

cisco-based Bank of America, who commented in a recent interview that "I don't see any problems with establishing it (the transferable ruble) as an international credit device. It doesn't present any problems to Soviet planners. There's no reason why it

shouldn't fly." Di Orignaga stressed "triangular trade" — the involvement of OPEC and Third World countries in European-Soviet deals — as the key to the transferable ruble's prospective success.

## International Press Debates Expanded Use Of T-Ruble

*Rude Pravo, Feb. 21,  
"For More Active CMEA Monetary Relations,"  
by Mirko Svoboda, Deputy Finance Minister:*

The decisive factor for the development of Comecon member nations is the commodities sector, i.e., securing sufficient amounts of fuel, basic raw materials, energy-related copper, and so forth.

The systematized supply of these resources, which also involves the organization of currency transactions and bills of exchange, helps broaden cooperation and improve its qualitative level. The (Comecon) state's monopoly on foreign exchange transactions facilitates a more active use of exchange and currency relations... The fact that the state has the unconditional right to conduct credit and payments relationships with other nations, to transmit abroad the means of payments, and to make them available in the first place, provides the possibility — from the standpoint of exchange relations — of influencing production and the flow of goods, as well as signalling lags promptly and promptly eliminating them.

In the present period, characterized by the effects of crisis developments in the capitalist world which will not be overcome but on the contrary will persist, the importance is increasing of the foreign exchange monopoly's defensive functions is increasing... vis-a-vis the negative effects of this process. The international monetary system of the capitalist countries, which was established on the Bretton Woods basis following World War II, has in fact collapsed, as has its representative, the International Monetary Fund.

An international world wide monetary system cannot be created which defends the principle of giving a privileged position to a number of capitalist powers — specifically the U.S. — as is today the case. It is impossible here not to take into consideration the changes in international developments and in the world community of nations, based on the efforts of the socialist countries and the developing nations for independent decisions in currency and monetary issues and for reversing the horrible consequences of former colonial dependence on their economies.

Attempts to reform the International Monetary Fund into some kind of 'World Central Bank' or into a 'World-wide centralized organ for International Monetary Relations' are necessarily a fiction which belongs with other "convergence theories" about the "growth of capitalism and socialism towards each other."

There presently exists a diversified unit of account system in transferable rubles, which subsumes all forms of trade relations, as well as a number of non-trading

relations, including short-, middle-, and long-term credit- ing through the banking institutions of the socialist countries. The International Bank for Economic Cooperation and the International Investment Bank are to be counted in this system. This year, the CMEA's Standing Commission for Currency and Monetary Questions will deliberate on a number of important tasks, which touch upon the entire array of matters in the area of parities and unit of account relations. Priority deliberations will be completion of the system of guaranteeing equivalency in non-trade relations; raising the effectiveness of currency-financial and credit instruments functioning through international economic organizations; currency, financial and credit questions, which relate directly to economic and scientific-technical aid for the developing nations; prevention of double taxation between Comecon member nations and the People's Republic of Yugoslavia; and similar matters. Special emphasis is to be put on the role of the collective currency (the transfer ruble) and the broadening of its application. An analysis is needed also of the appropriateness of the parity and the gold content of the transferable ruble, in connection with the contracted prices of the member countries of the Comecon for the years 1976-80 and the dynamics of the world market price.

In the area of currency relations, it is necessary today to draw joint conclusions from events which constitute the negative consequences of the capitalist countries, price increases in petroleum and energy, the economic decline of the capitalist world and price movements on the capitalist markets.

*L'Appel, February,  
"The Cold War":*

The implementation of American dollar inconvertibility into gold in two steps — March 1968 for private holders and August 1971 for all dollar holders — has provoked the greatest wave of international inflation which the world has ever known. On this wave, which creates and carries the dollar market outside of the U.S., the quadrupling — in fact today the quintupling — of oil prices has appeared as the inevitable consequences of the disorders thus engendered.

Developed countries, like developing countries, feed (supply) the OPEC countries, not with real goods — but in the form of debts. The oil consuming countries borrow dollars on the external markets. Then they settle their oil accounts with these dollars. The excess part of these liquidities thus received by the oil producing countries is

then replaced by the latter on the preceding markets. What is produced in fact is a gigantic transfer of debts: debts which may determine the fate of peace or war in the world.

