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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13819
Folder ID Number: 13819-001

Folder Title:
U.S. & Russian Businessmen Chamber of Commerce 6/17/92 [OA 7576]

Stack:	Row:	Section:	Shelf:	Position:
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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 17, 1992

REMARKS BY THE PRESIDENT
IN ADDRESS TO U.S./RUSSIAN BUSINESS SUMMIT

The J.W. Marriott Hotel

9:12 A.M. EDT

THE PRESIDENT: Thank you all very much. Mr. President. Thank you, Barbara. Please be seated and let me just say what a joy it is to be here with Secretary Franklin, who's really taken off and doing a superb job for us at Commerce. And then, of course, giving me this opportunity in front of all our business leaders to salute President Yeltsin.

Yesterday was indeed an historic day, and I was proud to be at his side as we carved out a whole new approach to arms reduction; something big, something important, something that's going to benefit not only present generations, but generations to come. And so you are most welcome here, sir.

Let me -- before we hear from our special guest, President Yeltsin, let me just make a few comments on the business side of things. The U.S./Russian Business Conference is important work. I will follow up in every way I can with the United States Congress to get them to pass the freedom support act. Let me very clear to the American people: We are not supporting the freedom support act simply because it benefits Russia. It is my view that the freedom support act will benefit the United States of America; and will benefit world peace and will benefit democracy and freedom.

So I ask the support of everyone in this room, after yesterday's historic accomplishments, to join me in working that Hill up there, Congress, get them to go along and support the freedom support act. President Yeltsin will be talking about this, I'm sure, when he makes an historic address to the United States Congress, but I just wanted everyone here to know how committed we are. And, yes, it's a tough political time and all of that, but it is in the interest of the United States of America to pass this act and I need your help. (Applause.)

Later today we're going to conclude major treaties and agreements related to this new foundation between us: trade, bilateral investment and tax treaties, as well as the OPIC and Ex-Im agreements. And also effective today the United States will properly extend Most Favored Nation status to Russia. (Applause.)

But my message to this conference is simple: Neither government programs nor multilateral assistance is going to get this job done. Neither of those can do it. Private sector participation in the economies of Russia and the other states, especially involvement by American business, is critical to the success of Russia's bold venture into free markets. And that participation must be on a vast scale, measured in billions of dollars, for the challenge to be met.

To that end, I'm pleased to announce that OPIC, headed by Fred Zeder who's so well-known to everybody here, OPIC is going to have an agreement between the U.S. and Russia and that one enters into force today. And this agreement's going to permit OPIC to provide investment insurance to American private investors. And it's also going to provide additional financing and investor services for

MORE

joint ventures in other products in the federation. With OPIC and Ex-Im everyone wins. And Russia can tap into the ingenuity of American business in our capital goods, our know-how and our technology which are indeed the best in the entire world.

And in my view that help will enable Russia to develop its food and health sectors, recover its energy resources, privatize state industries and convert military plants to civilian production. Now, Boris Yeltsin, President Boris Yeltsin talked to us in great detail about this yesterday. And I can just assure you from what he told me then and from what our business-oriented and able Ambassador Bob Strauss has been telling me all along, he understands this. And he understands their need for change. And he understands the fact that they've got to do some streamlining themselves.

But what we want him to know while he's here is that we are interested in moving forward vigorously with private-sector participation to help not only Russia, but certainly to help ourselves. And that's the approach that I'll be taking as we encourage investment, and as we encourage change in Russia to accommodate the needs of the business community. American businesses, by investing in trading with Russia, are going to create thousands of jobs here at home. And I think that's a point we ought to keep in mind.

With the OPIC in agreement, now in effect, Fred Zeder is going to be leading a group of 26 business representatives to Moscow and other Russian cities on one-on-one business meetings and site visits to develop private sector deals. And this is just the beginning of what surely will become one of the largest two-way trading relationships in the entire world.

In '91, exports of American manufactured goods to Russia and other states have grown by almost 40 percent. We all know that the totals are not that large yet; but that's an enormous jump in just the one year. And, for the first time, Russia is participating in the community of free market international organizations. You know what they are -- IMF and the World Bank and, at some point, the GATT. And this would have been unthinkable just a few years ago. And we will invite Russia and the other states to join with COCOM members in this new, informal, cooperative forum to provide significantly wider access to the high technology goods that previously were banned, previously denied.

So, as I said, the historic transformation of the Russian economy is one of the great challenges of our time. The hundreds of billions of dollars in capital and technologies that Russia will need will come, in large measure, not from governments but from private businesses. And as we all know, neither command economies nor any other government can produce wealth. Wealth is produced by the initiative and the energy of individual entrepreneurs.

And, so, let me conclude, but just signal once again the importance of business investment, business participation. I will do my level best to make that climate, that business climate good for investment abroad and to do what we can to facilitate the changes that are needed here to guarantee the utmost cooperation with the private sector here, with the cooperation with the private sector there.

I would be remiss if I didn't tell you of my high regard for President Yeltsin. He came in with that great show of courage that just excited every single American, standing on top of that tank standing up for democracy and freedom, standing against totalitarianism. (Applause.) The big thing -- I will just stay standing because he's coming on in a minute -- but the big thing is, Mr. President, we are going to support you. You've shown the way towards democracy and freedom in Russia and it's in the interest of

the United States of America to follow through. And we will. Thank you, sir. (Applause.)

PRESIDENT YELTSIN: Mr. President, Madam Minister, ladies and gentlemen. I would like to begin, also, as did Mr. Bush as of yesterday. Truly, the agreement which yesterday was achieved between us will alter the psychological climate, not only in the United States and in Russia, but in the entire world.

Such a global reduction in strategic weaponry to which we have agreed yesterday would have been unthinkable a year or two years ago, not to mention earlier. This unprecedented decision in which we have personally expressed our mutual confidence and Russia has achieved a democratic development and is striving toward a market economy, has encouraged us to adopt a decision which I consider is based on the personal and mutual confidence which we have developed over the last few months -- let's say five months -- and this has played one of the chief roles.

I am very grateful and grateful to Mr. Bush for the fact that he adopted such a principal position and displayed such wisdom. We did not attempt to outwit each other; we searched out a path by which we might be able to reduce strategic weaponry on both levels to a maximum of levels. And we have agreed upon reduction on a level of three types.

This will also require its own level investments. This will also require certain additional working positions, because you need work and labor and mines to put a rocket together, but you need the same thing to take it apart. (Applause.) I made that pause waiting for your applause. (Laughter and applause.)

I am sincerely grateful that I have the opportunity to meet with representatives of American business. The American experience is a great example for today's Russian reformers and entrepreneurs, for young businessmen and for those who are still studying business, thanks to the system of free entrepreneurial activity, America has created a powerful economy, has achieved a high level of living -- standard of living -- for its citizens.

The Russian reforms we link, first of all, with the development of private business. Perhaps through the IMF we will be able to receive this credit of \$24 billion, but this is only if we have open gates here. Subsequently, we hope to have a broad-based business effort, and I am convinced of this. This will not be a matter of tens of billions of dollars, but hundreds of billions of dollars.

We highly evaluate, appreciate the assistance rendered to our country, which we hope will be based on cooperation; cooperation between Russia and the world community. In January of '92, Russia began a broad-based economic reform. Our chief task is to create the institutions of an economic system. This has not been a simple thing. Just a year ago, each enterprise in our country was bound by various administrative limitations. Today, most of these limitations have been totally eliminated.

You might note the fact that 90 percent of the production which had been produced in Russia is distributed according to market laws. You might pay attention to that figure. We are carrying out the ideas in transit to the area of a free entrepreneurial spirit. These reforms are irreversible; I, as the President, am convinced of this. And I am not about to retreat or give up my position up until '96 when all the processes will become totally irreversible so that Russia might enter upon a civilized path, a path of market relations, a path of democracy and human freedom.

MORE

Entrepreneur farmers, the private sector, the governmental sector, in spite of its limitations have experienced not only the bitterness of the crisis, but the real advantages of freedom and the advantages of working for yourself. Russians are getting back a feeling of value which they lost three generations ago. And this, unfortunately, has been wiped out of this third generation.

We wish to radically reduce our budgetary deficits. We want to raise our interest rates. We want to bring our money missions in accordance, in line with our quantity of goods. The first stage of the reforms produced some negative effects with regard to production levels.

