Soviet Union Extends Transfer Ruble As Base For New Monetary System

Dec. 18 (NSIPS) — Western Europe is now orienting towards a specific Soviet proposal to extend the Comecon monetary system to Western and developing countries. This proposal, issued by the Comecon in October but made public only last week, prefigures a general repudiation of the Bretton Woods monetary system by the rest of the world, and the end of the U.S. dollar's role as an international reserve currency. High-level sources in Western Europe indicate general acceptance of the Soviet plan, and U.S. monetary and security authorities are in panic over the prospect.

This development is to be seen in two related contexts. First, Western European leaders are furious at the United States for heavy-handed intervention into their political and economic affairs, and are breaking from U.S. policy. West German Chancellor Helmut Schmidt's speech Dec. 16 to the opening of the current Bundestag session stressed closer relations with the Comecon at the implied expense of NATO. Italian leader Giulio Andreotti and British Prime Minister James Callaghan have both circulated a proposal for a European summit to reverse the Washington-centered decisions of the 1975 Rambouillet summit, before European leaders meet with Carter. European Community Commissioner Claude Cheysson publically attacked European leaders for bowing to U.S. pressure on the question of postponing the North-South conference, adding that Europe only had itself to blame for OPEC's decision to raise oil prices.

Secondly, the Europeans, Arab countries, and Comecon have built up what amounts to a second world monetary system through extensive agreements on "nested" trade accords. The most prominent of these is the "triangular" Italy-Soviet-Libya deal of last week, but they include vast oil-for-technology transfers and related deals between the three sectors. Some of this trade already involves Soviet financing. European business sees the extension of transfer ruble financing to the West as a natural and necessary development.

The Soviet proposal, under discussion during the Polish head of state's visit to Britain this week and the Italian foreign minister's trip to Moscow Jan. 10, involves large-scale, long-term financing through the Comecon International Bank for Economic Cooperation. The extension of transfer rubles, the Soviet account unit, to the West through Soviet ruble payments for Western imports is based on re-circulation of Western imports is based on re-circulation of Western transfer ruble holdings through "triangular" state-to-state trade agreements.

Developments surrounding the OPEC dual price increase indicate a high level of OPEC coordination with both the Europeans, especially through British-Saudi connections, and the Soviets, mainly through Kuwait, Iraq, Algeria, and Venezuela. In the context of the Arab League's agreement for early Arab monetary union last week, British sources report early-1977 moves for a gold-backed Gulf currency. The dual pricing system itself reflects no split in OPEC; on the contrary, it is an OPEC ploy to wrest control of international petroleum marketing from multinational oil companies. In essence, the agreement permits OPEC to undersell the oil companies. OPEC will also reportedly extend preferential deals to "friendly countries," including Britain and Italy.

Western European government have kept their actions towards the creation of a new monetary system under a security lid, and are still fearful of pressure from the United States — although U.S. capacity to dictate European policy is sharply reduced. Precisely how Europe decides to proceed will determine, on a short-term basis, virtually all interesting monetary and related developments during the period ahead.

IBEC Offers Transfer Ruble for Settlements of East-West Trade

Exclusive to NSIPS

Dec. 8 — The following press bulletin was issued today by the Moscow Narodny Bank:

The International Bank for Economic Cooperation (IBEC) council, at its 43rd meeting in October 1976, adopted the decision to further improve facilities for participation of non-members of the bank in the system of multilateral settlements in transferable rubles.

First, the requirement of obligatory preliminary balancing of settlements is eliminated. Such balancing is now advisable but not obligatory.

Second, the Amount of credit granted by the IBEC is now increased to 100 percent of the agreed volume of settlements in transfer rubles.

Third, the IBEC credit now acquires term nature, i.e. it is granted for a certain term agreed between the IBEC and the borrower within the limits of three years and should be repayed in this term.

Fourth, at the wish of the borrower the amount of the credit may at any time within the limits of agreed term be repayed in a convertible currency at a rate agreed with IBEC.

