

# **Hedging Perspectives for Small States and Regimes: A Comparative Study Between Singapore and Hong Kong**

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## **Abstract**

This paper argues that Singapore's far-sighted implementation of a multi-pronged hedging strategy over the decades has enabled her to become a financial hub in Asia. Through employing the theories of hedging and comparative politics to analyze Hong Kong and Singapore, this paper seeks to elucidate the significance of hedging initiatives in securing distinctions in the global arena. While Hong Kong and Singapore had been neck and neck in vying for the position of Asia's top financial hub, the latter has triumphed in recent years. Employing the documentary research method, the authors seek to unravel the key research question: "How did Singapore utilize holistic hedging strategies to mitigate her internal limitations and external threats to overtake Hong Kong as Asia's top financial hub?" By examining political hybridisation, industrial diversification, social integration, and diplomatic engagements as the four independent variables, this paper demonstrates the importance of adopting purposive and responsive hedging strategies for small states and regimes in a conflicted and volatile world.

**Keywords** Hedging, Singapore, Hong Kong

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## 1. Introduction

This paper argues that far-sighted hedging strategies employed by small states and regimes play a crucial role in managing security challenges and achieving global influence. Specifically, we examine the comparative effectiveness of Singapore over Hong Kong in the utilization of holistic hedging strategies to secure the position of Asia's top financial hub. Factually, the 32nd iteration of the Global Financial Centers Index (GFCI 32) released on September 22, 2022, shows that Singapore has supplanted Hong Kong as the region's leading financial hub (Wardle & Mainelli, 2022, p. 32). Our analysis, therefore, draws upon the concept of hedging to elucidate the significance of hedging initiatives in securing distinctions in the global arena. By delimitation, while Singapore and Hong Kong differ in terms of sovereignty, this paper conceptualizes them as political economic entities with similar constraints, challenges and convictions to achieve financial superiority.

The concept of hedging has been widely discussed in the literature on small states' security strategies (Kuik, 2008, 2021; Lai & Kuik, 2021). According to Murphy (2017), hedging is a strategy employed by small states to manage their security challenges by diversifying their external relations and building alliances with various regional and global powers. Hedging strategies can be classified as passive or active where passive hedging refers to a state's reliance on a single external power, and active hedging refers to a state's diversification of its external relations with multiple powers (Vaicekauskaitė, 2017). By working definition, this paper refers hedging as strategies of a small state or regime to deal with security challenges – in relation to maintaining financial exceptionality given its inherent limitations – through political, economic (industrial), societal and diplomatic lenses.

Singapore's hedging strategy is characterized by her active and purposive approach to diversifying its external dependence. The country's economic pragmatism and political partnership have played a crucial role in its hedging strategy (Kuik, 2008). Singapore's efforts to attract foreign investment and develop its technology industry have helped it to become a hub for innovation and trade in Asia. Its national identity and selfhood policies, which promote multiculturalism and social harmony, have helped to foster a stable domestic environment that is attractive to foreign investors (Chang, 1997). In contrast, Hong Kong's hedging strategy has been more passive, relying heavily on its close relationship with People's Republic of China (PRC). The regime's collaboration policies, which aim to maintain a balance between its colonial past and Chinese identity, have limited its ability to diversify its external relations (Dayley, 2018). Hong Kong's recent political crisis and increasing tension with PRC have highlighted the limitations of its hedging strategy (Pan & Korolev, 2021).

The significance of this research lies in its analysis of the importance of hedging strategies for small states and regimes in a conflicted and volatile world. As noted by Kuik (2008), the rise of PRC and the increasing uncertainties in the global political climate have made hedging strategies more important than ever for small states. Singapore and Hong Kong's strategic location, stable political environments, advanced infrastructure, and highly developed financial services industries have allowed them to shine out as the financial centres in Asia (Qiao, 1996). Notwithstanding the hurdles, Singapore has developed significant ties with PRC (Fook, 2018) while also functioning as a partner of the United States of America (U.S.) in both economic and security initiatives, as well as an advocate for a strong U.S. presence in the Asia-Pacific region (Kuok, 2016). Hong Kong, despite being a Special Administrative Region of PRC, must maintain a healthy relationship with the United States to consolidate its vital role in the Asia-Pacific region. The U.S. has also recognised its vital role by emphasising the importance of securing a unique connection with Hong Kong (Gill & Tang, 2007). The success of Singapore (Ciorciari, 2019) and Hong Kong can be linked to their hedging techniques as a tiny country or region, which can be very instructive for small and medium-sized countries or regions, especially those in the Asian-Pacific regions that are currently processing the Sino-American split. Hence, by studying Singapore's superiority over Hong Kong in implementing key hedging strategies, this paper provides valuable insights into the significance of developing effective hedging strategies in overcoming geo-economic challenges and achieving global influence.

In terms of design, this article is premised on providing quantitative data descriptions with a qualitative analysis approach. The authors conceptualize the four independent variables as political hybridisation, industrial diversification, social integration, and diplomatic engagements to compare and analyze how Singapore leverages the hedging strategies in outperforming Hong Kong.

In terms of contribution, this research seeks to fill the existing lacuna of hedging perspectives for small states and regimes from the comparative Asian approach. Besides, through shedding light on the effectiveness of different hedging strategies, this article proffers preliminary policy considerations for small states and regimes in developing and implementing effective hedging strategies.

In the next section, a critical review is provided to surface the research gap of extant literature. Thereafter, the research design is presented with a conceptual framework to synthesize the conceptualization and the operationalization of the four independent variables. Next, the data of the comparative cases will be analyzed and presented. Subsequently, the research findings and discussion of their implications will be presented. Finally, the article will end with a coherent conclusion that recaps the key argument and contributions of the research.

## 2. Literature Review

While there are numerous studies examining hedging strategies in specific industries or fields such as finance, agriculture, sports games, healthcare, and information technology, a comprehensive examination of the holistic hedging strategies of Hong Kong and Singapore is noticeably absent from the existing literature. These two countries possess unique political, economic, societal, and diplomatic factors that significantly influence their approach to hedging. Moreover, the literature review reveals a crucial gap in the understanding of intrinsic core issues that impact the optimal execution of hedging strategies. Existing studies predominantly focus on external factors in foreign policy adjustments, neglecting the comprehensive analysis of internal dimensions. Therefore, there is a pressing research gap calling for a more nuanced approach to study the hedging strategies of Hong Kong and Singapore. This approach should consider both the internal and external dimensions of these strategies, encompassing the distinct political, economic, societal, and diplomatic aspects of each country. By filling this gap and adopting a multi-dimensional platform, this research aims to shed light on the comprehensive and interconnected factors that shape the hedging initiatives of these two nations.

Hedging strategy, originally used by Dutch merchants to hedge their risks in the tulip bulb market in the 17th century, has been continually applied in the financial market to counteract the potential stakes. However, it has also been meticulously studied by the scholars in the domains of finance and business regarding corporate governance and capital markets (Briggs, 2006; Lel, 2012; Kahan and Rock, 2017), agriculture and natural resource management (Li, Huang, Yang, Qiu, Zhao, & Cai, 2021; Hoehl & Hess, 2022), sports games (Na, Su, & Kunkel, 2019), environmental and energy management (Saeed, Bouri, & Tran, 2020), education (Loi & Lim, 2019), healthcare, and information technology (Kojima, 2019). While these literatures cover interesting and crucial themes, they fail to offer a holistic approach. Hence, our article seeks to provide a broader lens through examining internal and external dimensions from political, industrial, social, and diplomatic considerations.

