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# WITHDRAWAL SHEET

Ronald Reagan Library

| DOCUMENT NO. AND TYPE                            | SUBJECT/TITLE  | DATE    | RESTRICTION |
|--|--|---------|-------------|
| letter case<br><del>(271524DB)</del>             |  |         |             |
| 1. report  | "Soviet Economy Stumbles in 1987" (1p)<br>2  | n.d.    | P-1         |
| 2. report  | "Recent Trends in Soviet Hard Currency Trade and Finance" (1p)<br>2p   | n.d.    | P-1         |
| 3. report  | Textiles (1p) 2p   | n.d.    | P-1         |
| 4. copy  | of reporting cable from Am. Emb. Moscow re: Soviet proposals for Joint US-USSR Commercial Commission meeting (2p) 4p | 2/27/88 | P-1         |
| 5. report  | re: update on joint ventures (1p)<br>2p  | n.d.    | P-1         |
| COLLECTION:                                      |  |         |             |
| WHORM: Subject File                              |  |         | db          |
| FILE FOLDER:                                     |  |         |             |
| 573655<br>IT095 <del>(271524)</del> [2 of 3] (2) |  |         | 11/7/94     |

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

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

STATUS OF TRADE



OPENING SESSION

10:00 - 12:15 p.m.

April 12, 1988

Room 1603, World Trade Center, Hotel Mezhdunarodnaya

"STATUS OF BILATERAL TRADE"

(SIMULTANEOUS TRANSLATION)

Co-chaired by: Secretary Verity  
Minister Katushev

PHOTO OPPORTUNITY (10 min.)

INTRODUCTORY REMARKS

Chairman Kamentsev or Minister Katushev welcomes U.S. delegation; introduces Soviet delegation (10 min.)  
Secretary Verity responds and introduces U.S. delegation (10 min.)

Minister Katushev proposes agenda and invites Secretary Verity to present his remarks (5 min.)

OPENING STATEMENTS

Secretary Verity confirms agenda and presents U.S. view on the status and prospects for U.S.-U.S.S.R. trade (15 min.)  
Minister Katushev presents Soviet view of the bilateral trade relationship and invites Ambassador Matlock and Under Secretary Wallis to speak (10 min.)

Ambassador Matlock delivers his remarks (5 min.)

Under Secretary Wallis comments on the role of trade in the overall bilateral relationship (10 min.)

Secretary Verity responds (5 min.)  
Minister Katushev concludes discussion (5 min.)

REVIEW OF THE WORKING GROUP OF EXPERTS

Mr. Znamenskiy reviews results of Working Group of Experts meeting (10 min.)  
Acting Assistant Secretary Moore comments on the results of the Working Group from the U.S. perspective (5 min.)

CONCLUDING COMMENTS

Secretary Verity comments on review of bilateral trade relationship (5 min.)  
Minister Katushev recesses opening session at 12:00 noon and invites delegation to luncheon (5 min.)

PAPER BEING PREPARED



## U.S.-U.S.S.R. TRADE IN PERSPECTIVE

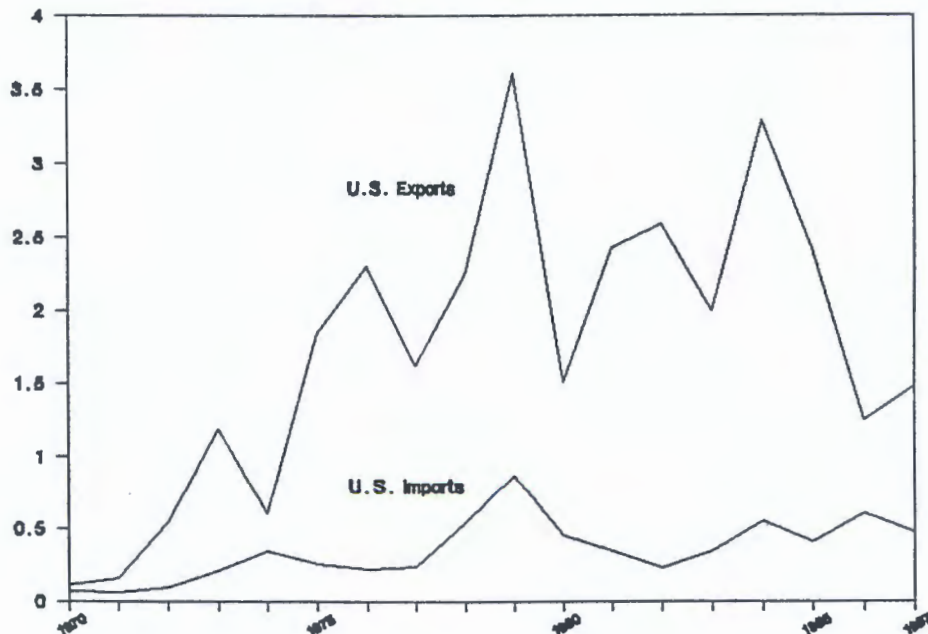
### Overview

U.S.-U.S.S.R. trade grew rapidly through the 1970's, from less than \$200 million in total trade in 1970 to a peak of over \$4 billion in 1979. Economic developments and the imposition of sanctions in 1980 and 1981 in response to the Soviet invasion of Afghanistan and Soviet complicity in imposition of martial law in Poland reduced total trade during the 1980s. In 1987, U.S.-U.S.S.R. total trade was only \$2 billion. The U.S. has consistently run a trade surplus with the Soviet Union, reaching over \$1 billion in 1987; and averaging nearly \$2 billion over the past 13 years.

## U.S. TRADE WITH THE U.S.S.R.

1970-1987

(\$US billion)



The U.S. has consistently run a trade surplus with the Soviet Union.



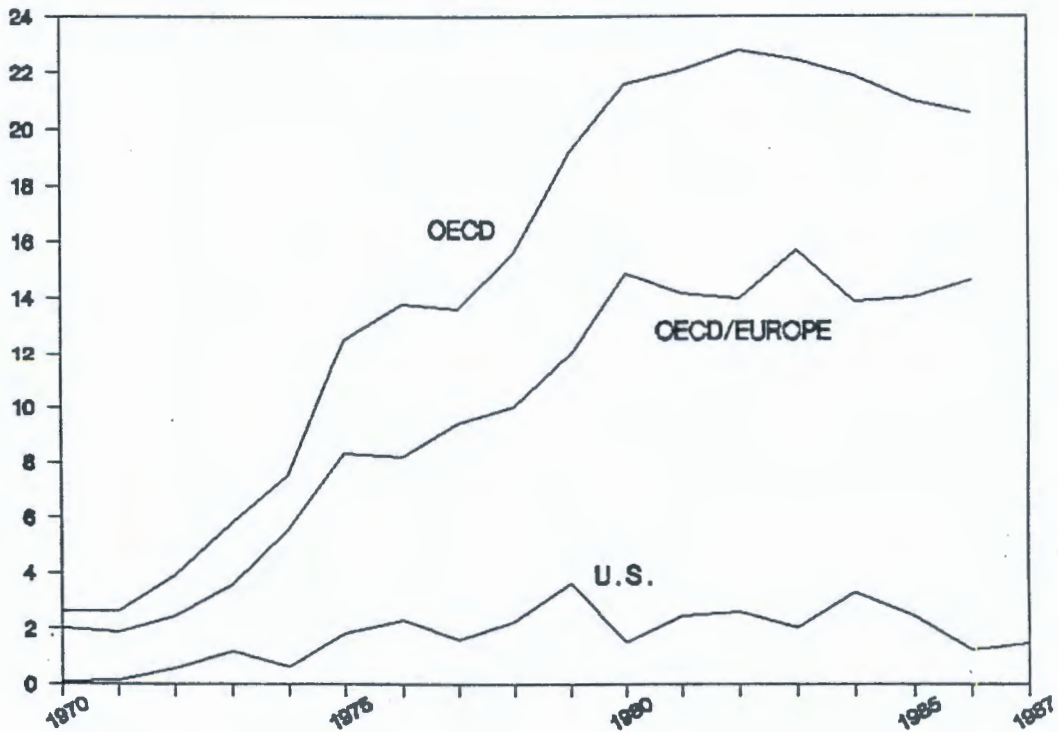
U.S. trade with the Soviet Union is insignificant in comparison to the overall U.S. trade picture, representing only 0.3% of our total trade with the world in 1987. Trade between the two superpowers is somewhat more significant from the Soviet perspective, representing 2.5% of their total trade with the world in 1986, and 4.4% of their total trade with the OECD countries. West Germany, the Soviet Union's leading trading partner in the West, accounted for almost 21% of the Soviet Union's trade with the OECD countries in 1986, while Japan accounted for 12.6%.

U.S. Exports and Related Market Share

In 1987, U.S. exports to the Soviet Union were just under \$1.5 billion. Top U.S. exports to the Soviet Union were wheat, corn, and materials for fertilizer. The U.S. accounts for only a small share of the West's exports to the Soviet Union. OECD countries exported \$20.6 billion worth of goods to the Soviet Union in 1986, with the U.S. share of that being only 6%. Western Europe held 71%, and Japan 15.5%. These shares have not changed significantly since 1970.

