

CIA HISTORICAL REVIEW PROGRAM ~~SECRET~~  
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1999

2362

RR/CSM/151

CENTRAL INTELLIGENCE AGENCY

Office of the Chief, Economic Research

Office of Research and Reports

Current Support Memorandum

, ORR

9 August 1954

SUBJECT: Soviet Gold Shipments Continue at a High Level

The level of Soviet gold shipments in the first four months of 1954 and negotiations currently underway indicate the continuation of the heavy sales begun in late 1953. Shipments for January through April are estimated at \$60 to \$100 million.

Most of the gold was believed to have been shipped to the UK. Sales were also made on the Paris gold market throughout this period. Offers and sales were reportedly made in January to Switzerland through the Soviet-dominated Banque Commerciale pour l'Europe du Nord (BCEN). 1/ Little gold was believed to have been sold in Switzerland because of that country's 4 percent turnover tax levied on all private purchases of gold bars and coins. This tax, however, was removed on 15 May 1954.

The size of potential Soviet gold exports is indicated by reported negotiations for the sale of \$200,000,000 worth of gold. 2/ Negotiations reportedly began on 8 March between USSR and the Union Bank of Switzerland and Samuel Montagu and Company, Ltd. 3/ Another report confirmed that both Montagu and Union Bank were negotiating a large scale transaction of Soviet gold. 4/ It is believed that a sale of \$50,000,000 was consummated as a result of these negotiations.

On 26 March, a report stated a Soviet representative in London had informed Samuel Montagu and Company that his government would not sell gold until further notice. 5/ Between 31 March and 2 April, however, the UK made an additional purchase of gold, worth between \$5,000,000 and \$8,000,000 from the USSR.

From January to April, there were several reports of gold offered by the USSR. One report stated that Soviet representatives had offered gold to the Belgian government in return for dollars or free sterling. 6/ A report from a US broker stated that "The USSR itself is not asking for credit and is selling gold continuously to Western Europe. I found the prevailing opinion among Western European businessmen to be that the supply of Soviet gold is inexhaustible . . ." 7/ Another source reported that the sales were to the French Equalization Fund, probably to be applied against the French debt to the EPU. 8/ In the UK, most sales were presumed to have been made direct to the Bank of

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England and, after 22 March when the London gold market reopened, Soviet gold appeared there.

Continental newspapers report that Soviet gold sales on the London gold market are continuing but fail to give an indication of the level. British sources neither confirm nor deny this.

In addition to the gold estimated to have been shipped to the West, the USSR concluded agreements for repayments of claims with two other free-world countries, Finland and Iran. The agreement with Finland provided for a gold payment in partial settlement of the 1954 Finnish trade credit. 9/ The agreement was implemented on 8 June with the arrival of gold valued at about 5 million dollars. On 1 July the Soviets agreed to pay eleven tons of gold valued at approximately 12 million dollars to Iran in partial settlement of claims arising from wartime occupation of the country by the Soviet army. 10/

The continued offer of Soviet gold has had no appreciable effect on gold prices which neared the \$35 level at the end of 1953. It has been speculated that prices have been stabilized in part because of South African refusal to sell gold at below the \$35 level and the consequent withdrawal of her stocks from the market for periods of time during the past few months. 11/

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New York Times, 2 July 54, U.

L'Echo De La Bourse, Feb 11, 1954

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