

STAND BY! HERE COME THE CHINESE WITH BUCKETS OF CASH!

In the first 2 months of 2006, the People's Republic of China (PRC) imported major commodities from the United States of America, valued at about \$US7.81 billion.

During that same period of time, the PRC imported major commodities from Canada, valued at about \$US1.09 billion.

But the PRC does not appear to favour, strongly, either the US or Canada when it comes to Overseas Direct Investment because, during the entire 12 months of 2005, Overseas Direct Investment in North America – that is the US and Canada, combined – represented only about 2 percent of worldwide Overseas Direct Investment by PRC entities.

At the same time, North America is, by far, the most-important, single market for the PRC.

With the total value of North American imports of major commodities, during the first 2 months of 2006, being about \$US8.90 billion, it is interesting to note the composition of the bulk of those imports.

The following statistics are taken from the PRC Government's General Administration of Customs (all figures are denominated in \$US'million):

| | <u>Imports from The United States</u> | <u>Imports from Canada</u> |
|-------------------------------------|--|-----------------------------------|
| Minerals: | 177.284 | 187.006 |
| Chemicals: | 807.135 | 158.505 |
| Textile Raw Materials and Products: | 359.961 | 3.544 |
| Plastics and Rubber Products: | 484.582 | 93.263 |
| Base Metals and Products: | <u>467.152</u> | <u>99.781</u> |
| TOTAL : | <u>2,296.114</u> | <u>542.099</u> |

Since the late 1970s when the late Paramount Leader of the PRC, Mr Deng Xiao Ping (), promoted radical trade reform programmes, opening up the PRC's markets, the country's trade with the rest of the world has risen to about \$US1.30 trillion.

In 35 years, between the late 1970s and December 31, 2005, it is estimated that trade with the rest of the world has risen by about 30 times.

Recently, the PRC has surpassed Japan as the world's third-largest trading partner, lagging behind the US and Germany.

But the rapid industrialisation of the PRC in those 35 years has caused dire shortages of important commodities.

These shortages are recognised, even by the tight-lipped, PRC Government, as likely to continue for some years to come, up to at least the year 2021.

Higher living standards are causing heavy demands on the PRC's industries to satisfy the hunger for certain goods by its own consumers.

In order to keep up with the growing demand, the PRC is looking more and more at countries, especially in Latin America and Africa, in order to fill its rapidly depleting stocks of important key commodities.

In the 2 decades, ended December 31, 2004, PRC imports of commodities have risen by about 20 times, to a value of about \$US200 billion, according to statistics, obtained from the United Nations.

The most important of those imports included:

| <u>Commodity</u> | <u>Value</u> (in \$US' billion) | <u>Share of World Imports</u> |
|---|--|--------------------------------------|
| Crude Oil | 33.90 | 6.10 percent |
| Chemical Elements and Compounds | 27.70 | 9.50 percent |
| Plastic Materials | 25.30 | 12.90 percent |
| Iron and Steel | 23.20 | 9.00 percent |
| Metalliferous Ores and Metal Scrap | 23.10 | 21.70 percent |
| Non-Ferrous Metals | 14.30 | 8.50 percent |
| Oil Seeds, Oil Nuts and Oil Kernels | 7.20 | 27.80 percent |
| Textile Fibres (not manufactured) and Waste | 6.70 | 23.90 percent |
| Chemical Materials and Products | 5.60 | 6.00 percent |
| Pulp and Paper | 5.30 | 19.20 percent |

Today, the PRC is the world's largest importer of plastic materials, metal ores, oil seeds, textile fibres and pulp and paper.

Its appetite for these commodities continues to grow.

Crude Oil

The most-important, single commodity import for the PRC, today, is crude oil.

This is hardly news, but what may not be fully realised is that, over the next decade or so, the country's thirst for crude oil will grow, probably faster than existing supplies can tolerate.

Thus, unless the rest of the world uses less crude oil, or unless there is an increase in crude oil production, prices are likely to remain at their current high levels.

Up until about 1993, the PRC was a net exporter of oil: Today, it is a net importer.

In fact, the PRC is the world's third-largest importing nation of oil, today, and accounts for about 6 percent of the total crude-oil imports and about 8 percent of the world's oil consumption.

