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## **Stabilizing the domino: US economic support to Singapore during the Cold War**

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# Stabilizing the domino: US economic support to Singapore during the Cold War

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## Abstract:

This thesis focusses on the relation between Singapore's economic development and US geopolitical interests. Problematically, Singapore's economic development has been predominantly analysed through an inward-centric and economically-oriented lens, which has prescribed a neglect of external geopolitical drivers. This thesis aims to fill this gap by researching Singapore's post-war industrialization from an approach that considers external geopolitical influences as an important driver of economic development. In line with this approach, I focus on the relation between US geopolitical interests and Singapore's post-war industrialization by building on the main theoretical insights from hegemonic stability theory and economic statecraft. Interestingly, the empirical findings of this thesis establish a substantive relation between US geopolitical interests, channelled through capital support to the city-state, and Singapore's economic development. This is based on the empirical finding that Singapore received economic aid in the late-1960s when US geopolitical interests were threatened by suddenly emerging Singaporean instability. Accordingly, by having connected Singapore's economic development to US Cold War interests, this thesis has complemented the contemporary state of the literature.

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## 1. Introduction

In 1967, a CIA document reflected on Singapore's inability to contain the increasing communist appeals that capitalized on sudden emerging economic instability in the city-state. This instability followed after the UK unexpectedly withdrew its troops from the island, whose military activities accounted for 20% of Singapore's gross domestic product. Accordingly, the withdrawal posed a serious threat to Singapore's economic stability, as is reflected in the document:

*“In essence, Singapore's future as a viable political and economic entity is by no means assured, and will be determined by forces and events largely beyond Singapore's influence” (CIA, 1967)*

This quote substantively indicates the geopolitical precarity that underlined Washington's view of Singapore's insecure situation and the importance that external drivers posed to Singapore's economic development. However, the intimate relation between Singapore, its economic development, and geopolitics has remained problematically understudied (Stubbs, 1999, p. 337). This is because research on Singapore's post-war industrialization has adopted predominantly an inward-centric and economically-oriented approach, which has neglected an appreciation for the geopolitical embedment of the city-state's economic development.

Nonetheless, research on the relation between other Southeast Asian states' economic development and a favourable geopolitical context has convincingly demonstrated their substantive relation (Yeung, 2017, p. 2-3). Japan's and Korea's rapid industrialization have, for instance, been convincingly attributed to the geopolitically motivated employment of US economic support (Kvangraven, 2017, p. 93-95). In these cases, Washington extended economic aid to satisfy its geopolitical interests and subsequently shaped the economic development of Japan and South Korea. Such an appreciation for the intertwinement of economic development and geopolitics has not yet been applied to Singapore, leading to a profound gap in the contemporary literature on Singapore's post-war industrialization.

I aim to tackle this gap by researching Singapore's economic development during the Cold War in relation to US geopolitical interests. Interestingly, empirical evidence strongly suggests that the US actively stimulated Singapore's post-war industrialization. The desire to secure Singapore's economic development originated from the city-state's interaction with the following three Cold War themes, which ensured that Singapore became identified as geopolitically significant to US regional Cold War objectives: i) domino theory, which established the belief that even relatively small states, such as Singapore, could ignite a domino

chain of communist ascendancies, (Ngoei, 2019, p. 3) ii) US conflation of the Chinese ethnicity with communism, leading to suspicions of Singapore's Chinese majority (Oyen, 2010, p. 60); and iii) Singapore's geostrategic military and economic value (CIA, 1970). Through the city-state's profound interaction with these three themes, Singapore's continued non-Communist posture became identified as a critical geopolitical interest to Washington. Importantly, this inspired the extension of US economic support to the city-state to ensure its economic and political stability.

To analyse Washington's geopolitically-driven economic support to Singapore I aim to answer the following research question: why did the United States provide economic support to Singapore during the city-state's instability in the late-1960s despite Washington's positive view of Singapore's state capabilities? By focussing on the extension of US economic support to Singapore despite Washington's high esteem of Singapore's state capabilities, this research questions allows this thesis to uncover Washington's underlying rationale to actively stimulate Singapore's economic development. Importantly, this would bridge the so far neglected relation between Singapore's economic development and geopolitics. Even more, the employment of mostly empirical sources ensures that this thesis makes an original contribution to the contemporary literature on Singapore's post-war industrialization.

To explore the relation between Singapore's economic development and US geopolitical interests, I adopt a theoretical framework that combines key insights from hegemonic stability theory and economic statecraft. More specifically, this thesis builds on the former's theoretical assumption that powerful states shape the economies of weaker states to pursue their geopolitical interests while I employ the latter's specification of the economic mechanisms that enable the reflection of geopolitical interests unto the economies of less powerful states (Krasner, 1976, p. 317; Weiss, 2021, p. 164-165). When these insights are applied to the subject of this thesis, the hypothesis emerges that the US extended economic support to Singapore to satisfy its geopolitical interests. This hypothesis will be tested by employing process tracing methodology, which is constitutive of three smoking gun tests that collectively allow this thesis to determine whether and why the US economically supported Singapore. Interestingly, the outcome of these smoking gun tests confirm the hypothesis as empirical evidence indicates that US geopolitical interests underlined the extension of US economic aid to the city-state during increased Singaporean economic and political instability in the late-1960s.

I have divided this thesis into seven sections. In the first part, I analyse the contemporary state of the literature on Singapore's economic development. This section argues that the research on this topic has focussed predominantly on domestic drivers of its economic

development, which are not necessarily invalid or unjustified, but has led Singapore's economic performance in relation to geopolitics to be problematically understudied (Yeung, 2017, p. 2). Although some scholars have aimed to correct for this niche, they have failed to provide sufficient empirical evidence to support their claim that Singapore's post-war industrialization benefitted from US Cold War objectives. In the second section, I set out the theoretical framework, which combines key insights from hegemonic stability theory and economic statecraft. Afterwards, I discuss the methodology, which centres around Beach & Pedersen's theory-testing process-tracing framework (2019, p. 225). The fourth, fifth and sixth section embody the analytical parts of this thesis, which are divided over three smoking gun tests that altogether allow me to reject or confirm the hypothesis. The first part tests whether the US held geopolitical interests in Singapore, the second test analyses if such previously identified geopolitical interests led to the mobilization of economic foreign policy and, finally, the third analytical part tests whether such geopolitically-driven foreign economic policy was extended to Singapore during the economic instability that followed from the UK's unexpected military withdrawal in 1967. In the concluding part of this thesis, I answer the research question and provide recommendations for future research.

## **2. Literature Review**

Singapore's post-war industrialization has been predominantly researched through a domestically-oriented and economic lens (Kucuk, 2008; Lim, 1983; Huff, 1995; Lee, 1997; Olds & Yeung, 2004). Such research aimed to uncover the dynamics of the city-state's economic performance and has subsequently identified Singapore's domestic policies as the main driver behind its economic development (Huff, 1995, p. 1421). Although not unjustified, this dominant emphasis on domestic factors has prescribed an inward-centric and economically-oriented approach, emphasizing the importance of Singapore's state interference for its post-war industrialization (Yeung, 2017, p. 2-3).

However, in studies on other Southeast Asian states' economic development, external drivers of economic growth, most notably a favourable geopolitical context consisting of US regional objectives, have been convincingly identified as influential to the region's post-war economic development (Stubbs, 1999, p. 338). Such a consideration of geopolitical drivers has not yet been (sufficiently) extended to the subject of Singapore's economic development due to three methodological reasons that inspired the current niche. First, research on the intertwinement of geopolitics and Southeast Asia's economic development has focussed

predominantly on states that were at the forefront of Cold War tensions, such as Japan and South Korea (Yeung, 2017, p. 19). Second, Singapore has been wrongly perceived as belonging to the UK's sphere of influence after World War II, thereby problematizing an approach that profoundly considers the relation between Singapore's economic development and Washington's regional objectives (Ngoei, 2019, p. 5-7). Finally, this UK-centric orientation on Singapore's post-war history has neglected a consideration of US empirical sources. These three causes collectively explain why a consideration of the relation between Singapore's post-war industrialization and Washington's geopolitical interests is yet to be written.

Others scholars have confirmed this gap and have modestly aimed to place Singapore's economic development within a broader geopolitical context (Yeung, 2017; Chua, 2017; Stubbs, 1999; Ngoei, 2019; Meulbroek & Akhter, 2019). Their efforts should be applauded as they have tried to challenge the current inward-centric and economically-oriented dominance in the literature, however, they have failed to provide sufficient empirical evidence to support their observation that Singapore's economic growth was more geopolitically embedded than the current state of the literature would suggest.

Accordingly, I have identified two main approaches in the contemporary state of the literature. The first approach is defined by its inward-centric and economically-oriented nature, whereas the second approach is characterized by its preliminary consideration of the influence of geopolitics on Singapore's economic development. Although this oversimplified categorization does not acknowledge that some domestically-focussed analyses display some appreciation for geopolitics, I stress that they are discerned based on the degree to which they profoundly consider geopolitical factors to be an important driver of Singapore's economic development .

## **2.1. The inward-centric and economically-oriented approach**

The inward-centric and economically-oriented approach is characterised by its tendency to place the drivers of Singapore's economic development solely within its domestic boundaries. Accordingly, the approach is unified by the belief that Singapore's developmental state was able to decisively steer the city-state's industrialization and originates from a publication by Lim in 1983, who was the first to attribute the city-state's post-war industrialization to its domestic developmental policies.

