

Developments in the mining industry in China

Whether you are a producer or a consumer somewhere along the supply chain, China is likely to have an influence on you, such are the broad effects of its economy. China's booming economy is making huge demands on energy and natural resources and the consequences ramify globally. This is making huge demands on China's coal industry, which meets the majority of the demand for internal energy requirements and the strain on this industry is well illustrated in the widely publicized safety problems.

Stepping back from the recent explosive growth though, initially, in the development of China's economy, mining was largely a protected industry and one of the later sectors to be opened for foreign investment. The laws, rules and regulations pertaining to exploration, development and exploitation in the minerals industry were overhauled in the late 90s to allow foreign participation but it was not enough to stimulate a wave of exploration leading to the discovery and development of world class deposits, and to date there have been few success stories.

Paradoxically however, although China is viewed as having excellent potential for finding high quality mineral deposits, the general feeling is that current business policies are not sufficient to encourage large-scale investment. The Ministry of Land and Resources (MOLAR) is well aware of this situation and is in the process of reviewing the Mining Law. The review is likely to lead to significant changes and the new law is likely to contain more emphasis on mining. It is also likely that the new law will be more comprehensive and have many more clauses than the current one. MOLAR is well aware of the problem of lack of conjunctivity in the current law between exploration and mining and are looking at ways to solve this too. In 2004 the CIMG coordinated a sponsored Mining Law review through which there has been and there is ongoing dialogue with MOLAR on these issues following on from previous successful dialogue with the State Administration of Taxation (SAT) on taxation related to exploration and mining in 2003. .

The CIMG is also actively engaged in a review of the idealized corporate structures that would enhance the flexibility required to progress from exploration through to mining with broader business scope, lower requirements for registered capital whilst protecting the legal right to hold an exploration or mining license. This will require dialogue with a number of the Ministries and is a longer-term objective of the group.

However, as testimony to the belief in the potential and the development of the rules, laws and regulations, there are many companies actively exploring here in China already, who are prepared to test the system and develop with it. **Several CIMG members are currently exploring in China or in the process of completing the necessary approvals to explore. As well,**

as the mining industry in China develops, there is a cascade effect for numerous service providers such as lawyers, environmental, health and safety consultants and equipment suppliers (both local and international suppliers). In the past couple of years worldwide exploration spending has increased to levels last seen in the late 90s and exploration in China is on the increase too with majority focus on gold. Although the majority of the international explorers are Canadian based, companies from Australia, South Africa, the U.S.A and the UK are also well represented.

In conclusion, although there are still hurdles to overcome in the administrative and regulatory systems, these are getting deserved attention and go towards stimulating more investment in a sector which has seen relatively little foreign investment to date.

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