

Comments on Special Paper Concerning Trends in Soviet Gold
Reserves from World War I Through 1963

1. General

The special paper concerning trends in Soviet gold reserves during the period from World War I through 1963 provides a very helpful frame of reference for further comparison of estimates of Soviet gold reserves at the end of 1963. The paper reveals that a large measure of agreement exists concerning many of the factors affecting the gold reserves of the USSR. In particular your estimates of the total amount of gold produced from World War I through 1963 appear to agree closely with our own estimates. At the same time, your detailed remarks also help to identify matters where differences of opinion exist. These differences are discussed in the following paragraphs.

2. Gold Acquired by the New Soviet Government

Our estimate of gold at the disposition of the new Soviet government in 1920 is approximately \$400 million higher than that given in your paper.

We agree with your statement that the gold reserves of some \$1,100 million held by the Central Bank as of November 1917 were substantially reduced by the capture of gold from the Soviets in Kazan and by payments made to the German government in accordance with the terms of the Peace of Brest. On the other hand, the subsequent capture of Siberia by the Soviets resulted in a regaining of part of these gold reserves. In addition, the seizure of Rumanian gold reserves held in Moscow at the end of World War I increased Soviet gold reserves by about

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Soviet government is derived from a [REDACTED]

[REDACTED] government and is confirmed by several authorities of that period. An article published several years ago in the Soviet press (Ekonomicheskaya Gazeta, 7 August 1961) also indicates a substantial part of the Kasan funds was retaken by the Soviets.

3. Production

Your estimate of total production of gold during 1930-63 agrees very closely with our own estimate for this period. On the other hand, we differ with respect to the levels of output at various times within the overall period 1930-63. Of particular importance, are the 1930-40 period and the 1955-63 period (concerning which we have already exchanged views).

a. 1930-40

Our estimate is approximately \$500 million higher than your estimate of production during 1930-40.

Our estimates of annual production during the 1930's are based on estimates made at that time by several US government agencies concerned with international financial affairs. These estimates were derived from analyses of Soviet statements, published and private, and from Soviet announcements of quarterly and annual percentage increases in production.

A check on our estimates of production in this period was

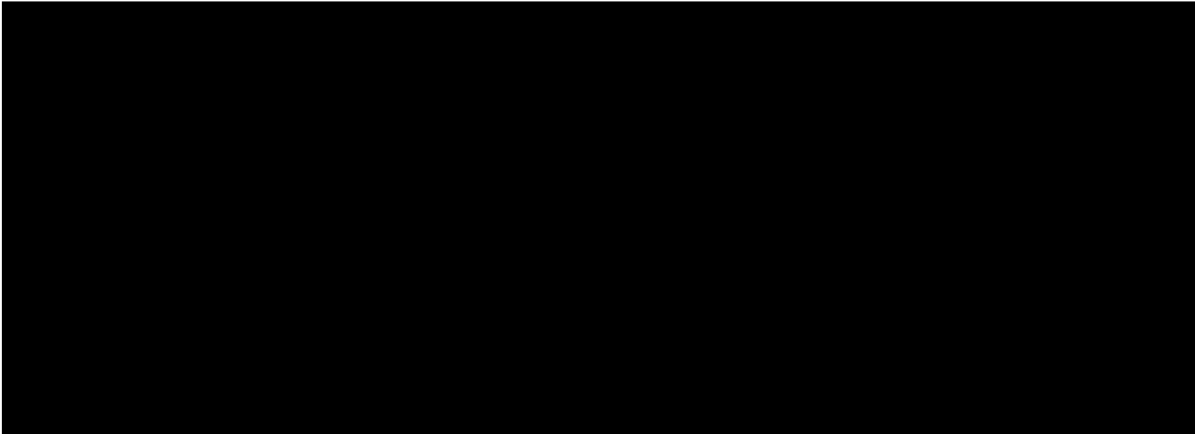
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examined the production estimates made by the US government and stated

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that they were essentially accurate.

Our estimates also are in substantial agreement with a



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The USSR in Construction, May 1937. The graph was used again in 1958 in a book written by a Soviet gold authority to show Soviet gold production during the 1930-36 period. (Flaksin, I. N. Metallurgiya blagorodnykh metallov, Moscow, 1958)

b. 1941-56

Our estimate for this period is approximately \$175 million higher than your estimate. Although significant, the difference is not surprising in view of the paucity of available information concerning much of this period and the differing opinions concerning production levels prior to and subsequent to this period.

