

January 1990

## Soviet Joint Enterprise Legislation

Eugeniy T. Roulko

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### Recommended Citation

Roulko, Eugeniy T. (1990) "Soviet Joint Enterprise Legislation," *Florida Journal of International Law*. Vol. 5: Iss. 2, Article 5.

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## SOVIET JOINT ENTERPRISE LEGISLATION

*Eugeniy T. Roulko\**

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## I. INTRODUCTION

On January 13, 1987, the Soviet Union's Council of Ministers enacted a decree entitled "On the Procedure for the Creation on the Territory of the U.S.S.R. of Joint Enterprises between Soviet Organizations and Firms of Capitalist and Developing Countries" (Decree 49).<sup>1</sup> This decree fits within the framework of Decree 1405 of December 2, 1988, which outlines the main steps of managing foreign trade reforms.<sup>2</sup>

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\*Associate Professor, Kiev State University & Consultant, Ukrainian Chamber of Trade and Industry, Kiev, USSR.

1. Decree on Joint Enterprises with Western and Developing Countries, 1987 *Sobranie Postanovlenii i Pravitelstva SSSR* [SP SSR] No. 9, item 40 [hereinafter Decree 49]. An English translation of Decree 49 appears in 26 I.L.M. 749 (1987). Since 1987 there have been 16 substantial corrections and amendments to the initial Decree 49. See SOVMESTNII PREDPIATIA MEJZDUNARODNII OBJEDINENIA I ORGANIZAZII NA TERRITORII SSSR 351-61 (1989) [hereinafter SOVMESTNII PREDPIATIA].

2. See the text of the Decree in SOVMESTNII PREDPIATIA, *supra* note 1, at 390-405.

The Soviet Union enacted Decree 49 largely in an attempt to promote and attract advanced technology and foreign management experience to the Soviet Union for the purpose of developing its export base. Other goals of this decree are to satisfy the country's requirements in manufactured products, raw materials, and foodstuffs, and to reduce imports.<sup>3</sup> However, these goals may conflict with the interests of Western partners, since they primarily seek a breakthrough into the Soviet domestic market through the joint venture. It is desirable to recognize and reconcile this possible conflict at the start of business negotiations.

The legal framework for joint enterprises in the Soviet Union consists of Decrees 49 and 1405, informal orders relating specifically to joint enterprises, general economic legislation, and certain international norms or treaties. Joint enterprise legislation is also supplemented by the civil laws of the U.S.S.R. and of the union republics, and other general laws, orders, and instructions issued by the Council of Ministers of the U.S.S.R. or the republics, or by all-union or republic ministries and departments.

The legal framework applicable to joint enterprises in the Soviet Union appears vague by Western standards. Many issues are expressly left to negotiation between the Soviet and foreign participants in a joint enterprise. Nonetheless, Soviet parties seem eager to become involved in ventures with Western partners. Because the Soviets are generally unaccustomed to Western business standards and procedures, however, the choice of joint enterprise partners may be based more upon personal contacts than upon objective business or financial criteria. Potential Soviet partners are unlikely to engage in bidding to identify favorable foreign joint enterprise partners. Instead, they typically choose a single joint enterprise partner in a particular economic or geographic area without considering the benefits of associating with others.

## II. FORMATION OF A JOINT ENTERPRISE

The formation of a joint enterprise in the Soviet Union is typically a multistage process, although the procedure may vary from case-to-case. First, a nonbinding protocol of intent is usually signed with a Soviet partner. The Soviet and foreign partner then prepare and negotiate an economic feasibility study document. The latter is strictly for "home consumption" by the Soviet Union. At this particular stage

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3. Decree 49, *supra* note 1, art. 3.

of the negotiations the Western partner is supposed to be asked about his ideas as to the amount and types of acceptable future contribution. For the Soviet partner, elaboration of an economic feasibility study document is difficult. Therefore, the Western partner should cooperate with his potential partner. Although the economic feasibility study document is not legally binding,<sup>4</sup> it is important because it has first priority among the official documents presented to the Soviet authorities.

Finally, the joint enterprise agreement and charter documents, and if necessary, a technology transfer agreement and other relevant agreements, are negotiated, drafted, and executed. A model joint enterprise agreement and charter are available from the Soviet Union's State Economic Commission of the Council of Ministers as a basis for negotiations with the foreign partner. The potential joint venture partners must complete these documents to form the framework for their cooperation.

