

Ronald Reagan Presidential Library Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Danzansky, Stephen I.: Files
Folder Title: US-USSR Working Group on
Experts, December 1986 (1)
Box: RAC Box 19

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name DANZANSKY, STEPHEN (NSC): FILES

Withdrawer

CAS 8/19/2011

File Folder US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986 (1)

FOIA

M11-375

Box Number 90971 *119*

SHIFRINSON

2

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
116980	PAPER	RE SOVIET 1986-1990 FIVE YEAR PLAN GOALS	2	ND	B1
116985	PAPER	RE SOVIET REORGANIZATION OF THE FOREIGN TRADE APPARATUS	2	ND	B1
116986	TABLE	TABLE I RE SOVIET MINISTRIES WITH DIRECT ACCESS TO FOREIGN TRADE PARTNERS AS 1/1/87	1	ND	B1
116988	TABLE	RE COMPOSITION OF FOREING ECONOMIC COMMISSIONS (ON REVERSE ON 116986)	1	ND	B1
116990	PAPER	RE SOVIET HARD CURRENCY SITUATION, TRENDS, AND DEBT	2	ND	B1
116991	PAPER	RE SOVIET ECONOMIC PERFORMANCE: TRENDS AND OUTLOOK	2	ND	B1
116992	CABLE	MOSCOW 20075 R 12/22/2015 M554/1	4	11/25/1985	B1
116993	PAPER	RE SOVIET MANUFACTURED EXPORTS TO THE WEST: TRENDS AND IMPEDIMENTS	2	ND	B1
116994	PAPER	RE SOVIET CONTRACTS WITH THE WEST (CHART ON THE REVERSE)	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name DANZANSKY, STEPHEN (NSC): FILES

Withdrawer

CAS 8/19/2011

File Folder US-USSR WORKING GROUP OF EXPERTS, DECEMBER
1986 (1)

FOIA

M11-375

Box Number 90971 / 19

SHIFRINSON

2

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
116996	CABLE	MOSCOW 20052 <i>R 12/22/2015 M554/1</i>	7	11/24/1986	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

~~CONFIDENTIAL~~

FIFTH ~~SESSION~~

U.S. - U.S.S.R
WORKING GROUP OF EXPERTS

December 1 - 2, 1986
Washington, D.C.

U.S. DEPARTMENT OF COMMERCE
International Trade Administration

Alexander Platt # 11

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED

~~CONFIDENTIAL~~

CS 8/19/81

FIFTH MEETING
U.S.-U.S.S.R. WORKING GROUP OF EXPERTS
December 1-2, 1986
Washington, D.C.

TABLE OF CONTENTS

TAB

WG OPENING, Monday, December 1

Scenario	
Under Secretary Ortner's Statement	A
U.S. and Soviet Delegation Lists	B

1 - Economic Outlook

Scenario	
Talking Points and Background on U.S.S.R. Five-Year Plan	C

2 - Trade Outlooks

Scenario	
Talking Points and Background on	
Reorganization of Soviet Foreign Trade	D
and Industry, including	
- Proposed Questions	
- Soviet Reorganization of Foreign Trade	
- Soviet Hard Currency	
- Soviet Economic Performance	
- Soviet Economic Reform	
- Soviet Manufactured Exports to the West	
- Soviet Contracts with the West	

SECOND WG SESSION, December 2

Scenario	
Under Secretary Smart's Statement	E

3 - New Trade Mechanisms

Scenario	
Trends in U.S. International Investment	F
Talking Points and Background on Soviet	G
Plans for Joint Ventures	

TAB

4 - Projects

Scenario	
U.S. paper on projects offering opportunities for expansion of U.S.-U.S.S.R. commercial relations	H
U.S. Export Controls, including Oil & Gas	I
Petroleum Equipment and Technology Exports to U.S.S.R.	J
Supplier Reliability and Contract Sanctity	K

WG CONCLUSION

Scenario	
Under Smart's concluding statement	L

BACKGROUND PAPERS

Biographic Sketches	M
Summary of Previous Working Group Meetings	N
Human Rights and Emigration	O
Grain Trade Status and Issues	P
MFN and Credits	Q
U.S.-U.S.S.R. Trade Status	R
Fisheries Issues	S
Soviet Approach to GATT	T
Soviet Export Issues, including	U
Furskins	
Urea and Other Import Administration Issues	

WG OPENING

MONDAY SESSION -- OPENING

2:00-2:20 p.m., Monday, December 1, 1986, Room 4830

We have agreed with the Soviet delegation that the two chairmen will dispense with opening statements in order that the Working Group may begin immediately with business. There will be simultaneous translation. Speakers should speak into microphones at a normal pace.

U.S. WELCOMING REMARKS

Shortly before 2:00 p.m., Under Secretary Ortner will enter Room 4830 and will be introduced to Deputy Minister Malkevich by Assistant Secretary Laun or Deputy Assistant Secretary Vargo. At 2:00 p.m., Under Secretary Ortner will indicate that the session should begin and will take his chair at the middle of the U.S. side of the table.

Under Secretary Ortner will make a brief welcoming statement and will introduce the U.S. delegation.

TAB A: Under Secretary Ortner's Statement
TAB B: Delegation Lists

ANTICIPATED SOVIET OPENING REMARKS

Deputy Minister Malkevich will thank Under Secretary Ortner for his welcome, agree to the proposed agenda, and introduce the Soviet delegation. The time should be 2:20 p.m.

UNDER SECRETARY ORTNER'S
WELCOMING STATEMENT

MINISTER MALKEVICH (phonetic: malkAYeveech):

I AM PLEASED TO WELCOME YOU TO WASHINGTON TODAY AS WE OPEN THE FIFTH MEETING OF THE U.S. - U.S.S.R. WORKING GROUP OF EXPERTS. LAST YEAR'S MEETING OF THE WORKING GROUP WAS THE FIRST IN SIX YEARS, AND WAS HIGHLY PRODUCTIVE. IT CREATED A BETTER UNDERSTANDING AND BEGAN A USEFUL TRADE DIALOG -- A DIALOG WE WILL CONTINUE TODAY.

UNDER SECRETARY SMART, WHO IS OFFICIALLY THE U.S. CO-CHAIRMAN OF THE WORKING GROUP, WAS UNABLE TO BE IN WASHINGTON TODAY, BUT WILL RETURN THIS EVENING AND WILL CHAIR TOMORROW'S SESSION.

MINISTER MALKEVICH, I WOULD NOW LIKE TO INTRODUCE THE U.S. DELEGATION.

(READ FROM SEPARATE UPDATED LISTING IN TAB B.)

IT IS MY UNDERSTANDING, MR. MINISTER, THAT BOTH SIDES HAVE AGREED ON AN AGENDA COMPRISED OF: 1) A REVIEW OF THE U.S. AND SOVIET ECONOMIC OUTLOOKS; 2) THE FOREIGN TRADE AND INTERNATIONAL OUTLOOK; 3) TRENDS AND NEW MECHANISMS IN FOREIGN TRADE; AND 4) A PRESENTATION AND DISCUSSION OF THE STATUS OF PROJECTS.

I WOULD LIKE TO ASK FOR YOUR CONCURRENCE TO THIS AGENDA, MR. MINISTER, AND TO INVITE YOU TO INTRODUCE THE SOVIET DELEGATION.

U.S. DELEGATION
TO THE FIFTH MEETING OF THE
U.S.-U.S.S.R. WORKING GROUP OF EXPERTS

DECEMBER 1 - 2, 1986
WASHINGTON, D.C.

Bruce Smart	Under Secretary of Commerce for International Trade
Robert Ortner	Under Secretary of Commerce for Economic Affairs
Louis Laun	Assistant Secretary of Commerce for International Economic Policy
Franklin Vargo	Deputy Assistant Secretary of Commerce for Europe
James Phillips	Deputy Assistant Secretary of Commerce for Capital Goods and International Construction
Michael Kelley	Deputy Assistant Secretary of Commerce for Basic Industries
Jerry Rothenberg	Associate Deputy Assistant Secretary Department of Housing & Urban Development
Susanne Lotarski	Director, Office of Eastern European and Soviet Affairs Department of Commerce
Allen Lenz	Director, Office of Trade and Investment Analysis Department of Commerce
Alexander Platt	Director for International Economic Affairs National Security Council
Robert Clarke	Deputy Director for Economic Affairs Office of Soviet Affairs Department of State
Michael Mears	Commercial Counselor U.S. Embassy in Moscow
John Brougher	Director, USSR Division Department of Commerce

Willard Workman	Director, Strategic Policy and Planning Division Export Administration Department of Commerce
John Danylyk	Office of Economic Analysis Department of State
Catherine Curtiss	Office of the U.S. Trade Representative
Cecilia Klein	Office of the U.S. Trade Representative
John Harrison	Department of Agriculture
Jack Martens	Export Administration Department of Commerce
Valentine Zabijaka	USSR Division Department of Commerce
Scott Bozek	Office of Eastern European and Soviet Affairs Department of Commerce
Edgar Fulton	Office of Eastern European and Soviet Affairs Department of Commerce
Joseph Panaro	Department of Housing & Urban Development
Ms. Galina Tunik-Rosniansky	Interpreter Department of State
Mr. Dimitry Zarechnak	Interpreter Department of State
Mr. William Hopkins	Interpreter Department of State

Experts

(Unofficial participants, present at the Working Group sessions but not taking part in the discussions. They will attend protocol events where space is available.)

Leyla Woods

U.S.S.R. DELEGATION
TO THE FIFTH MEETING OF THE
U.S.-U.S.S.R. WORKING GROUP OF EXPERTS

DECEMBER 1 - 2, 1986
WASHINGTON, D.C.

Vladislav L. Malkevich	First Deputy Minister of Foreign Trade Head of Delegation
Oleg V. Kozhevnikov	U.S.S.R. Trade Representative in the United States
Yuriy A. Kislenko	Chief of Engineering and Technical Main Administration Ministry of Foreign Trade
Nikolay V. Zinovyev	Chief of Trade with American Countries Administration Ministry of Foreign Trade
Albert V. Melnikov	Deputy U.S.S.R. Trade Representative in the United States
Yuriy D. Shcherbina	Chairman AMTORG
Andrey A. Plavinskiy	Deputy Chief of U.S. Department of Trade with American Countries Administration Ministry of Foreign Trade
Nikita L. Dvoretz	Chief of American Section Economic Cooperation with Foreign Countries Department of State Planning Committee
P. S. Smirnov	Division Chief Legal & Treaty Department Ministry of Foreign Trade
V. A. Akulin	Chief, Economic Section USA & Canada Division Ministry of Foreign Affairs
S. V. Vialikov	Assistant to the First Deputy Minister of Foreign Trade
A. A. Zelenov	Assistant to First Deputy Minister of Foreign Trade

Igor N. Kondakov

Division Chief
U.S.S.R. Trade Representation

Valentin T. Bazhin

Division Chief
U.S.S.R. Trade Representation

Yevgeniy V. Zheltkov

U.S.S.R. Trade Representation

Aleksandr S. Ivanov

U.S.S.R. Trade Representation

V. V. Ponomarev

U.S.S.R. Trade Representation

Y. A. Andreev

Interpreter
Ministry of Foreign Trade

A. S. Abramov

Interpreter
Ministry of Foreign Trade

AGENDA ITEM 1.

"U.S. AND SOVIET ECONOMIC OUTLOOKS"

2:20-3:30 p.m., Monday, December 1, 1986, Room 4830

U.S. AND SOVIET ECONOMIC OUTLOOK

After Deputy Minister Malkevich introduces the Soviet delegation, Under Secretary Ortner will state that we should move right to the first order of business, which is the U.S. economic outlook that he will present. After Under Secretary Ortner's remarks, and distribution of an unclassified handout, he will invite Soviet questions, which we expect the Under Secretary will answer himself.

At the conclusion of the question period, the Under Secretary will invite Deputy Minister Malkevich to have the Soviet side make a presentation on "U.S.S.R. Five-Year Plan Goals". This will be followed by questions the Under Secretary will invite from the U.S. delegation.

At 3:30, Under Secretary Ortner will suggest a short break for beverages, explaining he must leave and turn the U.S. Chair over to Assistant Secretary Laun.

TAB C: Talking Points and Background on USSR
Five-Year Plan.

Proposed Questions for Meeting of
U.S.-U.S.S.R. Working Group of Experts

(Suggested questions for use by U.S. delegation following
Soviet presentation on U.S.S.R. FIVE YEAR PLAN GOALS)

General Questions Concerning the Soviet Economy

- o What further reorganizations are you expecting during this Five Year Plan?
- o Can you provide any information on the consumer program scheduled for the 1986-90 period, in particular the growth targets for investment planned for consumer-oriented sectors?
- o To what degree will imported Western equipment and technology contribute to a general increase in productivity?
- o Can we expect publication of a detailed Five Year Plan?
- o Will a detailed 1987 Economic Annual Plan be published?
- o What specific types of plants will be sought from the West during this Five Year Plan?
- o What are the most important projects in the U.S.S.R. that will be offered to Western companies?
- o Can you provide any further information on investment plans for 1986-90?
- o What problems do you foresee in machinebuilding and metalworking industry as a result of the increased investment during the current Five Year Plan?
 - where will the needed equipment and supplies come from?
 - does the excess capacity exist to allow enterprises to stand down while renovating?

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116980	PAPER RE SOVIET 1986-1990 FIVE YEAR PLAN GOALS	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

AGENDA ITEM 2.

"U.S. AND SOVIET FOREIGN TRADE OUTLOOK AND GOALS"

3:45-5:05 p.m., Monday, December 1, 1986, Room 4830

U.S. AND SOVIET FOREIGN TRADE OUTLOOK AND GOALS

At 3:45 p.m., Assistant Secretary Laun will take the Chairman's seat at the middle of the U.S. side of the table. Assistant Secretary Laun will invite the delegations back to the table -- with their beverages, if they want.

Assistant Secretary Laun will state that the next item on the agenda is U.S. and Soviet Foreign Trade Outlook and Goals, and will invite Deputy Minister Malkevich to have the Soviet delegation make a presentation on "USSR Foreign Trade Goals and the Reorganization of Soviet Foreign Trade and Industry".

After the presentation, Assistant Secretary Laun will thank Deputy Minister Malkevich and will state the U.S. side has some questions. Assistant Secretary Laun will ask the first question and will then invite questions from the U.S. delegation.

At about 4:25 p.m., Assistant Secretary Laun will suggest that we should move on to the next item, which is a U.S. presentation on "The International Outlook for Sectors of Potential Importance to U.S.- Soviet Trade". Assistant Secretary Laun will introduce:

Mr. James Phillips, Deputy Assistant Secretary for Capital Goods and International Construction; and

Mr. Michael Kelley, Deputy Assistant Secretary for Basic Industries.

Assistant Secretary Laun will ask Deputy Assistant Secretary Phillips to speak first, for about 10 minutes, and then Deputy Assistant Secretary Kelley. After their presentations, Assistant Secretary Laun will invite questions from the Soviet side.

SCENARIO CONTINUED ON THE REVERSE SIDE

At 5:05 p.m., or after 20 minutes of questions (whichever is first), Assistant Secretary Laun will suggest to D/M Malkevich that we have had a productive day with a useful exchange of information. Assistant Secretary Laun will propose we adjourn for the day, and will seek Deputy Minister Malkevich's concurrence. Assistant Secretary Laun will remind both delegations of the dinner Under Secretary Smart is hosting at 7:00 p.m. in the Old Ebbitt Grill (banquet room on lower level).

TAB D: Talking Points and Background on reorganization of Soviet foreign trade and industry.

