

engaging in the “wild west” of the Chinese market; “everyone knows someone [who has had a negative experience and lost money]”.⁵⁶⁶ Moreover, SIP illustrates that disrupting a Singaporean investment could occur at minimal cost to China, indicating a high degree of asymmetry in this type of relationship.

Theoretical predictions: The theory of asymmetry predicts that the “factory” component of Singapore’s economy—its electronics industry—should enjoy a greater degree of symmetry in links with China than the “headquarter” component, because the costs to China of disrupting Singaporean trade are greater than disrupting Singaporean investments. Accordingly, the investment relationship should be more vulnerable to disruption and use as leverage.⁵⁶⁷ Overall, with factory and headquarter economy features, the theory of asymmetry predicts that compared to the “resource” economy Australia, the Singapore should face higher relative disruption losses and been more vulnerable. Hypothesis 2 tests whether this increased vulnerability is associated with greater accommodation in security policy.

6.5 Economic interdependence in Sino-Singaporean political relations

6.5.1 Singaporean interests and strategies

Under the continuous rule of the People’s Action Party since the city-state achieved self-governance in 1959, Singapore’s government is distinguished by its unitary character.

Policymaking is “highly centralized, top-down and seamlessly integrated across the

⁵⁶⁶ Author interviews with Singaporeans working in private banking and finance with experience in the Chinese market, Singapore, December 2013.

⁵⁶⁷ Further symmetry is added by Singapore’s *entrepôt* status and high concentration of foreign industry, since it would be relatively more difficult to identify trade flows as being certifiably Singaporean when a significant proportion will be owned by, designated for, or originate from a third country.

Seeded Content – **Central Intelligence Agency – The World Factbook – Singapore**
<https://www.cia.gov/library/publications/the-world-factbook/geos/sn.html>

Singapore was founded as a British trading colony in 1819. It joined the Malaysian Federation in 1963 but was ousted two years later and became independent. Singapore subsequently became one of the world's most prosperous countries with strong international trading links (its port is one of the world's busiest in terms of tonnage handled) and with per capita GDP equal to that of the leading nations of Western Europe.

Economy - overview: Singapore has a highly developed and successful free-market economy. It enjoys a remarkably open and corruption-free environment, stable prices, and a per capita GDP higher than that of most developed countries. Unemployment is very low. The economy depends heavily on exports, particularly of consumer electronics, information technology products, medical and optical devices, pharmaceuticals, and on its vibrant transportation, business, and financial services sectors.

The economy contracted 0.6% in 2009 as a result of the global financial crisis, but has continued to grow since 2010. Growth in 2014-16 was slower than during the previous decade, at under 3% annually, largely a result of soft demand for exports amid a sluggish global economy and weak growth in Singapore's manufacturing sector.

The government is attempting to restructure Singapore's economy by weaning its dependence on foreign labor, addressing weak productivity growth, and increasing Singaporean wages. Singapore has attracted major investments in advanced manufacturing, pharmaceuticals, and medical technology production and will continue efforts to strengthen its position as Southeast Asia's leading financial and technology hub.

Singapore is a member of the Regional Comprehensive Economic Partnership negotiations with the nine other ASEAN members plus Australia, China, India, Japan, South Korea, and New Zealand. In 2015, Singapore formed, with the other ASEAN members, the ASEAN Economic Community.

· Disputes - international: disputes persist with Malaysia over deliveries of fresh water to Singapore, Singapore's extensive land reclamation works, bridge construction, and maritime boundaries in the Johor and Singapore Straits; in 2008, ICJ awarded sovereignty of Pedra Branca (Pulau Batu Puteh/Horsburgh Island) to Singapore, and Middle Rocks to Malaysia, but did not rule on maritime regimes, boundaries, or disposition of South Ledge; Indonesia and Singapore continue to work on finalization of their 1973

maritime boundary agreement by defining unresolved areas north of Indonesia's Batam Island; piracy remains a problem in the Malacca Strait

Environment - international agreements: party to: Biodiversity, Climate Change, Climate Change-Kyoto Protocol, Desertification, Endangered Species, Hazardous Wastes, Law of the Sea, Ozone Layer Protection, Ship Pollution signed, but not ratified: none of the selected agreements