A second corpus of literature related to hedging strategies takes on a geopolitical approach. Constituting as the majority, this group of studies delves at issues related to national security (Kim, 2023), political strategies (Jones & Jenne, 2022) and international relations (Ciorciari & Haacke, 2019). Various intellectuals, despite their different nations and ideological ideas, have written about hegemony and power, between east and west (Mendiola, 2019; Oba, 2019; Noorafkan & Tishehyar, 2022; Wilkins, 2023). Notably, since 2022, many of these journal articles have been focussing on the rising tensions between the United States (U.S.) and People's Republic of China (PRC) (Tan & Soong, 2022; Swaspitchayaskun & Surakitbovorn, 2022; Kao, 2022; Vu, Soong, & Nguyen,

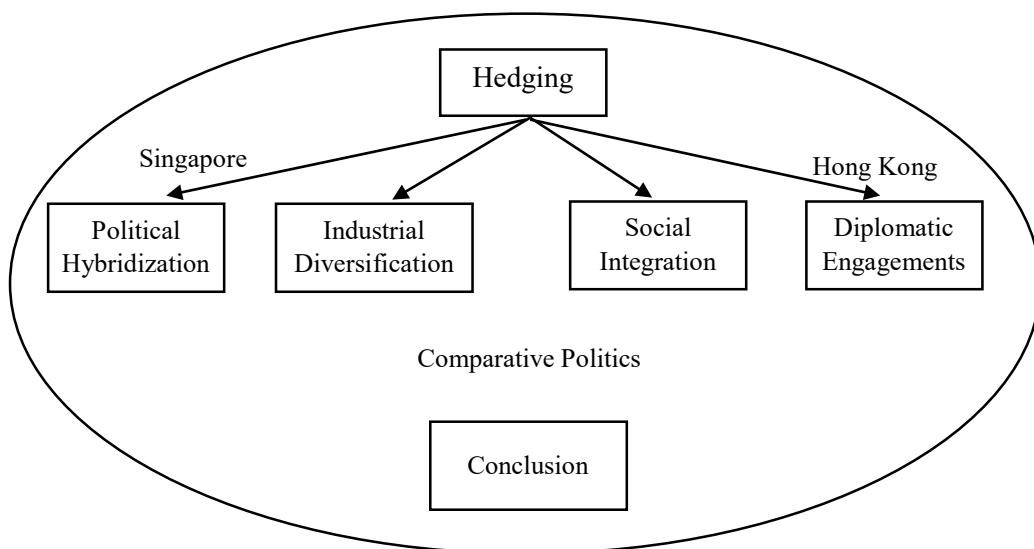
2022). On a positive note, this set of literature has accentuated the saliency of hedging strategies for Southeast Asian countries due to the ramifications of Sino-American escalating rivalry in the Asian-Pacific region. However, none has examined the implications for Singapore and Hong Kong in specific. Besides, as these scholarly works place greater emphasis on external factors in foreign policy adjustments, there is a neglect in the examination of domestic or internal conditions that affects the optimal execution of respective hedging strategies. This can be seen in the gap of extant literature where intrinsic core issues related to the variegated political, economic, societal, and diplomatic aspects – potentially precipitating the fluctuating relations between PRC and U.S. – have not been thoroughly examined. In exception, Murphy (2017) situates hedging strategies against the political, economic, societal, and diplomatic landscapes. Nonetheless, while Murphy (2017) approaches the thematic approach across these dimensions from a Southeast Asian regional perspective, it has not embarked on a specific comparison between Singapore and Hong Kong where startling similarities between these localities warrant an examination of their hedging strategies in the aforementioned dimensions. Hence, our article seeks to provide a more nuanced approach by situating the study between Singapore and Hong Kong on a multi-dimensional platform.

Additionally, a sizeable number of Singapore-centric scholarly studies have delved deeply into the hedging measures adopted in Singapore from a thematic approach: politically (Kuik, 2008), economically (Chang, 2022), socially (Vidra, 2012), and diplomatically (Kuik, 2010). In the similar vein, another corpus of studies has explored hedging measures in Hong Kong from the perspectives of overall percentage of academic research on currency (Chang & Wong, 2003), corporate governance (Briggs, 2006), foreign exchange (Chong, Chang & Tan, 2014). While these studies seek to explicate the hedging strategies from specific national contexts, they have unwittingly been myopically fixated in specific themes without observing the overlapping dimensions that lie therein. Rather than merely confined to a single nation or territory, we argue that a comparative approach might elucidate the significance of key constituent factors under the lens of similarities and differences.

Finally, there is a handful of studies that attempts to provide comparisons between Singapore and Hong Kong. These studies are heavily focused on innovation (Wang, 2018), education (Seng, Keung, & Kay Cheng, 2008), business (Lee & Ducruet, 2009), and pandemic prevention (De Deyn, Ng, Loke, & Yeoc, 2020). While these studies adopt a comparative approach, they are not examining hedging strategies that are of interest in our research. Besides, these issue-based research do not comprehensively consider the multiplicity of political, economic, societal, and diplomatic factors. Hence, our article aims to fill the lacuna by adopting a comparative intra-Asian approach to the study of holistic hedging strategies between Hong Kong and Singapore.

### 3. Research Design and Methodology

**Figure 1: Conceptual Framework**



**Source:** Author's Own Compilation

According to the Global Financial Centres Index published in September 2022, Singapore has surpassed Hong Kong to take the lead in the region and third place globally due to her stronger business environment, ease of doing business, more FDI, and expanding private banking sector (Wardle & Mainelli, 2022). Our topic of interest is the effectiveness of hedging strategies of small states and regimes through the comparative case studies between Singapore and Hong Kong. The research question is: "What are the factors that enable Singapore to surpass Hong Kong as the top financial hub of Asia?" For purposes of this study, we will be exploring the four independent variables: (1) political hybridization, (2) industrial diversification, (3) social integration, and (4) diplomatic engagements as shown in Figure 1.

Political hybridization, as discussed in this article, refers to the combination of different political systems or regimes, resulting in a "hybrid" form of governance that incorporates elements of both authoritarianism and democracy. Unlike the concept of a hybrid regime, which primarily focuses on the form of a regime, political hybridization involves the blending of diverse political systems to create a unique governance model. It is a form of "democracy with adjectives" where democratic values and practices are selectively adopted and adapted by authoritarian regimes to enhance their legitimacy and survival (Ezrow & Frantz, 2011). In this process, there can be an oscillation between authoritarian and democratic practices, and semi-authoritarian regimes that combine limited

political competition with authoritarian control (Ottaway, 2013). Finally, it can also be a transitional stage towards more consolidated democracies allowing societies to gradually adapt to democratic norms and practices while mitigating political instability and conflict (Sorensen, 2018).

One study by Heilmann (2008) analyzed the relationship between political hybridization and economic growth in China. The authors found that a combination of centralized decision-making and market-oriented reforms, which they referred to as "political hybridization," allowed for more efficient policy-making and contributed to China's economic success. Another study by Wang and Li (2019) examined the impact of political hybridization on economic growth in Singapore. The authors found that Singapore's hybrid political system allowed for a high degree of policy coherence and stability, which in turn contributed to the country's economic growth and competitiveness. In addition, there is a large body of literature on the relationship between political stability and economic growth. For example, Alesina and Perotti (1996) found that political instability can have a negative impact on economic growth, while Acemoglu et al. (2001) argued that political stability is a necessary condition for sustained economic growth. Taken together, these studies provide evidence that a political system that is a hybrid of democracy and authoritarianism can contribute to efficient policy-making and promote economic growth.

Political hybridization is influenced by various subfactors that shape the dynamics of political systems. Political violence, civil liberties, rules of law, government effectiveness, and economic stability all contribute to the degree of hybridization in a political context. For example, high levels of political violence and limited civil liberties can indicate a less hybridized political system, whereas strong rules of law and effective governance can foster a higher degree of hybridization. The quantitative indexes, such as the World Bank's Doing Business Index, Heritage Foundation's Economic Freedom Index, and IMD World Digital Competitiveness Rankings, provide objective measurements to assess the performance of these subfactors and offer insights into the extent of political hybridization. By examining these subfactors and their indexes, researchers can understand the relationship between political hybridization and hedging strategies, as well as the associated risks and stability in the political domain.

Next, industrial diversification refers to the expansion of range and variety of economic sectors and activities within a country or region (Xiao, Boschma, & Andersson, 2018). This concept can be achieved through various strategies such as expanding domestic markets, promoting export-oriented industries, attracting foreign investment, and adopting technology and innovation (Zhu & Pickles, 2014). It can also involve the development of new sectors, such as service, creative, and digital industries, which can create new sources of growth and employment (Yusuf & Nabeshima, 2005). Though industrial diversification has been critiqued as increasing the complexity and volatility of economy (Goldin &

Vogel, 2010), it has also been lauded as contributing to peace and prosperity of small states and regimes (Stevens, Lahn, & Kooroshy, 2015). As Singapore and Hong Kong are vulnerable to external economic shocks and disruptions in global supply chains (Anbumozhi, Kimura, & Thangavelu, 2020), industrial diversification can help them increase their domestic market, support export-oriented sectors, draw in foreign investment, and embrace cutting-edge technology (Zhu & Pickles, 2014).

