

## **Malaysia and the Global Rare Earth Squabble**

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**By Our Correspondent**

### ***Opposition, Barisan tangle over rare earth plant as global confrontation looms***

If all things were equal, Malaysia should be rubbing its figurative hands together in glee over a major confrontation that is beginning to play itself out between China and the west over China's limitations on rare earth exports.

China warned the US, the European Union and Japan Tuesday that they risk a backlash over challenges at the World Trade Organization over China's export restrictions on the 17 rare-earth minerals that are a critical ingredient for products ranging from the iPhone to intercontinental ballistic missiles.

Other nations have largely ceased production of the rare earth minerals because of the detrimental effect mining and processing them has had on the environment. China has belatedly caught up with western sentiment after realizing that substandard mining practices have resulted in environmental catastrophes and has cut back on production, driving prices through the roof.

That ought to leave Malaysia, where an Australian company is seeking to open what is described as the world's biggest rare earths processing plant, in a commanding position. Lynas Malaysia last month received a temporary license to operate the facility, which has been under construction for the last year.

Lynas's plan is to mine the minerals at Mount Weld, a site 100 km east of Fremantle, Australia, ship them to Malaysia and process them in the plant in Gebing, near the city of Kuantan in the state of Pahang. From there the extracted rare earth materials are to be shipped to Japan, Europe and the United States, which are all crying out for the materials in the wake of China's action.

But the plan, backed by the government, has come under implacable resistance from Malaysia's three-party Pakatan Rakyat opposition, which it regards as a potent campaign issue, whatever the merits. The attempt to stop the plant from opening has become one of the biggest issues between the Barisan Nasional, or ruling national coalition, and the opposition in an election that is expected to get underway soon, perhaps in May or June, according to insiders in the United Malays National Organization.

Because of the emotive nature of the environmental issues, and because the atmosphere is becoming heated over the election, it is guaranteed not to go away. Critics want the government to halt its construction and direct the Atomic Energy Licensing Board (AELB) to reverse a decision to grant Lynas a temporary operating license for a two-year trial run. One rally in Kuantan, 50 km from the plant, saw a turnout of 15,000 protesters, called the largest and most diverse environmental protest in Malaysian history.

In addition to becoming a prime election issue, the plant is also crucial to Prime Minister Najib Tun Razak's aspirations to transform the country into a high-income and developed

nation by 2020. Crucial to that plan is to drive up foreign direct investment, which has stagnated badly. Although inward FDI climbed to US\$10.86 billion in 2011, with a particularly steep rise in investment in services, outward FDI in 2010 surged to \$13.2 billion, according to the Asian Development Bank's Asian Development Outlook 2011: South-South Economic Links. No figure for 2011 is yet available. Unfortunately, much of the FDI that has appeared is in Sarawak and Sabah, primarily in investment in extractive industries rather than industrialization or manufacturing. A public protest that would shut the plant would not be a welcome signal to other multinationals contemplating investment in the country.

The opposition to the plant has taken on wider characteristics in Malaysia's often-fraught political atmosphere. For instance, it has become entangled with the country's "Peaceful Assembly Bill," passed by the Dewan Rakyat, or parliament last November. Prime Minister Najib Tun Razak held up the bill as one of several reforms of the country's colonial era restrictions on the right of assembly and other issues.

However, the Malaysian Bar Council complained that the new law is actually more restrictive than the previous one because it prohibits street protests, the organization of assemblies by those under the age of 21 and the participation of youths below the age of 15, and the imposition of a flock of new restrictions on organizers.

Protesters have linked the two issues together, holding a series of marches and rallies across the country, including one in Penang across the country and well to the north in late February, in which violence flared as pro-government factions attacked anti-Lynas activists, throwing stones and other missiles and shouting abuse.

The protesters have been given an emotive issue in the form of a mid-1980s rare earth processing facility developed in 1985 by Mitsubishi Chemical at Bukit Merah in northern Perak state near the city of Ipoh that turned into an environmental disaster. The facility was closed in 1992 amid allegations that it was causing widespread groundwater and other environmental contamination and was responsible for deaths from leukemia as well as birth defects in children living nearby.

The Bukit Merah site, 20 years later, remains one of Asia's largest radioactive waste cleanup sites despite the fact that Mitsubishi has owned up to the pollution and poured an estimated US\$100 million into the cleanup. Mitsubishi has paid compensation for the deaths and deformations. Pictures purportedly of dying individuals and deformed babies have been given wide circulation both on the Internet and by other means throughout the country.

Lynas has so far met stringent requirements both on the part of the government and the International Atomic Energy Agency although protesters say the company still doesn't have a credible waste and water management plan and that radioactive materials could leach into both the groundwater, as they did at Bukit Merah, as well as into the South China Sea.

Last week Malaysia's International Trade and Industry Minister Mustapa Mohamed, in a joint statement with Pahang Chief Minister Adnan Yaakob in Kuantan, said the government has "ordered Lynas to guarantee and plan the provision of a permanent waste disposal facility far from human population as recommended by the International

Atomic Energy Agency. Failing that, Lynas has already expressed willingness to take the residue out of Malaysia."

Lynas said the most radioactive element, thorium, in its raw state from Mount Weld, is 50 times lower than that in Bukit Merah. Lynas also said waste products with low levels of thorium could be converted into safe byproducts such as cement aggregate for road construction.

"In practical terms, at these levels, exposure to radiation is less than taking a flight on a commercial airline or using a mobile phone," the company said in a statement. It also said it was prepared to place a bond with the government to ensure safe management of any remaining residue once the plant stops operations, but didn't give details.

In the meantime, does Malaysia risk missing the boat? The Wall Street Journal/Asia Wednesday quoted an analyst from Technology Metals Research as saying more than 419 rare-earth projects have got underway in 26 countries as the price has skyrocketed and the controversy has mushroomed.

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