The requirement for agreement between the competent organs of the interested countries on purchase-sale of goods or services under settlement in transfer rubles remains in force.

The maximum terms of credit (up to three years), the interest rate charged on credit (1.5 percent per annum independent of the term of credit) and the interest rate on transferable ruble accounts opened with the IBEC (1 percent per annuum) remains unchanged.

The new text of the procedure is as follows:

Procedure

For performance of settlements in transferable rubles between member countries and non-member countries of the IBEC.

In 1977, the IBEC will enter the 14th year of its existence. The main objective of the IBEC is to assist economic cooperation and development of national economies of the bank member countries as well as to extend their cooperation with other countries.

The nominal capital of the bank is established at 304.4 million transferable rubles which is to be paid by the member countries in transfer rubles as well as in free convertible currencies and gold. The paid-up part of the nominal capital in transferable rubles and convertible currencies amounts to 120 million transfer rubles as at January 1, 1976. The gold content of the transfer ruble is set at 0.987412 gram of fine gold.

The transferable ruble is the collective currency international of the Council for Mutual Economic Assistance (CMEA) member countries. All the settlements of these countries involved in their trade turnover, mutual credit and non-commercial transactions are performed in transfer rubles. The credits extended by the IBEC and by the international investment bank, newly created by the CMEA countries, are also carried out in transfer rubles.

The volume of the IBEC operations in transferable rubles shows an increase from year to year. In 1975 the volume of these operations amounted to 94.9 billion transfer rubles.

To ensure smooth carrying out of settlements of the IBEC member countries and to assist in fulfillment of reciprocal payment obligations involved in their trade turnover and in other payments, the bank grants to its member countries credit facilities of two types: settlements and term credits.

Settlement credit is granted to satify short-term requirements for funds of the member countries during excesses in their payments over collections. This credit is of a revolving type and is advanced immediately, when needed, up to a limit determined by the council of the bank. Term credit is granted with the aim to provide for the expansion of their trade turnover, for meeting seasonal needs and other purposes for periods up to three years. For credits granted, the IBEC charges from 2 to 5 per cent per annum depending on the type and term of credit.

The IBEC attracts funds in transfer rubles to current accounts and deposits and pays on them from 1.5 to 4 per cent per annum.

The IBEC is an open international organization. Other countries may become members of the bank if they share the aims and principles of its activities and assume obligations, resulting from the agreement of October 22, 1963 concerning the organization of the bank and from its statutes (Article XIII of the agreement).

The agreement provides the IBEC may perform settlements in transferable rubles with countries that are not members of the bank in accordance with the recommendations resulting from the complex program of socialist economic integration of the CMEA countries, the council of the IBEC has revised and perfected the terms of participation of non-member countries of the IBEC in the system of settlement in transfer rubles.

The banks of non-member countries, participating in such settlements, may receive transer rubles in payment for goods delivered and services extended to the IBEC member countries, as well as in payment for expenses involved in non-commercial transactions including amounts covering the expenses of diplomatic and other representations, of tourists, etc.

These banks may use transferable rubles in payment for import of goods from the IBEC member countries, for repayment of credits received and for payments involved in non-commercial transactions.

Settlements in transferable rubles of non-member countries of the bank with the member countries of the bank can promote the expansion of their mutual trade turnover by balancing settlements on a multilateral basis, and can offer additional opportunities for paying off or utilization of settlement balances in other currencies which occur but cannot be cleared up on a bilateral basis.

Carrying out of settlement operations in transfer rubles through the IBEC can be effected on the basis of an appropriate agreement reached among foreign trade, banking and other competent organization of the interested countries. It is advisable to balance settlements between two or several interested countries for an annual or longer period.

When such an agreement is reached, the IBEC concludes agreements with the banks of the interested countries on the method and conditions for performing settlements on the following basis:

In order to effect settlements, the IBEC establishes transferable ruble accounts in favor of the banks of the interested countries — bilateral accounts (with the participation of two interested countries) and multilateral accounts (with participation of several interested countries). The holder of such account is the bank in favour of which the transferable ruble account is opened.