Industrial diversification is influenced by several subfactors that drive economic development and the expansion of industries. Market demand is a critical subfactor as it reflects the needs and preferences of consumers and businesses, driving the direction of diversification. Technological innovation plays a crucial role by enabling new industries and transforming existing ones. Access to resources, such as skilled labor and infrastructure, determines the feasibility and competitiveness of different industries. Government policies, including regulations and incentives, shape the environment for industrial diversification. Quantitative indexes like the Global Financial Centres Index, Global Innovation Index, Logistics Performance Index, and World Bank's Ease of Doing Business Index provide measurements for evaluating the performance of these subfactors. By examining these subfactors and their indexes, researchers can gain insights into how industrial diversification relates to hedging strategies, as well as the potential risks and opportunities in different economic sectors.

Third, social integration refers to the social cohesion and harmony by incorporating diverse groups and individuals into a common culture and identity (Lobo, 2011). It is an essential factor for the stability and prosperity of a society as it promotes trust, solidarity, and cooperation among its members and helps to prevent social and political conflicts (Fukuyama, 1996). Social integration can be achieved through various policies and practices such as education, employment, housing, health care, and social services (Nash, Wong, & Trlin, 2006). It can also be influenced by economic development, political governance, and cultural values (Cruz-Saco et al., 2008).

Social integration relies on specific subfactors that contribute to inclusivity and cohesion within societies. Cultural diversity and acceptance foster a sense of belonging and understanding among diverse social groups. Social policies and programs aimed at promoting equality, education, and welfare play a crucial role in creating a cohesive society. Access to technology and communication ensures that individuals and communities are connected and engaged. Inclusive public spaces provide platforms for interaction and social integration. Quantitative indexes such as the Diversity Index, Social Welfare Index, Digital Access Index, and Public Space Index offer measurements to evaluate these subfactors. By analyzing these subfactors and their indexes, researchers can explore the relationship between social integration and hedging strategies, as well as the potential social risks or benefits associated with them.

Finally, diplomatic engagements, the fourth independent variable, refer to the interactions and exchanges between states or international organisations through which they seek to achieve common goals, resolve conflicts, and establish mutual understanding and cooperation (Fierke, 2005). Diplomatic engagements can take various forms including bilateral and multilateral negotiations, treaty-making, peacekeeping, and humanitarian assistance. Diplomatic engagements are essential to international relations and foreign policy, as they provide a forum for states and international organisations to address global challenges and promote their interests and value (Constantinou & Opondo, 2016). Diplomatic engagements can also hedge against external threats and uncertainties by building relationships and networks that can provide support and protection in times of crisis or conflict (Lim & Cooper, 2015).

Diplomatic engagements encompass various subfactors that shape international relations and global challenges. National interests guide the priorities and strategies of nations in their diplomatic engagements. Geopolitics, including the balance of power and regional dynamics, influence the diplomatic landscape. Ideology plays a role in shaping alliances, partnerships, and conflicts among nations. Globalization affects the interdependence and interconnectedness of countries, impacting their diplomatic engagements. International organizations provide platforms for diplomatic cooperation and coordination. Global issues such as climate change require diplomatic efforts to address shared challenges. Quantitative indexes like the Global Competitiveness Index, Global Peace Index, Democracy Index, Globalization Index, Global Diplomacy Index, and Climate Change Performance Index offer measurements for evaluating these subfactors. By examining these subfactors and their indexes, researchers can understand how diplomatic engagements relate to hedging strategies in response to global challenges, political strategies, and regional dynamics.

In essence, the four hypotheses based on the four independent variables are: (1) A more coherent form of political hybridization leads to better stability and prosperity, (2) An increase in industrial diversification leads to greater economic opportunities and resilience, (3) A stronger vertical and horizontal integration in the society leads to better security and mobility, and (4) A wider platform of diplomatic engagements in the international community leads to an increase in foreign investments.

To illustrate, Table 1 below succinctly summarizes how the four independent variables are measured in terms of their respective sub-factors and corresponding indexes.

**Table 1: Identification of Sub-factors and Indexes of the Four Independent Variables**

<b>Political Hybridization</b>	
Sub-factors	Quantitative Data
<b>Political violence</b>	Global Peace Index (Schippa, 2021)
<b>Civil liberties</b>	Freedom House Index (Ariel & Betancourt, 2010)
<b>Rules of law</b>	World Justice Project Rule of Law Index (Ramin & Meyer, 2019)
<b>Government effectiveness</b>	Worldwide Governance Indicators (Razak & Suhadak, 2019)
<b>Economic stability</b>	World Economic Forum Global Competitiveness Index (Taskinsoy, 2019)
<b>Industrial Diversification</b>	
Sub-factors	Quantitative Data
<b>Market demand</b>	Global Financial Centres Index (GFCI) World Trade Organization's (WTO) Global Enabling Trade Report World Economic Forum's (WEF) Global Competitiveness Report IMD World Competitiveness Rankings (Delgado, Ketels, Porter, & Stern, 2012)
<b>Technological innovation</b>	Global Innovation Index (GII) Bloomberg Innovation Index World Intellectual Property Organization (WIPO) Innovation Index Digital Adoption Index (DAI) (Tidd & Bessant, 2020)
<b>Access to resources</b>	Human Development Index (HDI) Logistics Performance Index (LPI) World Bank's Ease of Doing Business Index Global Talent Competitiveness Index (GTCI) (Nicotra, Romano, Del Giudice, & Schillaci, 2018)
<b>Government policies</b>	World Bank's Doing Business Index Heritage Foundation's Economic Freedom Index IMD World Digital Competitiveness Rankings World Economic Forum's Global Information Technology Report (Ružeková, Kašťáková, & Žatko, 2016, p. 838)
<b>Economic conditions</b>	GDP Growth Rate Purchasing Managers' Index (PMI) World Economic Outlook (WEO) Global Risk Report (Jung, Patnam, & Ter-Martirosyan, 2018)
<b>Social Integration</b>	
Sub-factors	Quantitative Data
<b>Cultural diversity and acceptance</b>	Diversity Index (Koopmans & Schaeffer, 2015)
<b>Social policies and programs</b>	Social Welfare Index (Lindenberg, 2002)
<b>Political stability and security</b>	Political Stability and Absence of Violence/Terrorism Index (Saha & Yap, 2014)
<b>Economic prosperity</b>	Gross Domestic Product (GDP) (Ali, Rehman, Ali, Yousaf, & Zia, 2010)

<b>Access to technology and communication</b>	Digital Access Index (Kreutzer, 2009)
<b>Inclusive public spaces</b>	Public Space Index (Mehta, 2014)
<b>Diplomatic Engagements</b>	
Sub-factors	Quantitative Data
<b>National interests</b>	Global Competitiveness Index (GCI) (Porter et al., 2008)
<b>Geopolitics</b>	Global Peace Index (GPI) (Schippa, 2011)
<b>Ideology</b>	Democracy Index (Norris, 1999)
<b>Globalization</b>	Globalization Index (Hedlund, Fick, Carlsen, & Benzie, 2018)
<b>International organizations</b>	Global Diplomacy Index (Hanegraaff, Beyers, & De Bruycker, 2016)
<b>Global issues</b>	Climate Change Performance Index (O'Brien & Leichenko, 2000)

**Source:** Author's Own Compilation

In Table 1 above, we have also indicated the measurements of the quantitative data as indexes – worldwide rankings or scores provided by the international authoritative organizations – that will be compared to clearly illustrate the differences between Singapore and Hong Kong.

However, for operationalization, we are not merely relying on the quantitative data. To discern the complete hedging perspectives, we will be employing sentiment analysis or opinion mining as our qualitative research approach. This is a pivotal natural language processing (NLP) technique discerning sentiments expressed in texts. Liu (2012) notes that sentiment analysis involves the extracting of subjective information, such as opinions and emotions, and the classification of these information as positive, negative and neutral sentiments accordingly. The data sources for sentiment analysis can diversely range from social media platforms, like Twitter and Facebook, to customer reviews on commercial sites, like Amazon. Based on text reprocessing, feature extraction and sentiment classification, the focus in this process is to automatically assign sentiment labels to the texts. Pang and Lee (2008) underline the significance of sentiment analysis by highlighting its ability to provide actionable insights from unstructured textual data.