**EXPORTS TO THE U.S.S.R.**

(\$U.S. billion)

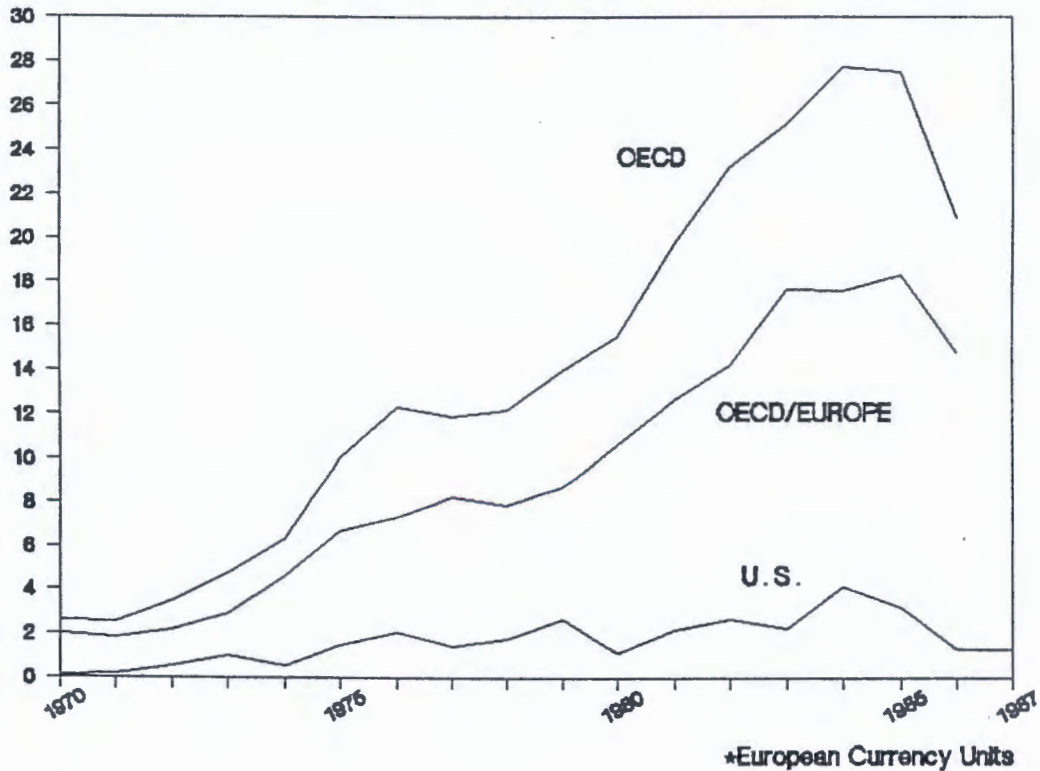


U.S. trade with the Soviet Union is much narrower in scope than our trade with the rest of the world. When the scope of trade narrows, a single class of goods may play a far more important bilateral role than it would globally. For example, the volume of U.S. exports to the Soviet Union has been heavily dependent on agricultural goods. Total U.S. exports to the Soviet Union have fluctuated widely over the past 20 years due to the sharp fluctuations in grain exports. In 1987, agricultural exports accounted for 62% of our total exports to the Soviet Union, below the 74% average of the past 5 years, but still at a very high level. In contrast, U.S. agricultural exports were only 11% of our total exports to the world in 1987.

Western Europe accounts for the vast majority of hard currency exports to the Soviet Union, mostly in manufactured goods. This trade grew until 1983, when it levelled off and then started to decline in 1985. The decline in exports has been accompanied by a drastic decrease in the value of Western European imports from the Soviet Union.

### EXPORTS TO THE U.S.S.R.

(Billions of ECUs\*)



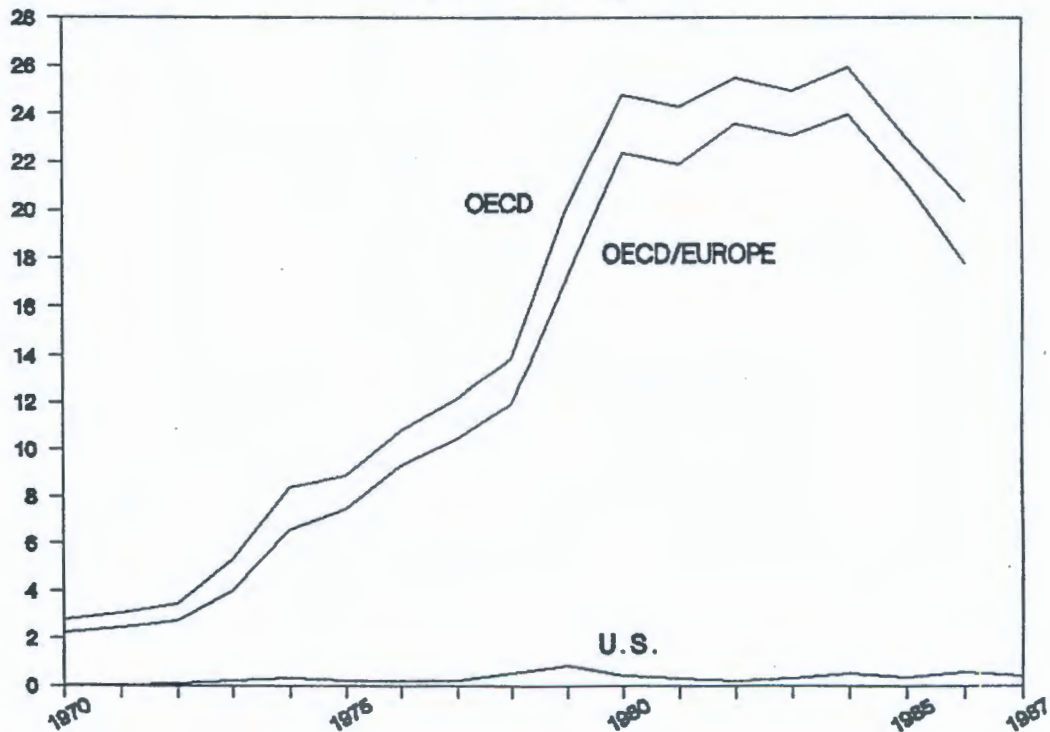
U.S. Imports and Related Market Share

U.S. imports from the Soviet Union do not fluctuate as much as U.S. exports, and have been running at much lower levels. In 1987, the U.S. imported \$470 million worth of goods from the U.S.S.R., down considerably from the record \$605 million in 1986, but still well above the \$304 million average of the previous seventeen years. Top U.S. imports from the Soviet Union were anhydrous ammonia, fuel oil, and rhodium. Raw materials and intermediate goods accounted for over 80% of U.S. imports from the U.S.S.R.

OECD countries account for approximately 80% of the Soviet Union's hard currency exports, while only accounting for 21% of total Soviet exports. The U.S. share of Soviet hard currency exports was approximately 3%. Most Soviet hard currency trade is with Western Europe, particularly West Germany. The top Soviet exports to Western Europe are petroleum and petroleum products.

**IMPORTS FROM THE U.S.S.R.**

(\$U.S. billions)

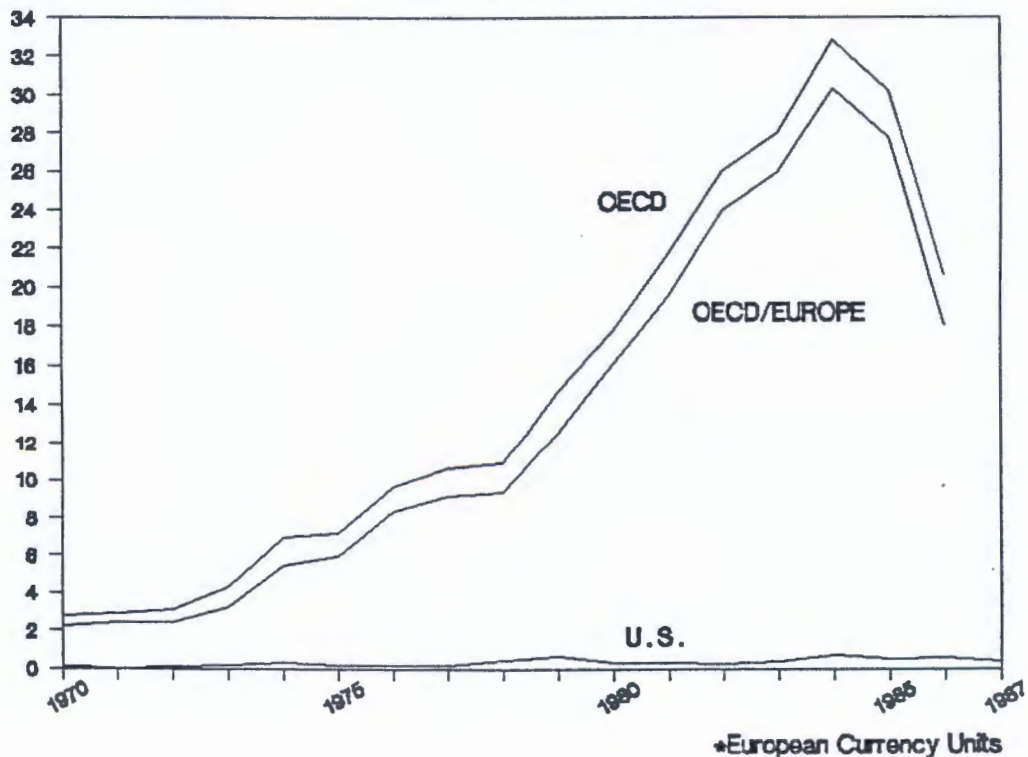


Petroleum and other energy products make up 60% of Soviet hard currency exports. While U.S. imports of energy products from the Soviet Union are small (around \$100 million in 1987), global petroleum prices are denominated in U.S. dollars. With the decline in the value of the dollar on the world exchange markets in the past several years, the Soviet Union's heavy reliance on oil and gas exports for its hard currency earnings has meant a severe terms of trade loss for the Soviets.

The 1985/1986 decline in oil prices, and the dollar's depreciation against the currencies of the Soviet Union's most important trading partners, have combined to reduce sharply real Soviet earnings from oil exports. Soviet exports of petroleum to hard currency countries in 1986 were worth \$8.45 billion, down 39% from \$13.8 billion in 1985. However, if these petroleum earnings are converted into Deutschemarks (West Germany is the Soviet Union's primary hard currency trading partner), then the decrease becomes even more pronounced, a 55% drop to DM18.3 billion from DM 40.5 billion. The continued drop of the dollar in 1987 will only worsen this problem.

### IMPORTS FROM THE U. S. S. R.

(Billions of ECUs\*)



Sectoral Trends in U.S.-U.S.S.R. Trade

Agricultural products have been the most important element in U.S. trade with the Soviet Union, dwarfing U.S. manufactured goods exports to the U.S.S.R. Agricultural goods account for over 60% of U.S. exports to the U.S.S.R.. This is in stark contrast to other OECD countries, where manufactured goods make up 80% of their total exports to the Soviet Union. For Western Europe, the figure runs closer to 90%.

Agricultural Trade: U.S. agricultural exports became a significant part of our trade with the Soviet Union in 1972, and have remained so ever since. Over 60% of the growth in U.S. exports to the Soviet Union has come in agricultural goods. In recent years, the principal export commodities have been wheat, corn, and soybeans.

U.S. agricultural exports were hurt by the 16-month partial grain embargo that went into effect in January of 1980, after the Soviet invasion of Afghanistan. Other nations, particularly Canada and Argentina, picked up market share as a result of that embargo. The U.S., however, still holds roughly a 30% share of the Soviet grain import market.