Lim convincingly denounced the, until then, widespread belief that Singapore owed its

success to free market policies (Huff, 1995, p. 1421). She opposed the claims of Margaret Thatcher and Milton Friedman that the city-state's economic development was a prime example of the success of neoclassical economics by highlighting the various ways the Singaporean state actively intervened in its economy (Lim, 1983, p. 754). This led her to suggest that "...what has made Singapore successful is not the invisible Hand of the free market, but rather the very Visible Hand, indeed the Long Arm, of the State" (Lim, 1983, p. 758).

Lim's convincing denouncement of the, at that time, dominant attribution of Singapore's success to the application of neoclassical economic thought in favour of a developmental state approach inspired a considerable body of analyses which substantively echoed her inward-centric and economically-oriented assumption (Huff, 1995, p. 1421). Interestingly, although these analyses covered a variety of diverging elements of Singapore's economic development, ranging from establishing financial networks to the development of its first labour-intensive industry, I stress that they all echo the main state-centric assumption first set out by Lim: Singapore owed its economic and industrial success to the long arm of the state, and hence, to itself.

Although Lim was right to oppose the idea that the Singaporean state employed a wide range of free market policies, her main assumption prescribed an inward-centric focus which deemed external factors irrelevant due to the claimed success of Singapore's developmental state (Lim, 1983, p. 754). Consequentially, as her assumption spread into the body of literature that was inspired by her revolutionary findings, so too did this domestic focus that belied her main assumption, which manifested itself into the inspired inward-centric analyses. The effects of this implication becomes evident when analysing the research that built on her insights. Although they vary substantively, ranging from focussing on Singapore's infant industry's development to the establishment of financial networks, all analyses perceive Singapore's state policies as the main driver behind its economic modernisation (Kucuk, 2008; Huff, 1995; Lee, 1997; Olds & Yeung, 2004). For instance, Kucuk argues that "[a]t the heart of this successful [economic] transformation is the industrial policies of the government" (Kucuk, 2008, p. 27). This unnuanced attributed importance to domestic drivers is further echoed in an article of Olds & Yeung, who stress that Singapore deliberately positioned itself at the centre of global financial networks by utilizing its 'global reach' (2004, p. 491-492). These analyses are highly indicative of the inward-centric approach's tendency to perceive the drivers of Singapore's economic development as predominantly a domestic matter.

Despite its inward-centric focus, the approach often shows some appreciation for external factors. For instance, Olds & Yeung acknowledge that the city-state's development was

heavily dependent on foreign capital and US technologies (2004, p. 491), while Kucuk emphasizes the importance of foreign direct investment flows (2008, p. 40). However, they modify these external factors in such a way that they are (re)directed to the domestic realm by emphasizing how any form of foreign dependence was part of a strategy deliberately pursued through economic state policies. This is most evident in an article of Lee, who perceives the influx of foreign capital and technologies as driven by Singapore's investment-friendly policies (1997, p. 59). Consequentially, analyses on Singapore's industrialization consider any foreign components of its economic growth as constitutive of the domestic realm, even when faced with external factors so seemingly beyond the reach of the state like financial networks and foreign capital. This domestically-oriented focus significantly troubles a true consideration of external drivers, such as a favourable geopolitical context.

Huff is most indicative of the way through which inward-centric analyses redirect foreign drivers to the domestic realm, thereby overlooking external factors. In his analysis on Singapore's economic development, Huff acknowledges the importance of a communist threat to Singapore's post-war industrialization (1995, p. 1430-1431). He thereby touches upon an important driver for Singapore's post-war industrialization, as the prospect of a communist takeover allowed Singapore to be included in US economic efforts to prevent regional communist ascendancies (Yeung, 2017, p. 7). This meant that Singapore was allowed to tap into specific benefits, which will be addressed later in this essay, set out by the United States to ensure economic regional stability and prevent communist ascendancies. However, despite the external and geopolitical nature of this communist threat, Huff perceives the communist threat as solely a domestic issue which he relates to state efforts to curb the power of socialist trade unions and to eliminate labour opposition (1995, p. 1430-1431). Again, external factors are redirected to the domestic realm which troubles a true consideration of pressing non-domestic factors, like a favourable geopolitical context.

It is important to stress that such an inward-centric perspective is not inherently flawed. More specifically, it has contributed to our current understanding how the newly independent Singaporean state aimed to transform its economy through state-driven industrialization. As a consequence, the influence of the Singaporean state on stimulating economic development has been studied extensively and has expanded our knowledge on how states can influence national economic performance. However, I emphasize that this domestic focus has allowed little room for the consideration of external factors and has subsequently left the relation between Singapore's economic development and US geopolitical interests to be problematically understudied.

## 2.2. The geopolitical approach

The niche emanating from the inward-centric and economically-oriented approach has been identified and tackled by various scholars, thereby inspiring a second approach in the contemporary literature (Yeung, 2017; Stubbs, 1999; Meulbroek & Akhter, 2019). To a varying extent, they have been able to complement the domestically-oriented approach through a profound focus on geopolitics. Such analyses have aimed to place Singapore's economic development within a broader context and should be applauded for their efforts to challenge the current inward-centric dominance. Although most suffer from weak or even no empirical evidence, they nonetheless all rightfully indicate to the importance of a favourable geopolitical context for Singapore's post-war industrialization (Stubbs, 1999; Yeung, 2017).

For instance, Yeung and Stubbs provide a convincing critique of the inward-centric and economically-oriented approach. Both scholars argue that its inward-centric tendency has led to a dominant focus on the state and its economic strategies, thereby neglecting a profound consideration of geopolitical drivers. More specifically, Yeung calls for a historical and geopolitical understanding of Singapore's post-war economic development while Stubbs aims to relate the rapid industrialization of the city-state to the 'hot' wars in Asia, most notably the Vietnam War (Yeung, 2017, p. 2; Stubbs, 1999, p. 343-344). Both scholars thereby point to the necessity of placing Singapore's industrialization within a geopolitical context by relating its economic development to geopolitical drivers.

Although their theoretical critique is convincing and effectively exposes the problematic inward-centric dominance in the literature, the use of empirical evidence to support the identified relation between economic development and geopolitics remains unsatisfying. For instance, Yeung argues that the US stimulated trade with Singapore to ensure Singapore's economic development as part of a more general effort to support strategic regimes in Southeast Asia (2017, p. 7). If true, this would significantly enhance our understanding of how Singapore's economic development was shaped by US geopolitical interests. However, Yeung provides no convincing evidence of trade agreements or trade-related policies that might support this claim (2017, p. 7). Furthermore, he does not specify or explain the "unfettered support" from the US and UK, while he fails to provide evidence for his suggestion that Singapore benefitted significantly from its inclusion into Southeast Asia's "war-induced economic boom" in the context of US military engagements in Indochina (Yeung, 2017, p. 10). Yeung's claims thereby remain empirically unsupported. Stubbs analysis suffers from a similar limitation as he provides limited evidence for his suggestion that FDI flows to Singapore were

constitutive of broader US efforts to enhance the stability of Southeast Asia (1999, p. 346). Yeung and Stubbs thereby both fail to provide compelling empirical evidence for their nonetheless valid critique of the inward-centric and economically-oriented approach, which prolongs the gap in the literature. Meulbroek and Akhter's analysis is a noticeable exception to their empirical limitation as they employ an inductive approach to study the influence of Western expertise on Singapore's economic development (2019, p. 1242). Although their findings are less relevant to the subject of this thesis, I applaud their empirically-oriented approach to analyse the influence of external drivers on Singapore's post-war industrialization.

To conclude, I have categorised the contemporary state of the literature into two main approaches. These approaches differ based on the degree to which they profoundly consider geopolitical factors to have been an important driver of Singapore's economic development. Although the domestically-oriented dominance has been challenged by a more geopolitically sensitive approach, these efforts have failed to provide sufficient empirical evidence to support the observation that the city-state's economic development was related to US Cold War efforts. Accordingly, a niche remains which this thesis aims to tackle.

### **3. Theoretical Framework**

To analyse the understudied relation between Singapore's economic development and US geopolitical interests, this thesis employs a theoretical framework that centres around key insights from hegemonic stability theory and the economic statecraft concept, which collectively provide the theoretical foundations for analysing the intertwinement of economics and geopolitics. More specifically, I build on the theory's core theoretical assumption that powerful states shape the economies of weaker states to satisfy their geopolitical interests, while I employ the concept's specification of the observable mechanisms that facilitate this tendency of powerful states. Their insights on the relation between geopolitical interests and economic development thereby provide this thesis the theoretical foundation for analysing the influence of US geopolitical interests on Singapore's post-war industrialization.

Other scholars have also identified the advantages of employing both hegemonic stability theory and economic statecraft (Dobson, 2002; Aggarwal & Reddie, 2021). For instance, Aggarwal & Reddie have noted how a combination of their main insights on the (geo)political economy inspires a synergic relation that appreciates the influence of geopolitics on economic development (2021, p. 144). This synergic relation is derived from economic statecraft's translation of the core assumption of hegemonic stability into observable

implications, which facilitates the use of the theory's influential assumption in academic research. Employing their insights thereby not only allows this thesis to draw upon the theory's main assumption that prescribes an intertwining of economics and geopolitics, necessary to study the influence of US geopolitical interests on Singapore's economic development, but also to apply the observable implications of this assumption to the subject of this thesis.