Sentiment analysis is a pivotal component of our research design. It assists us in gauging the emotional tone and content of statements made by political leaders in both regions and its impact on the four key dimensions. This provides the basis of comparison of sentiments expressed in statements related to Singapore and Hong Kong within the context of the four dimensions. First, in political hybridization, we can elucidate how leaders' emotions reflect the dynamics of political hybridization in both regions by evaluating sentiments expressed in relation to political cooperation and hybrid systems. Next, in industrial diversification, sentiment analysis helps us to understand the enthusiasm or

concerns surrounding this aspect. It reveals the emotional nuances that influence the strategies and attitudes toward growth through industrial diversification. Third, in social integration, examining emotional tones within discussions related to social cohesion and unity allows us to assess how sentiments impact the broader concept of social integration within these regions. Finally, in diplomatic engagement, analyzing sentiments in diplomatic exchanges helps us understand how emotions influence international relations, treaties, and agreements, contributing to diplomatic engagement.

There are several methodological steps we employ in sentiment analysis. In the first step, data collection involves the gathering of a comprehensive dataset of statements, speeches, or documents from political leaders, government officials, or relevant sources in Singapore and Hong Kong. This is done by using keywords to generate the most relevant speeches related to the four independent variables of this study. Next, text reprocessing refers to the preparation of the text data through the removal of stopwords, punctuation and special characters while performing stemming and lemmatization to reduce words to their base form. Subsequently, natural language processing libraries or other sentiment analysis tools such as TextBlob is used to analyze sentiments by classifying them according to the positive, negative or neutral categories. Thereafter, sentiment scores are assigned to each sentence and the range of the scores reflects the intensity or polarity of the sentence's sentiments. These scores can be captured as either between -1 (negative) and 1 (positive) or a scale of 0 to 1. This is followed by categorization of sentences according to the four related independent variables. Then, the process transits into data visualization where visual representations are created to display the distribution of sentiments in each category. This provides a clear overview of the emotionality in different dimensions. Data compilation takes the process further through the collection of statements and documents that are specifically addressing the four dimensions: political hybridization, industrial diversification, social integration, and diplomatic engagement. Finally, a comparative analysis is undertaken where the sentiment scores and emotional nuances between Singapore and Hong Kong for each dimension are examined.

In summary, our research buffers quantitative data analysis by choosing the qualitative approach of sentiment analysis to unpack the sentiments embedded in texts associated with the hedging discourses found in Singapore and Hong Kong. These refer to salient comments that have been made by international political leaders on Singapore and Hong Kong regarding the four independent variables. Specifically, this multifaceted approach seeks to unravel the emotionally nuanced hedging perspectives underlying the four independent variables of political hybridization, industrialization, social integration and diplomatic engagements.

#### 4. Case Presentation and Analysis

This section presents the comparative data for both Singapore and Hong Kong according to the four independent variables. The presentation will include both quantitative and qualitative analyses based on the sub-categorical indexes and the key authoritative comments accordingly.

##### A. *Political Hybridization*

**Table 2: Quantitative Data Analysis for Indexes Regarding Political Hybridisation**

Category	Indexes (Ranking)	Singapore	Hong Kong
<b>Political violence</b>	Global Peace Index: Singapore: 9th (2022) Hong Kong SAR: China 89th (2022) (IMD World Competitiveness Center, 2022)	Singapore is generally considered to have a low level of political violence	A significant amount of political violence involving protests and clashes with police
<b>Civil liberties</b>	Freedom House Index: Singapore: 47th, rated “partly free” (2022) Hong Kong: 43rd, rated “partly free” (2022)	Its restrictions on civil liberties, particularly with regards to freedom of speech and the press	The erosion of civil liberties
<b>Rules of law</b>	World Justice Project Rule of Law Index: Singapore: 17th (2022) Hong Kong: 22nd (2022)	A strong rule of law	The erosion of the rule of law in recent years
<b>Government effectiveness</b>	Worldwide Governance Indicators: Singapore: Score 2.29 (2021) Hong Kong: Score 1.53 (2021) Note: the higher score, the more effective (Worldwide Governance Indicators)	A high level of government effectiveness with a well-developed bureaucracy and a reputation for low levels of corruption	The concerns about erosion of government effectiveness in recent years
<b>Economic stability</b>	World Economic Forum Global Competitiveness Index: Singapore: 1st (2019) Hong Kong: 3rd (2019)	Its strong economy and stability	The concerns about the long-term stability of the economy

**Source:** Author’s Own Compilation

In terms of political stability, civil liberties, and government effectiveness, Singapore generally outperforms Hong Kong. According to Table 2 above, Singapore is ranked 9th in the Global Peace Index, indicating a low level of political violence, while Hong Kong is ranked 89th, indicating a significantly higher level of political violence. Both countries are rated "partly free" in the Freedom House Index, with Singapore ranked slightly lower than Hong Kong. Singapore is ranked 17th in the World Justice Project Rule of Law Index, while Hong Kong is ranked 22nd, with both countries generally considered to have strong rule of law. Singapore has a higher governance effectiveness score than Hong Kong, indicating a higher level of government effectiveness. Both countries are known for their strong economies and stability, with Singapore ranking slightly higher than Hong Kong in the World Economic Forum Global Competitiveness Index. However, recent political unrest in Hong Kong has raised some concerns about the long-term stability of its economy. In other words, from a political hybridization perspective, we can surmise that Hong Kong's recent political turmoil has revealed a somewhat disruptive political transitioning as PRC government plays an increasing interventional role. On the other hand, Singapore's sustained political hybridization over the years has continued to generate positive outcomes. Hence, while both countries have strong economies and stability, Singapore appears to have a slight edge over Hong Kong as it has a more coherent form of political hybridization expressed in political stability, civil liberties, and government effectiveness.

**Table 3: Political Leaders' Comments on Singapore and Hong Kong's Political Hybridization (Qualitative Data)**

Singapore	Hong Kong
<p>“We believe in a democratic society by governments freely and periodically elected by the people... We believe, in the virtue of hard work and that those who work harder in society should be given greater rewards... We believe that the world does not owe us a living and that we have to earn our keep.” (S Rajaratnam, 1965)</p> <p>“To make up for this, we need the highest quality leadership that we can muster. Our size makes us more vulnerable, but also gives us a nimbleness that other countries cannot match. However, this demands responsive, forward-looking leadership, and not blind flying on autopilot.” (Lee Hsien Loong, 2003)</p> <p>“My view is that people’s preferences matter, but I don’t define the people’s preferences as merely the views of existing majorities. ‘The people’, as I see it, includes future generations, and governments have a special responsibility to resist popular pressure for tax breaks and welfare measures that undermine the prospects of future generations. So perhaps we should define democracy as a government chosen by the people, including contemporary and future generations.” (Lee Kuan Yew, 1999)</p>	<p>“I don’t want to spend your time, or waste your time, for you to ask me what went wrong, and why it went wrong. But for a Chief Executive to have caused this huge havoc to Hong Kong is unforgivable. It’s just unforgivable. If I have a choice, the first thing is to quit, having made a deep apology, is to step down. So I make a plea to you for your forgiveness.” (Carrie Lam, 2019)</p> <p>“Nothing is more important than the rule of law in Hong Kong.” (Carrie Lam, 2019)</p> <p>“The decision to implement the law was ‘designed for steady implementation of ‘one country, two systems’ and Hong Kong’s long-term prosperity and stability.’” (Li Keqiang, 2020)</p>

**Source:** Author’s Own Compilation

Based on the composite sentiment scores in the aspect of political hybridization, Singapore scores 0.1833, suggesting a generally positive sentiment. Hong Kong, on the other hand, scores 0.067, which indicates a less positive sentiment regarding political hybridization. The Singapore government has maintained a stable political climate over the years due to its emphasis on strong leadership and a centralized governing system. As shown in Table 3, the country's leaders have consistently focused on promoting economic growth and development, which has helped to maintain a sense of political stability. In contrast, Hong Kong has experienced significant political turmoil in recent years due to its political hybridization. Since 1997, the territory has been operating under a "one country, two systems" framework, which has unwittingly dichotomized the political systems in nature causing unintended ideological

schisms. Consequently, it lacks coherent planning in transition, which denies the smooth process of political hybridization. This has inadvertently caused tension between the Chinese central government and pro-democracy activists in Hong Kong. Unfortunately, the Chinese government's increasing involvement in Hong Kong's affairs has perniciously led to widespread protests and civil unrest, which has gravely affected the territory's political stability. Furthermore, the appointment of Hong Kong's Chief Executive by the Chinese government has caused the deterioration of political trust as the “clipping of wings” is an apparent sign of territory's limited autonomy. In contrast, the election of Singapore's leaders through a centralized system has allowed the country to maintain a sense of stability and control over its political climate. Overall, while both Singapore and Hong Kong operate under political hybridization, the level of political stability in each territory differs significantly. Singapore's emphasis on strong leadership and economic development has helped to maintain political stability, while Hong Kong's "one country, two systems" framework has led to political unrest and disruptions to its stability.

