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# WITHDRAWAL SHEET

## Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. report 88	<del>re: Ivanov article on Soviet participation in the GATT, page 3 (1p, partial)</del>	n.d.	<del>P-5 OPEN</del>
2. report 89	<del>pages 4 and 5 of item # 1 (2pp)</del>	n.d.	<del>P-5 OPEN</del>
3. memo	from S. Danzansky to Paul Schott Stevens re: PRG minutes (1p)	4/8/88	P-1 B1
4. minutes	Policy Review Group meeting (3pp)	3/29/88	P-1 B1
5. letter	from R. Reagan to Gorbachev (1p)	4/6/88	P-1 B1
6. memo	from Colin Powell to the President re: letter for Secretary Verity's April 13 meeting with General Sec. Gorbachev (1p)	4/4/88	P-1 B1
7. memo	from S. Danzansky to C. Powell re: presidential letter for Sec. Verity's meeting with Gen. Sec. Gorbachev (1p)	3/31/88	<del>P-1, P-5</del> B1
8. memo	from Melvyn Levitsky to C. Powell re: letter on trade from Pres. Reagan to Gen. Sec. Gorbachev (1p)	3/25/88	P-1 B1
9. memo	from Paul Schott Stevens to Gerald McKiernan re: request for approval of joint statement (1p)	3/30/88	P-1 B1
10. memo	from S. Danzansky to P.S. Stevens re: request for approval of joint statement (1p)	3/29/88	P-1 B1
11. memo	from Franklin Vargo to P.S. Stevens re: request for approval of joint statement (1p)	3/28/88	P-1 B1
12. joint statement draft	re: further development of US-USSR commercial relations (2pp)	3/25/88	P-1 B1 Folder 7
13. memo	from Danzansky to John Negroponte re: March 29 PRG on US-Soviet Joint Commercial Commission meeting (3pp)	3/28/88	<del>P-1, P-5</del> B1 Folder 8 CS 10/25/00
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: Soviet Union (JCC) <del>4 of 7</del> (7 & 13) RAC Box 12 <del>Box 91819</del>			11/16/94

### 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)]

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- 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.

REVISED 4-13-88

CLOSING REMARKS OF  
HONORABLE C. WILLIAM VERITY  
U.S. SECRETARY OF COMMERCE  
AND CO-CHAIRMAN OF THE  
JOINT U.S. -U.S.S.R. COMMERCIAL COMMISSION  
MOSCOW, APRIL 14, 1988

MR. MINISTER; MEMBERS OF THE COMMISSION:

WE ARE NOW REACHING THE END OF THE TENTH SESSION OF THE JOINT U.S.-USSR COMMERCIAL COMMISSION. WE HAD A CHALLENGING JOB, WITH A DEFINITE SET OF INSTRUCTIONS FROM PRESIDENT REAGAN AND GENERAL SECRETARY GORBACHEV.

THE U.S. DELEGATION HAD THREE OBJECTIVES: (1) TO REACH AGREEMENT ON CONCRETE MEASURES TO EXPAND OUR COMMERCIAL RELATIONS; (2) TO DISCUSS THE RELATIONSHIP BETWEEN TRADE AND THE BROADER BILATERAL RELATIONSHIP, AND (3) TO LEARN MORE ABOUT THE CHANGES UNDERWAY IN THE CONDUCT OF SOVIET TRADE AND FOREIGN ECONOMIC RELATIONS.

WE ACHIEVED OUR OBJECTIVES, AND I AM PLEASED TO BE ABLE TO SAY THAT FROM THE PERSPECTIVE OF THE U.S. DELEGATION IT WAS A HIGHLY SUCCESSFUL MEETING.

WE HAVE INDEED AGREED ON SOME CONCRETE MEASURES WHICH WILL IMPROVE THE PROSPECTS FOR BUSINESS BETWEEN OUR COUNTRIES. WE ARE GOING TO SIGN A GOOD JOINT STATEMENT, AND WE CAN REPORT TO OUR LEADERS THAT THE STEPS WE HAVE AGREED UPON WILL SHOW PRACTICAL RESULTS.

WE ALSO HAVE HAD AN OPEN AND HONEST DISCUSSION OF OUR DIFFERENCES. I BELIEVE THAT OUR DISCUSSIONS HAVE CONTRIBUTED TOWARD MOVING A LITTLE CLOSER TO THE EVENTUAL RESOLUTION OF SOME FUNDAMENTAL ISSUES IN OUR BILATERAL TRADE AND ECONOMIC RELATIONS.

#### AGREEMENTS

MR. MINISTER, WE REACHED AN IMPRESSIVE NUMBER OF AGREEMENTS ON CONCRETE AND PRACTICAL STEPS THAT WILL EXPAND OUR TRADE AND COMMERCIAL RELATIONS.



I WOULD LIKE BRIEFLY TO REVIEW THEM.

WE AGREED THAT:

- THE U.S. WILL PUBLISH A REGULAR COMMERCIAL NEWSLETTER ADVERTISING AMERICAN PRODUCTS AND SPECIFIC COMPANY INTERESTS IN ECONOMIC RELATIONS. WITH THE HELP OF THE USSR CHAMBER OF COMMERCE AND INDUSTRY, THIS NEWSLETTER WILL BE DISTRIBUTED TO TO THOUSANDS OF SOVIET TRADE AND BUSINESS OFFICIALS.
  
- THE SOVIET SIDE HAS CHANGED ITS PROCEDURES, AND SOVIET TRADE AND ENTERPRISE OFFICIALS WILL NOW HAVE OPEN ACCESS TO THE U.S. COMMERCIAL OFFICE IN MOSCOW.
  
- A TRADE MISSIONS PROGRAM WILL BE ESTABLISHED, AND BOTH SIDES WILL PROVIDE THE APPROPRIATE ASSISTANCE TO HELP THESE MISSIONS MEET THE RIGHT BUSINESS OFFICIALS.
  
- THE UNITED STATES WILL CONTINUE ITS PARTICIPATION IN SOVIET TRADE FAIRS, AND THE USSR WILL HOLD A TRADE SHOW TO PROMOTE SOVIET EXPORTS TO THE UNITED STATES.
  
- EFFORTS TO FACILITATE NORMAL BUSINESS OPERATIONS WILL BE ACCELERATED.

- A JOINT US-USSR LEGAL SEMINAR ON BUSINESS LAW WILL BE INITIATED, WITH THE FIRST MEETING PLANNED FOR SEPTEMBER 1988.
  
- WORKING GROUPS WERE FORMED TO INTENSIFY BUSINESS IN FOOD PROCESSING EQUIPMENT, MEDICAL EQUIPMENT, CONSTRUCTION EQUIPMENT, OIL AND GAS EQUIPMENT, AND CONSUMER GOODS EQUIPMENT.
  