**U.S. EXPORTS TO THE U.S.S.R.**  
(\$U.S. millions)

| Year | Total   | Agricultural | Non-agricultural |
|------|---------|--------------|------------------|
| 1978 | 2,251.9 | 1,686.9      | 565.0            |
| 1979 | 3,607.0 | 2,854.9      | 752.1            |
| 1980 | 1,512.8 | 1,047.1      | 465.7            |
| 1981 | 2,340.4 | 1,665.3      | 675.1            |
| 1982 | 2,592.6 | 1,855.4      | 737.2            |
| 1983 | 2,002.9 | 1,457.1      | 545.8            |
| 1984 | 3,283.9 | 2,816.8      | 467.1            |
| 1985 | 2,422.8 | 1,864.4      | 558.5            |
| 1986 | 1,247.5 | 647.5        | 600.1            |
| 1987 | 1,479.8 | 923.0        | 556.8            |

Manufactures Trade: U.S. exports of manufactured goods to the Soviet Union amounted to \$489 million in 1987. While U.S. manufactures exports to the Soviet Union have fluctuated around the \$500 million mark since 1980 (averaging 3.3% of total OECD exports of manufactures to the Soviet Union), the composition has changed markedly. For example, in 1980 chemicals accounted for roughly 7% of U.S. manufactures exports to the U.S.S.R.. In 1987, chemicals accounted for 54%. In 1980, machinery and transportation equipment accounted for 63%, while in 1987 this same category accounted for only 18%.

Both U.S. and Western European exports of manufactures to the Soviet Union grew through the first half of the 1970s. However, U.S. exports in this category have never regained their peaks of the middle 1970s, while Western European exports of manufactures to the Soviet Union continued to grow through 1980. Growth in exports of manufactured goods to the Soviet Union has been sluggish since 1980 for both the U.S. and Western Europe, though the amount and importance of these exports has been much greater for Western Europe than for the U.S.. Over 80% of Western European growth in total exports to the Soviet Union has come from the manufactured goods sector.

**U.S. EXPORTS TO THE U.S.S.R.**  
( \$U.S. millions)

| Year | Total   | Manufactures |
|------|---------|--------------|
| 1978 | 2,251.9 | 467,373      |
| 1979 | 3,607.0 | 656,604      |
| 1980 | 1,512.8 | 423,713      |
| 1981 | 2,340.4 | 586,016      |
| 1982 | 2,592.6 | 598,408      |
| 1983 | 2,002.9 | 495,027      |
| 1984 | 3,283.9 | 400,931      |
| 1985 | 2,422.8 | 474,047      |
| 1986 | 1,247.5 | 526,734      |
| 1987 | 1,479.8 | 486,536      |

Conclusion

- o Foreign trade is a small part of the Soviet economy. Trade with the West is a small part of overall Soviet trade, with U.S.-U.S.S.R. trade making up only a small fraction of that.
- o Soviet imports from the West have historically been dependent upon their hard currency export earnings. Only in recent years have the Soviets borrowed to finance their imports.
- o Most of growth in U.S. exports to the Soviet Union has come from agricultural goods, principally grain. Soviet demand for grain is largely determined by its harvest. If the Soviet harvest is sufficient for their needs, U.S. exports to the Soviet Union suffer accordingly.
- o In contrast to U.S. trade with other developed nations, U.S. trade with the Soviet Union is dominated by raw materials and agricultural goods, much like the trade picture of the U.S. and an LDC.

Prepared by Kevin R. Boyd/ITA/IEP/ODAS/EUR/377-4501  
02/22/88

Clearances: Bob Clark/ State  
Dick Jones/State  
Joana Klema/Commerce  
P.J. Nichols/State  
Catherine Novelli/Commerce

TOP 30 U.S. EXPORTS TO THE U.S.S.R.

Prepared by ITA/IEP/ODAS/EUR from Census data

Flow: Total exports

Type: F.a.s. value

Partner: Soviet Union

(Thousands of dollars)

|   | Time period: | 1985      | 1986      | 1987      |
|---|--------------|-----------|-----------|-----------|
| :Schedule B commodity                       | :            | :         | :         | :         |
| :   | :            | :         | :         | :         |
| :   | :            | :         | :         | :         |
| :   | :            | :         | :         | :         |
| :Total all commodities.....                 | :            | 2,422,826 | 1,247,512 | 1,479,765 |
| :1306540--Wheat,unmilled,not donated.....   | :            | 158,712   | 0         | 389,148   |
| :1303465--Yellow corn, not donated.....     | :            | 1,502,148 | 280,589   | 381,460   |
| :4801000--Manures inc guano.....            | :            | 151,730   | 261,478   | 228,634   |
| :1845260--Soybean oil cake and meal.....    | :            | 0         | 0         | 57,547    |
| :7905510--Pres sens tape, plast backng....  | :            | 59,811    | 54,290    | 55,959    |
| :1754100--Soybeans, nspf.....               | :            | 0         | 312,981   | 42,705    |
| :7118750--Physical anal eq elec & pts....   | :            | 1,724     | 4,469     | 39,174    |
| :1454300--Almonds,shelled,not blanched....  | :            | 66,341    | 37,611    | 27,360    |
| :1775640--Tallow, inedible.....             | :            | 30,943    | 15,468    | 18,787    |
| :4754555--Insulating or transform oils....  | :            | 7,827     | 18,462    | 16,055    |
| :5175120--Calcnd petroleum coke n fl.....   | :            | 21,694    | 13,898    | 13,637    |
| :7905570--Pres sens tape, rub tex back....  | :            | 2,209     | 3,795     | 8,516     |
| :4223009--Titanium comp ex pig gr.....      | :            | 0         | 0         | 7,885     |
| :5176100--Electrodes,part carb o graph....  | :            | 7,390     | 9,282     | 7,777     |
| :7745025--Articles, rubr & plastc nspf....  | :            | 0         | 2,293     | 6,889     |
| :2500225--Wd pulp, sulphite, blh nspf....   | :            | 0         | 1,451     | 6,462     |
| :4754520--Auto diesel & mar en lub oil....  | :            | 11,992    | 14,562    | 6,290     |
| :6605460--Parts of indust gas turbines....  | :            | 1,807     | 2,594     | 5,781     |
| :4754510--Aviation eng lube oil ex jet....  | :            | 0         | 3,252     | 5,743     |
| :4754580-- Lube oils nspf excpt wht mi....  | :            | 8,804     | 5,106     | 5,521     |
| :6640230--Shov/ldr 4wh dr 10-15 cu yd....   | :            | 10,349    | 0         | 4,841     |
| :6619880--Parts nspf filter & purif eq....  | :            | 2,712     | 2,364     | 4,341     |
| :6785090--Ind wet/dry vacuum cleaners....   | :            | 934       | 1,577     | 4,282     |
| :1181200--Infnts diet supp,dry milk.....    | :            | 0         | 0         | 4,267     |
| :2500284--Wd plp,sp alpha, dsstlvg grds.... | :            | 0         | 3,271     | 4,015     |
| :6923820--Parts nspf tracklaying trctr....  | :            | 7,399     | 7,044     | 3,871     |
| :6923160--Trklyng trac new ov 344 neh....   | :            | 0         | 38,132    | 3,778     |
| :6785002--O/g fld wr ln & dwn hl equip....  | :            | 10        | 13        | 3,734     |
| :4744160--Industrial varnishes.....         | :            | 3,220     | 3,039     | 3,548     |
| :7102820--Geophysical inst & pts, elec....  | :            | 1,226     | 234       | 3,121     |
| :Total of items shown.....                  | :            | 2,058,982 | 1,097,256 | 1,371,129 |
| :Total other.....                           | :            | 363,844   | 150,256   | 108,635   |
| :   | :            | :         | :         | :         |
| :   | :            | :         | :         | :         |

Note: Compiled from official statistics of the U.S. Department of Commerce.  
Top 30 commodities sorted by Total exports, F.a.s. value in 1987.



TOP 30 U.S. IMPORTS FROM THE U.S.S.R.

Prepared by ITA/IEP/ODAS/EUR from Census data

Flow: General imports

Type: C.i.f. value

Partner: Soviet Union

(Thousands of dollars)

| TSUSA commodity                             | Time period: | 1985    | 1986    | 1987    |
|---|--------------|---------|---------|---------|
| :Total all commodities.....                 |              | 442,712 | 605,456 | 469,879 |
| :4806540--Anhydrous ammonia.....            |              | 131,097 | 91,351  | 69,303  |
| :4751015--Lt fuel oil un45 25 api aov.....  |              | 32,946  | 0       | 56,391  |
| :6050270--Rhodium.....                      |              | 10,725  | 29,268  | 48,971  |
| :6050260--Palladium.....                    |              | 27,759  | 23,399  | 29,715  |
| :6181000--Aluminum waste a scrap.....       |              | 6,534   | 20,354  | 26,282  |
| :1241045--Sable furskins, whole, raw.....   |              | 7,250   | 13,355  | 19,297  |
| :4750535--Fuel oils un 25api ov125sec.....  |              | 21,130  | 80,520  | 16,859  |
| :1693700--Vodka not ov 1 gal nov\$7.75..... |              | 9,701   | 11,908  | 13,124  |
| :6050750--Palladium bars plates etc.....    |              | 4,386   | 7,020   | 11,525  |
| :4751035--Fuel oils 25api aov ov125se.....  |              | 0       | 679     | 11,210  |
| :4225220--Uranium fluorides.....            |              | 0       | 0       | 11,119  |
| :4805000--Potassium chloride crude.....     |              | 0       | 1,669   | 10,883  |
| :6063546--Frslcn 30-60% silicon nspf.....   |              | 3,432   | 2,121   | 10,428  |
| :8621000--Arts for exhibit, ag,art,etc..... |              | 0       | 0       | 10,122  |
| :4753500--Naphthas fr petrol etc nspf.....  |              | 25,002  | 0       | 9,028   |
| :4017420--Para-xylene.....                  |              | 2,149   | 2,762   | 8,012   |
| :3201934--Cot sheetg<6 n-ff/n/dc sng ubnf:  |              | 0       | 50      | 6,787   |
| :6050220--Platinum sponge.....              |              | 3,961   | 7,847   | 6,659   |
| :1693800--Vodka nt ov 1 gal, ov \$7.75..... |              | 3,092   | 4,213   | 6,472   |
| :4750510--Crude petrol, test un25degapi.... |              | 0       | 6,312   | 6,374   |
| :4752524--Leaded gasoline.....              |              | 26,994  | 0       | 5,545   |
| :4017415--Ortho-xylene.....                 |              | 9,446   | 12,810  | 5,308   |
| :6050710--Platinum bars plates etc.....     |              | 959     | 13,742  | 4,876   |
| :7650300--Paintings etc, by hand.....       |              | 606     | 1,204   | 4,287   |
| :2452020--Hdboard ov \$96.2/3 str nspf..... |              | 1,874   | 3,063   | 4,154   |
| :4011000--Benzene.....                      |              | 5,840   | 3,049   | 3,397   |
| :4230030--Rare-earth oxides.....            |              | 1,470   | 1,786   | 3,304   |
| :6923406--Trac,whl,ag 40 hp und 80 hp.....  |              | 995     | 1,501   | 2,599   |
| :1133000--Sturgeon roe.....                 |              | 938     | 920     | 2,436   |
| :4803000--Urea, nspf.....                   |              | 61,029  | 65,623  | 2,392   |
| :Total of items shown.....                  |              | 399,317 | 406,526 | 426,858 |
| :Total other.....                           |              | 43,395  | 198,930 | 43,022  |

Note: Compiled from official statistics of the U.S. Department of Commerce.  
Top 30 commodities sorted by General imports, C.i.f. value in 1987.

