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SOVIET GOLD SALES

Vishinsky -- Speech at U.N.

-- Denounced U.S. for blocking increase
in price of gold - thus hurting U.K.,
Australia, Canada and especially South
Africa.

Speech preceded by Izvestia article 15 October

-- described Anglo-American
contradictions over gold prices - U.K.
selling gold to U.S. at archaic, 20-year -
old gold price of \$35 an ounce, buying
commodities from U.S. at current
inflated prices.

-- sympathized with U.K. efforts to
raise the official U.S. price as effort
to increase purchasing power in U.S.
market.

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-- denounced International Monetary Fund for blocking rise in gold price, charging this is U.S. exploitation of its allies.

-- predicted U.S. would raise its gold price, possibly because South Africa has linked uranium production to U.S. gold prices.

Soviet Union would obviously benefit in purchasing power in Western markets from any rise in price of gold

-- while Soviet gold sales so far this year amount to \$108.6 million, not much above sales in 1950 (\$85.3 million) and 1952 (\$77.3 million) and below 1951 sales of \$155.3 million, it is significant that 80% of the 1953 sales have been made since August.

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-- If this rate of shipment is continued, it will represent a significant departure from previous practice and will result in Soviet accumulation of foreign exchange balances.

Soviet gold exports since August - and an additional export this year of silver (\$17 million) & platinum (\$7.5 million) - seem to be closely tied to a concurrent program of increasing imports of capital goods and consumer products for which hard currency and sterling ^{are} ~~is~~ needed.

-- ^M~~N~~ikoyan, Soviet Minister of Trade, declared in October that the Soviet Union planned to import 4 billion rubles worth of consumer goods - 1/3 of this (1 billion 330 million rubles) from outside the orbit.

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-- 1953 shipments so far at the artificially low rate of 4 rubles to the dollar, would amount to 532 million rubles - less than half of planned consumer goods imports.

There has been a lot of talk that these Soviet gold sales are depressing world gold prices.

-- Gold prices have been steadily declining since 1949. They have dropped 5% (from \$37 to \$35 an ounce) since late summer when Soviet gold began to enter the market in quantity.

-- There are other reasons for the decline in gold price -

-- There has been a decline in speculation in light of U.S. Treasury intent to stand by the \$35 an ounce

price.

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-- More non-Orbit gold is entering world markets with removal of various restrictions.

-- Improved economic situations in Western Europe and decrease *of* fear of early war has reduced incentive to gold hoarding.

The sale of gold by the USSR would not afford any significant expansion in the level of supply of consumer goods in the Soviet Union.

-- The sale of the entire Soviet gold

stock, ~~conservatively~~ estimated at 3-5 *less than 5%* billion, would amount to ~~only 2.5%~~

of the planned consumption of consumer

goods in 1953 -- (450 billion ^{rubles} / or

\$113 billion at 4:1).

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Gold sales abroad and the import of consumer goods seems to be a temporary expedient to close the gap between promise and performance until the Soviet economy can increase the

consumer goods production. with minimum sacrifice of heavy industry and war production.

It may also be compared to the new Soviet policy of pushing oil exports. i.e. the "realist" school (Saburov of Gosplan) would view Russia's gold stocks and production as means to ends not to be hoarded forever as an end in itself.

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