MINISTRY OF
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Steel diplomacy, not steel trade war

I would like to welcome all delegates from around ASEAN and beyond to Kuala Lumpur to attend the Inaugural ASEAN Policymakers Conference on Steel and the ASEAN Iron and Steel Forum.

This ASEAN Policymakers Conference on Steel is hosted by the South East Asia Iron and Steel Institute (SEAISI) and the ASEAN Iron and Steel Council (AISC), and co-hosted by the Ministry of Investment, Trade and Industry of Malaysia, Malaysian Iron and Steel Industry Federation (MISIF) and Malaysia Steel Institute (MSI).

I would like to thank Secretary-General of SEAISI Yeoh Wee Jin, President of MISIF Roshan Abdullah and Chairman of SEAISI Dato' Lim Hong Thye for making this happen. In the past two years, Wee Jin has also volunteered a lot of his time to be part of the Independent Committee on the Iron and Steel Industry (ISC) as well as providing invaluable inputs in helping MITI to shape policies on the steel industry.

This afternoon, MITI Minister Tengku Zafrul Aziz will launch the **Iron and Steel Industry Roadmap**. The roadmap is the culmination of the effort over two years by MITI and the ISC chaired by Dato' Omar Siddiq, with Wee Jin, Dato' Hisham Hamdan, Chen Li-Kai, and Dr Ong Kian Ming as members.

General consensus

The ISC report was presented to the National Investment Council chaired by Prime Minister Dato' Seri Anwar Ibrahim in February while the companion Roadmap was presented to the Cabinet recently.

There is now a general consensus within the Government of Malaysia that:

First, **the steel industry is a strategic sector that requires national attention**. Everything we do in our modern life has something to do with steel, whether it is automotive or construction of houses, bridges and other infrastructures. Very few industrialised nations could do without certain forms of steel making capacity.

Second, there needs to be some forms of a **consistent and transparent capacity management framework of the iron and steel sector, and capacity utilisation is a key benchmark to watch**. Substantial increases in steelmaking capacity of up to 6.7% (165 million metric tonnes) are planned worldwide from 2025 to 2027, which, if realised, will exacerbate global excess capacity. Asian economies are expected to account for 58% of the new capacity, led by substantial increases in China and India. ASEAN's overcapacity remains a critical concern. Regional steel capacity stands at 84.6 million tonnes today but is forecasted to double to 169 million tonnes by 2035, driven by 57.7 million tonnes of additional blast furnace and 26.8 million tonnes of electric arc furnace capacities. This expansion vastly outpaces ASEAN's steel demand growth and threatens industry sustainability. The ISC report shows that the capacity utilisation of the less carbon-intensive electric arc furnaces in Malaysia is only around 40%, which is not sustainable and alarming.

Third, **decarbonisation has to be a key agenda in the iron and steel industry**. In fact, steel must become the enabler of every climate ambition and the green foundation upon which the future is built.

There is *no* decarbonisation pathway for the world without steel:

- **No solar panels or wind turbines without steel;**
- **No electric vehicles, or high-speed rail without steel;**
- **No AI data centres, green buildings, or climate-resilient infrastructure without steel.**

And, the decarbonisation of steel is at the heart of the overall decarbonisation agenda. It is not going to be easy as many of the new steel capacities around the world are blast furnaces. The cost of decarbonisation is massive, and the global steel overcapacity is only going to impact on profitability, and consequently the financial capacity to invest in green transition.

Fourth, the mechanisms governing the industry, including Malaysia Steel Institute, needs to be strengthened and further institutionalised, which is why there is now an ongoing effort to **draft and present a Steel Industry Bill to the Parliament**.

Fifth, engaging foreign steel trade partners is important. **This is the time for steel diplomacy**. It is the question of how to ensure that we engage in steel diplomacy, and not a steel trade war that I would like to focus my speech upon.

International dimensions

In 2025, there are five immediate challenges for the global steel industry that come with an international dimension:

First, steel nationalism on the part of the United States

The prolonged debates about Nippon Steel's acquisition of US Steel and the golden share held by the US Government are an indication of what is to come: there will be more steel nationalism. In March, the Trump administration imposed 50% tariffs on steel and aluminium ahead of the Liberation Day reciprocal tariffs. Higher tariffs on the part of the US is here to stay.