U.S. TRADE WITH THE U.S.S.R. BY SITC COMMODITY

Prepared by ITA/IEP/ODAS/EUR from Census data

Flow: General imports

Type: C.i.f. value

Partner: Soviet Union

(Thousands of dollars)

|                                       | Time period: | 1985    | 1986    | 1987    |
|---------------------------------------|--------------|---------|---------|---------|
| : SITC rev 2 commodity                | :            | :       | :       | :       |
| :                                     | :            | :       | :       | :       |
| :                                     | :            | :       | :       | :       |
| :                                     | :            | :       | :       | :       |
| : Total all commodities.....          | :            | 442,712 | 605,456 | 469,879 |
| : 0--Food & live animals.....         | :            | 12,834  | 2,969   | 3,283   |
| : 1--Beverages & tobacco.....         | :            | 13,278  | 16,401  | 20,138  |
| : 2--Crude mat'l--inedible,not fuel:  | :            | 15,895  | 37,831  | 49,676  |
| : 3--Mineral fuels, lubricants, etc:  | :            | 106,076 | 89,911  | 106,990 |
| : 4--Oils & fats--animal & veg prod:  | :            | 44      | 8       | 0       |
| : 5--Chemicals.....                   | :            | 217,792 | 185,435 | 118,208 |
| : 6--Man'd goods by chief material..: | :            | 64,897  | 105,644 | 141,526 |
| : 7--Machinery & transport equip...:  | :            | 4,695   | 5,028   | 8,355   |
| : 8--Miscellaneous man'd articles...: | :            | 3,507   | 4,436   | 9,157   |
| : 9--Commodities & transactions nec:  | :            | 3,693   | 157,792 | 12,546  |
| :                                     | :            | :       | :       | :       |
| :                                     | :            | :       | :       | :       |

Note: Compiled from official statistics  
of the U.S. Department of Commerce.

Type: F.a.s. value

Flow: Domestic exports

Partner: Soviet Union

(Thousands of dollars)

|                                       | Time period: | 1985      | 1986      | 1987      |
|---------------------------------------|--------------|-----------|-----------|-----------|
| : SITC rev 2 commodity                | :            | :         | :         | :         |
| :                                     | :            | :         | :         | :         |
| :                                     | :            | :         | :         | :         |
| :                                     | :            | :         | :         | :         |
| : Total all commodities.....          | :            | 2,421,948 | 1,246,831 | 1,477,399 |
| : 0--Food & live animals.....         | :            | 1,728,525 | 318,242   | 859,909   |
| : 1--Beverages & tobacco.....         | :            | 8,732     | 497       | 144       |
| : 2--Crude mat'l--inedible,not fuel:  | :            | 90,180    | 328,102   | 56,514    |
| : 3--Mineral fuels, lubricants, etc:  | :            | 54,538    | 56,312    | 54,131    |
| : 4--Oils & fats--animal & veg prod:  | :            | 63,927    | 15,470    | 18,787    |
| : 5--Chemicals.....                   | :            | 281,634   | 287,996   | 263,859   |
| : 6--Man'd goods by chief material..: | :            | 9,570     | 14,159    | 23,377    |
| : 7--Machinery & transport equip...:  | :            | 111,926   | 156,258   | 87,487    |
| : 8--Miscellaneous man'd articles...: | :            | 70,898    | 68,185    | 111,813   |
| : 9--Commodities & transactions nec:  | :            | 2,017     | 1,610     | 1,378     |
| :                                     | :            | :         | :         | :         |
| :                                     | :            | :         | :         | :         |

Note: Compiled from official statistics  
of the U.S. Department of Commerce.

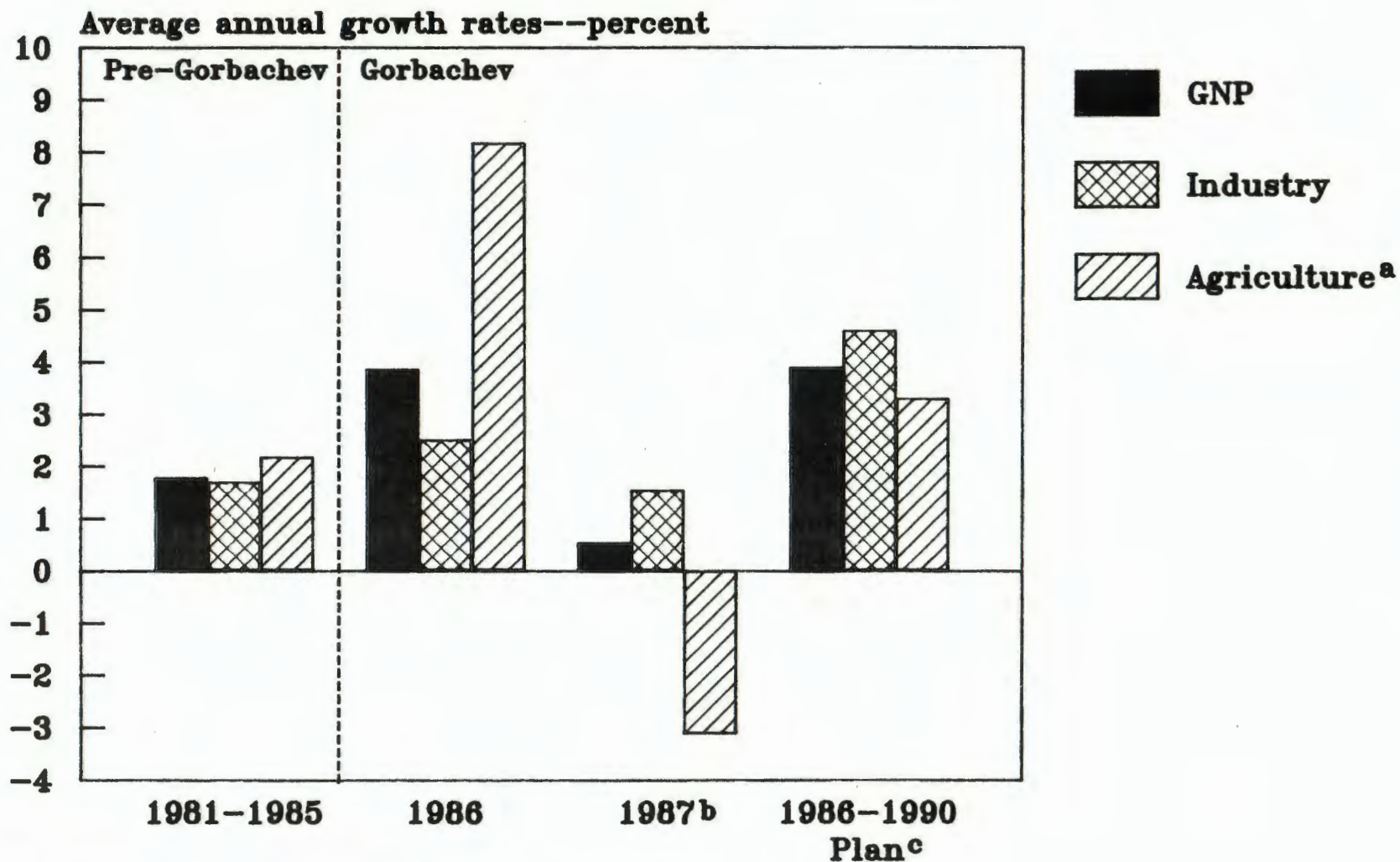
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# USSR: Economic Growth 1981-90



<sup>a</sup> Net of feed, seed, and waste.

<sup>b</sup> Preliminary

<sup>c</sup> Soviet measure of Gross Value of Output.

This graphic is Unclassified.

