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**A STUDY ON HONG KONG IN THE REGION:
ROLE, ISSUES AND STRATEGIES**

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SINGAPORE'S PURSUIT OF FREE TRADE AGREEMENTS

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I. Introduction

1. The following report surveys the policy aims and objectives of Singapore's Free Trade Agreement (FTA) programme. It does not seek to provide a study of the individual trade and other economic gains arising from specific FTAs to which Singapore is a party. The report is based solely on a range of published or official facts, analyses, writings, and policy positions which are publicly available.

II. Global Vulnerability

2. Singapore rests on an open trading economy and investment regime.¹ It is therefore economically dependent and exposed, even vulnerable to its external environment. According to a long-time Singapore observer:²

Singapore's achievement has rested on a vulnerable base of economic interdependence which was its experience when a colonial entrepôt. Although it has transcended its original economic role, it is no less trade dependent in its modern version which registers a global ambit.

That *global* economic dependence was as much the result of deliberate policy which in 1972 was described in the following terms by Singapore's Foreign Minister, S. Rajaratnam:³

¹ Rahul Sen, *Free Trade Agreements in Southeast Asia* (Singapore: ISEAS, 2004), 9.

² The late Professor Michael Leifer of the London School of Economics. See Michael Leifer, *Singapore's Foreign Policy: Coping with Vulnerability* (London: Routledge, 2000), 11.

The economic climate of the region is no doubt important to us and what happens in the region would have consequences for us...But we are more than a regional city. We draw sustenance not only from the region but also from the international economic system to which as a Global City we belong and which will be the final arbiter of whether we prosper or decline.

As such, Singapore benefits from and requires an open global trading environment and a liberal global investment regime. That is the basic premise of Singapore's trade and investment policy taken as a whole. As Khaw Boon Wan, then Permanent Secretary at the Ministry of Trade & Industry (MTI), explained in relation to Singapore's FTAs: "The primary objective of our trade policy is to guard our trading interests by ensuring a free and open international trading environment."⁴

III. Transcending the Region

3. It is therefore to be expected that Singapore's FTA programme will have a global, not simply a regional, reach. The regional ambit of Singapore's FTA programme is important, but it is not exclusively, even primarily so. It has also been described as part of an economic strategy which sought to transcend Singapore's locale.⁵

Overall, Singapore's moves towards bilateral FTAs are aimed at helping the Singapore economy to reduce its erstwhile dependence on

³ Speech, 6 February 1972, quoted in Chan Heng Chee & Obaid Ul Haq (eds.), *S. Rajaratnam: The Prophetic and the Political* (Singapore: Graham Brash, 1987), 226-227; Bilveer Singh, *The Vulnerability of Small States Revisited: A Study of Singapore's Post-Cold War Foreign Policy* (Yogyakarta: Gadjah Mada University Press, 1999), 20. But the view that Singapore's future lay in "leap-frogging" the region economically, and attracting U.S. multinational corporations (MNCs) has been traced as far back as 1962 (i.e. prior to Singapore's independence); see Lee Kuan Yew, *From Third World to First: The Singapore Story* (1965-2000) (NY: Harper Collins, 2000), 57.

⁴ Quoted in "Regional Trade Pacts the Need of the Hour", *Straits Times* (Singapore), 2 November 2000.

⁵ Sen, *op. cit.*, 10.

other regional ASEAN economies for its growth in trade, as were the case prior to the [East Asian] crisis.

There is nothing new in this. Singapore's attempt to transcend its immediate region economically goes back at least to the abandonment of import substitution in favour of multinational enterprises (MNEs) seeking to use Singapore as a manufacturing base and export platform. This strategy is also tied to a wider policy of transcending Singapore's locale due to Singapore's relationship with its immediate neighbours, and geographical as well as demographic considerations. Its strategic location meant the unwelcome attention of all major Cold War external powers, which in turn required Singapore to focus its attention on international developments. Its demographics meant that it was the only Southeast Asian nation to have political power vested in the hands of the local Chinese. This in turn complicated its relations with its Malay neighbours.⁶

4. Singapore's solution has been to reach beyond its immediate region and seek to be both useful and relevant to the world beyond.

