

Singapore

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Introduction: Historical Background

The Republic of Singapore was established on 9 August 1965. Prior to independence, Singapore had been a British colony since 1824. In 1963, Singapore gained independence from the British when it joined the Federation of Malaya, Sabah, and Sarawak to form the Federation of Malaysia. However, political, economic, and ideological differences led to Singapore's separation from the rest of Malaysia, and it became a sovereign, democratic, and independent nation on 9 August 1965. The People's Action Party dominates Singapore's political scene and has held power since 1959.

Under the British colonial government, Singapore served as a free port for the region. As a regional trading hub, Singapore capitalised on its strategic geographic position at the heart of Southeast Asia. It also served as a service hub for the region in finance, logistics, and shipping. During the colonial period, manufacturing was not developed, but there were a number of indigenous manufacturing firms. These were mostly in light industries, such as food, beverages, and raw material processing. The raw materials were imported from neighbouring countries, especially from Malaysia and Indonesia.

Singapore's production structure and trade pattern started to change after 1959, following self-governing status granted by the British. The ruling People's Action Party decided to shift away from its heavy dependence on entrepôts, or transit trade. It was clear to the government then that trading activities alone could not provide enough employment for the workforce, nor could it offer a base for sustainable economic development. This policy conclusion was quite evident to the government when, after gaining independence, neighbouring countries tried to bypass Singapore and develop

direct trade routes with their trading partners. Initially, the industrialisation programme was carried out along an import-substitution approach, with Malaysia providing the domestic market for Singapore's industrial output. This import-substitution strategy was given a much greater emphasis during the 2 years when Singapore was part of the Malaysia Federation from 15 September 1963 to 9 August 1965. However, the strategy became untenable when Singapore was forced out of Malaysia in 1965 (Low, 1998).

Following separation from Malaysia, the government decided to shift its industrialisation strategy from import substitution to export orientation. To jump-start industrialisation, Singapore had to rely on multinational companies (MNCs), as these wholly owned foreign companies had the critical elements of technology, capital, and market, to produce industrial output for the region and the world. Singapore's successful experience of export-oriented strategy in industrialisation and its liberal trade and investment policies had great impacts on other countries of the Association of Southeast Asian Nations (ASEAN) in subsequent years. Practically all other ASEAN Member States (AMSs) have followed export-oriented industrialisation strategies and relied heavily on MNCs in various forms to develop their respective economies. As a result of this deliberate large-scale reliance on MNCs, due to Singapore's limited domestic market, its relative export share to its neighbouring countries gradually declined. By 1980, Singapore's total trade volume with the United States, Japan, and Western Europe amounted to over 40% of Singapore's total global trade. In contrast, Singapore's economic reliance on other AMSs declined throughout the late 1960s and 1970s; in the 1980s, Singapore's trade with extra-ASEAN markets grew, in relative terms, to dwarf Singapore-ASEAN trade.

Singapore is one of the five original signatories of the ASEAN Declaration, which was signed in Bangkok for the establishment of ASEAN in 1967. The importance, character, nuances, and perception of Singapore's membership in ASEAN have changed over the years. Nonetheless, membership of ASEAN has been the cornerstone of Singapore's economic strategy and foreign policy. The Government of Singapore sees active membership of ASEAN as a means to enhance the country's security, political stature, economic development, and competitiveness, and to provide the region with a strong platform to engage key regional and international players.

ASEAN was established primarily as a political entity aimed at safeguarding regional security and maintaining peace among its members. During that period, the five founding member countries – Indonesia, Malaysia, Thailand, Singapore, and the Philippines – seriously feared that communism would spread from Indo-China to the rest of Southeast Asia. There were also concerns that territorial disputes among neighbouring countries would escalate to become region-wide conflicts. In the words

of Singapore's first Prime Minister, Lee Kuan Yew, ASEAN's main achievements in the 1970s were 'tearing down the psychological barriers or distrust among member nations' and helping to 'lubricate relationships which could otherwise have generated friction' (Lee, 1972). Although the ASEAN Declaration in Bangkok listed economic cooperation as one of the objectives, it was not in ASEAN's main agenda in the first 10 years following its formation. The levels of trade protection and economic nationalism among AMSs were high throughout the 1970s and early 1980s. Rapid economic development and structural transformation in Malaysia, Thailand, and later in Indonesia, and the increasing use of protectionist trade policies by Western industrialised countries in the late 1970s compelled these Member States to re-examine their strategy and to put more emphasis on economic cooperation. Increased trust and confidence among Member helped facilitate such political and economic transition. Broadly speaking, the importance of ASEAN to Singapore can be divided into four phases: the first phase from 1967 to 1975; the second phase from 1976 to 1991; the third phase from 1992 to 1997; and the fourth phase from 1998 to the present. Singapore's perception and interpretation of the importance of ASEAN to Singapore vary in the four different periods due to changes in internal and external dynamics within Singapore and among AMSs.