### **3.1. A combination of hegemonic stability theory and economic statecraft**

I build on hegemonic stability theory's main assumption that the global economy reflects the geopolitical interests of dominant states (Snidal, 1985, p. 579). This assumption is based on the historical observation that the structures of the global economy were related to the willingness of global hegemon's to carry the necessary burdens of the international economic system (Webb & Krasner, 1989, p. 183). Importantly, such willingness was dependent on the degree of self-interest dominant states associated with upholding the economic system. A hegemon was thus only willing to provide systemic services if it believed that it was in its interest to do so (Krasner, 1976, p. 317). Hegemonic stability theory thereby related economics to geopolitical interests and power.

The theory originates from an influential book of Charles P. Kindleberger, who attributed the economic crisis of the 1930s to the absence of a world hegemon that was willing to carry the burdens of a stable economic system (1973, p. 11). More specifically, he argued that hegemons were an indispensable factor in a stable global economy as it provided essential 'international public goods', like free trade and stable currencies, which were necessary for a peaceful and organised economic system, but which states could not guarantee whenever power was distributed more equally (Kindleberger, 1973, p. 11-12). Accordingly, Kindleberger's assessment related the structures of the international economic system to the distribution of power. His influential book thereby marked the beginning of a theory that was preoccupied with understanding how power and geopolitics were echoed within the global economy (Paul, 2022, p. 1035).

This preoccupation inspired a key insight, particularly relevant to the subject of this thesis, that followed from these efforts to analyse the relation between economics and geopolitics. More specifically, such efforts to understand how the international economic system reflects the preferences of a global hegemon led to the theory's assumption that dominant states shape the world economy to satisfy their geopolitical interests. This assumption was set out by theorists who argued that, building on Kindleberger's appreciation of the relation

between economics and politics, the global economy reflects the interests of powerful states (Krasner, 1976, p. 317). Importantly, this notion was derived from the observation that powerful states enforce their interests onto weaker states' economies in their pursuit of geopolitical objectives (Krasner, 1976, p. 333). Hegemonic stability theory thereby established the assumption that dominant states shape the economies of weaker states to satisfy their geopolitical interests. This assumption is particularly interesting to the focus of this thesis. Specifically, understanding the theoretical foundation of powerful states' tendency to shape the economies of weaker states is essential to analyse US geopolitically motivated efforts to stimulate Singapore's economic development. Accordingly, this assumption is integrated into the theoretical framework of this thesis.

Economic statecraft complements hegemonic stability theory through its specification of the economic mechanisms that powerful states use to shape the economies of weaker states (Baldwin, 1985, p. 7). The concept builds on hegemonic stability theory's assumption that powerful states employ their geopolitical clout to shape the economies of weaker states while it translates this assumption into observable mechanisms (Lee & Maher, 2022, p. 333). The specification of this assumption is particularly relevant as it thereby enables the application of the theory's assumption onto the analytical objectives of this thesis.

Put differently, the concept complements hegemonic stability theory by focussing on the use of economic mechanisms in such a way that they are "geopolitically driven, strategically motivated, collaboratively implemented, and designed to outmaneuver [sic] a ... set of foreign rivals (Weiss, 2021, p. 164-165). Economic statecraft thus identifies the economic mechanisms that are used by states to shape weaker states' economies to satisfy their geopolitical interests. The concept has identified two categories of such geopolitically-driven economic mechanisms, based on the 'carrot and the stick' distinction, through which powerful states have traditionally done so (Scholvin & Wigell, 2019, p. 1).

The first category focusses on coercive economic mechanisms that are employed by powerful states to shape targeted economies (Mastandundo, 1999; Weiss, 2021). This category includes trade embargoes, important restrictions and, most notably, economic sanctions. Coercive mechanisms have traditionally received the most attention within the literature on economic statecraft due to the prominence and persistence of sanctions in the post-Cold War era and has thus inspired a considerable body of literature on this topic (Mastandundo, 1999, p. 301). Importantly, these efforts have echoed hegemonic stability theory's main assumption concerning the intertwinement of economics and geopolitics and have aimed to track the coercive economic mechanisms through which geopolitical interests and power flow.

The second category, especially interesting and relevant to the subject of this thesis, focusses on positive economic incentives that powerful state might provide to weaker states (Aggarwal & Reddie, 2021; Mastandundo, 1998; Dobson, 2002). Such positive incentives are used to shape and stimulate, rather than punish or limit, economic development. This category is therefore particularly interesting to this thesis as it specifies the economic mechanisms that are strategically employed to stimulate economic development in a concentrated effort to satisfy geopolitical interests.

Despite a predominant emphasis on coercive mechanisms, the concept has made valuable contributions to understanding how ‘positive economic sanctions’ shape targeted economies. Such positive sanctions include favourable trade agreements, industrial policies, foreign aid and capital influx (Mastandundo, 1999, p. 304). Accordingly, these mechanisms are employed by powerful shape to subtly steer the economies of weaker states. In the context of such US efforts during the Cold War, economic statecraft has theoretically identified trade agreements and capital influx as the mechanisms through which the US aimed to strategically stimulate the economic development of targeted states (Mastandundo, 1998, p. 834-836). Trade and capital were thus, according to economic statecraft, the economic mechanisms that the US strategically employed during the Cold War. These mechanisms therefore function as the observable mechanisms of hegemonic stability theory’s assumption, when applied to the topic of this thesis.

### **3.2. Hypothesis**

The theoretical framework thus adopts key insights from hegemonic stability theory and economic statecraft as I draw upon the former’s theoretical assumption that states shape the economies of weaker states to satisfy their geopolitical interests, while I employ the latter’s specification of the economic mechanisms that facilitate this tendency of dominant states. I stress that a combination of their main insights establishes a synergic relation. This is because economic statecraft’s translation of hegemonic stability theory’s main assumption into observable economic mechanisms allows the theory’s theoretical assumption to be applied to a historical case-study. *Visa versa*, the adoption of hegemonic stability theory’s main assumption allows the empirical findings of economic statecraft’s economic mechanisms to be related to a broader theoretical basis.

By employing their key insights, this thesis builds on the theoretical conviction that powerful states shape the economies of weaker states to satisfy their geopolitical interests by

using specific economic mechanisms. During the Cold War, these mechanisms centred around trade and capital. When these insights are applied to the subject of this thesis, the expectation thus emerges that the US supported Singapore economically by utilizing trade and capital mechanisms in a concentrated effort to satisfy its geopolitical interests. Accordingly, I have identified the following hypothesis: the US supported Singapore economically by utilizing trade and capital mechanisms to satisfy its geopolitical interests.

#### **4. Methodology**

To test this hypothesis, I employ a theory-testing process-tracing methodology. Process tracing “seeks a historical explanation” (Bennett, 2009, p. 704) of a historical case-study and is thus well-equipped to tackle the explanatory nature of my research question (Mahoney, 2015, p. 200). Even more, its theory-testing component is constitutive of a deductive approach that allows this thesis to directly relate its empirical findings to the theoretical foundations as expressed in the previous section (Bennett, 2009, p. 705).

I adopt Beach & Pedersen’s theory-testing process-tracing methodological framework, who have identified two key methodological steps that together allow hypotheses to be rejected or confirmed in a historical case-study (2019, p. 255). The first step of their methodological framework focusses on identifying a causal mechanism based on a theoretically supported hypothesis. This causal mechanism thereby functions as a researchable derivative of the hypothesis. The second step constitutes the translation of this causal mechanism into “case-specific propositions” (Beach & Pedersen, 2019, p. 255), which function as empirical preconditions that the evidence should satisfy for the hypothesis to be met. These propositions are then tested through an analysis of the collected evidence (Beach & Pedersen, 2019, p. 245).

As the hypothesis has expressed the expectation that the US extended economic support to Singapore due to geopolitical interests, I identify ‘geopolitical interests’ as the causal mechanism. The next methodological step involves the identification of propositions that altogether would indicate that this causal mechanism drove the US to extend economic support to Singapore. To indicate this, I have identified three empirical preconditions that the evidence should satisfy. These preconditions are tested by conducting ‘smoking gun’ tests, which are tests that search for strong confirming evidence and thus reject or validate the hypothesis with high certainty (Mahoney, 2015, p. 210). Note that the tests are clustered, which implies that they build on each other’s findings.

First, the empirical evidence should indicate that the US identified geopolitical interests

in Singapore's non-Communist posture. To validate this precondition, I conduct a smoking gun test that searches for US documents wherein Singapore is perceived as geopolitically significant to US Cold War objectives. Second, after having analysed US geopolitical interests in Singapore, I test whether such interests were echoed in US foreign economic policy by determining whether Washington's foreign economic policy was employed as a strategic tool to satisfy its geopolitical objectives. The third smoking gun test tests if such geopolitically-driven foreign economic policy was extended to Singapore by analysing whether the US mobilized trade and capital mechanisms, identified by economic statecraft in the theoretical section, during a window of opportunity when Singapore was faced with political and economic instability that emerged from Britain's military withdrawal. Such instability would seriously threaten US geopolitical interests and therefore serves as an interesting opportunity to analyse whether the US supported Singapore economically due to geopolitical considerations.