- FINALLY, WE CONCLUDED A PROTOCOL TO UPDATE THE EXISTING LONG TERM AGREEMENT TO REFLECT SOVIET ORGANIZATIONAL CHANGES IN TRADE AND FOREIGN ECONOMIC RELATIONS.

ADDITIONALLY, THOUGH IT IS NOT A DIRECT RESPONSIBILITY OF THE COMMISSION, DEPARTMENT OF COMMERCE AND SOVIET FISHERIES OFFICIALS EXCHANGED LETTERS MAKING IT CLEAR THE SOVIET UNION HAS CEASED COMMERCIAL WHALING AND INTENDS TO WORK THROUGH THE INTERNATIONAL WHALING COMMISSION FOR WHALE RESEARCH AND CONSERVATION. THIS HAS BEEN A MAJOR OBJECTIVE SUPPORTED BY THE UNITED STATES.

THIS IS A VERY POSITIVE STEP, AND I HOPE IT SETS A PATTERN FOR OTHER WHALING NATIONS. I AM CONFIDENT THAT AS A RESULT, WE WILL QUICKLY BE ABLE TO EXPAND FISHERIES COOPERATION IN A WAY BENEFITTING THE FISHERIES INDUSTRIES OF BOTH COUNTRIES.

SOVIET ECONOMIC CHANGES

I AM ALSO PLEASED WITH THE DEGREE OF OPENNESS THE U.S. DELEGATION EXPERIENCED IN ITS DISCUSSIONS REGARDING CHANGES IN THE SOVIET JOINT VENTURE LAWS AND IN THE SOVIET FOREIGN TRADING STRUCTURE. WE RECEIVED AN EXCELLENT BRIEFING ON THE CHANGES BEING UNDERTAKEN AND PLANNED FOR THE FOREIGN TRADE SECTOR OF THE ECONOMY AND FOR THE INTERNAL ECONOMY AS WELL.

THE DECENTRALIZATION OF TRADING AUTHORITY AND THE EVOLUTION OF JOINT VENTURE PROCEDURES ARE POSITIVE STEPS WHICH HAVE IMPORTANT IMPLICATIONS FOR THE WAY U.S. FIRMS DO BUSINESS IN THE USSR.

A MAJOR CONCERN OF AMERICAN FIRMS IN RECENT YEARS HAS BEEN THE FACT THAT LITTLE BUSINESS HAS RESULTED DESPITE STATEMENTS OF GOOD INTENT. MANY AMERICAN FIRMS HAVE EXPENDED CONSIDERABLE TIME AND EFFORT IN DEVELOPING AND PRESENTING BUSINESS PROPOSALS TO PROSPECTIVE SOVIET PARTNERS, FREQUENTLY WITH NO RESULT.

THIS YEAR, HOWEVER, AMERICAN COMPANIES HAVE HAD A RENEWED INTEREST IN THE POSSIBILITY OF DOING BUSINESS IN THE USSR. THIS HAS BEEN DUE TO CHANGES IN SOVIET TRADE AND JOINT VENTURE LAWS, THE STATEMENTS OF PRESIDENT REAGAN AND GENERAL SECRETARY GORBACHEV AT THE SUMMIT, SOME IMPROVEMENTS IN THE OVERALL BILATERAL RELATIONSHIP, AND THE GENERAL SECRETARY'S POSITIVE WORDS IN MEETING WITH U.S. BUSINESS.



IT IS THE TASK OF GOVERNMENTS TO SET THE BROAD POLICIES WHICH AFFECT TRADE AND ECONOMIC RELATIONS; HOWEVER IT IS UP TO THE COMPANIES AND ENTERPRISES THEMSELVES ACTUALLY TO CONDUCT THE BUSINESS.

THERE IS AN AMERICAN SAYING THAT, "NOTHING SUCCEEDS LIKE SUCCESS." NOTHING ELSE WILL KEEP AMERICAN FIRMS AS INTERESTED IN WORKING WITH SOVIET ENTERPRISES AS MUCH AS CONTRACTS AND CONCRETE BUSINESS. AMERICAN COMPANIES NEED TO KNOW THAT WHEN THEY HAVE COMPETITIVE AND COMMERCIALY VIABLE PROPOSALS, BUSINESS CAN AND WILL TAKE PLACE -- AND THAT NEGOTIATIONS WILL BE AT AN EFFICIENT PACE.

FROM MY OWN OBSERVATIONS, AND TALKS WITH U.S. BUSINESS EXECUTIVES, THE U.S. DELEGATION AND I HAVE A POSITIVE ATTITUDE. YOUR JOB IS DIFFICULT, BUT ONE OF GREAT SIGNIFICANCE.

AMERICAN PRODUCTS AND AMERICAN BUSINESS PROPOSALS ARE NOW HIGHLY COMPETITIVE. THIS IS A GOOD TIME, MR. MINISTER, TO URGE SOVIET ORGANIZATIONS TO LOOK MORE SERIOUSLY THAN EVER AT U.S. COMPANY PROPOSALS.

WE WILL URGE AMERICAN COMPANIES TO WORK SERIOUSLY AT DEVELOPING BUSINESS WITH THE SOVIET UNION. WE WANT TO EXPAND PEACEFUL TRADE AND ECONOMIC COOPERATION, BUT IT MUST BE COMMERCIALY VIABLE.



TO THIS END, I URGE FURTHER "MARKETING GLASNOST" -- MORE EFFORTS AT IMPROVING THE COMMUNICATION BETWEEN PROSPECTIVE PARTNERS. AND I ALSO URGE FULL ATTENTION TO "USKORENYIE" (phonetic: oos ka RENya) -- THE ACCELERATION OF BUSINESS.

I AM PLEASED TO TAKE NOTE OF THE NUMBER OF BUSINESS DEALS THAT HAVE BEEN CONCLUDED THIS WEEK. U.S. COMPANIES HAVE SHOWN THAT PEACEFUL, MUTUALLY BENEFICIAL BUSINESS IS INDEED POSSIBLE. OUR JOB IS TO SEE THAT MORE CAN OCCUR.

DIFFERENCES

MR. MINISTER, IN REVIEWING OUR ACCOMPLISHMENTS AT THIS SESSION OF THE COMMISSION, I MUST ALSO SAY THAT AN IMPORTANT ACHIEVEMENT WAS OUR ABILITY TO OPENLY DISCUSS OUR DIFFERENCES. WE DID NOT AVOID ISSUES. WE WERE NOT AFRAID THAT THE COMMISSION MECHANISM WOULD COLLAPSE IF WE HAD AN HONEST AIRING OF OUR DISAGREEMENTS.