We see the threat of dying out for many sectors of the economy and we have many of our citizens who have a lowered standard of living. But the reduction of industrial production by 10 percent this year is such that we have to keep in mind that the military complex has reduced its production by 20 percent. So this reduction has been largely at the expense of the military complex. The army purchased only 60 percent of the production which was put out by our military enterprises.

If we take into account all these factors of economic policy, and we can see that there is a problem, a danger of military, of social unrest, we wish to observe the rules of macroeconomic policy with regard to specific enterprises and the specific problems which are facing are the enterprises and we are shifting now into microeconomics policies.

We have adopted policy on bankruptcy. This is a mechanism which will permit us to restructure enterprises which by themselves in a difficult situation. There are tens of thousands of enterprises which like this which have millions of employees. We have to observe the same economic mechanisms as in the economic -- in the private sector. We have to accomplish reorganization of enterprises, inasmuch as we have -- this deals with 90 percent of our capacity.

As of the '90s, we have to destroy these unviable entities. We have to create a healthy basis for a rebirth of the economy, and I can assure you that this private sector will occupy a legitimate position in the private sector. We consider it important to privatize state property. We are somewhat tardy in that regard because we did not adopt a law on privatization and we did not confirm within the Supreme Soviet the proper program and now we are moving forward on privatization.

Today, this first of all has to do with the small enterprises -- the shops, the stores, the processing sector -- but we find ourselves on the threshold of large major privatization. In Washington, when I come back, I will sign a stock entity, a law. We will begin preparing a system, an intensive -- a system -- preparing system of vouchers. We will conduct privatization, and we intend to make this an irreversible process.

One of the basic conditions has been due with our cooperation with the world community. This must be advantageous to us, and we see rich opportunities, both for us and for the West. Russia might become one of the centers for stabilizing the world order, not only in a political sense, but likewise in an economic sense, and in a number of different areas. The world economy needs a great deal of stability.

Our country can become an alternative source of fuel resources. We have enormous reserves of oil, gas. We have 350 trillion cubic meters of gas, which is enough for 200 years. We just have to develop these reserves. So we have a good deal of timber, metals, diamonds, et cetera.

MORE

In this regard, the question arises as to American investment into technology, into developing our reserves, first of all with regard to oil, and that should be on a mutual advantageous basis.

We have passed a law which will provide insurance for investors in developing our fossil reserves. We are prepared to open our energy sector to foreign investment. Now we are intensively preparing for two large projects in developing the reserves in the Island of Sakhalin. We intend to develop three sites in Siberia and lower Obisk and Sakhalin and in the Novopolotsk area, which will provide 2.5 billion tons of oil.

Russia is currently going through a crisis right now. But we have a sufficient potential to propose cooperation in other areas. We can supply many types of production for heavy industries and defense, and we can do this on providing prices which are very advantageous.

We discussed with Mr. Bush and Mrs. Franklin yesterday the question: How is it that the cheapest uranium from Russia cannot be coped with here or accepted by Western businessmen? Because the law is inferior -- 116 percent customs duties. And I told Mrs. Franklin we should be afraid of God. You are a believing woman, after all. How can you charge such high rates? (Laughter and applause.)

There are considerable opportunities for conversion of military technologies. Russia possesses -- and note this -- has 110 million hectares of agricultural land. We have a number of proposals for joint agricultural ventures which might be serviced by a basis of Western technology. The banks are prepared to provide financing. And we have a work group which is working in Russia to develop a reform of the banking system and to create a special American-Russian investment bank.

We are interested in a dynamic development of cooperation in this area, utilizing the world-famous achievements of American agriculture and the rich experience of your farmers. In Russia we have 1,700 scientific institutes. We have 500 institutions of higher learning. We have 800 design bureaus and scientific organizations. Our scientists have achieved a good deal of success both in the area of applied and fundamental research. And there is a good deal of opportunity for cooperation with U.S. companies and other countries.

Today with Mr. Quayle, the Vice President, and I discussed the possibility for jointly exploring space. We have an incredible opportunity for utilizing your unique experience in exploring space, and our likewise unique experience to link these two efforts and thus to achieve an economy of two times. We don't have to reinvent the bicycle.

So we're done with these ideological barriers and worrying who's going to be ahead, who's going to land on the moon first or make the first landing on the water. No, we are not going to have this competition anymore. We're going to be working together in cooperating with each other. (Applause.)

Here we have a broad opportunity to cooperate with American companies and the companies of other countries. Russia, having returned to the world economic system, has a developing market for Western technologies and products. Yes, in this year we are in a complex situation. But, subsequently, there will be a stabilization and there will be a revival of the Russian economy and the Russian reserves and potential, such that you can't even imagine.

That once they free themselves from this communist slavery, we will have true freedom. And having such new wealth under the land, having such intellectual potential, having our skilled hands when Russia will move forward. So on the whole, having returned to the world economic system, we believe that Russia will become an enormous developing market. We hope to accommodate foreign investment to the tune of hundreds of billions of dollars. We have scientific potential, natural resources. We have skilled scientists. We have low wages, measured by world standards.

This is a unique combination of factors which provide the opportunity to derive enormous profits. Discussing with Mr. Quayle today, we discussed the cooperation of joint private companies to explore space, vis-a-vis private companies, not only government entities.

Russia is actively working on creating a legal mechanism to defend Western foreign investors in our economy. There is a law adopted on foreign investment, guaranteeing them from expropriation the right to repatriate their profits. Appropriately, the situation could nowhere be more advantageous anywhere than -- more advantageous than Russia.

We are preparing legislation on property, on foreign investments, and we're working on our land law. We're preparing a new reduction of the Russian law. We're moving ahead forwardly on working at the law on concessions and economic zones. Many foreign businessmen are holding back, not knowing about the situation with regard to land ownership. To move forward, the 5th People's Congress deputies give me the right to issue decrees which might be a violation of the law, but if the Supreme Soviet doesn't catch that in seven days, these become law. And so I signed a decree on selling land for private ownership and privatizing enterprises, and it's to be sold to foreign investors. And in the course of seven days, the Supreme Soviet did not catch this, and so this is now law.
(Applause.)

Thus, among the new private owners, we will find persons who own real estate, even if they're foreigners. Before leaving for Washington, I sent a document regulating this new situation. We have developed an agreement on protecting investments so as to escape, avoid dual taxation. We have already concluded agreements with a number of countries. We have the first experience on investments in Russia. This would be done together with the company OPIC.

We have established priorities with regard to the Russian economy. I have introduced a draft of the law reducing taxation for foreign investors and reducing taxation by a factor of two. We want to bring our internal prices on two world levels, first of all with regard to energy sources and we hope to undertake subsequent steps to liberalize the foreign trade activities.

We hope to reduce customs duties, reduce quotas and licensing regulations to free from customs duties the production of joint enterprises. The government proposes by '94 to reject totally export duties with regard -- except with the duty on gas -- natural gas.

We hope to introduce a convertible ruble as soon as possible. As of the 1st of July we will attempt to achieve a situation where the ruble will be a universal means of payment on the Russian territory. We will stop using the foreign currency on the internal market and the ruble will be the only means of payment.

For enterprises and exporters we will have a 50 percent resale requirement. As a result, our market will become sufficiently large and liquid, and this will provide guarantees for investors and ensure to them that they will be able to convert their rubles into foreign currency. There will be a unified rate of exchange.

I want to mention here the prospects for investment in mining. We are now working on the possibility -- foreigners to participate directly with regard to our sites for producing oil and natural gas.

I appreciate the pragmatism of Americans. I, myself, am a pragmatist. I was involved in production earlier. I hope that businessmen in America will not be late to the table and that they will be able to tap the enormous potential of our country. Our country, for the greater part of the 20th Century has pursued a policy of isolationism. Over decades our ties with other countries were artificially limited. We have fully appreciated the hopelessness of such a policy. Today many of the barriers are now breaking down which formerly seemed impossible to overcome.

And so hope to promote a free commerce between Russia and America. We have a wealth of ideas, specialists, goods, capital, and only this path can ensure peace and prosperity for many centuries to come. I say once more: Do not be late in developing the unique Russian market over the course of '92-'93. Subsequently, it will be late -- I thank you. Otherwise, it will be too late. (Applause.)

