

# Moscow Prepares T-Rouble For Summer

The Soviet leadership has decided to relaunch their strategy to have a gold-backed transferable rouble to replace the U.S. dollar in world commercial transactions, a strategy which had remained in abeyance since about Jan. 20 of this year. Information received from at least four, high-level sources from West European and U.S. banking and government circles indicate that the Soviet decision to once again move toward the t-rouble is connected with the evident failure of Secretary General Brezhnev's former policy toward the Carter Administration as a result of Cyrus Vance's idiotic performance in Moscow two weeks ago. In short, Mr. Vance "blew it" when he attempted to foment a situation of conflict within the Soviet Politburo with his calculatedly provocative SALT "proposals."

The net result of the Secretary of State's provocation was not dissension in the Politburo but rather the unanimous abandonment of the earlier timid Brezhnev posture, and its replacement with a strategy to force a bankruptcy of the New York banking community by offering to the West Europeans and others the t-rouble alternative to the bankrupt U.S. dollar. On the whole, Mr. Vance's performance played into the hands of the "t-rouble faction" in the leadership layers of the socialist nations' Council for Mutual Economic Assistance (CMEA), in the sense that it convinced the more reluctant among them that virtually no other strategic option is available to them if any reasonable hopes for averting a nuclear showdown are still to be entertained.

And this is what Secretary Vance means when he publicly admits that "we may have miscalculated." It is a miscalculation of the sort that has frequently occurred among lower-level accountants at Chase Manhattan, but one which the bank is very unlikely to survive.

According to informed sources, the timetable for phasing the t-rouble arrangements into implementation is sometime between June and July of this year, first on a limited scale in financing trade between East and West Europe. There are two evident reasons for this delay. First, there are certain understandable strategic-military precautions to be taken aimed at denying the Carter Administration the opportunity of declaring the t-rouble an issue of United States national security and thus a "casus belli." Second, a certain amount of time is required for the emplacement of the necessary preliminary deployments before the new, rouble-based arrangements can actually work.

These preparations, primarily involving close cooperation between West European and CMEA officials in Europe, are presently going on. There are simultaneous preparatory activities in the Middle East and the Persian Gulf which are indispensable for the "petrodollar" component of the world trade flows to be included in the new monetary arrangement.

## *The Preparations in Western Europe*

One highly important item from the transactions of the European Economic Community Foreign and Economics Ministers' meeting in Luxembourg yesterday is the formal proposal launched by Italian Foreign Minister Forlani to establish a "European Bank for Foreign Trade" along the lines of the well known "Ratti Proposal" of last December-January. As it is known, the Ratti proposal is based on a formal, institutional utilization of the CMEA's t-rouble for financing East-West trade, and it was the central negotiating item during the January 1977 negotiations between leading Italian industrialists and Soviet officials in Moscow. In January the proposal had been shelved as a result of White House pressure on the Soviets. It is presently pursued actively at ministerial level.

One of the key features of the new arrangement is the utilization of gold for settlement of ultimate balances of accounts between the two different economic systems. According to high-level European government sources, the new arrangement will involve West European governments depositing gold at the Moscow Narodny Bank branch in the City of London.

Additional West European preparations for the move include features of an agreement for speedy European monetary union apparently sponsored by the EEC summit meeting three weeks ago. This includes the Europeans' return to fixed parities among themselves. Preliminary moves toward this direction were made during this week's coordinated devaluations of all the Scandinavian currencies, a move designed to bring them to a fixed equilibrium level with respect to the other European currencies.

Moreover, the British government, moving in the general direction of this perspective, has taken drastic steps to terminate the reserve role of the British pound, according to Prime Minister Callaghan's Blackpool Program of industrial expansion. The government is redeeming pound sterling balances held by foreign governments by paying them in bonds denominated in West German deutschmarks and Swiss francs primarily.

## *The Middle East Angle*

West German Chancellor Helmut Schmidt, who is a leading though cautious proponent of the moves against the dollar, reportedly focused his extensive discussions with Egyptian President Sadat last week on, primarily, the establishment of a "new world monetary system." According to observers, there are widespread discussions in Cairo's economic circles in favor of the t-rouble, should President Sadat return from the USA "empty handed." Sadat is returning to Egypt empty handed.