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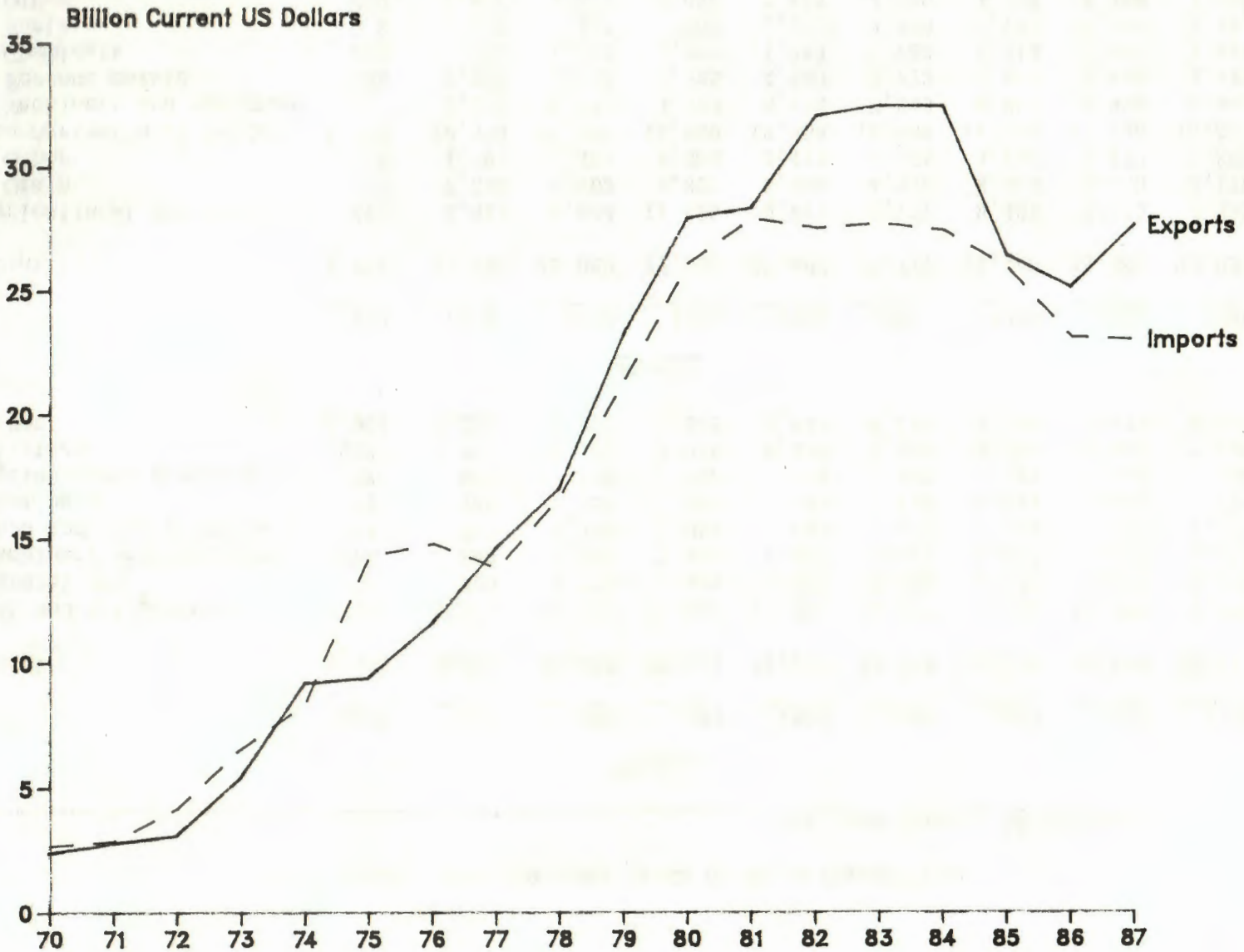
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# USSR: Hard Currency Imports and Exports, 1970-87\*



\*Preliminary

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Table 1

## USSR: Hard Currency Trade by Major Commodities

(Million Current US Dollars)

|                           | <u>Exports</u> |             |             |             |             |             |             |             |             |
|---------------------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | <u>1970</u>    | <u>1975</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> |
| Total                     | 2,405          | 9,453       | 27,874      | 28,254      | 31,976      | 32,429      | 32,173      | 26,400      | 25,111      |
| Oil and oil products      | 387            | 3,170       | 12,123      | 11,887      | 14,824      | 15,569      | 15,111      | 11,471      | 7,001       |
| Natural gas               | 1              | 220         | 2,710       | 3,968       | 3,673       | 3,194       | 3,754       | 3,813       | 3,638       |
| Machinery and equipment   | 123            | 450         | 1,227       | 1,206       | 1,347       | 1,407       | 1,229       | 1,149       | 1,196       |
| Wood and wood products    | 365            | 714         | 1,510       | 1,018       | 853         | 857         | 824         | 711         | 1,037       |
| Chemicals                 | 61             | 242         | 758         | 807         | 703         | 748         | 1,017       | 1,015       | 791         |
| Agricultural products     | 167            | 522         | 458         | 555         | 474         | 333         | 181         | 182         | 274         |
| Military                  | 240            | 1,903       | 5,131       | 5,980       | 7,220       | 7,162       | 6,889       | 4,937       | 7,100       |
| Other                     | 1,061          | 2,232       | 3,957       | 2,833       | 2,881       | 3,159       | 3,168       | 3,122       | 4,074       |
|                           | <u>Imports</u> |             |             |             |             |             |             |             |             |
|                           | <u>1970</u>    | <u>1975</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> |
| Total                     | 2,711          | 14,257      | 26,060      | 27,889      | 27,507      | 27,717      | 27,446      | 25,881      | 23,098      |
| Agricultural Products     | 613            | 3,914       | 8,804       | 11,829      | 9,919       | 9,127       | 9,468       | 8,125       | 4,483       |
| Grain                     | 101            | 2,323       | 4,503       | 6,327       | 5,506       | 4,876       | 6,315       | 5,253       | 2,178       |
| Other                     | 512            | 1,591       | 4,301       | 5,502       | 4,413       | 4,251       | 3,153       | 2,872       | 2,305       |
| Non-Agricultural Products | 2,098          | 10,343      | 17,256      | 16,060      | 17,588      | 18,590      | 17,978      | 17,756      | 18,615      |
| Machinery and equipment   | 927            | 4,593       | 6,039       | 4,523       | 6,114       | 7,009       | 5,822       | 4,824       | 6,509       |
| Ferrous metals            | 285            | 2,627       | 3,622       | 3,605       | 4,284       | 3,713       | 3,460       | 3,644       | 3,587       |
| Chemicals                 | 248            | 800         | 1,953       | 1,771       | 1,724       | 1,763       | 1,814       | 2,265       | 2,249       |
| Fuels                     | 8              | 497         | 831         | 503         | 1,579       | 2,100       | 2,732       | 2,734       | 2,162       |
| Other                     | 630            | 1,826       | 4,811       | 5,658       | 3,887       | 4,005       | 4,150       | 4,289       | 4,108       |

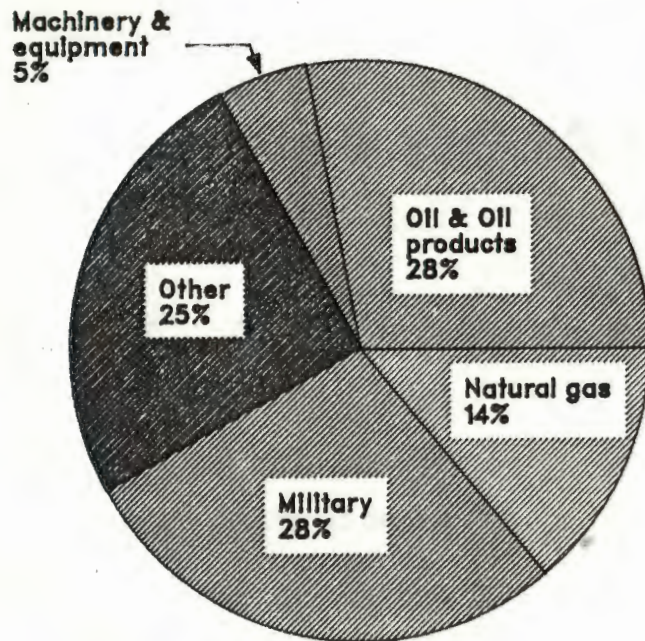
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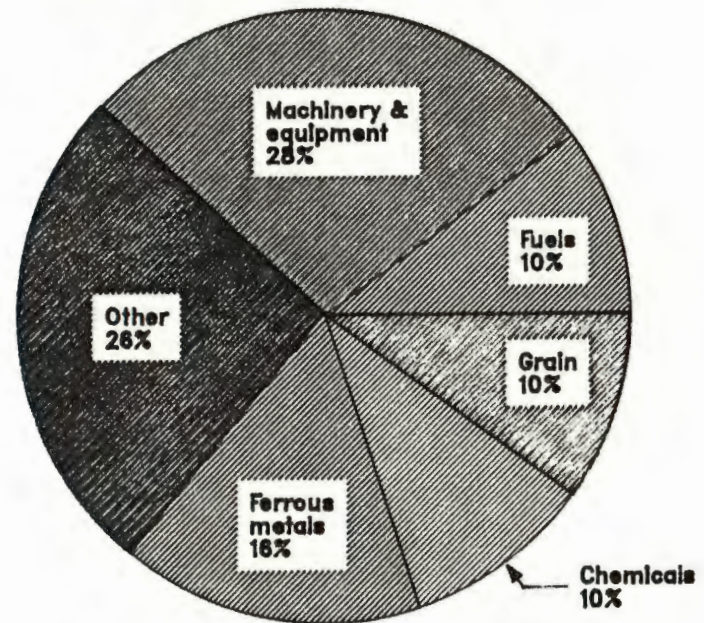


