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## China-silver get the connection???

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It seems China is in the news day after day, and rightfully so. The Chinese economy is responsible for almost everything I have purchased the past few years. Recently many financial commentators have mentioned that the Chinese have begun to exchange those U.S. obligations into hard commodities such as copper. This trend is likely to continue, as trading paper back to tangibles is the wisdom of the ages for beating the fiat dealers.

I just returned from Toronto and met with a few friends for lunch before making my flight back to Washington. During this luncheon I was asked to provide a few highlights on the silver market. Perhaps the most important point to be emphasized was that according to the Silver Institute the Chinese use about 1/70th the amount of silver per household that is used by advanced economies.

This is changing rapidly however the host of the luncheon pointed out the Chinese people desire refrigerators, computers, CD players, TV's, microwave ovens, and automobiles. Simply stated the Chinese want to have a life style similar to that enjoyed by Europe, America and Canada.

Since China represents 1.3 billion people if the usage came to that of the Western economies it would require 130 million ounces of silver annually. This will not take place overnight of course but the trend is in place. In fact check China is interested in silver from the Silver Institute <http://www.silverinstitute.org/news/pr06oct04.html>

Another interesting fact that Dr. Michael Berry wrote in his morning notes; Silver and Uranium share an interesting history. They are relatively unknown and until recently both have been contrarian investments unloved, unwanted and out of favor. It takes courage and insight to buy a contrarian investment. Both metals are now seeing the "light of day." Uranium's price has just begun its upward trajectory to the \$60 to \$100 range and silver is going to see much higher levels. Both metals have been under explored and under produced for the past 20 years.

Dr. Berry was also at the luncheon mentioned above, in fact we sat next to each other and he pointed out some interesting facts about China and their influence in the commodity sector going forward. What caught my attention was when he mentioned that the Chinese keep their silver business very quiet.

Earlier I wrote a bit about the Chinese and the lands they have devoted to the study of silver see [http://www.silver-investor.com/dm\\_aug04\\_poormansgold.htm](http://www.silver-investor.com/dm_aug04_poormansgold.htm)

The great one, the Mogambo (most recently sighted at the Silver Summit 2) points out that "China's government has announced the takeover of the biggest mining company in Canada. An ABC news article says that "Chinese firm, Minmetals, which is owned by the Chinese government, is said to be paying about \$US5.7 billion, for Noranda Mining. It has also been reported that the Chinese oil company Sinopec, which is controlled by the Chinese government, is in talks to acquire a large lease of oil bearing land."

Further Bob Moriarty of [321gold](#) went to China and says, "I sorta thought the demand from China might be responsible for 50% of the price of any commodity. Wrong. All I could see was building cranes and worker bees swarming over construction sites seven days a week." So, his original estimate of 50% may be too low? Wow!

He went on to say, "China doesn't just have an impact on commodity prices. Prices are going up from here on copper, iron, moly, silver, oil, gold and everything else you need to construct a modern economy in the shortest timeframe in all of recorded history."

Minco Mining & Metals Corporation (Minco) and Silver Standard Resources Inc. announced that they have entered into a strategic alliance to jointly pursue silver opportunities in China. Under terms of the strategic alliance, Silver Standard will invest C\$2,000,000 in Minco Silver to acquire a 20% interest in the new venture. Silver Standard will have preferential purchase rights to participate in future financing of Minco Silver in order to increase its interest up to 30% in Minco Silver. As part of the strategic alliance, Minco Silver will be the exclusive entity for both Minco and Silver Standard to pursue silver projects in China.

China-silver, China-silver, China-silver, I realize that is only three times, repeat until you see, hear, and understand the connection. There is a connection, China is going to need, want and use silver and a lot of it. Will this change the dynamics for silver in a big way, yes in a way few see or understand presently?

According to the Silver Standard press release...

"The Chinese economy has grown at an astonishing pace over the past 10 years, with annual silver consumption increasing from 24 million ounces to 47 million ounces. China appears to have an insatiable demand for all metals and we strongly believe that there will be continued growth in silver consumption. We are very pleased to participate in the Minco Silver strategic alliance in a country that has large silver resource potential with an increasing domestic silver demand."

Certainly moving from 47 million ounces of silver use in China to 130 is a three fold increase from current demand, but not unlikely. Especially considering the use of wireless technologies and superconductivity in their electrical grid. Stay tuned for the real China-silver connection it keeps getting more interesting.

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