In other words, to verify the hypothesis that the US provided economic aid to Singapore out of geopolitical considerations, the evidence should indicate that first, the US identified key geopolitical interests in the non-Communist posture of Singapore, second, such geopolitical interests were translated into economic foreign policy and third, such geopolitically motivated foreign economic policy was extended through trade and capital mechanisms to Singapore when US geopolitical interests were threatened. Accordingly, these preconditions are tested through three smoking gun tests and should be satisfied to confirm the hypothesis.

To conduct these tests, I employ a combination of primary and secondary sources. As primary sources I include online accessible National Security Council (NSC) documents, Central Intelligence Agency (CIA) reports and National Intelligence Estimate (NIE) assessments from the late-1940s to the mid-1970s. Importantly, this encompasses the period when the US identified its structural geopolitical interests in the late 1940s, necessary to answer the first smoking gun test, to Singapore's instability, important to the second and third test, during the late 1960s and early 1970s. Due to the significant duration of this period, I am specifically concerned with consistencies in the empirical evidence.

NSC documents are used to provide insights into US foreign policy perceptions as the reports and documents emanating from the Council are seen as the "... clearest expression of US ideological aims in the Cold War" (Cardwell, 2011, p. 689). Importantly, these documents often did not focus on the national level due to its preoccupation with the global and regional dimensions of US foreign policy (Sander, 1972, p. 372). This thesis therefore includes CIA reports and NIE documents which provide insights into US country-specific geopolitical considerations.

Two methodological limitations emerge due to a reliance on official US archives. First, not all documents are online accessible, which narrows the number of primary sources available to this research. This implies that the findings of this thesis are to a certain extent biased towards online sources. However, I expect that this limitation is mitigated due to the integration of secondary sources by scholars, most notably Chua (2017) and Ngoei (2019), who have been able to access such ‘physical’ sources. Second, some sources remain classified or are largely redacted, which limits the usability of specifically CIA documents. Although the inclusion of NIE and NSC documents reduces the likelihood of ‘missed’ information, declassified or redacted documents nonetheless pose a profound methodological limitation to the findings of this thesis.

## **5. An essential domino: race, domino theory and geostrategic value**

This section tests the first precondition of the hypothesis, which is Washington’s identification of Singapore as geopolitically significant. Accordingly, I analyse US archival sources wherein the city-state’s non-Communist posture is identified as a geopolitical interest to Washington’s Cold War objectives. This test therefore relies mostly on empirical sources, although secondary literature will sometimes be included to place such sources within a broader context.

US archival sources strongly indicate that the city-state’s non-Communist posture was of key importance to Washington, thereby confirming the first precondition. More specifically, empirical evidence indicates that Singapore was identified as geopolitically significant due to its interaction with the following three US Cold War themes: i) domino theory, which prescribed that all states, including Singapore, were capable of igniting a chain of communist ascendancies, ii) Washington’s view of the Chinese diaspora, who were seen as a communist fifth column and which represented a majority of Singapore’s population; and iii) the city-state’s geographic value and military installations, which empowered Singapore to seriously disrupt critical trade flows and deny the United Kingdom and the US of essential military facilities. Based on its engagement with these three Cold War themes, I argue that US archival sources consistently refer to Singapore as a geopolitical interest. Accordingly, the first smoking gun test has satisfied the first precondition of the hypothesis as empirical evidence establishes a convincing link between Singapore and US geopolitical interests.

## 5.1. Domino theory

The extension of the domino logic to Southeast Asia constitutes the first Cold War theme through which Singapore became identified as a geopolitical interest to US objectives. Developed in the context of European (in)security in the late 1940s, domino logic represented the idea that:

*“when one nation falls to communism, the impact is such as to weaken the resistance of other countries and facilitate, if not cause, their fall to communism” (CIA, 1964).*

The extension of the domino logic to the context of Southeast Asia’s security was largely facilitated by the experience of the Fall of Singapore during World War II. More specifically, the occupation of Singapore by Japanese forces inspired a chain of further Allied defeats in the Philippines and the Indonesian archipelago, which established a lasting belief in the interrelated security of Southeast Asia (Ngoei, 2014, p. 215-217). The Fall of Singapore thereby not only nestled the idea that the fall of one would lead to the fall of many, but it also demonstrated that even relatively small states, like Singapore, would be able to cause a chain of further defeats.

The highly influential NSC-68 document is the oldest empirical evidence that indicates the importance of domino theory in the context of Southeast Asia’s interrelated security (NSC-68, 1949). Importantly, alongside setting out the prospect of a fundamental ideological struggle that would characterise the East and West divide, it established a relation between Southeast Asia’s interrelated security and US national security interests. More specifically, it noted how the fulfilment of the logic would mean that “our very independence as a nation may be at stake” (NSC-68, 1949). NSC-68 thereby established a direct link between preventing the domino effect in Southeast Asia and US national security, thus inspiring the identification of Southeast Asia as a key concern to US geopolitical interests. This was explicitly reiterated in NSC 5809, which noted that, following a fulfilment of the domino logic, “[t]he national security of the US would be endangered...” (NSC5809, 1958).

Empirical evidence and academic research strongly indicate that domino theory continued to underline the identification of US geopolitical interests in the 1950s, 1960s and 1970s (Merrill, 2006, p. 27). For instance, a NIE report set out the prospect in 1961 that a communist victory in Laos would ignite a domino chain of communist ascendancies, while a CIA document published in 1964 expected that a defeat in South Vietnam would “encourage and strengthen the more activist revolutionary movements in various parts of the underdeveloped world” (NIE, 1961-1/1, CIA, 1964). Even more, NSC-5809 directly related the prospect of the ignition of the domino logic, which it stressed could even be caused by relatively

small country, to US national security (NSC-5809, 1958). These empirical sources thereby indicate that the extension of domino theory profoundly shaped US geopolitical interests during the Cold War, which is confirmed by Jervis & Snyder (1991, p. 136).

I have identified two ways through which Singapore tapped into Washington's domino logic view of Southeast Asia and its identified relation to US national security. First, a belief in the region's interrelated security meant that all states, regardless of their size or power, were perceived as capable of igniting a domino chain of communist victories (Ngoei, 2019, p. 2-3). Admittedly, this might seem self-evident or not exclusive to Singapore, but I stress that the US conviction that all Southeast Asian states were capable of fulfilling the domino logic meant that Washington became preoccupied with the non-Communist persistence of relatively small and powerless states like Singapore. This is supported by the frequently echoed belief that states like Singapore and Laos could ignite a domino chain of communist ascendancies. For instance, NSC-5809 noted that even small "free countries" (NSC-5809, 1958) could inspire sequential communist victories while a CIA document stressed that Southeast Asia security depended on the ability of the US to prevent a communist ascendancy in Laos (CIA, 1964). Specific to Singapore, US foreign policymakers consistently underlined the prospect that a communist victory in the city-state would be reflected in increased communist pressures in Burma, Thailand and Indonesia (Ngoei, 2019, p. 37).

Second, combined with the expectation that a communist ascendancy in the city-state's was able to ignite a chain of consecutive communist victories, the US held the view that a political communist victory in Singapore was probable (CIA, 1956; NIE, 1958; CIA, 1973-1/2). This is not the place to provide an in-depth study of domestic Singaporean politics during the Cold War, but what matters is that its national developments established a belief that Singapore's non-Communist posture was insecure. More specifically, a combination of economic instability, constitutive of high unemployment and birth rates, US racial views of Singapore's Chinese majority (analysed in the next section) and significant domestic communist appeals led to the expectation, expressed in 1958, that Singapore would be unable to retain its non-Communist posture (NIE, 1958). While worries about a communist political victory were quickly alleviated in the mid-1960s after the harsh treatment of Singapore's communist political party, suspicions about its Chinese majority and economic instability remained for the remainder of the scope of this thesis (CIA, 1973-1/2; CIA, 1966, CIA, 1968, CIA, 1967). These threats were directly related to Singapore's decreasing ability to retain its non-Communist nature, evident in a CIA report which noted that if the city-state could not alleviate its unemployment problems, "considerable pressures probably would be exerted to

follow a more radical course” (CIA, 1968). The empirical evidence thus collectively implies that at least until the early 1970s, the US was seriously worried that a combination of economic difficulties and its Chinese majority would increase communist pressures to unmanageable heights. Combined with the assumption that even small countries could ignite a communist domino collapse, these domino theory embedded anxieties constitute the first way through which Singapore was identified as significant to US geopolitical interests.

## **5.2. US ethnic views**

As mentioned in the previous section, Singapore’s Chinese majority fuelled suspicions about the city-state’s ability to retain its non-Communist posture. This suspicion built on Washington’s ethnic views of the Chinese diaspora as a communist fifth column (Ngoei, 2019; Oyen, 2010). Accordingly, as the United States conflated the Chinese ethnicity with communism, Singapore’s 78,1% Chinese majority became identified as a key concern to US geopolitical interests (Oyen, 2010, p. 60). Singapore’s ethnic demography thereby constitutes the second interaction with US Cold War themes through which it became identified as geopolitically significant to US objectives.