WE HAVE DISCUSSED THE NEED TO CONSIDER TRADE AND ECONOMIC MATTERS IN THE CONTEXT OF MAKING PROGRESS IN ARMS CONTROL AND REGIONAL ISSUES AS WELL AS IN HUMAN RIGHTS AND EMIGRATION. IMPROVEMENT IN OUR TRADING RELATIONSHIP CAN PARALLEL THAT PROGRESS.

I CAN ASSURE YOU THAT U.S. DOMESTIC SUPPORT WOULD GROW FOR SOLUTIONS TO THE FUNDAMENTAL ISSUES IN OUR ECONOMIC RELATIONSHIP AS GAINS ARE MADE IN OTHER ASPECTS OF OUR LARGER RELATIONSHIP, ESPECIALLY HUMAN RIGHTS AND EMIGRATION.

CONCLUSION

IN CONCLUDING MY REMARKS, MR. MINISTER, I WOULD LIKE TO THANK YOU FOR YOUR PART IN PROVIDING A CLIMATE FOR AN EFFECTIVE AND EFFICIENT WORKING RELATIONSHIP. BECAUSE OF IT MUCH HAS BEEN ACCOMPLISHED.

THE STEPS WE HAVE AGREED TO TODAY WILL CONTRIBUTE TO STRENGTHENING THE FOUNDATION OF UNDERSTANDING BETWEEN US. I BELIEVE THIS COMMISSION HAS PRODUCED A FORWARD MOMENTUM WHICH CAN BE REVIEWED BY OUR LEADERS NEXT MONTH AND WHICH CAN BE BUILT ON IN THE FUTURE.

AND FINALLY, MR. MINISTER, ON BEHALF OF THE ENTIRE U.S. DELEGATION I WOULD LIKE TO THANK YOU FOR THE ORGANIZATION OF THIS JCC AND THE HOSPITALITY SHOWN TO US DURING OUR STAY IN MOSCOW. MR. NIKOLAEV'S PROTOCOL OFFICE HAS DONE AN EXCELLENT JOB, AND I WOULD PARTICULARLY LIKE TO THANK MR. MAMONOV -- THANK YOU, SASHA.

IT IS THE UNITED STATES' TURN TO HOST THE COMMISSION NEXT TIME, AND I WOULD LIKE TO CLOSE BY PROPOSING THAT THE NEXT SESSION OF THE COMMISSION BE HELD IN WASHINGTON -- THOUGH I WILL HAVE TO LEAVE IT TO THE NEXT ADMINISTRATION TO PROPOSE THE EXACT DATE.

OUR EFFORTS TO DEVELOP OUR BILATERAL COMMERCIAL DIALOGUE THROUGH

4-12-88 DRAFT SECRETARIAL REMARKS FOR APRIL 14 PRESS CONFERENCE

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

AT A PRESS BRIEFING

U.S. COMMERCIAL OFFICE, MOSCOW  
APRIL 14, 1988

LADIES AND GENTLEMEN: I HAVE A BRIEF STATEMENT TO MAKE, AND WILL THEN TAKE YOUR QUESTIONS.

FIRST I WOULD LIKE TO INTRODUCE THE OTHER SENIOR MEMBERS OF THE U.S. DELEGATION WHO ARE UP HERE WITH ME. AMBASSADOR MATLOCK, UNDER SECRETARY OF STATE WALLIS, UNDER SECRETARY OF COMMERCE FREEDENBERG, UNDER SECRETARY OF COMMERCE EVANS, AND PRESIDENTIAL NATIONAL SECURITY ADVISORS BOB DEAN AND STEVE DANZANSKY, AND ACTING ASSISTANT SECRETARY OF COMMERCE JIM MOORE.

WE HAVE JUST CONCLUDED THE JOINT US - USSR COMMERCIAL COMMISSION MEETINGS, THAT I CO-CHAIRLED ALONG WITH SOVIET ACTING MINISTER KACHANOV. THIS PARTICULAR MEETING OF THE COMMISSION WAS SPECIFICALLY INSTRUCTED BY PRESIDENT REAGAN AND GENERAL SECRETARY GORBACHEV TO DEVELOP CONCRETE PROPOSALS TO EXPAND TRADE AND ECONOMIC RELATIONS.



THE TWO MAJOR U.S. OBJECTIVES FOR THE MEETINGS WERE TO OBTAIN SOME SPECIFIC IMPROVEMENTS TO FACILITATE THE ABILITY OF U.S. COMPANIES TO SELL PEACEFUL, NON STRATEGIC, GOODS AND SERVICES IN THE SOVIET UNION; AND TO AGAIN IMPRESS UPON THE SOVIETS THAT FUNDAMENTAL IMPROVEMENTS IN THE TRADE RELATIONSHIP DEPEND UPON FURTHER IMPROVEMENTS ELSEWHERE IN THE BILATERAL RELATIONSHIP, PARTICULARLY IN HUMAN RIGHTS AND IMMIGRATION.

WE ACHIEVED THESE OBJECTIVES. WE REACHED SOME CONCRETE AGREEMENTS THAT WILL CONTINUE THE GRADUAL IMPROVEMENT IN US-SOVIET TRADE RELATIONS THAT BEGAN IN 1984. THESE AGREEMENTS WILL HELP U.S. COMPANIES IN A RANGE OF MUTUALLY BENEFICIAL AREAS.

ALL OF THE PRODUCT AREAS WE TALKED ABOUT ARE IN NON-STRATEGIC AREAS. WE DID NOT CONSIDER ANY CHANGES IN OUR TECHNOLOGY TRANSFER CONTROLS.

AND I KNOW THAT THE STATE DEPARTMENT AND NSC MEMBERS OF THE DELEGATION AGREE WHEN I SAY THAT WE WERE ABLE TO UNDERSCORE THE U.S. POSITION ON RELATING TRADE TO GAINS IN THE BROADER RELATIONSHIP -- PARTICULARLY IN HUMAN RIGHTS AND EMIGRATION.



LET ME STRESS THAT WE DID NOT COME TO MOSCOW TO MAKE ANY TRADE BREAKTHROUGHS. THAT WASN'T OUR PURPOSE. I WANT TO EMPHASIZE OUR OBJECTIVE WAS TO CONTINUE A GRADUAL AND STEADY IMPROVEMENT IN TRADE RELATIONS IN TANDEM WITH PROGRESS IN THE OVERALL RELATIONSHIP BETWEEN OUR COUNTRIES.

IN SEEKING TO FACILITATE THE ABILITY OF U.S. FIRMS TO SELL IN THE SOVIET UNION, OUR MAIN GOAL WAS TO IMPROVE MARKET ACCESS AND MARKET TRANSPARENCY -- SORT OF A "MARKETING GLASNOST". THE SOVIETS AGREED TO TAKE A NUMBER OF STEPS TO IMPROVE MARKETING INFORMATION AND MARKETING ACCESS.

