Good morning, ladies and gentlemen. It is a genuine pleasure to welcome you to this, the Fifth Annual LBMA Precious Metals Conference, which is our first event to be held in China. I notice from the delegate list that both the Chinese industry and banking sectors are extremely well represented here (as we knew they would be) but the good attendance today also represents the fact that many of you have made long journeys to participate in this Conference. This no doubt reflects in large part the fact that Shanghai has become a destination of choice; not only for tourists, but also for business people the world over.

As you may already have seen, it epitomises the dynamism that characterises the Chinese market. An example of the vibrancy of the economic development in Shanghai was there for all to see last night at the cocktail party as we saw an endless two-way stream of heavy river traffic transporting every kind of raw material and product.

Many of you will be aware that we had planned to come to China in May of last year but with the advent of the SARS crisis, we were forced, at short notice, to postpone our trip to Shanghai until this year. One of the advantages of the postponement however, is that the Shanghai Gold Exchange (which was, in market terms, a teenager in June last year) has now matured and developed its systems and products, and the Conference gives us a very good opportunity to find out, not only about its past development but about its very exciting future. I should add that the LBMA has always had a policy of holding its conferences in venues which are important for the market – either in terms of production or consumption – or, as here in China, for both.

As you will have seen from the programme, a lot of the content over the next day and a half will focus on aspects of the future development of China and I would like to stress that this is not simply because we are holding the event here in Shanghai. In fact, wherever we hold the Conference, the agenda is an international one. Thus the reason for much of the China content in the programme is in fact the country’s importance as a producer, but above all, as a potential consumer of the precious metals.

As any observer of the commodities markets is aware, the China factor has been the major element in the supply-demand equation in recent years. This applies to demand for soft commodities, to industrial minerals, to base metals and of course also to precious metals. However, we do not forget about China as a source of supply nowadays, particularly for gold and silver. As our Chief Executive mentioned in his remarks, the main area of growth in the LBMA’s Good Delivery List in recent years has come from China and particularly from its silver refiners. Since 2002, six Chinese silver refiners have joined the List, which emphasizes not only the importance of Chinese silver production in the world today, but the global significance of the Good Delivery List.

Those of you who have had a chance to visit the Forbidden City in Beijing and see the displays of gold there will be in no doubt about China’s long tradition as a consumer of gold, though nowadays the consumption is a lot more evenly spread than when Marco Polo visited China some eight centuries ago.
However, I do not want to give you a lecture on Chinese supply and demand, as we have many experts with us here who can do the job a lot more professionally than I can.

So instead let me turn to the LBMA, and for those of you who are not so familiar with us, let me describe some of the recent more important developments. Until 1999, the LBMA was essentially a trade association of UK-based companies, many of them admittedly linked to international groups. Even at that time, however, the LBMA Good Delivery List was recognized as the de facto standard for the quality of gold and silver bars. In 1999, the LBMA decided to welcome foreign companies into its membership – as International Associates – and the first Associates joined in January the following year. Some two years later, an even more fundamental decision was taken – to allow companies whose trading operations were located outside the UK to join as Full Members. The LBMA now has a total membership of 101 companies including eight Market Makers, 52 other Full Members and 41 Associates. Through our conference and seminar programme, we have also reached out to other markets, in some cases to assist them as they developed their methods, regulatory systems and product offerings. For instance, last year, we held a Bullion Market Forum focusing on issues in the Indian market in New Delhi and this year we had a similar event in Moscow looking at the current challenges and future opportunities facing the CIS markets.

The world has become a smaller place, thanks to improved communications and air travel. Globalisation does exist in the precious metals market and we recognise that for products such as precious metals there is a single world market. At the same time, there are many regional markets, each performing the vital tasks of providing safe and efficient platforms for trading and ultimately satisfying the needs of our global client base. Many of these markets do of course use London as a means of finance, hedging and for sourcing physical supplies.

