

## Singapore's Foreign Policy

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A country's circumstance influences the development of its foreign policy. So I would like to start by briefly describing Singapore.

Singapore is a small country. We are a diamond shaped island about 40 kilometers from east to west and 25 kilometers from north to south. There are about 4.3 million people living on the island. We have no natural resources except our people. Our people are migrants coming from the 3 main Asian cultures- Chinese, Indian and Malay. We also have about half a million people from the developed countries, like the US, UK, Europe, Australia and Japan living in Singapore.

We make a living by serving others. The two important pillars of our economy are manufacturing and services. We are a high cost centre because our wage levels are significantly higher than that in the other South East Asian Countries. Any manufacturing or service activity carried out in Singapore must be highly efficient or have a high value-added component in order to be able to compete in the global market from Singapore. We do not protect companies in Singapore from global market forces and so our economy is in constant flux as it evolves in response to globalisation, with many companies moving their mass manufacturing or service activities to other countries. On the hand, they often keep their high value added manu-

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facturing or service activities and their regional or Asian HQ in Singapore.

Our GDP is about US\$120 billion, but our total trade is more than 3 times the GDP at about US\$450 billion. Our per capita GDP is about US\$28,000.

We have more than 7,000 multinational companies in Singapore. We are a transport, logistic, energy, finance and tourist centre. About 30 million passengers use our airport. The port handles more than 20 million containers making us the busiest port in the world. 9 million tourists visit the country.

What is our foreign policy?

It is:

-To be friends with all the countries of the world and to make ourselves useful to others.

-To be a good international citizen in the global community.

We must distinguish political from commercial issues. From time to time, there may be commercial issues between Singapore companies and others. We believe that they should be resolved fairly according to the law and that commercial disputes should not affect political relations.

## ASEAN

I will begin first with our relations with our neighbours in South East Asia. The countries of South East Asia are members of ASEAN. ASEAN is 40 years old. The countries in ASEAN are quite different politically, culturally and in terms of economic development. Nevertheless, ASEAN has ensured security for its members and there has been no armed conflict between the ASEAN countries. So in this atmosphere of peace and frequent dialogue between countries, occasional frictions have been ironed out, and mutually beneficial economic integration is continuously progressing.

The ASEAN leaders have appointed a high level task force of eminent people to draft a charter for even greater

cooperation and integration in the future. Philippines currently chairs ASEAN and Singapore will take over the Chair this year. The ASEAN countries are working towards adopting the new charter at the 40<sup>th</sup> anniversary summit to be held in Singapore later this year. The ASEAN leaders have also agreed to speed up economic integration and bring forward the adoption of the ASEAN economic community from 2020 to 2015.

## EAST ASIA

The big story in Asia is the rise of China and India. Located between these two economies, their rise has served as external wings to our own economy and we have prospered by their growth.

Our relations with China are excellent. One of the first Economic Zones in China –the Suzhou industrial park outside Shanghai was developed jointly by Singapore and China in the 1990s. China does not need our expertise in economic zones now, but our companies are active in many cities and run ports, provide water management expertise and do manufacturing. Chinese companies list on our stock exchange and there are numerous flights between many Chinese cities and Singapore that serve the business community, as well as bring more than a million Chinese tourists to Singapore and several hundred thousand Singapore tourists to China. Our interaction is at many levels. There are Chinese delegations, involving mayors, state officials and party officials that often visit us in order to understand our political, social and economic system. This interaction is aided by the fact that many Singaporeans can speak Mandarin and communication is therefore not a problem between Chinese officials and Singaporeans.

We have consistently supported the One-China policy. The Chinese understand that we have long standing arrangements with Taiwan which are related to our own regional security and we have continued with this status quo and kept these arrangements with Taiwan.

Our relations with Korea and Japan are excellent. We

were honoured by the visit of Emperor of Japan to Singapore recently. Korean companies are keen to invest in a billion dollar state of the art chip factories and Japanese companies are likewise continuing to make big investments.

## SOUTH ASIA

India is the third largest economy in Asia after Japan and China. Our economic engagement with India began in the 1990s. Some of the earliest IT parks in Bangalore and Hyderabad were developed by Singapore companies. There are many Singapore companies doing business in India running ports, developing real estate, running companies in the IT services sector, the education services sector, the health and hotel business sector and the freight and logistics services sector. There are more than 2000 Indian companies in Singapore as Indian companies globalise and some are starting to look at listings on the Singapore stock exchange.

We have equally good relations with Pakistan and Singapore companies have taken stakes in their banking sector and will be operating the new Gwador port.

## EAST ASIA SUMMIT

To integrate the economies of South Asia and East Asia with South East Asia and to encourage economic cooperation, ASEAN plus 6 countries- namely India, China, Japan, S Korea, Australia and New Zealand formed the East Asia Summit in 2005. We are now in the fastest growing part of the world and if we manage this process correctly, we will see the greatest transformation of the world in human history as two and half billion people leave poverty behind and become middle class citizens over the next 20-30 years. The Indian and Chinese leadership, their political elite and their business communities see this potential future and this convergence in vision is a great force for peace, stability and development in Asia.

