The Worth of Gold Growing by the Day

The worth of gold in the world is growing by the day. That might seem like a paradox but it isn't. The worth of gold is not fixed on the Comex futures exchange, or the trade in London or Zurich. True, most of the gold-trading public takes its cue today from the CME's COMEX gold futures price where it does not at all look like the worth of a bar of gold is growing. Why can we then speak of gold's worth rising?

On Comex the price of gold futures has gone from a high of $1896 in August 2011 to current lows of $1099, lows last seen six years ago, tendency downward. Here we come to the fallacy of composition where we extrapolate from one particular to the universal, when we assume that something is true of the whole just because it is true of some part of the whole.

The COMEX gold futures market in New York and the Over-the-Counter (OTC) trades cleared through the London Bullion Market Association do set prices which are followed most widely in the world. They are also markets dominated by a handful of huge players, the six London Bullion Market Association gold clearing banks--the corrupt JP MorganChase bank; the scandal-ridden UBS bank of Zurich; The Bank of Nova Scotia - ScotiaMocatta, the world's oldest bullion bank which began as banker to the British East India Company, the group that ran the China Opium Wars; the scandal-ridden Deutsche Bank; the scandal-ridden Barclays Bank of London; HSBC of London, the house bank of the Mexican drug cartels; and the scandal and fraud-ridden Societe Generale of Paris.

Key central banks, notably the Federal Reserve and Bank of England, have been accused of colluding with the major clearing banks to artifically smash gold prices when, as they did in August 2011, gold threatened to get out of control and endanger the dollar's role as world reserve currency primus. Organizations representing gold investors such as GATA have documented in detail for years how the manipulations of the gold price was carried out.

In short, the buying and selling of gold in London and New York is in questionable hands. There are even rumors that some of the top names in gold trading are involved in major criminal fraud using gold plating on tungsten bars to circulate fake gold bars. Confirmation is naturally extremely difficult but a sensible caveat emptor might be to drill a tiny hole through that next gold bar you buy before paying.

Western banks of late have also created gold ETFs or exchange-traded funds, gold derivative funds backed by gold but not paying out in gold. The trading of so-called paper gold--futures and other forms of speculative contracts where no physical gold is delivered--while it at one time had a rough connection to the buying and selling of real gold in the world, today is disconnected from it. It is a casino on to itself blissfully free to decide what gold prices we pay. We are left with a gold market where the price is manipulated, as with crude oil, by large banks and Western central banks who decide the ultimate price.

Building a new gold market

This disconnect clearly does not please major gold buyers such as China or Russia or others. Rather than scream and cry "fraud" at the owners of the COMEX/CME or the London Bullion Market Association Big Six clearing banks, these countries are involved in the genial move to create an entirely different gold market, one that not JP
MorganChase or HSBC or Deutsche Bank control, but one that China, Russia and others of a like mind control. It fits nicely with the recent creation of the BRICS countries' BRICS New Development Bank and the Shanghai-based Asian Infrastructure Investment Bank (AIIB).

This past May, China announced it had set up a state-run Gold Investment Fund. The aim is to create a pool, initially of $16 billion, the world's largest physical gold fund, to support gold mining projects along the new high-speed railway lines of President Xi's New Economic Silk Road or One Road, One Belt as it is called. As China has expressed it, the aim is to enable the Eurasian countries along the Silk Road to increase the gold backing of their currencies. That sounds very much like some clear-thinking and far-sighted governments are thinking of creating a stable group of gold backed currencies that would facilitate orderly trade free from Washington currency wars. The countries along the Silk Road and within the BRICS happen to contain most of the world's people and natural and human resources utterly independent of any the West has to offer.

At the end of May China's Shanghai Gold Exchange formally established the “Silk Road Gold Fund.” To date the two main investors in the new fund are China's two largest gold mining companies--Shandong Gold Group who bought 35% of the shares and Shaanxi Gold Group with 25%. The fund will invest in gold mining projects along the route of the Eurasian Silk Road railways, including in the vast under-explored parts of the Russian Federation.

The China gold mining cooperation extends to Russia, the closest partner of China since the foolish US and EU economic sanctions forced a definitive Russian strategic shift from seeking admission as a respected, full partner of the West--something incorporated in the Medvedev presidency--to a comprehensive strategic cooperation with China and Russia's eastern Eurasian partners in the Shanghai Cooperation Organization and the BRICS--Brazil, Russia, India, China, South Africa.

On May 11, just before creation of China's new gold fund, China National Gold Group Corporation signed an agreement with the Russian gold mining group, Polyus Gold, Russia's largest gold mining group, and one of the top ten in the world. The two companies will explore the gold resources of what is to date Russia's largest gold deposit at Natalka in the far eastern part of Magadan's Kolyma District.

Russia is vigorously adding to its central bank gold reserves over the past several years. During the Yeltsin era in the early 1990's, the Yeltsin mafia reportedly robbed the state of virtually all gold reserves. During the Soviet years gold backing for the Rouble was considered unnecessary in the command economy of central state planning.

As of official statistics, Russia's official gold reserves stood at 1250.9 tons in June. In the first five months of 2015 Russia has increased its domestic gold mine production by a factor of more than six-fold. Gold is becoming of huge interest to President Putin and the Russian leadership. Some believe a gold-backed rouble is not far off and clearly China, in its push to make the renmenbi acceptable as a world reserve currency, will back its currency with gold, a lot of gold, to make it a credible alternative to the floundering dollar and Euro.

Russia's vast eastern Siberia is known to hold huge untapped gold reserves. Russia is today the world's third largest gold producer with some 245 metric tons produced in 2014. China, with over 450 tons a year, is today the world's largest gold producer. South Africa, also a member of the BRICS along with China and Russia stands to add to the new energy surrounding a renaissance in gold as a support of solid, well-based currencies to replace the diluted and devalued dollar system. South Africa, which until 2006 was the world's largest gold producer, today is number 7 with 150 tons and Uzbekistan, a member of the Shanghai Cooperation Organization along with Russia and China, is the world's 8th largest gold producer in 29014 with 102 tons. On May 4 the Chinese ambassador to Uzbekistan announced that the country would be included in China's “Silk Road Economic Belt” project.

Slowly and very systematically the outlines of a new gold-backed alternative to the inflated dollar system or the debt-strapped defective euro is emerging. The New Economic Silk Road, integrated with Russia's new Eurasian Economic Union member countries and others, is far more than a simple railroad. It is becoming the central nervous system of what in three to five years at present pace will become the fastest-growing largest economic space on this Earth.

In combination with the China Silk Road rail infrastructure initiative and the new $16 billion China gold fund to support gold mining projects along the Silk Road path, Eurasia, led by China and Russia, are about to transform the Anglo-American grip on gold which has kept true market prices artificially manipulated and depressed for decades and has effectively blocked the natural flow of gold through the world economy. While most eyes are fixed on COMEX or the London Bullion Market Association listed daily gold price fix, the real worth of gold as a currency reserve and a standard of monetary soundness is growing in worth by the day. That no doubt gives people at the US Treasury and Federal Reserve and Wall Street some serious gas pains.
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