Interests
- Appendix C: Letter to Coalition Member
- Appendix D: Commercial Interest
- Appendix E: Dear Colleague Letter
- Appendix F: White Paper
- Appendix G: District/State Representatives
- Appendix H: Congressional Testimony
- Appendix I: Op-ed Piece for U.S. Newspaper
- Appendix J: Letter to Ukrainian Deputies
- Appendix K: Article for Ukrainian Newspaper

Appendix A: Text of Proposed Certification Decree

Decree # 90034.9. In the area of standardization and certification, Ukraine will begin liberalization of its certification regime by recognizing certain international certification documents. This list of certification documents will be specified in a Cabinet of Ministries Resolution.

Text of Cabinet of Ministry's Resolution

As set forth in decree #90034.9 regarding the recognition of international certification documentation, the attached list of agribusiness certification documents are now recognized in Ukraine. If an importer can prove a product has one of these international certifications, the product does not need to be recertified in Ukraine.

A. If a product has one of the international certificates listed below and an importer of that product has successfully completed the application process, customs officials will recognize the certificate and issue a "Certificate of Recognition" within 25 days of initial application. This will allow the product to enter the country legally.

1. An importer must include the following in its application:

-official application form

-documentation regarding the product's international certification and a notarized copy of the foreign certificate

-legal documentation relating to certification

-if relevant, copies of a previous certification examination records

-if relevant, a graphic illustration of the product's certification sticker

2. All documents shall be prepared in Ukrainian. English language documents shall be accompanied by notarized Ukrainian translations.

B. The importer must produce international certifications each time it imports products.¹³

List of International Agribusiness Certifications Recognized by Ukraine

1. International Standards Organization (ISO) (list specific products to be covered)

2. Organization for Economic Cooperation and Development (OECD)

3. Collaborative International Pesticides Analytical Council, Ltd. (CIPAC)

4. International Seed Trade Association (ISTA)

*Note: Coalition members will complete this list. Specific product lists will also be included under each international standardizing body.

^{1[13]} Structured after Moldavia's guidelines.

Appendix B: Analysis of Key Players and Their Interests

Interests in Ukraine

The State Committee of Ukraine for Standardization, Metrology, and Certification (Derstandard - DSTU) Interests

Tatiana Kisalova, the head of the Ukrainian State Committee on Standardization, Metrology, and Certification (Derstandard or DSTU), spearheads the fight against liberalizing the standards and certification regime. She is an effective politician who has built up her power base with skillful planning. She holds press conferences every Friday at 2:00 p.m. to inform the public of current standards and certifications issues, as well as her nationalistic ideas. She says it is her duty to protect the Ukrainian people from dangerous Western products that could hurt them or flood the market thereby putting Ukrainians out of business.

In June 1998, President Leonid Kuchma introduced a progressive business decree to the Parliament (Vakhovna Rada - VR). One of the 14 articles included in the decree, Article 12, stated that Ukraine would recognize the International Organization for

Standardization and other international standards bodies. Kisalova saw to it that Article 12 was removed from the decree. To pass a certification decree Kisalova will need to be persuaded to not oppose it. However this will not be easily accomplished. Kisalova and her regime have fought and will fight any trade liberalizations that threaten their authority over Ukraine's certification system because their income and power are vested in it.

The National Institute of Standards and Technology has proposed that the United States negotiate certification issues by sector. This may be more feasible than suggesting that Ukraine recognize all international standards. Indeed, the United States was unsuccessful with this approach in 1998.

The coalition should first attempt to win over Kisalova and the DSTU, and this will require a thorough understanding of DSTU and Kisalova's "Committee Empire." The following questions will help the coalition determine what incentives it can use to convince Kisalova to open her system-what angle to take in discussing the subject with her and how she might be persuaded to change the goals of the organization. It is crucial that she know what she will get out of liberalization.

1. What is DSTU's/Kisalova's power based on?
2. What is the history of DSTU's/Kisalova's power?
3. Is there anyone else supporting DSTU's/Kisalova's? Who are their allies?
4. What elite, influential supporters does DSTU/Kisalova have?
5. How do they keep these allies satisfied?
6. Who are their enemies?
7. What is DSTU's/Kisalova's relationship with Kuchma and the VR?
8. How is the system financially structured?
9. How much money does DSTU/Kisalova make?
10. Why is this system good for Kisalova and her supporters?
11. What are Kisalova's strengths and weaknesses?
12. What do Kisalova and her colleagues see in the future of DSTU?

If the coalition is not successful in winning over Kisalova, it should attack her system, revealing it as a corrupt, antiquated system that does not benefit Ukrainian importers and consumers.

Private Ukrainian Certification Laboratories, Research Institutes, and Customs Officials

DSTU and Kisalova are not the only ones with a vested interest in maintaining the status quo. Ukrainian standards research institutions and certification laboratories were subsidized during Soviet times. Now they rely solely on the private sector for their income. People who work at these institutions will not support reforms if it means they won't get paid.

Ukrainian Government Interests

President Leonid Kuchma is sincere in his efforts to reform Ukraine's economic and trade systems. The problem is he does not have much support. The VR lacks cohesion and consensus on a clear set of goals, and the ministries, agencies, and committees are alienated from one another instead of working together towards common goals. Although

Kuchma has tried to propose liberalizing decrees or laws, he doesn't yield much power without the full support of his deputies.

Kuchma welcomes support from the West, and he wants to be seen by the West as a pro-reform, pro-business player. However, he needs to be careful to not appear to be selling-out to the West. In order to secure re-election, Kuchma has tried to satisfy everyone. He is slowly realizing that never taking a stand is not getting him anywhere.

The Parliament is made up of 442 deputies. There are approximately 14 to 15 different parties represented, ranging from the Communist Party of Ukraine to the Reform and Order Party. The overall interest of the government is to make life easier for the Ukrainians. For some it may be to protect them from the West. For others it means opening up the country to reap the benefits of the West.

Identifying key, influential deputies in the VR will help the coalition build consensus among the remaining deputies. Finding out how each member votes will help identify key leaders and key opponents, although this may be difficult since voting is done by secret ballot. The fact that there are many factions represented in the VR will only complicate this task.

