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BAGONG ALYANSANG MAKABAYAN

National industrialization as framework for an alternative mining program in the Philippines

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Introduction

In the Philippine Development Plan (PDP) 2011-2016 of the Aquino administration, mining has been identified as one of the priority areas that have the "highest growth potentials and generate the most jobs." It is widely believed that the potential of mining is immense in the Philippines, which is considered one of the most mineralized countries in the world. Almost one-third of the national land area is said to be geologically prospective for metallic minerals (mostly gold, copper, nickel, and chromite) with the total value, based on a 2004 estimate of the National Economic and Development Authority (Neda), reaching as much as P47 trillion.

Meanwhile, in its Mineral Action Plan (MAP), the Aquino administration supposedly intends to promote industrialization in the mining sector by promoting downstream processing and manufacturing; developing community-based supplier industries/services; improving government benefits; and controlling exports of unprocessed minerals.

But while the present MAP is using the language of industrialization and the PDP is envisioning a mining industry that is "producing manufactured goods and industrial products based on an industrialization framework," the government's medium-term objective is to double mining exports by 2016 through the "generation of more investments in mining and mineral processing and mineral based manufacturing industries. Investments include attracting more foreign direct investments (FDI), which the PDP named as one of the challenges facing its priority industries and services as "multinational companies not already present in the Philippines bypassed the country."

Fundamental weakness

This underscores the fundamental weakness of local mining and other strategic domestic industries for that matter. Despite decades of maldevelopment, Philippine governments including the current US-Aquino regime have continued to implement the disastrous neocolonial model of export-oriented, foreign investment-led growth as outlined in the PDP and past medium-term development plans. The state of the local mining industry, in fact, best illustrates how puppet regimes have facilitated the imperialist plunder of the country's natural wealth, in the process squeezing us dry of precious resources and depriving us of much-needed industrialization while displacing our indigenous and peasant communities and wreaking irreversible havoc to our environment.

At present, the neocolonial mining policy is embodied in the Mining Act of 1995 or Republic Act (RA) 7942, which has allowed the intensified liberalization of the country's mining industry. Since hurdling constitutional challenge in 2004, the Mining Act has facilitated the accelerated growth in mineral exports both in absolute value and as a percentage share to total Philippine exports.[i] Foreign equity in mining has also substantially increased in value and as a percentage share to total paid-up investments in the sector.[ii]

However, despite these supposed "developments", mining continued to fail to contribute to industrialization. The contribution, for instance, of mining's gross value added (GVA) to the country's gross domestic product (GDP) even declined this decade compared to its long-term average from the 1960s to 1990s and did not show significant improvement even after the Supreme Court (SC) declared the Mining Act constitutional.[iii] Though exports of mostly raw minerals grew substantially, the Philippines continued to rely on the importation of processed mining-based products for our own industrial needs, resulting in a perennial mining trade deficit.[iv] Other much-hyped economic benefits like employment and government revenues, meanwhile, were also negligible especially when measured against the social and environmental costs of large-scale mining operations.[v]

Need for genuine, comprehensive industrialization

Clearly, there is a need to overhaul the basic economic framework with which we pursue the development of our mining industry in order to maximize its potential benefits while reducing, if not eliminating, the possible harmful effects to the environment. The current framework, one that has been imposed on us and molded by decades of colonial occupation and imperialist domination, has made the economy over-dependent on the export of low-value added raw materials and semi-processed goods that mostly end up in the industrial countries.

For the mining industry, this is illustrated by the growing export of semi-processed mining products and unprocessed mineral ores and the long-term declining share of mining GVA to the domestic economy. The industry has very little capacity at value addition because of the lack of adequate vertical and horizontal linkages with the domestic economy. A program for national industrialization should be able to address this by establishing and promoting vibrant downstream activities that will process and refine the country's mineral ores to create finished products with high-value added (and along with it, greater local economic activities and additional employment). This is the first major point on genuine, comprehensive national industrialization.

Some may argue that this proposal is no longer new. Industrializing the local mining sector by encouraging downstream industries, in fact, had been and continues to be attempted, or at least planned, by Philippine governments. In the 1970s, for instance, the Marcos dictatorship instituted plans to vertically link mining extraction with metal-based manufacturing industries. A nickel refinery (Nonoc Surigao Nickel Refiner) and copper smelting plant (Philippine Associated Smelting and Refining or PASAR) were put up.

