

# RADIO FREE EUROPE *Research*

## COMMUNIST AREA

USSR: Economics

10 November 1967

### WILL THE RUBLE BE REVALUED?

A major article in the latest issue of Vneshnyaya Torgovlya,<sup>1</sup> dealing with the alleged inequity of Comecon prices, suggests a possible revaluation of the ruble as one way of overcoming Moscow's main current grievance against Comecon. The article is carefully labelled "for discussion purposes," to show that it is not official policy, but its appearance in the Ministry of Foreign Trade's house organ suggests a ballon d'essai at the least.

Whereas Dr. Jan Wintera, speaking on Prague Radio,<sup>2</sup> believes that it is necessary in Comecon "to insist on world prices," A. Alekseyev, the Soviet author, argues for a special Comecon price structure. He urges that the specific natural and transport conditions of Comecon countries be taken into account without creating an autarkic system isolated from the world market. He thinks that a special structure of Comecon prices would bring domestic and foreign trade prices closer together, and argues that it requires a more highly developed currency system in which some currencies would undergo revaluation.

Alekseyev wants transport costs to be considered "as fully as possible" when determining prices, the meaning of which is plain enough when one recalls that Soviet oil and gas are now being pumped well over 3000 miles from Siberia into E. Europe.

He also admits that the influence of the Comecon countries on world market prices is at present relatively small and not a determining factor, although it is appreciable in such products as oil, coal, ores, timber, rubber, pig-iron, rolled metals, aluminium, etc.

---

1) No. 9, 1967.

2) 6 November 1967.

Alekseyev complains that price conditions are "rather unfavorable" because of "excess" production and low costs in the capitalist world. But prices on the world market for equipment are relatively high, and the Comecon proposals for supply in this field are constantly increasing, while the labor costs in equipment manufacture are "systematically" falling.

Alekseyev then notes that for each ruble of currency earned, investment in raw materials or agriculture is considerably more costly than in manufacturing. Consequently, he implies, it is desirable to invest as little as possible in the former two branches and as much as possible in the latter. (As a foreign trade expert, he is naturally not a Polyansky man, but then he is a specialist, not a political leader with an enormous rural "constituency").

The existing price levels not only favor engineering output rather than raw materials, he believes, but they also lead individual countries to expand their range of products instead of importing, even though their resultant production runs are shorter than "optimal."

Clearly referring to the USSR's quandary, Alekseyev writes that:

The socialist countries as a whole often have to develop the export of goods, the production of which takes place very far from consumer areas, in deep deposits and based on ores with a relatively poor content of the basic substance, etc. In such cases the use of modern technology and of the rational organization of labor cannot ensure a reduction of costs to the level of world prices. These is a need for an upwards correction, if this accords with the interests of the exporting and importing countries.<sup>3</sup>

Another example of the need for a correction to world prices is the fixing of prices for specialized products. In the case of a guaranteed expansion of deliveries and an increase in the length of production runs, discounts on world prices would be fully legitimate.

---

3) Emphasis supplied - r.r.g.

In other words the USSR wants to have her cake and eat it -- she would like higher prices for her own raw products and lower prices for her supplies of machinery from E. Europe, but all on a strictly "voluntary" basis.

Alekseyev is insistent on the need for a currency revaluation in Comecon.

At present the currency rates do not form a connecting link between the internal prices of the socialist countries and their foreign trade prices to the extent needed by our foreign trade. Improvement of the exchange rates would also make it possible to ensure greater comparability and interdependence in these prices.... Improvement of the exchange rates also has another important aspect. It would ensure economically sound criteria for the profitability of exports and imports, for the mutual advantage to be derived from the basic world price.

The existing exchange rates give a false impression of the effectiveness of the trade in certain goods. If they were put in order many things would fall into place.

Alekseyev does not explain what changes in which Comecon currencies he has in mind, but one can be reasonably sure that he is thinking of a change which would favor the USSR (a revaluation of the ruble?). Such an operation, if not copied in the same direction and to the same extent by the E. European countries, would be designed to make Soviet raw materials exports relatively more expensive and E. European machinery supplies relatively cheaper. This is exactly what Alekseyev would like to bring about. Whether the USSR could ever persuade its Comecon partners to accept such a solution is quite another matter, but at least a trial balloon seems to have been launched. As it is carrying a currency change, it is likely to clutter a lot of E. European financial radar screens for a long time to come.

r.r.g.