Major infectious diseases: note: active local transmission of Zika virus by Aedes species mosquitoes has been identified in this country (as of August 2016); it poses an important risk (a large number of cases possible) among US citizens if bitten by an infective mosquito; other less common ways to get Zika are through sex, via blood transfusion, or during pregnancy, in which the pregnant woman passes Zika virus to her fetus (2016)

Executive branch: chief of state: President Tony TAN Keng Yam (since 1 September 2011)
head of government: Prime Minister LEE Hsien Loong (since 12 August 2004); Deputy Prime Ministers TEO Chee Hean (since 1 April 2009) and Tharman SHANMUGARATNAM (since 21 May 2011)
cabinet: Cabinet appointed by the president on the advice of the prime minister; Cabinet responsible to Parliament
elections/appointments: president directly elected by simple majority popular vote for a single 6-year term; election last held on 27 August 2011 (next to be held by August 2017); following legislative elections, leader of majority party or majority coalition usually appointed prime minister by president; deputy prime ministers appointed by the president
election results: Tony TAN Keng Yam elected president; percent of vote - Tony TAN Keng Yam (independent) 35.2% , TAN Cheng Bock (independent) 34.9%, TAN Jee Say (independent) 25%, TAN Kin Lian (PP) 4.9%

Legislative branch: description: unicameral Parliament (101 seats; 89 members directly elected by popular vote, 9 nominated by the president, and up to 9 - but currently 3 - non-constituency members from opposition parties to ensure political diversity; members serve 5-year terms) elections: last held on 11 September 2015 (next to be held in 2020) election results: percent of vote by party - PAP 69.9%, WP 12.5%, other 17.6%; seats by party - PAP 83, WP 6

Judicial branch: highest court(s): Supreme Court (consists of the president or chief justice and 16 justices and organized into an upper tier Appeal Court and a lower tier High Court) judge selection and term of office: all judges appointed by the president from candidates recommended by the prime minister after consultation with the chief justice; justices appointed for life subordinate courts: district, magistrates', juvenile, family, community, and coroners' courts; small claims tribunals

Flag description: two equal horizontal bands of red (top) and white; near the hoist side of the red band, there is a vertical, white crescent (closed portion is toward the hoist side) partially enclosing five white five-pointed stars arranged in a circle; red denotes brotherhood and equality; white signifies purity and virtue; the waxing crescent moon symbolizes a young nation on the ascendancy; the five stars represent the nation's ideals of democracy, peace, progress, justice, and equality

Panel - Expanded

· Economy - overview: Singapore has a highly developed and successful free-market economy. It enjoys a remarkably open and corruption-free environment, stable prices, and a per capita GDP higher than that of most developed countries. Unemployment is very low. The economy depends heavily on exports, particularly of consumer electronics, information technology products, medical and optical devices, pharmaceuticals, and on its vibrant transportation, business, and financial services sectors. The economy contracted 0.6% in 2009 as a result of the global financial crisis, but has continued to grow since 2010. Growth in 2014-16 was slower than during the previous decade, at under 3% annually, largely a result of soft demand for exports amid a sluggish global economy and weak growth in Singapore's manufacturing sector.

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Telephone system: general assessment: excellent service

domestic: excellent domestic facilities; combined fixed-line and mobile-cellular teledensity more than 180 telephones per 100 persons; multiple providers of high-speed Internet connectivity

international: country code - 65; numerous submarine cables provide links throughout Asia, Australia, the Middle East, Europe, and US; satellite earth stations - 4; supplemented by VSAT coverage (2015)

Broadcast media: state controls broadcast media; 8 domestic TV stations operated by MediaCorp which is wholly owned by a state investment company; broadcasts from Malaysian and Indonesian stations available; satellite dishes banned; multi-channel cable TV service available; a total of 18 domestic radio stations broadcasting with MediaCorp operating more than a dozen and another 4 stations are closely linked to the ruling party or controlled by the Singapore Armed Forces Reservists Association; many Malaysian and Indonesian radio stations are available

