THE COMPETITIVENESS OF THE MALAYSIA STEEL INDUSTRY

HUN SEUNG SHIN

Bachelor of Art

Hankook University of Foreign Studies

Korea

1984

Submitted to the Faculty of Business and Accountancy,
University of Malaysia, in partial fulfillment
of the requirements for the Degree of
Master of Business Administration

February 1999

ACKNOWLEDGEMENT

My deep gratitude is expressed to a number of people who have helped in one way or another in the completion of this research.

I would like to express my sincere appreciation to my supervisor, Dr. Lang Chin Ying for her invaluable guidance and advice throughout the period of my research.

I extend my sincere thanks to Lee Wei Kiat, Narishchandra, Lau Lee Peng, and my classmates for their sincere friendship and concern.

I express my deep appreciation to my parents, brothers and sisters for their endless love and encouragement.

I would like to extend my great appreciation to my lovely sons, Eun Tack and Eun Seok for their love, understanding and patience.

Finally, my utmost thanks go to my wife, Ahn Hei Kil for her untiring support and tremendous love throughout the writing of this research.

Executive Summary

The Malaysian steel industry was developed with market initiatives, except in the Perwaja case. The Malaysian steel production in 1997 amounted 2,962,000 tons, It was ranked 36th in the world. It made up 0.35% of total world production of 794 million tons. The Malaysian steel production was the second largest producers in ASEAN countries after Indonesia whose production was 3,816,000 tons in 1997. As a characteristic factor, the production of flat products has not been as developed well as the long products.

The Malaysian Government protected the steel industry with tariff and non-tariff barriers. However, as the market is being liberalized with the implementation of the Common Effective Preferential Tariff (CEPT) scheme in ASEAN countries, rivalry will become more intensive. The ASEAN market may present an attractive opportunity to the Malaysian steel producers. Malaysian mills may expand their capacities not only for the domestic market but also for the ASEAN market.

The Malaysian steel industry should adopt the upstream diversification policy for flat products as Malaysian mills have depended too much on imports for their critical raw materials such as Hot Rolled coils.

The Malaysian steel producers should adopt newer technology boldly to prepare for competition in future. Malaysia is far behind world class suppliers in terms of production. It is not proper way for Malaysia to fight only for capacity expansion.

New business environment in coming years will require a different strategy from the traditional one, which is fighting for cost down by mass production and also requires huge investment. Future market will change to be customer-oriented. Mass production cannot response to a variety of requirement of customers. Newer technology in future will ensure "high productivity with lower investment.

The government should encourage companies to invest in R&D for the long run development of the Malaysian steel industry.

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