

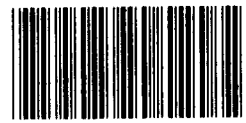
GAO

Fact Sheet for the Chairman,  
Committee on Finance, U.S. Senate

May 1990

# EXPORT CONTROLS

## U.S. Policies and Procedures Regarding the Soviet Union



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**National Security and  
International Affairs Division**

B-239423

May 24, 1990

The Honorable Lloyd Bentsen  
Chairman, Committee on Finance  
United States Senate

Dear Mr. Chairman:

As requested, this fact sheet provides information on U.S. export controls regarding the Soviet Union. Specifically, it contains information on export control policies and procedures, the current level of control on exports to the Soviet Union, and U.S. plans to liberalize these controls. In addition, it discusses U.S. business views on the impact of export controls on United States-Soviet trade. While U.S. export control policy is not on the agenda of the current United States-Soviet trade negotiations, it is an important consideration in assessing the potential for increased United States-Soviet trade.

**Results in Brief**

The United States controls U.S. exports of militarily significant commercial products to the Soviet Union and other selected countries by licensing the export of controlled products to every country except Canada. The Commerce Department administers the control system and reviews all proposed exports, including those to the Soviet Union. The Department of Defense reviews proposed exports to the Soviet Union that are at a certain level of technical sophistication. About 85 percent of U.S. exports to the Soviet Union are agricultural goods that do not require an export license. However, most sophisticated goods that are exported, including almost all advanced aircraft exports, do require a license, as do most advanced computers, telecommunications equipment, and machine tools. Applications for all exports that require a license jumped from 1,110 in 1987 to 1,813 in 1989, a 63 percent increase. During these 3 years, \$2.6 billion in export licenses were approved, compared to about \$1 billion that were not approved (some applications not approved may have been resubmitted and approved at a later date).

U.S. export control policy toward the Soviet Union is in a state of flux. During the 1980s, U.S. export controls regarding the Soviet Union were very stringent. However, domestic changes in the Soviet Union, as well as in Eastern Europe, have prompted calls for a significant reduction in export controls. In May 1990, the President announced that the United States would propose to its Western allies that export control policies regarding the Soviet Union and Eastern Europe be liberalized. According

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to Commerce, the U.S.' Western allies are likely to support these proposals.

Many U.S. businesses have been calling for liberalization of U.S. export controls. They complain that U.S. controls imposed for national security and foreign policy reasons have hindered their efforts to market products in Eastern Europe and the Soviet Union. They also maintain that U.S. controls are stricter and take more time to process than those of other Western countries.

The United States has about 100 joint ventures in the Soviet Union. However, most are in low-technology and service industries, and only a few have been successful.

Appendix I includes information on export control policies and levels of control for exports to proscribed countries. Appendix II discusses U.S. export control policies regarding the Soviet Union. Appendix III discusses U.S. business views on the impact U.S. export controls have on United States-Soviet trade.

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## Scope and Methodology

We collected statistical information from the Commerce Department on the number and dollar value of license applications for exports to the Soviet Union from 1987 through 1989. Commerce, State, and Defense Department officials provided information on U.S. export control licensing procedures for the Soviet Union and on the levels of export control for certain high-tech exports to the Soviet Union.

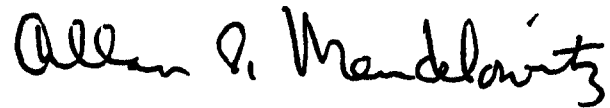
To obtain information on U.S. joint ventures in the Soviet Union and how export controls affect the ability of U.S. companies to export to the Soviet Union, we interviewed several individuals from private companies and trade associations and a former high-level Commerce Department official. We also obtained information from an International Trade Commission survey that included private sector views on U.S. export controls.

We did not seek formal agency comments on this report. We conducted our review between February and May 1990.

As agreed with your office, we will distribute this fact sheet to other congressional offices and the Secretaries of Commerce, State, and Defense. We will make it available to additional interested parties upon request.

The major contributors to this fact sheet were James McDermott, project director, Elizabeth Sirois, project manager, and Elizabeth Morrison, evaluator. If you or your staff have any questions, I can be reached on (202) 275-4812.

