

mineral exploration in APEC economies

a framework for investment

- » Mineral exploration is a necessary precursor to the discovery and development of mineral resources, and to the expansion the minerals sector. Development of mineral resources can be an important driver of economic growth.
- » The decision to invest in mineral exploration is strongly influenced by prices and mineral prospectivity and the regulatory and institutional framework of an economy, as this determines the environment in which firms operate.
- » The key aspects of a framework for investing in mineral exploration can be divided into:
 - economywide factors, including governance, transparency, rules for foreign investment, access to infrastructure, etc and
 - factors specific to the minerals sector, including availability of geoscientific information, mining legislation, approval processes, royalties etc.
- » The framework for mineral exploration and extraction varies widely across APEC economies. In general:
 - economywide conditions are broadly consistent among APEC economies – these economies generally have good governance and encourage foreign direct investment.
 - minerals sector conditions vary widely – the quantity and quality of geological information across APEC economies is mixed and licence conditions are different for each economy.

best practice principles for investment

- » Improving incentives to invest can help APEC economies further expand their mineral sectors. To achieve this, APEC economies should aim for:
 - a nondiscriminatory economic environment that facilitates foreign direct investment and trade
 - the promotion of a regulatory and legislative framework that encourages:
 - an efficient and simple approval process
 - transparency within legislative and regulatory bodies and
 - predictability and certainty for investors over the life of a mining project

- the promotion of environmentally and socially sustainable mineral development and
 - a strengthening of institutional and human capacities in the sector.
- » The areas to focus on can be economywide, such as good governance, openness to foreign investment and ensuring competitive neutrality, as well as minerals sector specific, such as ensuring access to basic geological information, and ensuring regulatory certainty, transparency of process, and security of tenure.

trends in APEC mineral exploration expenditure

- » The price of mineral commodities is typically the most important factor affecting expenditure on mineral exploration, as it influences perceptions of the likely returns from conducting exploration.
- » Between 1996 and 2006, mineral exploration in APEC closely followed prices of mineral commodities (figure A). In general, exploration expenditure lagged commodity prices by around a year or more.
- » Between 1996 and 2006, APEC economies accounted for more than two-thirds of global expenditure on mineral exploration.
- » In 2006, mineral exploration expenditure on gold, base metals and other metallic minerals in APEC economies was US\$4.1 billion (two-thirds of the global total).
- » Of the top ten destinations for mineral exploration expenditure in 2006, eight were APEC economies – Canada, Australia, the United States, Mexico, the Russian Federation, Peru, Chile and China (figure B).
- » Given the current resource endowment of many APEC economies and the geological prospectivity of the region, there is significant potential for high levels of mineral exploration in APEC economies to continue.

fig A **gold price and exploration expenditure** APEC economies

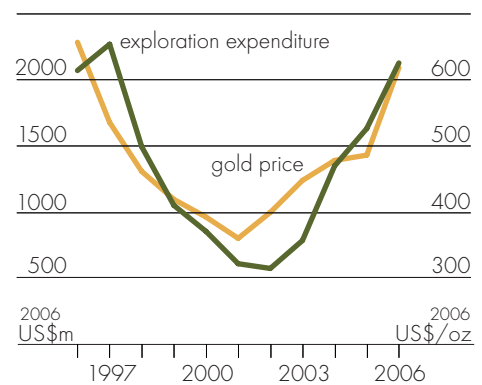


fig A **mineral exploration expenditure, APEC economies, 2006**

