

DOES CHINA HAVE MONOPOLISTIC DESIGNS ?

It has been suggested that the ‘*hunger*’ of the People’s Republic of China (PRC) for natural resources is a potential, prospective international threat because of the possibility that the world’s second-largest economy will be able to dictate prices in due course, at least, in part if not in whole.

It appears to **TARGET** () that this idea is ludicrous.

Logic dictates that nothing could be further from the truth.

The PRC is known – and this has been demonstrated on many and varied occasions – to have no international ambitions about trying to dominate anything or anybody.

Or, for that matter, is the most-populous country in the world, trying to obtain a partial or total monopoly in respect of any natural resource, anywhere in the world, because, inter alia, the PRC Government has its hands full, trying to resolve its many inadequacies with regard to its very infrastructure, in addition to the unique domestic problems in respect of the 5 recognised, major ethnic groups within its indigenous 1.30 billion human population.

The 5 ethnic groups are:

Han ()	1,230,117,207 people
Zhuang ()	16,178,811 people
Manchu ()	10,682,263 people
Hui ()	9,816,802 people
Mongols ()	5,813,947 people

The idea that the government of the most-populous nation of the world would want to twist the screws on anybody or any country seems far-fetched, indeed, in **TARGET**’s opinion.

The PRC is, today, confirmed as a major industrial player.

Recently, it has been stated, officially, that the PRC has overtaken Japan as the world’s second-largest economy.

Actually, in December of 2009, it had, already, de facto, achieved that goal – without even trying and without any fanfare, at all.

The US Government’s **Central Intelligence Agency (CIA)** would, most likely, be only too happy to confirm the PRC’s achievement in the final month of 2009 – although few people seemed to have paid very much attention to it.

At this time, it is true that the PRC’s appetite for raw materials is putting a tremendous strain on international producers and suppliers and, on international commodity exchanges, the strain is being felt as commodity prices rise and fall, depending on the actual purchases, or the futures purchases, contracted by corporate entities of the PRC.

To try to ameliorate the situation with regard to feeding the PRC's industries with natural resources, PRC corporate entities are taking equity positions in foreign companies that have access to that which the Middle Kingdom requires.

In many cases, PRC-domiciled companies, with the blessings of the PRC Government, are acquiring large stakes in foreign-owned, natural resources entities, especially in Africa and Australia, and, in some cases, even extending material loans to these entities in order to assist them to expand industrial production.

Just last week, it was announced that the Canadian company, Potash Corporation, the world's largest fertiliser company by capacity, producing the 3 primary crop nutrients – potash (K), phosphate (P) and nitrogen (N) – was open for a new suitor.

The world's leading potash producer is responsible for about 20 percent of global capacity, with operations and business interests in 7 countries.

The statements by management of Potash Corporation that it was going shopping for a new suitor followed a rejection by the company of the \$US39-billion offer by BHP Billiton, the world's largest mining company.

The PRC is a big customer of Potash Corporation and so, obviously, people are turning to the East to ascertain whether or not a PRC-Government corporate giant would gobble up another natural resource producer.

If the PRC does take control of Potash Corporation, it is unlikely to mean that the second-largest economy of the world had the ability to call the shots with regard to the sales of its fertilisers to anybody.

Many mining and oil-exploration companies, it seems to **TARGET**, are benefitting, substantially, from the over-flowing coffers of the PRC Government in view of the signing of long-term procurement contracts by Chinese-domiciled entities.

Many of the trading activities of the PRC, one is told, are worrying certain international powerhouses, especially those of the United States of America.

Some of the questions that various people/governments of the world is, today, considering include, inter alia:

1. Does the PRC Government have ambitions with regard to partial monopolies over certain extractive industries in foreign lands?
2. Does the PRC Government want to hold certain industries/countries to ransom?
3. Does the PRC Government want to play tit-for-tat with the US Government and the European Union over allegations of manipulation by the People's Bank of China of the renminbi, such activity, being described as a blatant form of protectionism?

One has to ponder: Is the PRC Government such an insidious and evil world power?

If the PRC Government is to have the confidence of its trading powers over the long pull, it cannot be viewed, internationally, in the same way as North Korea is seen as an international pariah.

The Government of the PRC has gone on record, on numerous occasions, as stating that it wants to be a member in good standing of the world order.

It is not begging or requesting for such a status, but maintains that it is its right, de jure.

If anything, it appears to this medium that that which the PRC Government is doing, today, is helping to

increase the production and availability of many natural resources although, few people, it appear, realise this.

Its efforts will not just be for the benefit of the PRC because such actions will benefit the entire world even though this may not be completely apparent, today.

The Rwanda Operation

Only a few months ago, the PRC Government afforded very substantial loans to The Republic of Rwanda, a landlocked country, located in the Great Lakes Region of Eastern-Central Africa.

The lender was The Export-Import Bank of China .

This bank handed over \$US30.70 million to the Government of Rwanda in order to fund road-building activities in the country.

Suggestions abounded that the PRC Government's plan was to be able to lay claim to some of the natural resources of the country.

The problem with that suggestion was that Rwanda has very little in the way of natural resources.

This is unlike its neighbours, such as The Democratic Republic of Congo, to name but one country, rich in natural resources.

The PRC Government is known, also, to have helped to finance infrastructural projects in commodity-rich countries, such as Kenya, Senegal and Mauritius.