But the industrialization plan failed to take off because while the country has massive ore resources, we have limited domestic capital resource to finance the capital-intensive processing and manufacturing activities. Thus, the country has to rely on foreign capital through direct investment or foreign loans as well as through the importation of the necessary technology and equipment. Furthermore, the pre-industrial domestic market has a very limited capacity to absorb the processed and manufactured mineral products. Unless these structural issues are resolved, plans for industrialization such as those outlined in the MAP are bound to fail.

This brings us to the second major point on national industrialization. For it to be sustainable, industrialization must be self-reliant and anchored on internal growth sources. Among the biggest stumbling blocks to the country's industrialization is the lack of domestic capital as the neocolonial economic setup has allowed foreign monopoly corporations and banks to squeeze enormous amounts of resources from the country through the repatriation of profits, dividends, royalties, and capital as well as through ever growing payments for imports and foreign debt's interest and principal. These are potential resources that can be used to jumpstart industrialization projects such as domestic linkages with the mining industry but are drawn out from the country.

Thus, we need to have a policy that will strictly regulate the flows of these resources to ensure maximum benefits not only by imposing regulation on volume outflows but also by requiring the transfer of technology. Another is by collecting the maximum gains possible from mining operations such as through taxes and royalties, which government is not aggressively pursuing because its main objective is to create the most favorable environment for private and foreign investors, and not to raise resources for industrialization.[vi] In addition, to create the sustainable domestic market that will utilize mining-based products, national industrialization should intend to develop basic heavy and medium industries and, given the huge agricultural modernization needs of the country, to develop the industrial capacity to produce rural producers' goods like farm equipment and light motors.

Serving the people

The third major point on national industrialization is that ultimately, it is about the people, especially the poor and toiling masses who have long been exploited and oppressed by the current semi-feudal and semi-colonial system. Industrialization's ultimate objective should not be to inconsiderately accumulate massive profits for the few but to ensure that the basic needs of the people are met. This means not only the provision by government of adequate social services and the production of basic consumer needs – although these are absolutely necessary – but also, that industrialization projects promote and strengthen domestic productive forces. It should not destroy jobs and livelihood but create more economic opportunities.

A key component of this point is the empowerment of local communities to determine which industrial or development projects will best provide long-term gains to them. Communities must have a strong say in designing and implementing development plans in their areas as opposed to a nationally-imposed central policy that ignores local concerns like what big mining companies are pushing against local government units (LGUs) that enforced mining bans in their areas.[vii]

The shift in economic orientation and priorities to make national industrialization a reality can only be achieved if the country's economic sovereignty and patrimony are upheld and promoted. The wanton plunder of our mineral and other natural resources will continue for as long as we do not assert our right as a country to determine by ourselves the sort of economy that we need and the programs and policies that will cater to the specific development needs of our people.

How much gold, copper, or chromite does our economy really need to produce without exerting undue pressure on our ecosystem? What type of technology should we use that takes into account particular conditions of local mining areas? How can a viable commercial mining operation be possible without displacing but even creating fresh economic opportunities for indigenous and peasant communities? These questions are not asked by policy makers since the driving motive behind mining operations is to meet the requirements of the world market, in particular the industrial countries.

For sovereignty and patrimony

Finally, we could not exercise rightful ownership over our natural wealth and how we intend to use them for our own development agenda without asserting our independence from the clutches of imperialist domination and the plunder, exploitation, and oppression perpetrated by their monopoly corporations and banks. This is the last major point on industrialization – in the Philippines, it could only be the product of conscious political struggle for national democracy and sovereignty. The creation of favorable conditions for long-term national industrialization is presently being waged by the democratic mass movement led by workers and peasants including in the parliamentary arena; through the agrarian revolution being waged in the countryside to implement genuine agrarian reform; as well as through the peace process.

The global financial and economic crisis, meanwhile, is providing us fresh opportunities to advance the agenda of national industrialization. The imperialist crisis has further exposed the bankruptcy of global monopoly capitalism and the backward, oppressive, and exploitative mode of production it has imposed on semi-colonies like the Philippines. It has affirmed the legitimacy and underscored the urgency of our long held stance that we must generate local growth drivers and not overly rely on foreign markets and capital to industrialize. At the same time, the crisis has created a more fertile ground for arousing, organizing, and mobilizing all democratic forces to rally behind national democratic aspirations and build a truly sovereign and industrialized country. We have the forces, the resources, and the conditions to achieve national industrialization. We must seize the moment.