END

9:45 A.M. EDT

THE WHITE HOUSE
WASHINGTON

June 15, 1992

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVID F. DEMAREST
FROM: JANICE SHAW CROUSE, Ph.D. *Jc*
SUBJECT: PROPOSED REMARKS FOR U.S.-RUSSIA BUSINESS
CONFERENCE

I. SUMMARY

On Wednesday, June 17 at 9:00 a.m., you will deliver remarks to an audience of 300 businessmen at the U.S.-Russian Business Conference at the J.W. Marriott in Washington. Approximately one-third of the audience will be Russian; two-thirds will be American.

II. DISCUSSION

Your remarks, (approximately 11 minutes / cards), focus on how private sector partnerships will transform Russia into a free market economy and create American jobs.

In your remarks, you call on Congress to pass the Freedom Support Act, and announce the U.S. is extending MFN to Russia.

Please note: the translation will be simultaneous. The three bracketed graphs on businesses in Russia are being reviewed by NSC.

Crouse/Bunton
Monday, June 15, 1992
5:49pm [Yelt-bus]

PRESIDENTIAL REMARKS: ADDRESS TO THE U.S. AND
RUSSIA BUSINESS CONFERENCE
WEDNESDAY, JUNE 17, 1992

President Yeltsin, Secretary Franklin, Ladies and Gentlemen, it is a pleasure for me to be here for this historic U.S.-Russian Business Conference. Your talks mark a significant step forward in our effort to expand bilateral business and trade relations between our two nations. For Russia this means a giant step toward full realization of a market economy. For the United States this means jobs and economic opportunity.

The task of this conference is one of the most important and exciting challenges of our time. President Yeltsin, I can assure you that America's goal is to do our part to see that this challenge is fully met.

For the past four months, the United States government has been laying a solid foundation for the expansion of our trade and investment with Russia. Later today, we will conclude major treaties and agreements related to this new foundation -- the Trade, Bilateral Investment and Tax treaties as well as the OPIC and EXIM agreements. Also effective today, the United States will extend "Most Favored Nation" status to Russia. Through these efforts, we are dismantling the trade barriers of the Cold War, repealing restrictions on export financing, and extending investment guarantee programs.

I have submitted to Congress the Freedom Support Act which will clear away barriers to trade from the U.S. side and

stimulate combined assistance efforts with other nations. We will continue to push hard for this critical assistance package as a key priority. Once again, today I call upon the Congress to pass this package as quickly as possible. And, I ask each U.S. participant in this conference to make your voice heard on the FSA which means so much for the future of trade between the U.S. and Russia. As our actions clearly indicate, we want to become Russia's largest and best trading partner and foreign investor - - a more stable Russia means a more stable world.

My message to this conference is simple -- neither U.S. government programs nor multilateral assistance will be enough. Private sector participation in the economies of Russia and the other states -- especially involvement by American business -- is critical to the success of Russia's bold venture into free markets. And, that participation must be on a vast scale -- measured in billions of dollars -- for the challenge to be met.

To that end, I am pleased to announce that the OPIC, Overseas Private Investment Corporation, agreement between the U.S. and Russia enters into force today. This agreement will permit OPIC to provide investment insurance to American private investors. It will also provide additional financing and investor services for joint ventures and other projects in the Russian Federation.

With OPIC and EXIM, everyone wins. Russia can tap into the ingenuity of American business men and women, our capital goods, know-how and technology -- which are the best in the world. That

help will enable Russia to develop its food and health sectors, recover its energy resources, privatize state industries, and convert military plants to civilian production. And, American businesses, by investing and trading with Russia, will create thousands of jobs here at home in order to produce all the American goods that a growing economy will demand.

With the OPIC agreement now in effect, I have asked Fred Zeder, (OPIC's president,) to lead a group of 26 business representatives to Moscow and other Russian cities for one-on-one business meetings and site visits to develop private sector business deals. And, this is just the beginning of what will surely become one of the largest two-way trading relationships in the world. Just ^{in 1991} in the past year, exports of American ^{and the other states} manufactured goods to Russia ^{grow} have grown by ^{almost} 40 percent.

For the first time, Russia is participating in the community of free market international economic organizations -- the International Monetary Fund, the World Bank, and, at some point, GATT. This would have been unthinkable just a few years ago. And, we will invite Russia and the other states to join with COCOM members in a new informal Cooperative Forum to provide significantly wider access to high-technology goods previously denied.

As I said earlier -- the historic transformation of the Russian economy is one of the great challenges of our time. It is important to note that the hundreds of billions of dollars in capital and technologies that Russia will need over the next

decade to help achieve a transformation to a market economy will come, in large measure, not from governments, but from private businesses. As we all know, neither command economies nor any other government can produce wealth -- wealth is produced by the initiative and energy of individual entrepreneurs.

[[Already, numerous Americans have accepted the challenge with businesses large and small. One small U.S. businessman from Virginia has just opened two Service Star hardware stores in Moscow and business is brisk.

Art. Near in Va. Dept. of Econ. Dev. 703-679-3058

Another company, M.I.C. Industries, has established mobile factories to construct buildings overnight. Their machinery builds housing and agricultural storage buildings on-site.

prototype per '90 regular publication in Jan 92

Just a few months ago, Izvestia and Hearst began printing

b/c it's not "us" and "them" anymore

John Wallack 467-6931

the first independent Russian-American newspaper, "We." More than 350,000 copies -- in both Russian and English -- are sold

each week. This enterprise is a true joint venture -- with Russian and American reporters, editors and business managers working side-by-side to produce a weekly paper.]]

750,880 in 1 M61 (number)

printed & circulated

President Yeltsin, your wise leadership gives me great hope for the Russian economy. Your people are world-class in all areas of human endeavor -- music, the arts, sports, science, and literature, to name just a few. I am confident that Russia will now also produce first-class entrepreneurs.

Our government will continue to clear away barriers to trade from the U.S. side and we will continue to encourage American firms to invest and trade with Russia.

I have asked Secretary ~~of Commerce Barbara~~ Franklin to take the lead in encouraging bilateral trade and investment as rapidly as possible. Just yesterday, she and Russian Minister of Foreign Economic Relations ^(AH-VEN) Avin held the first meeting of the new intergovernmental Business Development Committee -- a group that includes members of our private business community. This group has already begun to eliminate obstacles to trade and investment in order to clear the way for business. Secretary Franklin also opened a new Business Information Center to advise American companies regarding opportunities in Russia. And, she will be leading a Presidential trade mission to get U.S. business on its way. As a sign of our growing business ties, Secretary Franklin and Minister Avin yesterday witnessed the signing of several new American investments that will solidify our position as a leading investor in Russia.

These creative initiatives signal our whole-hearted commitment to massive U.S. investment and trade in Russia. We have faced this unusual challenge with resolve -- to match the unprecedented opportunity with equally unprecedented action (and boldness.)

In turn, we call upon Russia and the other new States to develop favorable investment conditions for American firms. This conference ^{will address} ~~has~~ serious problems ~~to address~~ -- delineation of property rights, sanctity of contracts, clarification of decision-making authority, consistent tax structures and policies, currency exchange and other issues. We all want clear

understandings^d about the issues, about which laws apply and about^h recourse procedures for arbitrating decisions. We all want fair and equitable contracts and tax regimes to be established so the business can begin.

Let me close by reminding the Russians and Americans here today -- along with your heavy responsibility, you have a history-making opportunity. Russia can be fully integrated into the Western economic system. During your meeting today, I am confident that ideas will be generated that will lead to billions of dollars of business ~~that will~~ benefit both ^{the} of our nations ~~by~~ providing jobs and improving the standard of living for all our people.

One of America's great humorists, Danny Kaye, once said, "Life is a great big canvas; throw all the paint on it you can." Because of the historic events in Russia, the world today is a huge canvas. Those of us in this room have the rare privilege and opportunity to "paint" that canvas. If we devote our ingenuity, our creativity and our persistence to the effort, we can pass along to future generations a bright, shining masterpiece of brotherhood, peace and prosperity around the world.

May God grant us success in that endeavor. Thank you and Godspeed to your deliberations.

#####

ACCORDING TO JUDY ERISTINGA

NO CAB - NO MEMBERS OF CONGRESS: 377-3942

SUB-CAB
LVL

① Fred Zeder Opic Chairman (Ambassador)

② John Robson Dep. Sec. Treasury

~~MEMBER~~

~~→ Senator McConnell (?) speak @ lunch.~~

~~→ Mr. William Curran exec. dir. from U.S. @ European Bank for Reconstruction and Development (EBRD)~~

RICK JOHNSON 377-2993 additional calls
NO CONG / NO SENATORS!