As in any congressional or parliamentary system, members of Ukraine's Parliament are not well informed on every issue brought to the table. But the problem is worse in Ukraine because lobbyists are not yet commonplace. It is critical to start informing each member of Parliament on the issue of certification and its benefits.

Many of the progressive members of Parliament want to promote positive relationships with trading partners, accede to the World Trade Organization (WTO), and join the European Union. These people may be able to help sway the remaining members. Each member needs to understand that Ukraine will not be able to accede to the WTO or join the EU without first reforming its certification system.

Another governmental interest is that of protecting Ukrainian businesses. Like all governments, the Ukrainian government would like to be able to protect its markets and also reap the benefits of trade. The impulse to protect the agricultural sector is especially strong because it is the most important sector in Ukraine.

The Ukrainian government is trying to understand what it means to open its markets and how it will benefit from trade liberalization. Helping government officials answer these questions will help convince them of the need for reform.

State Committee of Entrepreneurs (SCE)

Alexandra Kushel heads the State Committee of Entrepreneurs (SCE), which was recently established in Ukraine. She has a strong-willed personality and is trying to become a dominant figure in the Ukrainian government. The SCE was created to support the efforts of Ukrainian businesses. The Committee efforts are funded indirectly by the International Center for Policy Studies (ICPS), which is funded by USAID.

The SCE supports recognition of international standards in all sectors. Kushel and her Committee will be key in the fight for economic and trade policy reform. Anything that will assist this Committee in gaining power and bringing in influential allies will help in the campaign to liberalize the certification system.

The SCE is one of the West's strongest Ukrainian allies. Because Ukrainians do not trust the West, most reform campaigning should be carried out by the SCE and a coalition of Ukrainian business supporters or other influential Ukrainian figures.

The SCE should both submit the proposed decree and organize the lobbying effort in favor of it. The SCE will organize all conferences, trainings, and meetings on certification. Articles, briefing papers, media pieces, should also be produced under SCE's supervision. Although Ukrainians know that the West supports SCE, it is still better for SCE to spearhead the campaign than to have foreigners overtly leading the effort.

To counter Kusalova's message, Kushel needs to hold regular press conferences to discuss the benefits of open, free trade for Ukrainian consumers and producers. She should also publish articles to counter Kusalova's arguments.

Ukrainian Business Interests

Ukrainian businesses and distributors that import goods into Ukraine also have problems certifying goods. Accordingly, these companies will be key to the Coalition's campaign. They have experienced first hand the obstacles presented by the Ukrainian certification system.

However, Ukrainian businesses that do not import, but compete with imports, want to protect their markets from cheaper imports. These companies will not want to liberalize the certification regime. They need to understand that they, too, can benefit from an open trading system because such a system facilitates their own ability to export.

Many Ukrainian small business owners want to learn from the West, and they are open to trade liberalization. It is important to build consensus among these people and encourage them to support government officials who favor liberal economic and trade reforms.

United States Business/Other Foreign Business Interests in Ukraine

For foreigners, it is difficult and expensive to do business in Ukraine. Foreign small companies do not survive in Ukraine. Only large companies that can afford short-term losses or can afford not to get paid for six months remain. They stay hoping that they will benefit when the economy picks up.

The majority of foreign businesses in Ukraine belong to the American Chamber of Commerce or participate in the Gore/Kuchma Commission organized by the Department of Commerce. Foreign companies have written white papers, briefing papers, and appeared before the Gore/Kuchma Commission to voice their complaints and give advice concerning the current standards and certification regime. The American Chamber of

Commerce has played an important role in the process; it provides a third party entity through which these companies can channel complaints and reform efforts.

Because of their financial power and knowledge, U.S. and foreign businesses hold some power in Ukraine. These companies can help Ukraine reform its economic and trade policies.

Interests in the United States

American Companies that do Business in Ukraine

U.S. companies that do business in Ukraine have a vested interest in opening Ukraine's markets. These companies need to encourage their U.S. congressional representatives to take up Ukrainian trade issues with the White House. Specifically, they should push Vice President Gore to make certification a top priority for the Gore/Kuchma Commission.

In general, U.S. companies need to convince the U.S. government to use Ukraine's WTO accession and IMF and U.S. AID money as leverage with the Ukrainian government. The United States is the third largest aid donor to Ukraine. It should get something in return for this investment.

United States Government (USG)

The United States' first interest in Ukraine is security. After the break up of the Soviet Union, it spent a large amount of money and effort negotiating nonproliferation agreements with Ukraine. Most recently, in 1998, the two countries signed an agreement stipulating that Ukraine would not sell a nuclear reactor to Iran, and in return, the United States would fund a large business initiative in the city of Kharkiv, a large industrial sector of Ukraine.

The United States' second interest in Ukraine is economic. This interest is tied to the first because a stable, prosperous Ukraine is less likely to sell weapons or other war materials.

The United States has given Ukraine a great deal of money to pay for development projects aimed at economic policy reform and business development.

The Gore/Kuchma Commission is one of the largest governmental efforts the United States has made to develop a relationship with Ukraine. The seriousness of this effort is questionable; in two years there has been minimal progress in the economic and trade area, particularly in standards and certification.

However, the United States and other foreign governments do hold a small amount of leverage over Ukraine. Because the United States gives the largest amount of aid money to the country, it may be able to persuade Ukraine to move forward with desirable economic and trade reforms just as it persuaded Ukraine to sign the reactor agreement.

The United States and other foreign countries can also use Ukraine's prospective membership in the WTO as leverage. Ukraine is a few years away from becoming a member of the WTO and knows it must reform its system in order to be considered part of the "club." However, this strategy could backfire because there is not consensus in the

VR that Ukraine should become a member of the WTO. The Ukrainian president and many VR members support accession, but there are a number of deputies and other key ministry officials that do not support the effort or simply haven't clearly decided if they want to accede to the WTO.

The United States also wields indirect leverage via the International Monetary Fund (IMF). The Ukrainian government, specifically President Kuchma wants to receive IMF money. In the summer of 1998, Kuchma scrambled at the last minute to write reform decrees and convince IMF officials that Ukraine was making a concerted effort to follow IMF provisions. However, lacking a clear consensus on overarching goals for the economy, Parliament did not give these decrees full support.