### ***B. Industrial Diversification***

**Table 4: Qualitative Data Analysis for Indexes Regarding Industrial Diversification**

<b>Category</b>	<b>Indexes (Ranking)</b>	<b>Singapore</b>	<b>Hong Kong</b>
<b>Market demand</b>	Global Financial Centres Index (GFCI) Singapore: 3; Hong Kong: 4 (2022) (Dutta, Lanvin, Rivera León, & Wunsch-Vincent, 2022) WTO's Global Enabling Trade Report Singapore: 1; Hong Kong: 3 (2016) The World Economic Forum (weforum.org) WEF's Global Competitiveness Report Singapore: 5; Hong Kong: 7 (2021) (World Competitiveness Rankings - IMD)	International trade and investment, produces electronics, petrochemicals, and biomedical products	Heavily focusing on the services and financial sectors
<b>Technological innovation</b>	Global Innovation Index (GII) Singapore: 7; Hong Kong: 14 (2022) (Global Innovation Index 2022: What is the future of innovation-driven growth? (wipo.int)) Bloomberg Innovation Index Singapore: 2; Hong Kong: 38 (2021) (Reddit, 2022) World Digital Ranking Singapore: 4; Hong Kong: 9 (2022) (IMD World Competitiveness Center, 2022)	Highly innovative, invests heavily in R&D	Growing focus on innovation and entrepreneurship

Category	Indexes (Ranking)	Singapore	Hong Kong
<b>Access to resources</b>	Human Development Index (HDI) Singapore: 12; Hong Kong: 4 (2021-2022) (UNDP, 2022) Logistics Performance Index (LPI) Singapore: 7; Hong Kong: 12 (2018) Global Rankings 2018 (Logistics Performance Index, 2019) World Bank's Ease of Doing Business Index Singapore: 2; Hong Kong: 3 (2019) (World Bank, n.d.) Global Talent Competitiveness Index (GTCI) Singapore: 2; Hong Kong: /China 36 (2022) (Lanvin & Monteiro, 2022)	Limited natural resources, heavily reliant on importing goods and services	Limited natural resources, heavily reliant on importing goods and services
<b>Government policies</b>	World Bank's Doing Business Index Singapore: 2; Hong Kong 3 (2019) (Rankings, 2019) Heritage Foundation's Economic Freedom Index Singapore: 1; Hong Kong: /China 148 (2022) (The Heritage Foundation, 2023) IMD World Digital Competitiveness Rankings Singapore: 4; Hong Kong: 9 (2022) (IMD World Competitiveness Center, 2022) World Economic Forum's Global Information Technology Report Singapore: 1; Hong Kong: 14 (2015) (World Economic Forum, 2015)	Focused on areas such as advanced manufacturing, biomedical sciences, and digital services	Focused on logistics, creative industries, and financial services
<b>Economic conditions</b>	Gross Domestic Product (GDP) growth rate Singapore: 3.6%; Hong Kong -3.5% (World Economic Outlook (October 2022) - Real GDP growth (imf.org)) Purchasing Managers' Index (PMI) Singapore: 51.2 (Jan 2023); Hong Kong 51.2 (Jan 2023) (PMI, Purchasing Managers' Index – Manufacturing, Services (spglobal.com)) World Economic Outlook (WEO) Singapore: 2.3% (2023); Hong Kong 3.9% (2023) (World Economic Outlook (imf.org)) Global Risk Report	Highly stable and well-managed economy.	Highly developed and open economy.

Category	Indexes (Ranking)	Singapore	Hong Kong
	Singapore: 5th (2021); Hong Kong: 18th (2021) (Global Risks Report 2023   World Economic Forum World Economic Forum (weforum.org))		

**Source:** Author's Own Compilation

As attested by the indexes in Table 4, Singapore, a major hub for international trade and investment, has a highly developed and diversified economy, which produces electronics, petrochemicals, and biomedical products. The Singapore government has invested heavily in R&D with a growing focus on technology and innovation in areas such as artificial intelligence, digital health, and sustainability. It implements policies to support the growth of new industries and encourage diversification, offering tax incentives, grants for R&D, and industry clusters in focused areas such as advanced manufacturing, biomedical sciences, and digital services. In contrast, Hong Kong heavily focuses on the services sector, with a well-developed logistics and transportation sector. It has a highly skilled workforce and business-friendly regulatory environment where there are initiatives and government support for innovation and entrepreneurship. However, the latter is limited by its small and densely populated city and is heavily reliant on importing goods and services.

**Table 5: Political Leaders' Comments on Singapore and Hong Kong's Industrial Diversification (Qualitative Data)**

Singapore	Hong Kong
<p>“Minister Mentor Lee’s views and insights on Asian dynamics and economic management were respected by many around the world, and no small number of this and past generations of world leaders have sought his advice on governance and development.” (Barack Obama, 2015)</p> <p>In Asia, China continues to prosper, which is both a major opportunity and a huge competitive challenge. Firstly, we must promote innovation, creativity, and entrepreneurship. Secondly, we must deregulate and liberalise the economy, to allow enterprise to flourish. And thirdly, we must encourage self-reliance complemented by community support, and minimise dependence on the state.” (Lee Hsien Loong, 2003)</p> <p>“In our overall development strategy, we put more emphasis on the services sector as a major growth</p>	<p>"We support Hong Kong's efforts to diversify its industries, which will help the city maintain its competitiveness in the global market."</p> <p>“We are clear that the support for Hong Kong in enhancing its status as an international financial, transportation, trade centre and aviation hub, as well as in strengthening its roles as a global offshore Renminbi business hub, an international asset management centre and a risk management centre.” (Carrie Lam, 2021)</p> <p>“Hong Kong reaped the benefits from both the East and the West. As the center of economic gravity in the world shifts eastward, the mainland along with fast-growing economies throughout the region will be a major engine of global growth, and an abundant source of economic</p>

Singapore	Hong Kong
<p>engine, alongside manufacturing that had long been a key driver. In manufacturing, we made a conscious effort to assimilate and adopt new technology from the advanced economies, moving up the value chain as our incomes and capabilities rose.” (Lee Hsien Loong, 2003)</p>	<p>opportunities. Hong Kong always bounces back, better than ever... We have full confidence in its tenacity and its future. We are already seeing (an) encouraging rebound.” (John Lee, 2022)</p> <p>“In 2020, our financial services contributed US\$76 billion. That's 23.4 per cent of our GDP. Hong Kong has been the world's number-one IPO venue for seven of the last 13 years. Hong Kong is also one of the world's leading biotech fundraising hubs.” (John Lee, 2022)</p>

**Source:** Author’s Own Compilation

Running through the sentiment analysis in this dimension, Singapore scores 0.333, reflecting a positive sentiment related to industrial diversification. However, albeit a somewhat positive score, with 0.175, Hong Kong scores relatively weaker in contrast to Singapore. Hong Kong's economy is heavily reliant on the financial services sector, which accounts for a large portion of its GDP. While this sector has been successful in driving economic growth in the past, it also leaves Hong Kong vulnerable to global economic shocks that could impact the financial industry. On the other hand, Singapore has been successful in diversifying its economy and expanding into a range of industries beyond just finance. This has helped Singapore to weather economic downturns better than Hong Kong and maintain a more stable economic base. Singapore has a robust manufacturing sector, as well as a growing technology and innovation sector, both of which contribute significantly to its GDP. So, as reflected in Table 5, while both Singapore and Hong Kong have strong financial services industries, Singapore's ability to diversify and expand into other sectors has given it an advantage in terms of overall economic performance and stability.

