

From Forbes Oct 12, 2011

Forbes

Chinese Removing All Barriers That Inhibit Gold Investing As National Sport

Robert Lenzner writes the StreetTalk column for Forbes.com and anchors the StreetTalk video show. Previously Lenzner was National Editor and Senior Editor at Forbes Magazine, New York Bureau Chief of The Boston Globe and Wall Street correspondent of The Economist.



[Chinese Removing All Barriers That Inhibit Gold Investing As National Sport](#)

The gold mavens of the west have nothing on China, 1.3 billion strong. China's politically influenced banking system takes every measure to facilitate ordinary Chinese– not only the Chinese imitating hedge fund king John Paulson– to either buy gold straight from their savings accounts in giant state- controlled banks like ICBC or the Agriculture Bank(way larger than BAC or JPM) or to acquire gold jewelry from huge nationwide chains of jewelry shops– a phenomenon unknown in the US, or for that matter, anywhere in the west.

Gold jewelry is a growth industry in China. We have our fast food joints and discount mall stores like Costco. China has jewelry chains with a least 1000 outlets or more across China, according to the World Gold Council. I'll bet you a million yuan you've never heard of Chow Tai Fook, or Luk Fook, or China Gold or Laofengxiang or Laomao. But, they are as well known as Kentucky Fried Chicken and Macdonalds.

I'm perplexed because this is a culture foreign to us. It has cultural roots, but it also is a measure of national economic policy to promote gold as a savings device. Are the Chinese signaling not to expect the protection of artificially elevated levels in the renmimbi to last forever? Is it a way to jump start a larger middle class out of poverty? This phenomenon bears more intense scrutiny. It's certainly good for the western investor in gold bullion.