

Stalling Interest in Philippine Mining?

By Richard Mills

The first quarter of the year recorded only \$67M of investments in the Philippine mining sector. Given that the government plans to attract \$837M for the entire year, the slow start is cause for some concern.

The optimistic Horacio Ramos, director of the Mines and Geosciences Bureau (MGB) which issues mining permits, is holding to his goal to attract \$10B by 2011. However, total investments in the mining sector since 2004 have only been \$1B to date. There would need to be a significant increase in interest in order to meet the lofty objective.

To this point, gargantuan mineral deposits seem not to have been enough to overcome a range of hindrances to mineral development in the country. The deterrents often cited vary from contract disagreements with joint-venture partners to attacks by communist rebels, opposition from local communities and regulatory requirements that are perceived as time-consuming.

As an example, there was great hope the Didipio gold-copper project of Australia's OceanaGold would be in production by now. Unfortunately, that company is involved in an unpleasant disagreement with a local government unit over payments for some permits that the company doesn't feel are justified.

BHP Billiton is another high profile company that appears to be going through a rough stretch in Philippines. It is engaged in a very public dispute with its local partner because of alleged project delays. In the meantime, progress seems to have been stymied.

Needless to say, such setbacks don't help to improve the perception of Philippines as an easy place to do business. For its part, the Mines and Geosciences Bureau cites 2 large-scale investments that will be moving ahead. One is by a large gold producer called Zijin, owned by the ever-enthusiastic Chinese. The other is fronted by a prominent local individual named Ramon Ang who is also president of San Miguel Corporation, a large local conglomerate.

While possible actions by these 2 important players would indeed be exciting, there has been a noticeable decline in interest from other groups, especially as the Australians and Canadians, who were formerly showing a lot of fervour.

Some industry observers speculate that the government thinks companies from so-called advanced countries are too demanding and inflexible to work with compared to the more accommodating and diplomatic Asians. Nevertheless, it is worth the trouble if only because they can be counted upon to carry on with projects even in the face of global recessions and declining commodity prices.

While the government's success in attracting qualified Asian investors is praiseworthy, let's also hope it continues work to attract a full range of investors to the country.

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