

Policy Review of Iron and Steel Industry

In 2002, the global market for iron and steel industry faced a surplus in supply, due to excess capacity in major steel producing countries. This situation had influenced major steel producing countries to undertake a safeguard measure to protect their domestic industries.

2. Malaysia has also introduced several measures to assist domestic producers meet the challenges brought about by developments in the global iron and steel industry. These measures were an increase in import duty up to a maximum of 50% and imposition of import licence (AP) on flat products, such as Hot Rolled Coils (HRC), Cold Rolled Coils (CRC) and Electro-Galvanised Iron (EGI), and which came into effect on 15 March 2002. For long products, they have been long protected through the imposition of import duty between 10-30% and import licence requirement.

3. With the objectives to enhance competitiveness of the local industry, as well as encourage the manufacture of more competitive products for international market, the Government has agreed to implement the following measures, effective from 1 August 2009. The policy measures for iron and steel industry are formulated after a series of discussions held with the Malaysian Iron and Steel Industry Federation (MISIF) since early 2007.

4. These measures are:

i) Manufacturing Licences

Manufacturing licences will be granted without restriction to meet the demand for domestic and export markets for long and flat products.

ii) Import and Export Licences (AP)

• Free issuance of import licences for flat products will be continued for monitoring and data collection purposes. No export licence is required on flat products. The current import and export duty exemption on 57 tariff lines of long products will be maintained.

• Import control for products of Hot-Rolled Coils (HRC), Cold-Rolled Coils (CRC) and Electro-Galvanised Iron (EGI) through fixing the ratio between locally sourced and imported products will be abolished.

iii) Import Duty

• For long products which are subject to import duties, reduction in import duties will be implemented gradually. Import duties will be reduced to 10 per cent from 1st August 2009 and 5 per cent from 1st January 2010 and for subsequent years.

• For flat products which are subject to import duty, the current import duty under the MFN rate for products imported from outside ASEAN will be reduced in stages. Effective from 1st August 2009, the

current import duty of 50 per cent for flat products will be reduced to 25 per cent and the rates will be further reduced between 0 to 10 per cent from 1st January 2018.

iii) Import Duty Exemption

â€¢ Import duty exemption for flat products, including HRC, CRC and EGI, is given to:

- raw materials used for the production of finished goods for the export market, irrespective of local availability;
- products for which grades and specifications are not produced locally for the local market; and
- products used as raw material to produce nil duty finished goods;

â€¢ Importation by Steel Service Centres for SMEs

Import duty exemption will be given to Steel Service Centres for products for which grades and specifications are not produced locally.

â€¢ Import duty exemption for Seven Selected Sectors

Import duty exemption for seven selected sectors will be abolished, since it is no longer relevant, as the policy review on tariff reduction structure has taken into consideration the requirement for these sectors.

â€¢ Import duty exemption for traders

Current policy will be maintained, where import duty exemption is not given to traders.

iv) Determination of HRC base price

The Government has also decided that the determination of HRC base price implemented by MITI be abolished. This will allow HRC price to be determined based on domestic and international market forces.

v) Implementation of Mandatory Standards

â€¢ To prevent the influx of sub-standard products into the country, the Government has agreed to implement mandatory standards for imported and locally produced long and flat products. The imposition of mandatory standards will be implemented in stages and will be effective from 1st August 2009 for iron and steel products which have Malaysian Standards (MS).

â€¢ For iron and steel products which have no MS, imported products will be tested and verified using the existing international standards (ISO), until the adoption process into MS has been completed. The adopted ISO will be effective from 1st April 2010.

• For iron and steel products which have no MS and ISO standards, but have acquired foreign national standards, MS will be developed by the Department of Standards and will be effective from 1st October 2010. During the period of MS development, foreign national standards will be used.

• For iron and steel products which have no standards, imports will be monitored by the Ministry of International Trade and Industry, and Royal Customs of Malaysia.

• Enforcement of mandatory standards will be implemented by the Construction Industry and Development Board (CIDB), Department of Safety and Health (DOSH) and SIRIM QAS International Sdn. Bhd (SIRIM).

• The procedures for the implementation of mandatory standards have been simplified and cover:

a) testing and verification prior to the issuance of Certificate of Approval (COA) for imported iron and steel products will take 1-3 working days;

b) to avoid delays and additional charges in customs clearance at customs entry points, SIRIM and CIDB will issue temporary COA to importers to transport the imported products to their factory premises, prior to product testing and verification process;

c) the measure to recognise testing and verification reports from accredited foreign laboratories under the mutual recognition arrangement is encouraged to simplify compliance to mandatory standards, subject to the approval from the Department of Standards;

d) exemption from testing and verification procedure, as well as COA, will be given for products weighing below 100kg and for imported products weighing below 100kg for sample purposes.

e) rate of charges for testing and verification, as well as issuance of COA, has been reduced by SIRIM by 39%, effective from 1st March 2009.

5. The implementation of measures for the local iron and steel industry has incorporated views from the local industry and is expected not to adversely affect the industry. Instead, these measures will enhance the competitiveness of the industry, as well as enable the manufacture of competitive products for the international market.