

A Strategic Partnership: U.S.-Singapore economic Cooperation in the Era of Prime Minister Lee Hsien Loong

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Abstract

As a thriving global financial hub with a population exceeding 5.9 million (Statistics Singapore, 2023), Singapore has built its economic resilience through robust trade and international collaboration. This strategy is firmly anchored in its unwavering dedication to a rules-based global trading system—a principle championed by Prime Minister Lee Hsien Loong at the 2019 Shangri-La Dialogue. Simultaneously, the United States, pivoting its strategic focus toward the Asia-Pacific (APAC) region, has identified Singapore as a vital partner in advancing regional stability and economic integration. This article delves into the dynamic trade relationship between Singapore and the U.S. under Prime Minister Lee's leadership. It highlights remarkable achievements, including surging bilateral trade volumes, expanding foreign direct investments, and the solidification of institutional frameworks that promote economic engagement. Furthermore, the study analyzes how this strategic partnership, grounded in Singapore's diplomatic acumen and America's regional priorities, has transcended geopolitical uncertainties. By fostering pragmatic cooperation, the Singapore-U.S. alliance stands as a model for mutual growth, economic innovation, and sustained regional influence in an era of global volatility.

Keywords: Singapore, United States, cooperation, trade, Lee Hsien Loong, FTA

Introduction

As a small country with a population of just over 5.9 million people (Statistics Singapore, 2023), Singapore faces challenges in developing its national economy. Consequently, Singapore must rely on economic activities, serving as a major transit center and financial hub, to boost its economy. In early 2019, Singapore's Foreign Minister described the country's diplomatic strategy as one designed to preserve the rules-based global trading system while using Singapore's "soft power" to strengthen international relations and avoid creating enemies. Impartiality and neutrality are fundamental principles for Singapore's leaders, who view rising trade and technology protectionism, identity politics, and power competition as "zero-sum" threats to both domestic and regional security (Linette, 2019). Prime Minister Lee Hsien Loong highlighted these concerns in his opening speech at the 2019 Shangri-La

Dialogue, where he articulated the views of Singapore and Southeast Asia: "Our world is at a turning point. Globalization is under siege. Tensions between the US and China are increasing. Like everyone else, we in Singapore are very worried. We wonder what the future holds and how nations can work together to maintain peace and prosperity in the world" (Lee, 2019). Despite these challenges, the core principles of Singapore's foreign policy have remained relatively stable, even amid changes in the international landscape. The Singapore government continues to prioritize maintaining strong relations with the United States. In the United States' national development strategy for the 21st century, the Asia-Pacific (APAC) region is identified as a key area of national interest. This shift in focus from Europe to the Asia-Pacific explains why the United States has increasingly concentrated on strengthening its relationships with countries in the region, including Singapore. In Southeast Asia, bilateral trade cooperation and foreign direct investment with the US are ranked as follows: Singapore, Thailand, Malaysia, Vietnam, and Indonesia (Bureau of Economic Analysis, 2023). As part of a strategic partnership, Singapore-U.S. relations exemplify the typical dynamic between a global superpower and a small yet developed country with a crucial position in Southeast Asia. Singapore serves as a strategic security partner to the United States and an informal ally in the region. Political developments have facilitated economic cooperation between the two countries, particularly in trade, leading to many significant achievements.

Methodology

This article employs a multidisciplinary research methodology to analyze the trade partnership between Singapore and the United States under Prime Minister Lee Hsien Loong. Utilizing methods from international relations, history, and economics, the study provides a comprehensive perspective on this bilateral cooperation. Key approaches include synthesis and analysis of diverse data sources, including trade statistics, policy documents, and academic literature, to identify trends and key drivers of success. Concepts like hedging concrete realism are applied to explore Singapore's strategic neutrality, while economic analysis quantifies achievements in trade and investment. This integrative approach ensures a nuanced understanding of the partnership's impact and implications.

