

Singapore

Singapore warns end of free trade era 'very hostile' for small nations

City-state's foreign minister fears possible collapse of world trading system following Donald Trump's tariffs



Singapore foreign minister Vivian Balakrishnan says small nations with open economies are particularly vulnerable to trade tensions
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Owen Walker in Singapore

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Singapore fears tariffs imposed by US President Donald Trump will trigger a global trade war that will be particularly damaging for trade-dependent small nations, the city-state's foreign minister has said.

Vivian Balakrishnan told the Financial Times that while the 10 per cent duty Trump set for imports from [Singapore](#) was among the lowest in the Asia Pacific, the city-state's role as an international financial and commercial hub made it highly vulnerable.

"Our greatest fear is that this set of announcements has shaken the foundational pillars of the world trading system right down to the core," said Balakrishnan in an interview.

"If that collapses and everything becomes an infinite series of bilaterals, it's going to be very hostile for small nations. And especially small nations who, like ours, are explicitly sensitive to global trade," he said. "It is a global trade war that we are really afraid of."

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Singaporeans in a video address last week that [Trump's tariffs](#) marked the end of the era of globalisation and free trade and the dawn of a period that would be "more arbitrary, protectionist and dangerous".

"We risk being squeezed out, marginalised and left behind," Wong said.

Analysts have forecast that as the US becomes more protectionist, other countries will seek to tighten trading ties with China.

Asked whether Beijing would emerge as a stronger player in global trade as a result, Balakrishnan said: "At a superficial level, the answer is probably yes."

But he added that China's prospects were also heavily affected by its own economic problems, including [stagnating domestic demand](#). "This global trade war could not have come at a worse time, both for China as well as all China's partners, and that includes us," he said.

Singapore's role as an international financial and commercial hub, linking the west with China, makes its economy particularly sensitive to disruptions in global trade. The city-state's trade is equivalent to more than three times its GDP.

The US raised tariffs on Chinese imports to an average above 60 per cent last week, as part of a sweeping package covering more than 150 countries and territories.

Beijing retaliated with its own [additional tariff of 34 per cent](#) on all US goods and a slew of other measures, including restrictions on rare earth exports and a probe of the China subsidiary of US chemicals giant DuPont.

Trump on Monday threatened an [additional 50 per cent](#) tariff on China, further roiling global markets.

Singapore has a delicate task in maintaining its close relations with both the US and China.

Mainland China is its biggest trading partner, with total goods trade worth \$126bn last year, while the US is third behind Malaysia, worth \$98bn. Singapore is one of the few countries where the US enjoys a trade surplus, valued at \$30bn last year.

Several of Singapore's neighbours in south-east Asia were hit hard by Trump's tariffs announcement last week, especially those where the US has a trade deficit.

Countries such as Vietnam that have been big beneficiaries of the "China plus one"

strategy in recent years — where they are used as export manufacturing bases — were worst affected.

Cambodia was hit with duties of 49 per cent, Vietnam 46 per cent, Thailand 36 per cent, Indonesia 32 per cent and Malaysia 24 per cent in a [blow to Asian manufacturing](#).

Over the weekend, Malaysian Prime Minister Anwar Ibrahim said his country would use its position as chair of the Asean regional bloc to co-ordinate a response to the US aimed at limiting the damage.

Balakrishnan said Singapore was less concerned about its own 10 per cent tariff than the rates imposed on its neighbours and trading partners, as well as the potential for sector-based tariffs to come.

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