

Figure 1. Cumulative statistics of JV registered in the USSR for the period up to September 2, 1990 (according to Soviet Business Weekly "Commersant" Database)

Total number of JV registered	1790	
- from that amount with the statutory fund:		
up to 100 thous. Rb	319	( 17.8%)
100 - 500 thous. Rb	612	( 34.2%)
0.5 - 1.0 mln Rb	291	( 16.3%)
1 - 5 mln Rb	375	( 20.9%)
5 - 10 mln Rb	90	( 5.0%)
10 - 25 mln Rb	59	( 3.3%)
25 - 50 mln Rb	26	( 1.5%)
over 50 mln Rb	18	( 1.0%)
Total statutory fund	6 113.520 mln Rb	
- with the foreign capital's share:		
up to 30 %	400	( 22.3%)
30 - 40 %	237	( 13.2%)
40 - 49 %	100	( 5.6%)
49 %	285	( 15.9%)
50 %	575	( 32.1%)
over 50 %	188	( 10.5%)

Figure 2. Twenty Major principles regulating current JV activities in the USSR

1. Spheres of activities

\_\_\_ No limitations.

2. Legal status

\_\_\_ Do not specified. JV are Soviet juridical persons. Only juridical persons can act as participants of JV both from Soviet and foreign side. JV carry out obligations in the limits of their property. The main forms of JV are joint-stock companies and limited-liability companies.

3. Questions of ownership

The share of foreign participant is not limited (up to December 1988 it was limited by upper level equal 49%).

4. Legislation

The system of laws and "under-law acts". The latter are approved by the Ministries responsible for the separate questions of JV functioning. JV legislation have been continually improved and corrected. Legal basis for cooperation are also some intergovernmental agreements, contracts on JV creation and JV statutes.

5. The order of setting up

\_\_\_ Offers of the Ministries, enterprises and organizations or foreign firms and the documents, prepared by the partners, need to be approved by the authorized bodies. At first this order was strictly centralized - all the decisions about JV creation were approved by the USSR Council of Ministers after the conclusion of the USSR Ministry of Finance and USSR State Planning Committee (GOSPLAN). Later on this order was simplified. Nowadays state enterprises, organizations and societies make a decision about JV creation by consent of the higher management body: production cooperatives - by consent of the Councils of Ministers, Executive Committees (organs of executive power). That means that discriminative order of JV creation has been retained for the cooperatives - decisions for their registration are approved not on the next step of the management bodies's hierarchy, but over-the-step. Registration is concentrated in the USSR Ministry of Finance; in the future they suppose to decentralize that process also.

6. Bureaucratic subordination

There is no bureaucratic subordination for JV. JV as a whole or through its Soviet participant coordinates its activities with governmental agencies.

7. Relations with other economic organizations

On the base of economic treaties (on contractual basis).

8. Planning

JV activities are not planned by the State.



#### 9. Management

The main managerial body - Management Board, executive body - Directorship. Both Soviet and foreign citizens can hold a post of the Chairman of the Management Board or Director-General (up to December 1988 only Soviet citizen can fill that positions). The fundamental questions are solved on the principle of unanimity among the members of the Board.

#### 10. Financing

Partner's fees; credits granted by national, foreign and international banks and firms; profits from economic activities. To receive a credit from a foreign or international agency a concordance with the USSR Vnesheconombank is needed.

#### 11. Formation of the statutory fund

The latest demand of the USSR Ministry of Finance claims the need of not less than 30% minimum foreign share in JV statutory fund and not less than Rb 200 thous. total minimum size of JV statutory fund (though those claims has not been confirmed yet by corresponding legal bills). Shares of the participants need to be valued in contract prices taking into account world market prices.

#### 12. Taxation

Tax rate on JV profit is equal 30% (the taxable profit equals gross profit less all the deductions to the JV funds). Tax rate on profit transferred abroad is equal 20%. The scheme of JV taxation is shown in Fig. 3.

#### 13. Privileges

Granted for the initial period of JV activities; on the reinvestments; on the investments in separate industries; sometimes - on the separate profit items in dependence of their functional application. Tax holidays for the first 2 years after the profit received. In the Far-Eastern Economic Region tax holidays are equal to 3 years after the profit received and the tax on profit in that region equals only 10%. The tax can be lowered in size and/or totally cancelled in the individual order by decision of the USSR Ministry of Finance when the foreign partner's profit share is transferred abroad (mainly for JV acting in consumer goods production, medical equipment and medicines production, high-tech production significant from national-economic point of view, and also for JV acting in Far-Eastern Economic Region). Customs duties can be lowered in size or totally cancelled for the goods, imported as a partner's fee in JV capital or for the purpose of developing JV production.

#### 14. Profit allocation and utilization (see also fig. 3)

Out of JV's total profit the obligatory reserve fund is formed. Assignment's percentage to this fund is concorded by the partners. Those assignments must be made until this fund reaches 25% of statutory fund. Amortization is deducted according to Soviet rules if any other order doesn't envisaged by the establishing documents. By concordance of the partners any other funds aimed at development of JV production may be created. Payments for the State budget are also deducted. Profit's residue is divided between the partners in proportion to their shares.



15. Order of currency operations

JV may have accounts in Soviet and foreign currencies in Soviet and foreign banks and has a right to carry out currency operations. Opening of currency accounts abroad is prohibited. All currency expenditures of JV must be provided with its profits from export activities.