The Changing Importance of ASEAN to Singapore: The First Phase, 1967–1975

Following Singapore's forced separation from Malaysia, the country became a sovereign, independent, and democratic on 9 August 1965. Obviously, Singapore's basic priority was to survive politically and economically amid the heightened regional conflict in Southeast Asia due to the Viet Nam War and Indonesia's confrontation policy against the formation of Malaysia (Acharya, 2008). In fact, the political and economic survival of Singapore was widely considered as unlikely as it was a small city-state of diverse and non-homogenous ethnic groups of Chinese, Malays, and Indians, without any hinterland of natural resources and industrial capacity. It was against these overwhelming odds that Singapore chartered its nation-building process in a region of political instability and economic uncertainty. Therefore, when the five Southeast Asian nations of Indonesia, Malaysia, Singapore, Thailand, and the Philippines agreed to form ASEAN through the signing of the ASEAN Declaration, Singapore strongly supported the initiative. The formation of ASEAN provided a regional framework for the five Southeast Asian nations to foster regional, political, and security stability amid rising tension and conflict due to the war in Viet Nam and territorial claims among neighbouring countries. At the same time, Singapore embarked on a comprehensive and long-term industrialisation

programme to diversify its economy from overdependence on entrepôt trade. Singapore's industrial policy is based on an export-oriented strategy through a liberal foreign direct investment (FDI) policy to attract MNCs.

Although the ASEAN Declaration provides agreements on economic cooperation, the underlying objective among AMSs is to provide regional security and domestic political stability. This is particularly true for Singapore as a small city-state as it is vulnerable to an unfavourable external political and security environment. Even with the most liberal FDI policy, good infrastructure, and administrative efficiency, it would have been difficult for Singapore to attract FDI without a semblance of regional security that, in turn, would have negative domestic political implications. Without a large inflow of FDI, it is unlikely that Singapore would have been able to reduce its massive unemployment or sustain the inflow of FDI in its industrialisation programme. Such is the definitive statement on the importance of ASEAN to Singapore's precarious nation-building process in the early years of its independence.

The Changing Importance of ASEAN to Singapore: The Second Phase, 1976–1991

After the signing of the ASEAN Declaration in Bangkok in 1967, ASEAN heads of government did not meet. The external event that prompted a major change in ASEAN's orientation among its member states was the fall of South Viet Nam and the subsequent unification of Viet Nam under Communist rule. Initiated by Indonesia, the First ASEAN Summit was hosted in February 1976 in Bali by then President Suharto of Indonesia. During the summit, Member States discussed ways to increase intra-regional trade for the first time. The result was the signing of the ASEAN Preferential Trading Arrangement (PTA) in February 1977. The agreement stipulated a cut of 10% in tariff rates on bilateral trade among all ASEAN countries. The group of products affected was to be selected by each Member State through product-by-product negotiations.

The PTA provided an important framework for trade promotion and economic cooperation among AMSs. However, progress in trade liberalisation was slow in the late 1970s and throughout the 1980s despite two more rounds of tariff reductions in 1981 and 1987. The reason was that the economic interests of individual countries remained strong and entrenched, despite much improved political relationships among Member States. In addition, the scope for economic cooperation was also limited by almost similar stages of economic development and by the different economic strategies adopted by different ASEAN countries. For example, Singapore adopted global free

trade, Thailand and Malaysia adopted export promotion, and Indonesia and the Philippines used import substitution. To protect their own domestic industries, many Member States exploited the advantage of the product-by-product approach in PTA negotiations to exclude sensitive items from the list of negotiation, i.e. product items that would disadvantage their own domestic industries. Many of the items offered for preferential tariffs were in fact irrelevant for AMSs (Wong, 1985).

During this second phase, Singapore progressed substantially in its industrialisation programme through sustained rapid economic growth and structural transformation. From 1985, Singapore moved from mere export promotion of goods to an all-out global free trade approach; from manufacturing to finance and other services; from labour-intensive to capital-intensive activities; and subsequently to technology-intensive activities and innovation to propel its economic growth. During this stage, Singapore moved to middle-income status, then to the lower-upper-income status category. In terms of its gross domestic product and industrial structure, Singapore was far ahead of the other ASEAN Member States. Naturally, to sustain its economic growth, Singapore had to pursue global trade and investment outreach and therefore required a different set of strategies and policies compared to the rest of ASEAN. This can be seen from the much more rapid growth in Singapore's exports compared to exports to neighbouring AMSs. It is worth noting that Malaysia is more connected and interlinked economically and politically with Singapore but economically with Indonesia.

During the second phase, the importance of ASEAN to Singapore continued to grow and expand as the country considered ASEAN as its base and one of the main pillars of regional security and a source of economic growth. Politically, Singapore was an active member of ASEAN in advocating and promoting ASEAN to the United Nations and to the world's major powers, such as the United States, China, Japan, and European major powers. Specifically, Singapore played a major role in initiating a nuclear-free zone for Southeast Asia, the ASEAN Regional Forum, and the Paris Accord, which maintained Cambodia's national integrity and sovereignty. Without ASEAN and its political gravity, Singapore and the other AMSs would have had difficulty in galvanising regional and global attention and support on major issues relevant and important to all the Member States.

