

Some impediments affecting the performance of the local non-metallic mineral-based industry

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Abstract: Downstream value-adding activities under the non-metallic mineral sector will continue to feature prominently in the Malaysian mineral industry. Their activities are necessary to sustain the country's pace of development; in addition, a substantial volume of the products will continue to be destined for the export market, thus providing foreign exchange earnings. However, based on surveys and interviews conducted by the Minerals and Geoscience Department Malaysia, there are certain impediments affecting the downstream sector's expansion. This paper identifies some of the issues raised among which are problems related to the quality of resource, competition from neighbouring countries, land issues, environmental concerns, coding problems, etc. Wherever appropriate, some suggestions to overcome these problems are offered.

Abstrak: Aktiviti-aktiviti hiliran yang bernilai-tambah didalam sektor mineral bukan metalik (mineral perindustrian) akan terus menerajui industri mineral di Malaysia. Aktiviti-aktiviti ini adalah penting untuk menyokong arus pembangunan negara; tambahan pula sebahagian besar produknya akan terus disasarkan untuk pasaran eksport, seterusnya menghasilkan pendapatan dari tukaran wang asing. Walaubagaimana pun, melalui soalselidik dan perbincangan yang dijalankan oleh Jabatan Mineral dan Geosains Malaysia, terdapat beberapa halangan yang mempengaruhi perkembangan sektor hiliran ini. Kertaskerja ini mengenalpasti beberapa isu yang dikemukakan, diantaranya yang menyebabkan masalah yang berkaitan dengan kualiti sumber, persaingan dengan negara jiran, isu tanah, masalah persekitaran, masalah pengkodan, dan sebagainya. Dimana mungkin, beberapa cadangan bagi mengatasi halangan tersebut telah diberikan.

INTRODUCTION

The mineral industry is a vital engine of growth for the country. It should be emphasised that its contribution to the national economy is in the form of supplying raw and processed materials for domestic industries and export of minerals and mineral-based value-added products (Jabatan Mineral dan Geosains Malaysia, 2000). As the country has steadily been moving towards industrialization over the years, and following the recovery and growth in the region, the consumption level of minerals, particularly industrial minerals, will continue to increase and provide inputs to the manufacturing, construction and infrastructure sectors.

Besides the upstream revenue-generating activities relating to the mining and extraction of domestic minerals, the health of the local mineral industry is also reflected through contributions from the downstream value-adding establishments. In 2001 alone, the production of non-metallic mineral-based products and materials amounted to some RM8.986 billion (Table 1) (Zulkipli Che Kasim *et al.*, 2001), carried out through the activities of 1,213 establishments (Table 2) (Azimah Ali *et al.*, 2001). However, the downstream sector is susceptible to challenges

and impediments affecting certain facets of its expansion, and surveys and interviews conducted by this department over the years have identified some pressing issues faced by the sector.

SOME IMPEDIMENTS NOTED

Quality and supply of raw materials

Most non-metallic mineral-based manufacturers acknowledge the existence of local raw resources. Some are unable to fully utilize these domestic resources for the following reasons:

- (i) Interrupted supply;
- (ii) Inconsistent quality of raw materials,
- (iii) Non-availability of semi-processed feedstock for the manufacture of higher-end products.

Import of materials and minerals is therefore still vital for some manufacturers, especially those producing products for the export market. For certain essential minerals which cannot be found in the country, imports cannot be avoided. The general feeling is that manufacturers are willing to source for local materials if these meet their requirements, as this approach will lower their operational cost.

Table 1. Industrial mineral-based products value (RM million), 2001.

PRODUCTION	RM mil
Industrial Mineral-based Products	
Manufacture of pottery, china and earthenware	269
Manufacture of glass and glass products	2,585
Manufacture of structural clay products	1,444
Manufacture of hydraulic cement	2,436
Manufacture of cement and concrete products	2,252
Sub-Total IM-based Products	8,986

Land issues

Some producers are reluctant to expand their operations due to problems faced in securing their supply of raw materials, which stems from land procurement and leasing issues. In certain instances joint venture agreements drawn up between manufacturers and land owners do not appear to favour the former, and this has led to delays in project implementation.

Competition

During the last few years, competition has become stiff not only among local manufacturers, but also from neighbouring and regional countries, for example:

- i) The 'former' (ceramic mould to produce gloves) industry faces a glut due to influx of formers from China and Indonesia,
- ii) The dimension stone industry is competing with low-priced products from China,

Table 2. Number of establishments of industrial mineral-based produce, Malaysia 2001, by state.

