

EXCLUSIVE**INTERNATIONAL REPORT**

Moscow Green Light for Transferable Ruble

Moscow has signalled the go-ahead for implementation of the Council for Mutual Economic Assistance (CMEA) offer of its transferable ruble as the basis of a new world monetary system. Word of the October 1976 protocols of the CMEA's International Bank for Economic Cooperation (IBEC), which provide for the transferable ruble to finance bilateral and multilateral international trade, had previously been issued only in the bulletin of Moscow Narodny Bank in London. Now Soviet economists writing in the authoritative Soviet magazine *International Affairs* this month have restated the offer with an extensive political motivation addressed particularly to Western Europe.

Highly placed officials of the Banca d'Italia and the Italian Foreign Ministry have stated many times privately that precisely such a Soviet decision to "go public" with the transferable-ruble proposal would greatly increase the feasibility of the plan from Western European policymakers' point of view.

The *International Affairs* article posed the prospective T-ruble trade financing system as nothing less than an alternative to the International Monetary Fund. Western Europe, where the T-ruble has been discussed *sotto voce* in government and business circles for many months, has never been riper for the idea.

The Moscow offices of Great Britain's four largest banks — National Westminster, Barclays, Lloyds and Midland — find the T-ruble proposal "highly interesting," according to the *Journal of Commerce* Jan. 19. These banks intend to enlarge British exports to the Soviet Union from the 1976 level of £221 million into the £1 billion range.

Following Prime Minister Callaghan's assertion of control over trade, industry, finance, and economic planning last week, this reported London policy outlook brings Britain fast on Italy's heels in leadership of a Western European axis opposed to the New York banks. Britain, like Italy, and with Arab assistance, is prepared to bolt from the dollar if President Carter attempts further inflationary action. The *London Times* editorialized Jan. 16, updating a similar warning in the West German *Deutsche Zeitung* last December, that any such action by the Carter Administration will be the signal to end the reserve role of the dollar.

The strength of Western Europe to move *en bloc* against the dollar depends decisively on the position of its most powerful country, West Germany. Italian Prime Minister Andreotti was in Bonn for three days this week, with dramatic results. Following Andreotti's talks with Federal Chancellor Helmut Schmidt, Schmidt's

spokesman Klaus Boelling declared that the two sides had reached a state of "convergence" on major issues of economic, foreign, and defense policy.

Schmidt now proceeds to London for consultations with Callaghan. British press observers emphasize that they will study the first official statements of the new American president and prepare coordinated receptions for Carter's Vice President Walter Mondale who tours Western Europe next week. *The Daily Telegraph* and *Financial Times* of London have stated that Schmidt's trip to London should make clear that when Callaghan travels to Washington in February, he will be speaking on behalf of the entire European Economic Community (EEC).

Most telling of where Helmut Schmidt now stands was his nationally televised speech to the West German parliament Jan. 19, where he said there were "strong parallels" between Soviet party leader Leonid Brezhnev's view of detente and his own. Hit with catcalls from the opposition bench, Schmidt firmly repeated himself: "What alternative do you want? What means do you want to use (vis-à-vis the USSR) if you no longer speak with each other, if you no longer want to negotiate? Brezhnev has set a great task... Brezhnev is of the opinion that a lot has only just begun, and I agree. ...I was pleased by the openness of Brezhnev's speech."

Schmidt referred to Brezhnev's Jan. 17 speech in the Russian city Tula. Brezhnev there and Foreign Minister Gromyko in a speech the same day offered openings for Western Europe to take an independent line from the U.S. on arms policy — concomitant to the Europeans' economic steps. Brezhnev set priorities for "statesmen who have responsibility for millions of people and their nation:" agreements in the Soviet-American Strategic Arms Limitation Talks (SALT) and the Central Europe force reductions negotiations (MBFR). "Time will not wait," warned Brezhnev about SALT. For the MBFR, Brezhnev announced that the USSR has nothing against discussing that topic at any diplomatic level and anywhere: Vienna (where the negotiations have been stalled for three years), Bonn, Washington or Moscow. Gromyko, speaking at a reception for the Polish Foreign Minister Wojtaszek, called for a meeting of signatories of the 1975 Helsinki accords on European Security and Cooperation to discuss the Warsaw Pact's proposed treaty banning first use of nuclear weapons. "The December session of the NATO council stated lack of interest in this proposal," said Gromyko, "but the facts show that this is by no means unanimous...there are circles in NATO countries who are of another opinion."

