Political Economy by Dave Goldman

Japan's Proposal at Paris Summit Opens Way for Transfer Ruble

Nov. 18 (IPS) — It is no accident that the trading nation most dependent on the dollar has taken the most advanced steps towards framing a new international monetary system around the transfer ruble, the unit of credit and account of the Council for Mutual Economic Assistance (Comecon).

Japan's proposal for a new international credit institution at the Rambouillet summit last weekend is the first vehicle the capitalist countries have devised for the large-scale use of the transfer ruble outside of the Comecon area, **on terms the Soviets can accept.** While this possibility is apparent in the Japanese government's informal offer to the Soviet Union of a role in creating the new institution, and related discussion between the Soviets and Japanese on the use of the transfer ruble as a trading currency, there is a fundamental break with previous capitalist views in the Japanese approach.

As described to IPS by sources close to the negotiations, the Japanese plan would comprehensively replace "private," or commercial bank, financing of international trade with the rough equivalent of a multi-governmental Export-Import Bank. This bank, pooling the resources of its members, would make trade and development loans which up till now, have been available exclusively through the U.S.-dominated commercial banking system.

During the past several weeks, the leading Japanese trading companies, or Zaibatsu, came publicly to the conclusion that their salvation lay in exports, that the great area of expansion would be the Third World and Soviet sector, and that extraordinary means of finance would have to be found to make this possible. Their economists insisted upon this view in the pages of the Japan Economist, and their executives dictated this policy to Premier Miki in a well-publicized meeting at the outset of this month.

Since the end of World War II, the Japanese have immediately and directly depended on New York trade financing — unlike the British, who retained their own banking establishment, or the French and West Germans, who conducted trade within Europe itself mainly in their own currencies. Since the 1973 oil hoax quadrupled the price of Japan's key import, the country has run up a $30 billion short-term debt to New York and the Eurodollar market, strictly on account of import-financing. Japanese exports for the most part are still financed through bank drafts in New York City.

To a certain extent, the Japanese Export-Import Bank has provided a margin of credit for the Zaibatsu, especially in the financing of "big-ticket items" such as entire plants. Its most recent projects include several hundred million dollars in subsidized loans for gas exploration in Siberia and a package of infrastructure-related exports to Cuba. The limitations of this effort are nonetheless obvious; neither Japan nor other industrial countries have the dollar reserves to continue such financing operations beyond the end of the current year.

Returning to the Japanese plan for a multi-governmental Export-Import Bank, it would be stupid to suggest that the Japanese hanker after the reserves of the German Federal Bank or the Bank of France. To the extent these latter can be spared for export financing, they will finance West German and French, not Japanese exports.

On the contrary, the Japanese proposal — like other similar plans — would involve a mere juggling of accounts in the bankrupt dollar sector, unless they pointed to a thoroughly new means of providing international credit. By starting out from the premise that the dollar is worthless, in the view of principals in the ongoing negotiations, the Japanese have implicitly accepted the need for such a means.

Cake and Eat It Too

Not only is the dollar unstable and untrustworthy as a currency for trade and investment, since its value is continuously in doubt and its exchange rate shifts wildly, but the institutions of dollar credit are so shot through with illiquidity that it is irretrievably past consideration. The dollar's historical role was based on the universal acceptability of claims against the U.S. economy following the last world war. A currency in foreign hands is, simply, a claim against the economy of its origin. No national sector outside the Soviet Union represents the scale of output to replace the dollar.

The main area of the world economy susceptible to massive expansion is the Soviet bloc, and its spinoff three-way development of the Third World through combined Soviet and capitalist efforts. Fundamentally, the transfer ruble's use outside the Comecon area would make claims against this process of expansion the basis of a new international monetary system.

As stated by Chauncey Schmidt, president of the First National Bank of Chicago, large numbers of capitalist factions who accept this premise still want to have their cake and eat it too. Specifically, Schmidt's demand, following an earlier proposal of the Stoltenberg-linked West German weekly, Deutsche Zeitung, is convertibility of the ruble, and opening of the Soviet market to chaotic Western business practices. That is, Chicago financiers and their West German allies want to keep the option of using the ruble as a prop for fictitious value in their current portfolios. Technically, ruble convertibility would permit capitalists to convert the proceeds of current exports to the Soviet area, paid for in rubles, into ready cash, which could then be put to the ignominious task of maintaining existing debt structures in the capitalist sector.

Certain politically-naive managerial layers in the Soviet Union have suggested that the Soviet leadership take this entirely stupid proposal at face value, and "compromise;" they suggest that foreign holders of rubles receive 10 per cent convertibility, according to reliable sources. Properly, the Soviet political leadership has earmarked these plans for the wastebasket. All the Soviets require to put the ruble into international circulation is a commitment from the capitalist countries that all ruble credits will be directed, through the agreement of participating governments, to productive trade and investment.