The constitutive documents for the joint enterprise must include the object and purposes of the joint enterprise's activities, its location, the composition of the participants, the amount of the initial capital contributions, the percentage share of the participants, the procedures applicable to capital accounts, the structure, composition, and competence of the administrative bodies of the enterprise, the procedures for making decisions, as well as the procedure for liquidation of the enterprise. Any other provision may also be included in the document, as long as it is not contrary to Soviet law.<sup>5</sup>

After all the documents are completed, the Soviet party files the application with the appropriate authority. The procedure for granting permission for joint venture projects has recently been drastically changed by amendments to Decree 49. To start a joint venture, the Soviet party needs the approval of its appropriate organ of state control, either the all-union ministry or its republic-level counterpart. The approving organ for cooperatives will be the regional Soviet, except that cooperatives located in Moscow, Leningrad, and Kiev must be approved by the corresponding city authority. If the joint venture contemplates substantial building projects or large scale reconstruction, preliminary consent of the local Soviet is also necessary. In other cases, the Soviet partner need only notify the local Soviet of its intention.

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4. The bulk of them have been violated by the existing joint ventures in the Soviet Union.

5. See SOVMESTNII PREDPIATIA, *supra* note 1, at 582-99. See also Decree 49, *supra* note 1, art. 7.

Once final approvals are received the joint enterprise is then "registered" at the Soviet Union's Ministry of Finance. The registration is published and the organization becomes a juridical person. The joint enterprise may then commence business operations. Although the Ministry of Finance is obliged to include the joint venture on the official list of the Ministry of Foreign Economic Relations as a participant in foreign trade interactions, it often fails to do so. In such a situation, the Soviet partner must directly approach the Ministry of Foreign Economic Relations and request that the joint venture be included in the Ministry's official list, often causing delay in business operations. Depending on the complexity of the joint enterprise and its business, the entire negotiation process can take from a few months to well in excess of one year.

### III. MANAGEMENT AND CONTROL

A joint enterprise is similar to a limited liability company with two or more owners in that no stock is issued.<sup>6</sup> The amount of equity that the foreign firm currently may own is a matter of agreement between the parties to the joint venture.<sup>7</sup>

There are two corporate bodies in the Soviet-Western joint venture company. The first is the highest decisionmaking organ, while the other is responsible for the day-to-day management of the company. For example, management of a United States-Soviet joint enterprise is conducted by the Board of Directors and a Directorate. The Board of Directors, whose chairman may be either a Soviet or foreign citizen, makes strategic decisions for the joint enterprise, while the Directorate, headed by a General Director, performs day-to-day duties. The General Director, like a chief operating officer, may be a Soviet citizen or a foreigner.<sup>8</sup>

At present, Soviet law sets no nationality requirements for the members of the corporate bodies of the joint venture company. It also has no provisions regarding the representation of the parties in the corporate bodies of the joint venture. Representation depends upon the party's share in the foundation capital of the joint venture. Soviet law stipulates that partners in joint ventures define precisely the issues that require a unanimous vote. The preliminary list of these "principal" questions is set out in the draft of the joint enterprises agreement and charter.

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6. Decree 49, *supra* note 1, art. 4 (amended in 1989).

7. *Id.* art. 5.

8. *Id.* art. 21.

The present Soviet joint venture law is flexible in that a relatively small number of key executives from each side, operating at two levels of decisionmaking, replace the more cumbersome annual general meeting of limited liability companies.<sup>9</sup> The requirement in the joint enterprise's constitutive documents that significant decisions be made unanimously ensures the foreign participant an effective veto power.<sup>10</sup>

Quality control, an important issue for the success of the enterprise, may be handled almost completely by the foreign partner. The Soviet partner will generally grant the foreign party the right to stop production if quality standards are not met, the right to reject the delivery of substandard Soviet supplies without penalty, and the right to define the job criteria for technical specialists.

#### IV. CAPITAL INVESTMENT

According to Decree 49, the equity of the joint enterprise should consist of a charter fund, which is similar to a capital account and is formed from the original contributions of each party and supplemented by profits from the enterprise's activities and by any additional contributions the parties may make.<sup>11</sup> "Buildings, installations, equipment and other material valuables, rights to use land, water and other natural resources, as well as other property rights (including rights to use inventions or 'know how')," and monetary assets may be contributed to the charter fund.<sup>12</sup> The equipment, material, or property imported to the U.S.S.R. as part of the foreign partner's contributions are exempt from customs duties. This rule makes it feasible for the partners to make predominately non-cash contributions to equity.