The United States should also underscore that, if Ukraine is to join the European Union, it will need to become a member of the WTO first. There are plenty of examples for Ukraine to follow in its reform process, including Estonia, Latvia, Slovakia, and Moldavia.

The United States will also have to decide how much of its leverage with Ukraine to spend on security versus economic issues.

Appendix C: Sample Letter to Coalition Member

March 1, 1999

John
President
Seeds International

Doe

Dear Mr. Doe:

As an investor in Ukraine, Seeds International (SI) is surely aware of the difficulties of importing products into Ukraine. Selco Machinery International (SMI) is particularly concerned about certification requirements that make importing products into Ukraine extremely difficult.

Ukraine does not recognize any international agribusiness certifications. Instead it requires all products to be certified under Ukrainian national standards. This process is excessively costly and time consuming and acts as a trade barrier that costs our companies valuable market share. A Seeds International representative in Ukraine stated that it costs your company \$75,000 every two years to certify all of your seed lines, as well as an enormous input of time and energy!

The agribusiness sector is one of the fastest growing sectors in Ukraine. It is important to start breaking down trade barriers in order to take advantage of this great market opportunity. Convincing the Ukrainian Parliament to recognize international agribusiness certificates will make the Ukrainian market more accessible for importers and investors.

SMI is forming coalitions in both the United States and Ukraine in an effort to mobilize support for Ukrainian legislation that recognizes international certificates. SMI would like SI to join the coalitions. With your support we can immediately begin to coordinate efforts and increase our sales in Ukraine.

I will contact you next week to tell you more about our coalition efforts.

Sincerely,

Don Juan
Chairman, Chief Executive Officer
Selco Machinery International

Appendix D: COMMERCIAL INTEREST

Market Opportunities for Foreign Agribusiness Companies in Ukraine

Selco has a strong vested interest in economic and trade reforms in Ukraine. The agribusiness sector is one of the fastest growing sectors in the country and offers incredible market potential for Selco in the future. Because Ukraine's manufacturing sector is still not reliable, there is a critical need for dependable farm machinery-machinery that Selco can supply.

In 1998, Selco sold \$80 million worth of agricultural machinery in Ukraine. If Selco is successful in persuading Ukraine to accept international standards, it will not only save close to \$150,000 a year in recertification costs for its tractors, combines, and harvesters, it will also save time and energy required by Ukraine's arduous recertification process. This human resource expenditure can be re-focused on increasing Selco's market share in Ukraine.

The United States currently holds only five percent of the agricultural machinery market in Ukraine, a large majority of which is held by Selco. Selco's equipment has a good reputation in Ukraine as solid, reliable, and high quality.

Agricultural Machinery Market Potential in Ukraine¹⁴

In 1998, Ukrainian farms had 361,000 tractors, 72,000 grain-harvesting combines, and 37,900 fodder-harvesting combines. The actual need was 515,000 tractors, 86,000 grain combines and 50,000 fodder combines. Sixty percent of Ukraine's agricultural machinery is fully depreciated.

Approximately 100 plants manufacture agricultural machinery in Ukraine. Generally, Ukrainian plants run at only 10 to 20 percent of capacity because they lack working capital and new technologies.

Ukrainian farms in the public sector use the following types of machinery and equipment: tractors, combines, chemical sprayers, fertilizer distributors, fodder and animal feed

harvesters, potato planter harvesters, flax production machinery, sprinkling and water machinery, and plows.

According to the Ministry of Statistics, there are 15,739 agriculture enterprises in Ukraine. This includes collective agriculture enterprises (10,252), state agriculture enterprises (4,440), joint stock companies (699), and agriculture cooperatives (348). The main end-users of agricultural machinery are these agricultural enterprises, private farms (36,000), private distributors, and newly established machinery stations.

Size of Agriculture Machinery Market (in US\$ millions)

	1996	1997	1998
A. Total Market Size	350	425	430
B. Total Local Production	300	315	330
C. Total Exports	100	100	100
D. Total Imports	150	180	200
E. Imports from the U.S.	30	120	150

Seed Market in Ukraine¹⁵

According to Seeds International (SI), the seed market in Ukraine is large. SI sells corn and sunflower seeds. The Ukrainian corn market is worth approximately \$12 million, but if more expensive, higher quality and more advanced genetically advanced seed were planted, the market could be as high as \$175 million. The sunflower market is worth \$6.25 million. But again, if the area were planted with "good" seed, the market value would be \$75 million. Other crops follow similar calculations: sugar beets, wheat, barley, rye, oats, and buckwheat. Currently, 90 percent of corn and sunflower acres are planted by local, cheaper, Ukrainian hybrids.

Agrochemical Market in Ukraine¹⁶

In the last five years, it has been difficult for Ukrainian agricultural producers to obtain pesticides and other agricultural chemicals. Local pesticide and agricultural chemical production meets only 20 percent of the country's annual need. While local production is expected to meet 25 percent of total demand by the year 2000, Ukraine will still need to rely on imported chemical compounds to meet its total pesticide demand. The government is working to increase the country's pesticide production base, but a lack of capital and technology, as well as unfavorable tax policies, hinders such development. It is more economical to import pesticides than it is to produce them domestically.

The Ukrainian agricultural sector offers U.S. companies opportunities in joint production or in simply providing the Ukrainian market with necessary seeds, pesticides, and herbicides.

Agrochemical Market Size Data (in US\$ Millions)

	1996	1997	1998
A. Total Market Size	280	300	305
B. Total Local Production	55	60	65

C. Total Exports	0	0	0
D. Total Imports	225	240	240
E. Imports from the U.S.	41	45	40

Outlook

Ukraine's agriculture directly accounts for 30 percent of GDP, 20 percent of employment, and nearly 30 percent of all exports. Including all related activities, agriculture accounts for an estimated 50 to 65 percent of GDP. As Ukraine reforms its agricultural sector, this sector will continue to grow, offering foreign companies great growth as well.

