

Mineral-based industrial development neglected

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Minerals are valuable natural resources and are finite and non-renewable. They constitute the vital raw materials for many basic industries and are a major resource for development. Minerals pervade our lives and determine our country's progress. We need minerals for travel, commerce and industry and even for pleasure and relaxation. The non-metallic minerals of Sri Lanka, as a group, constitute the most important physical resource base in terms of quantity and value and also in terms of its potential to sustain a long-term socio-economic development.

The mineral survey which is presently named as Geological Survey and Mines Bureau (GSMB) was established in 1903. Last year [2003] the survey completed a hundred years of geological activity in the country. As its former Director and the Commonwealth Geological Liaison officer of the Commonwealth Secretariat in London, I have had the privilege of visiting over 30 Commonwealth surveys and here it must be mentioned that a centenary celebration of a survey, is considered to be a unique and a great occasion. However it is not so in our country and the glory and splendour of a centenary celebration was not to be witnessed in Sri Lanka.

The Sri Lankan mineral sector is also faced with a number of problems; these include:

1. The rapid depletion of our mineral resources.

2. Mining and its impact on the environment

3. Inability to add value to crude minerals before export.

4. Misconception on joint venture foreign participation

5. Not having all activities concerned with minerals under the purview of a single government ministry.

It is relevant to place on record, that exploration and mining of minerals is now open to the private sector, although the GSMB is charged with the function of mineral resources development in Sri Lanka. Over the decades a misconception has developed that environmental activism is against development, but the reality is that it opens up the eyes of the decision makers for the sustainable use of our mineral resources. Serious attempts have been made to add value to our minerals. It was during the period 1971-1977 during the late Mrs. Sirimavo Bandaranaike's period of office as Prime Minister that the greatest development of the mineral-based sector took place with the first joint venture with Noritake of Japan for Porcelain-ware manufacture. It was during this period that the apatite deposit at Eppawela was discovered.

In Sri Lanka there is also a misconception among local scientists and non-governmental organizations concerning foreign participation. A classic example is the attempt to develop the Eppawela apatite deposit for phosphate fertilizer manufacture (DAP, MAP, single super phosphate and triple super phosphate). Each time negotiations commenced

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with foreign firms local scientists made unsound and incorrect statements condemning such project proposals. On one occasion a government minister (1995) appointed a group of scientists to submit a report on the Eppawela deposit. The whole issue thereafter ended up in the courts. In fact this was not the subject of the minister concerned. The result is that a 25 million ton proven apatite deposit with a 60 million tones of inferred reserve is now lying idle, except for the production of a small quantity of ground apatite. This is the result of a group of scientists who have misled politicians, planners and the general public. These scientists had no demonstrated experience whatsoever in mineral based industry; they were not mining engineers; they have neither worked in industry nor do they have a feel for industry. Very few scientists in Sri Lanka have had the opportunity of working in large multi-national industrial organizations. Those having this experience are the ones who should be consulted on mineral based industrial development.

In this connection it will be interesting to quote the chief justice, what he had

to say concerning this matter.

Excerpts from a speech made by Chief Justice Sarath N. Silva at the conference and series of workshops on "Our Nation and the Sea" which was held at the BMICH on 3rd & 4th March 2004.

"Resources are meaningless unless we use them meaningfully and cautiously for the economic benefit of one and all. We should have an investment plan prepared with active private sector participation covering short term, medium term and the long term.

...I have to emphasize this aspect due to a bitter experience of the past. Several years ago, when functioning as Attorney General I was entrusted with the task of finalizing the investment agreement for the mining and refinement of phosphate in the largest phosphate deposit of the whole of South Asia located at Eppawela in the Anuradhapura District. The agreement was with the highest-ranking multinational corporation with the requisite technical expertise and capacity to undertake the project.

The investment was in the region of US \$ 400 million being the largest ever to be

made by a foreign investor. This project was scuttled due to misguided interventions and the lack of political will. We are now lamenting over the high cost of fertilizer and are struggling with the subsidies. If the project went through, since production would have commenced in 5 years, today we would have had a higher grade fertilizer at one third of the cost of the imported material. The lesson to be learnt is that we should carry through to fruition a well-planned project in which the economic return is properly assessed and viewed against its impact on ecology and environment.

Law is intended to assist in this process and not to obstruct it..."

In Sri Lanka there is also the wrong impression that when multi-nationals are involved in joint venture participation they do not attach much importance to the protection of the environment. Sri Lanka has adequate laws and regulations to overcome this misconception and there should be no problem where foreign participation is concerned.

Investment opportunities in mineral raw materials have much promise in Sri Lanka. Joint venture investments and other forms of contracts acceptable to Sri Lanka with foreign participation in the following large-scale industrial development areas are worthy of serious consideration.

1. The manufacture of Phosphate fertilizer (DAP, MAP Single super, Triple super phosphate) utilizing

the Eppawela apatite deposit.

2. The upgrading of ilmenite to a high titanium product. (Upgraded ilmenite or synthetic rutile) Thereafter, if feasible the production of Titanium Dioxide pigment). Around 150,000 tons of ilmenite are available per annum for a period of 30 - 40 years. The recovery of rare earths from monozite, zircon based industries and the recovery of garnet from the Hambantota beach sands.

3. The establishment of high purity quartz based industries. Quartz occurs in appreciable quantities at a number of locations.

4. Further establishment of export-oriented ceramic industries.

5. Export of dimension stone in polished slab form and other forms.

6. The establishment of graphite based industries. The manufacture of refractories dry cells, crucibles and lubricants have much promise.

7. Salt based industries and production of salt for export [say over a million tons per annum].

In conclusion it may be stated that the President should appoint a high powered committee to give the final approval for BOI projects with foreign participation. Once this approval is granted under no circumstances should politicians be allowed to interfere with the decision of the said committee.

There have been instances where local newspapers have highlighted this aspect, where projects have been deferred due to political interventions.