

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The text is centered within the hourglass.

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*Singapore: Background and U.S. Relations*

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December 18, 2008

**Abstract.** A former colonial island trading and military outpost of the far-flung British Empire, the tiny Republic of Singapore has transformed itself into a modern Asian nation and a major player in the global economy, though it still largely restricts political freedoms in the name of maintaining economic growth. Singapore's heavy dependence on international trade makes regional stability and the free flow of goods and services essential to its existence. As a result, the island nation is a firm supporter of both U.S. international trade policy and the U.S. security role in Asia. The U.S.-Singapore Free Trade Agreement (FTA) went into effect in January 2004.

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# Singapore: Background and U.S. Relations

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## Summary

A former colonial island trading and military outpost of the far-flung British Empire, the tiny Republic of Singapore has transformed itself into a modern Asian nation and a major player in the global economy, though it still largely restricts political freedoms in the name of maintaining economic growth. Singapore's heavy dependence on international trade makes regional stability and the free flow of goods and services essential to its existence. As a result, the island nation is a firm supporter of both U.S. international trade policy and the U.S. security role in Asia. The U.S.-Singapore Free Trade Agreement (FTA) went into effect in January 2004.

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## Historical Setting

An island city-state located astride key shipping lanes at the southern tip of the Malay Peninsula, Singapore's economic and strategic importance exceeds its small size. Founded in 1819 by British East India Company official Sir Thomas Stamford Raffles, Singapore's free trade status has been a major factor in its success. Singapore achieved home rule in 1959 and joined with Malaya, Sabah, and Sarawak to form the Federation of Malaysia in 1963. Within two years, friction between the Malay-dominated federation government and the Chinese-dominated Singapore administration led to the separation of Singapore from Malaysia. Amid serious doubts about its viability, Singapore became a separate independent nation on August 9, 1965.

### SINGAPORE STATISTICS

**Population:** 4.6 million

**Area:** 647.5 sq. km. (about 3.5 times the size of the District of Columbia); one main island and 58 islets; extensive land reclamation

**Ethnic Groups:** 77% Chinese; 14% Malay; 8% Indian; 1% other

**Language:** Chinese (official); Malay (official and national); Tamil (official); English (official) widely used in business, professions, and schools

**Life Expectancy at Birth:** female, 84 years; male, 79 years

**Literacy:** 92.5%

**Inflation Rate:** 2.1% (2007 est.)

**GDP (PPP):** \$227 billion (2007 est.); *Per Capita* \$49,900 (2007 est.)

**Trade:** exports \$302.7 billion; imports \$252 billion (2007 est.)

**Source:** CIA *World Factbook*

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Figure 1. Map of Southeast Asia



Source: Magellan Geographix (1993)

## Government and Politics

Singapore's parliamentary-style government is headed by the prime minister and cabinet, who represent the majority party in Parliament. The president serves as a ceremonial head of state, a position currently held by former Singapore ambassador to the United States S.R. Nathan. Lee Hsien Loong has served as prime minister since 2004. Lee is the son of former Prime Minister Lee Kuan Yew, who stepped down in 1990 after 31 years at the helm. The senior Lee, widely acknowledged as the architect of Singapore's success as a nation, reportedly continues to wield considerable influence with the title of Minister Mentor.

In the last parliamentary elections in May 2006, the governing People's Action Party (PAP) secured a decisive victory, capturing over 66% of the vote and 82 of 84 seats. Singapore has universal suffrage, and parliamentary elections are held at least every five years. The PAP has won every general election since 1959, aided by a fragmented opposition, Singapore's economic success, and electoral procedures that strongly favor the PAP. In 2006, the opposition parties

picked up a marginal degree of support in terms of the percentage of overall votes cast, but only managed to maintain their two existing seats. The seats are held by veteran lawmakers from the Workers' Party and the Democratic Alliance party.

Singapore's leaders have acknowledged a "contract" with the Singaporean people, under which individual rights are curtailed in the interest of maintaining a stable, prosperous society. Supporters praise the pragmatism of Singapore, noting its sustained economic growth and high standards of living. Others criticize the approach as stunting creativity and entrepreneurship, and insist that Singapore's leaders must respond to an increasingly sophisticated public's demand for greater liberties for economic survival.

There are some indications that the PAP may face increased challenges to its dominance if it cannot provide for its citizens during the global economic downturn. Since its founding, the government has enjoyed an implicit contract with its citizens, who accept the government's central role in controlling social norms in exchange for stability and a high standard of living. The impending economic downturn, however, along with an increasingly sophisticated electorate and the expanding presence of the internet, may have begun to fray the social pact.

