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Bringing up the steel industry

LOCAL companies' preference for foreign steel points to something awfully wrong with Malaysian industries. According to Prime Minister Datuk Seri Dr Mahathir Mohamad, Malaysia imported 70 per cent of its requirements last year even though there were sufficient local supplies of steel sections to meet the demand of local industries. There appears to be no obvious reason to use imported steel but companies continue to do so. It does seem as if the local companies have no desire to heed the Government's repeated calls to use local materials as a means of helping to restore economic growth.

Perhaps the authorities will need to take a closer look at the issue. While traders who stock steel sections may be one of the elements contributing to the continued imports of these materials from Russia and Thailand, cost must also be a big factor in turning industries away from buying local steel sections. On Monday, this newspaper reported a call by local steel manufacturers for the Government to invoke anti-dumping measures because steel is now being imported at prices which local producers cannot hope to match. According to industry players, a tonne of imported steel can still be over US\$100 (US\$1 = RM3.80) cheaper than Malaysian steel after the 30 per cent import duties have been factored in. Unless the authorities stop local companies from importing the cheap steel, basic business sense will tell these importers to continue buying from overseas. Given the very low prices at which the foreign steel is being dumped in Malaysia, not even a world-class mill would be able to compete, or so says Perwaja Steel chief executive officer Datuk Abu Talib Mohamed.

The Prime Minister has made some suggestions on how the country should approach this issue. One idea is for local industries, especially the construction sector, to learn to use more steel. Malaysian builders have the odd preference for cement in construction and fabrication works, although cement is both uneconomical and unhealthy for the environment. Steel has been widely used by builders in the developed nations for a long time now. Look at Britain, where structural steel is used in up to 60 per cent of the buildings and the US, whose construction industry has relied on steel for decades. By increasing the usage of steel, local builders would create a greater demand for the material and this will help provide the opportunity for local steel manufacturers to aim for economies of scale. Without a sizeable domestic market, it is also difficult for the Malaysian steel manufacturers to become big and efficient enough to set their sights on the export markets, both regionally and internationally.

Without economies of scale and greater efficiency, the local steel industry can also never hope to match the price competitiveness of foreign steel. Countries with a surplus of steel could dump their steel sections in Malaysia partly because the price of the materials in this country is relatively high. The Government should definitely look into invoking anti-dumping procedures against those who have allegedly dumped steel in the local market. Perwaja and the other local steel manufacturers must also not be expected to try and match the low prices of dumped steel. 70 per cent of the steel sections used in Malaysia in 1997 were imported. However, before the authorities can act, they need to find out if the high percentage of imports was a direct result of dumping, or whether the price of local steel is unreasonably high.

In the final analysis, it is important that the billions of ringgit that

the Government has invested in establishing the country's very own steel manufacturing industry provide returns ultimately. The Government, the manufacturers and the local consumers of steel must come together to discuss how the problem can be resolved. It is close to two decades now since the establishment of Perwaja was mooted, marking the birth of the Malaysian steel industry. It is still a fledgling industry and it is not too late to ensure that it matures into a big, strong and reliable venture.

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