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Singapore's Response to the US Tariff Escalations: Lessons for Developing Countries

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Abstract

- Shifts in global power and the global economy have been happening for some time.
- There has been a desire to reform the global systems to reflect today's circumstances.
- What the administration of President Donald Trump in the USA has done through tariffs is to bring this into sharp relief.
- The G20 is hard pressed to save the rules-based international economic governance under these conditions.
- Singapore is among those countries that are vulnerable to shocks that come with the tariff measures, including the threat these pose to a rule-based multilateral trade system.
- Having accepted the new reality, Singapore announced short and long-term measures to adapt and grow.
- While the impact of these countermeasures will only be known later, there are lessons to be learned, especially for developing countries, including in Africa.



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Context

With the G20 discussions on global economic resilience and strong economic governance at the back of our mind, this policy brief breaks bread with the prime minister of Singapore on navigating the changing trade order amid President Trump's tariff diplomacy. On April 8, 2025, Singapore's Prime Minister and Finance Minister, Mr Lawrence Wong, addressed Singapore's parliament following the US government's sweeping imposition of a 10% blanket tariff on nearly all imports, with higher tariffs (up to 50%) on selected countries. These measures, termed the "Liberation Day" tariffs, signify a decisive shift away from rules-based globalisation to an era marked by economic protectionism and geopolitical fragmentation. "We have known for some time that the world is in flux", said Prime Minister Wong. "The familiar signposts are fading. But the contours of a new global system have yet to take shape." He surmised, "we are in a period of transition – uncertain, unsettled and increasingly unstable." This marked an acceptance that the disruptive measures were part of a bigger state of fluidity and that Singapore need to quickly get ready to navigate this. He pointed out that the US was responding the tectonic shifts in global power and economy, a major reason many believe there is a need for reforms. "But what the US is doing now is not reform. It is rejecting the very system it created," he observed. Singapore decided that while working to preserve the rule-based global system, it would put measures to cushion its industry and peoples from the vagaries of the tariffs nightmare.

Key Challenges Identified

1. Collapse of Multilateral Trade Norms

The United States' move to impose broad-based tariffs represents a fundamental break from the established multilateral trading system. By disregarding the World Trade Organization's Most Favoured Nation (MFN) principle, the US is undermining the very foundation of global trade norms. This pivot towards selective bilateral arrangements over multilateral agreements places smaller economies like Singapore at a distinct disadvantage, as they lack the leverage to negotiate favourable terms under such a fragmented system.

2. Growing Risk of Global Trade War

The likelihood of a global trade war has significantly increased, with China already enacting retaliatory tariffs and the European Union signalling it may follow suit. As these major economies begin to escalate measures against one another, global supply chains—already under stress from prior disruptions—are now facing intensified pressure. This escalating tit-for-tat cycle threatens to drag other nations into a broader trade conflict, creating prolonged uncertainty and volatility across global markets.

3. Economic Fallout

The immediate impact of the new US tariff regime is a sharp decline in global business confidence, as firms grapple with unpredictability in trade rules and supply chain disruptions. For an open and export-oriented economy like Singapore, this environment poses a severe threat to economic stability. Key sectors such as manufacturing, particularly semiconductors and electronics, as well as biomedical sciences, wholesale trade, finance, and transport, are all expected to face headwinds. The cumulative effect may result in a significant economic slowdown or even recession.

4. Strategic Rivalry Between the US and China

Beyond trade, the intensifying strategic competition between the United States and China is becoming increasingly destabilizing. The ongoing rivalry, now playing out in economic policy, is marked by fewer diplomatic guardrails and increasing zero-sum tactics. This shift from cooperative frameworks to "win-lose" protectionist approaches not only threatens economic growth but also raises the risk of broader geopolitical conflict. For countries like Singapore that depend on stable global rules and strong bilateral ties with both powers, this emerging dynamic presents a serious strategic dilemma.

Singapore's Response: Immediate Measures

- **Domestic Relief & Support:**

The government has introduced expanded support to buffer Singaporean households and workers against rising costs and job disruptions. These include additional CDC vouchers, increased U-Save rebates, and extended Skills Future programmes for reskilling.

- **Economic Taskforce Launched:**

A new high-level taskforce chaired by DPM Gan Kim Yong has been established to coordinate Singapore's response. Comprising representatives from government, business, and labour, it will drive national efforts to build resilience and adapt to the changing global landscape.

Long -Term Response

In its response, Singapore is going to take specific actions in the following areas and more.

1. Bolster Strategic Economic Resilience

Singapore will want to proactively diversify its trade and investment partnerships, with an emphasis on deepening engagement with the EU, UK, ASEAN, and other like-minded economies. Digital and green economy agreements offer new avenues for growth. Closer ASEAN integration could also be prioritised to build regional economic strength. Domestically, the government should incentivise firms to pivot away from over-reliance on US markets and instead develop capabilities in sectors less exposed to geopolitical volatility, such as renewable energy and digital services.

2. Reinforce Global Rule-Based Trade Advocacy

Singapore will look into stepping up its global leadership by advocating for WTO reform, especially the restoration of its dispute resolution functions. A modernised WTO that reflects current global economic realities, including China's significant role, is essential. In parallel, Singapore should form and lead coalitions of mid-sized economies that are similarly affected by the US tariffs, collectively advocating for fair and open trade norms on the global stage.

3. Support Workforce Transition

The government could expand efforts to protect and upskill workers who may be displaced by shifts in trade and investment flows. This includes bolstering retrenchment support, job matching services, and wage support schemes for firms hiring affected individuals. Long-term investments in high-value human capital development will also be crucial to prepare Singaporeans for growth sectors like the digital economy and clean energy.

Conclusion

Singapore is entering a period of deep global uncertainty, marked by protectionist trade policies and fractured international cooperation. So does the global economy and global multilateralism, matter that must occupy minds in the G20 negotiations this year. While near-term disruptions are inevitable, the country's strong institutions, financial reserves, and social cohesion provide a solid foundation for navigating this transition. By doubling down on resilience, regional cooperation, and principled trade advocacy, Singapore can continue to thrive even in a fractured global order.

Lessons for policy consideration

Developing countries could take the following lessons from this in relation to responses to the disruption of global consensus, global governance and decision-making triggered by the posture of the new administration in the US:

1. **The importance of clear political leadership:** Political leadership, especially from government, helps to inspire confidence in the country's ability to navigate turbulent times and sends a stability signal to markets. We need the same to be shown, especially in African countries affected by erratic decisions in Washington.
2. **Clear political communication about effects and responses:** Singapore's Prime Minister did not take long before he addressed the country on how they interpret the effects on their country and what actions they are taking to cushion Singapore's stability and progress. The communication is clear about the problems and the creators of problems, but also shows government taking responsibility for fixing issues.
3. **Identifying the catalysts:** The Prime Minister was quick to identify and communicate what Singapore's catalysts for resilience and growth are under the circumstances, and these relate to the country's long-term plans and interests
4. **A clear plan or path to a plan:** As the Prime Minister demonstrated, there is a need to move with speed in setting in motion processes that lead to a firm plan to adapt to the new situation and to harness opportunities for growth. In this case, Singapore established a multi-sectoral task team led by the deputy head of state to map out the practical actions that would implement the vision.
5. **Mobilising a whole of society approach:** As we witness in the Singaporean approach, developing countries cannot respond to the Trumpian disruption through piece meal and sectoral strategies made in silo. Government alone can only do so, but its primary duty is to mobilise all key pillars of society to the cohesive effort to save and grow the country.

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