5. In trade policy, this has also led to a tension between Singapore's support for the WTO and its FTA programme. While Singapore's leaders see the best guarantee of a conducive global, external economic environment in the ultimate success of the WTO, their statements have also demonstrated a belief that FTAs can - and should - act as building blocks towards multilateral trade liberalisation.⁷

IV. Understanding Singapore's FTA Programme: 14 Factors

6. One of the first analyses of Singapore's FTA programme, published by Singapore's Institute of Southeast Asian Studies, identified the following policy-relevant factors.⁸ While that study only mentions these factors very briefly, we can tie these same factors to various other studies and official pronouncements.

⁶ Singh, *op. cit.*, 15-19; Leifer, *op. cit.*, 68-97.

⁷ See (e.g.) the then Prime Minister, Goh Chok Tong in his statements quoted in "Small Economies Need Free Trade", *Straits Times* (Singapore), 6 May 2000.

⁸ Ramkishan S. Rajan, Rahul Sen & Reza Siregar, *Singapore and Free Trade Agreements: Economic Relations with Japan and the United States* (Singapore: ISEAS, 2001), 7-12.

(a) *Adoption of a U.S. “Fall-Back Plan”*⁹

According to this explanation, there is a parallel with U.S. policy during William Brock’s tenure as the U.S. Trade Representative (USTR). Namely, that when the United States faced opposition during the Tokyo Round from developing countries and Europe, it turned towards preferentialism instead.¹⁰ According to this analysis, FTAs became a “fallback” plan or policy because of perceptions of (1) a post-Asian Financial Crisis weakening on the part of other ASEAN neighbouring countries’ commitment towards speedy trade liberalisation,¹¹ and (2) the ineffectiveness of the Asia-Pacific Economic Cooperation (APEC) forum.¹²

The same reasoning would have applied to the “difficulty” in achieving agreement at the multilateral level,¹³ particularly in the wake of Seattle in 1999 and later Cancun in 2003.¹⁴ According to this view, the WTO provides an insufficient guarantee of future trade liberalisation. As another Singapore policy observer and Member of Parliament put it in 2001:¹⁵

Singapore’s bilateral initiatives came in the wake of the failed WTO ministerial meeting in Seattle at the end of 1999 and the stall in negotiations thereafter.

⁹ *Id.*, 7.

¹⁰ *Id.*

¹¹ *Id.*, 4.

¹² *Id.* For the “failure” of APEC’s role in trade liberalisation post-Asian financial crisis, see also Vinod K. Aggarwal & Kun-Chin Lin, “Strategy without Vision: The US and Asia-Pacific Economic Cooperation”, in Jurgen Roland, Eva Manske, and Werner Draguhn (eds.), *Asia-Pacific Economic Cooperation (APEC): The First Decade*. (London: Routledge Curzon, 2002), 104.

¹³ See the remarks in Tommy Koh, “The USSFTA: A Personal Perspective”, in Tommy Koh & Chang Li Lin (eds.), *The United States-Singapore Free Trade Agreement: Highlights and Insights* (Singapore: IPS & World Scientific, 2004), 3, 5.

¹⁴ See Michael Ewing-Chow, “Southeast Asia and Free Trade Agreements”, (2004) 8 *Singapore Year Book of International Law* 193, 193-195.

¹⁵ Simon S.C. Tay, “Island in the World: Globalization and Singapore’s Transformation”, *Southeast Asian Affairs 2001* (Singapore: ISEAS, 2001), 279, 296. Tay who is Chairman of the Singapore Institute of International Affairs (Singapore’s oldest think-tank) was then serving as a Nominated Member of Parliament.

This is confirmed in a statement in 2000 made by then Singapore Deputy Prime Minister, Lee Hsien Loong:¹⁶

We are pursuing free trade agreements with several potential partners [because] we need a fall-back position in case WTO runs into trouble...After the fiasco of the Seattle ministerial meeting, such a scenario has become less unlikely.