# USSR: Composition of Hard Currency Trade, 1986

Exports  
\$25.1 billion



Imports  
\$23.1 billion

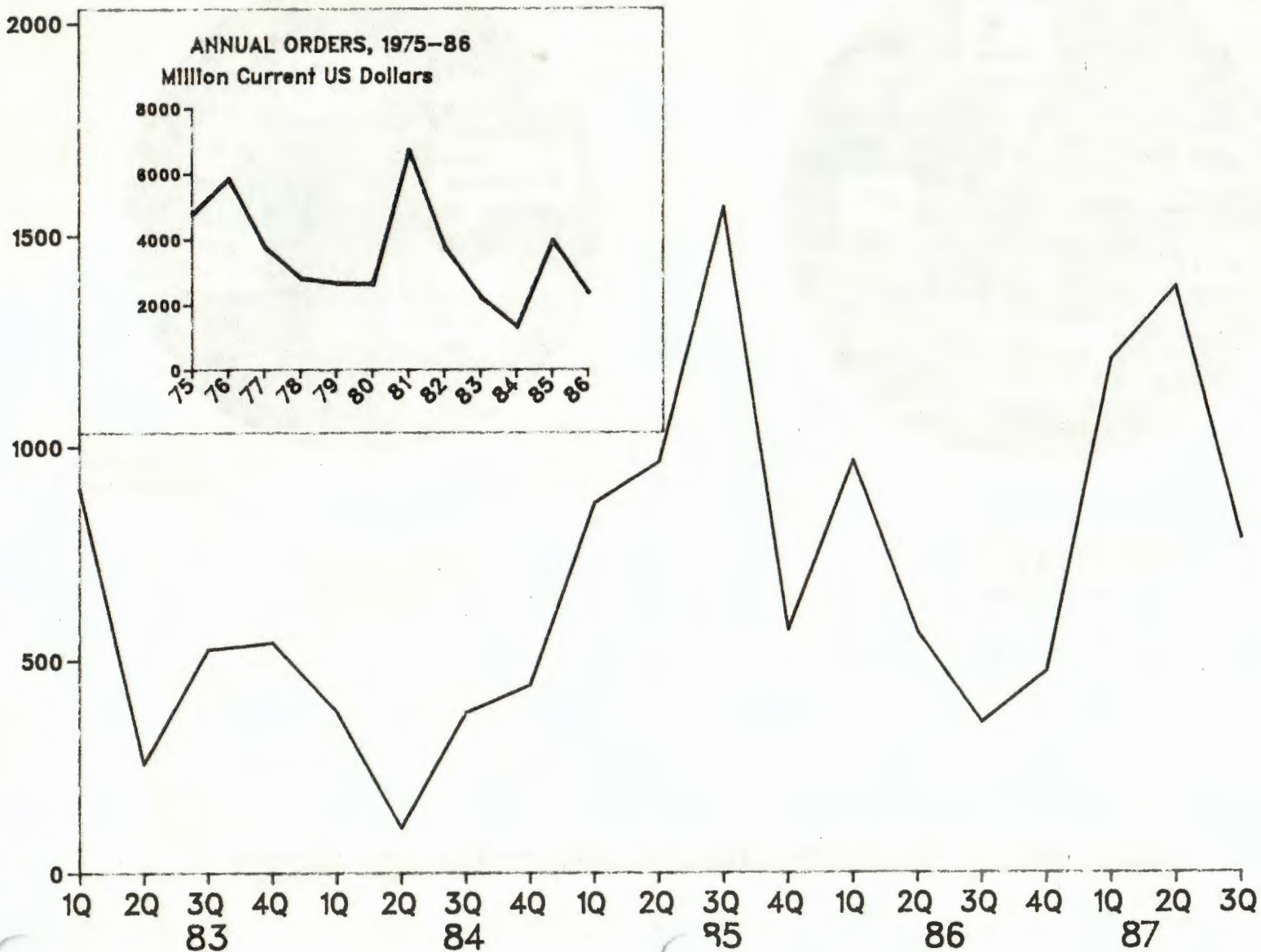


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# USSR: Quarterly Machinery and Equipment Orders, 1983-87

Million Current US Dollars



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Table 2

## USSR: Estimated Hard Currency Balance of Payments

(Million Current US Dollars)

|   | 1975   | 1980   | 1981   | 1982   | 1983   | 1984   | 1985   | 1986               | 1987 <sup>a</sup> |
|---|--------|--------|--------|--------|--------|--------|--------|--------------------|-------------------|
| Current account balance                                 | -4,565 | 1,485  | -395   | 4,348  | 4,772  | 4,664  | 137    | 1,373              | 3,465             |
| Merchandise trade balance                               | -4,804 | 1,814  | 365    | 4,468  | 4,712  | 4,727  | 519    | 2,013              | 4,600             |
| Exports, f.o.b.   | 9,453  | 27,874 | 28,254 | 31,975 | 32,429 | 32,173 | 26,400 | 25,111             | 27,600            |
| Imports, f.o.b.   | 14,257 | 26,060 | 27,889 | 27,507 | 27,717 | 27,446 | 25,881 | 23,098             | 23,000            |
| Net interest  | -521   | -1,219 | -1,760 | -1,220 | -1,040 | -1,163 | -1,482 | -1,740             | -2,235            |
| Other invisibles and transfers                          | 760    | 890    | 1,000  | 1,100  | 1,100  | 1,100  | 1,100  | 1,100              | 1,100             |
| Capital account balance                                 | 6,178  | 20     | 5,353  | -3,579 | -1,023 | -124   | 1,868  | 2,118              | 200               |
| Change in gross debt <sup>b</sup>                       | 5,755  | -1,059 | 2,244  | -1,288 | 665    | 224    | 6,804  | 7,175              | 5,000             |
| Official debt   | 1,492  | -280   | -1,370 | 967    | 340    | -375   | 463    | 1,089 <sup>a</sup> | 1,900             |
| Commercial debt   | 4,263  | -779   | 3,614  | -2,225 | 325    | 599    | 6,340  | 6,086              | 3,100             |
| Net change in assets held in Western banks <sup>c</sup> | -391   | -35    | -166   | 2,122  | 277    | -664   | 1,787  | 1,635              | 0                 |
| Estimated exchange rate effect on debt and assets       | -22    | -414   | -1,445 | -821   | -1,039 | -688   | 3,248  | 3,322              | 3,500             |
| Net credits to the LDCs                                 | 715    | 950    | 870    | 2,120  | 3,200  | 2,700  | 1,700  | 4,100              | 4,800             |
| Gold sales  | 725    | 1,580  | 2,700  | 1,100  | 750    | 1,000  | 1,800  | 4,000              | 3,500             |
| Net errors and omissions <sup>d</sup>                   | -1,613 | -1,505 | -4,958 | -769   | -3,749 | -4,548 | -2,005 | -3,491             | -3,665            |

- a Preliminary.
- b Including additions to short-term debt.
- c A minus sign signifies a decline in the value of assets.
- d Includes hard currency assistance to and trade with Communist countries, credits to developed Western countries to finance sales of oil and other commodities, other nonspecified hard currency expenditures, as well as errors and omissions in other line items of the accounts.

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Table 3

USSR: Estimated Hard Currency Debt to the West<sup>a</sup>

(Billion Current US Dollars)

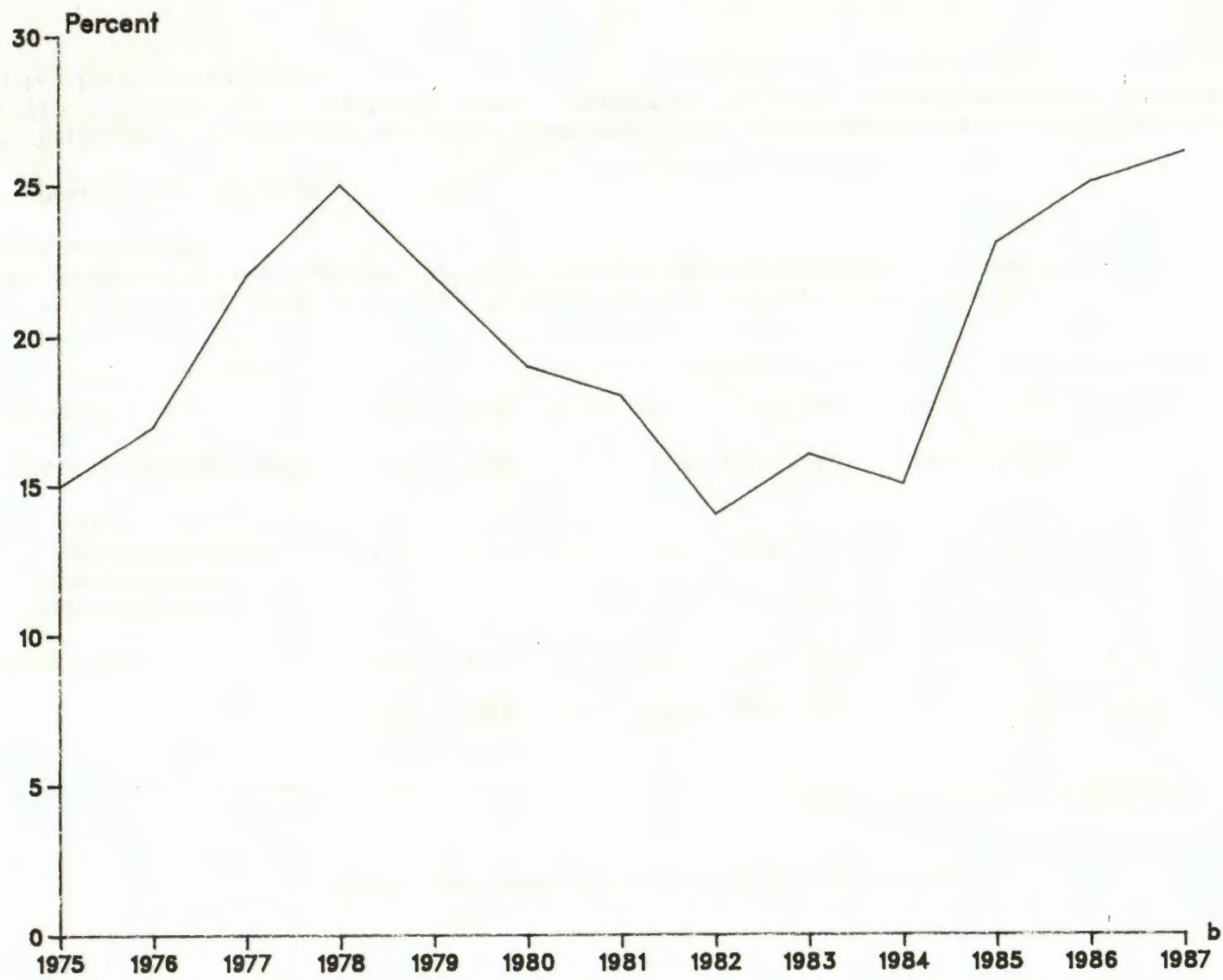
|  | <u>1975</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986<sup>b</sup></u> | <u>1987<sup>b</sup></u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------|-------------------------|
| Gross debt   | 12.6        | 20.4        | 22.6        | 21.3        | 22.0        | 22.2        | 29.0        | 36.2                    | 41.2                    |
| Commercial debt <sup>c</sup>                             | 8.3         | 10.9        | 14.5        | 12.3        | 12.6        | 13.1        | 19.5        | 25.6                    | 28.7                    |
| Government and<br>government-backed<br>debt <sup>c</sup> | 4.3         | 9.5         | 8.1         | 9.0         | 9.4         | 9.1         | 9.5         | 10.6                    | 12.5                    |
| Assets in Western banks                                  | 3.8         | 10.0        | 9.8         | 11.9        | 12.2        | 11.5        | 13.3        | 15.0                    | 15.0                    |
| Net debt   | 8.8         | 10.4        | 12.8        | 9.4         | 9.8         | 10.7        | 15.7        | 21.2                    | 26.2                    |

<sup>a</sup> This series is based on a recently completed revision of the methodology for computing Soviet debt and therefore the data may not correspond to previously published series.

<sup>b</sup> Preliminary estimates.

<sup>c</sup> Estimates of government-backed and commercial debt are measured in current dollars and reflect fluctuations in exchange rates. Commercial debt also includes estimates for promissory notes held outside banks.

