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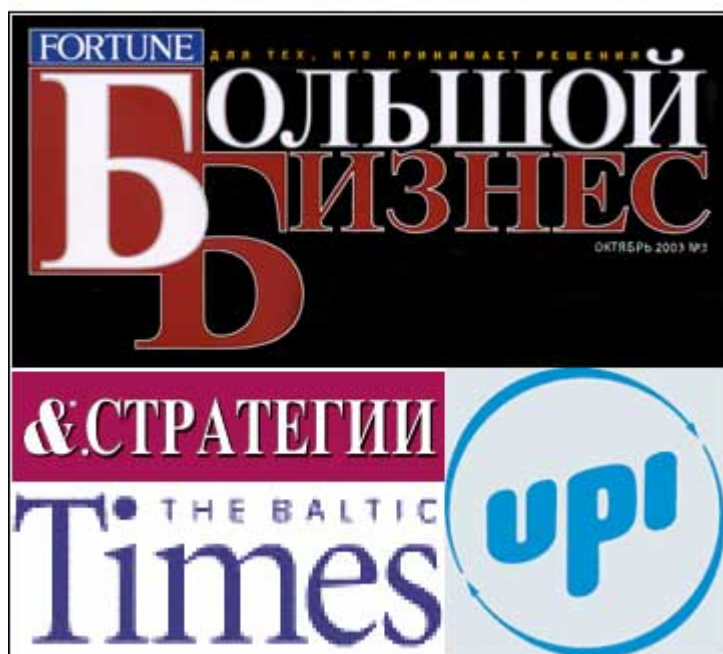
THE PBN COMPANY is an international strategic communications, government relations and public affairs consultancy serving clients worldwide from offices in Washington, DC, London, Moscow, Kyiv, Riga, Almaty and Chisinau.

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Monday, December 8, 2003

Volume 1 Issue 15

PBN In Print



In Moscow, in Kyiv, in Riga and in Washington, DC, The PBN Company recently made the news. Articles written about or by The PBN Company's partners and senior managers appeared in leading publications in each of these major cities.

In Moscow, Fortune's Bolshoi Biznes (or "Big Business") did an interview with PBN Founder, Chairman and CEO Peter B. Necarsulmer on the role of lobbying and government relations in Russia. Strategii, the primary business magazine in Kyiv, ran an article written by PBN Senior Vice President Myron Wasylyk and Senior Account Manager Oksana Monastyrska on the role of financial communications in attracting foreign investors to Ukraine. The Baltic Times in Riga featured PBN's Vice President Romans Baumanis in a story on "Lobbying for Copyright Protection." Paul Nathanson, Senior Vice President and Managing Director of PBN's Washington DC office, explained PBN's role in changing the debate on U.S. steel tariffs in a recent UPI story. And

Fortune Magazine's Bolshoi Biznes: Interview with Peter Necarsulmer

"There are two things on earth people wouldn't like to see - the way sausage is made and the way laws are developed." - Peter Necarsulmer
[\[click here for full story\]](#)

Strategii: "Financial Communications Attract Foreign Investments"

"There is a direct relationship between corporate PR and financial PR." - Myron Wasylyk and Oksana Monastyrska
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The Baltic Times: "Lobbying for Copyright Protection"

"We're talking about real jail time." - Romans Baumanis
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"We've already brought a whole new equation into this debate." - Paul Nathanson
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News from PBN Worldwide

Trevor Barton joins PBN-UK
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change the debate we did. On 4 December, President Bush announced that he was repealing the tariffs on imported steel.

Each of these articles has been reprinted in this edition of Access PBN. The firm's website also features other articles written about or by PBN. We hope you take time to explore some of the other commentaries offered by PBN partners, managers and staff.

Visit the firm's website for other PBN articles:
http://www.pbnco.com/pbn_in_print/index.html

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Monday, December 8, 2003

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Fortune Magazine's Bolshoi Biznes: Interview with Peter Necarsulmer

How does the Russian lobbying system differ from that of the West?

First and foremost, there is no lobbying system in Russia. At least there is no code of laws or common rules. However, there is of course lobbying in Russia, and, in my opinion, it does not differ much from international lobbying efforts. In some countries lobbying is more civilized than in Russia, while in others it is less.

The main difference between Russian and Western lobbying is the following: in Russia the lobbying resources of groups are dependent directly on each group's financial stability. For example, in the West very strong social lobbies exist in the healthcare, consumer goods and insurance sectors. These structures are very well organized there and work effectively. There are very serious lobbyists in Europe and North America lobbying for society's interests to combat AIDS. These are extremely powerful groups, influential not because of their own money or financial investments into the state system, but because they use political instruments (lobbying) to influence government decisions.