Such “new regionalist” thinking is also related to factors (c) and (f), discussed further below.

(b) *The “Bicycle Theory” of Trade Negotiations*¹⁷

A related idea is that one must simply “keep up” the *momentum* of trade liberalisation. According to this idea, negotiations to lower trade barriers are not unlike riding a bicycle – if you stop pedaling, you will fall off. FTAs are a way to keep up the “forward momentum” for trade liberalisation where negotiations in other fora are stalled.¹⁸

(c) *Overcoming the “Convoy Problem”*¹⁹

FTAs, unlike wider, multilateral negotiations do not suffer from the so-called “convoy problem” where all the vehicles proceed at the pace of the slowest. In trade terms, liberalisation is *not held back* by the “least willing member”. At least two other commentators have also attributed Singapore’s FTA policy to the need to overcome the convoy problem, both at the multilateral and regional levels.²⁰ The difference between the “fall-back” (factor (a) above) and “convoy” considerations is that while the former is a defensive and pre-emptive scenario planning consideration, the latter is a proactive strategic device.

¹⁶ “Singapore Pursues FTAs with Partners”, *Xinhua*, 3 April 2000.

¹⁷ Rajan *et al*, *op. cit.*, 7.

¹⁸ See further, James Bacchus, “The Bicycle Club: Affirming the American Interest in the Future of the WTO”, (2003) 37, *Journal of World Trade* 429. Mr. Bacchus was a US Member of Congress from 1991-1995 from Florida, and served on the WTO Appellate Body for eight years until 2003 where he was twice elected as Chairman.

¹⁹ Rajan *et al*, *op. cit.*, 8.

²⁰ Ewing-Chow, *op. cit.*, 200; Chuang Peck Ming, “Singapore to Pursue FTAs despite New Round of WTO Trade Talks”, *Business Times* (Singapore), 23 November 2001 (quoting Dr. Ramkishan Rajan, University of Adelaide).

(d) ***“Relative Ease” of FTA Negotiations Compared to Multilateral Negotiations***²¹

Another factor which is mentioned is a general belief that FTAs can be concluded more easily, or at least in the case of Singapore, conclusion of such negotiations according to strict deadlines could simply be the subject of policy imperative.²²

In 2001, a spokesperson for Singapore’s MTI explained the view that unlike the WTO which is cumbersome because of its large membership, “FTAs, on the other hand, are partnerships between two or more like-minded economies which may be prepared to move faster”.²³

One possible weakness of such an approach, however, is that the success of such a policy would thereby also hinge on Singapore’s own “readiness” to accept the demands of the other side. Examples cited in the literature include labour and environmental standards in the FTA with the United States (USSFTA), or the exclusion of agriculture from the Japan-Singapore Closer Economic Partnership Agreement (JSEPA).²⁴

(e) ***Putting the “Laboratory Effect” of FTAs to Use***²⁵

FTAs are sometimes seen as laboratories or “test tubes” for exploring complex trade issues. As one observer, using the example of Singapore’s FTAs with New Zealand (ANZSCEP) and the U.S. (USSFTA) puts it: “In addition to providing fuel for trade liberalisation, FTAs have also been useful “test-tubes” for the inclusion of new ideas and trade liberalisation commitments”.²⁶ Singapore’s Ambassador-at-Large, Tommy Koh, confirms this in his reflections on the USSFTA negotiations:²⁷

The pendulum began to swing the other way as the WTO expanded its membership and as its greater number and diversity made it

²¹ Rajan *et al*, *op. cit.*, 8.

²² *Id.*

²³ Chuang, *op. cit.*

²⁴ Rajan *et al*, *op. cit.*, 72.

²⁵ Rajan *et al*, *op. cit.*, 8.

²⁶ Ewing-Chow, *op. cit.*, 201.

