

## Gold by William Engdahl

### Moscow dangles 'golden ruble'

*Western bankers are teased with hints that the Soviets will join the Western monetary club by making the ruble convertible.*

Soviet spokesmen in recent months have hinted at a possible revolutionary move to make the worthless Russian ruble into a "good as gold" commodity in Western financial markets.

In early October, "authoritative" Moscow sources were heard "whispering" in Paris about a secret study on the subject. City of London circles have been buzzing with similar rumors since September, when the Moscow Narodny Bank of London announced it had joined the newly formed London Bullion Market Association. At that time, a Soviet economic delegation held closed-door talks with Bank of England officials and senior London bankers.

According to City of London reports, Moscow has commissioned a confidential study from experts in London, Paris, New York, and Zurich. The mandate is to study the feasibility of fixing the ruble—presently inconvertible into any Western currency, hence worthless in international trade—to some accepted value which would make securing of large Western credits and substantial Western technology investment inside Russia an attractive reality.

"This would be an attempt to reintroduce the gold standard, with the spirit of Montagu Norman transmigrated to Moscow," one City of London insider stressed. Montagu Norman, Bank of England governor from 1919 to 1944, was notorious for his golden imperial schemes.

Moscow has teased eager Western bankers with hints of becoming part of the Western monetary club by making the ruble convertible to Western

standards of value, even suggesting eventual membership in the International Monetary Fund. Under the present system, no Western investor can determine accurate measure of value outside cumbersome barter dealing. Russia's alternative, buying from the West with hard Western currencies, has declined with collapsing oil prices.

"Joint ventures need convertibility" stated one London gold analyst. "The Soviets accept that their present exchange rate is insane. Hungary is the only sane one in the group. Moscow does not want more loans from the West. They want exchange convertibility." London's Nov. 5 *Economist* featured "A Gold Ruble," outlining how Gorbachov could benefit from revaluing the ruble to an agreed value of gold: "At present their exchange rate is grossly over-valued instead of being kept cheap. The official rate pretends the ruble is worth \$1.65 when its purchasing power on East Europe's black markets is probably more like 25 cents." The journal argues, "The most desirable way for Russia to borrow is for it to have a currency people want to hold, instead of Western politicians giving it soft credits at their taxpayers' risk in the hope this might make Mr. Gorbachov nice."

According to the reports circulating in London and Bonn, this convertible ruble would be tied not to a fixed weight of gold, but to a "world gold price." The scheme would allow Moscow to convert, but avoid becoming hostage to a dollar exchange value. "The corollary of a ruble pegged to a world gold price" added a London gold

analyst, "would be a *modus vivendi* deal between Moscow and South Africa, nominal enemies who have worked together in the past on points of mutual advantage. Between them they control some 70% of total world gold production, more than OPEC does oil. Oppenheimer [Sir Harry of Minorco and De Beers diamond cartel of South Africa and Luxembourg] has already shown his willingness to do a deal with the Russians to control world diamond trading. Gold would present little problem."

Is such a prospect motivating Harry Oppenheimer's attempt to grab control of the world's second-largest gold mining group, Consolidated Goldfields, via his Minorco SA holding? The combination would give Oppenheimer's group an estimated 32% grip on total non-Communist world gold production, far the largest. Bolstered by a production stabilization pact with Moscow, such an Oppenheimer-Gorbachov "gold cartel" would dominate world markets for the far future, permitting a stable fix for the weak ruble. Minorco's board includes the New York-London investment bank Lazard Frères, which is also Minorco's adviser on the Goldfields takeover. Is it only coincidence that the Lazard-owned *Economist* is floating the gold ruble idea?

By one version, the gold ruble would be tied to a single European currency in the wake of the West European 1992 single market transformation. "This would allow Moscow to create a single currency zone from the Urals to the Atlantic," stressed one London economist. Could this be one reason a leading Soviet banker, Thomas Alibegov of the Soviet External Economic Bank, told a European Parliament audience in July that Moscow will increasingly price import contracts and credits in ECUs, the EC's European Currency Unit?