

The Influence of RMB Settlement Globalization on the Political and Economic Evolution of Singapore Amidst US-China Rivalry

Xinyan Peng^{1,a,*}

¹Nanyang Research Institute, Xiamen University, Fujian, China

a. pengxinyan@stu.xmu.edu.cn

**corresponding author*

Abstract: At the dawn of the 21st century, the ascending comprehensive national strength of China has significantly bolstered the role of the RMB in global economic transactions, thereby expediting its international settlement globalization. This development, unfolding within the framework of an increasingly interconnected global economy, profoundly impacts Singapore. Positioned as a crucial trading partner and geographical neighbor to China, while simultaneously serving as a vital security ally of the United States in Asia, Singapore's political and economic landscapes are witnessing transformative shifts. This paper endeavors to meticulously examine and elucidate the specific impacts of RMB settlement globalization on Singapore's political and economic dimensions. Moreover, it aims to explore the potential challenges and opportunities that these impacts may engender for Singapore in the near future, particularly against the backdrop of the US-China competition. The analysis of how the global proliferation of RMB settlement is reshaping Singapore, alongside the nature and direction of this influence amid the strategic rivalry between the US and China, is of paramount importance. It provides deep insights into the evolution of the global political-economic order and assists in formulating strategies for middle-tier nations like Singapore within the changing regional dynamics. By offering a detailed understanding of these developments, this study acts as an essential guide for navigating crises, capitalizing on developmental opportunities, and actively participating in regional affairs.

Keywords: US-China competition, Singapore, RMB Settlement Globalization

1. Introduction

In the current geopolitical milieu, a critical challenge for international relations is maneuvering through the intensifying rivalry between China and the United States. This contest has significant ramifications for middle-power countries, especially in devising strategies for harmonious existence amidst this competitive scenario. At the heart of Singapore's foreign policy is its adept engagement with major global powers, underscored by its alignment with the United States as a key security partner and China as its foremost trading ally. Singapore's distinctive stance within this geopolitical binary, along with its considerable political and economic clout in Southeast Asia, positions its strategic approaches and policies as a central point of reference for ASEAN members. This role serves as a model for navigating the complexities of great power relations [1]. Therefore, Singapore's

response to the changing landscape of Renminbi Settlement Globalization not only garners academic attention but also bears significant practical relevance.

1.1. Purpose and significance of the research

This study is focused on exploring the influence of RMB settlement globalization on Singapore's role within the international political and economic arenas, especially against the backdrop of the evolving US-China power dynamics. It aims to conduct a thorough examination of the challenges and opportunities confronting Singapore in both its political and economic sectors, with a particular emphasis on the practicality and obstacles associated with RMB settlement activities in its jurisdiction. The objective is to furnish policymakers, scholars, and global business entities with crucial insights into the nuances of the international politico-economic landscape [2]. By doing so, it seeks to aid in the formulation of well-informed foreign policy and economic strategies, thereby promoting economic integration in the Asia-Pacific area and enhancing positive international relations on a global scale.

1.2. Research Questions and Possible Limitations

The research will explore how RMB settlement globalization influences Singapore's political and economic development and the characteristics and strategic trends of this influence under the US-China competition paradigm. The analysis will utilize the Sino-American rivalry as a backdrop, focusing on the development of RMB settlement globalization and its impact on Singapore's politics, economy, and foreign policy.

Potential Limitations:

1. **Data Acquisition Challenges:** The research involves complex global processes and US-China competition, requiring data from policy documents and national statistics. The study will rely on data from official government sources and reputable third-party think tanks and research institutions for comprehensive analysis.

2. **Researcher Subjectivity:** The analysis of RMB settlement globalization's impact on Singapore might be influenced by researcher bias, including perspectives on China and the understanding of the globalization process. To counteract this, the study will employ objective and neutral methodologies, blending quantitative and qualitative research methods to minimize subjectivity.

3. **Measuring US-China Competition Impact:** The multifaceted nature of the US-China rivalry, encompassing economic, political, military, and technological domains, makes it challenging to quantify its impact on RMB settlement globalization and Singapore's development. The research will utilize a mix of qualitative (e.g., case studies, interviews, policy analysis) and quantitative methods (e.g., regression analysis, structural equation modeling), considering various interaction effects and nonlinear relationships [3].

To mitigate these limitations, the study will integrate historical and current data, augment literature reviews and theoretical frameworks, and refine analytical methods to adapt to the dynamic international environment and the specificities of Singapore's situation. This approach aims to address existing research gaps and innovate within the field.