Soviet law permits very reasonable evaluation techniques regarding contributions to equity. The regulations require parties to consider world market prices when evaluating non-cash contributions. Since market evaluations are readily available, the value of Western equipment and technology brought into a joint venture by the Western partner is not difficult to assess. Accurate assessment of land and buildings contributed by the Eastern partner is more problematic due to the nonconvertibility of Soviet currency and the lack of a broader pricing structure in the Soviet Union. In these cases, the law stipulates the right of partners to fix the prices on a consensual basis even though the joint venture's return on capital may suffer if the prices are too high.

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9. Soviet law of limited liability is not particularly well developed.

10. Decree 49, *supra* note 1, art. 21 (amended in 1989).

11. *Id.* art. 10.

12. *Id.* art. 11.

Soviet joint venture law currently requires that participants wishing to transfer their shares to third parties comply with certain formalities. The transfer of shares to third parties is considered to be a "principal question" of joint venture activity, demanding a unanimous vote by the Board of Directors. When transferring shares to third parties, the Soviet partner has an option to buy first.<sup>13</sup>

## V. THE RIGHTS AND OBLIGATIONS OF JOINT ENTERPRISES

Because Soviet legislation construes the joint enterprise as a juridical person, the venture may enter into many types of legal relationships within the Soviet economy. Joint enterprises can possess separate property, enter into contracts and other obligations, acquire property rights and personal rights, and sue and be sued in both Soviet courts and before Soviet and foreign arbitration tribunals. According to Soviet legislation, joint enterprises are full and equal participants in the domestic economy. Therefore, when the joint enterprise legislation does not regulate the relationship of joint enterprises with other domestic enterprises, general legislation applies.

Local purchases by the joint venture of equipment, raw materials, components, fuel, energy, and other materials are to be on the wholesale market. With the vast expansion of the latter, the joint venture should find many such opportunities within the Soviet economy. The joint enterprise may use either Soviet or hard currency for purchasing raw materials and components on the Soviet market.

Joint ventures are entitled to make direct purchases from abroad in convertible currencies. Any foreign raw materials, components, and items needed by the joint venture for the creation and expansion of its business are subject only to the most liberal customs tariff, or none at all if sanctioned by the Ministry of Finance of the Soviet Union.<sup>14</sup>

The joint venture can export its goods directly, without going through any government-controlled organ and without a special permit. The procedure designed for joint ventures taking their products through customs is simpler than that required for Soviet state-run enterprises.<sup>15</sup>

## VI. PROPERTY ISSUES

Western partners are concerned with protecting their investments in such a new and unknown market as the Soviet Union. Such protec-

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13. *Id.* art. 16.

14. *Id.* art. 13.

15. *See* Decree of the Soviet Government N718 of 27 since 1987, 1987 SP SSSR, 1987, n.40, item 129.

tion is usually guaranteed on two levels, international treaties and Soviet law. Under Soviet law, guarantees for industrial property of joint ventures are established at a higher level than for regular Soviet civil law subjects. Decree 49 and implementing regulations provide that property contributed to the joint enterprise, and any property the joint enterprise later acquires, shall not be subject to requisition or confiscation by administrative order.<sup>16</sup> Execution can be levied against the property of the joint enterprise only subsequent to a decision of a court or arbitration tribunal. While a joint enterprise shall be liable for its obligations with all the property which belongs to it, the legislation provides that the individual participants are not liable for the obligations of the joint enterprise.<sup>17</sup>

The property of the joint enterprise is required to be insured.<sup>18</sup> Although Decree 49 requires the joint enterprise to purchase insurance from insurance agencies of the U.S.S.R., in practice joint enterprises are reportedly permitted to purchase insurance from Western insurance firms if coverage in the U.S.S.R. is not available at comparable levels. For example, general liability insurance is not widely available in the Soviet Union.

Property rights become more important, and the issues more complex, when technology transfers are involved. Industrial property rights which belong to the joint enterprise are protected in accordance with Soviet law. The procedures for the initial transfer of technology rights from one of the participants to the joint enterprise are determined by the constitutive documents. The Western partner may want to license the right to use technology to the joint enterprise in order to retain the ultimate ownership of the technology. Any new technology developed by the joint enterprise, however, will be subject to Decree 49, which specifically provides for the protection of the industrial property rights of joint enterprise through patents.<sup>19</sup>

The Soviet Union has recently concluded a number of bilateral treaties with the European Economic Community (EEC) and other European countries on guarantees of investments. These treaties usually stipulate safe expatriation of profits, a ban on requisition and other types of guarantees. This support from international law may be deemed vital by the Western partner. In general, though, the level of guarantees by Soviet Law seems to be adequate.

