

# **Convertibility or a Payments Union? - Convertibility!**

Zdenek Drabek

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## **Abstract**

The recent collapse of trade among the former CMEA member-countries - a significant factor of their serious balance of payments difficulties - has been blamed on the absence of a payments mechanism in their mutual trade. This has led to calls for the creation of a payments union of these countries - perhaps supported by a new "Marshall Plan"-like type of foreign assistance program to these countries. The goals of these arrangements would be to multi-materialize payments flow, to save on foreign currency needed to build up international reserves and thus provide for a wider scope for trade expansion. This paper reviews the main issues which have led to what may be called "rouble-shortage," and the main arguments for and against the payments union. It concludes with the author's own recommendation to facilitate trade of these countries. The recommendation is clear - where the choice exists between convertibility and a payments union - the decision should be in favor of convertibility.