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# WITHDRAWAL SHEET

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	from Robert Dean to Colin Powell re: observations on Verity Moscow Trip (3pp)	4/18/88	P-1, P-5
2. report	Overview of US-Soviet trade issues for Joint US-USSR Commercial Commission in Moscow, March 15-16, 1988	n.d.	P-1, P-5
3. briefing papers	US-Soviet trade issues for US-USSR Commercial Commission (6pp)	n.d.	P-1
4. briefing paper	"Progress on Perestroyka" (1p)	n.d.	P-1
5. briefing paper	"Soviet Economy Stumbles in 1987" (1p)	n.d.	P-1
6. briefing paper	"Recent Trends in Soviet Hard Currency Trade and Finance" (1p)	n.d.	P-1
7. briefing paper	"Textiles" (1p)	n.d.	P-1
8. briefing paper	"Soviet Staffing in US" (1p)	n.d.	P-1
<i>Folder 3</i>			
9. biosheet	re: Gorbachev (1p)	2/24/88	P-1
10. biosheet	re: Dobrynin (1p)	11/23/87	P-1
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<i>Folder 4</i>			
COLLECTION: <b>DANZANSKY, STEPHEN I.: Files</b>			<b>db</b>
FILE FOLDER: <b>(3 of 13) RAC Box 12</b> <b>Soviet Union (JCC) [2 of 7] Box 91819</b>			<b>11/16/94</b>

### RESTRICTION CODES

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

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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.

+ projects  
+ bus fac group

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?

US-USSR WORKING GROUP OF EXPERTS  
AGENDA FOR SECOND DAY OF 1988 SESSION,

FEBRUARY 19, 1988

I. Agreement on JCC Agenda.

U.S. side proposes:

1. Review of status of bilateral trade.
2. Report of the Working Group of Experts.
3. Market Access.
4. Business Facilitation.
5. Expansion of Trade and Economic Relations, including trade promotion and joint ventures.
6. Concluding Remarks.

II. Discussion of JCC schedule, and other arrangements.  
Soviet side is the host for the 10th session of the JCC.

- o Schedule
- o Report of Working Group of Experts
- o Agreed JCC Report
- o Other Arrangements

III. Discussion of substantive points of greatest interest to Soviet side.

IV. Discussion of substantive points of greatest interest to U.S. side.

V. Other Business, if any

VI. Concluding Remarks

STATEMENT OF HONORABLE C. WILLIAM VERITY  
U.S. SECRETARY OF COMMERCE

AT A PRESS BRIEFING

MOSCOW

APRIL 14, 1988

AS YOU KNOW, THERE HAVE BEEN TWO SEPARATE AND DISTINCT MEETINGS GOING ON HERE IN MOSCOW -- MY OWN OFFICIAL DISCUSSIONS WITH SOVIET GOVERNMENT AND PARTY LEADERS, AND THOSE OF USTEC WITH THEIR SOVIET BUSINESS COUNTERPARTS. I HAVE MADE CLEAR IN MY DISCUSSIONS THAT THERE IS NO AMBIGUITY IN THE ADMINISTRATION'S POLICIES. HOWEVER, IN LIGHT OF SOME THINGS SAID BY US BUSINESS REPRESENTATIVES, I WOULD LIKE TO CLARIFY THREE POINTS.

-- FIRST, OUR CONCERNS ABOUT HUMAN RIGHTS IN THE SOVIET UNION, PARTICULARLY EMIGRATION OF SOVIET CITIZENS IN ACCORD WITH THE PRINCIPLES OF THE HELSINKI FINAL DECLARATION, WILL HAVE A DIRECT EFFECT ON OUR ABILITY TO TAKE STEPS THAT WILL EXPAND TRADE. WE WELCOME STEPS THE SOVIET GOVERNMENT HAS TAKEN IN THE PAST YEAR AND URGE FURTHER LIBERALIZATION. HOWEVER, WE ARE A NATION OF IMMIGRANTS AND WOULD NOT BE TRUE TO OUR PRINCIPLES IF WE DID NOT STAND UP FOR THE MOST BASIC OF HUMAN RIGHTS.