²⁷ Koh, *op. cit.*, 5.

increasingly difficult to arrive at agreements. As the pendulum moved, the idea that bilateral and regional agreements might not be harmful but could actually help the global system, gained ground. The argument is that bilateral and regional agreements, which are consistent with the WTO and which set higher standards than the WTO norm, could help to spur the global system to embrace those higher standards.

The WTO is limited in its aims and coverage of forms of economic activity which may possess special strategic significance. One clear example lies in the area of investment protection rules. Bilateral investment treaties (BITs) fill the void, yet investment disciplines are now typically covered in FTA investment chapters.²⁸

(f) *Building the Momentum for Regional Trade Liberalisation*²⁹

In addition to “spurring” multilateral talks, FTAs could also stimulate liberalisation at the regional level. This brings us to the background regional context against which Singapore’s FTA programme came about. The ASEAN Free Trade Area (AFTA) was initiated in 1992 in Singapore by way of the Framework Agreement and the Common Effective Preferential Trading (CEPT) Scheme Agreement. In 1993, Thailand and Indonesia sought to delay AFTA but were resisted by Singapore and Malaysia. 1994 saw the “re-launch” of AFTA. With the advent of the East Asian Financial Crisis, however, there was a need to emphasise ASEAN’s seriousness about AFTA.

Yet just as APEC’s open voluntarist model for trade liberalisation had not added momentum to regional liberalisation, AFTA soon faced Malaysia’s sensitivity in its automotive sector and in certain agricultural products, while the attempt to have an ASEAN FTA with Australia and New Zealand had also been blocked by objections within ASEAN.³⁰ Singapore would have perceived capital controls in Malaysia as a sign of doubt within the region about the benefits of economic globalisation while newer ASEAN countries such as Vietnam may also have become discouraged. Regional trade liberalisation needed a stimulus and Singapore’s FTA policy has been

²⁸ The best example is Chapter 11 of the North American Free Trade Agreement (NAFTA). Investment chapters are a characteristic part of Singapore’s FTAs – see e.g. the USSFTA and the Singapore-Australia FTA (SAFTA) which employ the NAFTA Chapter 11 template.

²⁹ Rajan *et al*, *op. cit.*, 8.

³⁰ Tay, *op. cit.*, 309 (note 49).

attributed with that very intent.³¹ As Tommy Koh explained during a press interview:³²

Each country must understand all of ASEAN will lose out if AFTA's momentum slackens...We will not be able to compete in a globalised world.

Some observers have therefore drawn a further comparison with the United States. They have explained Singapore's reaction in terms of a like-minded policy of "competitive liberalism" shared with the U.S. Bush Administration.³³ As Bush Administration USTR, Robert Zoellick explained:³⁴

"[W]hat should the U.S. do if other nations choose protectionism over free trade? Under the WTO's procedures, one nation can block progress. It would be a grave mistake to permit any one country to veto America's drive for global free trade. Our strategy is based on...competition. If some countries hide behind the false security of protectionism...The strategy is simple: The U.S. is spurring a competition in liberalisation. In the wake of the disastrous protectionism of the 1930s, Secretary of State Cordell Hull employed this logic to cut tariffs and build momentum for global trade rules by negotiating 32 bilateral agreements. That is why the U.S. has pressed forward with a portfolio of free trade agreements while doing all we can to make the WTO negotiations succeed."

Unlike factors (a) and (c) above which focus on Singapore's own behaviour, competitive liberalisation would tend to *influence* the behaviour of other nations, in this case Singapore's ASEAN regional partners:³⁵

So it has been with Singapore and its FTAs. In response to the Singapore FTA initiatives, Thailand began studies into an FTA with

³¹ See further Tay, *op. cit.*, 296-297.

³² Quoted in Ruth Youngblood, "Singapore Confident its Trade Pact Push will Speed Up AFTA", *Deutsche Presse-Agentur*, 22 April 2000.

³³ Rajan *et al*, *op. cit.*, 87 (note 7).

³⁴ Op-Ed, *Wall Street Journal*, 10 July 2003.

³⁵ Ewing-Chow, *op. cit.*, 200.