# USSR: Debt Service Ratio<sup>a</sup>, 1975-87



<sup>a</sup> Debt service ratio=(Interest payments + principal payments) divided by total hard currency earnings.

Preliminary.

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Human Rights and Emigration

Issue

Soviet human rights performance.

U.S. Position

We welcome the positive developments in the last year, but so far we have seen little in the way of the institutional changes necessary to create a permanent framework for improvements in human rights.

We continue to support the Jackson-Vanik and Stevenson Amendments.

Soviet Position

The Soviets feel their human rights performance has improved substantially, enough to qualify them to be hosts of an international human rights conference, as they have proposed at the Vienna CSCE Follow-up Meeting.

The Soviets say they are considering changes in their legal code to eliminate "political" and "religious" crimes, as well as positive changes in emigration procedures.

When criticized, the Soviets often counter-attack, citing alleged U.S. human rights violations. Many of these are in the socio-economic area, such as unemployment and homelessness.

Background

Emigration: In 1987, a total of 8,155 Soviet Jews were allowed to leave, compared with a 1986 total of 914. Far lower than 1979 total of 51,320, however.

In the 1970's, Jewish emigration averaged over 2,000 per month. Since April 1987, it has been on what appears to be an artificially-limited plateau of 700-900 a month.

Some barriers to emigration are: requirements that applicants have an immediate relative living abroad and that applicants' parents give their approval, and the arbitrary use of "state security" to deny exit permission.



1987 was a record year for ethnic German emigration, with 14,000 ethnic Germans departing, all for the FRG.

There was a sudden surge of Soviet Armenian emigration in the second half of last year; about 8,000 Armenians received exit permission in 1987, compared with 247 in 1986. Our Embassy in Moscow is instituting administrative changes in order to deal with their processing backlog.

Armenian levels remain high; Embassy Moscow is receiving more than 1,000 applications a month from Soviet Armenians.

The U.S. Government continues to support the Jackson-Vanik and Stevenson Amendments, which tie MFN and credits for the Soviet Union to their performance on emigration.

Other human rights issues: While over 300 political prisoners were released in 1987, hundreds, perhaps thousands, remain in prisons, forced labor camps, and psychiatric hospitals.

More opportunities for free expression have been permitted in the past year. Since September 1987, however, there has been regression, with an increase in instances of demonstrations being suppressed and dissidents harassed.

#### Talking Points

- o Our economic relations cannot be isolated from other aspects of U.S.-Soviet relations. It will therefore be difficult to sustain public and Congressional support for increased economic ties unless the Soviet Union has a good human rights record.
- o Trade and emigration are also linked by the Jackson-Vanik and Stevenson Amendments, to which the U.S. Government remains firmly committed.
- o We have noted the improvements in the past year in Soviet human rights, including a modest rise in emigration levels.
- o Nonetheless, we are especially concerned about the lack of reforms in the area of freedom of religion.

- o In order to ensure that human rights improvements will be lasting, institutional changes are needed. Some examples:
  - Abolishing requirements that applicants have an immediate relative residing abroad and that applicants' parents give their permission.
  - Improved ways of dealing with "state security" question. Thousands of refuseniks continue to be denied on these grounds, despite the fact that they have never had access to sensitive information, or that this access occurred so long ago that the information they allegedly possess would be completely outdated.
  - End to imprisonment and commitment to psychiatric hospitals of religious and political dissenters, and repeal of the "political" and "religious" laws which have been used against such individuals.
  
- o When concluding agreements with the Soviet Union, it is natural for Congress and the American people to ask how the Soviet Union has lived up to previous agreements.
  - Although the Soviet Union is a signatory to the Helsinki Final Act, which states that emigration applications for family reunification will be dealt with positively, many divided families still remain.
  - And the right to emigrate is not limited to those with relatives abroad. By signing the Helsinki Final Act, the Soviet Union agreed to act in conformity with the Universal Declaration of Human Rights, which states that "Everyone has the right to leave any country, including his own."

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EUR/SOV:MRParris  
EUR/ECON:RClarke  
HA:RSchifter  
DOD:WGeorge  
DOC:JBrougner



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U.S.-U.S.S.R. Bilateral Textile Agreement

Background

After receiving no fabrics from the Soviet Union since 1977, very low-priced cotton sheeting and printcloth began arriving in the United States early in 1987. Soviet shipments rose to more than four million yards in the first four months of the year. Information received at that time indicated plans for substantially higher Soviet shipments. Several informal consultations were held to explain our concerns and explain the U.S. textile import control program. In July, the United States requested formal consultations. For the year ending July, imports totaled 12.4 million square yards. Using the formula of the international Multifiber Arrangement (MFA), we established a unilateral quota of 4.3 million square yards.

As the result of negotiations held in Moscow, a bilateral agreement was reached establishing a level of 6 million square yards for the five month period August through December 1987 for cotton sheeting and printcloth and 23.5 million square yards for calendar 1988. The agreement expires December 31, 1988.

Talking Points

- o I am pleased that we were able to resolve the question of rising imports of Soviet fabric in a mutually satisfactory manner.

Drafted by: Arthur Garel/ITA/TD/OTEXA/377-5078

Clearances: Jack Brougher/ITA/IEP; Brenda Jacobs/DOC/OGC  
Elizabeth Dibble/USTR; Dick Jones/Dir. ODCT/State  
Robert Clarke and Richard Johnson/SOV/State  
Robin Ritterhoff/Textiles Division/State

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Market access for the U.S. textile and apparel products

(U) U.S. Position

The United States would like to obtain greater market access for U.S. firms to the Soviet textile and apparel market.

(LOU) Soviet Position

U.S. companies have indicated a desire to export textile products to the USSR. The Soviets are apparently planning to expand their exports to the United States. We should expect increasing political pressure to limit Soviet exports. Increases in U.S. exports to the Soviet Union could serve to lessen those pressures. In a meeting with Deputy Foreign Trade Minister Chumakov last October, USTR Chief Textile Negotiator William Houston raised the access issue, pointing out that U.S. exports were a tiny percentage of total Soviet imports despite the competitiveness of U.S. suppliers in a variety of products.

The Deputy Minister responded that half of textile and apparel imports were supplied by Eastern bloc countries under special arrangements and another third under barter arrangements. Nonetheless, he said he would be willing to discuss U.S. proposals to expand exports.

In later talks, Exportljon General Director Gorokhov seemed willing to pursue this initiative.

(LOU) Talking Points

- o During the textile negotiations in Moscow in October, our negotiators expressed the U.S. desire to expand American access to the Soviet textile and apparel market.
- o Both Deputy Foreign Trade Minister Chumakov and Exportljon General Director Gorokhov indicated they would be willing to discuss U.S. proposals to expand exports.
- o Increases in U.S. exports to the Soviet Union might serve to lessen political pressure in the United States against Soviet textile imports.

Drafted by: Arthur Garel/ITA/TD/OTEXA/377-5078  
Clearances: Jack Brougner/ITA/IEP; Brenda Jacobs/DOC/OGC  
Elizabeth Dibble/USTR; Dick Jones/Dir. ODCT/State  
Robert Clarke and Richard Johnson/SOV/State  
Robin Ritterhoff/Textiles Division/State

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Status of Grain Trade & LTA

Issue

The USSR is often the largest or second largest importer of U.S. grain. The current framework for this trade--the Long-Term Grain Agreement (LTA)--is scheduled to expire on September 30, 1988. Recently the Administration decided to seek negotiations with the USSR on a new multi-year grain agreement.

Soviet Position

The Soviet Union has indicated informally its interest in pursuing the possibility of a new agreement.

Background

The USSR is the world's largest import market for grains. During four of the last five years, Soviet grain imports have averaged approximately 30 million tons and accounted for roughly 16 percent of total world imports. In 1984/85, a Soviet crop shortfall resulted in imports of a record 55 million tons, 27 percent of the world total. Although the size of the Soviet grain crop is probably the most important factor in determining the level of grain imports, other factors, including required purchase levels under various agreements, have influenced recent levels of USSR imports. Soviet imports account for an average 13 percent of total U.S. grain exports. (See attached table for trade status).

The first U.S.-USSR long term grain sales agreement was established in 1975 in response to U.S. concerns over the impact of large Soviet grain purchases on the U.S. and world wheat markets. During the early 1970's, large, unanticipated Soviet purchases of U.S. wheat had sharply driven up world wheat prices and left the United States in some danger of being unable to meet all of its foreign and domestic wheat commitments. The U.S.-USSR LTA was envisioned as a means of preventing subsequent destabilization of the U.S. and world wheat markets by ensuring some predictability of Soviet trade.

In recent years, subsequent U.S.-USSR LTAs have acquired additional importance in protecting the U.S. share of the Soviet grain market and helping U.S. producers to recover some of the large loss of trade suffered as a result of the 1980 embargo. In spite of the fact that the USSR fell short of its commitments during two of the five years under the current agreement because prices were out of line with U.S. world prices, the existence of the agreement creates a strong obligation for the USSR to maintain its agreed level of imports from the United States. Generally, both before and since the embargo, the consensus of U.S. exporters and grain producers is that U.S. exports to the USSR, and possibly even total USSR imports from all origins, are larger with LTAs than without them. In addition, the LTA provides a framework which facilitates regular, high-level contact between the U.S. Department of Agriculture and the Soviet import agency.

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Beginning in 1986, Export Enhancement Program (EEP) subsidies already being extended to other markets were also extended to the USSR for wheat. Since then, the Soviets have been offered over 10 million tons of wheat under the EEP, and to date have purchased approximately 9 million tons.

The current LTA specifies that the USSR will purchase a minimum of 9 million tons each year. At least 4 million tons must be wheat and 4 million tons must be corn. The other 1 million tons may be corn, wheat, soybeans or soybean meal.

### Talking Points

- We are pleased to see how active grain trade between our two countries has become in recent months.
- We understand that the Soviet Union is considering the possibility of a new grain LTA. For our part the USG is prepared to conduct negotiations on a new agreement.