Economically, although Singapore is increasingly relying on markets and export destinations outside ASEAN based on its relative export growth and FDI flows, ASEAN, particularly Malaysia and to a lesser extent Indonesia, provides the base sources of growth and economic interdependence for Singapore (the forerunner of the regional production network). During the period, Singapore started investing directly and indirectly in Malaysia, Thailand, Indonesia, and the Philippines. The objective was to

create Singapore's 'external wing' to supplement its limited domestic market and at the same time to be an important economic stakeholder to the process of economic development in ASEAN economies. For example, the formation of the Growth Triangle of Singapore–Johor–Riau among Singapore, Malaysia, and Indonesia was based on mutual respect and mutual interest. Such a 'win–win' concept of subregional development promoted the initial concept of regional stakeholders or community that developed further in the successive phase to the ASEAN Free Trade Area (AFTA) and subsequently to the ASEAN Economic Community.

The Importance of ASEAN to Singapore: The Third Phase, 1992–1997

The pace of economic integration accelerated in the early 1990s, when most ASEAN economies started to adopt a more consistent economic development strategy based on FDI-sponsored and export-orientation industrialisation. The incentive to accelerate ASEAN economic cooperation was also due to China's rapidly emerging economy, which attracted FDI at the expense of FDI flows to ASEAN. Effective economic integration was an important part of the efforts to maintain ASEAN's attractiveness as an investment destination for MNCs. The grouping reached a new economic milestone during the Fourth ASEAN Summit in 1992 when it agreed to establish AFTA, the first regional FTA in East Asia. AFTA was officially launched in the following year, with the Common Effective Preferential Tariff (CEPT) as the core trade liberalisation programme.

The CEPT spelt out an ambitious timeline for the elimination of duties on all products in intra-ASEAN trade, except those listed as sensitive or highly sensitive unprocessed agricultural products. ASEAN-6 countries (Brunei Darussalam, Indonesia, Malaysia, Thailand, Singapore, and the Philippines) had to eliminate all tariffs by 2010, while the deadline for ASEAN-4 countries (Cambodia, the Lao PDR, Myanmar, and Viet Nam) was extended to 2015. In addition to liberalisation in trade in goods, Member States also set up other mechanisms to liberalise trade in services and investment flows within ASEAN. The ASEAN Framework Agreement on Services was agreed in 1995 with the aim of completely liberalising trade in services among ASEAN Member States in sectors such as air transport, business services, construction, financial services, maritime transport, logistics, and e-commerce.

Notwithstanding the increasingly pro-integration stance and rhetoric taken by ASEAN countries during this period, the reality remained quite different. The strong policy announcements and various agreements were not matched by actual trade or economic

integration. During this period, the export-oriented growth strategies adopted by almost all ASEAN Member States were successful in accelerating high growth in the individual ASEAN economies through the rapid expansion of export markets to highly developed non-ASEAN markets. They were doing so well in export growth that they saw no urgency to accelerate intra-ASEAN trade. However, the unexpected Asian financial crisis devastated the economies of Thailand, Malaysia, and Indonesia in 1997. Following the financial and economic crisis, a major change in policy and mindset with respect to regional cooperation occurred. The financial and economic crisis taught ASEAN policymakers that rapid economic growth and structural changes urgently required close mutual monitoring and cooperation to prevent future external shocks from adversely affecting individual economies and regional economic stability. Another important lesson learned was that ASEAN needed to bring along major regional economies into the process of regional economic cooperation and integration. Such realisation brought the ASEAN Plus Three concept – namely, ASEAN plus China, Japan, and the Republic of Korea (hereafter, Korea) – as important regional partners to widen ASEAN’s scope and increase its flexibility in forging regional cooperation. A wider and more diversified economic area was hoped to facilitate policy choice and leverage the benefits and costs of economic cooperation and integration.

Some argue that Singapore prospers and derives benefit from its relatively less-developed neighbouring countries. This argument is not supported when examining Singapore’s official economic policy. As a small city-state without natural resources, Singapore’s development and prosperity must always be based on an open and competitive economy. This strictly implies that it must maximise whatever comparative advantage it possesses at any given point of its development stage and ahead of the curve of its competitors. Such a policy objective is possible through long-term, comprehensive, consistent policies that cut across the broad range of government policy supported by efficient bureaucrats and world-class hardware infrastructure and software. In fact, as Singapore develops further economically and socially, it would prefer to deal with more developed and confident neighbouring ASEAN Member States. As a logical corollary to this argument, Singapore strongly supports the acceleration and deepening of ASEAN’s integration process. At the same time, Singapore readily provides substantive economic and technical assistance to the less-developed ASEAN-4 on a bilateral basis and collectively through the ASEAN Development Fund. Naturally, as ASEAN becomes more developed, Singapore faces stronger competition from the other Member States. However, Singapore perceives ASEAN and the economic development process in a dynamic context. A more developed and richer ASEAN also provides wider and deeper opportunities and benefits through a more open and competitive economic environment.

