



Foreign and Commonwealth Office

London SW1A 2AH

ccpk
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Rice Minister

I am sure you 2 March 1990
are right that we have
not heard the last of this.

Jean Charles

CCP 3/3

1/1 as I have

Baltic Gold

— plan

a copy for
my files in the
flat
not

Thank you for your letter of 1 March about the disposal of gold originally belonging to the Baltic States.

When the Baltic States were incorporated into the Soviet Union in 1940, the property of a number of British nationals was seized without compensation. In addition the Soviet authorities did not accept responsibility for the external debts of the Baltic States; these included three external loans which had been placed in London. To safeguard these two sets of British interests, the British Government froze the gold reserves of the three Baltic central banks which were deposited in London, which were claimed by the Soviet authorities.

After a long stalemate, negotiations between the British and Soviet Governments were given impetus by Mr Kosygin's visit to London in 1967. An Agreement was signed on 5 January 1968; the British and Soviet Governments agreed not to pursue their respective claims. The British Government used most of the money realised from the sale in 1967 of the Baltic gold reserves (in addition to certain other assets of the Baltic States and ceded territories) to meet in part the claims of British creditors who had lost assets in the former Baltic States and in certain other territories incorporated into the Soviet Union.

The judicial determination of these claims was carried out by the Foreign Compensation Commission in accordance with the Foreign Compensation (Union of Soviet Socialist Republics) Order 1969; claimants eventually receiving 42.6% of the assessed value of their claims. The Baltic gold (weighing 460,220 fine ounces) realised £5.8 million when sold in 1967. Its value would be approximately £12.17 million at current prices.

/During



During the passage of the Foreign Compensation Bill in 1968 and 1969 the Government of the day was criticised by the Conservative opposition over the propriety of disposing of the Baltic assets in this way. In reply the Government argued that it had an overriding responsibility to the British creditors, and that the use of Baltic assets was justifiable in the circumstances. The Government also acknowledged that nothing contained in or done under the Bill would preclude any independent Baltic government at some time in the future from submitting a claim to the British Government of the day in respect of the property in question, if it considered that it had such a claim. But any such government in the Baltic States would also be in a position to accept obligations to creditors.

There is likely to be increasing Parliamentary interest in this issue as the former Baltic States move towards independence from the Soviet Union. One area where we may be open to pressure from the Baltic lobby is that a part of the proceeds from the gold sales were used to compensate British individuals and companies who had lost assets in territories ceded to the Soviet Union from Finland, Poland, Czechoslovakia and Romania. (In other words the proceeds of the gold sales were not used exclusively to meet debts relating to the former Baltic States - but some of the assets used to provide compensation under the 1969 Order came from the ceded territories, not from the Baltic States.) There could also be a renewal of earlier criticism that $f\frac{1}{2}$ million of the $f5.8$ million realised from the gold sales was under the terms of the 1968 UK/Soviet Claims Agreement in effect given to the Soviet Union.

Some of this material is being used in replying to a written question from Mr David Atkinson MP. With the question becoming more active we are continuing our researches into the details.

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