Drafted by Cina Radler/CMP/G&F/DOA/447-3403  
Clearances:

Paul Bagatelas - EB/OFP/FPD  
Bruce Connuck - Officer EUR/SOV/ECON  
David Weiss - Director for EC High Tech, EFTA & East-West Trade Policies - USTR  
Bill George - Director for DASD (PA East-West Economic Security)

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STATUS OF U.S. SALES TO THE USSR UNDER CURRENT LTA  
 REPORTED AS OF 2/19/88  
 (1,000 Metric Tons)

| AGREEMENT YEAR<br>(Oct/Sep) | ACTUAL SHIPMENTS |              |              |              | TOTAL SALES | SHIPMENTS TO DATE |
|-----------------------------|------------------|--------------|--------------|--------------|-------------|-------------------|
|                             | <u>83/84</u>     | <u>84/85</u> | <u>85/86</u> | <u>86/87</u> |             | <u>87/88</u>      |
| Wheat                       | 7,593            | 2,887        | 153          | 4,081        | 5,684       | 2,944             |
| Corn                        | 6,476            | 15,750       | 6,808        | 4,102        | 1,670       | 1,670             |
| TOTAL - Grains              | 14,069           | 18,637       | 6,961        | 8,183        | 7,354       | 4,664             |
| Soybeans                    | 416              | -            | 1,519        | 68           | 813         | 413               |
| Soybean Cake & Meal         | -                | -            | -            | -            | 1,300       | 559               |
| AGREEMENT MINIMUM           | 9,000            | 9,000        | 9,000        | 9,000        | 9,000       |                   |

USSR WHEAT IMPORTS FROM NON-U.S. ORIGINS  
(MMT)

| YEAR<br>(Oct/Sep) | <u>83/84</u> | <u>84/85</u> | <u>85/86</u> | <u>86/87</u> | <u>87/88</u><br>(Est. Sales to Date) |
|-------------------|--------------|--------------|--------------|--------------|--------------------------------------|
| CANADA            | 7.7          | 4.8          | 4.6          | 4.9          | 4.4                                  |
| AUSTRALIA         | 2.0          | 1.8          | 3.2          | 1.3          | 0.3                                  |
| ARGENTINA         | 3.4          | 4.1          | .7           | .6           | 0.4                                  |
| EC                | 3.9          | 4.9          | 5.3          | 6.2          | 2.8                                  |
| SWEDEN            | -            | .4           | .4           | .2           | 0.2                                  |
| E. EUROPE         | 1.3          | 1.1          | .6           | .8           | 0.3                                  |
| OTHERS            | .1           | .4           | .2           | .2           | 0.3                                  |
| TOTAL             | 18.4         | 17.8         | 15.2         | 14.2         | 8.7                                  |

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Report of the U.S.-USSR Working Group of Experts  
February 18-19, 1988

The attached three papers form the Report of the Working Group of Experts held in Washington, D.C., February 18-19, 1988:

1. Overview of U.S. and Soviet issues raised at Working Group
2. Proposed U.S. measures
3. Proposed Soviet measures (USDOC 2801 of 2/27/88)

Attachments

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ISSUES FOR  
US-USSR WORKING GROUP OF EXPERTS  
February 18-19, 1988  
Washington, D.C.

SOVIET INITIATED

U.S. INITIATED

MARKET INFORMATION AND ACCESS

furskins  
satellites  
gold coins  
urea antidumping  
cross trade  
pending U.S. legislation  
GATT

import info clearinghouse  
info on business contacts  
commercial newsletter  
commercial office visits  
legal seminar

nickel

TRADE EXPANSION, INCLUDING PROJECTS

Projects and contracts  
prospects, identification  
and elimination of obstacles

estab sectoral working grps

estab tourism working group

BUSINESS FACILITATION AND TRADE PROMOTION

AMTORG foreign mission  
AMTORG Vneshekonombank rep  
reps for new traders

accredited companies  
non-accredited companies

December NY exhibition

trade missions  
USCO single-co shows

JOINT VENTURES

broaden EITCA  
joint principles statmnt

estab ad hoc working group



CONCRETE STEPS TO BE TAKEN BY THE  
JOINT US-USSR COMMERCIAL COMMISSION  
TO EXPAND US-SOVIET TRADE AND ECONOMIC RELATIONS

PROPOSED BY THE U.S. DELEGATION TO THE  
US-USSR WORKING GROUP OF EXPERTS  
FEBRUARY 18-19, 1988

The U.S. delegation stressed the relationship between trade and the overall bilateral relationship, stating its hope that further improvements in other aspects of the relationship would be such as to permit fundamental improvements in the underlying conditions for trade relations. The delegation drew particular attention to the U.S. policy of the relationship between MFN and emigration.

Within the context of the overall relationship, the U.S. delegation expressed the strong interest of the U.S. side in increasing mutually beneficial bilateral trade and economic relations. The delegation pointed to the Summit Statement's instructions to the Joint Commission to develop concrete ways of expanding trade and economic relations.

In pursuit of this objective, the U.S. delegation proposed that the 10th session of the US-USSR Joint Commercial Commission agree on a series of specific steps that would improve the conditions and prospects for doing business in the USSR. The delegation expressed its interests in further steps to create a business climate which would allow viable contracts or joint venture agreements in non-strategic areas to be signed. In addition, the delegation noted the strong U.S. business interest in seeing the Soviet side focus on concluding some long-standing contract negotiations that have been underway with U.S. firms.

The U.S. delegation proposed agreement on the following concrete measures:

Improving Marketing Access and Information.

The the Soviet side would agree to establish mechanisms creating a greater marketing transparency. In particular, the U.S. seeks: (1) an information clearing center on the specific import requirements of Soviet entities having decentralized importing authority; (2) information sufficient to allow U.S. companies to reach the holders of key trade positions in the reorganized Soviet trade structure; and (3) Soviet endorsement of a U.S. "Commercial Newsletter" to be sent to those individuals on a periodic basis.

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As the Soviet trade structure changes, a central trade information center of import requirements would benefit both sides. A greater number of U.S. and other companies would be able to more readily determine what products and services Soviet enterprises wanted to import. Soviet enterprises would find more bidders as a result, meaning more competition and lower prices. The central trade information center would have no role in trade decisions. It would be only a depository of information. The U.S. side provided a copy of the "Commerce Business Daily" as an example of a central information source on U.S. government contracts.

Provision of lists of Soviet trade decision makers and official endorsement of a commercial newsletter would greatly improve the ability of U.S. companies to offer their products in the Soviet market, improving their business prospects and also improving the prospects that Soviet buyers would find better products at better prices. Copies of U.S. Commercial Newsletters distributed in other countries were provided to the Soviet delegation.

#### Initiating a Trade Missions Program.

The United States would initiate a program of trade missions and company seminars in the USSR in non-strategic areas of interest to both countries. The Soviet side would agree to facilitate this program by providing appropriate assistance to help the missions identify and meet prospective business partners.

#### Establishing High Potential Sectoral Working Groups.

Both sides would agree to establish sectoral working groups to expand trade in peaceful industry sectors where both agree the potential for trade and economic cooperation is highest. These groups would provide a continuing means of following up on business proposals and identifying particular trade prospects. They would facilitate the prospects of buyers and sellers establishing contact, and would help reduce time delays and problems that have delayed the completion of business arrangements. The U.S. delegation proposes that the first groups be established in food processing, energy equipment, construction equipment, and medical equipment.

#### Forming a Tourism Working Group.

Believing that tourism in the USSR represents significant potential for expanding mutually beneficial business, both sides would agree to establish a tourism working group under the JCC for the purpose of facilitating resolution of tourism-related commercial issues. Such a working group could open new possibilities for cooperation between U.S. travel suppliers and Soviet organizations in the area of tourism in the USSR. Subjects could also include possibilities for cooperation with U.S. hotel corporations. The group could also explore joint venture opportunities between Soviet organizations and U.S. hotel firms and other firms in the tourism industry.

Facilitating Use of the US Commercial Office in Moscow.

The Soviet side would agree to encourage Soviet trade executives and end users to utilize the facilities of the U.S. Commercial Office (USCO) in Moscow. USCO maintains a well equipped commercial library containing commercial directories and other information on products and services available from U.S. companies. Entry to USCO is presently barred by police unless visitors have specific authorization. The U.S. delegation seeks Soviet agreement to have open access to USCO with no authorization needed, and also seeks an open letter to the Soviet trading community from Chairman Kamentsev or Minister Katushev encouraging them to visit and use the USCO facilities -- to find U.S. suppliers, but also to find prospective U.S. customers as well.

In addition, the U.S. delegation seeks the agreement of the Soviet side that the State Committee on Science and Technology (GKNT) will cooperate fully in providing the necessary facilitation assistance to single company shows and seminars at USCO. The Foreign Trade Ministry has provided the support agreed at earlier JCC meetings, but GKNT has not, despite repeated requests. Lack of such support, particularly GKNT's encouragement of end users to visit the shows and seminars, is a significant obstacle to the successful use of USCO.

Improving Business Facilities.

The Soviet side would agree to take steps to improve business facilities for U.S. companies operating in the USSR. U.S. companies, like other Western firms, face high rents and phone bills, difficulties in being able to hire personnel, problems with office space, and other impediments. Soviet efforts to improve the work environment for U.S. firms could aid considerably in facilitating bilateral business.

Creating a Working Group on Foreign Investment In USSR.

Both sides would agree to create a joint working group to study the conditions affecting foreign investment in the USSR, including joint ventures. The Soviet joint venture law opens up new opportunities in nonstrategic commerce, but also raises questions of uncertainty, and hence risk. The Working Group would be comprised of government and industry representatives from both countries. It would explore incentives and impediments associated with foreign investment in the USSR, and would focus on the conditions for safeguards in areas such as dispute settlement and intellectual property rights protection.

Establishing a Joint US-USSR Legal Seminar Series on Business Law.

Both sides would agree to establish a legal seminar involving government and private lawyers from both countries. The ongoing reform of the USSR's foreign trade sector as well as the domestic economy will significantly change the forms and methods of doing business for Western companies. The goal would be a greater understanding of the practical legal aspects of business dealings between U.S. firms and the USSR. The first US-Soviet seminar would be proposed for mid 1988.

Explaining Trade Reform Measures. The U.S. delegation seeks a discussion at the JCC regarding the Soviet trade reform measures. The U.S. side seeks details on the functioning of the entities that are obtaining foreign trade rights, and how these entities will relate to the Foreign Economic Commission, the Ministry of Foreign Economic Relations, and other government entities. The U.S. delegation seeks to understand the scope of the reforms, and to learn the extent to which Soviet enterprises will be permitted to contract directly with foreign suppliers and customers. The U.S. side also seeks to ascertain how restraints on trade will be imposed. For example, would import restraints be for balance of payments or other internationally recognized reasons only? Would restraints be in a fully transparent manner?

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