Lobbyists do charge fees for their services, don't they?

In this case, the fees cannot be compared to the earnings made by lobbyists in the oil, gas, banking, insurance or pharmaceutical sectors. The figures are considerably different.

Let's continue with the differences. In Western nations, elected state officials treat non-business constituency's interests more seriously. Moreover, the systems of Western political parties are more understandable, efficient and well-established. Both the UK Labour Party and the U.S. Democratic Party have clear, elaborate and consistent platforms and are supported by certain social groups. One of the clear examples is trade unions in the UK.

In Russia all of these processes, you might say, are still in their early stages.

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The October issue of Fortune's Bolshoi Biznes ("Big Business") magazine carried an interview with PBN Chairman and CEO Peter B. Necarsulmer on the unique aspects of lobbying in Russia.

Article reprinted with the permission of Bolshoi Biznes.

Is the Russian lobbying practice different from that of other nations?

For some reason, many people think that lobbying is applying pressure for money. This is how the international public understands lobbying: "he who pays the piper picks the tune." The sole difference is that in Russia this work is being done in the dark, and in the U.S. it is being done under a spotlight.

Speaking about lobbying in Russia, we must admit that it does exist in this country and it is diverse. The most common type of lobbying is using money, power and influence to make the government issue decisions. This is, however, not the only way to undertake lobbying in Russia.

Thirty years ago Jesse Unruh, a very famous political leader from California and a legend in American politics said, "Money is the Mother's milk of politics." He used those words to describe a rather transparent and controllable system of funding political institutions, which was applied in the U.S. already at that time. However, if by the word "money" you mean cash transferred from hand to hand, I think it would describe the Russian lobbying practice. Such a situation in Russia is a reality but not a vital necessity. We all have the right to choose how we are going to lobby.

Why do you think Russia has found itself in such a situation?

Russia is in the early stage of state construction. In general, the Russian lobbying system is not mature and developed, groups of interests are not formed and there are no adequate mechanisms to enforce anticorruption laws.

A certain role is played by some public figures willing to sell their votes or opinions for money. I'm not singling out any such parties or deputies. In every stage of the state process, there is someone from that category.

Is there any professional definition of lobbyism that is accepted in all countries?

Clarity is required here. First of all, lobbyism is a process, which takes a very long time. For instance, the U.S. holds elections every four years. Voting takes only one day, while lobbying efforts are made 365 days a year throughout those four years.

Our approach to these efforts described as "lobbyism" differs greatly from the way the public understands this term and from common practice in Russia. We prefer to talk about lobbyism as the concept established in developed democratic nations, where it is a system to promote and protect interests, not necessarily including secret mechanisms. This concept is a guiding principle for The PBN Company. Government relations are a key direction of our business. Therefore, we view lobbyism as a professional activity aimed at promoting the interests of a particular group in government structures engaged in making state decisions.

Could you give any examples of your lobbying activities in Russia?

Both local and international companies doing business in Russia need professional lobbyist services. Take, for example, the project that our company is now implementing to protect the interests of intellectual property owners. This project was launched several years ago. Among our achievements, I can name participation in the State Duma's working groups to improve legislation, in particular, the trademark law. We explain the details and effects of legislative amendments and cite examples of how the legislations of Western countries work.

The new Customs Code is also a part of this project, and we have submitted recommendations for it. We have drawn the attention of the presidential administration and government to the fact that the draft law does not currently meet the interests of intellectual property owners. We worked with members of the WTO. As a result of our efforts, the WTO announced that the draft customs code is not in compliance with the TRIPS agreement (Trade-Related Aspects of Intellectual Property Rights)

This is just one aspect of our work. There is no golden key. That only exists in countries where one person has absolute control over the government and, thus, has the key in his pocket.

If I understand you right, your work is transparent and fair. May I ask you how much you receive for this project?

The PBN Company is paid about \$300,000 a year for the project on protecting the interests of intellectual property rights holders in Russia. This sum also includes the salaries of our specialists in Brussels, Geneva and Washington.

Who in Russia do you think has better chances in lobbying for this or that cause - professional structures or officials?

It depends on the level and scope of power. Take the president: he has more power than both government officials and professional lobbyists. Many government officials are engaged in pseudo-lobbying activities. This of course happens, but that does not mean that that is how it should be; we believe that this position is wrong and harmful to society.