Ukraine is still reeling from the Asian and Russian financial crises. Nonetheless, Ukraine kept its inflation rate low in 1998, it has made progress toward privatizing its economy, and it has lowered its budget deficit.¹⁷ As the economy gains strength, foreign companies that stay in Ukraine will surely benefit.

^{1[14]} US Department of Commerce, Industry Sector Analysis, 1998

^{1[15]} Sources in Ukraine

^{1[16]} Country Commercial Guide - Ukraine, 1998

^{1[17]} BISNIS Annual Report of US Assistance to Ukraine

Appendix E: Draft Dear Colleague Letter

Dear Congressional Colleague,

American agribusiness companies that export to and invest in Ukraine face a number of trade barriers, including barriers that arise from Ukraine's certification requirements. Ukraine does not recognize any international certificates. Instead, it requires all products to be recertified under its own national standards—a time consuming and costly process that limits American imports into the country.

A group of companies has formed the American Agribusiness Coalition (AAC) and the Ukrainian Agribusiness Coalition (UAC) and has developed a strategy for persuading the Ukrainian Parliament to recognize international agribusiness certificates. Congressional support for this strategy will be crucial.

Specifically, the coalition needs Congress to 1) provide funding for an educational campaign on international certification in Ukraine, 2) write a resolution pledging that Congress will continue to promote reform in Ukraine, and 3) pressure Vice President Gore to give the certification issue priority in the Gore/Kuchma Trade Commission negotiations.

This issue hits close to home. Certification barriers restrict U.S. trade and therefore impact U.S. production levels and American jobs. It is important that we support these companies that employ our constituents. We must support any efforts that will help U.S. companies prosper.

The agribusiness sector is one of the fastest growing sectors in Ukraine. It is important to start breaking down trade barriers so that American companies can take advantage of this great market opportunity.

Please join us in supporting the efforts of the AAC and the UAC.

Sincerely,

Senator Peter Fitzgerald

Senator Richard Durbin

1^[1] BISNIS Annual Report of US Assistance to Ukraine

Appendix F: WHITE PAPER

In Support of International Standards and Certification

ISSUE

Ukraine's current system of certification and standardization does not recognize international agribusiness certificates and, therefore, is not consistent with international standards. The process of certifying products in Ukraine is excessively costly and time-consuming and costs American agribusiness companies valuable market share.

OBJECTIVE

Ukraine must be convinced to recognize international agribusiness product certificates and establish a certification system that facilitates the importation of products into Ukraine.

BACKGROUND

As Ukraine accelerates its integration into world markets, the Ukrainian system of standardization and certification has become increasingly problematic for foreign companies that do business in Ukraine. In some cases, Ukrainian standards are exceedingly complex but nonetheless do not contribute to public safety. In other cases, these standards are quite similar to international ones, making the recertification process entirely redundant.

Overall, the Ukrainian certification system is unpredictable, complicated, and expensive.¹⁸ Selco, which holds an internationally accepted certification from the OECD, pays an additional \$60,000 each year to recertify its tractors in Ukraine-although the certification document and requirements are almost an exact copy of what is required by the OECD. Seeds International pays close to \$75,000 for the two-to-three year certification process of all of their hybrids.

Ukraine's deviation from international standardization and certification norms also hurts Ukrainian manufacturers who are not equipped to compete in international markets. Ukraine's lack of harmonization with American/European standards makes it very difficult for Ukrainian manufacturers to enter the European and American markets.

The WTO Technical Barriers to Trade (TBT) Agreement commits member countries to use international standards as a basis for mandatory standards. International standards promote worldwide trade, interpenetration of products between sectors, global communications systems, and the transfer of emerging technologies. By facilitating world trade, international standards help promote economic growth.

ANALYSIS

Most major trading nations understand and subscribe to the need for an international system of standards. Such a system helps ensure that each country's consumers are protected and facilitates the flow of goods across national borders. Western Europe and the United States have harmonized their standards, certification and licensing processes.

Western companies also recognize the need for compliance with local laws, including compliance with local standards and codes. The present Ukrainian system of standardization, certification and licensing of foreign goods, however, has been a major hindrance to investment in Ukraine. This system is unpredictable, lacks transparency, and is overly complex. It has negatively affected not only foreign companies operating in Ukraine, but also Ukrainian companies that attempt to operate in foreign markets and find themselves unprepared to meet Western standards. Ukrainian consumers also lose under this system; if companies did not have to pay for costly, redundant certifying methods, they would be able to lower prices and more companies could import more products into the Ukraine. Consumers would have greater product choices.

Ukrainian officials spend a great deal of time and energy creating ways to make money by certifying, inspecting, and controlling foreign products. The country as a whole would be better off if that energy were spent figuring out how to harmonize Ukrainian products with world market standards.

If Ukraine wants to successfully integrate itself into the world market system, become a member of the World Trade Organization (WTO) and the European Union (EU), and attract investment, it will have to recognize international standards and certification bodies.

In July 1998, President Leonid Kuchma issued a decree stating that Ukraine would recognize international standards. The decree failed to pass in Parliament because it was opposed by Derstandart (DSTU), the governmental agency that controls Ukraine's certification and standardization regime. The decree was far too sweeping for DSTU to swallow. A less threatening and more promising strategy would be to address international certification sectorally.

Selco proposes starting with a strategy to persuade Ukraine to recognize international agribusiness certificates.

PROPOSED ACTIONS

To mobilize support and build consensus in the Ukrainian Parliament for recognition of international certification, Selco will form the Ukrainian Agribusiness Coalition (UAC) in Ukraine. In the United States, Selco will form a domestic coalition, the American Agribusiness Coalition (AAC). The AAC's goal will be to build consensus in the United States government to push the Ukrainian Parliament toward recognizing international certificates.

The AAC will be comprised of American companies doing business in Ukraine, selected American agribusiness associations, and U.S. labor unions. Specifically, the AAC will:

· Lobby the U.S. Congress to:

1. Put pressure on the Gore/Kuchma Commission to prioritize certification.
2. Create a Gore/Kuchma Standards Working Group in Ukraine.
3. Allocate USAID money to educate and train officials and businesspeople in Ukraine on international standards and certification issues.
4. Introduce and pass a formal resolution in Congress in support of future work in the area of certification.