Australia and the Philippines began studies into FTAs with the US and Europe. A bandwagon effect has occurred as countries fearing isolation have increased trade liberalisation efforts. Indeed, these FTA initiatives have added fuel to the ASEAN efforts towards regional trade liberalisation by providing incentives for member countries to commit towards further trade liberalisation measures...

Singapore's policies have also been described as an intended stimulus for an APEC-wide FTA.³⁶ While Singapore would clearly benefit from greater regional liberalisation, there is seemingly little doubt that it also believes this to be the best policy for the region as a whole.³⁷

(g) “Locking In” Close Trade and Investment Partners³⁸

FTAs impose legal obligations. They present a different model from APEC's original idea that liberalisation should be unilateral and voluntary, achieved through simple peer pressure, and made subject to the Most Favoured Nation (MFN) doctrine so that non-APEC members would also benefit from such liberalisation.³⁹ They impose binding commitments and generate formal dispute settlement procedures in relation to FTA gains not covered by WTO or other commitments in advance of future trade disputes. Putting aside the formal, legal dimension, Singapore's FTAs are also intended to “lock in” strategic and other non-trade interests. Tommy Koh explains the reasons for entering into the USSFTA in these terms:⁴⁰

Singapore's interest in the U.S., however, transcends business and economics. Singapore wishes to entrench the presence of the U.S. in the region because it underpins the security of the whole Asia-Pacific region. Singapore regards the U.S.-Singapore FTA as a symbol of continued U.S. commitment to the region...It is...about enhancing the prospects of peace and stability in the region.

³⁶ “Bilateral Trade Pacts Bring APEC Closer to Free Trade Goals: Goh”, *Agence France-Presse*, 14 November 2000 (Quoting Singapore P.M. Goh Chok Tong).

³⁷ See the remarks in Tay, *op. cit.*, 296-297.

³⁸ Rajan *et al*, *op. cit.*, 9.

³⁹ See Akiko Yanai, “Characteristics of APEC Trade Liberalization: A Comparative Analysis with the WTO”, in Jiro Okamoto, *Trade Liberalization and APEC* (London: Routledge, 2004), 9, 15-20.

⁴⁰ Koh, *op. cit.*, 8.

Similarly, Goh Chok Tong explained that Singapore's FTA with Japan was "strategically...a very important step, that North-east Asia is being linked to South-east Asia first through the Japan-Singapore free trade agreement."⁴¹

(h) Securing a "First Mover" Advantage⁴²

According to the "first-mover" principle:⁴³

Being among the first few countries to establish a number of FTAs with these two [the U.S. and Japan] and other economically significant economies also ensures that Singapore is not discriminated *ex post* in the event that its "competitors" form FTAs with third countries.

This sentiment, when anticipated by neighbouring countries, would tend to stimulate regional liberalisation – i.e. because of the fear of exclusion factor.⁴⁴ A 2000 statement by Lee Hsien Loong (then Deputy Prime Minister) confirmed that the FTAs were to ensure that Singapore will not be "left out in the cold, should a weakened WTO fail to protect our interests".⁴⁵

The "fear of exclusion" factor illustrates another advantage to moving first. This explanation has been applied to events in the Western Hemisphere. When the U.S. and Mexico started negotiating, Canada, despite domestic opposition to the Canada-U.S. FTA (CAFTA), swiftly sought entry into the U.S.-Mexico FTA negotiations. This eventually led to NAFTA. Likewise, Chile, Brazil, Argentina, Uruguay and Paraguay sought to negotiate with the U.S. once they learnt of the U.S.-Mexican negotiations.⁴⁶ In short, other nations tend to be drawn to the negotiating table *with* first mover(s).

⁴¹ "Regional Trade Pacts the Need of the Hour", *op. cit.*

⁴² Rajan *et al*, *op. cit.*, 9.

⁴³ *Id.*

⁴⁴ The seminal paper introducing the domino theory is Richard Baldwin, *A Domino Theory of Regionalism* (Working Paper No. 4465) (Cambridge, Massachusetts: National Bureau of Economic Research, 1993).