THESE AGREEMENTS, FOR EXAMPLE:

- o WILL ENABLE SOVIET TRADE OFFICIALS TO HAVE OPEN ACCESS TO THE U.S. COMMERCIAL OFFICE IN MOSCOW;
- o WILL START A U.S. ADVERTISING PROGRAM REACHING THOUSANDS OF KEY SOVIET BUSINESS DECISION MAKERS;
- o WILL START WORKING GROUPS IN MEDICAL EQUIPMENT, CONSTRUCTION EQUIPMENT, OIL AND GAS EQUIPMENT, AND CONSUMER GOODS EQUIPMENT.
- o AND WILL INITIATE A TRADE MISSIONS PROGRAM.

ACTING MINISTER KACHANOV AND I SIGNED A JOINT STATEMENT ON THE RESULTS OF THE COMMISSION AND EXPRESSING THE INTEREST BOTH SIDES HAVE IN EXPANDING BILATERAL TRADE.

WE ALSO SIGNED A PROTOCOL AMENDING THE LONG TERM ECONOMIC INDUSTRIAL AND TECHNICAL COOPERATION AGREEMENT BETWEEN THE TWO COUNTRIES. THIS PROTOCOL TAKES ACCOUNT OF THE NEW FORMS OF ORGANIZATION NOW PERMITTED IN THE USSR.

TAKEN TOGETHER, THESE STEPS REPRESENT MEASURES THAT WILL FURTHER IMPROVE THE ABILITY OF U.S. FIRMS TO DO BUSINESS IN PEACEFUL, CIVILIAN, AREAS IN THE SOVIET UNION.

I DO NOT EXPECT A DRAMATIC INCREASE IN TRADE TO RESULT. AS I SAID EARLIER, WE CAME HERE TO CONTINUE PROGRESS, NOT TO MAKE BREAKTHROUGHS.

AMONG THE VARIOUS RESPONSIBILITIES OF THE SECRETARY OF COMMERCE IS FISHERIES, AND IN CONCLUDING MY STATEMENT I HAVE A MAJOR ANNOUNCEMENT TO MAKE IN THIS AREA.

WE HAVE BEEN FORMALLY NOTIFIED BY THE SOVIETS THAT THE USSR HAS CEASED COMMERCIAL WHALING AND INTENDS TO WORK THROUGH THE INTERNATIONAL WHALING COMMISSION, THE IWC, FOR WHALE RESEARCH AND CONSERVATION. THIS HAS BEEN A MAJOR OBJECTIVE SUPPORTED BY THE UNITED STATES.

THIS IS A VERY POSITIVE STEP. I WELCOME THIS DECISION AND HOPE IT SETS A PATTERN FOR OTHER WHALING NATIONS. I AM CONFIDENT THAT AS A RESULT WE WILL QUICKLY BE ABLE TO EXPAND FISHERIES COOPERATION IN A WAY BENEFITTING THE FISHING INDUSTRIES OF BOTH COUNTRIES.

THANK YOU, AND I AM READY TO TAKE YOUR QUESTIONS.

March 31, 1988

Steve--

Jim Verrant (Honeywell) left  
the attached material for you.  
He said he'd try to get in touch  
with you when he returns from  
the Soviet Union.

pb

JAMES J. VERRANT

SENIOR VICE PRESIDENT  
HONEYWELL INTERNATIONAL  
HONEYWELL PLAZA  
MINNEAPOLIS, MINNESOTA 55408  
TELEPHONE 612/870-3818



BACKGROUND PAPER  
HONEYWELL/SOVIET MINISTRY OF FERTILIZER PRODUCTION  
JOINT VENTURE DISCUSSIONS

March, 1988

Honeywell is a US corporation offering a diversified line of electronic based products and services to worldwide markets. The mission is to work together with customers to achieve their goals through leadership in automation and controls in homes and buildings, industry, and aerospace and defense. Revenues in 1987 were \$6.7B of which 21% was earned in international markets. There are 79,000 employees, of whom 58,000 work in the United States. We do business in over 90 countries and have five joint ventures registered worldwide.

Honeywell has conducted business in the Soviet Union for over 30 years and has had an office located in Moscow since 1975. This is a four-person representative office with no sales function. Honeywell business activities in the USSR are managed by our wholly-owned Austrian affiliate headquartered in Vienna.

OVERVIEW/BACKGROUND

Honeywell and the Soviet Union Ministry of Mineral Fertilizer Production (MMF) have entered into negotiations regarding the creation of an engineering/marketing joint venture for the application of industrial plant central control systems and field instrumentation. The MMF produces chemical fertilizers and other agriculture-related chemical products. It has identified over 100 operational fertilizer and related chemical plants with potential for modernization by the proposed joint venture. The association will be a multi-year commitment barring unforeseen events out of the control of the partners.

PROGRESS/STATUS

- Negotiations initiated with MMF June 8, 1987; intent protocol signed.
- Honeywell demonstrated TDC control system at USSR Chemical Show June, 1987, in Moscow.
- Schedule of negotiations established September, 1987.
- Two-year project plan for financial feasibility finalized December, 1987.
- Financial and operational feasibility study approved by partners February, 1988.
- Joint venture legal documents negotiated in English and signed March 17, 1988.

PRODUCT TO BE EXPORTED

- Portion of TDC 3000 family of systems (general license).
- Computers (pc's and/or microcomputer - US license, no COCOM requirement).
- Technological know-how to train, operate, and repair (general license).

US GOVERNMENT POSITION

- US re-opened trade relations with USSR in 1985.
- US has a desire and supports expansion of non-strategic trade.
- Joint US-Soviet summit statement of December 10, 1987, strongly supports commercially viable joint ventures to further develop commercial relations.

FORECAST FOR NEXT STAGES

- Joint venture legal document in Russian and English to be finalized in Moscow week of April 3, 1988.
- Formal signing planned for April 14, 1988, in Moscow.
- The joint venture must then be registered with the USSR Ministry of Finance.

For additional information, please call Pamela Young,  
Honeywell Public Affairs, 202/872-0495.



IVANOV ARTICLE ON SOVIET PARTICIPATION IN THE GATT

ISSUE

The March issue of World Link, a publication of the World Economic Forum in Davos, Switzerland, contains an article by Ivan Ivanov, Deputy Chairman of the Soviet Foreign Economic Commission, the successor agency to the abolished Foreign Trade Ministry. The article describes and defends Soviet efforts to participate in the GATT, and argues for USSR accession prior to the end of the Uruguay Round. Following are the main U.S. and USSR arguments (stated briefly), and suggested rebuttal points for use if the issue is raised in discussions on the margin of the JCC meeting in Moscow. Attached is the copy of the article transmitted from Geneva.

This paper should be read in conjunction with the points made in the JCC briefing paper on the Soviet approach to the GATT.

