



Singapore: Background and U.S. Relations

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Summary

A former trading and military outpost of the 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 substantially restricts political freedoms in the name of maintaining social stability and 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, but also maintains close relations with China. The U.S.-Singapore Free Trade Agreement (FTA) went into effect in January 2004, and trade has burgeoned.

The People's Action Party (PAP) has won every general election since the end of the colonial era in 1959, aided by a fragmented opposition, Singapore's economic success, and electoral procedures that strongly favor the ruling party. Some point to changes in the political and social environment that may herald more political pluralism, including generational changes and an ever-increasingly international outlook among Singaporeans. In May 2011, opposition parties claimed their most successful results in history, taking six of parliament's 87 elected seats. Though this still left the PAP with an overwhelming majority in Parliament, the ruling party described the election as a watershed moment for Singapore and vowed to reform the party to respond to the public's concerns.

As one of the closest U.S. partners in ASEAN, Singapore is one of the strongest supporters of closer American engagement in Southeast Asia. Maintaining positive relations with both China and the United States is a keystone of Singapore's foreign policy. Singapore often portrays itself as a useful balancer and intermediary between major powers in the region. China's economic power makes it a crucial component of trade policy for all countries in the region, but Singapore's ties with Beijing are multifaceted and extend to cultural, political, and educational exchanges as well. Singapore adheres to a one-China policy, but has an extensive relationship with Taiwan and has managed it carefully to avoid jeopardizing its strong relations with Beijing.

In 2010, Singapore was the 13th largest U.S. trading partner with \$46.6 billion in total two-way goods trade, and a substantial destination for U.S. foreign direct investment. It is frequently ranked as one of the world's freest economies—the Heritage Foundation's 2011 Index of Economic Freedom ranked Singapore second, behind only Hong Kong. In addition to trade, mutual security interests strengthen ties between Singapore and the United States. A formal strategic partnership agreement outlines access to military facilities and cooperation in counterterrorism, counter-proliferation of weapons of mass destruction, joint military exercises, policy dialogues, and shared defense technology.

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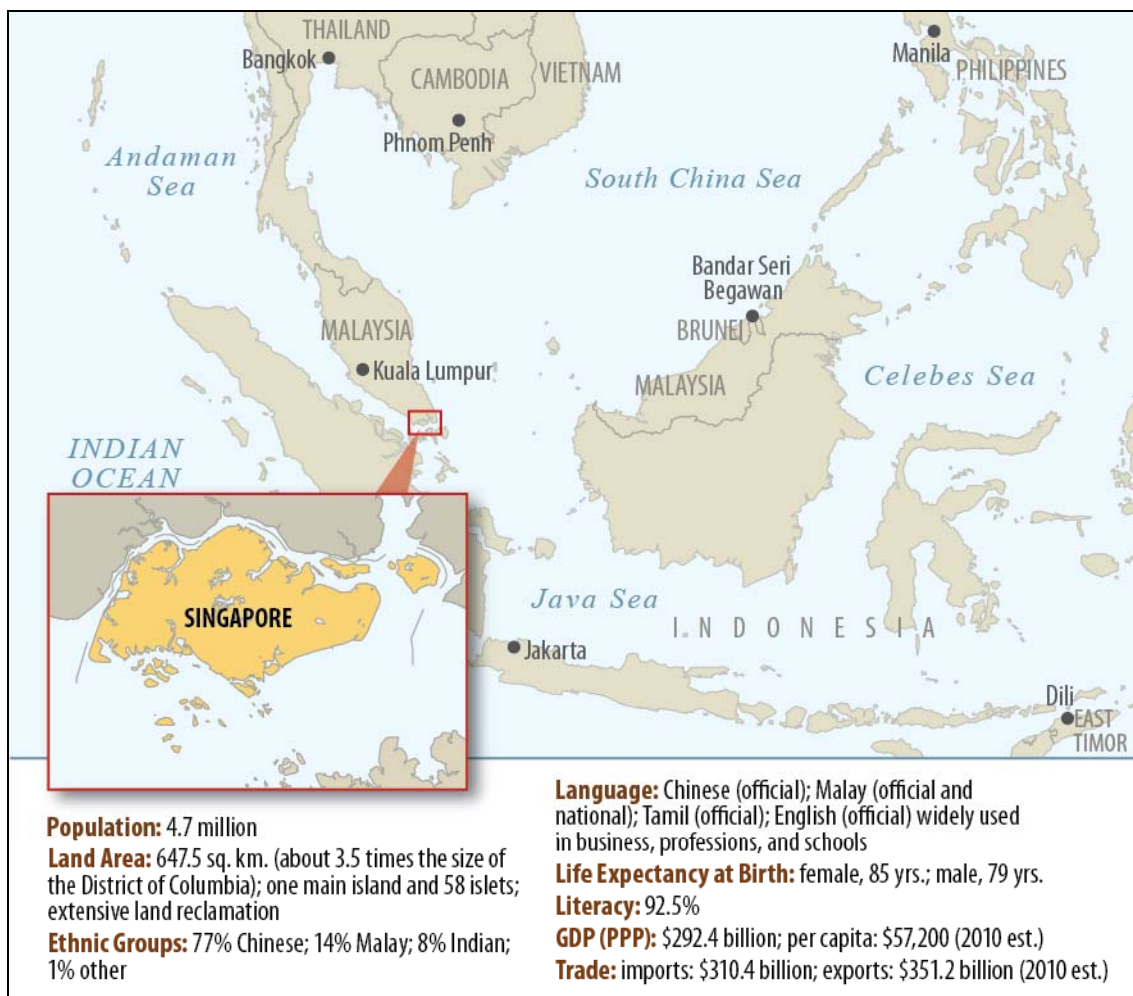
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Historical Background