-- SECOND, THE PRESIDENT AND GENERAL SECRETARY GORBACHEV HAVE ENDORSED EXPANSION OF NON-STRATEGIC TRADE. HOWEVER, PROTECTING AMERICAN AND WESTERN SECURITY WILL CONTINUE TO GOVERN EXPANSION OF THAT TRADE. AT THE SAME TIME, EXPORT CONTROLS NEED NOT LIMIT ~~TRUE~~ <sup>Peaceful</sup> TRADE EXPANSION. I WOULD NOTE THAT THIS ISSUE WAS NOT ~~DISCUSSED~~ <sup>Raised</sup> WITH ~~OUR~~ <sup>by our</sup> SOVIET HOSTS.

-- THIRD, THE GATT ORGANIZATION IS BASED ON FUNDAMENTAL MARKET ECONOMY PRINCIPLES AND GOVERNS TRADE BETWEEN MARKET-ORIENTED ECONOMIES. GATT MEMBERSHIP CANNOT BE EXTENDED TO NATIONS WHOSE ECONOMIC SYSTEMS ARE IN THE MAIN UNRESPONSIVE TO MARKET SIGNALS. NEITHER THE UNITED STATES NOR MOST OTHER GATT MEMBERS SUPPORT SOVIET MEMBERSHIP. IF AND WHEN THE SOVIET ECONOMY FUNCTIONS IN ACCORD WITH BASIC MARKET PRINCIPLES, THE US GOVERNMENT WILL BE IN A POSITION TO RECONSIDER THE MATTER.

AMERICAN BUSINESSMEN MAY DIFFER WITH THESE VIEWS, AND THEY ARE OF COURSE FREE TO EXPRESS THEIR VIEWPOINTS. BUT IT IS IMPORTANT IN THE CONTEXT OF THIS WEEK'S MEETINGS THAT THE ADMINISTRATION'S VIEWS BE DULY UNDERSTOOD.

~~NO Breakthroughs~~  
+ Goal market access / transparency  
(A) US campaign of the open to soviet bank  
Distribute info to soviet bank  
(A) oil/gas, commodities, medical equipment  
(A) soviet sanctions law  
(D) Trade in services w/ soviet  
→ "Patrol" Assembly body - for

JCC [2 of 7]  
Panzansky

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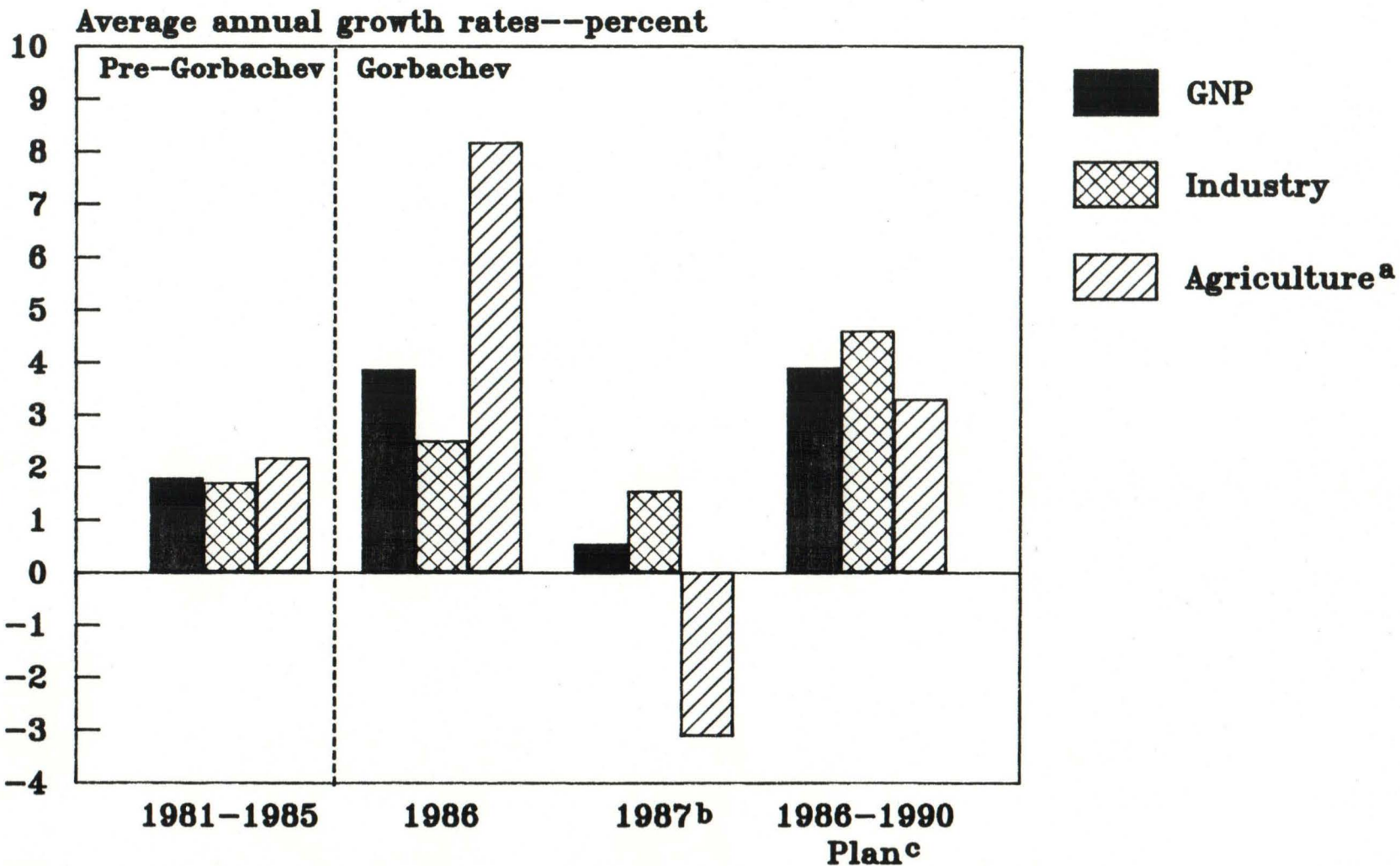




