

# POLITICAL ECONOMY

by Dave Goldman

## New Economic Initiatives by Soviets

### Open Way Out of Depression for Europe

**June 14 (IPS)**—With something of a shock, Western Europe realized this week that the Soviet Union was the only national government in the industrialized world taking competent action on behalf of the world economy. The Soviets had announced their intention to do so in their call to “all peoples and governments” six weeks ago. But this week marked a turning point in the question of who makes policy, combining the most hubristic interventions the Soviets have yet made in the West with the most abominable display of stupidity and paralysis ever seen on the part of the top organs of the capitalist class.

On June 12, Soviet Deputy Prime Minister Novikov bluntly ended several days of talks in Bonn with West German officials including Chancellor Schmidt and Foreign Minister Genscher, by stating that orders to West German industry depended on German credits. “With a 2 billion deutschemerk credit,” Novikov claimed, “the Soviet Union could send more orders to West Germany.” Trade between the two countries, the Soviet Minister predicted for newsmen, would reach a record 10 billion marks (about \$4.5 billion) during 1975 if the West German government wanted it. Now, East bloc trade accounts for nearly 10 per cent of West Germany’s exports.

At the same time, Soviet trade missions are deployed throughout the rest of the advanced industrial sector. Deputy foreign trade minister I.E. Wemichastnov spent two days in Tokyo this week speaking with a group of Japanese businessmen, reportedly to discuss new projects with the Japanese. In Moscow, a representative of Italy’s largest auto manufacturer FIAT met

with foreign trade minister Patolichev and top-level Soviet technical specialists.

These Soviet negotiators—in most cases, armed with immediate action proposals to increase trade—have been firmly backed by high-level statements from Moscow. On June 11, Soviet Premier Alexei Kosygin noted that Soviet peace initiatives “favorably influences our potential for economic growth.” “The prospects for broad business cooperation,” Kosygin stated, “which international detente opens up, correspond to the interests of all countries. The advanced capitalist countries gain from this no less than the socialist countries. And there has as yet appeared no country in the world, which would gain in its development by boycotting ties with the socialist states.”

This method of trade negotiations—appealing directly to hard-pressed German trading interests in the middle of a fever-pitch—is something that capitalists are not accustomed to, and even such firm advocates of expanded Eastern ties as the West German financial daily *Handesblatt* bristled slightly at the Soviets’ chutspah.

But the Soviets are explaining clearly and precisely why East-West trade has to increase. Soviet academician Vladimir Kotov, for example, set out the need for increasing shipments of Western European capital goods to the Soviet Union in a talk Wednesday before a business audience in Frankfurt. Such exports “should ensure that more finished and semi-finished goods could be delivered from the Soviet Union to West Germany,” Kotov said, adding, “This in turn is the basis for the quick expansion of the

trade volume of both countries.” He added frankly that this plan “also could overcome the deficient quality of Soviet manufactured goods.”

To make sure this last point was not lost to the non-Russian speaking German capitalist, the East German magazine *Horizont* this week featured an interview with the Soviet deputy chief of economic planning Inozemtsev. The Russian planner noted the extent to which the new Soviet five-year plan takes into account the interdependence of the world economy. Dismissing Western capitalist arguments that there is no depression collapse, Inozemtsev emphasized the economic stability of the East Bloc and offered the West a share in the East’s industrial growth.

Past these efforts, through which the Soviets and their allies have set the terms of economic policy for their potential collaborators, the socialist bloc has evinced a genuine understanding of how to bring the institutions needed to reconstruct world trade into existence.

The annual report of the International Bank for Economic Cooperation, the central bank of the Soviet-led Council for Mutual Economic Assistance (COMECON), indicates how the Soviets intend to go about the creation of a transfer-ruble payments system for East-West trade and three-way development efforts in the underdeveloped sector. The report says:

“The present economic relations between the COMECON area and capitalist countries are becoming increasingly complex, including trade- and credit-relations as well as cooperation in production and in scientific and technical endeavors...Despite the

troubled situation of the Western currency markets during 1974, and the serious crisis of confidence in the capitalist banking system in the middle of last year, IBEC further developed its operations in convertible currencies (i.e., Western currencies) to the equivalent of 52.8 billion transferable rubles (about \$65 billion). This activity of the bank in the credit sector was expressed in a necessary growth of the bank's convertible-currency credits, and in its participation in joint banking ventures with France and Italy, among others."

That is, in cooperation with part of the Western banking system, in particular the large government-owned banks of France and Italy, the International Bank for Economic Cooperation has created a \$65 billion credit pool for East-West trade. IBEC itself thus provides a bridge between the transferable trade within the COMECON and external trade still dominated in dollars or deutsche-marks.

Since its founding in 1964, IBEC has functioned along roughly similar lines to the proposed

International Development Bank, issuing book credits as needed on the basis of trade agreements between different country-members of the Soviet economic group. Its latest annual report indicates that it now has the capacity to link this to Western-currency credits, creating, in effect, a limited "convertibility" on a strictly trade-related basis between the CMEA trading currency, the transfer ruble, and Western currencies. Including Western central banks in the arrangements begun unilaterally by IBEC—as the Italian financial press has proposed—would put Western Europe on a ruble payments basis.

From the Western side, this depends entirely on a political commitment from the capitalist countries to discipline themselves to working class terms. As one Italian commentator put it, "Measures will be required to dampen speculation" in the new currency arrangements. Payments in transfer rubles will necessarily be limited to central banks acting along the same lines as IBEC, issuing transfer-ruble payments to settle international

trading balances and issuing Western currencies to local manufacturers.

Moreover, the Soviets are—less publicly—linking into Western motion towards the emergency resurrection of a gold payments system, as a storm shelter against the dollar collapse. On June 6, Kosygin met in Moscow with Swiss National Bank President Leitweiler, a top-level parley without precedent, according to Swiss sources. Swiss banking sources believe that the meeting, at which the two leaders "exchanged views on questions of economic relations," might have been a critical breakthrough for both sides. The Swiss are the most notoriously pro-gold of European countries, and house the world's largest gold market.

Comecon's transfer ruble, backed by 0.9 grams of gold, is the only major world currency supported by the metal. To the extent that European central banks revive gold exchanges to settle their accounts after this week's International Monetary Foulup (IMF) meeting, the move towards a ruble payments system is the self-evident next step.