16. Guarantees to Western investors

They possess a right to transfer abroad their part of JV profit as well as wages and salaries of foreign employees; a right to return their investment in the case of JV liquidation; the rights of property protection on the equal with Soviet enterprises basis as well as right of property protection from requisition and confiscation (seizure).

17. Foreign economic activities

JV need no special permission for this kind of activities. According to the current order JV can export only goods and services produced by themselves and can import goods and services only for their own needs. All other kinds of foreign economic activities are sharply limited (mediatory operations; buying of goods abroad/in the USSR for their reselling in the USSR/abroad, etc.).

18. System of accounting

In local or foreign currencies. Evaluation in foreign currencies need to be based on the USSR Gosbank's official exchange rates.

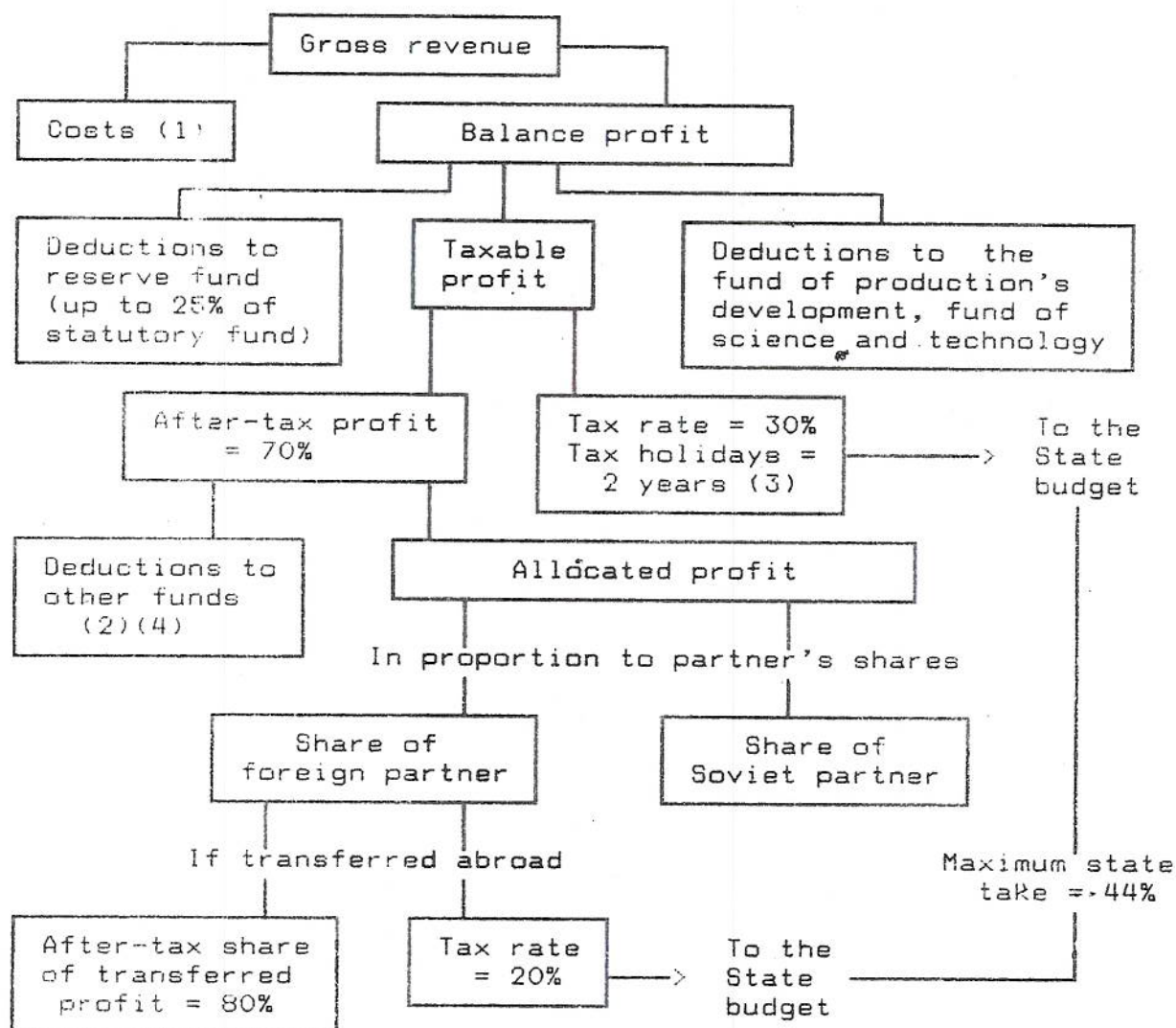
19. Help in organization procedures, collection of information, etc.

Chamber of Commerce and Industry, banks, consulting firms.

20. Labor relations

Questions of enrolment and dismissal, forms and size of labor compensation, material encouragement in Soviet roubles are decided by JV. All the other questions - on the base of Soviet legislation. JV are to conclude a treaty with trade union. In relation to foreign personnel all the problems of labor relations except most general (safety arrangements, etc.) are determined by the treaty. Wages are paid in foreign currency (completely or partially) and after taxation can be transferred abroad.

Figure 3. Scheme of JV taxation and profit allocation according to current Soviet legislation



- (1) List of expenses attributed to the cost of production is not determined
- (2) The size of annual deductions is determined by establishing documents
- (3) In the Far-Eastern Economic Region tax rate = 10%, tax holidays = 3 years
- (4) Fund of material encouragement, social and culture development of the collective, etc.

