Whatever Happened To The Transfer Ruble?

The unenviable position in which the Soviet leadership presently finds itself vis a vis the fast moving developments in the Mideast — that of glowering suspiciously from the sidelines at a process over which they have no control — is a direct result of their own failure to carry out the "transfer ruble peace offensive" which they themselves initiated during the December 1976-February 1977 period.

Had the Soviets maintained the determination to shift world politics in the direction of economic development which the T-ruble policy represented, they would now be in a position to determine an agenda for the upcoming conferences in Cairo and Geneva: a plan for developing the entire Mideast region. Lacking this, the Soviets are left with, at best, careful ambiguity in their public statements on the actions taken by others, and at worst, a sour grapes rejection of the very idea of Mideast development as "Israeli colonialism" (see article excerpted below).

The principal factor in aborting the T-ruble offensive last spring, and eventually bringing it to a near standstill, was the reluctance of Soviet Communist Party head Leonid Brezhnev and his factional allies to pursue any policy which might "jeopardize SALT".

The proposal by the Council for Mutual Economic Assistance (CMEA, the economic alliance of the socialist countries) to make its internal unit of account, the transfer ruble, available to nonmember countries is not new. It originated during the mid-1960s, as part of a Soviet effort to win allegiance in the developing sector and to organize a Conference on Security and Cooperation in Europe (CSCE) based on a policy of economic development and security guarantees for "Europe from the Atlantic to the Urals." However, political counterorganizing by the U.S., combined with deficiencies in the functioning of the T-ruble, prevented the realization of the CMEA proposal.

Then in December 1976, in the changed geometry of the deepening economic crisis in the West, the CMEA's International Bank for Economic Cooperation (IBEC) reissued the proposal, including new provisions facilitating T-ruble use by nonmembers. The offer was repeated in the form of a vigorous call for all-European development projects and a new T-ruble-based world monetary system, in the January 1977 issue of the Soviet foreign-circulation journal *International Affairs* (excerpts below). Extended parleying with visiting foreign trade delegations began.

What's It Good For?

Despite the insistence by many U.S. economists that the T-ruble *is not money* and therefore could not possibly be of any use in the West, there has been intense interest in the IBEC proposal in Western Europe. Those who understood the proposal correctly realized that — because the T-ruble is a method for clearing trade accounts and not a currency — it would be useless for individual firms or even individual countries to acquire T-ruble balances, since they would not be able to spend them anywhere except in the CMEA countries. The proposal would only work as a starting point for a new international monetary system, to provide the basis for immediate government-to-government low interest credit for development projects involving East, West and the developing sector (including the OPEC nations).

On the other hand, some British monetarists and their allies elsewhere in Europe thought they could use the IBEC proposal as a means for achieving monetarist penetration and looting of the CMEA economies and enhancing British political control internationally. In the press and in interviews, they hoped that the T-ruble could become a means for payment of the debt of the CMEA countries, and that broadening the use of the T-ruble would eventually lead to convertibility of the Soviet national currency (despite repeated Soviet insistence that it would not).

The Convertible Press

In January the *Journal of Commerce* reported that the four largest British banks find the IBEC proposal "interesting," particularly in light of the Soviet debt.

The London correspondent of the Italian financial daily *Il Sole 24 Ore* wrote in February an article headlined "IBEC Resurrects the 'Red Dollar' — Moscow to Make the Ruble Convertible?", stating that "City of London circles are working with alacrity on the hypothesis of including the ruble in the worldwide currency chess board," including the installation of a Euroruble market, and the "transformation of the convertible ruble from a unit of account to an international currency." Two days later, the same correspondent wrote, "The City Confirms Trust in Comecon," saying that in light of the huge Eurodollar bank and developing sector indebtedness, the Comecon countries are the only places worth lending to.