U.S. POSITION

We have made the following general points opposing Soviet GATT participation.

- o Non-market economies cannot apply GATT Articles to their trade to achieve market access or fair trade because the Articles are based on the assumption that trade is price-driven and that changes in tariffs and other trade regulations will affect demand and supply of traded goods.
- o GATT CPs have no incentive to grant such countries GATT rights or other GATT concessions if they are unable to realize the reciprocal benefits to which they are entitled under the General Agreement.
- o Previous NME accessions to GATT have tried to ignore this problem through the construction of special mechanisms to assure trade growth and to safeguard price-based markets. These experiments have failed, and only the small size of the other NME GATT CPs has prevented this failure from damaging the GATT system. A country the size of the USSR would present a much more difficult challenge.
- o The Soviet Union's current reform plans are neither far reaching enough, nor sufficiently well along in implementation to justify discussion of possible GATT association on that basis.

USSR POSITION IN THE ARTICLE

Rather than a positive exposition of the reasons the USSR might want to join the GATT, the article is a rebuttal of the points



above which the USG and other major GATT CPs have been making for some time concerning the inappropriateness of Soviet GATT participation. Ivanov indicates that the USSR sought participation in the New Round in August 1986 as an alternative to "limited membership," i.e., observer status, which was blocked by the ongoing reassessment of GATT observer criteria. He runs through the arguments we have made and gives reasons why they do not apply, and he reviews the "homework" that the USSR is doing to prepare itself for integration into the international trading system. A number of the points he makes in the article indicate that he is familiar with Chinese statements concerning their accession. It appears that he wishes to signal that the USSR is ready to be as forthcoming in some areas as the Chinese. He closes with comments indicating his thoughts on timing, and of the value of Soviet accession to the GATT.

Ivanov's points are as follows:

- o The size of whole the Soviet economy is not important, since only the foreign trade sector needs to be absorbed in GATT for our participation. Moreover, we are not even talking about our trade in COMECON, just trade outside of COMECON. This trade is only two percent of world trade, not a big problem.
- o We would not politicize the GATT. The UN is one thing, a "commercial or business" organization like the GATT something else. We would want to participate as a "merchant," seeking favorable conditions for our trade.
- o We are ready to accept all responsibilities under the GATT, in exchange for full rights.
- o We are ready to negotiate our entry. To further this, we continue bilateral discussions with GATT CPs (even the U.S), and with the GATT Secretariat.
- o We are doing our "homework" by reorganizing our foreign trade statistics and their structure (with a view, probably to making them generally compatible with those of most GATT CPs), and by trying to join the Customs Cooperation Council. We are also developing a tariff that will "influence internal price-setting for imported products," and link Soviet and foreign prices. This will also "help us in our negotiations with foreign counties, with the Common Market and the GATT."
- o Government ownership of the economy doesn't prevent GATT participation. Government-owned entities trade within the GATT system already. What counts is how the enterprise operates.



- o Our foreign trade reform will produce state-owned firms that trade "in a way similar to Western corporations." The Government will set the "guidelines" but the enterprises will make the commercial decisions on what buy and sell.
- o Bearing in mind the size of the Soviet market, GATT CPs may wish to have us as participants in the Uruguay Round. We expect to accede by the end of it, but that could take a very long time, just like the Round.

SUGGESTED REBUTTAL POINTS

Local Soviet diplomats have met with USTR officials twice to attempt initiating a formal dialogue on Soviet GATT participation. We have refused to be drawn into debate with these representatives on specific points, in order to avoid encouraging the appearance that we are negotiating the GATT accession issue with them. Given the softness of some other CPs on the issue, we are not eager to be seen developing the issue bilaterally after taking such a firm line in the GATT itself. Following are points that can be made independently, but that address the issues raised in Ivanov's article.

- o The incompatibility of the Soviet economic system to GATT norms is an insurmountable barrier to integration into the GATT system. The provisions of the General Agreement apply only to trade, but their application in a way that actually affects the conditions of trade is dependant on the existence of an economic system where trade moves in response to commercial (i.e., price-based) criteria. When a country accedes to the GATT, all aspects of its economy that affect the flow of goods in international trade is considered, not simply the administrative regulations at the border.
- o GATT rules must cover all trade, not just trade with certain countries or from certain parts of a country. Previous NME accessions tried to accomodate this idea by constructing trade level commitments with non-COMECON countries (e.g., Poland and Romania). The total failure of this formula to actually bring these trade regimes into the GATT system is well recognized.
- o The size of the Soviet Union's economy, like the size of its market, must be a factor in our decision about GATT participation. The whole purpose of GATT is to open CP economies more fully to trade on stable, predictable, non-political basis. If this is not the goal vis-a-vis the Soviet economy, then GATT participation is worthless.



- o GATT provisions are based on the assumption that import and export flows are responsive to price changes, and that importers and exporters are free to make commercial decisions based on price criteria. When a market-economy country undertakes GATT obligations, it is believed that adherence to GATT Articles will improve the climate surrounding trade decisions and result in an actual improvement in the level of market access for imports and in export flows based on comparative advantage.
- o In the case of centrally-planned economies where sales and purchasing decisions are not based on real costs and that do not have price systems that reflect market forces, it is generally agreed that normal GATT obligations cannot be undertaken. More accurately, it is felt that under these circumstances, technical adherence to GATT Articles would not, in and of itself, affect the basis upon which trade decisions are made, and therefore not actually increase market access or discipline export practices.
- o Experience has shown that elements of centrally planned systems can absorb significant market-oriented reforms and continue to impede the operation of GATT Articles to ensure market access.
- o The acceptance by the USSR of nominal GATT obligations without the ability of trade to flow freely based on comparative (i.e., price based) advantage is worthless to the other CPs. Under these conditions, there is no reciprocity. Granting full GATT rights to an NME would put market-oriented economies at a disadvantage, negating the balance of obligations and rights contained in the Articles.
- o GATT accession, or any other form of participation, is permitted on terms negotiated with the contracting parties. The GATT Secretariat has no role in the negotiations.
- o Reforms in trade data and trade policy structure may be useful to the Soviet Union in terms of improving the efficiency of its trade regime, but does not constitute the fundamental changes that would be required to make the Soviet economy functionally compatible with the GATT. All countries are entitled to the economic system that they chose, but not all these systems are compatible with the GATT trading system.
- o Although government ownership exists in market economies, it is seen as an exception by the GATT (Article XVII) and it is also viewed as a potentially powerful trade barrier. Government-controlled trade by its very nature cannot guarantee national treatment for imports, often engages in subsidized trade. Nondiscrimination among trading partners is also a major problem.