Figure 4. Sectorial breakdown of Joint Ventures (cumulative numbers of JV registered up to September 2, 1990)

Total number of JV registered . . . . .	1790	
1. Manufacturing of technological equipment, machines and mechanisms . . . . .	197	( 11.0%)
2. Development and introduction of new instruments and technological systems . . . . .	331	( 18.5%)
3. Light industry and consumer goods . . . . .	551	( 30.8%)
4. Chemical and petrochemical industry . . . . .	69	( 3.9%)
5. Wood-processing and waste recycling . . . . .	184	( 10.3%)
6. Services . . . . .	595	( 33.2%)
7. Intermediary and consulting services . . . . .	588	( 32.9%)
8. Advertising, printing and production of video- and audio-products . . . . .	448	( 25.0%)
9. Construction and production of construction materials . . . . .	412	( 23.0%)
10. Finance and export-import operations . . . . .	80	( 4.5%)
11. Medicine and pharmaceuticals . . . . .	121	( 6.8%)
12. Assembly of computers and software production . . . . .	391	( 21.8%)
13. Production and processing of agricultural products . . . . .	176	( 9.8%)

Note: Percentage sum-totals are in excess of 100% because the major part of JV registered indicates more than one sphere of their sectorial activities.



**Figure 5.** Sectorial dispersion of registered JV unit statutory funds (JV cumulative numbers up to September 2, 1990), Mln Rb per JV

1. Manufacturing of technological equipment, machines and mechanisms . . . . .	3.22
2. Development and introduction of new instruments and technological systems . . . . .	2.55
3. Light industry and consumer goods . . . . .	2.78
4. Chemical and petrochemical industry . . . . .	11.40
5. Wood-processing and waste recycling . . . . .	2.47
6. Services . . . . .	2.05
7. Intermediary and consulting services . . . . .	2.09
8. Advertising, printing and production of video- and audio-products . . . . .	2.02
9. Construction and production of construction materials . . . . .	2.84
10. Finance and export-import operations . . . . .	3.20
11. Medicine and pharmaceuticals . . . . .	4.87
12. Assembly of computers and software production . . . . .	2.54
13. Production and processing of agricultural products . . . . .	3.45
Average . . . . .	3.42

Figure 6. JV breakdown by the country-of-origin (first 10 top-rank countries)

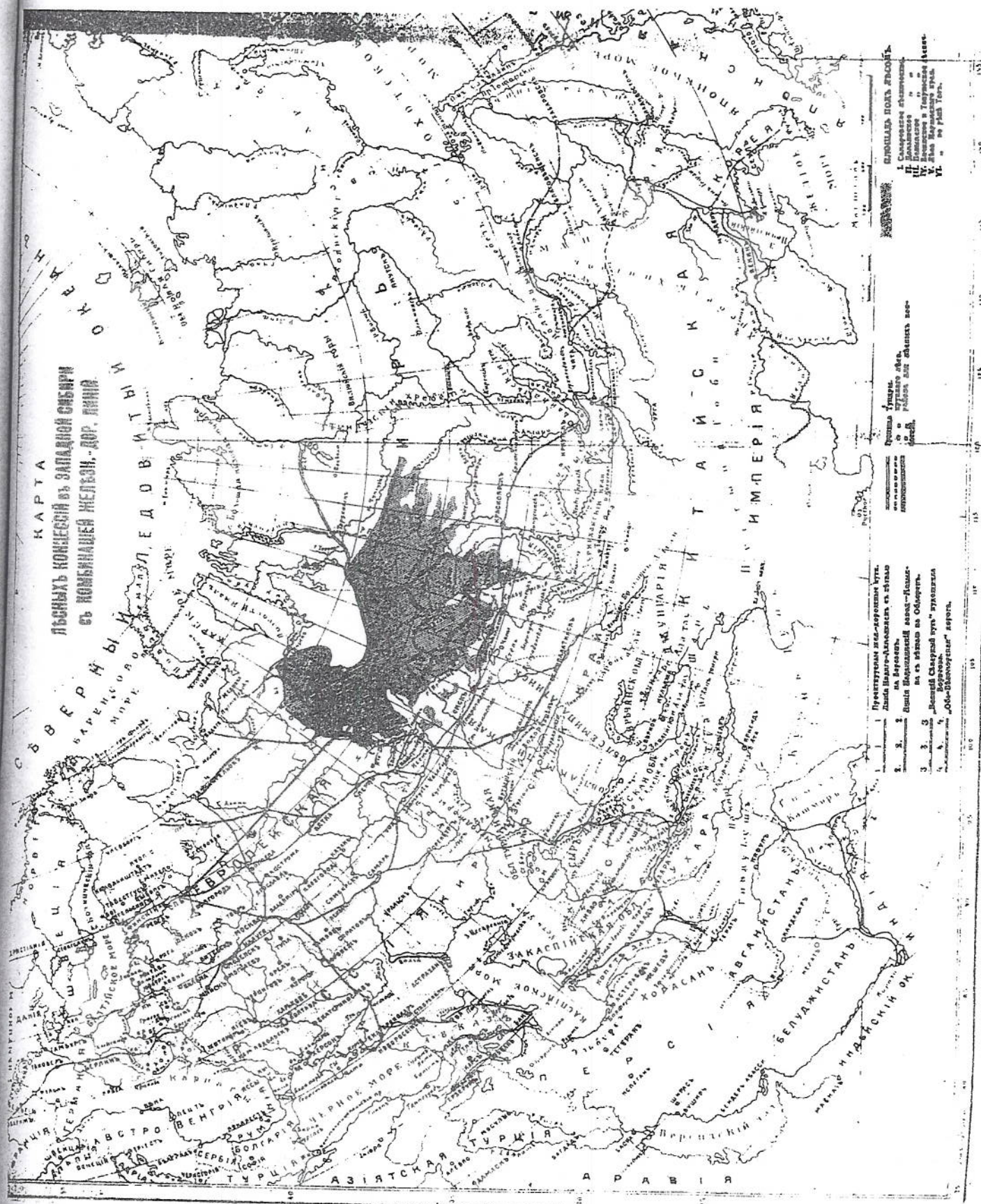
Country	Cumulative number of JV registered up to Sept.2, 1990		Average unit statutory fund, Mln Rb per JV
Total number of JV registered	1790	(100.0%)	3.4
- from that amount with:			
Germany, F.R.	251	( 14.0%)	2.7
U S A	213	( 11.9%)	3.0
Finland	192	( 10.7%)	1.9
Austria	132	( 7.4%)	3.0
Italy	118	( 6.6%)	6.9
United Kingdom	116	( 6.5%)	5.1
Switzerland	81	( 4.5%)	1.0
France	66	( 3.7%)	7.9
Sweden	63	( 3.5%)	2.8
Poland	56	( 3.1%)	1.5
SUBTOTAL	1288	( 71.9%)	...



