

## **SPEECH OF MINING WORKING GROUP**

### ***FACING THE TECHNOLOGICAL CHALLENGE IN MINING IN VIETNAM***

*Presented by  
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- At a recent technical conference in Hanoi, Vietnam's largest state-owned mining enterprise, Vinacomin, acknowledged that the challenges it, and nearly all Vietnamese mining companies, currently face include dealing with, and I quote, "outdated technology and low levels of mechanization, poor infrastructure, a large but low productivity workforce, excessive energy use, high safety risks and unacceptable environmental pollution" unquote.
- Therefore, the challenge to make Vietnam's mining industry more efficient, productive, safe and environmentally sustainable is essentially a technological challenge, which can best be achieved by encouraging the introduction of modern technologies, technological innovation and world best practices through foreign direct investment and joint ventures.
- Unfortunately, inconsistent mining legislation in Vietnam and royalty rates, export tariffs and other fees are far higher than in other countries and very powerful disincentives for such investment, making most modern mining operations in Vietnam unprofitable or marginal. Indeed they have led to mine closures or suspension of operations, including two modern operations by foreign investors at Phuoc Son and Ban Phuc. Furthermore, unlike in other countries, there are no major international mining companies currently investing in new discoveries and development of Vietnam's mineral assets.
- Regrettably, this in turn encourages the continuation of inefficient and wasteful mining practices and degradation of Vietnam's existing known mineral resources and its environment, and also encourages increased illegal mining and export of minerals on which little or no tax is paid.
- However, the good news and a compelling example of successfully applying modern technology and international standards to a Vietnamese-owned mining operation, is at Nui Phao, now the world's largest tungsten-producing mine, which also adds significant value within Vietnam by converting the ore mined into purified chemical products before exporting. However, like all mining operations, profitability, and therefore the longevity of the project, is sensitive to world commodity prices, variability of ore-grades and mining conditions etc., and therefore vulnerable to unrealistically high taxes that do not take these factors into consideration.
- Although the ultimate goal of any mining taxation system is to ensure the greatest possible benefit to the Government and people of Vietnam, this cannot be achieved if mines are forced to close because they are unable to operate profitably in a sustainable, responsible manner. Instead, the outcome is the opposite - the loss of a valuable source of tax revenue for the central and provincial governments when closure does occur, and unfortunately in some cases adopting tax avoidance practices to try to prevent or delay closure.
- To help resolve these issues, the Mining Working Group respectfully urges the Prime Minister's Office and Government Office, with the input of MPI and VCCI to:

- Re-examine existing mining legislation and introduce a more investor-friendly, competitive mining regime which includes an equitable tax system that is fair to both the Government and the investor, with legislation that provides for consistent policies for long-term commitment; and
- Seek better coordination between Ministries and Departments of MONRE, MOIT and MOF at central and provincial levels to encourage more consistent interpretation of Vietnam's mining legislation and to make it easier for potential investors to understand. It is too complicated and conflicting at present.
  
- Your Excellency, responsible mining using modern technology, particularly in the more remote, poorest socio-economic parts of a country, has long been recognized to be one of the most effective drivers of infrastructure improvement around the world, and this certainly applies to Vietnam. The other obvious benefits of responsible mining are the contribution it can make to help alleviate poverty in these remote areas by creating strong employment opportunities and providing orders for local goods and services.
  
- Responsible mining using modern technology and best practices is urgently needed to improve Vietnam's mining industry to operate in an efficient, environmentally sustainable and safe manner and make a major contribution to Vietnam's economic growth and reduction of national debt.