

PM calls on steel makers to explore new markets

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BUTTERWORTH, Mon. — Datuk Seri Dr Mahathir Mohamad called on local steel manufacturers to explore new markets in East Asia and West Asia in view of the industry's gradual recovery.

The Prime Minister said they should also adopt production and management approaches that would help them maintain a certain degree of price stability.

The Prime Minister said: "To do this, they should maintain strict discipline in production.

"The steel surplus and the increased world trade are factors which should encourage local manufacturers to be more far sighted," Dr Mahathir said at the opening of the Malayawata Steel Berhad wire rod mill and the company's second steel making plant here today.

Dr Mahathir also said that steps must be taken for close linkages between upstream and downstream operations.

"A scheme similar to the Vendors Development Programme recently established for the electronics industry, will enable upstream companies to get easy access to a fund to support and nurture the growth of downstream industries," he said.

He said there was great

potential for steel fabrication and manufacture in the machinery and engineering sector, especially if importers were able to source their components locally.

He said since the industry was expected to face excess capacity, there was a need for the steel industry in the country to upgrade its competitiveness, to meet both local requirements and the export market.

Dr Mahathir said the practice by steel manufacturers worldwide to give more emphasis to quantity rather than quality had resulted in a lot of shortcomings within the industry, such as excess capacity, low prices and slowdown in the consumer industry.

On the other hand, he added, steel manufacturers in Japan who enjoyed encouraging support locally from the automotive industry, construction and machinery sectors, received high returns.

While the prices of steel generally declined in Europe, the prices of such products in Japan remain stable, he added.

He said the industry in Japan also suffered from an excess in capacity in early 1980s, but the industry there was still considered the 'fittest' in the world after manufacturers embarked on diversification programmes.

The Prime Minister said the need to be more competitive was becoming more pressing in view of Asean's Common Effective Preferential Tariff (CEPT) scheme within the Asean Free Trade Area.

He said: "The CEPT Scheme provides for the elimination of all quantitative barriers upon enjoyment of the concessions and an elimination of other non-tariff barriers within five years after the enjoyment of the concessions."

He said the steel industry should take advantage of Afta and diversify their production.

"Such measures will increase the capacity of the industry to penetrate the export market in this region," he said.

Dr Mahathir said Malaysia was considered an excellent base for the production of steel products by foreign manufacturers for export to the Southeast Asian region especially when the region was expected to experience high demand for "flat products" like sheets.

This, he said was a result of the rapid development of industries which are using such products.

In Malaysia, Dr Mahathir said the market for "flat products" was between one million and two million metric tons a year and this was

expected to increase to three million metric tons in the next few years and up to five million metric tons by the year 2000.

However, he said, the steel industry to date had not invested much in research and development (R&D) and therefore Malayawata should initiate the setting up of R&D and a training centre for the steel industry in the country.

Dr Mahathir who was accompanied by his wife, Datin Seri Dr Siti Hasmah Mohamed Ali, Chief Minister Dr Koh Tsu Koon and his deputy Datuk Dr Ibrahim Saad, later saw the production of wire rods.

Commissioned in January this year, the Wire Rod Mill enhances the No 2 Rolling Mill as it provides the flexibility of being a combination bar or rod mill.

The main equipment in the wire-rod line comprises the high speed no-twist block for further rolling into wire-rod size, laying head for laying the rod into coiled form, controlled-cooling equipment for metallurgical treatment and facilities for finishing and packing the final product.

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