Conference Sponsors -

~~panel discussion~~

③

→ Commerce - Dep. Sec. Rocky Schnabel

→ ④ John McComber - Pres. of Exim Bank
MACOMBER

galaxy of CEOs

⑤ 50-70 CEOs IN AUDIENCE

DAVID GITLIN → CHECKING ON CABINET

- Becky Anderson

[we did not extend invites to - 2230
MC!]

5 ITEMS
TO ADD

Crouse/Bunton
Friday, June 12, 1992
4:47pm [Yelt-bus]

PRESIDENTIAL REMARKS: ADDRESS TO THE U.S. AND
RUSSIA BUSINESS CONFERENCE
WEDNESDAY, JUNE 17, 1992

President Yeltsin, Secretary Franklin, Ladies and Gentlemen, it is a pleasure for me to be here for this historic conference. Your talks mark a significant step forward on behalf of bilateral business and trade relations between our two nations. Even more importantly, these talks constitute giant progress for mankind.

The transformation of Russia into a market economy is -- quite literally -- one of the most important and exciting challenges of our time. President Yeltsin, America's goal is to do our part to see that this challenge is fully met.

For the past four months, the United States government has been laying a solid foundation for the transformation that is the goal of this conference. Today, we put the finishing touches on major treaties and agreements -- the Trade, BIT and Tax treaties as well as the OPIC and EXIM agreements. Through these efforts, we are dismantling the trade barriers of the Cold War, repealing the restrictions on export financing, and extending investment guarantee programs.

Also, I have submitted to Congress the Freedom Support Act which will clear away all barriers to trade from the U.S. side and stimulate combined efforts with other nations. We will continue to push for this critical aid. As our actions clearly indicate, we want to become Russia's largest and best trading partner and foreign investor.

The point of this conference is simple -- neither U.S. government programs nor multilateral assistance will be enough. Private sector participation in the economies of Russia and the other states -- especially involvement by American business -- is critical to the success of your bold venture. And, that participation must be on a vast scale -- measured in billions of dollars -- for the challenge to be met.

To that end, I am pleased to announce the beginning of an important new agreement. The Overseas Private Investment Corporation agreement between the U.S. and Russia enters into force today. This agreement will permit OPIC to provide investment insurance to American private investors. It will also provide additional financing and investor services for joint ventures and other projects in the Russian Federation.

With OPIC, everyone wins. You get to tap into the ingenuity of American business men and women, our capital goods, know-how and technology -- which are the best in the world. That help will enable you to develop your food and health sectors, recover your energy resources, privatize your state industries, and convert your military plants to civilian production. And, American businesses, by investing and trading with you, will create thousands of jobs here at home in order to produce all the American goods that your transformed economy will demand.

With the OPIC agreement now in effect, I have asked Fred Zeder, OPIC's president, to lead a group of 26 business representatives to Moscow and other Russian cities for one-on one

Jan 17, 1992
 Dave Cahn ←
 Opic
 457-7145

→
 Dave Cahn
 Opic

1990 - 3,087 million
1991 - 3,577 million or 15.9% inc.
Commerce - PAO

(Chief Economist)
David
Walters
WSTR
3583

business meetings and site visits to develop private sector business deals. And, this is just the beginning of what will surely become the most important two-way trading relationship in the world.

Just started trade with Russia in 1992
Checking could be CIA data

^{IN 1991} Just in the past year, exports of American manufactured goods to Russia have grown by 40%. (actual 37%)

and the other states grew almost

For the first time, Russian nations are entering the community of international economic organizations -- the International Monetary Fund, the World Bank, and, perhaps not long from now, GATT. These alliances would have been unthinkable just a few years ago. Now, we are inviting Russia and the other states to join with COCOM members in a new informal Cooperative Forum to provide significantly wider access to goods previously denied.

Dept. of Commerce
International Trade Admin.
Michelle O'Neill
377-3917

It is important to note that the hundreds of billions of dollars in capital and technologies that you will need over the next decade to help achieve a transformation to a market economy will come, in large measure, not from governments, but from private businesses. As we all know, neither command economies nor any other government can produce wealth -- wealth is produced by the initiative and energy of individual entrepreneurs.

President Yeltsin, I have great hope for the Russian economy. Your people are world-class in all areas of human endeavor -- music, the arts, sports, science, and literature, to name just a few. I am confident that Russia will also produce first-class entrepreneurs.

Our government will continue to clear away all barriers to trade from the U.S. side and we will continue to encourage American firms to invest and trade with Russia.

I have asked Secretary of Commerce Barbara Franklin to take the lead in encouraging bilateral business as rapidly as possible. Just yesterday, she and Russian Minister of Foreign Economic Relations Aven held the first meeting of the intergovernmental Business Development Committee -- a group that includes members of our private business community. This group has already begun to eliminate obstacles to trade and investment in order to clear the way for business. Secretary Franklin also opened a new Business Information Center to advise American companies regarding opportunities in your nations. And, she will be leading a Presidential trade mission to get U.S. business on its way in Russia.

These creative, energetic initiatives signal our wholehearted commitment to massive U.S. investment and trade. We have faced this unusual challenge with resolve -- to match the unprecedented opportunity with equally unprecedented action and boldness.

We call upon Russia and the other new Commonwealth States to develop favorable investment conditions for American firms. In the words of American social philosopher, Michael Novak, capitalism springs from trust: I quote, "the economic dynamic of democracy arises from free acts of creativity, within a network of voluntary cooperation." This conference has serious problems

Commerce
Bill Hervey
377-2112
Manci
377-5168
Fax
Russia
accamps

June 16, 1992 Megan, Sec. Franklin's Scheduler 377-5880
(LOVE AH-VEN)

at Commerce
Cheryl Crispen
will
377-3808
Russia
Megan: nothing scheduled yet for trade mission 377-5880

out

to work out -- the sanctity of contracts, decision authority, consistent tax structures and policies, hard currency charges and other negotiating issues. We all want clear understandings about the issues, about which laws apply and about recourse procedures for arbitrating decisions. We all want fair and equitable contracts and tax regimes to be established so the business can begin.

Along with your heavy responsibility, you have a history-making opportunity. If these deliberations are fruitful, Russia will be integrated into the world of market economies. During your meeting today, I am confident that ideas will be generated that will lead to billions of dollars of business that will benefit both of our nations by providing jobs and improving the standard of living for all our people.

One of America's great humorists, Danny Kaye, once said, "Life is a great big canvas; throw all the paint on it you can." Because of the historic events in Russia, the world today is a huge canvas. Those of us in this room have the rare privilege and opportunity to "paint" that canvas. If we devote our ingenuity, our creativity and our persistence to the effort, we can pass along to future generations a bright, shining masterpiece of brotherhood, peace and prosperity around the world.

May God grant us success in that endeavor. Thank you and Godspeed to your deliberations.

#####



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

Office of Business Liaison
Room 5898-C
14th & Constitution Avenue NW
Washington, D.C. 20230

Phone: 202/377-1360
FAX: 202/377-4054

TO: Jeannie Bunker

FAX # _____

FROM: John F. Ostronic

SUBJECT: _____

Number of Pages (including cover sheet) _____

REMARKS: _____

U.S.-Russia Business Summit/Sponsors

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President and Staff Director
The American Committee on
U.S.-Russian/Independent States Relations
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William H. Donaldson
Chairman and CEO
The New York Stock Exchange, Inc.
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New York, NY 10005
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FROM Nick
Burns/NSC

Business Remarks


TALKING POINTS
on the New Independent States
for Incorporation into
the President's Remarks to the U.S.-Russia Business Summit

- President Yeltsin, Secretary Franklin, ladies and gentlemen: I want to welcome you to the U.S.-Russia Business Summit, a very important component of the new relationship between the United States and Russia. This business summit is unprecedented, and shows that business and trade are at the forefront of our bilateral relations.
- The transformation of Russia and the other former Soviet republics to market economies and to democratic governments is the most important challenge of our time. The initiatives in the Freedom Support Act I submitted to Congress on April 1st spearhead our effort, and we are working closely with other nations in a combined effort.
- But neither U.S. government programs nor multilateral assistance will be enough. Business participation in the economies of Russia and the other new states -- and particularly American business participation -- on a vast scale is the only way to get the job done.
- The ingenuity and know-how of American business can and will help transform Russia and the other new states into market economies. President Yeltsin, I want to tell you that America's goal is to become Russia's largest and best trading partner and to become Russia's largest foreign investor.
- My Administration is taking far-reaching steps to lay the groundwork for business. We are dismantling the trade barriers of the cold war. We have repealed restrictions on export financing. We have extended investment guarantee programs, are ready to implement a trade agreement, and are ready to conclude an investment agreement.
- We are welcoming Russia and the other new states into the community of international economic organizations. Russia just entered the International Monetary Fund and we are looking forward to the day when Russia and the other new states will become members of GATT.
- And, in a step we would have found unthinkable even a year ago, we plan to invite Russia and other states pursuing reform to join with COCOM members in a new informal COCOM Cooperation Forum. The forum will provide significantly wider access by these countries to goods that otherwise would remain denied.