## MIDDLE EAST

We have long standing defence and diplomatic relations with Israel. When we became independent in 1965, Israel helped us create a defence force based on a citizen army model consisting mainly of reservists who could be mobilised at any time for the defence of the country.

Immediately after 9/11, like many other countries, we reviewed our relations with the Middle East countries in order to cooperate with the global effort to fight terrorism. At the same time, the Middle East countries were also reviewing their policies to strengthen their defences against terrorism. But besides fighting terrorism, many of the Middle Eastern countries also started looking east to Asia. With high energy prices, they were looking for competitive places in Asia that could provide financial, medical and technical services, services that traditionally were purchased from the West. Their interest in Asia has fuelled economic engagement between the Middle Eastern countries. As a major energy, refining and petrochemical hub, there are natural business links in Singapore between companies from the energy producing countries in the Middle East and companies from the energy consuming countries in East Asia. We maintain excellent ties with many of the Middle Eastern countries including Egypt, Jordan, Saudi Arabia, UAE, Kuwait, Qatar and Bahrain.

## UNITED STATES AND EUROPE

Our ties with the US are also excellent. We are part of the coalition in Iraq. The US military uses Singapore as a logistics hub. We have a FTA with the United States that has boosted two way trade and investment. Europe in recent years has been absorbed with the integration of the eastern European countries into the European Union. But European companies continue to expand in Singapore and the ASEAN region. More recently, Russia and Singapore have increased their economic engagement.

## APEC

The most important economic grouping for us is APEC as APEC ties the economies of smaller Pacific Rim countries like Singapore with the 3 biggest economies in the world - US, Japan and China. Chile and Singapore have been the strongest proponents of trade liberalisation within APEC.

All of us wish the Doha Development Agenda to succeed. If there is no Doha agreement, trade liberalisation within APEC will become more important. The US has proposed a FTA for the Asia Pacific - the FTAAP. We realise the FTAAP will be a long term goal as it will take several years to negotiate. In parallel to the FTAAP, the Trans-pacific Strategic economic partnership between Chile, Singapore, New Zealand and Brunei should be strengthened. The TPSEP or P4 agreement came into effect in Nov 2006. We should work on completing the next chapter in the P4 agreement which would be in the area of financial services and investment.

## CHILE

Two way trade between Chile and Singapore is about US\$300,000 million and growing. We should look to develop these trade links further. An agreement on investment guarantees and double taxation avoidance will encourage companies in both our two countries to further their business interest in our two economies.

Although Singapore and Chile are small economies, we have a very strong relationship with each other because we tend to see the world in similar ways. We can build on these ties and create a bridge between Singapore and Chile so that Singapore can serve as the gateway into ASEAN for Latin American countries and Chile can serve as the gateway into Latin America for ASEAN companies.

## LATIN AMERICA

Despite the distance between Singapore and Latin America, Singapore's bilateral trade with Latin America grew last year by more than 30% and is now about \$8 billion. To strengthen and develop our ties we now have NRAs or Non Resident Ambassadors to 6 countries – Brazil, Mexico, Peru, Argentina, Panama and Chile. Our NRAs are distinguished citizens and leaders of the Singapore Business community. They serve as NRAs as part of their public service to Singapore. Coming from the business community they have a deep practical understanding of economic issues.

Our NRA to Chile is Mr Philip Ng, who heads the biggest real estate development company in Singapore and who converted one of our most important historic buildings into one of the finest hotel - the Fullerton.

We also depend on distinguished citizens in Latin America who understand their country to represent and help us. In this we are most fortunate in having Mr Arturo Alessandri-Cohn as our honorary Counsel General in Chile. Last year, the President of Singapore bestowed upon Mr Alessandri-Cohn a high honour, the Public Service Medal, for his great contribution towards building close friendly ties with Chile. To encourage two way trade, we have appointed Mr Peter Hill as our Hon Business Representative in Chile.

## FEALAC

Because of the distance between Latin America and East Asia, we do not know enough about each other. Chile and Singapore have worked together to promote FEALAC or the Forum for East Asia-Latin America Cooperation. It consists of 32 countries from the 2 regions. In August the FEALAC Foreign Ministers will meet in Brasilia to discuss further cooperation between the 2 regions.

Singapore has for the past few years initiated a Journalist Visit Program under FEALAC, whereby journalist

from Latin America visit Singapore so that they can better understand the developments in our part of the world.

We have also initiated the annual LatinAsia Biz forum in Singapore to allow networking between Latin American business leaders and Asian business leaders. This year's LatinAsia Biz forum in Singapore will be in the first week of October.

## CONCLUSION

Singapore and Chile are similar in our approach to globalisation and trade liberalisation. We know globalisation cannot be avoided and every country must manage the process of globalisation in a way that it benefits its citizens. Our two countries understand fiscal prudence and we run our economies on sound financial principles.

So it is only natural to think of Singapore as the Chile of South East Asia and Chile as the Singapore of Latin America. That explains the strong bilateral friendly relations between our two countries.