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16. Decree 49, *supra* note 1, art. 15.

17. *Id.* art. 18.

18. *Id.* art. 14.

19. *Id.* art. 17.



## VII. THE JOINT ENTERPRISE AND THE PLAN

Decree 49 ensures that a joint enterprise may independently determine its activities without complying with any Soviet governmental economic plans.<sup>20</sup> The new Soviet Law on Enterprises allows domestic Soviet enterprises to develop direct links with customers, including joint enterprises, and to determine independently the use of a certain percentage of their profits. Therefore, the joint enterprise may be able to negotiate individually with each enterprise to obtain needed supplies or to sell its products. However, some coordination with the Soviet State Plan probably will be necessary or desirable.

Just as state agencies will not limit local arrangements for joint enterprises, they also will not control the sale of its products.<sup>21</sup> Joint enterprises have flexibility in setting prices for the goods or services that they sell on the domestic market. Decree 49 provides that prices will be negotiated by contract, taking into account world market prices.<sup>22</sup> In practice, the Board of Directors of the joint enterprise will determine the prices at which to sell the joint enterprise product.

With respect to foreign sales, a joint enterprise will have the right to conduct export and import operations either independently or through Soviet "foreign trade organizations" (VTOs).<sup>23</sup> If the joint enterprise chooses to export or import goods independently, it must follow the formalities of Soviet laws regarding foreign trade contracts. The joint enterprise is also subject to Soviet currency exchange laws and the requirement that convertible currency funds transfers be made through the Bank of Foreign Trade. In its foreign trade contracts, the joint enterprise is able to specify governing law, including laws other than those of the Soviet Union.

## VIII. CURRENCY AND FINANCIAL MATTERS

A joint enterprise will typically need access to foreign currency. Usually such currency is obtained through exporting the enterprise's product or services to Western countries or by selling domestically some of its products or services. Decree 49 stipulates that all foreign currency expenditures of a joint enterprise, including the payment of profit and other amounts due foreign participants and specialists, must be made by the joint enterprise from receipts from the sale of its

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20. *Id.* art. 23.

21. *Id.*

22. *Id.* art. 26.

23. *Id.* art. 24.

products on the foreign market.<sup>24</sup> Moreover, the transfer abroad in foreign currency of the amounts due the foreign party as a result of the distribution of profits from enterprise activities must be guaranteed to foreign participants.<sup>25</sup> This latter guarantee implies that the joint enterprise should be able to obtain foreign currency even if the joint enterprise does not export its product.

In practice, however, the foreign joint enterprise partner usually wants to ensure that it can expatriate convertible currency profits. Besides exportation of the joint enterprise products, convertible currency can be earned in several ways. First, joint enterprises may receive payment abroad in convertible currency. Second, products and services provided domestically to persons entitled to hold convertible currency, including foreign tourists may be made payable in convertible currency. Furthermore, goods needed for export may be purchased with ruble profits.<sup>26</sup>

Recent reforms in Soviet law may also make it easier to obtain foreign currency from sources other than exportation. Joint enterprises may use import substitution to obtain foreign currency from the Soviet government in certain circumstances. When the Soviet State Plan calls for the importation of a certain product and a joint enterprise produces that product domestically, the joint enterprise may use the foreign currency set aside by the terms of the Plan for importation to expatriate ruble profits in convertible currency during the effective period of that Plan.

The present law allows enterprises to retain a percentage of the convertible currency generated by their exports, to lend this convertible currency to other enterprises, and to invest these funds abroad, with the agreement of appropriate ministries and departments of the U.S.S.R.<sup>27</sup> Therefore, a joint enterprise may, in some cases, be able to borrow or buy convertible currency from a variety of enterprises in order to cover convertible currency needs. In at least one case a joint enterprise is being allowed to expatriate convertible currency by borrowing such currency from Soviet sources and repaying it in rubles.

A joint enterprise must keep its cash assets in accounts in the State Bank of the U.S.S.R. or the Foreign Trade Bank of the U.S.S.R. All fund transactions must occur through the relevant bank or with its consent. Accounts consisting of foreign currency earn interest at rates

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24. *Id.* art. 25.

25. *Id.* art. 32.