But of course there are cases where at a certain level in a decision making process in a specific sphere, even a lower ranked official might secure very "favorable" results. However, professional lobbying organizations will always be more effective than that one official, as real lobbyists consider every aspect of situations, and not just administrative resources, taking numerous components and creating a unified program.

Do you mean that if "a rightly appointed official" is paid \$300,000 [to make a decision against you], he won't be able to strike your recommendations?

He couldn't, and here is why: first, you will find that very few important decisions are now made by one person. Second, there are numerous legitimate activities that can concretely influence bureaucrats today.

There are bosses and bodies that oversee their activities, and ultimately, there is the media and the Audit Chamber. Third, if a critically important decision is to be made, \$300,000 won't be enough to make that happen. You may laugh, but I can tell you from my experience that there are many professional and honest officials working in the Russian Government today. I'm not saying that they are angels, but among them there are those who could not be swayed by money.

What are the characteristic traits of Russian lobbyists, besides the fact that they frequently conduct their lobbying activities through work with government structures?

It is hard to find a lobbyist in Russia who will say: "I can't do everything myself." The widespread concept here is "we can do whatever you need, it all depends on the amount of compensation." In more developed countries, people are aware that the political process is complex and that there are different methods of influencing it. There are numerous factors that may make it more difficult to achieve this, or that could help. To tell you the truth, no politician or lobbyist can effectively cooperate with all the organizations in a country, work with all the 400 deputies or influence the government or the presidential administration. It is physically impossible.

In the U.S. behind any controversial issue or legislative initiative, you will find three or four lobbying companies or law firms representing the interests of the different participants and upholding those interests. Moreover, not only lobbying companies work for the benefit of the client, but project teams also include political experts, public opinion organizations and professional associations. All of these help to direct decisions toward the defined lobbied objective.

In Russia the process of forming unions and associations to represent the interests of their members has only begun. But we can already talk about effective support organizations. For example, associations of pharmaceutical manufacturers already fulfill that role as "natural lobbyists."

Why are the majority of Russian companies thoroughly concealing the fact that they use lobbyist services?

Large Russian companies might even answer the question of "What time is it?" by saying that that is a commercial secret. If we speak seriously, it is possible for large companies to have information to hide. This is not because they are scared to say that they are influential or powerful (they never conceal this). Many simply think that any lobbying activities are illegal in Russia. Our position is different: everything is granted that isn't forbidden by law. As such, lobbying activities are not forbidden - of course, if they don't violate legislation.

Frankly speaking, it cannot be denied that decisions advocated by lobbyists are frequently made after a certain sum of money is paid. It is understandable why they pay - if among Russian highranking officials there are those ready to receive so-called unofficial compensation, why should large organizations not make use of that?

Do you think it is realistic that a law on lobbying will be passed in Russia in the near future?

It is unrealistic. Firstly, there is no real driving force on the part of society. Secondly, the Russian democratic system is still too young. Moreover, the following fact worries me: if now a law on lobbying begins to be worked out and adopted, people who possess power, influence or other resources might enact a law that is advantageous to them. With all due respect to our friends and colleagues, I would recommend that no one rush this issue, and instead mainly focus on mechanisms to disclose information in this area. This might make a good backlog for the future.

Peter B. Necarsulmer is founder, Chairman and CEO of The PBN Company, one of the leading international consulting companies in the area of professional lobbying and corporate reputation management. He received a license for lobbying activities in California (U.S.) in 1983. Then he established The PBN Company in San Francisco. He worked as a manager of political campaigns in the interests of California's Democratic congressmen and also led campaigns on legislative initiatives. He represented the interests of industrial, tobacco, insurance and alcohol companies. Among his clients at that time were Philip Morris, Anheuser-Busch (producer of Budweiser beer) and PBS (Public Broadcasting Service). In 1990 he organized and supervised the visit of Mikhail Gorbachev to San Francisco, which sparked an interest in Russia. A year later, PBN opened a representative office in Moscow. PBN represents the interests of leading Russian and international companies in the Russian market.

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Volume 1 Issue 15

Strategii: "Financial Communications Attract Foreign Investments"

Myron Wasylyk, Senior Vice President and Managing Director, The PBN Company

Oksana Monastyrska, Senior Account Manager, The PBN Company

Financial communications has become one of the most dynamically developing fields of modern Public Relations. New technologies have changed the nature of business, making it more open and accessible to the public. The Internet, for example, allows a company to contact a potential customer offering a wide array of services, including financial services, promptly and on a global scale. There is a direct relationship between corporate PR and financial PR.