**Figure 7.** Geographical distribution of registered JV on Soviet territory (cities indicated with 10 and over JV registered)

Rank	City	Number of JV	Percentage
1	Moscow	881	49.2
2	Leningrad	156	8.7
3	Tallinn	89	5.0
4	Riga	39	2.2
5	Tbilisi	36	2.0
6	Kiev	32	1.8
7	Abakan	26	1.5
8	Minsk	21	1.2
9	Odessa	15	0.8
10-11	Vilnius	14	0.8
10-11	Tashkent	14	0.8
12	Kishinev	13	0.7
13	Khabarovsk	11	0.6
14	Lvov	10	0.6
	Others	433	24.2
	TOTAL	1790	100.0

Figure 8. Prospective forest concession offers in Western Siberia according to Nov.23, 1920 "Decree on Concessions"





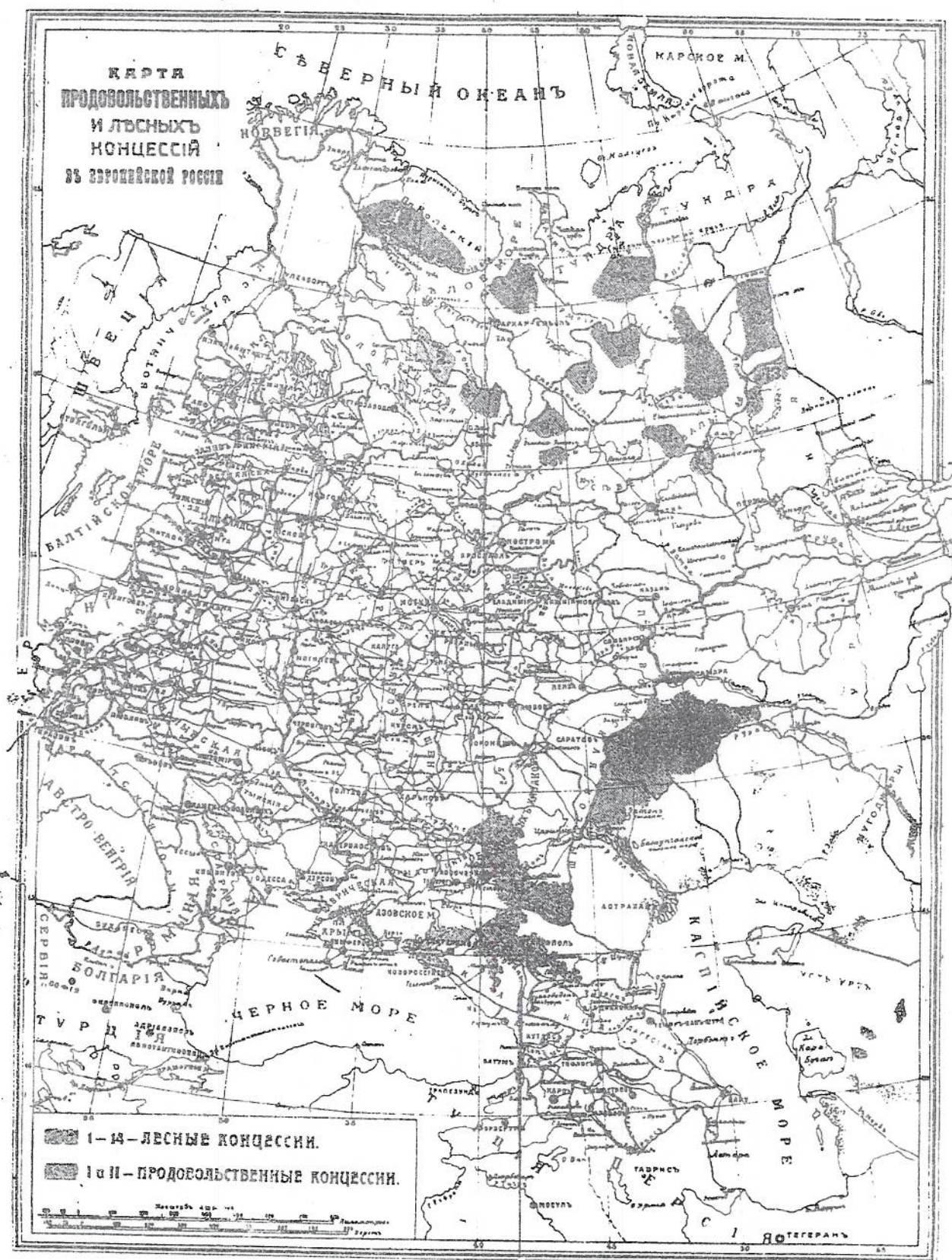








Figure 11. Classification of petroleum agreements currently in international practice