### C. Social Integration

**Table 6: Quantitative Data Analysis for Indexes Regarding Social Integration**

Factor	Indexes	Singapore	Hong Kong
<b>Cultural diversity and acceptance</b>	Diversity Index Singapore: 0.68 (2019) Hong Kong: 0.78 (2019) (Views of diversity by country   Pew Research Center)	Highly diverse society with policies and programs to promote multiculturalism and respect for different cultures	Diverse city, but concerns about discrimination against some groups such as ethnic minorities and refugees
<b>Social policies and programs</b>	Social Welfare Index Singapore: 0.95 (2019); Hong Kong 0.88 (2019) (OECD Social and Welfare Statistics   OECD iLibrary (oecd-ilibrary.org))	Strong social safety net, provides healthcare, education, and affordable housing, with programs to promote social cohesion and integration	Strong social safety net, provides healthcare, education, and public housing, but concerns about adequacy and accessibility of services, particularly for marginalized groups
<b>Political stability and security</b>	Political Stability and Absence of Violence/Terrorism Index Singapore: 1.94 (2021); Hong Kong: 1.50 (2021) (Glossary   DataBank (worldbank.org))	A stable political environment, low levels of political unrest and high levels of safety and security	Experienced significant political and social unrest in recent years, which has undermined stability and security
<b>Economic prosperity</b>	Gross Domestic Product (GDP) per capita Singapore: GDP per capita of US\$65,233 (2021); Hong Kong: GDP per capita of US\$49,629 (2021) (GDP per capita, by country 2021   Statista)	Highly developed economy with a strong focus on innovation, technology, and education to support long-term economic growth	Highly developed economy with concerns about income inequality and the affordability of housing, which can create divisions within society
<b>Access to technology and communication</b>	Digital Access Index Singapore: 0.84 (2020) Hong Kong: 0.89 (2020) (International Telecommunication Union, 2020)	One of the most technologically advanced countries in the world, with high levels of internet and mobile phone penetration	Highly connected city with concerns about government surveillance and restrictions on freedom of expression
<b>Inclusive public spaces</b>	Public Space Index Singapore: 0.93 (2018) Hong Kong: 0.79 (2018) (Morgan & Evans, 2022)	Has public spaces that are designed to be inclusive and accessible to all members of society, such as parks and community centers	Has public spaces that are designed to be inclusive and accessible to all members of society, but concerns about restrictions on freedom of assembly and expression in public spaces

**Source:** Author's Own Compilation

In Table 6, Singapore and Hong Kong show some similarities and differences in terms of social integration. Both places have diverse populations, but while Singapore has policies and programs to promote multiculturalism and respect for different cultures, Hong Kong has been facing issues related to discrimination against some groups such as ethnic minorities and refugees. In addition, both Singapore and Hong Kong have strong social safety nets in the areas of healthcare, education, and housing. However, there are concerns about the adequacy and accessibility of services in Hong Kong, particularly for marginalized groups. Singapore is known for having a stable political environment with high levels of safety and security, but Hong Kong has experienced significant political and social unrest in recent years, which has undermined stability and security. Moreover, while both economies are highly developed, Hong Kong faces sharper income inequality and lesser housing affordability, which can create divisions within society. Finally, while both cases attain high connectivity and advanced technology, the Hong Kong population has greater resistance towards government surveillance and restrictions on freedom of expression. In terms of inclusive public spaces, both locales have designated lots that are meant to be inclusive and accessible to all members of society; nonetheless, in the case of Hong Kong, there remains a heightened sense of wariness pertaining to the draconian restrictions on freedom of assembly and expression.

**Table 7: Political Leaders' Comments on Singapore and Hong Kong's Social Integration (Qualitative Data)**

Singapore	Hong Kong
<p>“This was a new generation but now that they are all grown up, probably fathers and grandfathers but at that time, this concept (of a nation) was not even part of the imagination of adults, let alone children. So, the best way to create a nation is to start from the schools. Once this is embodied and thinking by pure repetition every day, that becomes part of the psyche of the people. So let me tell you if you are a Singaporean - two and a half million - no place to run - no more. Whether you are a Singapore Chinese, Singapore Malay and Singapore Indian, you cannot run away. This is your last stand, last outpost. So how do you do it? If you think of yourself as Chinese, Malays, Indians and Sri Lankans, then Singapore will collapse. You must think of Singapore - this is my country. I fight and die for Singapore if necessary.” (S Rajaratnam, 1984)</p> <p>“In Singapore, our previous remaking succeeded because we mounted a strong collective response - at independence a determination to beat the odds and survive, in 1985 a sense that if we made sacrifices together, we could make our economy competitive again. Without that sense of group interest, we could not have cut employer CPF rates, nor restored our competitiveness in a way that few other countries could do.” (Lee Hsien Loong, 2003)</p> <p>“In Singapore, consensus building is especially important as the remaking is to lead to an economy more reliant on private enterprise and individual effort. This can only work if Singaporeans feel that the system is fair to all, and benefits everybody over the long run. Hence, we have worked hard to strengthen the social and political consensus in support of our remaking plans. We involved and consulted Singaporeans as widely as possible.” (Lee Hsien Loong, 2003)</p>	<p>“A small minority of people do not mind destroying Hong Kong's economy. They have no stake in the society which so many people have helped to build and that's why they resort to all this violence and obstruction, causing huge damage to the economy and to the daily life of the people.” (Carrie Lam, 2019)</p> <p>“Hong Kong is an extremely important partner for Japan with which Japan maintains close economic ties and people-to-people exchanges. It is the long-standing policy of Japan to attach great importance to upholding a free and open system which Hong Kong has been enjoying and the democratic and stable development of Hong Kong under the ‘One Country Two System’ framework.” (Japanese Ministry, 2020)</p> <p>“Hong Kong’s autonomy must not be undermined. The citizens of Hong Kong enjoy freedoms and rights, that are afforded to them through the Basic Law and on the principle ‘one country, two systems.’ We expect that law and order to be upheld.” (Heiko Mass, 2020)</p> <p>“Rebuilding trust across Hong Kong society by allowing the people of Hong Kong to enjoy the rights and freedoms they were promised can be the only way back from the tensions and unrest that the territory has seen over the last year.” (U.S., United Kingdom, Australia, Canada, 2020)</p>

**Source:** Author’s Own Compilation

According to sentiment analysis, Singapore scores 0.1233 which reflects a moderately positive sentiment toward social integration. Over at Hong Kong, the score of 0.05 suggests a lower positivity as compared with Singapore. Taking a closer look, the quotes in Table 7 suggest that Singapore and Hong Kong have different approaches to social integration. In Singapore, there is a strong emphasis on building a collective national identity, which involves instilling a sense of loyalty to the country through education and a shared understanding of the country's history and challenges. This is seen as crucial to ensuring the success of the country's economic and social policies. In contrast, Hong Kong's recent protests and unrest suggest that there is a lack of social integration and a growing divide between the government and the people. Some people feel disconnected from the society they live in, which has led to protests and unrest. The focus in Hong Kong has been on maintaining freedoms and democratic values, which are seen as central to the city's identity, rather than on building a collective national identity.

#### *D. Diplomatic Engagements*

**Table 8: Quantitative Data Analysis for Indexes Regarding Diplomatic Engagements. Source: Author's Own Compilation**

Category	Indexes (Ranking)	Singapore	Hong Kong
National interests	Global Competitiveness Index (GCI) Singapore: 3rd (2019) Hong Kong: 5th (2019) (World Economic Forum, 2019)	As a small, densely populated island nation with few natural resources, Singapore has historically focused on developing a strong economy to ensure its national security and prosperity.	Hong Kong's national interests are also closely tied to its economic success. The city is a key financial center and gateway to mainland China, and has long prioritized policies that promote trade, investment, and economic growth.
Geopolitics	Global Peace Index (GPI) Singapore: 9th (2021) Hong Kong: 77th (2021) (ReliefWeb, 2021)	Good relations with both China and the United States, build strong relationships with neighboring countries in Southeast Asia, an active participant in regional organizations such as ASEAN.	The tensions between PRC and the U.S have put Hong Kong in a difficult position, as it seeks to maintain its autonomy and economic ties while also navigating the broader geopolitical landscape.