Washington’s conflation of ethnicity and ideology emerged shortly after World War II, with empirical sources indicating the gradual establishment of a profound association between the Chinese ethnicity and communism as early as 1946 (CIA, 1946; NSC-68, 1949). This belief was strengthened by the ethnic nature of communist guerrilla warfare in Singapore and Malaya in the late 1940s, which was fought for 95% by ethnic Chinese (Low, 2021, p. 45). As a consequence, considerable attention was dedicated to the Chinese diaspora in official US documents. Such documents profoundly conflated the overseas ethnic Chinese with Beijing’s communist cause. Specifically, the CIA noted in 1946 that overseas Chinese retained close ties with the homeland, thereby “represent[ing] an important tool in that China might use in extending its economic and political influence in Southeast Asia” (CIA, 1946). NSC documents, NIE reports and other CIA sources consistently reiterated this conflation of the Chinese ethnicity and the communist threat in the 1950s, 1960s and mid-1970s (NIE, 1961-2/2; NSC-5809, 1958; CIA, 1973-1/2). For instance, a NIE report noted in 1961 that “[t]here is a hard-core Communist element operating among the Overseas Chinese” (NIE, 1961-2/2), while a NSC analysis argued in 1958 that “the large overseas Chinese communities in Southeast Asia offer a fertile field for subversion” (NSC-5809). These ethnic suspicions were somewhat alleviated in the late 1960s, when President Johnson rejected the conflation of ethnicity and

ideology in a meeting with Singapore's Prime Minister Lee Kuan Yew (NSC, 1967). Nonetheless, as late as 1973 the Chinese majority in Singapore continued to be perceived as a threat to the city-state's non-Communist posture (CIA, 1973-1/2).

Admittedly, Beijing undertook cultural, political and economic efforts to tighten its ethnic ties across the region in the 1950s and 1960s (NSC-5809, 1958; Oyen, 2010, p. 83). It supported foreign communist political parties, set up Chinese schools across Southeast Asia and invited overseas Chinese students to pursue higher education in the mainland (NIE, 1958). Importantly, such efforts reinforced the perception that the ideological struggle in Southeast Asia had a profound ethnic dimension. The experiences of communist guerrilla warfare in the late-1940s, fought mainly by Chinese minorities, reinforced this conviction (Low, 2021, p. 45).

Washington's conflation of ethnicity and ideology is critically important to analyse how Singapore became identified as a geopolitical interest (Ngoei, 2019, p. 235). Specifically, the overseas Chinese in Singapore represented 78,1% of the population in 1950 and would remain consistent throughout the Cold War (Oyen, 2010, p. 60). Based on Washington's view that the overseas Chinese were synonymous to communist pressures, the city-state's Chinese majority constitutes Singapore's second interaction with US geopolitical interests. This inference is profoundly supported by empirical evidence, which confirms that the US' identification of Singapore as geopolitically significant was influenced by Washington's suspicions of Singapore's Chinese majority. For instance, a National Intelligence Estimate published in 1958 predicted that, as most "Singapore Chinese [sic] are impressed by the rise of Communist China and continue their emotional attachment to the mainland" (NIE, 1958), communist appeals would increasingly threaten to topple the ruling government. The established relation between Singapore's non-Communist posture and its ethnic demography is further echoed in a NIE document published in 1965, which noted that "Singapore will face difficulties due to the Chinese population" (NIE, 1965-1/2). Finally, a CIA analysis on Singapore's political stability provides the clearest example of the way Singapore's ethnic demography engaged with US Cold War objectives, as it noted that Singapore's "racial make-up of the population create ready made opportunities for widespread communist influence" (CIA, 1958). These sources thereby suggest that Singapore's overseas Chinese interacted with US strategic considerations, which established a relation between US geopolitical interests and Singapore's Chinese majority.

The degree of importance Washington dedicated to the threat of Singapore's overseas Chinese to the city-state's non-Communist posture is evident in the way it analyses domestic developments in Singapore. More specifically, US documents consistently interpret Singapore's national security along the lines of its ethnic demography as problematic domestic

developments are predominantly connected to its Chinese majority. For instance, a CIA analysis expressed concerns about the ‘communist’ overseas Chinese ability to capitalize on Singapore’s economic difficulties (CIA, 1958), whereas an NIE report perceived the rise of Singapore’s main opposition party as a consequence of its vocal Chinese majority (NIE, 1962). This tendency to approach Singapore’s domestic development along the lines of its ethnicity is indicative of the degree of importance the United States attributed to Singapore’s Chinese majority.

The empirical evidence thus collectively suggests that concerns about the Chinese diaspora in Southeast Asia resulted in the identification of Singapore as significantly important to US geopolitical interests. Importantly, such anxieties about the prospect of an ethnically inspired communist victory in Singapore capitalized on domino theory’s influential view that this undesired victory could ignite a chain of communist victories in the region. As a consequence, these ethnicity fuelled suspicions of Singapore’s Chinese diaspora remained influential throughout the 1960s and mid-1970s. Singapore was continued to be referred to as “the Chinese state” as late as 1974, while a CIA analyses published that same year noted that political successes in China would mobilize Singapore’s Chinese population and would “result in some increase in Chinese communist subversive activities (CIA, 1974-2/2). The geopolitical importance that Singapore posed to the US as a consequence of its ethnic demography is thereby evident in official US sources, which directly related its Chinese majority to domestic communist appeals and the likelihood of a communist ascendancy. This prospect seriously alarmed US policymakers for reasons mentioned in the previous analytical section. Singapore’s ethnic demography thereby constitutes the second way through which the city-state became identified as geopolitically significant.

### **5.3. Singapore’s technical and geographical endowments**

The third way through which Singapore’s vital importance to US geopolitical interests is highlighted, is through a consistent emphasis on Singapore’s geographical and military relevance to Washington’s Cold War objectives. More specifically, empirical sources continuously focus on its strategic location in the Malacca straits and its unrivalled military facilities, which were both crucial to Washington’s logistical and trade networks. The consistent focus on these endowments and their relative importance to US interests thus indicate that Singapore’s geographical and military endowments functions as the third theme through which it gained Washington’s recognition as geopolitically significant.

This indication is supported by the various CIA reports that aimed to analyse the importance of continued access to the Malacca straits to US geopolitical interests. (CIA, 1970; CIA, 1966; CIA, 1974-1/2; CIA, 1974-2/2; CIA, 1950; CIA, 1973-2/2). Such sources assessed that the strait provided the US and its Japanese and Korean allies “vital link[s]” (CIA, 1974-1/2) that connected the Northern Indian Ocean and the Pacific (CIA, 1974-1/2; Singh, 2020, p. 66-67). More specifically, a CIA report noted in 1974 that 80% of Japan’s crude oil was transported through the strait and that its closure would complicate such vital energy supplies to Washington’s ally (CIA, 1974-1/2). Meanwhile, US policymakers consistently expressed worries about the expectation that a closure of the route would dramatically complicate US trade and logistical networks between the Indian Ocean and the Pacific (CIA, 1950; CIA, 1974-1/2). The US thereby not only recognized the importance of maintaining access to the Malaccan strait for its Japanese and South Korean allies, but it also acknowledged that its regional trade and logistical networks were dependent on the straits’ continued accessibility.

Within this vital trade route, Singapore is consistently identified as a key actor. Accordingly, the identification of Singapore’s importance in the Malacca strait thereby connected the city-state to US Cold War objectives that were premised on continued accessibility to the straits. This is evident in various CIA analyses, which noted that Singapore “commands the shortest sea route between Europe, Africa and the China Sea [sic]” (CIA, 1966) and that “the loss of Singapore would close the straits of Malacca” (CIA, 1950). Accordingly, these sources established a direct relation between US geopolitical interests and Singapore amplified through its strategic positioning along a critical trade route.

Singapore’s identified importance in the context of the Malacca strait thus capitalized on the geopolitical interests that the US associated with continued passage through the strait. This is further reflected in a CIA report, which set out the worrying prospect that a Singaporean closure of the strait would increase US affected trade by 1300 nautical miles (CIA, 1973-1/2). Even more, intelligence analyses noted that such a closure would seriously threaten US communication networks to its regional allies (CIA, 1970). Singapore thereby became identified as an actor that could seriously affect US Cold War objectives, which contributed to its identification as geopolitically significant.

The city-state’s unrivalled military facilities further increased Singapore relative importance to US geopolitical interests. More specifically, the city-state’s military docks were described as “the only major naval operating base between Cape Town and Sidney or Yokosuko” (CIA, 1950). To keep these facilities out of communist hands was crucial to US regional objectives, as Soviet utilization of the docks would not only “increase the operational

capabilities of the Soviet Navy” (CIA, 1950), but was also expected to serve as a Soviet stepping-stone that would stimulate communist subversive activities in Indonesia (Ngoei, 2019, p. 221). Reversely, US access to its facilities was argued to be essential as its loss would “compel the utilization of less desirable bases ... and the withdrawal of naval forces in the region of Southeast Asia ” (CIA, 1950). Continued utilization of Singapore’s facilities was thus essential to maintain US forces in Southeast Asia and to avoid an undesired communist stepping stone (Ngoei, 2019, p. 221).