D

Proposed Questions for Meeting of
U.S.-U.S.S.R. Working Group of Experts

(Suggested questions for use by U.S. delegation following Soviet presentation on SOVIET FOREIGN TRADE REORGANIZATION)

General Questions Concerning the Reorganization
of Soviet Foreign Trade and Industry

- o Besides the joint venture law and opening of foreign trade to various ministries and enterprises are there any other major efforts to promote Soviet exports?
- o How will joint ventures operate when dealing with other Soviet entities?
- o How much authority will the newly created Foreign Economic Relations Commission have within the Soviet Foreign Trade sector? Will it be involved in specific trade decisions?
- o What new Soviet products will we see on hard currency markets?
- o To what key Soviet sectors should U.S. firms look to for sales?
- o How will hard currency funds be distributed among ministries and other entities granted the authority to conduct trade?
- o What new Soviet products will become available to U.S. buyers?
- o Is the Ministry of Foreign Trade considering a trade promotion program to boost Soviet exports to the United States?
- o With the reorganization of foreign trade how will the new ministries and enterprises enter foreign markets?
- o Will the role of Amtorg and Trade Representation change? What will be their role be in representing new units which are to become active in foreign trade?
- o GOSAGROPROM has been set up to oversee the Soviet agrobusiness sector. Will it be given an opportunity to participate directly in foreign trade?
- o Does the reorganization portend a greater role for VNESHTORGBANK in both internal hard currency allocations and foreign borrowing?

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116985	PAPER RE SOVIET REORGANIZATION OF THE FOREIGN TRADE APPARATUS	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
-----------	---	------------------------------	-----------------	---------------------------------

116986 TABLE

1

ND

B1

TABLE I RE SOVIET MINISTRIES WITH DIRECT
ACCESS TO FOREIGN TRADE PARTNERS AS
1/1/87

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986

(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116988	TABLE RE COMPOSITION OF FOREING ECONOMIC COMMISSIONS (ON REVERSE ON 116986)	1	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116990	PAPER RE SOVIET HARD CURRENCY SITUATION, TRENDS, AND DEBT	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986

(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116991	PAPER RE SOVIET ECONOMIC PERFORMANCE: TRENDS AND OUTLOOK	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

116992

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM

023154 DC0360

PAGE 01

023154 DC0360

25/1009Z

26/1644Z

INFO SRV-01 /001 A1 R123

25/1015Z

INFO CCEN-01 OPS-01 CECO-01 6410-01 4121-01 4230-01 4231-01
5200-01 4232-01 4122-01 6930-01 01L-01 NDS-01 6440-01
DE50-01 CEN-01 5212-01 5213-01 SOVI-01 3360-01
/020 A1 B329

RR RUEHDC

DE RUEHMO #0075/01 329100Z

ZNY CCCCC ZZH

R 250951Z NOV 86

FM AMEMBASSY MOSCOW

TO RUEHC/SECSTATE WASHDC 3411

INFO RUEHLN/AMCONSUL Leningrad #029

RUEHNE/EASTERN EUROPEAN POSTS

RUEHDC/USDOC WASHDC

BT

~~CONFIDENTIAL~~ SECTION 01 OF 04 MOSCOW 20075

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER
DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS

E.O. 12356: DECL: OADR

TAGS: ECON, UR

SUBJECT: SOVIET ECONOMIC REFORM: THE BEAR STUMBLES
- INTO THE 21ST CENTURY

REFS: (A) MOSCOW 15995, (B) MOSCOW 4730, (C) MOSCOW 13399,
(D) MOSCOW 15210, (E) MOSCOW 15011, (F) MOSCOW 19853,
(G) MOSCOW 17082, (H) 85 MOSCOW 4910,
(I) MOSCOW 14292

2. SUMMARY: IN AN EFFORT TO REVERSE THE DOWNWARD ECONOMIC TRENDS OF RECENT YEARS AND PREVENT THE USSR FROM FALLING EVER MORE HOPELESSLY BEHIND THE WEST TECHNOLOGICALLY, GORBACHEV HAS INTRODUCED WHAT HE CALLS A "RADICAL REFORM" OF THE SOVIET ECONOMY. HE HAS TAKEN A NUMBER OF CONCRETE STEPS (DESCRIBED IN BRIEF BELOW) TO RATIONALIZE CENTRAL ECONOMIC DECISION-MAKING, GRANT MORE AUTONOMY TO SOVIET ENTERPRISES AND IMPROVE THE LOT OF THE CONSUMER. THOUGH THESE MEASURES REPRESENT STEPS IN THE DIRECTION OF GREATER EFFICIENCY, IN OUR VIEW GORBACHEV HAS NOT YET GONE FAR ENOUGH TO BRING ABOUT A FUNDAMENTAL IMPROVEMENT IN SOVIET ECONOMIC PERFORMANCE. OVER THE LONGER TERM, WITHOUT A REAL PRICE REFORM AND A MAJOR OVERHAUL OF THE SUPPLY SYSTEM, THE SOVIET UNION WILL REMAIN HAMSTRUNG BY Ponderous PLANNING METHODS PARTICULARLY UNSUITED FOR AN ECONOMY THIS SIZE. THIS DOES NOT PRECLUDE A LIMITED ONE-TIME INCREASE IN PRODUCTIVITY AS GORBACHEV'S MEASURES RELEASE SOME OF THE RESERVES HIDDEN IN THE MASSIVE INEFFICIENCIES OF THE SOVIET SYSTEM.
END SUMMARY.

INTRODUCTION

3. GORBACHEV HAS STAKED THE FUTURE OF HIS REGIME ON A QUALITATIVE CHANGE IN THE SOVIET ECONOMY. HE HAS PLEDGED SIMULTANEOUSLY TO REVERSE THE DECLINING TREND IN ECONOMIC GROWTH RATES, MODERNIZE BACKWARD SOVIET INDUSTRY AND IMPROVE THE LOT OF THE PERENNIALY DOWNTRODDEN SOVIET CONSUMER. TO ACCOMPLISH THESE GOALS, HE ANNOUNCED A "RADICAL REFORM" OF THE ECONOMIC MECHANISM AT

THE 27TH PARTY CONGRESS IN FEBRUARY 1986 (THE FIRST TIME A SOVIET LEADER HAS USED THIS PHRASE OF LENIN'S).

4. EARLIER SOVIET REGIMES HAVE TRIED TO STREAMLINE THE ECONOMIC SYSTEM WITH LITTLE SUCCESS. THIS TIME, HOWEVER, THE CURRENT LEADERSHIP IS MOTIVATED BY A REAL FEAR THAT THE SOVIET UNION WILL ENTER THE 21ST CENTURY A SECOND-RATE POWER IN EVERY SENSE BUT THE MILITARY ONE. THIS FEAR THAT THE USSR WILL MISS THE CURRENT INDUSTRIAL REVOLUTION, AS RUSSIA MISSED THE FIRST, IS AT THE HEART OF THE ECONOMIC RESTRUCTURING.

5. GORBACHEV'S ECONOMIC REFORM HAS SOME OF THE EXHORTATIVE FLAVOR OF PREVIOUS SOVIET CAMPAIGNS TO SPUR THE SOVIET WORKER TO GREATER ECONOMIC PRODUCTIVITY. ECONOMIC RESTRUCTURING (PERESTROYKA) AND ACCELERATION (USKORENIYE) ARE TERMS THAT CROP UP CONSTANTLY IN THE MEDIA, IN LEADERSHIP SPEECHES, AND IN MEETINGS WITH SOVIETS AT ALL LEVELS. HOWEVER, GORBACHEV'S REFORM IS MORE THAN SLOGANS AND POSTERS. IN HIS FIRST 18 MONTHS AS GENERAL SECRETARY, HE HAS TAKEN SOME CONCRETE STEPS DESIGNED TO IMPROVE WHAT THE REGIME CALLS THE ECONOMIC MECHANISM. THE CRUCIAL QUESTION IS, OF COURSE, WHETHER HE HAS GONE FAR ENOUGH TO PREVENT THE USSR FROM FALLING INCREASINGLY BEHIND IN THE ADAPTATION OF NEW TECHNOLOGICAL SYSTEMS.

6. NOT ALL THE MEASURES INTRODUCED BY GORBACHEV ARE NEW--SEVERAL OF THE ECONOMIC EXPERIMENTS WERE BEGUN UNDER ANDROPOV, AND OTHERS HAVE ROOTS IN THE KOSYGIN REFORMS OF THE 1960'S. THE FOLLOWING IS NOT AN EXHAUSTIVE LISTING OF ALL THE MEASURES THAT HAVE BEEN TAKEN; RATHER A LOOK AT THE MOST IMPORTANT CHANGES.

GOVERNMENT

BT

#0075

DECLASSIFIED

NLRR M554 #116992
BY RLW NARA DATE 12/22/15

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM

023153 DCOJ

PAGE 01

023153 DCO361

25/1010Z

26/1644Z

INFO SRV-01 /001 A1 R123

25/1016Z

INFO CCEN-01 /001 A1 B329

RR RUEHDC

DE RUEHMO #0075/02 3291002

ZNY CCCCC ZZH

R 250951Z NOV 86

FM AMEMBASSY MOSCOW

TO RUEHC/SECSTATE WASHDC 3412

INFO RUEHLN/AMCONSUL Leningrad 0030

RUEHNE/EASTERN EUROPEAN POSTS

RUEHDC/USDOC WASHDC

BT

~~CONFIDENTIAL~~ SECTION 02 OF 04 MOSCOW 20075

USDOC FOR 4231/IEP/EUR/DEESA/USSR/JBROUGHER
DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS

E.O. 12356: DECL: OADR

TAGS: ECON, UR

SUBJECT: SOVIET ECONOMIC REFORM: THE BEAR STUMBLES

7. THE SUPER-MINISTRIES: IN AN EFFORT TO IMPROVE THE PERFORMANCE OF KEY ECONOMIC SECTORS, GORBACHEV HAS SET UP NEW STATE STRUCTURES CHAIRED BY COUNCIL OF MINISTERS DEPUTY CHAIRMEN. SUCH "SUPER-MINISTRIES" HAVE BEEN SET UP FOR AGRICULTURE, CONSTRUCTION, ENERGY, MACHINE BUILDING, AND FOREIGN TRADE (REF A); AND ONE FOR TRANSPORTATION MAY BE IN THE WORKS. THE ORGANIZATIONAL DETAILS OF THESE BODIES DIFFER, BUT THE THRUST IS BASICALLY THE SAME--THEY ARE TO COORDINATE LONG-TERM POLICY DIRECTIONS (EXCEPT GOSAGROPROM, WHICH IS DESIGNED TO PLAY A MORE OPERATIONAL ROLE).

8. ANOTHER DEVELOPMENT WAS THE CREATION OF THE COMMISSION FOR PERFECTING MANAGEMENT, PLANNING AND THE ECONOMIC MECHANISM, ALSO KNOWN AS THE TALYZIN COMMISSION (REF B), TO DRAW UP PLANS FOR NEEDED REFORM. THE COMMISSION IS REPORTEDLY STILL MEETING WEEKLY, BUT IT IS UNCLEAR HOW MANY OF THE PUBLISHED ECONOMIC DECREES ORIGINATED THERE.

INDUSTRY

9. THE ESSENCE OF THE REFORM OF SOVIET INDUSTRY IS INCREASED AUTONOMY FOR SOVIET ENTERPRISES. A NUMBER OF MEASURES HAVE BEEN IMPLEMENTED IN THIS AREA:

-- SELF-FINANCING: FOLLOWING THE SUCCESSFUL EXPERIMENT WITH SELF-FINANCING AT THE FRUNZE PLANT IN SUMY (REF C) AND AVTOVAZ IN TOGLIATTI, SELF-FINANCING IS TO BE INTRODUCED IN ALL THE ENTERPRISES OF SELECTED MINISTRIES BEGINNING NEXT YEAR. SELF-FINANCING MEANS THAT AN ENTERPRISE PAYS A PERCENTAGE OF ITS PROFITS TO THE STATE AND FUNDS ITS OWN OPERATIONS FROM THE REMAINDER, WITHOUT SUPPORT FROM THE CENTRAL BUDGET.

CAN THIS ACTUALLY BE PUT INTO PRACTICE ON A WIDE SCALE IN THE SOVIET UNION? WE CITE THREE

POTENTIAL PROBLEM AREAS:

- 1) WILL THE MINISTRIES ACTUALLY RELINQUISH CONTROL OVER THE OPERATIONS OF THEIR ENTERPRISES? PREVIOUS REFORM EFFORTS HAVE FOUNDERED ON THE UNWILLINGNESS OF MID-LEVEL BUREAUCRATS TO SURRENDER THEIR OPERATIONAL AUTHORITY, AND THIS IS THE BIGGEST THREAT TO GORBACHEV'S REFORM AS WELL. WILL THE MINISTERS, AT A TIME WHEN THE MEDIA FEELS FREE TO LAMBASTE THEM FOR DEFICIENCIES IN SUBORDINATE ENTERPRISES, PERMIT THOSE ENTERPRISES GREATER SCOPE FOR AUTONOMOUS DECISION-MAKING?
- 2) CAN SELF-FINANCING TURN AROUND LESS SUCCESSFUL ENTERPRISES? IT HAS WORKED WELL AT ENTERPRISES THAT WERE ALREADY TWO OF THE BEST IN THE COUNTRY--BUT WHAT CAN IT DO FOR AN ENTERPRISE WITH LOW PROFITS OR ONE THAT HABITUALLY RUNS AT A LOSS?
- 3) WILL THERE BE ANYTHING FOR A SUCCESSFUL ENTERPRISE TO BUY WITH ITS PROFITS? WILL IT BE ABLE TO GET CONSTRUCTION MATERIALS FOR NEW APARTMENTS, OR MACHINE TOOLS FOR NEW PRODUCTION LINES; IN OTHER WORDS, WILL THE RIGID SOVIET SUPPLY SYSTEM UNDERCUT THE INCENTIVES OF SELF-FINANCING?

-- WAGE REFORM: ENTERPRISES THAT CAN GENERATE SUFFICIENT PROFITS WILL BE ALLOWED TO PAY HIGHER WAGES TO WORKERS, ESPECIALLY TO ENGINEERS AND OTHER TECHNICAL SPECIALISTS (REF D).

-- TWO-LINK SYSTEM: IN SOME SECTORS, THE OLD.

BT

#0075

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

13
INCOMING
TELEGRAM

#23158 DC0362

PAGE #1

#23158 DC0362

25/1811Z

26/1648Z

INFO SRV-01 /001 A1 R123

25/1816Z

INFO CCEN-01 /001 A1 B329

RR RUEHDC

DE RUEHMO #0075/03 3291003

ZNY CCCCC ZZH

R 250951Z NOV 86

FM AMEMBASSY MOSCOW

TO RUEHC/SECSTATE WASHDC 3413

INFO RUEHLN/AMCONSUL Leningrad #031

RUEHKE/EASTERN EUROPEAN POSTS

RUEHDC/USDOC WASHDC

BT

~~CONFIDENTIAL~~ SECTION #3 OF #4 MOSCOW 28075

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER
DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS

E.O. 12356: DECL: OADR

TAGS: ECON, UR

SUBJECT: SOVIET ECONOMIC REFORM: THE BEAR STUMBLES

"THREE-LINK" SYSTEM OF MANAGEMENT HAS BEEN STREAMLINED TO TWO LINKS BY THE ELIMINATION OF ALL UNION PRODUCTION ASSOCIATIONS (VPO'S). HOWEVER, IT APPEARS THAT THE FUNCTIONS OF THE OLD THIRD LINK (NOT TO MENTION MOST OF ITS CADRE) HAVE BEEN LARGELY PRESERVED AND SIMPLY MOVED TO THE MINISTRIES.