Merchant marine: total: 1,599 by type: bulk carrier 247, cargo 109, carrier 6, chemical tanker 256, container 339, liquefied gas 131, petroleum tanker 436, refrigerated cargo 13, roll on/roll off 5, vehicle carrier 57 foreign-owned: 966 (Australia 12, Bangladesh 1, Belgium 1, Bermuda 25, Brazil 9, Chile 6, China 29, Cyprus 6, Denmark 149, France 3, Germany 32, Greece 22, Hong Kong 46, India 21, Indonesia 60, Italy 5, Japan 164, Malaysia 27, Netherlands 1, Norway 153, Russia 2, South Africa 13, South Korea 3, Sweden 11, Switzerland 3, Taiwan 77, Thailand 33, UAE 10, UK 6, US 36)

Transportation - note: the International Maritime Bureau reports the territorial and offshore waters in the South China Sea as high risk for piracy and armed robbery against ships; numerous commercial vessels have been attacked and hijacked both at anchor and while underway; hijacked vessels are often disguised and cargo diverted to ports in East Asia; crews have been murdered or cast adrift; in 2014, 8 commercial vessels were attacked in the Singapore Straits

a necessary long-term condition for military capabilities,⁵⁸⁸ while building trade, investment and financial links with other states nurtures interdependence, raising the cost of attacking Singapore. In the words of Singapore's first Foreign Minister S. Rajaratnam: "An independent Singapore survives and will survive because it has established a relationship of interdependence in the rapidly expanding global economic system".⁵⁸⁹

At a secondary level, pursuing economic growth through mutually-beneficial international economic links increases Singapore's relevance and diplomatic clout in the international arena. Greater relevance feeds back into Singapore's other core interests. According to Senior Minister S. Jayakumar in 2010, the "challenge for small states like Singapore is to continually search for, and create, our political, economic and diplomatic relevance which will ensure our continued well-being and survival".⁵⁹⁰ Economic growth and prosperity is also a key element of the domestic legitimacy of the ruling People's Action Party.⁵⁹¹

Economic growth also allows Singapore to save resources as insurance against an uncertain future. Singapore's two sovereign wealth funds—Temasek and the Government of Singapore Investment Corporation (GIC)—are the key strategic instruments for this task. GIC was formed in 1981 to manage surplus funds generated by the government and central bank. It is run like an asset management company and, unlike Temasek, invests passively and only in overseas markets.⁵⁹² The Singaporean government strategically utilizes GIC to insure against uncertainty in the international system. In its 2006 annual report, GIC wrote that "with no natural resources

⁵⁸⁸ Matthews and Yan 2007.

⁵⁸⁹ Rajaratnam, S. 1972. "Singapore: Global City". Speech to the Singapore Press Club, February 6, 1972. In Archaya 2008, Appendix.

⁵⁹⁰ Jayakumar 2010. This statement built on a quote from Lee Kuan Yew in 2009: "We must make ourselves relevant so that other countries have an interest in our continued survival and prosperity as a sovereign and independent nation": Lee KY 2009.

⁵⁹¹ Kuik 2008.

⁵⁹² GIC is a low-profile passive investor, rejecting management roles in the companies in which it invests: Wu 2008.

to keep the country going in times of crisis or severe economic dislocation, these (foreign) reserves are a nest egg, a safeguard against unforeseen circumstances, and the means to mitigate shocks that might hit Singapore's small and open economy".⁵⁹³

Conceptualizing economic growth and prosperity as a fundamental national interest has important implications for Singapore's China strategy. With Singapore's close ties with the U.S. limiting its security cooperation with China, economics has been the primary instrument of Singapore's engagement with the rising power. Lee Hsien Loong described it simply as "In Asia, trade is strategy".⁵⁹⁴ Trade and investment relationships tap China's vast potential to expand Singapore's economic opportunities. They make Singapore relevant and influential. Furthermore, building mutually beneficial economic links demonstrates to Beijing that cooperation within the existing international order is the optimal means through which China can achieve its interests. This aims to reduce the likelihood of conflict both by socializing China into existing norms of state behavior,⁵⁹⁵ and improving China's internal stability via economic growth.

Summary: A familiar dilemma

The interests of survival, independence and prosperity are fundamental to Singapore and of high political salience. They create a complex calculus for Singapore's leadership as every decision must be analyzed through the prism of multiple and sometimes competing strategic imperatives. The relationship with China is the greatest challenge. Economic cooperation and engagement with China have important strategic implications for Singapore's interests in survival and

⁵⁹³ Clark and Monk 2010, 439. Yeung describes how initially Temasek and GIC served the domestic purpose of securing Singapore's economic future. However, as Singapore's goals expanded and became more outward oriented, the two giants have engaged in economic diplomacy, leading activities to improve interstate economic relations in addition to achieving commercial success. Yeung describes it as a "double bottom line"—maximizing profits and supporting national interests: Yeung 2011, 644.