## U.S.-ASEAN Relations

Singapore is a founding member of the Association of Southeast Asian Nations (ASEAN), which includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. As one of the closest U.S. partners in ASEAN, Singapore is a supporter of closer American engagement in Southeast Asia, but has voiced disappointment in a lack of U.S. involvement in the region in recent years, including Secretary of State Condoleezza Rice's decision to skip the annual ASEAN Regional Forum in 2005 and 2007. In a public interview, Lee Kuan Yew expressed concern that the U.S. preoccupation in the Middle East was diverting attention away from developments in Southeast Asia, particularly China's rising economic clout.<sup>1</sup>

### Burma

Burma has been an area of particular contention: the United States supports a more hardline approach of economic sanctions, while ASEAN members have supported a softer policy of engagement. Singapore has come under criticism from some pro-democracy groups for trading with Burma, as well as allowing Burmese officials to hold assets in bank accounts in Singapore. Singapore officials dispute the claims, but the city-state's strict bank secrecy laws have prevented them from providing specific rebuttals.

## Economy

Aside from having the world's busiest port in terms of shipping tonnage, Singapore has the world's second largest container-port, one of the world's top-ranked airports, modern expressways, and an up-to-date mass rapid transit system. For more than two decades until the 1997 Asian financial crisis, the country achieved annual growth rates of 8-9%. In recent years, it

<sup>1</sup> "Creator of Modern Singapore is Ever Alert to Perils," *New York Times*. September 2, 2007.

has emerged as the fourth largest foreign exchange center in the world (behind London, New York, and nearly even with Tokyo), as well as Asia's third largest financial services center (behind Tokyo and Hong Kong). Singapore's major industries include electronics, particularly computer peripherals; petroleum refining and petrochemicals; construction; food and rubber processing; and shipbuilding and repair. The government plays a major role in directing the export-oriented economy and providing infrastructural support for the strong manufacturing and services sectors.

As a trade-dominated economy, Singapore is particularly vulnerable to the global economic and financial downturn. The government announced in November 2008 that Singapore has officially entered a recession, based largely on a contraction in the crucial export sector. Authorities in Singapore likely will turn to aggressive fiscal stimulus measures to soften the impact on its citizens, using its sizeable cash reserves. Experts predict a slight contraction in GDP growth in 2009. Singapore has also guaranteed all bank deposits through 2010 in a bid to maintain confidence in its banking sector.

China overtook the United States as Singapore's second largest trading partner in 2003 (after neighboring Malaysia). Singapore has concluded at least 14 free trade agreements (FTAs), is pursuing several more, and is pushing aggressively for full implementation of the ASEAN Free Trade Area (AFTA) and a range of other regional trade pacts. Such agreements are relatively easy for Singapore to negotiate because, in addition to having a mature, globalized economy, it has virtually no agricultural sector and its manufacturing is limited to specialized sectors.

Singapore may face increased scrutiny of its bank secrecy laws. Singapore seeks to become an Asian headquarters for multinational corporations, including banks. Singapore also aims to become a sanctuary for the world's wealthy by offering them an attractive living environment and by providing private banking services to wealthy clients. They reportedly manage an estimated \$150 billion in private wealth (compared with \$1.7 trillion managed by Swiss bankers). The government provides tax incentives for overseas wealth to be held there.

## **U.S.-Singapore Relations**

### **Trade and Investment**

Singapore is the 15<sup>th</sup> largest U.S. trading partner with \$44.6 billion in two-way trade in 2007 and the eleventh largest U.S. export market. The U.S. goods trade surplus with Singapore was nearly \$8 billion in 2007, an increase of about \$1 billion from 2006. Since the U.S.-Singapore FTA entered into force on January 1, 2004, exports to Singapore have increased 49% and two-way trade has increased 34%. Singapore and the United States are among the several nations on both sides of the Pacific involved in the Trans-Pacific Strategic Economic Partnership (TPP). After Japan, Singapore receives the most U.S. foreign direct investment in Asia, concentrated mostly in the manufacturing, wholesale trade, information technology, and professional scientific, and technical services sectors.

## Defense Cooperation

In addition to trade, mutual security interests strengthen ties between Singapore and the United States. Bilateral military access agreements allow the United States to operate resupply vessels from Singapore and to use a naval base, a ship repair facility, and an airfield on the island-state. The U.S. Navy also maintains a logistical command unit—Commander, Logistics Group Western Pacific—in Singapore that serves to coordinate warship deployment and logistics in the region. As part of the agreements, squadrons of U.S. fighter planes are rotated to Singapore for a month at a time, and naval vessels make regular port calls. Singapore supported the U.S.-led coalition in the Iraq war and Operation Enduring Freedom in Afghanistan, allowing American aircraft and ships access to Singapore bases. It also sent a contingent of transport aircraft and ships to Iraq and contributed policemen to help train Iraqi police.

In July 2005, President Bush and Prime Minister Lee signed the “Strategic Framework Agreement” to formalize the growing bilateral security and defense relationship in counterterrorism, counter-proliferation of weapons of mass destruction, joint military exercises, policy dialogues, and shared defense technology. The agreement builds on the U.S. strategy of “places-not-bases” in the region, a concept that allows the U.S. military access to facilities on a rotational basis without bringing up sensitive sovereignty issues. A 1990 Memorandum of Understanding was updated in 2005 to continue to provide the United States with access to Singapore’s military facilities.

