

## Philippines Fashionable Again in Mining

By Richard Mills

Some say it's a miracle. Others say it won't last long. Be that as it may, Philippines is suddenly attracting the attention of the world's largest mineral resource companies. Xstrata has announced it has acquired the world-class Tampakan deposit. BHP-Billiton, Anglo-American and Phelps-Dodge are all involved in advanced-stage joint-venture negotiations with local companies at the time of writing.

A Canadian organization called Chemical Vapor Metal Refinery (CVMR) says it has plans to put up an integrated nickel operation that would cost \$3B when completed. Given that Foreign Director Investment for all of Philippines was only \$1.1B in 2005, the entrance of such large scale operators would provide a titanic economic benefit to the Filipino people.

That widely reported news is in addition to the frantic activity of the small and mid-sized miners already in Philippines.

Despite a few claims of foresight, the intensity of the interest is quite a surprise to the mining industry. In hindsight though, there have been a number of longer-term trends that have converged to make the current excitement in Philippines appear to have been inevitable.

First of all, the mining industry seems to have put the mess caused by the spill at Rapu-Rapu behind it. It has enjoyed "clearer ... unchanging policy support of the government," admits the say-it-as-it-is head of the Chamber of Mines, Philip Romualdez. The country's new Secretary of the Department of Environment and Natural Resources (DENR), Angelo Reyes, has carried out apparently drastic changes to streamline the bureaucracy and improve services. As a result, permits are being issued again on a more consistent basis. The recent serious concerns of the mining industry about permitting seem to be evaporating quickly.

Indeed, it was the usually low-key Secretary Reyes who released a surprisingly strong statement a few weeks ago to say, "This marks a significant takeoff for the industry and, if sustained, we can well anticipate a mining boom starting next year." Such strong advocacy at his level must warm the heart of many a Philippine miner.

The government under President Arroyo has done its part by making relentlessly steady progress at improving the stability of the country. Gone are the regular mass protests and coup attempts. Instead, people are getting used to a strengthening trade surplus and currency exchange rate, plus a fiscal deficit that seems on track to disappear over the next few years.

Regional decision makers have come to notice these positive changes at a time when other countries aren't looking quite as interesting as they did a short time ago. Thailand, in particular, seems to be going through quite a rough patch as far as foreign investment is concerned. Other countries such as Vietnam and Indonesia are said to be over-invested and China has lost some of its shine.

Given the alternatives, Philippines looks downright appealing. But, as everyone knows, the country has had a less than stellar track record in areas like policy consistency and political stability. Nevertheless, even the local cynics now seem taken in by the improving situation. The phrase “sustainable growth” is even being said cautiously around Manila for the first time in recent memory. The future for the mining and other business sectors in Philippines is certainly far from clear but it looks better than it has for a long, long time.

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