The three pillars of the London market – the fixings, the clearing system and the Good Delivery List (the latter now enhanced by the introduction of proactive monitoring this year) provide a platform that can be used by companies around the world for a safe and effective means of trading gold and silver in a wide range of ways to suit an equally wide range of customer requirements. Those of you who do not have a copy of the Guide to the London Bullion Market – which was published in a Chinese edition last year and which will be available in a Russian edition shortly – may wish to contact the LBMA executive to obtain a copy.

The LBMA exists to ensure that London continues to provide an efficient service for the benefit of all its Members, its Associates and its customers. This, in a very real sense, is why we’re here.

Before I finish, let me add my thanks to those of Stewart to our friends in China who have assisted us with the organisation and the marketing of this conference. The Shanghai Gold Exchange has provided us with tremendous support in all aspects of organising the event, and together with the China Gold News Corporation, they have helped to ensure that everyone in the gold business in China was informed about the conference.

Next, I would like to thank the Shanghai Gold Exchange for hosting last night’s welcome reception and NYMEX, who will be our hosts at the reception in the Shanghai Museum this evening.

I would also like to thank the speakers for the time and effort they put into preparing their presentations and for informing us about the current state of the market; and the session chairmen for their efforts. They not only have to introduce the speakers and ensure that their sessions finish on time: many of them have in addition been assiduous in contacting the speakers in their sessions over recent weeks to co-ordinate their contributions and ensure stimulating discussion after them. Finally, I would like to thank Kamal Naqvi and the members of our Public Affairs Committee who have spent many hours over the past year developing the programme and of course Stewart and his colleagues at the LBMA Executive for all their hard work.

And now it gives me great pleasure to be able to introduce Mr Han Zheng, the Mayor of Shanghai, who has graciously agreed to be present today to welcome us to Shanghai and tell us something about this fascinating city. Mr Han became Shanghai’s youngest-ever Mayor when he was elected to this vital position last year, but he has a wealth of experience in running large-and medium-sized enterprises as well as the various organs of the Shanghai Municipality.

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We now come to our keynote speaker and I am honoured to be able to introduce to you Dr Zhou Xiaochuan, the Governor of The People’s Bank of China who was appointed in January last year. The PBOC has for many years played a key role in the precious metals market in China and although this has changed somewhat with the
The formation of the Shanghai Gold Exchange, the bank remains of course one of the largest investors of gold and there could be no more appropriate person to give our keynote speech. A chemical engineer by training, Dr Zhou has held a number of important positions in government and also in the commercial banking sector, having been the vice president of the Bank of China and also the president of the Construction bank. His activities in the past have included economic restructuring, the foreign exchange market and the securities industry. Having already been the PBOC’s deputy governor, Dr Zhou has clearly the right experience for the formidable responsibilities that his job entails.

Thank you, Dr Zhou, for that comprehensive and thought-provoking presentation about the development of trading in China. We wish you every success with your plans for the future. I understand that Dr Zhou and Mr Han are not able to remain with us for the rest of the morning session so there will now be a very short intermission of five minutes of so while we “see them off”. When we return, there has been a small change to the running order. Dennis Gartman’s speech will be next, followed by that of Shen Xiang Rong. Could I now ask you to show our appreciation in the usual way to Governor Zhou and Mayor Han and their retinues for their participation and support for this Conference.

Our next speech is by Dennis Gartman, editor and publisher of The Gartman Letter since 1987. Dennis has been involved in the markets for the past thirty years as an economist, trader and analyst. He has been producing his widely distributed newsletter since 1987, which gives insights on economic and political concerns, and this morning will discuss how precious metals fit into the global picture.

Finally in this session, I have much pleasure in introducing Mr. Shen Xiang Rong, who has been the Chairman of the Shanghai Gold Exchange since its formation just over two years ago. Mr Shen has extensive experience of trading in the commercial sector as well as of government departments dealing with the economy. Together with his background as a graduate of the Xi’an mining institute, he is ideally qualified to lead the Exchange. Among his many responsibilities, he is also vice-chairman of the China Gold Association and the Gem Association of China.

Before asking him to take the floor, may I again thank him and the Board of the Exchange for having so generously hosted our Welcome Reception yesterday. Now ladies and gentlemen, please welcome our final speaker of this session, Mr Shen Xiang Rong.