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COOPERATION AND JOINT VENTURES*

Prepared by

**V. Felsenbaum
and
N. Stepanova**

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Creation of joint enterprises is a relatively new process in the economic life of our country. Its wide development was opened by the Decree of the Presidium of the Supreme Soviet of the USSR on joint ventures (January 1987) and by January 1, 1990 1,274 joint ventures had been registered. They are based on such economic-legal relations when a joint production basis is created and its product is also a joint property of both partners. This is an entirely new form of international cooperation for the USSR. The common property is just what distinguishes joint ventures from other types of international economic cooperation, i.e. cooperative and compensatory agreements, trade cartels etc.

Soviet organisations have set up a number of joint ventures abroad, but their business is limited mainly by servicing Soviet foreign trade. For the Soviet side the creation of joint ventures specialised to widening the production of various goods to satisfy the demands of the home market and speeding up the science and technology progress is of utmost importance.

In spite of the fact that the form of joint venture is a rather new enterprise for our country more and more organisations take it up.

The cooperative movement is playing not the last role in this process. Cooperatives occupy a prominent place in the structure of Soviet partners in joint ventures. Cooperatives make up 14% of the total number of Soviet partners. One can see a certain trend indicating that the number of cooperatives as joint venture partners has been steadily growing. Cooperatives show a rising activity and interest in setting up joint enterprises.

According to the All Union Research Institute of Foreign Economic Relations in 1987 - 1988 only 10% joint ventures were set up with the participation of cooperatives, whereas during January-September 1989 their number was more than 30%. At present cooperatives are members of more than 300 joint enterprises.

It is necessary to point out that this tendency was stimulated by the decision of the USSR Council of Ministers of Dec 2, 1988, its number is I404. The decision allows cooperatives whose production is competitive on foreign markets to directly effect export-import operations (including capitalist markets).

To speed up science and technology progress, to raise competitiveness of goods and services cooperatives operating in production sphere can organize joint ventures, international cartels and companies with the proper organisations in Socialist countries as well as with firms in capitalist and developing countries.

The decision also foresees that the cooperatives define according to the agreement with their foreign partners the specialization of the created joint ventures, their volumes and their production structure. All this is done considering the solvency of foreign partners, production demand and conditions on the markets. Cooperatives have the right to create joint ventures on both Soviet and foreign territories.

The first joint venture with the participation of cooperatives was created in May 1988. The main motives here were the desire on the part of the cooperatives to create the following situation:

- deposition of their funds in a more legally protected and less liable to public disapproval form of economy;
- possibility of easier access to foreign markets;
- the wish to obtain hard currency;
- opportunity to create material basis of production using modern technologies offered by foreign partners;
- in certain cases the desire to by-pass limitations on production export imposed by license regulations.

Most joint ventures created with the participation of cooperatives concentrate in non-capital-intensive spheres of national economy, are of small size which is confirmed by their basic funds. Most of such joint ventures have basic funds about hundred thousand roubles. Herewith it's necessary to point out common for all joint ventures tendency to decrease their basic funds. According to the All Union Research Institute of Foreign Economic Relations on October 1, 1989 the share of joint ventures with basic funds up to 1 million roubles was 59.7%, on April 1, 1989 - 48.6%. The share of joint ventures with basic funds over 10 million roubles dropped for the same period from 9.6% to 7.3%. At the same time the aggregate basic fund of the joint ventures in the latter group made up about 60% of all decreed investments in joint ventures

The activity sphere of joint ventures is determined mostly by the size of basic funds. Thus the statistics on April 1989 shows most joint ventures with the participation of cooperatives produce consumer goods or are engaged in non-production sphere (medicine, art, services etc.) - 37%; engineering and consultative activities - 27%; computers and software - 17%; agricultural complex - 6%; construction - 2%; machine-building - 2%; chemical and lumber industries - 1%.

It is necessary to point out that we speak here about those registered with the USSR Ministry of Finance joint ventures with the participation of cooperatives, though many of them have not yet begun their practical activity.

Cooperatives in comparison with state organizations are more active in search of suitable for their resources activity spheres. They enjoy greater freedom in handling their resources, they are free of the so-called ministerial dictate, they seek to actively fix up and widen foreign economic ties and all these draw foreign partners to them.

The number of foreign investors in joint ventures with participation of cooperatives is rather big. However the review shows, that foreign partners are rather cautious as to the volume of invested capital.

When applying for license cooperatives seek to get as wide spheres of activity as possible to create conditions for future diversified business.

Joint ventures incorporating cooperatives is a promising form of business as it is very mobile. While creating joint ventures cooperatives follow their own interests which do not always realize state goals set up before this new form of business. The state must determine the priorities for joint ventures activity. We believe that it is necessary to encourage creation of joint ventures by cooperatives in the following fields:
agriculture, processing of agricultural products of all kinds;
processing of secondary resources;
medicine;
services.

At present preferential taxation on joint ventures is acting in some regions of this country (e.g. Far East).

To realize the above-mentioned priorities it is necessary to create such a system of preferential taxation which could cover not only the territory of the country but the types of production and services too.