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# USSR: Economic Growth 1981-90



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

<sup>b</sup> Preliminary

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

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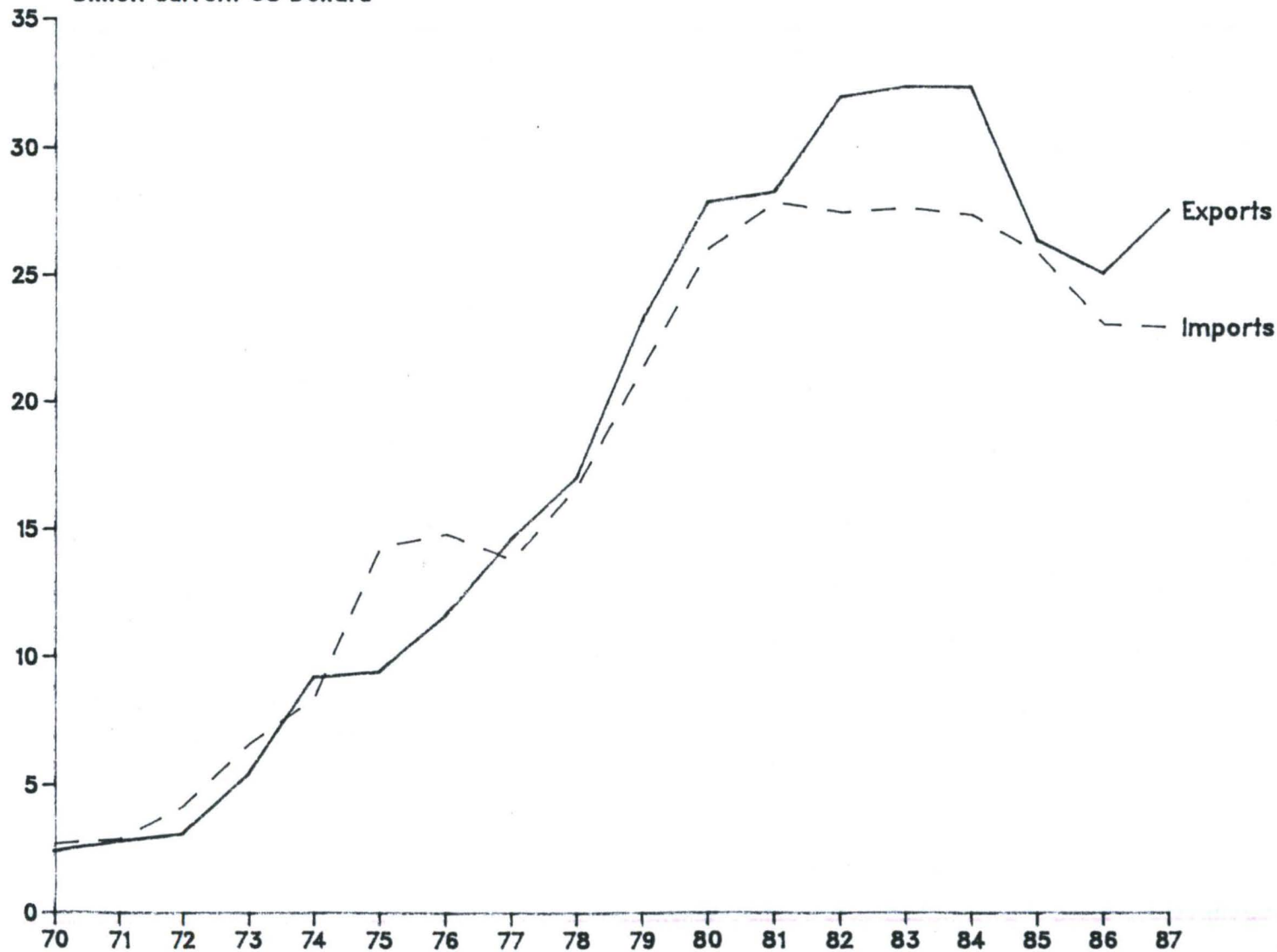
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# USSR: Hard Currency Imports and Exports, 1970-87\*