The London *Financial Times* gave repeated coverage throughout the spring and summer to the T-ruble proposal and to a counterproposal by Hungarian Central Bank head Janos Fekete. East Europe correspondent David Lascelles wrote in July that there are four different concepts circulating in the East: 1) Rumania and Hungary want convertibility of the individual CMEA currencies; 2) Fekete advocates a new gold-backed monetary system and a new "basic currency", in opposition to 3) the IBEC T-ruble policy and 4) an externally convertible ruble as a gold-based common CMEA currency. Lascelles concluded that the latter two would never work, since the T-ruble is not a currency at all.

British enthusiasm for Fekete is matched by skepticism about his ideas within the CMEA. Hungarian Vice Premier Havasi stated at a Milan press conference in March that Fekete is a "highly esteemed expert...but a new monetary system is a complex thing." More recently, at a conference on East-West trade in Budapest where Fekete delivered a paper urging full convertibility of the CMEA currencies and virtually endorsed the scheme of European Economic Community (EEC) head Roy Jenkins for a common Europa currency (see *Executive Intelligence Review* No. 45, Nov. 8, 1977), Soviet representatives attacked him more sharply. They charged that his proposal was against the basic principles of central planning and would mean supplanting the T-ruble.

To the extent that the City of London hoped to derive some benefit from the T-ruble offer, it was quickly disappointed, since by its very nature the T-ruble is useless as an instrument for looting the socialist sector. Nevertheless the British hanky-panky did tend to reinforce the views of certain backward strata in the Soviet bureaucracy who concluded, "There you see, you can't trust capitalists." This in turn contributed in a secondary way to Brezhnev's abandonment of the T-ruble drive.

Thus in February a delegation of 180 Italian bankers and industrialists arrived in Moscow hoping to conclude massive scale trade deals, including T-ruble credits. (This followed shortly upon a large FIAT deal involving the USSR, Italy, and Libya, which had been engineered by Lazard Freres and the British-allied Enrico Cuccia of Italy's Mediobanca.) The credit negotiations broke down, partly over the Italian demand that Soviet notes be discountable on the Eurodollar market. On Feb. 21, the eve of the stalemate of the talks, Czech Deputy Finance Minister Mirko Svoboda wrote in the Czech daily *Rude Pravo* that "any thoughts of some kind of future world monetary system are illusory" since the capitalists will always try to maneuver for themselves a privileged position. Svoboda attributed Czechoslovakia's 1968 crisis to "economic adventurism, an effort to deliver the nation's economy over to the capitalist world."

The 180-man delegation left Moscow nearly empty-handed, and the whole issue was abandoned while the Soviet leadership devoted its attention to trying to figure out the Carter Administration and to SALT.

Backing Into The Corner

The bankruptcy of this policy was dramatically revealed when U.S. Secretary of State Vance arrived in Moscow at the end of March and — contrary to the hopeful predictions of *Pravda* — presented the Soviets with a series of outrageous demands on strategic arms limitation. Following the inevitable collapse of the talks, the aggressive pro-T-ruble policy saw a temporary resurgence. The weekly *Ekonomicheskaya Gazeta* ran an article in June reiterating the IBEC offer, placing it in the context of the principles of the Helsinki CSCE — thereby hinting it might be taken up at the upcoming Belgrade Conference on the implementation of the 1975 Helsinki accords. In July the West German industrialists' paper *Handlesblatt* wrote that if the present monetary system collapses, the "ruble is ready" to replace it. And in August, Niccolo Gioia, the Italian head of the Italo-Soviet Chamber of Commerce, was quoted on the favorable outlook for expanding the use of the T-ruble in a TASS release printed in the weekly *New Times* and in the *Moscow Narodny Bank Bulletin*.

But these potentials were never realized. The Belgrade Conference devolved into a circus of accusation and counteraccusation over the "human rights" issue. Anglo-American networks in the USSR associated with Georgii Arabtov of the USA and Canada Institute used British intelligence-deployed terrorism in West Germany — and the Schmidt government's determined response to it — to foster a fear of German "neofascism" in the Soviet Communist Party, and thus a reluctance to support Schmidt's genuine efforts to break monetarist control over his country.

French sources report that when recent banking delegations to Moscow urged the Soviets to go with the T-ruble and to initiate joint projects in the developing nations, the Soviets merely shrugged.

— *Susan Welsh*