Sincerely yours,

A handwritten signature in black ink that reads "Allan I. Mendelowitz". The signature is written in a cursive style with a large initial 'A' and 'M'.

Allan I. Mendelowitz, Director  
Trade, Energy, and Finance Issues

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## Abbreviations

COCOM	Coordinating Committee for Multilateral Export Controls
DOD	Department of Defense



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# Export Control Policies and Procedures

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The Export Administration Act of 1979, as amended, is the primary authority for controlling U.S. exports of dual-use products and technologies, that is, militarily significant commercial products, such as computers and aircraft. The U.S. government controls dual-use exports to enhance national security. The act also gives the President authority to limit exports to further foreign policy goals and to limit exports of commodities in short supply.<sup>1</sup> The Department of Commerce licenses all exports of dual-use goods and technical data<sup>2</sup> to every country except Canada.

National security controls are maintained on the export and reexport of strategic commodities and technical data worldwide to prevent the diversion of strategic goods to proscribed countries. Section 5(b) of the Export Administration Act requires the President to establish a list of proscribed countries for national security purposes. A decision to add or remove any country from the list is based on whether the export of goods or technology to the country would significantly contribute to its military capability and, therefore, threaten the national security of the United States.<sup>3</sup> Countries designated as “proscribed” include the Soviet Union, the People’s Republic of China, and the Warsaw Pact countries in Eastern Europe.

The United States imposes controls on certain strategic goods in cooperation with other nations through the Coordinating Committee for Multilateral Export Controls (COCOM). Agreements within COCOM must be reached unanimously. Each member country upholds the international standard through its domestic statutory authority to control exports. COCOM member countries include the United States, Japan, Australia, and NATO countries (except Iceland).

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## Licensing Procedures

The Department of Commerce, in consultation with other agencies, administers the U.S. system for licensing dual-use exports.<sup>4</sup> U.S. exports that have no strategic value do not require the exporter to apply for a

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<sup>1</sup>National security controls relate to exports that could contribute to the military and economic strength of the Soviet Union and other potential adversaries. Foreign policy controls relate to broad issues of human rights, antiterrorism, regional stability, and chemical warfare.

<sup>2</sup>Technical data is defined as information of any kind that can be used or “adapted for use in the design, production, manufacture, or utilization” of products or materials.

<sup>3</sup>Under the Export Administration Act, as amended, countries can generally only be added to the list if Western allies also agree to control exports to these countries.

<sup>4</sup>The Department of State regulates all munitions exports.

license. Most U.S. exports to all countries, including the Soviet Union, fall in this category.

A license is required before certain high-technology items can be exported to most destinations, including the proscribed countries. Commerce maintains a commodity control list citing categories of exports that would require a license. Exporters must submit a license application to the Commerce Department and obtain government approval to export these types of products.

According to the Department of Commerce, the Department has a maximum of 120 days to process a license application. However, hundreds of license applications each year take longer than 120 days to process, primarily because of disagreements between Commerce and the Department of Defense (DOD) over whether to approve a license.

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## Export Control Procedures for Proscribed Countries

Commerce and, in some cases, DOD, reviews exports of controlled products and technical data to proscribed countries. DOD reviews exports to the Soviet Union that are at a certain level of technical sophistication.

In reviewing proposed exports to proscribed countries, DOD's primary job is to examine the product's military significance. In addition, both DOD and Commerce screen customer identification data and check the buyer's ties to the military. DOD screens end-users through an intelligence database it has developed. Commerce also has access to an intelligence database for screening end-users.

Commerce and DOD engineers make technical reviews of proposed exports to proscribed countries to establish the technical level and military significance of the product and the appropriateness of its stated end-use. Generally, the more sophisticated the product, the more intensive the review. In addition, proposed exports of technical data are generally scrutinized more closely and may take longer to review than commodity exports, since the data could provide the "know-how" to manufacture strategic products.

If DOD and Commerce licensing officers cannot agree on whether to approve a license application, the application enters an interagency review process. If a decision cannot be reached at lower levels, the application is reviewed by the Export Advisory Review Board, which is chaired by the Secretary of Commerce. As a last recourse, the application goes to the President. This interagency process provides a structure



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for making decisions on complex and precedent-setting cases and other policy issues on which agreement cannot be reached at the working level. License applications reviewed at the Export Advisory Review Board level or by the President are often delayed for considerable time periods; these types of cases have, in some instances, taken several years to resolve.

