

Singapore, Southeast Asia, and the Geoeconomics of the Indo-Pacific Region

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Since its independence in 1965, the narrative of vulnerability and survival for the city-state of Singapore, with a population of just over five million and no natural resources to speak of, has dominated the national imagination. Central to this narrative is the need to ensure economic security, defined by its leaders as the imperative of providing for the economic well-being of its people. To do this, generations of political leaders and decision makers in Singapore have been acutely aware of the importance of plugging into the global economy and have placed great stock by policies designed to expand its economic space. It is to that effect that the nexus between geoeconomics and economic security has always been something of a priority.

Principles of Geoeconomic Engagement

Singapore has long been one of the most ardent advocates of globalization. As an open and globalised economy, there are several necessary principles that govern Singapore's approach to international trade and economic strategy. First, because the domestic economy in Singapore is roughly a third the size of its international trade, it follows that the ability to trade openly with countries across the globe is of immense importance to the city-state.¹ This being the case, the interconnected nature of economics, security, and geopolitics that we see today is a matter of great interest to Singapore. It is so in terms of the need to understand the interplay of these dynamics, and perhaps more importantly, to manage the deleterious effects that they might have on each other. This interconnectedness is affecting the city-state in increasingly profound ways. During the Covid pandemic and its immediate aftermath, not to mention the outbreak of hostilities between Russia and Ukraine that soon followed, questions of food security and resource security became major concerns for the leadership of Singapore. By way of an anecdotal example, the decision taken by Malaysia to cut imports of live chickens to Singapore affected the food industry and general population in the city-state. While Singapore still had ample supplies of and access to stocks of frozen chicken, the situation nevertheless brought home the need to diversify sources of food and to plan strategically and long-term so as to mitigate such vulnerabilities to sudden supply disruptions.

A second principle that Singapore deems vital for its national interests is the integrity of the rules-based international order that govern global affairs today. It has been rightly pointed out that the concept of the "rules-based order" is sometimes ambiguous and something of a shibboleth whose meaning is what its advocates desire it to be. Insofar as Singapore is

¹ Ovais Subhani, "Singapore ranked second-most connected economy," *Straits Times*, 4 December 2020.

concerned, its understanding of the rules-based order is very clear. At its heart, it has to do with the principle of sovereignty and the rule of law that governs all aspects of international relations. Needless to say, the Russian invasion of Ukraine threaten to undermine this order. In response, Singapore has taken a strong diplomatic stand condemning it.

Likewise, the rise of protectionism globally, which been demonstrated most profoundly in the domestic turn evident in the U.S, the largest and most developed economy in the world but where anti-globalization sentiments have found expression at the highest level of mainstream politics, has been a cause for great concern. The withdrawal of the U.S. from the Trans-Pacific Partnership (TPP) in early 2017 following the election of President Donald Trump signalled a retreat from collective regional efforts to build a more robust trade and economic architecture. Even though 13 regional states signed on to the presumptive “replacement” of the TPP, the Indo-Pacific Economic Framework or IPEF unveiled by President Joe Biden in May 2022, these states are under no illusion that it would in any way compensate for the erosion of U.S. leadership of the regional economic agenda (to say nothing of the more mundane agenda of denial of market access to the U.S). Much in the same vein, though arguably less consequential, India’s last-minute withdrawal from the Regional Comprehensive Economic Partnership or RCEP before it was signed in November 2020 further dented hopes and aspirations for a more open and integrated economic landscape in the Indo-Pacific region. In response to growing protectionism, former Singapore Trade and Industry Minister, Chan Chun Sing, has said: “We must resist these (protectionist) pressures. A less connected world means a poorer world and fewer opportunities for all. A less connected Singapore means fewer and poorer quality jobs for us.”²

For small economies like Singapore, there are deeper concerns on this score. The escalation of Sino-U.S. rivalry has manifested in Washington’s evident intent to isolate China, whether through its waging of a “tech war” with Beijing or gradual exclusion of China from supply chains. Given the deepening economic relationship that not only Singapore but the rest of Southeast Asia, and indeed, practically the rest of the world, enjoys with China – it should be no surprise that during both the APEC and G-20 summits held in Bangkok and Jakarta respectively at the end of 2022 it was President Xi Jinping who drew the most attention as participating governments positioned themselves for China’s post-Covid re-opening - there is growing consternation at how the U.S. risks tossing the veritable baby out with the bathwater in its zealous bipartisan pursuit of hardening approaches towards Beijing.