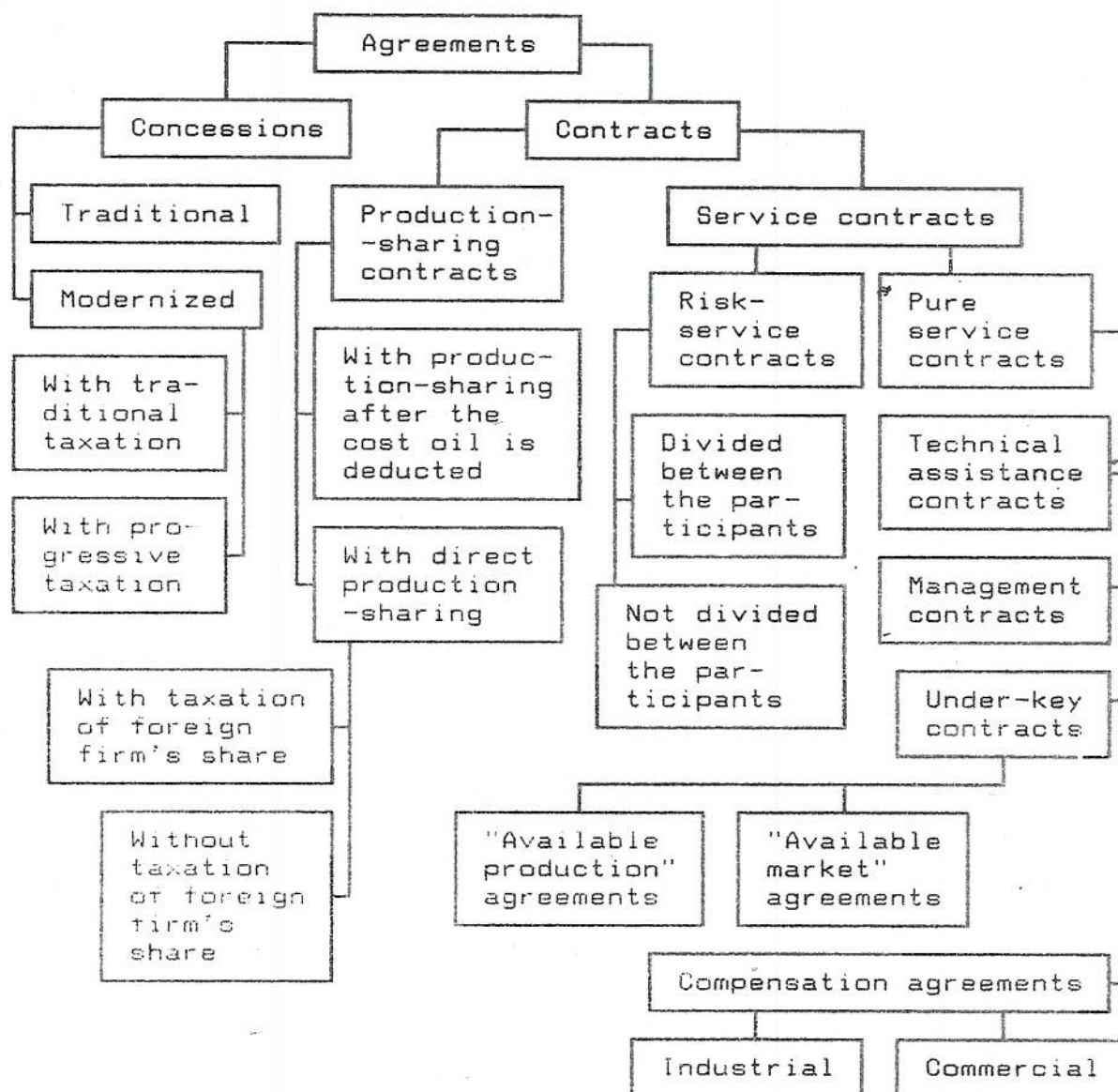
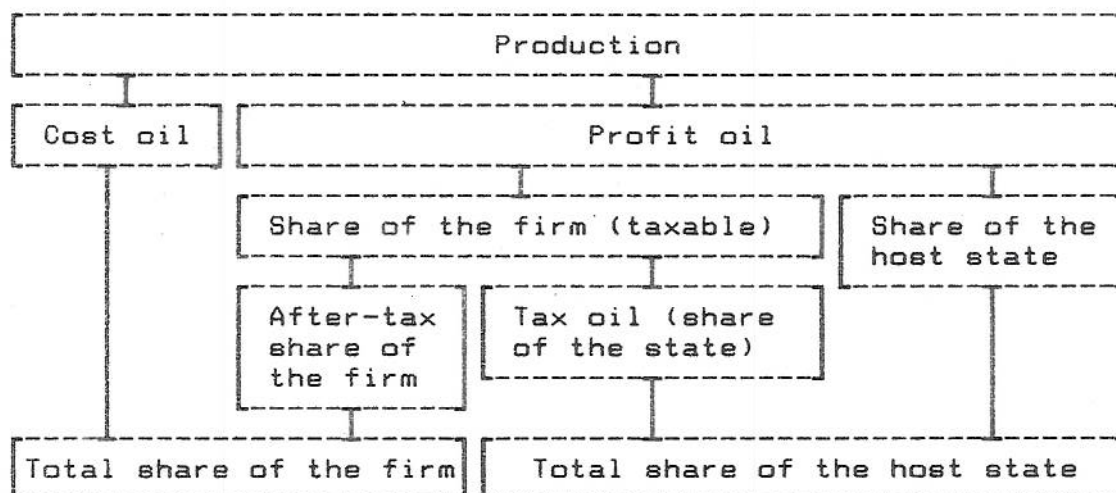