· Convince the U.S. Department of Commerce, the United States Trade Representative, the U.S. State Department, and the U.S. Department of Agriculture to make the issue a priority and put pressure on the U.S. Congress to do the same.

The UAC, made up of foreign agribusiness companies operating in Ukraine, Ukrainian businesses, and other Ukrainian officials and organizations, will mobilize to educate the Ukrainian public and government of the benefits and importance of a liberalized certification system.

The UAC will be responsible for proposing the certification decree to the Ukrainian Parliament (see Appendix A). The UAC will then strategize to get the decree passed through the Parliament.

The UAC will focus its strategy on combating the following obstacles:

- Ukraine's desire to protect its market from an influx of imports that may put Ukrainian companies out of business.
- Ukrainians' suspicion of the West.
- Ukraine's lack of confidence in the quality of international standards.
- DSTU's desire to protect the current flow of revenue that comes in from the certification regime.

Specifically, the UAC will:

- Build support in the Ukrainian Parliament (Vakhovna Rada) by identifying key members who will support a decree recognizing UAC's list of international certificates.
- Work with these key members to convince others to support the certification decree.
- Educate Ukrainian businesses and the community (through media, seminars, conferences, trade shows) on international certification and its benefits.
- Help constituents to put pressure on VR Deputies.
- Devise a plan to include Derstandard, Ukraine's certification agency, in the process and try to convince it to support UAC's efforts.
- Mobilize support among all Ukrainian allies that currently support international standards and certification (President Kuchma and the State Committee for Entrepreneurs).

1^[18] American Chamber of Commerce, Kyiv

Appendix G: American Agribusiness Coalition Members' Congressional Representatives

US Company	District	Congressperson/ Committee	Senators
Selco Machinery International	Illinois	Jerry Costello	Peter Fitzgerald Richard Durbin
Company A	Georgia	Nathan Deal -Committee on Commerce -Subcommittee on Telecommunications, Trade, and Consumer Protection	Paul Coverdell Max Cleland
Company C	Illinois	Lane Evans	Peter Fitzgerald Richard Durbin
Company M	Wisconsin	Paul Ryan	Herb Kohl Russell Feingold
Company P	Iowa	Tom Lathan -Committee on Appropriations -Subcommittee on Commerce, Justice, State, and the Judiciary	Chuck Grassley Tom Harkin (Appropriations Committee)
Company CC	Missouri	William Clay	John Ashcroft Christopher Bond
Company GG	Minnesota	Martin Olav Sabo -Committee on Appropriations -Subcommittee on Foreign Operations, Export Financing, and Related Program	Rod Grams Paul Wellstone
Company N	California	Mike Thompson -Committee on Agriculture	Barbara Boxer Dianne Feinstein

Appendix H: Draft Congressional Testimony

Statement of Don Juan, CEO, Selco Machinery International
Testimony before the Senate Appropriations Committee

Difficulties American Agribusiness Faces in Exporting to Ukraine

Good Afternoon, my name is Don Juan, Chairman and Chief Executive Officer of Selco Machinery International. I appreciate your having me here today to discuss the difficulties my company faces when we try to import our products into Ukraine.

The Ukrainian system of standardization and certification is extremely problematic for us. Indeed, this system is one of the most serious obstacles to my company's business success in Ukraine.

In some cases, Ukrainian standards are exceedingly complex but nonetheless do not contribute to public safety. In other cases, these standards are quite similar to international ones, making the recertification process entirely redundant. Overall, the Ukrainian certification system is unpredictable, complicated, and expensive.¹⁹

Selco, which holds an internationally accepted certification from the OECD, pays an additional \$60,000 each year to recertify its tractors in Ukraine, even though the certification document and requirements are almost an exact copy of what is required by the OECD. Seeds International pays close to \$75,000 for the two-to-three year certification process of all of their hybrids.

The agribusiness sector is one of the largest and fastest growing business sectors in Ukraine. Agriculture directly accounts for 30 percent of Ukraine's GDP, 20 percent of employment, and nearly 30 percent of all exports. Together, agriculture activities and agriculture related activities account for and estimated 50 to 65 percent of GDP. As Ukraine reforms its agricultural sector, it will continue to grow. In turn, this growth can create agribusiness jobs in the United States-but only if Ukraine's trade barriers are broken down.

Convincing the Ukrainian Parliament to recognize our international agribusiness certificates will make the Ukrainian market more accessible, thus increasing U.S. exports.

American agribusiness companies have come together in an attempt to persuade the Ukrainian Parliament to recognize international certification. I am here today to ask for your support in promoting an open certification system in Ukraine. Specifically, American agribusiness asks that you:

- Financially support our coalition's educational effort in Ukraine. Ukrainians need to learn how they will benefit from open trade.
- Write a formal resolution proposing that the United States commit to promoting economic and trade reforms in the future.
- Make it clear to Vice President Gore that certification should be a top priority in his negotiations with President Kuchma of Ukraine.

If Ukraine wants to successfully integrate within the world market system, become a member of the World Trade Organization (WTO) and the European Union (EU) and

attract investment, it will have to recognize international standards and certification bodies. Moreover, breaking down certification barriers in Ukraine can pave the way for the same to happen in other former Soviet Union countries, including Russia.

Thank you, I appreciate the opportunity to speak with you. I hope we can work together in the future.

1^[19] American Chamber of Commerce, Kyiv

Appendix I: Draft Op-ed Piece for American Newspapers

"Why Doesn't the U.S. Get Anything in Return?"

The U.S. government gave \$119 million in aid to Ukraine in 1998 (our tax dollars). Ukraine is the third largest recipient of aid money from the United States. The aid is in the form of development packages designed to help Ukraine promote reform and stabilize its economy and trading system. What is the U.S. getting in return? To date, very little.

Despite the fact that millions of dollars go into this country to benefit its economy and trading system, American importers spend months at the Ukrainian border trying to get their top quality products past the ever-so-suspicious and protectionist Ukrainian customs. Even U.S. aid products shipped to Ukraine are held up for outrageous lengths of time at the border.

