Joint Foreign Chambers of the Philippines

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Canadian Chamber of Commerce of the Phils., Inc. ◆ European Chamber of Commerce of the Phils.,Inc.
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Philippine Association of Multinational Companies Regional Headquarters, Inc.

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October 11, 2017

Rep. Arnel Ty
Chairperson
Committee on Natural Resources
House of Representatives
Quezon City

Dear Chairperson Ty:

We write to express our position on House Bills 2165, 2915, and 3229, promoting the development of mineral processing and in the process banning the export of iron, nickel, chromite, manganese, and other strategic metallic ores.

There is clearly a need to integrate mining more effectively in the country's industrialization strategy. Going beyond mineral extraction into processing will link mining more strongly to downstream industries that could potentially create high-quality jobs *(e.g., jewelry, manufacturing, and construction)* and thereby contribute to higher GDP, enhanced fiscal revenue, and job creation for more Filipinos.

The bills aim to promote the development of minerals processing but propose to do so through a ban on the export of unprocessed mineral ores. We agree with the goal of the bills but not the policy means to achieve it.

A policy to require mineral ores exported in the Philippines to be refined into metal in the country would certainly add value for the development of Philippine mineral production, if economically feasible. The decision to process minerals where they are mined should be a purely commercial one based on relative advantage and commercial considerations. It will not occur unless there is a commercial advantage in doing so.

Market forces must determine whether or not an economic activity like minerals processing can be established. If the investment prerequisites are absent or insufficient, a ban on ore exports will not lead to the construction of minerals processing plants, but to mine closures, job losses and economic dislocation in communities hosting mining projects.

Economies of scale and the cost of power are important factors in the production of refined minerals. This should be thoroughly studied before the bill's policy is legislated. In addition, such policies adopted in other countries have led to a serious decline in actual mining because many mining companies are simply not in the business of processing. And if forced to process, they will move to other mineral-rich countries where the environment allows market forces to operate.

Australia is one of the largest exporters of mineral ores in the world but generally does not process them. For example, the processing of bauxite into aluminum in Australia is now ending because it is uncompetitive. Because the processing of iron ore is very power-intensive and the price of power in China is much cheaper. Australia's steel production is also in decline. A similar situation occurs in the Philippines where nickel is exported to China rather than processed here, and China has made huge investments in smelters and refineries.

The Philippines should target producing manufactured and industrial products based on an interlinked and sustainable industrialization framework. The extraction and production of base metals (copper, nickel, iron, and chromite) should be linked, not just with smelting and refining operations, but even further down to the manufacture of cable wires, steel, and other high-value finished products. The copper industry, for example, has prepared a roadmap for downstream processing and manufacturing. However, the roadmap does not support a ban on copper ore exports as it recognizes that the best policy is to create and sustain an environment where market forces will lead to investment in processing.

Therefore the JFC recommend that these bills not be enacted due to the negative impact they would have on the Philippine economy.

The JFC is a coalition of the American, Australian-New Zealand, Canadian, European, Japanese, Korean chambers and PAMURI. We represent over 3,000 member companies engaged in over $100 billion worth of trade and some $30 billion worth of investments in the Philippines. The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries the JFC members represent.

Mr. Chairman, thank you for considering our views.

Regards,

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of the Philippines Inc.

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