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NUKLEAR MALAYSIA

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| **TAJUK ARTIKEL** | EARLY TALKS ON REE REFINERY | | |
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| **BIDANG** | RARE EARTH | | |

POTENTIAL CHINA-MALAYSIA DEVELOPMENT

# EARLY TALKS ON REE REFINERY

## Experts call for stringent regulatory oversight to ensure project's sustainability

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MALAYSIA is in early-stage talks with China to build a rare earths processing refinery, a prospect experts believe will offer significant upside.

Malaysia could capture more value downstream and develop domestic technical capability, they said.

According to two Malaysian sources cited by Reuters, Beijing was prepared to provide processing technology in exchange for access to Malaysia's estimated 16.1 million tonnes of rare earth deposits.

The potential rare earths processing refinery project would involve a partnership between Khazanah Nasional Bhd and a Chinese state-owned firm.

The move would see China seeking to compete with Australia's Lynas Rare Earths Ltd, which operates a processing facility in Gebeng, Pahang.

Economists described the development as "a step in the right direction", noting the potential for mutual benefit.

However, they warned that environmental risks, the need for stringent regulatory oversight and gaps in domestic expertise must be addressed if the project is to be sustainable.

Bank Muamalat Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said this should be a win-win for Malaysia and China as the former has a sizable rare earth element (REE) deposits while the latter has the technology to extract and process them.

Afzanizam said Malaysia should tread this carefully as it might involve environmental impact, especially if the deposits are located in forest reserves.

"The government needs to ensure that there will be transfers of technology so that we can develop domestic capabilities and talent. If we can do this well, the impact to the economy is enormous," he told *Business Times*.

Afzanizam said this would have a positive impact to the locality that is adjacent to the REE resources where it can be the catalyst for job creations and spurring the infrastructure development.

"That way, we can curb excessive migration from rural to urban, as the locals will be able to find jobs in their respective areas, reducing congestion in the cities.

"Furthermore, Malaysia will become more integrated with the EV ecosystem and perhaps, will be able to reduce the carbon footprint," he said.

Singapore Institute of International Affairs senior fellow Dr Oh Ei Sun urged caution.

"At this point we do not know much about the details of the project.

"In any case, I don't think China is in a hurry to help Malaysia position itself as an alternative to its domestic rare earth supply dominance, for obvious reasons," he said.

Oh said there were huge environmental concerns at both the mining and processing stages of rare earth, which remain the subject of intense debate in Malaysia.

"It is too early to tell. Malaysia may or may not have enough skilled workers to support such an enlarged sector," he said.

Meanwhile economist Dr Geoffrey Williams said Malaysia's ban on rare earth exports meant it must build processing capacity domestically to create higher-value exports.

"Unfortunately, because of decades of poor research and development investment, Malaysia does not have the technology to do this. It will need to partner with foreign firms," he said.

Williams said a partnership with China could face hurdles.

He said these included intellectual property protections that may restrict the involvement of Malaysian companies at a technical level, limiting knowledge transfer and spillovers to domestic suppliers.

"The standard model for Chinese foreign direct investment is to prefer their own suppliers, which can restrict opportunities for Malaysian firms.

"Any deal could also attract geopolitical risk if it is viewed unfavourably by the United States and European Union," he added.

Meanwhile, Khazanah said it is not its policy to comment on rumours and market speculation.

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| **DISEDIAKAN OLEH** | **1-PN NOR SURIANI BINTI MOHD ZIN (S44), BPM** |