The problem is that Ukraine does not recognize international product certifications. American agribusiness companies that import into Ukraine-companies like Selco, Seeds International and Company GG-they make products that meet the highest international standards, yet Ukraine doesn't recognize their standards. For Selco this means paying an additional \$60,000 each year just to recertify its tractor line! Ukraine has one of the world's highest certification fee schedules, second only to Russia's.

The United States formed the Gore/Kuchma Commission in 1996 to address economic and trade issues in Ukraine. And a great deal of time and effort has gone into this Commission. But what has been accomplished? What has changed? Few reform policies have been implemented in the past four years. The United States should start getting something in return. If we are giving \$119 million a year to this country, why can't we even export Selco tractors to Ukraine?

The United States should begin conditioning future aid on Ukrainian implementation of trade and economic reforms. Asking Ukraine to recognize international certificates (the highest quality in the world) will only benefit its consumers. These minor reform measures are not an imposition on any country; they are sound reforms that will help a country grow and prosper.

It's time the U.S. gets something in return!

Appendix J: Draft Letter to Ukrainian Deputies

Dear Vakhovna Rada Deputy,

Ukraine is facing difficult economic times. It is your duty, as an honorable Vakhovna Rada deputy to look to the future and make appropriate policy changes that will benefit our country's economic stability. One vital area that must be reformed is Ukraine's trade regime. If Ukraine wants to successfully integrate itself into the world market system, become a member of the World Trade Organization (WTO) and the European Union (EU), receive IMF funding, and attract investment, it will have to make some changes.

One area of our trading system that must be reformed is our certification system. We lose business and investment each year because of our restrictive certification rules and requirements. And business losses translate into lost jobs for Ukrainian workers.

Ukraine is a member of the International Standards Organization, but yet we do not recognize international standards. We are helping to research and plan many international standards. So why don't we recognize these standards?

Ukraine must join the rest of the trading community and start to recognize international standards and certification bodies.

There are many reasons why it is important for Ukraine to recognize international certificates:

- International certificates represent the highest safety and quality standards.
- The cost of high certification fees in Ukraine is benefiting a few and costing Ukrainian consumers a great deal of money.
- Countries that liberalize their trading regime, including their certification and standards systems, have higher GDPs, lower unemployment, and are typically more successful than those who have closed systems.
- Ukraine benefits from the growth of foreign business and investment, but the current certification system is making it difficult for foreigners to do business in Ukraine.
- Opening markets also benefits Ukrainian businesses by facilitating their ability to export abroad.

Please join us in support of accepting international certification by passing decree #90034.6.

Sincerely,
Alexandra
Head, State Committee of Entrepreneurs

Kushel

Appendix K: Draft Article for Ukrainian Newspaper

"What are Ukrainian Consumers Getting Out Of It?"

Ukraine imports products from all over the world. As we all know, we can't afford these products because they are incredibly expensive. Why is this so? Are foreign producers

trying to bleed us dry? The problem isn't foreign producers. It's the Ukrainian bureaucracy!

The Ukraine State Committee for Standardization, Certification and Metrology (DSTU), requires that all goods imported into the country be certified under Ukrainian national standards-a process that carries a huge price tag for importers. Some importers pay over \$75,000 each year to certify a line of their products. Who pays for that \$75,000? We do. Who benefits from that \$75,000? DSTU.

Ukraine wants to ensure that imports meet high quality and safety standards, and accordingly, certification is a necessity. However, DSTU requires products that have already been certified under international standards-those accepted in Europe, the United States, and Japan-to be recertified under Ukrainian national standards, and Ukrainian standards are often less stringent than the international ones.

Of course the Ukrainian public should be protected from low quality dangerous products. But as it stands now, we are being protected from high quality products! Meanwhile, DSTU is supporting itself at our expense; consumers ultimately pay for this system.

It's time to expose these bureaucratic practices for what they are. We could be enjoying cheaper products and a greater variety of products if DSTU wasn't "protecting" our borders!

INTEREST CHARTS

US/Foreign Interests

People	Interests	Options	Objective Criteria	BATNA
Selco Machinery International and Western Agribusiness Companies in Ukraine	- convince Ukraine to recognize list of international agribusiness certificates	- educate Ukrainian Parliament (Vakhovna Rada-VR) and mobilize support - pressure/lobby Congress to use leverage to persuade Ukraine -mobilize support in USTR,USDA,DOC,USDD - use the support of the State Committee of Entrepreneurs to lobby VR	- WTO – Technical Barriers to Trade Agreement - statistics on outdated, unfair Ukrainian certification system - Gore/Kuchma Commission Agreement - Macroeconomic data on benefits of recognizing international standards and certificates	- discontinue investment in Ukraine - convince US to stop giving USAID money to Ukraine - delay WTO admission - convince IMF to hold money until Ukraine accepts

			<ul style="list-style-type: none"> - Report on customer cost analysis - Proof that international standards are of high quality - Report on how investment leads to jobs and economic stability 	
	<ul style="list-style-type: none"> - import its products more easily into Ukraine by eliminating trade barriers 	<ul style="list-style-type: none"> - continue to lobby US congress and USTR to pressure and support Ukraine in meeting requirements of WTO 		
	<ul style="list-style-type: none"> - facilitate Ukraine's accession to the WTO 	<ul style="list-style-type: none"> - put pressure on US to continue Gore/Kuchma Commission and other progressive bilateral trade agreements - persuade the US to start a working party on certification in Ukraine 		
	<ul style="list-style-type: none"> - provide Ukrainian customers with safe products 	<ul style="list-style-type: none"> -import products that meet high quality standards - advertise benefits to Ukrainian consumers 		
	<ul style="list-style-type: none"> - maximize profits, increase profits 	<ul style="list-style-type: none"> - open new markets - expand existing markets 		
	<ul style="list-style-type: none"> - ensure implementation of International Standards 	<ul style="list-style-type: none"> - implement a US technical assistance project 		

People	Interests	Options	Objective Criteria	BATNA
U.S.	<ul style="list-style-type: none"> - promote US 	<ul style="list-style-type: none"> - give aid and 	<ul style="list-style-type: none"> - WTO – Technical 	<ul style="list-style-type: none"> - discontinue