2. Literature Review

The academic discourse on Singapore's foreign policy and the implications of RMB settlement globalization is enriched by diverse scholarly contributions. Prof. Chen Qiaozhi, in his seminal work "Post-Cold War ASEAN Countries' Policies Towards China", utilizes historical analysis to empirically demonstrate the dual considerations shaping Singapore's foreign policy: strategic security concerns, stemming from the inherent vulnerabilities of its defense apparatus, and the broader issues

of international strategic political and economic development. Prof. Chen posits that Singapore's foreign policy framework primarily revolves around its internal development, complemented by its efforts to mediate conflicts among major powers, enhance its participation in international organizations, and contribute to a balanced regional political dynamic while fostering a new political and economic order in the Asia-Pacific region [4].

Luo Shuzao, an applied economist from the People's Bank of China, offers a quantitative perspective in his research "Research on Monetary Cooperation between China and ASEAN in the Context of RCEP". Employing the Optimum Currency Area (OCA) index model, Luo investigates the viability of monetary collaboration between China and ASEAN countries. The OCA index, a pivotal theory in the study of regional monetary cooperation, is applied using five indicators: output volatility, bilateral trade intensity, Consumer Price Index (CPI) disparities, variations in one-year deposit interest rates, and stock index return rates. This analysis culminates in the conclusion that among the Belt and Road countries, monetary cooperation between China and ASEAN, and by extension Singapore, is optimally positioned, underscoring Singapore's critical role in the advancement of RMB settlement globalization.

The research of Cao Tong and Zhao Ran from Renmin University of China, as presented in "Internationalization of RMB from the Perspective of Multi-core Currency Area", delves into the evolving dynamics of the international currency market. They highlight the emergence of a multi-core currency system, marked by the diminishing dominance of the US dollar post the Asian financial crisis and the rising prominence of China's RMB. This shift positions Singapore, the world's third-largest financial center, as a pivotal node in this multi-currency domain, influenced by both the US dollar and the RMB. Despite the inertia of the US dollar, the substantial trade market share presents a significant opportunity for the RMB's international expansion, particularly in Singapore, which in turn, can significantly influence the broader ASEAN region's economic development.

Furthermore, the theoretical framework provided by Prof. Joseph Nye and Prof. Robert Keohane in their book "Power and Interdependence" offers valuable insights into the concept of vulnerability within international political-economic relations and the interdependent structures of international cooperation [5]. Their analysis underscores the distinction between the influence of major powers in shaping the international order and the strategic adjustments smaller nations must undertake to mitigate their vulnerability. Applying this theory to Singapore's situation amidst US-China competition, it becomes evident that Singapore, as a middle-power nation, navigates its diplomatic choices with a focus on minimizing its vulnerability both domestically and internationally. This theoretical lens provides a robust foundation for analyzing and understanding the intricacies of Singapore's diplomatic strategies in the milieu of RMB settlement globalization and the overarching US-China strategic rivalry.

3. Research Methods and Data Sources

This study employs a multifaceted research methodology, integrating an extensive review of pertinent academic literature, research reports, and policy document data to assess the challenges and impacts of RMB settlement globalization on Singapore's international political, economic development, and foreign policy formation within the US-China competitive landscape.

The paper adopts a tripartite analytical approach, encompassing qualitative analysis, quantitative analysis, and comparative analysis. This approach leverages data from the World Bank's public database, the People's Bank of China, and ASEAN-related reports, focusing on key metrics such as the scale of RMB settlement in Singapore, settlement modes, and the demographics of settlement customer groups. This comprehensive data compilation enables a nuanced assessment of the extent to which RMB settlement influences Singapore's economic scale and its potential to shape the country's foreign economic and monetary policies. Additionally, the study will investigate the

interplay between RMB settlement globalization, US-China competition, and Singapore's political-economic development, considering variables such as policy environment, economic structure, and geopolitical factors [6]. The employment of diverse research methodologies not only ensures a thorough exploration of the topic but also fosters innovative perspectives and ideas, enhancing the research's originality and depth.

4. The impact of the globalization of RMB settlements on the competitive international relationship between the United States and China

The ascendancy of the RMB settlement's globalization has multifarious implications for the competitive dynamics between the United States and China, challenging the established international order.

Firstly, the globalization of RMB settlement elevates China's international monetary system status, enhancing its influence in global economic and financial affairs. In the realm of international political economy, economic ascendancy often translates into augmented political clout. As the world's second-largest economy, China's increased utilization of the RMB in settlement transactions bolsters its negotiation power in economic and financial domains, fostering a more balanced competitive relationship with the United States and other major powers. Additionally, this globalization facilitates China's financial and economic collaboration with various countries, broadening its base of international allies and partners.

Secondly, the rising prominence of the RMB in global settlements potentially diminishes the international market share of the US dollar. A greater degree of RMB globalization correlates with reduced reliance on the US dollar, granting China enhanced autonomy in international trade and finance, and concurrently diminishing US influence over China's financial system. This shift may recalibrate the competitive equilibrium between the US and China.