26. The "ruble" is the official Soviet currency.

27. *Id.* art. 32.

intended to correspond with world money market rates, while accounts consisting of local currency earn interest at rates set by the State Bank.<sup>28</sup> According to Decree 49, the joint enterprise must bear the risk of exchange rate fluctuations, although specific assurances against unexpected fluctuations in the rate may be negotiated into the joint enterprise contract.

A joint enterprise is free to borrow money. Credit can be obtained from either the Foreign Trade Bank of the U.S.S.R. in foreign currency or rubles, or the State Bank of the U.S.S.R. in rubles only. With the permission of the Foreign Trade Bank, foreign currency may also be obtained from foreign banks for firms. Although a lending Soviet bank may control the use, provision, and repayment of the credits, it must make the loan on "commercial terms,"<sup>29</sup> which is generally understood to mean in accordance with international banking practices.

A joint enterprise can set up an Audit Commission to oversee its activities.<sup>30</sup> A joint enterprise is permitted to keep parallel sets of accounting books, one using Soviet standards, and one using Western accounting principles. The flexibility afforded by the right of a joint venture to maintain dual currency accounts is considered a key success factor by western partners, particularly for joint companies which have a service orientation extending beyond the country. Two annual audits may be conducted, one by a Soviet accounting agency, and one by an international accounting firm, both paid for by the joint enterprise. The joint enterprise may define the type of currency used in accounting and can price exports in foreign currency and domestic sales in rubles.<sup>31</sup> The constitutive documents also can define matters in which U.S. or other Western accounting standards will prevail over Soviet standards, such as the calculation of profits, depreciation, and measuring research and development expenditures.

## IX. TERMINATION OF THE JOINT ENTERPRISE

Termination clauses can be important in enabling the foreign partner to get out of the enterprise if Soviet laws change or domestic Soviet circumstances make continued participation in the venture undesirable. The Soviets have accepted flexible conditions for justifying and effecting termination of the joint enterprise, including granting the foreign

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28. Joint Decree of the Central Committee of the Communist Party and the Government of the U.S.S.R. in 1974, Sept. 17, 1987, art. 17 [hereinafter Decree 1074].

29. Decree 49, *supra* note 1, arts. 27-28.

30. *Id.* art. 44.

31. Decree 1074, *supra* note 28, art. 18.

partner the unilateral right to "sell" its interest to the Soviet partner at a purchase price set in the constitutive documents in case of certain events caused by the Soviet partner or government. Examples of events that permit termination of a joint enterprise have included unremedied breach of the agreements, failure to make required capital contributions, losses for two consecutive years, and failure to pay the foreign partner its share of profits for two consecutive years. The joint venture can also be terminated upon a decision of the Council of Ministers of the U.S.S.R. that the venture failed to stay within the boundaries established in its constitutive documents. This particular procedure is likely to be exceptional, though, since it requires involvement of the highest executive body in the Soviet Union.

In all cases of termination of the joint venture, Decree 49 states that the foreign partner has the right to obtain its share in the form of money or goods at its residual balance value at the moment of liquidation, provided the foreign partner has discharged its obligations towards the Soviet partner and third parties.

## X. DISPUTE RESOLUTION

The precise regulation of dispute resolution is essential for the legal status of the joint venture. The concrete procedure and methods of such negotiations are therefore worth defining in the constitutive documents of the joint venture.

If negotiations fail, disputes concerning the activity of the joint venture have to be settled according to rules established by the Decree 49 procedure. Since the joint enterprise is a Soviet legal entity, disputes which arise between it and other Soviet organizations or enterprises may be resolved in Soviet courts. The Decree also provides that Soviet courts have jurisdiction over disputes between the participants of the joint enterprise.<sup>32</sup> Alternatively, the constitutive documents may include a binding arbitration clause under which the parties agree to resolve any disputes in an arbitration tribunal. While the Soviet partner may desire arbitration in the Arbitration Court of the U.S.S.R. Chamber in Moscow, neutral, third party arbitration is also possible. Constitutive documents have included the so-called "Optional Clause" approved by the American Arbitration Association and the U.S.S.R. Chamber of Commerce, which commits disputes to arbitration in Stockholm, Sweden, under United Nations Commission on International Trade Law (UNCITRAL) arbitration rules. If there is no concrete

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32. Decree 49, *supra* note 1, art. 20.

statement in the constitutive documents about what country's material law applies, there is a presumption that the law of the country where these documents were signed will be used.<sup>33</sup>

## XI. TAXES AND OTHER NECESSARY PAYMENTS

The joint enterprise must pay taxes calculated on that portion of profit left after deducting specified reserves and specified working capital expenditures. The basic tax rate on profits is 30%, although all joint enterprises are exempt from tax for the first two years after the enterprise earns an operating profit.<sup>34</sup> The U.S.S.R. Ministry of Finance may also reduce or exempt an enterprise from taxes on an ad hoc basis. An additional tax, at a maximum rate of 20%, is levied on all expatriated profits.<sup>35</sup> The specific tax rate may vary depending on the existence of the tax treaties. However, no variation is provided by the U.S.-U.S.S.R. tax treaty.