The Importance of ASEAN to Singapore: The Fourth Phase, 1998–Present

Following the Asian financial crisis in 1997, ASEAN's share of FDI in the developing economies decreased from an annual average of 22.8% in 1990–1995 to only 6.5% in 2001. The difficulty ASEAN faced in the late 1990s was further worsened by the rapidly growing Chinese economy. As China was less affected by the crisis, it was able to attract investment away from ASEAN. In 1990, China accounted for less than 20% of total FDI in developing Asia, while ASEAN took 60%. After the Asian financial crisis, the numbers were reversed.

In the face of the crisis, ASEAN decided to speed up economic integration. Generally, the integration process was divided into three levels. First, to strengthen ASEAN's competitive position, the grouping agreed to rectify the ASEAN Vision 2020 plan in 1998. The plan called for the creation of the ASEAN Economic Community, which would allow the free flow of goods, services, investment, and freer capital movement within the community. The vision was built on previous agreements, including AFTA of 1992 and the ASEAN Framework Agreement on Services of 1995. To support the implementation of ASEAN Vision 2020, new agreements were signed in subsequent years, including the setting up of the ASEAN Investment Area in 1998 to encourage the free flow of investment in the region, as well as the Hanoi Action Plan (1998) and the Vientiane Action Plan (2004), both of which provide roadmaps to show how ASEAN should progress towards the creation of an economic community.

Recognising that the development gap between the more developed and the less developed ASEAN member countries, mainly Cambodia, the Lao PDR, Myanmar, and Viet Nam (CLMV), needed to be substantially narrowed to achieve effective economic integration, ASEAN introduced the Initiative for ASEAN Integration in 2001. The initiative provides a platform for more developed ASEAN Member States to invest in CLMV and in the Greater Mekong Subregion countries, either through various subregional development projects or on a bilateral basis in areas ranging from infrastructure development to human resource training.

The second initiative of ASEAN's response to the Asian financial crisis was its decision to strengthen the grouping's economic links with other economies. The decision came about as it became clear that the costs of an inward-looking economic strategy far outweighed the benefits they conferred on member economies. At the ASEAN Summit in 1999, former Singapore Prime Minister Goh Chok Tong urged ASEAN Member

States to broaden and deepen economic integration internally while at the same time strengthening their links with major economies externally (Goh, 1999).

To this end, ASEAN set up an ASEAN Plus framework, which brought regional major powers, such as China, Japan, and Korea, into ASEAN as official dialogue partners. This opened ASEAN up to more market and investment opportunities. Indeed, economic initiatives, such as the agreement to formalise the ASEAN-China FTA, ASEAN-Japan Comprehensive Partnership Agreement, and ASEAN-Korea FTA, proved to be effective in promoting growth in ASEAN. These efforts led to the emergence of another major regional framework, the ASEAN+3 grouping, which consists of the 10 ASEAN Member States as well as China, Japan, and Korea. Although these three countries have economic importance and leverage that are far greater than what ASEAN can project at the global stage, ASEAN is still widely considered as the hub or core that pulls all the 13 economies together. As part of its efforts to expand beyond its member countries, ASEAN also tried to strengthen economic linkages on a global basis through the setting up of the East Asia Summit and the establishment of cooperative linkages with the European Union and the United States, including the Asia-Pacific Economic Cooperation Forum and Asia-Europe Meeting.

The third aspect of the ASEAN response to the financial crisis was a concerted attempt by member countries to build on the region's capability to handle future financial crises through region-wide financial cooperation. In this regard, ASEAN worked closely with the three economies within the ASEAN+3 framework. The Chiang Mai Initiative, which provides for a series of swap arrangements to strengthen each member country's ability to defend its currency during a crisis, as well as the various surveillance mechanisms and attempts at policy consultations and coordination among the 13 economies, are some of the visible results of ASEAN's post-crisis integration approach. As a result of this wider and more intensive cooperation approach, intra-ASEAN trade increased considerably from about US\$58 billion in 1991 to nearly US\$300 billion by the end of 2006.

Impact of ASEAN Integration on Singapore

Impact on Singapore's trade patterns

The various phases of ASEAN economic cooperation and integration over the years had some positive effects on Singapore's trade patterns in Southeast Asia. Significant growth was not evident in the second phase (1976–1991). From 1977 to 1985, Singapore's trade with ASEAN increased only from US\$5.8 billion to about US\$9.5 billion. The slow

growth continued even after ASEAN raised the preferential level of the PTA from 10% in 1977 to 50% in 1988. Visible growth in Singapore's trade with ASEAN was seen in the third phase (1992–1997) when ASEAN adopted AFTA and the CEPT scheme in 1993. During this period, Singapore–ASEAN trade increased from US\$22 billion in 1990 to nearly US\$70 billion by the end of 1996. The growth of Singapore–ASEAN trade in the 1990s established ASEAN as a major market for Singapore's external trade. The share of Singapore–ASEAN trade in Singapore's total global trade increased from about 20% in 1985 to nearly 30% in 1996. However, this increase did not signify that Singapore's trade was more oriented towards the ASEAN region in the 1990s. In fact, the trade intensity of Singapore's trade with ASEAN declined from 1990 to 1996, even though the share of Singapore–ASEAN trade in Singapore's total global trade increased during this period.