Of greater strategic significance, however, is the little

publicized and otherwise surprising pact between Saudi Arabia, Iran and the USSR for the purpose of ensuring the uninterrupted flow of oil out of the Gulf in case of anticipated sabotage from Rockefeller-CIA agencies known to be stationed in the area. Details of the pact include utilization of Soviet transportation facilities by the Iranians in case of emergency. This important development, putting an end to the long-standing, contrived antagonism between Iran and Saudi Arabia was capped with a \$3 billion Saudi loan to the financially strapped Shah of Iran. It is expected that Iraq and Kuwait will join the pact, probably within the week. Kuwait also marked an unprecedented shift in its foreign policy orientation by concluding a multimillion dollar arms purchase with the Soviet Union.

It is otherwise well known that the leading political factions in Saudi Arabia have, since at least last fall,

pursued a vigorous policy for industrial investment, and have systematically opposed any financial policies that would tend to waste funds for bailing out the New York banks' overextended loans to the Third World.

Moreover, with the collapse of all syndication activities, the leading Swiss financial houses — many of which have been investigating the potential of return to a gold-based world monetary system since at least 1975-76 — are presently reported to be operating on the perspective that the New York-dominated Eurodollar market will go through a massive collapse sometime between the second and third financial quarter of this year.

The European governments are presently orienting toward the t-ruble alternative as the only one left. Mr. Vance's miscalculation is more than meets the eye: he is keeping his accounts in the wrong currency.

— Criton Zoakos

## How The World Viewed Carter's 'Miscalculation In Moscow'

*New York Times*, by C.L. Sulzberger, April 3:

"...The pessimists abroad outnumber the optimists, who seem mostly to be concentrated among Carter's admirers. Moreover these pessimists, numerous among our NATO allies, believe Brezhnev has resolved not only to test American willpower but also the strength of the Atlantic alliance..."

Mr Khrushchev misjudged Kennedy and the NATO allies...

But the situation is different nowadays... the Russians... have a massive power advantage on Western Europe's borders...

Moreover the United States is no longer regarded as the unchallenged titan and it is having more bilateral argument with its allies...

Special disputes weaken United States leverage on its allies just when their ties should be more closely cemented...

Added to this is Europe's conclusion that the Soviets are now edgy and not subject to provocations... Moscow's relations have been worsened... with India... with Japan... with the United States... West Europe is in no mood to be next on the list..."

*Washington Post*, by Joseph Kraft, April 3:

"... Some people," Carter told Sen. Alan Cranston, "are concerned every time Brezhnev sneezes." ... It was... the kind of dumb, undisciplined crack no American President should ever make about a Russian leader..."

On top of all that, Mr. Vance took to Moscow two proposals on strategic arms control so strongly weighted against Russia as to be unreasonable...

President Carter has expressed hope for progress coupled with a threat to go for a big arms buildup if there is no accord. But I find something fatuous about his optimism, and the view that all we need to do now is hunker down.

In fact the world is on the edge of ugly events unless

both sides use the intervening time to good advantage..."

*New York Times*, by James Reston, April 3:

"... Probably nobody in the United States knows more about how to negotiate with the Russians or agrees more with Jimmy Carter... than George Kennan..."

"I'll tell you frankly," he said in a conversation with this reporter, "that I think the new Administration has made just about every mistake it could make in these Moscow talks, and has defied all the lessons we have learned in dealing with the Soviets since the last world war..."

... many experienced diplomats around here tend to agree with Kennan..."

*Washington Post*, by Joseph Kraft, April 5:

"Carterites assert that what went wrong in the Moscow arms talks was a mere temporary matter of Russians not digging Jimmy's new-style diplomacy. Soviet experts blame the trouble on American miscalculations about Russia.

But a truer gauge of the difficulty emerges from the briefing on Moscow offered by Zbigniew Brzezinski, the President's national security adviser. The Brzezinski briefing unwittingly demonstrates that the American approach to the Moscow talks was self-indulgent and irresponsible in almost every respect..."

Though Vladivostock was a solemn commitment by an American President, the Carter Administration sought to make sweeping changes in the most sensitive areas of the previous bargain..."

In Moscow, Secretary Vance asked for a reply within a matter of days, in circumstances that made the meetings seem to be a test of Soviet good faith..."

... Even Carter's most serious advisers seem to have been befuddled..."

I cite all this because the indulgence now being shown the President for the failure in Moscow is far more dangerous than the failure itself..."