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# China and raw materials 2/2.

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## **Metals and yuan**

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The tactics of China does not limit itself only to the energy, non-ferrous metals are also desired to furnish industrial present but especially future growth.

### **A. The industrial metals.**

Strategy is similar to that adopted for the energy, purpose is effectively to guarantee long-term supply. China, by means of the companies of state, is interested in the Brazilian steel, in the Argentine iron, in the copper of Chile, in the nickel of Cuba and in the mining resources of Canada and Australia, any continent or country is forgotten, and these mentions are just only some examples. China incites these partners to develop roads, oil pipelines, railroads to facilitate the sending of resources. Naturally, all this change the balance of the business of raw materials, these countries being previously in position of dependence toward their buyers, they had no possibility of negotiating the sale of their resources. Today, the arrival of China their allows to make rise prices, and nevertheless the Chinese purchases continue. China allows these countries to turn to the others customer, and breaks so a balance unfavourable to the producers since the end of the decolonization. These countries have, moreover most of the time, very tense political relations with their old buyers, China is so often welcomed with a very positive feeling.

Here are some examples :

- The Chilean group Codelco (12 % of the world brass production) signed an agreement of 2 billion dollars with the Chinese company Minemetals, this one will receive 55 000 tons of copper a year, furthermore it has an option to buy 25 % of Gaby's mine which will produce 150 000 tons of copper in 2008. In 2005, negotiations began with Chile (Chile is the first world brass producer) for agreements of free exchange with China.
- Signature of agreement between Cuba and China for the origin and the nickel production, it is necessary to know that Cuba possesses very important nickel reserves.

- In 2003, China abolished the existing tax of 17 % on the import of cupriferous materials (ores and brass scraps), on the other hand it did not cancel that on the refined copper, this favors the imports of ores and supports the Chinese refiners.
- Attempt of purchase by Minemetals of the Noranda company (copper, nickel and zinc), offer was more important than its competitors that they are Australian, American and Brazilian.
- China has create a consortium between China Citigroup and American Alcoa to base a company of aluminium.

### **B. The yuan, the gold and the silver.**

China attends an avalanche of dollars for several years, and the USA demand that China revalues the yuan. They consider that it would be the wonderful cure in all the problems, while it would be rather about the dawn of complications for the dollar, but this is another subject. China will not give in to any pressure about the yuan, it will revalue the yuan the day when it will seem to her sensible to make it for his economy, the rest is only verbosity. At the moment, China uses the influx of dollars to buy oil reserves, gas, uranium, coal (energy is its first priority) as well as industrial metals. So, China can buy from the full price resources. And later ? It is difficult to say when and how China is going to change its monetary policy, besides what is sure, it is that China knows. Indeed, she has already foreseen when it will be made and why, outside pressures will not be there for anything, China will follow only its plan, serenely. With the gold and the silver, it is not especially necessary to forget elements as the platinum and the palladium which are, they also, very used in China as jewels and as investment. Recently, China allows, the 1.3 billion inhabitants, to possess precious metals, already it is going to be enough to provoke an influx of gold and silver towards China which has moreover a very old tradition with the precious metals. I do not believe that statics officials can give a very precise image of the consumption of gold, silver, platinum, and of palladium in China, because the precious metals can take very different ways which often escape statistics. The interest of China would be to let make these massive imports of precious metals. Really, it allows to strengthen consumption, and reduces the reserves of exchange to dollars as well as exceed it commercial, finally it relieves international pressure on its currency. China can then transfer the reserves of dollars of its golden, silver population, in platinum and in palladium. The first Chinese storekeepers to be proposed bars to the sale were in shortage of stock so much demand was important. History shows that gold goes where wealth is.

China has a very coherent politics with the energy, the industrial metals, the precious metals and the yuan. The monetary's political ( precious metals incl ) is in perfect equivalence with its purchases of raw material, so it makes sure its future supply. She is the ideal partner for numerous producing countries, because she terminates their subjection toward their old buyers, also she does not

ask for any counterpart (political, military, strategic), even if she supports these nations.

The objective of these lines is to demonstrate to the investors who undergo for years a stream of information hostile to raw materials, who sometimes can raise doubt in them , who the biggest actor of the sector (China) does not doubt him and even it buys everything. here is no limit in the increase of raw materials, the currencies which measure their values are finally that of the paper, nothing more. The best politics of long-term investment is to make as China, energy (first and foremost), industrial metals (copper, zinc, nickel, cobalt, molybdène), and of gold, silver, platinum, and palladium to protect itself from inevitable monetary problems (because of the quoted first two), and especially to privilege reserves in underground.

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