The earnings of foreign employees in a joint enterprise are also subject to a tax.<sup>36</sup> According to Soviet legislation, the income tax rate paid by foreign wage earners in the Soviet Union is the same as the rate for Soviet citizens.

## XII. LABOR ISSUES

The joint venture laws of the Soviet Union contain provisions dealing with the use of both national and foreign employees in the joint enterprise. Decree 49 stipulates that personnel shall consist mainly of Soviet citizens. According to Soviet interpretation, this does not preclude using foreign employees in highly qualified posts. Foreign employees are generally hired as necessary to ensure the success of the enterprise.

In the U.S.S.R. the rules that apply to labor relations with employees who are nationals of the host country are usually different from those that apply to foreign employees. But with joint ventures, as a general matter, Soviet labor laws apply to all personnel. For both national and foreign employees Soviet law states that the management of a joint enterprise should conclude a collective bargaining agreement with the trade union organization at the joint venture company. The contents of this agreement are defined by Soviet legislation and by

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33. Article 126 of Fundamentals of Civil Legislation of the U.S.S.R. and Union-Republics.

34. *Id.* art. 36.

35. *Id.* art. 41.

36. See *Id.* art. 50; see also Regulations of the Ministry of Finance on the income tax levied upon joint ventures in SOVMESTNII PREDPRIATIA, *supra* note 1, at 427-37.

constitutive documents of the joint venture. The following types of issues should be settled in collective bargaining agreement, whether quality control is to be carried out by specialists of the foreign partner, personnel training, the use of bonuses, and their amount in relation to basic wages, benefits paid out of the joint venture's social welfare funds, and punishment of unsatisfactory workers.

The joint enterprise is able to determine its own wages and to grant incentive-based compensation. The constitutive documents of joint ventures may include provisions on such personnel issues as who shall certify the technical competence of the shop floor personnel. The 1989 amendment to Article 48 of Decree 49 provides the joint venture with the right to decide for itself all remaining questions of hiring and dismissal of its personnel and other working conditions, as long as it respects citizens' rights granted to them by Soviet legislative acts.<sup>37</sup>

Foreign employees are enlisted by the joint venture company on the basis of individual employment contracts dealing with wages, bonuses, holidays, and pensions. However, Soviet legislation stipulates that all payments to joint enterprise employees for housing and other services is to be made in Soviet rubles.

The legal status of foreign employees in general is regulated by the Law on the Legal Situation of Foreigners in the U.S.S.R.<sup>38</sup> Foreigners may live on Soviet territory with permission from the appropriate authority. Because the Western partner will often want to assign its own staff on a short-term basis, a provision about facilitating visa approval for Western personnel should be included in the constitutive documents of the joint venture company.

The wages received by foreigners living on Soviet territory and working for the joint venture enterprise are subject to the Soviet general income tax.<sup>39</sup> But a joint enterprise may legally pay foreign employees a higher salary than that paid to Soviet employees.

### XIII. CONCLUSION

The introduction of joint venture legislation in the Soviet Union is just one of a broad range of changes being implemented as part of a general Soviet economic reform. The future of joint venture projects' depends upon the future pace of this reform. If reform brings a market economy to the Soviet Union, joint ventures will probably prove successful and profitable for a western partner. If the government fails

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37. Decree 49, *supra* note 1, art. 48 (amended in 1989).

38. 1981 Vedomosti Verkhovnovo Sovieta SSSR (Ved. Verkh. Sov. SSSR), No. 26, item 836.

39. 1978 Ved. Verkh. Sov. SSSR, No. 20, item 313.

to implement its desire to achieve a market-oriented economy, the joint venture legislation will be "dead law."

The legislation on joint enterprises in the U.S.S.R. is very liberal in comparison with legislative acts of other East-European states. Therefore, a reasonable basis exists for doing business in the U.S.S.R. Ultimately, however, everything depends upon the direction development in the Soviet Union takes in the near future.