In the short term, in liquid form, it is especially the U.S. which is indebted (more than \$120 billion) and this indebtedness, these dollars maintained outside of the U.S., can be considered as a sort of monetary base on which the dollar market is developed in other countries. Reciprocal commitments of all sorts on this market surely represent more than \$400 billion.

Among the U.S.'s short-term creditors, let us cite especially West Germany (more than \$20 billion), Saudi Arabia and the other oil producing countries (more than \$60 billion), then Japan, Switzerland, France, etc.

*Following a chart of the indebtedness of certain key countries like Brazil and Mexico, Christian Borromée concludes that so-called "reasonable" reforms of the monetary system are not impossible, that now events will decide what happens rather than men. Pressures are mounting and "these pressures can be transformed into a tidal wave:*

*1) if, the holders of short-term capital decide to flee from the dollar,*

*2) if a sufficient number of debtors become insolvent at the same time,*

There will then only remain the gold solution, after changes of regimes caused by unemployment or the abuses of inflation.

But one must also think that this return to gold could one day be provoked by the appearance in the international financial concert of a USSR whose position has never varied in this area.

Barring an armed conflict between China and the USSR, one can say that the next great world shakeup will be monetary. Provoked by events... or by a great country.

*Neue Zürcher Zeitung, Feb. 20-21,  
"Convertible Ruble?"*

... There can be no question of introducing convertibility in the sense of the concept as it applies in the West... Transferable rubles cannot be exchanged for hard Western currencies... Even if to a restricted extent the (transferable ruble) opportunity is used by Western exporters, it would de facto amount to simply a provision of credit to Eastern European states for an indeterminate period at a notably low interest rate...

*Frankfurter Allgemeine Zeitung, Feb. 22,  
"Transferable Ruble for the West":*

... The latest rumors about a supposed introduction in the Soviet Union of a convertible ruble have been confirmed in a manner anticipated by Western observers: the Comecon bank is finally in a position to offer the West a "weak convertibility" of ruble assets, which would only hold good within the Comecon and even there only with many restrictions.

The Comecon Bank is not prepared to provide holders

of transferable ruble balances with hard convertible currencies such as U.S. dollars, D-marks or Swiss francs in exchange for transferable rubles. The holders of "TR accounts" will also not be entitled to transfer the assets to third parties at free prices. If this were the case, a free-trading market for transferable rubles could emerge in the West. Under certain circumstances, East bloc countries themselves could also participate, which, however would dissolve the strict accounting system in East bloc trade. In addition, rates for "TR-rubles" — expressed in convertible dollars — would show the state of the actual buying power of the transfer ruble... In the financial market of Zürich, which presides over extensive East-West trade business, it is said that there is no great practical significance in the permission to introduce transfer-ruble accounts... Western observers doubt that in the foreseeable future the Comecon bank will introduce genuine ruble convertibility, because this would run contrary to the rigid foreign-trade system of the East bloc.

*Il Sole 24 Ore, Feb. 22:*

... According to authoritative circles, the Soviets would have been interested in a doubled credit tranche... While if open to accepting a specification of the new tranche in dollars, the Soviets showed no elasticity on the other conditions requested by Italy, first of all the international rediscounting of promissory notes; if the promissory notes were rediscounted in U.S. banks, as is normally the case, those banks could become creditors vis-à-vis the few foreign banks of the USSR for an amount greater than the levels allowed by the EEC, and further credits to Moscow could be blocked...

Among other modes of trade financing, joint ventures are being discussed for linking exports to third countries to the use of the transferable Comecon ruble. This could provide Italy with the possibility of utilizing credits arising from exports to the Soviet Union to pay for imports from other members of the EEC...

The prevalent feeling here in Moscow is that credit will be arranged...

*Chicago Tribune, Feb. 21,  
"More To Trade In Rubles":*

There have been recurring reports that the Soviet Union may seek Western agreement to use transfer rubles as a clearing instrument for East-West trade. The transfer ruble is a collective currency for trade and services within the Moscow-controlled Comecon trading bloc.

Most East-West business deals until recently were contracted in hard currency. But lately Eastern European trading officials increasingly insist on compensation deals with Western companies. The reason is the mounting indebtedness of the Comecon companies.

(West) German firms discovered that inquiries from the Soviet Union involving entire industrial plants were tied to the acceptance of barter goods for the full amount. Similar experiences were encountered with commercial partners in Rumania and Poland.