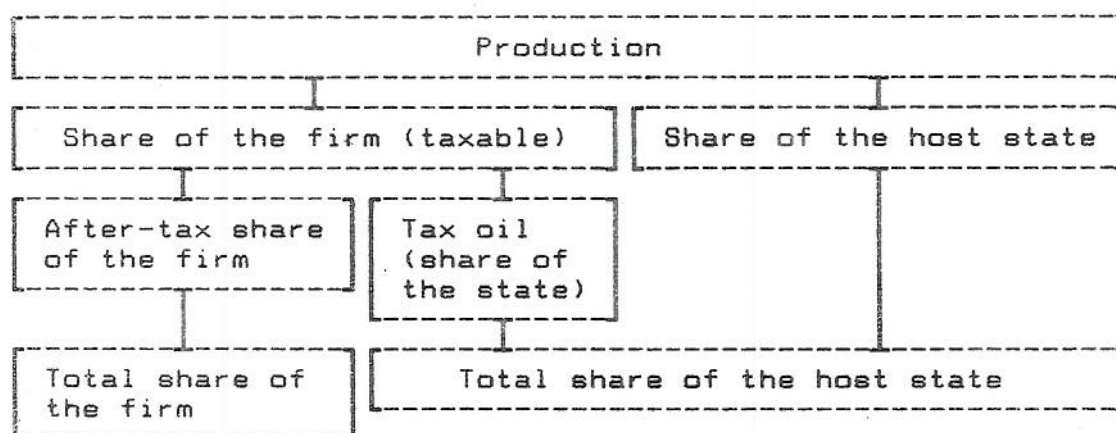
Figure 12. Modifications of production-sharing contracts (PSC) in international practice

1. PSC with production-sharing after the cost-oil is deducted



2. PSC with direct production-sharing

A: Two-step sharing



B: One-step sharing

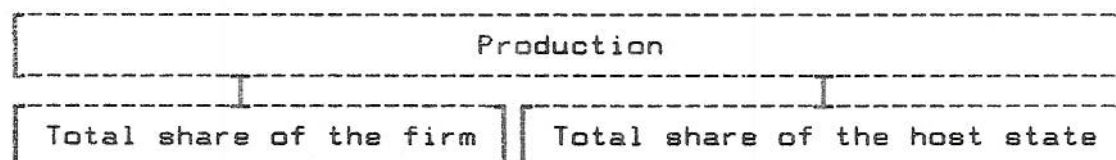




Figure 13. Actually operating structure of the USSR Central Concession Committee (CCC) during 1923 - 1937 period.