Literature Review

The relationship between Singapore and the United States, particularly in the context of trade and economic cooperation, has been explored extensively in academic and policy-related literature. The United States-Singapore Free Trade Agreement (USSFTA), signed in 2003, is often cited as a critical turning point in strengthening the economic ties between the two nations. The agreement has served as a model for future bilateral trade relations, demonstrating the role of free trade in enhancing strategic economic partnerships (Eul, 2007; Dick, 2003). Antonio (2008) argues that trade agreements like the USSFTA signify the political evolution of bilateral relations and have catalyzed Singapore's economic expansion. Similarly, scholars such as Catharin (2016) emphasize how strategic diplomatic efforts have facilitated Singapore's development as a key economic player within the Asia-Pacific region, further promoting stability and growth between the U.S. and Singapore.

Central to the USSFTA's success is Singapore's strategic orientation toward high-value, high-tech industries, which complement its role as a major global trade hub (Ong, 2010). As a small but highly developed economy, Singapore has capitalized on its robust trade liberalization and minimal trade barriers to attract U.S. investment in sectors such as technology and pharmaceuticals (Rohan, 2015; David, 2012). At the same time, Singapore has adeptly maneuvered its limitations, such as its high labor costs and limited land area, by focusing on technical expertise and re-exporting goods (Liew, 2005). As such, Singapore's ability to enhance its technological exports has been instrumental in its continued trade growth, aligning with the wider trend of increasing economic cooperation with global partners like the U.S. (Tommy, 2005).

Additionally, as highlighted by Bhagyashree (2024) and Gan (2024), emerging sectors like artificial intelligence (AI) are seen as the next frontier in U.S.-Singapore economic relations, presenting new opportunities for collaboration within the framework of the USSFTA. According to John (2024), the growing technological and trade exchanges between the U.S. and Singapore underscore the economic resiliency of this partnership, despite global challenges such as the COVID-19 pandemic and regional competition.

Economic data also illustrates the broader effects of this relationship, with the bilateral trade turnover consistently showing strong growth, demonstrating the significant trade integration between both nations (Bureau of Economic Analysis, 2023; Statistics Singapore, 2023). In fact, the economic partnership between the U.S. and Singapore exemplifies the mutual

benefits of sustained trade cooperation, fostering significant investments and business opportunities in both countries (US Embassy in Singapore, 2021; Jose, 2013).

In summary, the body of literature reveals that the USSFTA has been pivotal in reinforcing the economic bonds between Singapore and the United States, focusing on shared economic goals such as trade liberalization, high-tech growth, and strategic security cooperation. This literature highlights the lasting impact of the agreement and its broader implications for future trade relations.

Results and Discussion

4.1 Theoretical basis

The theoretical basis provides a reference framework for understanding the characteristics of the relationship between two countries. However, the dynamics between these nations are greatly influenced by changes in the international relations landscape, and the evolving needs of both countries often serve as the driving forces behind the development or stagnation of these bilateral relationships. This article draws upon the perspective of the Singaporean government to analyze the most suitable theoretical framework for the economic relationship between Singapore and the United States.

In his speech, Singapore's Defense Minister Ng Eng Hen emphasized that "stability is a primary concern for small countries like Singapore, which also upholds the importance of international rules to protect the interests of all countries, regardless of size" (Linette, 2019). His speech highlights two key points: first, that Singapore, as a small country, seeks to maintain a balanced relationship with a major power like the United States; and second, that Singapore is committed to fostering peace in order to protect its national interests. Based on this assessment, many small countries choose to cooperate with larger powers. This decision is often driven by the global trend toward cooperation and the compatibility with the current international system. This approach aligns with the principles of Liberalism and is a common practice in the international community. Few small countries choose to remain isolated from major powers. Such cooperation typically spans multiple areas, including economics, security, and technology. By partnering with large countries, small nations can resolve or mitigate conflicts peacefully and gain access to resources they lack, such as capital, technology, foreign aid, and markets. However, small countries also seek to establish frameworks that limit the intervention and imposition of larger powers while maximizing the benefits they derive from

such relationships. Though small countries recognize that, in these partnerships, larger countries inevitably hold more influence, they feel more secure within institutional arrangements that provide structure and predictability to these alliances. In this context, Singapore signed the United States-Singapore Free Trade Agreement (USSFTA) and became a member of economic organizations led by or involving the U.S., such as APEC and the CPTPP. At the same time, Singapore refrains from joining military alliances, preserving its strategic independence.

