# Gold by Alice Roth

## A Soviet-South African deal

*U.S.S.R. gold sales have all but dried up, as discussions intensify with Pretoria. Not only prices but monetary policy are at stake.*

Could it be that the Soviet Union and South Africa, two long-standing and seemingly implacable political foes, are coordinating their gold sales in a joint effort to bid up the price?

Consolidated Goldfields, the London-based holding company that controls South Africa's second largest mining group, Goldfields of South Africa, sent a team of gold experts to Moscow last week to confer with Soviet officials. A source at Consolidated Goldfields, says the visit was at the invitation of the Soviet government, and marks the first time ever that the Soviets have shown a willingness to share intelligence on the market.

"If Consolidated Goldfields is going to Moscow, it is probably correct to conclude that they are discussing the coordination of gold sales," commented a European gold source. "In fact, they might even be seen as a semi-official representative of the South African government. . . ."

Rumors are mounting about a possible shift in South African gold marketing strategy.

Whereas the South African Reserve Bank previously marketed the country's mining output as soon as it was produced, there are now signs that the central bank has been holding some supplies off the market in an effort to bolster the price. As of the end of May, the Reserve Bank's gold holdings had risen to 351 tons compared to 299 in September 1979. However, part of the increase may reflect repurchases of gold from Swiss banks under old "swap" deals.

Significantly, Soviet gold sales all but dried up during the first half of this year. According to the London *Financial Times,* this year the Soviets have sold no gold in Zürich, their traditional marketing outlet. Potts estimates that the Soviets may sell only about 150 tons to Western markets this year, compared with 299 tons in 1979 and 410 in 1978. The cutoff has fueled speculation that the Soviets may have put some stocks into direct deals with oil-producers.

Another reason for the Consolidated Goldfields trip may be to sidetrack Soviet collaboration with the Franco-German-centered European Monetary System (EMS). In his July 8 "Lombard" column, *Financial Times* columnist David Marsh expressed relief that the Venice summit participants were "preoccupied with backfire bombers and Cruise missiles rather than the currency stabilization scheme involving Euro-rubles which they had earlier thought would be dished up by President Giscard." Marsh was referring to a five-year-old scheme to internationalize the Soviet ruble as a means of financing expanded trade among the East Bloc, Western Europe, and developing countries. The gold-backed "Euro-ruble" could act as an interface with the gold-backed ECU.

Fearful that such a development might eclipse the already waning influence of the City of London, Marsh wants such "grandiose schemes" shelved in favor of a "piecemeal" gold remonetization. Marsh's formulation was quite similar to that of Consolidated Goldfields' senior analyst David Potts, who spoke at a New York press conference on July 7. Potts, who had just arrived from Johannesburg and was due to depart for Moscow the following day, predicted a slow evolution in gold's monetary role through the increased use of gold-collateralized loans.