Significant growth of Singapore's trade with ASEAN occurred only during the fourth phase (1998–present). This was demonstrated in the 170% increase of Singapore–ASEAN trade from US\$67 billion in 1997 to US\$182 billion by the end of 2015, accounting for nearly 33% of Singapore's total global trade. The trade intensity of Singapore–ASEAN trade also started to rise during this period, continuing up to the present. Singapore's trade relations are concentrated with Malaysia, Indonesia, and Thailand, and more recently with Viet Nam. Singapore's total merchandise trade with those four countries by end of 2015 was US\$72 billion, US\$43 billion, US\$22 billion, and US\$16 billion, respectively. Total merchandise trade with the Philippines stood at US\$11 billion at the end of 2015.

Impact on Singapore's investment patterns

Through phases two to four, ASEAN has become more integrated; not only has trade with ASEAN expanded but Singapore's overseas investment has also become regionalised. Singapore's FDI has grown considerably since the 1990s. The growth of the total value of Singapore's investment abroad reached some US\$173 billion by the end of 2007, before the global financial crisis. A large amount of Singapore's investment had been allocated to ASEAN, particularly to Malaysia, Indonesia, and Thailand, and to the East Asia region, particularly China and India. By 2014, Singapore's FDI to ASEAN was US\$84 billion, or S\$117 billion.

Singapore companies are also showing greater interest in investing in development projects in the Greater Mekong Subregion countries, such as Viet Nam and Myanmar, and to a lesser extent Cambodia. Singapore has been a major participant in the programme since its inception in 2001. Most of the projects involve improving transport and energy infrastructure as well as human resource development in the CMLV countries

and the Greater Mekong Subregion region. Singapore's direct investment has been concentrated in Malaysia, Indonesia, Thailand, and Viet Nam, and the FDI value in the four countries was US\$29 billion, US\$34.3 billion, US\$14 billion, and US\$3.5 billion at end of 2014, respectively.

Impact on Singapore's economic policy

Despite being the smallest AMS in terms of territorial size and having a small domestic market, Singapore has played a leading role in pushing for trade and investment liberalisation in ASEAN. After the First ASEAN Summit in Bali in 1976, Singapore took the lead in liberalising its intra-ASEAN trade ahead of the signing of the PTA by introducing a 10% across-the-board tariff reduction on its bilateral trade with the Philippines and Thailand in January 1977. When Thailand called for an adjustment on the preferential level set by the PTA in 1987, Singapore set the pace by being the first ASEAN Member State to increase the PTA level to 50% and implement an across-the-board tariff cut on all trade items entering the country. Singapore is also the first ASEAN Member State to comply with AFTA's timeline by completely removing tariffs for all goods in its ASEAN bilateral trade and imposing almost no restrictions on the flow of ASEAN investment into Singapore (Panagariya, 1999).

Singapore has been so proactive in promoting economic integration in ASEAN for several reasons. Firstly, economic integration helps ensure Singapore's survival and security. As one of the smallest countries in the region in terms of population and geographical size, and without hinterland or a domestic market, Singapore is both economically and politically more vulnerable than many other ASEAN Member States. Being a predominantly ethnic Chinese state in a region of non-Chinese states, Singapore's position is particularly precarious. It therefore perceives closer economic linkage with ASEAN countries as an effective way to foster good political relationships with its neighbours and believes an economically prosperous ASEAN will help ensure political stability in the region. Efforts to establish some subregional economic groupings, such as the Singapore-Johor-Riau Growth Triangle, were partly aimed at fostering political cooperation with Singapore's neighbouring states.

Secondly, Singapore hopes to leverage on ASEAN to build an external wing for its economy. Without any significant natural resources, hinterland, or a domestic market, Singapore's ability to attract MNCs and build its own domestic industries depends to a large extent on its ability to capitalise on and synergise with the various comparative advantages that its neighbouring countries offer. In fact, one important component of Singapore's economic strategy has been to serve as operation headquarters for MNCs

to maintain production operations in the region by offering tax incentives and other benefits to MNCs. In the past, Singapore served as an entrepôt in the region. This intermediary business service continues to be used by Singapore by offering its position as an efficient service provider in the region. Wider and deeper economic integration in ASEAN not only enhances market opportunities but also increases investment flows to the region.

Thirdly, Singapore's need to leverage on ASEAN as an economic hinterland to attract foreign investment became more evident with the rapid emergence of major economic powers, like China and India, and the formation of regional free trade groupings in other parts of the world, such as the North American Free Trade Agreement. Individually, Singapore cannot offer a sufficiently attractive base for MNCs. However, as part of a larger ASEAN economy with a combined population of about 600 million, Singapore's position as a base for MNCs is significantly strengthened. As a testament to Singapore's strong commitment to the ASEAN integration process, Singapore was one of the first members to ratify the ASEAN Charter and the ASEAN Economic Community Blueprint.

As a small country whose only resource is its people, Singapore believes that human resource development is vital for economic and social progress. It has benefitted from the technical assistance extended by several developed countries and international organisations. This helped transform Singapore from a Third World country to a modern, developed city-state. Through the Singapore Cooperation Programme of the Ministry of Foreign Affairs, Singapore is committed to share its development experience and knowledge with others as a responsible global citizen to help other countries achieve their development goals. The Singapore Cooperation Program (SCP) was established in 1992 to serve as the primary platform through which Singapore offers technical assistance to other countries.