Category	Indexes (Ranking)	Singapore	Hong Kong
<b>Ideology</b>	Democracy Index Singapore: 6.27/10 (2020) Hong Kong: 6.46 /10 (2020) (The Economist Intelligence Unit, 2020)	Singapore's government has been characterized as authoritarian, with a strong emphasis on maintaining social order and economic growth.	In recent years, there have been concerns about the erosion of these freedoms, particularly with regard to free speech and political participation.
<b>Globalization</b>	Globalization Index Singapore: 1st (2020) Hong Kong: 3rd (2020) (Global Europe, 2020)	Singapore's history is closely tied to its location as a key trading hub in Southeast Asia.	Hong Kong has sought to maintain strong economic and cultural ties with both China and the West and has a strong sense of identity and history as a former British colony.
<b>International organizations</b>	Global Diplomacy Index Singapore: 10th out of 60 (2021) Hong Kong: not included (Lowy Institute, 2021)	Singapore is a member of several international organizations, and it has been an active participant in these organizations and has sought to play a leadership role in regional and global affairs.	Hong Kong is not a sovereign state, but it is a special administrative region of China. As a result, its participation in international organizations is limited.
<b>Global issues</b>	Climate Change Performance Index Singapore: 58.5/100 Hong Kong: not included (China 28.5/100) (Climate Change Performance Index, 2022)	The city-state has played a leadership role in promoting sustainable development and has launched several initiatives aimed at reducing its carbon footprint.	The city's unique political situation has made it a focus of attention in debates about democracy and human rights.

Based on Table 8, Singapore and Hong Kong are two Asian city-states with significant geopolitical importance and strong economic ties to the rest of the world. Singapore has historically focused on developing a strong economy, attracting foreign investment, promoting trade, and developing high-tech industries. Singapore government can be viewed a form of semi-authoritarian controlled democracy with a strong emphasis on maintaining social order and economic growth. On the other hand, Hong Kong is a key financial centre and a gateway to mainland China, and has long prioritized policies that promote trade,

investment, and economic growth. Its political system is unique where a "one country, two systems" arrangement permits a degree of autonomy from mainland China. In recent years, however, tensions between China and the United States have put Hong Kong in a difficult position in the course of maintaining its autonomy and economic ties while navigating across the broader geopolitical landscape. Hence, both Singapore and Hong Kong have strong historical ties to their respective regions, and both are members of several international organizations; nonetheless, Singapore plays a more prominent role in regional and global affairs.

**Table 9: Political Leaders' Comments on Singapore and Hong Kong's Diplomatic Engagements (Qualitative Data)**

Singapore	Hong Kong
<p>"I will always be proud that Lee Kuan Yew was my friend. I respected his effective leadership of his wonderful, resilient and innovative country in ways that lifted living standards without indulging a culture of corruption. I was also proud of the progress Singapore and the United States achieved together as partners. Because of the example set by Lee Kuan Yew's singular leadership, let me add I am confident that the future will be bright for Singapore." (H.W. Bush, 2015)</p> <p>"Mr. Lee Kuan Yew is a uniquely influential statesman in Asia and a strategist boasting oriental values and international vision." (Hong Lei, 2015)</p> <p>"Mr. Lee Kuan Yew is a uniquely influential statesman in Asia and a strategist boasting oriental values and international vision." (Hong Lei)</p>	<p>"The relations between British and local officials have been 'more difficult' recently, especially in wake of the new law. I personally feel it is not the Hong Kong that people know and love." (Andrew Heyn, 2020)</p> <p>"The country could offer 'a path to citizenship' for British National (overseas) passport holders in Hong Kong." (Dominic Raab, 2020)</p>

**Source:** Author's Own Compilation

In terms of sentiment analysis on diplomatic engagement, Singapore achieves a score of 0.265 reflecting a notably positive sentiment. On the contrary, the score of -0.1 for Hong Kong reveals a negative sentiment. According to Table 9, the quotes reveal the differences between Singapore and Hong Kong in their diplomatic aspirations and arrangements. Singapore is widely respected for its effective leadership, success in transforming into a prosperous nation with low levels of corruption, and strong diplomatic ties with major powers. Hong Kong, on the other hand, is currently facing challenges to its democratic values and human rights. This has inevitable impact on its international reputation as an open and democratic society. Hence, the diplomatic engagements of the two countries

may also differ, with Singapore having stronger ties with major powers than Hong Kong.

## **5. Findings and Discussion**

In reiteration, this research links the concept of hedging with politics, economics, society and diplomacy. In deriving these multi-faceted dimensions, this article takes a leaf from Murphy (2017). First, domestic politics can influence a state's hedging strategy as seen in the case of Thailand where a military coup led to a decline in ties with the United States (Murphy, 2017, p. 167). Next, hedging bear economic implications as Southeast Asian states seek to secure economic benefits from multiple powers (Murphy, 2017, p. 181). Third, hedging can have societal implications as Southeast Asian states seek to balance the interests of different domestic groups, such as ethnic minorities and nationalist groups (Murphy, 2017, p. 181). Finally, hedging involves an active engagement in socializing with rising powers to gain acceptance by the established international order (Murphy, 2017, p. 177). Similarly, these dimensions bear implications to the hedging strategies adopted by Singapore and Hong Kong against their security challenges. First, being small state and regime without hinterland (in especial, Singapore), they need to maintain stable political and economic ties with global major powers. Second, given the scarcity of natural resources, Singapore and Hong Kong suffer sizeable risks in over-dependence due to over-specialization. The securing of economic ties with multiple powers through industrial diversification remains the key to mitigating this challenge. In addition, the existing racial mix and the increasing human mobility have made both Singapore and Hong Kong cultural melting pots. It advertently raises the challenge in maintaining their economic edge without aggravating ethnic and class politics. Failure to adopt an effective hedging strategy in social integration will gravely jeopardize political economic sustainability. Finally, being vulnerable to uncontrollable external forces due to their limited size, they face the challenge to receive global acceptance and protection. Thus, diplomatic engagement remains key in ensuring their survival as they chart the routes of exceptionality.

The comparative characteristics in terms of political hybridisation, industrial diversification, social integration and diplomatic engagements between Singapore and Hong Kong in hedging strategies are listed in Table 10 as follows:

**Table 10: Summary of Comparison between Singapore and Hong Kong in Political Hybridization, Industrial Diversification, Social Integration, and Diplomatic Engagements**

	<b>Singapore</b>	<b>Hong Kong</b>
<b>Political hybridization</b>	Coherently managed semi-authoritarianism	Disruptive hybridized democratic and authoritarian system
<b>Industrial diversification</b>	High level of diversification and competitiveness	Challenges in maintaining model and competitiveness
<b>Social integration</b>	High level of integration	Difficulties in managing diversity and addressing disparities
<b>Diplomatic engagements</b>	Established a network of bilateral and multilateral relationships	The predicament in establishing identity and role in the international arena

**Source:** Author's Own Compilation

Singapore has achieved a high degree of stability and prosperity over the past decades. This is the result of active measures to maintain low levels of corruption, crime, and poverty while seeking high levels of education, healthcare, and social mobility. The Singaporean government has managed to control and resolve conflicts and controversies peacefully and orderly. This has enabled the country to build overall cohesion and harmony across the different sectors of the society. On the other hand, combining elements of democracy and authoritarianism, Hong Kong's hybrid system of governance has been criticised for lacking legitimacy and accountability. This has led to widespread protests, demands for universal suffrage, and calls for greater autonomy and independence from China. These chaotic political events can be interpreted as disruptive transition of political hybridization. Hence, the political instability in Hong Kong has negatively affected the economy, undermining investor and tourist confidence and disrupting supply chains and transportation.

Next, Singapore has leveraged its strengths and comparative advantages such as its strategic location, skilled workforce, stable political environment, and pro-business policies, to attract and retain foreign investment and talent. This has contributed to Singapore's high level of productivity and innovation, as well as its competitiveness and attractiveness as a global hub. The country has also captured new growth opportunities to tap into emerging markets and technologies such as renewable energy, digital health, and advanced manufacturing. This has helped to keep Singapore's economy dynamic and relevant, and it has supported the country's long-term growth and development. On the other hand, Hong Kong's economy is highly dependent on a few sectors, such as finance, trade, and tourism, which makes it vulnerable to external shocks and competition. Hong Kong also has a relatively low level of innovation and Research and Development (R&D) compared to other advanced economies, limiting its ability to diversify and

upgrade its industries. Hong Kong's limited natural resources have also constrained its ability to diversify its economy and expand its industries. The regime relies heavily on imports for its raw materials and energy, and it must compete with other cities to access these resources, contributing to its high cost of living and environmental degradation. Hence, comparatively, Singapore has adopted a hedging strategy that has allowed the country to reduce its dependence on a single sector or market and to spread its risks and opportunities across multiple industries and regions. This diversification has enabled Singapore to weather economic downturns and shocks and to adapt to changing market conditions and consumer preferences.