"Greater Europe" and the World

International Affairs (excerpted in translation below) proceeded from the standpoint of "Greater Europe" — from the Atlantic to the Urals. Toward first steps for institution of T-ruble financing through the CMEA banks, the Soviet authors stressed the potential of arrangements between the CMEA and the EEC as competent

negotiators for the two sectors of Europe.

The Soviet view is that even at current rates of expansion, East-West trade under present bilateral East-West arrangements is far under potential. The USSR also demands elimination of discriminatory tariffs, in order to maximalize trade and investments expansion over the whole continent.

'East-West Business Ties — Possibilities and Realities'

The following is excerpted from the article by economists Yu. Shiryaev and A. Sokolov in the Soviet monthly International Affairs, Russian language issue no. 1 for 1977. This journal also appears in English and French on a later schedule; the English edition will not carry this article until February 1977.

The countries of the socialist community are developing relations with states of the opposing system under conditions of détente, which creates possibilities for further expansion of these relations in the most diverse areas. The significance of the international division of labor is increasing for every country, irrespective of its wealth and level of economic achievement. The Soviet Union, like other states, is trying to make use of all the benefits which foreign economic ties provide, in order to mobilize additional potentials for solving its economic tasks, gain time for raising the efficiency of production and speeding up the progress of science and technology.

The significance of the division of labor in international life will grow even more in the future. Not only individual countries, however large and developed they may be, but even groups of countries are incapable of a fundamental resolution of such global problems as, let us say, raw materials or energy, food or ecology, mastering outer space or utilizing the resources of the oceans. These problems will increasingly affect the whole system of international relations and involve the interests of all of mankind.

In fact, if states of both systems develop mutual trade, participate in work on large-scale international problems, establish active cooperation in improving infrastructure, in the use of new types of energy, space exploration, questions of health care, defense of the environment, etc., this will lead to a growth in the economy of each of the cooperating countries and strengthen mutual trust and peace.

*Realities in the Framework
Of "Greater Europe"*

There exists a hefty material base for the further development of economic ties within the bounds of "greater Europe ..."

For several years now, trade between the socialist and capitalist countries of Europe has been one of the most

dynamically developing sectors of world trade. For example, while in 1970 the share of the 'Common Market' countries in the overall foreign trade of the socialist community was over 13 per cent, in 1975 it was closer to 25 per cent.

...The rapid rate of growth of trade with the capitalist countries is proof that socialist integration in no way leads to the isolation of the CMEA countries and does not present an obstacle to active, mutually beneficial business ties of the socialist states with countries of the opposing system. Moreover, to the extent that the provisions of the (CMEA) Complex Program aimed at raising the effectiveness and technological level of production are realized, the material preconditions are created for the intensification of economic ties of the CMEA countries with third countries, Western European ones in particular.

At the present time there exists a firm political basis for the further development of economic ties on an all-European scale.

*Forms of Business Relations and
Economic Strategy*

In the course of further development of economic relations between the socialist and capitalist countries an improvement of old forms and development of qualitatively new forms of such relations is taking place. Thus the Soviet Union and other countries of the community have long-term (usually ten-year) concrete programs of cooperation with several western countries, including mutual obligations to facilitate the realization of large-scale projects, the creation of mixed firms, etc.

Among the already realized projects are the gigantic trans-European gas pipeline from the USSR to Western Europe (5 thousand kilometers long and with a capacity for 30 billion cubic meters of natural gas per year), for which the biggest firms of the FRG, Italy, France and Austria took part in supplying equipment and pipe; the equipping and modernization of automobile factories in the USSR and other CMEA countries with the participation of Italian, French and West German companies; the construction of the Ust-Ilimsk cellulose factory by the CMEA countries with the participation of France in supplying equipment; the exploitation by the CMEA countries of ore deposits and the development of the oil-processing industry in Poland with technical and