Billion Current US Dollars



\*Preliminary

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Table 1

## USSR: Hard Currency Trade by Major Commodities

(Million Current US Dollars)

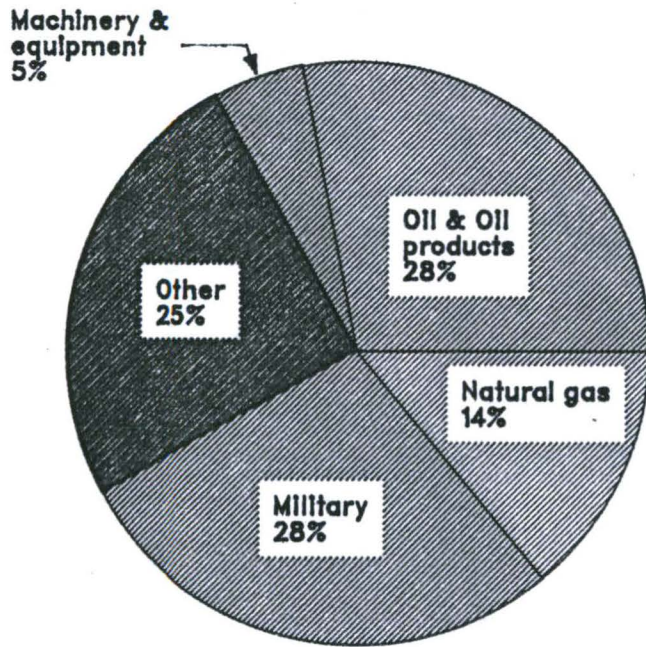
	<u>Exports</u>								
	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total	2,405	9,453	27,874	28,254	31,976	32,429	32,173	26,400	25,111
Oil and oil products	387	3,170	12,123	11,887	14,824	15,569	15,111	11,471	7,001
Natural gas	1	220	2,710	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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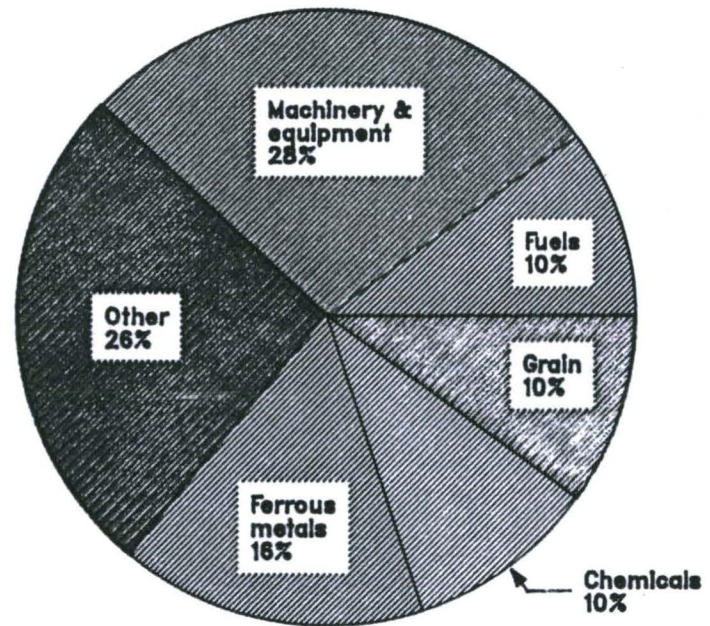
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# USSR: Composition of Hard Currency Trade, 1986