Although the SCP provides training to countries around the world, its primary focus is on the ASEAN region. Singapore offers training courses to ASEAN Member States in a diverse range of subjects, such as public governance and administration, trade and economic development, environment and urban planning, civil aviation, land transport, port management, education, healthcare, and information and communications technology. The courses are conducted both in-country and in Singapore, and the courses are reviewed regularly to ensure they are relevant to recipient countries' development needs.

In addition, Singapore offers significant technical assistance to the newer members of ASEAN, CLMV, through the Initiative for ASEAN Integration. This initiative was launched at the Fourth ASEAN Informal Summit in November 2000 to strengthen

ASEAN and promote ASEAN integration. It has established in-country training centres in the CLMV countries. These in-country Initiative for ASEAN Integration centres allow more participants to benefit from the training courses. In this context, Singapore also collaborates with over 40 key countries and international organisations to pool expertise in providing technical assistance to other countries under the Third Country Training Programme framework.

The SCP has been successful, and Singapore's experience is a powerful example of how a small country without natural resources can survive and thrive as long as it has good leadership, political stability, rule of law, and well-run and forward-looking institutions, as well as sustained investment in its people. The programme is a concrete and an excellent example of Singapore's strong commitment to sharing its development experience with ASEAN, and particularly with the CLMV countries, to provide financial and technical assistance that aims to narrow the development gap in ASEAN.

Singapore's active role in promoting closer cooperation and economic integration is part of its two-pronged approach in its external economic policy. While emphasising the importance of ASEAN integration, Singapore continues to maintain closer trade relations with other non-ASEAN countries. First, Singapore actively pursues bilateral FTAs with countries outside ASEAN, despite expanding integration within ASEAN. Compared to other ASEAN Member States, Singapore has been the most active in concluding FTAs. The obvious reason is that the total value of its trade is about three times its gross domestic product. To maintain its economic growth, the growth must come from expanding trade with all its major trading partners, particularly the United States, China, the European Union, and Japan. The share of intra-ASEAN trade has been growing but is not adequate to drive its ever-growing economic growth. In turn, expanding the country's successful economic links with non-ASEAN economies demonstrates positive spill-over effects to spur other ASEAN economies to liberalise and deregulate their economies in the global marketplace. Singapore's proven success in its bilateral and plurilateral FTAs with non-ASEAN economies has given a strong impetus for other ASEAN countries to emulate Singapore's FTA policies. In turn, the more open and successful other ASEAN economies become, the more receptive and likely they are to accept Singapore's initiative for wider and deeper ASEAN economic integration. For example, Singapore was the first to initiate bilateral FTAs with Australia, New Zealand, the United States, China, and Korea, as well as smaller economies such as Jordan, Panama, and the Gulf Cooperation Council. In addition, Singapore is also actively promoting the Asia-Pacific Economic Cooperation, World Trade Organization, Asia-Europe Meeting, Forum for East Asia-Latin America Cooperation, and Asia-Middle East Dialogue to establish dialogue and strengthen cooperation between Singapore, Asia, and the respective regions.

Singapore is deepening its bilateral relations with emerging economies, particularly with China and India. After Singapore established official diplomatic relations with China in 1990, Singapore's trade volume with China increased significantly from US\$2.9 billion in 1990 to US\$7.8 billion by the end of 1996. From 1997 to the end of 2007, Singapore's trade with China grew from US\$9.8 billion to US\$60.5 billion, and by the end of 2015, Singapore's total merchandise with China reached US\$91 billion. Singapore's direct investment in China grew from US\$5 billion in 2008 to US\$14.4 billion in 2014.

Singapore's trade and investment relationship with India has also strengthened in recent years. Bilateral trade and investment relations started when India started the liberalisation of its domestic policy, particularly when the two countries agreed to establish the India–Singapore Software Technology Park in Bangalore. This bilateral relation was accelerated further when the two countries agreed to establish a Comprehensive Economic Cooperation Agreement (Singapore–India bilateral FTA) in 2003. As a result, Singapore's total trade volume with India registered significant growth of nearly 300%, from US\$4.5 billion in 2003 to US\$16.7 billion in 2007, and reached \$17 billion by the end of 2015. At the same time, Singapore's total direct investment in India increased from about US\$600 million in 2003 to US\$3 billion in 2007, and reached US\$16.7 billion by the end of 2014.

Singapore's rapid trade and investment expansion to China and India is an integral part of its fundamental policy to establish an 'external wing' policy to provide a sustainable economic booster and sources of economic growth. Nonetheless, during this period, ASEAN remains as Singapore's political and economic anchor for regional economic integration and regional political stability. In this context, the Singapore government has actively encouraged local companies to invest overseas, especially in East Asia and ASEAN economies, with a view that these companies can leverage on their own comparative advantage with neighbouring ASEAN Member States. The charge was led by large government-linked companies, which started to invest actively in the ASEAN countries, China, and India. Large government-linked companies, such as Sembawang Corporation, Keppel Corporation, and Singapore Technology, have invested and built a number of industrial parks in Indonesia, Viet Nam, China, and India. Since the Asian financial crisis, Singapore's external wing has still been largely confined to East Asia due to the region's geographical proximity and Singapore's overall development strategy to establish itself as a regional headquarters. An increasingly protectionist global economic environment, brought about by the formation of regional blocs in different parts of the world, has also made it more compelling and pragmatic for Singapore to focus on the region.