Corporate PR is understood as forming and managing a company's reputation, while business/corporate reputation remains an illusion without the financial reliability and investment attractiveness of a company. As a rule, a company's corporate image consists of the following factors: meeting customer/client needs in terms of the quality of services and meeting investors' needs in terms of the management system and financial performance. It should be noted that corporate reputation is the foundation for the successful development of financial communications. The quality and related reputation of a company's services or goods are not separated from the corporate image by institutional and private investors, investment analysts and journalists.

Advice to the Ukrainian CEO

- Reputations are earned, not bought.
- Deal-driven or crisis-driven focus on reputation is costly & ineffective.
- Be as professional about managing your reputation as managing cash flow, growth and profits.
- The CEO's good reputation is essential to the company's good reputation

Programs in the field of financial communications envisage developing a strategy, organizing and holding public informational and analytical events with a view to establishing and cultivating efficient links between the management of a company and its target audiences: both domestic (internal) and foreign (external).

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& СТРАТЕГІИ



PBN Senior Vice President and Managing Director of the Kyiv office, Myron Wasylyk, stays ahead of the curve with regard to Ukrainian business trends.



Oksana Monastyrska, PBN Senior Account Manager, co-authored this article with Myron Wasylyk

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Internal Target Audiences

- Shareholders (employees)
- Major shareholders (banks and others)
- Government
- Local authorities
- Investment funds
- Mass media

External Target Audiences

- Institutional investors, investment fund managers and financial analysts
- Investment banks and brokerage firms (financial analysts and brokers)
- Mass media (leading international financial and industry editions, international information agencies)

To successfully implement a financial communications program, it is essential that all target audiences obtain a sufficient amount of information about the company's activities. It is critical that the delivery of information to shareholders, investors, analysts, and specialized mass media remains specific in terms of the type of information. Moreover, large institutional investors may seem overwhelming to companies that have no previous experience working with them. Therefore, there is immense risk in spending the time and effort to build a relationship with a person who might not have the authority to make investment decisions. Lack of information simply prevents target audiences from evaluating economic benefits of suggested initiatives and sometimes gives rise to discontent that may lead a company into crisis.

The tasks usually encompassed by financial communications include the coverage of privatization processes, takeovers and mergers, restructuring, additional issuance of securities, clarification of legal initiatives which may relate to ownership structure or management of a company, corporate governance issues (i.e. shareholders' meetings, disputes between shareholders in respect to holdings of securities, preparation of annual reports, etc.). The combination of efforts of the company's management, legal advisors, auditors, financial consultants, and experts in the field of strategic communications is a prerequisite for the successful fulfillment of the aforesaid tasks. Obviously, all this activity should be carried out within the framework of a unified program.

The basic requirements for companies or experts involved in strategic communications are to present information in a timely and correct manner, track feedback, and adjust perceptions of key messages by target audiences. To this end, it is extremely important to gain insight into specific features of the client's business and into financial, economic, and legal aspects of its activities. Correctly choosing the form of communication between a company and a target audience will guarantee a positive outcome. For instance, it is more common for foreign investors to obtain information about the company from the Internet and to communicate via the Internet.

Corporate Reputation Influencers	
	US CEOs
Broadcast Media	2.53
Internet	2.7
Government	2.71
Financial Analysts	3.08
Shareholders	3.16
Industry Analysts	3.41
Print Media	3.44
CEO Reputation	4.28
Employees	4.42
Customers	4.82
Source: Hill & Knowlton -2000	
Rated by top American CEOs & managers; 1=low, 5=high	

Any communications strategy or program begins with an analysis of the situation and a study of prevailing views. Clear answers to the following questions are indispensable: What is the amount of information about the company that is available to the target audiences? What do they think about this company? What do they know about the state of things in the company? Would they like to become shareholders/partners/clients of this company? Why or why not?

Answers to those questions form the basis for an efficient communication strategy or program. If the answers are correct and positive, then the communication strategy is to help such answers/ views establish themselves more firmly. If the answers are negative, then the communication strategy is to correct errors, and if there are no views or answers at all, then the communication strategy is to fill the void with key messages before someone else fills that void.

Today, the boundaries for various types of communications have become transparent and so-called "internal communications" within one country have practically ceased to exist. Ukrainian companies and officials are constantly in the process of exchanging information, regardless of whether they realize it or not. Sometimes companies make the mistake of believing that they deliver information only to their local audiences. Information about a company reaches investors, analysts, and mass media outside any particular country. Unfortunately, it often happens that the information that reaches foreign target audiences was initially intended only for domestic target audiences and, therefore, this information is inefficient.