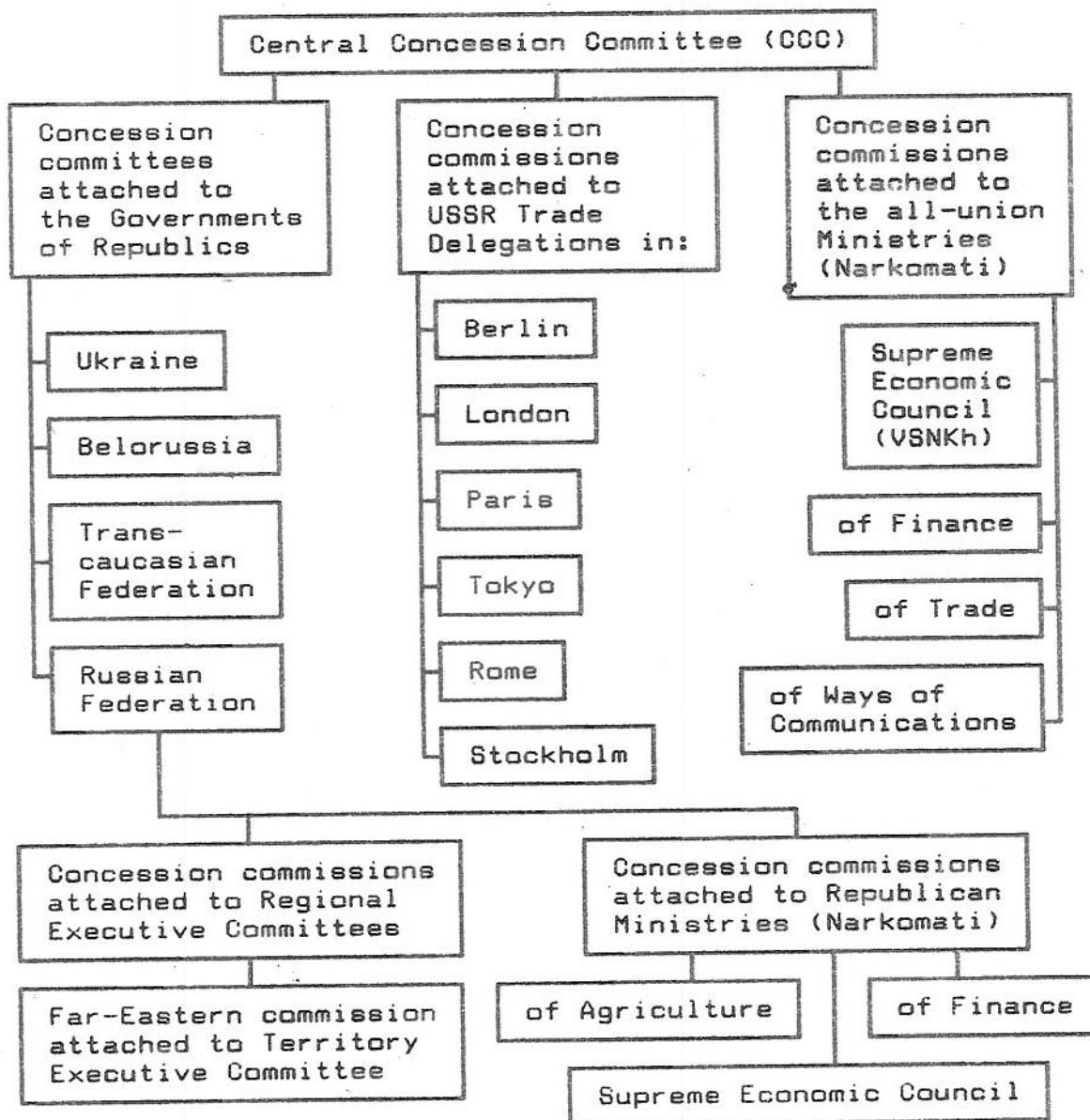


Figure 14. Breakdown of concession offers being received by CCC from 1922 till Nov.1, 1927 according to nationalities of competitors

Total number of concession offers . . .	2211	(100.0%)
from that amount:		
Germany . . . . .	782	( 35.5%)
United Kingdom . . . . .	223	( 10.2%)
U S A . . . . .	205	( 9.4%)
France . . . . .	174	( 7.9%)
Others . . . . .	827	( 37.2%)

Figure 15. Origin of the companies with whom concession agreements were signed

	1925	1927	1929	1930
Total number of signed agreements . . . . .	65	69	52	35
- from that amount from:				
U S A . . . . .	7	10	6	1
Germany . . . . .	24	18	11	8
United Kingdom . . . . .	18	13	6	3
France . . . . .	1	2	2	1
Japan . . . . .	4	7	10	8
Poland . . . . .	3	6	5	3
Austria . . . . .	2	5	5	3
Sweden . . . . .	2	3	3	3
Iran . . . . .	4	5	4	5



Figure 16. Sectorial breakdown of concession offers and signed agreements, cumulative totals for the period from 1922 till Nov.1, 1927

Industries	Concession offers received by CCC	Signed concession agreements
Trade . . . . .	526 ( 23.8%)	34 ( 20.9%)
Forestry . . . . .	112 ( 5.1%)	7 ( 4.3%)
Agriculture . . . .	203 ( 9.2%)	11 ( 6.7%)
Hunting and fishery	52 ( 2.4%)	4 ( 2.5%)
Mining . . . . .	258 ( 11.7%)	26 ( 16.0%)
Manufacturing . . .	705 ( 31.9%)	36 ( 22.1%)
Transport and communications . . .	148 ( 6.7%)	12 ( 7.4%)
Others . . . . .	207 ( 9.4%)	33 ( 20.2%)

Figure 17. Breakdown of concessions actually operating on  
Oct.1, 1928

Sectorial breakdown of concession's number

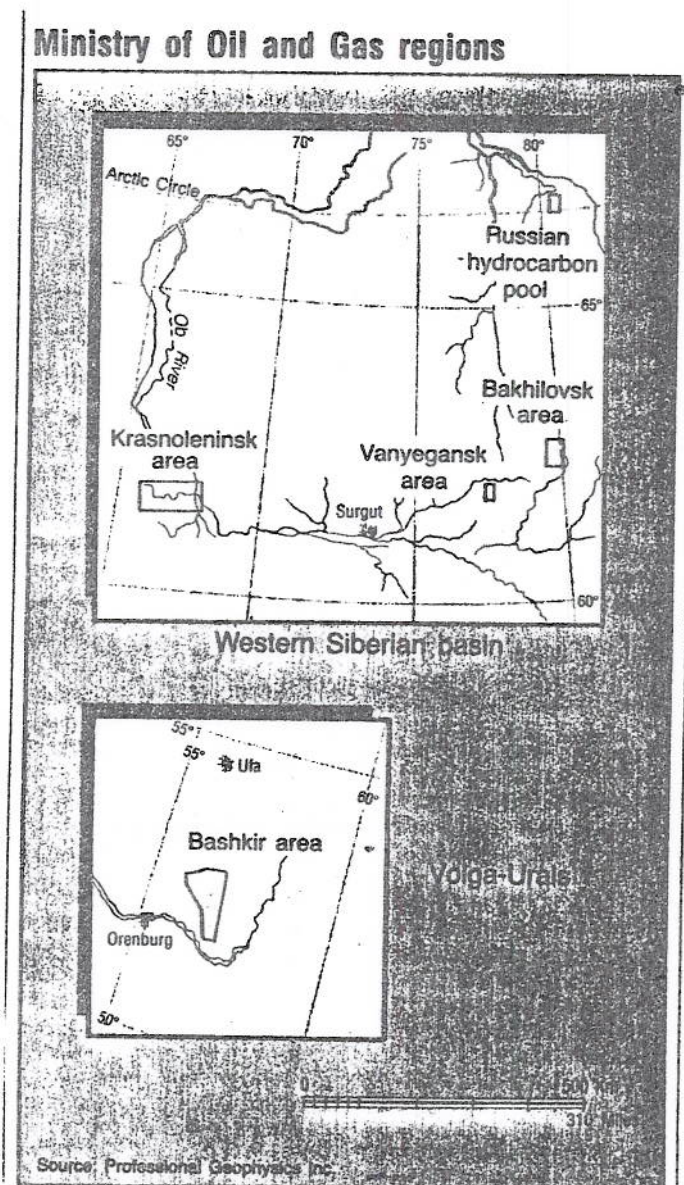
Mining . . . . .	14
Manufacturing . . . . .	24
Forestry . . . . .	6
Hunting and fishery . . . . .	2
Construction . . . . .	3
Agriculture . . . . .	5
Transport and communications . . . . .	6
Trade . . . . .	7
Finance . . . . .	1
TOTAL . . . . .	68