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- o Our opposition to Soviet GATT participation is not intended to indicate a lack of interest in improving bilateral economic ties. The two issues are separate. In any case, accession to GATT would not change the fact that U.S. trade with the USSR on an MFN basis is contingent on the provisions of Title IV of the Trade Act of 1974.

Drafted: Cecilia Leahy Klein  
USTR/GATT Affairs

Approved: W. Douglas Newkirk

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THESE TWO PERCENT DO NOT PRESENT A PROBLEM FOR AN AGREEMENT LIKE THE GATT. SOME SAID THAT THE SOVIET UNION WOULD "POLITICIZE" THE GATT. WE ARE CLEVER ENOUGH TO KNOW WHAT AN ORGANIZATION IS MADE FOR: THE UNITED NATIONS IS ONE THING; A COMMERCIAL OR BUSINESS ORGANIZATION IS ANOTHER. IN THE GATT, OUR AIM IS TO PARTICIPATE PREDOMINANTLY AS A MERCHANT, AND TO SEEK FAVOURABLE CONDITIONS FOR OUR PARTICIPATION IN INTERNATIONAL TRADE. WE ARE, OF COURSE, READY TO ACCEPT ALL RESPONSIBILITIES UNDER THIS AGREEMENT, AND WOULD EXPECT ALSO TO HAVE THE FULL RIGHTS OF THIS AGREEMENT.

#### TARIFFS AND STATISTICS

SO, WE ARE SPEAKING ABOUT FULL SCALE MEMBERSHIP IN THE GATT, AND WE ARE READY TO NEGOTIATE OUR ENTERING THIS AGREEMENT. WE ARE CONTINUING OUR CONSULTATIONS WITH SENIOR MEMBER COUNTRIES OF THE GATT, EVEN WITH THE UNITED STATES, AND ALSO WITH THE GATT SECRETARIAT. BUT WE ALSO HAVE SOME HOMEWORK TO DO: FIRST OF ALL, WE ARE TRYING TO REORGANIZE OUR FOREIGN ECONOMIC STATISTICS, AND THE STRUCTURE OF THESE STATISTICS; WE ARE ALSO DISCUSSING THE OPPORTUNITY OF JOINING THE CUSTOMS COOPERATION COUNCIL. IF WE DO SO, THE PROBLEMS OF CUSTOMS EVALUATIONS AND OF THE STRUCTURE OF OUR STATISTICS WILL BE RESOLVED. WE ARE ALSO PREPARING OUR OWN EFFECTIVE CUSTOMS TARIFFS, WHICH WILL INFLUENCE INTERNAL PRICE-SETTING FOR IMPORTED PRODUCTS AND WILL WORK AS A LINK BETWEEN REORGANIZED INTERNAL PRICES IN THE SOVIET UNION AND WORLD MARKET PRICES. THIS WILL ALSO HELP US IN OUR NEGOTIATIONS WITH FOREIGN COUNTRIES, WITH THE COMMON MARKET AND THE GATT.

SOMETIMES, OUR OPPONENTS SAY THAT THE SOVIET UNION CANNOT BECOME A MEMBER OF THE GATT BECAUSE THE GATT IS AN AGREEMENT FOR PRIVATE, NOT STATE, TRADING. WHAT DOES THIS MEAN? IN WESTERN COUNTRIES, A LOT OF MAJOR COMPANIES ARE STATE PROPERTY, BUT NOTHING PREVENTS THESE COMPANIES FROM PARTICIPATING IN INTERNATIONAL TRADE. WHAT COUNTS IS NOT THE OWNERSHIP OF A COMPANY, BUT THE MANNER IN WHICH THIS COMPANY PERFORMS INTERNATIONAL BUSINESS OPERATIONS.

AFTER THE REFORM OF OUR FOREIGN TRADE, WE SHALL HAVE ENOUGH ENTERPRISES, AND AMALGAMATIONS OF ENTERPRISES, THAT, ALTHOUGH STATE-OWNED, WILL OPERATE WITHIN AND OUTSIDE THE COUNTRY IN A WAY SIMILAR TO WESTERN CORPORATIONS. FROM NOW ON, THE GOVERNMENT WILL SET THE GUIDELINES FOR FOREIGN TRADE, BUT IT IS THE ENTERPRISES THAT WILL MAKE THE DECISIONS ABOUT WHAT PARTICULAR PRODUCTS TO IMPORT OR EXPORT; AND THE GUIDELINES WILL BE INDICATIVE. SO, OUR FOREIGN TRADE WILL BECOME FLEXIBLE ENOUGH; AND, WHEN OPERATING ON THE INTERNATIONAL MARKETS, OUR ENTERPRISES CAN BE CONSIDERED ON THE SAME LEVEL, AT LEAST, AS THE STATE-OWNED ENTERPRISES OF WESTERN COUNTRIES.

OF COURSE, WE WILL CONTINUE OUR POLICY OF RAPPROCHMENT WITH THE GATT, AND I THINK THAT THE MEMBER COUNTRIES WILL TAKE OUR ARGUMENTATION SERIOUSLY, WITHOUT DRAWING PARALLELS WITH OTHER PENDING CASE LIKE CHINA. WE WOULD PREFER TO BECOME A MEMBER OF THE GATT BEFORE THE END OF THE URUGUAY ROUND, WITH A VIEW TO PARTICIPATING IN THE NEGOTIATIONS. I THINK THAT BEARING IN MIND THE SIZE OF THE SOVIET MARKET, THE MEMBER COUNTRIES OF THE GATT MAY WISH TO HAVE US AMONG THE PARTICIPANTS IN THE NEGOTIATIONS. OTHERWISE, THE ISSUE COULD BE POSTPONED FOR TEN YEARS. BECAUSE, IN MY ASSESSMENT, THIS IS WHAT IT WILL TAKE TO NEGOTIATE THE URUGUAY ROUND. END TEXT.

2. (U) MARCH'S ISSUE OF NEW MONTHLY PRESITGE MAGAZINE, WORLD LINK, PUBLISHED BY GENEVA-BASED WORLD ECONOMIC FORUM, ORGANIZERS OF ANNUAL DAVOS ECONOMIC MEETINGS, CARRIES ARTICLE BY IVAN IVANOV, FORMER MINISTER OF FOREIGN TRADE OF USSR AND NEW DEPUTY CHAIRMAN OF THE USSR FOREIGN ECONOMIC COMMISSION. WORLD LINK IS APPARENTLY DISTRIBUTED FREELY TO THE "WORLD'S 33,333 MOST POWERFUL PEOPLE" IN ALL COUNTRIES IN THE WORLD. THIS ISSUE WILL, THEREFORE, RECEIVE WIDESPREAD CIRCULATION. (ISSUE ALSO CARRIES ARTICLES BY USTR CLAYTON YEUTTER AND EC COMMISSIONER WILLY DE CLERCO.)

3 (U) BEGIN TEXT.