Successful implementation of a program related to financial communications provides an opportunity to take advantage of the situation and present the client's history from his own standpoint. Efficient financial communications are a strategic tool that, if used correctly and with due experience, can help companies and organizations to achieve their business objectives.

Similar to legal advice or financial consultation, which may help attain specific objectives, communications also have their specific canons:

- The press, financial analysts, and observers do not like an information void. If a company does not tell about itself then someone else will do it instead. Errors or false information must

not be left without response. One should identify the source of erroneous understanding and rebut such information.

- Accessibility and readiness to train the press. Bad news especially requires clarifications.
- Analysis and warning of a situation. Development and differentiation of key messages.

For example, one company is in the process of taking over another company. Both companies are located in different countries.

Undoubtedly, this news is "hot" for many periodicals. In this case, an efficient matching of interests of the company itself with interests of specific groups through mass media rather than a wide coverage of the event is required: commercial partners expect changes in strategy, shareholders expect guarantees against dilution of their capital due to the purchase, employees expect changes in personnel policies, etc.

Let us draw an example of a most remarkable project: the 100% share purchase of Ukrainian Mobile Communications (UMC) by Russia's Mobile TeleSystems (MTS). The transaction occurred in two phases: during the first phase (November 2002), the shares of UMC were sold by three co-owners of the company: Ukrtelecom (25% of shares), Deutsche Telekom, a German telecom operator (16.3%), and Dutch KPN Telecom (16.3%). During the second phase (April 2003), MTS purchased the remaining 42.3% of the shares of UMC. The sellers were represented by two national telecom operators: TDC (Danish shareholder of UMC) and Ukrtelecom. The first sold 16.3% of its shares, while the second sold 26% of its shares.

This very complex transaction between five parties is phenomenal. It is obvious that each of the shareholders had its own views about the future of the joint venture. Financial conditions and a diverse mentality among shareholders should also be considered. However, the fact that the transaction proved to be beneficial and successful for all its parties and stakeholders, including UMC subscribers, is even more surprising.

ING Barings was MTS's financial consultant in respect to preparing for and concluding the transaction. In addition, each of the participants hired its own appraiser of UMC, and then the result obtained by each party was reduced to a common denominator. For instance, Raiffeisen Investment AG, an Austrian company, made the appraisal for Ukrtelecom. MTS's program of financial communications was fulfilled successfully by the company's internal resources.

Analyzing articles, comments, and interviews published in the local and foreign press in relation to the transaction, one would clearly distinguish the basic key message that the purchase of shares of UMC was beneficial for all the participants and stakeholders:

- Ukrtelecom's participation in the transaction alongside with the worldwide telecom operators, shares of which are quoted in world stock markets, will produce a positive effect on Ukraine's investment image.
- In terms of foreign investors, all of them benefited from the sale of their shares. Title to 16.3% of shares did not allow KPN Telecom, TDC, and Deutsche Telekom to implement their decisions, and the sale of each of those three shareholdings was a super-beneficial way out of an uncontrollable business.
- For UMC, the change in the owner is good, as MTS will provide the Ukrainian partner with access to world financial markets (shares of MTS have been quoted on the New York Stock Exchange since June 2000).

- With its new shareholder, UMC will be able to offer reasonable roaming rates throughout Russia and various new services to subscribers.

The market for financial communications in Ukraine currently remains narrow. However, more and more local companies are engaging in an open and confident dialogue with foreign investors and creditors. Many companies understand not only the cost of capital or comparative advantages from loans and shares but also use modern methods of financial management. Under these conditions, a company's internal resources may not always be sufficient for work with domestic and foreign investors, creditors, potential shareholders, and stock analysts. Therefore, the Ukrainian market will see an increased demand for financial communications services in the near future.

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Read the original article in Ukrainian, as published in Strategii #10, October 2003:

[http://www.strategy.com.ua/strategy/
article.aspx?column=6&article=253](http://www.strategy.com.ua/strategy/article.aspx?column=6&article=253)



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Volume 1 Issue 15

The Baltic Times: "Lobbying for Copyright Protection"

2 October 2003

By Roxanne Khamsi

RIGA - The ordinary packaging of DVDs for rent in a downtown Riga video shop does not betray its curious contents. But one does not have to bring the latest blockbuster home to get a glimpse of the illegal material inside. A television in the shop boldly displays a recent movie that occasionally turns black and white and flashes a warning that the copy has been made only for screening purposes. Instructions provide a number to call and report the crime, but the store clerk at the register facing the monitor conveniently does not take notice.