Opportunities and Constraints for ASEAN: Singapore's Perspectives

Singapore's geographical position at the heart of Southeast Asia provided unique opportunities and challenges when Singapore became a sovereign and independent nation on 8 August 1965. Its independence was not sought but was forced out of its status for 3 years as part of the Federation of Malaysia. As an independent nation without any natural resources and hinterland, Singapore had to chart its nation building and economic development based on very different policies and strategies from its Southeast Asian neighbours. Being a small city-state, the government right from the start had to be pragmatic and have a strategic vision for steering and managing its political and economic policies, particularly with its immediate neighbours. To survive and prosper politically and economically, Singapore must always be able to leverage external resources to its full benefit. Singapore's noted success in transforming from a Third World to a First World country in 50 years is a clear testimony to its success in minimising the negative elements of its limited size and vulnerabilities through maximising external opportunities and resources. To successfully carry out such strategies and policies, Singapore has instituted strong, clean, visionary leaders and effective and efficient public administration to sustain rapid economic and social development. In this context, the establishment of ASEAN in 1967 played an important and strategic role in creating an external environment necessary for the success of Singapore in its national transformation.

In a region rich in natural resources, traditionally Singapore served as a vital entrepôt or transshipment centre for Southeast Asian economies. Following independence in 1965, this role gradually shifted from being mainly trade dependent to having a global focus on industrialisation and a wide trade and investment network through MNCs. Nonetheless, the role of its neighbouring countries, such as Malaysia and Indonesia, remained crucial throughout the period. The relative economic gravity may have changed, but in absolute numbers, Singapore's neighbouring countries and ASEAN constitute the major political and economic pillars of Singapore's political stability and economic prosperity.

Does ASEAN's slow and gradual approach to regional integration hurt Singapore? Generally, many analysts argue that Singapore, being the most developed member, would prefer for the ASEAN integration process to be implemented faster so it can extract larger relative mutual benefits from other ASEAN Member States. ASEAN's principles, or the ASEAN Way, based on consensus, may better serve Singapore and other members, at least in the initial phases of economic cooperation and integration. This is supported by the fact that the ASEAN Member States are at widely different

stages of economic and social development. If the process of integration is prematurely implemented and accelerated, there might be domestic backlash and strong opposition in many Member States. ASEAN's gradual progress is calibrated based on the consensus that all have agreed to move forward to the next stage of cooperation and integration.

In summary, all AMSs view Singapore favourably. This can be argued from three perspectives. Firstly, Singapore's success in transforming itself from a Third World to a First World nation has been inspiring, and the country has acted a role model for other ASEAN members. Secondly, Singapore can serve as an effective conduit to connect with major political and economic powers in the world as Singapore is highly respected internationally; despite its small size, Singapore is always invited to attend G-20 meetings as an observer. Thirdly, Singapore has demonstrated its strong commitment to extend technical and financial assistance to less developed ASEAN members to narrow the development gap in the region. Of course, there are bilateral disagreements and frictions between Singapore and other ASEAN Member States, particularly with its immediate neighbours, such as Malaysia and Indonesia, but they are under control. Progress in integration within the ASEAN framework would augur well and provide an enhanced important regional mechanism to ameliorate and minimise bilateral stress, frictions, and conflicts among AMSs.

Summary and Conclusions

As a small city-state, Singapore viewed the formation of ASEAN in 1967 with hope and anxiety. This view was seen in the context of turbulence in Southeast Asia amid the war in Viet Nam and a major deficit of trust and simmering conflict arising from Indonesia's policy of confrontation against the formation of Malaysia in 1963. When a 'New Order' was installed by then President Suharto, Indonesia ceased confrontation with Malaysia and Singapore. However, bilateral relations among the three neighbouring countries remained fragile and unsettled. Therefore, when the five Southeast Asian countries of Indonesia, Malaysia, Thailand, and the Philippines agreed to form ASEAN in August 1967, it was seen from Singapore's perspective as hope that this regional organisation would bring a semblance of peace and regional security. The ASEAN Declaration intended to promote economic, social, and cultural cooperation, as well as act as a mechanism for political and security dialogue and discussion.

As the Viet Nam War continued until 1975, there were few substantive intergovernmental meetings among the five ASEAN Member States, but regional stability among the Southeast Asian nations prevailed. During the period of transition, Singapore did not know what the next step forward for ASEAN would be. Would

ASEAN turn into a passing regional phenomenon or would it be a pretext for larger and more powerful ASEAN Member States to use it to achieve their national objectives? There was certainly a sense of anxiety on the part of Singapore on the possible role of ASEAN during that period. However, the establishment of ASEAN served as a clear and important message to Viet Nam of a regional-inspired grouping that was different from the United States-inspired Southeast Asia Treaty Organization, which had the membership of the Philippines, Thailand, and a group of Western powers. When Viet Nam was finally unified in 1975 and Indonesia has stabilised its domestic political changes, Indonesia initiated the first meeting of the ASEAN Heads of Government in Bali in 1975, which became known as the Bali Concord I.

