THE MINERAL INDUSTRY OF SINGAPORE

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Singapore’s strategic location in the Strait of Malacca is one of the most important shipping centers in the world. In terms of tonnage, Singapore is the world’s busiest seaport. Singapore is considered to be the fifth most important financial center in the world behind London, New York, Tokyo, and Hong Kong (Financial Times, 1993). Despite the regional economic crisis, the Swiss-based World Economic Forum ranked Singapore as the world’s most competitive economy for three straight years.

Singapore, as a major oil refinery center with a total refining capacity of 1.25 million barrels per day, continued to feel the effects of the regional crisis as well as the decline in demand of petroleum products. All oil companies based in Singapore were forced to operate at about 70% of their output capacities in 1998. Most of Singapore’s refined products were exported to Hong Kong, Malaysia, the Republic of Korea, and Thailand and these export markets were experiencing a decrease in demand. Also, many were building their own refineries that affected the Singapore’s exports. In response to these pressures, Singapore’s refinery operators were considering restructuring of their operations to cut costs in an effort to improve profit margins. Shell and Caltex centralized their refinery operation in Singapore (Journal of Commerce, 1998).

With high taxes and custom duties, plus its high cost of land in Singapore, refiners found them difficult to reduce operation costs. In order to maintain competitiveness, the Government had undertaken significant measures to lower costs. The Government cut the employers’ contribution to the central provident fund that led to the decline of unit labor by 10%. The excellent infrastructure developed during the past decade and the rewards of long-term attractive policies have helped to retain investors’ interests in Singapore.

The Exxon Board gave the final approval for the construction of its $2 billion petrochemical complex on Jurong Island. Upon completion, which is scheduled for late 2000, the complex will have an ethylene cracker with an 800,000-metric-ton-per-year (t/yr) capacity that will be fully integrated with an existing Esso refinery. Downstream plants include a 275,000-t/yr polypropylene plant and a 175,000-t/yr oxoalcohol plant which are owned by Exxon (Asian Chemical News, 1999).

Mobil Corp. and the Singapore Economic Development Board (EDB) formally announced plans to jointly build an $800 million cracker plant. Because of the economic slowdown in the region, the startup of the project is scheduled after 2003. Mobil has engaged in negotiations with companies including Japan’s Asahi Chemical Industrial Co., Mitsubishi Chemicals Co., and Mitsui Chemicals Co., and Indonesia’s Multikarsa Investama to supply them with downstream derivatives (Asian Chemical News, 1998). It is unclear if Mobil will proceed with the project because Mobil will in principle be merged with Exxon. But EDB, which has a 20% share in the project, remains committed to the construction of the plant.

Singapore Power, a state-owned company, is in charge of natural gas and power management. Singapore imports all its natural gas mainly for power generation and petrochemical production. Singapore Power imports about 4.37 million cubic meters per day (m³/d) of Malaysian natural gas through a transnational pipeline. Singapore wants to reduce its reliance on Malaysian natural gas imports. In 1998, Singaporean gas consortium Sembawang Gas signed an agreement with Pertamina to import 9.2 million m³/d of natural gas for 22 years from the West Natuna in Indonesia.

References Cited