In years to come, no doubt, the governments of many countries, to which the PRC has afforded financial assistance, will look at requests, made by PRC entities, in a favourable light when Chinese delegates come calling, asking to be considered for contracts in respect of this or that.

In doing business with the United States of America, the economic modus operandi of the PRC Government is well-entrenched: It is competing with other players, adept in the capitalistic system.

The essence of a capitalistic society is that there must be shortages in order for this system of economics to work.

Should shortages cease to exist, then market prices would fall, values would have to be re-appraised, and the capitalistic system of economics could well be in dire danger of imminent collapse.

The capitalistic system demands that the dog, as a metaphorical suggestion, trying to chase its tail, never succeeds in its endeavours because, should the dog take a chunk out of its tail, it could result in the animal, bleeding to death.

Examples of the above are seen, over and over again on the world's oil markets.

Gyrations in oil prices occur on confirmation that US stockpiles of distillates have increased from one high level to an even higher level or, conversely, stockpiles of distillates are being depleted, rapidly.

The Kazakhstan Operation

History will recall that, in 1997, the PRC came into agreements with The Republic of Kazakhstan.

This Republic is one of 6 independent Turkic States.

It is located in Eurasia and it is ranked as the ninth-largest country of the world, its territory, measuring 2,727,300 square kilometres.

One of the PRC Government's agreements with The Republic of Kazakhstan was the development of the Uzen Oil Field and the construction of a 3,000-kilometre, oil pipeline from Kazakhstan's Caspian oilfields at Tengiz to Xinjiang and, from there, to the PRC's Eastern Coast.

In addition, the PRC agreed to develop The Republic of Kazakhstan's Aktyubinsk Oil Fields along the Russian-Kazakh border.

In helping to develop the oil fields of The Republic of Kazakhstan, the PRC spent upwards of \$US9.70 billion (about \$HK75.66 billion).

That amount of money represented, in 1997, about 50 percent of the Gross National Product of The Republic of Kazakhstan.

By its actions, the PRC Government was able to bypass The Russian Federation, if needs be such.

Also, it guaranteed a supply of crude oil in the future and, at the same time, guaranteed that The Republic of Kazakhstan would benefit from its friendship with the PRC.

One final word about the above: The Republic of Kazakhstan did not have the wherewithal to develop its rich oil resources.

What The PRC Is Doing

It is accepted that the world will, always, suffer shortages of one commodity or another.

That has, always, been the case and it will, always, be the case.

If the sugar cane crop in one area is badly damaged, due to inclement weather, then, one may expect the price of sugar to rise, at least, until replanting can take place.

The business of the Government of PRC is, first and foremost, to obtain those commodities and natural resources that it does not, today, possess, or does not possess in sufficient quantities.

To accelerate the drive to acquire these commodities/natural resources, the PRC Government realises that it has an international medium of exchange that many of the poorer nations of the world would like to have due to the fact that they have a paucity of this medium of exchange.

That medium of exchange is cash, lots and lots of foreign exchange, the coffers of the PRC, being full to overflowing.

This medium of exchange can be used to fund numerous projects of these poorer countries, leading to an expansion of mining activities of natural resources and/or expanding those economies, making them stronger in the long run.

An economically healthy trading partner, the PRC must have realised, long ago, is more valuable than the likes of a poverty stricken economy, such as that of North Korea.

Further, if the foreign exchange is extended as loans to some of the poorer nations by the PRC Government, sooner, rather than later, it will create jobs, not just for the borrower, but for many nations, which are keen to obtain a piece of that particular '*pie*'.

The PRC, today, is, without question, the most-important single economy of the world.

And, it will grow stronger in the years to come.

This is because, inter alia, reliance will continue on this country as a major, international growth driver.

In order for the PRC to continue the growth of its industries, it needs strategic materials, ranging from potash, to iron ore, to crude oil, to precious metals, etc, etc, etc.

To guarantee supplies of natural resources and commodities, it seems only reasonable that the PRC Government should endear itself to producers in foreign lands, offering its resources in exchange of those, produced/mined in those foreign lands.

At the same time, the PRC does not want to harm the goose that lays the golden eggs because that would be counter-productive.

The PRC remains dependent on its exports to the European Union – its largest single customer – and to the US – its second-largest customer.

It wants both of its trading partners to be financially healthy because, as **TARGET** has stated, many times in the past, when the US catches a cold, Asia catches pneumonia.

Any and all weaknesses in business and consumer demand in the 2 largest customers of the PRC will have an immediate and detrimental effect on the Middle Kingdom and its economy as outbound shipments will be materially affected.

But, it has been suggested that the PRC is responsible, in large part, for unemployment in the US, Europe, and in many other parts of the world.

The actions of the second-largest economy of the world must, it seems to this medium, have caused some disquiet in many quarters, resulting in workers, being sacked or found redundant.

But, as Prime Minister Margaret Thatcher commented, many times between 1979 and 1990, when she held the reins of power of the British Government, it is not up to the State to subsidise pitifully inept management of various, de facto, bankrupt manufacturing entities.

One of the political platforms of Prime Minister Margaret Thatcher, which propelled her to highest office of the land, was the promise to restore Great Britain's economic prosperity.

She accomplished this by selling and privatising many government-owned industries as well as breaking the backs of a number of powerful trade unions, most of which were more interested in perpetuating their powerbases than caring for the interests of their workers.

In the process of whipping the economy of the United Kingdom, back into shape, Prime Minister Margaret Thatcher managed to acquire quite a number of enemies.

Sound familiar?

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