Barclay's Bank Review:

Role For The Transferable Rouble

Dec. 17 — The following are excerpts from an article in today's Barclay's Bank Review, *a London-based publication:*

The traditional means of financing trade deficits, hard currencies reserves, and Western credits, are under increasing pressure. The transferable rouble might therefore help ease the situation if it were to become a generally acceptable trade currency in the settlement of payments deficits in East-West trade.

With the exception of a few countries, the opportunity to hold and make settlements in transferable roubles accounts has not been widely used in East-West trade because its usefulness is rather limited at present, and no great hopes are held as yet for its potential development towards free transferability (free exchange into any commodity or domestic currency of participating countries) and ultimately convertibility (free exchange into any commodity or domestic currency of any country). However, any means of lubricating East-West trade, both in the interests of détente and from the point of view of Western countries in search for new or larger export markets, would be welcome. Similarly, Eastern Europe is concerned to finance its balance of payments deficit with the West in order to continue its growth policies based on imported technology....

The growing dependence on trade credit in the recent past has been instrumental in widening East Europe's balance of payments deficit with the West. That trade credit may not continue to increase at such a rapid rate as it has done lends greater urgency to the need to finance Eastern Europe's balance of payments deficit by extending the transferable rouble as an acceptable means of payment.

Obstacles to development — multilateral pricing (in Comecon) a precondition for multilaterality for transferability, has not yet been fulfilled.

In order to bring intra-Comecon prices more closely in line with each other and in line with world market prices as a step towards establishing a uniform price system, Comecon foreign exchange rates could be allowed to float against each other while the transferable rouble together with the Comecon currencies are allowed to float against convertible currencies in much the same way as the snake agreement operates in the West....A balancing mechanism would be required, in the absence of a foreign exchange market to enable Comecon members to alter their exchange rates within agreed limits. This could be operated by the International Bank for Economic Cooperation with the foreign trade banks.

The threat to centralization, a major difficulty, could be averted and the transferable rouble made more attractive to Western countries as a means of settlement if "financial convertibility" were kept distinct from "goods convertibility." This would allow a Comecon central bank to borrow or lend in its own purely financial currency, which is inconvertible into local goods but convertible into other Comecon or convertible currencies. This arrangement is similar to the two tier foreign exchange systems that have existed in the West. A number of conditions would be needed to acheive financial convertibility. A large stock of gold to support the rouble would have to be maintained and reserves held in convertible currencies.

OPEC Settles on 5 per cent Effective Price Increase

Dec. 18 (NSIPS) — The Organization of Petroleum Exporting Countries (OPEC) voted for what amounts to only a 5 per cent increase in the price of oil this week during its bi-annual meeting in the Gulf Sheikdom of Qatar. While the official outcome of the meeting was announced to be a two tier pricing system — the result of 11 of the 13 members calling for a ten per cent rise and Saudi Arabia, the strongman of OPEC and the United Arab Emirates calling for only a 5 per cent increase — in reality the 5 per cent figure will predominate in future international oil sales. Two decisive factors insure that oil prices beginning Jan. 1, 1977 will climb only by 5 per cent, the most important being an announcement today by Saudi Oil Minister Sheikh Zaki Yamani that Saudi Arabia will remove its production ceiling of 8.5 million barrels a day.

The Yamani announcement flies in the face of numerous economic reports from the oil multinationals and consultant firms which predicted that the Saudis, in order to preserve their oil resources in view of rising consumption would never lift the production ceiling. The Yamani announcement underscores Saudi Arabia's commitment to step up production in order to feed European industrial growth under what is emerging as a new international monetary system. Increased Saudi production at the 5 per cent increase price level plus a short-term anticipated slump in demand for oil when the increase is instituted will make selling oil at a higher price nearly impossible. A drop-off in oil consumption is expected as a result of heavy stockpiling by the oil companies prior to the OPEC meeting in anticipation of a price rise; many European countries and U.S. reserves are bulging, according to a New York oil analyst.

A Bigger Game

Yamani personally stated during his press conference today that he "didn't expect the 10 per cent to be enforced in the market," a statement with which a number of sources in the oil industry concurred today, conceding that the final decision at Qatar amounts to a de facto 5 per cent increase. The Saudis enforcement of a minimal price rise and increasing oil production dampens any plans that the future Carter administration may have about energy conservation to be enforced through the International Energy Agency and its domestic arm the Federal Energy Administration. Such conservation plans have depended on the threat of the producers using the oil weapon against the consuming nations.

