

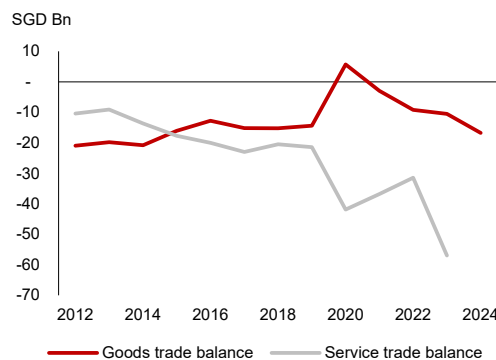
## 1. Navigating U.S. Tariffs: Singapore's Path Forward<sup>1</sup>

*Faced with protectionist U.S. trade policy, Singapore has to broaden its sources of growth to prepare for the potential of prolonged global trade disruptions. This selected issue first assesses the direct and indirect impacts of U.S. tariffs on Singapore's economy. It then discusses how Singapore can enhance its competitiveness and resilience in the new global economic environment.*

### Introduction

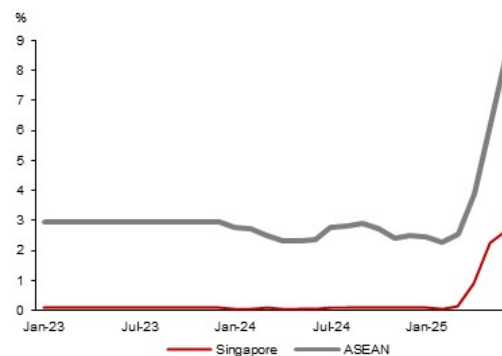
**1. Despite Singapore's persistent trade deficit with the United States, the latter imposed 10 percent broad tariffs and 100 percent pharmaceutical tariffs on the city-state, with wide-ranging implications.** Singapore has consistently recorded a trade deficit with the U.S. since 2006, with the sole exception of 2020. In 2024, the deficit amounted to SGD16.7 billion (Figure A1.1). The service trade deficit has been even larger, further widening the overall imbalance. Moreover, Singapore has signed a free trade agreement with the U.S. that eliminates tariffs on all U.S. goods imported into Singapore. While the 10 percent tariff is lower than those levied on regional peers, pharmaceutical exports are facing 100 percent tariffs, bringing the weighted tariff rate on Singapore to an estimated 40.3 percent. As the tariffs begin to take effect, the realized tariff rates on U.S. imports from Singapore more than tripled since beginning of 2025 (Figure A1.2).

**Figure A1.1. Singapore's Trade Balance with U.S.**



Source: Enterprise Singapore; AMRO staff calculations  
Note: The data shows the difference between Singapore's exports to the U.S. and its imports from the U.S.

**Figure A1.2. Realized U.S. Tariffs on Imports of Selected Economies**



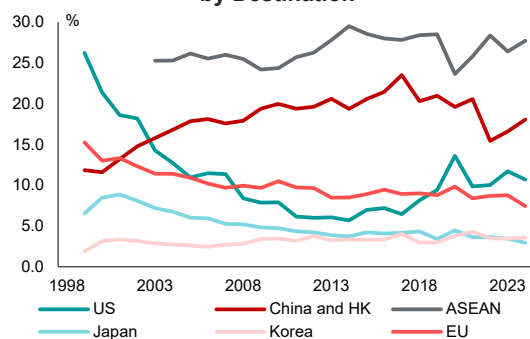
Source: USITC; AMRO staff calculations  
Note: Realized tariff rates are calculated as duties collected divided by customs value, based on U.S. customs data.

### Tariffs to hit not only manufacturing but also trade-related services and beyond

**2. The tariffs could materially affect Singapore's economy both directly, given the importance of the U.S. as an export market, and indirectly through Singapore's role as a trade hub.** While China, Hong Kong and ASEAN now account for the largest share of Singapore's gross exports at 46 percent (Figure A1.3), the U.S., though down from 20 percent in 2000, remains significant at 9 percent. Furthermore, the U.S. share is a higher 16 percent for non-oil domestic exports (NODX) and as the final demand for Singapore's value-added exports (Figure A1.4). Beyond the direct effect on U.S.-bound exports, the tariffs could also disrupt or divert regional trade flows, which may dampen demand for Singapore's trade-related services. Finally, the broad-based nature of the tariffs, affecting economies worldwide, is likely to slow global growth and further weigh on Singapore's economic performance.