NSC - Support office

- I have asked Secretary of Commerce Barbara Franklin to take the lead in my Administration in building trade and investment with Russia and the other new states and to take steps in building bilateral business as rapidly as possible.

- Just yesterday, she and Russian Minister of Foreign Economic Relations Aven held the first meeting of the intergovernmental Business Development Committee, to begin eliminating obstacles to trade and investment and clear the way for business. She also opened a new Business Information Center to advise American companies on trade and investment opportunities in Russia and the other states. She will be leading a series of trade missions to get U.S. business moving all over Russia.

-  [Business has already started growing. American manufactured goods exports to Russia and the other new states have grown by 40 percent in the last year. And this is just the beginning of what will become one of the most important two-way trading relationships in the world.]

- This historic business summit, bringing together leading Russian and American firms to begin doing business, is a key part of that effort. This afternoon, in the industry sector meetings, I hope that ideas will be generated that will lead to billions of dollars of business.

**WHAT STYMIES CONCLUSION OF NEW DEALS WITH RUSSIA
AND THREATENS EXISTING JOINT VENTURES**

Examples from American Business Experience

Will Russia Honor USSR'S Contracts

Commerce

- Russian ministries slow to provide reconfirmation for operating joint ventures (JV's) in Russia which were authorized by USSR. Western banks require such reconfirmation to extend credits needed for operations.
- Operating JV has rights to work and improve 3 Russian oil fields. JV approved by USSR Council of Ministers and registered in USSR. Now local authorities claiming authority over one of three sites. Lack of certainty jeopardizes development of this site.

Lack of Contract Sanctity and Legal Recourse

- Project declared "not expedient" after an American company transferred its technology in a ten-year licensing agreement to be repaid over 10 years. U.S. company received first payment; brought Russian technicians to U.S., shared its technology; now further payments and project stopped. No recourse under Russian legal system.
- Company has \$250 million contract to supply steel pipe for the oil industry; Russians want to pay in oil, but not for 2 or 3 years. What assurance does the company have that commitment to payment in product will be honored? There is no legal recourse if its contract isn't honored.

Lack of Clear Decision Authority: Who's in Charge

- Company negotiating major project; Moscow says great; regional authority drags its feet; have to get to top (Yeltsin, Gaidar) to get decisions.
- Negotiations far along; key minister is fired; start over.
- American firm's computer, destined for oil exploration organization, sitting on dock in Germany for 5 months awaiting decision on release of payment.

Taxes Upon Taxes

- Single biggest problem. No tax policy. Companies can't plan because tax rates keep changing, new taxes keep being added with no notice.
- 60 percent personal income tax on foreigners: established JV's about to pull non-Russian personnel out from Russia.

- 2 -

- Export taxes of 40 percent and more imposed. Then payment changed from 60 days after lading to payment before goods leave Russia. Suddenly without notice new \$3.50 per ton loading fee payable in advance imposed. JV has \$9 million in oil sitting on dock and ship in port waiting for tax/loading payments to be sorted out.

Hard Currency Charges/Frozen Assets/Uncertainty

- Company's arrangement to hire 100 Russian scientists almost derailed by requirement that Russian organizations turn over 40 percent of hard currency earnings to government.
- Hard currency assets of many companies and their customers frozen. Companies' operations hampered by inability to access funds they legitimately earned.
- Companies are earning rubles; uncertain whether and under what conditions will be able to convert them when ruble becomes convertible. Uncertainty inhibits initiatives.

WHAT WOULD HELP

INVESTMENT OMBUDSMAN OR VICE PRESIDENT FOR DEVELOPMENT:

Someone who could resolve who's in charge, what laws apply, speed up decisions.

ALLOW BINDING INTERNATIONAL ARBITRATION IN RUSSIA:

To provide recourse in case of problems, disputes, damages until Russia develops a body of commercial law and a court system for recourse, an international arbitration body should be allowed to establish branches in Russia and its decisions should be binding on companies and governments.

GRANDFATHER CONTRACTS AND TAX REGIMES:

Investor confidence and investments would be increased if contracts and tax regimes under which investments were established were grandfathered and guaranteed.

Jeanie
2 stories / green
highlight / address
for personal use
source attached to

Crouse/Bunton
Monday, June 15, 1992
1:20pm [Yelt-bus]

PRESIDENTIAL REMARKS: ADDRESS TO THE U.S. AND
RUSSIA BUSINESS CONFERENCE
WEDNESDAY, JUNE 17, 1992

President Yeltsin, Secretary Franklin, Ladies and Gentlemen,
it is a pleasure for me to be here for this historic conference.
Your talks mark a significant step forward on behalf of bilateral
business and trade relations between our two nations. Even more
importantly, these talks constitute giant progress for mankind.

The transformation of Russia into a market economy is --
quite literally -- one of the most important and exciting
challenges of our time. President Yeltsin, America's goal is to
do our part to see that this challenge is fully met.

For the past four months, the United States government has
been laying a solid foundation for the transformation that is the
goal of this conference. Today, we put the finishing touches on
major treaties and agreements -- the Trade, BIT and Tax treaties
as well as the OPIC and EXIM agreements. Through these efforts,
we are dismantling the trade barriers of the Cold War, repealing
the restrictions on export financing, and extending investment
guarantee programs.

Also, I have submitted to Congress the Freedom Support Act
which will clear away all barriers to trade from the U.S. side
and stimulate combined efforts with other nations. We will
continue to push for this critical aid. As our actions clearly
indicate, we want to become Russia's largest and best trading
partner and foreign investor.

The point of this conference is simple -- neither U.S. government programs nor multilateral assistance will be enough. Private sector participation in the economies of Russia and the other states -- especially involvement by American business -- is critical to the success of your bold venture. And, that participation must be on a vast scale -- measured in billions of dollars -- for the challenge to be met.

To that end, I am pleased to announce the beginning of an important new agreement. The Overseas Private Investment Corporation agreement between the U.S. and Russia enters into force today. This agreement will permit OPIC to provide investment insurance to American private investors. It will also provide additional financing and investor services for joint ventures and other projects in the Russian Federation.

With OPIC, everyone wins. You get to tap into the ingenuity of American business men and women, our capital goods, know-how and technology -- which are the best in the world. That help will enable you to develop your food and health sectors, recover your energy resources, privatize your state industries, and convert your military plants to civilian production. And, American businesses, by investing and trading with you, will create thousands of jobs here at home in order to produce all the American goods that your transformed economy will demand.

With the OPIC agreement now in effect, I have asked Fred Zeder, OPIC's president, to lead a group of 26 business representatives to Moscow and other Russian cities for one-on one

business meetings and site visits to develop private sector business deals. And, this is just the beginning of what will surely become the most important two-way trading relationship in the world. Just in the past year, exports of American manufactured goods to Russia have grown by 40%.

For the first time, Russian nations are entering the community of international economic organizations -- the International Monetary Fund, the World Bank, and, perhaps not long from now, GATT. These alliances would have been unthinkable just a few years ago. Now, we are inviting Russia and the other states to join with COCOM members in a new informal Cooperative Forum to provide significantly wider access to goods previously denied.

It is important to note that the hundreds of billions of dollars in capital and technologies that you will need over the next decade to help achieve a transformation to a market economy will come, in large measure, not from governments, but from private businesses. As we all know, neither command economies nor any other government can produce wealth -- wealth is produced by the initiative and energy of individual entrepreneurs.

