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Lynas a potential winner from US-China trade war

KUALA LUMPUR: Lynas Corp, which operate a controversial rare earth processing plant in Gebeng, near Kuantan, can potentially emerge as a "winner" in the protracted trade war between the United States and China.

A recent statement by China's rare earth producers on its readiness to use their dominance of the industry as leverage in the trade war with Washington could force their customers in the US to look elsewhere for the precious minerals.

Being the largest rare earth producer outside China, Lynas Corp and its US\$800mil (RM3.35bil) processing plant in Malaysia could reap various benefits should Beijing decides to turn its rare earth exports to the US as a trade weapon.

The Australia-listed company could potentially see a surge in demand for its products if Chinese rare earth producers make good on their threat to pass any tariff imposed by Washington to the buyers in the country.

The tariff-related move would inevitably drive up prices of rare earth minerals and products associated with it in the US, forcing the affected customers to seek cheaper source other than China.

The punitive measure or a complete halt of Chinese rare earth exports to the US, as many have predicted should the trade war worsens, would push American customers to other producers including Lynas Corp.

"Although things are not clear yet, the move by (rare earth) producers in China will benefit Lynas. They (customers of Chinese rare earth) will start looking for another supplier," RHB Research Institute chief Asean economist, Peck Boon Soon, told *Bernama*.

The statement by the Association of China Rare Earth Industry representing hundreds of miners, processors and manufacturers on Aug 5, came after a strongly worded piece in the ruling Communist Party People's *Daily* newspaper in May on the country's ability to strike back in the trade war with the US.

"Will rare earth become a counter weapon for China to hit back against



In the advantage: Lynas plant in Gebeng. Being the largest rare earth producer outside China, Lynas Corp and its US\$800mil (RM3.35bil) processing plant in Malaysia could reap various benefits should Beijing decides to turn its rare earth exports to the US as a trade weapon. — Reuters

the pressure the United States has put on for no reason at all? The answer is no mystery. In today's world where different industrial labours are divided globally, no development and progress can be achieved without cooperation."

China is the world's largest producer of rare earth, producing more than 80% of the global output.

About 80% of US' rare earth imports came from China, with reports stating that the country's giant defence contractors are among the main customers.

Rare earth is a group of 17 precious minerals used in various present-day high-tech products from smartphones, powerful magnet used in wind turbines and hybrid cars, telescope lenses and satellites to weapon guidance systems.

Elements of rare earth are also used in the construction of cutting-edge fighter jets, the F-35

"Lightning" and F-22 "Raptor" as well as the Predator drones and Tomahawk cruise missiles.

Among the 17 rare earth elements are cerium, neodymium, thulium and lanthanum.

Meanwhile, another economist Dr Yeah Kim Leng said rare earth users could be forced to diversify their sources of supply should US-Sino trade war drags on.

The country, according to him, stands to benefit.

"Malaysia will benefit from any increased export of rare earth, and greater dependence on Lynas will benefit Malaysia," he was quoted by a local online news portal.

According to Lynas' website, the company resources its deposit in Mt Weld, Western Australia, which is acknowledged as one of the highest-grade rare earth mine in the world.

Lynas rare earth oxides are

mined and initially processed at its Mt Weld concentration plant.

The materials are then shipped to the industrial port in Kuantan and transported to its 100 hectare Lynas Advanced Materials Plant (LAMP) in Gebeng, where the company undertakes a complex series of refining and concentration operations to produce high-quality rare earth minerals.

Lynas has been embroiled in controversy since operating its Kuantan plant in 2012 due to the low-level radioactive Water Leached Purification (WLP) residue produced. Its licence to operate LAMP will expire on Sept 2.

Energy, Science, Technology, Environment and Climate Change Minister Yeo Bee Yin was quoted as saying that the government would announce its decision on Lynas Malaysia's licence renewal status by Aug 15. — *Bernama*