#### THE URUGUAY ROUND

IT IS IN THE SPIRIT OF OUR NEW THINKING ON FOREIGN ECONOMIC RELATIONS THAT, IN AUGUST 1986, THE SOVIET UNION OFFICIALLY ASKED THE SECRETARIAT GENERAL OF GATT WHETHER IT WOULD BE POSSIBLE TO PARTICIPATE IN THE URUGUAY ROUND ON TRADE NEGOTIATIONS. WE KNEW FROM THE SPRING OF 1985 THAT LIMITED MEMBERSHIP IN THE GATT WAS SUSPENDED, AND WE COULD NOT HOPE TO BECOME A FULL MEMBER OF THE ORGANIZATION WITHOUT THE USUAL NEGOTIATING PROCESS. THIS IS WHY WE DECIDED TO TRY TO PARTICIPATE IN THE URUGUAY ROUND WITH THE VIEW OF SHOWING OUR SERIOUSNESS AND OUR BUSINESS APPROACH, TO GAIN EXPERIENCE AND TO HAVE A SAY IN THIS VERY IMPORTANT ENDEAVOR WHICH MAY TAKE ABOUT TEN YEARS.

IN PUNTA DEL ESTE, OUR PROPOSAL WAS NOT ACCEPTED ON THE BASIS OF ARGUMENTS THAT DO NOT SEEM TO ME PARTICULARLY CONVINCING. SOME PEOPLE SAID THAT THE GATT COULD SIMPLY NOT ABSORB SUCH A BIG ECONOMY AS THE SOVIET ONE, BUT THERE WAS NO QUESTION OF THE SOVIET ECONOMY BEING ABSORBED IN ITS TOTALITY BY THE GATT. WE WERE SPEAKING OF ABSORBING SOVIET FOREIGN TRADE, AND NOT EVEN ALL OUR FOREIGN TRADE, BUT ONLY THAT OUTSIDE COMECON COUNTRIES. THIS REPRESENTS ABOUT TWO PERCENT OF THE TURNOVER IN INTERNATIONAL TRADE, AND I THINK



SCHEDULE FOR MR. DANZANSKY

JCC Delegation Schedule, Except

Monday, April 11

- 3:00pm Attend Secretary Verity's Meeting with  
Council of Ministers Chairman Ryzhkov
- 5:00pm Attend Secretary Verity's Meeting with  
Foreign Economic Commission Chairman Kamentsev

Tuesday, April 12

- 9:00am Attend Secretary Verity's Meeting with  
Foreign Economic Relations First Deputy  
Minister Kachanov
- 4:00pm Tentative: Attend Secretary Verity's Meeting  
with Chamber of Commerce and Industry  
Chairman Malkevich

Wednesday, April 13

- 10:00am Attend Under Secretary Wallis' Meeting with  
State Planning Committee (Gosplan) Chairman  
Sitaryan
- 12:00pm Possible: Attend Meeting with USSR Academy  
of Sciences Informatics Institute Director  
Naumov
- 2:00pm Senior Delegation Meeting at Spaso House
- 4:00pm Attend Secretary Verity's Meeting with  
Gosagroprom Chairman Murakhovsky

Prepared on 4-11-88, 11:30pm

SCHEDULE FOR MR. DANZANSKY

JCC Delegation Schedule, Except

Wednesday, April 13

- 8:00am Breakfast at Spaso House for Secretary Verity
- 9:00am Attend U/S Wallis meeting with State Foreign Economic Commission Deputy Chairman Ivan Ivanov (at State Commission - 22 Gorkogo)
- 10:00am Attend Under Secretary Wallis' Meeting with State Planning Committee (Gosplan) Chairman Sitaryan
- 12:00pm Attend Secretary Verity's Meeting with Gosagroprom Chairman Murakhovsky

Prepared on 4-12-88, 2355pm

Secret draft Rec'd 4-11-88

Unofficial Translation

BASIC PRINCIPLES AND GUIDELINES  
OF FURTHER DEVELOPMENT OF TRADE AND ECONOMIC RELATIONS  
BETWEEN THE UNION OF SOVIET SOCIALIST REPUBLICS  
AND THE UNITED STATES OF AMERICA

The Union of Soviet Socialist Republics and the United States of America,

guided by the provisions of the Basic Principles of Mutual Relations between the USSR and the USA of May 29, 1972, and the Communique regarding Joint USSR-US Commercial Commission,

proceeding from the existence of prospects for the development of bilateral trade and economic relations,

recognizing the importance of maintenance and development of mutually beneficial business relations between the USSR and the USA for strengthening the atmosphere of mutual understanding and cooperation between the two countries,

desiring to further develop, encourage and expand bilateral trade and economic relations on a stable, long-term and non-discriminatory basis,

have agreed as follows:

1. The USSR and the USA will endeavor to ensure in trade and economic relations between them:

Reliability, which is understood as good faith performance by the Sides of international obligations, observance of generally recognized norms of international law, purposes and principles of the Charter of the UNO.

Predictability, which is understood as creation of possibilities to timely take account in national economic policy of either country of trends and prospects for the development of the other country.



Equality, which is understood as the need to take account of legitimate interests of the partner and ensure the mutually beneficial nature of trade and economic relations.

Readiness for equal partnership and joining of efforts in the solution of both global and interstate economic problems.

2. The Sides will work, within the framework of their respective legislation, on improving the legal base of trade and economic relations between the USSR and the USA, on the reduction and subsequent elimination of all kinds of obstacles in the way of development of trade, and will also refrain from introducing new obstacles in this field. (See. Final Act of 1.8.75, p. 34; Vienna meeting within the framework of Helsinki CSCE, 6.10.87; basket 2, p. 2)

3. Endeavoring to promote the stable growth of volumes and the expansion of the range of mutual trade the Sides will, within the framework of relevant laws and regulations in force in both countries, facilitate the search by interested enterprises, organizations and firms of both countries for possibilities to expand mutual trade relations, including trade in machinery, equipment, technology, raw materials and consumer goods.

4. The Sides consider that their trade in various goods must be carried out in such a way as not to cause or threaten to cause serious damage to domestic markets of these goods in both countries, in particular, to the detriment of local producers of similar or directly competing goods. If the Sides are to resort to protective measures, they will act in accordance with their obligations in this field, arising from international agreements which they are a party to. In any event, the Sides



will take account of the interests of the directly affected parties and endeavor at the conclusion of mutually acceptable agreements. (See Final Act of 1.8.75)

5. The Sides will encourage the development of long-term business mutual relations between the organizations and firms of the two countries both on the basis of traditional forms of cooperation, such as trade on normal commercial terms, barter and compensation transactions, and on the basis of new forms, including trade in licenses, industrial cooperation and establishment of joint ventures in the USSR, the USA and third countries.