² Esther Au Yong, “Singapore must resist protectionism, even when competing for jobs,” *Yahoo News*, 14 June 2020. https://sg.news.yahoo.com/covid-19-singapore-must-resist-protectionism-even-when-competing-for-jobs-chan-chun-sing-115930350.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuYmluZy5jb20v&guce_referrer_sig=AQAAAMTupFnQ60g6R5KgCCloitD2AXji5GyI5I7-5Rsl ceWYkLIgVfLgEdHXeDEJkhJF45UXn3JrUwMwSzqAirBtr93-N2Ks2K1ykmwxMatAnDWUwaK-UlhEkrZMEEATpr-3_QBkhDPXuFGfkxecwJL PiJ9PnmEil46DqwEYsn9Omo

Third, for Singapore, free trade is a foreign and economic policy priority. It is a well-known fact that Singapore has the largest number of free trade agreements of all countries. At last count, the city-state has signed 27 implemented agreements of a bilateral and multilateral nature.³ Devoid of natural resources and with a small population, free trade cannot but be a strategic necessity. Crucially, free trade agreements allow Singapore to expand its economic space and link its small economy more effectively to the larger global economy, providing vehicles for small and medium enterprises, which are envisaged to be the major sources of employment.

Fourth, the importance of multilateralism as a vehicle through which the city-state works to achieve its economic and trade objectives cannot be over-emphasized. Singapore has been actively involved in seeding multilateral economic arrangements.⁴ It was instrumental, for instance, in the creation of TPSEP or the Trans-Pacific Strategic Economic Partnership, precursor to the TPP, together with New Zealand, Brunei, and Chile in 2005. In an effort to salvage digital economy governance efforts which were jettisoned from the TPP after the American withdrawal, Singapore also worked to create DEPA, the Digital Economy Partnership Agreement in July 2020. Finally, Singapore played an important role together with regional partners to build the ASEAN-led RCEP. The importance of RCEP extends beyond simple economics, for it also provides an opportunity for China and Japan, the two largest economies in Asia, to work together in a shared economic framework.⁵ Likewise, through initiative such as the ASEAN Economic Community and the ASEAN Community Post-2025 Vision (also known as the Hanoi Declaration), ASEAN has proven a critical, if imperfect, vehicle through which Singapore has endeavoured to shape its external economic environment in ways that are congruent with the interests of its neighbours.⁶

More broadly, Singapore has been a strong advocate of global multilateral institutions and the role they play in managing geoeconomic dynamics. Despite its shortcomings, the WTO remains important for small states like Singapore, for whom transparency and non-discriminatory rules are crucial.

Economic Security in Southeast Asia

In terms of economic security in the region, there are several features on this landscape that warrant closer scrutiny. First is the indivisibility of China and Southeast Asia. China is an engine of economic growth for Southeast Asia, and has been so for the last several decades even

³ See <https://www.mti.gov.sg/Trade/Free-Trade-Agreements>.

⁴ Grace Ho, "Singapore has role in fostering global cooperation amidst challenges to multilateralism," *Straits Times*, 19 January 2021.

⁵ It is important to emphasize again that RCEP is an ASEAN-led initiative, as there is a common misperception that it is China-led.

⁶ Koichi Ishikawa, "The ASEAN Economic Community and ASEAN economic integration," *Journal of Contemporary East Asia Studies*, Vol,10, No.1, 2021: pp.24-41.

as its own economy has grown exponentially. At the same time, China is also a source of economic competition in terms of competitiveness, innovation, and productivity. Singapore has strong bilateral relations with China and the U.S., and has played an active role within ASEAN to contribute to the organisation's efforts to retain regional autonomy in the face of growing Sino-U.S. rivalry. With regards to goeconomics, the point had been established earlier that the city-state has been active in seeding ideas and driving efforts to foster closer trade ties in the region, and expanding the network of free trade agreements that connects regional economies, especially those in Northeast Asia where geopolitical tensions are rising. To that end, these efforts have been predicated on efforts to prevent securitization of trade and investment links for geopolitical advantage, and the use of economic leverage to pursue political objectives.

Second, regional states have had to manage the tension between efforts to build on comparative advantages, while managing inherent disadvantages. There is no gainsaying that diversity has been, and remains, a central characteristic of Southeast Asia. It is also patently clear that the economies of Southeast Asia are at various stages of development, from an advanced economy such as Singapore with a per capita GDP of USD72,794 to Myanmar at USD1209.⁷ Aside from these gaps, there are also disparities in terms of governance and rule of law in terms of how these are implemented and pursued. Southeast Asia is also grappling with widening income gaps between rich and poor countries, particularly in relation to new economic trends in the wake of the Fourth Industrial Revolution. As but one example, automation will hit labour intensive economies that are involved in low-end manufacturing, such as Cambodia and Indonesia. To the extent that wealth generated from participation in free trade and globalization has not been efficiently distributed nationally, these disparities will grow. While the ASEAN Community was envisaged to bridge this divide by building on comparative advantage of the Southeast Asian economies, it stands to reason however, that those in the lower rung of the value chain would not desire to remain confined in those roles.