The staggering availability of pirated DVDs, music, software and other copyrighted goods in the Baltics has stirred concern in the hearts of record companies and makers of computer goods as Estonia, Latvia and Lithuania prepare to fully integrate into the European Union market.

Nowadays consumers do not even have to travel to a seedy marketplace or call up an illicit deliveryman to procure unauthorized goods, according to Elita Maigrave, chairperson of the Latvian Music Producers Association.

"The worst situation is in Lithuania," she says. According to Maigrave, pirated versions of CDs pop up in the country's established music stores where shoppers unwittingly purchase the illegal music. "People are paying taxes on this [pirated music]," Maigrave adds.

A June 2003 report released by the International Federation of the Phonograph Industry found piracy rates to be highest in Lithuania at 85 percent, with losses to the music industry estimated at 12 million euros.

The study placed piracy levels in Latvia at 65 percent and in Estonia at 60 percent.

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THE BALTIC Times



Romans Baumanis, PBN Vice President and Managing Director, was interviewed for this feature on piracy and copyright protection in the Baltic states based on his work for the Coalition for Intellectual Property Rights.

Article reprinted with the permission of The Baltic Times.

Despite the Baltics' increasing integration with the West, the situation has failed to budge. Last month the Latvian Music Producers' Association joined five other organizations in submitting a joint proposal to the prime minister calling for amendments to nine laws and seven Cabinet regulations that would improve the countrywide protection of intellectual property rights.

Romans Baumanis, the Baltics' representative to the Coalition for Intellectual Property Rights, one of the organizations involved in the offering of amendment proposals, explained that one such suggested change would shift the burden of proof in a copyright infringement case from the prosecutor to the defendant.

Although a person charged is usually assumed innocent until proven guilty, certain areas of law do not follow this rule, according to **Baumanis**, who added that trademark and copyright infringement warrants this treatment.

"There are countries such as Sweden, just across the sea, where this problem is judged as serious enough to make the exception," he says.

"There is a contradiction with legal norms that are specifically designed to protect the consumer," says **Baumanis, who also works as vice president and managing director of The PBN Company in the Baltics**. "Are you [the seller] responsible for the quality of goods, for paying taxes and for legally procuring goods?"

He said that Latvia's minister of justice had agreed to take the legislative amendment recommendations forward and hoped that a government working-group would further promote changes to the law.

Baumanis hopes that the changes, such as shifting the burden of proof, will make a radical difference in civilizing the sphere of intellectual property rights, which cover trademarks and copyrights.

"We're talking about real jail times," he adds.

Also, difficulties in prosecuting distributors of pirated material continue to plague copyright advocates. "It's expensive to get experts to prove that goods are pirated," says Maigrave, explaining that if law enforcement officials uncover a shipment of 3,000 unauthorized CDs they must provide expert evidence on each disk.

Customs will also play its part in the copyright battle. Maigrave hopes that there will be tighter control on the transport of pirated materials across borders into the Baltics so that a private person cannot bring in illegal CDs into any of the countries.

"Estonia is maybe a step ahead of us because they have stronger laws in this case," she says, adding that Latvia and Lithuania lack the corresponding customs laws.

Guntis Jekabsons, head of the division for copyright and neighboring rights in the Latvian Culture Ministry, says that the implementation of EU directives into national legislation would make an impact in such areas as protection of the resale rights of original works of art.

"Clarification of the definition of an original work of art is needed, as well as right to receive a royalty based on a sale price," he says.

Jekabson confirmed that Latvia had ratified two recent treaties from WIPO that covered the illegal electronic distribution of music. Lithuania also ratified the treaty, but Estonia has lagged behind, even though it is the Baltic country most known for its advanced computing.

"The copyright laws in all three Baltic countries have relatively poor protection of phonograms, works and other objects in the digital environment," says Rali Maripuu, regional expert for Eastern Europe for IFPI. She adds that Lithuania amended its copyright law in March 2003 and provided new rights and technical measures to works in the digital environment but that the law still needs further improvement.

"Estonia and Latvia are both in the middle of an amending process of their copyright laws. Estonia's law is the least advanced and at the moment does not sufficiently protect works, phonograms and other content in the digital environment. Latvia introduced [a] few relevant provisions back in 2000. However, both countries have to advance their laws further in order to provide effective protection of phonograms, works and other objects in the digital environment," Maripuu said.