Singapore has adopted a variety of strategies in its foreign relations, including balancing, bandwagoning, and hedging policies. In particular, Singapore's approach to its relationship with the U.S. can be understood through the lens of hedging—a strategy designed to manage the risks and uncertainties inherent in the relationship between a small country and a great power, especially in a volatile region like Southeast Asia. Hedging involves three key elements: soft or indirect balancing, engagement across political, economic, and strategic levels, and the integration of great powers into regional institutions to maintain stability and order. The dual hedging strategy, as outlined by Wang (2015), is considered a prudent approach for countries facing uncertain international conditions. It aims to mitigate risks, preserve flexibility, and expand strategic options while shaping the priorities of target countries. The dual hedging strategy is versatile, encompassing various forms such as economic, diplomatic, and military engagement. It helps countries navigate the complexities of a unipolar world and prepares them for new threats or opportunities that may arise as global power dynamics shift. According to Phuc (2013), dual hedging is a strategy that reduces long-term threats while maximizing opportunities for the future.

Another closely related concept is the neutrality policy, which shares similarities with dual hedging. While a small country may formally advocate for neutrality in its foreign policy, in practice, it often prioritizes relations with certain nations, strengthening cooperation to avoid over-dependence on any one power. In evaluating Singapore's approach to its relationship with the United States, we can apply the principles of dual hedging and neutrality to assess Singapore's trade cooperation strategy. By balancing its alliances and securing its economic interests, Singapore ensures its continued prosperity while minimizing risks in an increasingly uncertain global environment.

4.2 Achievements in economic cooperation between Singapore and the United States under Prime Minister Lee Hsien Loong

Under the leadership of Prime Minister Lee Hsien Loong, Singapore and the United States have cultivated a robust economic relationship, significantly expanding trade. Despite Singapore's relatively small domestic market, the United States recognizes its importance as a central hub in the dynamic Asia-Pacific region, which is increasingly vital to global economic growth. The shared economic vision and diplomatic efforts of both nations led to the signing of the United States-Singapore Free Trade Agreement (USSFTA).

The USSFTA was signed on May 6, 2003, and became effective on January 1, 2004 (Liew, 2005). Initially modeled after the US-Jordan Free Trade Agreement, the USSFTA was expected to be limited in scope. However, as Singapore's economic potential exceeded expectations, the agreement expanded into a comprehensive, world-class deal. The final agreement comprises 250 pages of text and nearly 1,200 pages of appendices, covering 21 chapters on topics such as trade in goods and services, labor standards, environmental protections, intellectual property, and e-commerce (Eul, 2007).

The core principles of the USSFTA—market access and national treatment—promote the free flow of goods, services, and investments between the two countries. The principle of market access ensures that both markets are open for investment while preventing monopolistic behavior. Meanwhile, national treatment guarantees that foreign investors and products are treated equitably alongside domestic competitors (Ong, 2010). The agreement also includes provisions related to intellectual property and skilled worker visas, enhancing collaboration in high-tech industries. Additionally, provisions concerning value-added products shipped through Singapore solidify its role as a regional trade hub, facilitating easier access to the U.S. market (Rohan, 2015). Many economists have hailed the USSFTA as a “historic agreement” that serves as a model for future economic relations between small and large economies in the era of globalization. Prime Minister Goh Chok Tong highlighted the importance of the FTA, stating that it “removes barriers to the exchange of goods, services, and investment, while setting high standards for intellectual property, customs transparency, and new sectors like e-commerce. It opens up numerous opportunities for American businesses in Singapore” (Dick, 2003, p. 3). After the agreement came into effect, Prime Minister Goh visited the U.S. in May 2004, and both sides affirmed the success of the FTA and agreed to continue pushing for greater trade liberalization (Tommy, 2005). According to Professor Tommy Koh's research, the USSFTA has provided significant benefits for both countries. For instance, over 99% of