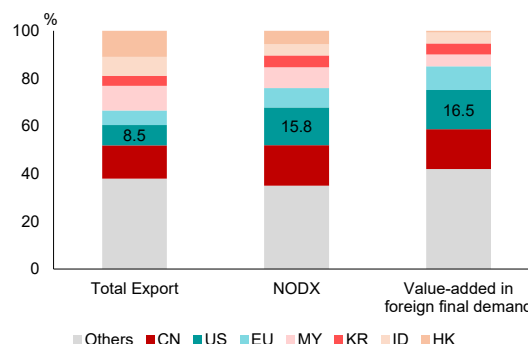
<sup>1</sup> Prepared by Pim-orn Wacharapapong, Economist, and Catharine Kho, Senior Economist

**Figure A1.3. Share of Singapore's Gross Exports by Destination**



Source: Enterprise Singapore; Haver Analytics; AMRO staff calculations

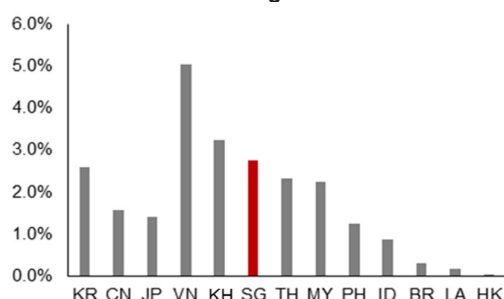
**Figure A1.4. Share of Singapore's Exports by Market**



Source: Enterprise Singapore; OECD Trade in Value-Added; AMRO staff calculations  
Note: Total export and NODX figures are for 2024. Value-added in foreign final demand is for 2022, which is the latest available.

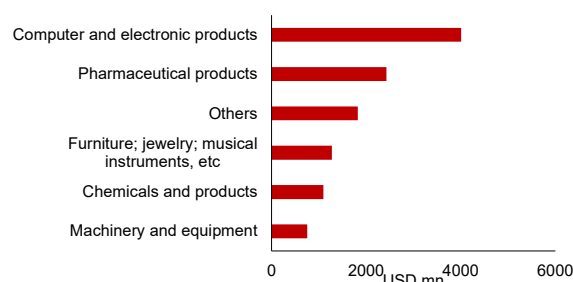
**3. The manufacturing sector would be the most directly affected by the tariffs on Singapore's goods exports.** The domestic value-added (VA) of Singapore's manufacturing in U.S. final demand averaged 2.7 percent of GDP during 2016-2020, above the ASEAN+3 average of 1.8 percent (Figure A1.5). Exposure is concentrated in two clusters: computers and electronics, and pharmaceuticals, which account for about 34 percent and 21 percent of domestic VA in U.S. final demand, respectively (Figure A1.6). With pharmaceutical tariffs already announced at 100 percent and semiconductors tariffs possible in the future, these two clusters are most vulnerable to the tariff developments.

**Figure A1.5. Domestic Manufacturing VA in U.S. Final Demand as % of GDP, 2016-2020 Average**



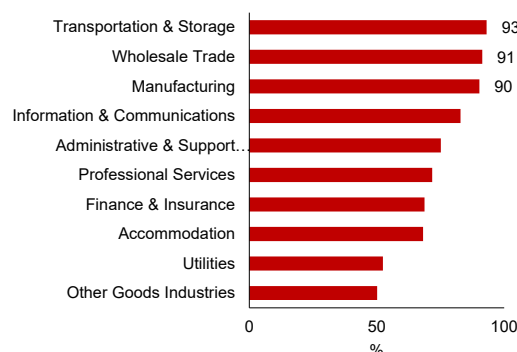
Source: IMF; Haver Analytics; AMRO staff calculations