⁴⁵ Quoted in "Singapore Pursues FTAs with Partners", *op. cit.*

⁴⁶ *Id.*, 14.

(i) Application of a “Hubs and Spokes” Theory⁴⁷

This kind of policy thinking often accompanies a “hubs and spokes” analysis. A “hub” economy is one which has wide-spread agreements with numerous “peripheral” economies (“spokes”). While market access conditions are better in the hub which has favourable market access to all the spokes, there would be less significant trade between the spokes.⁴⁸ Foreign direct investment would move to the hubs which serve as favourable export platforms. According to this analysis, by having FTAs with a wide range of different countries and doing so early enough – i.e. as a first-mover – Singapore could become a hub where producers enjoy cost-advantages when compared to those in the spoke economies.

(j) Role of Singapore as a Trans-shipment Port⁴⁹

The same reasoning could enhance Singapore’s role as a trans-shipment port, precisely because Singapore originating goods would enjoy preferential access. Rules of origin (ROO) stipulating Singapore content would prevent third-country goods from enjoying FTA preferences, but that same restriction would act as an incentive for goods producers and services providers to relocate to Singapore.⁵⁰

(k) Attractiveness as an Export Platform and towards Foreign Investment⁵¹

This, in turn, is related to a need to increase Singapore’s attractiveness as an export platform and investment destination. It is connected with factor (i), discussed earlier above, and is clearly nothing new in the Singapore policy milieu.⁵²

(l) Distinguishing Singapore from the Region⁵³

In the event that the region takes a conservative approach towards liberalisation, or loses its “dynamism and momentum” and becomes unattractive to foreign investment as a result, Singapore’s FTAs could serve to distinguish its policies from trade policy

⁴⁷ Rajan *et al*, *op. cit.*, 9.

⁴⁸ Asian Development Bank (ADB), *Asian Development Outlook 2006* (Manila: Asian Development Bank 2006), 281. Part 3 of the *2006 Outlook* addresses the rise of bilateralism in the region.

⁴⁹ Rajan *et al*, *op. cit.*, 9.

⁵⁰ *Id.*

⁵¹ *Id.*, 10.

⁵² Lee, *Third World to First*, *op. cit.*, Ch. 4 generally (noting the contributions of Dr. Albert Winsemius as policy adviser).

⁵³ *Id.*,

in the rest of the region. Again, this too is not new and echoes a long-standing policy of “creating a First World oasis in a Third World region”.⁵⁴

(m) Diversification of Economic Linkages⁵⁵

The need to diversify economic linkages is likewise related to Singapore’s continued need to “transcend the region” (as discussed in Part III, above).

(n) Acting as a Regional “Flag Bearer”⁵⁶

On the other hand, Singapore would also champion the region by having policies which would attract investment not only into Singapore, but into the region as a whole. Koh, replying to the press in relation to the December 2000 Joint-Statement by P.M. Goh and U.S. President of Bill Clinton, said: “Singapore is an exemplar for the rest of East Asia. Singapore has a vibrant market economy and practices free trade”.⁵⁷ Again, this shows that Singapore’s intention is also to influence the behaviour of those around it.

V. Distinguishing the “14 Factors” from Factors Affecting the Selection of Individual FTA Partners

7. There are further factors which affect the decision to have a *specific* FTA where the reasons for having one FTA may, or is likely to differ from the reasons for having another FTA. These sorts of reasons can be distinguished from the “14 factors” discussed earlier. In other words, a specific policy for having one FTA may not apply to another proposed FTA. A clear example is the reason given for having the USSFTA – entrenching a U.S. presence in Asia. Other cases are not so clear, and here we move into the realm of inference and towards a degree of speculation.

8. The reason for having an FTA may be dependent upon the prior existence of another FTA. That observation has been made of China, for example – China’s partners are either FTA members or FTAs themselves. Iceland is a Member of EFTA,

⁵⁴ Lee, *Third World to First*, *op. cit.*, 58.

