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**CIA HISTORICAL REVIEW PROGRAM**  
**RELEASE AS SANITIZED**

27 NOV 1957

**MEMORANDUM FOR:** Director, Special Projects Staff  
 Office of the Special Assistant for Intelligence  
 Department of State  
 Washington 25, D. C.

**SUBJECT:** Production, Reserves, and Exports of  
 Soviet Gold

**REFERENCES:** (a) State teletype request of 23 April 1957;  
 (b) ORR/CIA memo dated 6 May 1957 to  
 SPS/State, Subject: Soviet Gold Production,  
 Reserves, and Exports

1. In response to your teletype of 23 April 1957, you were advised on 6 May 1957 by this Office that the attached report was in progress.

2. Our estimate, from collateral data, of \$180 million worth of Soviet gold exports during January-April 1957 approximates a estimate for the same period of \$200 million which was based on an analysis of

3. The most recent renewal of Soviet gold sales in late October and early November 1957, estimated at \$50 million, appears to follow a familiar pattern of Soviet gold sales in recent years. Such sales in 1956, too, were concentrated in two major periods -- January-March and November-December. Available information indicates that large Soviet gold exports during late 1957 may approximate or exceed the extraordinarily large sales earlier this year.

4. The estimates of postwar Soviet gold production represent projections of prewar estimates based on what is known about trends in various gold producing areas. The estimate of 1949 production is confirmed. Sources would also allow a rough estimate of 1957 production in the range of 4-6 million ounces (\$140 million to \$210 million).

5.

. Our estimate is made by adding Soviet gold production and other known acquisitions to gold stocks inherited from the Czarist government and then subtracting gold exports.

Assistant Director  
Research and Reports

Attachment:

(26 Nov 57)

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IP-404

## SOVIET GOLD POLICY AND USE OF GOLD AS INTERNATIONAL PAYMENTS

1. Soviet leaders believe that the USSR must accumulate gold and foreign exchange reserves "in order to have the possibility of purchasing abroad everything necessary for the security, the greatness, the invincibility, and the independence of their socialist motherland." These reserves "act as a fund of world money, which can be transformed on the world market into means of production and articles of consumption needed by the socialist state."

2. The specific current uses of gold in Soviet foreign trade are; (1) to cover routine deficits in the Soviet balance of payments with Free World countries, (2) to finance emergency purchases abroad when an unexpected contingency threatens to dislocate the internal economic plan, and (3) to make gold loans to other members of the Bloc and selected Free World countries. The USSR thus uses gold systematically as a means of international payment. That Soviet gold sales to the Free World are related to foreign trade imbalances is demonstrated by the fact that the substantial trade deficits in 1953 and anticipated deficits in 1954 brought forth peak postwar Soviet gold deliveries during this period. (see attached table).

3. Soviet leaders believe that their gold reserves must be maintained at levels which allow them flexibility in international transactions. The minimum level of gold reserves and the rationale for determining the level are not known. There have been no announcements on the size of gold reserves since before World War II. However, Soviet gold reserves are estimated currently at roughly US \$4 billion and are being augmented from new production of approximately \$175 million per year. The USSR is the second largest producer of gold in the world (after South Africa which produced \$510 million in 1955) and holds the second largest reserve (after the U.S. which held \$21.8 billions at the end of 1955).

4. In relation to Soviet imports (approximately \$3 billion in 1955) the gold reserve is extremely large. Peak post-war sales of gold to the Free World (1953) amounted to less than 4 percent of estimated Soviet total gold reserves. These reserves are not solely determined by the routine requirements of international payments. With respect to foreign transactions, two additional reasons are suggested in statements by Soviet leaders; (1) large reserves would ensure the means for acquiring any goods which the USSR might need in conditions of famine, industrial dislocation,

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economic sanctions by foreign nations, natural catastrophe, or war, and (2) during an economic depression in capitalistic countries these reserves would ensure imports on the most advantageous terms. A third reason might be suggested: a large gold reserve provides the potential for financing subversive activities as well as for supporting economic activity for political purposes, (e. g., to finance activities in the underdeveloped areas; to disrupt Free World commercial markets). While these reserves have not been generally employed in the current Bloc economic penetration effort, they are a potential asset for this program.

5. The internal USSR monetary uses of gold are not known. Soviet writers on gold policy have not clarified this issue. While some writers have stated that Soviet currency has a gold backing (25 percent by value) others have claimed that gold has no domestic monetary significance. Whether or not the USSR has demonetized gold, the size of the current reserve gives the USSR a great deal of potential flexibility in international economic activities.

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Soviet Gold Sales to the Free World, 1946-55  
(Millions of US \$)

1946	\$33.7
1947	55.4
1948	-4.5*
1949	0
1950	0
1951	0
1952	0
1953	150
1954	93
1955	70

\* Soviet-owned gold in US returned to USSR.

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