Our estimates of annual production during the 1940's are derived by interpolating production for the years between 1940 and 1950. The interpolation is modified by known developments in the gold industry during this period.

c. 1951-61

As you know, our estimate of production for this period is \$662 million lower than yours.

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We have examined carefully your original and additional statements concerning gold production in the Yakutsk ASSR. The analysis is well reasoned, but we note that it provides no direct evidence to invalidate our present estimates. Our estimates of annual production of gold in the 1950's and in the 1960's are based on official and sensitive Soviet sources that are considered highly reliable. In some years these sources have been able to give total output for the entire country excluding byproduct output. In a few years, the information was somewhat more restricted, but in any case we believe there is no question regarding the general magnitude of the production figures. We have a high degree of confidence in their accuracy, in part, because: information concerning output in some producing sections is consistent with collateral information linked to the past, the agreement of evidence on the output of components of the industry, and the consistency of all this information with numerous cross checks.

We wish to make one observation concerning your methodology, in particular the assumption that the Aldan region accounted for two-thirds of total gold production in 1956 in the Yakutsk ASSR. The basis for this assumption, namely that gold output was directly proportional to population of the region, probably was valid in the early years of exploitation of the area, but is open to question with regard to 1956. For example, despite the long-established importance of the Aldan gold-bearing region, various sources indicate that circa 1956 it was not as important as the Indigirka region:

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"The important gold-industry area of the Yakutsk ASSR is Verkhne-Indigirkiy." (Basic Problems of Utilizing the Natural Resources of the Yakutsk ASSR," Plannova Khozvaistvo, February 1958, p.76.)

"At present, the first place for gold recovery in the (Yakutsk) republic is held by the Indigirka gold-bearing region. Industrial gold was first uncovered there in 1937; by 1953 11 primary gold occurrences and 144 gold-bearing placers were exposed along the Verkhnyaya Indigirka River." (Cherskiy, N. V. Razskrytiye Nedr Yakutii, Yakutsk, 1957, p. 100-110.)

4. Sales

We were gratified at your agreement with our estimates of sales during 1955-63. We note, however, some differences in estimates of sales during earlier periods. Our estimate of sales over the period 1920-40 appear to be about \$550 million higher than your estimate whereas your estimate of sales during 1941-54 appears to be about \$150 million higher than our estimate. On balance, over the entire period 1920-54 our estimate of sales is about \$400 million higher than your estimate.

Our estimates of Soviet annual sales of gold during the period 1920-63 were derived as follows:

a. Estimates of Soviet annual sales of gold during 1920-54 are based on estimates by US government agencies and by the Bank for International Settlements.

b. Estimates of Soviet annual sales of gold from 1955 to the present are based essentially on the following sources:

(1) Samuel Montagu's Annual Bullion Review which provides excellent coverage of Soviet gold marketed in London.

25X1C (2) [REDACTED] provide partial data on sales on the London market and on other Free World markets.

5. Other Additions and Withdrawals

a. In response to your question concerning the source of the additions of \$64 million to reserves during 1955-63, this sum is believed to be the amount of gold produced by China and North Korea and shipped to the USSR. Information concerning these shipments is not conclusive, but the weight of evidence is in favor of believing they took place.

b. Gold collected from the Soviet population in the early 1930's made a significant addition to the Soviet supply of gold. The amount collected may have exceeded \$350 million. These estimates are based on several sources but the accuracy of these estimates is open to question. We note that in your paper a substantial allowance for such collections was made in the preceding period, the 1920's.

c. Your estimate of consumption for the period 1946-54 is about \$110 million higher than our estimate. We believe that the level of consumption during this period had not reached the level of the following period 1955-63.

6. Checks on the Accuracy of Our Estimates of Reserves

We have information available which provides direct checks on the accuracy of our estimates of Soviet gold reserves. The Bank for International

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Settlements reported Soviet gold holdings in the early and mid-1930's.

25X1C Another check can be derived from [REDACTED] that gave the magnitude of Soviet gold reserves within the last several years. [REDACTED] 25X1C

25X1C [REDACTED] and the way in which the figure was revealed adds considerably to its credibility. This figure agrees closely with our estimate of Soviet gold reserves.

7. We are pleased that a large measure of agreement exists concerning the level of Soviet gold reserves and appreciate having this opportunity to comment on your carefully prepared paper.

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