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ “U.S.-Singapore FTA: It’s Good for More than Just the Two”, *Straits Times* (Singapore), 7 December 2000.

Chile an Associate Member of THE Southern Common Market (MERCOSUR) and a Member of the Andean Community, and India and Pakistan are Members of the South Asian Association for Regional Cooperation (SAARC). China's choices may allow the Mainland to tap into other FTA markets in a cost-effective manner.⁵⁸ Assuming the same reasoning applies to Singapore, possible examples would be the FTA between Singapore and the European Free Trade Area (EFTA) – the “EFSTA”; the USSFTA; the Singapore-Australia FTA (SAFTA); the ASNZCEP with New Zealand; the Trans-Pacific Strategic Economic Partnership Agreement which includes Chile and New Zealand; Singapore's negotiations with Canada and Mexico; and the FTA with the Gulf Cooperation Council (GCC). EFTA is an FTA, the GCC a customs union, Australia and New Zealand are members of the Australia-New Zealand Closer Economic Agreement (ANZCERTA), the US, Mexico and Canada belong to the North American Free Trade Agreement (NAFTA), & c. Likewise, three EFTA Members are also parties to the European Economic Area (EEA).

9. Taking this reasoning one step further, signing a specific FTA can serve as a building-block not only for multilateral *or* regional liberalisation, but *also* for trans-continental FTAs. Tommy Koh in a press interview was reported to have said:⁵⁹

We think that the USSFTA will have a positive effect because it involves an ASEAN country, because it could lead to other FTAs between the US and other ASEAN countries and because it could lead eventually to former U.S. Trade Representative Bill Brock's dream of a U.S.-ASEAN FTA.

Similar reasoning has been applied to the ESFTA (between Singapore and EFTA). Minister for Trade & Industry, George Yeo said upon the announcement of the ESFTA negotiations: “I hope we will be able to interest the European Union as well”.⁶⁰

10. Perhaps another reason for having a specific FTA partner is the case where an FTA with a third country simply attracts that FTA partner, deliberately or otherwise. In a sense, this is the domino theory again (discussed above). The FTA relationship with Brunei may be one such example within the structure of the Trans-Pacific SEP

⁵⁸ Henry Gao, “The RTA Strategy of China”, in *The New International Architecture in Trade and Investment: Current Status and Implications*, APEC Human Resources Working Group Capacity Building Network (Singapore: APEC Secretariat, 2007), 34, 37.

⁵⁹ “U.S.-Singapore FTA: It's Good for More than Just the Two”, *op. cit.*

⁶⁰ Jake Lloyd-Smith, “Lack of WTO Progress Towards Fresh Global Round Sees City-State Ready to Make its Own Deals –Free-Trade Talks Sought with EU”, *South China Morning Post* (HK), 10 January 2001.

Agreement. Originally the Trans-Pacific SEP was simply conceived as a “P-3” Agreement between New Zealand, Chile and Singapore.⁶¹ Yet another example involving the Trans-Pacific SEP Agreement is captured in Minister for Foreign Affairs, George Yeo’s recent explanation in Parliament:⁶²

An important item for APEC is the proposal to establish as a long-term goal a Free Trade Area of the Asia Pacific...The Trans-Pacific Strategic Economic Partnership, which is a proposed FTA of a number of APEC economies, will help us get there. The US, Australia and Peru will be negotiating membership with the present members, which are Brunei, Chile, New Zealand and Singapore. Vietnam has expressed interest too.

11. Some observers have also pointed out that FTA partner selection can be based on sequencing the first or pioneering batch of FTA negotiations as a “warm up” exercise or prelude to subsequent negotiations with “major” trading partners.⁶³ That, in any case, has been the thinking attributed to Korea’s FTA policy.

