



No Philippines quick fix

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Uncertainty over foreign ownership and control of resources projects in the Philippines may have been allayed, but it will take more than its Supreme Court waving a wand to trigger an avalanche of foreign mining investment in the economically-challenged country.

Its re-elected president, Gloria Macapagal Arroyo, has made warm and fuzzy sounds about now welcoming foreigners with open arms following a recent landmark court decision upholding the constitutionality of the 1995 Mining Law. As a result this means that, on paper at least, foreign miners' security of tenure is assured.

Arroyo is hoping to revitalise the mining industry in the Philippines (known for its large low-grade copper and gold deposits) with a view to building a new engine of domestic economic growth, and is looking to Australian, North American, South African, Chinese and other foreign mining interests to drive that growth.

Will it be enough to create an upsurge in foreign mining investment and transform the mining sector? While the government's positive stance fuelled by the new lease of life the court's validation of the Act is an encouraging sign, initial feedback from several quarters seems to indicate that some impediments will not melt away overnight and the Philippines will continue to be a hard nut to crack, in the near-term anyway.

A director of the Canadian Chamber of Commerce, Richard Mills, who has lived in Manila for the past three years, was among the 400 or so delegates who in the main came away from an international mining conference held in the Philippines earlier this month feeling fairly upbeat about the prospects of an escalation in foreign-funded mining activity going forward. "The consensus was that something will happen ... that there would be development here," he said.

Although Arroyo and other government heads and industry leaders unveiled their increased commitment to support foreign mining investment, Mills suggested there probably wouldn't be a mad rush into the Philippines. "No one felt that the (Philippines mining) industry was going to boom," he told *miningnews.net*. "It is a cautious investment environment with some optimism for the future."

Foreign mining companies weighing up the Philippines as a potential investment destination will likely tread warily as they are not necessarily going to get the same warm reception from indigenous communities, non-government organisations and provincial governments skeptical of the benefits mining provides. "There are a lot of problems at the community levels as everyone knows," said Mills, referring to the strong anti-mining sentiment of some religious, leftist, rebel and other local groups. "There is organised opposition to mining and the church is at the forefront," he added.

The resistance-to-mining forces have certainly prevailed, and together with past and present security and political risk factors, have conspired to keep a lot of foreign mining companies at bay for the better part of four decades. Placer Dome was the last foreign group to establish an operation (called Marcopper) in the Philippines and that all ended in tears.

An Aussie junior, Lafayette Mining, is one of only a handful of foreign-based trailblazers in the Philippines and is on the verge of breaking the 36-year drought since Marcopper was launched. Production from Lafayette's US\$42 million Rapu Rapu polymetallic mine is expected to kick off in the June quarter, but having the jump on other foreigners in the Philippines "hasn't been without its trials and tribulations", according to managing director Andrew McIlwain.

"With an inordinate current focus on social and environmental issues, things haven't moved as rapidly as we would have liked," McIlwain told *miningnews.net*. He suspects that attracting increased foreign mining investment may also take some time to filter through as the Philippines authorities find their way in implementing the Mining Act.

Mills agrees the creation of an emerging Philippines mining market underpinned by foreign investment may not be a speedy process, however, he points out that a younger generation of government and industry figures does appear to see the opportunities it represents.

Whether that translates into an "economic takeoff based on a reinvigorated mining industry" as the government puts it, perhaps comments made in an editorial last week by former president Fidel Ramos may temper any over-exuberance the validated Act and recent conference bullishness may have sparked. "The Supreme Court has given the industry a fresh legal license," Ramos said. "But only the local communities where mining companies operate can validate your 'social license'."

By Peter Gonnella