goods imported into Singapore were duty-free before the FTA, and with its implementation, the remaining tariffs on U.S. goods were eliminated. For the U.S., 92% of tariffs on Singaporean exports were removed immediately upon ratification, with the remaining tariffs to be phased out over eight years (Liew, 2005). In 2004, Singaporean exports to the U.S. qualified for duty-free treatment, benefiting from \$25 million in tax savings (Tommy, 2005). Singapore’s SembCorp Marine, for example, saved \$30 million annually through a 50% tax exemption on ship repairs, which allowed the company to expand its U.S. operations (Tommy, 2005). The FTA has also fostered impressive growth in bilateral trade. Between 2003 and 2014, bilateral turnover increased by 11.9%, compared to a 2.2% increase in 2003 (Tommy, 2005). By 2023, U.S. exports to Singapore had more than doubled, reaching \$42 billion, making the U.S. Singapore’s second-largest goods trading partner and top services trading partner for over 20 years (Bhagyashree, 2024). The agreement’s positive impact extends to facilitating smoother customs procedures, particularly benefiting express shipping businesses. Moreover, its provisions on intellectual property protections have made Singapore a leader in intellectual property rights in Asia, attracting businesses in creative technologies, including Pfizer, Isis Pharmaceuticals, and Lucasfilm Animation, all of which have expanded their operations in Singapore (Rohan, 2015). Looking ahead, artificial intelligence (AI) is poised to be the next frontier of cooperation under the USSFTA. Singapore's Minister of Trade and Industry, Gan Kim Yong, expressed optimism during the 20th anniversary of the FTA, noting that emerging technologies like AI could accelerate U.S.-Singapore economic cooperation in the coming decades (Bhagyashree, 2024). The inaugural Critical and Emerging Technologies (CET) Dialogue held in October 2023 focused on exploring opportunities in AI, quantum technology, and biotechnology (Gan, 2024).

Through its 20-year partnership, the USSFTA has strengthened the trade ties between the U.S. and Singapore, benefiting both nations. As Trade and Industry Minister Gan Kim Yong recently stated, the FTA serves as a “bridge” that continues to unlock opportunities for mutual growth and prosperity (John, 2024).

Table 4.1 Statistics of Singapore's merchandise trade turnover with the United States

Unit: million USD

| Year | Singapore exports to the United States | Singapore imports USA | Trade balance | Total turnover |
|-------------|---|--------------------------------------|--------------------------|---------------------------|
|-------------|---|--------------------------------------|--------------------------|---------------------------|

| | | | | | |
|-------------|-------|------|-------|-------|---|
| 2004 | 23.9 | 20.7 | 3.2 | 44.6 | The United States is Singapore's second largest goods trading partner. |
| 2005 | 23.81 | 23.4 | 0.41 | 47.21 | |
| 2006 | 27.6 | 30.2 | -2.6 | 57.8 | |
| 2007 | 26.6 | 32.7 | -6.1 | 59.3 | |
| 2008 | 24.1 | 27.9 | -3.8 | 52 | |
| 2009 | 17.7 | 29.2 | -11.5 | 46.9 | Singapore is the 17th largest trading partner of the US and ranks 5th among countries with a trade surplus with the US. |
| 2010 | 22.9 | 35.6 | -12.7 | 58.5 | |
| 2011 | 22.2 | 39 | -16.8 | 61.2 | |
| 2012 | 22.4 | 38.6 | -16.2 | 61 | |
| 2013 | 23.2 | 38.9 | -15.7 | 62.1 | |
| 2014 | 23.1 | 38.2 | -15.1 | 61.3 | Singapore is the 15th largest trading market in the United States |
| 2015 | 23.2 | 33.5 | -10.3 | 56.7 | |
| 2016 | 22.7 | 30.9 | -8.2 | 53.6 | |
| 2017 | 24.1 | 38.8 | -14.7 | 62.9 | |
| 2018 | 31.8 | 42.1 | -10.3 | 73.9 | |
| 2019 | 34.4 | 43.9 | -9.5 | 78.3 | Singapore is the 15th largest trading market in the United States |
| 2020 | 40.2 | 35.2 | 5 | 75.4 | |
| 2021 | 39.3 | 40.5 | -1.2 | 79.8 | |
| 2022 | 31.6 | 46.1 | -14.5 | 77.7 | |
| 2023 | 40.7 | 42.4 | -1.7 | 83.1 | |

Source: US Census Bureau, Worldbank

Based on the statistical data of import-export turnover between the United States and Singapore, several key conclusions can be drawn:

