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INVESTMENT RELATIONS WITH SOVIET FIRMS.

2. THE IMPORTANCE OF THE USG'S ROLE, HOWEVER, IS ALSO KEY. THE TIME HAS COME FOR THE USG TO SIGNAL TO ITS PRIVATE SECTOR THAT IT BELIEVES THAT THEIR NORMAL (AND NON-STRATEGIC) COMMERCIAL INVOLVEMENT WITH THE U.S.S.R. SERVES THE U.S. NATIONAL INTEREST. SUCH A SIGNAL WOULD REASSURE THE SOVIET UNION THAT WE ARE SINCERE IN OUR LONG-TERM SUPPORT FOR PERESTROYKA AND THAT WE SINCERELY WISH FOR ITS SUCCESS.

3. A JACKSON-VANIK WAIVER WOULD, OF COURSE, PROVIDE SUCH A SIGNAL, BUT THE CONDITION NOTKHVOR IT, AND THE TIMING, MAY NOT YET BE FULLY MET PRIOR TO THE MALTA MEETING. WE ARE CONVINCED THAT THE SOVIET UNION INTENDS BOTH TO CONTINUE THE PRESENT LIBERALIZED EMIGRATION POLICY AND TO CODIFY THAT POLICY INTO LAW, THUS PERMITTING THE PRESIDENT TO PROCEED TO GRANTING A WAIVER. IT NOW APPEARS LIKELY THAT THE SOVIET LEGISLATURE WILL COMPLETE CONSIDERATION AND PASSAGE OF SUCH A LAW IN THIS SESSION, I.E., BEFORE THE MALTA MEETING. THE FIRST READING OF THE DRAFT LEGISLATION WAS APPROVED OVERWHELMINGLY BY THE SUPREME SOVIET ON NOVEMBER 13. OUR OWN CONSIDERATION OF THE NEW LAW AND RELATED ISSUES COULD TAKE MORE TIME THAN WILL BE AVAILABLE PRIOR TO THE MALTA MEETING.

4. ASSUMING THE TIMING OF ANNOUNCEMENT OF A JACKSON-VANIK WAIVER IS NOT YET RIGHT AT MALTA, THERE IS AN INTERMEDIATE OPTION WHICH WASHINGTON MAY WISH TO CONSIDER. THE PRESIDENT NEED NOT WAIT UNTIL THE FULL CONDITIONS FOR A JACKSON-VANIK WAIVER ARE IN
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PLACE BEFORE PROVIDING A SIGNAL OF ENCOURAGEMENT TO BOTH U.S. INDUSTRY AND THE SOVIET UNION. AFTER A WAIVER DETERMINATION HAS BEEN MADE, IT WILL BE NECESSARY TO NEGOTIATE A TRADE AGREEMENT WITH THE U.S.S.R. BEFORE THEY CAN ACTUALLY BENEFIT FROM MOST-FAVORED-NATION STATUS. SUCH NEGOTIATIONS CAN BE LENGTHY.

5. THE PRESIDENT COULD SIGNAL HIS SUPPORT FOR PERESTROYKA BY INFORMING PRESIDENT GORBACHEV IN MALTA


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THAT THE UNITED STATES IS PREPARED TO MOVE AHEAD NOW TO BEGIN TALKS ON A TRADE AGREEMENT AND ON A FOREIGN INVESTMENT PROTECTION AGREEMENT IN ANTICIPATION OF THE PASSAGE OF A LAW ON EMIGRATION WHICH MEETS OUR CONCERNS. SUCH AN AGREEMENT TO PROCEED TO TALKS PRIOR TO A JACKSON-VANIK WAIVER DOES NOT AFFECT OUR SUPPORT FOR A LIBERAL SOVIET EMIGRATION LAW AND PRACTICE, SINCE IT IS SELF-EVIDENT THAT SUCH AN AGREEMENT CANNOT COME INTO FORCE PRIOR TO THE NECESSARY WAIVER, WHICH WILL INCLUDE A THOROUGH REVIEW OF THE NEW LAW AND SOVIET EMIGRATION POLICY. BUT IT WOULD SERVE AS A USEFUL AND NEEDED SIGNAL TO THE U.S. BUSINESS COMMUNITY AND TO THE SOVIET UNION THAT WE ARE SERIOUS IN OUR SUPPORT FOR SOVIET HUMANITARIAN AND ECONOMIC REFORMS AND PERCEIVE THEIR SUCCESS AS BEING IN OUR OWN NATIONAL INTERESTS.

6. WE BELIEVE THAT WERE THE PRESIDENT TO MAKE SUCH A STATEMENT TO GORBACHEV IN MALTA, THE SOVIET SIDE WOULD ACCEPT THIS APPROACH. DURING GORBACHEV'S RECENT PRIVATE MEETING WITH A GROUP OF LEADING

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TAGS: ETRD, EINV, ECON, BEXP, UR
SUBJECT: PREPARING FOR MALTA: U.S. TRADE POLICY

AMERICAN BUSINESSMEN (REFTEL), THE QUESTION OF PROCEEDING TO TRADE TALKS AND DISCUSSIONS OF A FOREIGN INVESTMENT PROTECTION AGREEMENT PRIOR TO A RESOLUTION OF JACKSON-VANIK WAS RAISED, AND NEITHER GORBACHEV NOR RYZHKOV REACTED NEGATIVELY TO THE SUGGESTION. SUCH AN AGREEMENT WOULD PROVIDE SOME OF THE NECESSARY EVIDENCE OF PRACTICAL U.S. SUPPORT FOR PERESTROYKA WHICH GORBACHEV NEEDS TO SHOW TO HIS OWN PEOPLE.

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