Third, Southeast Asia needs to set new agendas and commit to pursuing them. In line with a growing emphasis on sustainability, Singapore has developed its own national green economy framework, known as the Singapore Green Plan 2030.⁸ This plan captures Singapore's aspirations to attain net-zero carbon emissions and align with the U.N. sustainable development agenda as well as the Paris Agreement. Singapore has been able to attract considerable funding from venture capitalists and multinationals for various start-up initiatives as it builds its own ESG (Environment, Social, Governance) ecosystem. By this measure, it can also position itself to provide "sandbox" conditions for Southeast Asia, for the development of sustainable technologies and best practices.

⁷ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=Z4-8S-Z7>

⁸ For details, see <https://www.greenplan.gov.sg/>

So, what would be some of the challenges in Singapore's and Southeast Asia's efforts to manage geoeconomic trends shaping the Indo-Pacific region today, in order to capitalise on opportunities and mitigate difficulties?

Political stability is essential for the certainty and predictability that is required to underpin a favourable geoeconomic environment. In Southeast Asia, it requires leaders and decision-makers to look beyond the short-term and invest in longer-term, more strategic initiatives. These are however subject to the vicissitudes of electoral politics. While change in governments are in the natural course of things in democratic climates, it is imperative that such changes do not compromise long-term planning. There is a further dimension to the tension between short and long term perspectives and approaches.⁹ Essentially, efforts to develop more inclusive and sustainable growth models would doubtless require immediate investments, but may take much longer to bear fruit.

Attendant to that is the need for political will. Illustrative of this is the challenge of maintaining populist measures such as energy subsidies, that confronts many Southeast Asian governments. In countries like Malaysia and Indonesia for instance, fuel subsidies account for a significant share of the national budget which could otherwise be allocated for other forms of public expenditure such as education. Moreover, the continued practice of subsidizing fossil fuel use has the converse effect of dissuading exploration into the development of more sustainable energy alternatives. Nevertheless, fuel subsidies are as much about politics as they are about climate and sustainability. While governments have at times moved to lower subsidies (especially during periods of energy cost decline), their total removal have proven to be a controversial issue for which the political cost is not one that incumbents would be prepared to bear.¹⁰

Finally, for Singapore and Southeast Asia, the increasingly hostile politics that is currently defining the external environment will invariably reduce latitude for movement. The Congressional hearing into Tik Tok on March 23, 2023 was instructive of how domestic politics have come to shape geoeconomic trends in the Indo-Pacific region as rivalry between the U.S. and China is ramped up. Given that there is little evidence that this rivalry is going to slow down in the foreseeable future, it stands to reason that growing tensions will continue to reduce the geoeconomic space available for regional states like Singapore.

⁹ Dwight Perkins, "Understanding political influences on Southeast Asia's development experience," *Fulbright Review of Economics and Policy*, Vol.1, No.1, 2021: pp.4-20.

¹⁰ See for example, Priyatharising Vasu, "Subsidy reforms crucial for Malaysia's long-term fiscal health but remains a test of political willpower — World Bank," *The Edge Markets*, 3 February 2023. <https://www.theedgemarkets.com/node/654005>.

Conclusion

Singapore is a trading nation with arguably the most open free market economy in the world. To overcome limitations imposed on it by lack of natural resources, the city-state has been both an advocate and beneficiary of globalization by plugging into global trading networks and supply chains and has prospered as a result. Indeed, it is precisely against this backdrop that recent geoeconomic trends have been a cause for concern.

From the escalation of Sino-U.S. rivalry and growing cacophony of protectionism worldwide to the Russian invasion of Ukraine and threat of climate change and global warming, the geoeconomic tides in the region are shifting in disconcerting ways, rendering the external environment less favourable for small nation-states such as Singapore. Economic tools, once used to create more vibrant commercial and investment environments globally, are now being deployed by great powers in pursuit of geopolitical advantage against rivals, competitors, and adversaries. Concomitantly, the risk of being swept up by geoeconomic currents beyond their control is real. In response, Singapore has emphasized the need to reinforce the current rules-based order and double down on multilateral approaches to navigate this increasingly complex geoeconomic landscape is imperative to advance its economic interests.

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