First, the total trade turnover between the two countries is projected to grow significantly, increasing from USD 44.6 million in 2004 to USD 83.1 million in 2023, nearly a tenfold rise. Since 2004, the bilateral trade turnover has consistently remained above USD 30 million annually. Notably, from 2019 onwards, it has exceeded USD 59 million each year. In 2012, Singapore was the 17th largest trading partner of the U.S. and ranked 5th among the countries with a trade surplus with the U.S. This was also the second year in which the total trade

turnover reached USD 50 million annually. This trade growth is largely attributed to the strengthening of political cooperation between the two nations. In January 2012, the United States and Singapore held the first meeting of the United States-Singapore Strategic Partnership Dialogue (SPD) in Washington (Catharin, 2016). Over the past 20 years, according to World Bank statistics, the U.S. has consistently been among Singapore's top five trading partners. From 2004 to 2008, the U.S. was Singapore's second-largest export market after Malaysia. However, after 2008, this position gradually shifted to emerging markets such as China and Hong Kong.

Even during the global economic downturn caused by the COVID-19 pandemic, when economies around the world faced significant recessions, U.S.-Singapore economic cooperation continued to flourish. The bilateral trade turnover in 2020 and 2021 remained impressive, reaching USD 75.4 million and USD 79.4 million, respectively. In 2020, Singapore was the 15th largest trading partner of the U.S. Recognizing the global credit tightening during this period, both nations signed a Memorandum of Understanding (MOU) in 2020 to expand trade finance and investment support for companies in both countries (US Embassy in Singapore, 2021). U.S. Ambassador to Singapore, David Alderman, commented on the success of this relationship, stating that "The U.S.-Singapore Free Trade Agreement is considered the most successful bilateral FTA that the U.S. has ever signed" (David, 2012).

Singapore's small size and population make its outward-facing economic strategy essential for development, particularly openness to investment and trade. As a result, Singapore has actively encouraged the U.S. to participate in expanding the FTA agreement, strongly urging its ratification on both strategic and economic grounds. Singapore has long been a pioneer in advocating for global trade liberalization, and it boasts one of the busiest ports in the world, with the second-largest container port by tonnage (Antonio, 2008). Moreover, Singapore offers one of the most liberal investment and trade regimes globally, applying minimal taxes on most goods, particularly re-exported goods, and maintaining a near-zero value-added tax rate. More than half of Singapore's exports to the U.S. originate from U.S. corporations headquartered in Singapore (David, 2012).

Several factors contribute to the impressive growth of Singapore-U.S. trade relations from 2004 to 2024: (i) Rapid Economic Growth in Singapore: As Singapore's economy has expanded, the need for greater trade exchanges with other nations, including the U.S., has also

increased. (ii) The FTA: The signing of the U.S.-Singapore Free Trade Agreement, which eliminated tariff barriers and promoted market opening, has provided a solid foundation for enhanced economic cooperation between the two nations, particularly in trade. (iii) Proactive Government Policies: The Singapore government has actively adjusted its trade strategy, implementing policies to further strengthen economic relations with the U.S. and facilitating trade and investment negotiations, ultimately fostering a comprehensive economic partnership. (iv) Shared Economic Views: Both countries share similar views on critical economic issues, such as supporting free trade, upholding the rule of law, and protecting intellectual property rights. This common ground has resulted in regular, strong agreements between the two nations.

Singapore and the United States align on key issues such as trade liberalization, market opening, and shared prosperity. A significant component of President Obama's trade policy, the National Export Initiative (NEI), was aimed at doubling U.S. exports within five years. Ambassador Alderman noted, "The NEI is not only beneficial for U.S. exporters, but it also provides significant opportunities for Singapore and our other trading partners, promoting win-win economic development for both countries" (Jose, 2013).

Second, two key factors primarily determine a country's import demand: the income level of its population and the price competitiveness of products. Additionally, fluctuations in exchange rates are critical indicators that influence the supply and demand for imports and exports (Ramkishan et al., 2001). Singapore's economic strategy aligns with those of leading global economies by maintaining high labor wages, while simultaneously investing selectively in high-tech industries and cultivating a skilled workforce. This strategy enhances the standard of living, increases consumer spending power, and helps balance the impact of high product prices. Furthermore, the Singapore dollar (SGD) maintains a strong position in the foreign exchange market, often on par with major currencies such as the Australian dollar (AUD) and the Canadian dollar (CAD). As a result, Singaporean products have easier access to import markets in advanced economies. Singapore is one of the few nations where total trade exceeds its GDP. In 2023, Singapore's trade reached USD 1,206 billion, which is nearly twice the size of its GDP of USD 673 billion (MTI, 2023). A significant portion of Singapore's trade consists of re-exports, alongside domestic imports and exports. This underscores the importance of Singapore's intermediate trade, where raw goods are purchased, processed, and then re-exported, as seen in industries like semiconductor wafer manufacturing and oil refining. In reality, manufacturing contributes a relatively small share to Singapore's GDP,