Exports  
\$25.1 billion



Imports  
\$23.1 billion

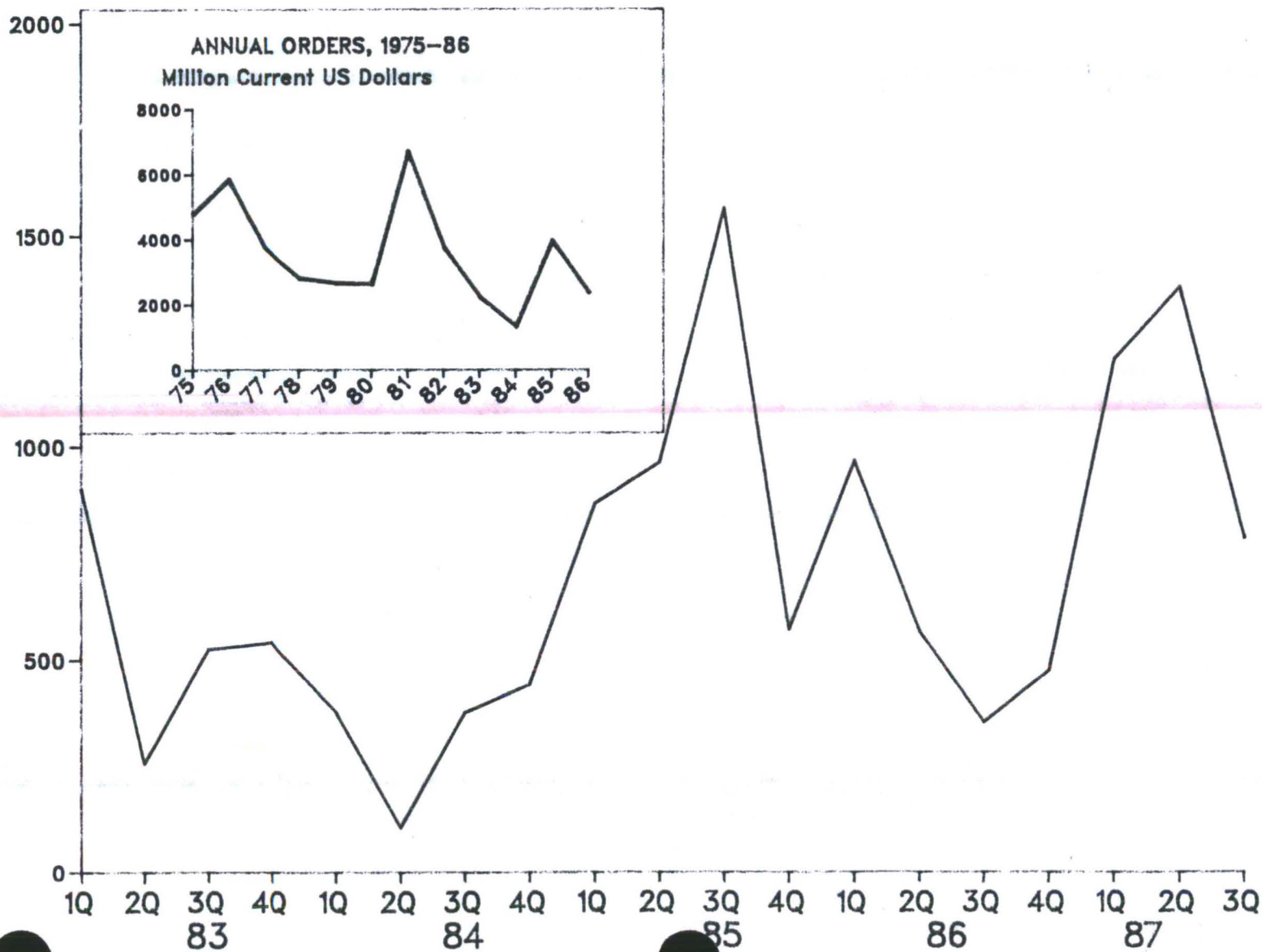


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# USSR: Quarterly Machinery and Equipment Orders, 1983--87