-- THE SUPPLY SYSTEM (REF E): A REFORM OF THE SUPPLY SYSTEM IS UNDERWAY, BUT THE REGIME IS PROCEEDING GINGERLY, BECAUSE IT IS THROUGH PRIORITY IN THE ALLOCATION OF SUPPLIES THAT THE DEFENSE SECTOR FUNCTIONS AS WELL AS IT DOES. ANY CHANGE IN THIS SUPPLY SYSTEM WILL THEREFORE BE REGARDED WITH SUSPICION BY THE MILITARY AND CAN BE UNDERTAKEN ONLY CAUTIOUSLY. WHAT HAS BEEN UNDERTAKEN SO FAR IS TO ENCOURAGE DIRECT TIES BETWEEN ENTERPRISES ON THE BASIS OF LONG-TERM CONTRACTS, TO ENHANCE THE ROLE OF TERRITORIAL SUPPLY ORGANIZATIONS, AND TO ALLOW ENTERPRISES SOME DISCRETION IN DISPOSING OF ABOVE-PLAN PRODUCTION.

CONSUMERS

10. THE GORBACHEV REGIME PAYS LIP SERVICE TO THE NEED TO IMPROVE WORKER INCENTIVES BY PROVIDING MORE AND BETTER CONSUMER GOODS; BUT, IN FACT, AS USUAL, THE CONSUMER SECTOR IS IN LAST PLACE AS FAR AS INVESTMENT PRIORITY (BEHIND DEFENSE AND CIVILIAN HEAVY INDUSTRY). THE NEW LAW ON INDIVIDUAL LABOR ACTIVITY (REF F) DOES APPEAR TO CREATE THE POTENTIAL FOR AN EXPANSION OF THE SERVICES SECTOR THROUGH PART-TIME WORK, BUT ITS IMPACT WILL DEPEND ON HOW IT IS APPLIED LOCALLY. FOR POLITICAL AND IDEOLOGICAL REASONS, THE REGIME HAS BEEN RELUCTANT TO ALLOW INDIVIDUALS TO PROVIDE SERVICES OR PRODUCE HANDICRAFTS. IN FACT, THE CAMPAIGN AGAINST UNEARNED INCOME (REF G) ILLUSTRATES THE REGIME'S SCHIZOPHRENIA ON THIS ISSUE--ON ONE HAND IT RECOGNIZES THE ECONOMIC BENEFITS OF PRIVATE INCENTIVE (AS EVIDENCED BY THE CAMPAIGN AGAINST LEVELLING OF INCOMES); ON

THE OTHER, IT IS PUT OFF BY THE APPARENT CONTRADICTIONS WITH SOCIALIST EGALITARIAN MYTHOLOGY. THE LONG TERM CONSUMER GOODS AND SERVICES PROGRAM (REF H) HAS CREATED POCKETS OF QUALITY, BUT HAS HAD LITTLE IMPACT ON THE QUALITY AND ASSORTMENT OF MOST CONSUMER GOODS AND SERVICES.

WHAT'S MISSING

11. WHILE THERE ARE MANY GLARING INEFFICIENCIES IN THE SOVIET SYSTEM THAT CRY OUT FOR REFORM, WE HIGHLIGHT BELOW SEVERAL THAT APPEAR TO US TO BE CRITICAL.

-- PRICES: IN OUR VIEW, A REAL PRICE REFORM IS THE SINGLE MOST IMPORTANT INDICATOR OF THE DEPTH OF GORBACHEV'S RESTRUCTURING; WITHOUT IT THE RESTRUCTURING CANNOT BE ANYTHING BUT SUPERFICIAL. EVEN SOVIET ECONOMISTS FIND THAT WHEN THEY ANALYZE THE ABOVE MEASURES, THEY SOONER OR LATER BUMP UP AGAINST THE PERVERSIVE PROBLEM OF PRICES. MOST WESTERN OBSERVERS AGREE THAT MEANINGFUL REFORM OF THE SOVIET SYSTEM IS IMPOSSIBLE WITHOUT SOME CHANGE IN THE CENTRAL PRICE-SETTING MECHANISM. THE REMOVAL OF FORMER GOSKOMTSEN CHAIRMAN GLUSHKOV SET THE STAGE FOR PRICE REFORM (REF I) BUT SO FAR NOTHING MUCH HAS HAPPENED. REFORM ECONOMISTS LIKE AGANBEGYAN CLAIM THAT PRICE REFORM WILL TAKE PLACE BY 1988 BUT OTHER OFFICIALS WE HAVE TALKED TO INSIST THAT CONSTANT PRICES ARE NECESSARY FOR THE SUCCESS OF THE SELF-FINANCING EXPERIMENT AND THERE WILL BE NO MAJOR CHANGES IN THIS FIVE-YEAR PLAN. A NEW SYSTEM OF ALLOWING PRICE INDICES INSTEAD OF FIXED PRICES IS

BT
#0075

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

14
INCOMING
TELEGRAM

PAGE #1

#23159 DC0363

25/1011Z

26/1649Z

INFO ~~SRV-B1~~ /001 A1 R123

25/1016Z

INFO CCEN-B1 /001 A1 B329

RR RUENDC

DE RUENMO #0075/04 3291004

ZNY CCCCC ZZN

R 250951Z NOV 86

FM AMEMBASSY MOSCOW

TO RUENC/SECSTATE WASHDC 3414

INFO RUENLN/AMCONSUL LENINGRAD #032

RUENXE/EASTERN EUROPEAN POSTS

RUENDC/USDOC WASHDC

BT

~~CONFIDENTIAL~~ SECTION B4 OF B4 MOSCOW 20075

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER
DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS

E.O. 12356: DECL: OADR

TAGS: ECON, UR

SUBJECT: SOVIET ECONOMIC REFORM: THE BEAR STUMBLES

REPORTEDLY BEING INTRODUCED, BUT SO FAR HAS
NOT HAD ANY SIGNIFICANT IMPACT.

-- DECENTRALIZATION: THERE IS NOT YET ANY
RECOGNITION OF THE IMPOSSIBILITY OF EFFICIENTLY
PLANNING THE PRODUCTION AND DISTRIBUTION OF
OVER 3,000 PRODUCTS. THE CENTRAL ORGANS
(GOSPL N, GOSSNAB, ETC.) REMAIN IN FULL CONTROL
OF THE ECONOMY. THE CREATION OF THE "SUPER-
MINISTRIES" IS NOT AN ATTEMPT TO REFORM THE
ECONOMIC SYSTEM BUT TO RATIONALIZE THE EXISTING
ONE. WHILE THEORETICALLY THESE NEW BODIES
ARE TO CONCENTRATE ON STRATEGIC PLANNING, IT
IS HARD TO IMAGINE A SOVIET BODY RESISTING
THE TEMPTATION TO BECOME INVOLVED IN OPERATIONAL
ISSUES, IN WHICH CASE THEY WILL BECOME JUST
ANOTHER LAYER OF CONTROL OVER THE ACTIVITY OF
ENTERPRISES.

-- SUPPLY SYSTEM: THE ACHILLES HEEL OF THE CURRENT
REFORM EFFORT MAY BE THE SUPPLY SYSTEM. THE
REFORM MEASURES INTRODUCED SO FAR LARGELY
PRESERVE CENTRAL CONTROL OVER DISTRIBUTION.
"DIRECT TIES" BETWEEN ENTERPRISES SEEM LIKE A
GOOD IDEA--BUT IT IS MOSCOW, NOT THE ENTERPRISES,
THAT WILL DECIDE WHO THE PARTNERS ARE TO BE.
THE AUTHORITY OF ENTERPRISE DIRECTORS TO
DISPOSE OF OUTPUT IS LIMITED TO ABOVE-PLAN
PRODUCTION, WHICH IN MOST CASES IS ONLY A TINY
PERCENTAGE OF THEIR PRODUCTION.

BOTTOM LINE:

12. IN SUM, GORBACHEV HAS NOT YET CREATED THE
CONDITIONS NECESSARY FOR THE SOVIET UNION TO
BRIDGE THE GROWING TECHNOLOGICAL GAP WITH THE
WEST. THE SOVIET SYSTEM, EVEN WITH THE REFORMS
INTRODUCED TO DATE, CONTINUES TO BE TOO RIGID AND
TOO BACKWARD FOR THE COUNTRY TO TAKE ADVANTAGE OF
THE INFORMATION AND COMMUNICATIONS REVOLUTION
TAKING PLACE IN THE WEST. IT MAY, HOWEVER, BE
SEVERAL YEARS BEFORE THE INADEQUACY OF THE REFORM
MEASURES SO FAR TAKEN BECOMES APPARENT TO THE

REGIME. THE SOVIET SYSTEM IS SO INEFFICIENT THAT
IMPROVEMENTS ON THE MARGIN PROBABLY WILL CREATE
A ONE-TIME JUMP IN PRODUCTIVITY, SIMULATING, FOR
2-3 YEARS, THE KIND OF IMPROVEMENT THE REGIME IS
LOOKING FOR. BUT AFTER SUCH A "FALSE SPRING",
THE REGIME WILL SOONER OR LATER HAVE TO FACE THE
HARD CHOICE--WHETHER TO REFORM THE ECONOMIC
SYSTEM ROOT AND STEM, WITH THE ATTENDANT
POLITICAL RISKS, OR FACE THE INEVITABLE PROSPECT
OF FURTHER ECONOMIC AND TECHNOLOGICAL STAGNATION.
HISTORICALLY THE LATTER OUTCOME IS THE MORE
LIKELY. NARTMAN

BT
#0075

~~CONFIDENTIAL~~

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116993	PAPER RE SOVIET MANUFACTURED EXPORTS TO THE WEST: TRENDS AND IMPEDIMENTS	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

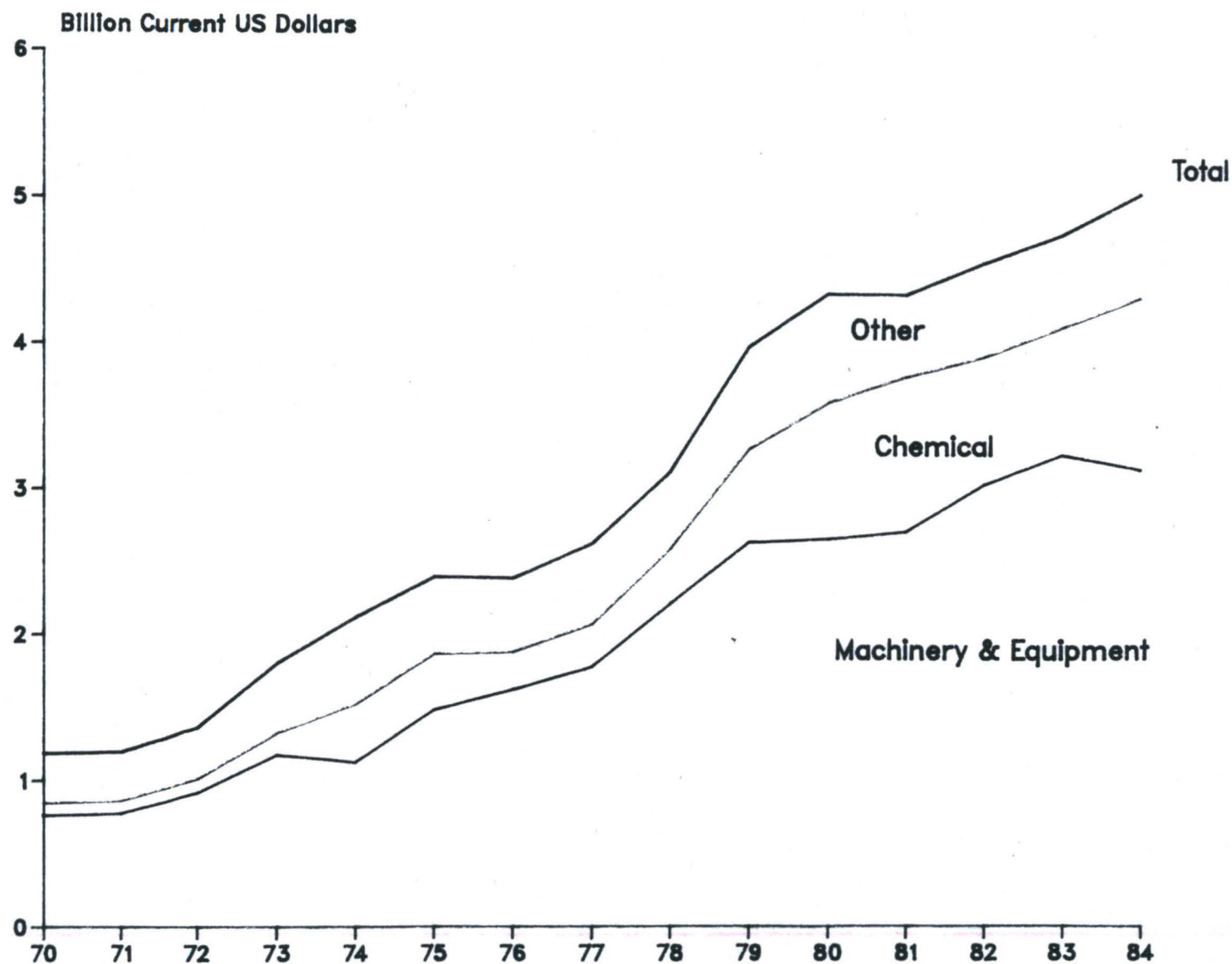
B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

USSR: Exports of Manufactural Goods to the West



UNCLASSIFIED

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116994	PAPER RE SOVIET CONTRACTS WITH THE WEST (CHART ON THE REVERSE)	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

Table 1

Soviet Machinery Orders Placed with Hard Currency Countries*

(Million Current US Dollars)

	1985					1986		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	1st Qtr	2nd Qtr	3rd Qtr
Total	852	953	1619	544	3968	821	407	232
Chemicals and Petrochemical	0	276	12	40	328	12	60	19
Oil and Natural Gas	24	439	0	171	634	250	15	11
Metalworking and Metallurgy	522	3	982	111	1618	24	12	--
Food Processing	55	2	--	1	58	8	12	47
Timber and Wood	7	--	40	34	81	58	116	--
Textile and Servicing	--	56	--	3	59	35	--	5
Electric Power	9	13	15	--	37	--	47	8
Electronics	--	15	18	1	34	47	--	4
Manufacturing of Automobiles and Other Vehicles	14	45	8	58	125	71	31	--
Ships and Port Equipment	17	57	4	87	165	121	75	90
Manufacture of Consumer Goods	100	2	55	5	162	10	6	1
Mining and Construction	27	20	472	24	543	136	21	6
Railroad Stock and Equipment	2	--	--	--	2	40	--	--
Aircraft and Equipment	--	--	0	--	0	2	--	--
Farm Tractors and Machinery	31	11	0	0	42	7	0	--
Animal Feed Plants and Equipment	--	--	--	3	3	--	--	--
Printing	--	--	2	6	8	--	9	--
Measuring and Testing	--	9	4	--	13	--	--	--
Optic and Optic Manufacturing	1	0	--	--	1	--	--	--
Medical and Pharmaceutical	1	--	2	--	3	--	3	--
Photographic	1	0	1	--	2	--	--	--
Vehicles (User unknown)	41	1	4	--	46	--	--	--
Other	0	54	--	--	4	--	--	41

- Indicates no orders recorded. 0 indicates negligible amounts.

* Components may not add to total shown because of rounding.

