



METALS INDUSTRY



STRATEGIES AND POLICIES

TARGETS

- 1.01 The metals industry is expected to continue to contribute to the development of Malaysia's economy. During the IMP3 period, investments of the industry have been targeted at RM44.2 billion and exports are expected to reach RM50.6 billion in 2020 (Table 1.1).

TABLE 1.1

PROJECTIONS FOR THE METALS INDUSTRY

	2006-2010	2011-2015	2016-2020	2006-2020	2006-2020
	(RM billion)				Average Annual Growth (%)
Investments	9.4	14.4	20.4	44.2	9.3
Investments per year	1.9	2.9	4.1	2.9	n.a. ¹
Exports (end period)	28.2	38.3	50.6	50.6	7.3

Note: ¹ Not applicable

Source: Ministry of International Trade and Industry

STRATEGIC THRUSTS

- 1.02 Six strategic thrusts have been set for the further development of the iron and steel sub-sector during the IMP3 period:
- (1) enhancing the competitiveness of the industry to support the growth of the manufacturing and construction sectors;
 - (2) sustaining and expanding the exports of iron and steel products for existing and new markets;
 - (3) promoting new applications of steel in selected industries;

- (4) encouraging collaborations between producers and users of steel, and upstream and downstream manufacturers;
- (5) attracting new investments in niche areas in the sub-sector; and
- (6) developing a skilled and qualified workforce.

(1) ENHANCING THE COMPETITIVENESS OF THE INDUSTRY TO SUPPORT THE MANUFACTURING AND CONSTRUCTION SECTORS

1.03 The competitiveness of the iron and steel sub-sector will be enhanced through:

- making available the supply of raw materials and intermediate components at competitive prices, for both domestic and export-oriented producers;
- undertaking progressive liberalisation of the import of iron and steel products required for downstream activities; and
- undertaking a review of the excess capacity situation on a continuous basis to enable the plants to produce at more competitive costs.

(2) MAINTAINING AND EXPANDING EXPORTS FOR EXISTING AND NEW MARKETS

1.04 Greater efforts in exporting will be undertaken in selected products, where the sub-sector has achieved competitive advantage in the domestic market. Measures to enhance market access include:

- implementing export targeting strategies in potential ASEAN markets for selected iron and steel products, through the utilisation of the trade facilitation arrangement;
- undertaking market liberalisation through FTAs; and
- encouraging the sub-sector to adopt and comply to international standards.

1.05 The sub-sector will be encouraged to forge cooperation and collaboration, joint ventures and other similar arrangements among ASEAN producers to provide leverage for future growth and expansion. This is aimed at minimising unhealthy competition and promoting the overall competitiveness among ASEAN producers to realise optimum benefits from AFTA.

1.06 Malaysian Standards on iron and steel products will be developed, in collaboration with the industry. Efforts will also be undertaken to:

- introduce and enforce mandatory standards on iron and steel products; and
- enter into mutual recognition arrangements (MRAs) with trading partners.

These initiatives are important to facilitate trade and prevent the import of sub-standard products.

(3) PROMOTING NEW APPLICATIONS OF STEEL IN SELECTED INDUSTRIES

- 1.07 The sub-sector will be encouraged to promote new applications of steel in the manufacturing, construction and transportation industries, as well as engineering activities. For further downstream manufacturing activities, products with potential are components related to the automotive, oil and gas, E&E, and machinery and equipment industries.

(4) ENCOURAGING COLLABORATIONS BETWEEN PRODUCERS AND USERS OF STEEL, AND UPSTREAM AND DOWNSTREAM MANUFACTURERS

- 1.08 Cooperative efforts, on a long term basis, between producers and main users of iron and steel products will be undertaken, focusing on the potential usage of steel as a cost-saving and energy-saving material for both industrial and consumer products. Such strategic efforts will be supported by global research standards and practices, and expertise. Continuous educational and promotional programmes will be undertaken, through collaborations between industry associations, research institutes and professional bodies, both locally and abroad.
- 1.09 The promotion of strategic linkages between upstream and downstream manufacturers will be undertaken to facilitate the growth of downstream processing activities, through technical advisory services, R&D on processing technologies and applications of new materials. Innovative and new products will be developed, in line with changing market demands.

(5) ATTRACTING NEW INVESTMENTS IN NICHE AREAS

- 1.10 The Government will continue to promote investments in the production of iron and steel products with growth potential. The products include steel tyre cords, alloy structural steel, high pressure reinforced hose wires, specialised steel for tools and dies, seamless steel pipes, structural hollow sections, fine steel wires, oil and gas pipes, cold formed heavy gauge sections and stainless steel coils.
- 1.11 In respect of other metals, the construction of the Bakun dam in Sarawak, with an energy capacity of 2,400kw, will be the major pulling factor for new investments in aluminium smelting.

(6) DEVELOPING A SKILLED AND QUALIFIED WORKFORCE

1.12 Measures to develop a skilled and qualified workforce for the sub-sector include:

- strengthening existing technical institutes to enhance their capacities and capabilities, and considering the establishment of new institutes, to meet human resource requirements of the sub-sector. Industry associations, in collaboration with manufacturers, are encouraged to work with established institutes to conduct training programmes, for example, apprenticeship scheme; and

- encouraging the sub-sector to increase automation in production processes to enhance productivity. The Government will continue to review the existing support programmes and incentives to promote this initiative.