⁵⁹⁴ The quote comes from a speech Lee Hsien Loong gave in 2013 urging the U.S. to adopt a more active trade agenda in the region: Lee, HL 2013.

⁵⁹⁵ Goh 2004.

independence, not just economic growth. Conversely, if political discord with China harmed economic ties, Singapore's overall capacity to pursue its objectives would also be compromised. Conflicts between economics and security are therefore a familiar dilemma to Singaporean strategists because they are inherent in Singapore's fundamental interests, and do not just arise on an issue-by-issue basis.

6.5.2. Economic vulnerability and Singaporean security policy

To analyze how Singapore has managed the conflict between economic and security interests, the analysis of Singaporean security policy begins with a one-off crisis in Sino-Singaporean ties over Taiwan before shifting to broader patterns over time.

Singapore, Taiwan and China: Responding to a crisis

There is no issue more sensitive to China than the status of Taiwan, and Beijing has long disapproved of Singapore's cooperative relationship with Taipei. Lacking the space for large-scale military maneuvers, Singapore began operating three training camps in Taiwan in 1975 under a program called "Operation Hsing Kuang" (Starlight). At the peak of the operation in the 1980s, 15,000 troops were sent to Taiwan each year. From the 1990s, the program began gradually to be scaled back as the Singaporean government established relationships with other countries to host its training activities. In 2006, approximately 7,000 troops made the journey to Taiwan.⁵⁹⁶

Fully appreciating how seriously China approached the issue, Singaporean leaders always ensured that relations with Taipei were low profile, even though senior leaders, from founding

⁵⁹⁶ "Singapore Military Juggles Ties with Taiwan, China". *Reuters*, August 24, 2006. Whether the reduction was in response to Chinese pressure is not known but the subject of speculation: Storey 2011, 248.

Prime Minister Lee Kuan Yew downward, would make regular trips. Visits followed a set ritual: the Singapore minister planning to visit would take official leave from his job so that the visit could be described as private; Singapore would inform Beijing, which would ask that the visit not take place (and threaten unspecified consequences), and the visit would proceed anyway. With neither side wanting to jeopardize flourishing economic and political ties, China tolerated the relationship and Singaporean leaders were careful to respect Chinese sensitivities.⁵⁹⁷ This pattern signified Singapore's consistent pursuit of its security interests while displaying courtesy and respect towards China.

This ritual was followed in July 2004 when Deputy Prime Minister Lee Hsien Loong (son of founding Prime Minister Lee Kuan Yew) visited Taipei. The timing was carefully planned—long enough after the Taiwanese Presidential election (March), after Lee had first visited Beijing (May), but before he officially replaced the retiring Goh Chok Tong as Prime Minister (which happened the following month).⁵⁹⁸ From Singapore's perspective, its stance had not shifted on the Taiwan issue—the visit was status quo.⁵⁹⁹

Beijing's reaction was not. A foreign ministry spokesperson immediately described the visit as “a serious violation of Singapore Government's commitment to the ‘one China’ policy and will harm the political foundation of Sino-Singaporean relations”, warning that Singapore must “take all responsibilities for the consequences arising”.⁶⁰⁰ China's Ambassador to Singapore Zhang Yun said the visit had “hurt the core interests of China and the feelings of 1.3 billion Chinese

⁵⁹⁷ Wain, Barry. “A David-and-Goliath Tussle”. *Far Eastern Economic Review*, August 5, 2004.

⁵⁹⁸ Lee, Huay Leng. “It's a Tightrope Walk for Small Singapore”. *Straits Times*, July 21, 2004.

⁵⁹⁹ Wain, Barry. “A David-and-Goliath Tussle”. *Far Eastern Economic Review*, August 5, 2004.

⁶⁰⁰ “DPM in Taiwan: Beijing Reacts”. *Straits Times*, July 14, 2004; “How China Views DPM's visit to Taiwan”. *Straits Times*, July 14, 2004.

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