Already, numerous Americans have accepted the challenge with businesses large and small. One small businessman from Alexandria, Virginia just opened two hardware stores in Moscow. He is selling items like hammers and workgloves, paid for in dollars. And, his two Ford trucks have "Service Star Hardware" imprinted on the sides -- in both English and Russian.

On a larger scale, GTE Spacenet has formed a joint venture with The Russian Federation Ministry of Communications and the San Francisco/Moscow Teleport to provide digital satellite telecommunication services -- Switched Access Service. More than 50 multinational firms have signed up -- ABC News, Coca-Cola, Mitsubishi -- and they receive payment in hard currency.

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May God grant us success in that endeavor. Thank you and Godspeed to your deliberations.

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VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT
THE CIT BUILDING
2214 ROCK HILL ROAD, SUITE 500
HERNDON, VA 22070
(703) 689-3058

FACSIMILE TRANSMITTAL SHEET

DATE: 6/15/92

FROM: Art Newlin

TO: JANICE CROUSE

FAX: (703) 689-3056

FAX: 202-456-6218

COMMENTS:

Some folder for you follows -

(A)

Number of pages: 4 (including transmittal sheet).

If there are any problems receiving this transmission, please call Debbie Eustace on (703) 689-3058. Thank you.

phone call 6/15/92
10:30 AM

Art Negrix / Dept Econ Dev
State of VA

Many VA companies are doing
concrete things / selling in
Russia / taken the plunge

703-689-3059

FAX

703-689-3056



Small companies

(1) Service Star Dealership
Route One / Alexandria businessman

2 Hardware Stores in Moscow
hammers / work gloves
paid in dollars

2 Ford Trucks in Moscow

(2) McClear Developer

- 2 bldgs in Moscow
being developed

(3) Iyzen's Corner - Finnish Company
partner
biotech park in (medical technology)

4) Environmental Engineers

contracts w/ Russian govt
for environmental audits
for cleanup -

~~Talk~~ w/ Commerce Dept -
for examples.

he basic stew: a mix of privatization, partnering with western firms to get cellular systems up and running, as Bell Atlantic is doing in Czechoslovakia with Ameritech, and coordinating modernization through state-run phone monopolies. Finding business involves marketing through all three channels. And locating capital to finance deals introduces a whole new list of public and

is, at least in part. The announcement last month by the Telecommunications Industry Association and the American Electronics Association, which cut ribbons on a new office in Prague, Czechoslovakia. That office will serve as an eastern outpost for the trade association—called the Telecommunications and Electronics Consortium, or TEC—and its qualifying

ities. And their telecommunications equipment market alone could grow to 20 percent of worldwide sales.

"The opening of the TEC office in June reflects the increasingly international scope of the telecommunications industry," said TIA President Allen R. Frischkorn, at a May 21 reception at the Czech Embassy. "Robust market

standards that match their own systems. Membership in TEC is open to all manufacturing firms exporting U.S. products with 51 percent or more U.S. value content. Fees range from \$500 per year for companies with \$5 million or less in annual revenues to \$12,000 annually for the largest companies.

In Russia, Satellite-Based Services Provide a Quick Communications Fix

Eastern Europe, like most developing regions, is an ideal candidate for satellite-based services, which can provide instant communications to areas with little infrastructure. And by using existing satellite circuits, a few earth stations, and a switch into the terrestrial system, developing countries can enjoy sophisticated digital services at a fraction of the cost wire-based services would require.

For McLean, Va.-based GTE Spacenet, wiring the former communist world into the 21st century has become one of the firm's hottest growth prospects. In December of 1991, the firm formed a joint venture with the Russian Federation Ministry of Communications and the San Francisco/Moscow Teleport to provide what it calls Switched Access Service (SAS). Because more than 50 multinational firms have signed up so far, including ABC News, Coca-Cola, and Mitsubishi—the venture has

little trouble receiving payments in hard currency.

And for businesses in Moscow and other parts of Russia, just being able to call out is a blessing in a country where international calls must be booked in advance and can take hours to go through. In May alone, firms placed over 40,000 direct calls from Moscow hotels and business centers.

The system, which is called an "overlay" network because it operates separately from Moscow's phone grid, uses a broad mix of technologies to ferry calls out of Moscow and into the world's phone networks. Calls originating at hotels and business centers make a microwave hop to Ostankino tower in Moscow, and from there signals travel via landline to a gateway switch, another microwave link, and on to an international earth station, which hands off to an Intelsat satellite and the rest of the world.



At \$4 a minute, the rates aren't cheap. But they are half the old charge for international calls, and the convenience of direct dial is worth the expense to multinationals.

Spacenet expects to spend \$10 million by the end of this year on the system, about half the overall total. And by the end of next year, the joint venture, still known as Sovintel, will install a fiberoptic link from

Copenhagen into St. Petersburg. The venture expects to log a profit by year's end and recoup its investments within five years.

But to date the emphasis has been more on stopgap measures to provide hard-currency-carrying businessmen with the means to call the rest of the world. The real challenge will be revamping internal systems, rather than just creating "overlay networks." And that task is complicated by over 70 years of centralization of telecommunications by the communist government, which directs nearly all long distance calls through antiquated switching centers in Moscow. Although Russia has a goal of installing 70 million phones by the year 2000, it has done little to guarantee that users will get anything but a busy signal.

Next on the agenda will be helping to establish links between the 15 former republics of the Soviet Union. "We're going over there to talk to the

ministers of communications and to discuss financing," says GTE Spacenet President C. J. Waylan, who is accompanying a July telecommunications trade mission to Russia sponsored by the State Department.

GTE has already made a small step toward serving Russia's internal market. On May 7, ITAR-TASS, Russia's government news service, began sending its first reports over a data network provided by Spacenet. The new service will use the private VSAT data network to distribute dispatches to bureaus inside Russia and the other Commonwealth States as well as to the rest of the world. TASS will save over \$2 million annually even while doubling the speed of text and photo data retrieval. And later this year the network will go interactive, allowing bureaus and customers to reach into the firm's mammoth database.

—Andrew Jenks

6/4/92
CW Jenks

Business

Bridging the communications gap

Business venture rated a big success by U.S., Russian partners

By Whitney Wyckoff
Times Staff Writer

Representatives from the American and Russian sides of Sprint International's joint venture in electronic communications discussed their partnership at a taping of an episode of the local talk show "Market Street" at Warner Cable studios in Reston last week.

The joint venture—between Sprint and Moscow's Central Telegraph—was formed in 1990. Each side owns 50 percent of the venture, which allows them to produce products and services such as data transmission, satellite and microwave technology, fax services and E-mail.

Just as business partnerships do, electronic communications help bring together cultures, said Viacheslav Rubtsov, general director of Central Telegraph. "Communications make the distances shorter and time faster," he said, through a translator.

Russia has engaged in joint ventures with international businesses for about five years, said Arkadij S. Golubkov, first deputy minister for the ministry of posts and telecommunications of the Russian Federation, but none of those ventures has proved as well developed or beneficial to citizens of the former Soviet Union, or Commonwealth of Independent States (CIS), as

their homes.

"We're trying to change all the old technology to the new technology, but Russia is a vast territory and it's difficult and expensive," he said. "We're hoping to use this joint venture to speed up the process."

CIS citizens are excited about the venture, and eager to work quickly to establish partnerships with other companies, Rubtsov said. Unlike a few years

'We're hoping to use this joint venture to speed up the process.'

Arkadij Golubkov



Staff Photo

Viacheslav Rubtsov, center, elaborates on the project between his company and Sprint International. Joining Rubtsov are Phil Walker (right), vice president of International Affairs at Sprint, and Arkadij Golubkov, the first deputy minister of the Ministry of Posts and Telecommunications for the Russian Federation.



to jump start the economy of the CIS, as well.

"We felt it was important to see the transformation of the Russian economy to introduce products and services here," said Henry Racine, general director of Sprint, the American partner in the venture.

And the venture has benefited Americans as well. Sprint has expanded its operations to include the benefit of Russian telecommunications workers.

"Their capabilities mesh well with

Each side owns 50 percent of the venture, which allows them to produce products and services such as data transmission, satellite and microwave technology, fax services and E-mail.

Just as business partnerships do, electronic communications help bring together cultures, said Viacheslav Rubtson, general director of Central Telegraph. "Communications make the distances shorter and time faster," he said, through a translator.