**Figure A1.6. Singapore VA in U.S. Final Demand, 2018-2022 Average**



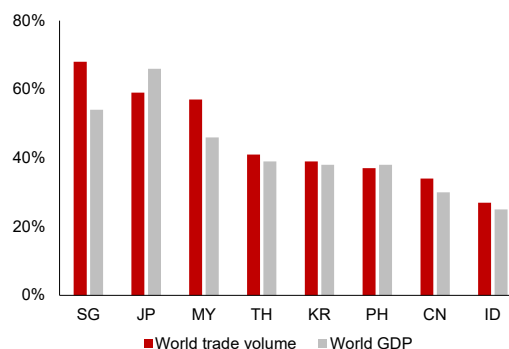
Source: OECD Trade in Value-added; AMRO staff calculations

**Figure A1.7. Share of VA Supplied to External Final Demand (Top 10 Sectors)**



Source: OECD Trade in Value Added; AMRO staff calculations

**Figure A1.8. GDP Growth Correlations with Global Trade and GDP, 2015-2025**



Source: IMF; Haver Analytics; AMRO staff calculations

**4. The vulnerabilities differ among the two clusters.** Pharmaceuticals are more concentrated in U.S. final demand, with the U.S. accounting for 54 percent of their foreign final demand compared with 13 percent for computers and electronics. The latter, however, is more

vulnerable to supply chain shocks. As a proportion of U.S. imports of Singapore's VA in this cluster, 46 percent is shipped directly from Singapore, while 33 percent is routed through other ASEAN economies or China. This makes Singapore's VA indirectly exposed to tariffs or restrictions imposed on these economies. By contrast, 86 percent of U.S. imports of Singapore's VA in pharmaceuticals comes directly from Singapore, with negligible exposure via the rest of ASEAN or China.

**5. The impact of tariffs would extend beyond manufacturing, generating negative spillovers to the service sector.** As a regional trading hub, Singapore's service ecosystem, in particular transport and storage and wholesale trade services, relies on external final demand for more than 90 percent of its output (Figure A1.7). Given such high dependence on international trade flows, these services, which account for about 20 percent of Singapore's GDP,<sup>2</sup> will have to navigate significant headwinds amid global trade disruptions and rerouting.

**6. Beyond the direct impacts, the broader global growth slowdown, disruption of regional supply chains and dampened business sentiment would also weigh on Singapore's growth prospects.** Exports of goods and services have averaged more than 2.5 times domestic demand over the past decade, the highest ratio in ASEAN+3. Consequently, Singapore's GDP growth is more closely dependent on global trade and economic conditions than its regional peers, with as high as 70 percent correlation between GDP growth and global trade volume growth (Figure A1.8). Thus, the imposition of U.S. tariffs on Singapore's major trading partners, such as China, ASEAN and the EU, is expected to cause growth slowdown and deterioration in investment and consumption sentiment in these countries as well as in the U.S. itself, and also have second-round effects on the demand for Singapore's goods and services. The extent of such second-round effects will depend on not only how well the global economy adjusts to the tariff shocks, but also how quickly Singapore finds new growth opportunities in this shifting environment.

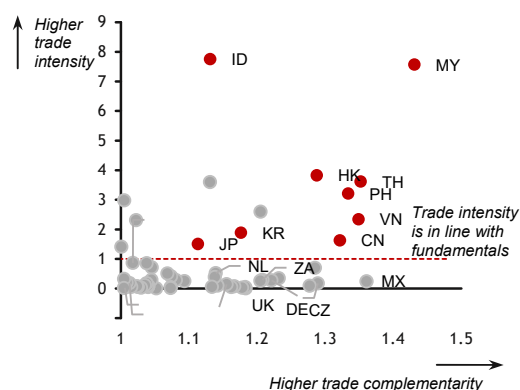
### **Policy Discussion: How Singapore Can Strengthen Resilience in the New Environment**

**7. Amid rising trade fragmentation and shifting global trade patterns, trade diversification has become increasingly more critical to strengthen economic resilience.** While Singapore has historically maintained low trading market concentration risk—reflecting its role as a regional trading hub—it can further increase diversification by deepening ties with non-traditional export markets. There is untapped potential to expand trade with economies such as the Czech Republic, Germany, Hungary and Mexico, where trade complementarity is high but trade intensity is low (Figure A1.9). At the same time, Singapore's trade volumes remain relatively low with the Middle East and North Africa, Latin America, and the Caribbean (Figure A1.10). Expanding connections within ASEAN and forging stronger partnerships beyond the Asia cluster will be key to mitigating concentration risks. In this regard, initiatives like the Future of Investment and Trade (FIT) Partnership, launched in September 2025, represent a positive step toward broader, more diversified economic engagement.