UNCLASSIFIED

Table 2

Soviet Machinery Orders by Country

(Million Current US Dollars)

	1985					1986		
	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
Total	852	953	1619	544	3968	821	407	232
Japan	87	30	27	17	161	413	90	1
Tunisia	-	2	-	-	2	-	-	--
United States	48	72	55	72	247	34	10	34
Austria	532	-	5	-	537	100	1	13
Belgium	3	3	1	-	7	8	-	--
Denmark	2	13	15	-	30	-	23	--
France	5	445	7	68	525	83	5	5
Germany	37	24	42	195	298	81	13	36
Italy	100	291	1424	109	1924	26	24	64
Netherlands	-	3	-	0	3	0	0	--
Spain	-	59	0	-	59	0	115	--
Switzerland	-	0	-	1	1	0	4	1
Sweden	31	1	41	14	87	36	37	--
United Kingdom	7	3	2	0	12	38	12	--
Australia	-	2	-	-	2	-	-	--
Other	-	5	-	68	73	2	73	78

UNCLASSIFIED

TUESDAY SESSION -- OPENING

9:00-9:10 a.m., Tuesday, December 2, 1986, Room 4830

U.S. STATEMENT

Upon entering Room. 4830, Under Secretary Smart will greet Deputy Minister Malkevich and key members of the Soviet delegation, and at 9:00 a.m. will take his seat at the middle of the U.S. side of the table. There will be simultaneous translation. Speakers should speak into microphones at a normal pace.

Under Secretary Smart will open the meeting by making a brief statement and then asking Deputy Minister Malkevich if he would like to make any remarks before we begin with the day's agenda.

TAB E: Under Secretary Smart's Statement

ANTICIPATED SOVIET STATEMENT

Deputy Minister Malkevich is expected to make a brief statement recalling his meeting with the Under Secretary in Moscow, and probably repeating his theme that all the obstacles the Soviets believe the United States has placed in the way of Soviet exports are still there. He is expected to say that the Working Group is quite helpful in exchanging information, but that the Soviet side is looking for positive actions on the U.S. side.

Under Secretary Smart will thank Deputy Minister Malkevich for his remarks, and suggest that the Working Group proceed with its agenda.

E

UNDER SECRETARY SMART'S REMARKS
AT THE OPENING OF THE SECOND DAY OF THE WORKING GROUP

MINISTER MALKEVICH;

LET ME WELCOME YOU AND THE SOVIET DELEGATION AS WE BEGIN OUR SECOND DAY OF DISCUSSIONS IN THIS FIFTH MEETING OF THE WORKING GROUP OF EXPERTS.

I WAS PLEASED TO MEET YOU AND THE SOVIET DELEGATION LAST NIGHT AT DINNER, AND TO RECIPROCATATE IN PART FOR THE HOSPITALITY YOU SHOWED ME AND MY ASSOCIATES IN MOSCOW ONLY A FEW MONTHS AGO.

ASSISTANT SECRETARY LAUN HAS INFORMED ME THAT YESTERDAY'S DISCUSSIONS WERE HIGHLY USEFUL AND RESULTED IN A GOOD EXCHANGE OF VIEWS AND INFORMATION ABOUT THE ECONOMIC OUTLOOK BOTH FOR THE UNITED STATES AND THE SOVIET UNION.

I MUST SAY, HOWEVER, THAT I AM PARTICULARLY LOOKING FORWARD TO TODAY'S DISCUSSION, FOR TODAY WE WILL BE DISCUSSING AND EXCHANGING VIEWS ON BUSINESS INVESTMENT, JOINT VENTURES, AND ACTUAL PROJECTS. TO ME, THIS IS WHAT THE WORKING GROUP AND THE JOINT COMMISSION ARE REALLY ALL ABOUT -- FINDING WAYS TO DO MORE BUSINESS.

WHEN I WAS IN MOSCOW THIS PAST SEPTEMBER, I WENT NOT TO MAKE SPEECHES OR TO TALK ABOUT VAGUE POSSIBILITIES FOR THE FUTURE. I WENT TO DO BUSINESS. I OPENED THE FIRST OFFICIAL U.S. TRADE EXHIBITION IN THE SOVIET UNION IN SEVEN YEARS.

THIS WAS EXTREMELY SIGNIFICANT FOR SEVERAL REASONS. FIRST, BECAUSE IT FULFILLED PART OF SECRETARY BALDRIGE'S PROMISE IN MAY 1985 THAT THE UNITED STATES WOULD BEGIN A TRADE PROMOTION PROGRAM IN THE SOVIET UNION AS ONE MEANS OF MOVING TOWARD A MORE PRODUCTIVE COMMERCIAL RELATIONSHIP.

SECOND, IT SHOWED THE STRONG INTEREST OF THE U.S. GOVERNMENT AND AMERICAN BUSINESS IN DOING MUTUALLY-BENEFICIAL BUSINESS WITH THE USSR. OVER SIXTY AMERICAN FIRMS PARTICIPATED IN OUR EXHIBITION IN MOSCOW.

AND THIRD, IT SHOWED THAT BUSINESS IS POSSIBLE BETWEEN OUR TWO COUNTRIES. SEVERAL MILLION DOLLARS OF BUSINESS HAS ALREADY RESULTED, AND I BELIEVE EVEN MORE WILL TAKE PLACE IN THE NEAR FUTURE AS A RESULT OF THE SHOW.

IT IS WELL KNOWN TO YOU, MINISTER MALKEVICH, THAT OUR POSITION IS THERE CANNOT BE ANY FUNDAMENTAL CHANGE IN OUR TRADE RELATIONSHIP WITHOUT PARALLEL IMPROVEMENTS IN OTHER PARTS OF THE OVERALL RELATIONSHIP BETWEEN OUR COUNTRIES.

BUT I HOPE YOU ALSO UNDERSTAND CLEARLY THAT WITHIN THE BOUNDS OF THE POSSIBLE, WE ARE DETERMINED TO TAKE A STEP BY STEP APPROACH TO CONTINUE BUILDING A TRADE RELATIONSHIP THAT IS INCREASINGLY IMPORTANT AND BENEFICIAL TO BOTH OUR COUNTRIES.

THESE MEETINGS ARE EXTREMELY IMPORTANT, FOR WE MUST CONTINUE TO EXPLORE WHAT IS POSSIBLE ON BOTH SIDES AND TO UNDERSTAND EACH OTHERS VIEWS AND POSITIONS MORE CLEARLY.

THERE IS A WISE SAYING, MR. MINISTER, THAT TWO MONOLOGUES DO NOT MAKE A DIALOGUE. AND IT IS WITH A COMPLETE DETERMINATION THAT WE SHALL HAVE A DIALOGUE THAT I WELCOME YOU AGAIN, MR. MINISTER.

I WOULD LIKE TO ASK, MR. MINISTER, IF THERE ARE ANY REMARKS YOU WOULD CARE TO MAKE BEFORE WE PROCEED WITH OUR VERY FULL AGENDA.

AGENDA ITEM 3

"TRENDS AND NEW MECHANISMS IN U.S. AND SOVIET FOREIGN TRADE"

9:10-10:25 a.m., Tuesday, December 2, 1986, Room 4830

Early this year the Soviets began talking about forming joint ventures with Western firms. Their thinking is still evolving, and few things are clear other than that one way or another this new Soviet thrust is going to affect the way U.S. firms can do business in the USSR. We need to find out as much as possible about Soviet thinking on joint ventures to understand more clearly how this may affect U.S. companies and the U.S. government.

For their part, the Soviets will want to know the U.S. reaction to joint venture possibilities. They are interested in where and why U.S. firms are investing in production facilities overseas, how much of their payment is in the form of goods rather than money, and how the U.S. government views this. They will also be interested in finding out what attitude the U.S. government will take toward joint ventures.

U.S. PRESENTATION

Under Secretary Smart will begin this part of the agenda by asking Dr. Allen Lenz to make a presentation on "Trends in U.S. International Investment," following which Under Secretary Smart will invite questions from the Soviet side. Under Secretary Smart will answer some of the questions directly, and will also invite other members of the U.S. delegation to answer.

TAB F: Trends in U.S. International Investment

SOVIET PRESENTATION

By 9:45 a.m., Under Secretary Smart will end the questioning and will invite Deputy Minister Malkevich to make the Soviet presentation on "USSR Plans for New Forms of Cooperation, Including Joint Ventures". At the conclusion of the presentation, Under Secretary Smart will ask the first question and will then invite questions from the U.S. delegation. At 10:25 a.m., Under Secretary Smart will suggest a coffee break.

TAB G: Talking Points and Background on Soviet plans for joint ventures.

F

SLIDE PRESENTATION Given by Dr. Allen Lenz

G

TALKING POINTS ON JOINT VENTURES

General U.S. Policy

- o The initiatives to give more organizations direct access to foreign trade and permit joint ventures are major changes, which obviously could affect opportunities for U.S. companies.
- o We are interested in learning in as great detail as possible Soviet plans for these and the likely directions in which their views and regulations concerning joint ventures will develop.
- o The United States is not prepared to make commitments on joint ventures at present. We need to assimilate the information provided and examine further developments in order to determine what, if anything, the United States Government should do.
- o U.S. companies and Soviet organizations are discussing joint ventures. If any proposals are brought to us for review, we will be happy to provide guidance.

Export Controls

- o The Export Administration regulations concerning export or reexport of U.S.-origin goods apply regardless of the ownership structure of a business concern.
- o Any transfer, even if connected to a joint venture, of U.S.-origin commodities, technical data, or the foreign-produced product of technical data is subject to U.S. export controls.
- o The Export Administration Regulations' controls on transfers of technical data would apply to Soviet joint ventures in the United States.

Import Controls

- o All imports, whether from U.S. joint ventures abroad or not, are subject to U.S. antidumping statutes.

PAPER BEING PREPARED

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

116996
INCOMING
TELEGRAM

PAGE 01

022143 DC0556

24/1657Z

25/1605Z

022143 DC0556

INFO ~~SRV-01~~ CCEN-01 OPS-01 /003 A4 P329

24/1711Z

ACTION OFFICE 4231-01

INFO CCEN-01 OPS-01 6410-01 6241-01 3130-01 3310-01 4200-01
4230-01 4400-02 6910-01 4232-01 6420-01 4122-01 6930-01
6810-01 MAV-01 6440-01 BES8-01 6450-01 SOVI-01 AENA-01
/023 A4 6328

RR RUENDC

DE RUENMO 00052/01 3281651

ZNY CCCCC ZIH

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUENDC/USDOC WASHDC

INFO RUENC/SECSTATE WASHDC 3394

RUFHNA/USMISSION USNATO 9716

BT

~~CONFIDENTIAL~~ SECTION 01 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER

USDOC FOR 3130/USFCS/OFO/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT

2. SUMMARY

WHEN THE CAPITALIST PIG ASKED THE COMMUNIST CHICKEN WHAT PRODUCTS SHOULD BE PRODUCED IN THEIR PROPOSED JOINT VENTURE, THE COMMUNIST CHICKEN RESPONDED "HAM AND EGGS." DESPITE THE HIGH HOPES OF SOVIET TRADE OFFICIALS, THERE ARE CONSIDERABLE PROBLEMS ASSOCIATED WITH THE CREATION OF JOINT VENTURES IN THE SOVIET UNION. THE SOVIETS BELIEVE THE JOINT VENTURE CAN PROVIDE NEEDED TECHNOLOGY WHILE GENERATING HARD CURRENCY. BASED UPON THE MECHANICAL DETAILS OF SOVIET JOINT VENTURES, THE SOVIETS APPEAR TO BE IGNORING SOME OF THE REALITIES OF THE WORLD MARKETPLACE. JOINT VENTURE PLANNING IS IN THE EARLY STAGES AND THE SOVIETS STILL HAVE TIME TO MAKE THE APPROPRIATE, ALBEIT UNCHARACTERISTIC, CONCESSIONS NEEDED TO ESTABLISH SATISFACTORY JOINT VENTURES.

3. INTRODUCTION

A LENINGRAD OFFICIAL RECENTLY CALLED THE JOINT VENTURE "THE WAVE OF THE FUTURE IN INTERNATIONAL TRADE". AN IRISH COMMERCIAL REPRESENTATIVE STATED THAT JOINT VENTURES WERE A TOP PRIORITY ITEM FOR DISCUSSION WITH EACH OF THE FIVE SOVIET ORGANIZATIONS HE RECENTLY VISITED. ALMOST EVERY WESTERN BUSINESSPERSON WHO HAS MET WITH A SOVIET ORGANIZATION HAS BEEN URGED TO SUBMIT JOINT VENTURE PROPOSALS. MANY OF THEM FEEL THAT SOVIETS BELIEVE JOINT VENTURES WILL BE AN IMPORTANT COMPONENT OF SOVIET TRADE FOR THE FORESEEABLE FUTURE REPLACING THE EARLIER CONCEPT OF TURN KEY PROJECTS. THE RECENT POSITIVE CHANGE IN SOVIET ATTITUDES TOWARD JOINT VENTURES MAY RESULT FROM A BELIEF THAT THE JOINT VENTURE

CAN PROVIDE THE TECHNOLOGIES NEEDED WITHOUT HARD CURRENCY OUTLAYS. SOME OBSERVERS FEEL THAT THE CHANGE IN ATTITUDE IS A RESULT OF MOSCOW'S DESIRES TO BECOME MORE INVOLVED IN WESTERN TRADE AND ECONOMIC MECHANISMS TO STRENGTHEN ITS CASE FOR GATT PARTICIPATION. MANY SOVIET TRADE OFFICIALS SEEM TO VIEW THE JOINT VENTURE AS MORE THAN THAT: AS ONE OF SEVERAL POSSIBLE MEANS OF ATTAINING OPTIMISTIC SOVIET EXPORT GROWTH GOALS.

4. SOVIET MOTIVATIONS

THE OUTCOME OF THE 12TH FIVE YEAR PLAN WILL BE IMPORTANT TO GENERAL SECRETARY GORBACHEV. IN JUNE 1986, COUNCIL OF MINISTERS CHAIRMAN RYZHKOV PRESENTED THE FINAL VERSION OF THE FIVE YEAR PLAN TO THE SUPREME SOVIET: OUTPUT OF THE MACHINE BUILDING SECTOR IS TO INCREASE 43 PER CENT, THE PERCENTAGE OF SOVIET MACHINERY REACHING WORLD STANDARD IS TO GO FROM 29 PER CENT TO 95 PER CENT, AND EXPORTS OF MACHINERY AND EQUIPMENT ARE TO INCREASE 70 PERCENT.

IN SHORT, DEPENDENCE ON IMPORTED INDUSTRIAL GOODS IS TO BE REDUCED, OUTPUTS AND EFFICIENCY INCREASED, AND QUALITY OF OUTPUT RAISED, ALL WHILE SIMULTANEOUSLY REDUCING THE WORK FORCE. THESE ARE LOFTY GOALS CONSIDERING THE MAGNITUDE OF THE PROBLEMS FACING THE SOVIETS: LITTLE WORLD-CLASS PRODUCTION, DIFFICULTIES IN DETERMINING ACTUAL COSTS, DECLINING HARD CURRENCY REVENUES AND VIRTUALLY NO OVERSEAS DISTRIBUTION SYSTM. IN BUSINESS TERMS THE SOVIET UNION LACKS MARKETING, FINANCE, MANUFACTURING AND ACCOUNTING ABILITIES. JOINT VENTURES, THE SOVIETS FEEL, COULD PRODUCE HIGH QUALITY PRODUCTS EFFICIENTLY WHICH CAN THEN BE SOLD AND SERVICED THROUGH THE JOINT VENTURE PARTNERS' WORLDWIDE DISTRIBUTION NETWORKS.