In some cases, Commerce's and DOD's approval of a license application is conditioned on the exporter's agreeing to certain restrictions, such as provisions for inspections. In other cases, the agencies may suggest reducing the technological level of the proposed export.

Some applications are referred to COCOM. The United States refers such applications to COCOM only after the federal government's interagency review is completed and the United States supports approving the license application. (An application does not go to COCOM if the United States disapproves a license.) A license is not issued until COCOM unanimously approves the export.

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## Levels of Control for Exports to Proscribed Countries

Goods and technical data that are considered to be at the national discretion level (sometimes referred to as "administrative exception note" items)—the least sophisticated of the controlled products—are not reviewed by DOD or COCOM.<sup>5</sup> Licensing these items is left to the national discretion of each COCOM country. Each country is required, however, to report to COCOM the national discretion items it has licensed. According to Commerce, the United States has reviewed national discretion items much more carefully in recent years than other COCOM members.

The next category of controlled goods and technical data is referred to as "favorable consideration" items. COCOM must review license applications for these items. However, there is a general presumption that they will be approved. The burden of proof is on the country opposing the export to show why it should not be approved.

At the general exception level—items at the highest level of technological sophistication—COCOM must review and unanimously approve all goods and technical data.

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<sup>5</sup>As of April 1990, the Department of Defense announced that it would no longer review licenses for exports to the Soviet Union at the national discretion level. Previously, the Defense Department had reviewed all licenses for the Soviet Union.

# U.S. Export Control Policy Regarding the Soviet Union

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In 1980, in response to the Soviet invasion of Afghanistan, the United States instituted the "no exceptions policy," which prohibited exports to the Soviet Union of all high-tech items or technical data that were at the general exception level, i.e., multilaterally controlled and requiring COCOM approval. This policy meant that sophisticated technology could not be transferred to the Soviet Union by the United States or any other COCOM member, since the United States would have disapproved any proposed general exception level exports submitted to COCOM. The United States exempted some goods from its "no exceptions" policy, such as certain medical equipment and spare parts for previously exported products.

In May 1989, the United States, in response to the Soviet withdrawal from Afghanistan, discontinued the "no exceptions" policy. The United States now considers on a case-by-case basis granting export licenses for products controlled at the general exception level.

Since this is a new policy, it is unclear what products the United States will approve for export to the Soviet Union. From June 1989 through December 1989, approximately \$1.3 million in exports were approved at the general exception level. Most of these involved computer and computer-related exports.

In addition, there are currently two applications for export licenses pending before Commerce and DOD that Commerce believes will be precedent setting. One application involves the export of five mainframe computers that are 12-15 times more powerful than those that could be exported to the Soviet Union without a license. The other involves material to be used for a fiber optic telecommunications link across the Soviet Union. Commerce believes the outcome of these licensing decisions will indicate what level of exports the new system will allow to the Soviet Union.

In addition to the former "no exceptions" policy, another constraint to trade with the Soviet Union is the "general technology" note of COCOM's control list. The note mandates that certain technology for manufacturing goods undergo a "general exception" vote by COCOM, even if the technology is used in a product that is not subject to COCOM controls. According to Commerce, microelectronics would be among the technical data exports most carefully scrutinized since the data could be used to produce strategic items. According to a former high-level Commerce official, the "no exceptions" policy and the "general technology" note

imposed a virtual embargo on the transfer of microelectronic technology to the Soviet Union throughout the 1980s.

## Current Levels of Control on Exports to the Soviet Union

Proposed exports of raw materials or manufactured goods without any significant strategic use would not require a license for export to the Soviet Union. Agricultural products, basic health care products, most construction equipment, industrial controllers (such as thermostats), circuit boards, and low-level electronics products would fall in this category. Similarly, food processing equipment and oil and gas equipment would not be subject to control unless they contained sophisticated electronic components. According to Commerce, almost all advanced aircraft exports would require a license, as would most sophisticated computers, telecommunications equipment, and machine tool exports.

