

Political Fight in Malaysia Over Rare Earth Plant
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By Our Correspondent

Opposition coalition condemns license for plant, vows to fight

Malaysia's Atomic Energy Licensing Board approval Wednesday of a temporary operating license for a contentious rare earths processing plant in the eastern coastal state of Pahang seems certain to present the opposition coalition with an emotive environmental issue that they will use to their best advantage.

In fact, it appears that the plant is fast turning into a major test of strength between the opposition Pakatan Rakyat and the Barisan Nasional, the ruling national coalition.

The Australian-owned Lynas Malaysia Sdn Bhd has been negotiating for months with the national government over the project, which has been largely ready for operation since late 2011. The government, gun-shy over a previous rare earths plant in the state of Perak which turned into an environmental disaster in the 1980s, has been reluctant to grant permission to open the plant.

The issue is sensitive enough that the government had expected to withhold permission to open the plant until after projected snap elections set for late 2011 or the first quarter of 2012. However, the United Malays National Organization-led coalition government appears likely to put the elections off for considerably longer. Hence they have allowed the granting of the temporary license.

"The opposition is incensed by this," a government source warned in an interview. "You can expect increased anti-Lynas activity. It is not going to go away."

Fauziah Salleh, a Kuantan member of parliament for the opposition Parti Keadilan Rakyat charged in a prepared statement that the refinery would make "lab rats" of Kuantan residents. Another opposition figure charged that Lynas would make Pahang a "public toilet."

To show how the opposition has quickly marshaled its forces in reaction to the licensing, a group called "Save Malaysia, Stop Lynas" is expected to march Saturday in Kuala Lumpur in defiance of the country's laws against public demonstrations without a permit "as we believe Lynas is not just a Pahang issue, it's a Malaysian issue." That ties in with the opposition's continuing opposition to the government's revision of public assembly rules, called "the Peaceful Assembly Bill 2011," which was passed over opposition objections in November because it bans street demonstrations and requires assemblies, meetings and processions to be held only on designated compounds.

A Lynas spokesman in Sydney, Australia, declined to comment to Asia Sentinel on the political aspects of the situation. "It is a Malaysia domestic political issue," he said. "The government has awarded a license, there are terms and conditions that we have met. I would have thought once something has been granted it can only be taken away for valid legal reasons."

However, he said the plant is ready to begin operations sometime in the June quarter of 2012.

He insisted that the plant is safe, and that its operations are far advanced from the Bukit Merah plant operated by Mitsubishi Chemical in the mid-1980s. Mitsubishi so far has spent US\$99 million to clean up the site. Eight workers at the plant died of leukemia, which was tied to the plant's operation.

The granting of the temporary license, however, is regarded as unlikely to be reversed unless the political temperature rises a lot higher. The Lynas spokesman said that the permit that allows the company to operate the plant is subject to close government monitoring and gives the government the right to close the facility if it finds it doesn't meet strict operating standards. Lynas has agreed to put up a US\$50 million deposit with the Malaysian government that it would forfeit if the plant doesn't meet standards. It must also within the next 10 months specify a location for permanent disposal of about 1,000 metric tons per month of low-level radioactive waste.

The Lynas spokesman also disputed a report that AkzoNobel, a Dutch chemicals producer, had pulled out of a contract to supply resins used to glue together fiberglass liners for concrete-walled tanks to hold the radioactive waste.

The story that AkzoNobel had pulled out because it couldn't guarantee the safety of the product has energized opposition to the plant. However, the Lynas spokesman said the report wasn't true, that AkzoNobel was one of several bidders and had not been selected by Lynas to supply the materials.

The plant is crucial to plans on the part of Prime Minister Najib Tun Razak to attract foreign direct investment under his two-year-old 1Malaysia Plan. FDI in 2010 amounted to US\$9.7 billion, less than half the US\$20 billion attracted by Myanmar despite its status then as a pariah state subject to US and European Union sanctions. Total FDI inflows for the first three quarters of 2011 reached US\$8.72 billion, meaning that when 2011 totals are in, FDI should surpass the 2010 figure.

However, authorities say FDI could dip again in 2012 as the Eurozone slips back into recession and the US recovery is lackluster. Failure to allow the plant to go forward in the face of environmental and other opposition would likely be a signal to other foreign investors of the government's inability to fulfill its investment commitments.

The fight over the plant has implications well beyond either Malaysia or its warring political parties. It would be the biggest such processing plant in the world outside of China, which has faced a wide range of environmental disasters and which has begun to close illegal mines. Most other countries which produce rare metals stopped because of environmental concerns, leaving China to produce more than 95 percent of the world's rare earth metals, crucial for the manufacture of a wide variety of products including wind turbines, disk drives, cell phones, flat panel displays and many others.

But that has been at a monumental cost. The state-owned Xinhua news service reported last year that of 12,523 tailings ponds from mines, 2,098 exhibited various safety problems. Wang Guozhen, a former vice president of the government-linked China Nonferrous Engineering and Research Institute, was quoted as saying some of the environmental damage is so severe that it may never be possible to clear it up.

When China cut back on exports in an attempt to slow production to clean up the country's

environment, the World Trade Organization ruled that the country's restrictions had violated global trading rules. The WTO ruled that drove up prices and gave domestic firms an unfair competitive advantage in raw materials including bauxite, coke, magnesium and zinc, according to Reuters. While the 17 rare elements used in the high-tech sectors weren't included, Reuters reported, that led to hope that China would scrap export limits on those elements as well.

Lynas, however, does not intend to mine rare earths minerals in Malaysia. It intends to import ores from Mount Weld in Western Australia, said to be the richest rare earth deposit on the planet. The company plans to truck the ore to Fremantle, send it by containership to Kuantan, then process it at the Pahang facility before exporting the refined materials. The company said it chose Malaysia to process the materials because labor and other costs are cheaper than they are in Australia.

The fact that the company hasn't figured out how to store the waste yet has grown into a major concern. Some 700,000 people live within a 30-km radius of the plant. Opponents also charge raised concerns over the Malaysian government's ability to monitor the plant because of the history of the Bukit Merah plant.

However, the Lynas spokesman said, the progress in technology has been such that the process is now environmentally safe.

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