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CHINA REQUESTS MAJORITY STAKE IN US\$1 BLN PULP & PAPER JV PROJECT

KUALA LUMPUR, Nov 5 (Bernama) -- China has requested for a majority stake in the proposed joint venture to set up a US\$1 billion (RM2.5 billion) pulp and paper mill in Malaysia, Primary Industries minister Datuk Seri Dr Lim Keng Yaik said today.

Its Minister of Forestry Xu Youfang had asked him to convey to Prime Minister Datuk Seri Dr Mahathir Mohamad the request for China to hold 60 percent equity in the joint venture.

"I told him it was difficult because under Malaysia's investment policy on primary commodity processing, foreign parties always hold a minority share," he told newsmen after Xu and his eight-member delegation called on him at this office here.

Also, investment-wise, Malaysia had the capability to raise funds to finance the joint venture, he added.

Dr Lim said Xu raised the matter in reference to the proposed pulp and paper mill joint venture between Ekran Bhd and the Planning Commission of China, following the Memorandum of Understanding signed between both governments last August.

Both parties were now seriously discussing the proposed joint venture, he added.

"The matters to be finalised, among other things, are the availability and suitability of land to be planted with certain fast-growing timber species as well as the raw material to be supplied to the proposed mill," he said.

Dr Lim said Ekran and the Planning Commission of China had decide, initially, on 300,000 hectares in Bintulu, Sarawak, to plant "Acacia" which could supply 1.0 million tonnes of pulp to the mill a year.

"However, after discussing with the Sarawak State government, only 150,000 hectares was available and suitable for planting," he added.

This would produce 500,000 tonnes of pulp which was sufficient for the proposed mill as it could still have the capacity to process up to a maximum of 1 million tonnes of pulp per year.

He said he would seek additional land from the state government.

Dr Lim said China also wanted a form of "sales and purchase" tie-up between the company involved in the tree-planting and the joint venture company operating the mill in order to ensure sufficient supply of pulp.

Xu, he added, suggested that the planting area be integrated with the proposed pulp and paper mill in order to enhance production efficiency and reduce costs.

On the progress of a joint research project between Universiti Pertanian Malaysia and the Palm Oil Research Institute of Malaysia (PORIM) for commercial production of pulp and paper using oil palm biomass, Dr Lim said milling trials and market studies were now underway.

"If all the relevant studies and tests are successful, hopefully, after six months, our country will be one of the biggest players in the world's pulp and paper business," he added.

Dr Lim said the research project held great potential for Malaysia, given thaty it's total oil palm acreage of 2.4 million hectares could produce 30 million tonnes of biomass yearly. -- BERNAMA

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