Yamani further underscored his commitment that Saudi Arabia would act on behalf of the underdeveloped nations to negotiate a new and just monetary system with the industrialized states. He urged "the West to show sign of appreciation" for Saudi Arabia's policies in the deadlocked North-South talks in Paris, and in its efforts to settle the Arab-Israeli conflict. In this light, a White House official quoted in today's *Wall Street Journal* commented that the Saudi's are playing "a bigger game...than oil prices."

Leading East Coast newspapers in the U.S. were rife with reports and speculation of the cartel breaking up. But the Iraqi Oil Minister, Abdel Karim stated definitively that the Arab world would never let the Saudis destroy OPEC.

Intense bargaining that went late into the night of the final day of the meeting was resolved by a plan put forward by the Venezuelan Oil Minister to accept the two tier pricing system as a means of publicly bridging the gap between the Saudis and the price hawks in the cartel. The announced 10 per cent rise, while unworkable, will in the short term appease restive layers in the countries which have depended on high oil revenues to fund ambitious development plans.

A key case in point is Iran. While Iran's Oil Minister Jamshid Amouzegar was demanding a 15 to 25 per cent increase at the OPEC meeting, the Shah of Iran was in constant contact with both the Saudi King Khalid and Crown Prince Fahd.

In the process a diabolical trap may have been set for the Rockefeller-controlled Aramco consortium of four multinational companies which still owns 40 per cent of Saudi Arabia's oil. According to a well placed source closely in tune with the oil business, the Saudis are expected to launch a propaganda campaign next month against Aramco for making a "windfall" on cheaper Saudi Arabian oil. Such a campaign is timed with final negotiations for a full Saudi government takeover of Aramco's holdings. With Saudi Arabia's stated commitment to raise its oil production, even a guaranteed buy-back right to the four multis — as has been hinted by the oil companies — will not stop the Saudis from significantly meeting the oil needs of Europe on a straight government-to-government basis, setting the stage for other oil producers to follow suit.

Algeria:

'Third World Will Not Fall For Lying Declarations Of West'

The following are excerpts from the economic supplement of the official Algerian daily El Moudjahid *of Dec. 12:*

The countries of the West have succeeded in postponing the Paris ("North-South") conference...(The West's) strategy is obvious. They want to put the responsibility of the economic collapse on the OPEC countries. They have launched a massive psychological warfare campaign to intoxicate public opinion. The biggest weeklies of the West, including the U.S. magazine *Business Week*, are stressing that the big oil consumers...must plan to put an end to the stranglehold over their economy by OPEC...

The stalemate of the North-South dialogue was a cold-blooded operation to place OPEC in a delicate situation vis a vis the other Third World countries...The Paris conference is thus postponed until next spring probably to allow more time for militarization....and to wait for the new Carter administration...Already (Carter) has confirmed his intention to put into effect a policy reducing the use of oil. How will he do that? Will he use the IEA? Will he consolidate the consumers' cartel in Kissinger's manner, that is, with a simplistic understanding of the ongoing economic order? Will he pursue the policy of dividion and isolation of OPEC vis a vis the Third World?

....We will not fall anymore for the lying declarations (of the West). From now on we will call...things by their real names. The economic problems we have to face — problems that are ongoing for years — mean that it is not possible anymore to play sterile games. The solutions for each of the Third World's problems, even if they are all in the same emergency category, are calling upon us to take concrete and satisfactory measures on a long-term basis...

It is us and only us who are responsible for this issue....We must not miss this last chance to ensure a better world for our future generations and a just and durable new world economic order. Otherwise we risk that the planet will be subjected to the catastrophe of the century.

CAP:

"We Will Use Our Power Resolutely"

The following are excerpts from an editorial feature by Venezuelan President Carlos Andres Perez entitled "Altering the North-South 'Collision Course'" and printed in the Dec. 15 New York Times:

Can the ties between northern industrialized powers and southern developing countries withstand the tests of the near future? I fear that the unthinkable — a negative answer to that question — now appears as likely as any other.

The urgent need is to alter the economic collision course between North and South before the two great regions of our planet find themselves in open confrontation. This would surely have a negative effect on those of us in the Southern Hemisphere, but those in the North must ask themselves who has more to lose.

I am not making threats. I am saying that our brothers on the North American continent now have the historic opportunity to show their genuine friendship through concrete acts...

...we are not insensitive to the pressures on the world economy brought on by the rising prices we charge others — and others charge us. What is needed is a realistic indexing: a balance between our basic exports and the goods we buy....

To achieve these ends, we rely not only on the bargaining clout petroleum accords us, but also on the