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THERE'S GOLD IN THEM HILLS !

Japanese investors, concerned about the yen and their country's ailing banking system, have been buying gold and/or gold futures as though gold mines might soon dry up.

According to reports, Japanese investment demand for gold could total between 40 tonnes and 50 tonnes within the first quarter of this year.

That amount of investment in the precious metal is equivalent to between 8 percent and 10 percent of worldwide sales.

It is well known that about 85 percent of all gold that is purchased is used in the manufacture of jewellery, while industry utilises the remaining 15 percent.

It may be conjectured, therefore, that what the Japanese are buying are jewellery rather than putting their yen into banks.

As such, it is unlikely that much of the Japanese purchases will find its way back onto the market in the short term.

Further, the Japanese Government has introduced measures that, effectively, reduce that Government's exposure per bank/financial institution account in the event that a bank/financial institution becomes unable to meet its financial commitments as they fall due, the classic definition of bankruptcy.

These measures will become effective on April 1, 2002.

While this is taking place in The Land of The Rising Sun, internationally, gold speculators are moving away from short positions, or liquidating them, and preferring to shoot for long positions.

This would indicate that the consensus is that there is going to be a shortage of gold, actual, perceived, or feared, in the short term, so that all shorts may find themselves squeezed and unable to cover positions unless steps are taken, now, in order to take out an *'insurance policy'*.

There is good and valid reason to adopt this stance.

On the African Continent, there is unrest, especially in Zimbabwe (formerly known as Rhodesia).

The African Continent produces about 80 percent of the world's supply of gold, with South Africa, being responsible for the lion's share of it.

While there would appear to be little indication that the political problems of Zimbabwe will spread, quickly, there is concern in international circles as to the knock-on effects of the elections, which took place over the weekend of March 9-10 and were ordered, by the country's highest court, to continue into last Monday.

But polling stations, for the most part, were closed on Monday, by Presidential Order, according to Press Reports.

European investors have been pulling out of the country, as quickly as their little legs can carry them, with Anglo American plc, the second-biggest mining company and one of the biggest investors in Zimbabwe, formerly at least, having sold timber and cement companies of late.

Zimbabwe has been sending troops to the Democratic Republic of the Congo, while its unemployment level is, presently, put at about 60 percent.

Inflation is running at about 117 percent, per annum.

In short, the country is in ruins – and the situation continues to deteriorate.

Zimbabwe shares its borders with Zambia, to its northeast, and South Africa, directly south of it.

Zambia is a very large producer of copper. Copper is, more often than not, found alongside subterranean gold deposits.

In order to bring copper to ports for transshipment, the trains have to run either through Zimbabwe, the shortest possible route, or along the rail link to Tanzania on the Rhodesian-and South-African-controlled railway.

Should the borders be closed between Zambia and Zimbabwe, or should there be social unrest in the country, hampering the train runs to the coast, the price of copper could well head for higher ground, as the prospects of a perceived shortage of copper, looms ever larger.

Some 70 countries around the world produce gold in commercial quantities, with the largest countries, outside South Africa being: The United States; Russia; Australia; Canada; Brazil; and, the People's Republic of China (PRC).

Traditionally, mining in Zimbabwe used to provide work for only about 5 percent of the working population of the country, but, in terms of export earnings, it represents about one third.

There are thought to be fewer than 11 million people in the country where the life expectancy is about 39 years and where those, infected with AIDS, is thought to be about one-in-3.

Farming was a big industry in Zimbabwe, prior to 1992 when the Zimbabwean Government passed into law, an act to redistribute much of the white-owned Government land to black peasants.

The act came under severe criticism when a study revealed that almost all of the appropriated lands had been leased to Government officials.

Since 1992 and the enactment of the so-called, land-reform laws, income from farming traditional crops, which include such cash crops as tobacco, cotton, maize, sugarcane, and coffee, has come to a virtual standstill.

Only immediate mining operations of chromium ore and gold could be started with alacrity.

Zimbabwe was one of the world's largest producers of chromium ore, prior to 1965; and, gold production and exports were the Number 3, foreign-exchange earners.

There are thought to be, at this time, more than 100 mines, not being worked, and that includes the country's coal mines, thought to have reserves of coal of more than 30 billion tons of low sulfur, bituminous coal.

According to the US Geological Survey, the world's total production of gold fell about 0.78 percent in the 2001 year, ended December 31, compared with the 2000 year.

The total production was put at about 2,530 tons, with South Africa, having reduced its production by about 5 percent, Year-on-Year, to about 400 tons.

It is estimated that about 15 percent of all the gold that is mined is lost in industrial usages where it is dissipated and made irrecoverable.

About 25 percent of all gold that is mined is held by central banks, around the world.

For the 9 months of 2001, to September 30, the price of gold ranged from a low of about $US257 per troy ounce to a high of about $US294 per troy ounce.

It, presently, stands at about $US291 per troy.

UBS Switzerland is estimating that nearly 200 tonnes of net buying *'has taken place … propelling the Com ex gold trading position to the second highest net long position in the past five years.'*

With the political problems on the African Continent, which are unlikely to go away in a hurry, it is likely that speculative buying could take the gold price up to much higher levels.

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