Thirdly, the impact on the international financial landscape is significant. The RMB, as a leading global settlement currency, challenges the hegemony of the US dollar and influences the stability and norms of the international financial market [7]. This development could intensify financial competition between the US and China, leading to more complex international relational dynamics.

In conclusion, the globalization of RMB settlement has diverse and profound effects on the competitive interplay between China and the United States. These effects range from augmenting China's international standing to reducing global dependency on the US dollar, impacting the US's perception of its superpower status, and reshaping the overall US-China competition in the international political and economic arena. This evolving competitive dynamic is set to significantly influence the future of international relations, presenting both challenges and opportunities for the diplomatic and development strategies of other nations, particularly middle powers like Singapore.)

5. Impact of the Globalization of RMB Settlement on Singapore's Political and Economic Development

The globalization of RMB settlement significantly impacts Singapore's strategies for navigating its political and economic development amid the China-US competitive dynamic. This phenomenon presents diverse opportunities for Singapore to carve its path toward development and prosperity in a complex global milieu.

Economic Opportunities: The US-China trade tensions have positioned the globalization of RMB settlement as a strategic advantage for Singapore. Serving as a financial and trade intermediary, Singapore can facilitate RMB settlements for Chinese enterprises and investors, fostering cross-border commerce. This role not only bolsters Singapore's local economic development but also

lessens its dependency on the US-China economic nexus, opening avenues for diversified partnerships.

Enhancing Singapore as an International Financial Hub: The widespread use of RMB enhances Singapore's financial market development. By offering a spectrum of financial services, including RMB bond issuance and fund management, Singapore can attract global financial institutions and capital flows, thereby enriching its business diversity and bolstering its stature as an international financial center.

Strengthening Sino-Singaporean Relations: The expansion of RMB settlement fosters political ties between China and Singapore. Deepened financial cooperation enhances mutual trust, enabling Singapore to assert a more influential role in regional and global matters, contributing to ASEAN's peace and stability.

In essence, RMB settlement globalization underpins Singapore's international political and economic development amidst the US-China rivalry, offering new growth trajectories and enhancing Singapore's role in balancing great power dynamics within ASEAN.

6. Conclusion

The analysis elucidates that RMB settlement globalization positively influences Singapore's political and economic development against the backdrop of US-China competition. Amidst escalating geopolitical uncertainties, such as the Russia-Ukraine conflict and the Israeli-Palestinian tensions, leveraging RMB settlement globalization is crucial for Singapore.

Economic and Political Development: China's burgeoning economy and the drive for RMB internationalization have increased the currency's demand in Singapore. This trend facilitates trade and investment between Singapore and China, expanding Singapore's economic horizons.

Impact on Financial Market Stability: RMB settlement enables Singapore to diversify its currency reliance, reducing foreign exchange risks and fortifying local financial market stability. It also spurs new business opportunities for Singaporean financial institutions, promoting financial innovation.

US-China Rivalry: While this competition offers opportunities, like attracting investment and industrial transfers from US firms seeking to circumvent trade tensions, it also poses challenges. Singapore's economic ties with major powers and the geopolitical anxiety induced by the US-China rivalry necessitate adaptable foreign policies and diversified currency reserves.

In summary, RMB settlement globalization is a dual-edged sword for Singapore in the US-China competitive landscape, presenting both opportunities and challenges. Navigating this terrain requires Singapore to maintain agile policy responses and strategic adaptability to safeguard its regional political and economic interests.

References

- [1] Schindler, Seth, et al. "The Second Cold War: US-China Competition for Centrality in Infrastructure, Digital, Production, and Finance Networks." *Geopolitics* (2023): 1-38.
- [2] Winkler, Stephanie Christine. "Strategic competition and US-China relations: A conceptual analysis." *The Chinese Journal of International Politics* 16.3 (2023): 333-356.
- [3] Scobell, Andrew. "Parsing Post-Pandemic US-China Competition." *China Review* 23.1 (2023): 79-105.
- [4] Rolf, Steve, and Seth Schindler. "The US-China rivalry and the emergence of state platform capitalism." *Environment and Planning A: Economy and Space* (2023): 0308518X221146545.
- [5] Nagy, Stephen. "Drivers of US-China Strategic Competition: Understanding the Chinese Perspective." (2023).
- [6] Caliendo, Lorenzo, and Fernando Parro. "Lessons from US-China trade relations." *Annual Review of Economics* 15 (2023): 513-547.
- [7] Jaeger, Sara R., F. Roger Harker, and Gastón Ares. "Consumer insights about sustainable and 'beyond organic' agriculture: A study of biodynamics in the United Kingdom, Australia, Singapore, and Germany." *Journal of Cleaner Production* 401 (2023): 136744.