6. Proceeding from the fact that capital investments of organizations and firms of the USSR and the USA in the partner country will promote the development of mutually beneficial business exchanges, the Sides will cooperate in providing for the necessary conditions to create in both countries joint ventures with the participation of Soviet and American enterprises, organizations and firms. In doing so, the Sides express their readiness to guarantee on a bilateral basis capital investments of the enterprises, organizations and firms of the other Side in its country.

7. Noting the importance of the achievement of mutually acceptable bilateral understandings on tax, currency and finance matters for the development of international trade, the Sides will endeavor to resolve them in such a way as to contribute to the stable growth of mutual trade turnover. (See: Final Act of 1.8.75; Vienna meeting within the framework of Helsinki CSCE, 6.10.87, basket 2, p. 2).

8. The Sides confirm their readiness to improve conditions for the maintenance of contracts between representatives of business communities of both countries, also by way of facilitation of direct contacts between representatives of business communities, potential buyers and end users, simplification of customs procedures, as well as the satisfaction of requirements of the representatives of business communities related to working conditions, such as accommodation, communications, hiring and management of personnel, and procedures of accreditation and registration.

They also agree to make wider use of trade fairs and exhibitions (See: Vienna meeting within the framework of Helsinki CSCE, 6.10.87, basket 2, p. 2).

9. The Sides note the increasing importance of marketing in the development of their mutual trade and industrial relations, as well as the need to better evaluate the possibilities of sales, including the introduction of new products. Accordingly, they agree to encourage cooperation in the field of analysis and methods of marketing at the bilateral and multilateral level. (See: Vienna meeting within the framework of Helsinki CSCE, 6.10.87, basket 2, p. 2).

10. The Sides note the need for the broad exchange of comparable and timely economic and commercial statistical data and information and express readiness to establish cooperation between their statistical bodies to ensure the preparation and publication of data and information corresponding to the requirements of bilateral and multilateral business cooperation. (See: Vienna meeting within the framework of Helsinki CSCE, 6.10.87, basket 2, p.2)



11. Considering the growing interdependence between trends of economic development of individual countries and trends of development of world economy, the Sides intend to exchange information concerning economic situation and economic policy in their countries, and to have consultations in cases where the said economic situation or economic policy may affect the trends of economic development of the partner country or world economy.

12. Recognizing the great importance of the provisions contained in in the General Agreement on Tariffs and Trade and in the Ministerial Declaration signed at the opening of the Uruguay round of the Multilateral Trade Negotiations for international economic cooperation in general, the Sides agreed to exchange information and consult on the necessary steps with a view to bring closer the USSR and GATT.

13. Recognizing the expediency of expanding the terms of reference of the USSR-US Joint Commercial Commission, the Sides agreed to rename it into the USSR-US Joint Commission on Trade and Economic Cooperation assigning to the Commission, in particular, monitoring of the Long-Term Agreement to Facilitate Economic, Industrial, and Technical Cooperation of June 29, 1974.

14. The provisions of this Joint Statement are without prejudice to prior obligations assumed by the USSR and the USA with respect to other states. (Basic Principles USSR-USA, 29.05.72).

Moscow, June 2, 1988

For the Union of Soviet  
Socialist Republics  
M. S. Gorbachev  
General Secretary of the  
CPSU Central Commttee

For the United States of  
America  
R. Reagan  
President of the United States  
of America

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Draft

Joint Statement

on further development of the US - USSR trade  
and economic relations

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ONLY

At the end of the X US - USSR Joint Commercial Commission meeting held by instruction of General Secretary M. Gorbachev and President R. Reagan in order to develop concrete proposals for the expansion of soviet-american trade and economic relations the following statement was issued by the USSR Minister of Foreign Economic Relations and U.S. Secretary of Commerce.

Both sides believe that the new situation developing now in soviet-american relations opens favourable possibilities for

their trade and economic cooperation which currently <sup>do</sup> not correspond to the existing potentials of the two countries. Acknowledging that the trade and economic ties are a necessary element in strengthening bilateral soviet-american relations, both sides stressed that the development of this element should not be left behind of the development of US - USSR relations in general. Also they pointed out once again the economic benefits of mutual trade.

Both agree that currently there are considerable opportunities to increase mutual trade and economic cooperation. They pointed out that economic reforms, including those in foreign economic activities, now under way in the Soviet Union, create the conditions for establishing more profound, based on modern forms cooperation between soviet organizations and american companies, which actually had already started. In this connection both sides on behalf of their Governments expressed their support to efforts aimed at expanding trade and economic cooperation, including by establishing joint ventures, consortiums and industrial cooperation. Attaching great importance to new forms which could play a role in the further development of trade and economic ties both sides stated that there are considerable reserves in developing traditional trade

with raw materials, agricultural products, chemicals and other commodities, finished products as well as many types of equipment and technology. Special efforts are to be devoted to streamline the structure of mutual trade, to increase the share of value-added products. The expansion of trade and economic relations also suppose they are of



a stabile, long-term and balanced nature.

Both agree that the realization of the presenting prerequisites and possibilities would require further actions from both sides aimed at creating appropriate conditions for development of mutual trade and economic relations, based on principles of equality, non - interference in the internal affairs, mutual benefit and sanctity of obligations. Both sides recognize that in accordance with the laws and <sup>regulations</sup> existing in each country the steps are to be undertaken to facilitate and stimulate exchange by commodities and services, to remove existing and to prevent new barriers and obstacles. They also stressed the importance of bi-lateral understandings and agreements on different matters of mutual trade, which are considered to be a tool for settling problems and, taken as a complex, as means of strengthening the whole infrastructure of trade and economic ties.

Both sides noted that recently some real steps were made, filling with concrete content their aspiration to expand mutually beneficial trade and economic relations. (Further some of these steps are to be numbered, including quantity of Letters of Intent and signed agreements on Joint Ventures, as well as the creation of soviet and american trade consortiums).

To facilitate the cooperation based on some new forms, including joint ventures and industrial cooperation, the sides have reached an understanding on expediency of corresponding extension of the Long - Term Agreement Between the Union of Soviet Socialist Republics and the United States of America To Facilitate Economic, Industrial and Technical Cooperation of June 29, 1974. An arrangement has been reached to create a group of experts to study a problem of mutual guarantees of investments.

It was recognized to be expedient to expand Terms of Reference of Joint Intergovernmental US - USSR Commercial Commission, in particular charging it with monitoring of the implementation of the said Agreement. Both sides also agree to create working groups on cooperation in various branches within the framework of the Joint Commission.

Both sides stated that in accordance with their desire to go further in expansion of mutually beneficial trade and economic relations they also undertake some other steps to facilitate these relations. They have also expressed their desire to settle in the spirit of good will other questions with the aim to facilitate mutual commercial activities.