As a small country in terms of population and territorial size, Singapore is keenly aware that to benefit more from the association, it must be a vibrant nation that is useful to ASEAN. Otherwise, Singapore will have a relatively insignificant voice and political leverage in major decisions taken by ASEAN. Therefore, the importance of ASEAN to Singapore has changed at different phases of ASEAN's evolution and progress from the Bali Concord I. In political terms, ASEAN has been important to Singapore since the first phase of ASEAN's establishment to the present. In economic terms, the absolute benefit to Singapore increased when its neighbouring economies opened up and increased economic cooperation through ASEAN. However, the relative benefit as measured in Singapore's intra-industry trade with ASEAN has been fluctuating, dependent on the rate of growth of global trade as Singapore has become more connected economically with major global economic powers. Nonetheless, the importance and impact of ASEAN to Singapore's foreign and economic policies are very important and visible. Singapore has proven that it has also contributed much to the development of ASEAN through its well-respected international prestige and leverage. This can be seen through Singapore's wide network and strategic bilateral relations with the United States, China, Japan, India, and the European Union. Equally, Singapore's exceptional economic achievement has created a seamless connectivity to all major markets in the world. Such political and economic assets to Singapore can be conveniently adapted and leveraged by other AMSs. The magnitude and extent of ASEAN's importance and relevance to Singapore will increase as ASEAN becomes more integrated as a community in the future. A more integrated, prosperous, and inclusive ASEAN would enable Singapore individually and ASEAN collectively to project their political and economic power more effectively regionally and globally.

ASEAN's process is a top-down approach by leaders, ministers, and public officials. As a result, there is not enough public awareness of the importance of ASEAN for average Singaporeans. There is media coverage and school textbooks to provide public understanding of ASEAN of its multifaceted activities. However, the effectiveness is

generally limited to the more educated audience, younger generation, and the public at large is unaware of the many important political, economic, and social implications of ASEAN for Singapore. In the next lap of ASEAN evolution, moving to the ASEAN Economic Community, ASEAN Political–Security Community, and ASEAN Socio–Cultural Community, Singapore and other AMSs must engage in wider and deeper outreach efforts not only from the top-down approach but equally importantly through engaging in bottom-up social dissemination of the meaning, importance, and implications of ASEAN to the common people in the region. Indeed, this is a long-haul process that will require consistent and persistent efforts by AMSs due to diversity in terms of ethnic, religious, and social backgrounds, as well as differences in legal and institutional heritage. As ASEAN becomes more integrated and complex as an organisation, there is a strong case for more resources and capabilities at the ASEAN Secretariat. More authority is needed for the secretariat to allow it to monitor the many ASEAN agreements with a view to implementing them more effectively. Equally important at this stage of its development, some decision-making processes should be made more flexible and innovative, rather than based solely on absolute consensus. In a fast-changing geopolitical landscape in East Asia, ASEAN must be relevant to major global and regional powers and leverage its strategic position as the default hub of East Asian economic integration to advance further its importance amidst a rising China and India. Throughout the ASEAN evolution, Singapore has been directly and indirectly encouraging ASEAN to be more competitive, open, and inclusive through widening and deepening ASEAN economic integration through deliberation and consensus decision-making processes. Specifically, through the Initiative for ASEAN Integration, Singapore’s effort to narrow the development gap among AMSs should not be considered as an act of charity but an act of self-interest. Singapore has long held the view that a prosperous, competitive, and stable ASEAN is to Singapore’s long-term national interest. With the ASEAN Economic Community that came into effect at the end of 2015, Singapore looks forward to a more integrated and competitive market in ASEAN through minimising non-tariff barriers, harmonising standards and procedures, facilitating cross-borders trade in goods and services, and investment and freer capital flows as agreed in the ASEAN Economic Community Blueprint.

With wider and deeper implementation of the ASEAN Economic Community Blueprint beyond 2015, Singapore looks forward to a more competitive, resilient, inclusive, and equitable ASEAN Community. Despite the lack of implementation of many of its agreements and slow progress at times, there has been a clear definitive policy statement in Singapore that the establishment of ASEAN in 1967 has been very positive and beneficial, not only to Singapore but to all AMSs. By 2030, three or four AMSs will likely be high-income countries; several Member States have upper middle-income status and are approaching the enviable high-income category. As ASEAN moves towards its

50th year of establishment in 2017, it is progressing slowly but surely towards the full potential of its political, security, economic, social, and cultural visions and objectives as intended by its founders in Bangkok in 1967.

In short, Singapore's national interests have been facilitated by the evolving process of ASEAN integration. In the future, its long-term national interests are likely to coincide further with a dynamic and effective ASEAN. This will be especially so as the ASEAN Economic Community becomes a living reality to the 10 AMSs in the foreseeable future.

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