with the country's economy being more focused on trade and services. The service sector consistently accounts for over 72.7% of Singapore's total value added, while manufacturing contributes approximately 18.3% (MTI, 2023).

Third, most local Singaporean companies are not involved in production. Half of the country's businesses are in trade, and about one-third are in services, with manufacturing comprising only 18% of local businesses. The majority of Singapore's key exports, especially electronics, originate from assembly plants established by foreign multinational corporations (MNCs). Few domestic Singaporean companies are among the top producers of high-tech goods. For example, in the electronics industry—considered Singapore's largest manufacturing sector—most firms are either wholly owned by U.S. companies or act as suppliers to U.S. firms. These companies produce components such as chips, buffers, and peripherals. By either producing in or importing from Singapore, American companies can reduce product costs, enhancing their competitiveness against Japan and Europe. Today, both countries remain attentive to the growing influence of China in the region. This is why, during Prime Minister Lee Hsien Loong's visit to the United States in October 2022, Singapore and the U.S. moved to strengthen their strategic technology partnership (Prashanth, 2023).

Table 4.2 Proportion of Singapore export value to the US in Singapore's total export value

| Year | Total value of Singaporean exports worldwide (billion dollars) | Value of Singapore's domestic exports to the US (billion dollars) | Ratio of Singapore's domestic exports to the US out of Singapore's total export value (%) | Value of Singapore's domestic imports from the US (pido) | Ratio of Singapore's domestic imports from the US to Singapore's total export value (%) |
|-------------|---|--|--|---|--|
| 2004 | 198.6 | 23.9 | 11.7 | 20.7 | 11.9 |
| 2005 | 230.3 | 23.81 | 10.6 | 23.4 | 11.7 |
| 2006 | 273.3 | 27.6 | 10.1 | 30.2 | 12.6 |
| 2007 | 301.5 | 26.6 | 8.8 | 32.7 | 12.3 |
| 2008 | 341.0 | 24.1 | 7 | 27.9 | 11.7 |
| 2009 | 271.0 | 17.7 | 6.5 | 29.2 | 11.8 |

| | | | | | |
|-------------|-------|------|------|------|------|
| 2010 | 353.2 | 22.9 | 6.5 | 35.6 | 11.3 |
| 2011 | 416.2 | 22.2 | 5.3 | 39.0 | 10.4 |
| 2012 | 415.6 | 22.4 | 5.3 | 38.6 | 10.0 |
| 2013 | 419.9 | 23.2 | 5.4 | 38.9 | 10.0 |
| 2014 | 415.4 | 23.1 | 5.5 | 38.2 | 10.0 |
| 2015 | 357.9 | 23.2 | 6.4 | 33.5 | 10.8 |
| 2016 | 338.0 | 22.7 | 6.7 | 30.9 | 10.6 |
| 2017 | 373.2 | 24.1 | 6.4 | 38.8 | 11.8 |
| 2018 | 411.4 | 31.8 | 7.7 | 42.1 | 11.3 |
| 2019 | 532.5 | 34.4 | 8.8 | 43.9 | 12.2 |
| 2020 | 510.6 | 40.2 | 10.7 | 35.2 | 10.7 |
| 2021 | 614.1 | 39.3 | 8.5 | 40.5 | 9.9 |
| 2022 | 710.0 | 39.3 | 8.1 | 40.4 | 9.8 |
| 2023 | 628.4 | 31.6 | 8.2 | 46.1 | 12.4 |