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<sup>2</sup> Average share in 2015-2024.

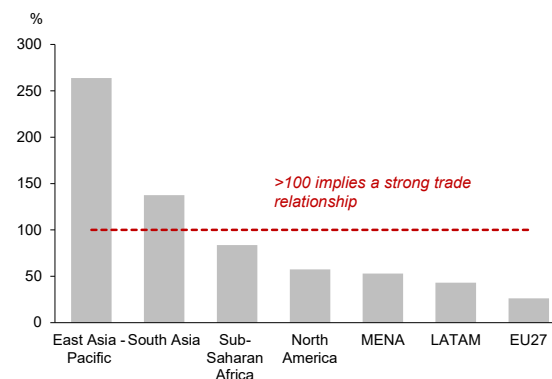
**Figure A1.9. Trade Complementarity vs Trade Intensity by Partner Economy for Singapore**



Source: World Integrated Trade Solutions; World Bank; AMRO staff calculations

Note: The Trade Complementarity Index (TCI) measures how well a country's export profile aligns with another country's import profile. A high score suggests strong complementarity, with potential for increased bilateral or regional trade agreements. The Trade Intensity Index (TII) measures the difference in an economy's share of exports to the world than is predicted by the economy's relative share of the global trading system. A higher index denotes a stronger trade relationship. TCI and TII scores are normalized to 50 and 100, respectively, for ease of comparison.

**Figure A1.10. Trade Intensity by Partner Region for Singapore**



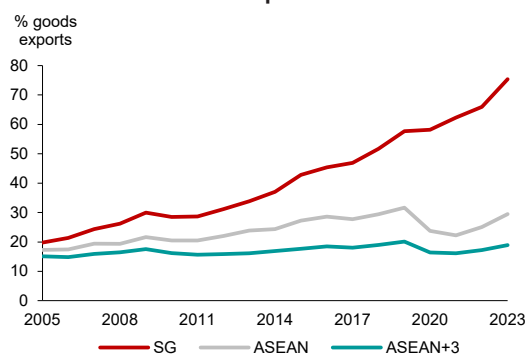
Source: World Bank; AMRO staff calculations

Note: The Trade Intensity Index measures the difference in an economy's share of exports to the world than is predicted by the economy's relative share of the global trading system. A higher index denotes a stronger trade relationship. An index of above 100 percent indicates that the proportion of exports to that partner is higher than expected based on the two economies' relative size in world trade. MENA = Middle East and North Africa; LATAM = Latin America and the Caribbean; EU27 = European Union.

**8. Singapore has scope to expand its service exports, which offer a resilient complement to goods exports and are less vulnerable to global shocks and tariff-related disruptions.** Services such as finance, logistics, digital solutions and professional consulting are not only less exposed to trade barriers but also aligned closely with Singapore's comparative advantages as a global hub for connectivity and innovation. Singapore's service exports have significantly outpaced regional peers, with the ratio of service to goods exports rising from around 20 percent in 2005—comparable to other regional economies—to nearly 80 percent in 2024 (Figure A1.11). This shift has been driven largely by modern, digitally delivered services, in which Singapore holds a competitive edge due to its strong digital infrastructure and highly skilled workforce (Figure A1.12). Modern services also exhibit strong forward links, reinforcing their role within broader production networks ([AMRO 2021](#)). As global value chains evolve, a robust service sector will be essential to positioning Singapore and the wider region as integral nodes in a more digital and interconnected global economy.