Toomas Seppel, copyright specialist at the Estonian Ministry of Culture, explained that Estonia signed both WIPO treaties in December 1997 but did not ratify them. "We are planning to ratify WIPO treaties at the beginning of next year," says Seppel.

"Estonian law is quite tough now," he explains. "The maximum penalty is up to three years in prison, and the maximum fine is 250 million kroons (1.6 million euros). It is not so much about law than enforcement that influences the piracy situation."

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Visit The Baltic Times website: <http://www.baltictimes.com/>



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Monday, December 8, 2003

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UPI: "Steel Wars: Producers vs. Consumers"

The divisive lobbying war over the future of U.S. steel tariffs escalated this week as EU retaliatory sanctions loom ever closer on the Atlantic horizon. But much of the economic struggle over the issue is taking place within the borders of the United States, itself.

This issue stems from a decision this week by the World Trade Organization against U.S. steel tariffs, saying they violate trade laws.

Leading in U.S. domestic strife are a legion of trade groups, public relations campaigns, and unions clamoring in support of either the steel producing or steel using industries. Both sides, eager to showcase their industrial sob stories, regularly spin identical points in opposite directions. The announcement from the EU that it intends to impose \$2.2 billion in sanctions on Dec. 15 has provided further ammunition for the consumers and given the producers something else to complain about. Caught in the crossfire are neutral industry groups such as the National Association of Manufacturers. As the largest U.S. industrial trade group, they represent some 14,000 companies from both sides of the conflict; as one spokesman put it, "excruciatingly so."

And in much of the issue the conflict has been excruciating. Steel-consumer industry leaders are incensed over broken contracts leading to dramatic domestic steel price spikes to just below the tariff-induced inflated foreign prices. The manufacturers have reported supply shortages in steel since the tariffs were installed in March 2002.

For their defense the steel makers often blame consumer-industry incompetence and point to the general manufacturing recession which industry was in even before the tariffs were imposed. They also say there is no turning back, that cutting the tariffs mid-way through their prescribed three-year term would be "devastating."

Bearing the standards in the battle are select groups of congressmen and public relations companies serving in the same role and sometimes working in tandem. **The PBN Company**, a Washington, D.C. public relations firm, represents one of the largest and most vocal lobbying groups, the year-old 10,000 member Consuming Industries

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Paul Nathanson, PBN Senior Vice President and Managing Director of the Washington DC office, explained to a UPI reporter how PBN helped steel consumers be heard in the tariff argument.

Trade Action Coalition Steel Task Force (CITAC STF). Recently they staged a rally in front of the capitol, complete with congressional speakers, billionaire businessmen, and a giant steel press used in manufacturing.

PBN admits to how they refocused the debate internally. "The debate used to be [domestic] steel producers versus foreign steel producers. Now it's [domestic] steel producers versus [domestic] steel consumers. We've already brought a whole new equation into this debate," said **PBN spokesman Paul Nathanson**.

Perhaps unintentionally, this has muddled the debate. By pitting domestic producers and consumers against each other, U.S. industrial interests as a whole have been drowned out in factional concerns. Now, steel producing defenders disregard the effects of \$2.2 billion in sanctions, arguing obtusely that the U.S. should not be beholden to Europe. Rep. Ted Strickland, D-Ohio, when lobbying for steel mills in Ohio and Pennsylvania last month, did not even know what products the sanctions would affect. For their part, steel consumers, such as the American Institute for International Steel, welcome the WTO decision, even though it may lead to an overall economic bruising.

The proposed EU sanctions appear to have a political as well as an economic intent. Beginning with 100 percent tariffs on many U.S. steel products, the list moves on to include clothing, industrial machinery, farm produce, paper, and even brooms, pens, and juice. Of the 1,866 items on the list, the majority are common consumer products. Harmful effects on American merchandise companies will likely trickle down to price increases for American consumers. Disgruntled American consumers will take their angst to the polls.

There are a variety of reports that indicate the European Commission may have intended just this political heat. If Bush holds firm on the tariffs and the EC enacts sanctions next month, even the steel producers may find themselves suffering, but for unexpected reasons. The imbroglío of debaters on the steel issue may actually find unified ground -- in shots against the President.

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Visit UPI's website: <http://www.upi.com>



Three members of the U.S. House of Representatives joined members of CITAC STF and the Precision Metalforming Association (PMA) at a recent "End the Steel Tariffs" rally outside the U.S. Capitol.

