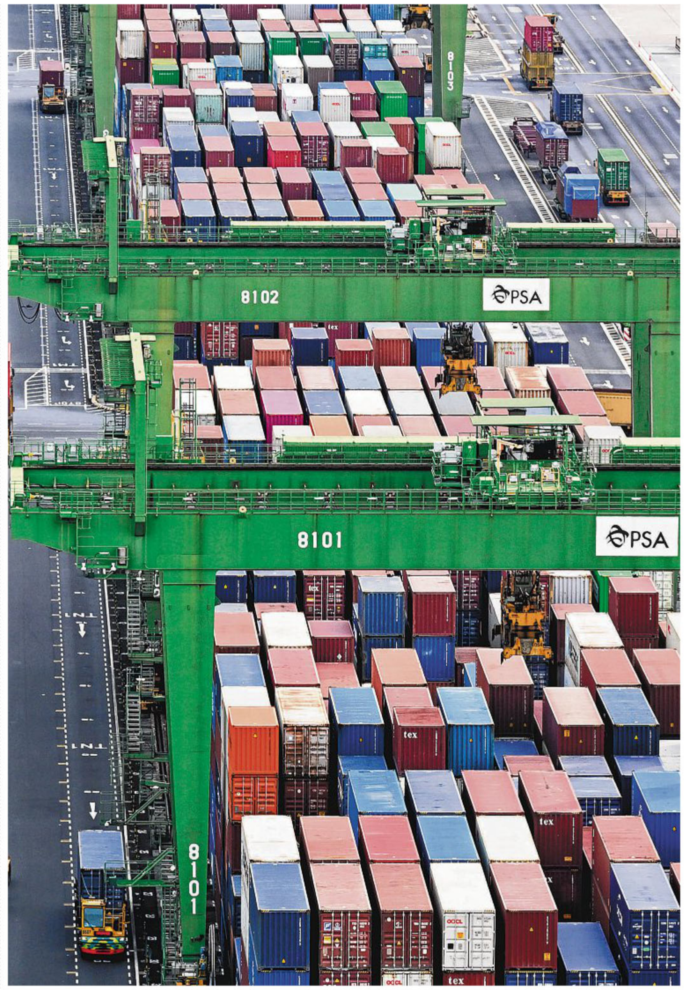
# *The wider bargain for Singapore behind a lower US tariff*

Singapore should address Washington's forced-labour concern directly, but a modest tariff reduction would not by itself justify a wider economic-security agreement.




There is no doubt the US remains central to Singapore's commercial interests. MTI estimates that the new tariff will apply to about one-third of Singapore's domestically produced exports to the US. PHOTO: ST FILE

**Ramkishen S. Rajan**

Effective July 24, Washington imposed new tariffs tied to countries' policies on imports made with forced labour, placing Singapore in the higher tier at 12.5 per cent rather than the 10 per cent rate.

Seventeen of the 60 economies investigated received the lower rate, which applied to economies that had banned such imports outright, imposed narrower controls on specified goods, or committed through an Agreement on Reciprocal Trade (ART) to introduce and enforce a ban.

Countries at 10 per cent include Malaysia, Indonesia, India and Cambodia.

Singapore has adopted none of those measures. The Ministry of Trade and Industry (MTI) argues that national bans, on their own, would not stop the production of goods made with forced labour and might simply divert them to other markets or ports.

In a climate of global economic volatility and intensifying US-China competition, it may be tempting to suggest that Singapore should rethink its approach. But the bargain could prove costlier than it first appears.

To understand this, it's worth looking farther afield at Jordan's deal with Washington and what it reveals about the broader commitments behind the Arab country's lower tariff.

**THE CASE OF JORDAN**

On July 21, three days before the tariffs took effect, Jordan signed an ART committing it to impose a ban on imports made with forced labour, thereby qualifying for the 10 per cent rate.

Jordan offers a useful comparison because both countries have longstanding economic and strategic ties with the United States, though their circumstances and interests are not identical. For instance, Jordan's new agreement supplements an older free trade agreement (FTA) with the United States. Singapore also has an FTA with Washington.

The US-Jordan FTA, in force since 2001, was the first with an Arab country. Singapore's FTA with the US, in force since 2004, was the first in South-east Asia. The comparison extends beyond trade, since Jordan is a major non-NATO ally and Singapore has facilitated US military access for transit and logistics since 1990.

Singapore's FTA with the US was signed in a very different international setting from the one it faces today. South-east Asia was still recovering from the Asian financial crisis, and China had only recently joined the World Trade Organization.

American economic primacy was not seriously contested. For a city-state seeking secure access to the world's largest market after a regional crisis, anchoring itself to the US was prudence rather than alignment.