Certain low-technology computers, telecommunications equipment, and machine tools can be exported without a license. These include (1) personal computers with a processing data rate of 69 megabits per second or less—such as AT compatible personal computers—and mainframes with a processing data rate less than 6.5 megabits per second (mid-1970s vintage), (2) most telecommunication analog switches, metallic cable, some fiber optic cable, and multiplexers and microwave radios with a transmission rate of less than 45 megabits per second, and (3) machine tools with 3 or fewer axes and a positioning accuracy of 10 or more microns.<sup>1</sup>

The most important items that require a license for export to the Soviet Union are computers, digital telecommunications equipment, machine tools, and aircraft. These goods may be controlled at the national discretion, favorable consideration, or general exception levels. Listed below is a brief description of these product categories and the levels at which they are controlled.

1. All mainframes and minicomputers (i.e., all nonpersonal computers) with a processing data rate under 54 megabits per second are controlled at the national discretion level. Items in this category include Microvax computers, some older minicomputers (with 10-15-year-old technology) and a few graphics workstations. Computers with a processing data rate

<sup>1</sup>"Axes" refers to the number of linear and rotary motions that can be controlled by a machine tool: the greater the number of axes, the more sophisticated the machine tool. A micron is one-thousandth of a millimeter and is used as a measure of a machine tool's precision. The lower the number of microns, the greater the machine tool's precision.

of 78 megabits per second or less are controlled at the favorable consideration level. Most older minicomputers and mainframes would fall into this category. Computers with a processing data rate greater than 78 megabits per second are controlled at the general exception level. Almost all mainframes and superminicomputers fall into this category, as do most graphics workstations and personal computers using 386-based microprocessors.

2. Most telecommunications equipment made today is controlled at the general exception level, except for some digital switches and some fiber optic cable controlled at the national discretion level. There are no favorable consideration items.

3. Generally, machine tools with more than 2 axes and a positioning accuracy of less than 10 microns are controlled at the general exception level. According to Commerce, most machine tools made today fall in this category. Only a few machine tools are controlled at the national discretion level, and there are no favorable consideration items.

4. Aircraft exports are controlled according to the technological level of their engines and avionics. All advanced commercial aircraft are controlled at the general exception level. Most spare parts related to avionics or engines are similarly controlled.

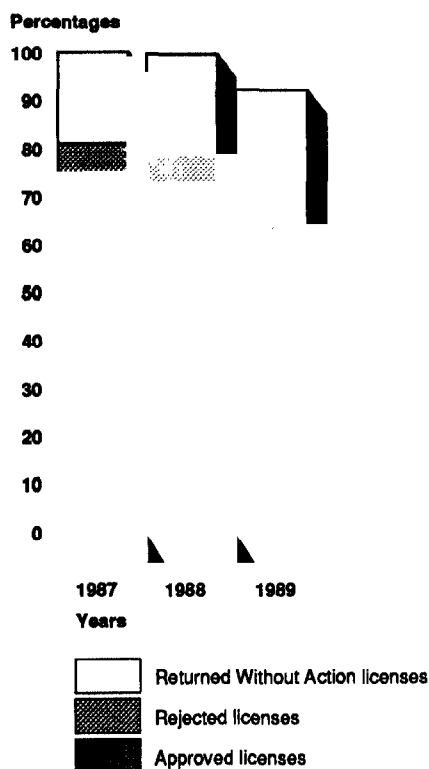
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### Licensing Statistics on Exports to the Soviet Union

From 1987 to 1989, export license applications for the Soviet Union jumped from 1,110 to 1,813, a 63 percent increase. During these 3 years, 69 percent of U.S. export licenses to the Soviet Union were approved; 4 percent were rejected; and 24 percent were returned without action—compared to 7 percent returned without action for all destinations in 1989. As a practical matter, a license application returned without action has the same effect as a denial because the proposed export cannot take place.

According to Commerce, a high percentage of applications for the Soviet Union were returned without action because many of them were for exports at the general exception level (at a time when the U.S. “no exceptions” policy was still in place), and U.S. companies preferred to have their applications returned without action rather than denied. In other cases, applications were returned without action because Commerce requested more information about a proposed export than a company was willing to give. A small percentage of the applications that were returned involved sales that fell through. (See fig. II.1.)

Figure II.1: U.S. Decisions on Export Licenses to the Soviet Union (1987-1989)



Note: In 1989, 7 percent of applications were still pending.