Some of the East European countries have been urging that the ruble be made a convertible currency, a move that would ease their trade with the West. But Moscow heretofore has turned a deaf ear to the requests.

*The Financial Times, Feb. 22,  
"The Enigma of Transferable Roubles"  
by David Lascelles, East Europe Correspondent:*

The Soviet plan to encourage wider international use of the "transferable rouble" — the East bloc's closest thing to a convertible currency — has sent ripples through Western banking circles. Was the announcement, made last autumn, the first crack in the impermeable barrier between the currency systems of East and West? Was it even as one leading banker claimed, the most important news for currencies since Bretton Woods?

Several months later, the Russians are still promoting their transferable rouble. There are so many unanswered questions about just how it will work that the West has yet to make up its mind what it all means...

The new rules raise the far-reaching question whether the use of TRs by western countries could lead to the emergence of a discounting market. The enormous imbalance in the East-West trade in the West's favour (some \$6bn. last year alone) would suck out TRs and make the West a major holder. The first reaction of any western banker is that this would create a secondary market in TRs where their value could fluctuate according to trends in East-West trade and Comecon's economic fortunes.

IBEC, however, denies that this would happen since TR holdings would be strictly controlled, and no transfers could take place without its approval. It has stated,

though, that banks or firms holding TRs can transfer them to others, provided they also have accounts with IBEC. Presumably in such cases, the banks or firms involved could still come to some private arrangements over what these holdings are worth. Ideologically, of course, it would be totally unacceptable for a communist currency to be speculated within capitalist markets. But the more strictly TRs are controlled, the less attractive they would be as a means of payment...

It may be wrong to view the new IBEC regulations in terms of trade with the West. The rules are far more likely to have been drawn up with a view to the Third World, which is putting pressure on the Soviet bloc to improve credit relations.

Perhaps the most important aspect of IBEC's announcement is the implication that the Russians still see no progress in Comecon's external financial relations being made through broader use of the TR rather than working towards currency convertibility....

*Il Sole 24 Ore, Feb. 24:*

Montedison international director Giuseppe Ratti first dismisses the "worthless criticisms" of opponents of new credits, then announces that Montedison is negotiating new development projects in Siberia on a multibillion-dollar scale. Ratti calls for "more imagination" in "finding new ways to finance those credits" to the USSR and announces that Montedison takes Soviet economic planning into account in projecting its own corporate plans. The Feb. 24 issue of *Il Fiorino* also reports that Soviet Premier Kosygin has invited the Italian industrial delegation to begin involvement in construction of fast-breeder nuclear fission reactors in the USSR.

## CAP Calls Carter's Bluff

Within 48 hours after the *New York Times*' "revelation" Feb. 19 that Venezuelan President Carlos Andres Perez had allegedly received CIA money as Interior Minister during the early 1960s, Perez, dispensing with diplomatic niceties, directly held "very high levels" of the Carter Administration responsible for the "mendacious accusation" and demanded a formal retraction, not from the *Times*, but from the U.S. government itself. Stating that this "insidious fabrication against the independence and dignity of Venezuela" was no mere incidence of sensationalist journalism, Perez identified the attack as part of a campaign to undermine Venezuela's "frank and determined third worldist position."

At a meeting on the night of Feb. 22 with Foreign Minister Ramon Escovar Salom, U.S. ambassador to Caracas Viron Vaky delivered a letter from Carter to Perez apologizing for the "unfounded and malicious" charges.

Although Carter's backdown was formally recognized by Escovar as having "resolved" the problem, the im-

pact of Perez' charges will be far reaching internationally. As Perez explained in a statement released on the morning of the 22nd, the "intentions of President Carter" and the much-touted "new morality" in Washington "have been put to the test." "What is occurring in the relations between the United States and the rest of the world," he continued, "we might refer to as another 'Watergate'." Referring to the CIA itself, Perez stated, "It arouses the conscience of the world that the most powerful nation on earth, which proclaims the values of democracy and exalts the dignity of man and liberty, shelters a putrid organization which has as its primary objective the corruption of men and peoples, and which, when such peoples refuse to bend to its designs, drags them into the mire, accusing them of being its servants, fully aware of the worldwide revulsion provoked by any contact with this organization of crime that knows neither boundaries nor ethical limits."

Perez has demonstrated how other governments can call the bluff of the Carter regime's psychological warfare — the premise of James Schlesinger's "aura of