Source: <https://wits.worldbank.org>, Singapore Statistac

It is evident that the ratio of Singapore's domestic exports to the United States, relative to its total exports to the world, consistently remains high, typically around 6-7%. This highlights the strong trade links and market dependence between the two nations. Despite fluctuations, particularly during periods of economic crises, Singapore's export value to the U.S. has generally shown positive growth. However, Singapore's high dependence on external economies, especially the U.S., also represents a vulnerability for its economy. As one of the most open economies in the world, with a trade-to-GDP ratio of about 250%, Singapore is particularly sensitive to changes in the economic performance of its trading partners. The U.S. economy, with its annual growth rate of around 2.7%, plays a significant role in driving Singapore's economic performance. Researchers have shown that a slowdown in U.S. export growth can have a substantial impact on Singapore, given the large share the U.S. holds in Singapore's trade. Regarding the structure of trade, most of the items Singapore imports from the U.S. are technology-related products, including electronic valves, aircraft equipment, machinery, optical instruments, measuring instruments, construction engineering equipment, and aerospace technology. Additionally, some textile and garment accessories are also included in the imports. For a more detailed overview, the statistical table of key U.S. product groups exported to Singapore is provided below:

Table 4.3 Top 3 product groups of Singapore imported from the United States from 2004 to 2023

| Year | Product group | Proportion in goods (%) |
|-------------|---|--------------------------------|
| 2004 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 65.3 |
| 2005 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 62.1 |
| 2006 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 58.4 |
| 2007 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 63.2 |
| 2008 | technology, chemicals, plastics, leather, transportation equipment | 64.4 |
| 2009 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 67.3 |
| 2010 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 68.4 |
| 2011 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 58.7 |
| 2012 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 67.3 |
| 2013 | mechanical technology and equipment, minerals, lime, cement, chemicals, plastics, leather, | 65.1 |
| 2014 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 62.6 |
| 2015 | mechanical technology and equipment, minerals, lime, cement, chemicals, plastics, leather, | 61.4 |
| 2016 | machinery, chemicals, plastics, leather, transportation equipment | 63.1 |
| 2017 | machinery, transportation, minerals | 64.4 |
| 2018 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 66.3 |

| | | |
|-------------|---|------|
| 2019 | technology, transportation, chemicals, plastic, leather, | 66.7 |
| 2020 | technology and mechanical equipment, chemicals, plastics, leather, transportation equipment | 65.3 |
| 2021 | mechanical technology and equipment, minerals, lime, cement, chemicals, plastics, leather, | 59.3 |
| 2022 | technology and mechanical equipment, minerals, lime, cement, transportation equipment | 63.1 |
| 2023 | technology and mechanical equipment, minerals, lime, cement, transportation equipment | 20.1 |

Source: US Census Bureau

Analyzing the list of key import and export products between Singapore and the United States reveals that the trade between the two countries primarily revolves around machinery, petrochemicals, and plastics. The United States' most significant export to Singapore is technology, which consistently accounts for more than 30% of total exports. The second-largest category of U.S. exports to Singapore is transportation-related products, making up about 15% of exports, followed by chemicals, plastics, and skin products. On the other hand, the primary items Singapore exports to the U.S. include machinery, optical equipment, medical products, and measuring instruments. These products are essential to the U.S. economy, particularly in industries such as healthcare, technology, and manufacturing.

The statistical table below, listing Singapore's product groups exported to the U.S., offers a more comprehensive overview of the export composition. It further highlights the importance of technological and manufacturing goods in this trade relationship. It also demonstrates how Singapore's strategic position as a regional trade hub facilitates the flow of high-value products to key markets like the U.S., making it a crucial player in the global supply chain.

Table 4.4 Top 3 product groups Singapore exports to the US from 2004 - 2024

| Year | Product | Proportion in goods |
|-------------|--|----------------------------|
| 2004 | chemicals, plastics, leather, machinery, special products | 67.8 |
| 2005 | technology and mechanical equipment, chemicals, plastics, leather, optical equipment | 72.4 |