Breakdown according to the country of origin

Country	Concession's numbers	Capital invested by concessionaires
Germany . . . . .	14	7.5
U S A . . . . .	9	2.4
United Kingdom . . . . .	7	20.0
France . . . . .	3	...
Japan . . . . .	7	6.7
Poland . . . . .	5	...
Austria . . . . .	5	...
Sweden . . . . .	3	7.6
Others . . . . .	15	3.8
TOTAL . . . . .	68	48.0



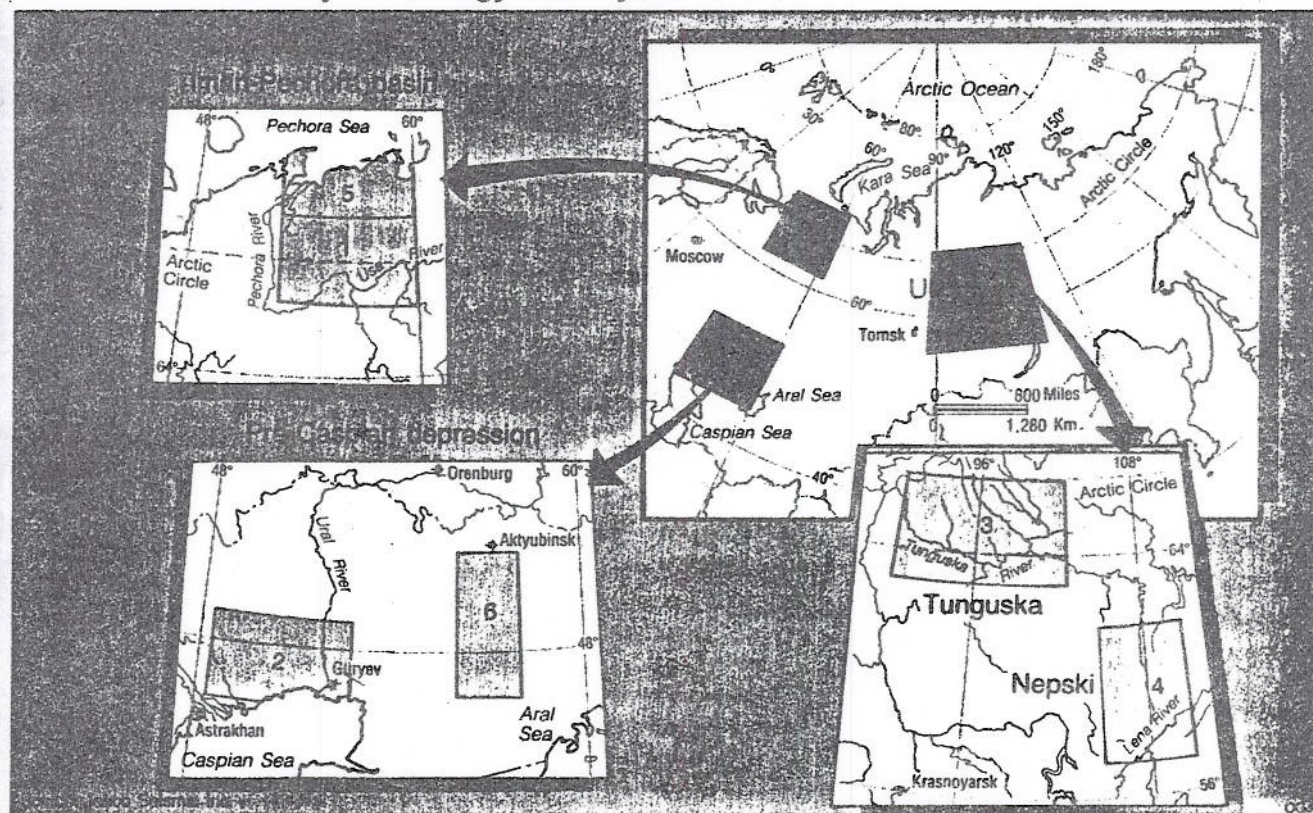
**Figure 18. USSR Oil and Gas Ministry regions for JV activities**



**Figure 19.** USSR Ministry of Geology regions for JV activities



### Where Soviet Ministry of Geology seeks joint ventures





**Figure 20.** Pre-Caspian area: possible site of Chevron-Soviet JV

