

Archived World Gold Council Document

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China - Further progress in market deregulation

2000 China Gold Economic Forum release action plan to deregulate China's gold market

The 2000 China Gold Economic Forum, organised by the World Gold Council in Beijing on 26 October, released a research report titled *China's Gold Market Reform in a New Era - Related Policy Research and Suggestions*.

Commissioned by the WGC and conducted by the renowned Chinese economist Dr. Liu Shijin of the Industrial Economics Research Department, Development and Research Centre (DRC), the think-tank of the State Council of the P.R.C., the research study delves into the gold production and circulation systems in China, with a major focus on the establishment of a gold exchange market.

Impressive list of local and foreign participants

Over 200 key participants attended the Forum, including representatives from government, regulatory bodies, gold mining companies, the jewellery trade and financial institutions from China and overseas. It was co-organised by the Bureau of Currency, Gold & Silver Administration, The People's Bank of China (PBC) and DRC, supported by the Gold Bureau, State Economic and Trade Commission and sponsored by AngloGold.

The Forum was chaired by Terry Smeeton, former head of the foreign exchange division of the Bank of England, and supported by presentations on key gold markets of the world by Robert Guy, Director, N.M. Rothschild, Ian MacDonald, Vice-President and Manager of precious metals, Commerzbank, New York, Fung Chi Kin, President, Chinese Gold and Silver Exchange Society, Takeo Umezawa, President, Sumisho Precious Metals, and Mark Lynam, Treasurer, AngloGold.

National gold exchange market a significant step towards opening China's gold market

The research report sets out the position that "to reform or not to reform" is no longer a pertinent question, but rather how to reform in the most desirable way, and how the process should be accelerated. Highlights of the proposed action plan include:

- Withdrawal by the PBC from its monopoly position in the purchase and allocation of gold.
- Establishment of a nationwide gold exchange market in order to create a highly creditworthy and transparent market environment.
- Accommodation of other market mechanisms such as an inter-bank OTC gold market, regional gold exchange centres and a retail gold market, seeking ultimately to align with mature international markets;
- Matching of supply and demand, lowering transaction costs, avoiding and diverting price risks and following international price structures;
- Greater role for commercial banks in gold distribution and services for gold producers and downstream operators;
- Suggested sequence of initial opening of a retail market followed by wholesale and other related businesses.
- High priority to favourable tax policy, including preferential VAT to legally traded raw material, abolition of the 5% consumption tax on gold jewellery, application of the 17% VAT only to the value-added part, tax preferences to investment gold products, and reducing tariff rates on gold jewellery, imports.

- Reduced government intervention and introduction of self-regulatory framework, through a committee of representatives from the PBC, gold experts and relevant ministries.

National gold exchange market to be established in Shanghai?

A Shanghai location was supported at WGC's "Gold Virtuosi" gala night in Shanghai on 28 October by Mr. Huang Qi Fan, Vice Secretary-General of the Shanghai Municipal Government, who in a public address stated "Shanghai will strive to set up a national gold exchange market before the end of the year. It will follow the practice of international gold exchange markets and the World Gold Council will be invited to provide advice and consultancy."

WGC's role well acknowledged

The WGC's strategic role and major initiative in accelerating China's gold market reform was well acknowledged by the PBC, the related government bodies and the gold industry. There is no reason to doubt that deregulation will significantly stimulate demand for gold, both in jewellery and investment forms, in China.

For full Pdf report - [China Gold Economic Action Plan](#)

(pdf- 92 kb, 33 pages)