At the start of 2004, US FTAs covered only four countries outside North America (Chile, Israel, Jordan and Singapore), so such deals were also rare.

None of those conditions holds today, giving Singapore less reason to accept commitments that would narrow its options elsewhere. Jordan's new agreement shows what that could look like.

The ART requires Jordan to impose a ban on imports made with forced labour within five years of the agreement taking effect, and to align with US unilateral export controls.

Separate provisions cover investment-security cooperation and firms linked to countries that Washington regards as threats to essential American interests. The US may also terminate the ART if Jordan concludes a new free trade or preferential economic agreement with such a country.

Together, these provisions address legitimate American concerns about forced-labour risks in parts of Chinese supply chains and the use of third countries to circumvent US trade and technology restrictions.

Mary E. Lovely and Christine Y. Wan of the Peterson Institute argue that agreements of this kind use access to the US market to press partners to adopt parts of American policy towards China. Reviewing the ARTs concluded before Jordan's agreement, they found that none names China, although the agreements extend beyond market access into how partners deal with third-country firms and sensitive technologies.

Jordan may still regard the bargain as worthwhile because it secured US market access for its agricultural goods and has different security needs. Singapore would gain less.

Moreover, Jordan received only the same 10 per cent rate available to countries that either imposed a comprehensive import ban or used narrower controls to block specified forced-labour goods. The agreement does not prevent further tariffs. Nor would a similar agreement, on its own, remove Singapore from the separate US investigation into industrial overcapacity.

Singapore should therefore engage Washington directly on what targeted controls would qualify for the lower rate, while developing the information-sharing arrangements it has already offered to explore.

Any measures it adopts on forced labour should be ones it can justify and enforce on its own terms, rather than commitments folded into a wide-ranging ART.

There is no doubt the US remains central to Singapore's commercial interests. MTI estimates that the new tariff will apply to about one-third of Singapore's domestically produced exports to the United States.

The exemptions include specified energy and pharmaceutical products, together with certain electronics and aerospace goods. Beyond trade in goods, the US was the leading destination for portfolio investments held by Singapore residents at the end of 2025. The US is also Singapore's largest source of foreign direct investment, and around 6,000 American companies are based here.

That commercial depth makes the US relationship indispensable, even as Singapore's economic ties with China have grown substantially since the early 2000s. The latest annual data, for 2024, shows mainland China as the largest destination for Singapore's stock of direct investment abroad.

Singapore has deliberately cultivated relationships with both powers without becoming dependent on either, a principle that Foreign Minister Vivian Balakrishnan set out in April by quoting founding prime minister Lee Kuan Yew.

**WHY THIS MATTERS FOR SINGAPORE**

Singapore's economic model depends on maintaining strong commercial ties with several major powers and attracting investment from different sources. As a hub, it has built that position on predictable rules and broadly consistent treatment of companies from different countries. Confidence that Singapore will make decisions according to its own interests helps it remain a credible regional base.

A similarly wide ART would extend beyond the immediate tariff question. Alignment with US export controls and measures affecting third-country firms could narrow Singapore's discretion over how it regulates companies operating here and manages economic relations across Asia. Strategic flexibility is therefore an economic interest as well as a foreign-policy principle.

While that position does not remove the need to address forced labour on its merits, the original US agreements with Jordan and Singapore already required each government to enforce its own labour laws where sustained or recurring lapses affected bilateral trade.

Washington's present approach is different because tariff treatment now depends on import controls covering goods produced in other countries. In its submission to the United States Trade Representative (USTR), MTI said Singapore already enforces laws against forced labour at home and is not aware of any such goods exported from Singapore to the US.

The difficulty lies in evidence and access. Tracing forced labour through several tiers of a supply chain requires access to production sites and records, which often depends on cooperation from authorities in the country of origin.

Singapore has said it is willing to explore systems to identify or solicit such information. That cooperation could support targeted controls on specified goods, the least intrusive route in principle.

Among the individual determinations in the USTR's July 23 Notice of Actions, Britain appears to be the only economy whose lower rate rests on what the agency calls a partial regime. This means controls preventing imports of specified forced-labour goods rather than a comprehensive ban.

The notice does not explain how broad those controls must be or what standard of enforcement Singapore would have to meet. Without clarification from Washington, Singapore cannot rely on this route with confidence.

The other two routes are a comprehensive import ban and an ART that commits Singapore to impose one.

The new tariff schedule indicates that Washington is increasingly tying access to its market to particular policy concerns, and Singapore should weigh such demands individually without giving up flexibility that may be needed elsewhere.

A reduction of 2.5 percentage points does not justify a wider bargain.

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