| | | |
|-------------|--|------|
| 2006 | machinery, optical, measuring, medical or other instruments, chemicals, plastics, leather | 70.1 |
| 2007 | technology and mechanical equipment, chemicals, plastics, leather, optical equipment, medical equipment, measuring equipment | 73.5 |
| 2008 | chemicals, plastics, leather, machinery, special products | 74.3 |
| 2009 | optical equipment, medical equipment, measuring equipment, other measuring equipment | 73.5 |
| 2010 | machinery, optical, measuring, medical or other instruments, chemicals, plastics, leather | 67.8 |
| 2011 | optical equipment, medical equipment, measuring equipment, other measuring equipment | 71.4 |
| 2012 | optical equipment, medical equipment, measuring equipment, other measuring equipment | 75.2 |
| 2013 | machinery, optical, measuring, medical or other instruments, chemicals, plastics, leather | 70.6 |
| 2014 | machinery, optical, measuring, medical or other instruments, chemicals, plastics, leather | 71.3 |
| 2015 | technology and mechanical equipment, chemicals, plastics, leather, optical equipment, medical equipment, measuring equipment | 74.3 |
| 2016 | machinery, optical, measuring, medical or other instruments, chemicals, plastics, leather | 70.2 |
| 2017 | chemicals, plastics, leather, machinery, special goods | 78.3 |
| 2018 | chemicals, plastics, leather, machinery, special goods | 74.3 |
| 2019 | optical equipment, medical equipment, measuring equipment, other measuring equipment | 74.3 |
| 2020 | optical equipment, medical equipment, measuring equipment, other measuring equipment | 56.5 |
| 2021 | mechanical technology and equipment, chemicals, plastics, leather, optical equipment, medical equipment, measuring equipment | 67.5 |

| | |
|-------------|---|
| 2022 | chemicals, plastics, rubber, leather goods, machinery & 61.5 mechanical equipment, special classification items |
| 2023 | technology and mechanical equipment, chemicals, plastics, 62.4 leather, optical equipment, medical equipment, measuring equipment |

Source: US Census Bureau, Foreign Trade

Singapore faces challenges in competing with its neighboring countries in terms of labor costs, due to its high per capita income, and its limited land area, which makes warehousing expensive and space scarce. Recognizing these limitations, Singapore's leaders have strategically oriented the country's commercial production toward refining and re-exporting goods that require high technical expertise, aligning with the demands of sophisticated markets. This approach has allowed Singapore to overcome its cost and space constraints by focusing on high-value, high-tech industries. As a result, for many years, the products Singapore exports to the United States have predominantly been high-tech, accounting for over 40% of exports. The second-largest category is optical products, followed by chemicals and pharmaceuticals. This pattern reflects the significant technical content of Singapore's exports, demonstrating how the country's products meet the high standards and technical requirements of the U.S. market. Moreover, Singapore imports raw materials, refines them, and then re-exports finished products, strengthening its position as a global trade hub. In general, the bilateral trade relations between Singapore and the United States have shown consistent growth over the past 20 years, despite challenges such as the 2008 global economic crisis, competition from China, and the impact of the COVID-19 pandemic, which influenced U.S. trade policies. Despite these challenges, the United States has remained a key import and export partner for Singapore, reflecting the resilience and adaptability of their economic partnership.

Conclusion

The Free Trade Agreement (FTA) between the United States and Singapore has had far-reaching effects beyond the economic domain. Amid concerns among Southeast Asian nations that the U.S. was becoming increasingly focused on the Middle East and neglecting its interests in Asia, the FTA has served to reaffirm the U.S.'s commitment to the region. This agreement also sparked a spillover effect, with countries such as Malaysia, Thailand, and South Korea quickly pursuing separate FTA negotiations with the United States, signaling a shift in the region's economic and diplomatic landscape. Singapore, as a key player, has been

a strong supporter of the U.S. initiative to create an Asia-Pacific Free Trade Area under the framework of the Asia-Pacific Economic Cooperation (APEC) Forum. In line with this, Singapore has actively signed several additional FTAs, laying the groundwork for the eventual establishment of a broader, more integrated free trade zone in the Asia-Pacific region. Moreover, the deepened economic ties forged under the U.S.-Singapore FTA have paved the way for strengthened diplomatic and military cooperation between the two nations. A landmark example of this collaboration came in July 2005, when the U.S. and Singapore signed a strategic framework agreement to expand bilateral cooperation on defense and security issues. This agreement has enabled Singapore to enhance its collaboration with the United States in maritime security, particularly in the Strait of Malacca, a vital waterway frequently threatened by piracy, terrorism, and territorial disputes in the South China Sea. This strategic partnership not only bolsters regional security but also ensures the uninterrupted flow of goods between Singapore and the United States, thus safeguarding global trade interests.

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