Singapore’s ability to substantially disrupt critical US trade and logistical networks, vital to Washington’s regional allies, along with its unparalleled military facilities thus played a pivotal role in shaping Washington’s perception of the city-state’s geopolitical significance. This is profoundly reflected in US official documents which consistently emphasized the geopolitical importance of the city-state’s strategic location and military facilities. Singapore’s technical and geographical endowments thereby constitute the third way through which the city-state became recognised as significant to Washington’s geopolitical interests.

## **6. Connecting geopolitical interests to foreign economic policy**

The previous section has identified three ways through which Singapore was identified as geopolitically significant to US Cold War interests. The smoking gun test has thus found sufficient evidence for the notion that US geopolitical interests were manifested in Singapore, which implies that the first empirical proposition has been met.

Building on this empirical finding, the second smoking gun test analyses the second precondition of the hypothesis, i.e. that the identification of such geopolitical interests inspired the strategic employment of foreign economic policy. Because the employment of US foreign economic policy and its underlying rationales was, of course, a national matter, the second test relies more on secondary sources and NSC documents. This test will thus focus less on Singapore as it aims to uncover whether Washington employed foreign economic support strategically to satisfy its geopolitical interests.

As part of this analytical objective, this section aims to test whether economic statecraft’s trade and capital mechanisms indeed functioned as the two cornerstones of US geopolitically-driven foreign economic policy during the Cold War. The second smoking gun test therefore also analyses whether these mechanisms truly functioned as the pillars of US economic support and, consequentially, if an analysis on their application to Singapore during its economic and political instability would be justified in the third smoking gun test.

## 6.1. US foreign economic policy during the Cold War

Importantly, NSC documents strongly confirm the second precondition as empirical evidence suggests that foreign economic policy was employed strategically to satisfy US geopolitical interests. This is reflected in various archival sources that echoed the belief that foreign economic policy was an effective tool in the pursuit of US Cold War objectives. For instance, NSC-5809 noted how the employment of economic support could draw Southeast Asian countries closer into the orbit of the US, while NSC-5429/5 emphasized that economic aid could eliminate the underlying roots of communist appeals in Southeast Asia (NSC-5809, 1958; NSC-5429/5, 1954). Academic research has also convincingly confirmed that the extension of foreign economic policy, in the form of economic support, followed geopolitical interests. (Stevenson, 1992, p. 87; Hilali, 1991, p. 68).

Specifically, the documents consistently echo two underlying rationales that prescribed the weaponization of US foreign economic policy through the employment of economic support. These two rationales thereby nurtured the intimate relation between the extension of economic aid and the desire to satisfy its geopolitical interests. Accordingly, the first rationale centred around the view that the Cold War was largely an economic war, thereby establishing a profound relation between US geopolitical interest and economics. This blurrification was first amplified by NSC-68 (1949) and later reiterated in a 1953 memorandum of the NSC, which noted that the “Soviet strategy [aims] to destroy our capitalist economy by means of economic warfare” (NSC, 1953). According to Stevenson, this belief in the relation between US objectives and economics remained consistent and highly influential throughout the Cold War (1992, p. 87). It is therefore not hard to see why the conviction that the outcome of the ‘political Cold War’ depended to a significant extent on the outcome of the ‘economic Cold War’ led to a sincere focus on the strategic use of foreign economic policy. Importantly, such geopolitically-driven foreign economic policy was employed through the extension of economic support, apparent in NSC5809 which noted that “...economic assistance provides the strongest lever for the exertion of influence by the Free World or by the Communist Bloc” (NSC-5809, 1958).

This view of the Cold War as a struggle in which economic assistance would play a key role was strengthened by the emerging idea that the roots for communist appeals were largely economic by nature. NSC documents consistently portrayed economic difficulties as synonymous to communism and stressed that factors, such as unemployment and economic insecurity, often predated communist pressures. For instance, NSC-68 argued that “social and economic problems ... present more than offsetting opportunities for Communist expansion”

(NSC-68, 1949), while NSC-5809 stressed that delaying economic support to Southeast Asia would mean that these countries would face increased communist pressures (NSC-5809, 1958). Accordingly, the National Security Council advocated to extend economic support to Southeast Asia “to give the peoples in these areas a sense of present progress and future hope” (NSC-5429, 1954).

The association of economic difficulties with communist pressures thus prescribed a strong emphasis on the strategic employment of US economic support. More specifically, the belief that economic difficulties predated communist appeals inspired the focus on US economic aid to eliminate such economic difficulties. The strategic extension of economic aid thereby established a direct link between Washington’s geopolitical interests to prevent communist ascendancies and the mobilisation of US foreign economic policy. This link is evident in NSC-5809 (1958), which identified the employment of US economic aid to Southeast Asian countries as a necessary tool to avoid communist appeals and to prevent undesired geopolitical developments. The document stressed that without economic aid, most of the Southeast Asian countries would fall into the orbit of the Communist bloc (NSC-5809, 1958). It thereby effectively indicates the significant role economic support was expected to play in preventing communist ascendancies in Southeast Asia.

The second rationale was that, building on the view that communist pressures were caused by economic difficulties, US’ economic preponderance provided Washington the means to eliminate such fertile fields for communist appeals (Livingston, 1993, p. 70). Specifically, NSC-68 noted that “[US foreign economic policy] is an instrument which can powerfully influence the world environment in ways favourable to the security and welfare of this county ... [and] is uniquely suited to our capabilities” (NSC-68, 1949, p. 28). This is reiterated in NSC 5429/5, which stressed that the US was well positioned to use its economic preponderance as bargaining power to shape economic assistance programmes to Southeast Asia (NSC 5429, 1954). Foreign economic policy was thus not only perceived as necessary to contain communism, but also as a tool well suited to the US’ economic capabilities.

These two rationales for employing US economic foreign policy strategically were reflected in intensive US efforts to extend economic support to Southeast Asia and is convincingly supported by academic research (Livingston, 1993; Stevenson, 1992). More specifically, Stevenson notes that during the Cold War, US policies consistently focused on enhancing economic stability in regions in a concentrated effort to prevent communist appeals (1992, p. 87). This was amplified through the extension of economic aid to strategic partners, set up to contain regional communist appeals (Livingston, 1993, p. 62). Accordingly, I assess

that US foreign economic policy was employed strategically to satisfy its geopolitical interests, which is in line with hegemonic stability theory's theoretical assumption.

Furthermore, empirical evidence indicates that economic statecraft rightfully identifies trade and capital as the cornerstones of such US geopolitically-driven foreign economic policy during the Cold War. Due to the political opposition to direct economic aid, trade and capital provided the US an effective way to covertly channel economic support to strategic states (Press-Barnathan, 2003, p. 142). Their employment is consistently reiterated in NSC documents and academic analyses, which indicate that these two cornerstones of economic aid indeed functioned as the pillars of US geopolitically-driven foreign economic policy (NSC-48/1, 1949; Press-Barnathan, 2003; NSC-5809, 1958).

Regarding trade, NSC 48/1 noted that trade would "add to general economic development and strengthen social and political stability" (NSC-48/1, 1949), while NSC-5809 (1958) highlighted the necessity to reinvigorate trade relationships in Southeast Asia to ensure the region's economic modernization. Accordingly, such trade relations were developed through trade support policies, which allowed the US to set up covert economic aid schemes to strategic partners (Press-Barnathan, 2003, p. 136-137). These efforts were built on the assumption that increased trade would alleviate Southeast Asia's economic difficulties that centred around high unemployment and slow economic growth (NSC-5809, 1958). Economic statecraft's identification of trade is thereby confirmed as the first cornerstone of US geopolitically-driven foreign economic policy.

Alternatively, the empirical evidence identifies US capital flows as the second way through which the US aimed to economically support strategic partners. NSC documents consistently argued that the US should "[e]ncourage and support, more vigorously and effectively, the application of private capital to the development needs of free Asian countries..." (NSC-5249/1). This focus on capital is also echoed in NSC 5809 and NSC 5429/5, which advocated the US to covertly channel economic support to Southeast Asian countries through capital flows (NSC 5809, 1958; NSC 5429/5, 1954). According to Livingston, such proposals to utilize capital flows strategically were profoundly adopted in US foreign economic policy and would consistently function as the second pillar of Washington's geopolitically-driven economic support (1993, p. 79). Importantly, this confirms economic statecraft's identification of capital as a strategically employed economic mechanism during the Cold War.

The second smoking gun test has thereby confirmed the second precondition of the hypothesis, i.e. that geopolitical interests were reflected in foreign economic support. This is supported by the identified relation between US Cold War objectives and foreign economic

policy, which centred around the strategic extension of economic support. Accordingly, the second smoking gun test has thereby empirically confirmed economic statecraft's and hegemonic stability theory's shared assumption that powerful states aim to shape the economies of weaker states to satisfy their geopolitical interests. This is supported by the NSC documents that advocated the employment of Washington's economic clout to stimulate the economic development in Southeast Asia and academic research that underlined the strategic employment of US foreign economic policy. Such efforts to stimulate economic development were channelled through capital and trade mechanisms, which confirms economic statecraft's assumption set out in the theoretical framework and which legitimizes their operationalization in the next section.

### **7. Singapore's economic and political stability at risk: UK's military withdrawal**

The section embodies the final smoking gun test, which tests whether the empirical evidence meets the third precondition of the hypothesis, i.e. that Washington strategically extended economic support to Singapore to satisfy its geopolitically interests. To test this, I focus on a window of opportunity when Singapore's stability, and subsequently US geopolitical interests, were threatened by Britain's suddenly announced military withdrawal. Accordingly, this section draws upon the preceding smoking gun tests as it aims to infer whether Washington's geopolitical interests, established in the first analytical section, drove the strategic extension of US economic support, analysed in the second analytical section, to Singapore when US geopolitical interests were threatened during Britain's military exit.