Commitment to Production

What upsets capitalists about the transfer ruble is that it is not a currency in the sense they understand it, which can be invested arbitrarily in real estate speculation or machine tools, or exchanged for Swiss francs should a tempting speculative opportunity turn up. Under treaty arrangement between Comecon countries, credits are established for exports at the International Bank for Economic Cooperation, to be "collected" through future trade.

By proposing multi-governmental participation in an Export-Bank, the Japanese have put forward an interim solution to the problem. National Export-Import banks or their equivalent can take a payment denominated in ttransfer rubles, paid, for example, to West Germany by the Soviet Union in an export contract, and **discount** this payment into West German marks for the benefit of BRD firms which provided the goods in question. West German holdings of transfer rubles, accrued through exports to the Soviet Union, could, in turn, be used as a means of payment in trade with France, and so on. Since the key **initial** direction of exports would be to the Soviet Union — beginning with massive exports of agricultural equipment and fertilizer with the aim of eliminating food shortages — the predominant currency holdings arising from this system of international trade would be transfer rubles. The transfer ruble would become the new international reserve currency.

Under the Japanese format, such trade would be directed through international agreement, which potentially insures that credits will be linked to the demand for productive investment throughout the world economy. Possibly to placate hostile factions in his own finance ministry, Premier Miki has left out the role that the Third World must play in the deliberations of such a body. Most obviously the oil-producing countries, but also the Third World in general, will be equal partners in the determination of investment policies which immediately concern their own development.

Special Report

Angola Government Forges Program; Rocky's African Puppets in Trouble

Nov. 19 (IPS) — The newly-created Ministerial Council of the Angolan People's Republic, headed by President Agostino Neto, held its first session in Luanda yesterday, while government troops of the Popular Movement Army (FAPLA) maintained a three-front offensive against invading South African and Zairean mercenaries. The major topic of the new governmental session was the formulation and implementation of policies of agricultural and industrial growth in the context of a program of national economic development.

The Popular Movement leaders discussed at length the on-going shortages of technicians and professionally-trained labor, and the immediate potential of further Soviet aid to open this critical bottleneck. Already, technical and military aid, food and medicine are pouring into Luanda from the USSR and the East bloc.

The implementation of a pro-development program in Angola immediately threatens Rockefeller's ability to maintain the highly profitable apartheid regime in South Africa, and the sattelite looting operations maintained by their black agent allies across the continent. "If the MPLA succeeds, thanks to massive Soviet intervention, in Angola," editorialized the NATO-controlled BRD daily Die Welt on Tuesday, "then President Mobutu of Zaire and Kuanda of Zambia will be on the firing line."

On The Line

Indeed, Sekou Touré, president of West Africa's Guinea Conakry, yesterday reissued his Nov. 13 call for the resignation of Organization of African Unity Chairman Idi Amin of Uganda. In a strongly worded statement, Touré reiterated his view that the psychotic Rockefeller puppet Amin, who has openly joined with Mobutu and Kuanda in sabotaging the Angolan government, is unfit to serve as a spokesman for Africa's population. Immediately, President Marien Ngousi of Congo Brazzaville joined Algeria and Ethiopia in endorsing the call. Uganda radio announced Amin's response today: the President will be leaving shortly for Peking.

Military Offensives

Despite an invasion by both the Zairean and South African standing armies, and aided by white mercenaries from General Antonio de Spinola's fascist Portuguese Liberation Army and U.S. Green Berets, Angolan government forces continue to maintain military control of central Angola and to wage an offensive battle against the enemy. North of Luanda, the FAPLA is slowly encircling strategic towns near Carmona, previously an FNLA stronghold. Intense struggles on northern roads accompanied FNLA attempts to stop this offensive by circling Luanda with the help of the Zairean army. South of Luanda the FAPLA is preparing to move south from Novo Redondo to free Benguela and Lobito from the combined invading forces of the South African Army and the PLA, according to the Nov. 18 Portuguese daily Diario de Noticas. In the Cabinda enclave, Zairean mercenary forces have been expelled by the FAPLA.

In a wrecking operation designed to set up economic sabotage of the new Angolan government, a group of Reuters press agents have been carefully laundering false military reports amid "hot leaks" in the British press about South Africa's involvement in the Angolan invasion for four days straight. Released by reporters expelled from Luanda by the government Nov. 16 these false military reports are designed to create the impression that the capitol city is virtually strangled by a combination of FNLA-Zairean forces from the north and South Africa-Portuguese armored car columns from the south. They are intended to give interested diplomatic and business interests the impression that the Luanda government is about to collapse, and hence cut off the motion toward political and economic development deals with the Angolan People's Republic.