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 in 1965.

Figure I. Map of Southeast Asia



Source: Map, CRS; statistics, CIA World Factbook.

Government and Politics

May 2011 Parliamentary Elections

On May 7, 2011, Singapore's long-marginalized opposition parties won their largest percentage of the popular vote in the history of the city-state, capturing nearly 40% of the ballots cast and winning six seats. In many countries, such a showing would not have been remarkable, but in Singapore, where the ruling People's Action Party (PAP) is accustomed to overwhelming majorities, it was a notable achievement for the opposition. In the last parliamentary elections in May 2006, the PAP had captured over 66% of the vote and 85 of 87 seats. Despite strong economic growth in 2010, many voters deserted the PAP because of discontent with the rising cost of living, concerns about immigration, a widening income gap, and general impression that the ruling party had lost touch with their citizens. Apparently chastened, PAP leaders including Prime Minister Lee Hsien Loong acknowledged that the party needed to change its approach, initiated policy reviews, and replaced nearly all of the sitting cabinet members.

Opposition parties exploited newly-relaxed restrictions on the use of social media for the campaign, forcing mainstream media, which traditionally had been heavily tilted toward the PAP, to provide coverage of all the candidates. In a change from earlier practice, opposition parties contested all constituencies except for one, and succeeded for the first time in winning a group representation constituency—constituencies where several seats are contested together—ousting the sitting foreign minister, George Yeo, in the process.

Background on Singaporean 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, 87 and widely acknowledged as the architect of Singapore's success as a nation, stepped down from his post as "Minister Mentor" following the 2011 elections, citing a need to pass leadership on to the next generation of Singaporeans.

The People's Action Party (PAP) has won every general election since 1959, aided by Singapore's economic success and electoral procedures that strongly favor the PAP. For years, Singapore's political opposition was considered weak and fragmented. Singapore has universal suffrage, and parliamentary elections are held at least every five years.

In 2010, changes to the constitution guaranteed that more non-PAP members would be represented in the parliament. The electoral reforms were seen as an acknowledgement by the PAP that it must adjust to a more open and diverse Singapore if it is to survive in the years to come. 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. Greater, and generally freer, use of the Internet may be

threatening to some of the leadership; in the past the government attempted to tighten control over bloggers, who may not exercise the same restraint as the mainstream media in limiting criticism of the ruling party.

U.S.-ASEAN-China Relations

Singapore has been a strong champion of raising the profile of the Association of Southeast Asian Nations (ASEAN), comprised of Burma (Myanmar), Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, which helps the mostly small countries to “punch above their weight,” in regional diplomacy, particularly vis-à-vis China. As one of the closest U.S. partners in ASEAN, Singapore is a supporter of closer American engagement in Southeast Asia, but voiced disappointment in a perceived lack of U.S. involvement in the region during the Bush Administration. Renewed U.S. engagement under the Obama Administration has pleased Singapore and may have allowed it more diplomatic space to stand up to Beijing on key issues.

Maintaining strong relations with both China and the United States is a keystone of Singapore’s foreign policy. Singapore often portrays itself as a useful balancer and intermediary between major powers in the region. In the South China Sea dispute, for example, in 2011 Singapore called on China to clarify its claims on islands that are also claimed by several other ASEAN countries. Singapore, a non-claimant, characterized its stance on the issue as neutral yet concerned because of the threat to maritime stability. At the same moment, Singapore was hosting a port visit by a major Chinese surveillance vessel, part of an ongoing exchange on technical cooperation on maritime safety and marine environment protection with Beijing.