To determine this, I search for evidence that suggests that i) the suddenly announced withdrawal of the UK was perceived as threatening to Singapore's economic and political stability and; ii) as a consequence, Washington extended foreign economic support to the city-state through the channels specified by economic statecraft as this satisfied US geopolitical interests. Such evidence will be discussed individually in this section while they collectively suggest that Singapore received economic support when US geopolitical interests were threatened by Britain's military withdrawal. More specifically, by building on the findings that Singapore was perceived as a geopolitical interest due to its interaction with three key Cold War themes, that such geopolitical interests were reflected in the employment of foreign economic policy and, finally, the extension of Washington's geopolitically-driven foreign economic policy to Singapore when the city-state's stability and thus US interests were threatened, I infer that the hypothesis is confirmed.

## **7.1. UK's military withdrawal as a threat to US geopolitical interests**

Empirical evidence strongly indicates that London's decision to withdraw its troops from the city-state, announced unexpectedly in July 1967 and fully executed in March 1971, was perceived as a major threat to Singapore's economic and political stability. This inference is derived from Washington's belief that the sustainment of the British forces constituted one of the three main pillars of Singapore's economy, alongside trade and manufacturing (CIA, 1965). Contemporary CIA reports estimated that this military pillar generated roughly 20% of Singapore's GDP, while directly and indirectly employing respectively 54.000 and 150.000 Singaporeans (CIA, 1967; CIA, 1968, Ngoei, 2019, p. 138). Accordingly, the British military was thus identified as responsible for "a substantial part [of] Singapore's economy" (CIA, 1967).

Given the city-state's economic reliance on the sustainment of British troops, London's decision not unsurprisingly led to anxieties among US policymakers. Such anxieties centred around the prospect that Britain's military withdrawal would further aggravate already pressing economic issues, most notably high structural unemployment. In a report that focussed exclusively on the economic implications of the UK's withdrawal, the CIA noted that "with about 10 percent of the island's labor force unemployed, the withdrawal would be disruptive to Singapore's economy" (CIA, 1968). The report further assessed that the withdrawal would double its unemployment to 20%, which it identified as "Singapore's major economic problem and the greatest potential threat to stability" (CIA, 1968). Furthermore, it stressed that Britain's military presence alleviated certain economic problems, such as a chronic deficit on its trade balance, and that out of its withdrawal fundamental issues would emerge that would pose new threats to Singapore's economic stability. This grim prospect was echoed consistently in other CIA reports throughout the late 1960s, which agreed that "the planned phase-out of Britain's military forces ... will aggravate Singapore's labor problem" (CIA, 1967; CIA, 1965; 1968).

Importantly, the US assessed that the Singaporean state would be incapable of managing the problems that arose from Britain's military withdrawal, despite widespread appreciation for its successes in addressing pre-existing economic difficulties. Such appreciation centred around its successful industrialization programs that had fuelled Singapore's economic modernisation in the early 1960s. Some reports even went as far as to attribute its economic performance almost entirely to its developmental policies, as a CIA report noted in 1970 that "much of Singapore's success can be owed to Lee Kuan Yew and the efforts of his government" (CIA, 1970). This widespread appreciation consistently underlined intelligence assessments on

Singapore's economic instability in the late 1960s and early 1970s (CIA, 1965; CIA, 1967; CIA, 1968; CIA, 1970; CIA, 1967).

However, despite this appreciation, US intelligence reports assessed that the magnitude of the problem that emerged from Britain's military withdrawal was beyond the reach of the Singaporean state. Importantly, the same reports that underlined the effectiveness of Lee Kuan Yew's government in addressing predated economic issues stressed that it would be unable to alleviate the effects that followed from London's unexpected decision. This is because the UK's military withdrawal worsened economic problems that the Singaporean state could already not solve by itself, centred around its high structural unemployment. The consequences of Singapore's inability to tackle the emerging economic issues independently is explicitly highlighted in a CIA assessment which, referring to the problematic situation, stressed that "Singapore's future as a viable political and economic entity is by no means assured, and will be determined by forces and events largely beyond Singapore's influence" (CIA, 1967).

Importantly, this quote indicates that Singapore's inability to alleviate the negative effects of Britain's military withdrawal would not only have economic effects, but would also threaten its political stability. As the first section has set out, such political instability seriously threatened US geopolitical interests due to Singapore's interaction with the three US Cold War themes. This is reflected in CIA reports, which identified a negative relation between US geopolitical interests and Britain's military withdrawal. More specifically, a 'special report' published in 1967 stressed that, if the emerging economic issues associated with the withdrawal "were to reach critical proportions, considerable pressures probably would be exerted to follow a more radical course" (CIA, 1967). The implications of the UK's decision to US geopolitical interests is further echoed in a National Intelligence Estimate published in 1968, which stressed that "the expected withdrawal ... will inevitably pose new problems for the US in this regard" (NIE, 1968). Such 'new problems' centred around the prospect of a power "vacuum" (CIA, 1967) in Singapore, which the US could not afford to have it filled by a competitor due to the city-state's military and geostrategic value.

Interestingly, the CIA assessed that the solution to the emerging Singaporean problems and the consequential threat to US geopolitical interests would be the extension of US foreign economic support to the city-state. More specifically, the same reports that warned the US about the effects of the UK's withdrawal to Singapore's economic and political instability noted that the solution to the worrisome situation would be the provision of US economic aid to the city-state. Most indicatively, a CIA analysis noted that "[t]o pursue and enlarge [Singapore's] development after the British military withdrawal, Singapore will need an influx of foreign

capital on an unprecedented scale” (CIA, 1967). Accordingly, US intelligence even advocated the strategic employment of one of economic statecraft’s two economic mechanism. These empirical findings are thereby in line with the findings of the second section, which noted that foreign economic policy was employed to satisfy geopolitical interests, and economic statecraft’s and hegemonic stability theory’s broader assumption that powerful states shape the economic development of weaker states to satisfy their geopolitical interests.

## **7.2. US geopolitical interests under threat: the provision of economic support**

Building on the finding that London’s military withdrawal and the subsequent Singaporean instability was perceived as a threat to US geopolitical interests, this part of the third test analyses whether trade and capital mechanisms, identified by economic statecraft, were in practice employed to secure the stability of the city-state. Accordingly, I analyse whether the US responded to its threatened US geopolitical interests by extending trade and capital support in a concentrated effort to guarantee Singapore’s stability.

Concerning trade, there is no evidence that profoundly indicates that Singapore received economic aid through trade support in response to Britain’s military withdrawal. In fact, no empirical sources indicate that (official) trade agreements or other forms of deliberate trade support policies were constructed that aimed to foster US-Singapore trade relations. This does not mean that US-Singapore was unimportant to Singapore’s economic development. More specifically, Chua argues that US-Singapore intensified trade relations in the 1960s and 1970s constituted an essential contribution to Singapore’s post-war industrialization (2017, p. 163-164). However, there is no evidence that supports the notion that such trade relations were deliberately stimulated to satisfy US geopolitical interests. True, US-Singapore trade volume increased significantly in the late 1960s and early 1970s, but the lack of empirical sources that would indicate any form of political intention to deliberately stimulate US-Singapore trade relations strongly suggest that Singapore was not supported economically through Washington’s strategic trade mechanisms. Absent of such sources that would indicate any form of trade agreements or trade support, I assess that the US did not provide Singapore with trade benefits to satisfy its geopolitical interests.

Interestingly, the complete lack of trade agreements and other forms of trade assistance is consistent with CIA reports that identified Singapore’s reliance on trade as outdated and vulnerable to communist economic disruptions (CIA, 1968; CIA, 1965; NIE, 1958; CIA, 1970). As early as 1958, a National Intelligence Estimate already predicted that Singapore’s trade

would suffer from increasing competition from Malaya and Indonesia, which would seriously threaten Singapore's economic and political stability (NIE, 1958; NIE, 1965-2/2). This assessment is consistently reiterated in CIA analyses as they continuously echoed a pessimistic prospect of Singapore's reliance on trade, centred around the expectation that Malaysian and Indonesian competition would successfully challenge Singapore's regional trade dominance and the conviction that its reliance was susceptible to communist disruptions (CIA, 1973). For instance, a CIA report in 1965 noted that "trade, still the most important source of income, is expected to decline, adding to the problem of unemployment and restricting economic growth" (CIA, 1965). This is reiterated in a 1968 CIA assessment, which assessed that Singapore's declining trade would threaten its economic stability (CIA, 1968).

