

Multilateralisation of the Intra-CMEA Trade

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Bilateralism is spawned by the exceptional situations such as the ones that follow in the aftermath of a war when the countries do not have enough stock of convertible currencies and exportable goods to pay for the imports. Under these circumstances the countries enter into bilateral trading arrangements with other countries to avoid the payments in gold or convertible currencies. An extreme case of a bilateral settlement is a barter transaction where a certain quantity of goods is exchanged for an agreed quantity of other goods involving no currency — either as a medium of exchange or even as a unit of account. But in general bilateral agreements constitute in effect a first concrete step away from national autarky and towards the resumption of international trade and payments. The most common method of bilateral settlement is 'bilateral clearing'. Export and import transactions have to pass through a centralised account administered by the central bank of each partner country and payments are settled without recourse to foreign exchange. If, in a given period, usually a year, imbalances occur, they are taken care of by 'swing credits'. Such credits usually cover 5-25 per cent of the agreed export and are interestfree. "Paradoxically as it may seem the bilateral payments agreements served the essential function, through their mutual credit positions, of avoiding or at least postponing the danger of a strict bilateral balancing of exports and imports on a barter basis" (Triffin 1957, p. 161.)

Immediately after the end of the Second World War, the trade among the European countries was governed by a network of bilateral payments and trade agreements (Miksell 1954, Triffin 1957). The governments in exile of Netherlands and the Belgium — Luxemburg Economic Union signed the first such agreement in 1943. By 1947 some 200 bilateral payments agreements were in effect in Europe alone. A few years later, almost 400 agreements (not counting those of the Soviet-block countries) covered nearly 60 per cent of the international payments of the capitalist countries.