## Counterterrorism Strategy

Singapore has been at the forefront of anti-terrorist activity in Southeast Asia. A terrorist attack on the city-state could jeopardize its standing as the region’s financial and logistical hub. Shortly after the September 11 attacks in the United States, Singaporean authorities launched aggressive operations to counter terrorist activities. Under its Internal Security Act, Singapore arrested dozens of suspected Islamic militants, over 30 of whom remain in detention (two were released in November 2007). Many of the militants are alleged to be members or sympathizers of Jemaah Islamiyah (JI), a designated foreign terrorist organization with reported links to Al Qaeda. In 2002, Singaporean authorities reportedly uncovered a JI plot to bomb the U.S. Embassy and other western targets in Singapore.

Since 9/11, Singapore has increased intelligence cooperation with regional countries and the United States. Singapore officials point to the arrests of the alleged Jemaah Islamiyah Singapore cell leader in Indonesia and of a senior member of the same cell in Thailand as evidence of successful intelligence sharing with counterparts in neighboring countries. Singaporean authorities have also shared information gathered from the detainees with U.S. officials, providing detailed insights into JI and Al Qaeda’s structure, methods, and recruiting strategies.

Singapore has demonstrated its commitment to fighting terrorism through a number of multilateral and bilateral agreements. It was a founding member of Proliferation Security Initiative (PSI), a program that aims to interdict shipments of weapons of mass destruction-related materials and was the first Asian country to join the Container Security Initiative (CSI), a series of bilateral, reciprocal agreements that allow U.S. Customs and Border Patrol officials at selected foreign ports to pre-screen U.S.-bound containers. Singapore has focused particular attention on maritime security measures, urging other littoral states in Southeast Asia to work together to protect critical shipping lanes. In addition to ongoing coordinated patrols of the Straits of Malacca

and Singapore, Singapore, Malaysia, and Indonesia launched a joint security initiative to provide maritime air surveillance of the Straits in 2005. Singapore was also instrumental in establishing the Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia (ReCAAP) to promote cooperation against piracy and armed robbery at sea in Asia.

## Human and Civil Rights Issues

Although it has been elected by a comfortable majority in every election since Singapore's founding, the PAP "uses the government's extensive powers to place formidable obstacles in the path of political opponents," according to the U.S. State Department's 2007 Country Report on Human Rights Practices. The report states that "the PAP has maintained its political dominance in part by developing voter support through effective administration and its record in fostering economic prosperity, and in part by manipulating the electoral framework, intimidating organized political opposition, and circumscribing the bounds of legitimate political discourse and action." According to Amnesty International, defamation suits by PAP leaders to discourage opposition are widespread. The PAP ideology stresses the government's role in enforcing social discipline and harmony in society, even at the expense of individual liberties.

In September 2008, Singapore's longest-serving opposition politician, J.B. Jeyaretnam, died of a heart attack. In 1981, he was the first opposition candidate to defeat a PAP candidate for a seat in parliament. His political career was marked by characteristic obstacles from the ruling party, including being forced to declare bankruptcy for failing to pay libel damages to prominent PAP members. His death leaves only one prominent opposition figure, Singapore Democratic Party leader Chee Soon Juan, who was recently ordered to pay over US\$400,000 in libel charges for defaming former Prime Minister Lee Kuan Yew and other figures. (Two other opposition politicians serve in parliament, but are less well known.)

Opposition figures are not the only targets of such lawsuits. In November 2008, Singapore's high court found *The Wall Street Journal* in contempt of court for commentary published in two editorial pieces and imposed fines of over US\$16,000. The editorials had commented on Chee's latest court case as well as cited recommendations for judicial reform published by the International Bar Association. Similar fines have been levied on western media in the past, including the *Economist*, *Far Eastern Economic Review*, and the *Financial Times*. Reporters Without Borders assigned Singapore a ranking of 147 out of 167 countries in its annual survey of respect for press freedom.

Under Lee Hsien Loong, Singapore has largely maintained its stringent social restrictions but indicated some increased tolerance, such as allowing indoor opposition party gatherings. In his National Day Address in August 2008, Lee announced some modest liberalizing measures, including a relaxation of censorship of political films and approval of peaceful demonstrations in a public park. Although Lee has emphasized the need to adapt to deal with modern challenges, he also remains adamant that a multi-party liberal democracy is not an appropriate model for Singapore.

Under the Internal Security Act, the government can prohibit or place conditions on publications that incite violence; advocate disobedience to the law; arouse tensions among ethnic, religious, and linguistic groups; or threaten national interests, national security, or public order. Under previous U.S. administrations, the ISA and other human rights restrictions played a more

prominent role in the bilateral relationship, but since 9/11 the Bush Administration has refrained from public criticism of such aspects of Singapore's legal system.

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