Settlements in transferable rubles may also be performed on bilateral clearing accounts, conducted by the banks of both partner countries according to their mutual consent.

Forms of settlements in transfer rubles are those generally accepted in international banking practice (collection, letter of credit, payment order, etc.). The utilization of a certain form of settlements is determined by the agreement of the banks of the interested countries.

Settlements in transfer rubles may cover:
* settlements on separate commercial contracts, on non-commercial and other transactions,
* settlements on the total trade turnover of the country that is a non-member of the IBEC with individual member countries of the bank,
* settlements on the total trade turnover of the country that is a non-member of the IBEC with all member countries of the bank.

While performing settlements on individual deals and also on the total trade turnover of non-member countries with individual IBEC member countries, the bank furnishes credits to the banks of member and non-member countries in transfer rubles for periods of up to three years. Credits are granted for concrete terms and with the purpose of carrying out agreed settlements. Interest is charged on credits at the rate of 1.5 per cent per annum.

The IBEC concludes agreements with banks of the interested countries on the procedure and conditions for granting and repaying credits in transfer rubles. Agreements may envisage a possibility of repaying in a convertibe currency the credit received in transferable rubles.

Current accounts in transferable rubles with the IBEC carry an interest at 1per cent per annum.

The banks of non-member countries of the IBEC while performing settlements on the total of their turnover with all the member countries of the bank may take credits and place deposits in transferable rubles on the above conditions now in force for the member countries of the bank.

The banks of non-member countries which participate in transferable ruble settlements may notify the IBEC of their withdrawal from participation settlements. The procedure for the withdrawal from participation in settlements is established by agreement reached between IBEC and the interested bank.

The IBEC is ready, as need be, to furnish any additional information concerning settlements in transferable rubles.

International Bank for Economic Cooperation
Moscow, 1976

"Gold and the Monetary Crisis"

Dec. 16 — This week's issue of Ekonomicheskaya Gazeta, *the weekly of the Soviet Communist Party's Central Committee, published the following article, reprinted under its original headline. The article was authored by E. Bukhual from the Economics Institute of the USSR Academy of Sciences.*

The present phase of the crisis of the financial-monetary system of capitalism is closely connected with a change in the role of gold as its basis. Substantial changes have occurred in this area in recent years. This is indicated, in particular, by the collapse of the international monetary system based on principles of a gold-currency standard (known as the "Bretton Woods" system), and the noticeable activation of plans for so-called "demonetization" of gold, i.e. depriving it of its functions as a monetary commodity and the basic international reserve and instrument of payments.

Basic Tendencies

The evolution of the economic role of gold is taking place in the context of the deepening general crisis of capitalism and the growth of inter-imperialist contradictions....

The reasons for the crisis phenomena are to be found in the objective contradictions of the capitalist system of the economy, in the intensification of state-monopoly regulation of the economy in the interests of big capital, and in its militarization. As a result, recent years have seen a sharp increase in unproductive, above all military, consumption of goods and services by the state. Thus, in the USA this volume in 1975 was $340 billion as against $38 billion in 1950. Direct military expenditures are ceaselessly growing: the U.S. is allocating over $100 billion for this purpose in fiscal year 1977.

The growing scope of state consumption and financing in the capitalist economy depends, as a rule, on the practice of so-called deficit financing, i.e. expenditures systematically exceed revenues in the budget. For example, the total deficit of the U.S. federal budget for 1951-1975 was around $190 billion.

The chronic lack of balance in the capitalist countries' finances leads to an excessive issue of credit, which is one of the main sources of inflation and devaluation of money. The aggravation of inflationary processes is directly linked to the growth of monopolies' profits through raising prices and attacking the vital interests of the workers.

The gold basis of capitalist currencies, to a certain extent, inhibited the growth of super-profits for the monopolies, because it limited "deficit financing" and price manipulations. Thus, the interests of monopoly capital prompted a reconstruction of the monetary-credit and currency system of capitalism. The process of replacing gold by credit means of exchange has lead to a situation where it is completely out of domestic