

FDI network meeting

Responsible and Sustainable FDI in the Natural Resources Sector in Asia and the Pacific



TRADE & INVESTMENT WEEK 18-22 NOV 2013



Purpose of session

- Presentation of study findings
- Country presentations on challenges relating to natural resources investments
- Discussion on common challenges and solutions, and needs for regional collaboration and knowledge sharing





Background

- Last years' FDI network meeting: raised issues related to managing FDI in natural resources sector (mining, etc.)
- ESCAP commissioned study on "Responsible Business and Sustainable FDI in Natural Resources in the Asia-Pacific region"



Study focus

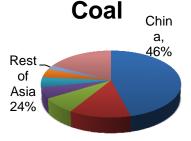
- Focusing on investments in mining, oil, gas, hydro and large tract/land (plantations).
- Why?
 - Common issues
 - High macroeconomic importance, but low labour creation
 - Land acquisition, involuntary resettlement, human rights, environment, governance
 - Capital intensive, and environmentally sensitive

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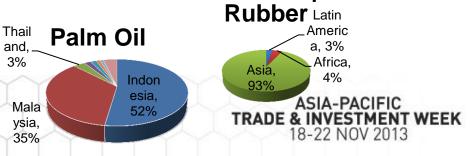


Natural resources importance

- The Asia-Pacific region is a major producer:
 - More than $\frac{1}{4}$ of the worlds' oil and gas
 - Over 70% of the worlds' coal



- Sizeable percentages of other metals and minerals (e.g. 79% of tin, 42% of zinc, 29% of nickel, 24% of gold)
- A third of all energy produced from hydropower
- The world leader in exports of intensive plantation commodities such as timber, rubber and palm oil
 - 91% of all palm oil
 - 93% of all rubber





Natural resources importance

- Natural resources account for a large share of FDI and exports in some countries:
 - Coal, oil and the natural gas accounted for 17.5% of all greenfield foreign investments in region between 2009 and 2011.
 - FDI higher in resource rich countries (e.g. Turkmenistan 71%, Uzbekistan 57%, Myanmar 40%+, Vietnam 37%).
 - In 2010, mining and minerals represented around ¾ of Mongolias' exports, 54% of exports from Papua New Guinea, and 40% of Australia.

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Contribution of mining to low and middle income economies

| | Foreign Direct Investment (FDI) •60-90% of total FDI Mining FDI often dominates the total •60-90% of total FDI flow of FDI in low income economies that have only limited other attractions for international capital •60-90% of total FDI | |
|--|--|--|
| be a major share of total expo low income agrarian econon even when starting from a low Government Revenue Mineral taxation can be a | Exports Mineral exports can rapidly rise to be a major share of total exports in low income agrarian economies even when starting from a low base | |
| | Mineral taxation can be a •3-20% of government revenues | |
| | (GDP and GNI) Most value-addition takes place outside •3-10% of total national income | |
| | Employment Mine employment on its own is usually small compared to the total national labour force •1-2% of total employment | |
| urce: ICCM "Mining's Cont | ribution to National Economies" 2012 | |

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Mineral sector challenges

- The industry creation challenge
 - Creating a viable, integrated and diversified mining industry that can add economic value throughout the value chain
- The investment challenge
 - Investing transitory mineral revenues to ensure lasting wealth and deciding how much ought to be saved and how much should be invested and in what.
- The distributional challenge
 - Distributing benefits from mining equitably, balancing and managing conflicting local and national-level concerns and interests and deciding what form the allocation should take to promote pro-poor growth
- The governance and macro-economic challenges



https://www.yunbaogao.cn/report/index/report?reportId=5_6382