Government	trade worldwide	<p>assistance to developing countries to facilitate standardization process</p> <ul style="list-style-type: none"> - follow WTO rules and procedures - convince and help all countries to accede to the WTO - promote all trade liberalization efforts - challenge trade barriers 	<p>Barriers to Trade Agreement</p> <ul style="list-style-type: none"> - statistics on outdated, unfair Ukrainian system - Gore/Kuchma Commission Agreement - Macroeconomic data on benefits of recognizing international standards and certificates - current Derstandart policies and procedures - Report on customer cost analysis - Proof of international standards high quality - Report on how investment leads to jobs and economic stability 	<p>USAID money to Ukraine</p> <ul style="list-style-type: none"> - delay WTO admission - convince IMF to hold money until Ukraine accepts standards
	<ul style="list-style-type: none"> - convince Ukraine to recognize international standards 	<ul style="list-style-type: none"> - send a delegation to meet with VR committee heads or officials to discuss decree – use \$ as leverage - appeal to Kuchma for support - educate VR on Intl' certification - encourage and help the American Chamber of Commerce and American businesses to lobby VR - produce study on benefits of Intl' 		

		certs.		
	- support American business in Ukraine	- continue to promote the Gore/Kuchma Commission - work closely with American Chamber of Commerce in Kyiv - continue giving USAID monies to Ukraine		
	- maintain positive relationship in Ukraine	- continue Gore/Kuchma Commission - support Ukraine's efforts to develop		
	- see Ukraine successfully develop and grow	- continue Gore/Kuchma Commission - encourage other countries to invest in Ukraine - continue giving USAID money - support IMF loans to Ukraine - send trade missions to Ukraine		
	- protect US security interests	- promote increased interdependent policies		
	- support Ukraine's efforts to join the WTO (facilitate process)	- condition admission based on identified criteria - give Ukraine WTO technical assistance		

People	Interests	Options	Objective Criteria	BATNA
American Chamber of Commerce	<ul style="list-style-type: none"> - persuade Ukraine to recognize international standards 	<ul style="list-style-type: none"> - work with John Deere to mobilize a campaign to educate VR on the issue - pressure/lobby USTR/Congress to use leverage to persuade Ukraine - work with State Committee of Entrepreneurs to pressure/lobby VR -mobilize support in Ukrainian media and businesses -produce study on benefits 	<ul style="list-style-type: none"> - WTO - Technical Barriers to Trade Agreement - statistics on outdated, unfair Ukrainian system - Gore/Kuchma Commission Agreement - Macroeconomic data on benefits of recognizing international standards and certificates - current Derstandart policies and procedures - Report on customer cost analysis - Proof of international standards high quality - Report on how investment leads to jobs and economic stability 	<ul style="list-style-type: none"> - convince US to stop giving USAID money to Ukraine - delay WTO admission - convince IMF to hold money until Ukraine accepts
	<ul style="list-style-type: none"> - facilitate Ukraine's accession to the WTO 	<ul style="list-style-type: none"> - encourage the US government to provide technical assistance to Ukraine - advise and arrange meetings between US and Ukrainian business and government to educate them on the trade issues 		
	<ul style="list-style-type: none"> - support American business efforts in Ukraine 	<ul style="list-style-type: none"> - continue efforts to work as a liaison between US business and Ukrainian government - pressure US government to use 		

		leverage to change outdated Ukrainian policies and support AmCham's efforts		
	- build membership	- offer quality services to members		
	- maintain and create positive relationships with each committee in the VR	<ul style="list-style-type: none"> - hold meetings and training seminars to educate members of the VR on the issues - invite the members to events to cultivate a closer relationship - support progressive members - continue to try and empower members and committees that our the allies 		

Ukrainian Interests

People	Interests	Options	Objective Criteria	BATNA
Derstandart	- dissuade Ukraine from recognizing international certification/delay acceptance	<ul style="list-style-type: none"> - lobby key VR committee heads to support DSTU - educate VR as to why Ukrainian standards are better - show study as to why opening trade will hurt Ukrainian businesses - try and prove that foreign products can be harmful without Ukrainian certification 	<ul style="list-style-type: none"> - current Derstandart policies and procedures - produce studies that illustrate what will happen if the Ukrainian market is open 	- maintain status quo
	- protect Ukrainian markets	- maintain Ukrainian system of standards		

		- promote other policies within DSTU (certification) that protects the market		
	- retain current standards and certification system	- convince the VR to uphold current system - get support from public to put pressure on VR - put pressure on Kuchma to stand by DSTU		
	- protect Ukrainian consumers from harmful products	- ensure all products are up to Ukrainian standards - ensure all products have proper Ukrainian certification documents		
	- retain financial support of current certification system	- keep current system in tact		
	- form mutual recognition agreements with trading partners	- negotiate a mutual recognition act with US - they accept Ukrainian standards and vice versa		
	- win acceptance of standards certification system	- promote Ukrainian system of certification		
	- raise more money through increased imports/trade	- promote foreigner business to bring in products to be certified in Ukraine		
	- promote nationalism	- promote only Ukrainian products - continue the media		

		campaign convincing Ukrainians that foreign products are bad - make it difficult for foreign products to penetrate the market		
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People	Interests	Options	Objective Criteria	BATNA
Ukrainian Government – (Parliament)	<ul style="list-style-type: none"> - support Ukrainian businesses 	<ul style="list-style-type: none"> - continue enforcing policies to protect businesses - enforce growth promoting policies for Ukrainian businesses 	<ul style="list-style-type: none"> - IIE Study on Harmonizing Standards - WTO - Technical Barriers to Trade Agreement - statistics on outdated, unfair Ukrainian system - Gore/Kuchma Commission Agreement -ISO lists of members -ISO standardization documents - economic implications of recognizing international standards – case studies Kazakstan and Latvia - current Derstandart policies and procedures 	<ul style="list-style-type: none"> - maintain status quo
	<ul style="list-style-type: none"> - protect its market 	<ul style="list-style-type: none"> - maintain current system of Ukrainian standards - support protective policies - continue to support Derstandart efforts 		
	<ul style="list-style-type: none"> - receive USAID and IMF monies 	<ul style="list-style-type: none"> - agree to harmonization efforts - convince the US to agree to continue giving monies without Ukraine 		