Russia has engaged in joint ventures with international businesses for about five years, said Arkadij S. Golubkov, first deputy minister for the ministry of posts and telecommunications of the Russian Federation, but none of those ventures has proved as well developed or beneficial to citizens of the former Soviet Union, or Commonwealth of Independent States (CIS), as the Sprint/Central Telegraph partnership.

"Today when we speak of telecommunications we speak of one huge computer that works 24 hours a day, seven days a week and brings services to the people that they've never dreamed of," he said, through an translator.

Golubkov added that several million people in the CIS still are waiting for telephone service to

'We're hoping to use this joint venture to speed up the process.'

Arkadij Golubkov



Staff Photo Scott Bryant

Viacheslav Rubtson, center, elaborates on the project between his company and Sprint International. Joining Rubtson are Phil Walker (right), vice president of International Affairs and Business Development for Sprint, and Arkadij Golubkov, the first deputy minister of the Ministry of Posts and Telecommunications for the Russian Federation.



Staff Photo Scott Bryant

Warner Cable tapes an episode of "Market Street" featuring a joint telemarketing project between Sprint International and Central Telegraph of Moscow.

ago, there are now no problems from the Communist Party or trade unions either.

"The conditions of the country are changing, so everyone must work faster," he said. "We

must work to build up our infrastructure."

The joint venture has helped

to jump start the economy in the CIS, as well.

"We felt it was important for the transformation of the Russian economy to introduce more products and services over there," said Henry Radzikowski, general director of Sprint Networks, the American side of the venture.

And the venture has helped Americans as well, by giving Sprint an expanded market and the benefit of Russian telecommunications workers' expertise.

"Their capabilities and interests mesh well with ours," said Philip Walker, vice president for international affairs and business development at Sprint International.

The influence of joint ventures has been so strong, in fact, that the English words "business" and "marketing" have now slipped into Russian, Rubtson said.

ored recently by Interior Secretary Manuel Lujan Jr. at an awards ceremony held at the Inter-

The Corporate Ladder

THE WHITE HOUSE

WASHINGTON

Monday, June 15, 1992

MEMORANDUM FOR PRESIDENT GEORGE BUSH

FROM: JANICE SHAW CROUSE, Ph.D. *Janice Crouse*
SPEECHWRITER TO THE PRESIDENT

RE: ATTACHED ARE PROPOSED REMARKS FOR THE U.S.-RUSSIA
BUSINESS CONFERENCE, WEDNESDAY, JUNE 17, 1992.

BACKGROUND

The emphasis in the remarks is that this conference is working out the details of agreements and treaties that will mean jobs and economic opportunities for Americans. In your remarks, you assure President Yeltsin of our goal to assist Russia in full realization of their goals for a market economy.

THESIS

The main idea of the speech is that American business must participate on a vast scale -- billions of dollars -- for Russia's bold venture into free markets to be successful.

ANNOUNCEMENTS

Two announcements are made in the speech: (1) The Overseas Private Investment Corporation, OPIC, goes into force on the day of the speech. (2) The U.S. is extending "Most Favored Nation" status to Russia.

APPEALS

The speech asks for speedy Congressional approval of the Freedom Support Act and asks the conference participants to let their voices be heard in support of FSA.

BRACKETED INFORMATION

The three examples of businesses that are thriving in Russia are being reviewed by the NSC.

Commerce
Manufactured goods
41896 increased

Thanks -

Pls. ask David for me
if he's had any luck
with the 40% trade figure
w/ Russia?

▲ Page numbers

• No ref to OPR

Crouse/Bunton
Wednesday, June 10, 1992
6:06pm [Yelt-bus]

PRESIDENTIAL REMARKS: ADDRESS TO THE U.S. AND
RUSSIA BUSINESS CONFERENCE
WEDNESDAY, JUNE 17, 1992

7
It is a pleasure for me to be here for this historic conference. President Yeltsin, Secretary Franklin, Ladies and Gentlemen, I am happy to greet you. As outstanding business representatives from the United States and the New Independent States, you will be discussing the possibility of expanding trade and investment opportunities between our countries.

Your talks mark a significant step forward on behalf of bilateral business and trade relations between our two nations. Even more importantly, these talks constitute giant progress for mankind. The transformation of your nations into market economies and democratic governments is the most important and exciting challenge of our time.

President Yeltsin, I want to tell you that America's goal is to do our part to see that this challenge is met. We are working to become Russia's largest and best trading partner and foreign investor. On April 1st, I submitted to Congress the Freedom Support Act which spearheaded our effort and stimulated combined efforts with other nations. My Administration is also dismantling the trade barriers of the cold war, repealing the restrictions on export financing, and extending investment guarantee programs. We are ready to implement a trade agreement and conclude an investment agreement. ✓

But, the point of this conference is simple -- neither U.S. government programs nor multilateral assistance will be enough. Private sector participation in the economies of Russia and the other states -- especially involvement by American business -- is critical to the success of your bold venture. And, that participation must be on a vast scale for the challenge to be met.

Already, business has been brisk. The ingenuity and know-how of American business can and will help transform Russia and the other new states into market economies. Exports of American manufactured goods to your countries has grown by 40% in the past year. And, this is just the beginning of what will surely become the most important two-way trading relationship in the world.

For the first time, you are entering the community of international economic organizations -- the International Monetary Fund and, I hope, GATT. These alliances would have been unthinkable just a short year ago. Now, we are inviting the New Independent States to join with COCOM members in a new informal Cooperative Forum to provide significantly wider access to goods previously denied.

So, the billions of dollars in capital and technologies that you will need over the next decade will come, in large measure, not from governments, but from private businesses. Our government will continue to clear away all barriers to trade from the U.S. side and we will continue to encourage American firms to invest and trade in your nations.

I have asked Secretary ~~of Commerce~~ ^{of} ~~Barbara~~ ^{of} Franklin to take the lead in encouraging bilateral business as rapidly as possible. Just yesterday, Secretary Franklin and Russian Minister of Foreign Economic Relations Aven held the first meeting of the intergovernmental Business Development Committee. This group has already begun to eliminate obstacles to trade and investment in order to clear the way for business. Secretary Franklin also opened a new Business Information Center to advise American companies regarding opportunities in your nations. She will be leading a series of trade missions to get U.S. business on its way in Russia.

These creative, energetic initiatives signal our wholehearted commitment to massive U.S. investment. We have faced this unusual challenge with resolve to match the unprecedented opportunity with equally unprecedented action and boldness.

We call upon Russia and the other New Independent States to develop favorable investment conditions for American firms. There are some thorny problems to be worked out -- contract sanctity, decision authority, consistent tax structures and policies, hard currency charges and other negotiating issues. We all want clear understandings about the issues, about which laws apply and about recourse procedures for arbitrating decisions. We all want fair and equitable contracts and tax regimes to be established.

Along with your heavy responsibility, you have a history-making opportunity. If these deliberations are fruitful, the New Independent States will quickly and successfully be integrated

Commerce
News
377-4901
Press Sec.
Marcel
Robinson
377-4883

into the Western system of market economies. During these meetings, I am confident that ideas will be generated that will lead to billions of dollars of business that will benefit both of our nations by providing jobs and improved standard of living for all our people.

As promised,
I hope you enjoyed Howard's anecdote!
Please FAX me a copy of what
you use. Thanks.
Regards

COMMENTS:

IN THE EVENT OF PROBLEMS IN RECEIVING THIS FACSIMILE TRANS-
MISSION, PLEASE CALL THE FOLLOWING NUMBER IMMEDIATELY:
457-7115 (202)

NUMBER OF PAGES INCLUDING COVER SHEET. 2

DATE	:	6/11/92
FACSIMILE NO.	:	456-6218
TO	:	Loanne Buntin
COMPANY	:	White House
STATE/COUNTRY	:	
FROM	:	Dave Cahn
	:	OVERSEAS PRIVATE INVESTMENT CORP.
	:	GC
	:	DEPARTMENT

OFFICE OF THE GENERAL COUNSEL
OVERSEAS PRIVATE INVESTMENT CORPORATION
FACSIMILE TRANSMITTAL COVER SHEET



*Dave Cahen**Jun 17, 1992*

OPIC INPUT FOR BUSINESS SUMMIT REMARKS

I am pleased to announce that the OPIC agreement between the U.S. and Russia enters into force as of today. This agreement will permit the Overseas Private Investment Corporation to provide American private investors with investment insurance, additional financing, and investor services for joint ventures and other projects in the Russian Federation.