BT

00052

DECLASSIFIED

NLRRM554 #116996

BY *RW* NARA DATE 12/22/15

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM 20

PAGE 01

022144 DC0857

24/1659Z

-----25/1605Z

INFO SRV-01 CCEN-01 OPS-01 /003 A4 P329

-----24/1712Z

INFO CCEN-01 MULT-01 OPS-01 /003 A4 G328

RR RUEHDC

DE RUEHMO 00052/02 3281652

ZNY CCCCC ZZH

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUEHDC/USDOC WASHDC

INFO RUEHC/SECSTATE WASHDC 3395

RUFHNA/USMISSION USNATO 9717

BT

~~CONFIDENTIAL~~ SECTION 02 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/OESA/USSR/JBROUGHER

USDOC FOR 3138/USFCS/OFO/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DFPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

FROM A SOVIET PERSPECTIVE, THE JOINT VENTURE SOUNDS ALMOST TOO GOOD TO BE TRUE. THE JOINT VENTURE WILL:

A. GENERATE HARD CURRENCY THROUGH SALES TO THIRD COUNTRIES;

B. ALLOW THE SOVIETS TO OBTAIN THE CURRENT TECHNOLOGY OF THE WESTERN PARTNER WITHOUT PAYING HARD CURRENCY;

C. MOTIVATE THE WESTERN PARTNER TO CONTINUOUSLY UPDATE THE TECHNOLOGY TO MAINTAIN HIS PROFITS (OVERCOMING THE PROBLEMS OF THE TURN KEY PROJECT WHICH FROZE TECHNOLOGY IN PLACE).

IN PROVIDING THESE BENEFITS, THE WESTERN PARTNER WILL BE PROVIDING HIS MANAGEMENT EXPERTISE, SOURCES OF FINANCING, DISTRIBUTION NETWORKS AND MARKETING SKILLS. ONE SOVIET OFFICIAL STATED THAT PROJECTS SHELVED AS A RESULT OF HARD CURRENCY SHORTAGES WOULD BE "WONDERFUL OPPORTUNITIES FOR JOINT VENTURES". JOINT VENTURES, SOME FEEL, CAN SERVE AS THE ENGINE TO TRANSPORT THE SOVIET UNION FROM BEING AN EXPORTER OF COMMODITIES TO AN EXPORTER OF WORLD CLASS FINISHED GOODS OVER THE NEXT FIVE YEARS. IN LATE OCTOBER, KISLENKO (GITU) COMPLAINED TO A WESTERN TRADE OFFICIAL OF DIFFICULTIES WITH THE HIERARCHY THAT DID NOT UNDERSTAND THE TRUE MEANING AND IMPACT OF JOINT VENTURES -- THEY THINK "THROUGH JOINT VENTURES ALL PROBLEMS ARE SOLVED."

IN A MEETING ON NOVEMBER 20, MFT FIRST DEPUTY MINISTER MALKEVICH STATED THAT THE PURPOSE OF JOINT VENTURES WAS "TO PERMANENTLY MAINTAIN CONTACTS WITH THE MARKET AND TO EARN HARD CURRENCY." HE ALSO PROVIDED AN INTERESTING GLIMPSE OF SOVIET PERCEPTIONS OF WESTERN MOTIVATIONS: "WESTERN FIRMS HAVE FREE CAPITAL. MARX SAYS THAT THIS CAPITAL MUST REMAIN IN CIRCULATION THEREFORE IT IS IN THE INTEREST OF THE WESTERN PARTNER TO OBTAIN ACCESS TO A

NEW MARKET -- THE LARGE INTERNAL MARKET OF THE USSR." MALKEVICH WENT ON TO ADMIT THAT "IN A NUMBER OF CASES THESE INTERESTS (SOVIET AND POTENTIAL WESTERN PARTNER) WON'T COINCIDE" BUT THAT "BY NEXT YEAR WE SHALL BE ABLE TO SIGN SOME AGREEMENTS."

5. WESTERN MOTIVATIONS

THE FUNDAMENTAL MOTIVATION FOR BUSINESS PEOPLE TO INVEST RESOURCES IN JOINT VENTURES IS TO MAKE PROFITS. THE VIRTUALLY UNTAPPED SOVIET DOMESTIC MARKET OFFERS A STRONG ATTRACTION TO THE MANY BUSINESSES FACING OVER CAPACITY IN PRODUCTION. THE SOVIET UNION IS ONE OF THE LAST LARGE MARKETS REMAINING AND IS AN ENTICING OUTLET FOR EXCESS GOODS. IT ALSO HAS ALMOST UNLIMITED NATURAL RESOURCES FOR DEVELOPMENT AND AN EDUCATED LABOR SUPPLY. OTHERWISE CAUTIOUS JAPANESE AND WESTERN INVESTORS ARE AFRAID THE JOINT VENTURE TRAIN MAY LEAVE THEM STANDING ALONE IN THE STATION.

COMMENT: IT REMAINS TO BE SEEN WHETHER THIS OPTIMISM IS WELL FOUNDED. ARTIFICIAL PRICING OF NATURAL RESOURCES OR LABOR SHORTAGES COULD PROVE BURDENSOME TO ANY NEW VENTURE. END COMMENT.

6. CURRENT STATUS

AREAS PRESENTLY BEING CONSIDERED FOR 51 PERCENT SOVIET AND 49 PERCENT WESTERN PARTNER JOINT VENTURES INCLUDE FOOD PROCESSING, PACKAGING AND DISTRIBUTION, MANUFACTURING CHEMICALS FOR

BT

00052

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING 21
TELEGRAM

PAGE 01

022145 DCOS58

24/1701Z

-----25/1606Z

INFO SRV-01 CCEN-01 OPS-01 /003 A4 P329

-----24/1712Z

INFO CCEN-01 MULT-01 OPS-01 /003 A4 G328

RR RUENDC

DE RUENMO 00052/03 3281652

ZNY CCCCC ZZH

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUENDC/USDOC WASHDC

INFO RUENC/SECSTATE WASHDC 3396

RUFNNA/USMISSION USNATO 9718

BT

~~CONFIDENTIAL~~ SECTION 03 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/OESA/USSR/JBROUGHER

USDOC FOR 3138/USFCS/OFO/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

PESTICIDES, DRYING AGENTS AND CHEMICAL FIBERS, MACHINE TOOLS, INSTRUMENTATION, CONTROLS, COMPUTERS, AUTOMOTIVE PARTS, HOME ELECTRONIC APPLIANCES, CLOTHING, SHOES, TELEPHONE EQUIPMENT AND PULP AND PAPER VENTURES. SOVIET INVESTMENT MAY INCLUDE BUILDING MACHINERY, EQUIPMENT, UTILITIES, SUPPLIES, LABOR OR CASH WITH NON CASH ITEMS BEING VALUED AT "CURRENT WORLD PRICES". THE INVESTMENT OF THE WESTERN PARTNER MAY INCLUDE PRODUCTION MANAGEMENT, QUALITY CONTROL, TECHNOLOGY, LICENSES, FINANCING, MACHINERY AND EQUIPMENT, OTHER MANAGEMENT EXPERTISE AND/OR CASH.

THE FINAL FORM OF THE JOINT VENTURES HAS NOT YET BEEN DECIDED AND AS ONE SOVIET OFFICIAL STATED, WESTERN COMPANIES SUBMITTING JOINT VENTURE PROPOSALS "WILL LEARN FROM OUR RESPONSE WHAT OUR RULES ARE". THE SOVIETS ARE CONTINUING TO DRAW IDEAS FROM POTENTIAL WESTERN PARTNERS. THE FOLLOWING INFORMATION ON JOINT VENTURES WAS GATHERED FROM A WIDE RANGE OF MOSCOW CONTACTS.

INITIALLY ONLY 5 OR 10 JOINT VENTURES WILL BE CREATED AS PILOT PROJECTS BUT ALL WILL BE DESIGNED TO EXPORT MORE PRODUCTS FROM THE SOVIET UNION, FACILITATE TECHNOLOGY TRANSFER, OR HELP LIMIT SOVIET IMPORTS. THE JOINT VENTURE WILL OPERATE OUTSIDE THE CENTRALIZED STATE PLANNING SYSTEM AND RAW MATERIALS AND UTILITIES WILL BE MADE AVAILABLE IN THE USSR AT EQUIVALENT WORLD MARKET PRICES. THE MAJORITY OF THE STAFF WILL BE SOVIET BUT KEY SPECIALISTS SUCH AS MARKETING AND QUALITY CONTROL MAY BE FOREIGN. FOREIGNERS' SALARY WILL BE 60 PERCENT HARD CURRENCY (A PART OF WHICH MAY BE TRANSFERRED ABROAD) AND 40 PERCENT LOCAL CURRENCY. ONE SOVIET WORKING PAPER STATES "CONDITIONS OF PAY, WORK, AND LEAVE OF SOVIET CITIZENS, SOCIAL WELFARE AND INSURANCE (WILL BE) CONSISTANT WITH SOVIET LEGISLATION."

A FRG COMMERCIAL ATTACHE STATED THAT JOINT VENTURE INCOME TAXES WILL BE 40 PERCENT OF THE

VENTURE'S NET PROFIT (PAYABLE TO THE STATE) AND A 20 PERCENT "PROFIT TRANSFER TAX" OR SURCHARGE. THERE WILL BE AN INITIAL TAX FREE PERIOD "TO GET THE MOUSE INTO THE JOINT VENTURE TRAP."

SOME JOINT VENTURES WILL BE DESIGNED TO EXPORT WHILE OTHERS WILL SERVICE THE DOMESTIC MARKET. THE DOMESTIC MARKET JOINT VENTURES WILL PRIMARILY PRODUCE PRODUCTS CURRENTLY SUPPLIED FROM THE WEST. THEREFORE, THE WESTERN PARTNER, JOINING WITH THE SOVIETS, MAY BE CANNIBALIZING HIS EXISTING SALES TO THE USSR. ONE WESTERN TRADE REPRESENTATIVE STATED THAT A SOVIET GOAL WAS TO "GET CEMA TO WORK TO PRODUCE WHAT WE (THE WEST) ARE SELLING THEM" MAKING THE SOVIET UNION "AN UNRELIABLE BUYER." ON NOVEMBER 20, MFT FIRST DEPUTY MINISTER MALKEVICH STATED THAT IN SOME INSTANCES THE SOVIETS WOULD BE INTERESTED IN A JOINT VENTURE TO SUPPLY THE INTERNAL OR DOMESTIC MARKET WITH NEW PRODUCTS SINCE IT MAY INVOLVE A "PROCESS THAT WILL RELEASE (INTERNAL) RESOURCES WE CAN USE ON OTHER PROJECTS IN OTHER AREAS."

ACCOUNTING PRINCIPLES WILL BE SIMILAR TO THOSE IN THE WEST WITH PROPER ALLOWANCE FOR AMORTIZATION AND DEPRECIATION. SOME ROYALTY PAYMENTS MAY BE NEGOTIATED FOR FUTURE R AND D INPUTS BY THE WESTERN PARTNER.

7. OTHER PROBLEMS

ONE CONTINUING PROBLEM IS THE DIFFICULTY THE
BT
00052

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM *22*

PAGE 01

022146 DC0860

24/1701Z

-----25/1606Z

INFO SRV-01 CCEN-01 OPS-01 /003 A4 P329

-----24/1713Z

INFO CCEN-01 MULT-01 OPS-01 /003 A4 G328

RR RUENDC

DE RUENMO 00052/04 3281653

ZNY CCCCC ZZN

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUENDC/USDOC WASHDC

INFO RUENC/SECSTATE WASHDC 3397

RUFHNA/USMISSION USNATO 9719

BT

~~C O N F I D E N T I A L~~ SECTION 04 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER

USDOC FOR 3130/USFCS/OFO/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

SOVIET MIND HAS IN GRASPING THE CONCEPT OF A JOINT VENTURE. ONE AMERICAN BUSINESSMAN RECENTLY COMPLAINED THAT THE SOVIETS PRELIMINARILY PROPOSED A JOINT VENTURE WITH HIS FIRM IN A MARKET WITH EXCESS PRODUCTION CAPACITY. THE SOVIETS EXPECTED THE PRODUCTIVE OUTPUT OF THE NEW VENTURE TO EQUAL THE FIRM'S ENTIRE U.S. AND WEST EUROPEAN PRODUCTIVE CAPACITY PLUS 50 PERCENT. WHEN FACED WITH THE LIKELIHOOD OF CANNIBALIZING THE EXISTING COMPANY, THE BUSINESSMAN QUESTIONED THE FEASIBILITY OF SUCH A LARGE PROJECT AND SAID "THEY ARE ASKING FOR OUR ENTIRE COMPANY TO BE HANDED OVER."

IN SOME CASES, SOVIETS WANT TO PRODUCE PRODUCTS IN WHICH WORLDWIDE OVER-CAPACITY ALREADY EXISTS -- SUCH AS PROCESS CONTROLS, SEWING MACHINES OR DIESEL ENGINES. THERE HAS ALSO BEEN LITTLE THOUGHT GIVEN TO HOW THE JOINT VENTURE, WHICH OPERATES OUTSIDE OF THE 5 YEAR PLAN, COUPLES WITH THE CENTRALIZED SOVIET ECONOMIC SYSTEM. CAN THE JOINT VENTURE SWITCH FROM ONE RAW MATERIALS SUPPLIER TO ANOTHER IF THIS ACTION DISRUPTS THE PRODUCTION PLAN OF BOTH?

ANOTHER MAJOR PROBLEM WITH A SOVIET JOINT VENTURE IS THE COST INVOLVED. RECENTLY, IN AN EFFORT TO GENERATE MORE HARD CURRENCY, SOVIETS HAVE INCREASED THE COST OF DOING BUSINESS THROUGH INCREASES IN HOTEL RATES, MAIDS' SALARIES, EXHIBITION SPACE AND EVEN BOLSHOI BALLET TICKETS. IF RAW MATERIALS, UTILITIES AND "SOCIAL INFRASTRUCTURE" ARE COSTED OUT AT WORLD PRICES, THE JOINT VENTURE BEGINS TO LOSE SOME OF ITS ATTRACTION. IF SOVIET LABOR IS COSTED AT WORLD PRICES INSTEAD OF 195 RUBLES/MONTH (USD 300/MONTH) PRACTICALLY ANY VENTURE BECOMES UNWORKABLE. EVEN AT THE AVERAGE SALARY OF 195 RUBLES, THE HIDDEN COSTS CAN BE CRUSHING IF THE STATE REQUIRES REIMBURCEMENT FOR THE FREE MEDICAL CARE AND SUBSIDIZED FOOD, TRANSPORTATION, AND HOUSING IT PROVIDES TO THE WORKERS. EVEN IF THE JOINT VENTURE NEVER MAKES A

PROFIT, THE USSR COULD GENERATE SUBSTANTIAL HARD CURRENCY BY SELLING SUPPLIES, MATERIALS AND SERVICES AT "WORLD PRICES" TO THE JOINT VENTURE. FINALLY, WORKER EFFICIENCY IS A PROBLEM IN THE SOVIET UNION: HOW MANY SOVIETS DOES IT TAKE TO DO WHAT ONE TAIWANESE CAN DO? IF CONSERVATIVE ESTIMATES OF THE COST OF SOVIET LABOR INEFFICIENCIES AND THE HIDDEN COSTS OF POTENTIALLY REIMBURSEABLE SUBSIDIES ARE ADDED TO THE USD 300/MONTH SALARY, THE ACTUAL COST PER UNIT OF PRODUCTION CAN EXCEED THAT OF WESTERN EUROPE.

PERHAPS THE GREATEST PROBLEM OF ALL IS THE IDEOLOGICAL SACRIFICE REQUIRED BY THE SOVIETS TO NURTURE NEW VENTURES. IN ORDER TO MAINTAIN QUALITY CONTROL, THE MANAGERS OF A JOINT VENTURE MUST BE ABLE TO RECRUIT, FIRE, REWARD AND DISCIPLINE WORKERS. EMIGREES REPORT THAT THE PERSONNEL DEPARTMENTS OF FACTORIES, IN CONJUNCTION WITH STATE SECURITY ELEMENTS, MAINTAIN EXTENSIVE CONTROL OF THE WORK FORCE, E.G., VACATIONS CAN BE DELAYED FOR THOSE NOT HAVING A PROPER ATTITUDE TOWARD THE PARTY, WHILE PROMOTIONS MAY BE BASED IN PART UPON PARTY ACTIVITIES. IT REMAINS TO BE SEEN HOW MUCH CONTROL THE SOVIETS WILL RELINQUISH SO THAT WESTERN MANAGERS CAN OFFER INCENTIVES TO THE MORE EFFICIENT WORKERS INDEPENDENT OF THEIR POLITICAL ACTIVITIES.

