Small-State Diplomacy: ASEAN and Strategic Balance: practical consequences

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For institutions in Singapore

For banks, asset managers and trust companies, Singapore's foreign policy creates both opportunities and obligations. The trade agreements and the tax treaty network make the city a favourable base for regional investment and for the management of assets held across Asia. Its convening power and its reputation for consistency help to attract clients from countries that may be in tension with each other. Each of these advantages depends on the institution's own conduct. An institution that fails to apply Singapore's sanctions, or that becomes the channel for a scandal, damages the reputation on which the whole centre relies, as the cases described in Chapter E.VI showed.

Institutions must therefore treat geopolitical developments as a compliance matter as well as a business matter. A change in Singapore's measures, in American export controls or in the sanctions of the European Union can alter the permissible scope of

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business overnight. The sanctions against Russia in 2022 required banks to identify exposures to four named institutions within days and to freeze assets that had been held for years.

For clients and their advisers

For clients, the practical consequence is a need to understand what Singapore's diplomatic position implies for their assets. Singapore protects property under its own law and will not freeze assets for political reasons without a legal basis. It will apply United Nations sanctions and its own autonomous measures. Its institutions will also respect foreign regimes where their business requires it. A client from a country that is subject to sanctions, or that may become so, must assess this risk in advance.

Clients should also use the opportunities that the trade and tax networks offer. A holding company or fund in Singapore can benefit from treaty protection when it invests in the region. The free trade agreements can protect investments in partner countries. The choice of Singapore as seat of arbitration or of a mediation clause can draw on the city's reputation for neutrality in dispute resolution.

The following checklist summarises the points that institutions and clients should consider:

- Identify the jurisdictions involved in the structure or transaction and check Singapore's relations with each, including any sanctions or export control measures.
- Verify whether the transaction or the client falls under United Nations sanctions, Singapore's autonomous measures of 2022 or foreign regimes that apply to the institution through its currency, staff or group structure.
- Check whether a double taxation agreement with the investment country applies and whether its conditions on residence and substance are met.
- Review whether a free trade or investment agreement protects the investment and what dispute resolution mechanism it provides.

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- Consider the effect of a deterioration in relations between the United States and China on the structure, its banking relationships and its access to dollar clearing.
- Document the geopolitical assessment in the client file and update it at least once a year or after any significant international event.
- Choose dispute resolution clauses that draw on Singapore's neutral institutions where the counterparties come from different political camps.

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