Now that the agreement is in effect, OPIC's president, Fred Zeder, at my direction, will lead 26 U.S. business representatives on an investment mission to Moscow and other Russian cities beginning this weekend. OPIC is part of our economic reform rapid deployment team. In addition to meetings with top Russian officials, OPIC has arranged one-on-one business meetings and site visits to develop private sector business deals.

leaving June 21 - 30th

The nice thing about OPIC's projects is that everybody benefits. At the same time that we are helping Russia's transition to a market economy and contributing to the success of President Yeltsin's economic reforms, these investments will create thousands of American jobs and millions of dollars of American exports.

We look forward to a mutually-profitable relationship between Russian and American businesses and to the assistance that OPIC can bring to the table to help make your deals succeed.

[IF TIME PERMITS, PLEASE INSERT BEFORE LAST PARAGRAPH]

The OPIC agreement is an important element of the Administration's program for economic assistance to Russia, only with OPIC we are going to mobilize your capital instead of hitting up the taxpayer. U.S. private investment in Russia will bring American capital goods, know-how, and technology--which still are the best in the world--to help develop Russia's food and health sectors, recover their energy resources, privatize their state industries, and convert their military plants to civilian production, all on an environmentally-sound basis.

has nothing to do w/ Sec. Franklin's trade mission

- Commura contact:

Weds.

377-3942 Judy

(Clay)
lead

THE WHITE HOUSE

WASHINGTON

bludrop bludrop comm Flays

- Marriott

- [Simultaneous translation]

- Cards

- arrive together 8:55 a -
hold w/ Sec. Franklin

75 min
~~2000~~ min.
(durgr 30-40)

OSA

- Franklin into POTUS

POTUS REMARKS

Frank into Helton
Helton

Prade concludes

depart 9:30 am

Paul company

We begin sessi / conference
WJ/Press in bars. Summit

THE WHITE HOUSE
WASHINGTON

Copier

Thursday, June 11, 1992

MEMORANDUM FOR R. NICHOLAS BURNS
DIRECTOR, RUSSIAN AND EURASIAN AFFAIRS
372-A, OEOB
PHONE: 395-6849

FROM: JANICE SHAW CROUSE, Ph.D. *Janice Crouse*
SPEECHWRITER TO THE PRESIDENT

THROUGH: DANIEL B. MCGROARTY
SPECIAL ASSISTANT TO THE PRESIDENT AND
DEPUTY DIRECTOR OF SPEECHWRITING

RE: DRAFT OF PRESIDENTIAL ADDRESS
THE U.S.-RUSSIA BUSINESS CONFERENCE

As requested, attached for your review is an early draft of the address for President Bush to give at the United States-New Independent States Business Conference.

Thank you for your willingness to read an early draft to make sure we are "on track" with the President's remarks.

We are still working on the speech and refining the remarks. We would welcome any suggestions or revisions you care to offer.

[Handwritten notes and signatures at the bottom of the page, including a signature that appears to be "Janice Crouse" and other illegible text.]

Don't need to bring you cold cash ^{way} but understanding
of Louis process
(Fred Zeder) → OPIC PRESIDENT

Stack

Zeder in assist^e country go^e to econom for mkt.
grant assistance - don't need public sector

to public transfer \$ / pub private bus int
US govt ran out of \$ at mt. time

need - lg. in. bus. deals city down how
to compete / sound and fair

turn to our private sector

they need reform there; we do here

→ FRED ZEDER think 2 private sector to policy of assisting
beyond issue of spend^e /

b/c budget constrain can't just throw \$ to taxpayer
Mkt is for us - need on joint but
competition exist -

not look^e for old solution

run out

→ turn to private sector instead of taxpayer's
world class areas human endeavor

Russian prop second to none Sena / tech / Sports / lit
high adapt this sophism to business

Russian entrepreneur

keen competition, tough, bedrock
integrity rule of law

Crouse/Bunton
Thursday, June 11, 1992
1:50pm [Yelt-bus]

PRESIDENTIAL REMARKS: ADDRESS TO THE U.S. AND
RUSSIA BUSINESS CONFERENCE
WEDNESDAY, JUNE 17, 1992

It is a pleasure for me to be here for this historic conference. President Yeltsin, Secretary Franklin, Ladies and Gentlemen, I am happy to greet you and share briefly in this important conference. As outstanding business representatives from the United States and the New Independent States, you will be discussing the possibility of expanding trade and investment opportunities between our countries.

Your talks mark a significant step forward on behalf of bilateral business and trade relations between our two nations. Even more importantly, these talks constitute giant progress for mankind. The transformation of your nations into market economies and democratic governments is -- quite literally -- one of the most important and exciting challenges of our time.

Desk file
President Yeltsin, I want to tell you that America's goal is to do our part to see that this challenge is met. We are working to become Russia's largest and best trading partner and foreign investor. On April ^{3rd}~~1st~~, I submitted to Congress the Freedom Support Act which spearheaded our effort and stimulated combined efforts with other nations. My Administration is also dismantling the trade barriers of the cold war, repealing the restrictions on export financing, and extending investment guarantee programs. And, we are ready to implement a trade agreement and conclude an investment agreement.

But, the point of this conference is simple -- neither U.S. government programs nor multilateral assistance will be enough. Private sector participation in the economies of Russia and the other states -- especially involvement by American business -- is critical to the success of your bold venture. And, that participation must be on a vast scale for the challenge to be met.

[Hold for paragraph about OPIC -- creation of jobs and exports, role and mission]

Already, business has been brisk. [humor? -- anecdote about humorous miscommunication???]

→ [The ingenuity and know-how of American business can and will help transform Russia and the other new states into market economies. Exports of American manufactured goods to Russia have grown by 40% in the past year. [other facts?] And, this is just the beginning of what will surely become the most important two-way trading relationship in the world.

For the first time, your nations are entering the community of international economic organizations -- the International Monetary Fund and, I hope, GATT. These alliances would have been unthinkable just a short year ago. Now, we are inviting the New Independent States to join with COCOM members in a new informal Cooperative Forum to provide significantly wider access to goods previously denied.

*Peter Algire
Mathew Ward - dir free trade agreement - 32/1*

So, the billions of dollars in capital and technologies that you will need over the next decade will come, in large measure, not from governments, but from private businesses.

Our government will continue to clear away all barriers to trade from the U.S. side and we will continue to encourage American firms to invest and trade in your nations.

I have asked Secretary ~~of Commerce Barbara~~ Franklin to take the lead in encouraging bilateral business as rapidly as possible. **/ June 16, 1992 Megan in scheduling 377-5880*
 Just yesterday, Secretary Franklin and Russian Minister of Foreign Economic Relations Aven held the first meeting of the intergovernmental Business Development Committee.

This group has already begun to eliminate obstacles to trade and investment in order to clear the way for business. Secretary Franklin also opened a new Business Information Center to advise American companies regarding opportunities in your nations. She will be leading a series of trade missions to get U.S. business on its way in Russia. *nothing scheduled yet - Megan 377-5880 for trade mission*

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We call upon Russia and the other New Commonwealth States to develop favorable investment conditions for American firms. There are some thorny problems to be worked out -- contract sanctity, decision authority, consistent tax structures and policies, hard currency charges and other negotiating issues.

Bill Harvey
377-2112
0750

We all want clear understandings about the issues, about which laws apply and about recourse procedures for arbitrating decisions. We all want fair and equitable contracts and tax regimes to be established.

Along with your heavy responsibility, you have a history-making opportunity. If these deliberations are fruitful, the New Independent States will quickly and successfully be integrated into the Western system of market economies. During these meetings, I am confident that ideas will be generated that will lead to billions of dollars of business that will benefit both of our nations by providing jobs and improved standard of living for all our people.

One of America's great humorists, Danny Kaye, once said, "Life is a great big canvas; throw all the paint on it you can." Because of the historic events in your country, the world today is a huge canvas. Those of us in this room have the rare privilege and opportunity to "paint" that canvas. If we devote our ingenuity, our creativity and our persistence to the effort, we can pass along to future generations a bright, shining masterpiece of brotherhood, peace and prosperity around the world.

May God grant us success in that endeavor. Thank you and Godspeed to your deliberations.

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