	<p>recognizing standards</p> <ul style="list-style-type: none"> - convince the IMF that Ukraine is following the rules and doing the best it can 		
- offer safe products to public	- ensure a quality certification regime is in order in Ukraine		
- create more jobs	<ul style="list-style-type: none"> - encourage investment - support business and trade initiatives 		
- export more crops	<ul style="list-style-type: none"> - increase crop production - promote Ukrainian ag products abroad 		
- expand agricultural production	<ul style="list-style-type: none"> - elicit foreign investment - privatize agriculture 		
- promote investment and growth in Ukraine	<ul style="list-style-type: none"> - accept schedule – 1 to 5 years to incrementally accept - promote and continue the Gore/Kuchma Commission - sign more bilateral agreements with different countries 		
- promote nationalism	- continue to convince Ukrainians to buy and sell Ukrainian products		

People	Interests	Options	Objective Criteria	BATNA
Ukrainian Business	<ul style="list-style-type: none"> - promote Ukrainian business interests 	<ul style="list-style-type: none"> - encourage the Ukrainian government to promote policies that benefit Ukrainian business - encourage foreign investment in Ukraine - encourage Ukrainians to support Ukrainian business - support the State Committee of Entrepreneurs 	<ul style="list-style-type: none"> - WTO - Technical Barriers to Trade Agreement - statistics on outdated, unfair Ukrainian system - Gore/Kuchma Commission Agreement - macroeconomic data on benefits of open trade - current Derstandart policies and procedures 	<ul style="list-style-type: none"> - Re-elect new members to VR -maintain status quo
	<ul style="list-style-type: none"> - grow and turn profits 	<ul style="list-style-type: none"> - invest in and promote company and product 		
	<ul style="list-style-type: none"> - protect markets 	<ul style="list-style-type: none"> - encourage policies that protect, yet benefit Ukrainian business - support efforts of Derstandart 		
	<ul style="list-style-type: none"> - attract investment to Ukraine 	<ul style="list-style-type: none"> - promote a trade friendly environment in Ukraine 		
	<ul style="list-style-type: none"> - support pro-business legislation 	<ul style="list-style-type: none"> - support the State Committee of entrepreneurs and any other pro-business committee in its efforts 		
	<ul style="list-style-type: none"> - keep their customers satisfied 	<ul style="list-style-type: none"> - produce high quality products - offer products at a 		

		reasonable price - offer a variety of products		
	- create jobs	- increase profits, expand		
	- increase export potential	- promote Ukrainian products - produce quality goods		
	- learn from foreign businesses	- use examples of successful companies - study models of foreign companies in Ukraine		

People	Interests	Options	Objective Criteria	BATNA
President Leonid Kuchma	- persuade the VR to recognize international certification	- support the efforts of the International Agribusiness coalition - mobilize support from a few key committee or VR players - convince VR that to receive aid and IMF money they must liberalize standards - use power to control Derstandart	- WTO - Technical Barriers to Trade Agreement - statistics on outdated, unfair Ukrainian system - Gore/Kuchma Commission Agreement - Macroeconomic data on benefits of recognizing international standards and certificates - current Derstandart policies and procedures	- continue to write decrees and propose to the VR - maintain status quo
	- promote investment and growth in	- liberalize trade policy to open up Ukraine		

Ukraine	<ul style="list-style-type: none"> - cultivate good relationships with trading partners - negotiate bilateral trade agreements 		
- protect the Ukrainian market	- write and support decrees and laws that protect Ukrainian producers		
- support Ukrainian businesses	- write and support decrees and laws that help grow Ukrainian business		
- maintain positive relationship with US	<ul style="list-style-type: none"> - continue the Gore/Kuchma Commission - follow rules of Commission and IMF regulations - continue to invite US to play a role in development 		
- be re-elected	<ul style="list-style-type: none"> - campaign for re-election - listen to Ukrainian population - promote laws and regulations that satisfy and help the public 		
- build agricultural production	<ul style="list-style-type: none"> - privatize sector - encourage investment 		
- not be perceived as anti- Ukrainian and only pro-western	<ul style="list-style-type: none"> - support nationalistic policies - put Ukrainian needs first 		
- receive	- follow rules and		

	monies from IMF and US	regulations of the IMF and Commission		
	- keep all factions of government satisfied	- make compromises – incrementally recognize standards, start with basic and build list		

People	Interests	Options	Objective Criteria	BATNA
State Committee of Entrepreneurs	- persuade VR to vote to recognize international certification	<ul style="list-style-type: none"> - introduce certification decree in VR - work with the Ukrainian Agribusiness Coalition to mobilize a campaign to educate VR on the issue - use Kuchma and other existing supporting key players to build a coalition - mobilize support in Ukrainian media and businesses - fight Kisalova's campaign - produce study on benefits of Intl' certification 	<ul style="list-style-type: none"> -WTO - Technical Barriers to Trade Agreement - statistics on outdated, unfair Ukrainian system - Gore/Kuchma Commission Agreement - Macroeconomic data on benefits of recognizing international standards and certificates - current Derstandart policies and procedures 	<ul style="list-style-type: none"> - maintain status quo - elect new members to VR
	- defeat Kisalova and her efforts	<ul style="list-style-type: none"> - mobilize a coalition of support with other like-minded committees - pursue an aggressive media campaign to combat Kisalova's words 		

	<ul style="list-style-type: none"> - gain power in the Ukrainian Government 	<ul style="list-style-type: none"> - continue to use the efforts of USAID as consultants - try to win votes by passing minor laws and gaining control incrementally 		
	<ul style="list-style-type: none"> - promote investment and growth in Ukraine 	<ul style="list-style-type: none"> - continue the overall of entrepreneurial debilitating laws already existing on the books - gain control and power as a Committee to support trade liberalizing policies 		
	<ul style="list-style-type: none"> - continue to receive aid money from US 	<ul style="list-style-type: none"> - continue to support the US efforts in Ukraine - follow US advice 		