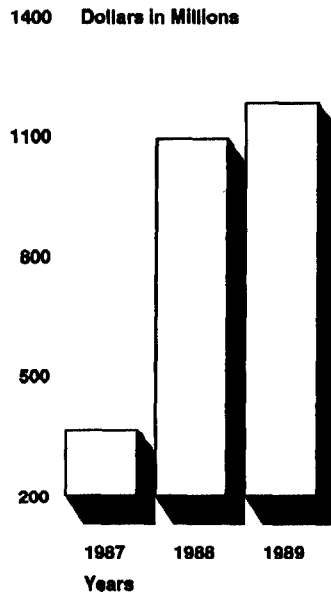
Source: Commerce Department, Bureau of Export Administration, 1990.

During these 3 years, \$2.6 billion in export licenses were approved; \$32 million were denied; and \$978 million were returned without action. According to Commerce, there is no way to determine how many of the approved exports were actually shipped.

Some of these licenses may have been for exports that were to be delivered over several years. In addition, a few of the approved applications to export could have been submitted by different companies competing for contracts to ship the same export, in which case only one of the companies will actually ship it. (See figs. II.2-4.)

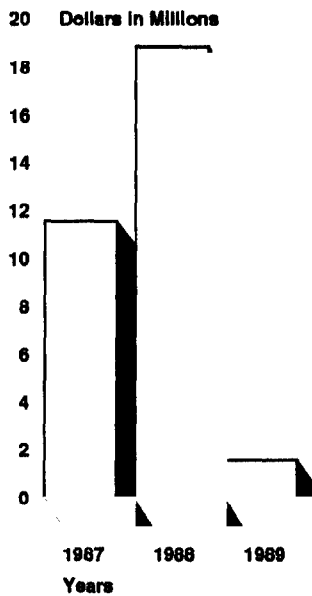
Appendix II  
U.S. Export Control Policy Regarding the  
Soviet Union

Figure II.2: U.S.-Approved Export  
Licenses to the Soviet Union (1987-1989)



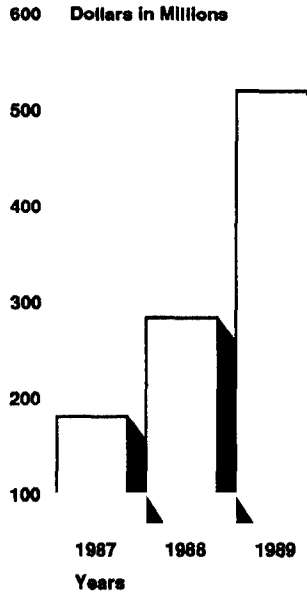
Source: Commerce Department, Bureau of Export Administration, 1990.

Figure II.3: U.S.-Rejected Export  
Licenses to the Soviet Union (1987-1989)



Source: Commerce Department, Bureau of Export Administration, 1990.

**Figure II.4: U.S.-Returned Without Action  
Export Licenses to the Soviet Union  
(1987-1989)**



Source: Commerce Department, Bureau of Export Administration, 1990.

In 1989, 62 percent of the license applications approved for the Soviet Union were for exports of nonmilitary aircraft, helicopters, and engines; 27 percent were for technical models for demonstration (these are non-working models of controlled goods, such as computers); and 10 percent were for electronic computing equipment. (These percentages are based on the dollar value of the exports.)

In 1989, only 1.5 percent of total export licenses the United States approved were for the Soviet Union. Less than 1 percent of the total dollar value of exports approved were for the Soviet Union.

In the same year, the average processing time for export license applications for all countries was 16 days, compared to 57 for the Soviet Union and Eastern Europe.<sup>2</sup>

In 1989, the Department of Commerce estimated that it took 86 days to process export licenses for the Soviet Union and East European countries that were referred to COCOM or other agencies for review, such as

<sup>2</sup>Commerce Department officials note that the average processing time for licenses for all destinations has been reduced from 60 days in 1984 to 16 in 1989.

DOD or the State Department. This figure compares with 67 days on average for referred cases for all countries.

