

Singapore's hub success faces a new trust test

How does a trading hub protect its integrity when partner nations view trade friction as a security feature?

By Ramkishan S Rajan

AT SINGAPORE'S National Day Rally on Aug 23, Prime Minister Lawrence Wong addressed recent US concerns that Chinese goods were being routed through other countries, especially in South-east Asia, to circumvent American tariffs.

He said the government would act on credible evidence of wrongdoing and not allow the country to be used as a conduit for illegal trade. He also acknowledged that Singapore could not trace and verify every product's full supply chain.

His remarks followed the Aug 13 White House report, *The Great Transshipment Scam*, which included Singapore among more than 40 economies described as presenting an elevated risk of illegal transshipment.

On Aug 14, Singapore Customs charged three people and a company registered here over allegations that China-made mattresses had been declared as Singapore-origin goods before export to the US.

PM Wong's observation about the limits of supply-chain verification reflects a wider geoeconomic problem, as sharp differences in tariff rates strengthen incentives to route products through jurisdictions where duties are lower.

Singapore can investigate suspect trade declarations filed with its authorities, though checking every transaction would slow the legitimate trade on which the hub depends.

The report's classifications provide a more specific account of Washington's concern. Malaysia is listed among "Maritime Gateways", while Singapore is listed among "Developed Logistics Platforms", a category associated with advanced customs and global re-export systems.

The distinction suggests that Washington's concern is not simply Singapore's role as a major transshipment hub or its close trade links to China. It appears to also lie in the possible misuse of sophisticated intermediary systems.

Why origin matters

Re-exporting and transshipment are routine parts of lawful trade, and goods in either category may follow similar routes through Singapore despite being classified differently.

Transhipped cargo travels between two foreign markets and is not treated as a Singapore import or export, whereas re-exported goods are recorded first as imports and later as exports.

Neither movement changes origin by it-



Re-exporting and transshipment are routine parts of lawful trade; goods may follow similar routes through Singapore despite being classified differently. PHOTO: BT FILE

self, though firms can misuse either route to disguise where the goods came from or evade duties. When production spans several countries, the question is whether work done in an intermediary economy was extensive enough to give the product a new legal origin.

Under Singapore Customs' non-preferential rules, a product must be wholly obtained or substantially transformed here before it can be treated as originating in Singapore.

Passing through the Republic is not enough, nor is repackaging or relabelling.

The White House report similarly separates legitimate manufacturing and substantial transformation from pass-through trade and origin shifting.

Testing an origin claim requires records showing where a product was made and what processing occurred.

As Washington relies more heavily on product-level trade data to identify product categories for investigation, Singapore-linked shipments may face additional checks even when their origin was correctly declared. The resulting delays could weaken the cost and speed advantages on which the hub depends.

Questions about origin matter beyond customs practice because they affect how much manoeuvre room a small state retains when a larger trading partner acts on its own data.

Foreign Minister Vivian Balakrishnan framed that balance in a February 2025

parliamentary reply, saying that Singapore should be "useful to big and middle powers" without being "made use of".

Taking Washington's concern seriously means continuing to establish the facts through Singapore's own institutions and ensuring that a statistical warning from

abroad does not by itself determine how it treats a shipment. Such autonomy depends on evidence that authorities in Singapore and the US can examine.

The Aug 14 charges show that Singapore can act on a suspected false declaration. The White House report also outlines an artificial intelligence-enabled "Detective Border" that would identify shipments for closer review, and Singapore Customs already works with US counterparts where Singapore law permits.

Such cooperation can help both sides establish the facts of a particular transaction and reduce the risk that concern about one shipment leads to wider scrutiny of unrelated trade.

Staying open

Firms handling re-exports or transshipments should decide at the outset who is responsible for supporting an origin declaration, rather than leave the issue until shipping documents are prepared.

While they cannot inspect every overseas production stage, they should know what evidence exists and where it can be obtained if a shipment is questioned. That would allow them to respond quickly without holding up routine trade.

Customs could give greater weight within its existing risk assessment to whether origin evidence can be produced quickly, keeping closer scrutiny focused on firms or transactions that raise concern.

Annual, anonymised figures on origin-related investigations and outcomes would also help foreign authorities assess Singapore's enforcement record without resorting to broad assumptions based on trade flows.

PM Wong described trust as one of Singapore's greatest strengths. As larger powers extend their controls across borders, the hub's advantage will increasingly depend on preserving that trust while remaining open.

The writer is Yong Pung How professor at the Lee Kuan Yew School of Public Policy, National University of Singapore. He writes on international economics and geoeconomics.

As Washington relies more heavily on product-level trade data to identify product categories for investigation, Singapore-linked shipments may face additional checks even when their origin was correctly declared.