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THE PBN COMPANY is an international strategic communications, government relations and public affairs consultancy serving clients worldwide from offices in Washington, DC, London, Moscow, Kyiv, Riga, Almaty and Chisinau.



Monday, December 8, 2003

Volume 1 Issue 15

News from PBN Worldwide

UK VEEP. PBN has a new Vice President of our UK operation. Starting January 19, 2004, Trevor Barton joins PBN to head up our European operations, which are managed out of our London office. Trevor is presently a partner in the International Trade and Finance Group of the law firm Clyde & Co. He focuses on trade, insurance, shipping, asset finance, debt recovery and investment into Russia. He is based in the firm's London office. From 1994 to 2000, he was Clyde & Co's resident lawyer in Russia. While living in St. Petersburg, Trevor was also Honorary Legal Adviser to the British Consulate. Trevor was on part-time secondment to the Department of Trade and Industry as the UK Government's Export Promoter for Russia from 2001 to 2002. He is a member of the Board of Directors of the Russo-British Chamber of Commerce and of the CIS Advisory Group of International Financial Services London (IFSL). Look for more on Trevor and our London operations in the January edition of Access PBN.

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IN GOOD COMPANY. PBN-Moscow Vice President, Mikhail Goncharov, was quoted in Fortune Magazine's Bolshoi Biznes on the business trends of November 2003. Alongside Gonch's assessment of Russian business in November were quotes from the likes of National Bank of Development Chairman of the Board Viktor Kostritsyn, Prosperity Capital Management Director Ivan Mazalov, and World Bank in Russia Chief Economist Christopher Ruhl.

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AROUND TOWN. The PBN Company coordinated the recent successful European Round Table (ERT) delegation visit to Moscow. Peter Sutherland of BP, Philip Watts of Royal Dutch/Shell, Thierry Desmarest of Total, Jorma Ollila of Nokia, and Manfred Schneider of Bayer were among the 12 major industrialists who met with Russian President Vladimir Putin, Prime Minister Mikhail Kasyanov, and Unified Energy System CEO Anatoly Chubais during their 2-day visit.

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CONFIDENCE IN CONSUMERS. PBN Chairman and CEO Peter B. Necarsulmer gave a speech at the Annual Meeting of the U.S.-Russia Business Council on the growing consumer market in Russia. One interesting factoid: Muscovites spend more disposable income on

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Results of a PBN-sponsored survey conducted by Interactive Research Group (IRG) show Muscovites spend almost 90% of income on consumer goods.



PBN family, friends, clients and staff celebrate at the Restaurant Kureni in Kyiv.

consumer goods than residents in Warsaw, Budapest, Prague, Paris, London and Frankfurt.

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For a copy of Peter's presentation:

<http://www.pbnco.com/presentation/uspb/>

[USRBCnotes_rev21Octsm.pdf](#)

KYIV COURTESY. PBN's Kyiv office showed an outpouring of hospitality and warmth, when it hosted both our Partners and Board of Directors meetings in Kyiv this past September. In addition, PBN-Kyiv held a bash to celebrate the firm's 20th anniversary and 7th year in business in Ukraine. Leading government officials, business executives and friends and family enjoyed great food, festive music and a few toasts. Thanks again to our colleagues in Ukraine for being such great hosts!

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FRIENDLY ADVICE TO FRIENDS TO THE NORTH. PBN's Senior Vice President and Washington Managing Director Paul Nathanson gave insight to the workings on Washington DC media to Canadian foreign service officers who will be based in the United States. The presentation, entitled "Advocacy, Washington-Style: Working the Media," was arranged by the Canadian Embassy in Washington DC.

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AMSTERDAM...DC...LONDON. The ever-travelling Christina Bucher returned to Washington DC in September after a year-long stay in Amsterdam, but only for one month. Christina is spending November and December in PBN's London office to help manage the office and client needs until PBN's new managing director, Trevor Barton, joins the firm in January. Christina will be back in the DC office after the holidays.

Email Christina: christina.bucher@pbnco.com

WE'RE LOVIN' IT TOO. On the set of a recent video shoot in Moscow to help publicize McDonald's new worldwide slogan "I'm Lovin' It™," Khamzat Khasbulatov, President of McDonald's Russia, was the center of attention. PBN's Director of Interactive Media Mark Slater and Senior Account Manager Tatiana Nikulshina directed and produced, respectively, the company's new video.

<http://www.mcdonalds.ru/>



PBN produces video to launch McDonald's new slogan, "I'm Lovin' It™." Featured in photo and video is Khamzat Khasbulatov, President of McDonald's Russia.

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