Sources and references

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Endnotes

[i] From negative annual growth in the 1980s (-1.27%) and 1990s (-0.38%), mineral exports grew by 25.52% in the 2000s, and by 57.9% in 2005-08. The annual growth rate in its share to total exports also

drastically improved from negative growth in the 1970s (-0.77%), 1980s (-5.08%), and 1990s (-15.39%) to 19.13% in the 2000s and to 45.41% in 2005-08.

[ii] Although lower than its average in the 1990s (202.77%), the annual growth rate of foreign equity in mining remained robust in the 2000s (130.9%), especially in 2005-08 (146.04%). Meanwhile, the annual growth rate of foreign equity's share to total paid-up investment in mining increased from 76.69% in the 1990s to 317.74% in the 2000s (and in 2005-08, to 237.12%). Also, the percentage share of foreign equity to total paid-up investment in mining improved to 14.25% in 2005-08 from 9.7% in 2001-04.

[iii] Mining GVA as a percentage of the GDP in 2000-08 averaged 1.08%, which is lower than its average of 1.42% in 1960-99. Average for 2005-08 (1.38%), meanwhile, does not have a significant difference with the long-term average for 1960-2004 (1.36%). Basic data from the National Statistical Coordination Board (NSCB).

[iv] Data from the BSP show that from 1990 to 2008, the balance between Philippine mineral exports and imports of mining-based products (i.e., metalliferous ores, non-metallic mineral manufactures, iron and steel, non-ferrous metals, and metal products) averaged $1.24 billion a year. Also, the mining trade deficit is higher in 2000s ($1.3 billion a year) than in 1990s ($1.19 billion).

[v] Employment in the mining and quarrying sector is growing by a small 1.17% annually in 1990-2008 as compared to the yearly growth in total employment in all industries of 2.53% during the same period. Employment growth in mining and quarrying, however, did accelerate in 2000s at 5.41%, and especially in 2005-08 with 7.65 percent. But as a percentage of total employment, mining and quarrying declined from 0.49% in the 1990s to 0.37% in 2000s. In 2005-08, its share total employment is still lower (0.42%) as compared to its 1990-2004 average (0.44%). In the past two decades, mining and quarrying employment has only contributed an average of 0.43% to total annual employment. Data from the Mines and Geosciences Bureau (MGB) and the Department of Labor and Employment (DOLE). Meanwhile, data from the MGB and the Department of Finance (DOF) show that the share of revenues from fees, charges, and royalties collected by Department of Environment and Natural Resources (DENR)-MGB; excise tax collected by Bureau of Internal Revenue (BIR); taxes collected by national government agencies; and taxes and fees collected by local government units (LGUs) to total employment remained insignificant at just 0.5 percent.

[vi] Economist Winnie Monsod, for instance, noted in her *Get Real* column in the Philippine Daily Inquirer ("Zero wealth in mining," October 21, 2011), that the State, which supposedly owns all mineral resources in the country as stated in the 1987 Constitution, does not get any share in the profits of mining companies. The only government share is the 2% excise tax on metallic and non-metallic minerals (mandated under the Mining Act). Monsod quoted SC Justice Antonio Carpio, who in his dissenting opinion on the constitutionality of the Mining Act, argued that "The excise tax is not payment for the exploitation of the State's natural resources, but payment for the 'privilege of engaging in business'… the State must receive its fair share as owner of the mineral resources, separate from taxes, fees and duties paid by taxpayers. The legislature may waive taxes, fees and duties, but it cannot waive the State's share in mining operations."

[vii] In its "Consolidated position paper on mineral resource development," the Philippines Australia Business Council, Australia Philippines Business Council, Australian-New Zealand Chamber of Commerce, Philippine Chamber of Commerce and Industry and the Chamber of Mines of the Philippines told government to "act decisively" on its mining policy and bring an end to provincial ordinances that "defy" national law and "damage" international confidence in the country's mineral investment policies. The paper was issued after South Cotabato and Zamboanga del Norte passed ordinances banning open pit mining. (Source: Riza T. Olchondra, "'Decisive' action on mining urged," Philippine Daily Inquirer, November 7, 2011)