FINALLY, THERE IS THE PROBLEM OF INFLEXIBILITY IN THE SOVIET BUREAUCRACY ONCE A VENTURE IS LAUNCHED. ONE WESTERN BUSINESSMAN MUSED "HOW DOES MY 49 PERCENT WORK IF I KNOW THE MARKET DEMANDS YELLOW WIDGETS AND THE SOVIETS WANT TO BT
00052

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM 23

022148 DCO862

PAGE 01

022148 DCO862

24/1702Z

-----25/1606Z

INFO SRV-01 CCEN-01 OPS-01 /003 A4 P329

-----24/1713Z

INFO CCEN-01 MULT-01 OPS-01 /003 A4 G328

RR RUENDC

DE RUENMO #0052/05 3281654

ZNY CCCCC ZZN

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUENDC/USDOC WASHDC

INFO RUENHC/SECSTATE WASHDC 3398

RUENNA/USMISSION USNATO 9720

BT

~~CONFIDENTIAL~~ SECTION 05 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER

USDOC FOR 3130/USFCS/OFO/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

MAKE BLACK ONES?" ANOTHER AMERICAN BUSINESSMAN ASKED HIS SOVIET COUNTERPARTS DURING A JOINT VENTURES DISCUSSION WHAT WOULD OCCUR IF THE MARKET FOR HIS PRODUCT CHANGED ABRUPTLY -- COULD HE CHANGE TO ANOTHER MARKET? HE WAS MET WITH SILENCE. THE ULTIMATE ENTREPRENEUR'S NIGHTMARE WOULD DEVELOP IF THE U.S. AND USSR BUREAUCRACIES COLLIDED: WHAT WOULD HAPPEN IF AN EXISTING SOVIET JOINT VENTURE NEEDED OR CREATED TECHNOLOGIES THAT BUMPED INTO U.S. EXPORT CONTROL REGULATIONS?

8. POSSIBILITIES

SOVIET OFFICIALS WILL BE FORCED TO REMOVE SOME OF THESE ROAD BLOCKS IN ORDER TO ENTICE FOREIGN INVESTMENT. OFFERING ACCESS TO THE MARKETS OF VIETNAM, ANGOLA AND CUBA IN RETURN FOR THE U.S. AND WESTERN EUROPEAN MARKETS IS NOT ACCEPTABLE TO POTENTIAL JOINT VENTURE PARTNERS. THERE IS EVIDENCE THAT THE SOVIETS HAVE ALREADY COMPROMISED AN EARLIER POSITION BY NOT REQUIRING MANAGING DIRECTORS TO BE SOVIET CITIZENS (THE CHAIRMAN OF THE JOINT BOARD OF DIRECTORS WILL BE SOVIET).

SOME JOINT VENTURES MAY BE STARTED BY LARGER COMPANIES AS A PUBLIC RELATIONS EFFORT WITH THE SOVIETS. A COMPANY COULD INVEST USD 5 MILLION INTO A VENTURE DESTINED TO FAIL (A LOSS LEADER) IN ORDER TO KEEP ITS EXISTING MARKET FOR OTHER PRODUCTS IN THE SOVIET UNION INTACT. SWALLOWING THE BITTER PILL OF A SOVIET JOINT VENTURE TO OPEN A MARKETING DOOR TO THE USSR MAY NOT ALWAYS WORK SINCE AN ESPECIALLY TROUBLESOME JOINT VENTURE COULD GENERATE SUFFICIENT NEGATIVE GOODWILL TO INFLUENCE OTHER DEALINGS BETWEEN THE SOVIETS AND THE JOINT VENTURE PARTNER.

ASSUMING THAT THE SOVIETS DO NOT CHARGE WORLD PRICES FOR ALL INPUTS, THE JOINT VENTURE SHOULD AIM AT A MID LEVEL TECHNOLOGY WITH HIGH LABOR CONTENT. IF RAW MATERIALS AND

LABOR ARE LOW PRICED, THE MASSIVE SOVIET DOMESTIC MARKET CAN OFFER INCREDIBLE ECONOMIES OF SCALE FOR MANUFACTURING COMPANIES. COMPANIES WITH HIGH FIXED COSTS COULD PRICE PRODUCTS VERY LOW AND, IF SOLD IN SUFFICIENT NUMBERS TO THE DOMESTIC MARKET, STILL YIELD SIZEABLE PROFITS.

IN THEORY, A JOINT VENTURE TO PRODUCE INTERMEDIATE COMPONENTS MIGHT OFFER POSSIBILITIES. PRODUCTS INVOLVING CASTINGS, OR SHEET METAL AND SEMI-FINISHED PRODUCTS WOULD BE EASIER TO PRODUCE AND MARKET THAN ELECTRONICS OR PLASTICS BASED UPON CURRENT SOVIET COMMERCIAL CAPABILITIES. FOR EXAMPLE, A WESTERN COMPANY MIGHT SUPPLY HIGHER TECH COMPONENTS OF A TURBINE AND THE SOVIET JOINT VENTURE WOULD PRODUCE THE HOUSING FOR THE PRODUCT.

SOME COMPANIES MAY USE THE JOINT VENTURE AS AN INSTRUMENT TO OPEN AREAS IN WHICH NO MARKET PENETRATION WAS PREVIOUSLY POSSIBLE: AFGHANISTAN, SYRIA, IRAQ AND OTHER THIRD WORLD COUNTRIES. COMPANIES COULD EXAMINE EXISTING LICENSING AGREEMENTS AROUND THE WORLD TO SEE IF A SOVIET JOINT VENTURE COULD REPLACE WHAT MIGHT OTHERWISE BE A NORMAL LICENSING ARRANGEMENT. IN ESTABLISHING JOINT VENTURES IN THE SOVIET DOMESTIC MARKET, COMPANIES MIGHT CONSIDER EXISTING OUTDATED PRODUCT LINES WHICH MAY SOON BE DISCONTINUED. WESTERN PRODUCTS THAT ARE LATE IN THE PRODUCT LIFE CYCLE COULD ALSO BE PRIME CANDIDATES FOR A DOMESTIC JOINT VENTURE.

THE NATURAL RESOURCE WEALTH OF THE SOVIET UNION WOULD PERMIT LARGE SCALE JOINT VENTURES FOR

BT

#0052

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM 24

PAGE 01

022149 DC0863

24/1702Z

-----25/1607Z

INFO SRV-01 CCEN-01 OPS-01 /003 A4 P329

-----24/1713Z

INFO CCEN-01 MULT-01 OPS-01 /003 A4 G328

RR RUENDC

DE RUENMO #0052/06 3281655

ZNY CCCCC ZZH

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUENDC/USDOC WASHDC

INFO RUEHC/SECSTATE WASHDC 3399

RUFHNA/USMISSION USNATO 9721

BT

~~CONFIDENTIAL~~ SECTION 06 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/DEESA/USSR/JBROUGHER

USDOC FOR 3130/USFCS/OFO/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

DEVELOPING RAW MATERIALS. THERE ARE ALSO NICHES FOR VERY SMALL SCALE VENTURES. FOR EXAMPLE, THE MANUFACTURE OF LOW COST, HIGH VISIBILITY PRODUCT (SUCH AS COSMETICS) INVOLVING BASIC TECHNOLOGY MIGHT OFFER GOOD POSSIBILITIES. ALMOST ANY JOINT VENTURE AIMED AT THE DOMESTIC SOVIET MARKET COULD BE SUCCESSFUL IF THE WESTERN PARTNER COULD ACCEPT THE PRODUCT ITSELF OR RAW MATERIALS IN LIEU OF HARD CURRENCY FOR ITS RETURN ON INVESTMENT.

ONE EXPERIENCED AMERICAN BUSINESSMAN WHO FEELS HE WILL BE REQUIRED TO SIGN A JOINT VENTURE AGREEMENT WITH THE SOVIETS IN ORDER TO PRESERVE HIS EXISTING TRADE, BELIEVES THAT A SIDE AGREEMENT -- AN OPERATING AGREEMENT -- CAN BE SIGNED TO SOLVE MANY OF THESE PROBLEMS. HE ADVISES THAT THE OPERATING AGREEMENT, WHICH WOULD BE SIGNED CONFIDENTIALLY AND NOT PUBLICIZED, COULD FIX THE EXPORT PRICE OF THE PRODUCT TO MOTIVATE THE SOVIETS TO KEEP INPUT PRICES LOW, FIX MANAGEMENT RESPONSIBILITIES, DEFINE QUALITY CONTROL, AND PROVIDE A MEANS OF REPLACING SOVIET LABOR WITH OUTSIDE LABOR IF CERTAIN CRITERIA ARE NOT MET. THE OPERATING AGREEMENT WOULD ALLOW THE SOVIETS TO MAKE THE NECESSARY IDEOLOGICAL SACRIFICES WITHOUT APPEARING TO DO SO.

9. CONCLUSIONS

ONE SCANDINAVIAN BANKER IN MOSCOW COMPARES THE JOINT VENTURE DISCUSSIONS BETWEEN WESTERN FIRMS AND SOVIET OFFICIALS TO "TWO OLD DEAF PEOPLE TALKING TO ONE ANOTHER." SEVERAL WESTERN COMMERCIAL ATTACHES BELIEVE THAT THE SOVIETS ARE STILL GROPING BUT GRADUALLY REALIZING HOW DIFFICULT THE CREATION OF JOINT VENTURES IN THE SOVIET UNION WILL BE. WESTERN BUSINESS PEOPLE CONDUCTING BUSINESS IN THE SOVIET UNION ALREADY UNDERSTAND MANY OF THE PROBLEMS: LIVING ACCOMMODATIONS ARE POOR, COMMUNICATIONS ARE RESTRICTED, OVERHEAD EXPENSES ARE HIGH AND STILL

RISE, AND OBTAINING CHANGES IN REGULATIONS FROM THE SOVIET BUREAUCRACY IS A SLOW AND DIFFICULT PROCESS.

THE WESTERN BUSINESS COMMUNITY WANTS TO SELL TO THE SOVIET DOMESTIC MARKET FOR HARD CURRENCY WHILE THE SOVIETS DESIRE THE OPPOSITE. POTENTIAL WESTERN PARTNERS WORRY ABOUT INCREASING THE COMPETITION IN ALREADY COMPETITIVE THIRD COUNTRY MARKETS WITH PRODUCTS FROM SOVIET JOINT VENTURES. FORTUNATELY, THE LONG PROCESS OF PLANNING AND PREPARATION FOR LAUNCHING LARGE SCALE JOINT VENTURES IN THE SOVIET UNION IS IN THE EARLY STAGES AND MANY OF THESE PROBLEMS CAN STILL BE SOLVED THROUGH COMPROMISE BY BOTH SIDES. THE INITIAL 5 OR 10 JOINT VENTURES WILL PROBABLY BE SMALLER SCALE PROJECTS TO PROVIDE TIME FOR FINE TUNING JOINT VENTURE LAWS AND REGULATIONS AND TO AVOID ANY LARGE INITIAL FAILURES THAT MIGHT BE PUBLICIZED IN THE WESTERN PRESS.

THE SOVIETS ARE TAKING A MORE REALISTIC VIEW OF LEGAL DIFFICULTIES INVOLVED. ON NOVEMBER 20, FIRST DEPUTY MINISTER MALKEYEVICH SAID "FROM TALKS WITH COMPANIES, THE THING (JOINT VENTURES) CANNOT GO AHEAD WITHOUT LEGISLATION, AT LEAST GENERAL LEGISLATION ALLOWING ORDER." HE MADE THE SIDE COMMENT THAT LEGISLATION WAS ESPECIALLY NEEDED FOR THE FRG SINCE THE "FRG ESPECIALLY LIKES ORDER." HE SAID THAT THE LEGISLATION "IS BEING PREPARED AND SHOULD BE READY IN ONE TO ONE AND ONE HALF MONTHS. DRAFTS ARE AVAILABLE NOW AND BEING CONSIDERED BY THE COUNCIL OF MINISTERS. WE DON'T WANT TO BURDEN THEM WITH DETAILS, ONLY GENERALITIES, LATER WE CAN ACQUIRE DETAILS AND EXPERIENCE TO

BT
#0052

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
DEPARTMENT OF COMMERCE

INCOMING
TELEGRAM

022150 DC0865 25

PAGE 01

022150 DC0865

24/1706Z

-----25/1607Z

INFO SRV-01 CCEN-01 OPS-01 /003 A4 P329

-----24/1713Z

INFO CCEN-01 MULT-01 OPS-01 /003 A4 G328

RR RUEHDC

DE RUENMO #0052/07 3281656

ZNY CCCCC ZZH

R 241641Z NOV 86

FM AMEMBASSY MOSCOW

TO RUEHDC/USDOC WASHDC

INFO RUEHC/SECSTATE WASHDC 3400

RUFHNA/USMISSION USNATO 9722

BT

~~CONFIDENTIAL~~ SECTION 07 OF 07 MOSCOW 20052

USDOC FOR 4231/IEP/EUR/OEESA/USSR/JBROUGHER

USDOC FOR 3130/USFCS/OFD/TARSEN FOR INFO

USDOC FOR ITA/DAS/FVARGO FOR INFO

DEPT PASS AGRICULTURE ELECTRONICALLY FOR FAS, ERS

E.O. 12356: DECL: OADR

TAGS: BEXP, UR

SUBJECT: PERSPECTIVES ON SOVIET JOINT VENTURES

ALLOW US TO REGULATE AND TO MAKE CORRECTIONS."
MALKEVICH AGREED THAT THE DETAILS SHOULD BE WORKED
OUT BETWEEN THE PARTNERS AND MENTIONED THREE
LEVELS OF REGULATION: THE NEW GENERAL LAW,
A GOVERNMENT ACT AND THE JOINT VENTURE
AGREEMENTS BETWEEN THE PARTIES.

SOVIET FOOD, CHEMICAL, AND ENERGY PROGRAMS,
STRESSED IN THE NEW FIVE YEAR PLAN, COULD BE
ASSISTED OVER THE LONGER TERM BY JOINT VENTURES.
THE MACHINE BUILDING AND ELECTRONICS PROGRAMS,
ALSO STRESSED IN THE PLAN, MAY NOT BE HELPED
AS MUCH BY JOINT VENTURES BECAUSE OF EXPORT
CONTROLS. THE JAPANESE MAY BE THE PRIMARY
BENEFICIARY OF THE SOVIET JOINT VENTURE PROGRAM.
SOVIETS HAVE SHOWN PREFERENCE FOR JAPANESE
TRADERS, FOLLOWED BY WESTERN EUROPEAN TRADERS
WITH AMERICANS A DISTANT LAST. JOINT VENTURE
PRIORITIES WOULD PROBABLY BE BASED UPON THE
SAME HIERARCHY. UNLIKE THE U.S., JAPAN IS
LACKING THE RAW MATERIALS THE SOVIETS CAN
PROVIDE AND BENEFITS FROM GEOGRAPHICAL PROXIMITY
TO THE SOVIET FAR EAST. JAPAN HAS WELL
DEVELOPED DISTRIBUTION NETWORKS FOR DISPOSAL OF
JOINT VENTURE PRODUCTION AND MORE POLITICALLY
ACCEPTABLE AS A TRADING PARTNER THAN THE U.S.
FIRST DEPUTY MINISTER MALKEVICH STATED THAT
IT HELPS THE JOINT VENTURE IF THE PARTNER
CAN TAKE OUTPUT OF THE JOINT VENTURE AS
PROFIT. HE GAVE THE SPECIFIC EXAMPLE OF
MARINE PRODUCTS "WHICH CAN ALWAYS BE USED
IN THE JAPANESE DOMESTIC MARKET."