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## Current U.S. Initiatives

During the 1980s, U.S. export controls regarding the Soviet Union were very restrictive. However, domestic changes in the Soviet Union, as well as in Eastern Europe, have prompted a reevaluation of U.S. export control policy. Two studies were submitted to the President in April 1990: the Joint Chiefs of Staff conducted one study to assess the potential impact of increased technology transfers on the Warsaw Pact, and the intelligence community conducted a study to evaluate East European countries' illegal acquisition of Western technology.

Based on these studies, the President concluded that a complete overhaul of the control list was warranted. The United States has recommended to COCOM that a new core list of goods and technologies be developed by the end of 1990 that is significantly shorter and less restrictive than the present list. The executive branch has determined that many goods and technologies that the United States controls to Eastern Europe and the Soviet Union are of low strategic value and that controls on these items could be revised immediately. Specifically, the President has proposed that COCOM decontrol almost all goods and technologies, other than computers and telecommunications equipment, up to the "China Green Line"<sup>3</sup> for all destinations.

The United States and its COCOM allies have identified three priority sectors for immediate or partial decontrol: computers, telecommunications equipment, and machine tools. These sectors account for a large portion of all export license applications and are key to infrastructure improvements in the Soviet Union and Eastern Europe. The U.S. proposals include

1. Decontrolling for all countries computers with a processing data rate up to 275 megabits per second. These include all personal computers that are available commercially, some minicomputers, and a few mainframes. Computers with a processing data rate of between 275 and 550 megabits would be controlled at the favorable consideration level. Computers with a processing data rate of 550 megabits or greater would be controlled at the general exception level.

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<sup>3</sup>The "China Green Line" refers to the level at which export controls are imposed on the People's Republic of China. According to Commerce, goods at this level are generally more sophisticated than those that can currently be exported to Eastern Europe and the Soviet Union, particularly in the computer area.



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2. Decontrolling for all countries machine tools with a positioning accuracy between 2 to 3 microns. These include machine tools that make water meters, commercial ball bearings, automatic pistons, and machine components. All other machine tools would be controlled at the general exception level. These include equipment for manufacturing parts for automatic fuel injectors, computer hard drives, precision instrument parts, and optic instruments.

3. Decontrolling for all countries telecommunications equipment, including analog cellular telephone systems, ground satellite receivers, and fiber optic cable. Controls on other telecommunications equipment would be liberalized for Eastern Europe but not for the Soviet Union.

In addition, the United States has proposed that East European countries agreeing to certain conditions be accorded more favorable licensing treatment than the Soviet Union. Specifically, these countries would be required to adopt measures safeguarding controlled goods and technologies from reexport to the Soviet Union and to certify that the controlled items would not be used for military purposes.

Other COCOM members are likely to support U.S. proposals to liberalize export controls. However, some members do not support the U.S. proposal to liberalize export controls to a greater extent for Eastern Europe than for the Soviet Union.

The U.S. proposals were transmitted to COCOM in May 1990, and a COCOM meeting to discuss these proposals is scheduled for early June. According to Commerce, these proposals could be implemented as early as July 1990.

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## Legislative Changes to U.S. Export Control Laws

In May 1990, the House Foreign Affairs Committee approved a bill amending the Export Administration Act. The bill calls for the United States to propose to COCOM decontrol of all goods and technologies up to the China Green Line.

The Omnibus Trade and Competitiveness Act of 1988 significantly amended the Export Administration Act of 1979 to reduce restrictions on exports. The most important change regarding trade between the United States and the Soviet Union concerns the export of technical data. Before passage of the 1988 Trade Act, the United States unilaterally controlled virtually all proprietary technical data for export to Eastern Europe and the Soviet Union, even if it related to decontrolled

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**Appendix II**  
**U.S. Export Control Policy Regarding the**  
**Soviet Union**

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goods. The 1988 Trade Act mandated that unilateral U.S. national security controls on commodities and technical data be eliminated. As a result, much proprietary technical data, previously controlled, can now be exported from the United States to Eastern Europe and the Soviet Union without a license.<sup>4</sup>

The 1988 Trade Act also mandated that the executive branch decontrol all national discretion items, except those for which continued control was explicitly agreed to by COCOM. This change, however, has not yet been fully implemented. The 1988 Trade Act also decontrolled most medical instruments and equipment and eliminated reexport controls on foreign-produced products containing 25 percent or fewer U.S. parts and components. In addition, the act included provisions for expediting foreign availability<sup>5</sup> reviews and license processing times.

