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Germany to bring home its gold by 2020

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Employees of the Bundesbank, Germany's central bank, stack gold bars for a news conference in Frankfurt. (Frank Rumpenhorst / EPA / January 16, 2013)

By Renuka Rayasam

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BERLIN -- Germany's central bank announced Wednesday that it would reverse a decades-old policy of storing gold abroad and reclaim \$36 billion of bullion from New York and Paris to ensure that half of the country's reserves were on home soil by 2020.

About 674 metric tons of gold -- sent abroad to keep it out of the reach of the Soviet Union during the Cold War -- is to be "repatriated" and deposited in the Bundesbank's vaults in Frankfurt. The move would eliminate Germany's gold reserves in Paris and reduce those in New York, but would leave its

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bullion in London untouched.

"The two most important functions of gold reserves are to build domestic confidence and to ensure the option that the gold can be quickly exchanged into foreign currency," Carl-Ludwig Thiele, a board member of the Bundesbank, told reporters Wednesday.

Thiele said the move had nothing to do with the reliability of Germany's allies in storing the gold. Rather, he said, it was no longer necessary to maintain reserves in Paris now that France and Germany share a common currency, the euro.

The shift in strategy comes on the heels of a critical report from Germany's Court of Auditors in October calling for more stringent oversight of the country's gold reserves. The report said the Bundesbank should verify that Germany's gold is still accounted for in foreign vaults.

Some politicians seized on the report as an opportunity to criticize the Bundesbank's policy of storing gold abroad and demanded that all its reserves be shipped back home. When Thiele was summoned to explain the policy to the German parliament last year, he said that the Bundesbank had more pressing problems.

Wednesday's announcement signaled that the Bundesbank had acceded to lawmakers' demands.

In total, the Bundesbank has 3,391 metric tons of gold reserves, worth about \$182 billion. Only the United States keeps more gold on hand.

Germany built up its gold reserves during its postwar economic boom, when exports were booming. The world was still on the gold standard then, and Germany traded in its dollars for gold.

When the gold standard came to an end in 1971, most countries slowly dissolved their reserves. Germany, however, held on to the precious metal, but shipped much of it abroad to keep it safe from the Soviet Union.

Now that the Cold War has ended, Germany no longer needs to keep its gold "as far from the Iron Curtain as possible," Thiele said.

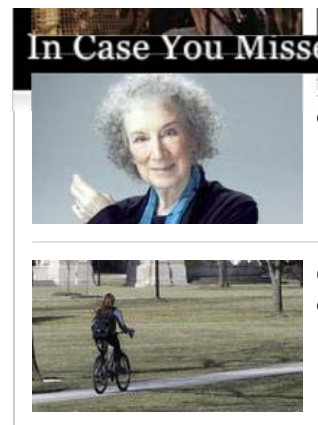
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