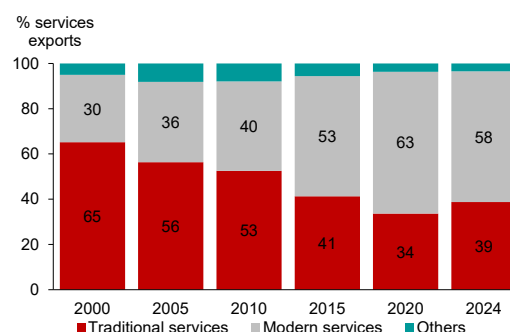
**9. Singapore is well positioned to lead efforts in strengthening regional governance and institutional frameworks, which are critical to enhancing resilience against external shocks.** The country's track record reflects a commitment to interoperable systems of high standards, including its pioneering role in the 2022 cross-border renewable energy trade with Lao PDR—serving as a pathfinder for the ASEAN Power Grid—and its leadership in developing the ASEAN Taxonomy. As ASEAN+3 faces shared structural challenges such as demographic shifts, climate change and technological disruption, Singapore can play a catalytic role in advancing initiatives such as the ASEAN Digital Economy Framework Agreement, driving regulatory harmonization, setting standards and building capacity to support deeper, rules-based regional integration. Singapore's highly open regulatory environment further supports this endeavor, enabling it to serve as a connector hub for intra-regional trade and investment flows (Figure A1.13).

**Figure A1.11. Ratio of Service Exports to Goods Exports**



Source: Department of Statistics; United Nations Conference on Trade and Development; AMRO staff calculations  
Note: Goods exports refer to merchandise goods exports.

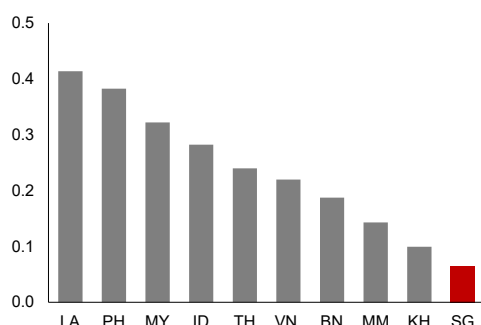
**Figure A1.12. Share of Export of Services by Category**



Source: Department of Statistics  
Note: Traditional services refer to transport and travel. Modern services refer to ICT-enabled services, which include ICT, finance and insurance, charges for the use of intellectual property (IP), and professional services.

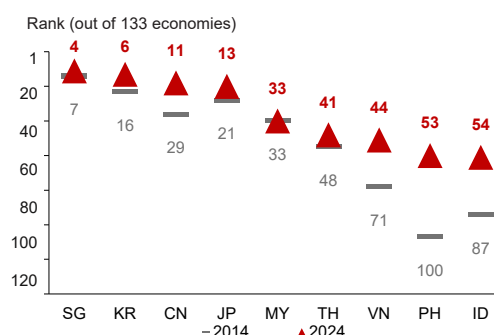
**10. Lastly, Singapore can accelerate the regionalization of its SMEs to enhance competitiveness and strengthen regional integration.** Singapore is well positioned to drive this agenda as the top-ranked innovative economy within ASEAN+3—and alongside the Plus-3 economies, which account for four of the world's top 15 most innovative economies (Figure A1.14). ASEAN+3 also holds significant savings surpluses that should be recycled regionally to boost competitiveness and foster inclusive growth. Regionalizing SMEs will increase their integration into value chains and encourage adoption of innovative business models, helping build a more agile and adaptable ecosystem. Beyond local initiatives such as the Market Readiness Assistance Grant, SMEs should leverage regional platforms such as the ASEAN Business Entity framework and the ASEAN Industrial Projects-Based Initiative (AIPBI) to access broader markets.

**Figure A1.13. OECD FDI Regulatory Restrictiveness Index in 2023 (Open=0; Closed=1)**



Source: OECD; AMRO staff calculations

**Figure A1.14. Global Innovation Index Rankings for ASEAN+3 in 2024**



Source: World Intellectual Property Organization (WIPO); AMRO staff compilation  
Note: The Global Innovation Index evaluates economies based on a comprehensive set of 80 indicators.