AT PRESENT, THE SOVIET JOINT VENTURE IS MUCH
CLOSER TO A POOL OF QUICKSAND THAN A PROFITABLE
LONG TERM BUSINESS VENTURE, HOWEVER THE SOVIETS
ARE MOTIVATED TO CREATE JOINT VENTURES TO
ASSIST IN ATTAINING THEIR OPTIMISTIC GROWTH PLANS.
SUCCESS WILL DEPEND ON SOVIET WILLINGNESS
TO COMPROMISE AND THE WESTERN PARTNERS'
ABILITIES TO ASTUTELY NEGOTIATE SOUND JOINT
VENTURE PROJECTS SO THAT THE END RESULTS ARE
NOT "HAM AND EGGS" BUT SOMETHING MORE

ACCEPTABLE TO BOTH SIDES. SUCCESS ALSO
DEPENDS ON SOVIET RECOGNITION THAT THE CAPITALIST
BUSINESSPERSON SELECTS INVESTMENTS WITH THE
BEST MIX OF RISK AND RETURN -- LACK OF CONTROL
OVER AREAS OF RISK OR ARTIFICIAL CEILINGS ON
POTENTIAL RETURNS MAKE ANY SOVIET JOINT VENTURE POSSI-
BILITIES APPEAR LESS ATTRACTIVE. HARTMAN
BT
#0052

~~CONFIDENTIAL~~

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986

(1)

FOIA

M11-375

SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116996	CABLE MOSCOW 20052	7	11/24/1986	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

US-Soviet Projects Near

Up to 40 Ventures Could Be Signed Within Year

By ROSE A. HOROWITZ

Journal of Commerce Staff

NEW YORK — Several U.S. companies may sign letters of intent with Soviet enterprises within the next two or three weeks, said James H. Giffen, president of the U.S.-U.S.S.R. Trade and Economic Council.

During a recent visit to the Soviet Union, Mr. Giffen said he discussed 30 or 40 projects, involving joint ventures and trade deals, with Deputy Prime Minister Vladimir Kamentsev. The two officials hope to conclude these projects within the next 12 months.

Mr. Giffen declined to name specific companies. However, Purchase, N.Y.-based Pepsico Inc. has said it is negotiating with Soviet officials to open about 100 Pizza Hut restaurants there.

In addition, Abbott Laboratories of Chicago and Monsanto Co. of St. Louis, Mo., are reportedly looking into joint ventures in the Soviet Union. Other companies that might be preparing projects include General Electric Co., Occidental Petroleum Corp. and Archer-Daniels-Midland Co., observers say.

A policy to allow joint ventures with capitalist firms, as well as with enterprises in Soviet bloc countries, is one of the changes outlined in Soviet decrees. The measures are scheduled to go into effect Jan. 1.

The New York-based council is a private group promoting U.S.-Soviet trade.

Deputy Prime Minister Kamentsev, the former minister of fisheries, will head the Foreign Economic Relations Committee, to be created by Jan. 1.

The group will be in charge of

overseeing all Soviet foreign economic policy and legislation. The 12-man committee will report directly to Prime Minister Nikolai Ryzhkov.

He said Mr. Kamentsev told him the new commission would send a representative to an annual meeting of the council and a delegation of Soviet leaders to be held in New York Dec. 8-10. The representative would explain the new measures on joint ventures, Mr. Giffen said.

U.S. business executives have said they are waiting to see the principles by which the joint ventures would operate, most importantly details about repatriation of profits and the role for foreign managers.

Mr. Kamentsev "pointed out the Soviet side is spending time and effort looking at joint ventures so they would be profitable to the foreign party and the Soviet side," Mr. Giffen said. He said Soviet leaders are meeting weekly and "working feverishly" to finalize the legislation on joint ventures.

Commerce Secretary Malcolm Baldrige and Soviet Foreign Trade Minister Aristov will participate in the December meeting. He said a delegation of 30 Soviet leaders from various ministries will be attending.

In addition, Mr. Baldrige and Mr. Aristov will discuss trade at a Dec. 4-5 meeting in Washington. The discussion marks the ninth session of the Joint U.S.-U.S.S.R. Commercial Commission, a forum set up in 1972 to discuss trade between the two countries.

Mr. Giffen has said the joint ventures might work this way:

The foreign partner in a joint venture would be allowed 49% ownership and repatriation of profits in

the currency of the foreign partner although this would have to be negotiated. It would not permit ownership of land or property, but rather ownership of assets, which would be leased by the Soviets to companies.

The law would protect the foreign firm against expropriation and enable the joint venture to open operations in third countries. Parts could be imported as conditions arose and not have to be approved as part of the Soviet five-year plan, Mr. Giffen said.

The priority areas for joint ventures would be food and agriculture, chemicals and petrochemicals, transportation, consumer goods and services, and energy and equipment, he said.

At the outset, the Soviets are aiming to get a limited number of joint ventures going quickly with U.S., Japanese and European firms, Mr. Giffen said.

"The Soviets are going to enter into these joint ventures and then codify (the details). They want joint ventures to be successful and profitable," he said.

For major multinationals to participate in joint ventures with the Soviets, they must be assured of profits that are convertible to hard currency and in the current year and revenue not only from foreign sales, but also from domestic sales.

These are some of the conditions that executives from companies in Italy and France say they want, said John Hardt, an associate director and senior specialist for Soviet economics at the Congressional Research Service in Washington. Mr. Hardt recently met with foreign executives in Europe on the subject.

FAST FOOD IS COMING, FAST FOOD IS COMING

On Nov. 3 an unusual program appeared on Soviet television—an inside look at the supercharged activity in a McDonald's restaurant in New York. "Maybe there's something we can learn from this," Vladimir Dunaev, a Soviet TV correspondent for the prime-time program, *International Panorama*, told viewers.

Indeed, Dunaev's documentary was part of an attempt to condition the Soviets to the idea that Golden Arches and red-roofed Pizza Huts may be on the way. McDonald's is one of 30 or more U.S. companies that are now talking with the Soviets about setting up joint ventures in Moscow and other cities. If they do open shop, they'll be helping Soviet leader Mikhail S. Gorbachev borrow Western technology and management, from fast-food chains to chemical companies, to help modernize his country. The first of these ventures could be announced in December when the U.S.-U.S.S.R. Trade & Economic Council meets in New York. The council's members include major American corporations and Soviet trade organizations.

YEARS OF EFFORT. Moscow's interest in joint ventures means "there's a whole new dimension" to U.S.-Soviet trade relations, says Dwayne O. Andreas, chairman of Archer-Daniels-Midland Co., a grain exporter to the Soviet Union. Andreas, co-chairman of the council, is exploring an agribusiness venture with the Soviets, who want oilseed processing plants and grain-storage systems.

Most U.S. companies are reluctant to discuss their plans. But General Electric Co. recently posted two U.S. managers to the Soviet Union, and a GE spokesman allows that "we are exploring opportunities for links in gas turbines or pipelines, industrial equipment, and engineering plastics for automobiles." PepsiCo Inc. is hoping to open 100 Pizza Huts in various cities. Sources say Coca-Cola Co. is close to announcing investment plans in the Soviet Union, where it already sells Coke and Fanta. Armand Hammer, chairman of Occidental Petroleum Corp. who has long traded with the Soviets, is discussing a new chemicals and plastics deal.

If these prospects become reality, they will be the culmination of years of effort. McDonald's Corp. first started talking with the Soviets in 1976. Since Gorbachev took over, the pace of negotiations has quickened. Now the stickiest



issue is how to get out profits, says George A. Cohon, chief executive of McDonald's Restaurants of Canada Ltd., who is handling the deal.

The Soviets have set up a new Foreign Economic Relations Commission to accelerate negotiations. Its chairman, Vladimir Kamentsev, is also Deputy Prime Minister. Says James H. Giffen, president of the U.S.-Soviet council, who met with Kamentsev in early November: "People don't realize the extent of the changes over there. Kamentsev said to me, 'We're not interested in short-term links. We're interested in stable cooperation with U.S. companies, with good profits to the partners.'"

By Rose Brady and John Pearson in New York, with Peter Galuszka in Moscow and bureau reports

STEVEN MAX SINGER

AGENDA ITEM 4

"STATUS OF PROJECTS"

10:40-11:40 a.m., Tuesday, December 2, 1986, Room 4830

U.S. PRESENTATION

At 10:40 a.m. Under Secretary Smart will call the delegations back to the table, inviting them to bring their coffee with them. He will turn to Dr. Susanne Lotarski, Director of the Office of Eastern Europe and Soviet Affairs, for a 10-minute presentation on "Projects Offering Opportunities for Expansion of U.S. - Soviet Commercial Relations". Her statement will emphasize signing contracts and the improved U.S. international price competitiveness.

At the conclusion (10:50 a.m.), the Under Secretary will invite Soviet questions and a general discussion of projects. The Soviets are expected to use this opportunity to claim that U.S. export controls are tougher than other Western controls and that they prevent the Soviets from doing business with U.S. firms. General Secretary Gorbachev's dairy industry example from Reykjavik may pop up. The U.S. delegation, especially the Export Administration representative, will be prepared to refute this.

The discussion is expected to last about 30-40 minutes.

- TAB H: U.S. paper on Projects with Opportunities for Expansion of U.S.-Soviet Commercial Relations.
- TAB I: U.S. Export Controls, including Oil and Gas
- TAB J: Petroleum Equipment & Technology Exports to USSR.
- TAB K: Supplier Reliability and Contract Sanctity.

H

TRADE EXPANSION AND PROJECT OPPORTUNITIES

Issue

As a chief element of our effort to expand non-strategic trade with the Soviet Union we have sought to support participation by American companies in projects in the Soviet Union. We have ensured that the projects we encourage fall in the non-strategic area and do not pose preclusive export licensing difficulties. So far very few project contracts have been signed. Progress depends on a stronger Soviet government commitment to U.S.-Soviet projects. We will pursue this at the JCC.

U.S. Objectives

We seek to reinforce the strong effort of earlier meetings and to press the Soviets to sign contracts on several projects in the near future. Despite Soviet economic and organizational problems, we must have this as a tangible indication of Soviet seriousness, in order to continue our efforts confidently. We will raise 5-10 projects for which the companies have the necessary export licenses in hand and which should be close to signing.

We will ask the Soviets about the current state of play in Soviet project development and explore whether there are new projects for which they want us to (a) evaluate the export control considerations or (b) identify potential American participants. We want to hear Soviet views on why more contracts have not been signed.

Background

Two years ago, when the United States and the Soviet Union resumed trade discussions, American companies complained that the Soviet Union did not invite bids from American companies and that even when American companies pried their way into commercial discussions their bids were not seriously considered due to post-U.S.-sanctions Soviet policy. The Soviet government expressed deep concerns about contract sanctity and argued that the United States government would not license the necessary technology and equipment for export.

Senior U.S. officials have addressed Soviet concerns on contract sanctity by explaining the relevant 1984 Export Administration Act provisions. To address the export control issue, the United States provided clear guidance on 15 industrial sectors and indicated 9 in which export control obstacles were unlikely to prevent project completion. At the May 1985 meeting of the JCC we sought further to overcome these obstacles. We completed an extensive review of over 90 proposed projects, including 33 which were listed by the Soviet Trade Mission in the United States.

During the JCC meeting we provided a detailed response including, (a) our conclusion that 31 of the 33 projects the Soviets listed could be completed under existing licensing policies (b) a list of 22 projects which the U.S. government knew were under active discussion and were unlikely to pose no licensing problems. We encouraged the Soviets to pursue discussions of these projects and where possible we encouraged contract signings. We also encouraged continued discussion of 10-20 additional projects, encouraging both the companies and the Soviets to pursue licensing aspects with the Commerce Department's Office of Export Administration.

At the JCC, Secretary Baldrige gained the assurance of Foreign Trade Minister Patolichev that American companies would be invited to bid on Soviet projects and that these proposals would be considered on their economic merits.

Recognizing the utility of bilateral discussions on projects, the JCC at its May 1985 meeting also established a Projects Subcommittee. The Subcommittee held its first meeting in November, 1985, in Washington. At that meeting 11 proposed projects, which had passed an export control precheck, were discussed by the U.S. delegation.

In preparation for the present meeting we checked the status of all the projects which were discussed at the earlier meetings and many others which we know have long been under discussion. The response of American companies is summarized as follows:

Status of Projects

5%	resulted in signed contracts for U.S. bidder
10%	company has export license and believes a contract could be signed within 9 months
20%	still under discussion, essentially unchanged
20%	still under discussion, scaled down version
30%	project cancelled
15%	resulted in signed contracts for foreign competitor

Progress from commercial negotiations to contract signings is normally long and drawn out with the Soviets, but recently progress has come to a virtual halt. The reasons are: (1) a compounded loss of Soviet dollar income caused by a dramatic decline in the price of oil and the dollar's exchange rate; (2) hesitation on the part of foreign trade entities until they understand their new foreign trade initiatives (For example, many projects have been put on hold until the Soviets assess whether they could work better as a joint ventures. The problem with that is they haven't even established a legal framework for joint ventures yet.); and (3) a review of priorities and extra caution following the Chernobyl nuclear disaster.

Because of these conditions it is somewhat difficult to determine how well the Soviets have performed on their promise to end discrimination against U.S. firms. On this point, the consensus of American business is that, while the Soviets have improved, they are still somewhat reluctant to focus on an American project partner early on. There may be continued fears among foreign trade managers that a U.S.-Soviet project could be injured by the ups and downs of bilateral relations. It is noteworthy that in three cases where the American bidder lost out--once to the Italians and twice to the Finns-- the Soviets made a point of explaining to the companies that the U.S. bid was not competitive.

Talking Points

- Despite our strong effort over the past two years to encourage U.S.-Soviet projects, only one in twenty of those which we have aggressively supported have resulted in contracts for American companies. Moreover, the few which have been signed tend to be small.
- We are disappointed not only because growing exports to the Soviet Union would benefit our economy, but also because we are confident that the equipment and expertise of our companies would bring to projects in the Soviet Union would be of benefit to the Soviet consumer and economy.
- We believe that the increased American participation in Soviet projects, indicated by signed contracts, would be a strong indication of improving ties between our two countries.
- We would like to know how the ongoing reorganization of Foreign Trade in the USSR affects project discussions. We believe it is not necessary for all project discussions to be put on hold. Which projects could be unaffected? Which projects will be delayed in the reorganization?

- We hear continuing complaints by American companies that in dealing with Soviet entities, internal approvals, technical discussions, and virtually all aspects of negotiations take too long and are too expensive to conduct. We encourage a speedier process of planning, bidding, negotiating and awarding contracts for projects.
- We wish to note some concerns related to project discussions which appear stalled. We urge the Soviet participants to reach decisions on these projects quickly and communicate those decisions fully and rapidly to the U.S. company concerned.
- We wish to enlist your support for several projects which have not been raised previously in JCC or Project Subcommittee discussions.
- We wish to express an interest in several additional projects which have come to our attention. We have not fully explored the export policy considerations with respect to these projects, but we believe it would be very useful for the companies to do so.
- Are there other projects which the Soviet side is interested in discussing? We are willing to review all proposals with the aim of lending our support to them if possible.

