

From the date of completion of the operation, in 1978, the Socialist countries will receive in repayment 15.5 cubic meters of natural gas a year for 20 years. As the agreement on the project was signed in 1974, one can suppose that compensation for reciprocal supplies was calculated in 1974 prices.

To the great multilateral investments one must add bilateral actions like the "Katowice" steel complex built in southern Poland with the assistance of the USSR, which includes the construction of a rail line in charge of bringing from the USSR, first equipment, later iron ore. The precise purpose of the operation is to allow Poland to

eliminate its deficit with the Western countries in the area of steel imports (\$800 million in 1975, \$600 million in 1976); a greater dependency on Soviet ore supplies is a corollary of this.

Beyond essentially conjunctural phenomena like Soviet aid to Poland at the end of 1976, in the form of credit which will enable Poland's leaders to relax tension on the consumer goods market through increased purchases from the USSR, or like the Soviet-Romanian rapprochement, a tightening of economic ties within the Comecon seems unquestionable, whatever the involved parties' motivations.

Confindustria Reports On The Transfer Ruble

The following article appeared Feb. 17 in Il Sole 24 Ore, the official publication of Confindustria, the Italian industrialist organization.

London — For many years there has been talk of Soviet intentions to internationalize the role of the ruble. Soviet economist Ivan Konnik wrote precisely ten years ago: "The convertibility of the ruble is an indispensable precondition for bringing our currency into the (international) currency area and progressively displacing the dollar from its position of dominance." Such a principle has been more recently reaffirmed by E. Andres in his book, *The Basis of Monetary Theory In a Socialist Society*.

The passage from theory to the concrete seemed to take place toward the end of 1976, when the International Bank for Economic Cooperation (IBEC) announced that the transferable ruble had been extended beyond the Comecon as a unit of account no longer limited to import-export operations among socialist bloc countries, but extended to the financing of commercial transactions with the West.

The orientation of IBEC, which regulates payments within the Comecon, is not the only indication of a new approach on the part of the Eastern countries to Western financial markets. It is significant however, because it portends a decisive action by the Comecon to overcome the current factors of rigidity in the balance of payments. During 1976, Comecon presence in the capital markets progressively increased in consistency and — notwithstanding the fact that the bloc's exposed debt position is over \$43 billion, according to Chase Manhattan Bank estimates — the increase of (bloc) negotiable credit on the Euromarket went from 4 percent to 15 percent of the total. Such an "opening" in the market toward the Comecon was due in part to the strong liquidity position of the U.S. banks, but above all to the increased willingness of the socialist countries to supply information on their internal economic development plans.

City of London circles are also working with alacrity on the hypothesis of including the ruble in the worldwide currency chess board. The internationalization of the ruble would have a significant impact on the currency front: "It would certainly represent a hard blow to the strength of the dollar," they say at Citibank. There are some who go even further, hazarding the possibility that

this could de facto force the U.S. administration to reconsider the convertibility of the dollar into gold that was abandoned in 1971.

Michel Kaser, Oxford University Sovietologist, predicts that the ruble will have the role of a reserve currency and that there will be a new market installed parallel to that of the Eurodollar. According to some City of London bankers, the urgency for convertibility is due to the growing indebtedness of the Comecon toward the West and the tension which could arise over the coming months over rates and international liquidity. With this in mind, it is said that arrangements for the negotiability of the ruble on a world scale are proceeding at an accelerating rhythm at the City banks. The only questions are with respect to when and how this would be realized.

It must be kept in mind, in fact, that the U.S. Federal Reserve would be initially reluctant to accept ruble convertibility and would continue to demand gold from the USSR in payment of U.S. imports. It is probable, however, that since gold transactions among central banks initially have no direct effect on quotations in the free market, and since there is continuing currency uncertainty, the value of Soviet gold and the ruble could increase considerably. The technical obstacle that must be overcome appears to be the transformation of the convertible ruble into an international unit of account. Many experts think that were the USSR to demonstrate the capacity to convert rubles into gold at any time (The U.S. State Department has entertained few doubts about this ever since it became clear that mining activity in the USSR had increased strongly), the central role of the Soviet currency would be a fact. The Soviet Union would have only to reveal the increase of its gold reserves, which are already considered sufficient to support the full convertibility of the currency.

There is a political hitch, however. Convertibility presupposes a notable elasticity in ruble exchanges and therefore a complex adaptation of the centralized structure of the Soviet system to mechanisms appropriate to a market economy. The spring for this historic transformation would be provided by the increasing equilibrium between the East European economies and those of the Western industrialized countries. If disequilibrium between them increases, the greater interdependence between the two systems will become inevitable, and hence there will be a reciprocal loss of autonomy.