VI. Miscellaneous Factors

12. There is a further range of factors canvassed in general surveys of countries’ motivations and reasons for entering into FTAs. One factor is that: “a domestic economic downturn and the ensuing political pressure could make political leaders more willing to try to stimulate economic growth by entering into RTA

⁶¹ See (e.g.) Tan Theng Kok, Jason, “Recent Developments in Singapore on International Law”, (2005) 9 *Singapore Year Book of International Law*, 209, 210. At one point it was also conceived, explicitly as a P-5 agreement which would also include the U.S. See further, Koh’s remarks in ‘U.S.-Singapore FTA: It’s Good for More than Just the Two’, *op. cit.*

⁶² “Remarks by Minister for Foreign Affairs George Yeo in Parliament during Committee of Supply Debate on 6 February 2009”, Ministry of Foreign Affairs Press Release, 6 February 2009.

⁶³ For the Korean experience, see Dukgeun Ahn, “Korea’s FTA Policy”, in *New International Architecture*, *op. cit.*, 49, 51.

negotiations".⁶⁴ The same reasoning would also apply in a global economic downturn.⁶⁵

13. Longer-term strategies of domestic economic reform may also be implicated. FTAs may be related to certain forms of domestic economic restructuring.⁶⁶

14. FTAs allow linkages and trade-offs to be made between different sectors and between trade and other non-trade interests in a way WTO negotiations do not. This is especially the case for smaller economies which do not possess much clout in the overall context of the WTO. This point is related to the complexity of multilateral negotiations and the comparatively greater "ease" of bilateral negotiations.

VII. Conclusion

15. Singapore's FTAs are driven by both commercial and strategic considerations. This is not to say that there have not been notable commitments gained from Singapore's FTAs.⁶⁷

16. There is, in addition, a high degree of continuity between the FTA policy and other, long-standing Singapore policies. There is also a high degree of interconnectedness with those broader policies, especially Singapore's external policies. In particular, Singapore's FTA policy is closely connected to the debate on whether Singapore has successfully transcended its regional locale, whether it continues to "suffer" its immediate locale, or whether it suffers but continues to be "driven" by it.⁶⁸ Yet part of Singapore's success in its FTA programme is probably due to external recognition of its attractiveness as an FTA partner precisely because it champions trade liberalisation within the Southeast Asian and wider region.

⁶⁴ Henry Gao, "Synthesis Report", in *The New International Architecture in Trade and Investment: Current Status and Implications*, APEC Human Resources Working Group Capacity Building Network (Singapore: APEC Secretariat, 2007), 9, 13 (the present author participated in that APEC report).

⁶⁵ See "Tapping into the World's Markets", *Business Times* (Singapore), 4 December 2008.

⁶⁶ For the example of the liberalisation of the banking sector, see Ravi Menon, "Financial Services and Capital Controls", in Koh & Chang (eds.), *op. cit.*, 105.

⁶⁷ See generally, Koh & Chang, *id.* For the view that Singapore's FTAs (e.g. the USSFTA) may be distinguished from other "shallow" Asian FTAs in terms of comprehensive coverage and trade gains, see Razeen Sally, *Trade Policy, New Century: The WTO, FTAs & Asia Rising* (London: Institute of Economic Affairs, 2008), 135-136.

⁶⁸ Tay, *op. cit.*, 295.

17. In contrast, Hong Kong cannot conduct foreign policy on its own. So far as its relationship with its natural hinterland is concerned, that is also mediated through the formal instrumentalities of the Basic Law and the Mainland-Hong Kong CEPA.

18. Applying any lessons from the Singapore experience will need to account for these, and other important differences.

19. At least three questions present themselves from this brief survey. First, the success of Singapore's FTA programme is partly due to Singapore's willingness to act as a *regional* flag-bearer. Should, and can Hong Kong do the same, especially in Northeast Asia and more widely? Secondly, Singapore's attempt to transcend the region has a defensive and pre-emptive aspect, in addition to its proactive dimensions. Can Hong Kong afford to be left out of the proliferation of FTAs in the Asia-Pacific region, and the emerging trade architecture across Asia and the Asia-Pacific? Thirdly, can FTAs help Hong Kong, like Singapore, to diversify its economic linkages and transcend any regional constraints?