Accordingly, Singapore's reliance on trade was perceived as problematic due to the belief that it would decline rapidly, thereby worsening pre-existing economic problems, and was vulnerability to "communist economic warfare" (CIA, 1973-1/2). CIA reports thereby consistently related this problematic dependency on entrepot trade to the increasing likelihood of political and economic instability (CIA, 1967; CIA, 1968). Interestingly, the assessment on its problematic reliance on entrepot trade went hand in hand with calls to support its manufacturing industry through US capital exports to the city-state (CIA, 1967; CIA, 1968). Such assessments stressed that capital influx to Singapore would alleviate the economic issues that emerged from Britain's military withdrawal and would contribute to Singapore's economic and political stability (CIA, 1967). This is highlighted in a special CIA report that explicitly focused on the economic and political implications of London's unexpected decision, which noted that, "to pursue and enlarge its development after the British military withdrawal, Singapore will need an influx of foreign private capital on an unprecedented scale" (CIA, 1967). Such capital was perceived to be needed to boost Singapore's manufacturing industry, which would decrease its economic reliance on the sustainment of British military forces (CIA, 1968). Intelligence assessments thereby indicate that not trade, but capital influx should be employed strategically to alleviate the economic and political difficulties that emerged from Britain's withdrawal.

The extension of capital support to secure Singapore's political and economic stability is evident in Washington's response to London's decision. Deliberate US capital influx took shape through the utilization of Singapore's naval dockyards and aviation facilities, which led to the introduction and establishment of US manufacturing companies in Singapore (Chua, 2017, p. 163). Importantly, such activities provided Singapore with much needed manufacturing activities, which absorbed much of the labour that was previously employed in services related

to the sustainment of British military forces in the city-state (CIA, 1973). This is largely confirmed in a CIA intelligence survey on Singapore, published two years after the completion of Britain's military withdrawal, which noted that the use of the city-state's naval dockyards and aviation facilities compensated for the expected economic contraction and thereby significantly contributed to maintaining Singapore's political and economic stability (CIA, 1973). Accordingly, the utilization of Singapore's naval facilities led Chua to suggest that "Singapore's concerns over the economic impact of the British withdrawal had been substantially overcome by the [use] of former British bases to repair US vessels..." (2017, p. 178).

The plan to utilize the city-state's naval dockyards and aviation facilities were made shortly after London's unexpected decision to withdraw its troops. Within months, the US sent teams to assess the feasibility of the use of the dockyards by US military ships (Chua, 2017, p. 135). Even more, shortly after the UK's decision to finish the withdrawal four years earlier than planned, the US hastily sent another team to discuss the technicalities of the dockyards and to finalize an agreement (Chua, 2017, p. 135). The chronological order thereby corresponds with Britain's withdrawal, which suggest that the two are intimately related and thus part of deliberate US efforts to utilize the facilities.

Empirical evidence further confirms the geopolitically-driven and deliberate nature of the decision to use Singapore's naval dockyards and aviation facilities. This is evident in a report of the State Department, which noted that, in hindsight, the "level of aircraft and ship repairs in Singapore [was] the result ... of a White House directive to increase [US] use of Singapore facilities" (Chua, 2017, p. 177-178)<sup>1</sup>. The State Department earlier advocacy to improve Singapore's economic situation to prevent communist forces capitalizing on its instability further suggests that the US was concerned with extending economic support to Singapore to satisfy US geopolitical interests. Accordingly, Chua convincingly argues that this decision was thus part of a deliberate strategy that aimed to enhance Singapore's political and economic stability which were "motivated by America's interests in Southeast Asia" (Chua, 2017, p. 187). I therefore assess that the decision to utilize Singapore's facilities was a deliberate decision and was clearly based on the US desire to secure Singapore's stability.

The evidence indicates that two geopolitical rationales underlined the strategic decision to utilize Singapore's naval dockyards and aviation facilities. Interestingly, the presence of underlying rationales further suggests that the use of the military facilities was constitutive of

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<sup>1</sup> Quote is directly copied from Chua's empirical analysis.

a deliberate decision to use Singapore's dockyards and aviation facilities. First, empirical evidence consistently sets out the expectation that their use would prevent economic and political instability in the city-state, the prospect of which seriously threatened US geopolitical interests for reasons mentioned in the first analytical section (CIA, 1967; CIA, 1968). This is evident in the various CIA analyses that identified Britain's military withdrawal as a threat to the city-state's stability, the sequential identified Singaporean need for capital support and the eventual construction of capital flows to the city-state through the utilization of Singapore's facilities in the context of its insecure future (Chua, 2017, p. 173-176).

The second interest, less economic by nature and not necessarily premised on Singapore's stability, centred around the prospect that the Soviet Union might use the well-regarded military facilities (CIA, 1950; CIA, 1973). This would have greatly enhanced the power projection of the Soviet Union in Southeast Asia, as is set out in the CIA analyses that expressed anxieties about the utilization of Singapore's dockyards by Soviet military ships. For instance, a CIA report in 1950 noted that the Soviet Union's "[p]ossession of Singapore, the most important naval base in the Far East, would increase the operational capabilities of the Soviet Navy" (CIA, 1950). The deliberate use of the facilities to prevent their communist use is further confirmed by Chua, who notes that the US aimed to "minimise the chance of Soviet Union warships utilising vacant berth in the Singapore dockyard" (2017, p. 177-178). Accordingly, preventing the use of Singapore's naval facilities by the Soviet Union is thus identified as the second geopolitically-driven rationale that underlined the decision to utilize the city-state's dockyards and aviation facilities. Importantly, this rationale thereby demonstrates that geopolitical interests were satisfied not only by ensuring Singapore's stability, but also by denying its competitors of a regional military edge.

The third smoking gun test has thus found compelling evidence for the geopolitically motivated extension of US economic support to Singapore through the strategic employment of capital flows. Interestingly, Washington's unwillingness to use the strategic trade mechanism implies that the employment of economic mechanisms was more mobile than economic statecraft noted and was dependent on the identified needs of a country. Nonetheless, the evidence for the extension of capital support to Singapore through the utilization of its military facilities confirms the third precondition and, thereby, the hypothesis. This is empirically supported by the deliberate and geopolitically-driven nature of the decision to use Singapore's naval dockyards and aviation facilities as a response to emerging instability in the city-state. Importantly, two geopolitical rationales underlined this decision and thereby indicate that geopolitical interests drove the extension of economic aid to Singapore through capital support.

## 8. Conclusion

In this thesis, I challenged the current dominance in the literature on Singapore's economic development by analysing US geopolitically-driven economic support to the city-state. More specifically, I aimed to relate Singapore's successful post-war industrialization to a favourable geopolitical context by building on the main findings of hegemonic stability theory and economic statecraft. A combination of their views on the intertwinement of geopolitics and the global economy provided this thesis the theoretical foundations for analysing US economic support to Singapore and inspired the hypothesis that the US extended economic support to Singapore to satisfy its geopolitical interests through the employment of trade and capital mechanisms. To test this hypothesis, I employed Beach & Pedersen's theory-testing process-tracing methodology, which prescribed the hypothesis' decomposition into three preconditions. These preconditions were tested through three clustered smoking gun tests that searched for compelling evidence that would indicate the relation between Singapore's economic development and US geopolitical interests.

Collectively, the smoking gun tests largely confirm the hypothesis that geopolitical interests motivated the extension of US economic support to Singapore. Such geopolitical interests were derived from Singapore's interaction with three US Cold War themes, which were subsequently reflected in US foreign economic policy. Importantly, Washington's geopolitically-driven foreign economic policy was theoretically amplified through the strategic employment of trade and capital mechanisms based on the main insights of hegemonic stability theory and economic statecraft. Out of these two mechanisms, however, only capital was extended to the city-state when the US assessed that Singapore's political and economic stability was threatened by Britain's withdrawal to such a degree that it believed that domestic responses would be inadequate. Accordingly, this finding suggests that the strategic employment of trade and capital were more mobile and country-specific than economic statecraft theoretically predicted. Nonetheless, the geopolitically-driven employment of US capital is in line with hegemonic stability theory's main assumption and indicates a profound relation between Singapore's economic development and US geopolitical interests. Accordingly, I infer that the hypothesis is largely confirmed as this thesis has found compelling evidence for the geopolitically motivated extension of US capital support to Singapore.

Building on this empirical finding, this thesis provides the following answer to the research question: the US extended economic support to the city-state as an answer to emerging instability in Singapore in the late-1960s, which threatened US geopolitical interests and which it believed could not be alleviated domestically. Accordingly, I identify i) the identification of

geopolitical interests in Singapore's stability; and ii) the conviction that the emerging economic issues were beyond the capabilities of the Singaporean state as the reason why the US extended economic support to Singapore.

This thesis has thereby placed Singapore's economic development within a geopolitical context and has complemented the current inward-centric and economically-oriented dominance in the literature. Nonetheless, I do not claim to have fully uncovered the dynamics of Singapore's economic development's relation to geopolitics. More specifically, this thesis has demonstrated that geopolitical considerations were reflected in Singapore's post-war industrialization, however, it has not identified the exact effect of geopolitics on the city-state's economic development. Even more, I have used Washington's response to Britain's withdrawal as proof that at least part of Singapore's industrialization was related to US Cold War objectives, but this instance remains time-sensitive and does not represent the entirety of the Cold War.

The outcome of this thesis therefore suggest that future research should focus on the precise relation between Singapore's economic development and US geopolitical interests and how this relation changed overtime. Specifically, such research would fully uncover the interrelated nature of the city-state's industrialization and geopolitics and would thereby complement the current inward-centric and economically-oriented dominance in the contemporary literature. This thesis therefore aspires to function as the starting point for further empirics-based research that would more precisely highlight the substantive relation between Singapore's economic development and external geopolitical drivers.

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