Second, China's slowing construction sector

The construction industry and infrastructure building in China have slowed down although still massive. While there has been a conscious effort to balance the long product for construction with more flat products for industry, overall sluggish consumer sentiments in China have global consequences.

Third, second order effect

The policy choices of the US and China and their market conditions will impact other markets. For instance, the sectoral tariffs on steel by the Trump administration created second order effects which saw steel exporters from China, Japan, South Korea, Taiwan and ASEAN countries moving products originally destined for the United States market to other markets, resulting in downward spirals in prices, capacity utilisation and profitability at quick succession.

Fourth, proliferation of trade remedies

The pressure that low-priced exports have had on countries has led to a surge in new anti-dumping cases. During 2024, 19 governments initiated 81 anti-dumping investigations involving steel products, a five-fold increase from the 2023 level. This September, Malaysia has just amended the Countervailing and Anti-Dumping Duties Act 1993, providing the government more latitude to investigate dumping and preventing circumvention of anti-dumping duties imposed.

Fifth, addressing the changes that come with the European CBAM

The European Union's carbon border adjustment mechanisms (CBAM) will have consequences for the global steel industry and the sooner we have a clear pathway to deal with CBAM the better it is.

Steel diplomacy

2025 is a watershed year for many facets of international relations including the steel industry.

With no country that can do green steel or conduct capacity management effectively alone, the new challenges require unprecedented international cooperation, not isolation. We need a new era of steel diplomacy.

Some of the agenda for steel diplomacy include:

- **Just transition financing**: Global South producers will need blended finance, tech transfer and patient capital to go green. We need the World Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Investment Bank, and other multilateral financial institutions to assist the steel industry in ASEAN Member States to transition with the least harms and disruptions. Of course, it is not just the multinational institutions alone, private banks, the stock exchanges, and the wider financial community also need to understand the steel industry.

- **Standards alignment**: Harmonising green steel definitions, MRV (monitoring, reporting, verification), and certification is critical. It will be interesting if ASEAN could work with China and EU in a trilateral manner in pushing for standards alignments for green transition, given that China and EU are both having the technologies to produce green steel and to decarbonise. In this context I would like to acknowledge the presence of the China Iron and Steel Association (CISA) today. I met the Association in Beijing two weeks ago and came away with this view that we should strengthen engagement between MISIF and CISA, and between MITI and China's Ministry of Industry and Information Technology (MIIT), and combine to build strong bilateral government-to-government and association-to-association diplomacy. Previously, governments in ASEAN mostly only engaged in-depth with the private steel investors from China and not with the regulators. ASEAN governments' closer collaboration with China's steel regulators is important.

- **Regional steel alliances**: ASEAN, for instance, can cooperate on decarbonisation roadmaps, technology sharing, and pooled procurement. Cooperation among ASEAN Member States on steel will certainly contribute to the creation of an ASEAN integrated market as well as overall integration. After all, the European Union started as the European Coal and Steel Community in 1951.

Thus far, ASEAN Member States have been treating investment into the steel industry as private investment, as well as viewing higher foreign investment and higher growth of output and export of steel as virtuous outcomes themselves. But stopping at these goals may lead to a race to the bottom in terms of more capacity, more investments into blast furnaces hence more carbon emission, and more trade frictions, and potentially trade wars, which become a vicious cycle.

Therefore, this is the time for all of us, especially those in ASEAN, to race to the top, to adhere to the highest standards, to create conditions for clean and green steel to be produced, to coordinate capacity, and to pursue a regional approach to steel production and investment, including to find blended financing together.

In conclusion, if I could plant a seed in your mind in this speech, it is the message that the world does not need a global steel trade war. In the changing geoeconomic landscape, ASEAN has agency and we should act in concert. We need a global coalition for clean and green steel, and I sincerely hope ASEAN Member States could take the lead to build the platform for such cooperation to take place.

I wish you a great conference.