investment-oriented monetary system, new energy-development policies, and so forth. The Mideast war and oil crisis of 1973-74 were the reward for the retarded velocity and oblique direction of such efforts. Now, with a new conjuncture forcing a revival of such plans, the favorable nature of world conditions is unprecedented: the political and financial vulnerability of the New York banks and their Trilateral Commission executors; the new leverage of the Arabs, ironically due to the New York banks' own earlier bailout strategy; and the breadth of popular support internationally for sensible policies on the explicit basis of scientific and economic progress. Whether full advantage is taken of this potential by Western Europe and Japan appears at this point to depend on what they see happening in the U.S. itself.

Progress On T-Ruble Negotiations

SPECIAL REPORT

Use of the transfer ruble as in international reserve instrument is still on the front burner as a European financial option, indicated senior Italian officials. According to authoritative Italian government sources, the visit to Italy last week of Soviet foreign trade minister Komarov produced some progress on transfer-ruble trade financing between Italy and the Soviet Union, although results will not be know until the visit to Moscow in June of Italian trade minister Rinaldo Ossola.

A transferable ruble agreement between Italy and the Comecon, which would involve Italian acceptance of T-rubles in payment for Italian exports to the East bloc, and Soviet and other East European willingness to make a pool of goods available for sale for T-rubles, has been mooted in Italian official circles, with a start-up deadline of June or July. But Italian sources, who say they were encouraged by last week's round of negotiations, emphasize that a major factional battle inside the Soviet leadership will determine the outcome. One stumbling block, an Italian banker reported, is fear among a stratum of Soviet planners whom the banker referred to as "agriculturalist faction," that more Soviet economic integration with Western Europe would disrupt internal planning controls. There is also stiff opposition to the internationalization of the T-ruble on the part of the "pro-Carter" faction in the Soviet leadership, Italian sources said.

Following a meeting of its governing council, the International Bank for Economic Cooperation (IBEC), the Soviet sector's central financial institution, issued a cautious restatement of its policy on making the transfer ruble available internationally. Contrary to rumors circulating in the West, IBEC said, plans to make the T-ruble directly convertible into Western currency or other financial assets, or to create a "Euroruble" market, "do not conform to the reality of the situation." However, IBEC stated on what terms non-IBEC members would be permitted use of the T-ruble, on approval of all present IBEC members. These include financing of 100 percent of the value of a trade transaction through transfer ruble issues at nominal interest rates, whereas the T-ruble could only be issued previously to cover 25 percent of the value of such transactions; and provision to allow payment in T-rubles of only one side of a trade transaction, where previously IBEC demanded full balancing of transactions before non-members could pay in transfer rubles.

In addition, the German Democratic Republic newspaper *Neues Deutschland* reported, observers from banks in Latin America, Asia, and Africa, were present at the IBEC council meeting. This development is not totally unprecedented, but still extremely unusual. Although the banks participating were not identified, the move probably indicates negotiations in an advanced stage of completion for use of T-ruble in trade between Comecon and Third World countries, or in triangular arrangements with Western European countries, such as Italy. There is some speculation among Western observers that the 14 billion transfer ruble development fund at the IBEC's sister institution, the International Investment Bank, may finally be tapped in a significant way, especially since development credits from the West are becoming virtually unobtainable. However, for the Soviets to undertake major development efforts in the Third World, they would require Western European participation to provide a significant share of the flow of infrastructural goods.