China’s economic power makes it a crucial component of trade policy for all countries in the region, but Singapore’s ties with Beijing are multifaceted and extend to cultural, political, and educational exchanges as well. There are frequent high-level visits between the leaders of Singapore and China. Singapore adheres to a one-China policy, but has an extensive relationship with Taiwan and has managed it carefully to avoid jeopardizing its strong relations with Beijing. Taiwan and Singapore have held large-scale military exercises annually for over 30 years and, in 2010, announced the launch of talks related to a free-trade pact under the framework of the World Trade Organization.

Burma

Burma has been an area of particular contention: the United States supports a more hard-line 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 and investing in Burma, as well as allowing Burmese officials to hold assets in bank accounts in Singapore. Singapore officials dispute the banking claims, but the city-state’s strict bank secrecy laws have prevented them from providing specific rebuttals.

Economy

Singapore boasts highly developed infrastructure, including one of the world’s busiest and largest ports, a top-ranked international airport, modern expressways, and a state-of-the-art mass rapid

transit system. In terms of commerce, it is one of the world's largest foreign exchange centers and one of Asia's largest financial services centers. Singapore's major industries include electronics, particularly computer peripherals; petroleum refining and petrochemicals; construction; food and rubber processing; and shipbuilding and repair. Tourism is also a major industry, and the development of several large casinos in the city-state has both raised tourism arrivals and created public policy issues about managing and regulating the gaming industry. The government plays a major role in directing the export-oriented economy and providing infrastructure support for the strong manufacturing and services sectors.

For more than two decades until the 1997 Asian financial crisis, the country achieved annual growth rates of 8%-9%. Real GDP growth averaged 6.8% between 2004 and 2008, but contracted 2.1% in 2009 due to the global financial crisis. The government's \$14 billion stimulus package introduced in 2009 drove a strong recovery in 2010: economic growth reached 14.5%, the highest on record. The stimulus measures included a jobs and training program, personal income tax rebates, a business financing scheme, and investment in public sector construction.

China, Malaysia, and the United States are Singapore's largest trading partners. Singapore has concluded at least 18 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. The government provides tax incentives for overseas wealth to be held there.

U.S.-Singapore Relations

Trade and Investment

In 2010, Singapore was the 13^h largest U.S. trading partner with \$46.6 billion in total two-way goods trade. The U.S. goods trade surplus with Singapore was \$11.7 billion in 2010.¹ U.S. foreign direct investment (FDI) in Singapore was \$76.9 billion in 2009, while Singapore's investment in the United States totaled \$22.9 billion in the same year.² 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. 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).

¹ Office of the Trade Representative of the United States, fact sheet, accessed July 2011 at <http://www.ustr.gov/countries-regions/southeast-asia-pacific/singapore>.

² Office of the Trade Representative of the United States, press release, October 2010. Accessed at <http://www.ustr.gov/about-us/press-office/press-releases/2010/october/united-states-and-singapore-hold-sixth-annual-free>.

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. Changi Naval Base is the only facility in Southeast Asia that can dock a U.S. aircraft carrier. Singapore forces also train regularly in the United States. In 2011, the United States announced that it would forward deploy two littoral combat ships to Singapore; the vessels can patrol coastal areas as well as the South China Sea.

In July 2005, President George W. 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, the first of its kind with a non-ally since the Cold War, 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.

Singapore supported the U.S.-led coalitions in the Iraq War and Operation Enduring Freedom in Afghanistan, allowing American aircraft and ships access to Singapore bases. It also deployed several contingents of transport aircraft and ships to Iraq and contributed policemen to help train Iraqi police. In support of reconstruction efforts in Afghanistan, Singapore has contributed medical and construction engineering teams to Bamiyan and Oruzgan provinces. In addition, Singapore participated in international counter-piracy efforts in the Gulf of Aden in 2009-2010.

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, many of whom 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.

Singapore has signed a number of multilateral and bilateral agreements focused on counterterrorism. 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 "places formidable obstacles in the path of political opponents," according to the U.S. State Department's 2010 Country Report on Human Rights Practices. The report states that "the PAP maintained its political dominance in part by intimidating organized political opposition and circumscribing 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. The political careers of opposition politicians are marked by characteristic obstacles from the ruling party, including being forced to declare bankruptcy for failing to pay libel damages to prominent PAP members.

Opposition figures are not the only the 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 an opposition politician's latest court case as well as cited recommendations for judicial reform published by the International Bar Association. Similar fines have been levied on international media in the past, including the *Economist*, *Far Eastern Economic Review*, and the *Financial Times*. Reporters Without Borders assigned Singapore a ranking of 136 out of 178 countries in its 2010 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. The PAP's showing at the polls among younger voters in 2010 may push Lee to further relax some social measures. Such an approach would likely be incremental, as opposed to significant movement toward a multi-party liberal democracy.

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. The ISA also allows detention without a trial for acts that threaten national security.

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