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)

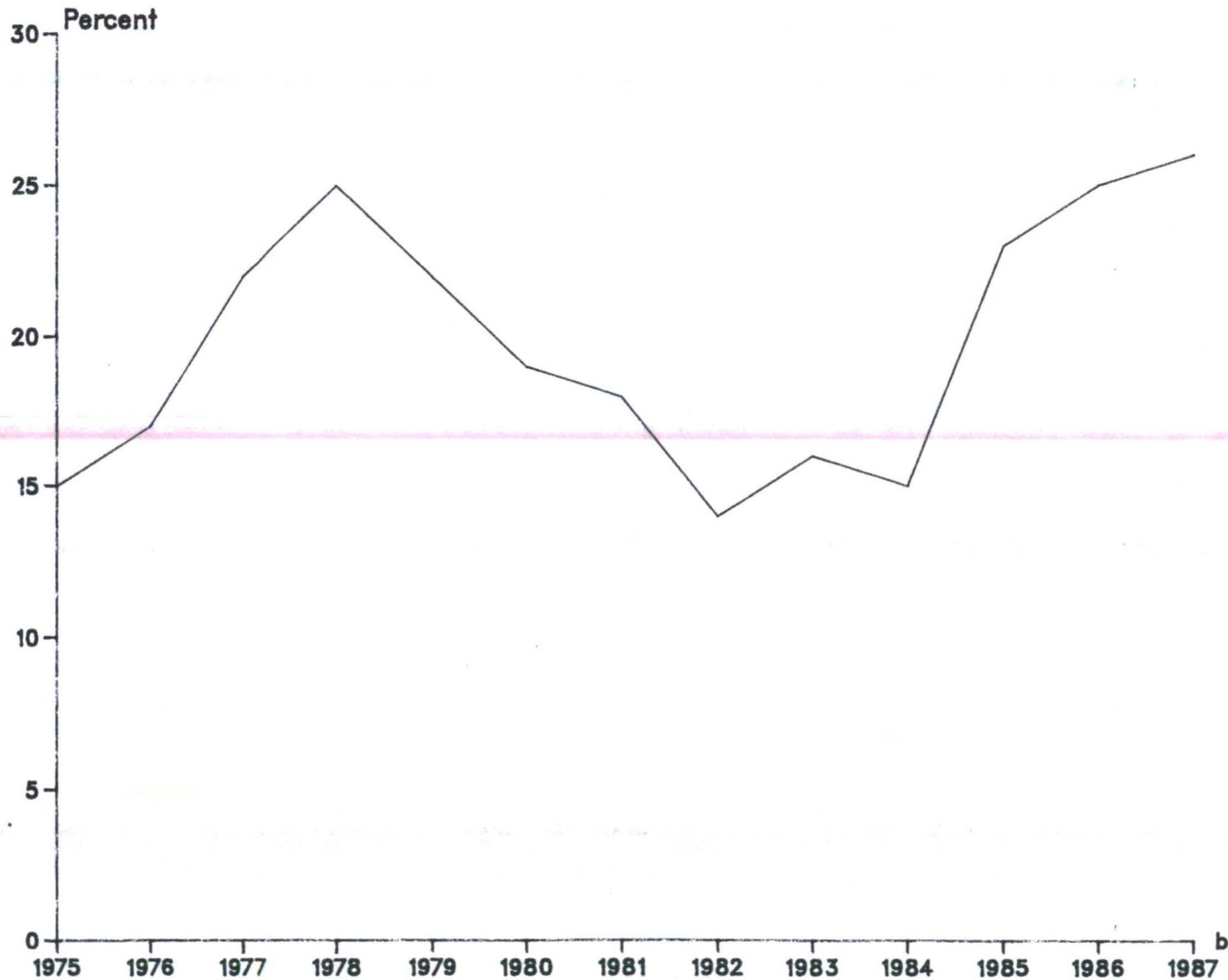
	<u>1975</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986<sup>b</sup></u>	<u>1987<sup>b</sup></u>
Gross debt	12.6	20.4	22.6	21.3	22.0	22.2	29.0	36.2	41.2
Commercial debt <sup>c</sup>	8.3	10.9	14.5	12.3	12.6	13.1	19.5	25.6	28.7
Government and government-backed debt <sup>c</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 repayments) divided by total hard currency earnings.

Preliminary.





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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 Brouger/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 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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