Prepared by: Edgar Fulton/Commerce/IEP/Eur/OEESA/377-2645
Clearances: RSpruell/OEA HMisisco/TD

U.S.-U.S.S.R. JCC: December 4-5, 1986

Projects for Discussion

1. baby formula production
2. baby food production
3. iron ore beneficiation
4. denim fabric manufacturing
5. ethylene production
6. fruit concentrate production
7. meat processing
8. aluminum silicate glass lamp tube manufacture
9. food flavorings projects
10. polypropylene and polybutane plants
11. combine production technology
12. polyester concrete applications
13. hog feed additives
14. polyester plant
15. chloralkalide chemicals plant
16. soy protein isolate production
17. cattle herd improvement
18. licensing for petrochemical modernizations
19. coal slurry pipeline
20. ceramic stove tops

UNCLASSIFIED

U.S. Export Controls, including Oil and Gas

ISSUE:

U.S. export licensing policy toward the Soviet Union.

BACKGROUND

Strategic trade with the Soviet Union and export control issues are not scheduled to be discussed at the 1986 US-USSR JCC meeting or the Working Group of Experts meeting. For general background, this paper clarifies current control policies over the export of national security and foreign policy controlled items and technology to the Soviet Union.

U.S. POSITION:

National Security Controls

As a general policy, the U.S. will not approve commodity exports to the U.S.S.R. for end-users engaged in military related activities. Under a "no exceptions" policy, the U.S. also will not approve the export of items requiring full COCOM clearance as exceptions to the COCOM embargo list. Special considerations can be made on a case-by-case basis for multilaterally controlled items destined to non-military end-users if the items:

- are essential to public health and safety (intensive care medical equipment);
- serve Western security interests (servicing of items in connection with safeguard inspections);
- protect access to vital commodities and/or services; and/or
- are spare parts for servicing of equipment previously exported.

Lower level commodities that do not require COCOM clearance also can be approved on a case-by-case basis when exported to non-military end-users. These commodities are identified in the Export Administration Regulations as Advisory Notes for Country Groups Q, W, and Y.

UNCLASSIFIED

UNCLASSIFIED

-2-

Export applications for technical data are closely scrutinized, and the following are subject to a presumption of denial:

- information on the design, manufacture or use of multilaterally-controlled commodities;
- process control information for plants in military relevant industrial sectors; and

Foreign Policy Controls

For foreign policy considerations, a validated license is required for the export to the U.S.S.R. of the following:

- equipment and technical data for the Kama River or ZIL truck plants.
- non-strategic oil and gas exploration and production equipment and technology.

Equipment and technical data for Kama River or ZIL truck plants will generally be denied.

The control on commodities and technical data relating to oil and gas exploration and production covers seven commodity areas on the Commodity Control List. A policy of approval applies on the export of oil and gas exploration and production equipment. Applications to export technical data pertaining to the exploration and production of oil and gas are reviewed on a case-by-case basis. Applications for technical data relating to the manufacture of equipment used in oil and gas exploration and production are denied.

Licensing Background

In fiscal year 1986, the U.S. approved 547 applications for export to the U.S.S.R. valued at \$298.5 million. Of this total, \$116.5 million was for oil and gas exploration and production equipment. Low level computer equipment accounted for \$103.3 million, and recording or reproducing equipment accounted for \$13.1 million.

In this same period, the U.S. denied 29 applications valued at \$2.9 million. Over half of the applications rejected were for computers and/or computerized testing equipment; none of the applications rejected were for oil and gas equipment.

UNCLASSIFIED

UNCLASSIFIED

-3-

SOVIET POSITION

Soviets view export controls as an unnecessary hinderance to more favorable trade relations with the U.S. Technology transfer concerns may arise in discussions of joint ventures with Western firms. Soviet joint venture plans are likely to emphasize the necessity of advanced process control equipment and techniques to support modern production/assembly lines.

TALKING POINTS

- o We believe there are considerable prospects for trade expansion in nonstrategic areas under current policies.
- o Coproduction agreements involving technology transfer or the export of controlled items will be considered on a case-by-case basis.
- o We are receptive to Soviet concerns about the delays and uncertainties inherent in the licensing system. To address these problems, internal measures are continually being followed toward developing a more efficient and effective process for licensing exports.

Drafted by: Glen Schroeder TA/EA/OTPA/SPPD 11-19-86
Cleared by: EHurwitz - State/EA
BGeorge - Defense/DUSD(PR)
BClark - State/EUR/SOV
SLOTarski- Commerce/IEP/EUR
TSmith - Commerce/TD/OSIM

UNCLASSIFIED

J

UNCLASSIFIED

U.S. PETROLEUM EQUIPMENT AND
TECHNOLOGY EXPORTS TO U.S.S.R.

Background

Since the first imposition of export controls for foreign policy purposes in 1978, the export performance of the U.S. petroleum equipment suppliers in the Soviet market has declined. In 1978, U.S. exports of oil field machinery to the U.S.S.R. reached \$35 million; then, peaked at \$48 million in 1979. In 1980, U.S. exports of this equipment to the U.S.S.R. fell sharply to only \$2.2 million. Simultaneously, total U.S. exports of oil field machinery in 1980 rose to \$3.3 billion, a 36 percent increase over 1979.

Since 1980, U.S. exports of petroleum equipment to the Soviet Union have remained relatively small, totalling \$1.9 million in 1984 and \$833,000 in 1985.

In 1986, the level of U.S. exports of oil field machinery to the Soviet Union has shown a marked improvement. For the first 8 months of 1986, U.S. exports of petroleum equipment to the U.S.S.R. amounted to \$5.1 million.

The composition of these 1986 U.S. exports of petroleum equipment to the Soviet Union were: \$5,053,392 of oil field drilling and production equipment parts, and \$12,449 of oil and gas field wire line and down hole equipment, including parts. This compares with 1985 when U.S. exports of oil field machinery to the U.S.S.R. amounted to \$822,927 of parts and \$10,177 of oil and gas field wire line and down hole equipment, including parts.

In 1986, the growth in U.S. exports of oil field machinery to the Soviet Union is noteworthy because total U.S. exports of petroleum equipment have declined. For the first 8 months of 1986, the total value of U.S. exports of oil field equipment was \$1.3 billion, a 16 percent decline from the same period in 1985.

UNCLASSIFIED

UNCLASSIFIED

-2-

Despite the sharp drop in petroleum prices in 1986, some countries such as the Soviet Union, India, and Brazil continue to set a high national priority on petroleum exploration and development. As a result, U.S. petroleum equipment manufacturers are eager to develop these markets that continue to grow despite depressed petroleum prices and surplus supplies of oil and natural gas.

Foreign trade is very important to the U.S. petroleum equipment industry because about half of its production is exported. The major foreign markets for U.S. oil field equipment are as follows with U.S. export values given for the first 8 months of 1986: Venezuela, \$164 million; United Kingdom, \$140 million; Peoples Republic of China, \$125 million; Singapore, \$97 million; Canada, \$93 million; United Arab Emirates, \$91 million, and India, \$77 million.

Current Situation

There are currently foreign policy export controls--as well as export controls for national security--on U.S. petroleum equipment sales to the Soviet Union. None of the major foreign countries producing state-of-the-art and high technology petroleum equipment have supported the foreign policy controls. The major foreign countries producing this equipment include the United Kingdom, France, Norway, Canada, Italy, and West Germany.

Many U.S. oilfield equipment manufacturers favor that U.S. export controls on petroleum equipment be limited to those imposed for national security reasons. The Petroleum Equipment Suppliers Association of Houston, Texas, the major trade association for this industry, has an ongoing effort to persuade the U.S. Congress and the Administration to remove the foreign policy export controls on sales of U.S. petroleum equipment to the Soviet Union. These controls come up for annual renewal in January 1987.

UNCLASSIFIED

UNCLASSIFIED

-3-

Soviet Situation

The Soviet Union has been sending mixed signals on its intentions to purchase more Western, and in particular, U.S. petroleum equipment. Soviet trade officials have held talks with many western suppliers to elicit proposals for the supply of a wide range of high technology petroleum equipment. However, U.S. exports of oil field equipment remain relatively small and primarily of parts.

The Soviet Union has recognized its need to upgrade its petroleum equipment technology by importing Western technology from such major producing countries as the United Kingdom, France, Norway, Canada, Italy, and West Germany. This technology includes deepwell rotary drilling rigs, submersible pumps, and a wide range of offshore drilling and production equipment.

Questions

1. U.S. exports of petroleum equipment to the Soviet Union are relatively small. However, U.S. trade statistics show a significant increase to \$5.1 million of petroleum equipment exports to the U.S.S.R. for the first 8 months of 1986. This compares with total U.S. exports of only \$833,000 of petroleum equipment to the Soviet Union in 1985. Does the Soviet Union plan to continue to expand its purchases of U.S. petroleum equipment?
2. What types of petroleum equipment is the Soviet union particularly interested in purchasing from the United States?
3. To what extent does the Soviet Union plan to use Western petroleum equipment technology to explore and develop its oil and gas reserves in difficult environments such as Siberia.

UNCLASSIFIED

UNCLASSIFIED

-4-

4. To what extent does the Soviet Union plan to use Western petroleum equipment technology to develop its offshore oil and natural gas reserves?

Drafted By: Edward J. McDonald
Industry Specialist
Office of Special Industrial Machinery
International Trade Administration
U.S. Department of Commerce
Telephone: 377-0680
November 25, 1986

Information Copies to:

Elliot Hurwitz
Department of State
Telephone: 647-8854

Bob Clark
Department of State
Telephone: 647-9370

Bill George
Department of Defense
Telephone: 694-5279

Clearances:

Jack Brougher
Department of Commerce
Telephone: 377-4656

Willard Workman
Department of Commerce
Telephone: 377-8735

UNCLASSIFIED

K

~~LIMITED OFFICIAL USE~~ CS 8/19/11

BRIEFING PAPER

Supplier Reliability and Contract Sanctity

ISSUE

The Soviets assert that American firms are unreliable suppliers because they are subject to export controls which may be used by the U.S. Government at any time to disrupt existing contracts. Sales opportunities are being lost as a result of the Soviet perception.

BACKGROUND

As a result of U.S. sanctions in 1980 in response to the invasion of Afghanistan and in December 1981 and June 1982 as a result of the imposition of martial law in Poland, Soviet policy makers and foreign officials have increasingly taken the position that U.S. firms are unreliable suppliers. Contract sanctity is of special concern to officials in non-market economies such as the Soviet Union, where the entire economy is planned by central authorities for 5-year periods. The disruption of contracts for projects such as the Novolipetsk steel plant, computer parts for the Kama River Truck plant, and the Yamal pipeline was of deep concern to Soviet trade officials. The Soviets also use this issue for political purposes in an attempt to discredit U.S. sanctions.

Soviet foreign trade organization officials are discriminating against U.S. firms either as a result of their own uneasiness about disruption of contracts or as a result of direct orders from the Ministry of Foreign Trade. U.S. companies are being pressured to source deliveries out of non-U.S. facilities and to delete export licensing contingency and escape clauses from contracts and to insert high penalty clauses for non-delivery resulting from sanctions. With increasing frequency, the Soviets are not allowing them to bid on major contracts at all.

~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

The contracts most affected by these problems are ones for delivery over a period of several years; of turn-key plant and other types of equipment and technology, as well as training and technical assistance. Commodity trade is much less affected, since contracts usually run for less than a year and products can be more easily obtained from other suppliers.

U.S. POSITION

The United States, in order to increase opportunities for expansion of non-strategic trade, must create a sense of confidence in the Soviets that U.S. contracts will be fulfilled. An explanation of the EAA amendments enacted on July 12, 1985 should emphasize the strength of the contract sanctity provisions they contain in recognition of Congress's belief that supplier reliability is an important aspect of international trade.

The broadest new contract sanctity provision applies to any controls sought to be imposed on foreign policy grounds under the EAA. Thus, the President is barred from prohibiting or curtailing the export or reexport of goods, technology or other information pursuant to an existing contract, license or other authorization in effect prior to the President's notification to Congress of his intent to impose controls. The exception to this provision is limited to circumstances in which the President determines and certifies to Congress that there exists a "breach of the peace" which poses a serious and direct threat to the strategic interests of the United States. Furthermore, the curtailment of an existing contract must be instrumental in alleviating the direct threat. Any export controls imposed under this exception to the contract sanctity provision will continue only so long as the direct threat persists. The legislative history on this subject emphasizes that the meaning of "direct threat" is to be very narrowly defined. This provision has been in effect for over a year now, and the "breach of the peace" exception has not been invoked.

Under a second contract sanctity provision, short supply controls will not apply to any contract to export agricultural commodities, forest products and fishery products that was entered into before the date on which the controls are imposed. This provision

~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

applies to all contracts, export sales agreements, and agreements to invest in an enterprise which involves the export of goods or technology.

In addition to the contract sanctity provisions, other legislative provisions signal our intent to be a reliable supplier of agricultural products. For example, a new provision prohibits national security controls on agricultural products. The Agricultural Act of 1970 defers the imposition of export restrictions for 270 days except when a national emergency or war has been declared.

Although export controls can be imposed under other authority -- e.g., the national security provisions of the EAA; with the declaration of a national emergency under the International Emergency Economic Powers Act; or new legislation -- the considerations which led to the new contract sanctity provisions in the EAA will act as a strong restraint on the application of any such controls to existing contracts.

~~LIMITED OFFICIAL USE~~

~~LIMITED OFFICIAL USE~~

TALKING POINTS

- ° The EAA contains two significant new contract sanctity provisions. These provisions reflect the United States' concern that its companies be considered reliable suppliers.
- ° Under the EAA, agricultural commodities, forest products and fishery products cannot be subject to short supply export restrictions if the contract to export was entered into before the date on which the controls are imposed. These protections apply to all contracts, export sales agreements and agreements to invest in an enterprise which involves the export of goods or technology.
- ° The EAA also contains a provision for contract sanctity in the area of foreign policy controls, with the only exception being where the President has determined that a breach of the peace exists which poses a serious and direct threat to the strategic interest of the United States. This exception has never been invoked.
- ° While a limited exception is provided under which the President may impose foreign policy controls that affect shipments under existing contracts, the overall impact of the provision evidences the United States' recognition that contract sanctity is an important issue and is to be respected in almost all circumstances. The considerations which led to new EAA language will have a restraining influence on the use of the other authorities which may interfere with contract sanctity.
- ° [IF ASKED] The President must have the capacity and flexibility to take decisive action even if there is some negative economic impact. The U.S. expects to limit the impact of controls on existing contracts as much as possible.

~~LIMITED OFFICIAL USE~~

Prepared by: Catherine Novelli, OGC/OAGC/EA
Revised by: David W. Mills, OGC/OCC/EA

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116980	PAPER RE SOVIET 1986-1990 FIVE YEAR PLAN GOALS	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116985	PAPER RE SOVIET REORGANIZATION OF THE FOREIGN TRADE APPARATUS	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116986	TABLE TABLE I RE SOVIET MINISTRIES WITH DIRECT ACCESS TO FOREIGN TRADE PARTNERS AS 1/1/87	1	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116988	TABLE RE COMPOSITION OF FOREING ECONOMIC COMMISSIONS (ON REVERSE ON 116986)	1	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116990	PAPER RE SOVIET HARD CURRENCY SITUATION, TRENDS, AND DEBT	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116991	PAPER RE SOVIET ECONOMIC PERFORMANCE: TRENDS AND OUTLOOK	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116992	CABLE MOSCOW 20075	4	11/25/1985	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116993	PAPER RE SOVIET MANUFACTURED EXPORTS TO THE WEST: TRENDS AND IMPEDIMENTS	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116994	PAPER RE SOVIET CONTRACTS WITH THE WEST (CHART ON THE REVERSE)	2	ND	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

Danzansky, Stephen (NSC): Files

Withdrawer

CAS 8/19/2011

File Folder

US-USSR WORKING GROUP OF EXPERTS, DECEMBER 1986
(1)

FOIA

M11-375
SHIFRINSON

Box Number

90971

2

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
116996	CABLE MOSCOW 20052	7	11/24/1986	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.