Moreover, Singapore has achieved good social integration, contributing to the country's stability and harmony. It has been achieved through policies and programs that foster mutual understanding and intercultural communication. Through policies and upgrading programs, the quality and accessibility of education and training has been enhanced. This further stimulates innovation and entrepreneurship. Good social integration has also catapulted Singapore's reputation and influence in the global arena. Such elevation has further attracted foreign investments, tourism, and talents to the country while facilitating the country's participation in regional and global networks and organisations. On the other hand, Hong Kong has faced challenges regarding social integration due to the high levels of income inequality, a lack of trust and solidarity among different social groups, and a sense of alienation and resentment towards the government and elites. This has been exacerbated by the perceived lack of representation and accountability in the political system and discrimination and injustice in the legal and social systems. The ongoing protests and clashes with the police have disrupted the normal functioning of society, and these violent incidents have strained relations between different social groups and the government. Inevitably, this has raised concerns about the stability and sustainability of Hong Kong's social model.

Finally, Singapore has a strong history of diplomatic engagements with many countries worldwide. Capitalizing on her strategic location in Southeast Asia and actively participating in multilateral organizational interactions, Singapore builds strong relationships with major powers while establishing an expanding network of bilateral and regional free trade agreements. In addition to these formal diplomatic efforts, Singapore has forged friendships through several informal channels for dialogue and cooperation with other countries. These diplomatic engagements have helped enhance Singapore's status as a regional hub where the nation-state plays a prominent role in shaping global governance and policy. In contrast, as a territory rather than a sovereign nation, Hong Kong has limited influence on the global stage as it is dependent on the foreign policy of the central government in Beijing. This has inadvertently limited Hong Kong's ability to shape its foreign relations and pursue its interests at the international stage.

Hong Kong does not have diplomatic representation abroad, and the political tensions and unrest in the territory in recent years have also impacted its international relations.

Overall, the sentiment analysis reveals that both Singapore and Hong Kong have predominantly positive sentiments in their respective texts. Nonetheless, Singapore's scores are notably more positive compared to Hong Kong. From this analysis, we can infer that Singapore portrays a more positive image and outlook as compared to Hong Kong in the context of political hybridization, industrial diversification, social integration, and diplomatic engagement. The notably positive sentiments position Singapore in a more favourable stance in mitigating domestic and global challenges. Meanwhile, the less-positive sentiments in relation to Hong Kong may be indicative of areas for improvement in the relevant aspects.

## 6. Conclusion

This research elucidates the significance of hedging strategies for small states and regimes amidst both internal and external challenges. This is especially relevant in the contemporary global landscapes marked by multi-polar geopolitical tensions, conventional and non-traditional wars, climate change, and other unpredictable challenges. In response to the lacuna in extant literature, we have introduced an intra-Asia comparative-case-based research, with quantitative and qualitative methods, to examine the holistic factors behind the hedging strategies of Singapore and Hong Kong. Through the research findings, we have established that Singapore's success in securing Asia's top financial position lies in her ongoing commitment to political hybridization, industrial diversification, social integration, and diplomatic engagements.

First, Singapore's coherent management of hybridization as a semi-authoritarian government has engendered political stability and efficiency in decision-making. In contrast, Hong Kong's political situation has become increasingly unstable and uncertain due to abrupt disruptions occasioned by PRC's political intervention. Next, Singapore has adopted more industrial diversification – in contrast with Hong Kong - to mitigate the country's scarcity of resources. With an emphasis on high-tech industries (for example, biotechnology and electronics) and other emerging global needs, this hedging strategy has allowed Singapore to weather economic downturns more effectively while maintaining a competitive edge in the global market. In terms of social integration, Singapore has actively promoted social cohesion and multiculturalism through policies that encourage racial and religious harmony. In contrast, Hong Kong has faced significant social unrest in recent years due to issues of inequality and political repression. Finally, Singapore fared well at diplomatic engagements as she has a strong track record of effective diplomacy, which has helped her to

maintain positive relationships with a wide range of countries. Hong Kong, on the other hand, has faced increasing changes and isolation due to its organic political affiliation with the Chinese government's approach to foreign relations. Overall, while both Singapore and Hong Kong have significant advantages in terms of their respective economies and geopolitical contexts, Singapore's political hybridization, industrial diversification, social integration, and diplomatic engagements have given her a clear edge over Hong Kong. Nonetheless, these hedging strategies are concomitant with Goh's (2005) argument where Southeast Asian smaller countries navigate amid complex geopolitical landscape through seeking external counterweights, forging complex engagements and making efforts to enmesh regional powers to prevent potential dominance, withdrawal or instability.

Several implications derived in this study are relevant for small states and regimes in their adoption of hedging strategies. In one sense, hedging strategies can enhance the resilience and security of small states and regimes by reducing inherent vulnerabilities while providing them with alternative options and resources in times of crisis or conflict (Ciorciari, 2019). However, hedging strategies have limitations and risks, as they involve trade-offs and costs and may not always provide the desired outcomes (Martínez-de-Albéniz & Simchi-Levi, 2006). Political hybridization, for example, can enhance the stability and survival of small states and regimes, but it may also compromise their democratic values and standards undermining their legitimacy and representation (Booth & Seligson, 2009). Industrial diversification can enhance the competitiveness and sustainability of small states and regimes, but it may also expose them to external shocks and competition and create social and environmental costs (Charles, 1997). Social integration can enhance the harmony and prosperity of small states and regimes, but it may also pose challenges in managing diversity and addressing social and economic disparities (Jones, 2008). Diplomatic engagements can enhance the security and influence of small states and regimes. Still, they may also involve complex and competing interests, values, and expectations and may be affected by power imbalances and domestic politics (Kuik, 2008). Hence, the key contribution in this research lies in the exemplification of a holistic approach – political, economic (industrial), societal and diplomatic – spanning both domestic and external dimensions to forge an effectively coherent hedging strategy against the inevitable limitations of small states and regimes.

The adoption of hedging strategies by small states and regimes is a complex and an ongoing process that requires a careful consideration of various factors. Small states and regimes must weigh the potential benefits of stability and security that can be achieved through hedging against the costs and risks associated with losing their democratic and human rights. According to Colin Elman in his 1995 article "Hedging in International Relations," small states and regimes must balance the need for stability and security with the need for

democracy and human rights (Elman, 1995). To effectively adopt hedging strategies, small states and regimes must also consider the context and goals of their strategies. The international environment and regional dynamics can change rapidly, which can have significant impacts on the success or failure of hedging strategies. For example, in the face of regional tensions or security threats, small states and regimes may adopt a more cautious and defensive hedging strategy to protect their interests. Conversely, in a more stable and secure regional environment, they may adopt a more assertive and proactive hedging strategy to advance their interests (Elman, 1995). Small states and regimes must also be prepared to adapt their hedging strategy to changing circumstances and challenges. As noted by Elman (1995), the process of adopting hedging strategies is dynamic and requires ongoing analysis and adaptation in response to changing regional dynamics. Hence, to effectively implement hedging strategies, small states and regimes must be able to assess the costs and benefits of their strategies and make adjustments as needed to ensure their goals and interests are protected. In conclusion, the adoption of hedging strategies by small states and regimes is a complex and ongoing process that requires careful consideration of various factors, including the costs and benefits, context, and goals of the strategies. By balancing the need for stability and security with the need for democracy and human rights, and by adapting their strategy to changing circumstances and challenges, small states and regimes can effectively navigate the complex and rapidly changing international environment.

Several limitations to this study suggest further research on hedging strategies and small states and regimes. One limitation is the scope of the study, which focuses on Singapore and Hong Kong as case studies, but it has not included a comparative analysis of other small states and regimes in different regions and contexts. Future research could consider a broader range of cases to test the generalizability of hedging strategies among small states and regimes. Another area for improvement is the conceptual and empirical complexity of the study, which requires more nuanced and multidimensional approaches to measuring and analysing the independent and dependent variables. Future research could use more advanced research designs and methods, such as experimental or quasi-experimental, to provide more robust and causal evidence on the relationships and mechanisms involved in hedging strategies and small states and regimes. Finally, another limitation is the limited access to data and sources, which may affect the findings' reliability and validity and the conclusions' generalizability. Future research could seek to overcome these limitations by using more diverse and comprehensive sources of data and information and engaging with stakeholders and experts in small states and regimes. Future research could also consider incorporating voices from different sectors and walks of life to complement the documentary desk research where state actors, elites and other institute-based representatives are predominantly presented.

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