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<sup>4</sup>Exports of technical data controlled by COCOM still require a license.

<sup>5</sup>"Foreign availability" refers to militarily significant commercial products that are freely available to the Soviet Union and East European nations. In 1977, the Congress directed that such products not be controlled unless the President determines that national security requires such control.

# U.S. Business Views on Impact of U.S. Export Controls on U.S.-Soviet Trade

Businesses in the United States have frequently complained that U.S. export controls imposed for national security and foreign policy reasons have been a major hindrance to their efforts to market products in Eastern Europe and the Soviet Union. The following are comments from U.S. businesses and trade associations regarding the effect U.S. export control laws have had on their ability to export to the Soviet Union:

- A U.S. trade association told us that the United States has a reputation in the Soviet Union as being an unreliable supplier, because of the difficulty U.S. companies had in getting export licenses approved in the 1980s. This reputation has hindered U.S. companies' ability to gain long-term contracts for such products as construction and oil and gas equipment. The Soviets have increasingly turned to non-U.S. companies to supply equipment in these areas.
- One company told us that its sales to the Soviet Union could reach \$100 million if export controls were relaxed on process control equipment. The company stated that Japanese companies are "waiting in the wings" for U.S. export licenses to be turned down in areas such as process controls so they can obtain the contracts.
- A U.S. trade association told us that U.S. companies are restricted from providing modern civilian telecommunications equipment to East European countries and the Soviet Union because of export controls, even though the administration has publicly stated that modern telecommunications infrastructure is critical for these countries' economic reform.

Another company told us that the United States had 45 percent of the Soviet market in oil and gas exploration and production equipment before foreign policy controls were imposed on the export of this equipment in the late 1970s and early 1980s. These controls were imposed for a variety of reasons, including the Soviet invasion of Afghanistan in 1979 and the imposition of martial law in Poland in 1981. Although the foreign policy controls have since been removed, U.S. companies have never been able to regain their previous market share. According to this company, the United States now holds less than 1 percent of the Soviet market in oil and gas exploration equipment. The Commerce Department estimated that if U.S. manufacturers had maintained their traditional share of the Soviet petroleum equipment and services market, they would have received about \$2 billion in orders during the 1979-1985 period, instead of the \$170 million they actually did receive.

Another company told us that its share of Soviet imports of construction equipment fell from 80-85 percent in the late 1970s to near zero by 1982 because of foreign policy controls imposed on its exports in the late

1970s and early 1980s. The company noted that although these controls had been lifted over 5 years ago, it has never regained its leadership position in the Soviet market. Its current market share is only 10 percent.

A 1990 International Trade Commission study reported that several U.S. exporters believe U.S. export controls are a major factor in inhibiting sales to the Soviet Union. In general, the Commission reported that companies that spoke about export controls felt that U.S. controls were stricter and took more time to process than those of other COCOM countries, causing U.S. firms to be at a competitive disadvantage in the Soviet Union. Several representatives from the private sector told the Commission that extending most favored nation status<sup>1</sup> to the Soviet Union would have little effect in increasing U.S. exports unless export controls were liberalized. Many companies that the Commission contacted spoke of the need to increase predictability in U.S. export control policies. They noted that U.S. businesses want a clear indication of what exports to the Soviet Union will be permissible.

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## **Types of United States-Soviet Joint Ventures**

U.S. firms had 97 joint ventures in the Soviet Union as of October 1989.<sup>2</sup> However, many of these are not operational and, of the ones that are, most are in low-technology and service industries; only a few have been successful due in part to weaknesses in the Soviet infrastructure and a lack of currency convertibility.

Many experts on United States-Soviet trade agree that the areas that hold the most potential for successful joint ventures include civil telecommunications; food products and processing; hotel and resort industries; oil and gas production; and environmental programs. Sectors the Soviets have targeted for joint ventures include oil and petrochemicals; agroindustries (including food processing and distribution); and high-tech industries such as machine tools and computer control systems.

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<sup>1</sup>"Most favored nation" treatment generally refers to the practice of providing nondiscriminatory treatment in the form of customs duties and other charges imposed on imported products.

<sup>2</sup>As of October 1989, the United States ranked third in joint ventures behind West Germany (153) and Finland (110).

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