

Speech by SMS Chee Hong Tat at the 6th Singapore Iron Ore Forum

24 May 2018 CATEGORY [Speeches](#) TOPICS

OPENING ADDRESS BY MR CHEE HONG TAT, SENIOR MINISTER OF STATE FOR TRADE & INDUSTRY AND EDUCATION AT THE 6TH SINGAPORE IRON ORE FORUM, 9.30AM, 24 MAY 2018, AT THE MARINA BAY SANDS CONVENTION CENTRE

Mr Kwa Chong Seng, Chairman, Singapore Exchange (SGX)

Mr Li Zhenjiang, Secretary General, China Iron and Steel Association (CISA)

Mr Jiang Hui, Vice President, China Chamber of Commerce of Metals,

Ms Zhong Manying, Minister-Counsellor, Embassy of China in Singapore

Distinguished guests,

Ladies and gentlemen,

Good morning.

1. It is my pleasure to join you this morning at the 6th Singapore Iron Ore Forum. Let me start by extending a warm welcome to everyone, including our foreign participants from over 1 countries. Your presence reinforces the position of Singapore Iron Ore Week as one of the landmark events for the iron ore and steel industry.

Opportunities and Challenges for the Ferrous Sector

2. Singapore's commodities trading sector has remained resilient, as global economic growth translates into rising demand for metals and minerals. However, we expect slower growth in global demand for steel in 2018. Adding to this are uncertainties brought about by developments in trade relations between major economic powers, which could have a negative impact on global trade and investments.

3. If we look further ahead, and assume that the current trade tensions between nations do not escalate further, the medium to longer-term prospects for steel and its raw materials remain strong. Their demand is driven largely by rapid developments in Asia, which is one of the fastest growing regions in the world. Infrastructure investments in emerging Asia are projected to reach US\$1.7 trillion a year in areas such as transportation, power, telecommunications, water supply and sanitation. Some analysts have estimated that China's Belt and Road initiative could generate an additional 150 million metric tonnes of steel demand over the next decade.

Singapore as a leading metals and minerals trading hub

4. Singapore companies are well positioned to access these opportunities. We are one of the world's leading commodity trading hubs because of our strategic location, our strong network of companies, and our diverse pool of experienced trade professionals comprising both Singaporean and global talent. Our geographic position between resource-rich countries, and countries with strong demand for metals and minerals, enable our companies to tap into and benefit from the trade flows in this time zone.

5. Our strengths are reinforced by strong connectivity to regional and global markets. This is why many top global mining and mineral companies choose to locate here. They manage their international trading activities out of Singapore, and perform other key functions such as finance, logistics, insurance and risk management. These activities generate business for our SMEs and workers.

6. There are three attributes which affect Singapore's competitiveness as a trading hub. These are linked to our strengths as: (a) a Financial centre; (b) a place for Innovation; and (c) a Trustee brand name. They can be summarized by the acronym "**FIT**" – F for finance, I for innovation and T for trust.

7. First, as a global financial centre, Singapore offers commodity traders access to a wide array of high quality financial and risk management solutions. These include SGX's iron ore and coking coal derivatives. In 2017, SGX cleared over 1.7 billion metric tonnes of iron ore derivatives, accounting for over 95% of the international market for such derivatives. Their coking coal derivatives are also gaining traction - 2017 saw a record 14.5 million tonnes of coking coal derivatives cleared, and the volume continues to grow. With the shift away from the quarterly pricing benchmark, there is heightened volatility in the market which makes such risk management tools even more important.

8. SGX is also currently exploring steel derivatives, which would allow market participants to fully mitigate risks along the value chain. To complement their product offerings, SGX will be launching their new "Titan OTC Pro" platform to allow brokers and traders to transact with greater ease and transparency.

9. The Dalian Commodity Exchange (DCE) recently opened its Chinese iron ore contracts to international participants. Companies can now enjoy access to DCE without having to set up wholly foreign owned entity in China, through approved overseas intermediaries such as DBS Bank Singapore. Companies based in Singapore can seamlessly participate in both exchange strengthening our mutual linkages and connectivity. We hope to grow this partnership and there are many win-win opportunities here.

10. Second, Singapore provides a conducive environment that supports innovation. For the ferrous sector, the data-led technological revolution has created many opportunities to develop trading capabilities and transform mining operations. For instance, sensors and drones can obtain real time operational and environmental data. High speed algorithmic trading is also used to identify arbitrage opportunities. After trades are made, self-executing smart contracts rely on blockchain technology for settlement and delivery.

11. Companies, both small and large, have taken advantage and positioned themselves to be at the forefront of these innovations:

(a) Rio Tinto has tapped on what Singapore can offer and have grown their footprint here. They opened their office in Singapore in 1970, and have grown to a 500-strong workforce today. The company set up their Global Commercial headquarters in Singapore this year which is home to the Data, Intelligence and Insights team that supports Rio Tinto's innovative agenda. The team aims to increase productivity in areas such as logistics optimisation, energy efficiency and maximising utilisation of operating equipment.

(b) Other examples include Singapore-based platforms such as end-to-end trading platform Arkratos and shipping platform Auomni Online which use blockchain technology and cloud computing to provide secured solutions for trading companies.

12. Innovation also thrives when there is collaboration. Singapore's vibrant metals and minerals ecosystem helps foster collaboration between multinational corporations, local SMEs and innovative startups. Enterprises of all sizes and nationalities can work together to solve problems and boost their competitiveness.

13. To support our companies, the Government has rolled out various partnership schemes. For example, the Partnerships for Capability Transformation (PACT) scheme, which was launched in April this year to support collaboration between companies in capability development. Areas include knowledge transfer, business development and internationalization. The Singapore Government is committed to making innovation pervasive throughout our economy to enhance our competitiveness.

14. Third, Singapore is a global trade hub which is trusted by trading partners and businesses around the world. Singapore's legal framework and strong rule of law provides traders with a stable regulatory foundation, giving companies the confidence to transact in Singapore and manage cross-border disputes. The Singapore International Arbitration Centre (SIAC) received a record 452 new cases in 2017. This is more than five times the number 10 years ago, with more than half of the cases being trade and shipping disputes. The parties involved in these cases spanned 5 jurisdictions. I am glad to know that globalORE's Standard Iron Ore Trading Agreement states that all disputes will be referred to arbitration in Singapore under SIAC rules. This is a vote of confidence in our position as a trusted hub and dispute resolution centre.

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15. These three aspects of Singapore's pro-business ecosystem – a Financial centre; a place for Innovation; and a Trusted brand name, - have allowed Singapore to serve as an effective springboard for traders to capture key opportunities in the metals and minerals sector. We must continue to work hard to preserve our strengths, and build new capabilities and connections to further enhance our hub status. This is how we can strengthen our economic competitiveness, earn a living in the global economy and provide better jobs, better pay and a better life for our people.

Conclusion

16. In closing, I would like to wish everyone a fruitful day ahead as you network, learn and trade with one another. Thank you.

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