The PRC has undertaken measures to try to curb future crude-oil imports, but it remains to be seen as to whether or not these measures will be successful.

Metal Ores

Today, the PRC is the largest importer of metal ores in the world.

According to statistics, compiled by the United Nations, the PRC is importing, annually, iron ore, manganese, lead and chromium, ranging between 32 percent and 54 percent.

These commodities are used in the production of steel, which feeds the country's industrial growth.

After the US, the PRC is the world's second-largest importer of steel and steel products.

Copper

After Japan, the PRC is the world's second-largest importer of copper, representing about 14 percent of the world's copper imports, as at December 31, 2004.

If one adds to that figure, imports of copper waste and scrap, the PRC's imports of copper rises to about 25 percent.

Copper is required for the production of wire, conductors in integrated circuits, electrical products, pipes, tubes and certain machine tools.

Because the PRC is the world's largest producer of washing machines, microwave ovens, refrigerators, certain electronic products, etc, etc, etc, it is difficult to believe that the country's requirement for this commodity will wane in the foreseeable future.

Also, as is well known, the country is stepping up production of motor vehicles where copper required in large quantities.

Within the next decade, it is a forgone conclusion that the PRC will eclipse Detroit, Michigan, as the world's largest producer of motor vehicles.

Africa and Latin America

Because Africa and Latin America are rich in mineral resources, such as oil and ores, the PRC has been targeting these areas for investment and as a source of continuing supply of key commodities.

Since the late 1990s, trade between the PRC and the African Continent rose to about \$US42 billion, as at December 31, 2005.

After the US, the PRC has become the African Continent's third-largest trading partner.

Since 2002, trade with the African Continent has grown by about 50 percent, compound, Year-On-Year.

The PRC's most-important African trading partners are: Angola; South Africa; Sudan; Equatorial Guinea; and, The Republic of Congo.

Oil remains the PRC's largest single import from the African Continent, however.

In 2004, the African Continent accounted for about 11 percent of the world's oil output.

The 3 countries of the African Continent that the PRC has targeted are Angola, Sudan and The Republic of Congo.

Angola, however, tops the list for imports of oil as far as the PRC is concerned.

There are other African countries, exporting oil to the PRC: Equatorial Guinea; Nigeria; Chad, Gabon and Cameroon.

For the African Continent, as well as Latin American countries, especially Mexico, Columbia and Venezuela, oil exports to the PRC will help to refill their coffers in the years to come.

As for Latin America, trade between the PRC and this part of the world has risen sharply in recent years and, as at December 31, 2005, such trade stood at about \$US50 billion.

Since 2000, trade between the PRC and Latin America has risen by about 50 percent.

The largest imports from this part of the world include iron ore, base metals and agricultural products.

Brazil is, today, the world's largest exporter of iron ore and ranks as the Number 3 supplier of the metal to the PRC.

It is hardly any wonder, then, that the PRC wants to invest in the countries which are large suppliers of important commodities to it.

At the end of the 2005 Fiscal Year, it is estimated that the PRC invested between \$US44 billion and \$US50 billion in Overseas Direct Investments.

About 60 percent of that amount of money went into investments in Asia, but the PRC is increasing its investments in Latin America and the African Continent.

The top 5 investment areas (territories) for the PRC are:

| | |
|---|-------------------|
| The Hongkong Special Administrative Region of the PRC | \$US30.39 billion |
| Cayman Islands | \$US 6.66 billion |
| Virgin Islands | \$US 1.09 billion |
| The United States | \$US 0.67 billion |
| The Macau Special Administrative Region of the PRC | \$US 0.63 billion |

Of late, TARGET has noted the high-level trips of senior officials of the PRC Government to Latin America and the African Continent.

In all cases, large investments were announced for these PRC dignitaries.

In the latter part of 2004, President Hu Jin Tao () announced that the PRC would be investing about \$US100 billion in Latin America over the next decade.

Clearly, the plan is for the PRC to get firm footholds in countries which are supplying the Middle Kingdom with much-needed commodities, such as oil and ores.

Latin America and the African Continent stand to gain materially, therefore, in the years ahead.

-- E N D --

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.