	Kedah	Perlis	Penang	Perak	S'gor	W.P.	Neg. 9	Melaka	Johor	Phang	T'ganu	K'tan	S'wak	S'bah	Total
CLAY-BASED															
Activated clay	0	0	0	1	1	0	0	0	1	0	0	0	0	0	3
Advanced Ceramic Components	0	0	1	0	2	0	0	1	0	0	0	0	0	0	4
Ceramics															
Clay brick	9	0	5	28	15	4	23	3	30	13	16	47	70	32	295
Clay pipe	0	0	0	12	4	1	0	0	0	0	0	0	0	2	19
Decorative ware	2	0	0	11	5	0	0	0	0	0	0	1	0	0	19
Formers	0	0	0	0	3	1	3	0	0	0	0	0	0	0	7
Roofing tiles	0	0	0	0	4	0	0	0	2	0	0	0	1	1	8
Rough Pottery	1	0	0	267	8	7	1	1	5	1	0	4	15	4	314
Sanitaryware	2	0	0	1	3	1	0	0	2	0	0	0	2	1	12
Tableware	1	0	0	2	4	1	0	0	1	0	0	0	1	0	10
Tile (Wall/Floor/Mosaic)	0	0	0	0	15	1	2	0	5	0	0	0	3	4	30
Sub-total	15	0	6	322	64	16	29	5	46	14	16	52	92	44	721
SAND-BASED															
Chemical															
Fibre glass	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Sodium silicate	0	1	0	0	0	0	0	0	2	0	0	0	1	0	4
Glass	1	0	2	0	12	0	3	2	4	0	0	0	0	33	57
Silicon wafer fabrication	2	0	0	0	4	0	0	0	0	0	0	0	0	0	6
Others															0
Filter sand	0	0	0	0	0	0	0	0	2	0	0	0	0	0	2
Sub-total	3	1	2	0	16	0	3	2	8	0	0	0	1	33	69
ROCK-BASED															
Cement	1	1	0	5	4	0	1	0	3	1	0	0	1	1	18
Concrete products	21	1	1	27	35	0	16	11	55	71	0	0	0	41	279
Dimension stone															0
Granite	1	0	0	1	3	0	1	0	2	0	1	0	0	0	9
Marble	1	0	0	24	1	0	0	0	0	0	0	0	0	1	27
Lime															0
Hydrated Lime	1	0	0	17	12	0	0	0	1	0	1	0	0	1	33
Quicklime	1	0	0	7	3	0	0	0	2	0	0	0	0	0	13
Limestone powder	1	1	0	19	2	2	0	0	0	0	1	0	2	2	30
Rockwool	0	0	0	0	1	0	0	1	0	0	0	0	0	0	2
Terrazo/Silicate Bricks	1	0	1	5	2	2	0	0	1	0	0	0	0	0	12
Sub-total	28	3	2	105	63	4	18	12	64	72	3	0	3	46	423
TOTAL NUMBER IN STATE	46	4	10	427	143	20	50	19	118	86	19	52	96	123	1213

- iii) The tile manufacturers suffer competition from China, Indonesia and Thailand.

The industries are aware of these problems and some measures suggested to overcome the situation include:

- i) Standardisation of all products by SIRIM. Imported products that do not meet the minimum requirement standards should not be allowed to enter the country,
- ii) Make it a policy for all Government projects to use local products,
- iii) Local companies be invited to participate in International Expositions and be grouped under the Malaysia Incorporated team. One booth to cater for all the industries from Malaysia is likely to be more effective and should attract more international buyers than small individual booths. This will enhance participation, external trade and global competitiveness,
- iv) Protection in terms of export incentives and exemption of tax for machineries, moulds and apparatus (Ministry of International Trade and Industry Malaysia, 2000),
- v) Reduction of energy costs to run operations,
- vi) R&D efforts to value-add to local resources for the production of new and higher quality products,
- vii) Amalgamation of small production units into a few large establishments employing modern technology and greater automation to cut production cost.

Coding problems

In order for the country to help and contribute to the success of domestic industries, a standard has to be set to ensure quality and price stability. For example, in Malaysia, formers are not given a specific code and the Malaysian Government considers them as 'products' (it should in fact be a 'mould'/machinery/apparatus to produce a final product and hence should be exempted from tax), and therefore are subject to product codes and changes according to countries importing them. When they arrive in China, Thailand, Indonesia, they are subject to import duties. This increases their price and accordingly it has become uneconomic and almost impossible to penetrate and challenge the foreign market. Thai authorities impose a 5% import duty on formers from Malaysia, and the Malaysian Government does not impose any duties on the Thai formers coming into the country as they are coded as 'mould' by the Thai authorities. This translates into losses in competitiveness among the local manufacturers.

Environmental concerns

Some industries face problems due to their inability to

maintain environmental-friendly manufacturing operations. These problems are varied, ranging from those related to conditions laid out in operation manuals, to those that have to deal with the encroachment of development into the manufacturing areas. Some operations produce dust, e.g. the cement and limestone powder industry; others produce acidic and toxic material waste such as the activated clay and the ceramic substrate industries. While the multinationals were prepared to invest heavily to manage their waste disposal system as a long-term measure, the smaller establishments are finding it difficult to follow suit.

CONCLUSIONS

The non-metallic mineral sector will form the focus for the development of the Malaysian mineral industry to facilitate import substitution and to promote downstream value-adding mineral-based activities. To prosper, the downstream industry needs to be competitive, and has to adopt several options encompassing strategies to produce higher quality and new products through R&D, smart partnership arrangements, better market access, reverse investments, etc. However, in order to meet these aspirations, the impediments to the industry's further development and expansion need to be addressed by both the government and the private sector. On this note, besides the industry-government dialogue sessions, the National Mineral Council should continue to be used as a platform to provide for better and sustained cooperation between the Federal and State Governments on policy issues relating to mineral development for the betterment of the local mineral industry.

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